

# QUARTERLY FINANCIAL REVIEW

## FIRST QUARTER, 1914

### The Outlook

THE April outlook has many of the characteristics of the January outlook. When January opened up everybody was cheerful and optimistic. This optimism continued for a month and then died down. April is likely to experience a repetition of the cheerful mood of January. Whether it will die down again as quickly as the January boom remains to be seen. There are, however, reasons why it is likely to be more permanent. The only cloud on the horizon, so far as this country is concerned, is the delayed bargain between the Dominion Government and the Canadian Northern Railway. If a settlement were reached which was satisfactory to both, the financial horizon would be much clearer. At the moment the negotiations are suspended until after the Easter holidays.

The figures of Canada's trade with other countries for the year ending March 31st will not be available in time for this article, but the total trade will undoubtedly equal the high record of 1913. There has been a decline in imports, but this has been more than made up by an increase in exports. The official statement only gives the figures to the end of January. For the twelve months ending January 31st, our total foreign trade amounted to \$1,113,423,320, as against \$1,012,568,448 for the same period ending January, 1913, and \$804,690,848, which was the aggregate trade in the twelve months ending January, 1912. So far as these figures are an index of prosperity, they are encouraging. The growth in exports is even more encouraging. In 1912 we exported goods to the value of \$299,085,968. In 1913 these increased to \$362,889,591, and for the twelve months ending January, 1914, showed a further increase to \$466,194,810. This increase is positively encouraging.

Bank clearings for the three months were very satisfactory. They were not quite as large as in the first quarter of 1913, but are larger than for the same quarter in 1912. The figures for the three leading cities for the last two years are as follows:

	1914.	1913.
Montreal .....	\$646,594,002	\$666,497,234
Toronto .....	517,505,068	531,966,432
Winnipeg .....	290,150,068	343,053,705

With regard to domestic conditions among the merchants of Canada, the situation has improved during the quarter. It was thought that there would be many failures, due to the fact that the banks would undertake to clean up some bad accounts. This fear was not realized and the commercial community has passed through the most trying quarter of the last five years with flying colours. Wholesale and retail business seems to be on a sound basis, and only the manufacturers of railway equipment are lacking in orders. The Budget speech, delivered on Monday of this week, has cleared the situation with regard to the tariff and the question of bounties. Every industry now knows what conditions are to be for another twelve months. Uncertainty has been replaced by certainty. On the whole it was a protectionist budget and gives special attention to the iron and steel industries. The reduction of duties on binders and mowers from 17½ to 12½ per cent. should not seriously affect implement manufacturers. The other changes all make for increased home trade.

Sir Thomas Shaughnessy, discussing the outlook, says: "I look for business to pick up rapidly from now on. Stocks of goods throughout the West are pretty well depleted and must early be replaced. This in itself will mean a very substantial volume of business. We do not expect as many immigrants this year as in 1913, but the difference in numbers will be made up by the importation of pure ordinary labourers and workmen. In regard to farm labourers I may say that we expect to carry nearly as many this year as last. There will be no lack of these, and they represent the best type of immigrant, which the Dominion requires."

### Three Months' Bonds

FROM whatever standpoint viewed, the first quarter of 1914 has been a period of retrenchment, and in no department of finance has this been more definitely evidenced than in the bond market. Listed and unlisted securities alike have been passing through a salutary state of rest, and the narrow degree of trading has been only equalled by the restricted nature of fluctuations in prices.

As regards the listed bonds, transactions in the Toronto Stock Exchange, which may be accepted as a fair indication of conditions as applied to the whole Dominion, have shown a fair increase over the

corresponding period of 1913, and a very small gain over the first quarter of 1912. The improvement has been due, however, to an unusual degree of activity in one or two special issues, and does not indicate in reality any really sustained demand over the period under review.

The repressed dealings in the usual run of industrial, railway and public utility bonds have contrasted strangely at times with the sustained demand for municipals. Truth to tell, the attractive nature of the latter issues has served to detract to a material extent from the general bond market, for security houses have gone out of their way to call attention to the very favourable opportunities afforded by municipals, and the result has been that the major portion of the money available for investment in bonds has been diverted into that channel.

#### Dealings in Listed Bonds.

The following table, which gives the dealings in bonds on the Toronto Stock Exchange by months for the first quarter of the years 1914, 1913 and 1912,



MR. B. HAL BROWN

Started Life as a School Teacher, and in 1883 Became Inspector for the London and Lancashire Fire Insurance Company in Western Ontario; Later Became Their General Manager for Canada; Since 1910 Has Been General Manager Prudential Trust Co. at Montreal. He is Also President of This Growing Institution.

speaks for itself (figures are par value of bonds dealt in):

	1914	1913	1912
January .....	\$157,600	\$ 55,145	\$150,500
February .....	201,200	121,500	152,500
March .....	82,100	180,600	137,210
3 months ....	\$440,900	\$357,245	\$440,210

It will be noted that the total sales (par value) for the first quarter of 1914 were \$83,655, or nearly 25 per cent. in excess of those of 1913, and \$690 greater than those of 1912, the increase in the latter instance being less than 1 per cent.

