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THE GENERAL FINANCIAL SITUATION.

Of the $3,500,000 South African gold arriving in London on Monday, the Bank of England secured half; the balance was divided between India and the Continent of Europe. Bank rate remains unchanged at 4 p.c., but in the London market money tends towards lower rates. Call money, 1½ to 2 p.c.; short bills, 3 9-16; three months bills, 3⅝.

The rates hitherto quoted by the Bank of France and the Bank of Germany—3 and 5 p.c. respectively—are maintained; and the Berlin market has hardened to 4 p.c. The market at Paris has continued steady at last week's level, 2⅞ p.c. Enough time has elapsed to show that the European financial centres do not rate the Portuguese revolution as a serious disturbing factor. The behaviour of international stocks has been such as to indicate that this particular political upheaval had been fully discounted and foreseen by the leading financial interests. It is doubtful, however, if the world-markets have as yet discounted a possible extension of revolutionary ideas beyond the Portuguese border. The course of events in Spain particularly will be watched with great interest during the immediate future.

In New York there has been seen during the week a moderate rise in quotations of the speculative stocks, in the face of a hardening money market Possibly the activity of Wall Street speculators has been one of the important factors in sending the rates for call loans to a higher level. These have ranged from 2¾ to 3¾. Sixty-day paper commands 4¼ p.c.; 90 days and six months 4⅝ to 4¾ per cent. News dispatches say as regards time money, that both the demand and supply are light. But it is noteworthy that the note brokers continue to offer commercial paper freely and the demand is very light. In the case of this paper the rates range from 5¼ to 6½; so that, allowing for the restrictions and expenses attendant upon borrowing in the United States, first-class mercantile borrowers there are now paying rates well above those charged large houses in Canada by our own banks.

The Saturday statement of the New York clearing house banks revealed a cash loss of $4,200,000 —this being the fundamental feature of the report. The loan reduction of $15,000,000 was apparently a result of the drain of cash. In other words the banks proceeded to reduce their loans as a means of retaining their reserve strength under the cash outgo. The surplus was increased by $2,000,000 and stands at $6,987,825. The trust companies and non-member state banks increased their loans $12,600,000 (probably through continuing their policy of taking over loans from the clearing house institutions). As they were able to report a cash increase of $1,800,000 their proportion of reserve to liability remained unchanged at 17.9 p.c.

The dispute over the guarantee of cotton bills of lading had a marked influence on the exchange market this present week. The English bankers had set 31st October as the date after which they would refuse to accept bills drawn against cotton shipments unless the bills of lading were guaranteed by the American bankers forwarding them. So there has been a rush to market cotton bills in New York in time for them to reach England before the 31st inst. Under the influence of the heavy offerings sterling quotations have fallen considerably and the market experts would not be surprised if they reached the gold import point should the rush continue. However, sterling bills to reach England by the end of the month will have to be marketed in the next week or ten days. But it is possible that within that time an agreement may be reached whereby the American bankers may freely forward bills to Europe in full confidence that they will be accepted as heretofore. In the meantime the currency drain to the interior continues, and the moderate activity of Wall Street tends also to create a demand for credits. The two latter circumstances have their effect in hardening New York interest rates and in inducing the creation of bills on London.

In Canada rates of interest are unchanged—call loans being still 5 and 5½ p.c. respectively in Montreal and Toronto. It is to be expected that a rise in the New York call loan rates would have some effect upon the quotations for New York exchange in Montreal and Toronto. If it is possible to get 6 p.c. or 7 p.c. on call loans in the American metropolis those New York houses which have been freely lending funds in Montreal and Toronto will be induced to transfer funds there, as will also the Canadian banks.

As the Canadian stock market is also showing