

STOCK UPTURN FORECAST FOR COMING YEAR

Liquidation So Complete
Business Recovery Felt
Certain.

BY ELMER C. WALZER
United Press Financial Editor

NEW YORK, Jan. 2.—The trend of markets and business continued downward throughout 1931 with few interruptions. Liquidation was so far-reaching and drastic that the markets were considered in a position to stage a recovery on a business upturn in 1932.

One phrase sums up the 1931 situation in the financial world—“flight of capital.”

Capital fled from the security markets. Capital left Germany and caused world repercussions. Then it left Great Britain, and that country had to abandon the gold standard. It left the pockets of the workers, the banks, the railroads, the United States treasury, business in general.

Where did the capital go? What made it leave; when will it return?

New Low Levels Seen

Before answering those questions it is essential to examine the devastation in the economic world for the last year. And it is as essential to remember this year's break in prices was a further part in the deflationary process.

First of all, business crashed to new low levels for ten to twenty years or more. Then foreign countries began to exhibit signs of financial exhaustion. The troubles of the latter reduced our foreign trade and accentuated the American depression.

Stocks on the New York Stock Exchange lost nearly 50 per cent of their value, the dollar decline amounting to approximately \$3,000,000,000, a sum nearly equivalent to all the savings deposits of the nation. The latter were not impaired. In fact, they increased in volume as the depression entered its twenty-eighth month.

Rail Bonds Stump

Bonds, especially railroad issues and foreign loans, fell to new low record prices. In some instances the issues were selling at 10 to 20 per cent of their par value.

Industrial stocks broke 53 per cent for the year, as measured by the Dow-Jones average; rail stocks broke 66 per cent and utilities 48 per cent. The industrial average was at a ten-year low; railroad at a record low and utility at a new low since the compilation was started.

The stock market rose in January and February on prospects of business recovery which did not materialize. Failure of the recovery to continue brought a sharp decline in March, April and May.

In June President Hoover announced a moratorium for Germany and a sensational recovery took place so that at mid-year only moderate losses were recorded.

Gains Wiped Out

At the end of June the barometric averages (Dow-Jones) stood as follows:

Net Change from Dec.
Open High Low Last 31, 1930

30 Industrials 169.84 194.36 121.70 150.18 off 14.40

20 Railroads 98.63 111.58 66.85 84.36 off 12.22

20 Utilities 61.63 73.40 49.63 60.37 off 0.43

These June gains were not held long. In July the industrial average broke nearly 15 points and the railroad nearly 11. In August there was a respite. But when the autumn recovery in business so long anticipated failed to occur, the market went down again.

In September industrial shares crashed 42.80 points in the average and in early October the whole list made new lows for the bear market—Oct. 5. Then a recovery ensued until the first week of November when the decline set in again and continued almost without interruption to the end of the year.

The real difficulties began when Great Britain abandoned the gold standard. That sent the pound down 33 per cent. For a time confidence in the American dollar was impaired in Europe by a vicious whispering campaign, but as the year drew to an end the dollar had regained its prestige and reigned supreme.

The British situation was caused indirectly by abject failure of Germany financially. Back in June the German situation came to the fore. It, in turn, followed a disaster in Austria when the mighty Credit-Anstalt failed. Germany could not meet her bills. President Hoover then announced his famous moratorium after consultation with

CAREFUL PROGRESS URGED BY BANKER

Financial Leader Cites Need
of Following Known
Methods.

BY FRANCIS H. SISSON
Vice-President, Guaranty Trust Company

NEW YORK, Jan. 2.—The year now closing has completely failed to justify the moderately optimistic expectations generally held by American business men at the end of 1930. The chief reason for this disappointing course of events was the series of financial crises that developed in Europe, revealing a state of affairs much more serious than was generally recognized and showing how closely the economic fabrics of different nations have become interwoven.

The early part of the year gave some promise of recovery. Both business activity and prices ceased to decline, and, in some instances, moved upward. This process was interrupted by the banking difficulties that arose in Austria, closely followed by the crisis in Germany.

The moratorium on inter-governmental debt payments instilled new hope for a time, but actual developments soon made it clear that the world's financial difficulties were far too deep-seated to be cured by any such palliative.

Another severe shock was sustained in September, when Great Britain suspended the operation of the gold standard. This step was followed by a raid on American gold

Harry's Hunting



CURB FOLLOWS OTHER MARTS IN DOWNSWING

Sales Volume Slumps as
Leaders Reach New
Low Figures.

BY WAYNE C. BUTLER
United Press Financial Writer

NEW YORK, Jan. 2.—Prices in the New York Curb Exchange during 1931 experienced unprecedented declines and late in the year reached the lowest levels in more than a decade in common with the drastic deflation in other security markets.

The world-wide scope of the prolonged business depression, demoralization of commodity prices, the downward trend of stocks on the “big board,” and a number of contributing influences such as failures of banks and brokerage houses caused speculative sentiment to recede to a very low ebb.

