

H. 13
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CAPITAL MARKET DEVELOPMENTS ABROAD

- I. U.S. Dollar Assets in Foreign Financial Centers, November-December 1965
- II. Ten Charts on Financial Markets Abroad
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I. U.S. Dollar Assets in Foreign Financial Centers, November-December 1965

Yields on U.S. dollar assets in foreign financial centers responded during November and December to tighter monetary conditions in the United States and seasonally heavier requirements for funds from European financial centers. In the market for Euro-dollar deposits, rates moved to new highs in mid-December, following the increase in Federal Reserve discount rate from 4 per cent to 4-1/2 per cent, but by the end of December, the entire range of maturities had returned to (or below) the December 3 levels. (See Table 1 and Chart 2.) In the foreign market for long-term, U.S. dollar-denominated bonds, yields rose further in December as financial subsidiaries of American corporations responded to official restraints against the financing of overseas operations with domestic funds by sharply increasing their dollar borrowings in the Euro-dollar bond market.

Table 1. Euro-dollar Deposit Rates (London): Changes
Between Selected Dates, May-December 1965
(per cent per annum)

	Rate May 28 1965	Changes from previous date						Rate Dec. 31 1965
		Aug. 27	Oct. 8	Nov. 5	December			
					3	10	31	
Call (2-day)	4.38	-.38	+25	.00	+25	0	0	4.50
7-day	4.50	-.38	+26	.00	+24	+13	-.13	4.62
30-day	5.06	-.75	+19	.00	+87	+24	-.43	5.19
90-day	5.25	-.81	+56	-.06	+31	+31	-.31	5.25
180-day	5.44	-.63	+31	-.06	+19	+37	-.37	5.25

Source: Federal Reserve Bank of New York.

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The sharp rise in foreign bid rates for dollar deposits between November 26 and December 10 brought these rates significantly above the previous peak level recorded on May 28, 1965. (See Table 1.) Prior to the Federal Reserve action on December 6, these rates had resumed their upward movement after six weeks of stability. (See Chart 2.) Tightening credit conditions in the United States and demands for funds in some major European financial centers--both because of tighter credit conditions and because of seasonal needs--were responsible for this rise. But rates quickly receded from these high levels toward the end of the year.

Higher rates on certificates of deposit in New York--allowed by the Federal Reserve at the time the discount rate was increased--narrowed the yield differential in favor of London Euro-dollar rates. Although Euro-dollar rates were slightly higher, the spread of London rates over New York rates on 90-day funds decreased from 76 basis points on December 1 to 45 basis points on December 29. (See Table 2 and Chart 1.)

Table 2. Euro-dollar Deposit Rates vs. New York
Certificates of Deposit
(per cent per annum)

	June 2	July 28	Aug. 25	1 9 6 5 Sept. 15	Oct. 6	Nov. 3	December 1	29
<u>Euro-dollars over CD's</u>								
90-day Euro-\$ Deposit	5.25	4.56	4.50	4.44	4.88	5.00	5.25	5.31
90-day CD	<u>4.34</u>	<u>4.28</u>	<u>4.28</u>	<u>4.35</u>	<u>4.45</u>	<u>4.47</u>	<u>4.49</u>	<u>4.86</u>
Difference	.91	.28	.22	.09	.43	.53	.76	.45
180-day Euro-\$ Deposit	5.38	5.00	4.83	4.88	5.06	5.06	5.25	5.38
180-day CD	<u>4.42</u>	<u>4.34</u>	<u>4.38</u>	<u>4.44</u>	<u>4.52</u>	<u>4.53</u>	<u>4.57</u>	<u>4.93</u>
Difference	.96	.66	.45	.44	.54	.53	.68	.45

Source: Federal Reserve Bank of New York.

During 1965, branches of U.S. commercial banks abroad greatly expanded their activities in the Euro-dollar market. This accounted in large part for the big increase in their deposits. Foreign branches of member banks of the New York Clearing House increased their total deposits by \$1.2 billion to \$5.6 billion at the end of 1965. Other U.S. banks with overseas offices also

reported record gains in deposits. This aggressiveness of the part of U.S. branches was in response to the exemption from the U.S. credit restraint program of loans made with dollar funds obtained from overseas depositors (unless the funds result from transfers from the United States).

In the foreign markets for long-term U.S. dollar-denominated bonds, sharply increased borrowing by financial subsidiaries of large U.S. corporations late in the fourth quarter pushed the total volume of flotations up 14 per cent above 1964 to a total of \$558 million. American firms--in response to official restraints against financing overseas operations with domestic funds--were the largest borrowers in the overseas dollar-bond market this year, accounting for over 37 per cent of the funds raised and replacing Japan and Scandinavia, the leading borrowers in 1964.

Flotations totalled \$110 million in November--the highest monthly volume in the history of the market--and \$98 million in December. Six different U.S. firms raised a total of \$90 million in December. This led to considerable tightening in the market, causing U.S. concerns to begin adding convertible features to their bonds in order to gain more attractive terms. Also, in the market for outstanding issues, most prices dropped sharply during December to new lows. Convertible Japanese issues--responding to higher stock prices in Tokyo--however, rose.

U.S. dollar deposit rates in London climb higher

Rates rise to all-time high. Bid rates for U.S. dollar deposits in foreign financial centers responded quickly to the higher Federal Reserve discount rate in the United States and temporarily climbed to new all-time highs in the second week of December. Between December 3 and December 10, Euro-dollar deposit rates in London increased in a range between 13 basis points for 7-day funds to 37 basis points for 180-day funds. (The bid rate on call funds was unchanged.) At these levels, all rates were at their highest points on record. For example, 7-day deposits were bid at 4.75 per cent and 30-day deposits at 5.62 per cent on December 10, compared with the previous peaks of 4.50 per cent and 5.06 per cent respectively on May 28. The rate for 180-day deposits on December 10 was 5.62 per cent, compared with an earlier peak of 5.44 per cent. (See Table 1 and Chart 2.)

However, the upsurge in quotations proved to be only temporary. By the end of the month, rates in the entire maturity range had fallen back either to, or below, the December 3 levels. However, in the first week of January, rates on very short-term funds turned upward again.

Margin over U.S. rates reduced. Higher interest rates in the United States have significantly narrowed the spread between New York and London bid rates for dollars. When the discount rate was increased on December 6, the Federal Reserve also raised the maximum rate it allows U.S. commercial banks to pay on fixed-maturity time deposits from 4.50 per cent to 5.50 per cent. The subsequent rise in the rate on 90-day certificates of deposit offered by New York banks from 4.49 per cent on December 1 to 4.86 per cent on December 29 reduced the margin by which the London rate exceeds the New York rate from 76 basis points to 45 basis points. Margins were reduced throughout the whole maturity range. (See Table 2 and Chart 1.)

Factors affecting Euro-dollar rates. The upward trend in Euro-dollar rates during November-December seems to be due chiefly to supply factors. Monetary policies continued to be tight in some important Continental centers and they were tighter in Canada and the United States. In addition, seasonal liquidity needs seem to have been greater this year than in earlier years for some European commercial banks.

