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WAR SUPPLIES AND EXCHANGE.

With sterling exchange in New York going as low as $4.64 this week, it became obvious that measures considerably more drastic than had hitherto been taken or seriously thought of were needed in order to set right—or reasonably right—the machinery of financial transactions between this side of the Atlantic and the other. The exports of war equipment and supplies from the United States and Canada which are the main reason for the present demoralization in the exchange market have not yet by any means reached the peak-load. It seems probable enough, indeed, that the full effect of the deliveries of the huge orders which have been given out by the belligerents during recent months will hardly be seen for some time yet. Apart from war equipment and supplies, also, vast quantities of the grain grown on this continent will be going forward to Europe in a month or two, provided that shipping facilities are adequate, and we believe that on this point, so far as Canada is concerned at all events, satisfactory assurances have been given. So that, so far from the height of the pressure upon sterling exchange having yet been reached, it seems likely that that point will not be achieved until the late fall.

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How to meet and overcome the present and prospectively increasing pressure is now the problem facing the financiers on both sides of the Atlantic. Primarily the business of finding a solution is London's job, as banker for the Allies, who are the sufferers through exchange depreciation, since in the great majority of cases undoubtedly, contracts made on this side for supplies or equipment call for payment in dollars, and under the present circumstances the British pound sterling and the French franc purchase fewer dollars than ever before. The London cables now tell us that action has been delayed owing to it having been deemed desirable to take the subject up on broad lines involving concerted financing by all the Allies, and that it is now understood that England, France and Russia are to ship jointly $250,000,000 in gold to America, and to raise a $500,000,000 credit. London opinion appears to agree with that in New York that gold shipments *per se* will do nothing to lessen the present strain and that the urgent need is for the establishment of a huge credit.

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The necessity of the proposed credit being as much as $500,000,000 may be gauged from the fact that it is estimated that the a mount of foreign war contracts in the United States on which full or nearly full payments are due before October 1 approximate $400,000,000 to $500,000,000. This is in addition to the billion dollar so-called favorable trade balance to the United States as at June 30 last. It was stated in New York this week that negotiations are now in progress for the formation of a syndicate headed by J. P. Morgan & Company to purchase an issue of one, five and ten-year 5 per cent. bonds of the British Government, these bonds being free of income tax, and aggregating $500,000,000, the credit raised by means of this bond issue being shared, as suggested above, with some of the Allied nations. On what terms such a loan will be arranged, and the means by which it will be secured, are not likely to be announced until the final arrangements are completed. Additionally to the proposed loan, it appears also not unlikely that arrangements will be made for the mobilization and return to the United States of a large amount of American bonds now held in Europe. An official announcement which will serve to clear up the present uncertainty is possible before very long and will be welcome, since Canadian traders, particularly the grain dealers, as well as those in the United States, are prejudiced by the existing condition of affairs.