A few short-lived rallies occurred during the year in sympathy with upturns on the stock market, such as the Hoover moratorium rally and the brief upswing which followed formation of the National Credit Corporation, but during the greater part of the year prices continued to sag.

Sales Volume Slumps

Publication of poor earnings reports by major corporations and unfavorable dividend actions on many stocks gave impetus to the decline. A fresh wave of selling swept through the market in the first part of December, forcing almost every active stock on the board to record low levels.

Volume of dealings slumped considerably. Total turnover for the year approximated only 115,000,000 shares, slightly more than half of the 1930 total.

This decline in volume was reflected in a corresponding drop in the price of curb memberships, which fell to \$30,000 in October. Forty-one memberships were transferred, against fifty-four in 1930.

Despite the continued deflation of prices, the number of issues traded on the market did not depreciate, and at the end of 1931 stocks available to traders totaled more than 2,400, both domestic and foreign. There were 268 stock issues stricken from the list during the year, but new admissions practically offset this loss.

Because of the prevailing dull trading, the money post established in 1930 took but a small part in the exchange's activities during the year. Since its formation, however, approximately \$125,000,000 has been loaned on curb collateral.

Bond Trading Active

Contrary to the falling off of activity in stocks, trading in bonds increased to record proportions, sales for the year approximating one billion dollars in contrast to \$785,000,000 in 1930. Sharp reactions in sympathy with the weakness in bonds on the “big board” featured dealings during the year.

Notwithstanding the drop in security values, short selling played an insignificant part in the year's transactions. Officials of the exchange estimated that at least 75 per cent of the dealings in curb securities were on a cash basis, and that short selling was confined to a few active issues.

Because of their huge public following and the fact that the depression had not affected the power and light industry to any great extent until the beginning of 1931, public utility stocks bore the brunt of the selling during the past year.

Declining earnings and unfavorable dividend action by several larger companies attracted heavy liquidation to active utilities, and weakness in these stocks was accelerated by agitation in several sections of the United States to reduce rates, investigation of several companies by the Federal Trade Commission and the possibility of federal legislation to control the industry.

Oils Forced Down

Electric Bond and Share, the premier curb market utility, lost nearly 80 per cent of its 1930 value in the heavy liquidation, which followed the underwriting by the company of a large stock offering by Electric Power and Light Company, a subsidiary.

Efforts to remedy the chaotic condition in the petroleum industry, such as proration enforcement in Oklahoma and Texas, resulted in only temporary retarding the downswing in oil shares. Leading stocks of this class moved irregularly lower throughout the first three-quarters of the year, and broke to successive new lows in the December liquidation.

Investment trusts were subjected to the same deflation that played havoc with values of these shares in 1930, and at the end of the year most of the issues in this category were selling at a price range of from one to four dollars a share.

The decline in prices of industrial stocks proceeded at a more active pace than in the preceding year, largely because of the prolonged depression and consequent poor earnings.

300 SEE BLISS EXHIBIT

New York Artist's Canvases Are on
Display at Institute.

Approximately three hundred persons attended the annual New Year's open house of the John Herron art institute Friday.

Newly hung canvases lent to the institute by Miss Lizzie P. Bliss of New York were on display for the first time.

DIUREX
Eliminates the Poisons that
Destroy Kidneys.
Sold and Guaranteed
At All
HAAG DRUG STORES

STATE INSURANCE
Safe, Sound, Sure
Automobile Insurance
Low Cost
State Automobile
Insurance Assn.
7th Floor
Oriental Bldg.
L. 8071

THE INDIANAPOLIS TIMES

STOCK UPTURN
FORECAST FOR
COMING YEAR

Liquidation So Complete
Business Recovery Felt
Certain.

BY ELMER C. WALZER
United Press Financial Editor

NEW YORK, Jan. 2.—The trend of markets and business continued downward throughout 1931 with few interruptions. Liquidation was so far-reaching and drastic that the markets were considered in a position to stage a recovery on a business upturn in 1932.

One phrase sums up the 1931 situation in the financial world—“flight of capital.”

Capital fled from the security markets. Capital left Germany and caused world repercussions. Then it left Great Britain, and that country had to abandon the gold standard. It left the pockets of the workers, the banks, the railroads, the United States treasury, business in general.

Where did the capital go? What made it leave; when will it return?

New Low Levels Seen

Before answering those questions it is essential to examine the devastation in the economic world for the last year. And it is as essential to remember this year's break in prices was a further part in the deflationary process.

First of all, business crashed to new low levels for ten to twenty years or more. Then foreign countries began to exhibit signs of financial exhaustion. The troubles of the latter reduced our foreign trade and accentuated the American depression.

Stocks on the New York Stock Exchange lost nearly 50 per cent of their value, the dollar decline amounting to approximately \$3,000,000,000, a sum nearly equivalent to all the savings deposits of the nation. The latter were not impaired. In fact, they increased in volume as the depression entered its twenty-eighth month.

