

Section 4.—Index Numbers of Bond Yields.*

Few economic statistics are of more significance than the net rates of return received on absolutely the safest securities, such as government bonds maturing on a fixed date. Interest rates naturally grade upward from the rates which the safest of possible borrowers has to pay, and from the fluctuations of that price an idea may be obtained as to the relation between the supply of, and the demand for, funds for investment.

The exceptional requirements of the War years turned the Dominion authorities to the internal market, a field which had hitherto served mainly the needs of the provinces and municipalities. To the latter, therefore, it is necessary to go for earlier historical records of long-term bond yields in the internal market. Province of Ontario issues covering the years from 1900 to date are available in this field, and were utilized for the first long-term bond yield index constructed by the Bureau of Statistics. The relatively long period for which these records have been preserved makes this series of considerable value. On pp. 805 and 806 of the 1937 Year Book a statement will be found bearing on the movements of Ontario bond yields since 1900. Since the War, however, the growing importance of Dominion financing in the domestic market has made it advisable to supplement the Ontario series with the Dominion index of bond yields shown in Table 16.

Dominion of Canada bonds were materially firmer in 1938, reflecting to a considerable extent the abundance of idle funds seeking safe investment. Oversubscription of practically all Dominion offerings of refunding and loan issues was indicative of the large quantities of available funds. During the opening months of the year Dominion bond prices rose steadily, the index for this series touching a peak of 118.2 in May. European international events overshadowed the domestic situation during the summer months and the index reacted to 116.0 in September. A strong rally, following the September crisis, advanced the index to 117.7 in December where it showed a gain of 1.8 p.c. over the 1937 close. Provincial bonds were featured by the erratic fluctuations of Western maturities. Sharp advances in Manitoba, Saskatchewan, and Alberta issues during the early summer coincided with prospects of an exceptionally large grain crop. These gains were considerably reduced during the latter half of the year and at the close the relative position between Eastern and Western bonds was practically unchanged though both were somewhat firmer than in December, 1937.

* The index of Ontario long-term bond yields formerly shown may be found in the Bureau's monthly bulletin "Prices and Price Indexes", obtainable from the Dominion Statistician.

16.—Index Numbers of Dominion of Canada Long-Term Bond Yields (on the 1926 Base), by Months, 1929 to May, 1939.

NOTE.—Index numbers for 1919-28 are given at p. 829 of the 1938 Year Book.

Month.	1929.	1930.	1931.	1932.	1933.	1934.	1935.	1936.	1937.	1938.	1939.
January.....	97.3	102.1	98.9	112.7	96.3	93.2	70.9	72.4	64.6	66.3	62.1
February.....	98.3	101.4	93.6	112.2	96.0	91.0	73.2	70.8	68.4	65.4	61.9
March.....	102.3	101.1	91.9	109.1	87.7	85.1	71.4	69.9	73.7	84.7	61.1
April.....	100.9	98.3	90.0	109.8	96.6	83.8	72.2	69.5	73.2	63.7	63.0
May.....	100.2	98.4	89.3	109.3	95.0	81.8	71.4	68.8	71.0	81.7	62.4
June.....	104.0	98.2	88.3	111.7	93.3	82.1	73.4	66.9	69.3	61.8	-
July.....	104.0	98.0	88.3	107.5	93.5	80.1	72.1	65.1	69.0	62.7	-
August.....	102.0	95.9	88.3	100.5	92.2	77.8	71.6	63.2	68.1	62.7	-
September.....	102.8	93.9	95.5	98.7	92.4	77.2	79.8	63.1	63.3	65.3	-
October.....	103.7	98.6	105.2	96.2	93.5	79.3	78.9	66.2	69.7	63.2	-
November.....	103.3	93.6	107.7	98.5	94.3	77.2	74.5	65.1	68.8	61.5	-
December.....	101.4	93.9	111.7	99.4	95.1	71.3	75.5	64.1	67.4	61.8	-