

# *ShroffConnect* Weekly Report

## 7<sup>th</sup> December, 2013



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# Opinion as on 07/12/2013

## World Markets –

- **Money flow:** Into US stocks.
  - **Opinion on money flow:** Investors are still buying US stocks on improved economic numbers. However, uncertainty regarding tapering has become more pronounced due to these improved numbers. Investors in emerging markets should be cautious as any announcement regarding tapering may result in money outflow from these markets.
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## Indian Market –

- **Stock market:** The market rallied to approx. 6260 Nifty.
- **Sectors:** There is no particular sector but individual stocks which are outperforming.
- **Positives:** Possibility of BJP victory in the assembly elections.
- **Negatives:** High inflation, high interest rates, lack of governance.
- **Opinion:** The markets rallied on the possibility of a BJP victory in the assembly elections. This is a sentiment rally as the outcome, even in favour of the BJP, would have no consequence on the Indian economy. In fact, two macro factors, Indian inflation and US tapering, can have immediate negative consequences. Investors should be cautious.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- The U.S. economy grew faster than initially estimated in the third quarter but weak demand and a pile-up in business inventories buoyed the case for the Federal Reserve to keep up its bond-buying stimulus for now.
- German factory orders fell more than economists (GRIORTMM) forecast in October, signaling an uneven recovery in Europe's largest economy.
- The Bank of England left monetary policy unchanged on Thursday, sticking to its commitment to keep interest rates at a record low 0.5 percent until Britain's recovery is more firmly established.
- China's broadest economic reforms since the 1990s will add less than half a percentage point to annual growth this decade, underscoring the likelihood of a cut in the nation's expansion target.

## Indian economy

- Current Account Deficit (CAD) for the second quarter of the current financial year plunged to \$5.2 billion versus \$21 billion year-on-year, on the back of turnaround in exports and decline in gold imports. The figure implies that CAD was at 1.2% of GDP versus 5% of GDP year-on-year.
- Much against the general notion that Indian firms were investing more abroad because of the policy paralysis at home, a study says that net outward foreign investment by Indians declined sharply in the first half of 2013-14, as compared to the same period of the last fiscal.
- The rupee ruled firm for the third consecutive day and moved up 34 paise to 61.41 against the dollar Friday, the highest level in more than five weeks, on sales of the US currency by banks and exporters amid foreign capital inflows into the local equity market.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 7th Dec 2013	% Change
STOCKS	Australia	ASX	5186.02	(2.41)
	Brazil	Bovespa	50944.27	(2.93)
	China	Shanghai	2237.11	0.75
	France	CAC	4129.37	(3.86)
	Germany	DAX	9172.41	(2.48)
	Hong Kong	Hang Seng	23743.10	(0.58)
	India	Sensex	20996.53	0.98
	Japan	Nikkei	15299.86	(2.31)
	UK	FTSE	6551.99	(1.48)
	USA	DJIA	16020.20	(0.41)
COMMODITIES	Copper	\$/Pound	3.25	1.56
	Crude	\$/Barrel	97.65	5.32
	Gold	\$/Troy Ounce	1229.00	(1.71)
	Natural Gas	\$/MMBtu	4.11	4.05
	Silver	\$/Troy Ounce	19.52	(2.55)
	Aluminium	\$/Tonne	1779.00	1.37
	Lead	\$/Tonne	2093.00	0.89
	Nickel	\$/Tonne	13760.00	1.81
	Zinc	\$/Tonne	1905.00	1.38
CURRENCIES	USD/GBP		1.6345	(0.09)
	USD/EUR		1.3701	0.83
	USD/AUD		0.9100	(0.08)
	JPY/USD		102.93	0.53
	INR/USD		61.43	(1.52)
	HKD/USD		7.7540	0.02
	BRL/USD		2.3306	(0.15)
BONDS	2 Year	US Treasury	110.24	(0.05)
	10 Year		125.58	(0.84)
	30 Year		130.38	(1.39)

