Turning Points in the American Civil War: New Evidence from the Canadian Stock Market, 1861-1865*

Richard C. K. Burdekin and Haonan Ye

Claremont McKenna College

July 2025

Abstract

Weekly Canadian stock market data offer a high frequency window into financial market reactions to developments during the American Civil War. These data are available for the full period of the war and offer a perspective from a neutral country greatly affected by the wartime developments but not directly involved in the fighting. Our empirical work identifies four significant turning points. The first of these coincides with the resolution of the 1861 "Trent affair," which had left Great Britain preparing for military intervention and Canada facing the threat of American invasion. The remaining three suggested turning points seem to connect with the prospects for peace and/or a speedier resolution of the conflict.

KEYWORDS: American Civil War; Canada; stock markets

JEL CLASSIFICATION: G15; F36

Contact: Richard C. K. Burdekin, Robert Day School of Economics & Finance, Claremont McKenna College, 500 E. Ninth Street, Claremont, CA 91711
Phone: (909) 607-2884; Fax: (909) 621-8249; Email: rburdekin@cmc.edu

* The authors thank Catherine Liu for extensive assistance with the data, thank Farrokh Langdana, Pierre Siklos and Marc Weidenmier for helpful comments, and are most grateful to the Lowe Institute of Political Economy for supporting this faculty student research project.

"Some of our leading men and some of our journals are for war with England … We might, and we probably would, do infinite injury to British commerce. We might, if it were deemed worth while, overrun Canada, and add that wild and worthless region to our dominion …"

(*Harpers Weekly*, January 4, 1862)

"Canada was a sitting duck … There were not nearly enough soldiers to guard the long American border, let alone defend it should an attack come … Britain had increased its miliary presence in Canada by a little, but by 1860 there were still only about 4,300 British regulars …
(Boyko, 2013, p. 65)

INTRODUCTION

The use of financial market data to identify, or confirm, turning points in the American Civil War was pioneered by Mitchell (1903), who identified potential turning points based on movements in the greenback price of gold. Other work, such as Brown and Burdekin (2000) and Weidenmier (2000), has used data on Confederate bonds traded in London. However, neither the gold price data nor bond market data are available for the full war. The greenback series begins only in 1862 and the bond market series dates only from 1863. Moreover, no past studies have used stock market data owing to the American stock market being closed with the outbreak of the war.[1] The Toronto stock market remained open, however.[2] Weekly data on

[1] Although the New York Stock Exchange did reopen in 1863, trading was limited to just two "call trading" sessions per day under which stocks were called out individually for buying and selling.

[2] Prior to Canada's Confederation in 1867, Toronto was part of the United Province of Canada that included modern-day Ontario and Quebec. Up until 1841 it had been the capital of Upper Canada. Although the term "Canada" is used for convenience throughout the paper, at the time of the American Civil War the more historically accurate term would be the "British North American colonies."

the Canada Company offer a high frequency window into financial market reactions to wartime developments. Canada remained deeply affected by the war. Great Britain considered intervention and the North at times threatened action against Canada, potentially including invasion. Montreal, in particular, was a key hub of the Confederate Secret Service (Sheehy, 2017).

Weekly data on the Canada Company are available from *The Banker's Gazette* over the full 1861-1865 period. The Canada Company was instrumental in colonizing much of present-day Ontario and was chartered in 1826. It was a leading component of the inaugural Toronto Stock Exchange and was one of the original 18 stocks included in 1861.[3] We test for turning points in the share price series over 1861-1865, using the same methodology as in past work with Civil War cotton bond data (Brown and Burdekin, 2000). This approach, pioneered by Willard, Guinnane and Rosen (1996), involves identifying "windows" that contain non-reversed shifts in the series. We identify an apparent turning point in late 1861 following the resolution of a clash with Britain that had led to an invasion threat.[4] We also find evidence of turning points later in the war that appear to be associated with the prospects of the conflict being resolved, with the last move seemingly anticipating the end of the civil war in 1865.

[3] The Canada Company is also the only Canadian stock listed in the *Banker's Gazette*.

[4] This approach has been applied in many other settings, with a recent example being Li, Tang and Wang (2025).

