MR. J. P. WILEMAN'S WEEKLY LETTER

# "MOSTLY ABOUT COFFEE"

September 8th, 1914.

No. 36.

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## 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, 8th September, 1914.**

**No quotations are available from European markets.**

**At New York Rio No. 7 was quoted on Saturday at 7¼c. per lb. and Santos No. 7 at 10⅞c.**

**At Santos No. 4 was sold at 4$200 per 10 kilos and at Rio No. 7 was quoted at 5$800 to 5$900 per 15 kilos.**

**Entries for the week ended 3rd September and 4th September respectively were as follows:—**

| | 1914 | 1913 |
|---|---|---|
| Rio | 11,166 | 75,063 |
| Santos | 86,291 | 451,055 |
| | 97,457 | 526,118 |

**Derease, Rio, for week, 63,897 bags, or 85.1 per cent. compared with last year.**

**Decrease, Santos, for week, 364,764 bags, or 80.9 per cent. compared with last year.**

**Decrease, both ports, for week, 428,661 bags, or 81.5 per cent. compared with last year.**

**Entries for crop to September 3rd were:—**

| | 1914 | 1913 |
|---|---|---|
| Rio | 377,566 | 504,087 |
| Santos | 1,268,753 | 2,890,802 |
| | 1,646,319 | 3,394,889 |

**Decreace, Rio, for crop, 126,521 bags, or 25.1 per cent. compared with last year.**

**Decrease, Santos, for crop, 1,622,049 bags, or 56.1 per cent. compared with last year.**

**Decrease, both ports, for crop, 1,748,570 bags, or 51.5 per cent. compared with last year.**

**Entries at Rio and Santos to September 3rd or corresponding dates of previous six years were:—**

| | |
|---|---|
| 1914-15—1,646,319 | 1911-12—3,089,540 |
| 1913-14—3,394,889 | 1910-11—2,425,025 |
| 1912-13—2,628,908 | 1909-10—5,273,436 |

**Clearances to 3rd September were as follows:—**

| | Week ended 3rd Sept. | | Crop to 3rd Sept. | |
|---|---|---|---|---|
| | Bags | £ | Bags | £ |
| Rio | 54,288 | 104,950 | 377,674 | 814,127 |
| Santos | 26,358 | 65,138 | 637,788 | 1,827,082 |
| 1914-15 | 80,646 | 170,088 | 1,015,462 | 2,641,209 |
| 1913-14 | 392,609 | 1,102,058 | 1,966,116 | 5,488,969 |

**Decrease clearances for both ports for current crop to 3rd September, 950,654 bags, or 48.4 per cent., as against 40.6 per cent. on August 27th.**

**Decrease in value £2,847,760 or 51.9 per cent., as against 43.7 per cent. on August 27th.**

**Stocks were:—**

| | Sept. 3 | August 27 |
|---|---|---|
| Rio | 164,587 | 184,161 |
| Santos | 1,026,935 | 1,097,233 |
| | 1,191,522 | 1,281,394 |

**Stocks Rio and Santos—**

| | |
|---|---|
| September 4th, 1913 | 2,558,035 |
| August 28th, 1913 | 2,343,550 |

Santos, September 5th, 1914.

The indecision of (the Federal Government and its stifling effect on all enterprise and action, largely contributes to aggravate the position this market is in.

Every nerve is strained, every effort is made, to meet the obligations falling due at the middle of this month and yet nobody knows how he will fare by then, as the downfall of one will prostrate a number of others who relied on the solidity of just that one firm.

The situation in Rio does not seem to be any better, as we read that the President of the Associação Commercial there has asked for the prorogation of the moratorium.

In the meanwhile coffee prices go down continuously and American buyers lower their offerings in the same proportion as the dealers urge to sell their goods in order to meet their drafts. Simultaneously the foreign banks hold the exchange rate on New York at a level equivalent to about 14d., whilst they draw on England at the rate of 12d. or thereabouts. All these anomalies which by energetic Government action could be done away with, or at least largely mitigated, aggravate the position of the local coffee market and irritate all those, who were far-sighted, and not intent on pilfering and on taking advantage of a calamitous position, look at the fatal consequences, which a fall in the gold price of coffee must inevitably bring upon Brazil.

