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R. WILSON-SMITH, *Proprietor*.

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THE GENERAL FINANCIAL SITUATION.

The Bank of England secured the bulk of the $3,000,000 Transvaal gold arriving on Monday. It therefore appears to be getting its share of the new supplies in spite of the successive reductions of the official discount rate. This week the newly inaugurated 3 p.c. rate was allowed to stand. No doubt the situation in New York was one of the factors that operated to induce the directors to lower their quotation last week and the week before. From the standpoint of European banking what happened in Wall Street over the railroad rate question serves to relieve the Transatlantic institutions from their anticipations of heavy calls for accommodation. Looking upon the business situation in North America the Bank of England directors could see, three or four weeks ago, that great activity prevailed over the whole continent. High prices for commodities were the rule, especially in the United States. A very general tendency to speculate pervaded the whole area. This prospect, taken with the unfavourable condition of the foreign trade of the big republic undoubtedly indicated a heavy demand from America for credits. While that was the case it was the part of wisdom to keep the prospective borrowings within bounds by maintaining a high discount rate. It seemed at one time as if the bank rate in London might have to be raised from the 4 p.c. level. However, circumstances on this side the ocean have undergone a sudden change. There has been violent liquidation in all the great speculative markets, and prices were forcibly put upon a lower basis. The administration of this sharp corrective to the American monetary position meant, of course, that there was less necessity for the great European bankers to remain so rigidly on guard over their cash resources, since it indicated that the inquiry for credits on American account would be materially lessened. From the fact that the London bank rate was lowered so promptly upon the appearance of genuine house cleaning in New York and Chicago, it is fair to infer that the reduction was in large measure a result of the liquidation on this side.

Very little change occurred in the quotations for interest and discounts in the London and Continental markets. Call money in the British capital is 2½ to 2¾; short bills 2 11-16; three months' bills 2 9-16 to 2⅝. The Bank of France adheres to its 3 p.c. rate and the Bank of Germany maintains its 4 p.c. The Paris market is 2⅛ and the Berlin market 3¼.

In New York call loans have ranged from 2¾ to 3 p.c. with most of the lending towards the end of the week at 2¾. Time money is distinctly easier as might have been anticipated. Sixty days, 3 to 3¼; 90 days 3¼; six months, 4 to 4¼. The expected happened in the affairs of the associated clearing house banks, in that a substantial addition to surplus was effected, but the amount of contraction of the loan account was under expectations. Loans fell $1,000,000; cash holdings increased $3,700,000; and the addition to the surplus was $3,400,000. It now amounts to $24,489,975. The proportion of reserve to liability is 27.1 p.c. The trust companies and non-member state banks reported a more substantial liquidation of loans; the reduction in their case was $9,077,000. Their percentage of reserve is 17.2 as against 17.1 in the preceding week. Conditions in the railway world on the other side of the international boundary have taken a more favourable aspect in that there is now a better prospect of the railway companies being permitted to put their proposed advance rates into effect upon their showing that they are necessary or reasonable. However, the prices of the stocks which registered such severe declines are extremely slow in recovering the lost ground. This fact seems to support the theory of those critics who have maintained that there would have been, around this season, an important liquidation of stock market commitments even if the railway dispute had not appeared.

Underlying the froth of speculation and booming are some very satisfactory and solid conditions. Crops both in the United States and Canada are progressing favourably; and, so far as one may judge at this stage, a large yield of cotton and of the principal cereals will be harvested in the coming fall. The present week saw the beginning of real summer weather; and the plants and seeds which had been kept back so long by the cold wet season are responding well to the warmth and sunshine.

The money market position in Canada has undergone no material change since last week. While the general underlying tendency is still towards dear money in the fall there have been in evidence some factors making for relaxation. Securities