

# CRITICS OF CANADA—INVESTORS SHY—LONDON CABLES

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## SHY INVESTORS STAY THAT WAY

### After Turn of the Year, They May Come Into Open— Montreal Loan

(Central News letter to The Monetary Times.)

London, November 18th.—The Stock Exchange improvement made further important headway after the dispatch of my last letter, but markets have now turned somewhat irregular, and while there are still features of cheerfulness, the general forward impulse for the moment has been lost. This has been due chiefly to two causes. The Mexican situation again intruded itself—as it has done recurrently for several weeks past—as a factor of caution, though at the time of writing it is once more reported to have brightened. Secondly, conditions in the money market are very firm. The result of these two influences has been that the general widening in Stock Exchange operations, which had been looked for, as the result of the recent demonstrations of cheerfulness, has not taken place. There has been more investment indeed. Bankers have encouraged this, not because they do not find money very usable, since with deposit rates at  $3\frac{1}{2}$  to  $3\frac{3}{4}$  per cent. and call money fetching 4 to 5 per cent., it is clear that they do—but because a development of the investment movement will, it is intelligently anticipated, have the effect of preparing the ground for the flotation of various new capital issues, and bankers are naturally anxious that these latter should take place, as soon as they can be handled with safety, because in this way the banks are lightening their own loads by affording industrial and other clients an opportunity to capitalize their floating indebtedness. Investment business must almost certainly continue to expand during the next few months. Not the least significant feature of the recent moderate increase in real buying orders has been that they have emanated largely from manufacturing districts, where the slowing down of trade continues to set balances free. But how rapidly or how gradually the growth of this class of business will develop, is a matter regulated by so many influences, both local and external, that it is impossible to be dogmatic about it.

### To Encourage Investors.

However prepared bankers may be to encourage shy investors to come out into the open, the former have evidently nothing to gain and perhaps a good deal to lose by allowing any considerable increase in speculative business at the present juncture. That may be expected to come later, perhaps, after the turn of the year. But in the meantime, this may be held partly accountable for some diminution in the decision of markets. Recent cheerful demonstrations in many departments were mainly in the nature of *balons d'essai* on the part of professionals, and the conclusions, which the latter appear in its opinion with regard to participation in "bull" operations, while the banks do not feel that they have any sound reasons to urge upon clients that they should abandon their caution in this respect. Apart from Mexico, and money, general influences can only be described as favorable just now.

### As to Montreal Loan.

The underwriting commission on the Montreal loan, is  $1\frac{1}{2}$  per cent., and it is significant that while the issue price of 98½ is  $1\frac{1}{2}$  below that of the two previous emissions, which were offered at par, it is well in advance of the quotations, at which it was being rumored in September the loan might be offered. These estimates ranged from 95 upwards, and were, of course, current at a time, when a state of indigestion existed in the market here for most Canadian securities.

Holders of 5 per cent. debentures of the Forest Mills of British Columbia, many of whom possess their stock, because they were holders in the Dominion Sawmills and Lumber Company, which went into a receivership, have been cheered somewhat by statements that a report will shortly be issued by the London committee of the new undertaking and that the general purport of this document will be satisfactory. Holders of these debentures are not receiving any interest, which until 1917 is only payable out of profits. The present price is nominal at 10 to 20, but stockbrokers are advising holders not to sell in view of improving conditions.

## CANADIAN BANK LOANS TO INDUSTRIES

### They Are Challenged and Defended in London—Underwriters Continue Caution

(Central News letter to The Monetary Times.)

London, November 19th.—There is no material change to note in general conditions in the London financial district since my last letter. A certain amount of seasonable uncertainty continues to exist regarding the monetary outlook, but acute fears in this connection are no longer entertained. The general view is that the current month will not be by any means a smooth or easy period in Lombard Street, but that the market will pass through it without encountering any serious difficulty.

Rumors of an impending Mexican moratorium are chilling, but have failed to upset sentiment, while the resumption of loan operations by colonial and foreign borrowers has not yet reached proportions calculated to revive uneasiness on that head. Nevertheless, while it is clear that underwriters are only feeling their way cautiously, it is undoubtedly significant that important flotations have been resumed so comparatively soon after the recent decision was reached to suspend underwriting altogether for a time.

At the time that decision was made known, it was generally believed that it would continue in force up to the end of the year. The appearance of a £1,000,000 West Australian 4 per cent. loan and London's participation in the new £8,000,000 Roumanian 4½ per cent. loan to the extent of nearly £2,000,000 proves this belief to have been ill-founded, and we are, therefore, forced to the conclusion that, although quotations for new loan scrips remain at moderate discounts in a large majority of cases, underwriters have been able to lighten themselves of a portion of the burden, with which they were recently left, more quickly than they anticipated.

### Attitude of Banks.

There has been a good deal of discussion one way and another lately about the attitude of Canadian banks, which have considerable loans outstanding with various Canadian industrial undertakings. Perhaps it is the troubles of some of the latter companies which have served to keep the matter to the front as a subject of discussion, and in any case the topic is an interesting one. The London Financial Times discussed the matter at length in a recent issue, pointing out that annual reports lately issued show that bank loans in many cases stand at a much higher level than a year ago. The increase is attributed in some directions to a growth of many companies' indebtedness to the banks under the "building loans" item.

### How Long Will it Stay?

As to how long this difficulty will persist it is impossible to say. Europe must at any rate feel for some time to come the after effects of the destruction of assets, occasioned by the Balkan war, and the long train of financial readjustments which those military operations have left in their wake. The London Financial Times, however, states that it is obviously impossible for the Canadian banks to go on indefinitely increasing their financial operations in this particular direction, without incurring risk, and asks how the apparent deadlock, which has been reached, will be broken. The suggested answer is that while monetary conditions in London in 1914 are expected to be much more comfortable than for some time past, and, therefore, the financing of certain classes of effort should be much easier.

In this situation, it is thought that endeavors may be made to effect bond issues in the Dominion and in the United States, and since this class of security, both in Canada and the States, has been on a 6 per cent. basis for some time, such a movement, if it were to develop, might have to be on  $6\frac{1}{2}$  per cent. lines. Canadian banking representatives locally express dissent from such a possibility, and pin their faith to an increasing improvement in the general situation in the Dominion bred of the season's harvest.

Further Cable News on page 840