One often hears in commercial circles the melancholy question: How is it that no protection is afforded to coffee and why is nothing done against its depreciation, when even police measures are, all over the world, enforced to protect the defenceless against the imposition of relentless and unscrupulous commercialism?

Here is the producer who claims and has a right to protection and those who represent them, i.e., the Government, should not hesitate one moment to give it to them, as otherwise it might be swept away itself in the general collapse which seems inevitable if quick measures are not taken.

Not only will this crop be sold at low prices but the next also, as whatever the diminution of the world stock may be at the end of this war, the buying capacity of all countries, the United States included, will be greatly diminished, and if we do not defend our produce by means of our own making, we shall have to hand it over at prices which impose a readjustment of the value of all property in Brazil and as a consequence the economical breakdown of many useful members of society.

Business during the week has been of a most unsatisfactory nature for the reasons given above, but as dealers have tomake provisions in time for the fatal date, goods are sold at best and the States being the only buyers, they make their salections according to requirements.

Shipments during the week have been very liberal, 128,000 bags having been put on board since the first and the stock has gone down again to about one million bags.

Receipts though are increasing, as the Paulista and Mogyana Railways combined to carry down every day about 25,000 bags, alternately, i.e., the Paulista receives when the Mogyana is idle and vice-versa. How long this agreement will last is, of course, another question.

Under present conditions 25,000 bags daily are excessive for the requirements of the market and will produce a further fall of prices unless the Federal Government awake to the fact that an emission of paper money with coffee as guarantee is better than the strip of paper without any guarantee whatever.

The quality of the coffees now arriving is most desirable and the proportion of unripe beans has greatly diminished and the preparation of the goods, owing to the prevailing dry weather, is excellent.

But for the general conflagration this crop would have been disposed of at constantly advancing prices, not only on account of the statistical position, but also for its intrinsic value as merchandise.

There is some news from the interior about a flowering.

The Ribeirão Preto district has had a poor flowering only, but another one is expected during this month. The new from S. Manoel and S. Carlos says that a fair to regular flowering has been observed in these districts and whatever flowering may still appear it will at the best promise an average crop only.

Mattão, which has a poor crop this year, had a good flowering late last month, but the aspect of the tree is not as it ought to be.

There is no news yet from Jahú.

The weather continues dry on the whole, although some rain fell last week which opened the blossoms; more rain is wanted now to help fructification and the maturing of the young fruit.

According to the monthly figures of Mr. Laneuville, the world's visible supply decreased during the last month by 741,000 bags, which shows that as receipts in Brazil have only been about 500,000 bags during the same period, consumption, especially in Europe, has fed on its own holdings—the swelled invisible supply—and this we shall most likely observe for a long time, so that deliveries for the crop year, instead of being 19 millions, as one could safely predict before the war, might dwindle down to 17½ millions or even less. Such restriction would, of course, mean less demand and lower prices if the supply is not restritced through Brazil's own agency.

Gold notes of the Caixa de Conversão have now a premium of 4 per cent. Larger quantities are offered from the interior.

The position of coffee, with all the big exchanges closed and prices at Rio and Santos purely nominal, is scarcely worth while dwelling upon. The fall of spot at New York to 7¼ cents, the last official quotation, was like that of securities in general, due to financial pressure and in no way to any alteration of demand or supply. As soon as the Exchanges reopen and the money markets recover from the extraordinary strain put upon them, the price of commodities may be expected to once more respond to the factors that in the long run always govern prices. In fact, there are already indications of an upward movement, seeing that curb quotations are already considerably higher than the closing quotations on the Coffee Exchange on 30th July.

Sentiment here is decidedly optimistic, on the strength, not only of the recovery of produce markets expected as soon as financial stability is reasonably assured, but because, in spite of unexpectedly large entries in July, the conviction is growing that the actual crop will be a small one and a good deal below the average.

*It is*, however, interesting to speculate how the war may affect individual markets.

Should the blockage of Germany and Austria be made effective, as seems possible if Holland should also join the Entente, no coffee could be imported into those countries, which would then depend entirely on their actual stocks for the supply of local consumption. These, with the exception of whatsoever Valorisation coffees might be in deposit at Hamburg and Trieste, cannot be very considerable, and a good opportunity would, therefore, offer for disposal there of valorisation stocks at high prices.

