Published by Authority of the HON. R. B. HANSON, K.C., M.P.,
Minister of Trade and Commerce

DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS - CANADA
INTERNAL TRADE BRANCH

Dominion Statistician: R.H. Coats, LL.D., F.R.S.C., F.S.S. (Hon.)
Chief, Internal Trade Branch: H. Marshall, B.A., F.S.S.

Sales and Purchases of Securities Between Canada and Other Countries

June, 1935

(With historical resume 1933-1935)

In addition to the purely Canadian trade in securities carried on daily by various types of security dealers, there are heavy dealings internationally. This trade in securities between Canada and other countries, made through the medium of investment dealers, banks, insurance, mortgage and trust companies, stock exchanges, United States branch houses, and other agencies, amounts to millions of dollars each month. The heaviest trade is between United States and Canada, but at times, as in 1934, there is a very considerable trade between Great Britain and Canada. Monthly figures of this movement issued by the Dominion Bureau of Statistics are of great interest and importance since international capital movements constitute one of the most important of the invisible items in international business. A knowledge of these invisible items is necessary to supplement the story told by figures for the visible commodity trade. Indeed, trends in commodity trade are often best understood when information concerning invisible international transactions, such as tourist trade and capital transactions, is also available.

The international trade in securities between Canada and other countries was lower in June, 1935, than for the corresponding month in 1933 and 1934 but, nevertheless, reached a total of over $38 million. Sales amounted to $18,070,675 which compares with $27,979,763 in June, 1934, and $33,442,368 in June, 1933. Purchases were $10,516,367 as compared with $19,845,009 in June, 1934, and $20,953,538 in 1933. Sales to the United States were $16,359,575 as compared with $17,470,866 in June, 1934, and $29,256,349 in June, 1933. Purchases from the United States were $8,499,061 in June, 1935, as compared with $16,450,606 in 1934 and $16,905,735 in 1933. Both sales to and purchases from Great Britain declined. Sales were $1,426,544 as compared with $10,284,990 in 1934 and $4,076,333 in 1933. Purchases were $1,834,231 in 1935, $2,449,435 in 1934 and $3,620,252 in 1933.

For the first six months of 1935 sales were $131,912,334 as compared with $178,413,047 in 1934 and $107,197,426 in 1933. Purchases were $105,173,161 as compared with $146,983,439 in 1934 and $77,196,012 in 1933. Sales to the United States for the first half of 1935 were the highest in the last three years, being $118,991,511 as compared with $103,982,969 in 1934 and $91,778,090 in 1933. Purchases from the United States were $80,475,639 in the first half of 1935, $134,365,363 in 1934 and $58,202,995 in 1933. Sales to Great Britain were $11,518,593 in the six months of 1935 as compared with $72,579,097 in 1934 and $14,448,204 in 1933. Purchases from Great Britain were $21,215,857 in 1935, $10,267,973 in 1934 and $16,003,444 in 1933.

Salient features of these statistics are the increased sales to the United States during the six months period, the highest in the three years, and the decline in sales to Great Britain as compared with 1934, a drop from $72½ million to $11½ million. While sales to Great Britain fell, purchases from Great Britain rose from $10¼ million in 1934 to $21¼ million in 1935.

One fact which would influence the United States-Canada trade is that, while exchange has been close to parity, the interest rates on gilt-edged securities is on a higher level in Canada than in the United States. United States 3% Treasury Bonds of 1951-5 have been yielding from 2.70 to 2.80 per cent during 1935, while Dominion of Canada 4½% Conversion Loan 1948-58 has been yielding 3.85 to 3.95 per cent.

These figures are made possible through the co-operation of the Canadian Investment Dealers' Association, Canadian Bankers' Association, Dominion Mortgage and Investment Association, the stock exchanges throughout the Dominion, members of the Winnipeg Grain Exchange, and branches of United States security houses located in Canada but not members of a Canadian stock exchange. The returns are, therefore, very comprehensive and, although it is not possible to obtain a complete record of such transactions, it is believed that the coverage is very high.

This is the second monthly bulletin on the sale and purchase of securities issued by the Dominion Bureau of Statistics. Additional information intended to assist in the interpretation of trends have been added to this bulletin. This includes:

1. Table showing monthly average of daily quotations and premiums or discounts for New York funds and Sterling at Montreal.

2. Middle of month quotations for: (a) United Kingdom War Loan 3½%, Callable December 1, 1952, and after; (b) United States Treasury Bonds 3% 1951-5; (c) Dominion of Canada 4½% Conversion Loan 1948-58.

