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R. WILSON-SMITH, *Proprietor*.

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GENERAL FINANCIAL SITUATION.

The arrival of the large American shipments of gold has been one of the features of the London market this week. This metal was taken into the Bank of England, and its presence helped to weaken the quotations for money in the open market. No change was made in the bank rate on Thursday. Evidently the 4 p.c. rate is serving the purpose satisfactorily. In the market call money is 2¾; short bills 3¼; and three months bills 2¾ to 2⅞.

At Paris the Bank of France holds to the 3 p.c. rate and the market is 2⅛; and at Berlin the Bank of Germany quotes 4 p.c. as heretofore and the market is 3 p.c. This week the London rubber boom received a severe blow in the fall in crude rubber prices at the fortnightly auction. The buyers would not bid anywhere near the high prices fixed at the last sale, and a large quantity of the offerings had to be withdrawn. The speculators in the rubber shares have come to believe that prices for the crude would go up and up. However the critics are backward about saying that this means the end of the boom. One well informed, correspondent cabling on Tuesday, said that a comparatively early rally is probable in rubber issues, for, just as the boom has been overdone, so to-day's fall was largely manipulated."

Beginning this week and next the speculative purchasers of the shares will be obliged to meet the cash instalments due, and it will be interesting to see what effect this has upon the market for the shares.

One of the important considerations to bear in mind while studying the London monetary situation is the large aggregate of new security issues brought off there this year. Since the end of December, the amount of new flotations is $620,000,000 which sum is $250,000,000 greater than the record for the same four months in 1909. Also it is pointed out that the security issues for the past four months have already exceeded the total for the whole year 1906 and for 1907 as well. So it may be assumed that loans to underwriters and subscribers aggregate a very large sum. And it is open to question whether the business can continue at the same pace through the remainder of the year.

Another very interesting development has been that occurring in connection with the passage of the budget. The much discussed and much contested Lloyd-George budget became law a few days ago and the Government became empowered to collect the overdue taxes as well as the taxes for the current year. There has been a heavy accumulation of funds in the joint stock banks by corporations and capitalists in preparation for these payments. Now these funds are being transferred to the Bank of England for credit of the Government. The bank's control over the market may perchance be strengthened materially by the process.

While the acquisition of New York's gold has thus served London in good stead, this week saw a notable rise in interest rates at the American metropolis and a notable weakening of Wall Street prices. Call loans towards the close of the week ranged from 4½ to 5½ p.c. with most of the business done at the higher level, 60 days, 4¼; 90 days, 4¼ to 4½; and six months, 4¼ to 4½. This is distinctly higher for all maturities—the rise being greatest in the case of the call loans. The full effect of the gold withdrawals was seen in the Saturday bank statement with a cash loss of $13,400,000, only offset in small part by the loan reduction of $7,760,000, the surplus fell $8,200,000 and now stands at $4,182,550. The trust companies and non-member state banks also suffered a slight fall in proportion of reserve to liability, due to a loan increase of $9,700,000.

As usual, when the money supply threatens to become deficient, the first shock fell upon the stock markets. Considerable liquidation has been effected there as a result of the sharp declines. It is to be hoped that the cliques of speculators who are holding raw cotton supplies out of the reach of the mills by means of bank loans will be forced to take their share of forced liquidation also.

Naturally the money situation in Canada has stiffened up during the week—partly owing to the conditions in New York and partly to the increased demand for discounts emanating from mercantile and industrial borrowers. It is said that some loans have been called from Stock Exchange houses and that further calls are in prospect. Conditions here thus point to a rate of 5 to 5½ p.c. on call loans, and, if the pressure continues, doubtless it will be difficult to get accommodation at less than 5½. The higher rates of interest being collected by the banks should have a material influence in enabling them to earn good profits. However, it is possible enough that the strain at London and New York may relax within a few weeks. But good crops in America, if realized, will very likely produce a stringency in the fall.