DIVISION OF INTERNATIONAL FINANCE

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

H. 13

March 24, 1965.

No. 188

CAPITAL MARKET DEVELOPMENTS ABROAD

I. United States
II. Nine Charts on Financial Markets Abroad
III. Latest Figures Plotted in H. 13 Chart Series

I. U.S. Dollar Assets in Foreign Financial Centers, January 1964-March 1965

Recent Developments

Rates on U.S. dollar deposits in financial markets abroad rose dramatically during the first ten days of March, following the announcement of programs to restrain lending abroad by U.S. banks and foreign investments by U.S. corporations. Between February 26 and March 10, bid rates for dollar deposits in foreign financial institutions increased within a range of from 13 basis points on call (2-day) funds to 62 basis points on 30-day dollars. (See Table 1, and Chart 1.) Although later in March rates retreated from the March 10 peaks, most rates still remain close to all-time high levels. By contrast with the rise in rates for dollar deposits, yields on long-term dollar-denominated bonds quoted on European exchanges showed little change

Table 1. U.S. Dollar Deposits in London vs. Certificates of Deposit in New York
(rates: per cent per annum)

	Rate	Changes from preceeding date, 1965					Rate
	Sept. 25, 1964	Jan. 8	Feb. 5	Feb. 26	Mar. 10	Mar. 19	Mar. 19, 1965
Euro-dollar deposits							
Call	3.88	0	+.18	0	+.13	0	4.19
7-day	4.00	+.12	+.07	+.06	+.37	-.31	4.31
30-day	4.06	+.32	-.07	+.07	+.62	-.38	4.62
90-day	4.19	+.31	0	+.06	+.56	-.24	4.88
180-day	4.44	+.18	-.18	+.24	+.57	-.13	5.12
	(Sept. 30, 1964)	(Jan. 6)	(Feb. 3)	(Feb. 24)		(Mar. 17)	(Mar. 17)
Cert. of Deposit							
90-day	3.88	+.27	-.01	+.11	+.01	+.02	4.28
180-day	3.98	+.27	+.01	+.06	+.03	+.01	4.36
Euro-dollars over CD's		Difference between rates					
90-day	.56	.41	.36	.37	.86	.72	--
180-day	.46	.31	.30	.43	.90	.64	--

Source: Federal Reserve Bank of New York

OFFICIAL USE ONLY
(Decontrolled after 6 months)

until late in March when the market experienced some tightening and prices of many of the non-convertible issues eased below their previous lowest quotations. (See Table 10, page 13.)

It is uncertain whether the higher rates on foreign dollar deposits reflected actual withdrawals by U.S. residents of funds held with foreign institutions or were merely in anticipation of possible large-scale future withdrawals. The greatest movements have been in the rates on 30- to 180-day maturities. Since decreasing dollar availabilities (caused by a current withdrawal of funds) might well be expected to put banks under immediate liquidity pressures, the limited rise in the short maturity deposit rates may indicate that recent rate movements were more anticipatory in character than they were in response to actual market conditions.

The rapid rise in Euro-dollar deposit rates over the past few weeks came at a time when rates on time certificates of deposit in New York changed little. (See Table 1 and Chart 1.) Because of this divergent movement, the differential between 90-day Euro-dollar deposit rates and 90-day CD's in New York rose from 37 basis points at the end of February to 86 basis points on March 10, the highest yet recorded.

Reacting to the increasing need for commercial banks to offer higher rates on dollar deposits, the Japanese Ministry of Finance on February 24 raised the recommended rates that the Japanese foreign exchange banks may pay on U.S. dollar deposits. The recommended limit on 1- to 6-month deposits was raised 1/8 percentage point and on deposits for 1 year and longer, 1/4 percentage point.

Prices of outstanding U.S. dollar bonds quoted in London eased significantly between March 5 and 19; the City of Oslo, 5-3/4 per cent bond, for example, dropped $2.62, raising its yield to maturity more than 20 basis points. (See Table 10, page 13.) An exception is the IRI (Istituto per la Ricostruzione Industriale) bond--an issue with attached common stock warrants--which has posted a sharp price rise. Some Japanese issues quoted in European markets which have convertible features have been drifting lower in line with lower stock prices in Tokyo.

The volume of new issues of dollar bonds floated in European capital markets in the January-March period has been limited. A Norwegian power consortium issued $25 million of 5-3/4 per cent bonds in London, and the Italian Cassa per il Mezzogiorno sold $20 million of 6 per cent bonds that have been listed in London and Luxembourg. (See Table 2.) Although the coupon rates on these issues were about in line with the rate on bonds offered last year by these countries, yields were slightly higher because issue prices were slightly lower: the Italian bond had a 6.22 per cent yield to maturity and the Norwegian issue a 6.20 per cent yield.

Table 2. U.S. Dollar Bonds: New Issues in Europe, Jan.-March 1965

Borrower	Coupon (%)	Price	Term (yr)	Amount ($ mil.)	Market
January					
Sira-Kvina Kraftselskap (Norwegian power consortium)	5.75	97.75	20	25	London
February					
Cassa per il Messogiorno (development fund for South Italy)	6.0	97.50	20	20	London Luxembourg
March					
Kingdom of Norway	5.5	98.00	20	30	London Luxembourg

The scaling down of the most recent dollar issue--one for the Kingdom of Norway--to $30 million from the unusually large amount of $40 million which had originally been announced reflects mainly the sudden tightening of supplies of Euro-dollars in Europe and the considerable state of flux in the market. This 5-1/2 per cent, 20-year bond was originally hailed as "the largest and most important dollar loan launched in London for European markets." A new feature of the bond is that a proportion is being placed with certain institutions in the United Kingdom, although Hambros Bank (the United Kingdom underwriter) has spread the underwriting fairly broadly among Continental institutions. However, on what terms other issues currently in the pipeline--some delayed considerably from their original schedules and some recently announced like the $25 million issue for the City of Rome--will come to market remains to be seen. In this vein, The Economist recently commented that "competition for the issuing business between London and New York is keen; interest rates are likely to rise; and it is unusually difficult to predict whether the total volume of these loans will rise or fall from its recent high level."1/

Deposit rates abroad for U.S. dollars trend upward during 1964

The recent sharp increases in Euro-dollar deposit rates took place on top of a generally upward trend in the entire maturity of rates that persisted throughout 1964.2/ (See Table 3 and Chart 1.) Relatively tighter conditions in the world's major financial centers, heavier demands for funds growing out of generally higher economic activity, and rising interest rates in the United States contributed to push up foreign deposit rates for dollars last year.

1/ The Economist, (London), March 27, 1965. Page 1419
2/ Euro-dollar rates eased in January and February 1965 from their year-end peak in December as European banks returned funds they had temporarily withdrawn for end-year window-dressing purposes and the flow of U.S. funds into the foreign dollar market reportedly increased in anticipation of the recent restraints by U.S. authorities on resident funds.

