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THE GENERAL FINANCIAL SITUATION.

The Bank of England secured the bulk of $1,250,000 new gold arriving in London on Monday. Much attention has been given to the matter of the bank's attitude in regard to the official discount rate. On Thursday this week the directors reduced the rate to the 4 per cent. level. Quite probably their reluctance to bring into effect a lower rate during the past couple of weeks has been largely due to their knowledge of the large issues of new securities in prospect for the immediate future. These promise to have an important effect in absorbing the supplies of surplus cash which have been accumulating in the centres. In the London market conditions have stiffened slightly. Call money, 3½ to 4; short bills, 3 15-16 to 4, and three months' bills, 3 13-16 to 3⅞. The tendency towards hardness is not, however, in evidence on the Continent of Europe. In fact the market rate for money has declined at Paris—the quotation is 2½ as against 2⅝ a week ago. At Berlin the market is 3½. Bank of France and the Bank of Germany continue to quote 3 p.c. and 5 p.c. Perhaps one of the reasons why London is now showing higher quotations than Paris and Berlin may be found in the heavy loans made by London bankers to New York parties during the past two or three months; these have been referred to by THE CHRONICLE on several occasions recently. Of course, it is necessary to remember, in this connection, that London is more exposed than are the other two markets to the world-demands for new capital. Most of the progressive nations of the world turn their eyes towards London when they are in need of funds for government purposes, for railroad building, industrial expansion, etc. Needless to say London and the United Kingdom as a whole derive considerable benefits directly and indirectly from these foreign and colonial loans.

In New York, money rates have continued to soften. Call loans are 2¼ to 2½ p.c.; sixty day loans, 3 p.c.; ninety days, 3¼; and six months, 3½. On Saturday the clearing house banks effected a further increase of surplus amounting to $5,400,000 in spite of a loan expansion of $20,-000,000. The cash inflow from the interior was again responsible for the strengthening process—no less than $13,600,000 of cash gain was reported. The surplus now stands at $39,283,050, and it is to be presumed that the New York financiers will perhaps re-transfer a portion of their loans from London to New York. The proportion of reserve to liability reported by the trust companies and non-member state banks was unchanged at 17.5 p.c. Their loans increased $1,260,000 and cash fell $450,000.

With the passing of January the force of the movement of cash from the interior to New York always decreases. In February the metropolitan banks cannot expect to gain much cash from that source unless the trade reaction or depression throughout the country assumes large consequence.

In Canada tne stringent conditions noted in last week's CHRONICLE continue to prevail and the bad effects of the numerous special operations which our financiers so freely indulged in during 1910 are still to be seen. If Canadian trade is to continue expansive in character it seems altogether likely that it will ultimately force the liquidation of numerous loans on newly created merger secur-