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CAPITAL MARKET DEVELOPMENTS ABROAD

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FEDERAL RESERVE BANK  
OF RICHMONDI. France  
II. Nine Charts on Capital Market Developments AbroadI. France: Money and Capital Markets, April-July 1963

More official measures to restrain inflation and a sharp tightening of the money market were the major new developments on the French financial scene in the period under review. Official gold and foreign exchange reserves again rose rapidly although less so than last year. So far, there have been no important repercussions in French markets of the recent U.S. measures to aid its balance of payments. In late July, France prepaid an additional \$220 million of debts to the U.S. and the IERD.

Another increase in the minimum liquidity ratio of the French banks, effective May 31, was the prime source of much tighter conditions in the market for short-term funds. Over the end of June, banks were obliged to rediscount heavily in excess of their ceilings at the Bank of France, and pay the high penalty rates charged for such accommodation. Rates for day-to-day money in the market place soared as high as 8-1/2 per cent on some occasions. The market was still relatively tight as July drew to a close.

Other steps to contain inflationary pressures were taken on the fiscal front. To soak up some of the very large supply of liquid assets in the economy, on May 20 the French Treasury floated a 1 billion franc long-term bond issue subscribable in cash only. The estimated budget deficit for 1963 has been held to the now-customary 7 billion francs despite authorizations for an additional 4 per cent of supplementary expenditures, in part to pay for the recent wage and salary increases of public sector employees. Railroad and electricity rates have been increased, some new business taxes have been voted, and the estimate of receipts from existing taxes has been raised. In previous years since 1958, the deficits actually realized have been under the 7 billion franc estimate and their financing has not been inflationary.

Official reserves, adjusted for special official transactions, increased \$300 million in the second quarter and about \$100 million in the first three weeks of July. These large gains were, however, more than \$100 million less than in the corresponding period of last year. The trade balance has been much less favorable, but net capital inflow has continued to run ahead of 1962. Tighter money market conditions have induced French banks to step up their net borrowings in the Euro-dollar market.

The long-term capital market in France will be affected by the findings of the committee headed by M. Maurice Lorain, Chairman of the Board of the Société Générale. The Lorain Committee, appointed in June 1962, submitted in

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June 1963 its recommendations on ways to increase the flow of savings into long-term securities. Among the Committee's recommendations were:

- a. Creation of open-end investment companies, which until now have not been allowed in France;
- b. Encouragement of the issuance of convertible bonds and of participating bonds (whereby the bondholder may participate in profits);
- c. Permitting the issuance of preferred stock;
- d. Partial tax exemption of bond interest, to reduce the relative attractiveness of savings deposits and public Treasury bills which are wholly exempt from personal income tax; and
- e. Measures to induce banks to place more funds in long-term bonds and long-term loans.

After announcement of the recent measures designed to cut the U.S. payments deficits, the franc fell very slightly below its upper limit from July 19 to July 22, but thereafter has been back at its ceiling.

Money market. The Paris money market became progressively tighter during the second quarter in response to new measures to restrain credit expansion in France. After a temporary easing in early July, market rates were moving up again as the month-end approached. Market conditions do not appear to have been affected by the rise in the U.S. discount rate on July 17.

In early May it was announced that, effective May 31, the banks' minimum liquidity coefficient would be raised again, this time from 35 to 36 per cent. This new move followed closely the rise in the coefficient from 32 to 35 per cent that had been effective on March 31. The March action effectively locked up the banks' excess holdings of assets eligible for meeting the requirement. But because the banks did not need to seek additional funds on any large scale in the market or from the Bank of France, market rates were little affected. In both March and April, the normal end-of-month tightening caused the day-to-day money rate against private paper to rise only briefly above the key level of about 3-1/2 per cent. (See table 1.) This is the rate paid on Bank of France rediscounts of short-term inland commercial bills that do not exceed the ceilings imposed by the Bank on such rediscounts.<sup>1/</sup> Market rates significantly above or below 3-1/2 per cent are regarded as indicating market tightness or ease, respectively.

Much tighter conditions began to prevail when the 36 per cent liquidity coefficient went into effect. At the end of May, banks began to rediscount with

<sup>1/</sup> The Bank of France accords a preferential rate of 3 per cent on its rediscounts and open-market purchases of both short-term export paper and Treasury bills, while rediscounts of most medium-term paper are made at 3.95 per cent. There are no ceilings on either export or medium-term paper.

Table 1. France: Rates for Day-to-Day Money vs. Private Paper, 1963

| Monthly average |                  | Day  |                  |
|-----------------|------------------|------|------------------|
| January         | - 3.39           | June | 6 - 4.25 - 6.00  |
| February        | - 3.45           |      | 13 - 3.50 - 3.63 |
| March           | - 3.43           |      | 20 - 3.34 - 4.50 |
|                 |                  |      | 27 - 6.00 - 6.50 |
| Day             |                  | Day  |                  |
| March           | 28 - 3.38 - 3.63 | July | 4 - 6.25 - 6.75  |
| April           | 4 - 3.50 - 3.63  |      | 11 - 3.50 - 4.50 |
|                 | 11 - 3.38 - 3.50 |      | 18 - 3.50 - 3.63 |
|                 | 18 - 3.13 - 3.50 |      | 25 - 5.00 - 5.25 |
|                 | 24 - 3.63 - 4.50 |      |                  |
| May             | 2 - 4.75 - 5.25  |      |                  |
|                 | 9 - 3.50         |      |                  |
|                 | 16 - 3.50 - 3.63 |      |                  |
|                 | 22 - 3.38 - 3.50 |      |                  |
|                 | 30 - 4.50 - 4.75 |      |                  |

Source: Bank of France

the Bank of France at the 4-1/2 per cent ("hell") and 6 per cent ("super-hell") rates applied to rediscounts exceeding 100 and 110 per cent, respectively, of their ceilings. Although the banks can rediscount medium-term paper and export paper without limit, this facility cannot be employed to offset pressures caused by a higher liquidity coefficient because these types of paper are among the assets which are eligible for meeting the requirement itself.

