

H. 13

No. 149

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CAPITAL MARKET DEVELOPMENTS ABROADI. United Kingdom
II. Nine Charts on Financial Markets AbroadI. United Kingdom: Money and Capital Markets in April 1964

British securities markets reacted strongly to the large budget deficit for the fiscal year 1964-65, which was announced on April 15. The stock market overcame the sluggishness which set in after the February 27 increase in Bank rate, and stock prices once again approached the high levels reached at the beginning of the year. The bond market was depressed, with yields rising to over 6 per cent for long-term and undated issues. (See Table 1 and Chart 6.) There was virtually no reaction to the budget in the money market.

Table 1. United Kingdom: Selected Money Market Indicators, 1964
(In per cent per annum)

	Jan.		March		April		May 1
	3	6	3	10	17	24	
<u>MONEY MARKET</u>							
Bank rate	4.00	5.00	5.00	5.00	5.00	5.00	5.00
Treasury bill tender	3.72	4.30	4.30	4.30	4.30	4.30	4.30
<u>COVERED ARBITRAGE</u> (favor U.K.)							
U.K./U.S. Treasury bills	-.14	-.02	-.11	-.04	-.05	-.03	-.03
<u>SECURITIES PRICES</u> a/ (April 10, 1962=100)							
Industrial stocks	117.5	113.6	113.8	113.8	116.2	116.8	116.9
Long-term Government Bonds	109.2	105.9	107.5	107.1	106.5	105.3	105.2
<u>GOVERNMENT BOND YIELDS</u> b/							
5% 1967	4.72	5.08	4.95	4.95	5.00	4.97	4.95
5% 1971	5.06	5.41	5.30	5.34	5.39	5.41	5.39
5-1/2% 2008-12	5.88	6.05	5.88	5.95	6.00	6.10	6.10
2-1/2% Consols	5.77	5.97	5.83	5.89	6.00	6.04	6.05
<u>EXCHANGE RATES</u>							
Spot (U.S. cents)	279.73	279.88	279.88	279.85	279.87	279.97	280.00
3-month forward discount	-.24	-.66	-.77	-.76	-.76	-.76	-.76

a/ Weekly averages.

b/ Previous Thursdays.

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The announcement on April 9 that the general election will not be held until Autumn contributed to the buoyancy of the stock market. This factor also contributed to a firming of the spot rate in the foreign exchange market. The pound regained the 280.00 U.S. cent parity on May 1. (See Table 1.) However, the discount on the 3-month pound was unchanged.

The overall budget deficit estimated for the 1964-65 fiscal year (commencing on April 1) is £791 million, compared with the £478 million deficit realized under the "expansionary" budget for 1963-64 and the £56 million deficit realized under the "neutral" budget for 1962-63. (See Table 2.) Some £165 million of the estimated £313 million increase in the deficit reflects the inclusion in the new budget of Treasury borrowings to finance capital expenditures of local authorities which these bodies had hitherto borrowed in their own name. Even if this sum is excluded from the budget total, however, the expected 1964-65 deficit would still amount to £626 million. Despite official efforts to raise funds outside the gilt-edged market, the prospective Treasury cash needs had a dampening effect on bond yields.

On May 2, in its first financing operation in the current fiscal year, the Treasury issued a £400 million long-dated tap issue: a 5-3/4 per cent Funding Loan, 1987-91. Apparently the Government chose a long-term issue primarily because the government broker is reported to have already on hand supplies of issues in the short-term range (the 4 per cent Exchequer Stock, 1968) and in the medium-term range (the 5-1/4 per cent Funding Loan, 1978-80). As has been done with other new government bond issues in recent years, the Funding Loan has been made attractive to foreigners by making it available in bearer form and by exempting non-residents from withholding taxes deducted at source.

Sterling, which began to display a stronger tone in mid-March, continued to improve in April. Reserves in April increased by \$53 million. However, the U.K.'s deteriorating trade balance (resulting from a more rapid increase in imports than in exports) suggests the possibility that sterling is presently being supported by an overseas sterling area payments surplus with non-sterling countries.

Bank lending has continued to rise along with the rapid business expansion. Loans by the London clearing banks are estimated to have increased in April by about the same amount as in March (seasonally adjusted): £17 million.

Exchequer finance. The Treasury will have to raise large sums to finance the estimated £791 million deficit. It has already taken action to raise a substantial portion of the Government's cash requirements outside the gilt-edged market.

In particular, the Government has made non-marketable Government debt obligations more attractive to the public. A "National Development Bond" will be offered on May 15 with a 5 per cent coupon as contrasted with the 4-1/2 per cent coupon currently offered on the Defense Bonds. Limits on the amounts of National Savings Certificates and Premium Bonds that one person may hold are

being raised from £300 to £600 and from £800 to £1000, respectively. In addition, the Chancellor announced that the Treasury is working on a contractual savings program which ". . . will give an incentive for sustained saving over a period of years." Proceeds from non-marketable debt amounted to £309 million in 1960-61, £84 million in 1961-62 and £145 million in 1962-63.

Table 2. United Kingdom: Financing the Government's
Budget Deficit: 1960-61 through 1964-65 a/
(In millions of pounds)

	1960-61 Actual	1961-62 Actual	1962-63 Actual	1963-64 Actual	1964-65 Estimate
BUDGET DEFICIT	<u>-380</u>	<u>-236</u>	<u>-56</u>	<u>-478</u>	<u>-791</u>
EXCHEQUER FINANCING					
Extrabudgetary funds	100	193	75	n.a.	
External transactions	-297	73	23	n.a.	
Bank of England	266	143	-236	n.a.	
Non-marketable debt	<u>309</u>	<u>84</u>	<u>145</u>	<u>n.a.</u>	
Financing other than by sales of marketable debt	378	493	7	n.a.	
Marketable debt					
Non-bank public	577	-199	66	n.a.	
Banking sector	-575	- 58	-17	n.a.	
of which:					
Bonds	(-306)	(- 63)	(110)	b/(-42)	
Treasury bills	(-269)	(5)	(-127)	b/(-112)	
Financing by sales of marketable debt	2	-257	49	n.a.	
TOTAL FINANCING	<u>380</u>	<u>236</u>	<u>56</u>	<u>-478</u>	<u>-791</u>

a/ Fiscal years end on March 31, but the figures for 1960-61 through 1962-63 are adjusted to coincide with the third Wednesday of March, the days on which the London clearing banks prepare their balance sheet.

b/ London clearing banks only.