INVASION FEARS AND THE "TRENT AFFAIR"

The weekly Canadian Company share price trends downward for most of the April 1861-April 1865 period of hostilities (Figure 1). This is unsurprising given the inevitable dislocations to trade and commerce in Canada's large neighbor and trading partner.[5] There is, however, a substantial countertrend rally in early 1862. This follows the alleviation of an invasion threat. The British government had threatened war after American naval officer Captain Wilkes forcibly removed two Confederate commissioners, Mason and Slidell, from "The Trent," a British mail ship. The official report of their removal, and subsequent detention, was made public on November 27, 1861. Harris (1896, pp. 143-144) describes the British readiness for military intervention in response:

> Preparations were [soon] made for placing the military forces upon a war footing, and it was arranged to increase the army in Canada at once by an addition of thirty thousand men. Recruiting began with unusual vigor. The very flower of the British standing army were mustered and passed in review, after which they embarked for Halifax. Among them were all of the most noted batteries and regiments, among which were the guards, to whom was accorded the distinguished honor of taking part in all important wars. These were the first to start to the seat of war. They believed that they were going to Charleston to help the Confederates. The guards played the well known American air, "I am off to Charleston," while embarking on their vessels.

As British troops began to arrive, the Canadian government too prepared for conflict with the United States. Expanded militia recruitment was accompanied, on December 28, 1861, by the appointment of a minister of militia affairs to oversee preparations for war (Boyko,

[5] The 1850s had seen Canada transition from near total dependence on Great Britain to increasing integration with the United States (Norrie et al., 2008, p. 155).

2013, p. 103). Canada remained highly vulnerable with less than 100,000 militia and very few British troops yet available to support any defense of the long land border. Diplomacy ultimately won out, however. The invasion threat abruptly ended when the American government backed down, recognizing the unlawfulness of Captain Wilkes' actions, and agreeing to release the Confederate commissioners. The American communique to this effect reached London on January 8, 1862 and was quickly accepted by the British Cabinet.

WAR AND PROSPECTS OF PEACE

The Canada Company share price drop at the beginning of the war may have been mitigated by two main factors. First, a break between North and South had seemed inevitable ever since Abraham Lincon prevailed in the November 1860 election without winning a single southern state. Second, both North and South shared a belief in a short war as evidenced, for example, in the 90-day enlistment periods for the initial volunteers. The prospects of a speedy restoration of peace were soon dispelled by mounting losses, however, and a seemingly never-ending series of bloody battles exemplified by Gettysburg in 1863 and Cold Harbor in 1864. In this latter case, a contemporary observer stated that 13,000 union troops were killed or wounded in a single hour on June 3, 1864 (Long, 1886, p. 348).

By 1864 it was becoming increasingly clear that the war was going to end with Confederate defeat. Indeed, based on the price of Confederate bonds traded in Amsterdam, Mitchener et al. (2015) calculate that the implied probability of Confederate victory fell from below 20% at the beginning of 1864 to less than 3% by year's end. A short-lived reversal of the downturn in the Canadian Company share price is seen in the aftermath of General Grant's

April 17, 1864 decision to the end the exchange of prisoners of war. Grant's rationale for this move (as quoted in Wert, 2007) seemed to imply hope that this would help bring the war to a close:

> Every man we hold, when released on parole or otherwise, becomes an active soldier against us at once either directly or indirectly. If we commence a system of exchange which liberates all prisoners taken, we will have to fight on until the whole South is exterminated.

Despite victories on the battlefield, the war became increasingly unpopular in the North owing to the mounting casualties. One striking manifestation of this discontent was the New York City draft riots of July 1863.   This left Lincoln's re-election in November 1864 far from certain and he was opposed by his own former general McClellan, who was running for the presidency on a peace platform. The surrender of Atlanta to union forces on September 2, 1864 all but guaranteed Lincoln's re-election, however. Fletcher (2024) summarizes the situation as follows:

> Even though they were militarily successful, the Northern casualties during the summer of 1864 suffered by Sherman's army in Georgia and Grant's army fighting Lee in Virginia had been the worst of the war. The Northern public was tired of war, morale was low, and Lincoln's re-election in November of 1864 was in serious doubt. The Sept. 2 news that Atlanta had been taken by Sherman's army was the singular galvanizing event that propelled Lincoln to an election victory.

