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THE GENERAL FINANCIAL SITUATION.

The Bank of England secured most of the \$3,500,000 new gold offered in the London market this week. Bank rate is maintained unchanged at $3\frac{1}{2}$ per cent. In the London market call money is 3 to $3\frac{1}{4}$ p.c.; short bills are $3\frac{1}{2}$ to $3\frac{1}{2}$ p.c.; three months bills, $3\frac{1}{2}$. This is slightly under last week's level. At Berlin also discount rates have receded a fraction—the quotation in the market being $3\frac{3}{4}$. In Paris the market stands at last week's level— $3\frac{1}{4}$ p.c. The Bank of France quotes $3\frac{1}{2}$ p.c. and the Reichsbank 5 p.c. as heretofore.

In New York call money rose sharply early in the week. Some loans were made as high as 5 p.c., but this evidently reflected a special demand, for the rate afterwards declined. Call loans are $3\frac{3}{4}$ p.c.; sixty day loans, $3\frac{1}{2}$ to $3\frac{3}{4}$; ninety days, $3\frac{3}{4}$ to 4; six months, 4 p.c. The Saturday statement showed the clearing house institutions to have heavily reduced the loan account. In the case of all members the reduction was \$26,510,000. It was, however, accompanied by a cash loss of \$6,722,000 which served to

keep the increase of excess reserve down to \$1,448,000. In the case of the banks alone the loan reduction was \$25,818,000, the cash loss \$7,000,000; and the \$211,000 deficit of the preceding week was, therefore, converted into a surplus of \$1,145,000.

Revival of speculative activity in Wall Street has been responsible for an enlarged demand upon the banking institutions. Sentiment has changed entirely in the last few weeks from bearishness to bullishness. It is said that with each advance in prices the trading widens. Most of the customers of the commission houses are now engaged in commitments for the rise; and these houses have been obliged to make heavier demands upon their bankers in consequence. At the bottom of the change of sentiment is the belief that in American industry and trade decided improvement is in progress. The signs of that improvement are to be seen in various directions. The iron and steel industry is becoming quite active and prices are already showing a tendency to rise. It is said that some of the large consumers who delayed too long in placing orders are now hastening to make the best terms they can with the manufacturing interests. Cotton goods also are tending upwards and the trade has been buying more freely. Needless to say, a resumption of activity in United States trade and industry should have a beneficial influence upon Canadian conditions. Iron and steel interests in the Dominion have been complaining of the competition recently experienced from the United States industry. Owing to the depression prevailing at home the Americans have endeavored to dispose of surplus products at low prices in the Canadian market. The increasing demand in their home market should have some tendency to lessen the vigor of their attempts to get trade in Canada.

However, it is but natural that the reappearance of better conditions in trade and industry, together with revival of Wall Street speculation, should have a tendency to force interest rates upwards. The rise in New York money has been, on the whole, very slow and gradual. It is, therefore, more likely to be lasting. Call money has been in the neighborhood of 2 per cent. for a long time. It is not likely that a steady rise to 4 per cent. or even $4\frac{1}{2}$ per cent. would alarm the speculative sentiment. Although the surplus reserves of the clearing house institutions in New York are practically exhausted, according to the weekly statement, the latent resources of the New York banks are very considerable. They are supposed to have begun a couple of weeks ago to transfer loans to the trust companies and interior banks. That process can doubtless be resorted to extensively if necessary. A rise in interest rates would serve to attract funds from the interior and from Europe. The German banks are said to be repaying loans. As in many cases the American banks sent the funds lent to Germany to London