Money market. Money market conditions eased after March 31, with the end of the tax-gathering quarter. However, some intermittent Bank of England support was required in April, particularly towards the end of the month; but the amount of Treasury bills purchases is reported to have been well-below the purchases required in March. The Treasury bill auction rate remained at 4.30 per cent for ten consecutive weeks, from February 28 through May 1. (See Chart 1.)

Euro-dollar rates eased during April, particularly on the short end. The yield on call money fell from 3.81 per cent per annum on April 3 to 3.69 per cent per annum on May 24. On the other hand, three-months and six-months deposit rates fell only by six points. They had remained unchanged from mid-March through April 3. (See Table 3 and Chart 2.)

Table 3. Yields on Euro-dollar Deposits in London
(In per cent per annum)

	Feb.	March	April			May		
	14	13	3	10	17	24	1	8
Call	3.62	3.81	3.81	3.75	3.75	3.69	3.69	3.75
7-days	3.75	4.00	4.00	3.88	3.88	3.88	3.88	3.88
30-days	3.88	4.12	4.12	4.06	4.06	4.00	4.06	4.06
90-days	4.00	4.25	4.25	4.25	4.25	4.19	4.19	4.25
180-days	4.25	4.44	4.44	4.44	4.38	4.38	4.38	4.38

In the local authorities market, short-term rates eased seasonally after March 31. Towards the end of the month, rates became firmer. (See Table 10 and Charts 1 and 5.)

The local authority mortgage market revived by mid-April after over a month's inactivity due to uncertainties about the Public Works Loan Board lending rates which were to come into effect on April 1. Since mid-April considerable interest has been shown in mortgage loans repayable on one-month's notice after a term of eleven months at a yield of 5-3/4 per cent.

Arbitrage yield spreads. The covered U.S.-U.K. Treasury bill spread and the differential between 3-months local authorities deposits (fully hedged) and Euro-dollar deposits remained negligible in April. (See Table 4 and Chart 3.) The uncovered Treasury bill differential, however, widened from 64 basis points on March 26 to 73 basis points on April 24, as the U.S. bill rate eased. (See Table 10.) The gap between London Euro-dollar deposits and offering rates on negotiable certificates of time deposits of prime New York banks widened, since the C/D rate fell while Euro-dollar yields held firm.

Bond market. Bond prices fell following the announcement of the large budget deficit, and the market remained weak throughout the month. The long end of the market was more depressed than the short-end. The yield on 2-1/2 per cent Consols, for example, rose steadily from 5.89 per cent on April 9 to 6.05 per cent on April 30. The yield on the 5 per cent Exchequer 1967 bond, on the other hand, rose following the budget but then recovered its pre-budget level by April 30. (See Table 11 and Chart 6.)

The weakness in the long end of the market continued in the first week of May. This was, in part, a reaction to the new 5-3/4 per cent tap issue being offered at 97, giving this bond a gross redemption yield of 5.98 per cent. This move led The Economist (May 2, 1964, p. 522) to observe that "... the authorities for the moment think of 6 per cent as the right long-term interest rate."

Table 4. U.K./U.S. Short-term Money Market Yields and Yield Spreads
(in per cent per annum)

	1 9 6 4							
	Jan.	Feb.		March		April		
	31	21	28	26	3	10	17	24
<u>TIME DEPOSITS (3-month)</u>								
U.S. dollar:								
N.Y. - Cert. deposit <u>a/b/</u>	3.88	3.84	3.84	3.95	3.95	3.95	3.88	3.85
London - Euro-\$	3.94	4.06	4.12	4.25	4.25	4.25	4.25	4.25
Sterling (covered)								
Local authorities	3.97	4.01	4.53	4.41	5.06	4.94	4.94	4.94
Finance Houses	3.85	3.85	4.35	4.20	4.20	4.20	4.20	4.20
<u>YIELD SPREADS (Favor U.K.)</u>								
Treasury bills (3-month) <u>c/</u>								
Uncovered	.13	.12	.60	.64	.66	.72	.71	.73
Covered	-.18	-.25	-.09	-.07	-.11	-.04	-.05	-.03
Euro-\$ - N.Y. C/D <u>a/</u>	.24	.22	.22	.30	.30	.30	.37	.40
Euro-\$ - Local Authority (covered)	.13	-.11	.22	.16	.04	-.07	-.07	-.01

a/ Previous Wednesdays.

b/ Secondary market offering rates for negotiable certificates of time deposits.

c/ U.S. and U.K. bill rates are shown in Table 11. See also Chart 3.

Dollar denominated loans. Two major dollar bonds were floated in London in April. Both were Danish loans, and both were placed privately--entirely with Continental investors, it is believed. A \$25 million Kingdom of Denmark 5-1/2 per cent 20 year issue was placed early in the month. This was the largest dollar denominated loan issue to be placed in London since this type of lending began. Towards the end of April, a \$10 million 5-3/4 per cent 20 year bond was placed for the Jutland Telephone Company. (See Table 5.) Trading on this loan actually did not begin until May 4.

Negotiations are reported to be taking place for the underwriting of a \$15 million bond issue by a Japanese corporation and of a \$25 million Government of Norway bond issue.

