

# Middleman faces stock market risk

Bringing stocks and bonds to market has become a dangerous business for the middlemen. Stockbrokers and investment dealers are losing hundreds of millions of dollars.

Investment dealers buy new issues of a company's stocks or bonds to sell to their clients, who may be big financial institutions, investment funds or people like you and me. The dealers expect to do this at a profit.

Since the October stock market crash, profits from this business have been hard to come by. Each day brings another report of how much the dealers are suffering. One deal alone - British Petroleum - has eaten up a big chunk of the capital of three Canadian dealers, prompting

some people to wonder how healthy they are.

**BP BOMB**

The BP issue could cost Wood Gundy up to \$55 million, before tax. It could cost Dominion Securities and McLeod Young Weir that much between the two of them. How much the companies lose depends on how much the stock price falls over the next month or so.

In the United States, too, the BP issue bit a big chunk out of the capital of Salomon Brothers, Goldman Sachs and Shearson Lehman.

To get the dealers to go through with the deal, the British government agreed to step in and buy the stock if it fell to a certain price. This could happen.

The British government owned BP in the first place. It sold the company to the public to raise money. Now it may have to turn around and buy it back again.



**Your Business**

By  
**DIANNE MALEY**  
Business Analyst

So it's no wonder that when the people who plan to build a tunnel under the English Channel came looking for money, the Canadian dealers turned thumbs down. Wood Gundy, Dominion Securities and McLeod Young Weir determined that Canadian investors were not eager to sink their money into a hole in the ground, no matter how glamorous or historic the project.

This is not what the builders of the Eurotunnel expected. In September, Alastair Morton, co-chairman of the builders' group, said the tunnel was right up our alley.

"This is the sort of thing Canadian investors will understand," he said. This is because of our experience with pipelines, property development and mining, "or just holes in the ground," he added.

His theory, it seems, was full of holes.

This crisis in the capital market is more serious than meets the eye.

When brokers are left holding the bag of unwanted stock, it is just a matter of time before bankers are left holding a bag of bad loans to brokers.

If the stock market plunges again, the world financial system could fall apart. In the end, central bankers, hence government, could be forced to bail everyone out - with our money.

**STOCK KEEPS COMING**

Yet the stock keeps coming. In Japan, the country's telephone company dumped billions of dollars of new stock on the market. In Tokyo, Li Ka-Shing, the Hong Kong tycoon who is taking Canada by storm, dumped nearly \$2 billion of new stock on the jittery Hong Kong market.

Hong Kong bankers are no doubt worried. They could force the brokers to dump the shares on the market to get the money to repay their loans. If this happens, the share prices will fall even further. It's a vicious circle.

The financial panic of 1929 and the depression that followed was sparked by the collapse of a relatively small bank in Austria. How could such a remote event cause so much trouble in North America?

The world financial system is built on confidence. That's why seemingly small events in faraway lands can hurt us, too. This time, though, the trouble could flare up right here in Canada.

Bankers, brokers and politicians are holding their collective breath, hoping the stock market doesn't go into another free fall.

## Beaver corner



October 26, Dave Dubrevil was invested as a new Beaver Leader into 2nd Georgetown Beavers. Shown here congratulating Dave are Laverne Brown (left) and Lynn Pegg (right). (Photo submitted)



Nov. 2, 11 new kits were invested into 2nd Georgetown Beavers at St. George's Anglican Church. Shown here, front row, left to right, are John Paul Zeni, Cameron Davies, Terry Dubrevil, Christopher Baker, Michael Easton. Back row, Cameron Finnis, Ken Thompson, Ryan Bobor, Michael Zammit, Christopher Martyniuk, Benjamin Redman. (Photo submitted)

## VIDEO BEAT

Tuning in to rock

Ethlie Ann Vare

## Rockers make film cameos

By Ethlie Ann Vare

Neil Young as a truck driver? Ric Ocasek as an auto mechanic? Tom Petty as a card shark? That what you'll see in Alan Rudolph's new film, "Made in Heaven," starring Timothy Hutton and Kelly McGillis.

"The reason we cast them in the film was to make the audience pay more attention to certain characters," says Rudolph. "Each of these guys adds a dimension to their character."

Each of these guys also happens to be a friend of the director, who has been involved with film music in earlier efforts like "Roadie" (1980) and "Songwriter" (1984).

Neil Young adds a third dimension to "Made in Heaven," a romantic film fantasy. He contributed such song classics as "I Am a Child" and "Mr. Soul" to the sound track, along with his tour-de-force effort, the movie's theme song "We've Never Danced."

Performed by former Motels front-woman Martha Davis, "We've Never Danced" is a sure-fire chart-topper. The sure-to-be-upcoming video - using, as it will, the stunning visuals of Rudolph's cinematographer, Jan Kleiser - promises to be a heartbreaker.

Speaking of rockers on film, Eurythmics' Annie Lennox and Dave Stewart - along with Stewart's wife, Slobhan Fahey, of Bananarama - are set to appear in "The Golem." A supernatural thriller, "The Golem" will feature Lennox in the title role (according to Jewish legend, a golem is a being artificially created by cabalistic rites). Mr. Stewart is cast as a vagabond and the veddy British Mrs. Stewart as a rabbi's daughter.

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