

ShroffConnect Weekly Report

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Opinion as on 23/08/2014

World Markets –

- **Money flow:** The money is flowing into US dollar assets including treasuries.
 - **Opinion on money flow:** The European economy is not growing at all; the Chinese economy is not growing at a good pace; Japan is exhibiting a negative growth rate; and, the US is growing at a small pace. There are geo-political tensions in Europe and the Middle East. It is no wonder that investors are looking for safety in US dollar denominated assets.
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Indian Markets –

- **Stock market:** The market rallied to its all time high close of 7913 Nifty.
- **Sectors:** FMCG, Healthcare, Banks, Auto, Consumer Durables and IT are outperforming.
- **Positives:** Baby steps by the government to make doing business in India easier.
- **Negatives:** Erratic monsoon, high deficits, high interest rates.
- **Opinion:** The stock market did well in the last week with corporate showing decent results. India also received good inflows as it is relatively more attractive than other economies. The government is trying to remove excessive regulation which is a good thing for the economy as a whole. Investors should understand that there are no under-valued stocks in the market anymore. Therefore they should concentrate on sectors which are doing well rather than buy into sectors which will do well when the economic cycle revives. That revival is not going to happen at these interest rates and is some time away.



Current news and world
financial market prices

Current scenario & news

World economy

- The dollar rallied against the euro in the longest stretch in more than two years as data from housing to jobless claims signaled faster economic growth, bolstering speculation the Federal Reserve will raise interest rates next year.
- Growth in China's vast factory sector slowed to a three-month low in August as output and new orders moderated, heightening concerns about increasing softness in the economy.
- Singapore's exports in July fell less than expected as shipments to major economies picked up, suggesting the manufacturing sector may have bottomed out on the back of an improving economic outlook in the United States and signs of resilience in China.
- Italian 10-year government bond yields fell to a record in the week on bets European Central Bank officials will maintain monetary stimulus even as their peers in the U.K. and U.S. consider tighter policy.

Indian economy

- The Reserve Bank of India (RBI) said it would conduct more frequent term repos but retained the overall borrowing limit for lenders, in a bid to make borrowing more flexible without injecting additional liquidity into markets.
- Government officials painted an upbeat picture for the economy on Thursday as it struggles to emerge from the longest spell of sub-par growth in decades and promised to tighten up risk management at the country's dominant state banks.
- The Oil Ministry will approach the Cabinet regarding a possible deregulation of domestic diesel pricing as local prices could soon reach parity with global levels.
- Indirect tax mop-up inched up by 3.9 per cent in the April-July quarter of the current fiscal year (2014-15) due to declines in custom duty and excise duty collections, reflecting a slump in manufacturing activity.
- Foreign direct investment (FDI) flows into India surged about 34 per cent to \$1.92 billion in June

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 23rd Aug 2014	% Change
STOCKS	Brazil	Bovespa	58407.32	2.53
	China	Shanghai	2240.81	0.63
	France	CAC	4252.80	1.88
	Germany	DAX	9339.17	2.71
	India	Sensex	26419.55	1.21
	Japan	Nikkei	15539.19	1.44
	UK	FTSE	6775.25	1.29
	USA	DJIA	17001.22	2.03
COMMODITIES	Copper	\$/Pound	3.20	3.23
	Crude	\$/Barrel	93.65	(3.80)
	Gold	\$/Troy Ounce	1280.20	(1.99)
	Natural Gas	\$/MMBtu	3.84	1.59
	Silver	\$/Troy Ounce	19.39	(0.67)
	Aluminium	\$/Tonne	2063.00	3.15
	Lead	\$/Tonne	2257.00	1.67
	Nickel	\$/Tonne	18750.00	0.47
	Zinc	\$/Tonne	2352.00	3.08
CURRENCIES	USD/GBP		1.66	(0.60)
	USD/EUR		1.32	(1.49)
	USD/AUD		0.93	0.00
	JPY/USD		103.92	1.54
	INR/USD		60.47	(0.48)
	HKD/USD		7.75	0.00
	BRL/USD		2.28	0.88
BONDS	2 Year	US Treasury	109.80	(0.12)
	10 Year		125.89	(0.59)
	30 Year		140.44	(0.42)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 23rd Aug 2014	% Change
STOCKS	Nifty	Large Cap	7913.20	1.56
	Sensex	Large Cap	26419.55	1.21
	BSE Midcap	Mid Cap	9340.87	3.70
	BSE Smallcap	Small Cap	10298.52	4.83
Some Major Shares	ACC	Rs/share	1520.40	2.67
	Bharti Airtel		365.10	(0.03)
	HDFC Ltd		1044.60	(7.09)
	Infosys		3601.00	(0.32)
	L&T		1540.00	3.77
	Reliance Inds		998.30	(0.46)
	Tata Motors		511.55	5.56
	Tata Steel		537.75	(0.73)
COMMODITIES	Aluminium	INR/Kg	124.40	2.77
	Copper	INR/Kg	427.50	2.81
	Crude	INR/Barrel	5679.00	(2.57)
	Gold	INR/10gms	27813.00	(2.80)
	Lead	INR/Kg	136.15	1.79
	Natural Gas	INR/1mmBtu	231.90	(3.13)
	Nickel	INR/Kg	1128.90	0.13
	Silver	INR/Kg	41955.00	(3.02)
	Zinc	INR/Kg	141.85	2.64
CURRENCIES	INR/EUR		80.07	(1.65)
	INR/GBP		100.18	(1.24)
	INR/100 JPY		58.00	(1.69)
	INR/USD		60.47	(0.48)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 23/08/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.40	1.90
Inflation Rate	Monthly	↓2.00	2.10
Unemployment Rate	Monthly	6.20	6.10
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.40	2.38

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	↓0.38	0.39

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	↑4.28	4.24

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	↑0.51	0.50

UK	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	3.20	3.00
Inflation Rate	Monthly	↓1.60	1.90
Unemployment Rate	Monthly	6.40	6.50
Benchmark Interest Rate	Weekly	0.50	0.50
Govt. bond 10 year Rate	Weekly	↑2.54	2.46

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	↓8.51	8.71

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	↓11.68	11.73

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	↑9.33	9.21

World macro scenario

- USA – US economic data is improving. QE3 tapering will be completed 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 China India		Japan ↑	UK USA	France Germany	
COMMODITIES	Aluminium Zinc		Lead Nickel	Copper Crude Oil Gold Silver		Natural Gas
CURRENCIES (against USD)	HKD ↑			AUD BRL GBP 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 ↑ Cons Durable FMCG Healthcare IT ↑ Teck		Cap Goods ↑ Metal Oil & Gas Power Realty			
COMMODITIES	Aluminium Nickel Zinc		Lead ↓	Copper Gold Silver	Crude Oil ↓	Natural Gas
CURRENCIES (against INR)			USD ↑	GBP JPY		EUR ↓

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

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