

H. 13
No. 106

May 15, 1963.

CAPITAL MARKET DEVELOPMENTS ABROAD

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

I. Canada: Money and Capital Markets During April

Following the April 8 election, the Canadian dollar showed substantial strength throughout the month. The Bank of Canada took in dollars in increasing quantities during the latter part of April while holding the market rate on the Canadian dollar at about 92.9 U.S. cents. In spite of some reported spot sales against forward purchases of U.S. dollars, official holdings of gold and U.S. dollars increased by \$71 million during April, bringing the total to a record \$2,671 million. In May, reserve gains are thought to have continued.

The large April reserve gains and the largest first-quarter merchandise trade surplus in a decade helped to induce the Bank of Canada to announce a cut in the Canadian Bank rate from 4 to 3-1/2 per cent on May 6. This action reduced the Bank rate below the auction rate on Canadian Treasury bills, as was the case with the reduction last November. Combined with Governor Rasminsky's statement that the reduction was a step toward encouraging "...credit conditions that facilitate sound domestic economic expansion," the Bank rate action was interpreted by financial markets to imply a further easing of Canadian short-term money market rates.

Short-term money rates, which had been relatively stable for some time, dropped abruptly by about 1/5 of 1 per cent following the Bank rate announcement on May 6. On May 9, the weekly tender rate on 3-month Canadian Treasury bills was down to 3.33 per cent from 3.60 per cent the week before. While the uncovered spread favoring Canadian over U.S. Treasury bills was thus reduced in early May, the reduction was accompanied by a narrowing of the forward discount on the Canadian dollar. With the cost of forward cover decreasing at about the same rate as the decline in yield spreads, the fully-hedged incentive favoring the Canadian Treasury bill remained about stationary at about 1/4 per cent.

Reduction in Bank rate. On May 6, governor Rasminsky of the Bank of Canada announced a reduction in Bank rate from 4 to 3-1/2 per cent. This was the fourth reduction in the Bank rate since it was pegged at 6 per cent as a part of the emergency program of June, 1962. Since the last reduction from 5 to 4 per cent on November 13, short-term Canadian money rates have declined by about 1/2 per cent. The average tender on Canadian 3-month Treasury bills had declined from 4.09 per cent just preceding the November cut to 3.60 per cent on May 2.

DECONTROLLED AFTER SIX MONTHS

The rate adjustment appears to be more than a technical readjustment. As was the case with the November cut, the rate was brought to a level fractionally below the preceding week's Treasury bill tender rate, rather than above it. The cut, together with Governor Rasminsky's statement that ". . . it is appropriate in present circumstances for the central bank to continue to encourage credit conditions that facilitate sound domestic expansion," implied a further easing of Canadian money-market rates.

Initial market reaction to the bank rate reduction seemed to support this prognosis. On the day following the announcement, the 3-month Canadian Treasury bill rate dropped by about 1/5 per cent. The May 9 average tender on 3-month Treasury bills was 3.33 per cent, down from 3.60 per cent a week earlier. (See Table 10.)

The Bank rate announcement and the decrease in short-term yields were accompanied by a slight and apparently temporary easing, from about 92.94 to about 92.81 U.S. cents in the spot rate on the Canada dollar. (See Table 10.)

Money market. Short-term money rates dipped slightly after the election in early April; but, by the end of the month, they had returned to end-of-January levels. On May 2, the auction yield on the 3-month Treasury bill was 3.60 per cent, the same level as on April 4 (see Table 10 and Chart 1). Following the Bank rate cut from 4 to 3-1/2 per cent, however, the 3-month Treasury bill rate dropped by about 1/5 of 1 per cent, and on May 9, the average tender rate on the 91-day Treasury bill was down to 3.33 per cent from 3.60 per cent the previous week.

During most of February, March, and the first half of April, the discount on the forward Canadian dollar was sufficient to offset the yield spread between Canadian and U.S. Treasury bills. During the latter half of April, however, a net fully-covered incentive of about 1/2 per cent appeared in favor of the Canadian bill but it narrowed in early May to about 1/4 of 1 per cent. (See Table 10 and Chart 1.)

Canadian Finance paper rates declined by about 1/2 per cent from mid-March to mid-April. As the spread between U.S. and Canadian rates diminished, the narrowed forward Canadian dollar discount remained sufficient to largely eliminate any net incentive on a fully-covered basis (see Table 1).

Table 1. U.S. and Canadian Finance
Paper Rates and Arbitrage Calculation
(in per cent per annum)

	Feb. 20	Mar. 15	Mar. 29	Apr. 5	Apr. 12	May 3
Canada	4.00	4.00	4.00	3.75	3.50	3.50
United States	3.00-3.13	3.00-3.13	3.13	3.13	3.00-3.13	3.00-3.13
Spread	0.94	0.94	0.87	0.62	0.44	0.44
90-day forward exchange	-0.74	-0.81	-0.67	-0.54	-0.47	-0.44
Net incentive	+0.20	+0.13	+0.20	+0.08	-0.03	--

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Debt management operations. The Government of Canada sold a new issue of \$100 million in 365-day Treasury bills dated April 25, 1963 at an average yield of 3.91 per cent.

The official announcement stated that the proceeds of the new offering would "be used for general purposes of the Government of Canada." While the new bill issue was being brought onto the market, however, the Government reduced the amount of longer-dated securities. Between March 27 and May 1, the total amount of Treasury bills outstanding (par value) increased \$120 million; during this same period, the amount of Canada Savings Bonds declined by \$87 million, and other Government of Canada securities outstanding declined by \$142 million (see Table 3).