Table 5. U.S. Dollar Loans Floated in London, 1964

Issue Date		Borrowers	Coupon	Maturity	Value (\$ Mns.)
January	15	Norges Kommunalbank	5-3/4%	1974-84	10.0
	23	Government of Austria	6%	1979-84	18.0
February	6	Wofson Clore Mayer Corp. (Israel)	6-1/2%	1983-88	5.0
	17	City of Oslo	5-3/4%	1979	15.0
	13	Copenhagen Telephone Co. (Denmark)	5-3/4%	1984	12.0
	10	Teijin Kabushiki Kaisha (Japan)	6-1/4%	1974-84	10.0
March	24	Aktieselskabet Tyssefeldene (Norway)	6%	1974-84	10.0
	26	C. Itoh and Co. (Japan)	6-1/4%	1984	10.0
	26	Taisho Marine and Fire Insurance Co. (Japan)	(Common Stock)		2.0
	6	Kingdom of Denmark	5-1/2%	1984	25.0
April	4	Jutland Telephone Co. (Denmark)	5-3/4%	1984	10.0

Stock market. After the budget was announced on April 15, stock prices rose by nearly 2 per cent in the remaining hours of trading on that day. This brought stock prices back to the early January level. (See Table 12 and Chart 7.) The sharp recovery followed a six week period of sluggishness as the Bank rate change was interpreted as signalling a move on the part of the Government to slow down the rate of economic expansion. The budget, on the other hand, was interpreted as being expansionary; and the market revived accordingly.

London clearing banks. Bank lending to the private sector of the economy has continued to expand although not as rapidly as it had earlier in the year: seasonally adjusted advances increased in April by the same amount as in March: £17 million. (See Table 6.) After the end of the first quarter, when bank liquidity was strained owing to the seasonal increase in loans and to heavy tax payments, the liquidity ratio rose from 29.7 to 30.4 per cent of gross deposits.

The limited Treasury borrowing from the banks explains the pressure on bank liquidity that was experienced last year, when the minimum customary liquidity ratio was reduced from 30.0 per cent to 28.0 per cent in October 1963. During the last three fiscal years, the London clearing banks reduced their holdings of marketable government debt (including loans to the discount market) by £82 million.

Installment credit. New credit extended by department stores in January and February declined less than seasonally, according to the Board of Trade. (See Table 7.) New credit extended by finance houses rose sharply. These developments have accompanied increased consumer expenditure--manifested in a rise in retail sales and expanding purchases of automobiles.

Table 6. London Clearing Banks: Net Deposits and Selected Assets,
 April 1961 through April 1964
 (In millions of pounds)

	C h a n g e s : ^{1/}						Outstanding April 15- 1964
	1961- 1962	1962- 1963	1963- 1964	1 9 6 4			
				Feb.	March	April	
<u>LOANS TO PUBLIC vs.</u>							
<u>PRIVATE SECTORS</u>							
<u>Claims on Public Sector</u>							
Bonds	-90	+137	-42	- 64	-32	--	1,079
Treasury bills and loans to the discount market	<u>+44</u>	<u>-131</u>	<u>+12</u>	<u>-313</u>	<u>-59</u>	<u>+49</u>	<u>1,266</u>
Exchequer finance	-46	+ 6	-30	-377	-91	+49	2,345
Loans to nationalized industries	<u>+ 3</u>	<u>+ 11</u>	<u>- 8</u>	<u>+ 6</u>	<u>-10</u>	<u>- 8</u>	<u>60</u>
Total claims on public sector	<u>-43</u>	<u>+ 17</u>	<u>-38</u>	<u>-371</u>	<u>-101</u>	<u>+41</u>	<u>2,405</u>
<u>Claims on Private Sector</u>							
Advances (net) ^{2/}	+58	+453	+385	+154	+57	+ 7	4,155
Other	<u>+59</u>	<u>+ 38</u>	<u>+52</u>	<u>- 7</u>	<u>+46</u>	<u>+29</u>	<u>713</u>
Total claims on private sector	<u>+117</u>	<u>+491</u>	<u>+437</u>	<u>+147</u>	<u>+103</u>	<u>+36</u>	<u>4,868</u>
<u>SPECIAL DEPOSITS AT</u>							
<u>BANK OF ENGLAND</u>							
	+77	-220	--	--	--	--	--
<u>LIQUIDITY RATIO (end period)</u>	32.6	30.5	29.7	29.9	29.7	30.4	
<u>SEASONALLY ADJUSTED:</u>							
Deposits (net)	+106	+276	+448	-247	+15	^{3/} +79	
Advances ^{2/}	+58	+453	+385	+ 65	+17	^{3/} +17	

^{1/} Fiscal years commencing April 1.

^{2/} Excluding loans to nationalized industries.

^{3/} Preliminary.

Table 7. United Kingdom: Instalment Credit
(end of period)

	1962	1963			1964		Outstanding Feb. 29, 1964
		Year	Nov.	Dec.	Jan.	Feb.	
New Credit Extended, Index of value (1957=100)							
Department stores	139	145	140	145	110	107	
Finance houses	94	129	157	129	174	184	
Credit Outstanding (£ millions)							
Household goods shops	+ 9	+22	+ 5	+11	- 1	- 1	338
Finance houses	-49	+45	+ 3	- 4	+ 4	+13	631
Total	-40	+67	+ 8	+ 7	+ 3	+12	969

Table 8. United Kingdom: Foreign Trade
(Millions of pounds; seasonally adjusted; monthly averages)

	1963				1964			
	1st. Qtr.	2nd Qtr.	3rd Qtr.	4th. Qtr.	1st. Qtr. b/	Jan. b/	Feb.	March
Imports, c.i.f.								
Food, beverages, and tobacco	126	141	148	143	150	157	151	143
Fuels and industrial materials	195	200	209	220	233	233	231	235
Finished manufactures and other	53	56	57	59	69	66	66	74
Total a/	375	395	412	422	453	457	450	451
Exports, f.o.b.	327	335	346	348	b/356	b/326	369	373
Ré-exports, f.o.b.	12	13	13	13	12	11	11	13
Trade balance, customs returns	-36	-47	-53	-61	b/-85	b/-120	-70	-65
Trade balance, balance of payments basis c/	+ 7	- 2	- 9	-11	b/-35	b/ -73	-15	-17

a/ Details may not add to totals due to rounding.

b/ The January export figure is not comparable to those for other months owing to a change in the technique of compilation.

c/ Customs returns adjusted for valuation and coverage, mainly revaluing imports from a c.i.f. to an f.o.b. basis. 1964 figures are preliminary and are subject to substantial revisions.

