

# The Chronicle

## Banking, Insurance and Finance

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### THE GENERAL FINANCIAL SITUATION

(Continued from front Page)

ing industry, indicate a revival—and a very desirable revival—in this direction. Also, it is to be borne in mind that the banks were called upon heavily for loans in connection with the flotation of the last Victory Loan. These, however, will be steadily liquidated, and the position eased to that extent. In view, however, of the facts which have now emerged regarding the calls upon the banks for increased current loans during the month of December. While the strain of the Victory Loan upon their resources was still at its zenith, it is not surprising that tightness in funds for Stock Exchange purposes should have developed.

The arrangement by which the Bank of Montreal has secured a substantial interest in the Colonial Bank, of London, England, is interesting from three points of view. In the first place, it bears out a prediction made in this column some months ago that close relations with the big British banks were likely to be established by several of the Canadian institutions as a part of the forward policy which has been inaugurated by both British and Canadian banks since the armistice. In this case it is understood that the Bank of Montreal have purchased their interest in the Colonial Bank from Barclays Bank, one of the largest of the British institutions, which became very substantially interested in the Colonial Bank some months ago. Thus the Bank of Montreal in obtaining an interest in the Colonial Bank, has also come into close relations with Barclay's, an arrangement which will doubtless result in mutual advantage. We are, in fact, inclined to think that Barclay's is to be congratulated upon securing so desirable a friendly interest in Canada as the Bank of Montreal.

The second point of view about this arrangement is that it means another step—and a very decisive step—in the movement for the cultivation of new foreign connections which a number of the leading Canadian banks have recently started. The Colonial Bank is strongly entrenched in the West

Indies, and, if we mistake not, has in recent years also developed connections in other parts of the Empire. These connections are now at once made available to the Bank of Montreal, the advantage of this arrangement over a policy which involves the established and actual building up of new branches in competition with institutions already in the field being obvious. At one stroke, in fact, the Bank of Montreal has secured some extremely desirable connections with the West Indies. That the Bank of Montreal should look to this field at the present time is extremely interesting in view of the attempts which are being made by other agencies to develop the economic connections between Canada and the West Indies. That these two British settlements are largely mutually complementary in their products is obvious, and it is believed that the Canadian Government is not ill-disposed to a mutual preference with the Islands, which would considerably stimulate the trade between the Dominion and the West Indies. Something in the way of stimulation has already been effected through the additional steamship service provided by the Canadian Government Mercantile Marine, and on the face of it, there appears to be no good reason why a large amount of West Indian trade, which now proceeds via the United States to Canada, should not come direct. New banking facilities, such as those established by the Bank of Montreal in its latest transaction, will certainly facilitate such a movement.

A business man with whom we were discussing exchange the other day, expressed surprise that sterling exchange should continue to move to lower levels in a new low record of \$3.59 1-4 being touched early this week—when British exports are gradually recovering, and in fact during 1919 were over £430,000,000 larger than in the previous year. The explanation is, however, a perfectly simple one. A very large proportion of these increased exports went to impecunious countries on long-term credit, and consequently have no present effect upon exchange. Were those exports for cash—or its equivalent—sterling exchange would be in a very much stronger position. There is the same phenomenon in the case of Canadian exchange in New York. For several years now, our exports have vastly exceeded our imports, yet Canadian exchange in New York is at a discount of 10 per cent. Like Great Britain, we have been selling on long-term credit. Had we sold for cash, or were it possible for our creditors to pay off their obligations at once, that discount on Canadian funds in New York would vanish. London financial opinion is reported as being in favor of concentrating greater energy on exports to prosperous countries. Here in Canada we might well do the same as one sound means of helping to right exchange.