

The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY

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GUARDIAN BUILDING, MONTREAL.

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

MONTREAL, FRIDAY, JUNE 11, 1909.

THE GENERAL FINANCIAL SITUATION.

By midweek, money in the international markets had advanced somewhat upon quotations of a week ago. A decided strengthening was apparent at London, contangoes ranging as high as 4 p. c., owing to the extensive speculative carry-over. The closing out of accounts of a number of weak speculators brought some decline in stock exchange prices. Wall Street also experienced midweek stock reaction, call money rising to 2 1-2 per cent.—the highest figure since the early weeks of May. The price obtained at Tuesday's sale of New York bonds proved disappointing, while the Government crop report had a dampening effect upon the general market. Distributing of stock holdings by supporting interests is also credited with accenting the reaction, though there was resumption yesterday of some important operations on the long side of the market.

As compared with 1 1-2 per cent. a week ago, London call rates now run as high as 2 per cent.; short bills, 2 to 2 1-16 per cent., and three months' 2 per cent. The Bank of England rate still remains at 2 1-2 per cent., and yesterday's reserve showing was a strong one.

At Paris, the market rate is 1 1-2 per cent., with Bank of France still at 3 per cent. At Berlin, the discount rate in the market is 2 7-8 per cent., while the Bank of Germany still fixes 3 1-2.

Locally in Canada call loans are given at the same price—4 to 4 1-2 per cent.

Call loans in New York are quoted at 1 3-4 to 2 1-4 per cent., with most of the loans at 2 p. c.; 60 day money is at 2 1-4 to 2 1-2; 90 days, 2 1-2 to 2 3-4, and six months, 3 1-2 to 3 3-4. Last Saturday the stock market activity produced a considerable effect upon the statement of the New York associated banks. Loans increased \$20,000,000, while specie and legals decreased \$3,300,000, and deposits increased \$16,600,000—making a net decrease in the surplus of \$7,500,000, and reducing the item to \$17,947,600. It was regarded as worthy of note that the loans of the trust companies also expanded \$6,200,000.

So far as the industrial and mercantile situation across the line is concerned, the up-to-date signs con-

tinue to show improvement: thus, railway gross earnings for May show an increase of 14.7 per cent. over the same month of 1908; bank clearings for last week for the leading cities increased 9.8 per cent. over last year; commercial failures were 208, as against 295 in the corresponding week a year ago. These are tangible and satisfactory evidences of improving times, but it can hardly be said that by themselves they furnish ground for a great boom in stocks. It is very likely that the recent enthusiasm of the Wall Street speculators has been based to some extent on the happening of financial deals, and expectations of others to come. The formation, the other day, of the \$51,000,000 dry goods combination, though a small event when compared with the formation of the U. S. Steel Corporation in 1901, nevertheless is taken by many as an indication that the big market interests are once more in position to bring off the deals and coups which always exert considerable influence on the speculative temper. However, the season is fast approaching in which the New York banks will have to relinquish to the interior thirty millions or so of cash for crop moving purposes. It can be said that a wild boom in stocks, tending to absorb the surplus funds of the metropolitan banking institutions, would not be the best preparation for the autumnal task.

In Canada, the underlying sentiment in the stock markets continues optimistic. Further demonstrations of strength occurred during the week. Considerable demand is reported for local securities from abroad. The confidence of operators has been apparently strengthened by the fact that a survey of the Canadian situation reveals few, if any, prominent factors calculated to bring about an important decline or a crash in prices. They would do well to bear in mind, however, that a too rapid advance sometimes produces that effect even in times when other conditions are almost uniformly favourable.

In our case it cannot fairly be said that the speculation in stocks is likely to absorb so much of the banks' funds as to make them short in the fall. In fact, there are signs that the banks will discourage any tendency towards a runaway market. The monthly bank statements as yet show no appreciable diminution of the plethora of cash reserves. True, commercial loans increased in March and April, but increase of deposits and of cash resources sufficed to prevent any fall in the proportion of reserve to liability. With the coming of June, the outgo of our produce to Europe begins to create new deposits at the country branches. Thus in the cheese districts the factory men are now depositing fat cheques every week. The money accumulates for a while in the factory accounts and is then distributed amongst the farmers who contribute the milk. The farmers use it partly for summer expenses and partly for increasing their savings accounts in the banks. In the first instance, these funds or deposits are created through