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THE GENERAL FINANCIAL SITUATION.

Nothing of great consequence has transpired in the European money markets during the week. The German competition for the gold arrivals in London is still in evidence. On Monday the Bank of Germany offered the inducement of forty days interest, and thereby secured the £600,000 of receipts coming in that day. Bank rate in London has not been changed, and thus stands at $4\frac{1}{2}$ p.c.

It may be expected that between now and the end of the year a considerable drain of specie from London to the provinces and to Scotland for holiday purposes, will occur. That takes place every year and the position of the Bank is affected by it. However, the reserve is on a strong basis, and the prospective loss of cash can be faced with equanimity. It is well known that with the coming of the first week in January the rebound comes along, and the reserves are replenished through receiving back the cash sent to the country. Another circumstance which operates in London to weaken the bank position as at the end of the calendar year is the so-called window-dressing operations of the joint stock banks. Most of these end their half years on December 31st, and as the balance sheets as of that date are given wide publicity, there is a very natural desire to make a strong showing. This operates to draw down the Bank's cash at the close of the year and to re-strengthen it in the first week in January. Much the same conditions prevail in Berlin; the circumstance should be kept in mind when the money market peculiarities and changes are being discussed. In the London market call money is $3\frac{3}{4}$ to $4\frac{1}{4}$ p.c.; short bills, 4 p.c.; and three months' bills 4 p.c. It would not be surprising if there should be some stiffening in these rates under the conditions referred to. The Paris market is at 2 13-16 and the Berlin market $4\frac{1}{4}$. Bank of France rate is still 3 p.c.; that of the Bank of Germany is 5.

Call money in New York has ranged from $4\frac{1}{2}$ to 6, most of the loans being negotiated at the

5 p.c. level. On Saturday the New York associated banks reported a loan expansion of \$10,200,000, a cash increase of \$2,100,000, and an increase of \$20,600,000 in deposits. The net result of the changes was to reduce the surplus by \$3,048,000 and to leave it at \$6,009,825. The loan expansion is taken as representing a retracing of their steps by the banks. The necessity for taking back further loans transferred by them to outside institutions, combined with the necessity of financing the January dividends and interest payments, may quite possibly prevent the banks from showing increase of surplus in the next couple of weeks.

Sterling exchange in New York has ruled strong and high, and the question as to gold shipments direct to London has been a live one. It is reported that the New York bankers are again having recourse to finance bills on London as a means of putting themselves through the end of the year requirements. However, according to private advices by cable, the London banks are exercising discrimination in the matter of permitting these drawings; they are so far allowing credits only on the bills of international houses in the highest credit. It is an open question whether the occurrences in the exchange market will result in an important gold movement to London. Well informed authorities on the other side of the ocean say that the movement, if inaugurated, should not reach disturbing proportions. But at the same time it is to be remembered that the outgo of gold from New York, chiefly to South America, has been persistent; in the aggregate a large sum has already gone. Authorities on economics seem disposed to lay some of the blame on the bond secured currency of the United States. Because no satisfactory means exist of retiring unnecessary currency it remains in the financial system and expels gold.

Call loans in Canada are the same as a week ago — $4\frac{1}{2}$ to 5 p.c. So far as the position of the banks as at 30th November is concerned, it does not give any special indication of change in interest rates. The gains in deposits were very satisfactory indeed; so far as they go they make for a certain amount of monetary ease. But it is to be remembered that at the end of October and November the cheque circulation of the country is very high. Farmers, merchants and business men of all kinds find their balances swollen through receipts of cash coming from sales of farm produce. These balances they proceed to distribute to their creditors and to other parties. The funds find their way through many different accounts, perhaps in different banks, before reaching their final resting places.

The item "notes of and cheques on other banks