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CAPITAL MARKET DEVELOPMENTS ABROAD

- I. Japan
- II. India
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I. Japan: Money and Capital Markets in October-November

The proposed interest equalization tax continued to place a damper on Japanese security issues in the United States. There were no reported issues in either September or November and only one issue of \$5 million in October. Approved foreign purchases of Japanese stocks dropped sharply in August and September, but there were indications of a rise in American short- and intermediate-term loans to Japan in September and October. As indicated in Table 1 below, the \$65 million rise in Japanese borrowing in September was due entirely to a rise in short-term bank loans:

Table 1. Japan: Short- and Long-Term Borrowings in the U.S.

	Change during yr.			Change during period											
				1962				1963							
	1960	1961	1962	I	II	III	IV	I	II	III	July	Aug.	Sept.		
Bank loans <sup>1/</sup>	480	722	212	250	-20	-47	29	11	118	-7	3	-75	3/	65	3/
Securities <sup>2/</sup>	30	58	141	23	36	55	27	51	84	60	33	27		0	
	512	780	353	273	16	8	56	62	202	53	36	-48		65	

1/ Short-term liabilities to U.S. banks.

2/ New security flotations.

3/ Preliminary.

In November, Japanese firms completed one borrowing in U.S. dollars in Europe and several similar proposals are in the process of negotiation. In recent months, the Japanese have released the following data on intermediate-term foreign loans to Japan approved by the Foreign Investment Council:

Date Approved	Amount	Range of Maturities
September 10, 1963	\$67 million	3 to 10 years
October 1, 1963	\$6.9 million	3 to 5 years
October 22, 1963	\$18.5 million	2 yrs. 10 mos. to 5 yrs.
November 12, 1963	\$44.5 million	2 yrs. 10 mos. to 12 yrs.

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On October 29 the Federal Reserve System and the Bank of Japan signed a yen-dollar swap arrangement on a stand-by basis in the amount of \$150 million. The agreement provides for a mutual exchange of \$150 million in U.S. dollars and the equivalent amount in Japanese yen when necessary in order to curb undue fluctuations in foreign exchange rates. This is the 12th in a series of reciprocal currency arrangements and brings the total Federal Reserve "swap" arrangements currently outstanding to \$1.95 billion. Actual depositing is to be withheld pending the establishment of full convertibility for the yen after Japan assumes an Article VIII status in the IMF. The Minister of Finance announced early in November that Japan would move to an Article VIII status on April 1, 1964.

Domestic monetary conditions remained somewhat tight in October-November and call loan rates showed signs of firming in mid-November. Bank credit continued to expand at a faster pace than a year earlier. The stock market reacted to President Kennedy's assassination by declining 3 per cent to a new low for the year and on December 2 was still depressed.

On the external side, the trade deficit, seasonally adjusted, widened sharply in October and the current account deficit was large. International reserves rose \$16 million in October, however, reflecting a substantial net inflow of foreign capital. In November, reserves fell \$11 million to a level of \$1,911 million.

Money market. The money market remained steady during October but began to tighten somewhat in mid-November. The contractionary impact of October's sales of \$73 billion in securities by the Bank of Japan; a \$4 billion reduction in Bank of Japan loans and discounts, and an increase of \$22 billion in bank notes in circulation was approximately offset by net Treasury outpayments of \$101 billion. In November, a smaller volume of net Treasury outpayments than had been anticipated contributed to a rise in over-month-end call loan rates at mid-month.

Interest rates. Call loan rates remained relatively steady in October with the overnight and unconditional (repayment at a day's notice) rates generally at 4.035 and 7.30 per cent, respectively. In the first three weeks of November the above rates remained steady, but the rate for over-month-end money (repayable at a day's notice in the following month) rose from 8.305 per cent on November 15 to 8.70 per cent on November 22.

The average interest rate for bank loans and discounts continued to decline through August. (See Table 2). The August rate of 7.70 per cent compares with the previous high of 9.24 per cent in September 1962 and is the lowest rate since 1948.

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

	1954	1960	1961	1962	1963
March	8.18	8.21	7.92	8.22	7.92
June	8.28	8.22	8.30	8.23	7.75
September	8.26	8.14	8.00	8.24	7.70 1/
November	8.11	8.08	8.20	8.09	

Bank loans and discounts. Bank credit rose 2.2 per cent in September, the second highest increase this year. A year earlier credit increased 1.7 per cent. In general, credit has continued to rise at a faster pace this year than in 1962. Loans, bills discounted, and securities holdings increased 1.6, 3.7, and 2.2 per cent, respectively, in September. Bank deposits rose 6.3 per cent in September compared to 5.1 per cent a year earlier. Quarterly trends are indicated in Table 3 below.

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

		Per Cent Deposits	Change	Per Cent Loans	Change	Bills Discounted	Per Cent Change	Securities	Per Cent Change
1961	I	+502	5.7	+326	5.9	+ 48	1.8	+103	6.8
	II	+169	1.8	+206	3.5	+133	4.9	+104	6.4
	III	+359	3.8	+216	3.6	+206	7.3	+ 43	2.5
	IV	+430	4.3	+232	3.7	+220	7.2	+122	6.9
1962	I	+128	1.2	+256	3.9	+ 14	0.4	- 64	-3.4
	II	+ 61	0.6	+181	2.7	+108	3.3	+258	14.1
	III	+673	6.4	+223	3.2	+213	6.3	+ 41	2.0
	IV	+920	8.2	+585	8.2	+145	4.0	+ 71	3.3
1963	I	+1,158	8.8	+717	9.3	+185	4.9	+ 27	1.2
	II	+1,095	3.1	+365	4.3	+150	3.8	+ 73	3.3
	III	+1,019	7.4	+524	5.9	+245	6.0	+ 14	0.6

The proportion of bank loans and discounts extended for purchases of equipment remained unchanged at 16.6 per cent in September, the same as in the previous two months. A low for the year was reached in March when the ratio hit 16.3 per cent.

