

A temporary reaction in the latter part of 1916 and the winter of 1917 was attributed to a marked reduction in offerings of municipal bonds which coincided with greater demand from the United States for Canadian securities. With the entry of the United States into the War in April, 1917, however, the American market was occupied with its own financial requirements, and Canadian yields again rose abruptly until the latter part of 1918. Then, with the pressure of war financing removed, and a plentiful supply of funds available for the purchase of the limited number of new issues, prices of bonds rose for a time, and, correspondingly, yields declined. This situation was quickly changed by an abrupt fall in the sterling rate at Montreal during the latter half of 1919, causing British holders of Canadian bonds to offer them on the Canadian market in large quantities,¹ and for a time a state approaching demoralization existed. The severity of this condition is indicated by the Ontario yield index, which reached an all-time high of 134.7 in December, 1920. This compared with the war-time high of 126.3 in June, 1918, when the burden of war financing reached its peak. The "thawing" of commercial loans and lower call money rates paved the way for a broader bond market in 1921, and yields fell steadily until 1928, when they were on approximately the same levels as in 1913. The speculative boom of 1929 carried money rates and bond yields upward again until the fall months of that year. A subsequent recession was interrupted by the financial crisis of 1931 and 1932, but after June, 1932, yields declined until, in January, 1935, they were almost on a par with those at the beginning of the century. In the autumn months a short advance occurred, but yields were again declining as the year ended.

14.—Index Numbers of Dominion of Canada Long-Term Bond Yields, 1919-36.

(1926=100.)

Month.	1919.	1920.	1921.	1922.	1923.	1924.	1925.	1926.	1927.
January.....	117.9	116.7	125.2	113.6	107.0	104.0	100.3	99.9	97.6
February.....	116.8	117.9	122.3	112.5	104.3	104.2	99.7	99.6	96.5
March.....	113.5	119.7	123.2	111.7	103.8	104.5	99.8	100.0	97.3
April.....	111.3	120.9	125.4	111.3	104.0	105.5	100.0	100.1	95.7
May.....	111.3	122.9	124.0	110.6	104.4	104.9	99.8	100.1	94.6
June.....	109.7	124.6	125.1	111.8	104.0	104.6	98.5	100.4	95.7
July.....	111.9	126.6	124.6	111.5	104.0	103.6	99.8	100.0	96.4
August.....	112.5	128.2	124.7	111.5	104.4	102.5	100.4	100.0	94.7
September.....	112.7	130.4	124.7	110.7	104.4	101.2	100.4	100.1	95.4
October.....	113.4	131.8	124.8	111.3	105.7	100.2	100.8	100.1	94.0
November.....	113.4	134.2	119.4	112.1	106.2	100.2	101.0	100.1	92.8
December.....	115.4	130.8	116.3	109.6	105.2	100.6	100.1	99.3	90.2
	1928.	1929.	1930.	1931.	1932.	1933.	1934.	1935.	1936.
January.....	89.2	97.3	102.1	93.9	112.7	96.3	93.2	70.9	72.4
February.....	89.5	98.3	101.4	93.6	112.2	96.0	91.0	73.2	70.8
March.....	90.1	102.3	101.1	91.9	109.1	97.7	86.1	71.4	69.9
April.....	90.3	100.9	99.3	90.0	109.8	96.6	83.8	72.2	69.5
May.....	89.5	100.2	98.4	89.3	109.3	95.0	81.8	71.4	-
June.....	93.3	104.0	98.2	88.3	111.7	93.3	82.1	73.4	-
July.....	94.4	104.0	98.0	88.3	107.5	93.5	80.1	72.1	-
August.....	95.9	102.0	95.9	88.3	100.5	92.2	77.8	71.6	-
September.....	95.2	102.8	93.9	95.5	98.7	92.4	77.2	79.8	-
October.....	96.2	103.7	93.6	105.2	96.2	93.5	79.3	78.9	-
November.....	95.9	103.3	93.6	107.7	98.5	94.3	77.2	74.5	-
December.....	97.1	101.4	93.9	111.7	99.4	95.1	71.3	75.5	-