

ShroffConnect Weekly Report

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Opinion as on 08/02/2014

World Markets –

- **Money flow:** The money is flowing into stocks of developed economies like the USA and Germany. It is also flowing into treasuries.
 - **Opinion on money flow:** Investors are seeing real gains in the US economy with a rise in jobs created and a fall in unemployment. It is also noticing that the Fed has only its own interest at heart. Therefore USA seems to be a good place to invest. Emerging markets are seen as faltering and there has been outflow from these economies.
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Indian Market –

- **Stock market:** The market moved largely sideways to close at 6063 Nifty.
- **Sectors:** Computer Software, selective Auto and Pharma are outperforming.
- **Positives:** Almost none.
- **Negatives:** High interest rate, high inflation, high deficits, lack of governance and lack of a functional parliament.
- **Opinion:** The FIIs have been selling and this is a warning signal to investors that the tapering will affect emerging market economies especially those who do not have their act in place. The election mode is full-on with political parties in no mood to do anything constructive. The economy is growing at a decade low rate of under 5% and there is only so much that the RBI can do to prevent further weakening of the INR. Thus the macro situation is very fluid and investors should be cautious.



Current news and world
financial market prices

Current scenario & news

World economy

- Emerging-market assets are tumbling as China's economy slows, weak currencies from India to Turkey spur central banks to raise interest rates and the U.S. Federal Reserve pushes ahead with plans to reduce monetary stimulus. Investors removed more than \$12 billion from developing-nation equity funds in the past two weeks, the biggest outflow since January 2008.
- Banks in recession-hit Cyprus, reeling from a financial crisis, are struggling with non-performing loans that make up nearly half their lending and are hampering efforts to finance a cash-starved economy.
- U.K. government bonds rose, with 10-year yields falling the most in a week, after a government report showed industrial production rose in December less than economists forecast.
- German industrial output unexpectedly fell in December, signaling that Europe's largest economy remains vulnerable to weakness in the rest of the region.

Indian economy

- Indian factories started 2014 on a high note, with activity growing at its fastest pace in nearly a year as domestic and overseas orders increased.
- India imported 6.74 million tonnes of crude oil from Iran during the first nine months of current fiscal. The imports during April-December are 61 per cent of the target of buying 11 million tonnes of oil from the Persian Gulf nation in the current fiscal.
- Govt. Finance Ministry said it is not considering any proposal to slash import duty on gold in view of country's Current Account Deficit (CAD) position.
- Dollar borrowing costs for Indian companies fell to a six-month low, bucking an emerging-market rout, as investors rewarded policy makers for efforts to revive economic while curbing inflation.
- India's per capita income is projected to soar by 10.4 percent to Rs 74,920 in 2013-14 as the country becomes a USD 1.7 trillion economy.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 8th Feb 2014	% Change
STOCKS	Australia	ASX	5184.51	(0.29)
	Brazil	Bovespa	48073.60	1.76
	China	Shanghai	2044.50	0.56
	France	CAC	4228.18	1.15
	Germany	DAX	9301.92	(0.76)
	Hong Kong	Hang Seng	21636.85	(1.81)
	India	Sensex	20376.56	(0.67)
	Japan	Nikkei	14462.41	(3.63)
	UK	FTSE	6571.68	0.51
	USA	DJIA	15794.08	(0.34)
COMMODITIES	Copper	\$/Pound	3.24	0.31
	Crude	\$/Barrel	99.88	1.68
	Gold	\$/Troy Ounce	1262.90	1.67
	Natural Gas	\$/MMBtu	4.78	(4.59)
	Silver	\$/Troy Ounce	19.94	4.23
	Aluminium	\$/Tonne	1719.00	0.76
	Lead	\$/Tonne	2119.00	0.24
	Nickel	\$/Tonne	14140.00	1.14
	Zinc	\$/Tonne	2018.00	2.33
CURRENCIES	USD/GBP		1.6410	(0.18)
	USD/EUR		1.3636	1.10
	USD/AUD		0.8957	2.37
	JPY/USD		102.36	0.31
	INR/USD		62.28	(0.34)
	HKD/USD		7.7583	(0.06)
	BRL/USD		2.3795	(1.36)
BONDS	2 Year	US Treasury	110.15	0.06
	10 Year		125.97	0.41
	30 Year		133.31	0.02

