

ShroffConnect Weekly Report

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Opinion as on 22/02/2014

World Markets –

- **Money flow:** The money is flowing into stocks of developed economies and treasuries.
 - **Opinion on money flow:** The money is flowing where investors perceive safety. The tapering of QE3 has and will lead to stress in the emerging markets especially where the growth has slowed down.
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Indian Market –

- **Stock market:** The market has moved sideways and closed at 6155 Nifty.
- **Sectors:** Computer software, selective Auto and Pharma are outperforming.
- **Positives:** Almost none.
- **Negatives:** High deficit, high interest rate and lack of governance.
- **Opinion:** The Indian stock market is at a crossroad. While the economy is not doing well, investors want to believe that a stable government will form at the centre after the coming elections. It may be a difficult task to achieve given the strength of the regional parties who are sitting on the fence. However, indications are there that the worst is over for the Indian economy and investors should look to buy into some sectors which are available at good prices.



Current news and world
financial market prices

Current scenario & news

World economy

- Three Federal Reserve officials said they believe the US economy is gaining traction despite a recent slowdown from severe weather, allowing the central bank to stick to its plan to wind down its massive bond-buying stimulus this year.
- Activity in China's factories shrank again in February, a preliminary private survey found on Thursday, reinforcing concerns of a minor slowdown in the economy and spooking markets across the region.
- Japan suffered a record trade deficit in January as a weak yen pushed up the cost of imports and failed to substantially raise exports, suggesting that the trade-reliant economy faces a bumpy ride even as policymakers put on a brave face about the outlook.
- Gold rose on Friday, notching its third consecutive weekly gain, as doubts over U.S. economic recovery helped lift bullion's safe-haven appeal.

Indian economy

- India received USD 1.1 billion of foreign direct investment in December 2013, unchanged from the level in the same month a year earlier, according to data from the Department of Industrial Policy and Promotion.
- A rating agency said the subsidy provisions made in the interim budget will not meet the amount that the government will have to pay to oil marketers and full-year budget will have to set aside a whopping Rs 42,200 crore more in the March quarter.
- In its crackdown against alleged black money in offshore accounts, the government has begun action in at least 84 cases and many more cases are being probed, although it is getting virtually no cooperation from countries like Switzerland.
- The government has missed its disinvestment target for four consecutive financial years and has realised Rs 5,094 crore so far in the current fiscal.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 22nd Feb 2014	% Change
STOCKS	Australia	ASX	5449.43	1.54
	Brazil	Bovespa	47380.24	(1.70)
	China	Shanghai	2113.69	(0.10)
	France	CAC	4381.06	0.94
	Germany	DAX	9656.95	(0.06)
	Hong Kong	Hang Seng	22568.24	1.21
	India	Sensex	20700.75	1.64
	Japan	Nikkei	14865.67	3.86
	UK	FTSE	6838.06	2.62
	USA	DJIA	16103.30	(0.32)
COMMODITIES	Copper	\$/Pound	3.29	0.92
	Crude	\$/Barrel	102.20	1.89
	Gold	\$/Troy Ounce	1323.60	0.38
	Natural Gas	\$/MMBtu	6.14	17.85
	Silver	\$/Troy Ounce	21.78	1.68
	Aluminium	\$/Tonne	1771.00	1.46
	Lead	\$/Tonne	2150.00	0.56
	Nickel	\$/Tonne	14365.00	0.81
	Zinc	\$/Tonne	2040.00	(0.09)
CURRENCIES	USD/GBP		1.6746	0.00
	USD/EUR		1.3737	0.30
	USD/AUD		0.8971	(0.70)
	JPY/USD		102.47	0.66
	INR/USD		62.12	0.49
	HKD/USD		7.7552	0.01
	BRL/USD		2.3549	(1.26)
BONDS	2 Year	US Treasury	110.13	0.00
	10 Year		125.61	(0.02)
	30 Year		133.09	0.14

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 22nd Feb 2014	% Change
STOCKS	Nifty	Large Cap	6155.45	1.77
	Sensex	Large Cap	20700.75	1.64
	BSE Midcap	Mid Cap	6422.05	1.75
	BSE Smallcap	Small Cap	6393.33	1.81
Some Major Shares	ACC	Rs/share	1065.55	5.62
	Bharti Airtel		288.15	(5.65)
	HDFC Ltd		800.60	3.88
	Infosys		3750.70	2.92
	L&T		1055.15	6.29
	Reliance Inds		811.50	(1.28)
	Tata Motors		396.20	1.90
	Tata Steel		374.40	0.97
COMMODITIES	Aluminium	INR/Kg	107.40	1.37
	Copper	INR/Kg	450.10	(1.25)
	Crude	INR/Barrel	6359.00	2.60
	Gold	INR/10gms	29889.00	1.75
	Lead	INR/Kg	132.15	0.34
	Natural Gas	INR/1mmBtu	378.00	16.52
	Nickel	INR/Kg	888.50	0.87
	Silver	INR/Kg	47467.00	1.83
	Zinc	INR/Kg	127.05	0.43
CURRENCIES	INR/EUR		85.38	0.81
	INR/GBP		103.23	(0.26)
	INR/100 JPY		60.59	(0.20)
	INR/USD		62.12	0.49



