

The Chronicle

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(Continued from front Page)

or not, our neighbors can rest assured that Canada's fidelity to the British idea rests on much deeper foundations than any matters of co-operative economic development, desirable as these may be, and that in any future crisis, Canada's action will spring from those deeper foundations and not from considerations of logical expediency. When Americans have got hold of that idea, they may begin to understand Canadians: until they do get hold of it, they will continue to blunder about us as if we were at the ends of the earth instead of their nearest neighbors.

A descent in Stock Exchange values locally, which has not been paralleled since July 1914, marked the week end, and in the early part of the present week, prices of a number of the leading industrial and other securities reached new low levels for the year. On Monday evening, it was reported that an arrangement had been come to whereby the banks would release a certain amount of funds for the support of certain standard securities, regarding which it was feared the public confidence would soon be shaken. Obviously, however, an arrangement of this kind was not designed to stop a further purging of speculative securities, and it was not apparent from the trend of Tuesday's prices that the move had much effect, although the comparative steadiness of the public utilities group of securities in circumstances of the most trying character is notable. The present break has been of course, precipitated by the slump in Atlantic Sugar, following developments in the local sugar situation, which may be briefly summarized as "every man for himself and the devil take the hindmost." Dame rumour has it that a falling out among the executive personnel of the refineries had something considerable to do with this week's events. Apart from this, there seems little doubt that the losses actually being sustained by the refineries are sufficient to account for a perpendicular landslide in the Company's stocks, although other causes may also have had a hand in this week's happenings.

With regard to the slump generally, the principal thing to remember about a headlong descent in

values is that the process has not necessarily any relation to real values. It is no doubt partly a discounting of losses, either immediate or prospective, following the industrial reaction now in process. But a good many other considerations also enter into it—tight money, the correction of an over-extended speculative position, the cumulative effect of forced selling by weakly margined holders, and apparently, also, some short selling. It is the habit of the Stock Exchanges always to overdo things, either one way or the other, and it is probable enough that before bottom is reached in the present shake out, or series of shake outs, prices will have been brought to levels much below real values as represented by earning power. So far as the paper stocks are concerned, for instance, there is no evidence that the prices of the Companies products are yet to share in the general decline of commodity prices. There are some indications that a price will be fixed for paper for the next quarter, which will be at least as high as the contract price for the present quarter, and somewhat higher than several of the Canadian companies are now getting on old contracts. But, as has been said, in times like this the Stock Exchanges pay little attention to real values, and he would be a bold prophet who would venture to assert that the bottom of prices has yet been reached.

The market in bonds continues quiet. Steady trading in the various Victory Loans is reported, and there are some expectations that the demand for these will increase as funds are withdrawn from business. The bond dealers are principally concerned with sales in the United States, where on account of the rate of exchange, Canadian bonds of high grade can be made to cost an extremely attractive figure from the interest point of view. But this business in the aggregate does not reach very large proportions, and the general report of the bond houses is that the business is dull.

The surprising Republican victory in the United States presidential election was not followed on this occasion by a jubilant exhibition in Wall Street: in fact, extreme weakness in industrial stocks was the first phenomenon after Senator Harding's success. That the election had anything to do with this is not very likely. The outlook in the United States is remarked upon by competent observers as being an extremely complex one at the present time. While the downward adjustment of prices and curtailment of output have proceeded rapidly in many departments of business, there have been signs of recovery elsewhere. The steel market, that barometer of industry, is confused by the fact that one-half of the industry, represented by the "independent" companies is reducing its artificially high prices and finding little new busi-