A FINANCIAL REVIEW OF 1913

Market Observations

By THE FINANCIAL EDITOR

ANY man who invests a thousand dollars in each of the ten leading stocks and bonds right now will be a richer man a year hence. In other words, the average is low.

When you buy bonds valued at one thousand dollars be sure to ask your broker to sign this little deposition: "There was no common given as a bonus with this bond." You see the broker may have forgotten about the common, or it may have got mislaid. Then, you know, it is sugar, and sugar melts.

If your wife wants an automobile buy her a $100 bond paying 6 1-2 per cent. and promise her another one two weeks hence. Nothing like getting her mind off it. Besides, hundred dollar bonds pay better dividends than even the Fords.

Speaking of Fords, did you notice that Mr. Henry Ford now ranks next to John D. Rockefeller as an income tax payer? What do you think of that? Both of them in the gasoline business!

A foolish newspaper in Montreal has figured out that the listed and unlisted stocks on the Montreal and Toronto markets have declined in value during the year to the extent of $156,000,000. But it did not say whether that was all the air the brokers pumped into these same stocks in 1912.

What the investor really wants to know just now is, Has all the water and air been squeezed out, and is it safe to buy? Have those broker-millionaires got all the steam yachts, castles and knighthoods they need for the present? Is it safe to take a chance in Canadian industrials?

This "rising" and "declining" market business is only a red herring. And so is the talk which the brokers and bankers give to the daily newspapers. There is one thing noticeable about this talk in the commercial pages—the brokers cannot read it without smiling. It relieves the dullness.

Our office boy suggested that instead of calling it a "declining" market, it would be more delicate to say "reclining" market. Just then one of the advertising staff led him off by the ear.

A Toronto millionaire is offering a prize of $1 000 for a reliable essay on "Standard Stocks." The aforesaid m'll're says he'll be wowwowed if he ever found one of them standard. His only consolation is to think of New Haven—formerly standard at $250 and now standard at $70.

Brother Dickinson, of the *Financial Times*, says:

"The year 1913 was
A Rich Man's Slump."

"The year 1914 will
Be an Investor's Boom."

Everybody knows the first couplet is wrong—we are not rich men and ours slumped. As for the second, we should like a signature on the back.

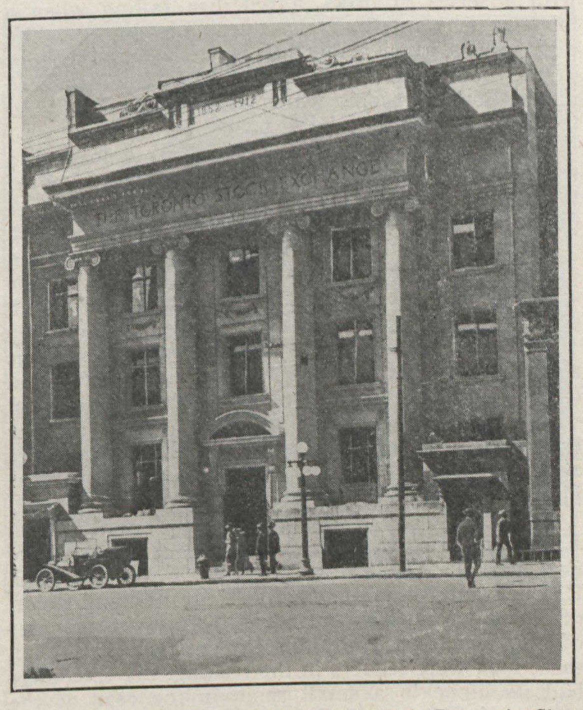
C. P. R. stock shrank ninety millions during the year. When it shrinks another ninety, Canadians may begin to buy it. We have mighty little use for 5 per cent. stocks these days. Six or nothing we must have, and usually a little bonus on the side.

Even the immigrants from Austria and Sicily know that the brokers over here are idle. The first decline in immigration in recent years occurred this year—3 per cent. in August, 21 per cent. in September and 24 per cent. in October. Funny how those foreign navvies hate coming over here when the brokers' autos and yachts are laid up for repairs. They may not be cute, but they are very knowing.

Some clerks in the brokers' offices were very sad when they heard the boys of the Commerce got a ten per cent. bonus at Christmas. But then it is a long worm that never turns.

