

ShroffConnect Weekly Report

22nd March, 2014



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Opinion as on 22/03/2014

World Markets –

- **Money flow:** The money is flowing into stocks.
 - **Opinion on money flow:** The US Fed has indicated that the tapering will continue and the Fed bond buying programme will be discontinued by the end of this year. The market reactions to this statement are mixed but no one seems un-necessarily perturbed because a clear plan has been laid out and all economies can do their own planning accordingly. Meanwhile Russia has annexed Crimea and even though sanctions have been ordered against Russia, the economic effects of these remain to be seen. Therefore investors are remaining in stocks for now.
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Indian Market –

- **Stock market:** The stock market moved sideways and is hovering around the 6500 Nifty mark.
- **Sectors:** Selective Capital Goods, Pharma, Auto, Consumer Durables are outperforming.
- **Positives:** FII buying.
- **Negatives:** High interest rate, lack of governance.
- **Opinion:** The market is unable to make out the effect of the Fed tapering plan. On one hand money should be flowing out of an emerging market like India. However, foreigners continue to buy stocks with vigour. The government sold over 5000 Cr. worth of Axis Bank successfully. Therefore it does seem that the market should resume its uptrend after a small pause. Investors should buy on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- The number of Americans filing for jobless benefits hovered near three-month lows last week and factory activity in the Mid-Atlantic region rebounded this month, suggesting the economy is regaining strength after being hobbled by severe weather.
- China's economy slowed this quarter, with industries including retail and mining showing weaker revenue growth while loans through non-traditional channels became more expensive.
- Japan on Thursday passed its biggest-ever budget, a USD 937 billion spending package aimed at propping up growth as consumers brace for the country's first sales tax hike in over 15 years.
- The dollar gained to the strongest level in two weeks against the euro after Federal Reserve policy makers signaled they'll probably raise interest rates by the middle of next year.
- Britain posted a larger-than-forecast budget deficit in February as government spending increased at its fastest annual pace for almost a year.

