

Section 4.—Index Numbers of Bond Yields

The exceptional financial requirements of the war years of 1914-18 turned the federal authorities to the domestic market, a field that had hitherto served mainly the needs of the provinces and municipalities. Historical records of long-term bond yields in the domestic market prior to 1914 are obtainable, therefore, from provincial and municipal sources only. A record of Ontario issues from 1900 to date is available and was utilized for the first long-term bond-yield index constructed by the Dominion Bureau of Statistics. The relatively long period for which the record has been preserved makes this series of considerable value.

Since the First World War, however, the growing importance of federal financing in the domestic market has made it advisable to supplement the Ontario series with the federal index of long-term bond yields shown in Table 11. This series (1935-39=100) has been computed from January, 1937, on the basis of yields computed from a 15-year, 3 p.c. theoretical issue. Quotations for the theoretical yields are computed by the Bank of Canada.

Evidence of underlying strength for government obligations continued to be felt during 1950 as indicated by the narrow limits which Government of Canada long-term bond yields moved during the year. From the index of 90·3 for December, 1949, the yield rose to 91·0 in July, 1950. The slightly easier price tone for government obligations in July reflected the sharp deterioration in the international situation.

11.—Index Numbers of Government of Canada Long-Term Bond Yields, by Months, 1942-50

(1935-39=100)

Month	1942	1943	1944	1945	1946	1947	1948	1949	1950
January.....	99·4	98·8	97·3	96·7	90·0	84·9	92·1	95·4	90·1
February.....	99·3	98·5	97·3	96·6	85·9	84·7	92·1	95·2	90·3
March.....	99·6	97·6	97·3	96·3	83·8	84·6	96·7	94·7	90·2
April.....	99·6	97·3	97·3	96·0	84·3	84·8	96·5	94·4	90·7
May.....	99·5	97·3	97·2	96·0	85·1	84·6	95·3	94·4	90·2
June.....	98·8	97·3	97·0	95·6	84·9	84·3	95·4	94·4	90·2
July.....	98·7	97·3	97·0	94·6	85·1	83·8	95·6	93·8	91·0
August.....	99·0	97·3	97·0	94·4	85·0	83·9	96·2	92·7	90·5
September.....	99·4	97·3	97·0	94·6	84·9	84·0	96·1	91·8	89·8
October.....	99·6	97·3	97·0	94·4	85·0	84·2	96·3	89·1	92·0
November.....	99·6	97·3	97·0	93·9	85·0	84·4	95·7	89·2	93·9
December.....	99·4	97·3	96·9	92·2	85·0	84·8	95·5	90·3	96·7