

ShroffConnect Weekly Report

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Opinion as on 12/10/2013

World Markets –

- **Money flow:** Into stocks of non-US economies.
 - **Opinion on money flow:** Investors are quite tired of the political brinkmanship in the USA. Both the parties cannot seem to resolve their issues and quite unconcerned that their actions directly affect other world economies as well. Other economies seem to be in the recovery mode as well on the back of easy money policies.
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Indian Market –

- **Stock Market:** The stock market rallied to a level of nearly 6100.
- **Sectors:** Computer software and Pharma are outperforming.
- **Positives:** Reduced trade deficit figure.
- **Negatives:** High fiscal deficit, high interest rates and low governance.
- **Opinion:** Markets are moving up on the flimsiest of grounds. In the last week the triggers were the reduced trade deficit figure and a possible solution to the US debt ceiling. The debt ceiling matter has not been resolved and the markets should feel the effect next week. The other good news was an 18% increase in the sale of two wheelers. This is definitely a good sign. We all know that markets move ahead of the economy by a few months and possibly the bottom has been left behind. However, investors should not chase the market but buy stocks of great companies on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- President Barack Obama and congressional Republican leaders inched toward resolving their fiscal impasse on Friday, but struggled to agree on the length and terms of a short-term deal to increase the U.S. debt limit and reopen the government.
- The International Monetary Fund warned in a report this week that the unwinding of U.S. monetary stimulus would pose a danger for emerging economies that have slowed sharply after the boom of the past decade.
- China's trade surplus narrowed to a disappointing USD 15.2 billion in September from USD 28.6 billion in August.
- The pound fell to a six-week low against the euro as reports showed industrial and construction output unexpectedly declined in August, casting doubt on the strength of the U.K. recovery.

Indian economy

- India's industrial production growth slowed to 0.6 percent in August from an upwardly revised 2.75 percent pace in July, hurt by weak investment and consumer demand.
- India's trade deficit narrowed to a two-and-a-half-year low in September, raising hopes for a significant reduction in the country's gaping current account deficit, which helped send the rupee to record lows in recent months.
- India's foreign exchange reserves surged USD 1.46 billion to USD 277.73 billion in the week ended October 4 on the back of a healthy growth in the key currency assets.
- The rupee ended the week at two-month high of 61.07 against dollar following sustained selling of the American currency by exporters amid firm local equities and fall in trade deficit to 30-month low.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 12th Oct 2013	% Change
STOCKS	Australia	ASX	5228.84	0.44
	Brazil	Bovespa	53149.62	0.57
	China	Shanghai	2228.15	2.46
	France	CAC	4219.98	1.34
	Germany	DAX	8724.83	1.18
	Hong Kong	Hang Seng	23218.32	0.34
	India	Sensex	20528.59	3.08
	Japan	Nikkei	14404.74	2.71
	UK	FTSE	6487.19	0.52
	USA	DJIA	15237.11	1.09
COMMODITIES	Copper	\$/Pound	3.27	(0.91)
	Crude	\$/Barrel	102.02	(1.75)
	Gold	\$/Troy Ounce	1268.20	(3.18)
	Natural Gas	\$/MMBtu	3.78	7.69
	Silver	\$/Troy Ounce	21.26	(2.25)
	Aluminium	\$/Tonne	1881.50	2.03
	Lead	\$/Tonne	2102.00	2.79
	Nickel	\$/Tonne	13907.00	(1.02)
	Zinc	\$/Tonne	1917.00	2.40
CURRENCIES	USD/GBP		1.5952	(0.37)
	USD/EUR		1.3542	(0.10)
	USD/AUD		0.9460	0.35
	JPY/USD		98.58	1.18
	INR/USD		60.96	(0.68)
	HKD/USD		7.7540	(0.00)
	BRL/USD		2.1785	(1.27)
BONDS	2 Year	US Treasury	110.11	(0.02)
	10 Year		126.11	(0.06)
	30 Year		132.81	(0.12)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 12th Oct 2013	% Change
STOCKS	Nifty	Large Cap	6096.20	3.20
	Sensex	Large Cap	20528.59	3.08
	BSE Midcap	Mid Cap	5870.60	2.44
	BSE Smallcap	Small Cap	5718.33	2.75
Some Major Shares	ACC	Rs/share	1127.00	(0.48)
	Bharti Airtel		334.55	1.89
	HDFC Ltd		810.50	1.48
	Infosys		3274.50	8.56
	L&T		882.95	7.69
	Reliance Inds		863.35	1.05
	Tata Motors		385.30	10.07
	Tata Steel		307.90	6.74
COMMODITIES	Aluminium	INR/Kg	113.30	1.30
	Copper	INR/Kg	445.75	(1.86)
	Crude	INR/Barrel	6207.00	(2.80)
	Gold	INR/10gms	28365.00	(4.51)
	Lead	INR/Kg	127.90	1.51
	Natural Gas	INR/1mmBtu	231.00	6.89
	Nickel	INR/Kg	850.90	(1.00)
	Silver	INR/Kg	46891.00	(2.71)
	Zinc	INR/Kg	115.60	1.14
CURRENCIES	INR/EUR		82.61	(0.73)
	INR/GBP		97.24	(1.03)
	INR/100 JPY		61.83	(1.79)
	INR/USD		60.96	(0.68)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 12/10/2013

