



# The Daily

Statistics Canada

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## MAJOR RELEASES

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- **Canada's international transactions in securities, July 1998** 2  
In July, Canadian residents continued their buying in foreign markets with purchases of \$2.5 billion in foreign securities. Meanwhile, foreign investment in Canadian securities remained low (\$0.9 billion), as non-residents, for a third straight month, bought Canadian bonds but reduced their holdings of short-term paper.
- **Composite Index, August 1998** 4  
The stock market slide stalled growth in the leading index in August.

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## PUBLICATIONS RELEASED

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Statistics  
Canada

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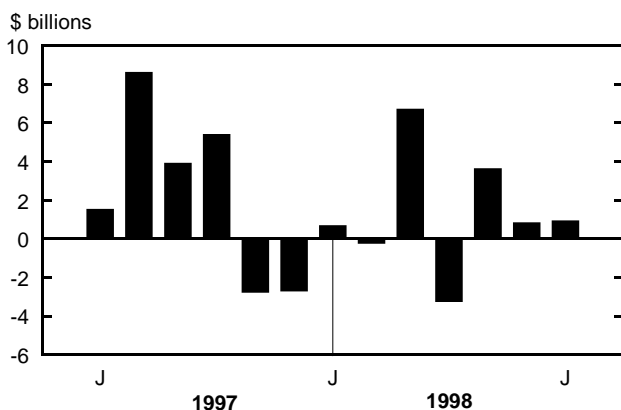
## MAJOR RELEASES

### Canada's international transactions in securities

July 1998

In July, Canadian residents continued their buying in foreign markets with purchases of \$2.5 billion in foreign securities. Meanwhile, foreign investment in Canadian securities remained low (\$0.9 billion), as non-residents, for a third straight month, bought Canadian bonds but reduced their holdings of short-term paper.

Foreign investment in Canadian securities\*



\* Includes bonds, stocks and money market paper.

### Canadians added to their holdings of foreign securities

Canadian investors purchased both foreign stocks (\$1.5 billion) and bonds (\$1.0 billion) in July. The investment in foreign stocks represented the ninth consecutive month of buying, amounting to a massive \$12 billion over this period. In July, the largest share of the investment was directed to U.S. stocks, as Canadians have shifted their focus from overseas to U.S. stocks in recent months. U. S. stock prices (as measured by the Standard and Poor's 500 index) recorded a 1.2% loss in July. For the first month since March of this year, residents purchased foreign bonds, the bulk of which consisted of U.S. treasuries.

#### Related market information

##### Interest rates

The differential between Canadian and U.S. short-term rates has been declining steadily in recent months to a marginal 10 to 15 basis points in July. The differential on long-term bond rates also has been declining of late settling in the 15 to 20 basis point range in July. The differential of both rates continued to favour investment in the United States.

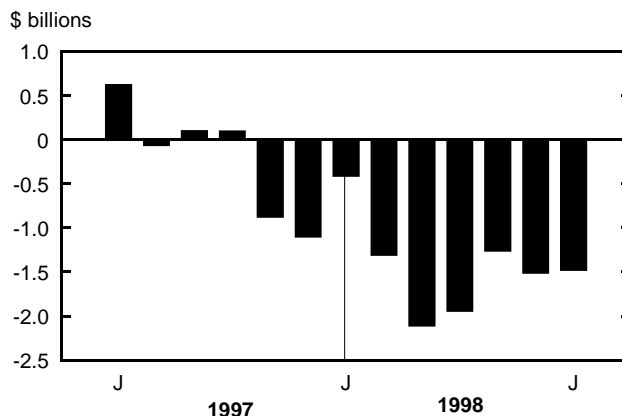
##### Stock prices

Canadian stock prices (as measured by the TSE 300 composite index) fell a sharp 5.9% in July, the largest monthly decline in recent years. This brought to just under 10% the decline in the past three months. U.S. stock prices (as measured by the Standard and Poor's 500 index) has fared much better with a smaller 1.2% decline in July and 0.8% gain for the same three month period.

