The Chronicle

Banking, Insurance & Finance.

ESTABLISHED JANUARY, 1881

R. WILSON-SMITH, Proprietor

PUBLISHED EVERY FRIDAY

Single Copy - - 10c
Annual Subscription $2.00

Vol. XXIX. No 46. MONTREAL, NOVEMBER 12, 1909.

TO TALK OF MANY THINGS.

PARLIAMENT opened at Ottawa yesterday with all the pomp and ceremony due to vice-royalty. And now, as the Walrus said while strolling with the Carpenter, "The time has come to talk of many things." And the subjects for discussion by the Commons, and by the "most potent, grave and reverend signiors" of the Senate, are almost as varied as Tweedledee's own list "Of shoes—and ships—and sealing-wax—of cabbages—and kings."

Ships, at any rate, will be to the fore, since the Naval Defence Bill is to be the leading measure introduced by the Government. Sealing-wax —not to say red-tape— may play some part in the revision of the Bank Act and the passing of the new Insurance Bill.

Transportation matters in general, and the Intercolonial Railway in particular, are likely to come in for considerable discussion. A bill is expected defining the authority possessed by the Railway Commission over telephone and telegraph companies. Changes may be made in the requirements from joint stock companies seeking Dominion charters; also certain modifications of the Criminal Code as relating to racing and betting.

Not least important —in view of long-drawn-out wordy battles in the past—are some proposed amendments for the facilitating of discussions and business in the House.

WALL STREET'S APPETITE.

TWO years ago the world of business and the stock markets were passing into post-panic dullness. At such times "a great many stupid people have a great deal of stupid money", Bagehot used to say. Later, with returning confidence, "this blind capital seeks for some one to devour it, and there is plethora; it finds some one and there is speculation." Wall Street's voracious apppetite started this process some months ago, and the market is now halting to ask, What next?

In the world's monetary centres, bank statements are just now being scanned anxiously by promoters, investors and speculators. Not least by the latter, since no sustained bull market is possible without favourable money conditions.

While stock market movements may not at the time always appear related to monetary conditions, ultimately their connection can be pretty clearly traced.

MARKET HISTORY REPEATS ITSELF.

FOLLOWING the liquidation incident to the "rich man's panic'" of 1903, New York monetary conditions improved greatly. By August, 1904, the proportion of loans to deposits, in the weekly statements of the associated banks, was 90 p.c.—as compared with 100 p.c. or over before the market break. The proportion of specie to loans, in the same interval, had risen to 25 p.c. from a level but little over 15 p.c. Following upon improved money conditions came stock market advances. On September 28, 1903, the average price of 25 stocks (according to the "barometer" of the Boston Transcript) had fallen as low as 68; in January, 1906, the high-point of 114 was reached.

But by this time business expansion had begun the tightening process in money. By January, 1907, loans equalled 102 p.c. of deposits, while the ratio of specie to loans had fallen to 17 1-2. At November 9, 1907, following the October panic, loans were nearly 130 percent. of deposits, and specie had fallen to about 13 per cent. of loans. Then during the debacle, the average price of 25 stocks fell to 65 on November 21st.

During most of 1908, New York bank loans were about 95 per cent. of deposits; funds gained in volume, and for a good deal of the time specie equalled about 25 per cent. of loans as in 1904. By the close of 1908 stock prices had recovered to over 99, moving with ups and downs to the 1909 high-point of 113 at August 14. The present level is about 110.

But meanwhile the complexion of the weekly bank statement has changed notably. On Saturday last, loans were again greater than deposits, while specie equalled something less than 20 per cent. of loans.

The New York Evening Post reminds market interests that such excess of loans is rare, and only appears in troubled money markets. It happened for a week or two in the autumn money strain of 1902 and 1903; occurred a few times in 1905; was witnessed, after the middle of February, in every week of the year of gravely unsettled money markets, 1906; and came once more in the panic of 1907.