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, MARCH 18, 1910.

THE GENERAL FINANCIAL SITUATION.

To get what it desired of the new gold arriving in London on Monday, the Bank of England was obliged to bid 77s, 9 1-8d, which constituted an advance of one-eighth of a penny on the price previously prevailing. The greater part of $3,000,000 went into the bank's vault. Recent developments resulted in the bank's directors yesterday, raising the official rate from 3 to 4 per cent. In the London market discount rates have become distinctly firmer for all maturities. Call money is 1 1-2 to 1 3-4; short bills 3 3-4 per cent., and three months' bills the same.

On the continent also the tendency is towards dearer money. Though the official rate of the Bank of France remains at 3 per cent., and that of the Bank of Germany 4 per cent., the market rate in the last named centre rose to 3 5-8. The Paris market is higher than a week ago, being 2 3-8 per cent.

No doubt, the dearer tendency seen in the London market is largely due to the extent of the speculation raging there, especially in rubber prospects and shares. The first effect was the rise in the open market for money. The bank could scarcely have done otherwise than raise its rate, especially as the speculative mania assumed dangerous proportions. Whenever it considers that the public weal demands the suppression of too active speculative cliques, the bank has a fashion of taking decisive measures towards that end. The political situation in the United Kingdom as relating to Imperial finance is still somewhat uncertain. That fact plays its part in unsettling money conditions. The proposed vote of $200,000,000 for naval construction, although it looks a heavy burden, may in the end tend to lessen the load borne by the British taxpayers, inasmuch as it will perhaps have an effect in showing Germany that the British Empire intends to be supreme on the sea, no matter what supremacy costs.

In New York also, money rates have this week tended upwards. Call loans rose above the 3 per cent. level—the range being from 2 3-4 to 3 1-4 per cent., with most of the loans at 3 per cent. Time money hardened in sympathy. 60 days, 4 to 4 1-4 per cent.; 90 days 3 7-8 to 4 per cent.; and six months 4 to 4 1-4 per cent. A curious feature of the stiffening in time money rates, which will no doubt be interesting to Canadian merchantile borrowers, is seen in the comment of one of the leading New York papers on the fact, that as rates for time money on the stock exchange rose, the metropolitan banks displayed less interest in commercial paper. In this country, a rise in rates for stock market loans does not commonly result in shutting off accommodation from commercial borrowers.

The Saturday bank statement furnished good reasons for the rise in interest rates. An increase of $9,600,000 in their loans, combined with a decrease of $2,200,000 in cash holdings, caused the surplus reserves of the associated banks to fall $3,700,000. The item now stands at $7,726,000. The loans of the non-member trust companies and state banks increased $5,000,000, and a slight fall took place in the ratio of reserve to liability in their cases also.

Although rates for money in the Canadian centres have not changed materially during the week—call loans being for the most part at 5 per cent.—the tendency of the market appears to be towards a stiffening in the attitude of lenders. One factor operating in this direction is the rise in money rates abroad. Another is the seasonable activity of many forms of industry in preparing for the operation of the spring, summer and fall. This always occasions a demand upon the banks for credits and tightens up the strings until towards the end of May, when the movement of stored products to Europe via the St. Lawrence begins to release banking funds that were tied up during the winter.

At the present time the most important question bearing upon our finance and trade is that connected with the action to be taken by the Washington Government on 31st March, on the United States tariff to apply to Canadian imports. Although there are high protectionist interests in Canada and the United States, who evidently hope for a tariff war, the general business and financial interests of the two countries do not want a disturbance of the existing friendly relations. There is no doubt that in Great Britain, France, and Germany, there is also something of a desire to see the tariff wall between Canada and the States made higher, as exporters in those countries expect, reasonably enough, that they would in those circumstances succeed in securing a portion of the Canadian trade now held by the United States.

It is difficult to believe that the Washington authorities will be so shortsighted as to commence unfriendly action, when they might, by dealing with the present crisis in a broad and liberal manner, place their own people in position to benefit immensely from the prospective large expansion of Canada's trade.