Table 3. Euro-dollar Deposit Rates (London): Changes During 1964
(Rates: per cent per annum)

	Rate	Changes from previous date						Rate
	Jan. 31, 1964	Mar. 27	June 26	Sept. 25	Nov. 20	Dec. 24	Jan. 15	Feb. 5, 1965
Call (2-day)	3.69	+.12	+.19	-.12	-.07	+.07	0	4.06
7-day	3.81	+.19	+.31	-.31	-.06	+.68	-.50	4.19
30-day	3.94	+.12	+.32	-.32	0	+.75	-.56	4.31
90-day	4.08	+.17	+.13	-.19	+.31	+.25	-.31	4.50
180-day	4.25	+.19	0	0	+.06	+.31	-.19	4.44

Source: Federal Reserve Bank of New York

During the first half of 1964, bid rates for dollars in London rose within a range of from 19 basis points on 180-day deposits to 50 basis points on 7-day funds. (See Table 3.) At this time, short-term money rates were rising in the major European centers: in Frankfurt and Zurich by about 40 basis points, in London by 60 basis points and in Paris by much more. (See Table 4.) The rise in Britain followed a rise in Bank Rate by 1 per cent in March. The particularly sharp rate rise in Paris in May was due to a severe scarcity of funds in Paris which induced French banks to borrow short-term Euro-dollars heavily in April-May; because these inflows led to heavy and unwanted reserve accruals, however.the French authorities quickly eased these pressures in early June. Money conditions also tightened in Switzerland as the authorities sought to keep out foreign money inflows and to absorb domestic funds from the Swiss market as an anti-inflationary move. (See Table 4.)

During this period, rates in the call (2-day) to 90-day maturity range increased rather sharply; for a short time in June, in fact, financial institutions abroad bidding for dollars were willing to pay almost as much for 7- to 90-day dollars as they were for 180-day deposits. (See Appendix: Table 1.) In addition, the disparity between U.S. domestic rates and foreign rates grew wider: on 90-day funds this difference widened from 24 basis points on January 29 to 53 basis points by the end of June in favor of Euro-dollars. In this period, rates offered by U.S. banks were close to the ceiling fixed by U.S. authorities. (See Table 5.)

Table 4. Short-term Interest Rates in Selected Financial Centers, 1964-65

1964		New York 1/	London 2/	Frankfurt 3/5/	Paris 6/	Zurich 4/5/	Canada 1/	Euro-$ London
January		3.50	3.61	3.32	4.13	2.98	3.67	4.06
February		3.51	3.77	3.33	4.33	3.01	3.72	4.04
March		3.52	4.16	3.45	5.04	3.19	3.78	4.26
April		3.46	4.16	3.64	5.05	3.31	3.67	4.23
May		3.45	4.21	3.69	6.18	3.38	3.60	4.21
June		3.46	4.32	3.75	4.86	3.42	3.47	4.36
July		3.43	4.42	3.70	4.77	3.19	3.52	4.42
August		3.47	4.50	3.92	4.72	3.14	3.70	4.24
September		3.50	4.50	4.10	4.75	3.24	3.71	4.22
October	9	3.56	4.53	5.38	4.18	3.50	3.59	4.50
	23	3.56	4.59	5.50	4.00	3.50	3.63	4.50
November	13	3.56	4.53	5.50	4.06	3.68	3.59	4.50
	27	3.79	6.41	5.44	4.18	3.68	3.78	5.00
December	11	3.80	6.41	5.50	4.12	3.75	3.74	4.69
	25	3.84	6.41	5.31	3.88	3.75	3.76	4.75
1965								
January	8	3.77	6.44	3.75	4.00	3.31	3.71	4.50
	22	3.81	6.41	4.06	3.00	3.19	3.63	4.44
February	11	3.89	6.32	4.00	4.12	3.06	3.61	4.50
March	5	3.93	6.26	--	4.75	3.06	3.69	4.75
	12	3.91	6.20	--	4.00	3.06	3.63	5.00
	19	3.90	6.35	--	3.94	--	3.56	4.88

1/ 11 a.m. Friday offer rate on 90-day Treasury bills.
2/ Opening Friday offer rate on 90-day Treasury bills.
3/ 90-day interbank loan rate.
4/ 3-month deposit rate at large Zurich banks.
5/ Average of rates for the week previous to reporting date; reported on 7, 15, 23 and last day of month.
6/ Day-to-day money against private paper; average of rates on Thursday each week.
7/ Friday bid rate for 90-day U.S. dollar deposits in London.

January-September: monthly averages.

Table 5. Euro-dollar Deposit Rates vs. New York Certificates of Deposit
(per cent per annum)

	1964				1965	
Euro-dollars over CD's	Jan. 29	June 24	Oct. 28	Nov. 25	Jan. 13	Feb. 3
90-day Euro-$ Deposit	4.12	4.38	4.50	4.88	4.50	4.50
90-day CD	3.88	3.85	3.95	4.12	4.14	4.14
Difference	.24	.53	.55	.76	.36	.36
180-day Euro-$ Deposit	4.25	4.44	4.56	5.00	4.62	4.56
180-day CD	3.97	3.95	4.05	4.33	4.26	4.26
Difference	.28	.49	.51	.67	.36	.30

Source: Federal Reserve Bank of New York

After mid-year, conditions eased in the Euro-dollar market; only in the 180-day maturity did rates not decline. But rates climbed to record levels in late December: unsettled monetary conditions surrounding the sterling crisis in November intensified seasonal pressures for year-end window dressing. Between November 20--just before sterling's troubles intensified--and December 24, deposit rates for dollars in the London market rose in a range from 75 basis points on 30-day deposits to 25 basis points for 90-day money. Call rates, however, were practically unchanged. (See Table 3.)

Again rising domestic rates in European centers added to demands for Euro-dollar deposits. In London, the emergency rise in Bank Rate from 5 to 7 per cent on November 23 raised borrowing costs by at least 2 percentage points. In Frankfurt, the end of large external payments surpluses and a 10 per cent increase in reserve requirements produced credit stringency, and a dramatic increase was registered in short-term interest rates: the 90-day interbank loan rate rose sharply from a monthly average of 3.70 per cent in July to around 5.30 per cent in December. (See Table 4.)

Even though U.S. commercial banks were allowed to pay higher rates on their certificates of deposit beginning November 24, 1964, increases were not enough to keep pace with the sharp rise in foreign dollar deposit rates. On November 26, at the height of unsettled international money conditions, 90-day Euro-dollar deposits were bid 76 basis points above U.S. commercial bank certificates of deposit. However, the disparity between the two rates was quickly reduced in early 1965 to only 12 basis points more than it had been a year earlier. (See Table 5.)

