BOND MARKET INTEREST

Is Slack—Regina Issue is the Biggest in Sight—Analysis of Last Year's Sales.

With increasing business activity, there is declining interest in the bond market. A Toronto broker ascribed this chiefly to two reasons—heavy real estate buying and the automobile craze. Undoubtedly both are accounting for large sums which would otherwise be devoted to bond and stock investment.

Tenders for a block of $586,500 debentures of Regina will be received until July 11th. Of this total, $115,000 are payable at the end of fifteen years, $290,000 at the end of forty years, $35,000 at the end of twenty years and the remainder in thirty years. They all bear interest at the rate of 4½ per cent. Some time has been wasted and the bond houses also put to inconvenience by the city having invited tenders first for $102,000 and then for $484,500. The municipal authorities have now decided to combine the issues. The amount will then be large enough to float in England, if it is deemed advisable. The tenders received for the $102,000 debentures have been returned. The Northern Crown Bank withdrew its offer. Among other bidders were the Dominion Securities Corporation, Messrs. Wood, Gundy & Company and Messrs. Nay & James.

As to Railroad Financing.

The bonds of the Province of New Brunswick (guarantee), Northern New Brunswick and Seaboard Railway Company are being offered by the Royal Securities Corporation, Limited, who own $253,500. They bear interest at the rate of 4 per cent. and the denomination is $500 each. The total authorized issue is $390,000 4 per cent. thirty-year gold bonds, at the rate of $15,000 per mile, on not exceeding twenty-six miles of railway. At present 16 9-10 miles of railway have been completed, for which bonds to the amount of $253,500 have been issued. The Northern New Brunswick and Seaboard Railway Company operates a standard gauge railway at present extending for a distance of about seventeen miles from the iron mines of the Canada Iron Corporation, Limited, near Bathurst, N.B., to Nipisiquit Junction, on the Intercolonial Railway. These bonds are guaranteed by the Government of the Province of New Brunswick and by the Canada Iron Corporation, Limited, by endorsement on each bond.

The new financing of the Lake Superior Corporation has not yet been arranged. The management propose to push forward its railway development, which will result in making available proved ore deposits, and in a short time it is assured that the company will be independent in the matter of its iron ore requirements. This railway development will also conserve to the company valuable land grants. The railway is known as the Algoma Central and Hudson Bay, which on completion will have a total mileage of 225 miles. A little over 99 miles of this railway is now in operation. In its present incomplete condition, implying as it does the isolation of the steel plant from its ore supply during five months of the year, earnings of the railway company are small and stationary. The construction of the new blast furnace, merchant mills and coke ovens are proceeding rapidly, and, so far as can be seen, most of these plants will be entirely completed by the end of the year.

Quebec and Lake St. John Bonds.

The bondholders in England of the Quebec and Lake St. John Railway Company have at last adopted a united policy. The prior lien first mortgage and income bondholders have recently adopted resolutions authorizing, in effect, the raising by the receiver appointed on behalf of the bondholders of £50,000 in priority to the prior lien bonds, to provide for pressing requirements and the continuation of the receivership. Since the bondholders' protection committee was formed, experts have been employed both by them and the trustees to obtain information as to the position of the company, and their reports have yet to be circulated amongst the bondholders.

On March 5th Judge McCorkill, upon a petition of the Railway Share Trust and Agency Company, Limited, of London, appointed Alexander J. Gorrie, accountant, of Montreal, receiver of the Quebec and Lake St. John Railway Company. The petitioners acted as trustees of the deeds of trust and mortgage entered into by that company, and claimed that the railway company was authorized by various statutes of this Province to borrow various sums of money on bonds of the said railway company, and, in fact, borrowed amounts at different times which amounted to £1,285,500, and was unable to meet its obligations and defaulted in the payment of interest of the bonds. Mr. Gorrie, according to his appointment, was to take possession of the property of the Quebec and Lake St. John Company, and to administer the same for the purpose of carrying on the business of the company with power conferred upon him by the several deeds of trust. Apparently matters are not running to the satisfaction of Mr. Gorrie, and the bondholders, as on Saturday last the Railway Share, Trust and Agency and Mr. Gorrie entered an action for $8,000,000 against the Quebec and Lake St. John Railway Company, and the Canadian Northern Quebec Railway Company.

