The Chronicle

Banking, Insurance and Finance

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THE GENERAL FINANCIAL SITUATION

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sovereign remedy for depreciated sterling exchange. Even in the case of Canadian funds in New York, a mere switching of trade from the United States to Great Britain will not, under present circumstances, wholly rectify the position and restore Canadian funds to a parity in New York. It may help to some extent, but an improvement in sterling exchange, as a result of the factors which have been enumerated above, would quite possibly help more.

In several quarters, questions have been lately raised regarding the supply of funds for mortgages, and emphasis placed on the fact that for the immediate future, at all events, Canada must rely upon her own resources in this connection. This will possibly not be such a difficult matter as it might have been a few years ago. Very large amounts of funds, which under other circumstances would have been available for mortgage investments have in recent years, gone into various War Loans, and with these loans now out of the way, funds from the same sources will doubless again become available for mortgage purposes. Moreover, a good many of the mortgage organizations were heavy investors in the War Loans, and the gradual disposal of these holdings would place them in a position to meet a fair amount of demand for new mortgages when that arises. From the point of view of the ordinary investor of comparatively restricted means, a disadvantage of the debentures issued by the established mortgage companies is their comparative unmarketability. With means divised whereby these securities could be realised, if necessary, as easily and quickly as the standard Stock Exchange securities, there would, we imagine, be a considerable increase in their investment popularity. An arrangement of this kind would have its difficulties, but in the event of development calling for a large supply of mortgage funds in the near future, such an arrangement would probably make available for the purpose, funds which are at present not diverted in this direction.

The shake-out on the local Stock Exchange last week appears to have had the usual results among the small fry of thoughtless Stock Exchange speculators, and in street gossip, considerable losses in various quarters are reported. It has also had the effect of lowering the prices of some of the higher grade and more stable securities to levels which make them exceedingly attractive as investments with a very fair prospect of appreciation on any easing of the situation as regards funds available for carrying stocks. At present the situation in this respect appears to be exceptionally acute. New investment issues continue to make their appearance, and are by all accounts being readily subscribed. An interesting feature of the situation is the development of more varieties of 7 and 8 per cent. preferred stocks, with various provisions designed to place the investor in a comparatively safe position while giving him a high dividend return. This development appears to be a case of adaptation to circumstances. Four or five years ago, the concerns making these issues, would have made issues of bonds instead of preferred stock. But an industrial bond bearing say, 6 per cent. interest would, under present day conditions probably not find a ready market, and the difficulty has been got over by removing the lien feature from the security and increasing the return to the investor at the same time making use of various new devices for his safeguarding which the old style of preferred stock lacked. The development is an interesting example of the ingeniousness of financial brains in meeting changed circumstances. In some of the prospectuses recently issued, the arrangements made appear quite satisfactory from the point of view of the investor. Given an established and stable business, there seems no reason why this new form of preferred stock should not have a place even with the conservative investor, as a means of increasing the average yield from his investment and so meeting the high cost of living.

PERSONALS

Mr. W. E. Findlay, manager Niagara Fire Insurance Company has returned from a business trip to the Prairie Provinces. Mr. Findlay was favourably impressed with trade conditions, and the apparent indications of substantial development which is likely to take place in the near future in the West. He referred to the enthusiam existing in Alberta regarding what seems a good outlook for oil production, this also refers to Northern Saskatchewan. Mr. Findlay states that the increase in mixed farming, is very noticeable in the Western Provinces. This he states will prove a healthy movement towards greater stability, a fact which is already realized by the farmers.