London dollar business grows sharply in 1964

Business in U.S. dollar deposits in London experienced renewed growth in 1964, after contracting slightly in the fall and winter of 1963-64 in reaction to several corporate bankruptcies in which Euro-dollar credits were involved appreciably. Between December 31, 1963 and December 31, 1964, Euro-dollar business in London[1/] (as measured by total U.S. dollar assets and liabilities of banks in the United Kingdom vis-a-vis foreign residents) rose 37 per cent from $5.9 billion to $8.1 billion. Almost half this growth in business ($963 million) occurred between September and December, while a smaller, but still very large, increase ($756 million) was registered in the third quarter. (See Table 6).

Table 6. U.K. Commercial Banks: External U.S. Dollar Claims and Liabilities (millions U.S. dollars)

		1963		1964			
End of period:	Dec. 62	June	Dec.	Mar.	June	Sept.	Dec.
Liabilities	2,475	3,010	3,002	3,097	3,419	3,892	4,379
Claims	2,248	2,783	2,870	2,817	2,937	3,220	3,696
Net Liabilities	227	227	132	280	482	672	683
Changes in:							
Liabilities	--	+535	-8	+95	+322	+473	+487
Claims	--	+535	+87	-53	+120	+283	+476
Net Liabilities	--	0	-95	+148	+202	+190	+11

Source: Bank of England, *Quarterly Bulletin.*

1/ Many foreign financial centers trade in (accept and place) U.S. dollar deposits, but today London does by far the largest volume of the dollar business. The Bank for International Settlements estimated that, at the end of September 1963, one-third of the total outstanding assets and liabilities were with British overseas banks, merchant banks or branches of foreign banks in London.

Table 7. U.K. Commercial Banks: External U.S. Dollar Claims and Liabilities by Country
(millions U.S. dollars)

End of Period:	Dec. 63	March 1964	June 1964	Sept. 1964	Dec. 1964	Change Dec.'63-Dec.'64
CLAIMS ON						
United States	795	1,072	986	1,184	1,210	+415
Italy	484	330	350	361	454	- 30
Japan	246	277	302	347	389	+143
France	151	118	165	157	174	+ 23
Germany	182	106	134	157	280	+ 98
Netherlands	73	84	129	120	157	+ 84
Belgium	193	174	118	109	182	- 11
Switzerland	87	67	87	104	104	+ 17
(% of total claims)	(77%)	(79%)	(77%)	(79%)	(80%)	
LIABILITIES TO						
Switzerland	624	736	806	997	750	+126
United States	384	319	490	493	534	+150
Canada	356	375	470	521	739	+383
Middle East	300	291	339	347	392	+ 92
Austria	224	202	199	230	221	- 3
Italy	146	92	73	134	204	+ 58
France	95	73	62	118	210	+115
Germany	50	132	67	80	70	+ 20
(% of total liabilities)	(73%)	(72%)	(73%)	(75%)	(71%)	

Source: Bank of England, Quarterly Bulletin.

During the second quarter, most of the dollar funds coming to London were from U.S., Canadian, and, to a smaller extent, Swiss residents. This was at a time when the spread of Euro-dollar rates over U.S. rates widened from earlier levels. The British banks put most of their dollar placements during this period with French, Dutch and Japanese residents. (See Table 7.)

During the third quarter, about half of the dollar inflow into London came from Switzerland ($191 million). In this period, the Swiss authorities were encouraging Swiss banks to place funds abroad. London-resident banks placed $198 million of these dollar deposit gains in the United States. (See Table 7.)

The very large inflow of dollar funds into the London market in the final quarter of the year came primarily from Canadian ($218 million) and French ($92 million) residents. At the same time London-resident banks made large dollar placements on the Continent, particularly in Germany and Italy. (See Table 7.)

For the year 1964 as a whole, banks in the United Kingdom (both British and branches of foreign banks) were recipients of dollar deposits (increased their dollar liabilities to non-residents) amounting to $1,377 million. (See Table 6.) But dollar claims of these same banks against non-residents increased by only $826 million. Consequently, it appears that U.K. banks converted some $551 million of these dollar inflows into sterling (presumably with forward cover) for investment in the London money market, in response to tightening domestic credit conditions; these inflows helped to finance the large current account deficit the United Kingdom incurred in the first three quarters of 1964. During the fourth-quarter sterling crisis, however, the London banks employed virtually their entire dollar accruals as dollar--not as sterling--investments abroad.

The $826 million increase in the foreign dollar assets of London-based banks were placed, or lent, primarily in the United States, Japan, and Germany. During 1964, in fact, more dollars were shifted to the United States from the London market than were placed in London by U.S. residents. The increase in dollar liabilities of U.S. residents relative to their dollar assets vis-a-vis London amounted to some $265 million, about $180 million of which occurred in the second half of the year. (See Table 8.) These flows largely represented the activities of London branches of U.S. banks, which added substantially to their dollar borrowings in London and then transferred appreciable amounts of these funds to their head offices. During much of this period, it was attractive for U.S. banks to borrow short-term money in the Euro-dollar market and to obtain longer-term funds by placing certificates of deposits (CD's) in the domestic market. This was because call Euro-dollar rates were lower than the rates on available certificates of deposit in the United States, while the longer-term CD rates tended to be below the corresponding Euro-dollar quotations.

Among the other principal recipients of dollars from London, both Japanese and German residents took more dollars from London than they placed in London during the year. Favorable terms for placing money-market assets in U.S. Treasury bills offered to German commercial banks by the Bundesbank probably accounts for much of the shift in the position of German residents in the London market. On the other hand, Italian banks put more dollar funds into London than they borrowed, thereby

Table 8. Major Net Borrowers and Lenders of Dollars in London
(millions of U.S. dollars)

Net Borrowers	Net U.S. Dollar Liabilities to London Banks					
	Dec. 1963	Changes I	II	III	IV	Dec. 1964
Residents of:						
United States	411	+342	-257	+195	- 15	676
Italy	338	-100	+ 39	- 50	+ 23	250
Japan	235	+ 31	+ 22	+ 42	+ 42	372
Germany	132	-158	+ 93	+ 10	+133	210
Belgium	123	- 25	- 53	- 3	+ 31	73
Netherlands	(8) 1/	+ 22	+ 28	+ 5	- 10	37
Net Lenders	**Net U.S. Dollar Assets in London Banks**					
Residents of:						
Canada	286	+ 36	+ 98	+ 59	+218	697
Switzerland	537	+132	+ 50	+174	-247	646
Middle East	264	- 7	+ 20	0	+ 45	322
Austria	216	- 17	- 8	+ 31	- 23	199
France	(56) 2/	+ 11 3/	- 58 4/	+ 64 3/	+ 75	36

1/ Net asset position.
2/ Net liability position.
3/ Decrease in net dollar liabilities in London.
4/ Increase in net dollar liabilities in London.

