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PRICE MOVEMENTS, JUNE 1937 (PRELIMINARY)

COMMODITIES

Following a decline in the first two weeks of June which brought the weekly wholesale index of the Dominion Bureau of Statistics to 84.1, the lowest point touched in the last three months, a number of commodity markets rallied, and the index moved up 2.1 points in the latter half of the month. Grains, especially, were strong as drought and rust reduced crop prospects to considerably below normal. Livestock prices were well maintained and June levels, which corresponded very closely with those of the base year (1926), represented an increase of approximately 40 p.c. over a year ago. Pulp prices moved slightly higher while a reaction occurred in British Columbia fir and cedar which previously had shown outstanding gains. Among the principal commodity groups, advances were confined to Vegetable Products, Animals, Textiles, Iron and Non-Metallic Minerals while fractional recessions occurred in Wood Products, Non-Ferrous Metals and Chemicals. Canadian Farm Products moved up 5.4 points to 90.4.

COST OF LIVING

Seasonal reductions in coal and coke prices, and a slight recession in the average level of food prices resulted in a decline in the general cost of living for Canada from 82.8 in May to 82.6 in June. Retail prices of foods fell from 76.6 to 76.4, advances for lard, bread, onions, and a number of meats being more than offset by declines for Grade "A" eggs, milk, butter and potatoes. A reduction in the coal sub-group from 86.3 to 82.9, and in that for coke from 87.5 to 86.0, resulted in a downward movement in the fuel index from 86.1 to 84.2. The sundries group remained unchanged at 92.6 despite a slight rise in motor operating costs from 92.1 to 92.3, due to higher prices for tires and gasolene.

SECURITIES

Common stock averages moved irregularly higher in the first nine days of June, during which the index for industrial, utility and bank stocks advanced from 130.7 to 132.1. Subsequently the market moved almost steadily downward until averages were only slightly higher than the lowest level for 1937, recorded on April 28 (125.3). Most sub-groups followed the movements outlined above, with Industrial Mines, Oils, Building Materials and Milling leading the decline. Small gains were registered for Beverages, Textiles and Telephone and Telegraph. Trading continued to be very light. The Investors' general price index for the week ended July 1, was 127.7 as compared with 131.3 for the week of June 3. For the same period industrials dropped from 214.0 to 207.1 and utilities from 63.5 to 62.5. Mines moved irregularly higher to June 7, and then the trend was mainly downward up to June 23rd when a rally of a few days cancelled more than half of the previous declines. The general index closed the month moderately lower at 134.2 for a net loss of 3.7. Interest during the past month was mostly centered on the gold issues and the base metals displayed distinct weakness. The monthly index of twenty-four mining stocks was 134.7 as compared with 142.1 in May, with the gold section showing a decline of 5.4 points and the base metals 14.3. An index for Dominion of Canada long-term bonds showed little change throughout June, the index for the final week being 115.0 as compared with 114.9 for the corresponding period of May.

FOREIGN EXCHANGE

The month of June witnessed two major crises affecting the stability of foreign exchanges. The first came in the opening week when gold prices on the London market dropped approximately seven cents per ounce, as heavy offerings of hoarded metal failed to find buyers. This was due to the revival of recurrent rumours that official gold prices might be reduced in countries providing the leading gold markets of the world. Confidence was again restored however, on June 7 when British authorities established a price of $34.72 per ounce. Subsequent fluctuations from this figure were narrow and offerings became comparatively moderate. From the London gold market, attention was soon turned to the French franc which showed signs of an impending financial crisis in the second week of June. New York ninety-day rates on the franc after remaining relatively stable in the first week, widened irregularly from 8½ points on the 7th to 38½ points on the 26th. For the balance of the month a financial moratorium was maintained, during which time the new Government obtained special financial powers to deal with the situation. The franc was formally devalued on June 30, with the understanding that it should be allowed to find its natural parity. On July 1, New York rates on the franc closed at 3.875 cents, down more than half a cent from pre-devaluation levels. The Canadian dollar weakened moderately during June in terms of both sterling and the United States dollar.

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