

# *ShroffConnect Weekly Report*

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# Opinion as on 03/03/2012

- Money flow: Into stocks and commodities.
  - **Opinion on money flow:** The money is flowing towards stocks and commodities on perceived growth, now that the worst seems to be behind. Economic data from various countries are positive, and if they are not, the governments are keen to introduce stimulus packages to boost the economies. The current Eurozone issues seem to have been resolved for the time.
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- Indian market: The Indian market lost some ground but has been consolidating at around 5350 levels.
  - Sectors: Auto Ancillaries, Banks, Cement, Consumer Goods and IT are outperforming.
  - Positives: Possibility of an RBI rate cut and positive foreign cues.
  - Negatives: High interest rate, high fiscal deficit and rising crude prices.
  - **Opinion:** The market was volatile as expected, and this is also going to continue for the next couple of weeks due to election results and the budget. Thereafter the market is expected to find its own level. We expect the market to trend upwards on the back of foreign investments and cues, and do not expect a permanent setback due to either of the above mentioned events. Long term investors would do well to invest some amount now and some on dips in profit making, India centric stocks. Short term investors can wait for some clarity and invest post the announcements.

Current news and  
current world financial  
market prices

# Current scenario & news

## World economy

- U.S. manufacturing cooled in February and consumer spending was flat for a third straight month in January, suggesting the economy lost more steam early this year than expected.
- Unemployment in the euro zone in January hit its highest since the launch of the currency area but a rise in inflation underlined concerns over oil prices that is likely to prevent swift further moves by the European Central Bank to help growth.
- Asian currencies advanced for a third week after reports signaled a pickup in U.S. economic growth, spurring inflows into emerging-market assets.
- Australia's dollar reached a nine-month high versus the yen as an improving global growth outlook spurred prospects the Reserve Bank will keep its key interest rate unchanged.

## Indian economy

- India's economic growth rate slipped to 6.1 per cent in the third quarter this fiscal, lowest in more than 2 years due to poor performance of the manufacturing, mining and farm sectors.
- India's exports grew by 10.1 per cent year-on-year in January to \$25.34 billion despite weak demand in the Western markets, reversing a declining trend shown since the peak of July 2011.
- India's manufacturing sector expansion slowed slightly in February from a month ago, although the pace of growth remained healthy as new orders touched a 10-month high.
- The Centre's fiscal deficit target for the current year has been breached in January, and with the numbers for the two months still to come, the gap between expenditure and revenue may widen further.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 3rd Mar 2012	% Change
STOCKS	Australia	ASX	4364.14	(0.57)
	Brazil	Bovespa	67781.60	2.79
	China	Shanghai	2460.69	0.86
	France	CAC	3501.17	0.98
	Germany	DAX	6921.37	0.83
	Hong Kong	Hang Seng	21562.30	0.73
	India	Sensex	17636.80	(1.60)
	Japan	Nikkei	9777.03	1.34
	UK	FTSE	5911.13	(0.40)
	USA	DJIA	12977.60	(0.04)
COMMODITIES	Copper	\$/Pound	3.91	1.30
	Crude	\$/Barrel	106.50	(2.85)
	Gold	\$/Troy Ounce	1712.40	(3.53)
	Natural Gas	\$/MMBtu	2.47	(2.76)
	Silver	\$/Troy Ounce	34.78	4.23
	Aluminium	\$/Tonne	2328.00	0.04
	Lead	\$/Tonne	2190.00	(0.82)
	Nickel	\$/Tonne	19475.00	(3.47)
	Zinc	\$/Tonne	2120.00	1.92
CURRENCIES	USD/GBP		1.5828	(0.26)
	USD/EUR		1.3195	(1.86)
	USD/AUD		1.0730	0.29
	JPY/USD		81.78	1.00
	INR/USD		49.51	1.04
	HKD/USD		7.7587	0.05
	BRL/USD		1.7305	1.29
BONDS	2 Year	US Treasury	110.26	0.06
	10 Year		131.39	0.15
	30 Year		142.66	(0.24)

