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R. WILSON-SMITH, *Proprietor.*

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THE GENERAL FINANCIAL SITUATION.

Again this week the Bank of England secured its share of the gold from South Africa arriving on Monday, and yesterday the official rate was reduced from 4 to 3½ per cent. The London stock market took early election results as a bear factor, doubtless assuming that the principles of the Lloyd George budget would be re-enacted, and that as a result a considerable amount of British capital would be driven abroad for investment. In one of the cable dispatches, Canada is mentioned as a country likely to receive a goodly share of the expatriated British funds.

It is hardly to be expected that the disturbance in securities at London will be long continued or that it will become acute. Even from the point of view of financial London the results of the voting are not altogether unsatisfactory. True the hope that the Unionists would win and the obnoxious budget fail of re-enactment bids fair to be disappointed, but the electorate, while declining to sanction interference by the Lords with money bills, has apparently administered a rebuke to the too forward members of the Liberal Cabinet. One thing is clear—that the British people have no desire for revolutionary changes in their constitution.

In the London market, rates on the whole still tend downwards. Call money is 3 p.c.; short bills are 2 15-16; and three months' bills 2 15-16. The Bank of France continues its 3 p.c. rate and the Bank of Germany's rate remains at 5 p.c. The Paris market is 2½, and the Berlin market 3 p.c.

In New York call money ranges from 3¼ to 4 p.c.; 60 day money is 4 to 4¼; 90 days, 4 to 4¼; and six months 4¼ to 4½. Thus there is to be seen here also a gradual relaxation of rates. Last Saturday the associated banks of New York were able to report another large addition to surplus. Their cash increased no less than $22,400,000, said to be due largely to heavy shipments of currency from the West. Loans increased $12,200,000; and the loan expansion along with the heavy cash gain produced an increase of $36,300,000 in deposits. The surplus increased $13,300,000, and now stands at $27,881,650. A glance at the return of the trust companies shows apparently that the banks made some progress in taking back loans that were shifted to outside institutions a few weeks ago. The trust company loans decreased $21,340,000. In the current week receipts of cash have again been large and there has been also a great deal of genuine liquidation of stocks in Wall Street. So presumably further progress would be made towards normal condition. The week has brought severe breaks in New York stock market quotations—the midweek price-collapse in Columbus and Hocking Coal & Iron stock points to manipulative tactics that make the immediate outlook most uncertain. Prices on the Canadian stock exchanges have kept up bravely during the New York disturbance, indicating that *bona fide* investment demand continues.

But the re-adjustment of the price level of securities, the building up of the surplus reserves, and the taking back by the banks of their shifted loans, should make the situation in New York more satisfactory from the overseas viewpoint. The fall in security prices will be taken in London especially as a good sign, and will make the London financial institutions the more ready to extend accommodation to New York, both by way of accepting finance bills and purchasing long term bonds.

In the exchange market an interesting development was the heavy offering of cotton bills. The extensive break in that commodity has induced large purchases by Manchester mill owners. The cotton mill companies, wherever situated, have viewed the recent high prices with considerable anxiety. They could not pay them and manufacture at a profit, on the basis of existing prices for the manufactured article. And they could not easily see their way to raising the latter. Consequently they followed the waiting policy with the idea of curtailing their operations if raw cotton prices held. The recent breaks have brought raw cotton to a point at which it is possible to buy it freely with a view to manufacture, and the mills have been busily engaged in taking over the options recently held by the bull speculators and in buying cash cotton. Our Canadian cotton mills share appreciably in the relief brought to this disagreeable situation. It is said, incidentally, that the breakdown of the cotton speculation is responsible for some part of the liquidation in the stock market.