In the market, the rate on day-to-day money against private paper touched 6 per cent on several occasions between May 31 and June 6. Subsequently, at the end of June, usual mid-year pressures on bank liquidity and certain special factors added to the pressure. For the first time in more than a year, banks had heavy recourse to penalty-rate rediscounting from June 21 to July 4. In the market, day-to-day money was at or above 6 per cent in this period, sometimes commanding as much as 8-1/2 per cent. (Rates above 6 per cent reflect certain market imperfections, since the banks can rediscount without limit at 6 per cent.)

Conditions eased after July 4. But the market remained highly vulnerable to any forces that might tighten it again, since bank liquidity could not be further compressed. A tightening began on July 24, as the month-end approached and as customers began to make heavy withdrawals of currency to meet vacation needs. On July 25, day-to-day money against private paper ranged between 5 and 5-1/4 per cent.

In April the French Treasury instituted a thrice-monthly auction system for financial Treasury bills (i.e., bills sold to banks and other financial institutions) in lieu of the former open-tap system. The purpose of that innovation was to divert into bonds or bank loans the funds employed in Treasury bills held

in excess of banks' required holdings (15 per cent of deposits). The auction system has not so far resulted in appreciably lower rates on free investments in Treasury bills. (Banks still receive the former tap rates on their compulsory holdings.) On the 2-year bills, which made up 92 per cent of total financial Treasury bills outstanding at the end of 1962, the free investment auction rate of 3-1/8 per cent on July 5 and July 16 was identical with the former tap rate still paid on compulsory holdings; for one year bills the rate was 1/8 lower on July 5 but returned to the compulsory-holdings rate on July 16. (See Table 2.) In the case of 3-month bills, free investment rates at the July 5 and 16 auctions were 1/8 and 3/8 lower than under the old system. However, the 3-month bills comprised only 2 per cent of all bills outstanding at the end of last year. Rates at the auctions in April-June are not available.

Table 2. France: Financial Treasury Bill Rates, 1961-63

| Purpose:<br>Maturity:        | Banks' Required Holdings |       |        | Free Investment |       |        |
|------------------------------|--------------------------|-------|--------|-----------------|-------|--------|
|                              | 3-mos.                   | 1-yr. | 2-yrs. | 3 mos.          | 1-yr. | 2-yrs. |
| <u>Open-Tap Rates</u>        |                          |       |        |                 |       |        |
| <u>1961</u>                  |                          |       |        |                 |       |        |
| <u>1962</u>                  | 2.500                    | 3.125 | 3.375  | 2.500           | 3.125 | 3.375  |
| January 1 to March 11        | 2.500                    | 3.125 | 3.375  | 2.500           | 3.125 | 3.375  |
| March 12 to December 31      | 2.500                    | 3.000 | 3.250  | 2.500           | 3.000 | 3.250  |
| <u>1963</u>                  |                          |       |        |                 |       |        |
| January 1 to February 24     | 2.500                    | 3.000 | 3.250  | 2.500           | 3.000 | 3.250  |
| February 25 to first auction | 2.375                    | 2.875 | 3.125  | 2.375           | 2.875 | 3.125  |
| <u>Auction Rates</u>         |                          |       |        |                 |       |        |
| <u>1963</u>                  |                          |       |        |                 |       |        |
| April-June                   | 2.375                    | 2.875 | 3.125  | n.a.            | n.a.  | n.a.   |
| July 5                       | 2.375                    | 2.875 | 3.125  | 3.250           | 2.750 | 3.125  |
| 16                           | 2.375                    | 2.875 | 3.125  | 2.000           | 2.875 | 3.125  |

Sources: Conseil National du Crédit (tap rates) and Bank of France (auction rates).

Bond market. Long-term bond yields rose moderately for approximately the first half of the period under review, but then declined again to around the end-March levels. The yield on public-sector bonds rose from 5.43 per cent on March 29 to 5.59 per cent on May 17, and the yield on corporates from 6.02 per cent at the end of March to 6.12 per cent on June 14. (See Table 3.) After attaining these peaks, yields fell by July 19 to 5.38 per cent on public sector and to 6.0 per cent on corporate bonds.

Table 3. France: Long-Term Bond Yields, 1962-63

|        |           | Redeemable bonds   |           | 5% perpetual<br>rente of 1949 |
|--------|-----------|--------------------|-----------|-------------------------------|
|        |           | Public sector      | Corporate |                               |
|        |           | Last week of month |           | End of month:                 |
| 1962 - | March     | 5.74               | 6.42      | 5.12                          |
|        | June      | 5.56               | 6.23      | 5.06                          |
|        | September | 5.50               | 6.10      | 4.96                          |
|        | December  | 5.46               | 6.05      | 4.86                          |
| 1963   | March     | 5.43               | 6.02      | 5.05                          |
|        | June      | 5.38               | 6.05      | 5.08                          |
|        |           | Week ending:       |           | Day                           |
| March  | 29        | 5.43               | 6.02      | 5.05                          |
| April  | 11        | 5.43               | 6.02      | 5.05                          |
|        | 26        | 5.44               | 5.99      | 5.05                          |
| May    | 10        | 5.52               | 6.05      | 5.06                          |
|        | 17        | 5.59               | 6.11      | 5.07                          |
|        | 31        | 5.54               | 6.06      | 5.00                          |
| June   | 14        | 5.37               | 6.12      | 5.08                          |
|        | 28        | 5.38               | 6.05      | 5.08                          |
| July   | 12        | 5.46               | 6.06      | 5.07                          |
|        | 19        | 5.38               | 6.00      | 5.08                          |

Sources: Bank of France (redeemable bonds) and IBRD (rente)

Stock market. French stock prices continued to decline slowly throughout most of the period under review, with a small recovery developing in mid-July. There were no apparent effects on French stocks of the proposed U.S. interest equalization tax. The daily stock price index on July 24 was down 4.6 per cent from March 29 and 11.3 per cent from the end of 1962. (See Table 4.)

