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THE GENERAL FINANCIAL SITUATION

Announcements which have been made at various annual meetings of the banks during the last few days bear out the predictions which have appeared on this page for some time past that an era of considerable expansion in Canadian banking is at hand. Two of the banks, that are taking advantage of the opportunities awaiting Canadian financial enterprise in foreign fields, likewise now announce important new capital issues. The advantages which will accrue to bank shareholders as a result of these new issues, even when a substantial premium is asked for the new stock are such as to increase the popularity of bank stocks from the investment point of view. The present announcements are likely to be followed by others at no distant date. Banking expansion would have justified new capital issues of a very substantial character long before this, and particularly so in the past two years. But the necessity for concentration primarily on the Dominion Government's war loans, and secondly, on such financing as was absolutely necessary by the provinces and municipalities precluded any expansion of bank capital accounts. Now with the "lid off", an important movement in this direction is to be looked for in the next year or two.

The bond market continues in a notably healthy condition. The committee in charge of the trading in the Second Victory Loan has this week again advanced the price of the 1933 bond to 102 to buyers, 101 to sellers. This change is barely a month after the first advance on December 17th last to 101 and 100 respectively from the original fixed price of 100¼-99¼. It is reported that in the last week or two, the committee has had practically no offer with which to meet a steady flow of investment purchases. The demand for these securities is no doubt partly accounted for by the re-investment of January dividends, and by general appreciation of the fact that with the ending of the war, the opportunity to get in "on the ground floor" with Canadian Government bonds is slipping away. There is, however, a further reason for the recent pronounced demand for high-grade bonds which, so far, has had little attention given to it, but in our belief is of some considerable importance as a market factor. With the ending of the war, the activity in various munition and other war industries has come to a close and it is possible to draw out from those industries, funds which hitherto have been fitly employed therein. The recent heavy demand for high-grade bonds represents, in our view, to an important extent the withdrawal of funds of this kind from industries in what they have hitherto been actively utilised and the "salting away" of profits made during the last two or three years in securities which will not keep the investor awake of nights. The fact that immediate conditions make for a feeling of uncertainty in various industrial and commercial lines adds to this demand, which will probably constitute an important source of strength to the Canadian bond market until such time as the clearing up of the political situation and the straightening out of the various problems involved in the process of demobilization suggests the going ahead with industrial ventures on new lines.

Meantime, several important provincial and municipal issues are making their appearances. Long term issues are being made by both the Province of Quebec (a rare borrower in the domestic market), and by the Province of Alberta. The Quebec issue, which apparently represents a sale of bonds by contractors, of $1,625,000, 4½ per cent. coupon gold bonds maturing in 1946, is being issued to the public at 85.91 and interest, a 5½ per cent. basis. Alberta called for tenders this week for $1,000,000, 20-year, 5½ per cent. gold bonds, the highest tender received of 99.14 representing a price to the province of 5.55 per cent. It seems likely that the coming year will witness a very considerable athirst of borrowing on the part of our provinces and municipalities, who will be anxious to straighten out the temporary arrangements with which they have had perforce to be contented during the war period. While the American markets may be depended upon to absorb a fair proportion of these, the possibility must not be overlooked that, as on previous occasions, the market may become flooded, and consequently the advance in prices, which has been so conspicuous during the last few weeks, be retarded.

The heavy strain under which the banks have been labouring during this fall is evidenced afresh in the recently issued bank return for November. Following a remarkable rise of over $60,000,000 in Canadian current loans during the month of October, in November these loans increased by no less than a further $79,000,000 from $1,003,593,693 to $1,082,-709,655. At this level, they are practically $214,-000,000 in advance of their aggregate of November, 1917, which was $868,973,714. The financing of the year's grain crops, with the value of the output at new high record, is generally regarded as the leading factor in this unprecedented situation. Presumably there will be a fairly rapid liquidation of such loans through the pressing demands of Europe for our foodstuffs and the gradual easing of the shipping situation, and the bank statements of the next few months should show a considerable easing of the load which the banks have been carrying this autumn. Another interesting feature of the statement is that the drop in notice deposits consequent upon the flotation of the recent Victory Loan, while

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