

ShroffConnect Weekly Report

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Opinion as on 18/01/2014

World Markets –

- **Money flow:** The money is flowing into stocks.
 - **Opinion on money flow:** Money is flowing into stocks on weak labour data from the USA. Investors feel that due to this weak report, tapering will happen very slowly and liquidity will continue. Hence, they are being attracted to riskier assets.
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Indian Market –

- **Stock market:** The stock market moved sideways to end at 6261 Nifty.
- **Sectors:** Computer Software, selective Pharma and Auto are outperforming.
- **Positives:** Lower inflation for last month.
- **Negatives:** High fiscal deficit, high interest rates and lack of governance.
- **Opinion:** The Indian stock market is moving on liquidity and positive results from some sectors like Computer Software. The RBI should hold interest rates as inflation is easing and that is a good thing. However, good stocks are quoting at extremely high prices and investors would do well to enter only on a substantial dip.



Current news and world
financial market prices

Current scenario & news

World economy

- The US Senate has passed the USD 1.1 trillion omnibus spending bill that eliminates the threat of another government shutdown at least until October and puts conditions on Pakistan for continuation of aid.
- China's factory output and investment growth probably weakened in December, adding to signs the world's second-largest economy is losing momentum as analysts forecast 2014 expansion at the lowest in 24 years.
- Japan's success in rekindling inflation is raising the stakes for policy makers to map out the endgame for monetary stimulus, given the risk of a surge in yields when the Bank of Japan winds down bond purchases.
- Central, eastern and southeastern Europe is poised for just a "tepid" economic recovery this year, lagging other emerging markets even as major western trading partners rebound.

Indian economy

- India's headline inflation eased to a five-month low in December on lower vegetable prices, providing some relief to the ruling coalition before a national election and increasing the odds that interest rates will stay on hold this month.
- India's fiscal deficit will be contained at 4.8 percent of the gross domestic product in the current fiscal year ending March, the finance minister said, hinting at possible cuts in government spending.
- India's iron ore exports have gone down by 28.16 percent during April-December of the current fiscal to 11.17 million tonnes (MT) as gloom continues over the sector due to the present regulatory scenario.
- Sluggish economic growth and high interest rates are being touted as primary drivers for rising bad loans and if the economic scenario continues there is no doubt that asset quality would suffer further.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 18th Jan 2014	% Change
STOCKS	Australia	ASX	5316.43	0.00
	Brazil	Bovespa	49181.86	(1.04)
	China	Shanghai	2004.95	(0.41)
	France	CAC	4327.50	1.81
	Germany	DAX	9742.96	2.85
	Hong Kong	Hang Seng	23133.35	1.26
	India	Sensex	21063.62	1.47
	Japan	Nikkei	15734.46	(1.12)
	UK	FTSE	6829.30	1.33
	USA	DJIA	16458.56	0.13
COMMODITIES	Copper	\$/Pound	3.34	0.00
	Crude	\$/Barrel	94.37	1.78
	Gold	\$/Troy Ounce	1251.90	0.40
	Natural Gas	\$/MMBtu	4.33	6.91
	Silver	\$/Troy Ounce	20.30	0.40
	Aluminium	\$/Tonne	1821.50	3.20
	Lead	\$/Tonne	2208.00	4.20
	Nickel	\$/Tonne	14695.00	6.02
	Zinc	\$/Tonne	2079.00	2.31
CURRENCIES	USD/GBP		1.6411	(0.42)
	USD/EUR		1.3535	(0.97)
	USD/AUD		0.8778	(2.39)
	JPY/USD		104.35	0.23
	INR/USD		61.53	0.18
	HKD/USD		7.7552	0.02
	BRL/USD		2.3420	(1.09)
BONDS	2 Year	US Treasury	109.93	(0.02)
	10 Year		124.42	0.10
	30 Year		131.31	0.45

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 18th Jan 2014	% Change
STOCKS	Nifty	Large Cap	6261.65	1.46
	Sensex	Large Cap	21063.62	1.47
	BSE Midcap	Mid Cap	6487.03	(1.43)
	BSE Smallcap	Small Cap	6476.76	(1.42)
Some Major Shares	ACC	Rs/share	1027.65	(0.64)
	Bharti Airtel		310.90	(5.94)
	HDFC Ltd		840.05	4.82
	Infosys		3729.65	5.02
	L&T		1002.85	4.90
	Reliance Inds		884.75	3.10
	Tata Motors		369.70	0.74
	Tata Steel		377.65	(1.78)
COMMODITIES	Aluminium	INR/Kg	110.20	3.04
	Copper	INR/Kg	458.65	0.26
	Crude	INR/Barrel	5777.00	1.28
	Gold	INR/10gms	29265.00	0.80
	Lead	INR/Kg	135.20	3.92
	Natural Gas	INR/1mmBtu	266.10	5.93
	Nickel	INR/Kg	898.20	5.50
	Silver	INR/Kg	45136.00	0.70
	Zinc	INR/Kg	128.25	2.11
CURRENCIES	INR/EUR		83.32	(0.79)
	INR/GBP		100.99	(0.23)
	INR/100 JPY		58.96	(0.03)
	INR/USD		61.53	0.18



