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THE GENERAL FINANCIAL SITUATION.

While business on the Canadian Stock Exchange continued dull, the activity in the market for high-grade bonds which has been so pronounced a feature of the local investment situation since the armistice continues unabated. It is time that there has been some slight recessions from the high prices recently traded by the war bonds, but on the other hand, various important bond issues have found a ready market. In this connection emphasis must again be laid upon the considerable part which is being played by American buying in the existing market for high-grade Canadian bonds. Their favourable terms are made more favourable to American buyers through the two per cent. premium on New York funds, and while this continues it will undoubtedly exert an important and useful effect in stabilizing American purchases of Canadian securities, which at the same time will, of course, have the tendency to adjust exchange towards a parity. The week's new issues include two made directly in the American market. The Canadian National Railways have sold in New York $7,500,000 6 per cent. 10-year serial equipment trust certificates on a basis to yield 6¼ per cent., and the public issue was readily over-subscribed. A Chicago investment house is offering $500,000 7 per cent. gold notes of the Whelen Pulp and Paper Mills Ltd., maturing at various dates until 1924. It is to be expected that this issue is the forerunner of a considerable amount of financing by the pulp and paper companies, both established concerns and new ventures, as there is good reason to believe that this industry which has come so much to the fore in Canada in recent years, will be developed considerably in the near future.

There was keen bidding for $450,000 15-year 5½ p.c. Province of New Brunswick bonds, which were awarded at 100.35. The favourable figure secured for this offering emphasises the healthy state of the bond market. The big issue of $5,254,652 Grand Trunk Pacific bonds, guaranteed by the Dominion Government, and issued at a price to yield 5½ per cent., is announced as being sold out, and the interesting fact is stated that over 80 per cent. of this issue was taken by Canadian investors. The issue doubtless appealed principally to institutional investors, the long term of the bonds—they run to 1962—making them particularly attractive to the life insurance companies and others.

The statement of the banks' temporary financing of the Dominion Government disclosed in the recently published December bank statement, indicates that the maximum strain imposed upon the banking institutions during the fall by the demands of the Government and by those of industry and trade is about over, and that liquidation, and a consequent marked easing of the situation is now proceeding fairly rapidly. Between June and October, the Government's indebtedness to the banks increased from $100,152,237 to $277,053,142, this item being understood to consist almost exclusively of short term treasury bills. In November, these loans increased slightly to $278,208,357 but in December were reduced sharply to $206,935,283, or by about $72,000,000, the proceeds of the Victory Loan being used, of course, to repay these loans. In the next two or three months, this item will doubtless continue to show further heavy decreases. It is to be noted also that in recent months, there has been a considerable liquidation of the liabilities to the banks of the municipalities and school districts. In June last, these reached their highest level on record of $58,000,424, but by December had been reduced to $30,684,452, their lowest level since March, 1917. While much of this reduction is doubtless due to payments of loans in anticipation of tax collections, a proportion of it is undoubtedly a result of the recent ability of the municipalities to undertake permanent financing.

The fact that since the armistice the Canadian banks have opened 200 new branches is the best possible answer to the charge which populist orators—especially in the West—are so fond of making that the reduction in the number of the banks means a reduction in the public's banking facilities. Everyone who is at all familiar with the facts, is, of course, aware that the exact contrary is the case, and that in recent years, as the number of banks has diminished, so has the keenness of competition between them increased, a keenness which has resulted in innumerable concessions to the public. It stands to reason that where there are a half-dozen banks in a compara-

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