Commercial bank credit lines at the Bank of Japan were reduced 5 per cent in October. This action reflected some concern by the central bank that credit expansion had been too rapid.

Bond market. New issues of domestic bonds rose to a new high for the year in September, reaching ¥141 billion. The second highest level in 1963 was reached in March when new issues totaled ¥137 billion. Most of the gain in September occurred in new issues of bank and industrial debentures which increased ¥5 and ¥4 billion, respectively, over the August level. The total volume of new issues of bank and industrial debentures were ¥20 and ¥31 billion, respectively. Public corporate debentures rose ¥2 billion in September to a level of ¥31 billion.

Average yields on new bond issues remained relatively unchanged from the levels earlier in the year except for a slight rise in interest-bearing bank debentures and in industrial bonds.

Stock market. In the first business day following President Kennedy's assassination on November 22, Japanese stock prices fell 3 per cent to a new low for the year. This was less of a decline, however, than the 4 per cent drop on July 19 after the U.S. announced its proposed interest equalization tax. The market gained during the next few days, but by December 2 had again fallen to a level near the low for the year. (See Table 4 below).

Since early April of this year, the market has been in a general decline. During the first three weeks of October, stock prices increased, but subsequently eased to a low by mid-November. After a brief rally, stocks again declined to a low for the year as indicated above.

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

September	30	¥1,302	November	4	¥1,341	1962	High	¥1,590
				11	1,299		Low	¥1,216
October	7	1,352		18	1,314			
	14	1,320		25	1,245	1963	High	¥1,634
	21	1,356					Low	¥1,245
	28	1,380	December	2	1,257			

Foreign trade. The trade deficit widened sharply in October as seasonally adjusted imports rose 18 per cent and exports increased only 6 per cent. (See Table 5). At a seasonally adjusted annual rate, the trade deficit in October was \$1.9 billion compared to \$562 million a year earlier. The trade figures (monthly or monthly averages, on a customs basis) in Table 5 are based on seasonal adjustment factors computed by the Board of Governors of the Federal Reserve System.

Table 5. Japan: Seasonally Adjusted Foreign Trade  
(in millions of dollars)

	1962				1963						
	I	II	III	IV	I	II	III	July	Aug.	Sept.	Oct.
Imports	494	468	452	464	488	545	582	579	611	557	660
Exports	378	408	428	419	415	442	462	436	487	464	494
Trade Balance	-116	- 60	- 24	- 99	- 73	-103	-120	-143	-124	- 93	-166

Foreign reserves and capital flows. The current account in the balance of payments as measured on an exchange transactions basis registered a deficit of \$51 million in October. This compares to an average monthly deficit of \$42 million in the third quarter and a surplus of \$70 million in September of 1962. Net long-term capital receipts were \$12 million, down from the third quarter monthly average of \$41 million. Short-term capital receipts were \$61 million reflecting primarily an increase in acceptance credits. This is much higher than the third quarter monthly average of \$10 million. With net outpayments of \$6 million under the errors and omissions item, the overall balance of payments registered a net gain of \$16 million. International reserves thus rose from \$1,906 to \$1,922 million in October. In November, reserves fell by \$11 million to \$1,911 million.

According to preliminary reports, Japanese short-term liabilities to U.S. banks increased \$65 million in September (See Table 6). The rise reflected primarily an increase in the outstanding level of commercial acceptances.

Table 6. Short-term Claims by U.S. Banks on Japan  
(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	467	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	1,778	1,775	1,762	1,758	1,765	1,767	1,711	1,710	1,662	1,740
1963	1,697	1,691	1,751	1,876	1,896	1,869	1,872	1,797a/	1,862a/			

NOTE: Data for 1962 and 1963 have been recently revised and include \$52 million reported by banks initially as of December 31, 1961.

a/ Preliminary.

On October 12, Japan placed the final \$5 million installment of the Kokusai Denshin Denwa Company bond issue in the United States. During the previous 13 months K.D.D. placed \$20 million in private issues in the U.S. to finance an undersea telephone cable between Hawaii and Japan. During November there were no reports of any Japanese security issues in the United States.

Foreign purchases of Japanese stocks have been declining sharply since the announcement by the U.S. in July of its proposed interest equalization tax. According to official data, approvals of foreign stock purchases totaled only \$6.3 million in September compared to \$19.8 and \$43.7 million in August and July, respectively.

Japan has intensified its efforts to expand its borrowing from Europe and has been somewhat successful. On November 17 a \$2 million, 5-1/2 per cent, three-year Euro-dollar loan to Ricoh, a Japanese optical company, was announced. Two other similar loans are reportedly being negotiated. The Canon Camera Company expects to issue a \$5 million, 6-1/4 per cent, convertible bond in London in the near future. Further details are to be announced on December 11, and if consummated, this will be the first long-term security issue raising new capital in London since the end of the Second World War. Also, the Industrial Bank of Japan has announced that it plans to launch a \$4 million (2 million francs) investment trust entitled Fonds Japonais, in the European Common Market area. It would be the first investment trust ever started abroad by a Japanese bank. In September, France implemented new legislation permitting the establishment of open-end investment trusts. Anglo-Nippon Trust, a British fund specializing in Japanese shares, has been in operation since 1961.

In the area of foreign exchange controls and budgeting, the Japanese took several actions in November. Effective November 20, Japan removed restrictions on 50 of the 64 O.E.C.D. liberalization items upon which it had previously pledged itself to take action. This included a liberalization in the following three areas:

a. Remittances in foreign currency of part of the previously unconvertible non-residents accounts will now be permitted;

b. Exports and imports of securities except the 4 per cent Franc Public Bonds have been liberalized; and

c. Unlimited reconversion by non-residents into foreign currency of yen obtained through sales of foreign currency at the time of entry into Japan will now be permitted.

