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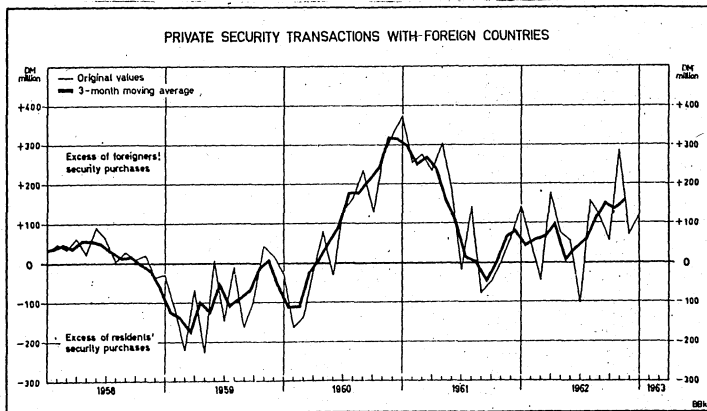
CAPITAL MARKET DEVELOPMENTS ABROAD

I. Germany
II. Nine Charts on Financial Markets Abroad

German financial markets in January and February continued to show the effects of the continuing but slow tightening of commercial bank liquidity which has been evident over the past year. An unseasonal tightness in the Frankfurt money market kept money market rates relatively high during January and February. The market tightened further in March and rates rose in anticipation of the major quarterly tax date. Market conditions are expected to remain tight throughout the month.

Despite the gradual reduction in their liquidity, however, the German commercial banks returned in January to foreign money markets almost as large a volume of funds as they had repatriated in December for year-end window-dressing. But the banks began to repatriate funds again as the mid-March tax date approached and market sources have been reporting that the banks have also been borrowing, both in financial markets abroad and from the Bundesbank. Between January 1962 and January 1963, the short-term assets abroad of 90 German credit institutions had declined from DM 6.0 billion to DM 3.2 billion.

Even though the commercial banks virtually withdrew as purchasers of new bond offerings during the fourth quarter, the bond market has remained active and yields actually had a slight downward tendency during January and February. A growing interest in German bonds by foreigners and by non-bank German investors have helped to maintain market volume. Foreign residents were estimated to have obtained about 25 per cent of a German Railway issue in February, and this allocation was reported to have represented only 5 to 10 per cent of total foreign demand.



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The gradual rise in foreign purchases of German bonds during 1962, shown in the chart on the preceding page, reflects the fact that market yields in the German bond market are higher than those of any other European country except Austria. The Bundesbank has estimated that foreign purchases accounted for 5.5 per cent of bond purchases in the first quarter, 7.5 per cent in the second, 9 per cent in the third and rose to 15 per cent of total bond purchases in the fourth quarter of 1962. Net foreign purchases of German securities in 1962 amounted to DM 1,600 million or only slightly below the DM 1,646 million recorded in 1961.

The stock market continued to drift downward during the early part of 1963. The FAZ all-shares index dropped 4 per cent in January and 5.5 per cent during February. The weakness in the stock market is attributed to underlying business uncertainties, less favorable company reports and lower dividends in several industrial sectors. Funds have been shifted from the stock to the bond market in recent months, according to market reports.

Table 1. Germany: Factors increasing (+) or reducing (-)
Commercial bank reserves, 1960-1962.
(in billions of D-marks)

	1960	1961	1962	1962: (by quarters)				1963: (by months)
				I	II	III	IV	Jan.
<u>Market factors:</u>								
Notes in circulation	-1.7	-2.5	-1.8	+ .1	- .6	- .5	-1.5	+1.8
Public authority deposits	-5.5	-6.7	-3.4	-1.5	- .6	-1.2	+ .2	-1.2
Bundesbank foreign exchange operations	+0.7	+5.6	+3.3	- .8	+1.2	+1.6	+1.3	+0.1
Other	+0.7	+1.1	+0.8	+0.3	+0.2	+0.06	+0.1	+0.08
Overall effect on bank liquidity	+4.5	+3.4	- .7	-1.3	+ .1	a/	+ .4	+0.6
<u>Policy factors:</u>								
Open market operations	-1.3	a/	+1.1	+ .7	a/	+ .2	+ .3	-0.7
Borrowings at Bundesbank	+ .8	- .5	+ .5	a/	+ .1	+ .2	+ .3	+0.4
Total	-0.5	- .5	+1.6	+ .7	+ .2	+ .4	+ .6	-1.1
<u>Compare:</u>								
Change in required reserves	+4.3	b/ +3.4	+ .6	a/	+ .4	+ .1	+ .3	+0.3

a/ Less than DM 50 million.

b/ Reserve requirements were substantially reduced in 1961.

The withdrawal of German banks from the securities markets during the fourth quarter reflected the gradual tightening of bank liquidity which has been going on during 1962 under the Bundesbank's so-called "neutral" money policy. Under this policy, the central bank has passively allowed market factors to reduce free reserves. During 1962, the public authorities drained reserves through the Laender budget surpluses and through continuing Federal payments abroad. This factor, together with the larger note circulation and increased required reserves accompanying expanded bank liabilities have caused the banks to increase their borrowings at the Bundesbank gradually since the second quarter. Since July 1962, modest open market purchases of securities by the Bundesbank have reduced the need for a more rapid rise in such borrowing. During January, the currency reflow eased the liquidity position of the banks temporarily.

The Bundesbank's so-called "neutral" monetary policy has actually been restrictive and has very gradually produced a general rise in German money rates. The upward tendencies in German rates during 1962 and the slow pace at which it has been allowed to proceed is shown in Table 2. Without any change in discount rate, the Bank's buying rate for Treasury bills has risen from 1.88 per cent in January 1962 to 2.63 per cent in January 1963 and day-to-day money rose from 2.00 per cent to 2.50 per cent in the same period. (See Table 2.) At the same time, bond yields have shown some upward tendency but no changes have been made in commercial bank rates.

