H. 13
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# CAPITAL MARKET DEVELOPMENTS ABROAD

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## I. Switzerland: Capital Market Developments, December 1964 - April 1965

Significantly easier conditions developed in Swiss financial markets during January-April largely because the large volume of funds repatriated from abroad during November and December remained in Swiss markets. By mid-April, the Zurich three-month deposit rate was down to 3.25 per cent from 3.75 per cent in December, and the yield on long-term government bonds had fallen to 3.88 per cent from 4.04 per cent in January. (See Table 1.) In the exchange market the Swiss franc dropped to a fifteen year low and the Banque Nationale Suisse (BNS) used reserves to moderate the decline in the exchange rate.

Table 1. Switzerland: Selected Financial Indicators

| | 1964 | | | 1965 | | | |
|---|---|---|---|---|---|---|---|
| | June 26 | Oct. 30 | Dec. 31 | Jan. 29 | Feb. 26 | March 12 | April 23 |
| Interest rates | | | | | | | |
| 3-month yields: | | | | | | | |
| Zurich banks a/ | 3.25 | 3.50 | 3.70 | 3.06 | 3.00 | 3.06 | p/3.25 |
| Euro-dollars b/ | 3.67 | 4.50 | 3.91 | 3.28 | 3.41 | 3.62 | 3.78 |
| U.S. Treasury bills b/ | 2.74 | 3.53 | 3.09 | 2.61 | 2.82 | 2.53 | 2.93 |
| Euro-Swiss francs | 3.88 | 4.25 | 3.50 | 3.12 | 3.25 | 3.75 | 3.88 |
| Deposit certificates (3 to 8 years): | | | | | | | |
| 12 cantonal banks | 4.11 | 4.18 | 4.34 | 4.36 | 4.36 | 4.36 | p/4.36 |
| 5 large banks | 4.14 | 4.14 | 4.29 | 4.29 | 4.29 | 4.29 | p/4.29 |
| Long-term government bonds | 4.05 | 4.03 | 4.06 | 4.05 | 3.96 | n.a. | 3.88 |
| Stock prices (1958=100) | 228.5 | 237.5 | 236.6 | 234.3 | 241.5 | 237.2 | 225.4 |
| Exchange rates | | | | | | | |
| Spot francs (U.S. cents) | 23.175 | 23.175 | 23.178 | 23.128 | 23.094 | 23.010 | 23.000 |
| Forward premium (+) discount (-) on franc c/ | +0.71 | 0.00 | +0.71 | +1.22 | +1.15 | +1.38 | +0.97 |

a/ Most frequently quoted rates of the five large Swiss banks in Zurich.
b/ Return in Swiss francs after cost of exchange cover.
c/ Per cent per annum.
p/ Preliminary figures.

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Continued financial uncertainty, especially regarding sterling, and the development of a high premium on the forward franc discouraged the return flow of funds to money markets abroad after the first of the year. As a result, excessive liquidity characterized the money market. The BNS mopped-up some funds from the market in January but had little effect on general market tone.

The high degree of monetary liquidity and a large open position against sterling hurt the Swiss franc exchange rate, driving it below 23 U.S. cents at times in March and April. (See Table 1.) The BNS lost reserves in moderating the decline in the rate, but since last November (when the sterling crisis set off the heavy volume of flight capital inflows), net reserves have risen by more than $100 million.

Between December and March, yields eased on long-term bonds at a time when new issue activity doubled in volume. However, the Swiss authorities have continued their stringent limitation on foreign issues, and this policy has stirred considerable criticism by the banking community because of concern for Switzerland's international financial position. Some, although not much, relaxation of the virtual embargo against foreign issues is expected in market circles.

## Excessive liquidity depresses short-term interest rates

Unusually liquid conditions persisted in the Swiss money market throughout the January-April period in spite of tighter conditions in Euro-currency markets and liquidity-absorbing operations undertaken by the BNS. The rate large Zurich banks pay on three-month deposits dropped from December's high of 3.75 per cent to 3.06 per cent in January--its lowest point in a year--and firmed only slightly to 3.25 per cent at the end of the first quarter. (See Table 5 and Chart 5.)

Although rates continued high, the seasonal tightening in the money market late in December was moderated by the heavy inflow of flight capital which began in November with the sterling crisis and continued into 1965. The increase in Swiss official reserves--$280 million during the last seven weeks of 1964--is indicative of the size of these inflows: these funds are thought to have come largely from the London Euro-dollar market. Between September and December, Swiss dollar balances in London were drawn down almost $250 million.

Several factors, however, worked to restrain the usual return flow of funds abroad after the first of the year. The continued weakness of sterling and the international monetary uncertainty it engendered contributed to this result. During December the banks converted their foreign exchange holdings into francs by direct spot dollar sales in the foreign exchange market rather than through over-year-end swaps with the central bank, as they have tended to do in recent years. In addition, a relatively high premium developed on the forward franc, increasing the cost of investment cover and discouraging placing funds abroad. Funds were so plentiful at times that market observers expressed surprise that rates did not ease further and attributed their level mainly to the influence of higher rates in other financial centers.

In an attempt to reduce excess liquidity, the BNS undertook a mop-up operation in the third week of January that withdrew SF 473 million from the money market.

(a) In the first of two transactions, it took in SF 202 million from one of the large commercial banks in exchange for dollars. The commercial bank then invested the dollars in U.S. money market paper.

(b) In the second transaction, the BNS transferred to two other large commercial banks SF 271 million equivalent in Bank of England obligations acquired from participation in the operation to support the pound sterling.

However, these operations had little effect on the market, and rates did not begin to firm until mid-March when the sudden tightening in the Euro-currency market attracted funds to foreign banks and Swiss banks built up their liquidity for the first quarter's window-dressing.

Some interest rates increased during the period, however. The more attractive rates paid on 3-8 year certificates of deposit (Kassenobligationen) beginning in November (see Table 6) so effectively drew funds from savings deposits that banks and savings institutions were forced to raise their savings deposit rates in January from 2.98 per cent to 3.17 per cent to moderate the flow. Also, in what was called a techincal adjustment to the generally higher level of interest rates, the large banks increased their discount rate from 2-1/2 per cent to 3 per cent, putting it 1/2 per cent above the BNS official discount rate. Unless monetary conditions tighten, however, it is unlikely that the BNS will follow with an increase in the official discount rate as it did in July 1964, two months after the last increase in the commercial bank private discount rate.

