

MR. J. P. WILEMAN'S WEEKLY LETTER

"MOSTLY ABOUT COFFEE"

July 21st, 1914

No. 29.

NOTICE.

In consequence of the temporary suspension of publication of the "Brazilian Review," Mr. Wileman's weekly contribution "Mostly About Coffee," which until lately appeared as a Supplement of that journal, will be distributed to subscribers of the "Review" separately, until arrangements can be made for its again being incorporated with that journal.

RIO DE JANEIRO.

CAIXA 1521.

Rio de Janeiro, July 20th, 1914.

Closing quotations, Saturday, July 18th, compared with July 13th, were as follows:—

NEW YORK—

	July 18	July 13	+ or -
	cts.	cts.	cts.
Santos Spot No. 7	11 1/8	11 1/8	—
Options—September	8.55	8.45	+0.10
December	8.84	8.75	+0.09
March	8.98	8.88	+0.10
May	9.05	8.93	+0.12

HAVRE—

	frs.	frs.	frs.
Options—September	59.75	59.00	+0.75
December	60.50	59.75	+0.75
March	61.25	60.25	+1.00
May	61.75	60.50	+1.25

HAMBURG—

	pfgs.	pfgs.	pfgs.
Options—September	48.25	47.75	+0.50
December	49.00	48.75	+0.25
March	49.50	49.50	—
May	50.00	49.75	+0.25

SANTOS—

Type No. 4 ruled:—

July	5\$550-5\$575	5\$500-5\$525	+0\$050
August	5\$525-5\$550	5\$525-5\$550	—
September	5\$575-5\$600	5\$600-5\$625	-0\$025
October	5\$675-5\$700	5\$675-5\$700	—
November	5\$725-5\$750	5\$725-5\$750	—
December	5\$800-5\$825	5\$775-5\$800	+0\$025

Entries for the week ended 16th July and 17th July respectively were as follows:—

	1914	1913
Rio	51,317	32,842
Santos	123,454	120,435
	<u>174,771</u>	<u>153,277</u>

Increase, Rio for week, 18,475 bags, or 56.8 per cent. compared with last year.

Increase, Santos, for week, 3,019 bags, or 2.5 per cent. compared with last year.

Increase, both ports, for week, 21,494 bags, or 14.02 per cent. compared with last year.

Entries for crop to July 16th were:—

	1914	1913
Rio	123,585	75,617
Santos	285,731	311,691
	<u>409,316</u>	<u>387,308</u>

Increase, Rio, for crop, 47,968 bags, or 63.4 per cent. compared with last year.

Decrease, Santos, for crop, 25,960 bags, or 8.3 per cent. compared with last year.

Increase, both ports, for crop, 22,008 bags, or 5.7 per cent. compared with last year.

Entries at Rio and Santos to July 16th or corresponding dates of previous six years were:—

1914-15—409,316	1911-12—480,188
1913-14—387,308	1910-11—668,073
1912-13—546,044	1909-10—1,146,326

Clearances to 16th July were as follows:—

	Week ended July 16		Crop to July 16	
	Bags	£	Bags	£
Rio	45,963	103,748	71,591	162,016
Santos	45,298	132,578	104,905	305,128
1914-15	91,261	236,326	176,496	467,144
1913-14	119,531	314,874	307,176	827,282

Decrease clearances for both ports for current crop to July 16th 130,680 bags or 42.5 per cent.

Decrease in value £360,138 or 43.5 per cent., as against 54.9 per cent. on July 9th.

Stocks were:—

	July 16	July 9
Rio	198,063	196,767
Santos	707,532	667,134
	<u>905,595</u>	<u>863,901</u>

