

ShroffConnect Weekly Report

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Opinion as on 13/09/2014

World Markets –

- **Money flow:** The money is flowing into stocks.
 - **Opinion on money flow:** It is natural that investors would invest in stocks as easy money is everywhere. European GDP growth is nil and Brazil's GDP growth is negative, so bankers are showering the economy with free money. The US economic numbers are better and therefore, the US markets are at their highest in years. The oil price is decreasing steadily and helping matters along the way.
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Indian Markets –

- **Stock market:** The market closed near its highs at 8105 Nifty.
- **Sectors:** FMCG, Healthcare, Banks, Auto, Consumer Durables and IT are outperforming.
- **Positives:** Small positive steps by the government towards better governance.
- **Negatives:** High interest rates.
- **Opinion:** The markets are near the highs and there is positivity all around but the economic numbers are showing that the optimism may be misplaced. There is a lot of emphasis on foreign policy but, in India itself, things are moving quite slowly. Investors must be patient and hold onto their investments even if there are corrections along the way.



Current news and world
financial market prices

Current scenario & news

World economy

- Government bonds fell around the world as the Federal Reserve moves closer to increasing interest rates, while Russia's ruble tumbled to a record amid new sanctions. The Australian dollar led a decline in higher-yielding currencies.
- China's exports rose more than forecast in August while imports unexpectedly fell, pushing the trade surplus to a record high for the second consecutive month and underlining the challenges facing policymakers as they struggle to revive tepid domestic demand.
- Confidence at big Japanese manufacturers turned positive in July-September and they expect business conditions to improve further in the following quarter, suggesting a gradual economic recovery from the slump after April's sales tax hike.
- Euro zone industrial output jumped twice as much as expected in July, breaking a two month trend of contraction and raising hopes that the single currency area may start growing again in the third quarter after stalling in the previous three months.

Indian economy

- India's industrial output growth hit a four-month low in July while inflation remained high, underscoring the struggle of Asia's third-largest economy to make a sustained recovery from its longest stretch of sub-par growth in decades.
- India needs to attract investments worth a whopping USD 4.7 trillion for the country's economy to grow at an average 7 per cent rate over the next 5 years, nearly double the sum invested in the previous such period, according to a study by CII.
- Indian corporates invested \$1.25 billion overseas in August, higher than \$1.12 billion in July but sharply lower than \$2.47 billion a year ago, according to data released by the Reserve Bank of India
- Indirect tax collections rose by 4.6 percent from Rs 1,85,881 Crore in April-August 2013 to Rs 1,94,492 crore during April-August 2014.
- For the fourth consecutive month, the Reserve Bank became a net purchaser of dollars after it bought USD 5.453 billion in July from the spot market.

WORLD MARKETS - A SNAPSHOT

	Name	Description	Week ended 13th Sep 2014	% Change
STOCKS	Brazil	Bovespa	56927.81	(6.19)
	China	Shanghai	2331.95	0.24
	France	CAC	4441.70	(1.00)
	Germany	DAX	9651.13	(0.98)
	India	Sensex	27061.04	0.13
	Japan	Nikkei	15948.29	1.78
	UK	FTSE	6806.96	(0.70)
	USA	DJIA	16987.51	(0.87)
COMMODITIES	Copper	\$/Pound	3.11	(1.89)
	Crude	\$/Barrel	92.27	(1.09)
	Gold	\$/Troy Ounce	1231.50	(2.82)
	Natural Gas	\$/MMBtu	3.86	1.85
	Silver	\$/Troy Ounce	18.61	(2.87)
	Aluminium	\$/Tonne	2029.00	(3.06)
	Lead	\$/Tonne	2122.00	(3.72)
	Nickel	\$/Tonne	18426.00	(5.87)
CURRENCIES	Zinc	\$/Tonne	2284.00	(4.59)
	USD/GBP		1.63	0.00
	USD/EUR		1.30	0.78
	USD/AUD		0.90	(4.26)
	JPY/USD		107.32	2.13
	INR/USD		60.65	0.43
	HKD/USD		7.75	0.00
	BRL/USD		2.34	4.46
BONDS	2 Year	US Treasury	109.80	(0.06)
	10 Year		124.48	(0.84)
	30 Year		137.28	(1.51)

INDIAN MARKETS - A SNAPSHOT

	Name	Description	Week ended 13th Sep 2014	% Change
STOCKS	Nifty	Large Cap	8105.50	0.23
	Sensex	Large Cap	27061.04	0.13
	BSE Midcap	Mid Cap	9983.08	3.25
	BSE Smallcap	Small Cap	11166.79	5.08
Some Major Shares	ACC	Rs/share	1534.25	0.82
	Bharti Airtel		414.00	1.69
	HDFC Ltd		1050.30	(0.45)
	Infosys		3669.90	(1.63)
	L&T		1578.70	(2.10)
	Reliance Inds		1015.60	(0.98)
	Tata Motors		517.20	2.21
	Tata Steel		515.95	0.50
COMMODITIES	Aluminium	INR/Kg	123.00	(2.11)
	Copper	INR/Kg	424.05	(0.77)
	Crude	INR/Barrel	5672.00	0.53
	Gold	INR/10gms	26898.00	(1.75)
	Lead	INR/Kg	129.60	(2.52)
	Natural Gas	INR/1mmBtu	235.60	2.66
	Nickel	INR/Kg	1123.70	(4.77)
	Silver	INR/Kg	41309.00	(0.80)
	Zinc	INR/Kg	139.15	(3.60)
CURRENCIES	INR/EUR		78.63	0.54
	INR/GBP		98.65	0.06
	INR/100 JPY		56.00	(1.75)
	INR/USD		60.65	0.43



Detailed macro analysis

MACRO ECONOMIC SNAPSHOT AS ON 13/09/2014

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	↑2.53	2.45

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	0.25

China	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	7.50	7.40
Inflation Rate	Monthly	↓2.00	2.30
Unemployment Rate	Monthly	4.10	4.10
Benchmark Interest Rate	Weekly	6.00	6.00
Govt. bond 10 year Rate	Weekly	↑4.33	4.32

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	↑0.54	0.52

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	2.47

India	Period	Current	Previous
GDP Annual Growth Rate	Quarterly	5.70	4.60
Inflation Rate	Monthly	↓7.80	7.96
Unemployment Rate	Monthly	no data	
Benchmark Interest Rate	Weekly	8.00	8.00
Govt. bond 10 year Rate	Weekly	↓8.50	8.52

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	↑11.43	11.18

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	8.00
Govt. bond 10 year Rate	Weekly	↑9.73	9.45

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 comes down to 7.8%. IIP down to 0.5%.
- 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			Germany		
	India			UK		
	USA ↑					
COMMODITIES	Aluminium			Copper	Crude Oil	
	Zinc			Lead ↓	Gold ↓	
				Nickel ↓	Natural Gas ↑	
				Silver		
CURRENCIES (against USD)			HKD	AUD	BRL ↓	EUR
				INR	JPY	GBP ↓
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			Copper Lead ↓ Silver	Gold ↓ Natural Gas ↑	Crude Oil
CURRENCIES (against INR)				JPY USD	GBP ↓	EUR

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

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