As regards the United States, stocks there are known to be small and must be shortly replenished, whilst the low prices lately ruling must have stimulated demand and increased consumption, so that on this side also factors would seem to make for a rise.

Should the Entente succeed in holding the sea against Germany, there would be no restraint on the coffee trade with ports of England, France or Belgium, nor with neutral ports, such as Holland or Italy's, excepting so far as coffee might be declared contraband of war, or shipments might be prejudiced by difficulty in effecting insurance. Seeing, however, that Great Britain seems disposed to insure its own bottoms and cargo carried therein, there need be no interruption of trade on that account further than the extra cost entailed by transhipment from a British to a Continental port. As the conviction gained that ships of the Entente and of neutral States would be practically exempt from risk, so long as the sea was held against Germany, freights and insurance would tend to become normal and trade be carried on as before, excepting perhaps with the Baltic and some Scandinavian ports, where risks would be necessarily greater.

That consumption would suffer inconsequence of the increased cost of transport and insurance and blockade of German and Austrian ports goes without saying, as also that it would have a depressing effect on the price of coffee, unless compensated by a small crop.

On the other hand, everything points to a renewed and heavy fall of exchange, which, so far as producers would be concerned, would prove some compensation.

## MONEY.

**Exchange.** All the week banks have refused to draw for want of sufficient bills for cover and all exchange business has been practically paralysed. A few of the banks have reluctantly drawn small amounts at 12¼d. to oblige customers. The rate for "Cobranças" was 13¼d. all the week, excepting Saturday, when it fell to 13 pence.

Sovereigns were sold during the week between Rs. 18$900 and Rs. 19$500, there being offers on Saturday to buy at the latter price, but banks would not sell below Rs. 20$000.

**Business Done on the Rio Stock Exchange** during the week ended 5th September, 1914:—

| Amount | | Price | Closing Quotations. Sellers | Buyers |
|---|---|---|---|---|
| | PUBLIC FUNDS— | | | |
| 342 | Apolices Geraes, 1:000$, 5% (integ.) | 825$-845$ | 828$ | 820$ |
| 185 | Ditto (tit. prov.) | 805$-810$ | | 808$ |
| 5 | Ditto (3%) | 550$ | | |
| 2 | Ditto, 500$, 5% (integ.) | 800$ | | |
| 12 | Ditto, 200$, 5% (integ.) | 800$ | | |
| 6 | Emp. Nacional (1903) | 920$-930$ | 940$ | |
| 682 | Emp. Nacional (1909) | 806$-814$ | 808$ | 803$ |
| 69 | Emp. Nacional (1911) | 800$ | 805$ | 799$ |
| 26 | Emp. Nacional (1912) | 810$ | | |
| | Est. do Espirito Santo | | | 660$ |
| 89 | Est. de Minas Geraes | 800$-809$ | 810$ | 800$ |
| 35 | Est. de Alagoas | 800$ | | |
| 273 | Est. do Rio (4%) | 76$500-77$500 | 77$ | 76$ |
| 736 | Emp. Municipal (1906) | 182$-195$ | 184$ | 182$ |
| 280 | Ditto (Nom.) | 195$-200$ | 200$ | 290$ |
| 87 | Ditto (1909) | 150$ | | |
| 200 | Ditto (£20) | 285$-292$ | 294$ | 292$ |
| 50 | Ditto (Nom.) | 292$ | 295$ | |
| 932 | Ditto (1914) | 157$-168$ | 157$ | |
| 260 | Ditto (Nom.) | 170$ | | |
| | BANKS— | | | |
| 2 | Brazil | 185$ | 185$ | |
| | Commercial | | 180$ | |
| 60 | Lavoura | 100$ | 100$ | 85$ |
| | Mercantil | | 200$ | |
| | Nac. Brazileiro | | 195$ | |
| 100 | Metropolitano | 1$ | | |
| | RAILWAYS— | | | |
| 300 | Minas S. Jeroymo | 17$-17$500 | 17$500 | |
| | Rêde Sul Mineira | | 42$ | 30$ |
| | COTTON COMPANIES— | | | |
| 10 | Alliança | 125$ | 150$ | 125$ |
| | Brazil Industrial | | 190$ | |
| | Corcovado | | 185$ | 130$ |
| 20 | Petropolitana | 120$ | | |
| | S. Pedro d'Alcantara | | 160$ | |
| | SUNDRIES— | | | |
| 57 | Casa Vivaldi | 200$ | | |
| 50 | Centros Pastoris | 19$ | 21$ | |
| 1200 | Docas da Bahia | 20$-22$ | 23$ | 20$500 |
| | Docas de Santos | | 400$ | |
| | Ditto (Nom.) | | 400$ | |
| | Loterias Nacionaes | | 18$500 | 16$ |
| | Melh. do Maranhão | | | 20$ |
| | DEBENTURES— | | | |
| | America Fabril | | 183$ | 184$ |
| 10 | Banco União | 45$ | 70$ | |
| | Carioca | | 190$ | |
| | Confiança Industrial | | | 160$ |
| | Corcovado | | | 180$ |
| | Magiense | | 110$ | |
| 60 | Mercado Municipal | 173$-175$ | 180$ | |
| | Tecidos Botafogo | | 110$ | |
| 400 | Soberanos | 19$ | | |

