

# *ShroffConnect* Weekly Report

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# Opinion as on 11/01/2014

## World Markets –

- **Money flow:** Into US & German stocks.
  - **Opinion on money flow:** Money is flowing into stocks of USA and Germany because these developed countries are doing well economically. The rest of the world is floundering and investor interest has diminished because of tapering.
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## Indian Market –

- **Stock market:** The stock market eased somewhat to close at 6171 Nifty.
- **Sectors:** Computer software, selective Auto and Pharma are outperforming.
- **Positives:** Almost nothing.
- **Negatives:** High inflation, high fiscal deficit, high interest rates and low governance.
- **Opinion:** All parties including the ruling party are in election mode. The government is trying to make up for lost ground by clearing files at the last minute but any results will accrue only after the elections and the formation of a new government. The popularity of the new party AAP has muddied the water and the probability of a hung parliament has gone up. This is bad for the economy and consequently the stock market. Therefore one can say that growth is low and not picking up, chances of a major change are dim and liquidity into stocks from abroad is bound to come down. It would be absolutely right for investors to remain cautious.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- Services and manufacturing sectors across emerging market economies witnessed slower expansion in December, except in India where the two segments continued to saw contraction, according to a survey.
- China's annual trade exceeded the USD 4 trillion mark for the first time last year as exports rose 7.9 percent to USD 2.21 trillion on higher shipment of goods to the European Union and the US, its main markets.
- The euro rose from the lowest level in a month as European Central Bank President Mario Draghi strengthened his pledge to keep interest rates low for an extended period to protect economic gains.
- U.K. industrial and manufacturing production unexpectedly stagnated in November and construction fell the most in more than a year, indicating the economy may have struggled to build momentum in the fourth quarter.

## Indian economy

- India's exports growth slowed down to 3.49%, while imports dipped 15.25% in December 2013. With the sharp contraction in imports, the trade deficit stood at \$10140.26 million in December 2013.
- Gross direct tax collections during April-December of the Financial Year (FY) 2013-14 is up by 12.33 percent at Rs 4,81,914 crore as against Rs 4,29,023 crore in the same period last year. While gross collections of Corporate taxes have shown an increase of 9.35 percent and stood at Rs 3,10,126 crore as against Rs 2,83,605 crore during the same period in last year.
- Encouraged by increase in foreign trade, industrial activity in the country improved in December and the uptrend is likely to continue for the first few months of 2014, a report has said.
- Global rating agency Moody's cautioned that low growth and high inflation could weaken the country's debt profile and raise financing cost.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 11th Jan 2014	% Change
STOCKS	Australia	ASX	5316.27	(0.66)
	Brazil	Bovespa	49696.45	(2.52)
	China	Shanghai	2013.30	(3.35)
	France	CAC	4250.60	0.07
	Germany	DAX	9473.24	0.40
	Hong Kong	Hang Seng	22846.25	0.13
	India	Sensex	20758.49	(0.45)
	Japan	Nikkei	15912.06	(2.33)
	UK	FTSE	6739.94	0.14
	USA	DJIA	16437.05	(0.20)
COMMODITIES	Copper	\$/Pound	3.34	(0.60)
	Crude	\$/Barrel	92.72	(1.32)
	Gold	\$/Troy Ounce	1246.90	0.67
	Natural Gas	\$/MMBtu	4.05	(5.81)
	Silver	\$/Troy Ounce	20.22	0.05
	Aluminium	\$/Tonne	1765.00	(0.42)
	Lead	\$/Tonne	2119.00	(2.47)
	Nickel	\$/Tonne	13860.00	0.11
CURRENCIES	Zinc	\$/Tonne	2032.00	0.30
	USD/GBP		1.6481	0.40
	USD/EUR		1.3667	0.59
	USD/AUD		0.8993	0.53
	JPY/USD		104.11	(0.67)
	INR/USD		61.42	(1.22)
	HKD/USD		7.7538	0.00
BONDS	BRL/USD		2.3677	(0.55)
	2 Year	US Treasury	109.95	0.06
	10 Year		124.30	0.92
	30 Year		130.72	1.70

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 11th Jan 2014	% Change
STOCKS	Nifty	Large Cap	6171.45	(0.64)
	Sensex	Large Cap	20758.49	(0.45)
	BSE Midcap	Mid Cap	6581.22	(1.17)
	BSE Smallcap	Small Cap	6569.79	0.26
Some Major Shares	ACC	Rs/share	1034.25	(5.02)
	Bharti Airtel		330.55	0.36
	HDFC Ltd		801.45	1.32
	Infosys		3551.25	(0.39)
	L&T		956.05	(5.53)
	Reliance Inds		858.15	(0.71)
	Tata Motors		367.00	1.19
	Tata Steel		384.50	(6.79)
COMMODITIES	Aluminium	INR/Kg	106.95	(2.06)
	Copper	INR/Kg	457.45	(1.74)
	Crude	INR/Barrel	5704.00	(3.27)
	Gold	INR/10gms	29033.00	(0.43)
	Lead	INR/Kg	130.10	(3.59)
	Natural Gas	INR/1mmBtu	251.20	(8.05)
	Nickel	INR/Kg	851.40	(1.58)
	Silver	INR/Kg	44824.00	(1.43)
	Zinc	INR/Kg	125.60	(1.06)
CURRENCIES	INR/EUR		83.98	(0.62)
	INR/GBP		101.22	(0.81)
	INR/100 JPY		58.98	(0.56)
	INR/USD		61.42	(1.22)



Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 11/01/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.00	1.60
Inflation Rate	Monthly	1.20	1.00
Unemployment Rate	Monthly	↓6.70	7.00
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓2.97	3.00

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.30	-0.60
Inflation Rate	Monthly	↓0.80	0.90
Unemployment Rate	Monthly	12.10	12.10
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓1.32	1.37

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.80	7.50
Inflation Rate	Monthly	↓2.50	3.00
Unemployment Rate	Monthly	4.00	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑4.61	4.56

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	↓0.70	0.74

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	↓2.88	3.03

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	↓8.76	8.84

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.20	3.30
Inflation Rate	Monthly	↑5.91	5.77
Unemployment Rate	Monthly	4.60	5.20
Benchmark Interest Rate	Weekly	10.00	10.00
Govt. bond 10 year Rate	Weekly	↓13.10	13.12

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	↑7.75	7.71



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 11/01/2014

Company	Industry	Price	TTM P/E	P/BV
Axis Bank Ltd.	Bank - Private	1164.55	9.63	1.51
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1901.10	17.41	5.87
Bharat Heavy Electricals Ltd.	Electric Equipment	162.55	7.45	1.28
Bharti Airtel Ltd.	Telecommunication - Service Provider	330.60	66.30	2.25
Cipla Ltd.	Pharmaceuticals & Drugs	398.75	21.97	3.30
Coal India Ltd.	Mining & Minerals	288.70	10.99	3.31
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2625.45	22.49	5.72
GAIL (India) Ltd.	Gas Transmission/Marketing	346.00	12.10	1.69
HDFC Bank Ltd.	Bank - Private	662.15	20.93	3.92
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2035.15	19.43	6.73
Hindalco Industries Ltd.	Aluminium & Aluminium Products	110.45	13.05	0.64
Hindustan Unilever Ltd.	Household & Personal Products	550.30	33.14	25.75
Housing Development Finance Corporation Ltd.	Finance - Housing	800.00	16.89	3.47
ICICI Bank Ltd.	Bank - Private	1024.55	12.88	1.62
Infosys Ltd.	IT - Software	3548.90	20.28	4.72
ITC Ltd.	Cigarettes/Tobacco	322.45	31.58	9.62
Larsen & Toubro Ltd.	Engineering - Construction	956.00	19.14	2.88
Mahindra & Mahindra Ltd.	Automobiles-Tractors	874.45	14.74	3.30
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1794.70	17.82	2.72
NTPC Ltd.	Power Generation/Distribution	131.40	9.03	1.29
Oil & Natural Gas Corporation Ltd.	Oil Exploration	283.80	12.76	1.82
Reliance Industries Ltd.	Refineries	856.90	12.63	1.47
Sesa Sterlite Ltd.	Mining & Minerals	196.40	16.16	0.84
State Bank Of India	Bank - Public	1608.85	7.06	0.82
Sun Pharmaceutical Industries Ltd.	Pharmaceuticals & Drugs	609.70	63.81	7.78
Tata Consultancy Services Ltd.	IT - Software	2281.80	28.60	10.16
Tata Motors Ltd.	Automobiles-Trucks/Lcv	368.15	9.29	1.83
Tata Power Company Ltd.	Power Generation/Distribution	80.40	0.00	1.46
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	384.30	0.00	0.94
Wipro Ltd.	IT - Software	554.55	19.96	4.46

# 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%.
- IIP data for November 2013 is negative.
- HSBC PMI services is negative.

# 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	India	Australia China France Hong Kong ↓ UK	Brazil ↓	
COMMODITIES		Natural Gas	Zinc	Copper Lead Nickel Silver ↑	Aluminium Crude Oil ↓ 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



### INDICES

Mid Cap  
Small Cap  
Nifty  
Sensex

### SECTORS

Healthcare  
IT  
Metal  
Teck  
Auto ↓  
Cap Goods ↓  
Power  
Bankex  
Oil & Gas  
Realty  
Cons Durable ↓  
FMCG

### COMMODITIES

Natural Gas  
Zinc  
Copper  
Lead ↓  
Nickel  
Aluminium ↓  
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 Batt	Adani Ports	Apollo Hospitals	Castrol India	Sun TV
	Arvind	Century Text	Ballarpur Ind	Glenmark Ph	Unitech
	Aurobindo Ph	Colgate-Palm ↑	Berger Paints	GSK Consumer	
	Bajaj Finance	Cummins India	Dish T V India ↓	Strides Acrcolab	
	Bata India	Jain Irrigation ↑	Emami		
	Biocon	J & K Bank	Godrej Con		
	Ceat Ltd	Jubilant Food	HDIL ↓		
	DiviS Lab	Koltepatil Dev	IFCI		
	Finolex Cables	M & M Fin ↓	IndBulls Real Est		
	Finolex Ind	Mcleod Russel	IGL		
	Glaxo Pharma	Raymond ↓	L&T Fin		
	Indian Hotels	Sintex Ind ↑	Marico		
	Mercator	SCI	Reliance Power		
	Mindtree	Whirlpool	Sobha Dev ↓		
	Thermax	Zee Ent	United Brew ↑		

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

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