

ShroffConnect Weekly Report

6th Sep, 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 06/09/2014

World Markets –

- **Money flow:** The money is flowing into stocks and US treasuries.
 - **Opinion on money flow:** The Russian / Ukraine situation has improved with a cease fire pact between the pro Russian rebels and Ukraine. This has led to better European markets. Economic data from the USA is good and hence markets are steady there.
-

Indian Markets –

- **Stock market:** The stock market is at all time high levels and closed at 8086 Nifty.
- **Sectors:** FMCG, Pharma, Banks, Auto, Consumer Durables and IT are outperforming.
- **Positives:** Good foreign policy initiatives by the new government; Japan showing interest in investing in India.
- **Negatives:** High inflation and high interest rates.
- **Opinion:** The government continues to do what it can, and has been broadly popular. Much work on the ground is left to be done and there are small improvement steps being taken in almost every department. This is a good sign. Investors would do well to hold onto their investments in sectors doing well currently rather than buy into sectors which will do well a few months down the road.



Current news and world
financial market prices

Current scenario & news

World economy

- The European Union on Friday pledged 140 million euros (\$180 million) to boost the fight against Ebola in West Africa, where the death toll in the worst outbreak on record has passed 2,100 people.
- The European Central Bank cut interest rates to a fresh record low on Thursday and launched a new scheme to push money into the flagging euro zone economy, surprising markets and leaving open the option of more to come.
- Iron ore declined below \$85 a metric ton for the first time in five years as China's economy, the world's biggest buyer, showed signs of losing momentum amid an expanding global glut.
- U.S. employers hired the fewest number of workers in eight months in August and more Americans gave up the hunt for jobs, providing a cautious Federal Reserve with more reasons to wait longer before raising interest rates.
- German industrial production rose strongly in July, driven by increased manufacturing and construction output.

Indian economy

- India's current-account deficit widened sequentially in the April-June quarter, as imports started picking up with signs of a turnaround in the economy.
- Factory growth eased in August from July's 17-month record pace as new orders came in at a slower clip.
- Indian banks' loans rose 10.9 per cent in the two weeks to Aug. 22 from a year earlier, while deposits grew 13.6 per cent.
- The core sector index, which measures output of eight infrastructure industries, rose 2.7% in July, down from 7.3% in June.
- The rupee will likely stagnate over the next year as a U.S. dollar rally gathers steam and the Indian economy at best chugs along, while the Chinese yuan will probably appreciate a little, a poll found.
- Against the backdrop of Kingfisher case, the Finance Ministry has asked the Reserve Bank of India(RBI) to tighten lending norms to prevent borrowers from opening multiple current account outside their consortium banks.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 6th Sep 2014	% Change
STOCKS	Brazil	Bovespa	60681.98	(0.99)
	China	Shanghai	2326.43	4.93
	France	CAC	4486.49	2.41
	Germany	DAX	9747.02	2.92
	India	Sensex	27026.70	1.46
	Japan	Nikkei	15668.68	1.58
	UK	FTSE	6855.10	0.52
	USA	DJIA	17137.36	0.23
COMMODITIES	Copper	\$/Pound	3.17	0.32
	Crude	\$/Barrel	93.29	(2.78)
	Gold	\$/Troy Ounce	1267.30	(1.56)
	Natural Gas	\$/MMBtu	3.79	(6.88)
	Silver	\$/Troy Ounce	19.16	(1.69)
	Aluminium	\$/Tonne	2093.00	(0.17)
	Lead	\$/Tonne	2204.00	(1.61)
	Nickel	\$/Tonne	19575.00	4.12
CURRENCIES	Zinc	\$/Tonne	2394.00	1.58
	USD/GBP		1.63	(1.81)
	USD/EUR		1.29	(1.53)
	USD/AUD		0.94	1.08
	JPY/USD		105.08	0.99
	INR/USD		60.39	(0.20)
	HKD/USD		7.75	0.00
	BRL/USD		2.24	0.00
BONDS	2 Year	US Treasury	109.87	(0.01)
	10 Year		125.53	(0.63)
	30 Year		139.38	(1.52)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 6th Sep 2014	% Change
STOCKS	Nifty	Large Cap	8086.85	1.67
	Sensex	Large Cap	27026.70	1.46
	BSE Midcap	Mid Cap	9668.76	3.98
	BSE Smallcap	Small Cap	10627.07	3.53
Some Major Shares	ACC	Rs/share	1521.75	1.96
	Bharti Airtel		407.10	10.09
	HDFC Ltd		1055.05	(1.81)
	Infosys		3730.75	3.67
	L&T		1612.60	5.64
	Reliance Inds		1025.65	2.70
	Tata Motors		506.00	(3.63)
	Tata Steel		513.40	0.05
COMMODITIES	Aluminium	INR/Kg	125.65	(0.83)
	Copper	INR/Kg	427.35	2.25
	Crude	INR/Barrel	5642.00	(3.24)
	Gold	INR/10gms	27378.00	(2.21)
	Lead	INR/Kg	132.95	(2.13)
	Natural Gas	INR/1mmBtu	229.50	(7.05)
	Nickel	INR/Kg	1180.00	3.48
	Silver	INR/Kg	41644.00	(1.45)
	Zinc	INR/Kg	144.35	1.01
CURRENCIES	INR/EUR		78.21	(1.57)
	INR/GBP		98.59	(1.82)
	INR/100 JPY		57.00	(1.72)
	INR/USD		60.39	(0.20)



