

ShroffConnect Weekly Report

2nd Aug, 2014



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

(for private circulation only)

Opinion as on 02/08/2014

World Markets –

- **Money flow:** The money flow is a mixed bag with emerging market equities outperforming developed markets during the last week.
 - **Opinion on money flow:** Developed economies have used easy liquidity to shore up their economies. The results are not showing in the bottom lines of companies and hence, there is some profit taking happening.
-

Indian Market –

- **Stock market:** The stock market eased to just over 7600 Nifty.
- **Sectors:** Healthcare, Auto, Banks and Consumer Durables are outperforming.
- **Positives:** Small steps by the government to decrease bottlenecks for businesses.
- **Negatives:** High interest rates, high fiscal deficits.
- **Opinion:** The government has been short in delivering and although the steps taken are not retrograde, they are not inspiring either. It is necessary to understand that the government is quite young and that the new team is still getting used to the idea of governance. However, they should follow up the rhetoric with concrete steps if they are to maintain the tempo which has built up in recent months. Investors should stay put through this short term correction in the markets.



Current news and world
financial market prices

Current scenario & news

World economy

- The U.S. economy rebounded sharply in the second quarter as consumers stepped up spending and businesses restocked, putting it on course to close out the year on solid footing.
- Manufacturing activity in China and most of Asia gathered pace in July, while expansion slowed in Europe but remained healthy in the United States.
- China's factories posted their strongest growth in at least 1-1/2 years in July as new orders surged to multi-month highs, cementing bets that the economy is re-gaining momentum after a spate of stimulus measures.
- Asian currencies completed their biggest weekly decline in three months as data signaling a strengthening U.S. recovery boosted demand for the dollar.
- Argentine bonds posted the biggest two-day loss since 2012 as a committee ruled that the failure to pay interest will trigger \$1 billion of credit-default swaps.

Indian economy

- India's factory activity expanded at its fastest pace in 17 months in July as firms responded to burgeoning new orders by increasing output even as input prices jumped sharply, a business survey showed on Friday.
- India's fiscal deficit in the first quarter of the 2014/15 financial year touched 2,978.59 billion rupees (\$49.2 billion), or 56.1 percent of the full-year target.
- The Reserve Bank of India (RBI) is likely to leave its key interest rate unchanged on August 5 and won't ease policy until early next year on fears food inflation will spike if monsoon rains are below average.
- Losses on the sale of diesel have dropped to an all-time low of Rs 1.33 per litre, bringing the prospect of deregulation of the nation's most consumed fuel within sniffing distance.
- Core sector output rose at its fastest pace in nine months in June, adding to the increasing signs that the rebound in the industrial growth in the first two months could be taking deeper root and the economy is on the mend.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 2nd Aug 2014	% Change
STOCKS	Brazil	Bovespa	55902.87	(3.32)
	China	Shanghai	2185.30	2.76
	France	CAC	4202.78	(2.95)
	Germany	DAX	9210.08	(4.50)
	India	Sensex	25480.84	(2.47)
	Japan	Nikkei	15523.11	0.42
	UK	FTSE	6679.18	(1.65)
	USA	DJIA	16493.40	(2.75)
COMMODITIES	Copper	\$/Pound	3.21	(0.93)
	Crude	\$/Barrel	97.88	(4.12)
	Gold	\$/Troy Ounce	1294.80	(0.65)
	Natural Gas	\$/MMBtu	3.80	0.53
	Silver	\$/Troy Ounce	20.37	(1.31)
	Aluminium	\$/Tonne	1982.00	(1.29)
	Lead	\$/Tonne	2220.00	(1.99)
	Nickel	\$/Tonne	18422.00	(3.85)
CURRENCIES	Zinc	\$/Tonne	2338.00	(3.39)
	USD/GBP		1.68	(1.18)
	USD/EUR		1.34	0.00
	USD/AUD		0.93	(1.06)
	JPY/USD		102.61	0.78
	INR/USD		61.20	1.93
	HKD/USD		7.75	0.00
	BRL/USD		2.26	1.35
BONDS	2 Year	US Treasury	109.84	0.12
	10 Year		125.25	(0.05)
	30 Year		137.94	(0.52)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 2nd Aug 2014	% Change
STOCKS	Nifty	Large Cap	7602.60	(2.41)
	Sensex	Large Cap	25480.84	(2.47)
	BSE Midcap	Mid Cap	9114.33	(0.70)
	BSE Smallcap	Small Cap	9890.97	(1.46)
Some Major Shares	ACC	Rs/share	1375.55	(4.48)
	Bharti Airtel		380.05	7.12
	HDFC Ltd		1039.65	(2.63)
	Infosys		3341.30	(0.33)
	L&T		1468.70	(11.42)
	Reliance Inds		976.30	(4.46)
	Tata Motors		440.00	(4.58)
	Tata Steel		548.75	(1.59)
COMMODITIES	Aluminium	INR/Kg	121.20	1.34
	Copper	INR/Kg	435.25	0.76
	Crude	INR/Barrel	5974.00	(2.86)
	Gold	INR/10gms	28054.00	0.42
	Lead	INR/Kg	136.25	0.22
	Natural Gas	INR/1mmBtu	233.90	2.99
	Nickel	INR/Kg	1126.70	(1.91)
	Silver	INR/Kg	44427.00	0.33
	Zinc	INR/Kg	143.20	(0.59)
CURRENCIES	INR/EUR		82.18	1.92
	INR/GBP		102.94	1.01
	INR/100 JPY		60.00	1.69
	INR/USD		61.20	1.93



