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, AUGUST 5, 1910.

THE GENERAL FINANCIAL SITUATION.

The United States secured $3,000,000 out of the $4,500,000 South African gold available in the London market at the beginning of this week; the balance was taken by India and the Continent. Bank of England rate remains at 3 p.c. In the London market call money is 1 to 1¼ p.c.; short bills 2¼; three months bills 2⅜. The Bank of France has continued its 3 p.c. rate and the Bank of Germany's official quotation is held at 4. In the Paris market the quoted rate is 2 p.c.—the same as a week ago; while at Berlin the market stands at 3⅛ p.c.

Happenings of the week have been of a character to allay the European apprehensions of financial trouble in New York. Following the taking over, by Kuhn Loeb & Co., and their associates, of a considerable part of the commitments of the famous Pearson-Farquhar syndicate the Wall Street market has assumed a steadier aspect. It remains to be seen, however, whether the weakness heretofore displayed has been due entirely to the imprudent ventures of this particular group of financiers. There are some critics who take the ground that the troubles of this party constituted merely an incident in a wide and general movement. If they are correct the behavior of the stock market will be well worth watching. It may be that there still are weak spells to be faced.

However, one thing is clear. The gradual strengthening of the New York banks' position is something which is bound to exert a profound influence in improving stock values just as soon as the confidence of investors and speculators generally revives. The Saturday bank statement disclosed a further heavy gain of cash by the associated clearing house banks. It amounted to over $8,400,000; but as it was accompanied by a $20,400,000 loan expansion the addition to the surplus was only $1,207,000. The surplus now stands at $47,216,900 and the percentage of reserve to liabilities is the same as a week ago, viz., 28.9. The trust companies and non-member state banks reported a loan reduction of $21,100,000 and a cash loss of about $1,600,000. Their proportion of reserve to liability rose from 17.5 p.c. to 17.7 p.c. The proper way to view these banking movements is to combine the showings of the two classes of banks. Taken in that way there resulted a loan reduction of $400,000 and a cash gain of $6,800,000 which constitutes a healthy addition to the banking strength. It is said that the cash accessions are coming from the interior of the country as well as from imported gold and that the movement from the interior has continued in force during the current week. However, the arrival of the harvest season ensures that there will almost immediately be a movement in the contrary direction. Also the exigencies of crop moving will, in all probability, produce an important loan expansion on the part of the country banks, which will in due course find its reflection in the position of the New York institutions. The immediate effect of the combination of a strong bank position and the absence of speculative demand for credits was a relaxation of money rates. Call loans in New York range from 1 to 2 p.c. with most of the business at 1½. Sixty day loans are 3 to 3¼; 90 days 3¾ to 4; six months 4⅞ to 5. Thus it may be seen that so far as call loans are concerned the rates are getting down to the disheartening levels prevailing in 1908. As the bulk of the Canadian bank funds employed abroad are in the form of call loans the rates for this maturity have a direct bearing on the matter of the profits now being earned by our institutions. Also it is very likely that if 1½ and 2 p.c. call money is to rule in Wall Street during the rest of the year the circumstance would operate to induce a larger movement of gold from New York to Montreal. It might have some effect, too, in moving the Canadian bankers to place larger credits at the disposal of the Stock Exchange houses in Montreal and Toronto, and thus to quiet the complaints which have been made in the past two or three months. But the chances are that call rates in Wall Street will rise before the end of the year. If there is no pronounced revival of stock speculation there the rise may not reach important dimensions. Still it is likely enough that our bankers will get 4 p.c. or perhaps 4½ or 5 p.c. in that market when the full force of the harvest demands is being experienced by the New York bankers.

Locally there has not been any material change in money market conditions, and 5½ p.c. is still the official quotation generally in vogue. But it is about as hard as heretofore to get loans on the security of home stocks. One of the big milling companies reports the receipt this week of the first car of wheat from the 1910 crop. This is