Bond market. In general, the bond market has not shared in the easing of Canadian interest rates during the fall and winter months. Last summer, Canadian actions were directed toward raising the yield curve of securities generally and in particular to raise short-term rates in order to stem the short-term capital outflows which contributed to the foreign-exchange crisis. During April, Canadian bond yields slipped perceptibly downward for the first time since late fall, and after the May 6 bank rate reduction were at levels not recorded since about a year ago. (See Table 11.) Moreover, yields spreads over comparable long-term U.S. Government bonds also declined to levels prior to the mid-1962 emergency program.

Corporate and local-government securities shared in the modest yield decline experienced by government securities during the month of April. The McLeod, Young, Weir & Company bond yield averages for these sectors stood at levels generally about 1/10 per cent lower (except, notably, municipals, which declined less) at the end of April than they had been one month earlier (see Table 2).

Table 2. Average Bond Yields as Reported by
McLeod, Young, Weir & Company

	<u>Apr. 30</u> <u>1962</u>	<u>Oct. 31</u> <u>1962</u>	<u>Mar. 29</u> <u>1963</u>	<u>Apr. 30</u> <u>1963</u>
10 Provincials	5.19%	5.48%	5.39%	5.32%
10 Municipals	5.38	5.63	5.51	5.47
10 Public Utilities	5.17	5.46	5.49	5.39
10 Industrials	5.15	5.45	5.42	5.33
40 Bond Yield Average	5.22	5.50	5.45	5.38

Source: Press Release by McLeod, Young, Weir & Company (Toronto), May 1, 1963.

Bank loans and bank liquidity. The advance in seasonally-adjusted general loans by Canadian chartered banks, which resumed during February, continued in March. Unadjusted figures show some decline in general loans in the first half of April and a further expansion later in the month.

The chartered banks sold Treasury bills more or less steadily during April, the same time during which the Government was increasing the total of bills outstanding by \$120 million. A large portion--almost \$100 million--of this supply of bills was absorbed by the general public; the rather sizeable remainder--\$140 million--was taken by the Bank of Canada (see Table 3).

Table 3. Canada: Net Purchases (+) or Sales (-) of Government Securities
(\$ millions, par value)

	1 9 6 3					
	Jan. 31-Feb. 27		Feb. 27-Mar. 27		Mar. 27-May 1	
	Treasury Bills	Other	Treasury Bills	Other	Treasury Bills	Other
Bank of Canada	-41	- 34	- 4	+63	+140	- 5
Chartered Banks	-12	+119	- 4	-11	- 90	+ 21
Government Accounts	+66	- 27	-62	-30	- 26	-132
General Public	-13	a/ - 11	+70	b/ -75	+ 96	c/ -114
Change in Total Outstanding e/		+66		-53	+120	d/ -229

a/ Includes a decrease of \$1 million in holdings of Canada Savings Bonds.

b/ Includes a decrease of \$21 million in holdings of Canada Savings Bonds.

c/ Includes a decrease of \$87 million in holdings of Canada Savings Bonds.

d/ Includes a decrease of \$87 million in Canada Savings bonds Outstanding.

e/ Components may not add to total due to rounding.

As the chartered banks sold Treasury bills during the month, liquid-asset ratios were reduced somewhat from March levels. On May 1, however, they retained liquid-asset ratios, at 17.6 per cent, were well above the 15 per cent agreed minimum (see Table 4).

Favorable trade accounts continue. Trade data continue to reflect sizeable and favorable readjustments to the Canadian devaluation. Following a very favorable fourth quarter, a \$70 million surplus on merchandise trade during the first quarter of 1963 was the most favorable first-quarter balance recorded in a decade, and compares with a deficit of \$75 million recorded during the same period last year.

Table 4. Canadian Chartered Banks: Changes in Cash Reserves and Other
(Can. \$ million or per cent)

	Change during Quarter			Change during month			Level on May 1
	1962		1963	1963			
	III	IV	I*	Feb.	Mar.	Apr.*	
1. Reserves							
Cash Reserves	- 53	+ 17	--	+ 2	--	+ 11	1,150
Liquid Assets	- 81	+298	+ 51	- 12	- 36	- 53	2,483
2. Ratios a/							
Cash Ratio	8.16	8.16	8.11	8.09	8.10	8.06	8.16
Liquid Asset Ratio	15.87	17.96	18.32	18.45	18.32	17.59	17.61
3. General Loans	+198	-299	+ 1	+ 23	+145	+ 24	6,534
4. Other Assets b/							
Treas. Bills	- 71	+196	+141	c/ - 12	c/ - 4	c/ - 90	1,178
Govt. Bonds	-560	+337	+ 96	c/ +129	c/ - 11	c/ + 21	2,346
Total, Govt. Securities	-631	+533	+237	c/ +117	c/ - 15	c/ - 69	3,524
5. Total Canadian dollar deposits	-642	+1016	-745	+251	+ 99	+266	14,418

a/ Ratios given are averages for the periods shown.

b/ Amortized value.

c/ Par value.

* Preliminary

Foreign exchange. During April the Canadian dollar gained substantial strength and remained in considerable demand throughout the month. After the election, the market rate on the dollar rose from a level of 92.7 - 92.8 U.S. cents and remained above 92.9 U.S. cents during the rest of April. After losing very modest amounts of reserves prior to the election, the Bank of Canada took in U.S. dollars almost steadily during the remainder of the month while holding the market price of the dollar at about 92.95 U.S. cents. As the rate of reserve accruals increased during the latter part of the month, press reports indicated that the Bank of Canada undertook forward transactions to move some of these gains into future months. Despite these spot sales against forward purchases of U.S. dollars, official Canadian reserve gains amounted to U.S. \$71.3 million. At the end of April, official Canadian holdings of gold and U.S. dollars stood at a record high of U.S. \$2,671.4 million (see Table 5). Of this total, the only obligation remaining from the emergency assistance received during the 1962 crisis is that arising from the \$300 million I.M.F. drawing at that time.

