

American Stock and Commodity Markets

BY ROY EWING

Swan, Culbertson & Fritz

October 28 to November 27, 1948

THE feature of the New York stock market for the period was the collapse of prices following the Democratic election victories on November 2. Prior to that date the so-called Dewey boom had carried the Industrial Average to a minor high of 190.19 on October 23. In the seven market days which followed, however, this average plunged to 173.48, the lowest in eight months, for a paper loss of over \$6,000,000,000.

All market factors were ignored except the bearish influences expected from a Democratic administration. These included (1) an anticipated 4th round of wage increases, supported by President Truman's campaign promises which included repeal of the Taft-Hartley Bill; (2) an increase in corporation taxes, supported by the Administration's apparent policy that any increase in expenditures should be met by increased taxes on corporate earning; and (3) the possibility of price controls; the President has requested power to control prices and may receive this now.

Many business indices continued to move in the opposite direction from the stock market. Steel production reached record all-time highs and employment figures remained at record levels. For many corporations the 3rd quarter was the most profitable in history and resulted in numerous extra dividends; for example, General Motors declared a \$2 year-end dividend against only \$0.75 last year. Time Magazine pointed out that many stocks have a market value of less than their cash assets.

Between November 5 and 7 both averages decisively broke their previous minor lows, thereby, according to the Dow Theory, confirming that the bull market which began in May of 1947 ended in June-July of this year. This abnormally short bull move has let the Dow Theory in for considerable derision from those who point out that as a barometer of things to come it has been of little use in recent years. At any rate the averages are now predicting disturbing conditions in the future and these will be appraised from a conservative level.

CONTRARY to the securities markets, practically all commodities reacted favorably to the election, a result of renewed assurance that the agricultural support program will continue through 1949. New York spot cotton is 32.30, as compared to 31.65 a month ago, on good exports and trade buying. The December contract for Chicago wheat is 239-1/2 and was as high as 241 on November 22, up from 229-1/2 on October 28. Large exports and heavy movement into the loan were biggest factors. December Chicago corn also recovered sharply, sold as high as 146-3/4 on November 24 against 139-1/4 a month ago. The record crop is offset by predicted record consumption. The loan level, around 15¢ higher than the present market, will become more and more of a factor as forced marketing, for lack of storage, slackens.

The sugar market in New York was firm and closed the period a few points higher than a month ago, the December No. 5 Contract at 5.34. The East Coast longshoremen's strike is making supplies tighter.

Manila Stock Market

BY A. C. HALL

A. C. Hall & Company

October 16 to November 15, 1948

THE mining share market has fluctuated inactively within narrow limits during the past month. With two exceptions, individual stock prices are little changed from the previous close. Lepanto has advanced on pleasing news from the property coupled with a further rise in the United States copper price, while Mindanao Mother Lode has registered a further decline with the publication of a progress-report disclosing that further problems have to be solved before a satisfactory level of operations at the mine can be reached.

The surprise result of the American presidential election and other foreign developments have had relatively little effect on market sentiment. Generally speaking, investors are more concerned with the domestic outlook.

As mentioned in this column last month, changes of great importance are scheduled for the comparatively near future. In addition to the much debated Import Control measure, which is to become operative following the turn of the year, the Central Bank of the Philippines is expected to begin its operations soon. Divergence of opinion exists as to the probable economic impact of these factors. For the present, therefore, and until the general picture clarifies, investors are likely to remain largely on the sidelines.

