

ShroffConnect Weekly Report

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Opinion as on 05/04/2014

World Markets –

- **Money flow:** The money is flowing into stocks.
 - **Opinion on money flow:** The money is flowing into stocks on improved US and selected European economic numbers. There is some weakness due to China. India remains the favourite market amongst the BRIC economies. Investors believe that the governments of weak economies are ready to open the purse strings in order to support these economies. No government is ready to take harsh steps unless forced to do so, and this is leading to the 'risk-on' attitude of investors.
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Indian Market –

- **Stock market:** The stock market moved largely sideways to close a shade under 6700 Nifty.
- **Sectors:** Capital Goods, Banks, Auto and Consumer Durables are outperforming.
- **Positives:** FII buying.
- **Negatives:** High interest rates, lack of governance.
- **Opinion:** As usual the policies in this country are ad-hoc as ever. This was proved by the RBI last week when it allowed only two companies to set up banks rejecting the application of several large corporate groups as the bureaucrats were not 'comfortable' with these applications. Why did they not set out their comfort levels in the first place? Why did they waste the many man hours and money spent on these applications? In our economy, especially after coal gate and the 2G scams, why is a scope for 'comfort' even allowed? With the elections around the corner, investors should remain invested, although they should be cautious in this volatile scenario.



Current news and world
financial market prices

Current scenario & news

World economy

- German factory orders rose in February, adding to signs that growth in Europe's largest economy is gathering pace.
- China's benchmark money-market rate is set for the biggest weekly drop since December as demand for cash eased after banks met quarter-end capital requirements.
- Global business activity accelerated last month, with solid performances in services and manufacturing suggesting the economy grew about 3 percent in the first quarter from a year earlier.
- Greece, fully funded for the next 12 months, hopes to finance itself on the market afterwards, but its euro zone peers say success depends on whether Athens delivers on the reforms it has promised so far.
- Yields on the Spanish notes fell below those of their U.S. equivalents for the first time since 2007, the latest milestone in this year's rally among the bonds of Europe's most indebted nations.

Indian economy

- With elections looming and an uncertain economic growth outlook, the Reserve Bank of India (RBI) left interest rates on hold on Tuesday, as expected, and indicated it will keep rates steady in the near term if inflation eases towards the bank's targeted level.
- India's fiscal deficit in the first eleven months of the 2013/14 financial year touched 5.99 trillion rupees, or 114.3 percent of the full year target.
- The government has "almost achieved" the direct tax collection target of Rs 6.36 lakh crore for the last financial year.
- Activity in the services sector plummeted to a three-month low in March on softer domestic demand and falling new business.
- India's economic slowdown in the recent years could be attributed more to domestic reasons than global economic slowdown, International Monetary Fund said in its latest World Economic Outlook report.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 5th Apr 2014	% Change
STOCKS	Brazil	Bovespa	51081.78	2.64
	China	Shanghai	2058.83	0.84
	France	CAC	4484.55	1.66
	Germany	DAX	9695.77	1.13
	India	Sensex	22359.50	0.09
	Japan	Nikkei	15063.77	2.50
	UK	FTSE	6695.55	1.21
	USA	DJIA	16412.71	0.55
COMMODITIES	Copper	\$/Pound	3.02	(0.66)
	Crude	\$/Barrel	101.14	(0.52)
	Gold	\$/Troy Ounce	1303.50	0.71
	Natural Gas	\$/MMBtu	4.44	(1.11)
	Silver	\$/Troy Ounce	19.95	0.81
	Aluminium	\$/Tonne	1819.25	3.48
	Lead	\$/Tonne	2058.00	(0.34)
	Nickel	\$/Tonne	16387.00	4.31
	Zinc	\$/Tonne	2005.00	1.47
CURRENCIES	USD/GBP		1.6573	(0.38)
	USD/EUR		1.3706	(0.31)
	USD/AUD		0.9288	0.45
	JPY/USD		103.31	0.50
	INR/USD		60.07	0.33
	HKD/USD		7.7563	(0.01)
	BRL/USD		2.2407	(0.98)
BONDS	2 Year	US Treasury	109.82	(0.23)
	10 Year		123.67	0.09
	30 Year		132.97	(0.42)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 5th Apr 2014	% Change
STOCKS	Nifty	Large Cap	6694.35	(0.02)
	Sensex	Large Cap	22359.50	0.09
	BSE Midcap	Mid Cap	7197.62	2.67
	BSE Smallcap	Small Cap	7265.05	3.80
Some Major Shares	ACC	Rs/share	1365.35	0.22
	Bharti Airtel		316.20	(0.38)
	HDFC Ltd		895.10	2.20
	Infosys		3316.05	1.64
	L&T		1277.10	(0.86)
	Reliance Inds		944.25	3.07
	Tata Motors		405.50	2.06
	Tata Steel		402.00	5.37
COMMODITIES	Aluminium	INR/Kg	108.00	4.65
	Copper	INR/Kg	401.10	(0.87)
	Crude	INR/Barrel	6080.00	(0.57)
	Gold	INR/10gms	28433.00	0.19
	Lead	INR/Kg	123.35	0.41
	Natural Gas	INR/1mmBtu	267.10	(1.26)
	Nickel	INR/Kg	984.00	4.23
	Silver	INR/Kg	42969.00	0.49
	Zinc	INR/Kg	120.60	2.12
CURRENCIES	INR/EUR		82.37	0.01
	INR/GBP		99.55	(0.05)
	INR/100 JPY		58.14	(0.14)
	INR/USD		60.07	0.33



