

# *ShroffConnect* Weekly Report

## 28<sup>th</sup> September, 2013



**Aditya Shroff**

Stock Broking Services

**Shroff Securities Pvt. Ltd.**

Portfolio Management Services

Kolkata: 033 32933592/3658

Bangalore: 080 32996004/6005

Email: [contact@shroffsecurities.com](mailto:contact@shroffsecurities.com)

Web: [www.shroffsecurities.com](http://www.shroffsecurities.com)

(for private circulation only)

# Opinion as on 28/09/2013

## World Markets –

- **Money flow:** The money is flowing into stocks and short term treasuries.
  - **Opinion on money flow:** Money is going into 'risk-on' mode with the deferment of QE tapering and Merkel winning the German elections. Chinese PMI is at the highest level in months giving new confidence to equity investors.
- 

## Indian Market –

- **Stock Market:** The market eased somewhat to close at 5833.
- **Sectors:** Consumer Goods, IT, selective Pharma and Telecom are outperforming.
- **Positives:** FII buying.
- **Negatives:** No governance, high fiscal deficit and current account deficit.
- **Opinion:** The govt. seems to have gone into full election mode. There are no reforms, no increase in oil prices, and no leadership. In other words there is nothing to boost investor confidence. The current crisis in the Congress party may lead to early elections. Investors should wait and watch, and invest only in quality stocks on a good dip in prices.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- U.S. stocks fell, extending a weekly drop, amid concern a political impasse over the federal budget will hurt the economy. Treasuries rose and the yen strengthened while metals rallied.
- Signs of resurgence in the euro-area economy since it returned to growth in the second quarter after an 18-month contraction have boosted equities. Yet Europe continues to struggle with the legacy of the debt crisis now in its fourth year, including falling industrial production and a jobless rate at a record 12.1 percent.
- Japan's inflation accelerated to the fastest pace since 2008 in August on higher energy costs, underscoring pressure on Prime Minister Shinzo Abe to drive wage increases as he seeks to end 15 years of deflation.
- The pound rose against the dollar for a fourth week, the longest streak in a year, as Bank of England Governor Mark Carney said he sees no case for further stimulus measures that typically debase the currency.

## Indian economy

- RBI Governor Raghuram Rajan is set to use consumer-price inflation as the main guide for monetary policy for the first time, a shift that signals further increases in the benchmark interest rate.
- The Reserve Bank of India said it will take action including conducting open market operations to ensure adequate liquidity is available in the banking system, acknowledging that liquidity conditions have been tightening.
- India's crude oil import bill has jumped 9.5 percent to Rs 3,47,432 crore in the first five months of the current fiscal on account of sharp depreciation of the rupee against the US dollar.
- The government is likely to soon announce measures to revive investor interest in Export Oriented Units (EOUs), a move that will help boost shipments overseas and contain current account deficit.
- Relaxing norms to raise funds from abroad, the Reserve Bank Tuesday said now all types of companies can avail trade credit facility from overseas for import of capital goods.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 28th Sep 2013	% Change
STOCKS	Australia	ASX	5302.26	0.60
	Brazil	Bovespa	53738.92	(0.69)
	China	Shanghai	2160.03	(1.45)
	France	CAC	4186.77	(0.40)
	Germany	DAX	8661.51	(0.16)
	Hong Kong	Hang Seng	23207.04	(1.26)
	India	Sensex	19727.27	(2.65)
	Japan	Nikkei	14760.07	0.12
	UK	FTSE	6512.66	(1.27)
	USA	DJIA	15258.24	(1.25)
COMMODITIES	Copper	\$/Pound	3.33	0.30
	Crude	\$/Barrel	102.87	(1.79)
	Gold	\$/Troy Ounce	1339.20	0.50
	Natural Gas	\$/MMBtu	3.59	(2.71)
	Silver	\$/Troy Ounce	21.83	(0.46)
	Aluminium	\$/Tonne	1840.00	2.22
	Lead	\$/Tonne	2100.00	0.77
	Nickel	\$/Tonne	13985.00	(0.36)
	Zinc	\$/Tonne	1907.00	1.90
CURRENCIES	USD/GBP		1.6150	0.98
	USD/EUR		1.3522	0.01
	USD/AUD		0.9317	(0.78)
	JPY/USD		98.24	(1.11)
	INR/USD		62.50	(0.33)
	HKD/USD		7.7537	0.02
	BRL/USD		2.2561	2.10
BONDS	2 Year	US Treasury	110.20	0.02
	10 Year		126.34	0.83
	30 Year		133.44	1.33

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 28th Sep 2013	% Change
STOCKS	Nifty	Large Cap	5833.20	(2.98)
	Sensex	Large Cap	19727.27	(2.65)
	BSE Midcap	Mid Cap	5621.77	(0.98)
	BSE Smallcap	Small Cap	5496.88	0.21
Some Major Shares	ACC	Rs/share	1099.55	(2.11)
	Bharti Airtel		325.30	(5.49)
	HDFC Ltd		784.20	(3.23)
	Infosys		3006.60	0.38
	L&T		815.85	(3.61)
	Reliance Inds		839.90	(4.76)
	Tata Motors		340.10	0.52
	Tata Steel		287.40	(4.20)
COMMODITIES	Aluminium	INR/Kg	113.25	2.54
	Copper	INR/Kg	470.05	0.87
	Crude	INR/Barrel	6533.00	(1.57)
	Gold	INR/10gms	30726.00	2.72
	Lead	INR/Kg	131.30	1.43
	Natural Gas	INR/1mmBtu	227.50	(1.69)
	Nickel	INR/Kg	878.00	0.27
	Silver	INR/Kg	49680.00	0.76
	Zinc	INR/Kg	118.65	2.91
CURRENCIES	INR/EUR		84.52	0.24
	INR/GBP		100.95	0.65
	INR/100 JPY		63.58	0.73
	INR/USD		62.50	(0.33)



# Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 28/09/2013

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	↓2.62	2.73

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	↓1.45	1.57

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	↓4.06	4.10

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.30
Inflation Rate	Monthly	↑0.90	0.70
Unemployment Rate	Monthly	3.80	3.90
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	0.69	0.69

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.30	0.20
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	↓2.72	2.93

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	↑8.71	8.58

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.30	1.90
Inflation Rate	Monthly	6.09	6.27
Unemployment Rate	Monthly	↓5.30	5.60
Benchmark Interest Rate	Weekly	9.00	8.50
Govt. bond 10 year Rate	Weekly	↑11.71	11.44

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	5.50
Govt. bond 10 year Rate	Weekly	↑7.27	7.16



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 28/09/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1992.25	18.82	6.67
Bharat Heavy Electricals Ltd.	Electric Equipment	143.95	5.72	1.14
Bharti Airtel Ltd.	Telecommunication - Service Provider	325.10	59.01	2.53
Cipla Ltd.	Pharmaceuticals & Drugs	433.15	21.99	3.73
Coal India Ltd.	Mining & Minerals	307.05	11.68	3.72
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2411.40	24.09	6.16
GAIL (India) Ltd.	Gas Transmission/Marketing	326.40	11.20	1.65
HDFC Bank Ltd.	Bank - Private	609.75	20.38	3.80
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2048.20	19.94	7.36
Hindalco Industries Ltd.	Aluminium & Aluminium Products	113.85	13.44	0.69
Hindustan Unilever Ltd.	Household & Personal Products	620.85	38.53	36.74
Housing Development Finance Corp Ltd.	Finance - Housing	782.70	17.25	3.65
ICICI Bank Ltd.	Bank - Private	923.30	12.13	1.52
Infosys Ltd.	IT - Software	3006.40	18.16	4.28
ITC Ltd.	Cigarettes/Tobacco	348.90	35.82	11.44
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	236.50	7.32	1.02
Larsen & Toubro Ltd.	Engineering - Construction	817.45	15.99	2.56
Mahindra & Mahindra Ltd.	Automobiles-Tractors	844.15	14.58	3.36
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1367.80	15.89	2.15
NTPC Ltd.	Power Generation/Distribution	147.80	9.64	1.49
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	274.50	12.45	1.84
Reliance Industries Ltd.	Refineries	840.20	12.44	1.47
State Bank Of India	Bank - Public	1641.70	6.48	0.85
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	90.20	5.23	0.58
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	589.75	130.44	8.77
Tata Consultancy Services Ltd.	IT - Software	1947.15	26.41	8.98
Tata Motors Ltd.	Automobiles-Trucks/Lcv	339.85	9.92	2.37
Tata Power Company Ltd.	Power Generation/Distribution	81.65	0.00	1.58
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	287.85	0.00	0.81
Wipro Ltd.	IT - Software	475.15	17.94	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 with the highest August PMI in several months.
- 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.62/50 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 ↑ France Germany	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  
Metal ↑

Auto  
Oil & Gas

Power

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

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

# Disclaimer

- This report or newsletter (collectively called 'Report') is for private circulation only. The content, information, statements, opinion, statistics, newsletters, reports and material (collectively called 'Content') contained in this Report does not constitute a recommendation, advice, an offer or solicitation for the purchase or sale of any stocks, commodities, foreign exchange, bonds, mutual funds, debt instruments, financial instruments or any investment products (collectively called 'Securities').
- All Content contained herein are provided "as is" for informational purposes only, and is not intended for trading purposes or advice. The Content provided is based on historical data. The past is not necessarily a guide to the future values and prices. No guarantee, representation or warranty whatsoever is made by M/s Aditya Shroff or M/s Shroff Securities Private Limited, their subsidiaries, group entities, owners, directors, partners, officers or employees (collectively called 'the Companies & Others') regarding the timeliness, quality, completeness, accuracy, adequacy, fullness, functionality or reliability of the Content contained in this Report or of the results obtained from the use of such Content and no warranties whether express or implied, responsibility or liability, contingent or otherwise of any kind and nature whatsoever regarding the accuracy, quality, performance, merchantability and/or fitness for a particular purpose of the Content contained herein or of the results obtained from the use of such Content, the security suitability for the investor, accounting and tax consequences of investing in Securities or the future value developments of such Securities.
- The Content provided in this report thus provides non-binding Content for which the Companies & Others disclaim liability. Transacting in Securities carries a great deal of risk. Readers and recipients should take independent professional advice before doing any transaction(s). The Companies & Others shall not be liable for any informational errors, incompleteness, or delays, or for any actions taken in reliance on Content contained herein.