

H. 13

May 8, 1963.

No. 105

**CAPITAL MARKET DEVELOPMENTS ABROAD**

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FEDERAL RESERVE BANK  
ST. LOUIS, MISSOURI  
I. Japan

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I. Japan: Money and Capital Markets During the First Quarter of 1963

A substantial inflow of both short- and long-term capital into Japan helped to produce a \$22 million rise in official reserves in the first quarter despite a \$139 million deficit on current account. Borrowings in 1963 from the United States have consisted chiefly of \$51 million of new security flotations between January-March and \$16 million in April. But substantial repayments on loans from U.S. commercial banks were slightly larger than new issue flotations during the first quarter. (See Table 1.) In addition, Japanese residents can acquire U.S. dollar credits through the Euro-dollar market and they may have done so in the period under review.

Table 1. Japan: Short- and long-term Borrowings  
from United States Financial Institutions  
(In millions of U.S. dollars)

	Change during year			Change during quarter				
	1960	1961	1962	1962 I	II	III	IV	1963 I
Bank loans <sup>1/</sup>	482	722	205	249	-20	-47	23	-56 <sup>2/</sup>
Securities <sup>2/</sup>	30	58	141	23	36	55	27	51
Total	512	780	346	272	16	8	50	-5

- <sup>1/</sup> Short-term liabilities to U.S. banks.
- <sup>2/</sup> New security flotations.
- <sup>3/</sup> January-February only.

Interest rates continued to fall in Japan. On April 20, 1963, the Bank of Japan lowered its basic discount rate from 6.205 to 5.84 per cent, the fourth reduction since the tight money policy was first eased on October 27. The rate has thus been lowered 1.46 percentage points over this period, earlier reductions occurring in October and November of last year and March of this year. With the decrease in the discount rate, the general level of interest rates has been declining and credit has been expanding at a faster rate than a year earlier. Money market conditions eased during the first quarter and also in April. Stocks recovered from their low for the year last October and rose 15 per cent during the first quarter.

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DECONTROLLED AFTER SIX MONTHS

On April 22 the Ministry of Finance established new, wider exchange rate margins between the yen and the dollar. While this move was made ostensibly to place Japan's exchange system on a basis similar to that of the countries adhering to the European Monetary Agreements, it will also give Japan greater flexibility in influencing the trend of trade and capital transactions.

The seasonally adjusted trade deficit continued to remain large in March. International reserves rose \$22 million during the quarter as net capital receipts more than offset the monthly deficits on current account.

**Money market.** Substantial bond purchases by the Bank of Japan and a lowering of the bank's basic discount rate on March 20 contributed to a further easing of money market conditions in March. A contractionary rise of ¥59 billion in bank notes in circulation and net Treasury receipts of ¥50 billion were more than offset by an increase of ¥32 and ¥287 billion in Bank of Japan loans and government bond holdings, respectively.

During the first quarter money market conditions generally eased and on April 1 call loan rates reached their lowest level since November 1956. With the further reduction in the Bank of Japan's basic discount rate on April 20, money rates are likely to remain easy.

**Interest rates.** Between October 1962 and January of this year, the average interest rate for loans and discounts dropped from 8.24 to 8.00 per cent. (See Table 2.) This reflected primarily the reduction in the Bank of Japan's basic discount rate last October and November. With further cuts in the rate in March and April of this year, the average interest rate is likely to decline further. The fourth cut in the discount rate on April 20 since the tight money policy was first eased last October reduced the rate by 1.46 percentage points.

Table 2. Japan: Average Monthly Interest Rates on Bank Loans and Discounts

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
March	8.18	8.21	7.92	8.22	8.00 <sup>1/</sup>
June	8.28	8.22	7.88	8.23	
September	8.06	8.14	8.00	8.24	
December	8.11	8.08	8.20	8.09	

<sup>1/</sup> January.

Call loan rates eased during the first quarter. From an average level of 10.46 per cent in the fourth quarter, the rate for loans repayable at a day's notice (unconditional) fell to 8.03 January, rose to 8.39 in February and dropped again to 7.3 per cent in late March. Rates are expected to remain relatively low during the second quarter.

Bank loans and discounts. Since November 1962, bank credit has expanded at a faster rate than a year earlier. In January-February, total bank credit rose 3.8 per cent compared to 0.8 per cent a year earlier. Most of the rise is accounted for by an increase in bank loans which rose 6.2 per cent during the period. (See Table 3.) There were also modest increases in holdings of securities and discounted bills. Deposits rose ¥126 billion in January-February in contrast with a decline of ¥319 billion a year earlier. Bank credit probably registered a further expansion in recent months in view of the cut in the Bank of Japan's basic discount rate in March and April.

The proportion of bank loans and discounts extended for purchases of equipment averaged 16.8 per cent in January-February. This represented a decline from the peak level of 17.4 per cent in October of last year.

Table 3. Japan: Quarterly Changes in Deposits & Principal Assets of Commercial Banks  
(In billions of yen)

		M A I N A S S E T S						
		Per cent	Per cent	Bills	Per cent	Per cent	Per cent	
		Change	Change	Discounted	Change	Change	Change	
		Deposits	Loans			Securities		
1961	I	+502	+326	+ 48	1.8	+103	6.8	
	II	+169	+206	+133	4.9	+104	6.4	
	III	+359	+216	+206	7.3	+ 43	2.5	
	IV	+430	+232	+220	7.2	+122	6.9	
1962	Jan.-							
	Feb.	-319	+154	- 20	-0.7	+ 60	3.9	
	I	+128	+256	+ 14	0.4	- 64	-3.4	
	II	+ 61	+181	+108	3.3	+258	14.1	
	III	+678	+223	+213	6.3	+ 41	2.0	
IV	+920	+585	+145	4.0	+ 71	3.3		
1963	Jan.-							
	Feb.	+126	+481	+ 23	0.6	+ 14	0.6	

Bond market. New issues of bonds totaled ¥114 billion in February, about the same level as in January. While the January-February volume of issues was higher than in the third quarter last year, it was down somewhat from the fourth quarter level. New issues of bank debentures and public corporate bonds were at slightly lower levels in January-February than in the fourth quarter, but industrial debentures were higher in February than in the previous three months. The total volume of new issues in January and February was ¥229 billion, or ¥26 billion higher than in the same period a year earlier.

