

ShroffConnect Weekly Report

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Opinion as on 31/05/2014

World Markets –

- **Money flow:** The money is flowing into stocks and long term treasuries.
 - **Opinion on money flow:** Economic conditions in the world markets remain the same – the US economy is showing good numbers even with tapering; the European nations are fearing a Russia-Ukraine backlash; China and Japan economies are flooded with easy money. Hence, the trend of money flow also remains the same as before.
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Indian Market –

- **Stock market:** The stock market eased somewhat on profit booking to close at 7229 Nifty.
- **Sectors:** Capital Goods, Metals, Oil & Gas, Banks, Power, Auto, Consumer Durables and Realty are outperforming.
- **Positives:** A pro-active Prime Minister.
- **Negatives:** High fiscal deficit, low growth and erratic monsoon.
- **Opinion:** The new PM has made a flying start and announced his intention of minimum government and maximum governance. We should expect some major policy decisions soon. The market has eased off somewhat although new sectors which will be part of the thrust areas for the new government like the Power sector should be looked at carefully. Investors would do well to invest on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- The U.S. economy contracted for the first time in three years in the first quarter as it buckled under a severe winter, but there are signs it has rebounded and economists say it could grow as much as 4 percent in the current quarter.
- Spain and Italy reported feeble increases in consumer prices in May on Friday, as the eurozone struggled with the spectre of an economically damaging deflationary spiral.
- Bank of Japan Deputy Governor Kikuo Iwata signalled the possibility of withdrawing the central bank's massive monetary stimulus if the economy overheats and nudges up inflation well above its 2 percent price.
- The International Monetary Fund released \$4.6 billion in aid to Greece Friday, after a yearlong delay to ensure Athens was meeting targets set by bailout lenders.
- Japan's factory output fell 2.5 percent in April from a month earlier after a tepid 0.7 percent rise in March.

Indian economy

- Reserve Bank of India governor Raghuram Rajan said on Tuesday fighting inflation would continue to be a top priority, although the central bank will also aim to strike a balance between promoting economic growth and containing inflation.
- The Reserve Bank of India (RBI) is likely to keep monetary policy steady in June despite sluggish economic activity as inflation remains elevated, a poll showed.
- Asia's third-largest economy grew 4.7 percent in 2013/14, slower than an official estimate of 4.9 percent and higher than 4.5 percent growth a year earlier. It marks the second straight year of sub-5 percent growth - the worst slowdown in more than a quarter of a century.
- Gold fell almost 1 percent to a near four-month low on Friday, extending its losing streak a fourth consecutive day, weighed down by book squaring ahead of month end and selling by commodity funds.

WORLD MARKETS - A SNAPSHOT

| | Name | Description | Week ended 31st May 2014 | % Change |
|-------------|-------------|---------------|-----------------------------|----------|
| STOCKS | Brazil | Bovespa | 51239.34 | (2.64) |
| | China | Shanghai | 2039.21 | 0.23 |
| | France | CAC | 4519.57 | 0.59 |
| | Germany | DAX | 9943.27 | 1.79 |
| | India | Sensex | 24217.34 | (1.93) |
| | Japan | Nikkei | 14632.38 | 1.18 |
| | UK | FTSE | 6844.51 | 0.42 |
| | USA | DJIA | 16717.17 | 0.67 |
| COMMODITIES | Copper | \$/Pound | 3.12 | (1.58) |
| | Crude | \$/Barrel | 102.71 | (1.57) |
| | Gold | \$/Troy Ounce | 1246.00 | (3.54) |
| | Natural Gas | \$/MMBtu | 4.54 | 2.95 |
| | Silver | \$/Troy Ounce | 18.68 | (3.81) |
| | Aluminium | \$/Tonne | 1829.25 | 0.81 |
| | Lead | \$/Tonne | 2095.15 | (2.55) |
| | Nickel | \$/Tonne | 19250.00 | (2.04) |
| CURRENCIES | Zinc | \$/Tonne | 2054.00 | (1.30) |
| | USD/GBP | | 1.67 | (0.60) |
| | USD/EUR | | 1.36 | 0.00 |
| | USD/AUD | | 0.93 | 1.09 |
| | JPY/USD | | 101.78 | (0.18) |
| | INR/USD | | 59.18 | 1.13 |
| | HKD/USD | | 7.75 | 0.00 |
| | BRL/USD | | 2.24 | 0.90 |
| BONDS | 2 Year | US Treasury | 110.13 | 0.02 |
| | 10 Year | | 126.33 | 0.42 |
| | 30 Year | | 138.25 | 0.96 |

INDIAN MARKETS - A SNAPSHOT

| | Name | Description | Week ended 31st May 2014 | % Change |
|----------------------|---------------|-------------|-----------------------------|----------|
| STOCKS | Nifty | Large Cap | 7229.95 | (1.98) |
| | Sensex | Large Cap | 24217.34 | (1.93) |
| | BSE Midcap | Mid Cap | 8467.22 | (2.32) |
| | BSE Smallcap | Small Cap | 9015.73 | (1.23) |
| Some Major Shares | ACC | Rs/share | 1337.00 | (3.12) |
| | Bharti Airtel | | 344.10 | 0.13 |
| | HDFC Ltd | | 876.80 | (5.92) |
| | Infosys | | 2939.40 | (4.24) |
| | L&T | | 1545.50 | 2.08 |
| | Reliance Inds | | 1064.70 | (5.57) |
| | Tata Motors | | 415.05 | (3.77) |
| | Tata Steel | | 475.10 | (0.65) |
| COMMODITIES | Aluminium | INR/Kg | 107.65 | 3.16 |
| | Copper | INR/Kg | 410.80 | (0.01) |
| | Crude | INR/Barrel | 6106.00 | (0.23) |
| | Gold | INR/10gms | 26863.00 | (1.78) |
| | Lead | INR/Kg | 123.05 | (0.85) |
| | Natural Gas | INR/1mmBtu | 271.20 | 5.53 |
| | Nickel | INR/Kg | 1139.60 | (0.18) |
| | Silver | INR/Kg | 39586.00 | (2.97) |
| | Zinc | INR/Kg | 122.40 | 0.66 |
| CURRENCIES | INR/EUR | | 80.66 | 1.10 |
| | INR/GBP | | 99.13 | 0.63 |
| | INR/100 JPY | | 58.00 | 1.75 |
| | INR/USD | | 59.18 | 1.13 |



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 31/05/2014

| USA | Period | Current | Previous |
|-------------------------|-----------|---------|----------|
| GDP Annual Growth Rate | Quarterly | 2.00 | 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 | ↓2.46 | 2.55 |

| 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 | ↓0.73 | 0.79 |

| 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 | ↓4.18 | 4.22 |

| Japan | Period | Current | Previous |
|-------------------------|-----------|---------|----------|
| GDP Annual Growth Rate | Quarterly | 3.00 | 2.50 |
| Inflation Rate | Monthly | ↑3.40 | 1.60 |
| Unemployment Rate | Monthly | 3.60 | 3.60 |
| Benchmark Interest Rate | Weekly | 0.00 | 0.00 |
| Govt. bond 10 year Rate | Weekly | ↓0.58 | 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 | ↓2.57 | 2.64 |

| India | Period | Current | Previous |
|-------------------------|-----------|---------|----------|
| GDP Annual Growth Rate | Quarterly | ↓4.60 | 4.70 |
| 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 | ↑8.65 | 8.64 |

| 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 | 11.00 |
| Govt. bond 10 year Rate | Weekly | ↓12.11 | 12.33 |

| 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 | ↓8.60 | 8.70 |

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

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

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