DIVISION OF INTERNATIONAL FINANCE

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

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~~No.~~ 37

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CAPITAL MARKET DEVELOPMENTS ABROAD

I. Canada: Money and Capital Markets during November

Substantial debt-management operations, stable interest trends and an unexpected weakness of the Canadian dollar in exchange markets were the principal developments in financial markets in Canada during November. Canadian Treasury bill and bond yields were at about the same level on November 29 as they were on October 25. However, a temporary dip in Canadian bill yields early in the month, combined with rising U.S. bill rates, brought the Canadian below the U.S. bill yield throughout the month. Rising U.S. yields also reduced the differential of Canadian bond yields over those in the United States.

On the debt-management side, sales of Government Savings Bonds added $720 million to Treasury receipts. The Treasury also issued $525 million of short- and medium-term bonds largely to refinance maturing issues. Through the current fiscal year $375 million of new cash has been raised through short-term bonds. Moreover, Treasury refinancing requirements for the fiscal year ending March 31, 1962, have now been reduced to about $55.5 million.

Easy conditions continued to prevail in the commercial bank sector. The liquidity of the banks rose further to 19 per cent during the month, 4 percentage points above the required minimum, despite a further 1.5 per cent rise in seasonally adjusted bank loans. The lending rate on loans to finance companies was reduced from 5-3/4 to 5-1/2 per cent. Moreover, there were rumors of a reduction early next year in the bank prime lending rate which had been reduced to 5-1/2 per cent last June, except for finance company loans. The growth in bank credit, the Treasury deficit and Exchange Fund operations last month brought the seasonally adjusted money supply in November to a level 4.2 per cent above the end of June level.

The lag in construction activity induced the authorities to reduce mortgage rates for Government-insured loans to 6-1/2 per cent for residential construction and to 5-1/2 per cent for low rental housing and specified municipal public works.

The Canadian dollar was under selling pressure in the exchange market in the latter part of the month. The spot rate declined from 97.08 U.S. cents on October 26, to 95.97 cents on November 30. The premium on

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the forward Canadian dollar widened slightly as the spot rate fell. Year-end dividend payments by Canadian corporations to nonresidents and the decline of Canadian short-term rates on finance paper contributed to the selling pressures on the Canadian dollar.

Money market. During November Canadian money markets continued to enjoy high levels of liquidity and, despite some mid-month declines in short-term rates, at the end of November yields were little changed from end-October levels. The average auction yield on the 3-month Treasury bill eased as much as 16 basis points early in the month but had returned by November 30 to the end-October level of 2.50 per cent (see Table and Chart 1). The 6-month bill showed a similar trend (see Table). In early November, yields on short-term finance company paper also declined. The yield on 30-89 day notes fell from 2.75 per cent on October 27 to 2.50 per cent on November 17. Day-to-day loan rates, on the other hand, rose early in November but eased off later in the month.

During the month, the chartered banks were sellers and the general public were buyers of Treasury bills (see Table). On balance there was little change in Bank of Canada and Government Account holdings, but the Bank made heavy transactions on both sides of the market early in the month.

The yield on the Canadian 3-month Treasury bill fell below the U.S. bill yield in early November and remained below through the month (see Chart 1). However, the premium on the forward Canadian dollar more than offset the yield advantage for the U.S. bill. As a result, the net incentive was in favor of the Canadian bill on a covered basis, but the difference was probably too small to encourage any movement of funds (see Table and Chart 1).

Short-term finance paper in Canada yielded higher returns than similar paper in the United States, but this difference narrowed in mid-November. Early in the month, the yield difference favored Canadian paper by as much as 62 basis points, and, with the favorable forward rate, some money moved from the United States to Canada. By mid-November, however, the yield difference was almost eliminated and covered investments in Canada yielded about 0.50 per cent per annum more than similar investments in the U.S. The following table compares rates offered by leading acceptance houses for 30 to 89 day financial paper in Canada and the United States:

	Canada	U.S.	Spread
Oct. 13	2.75	2.13-2.39	+0.36-0.64
27	2.75	2.25-2.50	+0.25-0.50
Nov. 2	2.75	2.13-2.50	+0.25-0.62
10	2.50-2.75	2.13-2.39	+0.11-0.62
17	2.50	2.25-2.50	0 - +0.25

Bond market. Bond yields continued to ease during November despite the large new issue of securities during the month. The MdLeod, Young, Weir 40 bond yield average of non-Government bonds, with average maturities of 15 years, declined from 5.41 per cent to 5.35 per cent during the month, as may be seen in the following table of yields (in per cent per annum):

	June 1	Nov. 1	Dec. 1
10 Provincials	5.62	5.36	5.30
10 Municipals	5.82	5.56	5.52
10 Public utilities	5.48	5.37	5.27
10 Industrials	5.60	5.35	5.32
40 Bond yield average	5.63	5.41	5.35

Yields on Government securities declined through the first three weeks of the month but tended to move upward during the last two weeks. However, for the month as a whole, some maturities remained below end of October levels, as noted in the following table:

Maturity	June 1	Oct. 26	Nov. 29
Sept. 1965	4.78	4.12	4.09
Sept. 1972	5.08	4.82	4.69
Jan. 1975-78	5.19	4.90	4.92
Sept. 1983	5.20	4.94	4.97
Sept. 1996-98	5.09	4.97	4.91

The chartered banks purchased $56 million of bonds during the month while the general public sold $67 million. The Bank of Canada purchased only $3 million while the Government Accounts reduced holdings of non-marketable bonds by $122 million.

