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THE GENERAL FINANCIAL SITUATION.

The continent secured the bulk of the $3,000,000 South African gold arriving in London on Monday. A tendency towards monetary ease characterizes London and the other great European markets. Bank of England rate was left unchanged at 3 per cent. Quotations in the London market are: call money ¾ to 1 per cent.; short bills, 2 13-16 to 2⅞; three months' bills, 2 15-16 to 3 p.c. On the continent rates are maintained at last week's level. The Bank of France and the Bank of Germany adhere to their existing rates—the former 3 p.c. and the latter 4 p.c. In the Paris market 2⅛ is quoted and at Berlin the market stands at 3⅞. In the absence of special demands for capital while the political aspect remains tranquil it is not to be expected that violent fluctuations in the price of money will be in evidence. It is to be noted, however, that release of a considerable sum in government balances at the Bank of England had something to do in making the London market softer in tone.

At New York also a tendency towards softness has been visible. Call loans 2 p.c.; sixty days 3½ to 3¾; 90 days, 4 to 4¼; six months, 4½ to 4¾ are the quotations prevailing, notwithstanding the fact that the Saturday bank statement showed that another respectable slice had been cut from the surplus of the clearing house institutions. They had to report a loan expansion of $2,900,000, and a specie outgo of $4,500,000—the net result of which was to reduce the surplus by $3,788,000, bringing it down to $28,069,375.

The trust companies and non-member state banks reported a loan reduction of $3,760,000 accompanied by a cash loss of a million dollars. Their proportion of reserve to liability remained unchanged at 18.0 p.c. Notwithstanding the dwindling of the surplus reserve the sentiment in the big American centre is not now greatly disturbed. It is probable enough that the development of the crop-moving season in the United States and in Canada will result in further heavy drafts upon the New York surplus, and Wall Street doubtless has this contingency in mind. But in the past year the speculative community has "supped on horrors" so constantly that a small thing like the probable exhaustion of the bank surplus does not worry it. For example a little prospective tightness in the money market does not appear to the average speculator such a fearsome thing since he has been worrying over the apparently desperate efforts of the legislators—federal and state—to cripple or destroy the railways and other great corporations the stocks of which are scattered widely over this continent and over Europe.

Call loans in Montreal and Toronto are unchanged at 5½ p.c. Local money market conditions have not displayed any tendency towards marked change. The business of moving our western wheat crop is going forward smoothly and satisfactorily, and there is no indication whatever that it is overtaxing or straining the banks in any way. Although the trading in the home stock markets has assumed a more confident tone it is not yet so active as to throw any remarkable burden upon the banks in the financing of it. A short while ago the news dispatches from New York regarding the so-called Pearson-Farquhar syndicate had an effect in depressing the Latin-American group of stocks in the Montreal and Toronto markets. As a depressing factor that circumstance has about lost its force and the group in question is scoring satisfactory advances.

It is to be noted that the proposed deal regarding Montreal Street Railway will call for some heavy financing which should by right be undertaken abroad. But it may be that Montreal and Toronto will be required to take a considerable part of this load.

New York exchange is still quoted at a discount in Montreal and Toronto—so presumably the transfer of credits or funds from the big centre to this country is still actively in progress. There have been no complaints from New York as to our banks calling loans there. And perhaps the movement consists of drawings against the balances accumulated in the New York banks as a result of the calling of loans three weeks ago and more. It will be understood that there is always a considerable demand for New York exchange emanating from the Canadian wholesale and manufacturing interests importing goods from the United States. But in seasons like the present when the banks are transferring to this country blocks of capital hitherto employed as call loans elsewhere the flow in this direction overbalances the demand from the importers and sends New York funds to a discount.