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THE GENERAL FINANCIAL SITUATION.

On Monday this week the Bank of England secured \$3,500,000 of the \$5,000,000 Cape gold arriving. But the reduction in the Bank's official rate of discount from 5 per cent. to 4½ per cent. is certainly surprising. There was a strong impression among many close students of monetary affairs that no lowering of the rate was to be expected until after Christmas, in spite of the fact that the last few weeks have seen a marked strengthening of the Bank's position. From the cables it appears that exchange on the Argentine and India, to which there were threatened gold exports, is now more favorable to London and it is thought that the requirements of the latter country will be met by Egypt. In the London market there has been seen a recession of rates for all maturities. Thus call money is 4 to 4¼; short bills are 3 5-16; and three months bills, 4. The British elections are in full swing, and the contest is proving more bitter even than that which took place nearly a

year ago. Also the best informed people seem to expect that the results will be indecisive.

On the Continent of Europe also discount rates have eased a trifle. At Berlin the market is 4½ as compared with 4¾ a week ago. And at Paris 2½ is the rate. The Bank of France and the Bank of Germany quote 3 p.c. and 5 p.c. as heretofore.

In New York, too, rates have shown a declining tendency. Call loans are 2¾ p.c. and time money is given as 4 p.c. for all dates.

On Saturday the New York clearing house banks reported a decrease of surplus amounting to \$2,021,000. It was caused by a loan expansion of \$17,300,000 which was offset only partially by the cash gain of \$3,000,000 reported. The surplus is now \$17,670,700. The trust companies and non-member state banks reported a loan reduction of \$12,044,000 and a loss of \$800,000 cash. Their proportion of reserve to liability rose from 17.3 p.c. to 17.4 p.c. During the current week it is known that the clearing house banks have had to take over a considerable amount of loans from the trust companies and other institutions. These latter do not find the New York interest rates satisfactory enough. Also there has been a considerable movement of gold from New York to Montreal and from New York to San Francisco, and the December dividend and coupon payments have had to be financed. So, unless these factors were offset by others, it seems that an important loan expansion would occur and perhaps it would be accompanied by a loss of cash.

The New York papers are at last waking up to the importance of the part played by the great Canadian banks in financing Wall Street business. It has been remarked on several occasions during the past week that the Canadian banks were transferring credits to London because call loan rates there were 1½ or 2 p.c. higher than in New York; and that these operations had a notable effect in lessening the amount of resources at New York's disposal. The gold movement to Montreal has been explained as due to the heavy demand for credits in the Dominion and large sales of Canadian grain bills in the New York exchange market.

With regard to the position of leading financial interests in New York, close observers of the market have reported that the so-called Standard Oil party has been consistently and relentlessly selling stocks for several months. It is commonly believed that they now have their resources in the most liquid shape. Perhaps the fact that they have so many millions of ready cash which they seek to employ at call in Wall Street has been one of the factors tending to make New York money rates low.

In Canada no material change has occurred in