

H. 13
No. 58

May 4, 1962

CAPITAL MARKET DEVELOPMENTS ABROAD

- I. Japan
II. Nine Charts on Financial Markets Abroad

I. Japan: Money and Capital Markets in March

The Japanese money market continued tight in March as large treasury receipts reduced financial liquidity. Call loan rates continued to rise during the first quarter, but the average rate for bank loans and discounts leveled off.

A reduction in the balance of payments current account deficit and higher net long-term capital receipts in March contributed to a \$47 million rise in international reserves. In the same month, Japan drew \$20 million of the \$125 million credit arranged in January with seven American banks.

In March and April, the stock market continued to ease off, possibly reflecting the recent leveling off in production.

Money Market. Money market conditions continued to remain tight in March. Liquidity was reduced due to net treasury receipts of ¥90 billion and a ¥22 billion expansion in bank notes in circulation. These contractionary developments were only partly offset by a ¥14 billion increase in Bank of Japan loans and discounts and a second special purchase by the Bank of ¥70 billion in government-guaranteed securities. In February the Bank had also purchased an equal amount of securities in order to counter the treasury surpluses which are seasonally large in February and March. These securities are to be repurchased in April and May.

Interest Rates. The average interest rate for bank loans and discounts in February was 8.21 per cent, or about the same level as in the previous two months. This relative stability follows a period of substantial rise from a low of 7.88 per cent in June 1961 to 8.20 per cent in December 1961 reflecting the increases in the Bank of Japan's discount rate last July and September. Barring a further increase in the discount rate, it now appears unlikely that interest rates will advance significantly in the near future.

Average Monthly Interest Rates on
Bank Loans and Discounts

	1959	1960	1961	1962
March	8.18	8.21	7.92	8.21 1/2
June	8.08	8.22	7.88	
September	8.06	8.14	8.00	
December	8.11	8.08	8.20	

1/ February.

NOT FOR PUBLICATION

DECONTROLLED AFTER SIX MONTHS

Bank Loans and Discounts. Bank credit in January-February 1962 rose only 0.8 per cent compared to 2.2 per cent a year earlier. As indicated in the table below, the increase in loans more than offset a decline in bills discounted and security holdings during the first two months of 1962. Bank deposits, which fell 3.1 per cent in January following a seasonal high in December, were relatively unchanged in February. In January-February of 1961, bank deposits rose 0.3 per cent.

Commercial Banks: Quarterly Changes in Deposits and Principal Assets
(In billions of yen)

	M A I N A S S E T S							
	Deposits		Loans		Bills Discounted	Securities		
	Per cent change	Per cent change	Per cent change	Per cent change	Per cent change	Per cent change	Per cent change	Per cent change
1959 I	+201	3.1	+143	3.6	+ 21	1.2	+ 51	5.2
II	- 22	-0.3	+ 83	2.0	+ 86	4.9	+ 62	6.1
III	+276	4.1	+136	3.2	+149	8.2	+ 58	5.3
IV	+475	6.8	+207	4.7	+169	8.5	+ 66	5.8
1960 I	+249	3.4	+176	3.8	+ 54	2.5	+ 78	6.5
II	+ 96	1.3	+167	3.5	+ 87	3.9	+ 75	5.8
III	+506	6.5	+244	4.9	+172	7.5	+ 35	2.6
IV	+607	7.3	+347	6.7	+185	7.5	+127	9.1
1961 I	+502	5.7	+326	5.9	+ 48	1.8	+103	6.8
Jan.-Feb.	+ 23	0.3	+174	3.1	- 20	-0.7	+ 60	3.9
II	+169	2.8	+206	3.5	+133	4.9	+104	6.4
III	+359	3.8	+216	3.6	+206	7.3	+ 43	2.5
IV	+430	4.3	+232	3.7	+220	7.2	+122	6.9
1962								
Jan.-Feb.	-319	-3.1	+154	2.4	- 39	-1.2	- 24	-1.3

The proportion of bank loans and discounts extended for purchases of equipment remained at 17.2 per cent in February, unchanged from the November 1961 level except for a seasonal dip in December.

Bond Market. The volume of new monthly issues of bonds and debentures rose to ¥98 billion in February from a level of ¥93 billion in January. New issues of bank debentures and public corporate bonds in February were about the same as in January but industrial debenture issues in February were ¥15 billion, up ¥5 billion from the January level.

