Around Bombay Markets

Technical Correction in Progress

Thursday, Morning

DALAL STREET which had been moving up and down in quite an indecisive fashion for some time beat a sizable retreat last week. Equities suffered heavy losses all-round, the fall being less pronounced in the cash scrips than in the speculators' favouriles. The decline started with anxious bull liquidation but later bears too became quite aggressive. Bulls seemed to have been scared mainly by the heavy carryforward charges which could not be easily explained away in termsof the prevailing acute stringency in the money market. Money conditions had not been less difficult when the stock market had been pushing its way up recovering within barely three months all the ground lost since July 1960.

The carry-forward charges at the end of the last settlement on Friday. 7th April, were indeed very high and the market developed considerable weakness in Saturday's kerb dealings. There was virtually a stampede for selling when the market re-opened for the new account on Monday. Down came prices almost with a bang, recording the sharpest decline for any single session since the beginning of the year. 'Vyapar's equity share index dropped from 143.56 to 140.79 in a matter of minutes. Scattered short covering and some cautious replacement buying produced a modest rally on Tuesday but when the market came to know of the record high delivery figure of 8.94 lakh shares it faltered again on Wednesday and Vypar's index showed a net loss of 5 points over the week at 141.56.

Power Shortage

While last week's decline was caused essentially by technical considerations, sentiment was also unsettled by reports of power shortage from various centres. If continued for long, power shortage would adversely affect production. With sentiment very much depressed, stock exchange operators talked of the possible strain on the market as a esult of the various new issues that vill he in the market in the very ear future. The encouraging cororate news attracted hardly any ttention during the week.

It is tempting to underline the bearish influences at work when the market is in an uneasy mood. But it would be unwise to regard the recent fall in equity values as anything more than a technical correction of the preceding steep rise. At its last week's low the market has already retraced nearly one-third of the rise since the beginning of the year. How far the market might decline still further is difficult to say, but a strong market seldom retraces more than 50 per cent of its preceding important move.

Cotton

Bengal Deshi Quota

AT long last the Government of India has released another 60,000 bales of Bengal Deshi for export on a first-come-first-served basis with an individual ceiling of 2,500 bales. Out of this quota, 3,000 bales have been reseved for co-operative societies as usual. The announcement, which was made on the evening of 11th April, came not a day too soon because the trade had long been pleading for the release of a further large quota in view of the substantial exportable surplus. Even more welcome than the quota are the changes that have been incorporated in the licensing procedure. The new procedure is simpler and fair and it will enable all shippers to participate in the business in that shipping bills will be accepted only from 15th April and business put through before the date of the trade notice of 12th April will not be considered valid. If on any particular day, applications are received for a quantity exceeding the ceiling the same will be considered on a pro-rata basis.

In view of the keen demand for Indian Deshi cotton it is almost certain that the ceiling for the shippers' share of 57,000 bales will be reached on the very first day, i.e.. 15th April. Japan is expected to lift the bulk of this cotton and the latest quotations are mentioned at around 21.5d a Ib. fob, Bombay, for fine and 23d for superfine choice. In December last, superfine choice had fetched as much as 27.5d a Ib and the overseas buyers had reduced their quotation to 25d by the time the second quota was released in February. An earlier release of export quotas would thus have enabled the country earn more foreign exchange for the same quantity of cotton. It is interesting to observe that the prices of Bengal Deshi cotton have recorded a heavy decline over the past several months despite the release of export quotas. Locally. Bengal Deshi superfine choice has declined from Rs 1.000 to Rs 840 per candy. The fear that the release of large export quotas would push up prices has proved baseless. The latest quota brings the total quantity allowed for export up to now to 1.60 lakh bales and considering the supply position of Deshi cotton it should be easily possible for the Government to permit a further quota of 10.000 bales in the near future.

Price Subdued

The cotton market had a rather dull time last Week. Business in the spot section continued to be restricted for want of quotas with the mills. It is indeed time the authorities released the last instalment of quotas for indigenous cotton. Reduced spinner inquiry has imparted an easier tendency to market. Tight money conditions have also had an unsettling effect on prices which continue to sag. Trading in futures last week was notable for the emergence of a premium on the maturing April contract over the distant August position. The April contract was marked up from Rs 571.50 to Rs 585 and receded later to close at Rs 579.50 on Wednesday. After fluctuating erratically between Rs 582.75 and Rs 577 most of the time the August contract touched a low of Rs 575 on Wednesday and closed at Rs 576.25 as against Rs 579.50 a week ago. Tenders issued against April contract so far have totalled only 600 bales of .which 50 bales have been rejected. The results of surveys have been discouraging for the bears.

