

# *ShroffConnect* Weekly Report

## 5<sup>th</sup> May, 2012



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# Opinion as on 05/05/2012

- Money flow: There is no evident trend, though treasuries have maintained.
  - **Opinion on money flow:** Investors continue to be nervous due to European fears, and with the knowledge that apart from few pockets in the world, several major economies are doing quite badly. We do not really see a meltdown happening though it may be prudent to be cautious.
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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, decent 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 fiscal deficit is increasing; the INR has weakened considerably; and all these have led to increased nervousness. There is some hope of policies being clarified early next week and this should bring a respite to the markets. Investors should wait and watch before putting in fresh funds.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- U.S. consumer confidence surged in the first quarter to its highest in more than four years as the economy improved, contrasting with still very low morale among debt-laden euro zone countries.
- U.K. house prices dropped the most in 1 1/2 years in April as a stamp-duty exemption for first-time buyers ended and the economy fell into its first double-dip recession since the 1970s.
- Unemployment in the euro zone rose to a 15-year high of 10.9 percent in March, driven by lay-offs in Italy and Spain, and economists said worse was to come as the impact of the debt crisis extracts an ever greater toll.
- Investors kept up their appetite for Spanish and French government debt at auctions on Thursday though embattled Spain was forced to pay a much higher price than in previous sales.

## Indian economy

- Indian banks' loans and deposits shrunk in April as corporates repaid their short-term borrowings, while deposits taken by banks to shore up their quarter-end balance sheets matured reflecting the extent of window-dressing by banks.
- The Coal Minister on Friday said the government is planning to set up a fund for acquiring of coal assets abroad and urged public sector companies to be proactive in making decisions on foreign investments.
- After three months of decline, India's manufacturing sector grew slightly in April as new orders poured in, but the rate of expansion was limited by power shortages and was weakest so far this year.
- Overseas investment by Indian companies fell marginally to \$ 2.67 billion in April from \$ 2.77 billion in March.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 5th May 2012	% Change
STOCKS	Australia	ASX	4459.39	0.59
	Brazil	Bovespa	60820.90	(1.41)
	China	Shanghai	2452.01	2.32
	France	CAC	3161.97	(3.19)
	Germany	DAX	6561.47	(3.53)
	Hong Kong	Hang Seng	21086.00	1.66
	India	Sensex	16831.08	(1.77)
	Japan	Nikkei	9380.25	(1.48)
	UK	FTSE	5655.06	(2.11)
	USA	DJIA	13038.30	(1.44)
COMMODITIES	Copper	\$/Pound	3.72	(2.87)
	Crude	\$/Barrel	98.59	(5.93)
	Gold	\$/Troy Ounce	1643.10	(1.17)
	Natural Gas	\$/MMBtu	2.28	4.11
	Silver	\$/Troy Ounce	30.32	(2.91)
	Aluminium	\$/Tonne	2075.00	(1.57)
	Lead	\$/Tonne	2105.00	(1.64)
	Nickel	\$/Tonne	17575.00	(2.90)
	Zinc	\$/Tonne	1995.00	(2.23)
CURRENCIES	USD/GBP		1.6149	(0.68)
	USD/EUR		1.3089	(1.25)
	USD/AUD		1.0189	(2.55)
	JPY/USD		79.83	(0.51)
	INR/USD		53.47	1.94
	HKD/USD		7.7604	0.02
	BRL/USD		1.9235	2.09
BONDS	2 Year	US Treasury	110.28	0.01
	10 Year		132.64	0.36
	30 Year		143.69	0.68

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 5th May 2012	% Change
STOCKS	Nifty	Large Cap	5086.85	(2.00)
	Sensex	Large Cap	16831.08	(1.77)
	BSE Midcap	Mid Cap	6100.80	(2.24)
	BSE Smallcap	Small Cap	6588.26	(1.64)
Some Major Shares	ACC	Rs/share	1208.45	1.12
	Bharti Airtel		311.75	1.42
	HDFC Ltd		659.95	(2.15)
	Infosys		2441.95	2.13
	L&T		1147.15	(5.99)
	Reliance Inds		726.45	(2.10)
	Tata Motors		301.80	(3.47)
	Tata Steel		432.50	(6.21)
COMMODITIES	Aluminium	INR/Kg	109.85	2.00
	Copper	INR/Kg	440.30	(0.83)
	Crude	INR/Barrel	5263.00	(4.59)
	Gold	INR/10gms	29185.00	0.26
	Lead	INR/Kg	112.35	0.45
	Natural Gas	INR/1mmBtu	122.70	5.14
	Nickel	INR/Kg	943.20	(0.78)
	Silver	INR/Kg	55222.00	(1.16)
	Zinc	INR/Kg	106.75	0.42
CURRENCIES	INR/EUR		69.97	0.69
	INR/GBP		86.32	0.81
	INR/100 JPY		66.93	2.48
	INR/USD		53.47	1.94



# Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 05/05/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.10	1.60
Inflation Rate	Monthly	2.70	2.90
Unemployment Rate	Monthly	↓8.10	8.20
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓1.92	1.96

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.70	1.30
Inflation Rate	Monthly	↓2.60	2.70
Unemployment Rate	Monthly	↑10.90	10.80
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	↑3.56	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	↓0.89	0.92

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	↓2.04	2.10

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	↓8.62	8.63

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 05/05/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1501.75	11.96	6.30
Bharat Heavy Electricals Ltd.	Electric Equipment	214.10	8.11	2.20
Bharti Airtel Ltd.	Telecommunication - Service Provider	312.35	27.85	2.31
Cipla Ltd.	Pharmaceuticals & Drugs	325.20	24.96	3.51
Coal India Ltd.	Mining & Minerals	329.60	13.89	4.74
DLF Ltd.	Construction - Real Estate	181.85	24.92	1.21
HDFC Bank Ltd.	Bank - Private	536.75	24.02	4.17
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	1980.85	16.63	479.83
Hindalco Industries Ltd.	Aluminium & Aluminium Products	116.00	9.63	0.71
Hindustan Unilever Ltd.	Household & Personal Products	434.90	33.69	25.54
Housing Development Finance Corporation Ltd.	Finance - Housing	659.80	24.74	4.95
ICICI Bank Ltd.	Bank - Private	833.95	12.58	1.57
Infosys Ltd.	IT - Software	2441.15	16.82	4.47
ITC Ltd.	Cigarettes/Tobacco	238.10	31.93	8.96
Jaiprakash Associates Ltd.	Engineering - Construction	71.05	20.35	1.57
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	484.05	11.41	2.46
Larsen & Toubro Ltd.	Engineering - Construction	1147.95	16.65	2.89
Mahindra & Mahindra Ltd.	Automobiles-Tractors	687.85	16.18	3.45
Maruti Suzuki India Ltd.	Automobiles - Passenger cars	1283.15	22.05	2.59
NTPC Ltd.	Power Generation/Distribution	154.90	13.57	1.72
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	259.50	9.97	1.91
Reliance Industries Ltd.	Refineries	726.45	12.02	1.43
State Bank Of India	Bank - Public	1993.60	11.93	1.40
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	101.10	7.04	0.74
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	600.75	28.15	5.27
Tata Consultancy Services Ltd.	IT - Software	1278.10	24.02	8.49
Tata Motors Ltd.	Automobiles-Trucks/Lcv	301.40	8.18	3.18
Tata Power Company Ltd.	Power Generation/Distribution	100.20	136.59	1.84
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	433.55	4.61	1.02
Wipro Ltd.	IT - Software	414.90	18.30	3.57

# 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.
- Europe – Economic slowdown is on the cards for most countries.
- China – Lower GDP growth.
- Japan – Lower exports and negative GDP growth. Bank of Japan extends stimulus.
- Rest of the World - Positive political changes in South East Asian countries like Myanmar and Malaysia coupled with modest growth has made the region attractive.

# Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger.
- Government policies – GAAR announced.
- RBI – The RBI has cut the interest rate by 50 basis points.
- Foreign exchange – The balance of payments situation is bad. The INR is near all time lows.
- 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 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 INR.



# Detailed technical analysis

## WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS	USA		Australia Germany Hong Kong ↑	Brazil China France India Japan UK		
COMMODITIES				Copper Crude Oil ↓ Lead Silver Zinc	Aluminium ↓ Gold Nickel	Natural Gas
CURRENCIES (against USD)			GBP HKD	AUD EUR JPY ↑	BRL INR	
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 ↑  
Zinc ↑

Crude Oil  
Gold ↑

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

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

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