

ShroffConnect Weekly Report

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Opinion as on 28/04/2012

- Money flow: Into US stocks.
 - **Opinion on money flow:** Investors seem nervous on happenings in Europe though economic data from the US is encouraging. The result is that money seems to be flowing out of emerging & European markets to the US.
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- Indian stock market: The Indian markets remained weak on the back of broad based selling.
 - Sectors: Auto ancillaries, Auto, Pvt. Banks, Consumer Food and Pharma are outperforming.
 - Positives: Beginning of the Interest rate cycle reversal, good corporate results.
 - Negatives: High interest rate, high fiscal deficit, poor balance of payments, weak Rupee, GAAR, political apathy.
 - **Opinion:** The Indian market is seeing FIIs sell off some of their positions on the highly unpopular GAAR provisions introduced by the Finance Minister in the budget. The main concern is their application with retrospective effect. This is being seen as highly unfair by the foreign investing community. The fiscal deficit is also seen burgeoning without any increase in rates of fuel, increase in MNERGA etc. Investors should wait and watch before putting in fresh funds. They may hold onto their current investments.



Current news and world
financial market prices

Current scenario & news

World economy

- U.S. economic growth cooled in the first quarter as businesses cut back on investment and restocked shelves at a slower pace, but the biggest rise in consumer spending in more than a year cushioned the blow.
- Spain's sovereign credit rating was cut for the second time this year by Standard & Poor's on concern that the country will have to provide further fiscal support to banks as the economy contracts.
- The euro zone's business slump deepened at a far faster pace than expected in April, suggesting the economy will stay in recession at least until the second half of the year.
- The BOJ, facing mounting government pressure, eased monetary policy by boosting asset purchases by 10 trillion yen (\$124 billion), more than markets had expected, and pledging to buy longer-term government bonds in a show of resolve to pull the economy out of deflation.

Indian economy

- FIIs have invested \$ 8.7 bn in Indian equities since the beginning of 2012. FIIs have injected \$ 3.3 bn in buying banking and financial services shares, \$ 1bn in IT services and \$ 975 m in capital goods shares. About \$ 700 m was invested in oil, gas and petrochemicals sector.
- Global agency Standard and Poor's (S&P) on Wednesday lowered India's rating outlook from stable (BBB+) to negative (BBB-) and warned of a downgrade in two years if there is no improvement in the fiscal situation and the political climate continues to worsen.
- The finance ministry is considering exempting transactions or tax-saving arrangements less than Rs 15 crore to ensure only corporate structures of significant size come under the ambit of the new regime, known as the General Anti-Avoidance Rules (GAAR).

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 28th Apr 2012	% Change
STOCKS	Australia	ASX	4433.41	(0.25)
	Brazil	Bovespa	61691.20	(1.28)
	China	Shanghai	2396.32	(0.44)
	France	CAC	3266.27	2.44
	Germany	DAX	6801.32	0.76
	Hong Kong	Hang Seng	20741.50	(1.28)
	India	Sensex	17134.25	(1.38)
	Japan	Nikkei	9520.89	(0.42)
	UK	FTSE	5777.11	0.09
	USA	DJIA	13228.30	1.53
COMMODITIES	Copper	\$/Pound	3.83	3.79
	Crude	\$/Barrel	104.81	0.74
	Gold	\$/Troy Ounce	1662.60	1.17
	Natural Gas	\$/MMBtu	2.19	13.47
	Silver	\$/Troy Ounce	31.23	(1.33)
	Aluminium	\$/Tonne	2108.00	1.25
	Lead	\$/Tonne	2140.00	0.68
	Nickel	\$/Tonne	18100.00	1.66
	Zinc	\$/Tonne	2040.50	0.72
CURRENCIES	USD/GBP		1.6260	0.87
	USD/EUR		1.3255	0.26
	USD/AUD		1.0456	0.85
	JPY/USD		80.24	(1.53)
	INR/USD		52.45	0.73
	HKD/USD		7.7588	(0.02)
	BRL/USD		1.8842	0.87
BONDS	2 Year	US Treasury	110.27	0.04
	10 Year		132.16	0.37
	30 Year		142.72	0.53

