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CANADIAN PACIFIC'S DIVIDEND AND TRAFFIC OUTLOOK.

It has been noted this week that the quotations for the Canadian Pacific's recently issued 6 p.c. notes have risen some 4 or 5 points since the war commenced. The theory is that the probability of redemption of the notes in cash has been greatly diminished as a result of the developments occurring in the last three months. The C.P.R. and other corporations, in view of the fact that new capital is difficult to obtain under present conditions are not likely to use such cash as they may have in hand for the purpose of paying off note or bond issues far in advance of the date of maturity. Consequently holders of the C.P.R. notes have a greater measure of confidence that they will be able to draw interest on their investment in these notes at 7½ per cent. on the purchase price for ten years to come. So far as the notes are concerned, there is practically no chance of default in interest or principle. As regards Canadian Pacific stock, however, the continuance of the dividend at the regular 10 p.c. rate is more open to question. The best authorities consider that the company will be able to maintain the dividend without great difficulty. Until the stock markets reopen and unrestricted trading is allowed in New York and London it will not be possible to get the concensus of expert financial opinion. If it be presumed that the dividend will not be reduced the stock at or around the prices quoted in the last week of July appears to be an attractive investment. It is quite possible that if the exchanges were to reopen on the usual basis within a few weeks, there would be seen a further decline in quotations. Two factors might contribute to bring about that result. Firstly, there would doubtless be a certain number of investors in the United Kingdom, the United States, and Canada, who would be more or less compelled to offer their stock for sale in order to meet the shrinkage of income and growth of expenses caused by the war. Also the exceedingly large decreases now reported in gross earnings, which are likely to be in evidence during the remainder of the calendar year and perhaps through the rest of the fiscal year, have a tendency to create some apprehension as to the continuance of the dividend. In this connection it is well to remember that the heavy falling off in traffic is likely to be but temporary. Despatches from western Canada indicate that there is to be an extraordinary large increase in the acreage planted to wheat and other grains next spring. One authority recently stated that in Saskatchewan especially the increase of acreage would be very large. The weather has been favorable for fall ploughing, and this work has been practically completed. This probability of a very large increase in western acreage and consequent heavily increased production must be considered whenever the Canadian Pacific's traffic results are being forecasted. If there were a fair prospect of a greatly increased crop the traffic results would be favorably affected to some extent next spring and summer, and a decided improvement might be looked for in the fall months. It has been commonly supposed that the phenomenal declines in weekly gross have been altogether due to a slower movement of wheat, etc., as compared with the fall of 1913. While this is undoubtedly the principal reason for the decline it should be remembered that the recent order of the Board of Railway Commissioners (re freight rate deductions) went into effect on September first, last. Although these reductions in freight rates cannot be described as excessive, they were important enough to cause some substantial decreases in earnings.

So even if the war continues through the whole of 1915, there is a prospect of improved earnings next year. Increase of agricultural production in the West would, of course, be accompanied by an increased output in the East; and as it is practically certain that high prices will prevail, the whole industrial and commercial life of the country must necessarily be quickened.

Then there is the contingency of cessation of the war. If by any chance hostilities should cease within a year from date, it is likely that Canada and the United States would be obliged to make immediate proportion for handling a great movement of emigration from the countries of continental Europe. This prospective movement of emigration would probably be followed later by a fresh movement of European capital to this side of the Atlantic, the owners of capital will desire to invest at good rates so as to give an income to enable them to meet the increased taxes, etc., resulting from the war.