

Trade and Finance

Developments of the Week and Their Bearing on the Outlook

The stock market last week was not much different from what the Street has been experiencing all summer long. The professional traders were completely in control. They became more courageous on the selling side and offered stocks freely at the outset of the period, applying special pressure on stocks that appeared vulnerable to attack.

Such a market as this does not mean a great deal. Day-to-day price changes never do mean much even in an active market. It is rather the broad price swings that are significant and prophetic. The record of stock market performance as it stands to date this year shows a progressive decline in stock values.

It seems a well-nigh hopeless task to try to arouse enthusiasm in Wall Street over the immediate outlook for speculative securities. For every bull there seem to be a hundred bears and the latter have most of the logic on their side. Making the rounds of the brokerage houses where stocks are bought and sold, one finds a disposition on the part of folk who follow stocks day in and day out to sidestep and surround with a high barrier of qualifications all prognostications regarding stocks.

Much is heard about the wicked bears, who are held to be responsible for many of the troubles now besetting the stock market. No doubt there is short selling of a vicious character going on, especially in the case of special issues which are open to concerted bear attack. It might be a good thing for the Stock Exchange to put back into operation the regulations in force shortly after the United States entered the war to stamp out vicious bear raiding.

The stock market has been and is still suffering more from the enormous outpouring of new securities floated on the wild wave of speculation in 1919 than any other one influence. As a prominent banker put it recently, the market has been unable to assimilate the huge mass of not only undigested but indigestible securities. Only now are many stocks which were unloaded upon a gullible public just beginning to get back to a level somewhere near their real values.

At the close of last week the average price of thirty representative industrial stocks stood at 85.37, after having fallen on Wednesday to 83.03. The recovery from the low for the year amounts to about three points. The high average of the thirty industrials this year was 110.30, last year, 119.33. The average of ten railroad bonds maintained its level during the week.

Investment bankers looked upon the sale of the New York Central ten-year 7 per cent bonds as a test of the absorptive power of the market. The issue was well taken and rapidly oversubscribed. The success of this offering is likely to encourage bankers to underwrite other loans which are known to be under negotiation.

After a week in New York, Jean V. Parmentier, who came here as the special envoy of the French Minister of Finance in quest of a new loan, now has a fairly definite idea of the conditions under which his government can borrow funds in the American investment market. As soon as he receives cabled instructions from his chief he is likely to close a deal with J. P. Morgan & Co. It was officially stated at the end of last week that the terms of the loan had not yet been determined. However, observers anticipate a \$100,000,000 loan running about fifteen years, in which the bonds will

Call money at 9 per cent, the top rate quoted by Street borrowers last week stood at the highest level of the month. It took only comparatively small government withdrawals from the banks to force the price up, demonstrating once more the instability and extreme sensitiveness of the call market. The demands for credit of a really active speculation in stocks would under such conditions be almost certain to result in a severe squeeze. Stock speculators know this probably better than any one else and govern themselves accordingly. Quite apart from the stock market phase of the money market, there are evidences of improvement in credit conditions. This comes mainly from the release of banking credits frozen in side-tracked shipments. The railroads are beginning to function properly again.

Current weakness in the foreign exchanges, especially sterling, which has fallen some 40 cents in the pound under the high reached on last spring's recovery, has been attributed to several influences, particularly the political complications in Europe and the recent turn of affairs in Poland. If the Polish situation had been mainly responsible for the weakness one might have looked for a substantial recovery following the sudden and unexpected reverses administered the Bolshevik forces in their drive for Warsaw. But no such recovery has occurred, and accordingly one must look elsewhere for an explanation of the continued unsettlement of the exchanges. Of course, this is a season of the year when the outward movement of American cotton and wheat runs very heavy, so that the market has been called upon lately to absorb an unusually large volume of cotton and grain and grain bills arising out of such transactions.

As regards sterling, the English view is interesting. "It is probable," says a London observer, "that for the moment we have seen the worst of the break in rates and that exchange with New York will be more or less stabilized at about its present level for some weeks to come. But it is equally probable that as the season progresses and when the autumn is full upon us, we shall see the rate decline to February's low level. Our progress has been rapid during the last six months; our stability and inherent soundness are now at a higher ebb than in America than at any time since the armistice, in spite of alarmist statements concerning our financial and economic position which have recently found currency. That the rate will eventually return to par nobody doubts, but it is not so generally recognized that this will not be for a long time to come. We cannot ourselves get back to normal conditions until the recovery of the European countries is accomplished. Our ultimate aim must be to restore the gold standard, and the dollar exchange will not return to par till this is accomplished, but we cannot hope to reestablish an effective gold standard without reference to the economic and financial position of our late allies and enemies."

U. S. Bond Holdings Show a Decline; Victory Notes Jump

Loans Obtained by War Obligations Aggregate 9.7 Millions Less Than Week Before; Deposits Drop

WASHINGTON, Aug. 22.—Further liquidation of 0.1 millions in holdings of United States obligations and of 23.6 millions in loans based on government and corporate securities, accompanied by a larger increase in other loans and investments, is indicated in the Federal Reserve Board's weekly statement of condition on August 12. It includes \$15 member banks in leading cities.