Table 2. Germany: Selected Interest Rates, 1962 to 1963
(in per cent per annum)

	Jan.	Apr.	1 9 6 2 July	Oct.	Nov.	Dec.	1963 Jan.
Discount Rate	3	3	3	3	3	3	3
Treasury Bills (60-90 day)	1.88	2.00 - 2.13	2.25 - 2.38	2.63	2.63	2.63	2.63
Bond Yields <u>1/</u>							
Mortgage	6.0	5.9	6.0	6.1	6.2	6.2	6.1
Industrial	5.9	5.7	6.0	6.3	6.4	6.3	6.1
Public Auth.	5.9	5.6	5.9	6.2	6.2	6.1	6.0
Total bonds	5.9	5.8	6.0	6.2	6.2	6.2	6.1
Stock Yields	2.56	2.77	3.71	3.89	3.34	3.44	3.58
Commercial Bank Rates:							
Loans (maximum)	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Savings deposits (6-12 mos.)	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Time deposits (6-12 mos.)	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Inter-bank loan rates:							
Day-to-day	2.00	2.75	2.94	2.50	2.69	3.50	2.50
Three-month	3.00	2.94	3.31	4.50	4.31	4.31	3.31

1/ Securities in circulation.

In a recent statement, on March 11, Bundesbank President Blessing declared that a continued restrictive policy on the part of the Bundesbank was necessitated and justified by a threat to price stability coming from persistent demand pressures in certain sectors of the economy.

Money market. German money market rates eased in January from the year-end highs of December 1962 but the money market remained unseasonally tight. Day-to-day money was quoted at between 2 and 3 per cent in January compared with a range of 1-1/4 to 2-3/4 percent a year earlier while three months money was quoted at 3-1/8 to 3-1/2 per cent compared with a range of 2-3/4 to 3-1/8 per cent a year earlier. (See Table 3.) The primary cause behind the tightening market conditions is the cumulative effect of the continuing drain on commercial bank liquidity which took place during last year. In addition, the commercial banks re-exported some DM 673 million in short-term funds during January.

Table 3. Money Market Rates in Frankfurt, December and January 1/
(in per cent. per annum)

		Day-to-day money	Three-month loans
1962 - Dec.	1-7	3 - 3-1/8	4-1/4 - 4-3/8
	8-15	3 - 3-1/5	4-1/4 - 4-3/8
	16-23	3-1/8 - 4	4-1/4
	24-28	3 - 4	4-3/8 - 4-1/2
	End of year money	5-1/2 - 6	
1963 - Jan.	1-7	2-3/8 - 2-7/8	3-1/4 - 3-1/2
	8-15	2-3/4 - 2-5/3	3-1/8 - 3-1/4
	16-23	2-3/8 - 3	3-1/8 - 3-3/8
	24-31	2 - 3	3-3/8
1962 - Jan.		1-1/4 - 2-3/4	2-3/4 - 3-1/8

1/ Highest and lowest rate quoted each week (month).

Tightness continued to characterize the money market in February as the banks built up their balances with the Bundesbank and began to prepare for the major tax date in mid-March. The banks entered March with poor liquidity positions. In the first week reserve deficiencies of more than DM 1.0 billion led the commercial banks to rediscount about DM 1.5 billion with the Bundesbank, to sell substantial amounts of open market paper, to take up credits abroad and to borrow from the central bank. In addition, banks began repatriating funds from abroad in the early days of the month and German banking sources expect that the repatriation of funds this March may occur on quite a substantial scale.

Bond market. Yields have tended to remain close to the 6 per cent level in the German bond market during January and February. (See Table 11 and Chart 6.) The central Capital Market Committee approved new loans totalling DM 1.2 billion for the first two months of the year. The Committee has recommended that the 6 per cent coupon be held on new offerings and that any slight downward trend in interest rates should take the form of a reduction in the issue price.

Funds continued to flow into the bond market from foreign investors and from the stock market. A 6 per cent, DM 400 million Federal bond having a term to maturity of 15 years issued at par in January, a DM 210 million Federal Post Office bond offered at par with a 6 per cent coupon in early February, and a 15-year DM 265 million Federal Railway issue later that month all attracted considerable foreign funds. Market yields remain higher in Germany than elsewhere in Europe except for Austria.

In the fourth quarter of 1962 bond yields were stable despite a sharp reduction in commercial bank purchases of new offerings. During the third and fourth quarters, purchases by foreigners and by German non-bank investors were maintained at levels substantially above those of the first half of 1962. But purchases by the banks declined from an average of DM 800 million in the second and third quarters to only DM 20 million in the fourth quarter. (See Table 4.) Reduced commercial bank liquidity and the tendency for business to expand in direct medium- and long-term loans were responsible for this decline.

Table 4. Germany: Net Purchases of Fixed-Interest-Bearing Securities
(In DM millions)

	1962				1962			
	I	II	III	IV	I	II	III	IV
Foreign Purchases ^a	+432	+175	+213	+ 91	+ 146	+127	+ 220	+ 234
German non-bank	+830	+400	+500	+1400	+1100	+940	+1600	+1440
Sub-total	1262	575	287	1309	1246	1067	1820	1674
Credit institutions	+826	+856	+875	+ 660	+1890	+800	+ 810	+ 20
Total	2088	1431	1162	1969	3136	1867	2630	1694

^a Including German external bonds.

^b Excluding development aid loan.

Capital market conditions kept the total placement of new bonds in the fourth quarter considerably below third quarter new issues. (See Table 5.) The reduction in new issues was almost entirely found in flotations by occasional borrowers which were cut back by more than one-half during the quarter.

The German financial press reported that the second tranche of the City of Osaka Loan, originally expected in the first half of March, was postponed because of the currently great domestic demands on the bond market. Osaka has been granted permission to raise DM 1.0 billion on the German market over a ten-year period. The first tranche of DM 100 million carrying a coupon of 6-1/2 per cent was floated in February 1962.

Table 5. Germany Gross Placements in Security Markets
(in millions of DM, monthly or monthly average)

	1961		1962		1962		Oct.	Nov.	Dec.
	III	IV	I	II	III	IV			
"Occasional" borrowers' bonds:									
Industrial	—	50	112	72	113	60	40	139	—
Public authority	84	79	324	136	358	187	309	1	250
Foreign issuers	—	—	32	—	—	—	—	—	—
Other bonds a/	53	84	89	132	154	57	48	79	44
Total	141	213	547	340	625	304	357	219	294
Mortgage and communal bonds	464	503	665	453	532	480	—	406	562
Total gross bond placements b/	605	716	1,212	893	1,157	784	368	625	856
Gross share placements	352	130	185	205	172	170	121	143	246
Total security placements at issue value	957	846	1,397	998	1,329	954	489	768	1,102

a/ Mostly bonds of specialized credit institutions, especially in 1961.

b/ Includes medium-term notes (Kassenobligationen).

