

IMMENSE PROFIT POSSIBILITIES IN HAMBURG 4 1/2% BONDS

In the year 1919 the City of Hamburg (Germany), floated a loan. This loan was known as the Hamburg 4 1/2% State Loan of 1919—Series B—the Bonds forming part of this loan are the securities which possess possibilities of earning profits up to 32,000% on the capital amount invested today.

Hamburg 4 1/2% Bonds represent a direct obligation of the City of Hamburg just as City of Montreal Bonds or City of Winnipeg Bonds represent a direct obligation of the City of Montreal or the City of Winnipeg. In Germany, City of Hamburg Bonds are legal investments for trust funds and savings bank; in short: the prime type of security.

Canadian Municipal or City Bonds are payable, that is, they are bought, sold and redeemed with Canadian Money; likewise German Municipal or City Bonds are payable in German Money i.e., marks. The Paper Mark, or what is known as such, having no value, it might be thought that the Bonds which are payable in that money or currency are also without value. It is not so, however, Hamburg 4 1/2% Bonds are not only worth hundreds of dollars in cold cash today, but they will be worth much more in the future.

We can best judge by comparison. Take for example: City of Toronto Bonds, a \$100 City of Toronto Bond today is worth \$100.00, perhaps more, in Canadian Money; Canadian Money consists of Notes issued by the Canadian Government; every \$1.00 Note is theoretically worth \$1.00 in Gold. Supposing, however, the Canadian Government was to print many millions of Dollar Bills without at the same time increasing the Gold Reserve; it is obvious that if there was no real demand for the new Currency Notes or Dollar Bills, there would be no means of securing the necessary Gold Reserve—what would happen? Simply this: those Notes or Bills which were already in circulation would lose some of their value since the newer Notes would share in the theoretical disbursement of what was in Reserve.

Inflation Defined—The process of issuing Currency Notes without adding to Gold Reserve is known as Inflation, i.e., the Money becomes inflated. To return to our supposition; if this process of inflation were continued for very long, Canadians would soon lose all sense of the actual Gold Value of their Currency and it would be found necessary to measure its value with the value of some Currency that was sound, i.e., worth its Face Value in Gold. During the Great War such a currency was the United States Dollar.

If the inflation process should continue until 1 Canadian Dollar (\$1.00) was worth only 25 Cents (\$0.25) in American Money and conversely 1 American Dollar (\$1.00) would be worth 4 Canadian Bills (\$4.00), it can thus be seen that a City of Toronto Bond of a Par or Face Value of \$1.00 could be bought for 25 American Dollars (\$25.00).

If we will further suppose that a period of a few years elapses between the date on which it would take 100 American Dollars (\$100.00) as well as 100 Canadian Dollars (\$100.00) to buy a \$100 City of Toronto Bond, and the date on which it required only 25 American Dollars (\$25.00), while it still required 100 Canadian Dollars (\$100.00) to purchase the same Bond we will have a good idea of the situation in German Municipal Bonds today.

When the City of Toronto calls its Bonds for Redemption, which we suppose the City will do at the end of the two-year period, it is obvious that if the bond holders are offered Canadian Dollars that are worth only one-quarter (1/4) of their Face Value in Gold when the Bonds were issued, a great injustice will be done them. Moreover, it is extremely unlikely that the bondholders would accept depreciated Paper Money in payment of their charges on the City of Toronto.

Situation in Germany—That is just what happened in Germany after the Great War. Wealth invested in Government and Municipal securities was literally wiped almost out of existence by the Inflation of German Money. Our example of a City of Toronto Bond that supposedly loses three-quarters (3/4) of its Face Gold Value is almost farical in comparison with the losses in Gold Values which took place in German Government and Municipal Bonds.