Indian economy

- India raised its concerns to China over "unsustainable" trade deficit of USD 35 billion per year as their top planners worked out strategies to join hands in upgrading Indian railway tracks to operate high-speed trains.
- Elections in India are unlikely to kick-start investment cycle in a short period of time as against popular perception that a new government led by BJP Prime Ministerial candidate Narendra Modi could immediately revive the markets and economy, says a Credit Suisse report.
- The Reserve Bank of India (RBI) has allowed more banks, including Axis Bank and Kotak Mahindra Bank, to import gold under the 80:20 scheme, a move seen as a precursor to easing restrictions on inward shipments of the metal.
- The finance ministry would like RBI to intervene more frequently in the currency market to smoothen volatility, build reserves when the rupee strengthens and use this to bolster the currency when it weakens.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 22nd Mar 2014	% Change
STOCKS	Australia	ASX	5353.97	0.13
	Brazil	Bovespa	47380.94	5.37
	China	Shanghai	2047.62	2.16
	France	CAC	4335.28	2.82
	Germany	DAX	9342.94	3.16
	Hong Kong	Hang Seng	21436.70	(0.48)
	India	Sensex	21753.75	(0.26)
	Japan	Nikkei	14224.23	(0.72)
	UK	FTSE	6557.17	0.45
	USA	DJIA	16302.77	1.48
COMMODITIES	Copper	\$/Pound	2.95	0.00
	Crude	\$/Barrel	99.46	0.58
	Gold	\$/Troy Ounce	1336.00	(3.12)
	Natural Gas	\$/MMBtu	4.31	(2.71)
	Silver	\$/Troy Ounce	20.31	(5.14)
	Aluminium	\$/Tonne	1729.00	(0.63)
	Lead	\$/Tonne	2075.25	1.68
	Nickel	\$/Tonne	16069.00	2.09
CURRENCIES	Zinc	\$/Tonne	1952.00	(1.66)
	USD/GBP		1.6483	(0.97)
	USD/EUR		1.3793	(0.85)
	USD/AUD		0.9076	0.50
	JPY/USD		102.27	0.91
	INR/USD		60.89	(0.49)
	HKD/USD		7.7578	(0.12)
BONDS	BRL/USD		2.3231	(1.28)
	2 Year	US Treasury	110.02	(0.10)
	10 Year		123.45	(2.23)
	30 Year		132.66	(1.73)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 22nd Mar 2014	% Change
STOCKS	Nifty	Large Cap	6493.20	(0.17)
	Sensex	Large Cap	21753.75	(0.26)
	BSE Midcap	Mid Cap	6769.94	1.71
	BSE Smallcap	Small Cap	6785.11	2.38
Some Major Shares	ACC	Rs/share	1270.15	1.71
	Bharti Airtel		292.45	(0.86)
	HDFC Ltd		843.25	(1.56)
	Infosys		3305.65	(2.61)
	L&T		1216.60	(3.06)
	Reliance Inds		885.80	(0.04)
	Tata Motors		389.15	(1.04)
	Tata Steel		362.85	6.19
COMMODITIES	Aluminium	INR/Kg	103.15	(1.86)
	Copper	INR/Kg	400.30	(0.79)
	Crude	INR/Barrel	6121.00	1.16
	Gold	INR/10gms	29742.00	(2.79)
	Lead	INR/Kg	125.70	0.56
	Natural Gas	INR/1mmBtu	263.10	(3.38)
	Nickel	INR/Kg	978.20	1.20
	Silver	INR/Kg	44651.00	(5.17)
	Zinc	INR/Kg	118.50	(2.47)
CURRENCIES	INR/EUR		84.04	(1.29)
	INR/GBP		100.45	(1.37)
	INR/100 JPY		59.59	(1.24)
	INR/USD		60.89	(0.49)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 22/03/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.50	2.00
Inflation Rate	Monthly	1.10	1.60
Unemployment Rate	Monthly	6.70	6.60
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	2.78	2.65

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	12.00
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	1.13	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	4.50	4.54

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	0.58	0.62

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	7.20
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	2.77	2.69

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	8.82	8.74

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	13.19	12.91

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	9.29	9.42

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 22/03/2014

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	0.84
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 and will be complete within this year. Low interest rates to continue for now.
- Europe – Easy money policy to continue.
- China – Economy seems to be wavering a bit.
- Japan – Japanese easy money policy to continue.
- 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	USA ↑		Australia ↑ France India	China ↑ Germany UK	Hong Kong Japan	Brazil
COMMODITIES	Nickel ↑		Crude Oil Gold	Lead Natural Gas Silver Zinc ↓	Aluminium ↓	Copper ↓
CURRENCIES (against USD)			EUR ↓ GBP ↓ INR	AUD BRL JPY	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		Auto Bankex ↑ Cap Goods	Healthcare Oil & Gas Power ↑	Cons Durable FMCG IT ↓ Metal 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 Maruti Suzuki ↑ MRF Siemens Tata Motors ↑	ACC Axis Bank Bank Of Baroda ↑ BHEL Dabur India ↑ HCC HDFC IndusInd Bank ↑ JSW Energy ↑ JSW Steel ↑ Lupin Petronet LNG ↑ PNB ↑ Tata Chem ↑ Tech Mahindra Titan Ind Ultratech Cem United Phos Wipro	Ambuja Cem Asian Paints Bajaj Auto Britannia Ind Cairn India Canara Bank Exide Ind Godrej Ind Hero Moto Co Hindalco Ind Infosys ITC Jindal Steel Kotak Bank Reliance Ind Shriram Tr Fin SBIN Sun Pharma TCS Tata Power Tata Steel United Spirits ↑ Yes Bank	Bharti Airtel Cipla Hind Unilever Hind Zinc Idea Cellular Nestle India Ranbaxy Lab Sesa Sterlite Tata Global	

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

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

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