

ShroffConnect Weekly Report

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Opinion as on 24/05/2014

World Markets –

- **Money flow:** The money is flowing into stocks and a bit into crude and long term treasuries.
 - **Opinion on money flow:** Investors are not unduly perturbed by issues in Ukraine. Easy money policies and good US numbers indicate a steady equity market.
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Indian Market –

- **Stock market:** The stock market uptrend continued as it closed at 7367 Nifty.
- **Sectors:** Capital Goods, Metals, Oil & Gas, Banks, Power and Auto are outperforming.
- **Positives:** Modi as PM and FII buying.
- **Negatives:** High interest rate, high fiscal deficit.
- **Opinion:** Now that Sri Narendra Modi will be appointed PM next week, expectations are sky high that he will deliver miracles. However, the poor state of the economy will not allow him much leeway and his main planks will be FDI, good governance and fiscal discipline. Markets should remain sideways after an initial jump up early next week, and investors should be cautious at such exuberant levels.



Current news and world
financial market prices

Current scenario & news

World economy

- Federal Reserve policymakers last month began laying groundwork for an eventual retreat from easy monetary policy with a discussion of how to best control interest rates as they remove trillions of dollars from the financial system.
- Booming investment provided the German economy with a healthy kick start into this year, but business confidence in Europe's biggest economy appears to be stalling already, data showed.
- China's factory sector turned in its best performance in five months in May, though overall manufacturing growth still contracted slightly in a suggestion that the outlook remains murky.
- Japan's exports rose for the 14th straight month in April but shipments to the United States slowed, underlining concerns that the world's third-largest economy remains vulnerable to any fall in external demand.

Indian economy

- A clear mandate for the BJP has rekindled hope for structural reforms and better investment climate and the country's growth is likely to accelerate to 6.5 percent in FY16, a Goldman Sachs report said.
- The finance ministry is working on a proposal for the new government to cut welfare spending and rein in the deficit in its first budget, to allay fears of fiscal slippage that would increase the risks of a sovereign credit downgrade, officials said.
- India's current account deficit (CAD) is likely to narrow to 2.3 percent of GDP this fiscal as the new government is expected to focus on exports and reduce dependency on imports, says a Citigroup report.
- India's steel production grew by 5.3 percent in April outpacing the world's average growth of 1.7 percent.
- The Reserve Bank's move to ease gold import norms is likely to help bring down the price of the precious metal in the domestic market.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 24th May 2014	% Change
STOCKS	Brazil	Bovespa	52626.41	(2.50)
	China	Shanghai	2034.57	0.40
	France	CAC	4493.15	0.83
	Germany	DAX	9768.01	1.44
	India	Sensex	24693.35	2.37
	Japan	Nikkei	14462.17	2.59
	UK	FTSE	6815.75	(0.58)
	USA	DJIA	16606.27	0.70
COMMODITIES	Copper	\$/Pound	3.17	0.63
	Crude	\$/Barrel	104.35	2.28
	Gold	\$/Troy Ounce	1291.70	(0.13)
	Natural Gas	\$/MMBtu	4.41	0.00
	Silver	\$/Troy Ounce	19.42	0.47
	Aluminium	\$/Tonne	1814.50	2.60
	Lead	\$/Tonne	2150.00	0.61
	Nickel	\$/Tonne	19650.00	3.29
CURRENCIES	Zinc	\$/Tonne	2081.01	0.76
	USD/GBP		1.68	0.00
	USD/EUR		1.36	(0.73)
	USD/AUD		0.92	(2.13)
	JPY/USD		101.96	0.46
	INR/USD		58.52	(0.09)
	HKD/USD		7.75	0.00
	BRL/USD		2.22	0.45
BONDS	2 Year	US Treasury	110.11	0.04
	10 Year		125.80	0.02
	30 Year		136.94	(0.36)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 24th May 2014	% Change
STOCKS	Nifty	Large Cap	7376.10	2.40
	Sensex	Large Cap	24693.35	2.37
	BSE Midcap	Mid Cap	8668.32	11.62
	BSE Smallcap	Small Cap	9128.04	15.75
Some Major Shares	ACC	Rs/share	1380.10	(3.50)
	Bharti Airtel		343.65	3.90
	HDFC Ltd		931.95	5.21
	Infosys		3069.55	(3.40)
	L&T		1514.00	6.04
	Reliance Inds		1127.45	4.47
	Tata Motors		431.30	(4.12)
	Tata Steel		478.20	8.46
COMMODITIES	Aluminium	INR/Kg	104.35	2.25
	Copper	INR/Kg	410.85	0.16
	Crude	INR/Barrel	6120.00	2.27
	Gold	INR/10gms	27349.00	(2.63)
	Lead	INR/Kg	124.10	(0.32)
	Natural Gas	INR/1mmBtu	257.00	(1.12)
	Nickel	INR/Kg	1141.60	2.15
	Silver	INR/Kg	40797.00	(0.24)
	Zinc	INR/Kg	121.60	0.33
CURRENCIES	INR/EUR		79.78	(0.51)
	INR/GBP		98.51	0.04
	INR/100 JPY		57.00	(1.72)
	INR/USD		58.52	(0.09)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 24/05/2014

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	↑2.55	2.50

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	↑0.79	0.76

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	4.22

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	0.59

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.10	2.70
Inflation Rate	Monthly	↑1.80	1.60
Unemployment Rate	Monthly	6.80	6.90
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑2.64	2.57

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	↓8.64	8.84

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	2.20
Inflation Rate	Monthly	6.28	6.15
Unemployment Rate	Monthly	↓4.90	5.00
Benchmark Interest Rate	Weekly	11.00	10.75
Govt. bond 10 year Rate	Weekly	↓12.33	12.42

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	2.00
Inflation Rate	Monthly	7.30	6.90
Unemployment Rate	Monthly	↓5.30	5.40
Benchmark Interest Rate	Weekly	7.50	7.00
Govt. bond 10 year Rate	Weekly	↓8.70	8.97

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	Brazil ↑ India USA	France UK	Germany ↓	Japan ↓ China		
COMMODITIES	Nickel	Crude Oil ↑ Zinc	Aluminium Copper Gold Lead Natural Gas	Silver		
CURRENCIES (against USD)	GBP INR	AUD BRL HKD	EUR JPY ↓			
BONDS (US Treasury)		30 Year	2 Year 10 Year			

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

INDIAN MARKETS - TECHNICAL SNAPSHOT



INDICES	Mid Cap Nifty Sensex Small Cap				
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SECTORS	Auto Bankex Cap Goods Cons Durable Metal Oil & Gas Power Realty ↑		FMCG ↓ Healthcare ↓	IT Teck ↓	
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COMMODITIES	Nickel		Aluminium Crude Oil Zinc	Copper Gold Lead ↓ Natural Gas	Silver
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CURRENCIES (against INR)				EUR GBP	JPY USD
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↑ = moved up from last week, ↓ = moved dn from last week

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