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THE GENERAL FINANCIAL SITUATION.

There was a trifle more competition this week for the Transvaal gold arriving in London. From the course of the foreign exchange market at New York it was expected that there would be an American demand for the metal on Monday. However, the New Yorkers did not think fit to follow the Bank of England and the other European interests when they bid up the price. So the $3,300,000 new gold was divided between the English Bank and the continent. The New York papers apparently expect that next week there will be a better prospect of securing some of the gold for shipment to their city. In London, Bank rate is the same as a week ago—4½ p.c., but discounts in the open market have ruled slightly easier. Call money is 2 to 2½ p.c.; short bills, 3 5-16; three months bills, 3⅜ to 3½. The market at Paris is 2⅝, that at Berlin 4⅝. The Bank of France and the Bank of Germany adhere to the 3 p.c. and 5 p.c. rates hitherto quoted by them.

In New York, on the contrary the tendency has been towards firmness; and the rate for call loans there now stands above the rate ruling in London. Probably this fact has had its influence in weakening the market for sterling exchange and in arousing expectations of gold imports. Call loans are quoted at 3⅜ p.c. There was not much business in time money. Demand was not keen and a very limited supply of funds offered. Quotations are, sixty days, 4 to 4¼ p.c.; ninety days, 4 p.c.; and six months, 4 to 4¼

The clearing house banks endeavored to protect their surplus reserves from further depletion by means of actively shifting loans to other institutions and by calling. In this way they effected a loan reduction of $14,240,000 and neutralized the effect of a cash loss of about $3,900,000. As a matter of fact they increased the surplus by $660,000 making it stand at $5,711,825.

Trust companies and non-member state banks on the other hand reported a loan expansion of $5,766,000, and their cash holdings fell nearly $300,000. Consequently their proportion of reserve to liability dropped from 17.4 p.c. to 17.3 p.c. As mentioned previously in THE CHRONICLE it is necessary to remember, when considering the banking position in New York, that the banks there have had recourse, in extraordinary measure, to artificial means of keeping interest rates down and of preserving their reserves. They have borrowed wholesale in Europe and have shifted large amounts of their loans to other institutions in America. It is quite probable that these shifted or transferred loans will have to be reassumed within a short time, and that the borrowings in London will have to be repaid. The process may necessitate a very heavy expansion of loans and deposits in New York during January while the interior of the United States is returning the cash funds that were used for financing the crop movement. So it is just possible that some little time will elapse before the surplus reserves reach a high figure. And if there is heavy gain in surplus reported for one or two weeks there is strong probability that in the weeks immediately following, enormous loan expansion, not accounted for by any financial transactions known to have occurred, will serve to cut the surplus down again to small proportions.

And in the meantime both the European and American centres have to finance the payments peculiar to the end of the calendar year. Stringency continues to be in evidence at Montreal and Toronto. Call loans are still quoted at 5½ to 6 p.c. and the brokers report that difficulty is experienced in procuring new loans on stock market