

ShroffConnect Weekly Report

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Opinion as on 16/08/2014

World Markets –

- **Money flow:** The money is flowing out of stocks and into treasuries.
 - **Opinion on money flow:** The easy money flowing from the Fed is going to end. There is a good chance that the interest rate may increase. The European growth rate is nil or near about there. There is unrest in Ukraine and the Middle East. Naturally investors are going for safety and hence, money is flowing into treasuries.
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Indian Markets –

- **Stock market:** The market rallied to close at 7791 Nifty.
- **Sectors:** IT, FMCG, Healthcare, Auto and Consumer Durables are outperforming.
- **Positives:** Good results from the defensive stocks and Auto sector.
- **Negatives:** Poor results from the Infra and Cap Goods space; delayed reforms.
- **Opinion:** The first session of Parliament under the new government ended on the 14th with the Insurance bill being referred to a Parliamentary committee. Whilst the intention of the new government is there, their weakness in terms of numbers in the Rajya Sabha has been exposed. It seems that whatever will require Parliamentary approval, be it land reforms, labour reforms or mining reforms can easily get derailed. This is not good news. Investors need to pull out some cash from the market / book profits and to wait for a trend to develop before re-entering.



Current news and world
financial market prices

Current scenario & news

World economy

- Europe's largest economy Germany suffered a surprise contraction in the second quarter, raising doubts about whether it can prop up growth across a continent where tougher sanctions against Russia are already fuelling business anxiety.
- China's economy showed further signs of softening in July despite a burst of government stimulus measures, suggesting more policy support may be needed to keep growth on track as a property downturn worsens.
- Growth was weaker in much of the EU's emerging east in the second quarter, auguring a broad slowdown for the rest of the year as western Europe struggles and the whole region starts to feel the impact of the Ukraine crisis.
- Treasuries gained on escalating tensions in Ukraine, while U.S. stocks erased declines as oil prices jumped. The yen rose amid demand for haven assets.

Indian economy

- India's wholesale price inflation eased to a five-month low in July, helped by a moderation in fuel costs, but soaring prices for vegetables and fruit are likely to fuel inflationary pressures following the weak start to monsoon season rains.
- Industrial output slowed in June, though expanding for a third straight month, its best run since last September, boosting Asia's third-largest economy as it struggles to emerge from the longest spell of sub-par growth in a quarter-century.
- The government has slashed the borrowing target for April-September by Rs. 16,000 crore with the objective to provide more liquidity in the system.
- Exports rose for the fourth straight month in July, benefiting from a stronger global economy, and non-oil, non-gold imports gathered pace, offering another sign that the economy is looking up.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 16th Aug 2014	% Change
STOCKS	Brazil	Bovespa	56963.65	2.50
	China	Shanghai	2226.73	1.47
	France	CAC	4174.36	0.64
	Germany	DAX	9092.60	0.92
	India	Sensex	26103.23	3.06
	Japan	Nikkei	15318.34	3.65
	UK	FTSE	6689.08	1.85
	USA	DJIA	16662.91	0.66
COMMODITIES	Copper	\$/Pound	3.10	(2.21)
	Crude	\$/Barrel	97.35	(0.31)
	Gold	\$/Troy Ounce	1306.20	(0.37)
	Natural Gas	\$/MMBtu	3.78	(4.55)
	Silver	\$/Troy Ounce	19.52	(2.11)
	Aluminium	\$/Tonne	2000.00	(1.19)
	Lead	\$/Tonne	2220.00	(0.89)
	Nickel	\$/Tonne	18663.00	0.55
CURRENCIES	Zinc	\$/Tonne	2281.75	(0.58)
	USD/GBP		1.67	(0.60)
	USD/EUR		1.34	0.00
	USD/AUD		0.93	0.00
	JPY/USD		102.34	0.29
	INR/USD		60.76	(0.62)
	HKD/USD		7.75	0.00
	BRL/USD		2.26	(0.88)
BONDS	2 Year	US Treasury	109.93	0.05
	10 Year		126.64	0.53
	30 Year		141.03	1.16

