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THE GENERAL FINANCIAL SITUATION.

The Bank of England secured the bulk of the $4,000,000 new gold offered in the London market on Monday. The official rate of discount of the big English central institution remains unchanged at 4 p.c. In the London market call money is 2¾ to 3 p.c.; short bills are 3¾; and three months' bills, 3¾ to 3 13-16. On the continent the tension has relaxed noticeably—the market rate of discount at Berlin has receded further, to 3½, bringing it practically level with the rates prevailing in Paris and London. In the Paris market discounts are 3¼. Bank rates at Paris and Berlin are maintained at 3½ p.c. and 5 p.c. respectively.

In New York call loans are 2½ p.c.; sixty day loans, 3 to 3¼; ninety days, 3¼ to 3¾; and six months, 3½ to 3¾. The Saturday bank statement showed that the clearing house institutions in the American metropolis effected a further large gain in surplus reserves. Taking all members, the loans increased $15,374,000; cash increased $14,500,000; and excess cash reserves increased $8,240,000, standing at the end of the week at $27,239,100. In the case of the banks alone the loan expansion was much larger—$25,000,000; the cash gain was also larger—$15,737,000; and the increase of surplus was $5,285,000, making the item stand at $22,774,500. The inflow of cash from the interior is proceeding on a very large scale. As the banks in the North Western States and the South drew heavily on the currency supplies of Chicago and New York for financing the big spring wheat and cotton crops, so now they are sending in huge parcels of currency for credit of their accounts with New York and Chicago correspondents. This movement will undoubtedly be much in evidence for two or three weeks. It should suffice to augment the surplus reserves of the New York banks appreciably. In this connection it is to be remembered that the position of New York in regard to foreign exchange is very strong. At this season in some other years it is the case that the New York bankers have anticipated the shipment of cotton, corn, and other produce to Europe through drawing finance bills. When that happens the shipments of produce serve to liquidate or clear off the indebtedness thus previously created. The New York bankers did not in the latter part of 1911 go in debt to Europe. On the contrary they advanced many millions to relieve Berlin's distress when the French balances were withdrawn from that centre. So the abnormally heavy exports of cotton and the exports of other produce would serve to create fresh credits in Europe for the American bankers. No doubt these credits were drawn upon extensively to remit January dividend and coupon money to London and Paris. At present the New York banks are supposed to possess the credits in Berlin and the return flow of funds from the interior is also strengthening them. Exchange has shown a tendency to rise in the last fortnight and gold has been shipped from New York to the Argentine.

One cause of the firmness of sterling exchange has been the Lancashire cotton lockout. Owing to the stoppage of their operations the spinners and the Manchester importers were not disposed to continue purchasing raw cotton heavily. Consequently the offerings of cotton bills drawn upon England underwent a reduction. The gold export movement to Argentine represents the transfer of proceeds of Argentine loans made by Paris. The French bankers who took the big loan from the South American republic are able to make remittance of the proceeds through drawing on their credits abroad—mainly in London and New York. The London bankers, however, are often able to shift the burden to New York when Paris or another international market makes extraordinary demands upon them.

In Canada money market conditions are practically unchanged. Call loans in Montreal and Toronto are