The withdrawal of deposits by Italian, German and Swiss banks for seasonal liquidity needs and year-end window-dressing tightened supply conditions in the Euro-dollar market in December, although some of these funds may have found their way back into the market through other channels. In Germany, the liquidity needs of the commercial banks were eased in December when minimum reserve requirements were temporarily reduced; this action reduced the need for these banks to bring back funds from abroad in volume as in earlier years. However, the liquidity position of German banks has been reduced during the past several months, and the effects of the Federal Bank's continued restrictive policy is expected to begin to be felt more generally than has been the case in the recent past. (See Table 3 and Chart 6.)

Italian banks, which had previously been supplying a large volume of dollars to the Euro-currency market, reversed their position in December and drew down their dollar deposits abroad to meet pressing seasonal needs. In response to the higher Euro-dollar rates, Italian commercial banks also increased the rates they charge customers for dollar credits to a range of 6.75-7 per cent. Furthermore, it is unlikely that Italian banks will resume after the year-end feeding funds into the Euro-dollar market on the same scale as previously. The winter and spring months are seasonally unfavorable to the Italian balance of payments, and, also, beginning at the first of January, the Bank of Italy ceased to make available any new foreign exchange swap facilities except to those banks still in a position of net indebtedness to foreigners. All outstanding swaps will be renewed, however.

Table 3. Short-term Interest Rates in Selected Financial Centers, 1965

1965	New York ^{1/}	London ^{2/}	Frankfurt ^{3/5/}	Paris ^{6/}	Zurich ^{4/5/}	Canada ^{1/}	Euro-\$ London ^{7/}
April 30	3.90	6.20	4.56	3.19	3.25	3.71	4.81
May 28	3.85	6.20	4.50	4.69	3.50	3.84	5.25
June 25	3.74	5.39	4.94	4.62	3.88	3.85	4.88
July 30	3.78	5.46	5.13	4.88	3.81	3.96	4.62
Aug. 27	3.83	5.39	5.25	3.50	3.69	3.99	4.44
Sept. 3	3.84	5.36	n.a.	4.25	n.a.	4.00	4.38
10	3.87	5.36	5.25	3.50	3.69	4.03	4.44
17	3.86	5.36	5.38	3.50	3.69	3.99	4.44
24	3.94	5.36	5.44	3.50	3.82	3.98	4.50
Oct. 1	3.99	5.27	5.50	4.82	3.88	4.06	4.88
8	3.98	5.24	6.50	3.75	3.94	4.00	5.00
15	3.99	5.30	6.62	3.44	3.94	4.03	5.06
22	4.01	5.30	6.68	3.50	3.94	4.08	4.94
29	4.03	5.27	6.62	4.75	3.94	4.07	5.00
Nov. 5	4.04	5.33	n.a.	4.82	n.a.	4.08	4.94
12	4.05	5.33	6.62	4.88	3.94	4.11	4.94
19	4.07	5.33	6.62	3.94	3.94	4.08	5.00
26	4.09	5.24	6.50	4.75	4.00	4.06	5.12
Dec. 3	4.10	5.24	6.56	4.81	4.00	4.08	5.25
10	4.31	5.33	6.25	4.62	4.00	4.34	5.56
17	4.40	5.36	6.25	3.69	4.00	4.44	5.56
31	4.45	5.36	6.25	4.69	n.a.	4.39	5.25

1/ 11 a.m. Friday offer rate on 90-day Treasury bills.

2/ Opening Friday offer rate on 90-day Treasury bills.

3/ 90-day interbank loan rate.

4/ 3-month deposit rate at large Zurich banks.

5/ Average of rates for the week previous to reporting date; reported on 7, 15, 23 and last day of month.

6/ Day-to-day money against private paper; average of rates on Thursday each week.

7/ Friday bid rate for 90-day U.S. dollar deposits in London.

In Switzerland--where banks engage in year-end window-dressing more extensively than elsewhere on the Continent--banks drew most heavily on their Euro-dollar resources in face of a continuing tight money-market at home.

In Canada, money-market conditions tightened both before and after the December 6 increase in the Bank of Canada discount rate. Canadian finance paper yields increased substantially and widened the covered spread over comparable U.S. paper to 56 basis points on December 11, compared with 19 basis points in late October. (See Charts 1 and 4.)¹ Earlier in the year, higher bid rates by Canadian chartered banks for U.S. dollar deposits attracted funds from European and other depositors. In October alone, U.S. dollar deposits in Canadian banks by non-residents rose \$175 million, \$73 million from depositors in the U.K. and \$85 million from Continental depositors.^{1/}

Demand factors have been relatively stable in the Euro-dollar market. Continuing easy-money policies in Japan, as well as recent action by the Bank of Japan to "restore balance" in the portfolios of the foreign-exchange banks by purchasing trade bills denominated in U.S. dollars, has limited Japanese demand for Euro-dollars. On December 7 and 8, however, the authorities raised the maximum interest rates they allow banks to pay for U.S. dollar deposits to enable Japanese banks to maintain their current level of borrowings in face of the higher rates in the market.

In the United Kingdom, the rates paid on local authority deposits rose sharply in mid-December, but they still had not reached a level where it is profitable to switch dollar deposits into sterling (covered with purchases of forward dollars) and put the sterling into local authority deposits. (See Table 3 and Chart 2.)

Other Euro-currency deposit rates rise

Deposit rates abroad for the important European currencies in the Euro-currency market also tended upward during November-December. However, these rates, which are closely tied to the dominant Euro-dollar rate primarily by the cost of forward cover against the dollar, were probably affected by a seasonal tightening of availabilities more than was the supply of U.S. dollars. For example, the rate for sterling deposits in Paris banks rose to 6.56 per cent in mid-December from 6.25 per cent in early November, but by December 31 had dropped to 6.19 per cent. The rate for Swiss franc deposits, after rising under strong seasonal pressure from 4.94 per cent in mid-November

^{1/} Bank of Canada, Statistical Summary, December, 1965.

to 5.50 per cent in mid-December, dropped to 4.94 per cent at the end of the month. The bid rate for German marks fell from 5.88 per cent on December 18 to 5.00 per cent at the end of the month its lowest point since late September. (See Table 4.)

The greater effect of seasonal influences on European currency foreign-deposit rates was also apparent in the comparison between these rates covered against the U.S. dollar and the actual Euro-dollar rates themselves. In case of each of the three major European Euro-currencies, deposit rates were consistently above their "dollar derived equivalents"^{2/} through mid-December. (See Table 4.) Heavy seasonal demand for Swiss franc funds per se narrowed the differential between Euro-dollar and Euro-Swiss franc rates on an uncovered basis and served to keep the premium on forward Swiss francs vis-a-vis the U.S. dollar within a very narrow range.

Long-term dollar bond sales outside U.S. surge with increased American borrowing

Sharply increased offerings of long-term dollar bonds in foreign financial markets in the fourth quarter by U.S. firms more than compensated for the laggard pace of sales earlier in the year and pushed the volume of flotations for 1965 up 14 per cent above 1964. Dollar bonds totalling \$558 million in volume were marketed or privately placed in 1965, compared with \$490 million the year before. (See Table 5.)