Growing Magnitude of Sales.

In analyzing municipal bond sales last year in America, a New York writer calls attention to three leading characteristics which have come to mark this class of borrowing. These are the growing magnitude of the sales, the tendency to higher interest rates, and the growing demand by the remote sections of the country. Regarding the first factor, the total for the twelve months reaching $339,424,560 compared with $313,797,549 in 1908, $227,643,208 in 1907, $201,743,346 in 1906 and $183,080,023 in 1905. The causes assigned for this growth are, primarily the development and expansion of the country; and, secondarily, increasing municipal prodigality and the spread of the municipal ownership propaganda.

The second feature is the tendency to higher interest rates. In 1901 63.25 per cent. of all municipal issues paid 3½ per cent. or less, while only 31.99 per cent. paid per cent. or more. In 1909, on the other hand, only 8.85 per cent. consisted of bonds paying 3½ per cent. or less, and 88.25 per cent. paid 4 per cent. or more. In 1901 only 1.97 per cent. were for rates higher than 5 per cent., while in 1909 7.59 per cent. exceeded this rate.

The tendency toward higher interest is shown even more plainly when an examination is made not merely of the nominal rates, but of the actual investment yield determined by the investment price. To take comparatively recent local instances in illustration, Philadelphia in January, 1909, sold $1,500,000 of 4s. at 103.841, but in August $7,239,700 of 4s. brought only 102.528. The recent complete failure to place even at par an issue of $8,000,000 4s. is still a matter of comment.

Large Cities Showed Decreases.

The third characteristic is the growing demand by the remoter sections of the country. The total issues of the year showed considerable decrease in the old-settled sections of the country, comprised in the north Atlantic, north central and south Atlantic divisions, but showed very heavy increases in the south, central and Pacific divisions, which include the most recently-settled and most rapidly-developing sections of the country.

It is notable also that the large cities, wherever situated, with three exceptions, showed decreases over 1908. The three which showed increases were Cincinnati, Los Angeles and San Francisco. Those which materially reduced their rate of borrowing include New York, Philadelphia, Baltimore, Boston, Cleveland, St. Louis and Pittsburg.

The total given for the year, $339,424,560, includes only bond issues of a strictly permanent character, and made within the territorial limits of the United States. The grand total for municipal loans of all kinds, both temporary and permanent, made within the United States, its island possessions and the Dominion of Canada during 1909 exceeded $632,000,000. According to The Monetary Times' special compilation, Canada sold $31,532,960 municipal bonds last year.

Midland Railway Bond Issue.

The bond issue of $1,200,000 of the Midland Railway in Nova Scotia, lately controlled by the Dominion Atlantic Railway, has, like the latter, passed under the control of the Canadian Pacific Railway. The Midland was constructed by a Montreal syndicate and sold later to the Dominion Atlantic, that company paying by a debenture issue of $1,200,000. These bonds have been purchased by the Canadian Pacific Railway at $85, or about $900,000. The bondholders are Hon. S. H. Holmes, of Halifax; T. G. McMullen, of Truro; P. Lyall, of Montreal; the Alfred Putnam estate and the Sir Robert Reid estate.

A story has got abroad that some serious hitch had occurred in connection with the recent Montreal loan. This, The Monetary Times learns, is untrue. Some difference of opinion arose between the lawyers representing the city and the Bank of Montreal, for which, though not admitting the necessity for it, the city has introduced a short clause among the amendments now passed through the House at Quebec, though regarding it as superfluous.

Cold Bond Issue for Sherbrooke Railway.

Messrs. McCuaig Bros. & Co., of Montreal, will shortly announce an issue of $600,000 of 5 per cent. consolidated first mortgage sinking fund gold bonds carrying with them a bonus equal to 40 per cent. of common stock of the Sherbrooke Railway and Power Company, at 95 and accrued interest. The Sherbrooke Railway and Power Company takes over the Sherbrooke Railway Company and the large amount of additional capital now being placed in its treasury will, in addition to permitting of the construction of a large new power plant and the doubling up of the mileage of the street railway system, leave the company well supplied with working capital. The capitalization of the company will consist of $1,500,000 of 5 per cent. thirty-year gold bonds authorized, of which $700,000 will be issued, and an authorized amount of ordinary shares of $1,500,000, of which $700,000 will be issued.

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