

ShroffConnect Weekly Report

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Aditya Shroff

Stock Broking Services

Shroff Securities Pvt. Ltd.

Portfolio Management Services

Kolkata: 033 32933592/3658

Bangalore: 080 32996004/6005

Email: contact@shroffsecurities.com

Web: www.shroffsecurities.com

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Opinion as on 03/05/2014

World Markets –

- **Money flow:** The flow is into stocks and long term treasuries.
 - **Opinion on money flow:** The Ukraine issue notwithstanding, investors are keen on stocks as easy money policies continue to be pursued all over the globe. Commodities seem to have lost their sheen.
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Indian Market –

- **Stock market:** The market was easier and closed a shade under 6700 Nifty.
- **Sectors:** Capital Goods, Banks, Auto and Consumer Durables are outperforming.
- **Positives:** Almost none.
- **Negatives:** High interest growth, lack of governance.
- **Opinion:** The Indian markets are correcting a bit prior to the end of the election season. The coming weeks will be crucial as markets will let us know the likely trend after the results are declared. Investors would do well to remain invested in good stocks.



Current news and world
financial market prices

Current scenario & news

World economy

- The U.S. economy barely grew in the first quarter as the severe winter hampered exports and led businesses to curtail investment spending, but activity already appears to be bouncing back.
- Activity in China's factories increased marginally in April but export orders fell sharply, adding to questions about whether the world's second-largest economy is stabilising after its first-quarter slowdown.
- Australia may sell assets and cut welfare spending to rein in a debt burden that is already the second-smallest among developed nations, bolstering a bond market that is off to its best start since 2000.
- The pound advanced to the strongest level in more than four years against the dollar this week as signs the U.K. economic recovery is gathering momentum boosted the allure of British assets.

Indian economy

- India's manufacturing sector growth remained "steady" in April as a slowdown in export orders was countered by firmer domestic demand during the month.
- Foreign exchange reserves shot up by USD 499.8 million to USD 309.913 billion in the week to April 25 on an increase in the currency assets.
- India's factory growth showed no sign of acceleration last month as tepid demand restrained output even as price pressures eased, a business survey showed.
- The growth rate of eight core sector industries decelerated to 2.6 percent in 2013-14, the lowest in almost a decade, due to a decline in crude oil and natural gas production.
- The government's efforts to narrow fiscal deficit since last two years by expenditure cuts has resulted in lower productive spending, and the new government would find it challenging to give it a boost, says a report.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 3rd May 2014	% Change
STOCKS	Brazil	Bovespa	52980.31	3.08
	China	Shanghai	2026.36	(0.50)
	France	CAC	4458.17	0.33
	Germany	DAX	9556.02	1.64
	India	Sensex	22403.89	(1.25)
	Japan	Nikkei	14457.51	0.20
	UK	FTSE	6822.42	2.05
	USA	DJIA	16512.89	0.93
COMMODITIES	Copper	\$/Pound	3.07	(1.60)
	Crude	\$/Barrel	99.76	(0.83)
	Gold	\$/Troy Ounce	1302.90	0.16
	Natural Gas	\$/MMBtu	4.67	0.43
	Silver	\$/Troy Ounce	19.55	(0.71)
	Aluminium	\$/Tonne	1786.60	(3.56)
	Lead	\$/Tonne	2091.00	(3.28)
	Nickel	\$/Tonne	18270.00	(0.95)
CURRENCIES	Zinc	\$/Tonne	2040.00	(0.78)
	USD/GBP		1.69	0.60
	USD/EUR		1.39	0.72
	USD/AUD		0.93	0.00
	JPY/USD		102.18	0.03
	INR/USD		60.17	(0.78)
	HKD/USD		7.75	0.00
	BRL/USD		2.22	(0.89)
BONDS	2 Year	US Treasury	109.92	0.01
	10 Year		124.66	0.48
	30 Year		136.19	0.93

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 3rd May 2014	% Change
STOCKS	Nifty	Large Cap	6694.80	(1.30)
	Sensex	Large Cap	22403.89	(1.25)
	BSE Midcap	Mid Cap	7357.46	(0.22)
	BSE Smallcap	Small Cap	7532.81	(0.85)
Some Major Shares	ACC	Rs/share	1285.75	(1.87)
	Bharti Airtel		325.60	(4.71)
	HDFC Ltd		910.95	1.88
	Infosys		3219.70	1.39
	L&T		1263.55	(6.40)
	Reliance Inds		928.10	(2.12)
	Tata Motors		414.75	(2.01)
	Tata Steel		390.05	(8.63)
COMMODITIES	Aluminium	INR/Kg	106.35	(3.67)
	Copper	INR/Kg	406.95	(2.70)
	Crude	INR/Barrel	5999.00	(2.15)
	Gold	INR/10gms	28580.00	(1.12)
	Lead	INR/Kg	125.70	(3.01)
	Natural Gas	INR/1mmBtu	286.00	0.35
	Nickel	INR/Kg	1108.10	(0.93)
	Silver	INR/Kg	40906.00	(3.99)
	Zinc	INR/Kg	122.25	(1.57)
CURRENCIES	INR/EUR		83.46	(0.49)
	INR/GBP		101.48	(0.40)
	INR/100 JPY		59.00	0.00
	INR/USD		60.17	(0.78)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 03/05/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓2.30	2.60
Inflation Rate	Monthly	1.50	1.10
Unemployment Rate	Monthly	↓6.30	6.70
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓2.61	2.69

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.50	-0.30
Inflation Rate	Monthly	↑0.70	0.50
Unemployment Rate	Monthly	11.80	11.80
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓0.93	0.99

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	↑4.38	4.32

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	3.60
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.61	0.63

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑3.10	2.70
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	2.64

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	↓8.81	8.89

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	↓12.39	12.45

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	↓9.47	9.63

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. Parallel banking is in trouble.
- 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%.

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			Brazil	Japan	
	India			China		
	USA ↑			Germany		
				UK		
COMMODITIES	Nickel			Aluminium ↓	Copper	
				Crude Oil	Silver	
				Gold		
				Lead		
				Natural Gas		
				Zinc		
CURRENCIES (against USD)	GBP		AUD	EUR		
	INR		BRL	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 Healthcare ↑ Metal ↑ Oil & Gas Power			FMCG ↓ Realty ↓	IT Teck	
COMMODITIES	Nickel			Aluminium Natural Gas Zinc	Crude Oil ↓ Lead	Copper ↓ Gold ↓ Silver
CURRENCIES (against INR)			GBP		EUR	JPY ↓ USD

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

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