Around Bombay Markets

Short-Covering at Close

Thursday, Morning

THE Securities Contracts Act came into force during the week by a Gazette Notification, though it does not immediately mean any change in trading practices. The only provision in the Act which comes into immediate effect is that relating to banning of double options which, being already banned, does not signify any change. Stock exchanges all over India will have now to apply for licenses which would be issued only after a thorough scrutiny of their by-laws. Since two exchanges will not be licensed in the same place, Bombay's other exchange will" have to seek amalgamation or face disaffiliation.

The Gazette Notification, however, tended to accentuate the bearish trend which had been noticed for some time now, though sentiment improved later on short-covering and selective support purely on technical considerations

That the notification should bo preceded by a statement from the Finance Minister in Madras to the effect that, he did not care whether shares went up or down, has inspired a market wag to ask why the Government took so much trouble to enforce legislation in this behalf, if it is not. concerned at all about the fluctuations on the stock markets? Needless to say the market did not appreciate the Minister's cavalier dismissal of its role in the economy, humble though it be in the regime of economic planning. If nobody cares for the rise or fall of shares, as Shri T T K contends, then the stock markets might as well be closed down !

While T T K may win the first round of his rhetorical bout, it would be a hollow triumph. For, as a matter of faet, the Government has invariably seen to it that the stock markets did not record run-away prices. As a part of the measures to check the inflationary trend, the authorities took a series of steps, in the case of textiles for instance, which naturally kept the stock market subdued. It is inflation at one time, or the threat of nationalisation of this or that industry at another,—this has been the main damper. It is, however, a mistake to think that this in any way vindicates T T K's stand on share markets when he exclaimed: What difference does it make to me or for that matter to anybody if the shares go up or down?"

Trading was subdued during the week. Early in the week prices tended to rise in the hope that the compulsory deposit scheme might be modified. When the Finance Minister in a speech at Madras made it clear that the compulsory deposit scheme would continue, and that he was against run away inflation, there was selling pressure. Towards the close, the market rallied on sustained bear covering, particularly in cotton mill shares. Almost all the equities, however, closed lower compared to the previous week's levels.

<u>*Cotton*</u>

Narrow Range

COTTON futures were quiet during the week with the ruling contracts fluctuating within a narrow range. A stalemate was created early in the week (Friday) and both buyers and sellers kept off the market. In the event, the ruling contracts suffered a slight setback. Another reason for it was the reported move of the Board of the Fast India Cotton Association to seek permission from the Forward Markets Commission to start trading in the next settlements, namely, May and July, in the next few days. It was also rumoured, however, that there would be some delay in the resumption of trading in the new settlements as the Fair Average Quality standard boxes would not be ready for some time more.

The Jarilla contract, which had been ruling near the marginal level, moved within the range Rs 685-8 to Rs 696. Opening at Rs 692 and after touching the highest for the week at Rs 696, the contract declined to Rs 685-8 before closing at Rs 694-12.

Vijay firmed up a little, following the report that the cold wave had caused damage to the Vijay crop both quantitatively and qualitatively. The wide gap between the ruling rates and the rates at which the margins will apply has also strengthened the contract. Opening at Rs 818, Vijay shot up to Rs 829-9 (Friday) before closing at Rs 813.

Activity in the spot market was limited. Mills considered the ruling rates as too high and kept off the market. Even in the export section, contrary to expectations, there was not much activity, overseas demand being absent. This is partly due to the blockade of Suez which stands in the way of the U K and Europe booking their usual quantum of Indian cotton and partly to the lower prices offered by foreign buyers.

A significant development was the announcement of the U S cotton export policy for the current season. The speculation that America would switch over to a scheme of subsidy for cotton exports has been squashed. The U S Department of Agriculture has made it clear that its export policy will remain the same as in the previous season except that the purchasers must export (from USA) within nine months or by July. 31, 1958 whichever was earlier. After this announcement, it is now only a question of time before the Government of India gets its second purchase authorisation from the U S Government to import, say, one lakh bales of surplus cotton under Public Law 480. Already the ceiling in respect of licences issued for the import of 1.50.000 bales has been reached and unless new licences are issued (for which the Government should get the purchase authorisation), import of American cotton, for which there is considerable demand, would be handicapped.

Oilseeds

OILSEEDS and oils ruled lower during the week. Except groundnut, all other future contracts, castor, linseed and cottonseed, drifted to new low levels, following heavier arrivals of seeds, both in the terminal and local markets. London advices were also weak almost throughout the week.

Groundnut, ready and futures, continued to rule very steady around previous week's levels, despite margins, because of paucity of stocks. No tenders have been issued against the maturing contract.

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