Squeeze In Silver

INTEREST in ' Sheikh Memon Street centred chiefly in the " budla " charges in silver, with the " bulls'' trying to extract heavy backwardation charges without having to pay margin. Business con' tinued predominantly professional, Outside interest was almost negligible. Fluctuations were erratic indicating a keen tussle between the bulls and bears.

Bulls have to pay margin of Rs 1,000 per bar if the backwardation charges are Rs 3 or crore, and the " Vaisakh " II delivery closes at above its basic rate of Rs 162-10 (the basic rate is the first closing price of a contract). But if the closing price remains below Rs 162-to no margin has to be paid until the " budla " rate is Rs 5 or more.

The spread between the two deliveries rose further from Rs 2-4 to Rs 3-10. The rise in the "budla" rate above Rs 3 led to persistent selling in silver above. Rs 162 in the firm belief that the bulls would not allow the closing price to be above Rs 162-10 which would lead to the enforcement of heavy margin. After an early rise to Rs 163-14 silver '' Vaisakh " II moved irregularly down to Rs 161-7 and broke sharply to Rs 159-14 on Monday but rallied again to end the week at Rs 162-6 against Rs 163-7 a week ago.

With only three days left for the end of the " Vaisakh " contract, and fluctuations governed mainly by considerations of " budla" and margin, the trend has become unpredictable. The volume of speculative business in silver is estimated around 10,000 bars with one prominent bull operator controlling most of the floating stock. With restriction on bank advances against bullion to finance speculative transactions it would be interesting to know how a few influential operators manage to corner the commodity requiring huge resources.

Gold generally was dull but comparatively steady. After being done up to Rs 87-13 the "Vaisakh" II delivery eased gradually to Rs 86-12 but recovered to end at Rs 87-5 against Rs 87-10! a week ago. The spread between the two settlements rose from two annas to five annas, the " Jeth " delivery being at a discount. Fluctuations in gold are being influenced chiefly by the trend in silver, although the general tone seems steadier.

Oilseeds Decline

OILSEEDS and oil prices suffered the heaviest decline for many weeks. Technical considerations alone favoured a setback, the recent rise being rather too steep. But sentiment was affected by the Commerce Minister's observations on the export policy for groundnut oil. No new quota will be given until a reliable estimate of the next crop can be made. The quota already earmarked for newcomers is to be withheld.

Although export of groundnut oil has ceased to. be profitable, foreign prices being lower than Indian prices,- the export restriction will have more than a merely psychological effect. It will discourage speculative hoarding and increase the marketable surplus. The Government has belatedly realised the need to check the rise in prices of edible oils., and is now contemplating measures to discourage the use of groundnut oil for industrial purposes. The " bulls " seem to have been unnerved and they have been persistent sellers in June-July and August-September and prices have declined by about Rs 2 per cut. Vanaspati manufacturers who had been persistent buyers tor many weeks preferred to keep of! the market and made only small purchases in superior quality groundnuts. A further fall is generally thought likely. This should have a bearish el feet on other seeds.

Linseeds lost nearly Rs 1-4 per cwt on persistent up-country selling. Business continued mainly professional. Mill inquiry in ready was small. Linseed oil was also easier due to a limited consumption demand. With export unprofitable due to lower foreign pikes, the firmness in linseeds and linseed oil had been due essentially to increased demand for oil for mixing and local consumption because of the steep rise in the price of groundnut oil. Kardiseeds also suffered a sizable setback in sympathy with the fall in other sections. Mill buying in ready continued fairly large, but arrivals were also heavy. Export business continued nil.

Castor futures fluctuated erratically within a narrow range on alternate spells of short covering and bull liquidation. Sentiment was affected by the decline in other oilseeds. After declining from Rs 162-12 to Rs 158-4 castor September rallied to Rs 160-12 but eased again to Rs 158 and ended at Rs 160-12 against Rs 163-8 a week ago. Spot castor held comparatively steady due to heavy speculative buying by a few prominent bulls of May contract. Sellers unable to give delivery have to square their business at the end of the contract at the average of the closing prices of the last four days. The bulls are trying to keep the average price high.

Tenders issued against the May contract up to May 26 amounted to only 2,000 candied. The trade does not expect the total to exceed 3,500 candies. This compares with 6,700 candies tendered against the May 1952 contract, and 13,600 candies against September 1952. The fall is attributed to the fact that crushing mills have been using more castorseeds, due to a marked rise in the price of groundnuts. Large arrivals of castor oil support this view. Export business in castor oil continues at a standstill Indian juices being higher than in foreign markets.

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Mercury Slumps

NEAR-PANIC conditions prevailed in the mercury market and with the price falling further by more than Rs 50 per flask from the last clearing rate two clearings had to be arranged within a few days. Trading had to be suspended to facilitate payments. A few brokers were reported to have I ailed to honour their commitments. The " Vaisakh " delivery was marked down to around Rs 420 but it recovered later to around Rs 432.

The slump is the aftermath of attempts of a few bulls to corner the market in the hope of a reduction in export duty for which there was scarcely any justification. But the. calculations were upset by heavy deliveries by bears. The floating stock of mercury is now said to have increased by about 3,000 flasks to 14.000 flasks. The fall was aggravated by selling against options. Bull commitments of defaulting brokers had also to be sold in a weak market. With the recent decline in the price the export of mercury has now become profitable. Against the foreign price of about 830 the total Indian export price is about Rs 775. This is likely to have steadying effect on the market. The stocks are said to have passed into strong hands.

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NON-FERROUS metals were featureless with a small turnover. Copper and tin were slightly

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