ShroffConnect Weekly Report
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Opinion as on 21/07/2012

- Money flow: Into treasuries and somewhat into stocks.
- Opinion on money flow: Investors may be looking for safety and hence there is some money flow towards US treasuries.

- Indian markets: The markets remained range bound and closed above 5200.
- Sectors: Private Banks, Cement and Consumer Goods are outperforming.
- Positives: None really, except FII buying.
- Negatives: High fiscal deficit, negative BOP, high interest rates and political apathy.
- Opinion: The Indian story remains a non-starter due to political vested interests at the centre. One coalition partner or the other is flexing its muscles for a larger share of the pie, and unfortunately, the ruling Congress party bows down to every whim and fancy. We do not expect major economic reforms to happen anytime soon. Nevertheless the starting point of fiscal reform can be increase in diesel prices to control the fiscal deficit. Investors should buy shares of companies whose sales and net profit are growing in spite of the tough economic conditions.

Current news and world financial market prices

Current scenario & news

World economy

- The slowdown in the U.S. economy persisted early in the third quarter as factory activity in the U.S. Mid-Atlantic region contracted in July for a third straight month and new claims for jobless aid surged last week.
- Five-year Treasury note yields fell to a record low as data showed the U.S. economic growth slowing and investor concern Europe's debt crisis is worsening led to increased demand for the safest assets.
- Euro zone finance ministers approved an agreement on Friday to lend up to 100 billion euros to Spain so it can recapitalise its banks, but the exact size of the loan will probably only be determined in September.
- Japan's economy is still expected to outperform most of its developed nation peers this year thanks to solid domestic demand.

Indian economy

- India's headline inflation in June fell to 7.25 per cent, lower than projections, but still above the comfort level of the Reserve Bank. Food inflation continued to drive the headline number, growing at a stubborn 10.81 per cent in June, marginally higher than the 10.74 in May.
- Indirect tax collections during the April-June period rose by 13.8 per cent to over Rs 1.07 lakh crore, slower than the targeted 27 per cent growth for the entire fiscal.
- Indian companies' investment overseas rose in June, after falling for two straight months, with total outbound foreign direct investment at $3.53 billion, up 50.2 percent from May.
- The government's decision to impose 21 percent on imported power gear would increase the cost of electricity generated from future plants by about two percent.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 21st July 2012	% Change
STOCKS	Australia	ASX	4230.56	2.73
	Brazil	Bovespa	54194.79	(0.25)
	China	Shanghai	2168.64	(0.79)
	France	CAC	3193.89	0.41
	Germany	DAX	6630.02	1.11
	Hong Kong	Hang Seng	19640.80	2.87
	India	Sensex	17158.44	(0.32)
	Japan	Nikkei	8669.87	(0.62)
	UK	FTSE	5651.77	(0.25)
	USA	DJIA	12822.57	0.36
COMMODITIES	Copper	$/Pound	3.44	(1.43)
	Crude	$/Barrel	91.70	5.32
	Gold	$/Troy Ounce	1582.70	(0.34)
	Natural Gas	$/MMBtu	3.09	7.29
	Silver	$/Troy Ounce	27.28	0.04
	Aluminium	$/Tonne	1892.00	(0.94)
	Lead	$/Tonne	1901.00	1.12
	Nickel	$/Tonne	15950.00	(1.27)
	Zinc	$/Tonne	1839.50	(1.84)
CURRENCIES	USD/GBP		1.5619	0.29
	USD/EUR		1.2154	(0.73)
	USD/AUD		1.0396	1.64
	JPY/USD		78.48	(0.97)
	INR/USD		55.32	0.33
	HKD/USD		7.7560	(0.00)
	BRL/USD		2.0233	(0.60)
BONDS	2 Year	US Treasury	110.33	0.08
	10 Year		134.91	0.27
	30 Year		151.78	0.39

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 21st July 2012	% Change
STOCKS	Nifty	Large Cap	5205.10	(0.42)
	Sensex	Large Cap	17158.44	(0.32)
	BSE Midcap	Mid Cap	6184.10	(1.02)
	BSE Smallcap	Small Cap	6675.35	(0.92)
Some Major Shares	ACC	Rs/share	1259.30	(0.37)
	Bharti Airtel		314.65	2.18
	HDFC Ltd		684.75	1.24
	Infosys		2218.75	(0.50)
	L&T		1390.40	(1.02)
	Reliance Inds		722.65	0.58
	Tata Motors		223.40	(5.32)
	Tata Steel		415.95	(2.13)
COMMODITIES	Aluminium	INR/Kg	104.40	0.14
	Copper	INR/Kg	422.30	(0.88)
	Crude	INR/Barrel	5093.00	6.30
	Gold	INR/10gms	29277.00	0.03
	Lead	INR/Kg	104.75	0.87
	Natural Gas	INR/1mmBtu	170.60	7.43
	Nickel	INR/Kg	885.40	(1.32)
	Silver	INR/Kg	52842.00	0.14
	Zinc	INR/Kg	102.25	(1.16)
CURRENCIES	INR/EUR		67.25	(0.43)
	INR/GBP		86.37	0.62
	INR/100 JPY		70.46	1.31
	INR/USD		55.32	0.33

Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 21/07/2012

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.00	1.60
Inflation Rate	Monthly	1.70	1.70
Unemployment Rate	Monthly	8.20	8.20
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑1.50	1.48

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.00	0.50
Inflation Rate	Monthly	↓2.40	2.80
Unemployment Rate	Monthly	↓8.10	8.20
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓1.48	1.53

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.10	0.70
Inflation Rate	Monthly	2.40	2.40
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	↓7.25	7.55
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↓8.07	8.10

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	↑3.29	3.24

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

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	↓0.77	0.78

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.90	4.80
Inflation Rate	Monthly	↑4.30	3.60
Unemployment Rate	Monthly	5.40	5.40
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 21/07/2012

Company	Industry	Price	TTM P/E	P/BV
Bajaj Auto Ltd	Automobile Two & Three Wheelers	1590.60	15.28	6.81
Bharat Heavy Electricals Ltd.	Electric Equipment	228.85	7.90	2.20
Bharti Airtel Ltd.	Telecommunication - Service Provider	314.25	28.02	2.33
Cipla Ltd.	Pharmaceuticals & Drugs	326.50	22.91	3.44
Coal India Ltd.	Mining & Minerals	360.95	15.43	6.84
Dr Reddys Laboratories Ltd.	Pharmaceuticals & Drugs	1611.20	18.25	5.19
GAIL (India) Ltd.	Gas Transmission/Marketing	354.35	10.12	1.80
HDFC Bank Ltd.	Bank - Private	582.85	24.97	4.34
Hero MotoCorp Ltd.	Automobile Two & Three Wheelers	2084.35	17.09	8.49
Hindalco Industries Ltd.	Aluminium & Aluminium Products	122.00	6.88	0.80
Hindustan Unilever Ltd.	Household & Personal Products	445.85	34.54	26.45
Housing Development Finance Corporation Ltd.	Finance - Housing	683.95	23.87	5.10
ICICI Bank Ltd.	Bank - Private	935.00	14.10	1.76
Infosys Ltd.	IT - Software	2217.60	14.34	3.79
ITC Ltd.	Cigarettes/Tobacco	252.90	31.64	10.23
Jindal Steel & Power Ltd.	Steel/Sponge Iron/Pig Iron	426.55	10.06	2.17
Larsen & Toubro Ltd.	Engineering - Construction	1390.05	18.15	2.90
Mahindra & Mahindra Ltd.	Automobiles-Tractors	703.60	13.82	2.59
Maruti Suzuki India Ltd.	Automobiles - Passenger Cars	1144.55	19.67	2.31
NTPC Ltd.	Power Generation/Distribution	155.85	13.10	1.73
Oil & Natural Gas Corpn. Ltd.	Oil Exploration	282.00	8.57	1.78
Reliance Industries Ltd.	Refineries	722.65	11.85	1.41
State Bank Of India	Bank - Public	2134.55	9.34	1.35
Sterlite Industries (India) Ltd.	Metal - Non Ferrous	105.00	7.31	0.77
Sun Pharmaceutical Inds. Ltd.	Pharmaceuticals & Drugs	625.05	25.02	5.32
Tata Consultancy Services Ltd.	IT - Software	1223.05	21.15	7.29
Tata Motors Ltd.	Automobiles-Trucks/Lcv	223.35	4.47	1.83
Tata Power Company Ltd.	Power Generation/Distribution	99.55	0.00	2.10
Tata Steel Ltd.	Steel/Sponge Iron/Pig Iron	415.80	7.49	0.94
Wipro Ltd.	IT - Software	363.20	15.94	3.32

World macro scenario

- USA – US economic data is mixed. The government has fixed the interest to remain as low as 0.25% till 2014. US farmers are experiencing sever drought conditions. 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. 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 – Lowest GDP growth in several years. 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. Violence escalates in Syria. Russia and China veto UN resolution for action.

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 18th 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

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

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

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

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