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

*Chief Office:*

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## THE GENERAL FINANCIAL SITUATION.

The Bank of England secured the bulk of the $3,600,000 Transvaal gold offered in London on Monday. So last week's reduction of the official discount rate has not apparently lessened the bank's power to attract gold. The 3 p.c. rate established a week ago, has, of course, been continued. In financial circles the belief prevails that the German Imperial Bank will shortly feel at liberty to abandon the 5 p.c. rate which is at present in force in Germany and inaugurate a lower quotation. The Bank of France rate is held at 3 p.c. as heretofore. In the Paris market discounts are 3⅛; and in the Berlin market, 3⅞. In London the market quotations are: call money, 2 to 2¼ p.c.; short bills, 2 15-16; three months' bils, 2⅞ to 2 15-16.

In New York call loans are 2¾; sixty day loans, 3 to 3¼; ninety days, 3¼; and six months, 3½ to 3¾. The clearing house instituions had to report on Saturday, a decrease of their excess cash reserves. Their loans increased $23,000,000; cash increased $3,364,000; and deposits increased $14,000,000. The excess cash reserve, therefore, fell from $14,276,000 to $11,920,000. This represents a drop of about $8,000,000 in two weeks. Taking the banks alone the loan expansion appears as $7,738,000 and the cash increase was $2,032,000. So their surplus was reduced by $627,000. The exhibition appears to indicate that the trust companies bore the brunt of the financing required to prepare for the big bond issue recently made by New York City. Speculative opinion has been affected to a certain extent by the serious damage inflicted on the winter wheat crop. However, the agricultural situation in the United States taken on the whole is not unfavorable. The beneficial influence of the enormous cotton crop of 1911 is not spent; the cotton industry will probably continue to benefit from the large yield during the remainder of 1912. And with reference to spring wheat, although the season has not been in all respects favorable for seeding, still the acreage may compare satisfactorily enough with the area planted in 1911, and it is possible to hope that climatic conditions after seeding will be this year more favorable than in 1911. Many of the farmers whose winter wheat was killed are putting in corn and oats to replace the seeds destroyed.

The improvement in the steel industry continues in evidence. Manufacturers are showing a disposition to raise their prices for certain lines; and it is said the process does not check the stream of orders coming in. The railroads are placing orders more freely; and if the labor situation were to clear up, it appears as if business generally would take on a more decided air of betterment. As a large number of the Wall Street speculators seem to be convinced that the market is in a bull period, the waves of liquidation in stocks are quickly succeeded by strong recoveries. Some authorities say that the bear leaders as a rule meet losses unless they are particularly agile in covering their contracts. European experts declare that in the last few weeks the American bankers have drawn heavily upon the credits they had in Berlin and London, and that the balances now remaining in Europe are not important. The two circumstances—speculative optimism in Wall Street and absorption of the European balances into home business in the United States—seem to point to gradual rise in Wall Street interest rates as the fall draws near. If events develop in that direction the Canadian bankers will derive better returns from the large amount of funds employed by them in New York.

The circumstances referred to in last week's article as tending to bring about a temporary easing in the monetary situation in Montreal and Toronto—liquidation of Tramways debentures with funds brought from New York, and liquidation of grain loans carried through the winter—have been largely influential in causing some of the banks to reduce the call loan rate to 5 p.c. It is expected that this