

ShroffConnect Weekly Report

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Aditya Shroff

Stock Broking Services

Shroff Securities Pvt. Ltd.

Portfolio Management Services

Kolkata: 033 32933592/3658

Bangalore: 080 32996004/6005

Email: contact@shroffsecurities.com

Web: www.shroffsecurities.com

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Opinion as on 14/06/2014

World Markets –

- **Money flow:** The flow of money is into stocks and longer term treasuries.
 - **Opinion on money flow:** Easy money policies and improved economic numbers from the USA and China have boosted the sentiment for the stock market; although troubles in Ukraine and Iraq are playing on the investors mind as well and fuelled demand for longer term treasuries. Investors are optimistic yet cautious.
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Indian Market –

- **Stock market:** The market eased off to close at 7542 Nifty.
- **Sectors:** Defensive sectors like IT, Healthcare and FMCG are underperforming.
- **Positives:** A stable government, FII buying.
- **Negatives:** A poor state of the Indian economy and high inflation.
- **Opinion:** The task is cut out for the new government. It needs to take progressive and tough measures to bring the economy back on track after the mess the UPA government created in its last term. The market will react positively but selectively to measures announced by this government. Investors should be cautiously optimistic in their approach and try and buy into any dip before the budget.



Current news and world
financial market prices

Current scenario & news

World economy

- Escalating violence in Iraq drove crude oil prices to nine-month highs on Friday while damping the appetite for risk, even as bullish news from the U.S. tech sector lifted shares on Wall Street and helped buoy stocks in global equity markets.
- China's economy showed some signs of stabilising in May as the government unveiled more stimulus measures to avert a sharper slowdown, but signs of further deterioration in the property market indicate more policy support may still be needed.
- The World Bank trimmed its global growth forecast, saying a confluence of events, from the Ukraine crisis to unusually cold weather in the United States, dampened economic expansion in the first half of the year.
- Japan's first quarter growth handily beat initial estimates on an unexpected surge in capital spending, fresh signs the world's third-biggest economy is in better shape to weather a hit to consumption from a sale tax hike.

Indian economy

- India's annual consumer price inflation eased to 8.28 percent in May, helped by slightly cooling food prices.
- India's industrial production rebounded more than expected in April to grow 3.4 percent over year-ago levels, after output had fallen in the previous two months.
- Exports rose 12.4 percent in May over the previous year -- the sharpest rise in six months -- helped by a weaker rupee.
- Several sovereign wealth funds (SWF) and overseas pension funds are rushing to invest in India, driven by hopes of economic recovery under a new stable government. At least three sovereign funds from West Asia have invested over \$5 billion in the past eight months and one global pension fund has committed to invest \$450 million.
- To bolster economic growth, India should continue to gradually bring down the fiscal deficit and usher in fuel subsidy reforms, a senior International Monetary Fund official said.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 14th June 2014	% Change
STOCKS	Brazil	Bovespa	54806.64	3.16
	China	Shanghai	2070.72	2.01
	France	CAC	4543.28	(0.83)
	Germany	DAX	9912.87	(0.74)
	India	Sensex	25228.17	(0.66)
	Japan	Nikkei	15097.84	0.14
	UK	FTSE	6777.85	(1.17)
	USA	DJIA	16775.74	(0.88)
COMMODITIES	Copper	\$/Pound	3.03	(0.66)
	Crude	\$/Barrel	106.91	4.14
	Gold	\$/Troy Ounce	1274.10	1.72
	Natural Gas	\$/MMBtu	4.74	0.64
	Silver	\$/Troy Ounce	19.66	3.53
	Aluminium	\$/Tonne	1845.00	(1.81)
	Lead	\$/Tonne	2085.00	(1.14)
	Nickel	\$/Tonne	18070.00	(3.90)
CURRENCIES	Zinc	\$/Tonne	2088.00	(0.76)
	USD/GBP		1.70	1.19
	USD/EUR		1.35	(0.74)
	USD/AUD		0.94	1.08
	JPY/USD		102.05	(0.41)
	INR/USD		59.70	0.90
	HKD/USD		7.75	0.00
	BRL/USD		2.22	(1.33)
BONDS	2 Year	US Treasury	109.98	(0.08)
	10 Year		125.17	(0.05)
	30 Year		136.59	0.23

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 14th June 2014	% Change
STOCKS	Nifty	Large Cap	7542.10	(0.54)
	Sensex	Large Cap	25228.17	(0.66)
	BSE Midcap	Mid Cap	8935.93	(1.79)
	BSE Smallcap	Small Cap	9674.58	(1.02)
Some Major Shares	ACC	Rs/share	1474.75	2.49
	Bharti Airtel		333.30	(6.35)
	HDFC Ltd		979.70	4.76
	Infosys		3187.00	6.13
	L&T		1685.95	(0.30)
	Reliance Inds		1081.90	(3.61)
	Tata Motors		438.25	(0.19)
	Tata Steel		525.55	(6.26)
COMMODITIES	Aluminium	INR/Kg	108.65	(1.05)
	Copper	INR/Kg	400.85	0.51
	Crude	INR/Barrel	6399.00	5.65
	Gold	INR/10gms	26627.00	2.95
	Lead	INR/Kg	124.05	0.04
	Natural Gas	INR/1mmBtu	284.70	2.04
	Nickel	INR/Kg	1080.40	(2.76)
	Silver	INR/Kg	41875.00	4.70
	Zinc	INR/Kg	124.35	0.24
CURRENCIES	INR/EUR		80.85	0.17
	INR/GBP		101.27	1.87
	INR/100 JPY		58.00	0.00
	INR/USD		59.70	0.90



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 14/06/2014

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	↑2.60	2.58

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	↓0.65	0.70

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.40	7.70
Inflation Rate	Monthly	↑2.50	1.80
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↓4.09	4.11

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	↑0.61	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	↓6.60	6.80
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑2.75	2.66

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.60	4.70
Inflation Rate	Monthly	↓8.28	8.59
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↑8.60	8.51

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	↓11.86	12.04

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	↑8.43	8.35

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.
- Civil war in Iraq??

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 – CPI inflation cools to a still high 8.28%.

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.
- Middle eastern troubles, possibility of civil war in Iraq and its effect on oil prices.

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 ↑ France ↑ Germany India USA	UK	China ↑ Japan		
COMMODITIES		Nickel Zinc ↑	Crude Oil	Aluminium Copper Gold Lead Natural Gas Silver ↑		
CURRENCIES (against USD)		AUD ↑ GBP ↑ INR	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
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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 Teck ↑	IT	
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COMMODITIES	Nickel	Crude Oil ↑	Aluminium Zinc	Lead Natural Gas	Copper Gold 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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