3. Index numbers of common stock prices in Canada, Great Britain and United States.

There are always difficulties about making comparisons between different bond prices, especially when they belong to different countries. There are always some features which differentiate one from another, such as date of maturity, interest rate, taxation, etc. An effort has been made to select one outstanding long-term bond from each country which will give a fair idea of the variation in yields between Canada and New York or London. It is realized that the yield of the Canadian 4½% bond may be somewhat affected by the fact that it appears to be very difficult for a bond which starts out with a high coupon rate to drop in yield quite to the prevailing market level. However, it is thought that the three bonds included are sufficiently representative to serve as an indicator.

Outline of Trends, 1933-1935

An important item in Canada's international trade is the purchase and sale of securities. There is a continuous movement over the border and across the seas of securities purchased or sold for investment or speculative purposes, for sinking funds or retirements, and so forth. This business amounts to large sums annually. In 1934 sales of securities by Canadians to other countries totalled $321 millions and purchases from other countries $312 millions. In these multitudinous transactions, Canadians may be selling abroad the securities of Canadian governments and corporations or they may be reselling British and foreign securities owned in Canada. On the other hand, they may be repurchasing from abroad Canadian securities held in other countries or they may be purchasing the government or corporation securities of other countries. In recent years the business has consisted almost entirely in old securities as distinct from new issues. Prior to the autumn of 1931, Canada floated many new bond issues of governments and corporations in New York. The largest percentage of these international transactions in securities in recent years probably have been in outstanding bonds, though stocks have played an important role.

International business in securities is, of course, subject to many influences, hence its extent shows great fluctuations. Exchange necessarily is an important factor, often accounting for large purchases and sales. Another very important influence is the yield of the bond. A difference in yield sufficient to overcome differences in economic risk and in exchange will often give rise to transactions. Stock prices, as is well known, are determined by more numerous and more complex influences.

In the first half of 1933 Great Britain purchased $15 million in securities in Canada, this being while the pound sterling was at a discount. In the last half of 1933, when the pound rose to a premium, sales rose to $66 millions or $81 millions for the year. Throughout 1934 the pound sterling was strong, rising in several months to a premium over

Canadian dollars. In that year Great Britain purchased $102 millions of securities from Canada in the regular market. During 1933 United States purchases of Canadian securities amounted to $206 millions and Canadian purchases from the United States to $203 millions. For a portion of the year there was some tendency towards a flight of capital from the United States owing to the uncertain monetary situation. This was reflected in a purchase of Canadian securities principally those with optional payment in Canada, London and New York. Moreover, owing to the premium on New York funds which prevailed to October, there was an investment demand for Canadian securities. When the Canadian dollar began to approach parity with the United States dollar, and particularly when it reached a premium over the latter, the Canadian market absorbed a lot of profit-taking on the part of those Americans who had purchased our securities earlier in the year. In 1933 particularly, there was an important movement of common stocks, especially gold stocks, to the United States.

In 1934 Canadians purchased from the United States securities to the value of $284 millions and sold to the United States securities worth $216 millions. The favourable Canadian exchange situation probably accounts for the preponderance of purchases over sales. There was probably also a further profit-taking on securities purchased when exchange was highly favourable to the United States dollar.

I

Month	Sales to United States			Purchases from United States		
	1933	1934	1935	1933	1934	1935
January	10,480,773	14,231,545	16,001,508	5,562,997	26,544,836	23,044,678
February	12,253,088	13,678,043	14,691,217	11,117,876	26,106,450	11,969,013
March	5,881,772	18,137,073	27,046,720	5,529,611	24,382,427	12,050,506
April	14,645,463	23,015,121	22,834,736	8,168,815	19,121,847	13,935,444
May	19,260,645	17,450,321	22,057,755	10,917,961	21,759,197	10,976,937
June(x)	29,256,349	17,470,866	16,359,575	16,905,735	16,450,606	8,499,061
Total, 6 mos.	91,778,090	103,982,969	118,991,511	58,202,995	134,365,363	80,475,639

II

Month	Sales to Great Britain			Purchases from Great Britain		
	1933	1934	1935	1933	1934	1935
January	2,009,131	16,577,137	4,263,321	1,705,384	880,262	2,460,766
February	1,484,762	15,329,851	1,560,990	3,905,345	1,103,952	2,817,360
March	1,563,026	15,532,035	1,820,261	1,513,519	1,614,296	5,586,692
April	2,184,369	7,427,210	1,085,282	3,000,028	1,488,030	5,587,232
May	3,130,583	7,427,874	1,362,195	2,258,916	2,731,998	2,929,576
June(x)	4,076,333	10,284,990	1,426,544	3,620,252	2,449,435	1,834,231
Total, 6 mos.	14,448,204	72,579,097	11,518,593	16,003,444	10,267,973	21,215,857

