Around the Markets

Drifting Lower Still

Friday, Morning

EXPORT aids and credit facilities, announced recently by the Government of India, have failed to impart stability to markets. The rot continues and there is no knowing yet when it will stop. Forward dealings in almost all the markets remain at a standstill due to the continued payments deadlock, and business in the spot markets has been negligible.

The slump has exposed the speculative character of Indian business and the poor morale of our mercantile community as well as the weakness of even the best organised bodies entrusted with the control and regulation *of* forward trading. The spokesmen of trade forget that cyclical fluctuations are inherent in any business undertaking and that fat and lean years have to be taken together in calculating the return of capital.

The payments deadlock continues. Faced with heavy losses, traders have shown little respect for sanctity of contract. Instead of taking disciplinary action against defaulting members, the authorities have encouraged compromise on payments on the lame excuse that the trouble arose mainly from overtrading in markets other than their own.

With nearly Rs 21 lakhs still to be paid to the clearing house of the Bombay Bullion Association, the President, Mr J. P. Tiwari, says the settlement crisis is now over. The unprecedented situation had compelled the authorities not to take any legal action but to collect the dues by inspiring confidence among the members. The statistics given by him are interesting. The bullion trade had suffered a loss of about Rs 3 crores from the slump, of which more than one-third was from the dealings on the forward market. More than 26 parties refused to pay their dues. Five non-members defaulted payment to the extent of Rs 22 lakhs. The Board had succeeded in collecting about 50 per cent of the money from defaulters.

Sheikh Memon Street is passing through a period of agony. The turnover has dwindled almost to nothing. Distress selling is over. Arrivals have declined heavily, smuggling being no longer profitable. Prices, however, have failed to maintain last week's improvement. Gold reacted from Rs 94 to Rs 86 and silver 966 from Rs 155 to Rs 148. Later, they have steadied around Rs 89 and Rs 153 respectively, on hopes of an early end of the payments deadlock in the forward market. No important change in bullion prices is expected in the immediate future. Forward trading remains suspended and few need regret it. It is difficult to establish any economic basis for forward transactions in bullion.

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The cloves market is still facing the settlement crisis. The fixing of high arbitrary "cut" rates has not helped the situation. Against the "cut" rate of Rs 129, cloves are now quoted around Rs 102, without any buyers. Brokers who had been earning heavy interest by arranging carry-forward for speculative purchases are in distress. Due to the compulsory squaring-up of business, they are left with huge stocks without any sale contracts.

Dyes and chemicals have probably been the worst sufferer in the present slump. Hydro is quoted at around Re 1-4 per pound against the pre-Korea price of Rs 5-12. Rangolite is quoted at 15 annas against Rs 3-12, camphor at Rs 3 against Rs 4-6. Caustic soda and soda ash have declined to the pre-Korea levels of Rs 30 and Rs 20 respectively. Another casualty is mercury which has been well below the landed cost for a long time, thanks to reckless imports last year. It is now available at Rs 260, the highest touched, after the Korea war being Rs 650.

The trade has suggested removal of restrictions on textile printing to restore stability to the dyes and chemicals market. These restrictions had been imposed to stimulate exports, following the recommendations of the Export Advisory Council. Hardly ten per cent of the cloth earmarked for internal consumption is allowed to be printed. This is considered too small for a country which is traditionally fond of colours.

The slump has brought to light heavy speculation even in commodities which are traded on the basis of specific delivery contract. The oilseeds trade has not been able to agree on the issue of settling outstanding positions in the April-May contract in groundnuts and linseeds' Prices have declined much below the "floor" level of Rs 33.

The Bombay Yarn Merchants Association has fixed the floor price for the April and May contracts in art silk yarn at Rs 620. More questionable than interference with the price mechanism is the Association's decision to allow buyers to escape with a penalty of Rs 10 per case if they are unable to take delivery of goods. This makes nonsense of the specific delivery contract. The associations concerned must ensure that their contracts are respected.

STOCK EXCHANGE TRENDS—BOMBAY

(In Rupees and annas)

	Closing on 5-3-1952	Opening on 31-3-1952	High	Low	Closing on 1-4-1952	1952 Low	1951 Low
Steels							
Tata Steel Defd.	1707-8	1645	1645	1592-8	1597-8	1592-8	1717-8
Tata Steel Ordy.	322-8	321-8	321-8	310	311	310	308
Bengal Steel	18-12	17-2	17-4	16-10	16-11	16-10	19
Indian Iron	24-13	21-12	22	21-8	21-9	21-8	27-8½
Textiles							
Bombay Dyeing	395	390	392-8	370	372-8	370	395
Central India	299-8	190	190	178	178	178	218-8
Century	281	271	272	250	250	250	299
Kohinoor	294	296	296	281	284	281	304
Simplex	158 (XR)	155	156	152	152	152	242 (CR)
Svadeshi	273 (CD)	252XD	252	242-8	244	242-8	247
Miscellaneous							
A.C.C.	169-4	168	168	160	160	160	160-4
Belapur	238	235	235	208-8	209	208-8	249
Bombay Burmah Old	465	442-8	452-8	422-8	422-8	422-8	441-4
Premier Construction	94	87	87	78	78	78	84
Scindia	14-8	13-14	13-14	13	13	13	12-15½

CD=Cum dividend XD=Ex dividend CR=Cum rights XR=Ex rights

Due to the continued slump in the textile trade, the outlook for art silk yarn is not considered encouraging.

