Around Bombay Markets

Mixed Price Pattern

Thursday, Morning

DALAL STREET had a rather un, exciting time last week. Equities continued to move up and down in an indecisive fashion. Activity was generally on the low side and interest was very selective. The measures taken by the stock exchange authorities are beginning to tell on the market. Among the speculative counters only Tata Locomotive, Bornbay Burmah, Premier Construction and Bombay Dyeing were popular with bulls. Elsewhere bulls generally figured as sellers almost at every small rally. Improved advices from the cotton piecegoods market, optimism about higher steel retention prices, talks of a stainless steel project by TISCO and some good bits of corporate news here and there enabled the market to show a firm tendency earlier in the week. The market was at its week's best on Monday whereafter a sagging tendency set in. Most of the earlier gains were erased by the week-end, and only a few select counters were able to show some net gains over the week. Among cash shares only Baroda Rayon, Chase Bright, Phillips Carbon. Adarsh Chemicals and Minerva Mills showed marked strength. Others were subdued.

Sentiment in Tata Steel was often guided by fluctuating reports about the production figures for June. Saleable steel production at 92,700 Ions is 1,200 tons less than in May but the shortfall is much less than generally feared. Production had been talked down to 85,000 tons. The output of saleable steel by the company in the first quarter of the current year at 286,500 tons is 13,700 tons more than the corresponding figure for last year. Reports from Burnpur are a little disturbing. Non-availability of sufficient coking coal is said to have affected production by the Indian Iron and Steel Company. The shortage of coking coal in relation to the needs of the expanding steel industry is reported to be mainly due to the failure of Government to set up more than one washeries under the Second Plan out of the four originally contemplated.

A word about Tata Locomotive's performance in the year up to March 1960 would seem necessary. Sale realisations totalled Rs 28.28 crores compared with Rs 26.45 crores in the previous year. The profit, before providing for taxation and development rebate reserve, is up by as much as Rs 67.04 lakhs at Rs 2.21 crores. The directors have recommended a dividend of Rs 12.50 gross which works out at Rs 8.75 net against Rs 9 in the previous year. But last year the new capital ranked for dividend only for a period of two months. The encouraging performance of the company is fully reflected in the marked strength of the share which rose to an all-time high of Rs 271 last week.

The stock market continues to be what is known as a 'trading market'. Equities have been moving up and down erratically from about the first week of June. It seems doubtful whether the market will be able to rise above the June high and hold firm at that level. It is not easy to explain the current levels of equities in terms of dividend and earning prospects. The implications of the amazing strength in cash shares can be easily exaggerated because even small buying can produce a steep rise in them, the market for them being extremely thin and the floating stocks, limited. The Third Plan provides for an additional taxation of Rs 1,650 crores, and deficit financing has been kept low at Rs 550 crores. The border situation alone could bring about a marked change in market psychology. The high carry-forward charges and the special deposit system could also easily tire out bulls.

Cotton

ANNOUNCEMENT IMMINENT

VET another week has gone by. and no official announcement has been made about the floor and ceiling prices of cotton for the 1960-61 season. For too long has the trade been awaiting the announcement. But it might not have to wait much longer now. If 'informed sources are really well-informed, the announcement should come before the turn of the week. Reliable sources say that the final decision on floor and ceiling prices has already been taken. Reports are that the floor price of basic Jarilla fine 25/32' will be raised by Rs 55 per candy and the ceiling by Rs 80. The ceiling prices of other varieties will be appropriately raised.

It is said that the revised ceiling prices for Bengal Deshi Oomra, Mathia and Mungari will be Rs 65 per candy higher than the existing ceilings. The rise for C P I & 11 and Central India will be Rs 70, for H-420 25/32", Kalyan 25/32", Dhollera 3/4 and Kalagin 3/4" Rs 85, for Buri American 7/8", Vijay 13/16". Punjab LSS Regd. 13/16" and Karunganni 13/16" Rs 90 and for Surti 7/8". 216F 7/8". Laxmi 7/8" and Cambodia 7/8" Rs 100 per candy. The ceiling prices of long staple cotton are also being raised, the increase ranging from Rs 50 to Rs 115 per candy.

Everything depends on the official announcement. With ready cotton prices commanding exorbitant premium, in certain cases higher than the anticipated increases in the ceiling prices, and the hedge contract being quoted almost at the ceiling of Rs 820, the question of futures trading in the new season's hedge contract can arise only if the ceiling prices are substantially raised in the 1960-61 season. The E.L.C.A. authorities are. however, considering certain modifications in the existing hedge contract. The possibility of changing the basis of the contract from 25/32" to 13/16" is also not ruled out. In fact this change is urgently called for. As a hedge contract the existing contract is utterly useless. For there is very little cotton which can really conform to the basic variety — Moglai fine 25/32".

Futures trading in cotton continued to be at a standstill throughout the week with the August contract quoted at around Rs 810 most of the time. Business in the spot market also showed a decline which was due to the lack of cotton wanted by the mills. Scarcity of good quality cottons in Bombay has compelled the mills to divert their enquiries to upcountry centres. Even there very little remains to be marketed.

