

ShroffConnect Weekly Report

1st March, 2014



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Opinion as on 01/03/2014

World Markets –

- **Money flow:** The money is flowing into stocks of developed economies, somewhat into commodities and long term treasuries.
 - **Opinion on money flow:** Money flow into all three major asset classes occurs only in periods of growth. But, the growth is sketchy at best and therefore it is necessary to understand that investors are confused and do not know where to invest their money. Liquidity inflows are making sure that this type of uncertain environment persists because any talk of a pullback of liquidity is accompanied by falling markets and vehement protests. How governments will resolve this issue and what its outcome will be is anybody's guess.
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Indian Market –

- **Stock market:** The stock market rallied to 6277 Nifty.
- **Sectors:** Computer software, selective Auto and Pharma are outperforming.
- **Positives:** Virtually none.
- **Negatives:** High interest rate, high fiscal deficit, lack of governance.
- **Opinion:** The market is also in a pre-election mode. The hope for a BJP led NDA government is driving markets up through vigorous FII inflows. Now that the US and UK governments have opened channels of communication with the BJP leader, Narendra Modi, investors are feeling that he is a sure-shot winner although ground realities may be different. Some caution is required and investors should choose good stocks at good prices in which to invest.



Current news and world
financial market prices

Current scenario & news

World economy

- The U.S. government slashed its estimate for fourth-quarter economic growth on Friday in the latest sign of a loss of momentum, but some tentative signs emerged that suggested the worst of the slowdown may be over.
- China's central bank delivered two major surprises to investors this week: it engineered a sharp decline in the yuan against the dollar and at the same time relaxed its tight grip on money markets that had kept interest rates firm.
- Japan's factory output rose in January at the fastest pace in more than two years and core inflation hovered near a five-year high, comforting signs for an economy expected to take a hit from a sales tax hike scheduled for April.
- Germany is set to accelerate away from France and Italy in 2014 as the fragmented euro zone gradually recovers from its worst crisis, the European Commission said.

Indian economy

- Contracting industrial output and an investment slowdown dragged India's economic growth to a worse-than-expected 4.7 percent in the three months to December, the last major data release before a general election showed on Friday.
- India's drive to break an infrastructure investment logjam has come too late to revive the economy before the forthcoming general election - and it could be years before it pays growth dividends for the next government.
- The government has approved 10 percent stake sale in Indian Oil Corporation (IOC) to state run ONGC and OIL at a discount of 10 percent, which will fetch about Rs 5,300 crore to the exchequer.
- According to the data released by Controller General of Accounts (CGA), the fiscal deficit during April-January 2013-14 worked out to be Rs 5.32 lakh crore or 101.6 percent of the revised estimates.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 1st Mar 2014	% Change
STOCKS	Australia	ASX	5415.45	(0.62)
	Brazil	Bovespa	47094.40	(0.60)
	China	Shanghai	2056.30	(2.72)
	France	CAC	4408.08	0.62
	Germany	DAX	9692.08	0.36
	Hong Kong	Hang Seng	22836.96	1.19
	India	Sensex	21120.00	2.03
	Japan	Nikkei	14841.07	(0.17)
	UK	FTSE	6809.70	(0.41)
	USA	DJIA	16321.71	1.36
COMMODITIES	Copper	\$/Pound	3.19	(3.04)
	Crude	\$/Barrel	102.59	0.38
	Gold	\$/Troy Ounce	1321.60	(0.15)
	Natural Gas	\$/MMBtu	4.61	(24.92)
	Silver	\$/Troy Ounce	21.24	(2.48)
	Aluminium	\$/Tonne	1754.00	(0.96)
	Lead	\$/Tonne	2135.00	(0.70)
	Nickel	\$/Tonne	14720.00	2.47
CURRENCIES	Zinc	\$/Tonne	2073.00	1.62
	USD/GBP		1.6737	(0.05)
	USD/EUR		1.3801	0.47
	USD/AUD		0.8922	(0.55)
	JPY/USD		101.77	(0.68)
	INR/USD		61.77	(0.56)
	HKD/USD		7.7600	0.06
BONDS	BRL/USD		2.3380	(0.72)
	2 Year	US Treasury	110.17	0.04
	10 Year		126.11	0.40
	30 Year		134.59	1.13

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 1st Mar 2014	% Change
STOCKS	Nifty	Large Cap	6276.95	1.97
	Sensex	Large Cap	21120.12	2.03
	BSE Midcap	Mid Cap	6500.42	1.22
	BSE Smallcap	Small Cap	6445.04	0.81
Some Major Shares	ACC	Rs/share	1104.90	3.69
	Bharti Airtel		287.60	(0.19)
	HDFC Ltd		819.30	2.34
	Infosys		3824.85	1.98
	L&T		1109.65	5.17
	Reliance Inds		799.95	(1.42)
	Tata Motors		416.95	5.24
	Tata Steel		343.80	(8.17)
COMMODITIES	Aluminium	INR/Kg	107.00	(0.37)
	Copper	INR/Kg	443.20	(1.53)
	Crude	INR/Barrel	6371.00	0.19
	Gold	INR/10gms	30090.00	0.67
	Lead	INR/Kg	131.30	(0.64)
	Natural Gas	INR/1mmBtu	288.10	(23.78)
	Nickel	INR/Kg	902.80	1.61
	Silver	INR/Kg	46362.00	(2.33)
	Zinc	INR/Kg	130.95	3.07
CURRENCIES	INR/EUR		85.32	(0.07)
	INR/GBP		103.48	0.24
	INR/100 JPY		60.71	0.20
	INR/USD		61.77	(0.56)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 01/03/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.50	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	↓2.64	2.76