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 8th Feb 2014	% Change
STOCKS	Nifty	Large Cap	6063.20	(0.43)
	Sensex	Large Cap	20376.56	(0.67)
	BSE Midcap	Mid Cap	6336.84	0.46
	BSE Smallcap	Small Cap	6328.76	1.04
Some Major Shares	ACC	Rs/share	1046.45	3.52
	Bharti Airtel		315.55	0.17
	HDFC Ltd		783.45	(3.09)
	Infosys		3566.55	(3.64)
	L&T		984.15	(0.18)
	Reliance Inds		814.45	(2.01)
	Tata Motors		360.20	3.05
	Tata Steel		384.45	7.98
COMMODITIES	Aluminium	INR/Kg	105.15	1.20
	Copper	INR/Kg	444.70	(0.06)
	Crude	INR/Barrel	6161.00	(0.13)
	Gold	INR/10gms	28754.00	(2.40)
	Lead	INR/Kg	131.35	0.54
	Natural Gas	INR/1mmBtu	300.00	(0.86)
	Nickel	INR/Kg	878.90	2.70
	Silver	INR/Kg	44369.00	2.45
	Zinc	INR/Kg	126.05	2.65
CURRENCIES	INR/EUR		84.97	0.79
	INR/GBP		102.20	(0.50)
	INR/100 JPY		60.84	(0.62)
	INR/USD		62.28	(0.34)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 08/02/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.70	2.00
Inflation Rate	Monthly	1.50	1.20
Unemployment Rate	Monthly	↓6.60	6.70
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	2.70	2.70

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.30	-0.60
Inflation Rate	Monthly	0.70	0.80
Unemployment Rate	Monthly	12.00	12.10
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	1.12	1.12

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	↓4.48	4.55

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.40	1.20
Inflation Rate	Monthly	1.60	1.50
Unemployment Rate	Monthly	3.70	4.00
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.62	0.63

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.80	1.90
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	2.71	2.71

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	8.00	7.75
Govt. bond 10 year Rate	Weekly	↓8.74	8.79

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.20	3.30
Inflation Rate	Monthly	↓5.59	5.91
Unemployment Rate	Monthly	4.30	4.60
Benchmark Interest Rate	Weekly	10.50	10.00
Govt. bond 10 year Rate	Weekly	↓13.17	13.40

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.20	1.20
Inflation Rate	Monthly	↓6.10	6.50
Unemployment Rate	Monthly	5.60	5.40
Benchmark Interest Rate	Weekly	5.50	5.50
Govt. bond 10 year Rate	Weekly	↓8.03	8.39

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 08/02/2014

Company	Industry	Price	TTM P/E	P/BV
Axis Bank Ltd.	Bank - Private	1125.75	8.91	1.40
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1935.20	17.26	5.45
Bharat Heavy Electricals Ltd.	Electric Equipment	155.55	7.84	1.19
Bharti Airtel Ltd.	Telecommunication - Service Provider	315.50	54.37	2.13
Cipla Ltd.	Pharmaceuticals & Drugs	417.10	22.98	3.45
Coal India Ltd.	Mining & Minerals	269.45	10.26	3.09
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2631.10	22.54	5.73
GAIL (India) Ltd.	Gas Transmission/Marketing	355.95	11.23	1.63
HDFC Bank Ltd.	Bank - Private	647.90	19.31	3.62
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2007.35	18.83	6.11
Hindalco Industries Ltd.	Aluminium & Aluminium Products	106.35	12.57	0.61
Hindustan Unilever Ltd.	Household & Personal Products	577.65	33.03	21.98
Housing Development Finance Corporation Ltd.	Finance - Housing	783.55	16.04	3.26
ICICI Bank Ltd.	Bank - Private	961.75	11.74	1.50
Infosys Ltd.	IT - Software	3566.70	20.38	4.45
ITC Ltd.	Cigarettes/Tobacco	323.40	30.44	8.86
Larsen & Toubro Ltd.	Engineering - Construction	981.85	19.18	2.84
Mahindra & Mahindra Ltd.	Automobiles-Tractors	895.55	15.10	3.38
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1665.40	15.61	2.44
NTPC Ltd.	Power Generation/Distribution	136.00	9.14	1.29
Oil & Natural Gas Corporation Ltd.	Oil Exploration	269.25	12.10	1.73
Reliance Industries Ltd.	Refineries	814.30	11.99	1.35
Sesa Sterlite Ltd.	Mining & Minerals	189.95	11.32	0.77
State Bank Of India	Bank - Public	1526.75	7.20	0.84
Sun Pharmaceutical Industries Ltd.	Pharmaceuticals & Drugs	601.30	62.93	7.68
Tata Consultancy Services Ltd.	IT - Software	2143.35	24.11	8.50
Tata Motors Ltd.	Automobiles-Trucks/Lcv	360.90	9.11	1.79
Tata Power Company Ltd.	Power Generation/Distribution	384.45	0.00	0.94
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	75.00	0.00	1.36
Wipro Ltd.	IT - Software	560.95	19.35	4.23