Average yields on private, and government, bonds and debentures were unchanged in February, except for a slight drop in the yield on industrial debentures.

Stock Market. Following a substantial recovery in January and February, the stock market generally eased off in the period through April. Following a low of ¥1,455 on March 14, the Dow Jones average recovered briefly to ¥1,515 on March 23 and then eased off to ¥1,382 on April 7. Another brief recovery to ¥1,425 on April 14 was followed by a decline to ¥1,342 on April 25, a low for the year. Details on the averages are provided in the table below.

Dow Jones Average of 225 Stocks
 Tokyo Stock Exchange

February 28	¥ 1,503	April 4	¥ 1,417	1961 High	¥ 1,830
March 7	1,505	11	1,420	Low	¥ 1,258
14	1,455	18	1,360		
20	1,494	25	1,342	1962 High	¥ 1,590
28	1,477	May 2	1,367	Low	¥ 1,342

Foreign Trade and Capital Flows. The deficit on trade account, seasonally adjusted, was \$93 million in March, the same as in February. Imports continued their decline from the November peak, but exports were also down in March. Detailed below are the monthly averages of seasonally adjusted trade figures on a customs basis in millions of dollars.

		<u>Exports</u>	<u>Imports</u>	<u>Trade Balance</u>
1960	Year	337	375	- 38
	IV	353	395	- 42
1961	Year	354	486	-132
	I	344	420	- 76
	II	351	466	-115
	III	359	511	-152
	IV	360	547	-187
	October	333	556	-223
	November	362	567	-205
	December	385	516	-131
1962	January	352	494	-142
	February	388	481	- 93
	March	377	470	- 93

International reserves rose \$47 million in March to \$1,561 million. This reflected primarily a further narrowing in the deficit on current account and substantially higher net long-term capital receipts. The current account deficit, as measured on an exchange transactions basis, fell from \$49 million in February to \$20 million in March. Net long-term capital receipts rose from \$1 million in February to \$35 million in March and net short-term capital

receipts declined from \$48 million in February to \$20 million in March. The over-all balance of payments registered a surplus in March of \$47 million including unexplained receipts of \$12 million.

Total Japanese short-term liabilities to the United States as reported by U.S. banks rose \$87 million in February to a preliminary level of \$1,598 million. Liabilities have now risen for a three-month period following a downtrend from July through November last year.

Short-term Claims on Japan
Reported by Banks in the United States
(In millions of U.S. dollars)

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>		<u>1959</u>	<u>1960</u>	<u>1961</u>
Jan.	168	362	875	1,511 P	July	256	586	1,341
Feb.	175	372	952	1,598 P	Aug.	269	628	1,335
Mar.	204	420	1,069		Sept.	262	660	1,288
Apr.	224	456	1,159		Oct.	262	693	1,281
May	242	488	1,196		Nov.	275	711	1,292
June	260	497	1,272		Dec.	324	806	1,445

P = preliminary.

Foreign Exchange. After weakening between mid-February and mid-March, the rate for the yen in the forward market strengthened somewhat through mid-April. The yen dollar spot rate continued to remain at the official support point, unchanged since April 26, 1961, except for the last three days of March. In that period the spot rate for the yen against the dollar strengthened temporarily. According to the Bank of Tokyo, this strengthening resulted from an increased supply of dollars as commercial firms liquidated export bills in order to improve their cash position. Many Japanese firms publish a statement of their financial condition twice a year at the end of September and March.

Customer's T. T. Exchange Rates
of Bank of Tokyo in Tokyo

<u>Date</u>	<u>Yen-dollar</u>		<u>Three-month</u>		<u>Forward discount</u>	
	<u>spot</u>	<u>middle rate</u>	<u>forward</u>	<u>middle rate</u>	<u>in per cent</u>	<u>per annum</u>
February 23		361.10		361.20		.11
March	2	361.10		361.20		.11
	9	361.10		361.35		.28
	16	361.10		361.35		.28
	23	361.10		361.35		.28
	30	359.60		361.25		1.84
April	6	361.10		361.25		.17
	13	361.10		361.25		.17

Asia, Africa, and Latin America Section.