Although the last Confederate forces in the west did not surrender until June 1865, General Lee's surrender to General Grant at Appomattox Courthouse on April 9, 1865 effectively ended the fighting. This was preceded by a peace conference at Hampton Roads on February 3, 1865. President Abraham Lincoln and Secretary of State William Seward met with Confederate Vice President Alexander Stephens, Senator Robert M.T. Hunter, and Assistant Secretary of War John A. Campbell to try and secure a negotiated end to the war. Although no agreement was reached, this meeting may well have been taken as a tangible indication that the end was near.

TURNING POINTS REVEALED BY THE CANADIAN DATA

Our empirical work utilizes end-of-week values for the Canada Company drawn from *The Banker's Gazette*, which was a publication of *The Economist*. This is the only Canadian company listed there.[6] As with Willard, Guinnane and Rosen's (1996) analysis of the gold price of Northern greenbacks during the civil war, we search for persistent shifts in the data that may reflect turning points. This involves examining successive "windows," or subsamples of the data, and searching within them for structural breaks that are not reversed within this time period. We utilized six-month windows, which allows approximately 25 observations per window – less observations than the 100-day windows used by Willard, Guinnane and Rosen (1996) but more calendar time. We deploy the returns represented by the percentage change in the price of Canada Company stock in each week (PercentΔSTOCKt). Equation 1 below is estimated over each six-month interval of our January 1861 through December 1865 sample period, progressively removing the first week and then adding the next week beyond the end of the original six-month interval:[7]

$$\text{percent}\Delta\text{STOCK}_t = \alpha + \beta\ \text{percent}\Delta\text{STOCK}_{t-1} + \varepsilon \qquad (1)$$

---

[6] Quotes are available for the vast majority of weeks, but any missing values were interpolated.

[7] Allowance for further lags in the dependent variable showed these additional lags to be statistically insignificant.

Figure 2 displays a plot of the R-squared values from our estimation of equation 1 over each of the six-month windows contained in our sample. Low R-squared values imply a relatively poor fit of equation 1 that makes a turning point more likely. As shown in Figure 2, the most extended periods with low R-squared values appear to arise during 1861/1862 and 1864/1865. The final step is to test for significant turning points within each window by adding a dummy variable that takes on the value of zero for the weeks in the sample prior to that particular week in the window and a value of one for that week and all the weeks that follow. This process is repeated with rolling dummies for each week within the window containing the potential break.

After identifying the most significant dummy within each window, we find four break points with consistently significant dummy variable coefficients when added to equation 1. Table 1 depicts the potential turning points in the Canada Company share price series. The first three dummies are significant at the 95% confidence level or higher, while the last is significant at approximately the 93% confidence level. Although lagged returns are insignificant, the constant is negative and significant at the 95% confidence level. This latter finding is in keeping with the downward trend evident over most of the wartime period.

The first significant break in our series occurs near the end of 1861, extending into February 1862. This represents a reversal of the downtrend that began with the commencement of hostilities and most likely reflects relief following a diplomatic resolution of the "Trent affair." As discussed above, both Great Britain and Canada were preparing for war with the United States at that time, leaving Canada threatened with invasion. Although a sharp dip in the Canada Company share price can be seen in December 1861 when news of this crisis broke, the implied turning point reflects the post-crisis upswing that extends into mid-1862. The specific time period covered is December 14, 1861 through February 22, 1862.

There is another break away from the downward trend in April 1864. Our analysis identifies a positive turning point that extends from April 16, 1864 through June 18, 1864. The exact catalyst for this is not entirely clear-cut. It is possible that the massive Northern offensive launched at this time was seen as potentially ending the war. For example, Toronto newspaper *The Globe* (April 13, 1864)[8] included a report stating: "It is probable now that at least two movements will be made for the purpose of capturing the rebel capital, and perhaps a third." This was part of a more unified strategy, coordinating operations in both the eastern and western theatre, adopted after General Grant's appointment as overall commander of all Union armies in March 1864. There is also the potential impact of Grant's April 17, 1864 decision to end the exchange of prisoners of war. As noted earlier, the stated rationale for this move implied an attempt to bring the war to a more rapid close by preventing captured Confederate soldiers from continuing the struggle.

