Around Bombay Markets

All Eyes on Tata New Issue

Thursday, Morning

THERE was not much activity in Dalai Street during the week under review. The market, which had hitherto been divided on the subject, now heavily inclines to the view that the new issue to be floated by Tata Iron and Steel Co. will not be at par; on the contrary, a premium of about Rs 50 per share is now regarded as the more likely possibility. Despite the protest lodged by the Bombay Share-holders* Association against the advisability of such a course, Dalai Street failed to persuade itself that the principle held sacrosanct so far that corporate savings rightly belonged to shareholders will necessarily prevail in the changed climate of opinion. And that in the case of Tata Iron, "the wide disparity between its paid-up capital and the actual block", to which the Association had drawn pointed attention, and which gives a rough measure of such savings, will be necessarily passed on to shareholders through the issue to them of right shares at par. Hence Tata Steel ruled quiet and occasional attempts at whipping up enthusiasm by playing up rumours of new issue at par failed dismally. The sea-saw movements witnessed during the week reflected the doubts and hopes in regard to this particular issue.

In the Textile section, the undertone was better at the beginning of the week and the leading counters remained steady but towards the close, in sympathy with Tata Steel, quotations tended to ease.

In the miscellaneous section, AGC, premier Construction, Scindia, Bombay Burma and National Rayon moved more or less in sympathy with steels and closed lower.

Cotton

More Confusion

THE resumption of forward trading In cotton was an anti-climax to the preceding excitement. Although trading was formally resumed on Saturday (7th January), the ceiling of Rs 700 proved to be a stumbling block in the way of any activity in the hedge contract. Consequently, transactions were only nominal. There were occasions, however, when the contract was dealt with at a premium of Rs 10 to R9 16, non-offlcially of course, which go to show that the stalemate was not really ended by the fixation of an arbitrary ceiling.

Towards the close of the week, the confusion prevailing in the ranks of jobbers and operations became even worse when two leading members of the EICA brought out a notice of motion against the Board of the East India Cotton Association. The purpose was to restrain the Board from enforcing the resolution passed by them on January 6, declaring an emergency and fixing the ceiling at Rs 700. The action by the EICA earlier, it was alleged, was the result of coercion and did not reflect its considered opinion on the state of the market. As a result of this new development, the clearing rate for outstanding contracts, which was scheduled to have been fixed on Monday, had to be postponed by the Board for a week, pending the hearing of the case by the Bombay High Court on the 13th.

Meanwhile, the East India Cotton Association has appointed a sub-committee to examine the possibilities of squaring up transactions both in the February and the May contracts at an agreed level, in order to help an early commencement of the August contract. To avoid the automatic transfer of current contracts to August, the sub-committee will also suggest adjustments in the hedge contract, in view of the changes in the new crop which has suffered both quantitatively and qualitatively.

Unlike in the previous fortnight, the spot market at Sewri was active, if not buoyant, and benefited from sustained enquiries by mills for popular styles like Jarilla, 320 F, 216 F, Vijay, Amravati and Khamgaon.

In the export section shippers were reluctant early in the week to enter into fresh commitments and were awaiting the results of the first sale of American surplus cotton. Later in the week, they gained confidence when it came to be known that the first bids of the US surplus cotton fetched 28.50 cents to 31.50 cents c.i.f. UK and Japan. At these rates, comparable qualities of Indian cotton will continue to be cheaper. Exporters are reassured that America will not, at any rate for the time being, unload her cotton at throw away prices. The care with which the surplus cotton is being released indicates that America is well aware of the threat that this holds for the world markets and that she should proceed cautiously.

Oilseeds

Cold Wind from Cotton

THE oilseeds market which had witnessed some speculative 'rigging up' of prices in the previous week, turned unaccountably easy. It is possible that the Government's strict measures to check speculative rise in prices in commodities market elsewhere, as for instance, in the case of cotton and jute, had a sobering effect on operators in oilseeds, who had neglected this warning so long. For, in view of the paucity of floating stocks and keen overseas enquiries, buyers need not have been reserved. Whatever the reason, throughout the week, there was a steady decline in values all round.

Groundnut, ready quality, which was quoting Rs. 29-8 last week closed at Rs. 28-12 while February-March suffered a loss of 11 as. at Rs. 28-15.

Castor May which had been talked up to Rs, 122-14 last Wednesday, steadily lost ground and closed at Rs. 117-8.

Linseed oil, however, continued to attract overseas enquiries and ruled steady at Rs. 18-2.

Bullion

Silver Continues Strong

THE continued influx of smuggled gold caused a setback in gold in the beginning of the week. With spot houses selling, and buyers holding back, the market was naturally a little bit shaky.

Silver, however, experienced no such trouble; it never seems to get any smuggled supplies and sustained speculative demand kept prices fairly firm. Cotton market operators are reported to have lent active support in silver which is rather puzzling, considering that stalemate in cotton continues. Perhaps the 'interest of cotton operators in silver is to be accounted for by the profit made during the period of sensational rise in cotton futures before the Forward Markets Commission stepped in. Anyway, silver closed pretty firm.