The Chronicle

Banking, Insurance and Finance

Established 1881. Published Every Friday

R. WILSON-SMITH, *Proprietor*.

Guardian Building, Montreal.

Annual Subscription, $2.00. Single Copy, 10 cents

MONTREAL, FRIDAY, JULY 1, 1910.

THE GENERAL FINANCIAL SITUATION.

The bulk of the $4,000,000 South African gold arriving on Monday passed into the possession of the Bank of England. At their Thursday meeting the directors of that institution left their official discount rate at 3 p.c. In the London market the general level of rates is approximately the same as a week ago. Call money 2½ p.c.; short bills, 2⅛; three months' bills, 2⅛. No change occurred in the official rates of the Bank of France and the Bank of Germany. Three per cent. and 4 p.c., therefore, still prevail respectively at those two institutions. The Paris market has risen slightly, and is now 2½ p.c., while the Berlin market has shaded off and stands at 3⅛.

Rates in New York also are about the same as last week: call loans range from 2½ to 2⅞ with most of the business at the higher level. Sixty day loans 3; 90 days, 3¼; and six months 4¼.

On Saturday the clearing house banks suffered a loss in surplus of $3,406,000, due to a loan expansion of $14,600,000 and a practically stationary position in specie and legals. After this reduction the surplus stands at $25,145,850, or 27.1 p.c. of the liabilities. The trust companies and non-member state banks also reported an important loan expansion—$6,714,000. Their specie and legals, too, remained at about last week's level. It is, of course, understood that preparations for the large dividend and coupon disbursements, maturing July 1st, accounted for a considerable part of the increase in the loan account. It will be merely a temporary increase and perhaps by the middle or third week of July the funds represented by the dividend cheques and coupons will be again at the disposal of the market.

The present week opened with a renewal of the liquidation in speculative stocks which has been in evidence off and on for several months. The favorite stocks registered declines of a number of points and a considerable cleaning up of the speculative accounts on the books of the brokers took place. This had its effect on the money market and in due time the figures of the bank statement will reflect the circumstance. On this occasion it was not monetary pressure or prospects of monetary pressure that upset the stock market. A sharp rise in wheat prices accompanied by the circulation of alarming reports as to the damage done by the hot dry weather to the growing wheat crop in the Northwestern States, awakened the alarm of holders of stocks and the bears were quick to use the ammunition thus provided for them. This touches Canada very closely. The climatic conditions in the Northwestern States and those in our own prairie provinces are, of course, practically identical; and if the crops on the southern side of the boundary line are deteriorating from hot weather those on the northern side will be undergoing the same process. It is said though that the damage reports are much exaggerated and that if the rains come in satisfactory manner during the next three weeks the loss will be repaired in large measure. It is often the case that when people are anxiously watching for rain during a period of drought that they fall into panic after drought has continued for a certain length of time, and some will become subject to an unreasoning fear that perhaps "it will never rain again;" and in measuring the damage done to crops they instinctively include in the bill of costs the damage that would be done if rain kept off for a week or two weeks more.

In Canada the monetary situation presents no new features. Call loans are still quoted at 5½ p.c. But the banking institutions are preparing steadily for the work of moving the Western wheat crop. In two months deliveries will be commencing; and even if a moderate amount of damage from dry weather be allowed for the yield will still be very large, and it promises to severely tax the resources of the banks to handle it.

Mergers and consolidations still continue. The leather manufacturing concerns are said to be moving towards a consolidation with an aggregate capitalization of $15,000,000. No doubt, a little later there will be an issue of stock for the public. Also probably the Steel Company of Canada may have a public issue. If it does not it will not be similar to the other mergers. All these transactions have operated and promise to operate in the direction of engaging the bank's resources.

Then, during the week there has been much uncertainty as to a trainmen's strike against the Canadian Pacific and the Grand Trunk companies. The dispute originated in the usual way—a demand for higher wages. While it is to be hoped that it will be accomodated without a rupture occurring, it is also to be hoped that the industry and commerce of the country will not be saddled with the expense of the higher freight rates which seem to be a consequence if the railway men's wages are heavily increased.

A rumour comes from Halifax that the Royal Bank of Canada and the Union Bank of Halifax are considering a merger. If the report is true and a combination results it will make of the Royal an institution with over $90,000,000 of assets.