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	↑2.68	2.65

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.60	-1.20
Inflation Rate	Monthly	1.10	1.30
Unemployment Rate	Monthly	12.00	12.00
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	1.49	1.49

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	↑4.07	4.05

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.30
Inflation Rate	Monthly	0.91	0.70
Unemployment Rate	Monthly	4.10	3.80
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↑0.66	0.65

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	↑2.74	2.73

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	↑8.49	8.62

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.30	1.90
Inflation Rate	Monthly	↓5.86	6.09
Unemployment Rate	Monthly	5.30	5.60
Benchmark Interest Rate	Weekly	↑9.50	9.00
Govt. bond 10 year Rate	Weekly	↓11.56	11.73

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.20	1.60
Inflation Rate	Monthly	6.10	6.50
Unemployment Rate	Monthly	5.20	5.30
Benchmark Interest Rate	Weekly	5.50	5.50
Govt. bond 10 year Rate	Weekly	↑7.30	7.26

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 12/10/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	2139.75	20.22	7.17
Bharat Heavy Electricals Ltd.	Electric Equipment	147.05	5.84	1.16
Bharti Airtel Ltd.	Telecommunication - Service Provider	334.55	60.72	2.61
Cipla Ltd.	Pharmaceuticals & Drugs	429.35	21.80	3.69
Coal India Ltd.	Mining & Minerals	282.60	10.75	3.42
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2399.70	23.97	6.13
GAIL (India) Ltd.	Gas Transmission/Marketing	336.05	11.53	1.70
HDFC Bank Ltd.	Bank - Private	660.10	22.07	4.11
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2078.00	20.23	7.47
Hindalco Industries Ltd.	Aluminium & Aluminium Products	114.20	13.48	0.70
Hindustan Unilever Ltd.	Household & Personal Products	603.70	37.46	35.73
Housing Development Finance Corporation Ltd.	Finance - Housing	810.25	17.85	3.78
ICICI Bank Ltd.	Bank - Private	995.45	13.08	1.64
Infosys Ltd.	IT - Software	3273.90	19.70	4.66
ITC Ltd.	Cigarettes/Tobacco	342.00	35.11	11.22
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	254.30	7.87	1.09
Larsen & Toubro Ltd.	Engineering - Construction	881.95	17.25	2.77
Mahindra & Mahindra Ltd.	Automobiles-Tractors	872.20	15.07	3.47
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1464.05	17.01	2.30
NTPC Ltd.	Power Generation/Distribution	143.95	9.38	1.45
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	275.70	12.50	1.85
Reliance Industries Ltd.	Refineries	863.00	12.78	1.51
State Bank Of India	Bank - Public	1651.60	6.52	0.86
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	90.20	5.23	0.58
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	625.65	138.38	9.30
Tata Consultancy Services Ltd.	IT - Software	2124.05	28.81	9.80
Tata Motors Ltd.	Automobiles-Trucks/Lcv	385.15	11.24	2.68
Tata Power Company Ltd.	Power Generation/Distribution	81.80	0.00	1.58
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	307.75	0.00	0.86
Wipro Ltd.	IT - Software	488.30	18.44	4.28