Average yields on bonds and debentures remained unchanged in January-February from the 1962 levels except for some very slight fluctuations in yields on industrial bonds.

**Stock market.** In general, stock prices rose during the first quarter and reached a new high for the year on April 5, 15 per cent above the level at the end of 1962. This level, however, was still 11 per cent below the postwar high on July 18, 1961. During the rest of April stocks tended to ease slightly. (See Table 4.)

Table 4. Japan: Dow Jones Average of 225 Stocks, First Section of Tokyo Stock Exchange

Jan. 4	¥1,418	Feb. 13	¥1,497	Mar. 27	¥1,565	1961 High	¥1,830
9	1,421	20	1,494	Apr. 3	1,613	Low	¥1,250
16	1,414	27	1,490	10	1,613		
23	1,454	Mar. 6	1,511	17	1,594	1962 High	¥1,634
30	1,452	13	1,522	24	1,570	Low	¥1,216
Feb. 6	1,495	20	1,554	May 1	1,593		

**Foreign trade.** The seasonally adjusted trade deficit was down slightly in March compared to February, but still remained large. March exports rose 5 per cent and imports 2 per cent. The seasonally adjusted trade deficit at an annual rate was \$972 million in the first quarter compared to \$156 million in the third quarter of last year and \$648 million in the fourth quarter. Since Japan can normally expect to cover with invisible earnings a trade deficit of about \$600 million a year, these figures indicate that the Japanese current account in recent months has again moved into deficit. The seasonally adjusted trade figures (monthly, or monthly averages, on a customs basis in millions of dollars) in Table 5 are based on seasonal adjustment factors computed by the Bank of Japan under the U.S. census method.

Table 5. Japan: Seasonally Adjusted Foreign Trade

	1962				1963			
	I	II	III	IV	I	Jan.	Feb.	Mar.
Imports	492	466	447	475	487	474	487	499
Exports	371	409	434	421	406	409	395	414
Trade balance	-121	-57	-13	-54	-81	-65	-92	-85

**Exchange reserves and capital flows.** During the first quarter, Japanese international reserves rose \$22 million to \$1,863 million. In February the Bank of Japan made the final repayment on the special \$200 million credit arranged with three American banks in November 1961. Japan also repaid in February and March \$33 million against a \$125 million credit obtained from seven American banks in February 1962. Japan is scheduled to repay an additional \$92 million against this credit in the April-July period this year.

The balance of payments, as measured on an exchange transactions basis, registered a deficit on current account (not seasonally adjusted) of \$28 million in March. With net long-term capital receipts of \$25 million and net short-term capital receipts of \$24 million, the overall balance of payments, including a net outflow of \$14 million under the errors and omissions item, showed a rise of \$7 million in March.

The current account was in deficit during each month of the first quarter in contrast to a regular monthly surplus during the last half of 1962. However, a substantial net inflow of both short-term and long-term capital as well as a drawing down of non-official short-term assets more than offset the current account deficits, reserves rising \$22 million during the period.

On April 1, 1963, Japan abolished the six-month waiting period for foreign investors desiring to repatriate capital invested in Japanese securities. Further moves to liberalize the repatriation of direct foreign investment in Japanese enterprises are being considered by the Ministry of Finance.

Japanese short-term liabilities to U.S. banks fell \$56 million during the January-February period, according to preliminary reports. (See table below in millions of U.S. dollars).

	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>
1959	168	175	204	224	242	260	256	269	262	262	275	324
1960	362	372	420	250	488	497	586	628	660	693	711	806
1961	875	952	1,069	1,159	1,196	1,272	1,341	1,335	1,288	1,281	1,292	1,528
1962	1,601	1,685	1,777	1,773	1,761	1,757	1,764	1,766	1,710	1,709	1,660	1,773
1963	a/1,690	a/1,677										

a/ Preliminary.

NOTE: Data since December 1961 include reports of certain banks not previously included. The inclusion of these banks increased the reported figures in December 1961 by \$52 million.

Japan floated \$51 million in securities in the American market during the first quarter. These consisted of a \$22.5 million bond issue by the Japan Development Bank, and two A.D.R. issues for \$6.7 and \$21.8 million by Nippon Electric Co., Ltd., and Kansai Electric Power Co., respectively. Three other issues totaling \$16.9 million were also offered in April. (See Table 6.)

For the second time since the end of the Second World War, the Japanese successfully floated in March a \$25 million, 15-year, 6-1/2 per cent bond issue in Germany. The issue was made by the City and Prefecture of Osaka and was guaranteed by the Japanese Government. An earlier issue for the same amount was floated in Germany in February 1962.

