Around Bombay Markets

Primary Up-trend Resumed

Thursday, Morning

DALAL STREET'S remarkable buoyancy last week, particularly after the end of the last account, was in pleasant contrast to the continued slump in bullion, cotton, oilseeds and grains. Led by Tata Steel and certain Miscellaneous counters equity prices recorded all-round modest gains. But far more significant than the rise in prices was the distinct improvement in sentiment. Activity increased with the rise in prices, indicating a bullish undertone. With Tata Steel, Tata Chemicals, R B Petrol and Indian Copper rising to record high levels and many counters penetrating their recent sub-minor resistance levels, technical analysts are convinced that the corrective phase which had been in progress since about the middle of April has come to a halt and that the primary up-trend has been resumed.

Equity prices had been declining for nearly seven weeks and many issues had shed a substantial part of their gains in the preceding upswing. It appears that professional bulls had been accumulating positions during the last fortnight when technical considerations favoured a recovery and the public was still talking about the slump in commodities. What precisely emboldened the bulls is difficult to say. Several factors seem to have combined to bring about a change in market psychology. The Gilt-edged market had been steadying up for some time. Conditions in the short-term money market had begun to ease with the decline in trade demand for funds. Persistent references to a cut in the Indian Bank Rate could not be altogether ignored. With the response to the National Plan Loan by no means very encouraging, traders had begun to argue that the fear of diversion of funds from the equity market had been rather exaggerated.

The progress of Geneva talks did not suggest an early agreement on a cease-fire in Indo-China. Occasional American threat to intervene in the Indo-China war to check Communist advance was generally considered a bull point on the argument that it might lead to another war between the Communists and the Western Powers. The market was in a mood to respond to bullish influences, and the Shroff- Committee report came in very handy. It was generally thought that the Committee's recommendations, if implemented, would considerably help in stimulating private investment Among other things the Committee has recommended liberal investment policy by institutional investors by including first class equities in their portfolios.

It is scarcely surprising that Tata Steel led the market in the upward swing. These shares had shown remarkable strength in recent weeks. The bulls had been encouraged by the poor floating stocks. Deliveries at the recent settlements had been usually small. It is interesting to note that despite the closure of the company's transfer books for dividend payment, the " budla " rate which should have been normally around Rs 2-4 against the buyers ranged between a rupee and four annas on the settlement day, and was later quoted around one rupee against the sellers. It is possible that the aggressive attitude of the bulls may have been due to suggestions of a higher dividend. Sentiment was greatly helped by reports that the company's largest blast furnace had been put into operation from June 1 which would raise pig iron output by 30,000 tons a month. Indian Iron which were comparativcly quiet appeared to attract increasing attention near the week-end.

Cotton Mill shares which had been depressed for many weeks appeared to regain stability at the recent low levels. Reports of continued poor off-take of cloth discouraged aggressive buying, but the bears preferred to cover their positions. The strength in Steels and Miscellaneous issues encouraged selective bull support. Century, Gokak, Central India, Kohinoor and Bombay Dyeing were some of the firm spots. Sentiment was helped

MARKET LEADERS DURING THE WEEK

(In Rupees and Annas)

	Closing	Week's		Closing	1954	
	June 2	High	Low	June 9	High	Low
STEELS:						
Tata Steel	194- 8	205- 8	195- 0	205- 8	205- 8	334- 0*
Indian Iron	30- 5	31- 2½	30- 6	31- 2	31-14	24-15½
TEXTILES:						
Bombay Dyeing	419- 6	425- 0	420- 0	424- 6	448-12	386-14
Central India	171- 0	174- 0	171- 8	174- 0	196- 8	169- 8
Century	325- 0	332- 8	327- 0	330- 8	342- 0	275- 0
Kohinoor	307- 8	312- 8	307- 8	312- 0	332- 0	291- 4
Simplex	154- 8	156- 8	155- 0	156- 0	164- 8	148- 0
Svadeshi	273- 8	276- 4	273- 0	276- 0	309- 8	264- 8
BANKS, INSURANCE:						
Central Bank	54-12	54- 8	54- 4	54- 4	64- 8	54- 8
Imperial FP	1785- 0	1785- 0	1775- 0	1775- 0	1847- 8	1770- 0
Bank of India	147- 0	147- 4	146-12	147- 0	157- 0	145- 4
New India	45- 4	46-12	45- 0	46- 8	50- 0	39- 8
ELECTRICS:						
Ahmedabad Elec	110-15	110-15	107- 8	108-12	119- 6	110-15
Andhra Valley	1320- 0	1342- 8	1322- 8	1335- 0	1367- 8	1217- 8
Tata Hydro	140- 8	142- 0	140- 8	142- 0	144- 8	135- 8
Tata Power	1406- 4	1437- 8	1406- 4	1428-12	1471- 4	1330- 0
MISCELLANEOUS:						
ACC	157-12	161- 0	157- 8	160- 0	161- 0	147-12
Belapur	267- 8	268- 0	266- 8	268- 0	283- 0	242- 8
B'bay Burmah Old	394- 6	405- 0	391- 4	404- 6	430-10	358-12
National Rayon	166- 8	172- 0	166- 8	170- 0	174-12	133- 0
Premier Constn	132- 8	131-12	130- 8	131- 0	138- 0	111- 0
Scindia	17-10	17-12½	17- 7	17-12	18-14	15- 4½
Tata Chemicals	14-14	15-11	14-15	15-11	15-11	11- 2

* CR=cum rights.

by continued suggestions of an early removal of export duty on coarse cloth.