Manila Stock Exchange Average	High	Low	Close	Change	Total Sales
Anteco Mining Company	72.55	66.52	68.31	Up .97	246,000
Atok-Big Wedge Mining Co.	P.31	P.27	P.31	Up .04	288,000
Daguio Gold Mining Co.	.011	.01	.011	Unchanged	202,000
Batang Buhay Gold Mines	.53	.47	.49	Up .01	870,000
Coco Grove, Inc.	.038	.038	.038	Off .007	75,000
Consolidated Mines, Inc.	.0038	.003	.007	Off .001	75,000
Ilex L Mining Company	.028	.02	.025	Off .005	4,706,000
Lepanto Consolidated Mining	.012	.0105	.0115	Up .001	42,500
Masbate Consolidated Mining	.0525	.05	.05	Unchanged	31,000
Mindanao Mother Lode Mines	.048	.048	.048	Off .007	15,500
Mississia Chromite, Inc.	.59	.50	.53	Up .07	608,500
Suyoc Consolidated Mining Co.	.018	.015	.015	Off .013	80,000
San Maurice Mining Co.	.47	.35	.35	Off .10	190,000
Surigao Consolidated Mining Co.	.21	.195	.195	Off .005	31,000
United Paracel Mining Co.	.03	.03	.03	Unchanged	122,000
	.265	.24	.25	Unchanged	122,000
	.08	.05	.06	Off .005	22,000

In addition to the foregoing, unlisted mining issues were traded as follows: Antipolo Mines, 115,000 shares at 11 and 8 centavos, closing at 11; Benguet Consolidated, 12,750 shares from P3.20 to P2.90, closing at P2.93; and Philippine Iron Mines, 425 shares at P31.

Commercial and Industrial

WITH the exception of Sugar shares which continue in demand at firm prices, the balance of this section has been neglected. Business done during the period was as follows:

Bank of the Philippine Islands	High	Low	Close	Change	Total Sales
Central Asucarera de Bais	P.55.00	P.55.00	P.55.00	Off P.8.00	42
Central Asucarera de la Carlota	580.00	570.00	570.00	Up 2.00	38
Central Asucarera del Pilar	140.00	140.00	140.00	Up 2.00	230
Central Asucarera de Sara-Ajay	80.00	80.00	80.00	.....	250
Central Asucarera de Talaue	30.00	30.00	30.00	.....	50,000
China Banking Corporation	185.00	185.00	185.00	Up 5.00	6
Philippine Bank of Securities	.....	.....	21.00	.....	.....
Manila Wine Merchants	4.40	1.40	4.40	Off .10	1,350
Metropolitan Insurance Co.	.....	.....	140.00	.....	140,000
Philippine Oil Development Co.	1175	1135	1175	Up	01 265,250
Pampanga Bus Company	.....	.....	.80	.....	.....
Philippine Racing Club	1.20	1.21	1.24	Off .10	6,000
San Miguel Brewery	56.90	52.00	52.00	Off 1.00	1,170
Williams Equipment Co., Pfd.	.....	.....	95.00	.....	.....
Williams Equipment Co., Com.	.....	.....	10.00	.....	.....

Unlisted commercial stock traded during the month included: 12 shares Atlantic Gulf and Pacific Co. at P350; 38 shares Batangas Transportation Co. at P220; 260 shares Jai Alai Corporation at P17 and P16, closing at P16; 1,000 shares Manila Jockey Club at P2.05; 200 shares Philippine American Drug Co. (Botica Boie) at P133; 50 shares Philippine Trust Co. at P70; and 505 shares Victorias Milling Co. at P135 dividend.

Credit

By W. J. NICHOLS

Treasurer, General Electric (P.I.) Inc.

LAST month we commented on the unnecessary use of collectors for picking up checks that could easily be sent through the mails. We have been discussing the matter with several of our associates in other businesses, and everyone seems to be in agreement that the whole system of presenting bills for payment and effecting collections in the Philippines is outmoded and should be modernized.

The present system, aside from being inefficient and expensive, is wide open to abuses. It is frequently used as a device for delaying payment as long as possible. Collectors are often required to make several calls at one location before finally obtaining settlement of an account. The usual excuse is that the invoices are being checked or the cashier is out at the moment.

Some business firms, for reasons best known to themselves, prefer not to maintain bank accounts but to make all payments in cash. However we see no reason why such establishments should not be required to deliver payments when they become due rather than to wait until a collector calls.