Table 5. Canada: Changes in Official Reserves March 1962-March 1963

End of Period	Official Holdings of Gold & U.S. dollars (millions of \$ U.S.)	Unadjusted change during period	Special Non-Market Receipts (-) (net)	Adjusted change
<u>1962:</u>				
March	1,709.4	- 37.3	--	- 37.3
April	1,594.8	-114.6	--	-114.6
May	1,492.8	-102.0	--	-102.0
June 1-24	1,100.0	-392.8	--	-392.8
June 24-30	1,808.7	+708.7	a/ -650.0	+ 58.7
July	2,114.4	+305.7	b/ - 61.0	+244.7
August	2,330.6	+216.2	--	+216.2
September	2,444.6	+114.0	--	+114.0
October	2,613.9	+169.3	+ 20.0	+189.3
November	2,607.5	- 6.4	d/ + 75.0	+ 68.6
December	2,539.4	- 68.1	e/ +100.0	+ 31.9
<u>1963:</u>				
January	2,662.5	+123.1	f/ -125.0	- 1.9
February	2,593.9	- 68.6	--	- 68.6
March	2,600.1	+ 6.2	--	+ 6.2
April	2,671.4	+ 71.3	--	+ 71.3

a/ External assistance received, as follows: \$300 million from I.M.F.; \$250 million from Federal Reserve; \$100 million from Bank of England.

b/ Advance debt repayment by France.

c/ Special receipts included a \$30 million debt prepayment by the Netherlands and receipt of \$125 million proceeds of Government of Canada loan in the U.S.; payments included termination on October 31 of half the Swaps with the Federal Reserve Bank of New York and the Bank of England (\$175 million).

d/ On November 30, Canada terminated an additional \$75 million of the Swaps with the Federal Reserve Bank of New York and the Bank of England.

e/ On December 26, Canada reversed the remainder of the swaps with the Federal Reserve System and the Bank of England in the amounts of \$75 million and \$25 million. The reciprocal currency swap in the amount of \$250 million with the Federal Reserve Bank of New York was placed on a standby basis.

f/ Receipt of the remaining \$125 in proceeds of the Government of Canada loan in the U.S.

Stock market. The Canadian DBS Industrials Index rose sharply during the two weeks following the Canadian election, and then levelled out late in the month. The U.S. Standard and Poor Industrials Index advanced steadily throughout this same period (see Table 6).

Table 6. Canadian and U.S. Stock Prices

	March 1963			April 1963			May 1963	
	14	21	28	4	11	18	25	
DBS Industrials a/ N.Y. Standard and Poor Industrials b/	128.2	129.0	130.4	130.9	133.5	137.4	137.1	n.a. 73.42

a/ This series is the recently-published DBS index of 76 industrials (1956 = 100), and replaces the older DBS index of 66 industrials (1935-1939 = 100) previously reported in Capital Markets Developments Abroad series for Canada.

b/ Average for the week ended on Friday.

Canadian banks' operations in U.S. dollars. Total non-Canadian dollar deposits in chartered banks fell by \$78 million during March. During the same period, chartered banks' non-Canadian dollar assets declined by about \$92 million. In addition to this net decline, Canadian chartered banks channelled another \$50 million from foreign-currency security and loans into deposits with other banks (see Table 7).

The drop in Canadian street loans in New York coincided with increases in street loans by other foreign agencies, during March to a level quite high by recent standards (see Table 8). In April, total foreign agency loans rose by \$50 million.

Table 7. Canadian Chartered Banks: Non-Canadian-Currency Assets and Liabilities
(millions of Canadian dollars)

	ASSETS					LIABILITIES		
	Deposits w/other Banks	Call Loans	Secur- ities	Other Loans	Total	Deposits by other Banks	Other Deposits	Total
<u>Total Outstanding:</u>								
Dec. 1960	531.5	814.5	556.8	813.7	2,716.5	46.9	2,007.4	2,654.3
Dec. 1961	1,007.3	843.8	612.7	1,068.7	3,592.5	702.5	2,785.9	3,488.4
Dec. 1962	1,204.0	683.7	705.2	1,365.9	3,958.8	693.8	3,264.1	3,957.9
<u>Changes During:</u>								
1961:								
I	+ 82.5	-113.9	+221.1	- 59.1	+130.6	- 71.2	+251.9	+180.7
II	-189.2	+261.7	- 68.2	- 88.6	-471.3	- 16.0	+526.2	+509.3
III	+ 73.9	-137.5	+149.5	+ 32.5	-138.4	- 31.9	+171.3	+203.2
IV	-110.2	+ 19.0	-186.5	+193.0	+135.7	+111.8	-170.9	- 59.1
1962:								
I	-106.2	- 20.1	+214.4	+ 14.5	+162.6	+ 78.6	+210.6	+289.2
II	+236.2	-231.6	+135.8	+ 45.5	+185.9	-129.1	+327.2	+198.1
III	-200.1	+170.1	-166.5	+147.2	- 49.3	+ 77.5	- 78.7	- 1.2
IV	-266.8	- 78.5	-151.2	+ 90.0	+127.1	- 35.7	+ 19.1	- 16.6
Dec.	+ 55.1	- 77.2	-250.2	+ 46.6	-225.7	- 62.3	-178.0	-240.3
1963:								
Jan.	+ 3.9	- 11.2	+187.9	+ 3.2	+183.8	- 52.1	+107.2	+159.3
Feb.	+ 84.6	+ 93.8	- 75.4	+ 8.6	+111.6	+ 17.5	+115.6	+133.1
Mar.	+ 50.2	- 54.7	- 66.0	- 21.3	- 91.8	+ 3.6	- 81.3	- 77.7

