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THE GENERAL FINANCIAL SITUATION

A feature of local Stock Exchange trading which has developed considerable prominence during the last two or three weeks is offering of securities by British holders, who are taking advantage of the substantial premium on the Canadian dollar in Great Britain. Liquidation of Canadian securities by overseas investors is, of course, no new thing. In the latter years of the war, and since the armistice, very substantial amounts of bonds and other investments, originally placed in the London market, have found their way back into Canadian banks, and offerings in sterling denominations have now for several years been a familiar feature in the bond dealers' lists. Stocks have been more tardy than bonds in returning for a variety of reasons. The bonds in British hands, while eminently desirable high-grade investments, had little scope, in comparison with the stocks held for either appreciation or depreciation. Their latitude in those respects is bounded by the fluctuations in the rate of interest for long-time loans. On the other hand, British holdings of stocks included in large volume such standard securities as Montreal Power and Shawinigan—progressive corporations which have made great strides during recent years and have an assured future—and a variety of other stocks which, if not in the class of these two, had at least interesting prospects which warranted holding for higher prices, or did not make it desirable to act prematurely in cutting a loss.

That liquidation of these securities in heavy volume should take place at the present time is, obviously, not only a result of the handsome profit which can be secured as a consequence of uncontrolled exchange, but is also due to the fact that with the numerous individual and financial developments which are taking place in Great Britain, there are many opportunities at the present time for the profitable employment of capital, opportunities which did not exist during the actual period of hostilities. Moreover, in the case of the standard securities referred to, the British holdings have mostly been in existence a very long time and an exceedingly handsome profit is being secured on realization, while the substantial premium on exchange compensates considerably in cash for prospective profits due to the future progress of these concerns. In the case of other stocks, which have not proved so notably favorable investments as those referred to, the gain in exchange goes far to neutralize losses, or to turn only a moderate profit into one that is well worth while taking.

From the point of view of the general financial situation, the effect of these sales is that of imports of goods to the same value. These securities, purchased in Canada from British holders have to be paid for in the settlement of international balances by exports to a corresponding value. While this liquidation is actualy in progress, it has therefore a temporary effect, which may be said, from one point of view, to be unfavorable to Canada. On the other hand, the permanent effects of this change are certainly desirable. Our obligations abroad and annual interest payments abroad are reduced by so much, and the liquid wealth of Canada in desirable and high-grade securities is increased. It is noted in the case of the two standard securities already referred to that the British offerings have been readily absorbed by local investors, and that the price of the stocks has stood up under the liquidation remarkably well. In other words, Canadian investment resources are proving fully equal to the demands made upon them in this connection.

In regard to the local Stock Exchange situation generally, it may be remarked that the greater part of the widely-spread speculative exuberance in low-grade, non-dividend paying stocks appears to be over, for the time being, except possibly in one or two specialties, but that at a comparatively early date, attention is likely to be directed to securities whose position is more assured, and whose earning powers have been well proved. The cotton and steel groups may be mentioned in this connection. With regard to the present tightness in money available in local Stock Exchange speculation, doubtless large amounts which during the last few months have been employed in this way, have been withdrawn for use in permanent industrial and commercial development. Both the banks' large increase in current loans, referred to in another column, and the revival, for instance, of the build-