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 22/02/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.70	2.00
Inflation Rate	Monthly	↑1.60	1.50
Unemployment Rate	Monthly	6.60	6.70
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.76	2.72

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	↓1.10	1.11

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.70	7.80
Inflation Rate	Monthly	2.50	2.50
Unemployment Rate	Monthly	↑4.10	4.00
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑4.56	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	0.60	0.60

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.80	1.90
Inflation Rate	Monthly	↓1.90	2.00
Unemployment Rate	Monthly	↑7.20	7.10
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓2.79	2.80

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	↓8.80	8.81

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.20	3.30
Inflation Rate	Monthly	5.59	5.91
Unemployment Rate	Monthly	↑4.80	4.30
Benchmark Interest Rate	Weekly	10.50	10.00
Govt. bond 10 year Rate	Weekly	↓12.79	13.13

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	5.60
Benchmark Interest Rate	Weekly	5.50	5.50
Govt. bond 10 year Rate	Weekly	↑8.35	8.16

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 22/02/2014

Company	Industry	Price	TTM P/E	P/BV
Axis Bank Ltd.	Bank - Private	1189.75	9.42	1.48
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1858.00	16.57	5.23
Bharat Heavy Electricals Ltd.	Electric Equipment	150.50	7.59	1.16
Bharti Airtel Ltd.	Telecommunication - Service Provider	288.20	49.66	1.94
Cipla Ltd.	Pharmaceuticals & Drugs	369.30	21.67	2.90
Coal India Ltd.	Mining & Minerals	251.20	9.86	2.69
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2729.20	20.72	5.51
GAIL (India) Ltd.	Gas Transmission/Marketing	357.45	11.28	1.64
HDFC Bank Ltd.	Bank - Private	664.80	19.81	3.71
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1918.35	17.99	5.84
Hindalco Industries Ltd.	Aluminium & Aluminium Products	97.75	12.25	0.56
Hindustan Unilever Ltd.	Household & Personal Products	554.60	31.71	21.10
Housing Development Finance Corporation Ltd.	Finance - Housing	798.40	16.35	3.32
ICICI Bank Ltd.	Bank - Private	1024.75	12.50	1.60
Infosys Ltd.	IT - Software	3751.70	21.44	4.68
ITC Ltd.	Cigarettes/Tobacco	317.50	29.90	8.70
Larsen & Toubro Ltd.	Engineering - Construction	1051.60	20.55	3.05
Mahindra & Mahindra Ltd.	Automobiles-Tractors	929.20	15.26	3.32
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1674.65	15.70	2.46
NTPC Ltd.	Power Generation/Distribution	132.15	8.89	1.25
Oil & Natural Gas Corporation Ltd.	Oil Exploration	276.90	11.50	1.69
Reliance Industries Ltd.	Refineries	811.30	11.95	1.35
Sesa Sterlite Ltd.	Mining & Minerals	186.00	11.09	0.76
State Bank Of India	Bank - Public	1503.10	8.00	0.82
Sun Pharmaceutical Industries Ltd.	Pharmaceuticals & Drugs	614.30	48.40	7.07
Tata Consultancy Services Ltd.	IT - Software	2205.35	24.81	8.75
Tata Motors Ltd.	Automobiles-Trucks/Lcv	395.95	7.73	1.81
Tata Power Company Ltd.	Power Generation/Distribution	78.70	279.92	1.43
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	373.90	0.00	0.91
Wipro Ltd.	IT - Software	571.80	19.73	4.31

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 – Economy seems to be wavering a bit on shadow banking (a parallel money lending system) 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 UK ↑	China Hong Kong ↑ India Japan USA		Brazil
COMMODITIES	Natural Gas		Zinc	Copper Crude Oil Gold Lead Nickel Silver	Aluminium ↑	
CURRENCIES (against USD)	GBP			AUD EUR INR JPY	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

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
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 Eicher Motors ↑ HCL Tech Infosys TCS Wipro	ABB ↑ Britannia Ind Crompton Gr Havells India L & T ↑ Maruti Suzuki MRF ↓ Sun Pharma Tata Motors Tech Mahindra ↓	Asian Paints Axis Bank Bank Of Baroda BHEL Cairn India Cipla Dabur India Godrej Ind HCC HDFC HDFC Bank Hero Moto Co Hindustan Zinc ICICI Bank Jindal Steel JSW Energy JSW Steel Lupin M & M ↑ PNB Ranbaxy Lab Sesa Sterlite Shriram Trans Fin Siemens Tata Chem	ACC ↑ Bajaj Auto Bharti Airtel Canara Bank Hindalco Ind Hind Unilever Idea Cellular IndusInd Bank ITC ↓ Kotak Bank Petronet LNG Reliance Ind ↓ Tata Global ↓ Tata Power	Ambuja Cem Exide Ind Nestle India ↓ SBIN ↓
				Neutral	
				Tata Steel ↓ Titan Ind ↑ Ultratech Cem ↑ United Phos ↓ United Spirits Yes Bank	

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

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

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