Swiss franc drops to lowest level in fifteen years

In the foreign exchange market, highly liquid monetary conditions weakened the Swiss franc substantially more than seasonally; from its ceiling of 23.178 U.S. cents against the dollar at the end of 1964, the spot rate dropped to 23.065 U.S. cents in early March. (See Table 5 and Chart 8.) During March, sharply increased demand for foreign currencies pushed the franc rate below 23 U.S. cents, its lowest point since 1952.

Several factors combined to produce the increased demand for foreign exchange and to depress the Swiss franc rate:

(a) Commercial demand for foreign currencies strengthened;

(b) The lower cost of forward cover, higher Euro-currency rates, and continuing easy money attracted funds abroad (see Table 5);

(c) The proceeds of a foreign issue sold in Switzerland were converted;

(d) Demand from American subsidiaries lining up European financing in compliance with the U.S. voluntary credit restraint program increased; and

(e) Speculators were reportedly seeking to cover open positions they had taken against sterling during the November crisis.

All these factors helped to push down the franc rate. In fact, ample domestic liquidity made it unnecessary for commercial banks to repatriate foreign holdings in late March through the exchange market for quarter-end window-dressing; the franc rate actually weakened at that time.

The BNS sold francs in the foreign exchange market when they were in demand during the sterling crisis, and then bought them to moderate weakness in the rate in March. In addition, during the sterling crisis, it made one-month swap facilities available to the commercial banks. These facilities, which allow the banks to receive Swiss francs against dollars for repayment one month later, are usually made available only for quarter-end window-dressing purposes.

The generally increased speculative demand for gold pushed the price of the 20-franc Vreneli from 39.50 francs in November to 42.00 francs currently. Most of the buying has reportedly come from the Middle East. (See Table 6.)

Official reserves gain since November

BNS official reserves of gold and foreign exchange gained $110 million during the November 1964-April 1965 period. (See Table 2.) They increased $280 million in November-December during the heavy inflows and afterwards dropped only $170 million. On April 23, BNS gold and foreign exchange were $2,944 million, up from $2,739 million a year earlier.

In order to improve its gold ratio, the BNS acquired $194 million equivalent of gold during December, both through direct purchases and through a series of swap transactions with the Bank for International Settlements (BIS) that concurrently reduced BNS dollar holdings. (See Table 2.) Some of these swaps were unilateral and involved a direct exchange with the BIS of dollars for gold. However, $100 million equivalent of gold was obtained through a Swiss franc/gold swap with the BIS. The BIS then transferred the Swiss franc proceeds to the Federal Reserve under its currency swap arrangements, and the Federal Reserve in turn used them to reduce BNS dollar holdings by an equivalent amount. The reductions in gold holdings in January resulted from reversing one of these swaps.

Official foreign exchange holdings decreased in January because the Swiss franc/dollar swaps made with the commercial banks over the year-end were reversed. (See Table 2.) Losses in March were due primarily to direct central bank sales to the exchange market and to Confederation payments abroad under reciprocal tax agreements. However, approximately $16 million resulted from further Bank of England drawings on the "support package" which the BNS participated in last November. 1/ These BNS assets with the Bank of England, (called

1/ As of April 23, Bank of England drawings of Swiss francs from the BNS under this borrowing arrangement were $40 million.

Table 2. Switzerland: Official Gold and Foreign Exchange Reserves
(end-of-period figures, in millions of U.S. dollars)

| | | Gold | Foreign exchange | Total | Change |
|---|---|---|---|---|---|
| 1962 | | 2,668 | 204 | 2,872 | +114 |
| 1963 | | 2,820 | 254 | 3,074 | +202 |
| 1964 | | 2,726 | 394 | 3,120 | + 46 |
| Qtr. | I | 2,543 | 201 | 2,744 | -330 |
| | II | 2,599 | 352 | 2,951 | +207 |
| | III | 2,532 | 318 | 2,850 | -101 |
| | IV | 2,726 | 394 | 3,120 | +270 |
| | October | 2,532 | 308 | 2,840 | - 10 |
| | November | 2,532 | 445 | 2,977 | +137 |
| | December | 2,726 | 394 | 3,120 | +143 |
| 1965 | | | | | |
| Qtr. | I | 2,703 | 247 | 2,950 | -170 |
| | January | 2,703 | 312 | 3,014 | -106 |
| | February | 2,703 | 300 | 3,003 | - 11 |
| | March | 2,703 | 247 | 2,950 | - 53 |
| | April 23 | 2,714 | 230 | 2,944 | - 6 |

Source: Banque Nationale Suisse.

"rate-secured balances with foreign central banks" on its statement) are not included in the calculation of foreign exchange reserves; the Swiss francs drawn by the Bank of England in this case were sold to the Federal Reserve which used them in turn to reduce BNS dollar holdings.

Long-term yields ease; new issues increase

Easier conditions in the long-term capital market--generally attributable to the large volume of repatriated funds--was reflected in lower yields on outstanding bonds and a more receptive climate for new issues during the period under review. Yields, however, maintained their high level from November to early February, when higher prices caused returns on outstanding government bonds to decline: from 4.04 per cent (per annum) in February yields fell to 3.88 per cent on April 9, the first time they had fallen below 4 per cent in almost a year. (See Table 7 and Chart 6.)

New issue activity pushed up steadily from December; gross new issue volume in March more than doubled December's $29 million. (See Table 7.) Almost all new issues were over-subscribed in spite of a slight movement of terms in favor of the borrower. Coupon rates went from 4-3/4 per cent to 4-1/2 per cent for the most reputable borrowers, and power companies now borrow funds at a 4-3/4 per cent coupon instead of 5 per cent.

Signaling still greater activity for the near future, the second quarter quota 1/ for domestic public bond issues (larger than SF 5 million) has been set at $181 million, approximately $15 million above the first quarter. This allows for $346 million in new bonds in the first half of the year, or about $33 million more than during the comparable period of 1964.

The authorities continue to block foreign borrowing although a small semi-foreign issue (Rheinkraftwerk Säckingen, a jointly owned Swiss-German power company) was floated in March, the first since October 1964. (See Table 3.) However, on April 21 a syndicate of leading banks offered approximately $14 million in 4-3/4 per cent, 18-year bonds for the International Bank for Reconstruction and Development (World Bank). This is the twelfth public World Bank issue in Swiss francs but the first since January 1962. Reportedly, other foreign bonds will be approved by the BNS soon.

