The Stock Exchange

The Changed Role of Stock Exchanges Under Controlled Economy

Thursday, Morning.

THERE was a time when a fluctuation of 50 points in Tata Steel Deferreds would pass quite unnoticed. But the market has become so thin that even a small variation of 15 points either way has a perceptible effect now on the trading sentiment. This shows how timid the speculators have grown. Nobody seems much inclined to take big risks. May be, they are getting increasingly conscious of the fact that money is becoming very 'dear'. It may also be that steeply progressive taxation has greatly reduced their resources.

The average range of daily fluctuation being generally too small to attract the attention of professional operators, much less that of the outside fraternity, brokers[1] offices are generally deserted and a spirit of frustration pervades Dalai Street.

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It may be noted here, that business conditions in Wall Street and Throgmorton Street are no less disappointing. Ever since the last bull market died a seemingly premature death in September 1946, business has been so bad that many Wall Street brokers have wondered why they ever went into the brokerage business at all. Quite a large number of well-informed observers both in America and London are inclined to believe that the present slump in stock exchange cannot be dismissed as merely cyclical—an inevitable reaction to the preceding boom.

It is much more than that, they argue,—there has been a shift in the centre of gravity of the financial system.

The personal savings of the community, instead of arising mainly in a relatively small number of large or medium-sized masses, now grow in a myriad of small particles—many of them too tiny to be of any direct interest to the stock exchange.

This has brought about a radical change in the composition of the body of investors. In brief, the underlying political and fiscal tendencies seem to have permanently narrowed down the scope of the stock markets. Conscious of this change the Stock Exchange authorities are busy exploring new methods for adapting the stock exchange mechanism to the changed environment. New financial institutions are being evolved to canalize risk capital.

I gather that an active section of stock exchange opinion in Calcutta is in favour of closing the market *sine die* as a protest against Government's economic and industrial policy which, according to them, is mainly responsible for the existing malaise on the stock market. What does the stock exchange fraternity want? Abolish the Dividend Limitation Ordinance and Business Profits Tax, lower the stamp duty on share transactions, reduce the income tax on personal incomes and corporate profits and last, but not the least important, wind up the Income Tax Investigation Commission—these measures, according to them, will revive business in the market. And this is just what they want. Little do they seem to care for the various repercussions that these measures are likely to have on the economy of the country.

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Following the week-end statement by Sir Jehangir Ghandy, the Works Manager of Tata Iron and Steel Co., that the greater part of the latest increase in *the* retention price of steel will be used up in increased cost of production and fresh concessions to labour, coupled with weaker advices t'rom Calcutta, steel shares displayed a distinctly easier tone on Monday. I Tata Deferreds, Indian Irons, and Bengal Steels were marked down from Rs. 1297-8, 21-4 and 17-4 to 1261-4, 20-3 and 16-4 respectively But subsequently prices steadied up on bear covering and fresh speculative support emanating mainly from certain prominent bull operators from the silver market.

A fortnight ago it was stated in these columns that the Tata Workers' Union had been negotiating with the Management for a minimum wage. *The Mazdoor Avaz,* a weekly from Jamshedpur, now states that the Union has succeeded in its negotiations. The extra cost to the Company in respect of minimum wages amounts to Rs. 7.72 lakhs per year in the steel section, and to Rs. 6.7 lakhs in the case of Tata Mines (iron ore), Besides, increased food subsidies for employees, whose basic salary does not exceed Rs. 150 per mensem, will coat the

Company an additional sum of Rs. 10 lakhs per year,

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The unsatisfactory cotton supply position, persistent reports about the accumulation of cloth fit the production centres and the difficulty of stimulating exports due to higher domestic prices are now beginning to tell upon the industry. Many mills in the Bombay Province and elsewhere have either partially or entirely closed down. Little wonder, then, that the textile shares have continued to exhibit an easy tone. Kohinoors were marked down to a new post-war low of Rs. 254. After an early setback to Rs. P31-4 Bombay Dyeing rallied to Rs. 950 on renewed bull support but again eased off to finish lower at Rs. 945. Swadeshis, Central Indias, Finlays, Gokaks, Indore Malwas—all these shares showed small losses over the last week's closing.

In the Banking section, imperials, Centrals and Bank of Indias continued to rule steady while United Commercials and Bank of Barodas suffered further losses and hit new low levels. The fall in Bank of Baroda is attributed to heavy investment liquidation.

Insurance and hydro-electric shares continued to be out of favour with prices gradually drifting lowej. In the miscellaneous section, Scindias provided the highlight of the week's trading. They advanced to Rs. 14-12 on concentrated buying from interested quartern on the widespread belief that the change in the Managing Agency was imminent.

Premier Constructions steadied up in sympathy But Associated Cements continued to lose ground on persistent Selling, presumably by the Saurashtra Government. Belapurs closed steadier on renewed hopes that earlier expectations regarding the dissolution of the Sugar Syndicate might not materialize in the near future. Bombay Burmahs, Tata Oils and Tata Chemicals finished slightly lower due to lack of support. Alcocks and Wirncos were barely steady without much business to report.

Stock Exchange Trends

(IN RUPEES)

	Last week's Closing 8-6-1949	This Week				1949	
		Opening 14-6-1949	High	Low	Closing 16-6-1949	High	Low
Steels							
Bengal Steel ..	17 4	17	17	16 4	16 10	22 9	**16 4**
Indian Iron ..	21 4	21	21	20 3	20 11	25 12	**20 3**
Tata Steel Defd. ..	1297 8	1280	1288 12	1261 4	1286 4	1677 8	**1251 4**
Tata Steel Ordy. ..	264 8	263	264	260 12	263 12	313	**259 8**
Textiles							
Bombay Dyeing ..	941 4	937 8	952 8	932 8	945	1005	**902 8**
Central India ..	229	226	227	223 8	225	254	**220**
Finlay ..	249	244	245 8	243 8	244	288	**243 8**
Gokak ..	253 4	251 8	254 8	250	252	295	**248**
India United Ordy. ..	10 15	10 15	10 15	10 14	10 15	12 2	**10 4**
Kohinoor ..	260 12	259	259	256	257	306	**256**
Simplex ..	169 8	169	169	166 8	168	191	**164**
Swadeshi ..	284	282	282	278	280	305 8	**263**
Banks							
Central Bank	81 12	81 8	82	80 8	82	90 8	**79**
Imperial F. P.	1795	1795	1800	1795	1800	1905	**1750**
India	182 8	182	182	180 12	181	200	**178 8**
United Com.	44 8	44	44	42 8	42 8	62 8	**42 8**
Insurance and Electric							
New India	58	58	58	55 12	56 4	64 8	**54**
Andhra Valley	1400	1400	1400	1390	1390	1440	**1390**
Tata Hydro ..	148 8	148 8	148 8	146 8	146 8	157	**146 8**
Tata Power ..	1467 8	1465	1465	1457 8	1460	1540	**1440**
Miscellaneous							
Alcock ..	227 8	221	222	220	220	292	**220**
	c. d.	x. d.					
A.C.C. Old ..	134	133 8	133 12	130 8	131 12	158 8	**129**
Belapur ..	174	173	175 8	170	175	243	**154 4**
Bombay Burmah Old	270	271	271	263 12	271 4	327	**260**
Premier Construction	85 8	86	89 8	84	88	144 8	**80**
Scindia ..	13 15	13 13	14 12	13 7	14 8	21	**12 4**
Wimco ..	157 8	157 8	157 8	155	156 4	282 8	**151 14**
							x. r.

x. r. = Ex Rights c. d. = Cum Dividend.
x. d. = Ex Dividend.