

# 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 each month 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.*

## "Instalment" vs. "Marginal" Investing

**R**EFERENCE was made in last issue to the "instalment" plan of investment in desirable securities, in preference to the more or less haphazard plan practiced by so many thousands in Canada of buying on "margin" on a hit-and-miss plan that often is no farther removed from gambling than following the tip of the race track "tout."

The "instalment" plan of purchasing securities differs from the plan of buying on "margin" in two main particulars: (1) it pre-supposes a final purchase outright of the security in place of a limited 10, 15 or 20 per cent. ownership; and (2) it removes from the investor the risk of being wiped out, or meeting with a heavy loss through a sudden depreciation in the current market price of the security.

### Ninety per cent. of "Marginal" Men Losers

Any one who has followed the experiences of the "marginal" operators over a period of years, and over an area of hundreds or thousands of individuals, will agree, probably, that at least ninety per cent. lose out in the end. They lose out partly because they have bought without any intelligent opinion, of their own, or of any one else, as to the desirable nature of the "investment." They lose out probably even more, through a temporary or prolonged movement of the general market, or the security itself. The security may drop a few points, and they are afraid

of a further decline and sell out at a loss; or they are unable to make up the difference in the value of the stock when they bought it and the decreased value, and are "sold out" by their broker—at a loss.

Had they had confidence to "hold on", or been able financially to do so, in the majority of cases—except in a prolonged "slump" of the market—they probably would have won out.

### Safety for Purchaser

This is where the "instalment" system of investment comes in: once an investment house purchases a security

on the partial payment plan—usually 20 per cent. cash on preferred or common stocks, and 10 per cent. on bonds—the security is preserved for the purchaser, no matter what the drop in the market price. This is one of the obligations assumed, and this is one of the outstanding advantages of the instalment plan: the buyer need not worry about any temporary market movements.

## A Pause in Upward Movement

**I**NVESTMENT as well as business circles must await the outlook for the harvest in terms of actual yield, before any definite forward movement appears possible. For the time being it would appear that the bond market had fairly well discounted the improved feeling in world, as well as domestic business conditions, and hence the upward movement in bonds and the higher grades of other securities seems to be arrested temporarily before it starts on another span. Industrially it is probable that the newsprint mills are showing the most rapid recovery from the set-back of 1920-21 and the earlier part of 1922. Indeed the outlook is remarkably bright for production in Canada; so far this year stands well over 30 per cent. in excess of the corresponding period for last year, and is, so far as is known, the only substantial industry that has recovered and is operating well above the peak of inter-war or post-war production. The textile industry is probably next in strength; the steel industry shows a considerable improvement, and in other

directions a definite forward movement is noted. The Western crop is our most important anticipation, and while no new record is possible, a better than average yield in forecast has strongly encouraged the West.

### Bank of England Rate at 3%.

The two outstanding world events of the past month—and investment conditions in Canada are intimately associated with world conditions and will continue to be—were the insignificant reaction in financial circles to the threatened collapse of Germany's financial fabric, and the reduction—in the very face of this—of the Bank of England discount rate from  $3\frac{1}{2}$  to 3 per cent., as compared with 6 per cent. one year ago. The Federal Reserve Bank rate in the United States still holds at 4 per cent. a measure of caution, but the 3 per cent. rate is at once an evidence of confidence and one further step toward lower prevailing interest rates that will, in due time, produce higher prices in holdings of investment securities.

### Cash Down, and Monthly Balances

For those who are not familiar with this system, which is being developed by a number of investment houses, it should be pointed out that on payment of about \$20 on a \$100 par value security, the investment house purchases the bond or stock, and enters it in your name on their