Source: Bank of England, Quarterly Bulletin.

decreasing their net borrowing in that market. (See Table 8.) This reduction reflected the continuing pressures put by the Bank of Italy upon Italian commercial banks since the autumn of 1963 to reduce the total volume of their outstanding net liabilities to foreigners (that is, mainly their borrowings in the Euro-dollar and other Euro-currency markets). At the same time, Italian banks reduced their foreign currency loans to domestic residents as the value of Italian imports declined sharply throughout most of 1964.

The principal supplier of dollar funds to the London market during 1964 was Canada. Canadians added $411 million to their net dollar claims on British-based banks during the year and $218 million during the fourth quarter alone. (See Table 8.) These flows may in part have represented the passing on of dollar deposits received by Canadian banks from U.S. residents; however, Canadian residents also added some $500 million to their bank balances and other short-term funds abroad during 1964, and some of these funds may have found their way to the London market. Well over half this $500 million is reported by the Dominion Bureau of Statistics to have been "swap deposits" under which Canadian banks offer residents an attractive rate of interest on foreign currency deposits (with the exchange-risk covered); because Canadian banks pay "common, agreed rates on their Canadian dollar notice deposits", they compete very aggressively with each other through these foreign currency swaps.1/

During the first three quarters of 1964, Swiss residents built up their dollar deposits in London on a net basis by more than $356 million; but a withdrawal of more than a quarter of a billion of dollars in the fourth quarter during the sterling crisis reduced the total increase for 1964 to only $100 million. The other two large net lenders of dollars to London--the Middle East and Austria--made only minor changes in their holdings during the year.

Issues of long-term dollar bonds up sharply in 1964 2/

Some $490 million of long-term U.S. dollar bonds--almost 200 per cent more than in 1963--were issued in foreign capital markets by non-residents in 1964. (See Table 9.) Nearly three-fourths of these were arranged by London underwriters. The volume of U.S. dollar bonds was slightly more than half the total volume of all bonds issued in European capital markets by non-residents during the year.

The major issuers were the Scandinavian countries of Denmark, Norway, and Finland. These countries took a little over half of the long-term dollar funds raised in European centers during 1964. Japanese borrowers issued bonds for about one-fifth of the total funds raised, and bonds placed by an Italian firm and EEC organizations accounted for most of the remaining issues. (See Table 9.)

Terms offered investors in new foreign dollar issues showed little change over the year. Most Japanese bonds carried coupon rates between 6.25 and 6.50 per cent;

1/ Report of the Royal Commission on Banking and Finance (Queen's Printer, Ottawa: 1964), p. 138.
2/ Also see Charles C. Baker, "Foreign Security Issues in European Markets, 1963-64," mimeograph, June 16, 1964.

Table 9. U.S. Dollar Bonds Issued in Foreign Markets
(millions U.S. dollars)

	1964				
	Quarters				
Borrowing Country	I	II	III	IV	Total
Japan	22.5	37.5	10.0	42.0	112.0
Israel	5.0	--	--	--	5.0
Austria	18.0	--	--	--	18.0
Portugal	--	--	20.0	--	20.0
Denmark	24.0	50.0	48.0	--	122.0
Norway	42.0	25.0	15.0	25.0	107.0
Finland	--	16.0	--	10.0	26.0
Italy	--	--	25.0	--	25.0
EEC agencies	--	--	--	55.0	55.0
Total	111.5	128.5	118.0	132.0	490.0

coupon rates on most other new issues were about a percentage point lower--varying generally between 5.25 and 5.75 per cent. Discounts from par in the initial offering prices of new issues were, also, fairly common during the year--and seem to have primarily reflected the credit standing of the individual borrowers.

Yields on outstanding non-resident dollar bonds traded in London varied only slightly during the year except for some Japanese issues, which, because of their convertible features, suffered sizable price declines in line with falls in Tokyo stock prices. (See Table 10.) However, the London market for dollar bonds is very thin and is not generally open to U.K. residents; hence, price behavior there does not necessarily respond quickly to changes in financial conditions.

Europe and British Commonwealth Section.

Table 10. Prices and Yields of Selected U.S. Dollar Bonds Traded in London

Issue	Gov't of Austria 6%, 1979-1984		Gov't of Denmark 5-1/2%, 1970-1984		IRI 5-3/4%, 1975-1979		City of Oslo 5-3/4%, 1969-1979	
	High	Low	High	Low	High	Low	High	Low
1964	103.62	101.25	103.62	100.38	109.12	105.75	103.0	101.25
1965	101.75	100.0	102.12	98.25	112.0	105.5	101.12	98.38
	Price	Yield to maturity	Price	Yield to maturity	Price	Yield to maturity	Price	Yield to maturity
Last Friday of:								
January 1965	101.38	5.8	101.00	5.3	106.00	5.0	100.50	5.6
February	101.50	5.8	102.12	5.2	109.50	4.5	100.62	5.6
March 5	101.75	5.7	102.00	5.2	109.50	4.5	101.00	5.6
19	100.00	5.9	98.25	5.6	112.00	4.1	98.38	5.8

Issue	Mort. Bk. Denmark 5-5/8%, 1970-1984		Copenhagen Telephone 5-3/4%, 1970-1984		Itoh 6-1/4%, 1984		Takeda 6%, 1984	
	High	Low	High	Low	High	Low	High	Low
1964	101.38	99.50	102.62	100.12	100.0	94.75	105.5	98.5
1965	100.25	98.25	102.25	99.75	100.25	91.25	107.0	100.0
	Price	Yield to maturity	Price	Yield to maturity	Price	Yield to maturity	Price	Yield to maturity
Last Friday of:								
January 1965	100.00	5.5	101.12	5.6	96.50	6.7	105.00	5.4
February	100.25	5.5	102.00	5.5	96.25	6.7	106.50	5.4
March 5	100.00	5.5	102.25	5.5	95.75	6.8	105.50	5.4
19	98.25	5.7	99.75	5.7	91.25	7.2	100.00	5.8

Prices are bid.