During the month there was a further narrowing of the yield spread favoring Canadian Government bonds as yields rose in the United States. The following table compares changes in the spread between selected Canadian Government bonds and comparable bonds in the United States:

	June 1	Oct. 26	Nov. 29
8-year bond	0.96	0.42	0.14
20-year bond	1.36	0.81	0.78
35-year bond	1.43	1.24	1.13

A. E. Ames & Co. Ltd., reported an increase in new non-Dominion Government security issues during the month of about $154 million. While this is somewhat below the monthly average of new placements during the first 10 months of the year, new corporate offerings showed a sizeable increase. The following table compares November offerings with the monthly average for the January-October period:

	Monthly average Jan.-Oct.	Oct. 30-Nov. 27
Provincial	87	39
Municipal	38	33
Corporate	46	82
Total	171	154

The Minister of Finance offered $525 million of new short- and medium-term bonds on November 13. Of this, $480 million is for refinancing and $45 million is to meet new cash requirements. The Bank of Canada took $200 million of the new bonds in exchange for maturing issues and the remainder was offered for cash. The new offering consisted of three maturities as follows:

$175 million, 2-3/4 per cent, noncallable bonds due June 1, 1963, priced at 99 per cent to yield about 3.44 per cent to maturity;

$250 million, 3-1/4 per cent, noncallable bonds due October 1, 1964, priced at 98.80 per cent yielding about 3.70 per cent to maturity;

$100 million, of 4-1/2 per cent noncallable bonds due June 1, 1967, priced at 99.50 per cent, to yield about 4.35 per cent to maturity.

To help meet current year new cash needs, which are expected to be about $1 billion, the Government has already placed on the market about $375 million of short-term bonds. In addition to this, the Finance Minister reported in late November, that 1961 Savings Bond sales already totaled $880 million, 1.3 per cent above the 1960 level. Total holdings of Savings bonds since the beginning of the new drive on November 1, 1961, (see Capital Market Developments Abroad, No. 29, October 13, 1961) increased about $720 million. Together, these sources have provided over $1 billion of new funds which is equal to estimated new cash requirements for the current fiscal year. However, since the end of June foreign exchange purchases have probably raised the Government cash needs about an additional $125 million.

Bank loans and the money supply. General bank loans showed further expansion in November and bank liquid assets rose to 19 per cent of demand deposits, 4 percentage points above the 15 per cent required minimum. General bank loans in November advanced above seasonal requirements for the seventh consecutive month. The $82 million rise in seasonally adjusted loans brought outstanding loans to 4.7 per cent above June, when the expansionary monetary and fiscal policies were made effective. The money supply held by the public (including savings deposits, which in Canada are treated much like demand deposits) rose $145 million, or 1 per cent, in November to 4.2 per cent above June levels.

As a result of current high levels of bank liquidity, the chartered banks announced that interest rates on loans to finance houses would be lowered to the prime lending rate of 5-1/2 per cent. The prime rate was lowered from a record high of 5-3/4 per cent last June 1 to 5-1/2 per cent, but rates for financial houses were kept at 5-3/4 per cent. There is some expectation that the prime lending rate will be reduced again in early 1962, but no official statements have yet been made.

Secondary mortgage market. The Central Mortgage Housing Corp. (CMHC) has taken further steps to develop the secondary mortgage market in Canada (see Capital Market Developments Abroad, Nos. 11, 19 and 24 of 1961). In November the authorities offered and sold another $15 million of CMHC mortgage holdings to private groups and organization. The mortgages were grouped in 43 packages, with a value of from $250,000 to $500,000 in each package. The loans were sold at a premium of $1.79 for each $100 loan. This compares with premiums of $1.17 and $1.35 in the two earlier sales which totaled $30 million.

Mortgage lending rates. The Canadian authorities announced a reduction in Government insured mortgage rates to help revive the lagging construction industry. Although total construction in 1961 is above the year-ago level, this reflects the early-1961 expansion in residential construction. However, during the April-September period, residential construction was more than 20 per cent below January-March. Moreover, third quarter NHA lending was $191 million compared with $246 million in the previous quarter and $118 million a year ago. Therefore, in early November the authorities announced a reduction of rates for homes built under the National Housing Act, from a record 6-3/4 per cent to 6-1/2 per cent. At the same time, the Central Mortgage and Housing Corp., a Crown-owned company, reduced rates for low rental housing, municipal sewage, and university residence projects, from 5-3/8 per cent to 5-1/8 per cent and the rate for federal-provincial rental housing and land assembly projects from 5-1/2 to 5-1/4 per cent.

Foreign trade. Imports rose to record levels in the third quarter, and despite record exports, the seasonally adjusted trade balance showed a $22.4 million deficit in August. During the first 8 months of the year the trade surplus totaled $111.7 million compared with a $7.1 million deficit the year before. The following table shows seasonally adjusted monthly average trade figures for the periods indicated:

		Exports	Imports	Trade balance
1960		451.1	458.0	- 6.9
1961 -	I	463.6	463.8	- 0.2
	II	472.2	444.6	+27.6
	III		499.3	
	May	406.4	455.1	-48.7
	June	487.3	462.7	+24.6
	July	528.1	476.2	+51.9
	Aug.	491.3	513.7	-22.4
	Sept.		507.9	

Foreign exchange. Demands for the Canadian dollar, which were active in October, eased off in early November, and selling pressures brought the rate down from 97.73 U.S. cents at the end of October to 95.91 U.S. cents at the end of November. In October, reserves rose $186 million as funds moved on an uncovered basis into Canadian financial paper and into Government bonds. Some upward pressure on the exchange rate continued through early November, but at a much reduced rate; by mid-November, the rate moved down. Reduced demand for the Canadian dollar earlier in the month probably reflected declining rates on Canadian short-term finance paper. However, year-end dividend payments by large corporations to nonresidents played a major role in the decline.

