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THE TREND OF MUNICIPAL DEBENTURES.

Events in the municipal bond market during the past two weeks have probably brought home to local administrators the realities of the situation in regard to their issues of debentures fo lowing the issue of the British Government's war loan at a price to yield 4½ per cent. the Canadian Government's loan at 5 per cent. and the general rise in the rate of interest owing to the war. The city of Ottawa sold its important issue of $1,503,480 5 per cent. 10, 20 and 30-year debentures, and $980,000 5 per cent. instalment debentures on such terms that it is paying about 5⅜ per cent. for its money. Toronto's large issue of $3,750,774.10 4½ per cent. ten-year debentures and $155,185.13 4½ per cent. five-year debentures brought only a single offer no better than 90.34 and accrued interest. This was turned down by the controllers as unsatisfactory.

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Those municipal administrators who have been slow to accept the theory that the new rates of interest paid by Government would compel them to recognize considerably higher interest rates than they had formerly accustomed themselves to, even in the period of depreciation in municipal debentures before the war broke out, will realise from these figures that they must bow to the logic of events. As showing the extent of recent depreciation in municipal bond values, it is noted by the Financial Post that during 1912, three years ago, Ottawa debentures were being offered to yield 4¼ per cent. In 1913, the yield rate ranged upward from 4 3-8 per cent. to 4 7-8 per cent. In February last an issue was made which was offered to the public at 4.90 per cent; the present issue is being offered at 5 3-8 per cent.

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The figures constitute a significant index of the profundity of the change in municipal financing, which has been brought about by the outbreak of the European war. It cannot be said for certain that a low point in municipal debentures has yet been reached. Only the course of events in Europe will determine that. The fact that the British financiers are aware of the possibility of being compelled to issue further loans at an even higher rate of interest than the last was indicated in the intimation that the present issue would be convertible into any higher-interest bearing issue subsequently made. The probabilities are that if the war is prolonged, the British Government will be issuing new loans at around 5 per cent., and the Canadian Government, if it is compelled to borrow, at 5¼ to 5½ per cent. Under those circumstances the leading municipalities could hardly hope to maintain even the present rates for their new issues. That, however, is a matter of speculation on possibilities. The one thing clear is that it is incumbent upon all municipalities, whether old and wealthy or new and somewhat indigenous, to sternly restrict their expenditures. We doubt if the municipalities generally have got anywhere near the real limits of necessary expenditure. There is, for instance, no particular reason why the present of all times should be chosen for the continuance of extensive and expensive paving operations both of sidewalks and roadways. In matters like this, it seems very evident that we shall have to be content pretty generally with a somewhat lower standard than that which has hitherto ruled. Apart from stern economy in expenditure, the main hope of the municipalities lies in the accumulation of idle funds which sooner or later will be compelled to seek remunerative investment. The extent of this accumulation depends upon public thrift, since the insurance companies and other financial corporations can only invest to the extent to which they are entrusted by the saving public with funds that thus became available for investment.

THE ANGLO-FRENCH NEW YORK LOAN.

The following is reported as in general outline the proposals advanced by the Anglo-French financial commission now in New York for a new loan to rectify the exchange situation:—

1. It is to be a straight Government loan.
2. It will be the joint obligation of Great Britain and France.
3. The amount will possibly be $500,000,000.
4. The bonds will have maturities of between three to ten years.
5. The interest rate will probably be 5 per cent.
6. Interest and principal will be payable in dollars in New York.
7. The Government bonds will be exempt from the British income tax.
8. Proceeds of the bond issue will be used for paying for merchandise bought for export and none of the money is to go out of the United States.
9. Bonds will be listed on the New York Stock Exchange.
10. A great syndicate of banks and bankers from all parts of the country is to be formed to underwrite the issue.