Because of the restraint U.S. authorities have placed on the shifting of domestic funds to overseas operations, U.S. firms have begun to borrow at long term in foreign centers, both in U.S. dollars and foreign currencies. American firms are reluctant to cut back on their European investment expansion both because of the expected return and because their competitive position might be impaired by any slowdown in expansion. Many of them have formed European-based holding companies and subsidiaries (primarily in Luxembourg) or U.S.-incorporated financing subsidiaries for the specific purpose of issuing bonds abroad. The securities issued by these subsidiaries in almost all cases carry the guarantee of the parent firm; some have convertible features in order to attract exceptionally favorable terms. One firm--Dow Chemical Corporation--even established a wholly-owned bank in Switzerland specifically to enable it to service its customers, both U.S. and foreign, in their dealings in foreign financial markets.

^{2/} Swiss franc, sterling, D-mark and other foreign currency deposits may be "derived" from dollar deposits, (insured against exchange risk) by selling dollars spot for the desired foreign currency and buying them forward for the maturity of the original dollar deposit. This operation is commonly called a "swap." The cost of borrowing the foreign currency in this case is the cost of the original dollar deposit plus the cost of the forward cover.

Table 4. 90-day Euro-currency Deposit Rates
(per cent per annum)

Date 1965		U.S. Dollars (London)	Sterling (Paris)*	Swiss Franc*	D- mark*
May	28	5.25	7.50 (7.69)	5.00 (5.20)	4.56 (4.56)
July	23	4.56	6.56 (6.54)	5.06 (4.75)	4.44 (4.24)
August	20	4.50	7.00 (7.01)	4.00 (3.94)	4.31 (4.20)
September	24	4.50	6.25 (6.23)	4.19 (4.22)	4.62 (4.53)
October	1	4.88	6.44 (6.26)	4.88 (4.79)	5.19 (5.07)
	8	5.00	6.44 (6.35)	4.88 (5.20)	5.50 (4.55)
	15	5.06	6.44 (6.33)	4.81 (4.67)	5.62 (5.55)
	22	4.94	6.19 (6.17)	4.62 (4.55)	5.62 (5.59)
	29	5.00	6.25 (6.29)	4.75 (4.77)	5.69 (5.58)
November	5	4.94	6.31 (6.27)	4.81 (4.80)	5.50 (5.42)
	19	5.00	6.37 (6.26)	4.94 (4.86)	5.37 (5.27)
	26	5.12	6.31 (6.22)	5.00 (4.97)	5.50 (5.43)
December	3	5.25	6.44 (6.32)	5.37 (5.23)	5.75 (5.56)
	10	5.56	6.56 (6.53)	5.56 (5.54)	5.88 (5.84)
	17	5.56	6.56 (6.58)	5.50 (5.54)	5.88 (5.94)
	31	5.25	6.19 (6.34)	4.94 (4.95)	5.00 (4.95)

* The figures in parentheses indicate the "cost of obtaining" the foreign currency deposit by borrowing U.S. dollars in the Euro-dollar market and swapping them into the foreign currency desired by buying the foreign currency spot in the exchange market and selling it forward for the maturity of the original U.S. dollar deposit. Rates on these "dollar derived" deposits may be compared with those paid on direct foreign currency deposits in the Euro-currency market.

Table 5. U.S. Dollar Bonds: New Issues Sold Outside the United States,
October-December, 1965

<u>Borrower</u>	<u>Coupon (%)</u>	<u>Price (%)</u>	<u>Term (yr.)</u>	<u>Amount (\$ mil.)</u>	<u>Underwritten in</u>
<u>October</u>					
*Amoco Oil Holdings, S.A. (Luxembourg)	5.75	99.50	20	25	New York
*Monsanto International Finance Co. (convertible)	4.50	100.00	20	25	New York
Roldal-Suldal Kraft, A/S (Norway)	6.25	98.50	20	15	London, Stock- holm, Paris
<u>November</u>					
Commonwealth of Australia	5.75	99.75	20	25	New York
Aktiebolaget Gotaverken (Sweden)	6.00	n. a.	15	15	New York
Compagnie Francaise des Petroles	6.00	98.25	20	20	Paris
Eriksbergs Mekaniska Verstads, AK (Sweden)	6.00	99.25	15	15	New York
City of Copenhagen (Denmark)	6.00	99.50	20	15	New York
*W.R. Grace Overseas Development Corp.	5.75	n. a.	15	20	New York
<u>December</u>					
*B.F. Goodrich International Finance Co.	5.75	97.88	17	15	New York
*General Foods Overseas Development Corp.	5.75	98.25	15	12	New York
*General Electric Overseas Capital Corp. (convertible)	4.25	100.00	20	50	New York

*Subsidiaries of U.S. firms.

Remainder of Table 5. continued on p. .

Table 5. (cont.) U.S. Dollar Bonds: New Issues Sold Outside the United States,
October-December, 1965

<u>Borrower</u>	<u>Coupon</u> (%)	<u>Price</u> (%)	<u>Term</u> (yr.)	<u>Amount</u> (\$ mil.)	<u>Underwritten</u> in
<u>December</u>					
*Owens-Corning Fiberglass International Corp.	5.75	97.55	15	6	New York
*Bristol-Myers International Finance Co. (convertible)	4.50	100.00	15	15	New York
*Federated Department Stores International Co. (convertible)	4.50	100.00	20	20	New York
Opplandskraft (Norway)	6.25	97.50	20	8	Brussels, Amsterdam
*Subsidiaries of U.S. firms.					

TOTAL VOLUME
(millions)

<u>1964</u>		<u>1965</u>	
Jan.-Mar.	\$111.5		\$ 75.0
Apr.-June	128.5		97.0
July-Sept.	118.0		85.0
Oct.-Dec.	<u>132.0</u>		<u>301.0</u>
Total	\$490.0		\$558.0

Long-term American bond issues amounted to over 37 per cent of the total funds raised in the Euro-dollar bond market in 1965. From the time American Cyanamid--Cyanamid International Development Corporation--offered the first dollar bond on behalf of a U.S. firm in mid-September, ten U.S. corporations have raised a total of \$208 million through financial subsidiaries abroad.^{3/} Bond issues by traditional borrowers, however, were off sharply

^{3/} In addition, U.S. firms have raised approximately \$133 million equivalent in long-term foreign currency debentures through financial subsidiaries since Socony Mobil Oil made the first such issue--in sterling and German marks--in June. American firms have also placed dollar and foreign currency medium-term promissory notes with Continental bankers on some occasions. These are not included in the figures cited above.

from year-earlier levels. Scandanavian borrowers accounted for only 35 per cent of the total funds raised this year, compared with over 50 per cent in 1964. (Danish authorities had suspended all new foreign borrowing operations for most of 1965.) Japanese firms--which took almost 23 per cent of the 1964 total--were under less pressure to borrow in Europe after Japan was granted a \$100 million quota exemption from the IET in 1965 and issued no dollar bonds outside the U.S. this year. (See Table 6.)

