

ShroffConnect Weekly Report

9th June, 2012



Shroff Securities Pvt. Ltd.
Portfolio Investment Management Services

Kolkata: 033 32933592/3658
Bangalore: 080 32996004/6005
Email: contact@shroffsecurities.com
Web: www.shroffsecurities.com

(for private circulation only)

Opinion as on 09/06/2012

- Money flow: Out of stocks, into treasuries.
 - **Opinion on money flow:** Investors are flocking to safety. Eurozone issues are a big worry and Spain has also formally called for aid for its banks. Greece votes on next Sunday, and investors will be looking for victory for the pro-Eurozone parties. Eurozone countries are in a mess and until there is growth all around, we are not sure that austerity measures alone will solve the Eurozone issues.
-
- Indian markets: The markets rallied on the possibility of interest rate cut and a slew of measures to help exports.
 - Sectors: Consumer sectors are outperforming.
 - Positives: Possibility of interest rate cut.
 - Negatives: Lack of government will to take tough measures.
 - **Opinion:** The markets rallied due to short covering on announcement of a possible interest rate cut in India. However, the macro environment remains tough. It seems that the stronger Eurozone countries may not have the political will to save the Eurozone, although this being an election year in the USA, countries would probably end up making the right noises. The Indian government is trying to do what it can, but, we should not expect too much going forward. We feel that if they can take care of governance issues, transparently, and fiscal issues, effectively, they would have done their job. Investors should wait to see the result of the Greek vote before committing fresh money.



Current news and world
financial market prices

Current scenario & news

World economy

- China delivered twin surprises on interest rates, cutting borrowing costs to combat faltering growth while giving banks additional flexibility to set competitive lending and deposit rates in a step along the path of liberalisation.
- French business confidence and Italian output declined as recessions in at least six European countries weighed on demand and risked causing a quarterly contraction in France for the first time in three years.
- Spain's credit rating was slashed by three notches on by Fitch, which signalled it could make further cuts as the cost of restructuring the country's troubled banking system spiralled and Greece's crisis deepened.
- The pound has its first weekly advance against the dollar in more than a month and U.K. government bonds fell after the Bank of England kept its stimulus program and benchmark interest rate unchanged.

Indian economy

- Indian refiners cut imports from Iran by 38 percent in May from a year ago, in a second month of steep reductions as they switch suppliers to cushion the impact of new U.S. sanctions on Tehran.
- The government deferred a decision on a legislative bill that seeks to throw open the country's pension sector to foreign investors, clouding prospects for economic reforms.
- The rupee weakened on Friday on worsening global risk sentiment, but posted its first weekly gain against the dollar in more than two months as the local currency recovers from oversold conditions.
- Banks and exporters have made claims of Rs 713 crore from ECGC in 2011-12, reflecting a rise in bad assets in the export finance sector .
- The Reserve Bank announced that it will pump in Rs 12,000 crore in the market on June 12 by buying government securities to ease the liquidity situation.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 9th June 2012	% Change
STOCKS	Australia	ASX	4111.15	(0.14)
	Brazil	Bovespa	54429.85	1.92
	China	Shanghai	2281.45	(3.88)
	France	CAC	3051.69	3.43
	Germany	DAX	6130.82	1.33
	Hong Kong	Hang Seng	18502.34	(0.30)
	India	Sensex	16718.87	4.72
	Japan	Nikkei	8459.26	0.23
	UK	FTSE	5435.08	3.32
	USA	DJIA	12554.20	3.59
COMMODITIES	Copper	\$/Pound	3.31	(0.30)
	Crude	\$/Barrel	84.34	1.30
	Gold	\$/Troy Ounce	1595.10	(2.00)
	Natural Gas	\$/MMBtu	2.30	(1.29)
	Silver	\$/Troy Ounce	28.45	(0.73)
	Aluminium	\$/Tonne	1985.00	0.63
	Lead	\$/Tonne	1902.00	0.11
	Nickel	\$/Tonne	16925.00	5.12
	Zinc	\$/Tonne	1869.00	(1.11)
CURRENCIES	USD/GBP		1.5454	0.61
	USD/EUR		1.2504	0.58
	USD/AUD		0.9914	2.26
	JPY/USD		79.47	1.95
	INR/USD		55.41	0.02
	HKD/USD		7.7575	(0.03)
	BRL/USD		2.0202	(0.67)
BONDS	2 Year	US Treasury	110.23	(0.05)
	10 Year		134.34	(0.97)
	30 Year		149.22	(2.23)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 9th June 2012	% Change
STOCKS	Nifty	Large Cap	5068.35	4.68
	Sensex	Large Cap	16718.87	4.72
	BSE Midcap	Mid Cap	5988.21	2.86
	BSE Smallcap	Small Cap	6326.14	2.13
Some Major Shares	ACC	Rs/share	1147.60	1.84
	Bharti Airtel		304.25	1.13
	HDFC Ltd		655.95	1.97
	Infosys		2419.25	1.26
	L&T		1309.45	15.38
	Reliance Inds		729.70	6.49
	Tata Motors		239.20	6.52
	Tata Steel		410.40	3.14
COMMODITIES	Aluminium	INR/Kg	108.90	0.60
	Copper	INR/Kg	405.00	(0.64)
	Crude	INR/Barrel	4675.00	1.10
	Gold	INR/10gms	29544.00	(1.08)
	Lead	INR/Kg	105.15	(0.33)
	Natural Gas	INR/1mmBtu	128.30	0.31
	Nickel	INR/Kg	931.70	3.88
	Silver	INR/Kg	54211.00	(0.51)
	Zinc	INR/Kg	103.85	(0.53)
CURRENCIES	INR/EUR		69.35	0.43
	INR/GBP		85.63	0.40
	INR/100 JPY		69.69	(2.13)
	INR/USD		55.41	0.02