Unlike studies of either the greenback price of gold (Willard, Guinnane and Rosen, 1996) or Confederate bonds (Brown and Burdekin, 2000; Weidenmier, 2000; Mitchener et al. 2015), we do not find evidence of any shift associated with Gettysburg in July 1863. With Canada being neutral, the end of the war likely mattered more than which side was winning a particular battle.[9] We do, however, find evidence of a turning point around the 1864 fall of Atlanta. The

[8] This newspaper was the forerunner of today's *Globe and Mail*.

[9] Moreover, its significance was not always so clear cut to neutral observers at the time. For example, Colonel Freemantle of the Coldstream Guards wrote that he "had left Lee's army four days previously as full of fight as

date of the turning point coincides exactly with September 17, 1864 date identified in Brown and Burdekin (2000). This comes shortly after the city's surrender on September 2, 1864 and the direction of impact is negative (covering an interval near the end of the window from September 17, 1864 through October 1, 1864).[10]

The negative impact on the Canada Company share price may be associated with the heightened probability of Lincoln's re-election and commensurately reduced prospects for McClellan and his peace platform. There had been growing talk of a possible armistice in the American newspapers. *The Globe* (September 15, 1864) included a report stating that

> at present there is an almost unanimous call for an armistice … A cessation of hostilities may occur—nay, is now certain to occur—but the armistice will be simply for the purpose of arranging terms of separation. Not only are the Southerners determined to have independence, but a majority of the Northern people see that they cannot subjugate the South …

Although Northern victory became more likely after Atlanta, continuation of the war into 1865 simultaneously became more certain. Prior to the fall of Atlanta, Willard, Guinnane and Rosen (1996, p. 1014) refer to rumors that Lincoln had even been considering abandoning abolition as a condition for negotiations with the Confederacy.

The last potential turning point that we identify begins on February 11, 1865, just prior to the break in the first week of March 1865 seen in Brown and Burdekin (2000). The direction

---

ever—much stronger in numbers, and ten times more efficient in every military point of view, than it was *when it crossed the Potomac to invade Maryland a year ago*" (Freemantle, 1863, p. 309 --emphasis In original).

[10] A potential compounding factor was the discussions that eventually led to Canadian Confederation in 1867, including conferences at Charlottetown, Prince Edward Island, from September 1-7, 1864 and Halifax, Nova Scotia, from September 10-12, 1864. However, (i) no formal agreement or draft document emerged until after the October 1864 meetings in Quebec City, and (ii) any expectations of Confederation would presumably have worked opposite to the negative turning point indicated in the data.

of effect is positive for the Canada Company, however, whereas it had not surprisingly been negative for Confederate bond prices. The positive share price uptrend continues through the end of our sample. Although General Lee did not surrender until April 9, 1865, the February breakpoint likely reflects anticipation of an end to the fighting reinforced by the February 3, 1865 peace conference at Hampton Roads. Although that peace conference failed to reach any resolution, the mere fact that both sides agreed to meet offered a positive sign for those hoping for an end to the long war.

CONCLUSIONS AND IMPLICATIONS FOR FUTURE WORK

The use of Canadian data augments the existing findings with Northern and Southern asset prices in two main ways. First, the data are available for the full period of the war, making it possible to test for turning points before data on the Northern and Southern asset prices become available. Second, it offers a perspective from a neutral country greatly affected by the wartime developments but not directly involved in the fighting. The first turning point, coinciding with the resolution of the “Trent affair,” comes at a time when Canada had come closest to actually being involved militarily. The remaining three suggested turning points seem to be associated with changing prospects for peace and/or a speedier resolution of the conflict.

Although Canada was the most directly impacted by the American Civil War, there were more wide-ranging effects extending beyond North America. Cotton prices were driven higher as exports from the South were largely eliminated, helping to explain the appeal of the Confederate cotton-based Erlanger loan that was floated in London and Paris (Burdekin and Brown, 2000; Weidenmier, 2000). Further work might examine the war’s impact on the stock prices of European firms linked to the cotton market as well as companies involved in weapons manufacture and shipbuilding. Britain's Enfield rifle was second only to the Springfield rifle in usage during the Civil War, while the CSS Alabama sank 62 Union ships after emerging from the Liverpool shipyards on July 29, 1862. Like the Canadian impacts, European stock market effects have remained surprisingly untested.

