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THE GENERAL FINANCIAL SITUATION

The activity on the local stock exchange, some aspects of which were discussed in this column last week, continued in accentuated form towards the end of the week, and new records in the number of shares dealt in on the Exchange in one day, have been set up. This state of affairs under present circumstances is not as paradoxical as it may appear at first sight. That banking money is as scarce as it ever was for the purpose of stock exchange speculation, since January, when the bankers first began to set their faces like flints in this connection, is absolutely true. There were indeed a couple of further calls of bank money last week. To finance the recent boom on the paper stocks and one or two other speculative specialties, some money has been obtained from quarters other than the banks. But it is apparently confined to very few hands and has by no means general distribution. In fact, the present activity of business has been limited to a small number of stock exchange houses, and it appears also that the general public has not participated in the boom of last year. The extraordinary activity which has been in evidence in some few issues like Brompton and Atlantic sugar is largely a fictitious activity. In one session, shares have been turned over and over again by the insiders making the market and taking a few points out of it every day by quick trades.

Under such circumstances, the position of the high priced speculative favorites is by no means so secure as it might be were the general public heavily involved in the market with ample supplies of funds at low rates to support them. The insiders who have been responsible for running up the prices of recently spectacular stocks can just as easily bring them down by the simple process of removing their aggressive support from the market.

In that event, it might be found that prices of the high valued stocks would fade away just as quickly as they have risen. As regards the paper stocks, there is not the slightest doubt that their earning power is enormous at the present time, and that they have several years of extremely brilliant prospects before them. But there are a number of issues, outside this group which have not been "taken up" and are in consequence selling at levels far below their real intrinsic value. The position of these stocks is an index to what might happen to some of the paper group, temporarily at all events, under the aggressive support which they enjoy at present, taken away from them. So far as the banks are concerned, there is every indication that for the remainder of the year, credits will continue to be extended only with great care and that the aim will be to secure deflation of credit, while extending all necessary facilities to essential production, in order that the deflation process may be hastened through increase of that production.

In this respect the problem before the Canadian bankers is similar to that, though naturally on a smaller scale, which faces the bankers of Great Britain and United States. As regards conditions in Great Britain, it is now pointed out that as a result of the month's dearer money, it is known that the speculative position was very much larger than had been admitted in most financial quarters. During the two months there has been quite a considerable fall in some commodities, such as the leading metals, and also in cotton, wool, hides and some other articles, while on the London Stock Exchange industrial securities have fallen during the past two months by something like 25 per cent. However, despite a reduction in the speculative position, genuine demands for bank loans tend far to exceed supplies. Anxiety, however, is mainly evident in regard to the question whether deflation including the decline in commodities is to be gradual or rapid. The latter event, it is naturally felt, would inevitably spell trouble and therefore efforts are being