Table 8. Call Loans in the New York Market, end of Month (Wednesday Dates)
(\$ millions)

Date	U.S. ^{a/}	Foreign Agencies		
	Banks	Total ^{a/}	Canadian ^{b/}	Other ^{c/}
1960-December	1,496	849	829	20
1961-December	1,963	859	809	50
1962: June	1,361	610	541	69
July	1,042	487	473	14
August	1,141	778	734	44
September	r/ 2,020	r/ 750	708	r/ 42
October	2,086	846	782	64
November	1,417	775	706	69
December	2,618	709	634	75
1963: January	1,592	713	625	88
February	2,157	788	712	76
March	1,725	771	660	111
April 17	1,733	829	n.a.	n.a.

a/ Estimates by New York State Banking Department.

b/ Call Loans, as reported by Canadian banks, converted into U.S. dollars at end-of-month exchange rates.

c/ Residual.

r/ Revised.

Borrowing in the U.S. Between March 18 and May 6, A. E. Ames & Company reported five Canadian bond issues sold in the U.S. market, totalling \$75.5 million. Of this total, \$50 million was accounted for by the single issue privately placed by Bell Telephone Company of Canada. The Canadian issues reported sold in the U.S. during this period were:

In March:

Pacific Great Eastern Railway Company, \$3 million sinking fund debentures due 1988, placed privately.

Industrial Acceptance Corporation, Ltd., \$10 million secured notes due 4/1/88, placed privately.

In April:

Union Acceptance Corp. Ltd. \$7.5 million secured notes due 4/1/74-78, placed privately.

In May:

British Columbia School Districts Capital Financing Authority, \$5.0 million Guaranteed by the Province of British Columbia, 5 per cent securities due 5/15/64-83 reportedly sold at a price of 100.55.

Bell Telephone Company of Canada, \$50 million first mortgage bonds due 5/1/88, placed privately.

As reported by A. E. Ames and Company, these securities placements brought the total of Canadian securities sold in the United States to \$572 million through May 6. This compares with a total of only \$105 million and \$11 million during comparable periods of 1962 and 1961, respectively (see Table 9).

Table 9. Sales of New Canadian Securities Payable in U.S. Funds
(Can. \$ millions)

	<u>Total</u>	<u>Provincial</u>	<u>Provincial</u> <u>Guaranteed</u>	<u>Municipal</u>	<u>Corpora-</u> <u>tion</u>
1963 to May 6	572.1	25.0	353.0	29.6	164.5
1962 to May 7	104.5	--	--	1.5	103.0
1961 to May 8	11.0	--	--	--	11.0

Source: A. E. Ames & Co., "Weekly Bond Sales Summary."

Europe and British Commonwealth Section.

Table 10. Canada: Treasury Bill Yields and Exchange Rates

	3-mo. Treas. bill arbitrage calculation						Finance paper	
	Canada a/	U.S. a/	Differ- ence	In favor		Spot Can.\$ (U.S. cents)	30-89 days	90-179 days
				3-mo. Can.\$ b/	3-mo. Can. bill c/			
1962-High	5.51	2.98	2.59	0.13	0.84	95.75	--	--
Low	3.01	2.64	0.22	-2.13	-0.11	91.73	--	--
1962-July 19	5.51	2.93	2.58	-2.02	+0.56	92.72	--	--
1963-Jan. 31	3.65	2.93	0.72	-0.94	-0.22	92.80	3-3/4 - 4	4 - 4-1/4
Feb. 14	3.66	2.92	0.74	-0.74	0.00	92.75	3-3/4 - 4	4 - 4-1/4
21	3.65	2.87	0.78	-0.74	+0.04	92.80	4	4-1/8 - 1/4
April 4	3.60	2.91	0.69	-0.54	-0.15	92.75	3-3/4 - 4	3-7/8 - 4-1/8
10	3.48	2.90	0.58	-0.54	+0.04	92.92	3-1/2 - 3/4	3-3/4 - 7/8
18	3.57	2.89	0.68	-0.27	+0.41	92.91	3-1/2 - 3/4	3-3/4 - 7/8
25	3.66	2.89	0.77	-0.20	+0.57	92.94	--	--
May 2	3.60	2.90	0.70	-0.44	+0.26	92.94	3-1/2	3-3/4
9	3.33	2.91	0.42	-0.20	+0.22	92.81	--	--

a/ Thursday quotations. b/ Spread between spot and 3-month forward rate in per cent. per annum. Discount equals (-). c/ Net of difference in bill yield less discount on 3-month Canadian dollar.

Table 11. Selected Government of Canada Security Yields

	6-mo. Treas. bills		Intermediate bonds (8 yr.)		Long-term bonds			
	Canada a/	Spread over U.S. b/	Canada c/	Spread over U.S. d/	(20 year)		(35 year)	
					Canada e/	Spread over U.S. f/	Canada g/	Spread over U.S. h/
1962-High	5.74	2.84	5.20	1.33	5.48	1.47	5.20	1.29
Low	3.18	0.19	4.04	0.00	4.73	0.73	4.81	0.86
1962-July 19	5.74	2.59	5.11	1.16	5.48	1.44	5.15	1.03
1963-Jan. 2	4.06	1.12	4.48	0.97	5.08	1.21	5.10	1.17
Feb. 6	3.85	0.85	4.35	0.82	5.02	1.13	5.01	1.02
March 6	3.73	0.79	4.36	0.85	5.05	1.18	5.04	1.14
13	3.75	0.82	4.41	0.88	5.08	1.20	5.04	1.06
April 3	3.73	0.75	4.45	0.88	5.01	1.13	5.01	1.01
10	3.75	0.60	4.39	0.76	4.93	1.02	4.99	0.97
17	3.67	0.68	4.37	0.72	4.91	0.97	4.97	0.92
24	3.80	0.81	4.41	0.80	4.92	0.98	4.97	0.93
May 1	3.74	0.75	4.32	0.75	4.91	0.98	4.97	0.94
8	3.40	0.41	4.14	0.58	4.86	0.94	4.94	0.93

