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THE GENERAL FINANCIAL SITUATION.

The Bank of England's official rate rests this week at the 4 per cent level, established last week. The bank again secured the bulk of the South African gold arriving on Monday. The amount was about $2,500,000. Events in the open market proved that the new bank rate has been made effective, for rates for all maturities moved sharply up within closer distance of the bank's price for money. Call money is 2 3-4 to 3 per cent.; short bills 3 3-4, and three months bills, 3 7-8. On Monday, forty-eight hours before the scheduled time, the lists for the £21,000,000 of Exchequer bonds issued to make good the loss of revenue incurred through the rejection of the budget, were closed, as the offering had been subscribed twice over. Financial interests in the city were glad to have this matter provided for, as the piling up of the Government's indebtedness to the bank was creating an awkward situation. It is said that a general election is likely within a few weeks, and that operates as an unsettling influence, although people hope it will result in the formation of a stronger government.

On the Continent, also, the tendency of money rates has been upwards. Little change is manifest in France and Germany. The state banks of those two countries have kept their official rates unchanged, the Bank of France at 3 per cent., and the Imperial Bank of Germany at 4 per cent. Also the Paris market is about the same at last week, at 2 7-16 p.c.; and the Berlin market at 3 5-8. But the Bank of Belgium raised its discount rate to 4 1-2 per cent., and open market rates in Brussels and Amsterdam moved sharply upwards.

In New York, too, interest rates stiffened, the change being more apparent in time money. Call loans ranged between 2 1-2 and 3 per cent., most of the loans going through at 2 7-8 p.c. Time rates are: Sixty day money 3 3-4 to 4; 90 days, 4; and six months 4 to 4 1-4 per cent.. The Clearing House banks effected a notable improvement in their position, as recorded in the Saturday statement. Their loans fell $20,000,000, and cash holdings rose $2,000,000. So the surplus increased $7,200,000, and now stands at $14,949,650. Loans of the trust companies and non-member state banks increased $3,700,000.

At the beginning of the week, New York city opened tenders for $50,000,000 of 4 1-4 per cent. bonds, and the issue proved very successful, a considerable amount being taken abroad. Transactions of this kind help to avert gold exports. However, exchange continues to exhibit a firm tendency, and the price of the new bonds has sagged somewhat.

Call loan rates in the Canadian cities are unchanged at around 5 per cent., but the evidences pointing to dearer money continue to increase. One of those evidences is seen in the February bank statement. Owing to withdrawal of deposits abroad, investments in securities and expansion of loans, the ratio of available reserves to net liability of the Canadian chartered banks dropped about 2 1-2 per cent. Present indications are that in March, April and May, the commercial loans in Canada will expand considerably. If the deposits do not increase at an even more rapid rate, the increase of loans is likely to result in the withdrawal of some funds now employed in call loans to Stock Exchange houses. It is to be borne in mind in this connection that the prospective issue in London of large amounts of Canadian securities should tend ultimately to augment the deposits of the banks.

Considerable relief was experienced by Canadian financial and commercial interests over the improvement in the atmosphere surrounding the question of the tariff relations with the neighbouring republic, dating from the conference on Sunday at Albany, of our Finance Minister and President Taft. Judging from the statements authorized by the Washington officials, there is now a prospect that Canada will make a few concessions of a nominal kind, in order "to save the face of the United States administration," and the maximum duties will not go upon our exports to the States. Apparently, also, Mr. Fielding has some sort of an engagement on the part of Mr. Taft, that he will, as soon as he conveniently can, institute a movement towards a reciprocal arrangement whereby each country lowers its tariff wall against some important products of the other.

The activity and upward movement, this week and last, of a number of the favorite speculative stocks in Montreal and Toronto, must have had some effect in absorbing surplus funds in the money markets. It must be said, however, that although Canadian commercial and industrial prosperity appear to be assured for two or three years at least, conditions in the world's money markets are hardly favorable to a prolonged or sustained boom in our stocks. In the principal markets, gilt-edged securities are showing a tendency to droop, or they hold their ground with difficulty, in the face of the prospect of dearer money and of large new issues of first-class bonds.

Considering this tendency, and considering the fact that in the Dominion the prospective enlargement of activity of our industrial concerns will call for some extensive financing, it seems that parties who enter upon important stock market movements should take into their calculations the possibility that a part of the credits used by them, may be required at no late date to satisfy the demands of the merchants and manufacturers.