*Around Calcutta Markets*

# Hesitant Trend

**Wednesday, Evening**

WHEN the stock market trend is "bullish", even unfavourable developments fail to have the expected adverse effect on equities. When, again, the market trend is "bearish", even minor adverse developments tend to have a major 'bearish" effect on equities. Fluctuations in equities in the last fortnight reflect this market phenomenon faithfully, although it is as yet early to say whether the primary market trend has turned ''bearish".

Some days ago, the managing agents of Indian Iron let it be known that the question of issuing right shares was not under their contemplation. Even then, Indian Iron did not start falling, although the earlier upward movement was mainly due to expectations of an issue of right shares by the company. Subsequently, Indian Iron fell. But these shares tailed to move up at the time of the settlement last week. These two unexpected movements in Indian Iron explain the principle mentioned in the preceding paragraph.

In the second half of last week, equities remained steady as it became known that the National Development Council had decided to accept the Mahalanobis Plan-frame as the basis for the second Plan, thereby rejecting the Planning Minister's argument that the Plan-frame was too ambitious for a poor country like India. Decision of NDC not to lower the targets of the Plan-frame was interpreted by the market to mean that investment will be maintained at a high level during the next Plan period.

For the first three days of this week, equities gradually drifted downward as selling pressure persisted. An irregularly lower trend in equities was partly due to the passage of the Companies Bill in Lok Sabha. This could only have a psychological effect on the market, as the consent of Lok Sabha to this Bill was anticipated. It would seem that the main reason for the hesitant trend in equities in the last few days lies elsewhere. There are growing fears that State interference with company management and stock market activities may grow in future.

On the day Lok Sabha passed the Companies Bill, the Finance Minister disclosed that a Bill to regulate stock market trading will be introduced in Parliament soon. Such a Bill has been in the offing for some time now. It is not difficult to understand why stock markets have reacted unfavourably to the Finance Minister's disclosure in Parliament that the Government will soon introduce a Bill to regulate stock market trading. It will be the aim of such a Bill to check undue speculative activity. But investors should have nothing to fear from such a Bill.

This week's weakness in equities is partly due to technical reasons. From the Budla rates in the last settlement, it is clear that there is an active "bull" position in Indian Iron. Some of the tired "bulls" have since liquidated their holdings. Though healthier, the technical position in some of the clearing shares is still vulnerable. It is, therefore, only to be expected that the market will take some time to complete the process of digestion.

Despite this week's fall in equities. Engineering Shares remain comparatively steady. This is partly due to the fact that there is still interested buying in some Engineering shares in order to acquire control in some companies. It is partly due to the fact that some engineering companies will soon be issuing bonus shares. What of taxation of bonus shares? Operators are now arguing that, despite the Finance Minister's recent statement, bonus shares may not be taxed. That, of course, remains to be seen.

Fall in Tea shares has also not been as steep as in some other shares. For one thing, it is now realised that auction prices may continue to be satisfactory. In the circumstances, it is argued that this year's profits of tea companies may not be as bad as apprehended some months ago. These factors explain why Tea shares are not falling. Even so, buyers are reluctant to lend support to these shares because of fears that the tea industry's production costs may increase owing to higher wage disbursements.

There are reasons why Jute shares remain inactive. Apprehensions are growing that Pakistan will soon emerge as a very powerful rival to India as an exporter of jute goods. Recently, India lost a valuable American order for hessian to Pakistan. There are reports that Pakistan Is still under-quoting hessian In overseas markets. This was the main reason for the recent heavy fail in the prices of jute goods. There has since been a recovery in both raw jute and jute goods. But the situation remains fluid.

Raw jute was falling because of regular and heavy arrivals of the raw material to moffussil markets in both Pakistan and India. A few days ago. rumours were current that this season's Pakistani crop will not be as heavy as estimated in private trade circles. There was a spurt in raw jute prices. But the spurt was not sustained. As raw jute resumed the downward trend, jute goods continued to drift down. Both raw jute and jute goods remain irregularly lower. That is why, jute shares remain hesitant and inactive.