

ShroffConnect Weekly Report

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Opinion as on 07/01/2012

- Money flow: Into stocks of developed markets, and out of treasuries.
 - **Opinion on money flow:** There seems to be some flow into stocks of developed markets like USA, UK, Germany, Canada and so on. There also seems to be some outflow from US treasuries, though there is no confirmed trend as of now. Emerging markets still remain down. The reasons for this could be improved economic data from these areas.
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- Indian stock markets: The markets rallied from lows towards a resistance area between 4800-4925.
 - Sectors: Cement, IT, FMCG and selective Pharma are outperforming.
 - Positives: Positive cues from developed markets, possibility of the interest rate cycle reversing.
 - Negatives: High interest rates, high fiscal deficit, lack of governance.
 - **Opinion on the Indian market:** The market remains in an intermediate downtrend, and the rally seems to be a short term rally within this downtrend. The resistance area is between 4800 and 4925 Nifty. We are still concerned about world and Indian macro economic factors, and there does now seem to be any reason for a long term uptrend. Investors should book profits on rallies, and invest only after the market seems some stability.

**Current news and
current world financial
market prices**

Current scenario & news

World economy

- U.S. manufacturing grew at its fastest pace in six months in December, capping a late-year upswing, but a European slump and rising oil prices posed threats to the U.S. economy in the new year.
- Asian factory output remained weak in December, with Chinese manufacturers narrowly avoiding contraction and South Korea's industrial production shrinking the most in almost three years.
- Service industries in the U.K. grew at the fastest pace in five months in December and strengthened in the U.S., suggesting their economies are partly withstanding the euro-area debt crisis.
- The euro fell to a 15-month low versus the dollar on speculation declining consumer confidence and spending will make it harder for European leaders to contain the region's sovereign-debt crisis.

Indian economy

- India's manufacturing activity surged to a six-month high in December thanks to a spike in factory output and new orders from domestic and international firms.
- India's food inflation turned negative in the year to December 24, at -3.36 per cent, while fuel inflation accelerated to 14.6 per cent.
- India's iron ore exports are likely to be 75 per cent lower than previously expected in the quarter ending in March as a rise in export duties kicks in as part of the government's push to conserve supplies for domestic steelmakers.
- Direct tax collections during April-December this fiscal were up by 14.54 per cent at Rs 3,96,529 crore over the corresponding period last fiscal, mainly due to an increase in corporate tax mop-up.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 7th Jan 2012	% Change
STOCKS	Australia	ASX	4133.85	0.55
	Brazil	Bovespa	58600.40	3.25
	China	Shanghai	2163.39	(1.64)
	France	CAC	3137.36	(0.71)
	Germany	DAX	6057.92	2.71
	Hong Kong	Hang Seng	18593.10	0.86
	India	Sensex	15848.80	2.55
	Japan	Nikkei	8390.35	(0.77)
	UK	FTSE	5649.68	1.39
	USA	DJIA	12359.90	1.16
COMMODITIES	Copper	\$/Pound	3.43	0.00
	Crude	\$/Barrel	101.93	2.90
	Gold	\$/Troy Ounce	1617.40	3.22
	Natural Gas	\$/MMBtu	3.08	3.70
	Silver	\$/Troy Ounce	28.70	2.98
	Aluminium	\$/Tonne	2069.00	2.43
	Lead	\$/Tonne	1959.00	(3.73)
	Nickel	\$/Tonne	18750.00	0.21
	Zinc	\$/Tonne	1853.00	0.43
CURRENCIES	GBP/USD		1.5435	(0.69)
	EUR/USD		1.2721	(1.76)
	AUD/USD		1.0226	0.17
	JPY/USD		76.96	0.09
	INR/USD		52.72	(0.64)
	HKD/USD		7.7647	(0.03)
	BRL/USD		1.8490	(0.72)
BONDS	2 Year	US Treasury	110.26	0.06
	10 Year		130.75	(0.29)
	30 Year		143.03	(1.23)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 7th Jan 2012	% Change
STOCKS	Nifty	Large Cap	4754.10	2.81
	Sensex	Large Cap	15867.73	2.67
	BSE Midcap	Mid Cap	5259.24	2.42
	BSE Smallcap	Small Cap	5704.32	2.78
Some Major Shares	ACC	Rs/share	1103.10	(2.97)
	Bharti Airtel		330.55	(3.77)
	HDFC Ltd		670.40	2.81
	Infosys		2832.15	2.33
	L&T		1081.50	8.73
	Reliance Inds		717.55	3.55
	Tata Motors		203.60	13.93
	Tata Steel		363.65	8.44
COMMODITIES	Aluminium	INR/Kg	108.25	1.22
	Copper	INR/Kg	401.90	(1.01)
	Crude	INR/Barrel	5366.00	1.32
	Gold	INR/10gms	27762.00	1.58
	Lead	INR/Kg	103.85	(3.53)
	Natural Gas	INR/1mmBtu	162.80	0.80
	Nickel	INR/Kg	988.80	(0.24)
	Silver	INR/Kg	51845.00	1.60
	Zinc	INR/Kg	97.95	(0.51)
CURRENCIES	INR/EUR		67.38	(1.95)
	INR/GBP		81.34	(1.30)
	INR/100 JPY		68.47	(0.72)
	INR/USD		52.72	(0.64)

