

Abreast of the Market

Market Diary

	Thursday 1939	1938
Call money, renewal	1 1/2%	1 1/2%
Time money, 90 days	1 1/2%	1 1/2%
Acceptances, 90 days	1 1/2%	1 1/2%
Commercial paper	1 1/2%	1 1/2%
France, cables	46 1/2 @ 1 1/2%	46 1/2 @ 1 1/2%
Switzerland, cables	46 1/2 @ 1 1/2%	46 1/2 @ 1 1/2%
New York bank rate	1 1/2%	1 1/2%
Reserve System ratio	83.7%	80.0%
Copper, domestic	11.25	10 1/2 @ 11
Lead, New York	4.85	4.75
Silver, New York	62 3/4	64 1/4
Steel scrap, (Pitts. No. 1) ..	15 1/2 @ 16	14 @ 14 1/2
Zinc, East. St. Louis	4.50	5.00
Futures:		
Coffee, Rio, July	4.31	4.14
Corn, May	82 1/2	82 1/4
Cotton, July	7.97	8.63
Hides, old, June	12.25	10.80
Oats, May	30	32
Rubber, July	16.16	14.53
Silk, raw, No. 1, June	1.74	1.46
Sugar, raw, No. 3, July	1.98	2.31
Tin, Standard, July	45.90	41.80
Wheat, May	69 1/2	66 1/2
Wool tops, July	82.2	80.4

BY ROBERT LAFFAN

Further weakness in the aircraft section of the stock market unsettled sentiment yesterday and was largely influential in bringing on a general reaction in the list in the late dealings. Traders in aircraft shares may have been disappointed over the slight increase in defense appropriation recommendations contained in President Roosevelt's budget message to Congress. Apparently they overlooked the fact that yesterday's recommendations represented only the routine defense outlays and that an additional appropriation for aircraft and other defense purposes is scheduled to appear in a special message.

Wall Street for the most part was inclined to look upon the setback in aircraft issues as a long overdue technical reaction. Leading issues of this type have been rising sharply ever since the September war scare and any excuse might have served as explanation for the heavier tone that has developed since the turn of the year.

In the morning dealings there was some spirited buying in utilities, coppers and several specialties. In midday dealings electrical equipments and motors surged ahead. But these moves lacked the broad support that developed in the preceding day's session and prices backed off, particularly in the late afternoon trading when losses in leaders ranged from 1 to more than 2 points.

Commodity markets also were somewhat reactionary after the sustained gains of recent weeks and they gave a little ground in the day's trading. Bond prices were firm in the morning, but they turned irregular in the later dealings.

WATCHING APPOINTMENTS—

Wall Street found nothing in the nomination of Felix Frankfurter to the U. S. Supreme Court or in the budget message to be disappointed about and the market irregularity that cropped out shortly after midday was ascribed to technical conditions. In some Street quarters it was thought that the deficit spending program outlined may have been a little under expectations, but not by a sufficient margin to cause any concern among those who gear their bullish market operations to government spending in excess of income. In fact, the average reaction was that if no greater program of spending

HOW THEY STAND—

	Since Jan. 1	Additions yesterday
Increased Earnings:		
Industrials	4	..
Rails
Utilities	2	..
Decreased Earnings:		
Industrials	14	1
Rails	1	..
Utilities	2	..

NEW HIGHS AND LOWS—

Thursday, on the New York Stock Exchange, 41 stocks made new highs and one stock made a new low for the years 1939-38.

