BABSON GIVES REASONS FOR A

STOCK DECLINE

Country Can Produce More Steel Than it Consumes or Exports Says Statistician.

Wellesley Hills, November 11th, 1922. Since the recent excitement of the steel mergers this class of stocks has disappointed most people, in fact those who consider the steel indust ry as a barometer of American business are decidedly upset. Roger W. Babson who forecast the failure of the recent merger schemes in these columns explains the action of these

stocks rather satisfactorily. "Steel prices" he says, "have recently shown signs of weakening, a generally expected tendency. A survey shows that surface conditions indicate strength, but the underlying situation which is the most important, tells a totally different story. You will remember that six months ago the trend of production of steel as well as other commodities, was distinctly upward. Steel output has recovered from the domestic 1921 slump when only 20,000,000 tens of steel were produced, which was 50% With the increasing supply, there of over-expansion and any stimulaprevious year's output. was no scarcity. Unfilled tonnage tion in consumption will prove gradwas increasing only moderately and ual and of a limited character. Protransportation conditions were not ducing costs, particularly fuel, transconsidered critical. Prices of steel portation and labor, are high enough billets at that time were ruling 20% and the next major move, in conjuncover the pre-war average. action should be downward. Certain-"Suddenly the picture changed.

The pinch of the diminshing coal supply became more effective and the advent of the rail strike brought additional apprehension. The buyer began purchasing ahead to protect deliveries. Orders were pyramided -a fact that is reflected by unfilled tonnage, which jumped from 5,776, 000 tons in July to 5,950,000 tons in August but in September jumped to 6,691,000 tons. The wave of heavy buying, due to artificial elements, is

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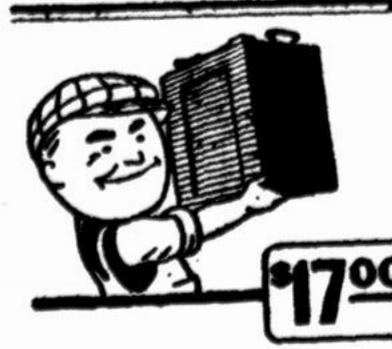
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changing. The coal and railroad on steel. Protection over the winter strikes are events of the past and as months is the prime buying incentartificial tendencies are ironed out ive. and eliminated, there is a strong pos- "It is questionable whether the held at the Downers Grove post office sibility of a weakening in the price steel industry is fully readjusted. It as unclaimed. If not called for by structure. This does not mean im- did not conform fully with the con- November 8 they will be returned to mediately for the question of delivery traction of the economic cycle in 1920 the sender.

over the winter months is very im- and 1921 and this is one of the rea- Able A portant. Steel billets today rule sons why I am not partial to steel Campbell Isabel 38% over the low point of this year stocks. The underlying stuucture of Cunningham, Mrs Parkards Auto Co and 65% over the pre-war average, steel stocks is not over-strong altho This level is high enough for we are of course individual stocks may show Fallburg Miss not on the eve of a boom in steel or independent strength in sympathy commodity prices in general.

"We should not forget that there are several important phases to consider on the bear side. The steel producing capacity of this country as it stands today is much greater than our ability to consume and export. In 1913, the actual output of steel aggregated 31,000,000 tons while producing capacity was estimated at 35,000,000 tons. In 1920 we produced 40,000,000 tons, last year 20,000,000 tons and this year probably 30,000,000 tons, but the main point is, if called upon, we could produce steel at the rate of 55,000,000 tons annually. 1923 is bound to be a year of keen competition. Fundamental conditions indicate that we are not entering a prolonged period

now passing. The outlook is again by this is not the time to be builtish LADVERTISED LETTERS

with the action of the stock market." Gona Victor

index figure of the Babsonchart is Hilderhouse FrankStinetorf Wm holding its own. Activity is 5% be- Johnson Byrok H Swarner Eva F low normal—the same as last week. (All Rights Reserved)

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