

the HERALD Outlook

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Time may be ripe to buy bonds

TORONTO - If you don't already have some, it may be time to buy bonds. Bond prices rise when interest rates fall. Canadian bond prices also rise when their yields compare favorably with those of other countries. This is because foreign investors snap them up.

That's what happened last week in the credit markets. Investors who had been worrying about the Meech lake accord came back to the market and started buying bonds. Bond prices rose and interest rates fell, albeit slightly.

Rates fell in the short-term money market as well. Yields on three-month Government of Canada treasury bills slipped a tenth of a percentage point on Thursday, allowing the Bank of Canada rate to ease again - to 13.75 per cent. The bank rate has fallen 17 basis points (a basis point is a hundredth of a percentage point) in the past two weeks. If it keeps falling, administered rates on loans and mortgages will fall in line.

Bond prices respond to inflationary fears. In a single day, the market can swing from confidence to dread. This sends prices on a roller-coaster ride. Traders win and lose money on these sharp swings, but investors would do better to hold out for longer term gains.

GO WITH TREND

With recession at hand, forecasters predict interest rates will fall. Some say it will happen this year; others next. When rates eventually do fall, bond prices will soar. Before that can happen, though, the market must believe inflation is not about to come bounding back.

When you buy a bond, you are lending money to the issuer. So the issuer's creditworthiness is important. The safer the bond, the lower the interest rate it pays. The higher the coupon, the bigger the risk. At the safest end of the scale are Government of Canada bonds. These come in terms ranging from five years or less to 20 years or more. The longer the term, the greater the potential gains and losses.

Dianne Maley
Your Business
Thomson News Service



Bonds do not have to be held to maturity. They are traded by stockbrokers on the over-the-counter market. Usually, though, shorter term bonds (up to five years) are held for the full term.

Coupons on short-term Canada bonds are lower than what banks and trust companies pay for guaranteed investment certificates. But they are still attractive because they are a safe play to invest large amounts of money. Like T-bills, Canada bonds are direct obligations of the federal government. GICs and other deposits are only insured up to \$60,000 a person at any one financial institution.

