The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881 PUBLISHED EVERY FRIDAY

Vol. XXXIX. No. 47 MONTREAL, DECEMBER 5, 1919 Single Copy 10c Annual Subscription $3.00

THE GENERAL FINANCIAL SITUATION.

The-October bank statement, as usual, reflects very markedly the expansion of credit at this time of year consequent upon the movement of the crops. Thus the banks' current loans in Canada increased during the month by no less than $46,367,958 to a new high level of $1,104,940,160. Concurrently, and of coure, largely in consequence, there was an expansion in demand deposits of $54,537,226 to $705,280,241. Also in consequence of seasonal demand, circulation increased during the month by $10,569,482 to $236,-477,479. Notice deposits continued during the month their steady progress to new high levels creating a record of $1,262,746,984. It will be interesting to see when the November statement appears, to what extent these deposits have been depleted by the flotation of the Victory Loan. Last year in similar circumstances, they were reduced by about $137,000,000. If a similar reduction takes place this year, these notice deposits will still remain at the end of November at a level of well over $1,100,000,000 or something like $200,000,000 larger than at the end of November 1918.

The October rise in Canadian call loans of $3,363,381 to $100,549,390 is of special interest from the announcement made a few days ago, that the brokers have been in conference with the local Stock Exchange authorities in regard to the matter of current speculation in stocks. It is probable enough that the rise in these call loans in October is not wholly a reflection of the activity during the month on the Stock Exchange.It is likely to be in part accounted for by financing in connection with the Victory Loan campaign, which was already under way at the end of October. However, the formal announcement of the bankers to the effect noted above, scarcely comes as a surprise. That for some time past, local issues have been selling at prices which cannot be possibly justified by interest values, as a result, most probably, of rank manipulation is evident enough. And bankers are not in the habit of encouraging this kind of thing. The conference with the local Stock Exchange authorities suggests a desire to reach a *modus vivendi* which will correct the present position with a minimum of disturbance. Whatever may be done in this connection, the effect of the Bankers' action will doubtless be a considerable quieting of the tone of the stock exchanges in the immediate future at all events. Even in stocks of industries, whose trade outlook is of the brightest, such as the papers stocks, existing quotations discount possibilities for some time to come and a breathing spell to enable companies' earning power to catch up somewhat with the quotations of their stocks will not be amiss. The stock exchange constantly discounts future possibilities, but at the same time it is to be recognized that it cannot go too far ahead of current earning power and interest value. This is an ancient truism, but there is plenty of evidence that a good many people locally have been forgetting it lately.

The proposals which are now under discussion by the United States authorities for a funding of the interest payments due by Eueropean countries to the United States with a view to the checking the disorganization in exchange are of very direct interest to Canada, since any improvement in sterling and the other exchanges at New York would undoubtedly be followed by a rise in the value of the Canadian dollar at that centre. The matter of course is purely an exchange one. There is no question as to the ability of the Governments concerned, of which Great Britain is the chief, to meet their obligations; it is merely a matter of expediency as to how those obligations shall be met. In London the negotiations in question are regarded as part of a plan affecting the external indebtedness of all the belilgerent countries, and it is pointed out that the debts of the Allies to Great Britain almost precisely equal the debts of the Allies to the United States. The adoption of the proposals under consideration and the funding of the interest payments in question, would, of course, operate in the same way as credits by the United States to the European countries, the plans for which still seem far from being realized doubtless as a result of the recent developments at Washington. Another problem which the United States has on hand at the present time is also of some interest to Canada, namely the return of the railways to private ownership. What will happen in this connection depends upon the action of Congress at its present session. The return of the railways to their owners was originally fixed for 31st December but it is clear from the earnings statements which are now being published by the various roads, that their outlook is dismal indeed, unless the Government guarantee is extended for say, a period of six months, until officials have hada chance of regaining control of their men and thus reducing expenses, or,

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