

ShroffConnect Weekly Report

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Opinion as on 26/10/2013

World Markets –

- **Money flow:** Into stocks and US treasuries.
 - **Opinion on money flow:** Investors feel that easy money policies by central banks shall continue for some more time and hence interest in equities persists.
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Indian Market –

- **Stock market:** The market eased a bit too close at Nifty 6145.
- **Sectors:** IT, Pharma, Telecom and selective Auto and Consumer goods are outperforming.
- **Positives:** FII buying, some good corporate results.
- **Negatives:** High fiscal deficit, high inflation and lack of governance.
- **Opinion:** The larger economy continues to flounder although some blue chips have shown good results. Inflation is a sticking point and the RBI is expected to increase the repo rate by 25 basis points. Investors Should look to buy blue chips on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- China's central bank added fuel to fears on Thursday it was clamping down on inflation risks as it allowed cash to drain from the financial system for a second straight week, sparking a jump in short-term rates.
- U.K. economic growth accelerated to its fastest pace in more than three years in the third quarter as the recovery continued across all main industries.
- Emerging markets have helped rake in a corporate earnings bonanza in recent years, but a sudden plunge in their currencies in mid-2013 due to an expected cut in US stimulus has sorely hit sales and profit.
- The pound extended a second weekly advance versus the dollar after a government report showed U.K. economic growth accelerated to its fastest pace in more than three years in the third quarter.

Indian economy

- Finance Minister P Chidambaram is finding it harder and harder to meet the government's budget promises and may sweep as much as USD 15 billion in subsidy costs into next year's accounts to ensure he hits fiscal targets ahead of national elections, ministry officials say.
- India trimmed its exposure to US government securities to USD 57 billion in August, the lowest in four months, amid persistent uncertainties in the world's largest economy.
- Global financial services major HSBC lowered India's current account deficit (CAD) forecast for this financial year to 3.4 per cent of GDP from 4.1 per cent earlier.
- Worsening price situation may prompt the Reserve Bank to raise interest rate by 0.25 percent in its policy review on Tuesday, but it is also likely to announce some liquidity easing steps.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 26th Oct 2013	% Change
STOCKS	Australia	ASX	5385.71	1.22
	Brazil	Bovespa	54154.15	(2.21)
	China	Shanghai	2132.96	(2.77)
	France	CAC	4272.31	(0.32)
	Germany	DAX	8985.74	1.36
	Hong Kong	Hang Seng	22698.34	(2.75)
	India	Sensex	20683.52	(0.95)
	Japan	Nikkei	14088.19	(3.25)
	UK	FTSE	6721.34	1.49
	USA	DJIA	15570.28	1.11
COMMODITIES	Copper	\$/Pound	3.27	(0.91)
	Crude	\$/Barrel	97.85	(2.94)
	Gold	\$/Troy Ounce	1352.50	2.88
	Natural Gas	\$/MMBtu	3.71	(1.33)
	Silver	\$/Troy Ounce	22.64	3.33
	Aluminium	\$/Tonne	1881.00	1.84
	Lead	\$/Tonne	2205.00	1.38
	Nickel	\$/Tonne	14580.00	2.68
	Zinc	\$/Tonne	1955.00	1.09
CURRENCIES	USD/GBP		1.6166	(0.05)
	USD/EUR		1.3803	0.88
	USD/AUD		0.9583	(0.94)
	JPY/USD		97.41	(0.32)
	INR/USD		61.46	0.39
	HKD/USD		7.7525	(0.01)
	BRL/USD		2.1880	0.50
BONDS	2 Year	US Treasury	110.17	0.02
	10 Year		127.61	0.57
	30 Year		135.34	0.93

