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THE GENERAL FINANCIAL SITUATION.

This week the Cape gold arriving in London on Monday—amounting to \$3,500,000—was shared between the Continent and the Bank of England. The English bank has been obliged to face a considerable gold demand, emanating from India; and it is expected that Brazil too will be in the market for the metal. These two demands, especially if they are accompanied by a revival of stock market activity in Wall Street, promise to have an effect in making money in Europe dearer. At their Thursday meeting this week the Bank of England directors raised their rate to 5 per cent. In the London market rates have advanced sharply. Call money is $3\frac{3}{4}$ per cent.; short bills $4\frac{5}{8}$; three months bills, $4\frac{1}{2}$ to $4\frac{5}{8}$. Berlin is another market in which money has risen during the week. Discounts there are $4\frac{3}{8}$ as compared with a flat 4 a week ago. The Paris market, however, is unchanged at $2\frac{7}{8}$ p.c. The official rate at the Bank of France remains at 3 p.c., and that of the Imperial Bank of Germany continues at 5 p.c.

The committee of English and American bankers, who were appointed to discuss the question of cotton bills of lading, have succeeded in averting the threatened dead lock. It is arranged that a company shall be formed to guarantee the validity of the bills of lading attached to cotton drafts; and both parties profess to be satisfied with this arrangement. However, as a number of details have to be worked out, and as it is desired to leave the way open for existing insurance and surety companies to undertake the business of guaranteeing the cotton bills, the English bankers have agreed to put forward the date on which they will cease to accept cotton drafts accompanied by unguaranteed bills of lading, from October 31st to

December 31st. This outcome is highly satisfactory to bankers on this side of the Atlantic as it means that the present year's cotton crop will be financed in the accustomed manner.

The general nature of the advance in interest rates is more clearly seen when it is mentioned that an important rise occurred during the week in London, Berlin and New York—in three of the four great markets. In New York call money is quoted at $3\frac{3}{4}$ per cent. Time money is as follows: Sixty days, $4\frac{1}{2}$ to $4\frac{3}{4}$; 90 days, $4\frac{3}{4}$ to 5 p.c.; six months, $4\frac{3}{4}$. The last bank statement showed that the clearing house institutions were able, through wholesale transfer of their loans to outside banks, to effect a gain in surplus. Loans were reduced \$19,226,000; cash fell \$750,000; and the surplus increased by \$4,200,000. It now stands at \$11,170,275. The trust companies and non-member state banks reported a loan expansion of \$12,400,000 along with a cash increase of \$1,370,000. Their proportion of reserve to liability fell from 17.9 p.c. to 17.6 p.c. These institutions can perhaps continue for a while longer to assume the loans of the clearing house banks; but in all probability they and the international bankers outside the clearing house will ask for and get interest rates somewhat higher than those now current. In other words the signs point to a rise of call loan rates in New York. And if the Wall Street stock market continues to show activity of dealings and rising quotations it is practically certain that interest rates will rise with some rapidity.

So far as the crops are concerned the year has not turned out at all badly. True, the wheat crop in the North-Western States, like that of our own Western provinces, is decidedly short; but the effects thereof on the general situation are largely neutralized by the very heavy yield of corn. The yield of cotton, though short, is better than was expected a short time ago. It is said that many of the cotton mills will be obliged to shut down for a protracted period if prices of raw cotton do not recede materially. If the policy of curtailed output is put in force at all generally, there may be seen a fall in cotton prices in spite of the short yield.

In Canada money rates have not changed materially; the rates for call money at Montreal and Toronto are still given as 5 and $5\frac{1}{2}$ p.c. But the bankers are holding their funds somewhat more firmly. The notion that the next move in the interest rate will be upward is more generally held. Our Western wheat crop is being handled in satisfactory fashion by the banks. Owing to the early maturity of the grain the record of railway shipments at first compared well with 1909.