Table 6. U.S. Dollar Bonds Issued Outside the United States
(millions U.S. dollars)

<u>Borrowing Country</u>	<u>1964</u>	<u>1965</u>
<u>Scandinavia</u>	<u>255 (52.0%)</u>	<u>198 (35.5%)</u>
Denmark	122	35
Norway	107	93
Sweden	0	60
Finland	26	10
<u>Western and Southern</u>		
<u>Europe</u>	<u>118 (24.1%)</u>	<u>82 (14.7%)</u>
France	0	30
E.E.C.	55	20
Italy	25	20
Austria	18	12
Portugal	20	0
<u>British Commonwealth</u>	<u>0 (0%)</u>	<u>70 (12.5%)</u>
Australia	0	50
New Zealand	0	20
<u>Japan</u>	<u>112 (22.9%)</u>	<u>0 (0%)</u>
<u>Israel</u>	<u>5 (1.0%)</u>	<u>0 (0%)</u>
<u>U.S. Subsidiaries</u>	<u>0 (0%)</u>	<u>208 (37.2%)</u>
Total	490 (100%)	558 (100%)

Heavy flotations in November-December. Euro-dollar bond flotations in November totalled \$110 million--the highest monthly volume in the history of the market. The Commonwealth of Australia, making its second call on the market since May sold \$25 million of 5.75 per cent, 20-year bonds at a discount giving a yield to maturity of 5.78 per cent. (Its May issue was sold giving

a yield to maturity of 5.63 per cent.) The second French issue in the market's history was brought out by the French Petroleum Company--\$20 million of 20-year debentures--and the City of Copenhagen took advantage of the recent lifting of restrictions on foreign borrowing by Danish authorities to sell \$15 million of 20-year bonds. These carried a 6 per cent coupon and sold to yield 6.05 per cent to maturity. (See Table 5.)

In December, when volume totalled \$98 million, the market was completely dominated by American issues. Six different U.S. firms raised a total of \$90 million. The largest single issue was for the General Electric Overseas Capital Corporation--a 4.25 per cent, \$50 million, 20-year convertible issue which was offered at par and quickly oversubscribed. Owens-Corning Fiberglass International Corporation, which offered the smallest issue--a 15-year, \$6 million bond with 5.75 per cent coupon--was required to pay the highest yield to maturity among U.S. firms--6 per cent.

The rash of "blue chip" American issues in December generally served to tighten capital market conditions abroad, raise yields and caused European firms to fear that they would be unable to compete with U.S. firms for long-term dollar funds. In face of tightening conditions, U.S. concerns are increasingly adding convertible features to make their securities even more attractive. Furthermore, criticism has arisen in foreign centers because these issues have not been spaced over a more extended period.

Although the offering dates have not been set, three new issues for American firms have been recently announced. Each of these are stated to be 15-year sinking-fund debentures:

\$15 million--American Radiator and Standard
Sanitary Corp.

\$20 million--Honeywell International Finance
Corp., S.A. (Luxembourg)

\$25 million--Phillips Petroleum International
Investment Co.

Yields on outstanding issues reach new highs. Reflecting the increased demand for foreign dollars, prices of outstanding U.S. dollar bonds quoted in London reached new lows in late December. (See Table 7.) Quotations for most of the Scandinavian issues dropped sharply during December; for example, the Copenhagen Telephone, 5-3/4 per cent bond fell \$5.38 to a new low of \$92.00. The convertible Japanese debentures, however, recovered from their recent lows in line with higher stock prices on the Tokyo exchange.

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Table 7. Prices and Yields of Selected U.S. Dollar
Bonds Traded in London

<u>Issue</u>	<u>Gov't of Austria 6%, 1979-1984</u>		<u>Gov't of Denmark 5-1/2%, 1970-1984</u>		<u>IRI 5-3/4%, 1975-1979</u>		<u>City of Oslo 5-3/4%, 1969-1979</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
1964	103.62	101.25	103.62	100.38	109.12	105.75	103.0	101.25
1965	101.75	97.75	102.12	93.00	112.0	92.75	101.12	92.50
	<u>Price</u>	<u>Yield to maturity</u>	<u>Price</u>	<u>Yield to maturity</u>	<u>Price</u>	<u>Yield to maturity</u>	<u>Price</u>	<u>Yield to maturity</u>
Last Friday of:								
July 1965	100.75	5.8	99.50	5.5	93.25	6.4	97.50	5.9
October	99.38	5.9	97.12	5.7	94.25	6.3	96.88	6.0
November 12	99.25	6.0	97.00	5.7	94.38	6.3	96.62	6.0
26	99.00	6.0	96.25	5.7	94.25	6.3	96.25	6.0
December 10	98.38	6.1	95.00	5.9	94.00	6.3	94.50	6.2
31	97.75	6.1	93.00	6.0	93.75	6.3	94.00	6.2
	<u>Price</u>	<u>Yield to maturity</u>	<u>Price</u>	<u>Yield to maturity</u>	<u>Price</u>	<u>Yield to maturity</u>	<u>Price</u>	<u>Yield to maturity</u>
<u>Issue</u>	<u>Mort. Bk. Denmark 5-5/8%, 1970-1984</u>		<u>Copenhagen Telephone 5-3/4%, 1970-1984</u>		<u>Itoh 6-1/4%, 1984</u>		<u>Takeda 6%, 1984</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
1964	101.38	99.50	102.62	100.12	100.0	94.75	105.5	98.5
1965	100.25	92.34	102.25	92.00	100.25	78.00	107.0	88.00
	<u>Price</u>	<u>Yield to maturity</u>	<u>Price</u>	<u>Yield to maturity</u>	<u>Price</u>	<u>Yield to maturity</u>	<u>Price</u>	<u>Yield to maturity</u>
Last Friday of:								
July 1965	96.50	5.8	99.00	5.7	81.50	8.0	89.00	6.7
October	96.00	5.9	98.25	5.8	87.00	7.4	96.25	6.2
November 12	95.38	6.0	97.62	5.9	89.75	7.0	97.50	6.1
26	95.00	6.0	97.38	5.9	88.75	7.2	98.50	6.0
December 10	94.75	6.0	95.50	6.0	88.50	7.2	98.00	6.0
31	92.75	6.1	92.00	6.3	90.50	7.0	100.75	5.8

Prices are bid.

