The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY.

R. WILSON-SMITH, *Proprietor.* ARTHUR H. ROWLAND, *Editor.*

Chief Office:

GUARDIAN BUILDING, 160 ST. JAMES STREET, MONTREAL.

Annual Subscription, $3.00. Single Copy, 10 cents

MONTREAL, FRIDAY, JULY 5, 1912.

INDEX TO PRINCIPAL CONTENTS

THE GENERAL FINANCIAL SITUATION.

The bulk of the new gold marketed in London on Monday—$5,000,000—passed into the possession of the Bank of England. The big British central bank still quotes 3 p.c. as its official discount rate. In the London market discounts have been easy, but the tone of the market hardened later on appearance of an increased supply of American bills. Call money is now 1¾ to 2; short bills are 2⅝; and three months bills, 2 11-16 to 3. Consols have been weak again, on account of a speech by the Chancellor of the Exchequer. It is quite plain that the city has but little love for Chancellor Lloyd George and his radical proclivities; and the financial interests would not apparently waste much time in repining if some important change in the political situation led to his retirement.

In the Paris market discounts are 2⅞, while Bank of France rate is held at 3 p.c. In Berlin discounts are notably easier, being quoted at 3¼. The course of events since the end of June has apparently indicated that the recent lowering of the Reichsbank rate to 4½ p.c. was justified. The general opinion is that Berlin has safely surmounted the difficulties incidental to the half yearly settlements.

At the present time there are some extraordinary currents visible in international finance. There is the movement of gold from New York to Paris which has reached respectable dimensions. It is not as yet quite clear whether this gold is intended ultimately for Berlin. Then there is the extension of the German loans from New York and Chicago bankers. Some say the total advances to the German great banks by the Americans were increased last month. On the other hand there are the increased borrowings by American financiers in London, which some suppose to be due to preparations by Wall Street magnates for a bullish demonstration as soon as the United States political situation clears up to a certain extent.

Another factor, recognized by the New Yorkers as important, is the increase, since January, of roundly $35,000,000 in the Canadian bank call loans in New York and London. It is admitted in New York that developments in Canada may affect the Wall Street position importantly. It is altogether likely that the Dominion's active trade and the approach of the Western Canadian harvest will necessitate sooner or later a gold movement to Montreal from New York. And, of course, if Canada were to experience any serious financial accident the northerly gold movement might reach important dimensions. One well known American authority points out that if the Canadian bank funds in New York had not been largely increased the American bankers would not perhaps have been able to lend so freely to Berlin.

In New York call loans are 2¾ p.c.; sixty day loans, 3 to 3¼; ninety days, 3¼ to 3½; and six months, 3¾ to 4 p.c. The Saturday statement of all clearing house institutions showed a heavy loss of reserves. Loans increased $22,392,000; cash fell $12,500,000; and the excess cash reserve decreased $16,722,000—the item at the end of the week standing at $12,545,850. The loss of reserves experienced by the banks alone was not quite so heavy. Their loans expanded $22,300,000; cash decreased $9,960,000; and surplus fell $12,853,700—to $13,417,500. This loss of strength has been largely due, of course, to the preparations for financing the corporation payments of dividends and interest due 1st July. Those payments necessitated the extensive loan expansion. And the heavy loss of cash was due in large part to extraordinary payments of taxes to the Treasury and to the gold exports.

With the nomination of Governor Wilson at Baltimore this week as Democratic candidate for president, the political struggle passes definitely into a new stage. While the stock market professed to fear his nomination, and certain financial interests in the Democratic party opposed it to the end, it is