Official Canadian holdings of gold and U.S. dollars during the current year are shown below in millions of U.S. dollars:

End of month	Gold	U.S. dollars	Total	Change during period
1960 - Dec.	885.3	943.9	1,928.2	
1961 - June	905.9	1,079.3	1,985.2	+156.0
July	911.9	1,048.4	1,960.3	- 24.9
Aug.	919.9	1,024.5	1,944.4	- 15.9
Sept.	926.6	997.7	1,924.3	- 20.1
Oct.	931.6	1,179.0	2,110.6	+186.3

Stock exchange. After a 2-month period of decline, Canadian industrial stock indices moved upward (see Chart 6). The November rise, however, was only 2.8 per cent compared with 5.3 per cent in the Standard & Poor index of industrial stock prices in New York. The following table compares movements of industrial stock price indices according to DBS and New York Standard & Poor.

Average for week ending	DBS Industrials	N.Y. Standard & Poor Industrials
1960 - Sept. 29	243.6	55.69
1961 - June 15	329.7	69.55
Sept. 28	336.5	70.47
Oct. 26	328.6	71.64
Nov. 9	340.3	74.28
Nov. 16	341.7	75.21
Nov. 23	337.7	75.46

The weekly volume of shares sold on the Canadian exchanges rose sharply at the end of November, from below $20 million to over $30 million a week, to the highest weekly volume for the year.

British Commonwealth Section.

Selected Canadian Money Market and Related Data

	3-mo. Treas. bills: Canada a/	U.S b/	Spread over U.S.	Canadian dollar: Spot c/	3-mo. forward	discount (-) premium(+) d/	Net incentive to hold Can. bills e/
1960 - High	5.14	4.53	1.62	105.27	--	0.99	1.99
Low	1.68	2.10	-0.82	100.33	--	-0.91	-0.57
1961 - High	3.34	2.55	1.10	101.72	--	0.45	0.89
Low	2.26	2.17	-0.13	95.91	--	-0.56	-0.20
Oct. 26	2.50	2.30	0.20	97.08	97.11	0.13	0.33
Nov. 2	2.47	2.27	0.20	96.75	96.78	0.13	0.33
9	2.34	2.41	-0.07	96.86	96.92	0.26	0.19
16	2.37	2.54	-0.17	96.64	95.75	0.45	0.28
23	2.42	2.55	-0.13	96.28	96.13	0.13	0.00
30	2.50	2.55	-0.05	95.91	95.97	0.26	0.20

a/ Average yield at weekly tender on Thursday.
b/ Composite market yield for the U.S. Treasury bill on Thursday close of business.
c/ In U.S. cents.
d/ Spread between spot rate and 3-month forward Canadian dollar on Thursday closing, expressed as per cent per annum.
e/ Spread over U.S. Treasury bill (column 3), plus 3-month forward discount or premium (column 6).

Selected Government of Canada Security Yields

	6-mo. Treas. bills: Canada a/	Spread over U.S b/	Intermediate bonds (8 yr.): Canada c/	Spread over U.S d/	Long-term bonds (20 year): Canada e/	Spread over U.S f/	Long-term bonds (35 year): Canada g/	Spread over U.S. h/
1960 - High	5.33	1.37	5.55	1.11	5.42	1.36	5.28	1.61
Low	1.99	-0.86	4.09	0.21	4.63	0.85	4.68	0.95
1961 - High	3.63	1.15	4.75	1.16	5.19	1.40	5.23	1.59
Low	2.35	-0.11	4.22	0.25	4.80	0.78	4.92	1.14
Oct. 25	2.72	0.04	4.36	0.42	4.86	0.81	4.96	1.24
Nov. 1	2.69	0.13	4.22	0.30	4.80	0.78	4.93	1.21
8	2.53	-0.18	4.14	0.25	4.81	0.82	4.93	1.22
15	2.59	-0.16	4.12	0.13	4.77	0.72	4.90	1.14
22	2.64	-0.10	4.15	0.21	4.84	0.83	4.91	1.18
29	2.73	-0.06	4.15	0.14	4.85	0.78	4.91	1.13

a/ Average yield at weekly tender on Thursday.
b/ Spread between Canadian auction rate and composite market yield of U.S. bill on close of business Thursday.
c/ Government of Canada 2-3/4 per cent of June 1967-68.
d/ Spread over U.S. Government 2-1/2 per cent of 1963-68.
e/ Government of Canada 3-1/4 per cent of October 1979.
f/ Spread over U.S. Government 3-1/4 per cent of 1978-83.
g/ Government of Canada 3-3/4 per cent of September 1996 - March 1998.
h/ Spread over U.S. Government of 1995.

Canada: Changes in Distribution of Holdings of Canadian Government Direct and Guaranteed Securities
(millions of Canadian dollars, par value)

	Bank of Canada			Chartered banks		General public		
	Treas. bills	Bonds	Government Total	Treas. bills	Bonds	Savings bonds	Treas. bills	Bonds
1961-Jan.	- 41	- 38	+ 15	+111	- 37	- 2	- 46	+ 23
Feb.	- 7	- 68	- 96	+ 67	+ 88	- 6	- 26	+ 39
Mar.	- 47	+120	- 25	- 36	+ 50	- 18	+ 30	+ 6
April	+ 9	+ 59	- 2	- 70	- 52	- 37	+ 64	- 12
May	+ 17	- 22	= 1	+ 63	+ 24	- 33	- 80	+ 1
June	- 74	+ 43	+ 5	+ 33	+ 62	- 22	- 7	+ 37
July	+ 69	+ 21	+ 16	+ 16	+ 11	- 23	- 95	- 37
Aug.	0	+ 21	+ 32	+107	+148	- 29	- 87	- 35
Sept.	+ 16	+ 44	+ 9	- 58	+ 72	- 24	+ 40	+ 42
Oct.	-105	+ 14	- 39	+109	+ 4	+ 4	- 3	- 31
Nov.	- 9	+ 3	-125	- 42	+ 56	+720	+ 48	- 67

Source: Bank of Canada, Weekly Financial Statistics.

