We trust we have been able to make our explanation clear. Later on we shall have to address you on the question of converting the loans not now included, as well as on various points which we are still arranging in connection with the creation of the stock.

We have, &c.,
P. G. Julyan,
F. D. Bell,
Loan and Stock Agents.

The Hon. the Colonial Treasurer, Wellington.

Enclosures referred to in No. 63.

1886.—Conversion of Loans: Computation of Equivalents.

No. 1.—The Agent-General to the Actuaries.

Dear Sirs,— 7, Westminster Chambers, 19th January, 1886.

It will be in your recollection that in November, 1884, you constructed a table showing the equivalent, in 4-per-cent. inscribed stock, of £100 of Consols at relative prices. I now wish you to construct a series of similar tables, showing the equivalents in the case of all the loans named in the list which I enclose herewith.

You will find in each case the date given when the loan is repayable, the date when the dividends are paid, the rates of interest per cent., and the rate of sinking fund (if any); and annexed to each you will also find the present quotation of the loan on the Stock Exchange. Assuming a conversion to be made at the relative prices of to-day, the question is, What is the equivalent in 4-per-cent. inscribed stock in the case of each loan? The equivalent should be given for every ½ per cent. higher or lower, within a range of 3 per cent. of the present quotations.

I have, &c.,
F. D. Bell.

A. H. Bailey, Esq., and Ralph P. Hardy, Esq.

New Zealand Securities quoted on the Stock Exchange.

Name of Loan.	Amount outstanding.	When Loan repayable.	When Dividends payable.	Rate of Interest.	Sinking Fund.	Present Market Prices.
	£					
(1860) Sixes of 1891 ..	93,100	1st July, 1891	1st Jan. and 1st July ..	6	2	108 to 110
(1863) Sixes of 1891 ..	201,500	15th Mar., 1891	15th Mar. and 15th Sept.	6	2	109 „ 111
(1863) Sixes of 1891 ..	329,900	15th June, 1891	15th June and 15th Dec.	6	2	108 „ 110
Fives of 1914 ..	488,000	15th July, 1914	15th Jan. and 15th July	5	1	113 „ 115
5-per-cent. Ten-forties ..	3,500,000	1st Mar., 1918	1st Mar. and 1st Sept. ..	5	..	104 „ 106
Fives of 1879 ..	524,000	1st Nov., 1889	1st May and 1st Nov. ..	5	..	104 „ 106
4½-per-cent. Five-thirties ..	2,946,100	*1st Feb., 1905	1st Feb. and 1st Aug. ..	4½	..	104 „ 105

* Note.—There are two series, 1904 and 1905, but it will be sufficient to compute for 1905.

No. 2.—The Actuaries to the Agent-General.

Dear Sir Francis,— London, 26th January, 1886.

Enclosed we send you a series of tables showing the equivalent amount of 4-per-cent. stock that should be given for the several stocks referred to in your letter of the 19th instant, according to the market prices of each. We have excluded the "Five-thirties" and "Ten-forties:" the first because, the stock being immediately "noticeable," it is worth only about ½ per cent. premium; and the second because, being also "noticeable" in 1888, or in about two years' time, the arithmetical value is only about 2 per cent. premium. The somewhat higher market prices of these two stocks are probably due to the expectation of the holders that they will not be paid off for some time.

The following are the values of £100 stock in the loans for which conversion tables are herewith sent, taking 4 per cent., payable half-yearly, as the rate of interest upon New Zealand Government security—*i.e.*, taking the price of 4-per-cent. inscribed stock (ex div.) at par:—

		£	£ s. d.		
1860	Sixes of 1891,	93,100,	value 109 15 9	in January,	1886, dividend paid.
1863	Sixes of 1891,	201,500,	value 109 15 9	in March,	1886, dividend paid.
1863	Sixes of 1891,	329,900,	value 109 15 9	in December,	1885, dividend paid.
1863	Fives of 1914,	488,000,	value 116 18 3	in January,	1886, dividend paid.
1863	Fives of 1879,	524,000,	value 103 13 4	in May,	1886, dividend paid.

In all cases these values have been calculated upon the assumption that the dividend due was paid, so that the value represents the capital and its future yield.

We have appended an example in each case, which may perhaps be useful.

We have, &c.,
A. H. Bailey.
Ralph P. Hardy.

Sir Francis Dillon Bell, K.C.M.G.

Loan of 1860: Sixes of 1891.

Amount, £93,100: Repayable 1st July, 1891. Interest, 6 per cent.: Payable 1st January and 1st July. Market Price, 108 to 110. Value, Jan. 1886 (Dividend paid), *At 4 per cent. Interest, £109 15s. 9d.*

Market Price of 4-per-cent. Inscribed Stock.	Amount of 4-per-cent. Inscribed Stock, equivalent to each £100 of the above Stock, at the Market Prices undershown.							Market Price of 4-per-cent. Inscribed Stock.
	107½	108	108½	109	109½	110	110½	
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	
99	108 11 9	109 1 10	109 11 11	110 2 0	110 12 1	111 2 3	111 12 4	99
99½	108 0 10	108 10 10	109 0 11	109 10 11	110 1 0	110 11 1	111 1 1	99½
100	107 10 0	108 0 0	108 10 0	109 0 0	109 10 0	110 0 0	110 10 0	100
100½	106 19 4	107 9 3	107 19 2	108 9 2	108 19 1	109 9 1	109 19 0	100½
101	106 8 9	106 18 8	107 8 6	107 18 5	108 8 4	108 18 3	109 8 1	101
101½	105 18 3	106 8 1	106 17 11	107 7 9	107 17 8	108 7 6	108 17 4	101½
102	105 7 10	105 17 8	106 7 5	106 17 3	107 7 1	107 16 10	108 6 8	102

Example: Thus, on any day on which the market prices are as follows: Loan of 1860: Sixes of 1891, £110; 4-per-cent. inscribed stock, £101—then £108 18s. 3d. of 4-per-cent. inscribed stock is the equivalent of £100 of the (1860) Sixes of 1891.

A. H. Bailey.
Ralph P. Hardy.

26th January, 1886.