Bombay Markets

Dalal Street at New Low

Thursday, Morning

DALAL STREET is unsettled again. The preceding week's rally, which seemed to hold out the promise of a possible resumption of the major bull phase, proved to be a short-lived affair. Equities last week suffered a renewed sharp decline and in a matter of few days many popular scrips covered their normal full month's range. Telco fell from Rs 369.50 to Rs 339, National Rayon from Rs 547.50 to Rs 525, Indian Iron from Rs 26-30 to Rs 25.30, Tata Steel from Rs 155.75 to Rs 151, Voltas from Rs 295 to Rs 281, Bombay Burmah from Rs 606 to Rs 582, Hindustan Motors from Rs 21.44 to Rs 20.28, Scindia from Ra 13.92 to Rs 13.20 and Premier Construction from Rs 193.50 to Rs 183. Several counters hit new low levels in the downward trend which has been in progress since about the second week of June. On 14th August, Vyapar's equity share index made a low of 138,09 which is slightly - below the April bottom of 138.36. Over the week, the index showed a net lose of 2.86 at 138.71.

There was little in the week's news to explain last week's panicky decline in equity prices. Many attributed it to the deterioration in the Berlin situation. Some anxiety was also expressed over, the Akali leader, Master Tara Singh's fast unto death to achieve a separate Punjabi Suba, But the real explanation for the turn in sentiment lay in the mood of the market. The market which had failed to derive any cheer from the chairman's encouraging observations about Telco's future because of the company's huge expansion programme which will raise the annual production of automobiles from 12,000 to 24,000 vehicles within 3-1/2 years with an indigenous content of 90 per cent, reacted sharply to report of a minor stoppage of work at the company's works on 16th August resulting from an insignificant dispute Indian Iron's encouraging results had failed to impress but the market felt very uneasy over Sir Biren Mookerjee's statement to the sharehttdere that inflated production will seriously affect the competitive position of Indian steel in world market even though the prospect of large-scale exports does not arise in the near future because of the growing internal demand.

Much had been heard over the past few months about the likely legislation to curb speculative activity on the stock exchange. The proposal is said to have been shelved for the time being. But this has brought no cheer to the market. In May, bulls had overdone the rise. It seems to be the other way round now; bears seem to be overdoing the decline. How long the bears will be able to maintain their hold on the market, in difficult to say. Not for long perhaps.

Cotton

Bengal Deshi Prices Slump

DESPITE the sale of nearly 23,500 bales out of the recent export quota for 30,000 bales, of which the shippers' share is 28,500 bales, the prices of Bengal Deshi cotton have suffered a steep decline of Rs 150 to Rs 175 per candy (784 lbs). Ganganagar Deshi superfine which was quoted around Rs 825 on 27th July, when the export quota was announced, is now available around Rs 670. This indicates that the bulk of the export sales has been in the nature of 'distress' selling Business has been put through not because it is remunerative but because shippers stand to lose less by selling abroad than by disposing of their goods inside the country. While the export quota for Bengal Deshi is likely to get exhausted within a few days, hardly 3,000 bales are stated to have been sold out of the quota for cotton stapling 3/4 inch and below other than Bengal Deshi. Some of the shippers have represented to the East India Cotton Association to ask the authorities to allow the export of Bengal Deshi under the quota for 3/4 inch cotton. Since there still exists a substantial exportable surplus of Deshi and the outlook for the new Deshi crop is distinctly encouraging, the Government will not be running any risk if it were to accept the trade's plea for exporting Bengal Deshi under the 30,000-bale export quota for cotton stapling 3/4 inch and below. Apart from the fact that this will earn the much needed foreign exchange for the country, it will also help stabilise the prices of Deshi cotton. The trade reported some revival of business with Japan and it expects to sell substantial quantities to the Continent because of the resumption . of work by factories there after a fortnight's holiday. The E I C A has already requested the authorities to extend the shipment period for the export quota by a month up to the end of September. Technical difficulties should not be allowed to stand in the way of the country's export effort. Pakistan, it might be noted, has reduced the export duty on Deshi cotton by Rs 15 per bale from Rs 40 to Rs 25 which brings it to par with the export duty in India.

Spurt in August

The spot cotton market is having its usual seasonal dullness. By and large, mills are carrying fairly heavy stocks; only the weaker units which live an a hand-to-mouth basis figure as buyers from time to time. In view of the large carryover and the outlook for the new crop by no meana unencouraging, buyers remain cautious. The volume of business in futures too has been on a restricted scale. The new crop March contract has been fluctuating between Rs 587.75 and Rs 592-50 since about the last week of July. Last week it was done down to Rs 585 but rallied quickly to Rs 591.75. Later it eased to Rs 587.50 before finishing the week at Rs 589.25. Anxiety over the excessive rains in certain producing areas, especially Berar and Khandesh, induced among bears but bulls were reluctant to be aggressive in face of the large carryover and prospects of a satisfactory crop in the 1961-62 season, which, however, will depend on the progress of the monsoon. But while the new crop contract moved quite irregularly in a narrow range and showed a rise of barely Rs 2 over the week, the maturing August contract shot up from Rs 568 to 585 due to short covering caused by poor tenders and strict survey results. Only 700 bales have been tendered aginst this

contract so far and of these also 150 bales of Laxmi A have been rejected.

