

ShroffConnect Weekly Report

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Opinion as on 15/02/2014

World Markets –

- **Money flow:** The money is flowing into stocks of developed economies especially USA and Germany, and into US treasuries.
 - **Opinion on money flow:** The US and German economies are doing well and hence, investor interest lies in these economies. Emerging markets need to be careful about outflows and subsequently unstable currencies.
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Indian Market –

- **Stock market:** The market moved largely sideways to close at 6048 Nifty.
- **Sectors:** Computer Software, selective Auto and Pharma are outperforming.
- **Positives:** Almost none.
- **Negatives:** High interest rate, high fiscal deficit and lack of governance.
- **Opinion:** The govt. is not interested in pursuing any economic agenda. They are keen to garner support in the coming general elections by distributing freebies. The US Fed has indicated that it will continue the tapering as long as it does not impact the US economy. Investors should be cautious as foreign cues will drive the market in the coming months.



Current news and world
financial market prices

Current scenario & news

World economy

- Factory production in the U.S. unexpectedly declined in January by the most since May 2009, adding to evidence severe winter weather weighed on the economy.
- Growth in Germany, France and the Netherlands beat economists' estimates in the fourth quarter and Italy resumed expansion in a sign the fragile euro-area recovery is gaining traction.
- Japan's bonds climbed in their longest streak of weekly advances since 2003 as a drop in local shares boosted demand for safer assets.
- Argentine bonds rallied the most in emerging markets after the government unveiled a new inflation index that marks the most concrete sign it's ready to move away from policies that have alienated investors for a decade.
- Russia's central bank refrained from cutting borrowing costs for a 17th month as the ruble's record drop frustrates efforts to relax monetary policy.

Indian economy

- India's wholesale price-based inflation eased to an eight-month low in January as food prices moderated, offering some relief to policymakers who have long battled to get a handle on surging prices.
- India's trade deficit narrowed in January, helped by a 77 percent drop in imports of gold and silver while exports ticked up, improving the outlook for the country's fragile current account balance.
- The interim Railway Budget for 2014-15 Wednesday contained reforms proposals for opening the sector to domestic and foreign investors and a tariff authority to rationalise fares and freights, end cross subsidisation and enlarge the dynamic fare scheme.
- Showing no signs of recovery, industrial production growth rate remained negative for the third month in a row, contracting 0.6 percent in December 2013, mainly due to sluggishness in manufacturing sector.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 15th Feb 2014	% Change
STOCKS	Australia	ASX	5366.88	3.52
	Brazil	Bovespa	48201.11	0.27
	China	Shanghai	2115.85	3.49
	France	CAC	4340.14	2.65
	Germany	DAX	9662.40	3.88
	Hong Kong	Hang Seng	22298.41	3.06
	India	Sensex	20366.82	(0.05)
	Japan	Nikkei	14313.03	(1.03)
	UK	FTSE	6663.62	1.40
	USA	DJIA	16154.39	2.28
COMMODITIES	Copper	\$/Pound	3.26	0.62
	Crude	\$/Barrel	100.30	0.42
	Gold	\$/Troy Ounce	1318.60	4.41
	Natural Gas	\$/MMBtu	5.21	9.00
	Silver	\$/Troy Ounce	21.42	7.42
	Aluminium	\$/Tonne	1745.50	1.54
	Lead	\$/Tonne	2138.00	0.90
	Nickel	\$/Tonne	14250.00	0.78
	Zinc	\$/Tonne	2041.85	1.18
CURRENCIES	USD/GBP		1.6746	2.05
	USD/EUR		1.3696	0.44
	USD/AUD		0.9034	0.86
	JPY/USD		101.80	(0.55)
	INR/USD		61.82	(0.74)
	HKD/USD		7.7547	(0.05)
	BRL/USD		2.3850	0.23
BONDS	2 Year	US Treasury	110.13	(0.02)
	10 Year		125.64	(0.26)
	30 Year		132.91	(0.30)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 15th Feb 2014	% Change
STOCKS	Nifty	Large Cap	6048.35	(0.24)
	Sensex	Large Cap	20366.82	(0.05)
	BSE Midcap	Mid Cap	6311.88	(0.39)
	BSE Smallcap	Small Cap	6279.69	(0.78)
Some Major Shares	ACC	Rs/share	1008.85	(3.59)
	Bharti Airtel		305.40	(3.22)
	HDFC Ltd		770.70	(1.63)
	Infosys		3644.30	2.18
	L&T		992.75	0.87
	Reliance Inds		822.05	0.93
	Tata Motors		388.80	7.94
	Tata Steel		370.80	(3.55)
COMMODITIES	Aluminium	INR/Kg	105.95	0.76
	Copper	INR/Kg	455.80	2.50
	Crude	INR/Barrel	6198.00	0.60
	Gold	INR/10gms	29375.00	2.16
	Lead	INR/Kg	131.70	0.27
	Natural Gas	INR/1mmBtu	324.80	8.27
	Nickel	INR/Kg	880.80	0.22
	Silver	INR/Kg	46613.00	5.06
	Zinc	INR/Kg	126.50	0.36
CURRENCIES	INR/EUR		84.69	(0.33)
	INR/GBP		103.50	1.27
	INR/100 JPY		60.71	(0.21)
	INR/USD		61.82	(0.74)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 15/02/2014

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	↑2.72	2.70

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑0.50	-0.30
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	↓1.11	1.12