Everybody says it was the real estate boom that did it. But was it? Which has fallen most, inside real estate or inside common stocks? Of the two evils, watered stock and subdivision lots, one is as bad as the other; but good real estate got no black eye in 1913. The supply of good central property is limited and pretty certain.

Some day Canadians will learn that it is dangerous to invest money in stocks based on Central and South American securities. There has been much money made out of flotations, but these stocks are poor stuff to put in the Christmas stockings of innocent children. As a speculation they are great; as an investment they are different.



Facade of the New Toronto Exchange It is Roman in Character, But Simple and Dignified.

A wife costs $1,000 a year, says the United States Government. Therefore it exempts from taxation incomes up to $3,000 in the case of single men and $4,000 in the case of married men. Most of them are dirt cheap at the price.

John D. Rockefeller must pay seven per cent. income tax. This will reduce his income from $30,000,000 to $27,900,000. Isn't that sad?

Winnipeg *Telegram*, in flaring letters, says, on December 23rd: "Premier Borden declares Dominion Faces Another Period of Development." Well, what if it does? We have worried through several of them and it is just possible we can recover from another one. Keep cool, brother.

Winnipeg's first horse car ran on Oct. 21st, 1882; its first electric car in July, 1891. Now the Winnipeg Street Railway Company employs 2,000 men and carries more than fifty million passengers every year. There are 351 cars on the city system and 54 on the suburban. And yet, they say Canada is borrowing too much money!

A House-Cleaning Year

By H. S. MORRISON

PEOPLE having investment stocks or bonds witnessed the passing of the year 1913 with a sigh of relief. It had been a time of storm and stress for them. Some of the strongest companies reduced their dividends and the market prices of even gilt-edged stocks reached a lower level than had been quoted for several years. It was a shock to see Canadian Pacific quoted at 204, and Brazilian at 81, Barcelona at 26, Twin City at 106, Dominion Steel at 37. All the active stocks were quoted lower at the end of the year than at the beginning.

But at the dawn of 1914 it was generally realized that there was a general cleaning up of the financial sky. As one eminent financier expressed it, "The rain has ceased and the sun will soon be shining again." Since the bottom was reached last June stocks have risen sharply and actively for a variety of reasons which have combined to provide impulses for purchases not only of a speculative but of an investment nature, and a better inquiry for bonds at improving prices has coincided with the new phase of the share list. Stock market recovery after the bottom of the year's decline was reached last June went further by mid-September, and during the remaining months of the year there were many evidences of a general readjustment in the situation. It is generally considered that stocks and bonds have seen their low level and that the new year will witness an improvement.

The chances are that contraction or depression will continue longer in trade and industry despite the new tendencies in the stock market, just as business activity and prices were maintained after the financial markets had not only entered into a renewed season of liquidation but had made considerable progress therein. These differences are, however, familiar phenomena, and securities have been certain sooner or later to anticipate a change for the better in commerce and manufacturing.

Several things transpired during 1913 to improve Canadian conditions in the new year. The reduction of the United States tariff has operated to open the markets of that country to Canadian products, and has already been of great benefit to the western provinces. Real estate speculation has been checked by the money stringency. Extravagant methods in business have been stopped by the same condition. In the past, for some years, real estate and other assets were "written up" on the country's books, and extravagance was the order of the day, both in business and private life. Had this continued much longer it must have swept the country into a more serious reaction, from which it would have taken many years to recover. But there seems now no cause for despair. It has become realized that not only should a sane stock-taking be had, but that operating expenses of the shop, the manufactory and the home must be reduced. With such a policy under way it may happen, as it has before, that at the end of a given year the heads of some businesses may find that, with a lesser volume of output, net profits have quite held their own or increased, and individuals that they have added to their savings.

The dawning of 1914 saw both bonds and shares on a low basis, and it is probable that investors who miss all the present opportunities of buying will, in the absence of some unforeseen catastrophe, have to pay very much higher prices later on. True, many conditions have been unfavourable, and are only just clearing, but prices are as low as they are because of these conditions. Investors cannot wait until all unfavourable conditions have been dispersed and then buy at low prices. When they have all cleared, prices will naturally be much higher.

Money is decidedly more plentiful now than it was a few months ago. There is now a market in London for first-class debentures, whereas at one time in 1913 it was impossible to sell Canadian se-