As stated above, the gain was due to unusual activity in one or two instances, notably in respect to Canada Bread bonds, and cannot be taken as indicative of a general improvement in the call for these investment securities. Brokerage houses state, in fact, that the exhibit is hardly to be accepted at its face value, as the movement in Canada Bread bonds, coinciding as it did with the inauguration of active dealings in the common and preferred stock issues of that company, cannot with justice be taken as an indication of the underlying tendency.

Persons with a penchant for making deductions from statistics may form their own conclusions regarding the remarkable falling off in bond transactions during the third month of the quarter this year. In this connection it might be pointed out that the active movement in Canada Bread bonds was not continued during that period.

#### Restricted Price Changes.

The natural result of diminished volume of dealings is restricted price changes. Save in respect to

a few issues in which special influences have been at work, values have not altered to any material extent, as the following computation shows:

	First sale 1914.	High 3 mos.	Low 3 mos.	Last Sale.
Can. Bread .....	92	97	90	94½
Can. Loco. ....	97½	98	96¾	96¾
Cement .....	95¾	97½	95¾	97½
Dom. Can. ....	98	100	97½	100
Elec. Dev. ....	91	93	91	91
Keewatin .....	100½	100½	100	100
Porto Rico ....	85	85	85	91*
Quebec Ry. ....	50¾	50¾	50¾	50¾
Rio .....	96	97	94¾	94¾
Spanish R. ....	77½	79	77½	79
Steel Co. ....	92½	93	92	93

\*Bid price.

It will be observed that of the above only five issues, Canada Bread, Cement, Dominion Canners, Porto Rico and Rio, end the quarter as much as a single point removed from the opening level of the year. In the case of Canada Bread, as stated heretofore, special factors have undoubtedly brought about the movement. An active market has been inaugurated for the common stock and the preferred issue has been listed, as a result of which the bonds have come in for an active demand which in all probability would have been lacking under ordinary circumstances. For a 6 per cent. issue they were undoubtedly cheap, hence the basis of the upward movement. Rio de Janeiro 5s have met with more attention than usual, owing to the Brazilian crisis which has been reflected, particularly in the London market, in a down turn in all Brazilian securities.

#### Unlisted Bonds Very Quiet.

Sufficient has been said to evidence the fact that the listed bond market has on the whole maintained a very quiet tone, with only two particular issues at all in the limelight. It is impossible, of course, to secure details of the volume of dealings in the unlisted issues. The statement emanating from a round half dozen of security houses and bond brokers that trading has been unusually quiet may, however, be accepted at its face value, and merely goes to show that, as in the case of the listed securities, the quarter has been practically devoid of feature, both as regards dealings and price changes, the latter having been purely negligible.

So far as known there have been no new issues of industrial, railway or public utility bonds in the Dominion during the three months under review. This rather remarkable fact has been due to the unfavourable conditions obtaining as regards new financing. A number of corporations have been desirous of floating bonds, but the financial situation has not been of a nature to encourage such operations and in consequence the prospective new issues have been held over for the time being.

#### Improvement in Sight.

As regards the outlook, the consensus of opinion is that improvement will not be long withheld. For months now the private investor has devoted his attention largely to municipals, a natural result of the fact that it has been possible to pick up such securities on a basis of yield of at least 5 per cent., and in some cases as much as 6 per cent. With such conditions obtaining, industrials returning only a fraction of one per cent. better than that ratio have not been attractive.

As a result of the sustained demand the municipal market has been pretty well cleaned up. Meanwhile prices are advancing, or, to put it another way, yields are declining. If this tendency continues much further, the investor will have to look for industrial and public utility issues to afford him the return he demands, and from present indications the time is not far distant when this development will commence to make itself felt in the bond market.

### The Popular Bank Stock

THE growing appreciation of bank investments, which was an interesting phase of market history in the early part of this year, and upon which comment is made elsewhere in this issue, is made the subject of an original analysis of these securities by Messrs. Jaffray, Cassels & Biggar, of Toronto. For five years, at this season, the firm has drawn attention of the investing public to the merits of bank stocks, and as the month of April witnesses the distribution of probably more dividend and interest payments likely to be attracted again into such