owners of the.r enterprises are now realizing the wisdom of their action. In times of stress a policy of caution is never permanently unpopular, and it has been the experience of these corporations, the permanency of whose dividends have been matters of comment, that a reduction in the return to shareholders has usually resulted in steadier markets for the security, while those stocks attended by dividend uncertainties continue to be the plaything of the short interest. The moral is, that the public is always more assured—if not better satisfied, when any bad news that has been overhanging the market is finally out. It may be interesting to run over some of the typical dividend reductions which have occurred during recent market history. The Toronto Paper Mfg. Co., the Smart-Woods, Ltd., the Dominion Steel Corporation, the Dominion Coal Co., Mexico Tramways Co., Monarch Knitting Co., Dominion Canners Company, all passed their common dividends, while Mexican Light & Power Company, and Russell Motor Car Company passed both common and preferred dividends, and the A. Macdonald Company of Winnipeg and the Spanish River Pulp and Paper Company passed their preferred dividends. These and other evidences of the shortening of sails by commercial commanders has helped rather than hurt sentiment since we have begun to frankly recognize that a spell of industrial reaction is not well under way, if not almost over.

When the real history of this period is written sometime hence and the events through which we have passed are described in more candid terms than it would have been wise to employ at the time of their actual occurrence, the thing which will make this spell of dull times differ from all previous trade reactions will be the absence of commercial or financial catastrophes of consequence. The past decade has brought not only a great expansion in business, vastly improved methods of credit, more conservative and scientific banking, a higher morale in the commercial community, and a more vigilant and constant scrutiny of the trade situation which has usually discovered the weak spots before they became too dangerous. Thus until the Claflin failure there was no commercial collapse in the United States and, authoritative opinion to the contrary notwithstanding, that was a belated episode which might have come at any time during the previous three years, and it was not a real test of present conditions in the United States. On this side we have had no real disturbances, a situation which under the circumstances is as novel as it is encouraging.

ALTHOUGH scattered throughout the Canadian list the shrinkage of particular stocks during the past three months has been startling, the actual decline has hardly been as extended as recent comment would indicate. At the beginning of the quarter the average price of 69 representative stocks listed on the two markets was 111.44. When the current quarter opened these same securities represented an average value of 105.87. The average loss was therefore less than six points, but on the whole it is represented through liquidation. Twenty preferred stocks fell from an average value of $92.14 on April 1st to $87.65 on June 25th, which represented the end of active trading for the quarterly period, the remainder being broken by holidays. Thirty common stocks fell during the same period from $56.78 each to $47.87. The average value of fifteen public utility stocks fell from $116.65 to $113.90. Fourteen bank stocks broke from $211.35 to $208.97.

At the present time there is no incentive to activity in the security markets and there is nothing upon which to base a prophecy for appreciation in values. But those who are most keenly interested in the prosperity of the country are not expecting nor are they hoping for an immediate revival in trade. It will be sufficient if the immediate liabilities of the west are liquidated by the next crop, and in this event there should be no doubt as to a commercial revival at the turn of the year.

Three Months' Bonds

By A. J. TREBLE

ONE of the main characteristics of a good bond is its stability, and as a result of that fact it is idle to look for very material fluctuations in the bond market at any time. It is true, of course, that when business is booming and the outlook is bright, the public is inclined to invest and to speculate to an extent which far surpasses their inclination in the same direction when business is bad, trade reports are gloomy and the man on the street is predicting blue ruin for the country and all it contains. On the other hand, it is also a fact that when the financial and business skies are clouded, would-be speculators turn their attention to high-grade securities—such as bonds—rather than to the less stable ones. As a result the bond market does not feel the effect of depression or prosperity as much as might be expected at first thought.

Three months ago the statement was made in these columns that the bond market had been passing through a salutary period of rest, with narrow fluctuations in prices only equalled by the restricted degree of trading. Since then the second quarter of the year has passed and gone, and it has brought no material alteration in these conditions. Investors have been selecting what they want in a quiet way, with the result that there has been no rush of selling or buying to disturb the even tenor of price movements.

The dealings in bonds on the Toronto Stock Exchange may be accepted as a fair indication of conditions throughout the Dominion. It was pointed out three months ago that bond sales in the first three months of the year were in excess of those of the same period of 1913, and practically the same as those of 1912. The explanation was also given that there had been an unusual degree of activity in one or two issues, which had brought the total up to a figure which it would not have reached by a considerable margin had general conditions applied to the whole list.

In the second quarter there has been no such factor to increase the volume of sales, and the statistics really furnish a much better indication of bond market conditions than did those of the first three months. As a matter of fact, had the burst of activity in Canada Bread bonds not occurred in January and February, the transactions in the first quarter would have fallen away below those of other years. It is evident from this that the big decrease in the sales in the second quarter does not indicate so great a change in general conditions as it might appear.

The following table, which gives the dealings in bonds on the Toronto Stock Exchange by months for the first two quarters of 1914, 1913, and 1912, speaks for itself (figures are par value):

	1914.	1913.	1912.
January	$157,600	$ 57,000	$150,500
February	201,200	123,000	152,500
March	82,100	180,600	137,210
1st quarter	$440,900	$360,600	$440,210
April	$34,600	$133,700	$ 90,000
May	32,000	85,200	192,000
June	39,500	33,500	136,600
2nd quarter	$106,100	$252,400	$428,600

Reduced to a percentage basis it will be seen that the dealings in the first quarter of this year showed an increase of 22 per cent. over 1913, and were practically the same as those of 1912. In the second quarter, however, a decrease of 57 per cent. was shown compared with last year, and a decline of 75 per cent. from 1912.

