

# The Chronicle

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## THE GENERAL FINANCIAL SITUATION.

At the large centres, money rates this week exhibited something of a tendency to harden. It was expected in some quarters that last week would see a reduction in the Bank of England rate. Perhaps the failure of the directors to act was partly due to this slight alteration in the complexion of the market. This week, too, the official rate remains unchanged.

In the London market call money is  $\frac{3}{4}$  to  $1\frac{1}{4}$  p.c.; short bills  $1\frac{3}{8}$ ; and three months bills the same. It will be noted that both short bills and call money are up, while three months bills remain about as last week.

At Paris the market receded further—the quotation being 1 1-16 as against 1 3-16 a week ago. The Bank of France continues its 3 p.c. rate. The market at Berlin continued its moderate rise—a full  $\frac{1}{4}$  p.c. being added to the quotation which stands at  $2\frac{1}{4}$ . Even at this level it is, however, considerably under the Imperial Bank of Germany's  $3\frac{1}{2}$  p.c.

With regard to the three European centres it is to be observed that each has its peculiar set of troubles to deal with. One might suppose that the civil service and other troubles at Paris would have some tendency to make money dearer; but, on the other hand, the gold arrivals at the Bank of France were calculated to have an opposite effect, and the apparent unconcern of the financiers and owners of capital (as reflected in the low rates for money) offers a fairly good proof that the situation contains nothing really threatening the republic's stability.

The tangle at Berlin over the Imperial finances is of a kind to cause hardening of money rates. To meet the Government's necessities large loans are necessary, as well as increased taxation. It is in providing for the latter that the difficulty has arisen. The rich land-owners are resisting, so far successfully, the chancellor's efforts to make them contribute for the naval and other expenses of the Government. In the meantime the Government is issuing new loans. One is being offered partly in

New York. It will be interesting to observe the response it gets. Considering that one of the purposes of the loan is to provide funds to build battleships against Great Britain one may easily imagine what kind of reception it would get in London. Possibly United States investors will allow themselves to be influenced in this case by the rate of income on the investment and the security of the principal, without taking much heed of the political objects sought to be accomplished by the German borrowers. At the same time there may be thoughtful ones amongst them disposed to give due consideration to the latter. Possibly some of these will clearly see, since the publication of Captain Mahan's article on the warship question, that it is decidedly not in the interest of the United States to encourage or facilitate a possible German supremacy in naval affairs.

Money rates in Canada have not changed from the level previously obtaining. Call loans are still quoted at 4 to  $4\frac{1}{2}$  p.c.

New York, however, has undergone a slight change in the direction of higher rates; and if that tendency continues it will ultimately have an effect upon the value of money in the Dominion. Call loans in New York 2 p.c.; 60 days  $2\frac{1}{2}$ ; 90 days  $2\frac{3}{4}$  to 3; six months  $3\frac{1}{4}$ . These figures represent a noticeable advance in the quotations for time money, particularly for the longer maturities. The New York Journal of Commerce and other well-informed papers declare that the change in the tone of the market latterly is quite marked and that conditions each day point more emphatically to higher rates for money.

Last Saturday the New York Clearing House banks were able to add \$2,900,000 to their surplus reserves, bringing them up to \$10,800,700. They accomplished this by means of a decrease of \$1,500,000 in loans and an increase of \$3,200,000 in cash. Trust companies showed a loan expansion of \$9,700,000.

Possibly call loans will have to rise fully 1 p.c. before taking over of loans by trust companies will be actively in process.

In the Canadian markets the week has been marked by some violent movements, principally in an upward direction in security prices. But it is noteworthy that some of the most extensive gains were scored by stocks having a very narrow market. As everybody knows these can be put up, by powerful parties disposed that way, without it being necessary for them to purchase much stock. Consequently there has not been seen a heavy increase in the volume of transactions; and presumably the demand for bank credits from the stock exchanges should not have undergone any very marked increase as a result of this particular phase of our domestic speculative movement. It is