

REASONS FOR GOLD FLOW.

A RETURN MOVEMENT IN DECEMBER OR JANUARY SUGGESTED — ABNORMAL GRAIN MOVEMENT.

The recent gold movement from New York to the Canadian financial centres reached eventually nearly \$14,000,000. Will the metal return? and if so when? Some authorities here, writes a correspondent, think there will be a return flow of gold from Montreal to New York toward the end of December or at latest in January. The banknote issues are now coming home to the issuing banks at a great rate. The contraction of the circulation will proceed rapidly in December; and in January doubtless the circulation of most of the banks will be within the amount of paid-up capital, thus requiring no specific security to be lodged against it. The deposits in the central gold reserves thus become free. The banks will be disposed to put the money at interest. They cannot well put so large an amount at the disposal of the Canadian markets, as it might be impossible to recall it in large blocks in case of emergency. So New York is likely to get it back again. Another thing which makes it likely that exchange will turn against Montreal in the course of a month or so is that Canada must provide for a very large amount of interest and dividends payable in London in January. It is perhaps not exactly understood in New York how abnormal the movement of grain has been in Western Canada this year. Up to November 8, there had been inspected 76,911,600 bushels of wheat, as against 45,667,000 bushels up to November 8, 1912. The amount then remaining in farmers' hands was placed at 47,000,000 bushels, as against 87,000,000 bushels on November 8, 1912. In the meantime a considerable part of the 47,000,000 bushels has passed out, and the Western provinces must be nearly cleaned out of wheat. This shows what an enormous amount of grain bills have gone through the market. Henceforth, the grain bills cannot be so much in evidence; in fact, the supply from January on should be much below last year's. That will be another reason for expecting a return flow of gold in January.

INCREASING LONDON BALANCES.

The *New York Journal of Commerce* editorially thinks that the recent gold movement represented a definite policy of the Canadian banks increasing their London balances at the expenses of their balances in New York. This could readily be accomplished, says this authority. A considerable number of Canadian municipal and other loans have, for instance, been placed in London, and their proceeds must necessarily, to some extent at least, be remitted to the borrowers. These in the usual way would be transmitted by means of the usual sterling exchange machinery, largely through New York. But New York balances in London are so heavy that it is difficult to prevent an actual movement of gold to New York. Therefore the Canadian banks through whom the remittances to Canadian borrowers are made are making these payments by drawing on New York, where they always maintain large balances loaned out on call. The Canadian bank statement for October showed that call loans "elsewhere," meaning chiefly London and New York, increased \$6,707,399 during the month. In 1912 they decreased in October \$11,580,053. Current loans "elsewhere" increased \$11,768,971 in October this year and

\$1,860,116 last year. The bank statement affords no data to show the division between London and New York. But there seems no reason to doubt but that the Canadian institutions are taking advantage of the strain in money abroad to extend their loans there and contract them in New York. The gold movement from New York to Canada certainly shows such a tendency. There has recently, too, been a particularly heavy pressure of Canadian grain bills in the New York market.

SIR GEORGE PAISH ON CANADIAN POSITION.

CANADA HAS SUBSTANTIAL PREFERENCE WHEN BORROWING IN LONDON—BRITISH CONFIDENCE UNSHAKEN.

Sir George Paish, editor of the *London Statist*, gave an important interview on his arrival in Montreal at the beginning of the week. Speaking of the financial relations between this country and the great loaning centre of the world, Sir George says that, while Canada has been exceedingly urgent in her borrowings, the pressing financial needs of the Dominion indeed having caused rates to go up in the London market, the fact remains that the British investor has still absolute confidence in Canada.

£40,000,000 FOR CANADA.

Sir George added, however, that there was always a limit to the loaning power of any country, even of so rich a country as Great Britain. During the Balkan troubles, France, also a very rich country, did not loan as much as usual and consequently England had in a measure to furnish the difference. At the end of the current year England would have loaned during the twelve months the enormous sum of £240,000,000, and out of this sum about £40,000,000 was for the Dominion of Canada. That, he added, was a great deal of money for any country to loan in one year, and as for the coming twelve months, the borrowing nations would also be very plentiful.

SAVING INSTINCTS.

Speaking of the saving instincts of the British people, Sir George Paish stated that during the past year one-sixth of the national revenue of Great Britain had been saved, and this he considered a great point in Great Britain's favor. In fact, the old stocking of the French people has had a world-wide reputation, but he thought that Britain had gone one better than their friends across the Channel.

Sir George questioned somewhat the theory that the present stringency throughout the world had been caused by an undue extravagance on the part of the people. He prefers to attribute it to the fact that Europe has been hoarding up her funds for a good while past, but he also thinks that if the peace treaty is really signed between Turkey and Greece, which was all that was lacking in the complete pacification of the Balkan States, a very considerable loosening up of the purse-strings of the old world will undoubtedly take place in the near future with a corresponding ease in the money situation of both continents.

MARKET FOR WHEAT.

Speaking of the future position of Canada as an exporter of foodstuffs, Sir George said he had no