

ShroffConnect Weekly Report

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Opinion as on 17/05/2014

World Markets –

- **Money flow:** The money is flowing into stocks and treasuries.
 - **Opinion on money flow:** Investors are a bit concerned about Ukraine issues and hence the stock market trend is moderately upward. However, the promise of easy money will propel this trend even further once the issues are sorted out.
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Indian Market –

- **Stock market:** The stock market zoomed upward to close at 7203 Nifty.
- **Sectors:** Capital Goods, Oil & Gas, Banks, Power and Auto are outperforming.
- **Positives:** A stable government with a huge majority; FII buying.
- **Negatives:** High interest rates, low GDP growth.
- **Opinion:** India has been blessed with a majority government after 30 years. This is no mean feat and has been celebrated by the markets. Once the euphoria dies down, the markets will find their own level. However, they have been re-rated and a huge dip is not expected. Investors would do well to buy individual stocks on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- The euro zone economy grew much less than expected at the start of the year and inflation remained locked in the 'danger zone' below 1 percent, increasing pressure on the European Central Bank to ease monetary policy at its next meeting in June.
- Chinese investment, retail sales and factory output growth all disappointed in April by hitting multiyear lows, suggesting the world's second-largest economy is still losing steam despite government efforts to shore up activity.
- Germany posted strong growth in the first quarter of the year in stark contrast with France: the euro zone's second largest economy failed to expand at all and Italy, the third largest, went into reverse.
- Japan's economy clocked its fastest pace of growth in more than two years in the first quarter as consumer spending jumped and business investment turned surprisingly strong in a sign of confidence in the prospects for future growth.

Indian economy

- The landslide victory of the BJP-led NDA in the general elections will continue to boost investor sentiment but changes in the country's credit profile will depend on reforms to be taken by the new government, global rating agencies said.
- In the last two years of UPA-II, growth has plummeted to a decade low. While the biggest task before the new government is to revive growth, high fiscal deficit will not allow it to be too extravagant and interest rates cannot be cut as long as inflation remains high.
- India's wholesale inflation eased in April helped by a moderation in food prices, but the threat of a below-average monsoon this summer will fan price pressures again that will compound challenges for the country's incoming government.
- India is set to harvest a record 264.4 million tonnes of grains in the crop year that ends in June, easing pressure on a new government that may have to deal with poor monsoon rains later in 2014

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 17th May 2014	% Change
STOCKS	Brazil	Bovespa	53975.76	1.65
	China	Shanghai	2026.50	0.76
	France	CAC	4456.28	(0.47)
	Germany	DAX	9629.10	0.50
	India	Sensex	24121.74	4.90
	Japan	Nikkei	14096.59	(0.73)
	UK	FTSE	6855.81	0.61
	USA	DJIA	16491.31	(0.55)
COMMODITIES	Copper	\$/Pound	3.15	2.27
	Crude	\$/Barrel	102.02	2.03
	Gold	\$/Troy Ounce	1293.40	0.45
	Natural Gas	\$/MMBtu	4.41	(2.65)
	Silver	\$/Troy Ounce	19.33	1.10
	Aluminium	\$/Tonne	1768.50	0.35
	Lead	\$/Tonne	2137.00	2.49
	Nickel	\$/Tonne	19025.00	(4.42)
	Zinc	\$/Tonne	2065.25	1.44
CURRENCIES	USD/GBP		1.68	0.00
	USD/EUR		1.37	(0.72)
	USD/AUD		0.94	0.00
	JPY/USD		101.49	(0.35)
	INR/USD		58.57	(2.32)
	HKD/USD		7.75	0.00
	BRL/USD		2.21	0.00
BONDS	2 Year	US Treasury	110.07	0.05
	10 Year		125.78	0.62
	30 Year		137.44	1.24

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 17th May 2014	% Change
STOCKS	Nifty	Large Cap	7203.00	5.03
	Sensex	Large Cap	24121.74	4.90
	BSE Midcap	Mid Cap	7765.72	4.15
	BSE Smallcap	Small Cap	7885.76	3.85
Some Major Shares	ACC	Rs/share	1430.15	6.64
	Bharti Airtel		330.75	6.88
	HDFC Ltd		885.80	0.14
	Infosys		3177.55	2.12
	L&T		1427.70	6.33
	Reliance Inds		1079.25	8.18
	Tata Motors		449.85	5.23
	Tata Steel		440.90	5.81
COMMODITIES	Aluminium	INR/Kg	102.05	(1.78)
	Copper	INR/Kg	410.20	(0.36)
	Crude	INR/Barrel	5984.00	(0.15)
	Gold	INR/10gms	28089.00	(1.53)
	Lead	INR/Kg	124.50	0.00
	Natural Gas	INR/1mmBtu	259.90	(3.85)
	Nickel	INR/Kg	1117.60	(7.59)
	Silver	INR/Kg	40894.00	(1.35)
	Zinc	INR/Kg	121.20	(0.66)
CURRENCIES	INR/EUR		80.19	(2.79)
	INR/GBP		98.47	(2.53)
	INR/100 JPY		58.00	(1.69)
	INR/USD		58.57	(2.32)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 17/05/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.30	2.60
Inflation Rate	Monthly	↑2.00	1.50
Unemployment Rate	Monthly	6.30	6.70
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↓2.50	2.57

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑0.90	0.50
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	↓0.76	0.92

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	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↓4.22	4.25

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑3.00	2.50
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	↓0.59	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	↓6.80	6.90
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓2.57	2.65

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.70	4.80
Inflation Rate	Monthly	↑8.59	8.31
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↑8.84	8.76

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	↑12.42	12.29

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	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	↓8.97	9.05

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 has won the elections emphatically.
- Inflation – Headline inflation is under 5.5% although CPI moves up to 8.59%.

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.



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		Zinc ↑	Aluminium Copper ↑ Crude Oil Gold Lead Natural Gas	Silver	
CURRENCIES (against USD)	GBP INR		AUD BRL HKD JPY ↑	EUR		
BONDS (US Treasury)			30 Year	2 Year ↑ 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 Metal ↑ Oil & Gas Power ↑		FMCG ↑ Healthcare ↓ Realty ↑	Teck ↑	IT	
COMMODITIES	Nickel			Aluminium Lead Natural Gas ↑ Zinc	Copper Crude Oil Gold	Silver
CURRENCIES (against INR)					EUR GBP ↓	JPY ↓ USD

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

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