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 3rd Mar 2012	% Change
STOCKS	Nifty	Large Cap	5359.35	(1.29)
	Sensex	Large Cap	17636.80	(1.60)
	BSE Midcap	Mid Cap	6345.43	0.72
	BSE Smallcap	Small Cap	6827.66	(0.43)
Some Major Shares	ACC	Rs/share	1338.45	5.57
	Bharti Airtel		350.40	2.28
	HDFC Ltd		672.65	(0.55)
	Infosys		2845.70	(3.47)
	L&T		1299.65	(3.63)
	Reliance Inds		814.10	(0.71)
	Tata Motors		267.65	0.83
	Tata Steel		465.90	(2.02)
COMMODITIES	Aluminium	INR/Kg	114.35	2.51
	Copper	INR/Kg	431.65	3.46
	Crude	INR/Barrel	5305.00	(1.87)
	Gold	INR/10gms	28023.00	(2.24)
	Lead	INR/Kg	108.55	1.78
	Natural Gas	INR/1mmBtu	124.40	(6.96)
	Nickel	INR/Kg	976.00	(0.74)
	Silver	INR/Kg	58088.00	(0.59)
	Zinc	INR/Kg	105.10	3.75
CURRENCIES	INR/EUR		65.35	(0.86)
	INR/GBP		78.35	0.78
	INR/100 JPY		60.51	0.07
	INR/USD		49.51	1.04

Detailed macro /  
fundamental analysis  
of world economies

## MACRO ECONOMIC SNAPSHOT AS ON 03/03/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.60	1.50
Inflation Rate	Monthly	2.90	3.00
Unemployment Rate	Monthly	8.30	8.50
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	1.98	2.00

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.70	1.40
Inflation Rate	Monthly	2.60	2.70
Unemployment Rate	Monthly	10.70	10.40
Benchmark Interest Rate	Weekly	1.00	1.25
Govt. bond 10 year Rate	Weekly	varied	

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	8.90	9.10
Inflation Rate	Monthly	4.50	4.10
Unemployment Rate	Monthly	4.10	4.30
Benchmark Interest Rate	Weekly	6.56	6.56
Govt. bond 10 year Rate	Weekly	3.54	3.55

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-1.00	-1.70
Inflation Rate	Monthly	0.10	-0.20
Unemployment Rate	Monthly	4.60	4.50
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	0.98	0.95

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.80	0.50
Inflation Rate	Monthly	3.60	4.20
Unemployment Rate	Monthly	8.40	8.30
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	2.07	2.19

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	6.10	6.90
Inflation Rate	Monthly	6.55	7.47
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	7.50	7.50
Govt. bond 10 year Rate	Weekly	8.89	8.93

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.10	3.30
Inflation Rate	Monthly	6.20	6.50
Unemployment Rate	Monthly	5.50	4.70
Benchmark Interest Rate	Weekly	10.50	11.00
Govt. bond 10 year Rate	Weekly	12.55	12.53

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.80	3.40
Inflation Rate	Monthly	4.20	6.10
Unemployment Rate	Monthly	6.60	6.10
Benchmark Interest Rate	Weekly	8.00	8.25
Govt. bond 10 year Rate	Weekly	6.00	6.00



## IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 03/03/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1749.35	13.94	7.09
Bharat Heavy Electricals Ltd.	Electric Equipment	296.60	11.24	3.05
Bharti Airtel Ltd.	Telecommunication - Service Provider	350.20	29.00	2.56
Cipla Ltd.	Pharmaceuticals & Drugs	315.60	24.22	3.41
Coal India Ltd.	Mining & Minerals	330.70	13.94	4.57
DLF Ltd.	Construction - Real Estate	203.85	28.66	1.37
HDFC Bank Ltd.	Bank - Private	518.30	25.17	4.18
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1938.95	17.01	8.18
Hindalco Industries Ltd.	Aluminium & Aluminium Products	147.85	12.28	0.90
Hindustan Unilever Ltd.	Household & Personal Products	382.55	31.33	17.59
Housing Development Finance Corporation Ltd.	Finance - Housing	671.35	25.15	4.92
ICICI Bank Ltd.	Bank - Private	902.75	17.30	1.74
Infosys Ltd.	IT - Software	2846.60	20.91	5.11
ITC Ltd.	Cigarettes/Tobacco	205.10	27.45	7.82
Jaiprakash Associates Ltd.	Engineering - Construction	74.85	21.43	1.65
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	587.80	14.30	3.25
Larsen & Toubro Ltd.	Engineering - Construction	1299.25	18.84	3.31
Mahindra & Mahindra Ltd.	Automobiles-Tractors	679.85	15.99	3.40
Maruti Suzuki India Ltd.	Automobiles - Passenger cars	1323.15	23.10	2.57
NTPC Ltd.	Power Generation/Distribution	178.60	15.65	1.99
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	281.45	10.81	2.07
Reliance Industries Ltd.	Refineries	814.35	12.58	1.65
State Bank Of India	Bank - Public	2245.70	12.00	1.52
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	124.35	4.92	0.89
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	565.90	22.78	5.07
Tata Consultancy Services Ltd.	IT - Software	1217.15	23.22	7.44
Tata Motors Ltd.	Automobiles-Trucks/Lcv	267.45	7.24	2.74
Tata Power Company Ltd.	Power Generation/Distribution	114.35	100.57	2.10
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	465.95	5.09	1.11
Wipro Ltd.	IT - Software	427.80	19.32	3.96

