

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, DECEMBER 10, 1909.

THE GENERAL FINANCIAL SITUATION.

The money situation in England continues to ease off perceptibly. Call money is $3\frac{1}{2}$ to 4 p.c.; short bills $3\frac{7}{8}$ to 4; and three months' bills, $3\frac{7}{8}$ to 4. The Bank of England rate was yesterday reduced from 5 per cent. to $4\frac{1}{2}$.

The market had rather expected a reduction for the past two weeks, owing to the bank's increasing strength and the growing ease of the open market. Doubtless it would have come sooner but for the unsettling outlook politically.

It is noteworthy that securities in London have shown considerable hardness and an advancing tendency through the week. Some investors and speculators feared that the precipitation of the budget crisis would upset the market and cause serious declines; but last week's steadiness and this week's advances prove apparently that the speculators for the fall had sold in anticipation quite as heavily as the situation warranted.

The Bank of France's official rate remains at 3 p.c.; and that of the Imperial Bank of Germany at 5. The open market at Paris is 2 11-16, and at Berlin $4\frac{3}{4}$. The former is the same as a week ago; and the latter is up a shade. Nothing of great moment, in the financial sense, has occurred during the week on the Continent.

Money market conditions at New York are not materially changed. Call loans have ranged from $4\frac{1}{2}$ to 5 p.c., most of the loans being placed around $4\frac{7}{8}$ and 5. 60 days, $4\frac{3}{4}$ to 5; 90 days $4\frac{3}{4}$; and six months, $4\frac{1}{2}$ to $4\frac{3}{4}$.

On Saturday the New York banks reported a loan reduction of \$10,600,000 and a cash loss of \$5,400,000. As deposits fell \$15,000,000 the reserve requirement was therefore reduced by \$3,750,000; the loss in surplus amounted to \$1,628,000. It stands now at \$9,705,925.

It is interesting to observe the effect which crop moving and the increasing activity of the iron and other industries have had on the position of the New York city banks. On the 7th August, a

couple of weeks before the drain to the wheat fields began to assume importance, the deposits of the metropolitan banking institutions belonging to the clearing house were \$1,430,000,000. Since that time there has been a steady and rapid decrease. On 4th December the deposits were \$1,157,019,000. The decrease has thus been \$273,000,000. When it is remembered that the deposits of our own banks in Canada have in this same period shown a very large increase, the phenomenon may appear rather strange. Bankers understand, of course, that the fall in the deposits of the New York banks is largely the result of the inelastic currency and of the requirement of a fixed legal reserve. Because of their inability to issue their own uncovered notes, the banks in the States must withdraw actual money (legals or national bank notes) from their reserve agents when fall comes round; and because of the 25 p.c. reserve requirement, they must reduce their loans when the legal minimum is reached. So they lose deposits on both counts. Their loan reduction is effected chiefly through the transfer of loans from the banks to their large depositing customers.

Call money in Montreal and Toronto continues at 5 p.c. with little prospect apparently of an immediate change. Sir Edward Clouston's explanation, at the Bank of Montreal meeting on Monday, that a large part of the bank's gain in deposits resulted from the transfer of outside capital to Canada, illustrates how our home money situation has been affected by the investments made here by Britishers and foreigners. When first made, an investment of this kind will appear in the assets as balances carried abroad by the banks. Quite probably it will figure amongst the liabilities as a deposit or deposits. Afterwards as occasion for doing so arises, the funds will be transferred to Canada. The point is that the accumulation of funds in this way tends to ease the situation in Canada even while the money is kept out of the country. For the banks owning the outside balances keep in mind the fact that they are growing large, and that it is desirable to bring them home as soon as suitable opportunity for using them occurs.

The news now is, in connection with the carrying through of the Quebec railway, lighting, and power merger, that the whole issue of securities may possibly be placed in Canada and none offered in London and Paris. According to the talk on the street, something like \$3,700,000 out of the total issue of \$4,200,000, will be taken "firm," leaving only half a million for public subscription. If the whole deal is carried through in Canada it will, of course, result in a substantial increase in the loans of the banks, and will help to absorb the surplus funds.