A classical indication of the extent of the Depreciation in Gold Values resultant upon the Inflation of German Money is furnished by the fact that 1000-Mark Bonds were never traded in alone: Bonds were dealt in that aggregated millions of Marks. A Bond transaction that involved \$238,000.00 would have attracted some attention before the War, yet in 1923, The Investment House of C. M. Cordasco & Company, sold many millions of Marks in German Government Bonds for a few tens of dollars—before the War the same transactions would have involved millions of Dollars.

The greatest example of Currency Inflation that the world has ever known, took

place in Germany during the years that followed the War. In fact, the Gold Value of the German Mark depreciated from January 1st, 1919, to November 29th, 1923, to such an extent that the Mark ceased to function as a Currency and it was necessary to introduce a new Currency.

New German Money—The new monetary unit is known as the Reichsmark or more commonly the Mark (this sameness of name has led to endless confusion), and it has today a Gold Value of 23.8 cents as had the old Mark prior to the War.

At the beginning of 1919, 1,000,000 Marks in German Currency had an approximate Gold Value of \$122,000.00, just prior to the adoption of the new monetary unit in November, 1923, the Gold Value of 1,000,000 Marks in German Currency was an infinitesimal fraction of a Cent—in fact, the depreciation had been so great that German Marks were traded in trillions, one trillion (1,000,000,000,000) Marks having a Gold Value of about 24 Cents.

In spite of the tremendous decrease in the Gold Value of German Currency, German Government Bonds, State, Federal and Municipal issues retained considerable Gold Value in comparison. True enough, their Gold Value was ridiculous by comparison with normal Gold Values (German Government 5% Bonds worth \$238,000.00 before the Great War, could be bought for \$10.00 or less during the latter months of 1923), but nevertheless, the great faith of the bondholders that ultimately Gold Marks would be paid where Gold Marks had been received, kept prices up.

Prices of German Government Bonds reached their lowest levels at the height of the Inflation period. At that time (in the Fall of 1923), The Investment House of C. M. Cordasco & Company, strongly advised Canadian investors to buy selected German Government and Municipal Bonds.

The outlook at that time, however, was one of extreme gloom. All of Europe was in a chaotic condition. Inflation had been taking place in many countries. Confidence was at a low ebb. The problem of reparations was hanging fire over the heads of the German people. Many lost faith in the ultimate recovery of Europe to anything approaching pre-war conditions.

The Dawes-Young Plan—Then came the Dawes-Young Plan and the Financial Commissions; uncertainties were removed. The road to future prosperity was laid open. Confidence returned. Hope sprang anew in the breasts of the German people. They agreed to shoulder the Reparations burden. The wheels of industry began to turn once more.

Reflecting the new confidence in the future German Government and Municipal Bonds made spectacular rises. Many issues jumped hundreds of dollars overnight. The table following illustrates graphically the extent of the first great rise, and gives at the same time an indication of the extent of the previous declines:

Bonds.	All Quotations per 1,000,000-Mark Unit	Fall of 1924	Fall of 1925
City of			
Berlin 4s	\$13,000.00	\$ 7,500.00	
Bremen 4s	9,000.00	4,000.00	
Coblenz 4s	15,000.00	13,000.00	
Cologne 4s	18,000.00	8,500.00	
Dresden 4s	13,000.00	10,000.00	
Essen 4s	13,000.00	9,500.00	
Frankfurt 4s	16,000.00	9,000.00	
Leipzig 4 1/2s	13,000.00	8,500.00	
Munich 4s	23,000.00	13,000.00	
Stuttgart 4s	15,000.00	9,500.00	
Government War Loans 5s	2,800.00	700.00	

At what was believed to be the top of the first rise, The Investment House of C. M. Cordasco & Company advised its clients to sell their holdings of German Bonds and take their profits.

During the months that followed prices of German Government Bonds held steady around their recently reached levels. At that time the pressure of the Bondholders on the Government to have service resumed, i.e., payment of principal and interest (which had been temporarily suspended), on Federal, State and Municipal Bonds, began to be felt.

An election was only a few months off. Both political parties promised a careful consideration of the demands of the bondholders.

