of developments and their possible repercussions. Curiously enough, one of the reasons behind the advance in textiles is the growing belief that some of the mills are going to issue bonus shares. That Bombay Dyeings will issue bonus shares in the ratio of one share for every share held now appears to be a certainty. Others may follow. The issue of bonus shares, however, does not mean an automatic increase in the profit earning capacity of the companies concerned. Such may, indeed, be the result in the long run but not in the immediate future if the new capital coining out of the reserves is properly utilised. It is, therefore, felt that either the rise in textiles cannot continue for long or that, possibly, there may be a slight set-back. Such a set-back will not be unhealthy.

Conditions in the capital market continue to remain unchanged. That there is no likelihood of new equity issues being favourably received is common knowledge. More and more companies are therefore seeking to raise the needed funds by issue of debentures and preference shares rather than equity or risk capital. Debentures now carry attractive rates around 5 per cent. The real investor appears to be in need of definite assurances in regard to the return he may expect.

The latest proposal for issue of debentures is from the Premier Automobiles Ltd. who, it is understood, have already got a leading firm of stock brokers in Bombay to underwrite their proposed issue of R.N. 50 lakhs worth of debentures carrying an interest of 5½ per cent and of a term maturity of ten years only. That the Company is approaching the market so cautiously, when they have in their authorised capital some Rs. 4 crores worth of cumulative preference shares, is yet another indication of the state of the capital market. This is convincing evidence that real investors have little faith in the level of industrial profits in the next few years.

Though the brightest spot was the textiles section, under its lead other sections also received a little better inquiry. Airways shares, particularly Air-Indias, spurted the Air Transport Enquiry Committee's recommendation that there would be no need for nationalisation, except for ideological reasons or defence considerations, and that all that is required to put air transport on a sound footing is the rationalisation and a re-grouping of the airlines. The Committee also recommended Government subsidy to the airlines until they break even, which the market does not seem to have seriously considered yet.

In the miscellaneous section Belapurs hit a new high for the current year at Rs. 279-8. There is an expectation that Belapurs will also be issuing bonus shares shortly, Associated Cements have also been in form on expectations of higher profits and touched Rs. 174 which is a little better than the previous high for the current year at Rs. 172-8. Wimcos also improved to Rs. 245 on similar expectations.

A noticeable feature earlier in the week were Tata Chemicals which made a sporadic rise from Rs. 12-3 to Rs. 12-13 on expectations that the company would very slowly resume payment of dividend on cumulative preference snares at 5 per cent. It may be noted that holders of these shares have not been paid any dividend since 1943. The company must have made good profits to enable these payments to be resumed and, therefore, there may be a chance for the ordinary share holders also, if not in the current year, at least in the next few years.

Money Market

Export Season

ONE swallow does not make a summer It may be hasty to come to any conclusion from scheduled banks' returns for a single week. Rut it is significant that bank advances registered a rise in the week ended October 20, 1950, alter a prolonged and continuous downward trend. Though declining, the pace of decrease in bank advances had slowed down in remit weeks.

It is arguable that this is what is to be expected in view of the fast approach of the busy export season. At the moment, the market is, perhaps, feeling the impact of combined *Puja* and *Diwali* demand for funds. Soon, the market will experience the demand for funds for financing crop movements. Though jute movements remain inadequate and uncertain because of the continued trade deadlock between India and Pakistan, the cotton crop has begun to move.

Even so. there are indications that the demand for funds from industry for accumulating raw materials may riot be very heavy. Though the cotton textile industry has not adopted the system of collective buying of cotton, it has indirectly accepted the principle of co-operative purchases of cotton so as to avoid paying higher than controlled prices for the supply of raw materials in the form of *kapas.*

Though the demand for funds from trade quarters for stocking raw materials may not he large, the combined demand for accommodation from trade quarters and ..(from importers may extend the resources of the money market in the coming months. True, for the first time in six months, there was no trade deficit in September. But some months ago, import restrictions were relaxed, and the full impact of this relaxation has not been felt yet. As freer imports pour in, the market may experience the consequent deflationary repercussions.

Neither the expected increase in the trade demand for funds nor the possibility that imports may expand has yet had any visible effect on money rates. Nor, on current indications, does the market expect any appreciable stringency as the possible deflationary consequences of enlarged imports may be expected to be neutralised by the normal expansion in exports in the next few months.

Besides, the Government's declared policy of maintaining interest rates on an even keel involves occasional assistance to the market in emergency situations. Though the volume of note circulation continues to be on the decline, the financial authorities can, if need be, bolster up the market through expansion of currency and for credit as demanded by economic circumstances. They can either increase the volume of notes in circulation or influence the market through direct open market operations.