Table 6. Japanese Security Flotations in the U.S. 1/  
(In millions of dollars)

Date	Bond Issues						American Depository Receipt Shares and Other			Cumulative Total Since Oct. 1957
	Publicly Placed			Privately Placed			Issuer	Terms	Amt.	
	Issuer	Terms	Amt.	Issuer	Terms	Amt.				
1957 Oct.				Alaska Lumber and Pulp	15 yrs., 6%	12.0				'57 IV 12.0
1959 Feb.	Gov. of Japan	3-15 yrs. 4 1/2-5 1/2%	30.0							'59 I 42.0
1960 June				Kobe Steel Works	15 yrs., 7%	30.0				'60 II 72.0
1961 Jan.				Kawasaki Steel	10 yrs., 7-1/2%	4.0				
Jan.				Sumitomo Metals	14 yrs., 7-1/2%	5.8				'61 I 81.8
May	Nippon Teleg. & Telep. Pub. Corp.	3-15 yrs., 5.6%	20.0							
June							Sony Corp.	Price: 3.5 \$17.50		'61 II 105.3
Oct.	Japan Devel. Bk.	3-15 yrs., 5.6%	20.0							
Nov.				Mitsubishi Chemical	10 yrs., 7%	4.4				'61 IV 129.7
1962 Jan.				Alaska Lumber and Pulp	15 yrs., 6%	4.0				
Feb.							Tokyo Shubaura Elect. Co.	Price: 9.3 \$15.50		
Feb.							Kawasaki Steamship Co.	5yr. 6% loan	3.0	
Mar.				Nippon Light Metal Co.	15 yrs., 7-1/2%	3.0				'62 I 153.0
Apr.							The Japan Fund	Price: \$12.50	15.6	
Apr.							Nippon Gaisai Kaishi, Ltd.	1yr 5 1/2% loan	3.0	
May.	Jap. Devel. Bk.	15 yrs., 6%	17.5							'62 II 189.1
Sept.				Kokusai Denshin Denwa	15 yrs., 6-3/4%	10.0				
Sept.				Hitachi Ltd.	15 yrs., 6-1/2%	16.5				

Table 6. Japanese Security Flotations in the U.S.<sup>1/</sup> (cont).  
(in millions of dollars)

Date	Bond Issues						American Depository Receipt Shares and Other			Cumulative Total Since Oct. 1957
	Publicly Placed			Privately Placed			Issuer	Terms	Amt.	
	Issuer	Terms	Amt.	Issuer	Terms	Amt.				
1962 Sept.	Shin Mitsubishi Heavy Indus.	15 yr. 6-1/2% Conv.Deb.	10.0							
Sept.	Nippon Teleg. & Telep. Rb. Corp.	15 yrs., 6%	18.5							'62 III 244.1
Dec.	Tokyo Shibaaura Elect. Co. Ltd.	15 yrs., 6-3/8% Conv.Deb.	20.0				Honda Mtr. Co.	Price \$16.75	7.0	'62 IV 271.1
1963 Feb.	Japan Devel. Bank	15 yrs., 6%	22.5				Nippon Elec. Co. Ltd.	Price \$16.75	6.7	
Mar.							Kansai Elec. Power Co.	Price	21.8	'63 I 322.1
Apr.	Mitsui & Company	15 yrs., 6-3/8% Conv.Deb.	10.0				Sony Corp.	Price \$17.25	5.2	
Apr.							Mitsui & Co.	Price \$14.00	1.2	

<sup>1/</sup> Data include a few longer-term bank loans.

NOTE: This list of security flotations in the United States is intended to be complete, however, it is possible that some borrowing has not been included due to lack of information.

Foreign exchange. During the first quarter the exchange rate in the spot market remained unchanged at the official support level. The yen weakened in the forward market, however, and the discount on 3-month exchange rose from 0.78 per cent in early January to 2.28 per cent in late February and March. In the first half of April the forward discount narrowed as the yen weakened substantially in the spot market. (See Table 7.)

Table 7. Japan: Customer's T. T. Exchange Rates of Bank of Tokyo in Tokyo

	Yen-dollar spot middle rate	Three-month forward middle rate	Forward discount in per cent per annum
December 28	358.90	359.60	.78
January 4	358.90	359.60	.78
11	358.90	359.30	1.00
18	358.90	359.95	1.17
25	358.90	360.45	1.73
February 8	358.90	360.85	2.17
22	358.90	360.75	2.06
March 8	358.90	360.95	2.28
22	358.90	360.95	2.28
April 5	359.80	361.05	1.39
12	359.70	361.05	1.50
15	360.20	361.05	.94

On April 22 the Ministry of Finance established new exchange rate margins between the yen and the dollar. Spot exchange transactions will be allowed to fluctuate within 3/4's of 1 per cent above and below parity in contrast to the earlier limits of 1/2 of 1 per cent of parity. The previous requirement that the rate between the yen and the pound sterling be maintained within 1.5 per cent above or below parity was dropped on April 22. This move not only gives Japan greater flexibility in influencing the trend of trade and capital transactions, but also places her exchange system on a basis similar to that of the countries adhering to the European Monetary Agreement.

ST. LOUIS, MO.



## II. India: Money and Capital Markets During the First Quarter of 1963

Higher interest rates announced in January were followed by proposed increases in taxes in the 1963-64 budget introduced in late February as the Indian authorities continued their efforts to restrain domestic demand in the private sector. New proposed tax receipts were equivalent to about 10% of projected expenditures. However, the new excess profits tax that was proposed by the Minister of Finance created such adverse criticism from the business community that on April 16 he announced he would cut back the burden of the new taxes by about 20 per cent. Business circles were generally disappointed with the concessions, claiming that they neither met their demands or expectations.

Earlier in January the Reserve Bank raised its basic discount rate from 4 to  $4\frac{1}{2}$  per cent and altered the structure of the discount rates. Bank credit, however, continued to rise at a faster rate during the first quarter than a year earlier. A lag in deposit growth and measures taken during the last half of 1962 to limit commercial bank borrowing from the Reserve Bank contributed to tighter conditions in the call money market and the inter-bank rate increased substantially during the quarter.