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 05/04/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.60	2.00
Inflation Rate	Monthly	1.10	1.60
Unemployment Rate	Monthly	6.70	6.70
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.79	2.71

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.50	-0.30
Inflation Rate	Monthly	↓0.50	0.70
Unemployment Rate	Monthly	11.90	11.90
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓0.98	1.02

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.70	7.80
Inflation Rate	Monthly	2.00	2.50
Unemployment Rate	Monthly	4.10	4.00
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↓4.56	4.58

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.60	2.30
Inflation Rate	Monthly	1.50	1.40
Unemployment Rate	Monthly	3.60	3.70
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↑0.65	0.61

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.70	1.80
Inflation Rate	Monthly	1.70	1.90
Unemployment Rate	Monthly	7.20	7.20
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓2.69	2.73

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.70	4.80
Inflation Rate	Monthly	8.10	8.79
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↑9.07	8.81

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	2.20
Inflation Rate	Monthly	5.68	5.59
Unemployment Rate	Monthly	5.10	4.80
Benchmark Interest Rate	Weekly	↑11.00	10.75
Govt. bond 10 year Rate	Weekly	↑12.72	12.70

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑2.00	1.30
Inflation Rate	Monthly	↑6.90	6.20
Unemployment Rate	Monthly	5.60	5.60
Benchmark Interest Rate	Weekly	7.00	5.50
Govt. bond 10 year Rate	Weekly	↓8.81	9.17

World macro scenario

- USA – US economic data is improving. QE3 tapering has begun in Jan 2014 and will be complete within this year. Low interest rates to continue for now.
- Europe – Easy money policy to continue.
- China – Economy seems to be wavering a bit.
- Japan – Japanese easy money policy to continue.
- Emerging markets – EM are again facing reduced inflows / outflows on tapering, growth issues and the Russian annexation of Crimea.

Indian macro scenario

- Economy – Fiscal deficit is much above the desired levels with subsidies becoming bigger. Current account deficit has moderated on lower imports.
- Government policies – GDP growth is 4.7% but no clear growth-encouraging policies.
- RBI holds interest rates and bars FIIs from buying short term debt.
- Politics – BJP is the clear favourite to win a large number of seats in the forthcoming general elections.
- Inflation – Headline inflation is under 6%.

Our concerns on the macro front

World economies

- QE3 tapering.
- Eurozone's low GDP growth.
- China's wavering economy.

Indian economy

- Low GDP growth.
- High interest rate.
- High fiscal deficit.
- Populist politics.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS	India		France	Brazil	China ↓	
	USA		Germany ↑	Japan		
				UK		
COMMODITIES	Nickel			Aluminium	Natural Gas ↓	Copper ↓
				Crude Oil ↓		
				Gold		
				Lead		
				Silver		
				Zinc		
CURRENCIES	GBP ↑		BRL ↑	AUD	JPY ↓	
(against USD)	INR ↑		EUR	HKD ↑		
BONDS				30 Year	2 Year ↓	
(US Treasury)					10 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 Nifty Sensex Small Cap					
SECTORS	Auto Bankex Cap Goods Cons Durable ↑ Oil & Gas ↑ Power ↑	Healthcare Metal	FMCG IT Realty Teck			
COMMODITIES	Nickel		Zinc		Aluminium ↑ Crude Oil ↓ Gold Natural Gas ↓ Silver	Copper Lead ↓
CURRENCIES (against INR)			EUR GBP		JPY	USD ↓

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

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