

ShroffConnect Weekly Report

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Opinion as on 16/11/2013

World Markets –

- **Money flow:** Into stocks of developed economies.
 - **Opinion on money flow:** It seems that governments across the world are worried about markets more than economies. Any talk of tapering the easy liquidity is met with a central banker talking against it. It is becoming like a catch-22 situation. Tapering needs to happen and the effect of this is unknown but no government wants to bite the bullet. Investors should be cautious.
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Indian Market –

- **Stock market:** The stock market was easy in the earlier part of last week but rallied to close at 6056.
- **Sectors:** IT, Metals, Pharma and Telecom are outperforming.
- **Positives:** A pro-active RBI governor.
- **Negatives:** High fiscal deficit, high inflation and low governance.
- **Opinion:** The only reason to invest in this market is because the stock prices of blue chips are rallying on FII buying. However, that is not a good reason at all because in the event that tapering of QE3 is announced, these same FIIs will begin selling. The only factor which will stop the selling is a growing economy. This seems unlikely to happen before the general elections because the government is in election mode. Energy prices are not being revised, food inflation is in excess of 18% and tax collections are far less than expected. In this situation, investors must be cautious in their investments and buy only blue chip stocks on a substantial dip.



Current news and world
financial market prices

Current scenario & news

World economy

- U.S. manufacturing output rose for a third straight month in October even as automobile production fell, suggesting a broadening in activity in a sector regaining momentum after hitting a speed bump early this year.
- China's annual consumer inflation climbed to an eight-month high of 3.2 percent in October, driven by food prices, data showed on Saturday, adding to market worries about policy tightening as the world's second-largest economy stabilises.
- Inflation across the eurozone fell to 0.7 percent in October, the lowest level in the 17-country currency area for four years.
- A tepid recovery in the 17-nation eurozone slowed in the third quarter, with powerhouse Germany coming off the pace and France hit by a surprise contraction, official data showed.

Indian economy

- India's retail inflation rose to 10.09 percent in October due to higher food prices, while industrial output grew at a sluggish two percent in September, giving indication of continued woes in the Indian economy.
- Recovery in global markets pushed the country's exports to a two year high of 13.47 percent to USD 27.2 billion in October even as trade deficit worsened on account of rise in gold imports.
- The country's manufacturing sector is expected to witness subdued growth in the October-December quarter on concerns over high interest rates.
- Reserve Bank Wednesday said it will purchase bonds worth Rs 8,000 crore next week under the open market operations (OMO) to inject liquidity in the system.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 16th Nov 2013	% Change
STOCKS	Australia	ASX	5396.21	0.03
	Brazil	Bovespa	53451.60	2.30
	China	Shanghai	2135.83	1.41
	France	CAC	4292.23	0.75
	Germany	DAX	9168.69	1.00
	Hong Kong	Hang Seng	23032.15	1.27
	India	Sensex	20399.42	(1.29)
	Japan	Nikkei	15165.92	7.66
	UK	FTSE	6693.44	(0.22)
	USA	DJIA	15961.70	1.27
COMMODITIES	Copper	\$/Pound	3.17	(2.46)
	Crude	\$/Barrel	93.84	(0.80)
	Gold	\$/Troy Ounce	1287.40	0.22
	Natural Gas	\$/MMBtu	3.66	2.81
	Silver	\$/Troy Ounce	20.73	(2.77)
	Aluminium	\$/Tonne	1793.00	(1.21)
	Lead	\$/Tonne	2096.00	(2.12)
	Nickel	\$/Tonne	13830.00	(0.61)
	Zinc	\$/Tonne	1899.00	(0.26)
CURRENCIES	USD/GBP		1.6119	0.66
	USD/EUR		1.3496	1.00
	USD/AUD		0.9370	(0.10)
	JPY/USD		100.22	1.09
	INR/USD		62.96	0.78
	HKD/USD		7.7533	0.03
	BRL/USD		2.3187	0.15
BONDS	2 Year	US Treasury	110.24	0.03
	10 Year		126.77	0.52
	30 Year		132.53	0.59

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 16th Nov 2013	% Change
STOCKS	Nifty	Large Cap	6056.15	(1.38)
	Sensex	Large Cap	20399.42	(1.29)
	BSE Midcap	Mid Cap	6141.05	(1.13)
	BSE Smallcap	Small Cap	5956.17	(0.95)
Some Major Shares	ACC	Rs/share	1043.90	(4.20)
	Bharti Airtel		339.90	(1.19)
	HDFC Ltd		793.30	(1.98)
	Infosys		3354.25	(0.17)
	L&T		939.55	(3.63)
	Reliance Inds		851.65	(2.77)
	Tata Motors		387.05	0.75
	Tata Steel		375.35	5.51
COMMODITIES	Aluminium	INR/Kg	110.55	(2.68)
	Copper	INR/Kg	441.05	(3.49)
	Crude	INR/Barrel	5903.00	(1.50)
	Gold	INR/10gms	30332.00	2.11
	Lead	INR/Kg	131.00	(3.25)
	Natural Gas	INR/1mmBtu	229.50	1.06
	Nickel	INR/Kg	868.30	(1.64)
	Silver	INR/Kg	46741.00	(2.91)
	Zinc	INR/Kg	117.75	(1.79)
CURRENCIES	INR/EUR		85.01	1.78
	INR/GBP		101.47	1.42
	INR/100 JPY		62.81	(0.32)
	INR/USD		62.96	0.78