Foreign trade. The trade deficit was about as large in March as it was in February. (See Table 8.) Imports in the first quarter of 1964 have leveled off. Imports of food, beverages and tobacco fell to the fourth quarter 1963 level, but this was offset by increased imports of fuels and industrial materials (associated with inventory investment) and finished manufactures.

Exports in March were maintained at the high level achieved in February. The February-March average was 6-1/2 per cent above the fourth quarter level.

Foreign exchange market. Sterling has strengthened since mid-March, and this has been reflected in a steady rise in the spot rate. (See Table 11 and Chart 8.) Sterling eased slightly in the first half of April, owing partly to uncertainties about the budget, but the spot rate continued its upward trend in the following week, reaching 280.00 on May 1. The three-month forward discount remained steady at 0.76 per cent per annum throughout April. (See Table 10 and Chart 9.) The investment dollar premium fluctuated between 11 and 11-1/2 per cent in April.

Gold and foreign exchange reserves. With the strengthening of sterling in the foreign exchange markets, the United Kingdom's reserves increased by \$34 million in March and \$53 million in April, bringing total gold and foreign exchange reserves up to \$2,713 million on April 30. (See Table 9.) British drawing rights with the International Monetary Fund have remained virtually unchanged in recent months, as there have been few transactions in sterling. As of March 31, U.K.'s IMF drawing rights amounted to \$2,440 million.

Table 9. United Kingdom: Reserve Position
(in millions of U.S. dollars)

	Changes:						Outstanding April 30, 1963
	1963		1964				
	Year	Dec.	Jan.	Feb.	March	April	
A. Gold and convertible currencies	-149	-115	+17	-48	+34	+53	2,713
Less: Central bank loans	a/--	--	--	--	--	--	
Less: U.S. opns. in sterling b/	+ 33	- 10	--	--	n.a.	n.a.	
Adjusted Reserves	-182	-105	+17	-48	n.a.	n.a.	
B. Drawing rights on IMF	- 13	--	--	+ 3	- 2	n.a.	c/2,440
Total	-195	-115	+17	-45	n.a.	n.a.	

a/ Covers \$250 million assistance received in February and March and repaid in June.

b/ As published in the Federal Reserve Bulletin, September 1963, and March 1964.

c/ As of March 31, 1964.

Bullion market. Large Russian gold sales in London were reported early in April but by contrast with earlier instances when Soviet marketings have depressed the gold price in London, a strong demand for gold kept the fixing price around \$35.080 per fine ounce. No additional major Russian gold sales were reported for the rest of the month. Demand for gold varied from light to moderate, and the fixing price fluctuated between \$35.070 and \$35.085. (See Table 10.)

Table 10. London Fixing Price for Gold
(in U.S. dollars per fine ounce)

February	14	35.076	March	13	35.077	April	10	35.071
	20	35.079		20	35.060		17	35.081
	28	35.080		26	35.081		24	35.085
March	6	35.096	April	3	35.082	May	1	35.071

Europe and British Commonwealth Section.

II. Nine Charts on Financial Markets Abroad

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

Table 11. United Kingdom: Treasury Bill Yields and Exchange Rates

	3-mo. Treasury bill arbitrage calculation					Spot pound (U.S. cents) ^{a/}	London deposit rates	
	U.K.	U.S.	Difference	3-mo. pound	In favor U.K. bill		U.S. dollar (3-mo.)	Local authority
1963								
High	3.58	3.32	.26	-.03	+.23	280.59	4.62	4.88
Low	3.31	2.85	.46	-1.08	-.62	279.59	3.56	4.06
1964								
Jan. 31	3.61	3.48	.13	-.31	-.18	279.77	4.12	4.38
Feb. 7	3.64	3.49	.15	-.44	-.29	279.78	4.00	4.38
14	3.64	3.50	.14	-.45	-.31	279.74	4.00	4.38
21	3.64	3.52	.12	-.37	-.25	279.43	4.06	4.38
28	4.16	3.56	.60	-.69	-.09	279.77	4.12	5.19
March 6	4.16	3.52	.64	-.66	-.02	279.78	4.31	5.12
13	4.16	3.53	.63	-.65	-.02	279.78	4.25	5.00
20	4.16	3.52	.64	-.71	-.07	279.82	4.25	5.12
26	4.16	3.52	.64	-.71	-.07	279.81	4.25	5.12
April 3	4.16	3.50	.66	-.77	-.11	279.88	4.25	5.06
10	4.16	3.44	.72	-.76	-.04	279.85	4.25	4.94
17	4.16	3.45	.71	-.76	-.05	279.87	4.25	4.94
24	4.16	3.43	.73	-.76	-.03	279.97	4.19	4.94
May 1	4.16	3.43	.73	-.76	-.03	280.00	4.19	5.00

^{a/} Certified N.Y. noon buying rate.

