when the prevailing rate on high class bonds drops below this—and this will come very soon—the 1934 issue will sell above par, and the yield will consequently, drop below 5½ per cent. At 105-106 the 1937 issue is practically on a 5 per cent. basis, while at 102.85-103 the 1933 (tax-exempt) Victory gives a yield of about 5.20. This, too, should soon rise to net a 5 per cent. return.

As indicating the recent rise in Victory bonds—with the corresponding lower return—it may be of interest to compare prices and yields for the past three years:

VICTORY BONDS OVER THREE YEARS

Due.	1922		1921		1920	
	Price	Yield	Price	Yield	Price	Yield
1922 (Tax-exempt)...	99.75	5.70	98⅝	6.17	98	5.85
1923 (Tax-exempt)...	99.60	5.70	97⅞	6.24	98	5.80
1924 (Taxable).......	99.35	5.70	96	6.58	96½	6.10
1927 (Tax-exempt)...	100.85	5.20	97½	5.94	99	5.50
1933 (Tax-exempt)...	102.50	5.20	98¼	5.67	99	5.50
1934 (Taxable).......	99.90	5.48	94⅞	6.03	96	5.80
1937 (Tax-exempt)...	104.75	5.08	99½	5.53	100	5.40

The 1921 and 1922 prices are in contrast with those of 1920 which were arbitrarily fixed. The 1922 show a big advance, especially in the long-term maturities over those of 1921, twelve months before.

Bank of England Rate at 4 Per Cent.

Two events of great significance in the investment world, as well as what may be termed the distinctly financial, occurred the latter part of April: the Bank of England reduced its discount rate four 4½ to 4 per cent. the lowest rate since the war began, and the lowest in the world today with the exception of the Bank of Switzerland, and the United States authorities were welcomed by an over-subscription to a six-months' loan of $150,000,000 at 3½ per cent. Time money in New York is plentiful now at 4½ per cent. and "call" money at 4 per cent.

The 4 per cent. rate in England drew an immediate response from eager bond buyers. In the States, the success of the 3½ per cent. loan shot up four out of five Liberty issues to par, for the first time since the date of issue, and the bond market fairly boiled. Huge sums of money are available both in Canada and the United States for investment with commercial activity far below normal, and continued strength in the bond market, with further advances seems to be assured. The investor should make sure of his choice, then purchase, as there seems no likelihood of anything more than a very temporary and almost negligible set-back in the present level of prices.

Implicit belief in the theory of further declines in prevailing rates of interest and in the superiority of the long-term bond for an investment is held by John Moody. In an April letter he makes an interesting comparison of rates that have been paid by various groups of issues since 1914—indicating the rise from 1916 to a high in the second half of 1921, and the substantial drop since that time. For instance in 1916 the average yield of new municipals was 3.97 per cent. This rose to 4.22 in 1917; to 4.62 in 1919; to 5.20 in 1920; to 5.61 n the latter half of 1921, and then fell to 4.71 per cent. in the first quarter of 1922.

Rails rose from 4.75 in 1916 to a high of 7.07 per cent. in the first half of 1921, and dropped to 5.68 per cent in 1922.

Up and Down

Public utilities rose from 4.46 to a high of 7.85 per cent in 1921, and then fell to 6.92 per cent.

Industrial bonds from 5.26 per cent. to a high of 7.96 per cent., and thence down to 7.17 per cent.

Price of capital, from 4.98 in 1916 to a high of 7.24 in 1921, and down to 6.50 in 1922.

The theory of a greater advance in long-term issues as interest rates fall is borne out by an estimate that a 5-year 6 per cent. note in falling from a 6½ per cent. basis to one of 5½ per cent would necessitate a rise of 4.27 points in the market price, whereas a 20-year 6 per cent bond in falling from a 6½ per cent yield to a 5½ per cent. would force a rise in the market price of 11.57 points.

The rise in the bond market has been followed by a sustained advance in the "stock market," in Canada and the United States. Indeed the strength displayed has been impressive, after due allowance has been made for all manipulation. It cannot be taken for granted that the recent advances in many groups represent the immediate improvement in business prospects registered by that group. The speculative element prevents usually, an orderly, systematic advance or decline. Prices generally are above or below their intrinsic value. Stocks soared too high in 1919 and early in 1920, just as in 1921, they reacted too far below their real worth. At present they are recovering rapidly from that reaction, and as day after day passes the impression grows that the low prices of last year will not again be touched for years and that 1922 will see much higher levels reached in scores of securities.

The very strength of the market is a l ttle puzzling. "The Bache Review" of New York remarked: "The stock market is registering much more than seems probable in business revival—even six months further on; that is, judging by the present condition and prospects of business in this country. . . . . There is not much doubt that such influences as are supposed to move the stock market, comprise not only the prospects of trade