REFERENCES

Boyko, John. *Blood and Daring: How Canada Fought the American Civil War and Forged a Nation.* Toronto: Vintage Canada, 2013.

Brown, William O., Jr, and Richard C. K. Burdekin. "Turning Points in the U.S. Civil War: A British Perspective." *Journal of Economic History*, Vol. 60, No. 1 (March 2000), pp. 216-231.

Fletcher, Carlton. "Abraham Lincoln Propelled to Victory by the Fall of Atlanta." *Albany Herald*, September 2, 2024 [https://albanyherald.com/features/abraham-lincoln-propelled-to-victory-by-the-fall-of-atlanta/].

Freemantle, Sir Arthur James Lyon. *Three Months in the Southern States: April-June, 1863*. Edinburgh: William Blackwood and Sons, 1863.

Harpers Weekly. "The Trent Question." January 4, 1862.

Harris, Thomas L. *Trent Affair: Including a Review of English and American Relations at the Beginning of the Civil War*. Indianapolis and Kansas City: The Bowen-Merrill Company, 1896.

Li, Dan, Han Tang and Yajie Wang. "The Onset of British Imperial Retreat from China: Evidence from the Chinese Sovereign Bond Market in China." *Asia-Pacific Economic History Review*, Vol. 65, No. 2 (July 2025), in press.

Long, A. L. *Memoirs of Robert E. Lee: His Military and Personal History* [1886]. Secaucus, NJ: The Blue and Grey Press, 1983 reprint.

Mitchell, Wesley Clair. *A History of the Greenbacks, With Special Reference to the Economic Consequences of their Issue: 1862-65*. Chicago: University of Chicago Press, 1903.

Mitchener, Kris James, Kim Oosterlinck, Marc D. Weidenmier and Stephen Haber. “Victory or Repudiation? Predicting Winners in Civil Wars Using International Financial Markets.” *Journal of Banking and Finance*, Vol. 60 (November 2015), pp. 310-319.

Norrie, Kenneth, Douglas Owram and J. C. Herbert Emery. *A History of the Canadian Economy*, Fourth Edition. Toronto: Nelson, 2008.

Sheehy, Barry. *Montreal, City of Secrets: Confederate Operations in Montreal During the American Civil War*. Montreal: Baraka Books, 2017.

The Globe. “The American Revolution: Plans of the Campaign.” April 13, 1864.

The Globe. “The American Revolution: An English Idea of Secession.” September 15, 1864.

Weidenmier, Marc D. "The Market for Confederate Cotton Bonds." *Explorations in Economic History* 37, no. 1 (January 2000): 76-97.

Wert, Jeffry D. “War’s Flawed Prisoner Exchange Program.” *Civil War Times,* Vol. 46, No. 6 (August 2007), pp. 19-20.

Willard, Kristen L., Timothy W. Guinnane and Harvey S. Rosen. "Turning Points in the Civil War: Views from the Greenback Market." *American Economic Review* 86, No. 4 (September 1996): 1001-18.

TABLE 1: TURNING POINTS IN CANADA COMPANY WEEKLY SHARE PRICE RETURNS, 1861-1865

Estimation Equation: $percent\Delta STOCK_t = \alpha + \beta\ percent\Delta STOCK_{t-1} + \gamma\ DUMMY + \varepsilon$

where STOCK is the weekly Canada Company share price and DUMMY is defined for the specific date ranges set out below.

	Dummy Variable Range	Coefficient & standard error
Constant		-0.003** (0.002)
Lagged Stock Returns		0.175 (0.139)
Trent Affair Resolved	Dec 14 1861 - Feb 22 1862	0.001*** (0.004)
Northern Offensive/End of Prisoner Exchange	Apr 16 1864 - Jun 18 1864	0.008** (0.003)
Fall of Atlanta/Lincoln Reelection Boost	Sep 17 1864 - Oct 1 1864	-0.030*** (0.003)
Peace Conference/Imminent End of War	Feb 11 1865 - Dec 30 1865	0.010* (0.005)

Summary statistics: R-squared = 0.10; 231 observations

Notes: robust standard errors are entered below the estimated coefficients and ***, **, and * denote significance at the 99%, 95%, and 90% confidence levels, respectively.

