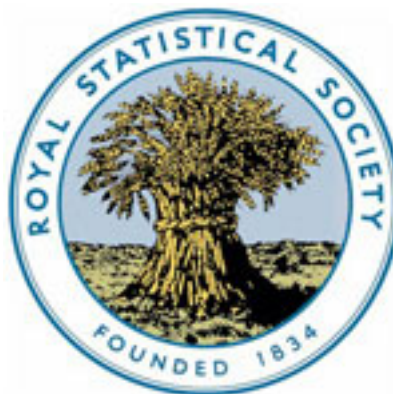


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THE RATE OF INTEREST ON INVESTMENTS IN 1912.

By R. A. LEHFELDT.

THE following statistics are in continuation of those given in the December, 1912, issue of the *Journal*:—

TABLE A.—*Amount of investments in the form of issues exceeding 900,000. each.*
[In 1,000 £.]

Date.	Fixed interest.			Shares.			Total.		Grand total.	Remarks.
	Home.	Colonial.	Foreign.	Home.	Colonial.	Foreign.	Fixed interest.	Shares.		
1912	6,446	23,003	53,636	4,729	21,375	10,019	83,085	36,123	119,208	{ Canadian Pacific share issue.
[Number of issues.]	6	16	26	3	1	7	48	11	59	

The most noticeable feature of the above table is that large share issues have increased in amount. The item "colonial shares" consists of the one gigantic issue of the Canadian Pacific Railway, which was not all made in London, but the amount issued in London is not stated separately. The home and foreign share issues also show increases from the average of recent years.

The grand total is about equal to that of 1910 and is only exceeded substantially by 1908. The total of home issues is larger than in any year since 1908.

TABLE B.—*Return on large investments at fixed interest (redemption value included).*

Date.	Home.	Interest promised.			Colonial —home.	Foreign —home.
		Colonial.	Foreign.	Mean (weighted).		
1912	5·01	4·30	5·25	4·97	— 0·71	+ 0·24

Table B shows marked development of tendencies already noticed, the general average rate of interest, which was 4·49 in 1910, and 4·60 in 1911 rose to 4·97—the highest on record. The home issues, which now are all industrial, yield nearly as high interest as foreign ones. The colonies, which continue to borrow largely through their governments, now command the best rate of interest, but even they have to pay noticeably more than they did a few years ago.

The average yield on Consols during the year was 3·35. Hence the yield on new investments exceeded that on Consols by 1·62 per

cent., which is more than it has been lately. This means that the price of Consols instead of being low, is, relatively to other stocks, *more unreasonably high than ever.*

Issues in 1901.

In the former paper, in dealing with shares, the actual dividends for the ten years following issue were taken as indicating the result of the investment. It is now possible to make a calculation on this basis for the stocks of 1901. In that year there were 19 large issues at fixed interest and 4 of shares. Of the former group, one, the bonds of the Ecuadorian Association, have been in default, and a composition has been effected. In consequence of this the average return for the ten years is about 4.5 per cent. instead of 6.67 per cent. promised. The influence of this on the average return on all the capital invested that year is trifling.

The share issues and the dividends paid on them were as follows :—

	Average yield.	Price of issue.	Price, December, 1911.
G.E.R.	3.05	100	67
N.E.R.	5.76	100	125
Lanc. and York. R.	3.95	100	94
Buenos Ayres G.S.R.	5.25	107½	125
Weighted mean.....	4.65	103	107

As the average yield on the “fixed interest” issues for that year was 3.01 per cent. investors in shares have been more fortunate by about 1.64 per cent. Their property has, moreover, appreciated from 103 to 107, while the bonds issued in 1901 have depreciated 10 to 15 per cent. This result is characteristic of a period of rising prices.