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## THE GENERAL FINANCIAL SITUATION

At the end of last week, a remarkable recovery took place in sterling exchange. While at the time, of writing, the highest quotations, very naturally, have not been held, a distinctly higher level than the quotations recently prevailing, is maintained. This movement is significant, not so much for the actual extent of the gain in sterling as in its indication that the worst of the recent chaos in the exchanges has been passed. As regards the sensational rumours of gold shipments in fabulous sums, which accompanied the movement, the facts seem to be that while these rumours are highly colored, they have at least a substratum of truth. It appears that extensive shipments by Great Britain are to be undertaken in order to make provision for the Anglo-French loan maturity in October. Diversion of a portion of the Transvaal gold output, now being marketed weekly in London, is probable in addition to special gold shipments. That this Anglo-French loan will be paid off at maturity, and will not be renewed in any form, was definitely announced by the Chancellor of the Exchequer at the week-end. The announcement, and the intimation that gold shipments are to be undertaken, constitute heartening signs of the progress towards financial order which the London financiers are making. As regards gold shipments, it is evident that these would not be undertaken, were not Great Britain in a comfortable position to make them. What would happen to the Anglo-French loan at maturity has long been a subject of discussion in New York; but discussion did not contemplate the step now announced. In fact, it appears that while the discussion was proceeding, the British Government, through J. P. Morgan & Company, has been quietly buying in the Anglo-French bonds at their depreciated value recently ruling. So that the net amount of obligations to be liquidated in October, will be considerably less than the \$500,000,000 originally borrowed by this issue. Apparently there are still some few degrees of financial shrewdness left in a supposedly-effete and broken down Europe.

The fact that coincident with the improvement in sterling, a considerable recession took place in the premium on New York funds here, bears out the point which has been insisted upon in this column, that recently New York exchange on Montreal has ceased to be a barometer of the trade relations of the two countries, and that as sterling rights itself, so will New York funds here, and the other exchanges right themselves. While restriction of imports from the United States may do something to keep down an adverse exchange rate, it is quite certain that this alone will not have the effect of bringing Canadian funds to a parity in New York. The exchanges stand or fall together under present conditions. A movement which, we believe, will have a considerable effect in keeping down the premium on New York funds, seems in a fair way of developing through the purchase of Canadian securities by American investors. For instance with a 12 per cent. exchange, Montreal Power only costs the American investor around 74, and the latest issue of Victory Bonds, 85. Moreover, to the purchaser resident abroad, the feature which is militating against the popularity of this last Government issue in Canada, that of the bonds liability to the Dominion Government income tax is no objection, since non-resident holders are not amenable to that Income Tax. High grade stocks and bonds, at such prices as those indicated, must naturally constitute exceedingly attractive opportunities, and it will be surprising if they are not largely availed of while the opportunity, through the continuance of exchange adverse to Canada, remains.

The intimation that the preliminary steps are being taken for the establishment of a new bank in the Province of Alberta, with head office at Edmonton, is interesting, but a certain amount of scepticism may be aptly exercised in regard to the possibilities of its success. New banking ventures in recent years in Canada have not been wholly fortunate, and the smaller institutions have to face keen competition everywhere. There is a suggestion that the new institution will make merely a sectional appeal, the efficacy of which may be very well doubted, while if it is to make a general appeal