Revaluation Explained—When Germany had accepted the terms of the Dawes Plan, there was no provision made for the redemption of her own Government, State and Municipal obligations—thousands upon thousands had lost their fortunes during the Inflation period; their Bonds had become well-nigh worthless. The recovery of German industry and finance from the date of the acceptance of the Dawes Plan was so rapid, however, that her nationals perceived that there would be a surplus remaining after the Annuity Payments prescribed by the Dawes Plan and the demand for compensation from the Government on account of losses sustained through the depreciation

in the Gold Value of Government securities became incessant.

This compensation was necessarily partial. The Government could not afford to resume service on the full Gold Value of German Bonds. The measure of compensation, accordingly, took the form of Revaluation Government Bonds were to be revalued, that is, an agreed upon Rate of Valuation would be made; this Rate would apply on the normal or original Gold Values of the various Bonds. To illustrate: 10% Revaluation of War Loan Bonds meant 10% of 1,000,000 Marks, each Mark worth 23.8 Cents or 10% of the total \$238,000.00 which would be \$23,800.00—in Germany, of course, the Revaluation was expressed in so many Gold Marks for so many Marks Par Value of Bonds.

The Election took place. The Nationalist Party which had promised 15% Revaluation to bondholders came into power. It must be understood that 15% Revaluation meant that the Government would pay Bondholders 15% of the Gold Value of their holdings. In the case of German Government 5% Bonds aggregating 1,000,000 Marks, mentioned heretofore, which were worth \$238,000.00 in 1914, 15% meant a Gold Value of 150,000 Gold Marks, or \$35,700.00.

The Revaluation Law—A few months after the election a Revaluation Bill was submitted to the German Reichstag (Parliament). This Bill promised only 5% Revaluation and later the rate was still further reduced to 2 1/2%. On July 15th, the Bill was made a law and the first step in the way of honorable settlement of her national obligations was taken by Germany.

When it became known that only 2 1/2% of the Gold Value of German Government Bonds could be expected for the present, the market which had discounted (i.e., risen to or reflected) a much higher figure, fell sharply. The table below indicates the extent of the reaction:

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A secondary reaction followed and prices moved still lower. Just prior to and immediately after the Locarno Conference, however, a vigorous recovery set in and all issues are moving into higher ground.

During the course of the events depicted above Hamburg 4 1/2% Bonds of 1919 followed the course of the market. As the Loan was issued in 1919 when 1,000,000 Marks had a Gold Value of approximately \$122,000.00 City of Hamburg 4 1/2% Bonds aggregating (i.e., denominations making up) a Unit of 1,000,000 Marks had a Gold Value of approximately \$122,000.00. In the Fall of 1923, however, the aforementioned Unit had fallen to \$6.50, and at the time of the first rise, reached \$1,500.00. Today a 1,000,000 Marks Unit in Hamburg 4 1/2% Bonds may be bought for as small a sum as \$420.00.

The Revaluation Law compensating holders of Hamburg 4 1/2% Bonds to the extent of not less than 2 1/2% of the Gold Value of their holdings places an approximate Gold Value of \$3,050.00 on every 1,000-

000 Mark Unit, or on every investment of \$420.00, made in Hamburg 4 1/2% Bonds today. Every \$420.00 invested today can, therefore, earn a profit of \$2,630.00, and this is only the first step.

Many Cities in Germany are reported to have made an initial Revaluation of their Bonds at as much as 10%, 15% and even 25%. We believe that the City of Hamburg will increase the rate of Revaluation to 5% before long. The financial condition of the Municipal Government has shown great improvement during the past months.

When the City of Hamburg increases the Revaluation rate applying on the estimated Gold Value of these Bonds—approximately \$122,000.00 per 1,000,000 Mark Unit, every \$420.00 invested today will earn a profit of \$5,680.00 at 5% Revaluation; at 10% the profit will amount to \$11,360.00 for every \$420.00 invested today.