Stocks Rio and Santos—

17th July, 1913	1,362,872
10th July, 1913	1,360,990
18th July, 1912	1,527,024

The better tendering in the coffee market which made itself distinctly felt last week, gained in strength during the last few days and, although there was a slight setback yesterday, a slow advance looks very probable, as offerings from Santos are light and will remain so for weeks to come, not only on account of the small stock in Santos but also owing to the changed conditions under which this crop is marketed, compared with those prevailing last year. Then picking had started fully one month earlier than this year, but as the crop on the trees was comparatively large and labour extremely scarce, the fazendeiros first and only care was to pick as much coffee or strip as many trees of their fruit as he possibly could to dry and store it; the hulling and marketing was a matter of less importance; moreover, the tightness of money was not so much felt as it is now. Thus, when once the bulk of the crop had been gathered and hulling commenced, the forwarding of the crop did not suffer any break. This year, the coffee after being dry is immediately prepared for the market and sent down to Santos post haste; but as the crop is small, the quantity ready each day is limited. The Ribeirão Preto district, with the districts bordering on Minas and Minas itself being so far the chief suppliers, receipts from there are likely to reach their highest shortly, if it has not been reached already, and when their remittances fall off, other districts will step in, but an extraordinary swelling of receipts will most likely not take place this year. On the contrary, it is most probable that daily arrivals from now onwards will fall short of last year's at the same period.

Qualities are improving and fewer unripe beans are noticed, yet they are still far from showing roasting merits.

The pretty colour new coffees show will make them attractive for certain European trade centres and as the dry weather continues, it is most likely that at least the greater portion of the crop will be harvested and cured under favourable conditions.

The prices which desirable goods fetch are fair, but the business is a hand to mouth one and heavy transactions have not been booked lately.

Europe especially is a reluctant buyer, which is, after all, not surprising, as supplies here are still too small to allow of a current business on larger lines, and that is why, without pushing prices, people try there to keep the market down. When receipts and stocks are larger the demand will be heavy enough and values will most likely rise with it.

News from the interior report successive and not by any means unimportant flowerings from different parts of the country; Jahu, Taquaritinga, Bebedouro and S. Carlos are mentioned. Planters are far from pleased with such an untimely vegetative manifestation, because as the weather has been bright and warm, these blossoms will undoubtedly fructify and be ripe in January or February when, as a matter of course, they cannot be fathered, as the later flowerings will not have reached maturity. Their loss, therefore, is inevitable and what happened this year with the June flowering of 1913 will be repeated, only on a larger scale.

Besides, when once the tree's tendency is to mature fruit already in course of development, later flowerings, which might be harvested, will be adversely affected and probably be smaller than one or two timely flowerings.

The dry, warm weather, which was interrupted on the 15th by a heavy shower, (it seems to have fallen pretty well all over the country), is most unseasonable; in point of fact, with the exception of a few cold days in May, we have had no winter yet. Perhaps it will come when it is least wanted.

The effect of the heavy receipts at the commencement of the crop, says "Le Bulletin du Correspondance," has served to undeceive consuming markets with regard to the small entries so confidently predicted. In face of such repeated failures on the part of the producing markets to keep consumers well informed it would be better, says "Le Bulletin," to wait developments, especially as there is plenty of coffee to go on with.

Dumont Coffee Company's Poor Results. The report of the Dumont Coffee Company shows the extent of the loss the company has suffered not only from shortage of crop, but also from the heavy fall in coffee prices. The gross average price realised was 56s. 4d. per cwt., against 72s. 6d. in 1912, and the quantity shipped was about 17,000 cwts. less. Higher wages and a lower exchange were also unfavourable factors, and the result of the year was a profit of £53,236 only, against £154,383. This drop of £100,000 affects the appropriations sorely. Only £12,000 goes to the Ordinary instead of £60,000 (3 per cent. against 15 per cent.), nothing is put to reserve, compared with £40,660, and £10,000 less is carried forward. Although the general appearance of the estate is quite satisfactory, and it is well supplied with labour, the crop outlook for the current season is not brilliant, only 85,000 cwts. being estimated. So far, however, the picking is ahead of last season's. This is such a sound and well-managed property that when the market conditions improve, as they are certain to do, there will be a quick recovery. It will be remembered that the company has had bad times before, having been without Preference dividend for three or four years, and as lately as 1910 there was nothing on the Ordinary. The business is in its nature a very fluctuating one, and vicissitudes must be expected.

Agua Santa Coffee. The first report of the Agua Santa Coffee concern is now to hand. The company, which has an estate of 4,680 acres in the Mattao district of the State of S. Paulo, was floated in January of last year, and for the period till December 31 last, made a net profit of £9,900 after charging London expenditure. The Preference holders get 7 per cent. per annum, and the Ordinary 3 per cent. per annum, while £500 is applied in reduction of preliminary expenses and £2,800 carried forward. Throughout the period during which the coffee was sold market conditions were depressed, and there was a heavy fall in prices. The output was 18,551 cwt., and the gross average price 52s. 1d. per cwt. The outlook now seems brighter.

