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THE GENERAL FINANCIAL SITUATION

As a result of the large over-subscription to the American Liberty Loan, there has been substantial improvement in the market for foreign bonds in New York. Both of the Canadian loans, recently placed in the United States, participated in this improvement—the two-year 5 per cent. notes due August 1st, 1919, rising a full point last week and continuing strong during the present week. It will be remembered that these notes last year sold down below 94, at which price they yielded a very large return, albeit for a comparatively short time. Even after last week's rise, to above 96, they still yield over 8 per cent. Probably the new taxation proposals of the Canadian budget also contributed to improve the market position of Dominion Government bonds whether placed at home or abroad. The substantial increase of national revenue, which the budget proposals bring into prospect, strengthens the confidence of home and foreign holders; and at the same time an enlargement of the revenue from taxation implies a diminution of the amount to be raised by means of new bond issues.

In case of our great Victory Loan, final details as to the number and amount of subscriptions were not available until two weeks after the closing of the lists; and a reasonable time must also be allowed for tabulation and arrangement of the third Liberty Loan which is undoubtedly the biggest financial transaction which our neighbors have yet brought off. The expectation is that the issue of 4½ per cent. bonds on the present occasion will be approximately \$4,000,000,000; and the estimates as to number of subscribers run as high as 17,000,000. As regards ratio of subscribers to total population it appears that Canada's performance in connection with the Victory Loan has been surpassed; but our Victory Loan at \$400,000,000 represents a larger subscription per head of population than the third Liberty Loan at \$4,000,000,000 would represent. It is worth noting that the Americans in their three Liberty flotations have now subscribed a total of \$9,800,000,000 to domestic issues of their own government. The Canadian Government's domestic war loans, four in number, aggregate \$750,000,000; and the average amount subscribed per capita is practically the same in both countries.

The Saturday statement of the New York clearing house banks, shows that these institutions during the week, in regard to excess reserves, lost more than they had gained in the pre-

vious week. The surplus decreased \$34,500,000, falling to a total of \$37,200,000. It is explained that the loss of reserve strength was mainly due to the dividend and interest payments of May 1st, and to the withdrawal of \$64,000,000 United States Government deposits—the banks not being required to carry reserves against such deposits. Loans increased \$14,700,000, and general deposits increased \$55,700,000.

Call loans at New York have ranged from 4 to 6 per cent. The demand for stock market purposes continues quiet. Time money has not been in very plentiful supply; but on the other hand, the demand was not specially insistent. Sixty and 90 day paper ruled at 6 per cent.; mercantile paper of the higher grades sold at 6 per cent.

Bank rate in London is unchanged at 5 per cent. Call money is 2½ p.c.; short bills, 3½ p.c.; and three months bills 3 9-16. The London market continued to show its satisfaction over the sanguinary repulse suffered by the Germans under Von Arnim at the beginning of last week. Although it is recognized that the drain on British man power will be very heavy, every one is confident that the enemy can be held until such time as the American reinforcements give the Allies decided superiority on the western fronts. London, apparently is not ignoring the possibility of favorable developments in Russia. At present that great country is in the grip of anarchy, with the situation at Petrograd dominated more or less by Bolshevik leaders who are probably in the Kaiser's pay; but it seems likely, once the Allies in the west accumulate strength enough to resume with success their efforts to drive the Germans from France, that not only the Russians, but also the Rumanians, and perhaps the discontented elements in the central empires, will turn on the Prussian oppressors who are so universally loathed. If such developments occur, they might speedily produce important consequences.

Canadian money markets are quiet and steady. Now that the last payment on the Victory Loan has been financed, the banks are discussing with their customers the impending payments on the Dominion income tax. These are expected to become payable in June. Some of the wealthy citizens and a considerable number of corporations will be required to pay large amounts; and in view of their recent contributions to the war loan, probably their bankers will be called upon to grant credits for income tax purposes in many instances. The income tax payments will amount to a considerable sum; but, as a money market factor, the payments will be largely offset by the \$15,000,000 interest distribution on Victory bonds due June 1st.

Since the publication of Lord Shaughnessy's address of May 1st on Canadian Pacific affairs, the stock of this great railway company has ruled stronger in the Wall Street market. Foreign holders of C. P. R. and of other Canadian securities had been somewhat alarmed over the discriminatory taxation appended to the recent railway rate increase. These outside investors saw the special taxation as a concession made by the Government to the demands of parties who wish to penalize the C. P. R. because it is big, well-managed

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