

BANK INVESTMENTS IN SECURITIES.

In view of the wide fluctuations in the securities markets since 1900, it would be interesting to take note of the changes that have occurred since then in the holdings of securities by the Canadian banks. Some idea of their policy in regard to investments in bonds and stocks may perhaps be gained from a perusal of the tables that follow. For the purposes of the monthly Government return the banks are obliged to divide their security holdings into three classes. The movement in each class is shown:

DOMINION AND PROVINCIAL GOVERNMENT SECURITIES.

31st December, 1900	\$12,451,142
30th June 1901	12,318,007
31st December, 1901	9,768,701
30th June, 1902	10,024,060
31st December, 1902	9,455,752
30th June, 1903	11,760,805
31st December, 1903	10,722,900
30th June, 1904	10,674,984
31st December, 1904	9,561,422

In these there is manifested a tendency to decrease. The amount held on 31st December, 1900, the date on which this review begins, has not been equalled down to the present time. There were several influences working to bring about the decreases. One of the most potent was the appreciation in interest rates during 1902, and the early part of 1903. Call loan rates ruled very high, and attractive opportunities for the investment of bank funds lay in view on every side. Investments in Dominion Government bonds netted the banks anywhere from 2½ to 3 p.c. on the prices paid for them. These rates of return seemed very small when compared with the fancy rates paid by the brokers in New York and Canada, for loans on good stock collateral. Of course, banks everywhere deem it wise to hold a certain amount in gilt-edged, low-income bonds, which can be used in emergencies to strengthen the cash position. For this reason the British banks buy and hold large amounts in Consols which are always negotiable in London or the continental markets. Where money is high there exists a strong desire to reduce investments of this nature to a minimum. During 1903-4 our banks were not able to liquidate their Canadian Government bonds, except perhaps at a loss. Quotations fell very materially. The holdings had to be reduced in the books to make them conform to the lower range established by the markets. This writing down process would account for some of the decrease shown. There was one fact, however, that enabled them to effect some liquidation. Several of the Dominion's loan issues matured since 1902, and holders of the bonds were given the option of drawing cash or of accepting new bonds for a short term netting them about 3 p.c. It is supposed that some of the banks availed themselves of this opportunity to dispose of a part of their bonds. The statement given above shows that fluctuations have occurred since 31st December, 1902. Perhaps the temporary increase re-

presented purchases of provincial bonds, which were afterwards sold.

CANADIAN MUNICIPAL, AND BRITISH FOREIGN OR COLONIAL SECURITIES.

31st December, 1900	\$12,290,984
30th June, 1901	13,037,093
31st December, 1901	14,528,036
30th June, 1902	14,717,139
31st December, 1902	14,879,654
30th June, 1903	14,976,300
31st December, 1903	14,517,538
30th June, 1904	14,897,875
31st December, 1904	17,241,673

In this class of bonds the increase has been steady; investment has been regular. As the market rates for money became higher municipalities were obliged to offer slightly higher rates on their bond issues. From the large increase shown between the 30th June and the 31st December, 1904, it might appear as if the comparative slackness in money rates had induced a more general movement among the banks to invest in bonds. But an examination of the returns of the individual banks hardly bears out this contention. Of the total increase of \$2,350,000, one bank is responsible for no less than \$1,500,000. The probability is that it acquired the bonds in carrying through a special transaction. This is the more likely as the investment was made principally during the month of September.

RAILWAY AND OTHER BONDS, DEBENTURES AND STOCKS.

31st December, 1900	\$25,507,842
30th June, 1901	31,618,845
31st December, 1901	31,904,130
30th June, 1902	34,850,386
31st December, 1902	36,925,800
30th June, 1903	37,309,754
31st December, 1903	38,351,233
30th June 1904	39,486,657
31st December, 1904	31,744,635

This class of bonds would be likely to follow the fluctuations of the stock market much more closely than would the other two. In amount it comprises considerably more than half the total security holdings of the banks. The figures disclose the fact that there has been a steady investment right through the disturbed period. During 1903 it is probable that the investment was in reality greater than the figures show, for the reason that very considerable sums were applied from profits to write down book values. It is known that there were also some sales made by the banks at a loss, or at least without profit, to enable them to take advantage of the high rates ruling for loans. But the new purchases were sufficient, evidently, to more than offset both these factors. Since the rise in market values there has been, no doubt, a profit-taking movement on foot. The individual bank statements show heavy decreases in bond holdings of particular banks in certain months. At one or two recent bank meetings the managements were able to gratify the stockholders by announcing that fair pro-