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PRICE MOVEMENTS, JULY, 1939 (PRELIMINARY)

COMMODITIES

Industrial Material prices moved moderately lower during July, and the Dominion Bureau of Statistics' index decreased from 65.3 for the week ending June 30 to 64.8 for the week ending July 28. The decline in Food Material Prices, which commenced in the closing days of May, continued at an accelerated pace during the month, and the index for this group dropped to 51.9, for a net loss of 5.1. On the other hand, Manufacturing Material Prices advanced, rising from 52.1 to 53.0, the highest point touched since January 1938. Changes in the Stable group were unimportant and the index remained at 88.3. General Wholesale Commodity prices moved downward also, the index falling from 73.3 to 72.1. This index has not been so low since June 1936. Reductions predominated in Vegetable Products, Animals, Textiles and Non-Ferrous Metals, while Non-Metallic Minerals advanced slightly. Canadian Farm Products declined from 64.2 to 62.2, as lower quotations ruled in both the Animal and Field Products divisions.

COST OF LIVING

Increases in prices of a few of the more important foods, partially offset by further recessions in coal and coke prices, resulted in an advance in the general cost of living for Canada from 82.9 in June to 83.1 in July. The comparative figure for July of the previous year was 84.2. The food group rose from 74.3 to 75.1, gains for eggs, butter, potatoes and pepper being of more consequence than declines for milk, tea, lard and most meats. A reduction in the coal sub-group from 85.5 to 85.0 and in that for coke from 81.7 to 81.0, brought about a decline in the fuel index from 84.3 to 83.9. There were no changes of any importance recorded for other budgetary groups.

STOCKS AND BONDS

The mid-summer rally in Canadian security prices, which got underway in July, lifted group indexes to their highest levels for the past several weeks. All sub-group indexes, with the exception of telephone and telegraph, recorded advances although issues included in the base metal and heavy industries sections were particularly buoyant. Strength in these shares reflected not only higher prices for base metals but also increased industrial production due to the vast rearmament programmes now in effect. At the close of the month the general index level for 95 common stocks stood at 98.4 or 6.0 per cent above the final June figure. In the industrial section the index indicated a a net gain of 7.5 per cent at 161.5 while utilities moved up 2.6 per cent to 42.8. Banks were 0.6 per cent higher at 85.2. In comparison with their exceptional weakness over the past two months, oil shares displayed considerable firmness, rising 6.1 per cent to 155.5 between June 30 and July 31. Paced by a rapid advance in the base metal shares sub-group the general index for 25 mining issues rose 6.3 per cent to 158.4 during the month. The base metal index, which touched a new high for the year at 324.2 on July 31, recorded a net gain of 9.5 per cent on the month. Golds rose 4.3 per cent to 118.4 but unlike base metals, were well below the year's high of 125.8 recorded on January 7. An index series for Dominion of Canada long-term bond prices, which ranged between a low of 117.6 on July 3 and a peak of 118.1 on the 14th finally closed unchanged at 117.7.

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

Extending its irregular advance of the past few months the Canadian dollar stiffened gradually in July against practically all foreign currencies. A seasonal rise in Canadian exports to the United States supplemented by recent Dominion security offerings lifted the Canadian dollar at New York to its highest levels in over sixteen months. At Montreal, United States funds weakened from $1.00 9/32 on June 30 to $1.000 on July 28 where they remained for the balance of the month. Spot sterling rates, while remaining comparatively firm at New York, dropped more than 1 1/4¢ to $4.6807 at Montreal between June 30 and July 31. French francs closed at 2.65¢ compared with 2.66¢ at the end of June while Belgian belgas showed a net decline of 5 points to 16.99¢. Erratic fluctuations in the Netherlands florin reflected the current unstable internal political outlook. Following the formation of a new cabinet under Premier Colijn florin rates rose to a peak of 53.68¢ on July 24 compared with 53.23¢ on June 30. By the close, though, rates had dropped back to 53.10¢ on the report that the new cabinet had been defeated over the current financial policy. Extreme weakness in the Shanghai dollar featured Far Eastern currency rates during the month. Quotations on the Chinese unit, which had been holding around 12.75¢ until the middle of the month, dropped precipitously in the latter half, following withdrawal of support by the British-Chinese Stabilization fund. By the close the rate had shown a net decline of more than 33 per cent to 8.43¢. Reflecting continued uncertainty over the intermediate outlook for foreign silver prices the Mexican peso (unofficial rate) fluctuated widely in July between 18.05¢ on the 6th and 16.86¢ on the 11th. It finally ended the month at 16.87¢ for a net loss of 35 points.