

The Stock Exchange

Wide Swings in Prices

By "SEARCHLIGHT"

Thursday Morning
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CONTINUED tightness in the money market has been the subject of general comment in all market circles. It is agreed that in addition to the usual seasonal demand for funds, locking up of funds in large imports which are not moving quickly, the collection of taxes particularly of arrears and the new procedure of provincial collection of taxes have aggravated the stringency in the money markets. While it would be reasonable to expect that money conditions would ease off as the slack season progresses, I am of the view that the present stringency in the money market may not prove to be of a merely temporary nature.

It is not yet, perhaps, being adequately appreciated that the existing monetary stringency is, in no small measure, due to the spreading desire for liquidity preference, following apprehensions about deflationary forces which are considered to be well under way, by a large section of the business community. Indeed demand for money has greatly increased as it is felt that cash is likely to appreciate in value more than anything else. Rates of interest prevailing in the indigenous money market range anywhere between 6 and 15 per cent. Surely this is not merely due to increase in demand for funds. Supply of money is also reported to have suffered a marked decline.

However, with busy season drawing to a close, money conditions are getting slightly easier. And this is being reflected in an all round hardening up of gilt-edged prices. Or to put it diffe-

rently, firmness in the gilt edged market is primarily of a seasonal nature. Dealers in government securities have reported a slight expansion in the volume of business during this week. Though conditions could not be described as very active, the undertone of the market was steady to firm. Inquiry from institutional investors, mainly insurance companies, was reported on a moderate scale. While 3 per cent conversion Loan 1986 improved further by 3½ annas to Rs. 98 7 6, the other loans were either unchanged or registered small gains, ranging between one to two annas. 3 per cent 1936 65 was up by 2 annas at Rs. 100 6. Funding Loan 1966 68 and 3 per cent 1953 55 closed each one anna higher at Rs. 100 2 and Rs. 101 8 respectively. Development Loan 1970/75 and first Victory Loan 1957 were unchanged at Rs. 100 and Rs. 101 2 respectively.

The past week on the Stock Exchange was noteworthy chiefly for some unusually wide swings in prices of several shares which have been attracting considerable speculative interest lately. Below are given fluctuations in some of the important scrips:

Bombay Dyeing Rs. 929, 944, 927, 936, 902½, 942½.

Kohinoor Rs. 280½, 287, 273, 283, 280, 282 ½.

Swadeshi Rs. 293, 305, 293, 302, 298, 301.

Tata Defd. Rs. 1320, 1409, 1290, 1364, 1320, 1335

Tata Ord. Rs. 267, 278, 262, 273½, 267, 272½.

The behaviour of semi-gilts i.e. Banks, Insurance and Electric

shares and certain other investment counters during the past few weeks has been far from encouraging. This is mainly due to lack of buying support rather than any notable selling pressure. This only confirms the general belief that the underlying trend is still downward and that recovery in the market, whenever it materializes, will be slow and painful. During the week under review Imperials Fully Paid lost Rs. 65 at Rs. 1780 and Central Banks Rs. 2 at Rs. 80/8. Indias touched a new low at Rs. 181/8. A.C.C.s iiter touching a new low of Rs. 134 8 closed steadier around Rs. 137/8, Wimcos were subdued around Rs. 170.

In the absence of full details of official resolution on steel prices, market opinion regarding the extent of benefit that will accrue to Tisco and Scob has been rather divided. While the unusually brief press note issued on last Thursday does not provide any indication of a preferential treatment to Scob, I understand from certain usually well informed sources that the price schedule has been arranged in such a manner that the net benefit in the case of Tisco and Scob will work out at about Rs. 17/8 and Rs. 25 per ton respectively on the total saleable steel produced by the two companies. Informed circles are of the view that in granting an increase of Rs. 18 per ton Government does not seem to have paid much heed to the recommendations of the Tariff Board. If these reports are correct,—very probably they are,—then it is indeed extremely deplor-

able. For there is hardly any purpose in appointing expert and impartial bodies in conducting inquiries into various problems if their recommendations are to be flouted rather than respected.

