Around Bombay Markets

Equities Continue to Sag

Thursday, Morning

EQUITIES continue to drift lower. The recovery which had followed the panicky selling after the announcement of the half per cent increase in the Bank Rate has proved to be a short-lived affair. The market has slipped again and moved into new low ground, indicating that the reactionary phase which started in the last week of August is still in progress. The process of technical adjustment has proved to be very painful. And in the mood of frustration that has come to prevail, an increasing number of observers are beginning to have serious doubts about the market's ability to resume its upward journey with vigour unless there is some big news from New Delhi to cheer the market.

The market's performance might have been quite different but for the extremely disappointing behaviour of the two Rayon shares—Century and National Rayon—which have a strong bear ing on the general market sentiment. Rayon shares have been under persistent pressure because of the growing weakness in the rayon yarn market. Expectations about the much-talked-about reduction in excise duty have yet to materialise and it is difficult to say whether the duty will at all be reduced in the near future. Last week, sentiment was greatly unsettled by the Government's decision on the revision of multipliers for fixing prices of popular varieties of cloth under the new scheme. The revision seems justified but that the Government should have felt it necessary to revise the multipliers within a day or so of the initial announcement reflects poorly on those who were entrusted with task of formulating these schedules. Trading sentiment also seemed to have been affected by the I M F chief's emphasis on the need for more taxation in India in order to contain inflationary pressures in the economy. "The proportion of total national income that is taken by taxation is still relatively low", said Mr Pierre-Paul Schweitzer. The stock market can scarcely be expected to ignore any mention of a rise in taxation.

The stock market's present mood is one of utter frustration. Turnover has again shrunk considerably. Outside public interest has virtually disappeared. Very little has been heard recently about any significant buying by the Life Insurance Corporation or the Unit Trust Market sentiment is extremely unsettled. Technically, however, the market is thoroughly liquidated and it is in a somewhat oversold position. But bears still dominate the scene.

Cotton

Futures at New Low

YET another week has gone by and the weather has continued to be favourable. And in another week or so, the most critical period for the cotton crop would be almost over. From available indications, it appears that the 1964-65 crop will set a new record; the crop is varyingly estimated between 62.5 lakh bales and 65 lakh bales. This will the third good harvest in a row. The country will have to be exceptionally lucky to have ideal weather conditions for yet another year. This underlines the need for determined and planned effort to increased cotton production, which will have to be achieved through higher yield because of the limited scope for bringing more area under cotton, if the Third Plan target of 70 lakh bales is to be achieved.

Neither the Government nor the industry will have any occasion to worry about cotton this season, unless, of course, imports are reduced considerably. The industry will be assured of ample supplies of cotton at substantially below the ceiling prices. And since cotton prices in India have for quite a long while been ruling higher than the world parity, the Government would be well-advised not to pay any heed to likely protests from farmers in the event of a sizable fall in cotton prices. It is necessary to draw New Delhi's attention to such a possibility because last year, official circles seemed inclined to support the market around Rs 700 (Moglai Jarilla fine 25/32"). If the authorities are really serious about keeping cloth prices down, it would be unwise to get worried over the decline in cotton prices.

Oilseeds

Futures Firm Up

OILSEEDS futures displayed marked strength last week. Castor were very much in the news because of the keen tussle between certain powerful bulls and bears. The March contract which was quoted around Rs 179 in the preceding week was bid up to a new high of Rs 186.25 and despite the setback caused by corrective profit-taking, at its Wednesday's closing of Rs 185.12 the contract showed a net gain of Rs 2.37 (per 250 kgs) over the week. The recent spurt in castor futures is not due to any fresh exciting developments on the export front. In fact, no worthwhile export business in castor oil has been reported for the past several weeks. Castor oil exports this year will not make a poor shoeing, though the bulk of this business has been with Russia and East European countries—rupee payment areas. The recent remarkable strength in castor futures is due essentially to strong bull manipulation; bulls seems to have been emboldened mainly by the strength in the spot material which continues to fetch a sizable premium on futures. Casrorseed ready, Kanpur quality, is quoted around Rs 203 (per 250 kgs). Linseed and cottonseed futures hardened mostly in sympathy with castor. But when trading commenced in groundnut futures on October 7, groundnut quickly stole the lead from castor.

Within a few hours of trading on the very first day (October 7), the lanuary contract in groundnut shot up from Rs 94.55 to Rs 95.75 (per 100 legs). Groundnut oil January, however, was neglected around Rs 18.50 (per 10 kgs). The bullish sentiment in groundnut futures reflected the renewed firmness in the spot material. Groundnut ready Khandesh quality which had declined to Rs 66 in the preceding week were up again around Rs 70.50 (per 50 kgs) last week; groundnut oil ready recovered from Rs 27.50 to Rs 31.25 (per 10 kgs). The sudden spurt in spot prices has been caused by the interruption in new crop supplies because of the heavy rains in the areas producing early maturing crop. Spot prices should ease, seasonal demand notwithstanding, with the normal movement of goods. Arrivals will be picking up in course of time.

In view of the negligible carryover from the previous season, new crop