We believe that eventually, City of Hamburg Bonds will be Redeemed at their normal Gold Value or 100%, and the far-sighted investor can accordingly expect that ultimately he will obtain the estimated Gold Value of \$122,000.00 for every 1,000,000 Marks Unit in City of Hamburg 4 1/2% Bonds or for every \$420.00 invested today.

Wealth of Hamburg—The present population of the City of Hamburg is close to a million and a half and is steadily increasing. The City of Hamburg is the greatest seaport in Germany. The City does not rely solely upon its commerce and shipping for prosperity. It has its own industrial plants such as railroad shops, ship yards, iron and boiler works, refineries, cotton mills, printing and dyeing plants, and many others.

Official figures from English sources state that the shipping and trade of Hamburg has been increasing by leaps and bounds, and that the Government shipbuilding industry in the past year has made great strides towards regaining its former place.

The wealth of Hamburg and its citizens is a common by-word in Germany. It has been created, maintained and increased in centuries.

Immovable assets maintain a high standard of value whether expressed in Marks, Dollars, or any other currency. In fact, the largest portion of its wealth having been created in gold value, the proportionate appraisal of the assets of the free city and free state of Hamburg in paper Marks, must today be infinitely higher than the total debt.

The foregoing information concerning the City of Hamburg whose 4 1/2% Bonds we now offer to our clients has been gathered from reliable sources. Reports from our own correspondents abroad inform us that there is practically no unemployment in the city at the present time and it may be called one of the most highly developed industrial municipalities of Germany.

Apart from the foregoing considerations we are of the opinion that Hamburg 4 1/2% Bonds are selling far below their intrinsic market value. Other municipal bonds issued in 1919 are selling anywhere from \$1,000.00 to \$3,000.00 per million mark unit as compared with \$420.00 for Hamburg 4 1/2% Bonds. They are only beginning to right their position and consequently the coming months will undoubtedly witness sensational advances in the price of Hamburg 4 1/2% Bonds.

The table which is appended below makes clear the profit possibilities in City of Hamburg 4 1/2% Bonds. We cannot stress too greatly the necessity for immediate action. Present prices shown in the table, cover every expense. Bonds are delivered by registered and insured mail.

TABLE SHOWING PROFIT OPPORTUNITIES in the purchase of City of Hamburg 4 1/2% Bonds of 1919

Par Value of Bonds	Present Price	Gold Value at time Were Issued	Estimated Gold Values at 2 1/2% and 5% Revalued	
			at 2 1/2%	at 5%
100,000 Marks	\$ 42.00	\$12,200.00	\$ 305.00	\$ 610.00
200,000 Marks	84.00	24,400.00	610.00	1,220.00
300,000 Marks	126.00	36,600.00	915.00	1,830.00
400,000 Marks	168.00	48,800.00	1,220.00	2,440.00
500,000 Marks	210.00	61,000.00	1,525.00	3,050.00
1,000,000 Marks	420.00	122,000.00	3,050.00	6,100.00
2,000,000 Marks	840.00	244,000.00	6,100.00	12,200.00
5,000,000 Marks	2,100.00	610,000.00	15,250.00	30,500.00

Don't let today's opportunities be tomorrow's regrets. Send your order in now, and watch the Foreign Exchange Bulletin (sent, without charge, to our clients) for future developments.

THE INVESTMENT HOUSE OF C. M. CORDASCO & COMPANY

FOREIGN EXCHANGE FOREIGN BONDS
MARCIL TRUST BUILDING—290 ST. JAMES STREET
MONTREAL, CANADA
LONG DISTANCE TELEPHONE MAIN 681-021-101

Date.....

I enclose herewith { cash accepted cheque money order } for \$..... in full payment for the purchase from you of..... Marks of City of Hamburg 4 1/2% Bonds (State Loan of 1919 Series B) which you are to forward me by registered mail.

Name.....

Address..... P.R.O.N.

WALSH GIVES EVIDENCE IN LIQUOR EXPORT CASE IN COURT THIS MORNING.

