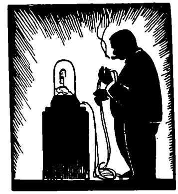
The Stock Market



(July 13th to August 13th)
Sideways movement continues. Some investment buying of blue-ribbon issues in evidence, stimulated by record-breaking production figures.

The stock market during the period under review was a strictly selective proposition. Prices neither declined nor rose, on the average, to any appreciable extent, and it is impossible to state that the "market" was either "up" or "down". During the first week (ending July 16th) trading was very thin, and nearly all issues lost slightly every time they were sold on the board. However, Benguet Consolidated gained 20 centavos to 10.20 and San Mauricio gained one-half to 44-½.

The second week (ending July 23rd) recorded continuous gains ranging from fractions to a peso, under the leadership of dividend-payers or investment issues. Marsman and Company showed a gain of ₱2.00 from its closing bid-price the previous week, due, some said, to rumors of an impending big dividend declaration. The gold share average as computed by Swan, Culbertson & Fritz, closed the week at 81.84, the highest point since June 13th, and a gain of 7.20 points over the close of the previous week. Trading volume on the Manila Exchange passed the million-peso mark for the first time in five weeks, the total being 7,470,726 shares, valued at ₱1,130,833 as compared with the previous week's total of 2,241,410 shares valued at ₱430,-074. The market advanced for six successive days from the opening of trading to the close on Saturday, July 23rd. Saturday registered an important spurt, due to Malacañan's announcement that the special session of the Assembly would not consider additional taxation of mine output.

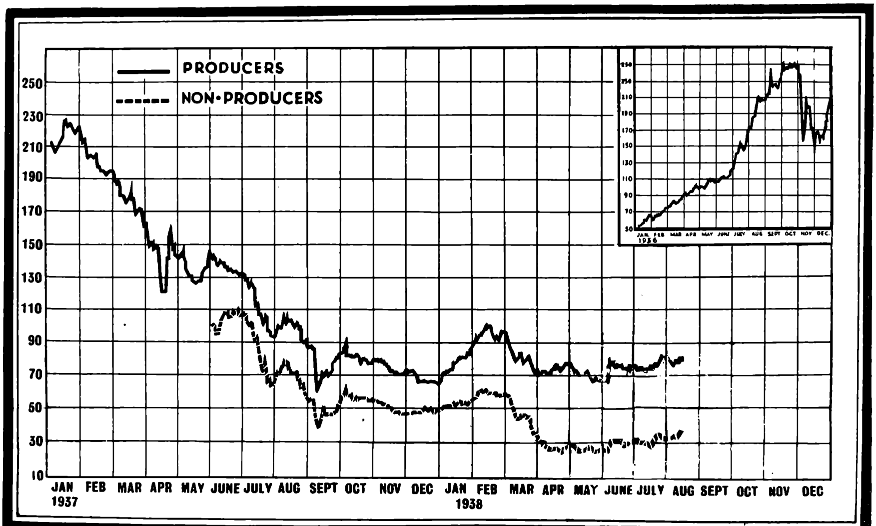
The advance did not continue, however, and during the third week averages lost 2.70 points over the close of the previous week's trading. Volume held up well, however, both the Manila and the International registering about the same number and value of transactions as they did the previous week. Marsman and Company gained three pesos and a quarter to close at 37.25 at the end of the week.

An unusual feature during this period was trading in lower-priced stocks. Heavy sales were recorded in Consolidated Mines, Ambassador Gold, Associated Mines and Paracale-Daguit. The undertone at the close of the week was strong, although some profit-taking was in evidence.

The week ending August 6th was disappointing, registering an almost continuous drop in prices. The market action was almost identical to what it was three weeks before, with Benguets moving consecutively higher while the rest of the issues

(*Please turn to page 26*)

Market Graph for 1936, 1937, 1938, prepared exclusively for the Journal by Clifford A. Greenman.



A Timely . . .