The Japanese Government also decided in November to abolish next April the system of foreign exchange budgets setting probable limits on imports, and to allow residents to travel as tourists overseas subject to a proposed travelers' tax and a limit of \$500 per trip excluding the travel fare.

Foreign exchange. In late September the yen strengthened in the spot market as banks sold foreign exchange for purposes of balance-sheet window-dressing. The yen then eased during the first half of October, strengthened during the rest of the month, but again eased in the first half of November. (See Table 7). The three-month forward rate remained relatively steady during October and the first half of November. As a result, the forward discount widened and narrowed as the yen strengthened and eased in the spot market, respectively. From a high of 1.27 per cent on October 1, the discount narrowed to .33 per cent on November 15.

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
Sept.	27	361.50	362.45	1.05
Oct.	4	362.10	362.55	.50
	11	362.15	362.55	.44
	18	361.80	362.53	.81
	25	361.70	362.53	.92
Nov.	1	362.00	362.53	.59
	8	362.25	362.53	.31
	15	362.20	362.50	.33

II. India: Money and Capital Markets During October 1963

Money and credit conditions continued easy in the Indian financial markets during October 1963. There was the usual seasonal increase in bank credit to the private sector, accompanied by a reduction in commercial bank holdings of government securities. Scheduled bank borrowings in October from the Reserve Bank were negligible.

Despite the increased demand for credit, however, the day-to-day inter-bank money rates declined slightly in October and plunged to an extraordinarily low level in the second week of November following the announcement by the Reserve Bank on October 30 of measures designed to ease credit during the forthcoming busy season and to revive the dormant capital market. Specifically, the borrowing quotas for scheduled banks at the bank rate of 4.5 per cent were increased from 50 to 75 per cent of statutory reserves. Furthermore, an additional amount equal to 75 per cent of the statutory reserves may be borrowed freely at 6 per cent. Special consideration will be given to application for borrowing in excess of 150 per cent of statutory reserves. If approved, the 6 per cent rate will apply.

These relaxations indicate that the Reserve Bank intends to pursue a much easier money policy during the forthcoming busy season than it did in 1962-63. At least, such expectations had a strong psychological impact in driving down the day-to-day inter-bank money rates to the unusually low November level.

The easier monetary policy suggests that the Reserve Bank is more interested in stimulating the economy and less fearful of inflation than were the authorities in the spring of 1963. The economy has been sluggish. Industrial production, seasonally adjusted, declined slightly from January to June, the latest month for which data are available. Agricultural production has been disappointing. The stock market remained depressed through August. Wholesale prices have been stable since July, after registering a 7 per cent increase in the first half of the year. The balance of trade from preliminary data was slightly more unfavorable in the first eight months of the year than in the same period in 1962, due to a smaller increase in export earnings and a larger increase in import expenditures. Even though international reserves have risen slightly, the balance of payments is a continuing source of concern.

Thus far only the stock market provides any indication that the economy may be entering a period of increased activity that is something more than seasonal. The index of stock market prices recorded advances of 3 per cent a month in both September and October, and the advance was even more rapid in the first half of November. This is the first sustained market advance since the first half of 1962. The abolition on October 30, of the 40 per cent minimum margin on advances against industrial securities has probably helped stimulate the market rise. The switch to an easier monetary policy may also be a factor. Business commentators are still unhappy about the super profits tax on corporate profits which was introduced with this year's budget. Although there have been new capital issues recently, some commentators have maintained that the revival of the capital market depends upon repeal or modification of this tax and simplification of red tape, especially in connection with the licensing of imports of equipment and raw materials.

Money market. The seasonal upturn of short-term money rates began in October. While the rate remained well below the October 1962 level, the difference was considerably narrowed. The Reserve Bank announced on October 30 that it was increasing the borrowing quota of scheduled banks at the 4.5 per cent bank rate from 50 to 75 per cent of legal reserves and permitting borrowing at 6 per cent of an additional amount equal to 75 per cent of reserves. This was followed by a sharp reduction in the day-to-day money rate to 1.55 per cent by November 8, 1963. The new policy will both lower the cost of, and increase the scope for, borrowing from the Reserve Bank during the busy season. Under the previous two-tier system, the borrowing rate of the banks was set at 4.5 for the first 50 per cent of legal reserves and 6 per cent for the second 50 per cent.

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

Monthly Average:

<u>1962</u>			<u>1963</u>		
	September	4.15		September	2.52 <sup>a</sup> / <sub>a</sub>
	October	3.14		October	2.37 <sup>a</sup> / <sub>a</sub>
	November	3.11		November	1.74 <sup>ab</sup> / <sub>ab</sub>

Selected Dates - 1963:

October	4	2.18	November	1	1.84
	11	2.30		8	1.55
	18	2.50		15	1.83
	25	2.49			

a/ provisional average of Fridays

b/ average of three Fridays

Banking developments. Deposits of scheduled banks continued to increase in October at the September rate. Concurrently, there was a large increase in scheduled bank loans which reversed a 5-month downward trend. (See Table 2). Scheduled bank holdings of government securities were reduced by Rs. 200 million to help meet the rise in loan demands, while Reserve Bank claims on the Government rose by only Rs. 80 million.

