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THE GENERAL FINANCIAL SITUATION.

Bank of England rate was continued this week at 3 p.c. The London market has not changed its complexion materially during the week. "Overnight money" is quoted at 1 p.c.; short bills are 2 3-16; three months bills, 2¼. Market rate at Paris is 1⅞—the same as last week, and at Berlin it is 3 p.c. Bank of France rate is 3 p.c.; that of the Imperial Bank of Germany is 4 p.c.

An interesting item in the early news of the week was provided in the cable dispatch which stated that the London market was unsettled by unfavorable news of the Canadian wheat crop and the breaking out of labor troubles affecting an English railway and the Grand Trunk. With the large increase during recent years in the extent of the British investments in the Dominion it follows as a natural consequence that the London financial situation will show an increased susceptibility to happenings in this country. Time was, and not so long ago, when we might have lost the whole of our Western wheat and the financiers at the Imperial capital would not have taken over much notice of the occurrence. But British money has been pouring into our railway enterprises, our industrial and commercial ventures, and into the chests of our municipal corporations and of the provincial governments. The capitalists and investors who furnished it will, we may be sure, keep a close watch on our affairs and happenings. And when they learn of unfavourable developments over here—such as the crop damage in the Western provinces and the Grand Trunk strike—some of them may be disposed to sell a part of their holdings. Hence the London market is affected.

Conditions in New York have been quieter. Call loans ranged from 1½ to 2½ p.c., with most of the business at the higher level. Sixty days 3½; 90 days, 4 to 4¼; and six months 5 to 5¼. It is said that for the long term, on paper that will not mature till after the turn of the year, the market is rather hard. As a matter of fact the New York Evening Post says "Six months' money, even on good Stock Exchange collateral, is inaccessible. It would be more so if there were an active demand for it." Another very large addition to the surplus of the New York clearing house banks on Saturday brought that item up almost to the level of a year ago when conditions certainly were not stringent. A $15,600,000 contraction of the loan account along with a $14,600,000 cash increase served to increase the surplus by $14,750,000. The reserve is now $33,490,325 above the 25 p.c. legally required. The trust companies and non-member state banks also reported a substantial loan reduction—$4,860,000; but, as it was accompanied by a cash loss of $2,800,000 no change occurred in the proportion of their reserve to liability.

The gold movement from London to New York has continued in evidence during the week. Experts on exchange have declared that the indications point to a rather important movement between now and fall. Some go so far as to say that from London and one or other of the European centres $50,000,000 in specie may be transferred to America. Indeed it seems quite probable that these opinions will be proved correct in large measure. There is need for the money on this side the ocean; and there is a fairly plentiful supply on the other side. Moreover there is almost a certainty that the acquisition of the metal by New York would not be made a basis for a speculative outburst. The speculators have been too severely chastened to entertain hopes of bull markets in the near future. That circumstances will undoubtedly increase Europe's willingness to respond to American demands for gold. Finally the New York bankers have not this summer discounted the fall movement of produce outward through drawing finance bills. Their score of floating indebtedness in London and Paris is reasonably clean.

In Canada call loans are still quoted at 5½ p.c. and the situation may be described as unchanged so far as the money market is concerned. The business situation has been badly disarranged by the strike which the Grand Trunk conductors and trainmen put in force on Monday night. This promises to be a long and costly struggle. It appears that the freight traffic is almost tied up. Unless the company succeeds in maintaining a reasonably efficient service within a couple of weeks or a month the loss to producers and merchants and to the Port of Montreal promises to be very large. Just now along the company's lines there is a large amount of perishable products maturing; and unless they can be forwarded at once to market their value is entirely destroyed. Everybody who understands the financial position of the Grand Trunk recognizes that President Hays could follow no other course than that of resolutely persisting in his efforts to keep the operating expenses within reasonable bounds.