Prices retreated in April in response to rumors of imposition of a capital gains tax to help cover the increased public sector wage and salary costs, as well as of a large State loan to soak up liquidity. The announcement of the government's financial program in early May included no capital gains tax, and the State loan was smaller than expected. However, taxes on corporation reserves were increased, and this discouraged the market to some extent. The gradual descent of prices in May, June, and early July was accompanied by a minimum of public participation; professionals dominated the trading. A sudden return of the public to the market was associated with a brisk 5 per cent rise in the index between July 10 and 17. The proposed U.S. interest equalization tax

caused a drop in foreign shares quoted on the Paris Bourse. But French shares continued firm, the index remaining unchanged between July 17 and 24.

Table 4. France: Indexes of French Stock Prices, 1962-63

(December 29, 1961 = 100)

| <u>1962 - Weekly index</u> | <u>1963 - Weekly index</u> |
|----------------------------|----------------------------|
| High (April 27) - 114.8    | June 7 - 92.6              |
| Low (November 9) - 96.3    | 21 - 91.1                  |
| December 28 - 103.6        | July 5 - 89.5              |
|                            | 12 - 91.0                  |
|                            | 19 - 91.9                  |
| <u>1963 - Weekly index</u> | <u>1963 - Daily index</u>  |
| High (January 4) - 104.6   | July 17 - 91.3             |
| Low (July 5) - 89.5        | 18 - 90.3                  |
| March 29 - 98.8            | 19 - 90.0                  |
| April 11 - 98.1            | 22 - 90.0                  |
| 26 - 95.5                  | 23 - 90.1                  |
| May 10 - 94.8              | 24 - 91.3                  |
| 24 - 93.1                  |                            |

Source: INSEE

Gold market. The gold market was generally featureless until the third week of July when President Kennedy's proposed measures to aid the U.S. balance of payments led to a rise in gold prices. From the end of March to July 17, the price of the Napoleon coin fluctuated in a narrow range between 41.0 and 41.5 francs. (See Table 5.) Prices tended to decline just prior to each month-end and then to rise again, in response to normal monthly fluctuations in the economy's needs for cash. The announcement on July 18 of the steps designed to help the dollar caused some apprehensions about the U.S. currency. The Napoleon rose from 41.2 francs on July 17 to 41.6 francs on the 24th, the highest price in over three months. But it fell again to 41.4 francs on July 25.

New issues. The volume of new security issues made another substantial year-to-year gain in the first quarter. In the second quarter, the French Treasury floated its first long-term loan since 1958 in order to reduce the large supply of liquid funds at the disposal of the economy.

Table 5. France: Price of Napoleon Gold Coin, 1962-63

(in francs)

| <u>1962</u>                   |         | <u>1963 - day</u> |            |
|-------------------------------|---------|-------------------|------------|
| High (October 24)             | - 43.50 | April             | 3 - 41.30  |
| Low (April 27)                | - 39.20 |                   | 17 - 41.50 |
| December 28                   | - 40.70 |                   | 30 - 41.20 |
| <u>1963 - Monthly average</u> |         | May               | 15 - 41.30 |
| January                       | - 40.94 |                   | 29 - 41.00 |
| February                      | - 40.85 | June              | 12 - 41.20 |
| March                         | - 41.13 |                   | 26 - 41.00 |
| April                         | - 41.31 | July              | 10 - 41.20 |
| May                           | - 41.25 |                   | 17 - 41.20 |
|                               |         |                   | 25 - 41.60 |
|                               |         |                   | 26 - 41.40 |

Table 6. France: Net New Security Issues, 1961-63

(In millions of francs)

| <u>Issues by Sector</u>    | <u>Year</u> |             | <u>First quarter</u> |             |
|----------------------------|-------------|-------------|----------------------|-------------|
|                            | <u>1961</u> | <u>1962</u> | <u>1962</u>          | <u>1963</u> |
| Treasury                   | --          | --          | --                   | --          |
| Public authorities         | 240         | 160         | --                   | --          |
| Public credit institutions | 1,600       | 1,900       | 900                  | 1,050       |
| National enterprises       | 1,670       | 2,010       | 1,010                | 1,340       |
| Competitive sector         | 5,330       | 5,810       | 1,210                | 1,190       |
| Stocks                     | (3,000)     | (3,700)     | ( 880)               | ( 860)      |
| Bonds                      | (2,090)     | (1,820)     | ( 240)               | ( 260)      |
| Participations             | ( 246)      | ( 290)      | ( 90)                | ( 70)       |
| Total                      | 8,840       | 9,880       | 3,120                | 3,580       |

Yields to Lender on Major Loans, First Quarter of 1963

|   |      |
|---|------|
| Crédit Foncier de France                                  | 5.61 |
| Electricité de France                                     | 5.55 |
| Caisse Nationale de cc                                    |      |
| Crédit Agricole   | 5.62 |
| Aléner-Colombes   | 5.72 |
| Sté. Lorraine de Développement<br>et d'Expansion "Lordex" | 5.64 |
| Groupeement des Grands Magasins<br>et Magasins Populaires | 5.70 |

Source: Conseil National du Crédit

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Net new issues in January-March were 15 per cent more than in the corresponding quarter of 1962. (See Table 6.) This gain somewhat exceeded the 12 per cent increase in the full year 1962 over the year 1961. All of the increase was registered in loans of the public credit institutions (mainly of the Crédit Foncier de France and the Caisse Nationale de Crédit Agricole) and of the national enterprises (notably Electricité de France). In the competitive (largely private) sector, both stock and bond issues were virtually unchanged from a year earlier.

The Treasury issue, launched on May 20 and subscribable only in cash, was part of the general anti-inflation program begun by the French authorities last February. Its purpose was to soak up some of the supply of liquid assets in the hands of the public. As shown in Table 7, liquid assets represented by currency, demand, time, and savings accounts with banks, public Treasury bills and certain other claims have risen very fast in recent years. The French authorities have of late come to regard their magnitude as an added potential threat to the price level.

