

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, OCTOBER 7, 1910.

THE GENERAL FINANCIAL SITUATION.

No doubt last week's rise in the Bank of England's rate from 3 to 4 p.c. facilitated the efforts of that institution to secure the Cape gold arriving in London on Monday. At any rate the bulk of the shipments, which amounted to \$3,750,000, went into the Bank. The official rate of discount remains at the 4 p.c. level. In the open market in London call money has stiffened and is quoted 2 to 2½ p.c., short bills are 3 11-16, and three months' bills, 3½ to 3¾. The Bank of France and the Imperial Bank of Germany quote 3 p.c. and 5 p.c. respectively. Discounts in the Paris market are 2½; in Berlin, 3¾. Nothing of sensational or extraordinary importance has transpired in Europe during the week to affect the monetary situation. But there is a general opinion that rates of interest will continue to harden on account of large prospective demands for new capital.

In New York the trend of events has been distinctly towards dearer money although quotations for loans as yet show only slight advances. Call loans are 2¾; sixty days, 4¼; ninety days, 4½ to 4¾; six months, 4½ to 4¾. These rates are from ½ to ¼ higher than last week's figures in the case of time loans. It was expected in some quarters that the heavy fall in the bank surplus, as revealed in the Saturday statement, would have influenced the money market more noticeably. The outstanding feature was the cash loss of \$18,300,000. Much of this went to the interior; some came to Montreal in the form of gold shipments. Contraction of loans to the extent of about \$7,400,000 took place, but in spite of the liquidation of credits the surplus fell \$12,600,000 and now stands at \$4,981,350. There was also a sharp fall in the ratio of reserve to liabilities reported by the trust companies and non-member state banks. Their loans expanded \$9,300,000—probably on account of the assumption by them of loans formerly carried by the clear-

ing house institutions—and, as cash holdings increased but \$440,000, the percentage of reserve fell from 18.7 to 17.9.

Considering merely the facts, that the New York banks are only at the beginning of their task of financing the crop movement, that their surplus reserve is less than \$5,000,000, and that the usual assistance from London bankers in the matter of financing the export of cotton may not be forthcoming, it would appear that New York was in for a considerable degree of stringency in the immediate future. However, much will depend upon the attitude of the Wall Street speculative community. If the stock speculators were to choose the present occasion for boosting prices it is hard to see how interest rates could be otherwise than high. Such a movement would get scant sympathy in Europe and the American bankers are particularly interested now in retaining Europe's financial support. If on the other hand Wall Street speculation is permitted to remain as it has been during the past few months—colourless and quiet—there is good reason to suppose that the money market will go through the crop moving season in satisfactory manner. Probably rates of interest will rise—they should in any case stand definitely above the rates prevailing in the principal European centres while the crops are being moved. But the trust companies are in shape to relieve the clearing house banks of a considerable total of loans. If rates of interest obtainable in New York are sufficiently attractive there is no doubt at all that the international bankers—Canadian and European—will increase their funds in New York. Possibly one may look for events to happen in order something like the following: continuation of the drain of cash to the interior will tend to exhaust the surplus or to force the banks to call or transfer their loans. In either case interest rates should rise. If speculation is dormant the rise in interest may occur principally in time money. When rates rise above a certain point sterling exchange should weaken materially, perhaps to the point of gold imports.

Money rates in Canada have not changed during the week—call loans being 5 p.c. in Montreal and 5½ in Toronto. It is now becoming clear that the merger movement in Canada is about over for the present. Even before the failure of the Amalgamated Asbestos directors to take action upon their preferred dividend there had been a heavy shrinkage in the quoted values of a number of the merger securities recently created. And the passing of this dividend served to increase the prevailing suspicion and distrust to such an extent as to make it difficult or impossible for promoters to find investors to take new bonds and stocks