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THE GENERAL FINANCIAL SITUATION.

On Monday this week Russia and India secured most of the $2,500,000 new gold arriving from the Transvaal mines. It has been remarked that financial and stock market affairs in London have been in a state of suspense during the week or ten days following King Edward's death. With the resumption of business on Monday observers began once more to look for tendencies. One tendency which manifested itself without loss of time was that indicating firmer money. Cables state that the collection of the overdue revenue is now reaching a stage wherein the money market is affected more notably. At first the payments consisted largely of transfers of balances on the books of the Bank of England. The joint stock banks had accumulated funds for the purpose, and when collection of the taxes was legalized they merely drew cheques on their balances in the Bank of England and the central institution applied the funds to the Government account. Now, however, these balances have been nearly or altogether exhausted, and as the revenue collections continue to be made, there is necessitated a borrowing demand on the Bank of England to provide for them. This naturally stiffens the money market. Also it has been observed that the Bank of England is desirous of fortifying itself strongly so as to be in position to maintain the financial equilibrium in the event of a collapse of the rubber and oil speculation. It is said that London expects to draw gold from Paris as a result of recent security issues placed in the French capital by United States railways.

On Thursday the Bank of England directors continued their official discount rate at 4 p.c. In the London market call money is quoted at 3 to 3½ p.c. Short bills are 3¾; three months' bills 3 11-16 to 3¾. Thus the market has moved materially closer to bank rate and the conditions prevailing have sufficed to give the bank a larger control. In Paris the market rate is 2¼ and in Berlin it is 3¼. Both of the continental markets are likely enough to reflect an increasing hardness because of the fact that the higher rates prevailing in London have turned the exchanges in the direction of gold movements to London. Bank of France rate is still 3 p.c. and that of the Bank of Germany 4 p.c.

In New York call money ranged from 3 to 3½ p.c., with most of the loans at the 3 p.c. level. Sixty day money 3¾; 90 days 3¾ to 4; and six months, 4 to 4½. On Saturday the New York banks effected a further addition to their surplus reserves by reason of important accessions of cash. Loans increased $13,700,000, cash increased $9,000,000, and the surplus rose $3,400,000, bringing it up to $25,213,550. The trust companies and non-member state banks reported a loan increase of less than a million and a small cash loss, which served to reduce slightly their ratio of reserve to liability.

One of the notable developments of the week at the big American centre has been the appearance of an important demand for rediscounts emanating from banks in certain sections of the West and South. In the editorial paragraphs is a reference to the land speculating propensities of those districts. Owing to this movement and to the large requirements of the local industries the small local banks have put out all their available funds and are now borrowing from their metropolitan correspondents in order to enable them to satisfy their customers. Another feature was a sharp rise in quotations for sterling bills. The position of the sterling market is rather curious in view of the large bond issues announced as having been ararnged for in Paris. It appears that the French bankers have not yet definitely committed themselves to some of the transactions. The Paris financiers always insist upon a long and exhaustive examination before they will let their money go, and doubtless they are engaged now in collecting the data and particulars regarding the properties on which they have tentatively agreed to advance. Whatever is the reason, exchange against the new loans has not appeared in the market. As mentioned above, London is showing a disposition to absorb these proceeds.

Montreal banks have this week definitely passed to the basis of 5½ p.c. for call loans on stock market collateral. The Toronto banks had done so in the preceding week. There is not an active speculation on either of the large Canadian stock exchanges. The traders have been well aware for some time that monetary conditions here were likely to become harder as the industrial improvement continued. Perhaps thefirmer aspect of the money market has had something to do with the break in wheat which took place early in the week. It was quite general—the Liverpool and Berlin markets being affected as well as Chicago and Winnipeg. Of course the breaking of the drouth in the West was the chief factor in improving the bear position. But the monetary situation must also be regarded as a factor tending in the same direction.

In the case of the Nova Scotia Steel Company's bond issue in London this week a cable dispatch states that the public took about 15 p.c. in addition to about 33 p.c. which the underwriters took in advance.