

# The Chronicle

## Banking, Insurance and Finance

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### THE GENERAL FINANCIAL SITUATION.

The money situation in the world's great capitals has lost none of its interest during the present week. It appears as if the recent rate advances by the Bank of England and the Imperial Bank of Germany are having the desired effect. At the Stock Exchange settlement this week in London, the speculative position in Americans, as shown in the carry-over, was found to be less than was anticipated. And it is well known that a very large quantity of American collateral which had been carried in London has been shipped to New York. The international experts believe that its arrival this week and next will materially influence the New York bank statement through bringing about an expansion of the loans.

The bank of England rate is continued at 5 p.c. In the London market call money ranges higher at  $4\frac{1}{2}$  to 5; short bills are  $4\frac{7}{8}$ ; and three months' bills  $4\frac{3}{8}$  to  $4\frac{5}{8}$ . Following the institution of the 5 per cent. bank rate the London market showed something of a disposition to fall away, but now the bank seems to be making its rate effective.

Paris and Amsterdam now have the distinction of being the cheap money centres. The Paris bank rate is 3 p.c., market rate 2 15-16; while at Amsterdam, with a 3 per cent. bank rate, the market rate is 2 13-16. At Berlin the Bank of Germany continues at 5 and market rate has risen from a week ago to  $4\frac{3}{8}$ . So it can be seen that London is the dearest European market at present; and while that continues the tendency will be for gold to accumulate there.

In New York call loans are somewhat lower than a week ago and rule at 4 per cent.; 60 day money is  $4\frac{3}{4}$  to  $4\frac{7}{8}$ ; 90 day,  $4\frac{3}{4}$ ; and six months  $4\frac{3}{4}$  p.c. also. The bank statement last Saturday showed an increase of \$6,800,000 in cash, accompanied by a loan expansion of about \$4,000,000. The effect upon the surplus was to increase it by \$1,068,000; and it now amounts to \$16,607,350. Quite probably the additions to the surplus made in the last

two or three weeks have been in the way of preparing for the return of the collateral from London which has been referred to above. It is likely that the New York borrowers who were asked by London banks to pay up were advised some little while ago that their loans would not be renewed; and they would naturally at once make arrangements with their New York bankers for the credits necessary to redeem the London obligations. It is generally understood that the parties in question were men of high standing and good credit, able to command accommodation in New York.

It will be interesting to observe what happens on the arrival of the collateral. That is not the only obligation confronting the New York bankers. The drain of cash to the Northwestern States is not yet over. Not until well on in November will the currency shipments for harvest purposes begin to decrease. There have been also a few shipments of gold from New York to Montreal and Toronto. In the event of a declining stock market in Wall Street and declining rates for money in New York, possibly some increase would be seen in these shipments. But if New York interest rates rule very high the Montreal and Toronto bankers will not be disposed to bring home their balances unless imperative need for them exists in Canada.

Some stock exchange borrowers in Canada were this week notified by the banks of a rise in their interest rate on call loans to 5 p.c. This move had been anticipated by the brokers and produced no disturbance in the market. The liquidation and decline in Wall Street affected the local market to some extent. It probably would not have done so but for the fact that the Canadian list has been advanced quite materially lately. Also the banks in this country must be carrying a considerable amount of loans against the new securities manufactured in connection with the recent mergers of industrial concerns. However, it does not appear likely that the monetary stringency at the various centres will be so acute or so long continued as to threaten to bring the industrial and commercial revival to a halt. There are special circumstances responsible for the present flurry, and it is reasonable enough to expect that by the middle of January the monetary tension will be noticeably relaxed—not only at New York but at London and Berlin also. But it may quite possibly develop between now and then that owing to the increased industrial demand for accommodation, the speculative cliques are forced to give up some of the credits they now enjoy.

The September statement of the Canadian banks showed that the proportion of reserve to liability at the beginning of October was still at the high level of over 30 per cent. October may see some