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 28th Apr 2012	% Change
STOCKS	Nifty	Large Cap	5190.60	(1.89)
	Sensex	Large Cap	17134.25	(1.38)
	BSE Midcap	Mid Cap	6240.80	(2.76)
	BSE Smallcap	Small Cap	6697.89	(2.94)
Some Major Shares	ACC	Rs/share	1195.05	(2.60)
	Bharti Airtel		307.40	(5.23)
	HDFC Ltd		674.45	(1.50)
	Infosys		2391.00	(0.68)
	L&T		1220.25	(5.51)
	Reliance Inds		742.00	1.53
	Tata Motors		312.65	(1.26)
	Tata Steel		461.15	(1.95)
COMMODITIES	Aluminium	INR/Kg	107.70	0.84
	Copper	INR/Kg	444.00	4.38
	Crude	INR/Barrel	5516.00	1.32
	Gold	INR/10gms	29109.00	1.42
	Lead	INR/Kg	111.85	1.68
	Natural Gas	INR/1mmBtu	116.70	15.89
	Nickel	INR/Kg	950.60	2.16
	Silver	INR/Kg	55871.00	(1.14)
	Zinc	INR/Kg	106.30	1.29
CURRENCIES	INR/EUR		69.49	0.94
	INR/GBP		85.63	2.03
	INR/100 JPY		65.31	2.29
	INR/USD		52.45	0.73



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 28/04/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.10	1.60
Inflation Rate	Monthly	2.70	2.90
Unemployment Rate	Monthly	8.20	8.30
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	1.96	1.98

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.70	1.30
Inflation Rate	Monthly	2.70	2.70
Unemployment Rate	Monthly	10.80	10.70
Benchmark Interest Rate	Weekly	1.00	1.00
Govt. bond 10 year Rate	Weekly	varied	

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	8.10	8.90
Inflation Rate	Monthly	3.60	3.20
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.56	6.56
Govt. bond 10 year Rate	Weekly	3.55	3.55

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.60	-0.40
Inflation Rate	Monthly	0.50	0.30
Unemployment Rate	Monthly	4.50	4.50
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	0.92	0.93

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.00	0.50
Inflation Rate	Monthly	3.50	3.40
Unemployment Rate	Monthly	8.30	8.40
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	2.10	2.14

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	6.10	6.90
Inflation Rate	Monthly	9.47	8.83
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.50
Govt. bond 10 year Rate	Weekly	8.63	8.62

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.40	2.10
Inflation Rate	Monthly	5.20	5.80
Unemployment Rate	Monthly	6.20	5.70
Benchmark Interest Rate	Weekly	9.00	9.75
Govt. bond 10 year Rate	Weekly	12.55	12.53

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.80	5.00
Inflation Rate	Monthly	3.70	3.70
Unemployment Rate	Monthly	6.50	6.50
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	6.00	6.00

IMPORTANT FUNDAMENTAL FINANCIAL RATIOS FOR SENSEX STOCKS AS ON 28/04/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1582.55	12.61	6.64
Bharat Heavy Electricals Ltd.	Electric Equipment	228.00	8.64	2.34
Bharti Airtel Ltd.	Telecommunication - Service Provider	307.60	25.10	2.36
Cipla Ltd.	Pharmaceuticals & Drugs	310.00	23.79	3.35
Coal India Ltd.	Mining & Minerals	351.35	14.81	5.05
DLF Ltd.	Construction - Real Estate	181.35	24.85	1.21
HDFC Bank Ltd.	Bank - Private	540.55	24.19	4.20
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2174.45	19.08	9.18
Hindalco Industries Ltd.	Aluminium & Aluminium Products	118.80	9.87	0.73
Hindustan Unilever Ltd.	Household & Personal Products	416.00	34.07	19.01
Housing Development Finance Corporation Ltd.	Finance - Housing	674.60	25.30	5.06
ICICI Bank Ltd.	Bank - Private	860.75	16.49	1.63
Infosys Ltd.	IT - Software	2390.20	16.47	4.38
ITC Ltd.	Cigarettes/Tobacco	245.70	32.95	9.24
Jaiprakash Associates Ltd.	Engineering - Construction	72.40	20.73	1.60
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	481.65	11.87	2.62
Larsen & Toubro Ltd.	Engineering - Construction	1221.45	17.72	3.07
Mahindra & Mahindra Ltd.	Automobiles-Tractors	712.50	16.75	3.57
Maruti Suzuki India Ltd.	Automobiles - Passenger cars	1379.30	24.08	2.69
NTPC Ltd.	Power Generation/Distribution	161.85	14.18	1.80
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	262.60	10.09	1.93
Reliance Industries Ltd.	Refineries	742.10	12.28	1.46
State Bank Of India	Bank - Public	2125.70	12.72	1.50
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	104.05	7.24	0.76
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	597.55	28.00	5.24
Tata Consultancy Services Ltd.	IT - Software	1205.45	22.66	8.00
Tata Motors Ltd.	Automobiles-Trucks/Lcv	312.40	8.48	3.29
Tata Power Company Ltd.	Power Generation/Distribution	103.55	141.15	1.90
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	461.85	4.91	1.08
Wipro Ltd.	IT - Software	405.80	17.90	3.50

