the recession in Canada will not be great. There will be no panic; no period of depression. Even so, stock markets prices are likely to be affected sooner than business conditions. The rate of interest on bonds and mortgages has been going up steadily, and hence purchasers of investment stocks are not willing to pay as high prices as they were a year ago. The failure to pull off the Hamilton Power deal is one of the first straws to show how the wind is blowing. The market will not absorb the same class of offerings as it would a year ago.

Canadian municipalities will soon be forced to offer their bonds at home, and thus will absorb more of our surplus capital. When people start to invest in municipal or government debenture stocks at 4½, 5 and 5½ per cent., they will put less into the savings banks at three per cent. Hence the banks will have less money, comparatively, for the manufacturer and broker. The bigger the Western crop, the more of the bankers' money will be required to finance it.

The man who is in the stock market to-day should play safe. The man who is counting upon putting new flotations on the market should work his case up thoroughly. Only the cream of investments will attract people this autumn.

On and Off the Exchange.

The Toronto Bond Issue.

THE London market has refused to take the $6,000,000 four per cent. debenture issue of the city of Toronto, at a price anywhere near par. This proves beyond doubt that during the present period of prosperity there is no demand in the British market for low yielding securities. In fact the market is pretty well satiated with securities of all kinds and only those offering a high yield can now gain attention. Not only Canadian issues, but all municipals, headed by the once considered undoubted consols, have suffered a decline. Consols, formerly considered the standard of conservative investment, sold over par at one time, but now are worth only about 74. The refusal to take Toronto's issue is not a reflection on the city's credit, but rather a result of the glutted market. The market at present demands securities of a higher yield than municipals, and apparently municipalities will be wise to withhold their offerings for some time unless they are willing to increase the interest rate.

The question has arisen, could Toronto not have sold their issue at home instead of resorting to a temporary loan of 4½ per cent. treasury notes? Possibly this could have been done, but such a move would hardly be advisable. Canada is expanding too rapidly to supply its own capital and the small amount of money available for low-yielding investments would soon be exhausted.

This country piles up a large adverse balance of trade each year which must be settled either by shipment of gold or securities. As we have no gold to spare, this balance is naturally settled by the sale of securities and thus capital is provided for the further development of the country. Anyone disposing of good securities abroad which win the attention and confidence of the British investor is not only following the natural course of finance, but is benefiting the country as a whole.

The remarkable feature is that savings bank deposits steadily increase from month to month instead of these funds being placed in municipal debentures, which are equally safe. No Canadian municipality has yet repudiated its bonds, and for a number of years none have even disputed a payment, yet during the past year deposits in the savings departments of our chartered banks, which pay only 3 per cent. (government banks not included), have increased more than $66,000,000, while municipals go begging at 4 to 4½ per cent.

One thing is certain, either municipalities must curtail their expenditures or increase their rate—or perhaps both—till the pendulum of investment demand swings back from speculative to more conservative investments.

Again That Merger.

ACCORDING to reports from the Boston News Bureau a merger between Montreal Light, Heat and Power, and Shawinigan Water and Power Companies is practically settled, and plans will be announced shortly.

This is quite a logical step, as Montreal Light, Heat and Power are already taking 40,000 of the 85,000 horse power generated by the Shawinigan Company. Besides this, the largest stock-holders in the Montreal company have for some time been big shareholders in the Shawinigan Company, so the merger will be somewhat of a family affair. Both stocks have recently been selling around record figures, the Montreal L., H. & P. at 239 and Shawinigan at 150.

In view of the foregoing it is interesting to note the increase in earnings of Shawinigan for the six months ending June 30th. Total earnings amount to $613,806, a gain of $112,296 over the corresponding six months in 1911. Figures for the month of June alone show a gain of $18,177.

Several Industrial Issues Promised.

WHILE the municipal bond market is stagnant and Toronto has failed to market its bonds in London, and while other municipalities have not even received tenders for debentures offered, the dealers appear to have confidence in the future for industrial offerings. The market is, of course, holidaying now, but there are at least five large industrial offerings being prepared for early issue.

During the present thriving condition of the country, a small bonus of common stock, which may at some future date prove of value, along with a security of good prospect and yield, seems to open the purse of the investor more than the more stable security of lower yield, namely, the municipal debenture.

Is this speculation or investment? It is ordinarily termed investment, but according to one authority such an investment is a loan. It is not a real investment unless there is security and a definite promise to repay the principal at a certain date. Bonds, then, are a true investment, while common stock in a new enterprise has undoubtedly a speculative cast. Naturally it promises greater returns, and while the country prospers the people look for high returns.

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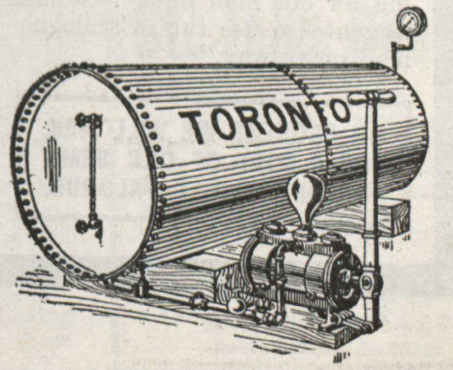

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