OFFICIAL USE ONLY

Appendix: Table I

Bid Rates for U.S. Dollar Deposits in London

1964		Call	7-day	30-day	90-day	180-day
		TERM				
January	31	3.69	3.81	3.94	4.08	4.25
February	28	3.75	3.88	3.94	4.12	4.25
March	27	3.81	4.00	4.06	4.25	4.44
April	24	3.69	3.81	4.00	4.19	4.38
May	29	3.75	3.88	4.12	4.25	4.38
June	26	4.00	4.31	4.38	4.38	4.44
July	10	3.88	4.00	4.25	4.38	4.44
	31	3.88	4.00	4.12	4.31	4.44
August	14	3.88	4.00	4.12	4.25	4.44
	28	3.75	3.88	4.12	4.25	4.44
September	11	3.81	3.94	4.12	4.25	4.50
	25	3.88	4.00	4.06	4.19	4.44
October	16	3.75	3.94	4.06	4.50	4.56
	30	3.88	3.94	4.00	4.50	4.56
November	6	3.75	3.94	4.00	4.50	4.56
	13	3.81	3.94	4.06	4.50	4.56
	20	3.81	3.94	4.06	4.50	4.50
	27	no market	no market	5.00	5.00	5.00
December	4	3.88	4.00	4.75	4.75	4.81
	11	3.75	3.88	4.62	4.69	4.75
	18	3.88	4.44	4.75	4.75	4.81
	24	3.88	4.62	4.81	4.75	4.81
	31	3.88	4.12	4.62	4.62	4.75
1965						
January	8	3.88	4.12	4.38	4.50	4.62
	15	3.88	4.12	4.25	4.44	4.62
	22	4.00	4.12	4.25	4.44	4.56
	29	4.00	4.12	4.31	4.50	4.56
February	5	4.06	4.19	4.31	4.50	4.44
	12	4.06	4.19	4.31	4.50	4.54
	19	4.06	4.25	4.38	4.56	4.60
	26	4.06	4.25	4.38	4.56	4.68
March	5	4.19	4.38	4.62	4.75	4.82
	10	4.19	4.62	5.00	5.12	5.25
	12	4.19	4.38	4.88	5.00	5.12
	19	4.19	4.31	4.62	4.88	5.12
	26	4.12	4.31	4.62	4.88	5.12

Source: Federal Reserve Bank of New York.

Chart 1

INTERNATIONAL MONEY MARKET YIELDS FOR U.S. DOLLAR INVESTORS

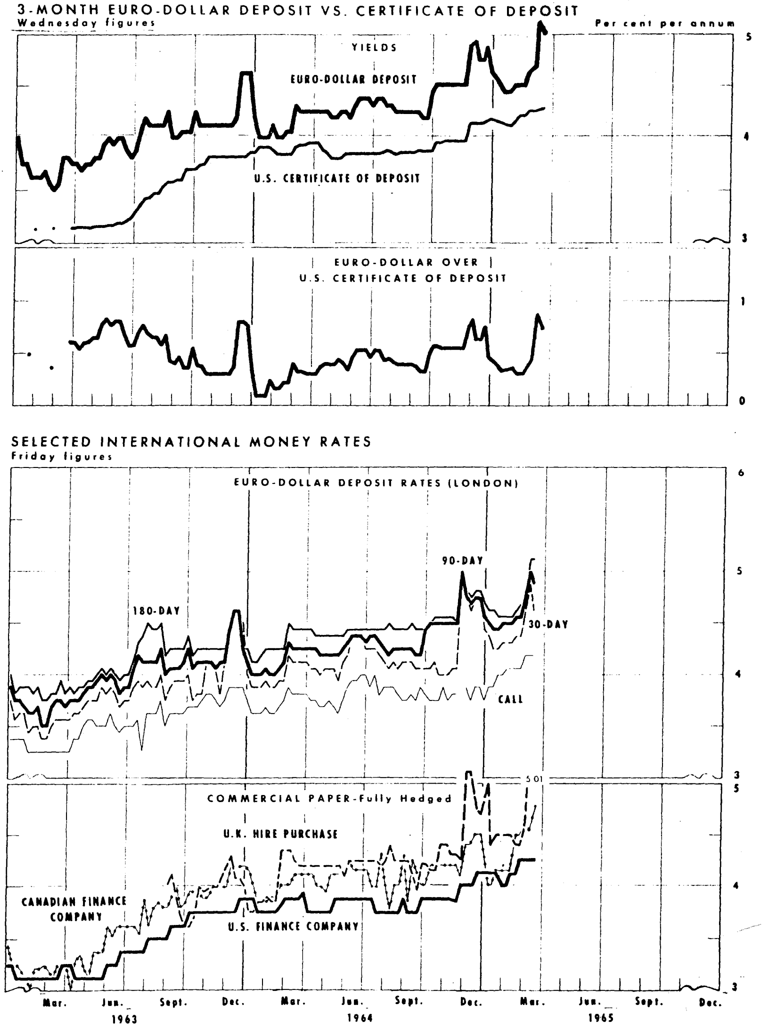
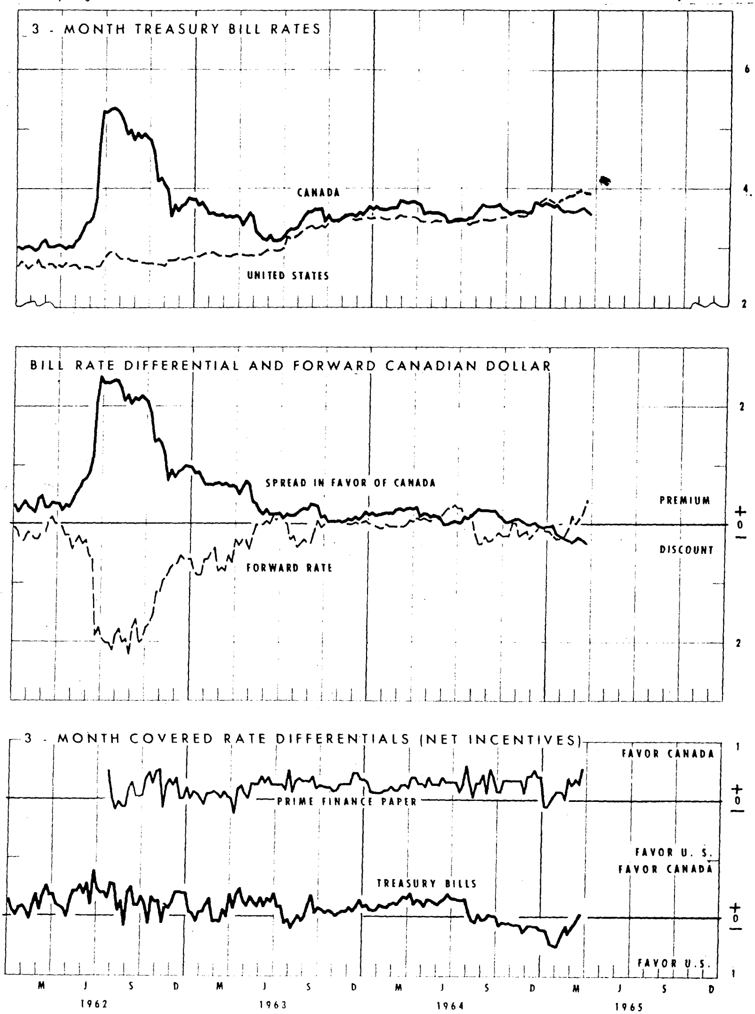