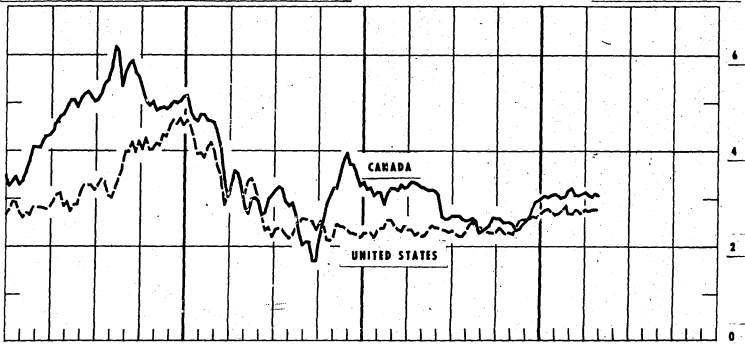
Chart 1

INTEREST ARBITRAGE, UNITED STATES / CANADA

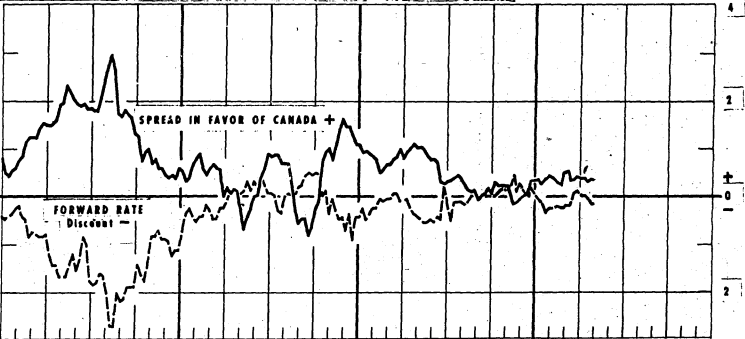
Thursday figures

THREE-MONTH TREASURY BILL RATES

Per cent per annum



RATE DIFFERENTIAL AND FORWARD CANADIAN DOLLAR



RATE DIFFERENTIAL WITH FORWARD EXCHANGE COVER

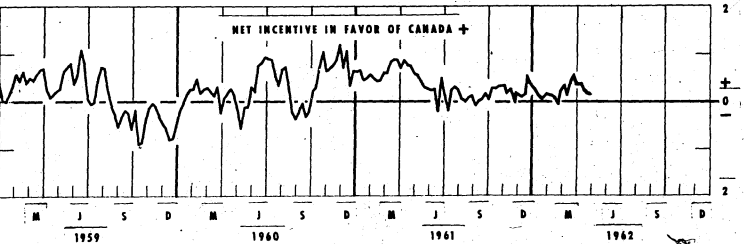


Chart 2

