

ShroffConnect Weekly Report

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Opinion as on 02/11/2013

World Markets –

- **Money flow:** Into stocks and treasuries.
 - **Opinion on money flow:** The Fed is not tapering the stimulus. The PMI numbers of China are showing that the economy is gaining strength. Investors are happy and it is showing in their choice of investment with stocks gaining all over the world.
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Indian Market –

- **Stock market:** The market rallied to an all time new high as per the Sensex and closed at approx. 21200.
- **Sectors:** Computer software, Pharma, Telecom and Auto are outperforming.
- **Positives:** Decent corporate results and FII buying.
- **Negatives:** High inflation, high interest rates.
- **Opinion:** The market has run up very fast and it seems that they are out of sync with the economy. The threat of the QE tapering persists and elections are around the corner. It would be better for investors to wait for a substantial dip before investing. They should hold onto existing investments.



Current news and world
financial market prices

Current scenario & news

World economy

- The US manufacturing sector expanded in October for the fifth consecutive month and growth picked up pace from the previous month.
- The euro declined to the lowest level in two weeks against the dollar and the yen as signs of economic weakness in the currency bloc fueled speculation the European Central Bank will cut interest rates.
- The annual rate of inflation across the 17-country eurozone fell to 0.7 percent in October, its lowest for four years, according to an initial estimate.
- Manufacturing strengthened from China to South Korea last month in a sign that growth risks are abating in Asia and expansion may pick up this quarter.
- The Bank of Japan (BoJ) on Thursday held off launching fresh easing measures as evidence of an economic recovery piles up, a day after the US central bank left its own stimulus programme unchanged.

Indian economy

- Showing continued signs of financial stress, the government's fiscal deficit touched 76 per cent of the budget estimate (BE) in the first six months of 2013-14 while the revenue deficit clocked an even higher 84.8 per cent of the full fiscal target in the period.
- Reflecting pick up in industrial activity, the core sector industries recorded 8 percent growth in September, highest in the past 11 months.
- Overseas investors pumped in more than Rs 15,700 crore (USD 2.55 billion) in the Indian equity market in October, continuing their buying spree amid easing concerns over the US tapering its monetary stimulus.
- India's manufacturing sector activity contracted for the third straight month in October amid falling levels of production and new orders, as the business climate within the country remained tough.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 2nd Nov 2013	% Change
STOCKS	Australia	ASX	5406.54	0.39
	Brazil	Bovespa	54013.24	(0.26)
	China	Shanghai	2149.56	0.78
	France	CAC	4273.19	0.02
	Germany	DAX	9007.83	0.25
	Hong Kong	Hang Seng	23249.79	2.43
	India	Sensex	21196.81	2.48
	Japan	Nikkei	14201.57	0.80
	UK	FTSE	6734.74	0.20
	USA	DJIA	15615.55	0.29
COMMODITIES	Copper	\$/Pound	3.30	0.92
	Crude	\$/Barrel	94.61	(3.31)
	Gold	\$/Troy Ounce	1313.20	(2.91)
	Natural Gas	\$/MMBtu	3.51	(5.39)
	Silver	\$/Troy Ounce	21.84	(3.53)
	Aluminium	\$/Tonne	1843.00	(2.02)
	Lead	\$/Tonne	2187.00	(0.82)
	Nickel	\$/Tonne	14570.00	(0.07)
	Zinc	\$/Tonne	1940.00	(0.77)
CURRENCIES	USD/GBP		1.5912	(1.57)
	USD/EUR		1.3486	(2.30)
	USD/AUD		0.9435	(1.54)
	JPY/USD		98.69	1.31
	INR/USD		61.74	0.46
	HKD/USD		7.7514	(0.01)
	BRL/USD		2.2564	3.13
BONDS	2 Year	US Treasury	110.20	0.03
	10 Year		126.78	(0.65)
	30 Year		133.75	(1.17)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 2nd Nov 2013	% Change
STOCKS	Nifty	Large Cap	6307.20	2.64
	Sensex	Large Cap	21196.81	2.48
	BSE Midcap	Mid Cap	6177.40	3.55
	BSE Smallcap	Small Cap	5939.60	1.95
Some Major Shares	ACC	Rs/share	1141.65	0.43
	Bharti Airtel		367.20	6.90
	HDFC Ltd		855.40	5.63
	Infosys		3276.70	(1.65)
	L&T		982.20	3.66
	Reliance Inds		908.25	2.40
	Tata Motors		384.60	2.22
	Tata Steel		336.15	4.44
COMMODITIES	Aluminium	INR/Kg	113.65	0.84
	Copper	INR/Kg	455.90	2.13
	Crude	INR/Barrel	5934.00	(1.84)
	Gold	INR/10gms	29826.00	(2.95)
	Lead	INR/Kg	136.15	1.38
	Natural Gas	INR/1mmBtu	221.20	(2.68)
	Nickel	INR/Kg	908.90	2.05
	Silver	INR/Kg	48675.00	(2.08)
	Zinc	INR/Kg	120.00	1.61
CURRENCIES	INR/EUR		83.29	(1.84)
	INR/GBP		98.21	(1.12)
	INR/100 JPY		62.53	(0.86)
	INR/USD		61.74	0.46



