

ShroffConnect Weekly Report

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Opinion as on 25/01/2014

World Markets –

- **Money flow:** The money is moving out of stocks and into long term treasuries.
 - **Opinion on money flow:** Emerging markets' currencies were battered last week and stocks fell as strong US data may force the Fed to continue with more tapering in the coming months. Chinese data also missed estimates. Investors moved money into safe assets like treasuries and safe currencies like the USD and the Yen.
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Indian Market –

- **Stock market:** The Indian market moved sideways to close at 6267 Nifty.
- **Sectors:** Computer Software and selective Auto and Pharma were outperforming.
- **Positives:** Decent corporate results by some companies.
- **Negatives:** High interest rates, high fiscal deficit and zero governance.
- **Opinion:** The market moved largely sideways on foreign cues. The economy is at a standstill neither improving nor deteriorating although the tapering can put negative pressure very fast. Anything good can happen only after a stable government in the centre. Investors would do well to be cautious and wait and watch.



Current news and world
financial market prices

Current scenario & news

World economy

- Federal Reserve policymakers will likely leave intact their delicately worded easy-money message when they meet next week, despite a surprisingly sharp drop in U.S. unemployment that threatens to make a central part of that message irrelevant.
- The global economy started 2014 on a disjointed note with the euro zone's private sector in better shape than expected and China's vast manufacturing industry contracting for the first time in six months.
- Japanese government calculations indicate that Prime Minister Shinzo Abe cannot meet his budget-balancing promise in coming years on the current course, suggesting he may come under greater pressure from fiscal hawks for future tax increases.
- China's firmer yuan and higher interest rates could attract more money inflows this year, despite the possible impact of the Federal Reserve's stimulus tapering, the country's foreign exchange regulator said.

Indian economy

- The biggest overhaul of India's monetary policy in 15 years aims to tackle the nagging inflation that pushes up credit costs and stifles investment, but the changes risk imperilling already weak economic growth in the absence of broader reforms.
- The RBI will likely hold interest rates steady when it meets next week thanks to easing inflation and as it waits for more data, who also predict better economic growth in the next fiscal year.
- The Reserve Bank decided to withdraw all currency notes issued prior to 2005, including Rs 500 and Rs 1,000 denominations, after March 31 in a move apparently aimed at curbing black money and fake currencies.
- The rupee fell by 73 paise to 62.66 against the American currency in closing hour of trade Friday on persistent dollar demand from banks and importers.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 25th Jan 2014	% Change
STOCKS	Australia	ASX	5234.34	(1.54)
	Brazil	Bovespa	47787.38	(2.84)
	China	Shanghai	2054.39	2.47
	France	CAC	4161.47	(3.84)
	Germany	DAX	9392.02	(3.60)
	Hong Kong	Hang Seng	22450.06	(2.95)
	India	Sensex	21133.56	0.33
	Japan	Nikkei	15391.56	(2.18)
	UK	FTSE	6663.74	(2.42)
	USA	DJIA	15879.11	(3.52)
COMMODITIES	Copper	\$/Pound	3.27	(2.10)
	Crude	\$/Barrel	96.64	2.41
	Gold	\$/Troy Ounce	1264.30	0.99
	Natural Gas	\$/MMBtu	5.18	19.63
	Silver	\$/Troy Ounce	19.76	(2.66)
	Aluminium	\$/Tonne	1762.00	(3.27)
	Lead	\$/Tonne	2167.00	(1.86)
	Nickel	\$/Tonne	14490.00	(1.40)
	Zinc	\$/Tonne	2025.00	(2.60)
CURRENCIES	USD/GBP		1.6495	0.51
	USD/EUR		1.3677	1.05
	USD/AUD		0.8687	(1.04)
	JPY/USD		102.24	(2.02)
	INR/USD		62.73	1.95
	HKD/USD		7.7623	0.09
	BRL/USD		2.4041	2.65
BONDS	2 Year	US Treasury	110.00	0.06
	10 Year		125.06	0.51
	30 Year		132.84	1.17

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 25th Jan 2014	% Change
STOCKS	Nifty	Large Cap	6266.75	0.08
	Sensex	Large Cap	21133.56	0.33
	BSE Midcap	Mid Cap	6455.26	(0.49)
	BSE Smallcap	Small Cap	6444.46	(0.50)
Some Major Shares	ACC	Rs/share	999.45	(2.74)
	Bharti Airtel		313.15	0.72
	HDFC Ltd		844.70	0.55
	Infosys		3758.15	0.76
	L&T		1006.35	0.35
	Reliance Inds		867.65	(1.93)
	Tata Motors		370.40	0.19
	Tata Steel		376.00	(0.44)
COMMODITIES	Aluminium	INR/Kg	108.05	(1.95)
	Copper	INR/Kg	455.50	(0.69)
	Crude	INR/Barrel	6106.00	5.69
	Gold	INR/10gms	29519.00	0.87
	Lead	INR/Kg	135.45	0.18
	Natural Gas	INR/1mmBtu	318.80	19.80
	Nickel	INR/Kg	906.60	0.94
	Silver	INR/Kg	44691.00	(0.99)
	Zinc	INR/Kg	126.20	(1.60)
CURRENCIES	INR/EUR		85.81	2.99
	INR/GBP		103.45	2.44
	INR/100 JPY		61.32	4.00
	INR/USD		62.73	1.95



