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THE YEAR-END FINANCIAL SITUATION.

Although some departments of the international money markets have stiffened during the week the dealings as a whole have been of the holiday character. No change occurred in the 4½ p.c. English Bank rate. The London market for call money is about the same—4 to 4½; short bills and three months' bills have a weaker tone—the former ruling at 3¾, and the latter at 3½ to 3⅝ p.c.

The Bank of France adheres to its 3 p.c. rate and the Imperial Bank of Germany continues to quote 5 p.c. The Paris market is 2 13-16, and the Berlin market 4¼.

In New York call loans ranged from 4¾ to 7 most of the loans going through at about 5 or higher; 60 day money is 4½ to 4¾; 90 days 4½ to 4¾; and six months' 4¼ to 4½.

Owing to the Christmas holiday the New York bank statement was published on Friday evening instead of Saturday. It showed a decrease of $14,900,000 in loans, a decrease of $300,000 in cash, and of $15,700,000 in deposits. As a result of the changes the surplus increased $3,616,000 and stands at $10,525,925.

The trust companies reported an increase in loans of $12,300,000 so it is naturally thought that they assumed loans of the clearing house institutions in order to help the latter through the end of the year financing. The loss in cash was unquestionably due mainly to withdrawals for holiday purposes. These would in New York City be very large; and as the net loss of cash by the banks only amounted to $300,000 the inference is that the flow of funds from the interior to New York has proceeded on a large scale.

In conservative banking quarters it is thought that this week's developments in Rock Island stock might have an influence upon the money situation in New York. As the New York Evening Post points out, the episode happened at a time when American bankers are scouring Europe for subscriptions to bond issues made or to be made on this side. It is supposed that London brokers who had sold calls on the stock and some of the speculative fraternity over there were the chief losers through the corner. If this latest evidence of Yankee sharpness is allowed to go unpunished it cannot but have an effect in deterring a certain amount of European capital from seeking investment in New York. On the other hand if the governors of the New York Stock Exchange are able to mete out summary punishment to members who may have been guilty of sharp practice in connection with the affair, the episode might prove actually beneficial to the American investment situation.

In the foreign exchange market sterling still rules high, but nothing extraordinary has happened, and it is not as yet exactly clear whether a large export of gold will take place. It is to be noted that interest rates—on call and time money—in New York are now distinctly above the European market rates. While that is so there will be less temptation or inducement for the international banking houses to transfer funds from America to Europe. A little while ago when the Bank of England rate was 5 p.c. and the London market well over 4 p.c. there was an important movement on the part of the Canadian banks and of other international bankers to purchase sterling and reduce their indebtedness to old-country correspondents. So long as the combination of relatively high call rates in New York and high prices for demand sterling exists, our banks will be impelled to draw rather freely on London, perhaps overdrawing their accounts in doing so, and to put the proceeds at call in Wall Street. The profits to be had in these transactions would, of course, be subject to diminution if there occurred after the turn of the year a sharp reduction in the rates to be had for New York call loans.

Call loans in Montreal and Toronto are unchanged at 4½ to 5 p.c. Commercial discount rates here are not subject to much fluctuation. They are based on the 3 p.c. deposit rate, and until that is lowered there is not much prospect of mercantile borrowers getting their accommodation much cheaper than at present.

From all parts of the country reports are coming in to the effect that the Christmas trade this year has been exceptionally good. Apparently it has broken all previous records. Also passenger travel on the railways has been very heavy. It has been noted that there is a large increase in the amount of travel from Western Canada to Ontario and Quebec. This feature bespeaks, of course, much prosperity, and points to a good industrial situation in 1910. Increased industrial activity will in turn result in throwing a heavier demand upon the banking institutions. Fortunately they are in excellent shape for meeting it.