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THE GENERAL FINANCIAL SITUATION.

For the last three or four weeks the Bank of England has succeeded in securing the weekly arrivals of gold from the Transvaal mines. On Monday they amounted to $2,500,000. Also this week an arrangement was concluded with the Bank of France whereby that institution sends $1,250,000 in sovereigns to the Bank of England in exchange for English bills, on condition that gold to an equal amount be returned on maturity of the bills. Probably these accessions of specie and the knowledge that the speculative cliques in New York and Berlin are holding their hand proved to the directors of the Bank of England that there was no immediate need of a further rise in the discount rate. At any rate it was left at 5 per cent. and financial authorities in London do not apparently look for a change for a while at least. In the open market call money is quoted at 4½; short bills 4¾ to 4⅞; and three months' bills 4 9-16.

The official discount rate at the Bank of France remains at 3 per cent.; and that at the Imperial Bank of Germany at 5. Open market rate at Paris is 2⅞, and at Berlin 4⅝. The cable advices to the effect that a better prospect is opening for an understanding between Great Britain and Germany as regards naval expenditures provided welcome news for the financial interests in Canada. That terrible financial struggle between the two empires excites nothing but misgivings in the minds of thoughtful persons; and any indication that it may be terminated or reduced to less burdensome proportions cannot but be hailed with delight. Perhaps it is not too wild a hope to cherish that in three or four years the Anglo-German relations will have undergone a complete change. When it happens that two great nations have been regarding each other with unreasonable suspicions and have been ascribing to each other's actions motives of bitter hostility, it sometimes occurs, if the statesmen guiding the respective helms are careful to preserve an attitude of correct friendliness with each other, that the season of mutual distrust is followed by one of cordial amity. If that turns out to be the case with Britain and Germany, the financial markets in the old world and the new will heave deep sighs of relief. The consequences would, indeed, be far-reaching. At present they see ahead of them a prospect of endless borrowing and heavy increase of taxation. Our own budget would be materially affected inasmuch that our new navy proposals contemplate the borrowing of a large sum and the appropriation of a considerable amount for annual charges and upkeep. If an understanding with Germany makes it less necessary for England to look to the colonies for assistance, Canadian bonds and our home financial markets will be benefitted.

The New York market almost provided sensational features during the week. Though call loans went as high as 6 per cent., the ruling rate is back at 5. Time money has shown an increasing tendency to firmness, the quotations being: 60 days 5¼ p.c.; 90 days 5 p.c., and six months, 4¾. It was revealed in the Saturday statement that the surplus reserve of the New York banks had undergone the further heavy shrinkage of $6,603,275, reducing it to the small figure of $4,496,325. Expansion of loans and loss of cash to the interior both contributed to this result. The increase in the loan item was $6,600,000; and the decrease of cash was about $6,100,000. As the business in the stock market was hardly of a kind to cause an important expansion of bank loans the natural inference is that the New York banks assumed some loans that had been carried in London. Others are being transferred to New York this week.

The foreign exchange market has been stronger owing in part to the recent shipment of collateral to this side. Important gold exports have been arranged from New York to Brazil for London account. Another circumstance that has increased the demand for sterling is the maturity in London of several issues of New York city warrants. A despatch to the Evening Post states that these obligations have been held largely by the great London banks, some exceptionally large holdings being concentrated in a few hands.

Call loan rate in Canada remains at the level recently fixed—5 per cent.; and it is not expected that a further rise will take place for a time at least, unless fresh developments of importance in the home or foreign markets make that course necessary or advisable. Last week's drop in La Rose Consolidated appears to have had an influence in checking the speculation in the Cobalt shares, and in that respect it has tended to ease the money market.

The heavy realizations by Western Canada