Table 7. France: Supply of Selected Liquid Assets, 1959-63  
(In billions of francs, end of period)

|  | December    |             |              |              | March        |              |
|--|-------------|-------------|--------------|--------------|--------------|--------------|
|  | 1959        | 1960        | 1961         | 1962         | 1962         | 1963         |
| <u>Money Supply</u>                                    | <u>83.9</u> | <u>95.8</u> | <u>110.6</u> | <u>130.7</u> | <u>111.2</u> | <u>131.6</u> |
| Currency   | 35.7        | 40.3        | 45.6         | 51.6         | 45.6         | 51.7         |
| Demand deposits  | 48.2        | 55.3        | 65.0         | 79.1         | 66.3         | 80.0         |
| <u>Other Liquid Assets</u>                             | <u>48.8</u> | <u>59.1</u> | <u>70.4</u>  | <u>81.8</u>  | <u>73.7</u>  | <u>36.0</u>  |
| Commercial bank time deposits and deposit certificates | 5.4         | 7.6         | 9.7          | 11.0         | 10.5         | 11.3         |
| Savings deposits                                       | 26.2        | 30.2        | 34.7         | 40.8         | 35.1         | 42.6         |
| Public Treasury bills                                  | 15.9        | 19.4        | 23.3         | 26.9         | 24.3         | 27.8         |
| Bonds of the Caisse Nationale de Crédit Agricole       | 1.3         | 1.9         | 2.7          | 3.1          | 3.8          | 4.3          |
| Total  | 132.7       | 154.9       | 181.0        | 212.5        | 185.6        | 217.6        |

Source: Conseil National du Crédit

The loan, issued at par with a 4-1/2 per cent coupon, was for 1 billion francs, which was not large in comparison with some other postwar Treasury loans. The bonds are to be amortized by lot over fifteen years. The redemption price will rise to 102-1/2 in the sixth through tenth years and to 105 in the remaining years. Unlike some earlier Treasury loans, the bonds are not exempt from death and gift taxes. However, as with previous Treasury issues, the interest is exempt from personal income tax. The loan was fully subscribed in one day.



Foreign trade. After remaining unchanged between the fourth and first quarters, seasonally-adjusted imports in April were up 7 per cent from the first quarter level and rose another 8-1/2 per cent in May. (See Table 8.) However, exports soared in April to nearly 15 per cent above the first quarter average and rose slight further in May. As a result, the trade deficit averaged only \$25 million per month in April-May compared with \$42 million in the first quarter.

Table 8. France: Seasonally-adjusted Foreign Trade, 1962-63

(In millions of dollars; monthly average or month)

| <u>Quarter</u> | <u>Imports c.i.f.</u> | <u>Exports</u> | <u>Balance</u> |
|----------------|-----------------------|----------------|----------------|
| 1962 - I       | 576                   | 620            | +44            |
| II             | 587                   | 602            | +15            |
| III            | 639                   | 609            | -30            |
| IV             | 663                   | 624            | -39            |
| 1963 - I       | 661                   | 619            | -42            |
| <u>Month</u>   |                       |                |                |
| 1963 - January | 659                   | 607            | -52            |
| February       | 613                   | 625            | +12            |
| March          | 711                   | 625            | -86            |
| April          | 706                   | 710            | + 4            |
| May            | 766                   | 713            | -53            |

Source: OECD

International reserves. France's official reserves of gold and foreign exchange increased a further \$259 million in the second quarter. (See Table 9.) The gain would have been \$300 million in the absence of special official transactions including a \$61 million advance debt repayment by France to the IBRD in late April and receipt in early April of a \$33 million indemnity payment from Germany, the last of three such annual payments. In the first three weeks of July reserves appear to have risen about \$100 million, according to the Bank of France's weekly statement.

Seasonal increases in tourist receipts contributed to the rise in accruals from \$93 million in April (adjusted) to \$150 million in May. The smaller increase in June of \$57 million reflected scheduled debt payments (interest and principal) of \$63 million (of which \$62 million to the U. S. and \$1 million to Canada). These reserve gains have been heavy but since March they have been smaller than in the comparable months of last year.

The reduced reserve gains recently reflect the much larger trade deficit with foreign (i.e., nonfranc area) countries in 1963 than in 1962: from March to June, there was a \$237 million deficit on this trade in 1963 compared with a \$74 million surplus last year. (See Table 10.)

Despite the widened trade deficit, reserve accruals have continued to be large because of greater capital inflow and increased net borrowings abroad by French banks. The net foreign liabilities of the French commercial banks increased \$48 million in March and a further \$16 million in April (See Table 11.) and the French financial press believes this process has continued since then. Tighter credit conditions have prevailed in France since last winter's moves to restrict bank credit expansion. This net borrowing by French banks was even larger earlier this year--\$150 million in January-February--and was a major explanation of the extremely heavy accretions (\$279 million) to official reserves in those two months (when tourist receipts are negligible). The French press has also speculated that the political situation in Italy and the new tax laws in Belgium have caused funds to flow to France.

The French authorities have continued the policy of prepaying external debts. In the last week of July, \$160 million of debts to the United States were paid ahead of schedule, and another prepayment of \$59 million was made on debts to the IBRD.

Table 9. France: Official Reserve Changes, 1962-63  
(In millions of dollars)

| Month:             | 1 9 6 2 |                        | 1 9 6 3 |                        |
|--------------------|---------|------------------------|---------|------------------------|
|                    | Actual  | Adjusted <sup>a/</sup> | Actual  | Adjusted <sup>a/</sup> |
| January            | + 53    | + 60                   | +134    | +134                   |
| February           | 65      | + 45                   | +145    | +145                   |
| March              | +164    | +156                   | +109    | +109                   |
| April              | + 97    | +123                   | + 52    | + 93                   |
| May                | +174    | +174                   | +150    | +150                   |
| June <sup>b/</sup> | - 8     | + 82                   | + 57    | + 57                   |
| July-December      | +126    | +599                   | --      | --                     |
| <b>Totals:</b>     |         |                        |         |                        |
| January-February   | +118    | +105                   | +279    | +279                   |
| March-June         | +427    | +535                   | +368    | +409                   |
| January-June       | +545    | +640                   | +647    | +788                   |
| January-December   | +671    | +1,239                 | --      | --                     |

<sup>a/</sup> Adjusted for debt prepayments, changes in IMF position, indemnity payments from Germany, and changes in reciprocal balances with the Federal Reserve System.

