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PRICE MOVEMENTS, MARCH, 1939. (PRELIMINARY)

COMMODITIES

Price movements on wholesale commodity markets were relatively narrow during March, but the Dominion Bureau of Statistics' weekly indexes of Industrial Material Prices averaged higher than for any month since August, 1938. It has shown a firmer tendency since the middle of February. The Stable group, including the ferrous metals, coal, crude oil, etc., was unchanged at 87.8 during the month, but the Sensitive group, which reflects market influences more readily, rose from 52.6 for the week of February 24 to 52.7 for the week of March 31. This was due entirely to strength in Manufacturing Materials, the index for this group rising from 50.8 to 51.3, influenced by firmness in raw silk and non-ferrous metals, whereas the Food Materials index declined from 57.4 to 56.7, as reductions in wheat, oats and hogs proved of more importance than increases in raw sugar and steers. The General Wholesale Commodity index closed unchanged at 73.3 for the week of March 31, after dropping to 73.1 for the week of March 17. Vegetable Products, Wood and Non-Ferrous Metals were buoyant while Animal Products, Textiles, Non-Metallic Minerals and Chemicals receded. Canadian Farm Products rose from 65.1 to 65.4 during March, due largely to higher prices for potatoes.

COST OF LIVING

The Dominion Bureau of Statistics index number of the cost of living for Canada was unchanged at 82.9 for March. Moderate decreases in the prices of butter, lard, cheese, flour, bread, fish, canned vegetables, veal, fresh pork, cooked ham and tea were counter-balanced by gains for eggs, potatoes, beef, mutton, salt pork and bacon, resulting in an unchanged index of 74.5 for foods. Compared with March, 1938, food costs had declined five per cent.

Other budget price indexes were the same as for February.

STOCKS AND BONDS

The general index price level for 95 common stocks, after establishing a 1939 peak of 108.9 on March 10, broke sharply during the latter half of the month as mounting European tension induced substantial liquidation. Between March 1 and 31, the general index dropped 8 per cent to 97.1 where it was within a fraction of the 1939 low of 97.0 recorded on January 26. All sub-group indexes registered losses varying between 28.4 per cent for the pulp and paper index and 1.3 per cent for textiles and clothing. Several issues were especially active during the month, notably Brazilian and Abitibi. Recessions in mining shares were of even greater magnitude than in the industrial and utility sections. The general index for 24 mining issues fell 11 per cent during the month to a new 1939 low of 142.4 on March 31. Both sub-group indexes shared almost equally in the decline, the gold index falling from 121.9 on March 1 to 108.3 on the 31st, while the base metal index dropped from 317.7 to 283.3 in the same interval. Lake Shore's decline of almost \$12 was particularly impressive while Noranda and Hudson Bay bore the brunt of the selling pressure in the base metals. Dominion of Canada long-term bond prices moved narrowly lower, the daily index for this series closing the month at 117.4 compared with a high of 118.3 and an opening level of 117.7.

FOREIGN EXCHANGE

Further European unsettlement throughout March had an adverse effect on leading foreign currencies. This was most clearly revealed by sharp fluctuations in forward rates as spot quotations were held relatively firm by the various Exchange Controls. Sterling closed the month at \$4.7005 compared with \$4.7075 on February 28 and a peak of \$4.7111 on March 18. London forward rates at New York indicated considerably greater variation, discounts on 90-day futures widening from 1 1/4 on February 28 to 2 15/32 at the end of March. Spot quotations for French francs remained firm at 2.66¢ throughout the month while the discount on 90-day futures for Paris at New York increased from 1 1/8 on March 1 to 3 1/4 on the 18th, but subsequently receded to 1 3/8 at the close. The Swiss franc was under considerable pressure during the latter part of March, coinciding with a substantial exodus of foreign capital to other banking centres. It closed at 22.52¢, the low for the month, and 29 points below the opening level. Following the dissolution of Czechoslovakia on March 15, quotations on the koruna were discontinued, the final rate being 03.43¢. Sharp appreciation occurred in the Shanghai dollar in March, coincidental with the announcement that a £5,000,000 British loan had been authorized to support Chinese credit. From an opening level of 15.87¢, rates for the Shanghai dollar jumped to a peak of 16.40¢ on March 11, but later reacted to close at 16.06¢ on the 31st. Substantial demand for Canadian funds from the United States reduced the premium on the United States dollar from 13/32 of one per cent on March 1 to 3/16 on the 10th. It was the smallest premium since early March, 1938. Subsequent strength for the United States dollar moved the premium back to 7/16 on March 31, an increase of 1/32 on the month.

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