

# *ShroffConnect Weekly Report*

## 14<sup>th</sup> July, 2012



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# Opinion as on 14/07/2012

- Money Flow: No clear trend is seen although there is some flow into stocks.
  - **Opinion on money flow:** Investors are confused where to put their money as economic growth is elusive and optimism for a quantitative stimulus runs high.
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- Indian markets: The markets remained a bit easier this week.
- Sectors: Consumer goods, private banks are outperforming.
- Positives: FII buying, the govt. re-drafting GAAR rules.
- Negatives: High interest rate, high fiscal deficit, deficient monsoon, political apathy.
- **Opinion:** The market was weaker as expected, although this weakness may not last for long. The government is determined to get back FDI into India and may scrap GAAR in its present form altogether. However, we should not expect major reforms from this coalition government as the coalition partners have their own agenda and political interests. The monsoon is deficient in many states and the effect of this remains to be seen. Inflation is persistently high and the chances that the RBI will cut interest rates are weak unless the government takes steps to reign in the deficit.

Investors should buy stocks of companies which are showing growth in sales and net profit in this tough economic scenario.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- China's growth rate slowed for a sixth successive quarter to its slackest pace in more than three years, highlighting the need for more policy vigilance from Beijing even as signs emerge that action taken so far is beginning to stabilize the economy.
- The Bank of Japan held off on further policy easing despite slowing global growth that has driven other major central banks into expanding stimulus, convinced that robust domestic demand will keep the country's economic recovery on track.
- Europe's highest-rated government bonds rose this week, pushing German two-year note yields down to a record minus 0.052 percent, as investors sought havens from the euro-area's financial turmoil.

## Indian economy

- After recording outflows for three successive months, from April to June, foreign institutional investors (FIIs) are again pouring money into the Indian markets, with the net inflow figure now at \$1.3 billion — which translates to a little over Rs 7,300 crore for the first two weeks of July.
- India's industrial output picked up more than expected in May, bolstering the case for the Reserve Bank of India (RBI) to keep interest rates high at its next policy meeting as a slow start to the monsoon puts pressure on inflation, especially food prices.
- India is likely to raise diesel prices after the presidential polls on July 19, an oil ministry official said on Thursday, as the government attempts to cut the amount of money it pays out to keep prices lower.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 14th July 2012	% Change
STOCKS	Australia	ASX	4118.33	(1.92)
	Brazil	Bovespa	54330.51	(1.92)
	China	Shanghai	2185.90	(1.69)
	France	CAC	3180.81	0.38
	Germany	DAX	6557.10	2.29
	Hong Kong	Hang Seng	19092.63	(3.58)
	India	Sensex	17213.70	(1.75)
	Japan	Nikkei	8724.12	(3.29)
	UK	FTSE	5666.13	0.06
	USA	DJIA	12777.09	0.04
COMMODITIES	Copper	\$/Pound	3.49	2.35
	Crude	\$/Barrel	87.07	3.51
	Gold	\$/Troy Ounce	1588.10	0.32
	Natural Gas	\$/MMBtu	2.88	3.23
	Silver	\$/Troy Ounce	27.27	0.85
	Aluminium	\$/Tonne	1910.00	0.74
	Lead	\$/Tonne	1880.00	1.08
	Nickel	\$/Tonne	16155.00	0.03
	Zinc	\$/Tonne	1874.00	1.63
CURRENCIES	USD/GBP		1.5574	0.55
	USD/EUR		1.2243	(0.31)
	USD/AUD		1.0228	0.19
	JPY/USD		79.25	(0.50)
	INR/USD		55.14	(0.47)
	HKD/USD		7.7561	0.04
	BRL/USD		2.0356	0.39
BONDS	2 Year	US Treasury	110.24	0.05
	10 Year		134.55	0.14
	30 Year		151.19	0.87

