

ShroffConnect Weekly Report

4th January, 2014



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Opinion as on 04/01/2014

World Markets –

- **Money flow:** The flow is into US stocks and out of precious metals and treasuries.
 - **Opinion on money flow:** Investors probably feel that the effect of tapering will be minimal in the US given its good economic data. Hence, the flow of money towards US stocks. They also feel that interest rates will rise and hence, the flow of money out of US treasuries.
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Indian Market –

- **Stock market:** The market eased somewhat to close at 6211 Nifty.
- **Sectors:** IT, Capital Goods, Metals, selective Pharma and Auto are outperforming.
- **Positives:** INR is remaining stable within 61-63; CAD is under control.
- **Negatives:** High inflation, interest rate and fiscal deficit, low governance.
- **Opinion:** The effect of tapering will be felt in all emerging markets and India is not going to be the exception given its low growth. However, it can prove a good long term story if there is a stable government after the coming general elections. Till then, the markets should move sideways. Investors would do well to be cautious and watch the INR very closely for weakness.



Current news and world
financial market prices

Current scenario & news

World economy

- The Federal Reserve will begin winding down, or tapering, its \$85 billion-a-month money-printing programme this month, and emerging markets are seeing foreign investment pull back as a result.
- Global manufacturing ended 2013 on a strong note, as major exporters like the United States, Japan and Germany all saw demand pick up, although China's performance remained modest.
- U.S. factory activity held near a 2-1/2-year high in December and the number of Americans filing new claims for jobless benefits fell again last week, suggesting the economy was poised for stronger growth in 2014.
- Growth in China's factories slowed slightly in December as export orders and output weakened adding to views that while the world's second-largest economy remains resilient, it lost some steam in late 2013.

Indian economy

- India's factories lost momentum last month as softness in new domestic orders prompted firms to lower production growth, but demand from abroad picked up.
- RBI Governor Raghuram Rajan said the challenge of containing inflation is limiting the central bank's ability to boost economic growth, while urging the government to continue with fiscal consolidation to support the economy.
- India's fiscal deficit touched Rs 5,09,557 crore during April-November, or 93.9 percent of the annual target.
- The government indicated further liberalisation of the FDI policy in the coming weeks to attract foreign investments into the country.
- India will release November factory output on January 10, the first important data ahead of the Reserve Bank of India's monetary policy review on January 28.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 4th Jan 2014	% Change
STOCKS	Australia	ASX	5351.79	0.53
	Brazil	Bovespa	50981.09	(0.56)
	China	Shanghai	2083.14	(0.86)
	France	CAC	4247.65	(0.70)
	Germany	DAX	9435.15	(1.61)
	Hong Kong	Hang Seng	22817.28	(1.83)
	India	Sensex	20851.33	(1.61)
	Japan	Nikkei	16291.31	0.69
	UK	FTSE	6730.67	(0.30)
	USA	DJIA	16469.99	(0.05)
COMMODITIES	Copper	\$/Pound	3.36	(0.59)
	Crude	\$/Barrel	93.96	(6.34)
	Gold	\$/Troy Ounce	1238.60	2.03
	Natural Gas	\$/MMBtu	4.30	(1.60)
	Silver	\$/Troy Ounce	20.21	0.80
	Aluminium	\$/Tonne	1772.50	(2.07)
	Lead	\$/Tonne	2172.75	(5.00)
	Nickel	\$/Tonne	13845.00	(2.50)
CURRENCIES	Zinc	\$/Tonne	2026.00	(3.02)
	USD/GBP		1.6415	(0.35)
	USD/EUR		1.3587	(1.10)
	USD/AUD		0.8946	0.89
	JPY/USD		104.81	(0.31)
	INR/USD		62.18	0.42
	HKD/USD		7.7538	(0.01)
BONDS	BRL/USD		2.3808	1.82
	2 Year	US Treasury	109.88	(0.27)
	10 Year		123.17	0.15
	30 Year		128.53	0.19

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 4th Jan 2014	% Change
STOCKS	Nifty	Large Cap	6211.15	(1.63)
	Sensex	Large Cap	20851.33	(1.61)
	BSE Midcap	Mid Cap	6659.18	(0.07)
	BSE Smallcap	Small Cap	6553.00	0.57
Some Major Shares	ACC	Rs/share	1088.95	(2.98)
	Bharti Airtel		329.35	0.05
	HDFC Ltd		791.00	0.33
	Infosys		3565.15	0.11
	L&T		1012.05	(6.11)
	Reliance Inds		864.25	(1.66)
	Tata Motors		362.70	(2.47)
	Tata Steel		412.50	(2.95)
COMMODITIES	Aluminium	INR/Kg	109.20	(0.32)
	Copper	INR/Kg	465.55	(0.57)
	Crude	INR/Barrel	5897.00	(5.81)
	Gold	INR/10gms	29159.00	2.08
	Lead	INR/Kg	134.95	(3.85)
	Natural Gas	INR/1mmBtu	273.20	(0.07)
	Nickel	INR/Kg	865.10	(1.38)
	Silver	INR/Kg	45475.00	0.71
	Zinc	INR/Kg	126.95	(2.72)
CURRENCIES	INR/EUR		84.50	(0.72)
	INR/GBP		102.05	0.04
	INR/100 JPY		59.31	0.71
	INR/USD		62.18	0.42



