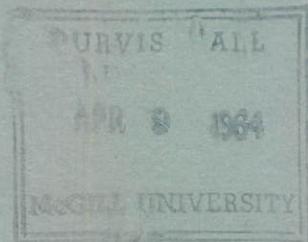


Montreal Stock Exchange

SECOND TRANSACTION STUDY

JUNE, 1963

Canadian Stock Exchange





Pres. Montreal Stock Exchange Mar. 9/64

MONTRÉAL STOCK EXCHANGE

SECOND TRANSACTION STUDY

JUNE, 1963

CANADIAN STOCK EXCHANGE

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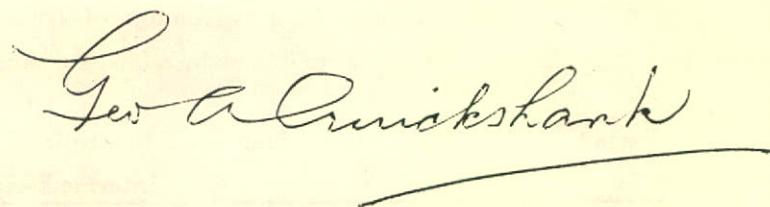
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**To : Members,**

**Member Firms & Member Corporations**

In a continuing effort to bring more meaningful interpretative analysis of the stock market operations, the Montreal and Canadian Stock Exchanges have concluded their Second Transaction Study. This study provides interesting facts relating to the important sources of volume — public individuals, institutions, financial intermediaries and Exchange members. In addition to the above, the sources of volume are categorized by Age, Sex, Investment Motivations, Cash or Margin, and Geographic Distribution.

As this is only our Second Study it is premature to draw any definite conclusions and only after several such studies are conducted can meaningful patterns or trends be discernable. We are grateful for the interest and cooperation of all our Members and their staffs who have contributed to the success of this study. The survey was conducted by Dleap Hall, Director of Statistics & Research for the Montreal and Canadian Stock Exchanges.

A handwritten signature in cursive ink, appearing to read "George A. Cruickshank", is written over a single horizontal line.

GEORGE A. CRUICKSHANK

Executive Vice-President

Montreal Stock Exchange  
Canadian Stock Exchange

## Major Source of MSE & CSE Share Volume

Our second transaction study conducted in June 1963 indicates that Institutions & Intermediaries percentage of total volume increased by 1.9%. The June 1963 percentage is 21.7% as opposed to 19.8% for June 1962.

<u>Public</u>	<u>Institutions</u>	<u>Members</u>
<b>49.2%</b>	<b>21.7%</b>	<b>29.1%</b>

Institutions & Intermediaries have increased their volume by 1.9% over our 1962 survey. This year this group bought and sold a total of 342,053 shares on our study dates in June. Increased institutional buying seems to be establishing a trend but it is still too early to make any prognostications. Public Individuals & Members volume has declined by small proportions yet the Public sector still accounts for 49.2% of the volume or 775,529 shares for the two study dates in June. Members volume accounted for 458,697 or 29.1%.

Share Volume As a Percentage of Total Volume Montreal & Canadian Stock Exchanges			
<u>Period</u>	<u>Public Individuals</u>	<u>Institutions &amp; Intermediaries</u>	<u>MSE &amp; CSE Members</u>
<b>June 1963</b>	<b>49.2%</b>	<b>21.7%</b>	<b>29.1%</b>
<b>June 1962</b>	<b>50.4%</b>	<b>19.8%</b>	<b>29.8%</b>

## Public Individuals Share Volume by Investment Motivation

The habits of Canadian Investors are difficult to determine especially since so many variables influence them. In many cases the broker-client relationship is very close and in these situations it is easy to determine the attitude of the investor and the reasons for his purchase. However, in many instances, a client simply pays for his purchases and departs with his stock; this group is the largest and it is difficult to assess their reasons or the duration which they hold their stock.