We believe there are several steps which might be effective in reducing the necessity for collectors. A great deal would be accomplished if each manager reviewed the routines in effect in his own office to determine whether the methods of auditing and paying invoices are efficient. The granting of discounts for payments made before due dates, is another device which might be helpful. This practice is rather widespread in the United States but is used relatively little in the Philippines. The sending of notices to customers and vendors to the effect that all payments are to be made by mail, should also serve to reduce the need for collectors.

The Association of Credit Men, Inc. (P.I.) has recently recognized the need to revamp our old-fashioned collection methods and it is hoped that in the near future a campaign will be undertaken to solve the problem.

Insurance

OPEN LETTER to

Members of the Senate and Congress,
The Mayor and People of Manila

Dear Sirs:—During this year several bills have been submitted to Congress affecting insurance companies—some were very rightly disregarded, but the arguments against others were not so obvious and therefore received consideration. However, the fact that such bills were drafted points to a lack of understanding of the principles of insurance, and therefore companies transacting this class of business feel

that these principles should be presented to the public to prevent legislation which would ultimately react to their detriment.

The whole function of insurance is to "distribute the losses of a few over many," and for this purpose the companies act as trustees for their policy holders. It follows therefore that any legislation which is discriminatory against insurance companies, reacts on the policy holders, and therefore in voicing our protest, we are endeavoring to protect the interest of the insuring public.

The matter of immediate interest is House Bill No. 1350, which was passed by Congress and became Republic Act No. 280, without any opportunity being given for insurance companies or the insuring public to present their case. By this Act the Municipal Board of Manila is empowered to pass an ordinance whereby fire insurance companies will pay to the City a tax of $\frac{1}{2}\%$ on premiums derived from policies issued on properties situated in Manila, for the purpose of providing equipment and upkeep of the Manila Fire Department: it will be seen therefore that it is suggested that the "protection of the many should be paid for by the few" whereas in actual fact the uninsured are more interested in fire protection.

The proposed ordinance has received consideration and has been approved in principle by the Municipal Board, but we trust that we will be given a hearing before the ordinance is passed. For this purpose the following Memorandum of Protest has been drafted:—

(1) The Manila City Fire Department operates for the benefit of all residents in Manila, and therefore the entire upkeep of this Department should be borne through taxation by the whole community. There is no justification for the view that part of the cost of the Fire Department service should be met by a contribution from the insurance companies.

(2) The cost of such a contribution, as proposed in the Act, would necessarily fall on the insuring public and would then lead to a position whereby a service which is available to all is subsidised by one section of the community which is prudent enough to insure, and not by the other and less prudent section which does not insure—a position which is clearly indefensible.

(3) Insurance companies are at present paying a Premium Tax of 1% to 3% . A Stamp Tax of $1\frac{1}{2}\%$, paid by the insured, is also levied on all policies of insurance. In effect therefore the present proposed tax of $\frac{1}{2}\%$ would result in an addition to direct taxes already borne by the insuring public and insurance companies. We respectfully submit that in our opinion the present taxes should be more than sufficient to provide funds for the equipment and upkeep of the Manila Fire Department.

(4) We submit that were this ordinance to be enforced it would be discriminatory against fire insurance companies, in corroboration of which argument we quote the following extract from a report by a Royal Commission on Fire Brigades:—

"So far as any question of principle is concerned there appears to be no more reason for the Fire Department of an Insurance company to subsidize Fire Brigades than for the Marine Department of subsidize light houses or the Burglary Department to subsidize the police."

To illustrate the injustice which such a tax would have on the insuring public we quote the following figures from the Manila Fire Department's latest report:—

	FIRE LOSSES ON AUTO-TRUCKS, BUILDINGS, AND CONTENTS			
	Auto-Trucks	Buildings	Contents	Total
1. Value of Property Involved ...	P373,150.00	P14,172,078.00	P18,449,791.79	P22,994,931.79
2. Value of Insurance thereon ...	111,000.00	5,511,260.00	4,715,500.00	10,338,860.00

from which it is reasonable to assume that approximately one-third of the property in Manila is insured, and yet it is suggested that prudent owners thereof