##### Canadian dollar

The Canadian dollar closed a full US2.00 cents lower in July, the fifth consecutive lower close which has seen it lose 6.1% of its value relative to the U.S. dollar.

Canadian investment in foreign stocks



### Foreign investors continued to favour Canadian bonds

Foreigners invested \$2.7 billion in Canadian bonds in July, solely on the strength of their purchases of new issues placed in foreign markets. New issues of \$6.2 billion consisted of a federal global Deutsche Mark bond (\$3.4 billion) issued for official reserves

purposes, as well as bonds of provincial governments and corporations. This investment was partially offset by retiring bonds and foreign selling of outstanding issues, mainly federal bonds. On the whole, European investors increased their holdings of Canadian bonds (\$4.5 billion), while holdings of U.S. investors dropped (\$1.8 billion).

Foreigners reduced their holdings of Canadian money market paper for a third consecutive month, amounting to \$1.9 billion in July and bringing to \$6.9 billion their disinvestment for the latest three-month period. July's reduction resulted mainly from maturing federal treasury bills which were held by European, American and Asian investors. The differential on short-term instruments, which continues to favour investment in the United States, has been narrowing since September 1997 and fell to a mere 10 to 15 basis points in July.

In July, foreign investment in Canadian stocks was flat for the second consecutive month. Foreign buying of new Canadian shares placed in foreign markets was entirely offset by foreign selling of outstanding shares in the secondary market. Canadian stock prices (as measured by the TSE 300 composite index) fell a sharp 5.9% in July, bringing the loss in the past three months to near 10%.

**Available on CANSIM: matrices 2328-2330, 2378-2380 and 4195.**

The July 1998 issue of *Canada's international transactions in securities* (67-002-XPB, \$18 per issue/\$176 annually) will be available in October. See *How to order publications*. For further information on this release, contact Don Granger (613-951-1864), Balance of Payments and Financial Flows Division.

### Canada's international transactions in securities

	April 1998	May 1998	June 1998	July 1998	Jan. to July 1997	Jan. to July 1998
	\$ millions					
<b>Foreign investment in Canadian securities, total</b>	<b>-3,209</b>	<b>3,590</b>	<b>799</b>	<b>899</b>	<b>6,304</b>	<b>9,227</b>
Bonds (net)	-5,763	4,371	3,283	2,713	6,403	8,387
Outstanding	-5,524	418	1,529	-2,174	-4,303	-5,087
New Issues	2,882	4,767	3,689	6,242	25,762	29,973
Retirements	-3,342	-1,633	-1,233	-1,359	-15,279	-16,768
Change in interest payable <sup>1</sup>	222	818	-702	4	223	270
Money market paper (net)	1,199	-2,581	-2,419	-1,859	-2,323	-5,341
Government of Canada	1,239	-2,400	-530	-1,754	-4,277	-5,219
Other paper	-40	-180	-1,889	-105	1,954	-122
Stocks (net)	1,355	1,800	-65	44	2,224	6,181
Outstanding (net)	1,088	356	-289	-849	518	3,258
New Issues (net)	267	1,444	224	893	1,706	2,923
<b>Canadian investment in foreign securities, total</b>	<b>-1,356</b>	<b>-1,055</b>	<b>-1,061</b>	<b>-2,469</b>	<b>-5,565</b>	<b>-12,400</b>
Bonds (net)	584	203	447	-992	-2,927	-2,394
Stocks (net)	-1,940	-1,257	-1,508	-1,477	-2,639	-10,005

<sup>1</sup> Interest accrued less interest paid.

**Note:** A minus sign (-) indicates an outflow of money from Canada; for example, a withdrawal of foreign investment from Canada or an increase in Canadian investment abroad.

## Composite Index

August 1998

The leading indicator continued to slow gradually from its high so far this year of 0.6% in May to no growth in August, largely due to the slide in the stock market. Excluding stocks, the overall index would have risen 0.2%, as 5 of the 10 components were up in August, versus only 4 in July.

