# Canada's Bond Issue in London Very Successful

## Loan of £5,000,000 was Oversubscribed £2,000,000—Was Strongly Recommended—Colonial Government Credit is 4½ per cent. for 5 or 10 year terms—Changes in Rates in Recent Years.

THE Dominion loan of £5,000,000 4½ per cent. bonds, maturing 1902-25, underwritten at 99½ and sold in London last month, had a good reception. According to a cable despatch of the Canadian Associated Press, it was oversubscribed by £2,000,000. There were 4,814 separate applications for the bonds from the investing public, of which 3,552 were from small investors for amounts of from $500 to $2,500. The numb r of applican s m kes a new record for Canadian loans, being about 2,000 in excess of those received in connection with any previous bond issue. The investing public of Great Britain evidently still regard a Canadian loan as a safe investment under present European conditions. All the applications up to $2,500 were allotted in full by the underwriters, while the applications for larger amounts received a pro rata allotment of about 66 per cent.

### What the Small Investor Takes.

The demand of the investor for a larger yield on government bonds, a tendency which was strongly in evidence about 1908 and 1909, induced Mr. Fielding, then minister of finance, to appeal to the small investor. The Dominion 3½ per cent. loan of £6,500,000 floated in London in July, 1909, at 99½, allowed applications for amounts under £100. In connection with this loan, *The Monetary Times* was then informed that the small amounts aggregated £5,180. The following are the details:—

| Bonds for amount of. | Applications. | Aggregating. |
|---|---|---|
| £10 | 25 | £250 |
| 20 | 29 | 580 |
| 30 | 15 | 450 |
| 40 | 4 | 160 |
| 50 | 62 | 3,100 |
| 60 | 6 | 360 |
| 70 | 4 | 280 |
| | 145 | £5,180 |

These figures compare with the £6,000,000 3¾ per cent. Canadian loan issued in January, 1909, at 99¼, as follows:—

| Bonds for amount of. | Applications. | Aggregating. |
|---|---|---|
| £10 | 126 | £ 1,260 |
| 20 | 153 | 3,060 |
| 30 | 62 | 1,860 |
| 40 | 28 | 1,120 |
| 50 | 215 | 10,750 |
| 60 | 8 | 480 |
| 70 | 5 | 350 |
| 80 | 6 | 480 |
| | | £19,360 |

### Colonial Securities Popular.

Colonial securities are attracting considerable investors' savings in the London market at present. Recent issues have been well subscribed, largely because of their short term before maturity and because the general terms of issue are attractive compared with the minimum prices prevailing on the London stock exchange for similar securities.

The recent issue in London of Queensland Government 4½ per cent. stock at 99, repayable at par on April 1st, 1925, offered the trustee 4½ per cent. upon his money, and the return of his capital at the end of ten years. The success of that issue brought out £5,000,000 of Canada's bonds on similar terms, but at ½ point higher price.

The financial critics in the world's metropolis were unanimous in strongly recommending the Canadian issue. "The London Economist" said: "This security looks attractive, because the colonies, for one thing, are not piling up war debt at the awful rate of Europe, and for another, the system of protection under which the London capital market now works, if continued for long, may have the effect of raising colonial credit to a fictitious level by comparison with foreign investments."

The illustrated weekly "Canada" stated that while the bonds were unsuitable for trustees, they would "undoubtedly be very attractive to insurance and trust companies and the investing community generally, and will prove a formidable competitor with existing 4 per cent. issues, the official minima of which are only a few points below the price fixed for the new Canadian loan." The London Financial News described the securities as short-dated bonds of first-class rank, adding: "The most nervous investor in the world may apply for it without a single qualm." "The London Financial Times" said: "This comparatively high rate of interest is an indication of the difference the war conditions have made to the borrowing facilities of even our own colonies. . . . An excellent investment."

### Market Lacks Competition.

At present the benefit (presumably temporary) conferred upon privileged borrowers at the expense of the British investor does not seem to be realized to the full, says the first-named authority. As confidence returns the present cheapness of funds in the short money market will either disappear, or will be reflected in the capital market, according to whether the inflation of credit which has been produced to a greater or less degree all over the world, with the object of sustaining values at the time of the collapse of credit, will prove to have been greater or less than the ultimate needs of the situation. The ban on foreign issues, however, will have to disappear at some time or other, and its removal will bring about competition in the market, which now does not exist.

The preference for short-term securities is, therefore, easily understood, for they promise the investor a regular return and the safety of his capital. The Canadian loan of £5,000,000 is the third colonial issue since the outbreak of war, the first being the £2,000,000 New South Wales 4½ per cent. five-year debentures at 99½. Colonial Government credit, therefore, seems to be accepted at 4½ per cent. for five or ten-year terms. Both former issues have been so well taken up as to suggest that the borrowers might perhaps have secured the money on rather easier terms, and so possibly they might have done, as both loans were for redemption purposes, and considerable reinvestments might be looked for.

### How Rates Have Risen.

The comparatively high rate of 4½ per cent. for the £5,000,000 Canadian loan reflects the change which has occurred in the investment situation. It is a long time since the Dominion government had to issue a loan with such conditions attached as 4½ per cent. at a discount. In 1860 a 5 per cent. loan was issued for the purpose of consolidating the various outstanding loans. This was followed by an issue of £4,800,000 of 4 per cent. bonds in 1868-1875 guaranteed by the British Government, and between 1868 and 1875 £4,500,000 of 4 per cent. bonds were also issued in London, whilst at the end of 1875 there were two outstanding earlier issues bearing 6 per cent. interest. Afterwards, the Dominion Government was able to borrow in the London market upon reasonable terms, and an increasingly high status. A prolonged period of cheap money enabled our finance minister to arrange a loan in the English market in 1897 upon a 2½ per cent. basis at an average price of about 91½ following upon issues in 1884 and 1888 at the rates of respectively 3½ per cent. and 3 per cent. Up to 1912—with the exception of the loan offered in January, 1909, upon a 3¾ per cent. basis —the Dominion was able to satisfy all her requirements in London at 3½ per cent. Towards the end of 1913 4 per cent. had to be paid, and that rate has since remained operative.

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Mr. J. H. Plummer, president of the Dominion Steel Corporation, says that an enquiry for rails for shipment abroad was a recent development in the Canadian steel industry. The corporation has submitted prices and is hopeful of securing some of the business.