

Coppers' a Buy, Says Babson

By ROGER W. BABSON

Copper stocks have been showing more life of late and evidence a tendency to act quite independently of the rest of the market. Roger W. Babson accounts for this change by calling attention to a shift in the conditions which control the copper industry.

"The copper stocks," says Mr. Babson, "like any others are governed by a combination of the conditions in the security market and the factors that control the production and consumption of copper."

"The industry," continues Mr. Babson, "is now in a better position than it has been for the past four years. In other words, it has taken the industry practically this length of time to recover from the abnormal producing conditions and heavy stocks built up during the war years. Due to the continuance of heavy stocks which, at the high point in 1919, amounted to over one billion pounds, production has been radically curtailed. Prices have slumped from the war-time price of 38c for electrolytic copper to a low point of 12c reached about a year ago. The industry has suffered in the present period of readjustment to a greater extent than probably any other important industry."

"The fact that copper in its manufactured forms has excellent wearing qualities has worked to the disadvantage of the industry during the past two or three years. For example, in the case of ammunition abroad, all of the shell was destroyed except the copper cartridge. This, as you remember, was used again and again and at the end of hostilities, large stocks of unused brass and copper cartridges went for industrial purposes. Reclaimed supplies are now greatly diminished so that the demand for new copper will gradually increase from now on."

"Production has been gradually increasing since the first of the year. Production during the war years averaged well over 150 million pounds monthly. Compare this with an output during 1921 averaging under 25 million pounds monthly. In fact, even exports last year were materially heavier than the total United States production. Production at the present time is averaging about 85 million pounds monthly. Exports have tended to increase and are around 65 million pounds each month. Domestic consumption is also increasing so that the statistical position of the industry is relatively strong. This does not promise any radical come-back but rather that the worst is over and that the long pull outlook is much better than it has been for a number of years. This change will bring about better profits for the larger, low-cost copper companies."

"The producing capacity of the industry is still large so that any increase in price tends to stimulate production. This, in turn, causes the market to weaken. The reason for the slump in most copper stocks around the first of November was clear enough. The rate of importation from South

America for a matter of months has been increasing. Our southern neighbor can produce at low cost, much lower than domestic companies, a fact that has been holding the domestic price down. Their producing capacity, however, is distinctly limited and as demand increases they will no longer set the market. The price of electrolytic copper has been fluctuating around 14c for a number of months. Demand during 1923 should tend to strengthen the market, although production will be sufficiently large to supply this demand. In the event of a good building year in 1923, the demand

for copper will improve. It should total at least as much as this year, and considerably better than in 1921. The European demand will also be slightly better. Although there are still various bearish factors in the situation, the bullish features are of dominant importance. Hence, I am distinctly optimistic for a gradual recovery in profits.

"I am distinctly bullish," concludes Mr. Babson, "on the stocks of the large low-cost producing companies."

General business continues its sidewise movement in spite of the recent election. The index of the Babsonchart shows activity 5% below normal. Figures indicate that car shortage is the largest in history.

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