

ShroffConnect Weekly Report

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Opinion as on 14/09/2013

World Markets –

- **Money flow:** The money is flowing into stocks of developed countries but not USA.
 - **Opinion on money flow:** Investors believe that QE will be curtailed to a small extent, and the announcement to that effect should be made by the Fed during the coming week. Hence, the preference is for non USA stocks. Commodities and treasuries are easier.
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Indian Stock Market –

- **Stock Market:** The stock market has been largely steady and closed at 5850.
- **Sectors:** Consumer Goods, IT, Pharma and Telecom are outperforming.
- **Positives:** FII buying, better INR, improved IIP data.
- **Negatives:** High fiscal deficit, high CAD, welfare policies of the government.
- **Opinion:** The market is showing good technical strength. However, the fundamental picture does not support this. It could be a false rally unless backed by some good policies. Investors should wait and watch for some time before investing. Alternately they may buy good stocks on a correction.



Current news and world
financial market prices

Current scenario & news

World economy

- U.S. export prices fell for the sixth straight month in August while prices for non-petroleum imports fell, signs of slack in global demand and in the domestic economy.
- China's factory output grew at its fastest pace in 17 months and investment and consumption beat market forecasts, increasing confidence among investors that the world's second-largest economy has halted a slide and is building some momentum.
- The International Monetary Fund added the euro zone and Spain to a list of countries that have relatively large economic imbalances, posing a risk to stable global growth.
- Asian currencies had their best week in two months, led by India's rupee, after U.S. jobs data tempered speculation the Federal Reserve will cut stimulus that's buoyed emerging markets.

Indian economy

- Industrial production grew 2.6 percent in July, expanding for the first time in three months, on improved performances in the manufacturing and power sectors, raising hopes of a recovery and expectations the RBI will cut interest rates to boost consumer demand.
- India's trade deficit narrowed to a five-month low in August, as merchandise exports clocked double digit growth for the second consecutive month and imports declined, offering a glimmer of hope for the battered rupee.
- India's economy is expected to grow 5.3 percent this fiscal year, sharply lower than an earlier estimate of 6.4 percent but higher than last year.
- To boost foreign fund inflows into the capital markets here, regulator Sebi on Friday allowed overseas entities to invest in government securities without any auction mechanism.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 14th Sep 2013	% Change
STOCKS	Australia	ASX	5214.73	1.97
	Brazil	Bovespa	53797.51	0.09
	China	Shanghai	2236.22	4.50
	France	CAC	4114.50	1.61
	Germany	DAX	8509.42	2.82
	Hong Kong	Hang Seng	22915.28	1.30
	India	Sensex	19732.76	2.40
	Japan	Nikkei	14404.67	3.92
	UK	FTSE	6583.80	0.56
	USA	DJIA	15376.06	3.04
COMMODITIES	Copper	\$/Pound	3.20	(1.84)
	Crude	\$/Barrel	108.21	(2.10)
	Gold	\$/Troy Ounce	1308.60	(5.62)
	Natural Gas	\$/MMBtu	3.68	4.25
	Silver	\$/Troy Ounce	21.72	(9.08)
	Aluminium	\$/Tonne	1790.00	(1.86)
	Lead	\$/Tonne	2071.00	(3.72)
	Nickel	\$/Tonne	13847.00	(0.95)
	Zinc	\$/Tonne	1869.00	(1.32)
CURRENCIES	USD/GBP		1.5870	1.51
	USD/EUR		1.3290	0.86
	USD/AUD		0.9243	0.69
	JPY/USD		99.36	0.28
	INR/USD		63.49	(2.68)
	HKD/USD		7.7538	(0.02)
	BRL/USD		2.2816	(0.71)
BONDS	2 Year	US Treasury	109.98	0.05
	10 Year		124.67	0.48
	30 Year		131.31	0.64