The correspondent of "The Economist" writes from Hamburg, with date 24th June, as follows:—"The steadiness of this market for weeks past has at last been broken. Confidence has received a shock in the news that valorisation interests were large sellers of futures on the New York market, such sales being put as high as 500,000 bags or more, and said to represent tenders taken up at New York in the spring of last year. It was further asserted that the newly constituted valorisation board intended to suspend all sales by public tender, reserving to itself a free hand to dispose of its remaining holdings in any way which in its view would be most advantageous. This has brought a new element of uncertainty into the general situation which the regular trade do not like. It was further predicted in correspondence received during the week that the Santos receipts would be hurried forward as much as possible in order to secure funds urgently needed. Other correspondents who hitherto had persistently adhered to crop estimates of 8 1/2 million bags as a maximum yield, have now suggested that 9 million bags would have to be taken into consideration as probable. Add to these influences a fresh decline in the Rio exchange, and still receding cost and freight prices, with invitations to make counter bids, an only indifferent demand for

spot coffee on this market, and constantly declining prices at New York, and the reactionary tendency is readily explained. It has been materially assisted by relatively large receipts in the Brazilian ports and weakness on the Santos future market. Closing prices are at the lowest point of the week, and show losses on balance of 1 1/4 pf. for July and 1 pf. for other positions, as follows:—July, 47 3/4 (49); September, 48 3/4 (49 3/4); December, 49 1/2 (50 1/2); March, 50 (51); May, 50 1/2 (51 1/2).

MONEY.

Gold in deposit at the Caixa de Conversão on Saturday, 18th July, amounted to Rs. 167,033:877\$, equivalent to £11,135,592, a shrinkage of £504,289 since the previous Saturday and of £7,264,909 since the beginning of the year.

Gold in deposit	12th Feb, 1913 (max)	401,584:500\$	£26,772,300
"	"	1st January, 1914 ...	276,007:520\$ 18,400,501
"	"	28th February, 1914 .	265,209:419\$ 17,680,634
"	"	31st March, 1914	224,639:032\$ 14,975,935
"	"	30th April, 1914	205,613:501\$ 13,707,567
"	"	30th May, 1914	177,382:069\$ 11,825,471
"	"	30th June, 1914	187,078:829\$ 12,471,922
"	"	4th July, 1914	184,223:084\$ 12,281,538
"	"	11th July, 1914	174,598:220\$ 11,639,881
"	"	18th July, 1914	167,033:877\$ 11,135,592

Exchange. The Banco do Brasil drew sparingly, for market takers, at 16d. on London at 90 days' sight, for the mails of 28th July and 4th August. During the latter part of the week the bank refused to buy other than bills for prompt delivery at 16 1-32.

Monday, 13th July. The market opened with foreign banks drawing at 15 3-4 and 15 25-32, the latter rate predominating, and money for commercial bills at 15 7-8. The market remained fairly firm throughout the day and towards the close banks were disinclined to buy.

Tuesday, 14th July. National holiday.

Wednesday, 15th July. The market opened firm, the foreign banks quoting 15 13-16 and offering to buy commercial bills at 15 15-16. Some bills, however, were sold in the forenoon at 15 29-32. Exchange continued firm throughout the day and at the close banks were drawing at 15 27-32 and refusing to buy under 15 31-32.

Thursday, 16th July. The market again opened firm, the British and London and Brazilian Banks quoting 15 7-8, the others 15 27-32. During the forenoon there was money for commercial bills at 16d. Soon after the opening the two banks specified raised their drawing rates to 15 29-32 and subsequently to 15 15-16 with no money for commercial bills under 16 1-32. The market closed firm. Commercial bills were sold in Santos at 16 1-32.

Friday, 17th July. The market opened quiet, foreign banks quoting 15 15-16 and money for commercial bills at 16 1-32. During the afternoon the three English banks drew at 15 31-32, but there continued to be money for commercial bills at 16 1-32.