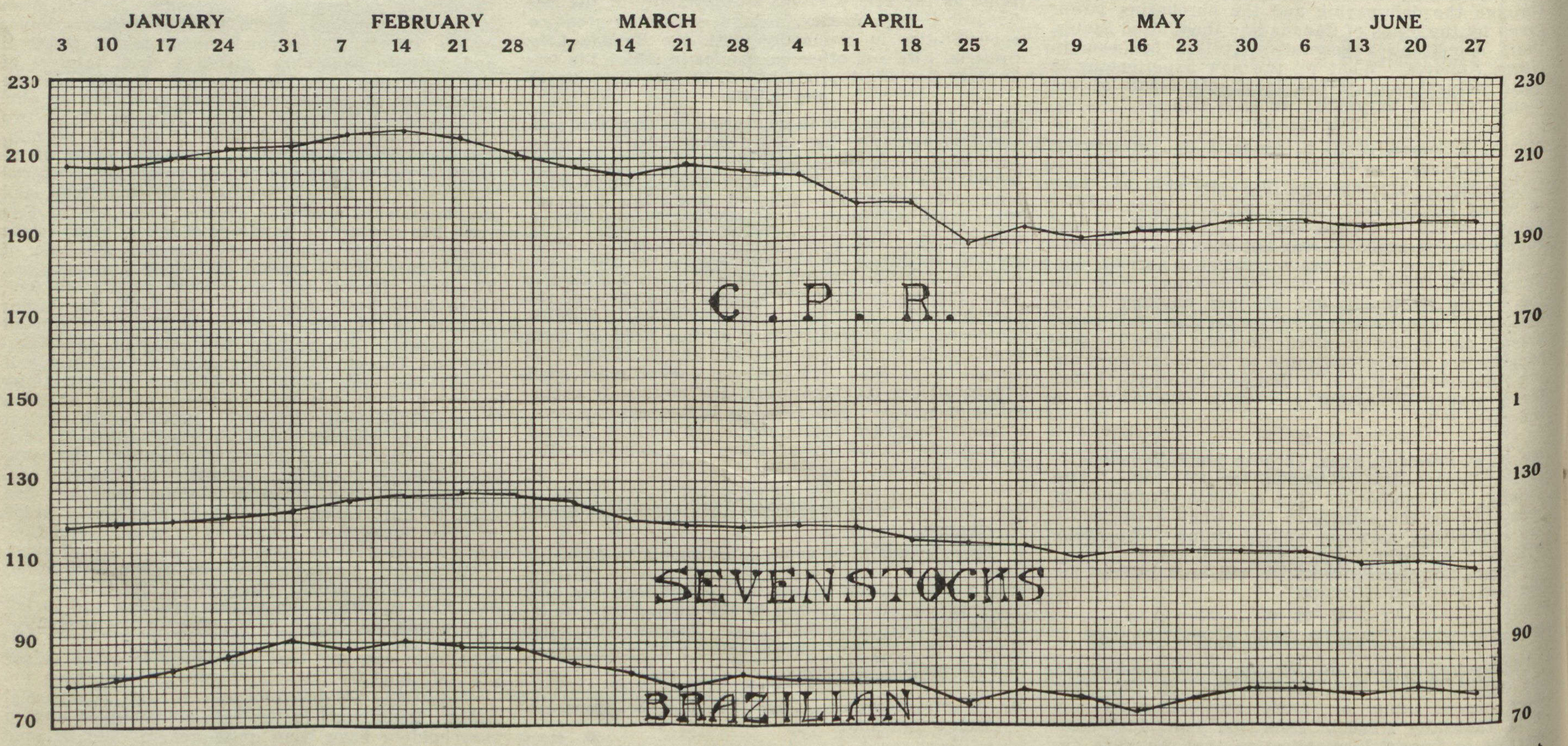
It is quite evident from this that dealings in the listed bonds have been much smaller than usual. As a matter of fact, they have fallen to a new low record for any three months' period in a great many years.

Three Months' Municipals

By H. S. E.

SOMEHOW, the boom in municipals, which was the feature of the first quarter of the year, has not overlapped into the second. Issues have been comparatively few and far between. Dealing is considerably restricted. There has only been a scattered demand, particularly in London, for Canadian municipals as a whole, though the Western cities have been more in disfavour than those of Ontario. Consequent upon the scattered demand come the small sales. Opinions gathered from some five or six municipal houses agree that in the aggregate municipals have not done as well in the quarter which has just closed, as they did in the first three months of the year. Neither April nor May nor June came up to January, which was almost a banner month, and put the municipal bond houses in a good

DECLINE IN THE STOCK MARKET REPRESENTED GRAPHICALLY



A glance at this diagram shows that nearly all the leading Canadian stocks have shown a decline during the first six months of 1914. C. P. R. opened the year at 208, rose to 217 in February, and fell to 194 at the end of June. Brazilian's career was less meteoric; it opened at 80, touched 90, and closed the period at 77½. The opening and closing figures of the seven stocks quoted above are as follows: Bell Telephone, 141¼-145; Canadian General Electric, 102¼-98¼; Dominion Steel Corporation, 37¼-22¼; Laurentide, 166-175; Richelieu & Ontario, 110-84; Rogers, 140-108; Toronto Rails, 113¼, ex rights, 127½. The gross of these seven stocks on January 3rd was 830; and on June 27th, 760¼. The average on January 3rd was 118.5, and on June 27th, 108.5. It will be noticed that February was the best month of the six, and that the decline in prices has been largely during the second quarter of the year.