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THE GENERAL FINANCIAL SITUATION.

This week again the Bank of England secured the bulk of the Transvaal gold arriving in London. Its success latterly in this regard is having some effect in loosening money rates in London. Bank rate was this week reduced to 3½ per cent. In the London market discounts eased. Call money is 2 to 2¼ p.c.; short bills, off slightly, at 3 p.c.; three months bills, 2⅞ to 2 15-16.

At Berlin the market has softened further during the week, the rate now being 2⅞. Official rate of the Bank of Germany is 4½. Paris on the other hand has witnessed a rise in discount. The Bank of France rate remains at the 3 p.c. level, but the market is 3¼.

In New York the monetary situation has not undergone any material change. Call loans are the same as a week ago, 2⅜; sixty day loans, 3 p.c.; ninety days, 3¼ per cent.; six months, 3½ to 3¾. On Saturday the clearing house banks reported a loan expansion of $12,360,000 accompanied by a cash gain of $1,800,000. The net result thereof was a decrease of surplus amounting to $1,620,000. The item stands at $35,769,075, as against $29,056,225 at the same date in 1910, and $10,205,225 in 1909. The trust companies and non-member state banks reported a loan expansion of $5,241,000 and a cash loss of $540,000. Their percentage of reserve to liability declined from 17.4 to 17.3.

In connection with the bank position at New York it is to be observed that the movement of funds from the interior to that centre is practically over for the time being. In the ordinary course the opening of spring will cause the shipment of cash by New York to the bankers in the inland cities and towns. Should general business activity revive as is expected in some influential quarters the outgo of cash might be very considerable. Also the moderate revival of activity in Wall Street would have an effect in absorbing the surplus funds of the metropolitan banks. On the other hand it appears that a respectable proportion of the large New York city bond issue was taken by European investors and it is generally understood that Europe is preparing to invest heavily in United States and Canadian securities when it becomes a little clearer that conditions on this side the Atlantic will be prosperous during 1911.

The gradual easing of the monetary position in Europe is a matter of much consequence to corporations and governments in America desiring to borrow on long-term obligations. If stringency does not reappear in London, Paris and Berlin, the market for good bonds and debentures should improve substantially before the year is much older. In the meantime some of the greatest railway corporations in the United States are financing themselves by means of short term note issues. Among the issues announced this week were those of the New York Central, $30,000,000, running three years, and of the Baltimore and Ohio—$10,000,000, running two years. Both issues will bear interest at 4½ p.c. The anouncements caused a little surprise in Wall Street as it had been confidently expected that bonds and not notes would be used. Apparently the bonds market is not yet exactly favourable for operations of this kind on a large scale.