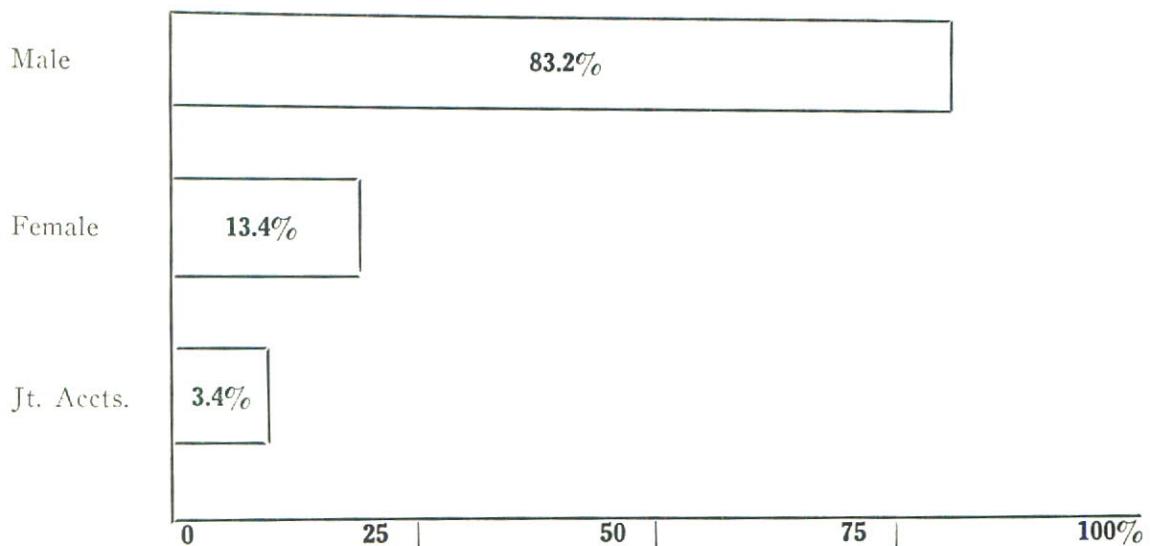
<u>Long-Term</u>	<u>Short-Term</u>	<u>Trading</u>
<b>23.3%</b>	<b>27.7%</b>	<b>49.0%</b>

Our 1963 survey shows that a significant drop occurred in the Long-Term and Short-Term categories. The Trading category showed the largest gain. This could possibly be best explained by the uncertainty of the market after the 1963 Federal elections.

Motivation of Public Individuals Share Volume MSE & CSE			
<u>Period</u>	<u>Long Term</u>	<u>Short Term</u>	<u>Trading</u>
<b>June 1963</b>	<b>23.3%</b>	<b>27.7%</b>	<b>49.0%</b>
<b>June 1962</b>	<b>35.2%</b>	<b>35.7%</b>	<b>29.1%</b>

# Public Individuals Share Volume by Sex

The predominance of male share volume increased by 0.7%. This high percentage recorded for males may, in part, be attributable or influenced by the Quebec Civic Code. The female share volume declined 2.5% whereas Joint Accounts increased their volume to 3.4% from 1.6% in 1962.

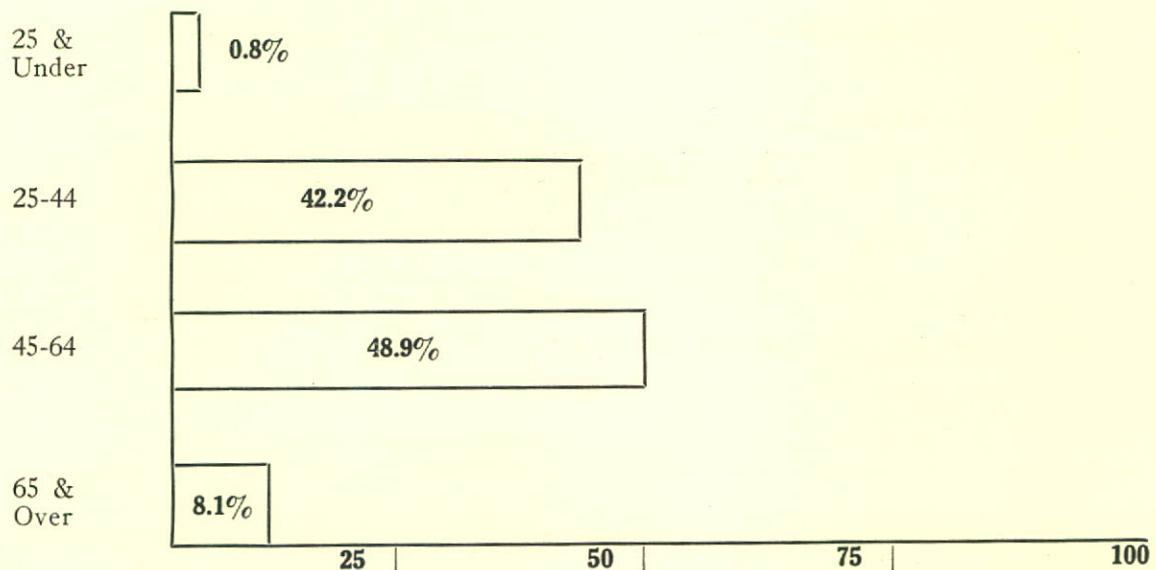


Male shareholders continue to be the largest investor however this trend may be reversed in the future with the relaxation of the Quebec Civil Code governing female investors.

