

ShroffConnect Weekly Report

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Opinion as on 28/06/2014

World Markets –

- **Money flow:** The money flow has been into stocks and long term treasuries and there is no change in the status.
 - **Opinion on money flow:** Easy money policies in Europe and Japan are feeding risk bearing assets. However, tensions in Iraq and Ukraine have resulted in some money flow into treasuries as well.
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Indian Market –

- **Stock market:** The market moved largely sideways to close at 7508 Nifty.
- **Sectors:** IT, FMCG and Healthcare are underperforming.
- **Positives:** Stable government.
- **Negatives:** Deficient monsoon, huge fiscal deficit and high inflation.
- **Opinion:** The task to improve the economy is cut out. Will the government have the guts to take bold and imaginative steps to kick-start the economy? We think it will. Investors would do well to get into good stocks on dips prior to the budget.



Current news and world
financial market prices

Current scenario & news

World economy

- Manufacturing in China and Japan shrugged off months of decline and returned to growth in June as Beijing's targeted stimulus measures and Japan's improving labour market supported domestic demand in Asia's two largest economies.
- The U.S. economy contracted at a much steeper pace than previously estimated in the first quarter to record its worst performance in five years, but there are indications that growth has since rebounded strongly.
- The dollar slid to a seven-week low as the yen strengthened and falling Treasury yields boosted demand for emerging-market currencies. U.S. stocks rose, paring a weekly loss for the Standard & Poor's 500 Index.
- Brazil's real posted its biggest weekly gain since March after the central bank said it will extend daily support for the currency for at least another six months as part of an effort to curb inflation.

Indian economy

- Prospects of economic recovery in India look bright following the formation of a stable government, though supply side issues need to be solved to help monetary policy bring down inflation, the Reserve Bank of India said.
- Shares of oil & gas companies fell on Thursday after the government deferred a decision on increasing natural gas prices by three months and squashed speculation about an imminent increase in prices of cooking gas and kerosene.
- Summer sowing tumbled nearly 48% and seasonal monsoon showers trailed the benchmark average by 42% until Friday, compounding worries of an inflation-wary government that is scrambling to deal with any drought-like situation this year.
- The Centre decided to give additional three months to state governments to implement the National Food Security Act, that gives two-thirds of the country's population the right to subsidised foodgrains.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 28th June 2014	% Change
STOCKS	Brazil	Bovespa	53157.30	(2.71)
	China	Shanghai	2036.51	0.49
	France	CAC	4436.99	(2.30)
	Germany	DAX	9815.17	(1.72)
	India	Sensex	25099.92	(0.02)
	Japan	Nikkei	15095.00	(1.66)
	UK	FTSE	6757.77	(0.99)
	USA	DJIA	16851.84	(0.56)
COMMODITIES	Copper	\$/Pound	3.15	0.96
	Crude	\$/Barrel	105.74	(1.02)
	Gold	\$/Troy Ounce	1320.00	0.26
	Natural Gas	\$/MMBtu	4.41	(2.65)
	Silver	\$/Troy Ounce	21.08	0.62
	Aluminium	\$/Tonne	1885.00	(0.05)
	Lead	\$/Tonne	2159.25	1.37
	Nickel	\$/Tonne	18906.00	2.71
CURRENCIES	Zinc	\$/Tonne	2185.00	0.37
	USD/GBP		1.70	0.00
	USD/EUR		1.36	0.00
	USD/AUD		0.94	0.00
	JPY/USD		101.36	(0.69)
	INR/USD		60.03	(0.22)
	HKD/USD		7.75	0.00
	BRL/USD		2.19	(1.79)
BONDS	2 Year	US Treasury	110.06	0.06
	10 Year		125.09	0.66
	30 Year		136.91	1.16

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 28th June 2014	% Change
STOCKS	Nifty	Large Cap	7508.80	(0.04)
	Sensex	Large Cap	25099.92	(0.02)
	BSE Midcap	Mid Cap	9205.17	2.71
	BSE Smallcap	Small Cap	10022.29	2.67
Some Major Shares	ACC	Rs/share	1429.70	(0.58)
	Bharti Airtel		331.70	(2.08)
	HDFC Ltd		976.10	0.73
	Infosys		3223.40	(2.81)
	L&T		1667.30	1.17
	Reliance Inds		1012.10	(2.35)
	Tata Motors		432.35	(1.30)
	Tata Steel		518.90	(0.19)
COMMODITIES	Aluminium	INR/Kg	111.00	(0.54)
	Copper	INR/Kg	417.85	0.58
	Crude	INR/Barrel	6364.00	(1.49)
	Gold	INR/10gms	27672.00	0.01
	Lead	INR/Kg	128.00	0.63
	Natural Gas	INR/1mmBtu	264.90	(3.04)
	Nickel	INR/Kg	1129.30	2.25
	Silver	INR/Kg	44529.00	(0.09)
	Zinc	INR/Kg	131.40	0.65
CURRENCIES	INR/EUR		81.92	0.13
	INR/GBP		102.25	(0.08)
	INR/100 JPY		59.00	0.00
	INR/USD		60.03	(0.22)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 28/06/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.50	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	↓2.52	2.62

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	↓0.59	0.62

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	↓4.07	4.08

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.00	2.50
Inflation Rate	Monthly	↑3.70	3.40
Unemployment Rate	Monthly	↓3.50	3.60
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↓0.56	0.59

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.00	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	↓2.64	2.77

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	↑8.75	8.72

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	↑12.16	12.05

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	↓8.43	8.52

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?? Fresh tension in Ukraine??

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.
- Monsoon is highly deficient in June, but is expected to improve in July.

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		Natural Gas ↓	
	Zinc	Crude Oil	Gold			
			Lead			
			Silver			
CURRENCIES	AUD	HKD			EUR	
(against USD)	BRL ↑	INR				
	GBP	JPY ↑				
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		Crude Oil	Aluminium ↓ Copper ↑ Lead ↑ Silver Zinc	Natural Gas	Gold
CURRENCIES (against INR)				GBP JPY	EUR USD	

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

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