

LETTER FROM ENGLAND.

COMMERCIAL REVIEW.

(Special Correspondence of the Trade Review.)

[Per "AFRICA."]

THE trade of the past week has been favorably affected by the hopes of a speedy settlement of the Continental war, and the only drag now experienced is the heavy discount rate—10 per cent. It is expected that the payment of the July dividends, which commenced on Monday the 9th inst., will be speedily followed by a lower discount rate. It is, however, not at all likely that the rate will go down to the very low point at which it stood shortly after the former panics of 1847 and 1857. In each of these years there was a great destruction of mercantile credit, and a very heavy fall in the prices of nearly all commodities. The panic of 1866 was mainly a financial one; and although the trade of the country has suffered, it has not been paralyzed. On the contrary, so far as can now be judged, the exports and imports for the year will be the largest on record, and a great and expanding trade cannot be done without the use of much capital, and a consequent high rate of interest.

There is another consequence of the present panic being mainly a financial one, which is exerting a very decided influence upon the immediate future of the Money Market. The Bankers throughout England have strengthened their reserves of specie or Bank of England notes (which are a legal tender) very much. There can be no doubt that, for a number of years past, owing chiefly to the operation of the over-legislation under which our monetary system suffers, the Banks have kept inadequate reserves, and have managed their business in the hope that if any serious panic happened the Government would interfere and relax the rule by which the Bank of England must hold gold against all notes in circulation above £15,000,000, and that the Bank thus strengthened would assist them. This feeling has been very materially changed, and the Banks have learned that they must rely more upon themselves, and keep an adequate cash reserve in good times, that they may be prepared for seasons of difficulty. At present, the extra reserves kept by the Banks amount to many millions, and although this excessive amount will not be retained, it seems certain that the Banks will permanently and largely augment their stocks of specie and Bank of England notes. The effect of this increase in their reserves will be to lock up so much specie or capital, and for a time this lock up will tend to keep the rate for discount high. Of course the ultimate effect of such a lock up in so rich a country will be really nothing; and should it tend to steady the Money Market, and to prevent panics, it would be really one of the most profitable forms of investment. To illustrate the peculiarities of the present panic, I give a statement showing the chief items in the weekly returns of the Bank of England before the panic, when it was at its height, and seven weeks afterwards. I give also the corresponding figures in 1857 and 1847, the amounts being in thousands of pounds:—

Date.	1866.		1857.		1847.	
	Circulation. M £	Other Deposits. M £	Bullion. M £	Reserve Notes. M £	Minimum rate of Discount.	
May 2....	22,873	13,588	13,509	4,839	7	
" 16....	26,121	18,621	12,324	731	10	
July 4....	25,812	19,940	14,877	3,336	10	
Oct. 31....	21,184	11,490	8,732	2,258	8	
Nov. 14....	21,636	12,935	7,171	958	10	
Jan. 2....	20,142	15,073	11,455	6,065	8	
Oct. 9....	19,503	7,714	8,409	3,322	5½	
" 23....	2,265	8,581	8,313	1,547	8	
Dec. 11....	19,182	8,437	11,426	6,449	6	

The returns from the Bank of England for the week are not favorable. The figures are as follows:—

The public deposits have decreased.....	£1,165,000
The other deposits have decreased.....	900,000
The Government securities have decreased.....	570,000
The other securities have decreased.....	134,000
The circulation having increased.....	988,000
And the bullion having decreased.....	165,000
There has been a decrease in reserve of.....	1,158,000

The return from the Bank of France is, on the other hand, favorable, and the total specie held by the Bank now exceeds £26,000,000:

The Treasury balance has decreased.....	51,600,000
The current accounts have increased.....	24,500,000
The commercial bills and advances have increased.....	36,200,000
The notes have increased.....	58,600,000
The cash has increased.....	18,666,000

The new tariff proposed in the House of Representatives of the United States has only reached this country, and it will probably produce no great effect upon

trade further than stimulating the export of our goods. It is scarcely possible that so absurd a measure can pass into law. It seems to possess every feature which a tariff should not possess.

The cotton trade during the week has been brisk, and prices have been well supported. In Liverpool, the sales for the week have amounted to 87,800 bales, of which the trade has taken 64,900. The estimated stock is now 956,000 bales, against 368,000 last year. Prices have advanced considerably. In Manchester, demand has been good, and the market is in favor of sellers.

The grain trade has been dull, in consequence of the prospects of peace, and prices have receded upon the week.

The Stock and Share Markets have been well supported, and the first approach to ease in the Money Market will be attended by a general revival in prices. A favorable effect has been produced by the reopening of the Consolidated Bank.

July 7, 1866.

[Per "SCOTIA."]

As the chief interest in business still centres upon the returns of the Bank of England, and the effect which the heavy rate of discount has upon business, I need make no apology for returning to the subject; and I will commence by comparing the returns for this year, when the discount rate is 10 per cent, with those for last year, when it was 3 per cent:

	July 11, 1866.	July 12, 1865.
	M £	M £
Public deposits.....	2,727	4,590
Other deposits.....	21,472	16,229
Government securities....	10,278	10,399
Other securities.....	29,040	21,61
Circulation.....	25,193	22,383
Specie.....	13,998	15,534
Reserve.....	3,801	7,791

The most important items in these returns are the great increase in the "other deposits" (that is, the deposits of bankers and other customers with the Bank of England) and the increase in the "circulation." These increases are, as I explained last week, the consequence of the recent panic, and indicate the anxiety of the Bank's customers to have either bank notes, which are a legal tender, or a deposit with the Bank which can at once be turned into bank notes. It will be seen that the amount of specie or bullion on hand is not very far short of an average amount, and would certainly be sufficient to justify the Bank, were the other portions of their affairs in a normal state, in at once lowering the rate.

