leading textiles-—offer far more attractive return verying between 5 to 7 per cent. It look; impro- bable that this disparity in the yields can continue for long. Be that as it may, firmness in Dye- ings had a steadying influence on the other mill shares. Swadeshis, Kohinoors and Gokaks showed moderate gains on balance.

Banks were steady without much business to report. Insur- ance and Electrics were slightly easier owing to lack of inquiry.

Among Miscellaneous shares Associated Cements and Wimcos evoked good investment inquiry and closed with notable gains. Belapurs also attracted fair atten- tion but they oased off from Rs. 174 to Rs. 165-8 to finish around Rs. 167. Premier Con- structions and Scindias moved irregularly within a small range. Tata Oils closed steadier on pro- ximity of dividend.

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Extremely disappointing results of the conversion of 3 per cent 1949-52 Loan, amounting to about Rs. 32 crores only, and general expectations about the issue of 3 per cent 1962 Loan by the Provin- cial Governments of Bombay, U. P., and C. P. imparted an easier tone in the gilt-edged mar- ket. Prices showed small losses varying between one and two and a half annas, in almost all the active loans. Dealers reported some official selling in 3 per cent 1966-68, 1970-75, 1953-55 and 2½ per cent 1955 Loans.

Cotton Market:

Victory Week For Cotton Control

THE commensense view of the fairness of the existing cotton ceilings and floors advocated in these columns has been fully borne out this week. Call it pre- diction if you like, it has been fulfilled. The futures market, despite earlier protestations against the 'unjust and ruinous' Jarilla ceilings and floors, has current demand and that future world supplies of cotton promise to be rather burdensome in view of the greatly increased cotton acreage, reduced consumption de- mand and the advent of the buyers' market, both in respect of raw cotton and textiles.

Internally, the position threa- tens to be worse. The purchasing power of the people has gone down so much that there is today a regular glut of cotton cloth which has not responded so far to relaxation of control. Mills which had locked up their funds, either in stocks of cloth or in seed cotton purchased at fantastic pre- miums over the fixed ceilings, pre- fer to stop night-shifts rather than run the risk of losses on increased production. Some have curtailed production because the profit mar- gin on multiple shift working has narrowed down. Others have followed the precedent recently set by the U. S. spinners who, in view of the possibility of a record cotton harvest, cleared their in- ventories of the dearer old crop cotton in order to replace it later by cheaper new crop styles. Jarilla and old crop Egyptians have been steadily on offer in the Bombay spot market in view of the declining price trend both at home and abroad.

The result was not far to seek. The black market in cotton began to die by inches. Hoarders in Saurashtra disgorged their stocks for processing or export. Holders in Bombay were not less keen on selling off their surpluses. The 16 per cent decline in Pakistan's new crop prices almost wiped out the non-official premiums quoted for similar cottons in Bombay and elsewhere in the upcountry. The assurance by Pakistan that she would supply India 450,000 bales of new crop cotton and the deter- mination of both the Dominions to consider seriously the question of abolishing all export and import duties and excises for the further- ance of mutual trade, proved bearish for the current crop hoarders of cotton. It should cause little surprise if the more substan- tial cotton hoarder in the South offers his cotton for sale one fine morning at whatever rates the market is prepared to offer. The Indian crop killers, who appre- hended another crop famine in Gujerat and Kathiawar areas, were sorely disappointed with the week's bountiful rains. Again, current reports lead one to be- lieve that cotton acreage under the new crop in the Hyderabad State and East Punjab would show an increase of anything bet- ween 25 to 40 per cent. Last but not the least, Hyderabad, which had banned cotton exports before the Police Action and after, has found that its inventories far ex- ceed the consumption demand.and hence, about 25,000 to 40,000 bales of Hyderabad Jarilla cotton are likely to be offered in the Bombay market at the ceiling of Rs. 620. This would mean a down- ward revision of the non-official or black market price for equiva- lent cottons to the extent of Rs. 100 per candy. This was the last straw on the camel's bade. Consequently, the present ceilings began to look attractive not for covering cotton and pocketing penalties from the bears, but for getting rid of one's holdings of paper cotton.