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.50	-0.30
Inflation Rate	Monthly	0.80	0.80
Unemployment Rate	Monthly	12.00	12.00
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	1.10	1.10

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	↓4.38	4.56

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.40	1.20
Inflation Rate	Monthly	↓1.40	1.60
Unemployment Rate	Monthly	3.70	3.70
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.59	0.60

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.70	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	↓2.72	2.79

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓4.70	4.80
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	↑8.86	8.80

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓1.90	2.20
Inflation Rate	Monthly	5.59	5.91
Unemployment Rate	Monthly	4.80	4.30
Benchmark Interest Rate	Weekly	↑10.75	10.50
Govt. bond 10 year Rate	Weekly	↓12.70	12.79

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	↓8.33	8.35

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 01/03/2014

Company	Industry	Price	TTM P/E	P/BV
Axis Bank Ltd.	Bank - Private	1265.90	10.02	1.58
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1942.70	17.32	5.47
Bharat Heavy Electricals Ltd.	Electric Equipment	167.20	8.43	1.28
Bharti Airtel Ltd.	Telecommunication - Service Provider	287.50	49.54	1.94
Cipla Ltd.	Pharmaceuticals & Drugs	384.35	22.56	3.02
Coal India Ltd.	Mining & Minerals	244.00	9.58	2.61
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2901.55	22.03	5.86
GAIL (India) Ltd.	Gas Transmission/Marketing	369.60	11.66	1.70
HDFC Bank Ltd.	Bank - Private	667.50	19.90	3.73
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1965.10	18.43	5.98
Hindalco Industries Ltd.	Aluminium & Aluminium Products	105.10	13.17	0.60
Hindustan Unilever Ltd.	Household & Personal Products	548.80	31.38	20.88
Housing Development Finance Corporation Ltd.	Finance - Housing	818.35	16.76	3.41
ICICI Bank Ltd.	Bank - Private	1043.70	12.74	1.63
Infosys Ltd.	IT - Software	3820.20	21.83	4.76
ITC Ltd.	Cigarettes/Tobacco	327.50	30.85	8.98
Larsen & Toubro Ltd.	Engineering - Construction	1108.30	21.66	3.21
Mahindra & Mahindra Ltd.	Automobiles-Tractors	973.45	15.98	3.47
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1586.30	14.87	2.33
NTPC Ltd.	Power Generation/Distribution	112.60	7.57	1.07
Oil & Natural Gas Corporation Ltd.	Oil Exploration	291.55	12.11	1.78
Reliance Industries Ltd.	Refineries	799.25	11.77	1.33
Sesa Sterlite Ltd.	Mining & Minerals	177.60	10.58	0.72
State Bank Of India	Bank - Public	1531.70	8.15	0.83
Sun Pharmaceutical Industries Ltd.	Pharmaceuticals & Drugs	642.70	50.64	7.39
Tata Consultancy Services Ltd.	IT - Software	2272.80	25.57	9.02
Tata Motors Ltd.	Automobiles-Trucks/Lcv	417.05	8.14	1.90
Tata Power Company Ltd.	Power Generation/Distribution	78.85	280.45	1.44
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	344.05	0.00	0.83
Wipro Ltd.	IT - Software	596.75	20.59	4.50

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 is 4.7% but no clear growth-encouraging policies.
- 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 Hong Kong India Japan UK ↓ USA		Brazil
COMMODITIES			Natural Gas ↓ Nickel ↑ Zinc	Copper Crude Oil Gold Lead Silver	Aluminium	
CURRENCIES (against USD)	GBP		EUR ↑	AUD BRL ↑ INR JPY		HKD
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 Small Cap	Nifty Sensex		
SECTORS	Cap Goods ↑ Healthcare IT Teck		Auto ↑	Bankex Cons Durable Metal Oil & Gas	FMCG Power ↓ Realty ↓	
COMMODITIES	Natural Gas Zinc ↑		Nickel ↑	Copper Crude Oil Gold Lead 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	Crompton Gr ↑ Dr Reddys Lab Eicher Motors HCL Tech Infosys L & T ↑ Tech Mahindra ↑ Wipro	ABB Axis Bank ↑ Havells India Lupin ↑ MRF Sun Pharma TCS ↓ Tata Motors	ACC ↑ Bank Of Baroda BHEL Britannia Ind ↓ Cairn India Dabur India Godrej Ind HDFC Bank HCC Hindustan Zinc HDFC ICICI Bank ITC ↑ Jindal Steel JSW Energy JSW Steel M & M Maruti Suzuki ↓ Petronet LNG ↑ PNB Sesa Sterlite Shriram Trans Fin Siemens Tata Chem Tata Power ↑	Ambuja Cem ↑ Asian Paints ↓ Bajaj Auto Bharti Airtel Canara Bank Cipla ↓ Exide Ind ↑ Hero Moto Co ↓ Hindalco Ind Idea Cellular IndusInd Bank Kotak Bank Ranbaxy Lab ↓ Reliance Ind Tata Global Yes Bank ↓	Hind Unilever ↓ Nestle India SBIN

Neutral

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

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

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