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 16th Aug 2014	% Change
STOCKS	Nifty	Large Cap	7791.70	2.95
	Sensex	Large Cap	26103.23	3.06
	BSE Midcap	Mid Cap	9007.85	0.51
	BSE Smallcap	Small Cap	9824.06	(0.04)
Some Major Shares	ACC	Rs/share	1480.85	2.86
	Bharti Airtel		365.20	(2.35)
	HDFC Ltd		1124.30	9.48
	Infosys		3612.55	3.73
	L&T		1484.10	2.86
	Reliance Inds		1002.95	2.29
	Tata Motors		484.60	11.94
	Tata Steel		541.70	0.74
COMMODITIES	Aluminium	INR/Kg	121.05	(2.30)
	Copper	INR/Kg	415.80	(3.28)
	Crude	INR/Barrel	5829.00	(2.44)
	Gold	INR/10gms	28614.00	0.03
	Lead	INR/Kg	133.75	(2.34)
	Natural Gas	INR/1mmBtu	239.40	(1.60)
	Nickel	INR/Kg	1127.40	(0.49)
	Silver	INR/Kg	43263.00	(0.73)
	Zinc	INR/Kg	138.20	(1.50)
CURRENCIES	INR/EUR		81.41	(0.71)
	INR/GBP		101.44	(1.07)
	INR/100 JPY		59.00	(1.67)
	INR/USD		60.76	(0.62)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 16/08/2014

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	↓2.38	2.42

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓0.70	0.90
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	↓0.39	0.45

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.50	7.40
Inflation Rate	Monthly	2.30	2.30
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↓4.24	4.29

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓-0.10	3.00
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	↓0.50	0.51

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↑3.20	3.00
Inflation Rate	Monthly	1.90	1.50
Unemployment Rate	Monthly	↓6.40	6.50
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↓2.46	2.57

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	4.60	4.70
Inflation Rate	Monthly	↑7.96	7.31
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↓8.71	8.85

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	1.90	2.20
Inflation Rate	Monthly	6.50	6.52
Unemployment Rate	Monthly	4.90	5.00
Benchmark Interest Rate	Weekly	11.00	11.00
Govt. bond 10 year Rate	Weekly	↓11.73	12.13

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	↓0.80	0.90
Inflation Rate	Monthly	7.50	7.80
Unemployment Rate	Monthly	4.90	4.90
Benchmark Interest Rate	Weekly	8.00	7.50
Govt. bond 10 year Rate	Weekly	↓9.21	9.86

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. GDP growth of Germany and France is nil for the last quarter.
- 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.
- US bombs the Islamic State. 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.
- India takes initiative to set up BRICS' New Development Bank.
- Politics – BJP has won the elections emphatically.
- Inflation – CPI up to 7.9%. WPI under 5.5%.
- Policy – Interim budget presented in Parliament. No big reforms. Insurance bill referred to a parliamentary committee.
- Monsoon has improved.

Our concerns on the macro front

World economies

- QE3 tapering.
- Eurozone's low GDP growth.
- Russian interference in 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.
- Erratic monsoon.
- Delayed reforms.



Detailed technical analysis

WORLD MARKETS - TECHNICAL SNAPSHOT

		Very Bullish	Bullish	Neutral	Bearish	Very Bearish
STOCKS	Brazil			Japan	France	
	China			UK	Germany	
	India			USA		
COMMODITIES	Aluminium		Lead	Copper		Natural Gas
	Zinc		Nickel ↓	Crude Oil		
				Gold		
				Silver		
CURRENCIES (against USD)			HKD	AUD	EUR	
				BRL		
				GBP		
				INR		
				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	Nifty Sensex Small Cap		Mid Cap ↓			
SECTORS	Auto Cons Durable FMCG ↑ Healthcare Teck		Bankex IT Metal Oil & Gas Power Realty	Cap Goods ↓		
COMMODITIES	Aluminium Lead ↑ Nickel Zinc			Copper ↓ Crude Oil Gold Silver		Natural Gas
CURRENCIES (against INR)				GBP ↓ JPY USD	EUR ↓	

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

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