London, 8th August, 1914.

I give in another column a summary of the events that led to the financial crisis and the measures by which it will be combated, taken from "Truth."

There has been no semblance of panic, nor whatsoever future developments may be, is there likely to be one so long as leaders in the city keep their heads. Indeed, as a foreigner lately returned from the Continent remarked, nothing surprised him more than the contrast between the panic stricken proceedings on the Continent and the cool self-possession that characterised every class in England, civilians and military, rich and poor. A good deal, no doubt, is due to our privileged insular position and the absence of any personal danger, that entire confidence in our navy inspires.

The five days' bank holiday have sufficed to evolve a working system that should ensure against any further interruption of commercial and industrial committments and the reinforcement of our gold reserves, on which this country's solvency depends.

To maintain uninterrupted the flow of gold from abroad, it is indispensable to secure complete dominion of the sea, and meanwhile that commerce with this country should be freed from any possibility of loss by ensuring not only British bottoms, in which a great part of the world's trade is conducted, but the cargo and merchandise itself.

A plan of national insurance has already been agreed on and trade and commerce can now go on as usual, restricted only so far as other uninsured belligerants are concerned.

So long as the war lasts British trade with Scandinavia, Russia, Germany and the Baltic will be under a cloud, as also to some extent that with Belgium, Holland and France and a large number of sailings be suspended. But with adequate insurance, it should not be difficult to maintain services in the Mediterranean and Far Eastern and Australian waters, whilst on the great oversea routes British liners should run without interruption, as neither the German nor Austrian fleet will be afforded much opportunity for inflicting serious damage. French shipping would likewise enjoy similar immunity, but unless the French Government were to extend to its own ships and cargoes similar guarantees as those offered by national insurance in Great Britain, preference would always be given to British bottoms, and in this way Great Britain might regain the supremacy that it lost as the distributor of overseas produce amongst European countries.

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On Friday the banks will be plentifully supplied with cash and will resume business as usual. The reopening of the Stock Exchange depends, it is understood, on arrangements being made by the Government for financing the war and is not yet decided upon.

Gold is already beginning to flow back to the Bank and as exports may be expected for some time to be very restricted, it seems likely that very large reserves may be accumulated unless drained out of the country for war purposes.

The issue of £1 and 10s. notes will supply the home market with all the money required for home purposes and so set free the gold for other purposes. So far the Bank Act has not been suspended. According to last week's returns, the Bank of England held over 38 millions in coin and bullion. There is likewise a lot of coin in possession of the big joint stock banks and some £8,000,000 already on its way to this country from North and South America and South Africa. Negotiations are going on for shipment of a very large quantity of gold from the United States, whilst there will be a regular supply from South Africa. During the past week over £750,000 entered the Bank, whilst there are some 10 millions of Indian gold in London which can be acquired if advisable. Altogether the gold position seems quite sound, at least until necessity arises for exporting gold to meet war expenditure abroad.

In addition to the £1 and 10s. notes, it is proposed to make postal orders of 5s. legal tender and to issue more silver coin.

Will these issues of uncovered paper result in a depreciation of the British currency, as occurred in the Napoleonic wars a hundred years ago?

