

The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY

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GUARDIAN BUILDING, MONTREAL.

Annual Subscription, \$2.00. Single Copy, 10 cents.

MONTREAL, FRIDAY, JANUARY 7, 1910.

NEW YEAR FINANCIAL DEVELOPMENTS.

The New Year was quickly followed by a reduction in the Bank of England rate, which was yesterday changed from $4\frac{1}{2}$ to 4 p.c. The gold arrivals at London on Monday, amounting to some \$3,200,000, were shared by Paris and India. The reported heavy applications for credits made by American financial interests to London banks have not so far resulted in sending English money rates up, the market position at the British capital being, instead, a little easier. Call money is lower than a week ago—2 to $2\frac{1}{2}$; short bills and three months' bills are weaker again and are now quoted at $3\frac{1}{4}$ for the former and 3 5-16 for the latter.

The official rates of the Bank of France and of the Bank of Germany were continued unchanged—at 3 and 5 p.c. respectively—through the week. But the open market in Paris, as well as the market in Berlin, showed the same softening tendency as did London. At the former centre the rate is now 2 11-16 and at the latter $3\frac{3}{8}$. This is the first time in a considerable while that the Berlin market has been under 4 p.c.; the circumstance therefore apparently denotes a marked easing of the strain that has existed recently in that centre.

The general easing off in European rates has its bearing upon the New York position. Of course, the 12 and 14 p.c. call rates of last Monday served to direct the world's special attention to Wall Street, but in banking circles here it was hardly thought that those prices for money would prevail for more than a few days at the outside. So the bankers here were quite prepared for the fall to 8 and 9 p.c. on Tuesday. At the end of the week call loans run between 4 and 6 p.c.; 60 day money is $3\frac{3}{4}$ p.c.; 90 days $4\frac{1}{2}$; and six months $4\frac{1}{2}$.

In the week-end bank statement at New York there was shown a loan expansion of \$4,600,000. As it was accompanied by a drop of \$7,300,000 in cash the net result was to decrease the surplus by \$7,036,000 leaving it at \$3,489,100. The trust companies and state banks also increased their

loans—the former by \$3,600,000 and the latter by \$4,200,000. These increases are set down as being caused quite largely by the interest and dividend disbursements. The end of the week sees the funds, or a considerable part of them, in the market again.

Just before the close of 1909 the heavy offerings of exchange bills in New York gave rise to reports that the powerful market interests there were arranging large loans in London with the object of bringing off a bull demonstration in stocks sometime in January. It is altogether likely that the bank position in New York will have to be strengthened materially before operations for the rise can be undertaken on a general or extensive scale. This week's price weakness does not give encouragement to an attempt at immediate "boosting." A surplus of three millions seems but a slender foundation on which to base a boom in stocks, especially when it is considered that the banks are supposed to be under quasi-obligations to take back a large amount of loans which they a little while ago shifted to outside institutions and to their individual depositors. Under those circumstances a rise engineered by means of capital borrowed at high rates from Europe would seem to be somewhat insecure. At this distance it certainly looks that the Wall Street stock market would have the best chance of durable appreciation if the indefatigable market captains could be induced to rest on their oars for a time.

Compared with Wall Street's midweek price weakness the strength of the Canadian stock markets has been noteworthy.

In Montreal call loans generally are at 5 p.c. In Toronto $5\frac{1}{2}$ per cent. rules in many cases. This week's events in New York have been of a nature to cause the bankers to give thought to the matter of putting rates up. If there was a prospect of 6 p.c. and better continuing at New York it is reasonably certain that our home brokers would shortly get notices advising them of a rise in their interest rates. As it is, the flurry at the beginning of the week may be allowed to pass disregarded. At any rate it had a tendency to stiffen the quotations for New York exchange. Banks having large balances with their New York correspondents would not be so much disposed to offer New York drafts for sale on the market. They might instead, instruct their correspondents to place a certain amount in Wall Street. The amount of the Canadian call loans in New York is so large that a rate exceeding 10 per cent. means something in profits even when it lasts only for a short while. At the end of November the foreign call loans were \$134,000,000. Assuming that \$100,000,000 were in New York and that the banks charged their customers the prevailing market rate for money, a 9 per cent. rate would mean