The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY.

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Annual Subscription, $3.00. Single Copy, 10 cents.

MONTREAL, FRIDAY, JULY 3, 1914.

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CHEAPER MONEY.

Although the recently published bank statement showed the ratio of reserves to liabilities to have fallen over a point, it is questionable if this circumstance and the loss of deposits can properly be taken as indicating any increased tightness of the money market, inasmuch as it appears that both developments can be traced to expenditure of proceeds of recent security issues. The banks have been well aware that the special deposits created through issues of securities would be withdrawn in due course; and they made their arrangements for carrying the reserves thereagainst in New York and London so that when the money had to be provided there would be no effect on the Canadian markets.

There is another feature of the May and all other recent bank statements which might be taken as pointing strongly towards cheaper money. It is the increase of the notice deposits. Since January last this has been quite impressive. May's increase was $10,000,000; and this followed an increase of $7,500,000 in April, of $5,000,000 in March; and $6,000,000 in February. All told the increases since January amount to nearly $29,000,000. To some extent it represents release of capital from industrial and mercantile business. Thus a manufacturing concern, after running a while on reduced forces and after collecting book debts more or less vigorously, finds its current account balance considerably larger than normal and well above the amount required there for present purposes. The executive officers may arrange with the bank for the transfer of a certain amount to a special account bearing interest or for the issue of deposit certificates. This movement is likely to continue for the present—until the approach of fall at any rate; and the tendency is of course in the direction of making the money market more comfortable.

However, the financing of the new crop will be engaging the attention of the bankers in the course of another two months. While that operation is on there will be plenty of employment offering for the available funds of the banks; and perhaps it would not be wise for borrowers to anticipate any reductions of consequence in loan rates until the turn of the year. Unless, however, there is a marked increase in general business activity, it looks as if money would be in very plentiful supply as soon as the crop movement is done. Meantime, call loans here and in Toronto are 5½ to 6 p.c., and mercantile paper is quoted at 6 to 7.

EUROPEAN POSITION.

Call money in London is 1¼ to 1¾ p.c.; short bills are 2¼; and three months' bills 2 3-8 p.c. The Bank of England quotes 3 per cent. as heretofore. Bank of France rate is 3½ and the German bank rate is 4. Discounts in the private market at Paris are 2¾; and at Berlin 2 7-8.

Although Europe was shocked at the fresh tragedy in which the Austrian Imperial House was involved at the beginning of the week, and although the incidents served to revive apprehensions as to what will happen in Austro-Hungary when the aged Emperor passes, the financial markets did not appear to be greatly disturbed.

Increasing hopefulness as to satisfactory developments in regard to Mexico has been discernible this week. The European markets have also been showing the beneficial effects of the recent heavy movement of gold from New York to Paris, and other European centres.

NEW YORK SITUATION.

In New York call loans are steady at 1¾ to 2 p.c. Time money has been slightly easier. Sixty day loans 2½ to 2¾ p.c.; ninety days, 2½ to 3 p.c.; and six months, 3¼ to 3½ p.c.

The Saturday bank statement revealed a further heavy loss of reserve strength traceable of course to the gold export movement. Taking banks and trust companies combined, the loss of cash was $12,300,000, and the contraction of loans amounted to $7,833,000. As a result surplus reserve decreased $7,481,000—from $38,839,000 to $31,357,000. In case of the banks alone the cash loss amounted to