<sup>b/</sup> Figures for June reflect scheduled debt payments (\$71 million in 1962 and \$63 million in 1963), including interest and principal.

Sources: IMF statistics and press releases of Ministry of Finance.

Table 10. France: Trade with Foreign Countries, January-June, 1962-63  
(In millions of dollars)

| <u>1962</u>        | <u>Imports c.i.f.</u> | <u>Exports</u> | <u>Balance</u> |
|--------------------|-----------------------|----------------|----------------|
| January            | 426                   | 455            | +29            |
| February           | 472                   | 469            | - 3            |
| March              | 516                   | 538            | +22            |
| April              | 462                   | 475            | +13            |
| May                | 506                   | 501            | - 5            |
| June               | 469                   | 513            | +44            |
| <u>Totals:</u>     |                       |                |                |
| January-February   | 898                   | 924            | +26            |
| March-June         | 1,953                 | 2,027          | +74            |
| January-June       | 2,851                 | 2,951          | +100           |
| <u>1963</u>        |                       |                |                |
| January            | 535                   | 475            | -60            |
| February           | 495                   | 481            | -14            |
| March              | 622                   | 537            | -85            |
| April              | 625                   | 559            | -66            |
| May                | 668                   | 584            | -84            |
| June (preliminary) | 567                   | 565            | - 2            |
| <u>Totals:</u>     |                       |                |                |
| January-February   | 1,030                 | 956            | -74            |
| March-June         | 2,482                 | 2,245          | -237           |
| January-June       | 3,512                 | 3,201          | -311           |

Source: INSEE

Table 11. France: Net Foreign Position of Commercial Banks, 1961-63 <sup>a/</sup>  
(In millions of dollars; end of month)

| <u>1961</u> |      | <u>1963</u> |      |
|-------------|------|-------------|------|
| December:   | -25  | January:    | -258 |
|             |      | February:   | -268 |
| <u>1962</u> |      | March:      | -316 |
| March:      | -26  | April:      | -332 |
| June:       | -115 |             |      |
| September:  | -158 |             |      |
| December:   | -118 |             |      |

a/ Assets and liabilities with foreigners in foreign currencies and French francs. A minus sign indicates a net liability position.

Source: OECD

Europe and British Commonwealth Section.

**INTEREST ARBITRAGE, UNITED STATES / CANADA**

Thursday figures

Per cent per annum

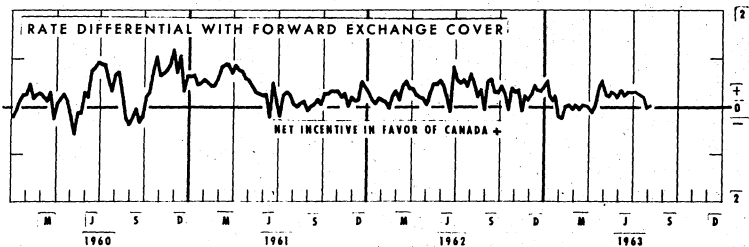
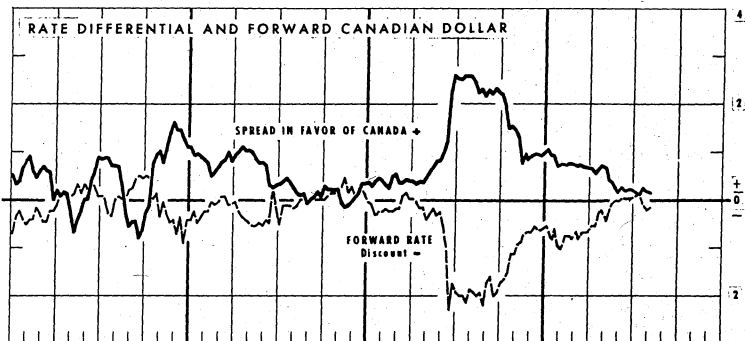
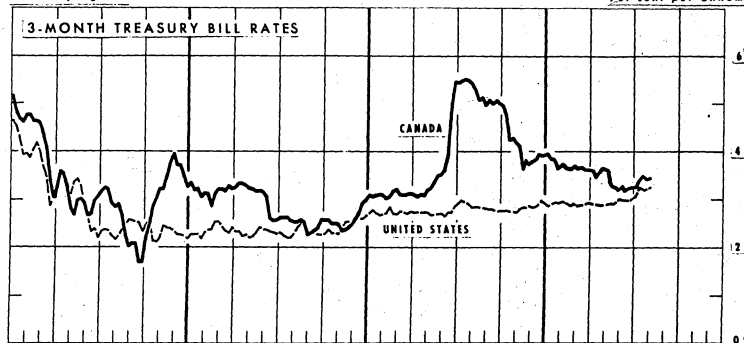


