

The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY

R. WILSON-SMITH, *Proprietor*.

GUARDIAN BUILDING, MONTREAL.

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

MONTREAL, FRIDAY, JANUARY 1, 1909.

THE YEAR-END FINANCIAL SITUATION.

During the closing week of the old year, the international money markets have not had to face anything calculated to excite or disturb them greatly; and no material changes in the rates for money are to be recorded. The Bank of England rate is still 2 1-2 per cent. A twelvemonth ago, a reduction from 7 to 6 per cent. was the Bank's New Year gift to the money market. In London the open market is now as follows: call money 2 to 2 1-2; short bills, 2 3-8; three months' bills, 2 1-4 to 2 3-8.

In Paris the market has risen further during the week, and stands at 2 3-4 to the Bank of France's 3 per cent. A week ago, the rate was 2 9-16. In Berlin a fractional relaxation occurred in the market—to 3 per cent. The Bank of Germany continues to quote 4 per cent. As a result of the slow but steady appreciation in the market quotations at London and Paris, both those centres have approached the official rates maintained by the central banking authority; the two big national banks have therefore secured a larger measure of control over the situation. Beginning of the new year is likely to see an important strengthening of the bank reserves; and, therefore, probably a relaxing of rates more especially at London. The bankers at the French capital are engaged on some special transactions of considerable magnitude in connection with forthcoming international loans. The Bank of France shows no sign of remitting its efforts to secure the new gold arriving in Europe, notwithstanding that its stock of gold on hand now amounts to such an enormous figure. Its agents bid for and got the whole of last week's shipment from the Transvaal mines, £1,000,000, arriving in London. It is interesting to speculate as to what would have been the course of the London money market, but for the steady absorption of new gold arrivals by Paris. The chances are that but for this, there would have been little advance from the 1 p.c. level of some months ago; and there is suggested some idea as to the power possessed by a great institution

like the Bank of France to influence banking profits in various parts of the world.

Locally, in Montreal and Toronto, call money is unchanged at 4 1-2 and 5 per cent.

In New York, the money market is engaged in meeting the final demands consequent upon the heavy dividend and interest disbursement due 1st January. Call money always is susceptible to temporary spasms in the closing week. Quotations have run from 2 3-4 to 3 1-2, with 3 1-4 the prevailing rate. Sixty day money is 3 to 3 1-4; 90 days, the same; and six months 3 1-2 per cent. It is reported that borrowers generally are holding off, in expectation of lower rates after the turn of the year.

Last Saturday's statement of the New York associated banks, again contained evidence of special arrangements and preparations by the banks on a very large scale. Following the loan reduction of \$48,000,000 of the week before came another of over \$23,000,000. Deposits, which fell \$63,000,000 the previous week, went down another \$30,000,000—making a decrease of \$93,000,000 in two weeks, which is a pretty healthy cut. Cash holdings decreased \$3,500,000, and the net result of the changes was to increase the surplus by \$4,085,000, making it \$18,269,675.

As on the previous Saturday, speculation converges on the question as to what outside institutions took over loans. Interior United States banking institutions, having balances with New York correspondents, are said to have stood in the breach; and possibly our Canadian banks again utilized the occasion to employ some of their surplus balances, hitherto lying idle in New York banks. The mid-week withdrawal by Canadian banks of over three-quarters of a million of gold from New York, together with the sharp decline in the price of sterling at Paris, was considered as pointing to resumption of gold outflow to Europe before long—especially if the quick return of cash by the interior banks forces, January money rates much below the prevailing level. Indeed, unless New York call rates can be firmly maintained above a 3 per cent. rate, these are indications that triangular shipments to France may soon become profitable.

Last week, the critics were wondering if the transfer of loans to outside institutions could go much further. This week the doubts on that point are increased. However, the stock market appears to be not greatly perturbed over the monetary outlook. At the opening of the Exchange on Monday, after the triple holiday, the campaign for higher prices was merrily resumed, and the market went ahead, as if it would have no difficulty whatever in laying hands on the credits to be required. But the weakness which followed evidenced the artificiality of the movement. Possibly this passing