

whether in the case of industrials or mines, is at a comparatively high level and it is human nature for the public not to sell when stocks give indications of a rise. On the other hand, when stocks begin to go down, the public get very uneasy and they naturally try to sell out quickly, which, however accentuates the downward move. It is therefore necessary that liberal margins be well maintained.

*19th May 1927*

We are not desirous of further increasing the aggregate of our loans against stocks and business which has pronounced earmarks of speculation or where the loans are out of proportion to the customers' worth should be definitely declined. We are passing through a speculative cycle in which sight is likely to be lost of real values but a drop in prices must eventually take place and quotations are apt to fall to a surprising extent when the turn comes and there are few purchasers in the market.

*15th October 1927*

The persistent activity in the stock market evidencing as it does a good deal of indiscriminate buying of securities at high prices continues to give us considerable concern. In view of the fact that the market for stocks in Canada is relatively a narrow one, any sustained selling pressure is bound to have a great effect on present quotations. While we realize that a certain amount of this business must be taken up on grounds of general policy, it is more than ever necessary that careful discrimination should be exercised, that margins should be well maintained and that the borrower, apart from the securities he lodges, should have independent means sufficient to enable him to keep the margins right in a rapidly falling market.

*20th October, 1927*

The demands for money are increasing and with the movement of the crops in full swing it is obvious that the brokers will not find it so easy to secure loans against stocks. As a result there will probably be more than the usual demands made upon the managers by various individuals to have the bank carry loans for them against securities and we think it well to advise them that it is not our desire to expand our loans in this direction. In fact our stock loans are already higher than we care to see them. The managers should bear in mind that in a stock market such as we have at present, the air is full of rumours and tips, circulated in many cases for the sole purpose of selling shares and our customers who apply for advances against stocks should be advised that this is no time to be making large commitments. The market at present seems high and with speculators bubbling over with enthusiasm, it is surely a time for extreme caution.

*5th April, 1928*

We notice that investments in stocks are appearing quite frequently in the commercial balance sheets presented with applications for credit. It is obvious that it is not the best practice for a commercial enterprise to go outside its field by acquiring holdings in speculative stocks which have no connection with the business in which it is engaged and we would suggest that when situations of this kind appear the first opportunity should be taken to advise the borrower that it is in his interest to conserve his funds for his business. We cannot, of course, take exception where a company is accumulating reserves in the form of high-class securities, but speculative inclinations—where it is obvious the customer is none too strong and is only taking a "flyer" in the market—should be discouraged as unsound.