

# Venice summit 'a big yawn' for stock markets

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## MARKET WEEK

Friday noon figures

|            |                      |
|------------|----------------------|
| TSE 300    | 3727 (-1)            |
| Toronto 35 | 195.09 (-0.15)       |
| Dow Jones  | 2377 (+49)           |
| S&P 500    | 298.73 (+3.64)       |
| Gold       | \$456(U.S.) (+2.50)  |
| Silver     | \$7.91(U.S.) (+0.03) |
| Bank rate  | 8.58 (+0.08)         |

the future direction of inflation and interest rates. "It left the realization that the inflation bug-a-boo is raising its head at a time when people thought inflation was dormant," adds Ing.

Inflation concerns, however, helped boost international bullion prices late in the week. That, in turn, pushed gold and metals stocks higher and saved the TSE 300 index from posting a loss on the week.

"People are back buying the gold stocks," some of which look attractively priced after correcting about 25% from their recent highs, says Ing. In fact, late-week interest in the commodity-related companies boosted the TSE's metals and minerals index 3.38% and the gold index 2%. Those were the best weekly advances posted by any of the TSE's

It's hard for investors to get excited about buying stocks when there's little financial, economic or political news on which to trade.

Take last week, for example. The Venice economic summit was a non-event, interest rates and the United States dollar were little changed and, as a result, the North American stock markets turned in lacklustre performances.

"It was really quite boring," says Tony Yue, a research analyst at Vancouver-based brokerage Penberton Houston Willoughby Bell Gouinlock Inc. "Investors were just holding off buying or selling."

The lack of interest in equity investing was reflected in the Dow Jones industrial average's less than 1% advance, which came despite the six-day string of record highs posted by the Dow Jones transportation index. Worse yet was the flat line etched out by the Toronto Stock Exchange's 300 index as investors awaited this week's federal government tax reform package.

"The Venice summit last week was a big yawn," says Yue. "It was more political than it was economic and there was nothing concrete on (co-ordinated efforts toward fixing) interest rates and currency levels."

Before the summit, investors hoped that positive economic news would result from the summit. "But it was just more of the same," says John Ing, president of Maison Placements Canada Inc. in Toronto.

The lack of news from the economic summit left investors with little to think about but

| Index  | week's close | Per cent change from |           |            |           |          | P/E ratio | Dividend yield% |
|--|--------------|----------------------|-----------|------------|-----------|----------|-----------|-----------------|
|  |              | last week            | 4 wks ago | 52 wks ago | 1987 High | 1987 Low |           |                 |
| Toronto 35   | 194.1        | -0.42                | -3.42     | +24.86     | -3.88     | +24.4    | 19.18     | 2.70            |
| TSE 300  | 3726         | 0.0                  | -2.8      | 21.2       | -4.4      | 21.8     | 20.82     | 2.49            |
| <small>Subindexes are ranked by change from 52 weeks ago, based on Thursday closings</small> |              |                      |           |            |           |          |           |                 |
| Gold   | 8599         | 2.0                  | -7.0      | 109.8      | -13.0     | 61.3     | 60.64     | 0.41            |
| Transportation   | 9064         | 1.7                  | -2.6      | 107.7      | -3.8      | 51.9     | 25.37     | 0.75            |
| Integrated Oils  | 4363         | 1.4                  | -4.5      | 65.5       | -5.2      | 34.2     | 28.37     | 2.28            |
| Oil & Gas  | 4207         | 0.1                  | -6.5      | 61.4       | -7.2      | 38.5     | N/A       | 1.50            |
| Oil & Gas Producers  | 4348         | -0.8                 | -7.8      | 58.5       | -8.5      | 42.3     | N/A       | 1.00            |
| Paper & Forest Products  | 4912         | -0.9                 | 1.4       | 53.7       | -14.0     | 34.5     | 16.63     | 2.01            |
| Real Estate & Construction   | 13257        | 1.3                  | -0.9      | 34.8       | -4.5      | 19.9     | 48.99     | 0.88            |
| Metals & Minerals  | 2925         | 3.4                  | -1.0      | 33.9       | -1.7      | 47.8     | 61.14     | 1.36            |
| Management Companies   | 5505         | 0.8                  | -4.2      | 29.3       | -7.9      | 27.6     | 26.22     | 2.10            |
| Pipelines  | 2881         | 1.3                  | -2.2      | 28.3       | -5.7      | 29.1     | 18.58     | 4.89            |
| Banks  | 2334         | -2.4                 | -0.8      | 9.3        | -12.3     | 5.9      | 9.45      | 4.70            |
| Utilities  | 2919         | -2.2                 | -0.5      | 8.9        | -4.4      | 10.8     | 11.31     | 5.79            |
| Financial Services   | 2443         | -2.1                 | -2.1      | 5.1        | -10.2     | 5.5      | 10.39     | 4.04            |
| Consumer Products  | 5211         | 0.5                  | -1.5      | 4.2        | -8.6      | 30.4     | 15.91     | 2.06            |
| Industrial Products  | 2241         | -1.0                 | -2.9      | 0.1        | -8.5      | 15.3     | 26.98     | 2.14            |
| Communications & Media   | 6638         | 1.6                  | -0.1      | -1.5       | -8.8      | 9.3      | 25.50     | 1.60            |
| Merchandising  | 3703         | -1.3                 | -3.0      | -3.4       | -8.3      | 11.5     | 17.13     | 1.72            |

14 sub-indexes.

Meanwhile, the TSE's biggest losses went to the financial services and utilities groups. Both indexes fell more than 2% on the week.

Market watchers say fears that the dividend tax credit will be eliminated or reduced took a bite out of the prices of high-yielding stocks. In addition, Yue says the banks continued to suffer as investors viewed unfavorably the soft earnings reports, which mostly resulted from writedowns on offshore loans.

This week's tax reform package created

other worries as well. Some analysts speculate that a temporary surcharge will be placed on corporate profits or a business transfer tax implemented on currently untaxed financial services, as the government tries to raise revenues to offset losses caused by lowering individual tax rates.

"After (Finance Minister Michael) Wilson's speech, we might see some action in the Canadian stock markets," says Yue. But for now, he adds, "people just don't know what to do."

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