Selected Canadian Financial Statistics
(in millions of Canadian dollars or per cent)

	June	July	Aug.	Sept.	Oct.	Nov.
1. Money supply: a/						
Currency and deposits	13,861	14,011	14,368	14,368	14,399	14,595
Less: Govt. deposits	200	179	312	473	312	363
Equals: Privately held	13,661	13,882	14,056	14,013	14,087	14,232
Change in period	- 52	+ 171	+ 224	- 43	+ 74	+ 145
2. General bank loans a/	5,252	5,269	5,367	5,378	5,499	5,581
Change in period	+ 28	+ 17	+ 98	+ 11	+ 121	+ 82
3. Total Govt. securities:	17,763	17,739	17,885	18,061	18,018	18,584
Of which: Treas. bills	1,885	1,885	1,885	1,885	1,885	1,885
Bonds	12,404	12,404	12,577	12,776	12,729	12,590
Savings bonds	3,474	3,452	3,423	3,400	3,404	4,109
4. New security issues b/	725	1,086	660	1,024	640	1,159
Of which sold in U.S.	11	12	0	0	6	7
5. Chartered bank liquidity:						
Cash reserve	1,027	1,025	1,039	1,062	1,072	1,071
Cash ratio	8.1	8.1	8.1	8.1	8.2	8.1
Liquid assets	2,312	2,317	2,415	2,465	2,473	2,516
Liquid asset ratio	18.3	18.3	18.9	18.8	18.8	19.0

a/ Seasonally adjusted.
b/ Source: A. E. Ames & Co., Ltd. (Includes public and private securities.)

II. Foreign Bonds Publicly-Issued on International Markets, 1958-1960, First Half of 1961

During the first half of 1961, $393 million of foreign bonds (excluding private placements and borrowing by the International Bank) were issued in major international capital markets (Canada, Germany, the Netherlands, Sweden, Switzerland, United Kingdom, United States) according to a semi-annual tabulation prepared by the staff of the International Bank for Reconstruction and Development. Refunding issues accounted for $88 million, and new issues for $305 million. All of the refunding and $227 million of the new issues were floated by Governments or political subdivisions, and $77 million by private companies.

Publicly-Issued Foreign Bonds in Major Capital Markets
1958 - 1960, First Half of 1961
(nominal amounts, millions of U.S. dollars)

	Canada	Germany	Netherlands	Sweden	United Kingdom	Switzerland	United States	Total
1958								
New	--	21.9	--	--	126.0	32.7	617.1	797.7
Refunding	--	--	--	--	46.6	2.8	--	49.4
Total	--	21.9	--	--	172.6	35.5	617.1	847.1
of which, private	--	(11.9)	--	--	--	(35.5)	(35.2)	(82.6)
1959								
New	--	31.0	--	--	30.2	95.8	445.7	602.6
Refunding	--	--	--	--	67.8	11.6	68.8	140.2
Total	--	31.0	--	--	98.0	107.3	514.5	750.8
of which, private	--	--	--	--	--	(54.1)	(11.0)	(65.1)
1960								
New	--	14.3	--	12.0	39.2	101.0	296.3	462.7
Refunding	--	--	--	--	42.3	31.3	9.4	83.0
Total	--	14.3	--	12.0	81.5	132.3	305.6	545.7
of which, private	--	--	--	--	(5.6)	(62.7)	(15.0)	(83.3)
1961 (1st half)								
New	20.2	0.3	12.3	6.8	56.0	119.1	90.0	304.7
Refunding	--	--	20.7	--	56.0	11.5	--	88.2
Total	20.2	0.3	33.0	6.8	112.0	130.6	90.0	392.9
of which, private	--	(0.3)	(4.0)	--	--	(71.0)	(2.0)	(77.3)

Source: IBRD - Economic Staff

According to the tabulations of the IBRD, the total volume of foreign public issues reached a postwar peak in 1958, and then declined steadily in 1959 and 1960. The volume was also somewhat smaller in the first half of 1961 than in the corresponding period of 1960.

In view of the fragmentary nature of the data, variations in the total volume of new foreign issues are less significant than shifts in the composition of borrowers and lenders. Between 1958 and 1961 new foreign issues declined more than average in the United States market (from $617 million in 1958 to $296 million in 1960 and $90 million in the first half of 1961) and rose sharply in Switzerland (from $33 million in 1958 to $101 million in 1960 and $119 million in the first half of 1961). The rise in foreign flotations in Switzerland is not surprising, as Swiss long-term interest rates are the lowest in the world (in part because the export of long-term capital is controlled). In the fall of 1958, the Swiss National Bank lifted a two-year ban on foreign flotations, and began to approve an average of about one new issue a month. At the beginning of 1961 the Swiss authorities lifted an unofficial ban on flotations by Common Market countries. Also, in view of the continued high liquidity of the Swiss capital market and an excessive expansion of construction activity, the Bank approved a larger number and volume of foreign flotations. In April 1961, the Netherlands also lifted the ban, imposed in 1955, on issues of countries outside the Benelux Union.

Foreign flotations on the London market also have dropped sharply since 1958, but the explanation probably lies more with the borrowers than the lender, as borrowings by the independent members of the outside sterling area dropped sharply; the tabulation excludes borrowing by colonies.