The drastic reduction in the foreign business of Swiss underwriters 2/ at the same time European international lending is growing has recently stirred considerable concern for Switzerland's place as an international financial center and increased opposition to the government's capital controls. 3/ The Swiss share of total foreign issues placed by European banks was as high as 90 per cent in 1960; in 1962 (the last full year before the U.S. interest equalization tax) it was still 52 per cent. 4/ However, in 1964, it fell to 11 per cent.

Table 3. Switzerland: Foreign Bonds Issued, 1965
(million Swiss francs)

| Borrower | Coupon (%) | Issue price (%) | Yield to maturity(%) | Amount |
|---|---|---|---|---|
| January None | | | | |
| February None | | | | |
| March | | | | |
| Rheinkraftwerk Säckingen (German power company) | 4.75 | 101 | 4.63 | 35 |
| A.S. Vaksdal Mølle Bergen, Norway | 5.00 | 100 | 5.00 | 4.5 |
| April | | | | |
| International Bank for Reconstruction and Development | 4.75 | 100 | 4.75 | 60 |

Not only are Swiss financiers upset by the scarcity of foreign issues in the Swiss market, but they feel they are unfairly hindered in launching or participating in international dollar issues, especially since (they maintain)

1/ This quota is set by a special commission and approved by the BNS under the procedure established by the Swiss Federal Council in its decree of April 24, 1964. It applies to the net value of money raised on the market--total market value of issues minus conversions.

2/ As on most of the Continent, in Switzerland the large commercial banks do the underwriting.

3/ The Neue Zürcher Zeitung ("Handelsteil" April 11, 1965, Blatt 10) in a recent editorial surprisingly reversed its support of the Federal authorities and attacked the government's capital control program.

4/ The Economist, April 10-16, 1965, p. 219.

80 per cent of the funds going into dollar bonds comes from Switzerland. In addition to government controls, Swiss banks are effectively prevented from seriously competing with London underwriters for heading foreign currency placings by the 1.2 per cent tax on the value of loans which have their names on the placing list. They may take part anonymously in selling groups, but their commission is only half what they could get by taking the entire placing.

Swiss stock prices rallied briefly in February--the increased interest coming from buyers betting on defeat of the government's anti-inflationary program in the referendum on February 28--but have since fallen off sharply. The endorsement of the government's program at the polls and imposition of measures to reduce the number of foreign workers in the country produced continual selling pressure over the entire list. Between the first of March and mid-April, the Swiss Bank Corporation's industrial share index dropped nearly 7 per cent to a level just above its 1964-65 low of last June 3. (See Table 4 and Chart 7.)

Table 4. Switzerland: Industrial Share Index
(1958=100)

| | | | |
|---|---|---|---|
| 1964-65 | High: | 258.1 | Jan. 6, 1964 |
| 1964-65 | Low: | 218.6 | June 3, 1964 |

| | | | | | |
|---|---|---|---|---|---|
| **1964** | | | | | |
| January | 31 | 249.5 | February | 5 | 239.2 |
| June | 26 | 228.5 | | 12 | 237.4 |
| September | 25 | 238.9 | | 19 | 237.1 |
| October | 30 | 237.5 | | 26 | 241.5 |
| November | 27 | 238.5 | March | 5 | 242.6 |
| December | 31 | 236.6 | | 12 | 237.2 |
| | | | | 19 | 229.0 |
| **1965** | | | | 26 | 226.5 |
| January | 8 | 235.2 | April | 2 | 220.3 |
| | 15 | 234.0 | | 9 | 219.5 |
| | 22 | 234.4 | | 15 | 226.2 |
| | 29 | 234.3 | | 23 | 225.4 |
| | | | | 30 | 224.6 |

Source: Swiss Bank Corporation.

Foreign trade deficit down sharply

An unexpected increase in exports in January and February (seasonally-adjusted) sharply decreased Switzerland's large foreign trade deficit. (See Table 5.) Compared with year earlier figures, the January-February deficit was down 33 per cent. Total exports were up 7.2 per cent during the period from November-December levels (less than 1 per cent in the comparable periods in 1963-64); the increase came in spite of decreased exports to the United Kingdom as a result of the special import surcharge. Strongest foreign demand was for textiles, clothing, and pharmaceuticals.

During 1964, sharply increased imports pushed Switzerland's foreign trade deficit up 15 per cent above the previous year's level to a record $948 million. Imports grew by 11.1 per cent (7.7 per cent in 1963) while exports rose only 9.8 per cent (8.8 per cent in 1963). Imports of manufactured goods, especially machine tools and consumer items, made particularly high gains, reflecting the high level of expenditure during the year for investment and consumption.

Table 5. Switzerland: Foreign Trade
(Seasonally-adjusted monthly average or month, millions US dollars)

| | 1963 | | 1964 | | | | | | | 1965 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | III | IV | I | II | III | IV | Oct. | Nov. | Dec. | Jan. | Feb. |
| Imports, c.i.f. | 278 | 280 | 296 | 296 | 302 | 306 | 305 | 307 | 307 | 289 | 303 |
| Exports, f.o.b. | 200 | 210 | 212 | 219 | 225 | 227 | 235 | 223 | 223 | 238 | 240 |
| Deficit | -78 | -70 | -83 | -77 | -77 | -79 | -70 | -84 | -84 | -51 | -63 |

Source: OECD, Main Economic Indicators; Neue Zürcher Zeitung.

