

# *ShroffConnect* Weekly Report

## 21<sup>st</sup> December, 2013



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# Opinion as on 21/12/2013

## World Markets –

- **Money flow:** Into stocks.
  - **Opinion on money flow:** Although tapering of QE3 has been announced, the measure is being withdrawn at a slow pace and investors feel that this will not affect stock markets of the developed economies. Emerging economy markets will have to bear the brunt.
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## Indian Market –

- **Stock market:** The market rallied to close at 6274.
- **Sectors:** Computer Software, selective Pharma and Metals, Auto and Auto Ancillaries are outperforming.
- **Positives:** Rejuvenation of the ruling party to press for reforms.
- **Negatives:** High inflation, high deficit, high interest rate, lack of governance.
- **Opinion:** This seems to be a traders market rather than an investors market. Emerging economies like India will have to bear the brunt of tapering although at a slow pace. The high interest rates, fiscal profligacy, high inflation and outflow of money will definitely affect the economy negatively and the stock market will reflect it sooner or later. Investors should be cautious and avoid running after this market.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- The Federal Reserve started its long-awaited reduction in stimulus, cutting its monthly purchases to \$75 billion a month, saying it expects to keep reducing asset buys in "measured steps" if economic figures continue to improve.
- China's central bank sought to allay fears of a cash crunch on Friday, saying it has added \$50 billion in three days to the interbank market, where rates have shot to highs last seen in June when the market seized up.
- The European Union edged closer to agreeing a scheme to close failing banks but will leave big gaps in a wider reform that was supposed to unite the euro zone behind its troubled lenders.
- Asian shares were mixed on Friday and the dollar touched a new five-year high against the yen after the Federal Reserve said it would start to wind down its stimulus programme next month.

## Indian economy

- The Reserve Bank of India (RBI) unexpectedly kept the country's policy interest rate on hold on Wednesday, despite calling current inflation too high, citing the prospect of easing retail prices and its concerns about the weak domestic economy.
- The Reserve Bank today said it expects economic growth to improve in the second half of this financial year on the back of expansion in the agriculture sector, exports and movement in stalled projects.
- Gold languished at a six-month low on Friday and was on the edge of tipping over to a 3-1/2 year trough after the Federal Reserve's move to curb its bond-buying stimulus prompted a huge sell-off.
- Union Oil Minister Veerappa Moily on Friday expressed confidence that diesel prices would be completely deregulated in the next two months.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 21st Dec 2013	% Change
STOCKS	Australia	ASX	5261.54	3.14
	Brazil	Bovespa	51185.74	2.27
	China	Shanghai	2084.79	(5.07)
	France	CAC	4193.77	3.30
	Germany	DAX	9400.18	4.37
	Hong Kong	Hang Seng	22812.18	(1.87)
	India	Sensex	21079.72	1.76
	Japan	Nikkei	15870.42	3.03
	UK	FTSE	6606.58	2.59
	USA	DJIA	16221.14	2.96
COMMODITIES	Copper	\$/Pound	3.31	0.00
	Crude	\$/Barrel	99.32	2.82
	Gold	\$/Troy Ounce	1203.70	(2.50)
	Natural Gas	\$/MMBtu	4.42	1.61
	Silver	\$/Troy Ounce	19.45	(0.77)
	Aluminium	\$/Tonne	1785.00	(0.78)
	Lead	\$/Tonne	2209.50	2.77
	Nickel	\$/Tonne	14420.00	2.27
	Zinc	\$/Tonne	2038.00	3.03
CURRENCIES	USD/GBP		1.6321	0.17
	USD/EUR		1.3672	(0.50)
	USD/AUD		0.8921	(0.49)
	JPY/USD		104.07	0.90
	INR/USD		61.91	(0.39)
	HKD/USD		7.7540	0.01
	BRL/USD		2.3874	2.23
BONDS	2 Year	US Treasury	110.17	(0.03)
	10 Year		123.73	(1.46)
	30 Year		130.09	(0.79)