World macro scenario

- USA – US economic data is somewhat better. The government has fixed the interest to remain as low as 0.25% till 2014. However, they have signaled an end to quantitative easing.
- Europe – Economic slowdown is on the cards for most countries. The Purchasing Manager's Index fell to 47.4. In France, voters have voted overwhelmingly for the Socialist Party in the 1st phase of elections. Sarkozy could be on the way out.
- China – Lower exports to the US and Europe are leading to lower GDP growth. The Purchasing Manager's Index of 49.1 points to a contraction.
- Japan – Lower exports and negative GDP growth. Bank of Japan extends stimulus.
- Rest of the World – Iran is now a nuclear power. Major powers are agreeing to hold a dialogue with Iran to assuage fears.

Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger.
- Government policies – Excise & Service Tax hiked by 2% to 12%. GAAR announced.
- RBI – The RBI has cut the interest rate by 50 basis points beginning the interest rate cut cycle.
- Foreign exchange – The balance of payments situation is bad.
- Politics – There is an absolute lack of political will to do anything.
- Sectors – Defensive sectors are doing better. Telecom sector may have been dealt a severe blow with new rates for spectrum more than 10 times the previous rates.

Our concerns on the macro front

World economies

- Eurozone debt issues of Spain and Italy and low to negative GDP growth.
- Political unrest in France and other parts of Europe on cost cutting and unemployment.
- Chinese GDP growth slowdown.

Indian economy

- High interest rate.
- High and growing fiscal deficit through subsidies and less collection of taxes
- Lack of governance and populist politics.
- Possibility of a mid term poll.
- High price of crude oil.
- GAAR may impact foreign investments.
- Weak rupee.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT



STOCKS

USA ↑

Australia
Germany
Japan

Brazil
China
France
Hong Kong ↓
India
UK

COMMODITIES

Crude Oil ↑

Aluminium
Copper
Lead
Silver
Zinc

Gold
Nickel

Natural Gas

CURRENCIES
(against USD)

GBP
HKD

AUD
EUR

BRL
INR
JPY

BONDS
(US Treasury)

2 Year
10 Year
30 Year

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

INDIAN MARKETS - TECHNICAL SNAPSHOT



INDICES

Mid Cap ↓
Nifty
Sensex
Small Cap ↓

SECTORS

Auto
FMCG
Healthcare

Cons Durable

Bankex
IT
Metal
Power
Realty
Teck

Cap Goods ↓
Oil & Gas ↓

COMMODITIES

Copper ↑
Crude Oil
Zinc

Aluminium
Gold
Lead
Nickel ↑
Silver

Natural Gas

CURRENCIES (against INR)

GBP ↑

EUR ↑
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	Apollo Tyres Ashok Leyland Bosch Ltd Dr Reddy Havells India HDFC Bank Hind Unilever ↑ ITC Kotak Bank Maruti Suzuki MRF Nestle India Sun Pharma Tata Global Tata Motors	ABB BPCL ↓ Coal India HCL Tech Hero Motoco ↑ Lupin ↓ Power Grid ↓ Tech Mahindra Ultratech ↓	ACC Ambuja Cem Andhra Bank ↓ Axis Bank Bajaj Auto Bank of Baroda Cairn Canara Bank Cipla Crompton Gr Exide Inds Grasim Ind HDFC Hind Zinc ICICI Bank Infosys Tech J P Associates Jindal Steel JSW Steel LT M&M NTPC O N G C PNB Ranbaxy RCOM	Bhel DLF Hindalco ↓ Idea Cellular ↓ Petronet LNG ↓ Reliance Ind <div>Neutral</div> RECL ↓ Reliance Capital Reliance Infra SBIN Sesa Goa Shriram Trans ↓ Siemens Sterlite Ind Tata Chemicals Tata Power Tata Steel TCS Thermax UCO Bank ↓ Wipro ↓	Bharti Airtel Chambal Fert 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	Asian Paints ↑	Cummins India ↓	Bharat Forge	ABG Shipyard ↓	Biocon
	Astrazeneca Ph	Dabur	Castrol India ↓	IGL ↑	GSPL
	Bata India	Glaxo Pharma	Federal Bank ↓		
	Britannia Ind	GSK Con Health ↓	GE Shipping		
	Colgate-Palm	LIC Housing	GMDC		
	CRISIL Ltd	Pidilite Ind	HCC		
	Godrej Cons	SKF India	I D F C		
	IndusInd Bank	Tata Sponge	Indian Hotel		
	Jubilant Food	Titan Ind	Opto Circuits		
	Marico		Shipping Corpn		
	TTK Prestige		Voltas		
	Yes Bank				

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

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