DIVISION OF INTERNATIONAL FINANCE

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CAPITAL MARKET DEVELOPMENTS ABROAD

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I. Germany: Money and Capital Markets in May and June, 1965

The tightness which has characterized German financial markets for some months increased markedly during May and June. Seasonal pressures, connected with the major June tax date and large mid-year interest transfers, intensified the general tightness produced by the Bundesbank's restrictive policy and the swing in the balance of payments from large surpluses last year to deficits since March of 1965.

Money market rates in June were between 5/8 - 1-1/4 points above the discount rate; commercial bank borrowings at the Bundesbank reached an unprecedented level of DM 5.3 billion at the end of June and rose further to DM 6.2 billion in the first week of July. Contrary to the usual pattern there was no easing in the money market after mid-year and call money rates remained at around 4-1/2 per cent through mid-July. Long-term rates, which rose to about 7-1/4 per cent in May, have remained under slight upward pressure since. However, the higher rates appear to be attractive to both domestic and foreign investors and new public authority issues with 7 per cent coupons, priced to yield about 7.2 per cent, continue to be readily absorbed by the market. So far the tightening of the domestic liquidity position has been reflected only in the upward trend of interest rates and, until recently, the rate of credit expansion seemed virtually unaffected. However, in April and May there were some indications that credit growth may be slowing down, albeit slightly.

The continued high demands for funds from private sources plus the undiminished financing requirements of the public sector suggest a continuation of the present restrictive policies of the Bundesbank. President Blessing, in a recent press conference, stated that the monetary authorities had no intention whatsoever of relaxing credit restraints. The position of the monetary authorities on the continued necessity for a restrictive monetary policy was shared by both the Economics Ministry and the EEC Commission in their latest assessments of the economic situation in Germany.

Although the interest rate level in Germany has risen to a point which again proves attractive to foreigners, there is no indication that foreign capital is being attracted in any substantial degree. In addition, the reduction of the trade surpluses to about one-third of their size of a year ago, has decreased the possibility of liquidity-easing inflows on external account. In fact, Germany has recorded balance of payments deficit for four months running, from March through June, 1965. Reflecting these developments, quotations for the D-mark in foreign exchange markets moved below par (25.000 U.S. cents) in mid-June and have remained there since.

Tightness continues in money market

Conditions on the German money market continued quite tight during May and June. In May, weekly mid-point quotations for day-to-day money generally remained between 3.68 and 4.31 per cent. (See Table 1.) In the last week of the month rates fell, bringing the mid-point down to 2.94 per cent; but this reflected only a temporary superfluity of funds brought about by heavy rediscounting of commercial banks in the middle of May when it was widely thought that the Bundesbank might increase the discount rate in order to narrow the gap between short-term and long-term rates.

Table 1. Germany: Money Market Rates in Frankfurt
January-June 1965 1/

			Day-to-day money	Three-month loans
1965	January		2.44	3.94
	February		3.50	3.94
	March		4.12	4.31
	April		4.19	4.50
Week of:				
	May	1	4.31	4.63
		8	4.13	4.75
		16	3.68	4.63
		24	2.94	4.50
	June	1	4.38	4.81
		8	4.56	4.88
		16	4.44	4.81
		24	4.63	4.94

1/ Mid-point of the rates quoted each week (month) by Frankfurt banks.
Source: Deutsche Bundesbank.

The market remained tight throughout June as banks prepared for the major mid-month tax date and the large interest payments at the month's end. By the end of the month rates for day-to-day money had risen to 4.63 per cent and rates for three-month loans to 4.94 per cent. The stringency of credit conditions was underlined by the record volume of commercial bank borrowing at the central bank. At the end of June, rediscounting of credit institutions totaled DM 5.0 billion, in contrast to DM 2.8 billion at the end of June 1964. Banks increased their borrowings in the first week of July by DM 950 million; although it is not unusual for banks to add to their borrowings at the central bank following the large mid-year payments dates, the size of the increase this year (as contrasted to a DM 273 million increase last year) is indicative of the extreme tightness of the market. Some institutions reportedly borrowed up to the ceiling of their rediscount facility with the Bundesbank. For this reason, advances against securities, a form of borrowing avoided by banks when possible because of its higher cost, rose from DM 60 million at the end of May to a total of DM 358 million in the first week of July, a dramatic contrast to the DM 34 million outstanding on July 7, 1964. The basic stringency in the money market probably was even greater than reflected in the money rates since public authorities drew down their cash balances at the Bundesbank much faster than usual after the inflow of the June tax receipts. In fact, the Federal authorities even took up credits at the Bundesbank totaling DM 267 million between mid-June and the first week of July.