Chart 2

INTEREST ARBITRAGE, UNITED STATES / CANADA

Friday figures*

Per cent per annum



* Thursday figures 1962, Fridays thereafter

Chart 3

INTEREST ARBITRAGE, NEW YORK/LONDON

Friday figures

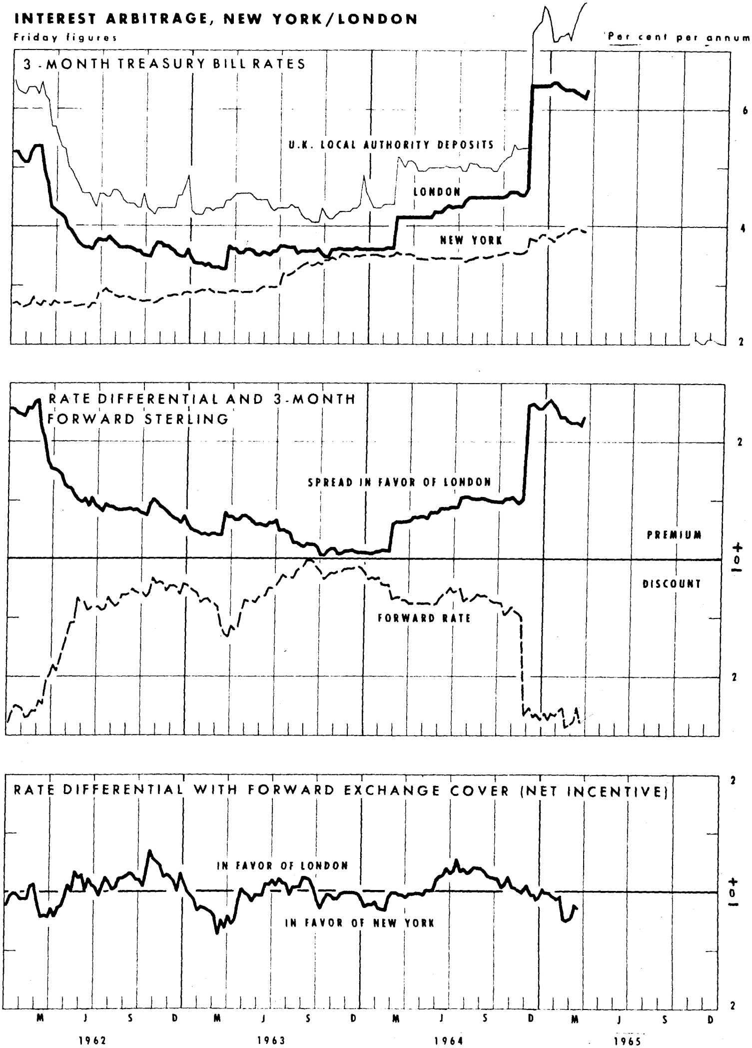


Chart 4

INTEREST ARBITRAGE FOR GERMAN COMMERCIAL BANKS

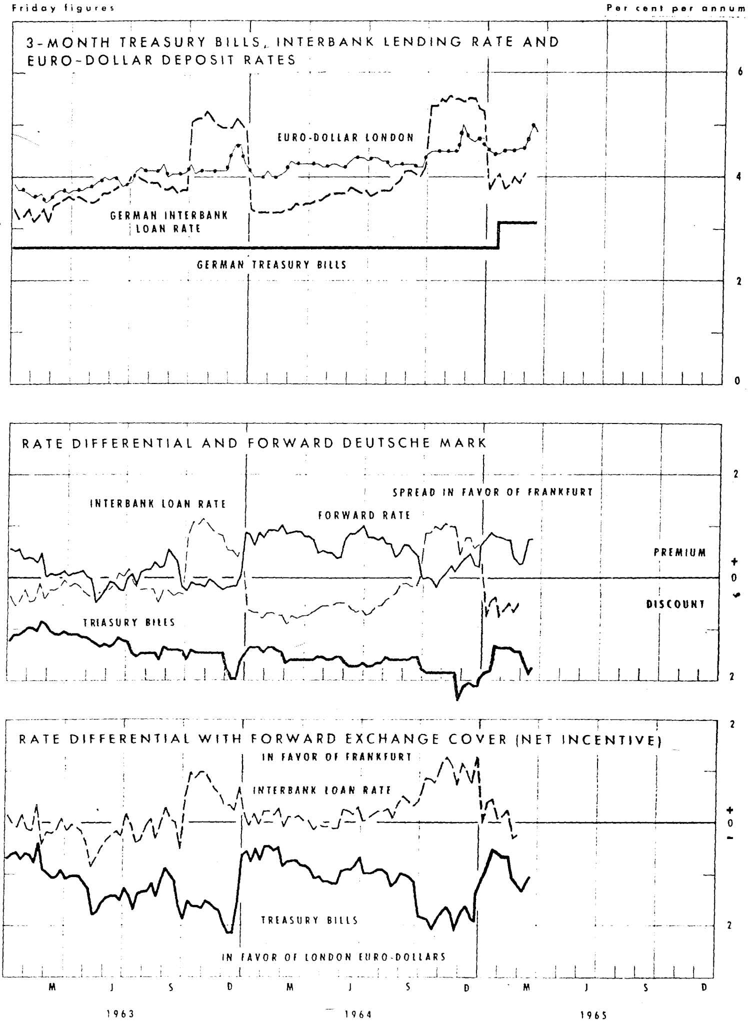
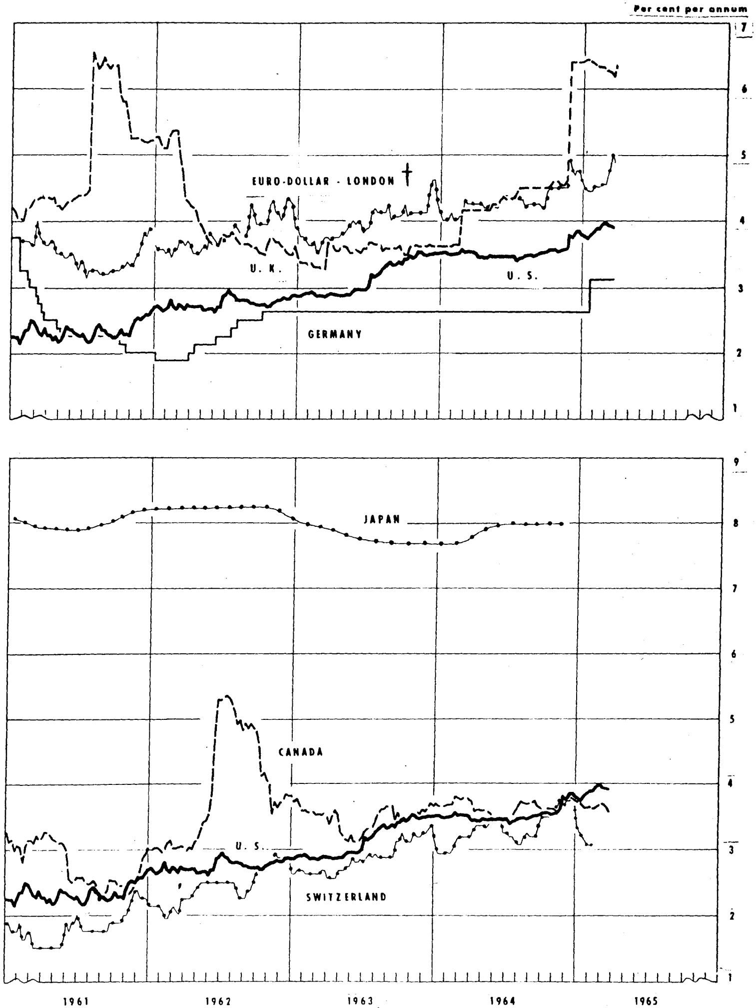


