

ShroffConnect Weekly Report

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Opinion as on 28/12/2013

World Markets –

- **Money flow:** The flow of money is into stocks.
 - **Opinion on money flow:** Investors probably feel that the tapering rate will not have any significant impact on world economies and hence are placing their confidence in the stock market. US economic numbers continue to be better. Non-performing economies, however, may continue to see selling pressure.
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Indian Market –

- **Stock market:** The stock market moved sideways to close at 6313 Nifty.
- **Sectors:** Computer Software, Metals, Auto & selective Pharma are outperforming.
- **Positives:** FII buying and world markets.
- **Negatives:** High inflation, high interest rates, high fiscal deficit, lack of governance.
- **Opinion:** The stock market showed resilience with the support of dovish central bank policies even in the face of poor data. Soft policies however cannot change economic facts. Our economy continues to face headwinds and there is no single factor which can bring us out of the mess. If the government takes tiny measures to remove hurdles to investment and to control inflation, then the economy will begin its upward journey. Till then investors should remain cautious and assume that this rally is liquidity driven.



Current news and world
financial market prices

Current scenario & news

World economy

- Gold edged up on Friday, supported by some physical buying, but remained on track for its biggest annual loss in three decades as rallies in equities and prospects of global economic recovery dented its appeal.
- China's benchmark money-market rate posted its biggest weekly drop since 2011 as central bank cash injections and fiscal fund transfers boosted supply. The yuan rose to the strongest level in 20 years.
- Refining losses from producing fuel oil in Asia are poised to narrow as imports from western countries and Iran decline while global economic growth boosts demand for transportation fuels.
- Foreign investors are betting the worst rout in Latin American currencies since 2008 will extend into next year as commodity export prices slump and rising U.S. bond yields lure money out of the region.

Indian economy

- Brushing aside suggestions that the RBI has shifted focus from inflation management to growth, the central bank said fighting rising prices will continue to be its priority and a call on raising interest rates will be taken after factoring in more data.
- Bank deposits grew 17 percent year-on-year as on December 13 due to higher mobilisation, driven by the Reserve Bank's special swap window for Foreign Currency Non-Resident (Banks) or FCNR (B) deposits.
- Revenue from service tax, which has become a new focus area for Finance Ministry, has grown up substantially by over 300 times in past about two decades.
- Turnover of the commodity exchanges fell by 60 percent to Rs 2.77 lakh crore in the first fortnight of December due to sharp drop in trading volumes in most commodities.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 28th Dec 2013	% Change
STOCKS	Australia	ASX	5323.79	1.18
	Brazil	Bovespa	51266.56	0.16
	China	Shanghai	2101.25	0.79
	France	CAC	4277.65	2.00
	Germany	DAX	9589.39	2.01
	Hong Kong	Hang Seng	23243.24	1.89
	India	Sensex	21193.58	0.54
	Japan	Nikkei	16178.94	1.94
	UK	FTSE	6750.87	2.18
	USA	DJIA	16478.41	1.59
COMMODITIES	Copper	\$/Pound	3.38	2.11
	Crude	\$/Barrel	100.32	1.01
	Gold	\$/Troy Ounce	1214.00	0.86
	Natural Gas	\$/MMBtu	4.37	(1.13)
	Silver	\$/Troy Ounce	20.05	3.08
	Aluminium	\$/Tonne	1810.00	1.40
	Lead	\$/Tonne	2287.00	3.51
	Nickel	\$/Tonne	14200.00	(1.53)
	Zinc	\$/Tonne	2089.00	2.50
CURRENCIES	USD/GBP		1.6473	0.93
	USD/EUR		1.3738	0.48
	USD/AUD		0.8867	(0.61)
	JPY/USD		105.14	1.03
	INR/USD		61.92	0.02
	HKD/USD		7.7544	0.01
	BRL/USD		2.3382	(2.06)
BONDS	2 Year	US Treasury	110.18	0.01
	10 Year		122.98	(0.61)
	30 Year		128.28	(1.39)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 28th Dec 2013	% Change
STOCKS	Nifty	Large Cap	6313.80	0.63
	Sensex	Large Cap	21193.58	0.54
	BSE Midcap	Mid Cap	6663.76	2.48
	BSE Smallcap	Small Cap	6516.08	3.56
Some Major Shares	ACC	Rs/share	1122.45	2.30
	Bharti Airtel		329.20	0.40
	HDFC Ltd		788.40	(1.68)
	Infosys		3561.30	0.28
	L&T		1077.95	1.59
	Reliance Inds		878.85	(1.82)
	Tata Motors		371.90	(0.48)
	Tata Steel		425.05	1.70
COMMODITIES	Aluminium	INR/Kg	109.55	0.97
	Copper	INR/Kg	468.20	2.07
	Crude	INR/Barrel	6261.00	1.11
	Gold	INR/10gms	28564.00	0.04
	Lead	INR/Kg	140.35	3.01
	Natural Gas	INR/1mmBtu	273.40	(0.98)
	Nickel	INR/Kg	877.20	(1.85)
	Silver	INR/Kg	45154.00	2.61
	Zinc	INR/Kg	130.50	3.41
CURRENCIES	INR/EUR		85.11	0.50
	INR/GBP		102.01	0.95
	INR/100 JPY		58.89	(1.01)
	INR/USD		61.92	0.02



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 28/12/2013

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	↑2.99	2.93

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	↑1.35	1.34

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	↓4.63	4.72

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.40	1.20
Inflation Rate	Monthly	↑1.50	1.10
Unemployment Rate	Monthly	4.00	4.00
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↑0.71	0.68

