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INDEX TO PRINCIPAL CONTENTS

THE GENERAL FINANCIAL SITUATION.

While the past week in Europe has been considerably broken by holidays, the transatlantic money markets were characterized by firmness. Withdrawals of cash for holiday purposes are always on a large scale in the closing week of the year. The central banking institutions invariably report heavy losses of cash, much of which is recovered in the ensuing two weeks. Bank rate in London is still held at 4 p.c. In the market call money is 3½ to 3¾ p.c.; short bills, 3 15-16; three months' bills, 3¾ to 3 13-16. At Paris discounts in the market are unchanged at 3¼ and Bank of France rate is still 3½. The official rate of the Imperial Bank of Germany is maintained at 5 p.c., while in the Berlin market discounts are quoted at 4⅞. It is said that the German banks have not been bidding so actively for funds in New York. However, their offers of interest had risen to 7½ p.c. at the end of last week. That circumstance shows that monetary affairs in Berlin are in a peculiar state. Although the Germans are reluctant to admit it, the withdrawals of French money from Germany appears to have had a crippling effect. The publication of the bi-monthly statements of the great German banks revealed the extent of the drain in the two months particularly affected by the action of the French bankers. In the two months referred to there is usually a large increase in the current liabilities of these banks. The increase in 1910 was over $41,000,000; and in 1909 it was over $57,000,000. This year, however, instead of an increase there was a huge decrease amounting to over $94,000,000. This contraction of liabilities is more than accounted for in the decrease of the current account deposits. These fell $98,000,000. More than half of this loss was experienced by the Deutsche Bank, the deposits of which fell $50,000,000.

Naturally with such a heavy loss of deposits the German banks were obliged to curtail their loans and advances. The brunt of the liquidation fell upon the advances for carrying stocks and loans on collateral. The contraction in these amounted to $75,000,000. It is said that the high rates of interest bid by the Berlin banks for loans in New York represented the urgent necessities of the German borrowers upon securities. Apparently the Berlin banks have not sold out the speculative borrowers. They appear to have followed the policy of borrowing abroad for the purpose of avoiding a more general liquidation of securities. It will be interesting to see how that plan works out eventually. It is not likely that the American funds will be left in Berlin for a protracted period. At any rate a lesson in political finance has been administered. The country with the strongest legions has been taught that if it threatens another nation, it must be prepared to repay capital lent to it by the citizens and banks of the threatened nation.

The holiday dulness has also pervaded the dealings in Wall Street and the transactions in the New York money market. Call loans are 3¾; sixty day loans, 4 to 4¼; 90 days, 4 per cent.; six months, 4 to 4¼. Borrowing for the January payments and withdrawals of currency for Christmas purposes occasioned a decrease in the surplus reserves of the clearing house institutions. Loans increased $10,283,000; cash decreased $1,070,000; and the excess cash reserve decreased $4,489,000 to $11,138,000. This is the showing made by all members of the clearing house. In the case of the banks alone the loan expansion was $7,251,000; the cash loss was $4,100,000 and the decrease of surplus, $5,146,000. In their case the surplus remains at $9,600,000.

The demand for exchange is always strong in New York towards the end of December. The European holders of American bonds and stocks are to be paid a large amount of interest and dividends on January 1st. And the Christmas remittances are very large. The New York postmaster the other day issued a