Chart 5

SHORT-TERM INTEREST RATES *



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

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

20

Chart 6

LONG-TERM BOND YIELDS

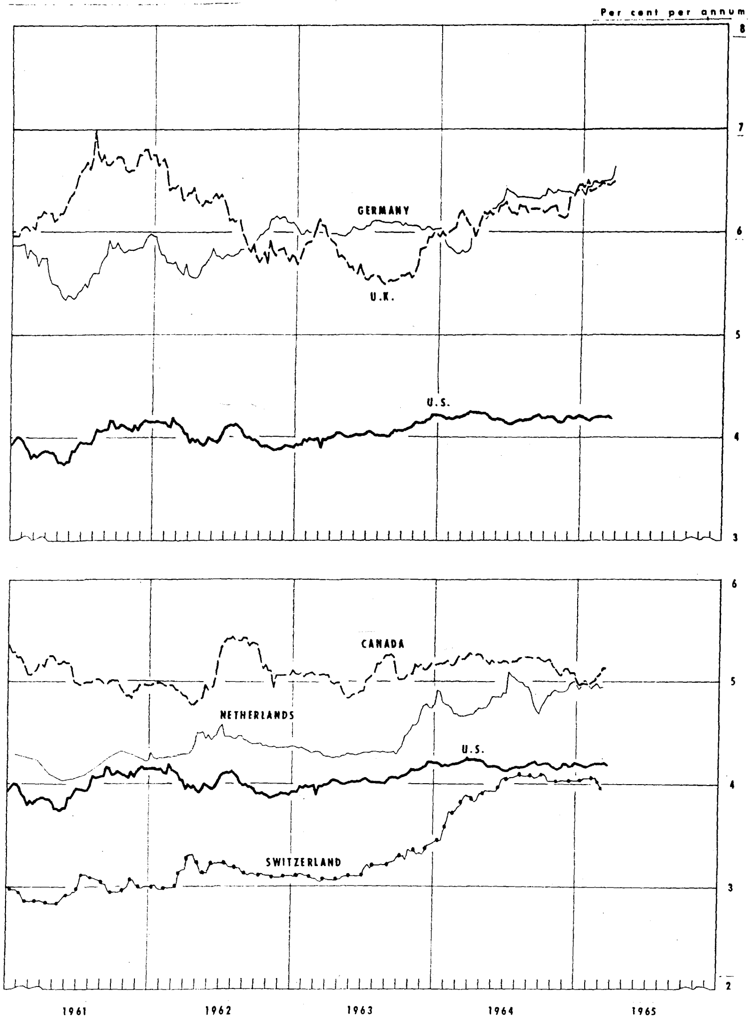
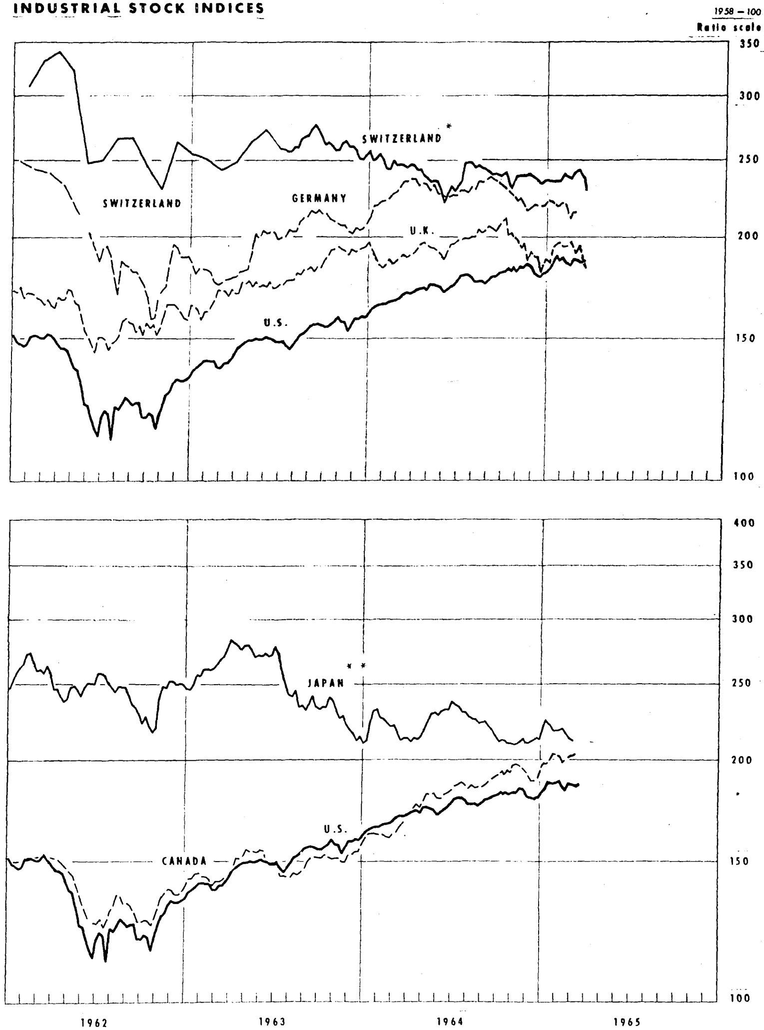


