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First Mortgage Main Line Bonds
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## THE FINANCIAL SITUATION.

A financier who has something more than a local reputation for sagacity said last week that if the peace negotiations between Russia and Japan were being conducted in Europe rather than in this country our stock market would pay comparatively little attention to them. The idea was that the ease with which our newspapers have been enabled to give a great deal of space to the proceedings of the conference had caused the affair to loom larger in the Wall Street mind than it should, and that if Berlin or Vienna, or perhaps even, as was at one time suggested, the plains of Manchuria, had been the scene of the parley Wall Street would have paid as little attention to the matter as it did to the progress of the various skirmishes and battles between the Russian and Japanese forces during the last eighteen months.

Despite the varying news from Portsmouth during the week, the stock market up to the latter part of the period gained in strength; the true reason therefor being, of course, the force of underlying conditions which, careless of day to day buying or selling based on the ebb and flow of peace rumors, pushed prices to a higher level. There was no great increase of commission house business, and the notable advances in prices then made were clearly the result of the activity of pools and cliques. But manipulation of this kind is a familiar feature of all rising markets and is not deserving of criticism from a common sense point of view, unless it is pushed to an extreme. In one case, admittedly, this extreme was reached last week, and the incident produced a bad effect in financial circles. This was a reckless bidding up of Reading common stock, so that fears of a corner in the stock were justly excited and the whole market was thrown into a feverish and unsettled state. The best information is that there is no corner in Reading and that the rise of the stock in the last month has merely represented speculation for the advance in it by daring operators, who have found that the lockup of the shares that has taken place owing to the large quantity of the issue put away for investmant made it easy to jam the price of Reading upward upon comparatively small purchases. There is no doubt that in this process a good deal of money has been lost in Reading by speculators for the decline, and as the end of the operation is not yet it remains to be seen how much money will be finally made out of it by the speculators for the rise. The wisdom of the purchases of Reading stock in the past, by which the continuance of the present management was unalterably secured, is now apparent. Had it not been for these purchases there might very well now be a strife for the control of Reading in the open market, which would really result in another Northern Pacific corner. All this, however, serves to set forth clearly the nature of the powers that have recently been exerting themselves in business and finance. There has been an appreciation by investors, and also, of course, by speculators, of the value of the equities, present and prospective, arising in this country from the ownership of its iron and steel mills, its coal and iron mines, its railroad properties, its farm lands and all its other great established industries. These equities were formerly merely potential, as in the case of the Reading, the demand for various products and business facility being less than the supply thereof, owing mainly to the scarce population of the country, but now that our country, and for that matter the entire world, is visibly filling with people and that business has suffered a vast expansion, these dead assets have been transformed into live ones, and the transformation has taken place in many instances almost in the twinkling of an eye. The hackneyed phrase that consumption still surpasses production expresses it all.

It is time, however, for a word of caution. It is to be remembered that a security market has two great sides, those of speculation and investment, and that the fact that fundamental conditions are sound and seem on the whole to be making for a higher range of prices does not preclude the possibility of sharp fluctuations in quoted values owing to the operation of a variety of temporary causes. Speculative buying of stocks is conducted upon margin, and by far the greater portion of those who indulge in it have not the means of making payments in full for their purchases. There is, hence, a volume of pure credit created which fluctuates nervously, even though the main current of values still moves on in one direction. At a very high range of prices there is naturally a greater inflation of credit and a greater general market sensitiveness than on other occasions; and at such periods prudent operators for the rise, particularly if a season of year approaches when conditions are normally more adverse to an advancing stock market than at other times, usually reduce their commitments. We have just been witnessing a striking exemplification of the rule, well known to speculators, that in August stock market prices tend to rise, owing to the fact that in this month the prospect of the harvests gets to be definitely ascertained, and that this prospect is usually such as to inspire confidence. But another "rule" is, also, that in September some recession in prices usually occurs; and this is due to the circumstance that speculators for the rise are then often compelled to pay higher rates for the use of money because of the drain of funds from the speculative centers brought about by the demands for money for crop moving. There was a striking exception to this in September last year, when, owing to the extraordinarily large surplus reserve of the Clearing House banks here, the crop moving drain, though it occurred as usually, was little felt. But this year the bank surplus here is very low and security prices are very high; while analysis of the last returns of the national banks throughout the country to the Comptroller of the Currency show that a state of heavy loan expansion and low surplus reserve is general, and that despite all reports to the contrary these banks are more poorly equipped to meet the season's necessities than they were even in 1902. There is little doubt that no great rise in money rates will be required to bring gold here from Europe, and the weight of banking authority still inclines to the view that the money question will not be such as to give what bankers call trouble this year. But there is often a difference between trouble as understood by bankers and as understood by speculators. Finally, such matters as the Reading affair in the stock market last week raise a plain warning against the dangers of undue speculation and attest that it is possible for any financial market, however strong the general basis on which it rests, to become top heavy and overbought.