Table 12. United Kingdom: Selected Capital Market Yields

	U.K. Government bond yields					Share yield a/	Yield gap b/	Share prices a/
	5%	3%	5-1/2%	3-1/2%	2-1/2%			
	1967	1965-75	2008-12	War Loan	Consols			
1963								
High	5.02	5.44	6.00	6.12	5.98	5.06	--	117.2
Low	4.38	4.76	5.45	5.68	5.39	4.13	--	95.6
1964								
Jan. 30	4.70	5.26	5.93	6.00	5.86	4.43	1.43	110.3
Feb. 6	4.75	5.27	5.92	6.03	5.88	4.46	1.42	109.2
13	4.75	5.29	5.95	6.05	5.91	4.39	1.52	111.0
20	4.88	5.41	6.05	6.18	6.02	4.45	1.57	110.4
27	5.15	5.51	6.10	6.21	6.08	4.42	1.66	111.4
March 5	5.08	5.52	6.05	6.15	5.97	4.35	1.62	113.2
12	5.08	5.50	6.00	6.10	5.95	4.34	1.61	113.8
19	5.00	5.47	5.98	6.06	5.92	4.37	1.55	113.7
25	4.97	5.43	5.95	6.05	5.90	4.38	1.52	113.3
April 2	4.95	5.43	5.88	5.95	5.83	4.29	1.54	113.6
9	4.95	5.49	5.95	6.02	5.89	4.41	1.48	113.4
16	5.00	5.55	6.00	6.12	6.00	4.29	1.71	116.2
23	4.97	5.57	6.10	6.19	6.04	4.31	1.73	116.8
30	4.95	5.57	6.10	6.17	6.05	4.31	1.74	116.9

^{a/} Financial Times-Actuaries 500 Share Index (April 10, 1962=100). Share prices are wkly. avgs.

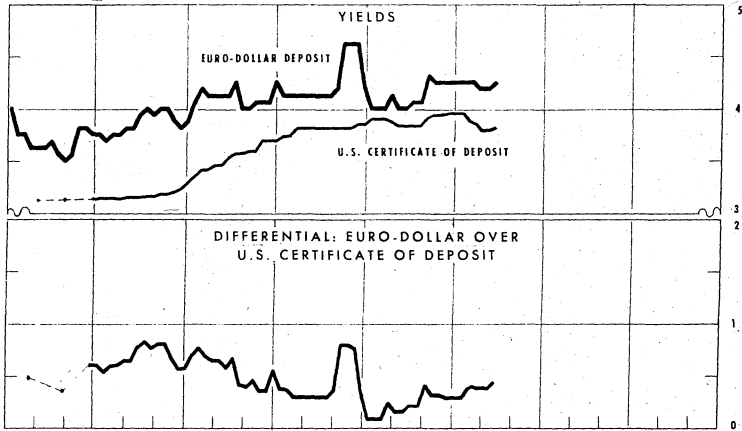
^{b/} Difference between yield on 2-1/2 per cent Consols and share yield.

Chart 1 INTERNATIONAL MONEY MARKET YIELDS FOR U.S. DOLLAR INVESTORS

3-MONTH EURO-DOLLAR DEPOSIT VS. CERTIFICATE OF DEPOSIT

Wednesday figures

Per cent per annum



NEW YORK OFFER RATES ON SELECTED 3-MONTH INVESTMENTS

Friday figures

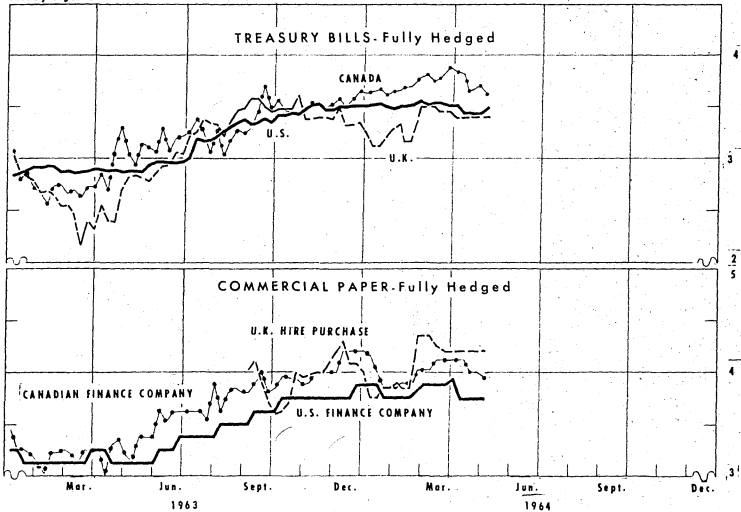


Chart 2

INTEREST ARBITRAGE, UNITED STATES / CANADA

Thursday figures

Per cent per annum

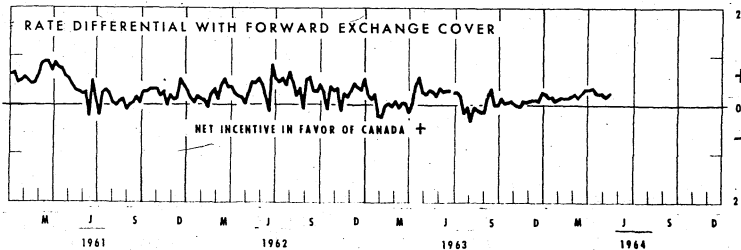
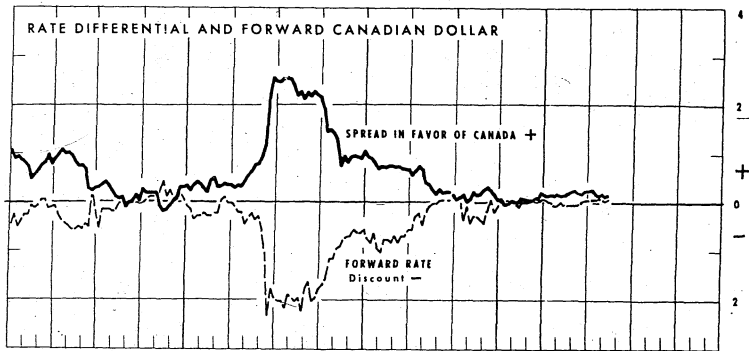
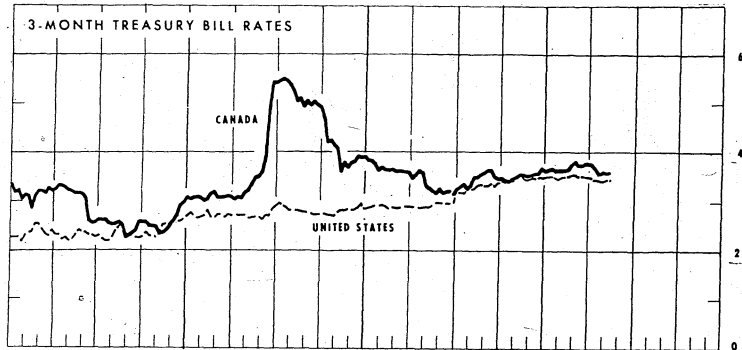