Inauguration of the gold control rules in early January caused disorganization in the gold market and regular quotations were suspended between mid-January and mid-March. Prices quoted in the last part of March were down 5 per cent from early January levels. Stock prices dropped about 4 per cent during the quarter and international reserves increased \$41 million during the quarter.

Money market. The rate for day-to-day call money continued to rise sharply during the first quarter. (See Table 1.) The average level during this period was 5.62 per cent compared to 4.72 per cent in the first quarter of 1962. While this rise can be attributed partly to seasonal factors, other developments have contributed to an increase in the rate. These include measures taken during the last half of 1962 to limit commercial bank borrowing from the Reserve Bank and to increase its cost, and a much slower rate of expansion of the aggregate deposits of the scheduled banks. As indicated in Table 4, deposits rose only Rs. 17 million in the first quarter as against a rise of Rs. 915 million a year earlier.

Table 1. India: Inter-bank Call Money Rate in Bombay  
(in per cent per annum)

Average of period

1962	I	4.72	1963	I	5.62 <u>a/</u>
	II	3.59		Jan.	4.86
	III	2.72		Feb.	5.80 <u>b/</u>
	IV	3.75		Mar.	6.20 <u>b/</u>

a/ Provisional.

b/ Average of Fridays.

Gold market. The gold market showed signs of returning to a more orderly condition in March following disruption in January and February as a result of various governmental actions. On January 10 the Government announced new regulations which require holders of gold of specified type and weight to declare their holdings, licensed dealers to submit reports on gold purchases, and manufacturers to limit the purity of gold ornaments they produce.

One of the Government's aims is to reduce gold smuggling into the country. Recent reports in Canadian newspapers have indicated that Canada is one of the sources of this gold.

As a result of these gold control rules, there was a suspension of the regular gold price quotations from mid-January to mid-March. Prices quoted in the last half of March were down 5 per cent from the January level and 24 per cent from the record high last August. (See Table 2).

Table 2. India: Price of Gold Bullion in Bombay  
(in dollars per fine ounce) a/

Average of period

1962	I	78.38	1963	I	66.85 <u>b/</u>
	II	80.60		Jan.	68.69
	III	82.06		Feb.	-- <u>c/</u>
	IV	71.41		Mar.	65.00 <u>d/</u>

a/ Average spot quotations, converted into dollars at par value.

b/ Provisional.

c/ No quotation.

d/ Average of Fridays.

Stock market. Stock prices declined during the first quarter with the March average down 4 per cent from the December level. (See Table 3). Factors contributing to the decline included tighter credit conditions and a prospect of increased business taxes.

In January, the minimum price regulations set by the various stock exchanges were relaxed and in February the remaining floor price restrictions on stocks in the Bombay market were eliminated. Stock prices fell again in the first week of March in reaction to the Finance Minister's budget speech of February 28 which called for higher taxes, including an excess profits tax. The exchange authorities subsequently reimposed floor price restrictions, but later relaxed them.

Table 3. India: Price Index of Variable Dividend Industrial Securities: All India  
(1952-53 = 100)

Average of period

<u>1962</u>	I	190.0	<u>1963</u>	I	167.4 <sup>a/</sup>
	II	192.6		Jan.	171.1
	III	185.0		Feb.	166.7
	IV	173.6		Mar.	164.4 <sup>a/</sup>

<sup>a/</sup> Provisional.

Banking developments. Effective January 3, 1963, the Reserve Bank of India raised its basic discount rate from 4 to 4½ per cent, and in addition altered the structure of discount notes. Each scheduled bank is now charged 4½ per cent for borrowing on amounts up to 50 per cent of its required reserves instead of the previous 4 per cent on the first 25 per cent and 5 per cent on the next 25 per cent. A 6 per cent rate continues in effect against borrowing equivalent to the remaining 50 per cent of the required reserves. Under the new arrangement, there is no increase in borrowing costs if a scheduled bank borrows an amount equivalent to at least half of its required reserves and by mid-March most banks were reported to have borrowed up to 100 per cent of their quotas. One reason for this change was to simplify the system of the Reserve Banks' lending rates.

The increase in the basic discount rate failed to slow the rate of bank credit expansion. During the first quarter bank credit rose 11.8 per cent compared to 10.3 per cent in the same period a year earlier. This expansion was financed largely by a sale of government securities and a rise in borrowing from the Reserve Bank. Deposits of the scheduled banks rose only slightly in the first quarter as against a year earlier, partly because the State Bank is now transferring PL 480 deposits to the Reserve Bank at the rate of Rs. 100 million per month.

Table 4. India: Scheduled Banks: Quarterly Changes in Deposits and Principal Assets  
(in millions of rupees)

	M A I N A S S E T S							
	Deposits	Per cent Change	Bank Credit	Per cent Change	Gov't. Securities	Per cent Change	Cash and Balance with Reserve Bank	Per cent Change
1962								
I	+915	+5.0	+1314	+10.3	+217	+ 3.7	-321	-20.6
II	+972	+5.1	+ 97	+ 0.7	+ 63	+ 1.0	+273	+22.1
III	+219	+1.1	- 381	- 2.7	+827	+13.6	-262	-17.4
IV	- 5	0.0	+ 418	+ 3.0	-367	- 5.3	+ 73	+ 5.9
1963								
I	+ 17	+0.1	+1671	+11.8	-422	- 6.5	- 19	- 1.5

Bank credit expanded faster in the first quarter than deposit liabilities. On March 29, total bank credit was equivalent to 77.96 per cent of aggregate deposits compared to 69.82 per cent at the beginning of the quarter and 73.43 per cent a year earlier. The scheduled banks' cash and balances with the Reserve Bank fell 1.5 per cent during the first quarter compared to a decline of 20.6 per cent a year earlier. At the end of the quarter, such reserves were equivalent to 6.16 per cent of aggregate deposits, down from 6.51 per cent at the end of 1962 and 6.44 per cent a year earlier.

