Around Bombay Markets

Steadier Tendency in Shares

Thursday, Morning

DALAL STREET presented a steadier appearance last week. The volume of business continued to be restricted and outside interest remained virtually absent but equities developed a hardening tendency due mainly to scarcity of fresh offerings though there were also reports about revival of selective professional support. Vyapar's equity share index which stood at 142.74 on 20th March creeped up gradually to 145.02 on the 28th and the week-end closing was only slightly lower at 144.72. The index for new issues improved during the week from 89,51 to 92.11, The stock market seemed to lie greatly impressed by the Prime Minister's inaugural speech at the 35th annual session of the Federation of Indian Chambers of Commerce and Industry in New Delhi.

The stock market, as also the business community, has long since been reconciled to the concept of mixed economy. Even so the market was much pleased to hear Shri Nehru saying that social justice should be achieved without doctrinaire, or dogmatic: approaches because it allayed fears that Nehru would turn more leftist after the elections. Sentiment on the stock exchange last week was also helped by reports suggesting that Shri Morarji Desai would retain the portfolio of Finance. The corporate news; continues to be encouraging but anxiety is growing about the difficulties in regard to the supply of raw materials power and transport.

The stock market is anxiously awaiting the announcement of the new Central Cabinet and the Budget proposals to follow. To say that the quantum and nature of taxation in the Budget will have an important bearing on the outlook for equities is to slate the obvious.

Oilseeds

Rally near Weekend

OILSEEDS prices which had been declining since about the third week of February suffered a further fall early last week but later staged a handsome rally which erased nearly all the earlier losses. Wednesday" closing prices showed only minor changes over the previous week-end levels. Groundnut May was marked down from Rs 224.50 to Rs 218.75 — in kerb it had touched a low of Rs 217,50 but later it recovered to Rs 225.25 per 250 kgs. Castor June fell from Rs 104.75 to Rs 158 to rally later to around Rs 162. Cottonseed April eased from Rs 100.50 to Rs 97.75 but improved again to Rs 99.50, Linseed June which had touched a low of Rs 35.75 early in the week recovered sharpIy to Rs 36.91 per 50 kgs near the week-end.

The decline in prices over the past few weeks bad been much too steep to be continued without neees-sary technical adjustments. A rally had been overdue. The week-end recovery, which promises to continue further, seems essentially technical. While this rally could mark the beginning of a new upward move, it is too early to say whether the downward trend has spent all its force. The near-term outlook does not appear very encouraging for a marked and sustained recovery in prices. Despite the perpendicular fall in groundnut futures, the spot material is still quoted at a huge discount. Prospects of fairly large tenders of inferior quality groundnuts will discourage fresh aggressive bull support for the May contract.

Technical considerations apart, recovery in castor futures was also helped by reports that Communist countries had purchased about 800 tons of castor oil during the week. The trade also reported improved inquiries from the UK but no business was said to have materialised.. While export prospect; are none-too-encouraging, few market men are inclined to expect any serious decline in castor prices because castor oil looks very cheap in relation to other oils. Recovery in linseeds was attributed both to short covering and emergence of fresh bull support. The recent decline in domestic prices and a recovery in overseas quotations ha narrowed down the disparity i linseed oil prices to around £ 8 pe ton. At one time Indian linsee oil was quoted about £ 30 per to above the world parity. Reduce offerings by the Argentine and ex ports of a decline in acreage under linseed in the U S and Canada have encouraged some shippers to think that India might again be in position to sell linseed oil in the near future. Apart from casto oik export houses reported satis factory business in groundnut ex tractions with the U K. Oversea prices, however; showed an easie tendency near the week-end.

Cotton

Policy Statement Awaited

THE cotton trade has been having an extremely difficult time this season which has still five more months to go. Will the next season (1962-63) be any better? Perhaps not, unless the Government of India revises its policy in regard to cotton prices. With import prospect; what they are, the carryover at tin end of the current season is likely to be reduced to a precariously low level and cotton prices might no come down much below the pre sent ceiling prices in the next sea son even if the 1962-63 crop turns out lo be fairly good. The short age of cotton is so very serious that the country will need to make a desperate effort to increase produc tion. The trade has long been pleading for the abolition of price control over cotton or at least to raise the ceiling prices very sub stantially in order to encourage cultivators to give their utmost atten tion to cotton. The Government has not yet made up its mind on this issue.

The Union Commerce Minister told the Lok Sabha the other day that the floor and ceiling prices of cotton for the 1962-63 season would be announced some time in May But why so late as that? If prices have a hearing on production, the price policy should be announcer before the commencement of the sowing season. The Commence

Minister cannot be unaware that cotton sowing in the Punjab starts in April, Whether higher ceiling prices will help bring about an increase in cotton production may be a moot point but the experiment is well worth trying. For price controj over cotton has been reduced to a mere farce anyhow. It is no secret that unofficial premiums in cotton now range between Rs 60 and Rs 150 per candy. High premiums apart, it is interesting to read "mills advertising in newspapers for the exchange of their cotton quotas as the varietywise distribution control has led to the accumulation of stocks of unwanted cotton with them. The exchange of quotas has recently been permitted by the Textile Commissioner.

Business in ready cotton continues to be on a very restricted scale. Speculative activity has come to a dead end with the expiry of the March hedge contract. The trade is canvassing for starting hedge trading in the new season's contract at the earliest but the trade will have to wait for the announcement of the Government's price policy for the new season. Jarilla March went off the board at the ceiling rate of Rs 693 without a single bale being tendered against it. which however, is not the least surprising because in ready Moglai fine is quoted at a premium of about Rs 75 per candy. The lowest point recorded by the contract was Rs 585.50 on 8th August 1961.

Export, Import Quotas

The Government of India has allowed for export further 70,000 hales of Bengal Deshi cotton for shipments valid up to 31st August. Of this 5 per cent has been earmarked, as usual, for distribution among cooperative societies in the growing areas. The Government has also announced the import of 43,000 bales of cottons stapling 1-1/16'" and above but below 1-3/16" from any area correspond, ing to the aggregate value of the export of 70,000 bales of Deshi cotton. Whether imports and exports are inter-linked is not quite clear from the Press Note released by the Textile Commissioner. The release of the export quota should have a steadying effect on the prices of Deshi cotton which had been drifting lower in an otherwise firm market. Export demand does not appear to be keen at present but the trade thinks that it should be possible to utilise the quota. The country could have realised much better prices if the export quota had been released earlier. The announcement of the import quota is welcome though the quantity is too small to make any material difference to the overall supply position. Bulk of this cotton is expected to come from the Sudan.

Bullion

Mixed Showing

BULLION prices made a mixed showing last week. Cold suffered a sizable setback while silver closed virtually unchanged over the week. The quotation for gold Jeth delivery declined gradually from Rs 123.10 to Rs 121.25 on selling induced by the marked increase in floating supplies resulting from continued slack off-take and large arrivals of contraband gold. Hopes of a revival in seasonal demand after the Holi festival have failed to materialise. Perhaps the present high prices of gold are having a restraining effect on demand. Floating stocks of gold in Bombay are reported to have increased to between 1.25 lakh tolas and 1.50 lakh tolas. Silver too was subdued earlier in the week with the quotation for Jeth delivery marked down from Rs 218 to Rs 216 but near the week-end it recovered sharply to Rs 217.95 and Wednesdav\s closing was not much lower at'Rs 217.70.