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 04/01/2014

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	↑3.00	2.99

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	↑1.37	1.35

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	↓4.56	4.63

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.40	1.20
Inflation Rate	Monthly	1.61	1.10
Unemployment Rate	Monthly	4.00	4.00
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↑0.74	0.71

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	↓3.03	3.07

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	↓8.84	8.96

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	↑13.12	13.11

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.20	1.20
Inflation Rate	Monthly	6.50	6.50
Unemployment Rate	Monthly	5.40	5.50
Benchmark Interest Rate	Weekly	5.50	5.50
Govt. bond 10 year Rate	Weekly	↑7.71	7.70

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 04/01/2014

Company	Industry	Price	TTM P/E	P/BV
Axis Bank Ltd.	Bank - Private	1260.65	10.43	1.63
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1899.00	17.39	5.86
Bharat Heavy Electricals Ltd.	Electric Equipment	166.10	7.61	1.30
Bharti Airtel Ltd.	Telecommunication - Service Provider	328.85	65.95	2.23
Cipla Ltd.	Pharmaceuticals & Drugs	392.60	21.63	3.24
Coal India Ltd.	Mining & Minerals	277.75	10.57	3.19
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2497.90	21.40	5.44
GAIL (India) Ltd.	Gas Transmission/Marketing	337.55	11.81	1.65
HDFC Bank Ltd.	Bank - Private	663.35	20.97	3.92
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2096.50	20.01	6.93
Hindalco Industries Ltd.	Aluminium & Aluminium Products	118.65	14.02	0.68
Hindustan Unilever Ltd.	Household & Personal Products	565.30	34.04	26.45
Housing Development Finance Corporation Ltd.	Finance - Housing	790.00	16.67	3.42
ICICI Bank Ltd.	Bank - Private	1067.00	13.42	1.69
Infosys Ltd.	IT - Software	3565.45	21.45	4.74
ITC Ltd.	Cigarettes/Tobacco	314.85	30.84	9.39
Larsen & Toubro Ltd.	Engineering - Construction	1012.25	20.27	3.05
Mahindra & Mahindra Ltd.	Automobiles-Tractors	900.05	15.18	3.39
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1798.55	17.86	2.73
NTPC Ltd.	Power Generation/Distribution	132.00	9.07	1.29
Oil & Natural Gas Corporation Ltd.	Oil Exploration	275.80	12.40	1.77
Reliance Industries Ltd.	Refineries	865.00	12.74	1.48
Sesa Sterlite Ltd.	Mining & Minerals	198.60	16.34	0.85
State Bank Of India	Bank - Public	1716.10	7.53	0.87
Sun Pharmaceutical Industries Ltd.	Pharmaceuticals & Drugs	579.95	60.69	7.40
Tata Consultancy Services Ltd.	IT - Software	2222.00	27.85	9.89
Tata Motors Ltd.	Automobiles-Trucks/Lcv	362.70	9.16	1.80
Tata Power Company Ltd.	Power Generation/Distribution	84.05	0.00	1.53
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	412.60	0.00	1.01
Wipro Ltd.	IT - Software	557.15	20.06	4.48

World macro scenario

- USA – US economic data is improving. QE3 tapering will begin in Jan 2014. Low interest rates to continue.
- 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 the 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.

Indian economy

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



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS		Germany Japan USA	Hong Kong India ↓	Australia Brazil China France UK		
COMMODITIES		Natural Gas	Zinc ↑	Copper Crude Oil Lead Nickel	Aluminium ↓ Silver	Gold
CURRENCIES (against USD)		EUR GBP		HKD INR ↑		AUD BRL 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	Mid Cap Small Cap		Nifty ↓ Sensex ↓			
SECTORS	Auto Cap Goods Healthcare ↑ IT Metal Teck		Power ↓	Bankex ↓ Cons Durable ↑ Oil & Gas Realty	FMCG	
COMMODITIES	Natural Gas Zinc		Copper Lead	Aluminium ↑ Nickel	Crude Oil ↓ Gold ↓ 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	Amara Raja Arvind Aurobindo Ph Bajaj Finance Bata India Biocon Ceat Ltd DiviS Lab Finolex Cables Finolex Ind Glaxo Pharma Indian Hotels M & M Fina Mercator Mindtree Raymond ↑ Thermax ↑	Adani Ports Century Text Cummins India Dish T V India HDIL J & K Bank ↓ Jubilant Food Koltepatil Dev Mcleod Russel Shipping Cor Sobha Dev ↑ Whirlpool ↑ Zee Ent	Apollo Hos Ballarpur Ind Berger Paints Colgate-Pal Emami Godrej Cons IFCI Indiabulls R Est IGL Jain Irrigation ↓ L&T Finance Marico Reliance Power Sintex Ind	Castrol India ↓ Glenmark Ph ↓ GSK Consumer ↓ Strides Acrcolab United Breweries	Sun TV ↓ Unitech

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

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