

ShroffConnect Weekly Report

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Opinion as on 10/05/2014

World Markets –

- **Money flow:** The money is flowing into stocks and longer term bonds.
 - **Opinion on money flow:** The investor is going for the stock market because of the easy money and low interest policies promised by major developed economies. Whatever reluctance one may see for stocks is due to the Ukraine issue which could snowball into a major one.
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Indian Market –

- **Stock market:** The stock market hit a new peak on Friday and closed at 6858 Nifty.
- **Sectors:** Capital Goods, Oil & Gas, Banks and Auto are outperforming.
- **Positives:** FII buying interest, chance of a stable government.
- **Negatives:** High interest rate, chance of a deficient monsoon.
- **Opinion:** The immediate major movement in the market will happen on Friday with the election results being declared on that day. India will know if there will be a stable government or not for the next 5 years. The best case scenario is a BJP led stable government. A third front would be disastrous for the market. Investors will need to take a call prior to the result announcement and should not be afraid of volatility which will abound this week. Our opinion is to be in the market rather than out of it.



Current news and world
financial market prices

Current scenario & news

World economy

- Moderating consumer prices and persistent industrial deflation in China have bolstered market expectations that authorities will ease monetary policy or take other steps to arrest a loss of momentum in the second-largest economy.
- Euro-area government bonds rose this week, pushing Irish, Italian and Spanish 10-year yields to record lows, as speculation the European Central Bank will cut interest rates next month boosted demand for the securities.
- Business activity across emerging markets expanded slightly in April following four months of declining growth, but output fell in all the BRIC emerging economies, a survey showed.
- Forty-seven countries signed up to automatically share bank data, including key financial centres Singapore and Switzerland, the OECD said, in what has been touted as a major step towards cracking down on global tax evasion.

Indian economy

- India's trade deficit narrowed in April due to a sharp fall in gold imports and an uptick in exports, easing pressure on the current account balance.
- India's factory output in March probably contracted for the fifth time in six months as manufacturing remained weak while more expensive food and fuel likely pushed inflation higher in April.
- India's economy will likely make a gradual recovery this year, helped by a rebound in capital investments as well as a pick-up in private consumption, but rising bad loans at its banks threaten to choke the recovery.
- Healthy growth in engineering, marine and leather goods shipments pushed export growth to 5-month high of 5.26 percent in April, while declining gold imports narrowed the trade deficit to USD 10 billion.
- European companies invested \$198 billion in India between 2004 and 2013 and there is huge potential to boost this investment flow, the Europe India Chamber of Commerce (EICC) said.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 10th May 2014	% Change
STOCKS	Brazil	Bovespa	53100.34	0.23
	China	Shanghai	2011.14	(0.75)
	France	CAC	4477.28	0.43
	Germany	DAX	9581.45	0.27
	India	Sensex	22994.23	2.63
	Japan	Nikkei	14199.59	(1.78)
	UK	FTSE	6814.57	(0.12)
	USA	DJIA	16583.34	0.43
COMMODITIES	Copper	\$/Pound	3.08	0.33
	Crude	\$/Barrel	99.99	0.23
	Gold	\$/Troy Ounce	1287.60	(1.17)
	Natural Gas	\$/MMBtu	4.53	(3.00)
	Silver	\$/Troy Ounce	19.12	(2.20)
	Aluminium	\$/Tonne	1762.25	(1.36)
	Lead	\$/Tonne	2085.00	(0.29)
	Nickel	\$/Tonne	19905.00	8.95
CURRENCIES	Zinc	\$/Tonne	2036.00	(0.20)
	USD/GBP		1.68	(0.59)
	USD/EUR		1.38	(0.72)
	USD/AUD		0.94	1.08
	JPY/USD		101.85	(0.32)
	INR/USD		59.96	(0.35)
	HKD/USD		7.75	0.00
	BRL/USD		2.21	(0.45)
BONDS	2 Year	US Treasury	110.02	0.09
	10 Year		125.00	0.27
	30 Year		135.75	(0.32)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 10th May 2014	% Change
STOCKS	Nifty	Large Cap	6858.00	2.44
	Sensex	Large Cap	22994.23	2.63
	BSE Midcap	Mid Cap	7456.09	1.34
	BSE Smallcap	Small Cap	7593.68	0.81
Some Major Shares	ACC	Rs/share	1341.10	4.30
	Bharti Airtel		309.45	(4.96)
	HDFC Ltd		884.60	(2.89)
	Infosys		3111.45	(3.36)
	L&T		1342.70	6.26
	Reliance Inds		997.60	7.49
	Tata Motors		427.50	3.07
	Tata Steel		416.70	6.83
COMMODITIES	Aluminium	INR/Kg	103.90	(2.30)
	Copper	INR/Kg	411.70	1.17
	Crude	INR/Barrel	5993.00	(0.10)
	Gold	INR/10gms	28525.00	(0.19)
	Lead	INR/Kg	124.50	(0.95)
	Natural Gas	INR/1mmBtu	270.30	(5.49)
	Nickel	INR/Kg	1209.40	9.14
	Silver	INR/Kg	41453.00	1.34
	Zinc	INR/Kg	122.00	(0.20)
CURRENCIES	INR/EUR		82.49	(1.16)
	INR/GBP		101.03	(0.44)
	INR/100 JPY		59.00	0.00
	INR/USD		59.96	(0.35)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 10/05/2014

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	↓2.57	2.61

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	↓0.92	0.93

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.40	7.70
Inflation Rate	Monthly	↓1.80	2.40
Unemployment Rate	Monthly	4.10	4.00
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↓4.25	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	3.60
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	0.61	0.61

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	↑2.65	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	↓8.76	8.81

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	2.20
Inflation Rate	Monthly	↑6.28	6.15
Unemployment Rate	Monthly	5.00	5.10
Benchmark Interest Rate	Weekly	11.00	10.75
Govt. bond 10 year Rate	Weekly	↓12.29	12.39

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.80	2.00
Inflation Rate	Monthly	↑7.30	6.90
Unemployment Rate	Monthly	5.40	5.60
Benchmark Interest Rate	Weekly	7.50	7.00
Govt. bond 10 year Rate	Weekly	↓9.05	9.47

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

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

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