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THE GENERAL FINANCIAL SITUATION.

The Bank of England secured most of the $3,000,000 new gold offered in London on Monday. Bank rate was yesterday reduced to 4½ per cent., the 5 p.c. rate having been in force since October 17, 1912. In the London market call money is quoted 2½ to 2¾; short bills are 3¾ and three months bills 3 13-16; to 3⅞ p.c. At Paris, market rate is 4⅜ p.c. and bank rate 4 p.c.; and at Berlin, market rate is 4 and bank rate 6 p.c. A continuation of the downward tendency is thus to be seen at London and Berlin. As discount rates at Paris were arbitrarily kept at a low figure during the period in which higher rates prevailed at the British and the German centres, so now the Paris rate remains stationary while the others are declining. The rates in London are at present under the Paris quotations.

FAILURE OF 4 P.C. LOANS.

It is generally believed that the tendency will be downwards during the next two or three months. Since the March settlements have been completed the representative European central banks have markedly improved their position; and in London, too, the release of Government funds from the Bank of England has served to make the market position somewhat easier. However, the prospective improvement in money market conditions has not operated as yet to induce British investors to take Canadian securities on the 4 per cent. interest basis. Underwriters were obliged to take 85 per cent. of the Saskatchewan issue of fours at 96; and it has been remarked that nearly every large 4 per cent. loan offered in London recently has resulted badly for the underwriters. So, even our provinces will be obliged to adopt a 4¼ or 4½ per cent. rate.

THE NEW YORK POSITION.

Interest rates have also tended downwards at New York. Call loans are quoted 2¾ per cent,; sixty day loans are 4½; ninety days, 4½; and six months, 4½ to 4¾ p.c. Mercantile paper in New York is quoted 5½ to 6½ per cent. But as it is only the paper of the largest and best companies, those possessing a national standing, that can command these rates, it is clear that on the whole mercantile borrowers in the States are paying quite as much as are the mercantile borrowers in Canada.

The clearing house institutions were able to report on Saturday a substantial addition to their reserve strength. As a result of a cash gain of $5,100,000 and a loan contraction of $1,200,000, the surplus reserve of banks and trust companies combined increased $4,681,000. With this addition, the total surplus rises to $14,904,000. Taking the banks alone the cash gain was $5,200,000, the loan contraction, $3,600,000, and the increase of surplus, $4,992,000. To some extent the easier tendency of the money market this week has been due to the liquidation of securities.

EXPENSIVE RAILWAY FINANCING.

Wall Street experienced a return of weakness induced partly by the announcement of new security issues by the railways, and partly by nervousness regarding the Washington Government's intentions in the matter of suits against the corporations. Vice-president Marshall made some remarks at a political dinner on Saturday which were construed as threats against the propertied classes. Some of the very best investment securities in the United States are at present under a cloud because of the Government's actions. So far as the new bond issues by the railways are concerned, it appears that the 4½ per cent. interest rate is none too high. The St. Paul issue of 4½'s sold at a discount during the week. In putting out these bonds at 4½ the railways were understood to be testing the market. Some of the railway managers were of the opinion that a little later bonds could be issued at 4¼ p.c. But the experience of the St. Paul road leads the street to believe that further issues will have to bear interest of 4½ per cent. at least.