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 25/01/2014

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	↓2.77	2.83

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	↓1.21	1.26

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓7.70	7.80
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	↓4.53	4.65

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	↓0.64	0.68

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	2.00
Inflation Rate	Monthly	2.00	2.10
Unemployment Rate	Monthly	↓7.10	7.40
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓2.78	2.83

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	↑8.74	8.63

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	↑13.06	12.85

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	↑8.04	7.81

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 25/01/2014

Company	Industry	Price	TTM P/E	P/BV
Axis Bank Ltd.	Bank - Private	1206.95	9.55	1.50
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1933.65	17.24	5.44
Bharat Heavy Electricals Ltd.	Electric Equipment	165.10	7.57	1.30
Bharti Airtel Ltd.	Telecommunication - Service Provider	313.30	62.83	2.13
Cipla Ltd.	Pharmaceuticals & Drugs	414.85	22.86	3.43
Coal India Ltd.	Mining & Minerals	257.90	9.82	2.96
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2660.60	22.80	5.80
GAIL (India) Ltd.	Gas Transmission/Marketing	349.95	12.24	1.71
HDFC Bank Ltd.	Bank - Private	673.95	20.07	3.76
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2035.20	19.43	6.73
Hindalco Industries Ltd.	Aluminium & Aluminium Products	113.95	13.47	0.66
Hindustan Unilever Ltd.	Household & Personal Products	565.90	34.07	26.48
Housing Development Finance Corporation Ltd.	Finance - Housing	844.80	17.30	3.52
ICICI Bank Ltd.	Bank - Private	1057.95	13.31	1.67
Infosys Ltd.	IT - Software	3759.05	21.48	4.68
ITC Ltd.	Cigarettes/Tobacco	324.20	30.52	8.88
Larsen & Toubro Ltd.	Engineering - Construction	1005.85	19.65	2.91
Mahindra & Mahindra Ltd.	Automobiles-Tractors	885.25	14.93	3.34
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1772.55	17.60	2.69
NTPC Ltd.	Power Generation/Distribution	131.60	9.04	1.29
Oil & Natural Gas Corporation Ltd.	Oil Exploration	283.25	12.73	1.82
Reliance Industries Ltd.	Refineries	867.00	12.77	1.44
Sesa Sterlite Ltd.	Mining & Minerals	202.75	16.68	0.87
State Bank Of India	Bank - Public	1621.95	7.12	0.81
Sun Pharmaceutical Industries Ltd.	Pharmaceuticals & Drugs	602.70	63.07	7.69
Tata Consultancy Services Ltd.	IT - Software	2248.15	25.29	8.92
Tata Motors Ltd.	Automobiles-Trucks/Lcv	370.50	9.35	1.84
Tata Power Company Ltd.	Power Generation/Distribution	75.75	0.00	1.38
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	376.45	0.00	0.92
Wipro Ltd.	IT - Software	573.20	19.77	4.32

World macro scenario

- USA – US economic data is improving. QE3 tapering has begun 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 be wavering a bit on debt issues after showing some stability.
- 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. The next meeting is next week.
- 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 has begun.
- Eurozone's low GDP growth.
- China's wavering economy.

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		Australia ↑ France UK USA ↓	Hong Kong	Brazil China ↓	
COMMODITIES	Natural Gas Zinc		Copper	Aluminium Gold ↑ Lead Nickel Silver	Crude Oil ↓	
CURRENCIES (against USD)	GBP ↑		EUR	HKD INR ↓	JPY ↑	AUD BRL ↓
BONDS (US Treasury)				30 Year ↑	2 Year 10 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	Healthcare IT Teck		Auto Cap Goods Metal ↓	Bankex Oil & Gas ↓ Power	Cons Durable ↑ FMCG Realty ↓	
COMMODITIES	Natural Gas Zinc			Copper ↓ Gold Lead Nickel	Aluminium Crude Oil ↑ Silver	
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 Aurobindo Ph Bajaj Finance Biocon Ceat Ltd Century Text ↑ DiviS Lab Finolex Cables Glaxo Pharma Indian Hotels Mercator Mindtree Raymond ↑	Amara Raja Batt Colgate-Pal Cummins Finolex Ind J & K Bank Koltepatil Dev ↑ Sintex Ind Thermax Whirlpool Zee Ent	Adani Ports Apollo Hospitals Ballarpur Ind Bata India ↓ Dish T V India Emami HDIL IFCI Ind Bulls Real Est Jain Irrigation Jubilant Food L&T Finance Marico Mcleod Russel ↓ Reliance Power SCI Sobha Dev Strides Acrcolab ↑ United Breweries	Berger Paints ↓ Glenmark Ph Godrej Con GSK Consumer IGL M & M Fin ↓	Castrol India ↓ Sun TV Network Unitech

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

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