

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 12/07/2014

World Markets –

- **Money flow:** The money is flowing out of stocks in Europe but into stocks in the USA.
 - **Opinion on money flow:** The default of a Portugal institution spooked investors somewhat who sold stocks. In US the economic recovery continues with some great unemployment numbers.
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Indian Market –

- **Stock market:** The stock market fell dramatically to close at 7459 Nifty.
- **Sectors:** IT, Oil & Gas and FMCG are underperforming.
- **Positives:** Government concentrating on governance.
- **Negatives:** Deficient monsoon, high inflation.
- **Opinion:** The interim budget presented by the new BJP led government evoked mixed reactions. The new government did not come out with any major reform announcements probably with a view to putting its house in order prior to embarking on a spending programme. It did say that its thrust areas will be power and infrastructure. Investors would do well to hold on and wait and watch for a couple of weeks before taking a call on new and existing positions.



Current news and world
financial market prices

Current scenario & news

World economy

- Asian equities rose and the dollar dipped on Thursday, after the Federal Reserve indicated that it was not in a rush to end quantitative easing and begin hiking rates.
- The Standard & Poor's 500 index completed its worst week since April, as signs of financial stress in Europe and speculation the recent rally is overdone pulled stocks down from record levels.
- China's consumer inflation cooled slightly more than expected in June, pointing to lingering weakness in the economy which could prompt Beijing to launch further stimulus measures to shore up growth.
- Ukraine, Russia and the European Union sat down Friday for a first round of talks intended to reassure Moscow on the consequences of tighter trade links between Kiev and Brussels.

Indian economy

- Government on Saturday said the Budget 2014-15 has brought about clarity in tax policies and it will walk the difficult path to bring growth impulses back into the economy amidst fiscal constraints.
- Driven by improved performance of the manufacturing sector, industrial production growth soared to 19-month high of 4.7 percent in May raising hopes of a sustained recovery.
- Weak rainfall in India since the start last month of the monsoon season, crucial to the country's agricultural earnings, has raised concerns of a first drought in five years, although weather experts are hopeful rains will revive in the next week.
- The government kicked off initiatives to develop smart cities, airport and highways, and announced big energy investments along with a promise to decontrol diesel in a year.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 12th July 2014	% Change
STOCKS	Brazil	Bovespa	54785.93	1.35
	China	Shanghai	2046.96	(0.60)
	France	CAC	4316.50	(3.41)
	Germany	DAX	9666.34	(3.42)
	India	Sensex	25024.35	(3.61)
	Japan	Nikkei	15164.04	(1.77)
	UK	FTSE	6690.17	(2.56)
	USA	DJIA	16943.80	(0.73)
COMMODITIES	Copper	\$/Pound	3.27	(0.30)
	Crude	\$/Barrel	100.83	(3.10)
	Gold	\$/Troy Ounce	1337.40	1.27
	Natural Gas	\$/MMBtu	4.15	(5.90)
	Silver	\$/Troy Ounce	21.46	1.51
	Aluminium	\$/Tonne	1939.00	0.83
	Lead	\$/Tonne	2206.00	1.07
	Nickel	\$/Tonne	19380.00	0.05
CURRENCIES	Zinc	\$/Tonne	2303.00	2.93
	USD/GBP		1.71	(0.58)
	USD/EUR		1.36	0.00
	USD/AUD		0.94	0.00
	JPY/USD		101.36	(0.72)
	INR/USD		60.08	0.60
	HKD/USD		7.75	0.00
	BRL/USD		2.22	0.45
BONDS	2 Year	US Treasury	109.79	0.12
	10 Year		125.22	0.81
	30 Year		137.38	1.76

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 12th July 2014	% Change
STOCKS	Nifty	Large Cap	7459.60	(3.77)
	Sensex	Large Cap	25024.35	(3.61)
	BSE Midcap	Mid Cap	8875.24	(7.02)
	BSE Smallcap	Small Cap	9688.11	(7.80)
Some Major Shares	ACC	Rs/share	1424.70	(1.81)
	Bharti Airtel		335.50	(1.11)
	HDFC Ltd		989.65	(2.31)
	Infosys		3326.65	2.49
	L&T		1574.35	(9.66)
	Reliance Inds		966.50	(6.34)
	Tata Motors		445.95	(5.01)
	Tata Steel		501.90	(6.47)
COMMODITIES	Aluminium	INR/Kg	115.80	1.45
	Copper	INR/Kg	436.55	0.33
	Crude	INR/Barrel	6070.00	(2.44)
	Gold	INR/10gms	28356.00	2.90
	Lead	INR/Kg	132.10	1.77
	Natural Gas	INR/1mmBtu	250.10	(4.61)
	Nickel	INR/Kg	1163.70	0.49
	Silver	INR/Kg	46068.00	3.73
	Zinc	INR/Kg	137.95	3.33
CURRENCIES	INR/EUR		81.76	0.71
	INR/GBP		102.87	0.39
	INR/100 JPY		59.00	1.72
	INR/USD		60.08	0.60



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 12/07/2014

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	↓2.51	2.64

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	↓0.51	0.57

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.40	7.70
Inflation Rate	Monthly	↓2.30	2.50
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↓4.19	4.21

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	↓0.53	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	↓2.72	2.87

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	↑8.77	8.66

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	2.20
Inflation Rate	Monthly	↑6.52	6.37
Unemployment Rate	Monthly	4.90	5.00
Benchmark Interest Rate	Weekly	11.00	11.00
Govt. bond 10 year Rate	Weekly	↑12.15	12.08

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑1.20	0.90
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	↑8.58	8.40

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 – Interim budget presented in Parliament. No big reforms.
- 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 India USA		Japan ↑	China France ↓ Germany ↓ UK ↓		
COMMODITIES	Nickel Zinc		Aluminium	Copper Crude Oil ↓ Gold Lead Silver	Natural Gas	
CURRENCIES (against USD)	AUD GBP HKD		BRL INR JPY	EUR ↑		
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
INDICES	Mid Cap Nifty Sensex Small Cap					
SECTORS	Auto Bankex Cap Goods Cons Durable Healthcare Metal Power Realty		Oil & Gas ↓	FMCG IT Teck		
COMMODITIES	Nickel		Aluminium ↑ Zinc	Copper Crude Oil ↓ Gold ↑ Lead Silver	Natural Gas	
CURRENCIES (against INR)				EUR ↑ GBP JPY	USD	

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

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