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, AUGUST 9, 1912.

INDEX TO PRINCIPAL CONTENTS

THE GENERAL FINANCIAL SITUATION.

The Bank of England bought the $3,500,000 Transvaal gold which appeared on the market in London at the beginning of the week. The 3 p.c. bank rate has been continued in force. Call money in the open market is quoted 2 to 2¼; short bills are 3 p.c.; and three months bills, 3 to 3 1-16. At Paris, bank rate is maintained at 3 p.c. and at Berlin it is 4½. Private rate of discount in the French centre is 2⅝ and in the German centre, 3⅝. For the present, European affairs are comparatively quiet—a large share of attention is given to the interesting political struggle in the United States. The various industrial nations on the other side of the Atlantic are looking expectantly upon the campaign for tariff reduction, hoping to increase their sales to American buyers if the duties are lowered.

In New York call loans are 3 p.c.; sixty day loans, 3½; ninety days, 3¾ to 4; and six months, 4¾. The Saturday statement of all clearing house institutions showed loan contraction of $2,746,000, and cash gain of $125,000—which movements caused the excess cash reserve to increase $1,160,450. This excess now amounts to $20,398,000. According to the old form of bank statement (in which the banks are taken by themselves) an increase of surplus amounting to $258,000 was shown—the result of loan contraction of $4,209,000 accompanied by a cash loss of $1,026,000. It is expected that subsequent weekly statements will show the effects of the harvest financing. Reports from New York state that German banks have been repaying balances due by them to American institutions. So it can perhaps be taken for granted that the New York banks have pretty well exhausted their hidden reserve represented by loans to Germany.

These repayments are supposed to have influenced the sterling exchange market in New York. Under offerings of bills the market turned weak and the expectations of gold exports became less confident.

The American railways are said to be experiencing considerable difficulty in procuring delivery of equipment ordered by them some time ago when steel prices were down. Late in 1911 the equipment companies, desiring to stimulate business, followed the lead of the iron and steel companies and cut the prices for locomtives, cars, and railway supplies. A number of the railway companies took advantage of the favorable opportunity and placed heavy orders. But the equipment companies are not at all prompt in delivering the goods. Taxed with their tardiness they explain that the cuts which they made in their quoted prices were based on cut prices announced by the steel companies for iron and steel products; and that now the steel companies are very backward in delivering goods under these old contracts.

It looks as if both the steel companies and the equipment companies were giving their attention largely to the higher priced contracts which are now coming in. The situation certainly points to much better industrial conditions. Canadian railways also have been complaining of difficulty experienced in procuring extensive new supplies of equipment. Not only are deliveries slow but it is difficult to get the equipment companies to enter into contracts for new work except on condition that delivery dates be placed far in advance. Notwithstanding the congestion, some progress has been made in the matter of providing additional facilities for handling Western Canada's big wheat crop of 1912. Although the crop will be very large the railway companies will this year get a much better start at the work of transporting it, and it is hoped that less congestion of traffic will be seen.

Call loans in Montreal and Toronto are 5 and 5½ p.c. respectively as heretofore. So far preparations for financing the crop have not caused rates to rise, although it is said that a couple of the smaller banks have been withdrawing funds from the street. It has been reported that agents of New York banks have been offering funds to Montreal merchants at cut