INTEREST ARBITRAGE, NEW YORK/LONDON

Friday figures

Per cent per annum

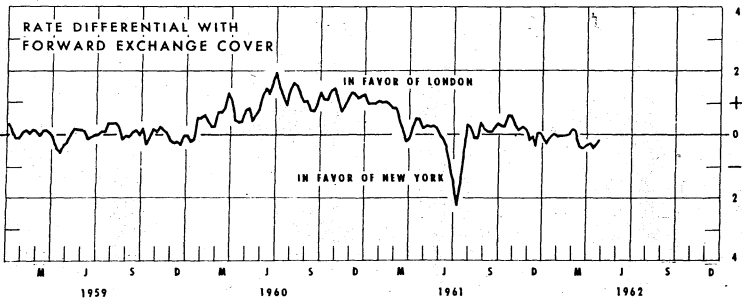
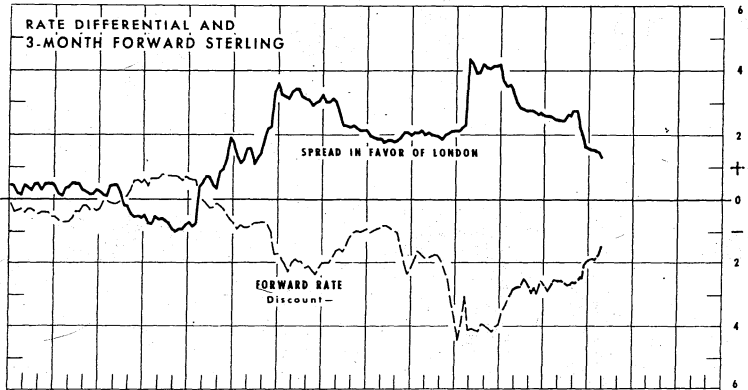
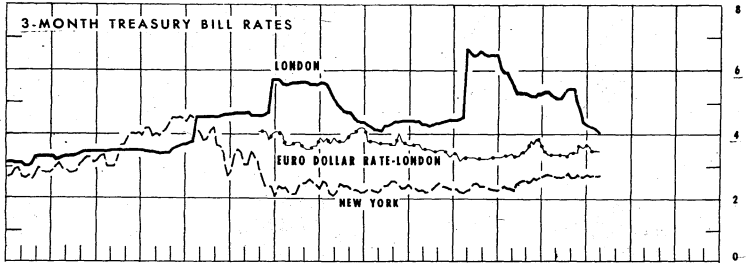
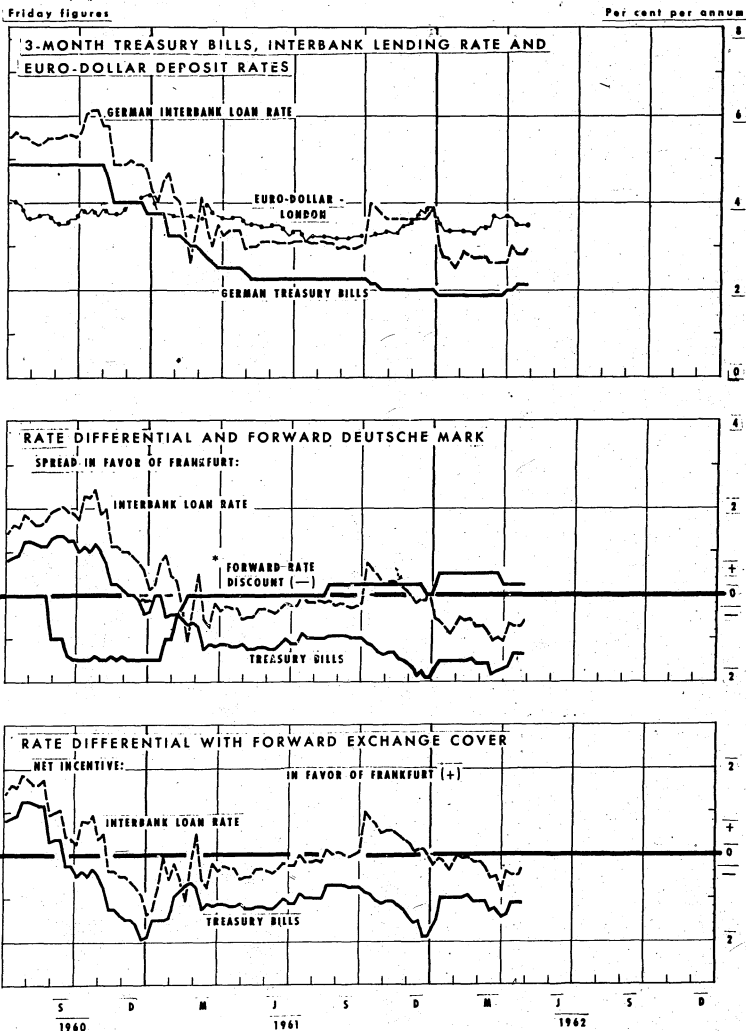


Chart 3

INTEREST ARBITRAGE FOR GERMAN COMMERCIAL BANKS

Note: Special forward rate available to German commercial banks.