Table 2. India: Scheduled Banks - Monthly Changes in Deposits, Borrowings from Reserve Bank & Principal Assets  
(in millions of rupees)

	<u>Deposits</u>	<u>Per Cent Change</u>	<u>Bank Credit</u>	<u>Per Cent Change</u>	<u>Holdings of Gov't Securities</u>	<u>Per Cent Change</u>	<u>Borrowings from Reserve Bank</u>
<u>1962</u>							
Sept.	- 46	- .2	-185	-1.3	- 53	- .8	- 94
Oct.	+109	+ .5	+ 66	+ .5	+221	+3.2	+ 48
Nov.	- 84	- .4	-134	-1.0	-123	-1.7	- 42
<u>1963</u>							
Sept.	+177	+ .8	- 89	- .6	+184	+2.4	+ 10
Oct.	+181	+ .8	+168	+1.2	-201	-2.6	+ 0.2



Stock market. The index of stock prices increased steadily during September, October and early November. (See Table 3). Abolition of the 40 per cent minimum margin on purchases of industrial securities, and adoption of easier money policies helped sustain the advance. Prices in mid-November were still nearly 10 per cent below the high reached in May 1962, but they exceeded those just prior to the Chinese communist invasion in November 1962.

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

Monthly Averages:

<u>1962</u>			<u>1963</u>		
	September	184.0		September	164.8 <sup>a/</sup>
	October	178.9		October	171.0 <sup>a/</sup>
	November	170.5		November	175.1 <sup>ab/</sup>

Selected Dates - 1963:

October	5	169.3	November	2	173.4
	12	170.5		9	175.8
	19	171.7		16	176.2
	26	172.6			

a/ average of end of week

b/ three end of week averages only

Wholesale prices. The index of wholesale prices declined slightly from 136.8 on October 5 to 136.0 on November 2. (See Table 4). From June through October the index rose only 1.5 per cent in contrast with the 7 per cent rise of the first half of the year.

Table 4. India: Index Numbers of Wholesale Prices, 1952-53 = 100  
(last week and week ended Saturday)

Monthly Averages:

<u>1962</u>			<u>1963</u>		
	September	130.0		September	136.8 <sup>a/</sup>
	October	130.4		October	136.3 <sup>a/</sup>
	November	129.0		November	136.0 <sup>ab/</sup>

Selected Dates - 1963:

October	5	136.8	November	2	136.0
	12	136.3			
	19	136.1			
	26	135.9			

a/ provisional

b/ end of first week

Gold market. The Government has not yet unveiled its new gold policy which was promised last September when the gold control rules were relaxed. Prices in the Bombay gold market drifted down to \$65.55 per fine ounce by November 8, or about \$1.50 less than the price prevailing on the eve of the relaxation. The price recovered to \$66.11 on November 22. By comparison, a high of nearly \$83 per fine ounce was reached in August 1962, prior to the adoption of gold control measures designed to reduce the price of gold in the bullion market, to reduce smuggling, and to encourage hoarders to place their funds in productive investments.

It appears that the Government had made progress in encouraging a move to lower gold prices. Those who bought gold at the higher prices prevailing in earlier years have suffered a substantial loss, and it may be that the demonstration that gold prices can be brought down has somewhat diminished its attractiveness as an investment.

Table 5. India: Price of Gold Bullion in Bombay  
(in dollars per fine ounce)

Average of Period:

<u>1962</u>	September	81.02	<u>1963</u>	September	68.72 <sup>a/</sup>
	October	77.60		October	66.89 <sup>a/</sup>
	November	67.34		November	66.03 <sup>a/</sup>

Selected Dates - 1963:

October	4	67.46	November	1	66.34
	11	66.53		8	65.55
	18	66.74		15	66.21
	25	66.81		22	66.11

a/ Average of Fridays spot rupee quotations in 14 carat gold per 10 grams converted to dollars per fine ounce.

Exchange rates. Free market selling rates of Indian rupee notes in the Hong Kong and Bangkok markets have shown a divergent trend in recent months. In Bangkok, the rupee has strengthened since July and has been consistently stronger than in the corresponding month in 1962. In Hong Kong, on the other hand, the rupee has depreciated and in August-October it was weaker than in the same period last year. As a result of this unexplained divergence, at the end of October, the Hong Kong rate was 10 per cent lower than in Bangkok. The Hong Kong rate is 38 per cent, and the Bangkok rate is 25 per cent below the official rate of 4.7619 rupees per dollar. Some part of the difference in rates may be explained by the fact that Bangkok rates are end-of-month quotations and Hong Kong rates are monthly averages.

Table 6. India: Hong Kong & Bangkok Free Market Selling Rates of Rupees per U.S. Dollar

<u>Hong Kong a/</u>				<u>Bangkok b/</u>			
	<u>1961</u>	<u>1962</u>	<u>1963</u>		<u>1961</u>	<u>1962</u>	<u>1963</u>
January	5.97	6.24	6.06		6.05	6.40	6.00
February	6.13	6.04	5.83		5.95	5.80	5.15
March	6.30	6.40	5.60		6.30	6.15	5.10
April	5.99	6.72	5.96		6.30	6.30	5.65
May	6.33	6.96	6.12		6.40	6.35	5.75
June	6.47	6.96	6.45		6.45	6.60	NA
July	6.49	6.86	6.83		NA	6.90	6.70
August	6.68	7.11	7.21		6.60	7.00	6.60
September	6.67	6.99	7.10		NA	7.00	6.40
October	6.54	6.98	7.08		6.55	7.00	6.36
November	6.49	6.89			6.60	6.70	
December	6.56	6.17			6.90	6.20	

a/ average of month

b/ end of month

NA = not available

International reserves. At the end of October 1963, India's reserves were \$462 million, or \$20 million more than the corresponding month of 1962, which was the recorded low. (See Table 7). Reserves dipped in early November but by November 15 had increased to \$461 million.

Table 7. India: International Monetary Reserves of Reserve Bank  
(in millions of dollars - last Friday of period)End of month:

<u>1962</u>			<u>1963</u>		
	September	445		September	451
	October	442		October	462
	November	444		November	459 <sup>a/</sup>

Selected Dates - 1963:

October	4	460	November	1	457
	11	461		8	458
	18	459		15	461
	25	462			

<sup>a/</sup> average of three Fridays.

Asia, Africa, and Latin America Section.