Rail Bonds Stump

Bonds, especially railroad issues and foreign loans, fell to new low record prices. In some instances the issues were selling at 10 to 20 per cent of their par value.

Industrial stocks broke 53 per cent for the year, as measured by the Dow-Jones average; rail stocks broke 66 per cent and utilities 48 per cent. The industrial average was at a ten-year low; railroad at a record low and utility at a new low since the compilation was started.

The stock market rose in January and February on prospects of business recovery which did not materialize. Failure of the recovery to continue brought a sharp decline in March, April and May.

In June President Hoover announced a moratorium for Germany and a sensational recovery took place so that at mid-year only moderate losses were recorded.

Gains Wiped Out

At the end of June the barometric averages (Dow-Jones) stood as follows:

Net Change from Dec.
Open High Low Last 31, 1930

30 Industrials 169.84 194.36 121.70 150.18 off 14.40

20 Railroads 98.63 111.58 66.85 84.36 off 12.22

20 Utilities 61.63 73.40 49.63 60.37 off 0.43

These June gains were not held long. In July the industrial average broke nearly 15 points and the railroad nearly 11. In August there was a respite. But when the autumn recovery in business so long anticipated failed to occur, the market went down again.

In September industrial shares crashed 42.80 points in the average and in early October the whole list made new lows for the bear market—Oct. 5. Then a recovery ensued until the first week of November when the decline set in again and continued almost without interruption to the end of the year.

The real difficulties began when Great Britain abandoned the gold standard. That sent the pound down 33 per cent. For a time confidence in the American dollar was impaired in Europe by a vicious whispering campaign, but as the year drew to an end the dollar had regained its prestige and reigned supreme.

The British situation was caused indirectly by abject failure of Germany financially. Back in June the German situation came to the fore. It, in turn, followed a disaster in Austria when the mighty Credit-Anstalt failed. Germany could not meet her bills. President Hoover then announced his famous moratorium after consultation with

CAREFUL PROGRESS
URGED BY BANKER

Financial Leader Cites Need
of Following Known
Methods.

BY FRANCIS H. SISSON
Vice-President, Guaranty Trust Company

NEW YORK, Jan. 2.—The year now closing has completely failed to justify the moderately optimistic expectations generally held by American business men at the end of 1930. The chief reason for this disappointing course of events was the series of financial crises that developed in Europe, revealing a state of affairs much more serious than was generally recognized and showing how closely the economic fabrics of different nations have become interwoven.

The early part of the year gave some promise of recovery. Both business activity and prices ceased to decline, and, in some instances, moved upward. This process was interrupted by the banking difficulties that arose in Austria, closely followed by the crisis in Germany.

Another severe shock was sustained in September, when Great Britain suspended the operation of the gold standard. This step was followed by a raid on American gold

reserves by European banks, together with renewed declines in security prices, a wave of bank failures in the United States, and an increase in currency hoarding throughout the world.

Several nations that had carried part of their currency reserves in the form of sterling balances in London were forced to follow England off the gold standard.

In spite of these discouraging events, business optimism had another brief period of ascendancy in October and the early part of November, when commodity markets, under the leadership of wheat and silver, rose sharply, causing sympathetic rallies in the stock and bond markets.

Once more the improvement turned out to be short-lived, and the ensuing reaction has illustrated the futility and harmfulness of “false starts” toward recovery.

Perhaps the most significant feature of the present period in its economic bearing is the growing realization that we are really passing through a relatively peaceful economic revolution from the years of postwar inflation to a new era of deflation, which must be completed before any substantial recovery can be obtained.

But we must realize thoroughly that there has been no repeal of the old copybook maxims upon which progress has been built in the past, and that only as we push the necessary readjustments along the sound lines of demonstrated economic law and experience can we expect progress in the future.

DIUREX
Eliminates the Poisons that
Destroy Kidneys.
Sold and Guaranteed
At All
HAAG DRUG STORES

STATE INSURANCE
Safe, Sound, Sure
Automobile Insurance
Low Cost
State Automobile
Insurance Assn.
7th Floor
Oriental Bldg.
L. 8071

THE INDIANAPOLIS TIMES
STOCK UPTURN
FORECAST FOR
COMING YEAR

Liquidation So Complete
Business Recovery Felt
Certain.

BY ELMER C. WALZER
United Press Financial Editor

NEW YORK, Jan. 2.—The trend of markets and business continued downward throughout 1931 with few interruptions. Liquidation was so far-reaching and drastic that the markets were considered in a position to stage a recovery on a business upturn in 1932.

One phrase sums up the 1931 situation in the financial world—“flight of capital.”

Capital fled from the security markets. Capital left Germany and caused world repercussions. Then it left Great Britain, and that country had to abandon the gold standard. It left the pockets of the workers, the banks, the railroads, the United States treasury, business in general.