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 14th Sep 2013	% Change
STOCKS	Nifty	Large Cap	5850.60	3.00
	Sensex	Large Cap	19732.76	2.40
	BSE Midcap	Mid Cap	5629.15	3.27
	BSE Smallcap	Small Cap	5509.42	3.10
Some Major Shares	ACC	Rs/share	1043.70	8.46
	Bharti Airtel		325.75	3.82
	HDFC Ltd		807.95	6.19
	Infosys		3028.05	(0.03)
	L&T		836.40	10.91
	Reliance Inds		873.00	0.58
	Tata Motors		334.05	5.11
	Tata Steel		298.30	2.11
COMMODITIES	Aluminium	INR/Kg	112.50	(3.68)
	Copper	INR/Kg	460.85	(3.23)
	Crude	INR/Barrel	6921.00	(3.46)
	Gold	INR/10gms	30128.00	(5.51)
	Lead	INR/Kg	132.10	(5.10)
	Natural Gas	INR/1mmBtu	235.10	2.31
	Nickel	INR/Kg	883.10	(2.51)
	Silver	INR/Kg	50676.00	(7.83)
	Zinc	INR/Kg	118.35	(3.31)
CURRENCIES	INR/EUR		84.40	(1.85)
	INR/GBP		100.77	(1.18)
	INR/100 JPY		63.86	(2.96)
	INR/USD		63.49	(2.68)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 14/09/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	1.30
Inflation Rate	Monthly	2.00	1.80
Unemployment Rate	Monthly	7.30	7.40
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓2.91	2.97

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.50	-1.00
Inflation Rate	Monthly	1.30	1.60
Unemployment Rate	Monthly	12.10	12.10
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓1.65	1.73

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.50	7.70
Inflation Rate	Monthly	↓2.60	2.70
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑4.19	4.10

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.30
Inflation Rate	Monthly	0.70	0.30
Unemployment Rate	Monthly	3.80	3.90
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.71	0.75

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.50	0.30
Inflation Rate	Monthly	2.80	2.90
Unemployment Rate	Monthly	↓7.70	7.80
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓2.95	2.99

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.40	4.80
Inflation Rate	Monthly	5.79	4.86
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.25	7.25
Govt. bond 10 year Rate	Weekly	↑8.50	8.42

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.30	1.90
Inflation Rate	Monthly	6.09	6.27
Unemployment Rate	Monthly	5.60	6.00
Benchmark Interest Rate	Weekly	9.00	8.50
Govt. bond 10 year Rate	Weekly	↓11.98	12.10

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.20	1.60
Inflation Rate	Monthly	6.50	6.50
Unemployment Rate	Monthly	5.30	5.40
Benchmark Interest Rate	Weekly	8.25	8.25
Govt. bond 10 year Rate	Weekly	↓7.39	7.69

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 14/09/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	2003.95	18.93	6.71
Bharat Heavy Electricals Ltd.	Electric Equipment	142.35	5.66	1.13
Bharti Airtel Ltd.	Telecommunication - Service Provider	325.80	59.13	2.54
Cipla Ltd.	Pharmaceuticals & Drugs	440.60	22.37	3.79
Coal India Ltd.	Mining & Minerals	293.20	11.15	3.55
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2246.40	22.44	5.74
GAIL (India) Ltd.	Gas Transmission/Marketing	313.15	10.75	1.59
HDFC Bank Ltd.	Bank - Private	629.20	21.03	3.92
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2052.35	19.98	7.38
Hindalco Industries Ltd.	Aluminium & Aluminium Products	112.30	12.30	0.63
Hindustan Unilever Ltd.	Household & Personal Products	621.55	38.57	36.78
Housing Development Finance Corporation Ltd.	Finance - Housing	807.90	17.79	3.76
ICICI Bank Ltd.	Bank - Private	940.55	12.36	1.55
Infosys Ltd.	IT - Software	3028.25	18.29	4.31
ITC Ltd.	Cigarettes/Tobacco	331.55	34.04	10.87
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	241.05	7.46	1.04
Larsen & Toubro Ltd.	Engineering - Construction	833.65	16.30	2.61
Mahindra & Mahindra Ltd.	Automobiles-Tractors	829.90	14.34	3.30
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1320.60	15.34	2.08
NTPC Ltd.	Power Generation/Distribution	140.95	9.19	1.42
Oil & Natural Gas Corp. Ltd.	Oil Exploration	282.75	12.82	1.90
Reliance Industries Ltd.	Refineries	873.25	12.93	1.53
State Bank Of India	Bank - Public	1662.95	6.56	0.86
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	90.20	5.23	0.58
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	563.50	124.64	8.38
Tata Consultancy Services Ltd.	IT - Software	1950.15	26.45	9.00
Tata Motors Ltd.	Automobiles-Trucks/Lcv	333.35	9.73	2.32
Tata Power Company Ltd.	Power Generation/Distribution	78.25	0.00	1.51
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	298.25	0.00	0.84
Wipro Ltd.	IT - Software	455.35	17.20	3.99

World macro scenario

- USA – US economic data is improving. QE3 will be curtailed as required. Fed meet in mid Sept.
- Europe – Recession seems to be over based on German and French data.
- China – Govt. wants stability and not unbridled growth. Economy seems to have stabilized.
- Japan – Japanese PM's economic policies are popular.
- Emerging markets – EM currencies are being battered as money flows out of these countries.

Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger. Current account deficit is extremely high.
- Government policies – GDP growth down but no clear growth-encouraging policies. Companies bill passed by both houses.
- RBI – Raghuram Rajan takes over as the RBI governor and announces a slew of measures to strengthen the INR. Next mid quarter review on 20th September.
- Politics – Possible early elections. Narendra Modi is the BJP's prime ministerial candidate.
- Inflation – Headline inflation over 5% once again.
- Currency – The rupee closes at approx. Rs.63/50 per USD.

Our concerns on the macro front

World economies

- QE3 may be curtailed by the end of the year.
- Eurozone's low GDP growth. Unemployment.

Indian economy

- Lowest GDP growth in years.
- High interest rate.
- High fiscal deficit.
- High current account deficit.
- Weak INR.
- Populist politics. Food Security Bill.
- Lack of investor confidence.
- Possibility of early elections.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS			Australia China ↑ France Germany ↑ Hong Kong ↑	Brazil India ↑ Japan UK USA		
COMMODITIES			Crude Oil ↓	Copper Lead ↓ Natural Gas Silver Zinc	Aluminium ↓ Gold ↓ Nickel	
CURRENCIES (against USD)			GBP ↑	EUR HKD JPY		AUD BRL INR
BONDS (US Treasury)					2 Year ↑	10 Year 30 Year

↑ = moved up from last week, ↓ = moved dn from last week

INDIAN MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
INDICES				Nifty ↑ Sensex ↑		Mid Cap Small Cap
SECTORS	IT Teck		Healthcare ↑	Auto ↑ FMCG ↑ Metal Oil & Gas ↑		Bankex Cap Goods Cons Durable Power Realty
COMMODITIES	Copper Crude Oil Gold Lead Zinc		Aluminium ↓ Natural Gas Nickel ↑ Silver			
CURRENCIES (against INR)	EUR GBP JPY USD					

↑ = moved up from last week, ↓ = moved dn from last week

MAJOR LARGE COMPANIES - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Britannia Ind Cipla ↑ Dabur India Dr Reddys Lab HCL Tech Hero Moto Co Hind Unilever Idea Cellular Infosys Lupin Sun Pharma TCS Tech Mahindra Wipro	Bajaj Auto ↑ Cairn India ↑ Hind Zinc ↑ Ranbaxy Lab Sesa Goa	ABB ↑ Bharti Airtel Crompton Gr ↑ Eicher Motors Exide Ind Godrej Ind ↑ Hindalco Ind JSW Steel ↑ Kotak Bank ↑ MRF Nestle India Reliance Ind Tata Global Tata Motors Tata Steel United Phos United Spirits	Ambuja Cem Asian Paints Havells India ↑ HCC ↑ HDFC ↑ HDFC Bank ↑ ICICI Bank ↑ IndusInd Bank ITC ↓ Jindal Steel Siemens ↑ Titan Industries	ACC Axis Bank Bank Of Baroda BHEL Canara Bank JSW Energy L & T M & M Maruti Suzuki Petronet LNG PNB Shriram Tr Fin SBIN Tata Chem Tata Power Ultratech Cem Yes Bank

↑ = moved up from last week, ↓ = moved dn from last week

MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Biocon					
				Apollo Hospitals	Adani Ports	Adani Power
				Arvind	Cummins India ↑	Century Tex
				Aurobindo Ph	GSK Consumer ↑	Colgate-Palm
				Bata India	GVK Power ↑	Dish T V
				Berger Paints	Ind bulls Real ↑	IFCI
				Castrol India ↑	Indian Hotels ↑	India Cem
				Divis Lab	IRB Infra ↑	Mcleod Russel
				Emami	Jain Irrigation ↑	Raymond
				Godrej Con	JP Power ↑	Sintex Ind
				HDIL ↑	Jubilant Food	Unitech
				IGL ↑	L&T Finance ↑	
				M&M Finan		
				Reliance Power		
				Sun TV		
				Zee Ent		

↑ = moved up from last week, ↓ = moved dn from last week

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