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THE GENERAL FINANCIAL SITUATION.

The Bank of England this week continued its 3 p.c. rate.

Conditions in the world's markets during the week have developed towards cheaper money; and if they continue it is to be expected that the official quotation of the English bank will be placed at a lower notch. Call money in London is 1¼; short bills 2⅛; three months bills 2⅛ to 2 3-16. The market is thus considerably below the bank, and the happenings of the hour have been of a character to widen the difference unless the bank rate comes down. In the absence of other important considerations the doings in Wall Street on the resumption of business after the three days' intermission might reasonably enough be sufficient to cause the Bank of England directors to consider a reduction. Such liquidation as has been seen in the standard American stocks must inevitably act to relieve the European banking interests of a great many important American applications for credits. It clearly points to a lessened borrowing demand from New York. Also the directors will probably be bearing in mind the fact that the announcement of a reduced bank rate in London often has some influence in restoring confidence or stability in other financial centres where disturbane reigns. There seems to be no doubt now that conditions in New York are sufficiently serious. The spasms of liquidation have been too numerous and too acute, their cumulative effect upon the quotation list too large, to have been caused by the one or two or three factors dwelling most in the Wall Street speculators' minds. London bankers and financiers do not wish to see another crisis at the American metropolis. So they will now be disposed to take steps which will appear to the troubled bankers of New York as offers of assistance. A reduction in bank rate is one of the things that would have that appearance.

The Bank of France holds to its 3 p.c. rate and the Imperial Bank of Germany has held its quotation at 4 p.c. Open market at Paris is 1⅞ and at Berlin 2⅞.

At New York the money market has been subjected on the one hand to the tightening effects of a heavy loss of banking surplus reserves and on the other, it has experienced relief through a further drastic liquidation of stock market commitments. Possibly enough the loss of bank cash revealed in the Saturday statement was one of the principal causes of the resumption of the stock liquidation on Tuesday. According to the actual figures loans increased $9,800,000 while cash fell $18,940,000. The net result was a drop of $16,446,000 in surplus leaving the item at $8,699,300 or only 25.7 p.c. Call loans are 2¾ per cent.; sixty day money 3¼ to 3½ per cent.; 90 days, 3½ to 3¾ per cent.; six months 4¾ to 5 per cent.

It is said that much of the cash loss was due to urgent calls by interior bankers for shipments of currency. They want their balances returned for several reasons. Firstly many of them are well loaned up on land speculations and other commitments, secondly they have less than usual of cash resources on hand at the outset of the harvest and are therefore drawing upon New York at an earlier stage of the crop moving process; thirdly perhaps some of them do not like the look of the situation at the metropolis and desire to withdraw a part of their funds before things can drift into a phase wherein an embargo might be laid upon the balances.

The position in New York has been greatly affected also by the serious nature of the information coming out of the spring wheat territory. There is no longer any doubt that the long period of hot dry weather has caused great deterioration in the condition of this great cereal. Although it is declared that the United States is not a country that can be downed by one crop failure still the fact remains that the prevalence of booms and speculation on a large scale in the western and northwestern states makes it a bad year for a crop failure to happen.

In Canada money market conditions are not materially altered. For call loans in Montreal and Toronto the 5½ p.c. rate still stands. During the week intelligence came that our own Western wheat crop has been saved by the coming of plentiful rain. It is too early yet to tell what measure of credence may safely be given to this statement. It is known that in certain districts—the Mennonite section of Southern Manitoba is mentioned as one of them—the dry weather had worked its havoc before the relieving showers made their appearance. However, we may yet hope that the Western provinces will harvest a crop perhaps four-fifths as large as that of 1909. By great good fortune we may even seen a crop nearly equal to last years; but at the moment of writing the chances appear to be against it. This development, of course, promises to have an effect in lessening the demands upon the banks for credits. The financing of the crop itself may require less than was expected of banking funds. And again the uncertainty as to the outcome will have a tendency to cause merchants and manufacturers, in the East as well as the West, to go slow in the matters of extending themselves. So they in turn may not use so much of their credits as they expected a short while ago to have use for.