## 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

Europe and British Commonwealth Section

Table 6. Switzerland: Money Rates, Exchange Rates, and Gold Prices

| | | | Forward Swiss franc (3-mo.) | US Tr. bill: Bill yield | US Tr. bill: Net return in SF | Euro-dollar deposit: London rate | Euro-dollar deposit: Net return in SF | Swiss bank deposit (3-mo.) | Spot SF in $ * | Spot £ in SF | Gold coin a/ in SF |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1964 | Oct. | 2 | +0.30 | 3.53 | 3.23 | 4.44 | 4.14 | 3.38 | 23.148 | 12.022 | 39.75 |
| | Nov. | 13 | +0.02 | 3.56 | 3.54 | 4.50 | 4.48 | 3.68 | 23.176 | 12.007 | 39.50 |
| | Dec. | 4 | +0.28 | 3.76 | 3.48 | 4.75 | 4.47 | 3.75 | 23.178 | 12.044 | 39.50 |
| | | 31 | +0.71 | 3.80 | 3.09 | 4.62 | 3.91 | 3.70 | 23.178 | 12.038 | 39.25 |
| 1965 | Jan. | 29 | +1.22 | 3.83 | 2.61 | 4.50 | 3.28 | 3.06 | 23.128 | 12.070 | 40.00 |
| | Feb. | 11 | +1.34 | 3.89 | 2.55 | 4.50 | 3.16 | 3.06 | 23.105 | 12.099 | 40.50 |
| | | 19 | +1.38 | 3.94 | 2.56 | 4.56 | 3.18 | 3.06 | 23.083 | 12.100 | 40.50 |
| | | 26 | +1.15 | 3.97 | 2.82 | 4.56 | 3.41 | 3.00 | 23.094 | 12.098 | 40.40 |
| | March | 5 | +1.13 | 3.93 | 2.80 | 4.75 | 3.62 | 3.06 | 23.065 | 12.106 | 41.60 |
| | | 12 | +1.38 | 3.91 | 2.53 | 5.00 | 3.62 | 3.06 | 23.010 | 12.132 | 42.25 |
| | | 19 | +1.31 | 3.90 | 2.59 | 4.88 | 3.57 | 3.06 | 23.011 | 12.105 | 42.00 |
| | | 26 | +1.33 | 3.86 | 2.53 | 4.88 | 3.55 | 3.18 | 23.003 | 12.125 | 42.00 |
| | April | 2 | +1.20 | 3.91 | 2.71 | 4.75 | 3.55 | 3.25 | 23.026 | 12.110 | 42.00 |
| | | 9 | +1.11 | 3.90 | 2.79 | 4.75 | 3.64 | 3.25 | 23.035 | 12.110 | 42.00 |
| | | 16 | +0.99 | 3.91 | 2.92 | 4.82 | 3.83 | 3.25 | 23.028 | 12.125 | 42.00 |
| | | 23 | +0.97 | 3.90 | 2.93 | 4.75 | 3.78 | n.a. | 23.000 | n.a. | n.a. |

a/ "Vreneli" 20-franc piece (0.1867 troy ounces; $6.53 at $35 per ounce).
* Recent upper limit of 23.178 imposed by BNS in the Swiss market; however, the Swiss authorities are not committed to hold the rate below 23.283.

Table 7. Switzerland: Selected Capital Market Statistics

Capital market yields

| | | | Long-term govt. bonds | Deposit cert's: 12 cantonal banks | Deposit cert's: 5 large banks |
|---|---|---|---|---|---|
| 1965 - | High | | 4.05 | 4.36 | 4.29 |
| | Low | | 3.83 | 4.34 | 4.29 |
| 1964 - | Jan. | 3 | 3.43 | 3.88 | 3.85 |
| | July | 3 | 4.07 | 4.13 | 4.14 |
| | Oct. | 9 | 4.10 | 4.18 | 4.14 |
| | Dec. | 4 | 4.04 | 4.33 | 4.29 |
| | | 31 | 4.06 | 4.34 | 4.29 |
| 1965 - | Jan. | 8 | 4.04 | 4.34 | 4.29 |
| | | 29 | 4.05 | 4.36 | 4.29 |
| | Feb. | 12 | 4.04 | 4.36 | 4.29 |
| | | 19 | 3.96 | 4.36 | 4.29 |
| | | 26 | 3.96 | 4.36 | 4.29 |
| | March | 5 | 3.94 | 4.36 | 4.29 |
| | | 12 | n.a. | 4.36 | 4.29 |
| | | 19 | n.a. | 4.36 | 4.29 |
| | | 26 | n.a. | 4.36 | 4.29 |
| | April | 2 | 3.91 | 4.36 | 4.29 |
| | | 9 | 3.88 | 4.36 | 4.29 |
| | | 16 | 3.88 | 4.36 | 4.29 |
| | | 23 | 3.88 | | |

New issues ($ millions; monthly ave. or month) (New money raised)

| | | Swiss bonds | Swiss stocks | Fgn. bonds | Total: Gross | Total: Net a/ |
|---|---|---|---|---|---|---|
| 1961 | | 19.8 | 7.2 | 18.6 | 45.7 | 42.6 |
| 1962 | | 21.8 | 12.8 | 12.7 | 47.3 | 38.3 |
| 1963 | | 40.5 | 10.2 | 11.4 | 62.0 | 54.2 |
| 1964 | | 48.4 | 10.9 | 7.4 | 66.7 | 58.4 |
| 1964 | I | 66.9 | 11.9 | 7.6 | 86.4 | 85.8 |
| | II | 37.1 | 24.3 | 10.1 | 71.5 | 65.8 |
| | III | 37.3 | 5.0 | 10.0 | 52.3 | 50.7 |
| | IV | 52.2 | 2.5 | 1.9 | 56.7 | 31.4 |
| | July | 19.4 | 8.0 | 16.0 | 43.5 | 39.9 |
| | Aug. | 23.9 | .9 | 14.0 | 38.7 | 38.3 |
| | Sept. | 68.6 | 6.2 | 0.0 | 74.8 | 74.0 |
| | Oct. | 46.2 | 2.7 | 4.8 | 53.7 | 52.8 |
| | Nov. | 85.2 | 2.2 | 0.0 | 87.4 | 27.6 |
| | Dec. | 25.3 | 2.7 | 1.0 | 29.0 | 13.9 |
| 1965 | I | 45.7 | 7.8 | 3.1 | 56.7 | 49.8 |
| | Jan. | 36.5 | 1.9 | 0.0 | 38.4 | 20.0 |
| | Feb. | 48.7 | 12.9 | 0.0 | 61.6 | 60.3 |
| | March | 52.0 | 8.7 | 9.3 | 70.0 | 69.0 |

a/ Net of reimbursements. Amounts by type are gross.