III

Month	Sales to Other Countries			Purchases from Other Countries		
	1933	1934	1935	1933	1934	1935
January	171,677	429,933	210,842	190,291	267,062	263,481
February	196,134	236,817	182,902	987,356	241,558	491,935
March	83,251	278,768	145,869	465,084	222,682	1,676,263
April	284,540	382,524	238,226	431,921	466,830	452,857
May	125,844	299,032	339,835	487,370	207,003	414,054
June(x)	109,686	223,907	284,556	427,551	944,968	183,075
Total, 6 mos.	971,132	1,850,981	1,402,230	2,989,573	2,350,103	3,481,665

IV

Month	Total Sales to All Countries			Total Purchases from All Countries		
	1933	1934	1935	1933	1934	1935
January	12,661,581	31,238,615	20,475,671	7,458,672	27,692,160	25,768,925
February	13,933,984	29,244,711	16,435,109	16,010,577	27,451,960	15,278,308
March	7,528,049	33,947,876	29,012,850	7,508,214	26,219,405	19,313,461
April	17,114,372	30,824,855	24,158,244	11,600,764	21,076,707	19,975,533
May	22,517,072	25,177,227	23,759,785	13,664,247	24,698,198	14,320,567
June(x)	33,442,368	27,979,763	18,070,675	20,953,538	19,845,009	10,516,367
Total, 6 mos.	107,197,426	178,413,047	131,912,334	77,196,012	146,983,439	105,173,161

(x) Subject to revision.

Sale and Purchase of Securities Between Canada and Other Countries

Month	United States		Great Britain		Other than Great Britain and United States		TOTAL	
	Sales To	Purchases From	Sales To	Purchases From	Sales To	Purchases From	Sales To	Purchases From
1933								
January	10,380,773	5,582,997	2,009,131	1,705,384	171,677	190,291	12,661,581	7,458,672
February	12,253,088	11,117,876	1,484,762	3,905,345	196,134	987,356	13,933,984	16,010,577
March	5,881,772	5,529,611	1,563,026	1,513,519	83,251	465,084	7,528,049	7,508,214
April	14,645,465	8,168,815	2,184,369	3,000,028	284,540	431,921	17,114,372	11,600,764
May	19,260,645	10,917,961	3,150,583	2,258,916	125,844	487,370	22,517,072	13,664,247
June	29,256,349	16,905,735	4,076,353	3,620,252	109,686	427,551	33,442,368	20,953,538
July	31,408,256	26,376,851	15,534,970	1,881,461	177,507	618,168	47,120,733	28,876,480
August	12,803,182	12,671,497	10,835,259	2,479,727	215,211	424,731	23,853,652	15,575,955
September	14,043,301	22,839,188	8,720,076	1,573,474	207,156	489,942	22,970,533	24,902,604
October	22,494,117	25,187,003	8,279,850	2,839,442	251,836	1,794,982	31,025,803	29,821,427
November	23,431,076	36,459,725	13,201,540	1,504,215	172,173	490,263	36,804,789	38,454,203
December	9,722,088	21,202,339	9,787,914	1,306,051	266,633	392,518	19,776,635	22,900,908
12 months of 1933 .	205,680,110	202,959,598	80,807,813	27,587,814	2,261,648	7,200,177	288,749,571	237,727,589