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

Chart 1

INTEREST ARBITRAGE, UNITED STATES / CANADA

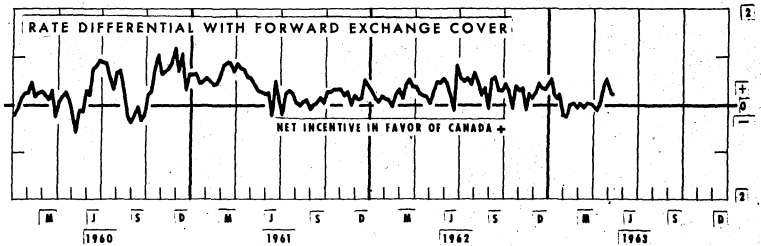
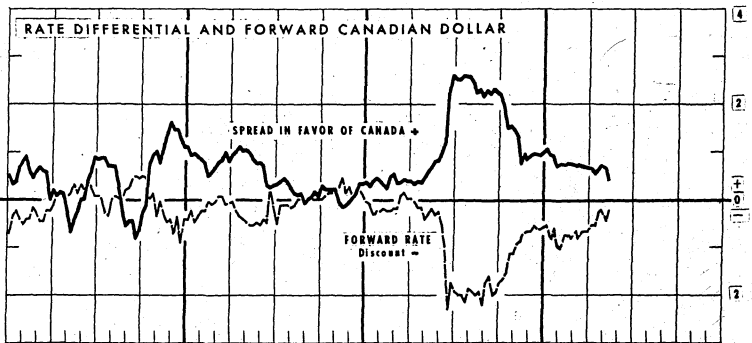
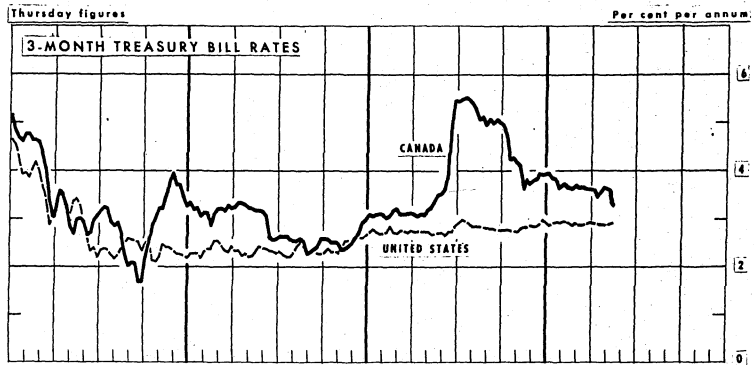


Chart 2

INTEREST ARBITRAGE, NEW YORK/LONDON

Friday figures

Per cent per annum

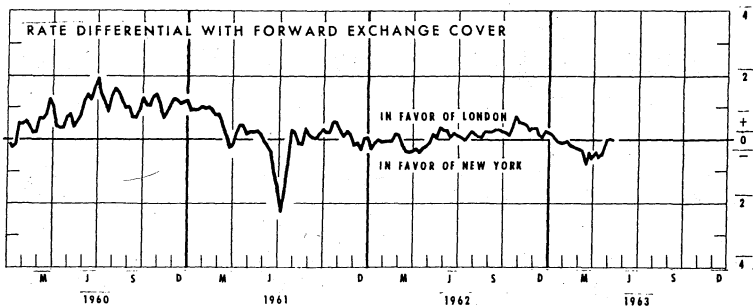
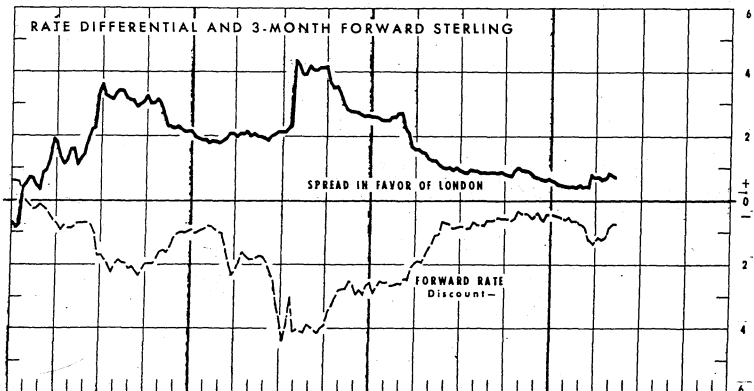
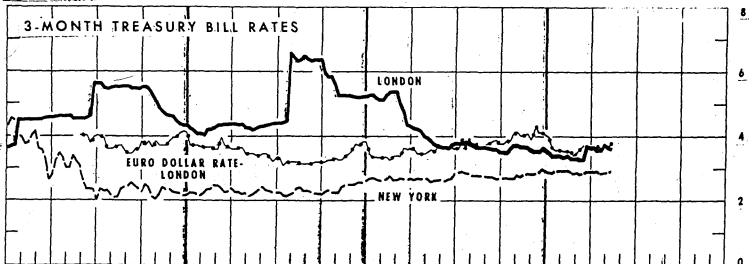
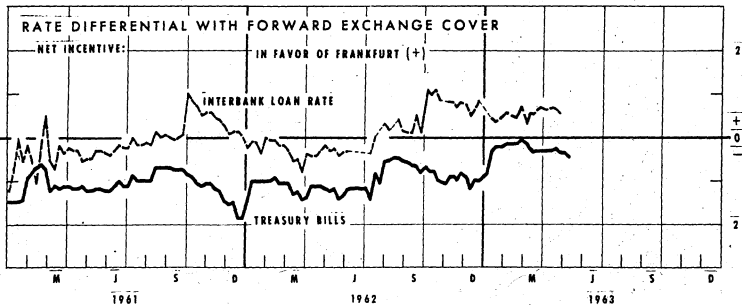
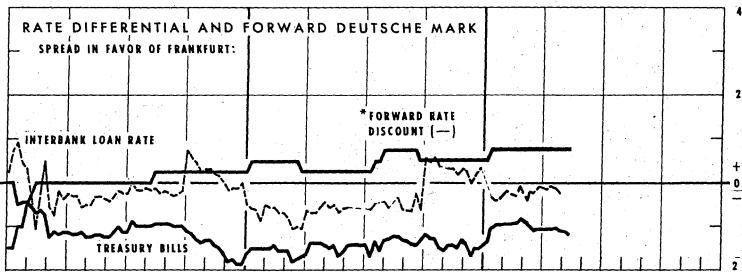
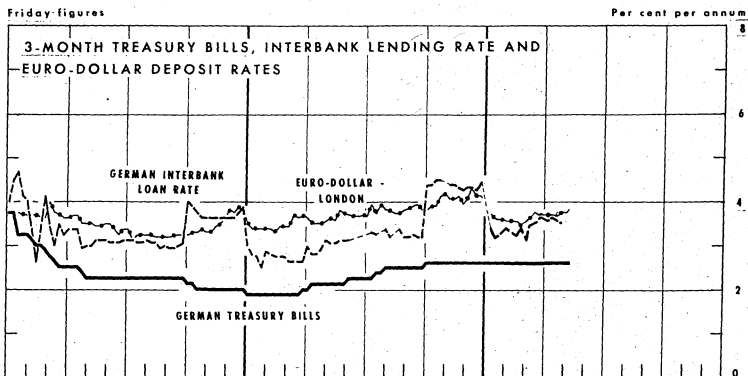