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 21st Dec 2013	% Change
STOCKS	Nifty	Large Cap	6274.25	1.72
	Sensex	Large Cap	21079.72	1.76
	BSE Midcap	Mid Cap	6502.49	3.17
	BSE Smallcap	Small Cap	6291.96	2.62
Some Major Shares	ACC	Rs/share	1097.25	0.49
	Bharti Airtel		327.90	2.20
	HDFC Ltd		801.85	(0.61)
	Infosys		3551.35	5.26
	L&T		1061.10	1.06
	Reliance Inds		895.15	3.52
	Tata Motors		373.70	0.90
	Tata Steel		417.95	0.67
COMMODITIES	Aluminium	INR/Kg	108.50	(1.72)
	Copper	INR/Kg	458.70	(0.66)
	Crude	INR/Barrel	6192.00	2.62
	Gold	INR/10gms	28554.00	(2.98)
	Lead	INR/Kg	136.25	2.02
	Natural Gas	INR/1mmBtu	276.10	1.32
	Nickel	INR/Kg	893.70	1.88
	Silver	INR/Kg	44007.00	(1.72)
	Zinc	INR/Kg	126.20	2.64
CURRENCIES	INR/EUR		84.69	(0.89)
	INR/GBP		101.05	(0.23)
	INR/100 JPY		59.49	(1.26)
	INR/USD		61.91	(0.39)



Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 21/12/2013

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑2.00	1.60
Inflation Rate	Monthly	↑1.20	1.00
Unemployment Rate	Monthly	7.00	7.30
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.93	2.88

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	↑1.34	1.28

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.80	7.50
Inflation Rate	Monthly	3.00	3.20
Unemployment Rate	Monthly	4.00	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑4.72	4.65

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.40	1.20
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	↑0.68	0.67

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	2.00
Inflation Rate	Monthly	↓2.10	2.20
Unemployment Rate	Monthly	↓7.40	7.60
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑2.94	2.90

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.80	4.40
Inflation Rate	Monthly	↑7.52	7.00
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.75	7.75
Govt. bond 10 year Rate	Weekly	↓8.80	8.91

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.20	3.30
Inflation Rate	Monthly	5.77	5.84
Unemployment Rate	Monthly	↓4.60	5.20
Benchmark Interest Rate	Weekly	10.00	9.50
Govt. bond 10 year Rate	Weekly	↑13.19	12.79

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.20	1.20
Inflation Rate	Monthly	6.50	6.30
Unemployment Rate	Monthly	↓5.40	5.50
Benchmark Interest Rate	Weekly	5.50	5.50
Govt. bond 10 year Rate	Weekly	7.72	7.72



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 21/12/2013

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1931.30	17.69	5.96
Bharat Heavy Electricals Ltd.	Electric Equipment	165.55	7.59	1.30
Bharti Airtel Ltd.	Telecommunication - Service Provider	327.90	65.76	2.23
Cipla Ltd.	Pharmaceuticals & Drugs	401.60	22.13	3.32
Coal India Ltd.	Mining & Minerals	284.25	10.82	3.26
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2508.80	21.49	5.47
GAIL (India) Ltd.	Gas Transmission/Marketing	339.70	11.88	1.66
HDFC Bank Ltd.	Bank - Private	665.15	21.02	3.93
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2127.35	20.31	7.03
Hindalco Industries Ltd.	Aluminium & Aluminium Products	119.10	14.08	0.69
Hindustan Unilever Ltd.	Household & Personal Products	567.95	34.20	26.57
Housing Development Finance Corporation Ltd.	Finance - Housing	800.10	16.89	3.47
ICICI Bank Ltd.	Bank - Private	1087.25	13.67	1.72
Infosys Ltd.	IT - Software	3552.30	21.37	4.72
ITC Ltd.	Cigarettes/Tobacco	315.20	30.87	9.40
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	250.55	8.99	1.03
Larsen & Toubro Ltd.	Engineering - Construction	1061.55	21.26	3.20
Mahindra & Mahindra Ltd.	Automobiles-Tractors	969.25	16.34	3.66
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1809.95	17.97	2.75
NTPC Ltd.	Power Generation/Distribution	135.95	9.34	1.33
Oil & Natural Gas Corp. Ltd.	Oil Exploration	284.35	12.78	1.83
Reliance Industries Ltd.	Refineries	893.65	13.17	1.53
State Bank Of India	Bank - Public	1751.85	7.57	0.88
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	90.20	5.23	0.58
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	578.80	60.57	7.39
Tata Consultancy Services Ltd.	IT - Software	2119.55	26.56	9.44
Tata Motors Ltd.	Automobiles-Trucks/Lcv	373.05	9.42	1.85
Tata Power Company Ltd.	Power Generation/Distribution	90.60	0.00	1.65
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	417.85	0.00	1.03
Wipro Ltd.	IT - Software	548.95	19.76	4.41

