The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY

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GUARDIAN BUILDING, MONTREAL.

Annual Subscription, $2.00. Single Copy, 10 cents

MONTREAL, FRIDAY, FEBRUARY 18, 1910.

GENERAL FINANCIAL SITUATION.

In spite of last week's reduction of its official discount rate to 3 per cent., which figure was left unchanged at this week's board meeting, the Bank of England managed to secure the bulk of the gold arriving in London on Monday. The receipts amounted to about $3,875,000. Rates in the London market were again easier. Call money 1 to 1¼ per cent.; short bills 2 3-16; and three months' bills 2¼.

In the Paris and Berlin markets money continues to rule at a higher level than in London. At the former centre the open rate is 2½ p.c., and at the latter 3. The Bank of France holds to its 3 p.c. rate and the Bank of Germany has continued its recently inaugurated 4 p.c. All these European state banks evidently consider that in Europe and America the monetary situation can be left to regulate itself, for the time being at any rate. The tendency towards rampant speculation has been effectively quelled; and until it is once more prominently to the fore the executives may safely enough allow things to drift to a certain extent.

In the New York market also money rates tend steadily downwards. Call loans ranged between 2½ and 3 p.c., most of the loans being made at 2¾. Sixty day money 3½; 90 days 3¾; and six months, 3¾ to 4. The end of the week bank statement revealed a loan contraction of $21,684,000, a cash loss of $200,000, and an increase of surplus amounting $5,600,000. The total is again reaching respectable proportions. It amounts now to $29,056,225.

It is said that the easiness of money, especially in regard to loans at call, is not adequately reflected in the quoted rates. One well informed authority on the market says that half the offerings sent to the Stock Exchange are not loaned. The following extract from the New York Evening Post's description of the market shows clearly the state of affairs existing:—

"The three largest banks entered the week with an average surplus of 27.9 per cent. Had these institutions pressed their money upon the market, call rates would have gone below 2 per cent. All three banks carried over more money than they ordinarily like to have idle in their vaults. The large banks do not wish to force the market under such conditions."

This clearly shows that no immediate rise in interest rates is expected. If the banks in New York continue to receive accessions of funds from the interior they will be obliged to increase their offerings of funds, and rates may go down. It is always the case too, with conditions as at present, that intending borrowers hang back, waiting for the lower rates which they think are inevitable. However, there are some things to be considered on the other side also First there is the fact that the return flow of funds from the interior to New York is well nigh spent. And in a few weeks there will be a movement in the opposite direction. Certain industries which become active in the summer will then be making preparatory demands upon their bankers. Also certain of the railroads and other large corporations will require to make bond issues of more or less importance in order to provide funds for extensions and additions to their equipment. And it may be that in a month's time the demand for loans on behalf of speculators in Wall Street will be heavier than it at present is.

Foreign exchange rose somewhat in New York, at midweek, despite the decline in the London private discount rate. Preparation for coming payments of New York city bonds is probably a factor.

Call loans in the Canadian centres are unchanged at 5 to 5½ p.c. The leading railway systems in this country have just announced extensive programmes of new construction. In two separate instances these programmes call for the construction of 500 miles or more of new trackage. Most of it is to be built in Western Canada, but the East will get some new mileage. The inpouring of settlers and the taking up of wheat lands by them necessitates much railway building west of Lake Superior. These new wheat growers must be supplied with facilities for getting their crops to market. Otherwise the development of that part of the country would be halted.

However, it is not likely that the Canadian or the New York money markets will be asked to undertake the duty of providing funds for these works. London is the market from whence the funds will come; and in view of that circumstance the easing of interest rates there must be taken as a favourable circumstance for us. The great railway corporations will not likely be alone in applying to London. A cable this week states that $7,500,000 in 5 p.c. gold bonds will shortly be offered by the Amalgamated Asbestos Corporation.