Even financial purists, who are never tired of criticising the Government's policy, of a moderate capital budget programme, admit that the monetary authorities have not artificially nursed the money market in the past two years. There has been SOUK: legitimate criticism of occasional currency expansion against.issues of *ad hocs*. Those who do not suffer from orthodoxy, will, however, welcome expansion of currency, if and when needed, through open market operations on the gilt-edged market instead of clandestine expansion of currency against rupee securities, which must necessarily have a less direct effect on the money market and on money rates.

While the money market position remains intriguing, gold has developed a distinctly downward trend, though silver remains relatively steady. Weakness in gold is all the more surprising, in view of developments in Tibet, though it is arguable that the dealers in bullion are showing a better sense of perspective than many political commentators and foreign office diplomats,

Up-country arrivals and local stocks continue to be heavy. Simultaneously, the speculative or hoarding demand for gold has tended to subside. There arc two possible explanations for the decreasing demand for gold. It may be that bullion dealers are not unduly perturbed over the prevailing international situation and that they do not believe that a third world war is imminent. Those who had accumulated gold since the beginning of the war in Korea may be liquidating stocks now.

Presumably, the dealers who bulled up gold in anticipation of a higher dollar price for gold have come to the conclusion that depreciation of the dollar in terms of gold is not likely. With the cessation of activities of the world's exchange gamblers for a higher pound sterling and | or a lower dollar, bullion dealers seem pre-occupied with taking profits while profits are still visible. It is possible that this week's decline in gold reffects continued liquidation by those who accumulated stocks in anticipation that the Korean War may spread or of devaluation of the dollar.

Cotton Market.

The New Purchase Scheme Under Way

Thursday, Morning

FOLLOWING the first meeting of the Central Cotton Advisory Board, appointed by the Government of India to supervise the new scheme for the purchase of cotton, quotas are to be allotted to the mills in the next two or three days and permission will also be given for trading in the new crop contracts so that dealers may commence business in Divali. The question of forward trading does not arise at ail as the stipulations of the control order and conditions of supply arc hardly conducive to hedge trading. Thus business will be mainly confined to spot and delivery contracts. As the control machinery has been tightened up, it is likely that in case of infringement of the Order, licences of the dealers concerned will be suspended and cotton will be requisitioned at the ceiling rates. Even the mills may be asked to pay heavy penalties as a disciplinary measure if they are a party to such infringement.

The Textile Commissioner will use the powers conferred on him by the Order in any area or zone in which prices of cotton tended to rise above the ceilings. The Advisory Board has suggested that with a view to curb the tendency of cotton prices to rise, he should appoint his own nominees for the purchase of cotton on behalf of the mills to which cotton of that area has been allocated. Regional Committees at each of the principal cotton marketing centre of the areas concerned, are to be set up in Madhya Bharat, Madhya Pradesh, Hyderabad, Saurashtra and Madras. Mr. Neville N. Wadia and Mr. R. C. Saraiya are to act as Chairman and Vice-Chairman respectively for the year 1950-51.

Efforts have thus been made by the Central Government in co-operation with the trade and industry to make the control successful this year. But it is difficult to pass a judgment at this stage on the possibilities of its success or otherwise. Doubts still exist about cent per cent success in the face of highly inflated foreign prices and discouraging import outlook despite the domestic supply position this season which will be definitely better. It may be noted incidentally that cotton waste is fetching higher prices in a few cases than controlled raw cotton. Inspired reports from New Delhi that production this season is estimated at 35.81 lakh bales compared to the final estimate of 28.85 lakh bales during 1949-50 appear to be taking an over-optimistic view of the supply situation. In view of the dry weather conditions for some time past and absence of rain, the output is not likely to exceed 32 lakh bales in 1950-51- it may be even slightly less. The first all-India estimate puts the cotton acreage at 7,117,000 acres as against 6,446,000 acres last year, representing an increase of 10.4 per cent.

The Government of India have decided, it was announced on October 26, to continue to license freely the import of cotton from soft currency countries, excluding Egyptian middling, Ashmouni and zagora, while import of all types of American cotton of staple length $1^1/_8$" and above is to be allowed freely. The price of the imported cotton will be taken into account in fixing the price of cloth of the appropriate groups.

The announcement has perplexed the trade and it is being asked whether it means a departure from the policy hitherto in operation. So far, licenses have been granted to importers only on the specific condition of prior sales to mills; whether dealers will now be able to import cotton on their own account according to the new announcement, has not been clarified. Re-