# THE INVESTMENT FIELD

**Specially Written for the Illustrated Canadian Forestry Magazine**

*In line with our policy of broadening the scope of The Illustrated Canadian Forestry Magazine, we publish regularly a Financial Section in which various phases of the Investment field are reviewed. This Section is written by a thoroughly competent and entirely reliable financial authority who will each month prepare an article of special interest to our readers. Needless to say, the department will be conducted along purely informative and educative lines, without any attempt to influence our readers unduly in their financial undertakings.*—EDITOR.

THE steady rise in sterling exchange, which at the time of writing is within four or five per cent. of normal, is one of the most remarkable incidents in post-war finance, and carries at the same time great significance for the investor.

It has been remarked that "unquestionably the greatest single barometer of world health is the rate of exchange on England." The rapidity of the return to normal of the pound sterling in the face of a host of theories as to the impossibility of a $4.86 2-3 rate for many years to come, will bring about a readjustment in financial and industrial conditions so far as the most important single factor in the world is concerned, much more quickly than had been anticipated by even the most sanguine. The recovery of sterling will reverse a condition for securities where England was selling in Canada and the United States when the discount was heavy, into a position where the English investor will again be in the Canadian market as a provider of loans, and perhaps once again the most potent element in the development of the industrial resources of this country.

In other words, New York financiers are beginning already to count on English money replacing in large part that of the United States in the subscription to Canadian loans, whether they be Government, Provincial or industrial. Interest rates already over there are much lower than in Canada, with call loans common at two per cent., and the Bank of England rate at three per cent. Competition with New York for Canadian bond issues seems now a matter of only a few months, and a return to a large extent to the condition that prevailed before the war when England took care of practically all the outside borrowing requirements of Canada.

More than that, the improvement in sterling is certain to place England in a far better position to buy Canadian as well as United States products, and the export trade of Canada, which has been improving in a most gratifying manner of late should show even heavier gains in the positive direction in the near future. With the industrial outlook brightening for this year, and an enormous quantity of surplus money on hand among the banks and other institutions, not only for industrial needs but for investment purposes, the general outlook for an appreciation among good securities of all descriptions is most promising as the year 1923 gets on its way.

### The Warning of the "Slump."

Before the gloom that was engendered in the buyer of securities on slender "margins" during the latter part of November and the first half of December becomes dissipated in the brighter outlook with which the year closed, — although followed by a further set-back through the Franco-Germany impasse—it is well to sound once more a warning against this form of investment. For the most, indeed, it becomes a mere matter speculation. Perhaps the first point that impresses student of the situation is the suddenness with which the movement changed from an upward to a downward slump. Apart from a stray voice or two crying in the wilderness of a bull-market—and their warnings invariably are disregarded,—the great majority of brokerage and other investment houses were unprepared for the sudden reaction in the market. The "war scare" came over night, and this operated disastrously on the Canadian market. The New York market, with the United States from a political standpoint more remote as a possible actor in the Far Eastern affair, was only moderately affected, but immediately afterwards the market reversed and a long period that developed into a "bear" movement ensued. The Canadian market followed New York in a secondary relapse after the war scare tumble. It is quite true that the Canadian market behaves on an average much better than New York for the simple reason that there has not been the sharp upward movement of the larger markets.

Even as it was stocks dropped without warning, five, ten and even fifteen points, and once again a large portion of marginal speculators of small means were wiped out. The "instalment" buyer was saved. Perhaps his security declined five or ten points, which would have meant a calling of further margins for him, had not his first instalment protected him according to agreement, and the investment house covered the temporary decline. The buyer himself, confident in the ultimate come-back of a legitimate investment security, was able to sleep quietly, without the anxious figuring over "margin" losses that proved so disturbing a nightcap to his marginal friend.

### A Dangerous Game

Let it then be emphasized once for all—before more definite suggestions are made in future issues as to individual groups of securities or even individual ones—that the marginal buying of securities, particularly of "common" stocks, is a dangerous game for the man of small means to attempt. The time to impress this is now—when heavy losses have been widespread among those who "invested" the full extent of their capital, and when the break came—suddenly and without warning as is the case so often and almost always,—they had no reserve to cover the amount of the decline in the stocks they held, and so were forced to sell out at the lower levels all the stocks they carried, losing a large part, if not all, the capital they had expended.

The stock market is tricky. New York has always two main groups, the "bulls" and the "bears", the one constitutionally and persistently an optimist, expecting and influencing a rise, the other, similarly disposed towards a falling market, with manipulation, especially in times of weakness, a most rampant force. The Canadian markets are less professional; there have been, as yet, comparatively few "bear" movements preceded by and influenced by "short" selling. The New York market is favored by many purchasers because they are assured