Chart 3 INTEREST ARBITRAGE, NEW YORK/LONDON

Friday figures

Per cent per annum

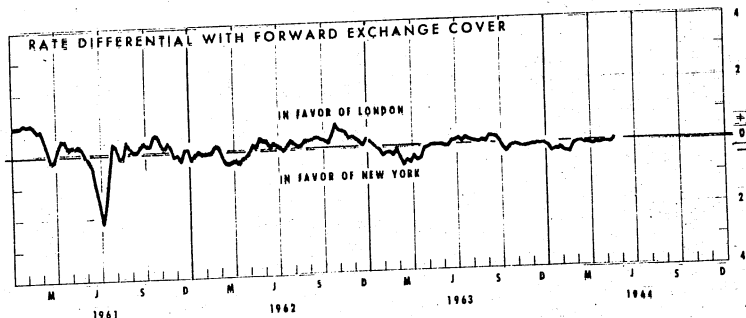
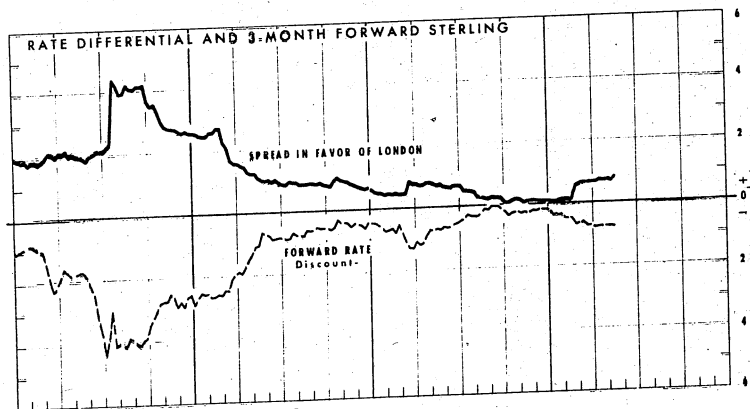
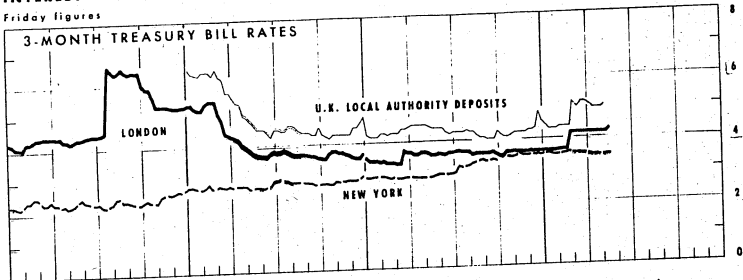


Chart 4

INTEREST ARBITRAGE FOR GERMAN COMMERCIAL BANKS

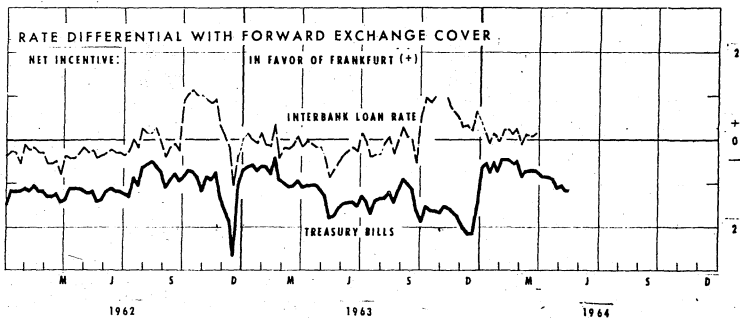
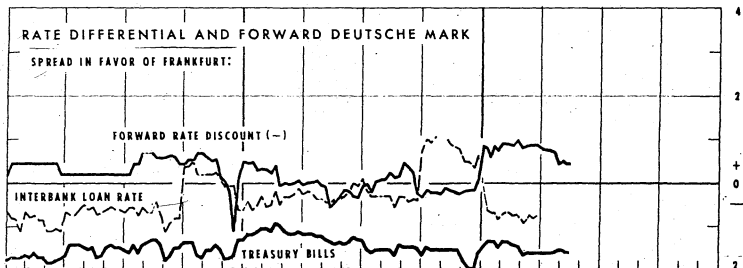
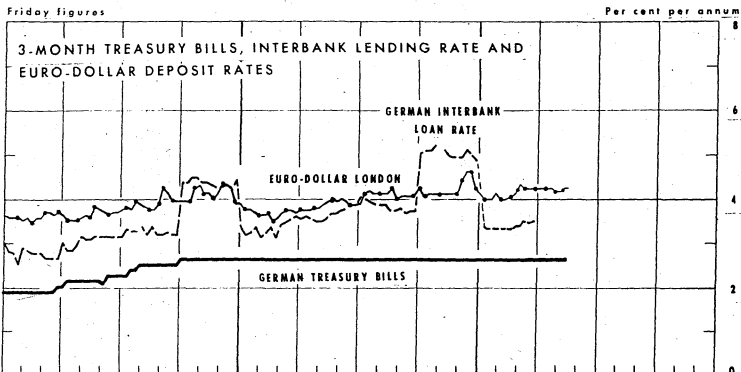
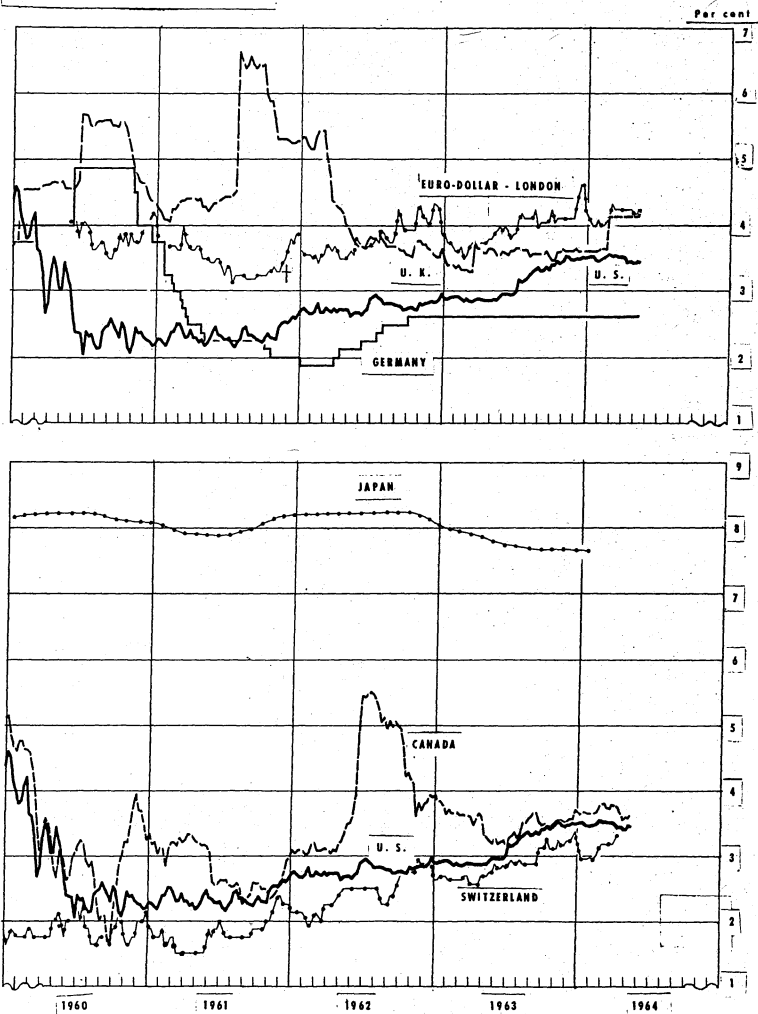