(continued from page 20)

During the first 6 months of 1938 Benguet produced an average of 35,809 tons of an average value of ₱28.27 per ton. From this production Benguet reported a net profit, *from its own operations*, of ₱2,728,808, equal to ₱0.45½ per share. This is an amount equal to ₱0.91 per share on an annual basis. In analyzing Benguet's 1937 income account it appears that of Benguet's earnings about 95% comes from the operation of its own property and that of its wholly owned subsidiary, Cal Horr. Income from secondary operations by virtue of management contracts, etc. amounted to only ₱109,484. During the first 6 months of this year, instead of having an income from secondary operations Benguet actually suffered a loss.

Although it is expected that the increase in Benguet's milling capacity will be reflected in a larger tonnage, it is not thought that it will exercise any influence in the per share earnings; however, as in the case of Balatoc, it is expected that the life of the property will be prolonged.

Therefore, using the same yardstick for Benguet as was used for Balatoc, or ten times earnings, it can be estimated that a share of Benguet alone should be worth about ₱8.60.

In addition to the earnings and the life of the property, the dividends paid should be given some consideration. Based on 6,000,000 shares, Benguet, in 1937, paid dividends equivalent to ₱1.00 per share. In March and again in June a dividend of ₱0.30 per share was paid. It would appear reasonable to assume that dividends of an equal amount if not more will be declared and paid in September and again in December.

As has been seen, through a direct ownership of one share of Benguet, the holder has an indirect ownership of two-thirds of a share of Balatoc, which amounts to ₱6.65. Also, that through *direct* ownership, the share of Benguet is worth ₱8.60. Together, through direct and indirect ownership, a share of Benguet should be worth ₱5.26 more than a share of Balatoc.

It must be remembered that the above hypotheses are theoretical and based entirely on a ten times earnings and dividend ratio, but they are given in an attempt to answer the prevailing question as to the theoretical comparative value of the two issues.

The Stock . . .

(continued from page 21)

sagged lower. Trading was extremely thin. News dispatches regarding the Russo-Japanese border combat undoubtedly contributed to pessimism, although other security marts were little affected, and obviously interpreted the affair from the beginning as a mere border clash which was unlikely to develop into war. The New York market moved higher, and higher prices prevailed for most commodities. Large purchases of gold bars featured the London gold market, at successively higher prices.

The purely selective character of this market became clearly apparent during the last week. Averages moved up due to higher offerings for blue-ribbon issues. However, although the averages went to 80.01 (the first time they had broken

(Please turn to page 28)

The Stock . . .

(*continued from page* 26)

through the 80 ceiling in nearly three weeks) many issues were unchanged, or sold at even lower prices. Volume was very poor, due to the fact that speculative buying was entirely absent, and what buying there was was of an investment character. Investment buying of itself does not make for high volume on any stock exchange. Big Wedge and Atok rose 1-½ centavos, the former going to 27 and the latter to 31-½. Other stocks traded, and which registered slight gains, were Demonstration, Ipo, Balatoc, Coco Grove, and I X L.

Hess & Zeitlin's market letter for August 10th, carried the following paragraph: "Since the middle of June, averages have moved slowly and practically featurelessly between 74 and 82.50, touching 74 on three different occasions. At the present time, the averages are almost halfway between each extreme. This situation cannot continue forever. Sooner or later, traders can expect a movement which will carry the averages through the top or below the bottom. We confidently expect the move to be on the upside. Certainly present prices of the issues that go to make up the averages, are low."

J. M. R.

Culled from . . .

(*continued form page* 22)

the *American Cyanamid Company*, among others, and it was only after long and careful study that the scheme was adopted. Santa Rosa's technical staff believes that the cyanide-flotation mill will reduce shipping expenses of concentrates to the United States (a considerable item in mine costs, as Mr. Crane's story last month pointed out), and will also afford higher percentages of recovery.