Chart 4
INTEREST ARBITRAGE, FRANKFURT/LONDON

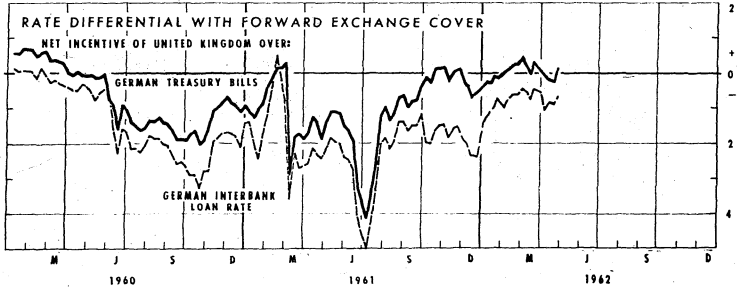
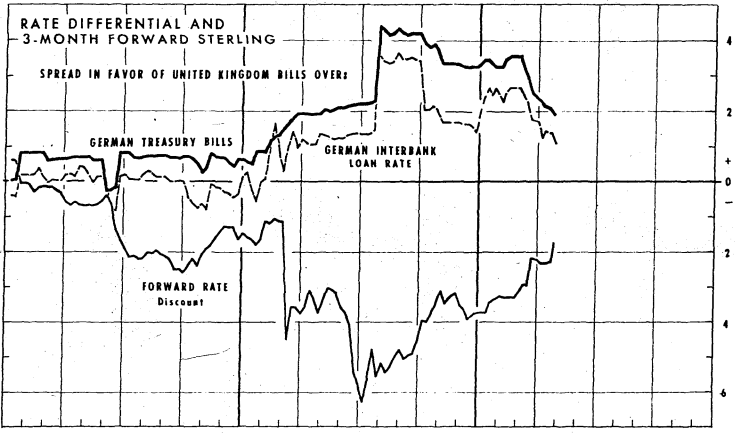
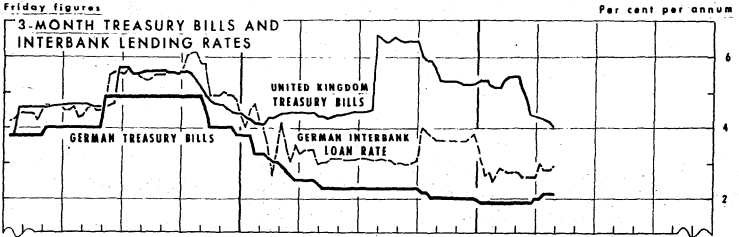
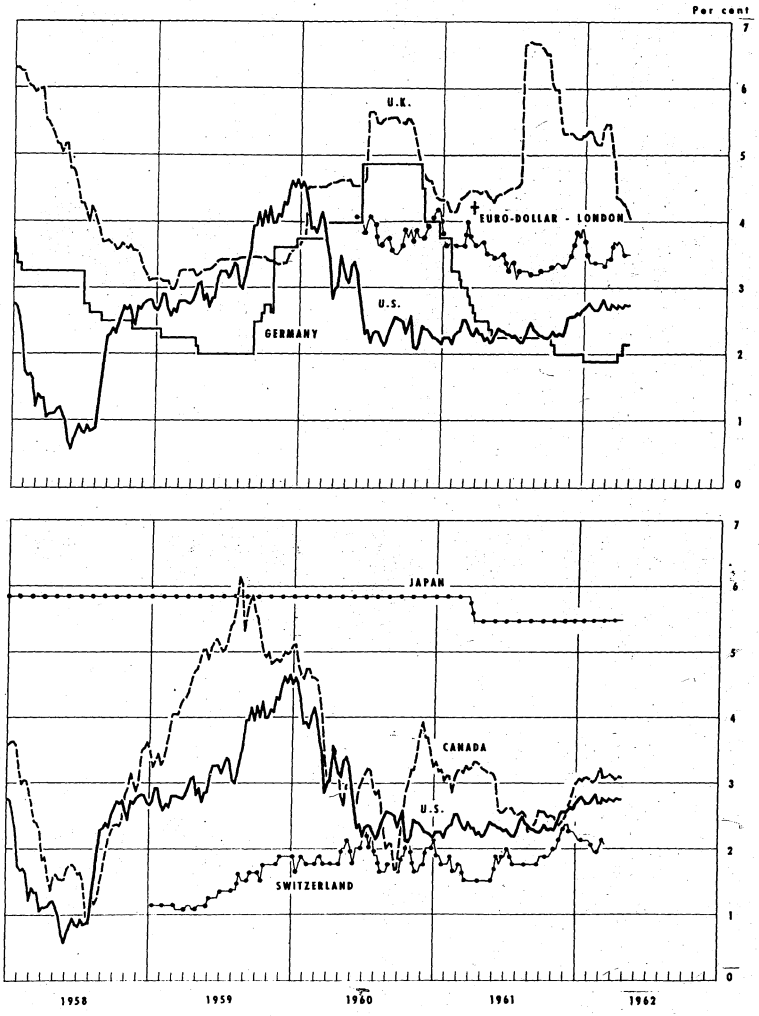