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.70	7.80
Inflation Rate	Monthly	2.50	2.50
Unemployment Rate	Monthly	4.00	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑4.55	4.48

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	↓0.60	0.62

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	↑2.80	2.71

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.80	4.40
Inflation Rate	Monthly	↓8.79	9.87
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	7.75
Govt. bond 10 year Rate	Weekly	↑8.81	8.74

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	↓13.13	13.17

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	↑8.16	8.03

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 15/02/2014

Company	Industry	Price	TTM P/E	P/BV
Axis Bank Ltd.	Bank - Private	1102.70	8.73	1.37
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1839.90	16.41	5.18
Bharat Heavy Electricals Ltd.	Electric Equipment	148.40	7.48	1.14
Bharti Airtel Ltd.	Telecommunication - Service Provider	305.20	52.59	2.06
Cipla Ltd.	Pharmaceuticals & Drugs	373.35	21.91	2.93
Coal India Ltd.	Mining & Minerals	260.55	10.23	2.79
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2580.00	19.59	5.21
GAIL (India) Ltd.	Gas Transmission/Marketing	360.10	11.36	1.65
HDFC Bank Ltd.	Bank - Private	641.75	19.12	3.59
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1936.70	18.17	5.89
Hindalco Industries Ltd.	Aluminium & Aluminium Products	100.00	12.53	0.57
Hindustan Unilever Ltd.	Household & Personal Products	560.00	32.02	21.31
Housing Development Finance Corporation Ltd.	Finance - Housing	771.70	15.80	3.21
ICICI Bank Ltd.	Bank - Private	988.40	12.06	1.54
Infosys Ltd.	IT - Software	3645.60	20.83	4.54
ITC Ltd.	Cigarettes/Tobacco	319.80	30.10	8.76
Larsen & Toubro Ltd.	Engineering - Construction	993.05	19.40	2.88
Mahindra & Mahindra Ltd.	Automobiles-Tractors	902.60	15.22	3.40
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1643.35	15.40	2.41
NTPC Ltd.	Power Generation/Distribution	132.20	8.89	1.25
Oil & Natural Gas Corporation Ltd.	Oil Exploration	275.80	11.46	1.68
Reliance Industries Ltd.	Refineries	821.50	12.10	1.36
Sesa Sterlite Ltd.	Mining & Minerals	189.70	11.31	0.77
State Bank Of India	Bank - Public	1475.10	6.95	0.81
Sun Pharmaceutical Industries Ltd.	Pharmaceuticals & Drugs	608.95	47.98	7.01
Tata Consultancy Services Ltd.	IT - Software	2166.25	24.37	8.59
Tata Motors Ltd.	Automobiles-Trucks/Lcv	388.15	7.58	1.77
Tata Power Company Ltd.	Power Generation/Distribution	73.85	262.67	1.34
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	371.05	0.00	0.90
Wipro Ltd.	IT - Software	564.00	19.46	4.25

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 under 6%.

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

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS		Germany ↑	Australia ↑ France ↑	China ↑ India Japan UK USA	Hong Kong	Brazil ↓
COMMODITIES		Natural Gas	Zinc	Copper Crude Oil Gold Lead Nickel Silver		Aluminium
CURRENCIES (against USD)		GBP ↑		AUD ↑ EUR HKD ↑ INR JPY		BRL ↓
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 Cons Durable ↑ Metal Oil & Gas Power Realty ↑	FMCG	
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 Wipro	Britannia Ind Crompton Gr ↑ Eicher Motors Havells India Maruti Suzuki ↑ Sun Pharma ↑ Tata Motors ↑ Tata Steel United Phos	ABB Asian Paints Axis Bank Bank Of Baroda BHEL Cairn India ↓ Cipla Dabur India Godrej Ind HDFC HDFC Bank Hero Moto Co HCC Hindustan Zinc ICICI Bank ITC Jindal Steel JSW Energy JSW Steel Larsen & Toubro Lupin ↓ PNB Ranbaxy Lab Reliance Ind Sesa Sterlite	Bajaj Auto ↓ Bharti Airtel Canara Bank ↓ Hindalco Ind ↓ Hind Unilever ↓ Idea Cellular IndusInd Bank ↓ Kotak Bank ↓ M & M ↓ Nestle India Petronet LNG SBIN Tata Power ↓ Titan Ind Ultratech Cem <div>Neutral</div> Shriram Trans Fin Siemens Tata Chemicals Tata Global United Spirits Yes Bank	ACC ↓ 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 Batt Arvind Aurobindo Ph Biocon DiviS Lab Finolex Ind ↑ Glaxo Pharma Indian Hotels ↑ Mercator Mindtree ↑	Bajaj Finance Ceat Ltd Century Textiles Finolex Cables ↓ J & K Bank Raymond	Adani Ports Apollo Hospital ↓ Ballarpur Ind Bata India Colgate-Pal Cummins ↓ Glenmark Ph HDIL IFCI Jain Irrigation Koltepatil Dev L&T Finance Marico Mcleod Russel SCI Sintex Ind Strides Acrcolab Thermax United Breweries Whirlpool Zee Ent	Castrol India Dish T V India ↓ Emami ↓ GSK Consumer IGL ↓ Indbulls Real Est Jubilant Food M & M Fin Sobha Dev ↓	Berger Paints ↓ Godrej Cons Reliance Power ↓ Sun TV Unitech

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

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