Not necessarily; so long as the balance of international payments remain favourable to this country. Whether or no, in view of the immense payments this country will be obliged to affect abroad for war purposes and the default of most of the belligerent countries like Russia and probably of many others, like Brazil, not directly interested in military operations, it seems quite possible that the balance may be turned against us for a time.

On the other hand, the war will enforce economy and tend to reduce imports. In comparing situations, it must be recollected that this country is infinitely richer than it was in Napoleon's time and its finances, consequently, more able to withstand the strain of a great war.

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The suspension of banking business in Brazil for 15 days is the natural and inevitable consequence of the closing of the London banks and Coffee Exchange there and at New York and Havre and consequent complete suspension of business, practically, all over the world. No doubt it was the right step to take, though whether the extension of the moratorium to acceptances, with which the actual crisis of credit has nothing to do, is equally defensible is quite another story.

The difficulties at Rio are mostly of its own making, due more to the failure of the Federal Government to meet local engagements than to overtrading or speculation and unless measures are simultaneously adopted for the liquidation of the enormous internal floating debt, no moratorium will be more than a stop-gap.

The proposal to appropriate the gold in the Caixa by making the notes it stands for inconvertible might bring temporary relief to the Federal Treasury and so enable it to maintain foreign payments for a time, but it would constitute a breach of faith with the holders of these notes that would be an insurmountable obstacle to any new issue of convertible notes, on which any scheme for the permanent reorganisation of Brazilian credit should repose.

Similar results would, moreover, be secured without sacrifice of principle, by imposing a prohibitive export duty on gold and so retaining it in the country for domestic purposes, as is now being done all over Europe and is proposed even in England. This would be perfectly legitimate and, as the duty would be only nominal for Government, would produce the same effects as the giving of forced currency to the convertible issue.

The prohibition of gold exports would, of course, lead to a renewed fall of exchange, as would further issues of paper money in quantities sufficient for payment of the enormous floating debt. But that is inevitable in any case and, indeed, as has been pointed out before, would find some compensation in the reduction of the cost of production and consequent expansion of exports. With revenue falling off as it is, it is certain that in no case would it suffice to meet the whole service of the debt and that payments of some sort would have to be suspended—either of interest on the internal or foreign debt or of amortisation or both. If exchange were to suffer a further decline the position would be still more untenable and until the balance of payments were reestablished in the only way possible, by increase of exports, exchange would fall and suspension of the service of the foreign debt be ultimately inevitable. To sum up—a foreign loan being now out of the question and the liquidation of the floating debt an urgent necessity—there seems no alternative but to face the music and to issue a forced loan in the form of paper money to pay off the internal debt and suspend the service of the foreign debt, whilst prohibiting exports of gold and to stimulate exports by coming to an arrangement with the different States for reduction of export taxes. Whatever revenue were over, after meeting internal administration expenditure, should be set aside to constitute a fund for payment pro rata of interest and if possible of amortisation of the foreign funded debt and gradual amortisation of the forced loan constituted by the proposed issue of paper money. Whether there would, in effect, be anything over for such purposes may be questioned; but in any case the administration of the ocuntry must continue and if after that is satisfied anything that may be over is set religiously aside, that is all that foreign creditors have a right to expect, so long as no preference is shown to home creditors.

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So far no notice of the payment of the half-yearly coupons on the 1895, 1908 and 1910 Five per Cent. Federal loans, nor of the quarterly coupons of the Recission loan, has been issued, though part of the money is said to be in London.

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The City of Bahia has also defaulted in its foreign loan, as indeed had for long been expected, especially since the Guinlée scandal brought the affairs of that municipality into the blaze of publicity.

The solvency of the different States and municipalities of Brazil that have used and abused foreign credit, depends on the effect that a fall of exchange may have on production and whether the loss by exchange be compensated by the rise of currency prices of exports and consequent increase of their respective revenues.

As regards S. Paulo, there can scarcely be a doubt that a fall of exchange would be beneficial to planters and favourable to the State at large, as also to rubber and the Rubber States. But in other cases, like Ceará or Maranhão, where the duties on exports constitute a comparatively small part of inadequate revenue, the effect of a fall of exchange would be counteracted by the increased cost of the service of the foreign debt.

## HOW THE CRISIS DEVELOPED.

(From "Truth," 5th August, 1914.)

