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THE GENERAL FINANCIAL SITUATION.

The whole of the gold arriving in London on Monday—some $3,000,000—was secured by the Bank of England. No doubt the raising of the discount rate a week ago Thursday to 5 per cent. contributed to that result. In the happenings at New York it is possible to trace other effects of the 5 p.c. Bank rate in London. They will be dealt with in a succeeding paragraph. In view of the success which has so far attended the action of the Bank directors there has been no immediate need for a further demonstration on their part; and at this week's meeting the 5 p.c. rate was allowed to stand. However, if events in London and in other parts of the world make it necessary or desirable that the discount rate be jerked to a higher level, there is no doubt that the great British banking institution will act with promptitude; and over-confident speculators everywhere would do well to heed the warnings that have been given.

The London market has responded quickly to the rise in Bank rate. Call money is 4½ to 4¾ p.c.; short bills are 4⅝; and three months bills 4¾ p.c. This constitutes an advance for all maturities.

At Berlin the quotation is 4 as against 4⅜ a week ago. The Imperial Bank of Germany has so far adhered to its 5 p.c. rate. This week again it is noteworthy that interest rates in France show no advance. Bank of France rate is 3 p.c. and the Paris market is 2⅞. Of course, such a disparity could not long prevail without a heavy movement of gold from France to London and Berlin if there was anything approaching a free market for gold at the French capital. But it is well known that international financiers cannot go into the Paris market and negotiate securities commanding gold in the same way that they can in London. An arbitrary ban is placed upon gold exports, and at times upon the negotiation of certain securities for account of other nations.

In New York interest rates seem to advance but sluggishly. Call loans are 3½ per cent. Sixty day money, 4¼ to 4½; 90 days, 4¾ to 5; six months, 4⅝ to 4¾. These rates are only very slightly above those prevailing a week ago; and the state of affairs has suggested to some suspicious minds that banking interests in New York are seeking to keep money rates low for the sake of improving the market for stocks. If that is the case, if there is any manipulation of consequence going on, it promises to bring about an export movement of gold at an inconvenient season. For the cheapness of money in New York in comparison with the rates prevailing in London is tending to produce a transfer of funds from Wall Street into sterling exchange. And it seems easily possible for the Bank of England to impose a check on Wall Street speculation if it considers that the state of the international money markets necessitates that action, by maintaining or raising its official discount rate. If the New Yorkers keep their interest rates below the London level New York will likely lose gold. In other words if they would save themselves from an exhausting drain of the precious metal the New York banks will have to raise their interest rates rather sharply. And a sharp rise in interest would be apt to check bullish speculation in stocks.

Publication of the Saturday bank statement disclosed a further heavy shifting of loans from the New York clearing house banks to outside institutions. Loans decreased $12,600,000. The cash loss was $5,200,000; and the net effect upon the surplus was to reduce it by $600,000 making the item stand at $10,570,750. The trust companies and non-member state banks reported a loan increase of $5,700,000 and a cash loss of $66,000, the effect of which was to reduce their percentage of reserve to liability from 17.6 to 17.4. In the current week there has been the necessity of providing for the 1st November coupon and dividend payments and if the operation is accompanied by a loss of cash, the chances are that the banking position in New York will have been further weakened. Undoubtedly the signs point to somewhat higher rates in Wall Street for November.

In Canada also the money position has been stiffening up. Toronto especially is experiencing a measure of tight money. One of the local papers there says the market is about as tight as the brokers care to see it, and that some banks are charging 6 per cent. In Montreal 5½ is as yet the general rate but there is no telling when notices of an advance will be sent out by the banks. It is not so much the domestic conditions in Canada