

ShroffConnect Weekly Report

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Opinion as on 08/03/2014

World Markets –

- **Money flow:** The money is flowing into stocks of developed economies like USA and Germany.
 - **Opinion on money flow:** Investors are concerned about the Ukraine issue. However, good employment numbers allayed their fears somewhat. Markets were mixed with Europe lower and the USA higher, and they may continue to remain like this depending on economic data.
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Indian Market –

- **Stock market:** The stock market rallied to an all time high of 6526 Nifty.
- **Sectors:** Computer software, selective Auto, Capital Goods and Pharma are outperforming.
- **Positives:** FII buying.
- **Negatives:** High fiscal deficit, high interest rates, lack of governance.
- **Opinion:** The markets rallied to an all time high on aggressive FII buying. Beaten down sectors were higher and performing sectors eased on profit booking. The trend is very much up and a BJP led NDA government at the centre is being discounted. Investors will do well to buy good stocks on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- U.S. job growth accelerated sharply in February despite the icy weather that gripped much of the nation, easing fears of an abrupt economic slowdown and keeping the Federal Reserve on track to continue reducing its monetary stimulus.
- Business activity across emerging markets expanded in February at the slowest pace in five months, weighed down by weaker manufacturing in big developing countries such as Russia and China, a survey showed.
- Manufacturing growth in Europe and Asia slowed last month, pressured by falling demand from abroad, while the United States bucked the trend with manufacturing expanding at its fastest pace in over three years.
- The European Central Bank left interest rates unchanged on Thursday, holding its nerve in the face of uncomfortably low inflation though it may unleash other measures to pep up a fragile euro zone recovery.

Indian economy

- India's services sector contracted for the eighth successive month in February amid weaker demand in a fragile economy, while offering an indication of some pickup in activity as the extent of shrinkage was lesser than in the previous month.
- After remaining unchanged for multiple weeks, the gold reserves surged by USD 902.3 million to USD 20.978 billion for the week ended February 28. Foreign currency assets (FCAs), a major part of the overall reserves, increased by USD 33.6 million to USD 266.90 billion for the week ended February 28, RBI said.
- Rising exports and moderation in gold imports have pulled down India's current account deficit (CAD) sharply to USD 4.2 billion, or 0.9 percent of GDP, in December quarter of 2013-14.
- The government has tightened norms for Indians bringing gold into the country following a spurt in smuggling and pressure on inward remittances as overseas workers prefer to bring their savings in gold.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 8th Mar 2014	% Change
STOCKS	Australia	ASX	5477.02	1.14
	Brazil	Bovespa	46244.07	(1.81)
	China	Shanghai	2057.91	0.08
	France	CAC	4366.42	(0.95)
	Germany	DAX	9350.75	(3.52)
	Hong Kong	Hang Seng	22660.49	(0.77)
	India	Sensex	21919.79	3.79
	Japan	Nikkei	15274.07	2.92
	UK	FTSE	6712.67	(1.42)
	USA	DJIA	16452.72	0.80
COMMODITIES	Copper	\$/Pound	3.08	(3.45)
	Crude	\$/Barrel	102.58	(0.01)
	Gold	\$/Troy Ounce	1338.20	1.26
	Natural Gas	\$/MMBtu	4.62	0.22
	Silver	\$/Troy Ounce	20.93	(1.46)
	Aluminium	\$/Tonne	1765.50	0.66
	Lead	\$/Tonne	2099.00	(1.69)
	Nickel	\$/Tonne	15264.00	3.70
	Zinc	\$/Tonne	2058.00	(0.72)
CURRENCIES	USD/GBP		1.6717	(0.12)
	USD/EUR		1.3872	0.51
	USD/AUD		0.9067	1.63
	JPY/USD		103.28	1.48
	INR/USD		61.05	(1.17)
	HKD/USD		7.7602	0.00
	BRL/USD		2.3452	0.31
BONDS	2 Year	US Treasury	110.06	(0.10)
	10 Year		125.14	(0.77)
	30 Year		132.69	(1.41)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 8th Mar 2014	% Change
STOCKS	Nifty	Large Cap	6526.65	3.98
	Sensex	Large Cap	21919.79	3.79
	BSE Midcap	Mid Cap	6693.44	2.97
	BSE Smallcap	Small Cap	6612.45	2.60
Some Major Shares	ACC	Rs/share	1261.15	14.14
	Bharti Airtel		301.90	4.97
	HDFC Ltd		848.25	3.53
	Infosys		3740.30	(2.21)
	L&T		1198.65	8.02
	Reliance Inds		869.40	8.68
	Tata Motors		409.10	(1.88)
	Tata Steel		371.10	7.94
COMMODITIES	Aluminium	INR/Kg	106.60	(0.37)
	Copper	INR/Kg	421.40	(4.92)
	Crude	INR/Barrel	6305.00	(1.04)
	Gold	INR/10gms	30130.00	0.13
	Lead	INR/Kg	127.75	(2.70)
	Natural Gas	INR/1mmBtu	283.30	(1.67)
	Nickel	INR/Kg	936.50	3.73
	Silver	INR/Kg	46205.00	(0.34)
	Zinc	INR/Kg	126.15	(3.67)
CURRENCIES	INR/EUR		84.73	(0.69)
	INR/GBP		102.06	(1.37)
	INR/100 JPY		59.11	(2.64)
	INR/USD		61.05	(1.17)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 08/03/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.50	2.00
Inflation Rate	Monthly	1.60	1.50
Unemployment Rate	Monthly	↑6.70	6.60
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.74	2.64