In view of the continuing tightness, the easing of the forward rate on the DM in the foreign exchange markets since mid-June and the inflow of foreign exchange to the Bundesbank since the beginning of July suggest that German banks are repatriating assets or borrowing additional funds abroad to supplement the credits they obtained from the Bundesbank.

Bond market remains uneasy

The tendency for yields on 6 per cent public authority bonds to firm in the period under review--first at a level of 7.11 per cent toward the middle of May and then around 7.29 per cent in the last two weeks of June--was interrupted by selling sessions and by mid-July yields stood at 7.32 per cent. Prices of older bonds remained under pressure, in part because funds were switched to new 7 per cent issues which have been placed rapidly. Although the volume of investible funds was seasonally high at mid-year, continuing heavy financing demands, particularly of the public authorities, have given rise to uneasiness about the absorption capacity of the market.

Following the successful placement in June by the State governments of Rheinland-Pfalz and Hessen of loans totaling DM 250 million and priced to yield an effective interest of 7.2 per cent, the Federal Government introduced an issue for DM 350 million with the same terms at the beginning of July. The loan was quickly taken up and an additional tranche of DM 50 million was reportedly fully absorbed by the Central Institution of Cooperative Banks. Banks reported considerable foreign interest in these new loans, primarily from the Netherlands and Switzerland. However, banks are believed to have sold to foreigners only after having filled domestic orders.

The financial press has noted an increasing number of new 7 per cent municipal bonds (Kommunal Obligationen) coming to the market in recent weeks. According to the financial press, market circles fear that failure on the part of the municipalities to ration their demands might bring about new difficulties on the capital market, particularly since issue prices, in a matter of weeks, have been forced down from 99 per cent of par to 97-1/2 per cent.

Stock market uncertain

The tone in the stock market continued weak in May and June, but in early July stock prices firmed. The weakening of the market in May and June was attributed to foreign sales and to sales by banks, with the latter reportedly disposing of shares rather than high-yielding bonds in order to ease their liquidity situation. Stocks rallied at the beginning of July and by mid-month prices had risen by 3.4 per cent, recovering almost to their mid-May level. However, prices were still 10.5 per cent below their end-1964 level.

Despite the general weakness in the stock market, the offering late in May of shares in VEBA (a government-owned electricity and mining company) to lower income families was many times oversubscribed. The Krupp Company is reportedly also considering the sale of shares in one of its companies to the public under terms similar to the Government's offerings of Volkswagen and VEBA shares. The purpose of these offerings is to encourage small investors to put funds into shares and consequently give more breadth to the German stock market. The passage in June of the Company Law Reform Bill was an important step in this direction. The bill requires management to supply shareholders with current information necessary to allow the investor to form an opinion of the company's business situation; in addition, banks can no longer automatically vote private holders shares in the banks' keeping but must ask for voting instructions, and, most important, the arbitrary formation of undisclosed reserves is prohibited. Only one half of the annual profit may be transferred to the published free reserve funds, while stockholders are empowered to vote on the utilization of the other half.

Parliament approves additional public expenditures

Before recessing for the summer to take up pre-election campaigning, the German Parliament passed a number of bills involving an additional DM 1.8 - DM 2 billion in federal expenditures for the year 1965. If approved, the addition of these expenditures would raise the Federal Government's financing requirements to approximately DM 4 billion.