Government, I am told, is extremely worried about the slump in Tata Steel Defd—the Bombay market barometer. But one may ask: on the basis of last year's dividend at Rs. 65, is Tata Defd. undervalued at its present level around 1350? The answer to this question will depend upon the basis of capitalization of equity values. Be that, as it may, the latest increase in steel prices will yield handsome revenue to the companies concerned. Tisco's total output of finished steel for 1948-49 is 668,400 tons. Assuming that the Company gets about Rs. 17/8 per ton on the total output, the total increase in revenue works out at Rs. 113 crores. Even after making due allowances for rise in cost of production and taxes, the net benefit to the Company would be very substantial. It could be safely placed around Rs. 50 lakhs. In the circumstances, near term outlook for steel shares would not seem bad. Tata Defds., for instance, could be safely picked up for speculative purposes around Rs. 1300. Calcutta issues have remained easy on account of lower advices from that centre. As the rise in steel prices is expected to be substantially higher than Rs. 18 for Steel Corporation of Bengal, these shares may be profitably picked up around Rs. 18 4.

Mill shares exhibited an erratic trend. Speculative interest continued to be focused on a few popular counters. Sanction of 4½ months bonus to textile workers by the Industrial Tribunal unsettled the trading sentiment in this section on Tuesday. Prices took a big dip. Bombay Dyeings, Kohinoors and Swadeshis were

marked down to Rs. 902/8, Rs. 273 and Rs. 293. But subsequently they staged a brisk rally on heavy short covering and scattered bull support. This was mainly induced by the smart recovery in Tata Deferreds which shot up from Rs. 1290 to Rs. 1365 on the same day. Bombay Dyeings improved to finish around Rs. 942 8 on sustained professional bull support. Central Indias also evinced good inquiry. Swadeshis were steady around Rs 300 mainly due to lack of much selling. Kohinoors moved irregularly on alternate spells of speculative selling and bear

covering. Other shares have been generally out of favour.

In the Miscellaneous section, Sreindias and Premier Constructions provided the outstanding weak spots and touched new low levels for the past many years at Rs. 13/12 and Rs. 88. The outlook for these shares is still bearish and they would appear to be fairly good sale even around the prevailing rates. Bombay Burmahs and Belapurs have been generally stagnant. Tata Chemicals suffered a further heavy setback to establish a new low at Rs. 8/8. A week ago they were quoted around Rs. 10/8.

Stock Exchange Trends

(IN RUPEES)

	Last week's Closing 20-4-49	This Week				1949	
		Opening 21-4-49	High	Low	Closing 27-4-49	High	Low
Steels							
Bengal Steel	.. 18 10	19 12	19 12	17 8	18 8	22 9	17 8
Indian Iron	.. 22 6	23 6	23 6	21 6	22 5	25 12	20 15
Tata Steel Defd.	.. 1320	1405	1408 12	1290	1357 8	1677 8	1277 8
Tata Steel Ord.	.. 267	275	278	262	272 8	313	260
Textiles							
Bombay Dyeing	.. 928 12	940	942 8	902 5	942 8	1005	902 8
Central India	.. 246 8	248	250	243	247	254	231
Finlay	.. 273	262x.d.	262	251	256	288	251x.d.
Gokak	.. 269 8	271	272	265	270 8	295	265
India United Ord.	.. 10 10 6	10 13	10 14	10 4	10 11 6	12 2	10 4
Kohinoor (B)	280 8	285	287	273	282	306	268
Simplex (B)	174	179	179	174 8	176	191	171
Swadeshi (B)	293	299	302	293	301	305	268 8
Banks							
Central Bank	81	82	82 12	80 8	180 8	90 8	80 4
Imperial F. P.	1837 8	1845	1846	1775	1780	1905	1775
India	185	185	185 8	181 8	181 8	200	181 8
United Com.	52 8	53	53	52	52	62 8	52
Insurance and Electric							
New India	56	56	57	55 8	57	64 12	54
Andhra Valley	1397 8	1400	1400	1397 8	1400	1440	1395
Tata Hydro	.. 148	148	148 8	147 8	—	157	146 8
Tata Power	.. 1473 12	1475	1475	1467 8	1467 8	1540	1467 8
Miscellaneous							
Alcock	.. 251 4	251 4	252	245	246 4	292	245
A.C.C. Old	.. 135 12	137 8	139	134 8	137 8	158 8	134 8
Belapur	.. 196	200	203 8	195	203 8	243	193
Bombay Burma Old	.. 286 4	287 8	290	276	280	327	260
Premier Construction	93 8	97	100	88	90	144 8	88
Scindia	.. 14 11	15	15 4	13 13	14 3	21	13 13
Wimco (B)	167 8	170 10	170 10	166	170	282 8	165x.r.

N.B. C.R. = Cum rights. C.D. = Cum dividend.

X.D. = Ex-dividend.

X.R. = Ex rights.

(B) Companies which have issued Bonus Shares since 1948.