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THE GENERAL FINANCIAL SITUATION.

Most of the $5,000,000 new gold offered this week in London was taken by the Bank of England. Although bank rate stands at 5 p.c., rates in the open market have fallen. Call money is quoted 3 to 3½ p.c.; short bills are 4½; and three months' bills, 4½ per cent. On the continent generally the anticipated relaxation of monetary strain is now in evidence. There is not so much relaxation at Paris as at some other centres. Bank of France rate is held at 4 p.c.; and the private rate is 4 to 4⅛. Frenchmen are still hoarding gold. Doubtless they will continue to do so until the Bank of France and the other banks begin to meet their obligations in gold instead of in paper and silver. Because of the difficulties interposed by the banks in the way of parties desiring gold it is likely that the official and private discount rates in France will not come down as rapidly as in England.

At Berlin a sharp fall in interest has already been seen. The Imperial Bank of Germany quotes 6 p.c. as heretofore, but the market has fallen further. Private rate is 4⅜ p.c. as against 4⅞ a week ago.

There are signs that the European markets will shortly take a more cheerful view of the general outlook on the other side of the Atlantic. Quite likely the financial magnates will be figuring their profits on underwritings of large amounts of new securities put out by the Southern European powers and states. There promise to be a goodly number of borrowing nations in line outside the money lenders' offices. Italy, Austria, Turkey, the Balkans and others will be there; and probably Canada too will be in the throng. That the most importunate borrowers will be obliged to pay stiff rates for their accommodation goes without saying. But in case of borrowers in better credit who can wait and choose the most favorable time, the price may not be excessive. However, even in our case, we have to remember that the big London and Paris bankers have a keen eye for profits; and if general conditions are such as to permit them to put good prices upon their services doubtless they will name them.

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In New York, too, the expected sharp fall in money rates has taken place. Call loans are 2¾; sixty day loans 4 per cent.; ninety days, 4¼ to 4¾; and six months, 4¼ per cent. The clearing house institutions were able to report on Saturday a huge gain in cash—amounting to about $14,800,000. This, taken with the loan expansion of $11,000,000, served to increase the excess cash reserves by the respectable sum of $7,457,950. The excess, in the case of banks and trust companies combined, now amounts to $13,854,550. The exhibit made by the banks alone was not quite so favorable. Their loans increased $10,000,000 and cash increased $11,000,000—the surplus, therefore, rising $4,930,000, to $12,193,750.

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Again this week the United States Supreme Court has handed out a judgment which upset the securities market. Its decision in the Union Pacific merger case wherein that company is refused permission to distribute among its own stockholders the Southern Pacific stock held by it, was handed down. Upon the announcement on Monday, Union Pacific stock fell 4 points and the whole list weakened. Between the fool-legislation passed by state and federal legislatures and the decisions of their Supreme Court the American markets are having a hard time of it. In his article on the Canadian steel trade, published in the Toronto Globe's annual financial survey, Mr. T. J. Drummond, of Montreal, has some pertinent remarks on the manner in which business is affected. Mr. Drummond says, "In the States when all seems bright and the national sky is clear, we see a panic-stricken crowd hunting for cover and pale-lipped men whisper, 'The Supreme Court is bringing down a judgment to-day.'"

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In Montreal and Toronto, while there is perhaps an easier tendency, it has not as yet affected the quotations. Call money is 6 to 7 per cent.; commercial discount rates also range from 6 to 7. It is to be expected that the easing of the great international markets will affect the Canadian centres in a short time. One may also look for a sharp fall in the circulation of Dominion Government "fives" in January. When the need for currency declines, as these notes come in they will be exchanged for "big legals"; and instead of being in general circulation throughout the country the funds will figure in the cash