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THT GENERAL FINANCIAL SITUATION.

A further moderate relaxation of the monetary tension at the various international centres is again observable this week. In London the increased supply of funds has caused the market rate to fall away from the bank rate. The Bank of England directors on Thursday did not lower the official rate, however; the uncertain political situation probably inclines toward caution.

Quotations in the London market are for call money 4 to 4½; short bills 4 p.c.; three months' bills 4 p.c. The official rate of the Bank of France was continued at 3 p.c.; while the Paris market eased slightly to 2 11-16. Bank of Germany's rate is unchanged at 5; and the Berlin market is 4¼ p.c., a fraction lower than a week ago.

In New York call loans ranged from 4½ to 5—the rate preceding yesterday's holiday being 4 p.c. Time money is easier, the quotations being 60 days, 4¾; 90 days 4¾; six months 4½ to 4¾. Last Saturday's bank statement was a featureless affair. There was shown an increase of about $400,000 in the loans; a decrease of $1,500,000 in cash holdings was also reported. The drop in the surplus was less than $1,000,000; it now stands at $9,894,750. There was a wide discrepancy between the two forms of statements. In the average statement the loans decreased $21,600,000 and the surplus increased $2,800,000. But every practical man knows that thise averages are of little or no value in demonstrating the bank position. It is difficult to understand why the press publishes them so prominently. The actual position, as at the end of the week is the vital thing; it does not matter what the average for the whole week was. It is to be remembered, of course, that the "actual" statement was instituted within the last couple of years, and that by using it solely a comparison with previous years could not be had. Probably that is the main reason why the papers continue to attach any importance to the statement of averages.

Foreign exchange at New York has ruled high and the shipments of gold to South America cannot be said to be definitely over until the demand for sterling bills recedes. If the quotations continue around the present level, there may be some shipments to London and Paris. The arrangement whereby the Bank of France provided gold for London during the recent stringency may ultimately result in a movement of metal from New York to Paris. Under the terms of the agreement the London bankers are required to return gold to Paris on maturity of the bills they pledged to the Bank of France. If conditions remain as at present the necessary gold may go from New York to Paris on London account in much the same way as the recent shipments from New York to Argentine have been arranged for London account.

Taken as a whole the foreign exchange position at New York is rather interesting. No doubt the action of the Bank of England directors in putting up their rate, and the attitude adopted by the German and French bankers towards the speculative cliques in Berlin and in America, had much to do in strengthening the demand for sterling at New York. A great deal of exchange would be required by the bankers in New York who took over the London obligations of American borrowers. Another thing bearing potently on the exchange market is the high price of cotton. Thanks to this the bills drawn on Europe against shipments of a given quantity of raw cotton have been larger than usual. On the aggregate the cotton bills this year have been much larger. On the other hand the bills against shipments of United States wheat to Europe have been, if anything, somewhat scarcer, but the scarcity has been offset to some extent by the increase in the number and amounts of bills drawn against shipments of Canadian wheat.

When money eases off in Europe it is to be expected that the European financial institutions will be willing enough to place their resources again at the disposal of American borrowers of the highest standing. The negotiation of loans abroad and the placing of new securities there should have a considerable influence in the direction of a gold movement to America.

So far as the securities market at New York is concerned, the Standard Oil decision caused considerable liquidation.

In Canada call money continues at 5 p. c., and there seems to be little disposition on the part of the bankers to change the rate. The October bank statement, with the large expansion of note issues, loans and deposits, furnishes a striking illustration of the efficiency of our banking system. The ten million dollars odd of new currency which the banks created and put into circulation had a most important effect in keeping the monetary situation here altogether normal and satisfactory.

The speculative interest in the Steel-Coal developments has been maintained through the week. On the other hand the sagging tendency exhibited by some of the leading Cobalt shares has operated to ease the local money markets.