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THE GENERAL FINANCIAL SITUATION

Following the pyrotechnic displays of the paper stocks during recent weeks, the local Stock Exchanges have fallen upon a period of dullness accentuated to some extent, no doubt, by the approach of the holiday season, and to a much greater extent by the continued stringency in money which remains unabated. Professional optimists are to be found willing to state their belief that July, the beginning of which month sees very large interest and dividend disbursements, will mark some easing of conditions in this respect, but it is difficult to share this determination to look upon the brighter side of things in view of the conditions reported in the bank statement for the month of May which is analysed below. Two of the banks are reported as having advanced their rates for call money during the week to 7 per cent. The average trader on the Stock Market is slow to recognize the obvious fact that a period of stagnation on the Stock Exchange is a perfectly normal condition of affairs, just as normal as rapidly advancing or declining markets. As regards the paper stocks, without exception of the brilliant future, which they apparently have, for a few years at all events, it is clear that a breathing space is in order to allow the developments of the industry to catch up with market quotations. No one believes that the romantic story of the rise to affluence of these companies has been more than half unfolded, but the remainder of it will probably have to wait awhile for the telling.

There have been some indications also that the market for these particular stocks has been getting somewhat out of hand, as is particularly evidenced by the heavy buying a few days ago of the stock of the North American Pulp and Paper Company. It is significant of the state of a section of the public mind towards paper securities that this obscure stock, which was practically neglected at its very low levels ruling some months ago, should now be eagerly sought after at the highest prices it has reached. Its low quotation, around eight, is, of course, the great attraction to the unthinking speculator. But the position of the North American Pulp and Paper Company, and of its constituent

companies, is extremely obscure. The stock may or may not be worth in inherent value, its present market quotation. We have been told that all the stock was issued for considerations, which suggests the possibilities of a very handsome clean-up on the part of the insiders, if the public insists on taking the bit between its teeth. The present point is, however, the willingness to buy freely without very much information as to the real position of the security purchased, and that is decidedly not a healthy sign.

The shallowness which characterises the financial comment in our daily newspapers, even the best of them, is again very much in evidence in the discussion which has appeared in those journals, regarding the figures of the May bank statement. Stress has been laid by these commentators upon the increase in notice deposits reported for the month, and flattering conclusions drawn which have in truth no relation to the actual facts of the case, which facts are far less rosy than the general public might be led to suppose from the tone adopted by writers in these journals.

To appreciate the significance of the banking figures, it is necessary to compare notice deposits with the bank's current loans and discounts, and to look at the figures with a year's perspective. Viewed in this way, the banking figures, so far from being a matter for congratulation, not only give unmistakeable evidence of the present stringency in funds, but afford very little ground for hope of an early improvement in the situation. It is true that notice deposits, which form the back bone of the banks' commercial loans and discounts, increased by \$19,500,000 during the month of May to \$1,229,073,515. But this expansion, substantial as it undoubtedly is in itself, is by no means equal to the growth of \$28,000,000 which took place in May 1919. Taking the twelve months' figures also, it is very evident that the falling-off in the rate of increase of these deposits, to which attention has been previously drawn in this column, is continuing. The notice deposits in the twelve months ended with May, increased by \$121,000,000, but this increase is fully \$40,000,000 less than the similar increase of over \$160,000,000 in the