NEW YORK STOCK LETTER.

Office of Cummings & Co., 20 Broad St., New York City.

New York, Aug. 27, 1902.

The past week has been signalized by the return of Mr. Morgan and Mr. Keene, and as was anticipated by increased activity in the Stock market, the sales for Tuesday having reached 1,300,000 shares and over. The heaviest transactions having been in Atchison, 203,500 shares; Union Pacific, 136,950 shares, and Baltimore and Ohio 96,200 shares. While the market is showing a greatly improved tone and business is broadening out, there are certain facts which it is very advisable should not be lost sight of; the first of these is money, and what the rates for its use are likely to be during the next few weeks, and we understand that the condition of the New York Banks, and the possibilities of their needing assistance has been a subject of consideration with the Treasury officials at Washington for some time. They take the ground that the New York Banks have the remedy in their own hands for whatever situation they may have to face, and that by the contraction of their loan account, which has expanded over $100,000,000 within the past two years, that they can relieve themselves and satisfy the drain that may be made upon them to move the crops. It is a well-known fact that many of the larger institutions, for some time past, avoided making time loans and have a very large percentage of their funds out on call, and should they ask to have these loans returned it would undoubtedly cause liquidating sales in the market. Some of the larger operators now have handsome profits, and it is shrewdly suspected that quite a number have secured them and would not be greatly displeased, should there be a pretty sharp re-action in the market, and should they withdraw their support to the market and make a drive at it at the time the Banks were calling their loans; it is easy to be seen that a much lower range of prices would result. It is precisely this situation to which we have repeatedly called attention in our recent letters and cautioned our readers to be prepared for, for when it comes it will be sudden and sharp.

Southern Pacific has been one of the active and interesting stocks of the week, and the transactions have been very heavy. From July 12 to August 13, the sales of this stock approximated 396,650 shares, while from August 13 to August 26 the sales were about 363,840. This has always been one of Mr. Keene's favourite stocks and his home coming was celebrated by a very considerable increase in the activity of the stock. The firm of which he is a special partner have issued a very elaborate and comprehensive report of the physical and financial condition of the Southern Pacific Company, which is exceedingly interesting. Among other things it shows that the gross receipts for the past two years have amounted to over $90,000,000 per annum, that it has put into the property for improvements and additions an average of over $7,000,000 per annum for the last five years; that the last balance sheet shows a net asset of $55,000,000, and makes no account of 17,000,000 acres of land which it owns; that it has $17,000,000 in sinking funds, $7,000,000 in cash, and out of net earnings during the current year spent $12,000,000 in improvements and $70,000,000 the year before. Should the proposition of bonding the improvements by the issue of $300,000,000 of 4 per cent. bonds be carried out, it would call for an annual expenditure of $12,000,000, and leave an amount sufficient to pay handsome dividends on the stock. It is said that a dividend will be declared upon the stock early in the new year, and this will have a tendency to advance the price. As above stated this stock has had a good rise having come up from 62 about July 12 last to 77½ now, and it looks to us as if the movement for the time being was over, but upon any recession or break we consider it a great purchase.

Reading and Erie are two exceedingly interesting stocks at the present time. At the meeting of the former corporation which takes place to-day, it will be determined what action shall be taken with respect to the dividend upon the first preferred stock and we apprehend that it was this question more than that of the settlement of the coal strike which engaged the attention of Messrs. Morgan and Barr at their conference yesterday. Notwithstanding the expenses of the strike we hold that the Company is abundantly able to pay the full 2 per cent. semi-annual upon the stock and the action of the stock to-day would indicate that something of the kind is contemplated. If the full amount is paid the voting Trust can then be dissolved and the common stock will be more necessary for control, and if it is not it will put the company in a stronger position which will benefit the stock, so whatever is done it seems to us that the stock will reap the advantage and not having had any movement for some time looks to us like an excellent purchase. Present indications are that the coal strike will now speedily collapse, first because the nine operators are now about ready to take an agressive stand as to the reopening of the mines, and secondly, the clear and level-headed remarks of the Hon. Abram S. Hewitt have most effectually let the wind out of the miners bag of contentions and has put the matter before the community, in its true light—no compromise is possible.

The triple holiday beginning this week, naturally tends to restrict business, but if no untoward event happens we expect an active market next week.

The market closes very irregularly.

LONDON LETTER.

London, 14th August, 1902.

Finance.

When the July foreign commerce figures were published this week there was considerable elation, owing to the fact that an all-round improvement was at last found to be registered. For upwards of a year now, we have usually had gistered. Interest amongst commercial and financial folk is concentrated upon the railway reports for the past half-year, the other markets on the Stock Exchange still showing the listlessness which fell upon them in such a marked fashion directly peace was concluded.

British railways have not enjoyed good lines of late years and they have accordingly fallen away from their old position as a leading investment. It is, therefore, all the more gratifying to find that upon reviewing the returns made by the dozen principal lines, a great improvement is witnessed over the condition of last summer. This week also, we have had published the official railway returns for last year with analytical tables giving comparison from the earliest available dates.

From the facts there given some important lessons are driven home to railway directors and shareholders in this country. In the first place, there appears to have been a steady uninterrupted growth in the percentage of working expenses to gross receipts. Whilst in 1860, the average ratio was 47 per cent., last year it was 63 per cent. Between the same years the percentage of net receipts (profit) to the total paid up capital fell from 4.19 per cent. to 3.27 per cent.

Other facts go to show that the posiion is even worse for very large numbers of railway shareholders. For example, in English and Welsh railways alone, there is $290,000,000 ordinary share capital upon which no dividend at all is being paid. The same may be said of $125,000,000 of preference capital. Debentures for all their first call upon income do not fare very grandly, these being the enormous amount of $792,000,000, upon which not more than three per cent. is paid.