# The Chronicle

**Banking Insurance and Finance**

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F. WILSON-SMITH, *Proprietor.* ARTHUR H. ROWLAND, *Editor.*

*Office:*

406-408 LAKE OF THE WOODS BUILDING,
10 ST. JOHN STREET, MONTREAL.

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## FINANCE OF THE WEEK.

It is generally recognised by business men throughout the Dominion, that in all lines this year, with the exceptions of munitions of war and supplies required by armies in the field, buying is likely to be of a hand to mouth character. Obviously buyers do not care to stock up at the high prices which are now generally ruling, when the possibilities of the future are so obscure as at present. They have to face the possibility that heavy purchases might be followed by a drop in the markets in consequence of some marked success on the part of the Allies, which would make more clear the prospects of an early termination of the war. As a result of this lightness of stocks the insurance companies are finding that a desirable class of business is apt to fall off. Possibly some reflection of the present condition of things will be found in the premium returns of the fire companies when they become available a year hence.

### CROP PROSPECTS.

While a number of factories are keeping themselves going on the large war orders given out by the Allied Governments, the community generally looks towards this year's crops as a lever which will again start trade activity. The movement towards increased production certainly gives cause for encouragement on this account. But it must be remembered that several months have yet to elapse before anything satisfactorily definite can be known regarding the quality and quantity of our grain production this year. The fact that in this respect Canada depends upon the weather must not be lost sight of, and it would be a very foolish policy to ignore the possibility of crop failures over large areas. Prices are likely to be high in any case and a hopeful attitude may reasonably be maintained. But that is all at present.

### A NEW BANKING DEPARTURE.

The approval by the Banking and Commerce Committee at Ottawa of a bill incorporating a new Canadian bank to be called the Colonial Bank of Canada is an important departure in Canadian banking. In several respects the new bank will be dissimilar to any of the existing Canadian banking institutions. It will be controlled, and practically owned by the Colonial Bank, of London and the West Indies, and will be in effect a Canadian branch of that English institution. Also, it is expected that the bank will not extend its branches over the Dominion, but that it will locate its head office in Montreal and have branches at St. John and Halifax, which, with Montreal, are the centres for the Canadian-West Indian trade. The establishment of this institution marks a distinct step in the development of Canada's foreign commerce. The closer banking connection cannot fail to be of benefit to the development of the trade between the Dominion and the West Indian islands, complemenatory as the two are in their products.

The parent Colonial Bank is an old-established institution dating from 1836. It is capitalised at £2,000,000 in £20 shares on which only £6 is paid up. Its dividends in recent years have been at the rate of 6 per cent. The new Canadian subsidiary is capitalised at $500,000.

### THE MUNICIPAL BOND MARKET.

Bond dealers report some improvement in the market for municipal bonds recently. The large purchases of the short-term issues of some of our leading municipalities by United States financial houses have aided things considerably in this direction. But apparently the United States market cannot yet be relied upon to absorb our long term securities. In the main it appears to stop with a patronage, useful enough of its kind, of our short term borrowings. In these circumstances the buying of Canadian municipals by the insurance companies and other financial corporations, which is now reported from Toronto, is of more importance proportionately to the amount absorbed than the United States buying. It is certain that insurance companies, who buy our municipal securities now or in the immediate future, with the intention of holding them to maturity will have excellent reason within a comparatively short period to be thoroughly satisfied with the results accruing. Under present circumstances the insurance companies are in the position of being able to invest new funds on the most conservative lines at an interest rate which is entirely satisfactory and with assured prospects of a substantial inc ease in the capital value as the bonds approach maturity.

### FOREIGN EXCHANGE.

The continuation of quotations for New York funds in Montreal and Toronto at a comparatively high premium continues to excite comment. A writer in the Boston Transcript suggests that one of the reasons for this phenomenon is the fact that large payments are still being made for goods imported from the