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THE GENERAL FINANCIAL SITUATION

Secretary McAdoo of the United States Treasury, a short time ago announced that the American Government, in the fall of this year proposed to offer for public subscription a fourth Liberty Loan, the amount of which would likely be $6,000,000,000. Meantome, to provide funds in anticipation of the flotation of war bonds, the Secretary stated that he would place in the money markets, say every two weeks, an issue of $750,000,000 of short term certificates of indebtedness, convertible at par into the war bonds when issued. Here in Canada, when the Finance Minister desires to borrow from the banks on short-term notes in anticipation of war loans, the Canadian Bankers' Association is called into consultation, and, after the proposals have been discussed by the representatives of the 20 member-banks, an agreement is eventually reached covering the amount to be contributed by each bank and the dates on which it is to supply the funds. As there are more than 25,000 banks operating in theUnited States, it is obvious that the representatives of the individual banks cannot be called into consultation with the same facility. So the United States Treasury appealed generally to all banks and bankers to set aside 2½ per cent. of its total resources every two weeks for the purchase of the certificates of indebtedness. This constitutes quite a heavy call or demand upon the resources of the banks. How heavy it is, will be readily perceived if the ratio is applied to Canada. Total assets of our banks on May 31, 1918, were roundly $2,320,000,000. If the Canadian banks were required to invest every two weeks 2½ per cent. of total resources in short-term Government notes, that would mean advances of $58,000,000 every fortnight, or considerably over $116,000,000 per month. Although the details of the arrangement between the Minister and the banks have not been given out, the current belief is that the Canadian banks are required to provide something like $50,000,000 per month.

As mentioned in previous articles, even this contribution of $50,000,000 per month may have a tendency to dislocate a certain amount of the current loans and discounts now carried by the banks. Under the circumstances it is not surprising that some of the United States banks experience difficulty in finding the money called for by the Secretary of the Treasury. At the end of last week the Federal Reserve Bank of New York announced that only 604, or approximately 56 per cent. of the 1,045 national and state banks and trust companies in its district, had subscribed for the first issue of certificates of indebtedness, offered on June 25. To stimulate subscription, it is said that lists willbe published from time to time, shortly after each issue of certificates, each list containing a statement of the amounts actually subscribed to each issue by the institutions. Of course the United States Government is in position to apply pressure in other ways if necessary. It is clear, however, that many of the banks taking up such large amounts of Government notes must necessarily make drastic reductions of credits granted to worthy local borrowers, and one can understand their reluctance to do this.

The New York money market this week was required to dispose of Bethlehem Steel Co.'s issue of $50,000,000 in 7 per cents., maturing serially in from one to five years. These notes were offered to investors at prices yielding from 7½ to 7⅞ per cent. according to the maturity selected. The financing is said to have cost the Bethlehem Co. about 9 per cent. This issue followed the recent flotation of $60,000,000 Armour and Co. notes, in case of which the yield was almost as attractive as Bethlehem's. These incidents show that the big American industrial concerns which are making great profits in war work are not averse to paying rates of interest that will ensure quick flotation. We have not had any very important bond issues by Canadian industrial companies recently with which to compare these American issues; but it can be said that the first class industrial bonds already marketed here are in nearly all cases quoted at prices yielding much less than these leading American industrial bonds. It may be conjectured that the relatively lower yields here in case of good industrial bonds, along with the concerted efforts to keep down the yields on municipal and other high class securities, have had some influence in creating the adverse situation in exchange. Canadian capital, also other capital employed in the Dominion, continually seeks the higher yields obtainable on many American securities which can be classed as perfectly safe.

Money market conditions here are practically unchanged. As yet there are apparently no complaints from the mercantile and industrial community regarding curtailment of banking accommdation—so the presumption is that the banks have been able to provide for the reasonable wants of their customers notwithstanding their fresh loans to the Finance Minister.

In London, money is quoted 2¾ per cent., while discount bills are 3½ to 3$\frac{9}{16}$. Bank of England quotes 5 as heretofore, The London market, like New York, has been anxiously watching the developments in connection with this week's great German

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