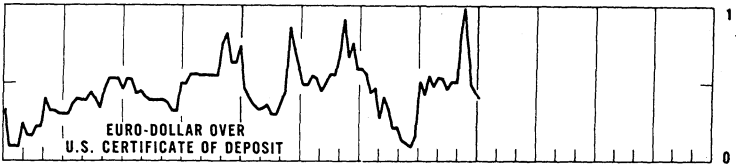
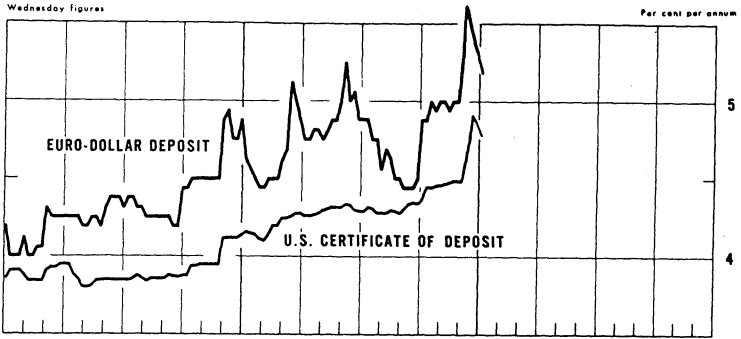
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Chart 1

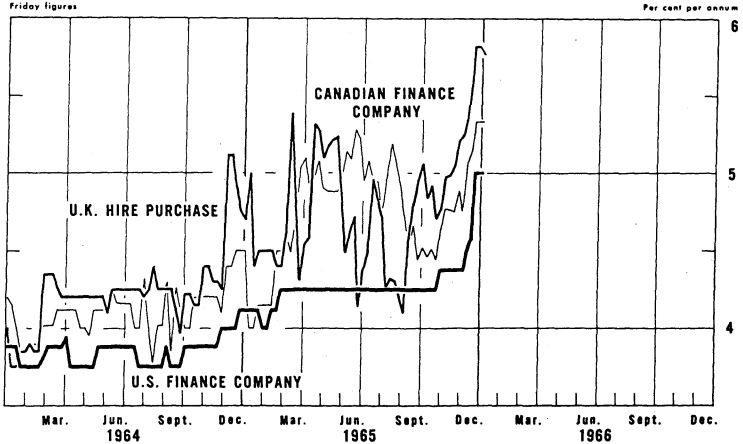
**NEW YORK, LONDON, MONTREAL:
YIELDS FOR U.S. DOLLAR INVESTORS ON 3-MONTH FUNDS
DOLLAR DEPOSIT RATES: NEW YORK-LONDON**

Wednesday figures



FINANCE CO. PAPER RATES (covered): QUOTED IN NEW YORK

Friday figures

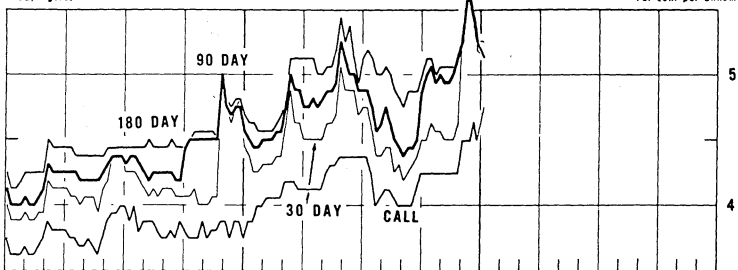


15

Chart 2

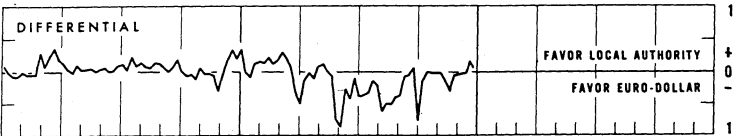
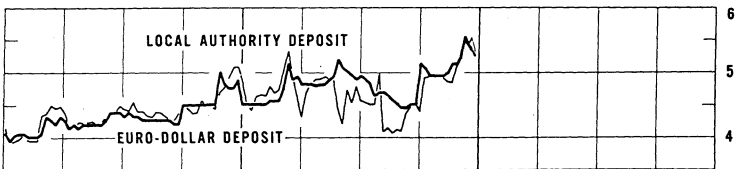
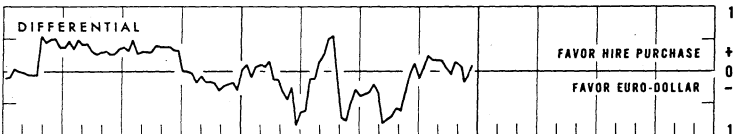
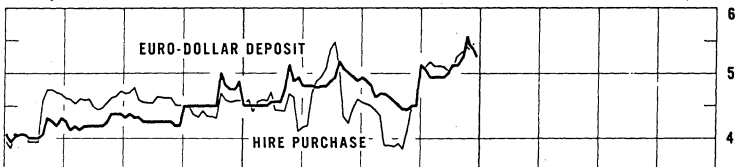
LONDON: YIELDS FOR U.S. DOLLAR INVESTORS ON 3-MONTH FUNDS EURO-DOLLAR DEPOSIT RATES

Friday figures



HIRE PURCHASE AND LOCAL AUTHORITY DEPOSIT RATES (covered)

Friday figures



1964

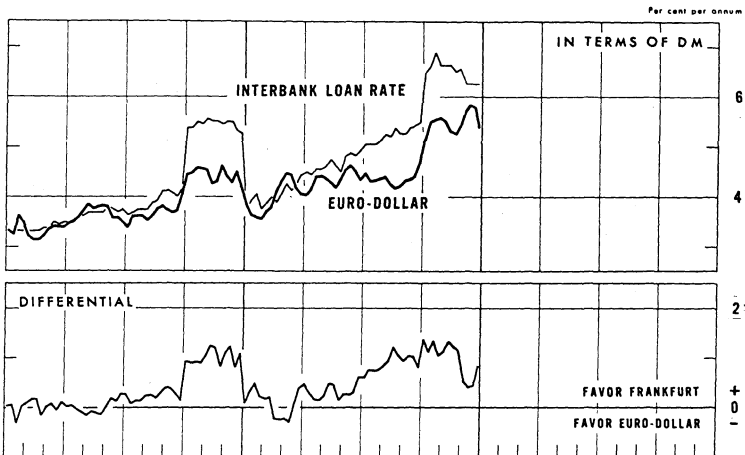
1965

1966

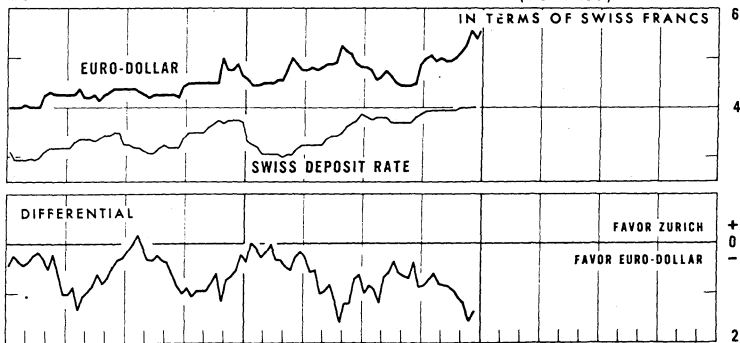
Chart 3

I LONDON, FRANKFURT, ZURICH: YIELDS ON 3-MONTH BANK FUNDS

FRANKFURT INTERBANK LOAN RATE VS. LONDON EURO-DOLLAR RATE (COVERED)



ZURICH DEPOSIT RATE VS. LONDON EURO-DOLLAR RATE (COVERED)



