

The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY



Vol. XXXX. No. 15

MONTREAL, APRIL 16, 1920

Single Copy 10c
Annual Subscription \$3.00

THE GENERAL FINANCIAL SITUATION

Complaints of tight money are general, and there appears to be no immediate prospects of an improvement, although some observers point to the opening of St. Lawrence navigation as a possible turning point, when the banks' present load of commercial loans may be lightened by the moving forward of commodities which have been held in store during the winter. The shortage is particularly felt by the Stock Exchange—further withdrawals of funds by the banks are reported by brokers as having taken place during the last few days, and there is no doubt that some of the brokers are finding themselves hard-pressed in this connection—several of them, in fact, are practically in the position of having to refuse business, except upon a cash basis. One reason advanced for this shortage of brokers' funds, which is at least credible is that Toronto interests loaded up very heavily with Grand Trunk securities prior to the announcement of the Government's intentions regarding that road and that about six million dollars is still locked up in this speculation.

In the circumstances, the strength displayed by the local security market is remarkable, and probably enough with any decided easing of the money situation, a bull market would develop equal to that of 1919. A broker remarked to the writer this week, "If we had easy money, there would be the biggest and best bull market we have ever had, because practically all the stocks have big earnings behind them."

At the same time there is a tendency to look for declining prices within the next few weeks, except in the case of various specialties, as a result of the money stringency. The pulp and paper stocks have been stimulated by the result of court decisions giving the companies absolute freedom as to prices of their products, which are moving steadily higher, and in some optimistic quarters there is even a tendency to look for a repetition at a comparatively early date by other paper stocks of the romantic feats performed by Price Brothers and Abitibi. So far as can be seen at present, certainly, there is no cloud on the outlook of the pulp and paper companies. The demand for their product at extraordinarily high prices continues undiminish-

ed, and while Canadian exchange on New York remains as at present, they are netting very handsome additional profits from this source.

The intimation that plans for the consolidation of Dominion Steel and Nova Scotia Steel are well under way and likely to be completed at an early date is interesting not merely in itself, but also on account of the collateral plans which the group who have the deal under way are known to have in mind. These plans are believed to embrace a consolidation of existing steel, shipbuilding and transportation enterprises which will enable the consolidation to take a place in the front rank, as regards size, of consolidations of the kind on this continent. British interests are taking a prominent part in the affair, and the connections established, if the present plans are successfully completed, are likely to have an important influence upon Canadian industry and export trade.

A controversy has lately taken place between the banks and the rural credit societies of Manitoba regarding the rate of interest at which loans shall be made by the banks to the societies. Money has so far been loaned to the societies at six per cent., and it is understood that the banks made representations for a slight increase in this rate. The matter was, however, eventually settled on the basis of the banks agreeing to continue loaning to the rural credit societies at six per cent. for the present season, with the understanding that the situation shall be reviewed at the next session of the Manitoba Legislature and an increased rate allowed, if conditions then justify it. Following this controversy, in which the representations made by the banks were reasonable enough, there has been one of the periodical outbursts of accusation of "profiteering" by the banks, in which outbursts the farming west is apt to indulge. In these days, there is something humorous in the spectacle of the farmer denouncing "profiteering", in view of the known facts as to the prosperity of the farming class during recent years—a prosperity of which a few years ago they would hardly have dared to dream. As regards the present accusations, the tables recently published by "The Chronicle" regarding the banks' profits are decisive evidence that if any class of the community has been "pro-