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THE OUTLOOK FOR STOCKS.

Those who are closely interested in the money and stock markets will do well to watch the foreign exchange market at New York. There are excellent reasons for believing that some of the desperate spells of liquidation, through which Wall Street has been passing recently, resulted because of the inability of big speculators on this side to transfer their loans to Europe on the commencement of the crop moving strain in America.

In the last few years the New York banking policy has been somewhat peculiar. Everybody who has anything to do with money affairs is quite familiar with the fact that, as soon as the fall approaches, the New York banks are obliged to ship large amounts of currency to the interior. It would certainly seem that the proper course for the banks to take during the summer would be to strengthen themselves in cash in anticipation of the autumnal drain. The weekly statements of the clearing house banks show few outward traces in late years of that policy being pursued. Judging from appearances, the course of action has been for the banks to allow their funds to remain out at loan till the last moment. Then when the shipments have actually to go to the interior, the banks report heavy reductions in their loans without any liquidation being apparent on the Stock Exchange. The commonly accepted explanation of this phenomenon is that the loans are transferred to Europe and to other institutions in America, to be re-assumed by the clearing house banks as soon as money becomes easy and interest rates get low. Last year the process of transferring loans to London was especially active. Thanks to the accommodating action of a number of great London banks in accepting finance bills and other drawings by American bankers, New York was able to finance a big boom in stocks in the month of August, the very season when one might expect the banks to be drawing funds from off the markets and so compelling a measure of liquidation. But it happened last year that the international transactions that permitted the United States metropolis to riot caused stringency, apprehension, and trouble in London. So much indeed that the London bankers were afraid this year to extend the usual accommodation. Therefore it may have happened, when the New York banks, running through the summer as they lately have, came to the point where they have been accustomed to shift loans to Europe, they found that that recourse was not open to them to the same extent as heretofore. If this was so there was nothing left for them to do but to have recourse to the old fashioned method of strengthening themselves—by forcing liquidation of their loans. At any rate, this year, the forced liquidation has been quite apparent.

Now if this diagnosis has much of accuracy or truth in it there are two considerations that would-be buyers of stocks might bear in mind. The first has to do with New York's international position, in regard to finance. It is quite clear that Europe, by declining to negotiate the American drafts in anticipation of produce and merchandise exports to Europe, has not escaped the necessity of meeting them. The day of reckoning has merely been postponed. When the stuff does go out and the bills are drawn against it New York's command over Europe's resources will be the more absolute. It may be that conditions in the principal markets over sea are then such that the New York creditors will be induced to forbear asking for the immediate settlement of their balances. If European interest rates are high enough, the markets there unsettled enough, it is hardly to be expected that gold would move from Europe to America even when America was a large creditor on trade transactions.

The heavy liquidation and declines in prices on this side would operate too, to strengthen New York's international position. Because of that there will be the less need for the moment, of capital on this side.

The second consideration has to do with the technical position of the market itself. Undoubtedly that is made stronger by the forced sales. Large amounts of the shares of the standard stocks have been bought and paid for, and so removed from the market—the floating supply, or surplus, has been reduced. So the task of the bulls, when they essay, later on, under better money conditions, to put up prices becomes the easier. When the whole market has been hammered so hard and so long, as in this instance, it can be taken for granted, so long as prices remain near the low records, that there is outstanding an extraordinarily large amount in short sales. In times like these, the people who do not understand the market are fearful of buying, lest after