

# 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, AUGUST 26, 1910.

## THE GENERAL FINANCIAL SITUATION.

Bank of England rate is unchanged at 3 p.c. In the London market quotations advanced for all maturities. Money is now quoted at  $2\frac{1}{4}$  to  $2\frac{1}{2}$  p.c. Short bills are 3 to  $3\frac{1}{8}$ ; three months' bills,  $3\frac{1}{8}$  to  $3\frac{1}{4}$  p.c. It is said that one reason for the hardening tendency is that the Bank of England holds a considerable amount of funds on government account which will not be released until early in September. Likely enough the loss of gold to America during July and August is making itself felt. From the other side of the Atlantic are heard some voices declaring that a respectable part of the gold taken in London by the New York bankers was engaged at a loss, and that the exchange situation, as existing between London and New York, did not warrant so large a movement as that which occurred. However, it seems to observers on this side that the New Yorkers were wise in fortifying their position in the way they did. Stocks were falling and the outcome of the harvest was viewed with uneasiness; and under those circumstances it was good policy to build up the surplus reserves of the metropolitan banking institutions even if some of the imported gold, which helped to strengthen the banks, did cost a little extra. From all appearances the Bank of England and the other leading financial interests in London interposed no objection or obstacle. They would naturally wish to see a stable situation in New York; and, as the gold could well enough be spared, they did nothing to stop the movement. It may be said, here, that the recent westward movement of the precious metal in such large volume has been but a natural sequel to the movement earlier in the year from New York to London. One of the great British financial weeklies said at the time the earlier movement was in progress that it would have been better to lend the funds to America and to leave the gold there during the summer, inasmuch as it seemed likely that it would have to go back there before the year was out. It is apparent, however, that the removal of the metal to England

and its sojourn there for a few months did accomplish some good results. No doubt the absence of the gold had something to do in inducing the liquidation of speculative accounts seen in Wall Street last month, and before. That liquidation over, and the speculative temper duly chastened, the metal could be returned without the slightest danger of exciting an immediate and important campaign for the rise.

On the continent of Europe rates are practically unchanged. Bank of France rate 3 p.c. Imperial Bank of Germany 4 p.c. Discounts in the Paris market are quoted at 2 p.c.; in Berlin they are  $3\frac{1}{2}$ . Events, political and financial, during the past few weeks have not been of a character to cause any important fluctuations.

In New York call loans have tended towards ease while the later maturities have shown a tendency to harden. Quotations are: Call,  $1\frac{1}{4}$  to  $1\frac{1}{2}$ ; 60 days 3 to  $3\frac{1}{4}$ ; 90 days  $3\frac{3}{4}$  to 4; six months,  $4\frac{3}{4}$ . The publication of the Saturday bank statement disclosed a loss of \$5,095,000 in the surplus reserves of the clearing house banks. The main cause thereof was a loan expansion of \$10,100,000. The increase of the loan account was accompanied by a cash loss of \$2,800,000. After this reduction the surplus stands at \$50,647,825 which sum, in the absence of an important or persistent speculation for the rise would appear to be ample for the work of financing the crop movement. Be that as it may it seems probable that September will witness a noticeable tightening of the strings, though it may not result in a rise to above 6 p.c. The trust companies and non-member state banks reported a loan reduction of \$5,550,000 and a cash loss of about \$400,000. Their proportion of reserve to liability again increased. It now stands at 18.2 p.c. as compared with 18.1 in the preceding week.

Money market conditions in Canada are about the same as a week ago. Call loans are nominally  $5\frac{1}{2}$  p.c. in the two principal centres. There is now a more definite knowledge as to the extent of the Western wheat crop of this year. The estimate of the Canadian Bankers' Association agrees with that of the Manitoba Free Press in placing the total for the three provinces at slightly more than 100,000,000 bushels. While this is, of course, merely an estimate, it is nevertheless an estimate in which reasonable confidence can be placed. Now a crop of 100,000,000 bushels is by no means to be despised. With wheat at its present price level it means a very large cash income. Three or four years ago such a crop would be regarded as a splendid yield.

With the estimate of the Western yield revised upwards in this manner and with the knowledge possessed by the public that Ontario and Quebec