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GENERAL FINANCIAL SITUATION.

This week the Bank of England again secured the bulk of the $3,500,000. Transvaal gold arriving on Monday. An American banker in the course of an interesting article on the methods of handling gold movements, explains that the mine owners have a definite arrangement with the bank whereunder it is given first chance at the gold —that it to say, if the bank likes to pay the price prevailing in the market it may have the metal. The situation in the London market is such as to causes the financial and commercial interests to keep a close watch upon the action of the bank directors at the Thursday meetings. On the one hand the factors making for a higher rate are the boom in rubber shares, which has been assuming large proportions, and the relatively low position of the bank's reserve. And on the other is the fact that the bank is getting most of the newly mined gold which goes to London and that the movement from New York to London is still actively progressing. At the meeting this week the rate was.

In the London market call money is quoted at 2½ to 3 p.c.; short bills 3 13-16; and three months bills, 3⅞ to 3 15-16.

On the Continent also the level of rates has been maintained at about the same level. The Bank of France and the Bank of Germany quote 3 p.c. and 4 p.c. as their respective official rates. The Paris market is 2½ p.c. and the Berlin market 3⅛.

The gold movement this week produced a noticeable effect upon the New York money market. Call loans have had a wider range. The swing has been from 2¾ to 3½ with most of the loans at 3¼. Time money also hardened materially. Sixty days 4 to 4¼; 90 days, 4¼ to 4½; and six months, 4¼ to 4½. This represents a rise of from ¼ to ½ p.c. for all maturities.

The Saturday bank statement showed a decrease of loans amounting to $19,900,000; a $4,800,000 loss of cash along with a $25,000,000 decrease of deposits. The net result was to increase the surplus by $1,530,000, bringing it to $6,490,879. There is no doubt that well-informed observers of the New York money market are puzzled and perhaps troubled over the outlook. It is not known exactly how much gold London will take. And if the drain continues on a large scale it will probably produce acute stringency in New York. One of the principal causes of the loss of gold is the high level of commodity prices in the United States. Foreigners accustomed to buy American merchandise and products will not pay the exorbitant rates demanded for some articles Hence export trade is checked. At the same time the prevalence of the high prices within the Republic promotes an extraordinary movement of merchandise from the outside world thereby tending to turn the exchanges against America. Of course, it is easy to see that the proper remedy is lower commodity prices in America, but if prices fall what will become of the prosperity which the country is enjoying? Probably though prices will not fall unless the banks enforce collection of their loans. As the gold exports threaten to bring the banks into a position which would compel them liquidate their loans the bankers may seek to overcome the movement through placing large lines of securites in London and Paris. Thus the Lake Shore this week announced the sale of $5,000,000 one year notes in Paris. No doubt, this announcement will be followed by others. The exchange drawn on Europe in transferring the proceeds to this side should help to satisfy the demands of the British creditors of America.

In Canada Money Rates have not as yet changed to an appreciable extent. Call loans are still at the 5 p.c. level. However, the bankers are closely following the course of events abroad; and should it develop that funds in New York and London move definitely to higher rates the Canadian situation will be influenced thereby. It is to be remembered that acute stringency or unsettlement at London would operate to check the movement of British funds to Canada and in that way compel us to find the money ourselves for many of the enterprises we are prosecuting. But the interruption would only be temporary, and when the condition of their finances was restored to normal, our British Kinsmen would, in their own interest, resume the work of supplying our capital needs. It is to be hoped that there will be no interruption to the flow of funds this way and in all probability there will not be. One thing is to be kept in mind. It is that the heavy immigration movement into our Western lands is of a nature to create some strain on the financial markets of New York and London. Thus we read of the train loads of American settlers coming in at North Postal, all well supplied with cash and bank drafts; and of ship loads of new comers at Halifax and St. John, with pockets well filled with sovereigns and letters of credit. In the aggregate this drain of funds