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FOREIGN EXCHANGE AND THE GOLD STOCK.

In the Montreal and Toronto markets New York funds are still quoted at a premium, and the question of gold exports is still to the fore. At the present time this outward movement of gold is somewhat inconvenient even though it has not assumed large dimensions. With the harvest season so close at hand, the banks have need of all available funds. However, the vast increase of Canada's indebtedness to outside countries and the heavy importations of merchandise in the past year or so have laid the banks under obligation to find a greatly enlarged volume of exchange. This exchange was easily found so long as the output of Canadian securities proceeded on a large scale in London. All that was necessary, then, was to draw on the proceeds of bond and debenture issues. But since London assumed its restrictive attitude other means of providing exchange have had to be found. The banks have been dipping into their outside reserve and finally in some cases it has been necessary to send gold.

WISDOM OF LARGE GOLD RESERVE.

The course of events suggests that the large reserve of gold in the Dominion Treasury may serve a very useful purpose. Certain amateur financiers in Toronto recently urged the Government to appropriate a part of this gold reserve to its own uses and "save interest." If the advice of these wiseacres had been followed, sooner or later the time would have arrived in which the financial community would have had doubts as to the sufficiency of the gold reserve. Gold for export is secured through presenting large Dominion notes for redemption. Consequently an extensive outward movement always causes a contraction of the Dominion note circulation. As things are at present there is no apprehension as to the sufficiency of the Dominion's gold reserve. The outflow tends to make money perhaps a little tighter, but there is no uneasiness as to the ability of the country to meet its engagements. No appreciable change has occurred in the status of the home money markets. Call loans in Montreal and Toronto are still quoted 6 to 6½ per cent., and mercantile lines of credit command 6 to 7 p.c.

EUROPEAN DEVELOPMENTS.

Most of the $5,700,000 new gold offered in London this week was taken by the Bank of England. The English bank rate stands unchanged at 4½ p.c. London market rates are as follows: Call money, 3½ to 4 p.c.; short bills, 4 p.c.; and three months' bills 4⅛ per cent. Market rate in Paris is 3¾, and in Berlin, 4⅝. The Bank of France and the Imperial Bank of Germany hold their rates at 4 and 6 p.c. respectively. The improvement noted a week ago in the European markets continues in evidence and confidence seems to be slowly returning. Unsettled conditions in the Rand mines, due to re-appearance of labor difficulties, affected the Kaffir section of the London markets, but in other departments the tone is one of cheerfulness.

NEW YORK POSITION.

Call loans at New York are 2½ p.c. The time money market there offered no noteworthy features. Sixty day loans are 3½ to 4 p.c.; ninety days, 4½ to 5; six months, 5¾ to 6 p.c. These rates are noticeably lower than last week's quotations, and the fact is taken as reassuring in view of the imminence of the currency shipping period. The Saturday statement of the New York clearing house institutions showed a large gain in surplus strength. In case of the banks and trust companies the loan contraction amounted to $13,100,000; and as there was a cash gain of $7,300,000, the surplus reserve increased $7,885,000. It stands at $28,157,700. In case of the banks alone the cash gain was about $5,000,000, the loan contraction $6,000,000, and the increase of surplus, $6,549,500.