Detailed macro /
fundamental analysis
of world economies

MACRO ECONOMIC SNAPSHOT

USA	Current	Previous
GDP Annual Growth Rate	1.50	1.60
Inflation Rate	3.40	3.50
Unemployment Rate	8.50	8.60
Benchmark Interest Rate	0.25	0.25
Govt. bond 10 year Rate	1.88	2.02

Euro Area	Current	Previous
GDP Annual Growth Rate	1.40	1.60
Inflation Rate	2.80	3.00
Unemployment Rate	10.30	10.20
Benchmark Interest Rate	1.00	1.25
Govt. bond 10 year Rate	varied	

China	Current	Previous
GDP Annual Growth Rate	9.10	9.50
Inflation Rate	4.20	5.50
Unemployment Rate	4.10	4.30
Benchmark Interest Rate	6.56	6.56
Govt. bond 10 year Rate	3.44	3.49

Japan	Current	Previous
GDP Annual Growth Rate	-0.70	-1.70
Inflation Rate	-0.50	-0.02
Unemployment Rate	4.50	4.50
Benchmark Interest Rate	0.00	0.00
Govt. bond 10 year Rate	0.99	0.98

UK	Current	Previous
GDP Annual Growth Rate	0.50	0.60
Inflation Rate	4.80	5.00
Unemployment Rate	8.30	8.30
Benchmark Interest Rate	0.50	0.50
Govt. bond 10 year Rate	1.98	2.04

India	Current	Previous
GDP Annual Growth Rate	6.90	7.70
Inflation Rate	9.34	9.39
Unemployment Rate	no data	
Benchmark Interest Rate	7.50	7.50
Govt. bond 10 year Rate	8.89	8.93

Brazil	Current	Previous
GDP Annual Growth Rate	2.10	3.30
Inflation Rate	6.50	6.64
Unemployment Rate	5.20	5.80
Benchmark Interest Rate	11.00	11.50
Govt. bond 10 year Rate	12.55	12.53

Russia	Current	Previous
GDP Annual Growth Rate	4.80	3.40
Inflation Rate	7.00	7.20
Unemployment Rate	6.40	6.00
Benchmark Interest Rate	8.00	8.25
Govt. bond 10 year Rate	6.00	6.00

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS as on 6/1/12

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1459.20	12.05	6.92
Bharat Heavy Electricals Ltd.	Electric Equipment	250.00	9.52	2.73
Bharti Airtel Ltd.	Telecommunication - Service Provider	330.20	25.35	2.59
Cipla Ltd.	Pharmaceuticals & Drugs	337.70	26.87	3.78
Coal India Ltd.	Mining & Minerals	318.15	42.79	8.57
DLF Ltd.	Construction - Real Estate	174.75	20.43	1.18
HDFC Bank Ltd.	Bank - Private	452.50	23.61	3.79
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1735.00	16.56	8.41
Hindalco Industries Ltd.	Aluminium & Aluminium Products	118.75	9.82	0.74
Hindustan Unilever Ltd.	Household & Personal Products	397.00	34.01	21.58
Housing Development Finance Corporation Ltd.	Finance - Housing	669.65	25.65	5.28
ICICI Bank Ltd.	Bank - Private	751.35	15.13	1.48
Infosys Ltd.	IT - Software	2830.65	22.49	5.48
ITC Ltd.	Cigarettes/Tobacco	202.10	28.56	8.26
Jaiprakash Associates Ltd.	Engineering - Construction	53.15	14.67	1.20
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	466.25	11.63	2.70
Larsen & Toubro Ltd.	Engineering - Construction	1078.60	16.21	2.83
Mahindra & Mahindra Ltd.	Automobiles-Tractors	656.25	15.01	3.48
Maruti Suzuki India Ltd.	Automobiles - Passenger cars	949.15	13.61	1.88
NTPC Ltd.	Power Generation/Distribution	156.90	13.40	1.80
Oil & Natural Gas Corp. Ltd.	Oil Exploration	255.80	9.68	2.00
Reliance Industries Ltd.	Refineries	716.90	10.73	1.50
State Bank Of India	Bank - Public	1676.15	10.03	1.17
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	94.90	5.63	0.73
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	498.15	27.27	4.69
Tata Consultancy Services Ltd.	IT - Software	1170.95	23.61	8.32
Tata Motors Ltd.	Automobiles-Trucks/Lcv	203.15	6.12	2.47
Tata Power Company Ltd.	Power Generation/Distribution	91.90	68.47	1.73
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	363.20	3.24	0.83
Wipro Ltd.	IT - Software	405.50	18.70	3.87

