

# The Chronicle

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### THE GENERAL FINANCIAL SITUATION.

India and the Continent secured the \$2,500,000 of gold which arrived in London on Monday. The tendency of money rates in Europe is still towards ease. The Bank of England's rate was left unchanged at 3 p.c. Quotations in the London market are for call money,  $\frac{3}{4}$  to 1 p.c., short bills, 2 13-16 p.c.; three months' bills, 2  $\frac{7}{8}$  p.c. On the continent the Bank of France and the Reichsbank adhere to their former rates, 3 p.c. in Paris and 4 p.c. in Berlin. The Paris market rate has hardened slightly from last week to 2  $\frac{1}{4}$  p.c.; the German market rate continues at 3  $\frac{7}{8}$  p.c.

In London, despite the existing monetary ease, there is a tendency to look cautiously at the immediate future. A revival in the German demand for gold in connection with the usual stringency at the end of the month in Berlin is anticipated, and those in close touch with the East are said to attach importance to the extent of India's demand for gold in the immediate future. Consols are at a very low figure—they now give a higher interest return than in any year since 1879—and since they are the index to the national credit, the fact cannot be viewed with complacency. It appears also that the overwhelming creations of new capital, which marked the first seven months of this year in London are still a cause of anxiety. There is no doubt in the opinion of well-informed observers that many of these stocks are still in the hands of underwriters and that a further period of absolute inactivity in new issues is required for the digestion of these securities. Whether the necessary time for proper recuperation and the restoration of markets to a sound and normally healthy condition will be given remains to be seen. It is known that many important issues are merely awaiting the first favourable moment to make their appearance; and the cables have this week stated that the large Turkish loan, about which there has lately been some haggling in Paris, has now been

secured by an English syndicate, headed by Sir Ernest Cassel.

The present attitude of labour, also, is not reassuring, but beyond these surface conditions is the underlying fact that England is now passing through a period of transition, of which, at the present, it is not possible to see the outcome. The country has yet to get accustomed to the additional taxation, and the heavy new taxes, of which it has had no previous experience, imposed by the Finance Act of last year. The full effect of these changes upon the prosperity of the country has yet to be proved, and until some line as to their results can be secured, decisive action on the part of London financial interests is not to be expected.

In New York money continues on the easy side. Call money is 1  $\frac{7}{8}$  per cent.; 60 days, 3  $\frac{3}{4}$  per cent.; 90 days, 4 per cent.; six months 4  $\frac{1}{2}$  per cent. The Saturday bank statement showed that the surplus of the Clearing House institutions had been materially reduced. They had to report a loan expansion of \$12,073,400 and a specie outgo of \$5,240,100, the net result of which was to reduce the surplus by \$6,370,050 to \$21,369,175. The ratio of reserves dropped fractionally to 27.2 p.c. The trust companies and non-member state banks reported an increase in loans of \$176,200, in specie of \$1,423,600, and in legals \$141,000. The percentage of reserve was brought up to 18.2 from 18.0.

The outflow of currency from New York to the interior continues, reinforced as the demand has been this week by the action of southern banks, who have apparently been strengthening their resources in anticipation of the possible continuance of the deadlock between the New York and London bankers with regard to the cotton bill of lading dispute. Representatives of the great London joint stock banks and continental banking interests have decided not to accept cotton bills "validated" by the American railroads, but again to demand that the New York banks should guarantee all such instruments of credit after October 31 next, unless equally satisfactory protection should be offered. To this the American bankers, through a sub-committee of the American Bankers' Association have replied declining to guarantee the bills. Hence the deadlock, which has undoubtedly and very naturally caused a considerable amount of uneasiness and uncertainty in view of the near approach of the period for the moving of the crop. At the same time it may well be anticipated that the present deadlock will not be allowed to continue, but that ways and means will be found of effecting a settlement. There is a feeling in New York that the European banking interests do not quite understand the working of the railroad validation certificate scheme and that when it is