

REFUNDING TRANSACTIONS STOPPED IN 1917

Entrance of United States Into the War Removed Chief Cause

Since the outbreak of war, a large amount of American securities have been repurchased from European holders. Up to the beginning of last year, it is estimated that not less than \$50,000,000 par value of Canadian bonds have been repurchased, of which probably \$30,000,000 remained in Canada. These purchases assisted in regulating sterling exchange. The entrance of the United States into the war last year removed the chief cause for these refunding operations and immediately stopped their continuance. Just as the United States entered the war arena, a number of Canadian borrowers were arranging for the transfer of their debts in London, or a part of them, to Canada and New York. The largest of these included the Ontario and Nova Scotia governments and the cities of Toronto and Montreal. The refunding operations then proposed involved the transfer of over \$100,000,000 of Canadian indebtedness from London to New York. This included \$33,000,000 by the city of Montreal, \$32,000,000 by the city of Toronto and \$17,000,000 by the province of Ontario. A bill was introduced in the Nova Scotia legislature for the refunding of sterling loans amounting to \$10,000,000. Messrs. J. P. Morgan and Company, then representing the British government, were to handle the operation.

As noted above, the participation of the United States in the war stopped all these negotiations. How the operations were undertaken is outlined in the proposed Montreal transaction described in the following resolution of the city authorities:—

"That the Bank of Montreal be requested and authorized to agree on behalf of the city to the following conditions proposed by Messrs. J. P. Morgan & Company, New York, for the purchase of civic issues in England, at prices not exceeding the following, namely: £600,000 4 per cent. loans of 1948-50, at 80 per cent. plus ½ commission, £1,600,000 4½ per cent. loans of 1951-2-3, at 87½ per cent. plus ½ commission, with accrued interest in both cases, or any portion of the above amounts that may be obtainable.

Paid by Issue in New York.

"The purchase price of securities to be paid by the issue of bonds by the city of Montreal, dated 1st November, 1916, and maturing on the 1st November, 1926, and bearing 5 per cent. interest, payable semi-annually at the agency of the Bank of Montreal, New York.

"The bonds to be delivered to Messrs. Morgan & Company, from time to time, through the Bank of Montreal, in amounts sufficient to yield the cost of securities cancelled in the London Register at the office of the Bank of Montreal, London; the proceeds of the sale of bonds to be estimated on a basis of 98.07 per cent., less 2 per cent. commission, and adding accrued interest.

"The bonds to be negotiated by Messrs. Morgan & Company, by private sale, and any excess in proceeds over the

basis of 98.07 per cent. shall be equally divided between the city of Montreal and Messrs. Morgan.

"Messrs. Morgan & Company to guarantee that the cost of sterling exchange for the transference of the purchase money to London shall not exceed \$4.76½ per pound sterling and any lower rate than the above shall be for their own profit and benefit.

"The whole operation to be opened for a period of three months from the 1st February, 1917.

"In view of the uncertainty of the political situation, both Messrs. Morgan & Company and the city of Montreal will have the right to cancel the present arrangement in face of adverse circumstances beyond their control."

This deal fell through when the United States came into the war.

To Our Own People.

As pointed out in *The Monetary Times* Annual last year by Mr. E. R. Wood, payment to our own people of the interest on the amount of the securities repurchased and remaining here, means an increased investment power for our country as a whole, and in view of the war financing which confronts us this is an important factor to consider, while a substantial appreciation in the price of such securities is almost sure to occur after the end of the war. A considerable volume of Canadian stocks has also been repurchased, but it is impossible to estimate the total amount. The outflow of our capital represented by these purchases for our own account is more than offset by the enormous expansion in our trade, and our increasingly favorable trade balances. There is, however, little likelihood of a resumption of these refunding operations, in the near future, at least.

HOW to Increase Factory Production

A Helpful Article for every
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SEE

The Monetary Times Annual
JANUARY, 1918.

PRICE 50c.

UNLISTED SECURITIES

Quotations furnished to The Monetary Times by A. J. Pattison Jr., & Co., Toronto.
(Week ended Dec. 19th, 1917.)

	Bid	Ask		Bid	Ask		Bid	Ask		Bid	Ask
Abitibi Power.....com.	40	46	Collingwood Ship.....6's	19	92	Home Bank.....	62	66	Ont. Pulp Bonds.....	80	83
".....pref.	80	86	Continental Life.....	67	75	Imperial Oil.....	345	365	Peoples Loan & Savings.	85	93
".....6's	88.50	91	Cockshutt Plow.....pref.	25	33	Imperial Steel.....pref.	3.50	3.50	Russ. Gov. 5½% int. roub.	90	100
Alta. Pacific Grain.....pref.	85	91	Chapman Ball Bearing..	24	27.50	Inter Lake Steamship.6's	95	95	Sovereign Life.....	10	18
Atlantic Sugar.....com.	8	12	Domin. Glass.....com.	70	70	Lambton Golf Club.....	310	350	South Can. Power.....6's	90	90
".....pref.	27	30	Dom. Linseed Oil.....	43	43	London Loan & Savings.	100	115	Steel & Radiation..bonds	65	65
Belding Paul.....pref.	71	75	Dom. Mfg.....pref.	85	95	Matthew-Lang.....6's	93.50	97	Std. Rel'ce.....(par 50)xd	45	48.50
Brand-Henderson.....6's	97	97	Dom. F'dry & St'l 18%pref.	74.50	78.50	Maritime Coal & Ry.....	80	85	Sterling Coal.....com.	8.50	10.50
Black Lake.....pref.	1	4	Dom. Iron & Steel 5's.1939	68	70.50	McDonald.....pref.	80	85	".....bonds	70	72
Can. Cereal & Flour.com.	90	90	Dom. Permanent Loan	89	95	Mexican Mahog.....bonds	25	25	Sterling Bank.....	80	89
Can. Furniture.....pref.	41	41	D. Pot' & Trans.....pref.	89	95	Milton Pressed Brick....	85.50	92.50	Toronto Furniture.....pref.	85.50	89.50
Canada Machinery.....6's	70	71	".....5's	112	125	Morrow Screw.....6's	95	95	Toronto Paper.....6's	83	87
".....pref.	45	52	Dominion Sugar.....com.	92	96	Mutual Steamships.....6's	20	25	Trust & Guarantee.....	5.50	7
Can. Mortgage & Invest..	80	98	Eastern Car.....pref.	140	165	National Brick.....bonds	31	31	Toronto Y'k Rad. 5's. 1919	95	95.50
Can. Oil.....pref.	83	87	Ford Motor.....	69	70	National Life.....	85	85	West. Assurance.....	95	115
Can. Paper.....pref.	69	69	Gt. West Perm. Loan....	70	70	National Drug 7%.....pref.	65	65	West Can. Flour.....com.	94.25	97
Carter Crume.....pref.						North. Crown Bank.....			".....6's (1931)		

Statistics relating to Dominion Savings Banks, Post Office Savings Banks, National Debt, Building Permits Compared, Index Numbers of Commodities, Trade of Canada by Countries, and Preliminary Monthly Statement of Canada's Trade appear once a month as issued by the various Government departments.