Sale and Purchase of Securities Between Canada and Other Countries

Month	United States		Great Britain		Other than Great Britain and United States		TOTAL	
	Sales To	Purchases From	Sales To	Purchases From	Sales To	Purchases From	Sales To	Purchases From
1934								
January	14,231,545	26,544,836	16,577,137	880,202	420,933	267,062	31,238,615	27,692,160
February	13,678,043	26,106,450	15,329,851	1,103,952	236,817	341,558	29,244,711	27,451,960
March	18,137,073	24,382,427	15,532,035	1,614,296	278,768	222,682	33,947,876	26,219,405
April	23,015,121	19,121,847	7,427,210	1,488,030	382,524	466,830	30,824,855	21,076,707
May	17,450,321	21,759,197	7,427,874	2,751,998	299,032	207,003	25,177,227	24,698,198
June	17,470,866	16,450,606	10,284,990	2,449,435	223,907	944,968	27,979,763	19,845,009
July	17,348,983	19,396,713	3,746,970	1,397,213	124,561	341,122	21,220,514	21,135,048
August	23,636,938	33,368,764	5,290,921	2,197,539	249,100	260,646	29,176,959	35,826,949
September	15,483,299	26,393,230	3,304,565	1,229,079	323,614	242,138	19,111,478	27,864,447
October	21,967,108	23,051,235	4,534,646	2,960,556	256,310	301,091	26,758,064	26,312,882
November	16,545,462	19,931,263	8,244,740	2,050,084	141,731	481,641	24,931,933	22,462,988
December	16,981,784	27,655,996	4,411,256	3,654,875	166,453	260,531	21,559,493	31,671,402
12 months of 1934 ...	215,946,543	284,162,564	102,112,195	23,757,319	3,112,750	4,337,272	321,171,488	312,257,155

Sale and Purchase of Securities Between Canada and Other Countries

Month	United States		Great Britain		Other than Great Britain and United States		TOTAL	
	Sales To	Purchases From	Sales To	Purchases From	Sales To	Purchases From	Sales To	Purchases From
1935								
January	16,001,508	23,044,678	4,263,321	2,460,766	210,842	263,481	20,475,671	25,768,925
February	14,691,217	11,969,013	1,560,990	2,817,360	182,902	491,935	16,435,109	15,278,308
March	27,046,720	12,050,506	1,820,261	5,586,692	145,869	1,676,263	29,012,850	19,313,461
April	22,834,736	13,935,444	1,085,282	5,587,252	238,226	452,837	24,158,244	19,975,533
May	22,057,755	10,976,937	1,362,195	2,929,576	339,835	414,054	23,759,785	14,320,567
June(x)	16,359,575	8,499,061	1,426,544	1,831,251	284,556	183,073	18,070,675	10,513,367

(x) Subject to revision.

Sale and transfer of government [illegible] and other [illegible]

Month	Tuition [illegible]		[illegible]		Other [illegible]	TOTAL	
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1970							
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June(x)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

(x) Adjusts to revision.

Monthly Average of Daily Quotations and Premiums or Discounts for New York Funds and Sterling Montreal, 1933-1935

Month	1933		1934		1935	
	New York Funds at Montreal	Premium + Discount - %	New York Funds at Montreal	Premium + Discount - %	New York Funds at Montreal	Premium + Discount - %
January	1.1435	+14.35	1.0047	+0.47	.9986	-0.14
February	1.1967	+19.67	1.0084	+0.84	1.0013	+0.13
March	1.1988	+19.88	1.0022	+0.22	1.0097	+0.97
April	1.1794	+17.94	.9979	-0.21	1.0049	+0.49
May	1.1412	+14.12	.9982	-0.18	1.0015	+0.15
June	1.1118	+11.18	.9922	-0.78	1.0014	+0.14
July	1.0585	+ 5.85	.9883	-1.17	1.0022	+0.22
August	1.0608	+ 6.08	.9769	-2.31		
September ...	1.0359	+ 3.59	.9714	-2.86		
October	1.0244	+ 2.44	.9791	-2.09		
November	.9904	- 0.96	.9761	-2.39		
December	.9954	- 0.46	.9878	-1.22		
Year	1.0916	+ 9.16	.9902	-0.98		

Month	1933		1934		1935	
	Sterling at Montreal	Premium + Discount - %	Sterling at Montreal	Premium + Discount - %	Sterling at Montreal	Premium + Discount - %
January	3.8466	-20.95	5.0702	+4.20	4.8870	+0.43
February	4.0994	-15.75	5.0777	+4.35	4.8833	+0.36
March	4.1345	-15.03	5.1065	+4.94	4.8247	-0.85
April	4.2340	-12.99	5.1476	+5.79	4.8622	-0.08
May	4.4979	- 7.56	5.1002	+4.81	4.8958	+0.61
June	4.6148	- 5.16	5.0122	+3.00	4.9426	+1.57
July	4.9308	+ 1.33	4.9851	+2.45	4.9674	+2.08
August	4.7870	- 1.62	4.9509	+1.74		
September ...	4.8388	- 0.56	4.8551	-0.22		
October	4.7870	- 1.62	4.8431	-0.47		
November	5.0815	+ 4.43	4.8724	+0.13		
December	5.0957	+ 4.72	4.8865	+0.42		
Year	4.5855	- 5.76	4.9926	+2.60		

