How Things Look to Clifford A. Greenman

Business enters the second summer of the current major depression facing the certainty of further curtailment in industrial production schedules over the near term. Present indications are that new low levels in aggregate business volumes will be reached during July and August. The mere prospect of a moderate further decline in industrial activity below the low levels of recent months is, however, of less importance from a security market standpoint than the complete absence as yet of any indication of the forces which might be expected to promote a broad upturn later in the year.

All things considered, the stock market has withstood a barrage of generally bad news comparatively well in recent weeks. Prices have merely drifted in the past fortnight in about the same pattern that was traced by the reaction witnessed in the second half of April. The rails are again close to their 1938 lows, but both the industrials and utilities still have some distance to go before former resistance levels are pierced.

With business news over the next several months likely to provide little encouragement to speculative sentiment, intermittent weakness in stock prices is quite conceivable. Even though we may be passing through the final stages of the depression and of the bear market, no incentive for the assumption of increased speculative risks has yet appeared.

An important effect of the tax law enacted recently is that prime-grade corporate bonds must sell at a greater discount under tax-exempt Government bonds of comparable coupon rates and maturities in order to provide the same yield after taxes. The present discrepancy suggests an ultimate widening of the spread, either through a decline in prices of best-grade corporate issues or a further advance in Governments. This may not take place immediately—the discrepancy has already persisted for some time—but it is a factor to watch in realigning portfolios of highest quality bonds. The prime bond market as a whole promises to continue stable for some time, since there is no sign as yet of any firming of money rates.

Prospects for medium- and low-grade bond issues have changed little. The discouraging outlook has been reflected in a renewed downtrend of bond prices, following the spurt from the beginning of April to mid-May. The advance had been largely technical in nature, reflecting the feeling that prices of many issues had been driven down to reasonable levels, rather than any signs of a turn-about in business and profits trends.

With even the beginnings of recovery not yet in sign, and some months at least of continuing retrenchment definitely in prospect, final judgment as to which stock groups will offer the greatest potentialities for price appreciation in the next major recovery period must be reserved. The groups in the following tabulations must, therefore, be considered as strictly tentative.

(*Please turn to page 30*)

rangement will supersede the present one, by which Marsman and Company has been receiving a substantial management fee and other perquisites.

ROYAL GEKKO MINING SYNDICATE: This investment syndicate held a special meeting a few days ago at the University Club, to discuss a "new type of enterprise". The membership is very small, being composed of a few well to-do Manila businessmen. Organized in the early days of the boom, its units have gone against the trend, and advanced consistently in price. Original memberships were ₱100.00, and nominal quotations give sellers as demanding ₱150.00. As a matter of fact, however, no units are available at this figure.

SORIANO: The Soriano group of three mines turned in an all-time high monthly production figure during May. Total gold output was over the million-peso mark for the second time, running to ₱1,032,330.21. *Masbate Consolidated* and *I. X. L.* both beat their previous records, while *Antamok* gained substantially over April.

NIELSON: *Tinago Consolidated* and *Paracale Gumaus* reported their first production last month. Tinago started its history with ₱21,000.00 produced from 850 tons of ore treated during May, while Paracale Gumaus recovered ₱20,089.38 from 2,160 tons.

MAPASO: Has made an agreement with the *East Mindanao Mining Company*, whereby up to 12 tons daily of Mapaso's ore will be milled at the East Mindanao plant. The ore is high-grade, running around ₱100.00 per ton. Under the arrangement, Mapaso will receive 90% of the gold, and 85% of the silver extraction, less ₱8.00 to ₱8.50 per ton for treatment. In addition, it is estimated that it will cost Mapaso around ₱7.00 per ton to ship the ore to the East Mindanao mill.

The purpose of this arrangement, from the point of view of Mapaso, is to obtain enough income to pay for all operating expenses during the development stage of the mine, pending completion of plans to erect a mill on the Mapaso property. Felipe Buencamino, Jr., managing director, announced that development work has been very satisfactory this year, and stated that geologists and engineers estimate ore reserves at around ₱1,700,000.00.

SURIGAO CONSOLIDATED: A striking increase in the value of the mill heads was reported by this company for May. During that month, ₱68,607.00 was extracted from 2,080 tons of ore milled, and the tonnage was for an average extraction of ₱33.00, as compared with ₱19.50 per ton for April.

How Things . . .

(*Continued from page 22*)

The following groups of stocks are considered as offering "near term attraction" in the sense that these industries not only will make relatively good earnings showings this year, but will also share fully in cyclical recovery. Holdings of selected stocks in these groups should, therefore, be retained in full under present conditions, and recommended issues should be utilized for switching from less desirable stocks.

Chemicals	Mail Order and General Chains
Containers	Variety Chains
Oil	

Stocks in the following groups are still vulnerable to intermediate downswings in stock prices. In the aggregate, however, this second classification includes industrial groups for which the expectation of better than average cyclical expansion in earnings appear warranted. At levels nearer the lows of the recent broad trading range or at a time when reversal of depression trends appears closer at hand, selected stocks in these groups would likewise merit purchase.

Aircraft Mfg.	Industrial Machinery
Autos and Trucks	Non-Ferrous Metals
Auto Parts	Office Equipment
Auto Tires and Rubber Goods	Paper and Paper Products
Building Materials and Equipment	Refractories
Electrical Equipment	Steel and Iron