The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY.

R. WILSON-SMITH, *Proprietor.* ARTHUR H. ROWLAND, *Editor.*

Chief Office:
GUARDIAN BUILDING, 160 ST. JAMES STREET, MONTREAL.

Annual Subscription, $3.00. Single Copy, 10 cents

MONTREAL, FRIDAY, OCTOBER 11, 1912.

INDEX TO PRINCIPAL CONTENTS

THE GENERAL FINANCIAL SITUATION.

On account of the seriousness of the situation in Southeastern Europe the Bank of England has evinced a natural desire to strengthen its holdings of specie; and in pursuance of this desire the bank has entered more energetically into the competition for the weekly instalments of new gold placed on the London market by the South African mines. This week the bank secured the greater part of the $4,000,000 available; and in addition the New York banks were induced to relinquish their claim to $2,000,000 of the metal engaged by them last week. For thus gracefully forwarding the designs of the big British institution the New Yorkers doubtless would in some manner receive adequate compensation. It will be noted that upon the Balkan question entering upon an acute stage the bull movement in Wall Street was discontinued. Selling of American stocks by London, Paris, and Berlin constituted one reason for the change of front. And the uncomfortable situation of which Turkey is the centre has interfered with the plans of the Americans in another way.

The Americans have been counting rather confidently on their ability to draw gold from Europe, for purposes of crop-moving and perhaps for purposes of a bull movement in stocks, by means of finance bills drawn in anticipation of the prospective heavy fall shipments of produce to Europe. As a matter of fact those heavy shipments of produce have passed out of the prospective stage; they are actually being made. What is now happening is that the Americans are asked to forego temporarily the advantage which the shipments of cotton, wheat, corn, etc., give them in the exchange market. Europe says to America, "If you will kindly hold your hand for a short time until we get this troublesome political matter on the way to a settlement, or till we assure ourselves that the trouble will be strictly localized, we shall then take up the matter of your requirements and can arrange things to your entire satisfaction." Under those circumstances, as the American crops are not yet financed, it certainly seemed to be the proper thing for Wall Street to postpone its little speculation until conditions are more favorable. The European money markets have been somewhat unsettled. Bank rate in London stands at 4 p.c. Call money is quoted 1¾ to 2 p.c.; short bills are 3¾ to 3⅞; and three months bills, 4 to 4⅛. At Paris, bank rate and private rate of discount are both 3 p.c.; and at Berlin the private rate is 4⅛ while the Reichsbank quotes 4½.

* * * *

In New York, probably because of the reaction in stocks and because of the return to the banks of October dividends, etc., interest rates are inclined to recede slightly. Call loans are quoted at 5½ p.c.; sixty day loans are 5½; ninety days, 5½ to 5¾; and six months, 5½. Owing to an unexpectedly large loss of cash the banks and trust companies comprised in the New York clearing house suffered an important loss of reserve strength in the week just closed. Their loans were contracted to the extent of $17,941,000; but the advantage thereby gained was more than offset by the cash loss of $7,300,000. The net result was a decrease of $5,357,800 in the excess cash reserve. The item thus falls to $4,141,300. In the case of the banks alone the loans increased $2,322,000 and cash decreased $3,658,000. The fall in the surplus amounted to $3,775,000. Apparently the trust companies were actively engaged in re-transferring loans to the banking institutions.

* * * *

Some observers think there is yet time for the Wall Street stock market to reflect some of the changes of condition promised or threatened as a result of the presidential campaign. In the betting the odds are greatly in favor of Wilson, and the presumption is that the financial interests have practically made up their minds that he will be the next president of the United States. But the stock market has not so far