EXCEPTIONAL INVESTMENT OPPORTUNITIES

THROUGH an unusual combination of factors, Canadians are offered a wide range of investments at bargain prices. In the United States the prices of securities are, of course, still lower, by approximately the amount that it costs to send money there, for the markets in that country for stocks, and to a lesser degree for bonds and mortgages, controls the market here. Nevertheless, it can safely be said that, apart from temporary periods when near-panic conditions reigned, the opportunities have never been so favorable in Canada.

Governments, municipalities and corporations, after keeping out of the market so far as possible during the war years, have found it necessary to borrow to meet maturing obligations and to keep up with the demand for new works and larger production. The war loans floated on an attractive basis and with the assistance of a patriotic appeal, effectively drained the supply of funds for high-grade securities. The most important factor in depressing prices of securities in recent months has, however, been the low rates prevailing for exchange on European countries. This has made possible the repurchase of large amounts of bonds and stocks held there, brokers being able to offer the owners a good price, sell here at a low figure, and still reap a substantial margin of profit.

Bonds of the Dominion of Canada are offered in the market to yield from 5¼ to 6 per cent. While the tax-exempt war loans have advanced to a premium, compared with the issue prices, there is still a good demand for them, because of increasing income taxes. The higher yielding bonds are those issued by railways and guaranteed by the Dominion, but the attitude of the government on the railway question makes it certain that these obligations will be fully recognized. Many of these bonds have been brought over from Great Britain, as well as bonds of the provinces and municipalities, which have also been forced to come into the market for new borrowing. While some of the provinces are threatened with large contingent liabilities, and quite a number of municipalities are in financial difficulty, yet the great majority of these bonds are unquestionably secure. The market for corporation bonds has also been depressed by the exchange situation, and 6 to 7 per cent. may be obtained on the best.

These are the securities of the highest standing. Coming to stocks, the opportunities are less promising, because of the probability that a decline in commodity prices will seriously affect industrial profits. The stock markets have, as a matter of fact, been going down for some months past, and there is a general tendency to liquidate stock holdings and reinvest in securities of assured income. While a decline in costs of operation should be beneficial to public utility corporations with comparatively fixed business and revenue, the business depression which must accompany such a decline would be distinctly unfavorable to other industries.

Speculation in European exchange is also going on to a considerable extent. Tempted by sterling at 75 per cent. of its par value, francs at 65 per cent., and lire and marks at still lower figures, there are many private investors buying to hold for some time. The readjustments in trade which these rates are bound to bring, certainly should restore the exchanges more nearly to their normal levels.

EDUCATING THE PUBLIC ON BANKING

THE safety, stability and excellent service rendered by the Canadian banks were emphasized by Frank Pike, manager of the Merchants' Bank in Edmonton, Alta., in an address before the Women's Institute of that city in January. "It is an easy thing to destroy and tear down," said Mr. Pike in his opening remarks, "any ignorant, indolent or insane person can do it, and there never was a time when saneness and common sense were more needed than at present. The essential stimulus of unrest is misunderstanding, and I doubt if there is any institution more abused or more misunderstood than the banking system of Canada."

Mr. Pike then described the operations of banking in Canada, showing how legislation and banking practice protected the depositors and note-holders. He also outlined the procedure for organizing a new bank. To illustrate the fact that the banks are really institutions of the people, the speaker said:—

"The proprietors, or owners, of a bank are not a few wealthy capitalists,—on the contrary, bank shares usually represent the savings of hard-working, thrifty, honest people. To illustrate this, I would like to use as a reference the Merchants Bank of Canada, as I know more about this institution than any of the others. It is owned by 2,700 shareholders, more than 50 per cent. of whom are women or executors of estates who hold shares in trust for widows and orphans. The average number of shares held by our shareholders is 26, with a par value of $2,600. The highest number of shares held by any one shareholder is 1,750, and we have only three or four shareholders who hold 1,000 or more shares. It cannot be said that an institution is owned and controlled by capitalists, whose shareholders number 2,700, and their average holdings only 26 shares. It will also probably be a surprise to you to know that the large total of our deposits belongs to so many thousands of depositors that the average holding is only about $500. Surely such shareholders and depositors are not capitalists; therefore, it would be most unfair to accuse us of being prejudiced in favor of great capitalists."

Such misunderstanding as that to which Mr. Pike refers, and to which other financial institutions as well as the banks are subject, is regrettable. A policy of too great secrecy is partly responsible for it, but it is only an illustration of the public tendency to view with suspicion all large institutions, including governments elected by popular vote. In any case, bankers have now an excellent opportunity to perform a public service by availing themselves of opportunities such as that presented to Mr. Pike, to help remove misconceptions like these.

THE RENTAL VALUE OF PROPERTY

REDUCTIONS in the value of the dollar have made it necessary for property owners to seek compensation in higher rentals. Nevertheless, the fact that rents, and therefore property values, should rise in accordance with the increases in commodity prices, has not been generally recognized. Looking upon such increases in rents as unfair, associations of tenants have been formed in several Canadian cities. In Montreal, there is a Tenants' Protective Association, and in Quebec, on February 12th, a similar organization was formed for that city. Agitation against the attitude of landlords in Winnipeg and in Toronto has also resulted in organized action in those cities.

These associations are interesting in so far as they are examples of consumers' unions. Just why such movements should be directed against rentals rather than against commodity prices, where the increases have been much greater, is not apparent. There is a view that interest return on investments of this kind should remain fixed, in spite of the fact that the purchasing power of such return has been greatly reduced. Property values do not determine rentals, but are arrived at by capitalizing net return at the current rate of interest. Rentals, therefore, are the controlling factor, and these are fixed by relation between supply and demand. To limit rentals in times when property appears scarce would make it necessary for some guarantee of a fair return during periods of depression, to be made.

The proportion of tenants to the total population of our cities is increasing, and recognizing their political power, efforts are being made to elect civic officials pledged to their platform. This movement is a subject of concern on the part not only of property owners, but of mortgagees, including loan and trust companies who have large sums, representing the savings of the people, invested in this way.