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## THE MUNICIPAL BOND MARKET.

The signs are becoming evident of an improvement in the market for Canadian municipal bond issues. In the West, active steps are being taken to improve the conditions under which the smaller municipalities carry on their borrowing operations. Both in Saskatchewan and in Alberta legislation to this end is being undertaken. The Saskatchewan legislation provides for the appointment of a board of three commissioners, to whom are given powers of supervision in regard to proposals of local authorities to undertake borrowing operations and the expenditure of borrowed funds and authority to act for local municipalities as agent in the sale of debentures or stock and to manage sinking funds. There is good reason to believe that these proposals, while making it somewhat easier for the smaller towns and villages of the provinces in question to raise necessary funds will have a very favorable effect in London. Financial authorities in that centre have welcomed them in advance, and it is to be supposed that when the scheme gets into thorough working order, their approval of it will be shown in a practical way. At present, the plans of the two provinces mentioned apparently do not include the creation of Local Loans Stock—funds which would be borrowed by the Province and re-lent to the municipalities whose schemes of financing were approved, at a rate sufficient to cover the interest rate paid by the Province and expenses. In various quarters, this scheme has been warmly advocated and with good reason as an admirable method by which the smaller municipalities could obtain fairly cheap funds and the services of engineers and other experts of the highest standing, while at the same time their expenditures would be under competent control. However, probably the provincial authorities concerned consider that the present is an unpropitious period for an experiment of this kind. They recognise that they would have to pay a comparatively high rate of interest for the funds involved, while at the same time their own commitments and prospective commitments are heavy, so that they will be inclined to go carefully in regard to the creation of special funds of this kind.

Apart from these important plans in two of the Western provinces, the outlook for Canadian municipal bonds is more favorable than it was. Authorities generally are agreed that the turn of the tide has now come, and that henceforward the municipalities will be able to borrow on slightly more favorable terms than necessitous ones have been compelled to pay during recent months. Investors, both private and corporate, have realized that municipal bonds have lately been selling on a basis which has perhaps been more favorable than has at any previous time prevailed in Canada, and the bargains have accordingly been picked up. At the same time, the municipalities have slowed down their rate of emission. There are yet some municipalities who have to issue debentures to cover expenditures already made which are at present financed by temporary loans. But it is to be anticipated that these will be gradually absorbed and that henceforward the municipal authorities will be more careful to see that permanent financing of new works is arranged for before these are undertaken.

When this practice becomes general, the technical position in the financial markets of Canadian municipal bonds will be greatly strengthened. There has indeed never been the slightest doubt of their inherent excellence, and those investors and financial institutions who have added to their holdings during recent months, may congratulate themselves on having secured admirable bargains which should show a steady appreciation in the future. At the same time, municipal authorities will be well advised to remember that Canada is not the only borrowing country in the world, neither is their own municipality the centre of the universe, and that for a good many years to come they can hardly hope to borrow on the exceptionally favorable terms which prevailed a few years ago. With a willingness to pay a fair rate of interest, attention to the point that permanent financial arrangements should precede the expenditure of funds and deference in minor points of arrangements to the idiosyncrasies of the lender, there appears no good reason why the Canadian municipalities should not continue to fill their requirements with ease in the British and other money markets.

