ShroffConnect Weekly Report
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SHROFF
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Opinion as on 07/07/2012

- Money Flow: Into stocks.
- Opinion on money flow: The growth story remains fragile. The ECB and China have announced interest rate cuts signaling their willingness to go onto further stimulus measures to boost growth. Therefore the flow of money has turned towards stocks.

- Indian markets: The markets remained steady.
- Sectors: Consumer goods are outperforming. Private Banks have begun to do better as well.
- Positives: Virtually nil except a renewed effort by the government to look at other people's perspective for example the government considering conditions dictated by IKEA for FDI in single brand retail.
- Negatives: High interest rates, virtual standstill in governance.
- Opinion: The markets remained steady on the back of FII inflows as the mood in the international markets has become positive. This should continue for some time. However, we are standing at a resistance level at 5300-5400 for the Nifty and may see a small dip in the coming week. The India story is better than the foreign stories and the government would do well to roll out the red carpet for FDI at this point by getting its act in order. Major reforms, in all probability, will not be done in the tenure of this government. Investors would do well to buy India specific growing stocks on dips.

Current news and world financial market prices

Current scenario & news

World economy

- The Bank of England launched a third round of monetary stimulus, announcing it would restart its printing presses and buy £50 billion of asset purchases with newly created money to help the economy out of recession.
- China's central bank cut interest rates for the second time in a matter of weeks on Thursday, stepping up efforts to bolster an economy that last quarter probably suffered its weakest growth since the global financial crisis.
- Yields on Treasury 10-year notes fell the most in a month as lower-than-forecast U.S. employment growth raised speculation the Federal Reserve will embark on a third round of asset purchases to sustain the economic expansion.

Indian economy

- The Power Ministry has floated a fresh proposal for imposing higher duty on imported power gear and it is likely to be taken up by the Cabinet in the next two to three weeks.
- Mauritius on Thursday assured India to look into the controversial aspects of its tax treaties offered to businessmen here to use the island nation as a springboard for investments in Africa.
- The gross direct tax collections during April-June quarter this fiscal increased marginally by 6.77 percent to Rs 1.11 lakh crore due to slowdown in economic activities.
- Global slowdown and deceleration in domestic manufacturing pulled down India's exports by 4.16 percent to USD 25.68 billion in May.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 7th July 2012	% Change
STOCKS	Australia	ASX	4198.98	1.54
	Brazil	Bovespa	55394.05	1.91
	China	Shanghai	2223.58	(0.08)
	France	CAC	3168.79	(0.87)
	Germany	DAX	6410.11	(0.10)
	Hong Kong	Hang Seng	19800.64	1.85
	India	Sensex	17521.12	0.52
	Japan	Nikkei	9020.75	0.16
	UK	FTSE	5662.63	1.64
	USA	DJIA	12772.47	(0.84)
COMMODITIES	Copper	$/Pound	3.41	(2.57)
	Crude	$/Barrel	84.12	(0.88)
	Gold	$/Troy Ounce	1583.00	(0.98)
	Natural Gas	$/MMBtu	2.79	(1.06)
	Silver	$/Troy Ounce	27.04	(1.49)
	Aluminium	$/Tonne	1896.00	(0.78)
	Lead	$/Tonne	1860.00	(0.05)
	Nickel	$/Tonne	16150.00	(3.47)
	Zinc	$/Tonne	1844.00	(1.76)
CURRENCIES	USD/GBP		1.5489	(1.38)
	USD/EUR		1.2281	(3.04)
	USD/AUD		1.0209	(0.26)
	JPY/USD		79.65	(0.16)
	INR/USD		55.40	(0.40)
	HKD/USD		7.7530	(0.06)
	BRL/USD		2.0277	0.91
BONDS	2 Year	US Treasury	110.18	0.04
	10 Year		134.36	0.73
	30 Year		149.88	1.29