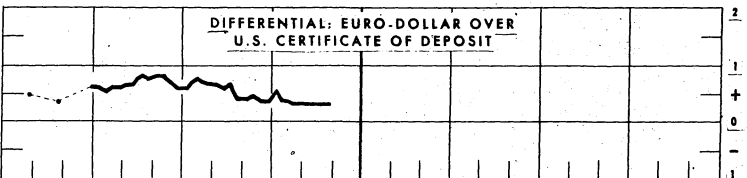
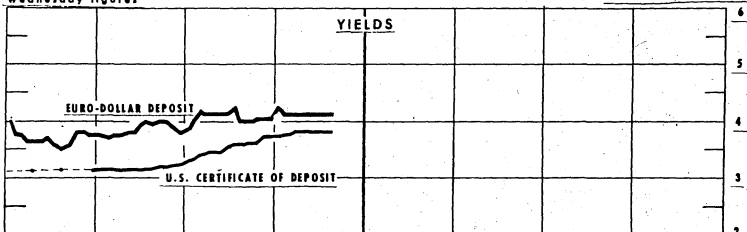
Chart 1

**INTERNATIONAL MONEY MARKET YIELDS FOR U.S. DOLLAR INVESTORS**

**3-MONTH EURO-DOLLAR DEPOSIT VS. U.S. CERTIFICATE OF DEPOSIT**

Wednesday figures

Per cent per annum



**NEW YORK OFFER RATES ON SELECTED 3-MONTH INVESTMENTS**

Friday figures

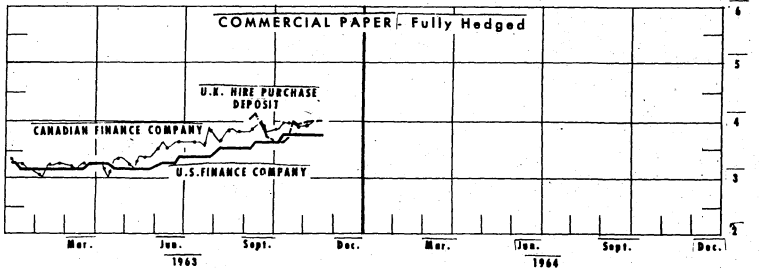
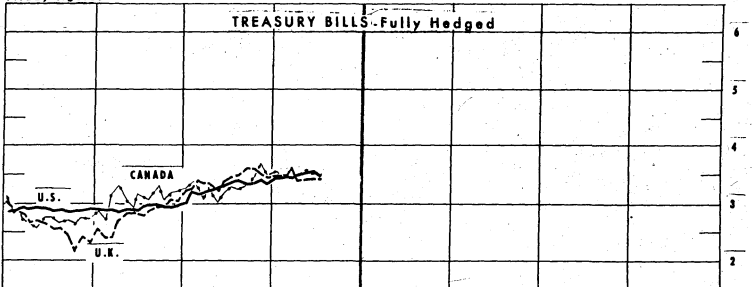


Chart 2

# INTEREST ARBITRAGE, UNITED STATES / CANADA

Thursday figures

Per cent per annum

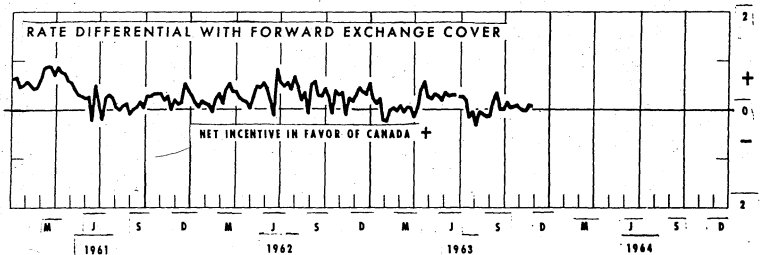
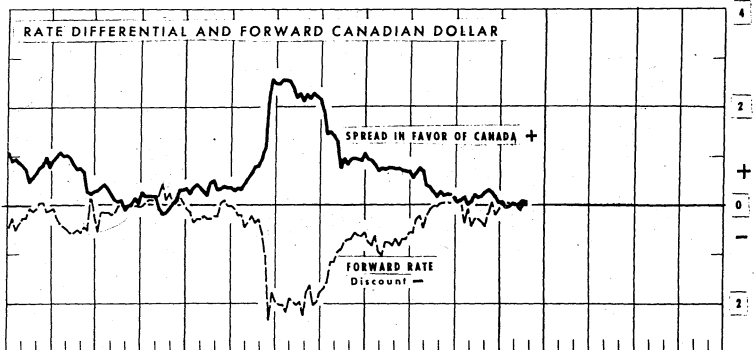
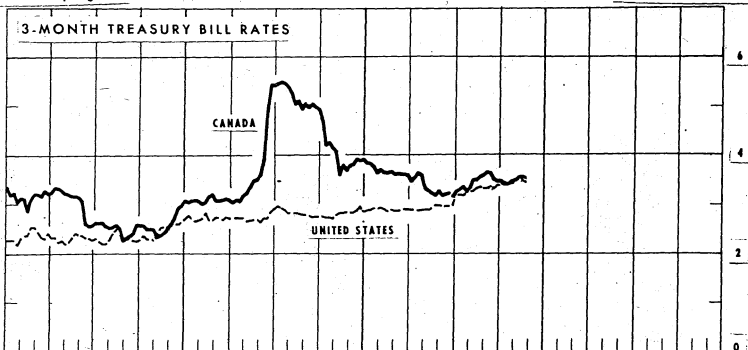


