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THE GENERAL FINANCIAL SITUATION.

Of the $3,900,000 Transvaal gold offered in London on Monday, the Bank of England secured the greater part. The four per cent. bank rate instituted a week ago stands unchanged, but the London market has been slow in following the bank's upward move. Call money is quoted at 1¾ to 2 p.c.; short bills are 3½; and three months' bills, 3⅝ to 3 11-16 p.c.

Across the channel at Paris discounts are quoted at 2¾ in the market, and 3 p.c. at the Bank of France. At Berlin market rate is 4⅜, and bank rate, 4½. With the recent change in the English bank's quotation it took up a position midway between the French banks 3 p.c. and the German banks 4½ p.c. Some authorities say that no further rise in the London bank rate is to be expected this fall, but of course, it is impossible to speak with assurance on this point.

In New York a further rise has been seen in money rates. Call loans have ruled from 3¼ to 4 p.c., most of the business as yet being done at 3¾ p.c. Sixty day loans are 4¾ p.c.; ninety days, 4¾ to 5 p.c.; and six months, 5 to 5¼. Another sensational loss of cash was reported by the clearing house institutions on Saturday. Cash fell $12,180,000; and as loans increased $9,370,000, the excess cash reserve decreased $10,792,000 and stands at $4,553,150. The showing made by the banks alone was as follows: cash decreased $12,830,000; loans decreased $592,000; and surplus fell $9,168,000—from $14,064,250 to $4,896,-250. Thus it will be seen that the surplus of the banks is practically exhausted and that they have been throwing upon the trust companies the burden or duty of making new loans.

The cash loss was considerably heavier than had been expected. Shipments to the harvest states have been large and over $2,000,000 gold came to Canada; but the general opinion was that $7,000,000 or $8,000,000 would cover the outgo for the week. The disposition is to place the further loss of four or five millions to the account of the triple holiday. As the New York Post remarks, "Tradesmen and hotels, especially in near-by summer resorts, must have on hand an unusual amount of cash. The railways which are used by passengers over Labor Day, as at no other period of the year, must do the same. People going off to spend the week end and bring home their families, will carry full purses to settle their bills. Not least of all, the automobiling fraternity, with its plans for three-day tours, will involve the withdrawal of three or four hundred dollars for each of a multitude of pocket books."

It should be noted that the holiday would be very likely to have an influence in tightening up the money markets in Montreal and Toronto in the same way as above noted in the case of New York. Probably the payments to parties leaving on Friday evening or Saturday for trips would have a marked effect in increasing the circulation of bank and Dominion Government notes. As most of the banks would be near the authorized limit they would be obliged to pay out legals, and the process, of course, would lessen their power to discount. The right to issue excess bank notes would not inure for three or four days, so there would be nothing for it but to part with the legals.

With the advent of September relief would come in two ways—the cash taken by the holidaying crowds would return to the banks in the form of deposits by tradesmen, hotels, railways, etc.; and the extra issue powers also come into play. The first stages of the crop moving process should not prove troublesome for the Canadian markets if, as seems likely, the banks have general and extended recourse to the extra issues. By this means they can create $15,-000,000 or $20,000,000 of currency for use in the wheat fields without drawing upon their reserves of quick assets. The tax of 5 p.c. makes it an expensive business for the banks and possibly they will endeavor to procure somewhat higher rates of discount from the parties having loans or advances based on issues of taxed notes.