

IMMEDIATE STOCK MARKET OUTLOOK UNCERTAIN

Babson Bullish For Long Pull

By Roger W. Babson

Babson Park, Mass., April 7.—The stock market is ruled partly by emotion. Recent activity has given investors new life; but most investors continue hesitant or seek special situations. Last Summer they were optimistic. They looked for great new developments in housing, electronics and other industries. Then they became worried over taxes, national debt and reconversion. Now they worry about politics and the "Invasion."



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SAVINGS ARE RISING

More than 50,000,000 individuals and corporations own War Bonds totalling in value about \$27,000,000,000. The longer the war lasts the more such funds will pile up. By December 31, 1944, this may rise to more than \$40,000,000,000. Money in circulation has increased rapidly for nearly four years. This is now about \$20,000,000,000. It includes all cash not represented by bank deposits. A great deal is hoarded currency.

BANK DEPOSITS

Bank deposits now total nearly \$49,000,000,000. About 7% or some \$3,400,000,000 belongs to individuals. A large part of this could find its way into the market. Recent talk of providing Ex-Servicemen with a bonus of \$3,500 to \$5,000 each is indicative of the cheapness with which money is regarded in some quarters. It seems as if more individuals will decide to exchange their dollars for stock market equities as inflation creeps upon us.

PERSONAL AND OTHER DEBTS

In the past two years, installment purchase obligations, home mortgages, doctors' bills and other personal debts have been nearly cut in half. This means indirect savings of some \$5,000,000,000. U. S. WHITE citizens are becoming systematic savers and

are well-fortified with liquid capital. While receiving wages, they are satisfied with low yields from Government bonds. However, as living costs expand, people must either spend their savings or invest them in higher yielding securities. Hence, an ultimate mass return to the stock market—first, as a source of income and second, as a means of maintaining capital in the face of a decline in the value of dollars.

DIVIDENDS AND INTEREST

High-grade industrial bonds now yield an average of about 2.50%. Most banks, aside from the co-operatives and mutuals, pay only 1% to 2% interest. For income and protection, investors are better off in War Bonds. The AVERAGE yield from high-grade stocks will run about 475%. In individual instances, yields of 7% - 10 in good companies now may be secured. Investors desiring such returns should act now. They may not be available long.

MARKET UNCERTAINTIES AND POSSIBILITIES

Typical market action during recent months has been due to uncertainties over the holding of our war prosperity; to fear that the postwar era may not bring the expected demand for consumer goods; to discussions over the corporate and personal tax situation; and to confusion over domestic or foreign politics. This uncertainty may continue for some time. With corporations maintaining a profit level averaging only that of recent prewar years, security prices may rise substantially. When the present psychological uncertainties are over, good-grade industrial stocks could easily sell 50% higher than they are today! I give five additional reasons therefor:—

1. A few "blue chip" stocks are high, but most stocks look cheap to me. For nearly ten years, everything except stocks and real estate has gone up. We are paying more today for labor, high-grade bonds, insurance, and all sorts of commodities. Similarly, we will pay more for stocks.
2. The supply of stocks is drying up. Few new issues have come on the market in recent years. Hence, demand may exceed the supply.
3. We forget the great foreign market that has always existed for American stocks. When present blocked currencies are released, a good many Europeans will scramble for our stocks.

4. The deferred demand for consumer goods should keep our productive capacities busy and take up much slack occasioned by the lessening of war business. Domestic markets will be large. We should also enjoy a good export business. European countries, our Latin-American neighbors and Africa have plenty of gold reserves. They will provide cash markets for our merchandise. Russia should continue a good customer.

5. Excess profits taxes will certainly be reduced if not eliminated. Corporate taxes are at their peak. In a few years the tax trend may be reversed. I further believe that business controls from now on will be handled intelligently. Something will also be done to ease the capital gains tax and to eliminate the double taxation of stockholders.

CONCLUSION

I do not fear inflation if we can continue industrial production on a large scale. I do not look for bank credit liquidation. I see no important decline in commodities. Most of our excess employed, numbering about

6,000,000 people, will go back to their homes, their schools, their farms, or into permanent retirement after the War. Hence, this wage-earning group will be off the payrolls. They will leave room for the regularly employed and for many demobilized service men. NOW IS THE TIME FOR BUSINESSMEN AND INVESTORS TO QUIT WORRYING AND TO HAVE CONFIDENCE IN THE MONTHS AHEAD!

ESTIMATED TAX FILING

Farmers may file their declarations of estimated tax April 15 or may wait until December 15, Joseph D. Nunan, Jr., Commissioner of Internal Revenue, said today.

Farmers are defined by the tax laws as those who receive 80 percent or more of their income from agriculture. They are the only taxpayers who have this choice of filing dates.

"Before you make your decision, however," Commissioner Nunan advised farmers, "you ought to realize that if you file April 15 you can make your income tax

payments in four quarterly installments, but if you wait until December 15 you will have to pay the whole year's estimated tax in one lump sum."

The commissioner explained that, when the pay-as-you-go system was adopted last year, it was realized that because of the seasonal nature and weather hazards of farming it might be difficult for some farmers to estimate their income and calculate their estimated tax early in the year. For that reason, they were given the option of waiting until December 15. However, many types of farm-mates may be amended on June 15, September 15, or December

to the advantage of some farmers to file early and qualify for installment payments.

Farmers who want to file in April may calculate their tax by either estimating their prospective income for 1944 or by assuming it will be the same as last year. If the tax is based on last year's income and this year's rates and exemptions, and the payments are made on time, there can be no penalty if the estimate falls short. Otherwise, a farmer's estimate will not result in a penalty unless it is more than 33 1-3 percent short. In any case, April estimating result in fairly even income through the year, and it may be

15. The law requires farmers to file declarations if they expect their income this year to be \$500 or more in the case of a single person or more than \$624 in the case of a married person.

—On Pay Day, Buy War Bonds—



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