Chart 3

INTEREST ARBITRAGE FOR GERMAN COMMERCIAL BANKS



* Note: Special forward rate available to German commercial banks

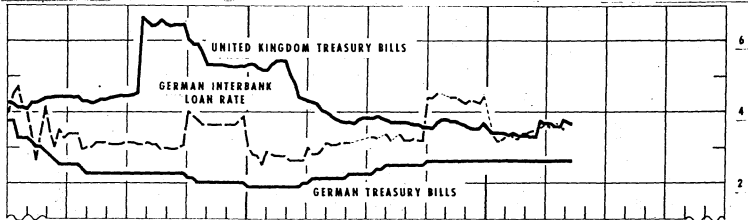
Chart 4

INTEREST ARBITRAGE, FRANKFURT / LONDON

Friday figures

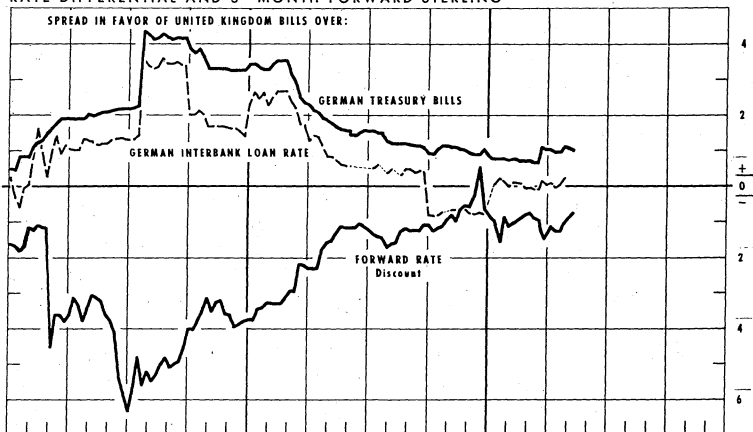
3—MONTH TREASURY BILLS AND INTERBANK LENDING RATES

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:

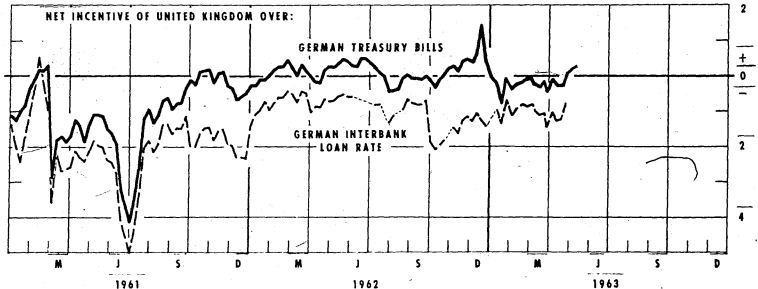
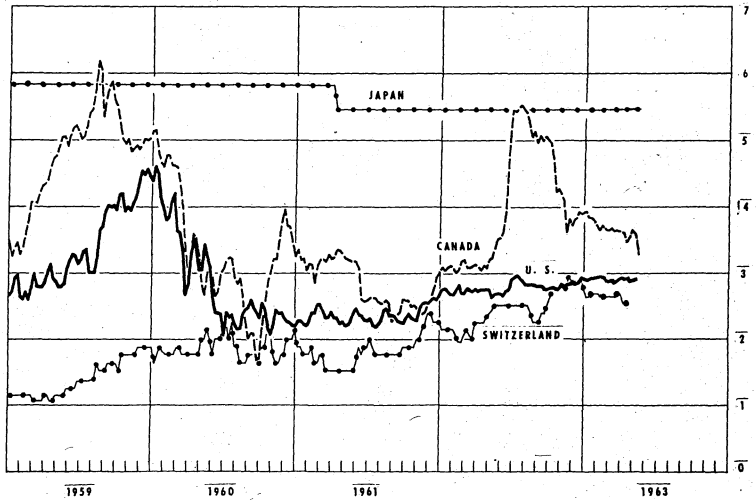
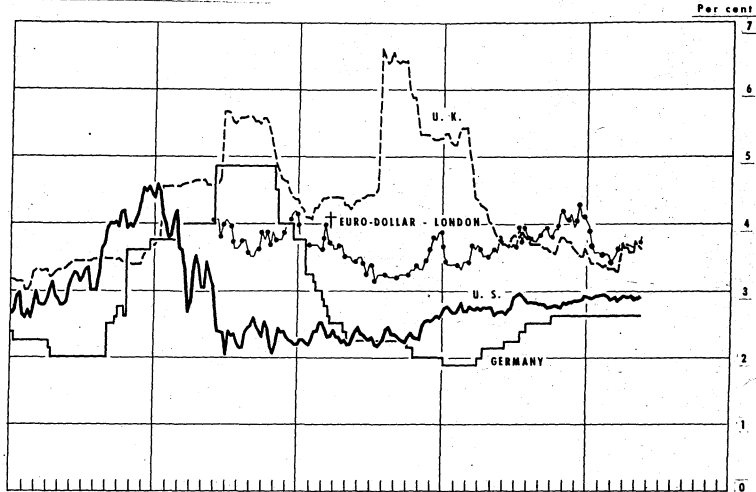


Chart 2
SHORT-TERM INTEREST RATES *



* 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

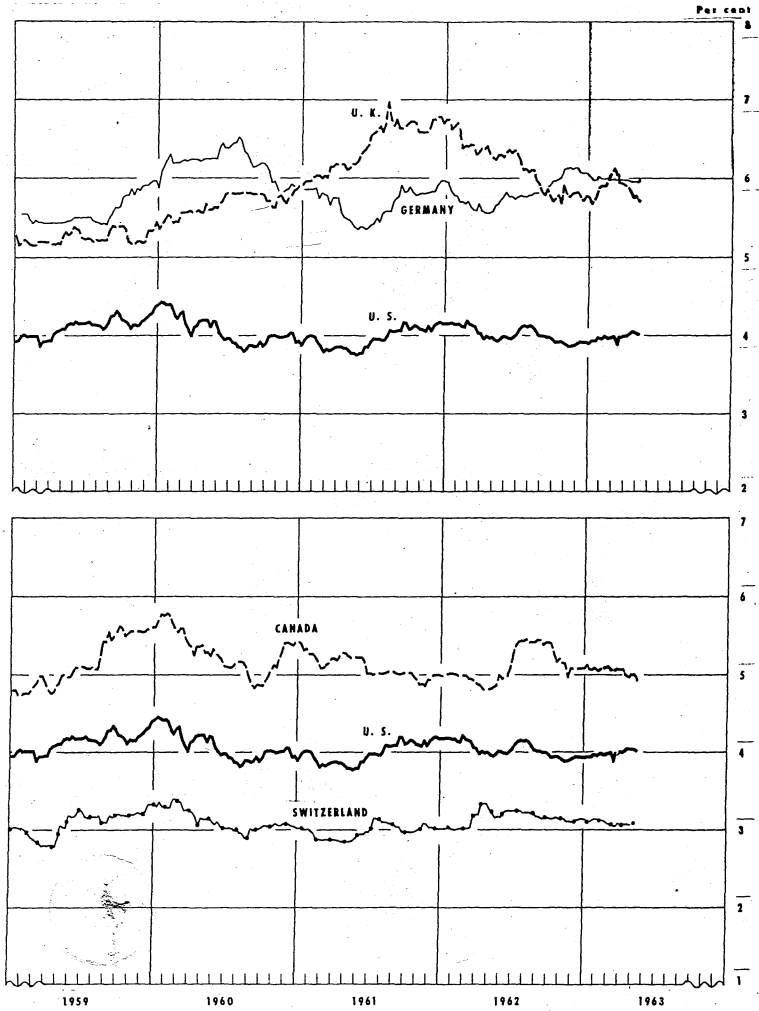
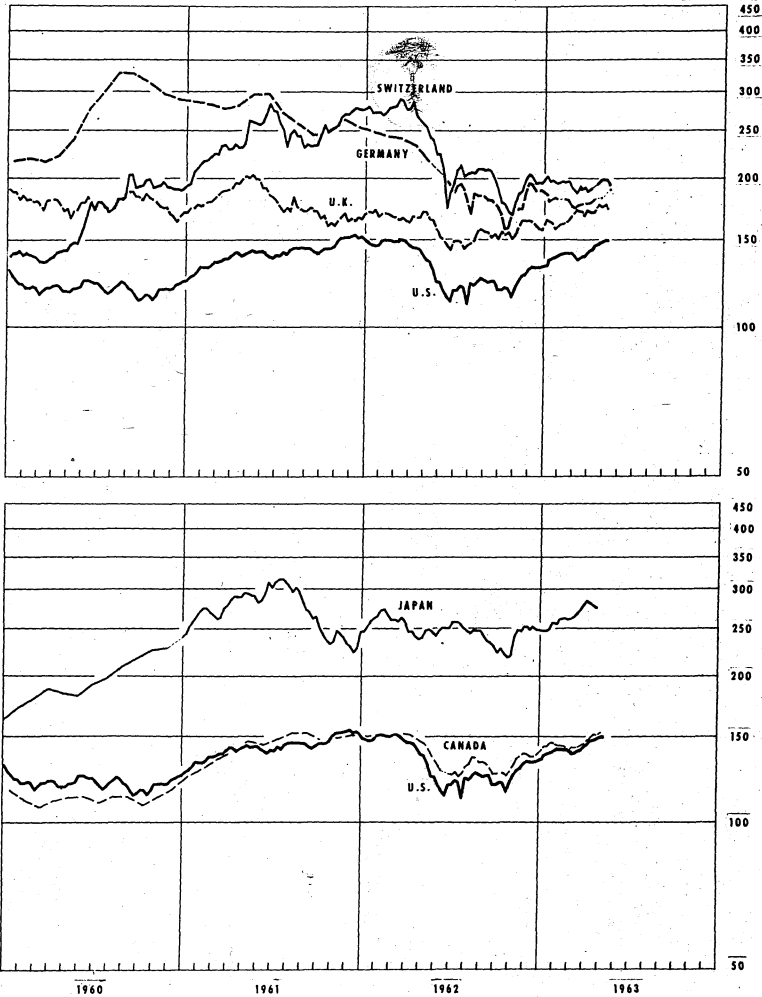