On the whole, however, the composition of the group of borrowers has been fairly stable for the past three years. Until the first half of 1961, by far the largest category of borrower was Canadian political subdivisions. From 1958 through 1960, Canadian issues, which are mainly those of municipalities, accounted for 35 to 40 per cent of total foreign new issues. The volume of Canadian issues dropped off sharply in the first half of 1961, in part because of proposed legislation to increase the non-resident withholding tax on Canadian Government and provincial bonds, and in part because Governor Coyne of the Bank of Canada had warned that borrowing abroad entailed an exchange risk. Since the Canadians have floated public loans only in the United States, the drop in Canadian flotations was a major cause of the lower volume of public issues on the U.S. market in the first half of 1961.

The Commonwealth of Australia has been a regular borrower on international markets over the past few years, and was the largest borrower in the first half of 1961. On the average, the third largest borrower was the Government of Israel, which floated a loan every year.

The proportion of private issues not guaranteed by governments rose from 10 per cent of total new foreign issues in 1958 to 25 per cent in the first half of 1961. Virtually all of the private issues in 1961 were in Switzerland. Among the principal private borrowers in Switzerland this year were Netherlands and British companies, and the IBM World Trade Corporation of the United States.

In assessing these data, it should be remembered that they represent only a small fraction of total long-term international portfolio investment, because the following kinds of transactions are excluded: (1) private placements; (2) borrowing by the International Bank; (3) new equity issues; (4) transactions in outstanding issues of both bonds and stocks, and (5) long-term commercial bank loans. Moreover, it should be borne in mind that the IBRD compilation covers new issues on various markets, without reference to the residence of the purchasers. For instance, a substantial proportion of European issues on the U.S. market is known to have been purchased by European residents. It is also known that a large part of the funds available on the Swiss market for long-term investment is supplied by foreigners. Therefore, the IBRD compilation is not exactly comparable with balance of payments data, which are in terms of residence.

According to U.S. balance-of-payments data, new issues of foreign securities (bonds and stocks) purchased by U.S. residents in the first half of 1961 amounted to $308 million, and purchases of both new and old issues of bonds alone amounted to $470 million. In the first half of 1961, most of the $90 million of new issues on the U.S. market compiled by the IBRD was probably sold to U.S. residents, and therefore is included in the balance-of-payments figures cited above. Excluded from the IBRD tabulation, but included in the payments figures, are also sales of foreign stocks (new and old issues) to U.S. residents, ($470 million), and new long-term bank loans to foreigners ($150 million net of repayments). Total acquisitions of long-term foreign portfolio assets by U.S. residents thus amounted to $1,190 million in the first half of 1961, compared with the IBRD figure of $90 million for publicly-issued bonds on the U.S. market.

International Financial Operations Section.

III. Eight Charts on Financial Markets Abroad

Chart 1 - Interest Arbitrage U.S./Canada
Chart 2 - Interest Arbitrage New York/London
Chart 3 - Interest Arbitrage New York/Frankfurt
Chart 4 - Short-term Yields
Chart 5 - Long-term Yields
Chart 6 - Industrial Stock Indices
Chart 7 - Major Currencies in Terms of Spot United States Dollar
Chart 8 - 3-month Forward Rate--London Quotations