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 14th July 2012	% Change
STOCKS	Nifty	Large Cap	5227.25	(1.69)
	Sensex	Large Cap	17213.70	(1.75)
	BSE Midcap	Mid Cap	6247.89	(1.05)
	BSE Smallcap	Small Cap	6737.42	(1.25)
Some Major Shares	ACC	Rs/share	1263.95	(2.48)
	Bharti Airtel		307.95	(4.15)
	HDFC Ltd		676.35	(1.17)
	Infosys		2229.80	(8.79)
	L&T		1404.75	(0.02)
	Reliance Inds		718.50	(2.22)
	Tata Motors		235.95	(1.95)
	Tata Steel		425.00	(5.19)
COMMODITIES	Aluminium	INR/Kg	104.25	(1.23)
	Copper	INR/Kg	426.05	0.26
	Crude	INR/Barrel	4791.00	1.25
	Gold	INR/10gms	29268.00	(1.19)
	Lead	INR/Kg	103.85	(0.24)
	Natural Gas	INR/1mmBtu	158.80	0.95
	Nickel	INR/Kg	897.20	(2.21)
	Silver	INR/Kg	52767.00	(0.75)
	Zinc	INR/Kg	103.45	0.10
CURRENCIES	INR/EUR		67.54	(0.78)
	INR/GBP		85.84	0.08
	INR/100 JPY		69.55	0.06
	INR/USD		55.14	(0.47)



# Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 14/07/2012

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	↓1.48	1.60

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	

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓7.60	8.10
Inflation Rate	Monthly	↓2.20	3.00
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.31
Govt. bond 10 year Rate	Weekly	↓3.24	3.33

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	↓0.78	0.82

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	↓1.53	1.66

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	↓8.10	8.18

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	↓8.00	8.50
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	5.40	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 14/07/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1497.15	14.21	7.12
Bharat Heavy Electricals Ltd.	Electric Equipment	231.30	7.99	2.23
Bharti Airtel Ltd.	Telecommunication - Service Provider	307.80	27.44	2.28
Cipla Ltd.	Pharmaceuticals & Drugs	328.90	23.08	3.46
Coal India Ltd.	Mining & Minerals	354.05	15.13	6.71
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1646.35	21.49	5.67
GAIL (India) Ltd.	Gas Transmission/Marketing	362.20	10.34	1.84
HDFC Bank Ltd.	Bank - Private	586.85	26.35	4.58
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2086.90	17.52	9.71
Hindalco Industries Ltd.	Aluminium & Aluminium Products	120.45	6.79	0.79
Hindustan Unilever Ltd.	Household & Personal Products	441.00	34.16	26.16
Housing Development Finance Corporation Ltd.	Finance - Housing	674.95	23.48	5.02
ICICI Bank Ltd.	Bank - Private	926.05	13.97	1.74
Infosys Ltd.	IT - Software	2227.80	14.40	3.80
ITC Ltd.	Cigarettes/Tobacco	253.65	31.71	10.25
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	430.45	10.15	2.19
Larsen & Toubro Ltd.	Engineering - Construction	1404.80	18.34	2.93
Mahindra & Mahindra Ltd.	Automobiles-Tractors	720.05	14.14	2.64
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1183.65	20.34	2.39
NTPC Ltd.	Power Generation/Distribution	159.55	13.41	1.77
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	284.75	8.66	1.80
Reliance Industries Ltd.	Refineries	718.75	11.79	1.40
State Bank Of India	Bank - Public	2179.30	9.53	1.38
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	103.40	7.20	0.76
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	616.80	24.69	5.25
Tata Consultancy Services Ltd.	IT - Software	1249.65	21.61	7.45
Tata Motors Ltd.	Automobiles-Trucks/Lcv	235.50	4.72	1.93
Tata Power Company Ltd.	Power Generation/Distribution	98.70	0.00	2.08
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	425.65	7.67	0.96
Wipro Ltd.	IT - Software	359.20	15.76	3.28

# 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 1<sup>st</sup> Jan, 2013. The USD is strong against other currencies.
- Europe – Economic slowdown is on the cards for most countries. ECB officials decide to help countries in trouble on easier terms and cuts interest rates to their lowest level. After Spain, Italy may ask for aid.
- 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 – New panel for GAAR formed.
- RBI – The RBI leaves rates unchanged on 18<sup>th</sup> June.
- Foreign exchange – The balance of payments situation is negative.
- 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



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

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

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

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

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

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