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THE GENERAL FINANCIAL SITUATION.

International money markets have been quiet on the whole again this week. In London there were some signs of a better demand for credits, arising partly from an increase in the speculative dealings and partly in connection with new security issues by colonial governments and foreign states. Bank of England rate is unchanged at 2 1-2 per cent. In the London open market, call loans are quoted at about 1 1-2 to 2 1-2; short bills, 1 1-2 to 1 5-8, with three months' bills about the same.

At Paris the market is 1 1-8 while the 3 per cent. rate at the Bank of France stands unchanged. The Berlin market rate is 2 3-4 per cent., the Bank of Germany continuing its 3 1-2 per cent. rate.

Locally in the Dominion money rates have not changed materially, call loans at Montreal and Toronto being still given officially as 4 to 4 1-2. It has been remarked again however that in special cases money is to be had at 3 1-2.

At New York also rates are on about the same level as a week ago. Call money, 1 3-4 per cent.; 60 days, 2 to 2 1-2; 90 days, 2 1-4 to 2 1-2; 6 months, 3 to 3 1-4.

Last Saturday, through an increase of $6,000,000 in cash, and a decrease of $2,400,000 in loans, the Clearing House banks in New York City were able to add $5,300,000 to their surplus reserve, which now stands at $19,919,775. It is to be noted also that the April statement of the Canadian banks shows the cash resources in the Dominion to have increased during April in spite of the moderate loan expansion which took place. But in both countries there is a considerable potential demand for credits not far ahead, which is reasonably certain to have some effect in reducing the supply of surplus cash, and in strengthening the rates for money at the centres.

In London and New York, a good deal of attention is now being given to the matter of new security issues. In default of fresh items of interest from the political quarter, financiers are finding that the prospective new loans attract an increasing share of their attention and discussion. So far as we in Canada are concerned, the approaching Dominion Government loan holds a dominant place. Although definite particulars are not yet available, it appears that this time a large loan will be put through. Of course, judging by past records, our recent loans of six and five million pounds were large loans, inasmuch as the six million pound transaction was the largest colonial flotation ever made at one time on the London market. But, judged in the light of Canada's immediate necessities, those loans were small. If current expectations are realized £10,000,000 in bonds will go on the market on this occasion.

Some have supposed that the $15,000,000 loan announced last week by New South Wales was hastened through in order to be ahead of our big issue. Quite probably the Australians may have had Canada in view when they selected the date of issue for their own loan. At the same time it would be entirely erroneous for us to suppose that we have any monopoly in the matter of borrowing in London. As a matter of fact we have no right to expect that we shall be given a preference over the other important parts of the Empire. It is altogether likely if our big $50,000,000 issue came off just before the New South Wales flotation, that it would materially injure the chances of the latter transaction; but, on the other hand, there is hardly a prospect that their loan will injure ours to the same extent. That we shall get our money is a foregone conclusion. It will be merely a matter of getting terms as favourable as possible. Until the actual terms are announced financial circles here will be on the qui vive to learn them.

Quite a considerable amount of the proceeds will be required to take up a maturing loan and temporary advances now running in London. Over and above these requirements a sum of perhaps $15,000,000 may be available for transfer to this side the Ocean. Then it is to be remembered that in addition to the free money thus left over after providing for maturing and floating obligation, the Finance Minister will have open to him the expedient of borrowing anywhere up to say $25,000,000 on temporary loans. Then there is the probability that some holders of the maturing bonds will desire new bonds rather than cash for their securities. A respectably large proportion of them may select this course. However, this latter question has to do with the marketing of the new bonds rather than with the amount of cash the minister will have available. The more old bonds there are converted the less will be the quantity of new ones the underwriters will have to find a market for.

So far as conditions in Canada are concerned, it can be said that the favourable weather this week has done much to retrieve the effects of the preceding bad spell. The sunshine has been a great boon to the farmers of Ontario and the other Eastern Provinces, and business in general is feeling a good effect therefrom.