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THE GENERAL FINANCIAL SITUATION.

On the resumption of business this week after the holidays it was seen that no changes of consequence had come over the international money markets. Things have been slowly shaping for an advance in the Bank of England rate, which, however, remains at 3 p.c. In the London market call money is 1 to 1¼ p.c.; short bills, 2⅞ to 3 p.c.; and three months bills 3 p.c. Bank of France rate is 3 p.c. and the Bank of Germany's rate is 4 p.c.—the same as last week in both cases. The Paris market is 2⅛ p.c. and the Berlin market 3¾.

In New York also dullness has been the rule. Call loans 1¾ to 2 p.c.; sixty days 3½ to 4; 90 days, 4¼ p. c., six months, 4⅝ to 4¾. On Saturday the weekly bank statement showed the surplus of the clearing house institutions to have undergone a heavy reduction. Loan expansion and cash loss were the contributing causes; and both were on an important scale. Loans increased $13,600,000 and cash holdings fell $17,500,000. The cash movement from New York to the interior is now in progress in heavy volume and promises to make large inroads upon the resources of the metropolitan banks. The effects of this drain were supplemented by the gold movement to Canada.

Then, as regards the expansion of the loan account, it is said that there was some further calling of New York loans owned by interior banks and by Canadian banks. The associated New York banks were, of course, obliged to assume such loans of this kind as were called. Also the interior bankers who have already used up their available New York balances and loans, have continued this week to borrow or to re-discount heavily at the financial centre. Of late there has been a scarcity of important financial deals or transactions in New York. The financial interests have been remarkably quiet in that respect; and it cannot be said that any important part of the recent loan expansion has been due to that cause.

There occurred also a fall in the proportion of reserve to liability carried by the trust companies and non-member state banks. Their cash fell $350,000 and loans contracted $953,000.

The foreign exchange market has been dull and featureless, and at the moment does not point to any important undiscounted transfer of credits from one country to another. At Montreal and Toronto exchange on New York is still quoted at a substantial discount. And so long as it remains at or about the present level it is to be expected that announcements of fresh shipments of gold from New York to this city will be made from time to time. Both in Canada and in the United States the harvest movement is now well under way. It has not up to date had any remarkable effect in hardening interest rates. But it can be said that the New York market is rapidly drifting into a position that will make it sensitive to any special or abnormal demands that may present themselves. And even the seasonable demands for crop moving purposes are apt to bring about a sensible hardening of rates within a comparatively short time.

Call loans in Montreal and Toronto are practically unchanged. The officially quoted rate is 5½ p.c. as heretofore. It is difficult to see in the situation in this country, anything likely to effect a sudden or violent change. Apparently the banks have made satisfactory arrangements for handling the Western crop. It hardly appears that there will be in the winter any abnormal increase in general industrial activity. Although the manufacturers do not expect any important changes to occur in the Canadian tariff as a result of the demands made upon Sir Wilfrid Laurier during his Western tour, still there is a possibility of some changes: and it is hardly the part of prudence for the owners of industries that may be affected thereby to embark upon ambitious extensions of plant until it is settled what the tariff is going to be. So probably the banks need not anticipate any remarkable increase in the demands for credits on behalf of the Canadian industrial establishments until next spring. And in the meantime there is a moderate movement of liquidation of speculative commitments under way in Western Canada. This may serve to release some capital and help to finance the general business of the winter.

However, a rise in New York call and time rates would have an effect in stiffening the Canadian quotations. At present there is said to be a considerable amount of capital borrowed by New York financial houses at low rates from banking institutions in that city and lent by them to brokerage houses in Montreal and Toronto. Substantially higher rates in New York would perhaps mean the recall of a portion of these funds, or an advance in the rates of interest charged for them.