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GENERAL FINANCIAL SITUATION.

Following last week's developments at Berlin, the European money markets have more than maintained their ground at the higher level then reached. Bank of England rate has remained the old figure—2½ per cent.—but the London market call money is quoted ¼ higher at ¾ to 1 per cent.; short bills are 1⅞; and three months' bills 1⅞ to 2 per cent. Bank of France rate also is unchanged at 3, but the Paris market is up a fraction, at 2¼ per cent. The German Imperial Bank, of course, retains its recently inaugurated 4 p.c., and the additional firmness which that move imparted to the open market in Berlin is still plainly in evidence—the market rate being 3½ per cent.

Bankers at the European centres are beginning to discuss the question as to whether they will be called upon to supply gold this fall for shipment to America. Sterling exchange at New York has shown some evidence of declining, though it is as yet considerably above the gold import point. Possibly a gold movement will depend quite largely upon the rates of interest to be had in New York. Should there be a further rise of any consequence in the quotations for money it is reasonably certain that capitalists and institutions on the other side of the Atlantic having surplus funds would be disposed to take advanage of the opportunity of employing them profitably. And the negotiation of the exchange bills transferring their capital might quite conceivably affect the exchange market to the extent of causing a gold movement this way.

Call loans in New York are quoted at 3 p.c.—last week's price—60 day loans 3½; 90 days 4 per cent.; and six months 4¼. On Saturday the associated banks lost much of the gain in surplus reported for the preceding week; which fact moved some watchful critics to observe that the process of shifting loans to the interior institutions evidently came to a halt—temporarily or otherwise as subsequent hapenings will discover. An increase in loans of $5,972,000 accompanied by a decrease of $6,100,000 in cash effected a reduction of $5,200,000 in the surplus bringing it down to $6,876,700.

The great influx of visitors to New York for the Hudson-Fulton celebration from all parts of the United States and from abroad is looked upon as likely to contribute much cash to the New York banks. Many of the visitors came well supplied with cash which they, no doubt, would spend freely. Also the visitors from abroad would probably have a handsome aggregate of letters of credit, their use of which would have its effect in influencing the exchange market in New York's favour. On the other hand, New York has within the past week or so lost nearly a million and a half of gold to Canada—though it is scarcely thought the outflow this year will equal that of a year ago.

It is said early in the week that certain powerful market interests which have latterly been supposed to be concerned in the movement for higher prices are now showing a disposition to cease their activity in the stock market. But it is difficult to make a dignified retreat. And to cover realizing sales, fresh price-spurts are sometimes in evidence—as at midweek. However, it would certainly seem as though some reaction were timely, in view of the small surplus of the associated banks. One may quite believe another report which has had currency this week and last, viz.—that certain important banks in New York have notified large borrowers on stock market collateral that reduction of the loans will be expected in the immediate future. That is not the kind of a situation, usually, which makes for a maintained advance of stock prices.

In the Dominion, financial matters are moving along smoothly. The banks are now well into the task of moving the Western wheat crop—it being estimated that something over one-tenth of the total yield has been forwarded to the lake ports—and yet no appreciable stringency and scarcely any signs of hardening of interest rates are to be seen in the monetary centres. Call loans in Montreal and Toronto are still quoted at 4 to 4½. Besides its obligation to find funds for the wheat movement the Canadian money market is now undertaking a very considerable amount of financing of consolidations, etc., and what looks like a movement in the home steel stocks similar to that of seven years ago. The remarkable gains in deposits effected by the banks and the great strength of their reserves has permitted them to handle easily all these various movements. As a matter of fact the proportion of available reserves to net liabilities of all the banks was at a high record for recent years, as at 31st August last.

With regard to the wheat movement, railway