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THE GENERAL FINANCIAL SITUATION.

Again this week the Bank of England got most of the Transvaal gold offered in London. The shipments amounted to \$3,750,000. Bank rate is unchanged at 4 p.c. In the open market call money is quoted $1\frac{1}{2}$ to $1\frac{3}{4}$ p.c.; short bills are $3\frac{1}{4}$ to $3\frac{3}{8}$; and three months' bills, $3\frac{5}{8}$ per cent. These rates do not differ materially from the rates quoted a week ago. Discounts in the Paris market are a fraction higher, at $2\frac{7}{8}$ p.c. and at Berlin the rate is $4\frac{3}{8}$. Some authorities incline to the opinion that the Imperial Bank of Germany will advance its rate very shortly owing to the near approach of the September quarter-day payments. At present the $4\frac{1}{2}$ p.c. rate is continued in force; and the Bank of France also adheres to its 3 p.c. quotation.

During the week New York has seen the money situation there harden further. Last week it was noted that call loans rose to the 4 p.c. level. This week they have been as high as $5\frac{1}{2}$ and the greater part of the business yesterday was at $5\frac{1}{4}$ per cent. Time money has also risen—the supply being limited and the demand being fairly large. It is said that the rise of the call loan rate is causing some houses

to consider the advisability of stocking up with time money. Sixty day loans are now 5 to $5\frac{1}{4}$; ninety days, 5 to $5\frac{1}{4}$; and six months, $5\frac{1}{4}$ to $5\frac{1}{2}$.

No doubt the loss of reserve strength reported by the metropolitan banking institutions in their week-end return had considerable influence in making money harder. The banks and trust companies taken together experienced a loss of cash amounting to \$10,345,000, which was only partly counter-balanced by the loan contraction of \$28,016,000. The excess cash reserve decreased \$1,802,000 and now stands at \$2,751,100. In the case of the banks alone the statement showed that their surplus was practically wiped out. Their cash loss was \$11,134,000 and loan contraction, \$15,410,000. The surplus fell from \$4,806,250 to \$350,750.

Sterling exchange in New York has been weakening under heavy offerings of bills and it is expected that the monetary position there will shortly be strengthened through importation of gold from Europe. The Canadian bank agencies in particular are said to have been extensive sellers of sterling exchange. As the flotations of new Canadian securities in London have latterly been comparatively small, it is quite likely that our banks in drawing freely on London have been anticipating a record export movement of agricultural products from America to Europe this fall. Exporting houses in New York are accustomed to enter into contracts with the foreign exchange dealers under which they bind themselves to supply round amounts of sterling exchange on or before a specified date. Holding these contracts for considerable sums, the Canadian banks are enabled to sell bills on London in advance of the export movement at the minimum of risk.

The monthly crop report issued this week by the United States Government promises a very large volume of agricultural exports. The indications are for enormous crops. Thus spring wheat is down for 300,000,000 bushels as against 100,000,000 bushels in 1911, and the total wheat yield is expected to be 600,000,000 bushels (a new high record) as compared with 621,000,000 bushels last year. The 1912 corn crop is placed at 2,995,000,000 bushels—the increase for the year being no less than 464,000,000 bushels. Oats in 1912 are placed at 1,290,000,000 bushels as against 922,000,000 bushels in 1911; barley, 200,000,000 bushels this year against 160,000,000 last year; and potatoes, 308,000,000 bushels this year against 292,000,000 last year.

These are enormous gains and if nothing disastrous happens before harvest is completed, the cost of living should go down substantially as a result of the big yields. No wonder that the most conservative authorities are coming forward with predictions of a period of great prosperity for the United States. The great harvests in prospect have served to stimulate the iron and steel industry and other basic industries and activity is now the rule.