Chart 2

# INTEREST ARBITRAGE, NEW YORK/LONDON

Friday figures

Per cent per annum

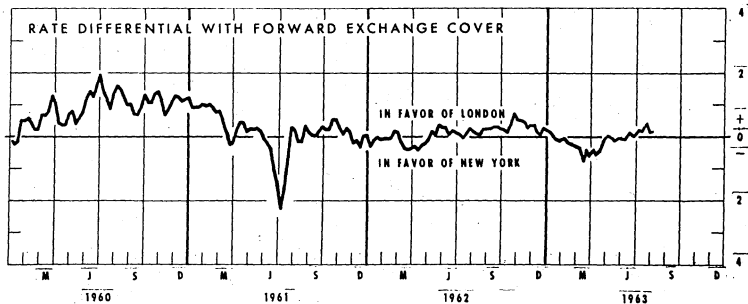
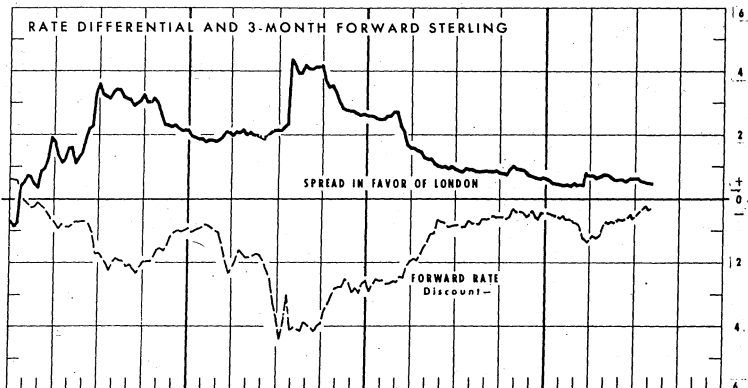
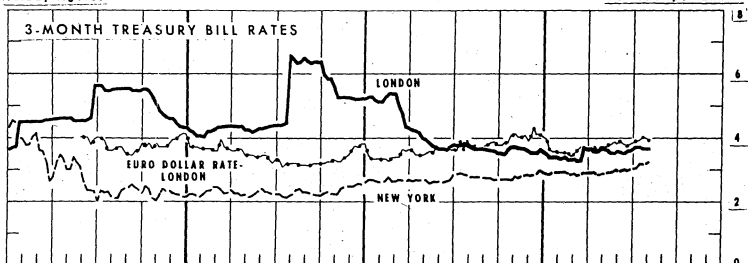
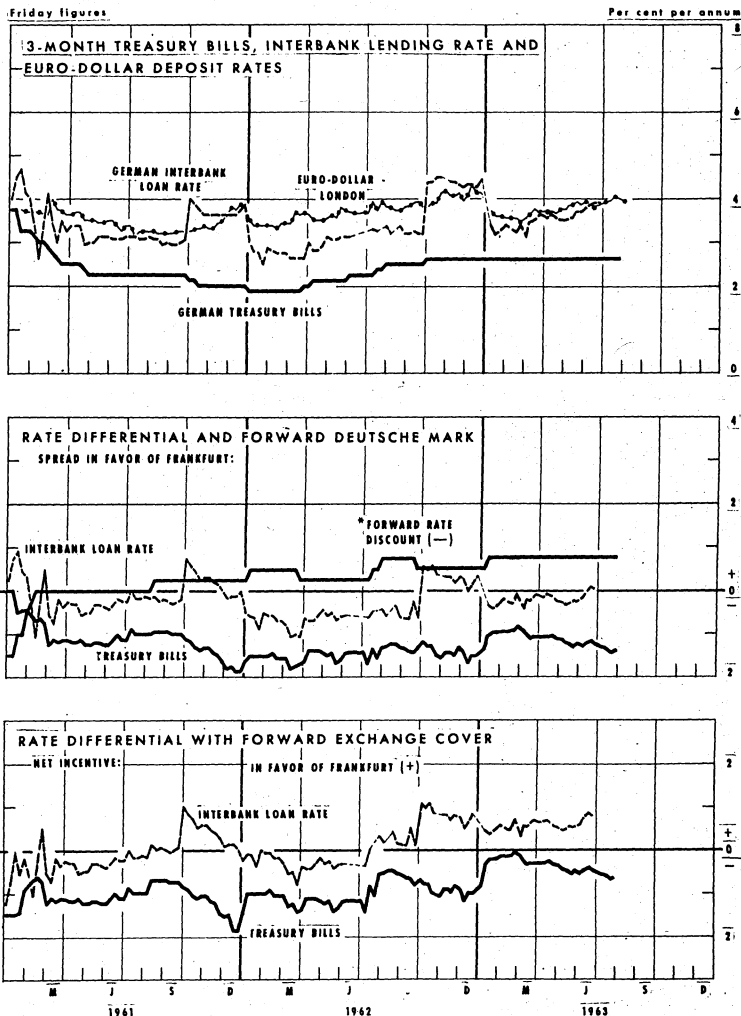


Chart 3

**INTEREST ARBITRAGE FOR GERMAN COMMERCIAL BANKS**



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

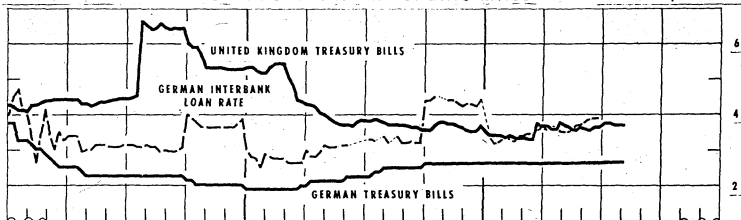
Chart 4

# **INTEREST ARBITRAGE, FRANKFURT / LONDON**

Friday figures

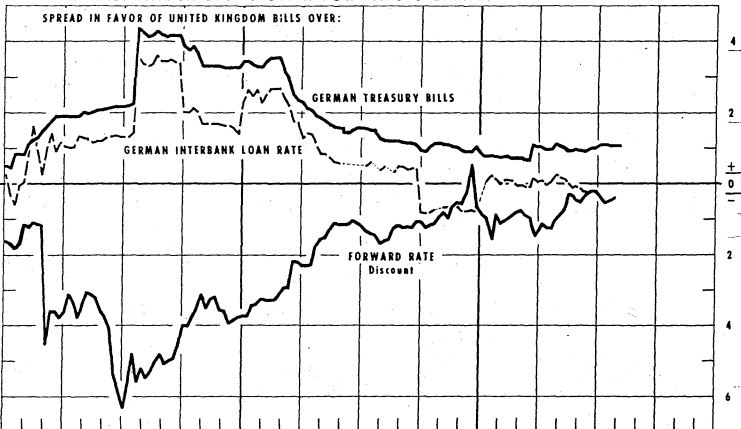
**3—MONTH TREASURY BILLS AND INTERBANK LENDING RATES**

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:

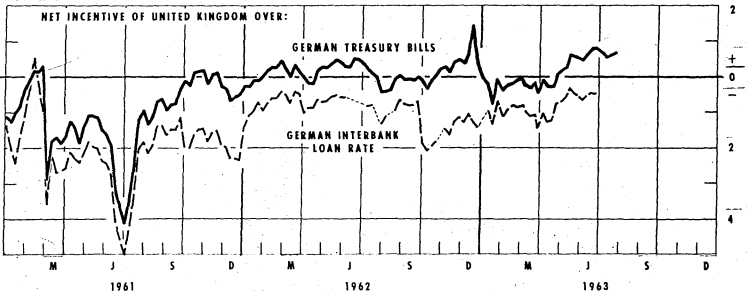
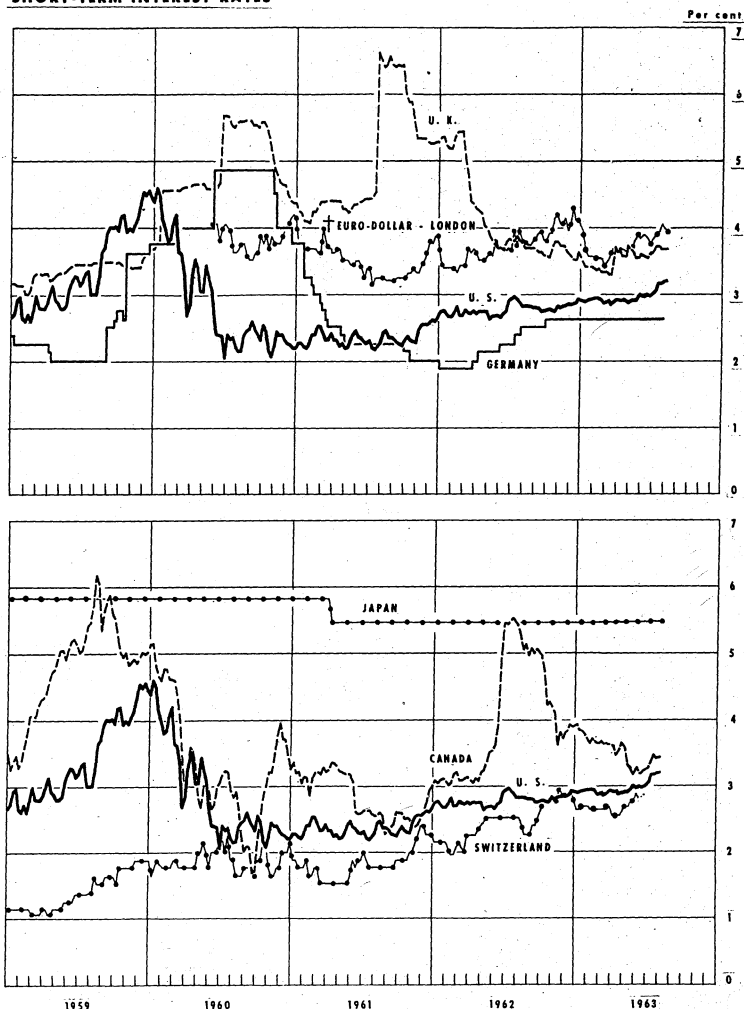


Chart 5  
SHORT-TERM INTEREST RATES \*



\* 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

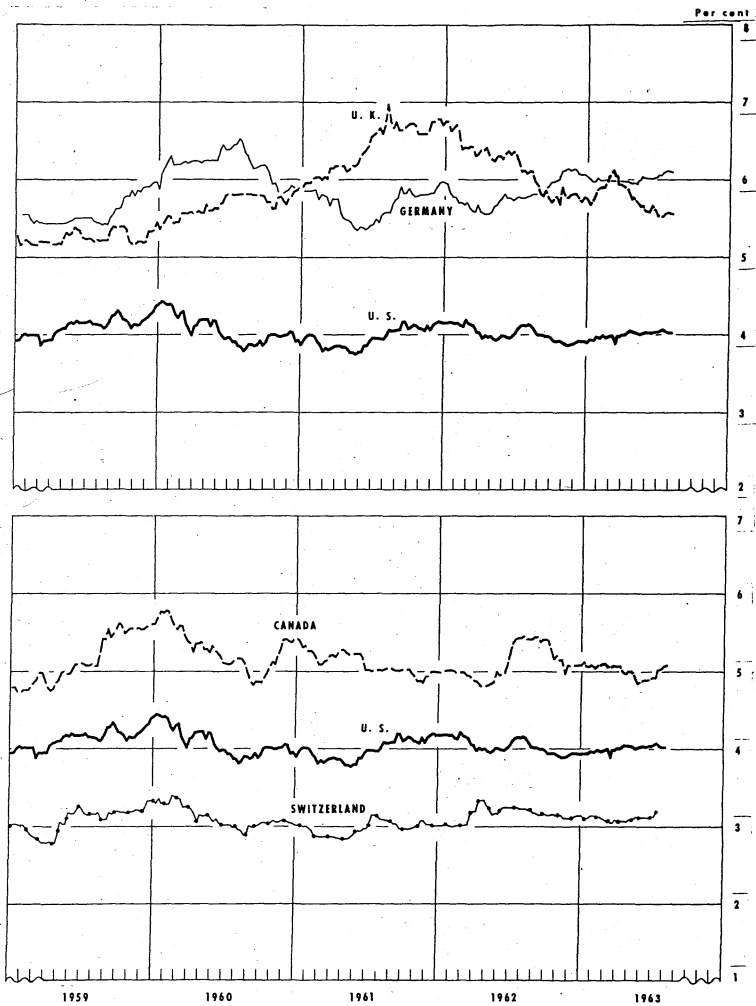
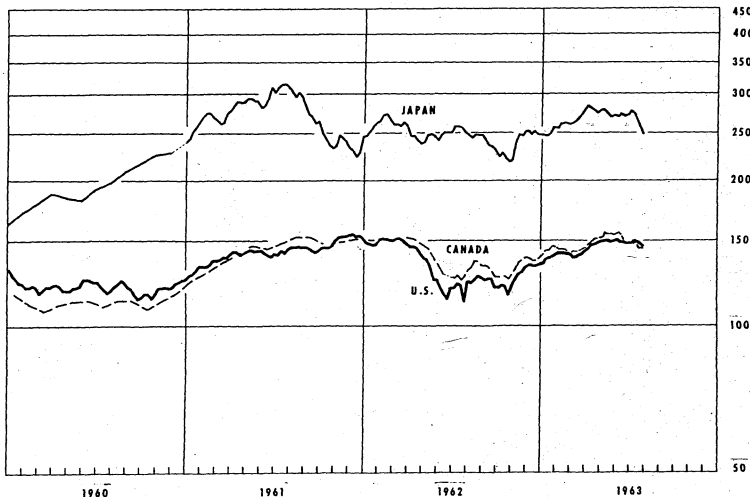
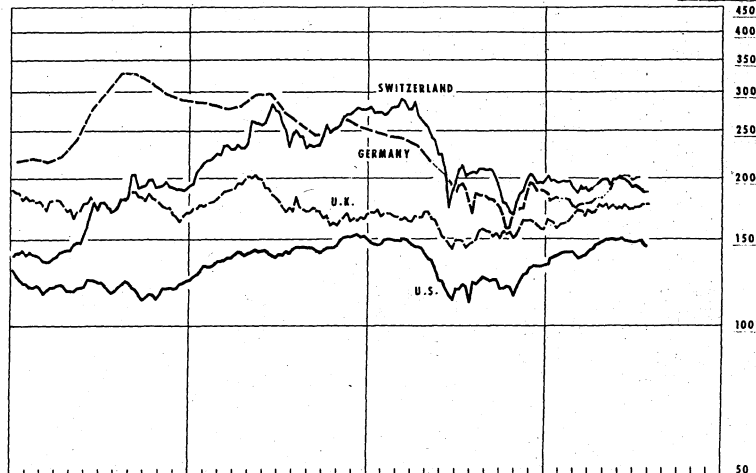


