

ShroffConnect Weekly Report

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Opinion as on 12/04/2014

World Markets –

- **Money flow:** The money is flowing into long term treasuries and somewhat out of stocks.
 - **Opinion on money flow:** Investors seem to be a little nervous as the earnings season begins. There has been a sell-off in technology stocks. We can see some money moving into the safety of long term treasuries. The markets should remain largely directionless till the Ukraine issue is simmering.
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Indian Market –

- **Stock market:** The market moved sideways to firm to close at 6776 Nifty.
- **Sectors:** Capital Goods, Oil & Gas, Banks and Auto are outperforming.
- **Positives:** FII inflows, steady INR.
- **Negatives:** Faltering economy, high interest rates and lack of governance.
- **Opinion:** The market will continue to be dictated by FII flows till the elections are over. There has been a broad rise across all segments of the market and economic numbers may not justify this exuberance. However, it would be unwise to remain out of the markets for now as the trend is distinctly bullish. Investors should buy on dips as and when possible.



Current news and world
financial market prices

Current scenario & news

World economy

- Developing nations may demand changes to the International Monetary Fund's emergency borrowing mechanism if the United States does not approve the 2010 governance overhaul for the global lender, Russia's finance minister said.
- China's exports unexpectedly fell for the second straight month in March and import growth dropped sharply, intensifying concerns about weak manufacturing and slowing growth in the world's second-largest economy.
- Japanese shares sank to six-month lows on Friday as an escalating selloff on Wall Street spread to Asia and slugged markets that had been fairly resilient up to now.
- The pound rose the most in two months versus the dollar this week as manufacturing and production data signaled the U.K. recovery is on track, boosting bets the Bank of England will raise interest rates.
- The IMF predicted the global recovery would strengthen this year and next as output in richer nations picked up, but it warned of rising risks in emerging economies.

Indian economy

- Exports declined 3.15 percent in March, limiting the growth rate for 2013-14 to about 4 percent and falling short of the annual target by about USD 13 billion even as the trade deficit improved on shrinking gold imports.
- Overseas direct investment by Indian companies more than doubled to USD 5.23 billion in March 2014 as compared to same month last year.
- After feeble signs of a recovery, industrial production once again slipped into negative territory and contracted 1.9 percent in February due to poor performance in manufacturing, especially capital goods.
- The International Monetary Fund said that India's central bank may need to raise rates further to contain inflation and warned the next government that it would have little immediate spending firepower.
- India's steel consumption grew by just 0.6 percent in 2013-14 fiscal, its lowest in four years, to 73.93 million tonnes (MT), mainly impacted by a slower expansion of the domestic economy and lower imports.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 12th Apr 2014	% Change
STOCKS	Brazil	Bovespa	51867.29	1.54
	China	Shanghai	2130.54	3.48
	France	CAC	4365.86	(2.65)
	Germany	DAX	9315.29	(3.92)
	India	Sensex	22628.96	1.21
	Japan	Nikkei	13960.05	(7.33)
	UK	FTSE	6561.70	(2.00)
	USA	DJIA	16026.75	(2.35)
COMMODITIES	Copper	\$/Pound	3.04	0.66
	Crude	\$/Barrel	103.74	2.57
	Gold	\$/Troy Ounce	1319.00	1.19
	Natural Gas	\$/MMBtu	4.62	4.05
	Silver	\$/Troy Ounce	19.95	0.00
	Aluminium	\$/Tonne	1877.50	3.20
	Lead	\$/Tonne	2099.00	1.99
	Nickel	\$/Tonne	17475.00	6.64
CURRENCIES	Zinc	\$/Tonne	2027.50	1.12
	USD/GBP		1.6729	0.94
	USD/EUR		1.3884	1.30
	USD/AUD		0.9392	1.12
	JPY/USD		101.59	(1.66)
	INR/USD		60.17	0.17
	HKD/USD		7.7527	(0.05)
BONDS	BRL/USD		2.2165	(1.08)
	2 Year	US Treasury	109.98	0.15
	10 Year		124.80	0.91
	30 Year		134.78	1.36

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 12th Apr 2014	% Change
STOCKS	Nifty	Large Cap	6776.30	1.22
	Sensex	Large Cap	22628.96	1.21
	BSE Midcap	Mid Cap	7338.46	1.96
	BSE Smallcap	Small Cap	7523.18	3.55
Some Major Shares	ACC	Rs/share	1391.50	1.92
	Bharti Airtel		322.25	1.91
	HDFC Ltd		918.65	2.63
	Infosys		3235.15	(2.44)
	L&T		1298.50	1.68
	Reliance Inds		953.75	1.01
	Tata Motors		423.60	4.46
	Tata Steel		419.85	4.44
COMMODITIES	Aluminium	INR/Kg	112.05	3.75
	Copper	INR/Kg	407.00	1.47
	Crude	INR/Barrel	6292.00	3.49
	Gold	INR/10gms	28756.00	1.14
	Lead	INR/Kg	125.75	1.95
	Natural Gas	INR/1mmBtu	280.70	5.09
	Nickel	INR/Kg	1055.90	7.31
	Silver	INR/Kg	43177.00	0.48
	Zinc	INR/Kg	122.20	1.33
CURRENCIES			83.59	1.48
	INR/EUR		100.68	1.14
	INR/GBP		59.20	1.82
	INR/100 JPY		60.17	0.17
	INR/USD			



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 12/04/2014

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	↓2.62	2.79

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	0.98

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.70	7.80
Inflation Rate	Monthly	↑2.40	2.00
Unemployment Rate	Monthly	4.10	4.00
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑4.65	4.56

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	↓0.61	0.65

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	↓2.61	2.69

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	↓8.94	9.07

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	2.20
Inflation Rate	Monthly	↑6.15	5.68
Unemployment Rate	Monthly	5.10	4.80
Benchmark Interest Rate	Weekly	11.00	10.75
Govt. bond 10 year Rate	Weekly	↓12.54	12.72

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	↑8.93	8.81

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%.
- IIP – IIP data is -1.9%.

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