Chart 1

INTEREST ARBITRAGE, UNITED STATES / CANADA

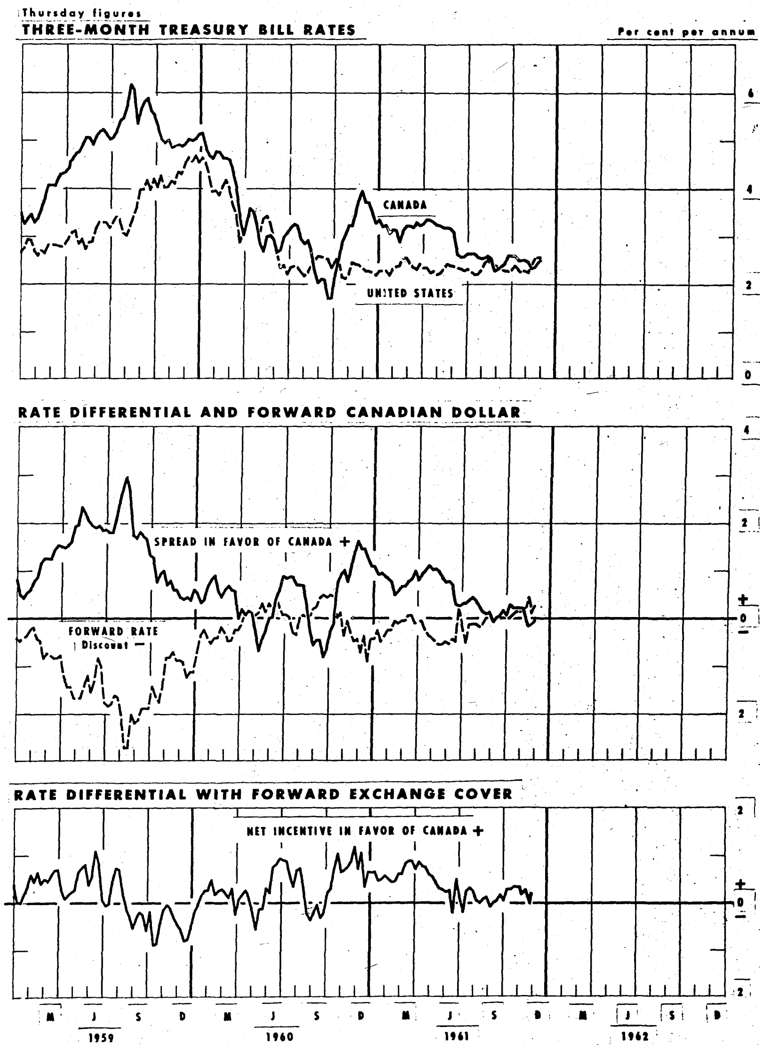

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Chart 2

INTEREST ARBITRAGE, NEW YORK / LONDON

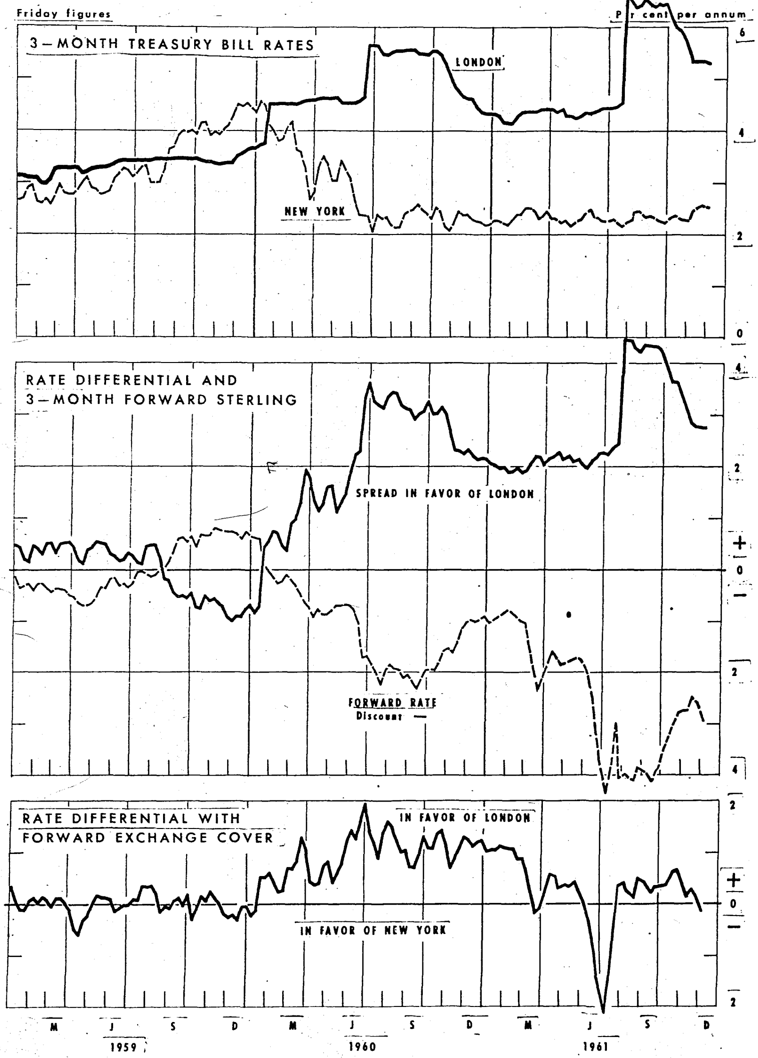
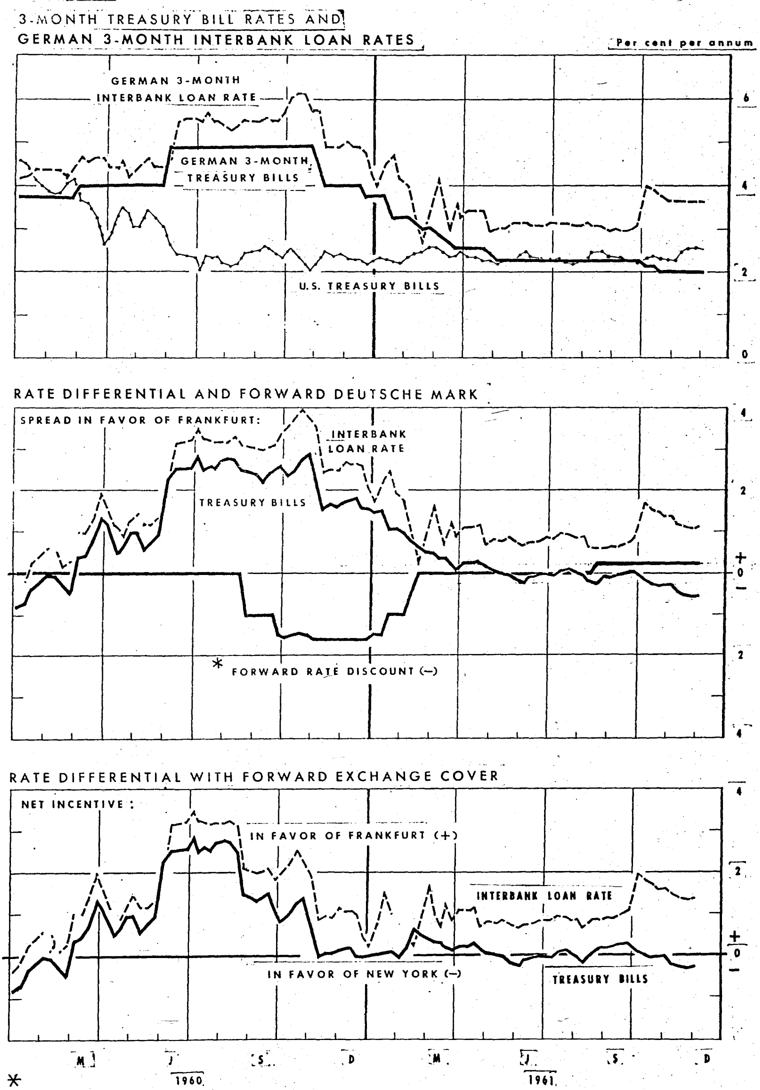


Chart 3

INTEREST ARBITRAGE FOR GERMAN COMMERCIAL BANKS

Friday figures



* Note: Special forward dollar rate available to German commercial banks.

