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THE GENERAL FINANCIAL SITUATION.

International financial markets this week have to be judged in the light of the excitement in the United States iron trade over the price reductions inaugurated by the giant Steel Trust. Rates of discount in Europe have not been appreciably affected. In London a slightly higher range has been established. Bank of England's rate is unchanged at 3 p.c. In the open market call loans are quoted 2 1-2 to 3; short bills at 2 5-8, and three months bills 2½.

Across the channel, in Paris, the market rate is given as 1 3-16 as against last week's flat 1 p.c. The Bank of France maintains its official 3 p.c. Market rate in Germany is 1-8 above a week ago —2 3-8—and the Bank of Germany adheres to its recently established 3½ p.c. For such rises as have occurred on the other side the ocean, important loans or security issues offer a sufficient explanation. It is hardly to be supposed, however, that their influence will be anything but temporary. Possibly the revival of a modified war scare over the Balkan politics may have had an effect in helping to harden the European rates; but it is not likely that the best informed financial interests attach much consequence to the talk of an Austro-Servian breach.

No change has occurred in the local rates for money in Montreal and Toronto. Call loans are still quoted at 4 and 4½.

Although the rates for money at the different maturities in New York show practically no change from the preceding week, that market continues to be the centre of interest for observers on both sides the Atlantic. Call loans are down a fraction, being quoted at 2 p.c., with the prospect of a further reduction. 60 days, 2½ to 2¾; 90 days 2¾ to 3; and 6 months, 3 p. c. As to the bank statement, last Saturday saw a substantial addition to the surplus. Loans decreased $5,100,000; cash increased $5,200,000; the surplus increased $5,400,000—making it $15,647,875.

In the current week the banks have had to provide funds for the withdrawal of Treasury deposits. Also it has been necessary to remit extensive sums to Europe in connection with the rather heavy European sales of the speculative American stocks. There is every indication, however, that the drastic liquidation undergone by Wall Street has met these requirements satisfactorily.

The sterling exchange market has latterly been affected quite materially by the curious changes in the attitude of London towards Wall Street. A short while ago, every day's report of the arbitrage houses disclosed heavy sales of United States stocks by London. Under their weight the stock market went down, and because of the demand for exchange, sterling rose. London then called the turn in stocks, and changed right round, buying heavily every day. Stocks rose and sterling exchange in New York declined. Now, once more, the London operators have been heavy sellers of stocks, and sterling exchange has been strong in consequence.

Enormous selling of the Steel stocks was the first direct influence acting on the financial market as a result of the price disturbance. It was prompted, of course, by the traders concluding that the profits of these concerns would be materially lessened by reason of the price reductions. It should be borne in mind, however, that about the same time as the iron war was announced, the Pressed Steel Car Company and some other railway equipment concerns had made public their results of operations in 1908. These were rather disastrous; and were calculated by themselves to promote liquidation and depression in that class of securities. Obviously those poor results had no connection with the price cutting. It is quite possible that if iron prices had been lowered some while ago the volume of sales would not have shrunk so enormously. (In one case sales were less than one-fourth those effected in 1907).

At any rate, as mentioned above, the first effect of demoralization in the industry has been to set free large blocks of capital engaged in speculative loans on steel securities. In that regard the money market gains resources Possibly also the change may result in an increased dulness and stagnation at the iron centres, because of the natural disposition of big consumers to hold off from purchasing till they discover whether price reductions will be carried even further. Thus a further accession of idle funds or capital might be gained. But it is not to be expected that this will be long continued. Eventually consumption is certain to be stimulated, and the going into commission of idle plants and the prospective increase in activity of going plants will surely serve to give employment to some big balances now lying in banks.