Around the Markets

Cotton, Seeds, Shares Firm,
Bullion Slumps

Thursday, Morning

WHILE bullion prices slumped heavily in the last fortnight, cotton and oilseeds recorded marked improvement and advanced to the highest levels for a long time. The Stock Exchange generally was in good form with equity prices showing further gains although the uptrend was occasionally interrupted by small sinking spells caused mainly by technical considerations.

In view of the recent marked and almost non-stop rise in equity prices many people were beginning to suspect the technical position of the market. Dalai Street therefore paused lor minor technical adjustments. Cotton Mill shares which had risen most led the reactionary trend and were the worst affected. Although reports oi cloth offtake were less encouraging than in recent weeks the reactionary trend was clue essentially to (Directive profit-taking. With outside support still limited it was only natural that the professional bulls should take profits when they looked quite tempting.

Although Textile shares generally showed increasing resistance at higher levels, bears were in no mood to be aggressive and preferred to cover their posittons on setbacks. The market generally became quite dull on reactions, indicating a steadier undertone. While it will be advisable to pay more attention to the Steel group and selected issues in the Miscellaneous section because of the comparatively smaller rise in those shares, the outlook for Cotton Mill shares can " by no means be called discouraging. The export news continues good. The progressive relaxation of distribution and production controls should have a beneficial effect on the mills. Prospects of freer trade between India and Pakistan will help cloth export.

The easiness in 'Textile[4] shares affected sentiment elsewhere. Steel shares also came under heavy profit-taking which was fairly well-absorbed, shorts being anxious to cover their sales. lata Steels generally made a better showing than Indian Iron because of the comparatively subdued trend in the Calcutta market. This was due less to hopes of an increase in retention prices than to the tight professional bull grip. Although the trading pattern of

Thursday, Moining

Indian Iron is still not very encouraging these shares seem to offer better prospect for capital appreciation than Tata Steels. The production trend is highly encouraging. There are also reports of a further development loan to the company, the Government being disinclined to start a new steel plant. The near-term outlook for Steel shares is likely to be influenced ehieflv by Shri Setalvad's verdict, on the conversion ratio and the Government announcement on retention prices.

THE recover) on the Bombay Stock Exchange has been far more pronounced than in Calcutta and Madias market. The variable dividend securities index for Bombay prepared by the Reserve Hank has risen to 127.4 which is higher than the best level reached after the March slump in 1952. Hut. this is not because Bombay speculators are more rash than their counterparts in the other markets. It is due essentially to the marked difference in the make-up of the three markets. Bombay market consists mainIy of Textile and Steel shares. And the outlook for both the textile and steel industries is viewed with optimism. Operators in Calcutta have to take into consideration the outlook for many industries, jute, coal, tea, paper and engineering. The jute industry is suffering from lack of foreign demand, on which its prosperity mainly depends. The coal and tea industries complain of the continued rise in production costs. About Madras the little said the better. Although most shares offer quite attractive yields their marketability is a problem.

It. bears repetition that Stock Exchanges in India have resumed the primary up-nend. The bull market has just begun. Although prices have already recorded handsome improvement, the major phase has yet to go much farther before any important intermediate collection can be expected. 'The temptation to sell for reactions must be resisted. The implications of steel decontrol in America and of peace talks can be easily exaggerated. Indian markets are likely to be governed more by domestic influence's than international political factors. The increasing tempo of development expenditure and deficit financing in coming years will prove strong bull influences.

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The Gill-edged market continued steadier despite the seasonal strin-

STOCK EXCHANGE TRENDS — BOMBAY

(In Rupees and Annas)

	Previous closing 4-3-1953	Week Ended 11-3-53		Week Ended 18-3 53		Closing on 18-3-53
		High	Low	High	Low	
STEELS:						
Tata Steel Defd.	1845- 0	1883-12	1835- 0	1915- 0	1875- 0	1887- 8
Tata Steel Ordy.	323- 0	330- 0	322- 0	332- 0	325- 8	328- 0
Indian Iron	25-12½	26- 6½	25- 8	27- 1	26- 6	26- 6
TEXTILES:						
Bombay Dyeing	401- 4	407- 8	395- 0	413- 2	396- 4	407- 8
Central India	167- 0	170- 0	164- 0	167- 0	164- 0	165- 0
Century	284- 0	285- 0	276- 0	290- 0	283- 0	283- 0
Kohinoor	313- 0	317- 8	308- 8	315- 8	308- 8	309- 0
Svadeshi	261- 0	261- 0	254- 0	259- 8	252- 4	256- 0
MISCELLANEOUS:						
ACC	174- 4	174- 8	172- 8	174-12	173- 4	173- 4
Belapur	239- 0	242- 8	235-12	240- 0	236-12	238- 8
B'bay Burmah Old	383-12	398-12	383-12	407- 8	386- 4	399- 6
Premier Constn.	96- 4	96- 4	92- 0	95- 4	90- 8	90- 8
Scindia	15-12	15-10½	14-11	15- 1½	14-10	14-10½
	C.D.	C.D.	X.D.			

C.D. = Cum dividend. X.D. = Ex dividend.

gency in the short-term money market. The three per cent Conversion Loan was marked up to Rs 83-3, the highest level for a long time. Later, however, it eased to around Rs 83. Taking a cue from the remarkable firmness in the Industrial share market the Reserve Bank of India has raised its selling rates fur ceitain loans by one anna.

