Around Bombay Markets

Dalal Street Forges Ahead

Thursday, Morning

DALAL STREET last week took a big leap forward, striking a new peak in the current bull phase which represents a substantial improvement, over the 1958 high. Gains were widespread and large and in some cases they were really spectacular. It was certainly not a case of nervous short covering because there was nothing much in the news to upset the bears. Bulls were in the field again. The volume of business was heavy, and it looked as if the heavy margins in commodity futures had turned the attention or the speculators there to the stock exchange. Apparently the market had resumed its uptrend after small minor technical adjustments.

Tata Steel, which had long been out of favour due to all sorts of misgivings based on the prospective capital issue, shot into the limelight and appeared to have recaptured their pride of place. April output at 93.300 tons of saleable steel was 7,400 torn; less than in March, but the market seemed happy because reports about the prospective capital issue were deemed favourable. Shareholders' representatives will informally discuss the issue with the management on May 7. Their discussions should help clear the air of uncertainty.

But informed sources say that the company proposes to raise about Rs 8 crores, divided almost equally between Ordinary and 71- per cent Second Preference shares. The issue will be at par in the ratio of one Ordinary share for every five Ordinary shares held, one Second Preference share for every two Second Preference shares already held. The new shares will be issued at par, and to facilitate payment, the new issue will be so timed as to enable shareholders to avail themselves of the dividend for the year to March 1959. Market reports are that the Industrial Credit and Investment Corporation has expressed its willingness to take up about half the Preference issue should the company so desire.

All this is good news, and the new issue made on these terms is unlikely to cause any strain on the market. Little wonder therefore that Tata Steel should have risen to Rs 190.75 in kerb dealing on May 6. If allowance is made for the Right and bonus issues made in recent years, the current rate is higher than the August 1956 high which is not very much lower than the all-time high touched in the famous 1946 boom when Tata Steel Deferred rose to Rs 3,640.

With the entire market surging forward to a new high last week, it is scarcely necessary to make any special comment on the performance of individual issues in different sections. A word about the response to the Colour-Chem issue, however, would not be out of place. Applications are said to have totalled 75,000 for about Rs 5.9 crores which is nearly 17 times the capital offered and a record in the history of applications for share issue. This fantastic subscription to a Rs 35 lakh issue is in no small measure due to the assurance from the company that the cheques would be cashed only in the event of an allotment. People simply applied. It cost them nothing.

World Boom

The stock market is in really good temper, and the upward trend js so firmly established that it can be expected to continue for quite a long while. This is not to preclude occasional technical reactions which are essential to sustain the vitality of the market. The Reserve Bank's All-India index for variable dividend industrial securities, which saw a low of .120.3 in 1958 and rose to 144.7 by September, reached to 136.1 in January and is now placed around 150. The corresponding figures for the Bombay, Calcutta and Madras indexes are: Bombay: 120.8, 149.5, 137.8, 151.5; Calcutta: 115.9, 140.6, 134, 147; Madras: 140.3, 156.3, 149.5, 163.1.

Several influences are at work on the stock market. Industrial activity is picking up. The index of industrial production had been seriously deflated in 1958 by. the misfortunes of the textile industry which is now getting into shape. Stocks of cloth with mills have declined fast and cement is said to have become a little difficult to obtain. Money incomes are rising, and so Is the volume of investible funds. Floating stocks of shares of several companies have been getting scarcer on account of the steady growth in. the investment portfolio of the Life Insurance Corporation. Besides, the overall market psychology is an inflationary one.

The performance of the Indian stock market, although promising, makes a poor show, when compared with the achievements of Wall Street and the London Stock Exchange The Dow Jones Industrial average, which made a low of 436.89 in April 1958 and rose to 583.65 by the year-end, has pushed its way further up to 629.87. In London the Financial Times Index for Ordinary shares has advanced from the 1958 low of 154.4 (February) to 228.8, Both Wall Street and London Stock Exchange are travelling in space.

Oilseeds

U S Buys Castor Oil

LAST week castor futures stole the lead from groundnuts and shot into the limelight. Not because they rose above the margin line of Rs 165 per candy but that they crossed the 1958 high of Rs 170.50. And not without cause. The market's optimism about the revival of U S demand for castor oil had at long last been realised. Business for 5.000 to 6,000 tons was reported to have been put through over the week, and prospects for further business were rated high.

These sales were said to have been effected at progressivly rising prices, varying between 13.125 and 14 cents a pound, Commercial. Great significance was attached to reports of keen buying, both in oil and futures, by a prominent firm which is one of the biggest export houses in Brazil, the world's largest producer of castorseeds. This naturally Jed market men to think that Brazils April-May castor crop (normally about 30.000 to 40,000 tons of seed) had perhaps been a failure.

The fact is that Brazil has hardly any castor oil left for sale from the previous crop, and its new major crop will move into market only in August-September. Till then India remains the only important source of supply In the world. Americar. consumption Is running at a record high level and stocks in U S have fallen to a rather low level. This explains the revival of American demand after a long time. It is interesting to note that while the U S took hardly any oil last year, it took about 22,000 tons in 1957 and paid up to 22 cents per pound for Commercial. Castor futures then were bidden up to Rs 200.25 per candy.

