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THE GENERAL FINANCIAL SITUATION.

The Transvaal gold arriving in London on Monday was taken by the United States and Germany. Exchange rates in New York have been moving to the gold import basis and already several millions of the precious metal have been engaged. To a moderate movement this way across the Atlantic it is not to be expected that the directors of the Bank of England would have any objection. Rather, for the reasons enumerated in last week's article, it is to be expected that they would be disposed to encourage it—at least while the position of the bank itself continues to be satisfactory. No change was made this week in the official discount rate. The fact that the bankers in America are getting gold under a 3 p.c. bank rate might operate to cause the Bank of England to defer a reduction, for a while at any rate.

In the London market money at call is 1 to 1¼; short bills, 1⅞ p.c.; three months bills, 2 per cent. Across the channel at Paris the market rate is 1⅞; while the Berlin market is 3⅛. The Bank of France continues its 3 p.c. rate and the rate of the Bank of Germany remains at 4 p.c. Thus, conditions have rather hardened at Berlin, which fact perhaps accounts for the increased German inquiry for gold in London. At Paris and London there is little change. Possibly at all those centres the financial interests are giving as much attention to New York conditions as to anything.

At the American metropolis further liquidation has been seen, but it has hardly been as drastic or acute as that experienced in the two preceding weeks. Call money has fluctuated considerably, as was natural under the circumstances. Rates have ranged from 2 to 3 per cent. Time money has stiffened appreciably, especially for the longer maturities. This perhaps reflects the belief of the banking classes that the exigencies of crop moving this fall will produce something of a stringency notwithstanding the expected shortage of the wheat crop. Sixty days, 3½ p.c.; 90 days, 4 to 4¼; six months, 5 to 5¼. The Saturday bank statement when it appeared, afforded satisfactory evidence that the heavy loss of surplus reported by the banks at the end of the preceding week was due largely to some temporary influences such as the mid-year dividend and interest disbursements. At any rate the greater part of the loss in surplus was replaced. Loans decreased $24,000,000, cash increased $3,850,000, the surplus rose by $10,000,000 and now stands at $18,739,100. The proportion of reserve to liability rose nearly a full one per cent.—standing at 26.5 p.c. of the net liability as compared with 25.7 p.c. on the Saturday previous. The trust companies and non-member state banks also reported a substantial increase in the percentage of reserve, and through the same principal cause—loan contraction. Their loans decreased $27,347,100 and cash decreased $2,900,000. Their reserves are 17.5 p.c. as against 17.2 p.c. a week ago.

It is said in New York that the frauds in connection with cotton bills of lading, which came to light a short time ago on the failure of Knight, Yancy & Co., the Alabama dealers, have resulted in the exercise of great caution by the international exchange and banking houses. Also the English acceptors of documentary bills coming from America are taking precautions and refusing to handle bills open to risk of loss of this kind. Some say that this display of carefulness has put certain of the American bankers in a huff and that it is in part responsible for the placing of United States bond issues in Paris. But it hardly seems as if the New Yorkers would be justified in allowing themselves to be huffed from that cause. It should be their aim to remedy the shortcomings of their bills of lading and to make them such that foreign bankers will accept them readily for what they purport to be. Until this is done the international bankers handling them are likely to insist in many cases on guarantees of authenticity before they will advance on them.

The Canadian monetary situation has not undergone marked change since a week ago. Call loans in Montreal and Toronto are still quoted at 5½ p.c. Crop news from the Western provinces is mixed, but it appears certain that considerable damage has been done in particular localities. But, as some observers have pointed out, the crop area in Western Canada is now so large that anything like a general failure is not to be anticipated. More favourable weather has at last made its appearance, and as the soil possesses great recuperative powers, it is permissible to hope that the ultimate returns of the harvest will not be so depressing as current rumors would indicate.

Although the statement of earnings of the Canadian Pacific Railway, for the year ended June 30th, treats of the past, it shows conclusively that there will have to be a very heavy fall in general business before the traffic of the road declines to the proportions shown for the fiscal year 1908-9. In the year just passed the company earned $94,600,000 gross and $33,600,000 net. The gross earnings represented a gain of $18,468,506 or 24.2 p.c. over those of the preceding year. The net earnings represented a gain of $10,644,000 or over 43 p.c. This is a wonderful showing.