Exchange reserves. India's international reserves fell slightly in January, but recovered in February and March, registering a net gain for the quarter of \$41 million. (See Table 5). This rise in reserves followed a period of relative stability at record low levels.

Table 5. India: International Monetary Reserves  
(in millions of dollars-last Friday of period)

1962	I	520	1963	Jan.	448
	II	452		Feb.	472
	III	445		Mar.	492
	IV	451			

Asia, Africa and Latin American Section.

III. Nine Charts on Financial Markets Abroad

Chart 1

### INTEREST ARBITRAGE, UNITED STATES / CANADA

Thursday figures

Per cent per annum

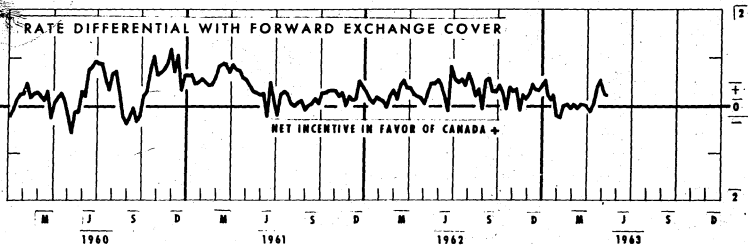
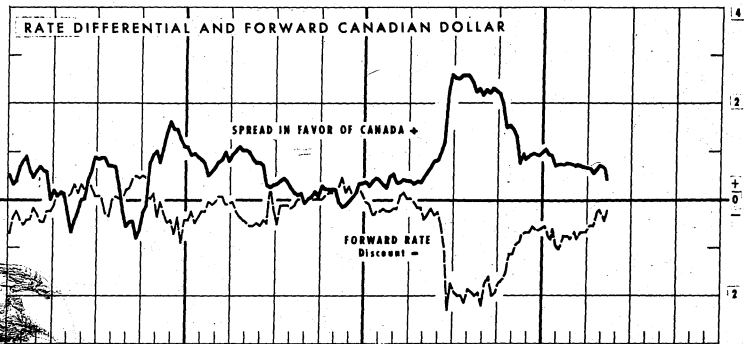
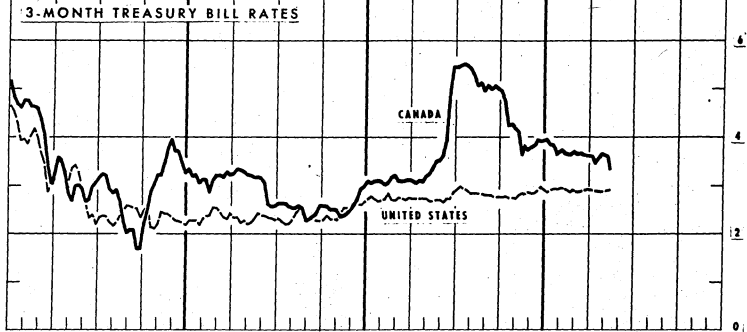


Chart 2

### INTEREST ARBITRAGE, NEW YORK/LONDON

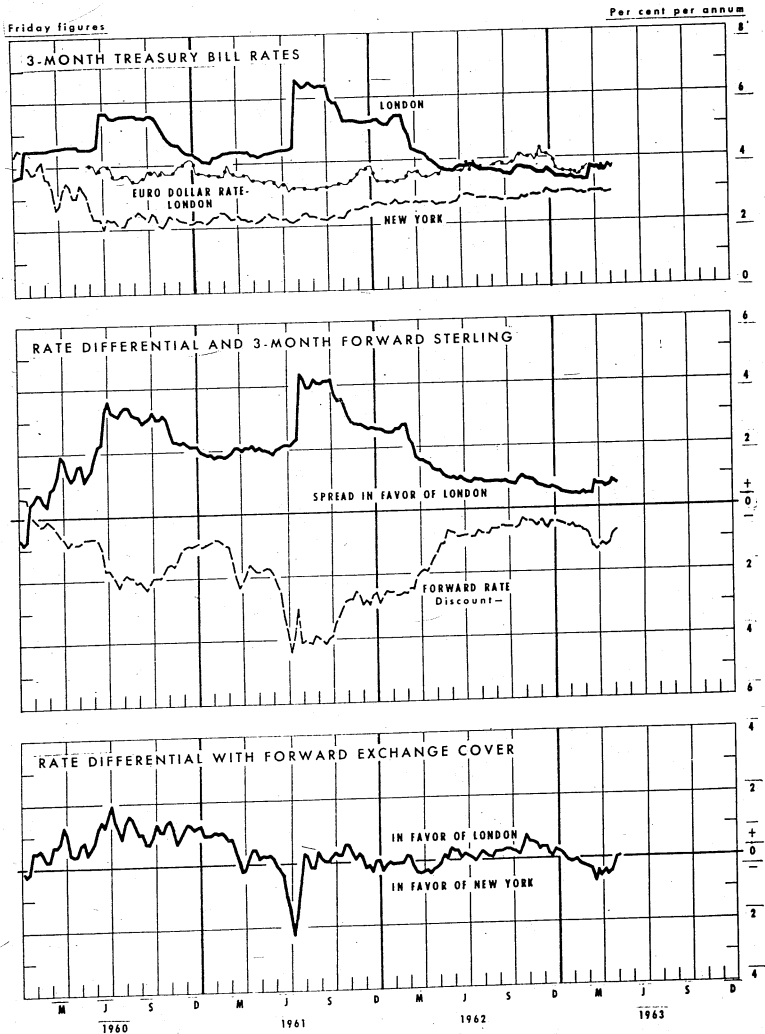
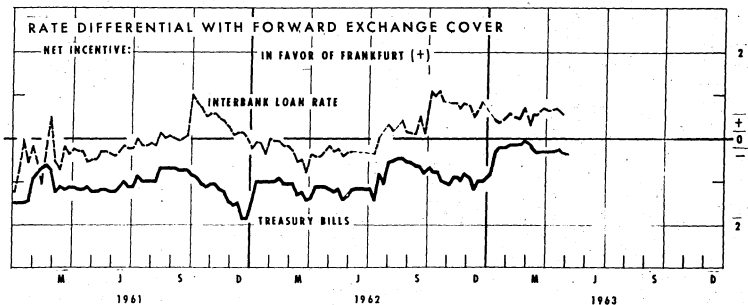
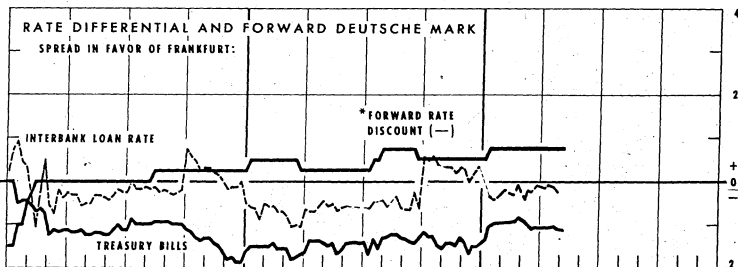
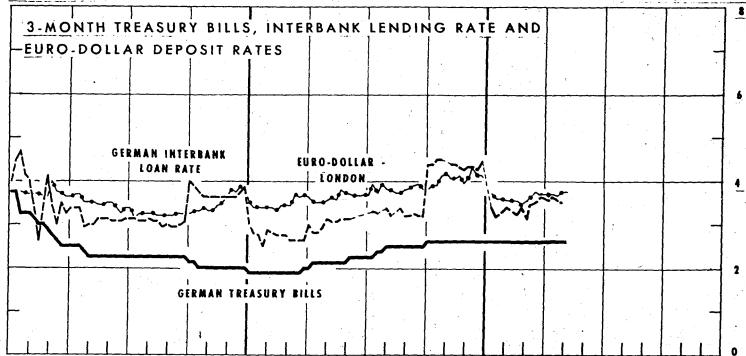