Middle of Month Quotations and Yields for United Kingdom War Loan 3½%, United States Treasury Bonds 3%, and Dominion of Canada Conversion Loan 4½%, 1933-1935

Date	Great Britain War Loan 3½% Callable Dec. 1, 1952, and after Quotation at London	Yield	United States Treasury Bonds 3% 1951-5 Quotation at New York	Yield	Dominion of Canada 4½% Conversion Loan 1948-58 Quotation at Toronto	Yield
1933						
January 18	98½	3.569	97.26	3.171	97.50	4.726
February 15	99¼	3.552	97.24	3.172	98.50	4.635
March 15	99¼	3.563	97.10	3.181	96.50	4.82
April 12	no quotation[x]		96.15	3.243	98.00	4.683
May 17	99½	3.575	98.12	3.117	98.25	4.66
June 14	99	3.535	98.25	3.109	99.60	4.536
July 12	98¼	3.378	99.50	3.031	99.65	4.533
August 15	99¾	3.534	98.14	3.116	100.35	4.477
September 13	100½	3.537	99.30	3.044	100.00	4.50
October 18	101	3.521	98.22	3.113	99.75	4.523
November 15	100¼	3.482	95.15	3.313	99.50	4.546
December 13	100½	3.496	95.00	3.324	98.25	4.664
1934						
January 17	101¼	3.46	96.00	3.259	99.00	4.596
February 14	102	3.437	97.18	3.181	99.75	4.523
March 14	103½	3.425	98.29	3.11	103.00	4.301
April 18	104½	3.38	99.24	3.049	104.50	4.205
May 16	102¾	3.42	100.23	2.983	105.15	4.163
June 13	102 3/8	3.30	101.00	2.926	105.00	4.171
July 18	104 1/8	3.225	102.10	2.844	105.85	4.116
August 14	104½	3.20	100.12	2.991	106.85	4.053
September 12	104 7/8	3.187	98.18	3.118	107.25	4.03
October 17	105¾	3.15	100.50	2.962	106.00	4.105
November 14	107½	2.95	99.26	3.048	107.00	4.042
December 12	107¼	2.987	100.15	2.988	110.75	3.809
1935						
January 16	109 1/8	2.80	102.50	2.811	110.25	3.837
February 13	106½	3.004	103.00	2.773	108.00	3.975
March 13	106¾	3.062	102.23	2.83	108.85	3.922
April 17	107 7/8	3.016	103.19	2.757	109.25	3.895
May 15	106 5/8	3.00	103.28	2.749	109.85	3.859
June 12	105¼	3.112	103.24	2.752	108.75	3.925
July 17	106¾	3.05	104.40	2.663	109.00	3.908
August 14	106 3/8	3.069	103.17	2.755	110.00	3.845

[x] Quotation April 19 - 102¼.

Lowest yield is taken in each case; e.g., if United States Treasury Bonds are above par, calculations are based on 1951; if below par, they are based on 1955.

Index Numbers of Common Stocks Prices in Canada, Great Britain and United States, 1933-1935

(1926 = 100)

Month	Canada (121) (Dominion Bureau of Statistics)	England (157) (Standard Statistics Co. Inc.)(x)	United States (421) (Standard Statistics Co. Inc.)
1933			
January	52.9	64.6	49.1
February	49.2	64.8	44.9
March	48.9	65.7	43.2
April	53.8	65.2	47.5
May	66.1	67.3	62.9
June	77.4	72.8	74.9
July	86.5	72.9	80.4
August	81.8	77.6	75.1
September	81.6	80.1	74.8
October	73.3	81.0	69.5
November	76.8	83.8	69.1
December	75.3	82.0	70.4
1934			
January	81.6	85.0	75.6
February	86.5	86.2	80.5
March	88.0	87.3	77.1
April	90.7	88.8	79.6
May	88.6	90.7	71.8
June	87.2	90.0	73.5
July	81.3	88.3	71.4
August	83.8	86.4	67.8
September	83.8	89.2	67.0
October	85.2	90.4	67.3
November	86.0	87.4	69.4
December	86.2	90.7	69.2
1935			
January	88.6	90.4	69.7
February	87.8	94.1	67.8
March	84.4	90.1	63.9
April	86.4	87.2	67.5
May	93.6	90.8	73.1
June	93.8	-	76.0

(x) Investors' Chronicle. London indexes have been converted from their original base to a 1926 base so as to render comparison with other series easier.