

# The Chronicle

## Banking Insurance and Finance

ESTABLISHED 1881.

PUBLISHED EVERY FRIDAY.

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10 ST. JOHN STREET, MONTREAL.

Annual Subscription, \$3.00. Single Copy, 10 cents.

MONTREAL, FRIDAY, JANUARY 1, 1915.

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## EXCHANGE FLUCTUATIONS.

In the last couple of weeks or so quotations for New York funds have again been mounting to rather high figures. Thus on Saturday, 19th December,  $\frac{3}{8}$  premium was quoted. And last week the rate began at 7-16 premium on Monday, and rose sharply to  $\frac{3}{4}$  p.c. on Tuesday. This week there has been little or no relaxation, and the quotations stand at from 11-16 to  $\frac{3}{4}$  premium between banks. The counter rate is 1 p.c., and this of course represents a considerable tax on all business men and others who have occasion to remit funds to New York or other American cities.

### LONDON REMITTANCES.

The chances are that this rise in exchange has been due to some extent to the demand for sterling exchange required to meet our large obligations for interest and dividends payable in London. The Dominion Government, the Provinces, and railway and other corporations having large amounts of securities placed in the transatlantic market have been heavy buyers of sterling exchange from the banks; and it is probable that a considerable number of British and French capitalists, who have been carrying rather large balances in Montreal, Toronto, Winnipeg and Vancouver, have been transferring their funds to London and Paris. Of course, the banks would have to provide the sterling required for these purposes, and it is doubtful if Canada's exports of grain and other natural produce have been large enough to provide at all fully this exchange requirement. We must remember, too, that the Dominion

Government is now under obligation to buy a large amount of exchange every month for the purpose of paying our troops in England.

### POSSIBILITIES OF GOLD MOVEMENT.

So the banks have had to buy a considerable amount of sterling exchange in New York; and in order to have the requisite funds at the American centre they have had to buy New York funds in Montreal and Toronto on quite an extensive scale. If it were possible to draw gold from the Dominion Treasury through using the Dominion notes (of which the banks have a huge supply in hand) there would be a gold movement to New York and no necessity for a higher premium on New York funds than say  $\frac{1}{8}$  p.c.; but as it has been deemed advisable to suspend specie redemption of the Dominion notes so as to conserve the gold supply of the country, the usual means of satisfying our outside obligations are not available except to a very limited extent. Of course, if the demand for exchange continues to grow in relation to the supply it will be necessary for us to release some gold if all our remitters are not to be penalized very severely by the high exchange rates.

### WHEAT PROSPECTS.

The wheat market has been reactionary in tendency this week partly as a result of the reports of a large surplus in the Argentine Republic for export. The new crop down there is said to be very fine and a surplus of 130,000,000 bushels is estimated. While this factor may have a temporary effect on our prices, it is not likely that it can cause any permanent or long-continued reaction if the war in Europe persists well into 1915. Our farmers are reasonably assured against low prices, and in view of the good prospects there will be every effort made to increase our yield next year. With respect to our railway earnings, which have been a depressing factor lately, it is to be expected that the decreases in gross will not be quite so large after the New Year when the figures come into comparison with those scored in the early months of 1914. Comparisons now are with the abnormally large results of the fall and early winter of 1913.

### MONEY RATES.

Conditions in the financial markets are not much changed. Call loans in Montreal and Toronto are 6 to  $6\frac{1}{2}$  p.c., and commercial paper is discountable at 6 to 7 p.c.

There has been no change in the Bank of England's official quotation which stands at 5 p.c. In the London money market call money is  $1\frac{1}{8}$  p.c.; short bills are  $2\frac{3}{4}$  p.c.; and three months' bills  $2\frac{3}{4}$  p.c. On the Continent also rates are about the same. The French bank rate is 5 and the German rate 6. Discounts in the private market at Paris are 4 and at Berlin,  $6\frac{3}{4}$ . The war continues to progress in a satisfactory manner from the Allies' point of view.