Stock market. Share prices on the German stock market continued to slip downward during January and February. The Frankfurter Allgemeine general index fell 4 per cent from the end of December 1962 to the end of January and fell a further 5.5 per cent by the end of February. Funds were shifted into the bond market at the beginning of the year as investors hoped to realize capital appreciation in bond prices. At the beginning of March the market remained somewhat uncertain. Investor hesitancy seems to have been reinforced by the recent announcement of smaller annual dividends by two leading industrial names.

Gross share placements in the fourth quarter of 1962 were approximately equal to those of the third quarter but noticeably below the average for the first half of the year. (See Table 4.) Preliminary Bundesbank data indicate that foreign investors were the most important purchasers of stocks in the fourth quarter; German commercial banks and other domestic investors, on the other hand, cut back their purchases of stock very sharply from DM 400 and 480 million in the second and third quarters to only DM 90 million in the fourth quarter of 1962.

The unsettled state of the stock market reflects uncertainty and increasing caution on the part of the business community. A survey made recently by the IFO Conjunction Institute disclosed that, out of 700 companies polled, only 19 per cent intended to invest more in 1963 than in 1962, 44 per cent planned to invest the same amount, and 37 per cent planned to reduce their expenditures.

Credit expansion. Commercial banks substantially increased their business in medium- and long-term loans in 1962 but short-term loans rose only slightly as a percentage of total loans extended. The greatest expansion came in the area of long-term loans which grew more than DM 16 billion in 1962 compared to DM 14.5 billion in 1961. (See Table 6.) The Bundesbank reports that financial institutions specializing in long-term loans increased their business in this area even more than did the commercial banks. Medium-term loans (life-span of 6 months to 4 years) grew DM 3.5 billion during the year but the growth of short-term loans in 1962 was only about half of that registered in 1961.

The growth in longer-term loans financed an increasing percentage of the housing construction boom and the financing requirements of industry. Industry's greater dependency on direct loans from banking institutions was a consequence of the weakness of both the stock and bond markets in 1962. Smaller profit margins reduced the possibility of internal financing and forced industry to turn to bank financing.

Table 6. German commercial banks: Selected Loans and Investments
(in millions of deutsche mark)

	1961	1962 p/	Outstanding at end of Period	
			Dec. '61	Dec. '62 p/
Short-term loans 1/	+6292	+3730	49,140	52,780
Medium-term loans	+2195	+3570	14,689	18,239
Long-term loans	+14,592	+16,272	98,690	114,617
Holdings of securities and syndicate partici- pations excluding bank bonds	+ 896	+ 830	8,124	8,954

1/ Includes holdings of domestic Treasury bills and non-interest-bearing Treasury bonds but excludes "mobilization paper".

p/ Preliminary.

Supporting the credit expansion in 1962 were an increase in savings deposits of DM 9.3 billion, a relatively large sale of bank bonds to the public, and an increased taking-up of credits not only from public authorities but increasingly so from business enterprises and individuals, especially insurance firms.

The increase in bank deposit liabilities subject to minimum reserve requirements and the commitment of more and more bank funds in longer-term loans have contributed to the reduction in liquidity of the banking system in the past year.

During the second half of 1962, the net increase in credit granted by German credit institutions to non-bank resident customers amounted to about DM 12.6 billion compared with a total of DM 12.1 billion in the same period a year earlier. The Bundesbank has estimated that the domestic volume of money (defined as notes and demand deposits) rose by more than DM 3.7 billion in the second half of 1962 compared with almost DM 4 billion in a year earlier and with DM 3.2 billion in the same period in 1960. Thus, the rate of monetary expansion in the latter part of 1962 was only modestly below the rate of increase a year earlier.

Government accounts. The 1962 fiscal year closed with a deficit of DM 410 million in the Federal budget. Because of official payments abroad, however, the Federal budget still had a contractionary effect on bank liquidity. The deficit was caused by a decline of DM 278 million in turnover tax receipts and a reduction of DM 373 million in receipts from income and corporation taxes. These decreases were partially offset by increased yields from customs duties and turnover equalization taxes. Furthermore DM 77 million of the DM 1050 million Laender contribution to the Federal budget has still not been paid. The greater part of the Federal deficit was covered by the DM 400 million Federal loan issued on January 2, 1963.

The size of the budget for 1963 is still indefinite and remains contingent upon the economies which may yet be worked out in defense expenditures and upon the size of the increased appropriations for Berlin aid and for flood and damage relief for northern Germany. Currently, planned expenditures for the 1963 fiscal year are DM 3.85 billion or 7.6 per cent higher than those budgeted in 1962. At least one-half of the increase is in the area of defense expenditures. Government receipts in 1963 are expected to be 7.5 per cent more than 1962 receipts.

Foreign aid. The first annual report of the Federal Ministry for Economic Cooperation states that in 1962 the German government arranged to extend DM 1.2 billion (\$300 million) in development assistance projects in 22 countries. However, this sum represents commitments which can be drawn against in coming years, not disbursements made in 1962.

The government's economic aid program was financed by DM 150 million from the Federal budget and by the DM 1.2 billion raised in 1961 through the development aid loan issue. Additional financing came from DM 200 million of ERP counterpart funds and DM 122.5 million in Laender contributions.

Foreign trade. Seasonally adjusted foreign trade data show that the German trade surplus continued to remain well below year-earlier levels (see Table 7). After increasing by \$19 million in the third quarter, the fourth quarter trade surplus was down by \$26 million, to \$65 million, in the fourth quarter. The seasonally adjusted results for January showed a slight improvement to \$73 million.

Table 7. Germany: Foreign Trade, Seasonally Adjusted
(monthly averages in millions of U.S. dollars)

	1961	1962				January	
		Old Series	New Series	II	III	IV	1962 1963 p/
Exports	1061	1083	1083	1105	1123	1115	1055 1048
Imports	912	936	a/ 999	1024	1032	1050	b/ 749 975
Surplus	149	147	84	81	91	65	108 73

p/ Preliminary.

a/ Change in import accounting procedure. As of April 1962 retroactive to January 1, goods entering and those already stored in bonded warehouses recorded as imports in contrast to old procedure of recording goods as imports upon their departure from bonded warehouses.

b/ Adjusted for statistical aberration described in footnote "a".

