

ShroffConnect Weekly Report

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Opinion as on 21/06/2014

World Markets –

- **Money flow:** The money flow is without any major trend although the tendency is towards stocks.
 - **Opinion on money flow:** Investors are nervous about the Iraqi conflict as large oil assets are under threat. The fear is that the fragile world economy may not be able to withstand an oil price hike. There is a distinct wait and watch attitude.
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Indian Market –

- **Stock market:** The stock market weakened a bit to close at 7511 Nifty.
- **Sectors:** IT, Healthcare and FMCG are underperforming.
- **Positives:** A strong government; changed business sentiment.
- **Negatives:** Deficient monsoon; increasing food inflation.
- **Opinion:** The markets are waiting to see how the new government can tackle the current issues of deficient monsoon and food inflation. They are awaiting laws and reforms which may be tough for some but good for the economy. They are clearly waiting for the government to prove that it is sensitive and yet can take tough decisions. Investors would do well to buy into this dip and wait for reforms in the budget session of Parliament.



Current news and world
financial market prices

Current scenario & news

World economy

- A further slowdown in euro zone inflation in May was confirmed on Monday, as the cost of telecommunication and food kept prices low, confirming a problem that the European Central Bank recently sought to stem.
- Wary of being criticised for not doing enough to wean the world's second-largest economy off its reliance on easy credit and heavy investment, authorities have ruled out major stimulus even as growth slowed to an 18-month low in the first quarter.
- Brent crude fell 27 cents to \$114.79 a barrel, after reaching \$115.71 on Thursday, the highest since September 2013.
- US stocks jumped to fresh records this week as the Federal Reserve's promise of continued low interest rates offset turmoil in Iraq that lifted oil prices.

Indian economy

- India's wholesale price inflation hit a five-month high in May, underscoring challenges facing the new government after Prime Minister Narendra Modi warned at the weekend that he will administer "bitter medicine" to revive the ailing economy.
- Effective from June 25, passenger fares across all classes are set to rise by 14.2 per cent, while freight rates will go up by 6.5 per cent.
- India's annual energy import bill could jump to USD 230 billion by FY'23 from the current USD 120 billion but could get reduced significantly by switching from oil to natural gas and improving conservation, says a report.
- If the ongoing crisis in Iraq continues for some more time, the country's current account deficit for this year may widen to 2.3 per cent of GDP due to rise in oil prices, says a report.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 21st June 2014	% Change
STOCKS	Brazil	Bovespa	54638.19	(0.31)
	China	Shanghai	2026.67	(2.13)
	France	CAC	4541.34	(0.04)
	Germany	DAX	9987.24	0.75
	India	Sensex	25105.51	(0.49)
	Japan	Nikkei	15349.42	1.67
	UK	FTSE	6825.20	0.70
	USA	DJIA	16947.10	1.02
COMMODITIES	Copper	\$/Pound	3.12	2.97
	Crude	\$/Barrel	106.83	(0.07)
	Gold	\$/Troy Ounce	1316.60	3.34
	Natural Gas	\$/MMBtu	4.53	(4.43)
	Silver	\$/Troy Ounce	20.95	6.56
	Aluminium	\$/Tonne	1886.00	2.22
	Lead	\$/Tonne	2130.00	2.16
	Nickel	\$/Tonne	18407.00	1.86
CURRENCIES	Zinc	\$/Tonne	2177.00	4.26
	USD/GBP		1.70	0.00
	USD/EUR		1.36	0.74
	USD/AUD		0.94	0.00
	JPY/USD		102.06	0.01
	INR/USD		60.16	0.77
	HKD/USD		7.75	0.00
	BRL/USD		2.23	0.45
BONDS	2 Year	US Treasury	109.99	0.01
	10 Year		124.27	(0.72)
	30 Year		135.34	(0.92)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 21st June 2014	% Change
STOCKS	Nifty	Large Cap	7511.45	(0.41)
	Sensex	Large Cap	25105.51	(0.49)
	BSE Midcap	Mid Cap	8961.96	0.29
	BSE Smallcap	Small Cap	9761.22	0.90
Some Major Shares	ACC	Rs/share	1438.00	(2.49)
	Bharti Airtel		338.75	1.64
	HDFC Ltd		969.05	(1.09)
	Infosys		3316.60	4.07
	L&T		1647.95	(2.25)
	Reliance Inds		1036.50	(4.20)
	Tata Motors		438.05	(0.05)
	Tata Steel		519.90	(1.08)
COMMODITIES	Aluminium	INR/Kg	111.60	2.72
	Copper	INR/Kg	415.45	3.64
	Crude	INR/Barrel	6460.00	0.95
	Gold	INR/10gms	27668.00	3.91
	Lead	INR/Kg	127.20	2.54
	Natural Gas	INR/1mmBtu	273.20	(4.04)
	Nickel	INR/Kg	1104.50	2.23
	Silver	INR/Kg	44570.00	6.44
	Zinc	INR/Kg	130.55	4.99
CURRENCIES	INR/EUR		81.81	1.19
	INR/GBP		102.33	1.05
	INR/100 JPY		59.00	1.72
	INR/USD		60.16	0.77



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 21/06/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.00	2.60
Inflation Rate	Monthly	↑2.10	2.00
Unemployment Rate	Monthly	6.30	6.30
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.62	2.60

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	↓0.62	0.65

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	↓4.08	4.09

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	↓0.59	0.61

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.10	2.70
Inflation Rate	Monthly	↓1.50	1.80
Unemployment Rate	Monthly	6.60	6.80
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑2.77	2.75

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	↑8.72	8.60

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	↑12.05	11.86

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	2.00
Inflation Rate	Monthly	7.60	7.30
Unemployment Rate	Monthly	↓4.90	5.30
Benchmark Interest Rate	Weekly	7.50	7.50
Govt. bond 10 year Rate	Weekly	↑8.52	8.43

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 cools to a still high 8.28%. WPI over 6%.
- Policy – Railway passenger fare and freight fare hiked.

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.
- Deficient monsoon.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

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

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

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