World macro scenario

- USA – US economic data is improving. QE3 tapering deferred. Govt. spending curtailed as budget not passed by Congress. Debt ceiling looms up.
- Europe – Recession seems to be over based on German and French data. Easy money policy to continue.
- China – Govt. wants stability and not unbridled growth. Economy seems to have stabilized with the highest August PMI in several months although exports down in September.
- Japan – Japanese PM's economic policies are popular. Easy money policy to continue with some higher tax rates.
- 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 has moderated on lower imports.
- Government policies – GDP growth down but no clear growth-encouraging policies.
- RBI – RBI announces an increase in repo rate by 0.25% while easing short term interest rates by 1.25% from its peak.
- Politics – 5 states going into elections in Nov-Dec. Possibility of early general elections.
- Inflation – Headline inflation over 5% once again.
- Currency – The rupee closes at below at Rs.61/- per USD.

Our concerns on the macro front

World economies

- QE3 may be curtailed by the end of the year. Political brinkmanship.
- Eurozone's low GDP growth. Unemployment in troubled economies.
- China's faltering growth.

Indian economy

- Lowest GDP growth in years.
- High interest rate.
- High fiscal deficit.
- 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 Hong Kong ↑	Australia ↓ Brazil ↑ Germany India ↑ Japan ↑	China UK USA		
COMMODITIES				Aluminium Copper Crude Oil Lead Natural Gas Silver Zinc	Gold Nickel	
CURRENCIES (against USD)	EUR		GBP ↓ HKD	AUD BRL JPY	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			Sensex ↑	Nifty Mid Cap ↑ Small Cap		
SECTORS	Healthcare ↑ IT Teck		Auto ↑ FMCG Metal	Oil & Gas Power	Bankex Cap Goods Realty ↑	Cons Durable
COMMODITIES			Aluminium	Copper ↓ Crude Oil ↓ Gold ↓ Lead Natural Gas Nickel Silver ↓ Zinc		
CURRENCIES (against INR)	GBP		EUR ↓ 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 Idea Cellular Infosys Lupin Sun Pharma TCS Tata Motors ↑ Tech Mahindra Wipro	Bajaj Auto ↑ Bharti Airtel ↑ Cairn India Eicher Motors Hindalco Ind Hind Unilever Hindustan Zinc ↓ JSW Steel Sesa Goa Tata Global Tata Steel ↑ United Spirits	ABB ACC Ambuja Cem Asian Paints BHEL ↑ Crompton Gr Exide Ind Godrej Ind Havells India HCC ↑ HDFC HDFC Bank ↑ ICICI Bank IndusInd Bank ↑ ITC Jindal Steel JSW Energy Kotak Bank L&T ↑ M & M Maruti Suzuki ↑ MRF	Axis Bank Bank Of Baroda Canara Bank ↑ Titan Ind Yes Bank Neutral Nestle India Petronet LNG ↑ Ranbaxy Lab Reliance Ind Siemens Tata Power ↑ Ultratech Cem United Phos	PNB SBIN Shriram Tran ↓ Tata Chem

↑ = 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 ↑ M & M Fin ↑	Arvind ↑ Aurobindo Ph ↑	Adani Ports Bata India Berger Paints Castrol India ↑ Century Text Dish T V India ↑ DiviS Lab Emami Godrej Con GSK Consumer ↑ HDIL IFCI ↑ Indian Hotels IGL Jain Irrigation JP Power Jubilant Food ↓ L&T Finance Raymond ↑ Reliance Power Sun TV Zee Ent	Apollo Hospitals Colgate-Pal Cummins India GVK Power India Cem Ind Bulls R Est IRB Infra Mcleod Russel ↑ Sintex Ind ↑ Unitech ↑	Adani Power

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

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