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## THE GENERAL FINANCIAL SITUATION.

The European money markets generally appear to be drifting this week towards easier conditions. The Bank of England rate was reduced to 3½ p.c. The London market is distinctly easier—call money being quoted 3¼ to 3½ p.c.; short bills, 3⅜ to 3½; and three months' bills 3¼ to 3 5-16. At Paris discounts in the market are 3⅛; in the Berlin market they are 3¾. Bank of France rate is 3½ p.c. and the rate of the Imperial Bank of Germany, 5 p.c. It is expected, however, that the big German institution will announce a reduction, perhaps next week. It is unfortunate that events are constantly happening to stir up anew the bad feeling between Britain and Germany. This week the Stewart case has served that purpose. The English press has taken a decided stand against the carrying out of the sentence of imprisonment imposed by the secret German tribunal upon this prominent London lawyer. It is asserted that he was condemned chiefly on the evidence of a discredited Belgian witness who first attempted to blackmail the Englishman. It appears that the British and German Governments have been proceeding in satisfactory manner towards an agreement *re* Germany's acquisition by purchase of certain Portuguese territory in Africa. And this step is hailed as heralding the approach of better relations between the two powers. Progress towards better relations is interrupted whenever an incident such as this espionage case occurs. It is not improbable that the politicians in Germany may use this incident—if Britain presses for Stewart's release—as a means of stirring up national feeling for the purpose of checking the Socialist movement. At any rate these troublesome political happenings serve to disturb the international money markets.

In New York interest rates are about the same as last week. Call loans are 2⅜ p.c.; sixty day loans, 2½ to 2¾ p.c.; ninety days, 2¾ to 3 per cent. and six months, 3 to 3¼ per cent. Owing to the falling off in the volume of the flow of currency from the interior to New York, and to a large loan expansion by the New York banks, a sharp fall in reserve strength was experienced by the clearing house institutions. The Saturday statement showed, for all members, a loan expansion of $24,145,000, a cash loss of $3,100,000, and a decrease of $7,987,000 in the excess cash reserves. The excess stands at $40,775,000. In the case of the banks alone the loan expansion was $22,000,000, the cash loss $450,000, and the fall in surplus reserves $6,027,750.

Last week's liquidation in Wall Street undoubtedly served to clear out many speculative loans; but the effect apparently was more than offset by other expansive operations undertaken by the banks. The February dividend and coupon payments would operate to increase the loan account, and, perhaps, in the first instance, to cause loss of cash. But in the second week of February redeposit of the funds would probably strengthen the banks. The foreign exchange market has again this week received considerable attention. In addition to last week's export of gold to Paris, an additional amount was exported this week. The house making the shipments has close affiliations with the Bank of France. With reference to the engagement of $2,000,000 on Monday this week, competitors of the exporting house estimate that the shipment would involve a loss of about $2,000 on the basis of routine Foreign exchange calculations. Therefore it is thought the gold shipments have been for some special purpose. Some suggest that Italy or Turkey are the parties responsible for meeting the extra cost involved in transferring gold from New York to Paris at this time. It has been supposed that both of these powers would be more inclined to apply to Paris for loans than to London or Berlin.

In Canada the monetary situation is unchanged. Call loans in Montreal and Toronto are quoted 5 to