

How Business Looks to

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Editor's Note: Mr. Clifford A. Greenman, of the staff of Securities Service Corporation, has prepared the material on the current industrial outlook in the United States, as well as the graph showing the course our local stock market has run during 1936, 1937, and so far this year. Mr. Greenman has very kindly consented to contribute to these pages every month, and without compensation of any sort. The material is exclusive in the Journal. While we feel that we are fortunate in obtaining Mr. Greenman's services, he as well as we want it understood that the opinions expressed in his articles are his own.

Mr. Greenman and Mr. Eric Staight will contribute their experience and analysis to these pages every month. The Journal expects also to obtain occasional contributions on current financial and economic topics from other qualified people here in Manila, to the end that our readers may be furnished with the most authoritative and complete financial and mining news it is possible to assemble locally.

The mildly inflationary steps now being taken at Washington are more important for their psychological influences than for their prospective direct influence on business volumes. The deflationary spiral is, however, gradually losing momentum, while security prices appear to have largely discounted the anticipated highly unfavorable dividend and earnings trends of the current half year.

It is evident that the approach of spring is bringing a quickening of hope that the business relapse has reached its low point, from which an improvement can start. This hope has some reasonable basis. There has been much quiet adjustment going on during the past four months, such as revision downward in prices and costs. To be sure, the recent U. S. Steel labor agreement left the

existing wage rate untouched. This fact is bound to delay wage reductions that otherwise would have been made by other companies. But the 10-day clause has left the way open for readjustment of wage rates later if present conditions show the rate impossible to maintain.

Of more importance is the fact that in wage negotiations there is evidence of an acknowledgment by workers and labor leaders that invested capital must be allowed to make a profit. It is hard to exaggerate the importance for the future of labor-capital relationship of the growth of that idea in labor ranks.

Another adjustment that is progressing unobtrusively is the reduction of indebtedness. Total loans of reporting member banks have declined to a little under \$9 billions, a decline of \$1 billion since last September.

While the likelihood of occasional periods of heightened business fears and accompanying sporadic market setbacks must be recognized, recent developments provide reason for the belief that stock prices generally will be confined within the broad limits of the trading range established for almost three months. Full retention of selected commitments in both speculation and investment quality issues is warranted, although the general utilization of reserves is not justified.

DESTERILIZATION AND BONDS

The decision to permit up to \$400,000,000 of gold imports annually to find its way into the banking system and increase excess reserves is not regarded as significant so far as the immediate future of bonds is con-

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