Shipments of cotton since the beginning of the season to 1st April total 1.13,211 bales as against 1.26.211 bales in the corresponding period Inst season. On this Japan took 92.539 bales. Hong Kong 8,912, Continent 8,608, U S 1,512. U K 1,472 and other 168. Arrivals during the same period total 6,57,468 bales as against 3,20,491 bales in the corresponding period last season. Out of this the U S cotton accounts for 4.48.630 bales.

Oilseeds

Hesitant Tendency

AFTER a further setback oil-seeds tutu res staged a si/able recovery but turned easier again and showed all-round small losses over the week. Mid-week rally was caused mainly by short covering but the rise could not be sustained for want of adequate follow-up support. The renewed weakness in rapeseed induced considerable bear selling in linseed and cottonseed and castor futures drifted lower near the week-end due to lack of any important fresh export business in castor oil.

Linseed May which had rallied from Rs 36.75 (per 50 kilos) to Rs 37.60 eased later to Rs 36.91. Cottonseed May rose from Rs 94.50 to Rs 96 but declined again to Rs 93.50. Castor May which had touched a low of Rs 176.87 on 6th April were marked up to Rs 179.75 on 10th April but they were done down to Rs 175.50 on' 12th April. In kerb dealings they rallied to around Rs 176.50. Trading in distant contracts was permitted from 0th April and all of them commanded small premiums over the current contracts which is only to be expected. Trading in groundnut futures continues to be at a standstill and nobody need feel sorry for it because futures trading has little utility in conditions of acute scarcity. Lack of hedging facility has 'not made marketing of groundnut any the more difficult.

Export Prospects

Export houses did not mention any fresh business in castor oil. Even so castor oil prices Continued to show a distinctly steady trend and all the offerings were readily taken up by shippers to fulfil their outstanding commitments. With the British East African castor beans quoted at around £67 per ton and the U K quotation for castor oil B S S mentioned around £ 1 10. the outlook fur business with the U K sinus fairly encouraging. India bein;, the only important source of supply. Whether the Communist bine will take any further large quantity of castor oil in the near future is difficult to say ,

Informed sources say that the Government might allow the export of groundnut oil against the import of certain spices. It will be the manufacturers of oil who will be permitted to export oil and not the importers of spices. Notwithstanding the urgency *of* earning foreign exchange it would not be unwise to allow the export of groundnut oil because of the serious shortage at home which is reflected in the prevailing high prices. Of course prices have eased somewhat from the highest levels recorded some weeks ago. If tile export of edible oils must be encouraged the Government would "do well to think of linseed oil instead of groundnut oil. Apart from being less important, the disparity between Indian and world prices of linseed oil is also smaller than in the case of groundnut oil.

Export activity in oilcakes was also limited. Hardly any business was reported in linseed cake and the U K quotation was mentioned around £28-15 to .£29. Saurashtra was reported to have sold about 2.000 tons of groundnut extractions, mostly for distant positions. Exporters expect marked revival of business after the end of the slack season. Considering the prevailing high prices of soyabean meal around £ 38-5 per ton it should be possible for Indian groundnut extractions to realise much higher prices than available at present. The U K quotation for extractions 50 per cent May shipment is reported around £27-15 and July to August shipment is mentioned around £28 to £ 28-5. Export interest in groundnut H P S was extremely restricted.

Machine Tool Factory

AN agreement was signed last month between the Praga Tools Corporation and the CEKOP, an organisation of Polish machine tool makers, for collaboration in setting up a new factory at Hyderabad for the manufacture of light and medium varieties of machine tools.

This is the first project to be undertaken under the Indo-Polish Economic Agreement signed in May 1960. The cost of the project is estimated at about Rs 1.5 crores.

The Agreement was signed, on behalf of the CEKOP by Mr S Komorowski, and on behalf of the Praga Tools Corporation, by Shri B Venkataraman, General Manager.

The Praga Tools Corporation, a public sector undertaking, produces machine tools and accessiories worth Rs 60 lakhs a year.