Chart 5
SHORT-TERM INTEREST RATES *



* 3-month treasury bill rates for all countries except Japan. (Average rate on bank loans and discounts)
 + 3-month deposit rate.
 † 3-month rate for U. S. dollar deposits in London

Chart 6

LONG-TERM BOND YIELDS

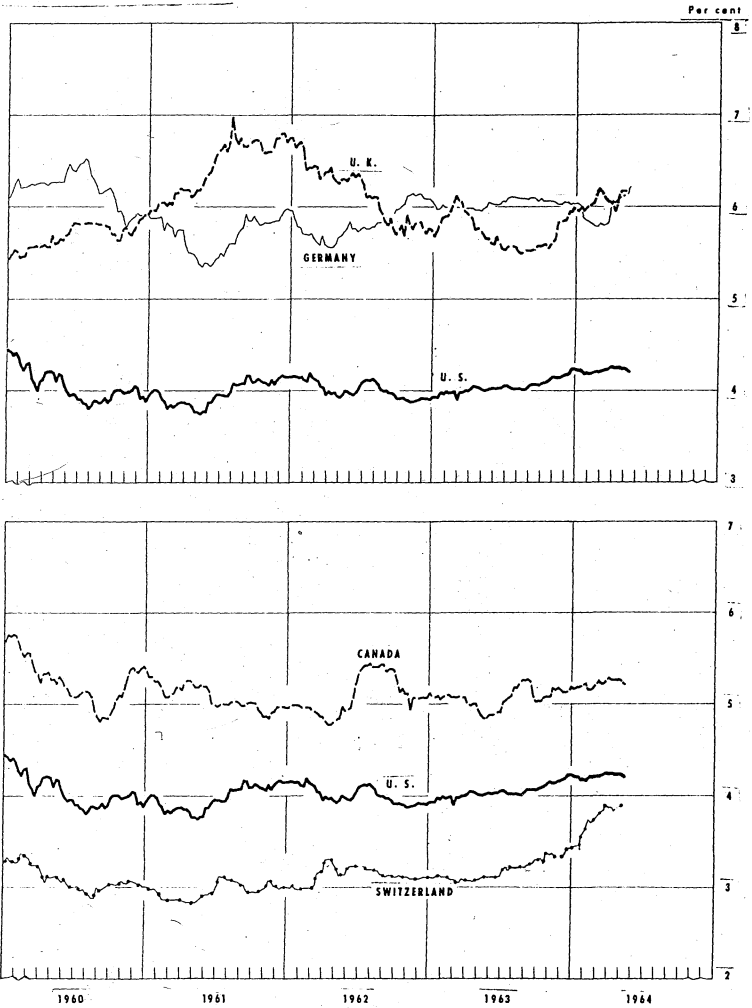
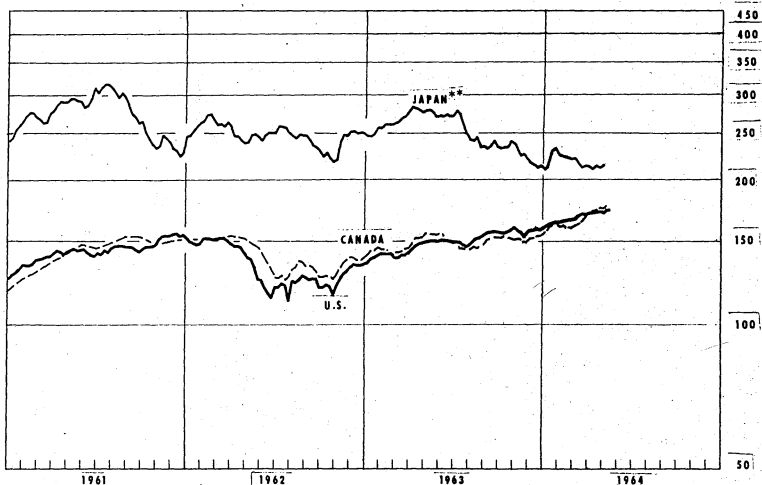
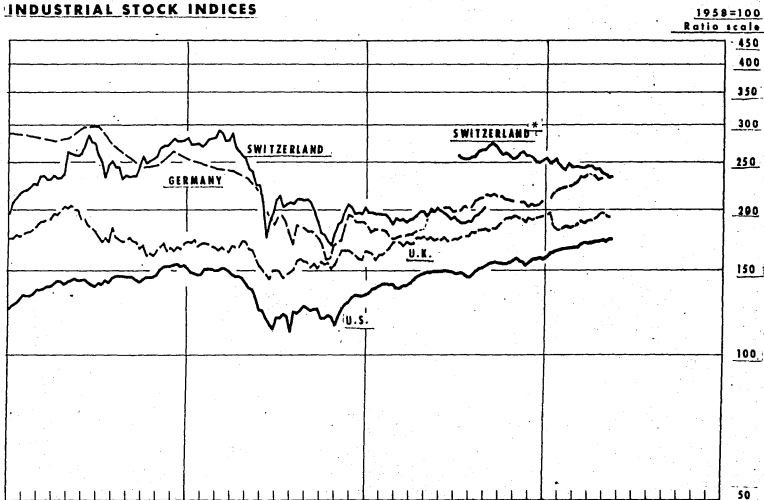


