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THE GENERAL FINANCIAL SITUATION.

Considerable interest was manifested in the \$3,000,000 issue of 10-year 6½ per cent. gold bonds placed in our markets by the Newfoundland Government at the end of last week. Like Canada, Newfoundland before the war borrowed exclusively in London and the bonds placed there nearly always commanded a good market at low rates of interest. During the war London has been obliged to discontinue much of its financing of the colonies and dominions. Two years ago Newfoundland secured in America a loan of \$5,000,000—part of it being placed with Canadian investors and part going to the United States. Although the bonds comprising the present issue are payable at the holder's option in New York as well as in Canadian centres, it is probable that the plans provided for the placing of most or all of them with Canadian investors in the first instance. Later, when world conditions improve, a considerable part may be transferred to the neighbouring country. There is no doubt that this measure of financial assistance now extended by us to Newfoundland will promote Canada's trade with the Island. Some of our leading iron and steel companies, our flour millers, and other industries have close business relations with the Newfoundlanders, and it may be presumed that much of the munitions and war supplies represented by this new credit have already been provided by Canadian concerns or will be provided by them. It is interesting to note that in the past generation the financial and commercial ties between Canada and Newfoundland have been growing in number and strength. When, in December, 1894, the Union Bank of Newfoundland and the Commercial Bank of Newfoundland (the only two banks operating in the Island) both closed their doors on the same day, there was a very difficult period of two weeks in which the Colony had no currency and no banking facilities. At the same time the Newfoundland Government was under pressure from London for repayment of maturing loans. The Bank of Nova Scotia was the first Canadian bank to open in St. John's and it was followed immediately by the Bank of Montreal. The latter institution relieved the financial embarrassment of the Government by lending it sufficient money to pay off the London loans and provide for current needs. The Royal Bank of Canada, then known as the Merchants Bank of Halifax, established its branch at St. John's in 1895. These three banks established branches at various points and financed the gainful activities of the Islanders, their notes

constituting the sole currency. The Canadian Bank of Commerce "opened in St. John's in 1912; and at the end of 1917 the Canadian banks had 28 branches in the Island. In view of the growing solidarity as regards commerce and finance, one would think that the opposition of the Newfoundlanders to union with Canada must gradually disappear.

The securities' markets declined to register alarm or panic over the Germans' third major offensive of 1918. During the first week of the great assaults, when the enemy was rushing rapidly through the breach he had created in the Allied line, Wall Street and our Canadian markets readjusted their quotations on a lower basis; but this week, as it became clear that the new defense lines had been stabilized through throwing in the reserves, the general confidence was renewed. It is quite clear to the speculative community that wherever the Allied forces are reasonably equal in numbers the Hun cannot score advances; and every one realizes that with the rapid movement of Americans to France the time will soon come in which the Allies can place on all the vital and important sectors of the Western front forces which can effectually dispose of the enemy armies. In well informed financial circles there is a strong conviction that once the high tide of Teutonic effort in the West has been successfully met and the fortunes of the war on land begin to incline in the Allies' favour, the enemy will encounter most serious new difficulties with the discontented elements of his own population and probably also in connection with Russia and the eastern theatre.

Money market conditions in Canada continue satisfactory. Rates for call loans and for mercantile discounts are unchanged. In London also the market is stable with very little change in rates. The Bank of England still adheres to its official 5 per cent.; in the open market money is 3 per cent. and discount bills, 3½ to 3-9-16. Call loans in New York hold pretty well in the neighborhood with recessions 5 per cent. moving above and below that figure according to the demand. Very little time money was offered and nearly all the business done in this department consisted of renewals at 6 per cent. Commercial paper also was quoted at 6, a few gilt edged transactions going through at 5¼.

Clearing house banks in New York on Saturday reported a decrease of \$9,000,000 in excess reserves—the excess at the week-end being \$32,900,000. Loans and discounts decreased \$43,800,000; cash in own vaults decreased \$4,700,000; reserve in Federal Reserve Bank decreased \$7,500,000; net demand deposits increased \$16,000,000; and net time deposits decreased \$4,400,000. As in the case of other recent bank returns, one has to look to the movement of the Government deposits for the principal cause of the change in reserve status. Government deposits on Saturday amounted to \$356,000,000, as against \$450,800,000 at the end of the preceding week. It is worthy of note that the federal reserve banks are steadily extending their operations. Thus the total gold reserves held by all federal reserve banks on May 24, 1918, was \$1,898,000,000, as against \$977,000,000 on May 25, 1917—the increase for the year being \$1,011,000,000.

(Continued on page 587)