Around Bombay Markets

Equities Continue to Drift

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Thursday, Morning

DALAL STREET had only five hours of official trading last week. Even so the market was unable to put on a lively appearance. Business was limited. Stockbrokers did not report any accumulation of orders because of the year-end holidays.' The turn of the year has brought no change, in the mood of the market. Equities continue to drift lower, due mostly to lack of fresh support. Though sellers pre" dominated, they were never aggiessivc. Bulls were cautious and investors were reserved.

Last weeks decline is merely a continuation of the downward movement which has been in progress for quite some time. But the further cut in ex-mill prices of cloth and the growing; stringency in the short-term money market which has pushed the inter-hank call money rate to a recorded high of 5½ per cent have contributed net a little to the further deterioration in the general trading sentiment. Sortie uneasiness has also been caused by the recent developments in Laos.

The stock market does not seem much bothered about the current Congress session because there is hardly anything left for the Congress Working Committee to talk with which the stock market is already not familiar. The market's altitude might possibly have been different if it had been standing on a high plateau. But the heavy decline since about the end of July has brought the market very close to the 1960-low point, notwithstanding the fairly impressive improvement in industrial production and the persistence of inflationary pressures in the economy.

Between December 26, 1959. and December 21, 1960, the Reserve Bank's all-India index for variable dividend securities has recorded only a modest net rise from 160 to 165.7. The regional index for Bombay is up from 164.9 to 168.7, that for Calcutta from 119.6 to 151.7 and that for Madras from 171 to 185.1. During the year, the all-India index had touched a high of 182 and the highest points reached by regional indexes were 189.1 for Bombay, 165.9 for Calcutta and 196.6 for Madras. Judged by the net gains over the year, both 1958 and 1959 had been much better than 1960 which saw prices sky rocketing about the middle of the year. For the decline that occurred in August and September was far more sleep than the preceding spectacular boom.

Once bitten twice shy. Both bulls and investors have become very cautious. They are scared of staking a big fortune before the Budget is out of the way. Being the first year of the third Plan, great significance attaches to the 1960-61 Budget Mobilisation of resources for the Plan will call for massive effort, but it is unlikely that Shri Morarji Desai will do anything which will in any way harm the cause of the private sector. Equities will probably continue to drift lower for some time and investment inquiry might not show any noticeable improvement in the immediate future, but the distant outlook for equities can be viewed with optimism because of the steady increase in the volume of investible funds.

Marked Strength

THE oilseeds market continues to show remarkable strength. Last week groundnut February were bid up to lis 218.50 per 250 kilos and linseed Max to Rs 36.25 per 50 kilos both new high.., for the season. Castorsted and cottonseed seemed merely to follow groundnut and linseed. Speculators could hardly be blamed for marketing prices up. For the strength was more pronounced in the spot material. Both groundnut and linseed, ready are commanding substantial premiums over futures. In Hyderabad. groundnut K G are quoted as high as Rs 210 per 250 kilos. The premium in respect of linseed ready is around Rs 15 per 250 kilos. Business in futures has dwindled to negligible proportions because of the heavy margins. A bull in groundnut has to pay a margin of Rs 10,0000 per unit of hading 125.000 kg.)

The glowing strength in groundnut is attributable to the rather slow pace of arrivals and continued good consumer inquiry and off-take by vanaspati manufacturers. The slow pace of at rivals does not necessarily indicate that the crop is not quite satisfactory. There has come about a marked change in the pattern of marketing. The producer does not now rush to the market his crop soon after il has been harvested. His holding power has improved considerably. Linseed have been marked up recently mainly because of their relative cheapness. Linseed oil is still nearly Rs 30 per Bengali maund

Range of Security Prices in 1960

Shares	Close on 24-12-1959	1960 High	1960 Low	Close on 23-12-1960
Bombay Dyeing	63.00	72.70	60.40	60.50
Century	456.00	511.00	131.50	455.00
Kohinoor	337.00	372.00	262.75	267.50
Standard	861.00	2100.00	736.00	1025.00
Swadeshi	278	286	220	221.50
A. C. C	151.50	152.50	137.50	148.50
Indian Iron	23.40	26.55	21.84	23.12
Tata Steel	159.50	164.50	138.75	140
Scindia	17.32	17.40	13.32	15.40
Belapur Sugar	335	135	310	339.50
Hindustan Motor	16.40	23.64	14.32	19.56
Bombay Burmah Old	576.50	658	521.50	557.50
National Rayon	378	617	346.50	481
Premier Construction	366.50	390	280	288.50
Tata Chemicals	16.80	22.04	15.08	17.16
Tata Locomotive	214	349	200	295
Voltas	197	307	183	264

cheaper than mustard oil Little wonder that linseed oil is being eagerly sought for mixing, The market is experiencing acute shortage of stocks, being the fag-end of the season. The new crop will move into the market in quantity only towards the end of February,