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 16/11/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	1.60
Inflation Rate	Monthly	1.20	1.50
Unemployment Rate	Monthly	7.30	7.20
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓2.71	2.74

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.40	-0.60
Inflation Rate	Monthly	0.70	1.10
Unemployment Rate	Monthly	12.20	12.00
Benchmark Interest Rate	Weekly	0.25	0.50
Govt. bond 10 year Rate	Weekly	↓1.23	1.27

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.80	7.50
Inflation Rate	Monthly	↑3.20	3.10
Unemployment Rate	Monthly	4.00	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑4.49	4.24

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑2.70	1.10
Inflation Rate	Monthly	1.00	0.91
Unemployment Rate	Monthly	4.00	4.10
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↑0.64	0.60

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.50	1.30
Inflation Rate	Monthly	↓2.20	2.70
Unemployment Rate	Monthly	↓7.60	7.70
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓2.75	2.77

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.40	4.80
Inflation Rate	Monthly	↑7.00	6.46
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.75	7.50
Govt. bond 10 year Rate	Weekly	↑9.02	8.99

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.30	1.90
Inflation Rate	Monthly	5.84	5.86
Unemployment Rate	Monthly	5.40	5.30
Benchmark Interest Rate	Weekly	9.50	9.00
Govt. bond 10 year Rate	Weekly	↓12.18	12.41

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.20	1.20
Inflation Rate	Monthly	6.30	6.10
Unemployment Rate	Monthly	5.30	5.20
Benchmark Interest Rate	Weekly	5.50	5.50
Govt. bond 10 year Rate	Weekly	↑7.54	7.43

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 16/11/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	2032.65	18.62	6.27
Bharat Heavy Electricals Ltd.	Electric Equipment	135.70	6.22	1.07
Bharti Airtel Ltd.	Telecommunication - Service Provider	339.10	68.01	2.30
Cipla Ltd.	Pharmaceuticals & Drugs	404.10	22.26	3.34
Coal India Ltd.	Mining & Minerals	274.10	10.43	3.14
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2459.15	21.07	5.36
GAIL (India) Ltd.	Gas Transmission/Marketing	320.20	11.20	1.56
HDFC Bank Ltd.	Bank - Private	641.90	20.27	3.79
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2047.40	19.54	6.77
Hindalco Industries Ltd.	Aluminium & Aluminium Products	115.10	13.60	0.66
Hindustan Unilever Ltd.	Household & Personal Products	580.30	34.94	27.15
Housing Development Finance Corporation Ltd.	Finance - Housing	794.30	16.76	3.44
ICICI Bank Ltd.	Bank - Private	1049.75	13.20	1.66
Infosys Ltd.	IT - Software	3353.80	20.18	4.46
ITC Ltd.	Cigarettes/Tobacco	314.40	30.76	9.37
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	239.25	8.64	0.99
Larsen & Toubro Ltd.	Engineering - Construction	939.45	18.81	2.83
Mahindra & Mahindra Ltd.	Automobiles-Tractors	925.35	15.60	3.49
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1608.50	15.97	2.44
NTPC Ltd.	Power Generation/Distribution	152.75	10.50	1.49
Oil & Natural Gas Corp. Ltd.	Oil Exploration	270.20	12.15	1.74
Reliance Industries Ltd.	Refineries	851.75	12.55	1.46
State Bank Of India	Bank - Public	1722.40	7.44	0.86
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	90.20	5.23	0.58
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	599.65	62.76	8.02
Tata Consultancy Services Ltd.	IT - Software	2025.75	25.39	9.02
Tata Motors Ltd.	Automobiles-Trucks/Lcv	385.95	9.74	1.92
Tata Power Company Ltd.	Power Generation/Distribution	78.70	0.00	1.52
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	375.30	0.00	0.92
Wipro Ltd.	IT - Software	484.90	17.45	3.90

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 at 7%.

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.
- 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 ↓ Japan ↑ UK ↑	Brazil China USA		
COMMODITIES				Aluminium Copper Gold ↑ Lead Natural Gas Nickel Zinc	Crude Oil Silver ↓	
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

Mid Cap
Nifty ↓
Small Cap
Sensex ↓

SECTORS

Auto
IT
Metal
Teck

Healthcare ↓
Power ↑

Bankex
Cap Goods ↓
FMCG
Oil & Gas
Realty

Cons Durable ↓

COMMODITIES

Gold ↑
Lead
Zinc

Aluminium ↓
Copper ↓
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

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

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

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