San Francisco is recognized as one of the three great investment centers the United States. With its dominant position in foreign trade on the Pacific Coa: and its financial position, it should easily sense the next great trend of securi prices.

Although there are many and various methods of hazarding predictions on t future of the bond market, yet with all due respect to the established prophe I feel that in many discussions the most important trend of our economic life h been neglected. There may be many minor cycles of bond prices but in the matt of investing our money wisely, we are face to face with hard facts; facts that sho that the United States is now entering a period where foreign trade and our pos tion in international finance will unquestionably have a direct influence upon cor modity prices and therefore upon the value of all fixed income bearing securiti a very definite long swing.

From the seventies until 1897, the United States was in a period of declini commodity prices with a consequent lowering of interest rates. As every doll became more valuable when translated into units of commodities, so the value securities bringing in a fixed annual return rose in a similar ratio.

About 1897 began the tremendous industrial expansion of the East and deve opment of the West, and during the period 1897-1913 despite recessions and bus ness depressions there was a general advance in commodity prices with a cons quent fall in the purchasing value of the dollar, its direct effect being the raising interest rates and lowering of prices on fixed income bearing securities. The Gre War and its aftermath made such radical changes in the economic structure of t world, that commodities soared to prices hitherto unheard of; Dun's index f 1913 being 116.319; for 1920 this was raised to 260.414. Probably the first defini trend downward showed itself in 1924, although after 1920 there was a drop fro the extremes of that year.

Owing to the great changes induced by the war and our development as foreign trading nation, it would appear as if the next great trend in commodity pric is downward. Not only has the war tremendously enlarged our facilities for man facturing goods, but it has changed us from a debtor nation to a creditor natic Prior to 1913, it has been estimated that we had a net foreign debt of about $5,00 000,000. After the episode of financing Europe, both in the great struggle a its attempted recovery, we find ourselves creditors to the extent of over $13,00 000,000. Instead of annual payments of approximately $250,000,000 we have no owing to us many times that amount in annual interest payments. From 1910 1924, our total foreign trade has jumped from $3,302,000,000 to over $8,200,00 000. We have become the leading bankers of the world and rank among the leadi traders. True that trade may only represent 15% of our total domestic producti but that small percentage represents the difference between prosperity and d pression.

To obtain payment on the huge foreign loans and to maintain our position trade, we must accept payment in commodities and this means but one thing. T force of competition will gradually wear the average prices of commodities boug in the American market to lower levels. The wise investor will foresee the chan in our economic life and safeguard the future by investing in long term bonds. A the commodity averages fall these fixed income-bearing securities will tend to becor more and more valuable as the income will develop a greater and greater purcha ing power.