Balance of Payments. The German balance of payments shows an overall deficit for 1962. With a reduced trade balance, an increased deficit on service account, and with only a modest net inflow of private capital during the year, continuing large donations and other official payments produced a deficit of DM 1147 million (see Table 8). The Bundesbank, on a different reporting basis than the one employed currently, had reported balance of payments deficits only twice since 1950, i.e., DM 1.9 and DM 2.2 billion in 1961 and 1959 respectively. However, these earlier deficits were of a rather different nature than the current one. They were not the result of a deterioration in the current balance, but arose solely from special transactions, such as debt prepayments by the Government and short-term capital outflows prompted by favorable foreign exchange cover provided by the Bundesbank to the commercial banks.

Foreign Exchange Reserves. Combined gross gold and foreign exchange reserves of the Bundesbank and German commercial banks fell \$271 million in December. (See Table 9.) This decline was chiefly the result of commercial bank window-dressing operations which led to a reduction of \$243 million in the banks' short-term foreign exchange assets during December. The influx of private short-term capital did not lead to an increase in official reserves because of unusually large military payments by the German Government in December.

Table 8. Germany: Balance of Payments, Quarterly, July 1961 - Dec. 1962
(in millions of DM)

	1961		1962			
	III	IV	I	II	III	IV ^p
1. GOODS & SERVICES						
Trade balance	1720	1268	a/ 617	938	968	953
Services	- 591	- 162	153	- 151	- 758	- 234
Total	1129	1106	a/ 770	787	210	719
2. OFFICIAL PAYMENTS						
Donations	- 973	- 1012	- 944	- 1010	- 720	- 1103
Long-term capital	- 1549	- 728	- 483	68	- 431	- 404
Short-term capital	- 1395	277	- 141	- 222	221	298
Total	- 429	- 1463	- 1568	- 1364	- 930	- 1209
3. PRIVATE CAPITAL						
Securities transactions						
Foreign purchases b/	63	238	523	198	358	521
German purchases (increase-) c/	- 49	- 37	- 340	- 168	- 24	- 43
Other long-term	- 113	- 181	98	39	44	- 129
Short-term d/	- 302	+ 185	- 582	- 69	460	198
Errors and omissions	- 606	- 599	a/ 1142	370	- 360	- 859
Total	- 1006	- 394	841	370	478	- 312
SURPLUS OR DEFICIT (-)	- 306	- 751	43	- 146	- 242	- 802
Financed by:						
1. SPECIAL TRANSACTIONS						
Loans to IBRD	- 250	- 480				
2. COMMERCIAL BANKS						
Foreign Exch. Ass. (increase-) e/	296	1711	- 2384	1068	832	752
3. RESERVE MOVEMENTS						
Drawing rights on IMF (increase-)	- 1070	292	301	- 144	247	72
Bundesbank liabilities	- 302	- 352	228	- 204	122	- 127
Gold and foreign exchange (increase-)	1632	- 420	1812	- 578	- 959	105
Total	296	- 480	2341	- 814	- 59	50
TOTAL FINANCING	306	751	- 43	146	242	802

p/ Preliminary.

a/ A change in import accounting procedure has resulted in approximately DM 400 million of goods in bonded warehouses being included in the first quarter imports. This is offset in errors and omissions.

b/ Foreign purchases of German securities.

c/ German purchases of foreign securities.

d/ Includes commercial bank capital other than foreign exchange assets.

Table 9. German Foreign Exchange Reserves
(in millions of U.S. dollars)

	1961		1962				1963
	III	IV	I	II	III	IV Dec.	Jan.
Bundesbank	-570	+ 68	-463	-48	-26	- 28	-155
Commercial banks a/	- 74	-427	+601	-89	-208	-188 -243	+168
Total	-644	-359	+138	-40 + 32	-244 -271		+ 13

a/ Balances with foreign banks and money market investments abroad.

In January, commercial banks built up their positions abroad by \$168 million; Bundesbank foreign exchange reserves declined \$155 million there-fore combined gross gold and foreign exchange reserves of the central and commercial banks rose only \$13 million in January.

Europe and British Commonwealth Section.

II. Nine Charts on Financial Markets Abroad

- Chart 1 - Interest Arbitrage, United States/Canada
- Chart 2 - Interest Arbitrage, New York/London
- Chart 3 - Interest Arbitrage for German Commercial Banks
- Chart 4 - Interest Arbitrage, Frankfurt/London
- Chart 5 - Short-term Interest Rates
- Chart 6 - Long-term Bond Yields
- Chart 7 - Industrial Stock Indices
- Chart 8 - Spot Exchange Rates - Major Currencies
Against U.S. Dollar
- Chart 9 - 3-month Forward Exchange Rates

Table 10. Germany: Selected Money Market Yields and Exchange Rates
(per cent per annum)

	3-mo. Euro-dollar deposits London	3-mo. inter-bank loans Frankfurt	Spread in favor London	3-mo. U.S. \$ into Marks		3-mo. Treas. bills		
				Comm. bank ^{a/}	Market	U.K.	Ger.	U.S.
1962-Jan. 5	3.63	3.00	+0.50	+0.25	+0.9	4.34	1.88	2.74
Feb. 16	3.44	2.75	+0.56	+0.50	+0.6	5.44	1.88	2.83
Mar. 30	3.69	2.63	+0.06	+0.25	+0.3	4.34	2.00	2.75
Apr. 27	3.50	2.94	+0.56	+0.25	+0.3	4.03	2.13	2.74
May 25	3.81	3.13	+0.68	+0.25	+0.3	3.69	2.13	2.69
June 9	3.66	3.13	+0.53	+0.25	+0.2	3.78	2.25	2.74
July 27	3.94	3.31	+0.63	+0.50	+0.8	3.81	2.38	2.88
Aug. 24	3.72	3.38	+0.34	+0.75	+0.6	3.69	2.50	2.82
Sep. 21	3.94	3.17	+0.75	+0.75	+0.6	3.63	2.50	2.76
Oct. 26	4.13	4.50	+0.37	+0.50	+0.7	3.78	2.63	2.73
Nov. 23	4.13	4.31	+0.18	+0.50	+0.1	3.66	2.63	2.84
Dec. 21	4.13	4.25	+0.12	+0.50	+1.2	3.53	2.63	2.88
1963-Jan. 4	3.97	-	+0.85	+0.50	+0.4	3.50	2.63	2.90
11	3.69	3.38	+0.57	+0.75	+0.4	3.44	2.63	2.89
18	3.59	3.19	+0.40	+0.75	+0.5	3.44	2.63	2.92
25	3.59	3.25	+0.34	+0.75	+0.3	3.44	2.63	2.93
Feb. 1	3.56	3.38	+0.18	+0.75	+0.3	3.38	2.63	2.94
8	3.56	3.13	+0.43	+0.75	+0.3	3.44	2.63	2.95
15	3.53	3.25	+0.28	+0.75	+0.2	3.34	2.63	2.92
22	3.44	3.38	+0.06	+0.75	0.0	3.34	2.63	2.87