# World macro scenario

- USA – US economic data is improving. QE3 tapering announced from Jan 2014.
- 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 tapering.

# 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 leaves rates unchanged.
- Politics – BJP is a clear favourite to win a large number of seats in the forthcoming general elections.
- Inflation –Headline inflation is 7.5%.

# Our concerns on the macro front

## World economies

- QE3 tapering from the beginning of next 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 India ↑ Japan ↑ USA		Hong Kong	Australia Brazil China ↓ France UK		
<b>COMMODITIES</b>			Natural Gas	Copper Crude Oil ↑ Lead Nickel Zinc	Aluminium Gold Silver ↓	
<b>CURRENCIES</b> (against USD)	EUR GBP			HKD ↓	AUD INR ↓ JPY	BRL
<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	Mid Cap Nifty ↑ Sensex ↑ Small Cap					
SECTORS	Auto Cap Goods IT Metal Teck	Bankex Healthcare ↑ Power	Oil & Gas Realty	FMCG	Cons Durable	
COMMODITIES	Natural Gas	Copper ↑ Lead ↑ Zinc	Crude Oil ↑ Gold Nickel	Aluminium Silver		
CURRENCIES (against INR)	GBP	EUR ↓ 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	<b>Amara Raja Batt</b> <b>Arvind</b> <b>Aurobindo Ph</b> <b>Bata India</b> <b>Biocon</b> <b>Ceat Ltd</b> <b>Finolex Cables</b> <b>Finolex Ind</b> <b>Jubilant Food</b> <b>M &amp; M Fin</b> <b>Mercator</b> <b>Mindtree</b>	<b>Adani Ports</b> <b>Bajaj Finance</b> <b>Dish T V India</b> <b>DiviS Lab</b> <b>HDIL</b> <b>Indian Hotels</b> <b>J &amp; K Bank ↑</b> <b>Raymond ↑</b> <b>SCI</b> <b>Thermax</b> <b>Zee Ent</b>	<b>Ballarpur Ind</b> <b>Berger Paints</b> <b>Century Text</b> <b>Colgate-Pal</b> <b>Cummins India</b> <b>Emami</b> <b>GSK Pharma</b> <b>Godrej Con</b> <b>GSK Consumer</b> <b>IFCI</b> <b>IndiaB Real Est</b> <b>IGL</b> <b>Jain Irrigation</b> <b>Koltepatil Dev</b> <b>L&amp;T Finance</b> <b>Marico</b> <b>Mcleod Russel</b> <b>Reliance Power</b> <b>Sintex Ind</b> <b>Sobha Dev ↓</b> <b>Strides Acrcolab</b> <b>Whirlpool</b>	<b>Apollo Hosp</b> <b>Castrol India</b> <b>Glenmark Ph</b> <b>Sun TV</b> <b>United Brew ↓</b>	<b>Unitech</b>

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

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