Chart 3

**INTEREST ARBITRAGE, NEW YORK/LONDON**

Friday figures

Per cent per annum

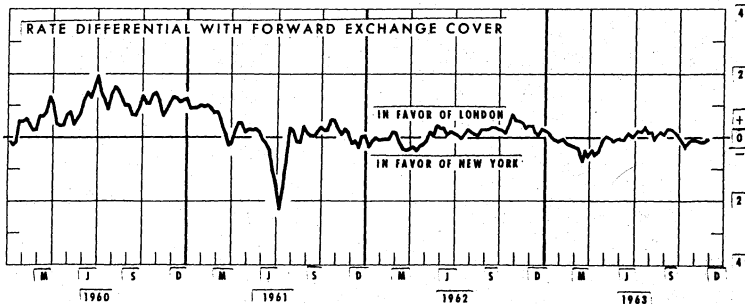
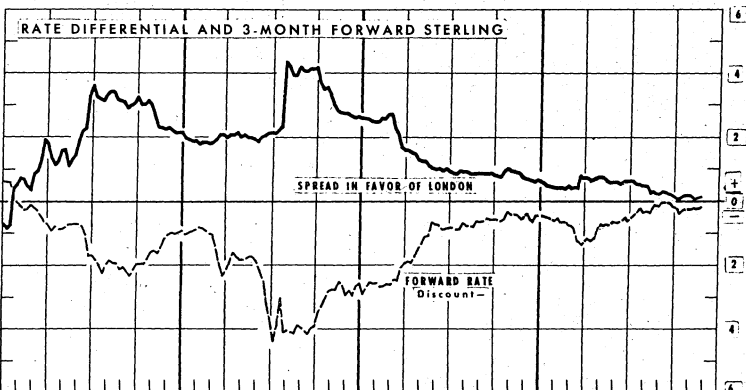
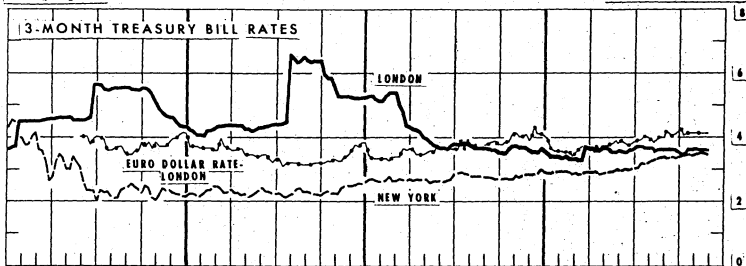
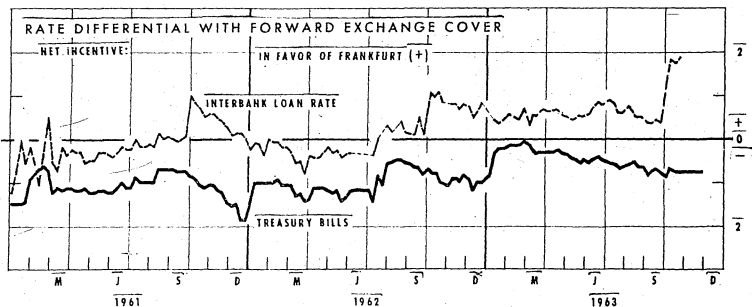
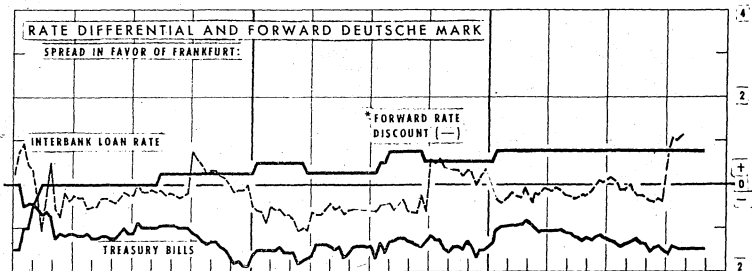
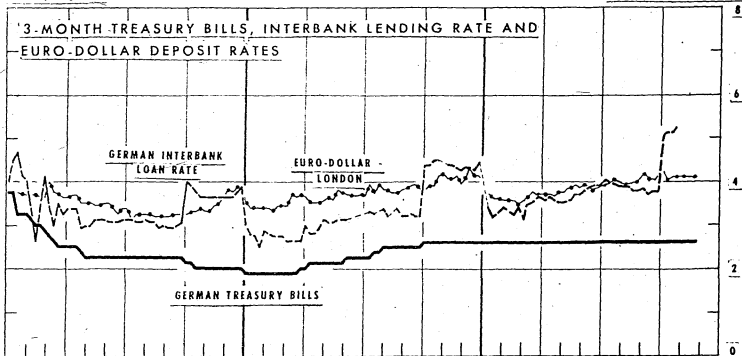


