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GENERAL FINANCIAL SITUATION.

The South African gold arriving in London on Monday, amounting to \$3,000,000, was shared between the Bank of England and the Continent. It has been anticipated that the situation in Paris would lead to stronger competition from the Continent for the available gold in London. Recent despatches intimate that the French Government will perhaps issue a loan of two milliards of francs, or \$400,000,000, for the purpose of repairing the damage done by the floods. Doubtless some accumulation of gold in Paris will precede the emission of this large volume of securities.

The bank rate in London was yesterday reduced from 3 1-2 to 3 p. c. The directors did not begin to let the rate down until they were quite satisfied that the bull cliques in Wall Street had lost control of the market. Then, as the fever of speculation in America continued to subside, successive reductions in bank rate were announced. If they had nothing but America to consider, the directors might now, with comparative safety lower the rate still further. Perhaps, they will do so in any case, although it is likely that they will wish to satisfy themselves as to the probable extent of French withdrawals from London before announcing further reductions. Paris bankers and financiers always have a considerable amount of funds employed at short call in London, and during the recent rather lengthy period in which money has been notably dearer in London than in Paris, their balances have probably largely increased. Now, for the first time in a long while, money is dearer in Paris than in London, and the circumstance will have its effect in inducing transfers of funds Southwards across the channel.

In the London market, call money is 1 1-4 to 1 1-2; short bills are 2 1-4 per cent.; and three months bills, 2 1-4 p. c. also. In Paris, the market rate is 2 1-2 per cent.; and is thus approaching somewhat closer to the Bank of France's 3 per cent. rate. In Berlin, the market is 2 3-4, the bank rate having fallen to 4 per cent. Yesterday, the London stock market, helped

by cheap money, showed considerable strength, following successful completion of the settlement.

The New York money market has been again affected by the drastic liquidation in securities, which continued into the present week—prices reaching new low points before rallying at midweek. Call money has ranged between 2 1-4 and 3 p. c.; 60 day money 3 1-2 to 3 3/4; 90 days, 3 3/4 to 4 p. c.; six months, 4 to 4 1-4 per cent. Something of a surprise was experienced when the Saturday bank statement appeared. It was known that the banks had gained something like \$4,000,000 cash in the movement from the interior; and taking into account the liquidation of the stock market position, it seemed likely that there would be an important loan reduction and a further rise in the surplus. But the figures revealed a cash loss of \$10,100,000, a loan expansion of \$6,600,000, and a loss in surplus of \$9,200,000, reducing it to \$23,448,875. The currently accepted explanation of the showing is that the trust companies withdrew cash in preparation for their forthcoming report to the State Banking Department; and probably they required the clearing house banks to take back loans which had been earlier assumed from them, the trust companies taking cash in settlement instead of having the proceeds placed on deposit to their credit.

However, notwithstanding the fall in the surplus, there is no doubt that the events of the week, like those of the weeks immediately preceding, have been of a nature to strengthen the foundations of the financial structure. As we remarked last week, bank loans on stocks on a 20 per cent. margin with stocks at present prices are safer and sounder than were the loans on the same stocks with the same margin, when the market was 20 or 30 points higher. At the same time, it is to be borne in mind that the ten millions cash supposed to have been transferred to the trust companies and other outside institutions, was not lost. In so far as those institutions hold it in the shape of increased reserves, their position is the stronger.

During the week sterling exchange broke considerably. The break is said to have been due largely to purchases of remittances to cover securities bought in New York, by London financiers. If the decline in securities had continued, it is altogether likely that these purchases would have been on a larger scale, and something might have happened in the way of gold imports by New York, as a consequence. It is not to be expected that the Bank of England would interpose any serious obstacles to a gold export movement for such purpose, providing its own condition were satisfactory. The securities purchased by London will very likely be sold back eventually to New York at much higher prices, thereby creating credits upon which London may draw.

Call loans in the Canadian centres are unchanged at 5 to 5 1-2 p. c. Throughout, the Canadian stock markets have resisted the influence of the Wall Street