Chart 7

INDUSTRIAL STOCK INDICES*

1958 = 100
Ratio scale



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

Chart B

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

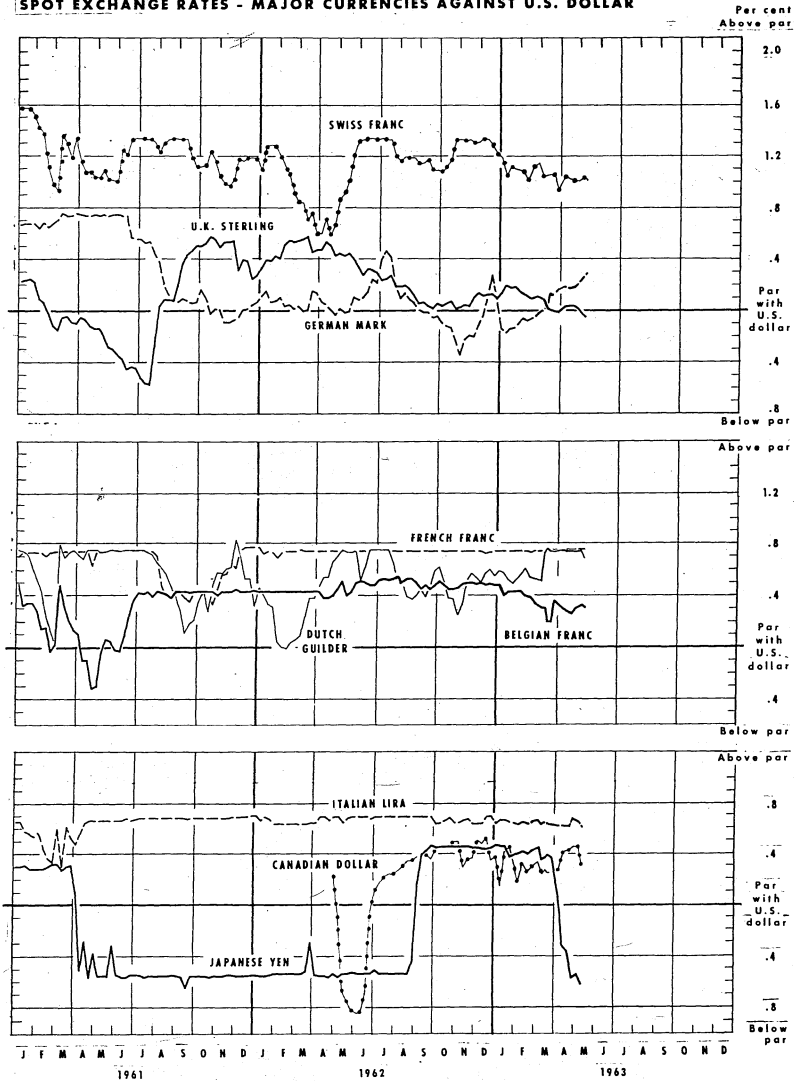


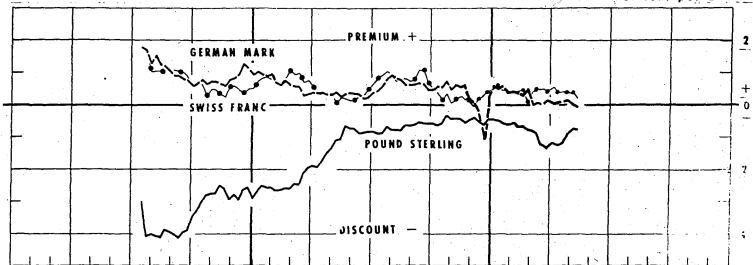
Chart 9

3-MONTH FORWARD EXCHANGE RATE

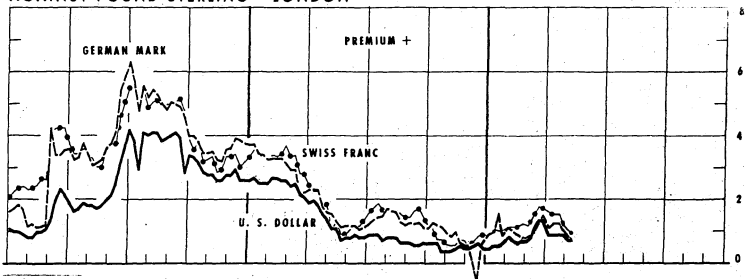
Friday figures

AGAINST U. S. DOLLARS

Per cent per annum



AGAINST POUND STERLING - LONDON



AGAINST POUND STERLING - LONDON