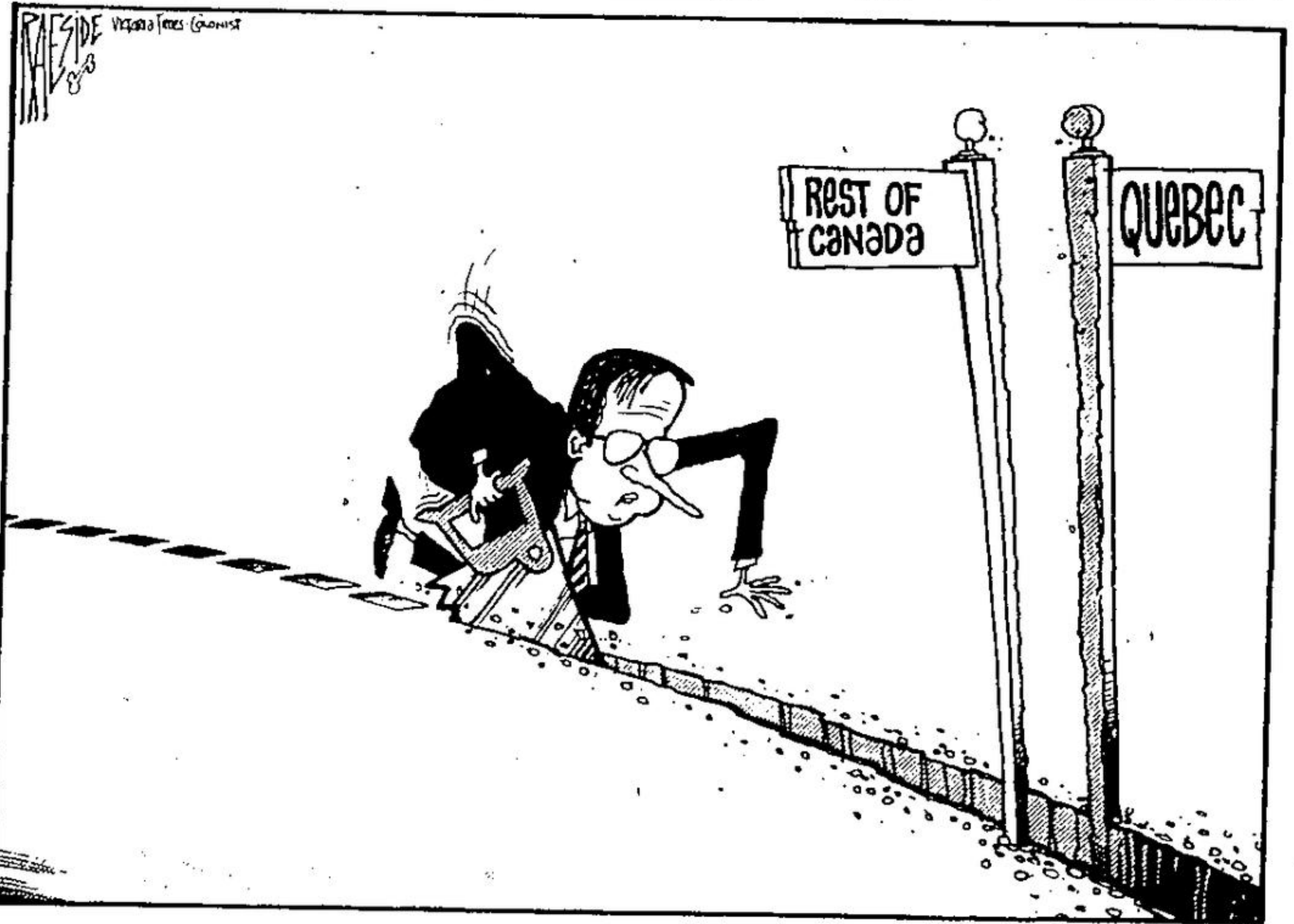
WIDE CHOICE

People seeking a safe investment are not limited to Canada bonds. Many Crown corporations and government agencies issue bonds, as do provincial governments. Hydro bonds, for example, are a popular alternative.

Corporations, too, issue bonds. Sometimes these are secured by a mortgage on the company's assets. Ultimately, though, the safety of a corporate bond depends on the quality of the issuing company. High-yielding junk bonds rank lowest.

If you think that bonds are boring, you are mistaken. Long-term bonds can be highly speculative investments. Your stockbroker can tell you about ways to use leverage in the bond market.

But even those bond-buyers who do not want to speculate may find themselves in a hair-raising situation.



Leaders of major parties are being shelled ferociously

OTTAWA - Surely, there's never been another period since Canada was invented when leaders of our three major political parties have been shelled so ferociously at the same time.

Perhaps we can all remember moments when individual leaders were being submitted to a greater barrage, but you'd be hard pressed to name a month or year when all three were under fire like this at the same time.

It goes further than overt attacks. There's also quiet disdain.

It's difficult to know who is getting the roughest treatment - Brian Mulroney, Jean Chretien, or Audrey McLaughlin. It depends a great deal on which newspaper you happen to open, and on what page.

Or, if you turn on your television, it depends on what channel, and who happens to be doing the talking.

Even the opinion polls are distressing for all three. If the leaders weren't being propped up by their parties, all might disappear off the bottom of the polls. Mr. Chretien, for instance, just found out he was the first leader in modern economy to lose popularity immediately after winning the job.

Invariably - up until now, that is - just the hoopla of a convention gives the new leader a healthy boost in the polls. But Mr. Chretien coasted into the Liberal leadership without even being specific on policies, while maintaining an uncharacteristic silence on the Meech accord. His long opposition to the accord obviously cost him support in Quebec.

He should be worried: until he looks around and sees the position of his rivals. These are not heady times to be leader of a federal political party.

REFLECTS COUNTRY

Perhaps the unhappiness with the leaders goes beyond individual's and reflects how Canadians feel about the future of the country in the wake of the Meech collapse. Seldom has there been such a widespread plea for effective leadership, whether on constitutional matters, native disputes, economic issues or anything else - and seldom has the response been so unacceptable.

