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### THE GENERAL FINANCIAL SITUATION

The April bank statement, which came out a few days ago, indicates that the banks' deposits during that month continued their failure to keep pace with current loans. The latter show an April increase of no less than \$25,000,000 from \$1,322,267,030 at the end of March to \$1,347,238,230, at the close of April while notice deposits concurrently increased by under \$12,000,000, from \$1,197,719,570 to \$1,209,574,990. By the end of April, of course, the results of the opening of navigation on the St. Lawrence were hardly reflected in the bank statements, and it is possibly that exporting activities during last month may put a slightly different complexion upon the May figures when they become available. On the other hand, it is to be borne in mind that the April increase is shown at a time when the banks had begun to curb their credit facilities considerably, and there is no doubt that the increase of \$25,000,000, substantial as it is merely represents a tithe of the increase, which would have been shown had the banks been disposed to accede to all the demands made upon them. Within the last few days, a slight easing of the situation as regards Stock Exchange loans has been reported, and it is possible that during the summer months, as merchandise which has been held for export moves forward, that money will be somewhat less tight for Stock Exchange trading than it has been during the last three months. But it is hopeless to expect really easy money in the face of such figures as those given above. When notice deposits become equal to, or larger than current loans, some real easing may be expected, but not before. The calling of Stock Exchange loans during April is reflected in a decrease in that month of about \$2,600,000 in the bank's call loans in Canada from \$128,233,310 to \$125,644,859—still a very high figure.

Bond dealers locally have been naturally quick to take advantage of the announcement in the Budget speech of the Minister of Finance, that the era of Dominion Government borrowing has come to an end. Coupled as this was with an enlargement of the Income Tax, retroactive to 1919,

on incomes of over \$5,000, it constitutes a "bull point" for the tax-free Victory Bonds that could not be easily missed. It should be noted, however, that the advantage of holding the tax-free War Loan issues lies practically only with the individual wealthy investor. As regards the Life Insurance companies, which constitute the most important group of the large institutional investors, there is no advantage at all in their holding the tax-free bonds, since in any case the income of these companies is not taxable by the Dominion Government, except those profits which are transferred to shareholders accounts. It may therefore be expected that on any improvement in the market for Victory Bonds, there will be a tendency for them to gravitate from the hands of the Life Insurance companies into those of individual wealthy investors. It is interesting to note in this connection, that in New York it is generally believed that the bond market has now reached a stage where selling in anticipation of its going lower, is no longer likely to be profitable; in other words, that the market has about reached bottom. And it is also noted that there is in evidence a tendency on the part of large investors to pick up parcels of bonds around existing levels, before the market takes a definite turn upwards.

On the whole, the first reports of Western Canada's crop may be considered encouraging. The season is fully a month later than last year, but an ample supply of moisture, even in those districts where there was a severe drought in 1919, is a considerable compensation for this. The area under crop in the Western provinces will be about the same as that sown last year, but owing to the lateness of the season, the probabilities are for a decrease in the acreage of wheat, and an increase in that of oats, barley and flax. All three of the prairie provinces report a considerable increase in the number of tractors at work so that spring operations are proceeding more speedily than in former years. One of the most encouraging features in the whole situation this year is said to be the low percentage of wheat lost by winter-killing, less than 4 per cent. throughout the whole