^{a/} Bundesbank special rate for 2 to 6 month deposits.

Table 11. Germany: Selected Loan, Deposit and Security Rates
(per cent per annum)

	Comm. bank loans ^{a/}	6-12 mo. deposits		Bond yields		Share Yields	Yield gap
		Savings	Time	5-1/2% Railway 1958-83	Public author- ities		
1962-Jan.	7.50	3.50	2.75	5.8	5.9	2.57	3.3
Feb.	7.50	3.50	2.75	5.8	5.9	2.57	3.1
Mar.	7.50	3.50	2.75	5.6	5.6	2.65	3.0
April	7.50	3.50	2.75	6.6	5.6	2.71	2.8
May	7.50	3.50	2.75	5.7	5.8	3.23	2.6
June	7.50	3.50	2.75	5.8	5.9	3.49	2.3
July	7.50	3.50	2.75	5.8	5.9	3.73	2.1
Aug.	7.50	3.50	2.75	5.8	6.0	3.58	2.2
Sept.	7.50	3.50	2.75	5.9	6.0	3.77	2.1
Oct.	7.50	3.50	2.75	6.0	6.2	3.89	2.1
Nov.	7.50	3.50	2.75	6.1	6.2	3.34	2.8
Dec.	7.50	3.50	2.75	6.1	6.1	3.44	2.7
1963-Jan.	7.50	3.50	2.75	5.8	6.1	3.58	2.5
Feb.	7.50	3.50	2.75	6.0	n.a.	n.a.	n.a.

^{a/} Approved credits on current account.

INTEREST ARBITRAGE, UNITED STATES / CANADA

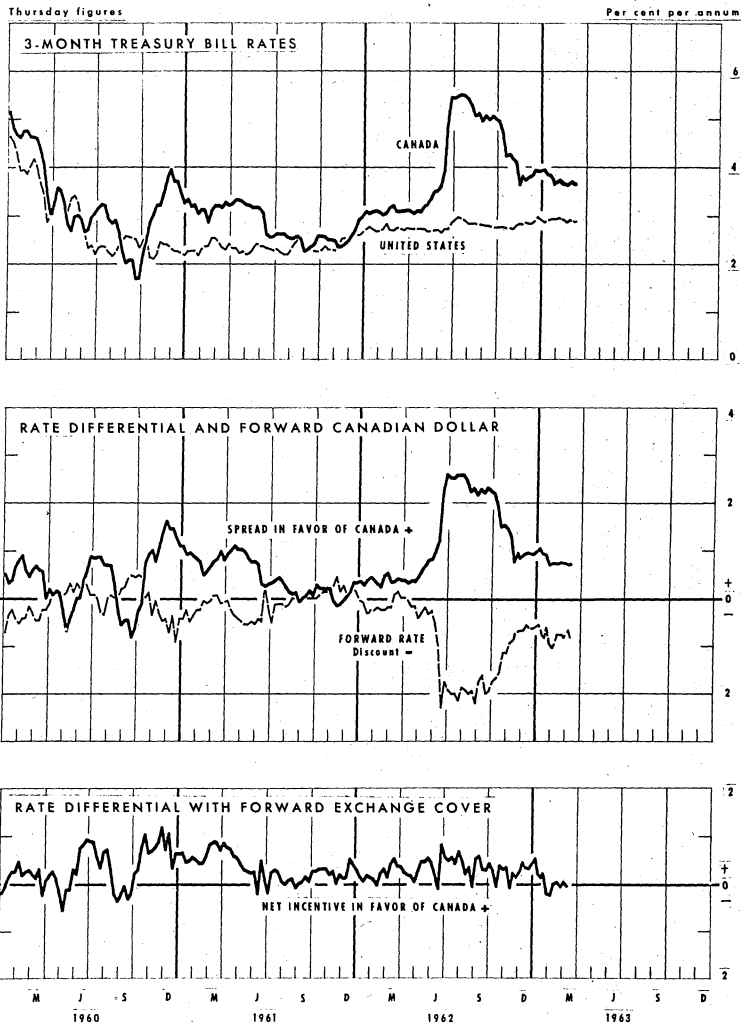
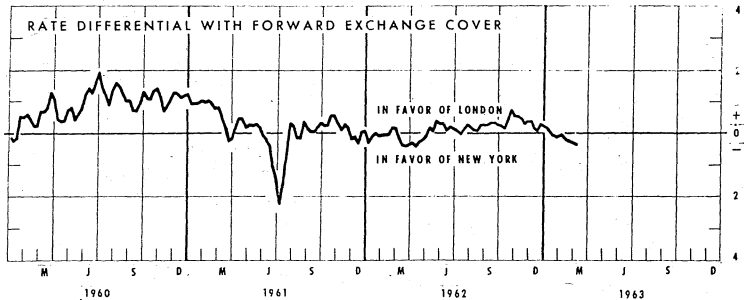
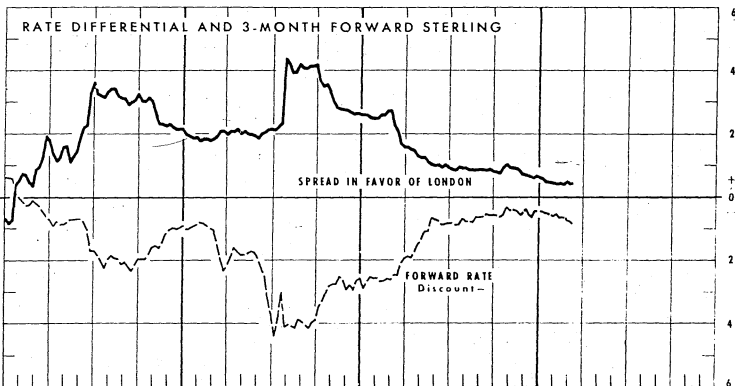
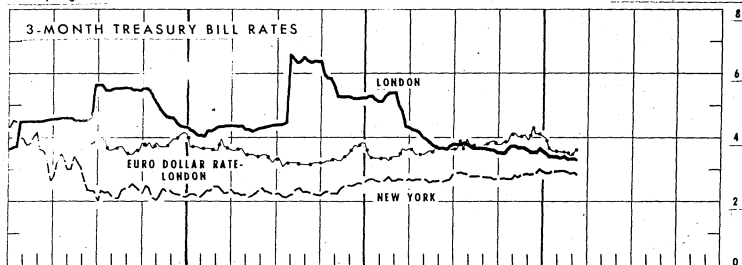


