

NORMAL OPERATIONS

During the month of September, and particularly since the outbreak of hostilities in Europe, there has been little encouragement in the local gold share market. Although operations in the majority of the companies have been normal, the quoted market prices on the shares have declined, presumably because of predicted rise in costs of operation.

A survey was made recently to determine the position of the companies with regard to necessary mining supplies. It was learned from the companies, almost without exception, that their inventory is sufficient for operations along a normal basis from six months to a year. The majority of the companies have placed sizeable stocks in the Philippines in order to circumvent an emergency such as may arise from the war situation. Necessary to the mining industry include such items as steel, dynamite, fuel oil, and chemicals. With these supplies on hand, companies have assured stockholders of an uninter-

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rupted operating program for several months to come.

It is true that replacement prices of certain items have gone higher as has the cost of freight and war insurance. Notwithstanding these increases in cost it would appear logical that yield will be dampened but little in face of supplies and inventory on hand.

That the industry has full confidence in the future regardless of harmful possibilities has been the disbursements of dividends by at least five companies during the past month. These dividends have been paid out of earnings and with the knowledge and recommendations of companies with competent directorates. It is certain that the paying of these considerable amounts would not have been recommended had there have been substantial fear in the various companies.

The market has generally depreciated in value on gold stocks, compared to the

rise and demand in base metal issues. However, it has been stated that on the basis of present values, a very liberal discount has been placed on the market on the theory of material increase in operating costs.

Roger W. Babson, renowned statistician, who recently visited the Philippines painted a very cheerful picture for gold mining shares in the near future. He informed the press that he was of the opinion that gold mining shares should be constructed in as favorable light as steel and copper as long as the war continues. He has also stated that there is a great possibility of inflation. Needless to say such a move will very definitely benefit the gold mining industry throughout the world, and particularly in the Philippines where the industry has but a modest start.

The apathy which has seized investors should be disillusioned in face of these statements.

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