The recovery in Government servilities is due more to a scarcity of Hoating stocks. and to absence e of selling, than to any revived institutional demand. Scheduled Banks' investments continue to show a steady fall because of the seasonal demand for funds. Insmance companies are reported to be the chief buyers, and they continue to show a preference for short and medium-dated loans.

But more significant than the recovery in Gift-edged stocks is the change in market psychology- Few people now talk of a rise in interest rates. It is now taken for granted that except for the repayment of the three per cent 1953-55 loan the Union Government is not. likely to approach the market for big loans, the emphasis being on small savings and on State borrowings. Dealers in Government securities think that it will be advisable to allow forward trading to make the market more active.

BULLION prices slumped heavily in the last fortnight with silver forward and gold forward losing Rs G-4 and Rs 3-6A respectively, at Rs 159-8 and Rs 84-8, the lowest levels for many weeks. The highest rates recorded were Rs 198-7 7 and Rs 88-14 respectively. The decline in prices led to the enforcement of special dealings and automatic margin in both the metals. Although the average daily offtake was less than the arrivals which were particularly heavy in gold, the decline was attributable chiefly to peisistent selling by both the bulls and bears and complete lack of support. This was caused by the growing fear that the powerful and influential Hoard might get the amended by-laws sanctioned by the Government.

Recent developments in the Bomhay bullion market deserve censure. Not many weeks ago the Board was busy canvassing for an " emergency " to compel the bulls to square-up business at certain arbitrary rates to resolve the deadlock caused by the steep rise in prices because of strong manipulation by certain professional operators. The resolution for declaring * could not be passed by the general body meeting. Then the Board decided to amend the by-laws to check bull manipulation by enforcing heavier margin. The proposed amendments made the contract bearish. Prices began to decline. The professional operators were in no mood to support the market.

The Board called a general body meeting on March 18 to approve the amended by-laws but the meeting had to be postponed to March 25 for want of a quorum. The Bullion Association has more than 500 members of which about 250 are active members. The presence of 30 members is necessary to make a quorum, but on Wednesday only 16 members attended the meeting. Even the directors absented themselves.

The amended by-laws were intended to check bull manipulation, but the scene has now changed. Prices have slumped necessitating special clearing and automatic margin. Will the Board now throw out the old amendments and make new changes to suit the present situation? It is apparently difficult to forecast the outlook for bullion when fluctuatious are governed less by the changes in the demand and supply position of the metals than what a few iniluential directors talk in their meetings which are almost daily affairs. The only way to stop directors' interference with the tree market mechanism is to impose heavier automatic margins and introduce special clearings at every small rise or fall in prices. "The public expects the Government representatives on the Board of Directors cither to exert their influence or completely to dissociate themselves from the Association.

OILSEEDS and oil prices recorded further handsome improvement with prices rising to the highest levels for a long time. The rise is particularly steep in groundnuts due to its tight stock position. Consumers are greatly perturbed by the rising trend in groundnuts. Acute shortage is feared in coming months unless the export of oil is banned soon. Fearing a growing scarcity vanaspati manufacturers and crushers continue active buyers. Arrivals have declined considerably.

Although overseas advices are not encouraging and the margin on export of castor oil has declined to negligible proportions, castor futures have advanced to the highest level setbacks caused by corrective profit-taking proved short-lived and prices continued to seek new high levels. After rising from Rs 145-4 to Rs 154 castor May reacted to Rs 149.-8 but improved to Rs 161 before ending at Rs 158-8. Sentiment was greatly helped by firm spot advices and the persistent rise in groundnuts. Linseeds and linseed oil also steadied in sympathy with the improved trend in other sections. Business was essentially speculative.

After an early reaction from Rs 694-8 to Rs 680-8 in the previous week caused essentially by corrective profit-taking cotton May contract advanced gradually to Rs 714 and ended at Rs 712-8 against Rs 891 a fortnight ago. With the statistical position tight and mills active buyers due to encouraging cloth offtake, both domestic and overseas, the professional bulls continue to dominate the market. Fear of abolition of export duty by Pakistan caused a few intermittent reactions but. the trend continued up. Prospects of import of Pakistani cotton in the event of an Indo-Pakistani trade agreement are generally discounted.

Artificial silk yarn prices which showed a distinctly easier tendency in the previous week advanced sharply last week after the announcement of import policy for the current half year. March delivery 150 D Japan, which was marked down from Rs 792 to Rs 774, advanced to Rs 880 but reacted on profit-taking to end at Rs 853 per case of 200 pounds. Although the import quota is quite large the outlook is considered bullish because the demand for rayon cloth is satisfactory and foreign advices continue firm.

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Black pepper prices have recorded further sizable improvement with the May delivery rising from Rs 2,510 to Rs 2,720 per candy. A further rise is generally forecast. The price of country pepper in Alleppey has risen by nearly Rs 1,000 per candy in the last one month. The quotation which was around Rs 2,300 about the middle of February is now around Rs 3,300 per candy. The rise is due to persistent American buying. Growers are reluctant sellers in the hope of better prices because of low stock position in America and absence of Indonesian pepper in the world pool. Expected fall in this year's output is another bull factor.