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R. WILSON-SMITH, *Proprietor.* ARTHUR H. ROWLAND, *Editor.*

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THE GENERAL FINANCIAL SITUATION.

The Bank of England again secured the greater part of the South African gold ($4,000,000) offered in London at the beginning of the week. Rates of discount and interest in Europe and America have tended to rise. At the British capital, bank rate is 5 p.c.; and in the open market call money is 4½ to 4¾, short bills are 5 p.c., and three months' bills are 4 13-16 to 4⅞. At Paris, bank rate is 4 and market rate 3⅞ p.c.; and at Berlin bank rate is 6 and private rate 5 p.c. The financial systems of both France and Germany are disorganized by the hoarding of gold, still practised by large numbers of people. It is said to be quite the fashion with well-to-do families to have from 3,000 to 5,000 francs in gold on hand for use in an emergency.

The events of the week in the Balkan War have been of a nature to cause the Turks to consider the advisability of a complete surrender. They have met fresh disasters which will serve to weaken them materially when next their plenipotentiaries seat themselves at the table with the representatives of the Balkan states.

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The European and New York markets received a fresh shock this week when the news arrived of the revolution in Mexico. It has been a matter of common knowledge that the Madero Government was experiencing great difficulty in keeping its seat; but the sudden revolt of the army and liberation of Felix Diaz came as a surprise. The development seems to promise a further protracted season of tumult and civil war for the Mexicans. Not the least interesting question in regard to the matter of Mexico is the attitude of the United States. This fresh *dénouement* happens at an awkward time. President Taft and his Republican colleagues are to leave office in the course of three weeks; and naturally they will hesitate to take decisive action that would commit the incoming Democrats to a particular policy. The continued unsettlement in Mexico has interfered considerably with the successful prosecution of the business of the several Canadian corporations operating in that republic. Probably the men at the head of these corporations would not be sorry to see the United States Government step in and take charge of the situation. However, the President-elect has recently used language which seemed to indicate that he favored giving independence to the Filipinos; and presumably he will not be disposed to try to put the Mexicans under the yoke.

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In New York, as a result of the continued outgo of gold and the loss of surplus strength by the banks, interest rates have risen during the week. Call loans have ranged from 3 to 4 p.c. with most of the business done at 3. Sixty day loans are 4½ to 4¾; ninety days, 4½ to 4¾; and six months, 4½ to 4¾.

Clearing house institutions had to face another heavy reduction in surplus reserves. According to the week-end statement, in the case of all members, the loan expansion was $2,633,000, the cash loss $9,750,000 and the drop in surplus $7,867,000. These movements served to cut the surplus practically in two. In the case of the banks alone the reduction of surplus amounted to $8,195,000. Surplus reserves of the New York banking institutions are far below the figures shown in 1911 and in 1912 at the same date. But it appears that the banks have latent resources at present on which they can draw if necessary. The primary cause of the show of weakness is found in the disturbed political and financial conditions in Europe. Because of those conditions the American banks have been called upon to ship gold to France and also they have been obliged to accept securities and credits for a part of the balances accruing to them from the heavy export of American produce to Europe. The Wall Street brokerage houses, however, are not at present requiring very extensive