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 increases repo rate by 0.25% to 8%.
- Politics – BJP is the clear favourite to win a large number of seats in the forthcoming general elections.
- Inflation – Headline inflation is 6.2%.

Our concerns on the macro front

World economies

- QE3 tapering.
- 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



STOCKS		Germany ↓	Australia France India Japan UK USA	Brazil China Hong Kong ↓	
COMMODITIES	Natural Gas	Zinc	Copper Crude Oil ↑ Gold Lead Nickel Silver ↑		Aluminium ↓
CURRENCIES (against USD)		GBP ↓	EUR INR JPY ↑	AUD ↑ BRL ↑	HKD ↓
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
Teck

Cap Goods

Auto
Bankex
Metal
Oil & Gas
Power

Cons Durable ↑
FMCG
Realty

COMMODITIES

Natural Gas

Zinc

Copper
Crude Oil
Gold
Lead
Nickel

Silver

Aluminium ↓

CURRENCIES (against INR)

GBP ↓

EUR
JPY
USD

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

MAJOR LARGE COMPANIES - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Dr Reddys Lab HCL Tech Infosys MRF TCS Tech Mahindra United Phos Wipro	Britannia Ind ↑ Cairn India ↑ Eicher Motors Havells India Lupin ↑ Tata Steel ↑	ABB Asian Paints Axis Bank Bajaj Auto Bank Of Baroda BHEL ↓ Canara Bank ↑ Cipla Crompton Gr Dabur India Godrej Ind HCC HDFC HDFC Bank Hero Moto Co Hindalco Ind Hind Unilever ↑ Hindustan Zinc ICICI Bank IndusInd Bank ITC Jindal Steel JSW Energy JSW Steel ↓ Kotak Bank L & T ↓ M & M	ACC Bharti Airtel Idea Cellular Nestle India Petronet LNG SBIN Titan Ind ↑ Ultratech Cem Neutral Maruti Suzuki ↓ PNB ↑ Ranbaxy Lab Reliance Ind Sesa Sterlite ↓ Shriram Tran Fin Siemens Sun Pharma Tata Chemicals Tata Global Tata Motors Tata Power United Spirits Yes Bank	Ambuja Cem Exide 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 Bat ↑ Arvind Aurobindo Ph Biocon DiviS Lab Finolex Cables Glaxo Pharma Mercator	Apollo Hospital ↑ Bajaj Finance ↓ Ceat Ltd ↓ Century Textiles Cummins India Finolex Ind Indian Hotels ↓ Jammu Bank Mindtree ↓ Raymond	Adani Ports Ballarpur Ind Bata India Colgate-Palm Dish T V India Emami ↑ Glenmark Ph HDII IFCI IGL ↑ Jain Irrigation Koltepatil Dev L&T Finance Marico Mcleod Russel Reliance Power SCI Sintex Ind Sobha Dev ↑ Strides Acrcolab Thermax United Breweries Whirlpool Zee Entert	Berger Paints Castrol India ↑ GSK Consumer IndBulls Real Est Jubilant Food ↓ M & M Fin	Godrej Cons ↓ Sun TV Unitech

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