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THE GENERAL FINANCIAL SITUATION.

The 4 per cent. Bank of England rate was left unchanged at the Thursday meeting. In the open market money has stiffened a little, and call loans are quoted at 3½ to 3¾; short bills 3¾; and three months bills 3¾.

At New York on Tuesday Sir Edgar Speyer gave an interesting description of the manner in which the non-collection of the revenue has affected the market position in London this season. He said "the income tax revenue is usually received in the March quarter of each year, and the resultant increase in the government's balances, amounting to about £8,000,000 or £9,000,000 sterling, gives the Bank of England control of the open market until the end of March.

"This year, however, things are different. The income tax revenue has not yet been collected, and, instead of the Bank of England having command of the open market, the income tax revenue has accumulated on behalf of individuals in the hands of outside firms and banks, with the result that money has been plentiful and the discount rate low."

The Bank of France and the Bank of Germany did not alter their official rates. So 3 per cent. still prevails at the former institution and 4 per cent. at the latter. The Paris market is slightly higher at 2½ per cent., and the Berlin market slightly lower at 3½. The market at Vienna also eased off a little at the beginning of the week.

No changes of consequence occurred in New York. Call loans ranged from 2½ to 3 per cent., with most of the loans commanding 2⅞. Sixty day money, 3¾ to 4; 90 days, 4 to 4¼; and six months, 4 to 4¼.

According to the Saturday statement the clearing house banks in New York lost a good part of the previous week's gain in surplus, mainly owing to a large increase in their loans. The loan expansion was $27,400,000; the cash increase $3,280,000. As deposits increased $29,700,000 the result was a fall of $4,140,000 in surplus, reducing the account to $10,805,725. It is explained that the loan increase contained the financing of a large part of the New York city loan of $50,000,000 and some $15,000,000 of short term notes of corporations. In the current week there will be the April dividend and coupon payments to provide for; and unless the operation is offset by other factors a further increase of loans may result.

Sir Edgar Speyer told the newspaper reporters that in view of the shrinkage of the American trade balance the only thing that could avert exports of gold by New York was heavy selling of United States securities in Europe in the next few months, "but," he added, "the conditions in Europe are favourable to the investment of European money abroad, and provided the terms are attractive money will be available."

One of the factors operating to keep foreign exchange high has been the scarcity of cotton bills on Liverpool and Manchester. The mills there would not pay the high prices for raw cotton demanded by the United States. Consequently they are not able to supply the demand for finished cotton goods. It is interesting to note that the New England cotton mills are now cutting the prices of their products in order to keep their mills running. Sales now being made are at no profit and in some cases at a loss owing to the high prices paid for raw cotton. The disorganization of the industry in the States constitutes an unfavourable factor for the Canadian cotton industry also. Until there is a new cotton crop to provide a sufficiency of raw material for the trade in Europe and America the situation is not likely to right itself.

The New York Evening Post points out that the further midweek advance of ¼ cent. in exchange on London, brought the rate for sight sterling within ½ cent of the figure at which, exactly a year ago this week, New York's last shipment of gold direct to London was arranged. In the third week of March, 1909, sterling reached 4.88¼, and $3,000,000 gold went out, consigned to London. The following week, with exchange at the same figure, $7,000,000 was shipped to the same destination. No gold has gone from New York to London since the 23rd of that month, although the $49,000,000 gold, subsequently sent to South America, may be regarded as in the nature of a left-handed settlement with London.

No change has occurred in call rates at the Canadian money centres. They remain in the neighbourhood of 5 per cent. During February there was quite a general movement on the part of the chartered banks to liquidate call loans carried by them in Wall Street—for the purpose of increasing their mercantile loans in Canada. Some of the smaller banks withdrew the whole of their funds