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Banking Insurance and Finance

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FINANCE OF THE WEEK.

The revolution in the arrangements for the British National Debt combined with new borrowing of $1,250,000,000 by the British Government has been the outstanding topic of interest to financiers this week. Extended reference to the new departure is made elsewhere. At present, it is difficult to estimate what will be the ultimate effects of steps which lack nothing in courage, and have the appearance of wise statesmanship. It is certain, however, that the effects will be far-reaching, and that serious note must be taken in borrowing countries such as Canada, both of the steps now taken and of the results which are likely to develop from them.

CANADIAN BANKS AS SUBSCRIBERS.

It appears likely that the Canadian banks will be subscribers to the new loan for fair-sized amounts. They were subscribers to the last British war loan, and the new issue is on more attractive terms than that. Altogether apart from patriotic considerations, the new loan will give the banks an opportunity of employing funds which, at the present time, are idle or earning at call considerably less than the 4½ per cent. which the new loan will produce. Probably also the London market in the new loan will be a very free one, so that the banks will be in a position to convert their holdings into cash, if and when need arises, at a moment's notice.

BANKS' GRAIN LOANS.

Buoyed up by the hopes of large returns from a bountiful harvest, Canadian business sentiment continues fairly cheerful in tone. It is pointed out by a correspondent that with good luck in the matter of weather, it is likely that the grain loans of the banks will be much larger than usual this year. There is no doubt, he says, that this year the banks will take most extensive advantage of the privilege of issuing against these deposits in the central gold reserves. This will enable them to find a profitable use for their unwieldly reserves of Dominion notes. In this way it will be possible to expand the bank note circulation to the extent of $30,000,000 or $35,000,000 if necessary, during September, October and November. That would make it an easy matter to finance even a big crop marketed at high prices. The banking institutions always are obliged during the harvest season to make large special advances to sundry customers in case of which the proceeds of the loans must be supplied or provided in forms other than the banks' own notes. These requirements also, it is believed, will be filled with ease.

FRANCE BORROWING IN NEW YORK.

Attention is being given to the loan of $30,000,000 which is being negotiated in New York by France, owing to the expectation that by means of it some check will be given to the decline in exchange. The collateral of this loan will be American securities. To this end the French Government, according to despatches from abroad, has begun the purchase of these securities from French investors, and is giving in exchange, its own securities. The question is now raised, will France retain the securities thus obtained, or will they liquidate on American exchanges? How will such realization be carried out, supposing it is thought advisable? Hitherto foreign liquidation has been offset by the avidity with which home investors absorbed the offerings, and perhaps, to some extent, by the judicious way in which it was controlled. In its early stages, however, it did break prices to almost unprecedented low level, and the question is now raised of whether the same effect will not be produced by the new liquidation.

BORROWING FOR INVESTMENT.

One interesting development is anticipated on this side as a result of the new British loan. English investors have many millions of dollars of American securities on deposit with banks and bankers in New York, and to a lesser extent also in Canada. It is said in New York that orders to sell these securities are not arriving in large volume.

It is beginning to look in fact as though, despite the official pressure that is appearing abroad to mobilize English money, a more profitable course will be pursued. The securities on deposit in New York and those held in England by English estates comprise in many instances choice assortments of stocks and bonds. Prices on an income basis are low compared with previous years. There seems no question of their continuing to pay regularly in the future, as in the past, their dividend and interest distributions. Their owners are not in need of money except so far as their desire to invest in war bonds is concerned. Using these shares and bonds as collateral, English holders will experience no difficulty whatever in borrowing for long periods at very moderate rates of interest in the New York market, at rates in fact that would show a substantial profit compared with the dividend or interest returns at present market values. Thus with this profit, say of something more than 1 per cent. to start with, the funds borrowed can be invested into the 4½ per cent. loan just announced by the British Government, which will bring the net return up to at least 5½ per cent., and thus prove an attractive investment.

British life offices had, up to a recent date, paid war claims of about $14,000,000 including those incurred as a result of the sinking of the "Lusitania."

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The Prudential of America has had conferred upon it, the highest possible award, viz., the Grand Prize, for its comprehensive exhibit on life insurance and public welfare at the Panama-Pacific Exposition.