Chart 4

# INTEREST ARBITRAGE FOR GERMAN COMMERCIAL BANKS

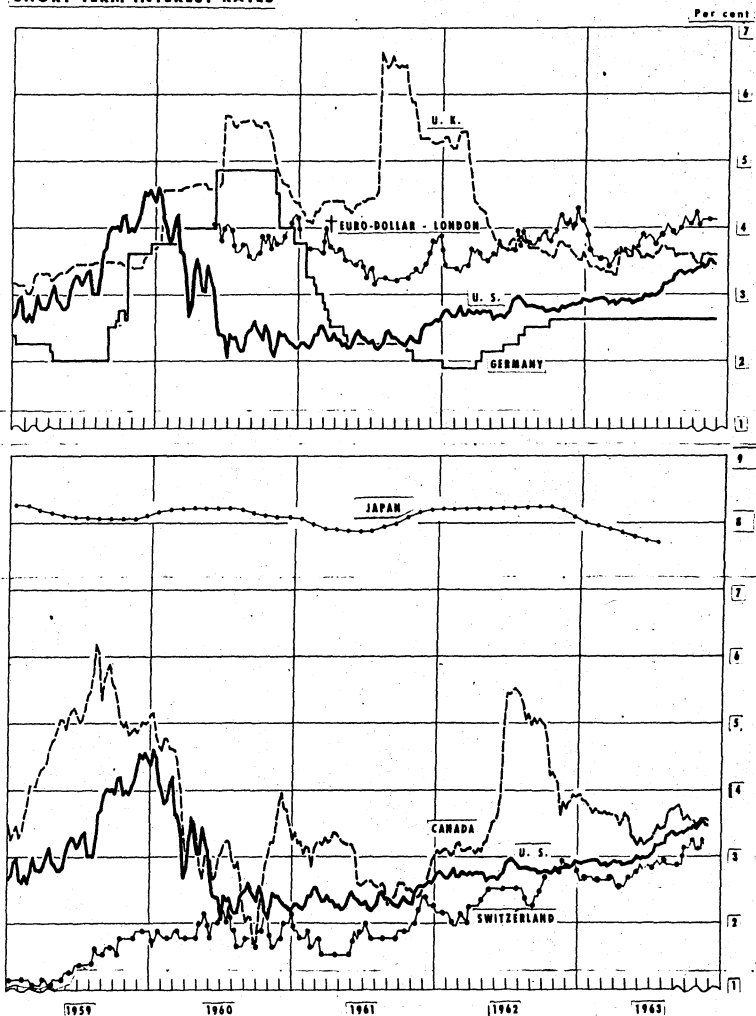
Friday figures

Per cent per annum



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

Chart 5  
**SHORT-TERM INTEREST RATES \***



\* 3-month treasury bill rates for all countries except Japan; (Average rate on bank loans and discounts)  
(and Switzerland 3-month deposit rate)

† 3-month rate for U. S. dollar deposits in London



Chart 6

**LONG-TERM BOND YIELDS**

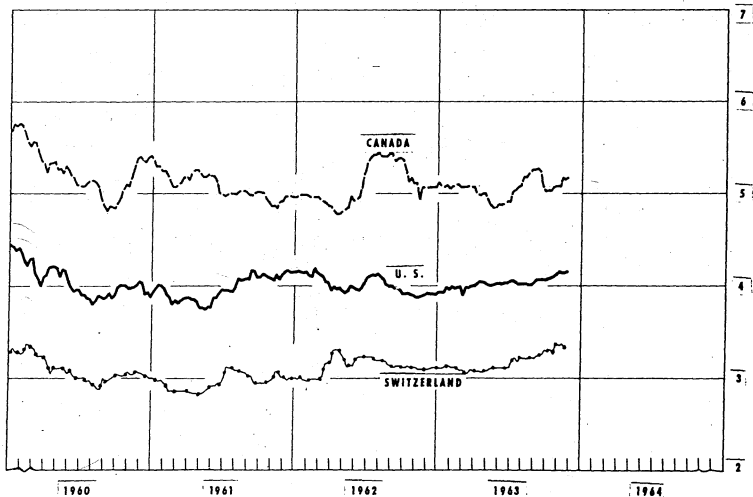
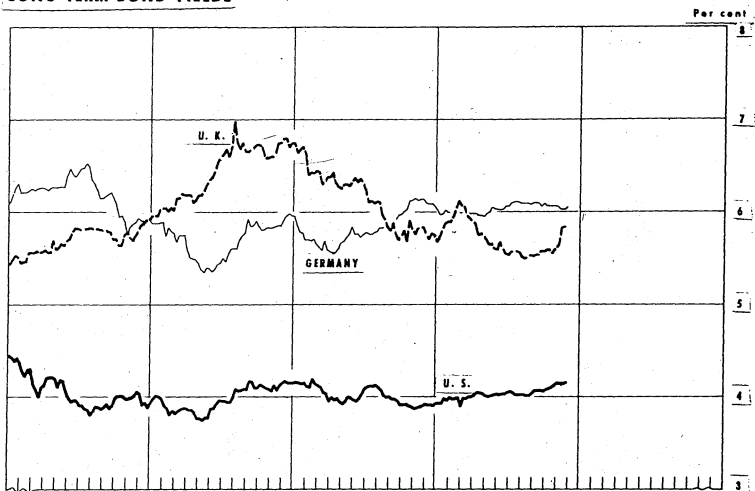
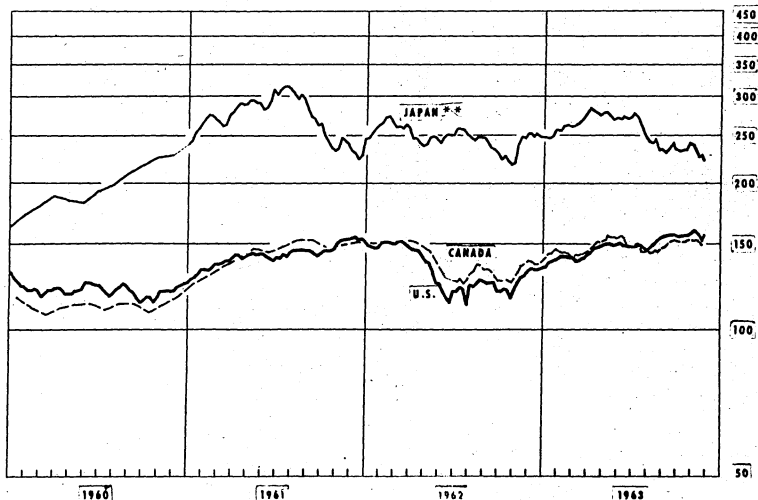
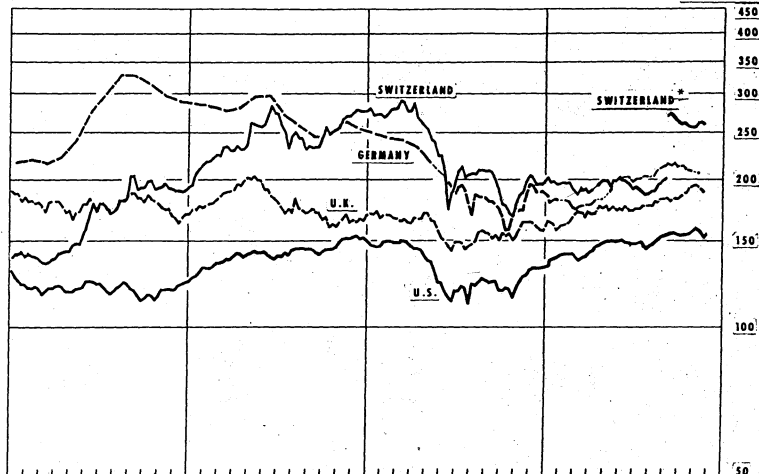