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 06/09/2014

USA	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	2.50	1.90
Inflation Rate	Monthly	2.00	2.10
Unemployment Rate	Monthly	↓6.10	6.20
Benchmark Interest Rate	Weekly	0.25	0.25
Govt. bond 10 year Rate	Weekly	↑2.44	2.34

Euro Area	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.70	1.00
Inflation Rate	Monthly	0.30	0.40
Unemployment Rate	Monthly	11.50	11.50
Benchmark Interest Rate	Weekly	↓0.05	0.15
Govt. bond 10 year Rate	Weekly	↓0.27	0.31

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	↑4.30	4.26

Japan	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.10	3.00
Inflation Rate	Monthly	3.40	3.60
Unemployment Rate	Monthly	3.80	3.70
Benchmark Interest Rate	Weekly	0.00	0.00
Govt. bond 10 year Rate	Weekly	↑0.51	0.49

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	↑2.49	2.36

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	5.70	4.60
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	↓8.52	8.56

Brazil	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	-0.90	1.90
Inflation Rate	Monthly	6.51	6.50
Unemployment Rate	Monthly	4.90	5.00
Benchmark Interest Rate	Weekly	11.00	11.00
Govt. bond 10 year Rate	Weekly	↓11.15	11.21

Russia	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	0.80	0.90
Inflation Rate	Monthly	↑7.60	7.50
Unemployment Rate	Monthly	4.90	4.90
Benchmark Interest Rate	Weekly	8.00	7.50
Govt. bond 10 year Rate	Weekly	↓9.47	9.73

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.
- Brazil – GDP growth in negative zone.
- 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? Ukraine signs cease fire pact with pro Russian rebels.

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 5.7%, highest in 9 quarters.
- 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 – No big reforms but push towards FDI in defence. 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

- 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		USA	Germany		
	India			UK		
COMMODITIES	Aluminium		Lead	Copper	Crude Oil	Natural Gas ↓
	Zinc		Nickel ↑	Gold		
				Silver		
CURRENCIES (against USD)			HKD	AUD	JPY ↓	EUR
				BRL	GBP ↓	
				INR ↑		
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 Oil & Gas Teck		Cap Goods ↑ Metal	Power Realty		
COMMODITIES	Aluminium Nickel Zinc		Lead	Copper Gold Silver		Crude Oil ↓ Natural Gas ↓
CURRENCIES (against INR)				GBP JPY USD ↓		EUR

↑ = 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.