TROUBLE IN THE STOCK MARKET.

For some weeks past there have been signs of trouble brewing in the stock market. It was evident that heavy liquidations were taking place, especially in those securities largely held in the West. Bear pressure from New York being added to the above created those conditions which culminated in Tuesday's slaughter of securities.

The enormous extent to which the industrial enterprises of modern times have been developed by their capital being drawn from thousands of contributors in the joint stock principle, has rendered the stocks of such companies exposed to such influences as are created by popular impressions as to trade conditions and prospects. Had some distinct sign arisen to shake confidence in the continuance of the prosperity generally prevalent over the whole of Canada, and of the United States, it would have been a natural result for the stocks of industrial companies to have declined in market value and for a bear movement to have been inaugurated and been successful on a large scale. But no such sign has appeared, nor is there anything known to excite apprehension as to the industrial outlook.

Money, it is true, has been and continues to be less abundant than needed for the business requirements of the country. But there has not been, nor is there any such shortage as to create a panicky movement on the scale that has recently been in progress. Indeed, the scarcity of money was and is owing to the general industrial activity and prevailing prosperity.

To what then must be attributed the disastrous decline that has taken place in a number of leading industrial stocks in the absence of those causes which naturally and inevitably depress their values? From what has transpired this week it is evident, that an enormous amount of stock capital has been subscribed for by those who relied upon their being able to carry the shares on margin and gradually dispose of them, i.e., to "unload" when the market was favourable.

This condition led to persistent efforts to create a demand for such stocks, with the consequence that, a large quantity came into the hands of weak holders who are prone to buying beyond their means when prices are rising and whose weak financial position renders them so vulnerable that they are forced to realize when a temporary decline sets in.

It is alleged that, at one period, when values were advancing, money was too readily advanced to enable these weak holders to acquire stocks beyond their means to hold, and that, as the market prices were falling, there were calls for more margin than the operators could furnish, the result being that stocks were thrown on the market merely to cover advances made at the higher level, which naturally has a depressing effect on values by creating an abnormal supply when there is least demand.

Sales of stocks to cover advances aggravate the mischief of the situation, they are the worst, the most effective kind of a bear movement, and even when confined to some one or two stocks, are sure to demoralize the market, with the risk of creating a panic. Clearing out shares held on margin to recoup advances is like throwing oil upon a fire, as this process intensifies the evil. Before being resorted to some consideration should be given to the *intrinsic* value of the stocks held to secure loans, as it is quite conceivable for more than the margin to be exhausted and yet for the security to be thoroughly sound and adequate for the lender.

Several of the stocks that recently sank so seriously in market price demonstrate this to be true, for they form part of the capital of enterprises that are prosperous and whose earning power is developing. They are firmly established enterprises without any element of speculation in them, yet, by the shares having been thrown in the market, as goods are at "a slaughter sale," they have dropped to a market value that is considerably less than their *intrinsic* value as sound investments.

THE FAILURE OF A. E. AMES & CO., TORONTO.

The excitement caused by the recent downward rush in certain stocks reached its climax on the 2nd inst., when it was announced that the prominent brokerage and banking firm of A. E. Ames & Co., Toronto, had suspended payment. Notice of this was posted on the office door at 11 a.m., the cause of the trouble being stated to be "continuous severe declines in the securities market." The firm asks for indulgence until a statement can be prepared and consideration given as to the best course to be taken. Mr. Ames occupies so prominent a position amongst the financiers of Toronto that this event caused a painful sensation which, happily, subsided without creating a panic as was feared. The Ames firm has carried as high as $15,000,000 of stocks. The bulk of the loans were negotiated in the United States, in New York, Boston, Philadelphia and New Jersey. The liabilities of the firm on 31st May, are estimated to have been $10,140,000, showing a book surplus of $1,090,000. These figures, however, are subject to correction when fuller information is made public after the accounts, securities, liabilities and assets have been examined and valued. The savings bank conducted by the firm holds about $240,000 of deposits.

Cooler heads have realized that the prices to which the leading stocks of the Canadian market had been reduced were much below their *intrinsic* value as investments. Mr. Ames was President of the Metropolitan Bank which was opened last year with a paid-up capital of $1,000,000 and a reserve fund also of $1,000,000. At the end of April last it had deposits to extent of $712,808; current loans, $1,233,113, and call loans, $1,086,816. It is stated