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PRICE MOVEMENTS, NOVEMBER, 1938 (PRELIMINARY)

COMMODITIES

Wholesale commodity markets remained comparatively quiet during November and the Dominion Bureau of Statistics' index drifted from 73.6 for the week ending November 4 to 73.4 for the week ending December 2. Of the eight major groups included in the index, Vegetable Products and Iron advanced, Textiles closed unchanged, and Animal Products, Wood, Non-Ferrous Metals, Non-Metallic Minerals and Chemicals experienced slight reductions. Grains were fairly stable, easing 1.0 point to 42.2 for the final week, which compared with 85.1 a year earlier. Livestock moved higher and egg prices reached a peak about the middle of the month. The egg price index then dropped 6.0 points to 77.9 by the closing week, a matter of 3.6 points above the same time last year. Raw wool showed little change and the index has remained at 53.9 since the first week in October. **Prices at this level were approximately 25 p.c. below November 1937. Weakness** was apparent in the more important non-ferrous metals, and copper receded from 80.9 to 76.6, while zinc fell from 47.1 to 42.6 during November 1938. Canadian Farm Products moved up 0.8 during the month to 64.5. Field Products advanced 0.1 to 53.8, and Animal Products closed 1.8 higher at 82.4.

COST OF LIVING

Declines in the prices of foodstuffs, partially offset by gains for coal and coke, resulted in a slight decrease in the Bureau's cost of living index from 83.8 in October to 83.7 in November. This was 0.6 p.c. above the level of November 1937. A retail food price index fell from 77.1 in October to 76.6 in November. Lower prices were reported for meats, fish, canned vegetables and bread, while moderate gains occurred in eggs, potatoes and canned salmon. Seasonal increases in coal and coke prices caused the fuel index to advance from 85.1 to 85.5. Coke prices were higher in two or three of the larger cities of the Dominion, while the upward movement in coal was mainly attributable to increases in anthracite prices in Ontario and Quebec.

STOCKS AND BONDS

The strong rally in share prices on Canadian stock exchanges which followed the signing of the Munich Accord on September 28 terminated on November 12 when the Bureau's daily index for 95 common stocks touched a peak of 112.8. Following this date, continued price recessions, attributed mainly to the revival of European political tension, cancelled practically all advances since the first week in October. Between October 31 and November 30 the general index receded from 110.6 to 107.4, with all sub-group daily indexes, excepting Telephone and Telegraph, averaging lower. On the other hand, price movements on the mining sections were firm, although remaining unusually narrow. This was true especially for gold stocks which have been figuratively running in a groove for the last two months. A firmer undertone appeared in base metal shares following the announcement from the copper cartel at London that restriction of production would be re-imposed in the first quarter of 1939. Comparative daily indexes for October 31 and November 30 were 120.6 and 121.0 for the gold sub-group and 312.7 and 319.6 for base metals. The general index for 24 mining issues moved up from 158.0 on the final day of October to 159.6 for the corresponding day in November, while the range of index fluctuation during this period was confined to 4.3 points. Dominion of Canada long-term bond prices followed the pattern set by stock prices, and a daily index for this series reached a high of 118.2 on November 15. Thereafter it reacted to close the month at 117.5

FOREIGN EXCHANGE (Quotations are Montreal noon rates unless otherwise specified)

Pressure on both the pound sterling and French franc was sufficiently heavy during November to establish new low points for these units since 1933, the September 1938 crisis excepted. Sterling's opening price of $4.7822 on November 1 was well maintained for the next ten days but following this, successive daily declines of increasing magnitude brought rates down to a new low of $4.6564 on the 26th. A vigorous rally then set in which was ascribed in part to official intervention by the British Equalization fund and to short covering. By November 30 the pound had recovered 5 cents of its 12 1/2 cent loss and closed at $4.7069. Numerous factors were associated with this decline, but probably the most important were the continued heavy flight of British capital and the repercussions on the pound-franc parity due to labour's antipathy toward Premier Daladier's recovery decrees. Demand for gold during the month was abnormal and a new all-time high price of 150s. at London was touched on November 26. French francs, moved independently of sterling at times due to the swift changes in the direction of French capital movements as political dissention in that country rose and fell. The independent foreign currencies were firm, and recently they have moved in close alignment with the United States dollar. A noteworthy feature of the month was the revaluation on November 8 of the official Argentine peso from 16 to 17 to the pound. The Argentine free peso was responsive to this news, losing 2.4 cents during the month. In terms of Canadian funds the premium on the U.S. dollar after touching a mid-month peak of 29/32 reacted to close at its opening level of 5/8 of one per cent.