It would not be wide off the mark to suggest that the Indian Union's new cotton crop would be in the vicinity of 3,200,000 bales as against the 1948-49 crop estimate of about 2,400,000 bales. So much of new supply augmented by 450,000 bales from the new crop cotton in Pakistan should be quite enough to meet the rapidly declining consumption demand at home. Unless the current glut in cloth is removed either through increased domestic consumption or exports, consumption by the mills is not likely to increase.

Crop reports from other countries also indicate that the global supply of cotton during 1949-50 may be far higher than what it was in 1948-49 or in the pre-war year.

The future outlook for the Indian price-structure in so far as it relates to raw cotton and cloth is far from bright. If devaluation of the rupee is to be avoided, prices and costs of production have got to be brought down to the level necessary to restore the competitive capacity of our exports in foreign markets. This is obviously a painful procedure. Provincial and Central Ministries are not unaware of the measure of austerity involved in the coming price adjustments. As Shri Gulzarilal Nanda, Minister for Labour and Housing, Government of Bombay, said in a broadcast talk this week:

> "Orderly downward adjustment of prices of manufactured articles is an important step towards restoration of normal economic conditions in the country. Full employment is based on increased consumption and on enlarged effective demand, which are being discouraged by the existing price level. Our machinery for industrial relations will have its severest test as it proceeds to tackle the problem of increased workload and of transition to a lower price level."

The operators in the Bombay cotton market were so far slow in recognising strength of the forces making for a transition to a lower price level. This week, however, they tried to retrieve their position by a single stroke. Being convinced of the bearishness of the situation and looking to the dismal defeat which holders of long purses have suffered in the bullion market, the cotton operators who wanted to corner Jarilla and mulct the sellers of Rs. 7-8 per candy as penalty, began to unload their holdings in the Jarilla September 1949 contract without consideration of the rate their sales could command. Execution of orders against double option business of all sorts materially helped the downward adjustment of prices of contract cotton. The Jarilla ceiling, which looked far too low and miserly only a few months back from the cotton farmers' point of view, as conceived by the fraternity of cotton speculators in Bombay, became for once too high and attracted large sales from the same speculators. The rains having come and the prospects for the next crop having become rosy, the pressure of sales only increased on rallies. The Jarilla September 1949 position opened this Monday at Rs. 619 and was brought down to Rs. 602½ on an avalanche of selling both on stale bull and option accounts. At the low, shorts availed themselves of the opportunity to cover and the market temporarily bounced up to Rs. 618. With short positions covered, the technical position of the market weakened and the holders of actual cotton, whether of Indian or foreign origin, having decided to hedge their stocks against future price losses, the market broke again, and Jarilla September closed very weak at Rs. 610-12 on Wednesday.

Thus, the Government of India and the Cotton Control have been completely vindicated. The ceilings and floors fixed by them both for the current and the new crop have been attested by market action to be not only reasonable but even generous. The splendid premiums which they have offered to the growers of long staple and other desireable cottons may even prove to be generous to a fault as compared with the ceilings and floors fixed for Jarilla. Although the Jarilla July 1949 contract is maintaining itself above the ceiling, for obvious reasons Jarilla September has definitely set itself on the downward course as September cotton stands the risk of being classed as old crop cotton after September 25, 1949.

Now that Jarilla September has left the ceiling far behind, and may soon be heading more towards the floor, it has indeed seen a Victory Week for Cotton Control. The cotton market itself should be no less jubilant now that jobbing and broking has once again, after a long lapse, begun to swell the earnings of brokers' offices. The mills must greet the occasion as they have secured an opportunity to hedge their 1948-49 seed cotton purchased at fancy premiums, while the cotton clerks who led the agitation against "unreasonably low" ceilings and floors for Jarilla may well feel happy that their period of forced unemployment has come to an end and that their jobs are now secure.

It, is, indeed, a cheering prospect that the tallest building in Bombay, the Cotton Market, will be again humming with activity in the days that lie ahead.