Chart 2

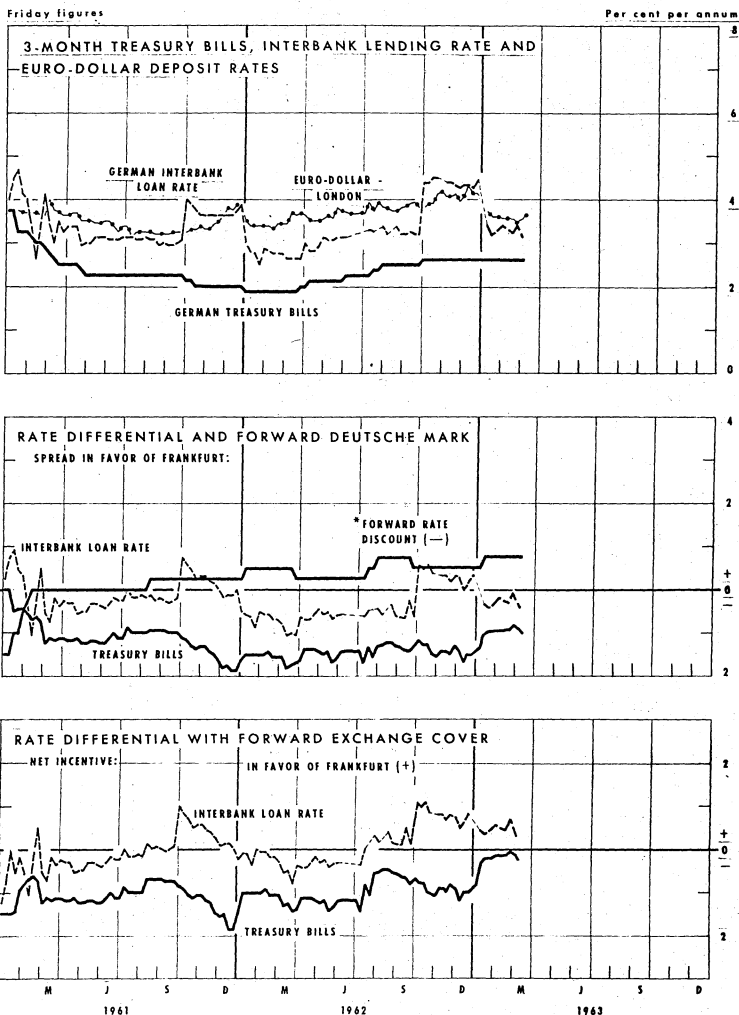
INTEREST ARBITRAGE, NEW YORK/LONDON

Friday figures

Per cent per annum



INTEREST ARBITRAGE FOR GERMAN COMMERCIAL BANKS



* Note: Special forward rate available to German commercial banks

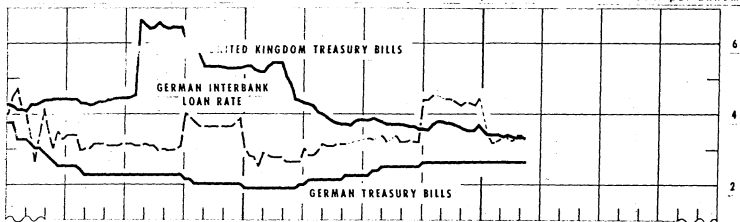
Chart 4

INTEREST ARBITRAGE, FRANKFURT / LONDON

Friday figures

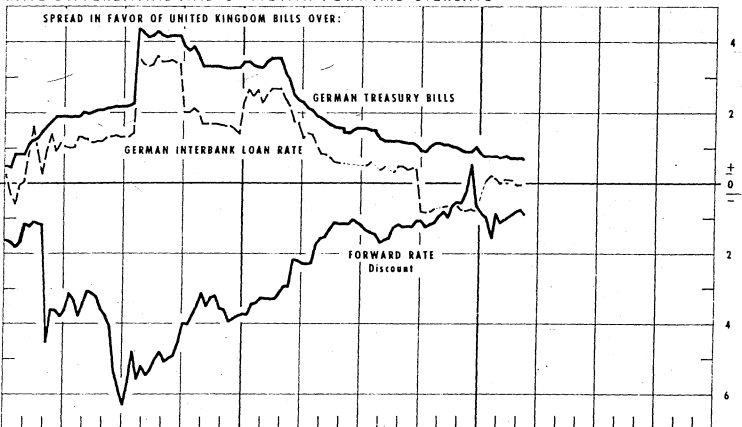
3-MONTH TREASURY BILLS AND INTERBANK LENDING RATES

Percent per annum



RATE DIFFERENTIAL AND 3-MONTH FORWARD STERLING

SPREAD IN FAVOR OF UNITED KINGDOM BILLS OVER:



RATE DIFFERENTIAL WITH FORWARD EXCHANGE COVER

NET INCENTIVE OF UNITED KINGDOM OVER:

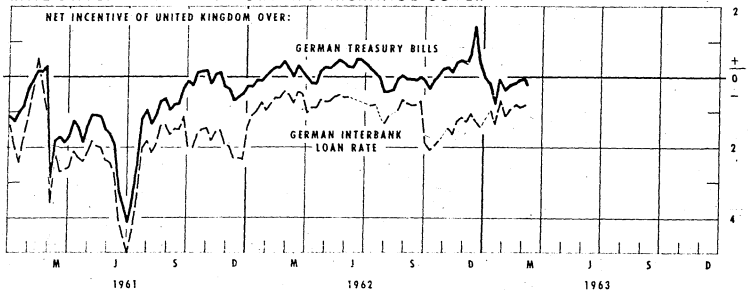
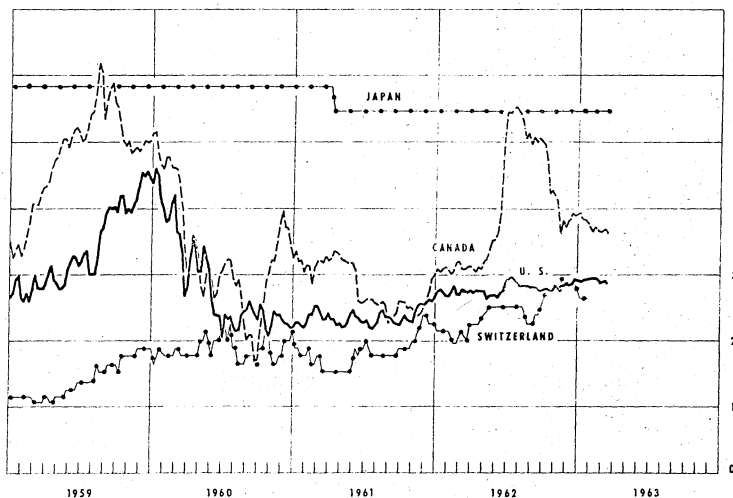
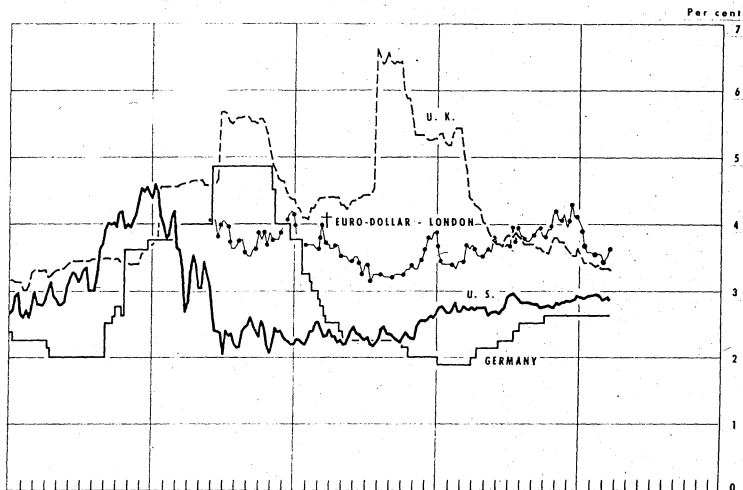


Chart 5
SHORT-TERM INTEREST RATES *



* 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 6

LONG-TERM BOND YIELDS

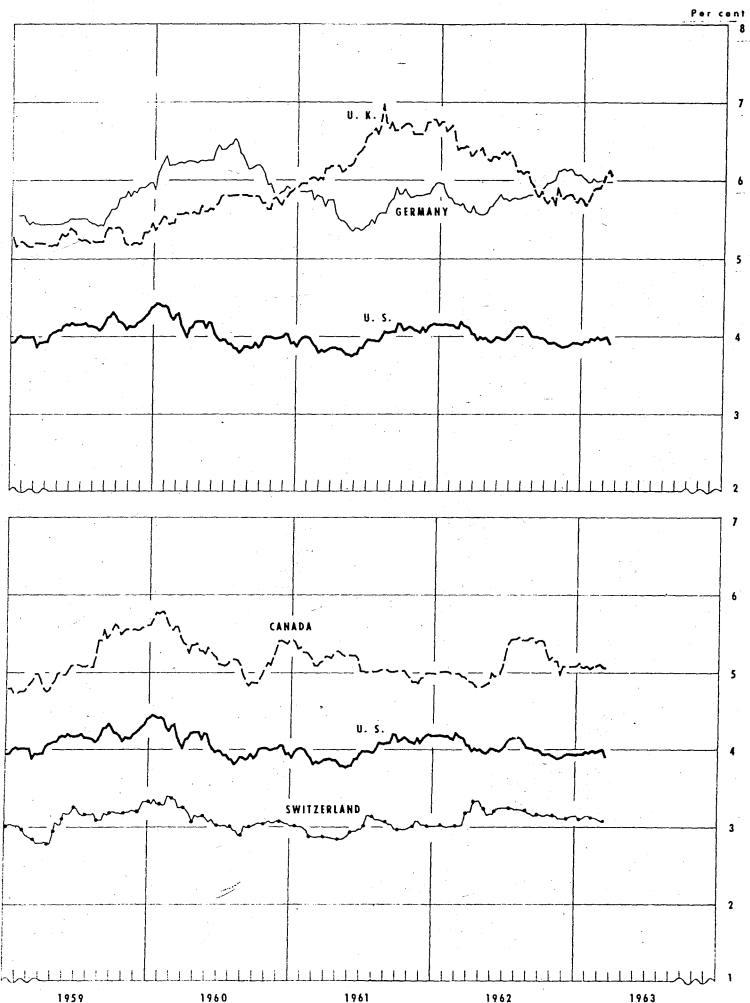
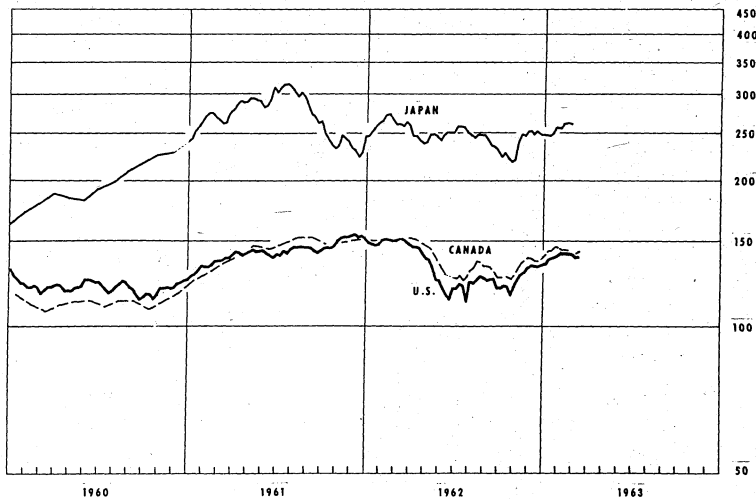
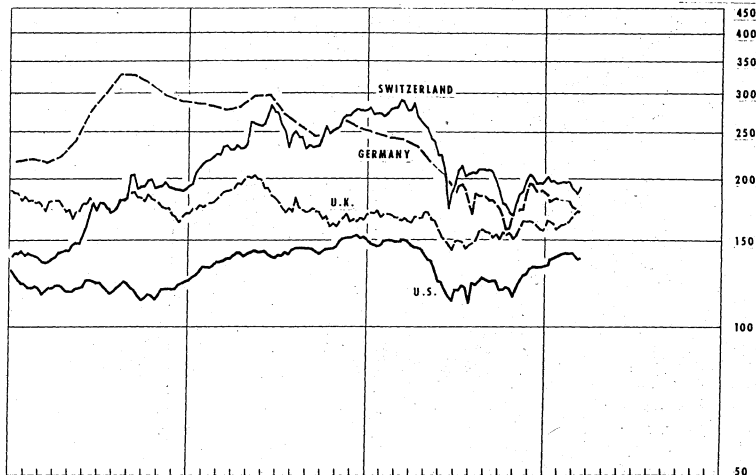