Chart 1

INTERNATIONAL MONEY MARKET YIELDS FOR U.S. DOLLAR INVESTORS

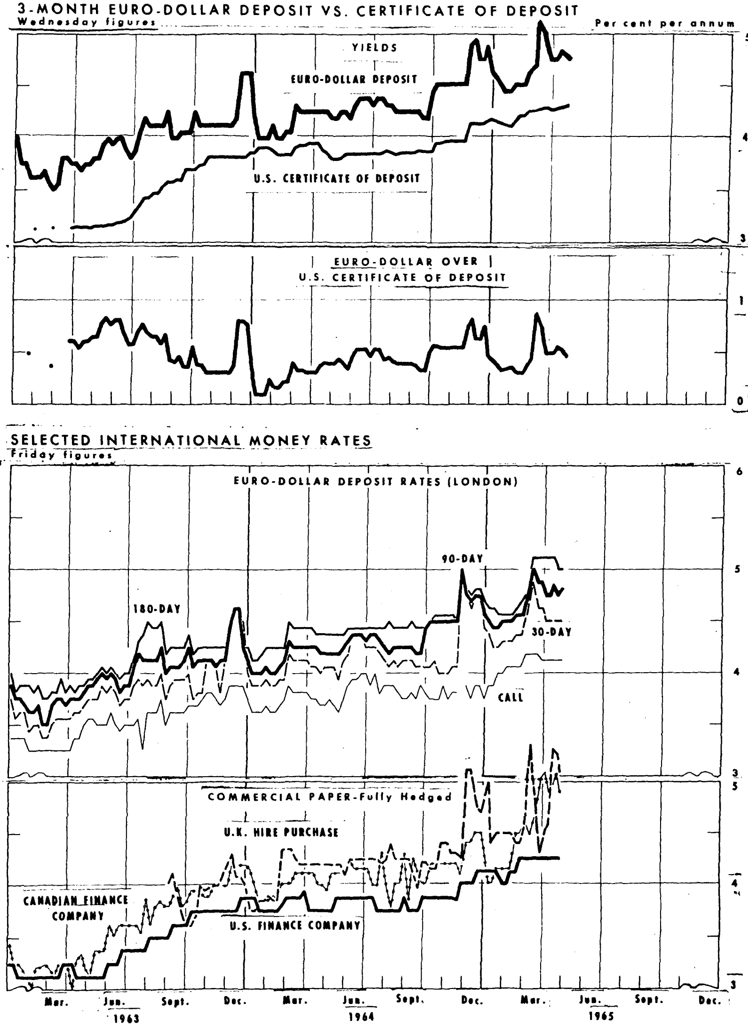
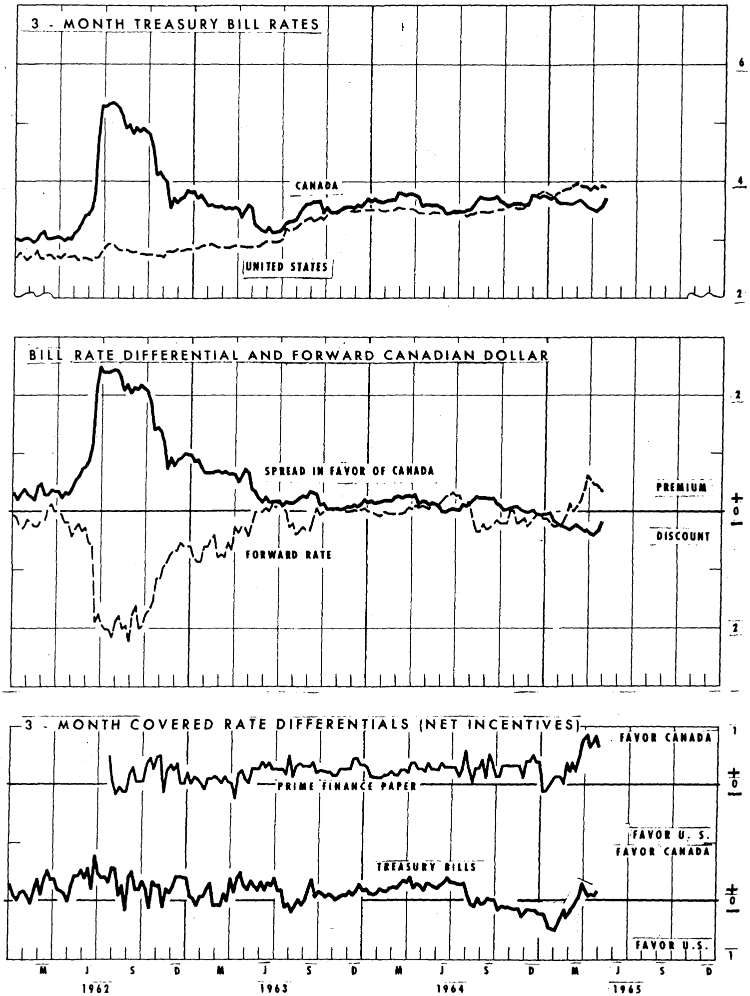


Chart 2

## INTEREST ARBITRAGE, UNITED STATES / CANADA

Friday figures*

Per cent per annum




*Thursday figures 1962, Friday thereafter.

