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THE BOND MARKET.

An interesting development in the domestic financial situation recently has been an increasing demand for good bonds and, in consequence, steadily increasing strength in the market. Not only have recent new issues been quickly absorbed at advancing prices, but a very considerable amount of Canadian sterling bonds, formerly in English hands, appear to have been taken over by Canadian institutional and other investors. While American investors have been purchasing large amounts of the domestic War Loan and of our high-grade provincial and municipal bonds, there has been a certain amount of reciprocity through Canadian purchases of the Anglo-French Exterior Loan, which can be purchased to yield the investor a higher rate of interest than the rates lately ruling for the new issues of our leading provinces and cities.

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There are several causes for this demand for bonds, each more or less linked with the other. The United States demand is the sequel to a period of great, though possibly uncertain, prosperity. It is entirely natural that those who have lately made abnormal profits in the States should seek to conserve these profits by turning them into conservative investments and equally natural that high-class Canadian securities, should be largely purchased, as they are familiar to the American investor and can be secured to yield slightly larger returns than corresponding American investments. Part of the Canadian demand for bonds arises no doubt from similar causes. However short-sighted a view of present conditions and duties is being taken by the large number of folk who seem to have adopted as their war-time motto, "spending as usual," leaders of finance and industry have no sort of doubt as to the ephemeral character of present-day prosperity in certain lines and the necessity of being prepared for bad financial weather ahead. One of the best signs of the times in Canada is the conservatism which marks not only our financial leaders but also the policy of industrial corporations which are enjoying for the present an unwonted activity. Undoubtedly, the demand for bonds in Canada is partly accounted for by these considerations, added to which is an increased enquiry from life insurance companies and other regular investors. The mortgage market, which in recent years has absorbed a very large amount of these regular investors' funds, has been for some time past, and is now, making very small demands, while the prices at which it has been lately possible to secure high-class bonds, has made their purchase extremely attractive. Again, thanks to a policy of comparative economy on the part of public authorities, the supply of new bonds has been by no means super-abundant. Complaints of scarcity have, in fact, lately been made. All of these reasons account in their due measure for the great strength displayed by the Canadian loan in New York, the ten and five-year series having been well over par while the 15-year bonds have been as high as 102 bid, as well as for the rise of the domestic War Loan which has been up to 99½ in Montreal and for the success achieved in the recent Ontario, Nova Scotia and Toronto flotations. The $4,000,000 5 per cent. Ontario bonds have been offered to the public on a 4.85 basis, the successful bid for Nova Scotia's 5 per cent. loan of $1,000,000 was 100.28, while Toronto secured almost par for $3,669,000 5 per cent. serial bonds.

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The recent strength in the bond market has already raised the question of the price of issue of a new domestic war loan. The loan of last autumn was issued on a basis of an interest yield of 5.38 per cent., or, including the privilege of paying up the instalments in advance—a privilege that was largely availed of, a yield of practically 5½ per cent. It is hinted that the Minister of Finance may be able to secure more favorable terms at the second time of asking and still ensure the success of another loan. As to that, it is to be remembered that the flotation of a loan of $50, $75 or $100 million dollars is a considerably different matter from floating one of $3 or $4 millions and that Sir Thomas White has hitherto consistently followed the policy in his financing during the war period, of leaning a little to the side of generosity in price—a policy that has been amply justified by results. The suggestion is also made that the next loan should have its interest coupons payable in New York as well as in Canada in order to encourage American subscriptions. It is now well known that American investors have absorbed a considerable proportion of the last War Loan, and the arrangement suggested would certainly tend to facilitate an extension of their interest. But isn't there a little danger that we may allow our American cousins to do the subscribing to our war loans, while we go on "spending as usual"?