

that their movements may be greatly influenced by speculative interest very remotely associated with underlying economic conditions. Thus in 1928 and 1929, common stock prices advanced far beyond levels indicated by business profits and prospects.

The behaviour of Canadian common stock prices has been quite different from that of commodity prices since pre-war years. There was no advance in security markets during the Great War paralleling the pronounced inflation in commodity values. Between 1926 and 1929, however, when commodity prices were declining gradually, common stocks more than doubled in price. Both sets of prices recorded a sharp drop between 1929 and 1933, and both have shown recovery subsequently. This has been much more pronounced in the case of security prices.

**Investors Index Numbers of Common Stocks.**—Canadian security prices of all types suffered net losses during 1937. Amounts varied, ranging from an average of approximately 20 p.c. for common stocks down to 2 p.c. for Dominion long-term bonds. Year-end comparisons fail to reveal the extent of price reactions in 1937 which came between February and October, following a period of rapid appreciation dating from the summer of 1935. This recession wiped out gains of 1936 and part of those recorded for 1935, before signs of hesitant recovery appeared in November and December. Mining stocks showed considerable improvement at this time, although industrials and utilities made little progress.

Industrial common stocks reached a major turning point on Mar. 10 and thereafter moved definitely downward. This marked the termination of an irregular advance dating from February, 1933. Intervening reactions were all of a minor character and bore little semblance to the drastic decline of the past year. The first phase of this movement ended on Apr. 29 in a heavy wave of liquidation. The industrial index for that day was 205·0 as compared with the Mar. 10 peak of 247·3 and the opening level of 220·0 on Jan. 4. There followed a period of erratic recovery terminating on Aug. 14 with the index at 226·0. Most of the improvement occurred in July. The second phase of decline was much more drastic although it gathered momentum rather gradually. Termination came on Oct. 19 after a week which witnessed the sharpest break in prices since October, 1929, and after the index had reached 154·9. Subsequent recovery was equally pronounced at first, but markets soon settled down into a series of cyclical fluctuations, usually of about two weeks duration, and little headway resulted. The industrial price index for Dec. 31 was 165·6. The 1937 December average of 167·7 was 21·2 p.c. below the corresponding average for 1936. Percentage declines between monthly average levels for December, 1936 and 1937, for various industrial stock groups were as follows: machinery 26, pulp and paper 38, milling 26, oils 13, textiles 9, foods 15, beverages 21, building materials 28, industrial mines 29.

Utility stock prices followed the general market swings of the industrial section, but fluctuations were less pronounced. Opening at 66·1 on Jan. 4, a price index of 19 utility common stocks moved gradually upward to the year's high of 75·3 on Feb. 20, three weeks before industrials reached their crest. The subsequent decline halted at an intermediate low of 59·2 on Apr. 28. The second low in utilities of 48·0 came on Oct. 19 after an intervening rise to 67·3 on Aug. 9. Subsequent rallies showed little underlying strength and during the last two months the utility average twice dropped under the lowest October levels. It was 47·8 on Dec. 31. Sharp declines in the transportation section, and last quarter weakness in the power issues were responsible for the losses registered by the utility group.