All developments in business last week were of a highly favorable character. The weather for the crops continued excellent, the harvesting of wheat made good progress and the leading Western agricultural journal declared that there was now virtual assurance of the largest corn crop ever gathered; while of equal importance was the sustained strength of grain prices, owing to the certainty that crop disasters abroad will make European demands upon our surplus of these commodities larger than ever this year. There is little to say about iron and steel, save that indications have become more pronounced of the prosperity of the business. The United States Steel Corporation has every one of its furnaces in blast, and yet has been forced to enter the market again as a purchaser of ore fit for steel making purposes. The pig iron market is not, it seems, so strong as that for steel making iron; and the features of the steel business are the heavy orders from the railroads for steel rails and like supplies and from general consumers for structural iron caused by the growth of building operations throughout the country. Plans for new buildings on Manhattan Island alone, filed in the first half of the year, represent an estimated cost of over $66,000,000, as against $84,000,000 and $86,000,000 for the whole of the years of 1904 and 1903. This means that building is going on here at the rate of $125,000,000 a year. In leading cities throughout the country much the same state of affairs is shown.

## FINANCIAL AND COMMERCIAL.

### RAILROAD AND OTHER BONDS.

| Sales. | | Highest. | Lowest. | Closing. | Net Ch'ge. | 1905 High. | 1905 Low. |
|---|---|---|---|---|---|---|---|
| 9 | Adams Ex 4s | 106 | 106 | 106 | | 106 | 103 |
| 6 | Am H & L 6s | 100 | 99⅞ | 100 | | 100¼ | 96½ |
| 23 | Am Ice db 6s | 81⅜ | 80½ | 80½ | — ½ | 81⅜ | 77 |
| 80 | Am Tob 6s | 116½ | 115½ | 115½ | — ⅜ | 118¼ | 110½ |
| 857 | Am Tob 4s | 76⅜ | 75⅜ | 76 | — ⅛ | 77⅞ | 71⅜ |
| 5 | Ann Ar 1st 4s | 99⅜ | 99⅜ | 99⅜ | — ⅛ | 101 | 96½ |
| [illegible] | | | | | | | |

### RAILROAD AND OTHER SHARES.

| Sales. | | Highest. | Lowest. | Closing. | Net Ch'ge. |
|---|---|---|---|---|---|
| [illegible] | | | | | |
| 200 | Det South pf ctfs | 41⅝ | 41½ | 41⅝ | + ⅝ |
| 900 | Distillers' Sec | 43 | 42½ | 42⅝ | — ⅝ |
| 600 | Dul, SS & A | 16½ | 15⅝ | 15⅝ | + ⅛ |
| 2600 | Dul, SS & A pf | 35½ | 34 | 34 | — ⅛ |
| 1200 | Electric Storage | 85⅛ | 83½ | 85 | + 2 |
| 642200 | Erie | 52½ | 48½ | 51 | + 2⅝ |
| 24500 | Erie 1st pf | 85½ | 83⅝ | 84 | — ½ |
| 51900 | Erie 2d pf | 78⅝ | 75 | 77½ | + 2⅛ |
| 100 | E'ville & T're Haute | 75 | 75 | 75 | + 3 |
| [illegible] | | | | | |

Continued on Ninth Page.


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Investment Securities
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Letters of Credit
Commission orders executed in the Boston Market.

**$500,000**
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Maturities Feby. 1, 1906-1928.
To Net 3.40%.
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DEPOSITS, $23,500,000 UNDIVIDED PROFITS, $236,121
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