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THE GENERAL FINANCIAL SITUATION

Financial markets in this country are giving a large share of their attention to the forthcoming Victory Loan. It has been intimated that the Minister of Finance wishes to get $500,000,000 in subscriptions if possible; and that enormous figure will be the mark at which the organizers and canvassers aim. The quiet spell in the bond business, apart from the new war loan, will last for several weeks yet, the services of most of the employees of the bond houses having been commandeered for Victory Loan flotation purposes. It is likely that there will be an accumulation of new bond issues for the dealers to dispose of, after the war loan is placed; and the market in December and January should therefore be fairly lively. Apparently, the very favorable course of military and political events in Europe will be of some benefit to the provinces and municipalities that require to borrow. The rapidly increasing evidences that the war is drawing to a close have already had a tendency to ease off the rates of interest on high class investment securities and probably, when Canada and the United States have successfully disposed of the two great war loans now engaging their attention the effects will be more marked.

So rapidly have events moved in Europe and elsewhere since July that it appears quite within the possibilities that our second Victory Loan will be the last great loan Canada will require to issue under war conditions; and the Americans, too, are reflecting that this fourth Liberty Loan of theirs may be the last issued by the United States Government before peace is concluded. No one can tell with certainty what will be the course of interest rates immediately after the war; but the prevailing impression undoubtedly is that the cessation of Government borrowing on a huge scale should lead to a sharp rise in Government bonds. In other words, the interest return on such bonds may fall. In cases where the price of the bonds has been arbitrarily fixed, as in connection with the first Victory Loan, it is open to question whether the rise would be extensive; but even in that case the improvement in the market position would be pronounced — for the bonds would doubtless maintain themselves without the aid of arbitrary restrictions on trading or other artificial supports. The general body of experienced investors, realizing that this may be the last opportunity of buying Dominion Government bonds at war prices, will be disposed to support the loan to the full extent of their ability.

The bankers are apparently financing the crop movement without difficulty or inconvenience. Owing to the comparative lightness of the yield in Western Canada, the demands on the banks are not as heavy as in other years. On the other hand, the unnatural persistence of the 2 per cent. premium on New York funds indicates that the crop movement has not yet provided any superfluity of export bills for the exchange market. The slow movement of this year's wheat crop is responsible for the recent decrease in Western bank clearings. Last week Winnipeg clearings showed a decrease of $13,000,000 or nearly 20 per cent. as compared with the same week of 1917. Calgary and Saskatoon also show decreases. With the export movement at its full volume, the Western bank clearings should make a better showing and if we then get payment in American funds for what we ship out, the exchange market should at last begin to respond.

The speculative interest in certain classes of our industrial stocks continues in evidence; but naturally both speculators and investors are turning their attention to the peace stocks. The situation as regards the munition business is somewhat confused and uncertain. On the one hand, we have official statements to the effect that further large British orders will be forthcoming through the Imperial Munitions Board, also that in spite of the desire of American manufacturers to have the war expenditures of their Government distributed at home as much as possible, there will be an increasing volume of United States war orders allotted to Canada. But all this would, of course, be changed in the event of a sudden peace arrangement. No doubt our manufacturers taking the war orders are protected against cancellation, but even so, the cessation of the stream of new orders will necessarily produce great economic changes in certain districts. So far as our industrial companies are concerned most of them are believed to be in great shape for meeting the problems of the transition period. As a general rule, they have followed the advice of bankers and other conservative financiers, and devoted a large part of their war profits to the wiping out of short date indebtedness, and to the upbuilding of reserves against depreciation and for contingencies. In the matter of working capital leading Canadian industrial concerns are stronger then they ever were—many of them showing large balances in cash, high class securities and other immediately available assets. So it is clear that when a company has greatly strengthened its finances, in the

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