We publish this correction with pleasure, and we wish Santa Rosa every success. We know the JOURNAL is read, by the fact that every mistake both big and small (this was a big one) is immediately called to our attention by mail, by phone, and by personal interview, usually a day or two after the magazine comes out. Very rarely does anybody praise us for a timely or well-thought-out story. We suspect that our circulation is much greater than the number of copies we print monthly, and some day we are going to print a "whopper" that everybody knows is not true, just to find out what our circulation really is. We have deep plans laid to print an inconspicuous paragraph to the effect that "Congress has passed a bill authorizing President Roosevelt to pay $100 per ton for Philippine sugar, with no quota limits," or something like that, and count the telephone calls and letters we receive. After that, we can jam a big increase in advertising rates down our advertisers' throats.

QUARTERLY 10% DIVIDENDS

Atok Gold operating *Big Wedge* has been on quarterly 10% dividends since December when it paid the first 10% dividend on its capital of ₱1,000,000 all paid-in, W. W. Harris announces. The reason why Atok was not included in our July list of mining companies paying dividends between January and May 31 this year is that Atok is an operating company not functioning on its own property. But Atok, following its 10% December dividend, paid 10% on April 6 and another 10% about the same time in July, this 10% being for the year's second quarter. Expectation is that in October another 10% will be paid for the third quarter. Atok's gold production at Big Wedge during six months January-June was ₱942,616 with millheads remarkably high. The mill's rating is 150 tons a day, our table on the producing mines shows July's output together with that for the full seven months. June's figures are before us as we write (July 26) and show June millheads ₱46.61, far the highest in the list, June output ₱215,783 or nearly a quarter million pesos.

Output is divided 60% to Atok and 40% to Big Wedge now, but Mr. Harris says the prospect is that before the end of this year Big Wedge's indebtedness to Atok for capital invested in the property's development will have been fully paid, when the division will be 50% for Atok and 50% for Big Wedge. This company, Big Wedge, with paid-in capital of ₱777,-404, has paid 2% in dividends, the latest dividend, 1%, having been paid as of June this year.

We understand that, shortly after Atok took over the management of Big Wedge, some exploration work, both dog-holing and diamond drilling, was done near the surface on what is now known as the extension of the Benguet Keystone vein. Results of this work were, to a certain extent, discouraging, and further development work at that time was stopped. Extension of the main haulage level is expected to cut this area within the next two weeks about 225 feet below the surface. It may or may not open up a new ore body at Big Wedge.

GUMAUS GOLDFIELDS: Has entered into a new agreement, following the cancellation of its management agreement with *Marsman and Company* a few weeks ago. Under the new agreement, Gumaus will sell 15 tons of ore daily to the *Philippine Smelter*. The latter will pay 90% of gold content at the fixed price of ₱70 an ounce, 85% of the silver content at market and market price for the silica. The smelter is buying this ore chiefly because of the high silica content. It is understood that the ore will run approximately ₱20 a ton in gold.

MINE FACTORS: This company announces that it will make a shipment of 3000 tons of manganese before this magazine goes to press. This will be the first shipment since the company was reorganized. The new contract entered into since the reorganization is said to be on a much better basis than the old ones. Terms are, briefly, ₱18 per ton on a basis of 45% manganese and 20% moisture. Should moisture be under the base rate, and manganese content above base rate, the company will receive premiums above ₱18 per ton. An additional shipment of 3000 tons is expected to be made shortly, and with funds from these two shipments, the company will be able to carry on operations. The Japanese buyers will pay freight, while Mine Factors will pay ₱2.75 per ton for lighterage.

MAPASO: A well-known group of local capitalists, with a record for success in both general business and mining, has purchased control of Mapaso capital stock. The ability of these men is unquestioned, and their management should prove beneficial both to the company and to its stockholders.

Meanwhile, Mapaso reported that 301 tons of ore, with an average value of ₱42.20 per ton were milled at *East Mindanao* during the month of July—a gross production of ₱12,700. This is in accord-