

# The Chronicle

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## THE GENERAL FINANCIAL SITUATION.

The Bank of England secured the most of the \$3,150,000 new gold offered on the market on Monday. Its official rate remains at 3 p.c. In the market money is quoted  $1\frac{3}{4}$  p.c.; short bills are 3 to  $3\frac{1}{2}$ %; and three months' bills,  $3\frac{1}{4}$  to  $3\frac{3}{8}$  p.c. At Paris discounts are 2%, and at Berlin 4 p.c. Bank of France rate is 3 p.c. and that of the Imperial German institution  $4\frac{1}{2}$  as heretofore.

In New York call loans are  $2\frac{3}{4}$  to 2% p.c.; sixty day loans  $3\frac{3}{4}$  to 4 p.c.; ninety days, 4 p.c.; six months,  $4\frac{5}{8}$  to  $4\frac{3}{4}$ . The clearing house institutions (banks and trust companies) on Saturday reported loan expansion \$1,255,000, cash increase \$1,200,000, and increase of excess cash reserve \$2,360,000—the excess or surplus being thus raised to \$20,552,000. The banks alone had to report a loan contraction of \$2,474,000 and a cash gain of \$1,200,000; they thereby effected an increase of \$3,184,500 in surplus, bringing the item up to \$20,913,000. The indications are that loans are now being shifted to the trust companies. European dispatches state that the credit

balances possessed by American banks in Berlin, London and Paris are now practically exhausted; and that London is now engaged in leading to the United States through the medium of finance bills drawn by American bankers in anticipation of the fall exports of cotton, wheat and corn.

Call rates in Montreal are 5 per cent. and in Toronto  $5\frac{1}{2}$  as heretofore. The Western wheat has now practically passed through the danger zone so far as the growing season is concerned, and there is no doubt that a magnificent crop has matured. It remains yet to harvest and thresh the grain; and the continuation of reasonably good weather while those important operations are being carried through is earnestly to be wished for. Last year the climatic conditions were decidedly unfavorable for harvesting and for the work of fall plowing; and the result thereof is seen this year in a comparatively small increase of the wheat area. With favorable weather up to the middle of November a very large increase in the area seeded to wheat in the spring of 1913 is brought within the possibilities.

The banking institutions completed their preparations for financing the crop of 1912 some weeks ago. The credits granted to the milling and elevator companies will now become operative. Before the end of August some of the grain will appear on the market, and by September 1st the movement will have attained considerable impetus. While the margin of issue power as at the end of July, amounted to about \$15,000,000, it is noteworthy that nearly half of it was possessed by four banks—Montreal, Commerce, Merchants and British. And since the end of July it is said that the circulation of Dominion fives has undergone an increase. Although there have been reports from Ottawa to the effect that the Dominion fives in circulation have now reached a total of about \$8,000,000, the publication of the figures in the Canada Gazette has been delayed. If the Government fives in circulation amounted to \$6,000,000 at the end of July, that increase would perhaps explain the decrease of six millions in the bank note circulation in July. Of course, a certain amount of the new fives would pass into general circulation, but it is likely that the greater part would be held by the banks as a currency reserve. In other words many of the banks, instead of hoarding sundry bank notes, would store the small Government notes in their vaults. To procure the small notes they would hand in large legal-tenders; and while the small notes remained in reserve the holdings of legal-tenders would not be diminished—small notes would be held instead of large notes. Of course, when the small notes are utilized in counter payments then the cash reserves would be affected and perhaps the banks would find it necessary to liquidate call loans in order to keep the reserves up to the mark.

Perhaps it will not be clear until towards the end of September to what extent the crop movement will