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THE GENERAL FINANCIAL SITUATION.

While the business community has been well prepared for announcements of new banking developments, it must be admitted that the pace of the last few weeks, and particularly, the announcement of the Nova Scotia-Ottawa amalgamation this week, has occasioned some surprise. The sanction of the Minister of Finance to the latest merger has presumably been given on the ground that public facilities will not be thereby restricted, the two banks having competing branches at only eleven points, and those the larger cities, where banking facilities are certainly not lacking. Otherwise the two systems of branches dovetail into one another admirably, the Bank of Ottawa being particularly strong in the Ottawa Valley territory, and in the West, where the Bank of Nova Scotia is not as well represented as in other parts of the Canadian field. While the business community as a whole is certainly not adverse to any forward policy by the banks which will result in the strengthening of their position and increase their ability to forward Canadian industry and commerce of all kinds both at home and abroad, there is, it must be frankly said, an under-current of nervousness in some very responsible and by no means radical quarters, lest legitimate forward policies should at any time be turned into something of an effort at self-aggrandisement. The fact that there is this feeling in quarters which are not uninfluential, is possibly an effective safeguard against any present day development of this kind.

In the security markets, the feature of the trading is the great activity in bonds and relative quiscence in stocks. This bond-market activity is a new and extremely interesting development. Undoubtedly, very considerable amounts of investment funds which formerly went into high-grade stocks are now going into bonds, and the probabilities are that at the present time, the safe deposit boxes of Canadian investors are being stocked with bonds on a scale which has never been known before. In fact, hitherto, Canadians have not been a nation of bond-buyers. Bonds have either been sold abroad, or been absorbed by the great institutional investors such as the life insurance companies. The Canadian private investor has preferred the chances of increasing his capital afforded by the purchase of stocks.

For the evident present change in Canadian investment habits, there are several contributory causes. In the first place, experience in recent years with various classes of stocks which formerly were held in high esteem as investment mediums, has not been fortunate. At one time, and that not many years ago, no securities were more highly regarded by the local investor than the stocks of the public utility companies. But experience during the war years has shown that these stocks are by no means proof against exceedingly heavy losses, and while some have maintained and even improved their position, the record of others has been distinctly unfortunate. Then there has to be taken into consideration the great educational influence of the War Loan campaigns, and the practical advantages, in these days of an income tax which is likely to be permanent, of a long-term, high yielding bond, the income from which is not liable to this taxation. The influence exerted by the War Loans in this connection has certainly been very great. Add to it, the present-day uncertainties attaching to industry and commerce, and the fact that under existing circumstances, as was mentioned in this column last week, profits made in the last few years can now be taken out of the undertakings in which they were made, and "salted away", and there is an ample explanation of the present interest of Canadians in the bond market.

A further important influence is, of course, American buying, which there is good reason to believe, is now attaining very large dimensions. The existing substantial premium on New York Funds makes the purchase of Canadian bonds even more attractive to the American investor than to his Canadian brother, and American buying is likely to be an important factor in the local bond market while this premium persists. In this connection it is interesting to note the commencement this week of the purchase by the National City Company of New York, which has lately formed a Canadian organization, in association with two other prominent American financial houses, of $3,000,000 Province of Ontario 3-year 5 per cent. gold bonds, which have been offered publicly in the United States. The National City Company, which is a subsidiary of the National City Bank of New York, is closely allied to most principal American financial interests, and its entrance into the Canadian field with an apparently aggressive policy, is an event of decided interest.

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