

ShroffConnect Weekly Report

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Opinion as on 19/07/2014

World Markets –

- **Money flow:** The money is flowing into stocks except for Eurozone where it has flown out of stocks.
 - **Opinion on money flow:** The political disturbances in Europe coupled with the default of a Portuguese bank has spooked investors out of stocks although the rest of the world is seemingly unaffected by these events. The shooting down of a passenger plane over Ukraine by rebels did not help matters.
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Indian Market –

- **Stock market:** The stock market rallied somewhat to end at 7663 Nifty.
- **Sectors:** IT & FMCG are underperforming.
- **Positives:** Government initiatives on FDI in defence sector.
- **Negatives:** Deficient monsoon, high interest rates.
- **Opinion:** The government has taken small steps to free up the economy even after announcing a lack luster budget. It has given a green signal to welcome FDI into the defence sector. The PM attended a meeting with the BRICS heads of state and agreed to set up a Development Bank on the lines of the IMP. This seemingly small event has put forward a message to the world that India, once again, is ready to engage with it on practical terms. Investors should hold onto their investments and look out for sectors which might outperform.



Current news and world
financial market prices

Current scenario & news

World economy

- China's economic growth accelerated for the first time in three quarters after the government sped up spending and freed up more money for loans to counter a property slump.
- U.S. manufacturing output rose at its fastest pace in more than two years in the second quarter, suggesting the economy was regaining enough momentum to lift growth throughout the year.
- The pound gained versus the euro this week as reports strengthened speculation that the U.K. economy is recovering fast enough to withstand tighter monetary policy while other European economies require more stimulus.
- A failure by Argentina to avoid a second default in 13 years will deepen the recession, fuel inflation and prompt a selloff in the peso, according to Claudio Loser, a former International Monetary Fund director.

Indian economy

- Exports grew in double digits for the second month in a row in June at 10.22 percent, but a rise in gold imports pushed the trade deficit to 11-month high of USD 11.76 billion.
- India's wholesale price inflation (WPI) in June eased to a four-month low of 5.43 percent while food inflation eased marginally in June at 8.14 percent as compared to 9.5 percent previous month.
- The Reserve Bank of India said it will allow long-term bonds raised by banks for infrastructure lending to be exempted from mandatory reserve requirements, in line with the government's announcement in the budget last week.
- Based on the recommendations of Foreign Investment Promotion Board (FIPB) in its meeting held on June 11, 2014, Government has approved 19 proposals of foreign direct investment (FDI) amounting to Rs 2326.72 crore approximately.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 19th July 2014	% Change
STOCKS	Brazil	Bovespa	57012.90	4.06
	China	Shanghai	2059.07	0.59
	France	CAC	4335.31	0.44
	Germany	DAX	9720.02	0.56
	India	Sensex	25641.56	2.47
	Japan	Nikkei	15215.71	0.34
	UK	FTSE	6749.45	0.89
	USA	DJIA	17100.20	0.92
COMMODITIES	Copper	\$/Pound	3.18	(2.75)
	Crude	\$/Barrel	103.13	2.28
	Gold	\$/Troy Ounce	1309.40	(2.09)
	Natural Gas	\$/MMBtu	3.95	(4.82)
	Silver	\$/Troy Ounce	20.89	(2.66)
	Aluminium	\$/Tonne	1981.00	2.17
	Lead	\$/Tonne	2187.00	(0.86)
	Nickel	\$/Tonne	18663.00	(3.70)
CURRENCIES	Zinc	\$/Tonne	2294.00	(0.39)
	USD/GBP		1.71	0.00
	USD/EUR		1.35	(0.74)
	USD/AUD		0.94	0.00
	JPY/USD		101.32	(0.04)
	INR/USD		60.28	0.33
	HKD/USD		7.75	0.00
	BRL/USD		2.22	0.00
BONDS	2 Year	US Treasury	109.73	(0.05)
	10 Year		125.28	0.05
	30 Year		138.06	0.49

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 19th July 2014	% Change
STOCKS	Nifty	Large Cap	7663.90	2.74
	Sensex	Large Cap	25641.56	2.47
	BSE Midcap	Mid Cap	9252.80	4.25
	BSE Smallcap	Small Cap	10180.84	5.09
Some Major Shares	ACC	Rs/share	1461.20	2.56
	Bharti Airtel		336.25	0.22
	HDFC Ltd		983.00	(0.67)
	Infosys		3251.55	(2.26)
	L&T		1686.50	7.12
	Reliance Inds		976.75	1.06
	Tata Motors		475.30	6.58
	Tata Steel		563.00	12.17
COMMODITIES	Aluminium	INR/Kg	118.70	2.50
	Copper	INR/Kg	426.15	(2.38)
	Crude	INR/Barrel	6209.00	2.29
	Gold	INR/10gms	27993.00	(1.28)
	Lead	INR/Kg	131.15	(0.72)
	Natural Gas	INR/1mmBtu	237.80	(4.92)
	Nickel	INR/Kg	1122.00	(3.58)
	Silver	INR/Kg	44931.00	(2.47)
	Zinc	INR/Kg	138.20	0.18
CURRENCIES	INR/EUR		81.52	(0.29)
	INR/GBP		102.99	0.12
	INR/100 JPY		59.00	0.00
	INR/USD		60.28	0.33



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 19/07/2014

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	↓2.47	2.51

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	↓0.46	0.51

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑7.50	7.40
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	↑4.23	4.19

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	0.53

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.00	2.70
Inflation Rate	Monthly	↑1.90	1.50
Unemployment Rate	Monthly	↓6.50	6.60
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	2.72	2.72

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.60	4.70
Inflation Rate	Monthly	↓7.31	8.28
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	8.77	8.77

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	↓11.97	12.15

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	4.90
Benchmark Interest Rate	Weekly	7.50	7.50
Govt. bond 10 year Rate	Weekly	↑9.01	8.58

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.
- India takes initiative to set up BRICS' New Development Bank.
- Politics – BJP has won the elections emphatically.
- Inflation – CPI cools to a 7.3%. WPI under 6%.
- Policy – Interim budget presented in Parliament. No big reforms. FDI in defence flagged off.
- Monsoon has improved to 15% deficient from 43% deficient.

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	Aluminium ↑ Nickel Zinc		Copper Crude Oil Gold Lead Silver	Natural Gas	
CURRENCIES (against USD)	GBP	AUD ↓ BRL HKD ↓ JPY	INR ↓	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 Teck ↑	FMCG IT		
COMMODITIES	Nickel Zinc ↑		Aluminium	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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