Mercury prices held steady at between Rs 540 and Rs 555 per flask of 75 pounds due to persistent speculative support, although foreign demand was almost negligible. Black pepper prices were marked up to the highest levels for a long time after firm overseas advices. May delivery advanced from Rs 2,450 to Rs 2,600 per candy.

Confidence Returns

It is time for the investor to enter the market to take advantage of both good yield and capital appreciation. Levels do not matter. It is the it end that counts. The bull market has just begun.

Thursday, Morning

DALAL STREET'S trading pattern last week showed distinct signs of returning confidence. Industrial shares recorded iurther all-found impressive improvement with most shares rising- to the highest levels for many months. But far more important than the rise in prices was the marked expansion in the volume of business. Although activity was still predominantlv professional, brokers reported a steady rise in outside inquiry.

With fears of dividend limitation and of a rise in corporation tax removed, near-boom conditions prevailed in the special budget session on Friday evening. Tata Steel Deferred, the market leader, which had closed at Rs 1,740 on Thursday evening spurted to Rs 1,800 on Friday evening. Tata Ordinary rose from Rs 307 to Rs 320. Indian Iron from Rs 24-12 to Rs 25-10, Kohinoor from Rs 288-8 to Rs 302-8, Centun from Rs 261-4 to Rs 272-8, Bombay Dyeing from Rs 376-4 to Rs 388-12. Central India from Rs 153 to Rs 160, Svadeshi from Rs 243-8 to Rs 252-8 and Premier Construction from Rs 89-4 to Rs 93.

The Stock Exchange had made up its mind about the reversal of the primary trend quite a few weeks ago. While the investor appeared worried about the possible increase in the tax load, the professional speculators had been gradually accumulating 'long' positions. Market's expectations of a favourable budget have been well-realised. Dalai Street is greatly impressed by the raising of the exemption limits for income-tax both for individuals and for the Hindu undivided family.

Equally important is the exemption horn corporation tax of dividend income from new undertakings in specified industries such as coal, iron and steel, heavy chemicals including fertilisers, heavy machinery, non-ferrous metaIs, paper board, power driven pumps, and internal combustion engines. This exemption will also apply to dividends payable on new capital raised by an Indian company through public subscription for increasing production or starting a separate unit in the specified industries.

More significant than the tax relief is the general belie! that the budget proposals are calculated to restore public confidence in the investment market which is essential if private enterprise is to play an important part in industrial development of the country.

Cotton Mill shares which had been steadily rising for a few weeks recorded further spectacular recovery after the budget. Fears of a rise in the excise duty on cloth were belied. The change from *ad valorem* duties of 20 per cent on superfine cloth and 5 per cent on fine cloth to specific duties of three annas and three pies per yard and 1 3 pies per yard respectively, is likely to benefit mills producing high priced cloth. It is doubtful whether the rise in duty on .fine cloth will lead to any change from fine to medium varieties. The remarkable buoyancy in Textile shares is due essentially to reports of continued good foreign demand for Indian cloth. Sentiment has also been helped by ideas of increased demand for Indian cloth following the doubling of the duties on imported cotton piecegoods.

Although 1952 is generally thought to be the worst year for the textile industry, most mills have been able to declare good dividends from their trading profits. Prospects for' the present year are said to be distinctly better. Fears of Japanese competition seem to have been greatly exaggerated. " Budla " charges in the last few settlements have indicated an oversold position in most Textile shares. That is probably why the rise in this section has been more pronounced than in any other group.

Steels, Construction and Engineering shares and Miscellaneous issues also recorded all-round hand* ''some gains. Although the rise in the budget session tooled tamer Steep, prices showed further marked improvement on Monday and Wednesday. Technical considerations induced mild profit-taking on Wednesday. Sentiment was also affected by reports about the serious-illness of Marshal Stalin.

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The Gilt-edged market was generally steady but dull. Mr Chintaman Deshmukh said little about the monetary policy while mentioning about a loan for Rs 100 crores. With the Government's decision to repay the three per cent 1953-55 loan, worth Rs 115 crores, of which the Reserve' Bank holds nearly Rs 75 crores, the borrowing programme does not seem ambitious.

The impressive recovery in both speculative issues and investment stocks in recent weeks indicates a definite reversal of the primary downtrend which started about the middle of 1951. It is time for the investor to enter the market to take advantage of both good yield and capital appreciation. Levels do not matter. It is the trend that counts. The bull market has just begun. Although prices have already recorded handsome recovery, no important decline is thought likely in the immediate future. Prices are likely to rise further before the market pauses for an intermediate correction. The investment outlook can be viewed with optimism. The increasing tempo of development expenditure and deficit financing in coming years will lead to a general rise in money incomes. This will create increasing demand for goods, and improve profit outlook for industries.

* * *

Mr Chintaman Deshmukh's bud get has brought a windfall to stock-, holders of waste paper, umbrellas, toilet requisities, fountain pen inks, colour and copying pencils, and door and window hinges. import duty on most articles has been nearly doubled, and on certain items it has been increased from 29 per cent to 100 per cent. The Government's decision to liberalise import of goods on which duties have been raised is intended to prevent scarcity of goods and also to secure revenue for the exchequer.

The provision in the Finance Bill disallowing the off-set of speculation losses against profits and gains of business, profession or vocation other than speculation profits has created quite a stir, particularly in forward

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