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 7th July 2012	% Change
STOCKS	Nifty	Large Cap	5316.95	0.72
	Sensex	Large Cap	17521.12	0.52
	BSE Midcap	Mid Cap	6313.90	2.60
	BSE Smallcap	Small Cap	6822.52	4.26
Some Major Shares	ACC	Rs/share	1296.10	2.21
	Bharti Airtel		321.30	5.33
	HDFC Ltd		684.35	4.77
	Infosys		2444.65	(2.57)
	L&T		1405.00	0.52
	Reliance Inds		734.85	(0.41)
	Tata Motors		240.65	(0.74)
	Tata Steel		448.25	1.54
COMMODITIES	Aluminium	INR/Kg	105.55	(0.09)
	Copper	INR/Kg	424.95	(1.04)
	Crude	INR/Barrel	4732.00	0.79
	Gold	INR/10gms	29621.00	(0.15)
	Lead	INR/Kg	104.10	0.00
	Natural Gas	INR/1mmBtu	157.30	0.90
	Nickel	INR/Kg	917.50	(1.91)
	Silver	INR/Kg	53167.00	2.27
	Zinc	INR/Kg	103.35	(0.58)
CURRENCIES	INR/EUR		68.07	(3.38)
	INR/GBP		85.77	(1.81)
	INR/100 JPY		69.51	(0.24)
	INR/USD		55.40	(0.40)

Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 07/07/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.00	1.60
Inflation Rate	Monthly	1.70	2.30
Unemployment Rate	Monthly	8.20	8.20
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑1.60	1.58

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.00	0.50
Inflation Rate	Monthly	2.80	3.00
Unemployment Rate	Monthly	8.20	8.20
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑1.66	1.64

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.10	0.70
Inflation Rate	Monthly	2.40	2.60
Unemployment Rate	Monthly	↑11.10	11.00
Benchmark Interest Rate	Weekly	↓0.75	1.00
Govt. bond 10 year Rate	Weekly	varied	

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	5.30	6.10
Inflation Rate	Monthly	7.55	7.23
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↑8.18	8.12

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	8.10	8.90
Inflation Rate	Monthly	3.00	3.40
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	↓6.00	6.31
Govt. bond 10 year Rate	Weekly	↓3.33	3.34

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.80	1.40
Inflation Rate	Monthly	↓4.92	4.99
Unemployment Rate	Monthly	5.80	6.00
Benchmark Interest Rate	Weekly	8.50	9.00
Govt. bond 10 year Rate	Weekly	12.55	12.53

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.70	-0.50
Inflation Rate	Monthly	0.20	0.40
Unemployment Rate	Monthly	4.40	4.60
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↑0.82	0.81

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.90	4.80
Inflation Rate	Monthly	3.60	3.60
Unemployment Rate	Monthly	5.40	5.80
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 07/07/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1539.55	14.61	7.33
Bharat Heavy Electricals Ltd.	Electric Equipment	236.20	8.16	2.28
Bharti Airtel Ltd.	Telecommunication - Service Provider	321.50	28.66	2.38
Cipla Ltd.	Pharmaceuticals & Drugs	327.90	23.01	3.45
Coal India Ltd.	Mining & Minerals	351.40	15.02	6.66
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1633.15	21.32	5.62
GAIL (India) Ltd.	Gas Transmission/Marketing	356.85	10.19	1.82
HDFC Bank Ltd.	Bank - Private	583.30	26.19	4.55
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2084.65	17.50	9.70
Hindalco Industries Ltd.	Aluminium & Aluminium Products	124.05	6.99	0.82
Hindustan Unilever Ltd.	Household & Personal Products	445.20	34.49	26.41
Housing Development Finance Corporation Ltd.	Finance - Housing	683.65	18.63	4.14
ICICI Bank Ltd.	Bank - Private	935.20	14.11	1.76
Infosys Ltd.	IT - Software	2443.85	16.84	4.48
ITC Ltd.	Cigarettes/Tobacco	252.70	31.59	10.21
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	455.15	10.73	2.32
Larsen & Toubro Ltd.	Engineering - Construction	1405.70	18.35	2.93
Mahindra & Mahindra Ltd.	Automobiles-Tractors	731.10	14.36	2.68
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1216.70	20.91	2.46
NTPC Ltd.	Power Generation/Distribution	160.85	13.52	1.79
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	278.65	8.47	1.76
Reliance Industries Ltd.	Refineries	734.30	12.05	1.44
State Bank Of India	Bank - Public	2218.00	9.70	1.40
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	107.55	7.49	0.79
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	634.55	25.40	5.40
Tata Consultancy Services Ltd.	IT - Software	1246.20	23.42	8.27
Tata Motors Ltd.	Automobiles-Trucks/Lcv	240.55	4.82	1.96
Tata Power Company Ltd.	Power Generation/Distribution	103.45	0.00	2.18
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	447.45	8.06	1.01
Wipro Ltd.	IT - Software	392.10	17.31	3.37