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	↑3.07	2.94

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	↑8.96	8.80

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	↓13.11	13.19

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	↓7.70	7.72

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 28/12/2013

Company	Industry	Price	TTM P/E	P/BV
Axis Bank Ltd.	Bank - Private	1293.25	10.70	1.68
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1935.00	17.72	5.97
Bharat Heavy Electricals Ltd.	Electric Equipment	173.25	7.94	1.36
Bharti Airtel Ltd.	Telecommunication - Service Provider	328.80	65.94	2.23
Cipla Ltd.	Pharmaceuticals & Drugs	404.75	22.30	3.35
Coal India Ltd.	Mining & Minerals	282.95	10.77	3.25
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2518.70	21.58	5.49
GAIL (India) Ltd.	Gas Transmission/Marketing	340.50	11.91	1.66
HDFC Bank Ltd.	Bank - Private	669.30	21.16	3.96
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2086.80	19.92	6.90
Hindalco Industries Ltd.	Aluminium & Aluminium Products	122.15	14.44	0.70
Hindustan Unilever Ltd.	Household & Personal Products	568.85	34.25	26.62
Housing Development Finance Corporation Ltd.	Finance - Housing	788.60	16.65	3.42
ICICI Bank Ltd.	Bank - Private	1107.90	13.93	1.75
Infosys Ltd.	IT - Software	3562.25	21.43	4.74
ITC Ltd.	Cigarettes/Tobacco	322.10	31.55	9.61
Larsen & Toubro Ltd.	Engineering - Construction	1077.65	21.58	3.24
Mahindra & Mahindra Ltd.	Automobiles-Tractors	964.55	16.26	3.64
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1775.40	17.63	2.70
NTPC Ltd.	Power Generation/Distribution	137.35	9.44	1.34
Oil & Natural Gas Corporation Ltd.	Oil Exploration	292.05	13.13	1.88
Reliance Industries Ltd.	Refineries	878.70	12.95	1.50
Sesa Sterlite Ltd.	Mining & Minerals	201.20	16.56	0.86
State Bank Of India	Bank - Public	1769.90	7.64	0.89
Sun Pharmaceutical Industries Ltd.	Pharmaceuticals & Drugs	575.50	60.23	7.35
Tata Consultancy Services Ltd.	IT - Software	2158.95	27.06	9.61
Tata Motors Ltd.	Automobiles-Trucks/Lcv	371.15	9.37	1.84
Tata Power Company Ltd.	Power Generation/Distribution	89.60	0.00	1.63
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	424.00	0.00	1.04
Wipro Ltd.	IT - Software	555.40	19.99	4.47

World macro scenario

- USA – US economic data is improving. QE3 tapering will begin in Jan 2014.
- Europe – 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 to begin in Jan 2014.
- Eurozone's low GDP growth. Unemployment in troubled economies.

Indian economy

- Low GDP growth.
- High interest rate.
- High fiscal deficit.
- Populist politics.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT



STOCKS	Germany India Japan USA	Hong Kong	Australia Brazil China France UK		
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COMMODITIES	Natural Gas ↑		Aluminium ↑ Copper Crude Oil Lead Nickel Zinc	Silver	Gold ↓
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CURRENCIES (against USD)	EUR GBP		HKD	INR	AUD ↓ BRL JPY ↓
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BONDS (US Treasury)		2 Year		10 Year 30 Year ↑	
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↑ = 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 Power ↑ Teck	Bankex Healthcare	Oil & Gas Realty	Cons Durable ↑ FMCG		
COMMODITIES	Natural Gas Zinc ↑	Copper Lead	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

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	ABB Britannia Ind Crompton Gr Dr Reddys Lab Eicher Motors HCL Tech Hero Moto Co Infosys JSW Steel L & T Maruti Suzuki MRF Ranbaxy Lab ↑ Sesa Sterlite ↑ Siemens ↑ Tata Steel TCS ↑ Tech Mahindra United Phos Wipro	Axis Bank Bank Of Baroda Cairn India Havells India HCC ↑ Hindalco Ind Hindustan Zinc ICICI Bank Jindal Steel ↑ JSW Energy Kotak Bank M & M PNB ↑ Tata Motors	ACC Ambuja Cem Asian Paints BHEL Bharti Airtel Canara Bank Dabur India HDFC HDFC Bank Idea Cellular IndusInd Bank Lupin Nestle India Petronet LNG Reliance Ind SBIN Shri Trans Fin Sun Pharma Tata Chem Tata Global Tata Power Ultratech Cem United Spirits Yes Bank	Bajaj Auto ↓ Cipla Exide Ind ↑ Godrej Ind ↓ Hind Unilever ITC	Titan Ind

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

MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Amara Raja Batt Arvind Aurobindo Ph Bajaj Finance ↑ Bata India Biocon Ceat Ltd DiviS Lab ↑ Finolex Cab Finolex Ind GSK Pharma Indian Hotels ↑ J & K Bank ↑ M & M Fin Mercator Mindtree	Adani Ports Century Text ↑ Cummins India ↑ Dish T V India HDIL Jain Irrigation ↑ Jubilant Food ↓ Koltepatil Dev ↑ Mcleod Russel ↑ Raymond SCI Thermax Zee Ent	Apollo Hosp ↑ Ballarpur Ind Berger Paints Castrol India ↑ Colgate-Palm Emami Glenmark Ph ↑ Godrej Con GSK Consumer IFCI India B Real Est IGL L&T Finance Marico Reliance Power Sintex Ind Sobha Dev Whirlpool	Strides Acrcolab ↓ Sun TV United Bre	Unitech

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

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