(Continued from page three)

parties on the same boat to different boats. There had been no attempt, witness had seen, to deceive the Liquor Board constables and, until this had arisen, he had not been aware that the regulations regarding the records were being complied with.

Many Mistakes

Patmore's cross-examination of Mr. Pyle was largely of a technical nature apparently with a view to shaking credibility and veracity. Mr. Pyle, being faced with records of sales that did not check up with the invoices, admitted that there had been many "pure mistakes."

A number of American boats figured as consignees and carriers of the ship. It was admitted by Mr. Pyle that there had been groupings of the records of shipments on various boats as well as to individuals. All had been paid as not much attention was given to names. Many of such mistakes were pointed out to Mr. Pyle's attention by Patmore. Mr. Pyle would admit that such groupings leave loop-holes for illegal sales in Prince Rupert. The transfer had been required for every bottle of liquor off the warehouse.

No Rupert Orders

You were permitted to destroy our original records and false entries, then you make dozens of sales illegal and nobody would be the wiser," queried Mr. Patmore. "Don't think so," replied Mr. Pyle.

If you can't see it, we will leave it to that," replied Mr. Patmore.

Mr. Pyle denied that he had called an order for a purchase in Prince Rupert or that he had seen anyone else doing as far as he knew, no illegal sales had been made.

Have you ever heard the name of this is the worst thing going on in Northern British Columbia," asked Mr. Patmore.

Mr. Gonzalez took strenuous objection to such a question, claiming that it had nothing to do with the facts of the case.

Mr. Patmore of attempting to bring in irrelevant matters in order to prejudice the jury.

Mr. Patmore declared that the witness was in order to test the ability of the witness.

The magistrate ruled Mr. Patmore's question out, declaring that he was interested in facts of the case and that, as far as the credibility of the witness was concerned, he had already heard enough evidence.

The Inspector Again

Mr. Walsh, ex-Liquor Board inspector, was then called to the stand.

He said he had given Mr. Pyle his instructions, and that he had complied with them.

He had allowed the lumping of shipments to various members of the same crew and, on occasion, had advised Mr. Pyle to place a small shipment on a boat under the name of the crew.

The matter of lumping shipments to various members of the crew had been taken up by Inspector Miller, following this line, written by Walsh to Mr. Miller, were in evidence. Everything had been done in good faith by the consolidated as far as Mr. Walsh knew.

Mr. Walsh said, was to see that records of imports and exports were kept. Mr. Miller had not been worrying about keeping details then.

Mr. Patmore's cross-examination, Mr. Walsh said that he had never seen anything in the way of the accused being carried on business.

Have you ever aboard the boat?" asked Mr. Patmore.

Mr. Pyle's question led up to Mr. Walsh giving an account of how the boat had been used to transport liquor out of the province.

Mr. Walsh had made the trip on the boat, on at least a dozen occasions. The boat went to a channel near Wales Island and there transferred the liquor to another vessel. The crew did not always take the same point but near the boats to which the liquor was transferred went to Alaska, Mr. Besner had been on most of the trips.

Mr. Pyle (witness) had been on occasion without him, but it was customary for Mr. Besner to be on the American boat and

get the money. It was a collection on delivery proposition. Shipping to Alaska. "You knew that United States did not allow the importation of

liquor? You knew about the Volstead Act?" asked Mr. Patmore. "Yes, I had read about it," replied Mr. Walsh.

Mr. Patmore—Did you ever report to the government what you have been telling us now? Mr. Walsh—Yes, I used to tell Mr. Miller of the numerous trips,

Mr. Patmore—Did you report to Mr. Miller of Besner transferring liquor at these particular points. Mr. Walsh—Yes.

Mr. Walsh denied that he knew of illegal sales being made in Prince Rupert from the Consolidated warehouse. Mr. Patmore's cross-examination,

of Mr. Walsh was still proceeding when court adjourned after 5 o'clock yesterday afternoon until 10 o'clock this morning.