The fluctuations in the past two weeks in the returns of the Bank, a period during which the quarterly salaries of Government officials and the larger portion of the July dividends have been paid, are of value as illustrating the present tendencies of the Money Market. I accordingly give a table contrasting the fluctuations in the Bank of England returns between 27th June, 1866, and 11th July, 1866, with the fluctuations between 28th June, 1865, and 12th July, 1865:

	Between 27 June & 11 July, 1866.	Between 28 June & 12 July, 1865.
	Inc. M £	Dec. M £
Public deposits.....	5,238	5,398
Other deposits.....	622	2,505
Gov. securities.....	1,070	81
Other securities.....	1,844	875
Circulation.....	369	1,267
Specie.....	1,049	874
Reserve.....	1,418	2,141

It will be seen that these payments have this year been made, so to speak, with less money than last, or rather that, had it not been for these payments, the returns would this year have been positively favorable. When it is considered that during the last week alone the exports of specie have exceeded the imports by about £800,000, it will be seen that the internal demand for money is gradually subsiding, and that at no very distant date a return of the Money Market to its ordinary state may be expected.

I pointed out last week that one of the causes which was likely to keep the money market from any great reduction in rate, say to 3 per cent., as was the case after former panics, was the activity of trade, and in fact the very large increase in the imports and exports of the country up to May of this year. A further confirmation of the extent of our business, up to a still more recent period, is to be found in the high figure at which the circulation of the banks still keeps. Unfortunately, indeed, owing to the Act of 1844, the returns of the English country bankers are no guide, whilst those of the banks in the South of Ireland have been affected by the foolish Fenian craze; but taking

the circulation of the Scottish Banks, and of the Banks in the North of Ireland, the results are as follows:

	Circulation. M.
23rd June, 1866.....	£5,689
26th May, 1866.....	5,917
24th June, 1865.....	5,755
27th May, 1865.....	5,830

It will be seen that upon the whole the circulation is keeping well up this year. I need not stop to show the value of this test of the trade of the country, and that, just as a brisk and active trade requires a large circulation of money, so a dull trade is conducted with a comparatively small amount.

The failure has been announced to-day of the Birmingham Banking Company. It has been in existence for 36 years, and was one of the largest and most important banks in the iron district. The year before last the capital was increased, and when this operation was completed, it was stated that "the number of shareholders on the register was 643; the paid-up capital of the Bank £268,940, and the reserve fund £187,880." It was also mentioned in this report that a large lock-up of capital "at Dudley, caused by the failure of Mr. Blackwell, is done away with." At the 36th annual meeting, held at the Queen's Hotel, Birmingham, on the 22nd July, 1866, the following statement of affairs was submitted:

Balance of undivided profits brought forward.....	£10,661	2	10
Net profits for 1865.....	54,122	6	4
	64,783	9	2
Less dividend and bonus paid in September last, and bonus payable in March next.....	54,662	0	0
Balance to be brought forward.....	£10,121	9	2

The report stated that the profits in 1865 were not so large as in 1864, when they had been £67,154 7s. 5d. It then went on to say that a bank had been opened at Coventry, the Directors having effected the purchase, on very "advantageous terms, of the old established business of Messrs Little and Woodcock, of that city." The following are the Directors for 1866, viz:—William Barrows, Sampson Lloyd Foster, Ralph Heaton, Joseph Taylor Horton, Samuel Wilfred Lucas, John Brearley Payn, Thomas Pemberton, John Poncia, Henry Van Wart, James Watson, Frederick Isaac Welch, W. M. Warden.

The following is from the telegrams announcing the failure:

The subjoined letter from the General Manager to the shareholders of the Birmingham Banking Company contains the only particulars which can be given at this moment:

"Gentlemen,—By order of the Board of Directors, it becomes my painful duty to inform you that, owing to past gross mismanagement, recently discovered, they have sustained heavy losses, and a large amount of capital has been locked up in securities that for a time cannot be raised. Under these circumstances, your Directors have been compelled to close the Bank. While expressing deep sympathy with the creditors, it is not necessary for me to say anything more than that their claims are perfectly safe; but to you I am authorized to say, that in all probability it will prove that, although the whole of the reserve fund is lost, a portion of the paid-up capital will remain if the estate is realized with care and economy.—I am, gentlemen, your obedient servant, THOS. F. SHAW, Manager."

The amount of the deposits is about £1,800,000. Probably the total liabilities are over £2,000,000.

This failure will add to the gloom which now prevails in the Birmingham trade.

The Cotton market this week has been active. The sales in Liverpool have amounted to 98,000 bales, of which the trade has taken 65,000. The stock is now 923,000 bales, against 361,000 at the corresponding period of last year. There has been a considerable business transacted in Manchester. Rates towards the close of the week, especially of shirtings, are, however, scarcely so firm.

The uncertainty as to the prospects of an immediate peace in Europe and the fineness of the weather have combined to render the Corn Market very quiet. Transactions have been on a limited scale, although at yesterday's markets (Friday, the 13th instant) a rather better feeling prevailed.

The Stock and Share Markets show but little change since this day week. At one time, owing to the hopes of peace, the funds advanced to 8½, but they close at 8¼. Bank shares, which had advanced considerably in consequence of the favorable report of the Union Bank of London, are again quiet. In railways there is but little change. The market is heavy.

July 14, 1866.

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