

The Chronicle

Banking Insurance and Finance

ESTABLISHED 1881.

PUBLISHED EVERY FRIDAY.

F. WILSON-SMITH,
Proprietor.

ARTHUR H. ROWLAND,
Editor.

Office:

406-408 LAKE OF THE WOODS BUILDING,
10 ST. JOHN STREET, MONTREAL.

Annual Subscription, \$3.00. Single Copy, 10 cents.

MONTREAL, FRIDAY, FEBRUARY 19, 1915.

SHORT-TERM BORROWINGS.

In this week's news is an item to the effect that the Province of Saskatchewan has arranged a loan of \$2,500,000 in New York for a period of three years through the issue of 5 p.c. notes, at a net cost of 5 $\frac{3}{4}$ p.c. This loan, like most of the others that have been placed in New York by our provinces and municipalities, belongs to the short date class. It is well known that New York as well as London has at present a considerable supply of short date money, and bankers are glad to have the opportunity to put it into good investments yielding in the neighborhood of 5 p.c. and which will give back the money in from one to three years. It is not as yet quite clear what prices will have to be paid by us when we attempt to place our long-term bonds. The Ottawa city issue, placed a short time ago, was on an interest basis slightly under 5 p.c., and under the circumstances that was taken as a very satisfactory transaction for the borrowers.

THE FUNDING PROBLEM.

Probably we shall not be able to place a very large proportion of our new issues in New York at less than 5 p.c. There will be the necessity of funding the numerous short date loans recently arranged for. Although our financiers appear to think it the correct policy to issue loans of from two years to five years duration, it may turn out to be the case that these loans will give trouble to the obligants when they mature—in other words, it is by no means a certainty that they can be funded at better rates than those obtainable to-day. Now that financial conditions are settling down to something like the normal, perhaps we shall hear of more municipalities and provinces definitely arranging for their needs by means of sales of long-term bonds.

GOLD MOVEMENTS.

The movement of gold from Ottawa to New York has attracted considerable attention this week. It is of course, uncertain how much metal will go abroad,

but in view of the very heavy sales of sterling exchange in New York by the exporters of farm produce and war supplies, it is quite possible that \$10,000,000 or \$15,000,000 may be sent. This movement does not affect our exchanges with New York—between banks New York funds are still quoted at $\frac{1}{2}$ p.c. premium—and the release of the Ottawa gold merely improves London's exchange position at the American centre. However, any such transactions as the new Saskatchewan loan help to equalize our exchange position, and it is to be expected that in another two or three months we shall have available a considerable amount of high priced wheat for export. This latter circumstance will have a tendency to bring down the premium on American funds as quoted in Montreal and Toronto. Soon, too, the Canadian manufacturers of leather, iron and steel, woollen and other goods ordered by the British and Allied Governments will be offering a considerable amount of exchange on London, and this also will have a tendency to improve our position in New York.

STERLING EXCHANGE PROBLEMS.

With conditions as at present the negotiation of sterling exchange constitutes quite a problem for the banks. In the first place, they have to take account of the very low prices realized from sterling bills sold in New York. Again, this loss is partly offset by the premium obtainable on New York funds; and since the outbreak of war the fluctuations in both sterling and New York exchange have been rapid and extensive. A bank undertaking a large transaction would be obliged to make haste to complete all details so as to avoid being caught by an adverse movement of the quotations.

MONEY MARKETS.

The money market in Montreal continues to gain in strength and composure. Call loans are quoted 6 to 6 $\frac{1}{2}$ p.c. as formerly, but it is not likely that there are many, if any, new transactions above 6. Commercial paper is 6 to 7 p.c. Within a few weeks the banks will be able to realize a considerable amount now carried as grain loans; also the succession of new loans taking place in the New York market has improved the accounts of a number of our cities and provinces.

Call money in London continues to be very easy at 1 p.c.; short bills are 1 7-16 p.c.; and three months' bills, 1 7-16 p.c. The three great European state banks—the Bank of England, Bank of France, and Imperial Bank of Germany—quote 5 p.c. as heretofore.

In New York call loans are from 1 $\frac{7}{8}$ to 2 $\frac{1}{4}$ p.c., most of the loans being at 2. Time money is quiet: sixty days, 2 $\frac{3}{4}$ to 3 p.c.; ninety days, 3 p.c.; six months, 3 $\frac{1}{4}$ to 3 $\frac{1}{2}$. The Saturday bank statement showed a large expansion of loans and deposits, and a falling off in reserve strength. Loans increased \$24,700,000; bank note circulation decreased \$1,200,-