The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY

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GUARDIAN BUILDING, MONTREAL.

Annual Subscription, $2.00. Single Copy, 10 cents.

MONTREAL, FRIDAY, NOVEMBER 19, 1909.

THE GENERAL FINANCIAL SITUATION.

In the European markets the week saw a noticeable easing off in interest rates. The success that has attended the Bank of England in its efforts to attract gold contributed to this. Yesterday's return showed reserve ratio of 54½ p.c. On Monday it secured the South African gold arrivals amounting to $2,500,000; and on the succeeding day another $1,000,000 gain on balance occurred. So, no change has occurred in the bank rate. Possibly when 5 per cent. is departed from the move will be downward instead of upward. However it is to be remembered that one important happening of the week is of a nature to unsettle the London money market considerably. The decision of the Unionist peers to reject the Lloyd-George budget is certain to precipitate an exceedingly bitter election contest. The position of the Lords is that the Chancellor of the Exchequer has evolved an entirely new principle of taxation in his budget, and that it is desirable to have a general election on the particular issue before committing the country to the departure. Though this is sound doctrine the chances are that the radical elements in the Government party will seek to make the Lords themselves an issue; and it is to be expected that the cry "Down with the Lords" will be much in evidence in a number of constituencies. It is fortunate that the British electorate is constitutionally conservative, and not prone to support violent or revolutionary changes. But notwithstanding this fact, those qualified to know declare that there is some likelihood that the election will bring important changes to the British constitution. And in the meanwhile the finances of the Imperial Government will be thrown into some disorder until the question of the budget is settled. It is this latter circumstance that the money market is inclined to be disturbed at. Before the struggle is over the Chancellor of the Exchequer may have to borrow very large amounts to meet the expenses of administration and the service of the debt. But this week discount rates have eased. In the London market call money is 3½ to 4; short bills are 4½; and three months' bills 4¼.

Bank of France rate remains at 3 per cent. and that of the Bank of Germany at 5. Market rate at Paris is 2⅞ and at Berlin 4½. At both cities the level is about the same as prevailed last week.

In New York call loans are 4¾; 60 day money 5 to 5¼; 90 days 5 to 5¼; and six months 4¾ to 5. The bank statement there was something of a surprise in that it showed a large gain in surplus—$6,330,250. It was effected through a loan reduction of $39,600,000, which together with the cash loss of $5,300,000, produced a substantial decrease in the deposit liability. The surplus stands at $10,826,650. There was a large decrease—$20,100,000—in the deposits of the trust companies and non-member state banks. And the supposition is that the heavy loan reduction of the associated banks was effected through assumption of the banks' loans by very wealthy depositing customers of themselves and of the trust companies. Though the foreign exchange market still rules high the tone appears to have quieted; and it does not seem likely that New York will have to stand an important loss of gold direct to Europe. The satisfactory progress made by the Bank of England in strengthening its specie reserves and the slenderness of the bank surplus in New York are circumstances that point away from gold shipments from New York to Europe. But it is note-worthy that further remittances are being sent to South America by New York bankers in settlement of balances owed by them to London. And it is worthy of notice that in Montreal and Toronto, New York funds are at a rate of discount which often produces a gold movement to Canada. While the balances and funds carried by our banks in New York are as large as at present, and New York exchange rules at a discount of 1-16 or 5-64 p.c., news of gold shipments from New York to Montreal by the Canadian banks may be occasionally reported. Indeed, one of $200,000 took place this week.

Call money in Canada holds at 5 p.c. Recent announcements regarding the relations of the two large Nova Scotia industrials—Dominion Steel and Dominion Coal—have had a tendency to increase the demand for credits emanating from the stock exchanges. The increased probability of a consolidation of the two concerns has apparently provided for Steel common an added attraction. At any rate a considerable new buying demand has appeared and the price has been advanced. The market appears to think that the merger proposal is more of a bull card for Steel common than it is for Coal common. Some little time will, of course,