II PRICE OF GOLD IN LONDON

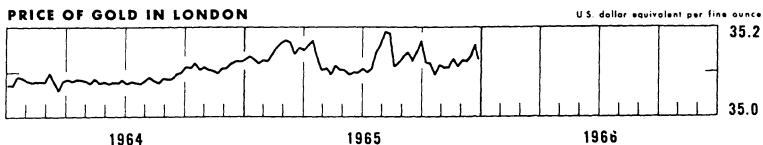


Chart 4

INTEREST ARBITRAGE, UNITED STATES/CANADA

Friday figures

Per cent per annum

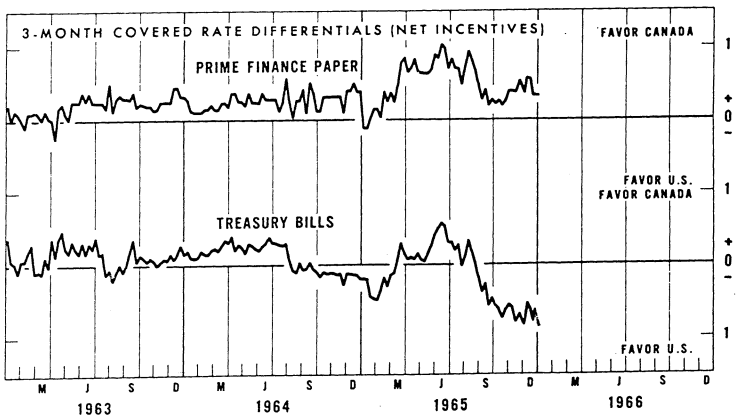
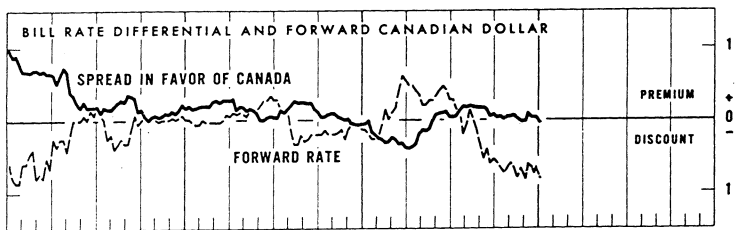
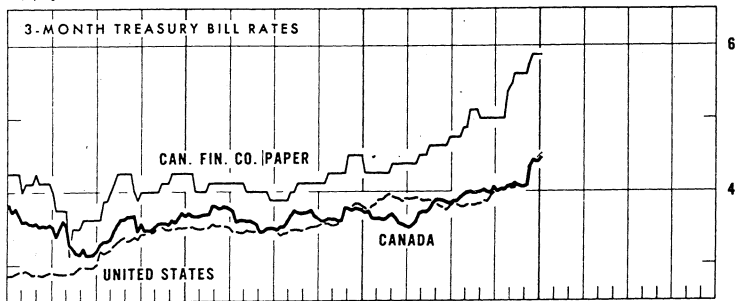


Chart 5
INTEREST ARBITRAGE, NEW YORK/LONDON
Friday figures

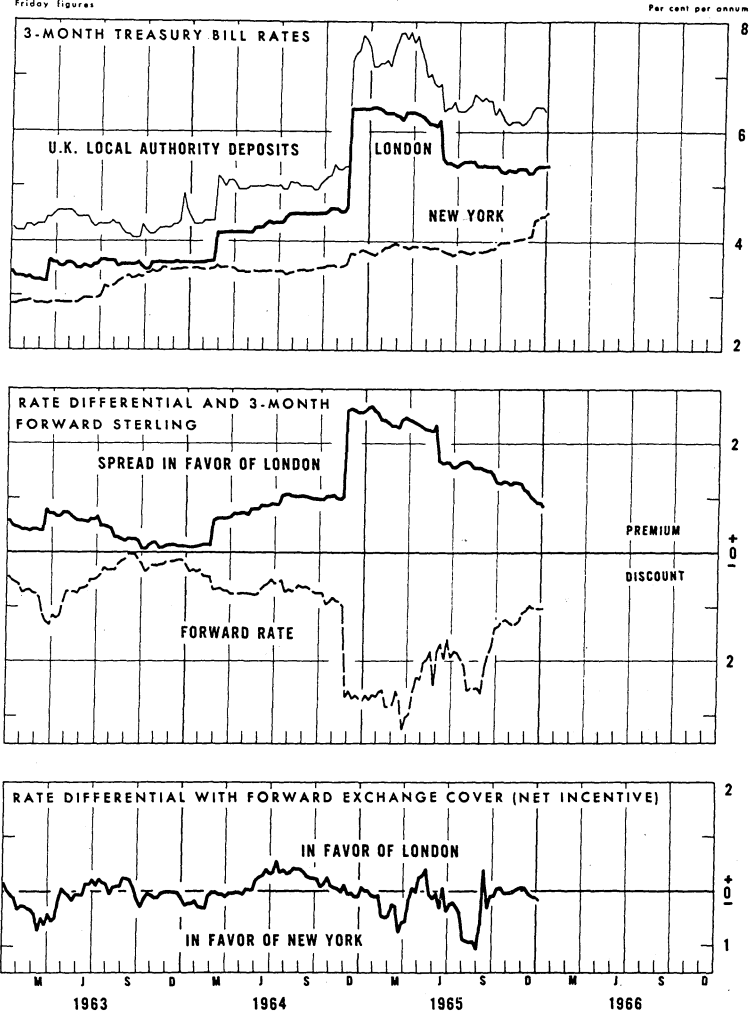
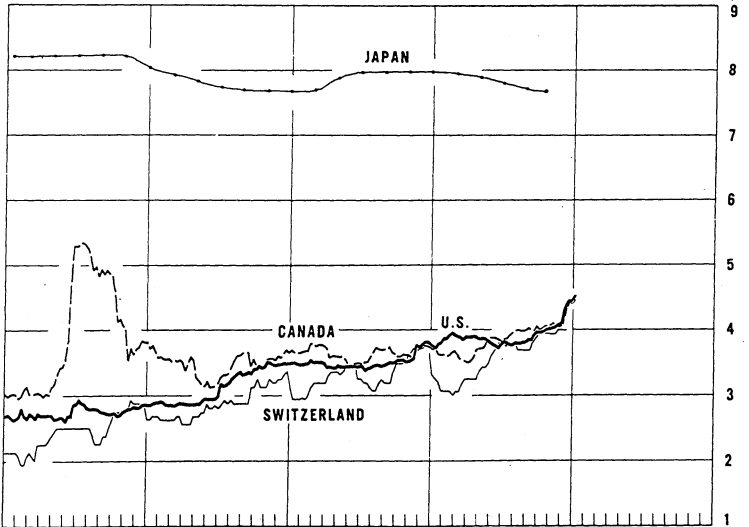
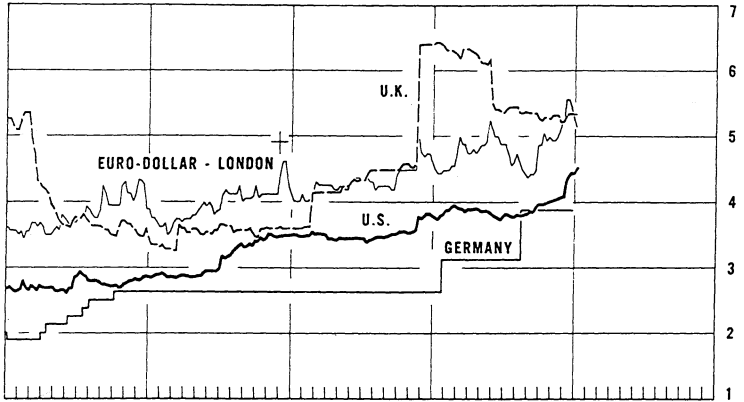


Chart 6

SHORT-TERM INTEREST RATES *

Per cent per annum



* 3-month treasury bill rates for all countries except Japan. (Average rate on bank loans and discounts)
 and Switzerland (3-month deposit rate)
 + 3-month rate for U.S. dollar deposits in London.