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 7th Dec 2013	% Change
STOCKS	Nifty	Large Cap	6259.90	1.36
	Sensex	Large Cap	20996.53	0.98
	BSE Midcap	Mid Cap	6388.98	1.01
	BSE Smallcap	Small Cap	6225.77	2.07
Some Major Shares	ACC	Rs/share	1115.95	1.76
	Bharti Airtel		332.40	1.65
	HDFC Ltd		813.75	(1.22)
	Infosys		3325.80	(0.86)
	L&T		1096.40	4.82
	Reliance Inds		866.70	1.58
	Tata Motors		390.90	(1.96)
	Tata Steel		422.70	5.52
COMMODITIES	Aluminium	INR/Kg	107.30	0.52
	Copper	INR/Kg	446.30	0.43
	Crude	INR/Barrel	5981.00	2.43
	Gold	INR/10gms	28954.00	(4.24)
	Lead	INR/Kg	127.40	(0.47)
	Natural Gas	INR/1mmBtu	253.40	2.72
	Nickel	INR/Kg	844.70	0.93
	Silver	INR/Kg	44052.00	(0.50)
	Zinc	INR/Kg	115.75	(0.22)
CURRENCIES	INR/EUR		84.20	(0.71)
	INR/GBP		100.40	(1.63)
	INR/100 JPY		59.67	(2.02)
	INR/USD		61.43	(1.52)



Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 07/12/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑1.80	1.60
Inflation Rate	Monthly	1.00	1.20
Unemployment Rate	Monthly	↓7.00	7.30
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.88	2.76

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.40	-0.60
Inflation Rate	Monthly	0.90	0.70
Unemployment Rate	Monthly	12.10	12.20
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑1.30	1.20

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	↑4.51	4.30

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.70	1.10
Inflation Rate	Monthly	1.10	1.10
Unemployment Rate	Monthly	4.00	4.00
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↑0.66	0.61

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	↑2.90	2.77

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.80	4.40
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	↑9.17	9.06

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓2.20	3.30
Inflation Rate	Monthly	↓5.77	5.84
Unemployment Rate	Monthly	5.20	5.40
Benchmark Interest Rate	Weekly	10.00	9.50
Govt. bond 10 year Rate	Weekly	↑12.99	12.94

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.20	1.20
Inflation Rate	Monthly	↑6.50	6.30
Unemployment Rate	Monthly	5.50	5.30
Benchmark Interest Rate	Weekly	5.50	5.50
Govt. bond 10 year Rate	Weekly	↓7.76	7.81

## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 07/12/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1950.50	17.86	6.02
Bharat Heavy Electricals Ltd.	Electric Equipment	171.35	7.85	1.35
Bharti Airtel Ltd.	Telecommunication - Service Provider	332.15	66.61	2.26
Cipla Ltd.	Pharmaceuticals & Drugs	388.40	21.40	3.21
Coal India Ltd.	Mining & Minerals	289.60	11.02	3.32
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2421.95	20.75	5.28
GAIL (India) Ltd.	Gas Transmission/Marketing	346.30	12.11	1.69
HDFC Bank Ltd.	Bank - Private	682.30	21.56	4.03
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2098.70	20.03	6.94
Hindalco Industries Ltd.	Aluminium & Aluminium Products	120.60	14.25	0.70
Hindustan Unilever Ltd.	Household & Personal Products	560.85	33.77	26.24
Housing Development Finance Corporation Ltd.	Finance - Housing	813.80	17.17	3.53
ICICI Bank Ltd.	Bank - Private	1142.75	14.37	1.80
Infosys Ltd.	IT - Software	3326.60	20.02	4.42
ITC Ltd.	Cigarettes/Tobacco	311.65	30.51	9.29
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	283.55	10.20	1.17
Larsen & Toubro Ltd.	Engineering - Construction	1096.55	21.96	3.30
Mahindra & Mahindra Ltd.	Automobiles-Tractors	945.75	15.95	3.57
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1698.10	16.86	2.58
NTPC Ltd.	Power Generation/Distribution	149.00	10.24	1.46
Oil & Natural Gas Corp. Ltd.	Oil Exploration	294.60	13.24	1.89
Reliance Industries Ltd.	Refineries	867.25	12.78	1.48
State Bank Of India	Bank - Public	1861.80	8.04	0.93
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	90.20	5.23	0.58
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	582.10	60.92	7.43
Tata Consultancy Services Ltd.	IT - Software	1999.95	25.06	8.91
Tata Motors Ltd.	Automobiles-Trucks/Lcv	391.00	9.87	1.94
Tata Power Company Ltd.	Power Generation/Distribution	88.10	0.00	1.60
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	422.60	0.00	1.04
Wipro Ltd.	IT - Software	493.35	17.76	3.97