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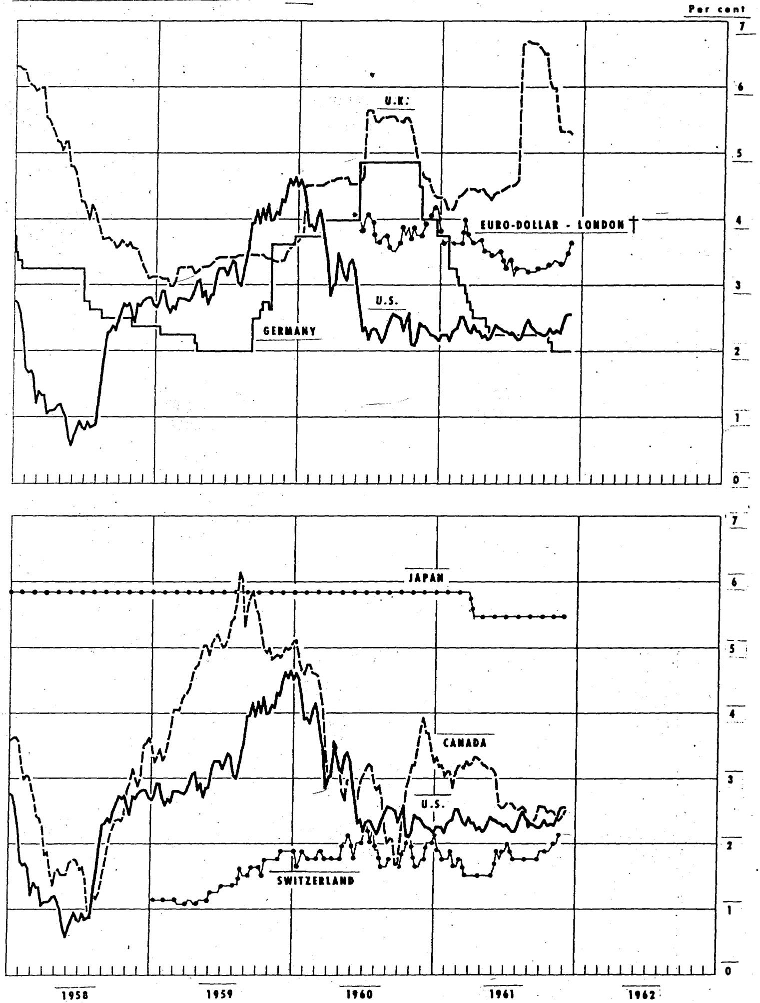
Chart 4

SHORT-TERM INTEREST RATES *



* 3-month treasury bill rates for all countries except Japan (3-month interbank deposit rate) and Switzerland (3-month deposit rate).

† 3-month rate for U. S. dollar deposits in London.

