

ShroffConnect Weekly Report

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Opinion as on 15/03/2014

World Markets –

- **Money flow:** The flow is into US stocks and long term US treasuries.
 - **Opinion on money flow:** Investors are betting that the US economy will continue to grow at a good pace. The European market is somewhat subdued on Ukraine issues.
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Indian Market –

- **Stock market:** The stock market moved largely sideways to close a shade above 6500 Nifty.
- **Sectors:** Capital Goods, selective Auto and Pharma are outperforming.
- **Positives:** FII buying.
- **Negatives:** High interest rates, lack of governance.
- **Opinion:** The market is in full election mode and the Narendra Modi led BJP government is most likely to win. However, Modi does not have a magic wand to cure all economic issues immediately. The important task for him is to enunciate a clear roadmap for the economy. This is what the market is expecting and this is the reason why one should be invested in this market. Investors will do well to buy good stocks on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- Consumer confidence in the U.S. unexpectedly dropped in March to a four-month low, indicating household spending may be slow to pick up from a weather-related setback earlier this year.
- The European Central Bank has been preparing additional policy steps to guard against deflation taking hold in the euro zone as the strong euro weighs on prices, ECB President Mario Draghi said.
- China's weakest start to a year for investment growth since 2001 and unexpectedly slow industrial production add pressure for economic stimulus.
- Japan posted a record current account deficit in January and fourth quarter growth was revised down, heightening fears of a deepening economic slowdown amid soft exports and an expected chill in demand from an increase in the sales tax.
- Gold rose to a six-month high on Friday as investors turned to bullion as a safe-haven from East-West tensions before a vote planned for Sunday on whether Ukraine's Crimea region should join Russia.

Indian economy

- Indian wholesale-price inflation eased to a nine-month low in February as higher borrowing costs helped damp price pressures, suggesting official interest rates will be maintained at their current level next month.
- India's flagging economy delivered rare good news on Wednesday with a slight expansion of industrial production and further cooling in consumer prices, offering some respite to the ruling coalition before next month's general election.
- India has to cut its Iranian oil imports by nearly two-thirds from the first quarter after the United States asked it to hold the shipments at end-2013 levels, in keeping with the nuclear deal easing sanctions on Tehran, Indian government sources said.
- India's exports contracted for the first time in eight months in February, making it difficult to achieve the target of USD 325 billion in this financial year even as a sharp dip in gold imports narrowed the trade deficit.
- The RBI said overseas direct investments by Indian companies, totalled USD 2.37 billion in February, up about 30.25 percent year-on-year.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 15th Mar 2014	% Change
STOCKS	Australia	ASX	5347.14	(2.37)
	Brazil	Bovespa	44965.66	(2.76)
	China	Shanghai	2004.34	(2.60)
	France	CAC	4216.37	(3.44)
	Germany	DAX	9056.41	(3.15)
	Hong Kong	Hang Seng	21539.49	(4.95)
	India	Sensex	21809.80	(0.50)
	Japan	Nikkei	14327.66	(6.20)
	UK	FTSE	6527.89	(2.75)
	USA	DJIA	16065.67	(2.35)
COMMODITIES	Copper	\$/Pound	2.95	(4.22)
	Crude	\$/Barrel	98.89	(3.60)
	Gold	\$/Troy Ounce	1379.00	3.05
	Natural Gas	\$/MMBtu	4.43	(4.11)
	Silver	\$/Troy Ounce	21.41	2.29
	Aluminium	\$/Tonne	1740.00	(1.44)
	Lead	\$/Tonne	2041.00	(2.76)
	Nickel	\$/Tonne	15740.00	3.12
	Zinc	\$/Tonne	1985.00	(3.55)
CURRENCIES	USD/GBP		1.6644	(0.44)
	USD/EUR		1.3911	0.28
	USD/AUD		0.9031	(0.40)
	JPY/USD		101.35	(1.87)
	INR/USD		61.19	0.23
	HKD/USD		7.7669	0.09
	BRL/USD		2.3532	0.34
BONDS	2 Year	US Treasury	110.13	0.06
	10 Year		126.27	0.90
	30 Year		135.00	1.74