It is to the credit of the London market that from the start of the crisis up to the time of the suspending measures that had to be taken by its rulers there was no panic. How much suppressed anxiety was endured by those who occupy responsible places in the financial life of the City, only those who know the City by daily contact can appreciate. It was in reality a city of dread, because the more responsible the individual the fuller and the more early he realised how pregnant the situation was with disaster. But the leaders in the banking world and in the Stock Exchange maintained a calmness of demeanour that was up to the best British traditions. The troubles that quickly befell the Stock Exchange were due to the Continent. Almost as soon as the crisis began the leading Continental Bourses gave way to such panic that they virtually closed down, and enormous quantities of stock were thrown out, for which London was the only European market. That the Paris Bourse should have been the first to collapse is not surprising when we remember the strained financial conditions that have ruled there for more than a year past. French bankers were the chief financiers of the Balkan war. They had taken large lines of short-dated notes of these States in the hope that once the big French

Government loan was floated they could successfully fund the notes. But the French Government loan of £32,000,000, in spite of all the talk about a huge popular success, did not "go"; the public took only a small proportion, leaving the bulk of th emoney to be found by the banking syndicate. Hence the French loan flotation, instead of alleviating the situation, only aggravated it. The sales from the Continent went on without a pause for several days, driving prices down headlong. When pay day came—and the superstitious may pointedly refer to it as the Settlement of a Nineteen Day Account—it was a foregone conclusion that there would be trouble. In all ten firms, involving over a score of members, were "hammered." Some of these were houses of old standing doing a fair-sized business.

The failure of Derenburg and Co., an important brokerage house with large Continental connections, evoked special sympathy because the firm was known to have been brought down solely through the non-arrival of remittances due from foreign clients. Probably most of the other defaults, too, were due to defaulting clients and not to speculation on the part of the firms themselves. By Thursday matters had reached a climax here. Prices were falling with a velocity that was rapidly making the positic n of borrowers forced to continually put up fresh margin untenable. Indeed, the dealers in view of the way in which London was being made a dumping ground had stopped making prices altogether, and some of them refused to alter quotations in the Official List, thereby creating purely artificial conditions. Moreover, in view of the fall that had already occurred since the make-up, and in view of the official postponement of the Paris Settlement for a month, it was obvious that London, however much it wished to live up to its responsibilities as the world's financial centre, could no longer go on upon the existing basis. The arbitrage houses, being unable to obtain remittances from abroad, and forced to provide constantly increasing margins for their loans with the banks, would have been forced to declare themselves, and their default would have endangered the solvency of half the House. Accordingly, in response to an influential petition, the Stock Exchange Committee met early on Friday morning, and before ten o'clock announced that the House would be closed until further notice, that the August Settlement in Consols would be postponed until September 1, and that the mid-August Settlement in general securities would be postponed until August 27. The wisdom of this step is not open to question, for the alternative was disaster on a scale with which the failures that had occurred already were by comparison a tiny sample.

It is futile in the circumstances to attempt to deal in any detail with the various markets. The following table will give some idea of how prices were affected between the date when the crisis commenced and the closing of the Stock Exchange, which, of course, occurred before the actual declaration of war by Germany:—

| Stock | Price July 22 | Price July 31 | Fall |
|---|---|---|---|
| Consols | 75 9/16 | 69 | 6 9/16 |
| Austrian Treasury Notes | 95½ | 78 | 17½ |
| Brazil 5 p.c. 1913 | 83½ | 71 | 12½ |
| Belgian 3 p.c. 1914 | 82¾ | 75 | 7¾ |
| Chinese 5 p.c. 1913 | 89½ | 80 | 9½ |
| French Rentes | 81 | 76½ | 4½ |
| German 3 p.c. | 75 | 72 | 3 |
| Hungarian Rentes | 79½ | 74 | 5½ |
| Russian 4 p.c. 1889 | 84½ | 79 | 5½ |
| Peruvian Corp. Pref. | 37½ | 28 | 9½ |
| Brighton "A" | 82½ | 72 | 10½ |
| Great Central Preferred | 25 | 20 | 5 |
| Great Northern Deferred | 50 1/8 | 44½ | 5 5/8 |
| Great Western | 114¾ | 108½ | 6¼ |
| North Western | 127¼ | 121 | 6¼ |
| Dover "A" | 43¾ | 31½ | 12¼ |
| Baltimore and Ohio | 83½ | 70 | 13½ |
| Erie | 36 3/8 | 21½ | 4 7/8 |
| Union Pacific | 161 7/8 | 117* | 15¾ |
| U. S. Steel | 63¼ | 54½ | 8¾ |
| Canadian Pacific | 190¾ | 165 | 25¾ |
| Central Argentine | 100½ | 92 | 8½ |
| Leopoldinas | 55 | 41 | 14 |
| Chartereds | 16/6 | 16/3 | 3/3 |
| Central Mining | 8 1/16 | 6 | 2 1/16 |
| Modderfontein | 13¼ | 11 | 2¼ |
| De Beers | 15 7/8 | 13½ | 2 3/8 |
| Rio Tintos | 67½ | 53 | 14½ |
| "Shell" Transport | 4 5/8 | 3 7/8 | ¾ |

