

ShroffConnect Weekly Report

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Opinion as on 05/07/2014

World Markets –

- **Money flow:** The money is flowing towards stocks.
 - **Opinion on money flow:** It is clear that the developed economies do not want to get into any armed conflicts in Ukraine or in Iraq. They are expressing their indignation but are reluctant to burden their stuttering economies with extra costs. The interest regime continues to remain low and money is freely available. Hence, investors are once again buying stocks.
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Indian Market –

- **Stock market:** The stock market closed at an all time high of 7751 Nifty.
- **Sectors:** IT and FMCG are underperforming.
- **Positives:** FII buying and pro-active government.
- **Negatives:** High food inflation, high fiscal deficit and deficient monsoon.
- **Opinion:** The new government is facing huge economic headwinds and will need to prove its capability. It has inherited a messy economy and is faced with a deficient monsoon. The government is taking steps from the supply side to curtail inflation, and this is the right direction. Investors are very positive. The next three months should see further appreciation of the market and investors would do well to remain invested even if the market is volatile in the short term.



Current news and world
financial market prices

Current scenario & news

World economy

- U.S. employment growth jumped in June and the jobless rate closed in on a six-year low, decisive evidence the economy was growing briskly heading into the second half of the year.
- Manufacturing activity in Asia's industrial powerhouses China and Japan gained pace in June, fuelled mainly by improving demand at home, but a long-awaited bounce in exports remained slow in coming.
- Activity in China's services sector expanded at its fastest pace in 15 months in June, reinforcing signs that the broader economy is stabilising.
- The global economy ended the first half on a high as business activity picked up in June, with new orders pouring in at their fastest rate in over three years, a survey showed.
- Emerging-market stocks posted the biggest weekly gain in a month as U.S. jobs data bolstered the outlook for exports from developing nations.

Indian economy

- India's private sector output witnessed significant uptrend in June as both manufacturing and services sector registered solid rate of expansion, driven by robust order flows and stronger business sentiment.
- The Oil Ministry is likely to move the Cabinet Committee on Political Affairs (CCPA) soon with an expert panel recommendations of raising kerosene price by Rs 4 a litre and cooking gas (LPG) rates by Rs 250 per cylinder.
- Diesel prices are likely to be completely deregulated over the next 12 months as monthly increase in rates bridge the gap between cost and retail price, rating agency Moody's said on Wednesday.
- The fast-moving consumer goods (FMCG) sector wants an early rollout of the goods-and-services tax, which, it hopes, will streamline taxes levied on companies, remove cascades apart from boosting economic growth and consumption.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 5th July 2014	% Change
STOCKS	Brazil	Bovespa	54055.90	1.69
	China	Shanghai	2059.38	1.12
	France	CAC	4468.98	0.72
	Germany	DAX	10009.08	1.98
	India	Sensex	25962.06	3.43
	Japan	Nikkei	15437.13	2.27
	UK	FTSE	6866.05	1.60
	USA	DJIA	17068.26	1.28
COMMODITIES	Copper	\$/Pound	3.28	4.13
	Crude	\$/Barrel	104.06	(1.59)
	Gold	\$/Troy Ounce	1320.60	0.05
	Natural Gas	\$/MMBtu	4.41	0.00
	Silver	\$/Troy Ounce	21.14	0.28
	Aluminium	\$/Tonne	1923.00	2.02
	Lead	\$/Tonne	2182.75	1.09
	Nickel	\$/Tonne	19370.00	2.45
	Zinc	\$/Tonne	2237.50	2.40
CURRENCIES	USD/GBP		1.72	1.18
	USD/EUR		1.36	0.00
	USD/AUD		0.94	0.00
	JPY/USD		102.10	0.73
	INR/USD		59.72	(0.52)
	HKD/USD		7.75	0.00
	BRL/USD		2.21	0.91
BONDS	2 Year	US Treasury	109.66	(0.36)
	10 Year		124.22	(0.70)
	30 Year		135.00	(1.40)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 5th July 2014	% Change
STOCKS	Nifty	Large Cap	7751.60	3.23
	Sensex	Large Cap	25962.06	3.43
	BSE Midcap	Mid Cap	9545.75	3.70
	BSE Smallcap	Small Cap	10508.03	4.85
Some Major Shares	ACC	Rs/share	1450.95	1.49
	Bharti Airtel		339.25	2.28
	HDFC Ltd		1013.10	3.79
	Infosys		3245.95	0.70
	L&T		1742.70	4.52
	Reliance Inds		1031.95	1.96
	Tata Motors		469.45	8.58
	Tata Steel		536.60	3.41
COMMODITIES	Aluminium	INR/Kg	114.15	2.84
	Copper	INR/Kg	435.10	4.13
	Crude	INR/Barrel	6222.00	(2.23)
	Gold	INR/10gms	27557.00	(0.42)
	Lead	INR/Kg	129.80	1.41
	Natural Gas	INR/1mmBtu	262.20	(1.02)
	Nickel	INR/Kg	1158.00	2.54
	Silver	INR/Kg	44412.00	(0.26)
	Zinc	INR/Kg	133.50	1.60
CURRENCIES	INR/EUR		81.18	(0.90)
	INR/GBP		102.47	0.22
	INR/100 JPY		58.00	(1.69)
	INR/USD		59.72	(0.52)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 05/07/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.50	2.60
Inflation Rate	Monthly	2.10	2.00
Unemployment Rate	Monthly	↓6.10	6.30
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.64	2.52

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.50
Inflation Rate	Monthly	0.50	0.50
Unemployment Rate	Monthly	11.60	11.60
Benchmark Interest Rate	Weekly	0.15	0.15
Govt. bond 10 year Rate	Weekly	↓0.57	0.59

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	↑4.21	4.07

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	0.56

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	↑2.87	2.64

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	↓8.66	8.75

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	↓12.08	12.16

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	2.00
Inflation Rate	Monthly	↑7.80	7.60
Unemployment Rate	Monthly	4.90	5.30
Benchmark Interest Rate	Weekly	7.50	7.50
Govt. bond 10 year Rate	Weekly	↓8.40	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 – PMI numbers are better. 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%.
- RBI holds interest rates. FII buying into govt. bonds in a big way.
- 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. Petrol and diesel prices also 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.
- 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 (against USD)	AUD		BRL ↓		EUR	
	GBP		INR			
	HKD ↑		JPY			
BONDS (US Treasury)				10 Year	2 Year ↓	
				30 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 Healthcare ↑ Metal Oil & Gas Power Realty			FMCG IT Teck		
COMMODITIES	Nickel		Crude Oil Zinc ↑	Aluminium Copper Lead Silver	Gold ↑ Natural Gas	
CURRENCIES (against INR)				GBP JPY	EUR USD	

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

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