Chart 7

INDUSTRIAL STOCK INDICES*

1958 = 100
Ratio scale



*Note: Japan: index of 225 industrial and other stocks traded on the Tokyo exchange.

Chart 8

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

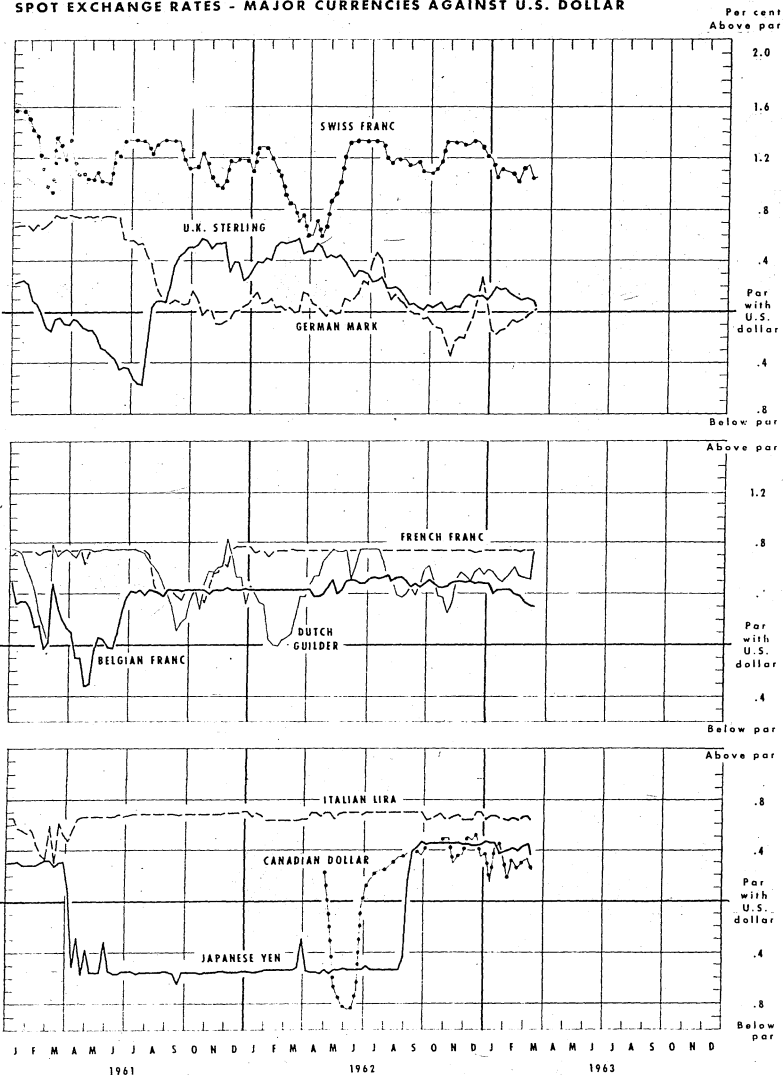
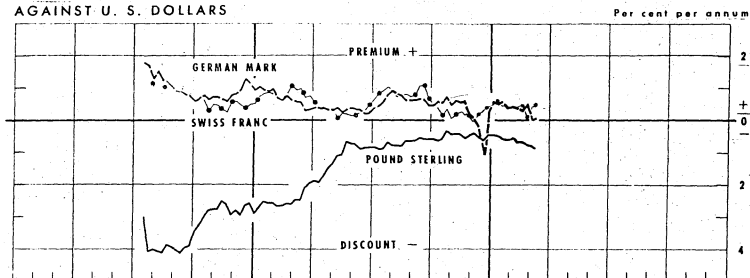


Chart 9

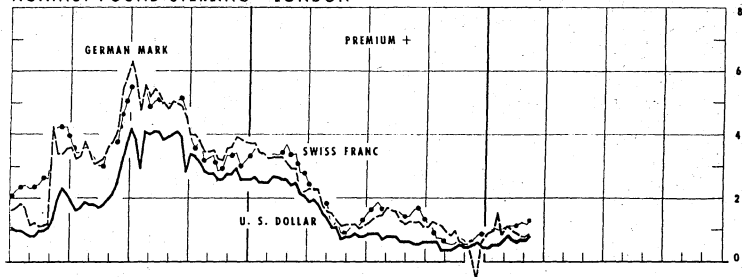
3-MONTH FORWARD EXCHANGE RATE

Friday figures

AGAINST U. S. DOLLARS



AGAINST POUND STERLING - LONDON



AGAINST POUND STERLING - LONDON