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 09/06/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.00	1.60
Inflation Rate	Monthly	2.30	2.70
Unemployment Rate	Monthly	8.20	8.10
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑1.65	1.58

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.10	0.70
Inflation Rate	Monthly	2.60	2.70
Unemployment Rate	Monthly	11.00	11.00
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	3.40	3.60
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	↓6.31	6.56
Govt. bond 10 year Rate	Weekly	3.38	3.38

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.70	-0.50
Inflation Rate	Monthly	0.40	0.50
Unemployment Rate	Monthly	4.60	4.50
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↑0.88	0.82

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.00	0.50
Inflation Rate	Monthly	3.00	3.50
Unemployment Rate	Monthly	8.20	8.30
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑1.72	1.57

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	5.30	6.10
Inflation Rate	Monthly	7.23	6.89
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.50
Govt. bond 10 year Rate	Weekly	↓8.35	8.50

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.80	1.40
Inflation Rate	Monthly	↓4.99	5.10
Unemployment Rate	Monthly	6.00	6.20
Benchmark Interest Rate	Weekly	8.50	9.00
Govt. bond 10 year Rate	Weekly	12.55	12.53

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.90	4.80
Inflation Rate	Monthly	3.60	3.60
Unemployment Rate	Monthly	5.80	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 09/06/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1528.65	14.52	7.27
Bharat Heavy Electricals Ltd.	Electric Equipment	221.25	7.64	2.13
Bharti Airtel Ltd.	Telecommunication - Service Provider	303.85	27.09	2.25
Cipla Ltd.	Pharmaceuticals & Drugs	309.20	21.70	3.25
Coal India Ltd.	Mining & Minerals	326.60	13.96	6.19
DLF Ltd.	Construction - Real Estate	196.40	27.56	1.32
GAIL (India) Ltd.	Gas Transmission/Marketing	331.70	9.47	1.69
HDFC Bank Ltd.	Bank - Private	538.30	24.13	4.19
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2005.30	16.84	9.33
Hindalco Industries Ltd.	Aluminium & Aluminium Products	120.30	10.29	0.72
Hindustan Unilever Ltd.	Household & Personal Products	428.35	33.18	25.16
Housing Development Finance Corporation Ltd.	Finance - Housing	655.45	17.74	3.97
ICICI Bank Ltd.	Bank - Private	829.00	12.50	1.56
Infosys Ltd.	IT - Software	2419.20	16.67	4.43
ITC Ltd.	Cigarettes/Tobacco	239.70	29.95	9.68
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	440.10	10.38	2.24
Larsen & Toubro Ltd.	Engineering - Construction	1309.05	17.09	2.73
Mahindra & Mahindra Ltd.	Automobiles-Tractors	687.85	13.51	2.52
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1124.55	19.33	2.27
NTPC Ltd.	Power Generation/Distribution	155.75	13.09	1.73
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	259.25	7.88	1.64
Reliance Industries Ltd.	Refineries	729.40	12.00	1.43
State Bank Of India	Bank - Public	2180.05	9.53	1.38
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	100.60	7.00	0.73
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	583.80	23.37	4.97
Tata Consultancy Services Ltd.	IT - Software	1231.15	23.14	8.17
Tata Motors Ltd.	Automobiles-Trucks/Lcv	238.90	4.79	1.96
Tata Power Company Ltd.	Power Generation/Distribution	94.15	0.00	1.99
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	410.50	7.40	0.93
Wipro Ltd.	IT - Software	403.40	17.80	3.47