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 18/01/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.00	1.60
Inflation Rate	Monthly	↑1.50	1.20
Unemployment Rate	Monthly	6.70	7.00
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓2.83	2.97

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	↓1.26	1.32

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	↑4.65	4.61

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	↓0.68	0.70

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	2.00
Inflation Rate	Monthly	↓2.00	2.10
Unemployment Rate	Monthly	7.40	7.60
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓2.83	2.88

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.80	4.40
Inflation Rate	Monthly	↓6.16	7.52
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.75	7.75
Govt. bond 10 year Rate	Weekly	↓8.63	8.76

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	↑10.50	10.00
Govt. bond 10 year Rate	Weekly	↓12.85	13.10

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	↑7.81	7.75

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 18/01/2014

Company	Industry	Price	TTM P/E	P/BV
Axis Bank Ltd.	Bank - Private	1152.80	9.12	1.43
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1934.00	17.25	5.44
Bharat Heavy Electricals Ltd.	Electric Equipment	171.30	7.85	1.34
Bharti Airtel Ltd.	Telecommunication - Service Provider	311.20	62.41	2.11
Cipla Ltd.	Pharmaceuticals & Drugs	417.90	23.03	3.45
Coal India Ltd.	Mining & Minerals	272.75	10.38	3.13
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2655.95	22.75	5.79
GAIL (India) Ltd.	Gas Transmission/Marketing	351.70	12.30	1.72
HDFC Bank Ltd.	Bank - Private	668.30	21.13	3.95
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2075.15	19.81	6.86
Hindalco Industries Ltd.	Aluminium & Aluminium Products	111.40	13.17	0.64
Hindustan Unilever Ltd.	Household & Personal Products	559.00	33.66	26.15
Housing Development Finance Corp Ltd.	Finance - Housing	840.40	17.74	3.64
ICICI Bank Ltd.	Bank - Private	1035.00	13.02	1.63
Infosys Ltd.	IT - Software	3728.05	21.30	4.65
ITC Ltd.	Cigarettes/Tobacco	324.85	31.82	9.69
Larsen & Toubro Ltd.	Engineering - Construction	1001.15	20.05	3.01
Mahindra & Mahindra Ltd.	Automobiles-Tractors	898.45	15.15	3.39
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1777.15	17.64	2.70
NTPC Ltd.	Power Generation/Distribution	131.60	9.04	1.29
Oil & Natural Gas Corporation Ltd.	Oil Exploration	287.50	12.92	1.85
Reliance Industries Ltd.	Refineries	884.55	13.03	1.51
Sesa Sterlite Ltd.	Mining & Minerals	200.50	16.50	0.86
State Bank Of India	Bank - Public	1622.05	7.12	0.83
Sun Pharmaceutical Industries Ltd.	Pharmaceuticals & Drugs	594.15	62.18	7.59
Tata Consultancy Services Ltd.	IT - Software	2215.65	24.92	8.79
Tata Motors Ltd.	Automobiles-Trucks/Lcv	369.65	9.33	1.84
Tata Power Company Ltd.	Power Generation/Distribution	78.40	0.00	1.43
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	377.55	0.00	0.93
Wipro Ltd.	IT - Software	552.45	19.89	4.44

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 6.2%.
- 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 India ↑ Japan USA	France ↑ UK ↑	Australia China Hong Kong	Brazil	
COMMODITIES		Natural Gas Zinc ↑	Copper ↑	Aluminium ↑ Crude Oil ↑ Lead Nickel Silver	Gold	
CURRENCIES (against USD)			EUR GBP INR ↑	HKD	BRL ↑	AUD ↓ JPY
BONDS (US Treasury)					2 Year ↓ 30 Year ↑	10 Year

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

INDIAN MARKETS - TECHNICAL SNAPSHOT



INDICES

Mid Cap
Nifty ↑
Sensex ↑
Small Cap

SECTORS

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

COMMODITIES

Natural Gas	Copper	Gold ↑	Aluminium	Crude Oil ↓
Zinc		Lead	Silver	
		Nickel		

CURRENCIES (against INR)

GBP ↓	EUR ↓	JPY
		USD ↓

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

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

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