

**THE GENERAL FINANCIAL SITUATION.**

As the well informed have expected, the British election contest is proving exceedingly bitter; and the appeals made by certain of the leading characters on the government side to radical or socialistic tendencies are proving somewhat disturbing to the financial interests. Of course, everybody knows that many of the parties who cry "Down with the Lords" have no votes, but at the same time their attitude is bound to create unsettlement until the result is known.

Under the circumstances it would be idle to expect a rapid reduction in the bank rate or in the market rates in London. The bank directors on Thursday made no change in their official rate, and it therefore stands at  $4\frac{1}{2}$  p.c. In the market call money is  $3\frac{3}{4}$  to 4 p.c.; short bills are  $4\frac{1}{2}$  p.c.; and three months' bills 4 p.c. On Monday the gold arrivals, amounting to \$5,000,000, went mostly to the continent. In the last couple of weeks Berlin has been competing more vigorously for the metal. While discount rates at that capital rule sensibly above the rates prevailing in the other European markets it is but natural that there should be a certain amount of gravitation in that direction.

In Paris the Bank of France still quotes 3 p.c. as its official rate, and the market rate is  $2\frac{7}{8}$ , which is a shade higher than a week ago. The Bank of Germany's rate is still held at 5 p.c.; the Berlin market is  $4\frac{5}{8}$ .

It was mentioned in THE CHRONICLE a couple of weeks ago that if exchange conditions in New York continued as they have been, New York might be called upon to reimburse the Bank of France for the gold recently supplied by the French institution to the Bank of England. The New York Post was informed early this week by a banker who is a high authority on exchange that arrangements are now being made by exchange bankers in New York for a probable movement of gold to Paris after the return flow of dividend money had eased the situation in the American metropolis.

In New York call money ranged all the way from 3 to 5 p.c.; but most of the loans are still made at rates around  $4\frac{1}{2}$  and 5 p.c.; 60 day loans are  $4\frac{1}{2}$  to  $4\frac{3}{4}$ ; 90 days  $4\frac{1}{2}$  to  $4\frac{3}{4}$ ; and six months  $4\frac{1}{2}$  p.c. The Saturday statement of the New York banks is noteworthy inasmuch as it showed a gain of nearly \$3,000,000 in cash. It is quite time now for the tide of currency shipments to be turned in the direction of New York; and likely enough there will be a succession of cash increases reported in the weekly statements now ensuing. Loans increased \$5,700,000; and as deposits increased \$11,000,000, the surplus changed but \$250,000 and stands at \$9,958,175. Possibly the banks are already beginning to take back some of the loans they were obliged to transfer to outside

institutions while the currency drain to the interior was on.

Last week's reduction of the Bank of England rate and the near approach of the season in which, as our bankers believe, there may be some easing off in New York interest rates, had an effect in weakening the call loan market in Montreal and Toronto. It is said that a number of our home banking institutions reduced their rate to  $4\frac{1}{2}$  p.c. The return flow of money from the harvest fields to the financial centres does not produce in Canada the same degree of relaxation as it does in the United States. Here it merely means the redemption by the banks of extra issues of bank notes, and the process is not as a rule troublesome, nor does it involve an undue amount of cash or specie payments. When the notes go out they go mainly as proceeds of loans made to the grain buying interests; and when they come back they come largely as deposits and as repayments of loans made to wholesalers and retailers.

Figures just published by the Department of Trade and Commerce place the exportable wheat crop from Western Canada at 95,000,000 bushels. On that basis the crop will furnish eventually probably from \$90,000,000 to \$95,000,000 of exchange. For the three months ending November 30, receipts of grain at Fort William and Port Arthur amounted to 56,479,231 bushels as against 42,515,279 bushels in the same three months of 1908. The shipments out were: by rail, 1,928,304 bushels, and by lake, 45,718,680 bushels, as against a total for the two of 33,299,042 last year. The figures as to the Duluth shipments are not available. Quite a considerable part of the Western Canadian grain goes out by that route.

The bank statements now appearing quite numerous in the papers are about as the street expected. In most cases so far reported, the profits are slightly under the level established last year. Low interest rates abroad and also at home account satisfactorily for the falling off. And it appears also as if some of the banks had seized the opportunity to houseclean. Some of the profit declarations have evidently shown the effects of liberal appropriations for writing off bad debts.

The following companies are stated to be included in the new Quebec merger: The Quebec, Railway, Light & Power Company; The Quebec, Jacques Cartier Electric Company; The Canadian Electric Light Company; The Quebec Gas Company, and the Frontenac Gas Company.

The new company has an authorized capital of \$10,000,000 of stock, and \$10,000,000 of bonds. Of the stock, it is intended to issue \$9,500,000, and of the bonds \$8,654,600. The amount of the bonds available for underwriting was \$4,200,000, and nearly all of this is said to have been taken in firm subscriptions.