12

Chart 3

## INTEREST ARBITRAGE, NEW YORK/LONDON

Friday figures

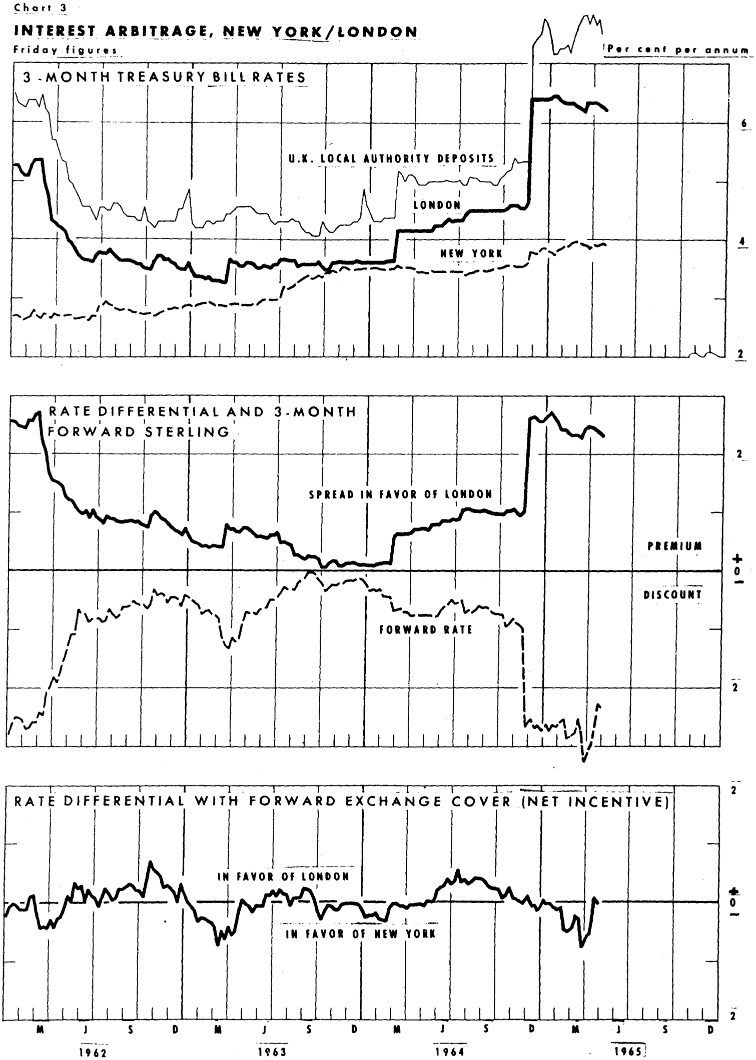


Chart 4

**INTEREST ARBITRAGE FOR GERMAN COMMERCIAL BANKS**

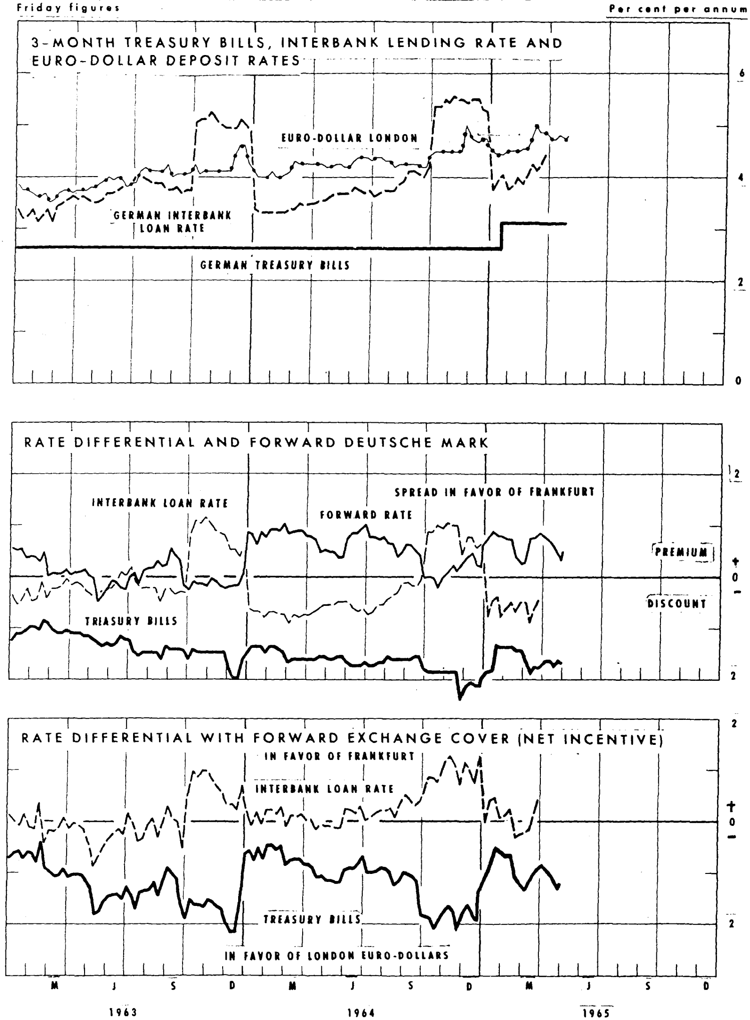
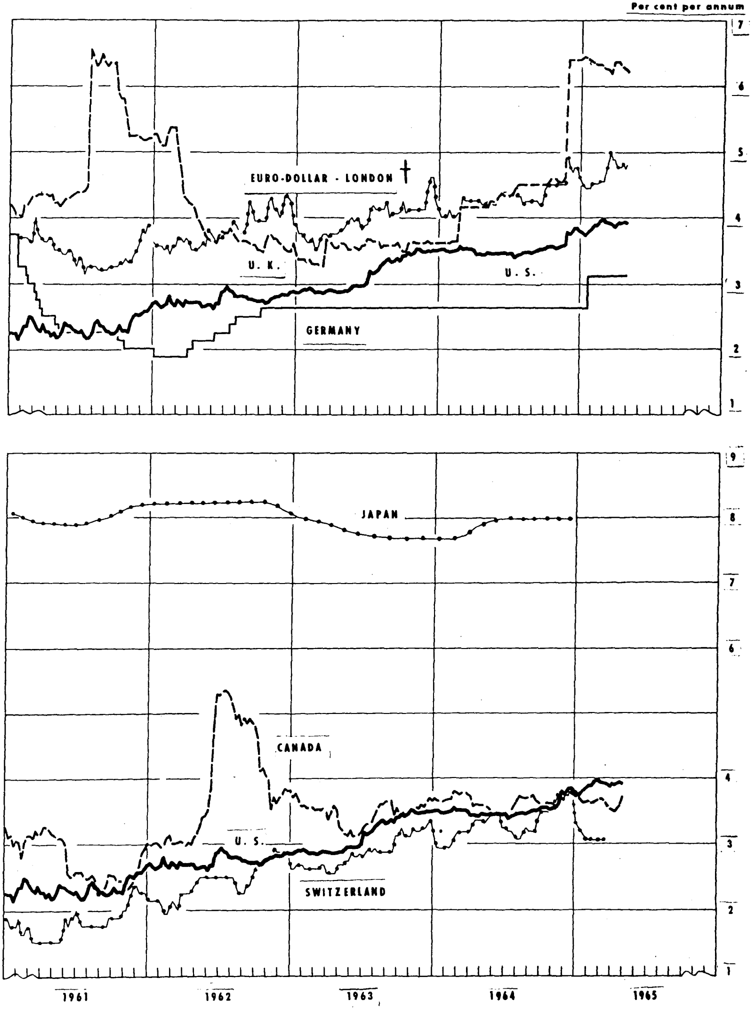


