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THE GENERAL FINANCIAL SITUATION.

The markets in Canada and New York, like those in Europe, have been dominated this week by the warlike news from the other side of the Atlantic. Coming on the top of the Mexican and Irish crisis, the announcement of the strained relations between Austria and Servia proved more than the security markets could stand. The alliances and treaties between the various great powers make the question arising out of this week's occurrences exceedingly complicated. Thus Russia is understood to be in close sympathy with the Servians, and many think that the Czar will not stand idly by and allow the Austrians to overwhelm the smaller kingdom. Then, again, if Russia interferes it necessarily brings the Germans to the support of their ally Austria This development, almost as a matter of course, would involve France; and there is the question as to the attitude of Italy and the United Kingdom. It is quite easy to see that a huge conflagration might be kindled if active steps were not taken by disinterested powers in the direction of composing the differences. Happily the skillful Foreign Secretary of Great Britain, Sir Edward Grey, has a ready moved to bring about a conference in London. It is to be hoped that his efforts and the efforts of those who are supporting him will meet with every success.

STOCK DECLINES.

From the financial point of view such a great outbreak of war as is now feared would be disastrous in the extreme. The cost in money as well as in human lives would stagger the world. The recent sanguinary struggles between the Balkan States and Turkey are understood to have cost something like three-quarters of a billion dollars; and the cost of a war of the above mentioned character would be many times more expensive. Under the circumstances it is not surprising that European holders sold Americans, Canadians, and everything else that had a market. Canadian Pacific is always acutely sensitive to European developments of this kind. The sharp declines in this and other representative international stocks greatly unsettled the speculative situation in Montreal and Toronto. Considerable liquidation of brokers' loans thus occurred without pressure from the banks; and, of course, the tendency would be to ease the money market. As yet rates for call loans are unchanged at 5½ to 6 per cent. It is perhaps not likely that there will be much if any reduction until after the crops are moved. Such funds as the banks receive through repayment of speculative loans would doubtless be kept ready for financing the harvest.

It is to be remembered that in one particular the liquidation of C. P. R. and other Canadian stocks would have a tendency to make money less plentiful here, for buyers in Canada or in the United States must take up and pay for the stock returned by Europe. However, the greater part of such financing would probably be arranged through New York. Even when Canadians purchased the stock, it would be carried in many cases by New York houses by means of call loans in Wall Street.

LONDON SITUATION.

Naturally the strained situation in Europe had a tendency to stiffen the money markets at London and other overseas centres.

Bank rate in London is 4 per cent. The Bank of France raised its rates from 3½ to 4½% and the Imperial Bank of Germany has called a meeting for today to decide the advisability of raising the rate.

Early in the week the discount market at London was badly demoralized; also the stock exchanges at Vienna and several other minor centres in the area of the disturbance have been closed.