Saturday, 18th July. Exchange opened irregularly, the British offering to draw at 15 15-16, the London and Brazilian at 15 31-32 and the London and River Plate at 16d. The latter, however, soon stopped. Commercial bills found buyers at 16 1-32 and later at 16 1-64. At the close the market again firmed and closed with money only at 16 1-16.

A fresh crop of loan rumours and heavy gold shipments during the week, amounting to close on £1,000,000 combined to carry exchange once more to parity; business having been done in bank paper at 16d. and in commercial bills at 16 3-64, whilst Santos sold something on Saturday at 16 1-16.

A correspondent writes from Pará on 6th July: "The tremendous shock that the failures of the past 18 months caused, amounting in the aggregate to close on £4,000,000, has by no means passed away. . . . it will be a long time before business is again in full swing here. The effect of the slump in rubber prices has certainly been salutary, as the Pará merchant being no longer in a position to furnish foodstuffs to up-river towns and to serin-

gaes, the proprietors of rubber plantations find themselves under the necessity of growing locally what they formerly bought here at fabulous prices in exchange for rubber.

Rice, beans, vegetables and all kinds of foodstuffs, they now find, to their delight, can be produced on their own properties at little cost and this will eventually place them in a more independent position, as they will not be forced to ship rubber to as great an extent as formerly and will not flood the market and consequently depress prices. The rubber plantation owner was, up to the present, obliged to send down as much rubber as the Pará merchant asked him to, as should he have fallen off in his shipments he would have had to go without foodstuffs, for the supply of which he depended on Pará.

This depression, in short, is making business sounder everywhere in the Amazon Valley and will eventually be the salvation of all this huge district, at present distinctly under one of the blackest clouds known for very many years past."

Business Done on the Rio Stock Exchange during the week ended 18th July, 1914:—

Amount	Price	Closing Quotations.	
		Sellers	Buyers
PUBLIC FUNDS—			
103	Aplices Geracs, 1:000\$ 5% (integ)	800\$-828\$	840\$ 830\$
195	Ditto (tit. prov.)	798\$-800\$	820\$ 805\$
10	Ditto, 500\$, 5% (integ.)...	800\$-820\$	
21	Ditto, 200\$, 5% (integ.)...	810\$-820\$	
3	Emp. Nacional (1903)	920\$	
611	Emp. Nacional (1909)	775\$-810\$	810\$ 807\$
186	Est. de Minas	760\$-800\$	804\$ 800\$
	Est. de S. Paulo		1:000\$ 980\$
609	Est. do Rio (4%)	78\$-79\$500	78\$500 78\$
	Ditto (6%) 500\$		465\$
22	Emp. Municipal (1906) ...	184\$-184\$500	185\$ 184\$
215	Ditto (Nom.)	189\$-190\$	188\$
10	Ditto (£20)	280\$	285\$ 280\$
	Ditto (Nom.)		275\$ 270\$
157	Ditto (1914)	166\$-170\$	169\$ 166\$
36	Ditto (Nom.)	170\$	168\$

BANKS—

2	Brasil	200\$	205\$
	Commercial		180\$
	Commercio		160\$
100	Lavoura	100\$	98\$

RAILWAYS—

100	Minas S. Jeronymo	15\$	16\$ 14\$500
250	Rede Sul Mineira	40\$	40\$

COTTON COMPANIES—

	Alliança		140\$ 135\$
22	Brasil Industrial	175\$	185\$ 160\$
	Carioca		135\$
	Confiança		130\$
40	Corcovado	130\$	
5	Covilhã	45\$	
	Progresso Industrial		130\$
	S. Pedro d'Alcantara		160\$

SUNDRIES—

1274	Docas da Bahia	23\$-25\$	24\$500
500	Ditto (30 days' option) ...	24\$	410\$
	Docas de Santos		410\$
	Ditto (Nom.)		19\$
	Centros Pastoris		18\$
600	Loterias Nacionaes	18\$-21\$500	20\$ 18\$
	Melh. no Maranhão		40\$ 32\$

