

Around Bombay Markets

Gains Partially Realised

Thursday, Morning

LAST week's significant recovery has been followed by partial realisation of gains on reports of troop movements in Pakistan-occupied Kashmir and the Finance Minister's threat of tightening the credit squeeze still further, if necessary. Sentiment has also been affected adversely by the debate in Parliament relating to affairs of Tata Loco, which consequently lost nearly Rs 8 over the week. Indian Copper weakened on reports of lower copper prices, while British India and Hindustan Motors turned particularly febrile because of unfavourable rumours about their working. Shipping has been the only section in equities to remain free from realisation, while gilt-edgeds have in general turned steady after a fairly long time, due partly to the imminence of interest payments and partly because of some support from banks.

The outlook for the immediate future is rather obscure since the market is awaiting, among other things, some firm news about the magnitude of aid that may be expected from the USA. This will help to clarify Government policy for the rest of the Plan period.

Two organisational innovations have occurred in the market over the last few days. Since the control of stock markets came into effect this month, the Stock Exchange at Dalai Street has acquired a legal monopoly of trading, which until recently it had shared, albeit on a very small scale, with its poor relations at Phirozeshah Mehta Road. Members of the other body will now have to buy their way into Dalai Street if they wish to remain in business. The other innovation is the ban on kerb trading, an activity which lent round-the-clock zest and exuberance to Dalai Street. A solitary police constable now occupies the narrow pavement outside the ring, which at one time used to accommodate a sweating crowd of gesticulating speculators till well after sunset. The presence of the Law however, does not seem to prevent some rather extraordinary gatherings of 'friends' in the corridors of nearby buildings.

It is a foregone conclusion that regulation of stock exchanges will prove far more successful than that of forward cotton, if only because of the unique confidence, of Government as well as brokers, enjoyed by the President of the Bombay Stock Exchange. There will be no Commission to administer the law and regulation will be implemented depart men tally in consultation with the Exchange President. Flexibility, it is gathered, will be assured through informal arrangements. Some months will have to pass, however, before any evaluation of the working of stock exchange control can be attempted. Sooner or later Government will have to face the crucial issue of restricting blank transfers and that will be the occasion for testing the efficacy of regulation.

Foreign Securities Decline

Foreign securities held in the Issue Department of the Reserve Bank have declined by Rs 15 crores to Rs 345.61 crores during the week ending September 6. But since 'Balances held abroad' have gone up by Rs 13 crores, the payments deficit for the week amounts to only Rs 2 crores against Rs 6 to 7 crores for each of the previous two weeks. It would still be premature however, to say that the external drain has been substantially reduced. The position now is that if the deficit continues at an average rate of around Rs 5 crores a week, the floor of Rs 300 crores will be reached in barely 9 week's. Even if a substantial dollar loan comes through, therefore, there appears to be no alternative to lowering the reserve requirement towards mid-November, since negotiation of the loan will inevitably take some time.

Other notable changes in the financial picture that have occurred during the week have been a rise of Rs 15 crores in note circulation balanced by an equivalent increase in Rupee Securities. Investments, too, have gone up by nearly Rs 11 crores while ways and means advances have risen further by Rs 4 crores to Rs 41 crores. The last figure is substantially higher than

that for several months in the past and probably reflects a procedural change in the financial operations of State Governments. Central and State Government deposits have gone down by RS 2 crores and Rs 1 crore, respectively, but deposits of banks are higher by Rs 7 crores, while loans to them are lower by Rs 11 crores, of which advances against, usance bills account for Rs 6 crores. The latter now amount to only Rs 29 crores, as against the peak of Rs 73 crores for the week ending March 22.

Net demand liabilities of scheduled banks have recorded no change during the week ending August 30 but net time liabilities have risen by Rs 15 crores, while total deposits of the State Bank have contracted by Rs 12 crores. The cash ratio has spurted from 8.94 to 10.79 per cent, but the State Bank accounts for as much as Rs 19 crores of the Rs 25-crore inereric in cash balances. Bank credit has declined by Rs 8 crores, lowering the credit ratio to 66.37 per cent against the peak of 76.81 per cent for the week ending May 17. Greater liquidity is also reflected in the expansion of Rs 2 crores *under Call* and short loans, and of nearly Rs 1 crore in the gilt-edged portfolio. The *money* market has tended, on the whole, towards relaxation of stringency, which, however, has yet to make a significant impression on interest rates.

Cotton

Erratic Movements

COTTON has been erratic in response to divergent reports about rainfall in cotton growing areas. After opening weak, a firm tone became evident at Kalbadevi on reports of heavy rains in (the Punjab and inadequate rains in Gujerat, Khandesh and Perar. Five to ten per cent of the Punjab crop was said to have been damaged, but in view of the large expansion in acreage there, bulls were unable to maintain their advantage for long.

Subsequently, news of showers in Western areas helped push Moglai March down to Rs 683.