

Section 3.—Index Numbers of Security Prices.

Security prices have long been utilized in statistical measurements related to economic phenomena. They are generally sensitive to changing business conditions, although this valuable characteristic is sometimes overshadowed by the fact that their movements may be influenced greatly 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 1914. During the War of 1914-18 there was no advance in security markets 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. However, this recovery has been much more pronounced in the case of security prices.

Investors Index Numbers of Common Stocks.—The outbreak of hostilities at the beginning of September found Canadian common stock prices at or near low points for 1939. From the year's opening level of 107·5, the Bureau's daily index for 95 industrial and utility common stocks declined about 16·3 p.c. to 90·0 on Aug. 24. Recessions were common to almost all sections of the market during this period. After the declaration of war on Sept. 3, the industrial and utility share price average mounted within four days to approximately 17 p.c. above the year's low. A decline, almost as sharp, cut more than 80 p.c. off this advance within the ensuing two weeks. A sizable rally developed from that point which moved this index back to 108·7 by the final week of October. The closing weeks of the year again found quotations moving lower, though this reaction was in marked contrast to the substantial improvement in Canadian industrial activity in the final quarter. Closing at 101·2, the composite index of industrials, utilities, and banks showed a net loss of 6·9 p.c. from the corresponding level of a year earlier. Industrial stocks, paced by a 19·6 p.c. decline in the industrial mines sub-group index, dropped 9·8 p.c. during the year to 165·4. An index for 19 utilities, on the other hand, moved 3·2 p.c. higher to 45·6. Bank stocks were 0·7 p.c. higher, the index at the end of the year being 84·4.

12.—Investors Index Numbers of Common Stocks, by Months, 1939.

(1926=100.)

NOTE.—Figures for earlier years will be found in the corresponding table of earlier editions.

Month.	Grand Total.	Types of Stocks.										
		Banks, Total.	Industrials.									
			Industrials, Total.	Machinery and Equipment.	Pulp and Paper.	Mill-ing.	Oils.	Textiles and Cloth-ing.	Food and Allied Products.	Bever-ages.	Build-ing Materials.	Indus-trial Mines.
January . . .	102·9	85·2	171·4	129·4	16·9	79·1	173·5	52·9	172·9	126·9	133·3	422·1
February . . .	104·1	85·3	174·0	129·4	16·4	77·6	175·9	54·3	175·3	130·4	133·6	433·1
March	103·7	85·1	171·4	126·6	15·1	79·8	173·9	57·2	172·5	127·6	132·9	419·2
April	96·2	83·7	157·7	111·1	11·5	71·4	162·9	53·1	169·2	116·9	119·3	381·9
May	99·2	84·7	163·0	112·5	12·0	78·9	170·2	55·0	176·3	120·4	124·6	387·9
June	97·0	85·0	157·6	114·2	12·4	77·4	153·2	56·2	179·2	124·7	128·8	389·0
July	97·3	85·0	159·2	118·0	12·7	75·0	154·0	59·8	182·1	124·8	129·5	393·1
August	94·2	84·3	154·2	108·6	11·1	76·0	147·9	60·1	180·5	117·7	121·6	386·7
September . .	100·1	78·4	168·2	132·8	19·1	99·8	164·6	71·9	170·8	108·5	145·3	426·3
October	106·0	81·0	177·0	149·1	23·4	106·3	185·9	81·4	178·8	121·4	160·9	399·6
November . . .	103·6	84·2	171·9	141·1	22·7	100·9	173·9	82·9	174·3	127·5	156·5	394·8
December . . .	101·2	84·4	165·3	142·1	23·7	101·8	163·5	84·7	180·1	130·8	155·3	376·8