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 02/11/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	1.30
Inflation Rate	Monthly	↓1.20	1.50
Unemployment Rate	Monthly	7.20	7.30
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.62	2.50

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.60	-1.20
Inflation Rate	Monthly	↓0.70	1.10
Unemployment Rate	Monthly	↑12.20	12.00
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓1.25	1.37

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	↓4.09	4.23

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.30
Inflation Rate	Monthly	1.10	0.91
Unemployment Rate	Monthly	↓4.00	4.10
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.60	0.61

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	↑2.65	2.62

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	↑7.75	7.50
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	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	↑11.86	11.43

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	↑7.25	7.20

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 02/11/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	2124.25	19.46	6.56
Bharat Heavy Electricals Ltd.	Electric Equipment	143.45	5.70	1.14
Bharti Airtel Ltd.	Telecommunication - Service Provider	366.25	73.45	2.49
Cipla Ltd.	Pharmaceuticals & Drugs	416.25	21.14	3.58
Coal India Ltd.	Mining & Minerals	292.45	11.12	3.54
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2470.65	21.17	5.38
GAIL (India) Ltd.	Gas Transmission/Marketing	350.35	12.25	1.71
HDFC Bank Ltd.	Bank - Private	683.50	21.59	4.04
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2101.35	20.06	6.95
Hindalco Industries Ltd.	Aluminium & Aluminium Products	115.15	13.60	0.66
Hindustan Unilever Ltd.	Household & Personal Products	607.85	36.60	28.44
Housing Development Finance Corporation Ltd.	Finance - Housing	854.80	18.03	3.70
ICICI Bank Ltd.	Bank - Private	1133.40	14.25	1.79
Infosys Ltd.	IT - Software	3278.75	19.73	4.36
ITC Ltd.	Cigarettes/Tobacco	328.70	32.16	9.79
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	248.35	8.99	1.03
Larsen & Toubro Ltd.	Engineering - Construction	981.80	19.66	2.96
Mahindra & Mahindra Ltd.	Automobiles-Tractors	924.95	15.98	3.64
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1635.80	16.24	2.48
NTPC Ltd.	Power Generation/Distribution	146.15	10.04	1.43
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	287.70	13.05	1.93
Reliance Industries Ltd.	Refineries	907.85	13.37	1.55
State Bank Of India	Bank - Public	1879.40	7.41	0.98
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	90.20	5.23	0.58
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	605.10	133.84	9.00
Tata Consultancy Services Ltd.	IT - Software	2097.15	26.28	9.34
Tata Motors Ltd.	Automobiles-Trucks/Lcv	384.45	11.22	2.67
Tata Power Company Ltd.	Power Generation/Distribution	82.45	0.00	1.59
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	336.10	0.00	0.94
Wipro Ltd.	IT - Software	482.50	17.37	3.88

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%. PMI numbers are also quite good.
- 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 0.25%.
- 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.61/74 per USD.

Our concerns on the macro front

World economies

- QE3 may be curtailed by the end of the financial 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 ↑ India	USA	Brazil ↓ China Japan ↓ UK		
COMMODITIES				Aluminium Copper Crude Oil Gold Lead Natural Gas Nickel Silver Zinc		
CURRENCIES (against USD)	EUR		AUD GBP ↓ HKD	BRL INR JPY ↓		
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 Metal ↑ Teck			Bankex Cap Goods Cons Durable ↑ FMCG ↓ Oil & Gas Power Realty ↑		
COMMODITIES			Aluminium ↑ Lead ↑ Zinc ↑	Copper Gold Natural Gas Nickel Silver	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	Bata India	Adani Ports	Apollo Hospitals	Adani Power ↓	
	Aurobindo Ph	Indian Hotels ↑	Berger Paints	Castrol India	India Cements	
	Biocon ↑	Jain Irrigation	Century Tex	Colgate-Palm		
	M & M Fin	Jubilant Food ↑	Dish T V	Cummins India		
		L&T Finance ↑	DiviS Lab	IRB Infra ↑		
		Sun TV	Emami			
		Zee Ent	Godrej Con			
			GSK Consumer			
			GVK Power			
			HDIL			
			IFCI			
			IGL			
			Indiabulls R Est			
			JP Power			
			Mcleod Russel			
			Raymond			
			Reliance Power			
			Sintex Ind			
			Unitech			

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

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