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THE GENERAL FINANCIAL SITUATION.

As expected the money markets in the great international centres showed signs of relaxing tendency in the opening week of the new year. In London money grew sensibly easier with the release of dividends and bank "window-dressing funds." Call money is quoted 2 to 2½; short bills are 3⅜; and three months' bills, 3½. At Paris the market rate for discounts is 3⅜ p.c.; and at Berlin it fell to 3¾. The great banks of Europe maintained in force the official rates heretofore quoted by them, viz.: Bank of England, 4 p.c.; Bank of France, 3½ p.c.; Imperial Bank of Germany, 5 p.c.

Some of the foremost experts in London are of the opinion that, barring grave political disturbances, the British centre will offer a satisfactory market for issues of new securities. The ground is generally taken, however, that borrowers will be required to pay slightly higher rates of interest than those prevailing in 1911. This circumstance of London's preserving a receptive attitude towards new security flotations, is of great importance to Canada. It is to be hoped that the lock-out of cotton-mill employees in Lancashire will not develop into a factor seriously affecting the London market. Apparently it is high time for some check upon the aggressiveness of union labor in England. If the employing interests do not make a stand at some point the ability of the English industrial concerns to hold the foreign markets will be lessened.

While the turn of the year brought some relief to Berlin's harassed market, it is as yet not clear whether or not the stringency will reappear. Much depends on the attitude of the French bankers. It is not considered probable that the funds lent to Germany by New York will be allowed to remain in Berlin indefinitely. The banking system of the United States is very wasteful in its operation; and it is not likely that the big American republic will figure as a lender to Europe when business on this side of the Atlantic picks up.

In New York, call loans are 3½ p.c.; sixty day loans 3¼ to 3½ p.c.; 90 days 3¼ to 3½; and six months, 3¾. The clearing house banks have effected a substantial increase of reserve. According to the Saturday statement, taking banks and trust companies, the loans increased $18,000,000; but the huge accessions of cash, amounting to $17,100,000, sufficed to bring about an increase of $7,858,000 in the surplus reserve. It stands now at $18,996,000. In the case of the banks alone the loan expansion was $11,300,000, the cash gain was $15,300,000 and the increase of surplus, $7,845,000.

The new year opened with a display of confidence on the part of the speculative element. Also the general opinion is that the steel trade in the United States is definitely on the mend. Some good authorities take the view that the real trouble in the neighboring country in 1911 was the recurrence of liquidation left uncompleted after the panic of 1907. It is said that liquidation has now been thorough and complete, and that the circumstance may cause the securities markets to hold firm, or advance, in spite of the disturbing influence of the presidential election.

In Canada money rates are unchanged. Call loans in Montreal and Toronto are quoted 5 to 5½ p.c. as heretofore. It is not expected that the situation will undergo a marked change in the immediate future. Although the January dividend and interest disbursements of Canadian corporations, municipalities and government are said to now exceed $33,-000,000, it is to be remembered that a very large portion of these disbursements has to be remitted abroad, in other words the banks are obliged to provide sterling and New York exchange in order to remit the funds to their owners.

Since the big bank amalgamation was announced, near the close of 1911, it has formed the subject of