* Bonus of $29 1/8 deducted.

## EVENTS IN THE MONEY MARKET.

The preliminary to the breakdown of the ordinary credit system in Lombard Street was a paralysis of foreign exchange business. The quotations on London reached levels that were probably never contemplated in any book dealing with this branch of finance. Incidentally they afforded a striking contrast. While the Berlin cheque on London rose to 21 marks per £1 and the St. Petersburg cheque went over 100 roubles per £10, the Paris cheque dropped to 24.50 francs per £1. At the same time the New York exchange on London mounted to the also unheard level of 6½ dollars per £1. Now, while the Russian and German rates, which should have meant large gold shipments to London, were purely nominal because steps were taken by the respective Governments to prevent the gold going, the Paris rate not only gave France the power in theory to take gold from us, but that is what actually happened under our known régime as a free market for gold, and nearly £4,000,000 was exported within a few days from the Bank without allowing for coin sent abroad privately. It is true that New York, which shares with London the credit of going on with its business in the ordinary way until the last, allowed gold to be sent away freely, some £8,000,000 being engaged, mostly for London, but shipments from the States take time, and moreover the rise to prohibitive levels in war risks threatened to put a stopper on the movement. Meantime while the Bank of England had to meet a heavy foreign gold drain it also had to face the fact that discount business in Lombard Street had ceased altogether, and that it was being called upon to make advances to the discount houses on a scale only seen at the end of each half-year, when it is easily tolerated because the borrowings are known to be of a purely technical and temporary character.

At first the Bank of England, with its traditional coolness in times of grave crisis, advanced without stint at normal rates. Up to Thursday, indeed, the Bank rate was only 3 per cent., being raised on that day to 4 per cent. But the pressure upon the Bank soon became too great not to demand stern measures. On Friday it raised its rate of discount from 4 to 8 per cent. (while its charges to the market went up to 10½), and on Saturday a 10 per cent. Bank rate was installed, the highest since 1866, the year of the Overend Gurney smash. A 10 per cent. Bank rate in that year proved the preliminary to the suspension of the Bank Act, and thus it is likely to prove on this occasion. But this measure which gives the Bank of England power to make an additional note issue, while affording valuable relief, was not sufficient to meet the present situation. In the three worst crises that have confronted London since the Act of 1844 was passed—namely, those of 1847, 1857 and 1866—the suspension of the Charter sufficed to relieve the situation, and only on one of the three occasions was it found necessary for the Bank to take advantage of its powers of increased note issue. But this time a European war has set up barriers that have summarily stopped the flow of international exchange business, and for an indefinite period. With no remittances coming from the Continent, and with a thirty days' moratorium officially proclaimed in France, what was to be the position of the accepting houses in London as bills endorsed by them fell due? There could only be one result, and that could not be allowed to eventuate. Hence the suspension of the Bills of Exchange Act and the granting of a month's grace on the payment of bills of exchange other than cheques.

## RUBBER.

Rubber prices are nominal, as those of most produce. The difficulty of remitting to the East may stop tapping for a time and later on result in some reduction of production. America is inundated with orders for rubber goods and in New York the spot price for plantation rubber is much higher than the nominal quotation of 2s. in London. The war cannot fail to affect consumption, if only because labour has been withdrawn from industry on so gigantic a scale as to affect manufactures of all kinds and the consequent output of rubber goods and consumption of the raw material. The auction fixed for the 11th inst has been postponed and no business whatever is taking place in the private market.