Percentage Distribution of Shares Bought & Sold For Public Individuals			
<u>Period</u>	<u>Male</u>	<u>Female</u>	<u>Joint Account</u>
June 1963	83.2%	13.4%	3.4%
June 1962	82.5%	15.9%	1.6%

# Public Individuals Share Volume by Age

The 45-65 age group accounted for the largest percentage of Public Individuals share volume in both our first and second Transaction studies.



Significant improvements were made by age group 65 and over; they now account for 8.1% which is a 2.3% gain over 1962.

Public Individual Share Volume by Age

<u>Period</u>	<u>Under 25</u>	<u>25-44</u>	<u>45-64</u>	<u>65 &amp; over</u>
June 1963	0.8%	42.2%	48.9%	8.1%
June 1962	1.2%	42.8%	50.2%	5.8%

# Margin Volume of Public Individuals compared with Total Volume

The June 1963 transaction study revealed a considerable decline in share volume purchased on margin. Margin requirement on the Montreal and Canadian Stock Exchanges is 50% and this downward trend may be indicative of the economic climate prevailing at the time the study was conducted.

## MARGIN TRANSACTIONS OF PUBLIC INDIVIDUALS AS A PERCENT OF TOTAL SHARE VOLUME

<u>Period</u>	<u>Percent</u>	<u>MSE &amp; CSE Margin Requirements</u>
June 1963	15.4%	50%
June 1962	20.0%	50%

The 45-54 age group make purchase on margin to the extent of 24.6%, while the under 25 constitute 3% of margin buying.

## Percentage Distribution of Public Individuals Margin Volume By Age Group — 1963

<u>Age Code</u>	<u>Margin Volume</u>	<u>Total Volume</u>	<u>% of Total Volume</u>
Under 25	100	3,393	3.0%
25-34	13,247	67,414	19.7
35-44	10,290	115,283	8.9
45-54	34,038	138,515	24.6
55-64	7,520	73,919	10.3
65 & over	4,214	34,936	12.6
Unknown	49,333	342,624	
<b>TOTALS</b>	<b>118,742</b>	<b>775,356</b>	<b>15.4%</b>

# Geographic Distribution of Public Share Volume — June 1963

## Geographic Distribution of Public Share Volume — June 1963 (with comparative figures for 1962)

<u>Geographic Code</u>	<u>Individuals %</u>		<u>Institutions %</u>	
	<u>1963</u>	<u>1962</u>	<u>1963</u>	<u>1962</u>
Alberta	1.4	2.03	0.2	.14
British Columbia	3.4	1.91	1.1	1.12
Manitoba	1.0	0.38	0.7	1.10
New Brunswick	1.3	1.60	0.6	.50
Newfoundland	0.3	0.02	0.3	.04
Nova Scotia	2.1	3.10	0.5	1.13
Ontario	40.1	30.50	18.1	25.02
Prince Edward Island	0.2	0.19	—	.19
Quebec	45.9	53.30	73.2	60.43
Saskatchewan	0.1	0.17	0.1	.56
United States	4.0	6.40	3.1	3.50
United Kingdom	—	0.04	0.6	2.04
Other	0.2	0.36	1.5	4.23

## NOTES

A: Public transactions are constituted according to the following:

1. Public Individuals — are those individuals who are not members nor partners in a member organization of the Montreal or Canadian Stock Exchange.
2. Institutions — these include religious organizations, banks, educational institutions, insurance companies, investments clubs, mutual funds, trust companies.
3. Intermediaries — These are organizations or firms through which orders from public individuals and intermediaries are processed. These take the form of banks, trust companies and non-member broker/dealers.

B: **Definitions**

1. Investing — encompasses all transactions except those of trading. Investing is classified into two categories — short term and long term.

Short term — transactions are closed out in less than 6 months.

Long term — transactions which will not be closed out for at least 6 months.

2. Trading — involves the closing out or the potential closing out of all transactions within thirty days.
3. Cash — covers all cash account transactions including those transactions on margin accounts having a free credit balance before and after the transaction.
4. Margin — covers all margin accounts where credit was used.

C: Returns on Survey — the completeness of this survey is based upon 95% of all transactions which were reported.

## **COMPARATIVE ANALYSIS**

A comparison between the New York Stock Exchange's Twelfth Public Transaction Study conducted on October 16, 1963 and the Eleventh Study conducted on September 13, 1961 and the two studies conducted by the Montreal and Canadian Stock Exchanges in June of 1962 and 1963 provide interesting comparisons. These comparisons are illustrated on the following pages.

## Major Sources of Share Volume

It is interesting to note that, in the table below, the divergent relationships are very striking. Public Individuals and Exchange members volume declined by small percentages and the Institutions volume increased by 1.9%, on the Montreal and Canadian Exchanges Study. The very opposite occurred in the New York Study. These differences could be explained in two ways. The Montreal and Canadian Study was conducted during an unsettled atmosphere which was prevalent before and after the installation of the New Government in Ottawa. The U.S. increase could be accounted by the 15% Interest Equalization Tax which channelled clients to buy domestic securities rather than foreign.