DEBENTURES—

	America Fabril		188\$
15	Antarctica Paulista	190\$	190\$
30	Banco União de S. Paulo...	60\$	60\$
	Brasil Industrial		180\$
30	Centros Pastoris	196\$	
58	Cervejaria Brahma	202\$	202\$
172	Docas de Santos	182\$-184\$	185\$ 180\$
7	Industrial Campista	160\$	
	Mercado Municipal		175\$
	Progresso Industrial		170\$ 160\$
40	Teridos Botafogo	100\$	100\$

Closing Quotations, July 18th:—

	1914	1913
Bank of England Rate	3%	4½%
Open Market Rate, London	2 3/16	4
Consols	75 13/16	72 15/16
Aplices Geracs	830\$ to 840\$	
Vales Gold	1\$687	
1889 4 per cent. Loan, Federal	73	76½
1889 5 per cent. Loan, S. Paulo	—	100
Leopoldina Stock	56	65
Brazilian Traction	77	88
Brazil Railway Company	25	51
Dumont Coffee Pref.	9¼	10¼

CUSTOMS REVENUE (FEDERAL.)

	1914	1913
Rio, July 1-18	£317,452	£464,460
Decrease, £147,008 or 31.6 per cent.		

INLAND REVENUE (FEDERAL.)

	1914	1913
Rio, July 1-18	Rs. 1,468,738\$	1,351,237\$
Increase, Rs. 117,501\$ or 8.7 per cent.		

London, 27th June, 1914.

The Loan. That Britishers should be called on to subscribe or endorse more loan chiefly to pay Brazilian debts to foreign countries, when governments have more effective ways of enforcing settlement of claims, might seem a fair appeal to the patriotism of most Englishmen, but, as a matter of fact, will not wash.

The City is almost unanimously opposed to any interference on the part of Government with commercial liberty in any form. It is all very well for France and Germany, who pin their faith to "protection," to put on the screw whenever their nationals suffer by refusing official quotations for fresh loans not to mention diplomatic pressure, but in this country prosperity is so bound up with freedom in all its manifestations that any infringement of the right to trade and to lend money to whomsoever it suits can only be looked on with disfavour.

The function of Government is not to dictate conditions to trade, but to take care that liberty is not abused or be converted into licence. Replying to questions in the House of Commons anent the preferential treatment granted under the terms of the forthcoming loan for settlement of French and German, and it is now stated, American claims on the Brazilian Treasury, Sir Edward Grey last Thursday confessed that he had no means at his disposal to control or influence fresh issues and that all British undertakings could look for in their relations with foreign governments was the moral support that the British Government always afforded to properly substantiated claims. The most that, under such circumstances, could be done was to induce the Stock Exchange to bring pressure by refusing official quotation of any new issues of defaulting states or those that systematically denied equivalent treatment to British investors.

Amongst the Brazilian claims now in question, there would seem to be a good deal to say on both sides and, indeed, it seems

very doubtful if any action of the kind will be taken in connection with the new loan unless the Stock Exchange can be satisfied as to the liability of the Brazilian Federal Government with regard to these claims. It is true, as "The Financial Times," points out, that contracts have in some instances been subjected to arbitrary revision by the Federal Government, but the fact that such modifications were accepted without protest would seem sufficient justification. It is true, too, that payments for stores and materials supplied to the Brazilian Government have been deferred and British subjects been subjected to heavy losses, but not more so than other foreigners, nor, indeed, of Brazilians themselves, in consequence of the financial straits in which the Brazilian Government is involved. As regards other claims, such as the Manaós Improvements Company and the Porto Alegre and Novo Hamburgo Railway, there is no direct liability whatsoever on the part of the Federal Government, these being purely State affairs, in which the Federal Government can no more interfere than can the United States to secure payment of the coupons of defaulting American States such as Mississippi. All the Central Government of Brazil can do in such an emergency is to use its influence to obtain an early and equitable settlement, which no doubt it is doing to the best of its ability in peculiarly difficult circumstances.

The right of the Brazilian people to protest against contracts obtained by bribery and corruption is inherent and cannot be impaired by any transfer of vitiated contracts to third parties, but might fitly be a subject for arbitration by neutrals, such as The Hague Tribunal. Where the Federal Government has failed is in not having ensured more rapid consideration of such claims instead of putting them off indefinitely on often the most futile of pretexts. Some allowance, however, should be made for the peculiarly depressing circumstances of the Federal Treasury for some time past.