Except for the weakness in Shivrajpur which were affected by the fall in the price and in the export demand for manganese, Miscellaneous shares showed remarkable firmness. National Rayon, Tata Chemicals, Premier Construction, Digvijay Cement, ACC and Bombay Burmah were particularly firm. B B Petrol and Indian Copper which were pushed to record high levels on keen influential buying reacted on corrective profit-taking near the week-end. While Belapur were rather dull and subdued, Phaltan Sugar showed a firm tendency.

Bank shares were quietly steady with limited turnover. New India Insurance responded to encouraging annual report. Electric shares were firm on renewed investment support. Ahmedabad Electric, however, were depressed. The Gilt-edged market continued firm. Although business was small, sellers were reserved. The Finance Minister has indicated the target for the National Plan Loan around Rs 100 crores, of which about Rs 80 crores have already been collected. With the response by no means encouraging the authorities can hardly afford to keep the subscription lists for very long to collect a larger amount. With the approach of the slack season and the target for the loan revised downward, the Gilt-edged market can be expected to maintain a steady tone in coming months.

Commodities

Cotton Futures Erratic

Friday, Morning

FLUCTUATING hopes about the outcome of the dispute regarding fixing of tendering differences caused erratic movements in cotton futures. Strong bull manipulation through options compelled the bears to cover their sales, but with follow-up support lacking and cloth market continuing subdued, the bulls seemed anxious to liquidate their holdings at higher levels.

After rising from Rs 675-8 to Rs 683-8 ICC August reacted sharply to Rs 660 on substantial bull liquidation and considerable bear pressure encouraged by the weakness in outside commodity markets. Later it recovered to Rs 660. on Wednesday and was further up at around Rs 672 in kerb dealings on Thursday. With the technical position of the market considerably improved by substantial bull liquidation in recent weeks and spot houses inclined to support the market around Rs 660 prospects of any marked fall are generally discounted. . Last week's trading pattern seems to suggest that the recent downward trend has probably been halted for an important rally.

A few prominent bulls of May have protested that the sellers obtained from them a higher premium for tendered cottons than they were entitled to. They maintain that the tendering differentials fixed by the East India Cotton Association in relation to futures were arbitrary and artificial in so far as they were not related correctly to the price of spot fine Jarilla 25/52". The premium for this style was nearly Rs 75 over the contract on April 25 when according to the bye-laws of the Association tendering differences were fixed. Shorts who had tendered cotton against the maturing contract had therefore obtained Rs 75 more titan justified by the spot market rates. They have already obtained an interim injunction restraining a broker's firm and the Association from enforeing until June 17 the settlement of the May delivery on the basis of tendering differences fixed by the ElCA's special committee.

The spot market continued dull. The mills have nearly exhausted their existing quotas. Moreover with cloth off-take slack they are restricting their purchases to bare requirements. Bengals have steadied after the previous week's fall. Business in foreign cottons was also limited. Importers have not showed much inclination to purchase American cottons since New Delhi allowed free imports on trade account. The high price of imported cottons and occasional suggestions about export subsidy by America have acted as great deterrents.

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Further Fall in Bullion

BULLION prices last week suffered a further sharp decline. Neither the fear of continued high backwardation charges, nor the enforcement of automatic margin of Rs 500 per bar could discourage the bears from pressing sales. Occasional short covering failed to produce any sustained rally, the bulls being anxious sellers due to falling seasonal demand.

After an early set-back from Rs 159-13 to Rs 158-1 silver " Jeth " delivery rallied to Rs 159-11 But declined again to Rs 154-10 on Thursday and ended at Rs 156-5 the same day. The " budla " rate which had been pushed to around Rs 4-6 per 100 tolas against the idlers declined to around Rs 2-12 near the week-end. Gold "Jeth" delivery improved from Rs 85 2 to Rs 86-12 but cased gradually to Rs 84-7 and ended at Rs 84-14 against Rs 85-10 a week ago. The discount on ' Asharh " delivery ranged between Rs 1-5 and Rs 1-1 per tola. In view of the recent steep decline technical considerations seem to favour sizable recovery from the current levels.

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Oilseeds Rally Near Close

AFTER declining to new low levels for many months under the pressure of up-country bull selling, oilseeds prices staged a brisk recovery due to substantial short covering and replacement buying encouraged chiefly by technical considerations. Sentiment near the week-end was also influenced by renewed suggestions about an early announcement of a further export quota for castor oil in response to repeated appeals from different trade organisations.

Groundnut Bold June-July delivery was marked down from Rs 30-12 to Rs 28-8 but recovered to end at Rs 30-8 per cwt. Early decline was due to heavy bear pressure and persistent up-country selling. Later recovery was caused mainly by short covering and replacement buying for bargain hunting. With vegetable ghee prices falling, vanaspati manufacturers evinced little interest in groundnut and its oil. They restricted their purchares to bare requirements.

Linseed June-July delivery declined from Rs 24-6 to Rs 22-12 but rallied again to Rs 24-4, Business was generally small. The market being thin, prices responded to small buying and selling and generally followed the trend in groundnuts. Mill buying in ready was poor. Oil continued subdued around Rs 12-10 per quarter. Sentiment was affected by reports that America was a seller of linseed oil to Europe at below the current oil prices in India. Kardiseeds and nigerseeds were subdued without much turnover.

Castor futures moved irregularly on fluctuating hopes about a further oil export quota. After rallying from Rs 110-2 to Rs 112-2 castor September slumped to Rs 106-12 on Monday as the expectation about an export quota at the week-end failed to materialise. Later it rallied on short covering to Rs 108-8 but was down again to Rs 105-2. It steadied to end at Rs 108-10 per candy on Thursday.