# 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 2014. Some economic data is encouraging.
- Europe – Greece has obtained its debt package from bondholders. Economic slowdown and even recession is on the cards for most countries.
- China – Lower exports to the US and Europe are leading to lack of demand in the manufacturing sector. The government has cut reserve ratios to increase liquidity.
- Japan – Lower exports to the US and Europe are leading to lack of demand. The strength of the yen continues to hamper growth in exports. The government has announced further stimulus.
- Rest of the World – Iran is now a nuclear power. It has stopped exporting oil to a number of Eurozone countries. Oil prices have jumped to over USD 120 per barrel.

# Indian macro scenario

- Economy – The economy is slowing and the impact is being felt across the board. Fiscal deficit is much above the desired levels though inflation has decreased.
- Government policies – There has been a lack of growth oriented policies for the past one year and above. Landmark legislations have been postponed due to the compulsions of coalition politics. The yearly budget is awaited.
- RBI – The RBI has signaled a pause in interest rate hikes and also cut CRR rates.
- Politics – Elections are being held in 5 states in Feb and Mar 2012. These are in Punjab, Uttarakhand, Uttar Pradesh, Manipur and Goa.
- Sectors – Telecom sector is in for a shakeout after the Supreme Court verdict cancelling licenses awarded to telecom companies post 2008.

# 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.
- Chinese slowdown and real estate bubble.

## Indian economy

- High interest rate.
- High and growing fiscal deficit through subsidies and less collection of taxes
- Lack of governance and populist politics.
- High price of crude oil.

# Detailed technical analysis of world financial markets

## WORLD MARKETS - TECHNICAL SNAPSHOT

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

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

## MAJOR LARGE COMPANIES - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	ACC Ambuja Cem Apollo Tyres Bosch Ltd Cairn Grasim Ind Havells India HDFC Bank Kotak Bank Maruti Suzuki MRF Power Grid Sun Pharma Tata Global Tata Motors UCO Bank ↑ Ultratech Wipro	ABB ↓ Andhra Bank Ashok Leyland Axis Bank Bank of Baroda BPCL Canara Bank Dr Reddy ↑ Exide Inds HCL Techn Hind Zinc Hindalco ICICI Bank Idea Cellular ↑ Infosys Tech JP Associates ↑ Jindal Steel JSW Steel Nestle India ↑ NTPC O N G C Petronet LNG ↑ PNB RCOM ↓ RECL Reliance Ind ↑ Reliance Infra SBIN ↓ Sesa Goa	Bajaj Auto Bharti Airtel Bhel Chambal Fert Cipla Coal India Crompton Gr DLF HDFC Hero Motoco Hind Unilever ITC LT Lupin M&M Ranbaxy Reliance Capital ↓ Shriram Trans Siemens Tech Mahindra  <div style="background-color: #ADD8E6; padding: 5px; text-align: center;">Bullish</div> Sterlite Ind ↑ Tata Chemicals ↑ Tata Power Tata Steel TCS Thermax	GAIL	

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



## MAJOR MEDIUM & SMALL COMPANIES - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
COMPANIES	Astrazeneca Ph	Bharat Forge	ABG Shipyard ↓	Biocon ↓	GSPL	
	IndusInd Bank	Britannia Ind ↑	Asian Paints	Hawkins Cookers ↑		
	Jubilant Food ↑	Castrol India ↑	Bata India	IGL		
	LIC Housing	Colgate-Palm ↑	Dabur			
	Yes Bank	CRISIL Ltd	Glaxo Pharma			
		Cummins India	HCC			
		Federal Bank	Indian Hotel ↓			
		GE Shipping	Pidilite Ind			
		GMDC	Shipping Corpn			
		Godrej Cons	SKF India			
		GSK Con Health	Tata Sponge			
		I D F C ↓	TTK Prestige			
		Marico	Voltas			
		Opto Circuits ↓				
		Titan Ind				

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

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