For my part I confess I feel but little sympathy with the loan promoters *et id genus omne* who after using every possible artifice, even bribery and corruption, to obtain their ends, find at last that they have over-reached themselves and ruined the very people on whom their own prosperity depended.

Before the Stock Exchange vetoes any fresh Brazilian issue it would be well to take into consideration the origin of the different claims and particularly the circumstances that accompanied the granting of the concessions, issues of capital and execution of the respective contracts.

A plan has lately been broached for association of the British Government with the Stock Exchange for fiscalisation of foreign issues and prohibition of official quotation if necessary. That, however, would be tantamount to the endorsement by the British Government of all such issues that passed the censor, an incredible proposition!

No action of the kind, in fact, is wanted, but only to put into force the stipulations of actual law making it a criminal offence to publish false or misleading information in prospectuses, whether of private companies or loans to foreign governments. It is not, however, absolutely false statements that do the harm, promoters taking care to be on the safe side in this respect, but *suppressio veri* that misleads investors into the belief that all things are happy and prosperous when in many cases the borrowing states have been living only on their creditors for years back. No doubt both are to blame—the borrower and the lender—and both ought to be punished if by their agency investors have been induced to lend their money on misrepresentation, but unfortunately it is either innocent investors or equally innocent taxpayers who have to stand the racket and pay for the errors of judgment, or worse, of their respective agents.

London, June 27th, 1914.

An announcement on Friday to the effect that, in view of the delay in the loan negotiations and failure of the Brazilian Government to remit the necessary funds for the July coupons and redemption of foreign loans falling due on 1st July, there might be some delay in their payment, caused a sharp relapse in quotations of the 1908 and Recission bonds directly affected, that, however, was partially recovered on a fresh announcement by Messrs. Rothschild and Sons that a cable had been received from the Brazilian Government stating that the amount required for the July dividends would be remitted by Monday, 28th. This news was, however, counteracted to some extent by the statement that the negotiations for the contemplated loan had not yet resulted in an agreement, the Brazilian Government standing out for better terms and the bankers insisting on their conclusions. A matter, in fact, of pull butcher, pull baker, and the weakest going to the wall. Which will it be?

The loan on which coupons fall due on 1st July are 1908 5 per cent. of £4,000,000, of which about £2,000,000 is outstanding and 4 per cent. Recissions, on which £13,000,000 are yet outstanding. The half-yearly interest on the two issues amounts to £310,000.

As regards the 4 per cent Brazil loan issued by Lloyds Bank in 1911 to value of £2,400,000, all of which is yet outstanding, it is announced that the interest due on 1st July will be paid as usual at the Lloyds' Bank.

Sundry interest on the funding loan also falls due on 1st July, but, apparently, has been already provided for.

The next coupons to fall due are on 1st August, 1895 and 1910 loans. On 1st October, the half-yearly dividends of the 1888 and 1889 sterling loans and 1913 Lloyd Brasileiro loans and quarterly dividend of the Recission issue; on 1st November, the 1908 loan and on 1st December that of 1883.

The announcement that the coupons would be paid on 1st July caused a good rally in Brazilian bonds, 1913 scrip rising to 85 1/4 after touching 84, whilst 5 per cent. 1908 and 4 per cent. of 1911 and Recissions were all up a point. z

Exchange, I see, was yesterday down to 16 1-16d., probably in consequence of taking for payment of the coupons referred to above. This disposes definitely of the legend that Rothschilds were taking care of the service of the foreign debt and had kept enough in hand from the 1913 loan to guarantee the service for this year at least.

London, 2nd July, 1914.

An American Bank for South America, so long a mere aspiration, seems at last in way of realisation, The National City Bank of New York having resolved to start branches on the London model at Rio, Buenos Aires and Valparaiso, for organisation of which Messrs. R. O. Bailey, ex-Assistant Secretary of the U.S. Treasury, and James Martins, long connected with the City Bank, will shortly start for South America.

Port of Pará Bonds. Though the six months' coupons on the 5 per cent. mortgage gold bonds was duly paid on maturity, it failed to raise quotations, in spite of the improved outlook that the realisation of the long looked for loan should effect.

