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### THE GENERAL FINANCIAL SITUATION

The securities markets on both sides of the Atlantic evidently appraised the Bulgarian move for peace as being infinitely more important than any of the successive peace manoeuvres of Germany and Austria. None of the recent peace proposals emanating from the Teutonic empires has caused much stir or excitement in the alleged financial markets, simply because everyone knew perfectly well that the basis for peace negotiations between the Allies and the Teutons did not exist—that is to say the German Government (which controls Austria's movements) had not arrived at the state of mind permitting it to agree to the minimum Allied demands or requirements. We were all aware that the Germans had no intention whatever of giving up their conquests in Russia, of ceding Alsace-Lorraine to France, making restitution to Belgium, Serbia and Rumania, or of consenting to the creation of powerful independent Polish and Czech states; and that before they would begin to feel like discussing such terms their armies must be decisively broken on the battlefields and their confederates cowed or subdued. Their persistence in proposing peace negotiations under the circumstances, when they knew the Allies would not for a moment consider anything they had to offer, must be taken as largely designed for political effect at home—they wished to appear in the eyes of their people as being ready and willing to make peace as soon as the Allies would listen to reason. Also perhaps the peace movements represented, to some extent, childish, futile attempts to get permission to keep the territory seized from Russia.

The Bulgarian move, on the other hand, was at once adjudged by the market as an indication of Bulgaria's desire to quit the war at once and to accept such terms as the Allies are willing to grant. On this interpretation of the news, speculators in New York evinced a lively disposition to buy stocks and their activities led to rising quotations; but, owing to the tight control over the money market, exercised by the bankers in the interests of Government borrowings, the price movements in Wall Street cannot very well at present pass beyond certain strict limitations. If Bulgaria actually accedes to the demands of the Allies, and retires from the war, it will unquestionably be on such terms as to lead to the isolation of Turkey, perhaps quickly followed by the subjugation or defection of that infamous confederate of the Teutons, leaving Austria entirely exposed along the whole of her southern frontier. In view of these

contingencies, and of the continuous succession of defeats inflicted upon the Germanic armies in France, the war takes on a completely altered aspect; and even the madmen ruling at Berlin must now see that such events spell the doom of Germany.

The auspicious trend of the war developments has played its part in promoting confidence in the Canadian markets, and they greatly improved the prospects of our Victory Loan flotation as well as the Liberty Loan flotation now under way in the United States. The general effect is to create among the investment classes confidence that the war will be over before another year passes, and that the opportunity of acquiring gilt-edged Government bonds at war-time prices will not perhaps be open much longer. The first week of the Liberty Loan campaign in the United States has not materially affected our money or exchange situation. As the premium on New York funds during the week prior to the Liberty Loan announcement ruled consistently above 2 per cent., some observers have supposed that this indicated a homeward movement of American funds, from Canada, in preparation for the great \$6,000,000,000 bond issue. Americans here doubtless would wish to subscribe to the loan; also American banks with large balances accumulated in Montreal and Toronto, from collections, etc., sent to Canada, would perhaps find it necessary to buy exchange and remit the funds home. It is unusual for the exchange market to move adversely to Canada in the latter part of September, the harvest movement having already commenced. In ordinary times the export bills for grain would be appearing on the market; and as the bankers would be aware that such bills would be in large supply in October and November, the tendency of exchange would be in Canada's favour. It is said that this year the financial arrangements providing for the payment of New York funds for our grain, as shipments are made, are not yet completed; and if that is the case, the exchange market will not have had the opportunity as yet of negotiating export bills on New York in quantity. The Canadian dealers and shippers, at western points, however, are required to take delivery from the farmers and pay cash at once when the stuff comes to market. Presumably they have done this by means of bank credits granted in consideration of the guarantee given a short time ago by the Dominion Government. The Government guaranteed a market, at the prices fixed by the Cana-

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