UNDERLYING STRENGTH SHOWN.

Several matters of marketwise importance occurred this week which under other circumstances might have caused a considerable break in prices, but the underlying strength of the market appears to be such that only dullness followed. The steady selling of bonds by Europe was one thing that was not favorably regarded, but it was accompanied by a smaller percentage of liquidation of American stocks from that quarter. This selling was easily absorbed and when the disagreeable incident of the sinking by a German submarine of a steamship with a score of Americans aboard was made public, there was no market excitement whatever. From a market standpoint the incident was not even a small edition of the Lusitania horror and as a market influence it was quickly forgotten.

It is true that stocks have not shown any tendency to advance this week, but rather to sag slightly. Yet it is apparent that present holders of stocks will have to experience some greater shock to their market nerves if they are to be forced to let go. Confidence in general market conditions and prospects has gained ground, with all indications pointing to large harvests and consequent prosperity in the great middle and far west states, while much that is encouraging has come from the chief commercial and manufacturing centres. Business is more animated at the close of the half year of 1915 than at any previous period of the year, and but for the approach of an important holiday a broader activity and speculation might have been seen this week.

There is a healthful tone of moderated and sensible optimism among bankers and investment authorities, who yet do not attempt to minimize the fact that there are many problems still to surmount. But these are being solved with courage and in the right way. It would be surprising, indeed, if in the face of the general expression of hopefulness by high authorities that the future of the country is assured and a prosperous second half year is before us, the markets should not attempt to discount the same by a general forward movement beginning with the coming week.

The market on Friday had to withstand two adverse developments, which, did it occupy a weaker situation, might have affected it seriously. One was the passing of the dividend on Rubber common. This prices absolutely ignored. The other was a sharp decline of nearly six points in St. Paul, due to the belief, which somehow will not down, that the earnings of this once premier railroad cast a significant shadow over the dividend.

U. S. RUBBER PASSES DIVIDEND.

U. S. Rubber has passed its common dividend. The action of the directors will bring upon the company considerable adverse criticism, for when they declared the dividend last fall, President Colt emphatically stated the earnings justified the disbursement, and the comfortable financial position of the company, which had $8,000,000 in cash, made the payment easy.

The passing of the dividend will injure the speculative position of the shares, and bring them under the suspicion of the investing public, which will readily assume that the insiders must have had some advance information of this intended action, of which they took advantage by freely selling the stock. The market action of the stock would create this impression. It has declined from a high mark of 74¾ to as low as 46⅛ touched on Friday.

CANADIAN PACIFIC.

A considerable short interest has been created on the recent downward swing in this stock, which sold at its lowest price in 7 years this week. The break came with the announcement of the May earnings showing a fall in gross for the month of $2,534,400 and a net decrease of $520,000. The net falling off for the full fiscal year will total fully $8,500,000, and it is no longer claimed that the dividend is likely to be continued at the old rate. Considered as an 8 per cent. stock, therefore, Canadian Pacific is still too high in Wall Street's opinion, but the short interest referred to may check any further decline of moment.

CHICAGO, MILWAUKEE & ST. PAUL.

The feature of Friday's trading, and one which had a reactionary effect upon the other railroad stocks, was the weakness in St. Paul shares, which before the season was over, showed a net loss of $6 in its market price. Some of this weakness was accentuated by short selling, the bears realizing that St. Paul on account of its poor earnings was not in a strong technical position, but the decline must and will be considered as putting a dark cloud of doubt upon the continuation of the present 5 per cent. dividend, which the directors, who will soon meet, may, as a precautionary measure, reduce to 4 per cent., if not to a lower basis.

ERIE.

An expansion of $567,000 in operating expenses by Erie for May played havoc with the road's net, which fell off $250,000. For five months however, Erie has increased its net about $530,000, and June will, it is said, show up much better than May. The shares have sagged off on small sales this week, but the tone of speculative comment is optimistic with regard to Erie's future.

MINNEAPOLIS & ST. LOUIS.

A gain of $114,000 in net earnings for May gave by far the best showing of the Minneapolis & St. Louis for any month of the previous year. The preferred stock holds firmly its recent advance but the market for both issues is dull.

NEW YORK CENTRAL.

New York Central made another of its phenomenal gains in net earnings for May, the operating income showing a betterment of $1,463,348 over May, 1914. Since January 1 the net gain has been almost $5,000,000, or to be exact, $4,953,670. Traders anticipated the publication of a good report and the shares had a good advance before the figures came out.

NORTHERN PACIFIC.

May gross in earnings of the Northern Pacific showed a decline of $557,000, about the same amount as was shown in April. However so far the Northwestern roads have not felt the stimulus of the traffic in wheat which will soon begin to move over the granger lines in large quantities, as the crop of this staple will shortly be harvested.

The probabilities are very bright of the road continuing its 7 per cent, dividend, and showing from now on a better surplus over its dividend requirements.

Active selling of Northern Pacific bonds was noticeable at times during the present week, but this failed to affect the stock to any extent. The bonds were being sold by foreign holders. The threes and fours came out in large amounts and frequently on a "seller 30" basis. They are largely held in Germany and England.