

ShroffConnect Weekly Report

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Opinion as on 21/09/2013

World Markets –

- **Money flow:** Money is flowing into stock markets of non-US developed countries.
 - **Opinion on money flow:** The Fed came back with a deferment of its QE tapering. That may not be a good thing though because it sends out a message that all is not well with the US economy. The world markets rallied on the news although the message is that the rally may be short lived.
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Indian Market –

- **Stock Market:** The Nifty rallied drastically and then gave up some of its gains to close at 6012.
- **Sectors:** IT, Pharma and Telecom are outperforming.
- **Positives:** FII buying.
- **Negatives:** High interest rates, high deficits, higher inflation.
- **Opinion:** The Indian market has rallied very well from its lows of early September. The new RBI governor began his term with a bang and managed to contain and reverse the despondency in the economy. Then he was pragmatic by raising long term interest rates and decreasing short term rates to make it less costly for corporate India. However, it is clear that without govt. policy support his hands are tied by inflation and a see-sawing currency. We should not expect too much from this government which is in an election mode. The sword of QE3 tapering is there. However, we feel that the bottom may be over and investors should begin to buy once again on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- The U.S. Federal Reserve defied investor expectations on Wednesday by postponing the start of the wind down of its massive monetary stimulus, saying it wanted to wait for more evidence of solid economic growth.
- The euro headed for its biggest weekly gain in two months versus the dollar before reports that economists said will to show consumer confidence improved in the 17-nation currency bloc and manufacturing expanded.
- Japan's currency slid against all 16 of its major peers after a central-bank policy maker said pressure may mount to expand stimulus. The dollar fluctuated against the euro after falling to a seven-month low as Fed policy makers maintained monthly bond purchases at \$85 billion.
- Italy's bonds rose this week, with 10-year yields falling the most since April, as Europe's government securities advanced amid bets central banks will maintain stimulus that boosts demand for fixed-income assets.

Indian economy

- Reserve Bank of India Governor Raghuram Rajan surprised markets in his maiden policy review on Friday by raising interest rates to ward off rising inflation while scaling back some emergency measures put in place to support the rupee.
- Costlier vegetable prices especially onion pushed the Wholesale Price Index (WPI) inflation to 6.1 percent in August compared to 5.79 in July, the highest in six months.
- Overseas investment by Indian companies declined sharply to USD 1.94 billion in August, amid the Reserve Bank tightening norms for outbound investments by the domestic firms to contain rupee slide.
- India increased the import duty on gold jewellery to 15 percent from 10 percent on Tuesday, in a move aimed more at protecting the domestic jewellery industry rather than stemming overseas purchases to narrow its current account deficit.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 21st Sep 2013	% Change
STOCKS	Australia	ASX	5270.80	1.08
	Brazil	Bovespa	54110.03	0.58
	China	Shanghai	2191.85	(1.98)
	France	CAC	4203.66	2.17
	Germany	DAX	8675.73	1.95
	Hong Kong	Hang Seng	23502.51	2.56
	India	Sensex	20263.71	2.69
	Japan	Nikkei	14742.42	2.34
	UK	FTSE	6596.43	0.19
	USA	DJIA	15451.09	0.49
COMMODITIES	Copper	\$/Pound	3.32	3.75
	Crude	\$/Barrel	104.75	(3.20)
	Gold	\$/Troy Ounce	1332.50	1.83
	Natural Gas	\$/MMBtu	3.69	0.27
	Silver	\$/Troy Ounce	21.93	0.97
	Aluminium	\$/Tonne	1800.00	0.56
	Lead	\$/Tonne	2084.00	0.63
	Nickel	\$/Tonne	14035.00	1.36
	Zinc	\$/Tonne	1871.50	0.13
CURRENCIES	USD/GBP		1.5994	0.78
	USD/EUR		1.3521	1.74
	USD/AUD		0.9390	1.59
	JPY/USD		99.34	(0.02)
	INR/USD		62.71	(1.23)
	HKD/USD		7.7525	(0.02)
	BRL/USD		2.2097	(3.15)
BONDS	2 Year	US Treasury	110.18	0.18
	10 Year		125.30	0.51
	30 Year		131.69	0.29

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 21st Sep 2013	% Change
STOCKS	Nifty	Large Cap	6012.10	2.76
	Sensex	Large Cap	20263.71	2.69
	BSE Midcap	Mid Cap	5677.24	0.85
	BSE Smallcap	Small Cap	5485.30	(0.44)
Some Major Shares	ACC	Rs/share	1123.25	7.62
	Bharti Airtel		344.20	5.66
	HDFC Ltd		810.40	0.30
	Infosys		2995.15	(1.09)
	L&T		846.40	1.20
	Reliance Inds		881.90	1.02
	Tata Motors		338.35	1.29
	Tata Steel		300.00	0.57
COMMODITIES	Aluminium	INR/Kg	110.45	(1.82)
	Copper	INR/Kg	466.00	1.12
	Crude	INR/Barrel	6637.00	(4.10)
	Gold	INR/10gms	29912.00	(0.72)
	Lead	INR/Kg	129.45	(2.01)
	Natural Gas	INR/1mmBtu	231.40	(1.57)
	Nickel	INR/Kg	875.60	(0.85)
	Silver	INR/Kg	49306.00	(2.70)
	Zinc	INR/Kg	115.30	(2.58)
CURRENCIES	INR/EUR		84.32	(0.09)
	INR/GBP		100.30	(0.47)
	INR/100 JPY		63.12	(1.16)
	INR/USD		62.71	(1.23)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 21/09/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	1.30
Inflation Rate	Monthly	↓1.50	2.00
Unemployment Rate	Monthly	7.30	7.40
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓2.73	2.91