Neither credit facilities for the import of American and East African cotton, nor the relaxation of restriction on the distribution of cloth has had any visible effect on the cotton and cloth markets. The lifting of control on, export and destinational quota of fine and superfine cloth is calculated to stimulate exports and the relaxation of distribution control on coarse and medium cloth is intended to prevent accumulation of stocks with the mills and ensure freer supplies to the public.

But so far as exports are concerned, the problem now is not one of restrictions but of overseas demand. Relaxation of export restrictions will not help the industry when there is a world wide slump in cotton textiles. Reports from Lancashire, New England' and Japan are depressing in the extreme. All the producing countries are faced with heavy accumulation of stocks. Unsold stocks in Japan alone are estimated at 5 lakh bales. A further curtailment of spinning from 150^000 to 130,000 bales monthly is forecast.

Many varieties of cloth are now available at below the controlled prices. The industry is worried over the accumulation of stocks and lifting of cotton. Unless stocks of cloth are disposed of soon, mills may be forced to reduce three shifts to two shifts. It has been suggested that the Government should finance cloth stocks, but such a possibility is discounted in informed circles- While mills are unwilling to lift their quotas of Indian cotton, exporters report some revival of American inquiry in Bengal Deshi which has steadied from Rs 430 to Rs 460. It is now considered possible that the entire export quota may be utilised.

The downtrend in oils and oilseeds has not been arrested. Export facilities in the. form of relief in duty and additional quotas have not had any noticeable effect on the market. Prices have been marked down because there is no overseas inquiry. Business in delivery contracts in groundnuts and linseeds remains suspended, prices at which business is possible being considerably below the " floor " fixed voluntarily by the trade. Outstanding positions have yet to be liquidated. Grown wiser from its experience in the bullion market, Government has declined to intervene. Castor futures were marked down to below the " floor" price of Rs 131 and forward trading had to be suspended. In kerb dealings, the May contract was done down to Rs 127. On Wednesday however, it rallied to around Rs 135 on short-covering induced mainly by the fear of margin payment. " Shorts " have to pay Rs 2,500 per 100 candies on sales outstanding on Wednesday evening. The trading pattern of castor' futures does not hold any prospect of a sustained recovery.

As in oils and oilseeds, the benefit of removal of export duty on wool has gone mainly to the overseas buyer, reflecting a change in foreign demand. Wool prices in India have tended to steady after the general slump and are now 5 to 8 per cent above their recent lows. Prices in overseas markets, however, declined steadily by about 15 per cent. Exporters are pressing for a rebate on the loss suffered by them following the abolition of the export duty.

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Metal prices continue to case following the downward trend abroad. The supply position of zinc and lead has become far more comfortable than it was some months ago. Spot tin in London is down by about £18 per ton at £960. In Bombay lead has eased further to Rs 80 per cwt., and zinc is down by about Rs 12 per cwt. at around Rs 100. Copper and aluminium have remained comparatively steady as the supply position continue to be tight.

Dalai Street resumed forward trading on March 31 after a break of 25 days but trading had to be suspended again after two sessions. The hope that restriction on "short" sides would impart stability to the market proved deceptive. All counters, including those in which short selling was banned, slumped heavily. Brokers were anxious to liquidate the " long" positions of their defaulting clients. But there were few buyers. Further decline was inevitable.

In two days, most of the popular scrips declined further by between 6 and 10 per cent, some being pushed down to their 1949 low levels. The authorities had not assessed the market position correctly. The mere volume of outstanding purchases and sales in the leading speculative counters could not give a correct idea of the technical position of the market.

Most of the anxious " shorts" had covered their positions in the previous fortnight. The outstanding speculative "long" positions were matched by sales backed by actual deliveries. Who could take the load in the present condition of the market? In the circumstances the behaviour of the market could not be expected to be any different. And the inevitable happened. Prices virtually collapsed.

Restriction on " short" sales in the twelve leading speculative scrips only diverted selling pressure to some of the active counters in which trading was free. Speculators sold what could be sold. This explains the marked decline in Associated Cements and India United Mills.

The market had to be closed *on* Wednesday and the Bombay Government's permission has been obtained to keep it closed for forward dealings till May 9. The authorities will again review the situation to facilitate payments. Probably members will be asked to pay in instalments, through compulsory carry-forward of their outstanding positions at progressively lower making-up prices, till these prices come down to prevailing market rates.

VIGIL

Founded by Acharya J. B. Kripalani

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