General Financial Situation.

MONEY RATES ABROAD HAVE STIFFENED.

German Bank Rate Advanced to 4 per cent.—Some Fears as to Germany's Industrial Conditions—London now Financing Egyptian Crop—Dearer Money and Stocks—Investment Activity in Canada.

In the course of this week the principal money markets of the world made a noticeable advance towards higher rates. The outstanding feature was the marking up of the discount rate of the Imperial Bank of Germany to 4 per cent. This move has been expected for a week or ten days. Cable advices of last Saturday stated that the executive of the bank and decided to call a meeting of the general board to pass upon the question of raising the rate. On Monday the meeting was held and the rate advanced.

It is said that the industrial position in Germany is not altogether satisfactory, but that an active and expanding speculation has nevertheless been in evidence. And the German Bank, having in view the fact that it will be called upon to lend considerable support to the Imperial Government, decided that it was advisable to impose the check of a higher discount rate upon the speculative movement. The Bank of England and the Bank of France have as yet taken no action following that of the German institution. The former thus retains its 2½ per cent. rate and the latter, 3 per cent. However, the increasing demand for discounts in London and Paris has stiffened the quotations in the open market. At London call money is ½ to ¾; short bills 1 13-16 to 1⅞; and six months' bills 1⅞ and over. And at Paris the rate is 1⅞. The Berlin market is now 3⅜ which is considerably higher than the market rate in the other two European centres.

Autumn Causes and Effects.

It is, of course, understood that the slow improvement in industrial conditions generally throughout the world is having an effect in absorbing the idle cash of the centres. But it may be presumed that some part of the hardening tendency noted above has been due to the same cause which is bringing the New York money market to a higher level. In Europe as in America the autumn brings the harvest season, and the financing thereof has its effects upon the money markets.

But it is after all a temporary incident; and after the business is attended to, some considerable part of the funds used therein will find its way back to the monetary capitals.

London is just now financing the movement of the Egyptian cotton crop; and gold shipments to that country are in evidence. Also the world's financial centre continues to bring out a large amount of new security issues, each one of which makes its certain inroad upon the supply of surplus funds.

As Russia secured the Monday gold arrivals this week and as the outlook seems to point to London's losing gold, there are some who look for a rise in the English bank's discount rate in the near future.

Dearer Money and Wall Street Liquidation.

In New York last week's rise in money rates was fully maintained. Call loans are 3 per cent.; 60 day money, 3½ to 3¾; 90 days' 4 p.c.; and six months' 4½. It is expected that a further rise will occur, especially if the stock market regains its bullish tone. This week, however, it has shown considerable tendency to reaction, despite continued support in some quarters. Dearer money seems at last to be having its effect. Also the utterances of President Taft regarding amendments to interstate commerce and anti-trust legislation affected Wall Street sentiment.

It has quite often happened, when the New York banks had got their surplus down nearly to the vanishing point and uninformed observers were expecting that a week of heavy currency shipments to the interior or a week of active buying and selling in Wall Street would wipe out the surplus and create a deficit, that the bank statement showed an unexpected and important addition to the surplus. That experience was repeated on Saturday. At the end of the preceding week the bank surplus had got down to $3,166,100. It was known that the currency shipments to the Northwest and to the South were large, and that the operations of the Wall Street speculators during the week would necessitate large banking credits. It seemed but natural to conclude that the surplus would be wiped out and a considerable deficit reported to the clearing house. But nothing like that happened. The bank statement as published showed an increase of nearly $9,000,000 in the surplus which was declared to have been brought about through a decrease of $30,625,000 in loans and an increase of $1,800,000 in cash. The loan contraction was quite well understood, but the cash increase appeared mysterious under the circumstances. Interior banks took over a large proportion of the loans, and European borrowings were also increased, it is said.

Canadian Markets Remain Undisturbed.

The money markets in Canada are not materially changed. No official announcements as to a rise from the 4 and 4½ p.c. level for call money have been made. However, the Canadian bank statement showed an increase of $2,000,000 in the home call loans during August. This increase followed one of the same amount in July and one of nearly $3,000,000 in June. While it is commonly supposed that a broadening activity in the general stock market was responsible for this $7,000,000 expansion, it nevertheless is probable that the numerous consolidations and flotations of new enterprises have resulted in large loans to underwriting syndicates and in many loans to the private investors who took over the new securities. In a great many cases these loans would be at call or at short date. But the latter class might not appear in the column "call and short loans on bonds and stocks in Canada." Some conservative banks follow the practice of only including under that heading the call loans to brokers, in other words the "strictly call loans," in the idea that as it is the brokers' loans which are depended upon for realization in case of emergency they only of the call loans should count as part of the available reserve.