World macro scenario

- USA – US economic data is mixed. The government has fixed the interest to remain as low as 0.25% till 2014 but no fresh stimulus announced. A “fiscal cliff” which entails automatic cutting of govt. expenditure is due from 1st Jan, 2013. The USD is strong against other currencies.
- Europe – Economic slowdown is on the cards for most countries. Greece votes again on 17th June. Chances are that Greece may exit the Euro. Spain is looking for a bailout for its banks. Euro down against all currencies.
- China – Lower GDP growth. Govt. cuts key interest rate to boost growth.
- Japan – Improvement in GDP growth. Strong currency.
- Rest of the World – Positive political development and steady growth in South East Asia.

Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger.
- Government policies – GAAR announced but deferred to Apr 2013. Petrol prices hiked by 10% approx.
- RBI – The RBI last cut the interest rate by 50 basis points in Apr 2012.
- Foreign exchange – The balance of payments situation is bad. The INR is extremely weak.
- Politics – There is an absolute lack of political will to do anything.
- Sectors – Defensive sectors are doing better – consumer products and pharma.

Our concerns on the macro front

World economies

- Eurozone's low to negative GDP growth. Greece's possible exit from Euro. Spain's bank issues. German reluctance to save other countries.
- Chinese GDP growth slowdown.

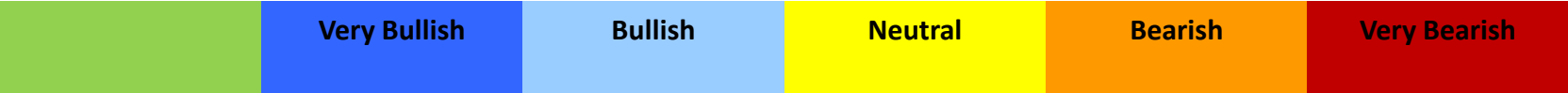
Indian economy

- High interest rate.
- High and growing fiscal deficit through subsidies.
- Lack of governance and populist politics.
- Possibility of a mid term poll.
- High price of crude oil.
- Weak INR.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT



STOCKS

Australia	France	Brazil
China	India ↓	
Germany	Japan	
Hong Kong	UK	
USA		

COMMODITIES

Copper	Aluminium	Gold
Lead	Crude Oil	Nickel
Natural Gas		Silver ↓
Zinc		

CURRENCIES
(against USD)

GBP	EUR	AUD ↓
HKD		BRL
JPY		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 Small Cap	Nifty ↓ Sensex ↓	
SECTORS	FMCG			Auto Bankex Cap Goods ↑ Cons Durable Healthcare ↓ IT ↑	Metal Realty Teck	Oil & Gas Power ↓
COMMODITIES	Gold			Aluminium Copper Lead Natural Gas Nickel ↑ Zinc ↓	Crude Oil ↓ Silver	
CURRENCIES (against INR)	GBP JPY ↑ USD		EUR			

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

MAJOR LARGE COMPANIES - TECHNICAL SNAPSHOT

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

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

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

Disclaimer

- This report or newsletter (collectively called 'Report') is for private circulation only. The content, information, statements, opinion, statistics, newsletters, reports and material (collectively called 'Content') contained in this Report does not constitute a recommendation, advice, an offer or solicitation for the purchase or sale of any stocks, commodities, foreign exchange, bonds, mutual funds, debt instruments, financial instruments or any investment products (collectively called 'Securities').
- All Content contained herein are provided "as is" for informational purposes only, and is not intended for trading purposes or advice. The Content provided is based on historical data. The past is not necessarily a guide to the future values and prices. No guarantee, representation or warranty whatsoever is made by M/s Shroff Securities Private Limited, its subsidiary (ies), group entities, their owners, directors, partners, officers or employees (collectively called 'Company & Others') regarding the timeliness, quality, completeness, accuracy, adequacy, fullness, functionality or reliability of the Content contained in this Report or of the results obtained from the use of such Content and no warranties whether express or implied, responsibility or liability, contingent or otherwise of any kind and nature whatsoever regarding the accuracy, quality, performance, merchantability and/or fitness for a particular purpose of the Content contained herein or of the results obtained from the use of such Content, the security suitability for the investor, accounting and tax consequences of investing in Securities or the future value developments of such Securities.
- The Content provided in this report thus provides non-binding Content for which the Company & Others disclaim liability. Transacting in Securities carries a great deal of risk. Readers and recipients should take independent professional advice before doing any transaction(s). The Company & Others shall not be liable for any informational errors, incompleteness, or delays, or for any actions taken in reliance on Content contained herein.