Another Farquhar concern has failed to make good—The S. Antonio Land and Irrigation Co., which is appealing to its bondholders to defer interest payments for two years. The blame is laid by the Board on the drought, though the original estimates of cost are confessed, too, to have been largely exceeded.

Stock markets everywhere continue apathetic, though banks are bursting almost with deposits.

Discount quotations are lower, except six months' paper, rates for day to day loans being 1 1/2 and six months 3 1/8. Fine three months' bills were quoted 2 1/2-2 3/4 and banker's deposit rates of the discount houses at 1 1/2 per cent at call and 1 3/4 at notice.

Should deposits continue to increase as at present, the banks will soon be obliged to reduce their rates. But will even this induce depositors to invest their savings and help the holders of the immense sums locked up in Canadian, Mexican, Brazilian and Argentine securities to unload? It would, as "The Wall Street Journal" remarks, almost bankrupt European holders if they had to throw all this depreciated collateral on the market, which they could only sell at a heavy loss. So, to procure money to carry their commitments, they are disposing on a gigantic scale of American securities of the best class. No small part of the gold at present being exported from the States on so large a scale is in payment of these European holdings.

In Europe and the States money is cheap, but nowhere is it being lent to any extent, and there seems little use in borrowing if no use can be found for the money. Confidence has received a rude check and only when it is restored will there be much inclination to invest again in speculative undertakings.

At the same time quotations seem to point to some recovery having already taken place. Out of 77 new issues about half stand at par or over issue price and half at a discount that, moreover, is steadily decreasing, a proof that things are not so bad as they are painted and that investing is going on steadily all the time and that all that is required to bring quotations back to par, in the case of really sound propositions, is careful nursing. This explains why, in spite of so immense a proportion being left on the hands of underwriters, there is always money, at a price, for underwriting sound propositions.

To take two examples: Mogvana Debentures, of which only 15 per cent. was subscribed by the public, fell to 5 per cent. discount, but have since reverted to 3 per cent. Quotations for Brazilian Warrant Preference, of which 75 per cent. was left on the underwriters' hands, have been maintained from the first at 6d. discount to par.

Brazilian Traction. (From the "Financial Times" of 15th June). The period of two years which has elapsed since the incorporation of the Brazilian Traction Light and Power Company under the laws of the Dominion of Canada has been a period distinguished by an almost entire absence of that "family coach" process in the exchange of securities which means good business on the Stock Exchange, and the shares of the large holding Company are among the very few which have newly attained activity and popularity. What many British business men who are not financiers in the strict sense do not understand is that fluidity in particular securities entails largeness of amount; if that largeness is achieved, the fluidity—the ability to deal either way easily at all times—practically follows. The Brazilian Traction shares issued and outstanding amount in face value to about £23,000,000. A very large number of the holders are British, and the appearance of the first report, that for the period of eighteen months to the end of last year, to be submitted to the shareholders at the meeting in Toronto, on the 3rd of next month, and already commented on by us, affords a good opportunity for putting before our readers a brief statement of how the undertaking is built up and what its securities signify in regard to the assets which they represent. The business may be briefly summarised as a practical monopoly of the tramway service in both Rio de Janeiro and S. Paulo, with a considerable slice of the electric light and power business in both cities, and the gas and telephone business in Rio; in addition, it has concessions, which it has begun to work, for the distribution of light and power in the State of S. Paulo outside the City of S. Paulo, through the ownership and operation of hydro-electric plants.

The Company holds the shares—practically the whole—of the Rio de Janeiro Tramway Light and Power Company, the São Paulo Tramway Light and Power Company and the São Paulo Electric Company, and its policy is naturally the extension of the plant and business of the three undertakings. Its holdings of the shares are as follows:—

Rio Tramway Light and Power	\$44,930,400
São Paulo Tramway Light and Power	9,981,400
São Paulo Electric	5,000,000
Total	\$59,911,800

This leaves only \$88,200 of the shares of the three companies in the hands of the public. Ahead of these shareholdings—the preponderating assets of the holding Company—there are the issued bonds and Debenture stocks of the three subsidiaries as follows:—

Rio Tramway Light and Power	\$50,628,000
São Paulo Tramway Light and Power	10,000,000
São Paulo Electric	9,733,000
Total	\$70,361,000