The financial market indicators were mixed. The slump in the stock market has accelerated steadily since May, with prices down sharply again in August. The money supply meanwhile continued to expand, advancing 1%.

In manufacturing, new orders trended down again. This led to a reduction in labour requirements, as the average workweek fell to the lowest level in nearly two years (38.3 hours). At the same time, employment in

services continued to slow as cutbacks spread from the personal to the business sector.

The housing index posted a second straight decrease. However, sales of existing homes outweighed a rebound in housing starts after labour disputes were resolved. The U.S. leading indicator also picked up after strikes ended in the auto industry.

**Available on CANSIM: matrix 191.**

For further information, the September issue of *Canadian economic observer* (11-010-XPB, \$23/\$227) is now available. See *How to order publications*.

For further information, or to enquire about the concepts, methods and data quality of this release, contact Francine Roy (613-951-3627), Current Economic Analysis Group.

## Composite Index

	March 1998	April 1998	May 1998	June 1998	July 1998	Aug. 1998	Last month of data
							% change
<b>Composite leading indicator (1981=100)</b>	<b>203.7</b>	<b>204.6</b>	<b>205.8</b>	<b>206.7</b>	<b>207.3</b>	<b>207.3</b>	<b>0.0</b>
Housing index (1981=100) <sup>1</sup>	126.8	127.2	127.7	127.8	127.3	127.1	-0.2
Business and personal services employment ('000)	2,221	2,236	2,250	2,260	2,265	2,268	0.1
TSE 300 stock price index (1975=1,000)	6,943	7,112	7,275	7,383	7,385	7,138	-3.3
Money supply, M1 (\$ millions, 1981) <sup>2</sup>	39,125	39,452	39,859	40,194	40,524	40,917	1.0
U.S. composite leading indicator (1967=100) <sup>3</sup>	223.9	224.2	224.6	224.9	225.0	225.2	0.1
<b>Manufacturing</b>							
Average workweek (hours)	38.7	38.6	38.5	38.5	38.4	38.3	-0.3
New orders, durables (\$ millions, 1981) <sup>4</sup>	15,448	15,383	15,386	15,371	15,324	15,215	-0.7
Shipments/inventories of finished goods <sup>4</sup>	1.65	1.65	1.64	1.65	1.64	1.63	-0.01 <sup>5</sup>
<b>Retail trade</b>							
Furniture and appliance sales (\$ millions, 1981) <sup>4</sup>	1,322.8	1,334.5	1,345.3	1,354.2	1,362.8	1,368.3	0.4
Other durable goods sales (\$ millions, 1981) <sup>4</sup>	4,490.1	4,509.5	4,519.8	4,538.6	4,557.6	4,565.9	0.2
Unsmoothed composite	204.1	207.8	209.3	208.0	206.6	204.7	-0.9

<sup>1</sup> Composite Index of housing starts (units) and house sales (multiple listing service).

<sup>2</sup> Deflated by the Consumer Price Index for all items.

<sup>3</sup> The figures in this row reflect data published in the month indicated, but the figures themselves refer to data for the month immediately preceding.

<sup>4</sup> The figures in this row reflect data published in the month indicated, but the figures themselves refer to data for two preceding months.

<sup>5</sup> Difference from previous month.

## PUBLICATIONS RELEASED

Gross domestic product by industry, June 1998

Catalogue number 15-001-XPB

(Canada: \$15/\$145; outside Canada: US\$15/US\$145).

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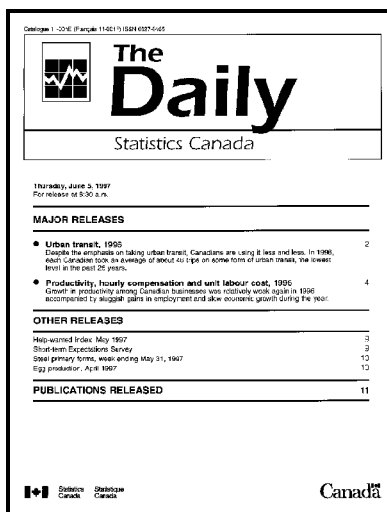
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