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	↓1.57	1.65

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	↓4.10	4.19

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	↓0.69	0.71

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.50	0.30
Inflation Rate	Monthly	↓2.70	2.80
Unemployment Rate	Monthly	7.70	7.80
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓2.93	2.95

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.40	4.80
Inflation Rate	Monthly	↑6.10	5.79
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	↑7.50	7.25
Govt. bond 10 year Rate	Weekly	↑8.58	8.50

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	↓11.44	11.98

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.20	1.60
Inflation Rate	Monthly	6.50	6.50
Unemployment Rate	Monthly	↓5.20	5.30
Benchmark Interest Rate	Weekly	↓5.50	8.25
Govt. bond 10 year Rate	Weekly	↓7.16	7.39

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 21/09/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1995.30	18.85	6.68
Bharat Heavy Electricals Ltd.	Electric Equipment	135.25	5.37	1.07
Bharti Airtel Ltd.	Telecommunication - Service Provider	344.35	62.50	2.68
Cipla Ltd.	Pharmaceuticals & Drugs	429.80	21.82	3.70
Coal India Ltd.	Mining & Minerals	301.15	11.45	3.64
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2368.85	23.67	6.05
GAIL (India) Ltd.	Gas Transmission/Marketing	340.40	11.68	1.72
HDFC Bank Ltd.	Bank - Private	659.05	22.02	4.10
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1982.10	19.30	7.13
Hindalco Industries Ltd.	Aluminium & Aluminium Products	114.25	12.51	0.65
Hindustan Unilever Ltd.	Household & Personal Products	651.25	40.42	38.54
Housing Development Finance Corporation Ltd.	Finance - Housing	807.70	17.79	3.76
ICICI Bank Ltd.	Bank - Private	987.30	12.97	1.63
Infosys Ltd.	IT - Software	2995.55	18.10	4.26
ITC Ltd.	Cigarettes/Tobacco	355.40	36.49	11.66
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	260.45	8.06	1.12
Larsen & Toubro Ltd.	Engineering - Construction	847.00	16.56	2.66
Mahindra & Mahindra Ltd.	Automobiles-Tractors	872.60	15.07	3.47
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1466.05	17.03	2.31
NTPC Ltd.	Power Generation/Distribution	147.75	9.63	1.49
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	290.35	13.17	1.95
Reliance Industries Ltd.	Refineries	882.60	13.07	1.55
State Bank Of India	Bank - Public	1746.55	6.89	0.91
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	90.20	5.23	0.58
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	566.60	125.32	8.42
Tata Consultancy Services Ltd.	IT - Software	1952.85	26.49	9.01
Tata Motors Ltd.	Automobiles-Trucks/Lcv	338.70	9.89	2.36
Tata Power Company Ltd.	Power Generation/Distribution	82.15	0.00	1.59
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	300.40	0.00	0.84
Wipro Ltd.	IT - Software	475.30	17.95	4.16

World macro scenario

- USA – US economic data is improving. QE3 tapering deferred.
- 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 gain some ground on the Fed deferring QE3.

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 – RBI announces an increase in repo rate by 0.25% while easing short term interest rates by 0.75%.
- 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.62/25 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		France ↑ Germany ↑	Australia Hong Kong Japan ↑	Brazil China ↓ India UK USA		
COMMODITIES			Copper ↑ Crude Oil	Lead Natural Gas Silver Zinc	Aluminium Gold Nickel	
CURRENCIES (against USD)			EUR ↑ GBP HKD ↑	AUD ↑ JPY	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



INDICES

Nifty
Sensex

Small Cap ↑

Mid Cap

SECTORS

IT
Teck

FMCG ↑
Healthcare

Auto
Metal
Oil & Gas

Bankex ↑
Power ↑

Cap Goods
Cons Durable
Realty

COMMODITIES

Copper

Aluminium
Crude Oil ↓
Gold ↓
Lead ↓
Natural Gas
Silver
Zinc ↓

Nickel ↓

CURRENCIES
(against INR)

EUR
GBP
USD

JPY ↓

↑ = 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 Bharti Airtel ↑ Cairn India Hindustan Zinc Sesa Goa Tata Motors ↑	ABB Ambuja Cem ↑ Asian Paints ↑ Crompton Gr Eicher Motors Exide Ind Godrej Ind HDFC Bank ↑ Hindalco Ind ICICI Bank ↑ ITC ↑ Jindal Steel ↑ JSW Steel Kotak Bank Maruti Suzuki ↑ MRF Ranbaxy Lab ↓ Reliance Ind Tata Global Tata Steel Ultratech Cem ↑ United Phos United Spirits	Axis Bank ↑ Havells India HCC HDFC IndusInd Bank JSW Energy ↑ L&T ↑ M & M ↑ Nestle India ↓ Petronet LNG ↑ Siemens	ACC Bank Of Baroda BHEL Canara Bank PNB Shriram Trans SBIN Tata Chem Tata Power Titan Ind ↓ 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 ↓	Arvind Aurobindo Ph Bata India Berger Paints Castrol India DiviS Lab Emami Godrej Con HDIL IGL Jain Irrigation ↑ L&T Finance ↑ M & M Fin Reliance Power Sun TV Zee Ent	Adani Ports Apollo Hos ↓ Century Text ↑ Cummins India GSK Consumer GVK Power Ind bulls Real Est Indian Hotels IRB Infra JP Power Jubilant Food Raymond ↑	Adani Power Colgate-Pal Dish T V IFCI India Cem Mcleod Russel Sintex Ind Unitech

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

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