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Banking, Insurance and Finance

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BORROWING PROBLEMS.

Promptly, in the first week of the New Year, Canada appears in the London market as applicant for fresh loans. According to an Associated Press dispatch received in Montreal at the beginning of the week, arrangements are being made for an issue of $5,000,000 five-year convertible debentures of the Province of Saskatchewan. The issue price is to be 96½ and the debentures bear interest at 4½ p.c.—so the net cost to the province will be about 5½. Proceeds of the loan are to be applied to retire about $4,500,000 of treasury bills now in circulation at London. The operation is therefore a refunding transaction.

South Vancouver is getting a loan of $1,000,000 through the issue of 5 p.c. debentures at 91. This is a pretty stiff price for annual interest on municipal debentures; and it is safe enough to say that our municipalities will be very careful in their expenditures while the money markets are so unfavorable.

HOME ISSUES.

Our borrowers are testing the home market as well as the British market. This week appeared the announcement of an issue of $600,000 first mortgage 6 per cent. gold bonds by the Ogilvie Flour Mills Company at 100 and interest. This issue thus nets the investor 6 per cent., and it will be interesting to note the measure of success attending the flotation. The Ogilvie Company enjoys high credit; and if it can float bonds in Canada on the 6 per cent. basis while municipal debentures are going at from 5 to 6½ p.c., other Canadian industrials will be encouraged to try their luck in the home market. The purpose of the Ogilvie loan is to pay for the Medicine Hat mill which was completed last July. At present the expenditures for this addition to plant are probably represented by bank loans. The success of the flotation will thus mean the clearing away of special bank loans. Through issuing bonds at home and abroad our industrials are likely to fund a considerable amount of floating debt and as the work proceeds the position of the banks should be sensibly improved. However, the maximum of relief will be experienced by our money markets when the flotation occurs in London or New York. In case of issues at home there is always a certain amount of absorption of savings bank balances. That is to say the banks to some extent effect liquidation of the special loans through cancellation of savings deposits.

The money market position in Montreal and Toronto is not greatly changed. Call loans are quoted 6 to 6½ p.c.; and commercial credits command from 6 to 7 p.c. as in the recent past.

EUROPEAN POSITION.

Bank rate in London was reduced yesterday to 4½ per cent., though some observers thought that in view of the large amount of refunding and other loans hanging over the British market the court of directors of the Bank of England might consider it good policy to maintain the official discount rate at a relatively high figure so as to induce the intending borrowers to put their requirements at minimum figures. Call money in the London market is 2¼ to 3 p.c.; short bills are 3¾ to 3⅞; and three months' bills, 3⅞. At Paris bank rate is 4 as against 3¼ quoted in the private market; and at Berlin the Reichsbank quotes 5, as against 3⅝ quoted privately. It will be seen that the Berlin situation, as reflected by the private rate of discount, is now more comfortable.

REDUCTION OF ARMAMENTS WASTE.

All the European financial markets have taken considerable interest in the agitation for reduction of expenditure on armaments. The London *Economist* has taken a leading part in this agitation, and it is to be hoped that it will have a considerable measure of success. Probably there has been no other single factor so influential in causing financial depression as the waste of money in wars and preparations for war.