Chart 5
SHORT-TERM INTEREST RATES *



* 3-month treasury bill rates for all countries except Japan (1-month interbank deposit rate) and Switzerland (3-month deposit rate)
 † 3-month rate for U.S. dollar deposits in London

Chart 6

LONG-TERM BOND YIELDS

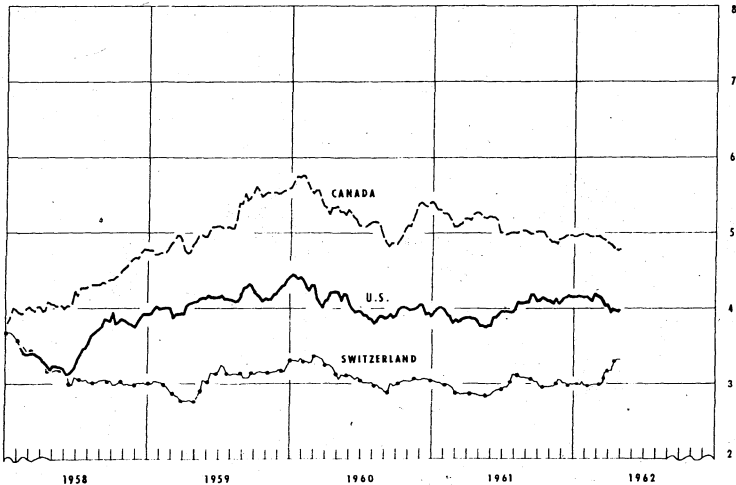
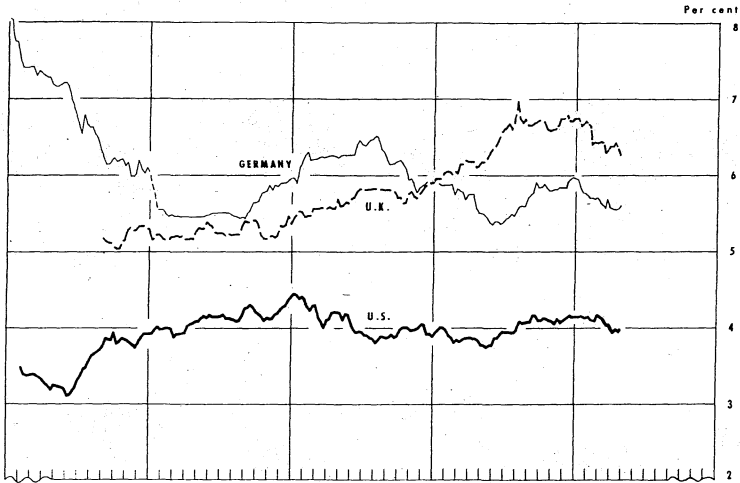
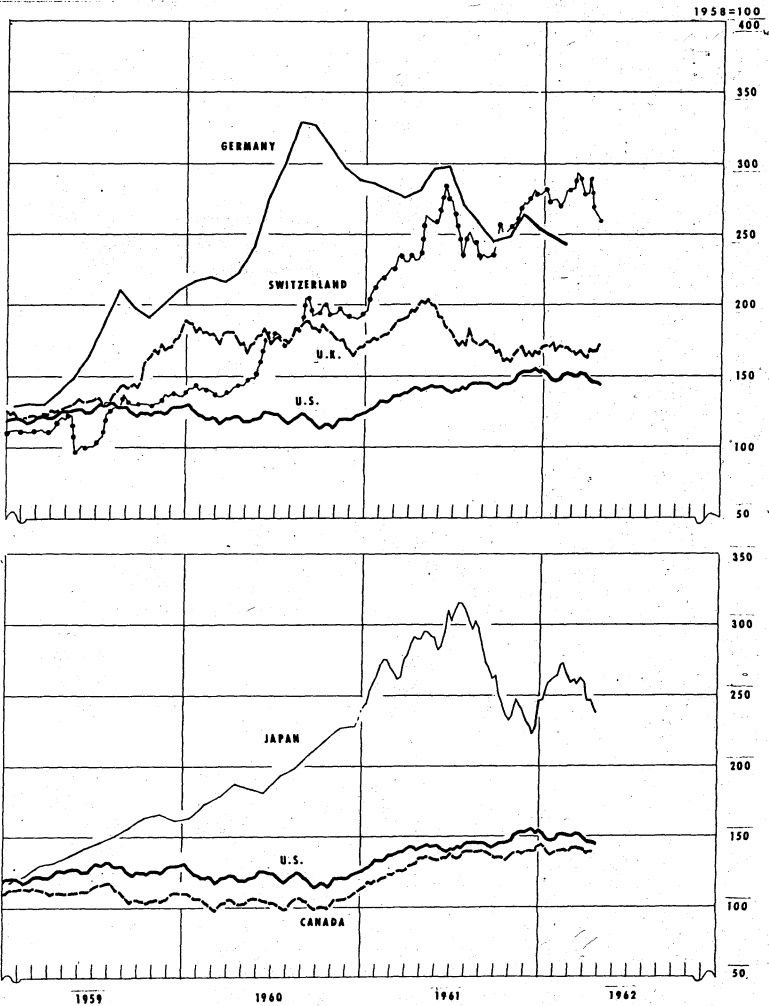