Chart 3

**INTEREST ARBITRAGE FOR GERMAN COMMERCIAL BANKS**

Friday figures

Per cent per annum



\* Note: Special forward rate available to German commercial banks

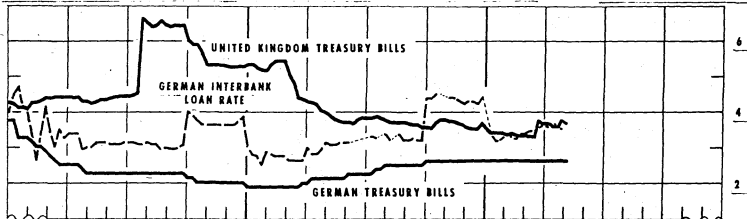
Chart 4

### INTEREST ARBITRAGE, FRANKFURT / LONDON

Friday figures

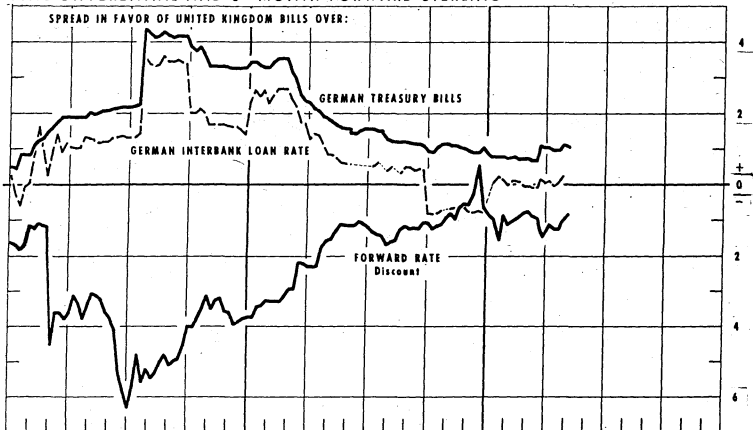
#### 3-MONTH TREASURY BILLS AND INTERBANK LENDING RATES

Per cent 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:

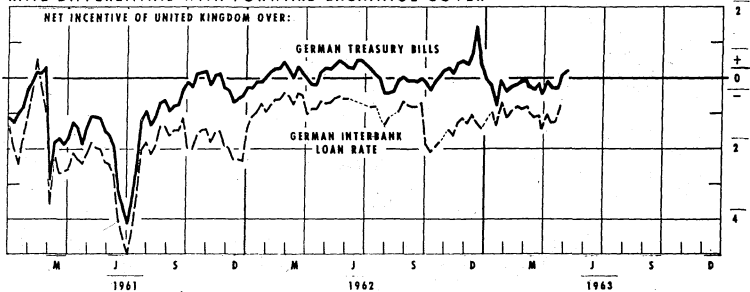
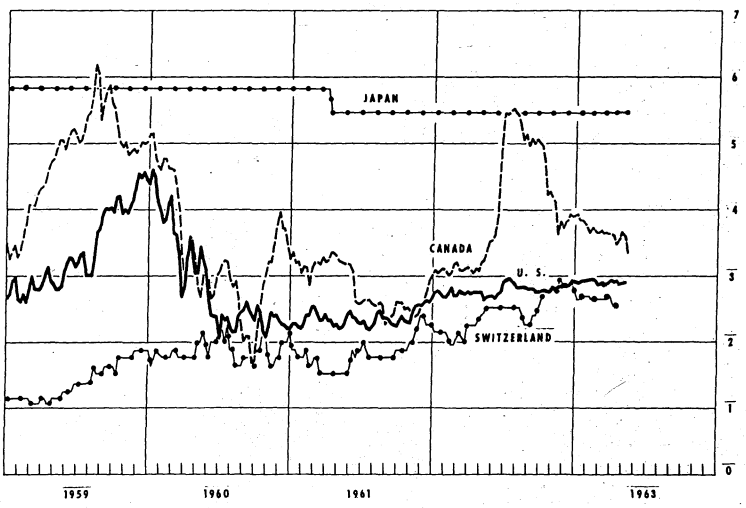
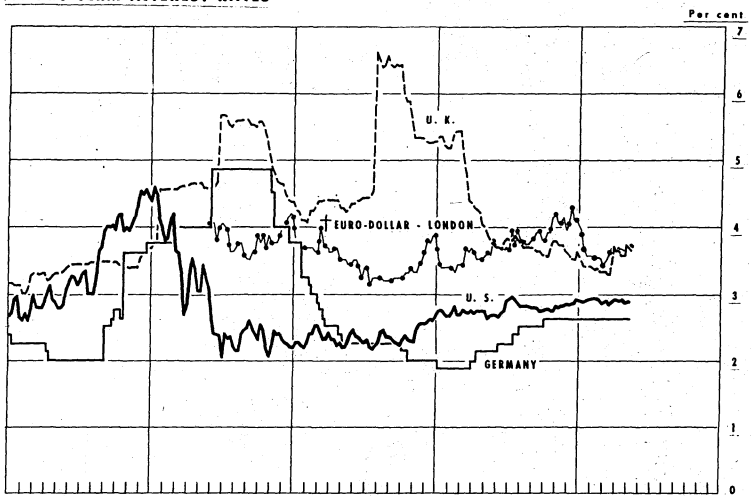




