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## Banking, Insurance and Finance

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## THE GENERAL FINANCIAL SITUATION

The pronounced improvement in the tone and sentiment of the securities markets here and in the United States, accompanied as it was by sundry developments in the war theatres construed as favorable to the Allies, has played a by no means inconsequential part in dispelling the general depression that followed the enemy successes in March and April. With reference to the strong upturn in Wall Street, the New York Evening Post says: "The war situation, after six weeks of great anxiety, seems at last to be turning in favor of the Allies; at any rate Germany is pinned to her positions, has failed completely in her latest Western drive; and the market, which refused to lapse into alarm in the days of Hindenburg's March and April advance, is probably shaping its present course in line with the visibly brighter prospects." With the removal of the acute anxiety regarding the Allied line in France and Flanders, the markets can give more attention to the encouraging features of the economic situation in America. Prominent among these is the crop outlook. The latest bulletin issued at Washington indicates a winter wheat yield of 572,000,000 bushels in the neighboring country, with the crop pushing to harvest under ideal climatic conditions. As regards spring wheat, the situation in our prairie provinces and in the northwestern states is exceptionally favorable. There is a very substantial increase of acreage and heavy rains have fallen in the spring wheat territory during the past two weeks. The United States counts confidently upon a billion bushel wheat crop; and it would not be surprising if Canada provided an additional 300,000,000 bushels. A wheat crop in Canada and the States amounting to 1,200,000,000 or 1,300,000,000 bushels would certainly constitute an economic factor of the first importance. It is satisfactory to note, too, that the United Kingdom and France both show a substantial increase of wheat acreage and that weather conditions there have so far been favorable. If the necessary shipping is available, there is a prospect that food conditions in Allied countries overseas will be improved before winter again comes round.

In our markets, there has been an increased demand for the stocks of a number of the industrials which are understood to be making good profits. Also, according to a leading Toronto daily, the market there for the new Victory bonds has lately assumed a new character. It has been the common impression that the committee appointed to regulate the trading in Victory bonds at first experienced some difficulty in finding purchasers to take care of the bonds offered for sale. Now, it is said that the problem of the committee is to secure sufficient bonds to supply the demand. This implies that the great $400,000,000 bond issue has been fairly well digested; and, that being so, there will be in evidence during the next three or four months, an extensive saving or accumulation of funds in preparation for the next domestic war loan. Meantime there should be a satisfactory market for such provincial and municipal bonds as the Finance Minister authorizes; and there might also be an improved demand for the more promising home industrials, providing that money market conditions are not unfavorable. While the Canadian bankers would not be disposed to encourage or facilitate an extensive speculation in stocks, it nevertheless is in the interest of the banks as well as of the other sections of the business world that a good or satisfactory market should exist for the representative Canadian securities; and when they have funds available for the purpose the bankers are likely to continue lending reasonable amounts on approved stock market collateral. No material changes have occurred during the week in Montreal and Toronto call loan rates; and the rates applying to commercial loans and discounts also are unchanged. The market for American exchange has fluctuated rather extensively. Last week the premium on New York drafts as quoted in Canadian centres had fallen nearly to the 1 per cent. level, but on Saturday it had recovered to 1 7-16 and in the fore part of the present week the rate ruled at or around that premium. The large exports of Canadian grain have a steady tendency to diminish the premium but every now and again a special demand for exchange is occasioned by the approaching maturity of some Canadian bond issue in New York or by some special transaction in war finance. In the opinion of competent observers the grain movement this month and next, together with the shipments of Canadian cheese and butter should provide exchange to balance or nearly balance the demand during the summer and early fall. Bank of England rate remains at 5 p.c.; in the London market money is 2 1-2, and discount bills 3 1-2 to 3 9-16.

In New York the stock market revival led to an increased demand for call loans, rates for which ranged from 4 to 4 1-2 per cent. Time money continued in good demand, but lenders, as in the recent past, preferred to employ their funds at call. For practically all maturities 6 per cent. was bid; and for mercantile paper likewise, 6 per cent. was virtually the minimum rate. Clearing house banks in New York on Saturday reported the very large gain of $65,600,000 in excess reserve, bringing the total excess up to $102,800,000. Loans increased $97,700,000; reserve in Federal Reserve Bank increased $46,700,000; net demand deposits decreased $144,300,000. The Government deposits rose from $294,000,000 to $524,000,000—the increase being $230,000,000; and as there was a large transfer from the deposits requiring a reserve to those not requiring a reserve, the result was a large gain in surplus reserves. This

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