Chart 7

INDUSTRIAL STOCK INDICES*



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

Chart 8

SPOT EXCHANGE RATES - MAJOR CURRENCIES AGAINST U.S. DOLLAR

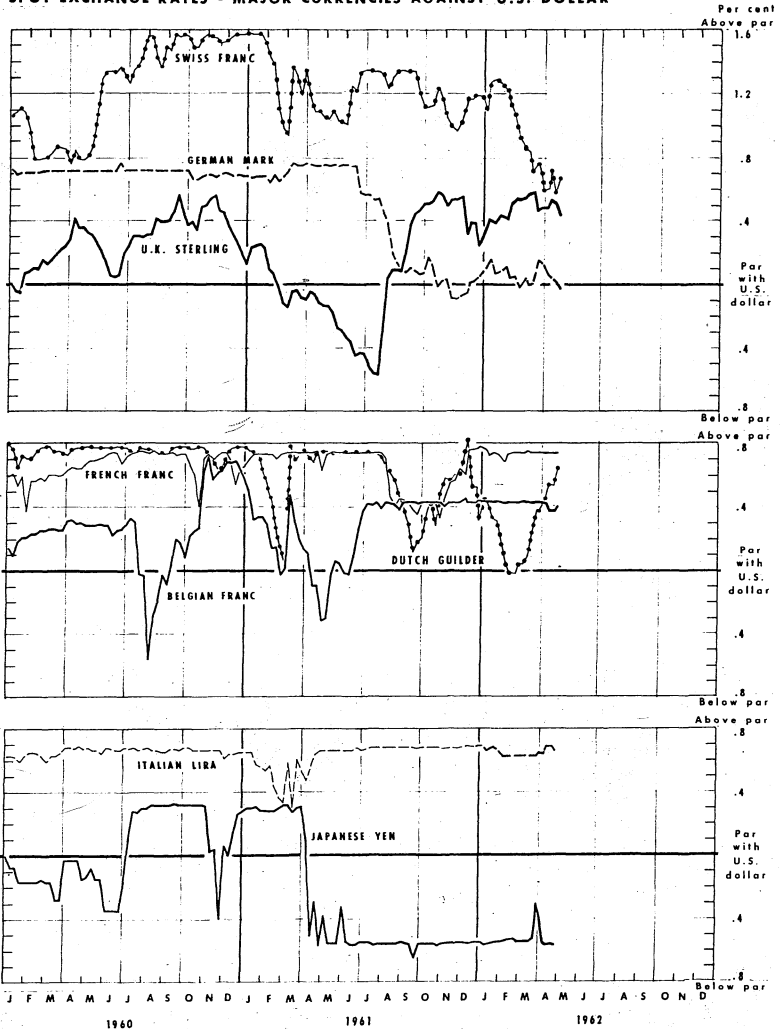


Chart 9

3-MONTH FORWARD EXCHANGE RATES