World macro scenario

- USA – The government continues its stimulus policies by extending tax rate cuts and forcing interest to remain as low as 0.25% till 2013.
- Europe – 26 EU states agree to fiscal integration without UK. Distressed countries are looking to the IMF to bail them out. Economic slowdown and even recession is on the cards for most countries.
- China – Exports to the US and Europe are leading to lack of demand in the manufacturing sector. There is evidence of a housing and real estate bubble collapse.
- Japan – Exports to the US and Europe are leading to lack of demand and a strong yen. There is no sign of a continuing recovery post the nuclear disaster in the country.
- Rest of the World –There is an embargo against Iran by the developed world which may lead to an oil crisis. This war or words seems to be escalating.

Indian macro scenario

- Economy – The economy is slowing and the impact is being felt across the board. The November IIP data was of minus 5.1%
- Government policies – There has been a lack of growth oriented policies for the past one year and above. Landmark legislations like introduction of GST, DTC, Land Acquisition have been postponed due to the compulsions of coalition politics.
- RBI – The RBI has signaled a pause in interest rate hikes.
- Politics – Elections are being held in 5 states from 29th Jan to 3rd Mar 2012. These are in Punjab, Uttarkhand, Uttar Pradesh, Manipur and Goa. Due to these coming elections, policies are geared towards populism more than anything else.
- Sectors – The capital goods, metals and mining, power, realty and steel sectors are reeling under low demand. The sectors doing reasonably well are cement, fast moving consumer goods and software sectors. Mining, pharma and telecom sectors await restrictive and taxing legislation.

Our concerns on the macro front

World economies

- US rising deficit and debt; need for continuous stimulus through low interest rates and tax cuts.
- Euro zone slowdown and sovereign debt crisis; countries outside the euro area not wanting to fund IMF to bail out European countries.
- Chinese slowdown and real estate bubble.

Indian economy

- High inflation and interest rate; though interest rate hike cycle has stopped.
- High and growing fiscal deficit through subsidies and less collection of taxes
- Weak currency; central bank not in position to check
- Lack of governance and populist politics.

Detailed technical analysis of world financial markets

WORLD MARKETS - TECHNICAL SNAPSHOT

			Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS		UK ↑ USA ↑		Brazil France ↑ Germany		Australia Hong Kong ↑	China India Japan ↓
COMMODITIES		Crude Oil		Copper ↑ Gold		Lead Nickel ↑ Silver ↑	Aluminium Natural Gas Zinc
CURRENCIES (against USD)	HKD			AUD JPY		GBP	BRL EUR INR
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 Nifty Sensex Small Cap
SECTORS			IT ↑	FMCG Healthcare ↑ Teck	Auto	Bankex Cap Goods Cons Durable Metal Oil & Gas Power Realty
COMMODITIES	Crude Oil		Copper ↑ Gold ↑	Aluminium ↑ Lead Nickel Zinc	Silver	Natural Gas ↓
CURRENCIES (against INR)	GBP JPY USD			EUR ↓		

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

MAJOR LARGE CAP COMPANIES - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Cipla ↑ Hind Unilever	Ambuja Cem Cairn ↑ Grasim Ind Infosys Tech ↑ Tata Motors ↑ TCS Ultratech Wipro	ACC Apollo Tyres Bajaj Auto Bosch Ltd ↑ DLF Dr Reddy Havells India HCL Tech ↑ HDFC Hind Zinc Idea Cellular ITC Kotak Bank MRF Petronet LNG ↑ Power Grid Sun Pharma ↓ Tata Global	Ashok Leyland Bharti Airtel Chambal Fert ↑ Coal India ↑ Crompton Gr ↑ HDFC Bank Hero Motoco ↓ Jindal Steel Lupin ↓ Nestle India O N G C RCOM RECL Reliance Ind Tata Chemicals Tech Mahindra	ABB Andhra Bank Axis Bank Bank of Baroda Bhel BPCL Canara Bank Exide Inds GAIL Hindalco ICICI Bank J P Asso ↓ JSW Steel LT M&M ↓ Maruti Suzuki NTPC PNB Ranbaxy Reliance Capital Reliance Infra SBIN Sesa Goa Shriram Trans Siemens
				Very Bearish	
				Sterlite Ind Tata Power Tata Steel Thermax UCO Bank	

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

MAJOR MEDIUM & SMALL CAP COMPANIES - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES				Britannia Ind	Asian Paints	Bharat Forge
				Colgate-Palm	Bata India	Biocon
				GMDC	Castrol India ↑	Cummins India
				GSK Con Health ↓	Dabur	GE Shipping
				LIC Housing	Federal Bank	Glaxo Pharma
				Marico ↑	Godrej Cons	GSPL
					IGL	HCC
					Titan Ind	I D F C ↓
					Yes Bank	Indian Hotel
						Shipping Corpn
						Voltas

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

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