

ShroffConnect Weekly Report

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Opinion as on 19/10/2013

World Markets –

- **Money flow:** Into stocks all over the world.
 - **Opinion on money flow:** The US avoided its debt ceiling being hit and also passed its budget “opening up” the government. Investors now seem to believe that the QE tapering itself may be shifted to next year. The other good news was that Chinese GDP data was better at 7.8%. On the back of these two positive developments, investors drove up stock markets all over the world.
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Indian Market –

- **Stock market:** The Indian market rallied to near its all time high and Nifty closed at 6189.
- **Sectors:** IT, FMCG, Pharma and Telecom are outperforming.
- **Positives:** FII buying.
- **Negatives:** High inflation, high interest rates, no governance.
- **Opinion:** The economic ground realities and the market are divergent. Markets continue to do well with the economy down in the dumps, although it will be good of us to recall that markets generally move ahead of the economy. With the GDP at below 5% and inflation at 6.4% (with food inflation in excess of 18%), the exuberance may be too much and it is likely that the market will see a correction. The government is, of course, not doing too much. We are of the opinion that investors should buy into the market on a substantial dip only.



Current news and world
financial market prices

Current scenario & news

World economy

- The U.S. Congress on Wednesday approved an 11th-hour deal to end a partial government shutdown and pull the world's biggest economy back from the brink of a historic debt default that could have threatened financial calamity.
- Eurozone inflation fell as expected in September to its lowest in 3.5 years as inflationary pressures continued to ease amid a weak economic recovery and shy domestic demand.
- China's economy grew 7.8 percent in the third quarter, its fastest pace this year and in line with expectations, as firmer foreign and domestic demand lifted factory production and retail sales.
- The dollar slid to the weakest since February as appetite for higher-yielding assets rose on bets the Federal Reserve will delay tapering stimulus after a last-minute deal pushed the political battle over U.S. spending into 2014.

Indian economy

- Wholesale and retail prices rose in September, driven by food becoming costlier, making it all but inevitable that the RBI Governor Raghuram Rajan will raise interest rates in the October 29 monetary policy announcement, having made it abundantly clear that tackling inflation is his primary focus.
- Foreign institutional investors (FIIs) are trooping back to the Street, buying bagful of stocks in September and October, as they once again place their faith in Indian equity markets. They have slowly cut their hedging positions in derivatives markets and bought equities worth \$2 billion in September, and nearly \$1 billion in October in the cash segment so far, after pulling out \$4 billion between June and August.
- Exports of gold jewellery from India rose 16.5 per cent in value terms to \$653.90 million in September, as supply pressures eased for exporters before the peak Christmas season in the United States.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 19th Oct 2013	% Change
STOCKS	Australia	ASX	5321.01	1.76
	Brazil	Bovespa	55378.46	4.19
	China	Shanghai	2193.78	(1.54)
	France	CAC	4286.03	1.57
	Germany	DAX	8865.10	1.61
	Hong Kong	Hang Seng	23340.10	0.52
	India	Sensex	20882.89	1.73
	Japan	Nikkei	14561.54	1.09
	UK	FTSE	6622.58	2.09
	USA	DJIA	15399.65	1.07
COMMODITIES	Copper	\$/Pound	3.30	0.92
	Crude	\$/Barrel	100.81	(1.19)
	Gold	\$/Troy Ounce	1314.60	3.66
	Natural Gas	\$/MMBtu	3.76	(0.53)
	Silver	\$/Troy Ounce	21.91	3.06
	Aluminium	\$/Tonne	1847.00	(1.83)
	Lead	\$/Tonne	2175.00	3.47
	Nickel	\$/Tonne	14200.00	2.11
	Zinc	\$/Tonne	1934.00	0.89
CURRENCIES	USD/GBP		1.6174	1.39
	USD/EUR		1.3682	1.03
	USD/AUD		0.9674	2.26
	JPY/USD		97.72	(0.87)
	INR/USD		61.22	0.43
	HKD/USD		7.7530	(0.01)
	BRL/USD		2.1772	(0.06)
BONDS	2 Year	US Treasury	110.15	0.04
	10 Year		126.89	0.62
	30 Year		134.09	0.96

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 19th Oct 2013	% Change
STOCKS	Nifty	Large Cap	6189.35	1.53
	Sensex	Large Cap	20882.89	1.73
	BSE Midcap	Mid Cap	5895.23	0.42
	BSE Smallcap	Small Cap	5737.88	0.34
Some Major Shares	ACC	Rs/share	1144.70	1.57
	Bharti Airtel		356.75	6.64
	HDFC Ltd		819.45	1.10
	Infosys		3314.55	1.22
	L&T		872.05	(1.23)
	Reliance Inds		905.65	4.90
	Tata Motors		379.65	(1.47)
	Tata Steel		328.90	6.82
COMMODITIES	Aluminium	INR/Kg	110.80	(2.21)
	Copper	INR/Kg	448.80	0.68
	Crude	INR/Barrel	6192.00	(0.24)
	Gold	INR/10gms	29480.00	3.93
	Lead	INR/Kg	132.20	3.36
	Natural Gas	INR/1mmBtu	231.10	0.04
	Nickel	INR/Kg	869.30	2.16
	Silver	INR/Kg	48195.00	2.78
	Zinc	INR/Kg	116.55	0.82
CURRENCIES	INR/EUR		83.82	1.46
	INR/GBP		99.03	1.84
	INR/100 JPY		62.64	1.31
	INR/USD		61.22	0.43



