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THE GENERAL FINANCIAL SITUATION

At the Canadian financial centres there has been some tendency, during the past week, towards easier conditions. In Montreal it was noted ten days ago that some respectably large amounts of private funds had been offered to the brokers at $5\frac{1}{2}$ per cent. The easement of market conditions has been in evidence latterly in Toronto also; and trading in stocks at both centres has been more active. Since it became clear that the Western Allies had checked and held the great German offensive effort, speculators and traders have been able to buy stocks with more confidence; and, judging by the behaviour of the securities markets in New York, London and here in Canada, there is growing expectation that our armies will shortly launch important counter-movements. The temporary success gained by the enemy, while causing great anxiety throughout the civilized world, has nevertheless served some useful purposes—it has put an effective stop to pacifist and pro-German agitation in Allied countries; it has largely eliminated the opposition of certain British labour classes to further recruiting; and, last but not least, it has caused our great American Ally to further speed up his energetic preparations for taking a decisive part in the bloody struggle. Of these developments, stock and money markets must take due note; and we may be sure that when the tide of events turns heavily in the Allies' favour, the financial markets in America and in England and France will promptly register the general relief and pleasure.

With reference to the private funds offered in the markets here, it is supposed that they consist partly of the accumulating reserves of industrial and other companies engaged directly and indirectly in war work. Some companies doubtless have funds available for investment in bonds, and it may suit their purposes to loan the money at call until such time as a new domestic war loan is offered to Canadian investors. Then it is to be remembered that the excess profits tax and other special imposts laid upon industrial and mercantile concerns, in some cases call for very large amounts. We read from day to day in the annual reports of various corporations that certain amounts, which may run anywhere from \$50,000 up to several hundred thousands, have been reserved from current earnings for meeting taxes. In such cases it is necessary to do something more than merely to make the book entries debiting profit and loss and crediting the reserve account. The taxes must be paid in cash; and the tax-

paying company must have in readiness an unused discounting credit at the bank or funds specially deposited there, or it must invest the money in some form, such as call loans, from whence it can recover them promptly when the tax payments are due. It is not likely that such offerings of private funds as may be made will immediately affect the banking attitude towards the market. The banks will, perhaps, be willing to accept payment of some of their stock exchange loans, as there will be no difficulty in finding employment for the money in commercial discounts. Owing to the extraordinary demands made upon them by the Dominion and British Governments, the bankers have been obliged to restrict the credits granted to merchants and manufacturers—many of their customers are doing their best to carry on operations with credit lines considerably less than in normal times. Then the banking institutions must also hold themselves in readiness to make further large advances to Government, in connection with the war, as soon as the Victory Loan proceeds approach exhaustion.

The news from New York indicates that the ordinary business of the bond dealers and stock exchange houses will be largely suspended during the four weeks in which the flotation of the Liberty $4\frac{1}{4}$ per cents is in process. It is said that for the last two or three weeks the stock exchange has refrained as much as possible from using the credit facilities of the banks; and during the campaign the brokers and dealers will release a considerable part of their staffs of employees for war loan work, meantime making no efforts by advertisement, mail or telephone, to interest investors in other corporation or municipal securities. It is claimed by the Germans that their victory on the Western front has helped the new German war loan considerably. There is no doubt that the recent setback suffered by the Allies will also prove to be an important factor in increasing the subscriptions to the American loan.

The clearing house banks in New York on Saturday reported a decrease of \$16,700,000 in excess reserve, but after allowing for this, the aggregate of reserve (\$545,000,000) was \$44,600,000 in excess of legal requirements. An increase of \$43,600,000 in loans was largely responsible for the falling off in reserve strength. Demand deposits increased \$9,800,000; net time deposits increased \$2,400,000; and reserve in Federal Reserve bank decreased \$15,500,000. Heavy April dividend and interest payments would necessarily contribute their part towards bringing to pass the banking

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