The Chronicle
Banking, Insurance and Finance

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY.

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Chief Office:
GUARDIAN BUILDING, 160 ST. JAMES STREET, MONTREAL.

Annual Subscription, $3.00. Single Copy, 10 cents

MONTREAL, FRIDAY, SEPTEMBER 20, 1912.

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THE GENERAL FINANCIAL SITUATION.

The new gold offered in London on Monday amounted to $4,000,000. Germany secured $2,000,000, India took $1,000,000, and the balance was reported not sold. However, from New York comes the news that the unsold balance, or part of it, figured in the gold engagement for the American centre, amounting to $750,000, which was announced at the beginning of the week. That engagement is supposed to have been the initial step in an important movement of gold from London to New York. It is said that the shipment on Monday was a special transaction due to the placing of a large amount of New York city bonds with British investors. But it is well known that foreign exchange in New York has been weakening latterly as interest rates there rose to attractive levels. And it is to be expected that the continuation of a firm money market will cause a considerable flow of European funds this way across the Atlantic.

Bank rate in London is unchanged at 4 p.c. In the open market call money is 1¾ to 2; short bills are 3⅜ to 3½; and three months' bills, 3¾. At Paris the private rate of discount is 3, and at Berlin it is 4⅜. As yet the Bank of France rate is held at 3 and the German bank rate at 4½; but some authorities declare that a rise is to be expected in both cases before very long. It is agreed that at Berlin in particular the demand for funds will be very keen until the month of October is fairly entered; and with reference to the probable American requisitions upon the British gold supply, the Bank of England is reported as being somewhat opposed to the inauguration of a movement to the States while Germany also is drawing gold.

European financial circles are, of course, greatly interested in the details of the Turco-Italian settlement. While the arrangements are not as yet complete, it is confidently said that in the proposed terms of peace is an undertaking by Italy to secure for Turkey, a loan of 500,000,000 to 600,000,000 francs. If that report is correct it is practically certain that London and Paris will have to find the proceeds. Needless to say, the loan will be placed on terms yielding the British and French bankers excellent returns; and it will, of course, have some effect in driving up the rates of interest in the two big world centres. So in that way Canadian borrowers will perhaps be touched by the ill-advised war between the two Mediterranean powers.

New York has made further progress during the week in the direction of higher rates for money. Call loans have ranged from 4½ to 5½ p.c. with most of the business at 5 or 5¼. Time money has advanced from ¼ to ½ p.c. Sixty day loans are now 5½ p.c.; ninety days, 5½ to 5¾; and six months, 5¼ p.c.

By means of continued calling of loans, the clearing house institutions succeeded in making an addition to their surplus reserves at the end of the week. Taking all members—banks and trust companies—the loan contraction amounted to $27,435,000; and this served to effect an increase of $868,000 in the excess cash reserve, notwithstanding the loss of $7,200,000 specie and legals. This gain brought the excess reserve up to $3,619,752. In the case of the banks alone the cash loss was kept down to $3,845,000 and, therefore, the loan contraction of about $21,000,000 sufficed to increase the surplus by $2,688,000.

It seems quite clear that the financing of the crops will continue to tax the New York banks for six weeks or two months yet at any rate. And if European capital is to be enlisted to a large extent the rates of interest in New York will have to be kept at an attractive level. In the crop moving the greatest strain upon the United States monetary system usually materializes about the beginning of October. So it is not at all unreasonable to expect that time money will rise to 6 per cent. or 6½ before another month has passed. As for call loans it is