Chart 5

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

Chart 6
## LONG-TERM BOND YIELDS

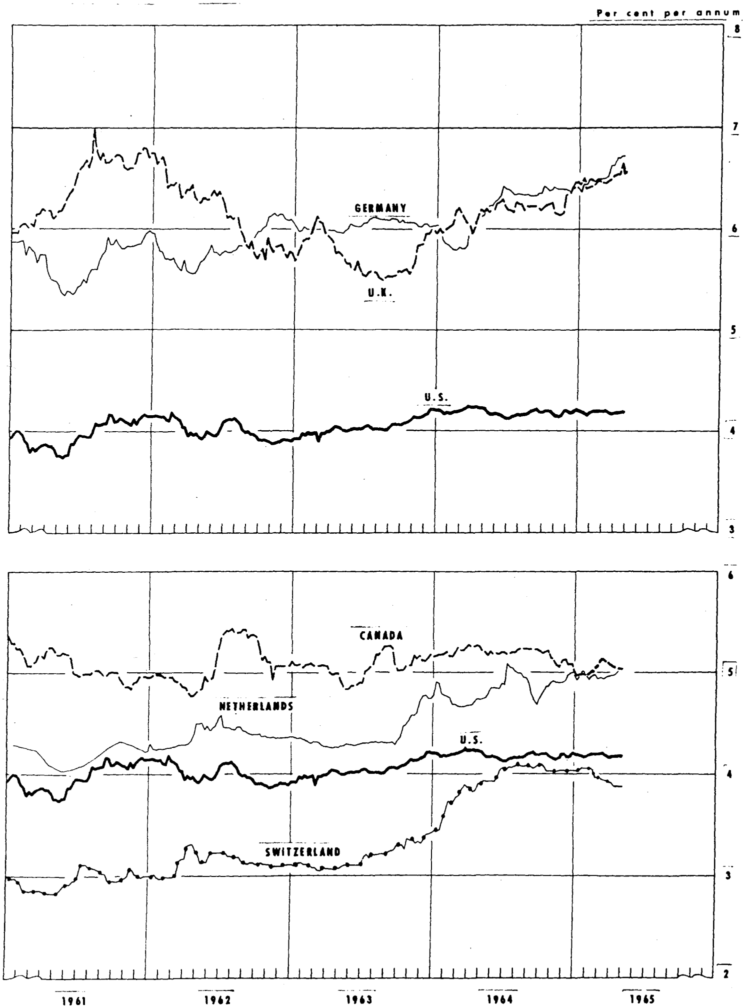
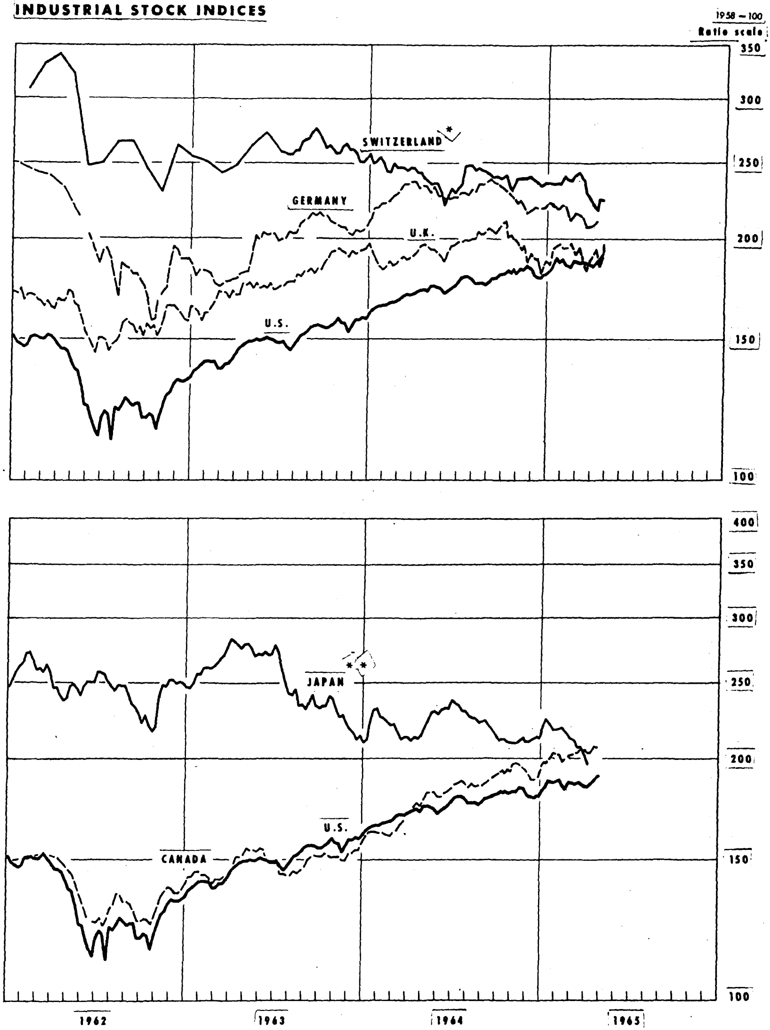


Chart 7

## INDUSTRIAL STOCK INDICES




* Swiss Bank Corporation industrial stock.