With the provisional figures of 339,053 bales of Indian and 65,194 bales of foreign cotton, the total for the first nine months of the season conies to 3,395,436 bales of Indian and 428,236 bales of foreign cotton. This gives a monthly average of 377,270 bales of Indian and 17.592 bales of foreign cotton, The 1959 monthly averages were 386,609 bales of Indian and 38,030 bales *of* foreign cotton,

Oil seeds

IRREGULAR BUT FIRM

OILSEEDS last week moved rather irregularly but the general tone was firm. Net changes over the week were small. Only linseed were slightly down. Others closed a little higher. Groundnut futures drifted idly between Rs 217.50 and Rs 220.25. Cottonseed hovered at around Rs 164 with a nominal turnover. Linseed were bid up to Rs 35 early in the week whereafter they eased gradually to Rs 34.37. Castor September were marked up from Rs 178.50 to Rs 184,25 but corrective profit-taking brought them down to Rs 181 by the week-end.

The continued strength in groundnut and cottonseed calls for no comment. The supply position of these commodities had never been quite comfortable. And now that the season is drawing to a close it is only natural that the shortage should be more acutely felt. Speculative activity both in groundnut and cottonseed has dwindled to a mere trickle. Of course cottonseed have .seldom been very popular with speculators. Heavy margin and the nearby ceiling of Rs 225 are perhaps the only deterrents to a further rise in groundnut prices. That pricey should have continued to display remarkable strength despite the satisfactory progress of the monsoon only underlines the extremely tight supply position.

The situation would have been worse if the performance of groundnut oil export had been good. There is no chance of selling groundnut oil in the near future except under some sort of barter arrangement. The export quota for expellers allowed under the existing incentive scheme is much too small to make good the loss from the export of oil. Export business in oilcakes too has been rather poor recently. Scattered business put through in extractions now and them during the week did not add up to more than 2,000 tons and the general tone of oversea advices did not hold out the prospect of any large business in the immediate future. The latest U K quotations for extractions 50 per cent were mentioned around £30-10 per ton for the July shipment and £ 32 for the August-December position.

CASTOR OIL DEMAND

Castor oil is doing very well indeed. Oversea enquiries were fairly keen almost throughout the week and business of the order of about 2,500 tons was said to have materialised. The U K, East European countries and the U S — all figured among the buyers. U K was reported to have paid up to £ 136-10 per ton for BSS, which is a record high price since 1957, Brazil has vet to emerge as an important seller but it is said to be unable to offer oil for deliveries earlier than September. Brazil has not offered any seed or oil from its intermediate crop this Year. Exactly why this has come about is not known. Exporters here seem confident of selling further large quantities of castor oil at rising prices. That explains the sustained strength in castor oil and castor futures in the local market. The setbacks that materialised now and then last week were due essentially to profit-taking caused by technical considerations. Keen demand for oil has led to good enquiry for seed with the result that the discount on the spot material has declined appreciably and ready goods *no* longer appear to be weighing on the market.

After keeping firm early in the week mainly in sympathy with the rest of the market, linseed gradually drifted lower on profit-realising and lack of fresh support. The relative cheapness of linseed oil, compared with groundnut oil, is the main bull factor for linseed. Seldom has linseed oil' been quoted as much as Rs

6 to Rs 7 per quarter lower than groundnut oil. This naturally makes? adulteration very tempting. Exporters had very little report about their business in linseed cake. Oil is unsaleable.

Money

NEW LOANS

CONDITIONS in the money market have shown no noticeable change since the end of April marking the beginning of the slack season. Between April 29 and June 24 scheduled banks' advances were down by no more than Rs 432 crores and borrowings from the Reserve Bank, which were lower by Rs .3.6 crores, still stood as high as Rs 40.25 crores. Deposits, however, increased by Rs 35.22 crores and banks' cash and balances with the Reserve Bank were Rs 12.82 crores higher. Investments .were down though only by Rs 1.88 crores. The response to (he treasury bills continues to be very poor and the rale has remained unchanged at 2,745 per cent for quite some weeks.

But the decision on new loans could scarcely have been delayed any longer. It Was in June that the centre entered the market last \ear. Subscriptions lists this time are to open onl July 18 to be closed on the 20th or earlier. The amount sought to be raised is Rs 175 crores Rs 75 crores; less than the budgeted figure of Rs 250 crores which suggests either that the prize Bonds are expected to make good the balance or that the Centre might again come to the market some time in September, as it did last year, when money condition- are more favourable.

Bullion

PRICE RISE FURTHER

BULLION prices staged a further recovery last week. Corrective profit-taking, however, produced a modest setback towards the weekend. Speculative interest centred mainly on gold. Silver seemed merely to follow the movements in gold. On balance, gold and silver. Shravan delivery, were up by Rs 1-1½ and 9½ annas respectively over the week. The highest levels recorded during the week were Rs 129-3½ for gold and Rs 218-1 for silver, both Shravan delivery.

More significant than the rise in prices were changes in the relation, between spot and futures prices and in the spread between Asharh and Shravan deliveries. The changes were more marked in gold. Spot gold which had been quoted at a small discount on the Asharh delivery rate in the previous week fetched a premium of nearly 5 annas last week. And the 'budla' rate in Asharh delivery, which had been quoted about 4 annas in favour of sellers, turned 4 annas against them. Both these changes reflected the tighter supply position.

The marked strength in bullion prices even during the traditionally slack period has attracted the attention of the State Government which lias told the market authorities that it might soon bring trading in Bhadrava delivery also under margin. Government seems to think that stiffer margins have brought down bullion prices from their record high levels of May 5. But the decline is probably only in the nature of an important technical correction to a steeply rising trend.