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 15th Mar 2014	% Change
STOCKS	Nifty	Large Cap	6504.20	(0.34)
	Sensex	Large Cap	21809.80	(0.50)
	BSE Midcap	Mid Cap	6656.18	(0.56)
	BSE Smallcap	Small Cap	6627.68	0.23
Some Major Shares	ACC	Rs/share	1248.80	(0.98)
	Bharti Airtel		295.00	(2.29)
	HDFC Ltd		856.65	0.99
	Infosys		3394.15	(9.25)
	L&T		1254.95	4.70
	Reliance Inds		886.15	1.93
	Tata Motors		393.25	(3.87)
	Tata Steel		341.70	(7.92)
COMMODITIES	Aluminium	INR/Kg	105.10	(1.41)
	Copper	INR/Kg	403.50	(4.25)
	Crude	INR/Barrel	6051.00	(4.03)
	Gold	INR/10gms	30595.00	1.54
	Lead	INR/Kg	125.00	(2.15)
	Natural Gas	INR/1mmBtu	272.30	(3.88)
	Nickel	INR/Kg	966.60	3.21
	Silver	INR/Kg	47084.00	1.90
	Zinc	INR/Kg	121.50	(3.69)
CURRENCIES	INR/EUR		85.14	0.48
	INR/GBP		101.85	(0.21)
	INR/100 JPY		60.34	2.08
	INR/USD		61.19	0.23



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 15/03/2014

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	↓2.65	2.74

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	↓1.02	1.13

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.70	7.80
Inflation Rate	Monthly	↓2.00	2.50
Unemployment Rate	Monthly	4.10	4.00
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑4.54	4.53

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑2.60	2.30
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	↑0.62	0.61

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	↓2.69	2.79

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.70	4.80
Inflation Rate	Monthly	↓8.10	8.79
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↓8.74	8.81

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	2.20
Inflation Rate	Monthly	↑5.68	5.59
Unemployment Rate	Monthly	4.80	4.30
Benchmark Interest Rate	Weekly	10.75	10.50
Govt. bond 10 year Rate	Weekly	↑12.91	12.85

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	↑9.42	8.70

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 15/03/2014

Company	Industry	Price	TTM P/E	P/BV
Axis Bank Ltd.	Bank - Private	1356.00	10.74	1.69
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1973.65	17.60	5.55
Bharat Heavy Electricals Ltd.	Electric Equipment	187.55	9.46	1.44
Bharti Airtel Ltd.	Telecommunication - Service Provider	295.10	50.85	1.99
Cipla Ltd.	Pharmaceuticals & Drugs	385.85	22.65	3.03
Coal India Ltd.	Mining & Minerals	263.85	10.36	2.83
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	2775.90	21.08	5.61
GAIL (India) Ltd.	Gas Transmission/Marketing	371.90	11.73	1.71
HDFC Bank Ltd.	Bank - Private	731.70	21.81	4.09
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2125.35	19.94	6.47
Hindalco Industries Ltd.	Aluminium & Aluminium Products	115.25	14.45	0.66
Hindustan Unilever Ltd.	Household & Personal Products	554.30	31.69	21.09
Housing Development Finance Corporation Ltd.	Finance - Housing	856.80	17.55	3.57
ICICI Bank Ltd.	Bank - Private	1213.75	14.81	1.89
Infosys Ltd.	IT - Software	3389.45	19.37	4.22
ITC Ltd.	Cigarettes/Tobacco	347.00	32.69	9.51
Larsen & Toubro Ltd.	Engineering - Construction	1255.50	24.53	3.64
Mahindra & Mahindra Ltd.	Automobiles-Tractors	1025.75	16.84	3.66
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1737.10	16.28	2.55
NTPC Ltd.	Power Generation/Distribution	117.00	7.87	1.11
Oil & Natural Gas Corporation Ltd.	Oil Exploration	322.70	13.41	1.97
Reliance Industries Ltd.	Refineries	886.10	13.05	1.47
Sesa Sterlite Ltd.	Mining & Minerals	171.65	10.23	0.70
State Bank Of India	Bank - Public	1653.50	8.80	0.90
Sun Pharmaceutical Industries Ltd.	Pharmaceuticals & Drugs	581.75	45.83	6.69
Tata Consultancy Services Ltd.	IT - Software	2141.15	24.08	8.50
Tata Motors Ltd.	Automobiles-Trucks/Lcv	393.30	7.68	1.80
Tata Power Company Ltd.	Power Generation/Distribution	83.15	295.74	1.51
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	341.75	0.00	0.83
Wipro Ltd.	IT - Software	547.05	18.87	4.13

