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THE GENERAL FINANCIAL SITUATION

While the decision of the Allied Powers to allow resumption of trade with Russia, under restrictions, is not of direct interest to Canada, as commerce between the two countries has never been more than negligable in quantity, it is of some indirect interest in regard to possible effects on the supply of goods of which North America, in common with Western Europe, is considerably short at the present time. Really reliable information regarding the commodities which Russia has to exchange appears to be lacking, but various accounts state that considerable quantities of foodstuffs, particularly of wheat, and also of flax, are available. If this should prove to be the case, the wheat would be a desirable supply for the European countries suffering from a food shortage, while the flax would be welcomed by the world at large, which has almost forgotten what real new linen looks like. However, it seems easily possible to exaggerate the relief in shortage of supply that is likely to come from this source. Transportation difficulties, particularly inland transportation difficulties, will no doubt be very considerable, and it is not clear whether any satisfactory arrangement for payment can be made. The possibility of barter is hinted at, but that obviously is only possible on an extremely limited scale. Russian currency is in a hopelessly chaotic condition. Altogether it seems wise to await the course of events before indulging in any hopes that the re-opening of trade with Russia will quicken to any perceptible extent the supply of staple commodities in the western markets.

The local Stock Markets, which have shown more independence of Wall Street than formerly, since the rise in that market, at the beginning of the week, succumbed to the Wall Street depression. Prices of some of the non-dividend paying stocks, which have been most in the limelight during the last year, have weakened considerably; even if their fall have not been unduly serious, the tendency in this connection being hastened by disappointing declarations on some of these stocks which are just at the stage of moving into the dividend paying class. It is stated that private lenders, who have been a very important factor in financing the Stock Exchange "boom" of 1919, have been calling funds, and in some quarters there is a tendency to anticipate tighter money. If this really materialized, possibly several of the non-dividend paying stocks, which for some time have been discriminated against by the banks, would suffer considerably. The effects of post-war inflation have been so extraordinary on the local Stock Exchange that prophecy in this connection is certainly rash. Unless, however, all experience is false, the time must come sooner or later, when intrinsic values and earning capacity will have more weight on quoted values than they have had during the past twelve months.

In New York the decline in stock market values is stated to be a result of the necessity for a readjustment in the general field of credit. The evidences of tight money seen in the statement of the New York Federal Bank are said to be wholly contrary to the experience of any January market in this generation. The statement of the Federal Reserve System, it is pointed out, gives ground for believing that instead of the familiary old-time programme of the interior drawing funds from New York in autumn and sending them back with a rush after the turn of the year, that New York and its Reserve Bank were virtually drawing on the credit of inland markets during the last two months of 1919, and have been paying back these requisitions with the beginning of 1920. The unavoidable logic of the situation, therefore, was that the New York Stock Market must lead in the process of readjustment.

Attention is called in this connection to the recently issued memorandum, signed by international bankers and statesmen, calling for an international conference at an early date, to consider the whole question of the credits, which must be advanced to Europe. This task, it is pointed out, will be undertaken at the same time as an active home trade is being financed, and in home trade there is as yet not a sign of relaxed activity. The inference is that financial resources will be employed in new requisitions vastly more important

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