New Highs—

Am. Souff.	Foster Wh'ler	Paramount 2nd
Am. Tel. & Tel.	Gen. Am. Trans.	Phil Morris pf.
Artison Corp.	Gen. Ry. Signal	Press. Nil 4 ar
Bon. Am. B.	Goody T&R pt.	Pr. St. C 24 pf.
Bristol Myers	Grt. Nor Ore ct.	Radio cv pf.
Bullard	Green, H. L.	Revere Cop & B
Clellott Feabody	Kroger Gr&B	Revere C&B A
Congol. Nairo	Lee Rub & Tir	Safeway Stores
Diam. Match pf.	Life Savers	Union T'K Car.
du Pont de N.	Loft, Inc. ...	United Fruit ..
du Pont pf.	MacAnd & For	Van Ralste pf.
Easton Mfg. Co	Nat. Dai pf A	Vanadium ..
Fairbake Morse	Newberry 5 pf	Westvaco pf...
First Nat. Stor	Par T & T ..	

New Low—

White Den 85

Bid and asked prices will be found on Page 14.

should be adopted, or if the promised deficit should be a little less than expected, that should be considered on the side of gain since business recovery is still dependent in considerable measure upon how much business is supported and private spending is encouraged this year.

Since private capital must be attracted in some measure this year, political trends and political appointments are being watched with considerable interest. Some large corporations actually are so interested that they are gearing their capital expenditure budgets to the unfolding picture in Washington. In this regard, the pro-labor Attorney General appointment was registered as a setback for business confidence, though one that need not necessarily preclude the possibility of offsetting gains. Informal polls in the Senate yesterday indicated there would be no major opposition to confirmation of Felix Frankfurter's appointment to the Supreme Court, and many in Wall Street likewise expressed informal approval.

POWER CONSUMPTION—

The value of the power consumption figures currently is lessened by the fact that extended holidays during Christmas week and New Year's week distorted the results. Both holidays fell in such a way as to produce long week-ends and invite curtailed plant activity.

Figures for the week ended December 31, just issued by the Edison Electric Institute, reflect the first impact of an extended Christmas holiday which was more widely observed by electricity users than normally. This had the effect of nationwide curtailment of manufacturing activity causing the largest drop in production from a preceding week in the history of the industry.

The next period to be reported by the Institute will be for seven days ended January 7

figures for which will be available on January 11. In that week the holiday influence will still be dominant and it will not be until the week ended January 14 that the figures, available on the 18th, will return to a basis where they may be significant of general business activity.

COPPERS—

The flurry of strength in copper stocks in the morning ended in a rather disappointing fashion. Anaconda, which was particularly active and strong, turned reactionary in the afternoon and finally ended with a net loss on the day.

Short-lived display of enthusiasm for the coppers appeared to be based on improvement in metal prices abroad. The spread between foreign and domestic prices has been narrowing a little. It is also believed that domestic fabricators are not too well supplied with inventories, and that many of them have no more than five to six weeks supplies on hand.

TRENDS IN PROFITS—

For 30 years the Economist has been compiling studies of profits of British companies and its latest research deals at great length with factors that tend to make industrial profits extremely sensitive to fluctuations in the trade cycle. Since share values follow the dynamic fluctuations in profits, the study has practical importance for investors.

The first and most obvious observation is that profits rise with business activity. During the war and in the years which immediately preceded and succeeded it, profits appeal on the whole to have risen more than in proportion to the growth of industrial production. In recent years profits seem to have risen in less than due proportion.

Commodity prices rose sharply when profits were increasing and declined steeply in the period when profits stagnated. This furnishes one key to the disappointing course of profits in the decade and a half after the war, for rising and falling prices affect profits through changes in inventory values.

However, it is noted that while share values reproduce broadly any persistent upward tendency in industrial profits (and to that extent justify the preference for "equities" over senior securities in a period of prosperity) the average level of interest rates is a factor of secondary, but very considerable importance. Rising profits will produce a more than proportionate rise in common shares if interest rates are simultaneously declining (1932-1933), and a less than proportionate rise if interest rates are rising (1915-1920). The argument in favor of long-term investment in common shares depends therefore, in large measure on the assumption that interest rates continue to fall as profits rise, or at least that interest rates remain stationary. While the average investor readily recognizes the importance of changing commodity price and production trends, the matter of interest rates is apt to be given less attention.