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	↑1.13	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	↑4.53	4.38

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	↑0.61	0.59

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	↑2.79	2.72

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	8.00
Govt. bond 10 year Rate	Weekly	↓8.81	8.86

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	↑12.85	12.70

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.20	1.20
Inflation Rate	Monthly	↑6.20	6.10
Unemployment Rate	Monthly	5.60	5.60
Benchmark Interest Rate	Weekly	↑7.00	5.50
Govt. bond 10 year Rate	Weekly	↑8.70	8.33

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 08/03/2014

Company	Industry	Price	TTM P/E	P/BV
Axis Bank Ltd.	Bank - Private	1406.90	11.14	1.75
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1955.80	17.44	5.50
Bharat Heavy Electricals Ltd.	Electric Equipment	183.70	9.26	1.41
Bharti Airtel Ltd.	Telecommunication - Service Provider	301.40	51.94	2.03
Cipla Ltd.	Pharmaceuticals & Drugs	380.95	22.36	2.99
Coal India Ltd.	Mining & Minerals	264.45	10.38	2.83
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2726.25	20.70	5.51
GAIL (India) Ltd.	Gas Transmission/Marketing	387.95	12.24	1.78
HDFC Bank Ltd.	Bank - Private	711.35	21.21	3.98
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2003.20	18.79	6.09
Hindalco Industries Ltd.	Aluminium & Aluminium Products	124.65	15.62	0.71
Hindustan Unilever Ltd.	Household & Personal Products	550.20	31.46	20.93
Housing Development Finance Corporation Ltd.	Finance - Housing	848.60	17.38	3.53
ICICI Bank Ltd.	Bank - Private	1201.30	14.66	1.87
Infosys Ltd.	IT - Software	3740.95	21.38	4.66
ITC Ltd.	Cigarettes/Tobacco	337.55	31.80	9.25
Larsen & Toubro Ltd.	Engineering - Construction	1197.55	23.40	3.47
Mahindra & Mahindra Ltd.	Automobiles-Tractors	980.55	16.10	3.50
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1735.90	16.27	2.55
NTPC Ltd.	Power Generation/Distribution	116.25	7.82	1.10
Oil & Natural Gas Corporation Ltd.	Oil Exploration	315.45	13.10	1.92
Reliance Industries Ltd.	Refineries	869.00	12.80	1.44
Sesa Sterlite Ltd.	Mining & Minerals	186.20	11.10	0.76
State Bank Of India	Bank - Public	1648.75	8.77	0.90
Sun Pharmaceutical Industries Ltd.	Pharmaceuticals & Drugs	612.15	48.23	7.04
Tata Consultancy Services Ltd.	IT - Software	2225.10	25.03	8.83
Tata Motors Ltd.	Automobiles-Trucks/Lcv	409.00	7.98	1.87
Tata Power Company Ltd.	Power Generation/Distribution	79.15	281.52	1.44
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	370.25	0.00	0.90
Wipro Ltd.	IT - Software	565.55	19.51	4.27

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

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

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