The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY

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Office:

GUARDIAN BUILDING, 160 ST. JAMES STREET, MONTREAL.

Annual Subscription, $2.00. Single Copy, 10 cents

MONTREAL, FRIDAY, NOVEMBER 4, 1910.

THE GENERAL FINANCIAL SITUATION.

The Bank of England was successful again this week in securing the Cape gold arriving in London, which amounted to $3,800,000. It is also to be noted that the exchange with Brazil has turned in London's favour to such an extent as to induce shipments of gold from that country. Naturally these developments have served to ease the monetary strain at the British capital. However, the Bank has not seen fit to alter its rate of discount which therefore remains at 5 per cent. The tendency towards ease has been noticeable in the open market. Call money is 4 to 4½ p.c.; short bills 4¼; three months bills 4¼. The monetary position at the French and German capitals appears to be practically unchanged. Bank of France rate remains at 3 and that of the Bank of Germany at 5. The open market rates, too, at both capitals are the same as quoted a week ago, viz., 4 p.c. at Berlin and 2⅞ at Paris. It is perhaps a little premature to assume that the turn has come in the general monetary position and that conditions will now work steadily towards cheaper rates. The European situation appears to be relaxing, but the events of this week point to the conclusion that the energetic borrowing capitalists of New York will have a large recourse to European credits whenever European market conditions appear to be more favourable. Thus it has been noted that finance bills on London and Paris have made their appearance in the last ten days or two weeks and some American corporations have placed loans abroad. Coincidently with this movement sterling exchange has declined on offerings of exchange by parties disposing of these credits.

In connection with this phase of the situation one thing seems certain. It is that the American borrowers paid high rates for the accommodation they secured in London and Paris. The Michigan Central Railroad appears to have paid in the neighbourhood of 6 per cent. for its loan on its own short-term notes and that is a very stiff price for a road of that standing to pay. So it is safe to assume that the London and Paris bankers are finding a handsome profit in advancing funds to the New Yorkers. It also seems as if credits secured on such expensive terms would prove but a poor foundation on which to base an extensive bull speculation on Wall Street. The position of those who now borrow money, repayable on demand for the purpose of buying stocks for an advance would seem to be rendered more precarious by the fact that the Bank of England has it in its power, at any time, to check the placing of American obligations abroad; and there is a strong probability that the Bank would use this power if Wall Street became too demonstrative.

Interest rates at the American metropolis advanced slightly during the week. Call loans are 4 to 4½ with most of the business at the lower level. Sixty day money, 5 per cent.; 90 days, 5 p.c.; six months 4¾ per cent. Facts disclosed by the Saturday bank statement are: that the loans of the New York associated banks decreased $4,500,000, the cash decreased $2,900,000 and surplus decreased $1,027,000. The item stands at $9,543,425. The trust companies and non-member state banks also had a loan reduction to report. In their case it amounted to $1,270,000. Their cash remained practically unchanged, but the proportion of reserve to liability fell from 17.4 p.c. to 17.3 p.c. Perhaps the trust companies have taken over about as much of the loan burden of the associated banks as they care to handle. The last couple of weeks such transfers as were made must have been to foreign banks and interior banks. It is to be noted that if sterling exchange declines to lower levels while the 5 per cent. Bank of England rate remains in force the temptation to call loans in New York yielding 4 per cent. or less, and buy sterling exchange at low prices will be well nigh irresistible, and it is to be expected that the Canadian banks will follow that course unless there is a change of tendency in New York.

In Canada money market conditions are about the same as last week. Call loans on stock market collateral are mostly on the 5½ p.c. basis as yet, but a few are bringing 6 p.c. The rates for call loans based on bonds is a trifle lower than the figures quoted. Although the opinion is that a general advance in rates will occur, it has not materialized as yet. The fact that the New York money market remains comparatively easy has operated to keep the rates here from rising too sharply. When the speculative borrowers in New York were paying exorbitant rates for money