

# *ShroffConnect* Weekly Report

## 26<sup>th</sup> April, 2014



**Aditya Shroff**

Stock Broking Services

**Shroff Securities Pvt. Ltd.**

Portfolio Management Services

Kolkata: 033 32933592/3658

Bangalore: 080 32996004/6005

Email: [contact@shroffsecurities.com](mailto:contact@shroffsecurities.com)

Web: [www.shroffsecurities.com](http://www.shroffsecurities.com)

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# Opinion as on 26/04/2014

## World Markets –

- **Money flow:** Into stocks selectively.
  - **Opinion on money flow:** Investors are undecided about the stock market with growing tensions in Ukraine. Technology stocks have been under pressure. However, there is no panic and investors are staying put.
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## Indian Market –

- **Stock market:** The market moved largely sideways to close at 6783 Nifty.
- **Sectors:** Capital Goods, Oil& Gas, Banks, Power and Metals are outperforming.
- **Positives:** None really.
- **Negatives:** High interest rates, low growth.
- **Opinion:** The stock market has priced in a Modi victory. The economy is stable at the lower end of the cycle, and investors are hoping for an improvement hereon. News about a lower-than-normal monsoon has dampened some spirits. The market is entering a crucial phase before the election results are announced on 16<sup>th</sup> May. It should be volatile and investors should buy only on dips.



Current news and world  
financial market prices

# Current scenario & news

## World economy

- Chinese factory activity shrank for the fourth straight month in April but private businesses across the euro zone enjoyed their best month in nearly three years, surveys showed.
- France and Germany assured Georgia on Thursday that a deal bringing it closer to the European Union would be sealed within weeks, moving to tighten ties with the ex-Soviet republic as tension mounts between Russia and the West over Ukraine.
- Japan suffered its worst annual trade deficit in March as exports growth slowed to its weakest in a year, suggesting a rapid loss of economic momentum that may prompt policy makers into early action as a national sales tax hike puts more strain on growth.
- Portugal's bonds outperformed their euro-area peers this week as the country held its first auction of the securities since getting a bailout in 2011, a sign confidence in the nation is returning.

## Indian economy

- Prospects for a strong economic rebound in India are dim as industry remains weak, and although a business-friendly opposition party looks likely to form a new government, its ability to pass sweeping reforms is in doubt, a poll showed.
- India has taken steps to clamp down on the growing trend among banks to convert rupee exposure into overseas debt in a move likely to trigger a rise in onshore restructurings.
- Iron ore exports, which declined from over USD 7 billion per annum to USD 1.69 billion in 2013-14, are expected to get a big boost following the Supreme Court's order to lift mining restrictions in Goa.
- India's rupee rose, reversing earlier losses, on speculation exporters repatriated earnings to benefit from the exchange rate after the local currency approached a one-month low.

## WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 26th Apr 2014	% Change
STOCKS	Brazil	Bovespa	51399.35	(1.37)
	China	Shanghai	2036.52	(2.97)
	France	CAC	4443.43	0.26
	Germany	DAX	9401.55	(0.09)
	India	Sensex	22688.07	0.26
	Japan	Nikkei	14429.26	0.08
	UK	FTSE	6685.69	0.91
	USA	DJIA	16361.46	(0.29)
COMMODITIES	Copper	\$/Pound	3.12	2.30
	Crude	\$/Barrel	100.60	(3.55)
	Gold	\$/Troy Ounce	1300.80	0.53
	Natural Gas	\$/MMBtu	4.65	(1.90)
	Silver	\$/Troy Ounce	19.69	0.46
	Aluminium	\$/Tonne	1852.50	(0.72)
	Lead	\$/Tonne	2162.00	0.93
	Nickel	\$/Tonne	18445.00	2.90
CURRENCIES	Zinc	\$/Tonne	2056.00	(0.36)
	USD/GBP		1.68	0.07
	USD/EUR		1.38	(0.06)
	USD/AUD		0.93	(0.30)
	JPY/USD		102.15	(0.26)
	INR/USD		60.64	0.63
	HKD/USD		7.75	(0.05)
	BRL/USD		2.24	0.13
BONDS	2 Year	US Treasury	109.91	0.03
	10 Year		124.06	0.25
	30 Year		134.94	0.77

## INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 26th Apr 2014	% Change
STOCKS	Nifty	Large Cap	6782.75	0.05
	Sensex	Large Cap	22688.07	0.26
	BSE Midcap	Mid Cap	7373.64	0.47
	BSE Smallcap	Small Cap	7597.34	0.97
Some Major Shares	ACC	Rs/share	1310.25	(3.54)
	Bharti Airtel		341.70	4.96
	HDFC Ltd		894.10	1.63
	Infosys		3175.60	(0.52)
	L&T		1349.90	6.38
	Reliance Inds		948.25	(1.13)
	Tata Motors		423.25	(1.41)
	Tata Steel		426.90	1.91
COMMODITIES	Aluminium	INR/Kg	110.40	(0.54)
	Copper	INR/Kg	418.25	2.66
	Crude	INR/Barrel	6131.00	(2.48)
	Gold	INR/10gms	28905.00	1.40
	Lead	INR/Kg	129.60	0.62
	Natural Gas	INR/1mmBtu	285.00	(0.18)
	Nickel	INR/Kg	1118.50	3.25
	Silver	INR/Kg	42607.00	0.54
	Zinc	INR/Kg	124.20	(0.04)
CURRENCIES	INR/EUR		83.87	1.93
	INR/GBP		101.89	0.72
	INR/100 JPY		59.00	0.29
	INR/USD		60.64	0.63



Detailed macro analysis

## MACRO ECONOMIC SNAPSHOT AS ON 26/04/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.60	2.00
Inflation Rate	Monthly	1.50	1.10
Unemployment Rate	Monthly	6.70	6.70
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓2.69	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	↓0.99	1.01

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.40	7.70
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	↓4.32	4.38

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.60	2.30
Inflation Rate	Monthly	↑1.60	1.50
Unemployment Rate	Monthly	3.60	3.70
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↑0.63	0.60

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.70	1.80
Inflation Rate	Monthly	1.60	1.70
Unemployment Rate	Monthly	6.90	7.20
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓2.64	2.67

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.70	4.80
Inflation Rate	Monthly	8.31	8.03
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↑8.89	8.85

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	2.20
Inflation Rate	Monthly	6.15	5.68
Unemployment Rate	Monthly	5.00	5.10
Benchmark Interest Rate	Weekly	11.00	10.75
Govt. bond 10 year Rate	Weekly	↓12.45	12.64

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.80	2.00
Inflation Rate	Monthly	6.90	6.20
Unemployment Rate	Monthly	5.40	5.60
Benchmark Interest Rate	Weekly	↑7.50	7.00
Govt. bond 10 year Rate	Weekly	↑9.63	8.99



# 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.
- S&P has downgraded Russia's credit rating to one level above junk status.

# 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.
- Russia's annexation of Crimea and sights on Ukraine.

## 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		France ↑ India	USA ↓	Brazil China Germany UK	Japan	
COMMODITIES		Nickel	Aluminium ↑	Crude Oil ↓ Gold Lead Natural Gas Zinc	Copper ↑ Silver ↓	
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 Natural Gas Zinc	Copper ↑ Gold Lead	Silver
CURRENCIES (against INR)				GBP ↑	EUR JPY ↑	USD

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

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