Exports

The export quota for 20,000 tons of groundnut H P S released on December 8, has been exhausted and the trade is hopeful of a further quota for 20,000 tons before the end of the month. The U K, Continent and Canada are reported to be keen buyers and the quotation for Bold quality is mentioned around £88 per ton, Export houses reported good business in groundnut extractions and prices realised were also considerably higher than a fortnight ago. The U K quotalion for extractions 50 per cent January shipment has risen from £27-15 to £ 29-10 over the past two weeks. This is attributed partly to the cancellation of a few steamers which were to carry extractions this month. The freight for oilcakes from February will be 10 shillings per ton higher. The improvement in overseas prices for extractions is due partly to the spurt in soyabean prices from £ 31 to £36-10 because of the serious damage to the Chinese crop. China which has always been an important seller of soyabeans is reported to be buyer this season. Overseas inquiry for linseed cake was also reported to be satisfactory hut business was limited by the availability of cake of good quality. The U K paid about £29-15 per ton against £28-10 a fortnight earlier.

Export of groundnut oil and linseed oil continues to be at a standstill and in view of the wide disparity—nearly £10 per ton—.between Indian and world prices there is little hope for export business to revive. Recently the Government had linked the import of certain spices with the export of groundnut oil. Now there arc market reports that crushers of copra might have their import quotas linked with groundnut oil export. Some oil might go under these schemes, but this could hardly be called export promotion. It is. doubtful whether the Government would agree to give adequate incentives to the established shippers of oil. Indeed, incentive schemes cannot be operated economically under the present set up of the market,

About Castor

After keeping a little subdued for some time castor futures have also developed considerable strength. The May contract which had been marked down to Rs 174.87 on December 27 was bid up to Rs 178.75 on January 4. Improvement near the week-end was attributed to sustained export house buying induced presumably by the hope that the recent developments in Laos and the consequent deterioration in the world political situation might revive the demand for Indian castor oil. No important business has taken place over the past several weeks and the stocks of castor oil in the U K are reported to be on the low side. Offerings from Brazil to the U S and other markets are also reported to be poor. Sentiment has also been helped by the recent cold spell which. if continued much longer, is likely to harm the castorseed crop. It will be some time before new crop arrivals become a burden on the market. Even so castorseed prices might not decline much because they are already quoted Rs 50 to Rs 60 per 250 kilos lower than groundnut. The spread between groundnut and castor has seldom been so wide. In the past, castorseed have often fetched a higher price than groundnut. With record export of nearly 53,000 Ions of castor oil in 1960 there is hardly any important carryover. The new crop is smaller than in the previous year, Estimates vary from 110.000 tons to 125,000 tons.

<u>Cotton</u>

Futures Irregular

COTTON futures continue to fluctuate irregularly in a narrow range. This is because there is little in the demand-supply position to enthuse either bulls or bears. The 1960-61 crop is fairly good -only when compared with the previous season's crop because despite normal weather conditions the crop will be some 15 lakhs below the target set for the Second Plan—but this will only mean an increase of some 3 to 4 lakh bales in the carryover which had fallen to a dangerously low level of 9.8 lakh bales. Arrivals are steadily increasing but they are being readily absorbed. The textile industry has been obliged to accept a further cut in cloth prices, but with the uncertainty about prices now over, cloth off-take is expected to pick up appreciably. This will relieve the industry of the burden of carrying large stocks. Besides, the industry has been assured of help from the Government in increasing its output.

Cotton prices this season are substantially lower than in the previous season. Many varieties are now available at or a little more than the ceiling rates. Last season prices were quoted, unofficially of course, Rs 125 to Rs 200 per candy above the ceiling. L 147. O 394. C O 2 and Moglai lower quality —all these cottons are quoted considerably lower than the ceiling rates. Jarilla 197/3 and 320 F are stilt at or slightly above the ceiling. Bengal Deshi. however, continues to command fancy premiums with superfine variety quoted nearly Rs 250 per candy higher. About 19.5 lakh bales out of a crop estimated between 48.5 and 50 lakh bales, are reported to have been marketed by now. Of these nearly 12 lakh bales have been pressed. Arrivals are expected to show considerable improvement in coming weeks and the increased tempo is likely to be maintained until about the end of April. Prices might ease further under the pressure of arrivals during this period.

Il is slated that out of the shipping bills passed for 47.500 bales of Bengal Deshi. the shippers" share in the 50,000 bale, quota export duty has been paid on only 37,500 bales . The balance of 10,000 bales has been detained because according to the *ad hoc* Committee this cotton is 'fine' in grade which is not eligible for export. This cotton is said to have been passed as 'superfine and above' by the Regional Survey Committee. The trade continues to be optimistic about the release of a further quota for 50,000 bales of Bengal Deshi for export because the country has an, exportable surplus of Deshi and overseas demand is keen.

The textile industry has strongly opposed the plea made by the growers in Gujarat for an increase in the ceiling prices of Kalyan and Vijay 'B.' on the argument that it runs counter to the Government's policy of keeping cloth prices under check. The industry has made it clear to the Government that it had accepted the recent cut in cloth prices on the understanding that cotton prices would not be raised.

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