

The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY

R. WILSON-SMITH, *Proprietor.*

GUARDIAN BUILDING, MONTREAL.

Annual Subscription, \$2.00. Single Copy, 10 cents.

MONTREAL, FRIDAY, MARCH 12, 1909.

THE GENERAL FINANCIAL SITUATION.

This week again has been marked by absence of important changes in international money rates. Call loans at London are slightly harder—being quoted at 2 1-2 to 2 3-4; short bills unchanged—at 2 3-8; and three months bills are the same as last week—2 1-8 to 2 3-16. Bank of England rate is unchanged at 3 p.c.

Last week's 1 p. c. advanced to 1 3-16 in the market at Paris, and the official 3 p. c. of Bank of France still endures. At Berlin, the market is 1-8 higher at 2 5-8, while the bank remains at 3 1-2.

Call loans in Canada have not fluctuated from the 4 and 4½ p.c. quotations established for some time back.

Though one or two interesting developments occurred at New York they have not as yet had any noticeable effect on rates. Call loans are 1¾ to 2, the lower figure being the prevailing rate; 60 days 2¼ to 2½; 90 days 2½ to 2¾; six months 2¾ to 3. No sensational change occurred in the position of the Clearing House Banks, as revealed in last Saturday's statement. As a result of the very moderate decrease in cash holdings and in deposits the surplus fell about \$1,000,000, and stands at \$12,392,925. The state banks and trust companies, however, together report a decrease of \$7,000,000 in loans. This was not exactly understood, as it had been expected that the New York city bond issue of \$10,000,000 would have resulted in an increase of loans instead of a decrease.

The increasing demand for sterling remittance noted last week, continued into this with the result that Tuesday saw the beginning of a gold movement from New York direct to London. All the available gold bars in the assay office were taken for the initial shipment of \$1,400,000. As mentioned before, several more or less important causes have been contributing to bring the exchange market in New York to the point of gold exports. Export movement of commodities from America has

been light, and has furnished but a scant supply of bills. Then European sales of American securities have been heavy and finally the call loan rate in London has been ruling at a higher level than in New York.

With regard to the light movement out of commodities it is said that the very high price of wheat in Canada and the States has caused European buyers to turn to the Argentine Republic. That crop is ready for shipment in January and it has served the useful purpose of delivering Liverpool and Hamburg from the necessity of paying the exacting prices demanded by the speculative cliques in America. Those high prices have been founded on the theory that Europe must have our wheat no matter what price we set upon it. Doubtless the extensive recourse being had to the Argentine supplies, and the dearth of buyers for the export trade here and in the States, had something to do in bringing about the recent break in wheat prices.

Heavy Argentine grain shipments have helped considerably to turn the European markets in London's favour. Consigned to French, German and Belgian ports as well as to England, settlement, therefor, has had to be made principally to London. Thus the London balances of Argentine bankers and international houses would tend to increase with the crediting of collections sent by them to London correspondents and payable in England and on the continent. Those balances were further swollen with the floating of the £10,000,000 Argentine loan. As already has been seen, much of the gold requirements under these credits has been sent to South America from New York for London's account.

The shipments from New York probably represent loans in London of funds heretofore employed at New York; and the foregoing explanation illustrates why the gold movement to South America has reached such important dimensions, and why it is expected to continue in evidence.

Nothing has occurred in Canada during the week, of a character to influence monetary conditions very greatly. It is patent to all observers that industry and trade are gradually picking up, but the process is slow and solid rather than showy and boom-like. As was pointed out on Tuesday at Vancouver by Mr. Laird, the general manager of the Canadian Bank of Commerce, it is fortunate that this is so. Conditions are surely shaping themselves for the return of prosperity on a safe and durable basis.

Compared with last year the bank note circulation, which is a most reliable index of trade conditions, is running nearer the level established in 1906-7—the last full year of great prosperity. And the indications are that during the coming summer and fall the gap between the two records will be still further reduced. An increase also in