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THE GENERAL FINANCIAL SITUATION.

The significance of the April bank statement, issued at the beginning of this week, lies in the fact that it represents the position of the banks after they had all but provided for the Victory Loan instalments. While the last instalment of the loan became due on May 1st, many of the important subscribers would make their arrangements with the bank on the preceding day. It constitutes a creditable performance for Canada to have carried this great $400,000,000 transaction successfully through its various stages. The organizations created and the experience gained will be very helpful when the fifth domestic war loan is launched in the fall. Meantime on Saturday this week the 800,000 holders of Victory bonds will be entitled to collect their first coupon. This interest payment by the Dominion Government easily takes first place in the list of interest and dividend distributions in Canada. Allowing for roundly $160,000,000 of conversions of old bonds, the total amount of the Victory issue would be $560,000,000, and the half-yearly interest payment thus is slightly in excess of $15,000,000. It will constitute a money market factor of some importance. Many of the large holdings are in Montreal and Toronto, and some of the individuals and corporations collecting large amounts will be in the market for re-investment purposes. As there was a very large number of small subscribers in Toronto and other Ontario cities, the banks there will doubtless be flooded with the small coupons taken from the $50 and $100 bonds.

In various other respects the April bank statement indicates a strong position. The increase in holdings of legals and in call loans outside Canada is at once a preparation for the granting of credits to the Dominion Government a little later in the summer, and a guarantee that Canada's maturing obligations in the neighboring country will be properly protected. The balance at credit of the Finance Minister on April 30th—$94,771,000—would be enhanced by the transfers on May 1st, incidental to the last instalment of the war loan; and apparently there would be funds enough in the banks at his disposal to provide pretty well for his expenditures during May and June—thus bearing out the estimate that Victory Loan proceeds would last until July.

It is said that the recent provincial and municipal bond issues have had a most satisfactory sale. Many of the smaller cities are developing a satisfactory local market for their loans, which will doubtless be of considerable value to them in the future. The annual reports of the group of banks reporting in the spring, and also the semi-annual exhibit of the Bank of Montreal, indicate that net earnings in 1918 are running slightly better than in 1917, while the volume of business and assets controlled show much larger relative gains. A number of the banks this year are showing somewhat larger appropriations for depreciation of securities and other assets than were in evidence last year. The fall in quotations of high-class investment securities is one of the inevitable consequences of the enormous borrowings of the belligerent governments. There are good grounds for expecting a recovery after the power of the enemy has been finally broken; and thus the stockholders of the banks may yet have the benefit of part of the monies now written off. The Canadian call loans of the banks show an increase of $3,200,000 for the month of April. Some of this may have been due to borrowings for stock market purposes but it is possible that short loans to bond dealers and brokers in connection with recent security issues, and loans to large Victory bond subscribers accounted for a considerable part. Rates for call loans in this country and for commercial paper are unchanged. Bank of England rate is still fixed at 5 per cent. In the open market at London, money is quoted at 2½ per cent., and discount bills are 3½ and 3 9-16.

Call money in New York ranged from 5 to 6. Business in time money, as heretofore, consists largely of renewals. Owing to the prevailing uncertainties and war contingencies, the possessors of liquid capital wish to have it placed so that they can lay hands on it at once. Rates are 5¾ to 6 p.c., most of the business being at the higher figure; and commercial paper rules at the same level.

New York clearing house banks on Saturday reported a decrease of excess reserves. Loans and discounts decreased $30,000,000; reserves carried in own vaults decreased $1,366,000; reserve carried in Federal Reserve Bank increased $3,797,000; net demand deposits increased $58,000,000, and net time deposits decreased $6,800,000. There was a very heavy decrease in Government deposits—the total standing at $364,000,000 as against $514,000,000 at the end of the preceding week.

During the current week New York financed some very large transactions in connection with the third Liberty Loan. A 20 per cent. instalment matured on Tuesday, May 28th; and it was calculated that this 20 per cent. of the unpaid portion of the total subscription turned in by the New York district would require $63,000,000. In addition to this New York would inevitably be called upon to furnish a goodly part of the funds paid in by subscribers in other parts of the country—so the transaction would represent a considerably larger turnover. On the other hand the bankers collected from the Washington Treasury on the same day $500,000,000 of maturing 4½ per cent. certificates of indebted-

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