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 19/10/2013

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	↓2.59	2.68

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	↓1.43	1.49

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑7.80	7.50
Inflation Rate	Monthly	↑3.10	2.60
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑4.24	4.07

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	↓0.63	0.66

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.30	0.20
Inflation Rate	Monthly	2.70	2.70
Unemployment Rate	Monthly	7.70	7.70
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓2.71	2.74

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.40	4.80
Inflation Rate	Monthly	↑6.46	6.10
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.50	7.25
Govt. bond 10 year Rate	Weekly	↑8.56	8.49

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	↑11.75	11.56

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.20	1.60
Inflation Rate	Monthly	6.10	6.50
Unemployment Rate	Monthly	↑5.30	5.20
Benchmark Interest Rate	Weekly	5.50	5.50
Govt. bond 10 year Rate	Weekly	↓7.21	7.30

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 19/10/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	2152.85	19.72	6.64
Bharat Heavy Electricals Ltd.	Electric Equipment	147.95	5.88	1.17
Bharti Airtel Ltd.	Telecommunication - Service Provider	356.60	64.72	2.78
Cipla Ltd.	Pharmaceuticals & Drugs	415.35	21.09	3.57
Coal India Ltd.	Mining & Minerals	285.85	10.87	3.46
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2460.30	24.58	6.29
GAIL (India) Ltd.	Gas Transmission/Marketing	326.45	11.20	1.65
HDFC Bank Ltd.	Bank - Private	676.40	21.35	4.00
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2096.60	20.41	7.54
Hindalco Industries Ltd.	Aluminium & Aluminium Products	114.70	13.54	0.70
Hindustan Unilever Ltd.	Household & Personal Products	606.40	37.63	35.89
Housing Development Finance Corporation Ltd.	Finance - Housing	818.60	18.04	3.81
ICICI Bank Ltd.	Bank - Private	1009.00	13.26	1.66
Infosys Ltd.	IT - Software	3316.15	19.95	4.41
ITC Ltd.	Cigarettes/Tobacco	354.00	36.38	11.62
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	255.60	7.91	1.10
Larsen & Toubro Ltd.	Engineering - Construction	872.35	17.06	2.74
Mahindra & Mahindra Ltd.	Automobiles-Tractors	878.35	15.17	3.50
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1469.60	17.07	2.31
NTPC Ltd.	Power Generation/Distribution	145.55	9.49	1.47
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	283.30	12.85	1.90
Reliance Industries Ltd.	Refineries	905.35	13.34	1.55
State Bank Of India	Bank - Public	1664.80	6.57	0.87
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	90.20	5.23	0.58
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	631.35	139.64	9.39
Tata Consultancy Services Ltd.	IT - Software	2120.40	26.55	9.43
Tata Motors Ltd.	Automobiles-Trucks/Lcv	378.70	11.06	2.64
Tata Power Company Ltd.	Power Generation/Distribution	79.75	0.00	1.54
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	328.45	0.00	0.92
Wipro Ltd.	IT - Software	506.95	19.15	4.44

World macro scenario

- USA – US economic data is improving. QE3 tapering deferred.
- 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 GDP at 7.8%.
- 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 6% once again.
- Currency – The rupee closes at Rs.61/27 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 in troubled economies.

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		Australia ↑ France Germany ↑ Hong Kong	Brazil China ↑ India Japan USA ↑	UK		
COMMODITIES				Aluminium Copper Crude Oil Lead Natural Gas Nickel ↑ Silver Zinc		Gold ↓
CURRENCIES (against USD)	EUR GBP ↑		BRL ↑ HKD	AUD 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			Nifty ↑ Sensex	Mid Cap Small Cap		
SECTORS		Auto ↑ Healthcare IT Teck	FMCG Metal	Bankex ↑ Cap Goods ↑ Oil & Gas Power	Realty	Cons Durable
COMMODITIES				Aluminium ↓ Copper Crude Oil Gold Lead Natural Gas Nickel Silver Zinc		
CURRENCIES (against INR)		EUR ↑ GBP	USD	JPY		

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

MAJOR LARGE COMPANIES - TECHNICAL SNAPSHOT

[illegible]

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

MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Arvind ↑ M & M Fin	Aurobindo Ph Divis Lab ↑	Adani Ports Bata India Berger Paints Biocon ↓ Century Textiles Cummins India ↑ Dish T V India Emami Godrej Cons GSK Consumer HDIL IFCI Indbulls R Est ↑ Indian Hotels IGL Jain Irrigation JP Power Jubilant Food L&T Finance Mcleod Russel ↑ Raymond Reliance Power Sun TV Network Unitech ↑ Zee Ent	Apollo Hospitals Castrol India ↓ Colgate-Pal GVK Power IRB Infra Sintex Ind	Adani Power India Cements ↓

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

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