

ShroffConnect Weekly Report

26th Jul, 2014



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Opinion as on 26/07/2014

World Markets –

- **Money flow:** The money is flowing into stocks and long term treasuries.
 - **Opinion on money flow:** Investors all over the world, except Europe, are investing into stocks on easy money policies / improved economies. Some of them are, however, banking on long term US treasuries and these are probably looking for safety based on rumours of defaults by banks in Europe.
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Indian Market –

- **Stock market:** The stock market see-sawed to close at 7790 Nifty.
- **Sectors:** IT, Oil & Gas and FMCG are underperforming.
- **Positives:** Positive outlook and FII buying.
- **Negatives:** High interest rates.
- **Opinion:** The government is taking baby steps to improve the business environment. They have made it amply clear that the government is a mere facilitator of business and not in business itself. Investors should probably take a longer term view and stay invested for now but be cautious at the same time.



Current news and world
financial market prices

Current scenario & news

World economy

- Euro-area manufacturing and services activity strengthened in a sign of confidence that fresh stimulus by the European Central Bank will consolidate a fledgling economic recovery.
- A key measure of Chinese manufacturing activity hit an 18-month high in July, in a further sign the world's second-largest economy is gaining momentum on the back of Beijing's mini-stimulus.
- Japan's exports unexpectedly fell in June for a second straight month, weighed down by a drop in shipments to Asia and the United States, signalling that weak external demand may require bolder domestic policies to sustain the recovery.
- Brazil's central bank on Friday announced measures to inject as much as 45 billion reais (\$20 billion) in credit into the country's ailing economy, which is weighed down by the highest borrowing costs in nearly three years.
- The euro pulled off eight-month lows against the dollar on Thursday after the bloc's private sector expanded at its fastest rate in three months in July.

Indian economy

- The government may soon take a decision on easing FDI in Railways and Defence sectors, with the Department of Industrial Policy and Promotion awaiting final comments from the concerned ministries to put these proposals for consideration of the Union Cabinet.
- Foreign investors are bullish on India with likely boost in economic growth coupled with lower inflation and current account deficit and expecting the country to outperform other emerging markets, says a research report.
- Borrowings by Indian firms declined by over 3 percent from a year ago to USD 1.89 billion in June 2014. During June 2013, India Inc had raised USD 1.95 billion from overseas markets by way of external commercial borrowings.
- Indirect tax mop up inched up by 4.5% in the April-June quarter of the current fiscal due to decline in custom duty and excise duty collections, reflecting slump in manufacturing activity.
- Amongst Brazil, Russia, India, China and South Africa - only India avoided an IMF ratings downgrade, as business sentiment recovers after the country's election.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 26th July 2014	% Change
STOCKS	Brazil	Bovespa	57821.08	1.42
	China	Shanghai	2126.61	3.28
	France	CAC	4330.55	(0.11)
	Germany	DAX	9644.01	(0.78)
	India	Sensex	26126.75	1.89
	Japan	Nikkei	15457.87	1.59
	UK	FTSE	6791.55	0.62
	USA	DJIA	16960.57	(0.82)
COMMODITIES	Copper	\$/Pound	3.24	1.89
	Crude	\$/Barrel	102.09	(1.01)
	Gold	\$/Troy Ounce	1303.30	(0.47)
	Natural Gas	\$/MMBtu	3.78	(4.30)
	Silver	\$/Troy Ounce	20.64	(1.20)
	Aluminium	\$/Tonne	2008.00	1.36
	Lead	\$/Tonne	2265.00	3.57
	Nickel	\$/Tonne	19160.00	2.66
	Zinc	\$/Tonne	2420.00	5.49
CURRENCIES	USD/GBP		1.70	(0.58)
	USD/EUR		1.34	(0.74)
	USD/AUD		0.94	0.00
	JPY/USD		101.82	0.49
	INR/USD		60.04	(0.40)
	HKD/USD		7.75	0.00
	BRL/USD		2.23	0.45
BONDS	2 Year	US Treasury	109.71	(0.02)
	10 Year		125.31	0.02
	30 Year		138.66	0.43

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 26th July 2014	% Change
STOCKS	Nifty	Large Cap	7790.45	1.65
	Sensex	Large Cap	26126.75	1.89
	BSE Midcap	Mid Cap	9178.21	(0.81)
	BSE Smallcap	Small Cap	10037.17	(1.41)
Some Major Shares	ACC	Rs/share	1440.00	(1.45)
	Bharti Airtel		354.80	5.52
	HDFC Ltd		1067.75	8.62
	Infosys		3352.20	3.10
	L&T		1658.00	(1.69)
	Reliance Inds		1021.85	4.62
	Tata Motors		461.10	(2.99)
	Tata Steel		557.60	(0.96)
COMMODITIES	Aluminium	INR/Kg	119.60	0.76
	Copper	INR/Kg	431.95	1.36
	Crude	INR/Barrel	6150.00	(0.95)
	Gold	INR/10gms	27938.00	(0.20)
	Lead	INR/Kg	135.95	3.66
	Natural Gas	INR/1mmBtu	227.10	(4.50)
	Nickel	INR/Kg	1148.60	2.37
	Silver	INR/Kg	44281.00	(1.45)
	Zinc	INR/Kg	144.05	4.23
CURRENCIES	INR/EUR		80.63	(1.09)
	INR/GBP		101.91	(1.05)
	INR/100 JPY		59.00	0.00
	INR/USD		60.04	(0.40)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 26/07/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.50	2.60
Inflation Rate	Monthly	2.10	2.10
Unemployment Rate	Monthly	6.10	6.30
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.50	2.47

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	↑0.49	0.46

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	↑4.33	4.23

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.00	2.50
Inflation Rate	Monthly	↓3.60	3.70
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	↑3.10	3.00
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	↓2.68	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	↓8.67	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	↓11.70	11.97

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	↑8.00	7.50
Govt. bond 10 year Rate	Weekly	↑9.21	9.01

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?? Israel conflict??

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		Japan	China		
	India			France		
	USA			Germany		
				UK		
COMMODITIES	Aluminium		Gold ↑	Copper		Natural Gas ↓
	Nickel		Silver ↑	Crude Oil		
	Zinc			Lead		
CURRENCIES (against USD)	AUD ↑		BRL	INR	EUR	
	GBP		HKD			
			JPY			
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		FMCG ↑ IT ↑ Oil & Gas Teck			
COMMODITIES	Aluminium ↑ Nickel Zinc		Silver ↑	Copper Crude Oil Gold Lead		Natural Gas ↓
CURRENCIES (against INR)			GBP ↑	JPY USD	EUR ↓	

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

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