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THE GENERAL FINANCIAL SITUATION.

The financial markets this week finally disposed of the Victory Loan—the last instalment of that great transaction being met without appreciable unsettlement or disturbance on May 1st. A large proportion of the loan was paid in full on the earlier instalment dates, but notwithstanding that circumstance there remained a goodly sum to provide for in April and May—the amount being estimated at $92,000,000. The smoothness and efficiency with which this huge flotation was carried through its different stages reflect creditably upon the financial and other organizations performing most of the work. It appears that the subscribers to the loan have met their payments with comparatively little borrowing from banks. According to the April Commercial Letter of the Canadian Bank of Commerce, the outstanding loans to customers of that bank, to enable them to meet their Victory bond subscriptions, then amounted to less than 3½ per cent. of the $80,000,000 subscribed through the bank. This would represent loans of about $2,800,000 carried by the Commerce for the purpose. Taking all the banks on the same basis, and assuming that the further repayments of bank loans would be nearly balanced by the new loans granted in connection with the May instalment, it would appear that the bank loans now outstanding to Victory Loan subscribers would perhaps not exceed $14,000,000; and, of course, the liquidation of these advances subsequent to May 1st should proceed rapidly.

The announcements made in the Budget speech at Ottawa, like those of the British Budget address, have been favorably received; and while the new taxes here and in Great Britain will press hardly on certain classes of taxpayers, they will be cheerfully borne—the British and Canadian people being willing to make such sacrifices as are necessary to ensure that the abominations perpetrated in Belgium, Serbia and other countries conquered by the Huns shall not be repeated elsewhere. Business men are considerably relieved over the evidences now given in the United Kingdom and in Canada that the Government policy will not be to push the excess profits tax to extremes. A vindictive or unreasonably severe attitude towards large profits made in connection with war work would react more disastrously upon Canada than upon older countries such as the United States and Great Britain, where the principal industries are well rooted and firmly established. Unless we allow our new industries to make profits in some degree commensurate with the risks that are taken and the special efforts put forth, they cannot establish themselves solidly or permanently, and we cannot hope to attract from other countries the industrial and other capital of which we stand so much in need.

So far as the existing issues of Dominion bonds are concerned, increase of taxation strengthens them through providing more revenue for meeting interest and principal payments, and in this way the market position of outstanding bonds is improved. On the other hand, heavier taxes make it more difficult for the parties paying the extra amounts to respond as usual when new war loans are offered for subscription. The Liberty Loan campaign in the United States has shown that many large corporations and individuals were obliged to cut down their subscriptions considerably, because tax payments had absorbed their available funds; and doubtless the increase of taxation in evidence here will make it necessary to get an increased number of small subscribers, when our next war loan is offered, to offset reductions elsewhere.

The securities and money markets in Canada have been quiet. Naturally the quotations for active stocks in Montreal and Toronto moved off in sympathy with Wall Street during the critical stages of the great battle in Flanders, but on the whole quotations held well and their steadiness unquestionably reflects stubborn confidence that the tremendous German effort will in the end be decisively defeated. Rates for call loans and mercantile discounts are unchanged.

In London also the securities markets show some susceptibility to course of events across the Channel. Discount rates have not greatly changed. Call money is 2¾ per cent.; and discount rates for bills 3½ to 3 9-16. Bank of England rate is held at 5 per cent. The budget shows that the United Kingdom is likely to raise by taxation about 30 per cent. of the total expenditure.

Call loans in New York have ranged from 3½ to 4 per cent. Time money rates are: sixty days, 5½ to 6; ninety days, 5¾ to 6; four to six months, 6 per cent. Industrial and commercial paper yields the full 6 per cent. on all maturities. Clearing house banks in New York on Saturday reported an increase of no less than $30,000,000 in excess reserves; and the total excess over legal requirements was thus raised to $71,700,000. Loans increased $28,900,000; net demand and time deposits decreased $17,700,000; and reserve

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