Chart 7

**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**

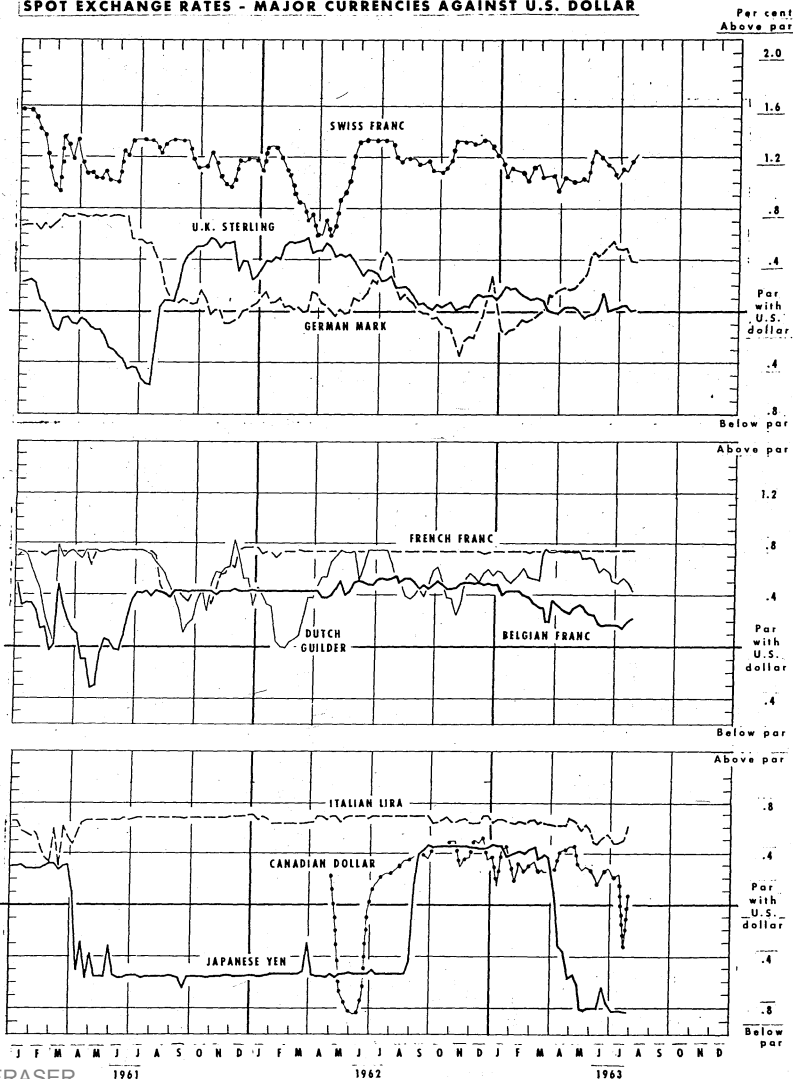


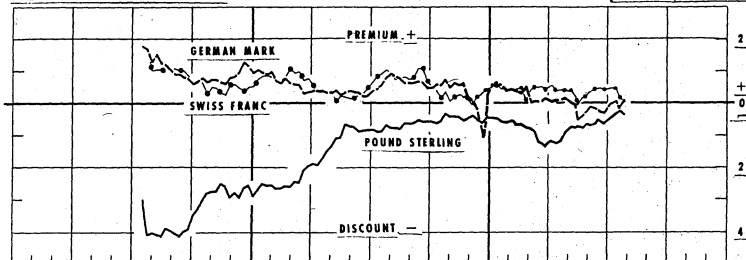
Chart 9

### 3-MONTH FORWARD EXCHANGE RATE

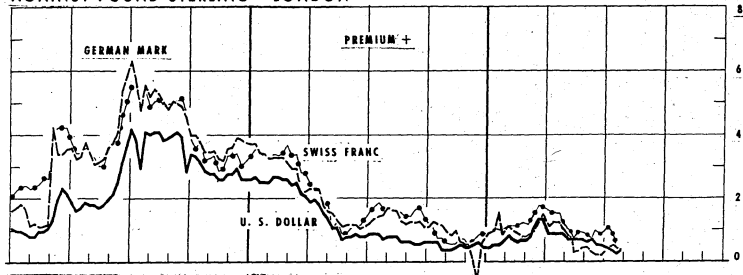
Friday figures

AGAINST U. S. DOLLARS

Per cent per annum



AGAINST POUND STERLING - LONDON



AGAINST POUND STERLING - LONDON