# World macro scenario

- USA – US economic data is improving. QE3 tapering uncertain.
- Europe – Recession seems to be over based on German and French data. Easy money policy to continue.
- China – Govt. has unveiled an aggressive reforms document. Economy seems to have stabilized.
- Japan – Japanese easy money policy to continue with some higher tax rates.
- Emerging markets – EM are again facing reduced inflows / outflows on uncertain tapering talks.

# 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 upto 4.8% but no clear growth-encouraging policies.
- RBI – RBI mid quarterly review on 18<sup>th</sup> Dec, 2013.
- Politics – 5 states going into elections in Nov-Dec. Results to be out on 8<sup>th</sup> Dec, 2013. 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

- Low GDP growth.
- 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
<b>STOCKS</b>	Germany Hong Kong India ↑ USA		China France ↓ Japan ↓	Australia ↓ Brazil UK ↓		
<b>COMMODITIES</b>				Aluminium Copper Lead Natural Gas Nickel ↑ Zinc	Crude Oil Gold Silver	
<b>CURRENCIES</b> (against USD)	GBP		EUR HKD	JPY	AUD BRL INR	
<b>BONDS</b> (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 Cap Goods ↑ IT Metal Teck	Bankex Power	Healthcare ↓ Oil & Gas Realty	FMCG ↓	Cons Durable
COMMODITIES				Aluminium ↑ Copper Gold ↓ Lead Natural Gas Nickel Zinc	Crude Oil Silver	
CURRENCIES (against INR)	EUR GBP		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	<b>ABB</b> <b>Britannia Ind</b> <b>Crompton Gr</b> <b>Dr Reddys</b> <b>Eicher Motors</b> <b>HCL Tech ↑</b> <b>Hero Moto Co</b> <b>Infosys</b> <b>JSW Steel</b> <b>L &amp; T</b> <b>Maruti Suzuki</b> <b>MRF</b> <b>Tata Motors</b> <b>Tata Steel</b> <b>Tech Mahindra</b> <b>United Phos</b>	<b>Asian Paints</b> <b>Bank Of Baroda</b> <b>Bharti Airtel ↑</b> <b>BHEL ↑</b> <b>Cairn India</b> <b>Havells India</b> <b>HDFC Bank ↑</b> <b>Hindalco Ind</b> <b>HCC ↑</b> <b>ICICI Bank</b> <b>Idea Cellular</b> <b>IndusInd Bank ↑</b> <b>Jindal Steel</b> <b>JSW Energy</b> <b>Kotak Bank</b> <b>M &amp; M</b> <b>Ranbaxy Lab</b> <b>Siemens</b> <b>Tata Chem ↑</b> <b>TCS</b> <b>Wipro</b> <b>Yes Bank</b>	<b>ACC ↑</b> <b>Ambuja Cem</b> <b>Axis Bank</b> <b>Bajaj Auto</b> <b>Canara Bank ↑</b> <b>Cipla</b> <b>Dabur India</b> <b>Godrej Ind</b> <b>HDFC</b> <b>Hindustan Zinc ↓</b> <b>Lupin</b> <b>Nestle India ↓</b> <b>Petronet LNG</b> <b>PNB</b> <b>Reliance Ind</b> <b>SBIN</b> <b>Sesa Goa</b> <b>Shriram Tr Fin ↑</b> <b>Sun Pharma</b> <b>Tata Global</b> <b>Tata Power</b> <b>Ultratech Cem</b> <b>United Spirits</b>	<b>Hin Unilever</b> <b>ITC</b> <b>Titan Ind</b>	<b>Exide Ind ↓</b>

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

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

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