Now, of course, it should be realised, as in the case of other holding companies, that although the Brazilian Traction Company has no funded debt, further obligations can be put ahead of its shares—

that is, between the shareholders and the actual physical properties which the Company controls—by increasing the bond issues of the three constituent concerns, and that without consulting the shareholders as such. There is that drawback about all holding companies which may or may not make a boast of the absence of funded debt from their capital accounts. To finance the \$60,000,000 of share capital of the three subsidiaries, as set out above, and "controlling rights," whatever that may mean, and advances to the subsidiaries amounting at the end of last year to \$7,629,000, there is issued and outstanding some \$114,000,000 of share capital of the Brazilian Traction Company. Of this only \$10,000,000 is in the form of Six per Cent. Cumulative Preference shares, so that Brazilian Traction Preference has that element of strength that there is behind it more than ten times as much in Ordinary shares issued and outstanding and at present paying dividends at the same rate as the Preference—6 per cent. Resulting from the holdings in the constituent companies and the agreements with those companies, the net operating revenue of the Brazilian Traction Company for the eighteen months amounted to \$11,523,000. From this had to be deducted the management expenses of \$324,000, aforementioned 6 per cent. all round, with a surplus of \$3,013,000 for the year and a-half.

We think that the Brazilian Traction Company Board is to be felicitated on the admirable clearness of both its report and its accounts, but there will be, nevertheless, many shareholders who will fail to follow the details of the accounts, because the nature of the agreements with the three Companies gives the holding Company the right to take all the net revenue, under certain conditions, and to restore only a certain proportion of it, sufficient for certain purposes, much in the same way as, for example, the Brazil Railway Company does with the Sorocabana Railway. This results in a system of detailed accounts which is not particularly informing to the expert and distinctly confusing to the average inexperienced investor, and it has the definite drawback—again as in the case of the Sorocabana Railway—that the bondholder of the subsidiary has difficulty in assessing the position of his security in regard to income. So far as the shareholder of the holding Company, the Brazilian Traction, is concerned, it is much better to look only at the amalgamated revenue mirrored in the profit and loss account of the Company itself and, with regard to the balance-sheet position, to amalgamate the four balance-sheets, which, in effect, is done for him in the Directors' report. A superficial view would lead him to the conclusion that the Brazilian Traction, while paying 6 per cent. on its Ordinary shares for the period, had earned at the rate of 7.9 per cent. per annum, but this conclusion must be qualified by consideration of the fact that certain allocations to reserves in the cases of the Rio Trams and S. Paulo Trams are made, not from the revenue of the year, but from the accumulated surplus which stood to the credit of profit and loss from previous years. These amount to \$1,200,000. The fair way of expressing the revenue result, therefore, will be to postulate \$1,813,000 as the surplus for the year and a-half, or at the rate of, say, \$1,208,000 per annum. This is 1.06 per cent. on the Ordinary, which may therefore be said to have earned a shade over 7 per cent. after allocations to the earmarked reserves. The combined reserves and surpluses of the Brazilian Traction and its three subsidiaries at 31st December last reached a total of \$15,028,000, or nearly 14 1/2 per cent. on the amount of the Ordinary shares outstanding. There is abundance of lucid and interesting detail in the report going to show the excellent progress made by the whole undertaking.

The foregoing is the most lucid statement we have yet seen of the position of the Traction Company. The only drawback of so apparently solid a position is that the stock of the Traction Co. should still stand so low. It must be confessed that to the ordinary lay shareholder the complications of a holding company are hard to understand. As regards statements published in some of the London papers that the Company relied on the flotation of the Federal Loan to supply funds for working expenses seems to be quite unfounded, though it would scarcely be wondered at that, in view of the large sums due by the Brazilian Federal Government and Rio Municipality to the concern, ready money should be scarce. In fact it would be difficult to find anyone in Rio, at least, who has not suffered from the failure of the Federal Government to come up to scratch.]

RUBBER.

Latest London Quotations:—

	July 18	July 11	July 4
	s. d.	s. d.	s. d.
Fine Hard Pará	2 10½	2 11	2 9½
Plantation	2 2	2 2¼	2 2¼