### Share Volume as a Percentage of Total Volume

#### Montreal and Canadian Stock Exchanges

	<u>Public Individuals</u>	<u>Institutions and Intermediaries</u>	<u>Exchange Members and Others</u>
June 1963	49.2%	21.7%	29.1%
June 1962	50.4%	19.8%	29.8%

#### New York Stock Exchange

Oct. 1963	53.4%	23.9%	22.7%
Sept. 1961	51.4%	26.2%	22.4%

## Public Individuals Share Volume by Investment Motivation

The decline from 35.2% to 23.3% by the Public Individuals Long term investment in the Montreal and Canadian Study approximates the decline in the New York Study. In the Trading section increases were established in the Montreal and the New York Study and in the Short Term section the trend was reversed.

### Motivation of Public Individuals' Share Volume

#### Montreal and Canadian Stock Exchanges

	<b>Long Term Investment (Over 6 months)</b>	<b>Short Time Investments (1 to 6 months)</b>	<b>Trading (Under 30 days)</b>
June 1963	23.3%	27.7%	49.0%
June 1962	35.2%	35.7%	29.1%

#### New York Stock Exchange

Oct. 1963	50.6%	32.4%	17.0%
Sept. 1961	62.0%	28.5%	9.5%

It must be remembered that it is often difficult to determine what motivates an investor to buy or sell shares and it is only where an investor's account is maintained by a broker that accurate information can be acquired. For other accounts a good deal of subjective reasoning by the broker is necessary to determine the motivation of an investor.

## Public Share Volume by Sex

The significant difference influencing this segment of the Study is the effect of the Quebec Civil Code on the female participation in our trading volume. Since the U.S. women have greater freedom in executing their decisions than do their Canadian counterparts explains the larger percentages of female participation in the New York Survey. The percentage volume executed by males has increased in the two studies by 0.7% in the Montreal Study and by 2.6% in the New York Study. Volume by Joint Accounts increased by 1.8% to 3.4% in our 1963 Study.

### Percentage Distribution of Shares Bought and Sold for Public Individuals by Sex

#### Montreal and Canadian Stock Exchanges

<u>Period</u>	<u>Male</u>	<u>Female</u>
June 1963	83.2%	13.4%
June 1962	82.5%	15.9%

#### New York Stock Exchange

Oct. 1963	74.3%	25.7%
Sept. 1961	71.7%	28.3%

## Public Individuals Share Volume by Age

It is evident from the two studies that the 45-64 age group dominates the other groups. The two age groups 25-44 and 45-64 combined cover 90% of the volume. The only divergent difference is in the volume of the 65 and over group. In our 1963 Study this group had 8% of the volume and the New York Study revealed 14.5% of the volume.

### Public Individuals' Share Volume by Age

#### Montreal and Canadian Stock Exchanges

	<u>Under Age 25</u>	<u>Age 25 - 44</u>	<u>Age 45 - 64</u>	<u>Age 65 and Over</u>
June 1963	0.8%	42.2%	48.9%	8.1%
June 1962	1.2%	42.8%	50.2%	5.8%

#### New York Stock Exchange

Oct. 1963	1.2%	30.9%	53.4%	14.5%
Sept. 1961	1.4%	29.4%	54.4%	14.8%

## Margin Volume of Public Individuals compared with Total Volume

Margin requirements on the Montreal and Canadian Stock Exchanges are maintained at 50% and our recent study reveals that only 15.4% of total transactions were bought on margin. This is a 4.6% decline from the previous study.

On the New York Study margin transactions of public individuals represented 31.5% of total volume. This is almost double the 1961 amount of 16.3%. Margin requirements on the New York Study date were 50%.

### Margin Transactions of Public Individual as a Percent of Total Share Volume

#### Montreal and Canadian Stock Exchanges

<u>Period</u>	<u>Percent</u>	<u>Margin Requirements</u>
June 1963	15.4%	50%
June 1962	20.0%	50%

#### New York Stock Exchange

Oct. 1963	31.5%	50%
Sept. 1961	16.3%	70%

## **Conclusion**

Although it is premature to draw definite conclusions from the study conducted by the Montreal Stock Exchange it is intriguing to note the similarities in some areas and differences in others when compared with the New York Stock Exchange Study. When perusing these results one must consider the different circumstances under which these studies were conducted. The Montreal Study was conducted during a time of economic uncertainty, prevalent about the time that the 1963 election was being fought. The New York Study was conducted under an atmosphere clouded by the restriction of the 15% Interest Equalization Tax which tended to restrict purchases by Americans to domestic securities.

The results are gratifying and our subsequent studies may reveal additional information which may shed more light on the habits of all the investing groups.