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.
- 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 5%.

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			France India	Australia ↓ Germany ↓ UK USA ↓	China ↓ Hong Kong ↓ Japan ↓	Brazil
COMMODITIES			Crude Oil ↑ Gold ↑ Zinc	Aluminium ↑ Lead Natural Gas Nickel Silver	Copper ↓	
CURRENCIES (against USD)	EUR ↑ GBP		INR	AUD BRL JPY	HKD ↓	
BONDS (US Treasury)			10 Year ↑ 30 Year	2 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		Auto ↑ Cap Goods	Bankex Healthcare ↓ IT ↓ Oil & Gas ↑	Cons Durable FMCG ↑ Metal Power Realty Teck ↓		
COMMODITIES		Nickel		Crude Oil Gold Natural Gas ↓ Silver Zinc ↓	Lead ↓	Aluminium ↓ Copper ↓
CURRENCIES (against INR)				EUR GBP ↓	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 HDFC Bank ↑ ICICI Bank ↑ L & T M & M ↑ MRF Siemens ↑	ACC Axis Bank BHEL HCC HDFC ↑ Lupin Maruti Suzuki ↑ Tata Motors Tech Mahindra Titan Ind Ultratech Cem ↑ United Phosp Wipro ↓	Ambuja Cem Asian Paints Bajaj Auto Bank Of Baroda Britannia Ind Cairn India Canara Bank ↑ Dabur India Exide Ind Godrej Ind Hero Moto Co Hindalco Ind IndusInd Bank Infosys ↓ ITC Jindal Steel JSW Energy JSW Steel Kotak Bank ↑ Petronet LNG PNB Reliance Ind ↑ SBIN ↑ Shriram Tran Fin	Bharti Airtel Cipla Hind Unilever ↑ Hindustan Zinc Idea Cellular Nestle India Ranbaxy Lab Sesa Sterlite Tata Global United Spirits Sun Pharma ↓ Tata Chem TCS ↓ Tata Power Tata Steel Yes Bank	

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MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Adani Ports	Biocon ↓	Apollo Hospitals	Ballarpur Ind	Godrej Con	
	Amara Raja Batt	Glenmark Ph	Colgate-Pal	Berger Paints	Ind Bulls R Estate	
	Arvind	Mindtree ↓	Dish T V India	Castrol ↑	Unitech	
	Aurobindo Ph	Raymond ↑	Emami	GSK Con Health		
	Bajaj Finance	Sintex Ind	Glaxo Pharma ↓	Jain Irrigation		
	Bata India	Sobha Dev ↑	HDIL	Jubilant Food		
	Ceat Ltd	Thermax ↓	IFCI	Reliance Power		
	Century Text	Whirlpool	IGL ↑	SCI		
	Cummins India		Koltepatil Dev ↑			
	DiviS Lab		M & M Fin Serv ↑			
	Finolex Cables ↑		Marico			
	Finolex Ind		Mcleod Russel			
	Indian Hotels		Mercator Ltd			
	J & K Bank ↑		Strides Acrcolab			
	L&T Finance ↑		Sun TV Network			
			United Breweries			
			Zee Ent			

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