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

Chart 8

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

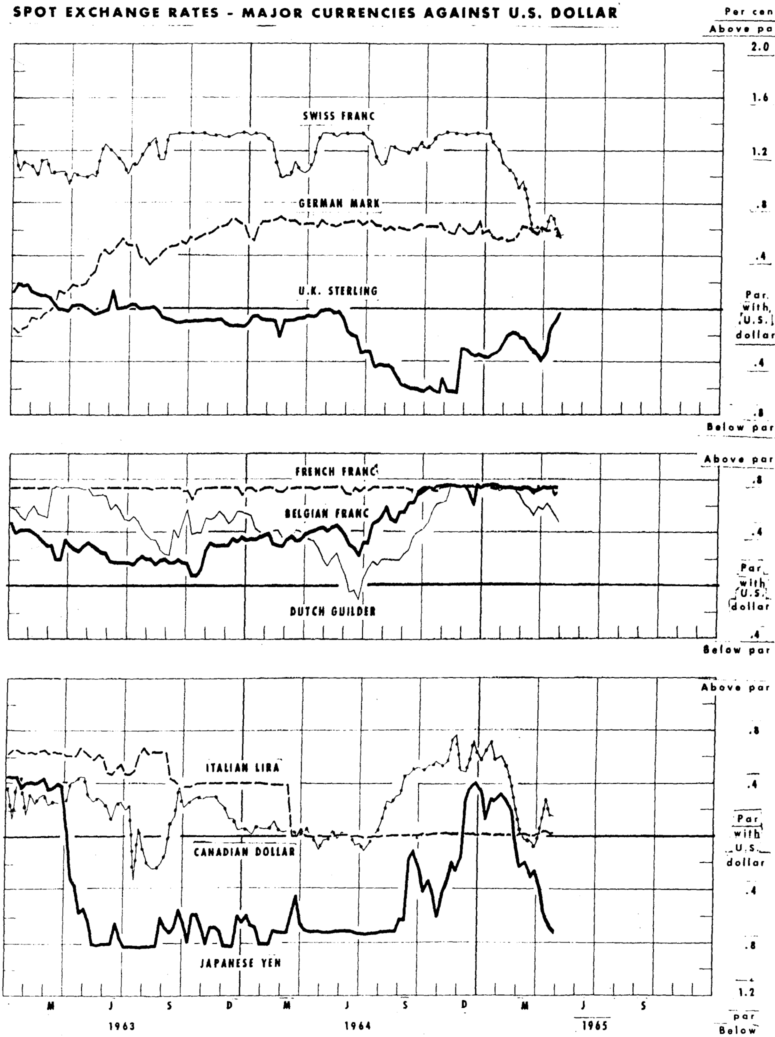
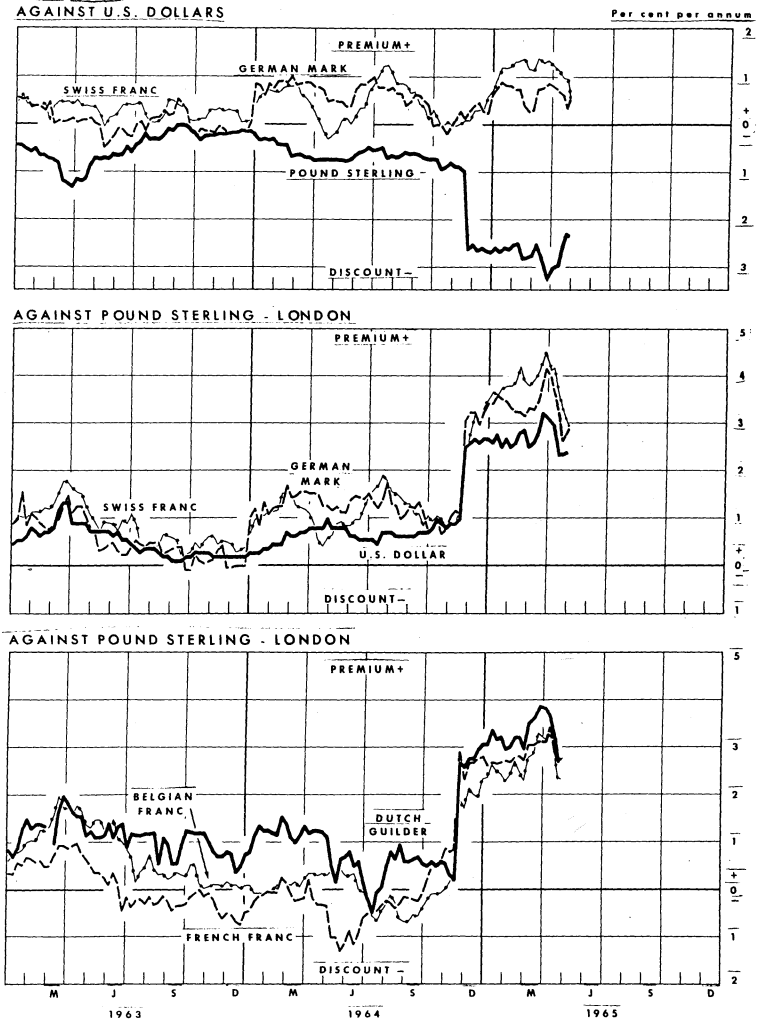


Chart 9

## 3-MONTH FORWARD EXCHANGE RATES

Friday figures



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

| Chart 1 | Per cent per annum |
|---|---|
| **Upper panel** | |
| (Wednesday, April 28) | |
| Euro-$ deposit | 4.75 |
| U.S. certif. of deposit | 4.30 |
| **Lower panels** | |
| (Friday, April 30) | |
| Euro-dollars: Call | 4.12 |
| 7-day | 4.31 |
| 30-day | 4.50 |
| 90-day | 4.81 |
| 180-day | 5.00 |
| Finance Co. paper: U.S. | 4.25 |
| Canada | 4.90 |
| Hire-purchase paper, U.K. | 5.10 |
| **Chart 2** | |
| (Friday, April 30) | |
| Treasury bills: Canada | 3.71 |
| U.S. | 3.90 |
| Spread favor Canada | -0.19 |
| Forward Canadian dollar | +0.34 |
| Net incentive (Canada +) | +0.15 |
| **Chart 3** | |
| (Friday, April 30) | |
| Treasury bills: U.K. | 6.20 |
| U.S. | 3.90 |
| Spread favor U.K. | +2.30 |
| Forward pound | -2.33 |
| Net incentive (U.K. +) | -0.03 |

| Chart 5 | Per cent per annum |
|---|---|
| (Friday, April 30, except as noted) | |
| Treasury bills: | |
| U.S. | 3.90 |
| U.K. | 6.20 |
| Germany | 3.12 |
| Canada | 3.71 |
| Swiss 3-month deposits (Date: March 15) | 3.06 |
| Euro-$ deposit (London) | 4.81 |
| Japan: composite rate (Date: Dec. 31) | 7.990 |
| **Chart 6** | |
| Bonds: | |
| U.S. govt. (Wed., April 28) | 4.17 |
| U.K. war loan (Thurs., April 29) | 6.56 |
| German Fed. Railway (Fri., April 23) | 6.72 |
| Swiss Confederation (Fri., April 23) * | 3.88 |
| Canadian govt. (Wed., April 21) | 5.04 |
| Netherlands government perpetual (Fri., April 16) | 5.03 |

* Additional rate: (Thurs., April 15) 3.88

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