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THE GENERAL FINANCIAL SITUATION.

The $3,500,000 African gold arriving in London on Monday was mostly taken by the Bank of England. Bank rate is still held at 3 p.c. In the open market call money is quoted 2¼ to 2½; short bills are 3 p.c.; and three months bills, 3 to 3⅛. Thus it is seen that the Bank of England retains a large measure of control over the market. Its power has been sensibly increased by the extraordinary credit balances in the Government accounts. If the demand from the market continues strong, and quotations for discounts outside the bank continue to exhibit a rising tendency, the city will expect a 3½ p.c. bank rate in a little while. The bank may be disposed also to check the flotation of new securities to some extent.

Continental markets are about the same as a week ago. Bank of France rate is 3 p.c. and that of the Imperial Bank of Germany, 4½. Discounts in the Paris market are 2 13-16, and in Berlin, 3¼. The recent ministerial announcement of an increasing British expenditure upon naval construction, although it had some slight effect in depressing Consols, had no marked influence upon the money and discount markets. Only $5,000,000 have been allocated for immediate expenses and that amount is not large enough to disturb the monetary centres. The new policy will, however, serve to pile an additional burden upon the heavily loaded tax payer in the United Kingdom in the course of a couple of years.

Money in New York is quoted about the same as last week. Call loans are 2¾ to 3 p.c.; sixty day loans, 3 to 3¼; ninety days, 3¼ to 3½; and six months, 4¼ to 4½. In the relatively high rates prevailing for six months loans (which would carry the borrower into January, 1913) is seen the reflection of financial opinion as to rising interest. The Saturday report of clearing house institutions disclosed heavy gains in reserve strength. Loans contracted $15,144,000; cash increased, $7,500,000; and excess reserve increased $8,459,000—from $10,706,550 to $19,165,800. In the case of the banks alone the loan contraction was $2,601,000, while the cash gain was $6,240,000 and the increase in surplus, $5,766,750. With this increase the surplus rose to $13,798,500.

The trust companies thus show the quicker recovery in reserve strength. No doubt they can if necessary take over a considerable amount of bank loans. And with reference to the impending movement of funds from New York to the interior, it is to be remembered that the metropolitan banks have yet two or three weeks to build up their resources. The heavy movement for crop financing will not materialize for two or three weeks; and in the meantime the dividend and coupon money is finding its way back to Wall Street and the outward gold movement has apparently ceased. While the holders of speculative stocks may have found the various scares and bear attacks on the market rather provoking, there is no doubt that the moderate liquidation seen recently is exactly what the money market needed. It has helped the banks to recover their position and to prepare for the fall.

In the meantime general business continues to show quiet improvement. The political world is waiting to see what measure of strength Col. Roosevelt develops at Chicago when his convention meets there in the first week of August. The satisfactory state of interior business is evidenced by the increase in bank clearings. This amounted to about 10 p.c. in the second week of July counting all cities. As speculation is dormant the only reasonable explanation of the rise in exchanges is that of increased activity in business.

Money rates in Canada are unchanged. Call loans in Montreal and Toronto are 5 p.c. generally, with a fair proportion in the Ontario centre at 5½. Brokers state that in Montreal there is some private money available at 4½ p.c. Notwithstanding the excited movement in certain favorite speculative stocks it is said that the demand on the banks for