Chart 5

LONG-TERM BOND YIELDS

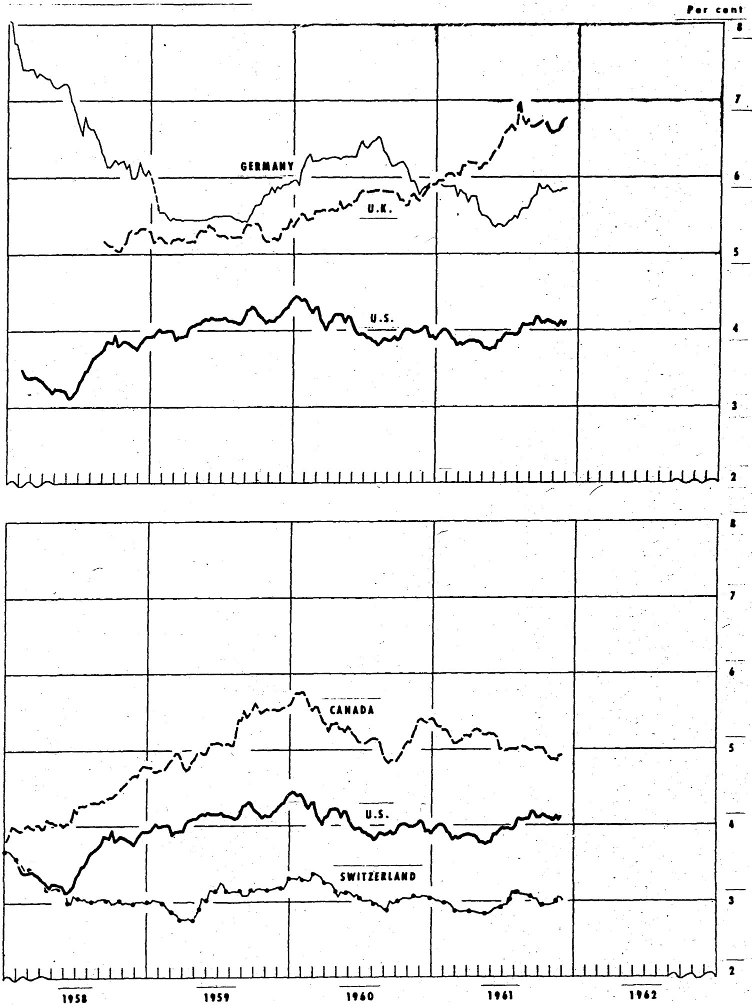
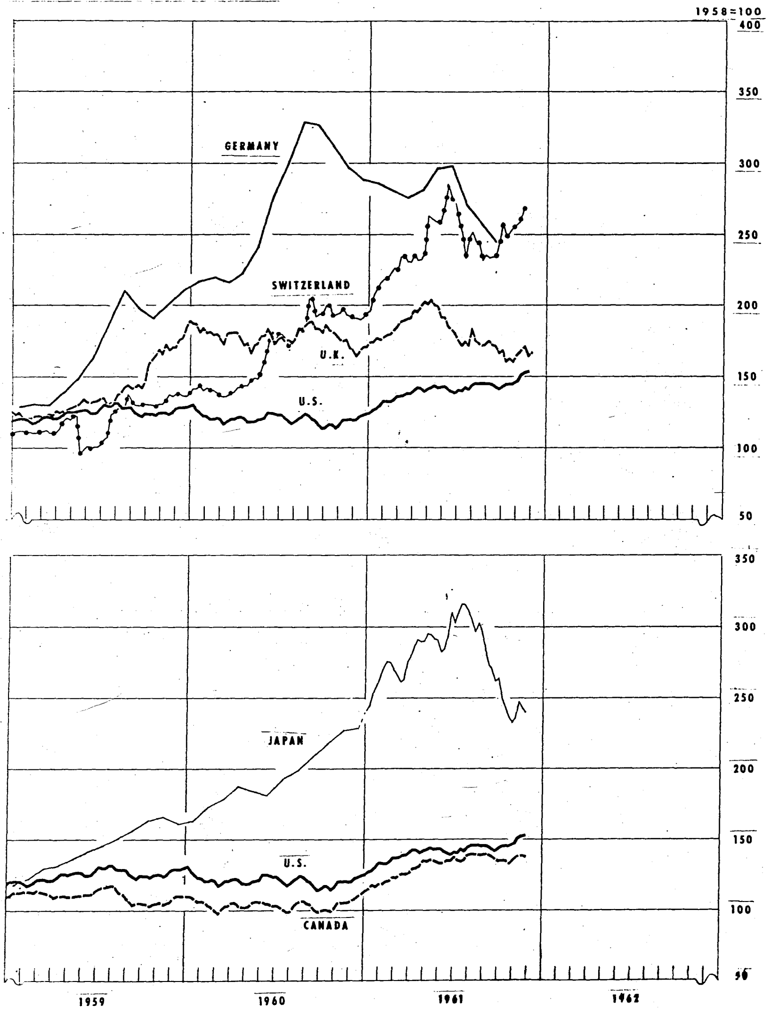


Chart 6

INDUSTRIAL STOCK INDICES*



* Note: Japan. Index of all stocks traded on Tokyo exchange.

Chart 7

MAJOR CURRENCIES IN TERMS OF THE SPOT U.S. DOLLAR

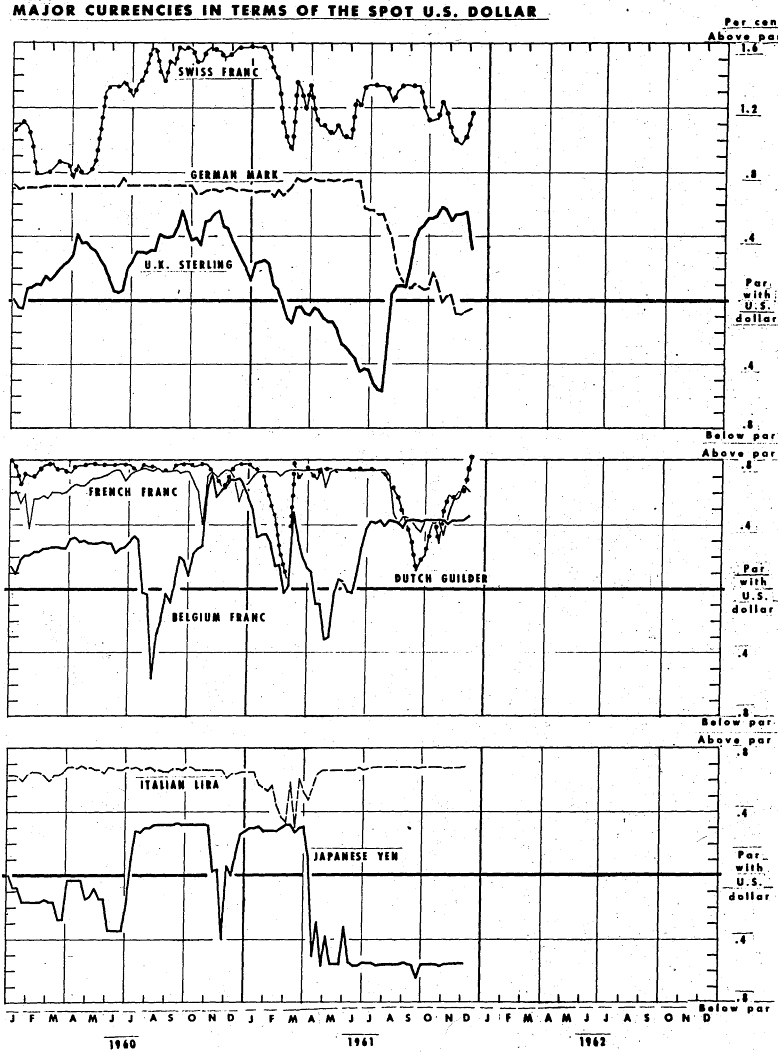


Chart 8

3-MONTH FORWARD RATES - LONDON QUOTATIONS