

FINANCIAL REVIEW

Henry Clews' Weekly Letter on the Financial Situation in the United States.

ABSORPTION OF BONDS

Reason for Great Hopefulness in the Crop Outlook Throughout the Country.

New York, June 22.—Though dealings on the stock exchange are limited, the market displays a strength of undertone that promises well for the future, provided no untoward events in-

tervene during the next two months. The chief source of strength at present is a satisfactory monetary situation, funds being plentiful enough to avoid any anxiety concerning crop demands when they begin. The next reason for hopefulness is the crop outlook, which is satisfactory as a whole in spite of backwardness. Reports of business reaction are frequent and are unfortunately confirmed by current reports of railroad earnings and other evidences of contraction; but Wall street turns a comparatively deaf ear to such arguments, and replies that all such conditions were discounted long ago by the shrinkage in security values and that the time is now ripe for anticipating better things.

One significant demonstration of confidence is the quick absorption of recent bond issues. These have been numerous and large, but the promptness with which they have been taken and their absolute failure to depress the stock market reveal an underlying

strength that is both surprising and gratifying. This week has witnessed two new big issues—\$10,000,000 New York Central bonds and \$40,000,000 Southern Pacific preferred 7 per cent stock. The former was expected, but the latter was a surprise, and neither exerted any appreciative pressure on the market, excepting in the Southern Pacific common shares. This shows a buying power reserve that was quite unexpected.

Though financial conditions have much improved, the same can hardly be said of general business and industry, both of which are handicapped by high prices and high costs of production. The process of readjustment, however, is already under way. Pig iron has had a heavy fall, and finished iron products must soon accept the held up by trust influences and contracts delayed in consequence. A great deal of work is also postponed by the excessive demands of labor; but these, too, must be modified by the inevitable leveling-down process which has already set in. Cotton and cotton goods are also declining, and thus facilitating re-establishment of the industry upon a sounder basis than heretofore. This process of readjustment, painful as it is, must be faced, and the less it is resisted the better for all. Costs of production are altogether too high, and the cost of living cannot be reduced until these come down from the excessively high level of the past few years. As soon as those who take the initiative find values settled upon a more normal basis business improvement will succeed present depression. Good crops this fall will be the most important factor in any improvement. Crop failures would be national disasters, not only as affecting our foreign trade and our agriculture as the chief basis of our prosperity, but also because of the effect upon prices of food products, which are already very high for the reason that demand is overtaking the supply. Hence, our particular need this year is good crops.

A rather unsatisfactory feature of our foreign trade movement was a decrease of \$15,000,000 in May exports, due to a shrinkage of 8,000,000 in wheat, 3,000,000 in cotton and 2,500,000 in corn. Our exports of manufactures and minerals are, however, increasing, and if the present downward tendency

of commodity prices continues the shrinkage in exports will be only a temporary affair.

Our credit abroad continues good, and gold shipments appear to have ceased for the present, Europe having satisfied its immediate wants. What effect the war will have upon the gold movement remains to be seen, this and the increasing supply of loanable funds being the chief inducements to gold shipments. Very soon future cotton and grain bills will be in better supply, sufficient, possibly, to offset these influences. Little attention is paid to the presidential campaign, which contains no exciting or alarming issue, and no question concerning the soundness of our currency.

The outlook for the market may be considered more favorable. Bad features have been amply discounted, stocks are concentrated in strong hands and money is plentiful. These are conditions favorable to manipulation should the big leaders so agree, and in the absence of such plans we may look for a fair trading market, subject to the influence at all times of crop reports. HENRY CLEWS.

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