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Relative Profitableness of Stocks and Bonds

IN his discussion of security prices, printed in the federal report on the cost of living, Mr. R. H. Coats, Dominion statistician, has furnished some valuable tables. Several were published in *The Monetary Times* last week, dealing particularly with common and preferred stocks. Dealing with industrial bond prices, Mr. Coats says that, as in the case of preferred stocks, a record is difficult to obtain. For 13 industrial bonds, however, fairly complete data have been secured. The average annual prices are shown in the table below. A table of index numbers based in the usual way upon these average prices, is also given. It shows that the almost constant tendency of industrial bond prices since 1900 has been to sag—where they have not remained stationary on or about the original level. This method of illustrating bond prices is, however, says Mr. Coats, open to objection. A bond has a fixed date for redemption and its price from year to year is affected by that fact. In other words, the bond changes character as it progresses to maturity, and quotations from year to year are not on the same basis. By way of meeting this objection the device was employed of regarding the net earnings of bonds as the real indicator of price. A table of these earnings is printed below. Thus, in the case of Commercial Cable first mortgage 4 per cent., the index number 100 was given for the year 1900 when the net rate at the prevailing price of 102.4 was 3.9 per cent. In 1902 the net rate on this bond at the prevailing price of 96.5 was 4.1 per cent. This rate, however, under the same conditions as prevailed in 1900 would represent a capital investment of $95.1. This last, therefore, was regarded as the true price of the bond. The final index numbers obtained in this way follow:—

	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.	1908.	1909.	1910.	1911.	1912.	1913.
Bonds	100	99.8	100.7	96.5	94.5	98.9	99.6	95.6	94.1	98.4	98.5	98.3	97.6	95.5

It will be seen that the above shows a greater tendency to decline than the index number and this is probably a more accurate reflection of the fact.

Average Prices of Industrial Bonds.

	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.	1908.	1909.	1910.	1911.	1912.	1913.
Canadian Col. Cotton......	99.7	99.1	100.8	98.0	91.0	91.8	97.1	95.4	95.4	98.9	100.0	99.8	100.0	.....
Commercial Cable Co.	102.4	101.0	96.5	93.0	92.4	96.2	96.1	92.6	85.8	89.0	86.3	.....	.....	79.5
Dominion Coal Co.	.....	.....	.....	.....	.....	101.1	101.3	97.0	91.0	96.3	98.0	97.3	99.1	98.4
Dominion Iron & Steel....	.....	83.7	89.0	69.9	65.4	84.3	83.8	73.8	76.3	92.3	95.6	94.6	94.8	90.1
Dominion Textile	.....	.....	.....	.....	.....	91.1	94.9	86.1	85.6	95.0	95.8	96.1	97.6	99.3
Halifax Electric	103.5	103.4	105.3	105.0	102.0	105.0	103.8	100.7	99.0	100.0	100.8	100.4	100.6	100.0
Lake of the Woods Mill....	.....	.....	.....	.....	109.5	111.1	110.2	104.1	105.6	110.3	110.8	109.5	109.8	103.5
Laurentide Company	105.0	104.0	106.0	102.7	102.3	108.9	108.9	108.6	109.5	111.4	109.6	110.3	111.3	106.0
Mexican Light and Power..	.....	.....	.....	.....	.....	68.0	82.3	80.5	84.6	85.8	87.4	90.3	90.5	88.5
Montreal L. H. & P.	.....	.....	.....	100.5	101.2	101.6	101.9	96.2	95.2	99.8	99.2	99.6	100.1	97.8
Montreal St. Railway	.....	.....	106.1	104.4	104.0	103.9	104.6	101.5	99.7	101.0	100.6	99.8	99.8	100.0
Ogilvie Flour Mills Co. ...	.....	.....	115.3	114.4	114.0	116.0	116.9	115.1	109.3	111.1	112.9	113.3	110.3	105.6
Winnipeg Electric Railway.	.....	109.5	.....	108.0	105.5	107.9	107.9	102.4	100.9	105.0	103.6	104.3	104.7	99.5

Index Numbers of Prices of Industrial Bonds as in Above Table. (Prices 1900=100).

	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.	1908.	1909.	1910.	1911.	1912.	1913.
Canadian Col. Cotton	100	99.3	101.1	98.3	91.3	92.1	97.4	95.7	95.7	99.2	100.3	100.1	100.3	97.3
Commercial Cable Co.	100	98.6	94.2	90.8	90.2	93.9	93.8	90.4	83.8	86.9	84.3	84.4	84.6	77.6
Dominion Coal Co.	...	.....	.....	.....	.....	97.8	98.1	93.9	88.1	93.2	94.9	94.2	95.9	95.3
Dominion Iron & Steel	...	99.2	105.5	82.8	77.5	99.8	99.2	87.4	90.4	109.4	113.3	112.1	112.3	106.8
Dominion Textile	...	.....	.....	.....	.....	97.8	101.9	92.5	91.9	101.3	102.9	103.2	104.8	106.7
Halifax Electric	100	99.9	101.7	101.4	98.5	101.4	100.2	97.2	95.7	96.6	97.3	97.0	97.2	96.6
Lake of the Woods Mill.....	...	.....	.....	.....	94.5	95.9	95.1	89.8	91.1	95.2	95.6	94.5	94.7	89.3
Laurentide Company	100	99.0	100.9	97.8	97.4	103.7	103.7	103.4	104.2	106.1	104.3	105.0	106.0	100.9
Mexican Light & Power.....	...	.....	.....	.....	.....	97.8	118.4	115.8	121.7	123.5	125.8	129.9	130.2	127.3
Montreal L. H. & P.	...	.....	.....	97.0	97.7	98.1	98.4	92.9	91.9	96.3	95.8	96.1	96.6	94.4
Montreal St. Railway........	...	.....	99.6	98.0	97.7	97.6	98.2	95.3	93.6	94.8	94.5	93.7	93.7	93.9
Ogilvie Flour Mills Co.	...	.....	99.6	98.7	98.4	100.1	100.8	99.3	94.3	95.8	97.4	97.8	95.2	91.1
Winnipeg Electric Railway ..	...	99.2	100.7	97.8	95.6	97.7	97.7	92.8	91.4	95.1	93.8	94.5	94.8	90.1
All	100	99.2	101.1	95.8	84.1	97.0	100.2	88.4	94.9	99.4	100.0	100.2	100.5	97.5