Chart 7
LONG-TERM BOND YIELDS

Weekly figures

Per cent per annum

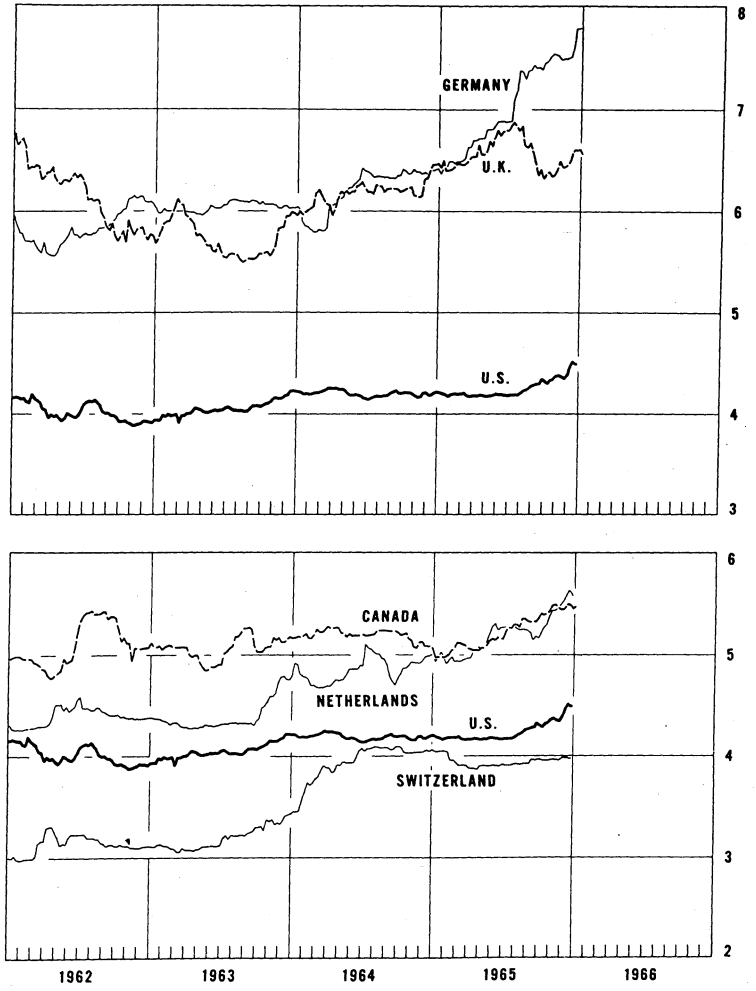
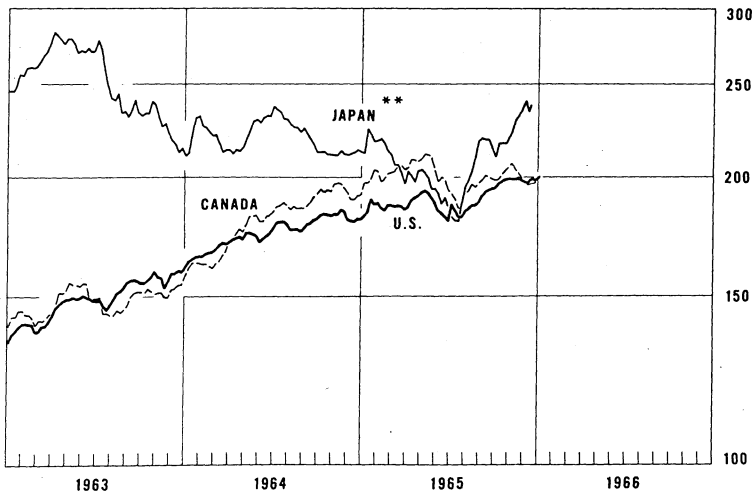
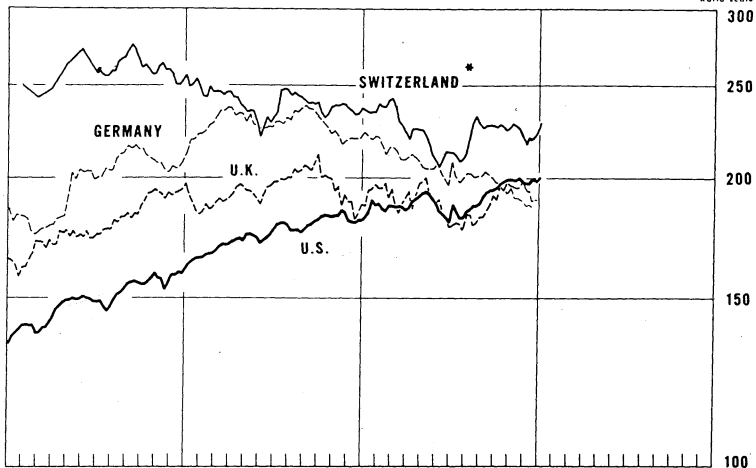


Chart B

INDUSTRIAL STOCK INDICES

1958=100
Ratio scale



* Swiss Bank Corporation industrial stock index
** Japan: index of 225 industrial and other stocks traded on the Tokyo exchange

