*Around Calcutta Markets*

# End of a Phase?

*Thursday, Evening*

BEHAVIOUR of equities on Calcutta Stock Exchange in the last two days would seem to indicate that the market might be taking a turn for the better. It is yet too early to be dogmatic. But, in recent days, the feeling has spread that the fall in equities has, perhaps, been overdone. Irrespective of the long-term trend, a steadier tendency in equities after the prolonged setback may reasonably be expected.

One of the reasons for the irregularly lower trend in equities was the erratic: behaviour of Indian Iron. Delay in the official announcement of steel retention prices was having a disturbing effect on Indian Iron. During the week, the Government announced provisional steel retention prices. New Delhi's announcement conforms generally to the reports recently current in markets. Since the announcement, there has been a tendency for Indian Iron to steady-

Despite the steadiness, it is clear that the market is divided in its assessment of the Government announcement relating to the increase in steel retention prices. According to one view, steadiness in Indian Iron in the last two days is partly due to settlement considerations. There is something in this interpretation. It is also true that those who sold " short " in anticipation of uniform steel retention prices for Tatas and Indian Iron are now covering their sales.

### Two Views

Settlement copsiderations will no longer be in operation for a fortnight. And, if the current steadiness in Indian Iron is mainly due to " bear " covering, it is already apparent that " bear " covering is almost over. Those who emphasise these technical factors argue that, in the absence of investment support, the improvement in Indian Iron cannot be sustained. And, it is a fact that investment support has not been in evidence in recent weeks.

Be that as it may, the pessimistic interpretation of the provisional retention prices does not seem wholly justified. It is clear that the increase in retention prices has been so fixed as to cover adequately the relatively higher production costs at the Burnpur Works. Tatas enjoy an advantage. But that is because their expansion plans are larger than those of Indian Iron. But it is equally clear that the provisional increase in retention prices will enable Indian Iron to execute the contemplated expansion schemes.

To stock markets, these wider considerations are not entirely irrelevant. But markets are more interested in immediate dividend prospects. Here the outlook is not encouraging. New Delhi has declared an adequate increase in steel retention prices on the condition that the resultant increase in profits should not be utilised for raising dividend payments, but should be spent on financing development projects. This is a long-term " bullish " factor for Iron and Steel shares.

### Tea Shares

Sometime, some day, Clive Street was hoping, buyers would re-appear in Tea shares. Yesterday, for the first time since the fall started, there was some fresh buying of Tea shares. Steadiness in Tea shares had a sustaining effect on the whole market. Hopes are now being expressed that improvement in Tea shares may generate recovery in other shares. It remains to be seen whether these hopes will materialise.

Last season's boom levels for Tea shares are not likely to be reached in the near future. But the realisation is growing that the market has been unduly pessimistic about Tea shares. With timely and proper adjustments in output, the tea industry should be able to avert a crisis. Internally, the demand for tea continues. Internal tea auction prices also remain steady. If next season's tea prices do not fall below economic levels, Tea shares should be quoting well above current levels.

Current steadiness in Tea shares is not due to these long-term factors. After such a heavy set-back, replacement buying is easily explained. But some bargain-hunters have now entered the market. June and July are the months when final tea dividends are declared. There are faint indications that speculative-investors are getting interested in Tea shares in anticipation of fat dividend disbursements in the coming months.

### Jute Parities

Jute shares remain in the doldrums. Mill stocks are mounting. There does not seem to be any prospect for the industry to succeed in adjusting supply to demand by restricting output. Shorter working hours will create labour trouble.

There has been some foreign buying of Indian Jute goods in the last few days. Argentina is reported to have bought considerable quantities of hessian for deliveries up to December next. Parity prices between raw jute and jute goods are no longer unduly unfavourable to the industry. New crop quotations are now easily available. Raw jute prices are likely to soften.

Despite inactive Jute shares, in spite of the continuous fall in Tea shares, some selected Miscellaneous and Engineering shares continue to be well supported. There was considerable buying activity in BIC this week. Last dividend payment was disappointing. Interested buying of BIC has, therefore, caught the market unawares. There are reports that there is an attempt to corner these shares. From the spurt in BIC in the last few days, it is clear that the floating stock is not unduly large. But, then, the market believes that a considerable percentage of the total volume of shares are firmly held.

### Market Trend

Recent behaviour of the Calcutta Stock Exchange suggests that Miscellaneous and Engineering shares are not able to push the whole market up. Efforts of these groups to replace Tea or Jute shares as market leaders have not been very successful. It is, however, not without significance that the fall in these shares has been much less than that in Tea or Jute shares. It is more than a mere coincidence that these shares have started looking up just when Tea shares are experiencing a revival of demand.

Strength in Miscellaneous and Engineering shares cannot, by itself, impart steadiness to the market. But if Indian Iron and Tea shares remain steady or move up, the improvement in Miscellaneous and Engineering shares may have a "bullish" repercussion on Clive Street. In the week under reference, these market tendencies became faintly discernible. Some days must elapse before it can be known whether Clive Street has resumed the upward journey.