

Around Bombay Markets

Expansion in Sight

Thursday, Evening

THERE are visible signs of expansionist monetary policy which is indeed stimulating. The busy season is getting into swing and banks had to face a rising demand for credit. The usual feature under these circumstances is a shift in the flow of funds from the gilt-edged into short term channels. And therefore it was quite intriguing to observe over the last two weeks that with an expansion of commercial bank credit, there was also a rise in the gilt-edged values. The 3 per cent Conversion Loan 1946 has gone up by 8 annas and now stands up to Rs 81-5. The rise has been so conspicuous that there has also been a follow up in the other gilt-edged securities, indicating an all round rise and not merely a redistribution in the portfolios.

It was being doubted whether this strengthening of gilt-edged was due to purely institutional support. The explanation is now obvious, after the publication of the Reserve Bank statement for the week ending January 7. The Reserve Bank has increased its holding of rupee securities over the week to the tune of Rs 9.94 crores. Add to this the other notable feature in the statement, viz, that the Central Government cash balances have fallen further by Rs 1.92 crores and now stand at Rs 52.96 crores. The balances have thus almost reached

what the Finance Minister calls the "irreducible minimum". It appears that the Government is now preparing the ground for a sizeable rise in money supplies and easy money conditions. The new physical resources budgeting concept seems to have helped the Government in overcoming its inhibitions in the matter of large scale spending. If this is so, it is really a welcome development.

Steady conditions, however, prevailed on the Bombay stock exchange throughout the week ending January 12, 1955. Steels moved within a narrow range. Textiles, after an initial rise, steadied at lower rates. Shipping shares and Tata Chemicals met with good enquiry from influential quarters.

Tata Ordinaries experienced alternate bouts of profit-taking and renewed buying within the range of Rs 227 to Rs 229. Indian Iron was steady around Rs 33-8 to Rs 33-14. Calcutta was a seller for the last two days.

This week the market had no significant news except that of the impending increase in the freight rates from February. Narrow range in speculative scrips might develop into stagnancy which usually takes a steep turn either way. It may be that after next settlement, the market will take a big turn. In the

meantime, the New York stock markets' steep rise taking the Dow Jones average to 408 and the subsequent sharp reaction, bringing it down to 390, to settle down finally around 400, seems to have no effect on the Bombay Market. The principal reason for the market's hesitation to move upwards seems to be the bad plight of the cotton and seeds markets, where the sentiment is adverse. The weakness in the cotton market especially affected the textile shares which even otherwise were dull owing to lack of enquiry in the cloth markets. The increase in tea export duty brought some profit taking in the Bombay Bunnah. On the whole the markets ruled steady. The eighteen crore increase in note circulation had no tangible effect on the curb rates on Wednesday.

Bullion

Silver opened disastrously at Rs 153-12 against the previous close of Rs 155 clue to heavy unloading by Calcutta bulls, and anticipation of further sales by the Reserve Bank. Subsequently, however, the recovery of silver was remarkable indeed, the quotation touching Rs 157-11 on Wednesday on Reserve Bank support and better off-take.

Gold ruled very steady throughout the week.

Market Leaders during the Week

(In Rupees and Annas)

	Closing 5-1-55	Week's		Closing 12-1-55	1954	
		High	Low		High	Low
Tata Ordinary	227- 8	230- 0	226- 8	227- 0	252-12	334- 0*
Indian Iron	33- 3	33-13	33- 7	33-10	36- 4	24-15½
Bombay Dyeing	473-12	484- 6	473-12	473-12	551- 4	386-14
Century	360- 4	373- 4	367- 8	368- 0	403- 0	275- 0
Kohinoor	326-12	332- 0	327- 0	327- 0	362- 8	291- 4
Bombay Burmah	479- 6	486- 4	464- 6†	464- 6†	501- 4	358-12
ACC	180- 0	183- 0	181- 4	181- 8	192- 8	147-12
Tata Chemicals	17- 1	17- 8	16-14	16-14	20-12	14- 3
National Rayon	194- 8	200- 8	194- 8	198- 8	223- 8	133- 0
Premier Construction	140- 0	153-12	150- 0	150- 8	176- 0	111- 0
Scindia	15- 4½	16- 6½	15- 4½	16- 1	22- 9½	14- 3
Belapur	316- 8	320- 0	315- 0	315- 0	338- 0	242- 8

† exdiv

* cum rights

Absence of mill enquiry which in its turn was due to continued dullness in the cloth market was responsible for further sagging in cotton which touched a new low this week. Heavy option was also responsible for the fall. Starting lower at Rs 607, cotton met with heavy short covering which took it to Rs 619 in mid-week. But the spurt was short-lived, and on Wednesday, cotton touched Rs 603-8, a new low. Confidence was lacking and a distinctly weak tendency prevailed.

Oil Seeds

This week the seeds market was very weak, and all the centres in the country showed a distinct uneasiness due to increased pressure of supplies. Government's measures such as reduction in export duty or liberation of exports failed to arrest the decline in prices and the situation worsened further towards the end of the week.

Castor seed started around Rs 85-8 and jumped to Rs 88-8 on Government's notification regarding export duty cut by Rs 75 per ton, but this level could not be maintained. Prices declined, with intermittent short coverings, to Rs 81-2 on Wednesday to close at Rs 81-14. The undertone was barely steady.

Almost the same conditions prevailed in groundnuts. Neither the increase in export duty to Rs 300 per ton from Rs 150 nor the fresh allocation of quotas for export could stop the downward tendency. February-March commenced around Rs 22-13 to touch Rs 20-6 at the end of the week. Though the quotation tended to steady around Rs 20-12, confidence was lacking.

Smuggled Gold


SMUGGLED gold affects the bullion market in various ways. In fact, it has never been a matter of secrecy that ever since the beginning; of the last war, the only two sources of new supply have been the production of Mysore Gold Mines and the smuggling of gold across the frontier either from Pakistan or from other parts of the world. It has been a favourite pastime of bullion market reporters to speculate about the possible volume of new arrivals from the Uttar source, it being accepted on all hands that marginal supplies of smuggled gold form one of the most, if not the most, important factors influencing the price of gold in day

If the smuggled gold that finds its way into the market affects prices directly, the gold that falls into the hands of the Custom Authorities also exercises an indirect influence. There is periodic speculation about the possibility of the threat of such contraband gold in the possession of Government being unloaded on the bullion market.


Lately, however, much concern has been caused to bullion brokers

and dealers by a change in Customs regulations which, it is apprehended, will seriously interfere with the normal transactions in the yellow metal. For the Customs regulations are proposed to be modified in the case of gold so that the onus of proving the origin of gold found in the possession of a broker or a bullion dealer should be on the latter, and not on the police as it is in the case of other goods.

after strenuous work...



no other drink refreshes you so much, yet costs so little as



TEA

our national drink