FIGURE 1: CANADA COMPANY SHARE PRICE MOVEMENTS, 1861-1865

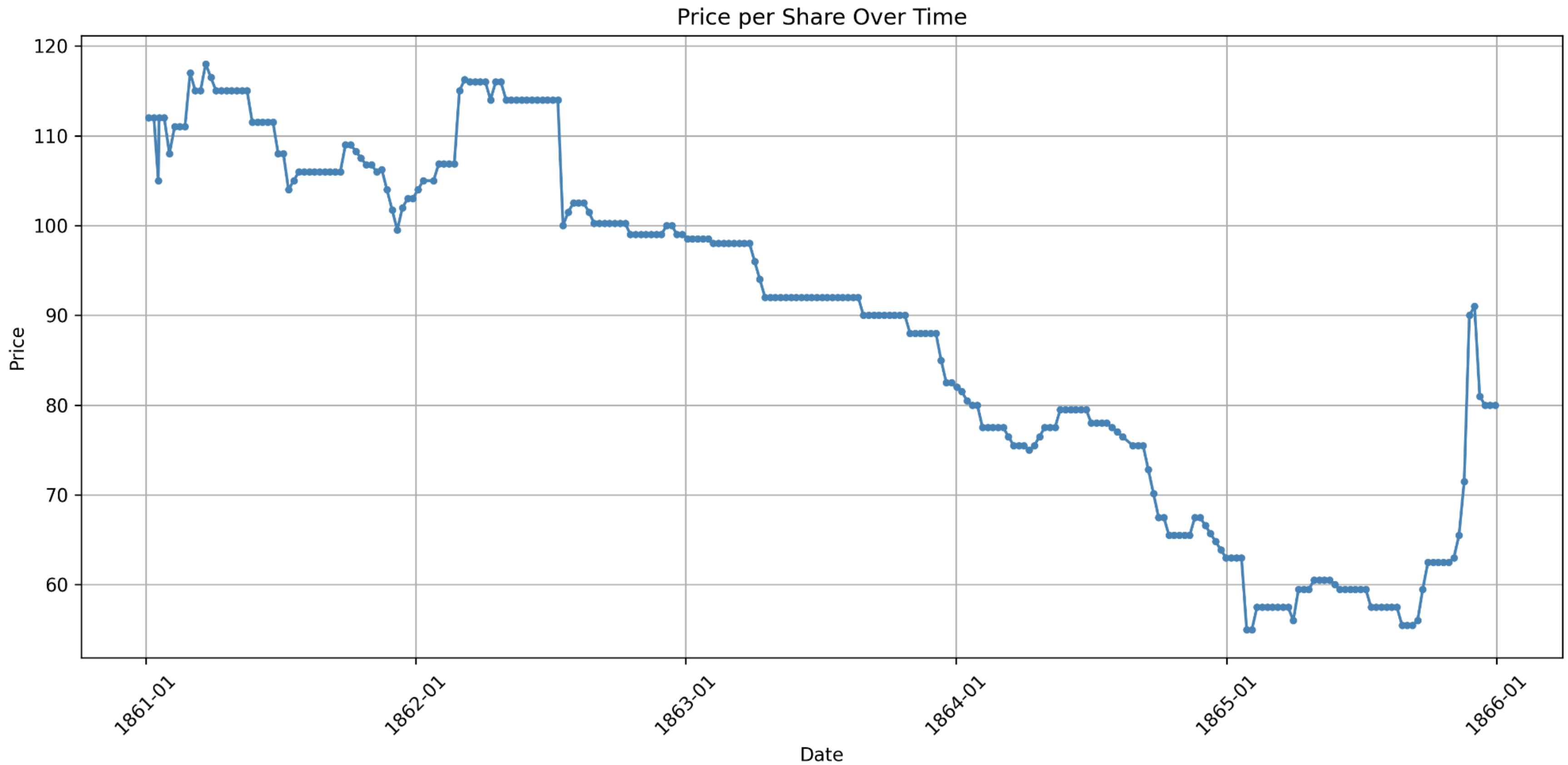

FIGURE 2: R-SQUARED VALUES FROM AUTOREGRESSIVE REGRESSIONS OF STOCK PRICE RETURNS