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PRINCIPAL CONTENTS OF THIS ISSUE

MUNICIPAL FLOTATIONS

Those responsible for municipal financing have been watching developments in the London market with anxiety for several months past. The reception accorded to our municipal flotations during the latter part of 1912 was cool, not because Canadian municipal credit had been impaired, but through a combination of circumstances in the world's money markets. The extensive demand for money emanating from many countries, the European situation and the call for higher rates of interest on the part of investors were three of the important factors. The fiscal agents of the city of Saskatoon and that city's authorities were among the first to recognize the inevitable. They placed their issue of 5 per cent. consolidated stock at 99½. By the offering of those terms the issue was over-subscribed. A sharp contrast was the flotation of £256,300 4½ per cent. bonds of New Westminster at 96. In that case, the underwriters took 40 per cent.

The first Canadian city to borrow in London this year was Quebec. It placed £400,600 4½ per cent. debentures at par and the issue was over-subscribed. Quebec has been financing its needs by temporary loans, and its fiscal agents thought that the time had arrived for a successful flotation. The result proved they were right. This has had the effect of stirring matters in municipal circles. The city of Toronto was advised to make its issue of £1,189,000 4 per cent. bonds at 92½ at once.

That city having lost several points by refusing really good offers early last year—but not so considered by the municipal authorities—accepted the counsel.

Montreal has been advised by the Bank of Montreal, its fiscal agents, to place its large civic loan in London as soon as possible. It is thought that after the Balkan war is over, important operations in the money markets will tend to increase the rate of interest, which will probably be higher than 4½ per cent., at which the city can borrow now. That fact, together with the fact that at least $30,000,000 of Canadian municipals are ready for marketing, having been held back by the issue of treasury bills and certificates, will probably create an avalanche of Canadian municipal bonds in the London market—at any rate, just as much as that market will stand. It is unlikely that all the Canadian cities on the waiting list will be able to achieve a result similar to that of Quebec. Many others should meet with success, but the situation is influenced largely by Balkan war factor and the demand for capital from other countries. It will be interesting to watch how the next three or four issues fare.

Vancouver has just disposed of over $1,000,000 worth of its bonds to a New York house. The stipulation was made that the issue would not be placed in London. Vancouver's latest flotation, therefore, will be absorbed by United States investors. At the same time, it relieves the London market to that extent. Both Edmonton and Regina have large blocks of securities to sell. In the former case, the amount is $1,238,123 and in the latter $649,000. In neither instance do the civic authorities appear to be pleased with the prices offered by Canadian bond houses. Regina has rejected all the offers received.

Last year the securities issued by Canadian municipalities amounted to $48,414,962 compared with $47,159,288 in 1911. Of the former total, 28.42 per cent.