Oilseeds

Small Rally in Prices

AFTER further early weakness oilseeds futures developed a hardening tendency on short covering and some bargain hunting and Wednesday's closing prices, though well below the week's best, showed all-round gains over the previous week-end levels. Groundnut January which had been marked down to a new low of Rs 214.25 (per 250 kgs) recovered to Rs 218.37 but eased again to Rs 216.62. After easing from Rs 169.87 to Rs 169.25 castor March rallied to Rs 171.62, reacted to Rs 170 but recovered to Rs 171.37 before closing at Rs 170.75. Linseed March were sold down to Rs 36.87, a new low for the contract, but recovered to Rs 37.81 before finishing at Rs 37.56 (per 50 kgs) Cottonseed March hovered around Rs 91.50 in a harrow range. The nearby, contracts also recorded moderate gains over the week, with castor September up from Rs, 168-62 to Rs 170.37 and linseed September from Rs 38.19 to Rs 39.56.

Last week's recovery was caused essentially by technical considerations. The preceding decline had been steep enough to induce bear covering and some scattered support. Whether reports continued to be quite encouraging and the export performance was far from exciting. That is why the market was unable to attract any follow-up support on the rally. Prospects of a substantially larger groundnut crop have induced a distinctly easy tendency in the spot material despite a poor carryover. Buyers are inclined to keep off the market while stockholders seem anxious lo dispose of their goods. But while groundnut and groundnut oil prices have continued to display an easier tendency, oilcake prices have been fairly steady due to sustained overseas demand. Export houses reported fairly good business in groundnut extractions and prices realised" last week were about 10 shillings a ton better than in the preceding week. The U K which figured as the chief buyer was said to have paid between £31-5 and £31-12½ per ton for August shipment With soyabean mest quoted around £39.15 per ton, August-September shipment, and about £3 lower for new crop position, exporters seem quite optimistic about selling groundnut extractions. But groundnut extractions can hardly make up the loss of business in oils and other oilcakes. Export business put through last week in castor oil, linseed cake and cottonseed cake did not add up to more than a few hundred tons and there seems little chance of any marked revival of business in these items, Indian oils and oilcakes are unable to compete in world markets and business with the U K is also likely to suffer if Britain joins the European Common Market.

The Export Problem

In his presidential speech at the recent ninth annual general meeting of the Central Organisation for Oil Industry and Trade, Shri Ratilal M Gandhi said that if the U K joined the European Common Market, India was likely to be placed against other producers enjoying special advantages of untapped resources, protective tariffs, subsidy, devaluation and operational efficiency. Shri Gandhi also referred to the deferred rebate system, which, he said, should be abolished either by persuation or even by suitable legislation by the Government". Regular shipping freight facilities at reasonable and competitive rates on a long range and stable basis are essential prerequisites for the smooth functioning of the export trade. But neither the deferred rebate system nor the possible entry of the U K in the European Common Market is the main problem that is faring the oilseeds export trade. The basic problem is one of prices. Domestic influences tend to keep internal prices substantially above world parity. Production of oilseeds is unable to keep pace with growing internal demand. The production performance during the second Plan has been far from encouraging and it is doubtful whether the third Plan target of 9.5 million tons of oilseeds will be achieved. And even if it were to be achieved it might not leave any substantial exportable surplus. Increased production alone can help keep prices down and also create exportable surpluses. Export promotion measures cannot yield big results when exportable surpluses simply do not exist- Shri Gandhi criticised the compounded levy of excise duty, and suggested that compulsory compounded levy for all power driven oil mills was probably the best solution of the problem.

Bullion

Firm Tendency in Gold

BULLION futures made a mixed showing last week. While gold displayed remarkable strength, silver fluctuated erratically with a barely steady lone. Gold Bhadrava which had risen from Rs 119.80 to Rs 121.65 over the previous fortnight advanced further to Rs 123.30 last week. Improvement was-attributed to heavy short covering and renewed bull support induced partly by satisfactory spot demand and partly by reports of seizure of large quantities of contraband, gold. Despite satisfactory offtake, the discount on the spot material increased from 20 nP to 40 nP per 10 grams. While gold Bhadrava recorded a net rise of Rs 1.50 over the week at Rs 123.15, silver Bhadrava showed a net loss of 10 nP at Hs 203-15 per kg. After being bid up to 203,60, silver moved irregularly lower to Rs 202.45 but rallied again to Rs 203.25 and wound up the week a little lower at Rs 203.15, Off-take was not poor but upcountry advices indicated some improvement in arrivals of 'kutcha' metal. The discount on spot silver, however, recorded a further fall from a rupee to 60 nP per kg.

Czech Second Plan

LIVING standards in Czechoslovakia rose markedly during the Second Five-Year Plan (1956-60). In the First Five-Year Plan, overall consumption increased by 26.4 per cent and in the Second, the rise was 34 per cent. The per capita consumption of textiles rose from 29.7 metres in 1955 to 35.6 metres in 1960. Consumption of shoes increased from 3.34 pairs in 1955 to 4.1 pairs in 1960. At the same time, prices of textiles were reduced by 13.4 per cent.

New buildings and renovations during the Second Plan, produced a total of 324,583 flats. 148.133 more than in the First Plan. Living space per person also showed an increase. While in 1948 there was one refrigerator per 353 inhabitants, in 1955 the figure was one to 120 persons and in 1960 one *to* only 30. The sales of household, furniture increased by 148 per cent.

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