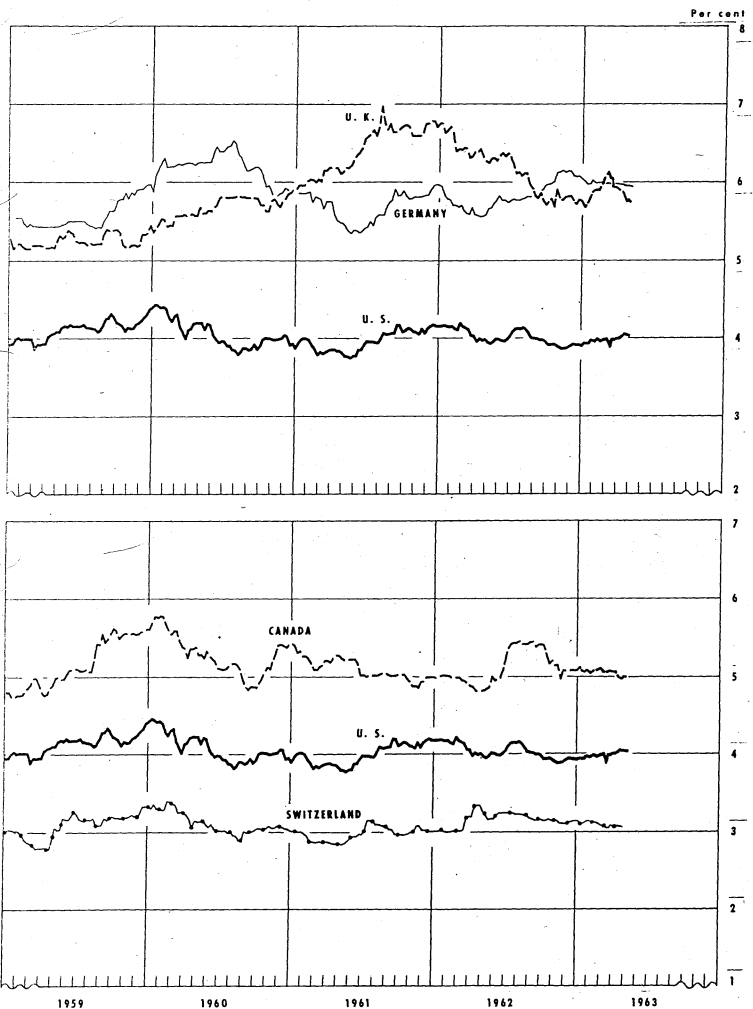
Chart 5  
SHORT-TERM INTEREST RATES \*



\* 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**

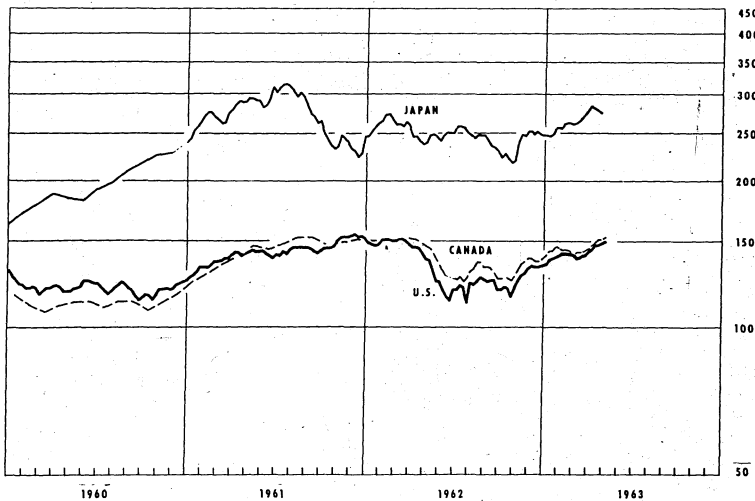
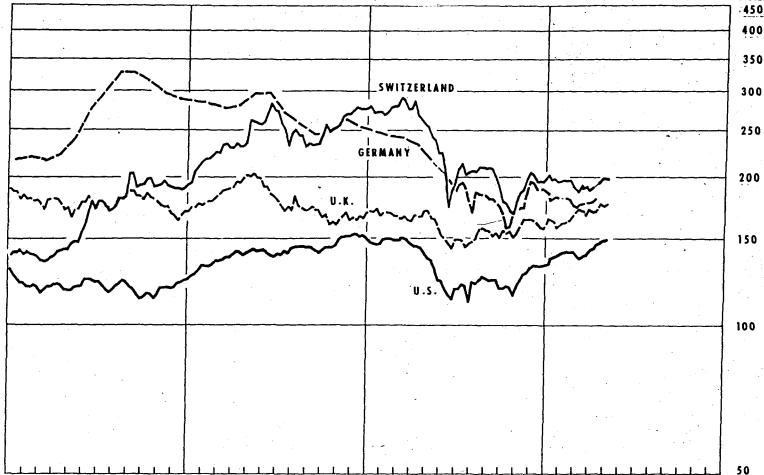


FRASER

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**

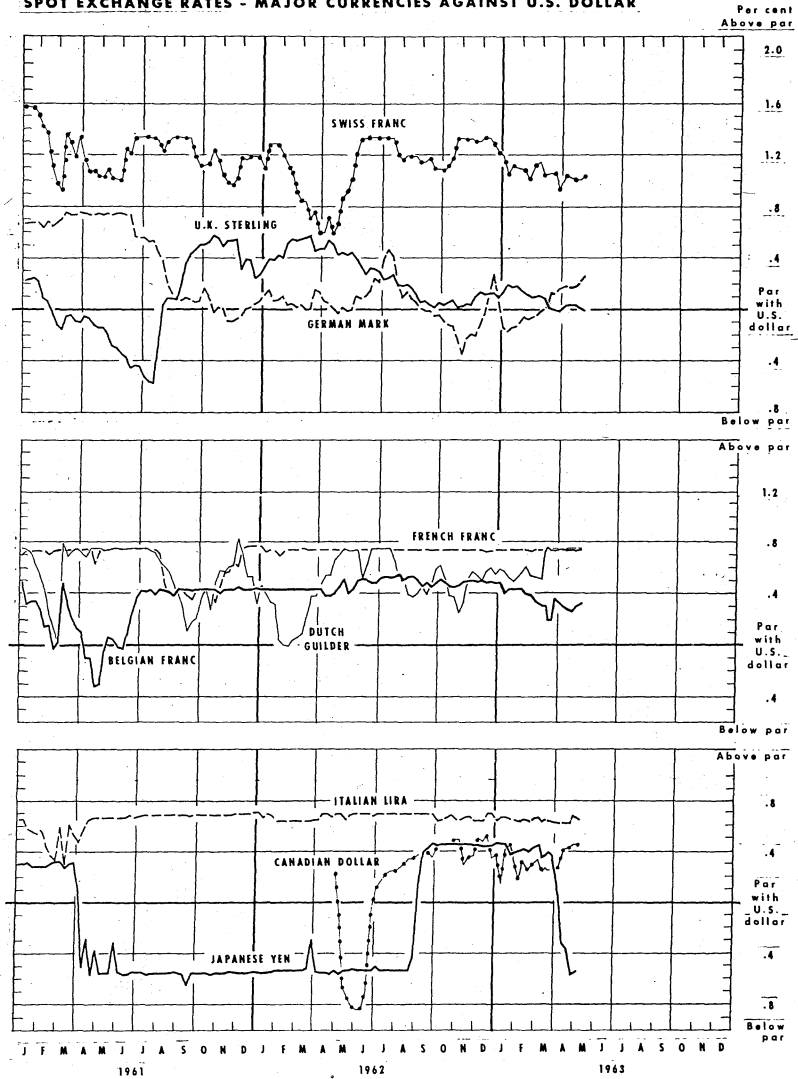


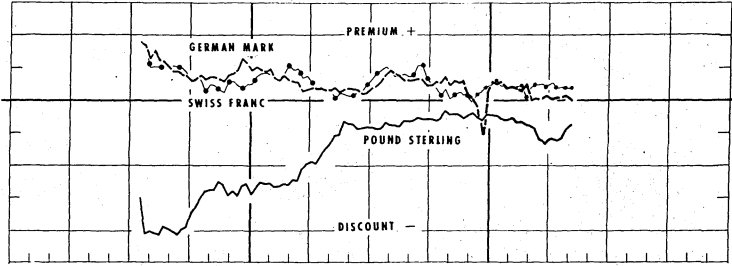
Chart 2

### 3-MONTH FORWARD EXCHANGE RATE

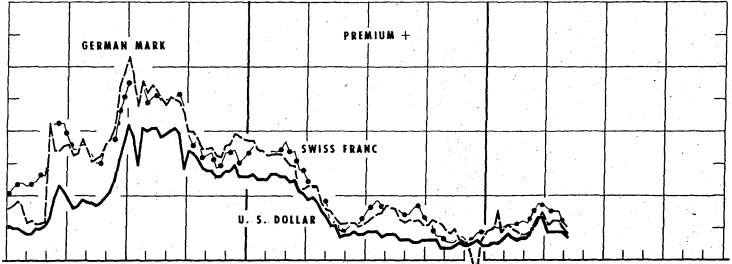
Friday figures

AGAINST U. S. DOLLARS

Per cent per annum



AGAINST POUND STERLING - LONDON



AGAINST POUND STERLING - LONDON

