

Prominent Topics

London and Continental Money Markets.

On the whole the London stock market stood well under the strain of the week ending Saturday last. The mid-week Bank Statement naturally reflected the large withdrawals of gold for America, the reserve decreasing £3,185,000, and the proportion of reserves to liabilities falling from 47.21 p.c. to 39.91 p.c. Still, the reserve of nearly £21,000,000 was £2,500,000 higher than at the corresponding time last year, when a 6 p.c. Bank rate was in force, as compared with the 5½ p.c. announced Thursday week. But, continued engagements of gold for New York favoured rumours of a further advance pending; and consols, followed by other securities, weakened on Saturday—Friday having been a holiday.

New York's unfavourable bank statement and the announcement of the 6 p.c. Bank of England rate on Monday caused a depressed Stock Exchange opening this week, though the afternoon of Monday brought some recovery.

The announcement that a £3,000,000 gold shipment was being definitely arranged from Paris to London was a cheering influence on Tuesday. Led by consols, which rose ¾, most of the gilt-edged securities benefited by the promised assistance from France, while Americans, taking their cue from the favourable close of the preceding day's market in New York, started quite firm at above parity prices, though subsequently dropping from the best quotations.

A considerable sum in gold was taken from the Imperial Bank of Germany on Tuesday for the United States. President Koch, of the Imperial Bank of Germany, denied the report that the Bank has interposed difficulties in the way of taking gold from that institution for export. He admitted, however, that the Imperial Bank viewed with considerable apprehension the fact that the open market discount rate in London exceeded the Bank of England's rate, giving grounds for fear of a further advance in the latter Bank's rate. This would necessitate again marking up the Berlin rate, and President Koch feared that in that case an additional one-half per cent. would not be sufficient, but that a full one per cent. would be necessary, making the rate 7½ p.c., which would be higher than the Imperial Bank has ever placed it.

Money in the London market was obtainable on Wednesday at slightly easier rates, but discounts were uncertain pending the action of the Bank of England directors. Opening prices for investment securities hardened, but the market eased later. With regard to Americans, the United States Steel Corporation's purchase of the Tennessee Coal & Iron Company, and the announcement that Secretary Cortelyou would continue relief measures to the money market, were influences making for strength. Consols for money closed at 81 13-16, Canadian Pacific rose ¾ to 153.

Yesterday brought an advance to 7 p.c. in the official Bank of England rate, followed later in the day by an increase from 3½ p.c. to 4 p.c. on the part of the Bank of France. The figures of this week's Bank of England statement show plainly

the drain that made this step necessary. The reserve decreased by about £3,140,000—making a percentage to liabilities of 35.2 compared with 39.9 a week ago.

Never, probably, has a New York bank statement been studied with more interest than that of Saturday last. The increase of \$60,741,000 in loans was regarded as approximately measuring the issue of Clearing House certificates and the taking over of loans from the trust companies, as well as indicating the strain incident to the arranging of gold imports—since the first step in such negotiations is the raising of heavy loans in New York. The increase of trust companies' deposits in the banks was made without addition to the stock of cash—thus reducing markedly the percentage of reserve. In a sense, therefore, the apparent weakness of the banks' showing was an evidence of the promptness with which difficulties had been grappled with and gold engaged in Europe. The \$37,600,000 decrease in an already negative surplus reserve, brought the deficit to nearly \$39,000,000—the largest on record. But the arrival of about \$30,000,000 gold from Europe during the present week was counted upon as assuring immediate relief, though it is to borne in mind that much of this sum must be passed along to interior points for crop-moving purposes.

A comparison with the bank statement of August 12, 1893, is of interest owing to the marked parallelism between conditions then and now.

	Nov. 2, 1907	Aug. 12, 1893
Loans.....	\$1,148,452,600	\$411,345,700
Deposits.....	1,051,786,900	372,203,500
Specie.....	175,913,900	53,621,800
Legal tenders	43,194,100	22,880,700
Total.....	4,107,900	\$ 76,595,500
Deficit	57,605,525	16,545,300
P. C. re-serve	21.39	20.55

However, the prospects for the near future are not so gloomy as the analogy of 1893 events would suggest. The international trade position of the United States is undoubtedly much stronger—owing in part to industrial development, and in part to European demands for this year's natural products. In this connection M. Paul Leroy Beaulieu and other eminent European financial authorities are unanimous in declaring that the United States is far better able to cope with such a crisis than in 1893. Railroads and industrial enterprises have since then, they say, grown tremendously in strength, and the ability to meet obligations despite the present difficulties, is undoubted. Then, too, while currency conditions in the United States are far from being all that could be desired, there is not the abnormally disorganized system that obtained in 1893—nor are national finances embarrassed as they were in that year. It may be noted, in passing, that the country's money circulation increased by over \$70,000,000 during October, bringing the aggregate up to \$2,876,000,000. Over a series of years this compares as follows:

1907.....	\$ 2,876,368,606
1906.....	2,866,882,776
1905.....	2,653,131,518
1900.....	2,139,181,412
1895.....	1,508,859,368