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 02/08/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑2.40	1.90
Inflation Rate	Monthly	2.10	2.10
Unemployment Rate	Monthly	↑6.20	6.10
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.55	2.50

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.90	0.50
Inflation Rate	Monthly	↓0.40	0.50
Unemployment Rate	Monthly	↓11.50	11.60
Benchmark Interest Rate	Weekly	0.15	0.15
Govt. bond 10 year Rate	Weekly	↓0.47	0.49

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	↓4.30	4.33

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.00	2.50
Inflation Rate	Monthly	3.60	3.70
Unemployment Rate	Monthly	↑3.70	3.50
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	2.68

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	↑8.75	8.67

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	↑12.18	11.70

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	↑9.62	9.21

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.

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

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

Disclaimer

- This report or newsletter (collectively called 'Report') is for private circulation only. The content, information, statements, opinion, statistics, newsletters, reports and material (collectively called 'Content') contained in this Report does not constitute a recommendation, advice, an offer or solicitation for the purchase or sale of any stocks, commodities, foreign exchange, bonds, mutual funds, debt instruments, financial instruments or any investment products (collectively called 'Securities').
- All Content contained herein are provided "as is" for informational purposes only, and is not intended for trading purposes or advice. The Content provided is based on historical data. The past is not necessarily a guide to the future values and prices. No guarantee, representation or warranty whatsoever is made by M/s Aditya Shroff or M/s Shroff Securities Private Limited, their subsidiaries, group entities, owners, directors, partners, officers or employees (collectively called 'the Companies & Others') regarding the timeliness, quality, completeness, accuracy, adequacy, fullness, functionality or reliability of the Content contained in this Report or of the results obtained from the use of such Content and no warranties whether express or implied, responsibility or liability, contingent or otherwise of any kind and nature whatsoever regarding the accuracy, quality, performance, merchantability and/or fitness for a particular purpose of the Content contained herein or of the results obtained from the use of such Content, the security suitability for the investor, accounting and tax consequences of investing in Securities or the future value developments of such Securities.
- The Content provided in this report thus provides non-binding Content for which the Companies & Others disclaim liability. Transacting in Securities carries a great deal of risk. Readers and recipients should take independent professional advice before doing any transaction(s). The Companies & Others shall not be liable for any informational errors, incompleteness, or delays, or for any actions taken in reliance on Content contained herein.