

ShroffConnect Weekly Report

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Opinion as on 07/06/2014

World Markets –

- **Money flow:** The money is flowing into stocks.
 - **Opinion on money flow:** The US economy is doing reasonably well, and although the Eurozone is floundering, the ECB has cut interest rates and ensured an easy money policy for the time being. Chinese PMI numbers are better. Therefore, it is natural that investors would flock to riskier assets like the stock market.
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Indian Market –

- **Stock market:** The stock market rallied to an all time high to close at 7583 Nifty.
- **Sectors:** Capital Goods, Metal, Oil & Gas, Banks, Power, Auto, Consumer Durables and Realty are outperforming.
- **Positives:** Correct, inclusive noises made by the new government.
- **Negatives:** High fiscal deficit, low GDP growth.
- **Opinion:** This is a bull market. However, at this time it seems that apart from a few stocks, almost all the major stocks are at 52 week highs. It would be advisable to be cautious rather than adventurous. It is best to buy on dips.



Current news and world
financial market prices

Current scenario & news

World economy

- U.S. employment returned to its pre-recession peak in May with a solid pace of hiring that offered confirmation the economy has snapped back from a winter slump.
- The European Central Bank cut interest rates to record lows on Thursday, launched a series of measures to pump money into the sluggish euro zone economy, and pledged to do more if needed to fight off the risk of Japan-like deflation.
- Business activity in emerging markets expanded at the fastest rate in three months in May, although growth was weak compared with developed markets and an index of future expectations hit a new low, a survey showed on Friday.
- China is likely to meet its economic growth target of 7.5 percent this year, the World Bank said, but must persevere with fiscal and financial sector reforms to deal with the root cause of its debt problems.

Indian economy

- The rupee will only make scant gains in the next 12 months as the economy remains weak, although optimism around a new government and a narrowing current account deficit will underpin the currency, a poll found.
- Reserve Bank of India governor Raghuram Rajan on Tuesday eased rules to spur bank lending and toned down his inflation rhetoric in moves set to be welcomed by a new pro-business government determined to revive economic growth.
- As the Reserve Bank maintained a status quo on key policy rates, analysts said higher demand due to supply constraints will not allow inflation to ease as quickly as anticipated and the apex bank may be forced to increase rates once more by the year-end.
- India Inc has sought a conducive tax environment and a bold statement of economic reforms in the forthcoming budget to revive investor sentiment and get growth back on track.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 7th June 2014	% Change
STOCKS	Brazil	Bovespa	53128.66	3.69
	China	Shanghai	2029.96	(0.45)
	France	CAC	4581.12	1.36
	Germany	DAX	9987.19	0.44
	India	Sensex	25396.46	4.87
	Japan	Nikkei	15077.24	3.04
	UK	FTSE	6858.21	0.20
	USA	DJIA	16924.28	1.24
COMMODITIES	Copper	\$/Pound	3.05	(2.24)
	Crude	\$/Barrel	102.66	(0.05)
	Gold	\$/Troy Ounce	1252.50	0.52
	Natural Gas	\$/MMBtu	4.71	3.74
	Silver	\$/Troy Ounce	18.99	1.66
	Aluminium	\$/Tonne	1879.00	2.72
	Lead	\$/Tonne	2109.00	0.66
	Nickel	\$/Tonne	18804.00	(2.32)
CURRENCIES	Zinc	\$/Tonne	2104.00	2.43
	USD/GBP		1.68	0.60
	USD/EUR		1.36	0.00
	USD/AUD		0.93	0.00
	JPY/USD		102.47	0.68
	INR/USD		59.17	(0.02)
	HKD/USD		7.75	0.00
	BRL/USD		2.25	0.45
BONDS	2 Year	US Treasury	110.07	(0.05)
	10 Year		125.23	(0.87)
	30 Year		136.28	(1.42)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 7th June 2014	% Change
STOCKS	Nifty	Large Cap	7583.40	4.89
	Sensex	Large Cap	25396.46	4.87
	BSE Midcap	Mid Cap	9098.54	7.46
	BSE Smallcap	Small Cap	9774.04	8.41
Some Major Shares	ACC	Rs/share	1438.90	7.62
	Bharti Airtel		355.90	3.43
	HDFC Ltd		935.15	6.65
	Infosys		3003.05	2.17
	L&T		1691.05	9.42
	Reliance Inds		1122.40	5.42
	Tata Motors		439.10	5.79
	Tata Steel		560.65	18.01
COMMODITIES	Aluminium	INR/Kg	109.80	2.00
	Copper	INR/Kg	398.80	(2.92)
	Crude	INR/Barrel	6057.00	(0.80)
	Gold	INR/10gms	25863.00	(3.72)
	Lead	INR/Kg	124.00	0.77
	Natural Gas	INR/1mmBtu	279.00	2.88
	Nickel	INR/Kg	1111.10	(2.50)
	Silver	INR/Kg	39997.00	1.04
	Zinc	INR/Kg	124.05	1.35
CURRENCIES	INR/EUR		80.71	0.06
	INR/GBP		99.41	0.28
	INR/100 JPY		58.00	0.00
	INR/USD		59.17	(0.02)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 07/06/2014

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	6.30
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.58	2.46

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.50
Inflation Rate	Monthly	↓0.50	0.70
Unemployment Rate	Monthly	↓11.70	11.80
Benchmark Interest Rate	Weekly	↓0.15	0.25
Govt. bond 10 year Rate	Weekly	↓0.70	0.73

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	↓4.11	4.18

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	0.58

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	↑2.66	2.57

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	↓8.51	8.65

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	2.20
Inflation Rate	Monthly	↑6.37	6.28
Unemployment Rate	Monthly	4.90	5.00
Benchmark Interest Rate	Weekly	11.00	11.00
Govt. bond 10 year Rate	Weekly	↓12.04	12.11

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	2.00
Inflation Rate	Monthly	↑7.60	7.30
Unemployment Rate	Monthly	5.30	5.40
Benchmark Interest Rate	Weekly	7.50	7.50
Govt. bond 10 year Rate	Weekly	↓8.35	8.60

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 – ECB cuts interest rate. Easy money 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. 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 USA	Brazil France UK ↓	Japan ↑	China	
COMMODITIES		Nickel	Crude Oil ↑ Zinc	Aluminium Copper Gold Lead Natural Gas	Silver	
CURRENCIES (against USD)	INR		AUD GBP HKD	BRL ↓ 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

		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	Lead Natural Gas	Copper ↓ Gold Silver
CURRENCIES (against INR)					EUR GBP	JPY USD

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

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