TORONTO PUBLIC LIBRARY
NOV 24 1919
CHURCH

The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881 PUBLISHED EVERY FRIDAY

Vol. XXXIX. No. 45 MONTREAL, NOVEMBER 21, 1919 Single Copy 10c Annual Subscription $3.00

THE GENERAL FINANCIAL SITUATION

The announcement that the last of the war-time restrictions has now been removed by the British Treasury, and that Canadian capital issues can be made in the London market without a special license, restores relations between Canada and Great Britain in this connection to their pre-war level. Doubtless, the early future is not likely to see a flood of Canadian flotations on the London market in the manner of 1912 and 1913, but there are many indications, as has been previously pointed out in this column, that British capitalists are energetically seeking opportunities of investment in Canadian industry, and development. They have both the willingness and the means for such investment. British wealth may have largely changed hands during the war, but it has certainly not decreased, in the aggregate; Canada is even more favorably regarded than in former days in Great Britain as a desirable field for placing capital, and that there is an additional spirit of energy and enterprise in British business affairs as a result of the war is abundantly shown in the announcements of new enterprises which have been made during recent months. We believe that in the course of, say, the next five years, British capital and the energy and enterprise of British men of affairs will make a very considerable mark in the development of the Dominion.

The fact that sterling exchange is heavily depreciated, and will possibly remain at a considerable discount for some time is cited as an obstacle to the export of British capital to Canada. It may be a hindrance, but we do not think that it is by any means an impassible hindrance. Such things as banking facilities are not unknown at the present day, and the fact of depreciation in exchange is not likely to be allowed to become an insurpassable barrier to the numerous projects which it is known British capitalists have now under way in connection with Canadian development.

Those speculators on margin who lost their money in the slump on the New York Stock Exchange last week—a slump that was mildly echoed on the local markets—cannot plead that they did not have fair warning of the storm. While there has been the outcry which might have been expected in regard to the alleged precipitate action of the American banks, there can be no doubt that the position of affairs in the New York market had become abnormally unhealthy, and also that the United States is passing through a period of severe strain upon credit—a strain which the United States Senate, in its own fashion, seems determined to do its best to accentuate. That this strain was likely to materialize, as a result of the immense demands for commercial expansion as well as speculation, was forecasted in this column some weeks ago. With regard to the local markets, while a number of substantial losses were registered, the strain appears to have been borne exceptionally well—in fact, some, at least, of the stocks whose upward movement in recent months appears difficult to justify, behaved in a fashion that can only be considered surprising. If, as is generally believed, manipulation is the real cause of the rise in these stocks then it can only be said that the manipulators have shown themselves a good deal stronger than many good judges expected. In regard to the immediate future, so far as the New York market is concerned, there appears to be an expectation that "dribbling" liquidation will continue, with possibly further bucks to lower levels, until the speculative position has been brought to a degree of soundness which it does not at present possess. Such developments in New York would, doubtless, have their effect on the local markets, although locally, there is likely to be a counter effect in the shape of the overwhelming success of the Victory Loan, with its assurance of continued trade activity for another year.

Not much has been heard lately about the establishment of enormous credits by the United States with the European countries to aid in the process of recuperation of those countries. Mr. Frank A. Vanderlip, who took an exceedingly gloomy view of the European situation in his Toronto address this week, insists that credits are a necessity, but the revelations of the past week of the strained credit position in the States do not suggest a very early consummation of the plans for foreign cre-

(Continued on page 1197)