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PRICE MOVEMENTS, JUNE, 1938 (PRELIMINARY)

COMMODITIES

Although the general level of wholesale prices moved slightly lower during June, there was a clearly discernible stiffening in certain basic commodities, including rubber and the principal non-ferrous metals. This dated from the beginning of the month, approximately two weeks before common stocks turned upward. The Dominion Bureau of Statistics index of 567 commodities remained at 80.3 for the first two weeks of June, and was depressed from 80.4 to 79.9 in the final week, due mainly to marked recessions in grain markets. Of the eight commodity groups included in the index, Vegetable Products, Textiles, Wood, Iron and Chemicals declined while Animal Products and Non-Ferrous Metals advanced. No change occurred in Non-Metallic Minerals. Grain markets, as is usual at this season, responded readily to reports of weather conditions and, when timely rains fell over wide areas in the Canadian West during the final fortnight of June, wheat prices dipped sharply. The grain index fell from 78.7 to 74.1 in the last week of the month which compared with 98.5 for a year ago and 58.2 for the corresponding week in 1936. Among the more important commodities to move lower were hides, milk products and vegetable oils, while raw cotton, eggs and livestock advanced.

COST OF LIVING

Lower prices for fuel, clothing, and sundries, partially offset by moderate gains for foods, resulted in a decline in the general cost of living index for Canada from 84.2 in May to 84.1 in June. The food index rose from 77.7 to 78.1, influenced by higher prices for eggs, meats, potatoes, onions, cod fish and finnan haddie. Butter, milk, bread and flour recorded declines. The clothing index which apart from one slight reaction had shown a steady advance dating from September, 1935, reversed direction to register a decrease from 73.7 to 73.0. While all varieties of clothing contributed to the recession, the reduction in men's wearing apparel was less marked than that displayed by women's clothing and yard materials. Seasonal reductions in coal and coke prices caused the fuel index to fall from 85.9 to 85.1. Fuel prices in general were for the first time in thirteen years slightly above the level for the corresponding month of the previous year. The sundries index was down fractionally from 93.9 to 93.8, owing to a decline in the sub-group for household effects from 87.2 to 86.9, and in that for furniture from 93.6 to 93.4.

STOCKS AND BONDS

After drifting irregularly downward for a period of nearly two months, common stock prices came to life in the third week in June to stage the most impressive rally of the current year. It compared in magnitude with April recovery from the severe March decline, but was unsupported by a comparable technical position of the market. All major stock groups contributed to the rise which carried market averages up to mid-March levels. The extent of the movement may be judged from daily general indexes of common stock prices which advanced from 94.7 on June 17 to 104.7 on the 29th, after holding between 94.5 and 96.6 in the earlier part of the month. The only reaction after the rise got under way came on June 30 when the index dropped back to 103.9. Mining issues made steady headway from the beginning of the month until June 17, when gold stocks turned reactionary after London gold bullion prices dropped back below $35.00 per ounce. However, base metals continued on upward, and held the general mining stock price index close to its highest levels of the year. This series mounted from 138.1 on May 31 to 145.6 on June 30. Dominion of Canada long-term bond prices showed only minor variations during June, as indicated by indexes of 118.4 marking the monthly high, and 117.8 the corresponding low. The close was 118.1.

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

Marked unsettlement existed in June foreign exchanges. As the month opened sterling was weak in terms of United States dollars and gold flowed from London to New York. This situation was radically altered by the recurrence of devaluation rumours which coincided with a sharp drop in rates on New York funds from June 7 to 20. Towards the close of this period London gold bullion prices moved several cents above $35.00 per ounce in terms of United States funds. Official denial of devaluation plans in the United States on June 20 was followed by recovery in the dollar and a reaction in London bullion prices. The Canadian dollar showed pronounced strength in the latter half of June, registering appreciable gains both in terms of sterling and New York funds. The Shanghai dollar turned decidedly weaker during the opening days of the month, and the June 30 quotation of 18.40 cents was more than 3 cents below May closing levels.