Chart 7

INDUSTRIAL STOCK INDICES



* Swiss Bank Corporation industrial stock

** Japan, index of 225 industrial and other stocks traded on the Tokyo exchange

22

Chart 8

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

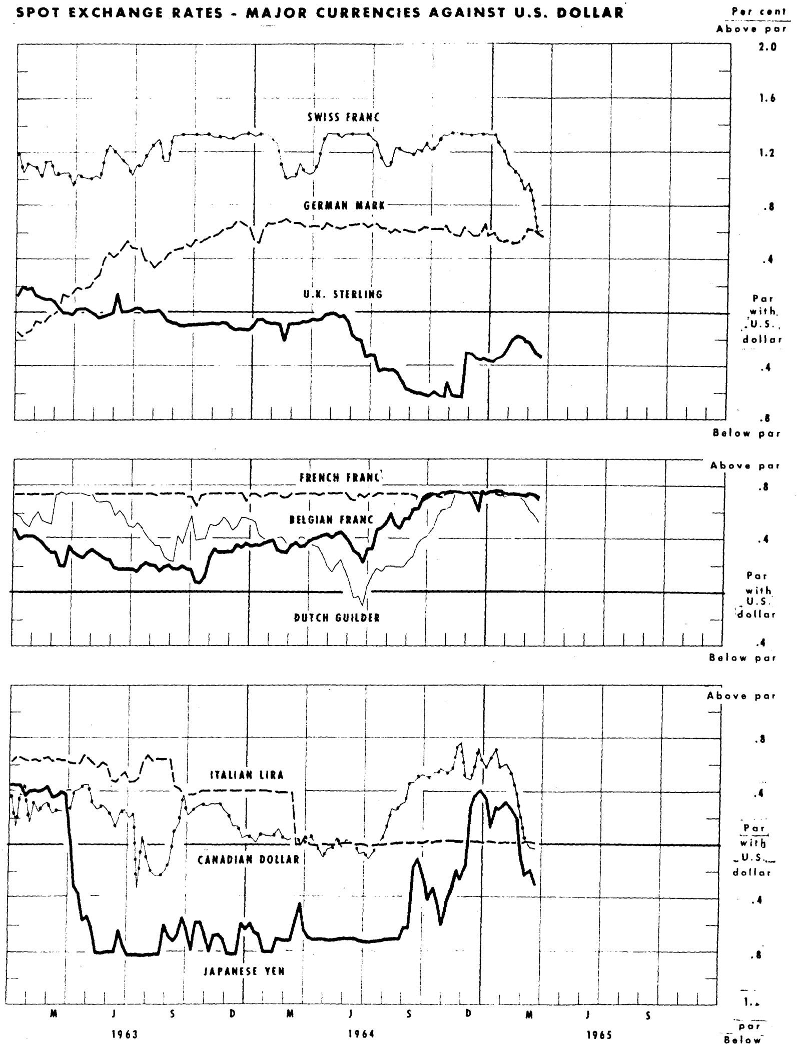
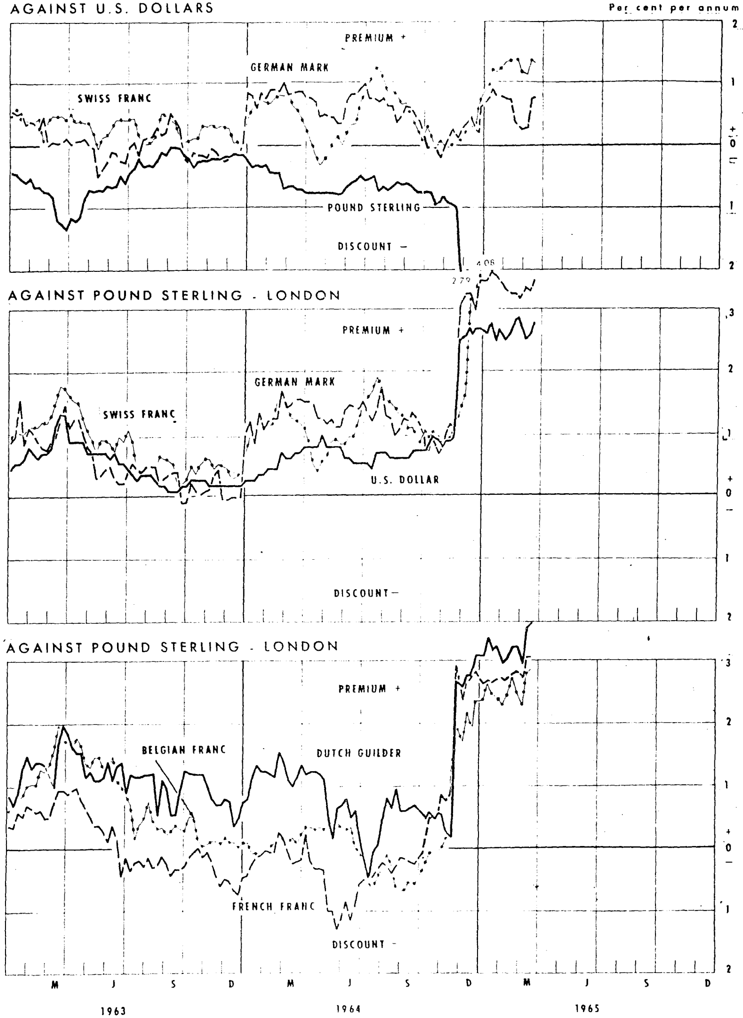


Chart 9

3-MONTH FORWARD EXCHANGE RATES

Friday figures



 March 24, 1965

III. Latest Figures Plotted In H.13 Chart Series, 1965

Chart 1	Per cent per annum
Upper panel	
(Wednesday, March 17)	
Euro-$ deposit	5.00
U.S. certif. of deposit	4.28
Lower panels	
(Friday, March 19)	
Treasury bills: U.S.	1/
U.K.	1/
Canada	1/
Finance Co. paper: U.S.	4.25
Canada	4.72
(Revision: March 12	4.49)
Hire-purchase paper, U.K.	4.82
(Friday, March 12)	5.39

Chart 2	Per cent per annum
(Friday, March 19)	
Treasury bills: Canada	3.56
U.S.	3.90
Spread favor Canada	-0.34
Forward Canadian dollar	+0.41
Net incentive (Canada +)	+0.07

Chart 3	Per cent per annum
(Friday, March 19)	
Treasury bills: U.K.	6.35
U.S.	3.90
Spread favor U.K.	+2.45
Forward pound	-2.79
Net incentive (U.K. +)	-0.29

Chart 5	Per cent per annum
(Friday, March 19, except as noted)	
Treasury bills:	
U.S.	3.90
U.K.	6.35
Germany	3.12
Canada	3.56
Swiss 3-month deposits (Date: Feb. 15)	3.06
Euro-$ deposit (London)	4.88
Japan: composite rate (Date: Nov. 27)	7.990

Chart 6	Per cent per annum
Bonds:	
U.S. govt. (Wed., March 17)	4.17
U.K. war loan (Thurs., March 18)	6.49
German Fed. Railway (Fri., March 19)	6.63
Swiss Confederation (Fri., March 5)	3.94
Canadian govt. (Wed., March 17)	5.10
Netherlands government perpetual (Friday, Feb. 26)	4.93
Mar. 5)	4.94

1/ Series ended.

For description and sources of data see special annex to H. 13 Number 164, September 23, 1964.