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 26th Oct 2013	% Change
STOCKS	Nifty	Large Cap	6144.90	(0.72)
	Sensex	Large Cap	20683.52	(0.95)
	BSE Midcap	Mid Cap	5965.48	1.19
	BSE Smallcap	Small Cap	5825.75	1.53
Some Major Shares	ACC	Rs/share	1136.75	(0.69)
	Bharti Airtel		343.50	(3.71)
	HDFC Ltd		809.80	(1.18)
	Infosys		3331.55	0.51
	L&T		947.50	8.65
	Reliance Inds		887.00	(2.06)
	Tata Motors		376.25	(0.90)
	Tata Steel		321.85	(2.14)
COMMODITIES	Aluminium	INR/Kg	112.70	1.71
	Copper	INR/Kg	446.40	(0.53)
	Crude	INR/Barrel	6045.00	(2.37)
	Gold	INR/10gms	30734.00	4.25
	Lead	INR/Kg	134.30	1.59
	Natural Gas	INR/1mmBtu	227.30	(1.64)
	Nickel	INR/Kg	890.60	2.45
	Silver	INR/Kg	49709.00	3.14
	Zinc	INR/Kg	118.10	1.33
CURRENCIES	INR/EUR		84.85	1.23
	INR/GBP		99.32	0.29
	INR/100 JPY		63.07	0.69
	INR/USD		61.46	0.39



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 26/10/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	1.30
Inflation Rate	Monthly	1.50	2.00
Unemployment Rate	Monthly	↓7.20	7.30
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓2.50	2.59

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	↓1.37	1.43

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	↓4.23	4.24

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.30
Inflation Rate	Monthly	↑1.10	0.91
Unemployment Rate	Monthly	4.10	3.80
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.61	0.63

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑1.50	1.30
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	↓2.62	2.71

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	↑8.58	8.56

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.30	1.90
Inflation Rate	Monthly	5.86	6.09
Unemployment Rate	Monthly	↑5.40	5.30
Benchmark Interest Rate	Weekly	9.50	9.00
Govt. bond 10 year Rate	Weekly	↓11.43	11.75

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.20	1.20
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	↓7.20	7.21

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 26/10/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	2079.70	19.05	6.42
Bharat Heavy Electricals Ltd.	Electric Equipment	137.15	5.45	1.09
Bharti Airtel Ltd.	Telecommunication - Service Provider	343.65	62.37	2.68
Cipla Ltd.	Pharmaceuticals & Drugs	415.40	21.09	3.57
Coal India Ltd.	Mining & Minerals	279.05	10.61	3.38
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2403.75	24.02	6.14
GAIL (India) Ltd.	Gas Transmission/Marketing	343.55	11.79	1.74
HDFC Bank Ltd.	Bank - Private	672.60	21.23	3.97
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2034.90	19.42	6.73
Hindalco Industries Ltd.	Aluminium & Aluminium Products	109.15	12.89	0.66
Hindustan Unilever Ltd.	Household & Personal Products	594.20	36.88	35.16
Housing Development Finance Corporation Ltd.	Finance - Housing	809.85	17.08	3.51
ICICI Bank Ltd.	Bank - Private	1021.65	13.42	1.68
Infosys Ltd.	IT - Software	3331.00	20.04	4.43
ITC Ltd.	Cigarettes/Tobacco	340.00	34.97	11.17
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	238.40	7.37	1.02
Larsen & Toubro Ltd.	Engineering - Construction	947.45	18.97	2.85
Mahindra & Mahindra Ltd.	Automobiles-Tractors	867.70	14.99	3.46
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1506.75	17.51	2.37
NTPC Ltd.	Power Generation/Distribution	145.20	9.47	1.46
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	283.85	12.87	1.91
Reliance Industries Ltd.	Refineries	885.85	13.05	1.51
State Bank Of India	Bank - Public	1717.65	6.78	0.89
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	90.20	5.23	0.58
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	610.30	134.99	9.07
Tata Consultancy Services Ltd.	IT - Software	2067.30	25.91	9.20
Tata Motors Ltd.	Automobiles-Trucks/Lcv	376.05	10.98	2.62
Tata Power Company Ltd.	Power Generation/Distribution	80.00	0.00	1.55
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	321.85	0.00	0.90
Wipro Ltd.	IT - Software	481.05	17.32	3.87

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.61/46 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 India ↑	Brazil Hong Kong ↓ Japan USA	China ↓ UK		
COMMODITIES				Aluminium Copper Crude Oil Gold ↑ Lead Natural Gas Nickel Silver Zinc		
CURRENCIES (against USD)	EUR GBP		AUD ↑ HKD 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

		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	Cons Durable ↑ Realty	
COMMODITIES				Aluminium Copper Gold Lead Natural Gas Nickel Silver Zinc	Crude Oil ↓	
CURRENCIES (against INR)	EUR GBP			JPY USD ↓		

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

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

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