World macro scenario

- USA – US economic data is mixed. The government has fixed the interest to remain as low as 0.25% till 2014. 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 voted to remain in the Eurozone. ECB officials decide to help countries in trouble on easier terms and cuts interest rates to their lowest level.
- China – Lower GDP growth. Govt. cuts key interest rate to boost growth.
- Japan – improvement in GDP growth.
- Rest of the World – Positive political development and growth in South East Asia.

Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger.
- Government policies – GAAR draft rules announced with the PMO determined to look into genuine investor grievances.
- RBI – The RBI leaves rates unchanged on 18th June.
- Foreign exchange – The balance of payments situation is bad.
- Politics – There is an absolute lack of political will to do anything. The current Finance Minister, Pranab Mukherjee, may become President of India. PM takes over the finance portfolio.
- Sectors – Defensive sectors are doing better – consumer products and pharma.

Our concerns on the macro front

World economies

- Mixed data from USA.
- Eurozone's low to negative GDP growth.
- Chinese GDP growth slowdown.

Indian economy

- High interest rate.
- High and growing fiscal deficit through subsidies.
- Lack of governance and populist politics.

Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

	Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS			Australia ↑ France Germany Hong Kong ↑ India Japan ↑ UK USA	Brazil ↑ China	
COMMODITIES			Natural Gas	Copper Gold Lead ↑ Zinc	Aluminium Crude Oil Nickel Silver
CURRENCIES (against USD)		HKD ↑	AUD JPY	GBP	BRL EUR INR
BONDS (US Treasury)	30 Year	10 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	Bankex ↑ Healthcare	Auto ↑ Cap Goods Cons Durable ↑ IT Metal Oil & Gas Power Realty Teck		
COMMODITIES		Gold Natural Gas	Copper Nickel Zinc	Aluminium Crude Oil Lead ↓ 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	Bosch Ltd	Coal India	ABB	Bajaj Auto	RCOM
	BPCL	Exide Inds ↑	ACC	Dr Reddy	
	HDFC Bank	Hero Motoco	Ambuja Cem	Idea Cellular	
	Hind Unilever	LT ↑	Andhra Bank	Jindal Steel	
	ITC	TCS	Apollo Tyres	Tata Chem ↑	
	Kotak Bank ↑	Tech Mahindra ↑	Ashok Leyland ↑	Tata Motors	
	Sun Pharma	Ultratech	Axis Bank		
			Bank of Baroda	**Neutral**	
			Bharti Airtel ↑		
			Bhel	Nestle India	
			Cairn ↑	NTPC ↑	
			Canara Bank	O N G C	
			Chambal Fert ↑	Petronet LNG	
			Cipla	Power Grid	
			Crompton Gr ↑	PNB ↑	
			DLF	Ranbaxy	
			GAIL	RECL	
			Grasim Ind	Reliance Capital	
			Havells India ↓	Reliance Ind	
			HCL Tech	Reliance Infra	
			HDFC ↑	SBIN	
			Hind Zinc	Sesa Goa	
			Hindalco	Shriram Trans	
			ICICI Bank	Siemens	
			Infosys Tech	Sterlite Ind	
			JP Associates	Tata Global	
			JSW Steel	Tata Power	
			Lupin ↓	Tata Steel	
			M&M	Thermax	
			Maruti Suzuki ↑	UCO Bank	
			MRF	Wipro	

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

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

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