Chart 7
INDUSTRIAL STOCK INDICES



— 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

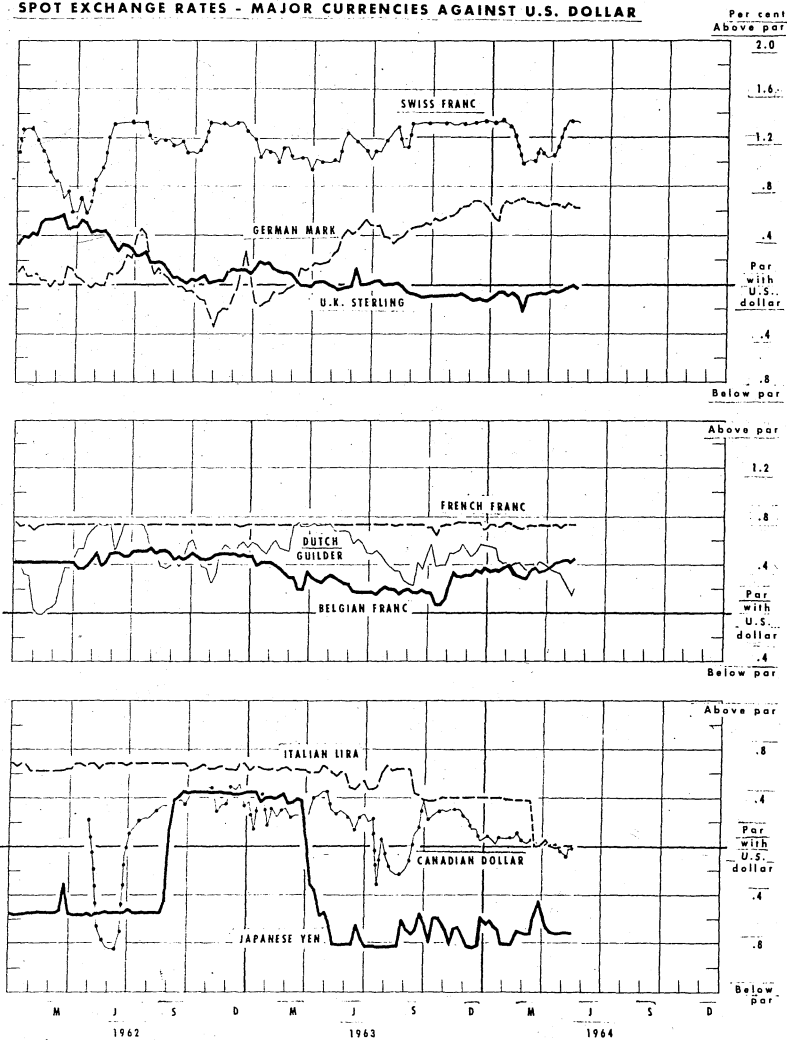
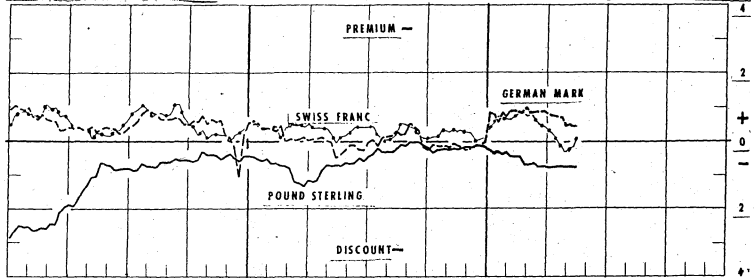


Chart 9
3-MONTH FORWARD EXCHANGE RATE

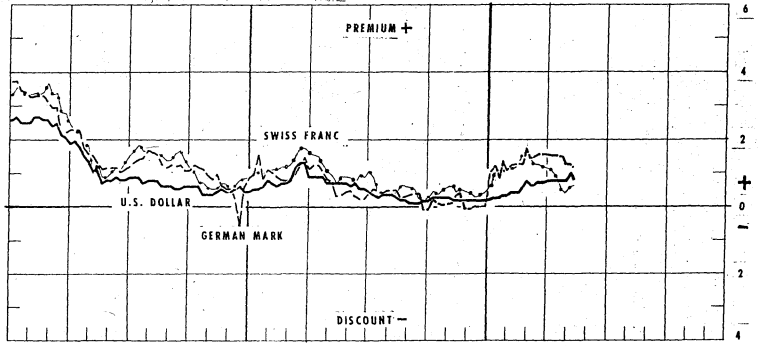
Friday figures

AGAINST U.S. DOLLARS

Per cent per annum



AGAINST POUND STERLING - LONDON



AGAINST POUND STERLING - LONDON

