Around Bombay Markets

Undertone Still Subdued

Thursday, Morning

IT is not unusual for the stock market to react faithfully to official statements of policy. This week, the Finance Minister's warning, by implication, that there would be additional taxation in the future put the brake on operations. The warning, however, came in handy for bringing about a technical correction which was long overdue-. The volume of liquidation which was more than average would indicate that the market should be on the way to a technically healthier position. Budla rates turned out to be generally moderate, and strengthened these expectations.

For calculating the extra Corporation Tax (dividend tax). it is now provided, the .share premium reserve would also be included. This would certainly benefit companies which have a sizeable share premium reserve, e.g. ACC and some plantation companies. The companies which have a share premium reserve can now issue bonus shares by capitalising: this reserve. They wil not have to pay the tax of 12; per cent on the issue of these bonus shares. In the case of companies whose profits include both taxable and non-taxable income, the corporation tax will be applied after taking: into consideration only such proportion of the dividends, bonus issue and capital employed as the taxable income of the company bears to its total profits, including non-taxable income. Had it not been the end-of-account and had there not been the simultaneous warning of higher tax impositions in future, these concessions would have been received by the market in quite a different manner,

The circumstances being what they were, the market remained listless throughout the week. Towards the close, a leading firm of industrialists, it was reported, had sold a block of 4000 shares of Tata Ordinary, taking up the total during the week to about 10 to 15.000 shares. Block sales were reported in Centuries also.

In an otherwise declining market, Bombay Burmahs were exceptionally steady, on reports of a prospective reorganisation of the capital structure of the company, which is expected to benefit investors.

Premier Construction and Svideshis are being quoted ex-dividend since Tuesday. The ex-dividend quotations for both were marked down.

Cotton

Stalemate Extends to Spot Market

THE most significant development in cotton during the week was the resignation of Sir Purshotamdas Thakurdas from the East Indiat Cotton Association, of which he has been the President for the prist thirty years. The other was the' virtual closure of the spot market also. Following the intervention of the Forward Markets Commission in the affairs of the cotton marked. futures trading has now been almost forgotten, there being none for the past four months. It was now the turn of the spot market to be "locked out", though only for a brief while.

PT has been the architect of the EICA. His resignation is a protest against the "regimentation of the cotton trade" by the FMC and the Government which, he thinks, would prove detrimental to the trade- From just being a supervisory body, the FMC has now assumed such control as to virtually displace the Association which had been formed for the purpose of conducting and has been conducting the cotton trade for so many years.

The Forward Market Commission in its fight against speculation has opened a second front. It has launched an attack on speculation in non-transferable specific delivery contracts as well as against dealings in options. These are fields in which the Commission can do much good to the trade, if it succeeds. In fact trade would welcome such action. But because it is invested with powers, trade is far from convinced that the FMC should go beyond supervision, except In the event of an emergency. True, PT is out but this is only the first round. Cotton circles are not disposed to accept that this is the final.

In view of these developments, there was hardly any trading worth the name in the spot market. What shape the EICA would assume after the resignation of PT is now the principal subject of speculation. Pending the re-constitution of the EICA, trading must perforce remain nominal.

Oilseeds

No Relief

THE delegation of oilseeds representatives which went to New Delhi to put its case before the Government and lodge a protest against, the recent increases or fresh impositions of export duties has come back disappointed. It was firmly told that if heavy export duties make oil exports impossible, it would be so much the better for the country, for it would case the domestic supply position. if exports could still be effected, the Government would not mind, But overseas demand at relatively higher rates must not be allowed to raise domestic prices too high.

The trade has also been pleading for the exemption of outstanding foreign commitments from the consequences of the recent revision of duty. But the authorities are not to be moved on this score either. They point out that, the trade has itself to thank for such a situation as it should not have made large commitments without adequate covering,

If the trend in linseed oil was still firm, despite all these, it was due to persistent buying by an export house in order to fulfil outstanding contracts.

Groundnut was supported to some extent and fairly keen interest was shown by Vanaspati interests.

Castor futures, however, develop' ed a distinctly easy tone on long liquidation and fresh sales, though on a small scale,