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THE GENERAL FINANCIAL SITUATION.

Financial critics in different parts of the world have been interestedly watching for the effect on the international money markets of last week's reduction in the Bank of England's official rate of discount. The course of the foreign exchanges as they relate to London has been given especial attention. In nearly all cases the exchanges moved at once against the British capital; and a temporary ending was put to the export of gold from New York—but further engagements are expected.

This week the Bank of England rate holds at 2½ p.c. In the open market at London call money is quoted at around 1½—having eased somewhat, short bills are at 1½—a fractional falling off; and three months' bills are the same rate as short bills.

On the Continent, rates have fallen. At Paris the Bank of France still quotes 3 p.c., but the market discount rate has not recovered more than the barest fraction from the low level reached last week. The rate is 1¼ as against 1⅛ in the previous week. At Berlin the Bank of Germany thus far holds to its official 3½ p.c., and the market drops from 2⅝ to a flat 2 p.c. In other centres it is expected that the next development will be a reduction in the German bank's rate, as its position is getting hopelessly out of touch with the Berlin market. Whether the Imperial Bank of Germany or the Bank of England will be first instituting a reduction from the present level remains to be seen.

Locally in Canada there is no change in the quoted rates, call loans in Montreal and Toronto being still given as 4 to 4½ p.c. There is still some variety of opinion as to the probable course of our home rates in the near future. On the one hand it is said that an increasing number of the large stock market borrowers have been getting their loans marked down to 3½ p.c.; and on the other it is known that one or two important Montreal institutions recently marked up the rate on many call loans to 4½ p.c. Possibly the explanation of these apparently contradictory circumstances is to be found in the different positions of the individual banks. There are a number of banks so fortunately situated that the normal spring demand from their regular customers for credits permits them to put a substantial part of their surplus cash resources into play. Obviously banks so situated could afford to demand the highest of the current rates from casual customers having to do with the stock exchanges; while others, with their cash reserves still piling up and no immediate employment offering, would prove more pliable when certain big borrowers intimated, significantly, that they "understood so and so was getting loans at 3½ from such and such a bank."

In sizing up our position, broadly, it has to be recognized that in all the big markets the outspoken expectation is that money will be dirt cheap for perhaps about a year to come. This state of affairs must have its influence on our Canadian rates, though probably our activity in railroad building and in assimilating new settlers will modify its effects.

New York rates eased off fractionally. For call loans the prevailing rate is 1⅞, slightly above a week ago; 60 day money is quoted at 2¼ to 2½; 90 day at 2½; and six months at 2¾ to 3

Last Saturday a substantial decrease—over $6,000,000—occurred in the surplus reserves of the New York Clearing House banks. It was brought about, mainly, by a loan expansion of $9,600,000, accompanied by a cash decrease of $5,200,000. After this reduction the surplus stood at $10,502,-550, which is somewhat lower than usual for the time of year. It is supposed that the completion of arrangements for the April disbursements affected the loan account as the same necessity affected it the previous week. Also, no doubt, the remarkable increase in speculation in stocks for the rise had its effect in increasing the loans. Judging by the behaviour of the market, this last-named circumstance would be apt to have an even greater influence upon the loan account in the current week. But its effects would be, to a certain extent, counteracted by the relaxation incident upon the release of the dividend and interest payments.

Following the optimistic reports of improvement in the structural steel business which were current ten days ago, come some further reports of the iron industry in general which indicate that conditions are not mending so rapidly as could be wished. Of the United States Steel Corporation and of the other companies engaged in the iron industry in the States, it is expected that this year's earnings will be very discouraging indeed That being so, it is exceedingly curious to observe how strong and high the steel securities are in the market The New York Evening Post is suspicious that the present boom in Wall Street is the work of very rich speculators seeking to put the market up