Holdings of United States bonds show a decline of 7.9 millions for the week, while Victory notes on hand increased by 6.3 millions and Treasury certificates declined by 7.6 millions. Loans obtained by United States war obligations aggregated 9.7 millions less than the week before, and loans obtained by corporate stocks and bonds also declined by 13.9 millions. On the other hand, all other loans and investments, consisting largely of commercial loans and discounts, increased by 39.1 millions, with the consequence that the total amount of loans and investments, including Federal Reserve banks, show an increase of 6.6 millions for the week. Government deposits show a decline of 7.4 million, other demand deposits (net) an increase of 62.2 million, and time deposits an increase of 2.5 million. For the member banks in New York City a decline in demand deposits of 24.8 million is shown, resulting largely from the withdrawal of deposits by country correspondents in need of funds in connection with the moving of crops.

Reserve advances (all with the Federal Reserve banks) show an increase of 17.3 million for all reporting banks and of 9.6 million for the New York City members. Cash in vault declined by about 6 millions.

Week's Stock Transactions

Summary of Stock Exchange Dealings

Table with columns: Last week, Week before, Year ago, 1920, 1919, 1918. Rows include Railroad stocks, Utilities, All stocks, U. S. government bonds, Railroad bonds, Other bonds, All bonds.

Record of Stock and Bond Averages

Table with columns: Last week, High, Low, Range this year 1920, Range full year 1919. Rows include 20 Railroads, 30 Industrials, 50 Stocks, 10 Railroads, 10 Industrials, 25 Bonds.

Record of Stock and Bond Averages (continued)

Table with columns: High, Low, Div. in %. Rows include Adams Express, Advance Rumely, Ajax Rubber, Alaska Gold Mines, Alaska Lumber, Allis Chalmers, do pf, Amer Agri Chem, Amer Bank Note, do pf, Amer Beet Sugar, Amer Bosch Magneto, Amer Br S & F new, Amer Can, do pf, Amer Car & Fdy, do pf, Amer Cotton Oil, Amer Drug Syn, Amer Express, do pf, Am Hide & Leather, do pf, Amer Ice, Amer Internat Corp, Am-La-Fire Eng, Amer Linsed, Amer Locomotive, Amer Lumber, Amer Safety Razor, Amer Shp & Com, Amer Smelting, do pf, Amer Steel, Amer Steel Fdy, do pf, Amer Sugar, Amer Sunbeam Tobacco, do pf, Amer Tel & Tel, Amer Tobacco, do pf, Amer Woolen, Amer Wrpt Paper pf, Amer Zinc & Lead, Anacosta, Asso Dry Goods, Associated Oil, At Top & Santa Fe, do pf, Atl Birm & Atl, do pf, Atlantic Coast Line, Atlantic Coast, Atl Gulf & W S S, do pf, Austin Nichols, Auto Sales Corp, Bawitwin Loco, do pf, Baito & Ohio, do pf, Barnard A., do pf, Barrett Co., Bontoni Mining, Bethlehem Motors, Bethlehem Steel, do pf, do 7th pf, Booth Fisheries, Bklyn Rapid Transit, do pf, Burns Bros, Butte Cop & Zinc, Butte & Sup Cop, Butterick, Cadis Oil, Calumet & Arizona, Calif Packing, Calif Petroleum, do pf, Canadian Pacific, Case Flow, Central Leather, do pf, Central of N. J., Central of Pa, Centinied Corp, Chandler Motors, Ches & Ohio, Chic & N. W. pf, Chic Ct Western, do pf, Chic Mil & St Paul, do pf, Chic N. W. pf, Chic Pneu Tool, Chic Rock L & P, do pf, Chic Rubber, Chic Soap, do pf, China Cop, China Cola, Col Gas & Electric, Colorado & Southern, Columbia Graph, do pf, Consol Cigars, Consol Gas, Consol Int Calahan, Consol Textile, Continental Can, Continental Cand, Corn Products, do pf, Cress Car & Co, Crucible Steel, Cuba-Am Sugar, do pf, Cuba-Cane Sugar, do pf, Davidson Chemical, De Beers Co, Delaware & Hudson, Del Lack & Western, Den P S, do pf, Dome Mines, Durham Holyday pf, Eastern Ind, Electric Star Bat, Emerson Brant pf, Endicott Johnson, do pf, Erie, do pf, Famous Players, do pf, Fed Min, Flk Rubber & Smelt pf, Freeport-Texas Co, Gaston-Williams, Gen Amer Tank, General Chemical, do pf, General Electric Co, General Motors, do pf, Goodrich B F, do pf, Granite Mining, Great Northern pf, Gt North, Greene Can Copper, Guantnamo Sugar, Gulf Mobile & North, Gulf States, Hask & Bark Car Co, Hende Mfg, Homestake Mining, Houston, Hupp Motors, Illinois Central

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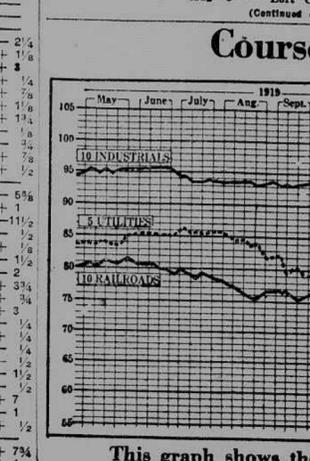
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