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# PRICE MOVEMENTS, OCTOBER, 1937 (PRELIMINARY)

## COMMODITIES

The decline in wholesale commodity prices, which began in the second week of July continued, with slight interruption, throughout October. Pessimism over future business prospects, so evident on security exchanges, was shared by commodity markets and new laws for the year were touched by several of the primary products including raw rubber, hides, raw cotton, raw silk, raw wool, copper and tin.

Weakness was most apparent in Non-Ferrous Metals and Farm Products but all groups, with the exception of Chemicals, moved lower and carried the general index for wholesale prices from 85.2 for the week ending October 1 to 84.4 for the week ending October 29. Although copper and tin dipped to new levels for the year, they still remained about 10 p.c. above the corresponding period of 1936. The index for raw cotton, which fell to 49.9, showed a loss of approximately 30 p.c. in the same time. Estimates of the United States new cotton crop were close to record proportions and October prices for raw cotton were just above eight cents per pound. Livestock markets were subjected to unusually heavy pressure during the month as the movement from west to east was accelerated by the shortage of feed. Declining exports also influenced the index for this group which dropped 14.7 points to 80.7. At that level it was still 13.6 points over the level of twelve months ago. Grains lost much of earlier gains in the final week of October, and the index for raw rubber dropped sharply to 32.5, the lowest point reached since February of last year. A dip in Canadian Farm Products was due largely to weakness in livestock, hides and raw wool. The index of 85.9 for the last week in October compared with 76.0 for the corresponding week of last year, thus indicating a margin of 13 p.c. over corresponding levels of 1936 in contrast with a 10 p.c. advance in the general wholesale index.

## COST OF LIVING

Higher prices for foods, fuel and clothing, together with increased rentals were responsible for an upward movement in the Dominion Bureau of Statistics cost of living index from 83.6 in September to 84.1 in October. The comparative figure for September, 1936, was 81.3. The food index rose from 78.3 to 78.9, influenced by higher quotations for eggs, milk, tea, dairy butter, bacon and salt pork. Beans, onions, potatoes and most meats recorded declines for the same period. Seasonal advances for coal and coke resulted in an increase in the fuel index from 84.5 to 85.3. Rentals were somewhat firmer, being 89.0 as compared with 87.3 in the month of May. Moderate increases in woollen goods and women's shoes caused a slight advance in the general index for clothing.

## SECURITIES

A rally commencing October 19 halted the most serious drop in common stock prices since 1929. This movement dating from August 14, was the second of the current year. An earlier break in March and April had been followed by moderate mid-summer recovery. This was quickly swept away in the recent decline which carried the average level of common stock prices down about 35 p.c. lower than the March peak. Advances of the past two years were cancelled, leaving market levels in the neighbourhood of those in the last quarter of 1935. The initial recovery starting on October 19 was quite pronounced, but markets had turned hesitant before the end of the month. The extent of October fluctuations is indicated by the following daily Investors' indexes of common stock prices for October 1, 18, and 30: 115.3, 97.8, and 109.7. This general movement was reflected in practically all sections of the list, with industrials fluctuating somewhat more widely than utilities. The recordfor mining issues was quite similar, except that they showed greater recuperative power in the final fortnight. A price index for 24 mining stocks dropped from 132.4 on October 1 to 110.7 on the 19th, and closed at 128.9 on the 30th, with the gold group relatively stronger than base metals. A Dominion of Canada long-term bond index was affected but little by movements in stocks. It dropped gradually from 114.8 for the week ending October 7 to 114.2 for the week of the 28th, while an index of yields mounted from 69.4 to 69.9.

## FOREIGN EXCHANGE

The French franc made a moderate recovery following its break below 3.30 cents on October 2. Shortcovering and the results of cantonal elections favourable to the administration were the main supporting factors. Gold hoarding re-appeared early in October, driving the London bullion price up considerably above parity with the United States price of $35.00 per ounce. European gold consequently ceased flowing to the United States, but late in the month over $19,000,000 in gold was shipped there from Japan. It was believed that this was largely to provide a basis for sterling purchases for the settlement of European trade accounts. Sterling and the yen both strengthened at this time. Montreal rates on New York funds were slightly below par for the greater part of October.