THE INVESTMENT MARKET.

In all probability the recent heavy decline in Montreal Street Railway stock is mainly due to the cause to which it is generally ascribed, viz., disappointment among the stockholders at not getting the right to take the new stock at par as they have been accustomed. When the holders of a stock paying ten per cent. dividends have been thus getting valuable rights from time to time, and are suddenly confronted with a change in their company's policy by which the value of the rights connected with the present and prospective issues of stock is very much reduced, it is natural that the stock should seek, for the time, a new basis; and this notwithstanding that the intrinsic value of Montreal Street Railway stock, measured by its earning capacity, is day by day becoming greater. But considerable declines have taken place in other stocks also. For some of these declines specific reasons exist in the circumstances of the companies themselves. For example, Detroit United has been weak, as nearly everybody knows, because of the termination of some of its franchises and the agitation against their renewal. Dominion Steel and Dominion Coal have been affected by the dispute over the famous coal contract. The bank shares are temporarily under a moderate selling pressure because of the unfortunate predicament of Ontario Bank stockholders. And for quite a number of the declines no apparent reason exists except the tightness in the money market. The various properties are doing well and earning more than they ever did before. The value of the stocks which represent them is, therefore, steadily increasing.

The brokers, and many of the would-be speculators know this well, and are quite ready to buy on weak spots, but it is not always possible to get the necessary funds from the banks; and when call loans are not to be had the tendency is for the stock market to go lower. This hurts the speculators, of course. If that were all it did, words need not be wasted. But it does more. It interferes with investment buying also. Though it is true that a very heavy decline in prices brings in eventually what is called bargain-counter buying, it nevertheless interrupts the steady day-to-day purchases. After a decline sets in it is always some time before its causes are fully understood, and in the meantime those who habitually invest their surpluses in stocks and bonds are disposed to hold off, fearing that something special may be wrong with the different securities under pressure.

After the Fall demand for funds is past, there are sometimes, offerings of plentiful supplies of funds. The state of affairs makes extensive manipulation possible. Those who have inside knowledge of the putting out and taking back of bank funds have an advantage which is sometimes used, apparently, to rig the market. Of course, it is well understood that the money situation here is handled efficiently and well. The banks regard their mercantile interests as being entitled to the first consideration and there is never any disturbance in the market for mercantile discounts. The policy followed in that is to provide for all the legitimate wants of borrowers in good credit. A number of the banks display a reasonable thoughtfulness for the call loan market also. They evidently apportion a certain amount for the Montreal and Toronto markets and are careful not to increase or decrease the amount too suddenly. If all would follow the same policy a more stable investment market would result. The market here is not so broad as that in New York. Even when moderate sums are thrown on or taken off it is a bit disturbed. There is no doubt, that our market will grow broader and bigger as the total of banking capital increases, and as the banks are able to place a larger sum, more or less permanently, at its disposal. This capital can best be supplied by the existing strong banks. The amount of paid-up capital and reserve is increasing steadily. The country needs all the banking capital it can attract; and the general development, industrial as well as financial, is hastened by the placing of a sufficient amount at the disposal of the securities markets.

There are two methods followed by the institutions which are desirous of not upsetting local finances, which might with advantage be followed by some of the others. As mentioned before, these banks apparently endeavour to keep the amount they have invested on the local markets from fluctuating greatly. Therefore, they do not lean on their Canadian call loans too heavily. When they have surplus funds which they know will be wanted in two or three months, they put them out in New York. And for special demands made by their borrowers for a very short time they have, in addition to the foreign call loans, their securities. These can be deposited with a strong London bank and arrangements made for drawing against them. It would seem to be quite proper and legitimate banking to draw against securities deposited in London, to provide funds for advancing on grain, bills, etc., during the harvest season. The grain bills which are bought, when pursued to their final destination, will provide the funds for liquidating the London overdraft. This method has the sanction of powerful banking opinion and it is easy to see that by using it the necessity of upsetting local investment conditions through calling in loans at one time and putting them out at another, would be to some extent avoided. The securities bought would have to be,