Last week's improvement was not confined to futures alone. Castor and castor oil prices in the spot section also recorded impressive gains, and with seeds in keen demand, tenders for only 100 candies have been issued against the May contract so far. Unlike groundnuts, the rise in castor should cause little anxiety. Not that it is standing much below groundnuts but that it is essentially an exportable item. Higher prices realised from abroad mean foreign exchange earnings.

Groundnuts, which had always been firm because of the poor marketable supplies, scaled a new peak last week which is higher than the 1958 best of Rs 204, The August contract was bidden up to Rs 206 on May 6. Tenders issued against the May contract totalled 1,000 candies. Sentiment in groundnuts was sustained merely by local influences. Overseas advices were generally subdued. Export houses did not report any fresh business in groundnut oil, and U K quotation was mentioned at around £119 per ton. Oilcakes too were out of favour. Against the previous week's quotation of £30-5 per ton for extractions 50 per cent O and A the U K was said to have reduced the rate to around £29-10, May position. Even distant deliveries did not attract much inquiry.

Linseeds held firm mainly in sympathy with ground nuts and castor. Business was limited. Australia was said to have taken about 460 tons of linseed oil at around £IIt per ton. Business with U K and the Continent continues to be out of parity despite the recent firmness in prices there. Linseed cake continued to attract attention but export business was not large and the Price realised was reported around £33-5. Cottonseeds continued firm, reflecting the tight supply position and the firm bull grip in upcountry markets. Business was ted owing to the margin. No tender has been issued against cottonseeds May while 150 tons have been tendered in linseeds.

Following figures show the opening, lowest, highest and closing rates for the week to May 6: castor September (per candy) Rs 163.87, 163.12, 171.25; groundnut Aug. (per candy) Rs 199, 198.50, 206, 204.50; cottonseed September (per candy) Rs 136, 134, 138.25, 137.75; linseed September (per cwt.) Rs 33.44, 33.37, 34.56, 34.37.

Shipments from Bombay for the first four months of the year, with the previous years corresponding figures in brackets, are:

Groundnut expellers 20,816 tons (8,479), extractions 44,044 (15,155), H P S 5,087 (nil), groundnut oil 1,096 (125), castor oil 2,758 (4,797), linseed oil 1,090 (4,790), linseed cake 3,928 11,778j, cottonseed cake 9,478 (1.605), cottonseed oil nil 11,571), niger cake 397 (206), kardi cake 100 (nil), sesame oil 134 (nil), kardi oil nil (452), niger oil nil (47), rape and mustard oil 111 (11 tons).

Cotton

Firm But Irregular

COTTON futures last week made further headway but only to attract heavy profit-realising. Not that bulls had any doubts about the tight supply position but they preferred to go slow. A quick jump might have attracted the attention of the Forward Markets Commission, and who can afford to displease this all-powerful body? But the Commerce and Industry Minister too had advised caution to speculators. True, oilseeds flared up. But consumers of raw cotton are more vocal than those of oilseeds. That explains the not-infrequent intervention by the Commission in the cotton futures market even when prices have been very much below the ceiling.

After moving irregularly up from Rs 700.75 to Rs 706 Jarilla August drifted lower to Rs 700.50, and after rallying to Rs 705.25 the same day, it eased again to around Rs 701.50. The maturing May contract was done up to Rs 698, reacted to Rs 690, rallied to 696 but declined again to Rs 690, and Wednesday's closing rate of Rs 690.75 showed a loss of Rs 5 per candy over the week. Tenders issued against May totalled 950 bales comprising 750 bales of Laxmi A and 200 bales of Cambodia. In survey some of the Cambodias were rejected and Laxmi did not realise a very good price.

With the textile news continuing to be good and cotton consumption encouraging, there is little scope for any material decline in cotton futures. The only question is how the uptrend will progress. That is always difficult to predict. Since most varieties are now available only above the ceiling, mills have ceased to be very keen buyers in the spot market. They are now buying only on a hand-to-mouth basis.

Mill consumption of Indian cotton in March at 3,80,569 bales is 4,464 bales more than in February and 26,281 bales more than in March 1958. This raises the total for the seven months of the season to 27,30,376 bales against the previous season's corresponding figure of 26,50,949 bales. With the crop down and consumption better, the carry-over at the end of the season should show a considerable decline. The March figure for foreign cotton is 33,867 bales compared with 31,580 bales in the preceding month and 47,643 bales in March last year. This takes the total for seven months to 2,58,619 bales against 3,40,929 bales in the corresponding period last season. The fall in consumption of foreign cottons is due merely to reduced supplies because of the import cut necessitated by foreign exchange considerations.

Export business continues to be disappointing. Sales registered against the 2 - ½ bale quota up to April 29 are placed at 54,136 bales, and the quantity passed for shipment is only 13,332 bales. High domestic prices have made exports difficult, and the present demand and supply position does not hold out much chance of a setback in internal prices.

Several complaints have been heard recently against the Customs authorities for detaining shipments of cotton on the slightest pretext. It is said that cargo loaded from an upcountry port was made to be unloaded in Bombay merely because of an anonymous complaint made perhaps by a competitor. By far the most serious charge against the Customs authorities is their detention of goods on the ground that they did not approve of the quality as certified by the Textile Commissioner's Ad Hoc Committee! This is indeed serious. The matter is well worth investigating.