Chart 9

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

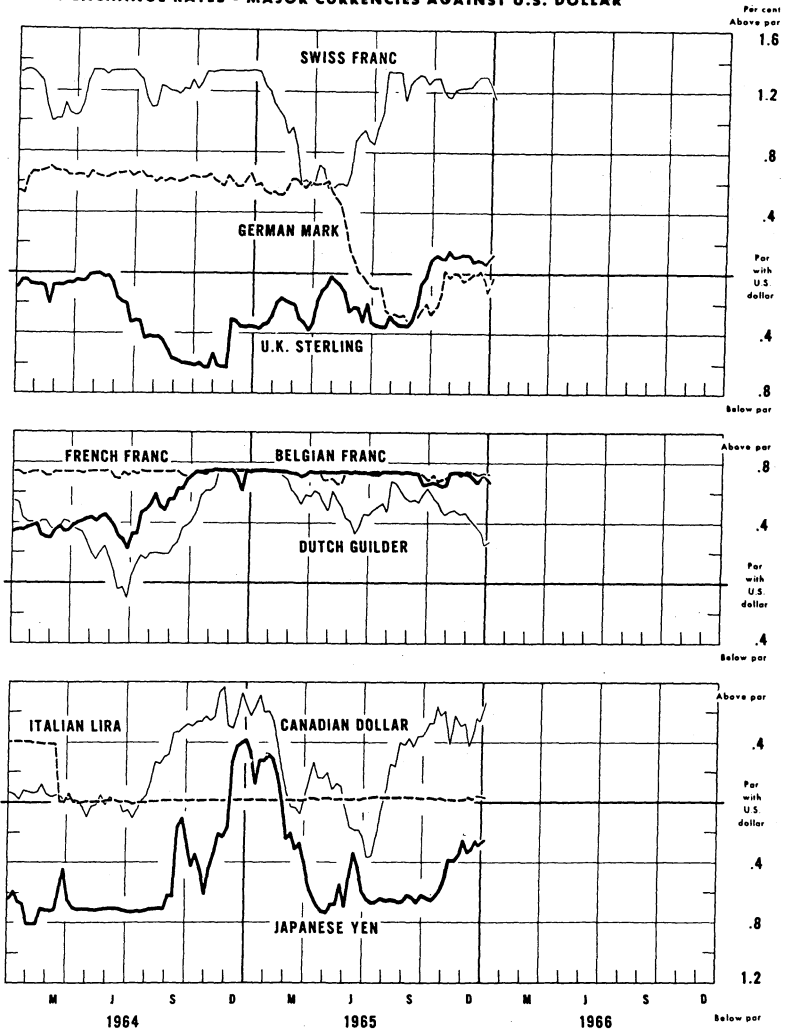
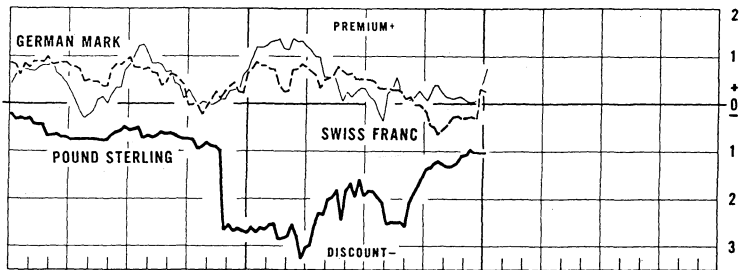


Chart 10

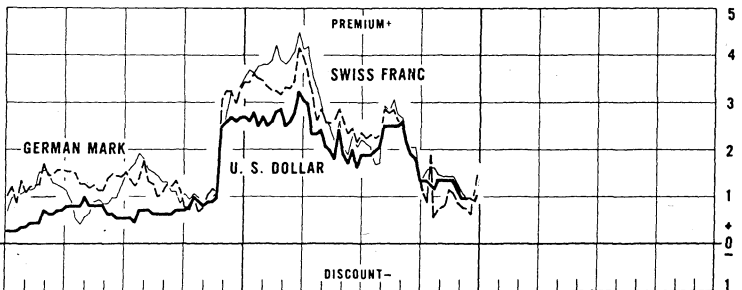
3-MONTH FORWARD EXCHANGE RATES

Friday figures

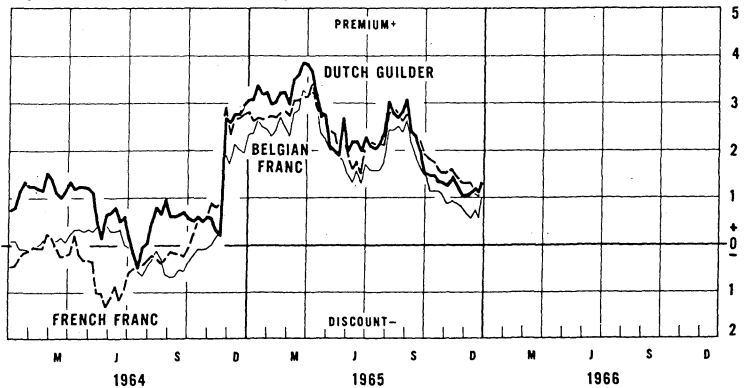
AGAINST U. S. DOLLARS



AGAINST POUND STERLING - LONDON



AGAINST POUND STERLING - LONDON



III. Latest Figures Plotted in H. 13 Chart Series, 1966
(all figures per cent per annum)

Chart 1

Upper panel
(Wednesday, Jan. 5)

Euro-\$ deposit	<u>5.18</u>
U.S. certif. of deposit	<u>4.78</u>

Lower panel
(Friday, Jan. 7)

Finance co. paper: U.S.	<u>5.00</u>
Canada	<u>5.33</u>
Hire-purchase paper, U.K.	<u>5.76</u>

Chart 4

(Friday, Jan. 7)

Treasury bills: Canada	<u>4.47</u>
U.S.	<u>4.52</u>
Spread favor Canada	<u>-0.05</u>
Forward Canadian \$	<u>-0.81</u>
Net incentive (Canada +)	<u>-0.86</u>
Canadian finance paper	<u>5.88</u>

Chart 2

(Friday, Jan. 7)

Euro-\$ deposits:

Call	<u>4.75</u>	90-day	<u>5.12</u>
7-day	<u>4.88</u>	180-day	<u>5.25</u>
30-day	<u>5.12</u>		

Hire-purchase paper	<u>5.48</u>
(December 24)	
Local-authority deposit	<u>5.31</u>
(December 31)	

Chart 5

(Friday, Jan. 7)

Treasury bills: U.K.	<u>5.36</u>
U.S.	<u>4.52</u>
Spread favor U.K.	<u>+0.84</u>
Forward pound	<u>-1.03</u>
Net incentive (U.K. +)	<u>-0.19</u>

Chart 3

Upper panel
(Period: Nov. 24-30)

Interbank loan (mid point)	<u>6.56</u>
Euro-\$ deposit (average)	<u>5.41</u>

Lower panel
(Date: Dec. 23)

Zurich 3-mo. deposit	<u>4.00</u>
Price of gold	<u>35.128</u>
(Friday, Dec. 31)	

Chart 6

(Friday, Jan. 7)

Treasury bills: U.S.	<u>4.52</u>	Germany	<u>3.88 (Dec. 24)</u>
U.K.	<u>5.36</u>	Canada	<u>4.47</u>
Euro-\$ deposit (London)	<u>5.12</u>		
Zurich 3-mo. deposit	<u>4.00</u>		
(Date: Dec. 23)			
Japan composite rate			
(Date: Oct. 29)			<u>7.660</u>

Chart 7

U.S. Gov't. (Wed., Dec. 29)	<u>4.50</u>
U.K. War Loan (Thurs., Jan. 6.)	<u>6.55</u>
German Fed. (Fri., Dec. 31)	<u>7.79</u>
Swiss Confed. (Fri., Dec. 31)	<u>3.97</u>
Canadian Gov't. (Wed., Jan. 5)	<u>5.47</u>
Netherlands Gov't. perpetual	
(Fri., Dec. 31)	<u>5.58</u>

For description and sources of data see special annex to H. 13, Number 164, dated September 23, 1964.