Chart 7

**INDUSTRIAL STOCK INDICES**

1958 = 100  
Ratio scale



\* New series. Swiss bank Corporation industrial stock index.  
\* \* Japan: index of 225 industrial and other stocks traded on the Tokyo exchange.

Chart 8

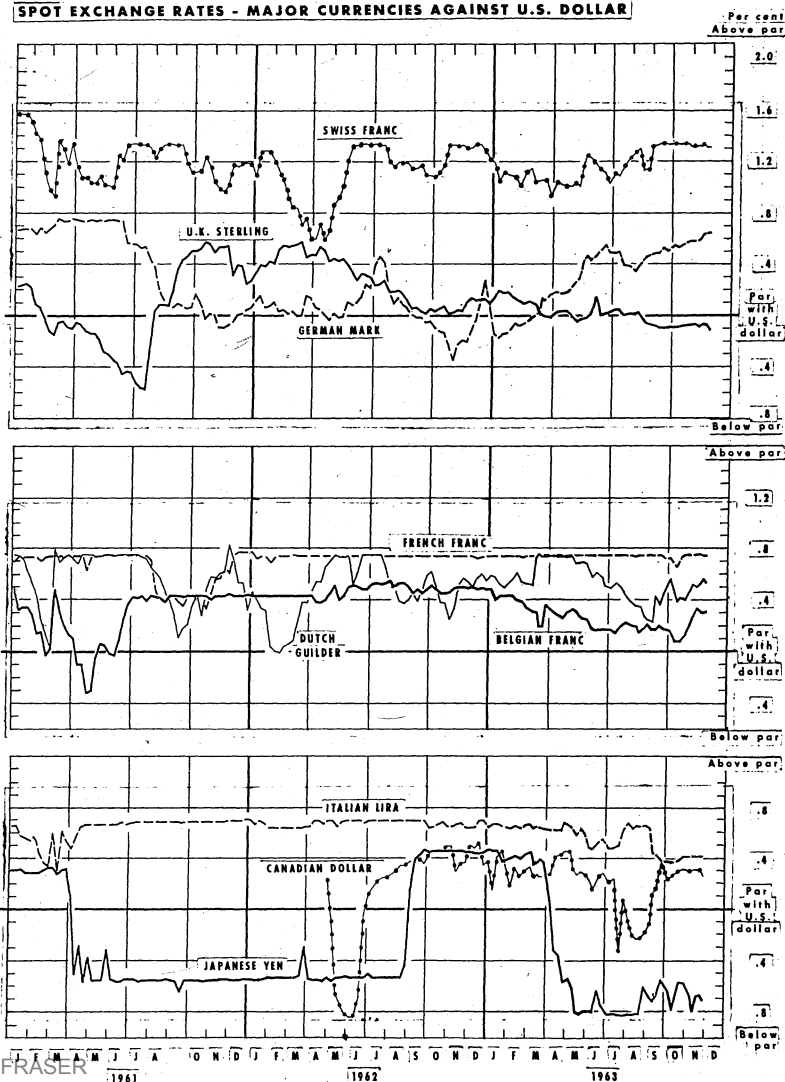
**SPOT EXCHANGE RATES - MAJOR CURRENCIES AGAINST U.S. DOLLAR**

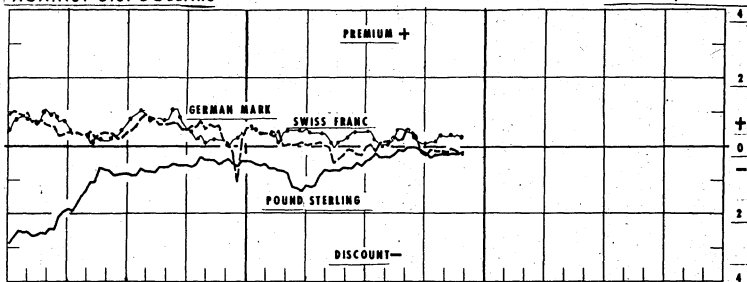
Chart 9

### 3-MONTH FORWARD EXCHANGE RATE

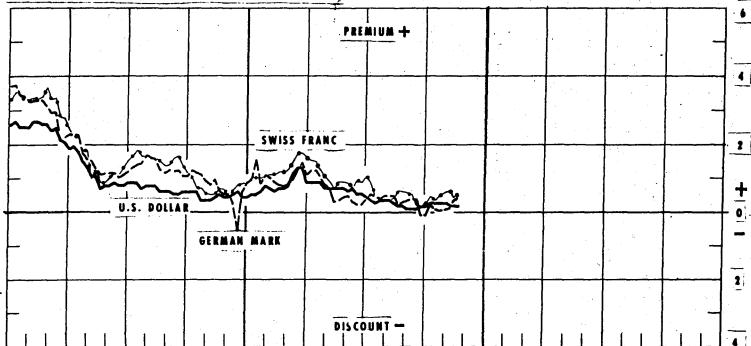
Friday figures

AGAINST U.S. DOLLARS

Per cent per annum



AGAINST POUND STERLING - LONDON



AGAINST POUND STERLING - LONDON