In some cases, of course, there has been no response - such as



Stewart MacLeod
Ottawa
Thomson News Service

Prime Minister Mulroney's long silence following the outbreak of hostilities at Oka, Que. And when other leaders, such as Mr. Chretien or Ms. McLaughlin, tried to step in, they were roundly criticized for alleged opportunism.

It's becoming very difficult for any leader to get a positive reaction on anything.

When Ms. McLaughlin, for instance, delivered food to the Mohawks at Oka, she was largely ignored by the media. When one guest columnist, former NDP secretary Gerald Caplan, wrote about her daring expedition, another columnist, who was on the scene, was quick off the mark with a searing critique of the incident. "Look at her heavenly calm! Look at her peaceful visage! Look at her looking over her shoulder to see if the cameras are rolling!"

He concluded by saying the media should be happy to display her picture. "It's the least we can do for one who teaches us so much about the fine art of hypocrisy."

Hardly a public relation dream trip. And, while it might be the most devastating single article written on the NDP leader, she hasn't really been treated to many of the complimentary variety since assuming office nearly eight months ago.

LITTLE BETTER

On balance, Mr. Chretien might have got off to a better start - but not by much.

It was just too weeks after his coronation that the headline over one national column said, "Don't give up on Chretien yet."

Now, one could understand such advice a few years down the road, but the word "yet" would seem just a bit premature since the guy hadn't even had a chance to visit

party headquarters - let alone get elected.

But it demonstrated some of the negative thinking that surrounded Mr. Chretien's elevation to the Liberal throne. There was a certain lackadaisical inevitability about his victory that smothered any sense of excitement. Within days, one could read about him being a caretaker until a more acceptable leader - Ontario Premier David Peterson has been frequently mentioned - could be groomed for the job.

Mr. Chretien's plummeting popularity in Quebec has been the subject of daily analysis since his election. And his visit to the Oka Indians, while treated more kindly than that of Ms. McLaughlin, was nonetheless widely interpreted as equally opportunistic.

As for the prime minister, it's not necessary to detail the tidal waves that have engulfed him - from his rhetoric on Meech to his disappearance on Oka. His record-breaking unpopularity continues unabated.

It's safe to say that all three parties have divisions in caucus over leadership, some more apparent than others. Tory divisions are kept under control, merely by enjoying the fruits of power. Liberal divisions are less obvious because of the let's-give-him-a-chance syndrome - and NDP divisions, while deeper and more apparent, are still affected to a lesser degree by a similar syndrome.

But the unhappiness is there, as in the rest of the country.

When historians write about 1990 and the summer of discontent in Canada, they might well begin with a look at all three political leaders.

Write us a letter!

The Herald wants to hear from you. If you have an opinion you want to express or a comment to make, send us a letter or drop by the office. Our address is 45 Guelph St., Georgetown, Ont., L7G 3Z6.

All letters must be signed. Please include your address and telephone number for verification.

The Herald reserves the right to edit letters due to space limitations or libel.

Poets' Corner

LOOKING BACK

My, but I have come a long, long way.
By comparison to yesterday.
Yesterday! When was that?
For starters, I was quite a brat.
But, this is what I have in mind.
At least, to thine oneself - be kind!

We have our own ways, that's for sure.
I hope, for this, there is no cure.
Well... one on one, we are unique.

We may appear somewhat mystique.
Our little ones have a thing or two,
They could teach us, me and you.

We may be set in our own ways,
Going back to all those yesterdays.

What memories we all do have,
Those playful times were not so bad.
They worked, I suppose, like so much saue.

We thought we never would feel sad.

A little independence may help a lot.

Helps us to think, without being taught.

We live... we have experience.
What we learn makes so much more sense.

So... do have fancies - little one.

When you're my age, you'll remember - fun!

by Lois Richardson,
Georgetown.

YESTERDAY AND TOMORROW

I hear "Blueberry Hill" and waft away.
I leave behind what is today
I am drunk on yesterday.

You are looking far beyond
You're not seduced by a song
Tomorrow is where you belong.

I dream my dreams of days gone by

You are impatient for time to fly
Strange we're so happy you and I

By Patricia Hretchka
Georgetown