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GENERAL FINANCIAL SITUATION.

The later developments in the British elections have served to reassure still further the financial sentiment at the British capital. The unexpected Unionist gains in the counties cannot be taken other than as a distinct disavowal by the people of any wish for radical changes or departures. It was but natural that the relief experienced by the securities markets should be reflected in higher prices. Probably the general outcome of the election contest played an important part in enabling the London market to stand the shock of this week's demoralization in Wall Street without showing noticeable sympathetic weakness. This week the Bank of England directors continued their official discount rate at the recently inaugurated 3½ p.c. The London market is somewhat weaker: call money 2½ to 2¾; short bills 2¾; and three months bills 2¾.

In Paris the market is 2½ and in Berlin 3 p.c., being the same level as a week ago at both centres. No change occurred in the 3 p.c. bank rate at Paris. Berlin a week ago changed from 5 to 4½ per cent. It is to be remarked, however, that the Bank of Germany's rate is considerably above the value of money prevailing in the principal European countries, and further reduction may come.

In New York also money rates have tended downwards. Call loans are 2 to 3 p.c.; 60 day money 3½ to 3¾; 90 days 4 p.c., and six months 4¼. The Saturday bank statement revealed the expected heavy gain in cash. It amounted to $11,600,000. However, in spite of the important real liquidation of speculative accounts that took place, there ensued an expansion of $20,000,000 in the loans. With the large loan increase reported in the preceding week the New York banks must now have retraced their steps, to a considerable extent, in regard to re-assuming the loans shifted to outside institutions. Deposits increased $26,000,000; and the net addition to the surplus was $2,980,000, bringing it up to $30,862,400. As the trust company loans decreased about $8,000,000 it is extremely probable that those institutions supplied a respectable part of the loans taken over by the clearing house banks.

As bearing upon the money market position in New York the heavy liquidation of this week must be regarded as important. It appears that there has been considerable calling of loans by the bankers. According to the press dispatches they are calling especially for the repayment of loans based on securities which have been much manipulated by pools. If this is so, probably the bankers may have in mind the bad effect likely to be produced on the legislature at Albany by the developments in the recent Hocking Coal affair. One of the most respectable of the New York dailies points out that the time chosen by the bankers for forcing liquidation of the pool loans is not opportune. It says the time to exercise discrimination against credits of that description was some months ago when the bank surplus was nearly gone and these parties were actively engaged in trying to boost prices to higher levels. Now that speculation has been quenched for the time being, and the bank position made secure and stable, to aggressively proceed against certain classes of loans on collateral is to give a handle to the bears and aid them in their efforts to put the market unduly low.

However, there are some other considerations to be kept in mind. One is that the declines in prices, not only of specialties but also of representative stocks, have been on such an important scale as to cut seriously into the margins on bankers' loans. And their calls for more margin would have the effect of forcing liquidation of speculative accounts. Another is that the Canadian banks in New York may have been calling in their loans to Wall Street brokers. It is well known that during January there has been a sharp fall in the bank note circulation in this country, and in all probability the current accounts of the banks have also gone down considerably. It would be but a natural outcome of this situation if our banks took steps to meet the seasonable contraction of their liabilities through calling in their Wall Street loans. And observers in the United States generally, do not perhaps realize what an important factor the Canadian banks have recently become in the New York financial situation.

Another important fact to be noted is that the liquidation of the speculative position has not been confined to one or two quarters. It has been general—stocks, cotton, wheat, meat products showing especial trace of heavy closing out of loans. This undoubtedly makes the general situation much