Under Article 113 of the German Constitution, the Cabinet may veto laws proposed by Parliament which would increase the level of budgeted expenditures after they have already been set. However, rather than vetoing the new legislation, the Cabinet has decided to cut budgeted expenditures by DM 1 billion. Increased spending within the extraordinary budget is to be permitted only if offsetting cut-backs are made in the regular budget, and spending beyond these levels will be approved only in emergency cases. It remains to be seen, however, how strict the Cabinet will be in cutting back expenditures in an election year. On the whole, the fact that Parliament voted substantial increases in Federal spending authorizations in the face of a potentially inflationary situation supports the Bundesbank's contention that fiscal policy is making no contribution to the task of bringing inflationary pressures under control.

Rate of credit expansion remains high

The effects of monetary stringency have made themselves felt only slightly in the area of credit expansion. Total credit extension to non-bank customers during the first five months of 1965 was 16 per cent above the preceding year's level, as compared with a 19 per cent increase in January-May, 1964. (See Table 2.) The slowdown in the rate of credit expansion, however, was entirely due to a slackening in credit extensions to the public sector. On the whole, loans to the private sector expanded at a considerably faster year-to-year rate than they had during the first five months of 1964.

Table 2. Credit Expansion: Lending to Non-bank Customers, January-May, 1963, 1964 and 1965
(in DM millions)

	Total lending to to non-banks	Lending to Public Authorities		Business & Personal Loans	
		Short-term	Medium & long-term	Short-term	Medium & long-term
Jan.-May 1963	7,853.2	233.3	1,223.3	922.0	5,474.6
Jan.-May 1964	9,362.6	319.9	2,184.8	1,397.3	5,460.6
Jan.-May 1965	10,843.8	-199.8	2,548.7	2,083.1	6,411.8
Percentage increase:					
Year 1963 to 1964	+16.9	+81.9	+32.9	+46.8	+ 4.2
Jan.-May 1963-64	+19.2	+37.1	+78.6	+51.6	- 0.01
Jan.-May 1964-65	+16.0	- 3.8	+16.7	+49.1	+17.4

Source: Deutsche Bundesbank, Monthly Report.

The growth of credit to the public sector was considerably cut back from last year. Short-term loans were actually reduced during January-May. Loans at medium- and long-term were only 16.7 per cent above the January-May 1964 level, a substantial reduction in credit expansion when compared to the increase in longer-term credits of 78.6 per cent experienced between January-May 1963 and January-May 1964. Banks have apparently cut back on loans to the public sector since their portfolios are already filled with large amounts of public authority bonds which they have been unable to place in the bond market.

Loans to the private sector expanded strongly, in part reflecting the strong upsurge in consumer demand. (In response to increased credit demands from private individuals, commercial banks have recently raised their ceilings on personal loans from DM 6,000 to DM 10,000 and have lengthened the term of these loans from 36 to 48 months.) A more important factor in the increase in private credit expansion is probably the increased demand for financing of business enterprises. Although it is normally expected that financing demands of business will be increased in periods of high economic activity, the rather sharp rise in the first five months of this year of longer-term loans to the private sector suggests that the U.S. balance of payments program and the related shortening of foreign credit lines to German enterprises has forced them to seek a greater volume of financing from German banks.

Bundesbank will maintain its current tight credit policy

The resolve of the Bundesbank not to relax its restrictive policy was emphasized on July 1 by Bundesbank President Blessing. In a press conference, Blessing stated that the Bundesbank would not ease up on its restriction of credit expansion so long as excessive demand pressures threatened the value of the currency with inflation. The task of arresting inflationary pressures would be made easier if fiscal policies were coordinated with monetary policy. The Bundesbank regretted that the public authorities were not only not supporting the Bundesbank but were actually a prime source of the excessive expansion; however, Blessing continued, the authorities had miscalculated if they had counted on help from the Bundesbank in financing their planned deficits, for the Bundesbank had no intention of replacing "imported inflation" by inflation caused by the public budgets. The Bundesbank was determined to create a climate in which wage and price increases could not thrive. It was unfortunate if the necessary steps depressed the stock market; it was not, however, the responsibility of the Bundesbank to care for the tone of the stock market as it was to guard the value of the currency.

Blessing's statement thus forcefully reaffirmed earlier Bundesbank pronouncements to the same effect. In explaining its decision not to raise discount rate in May, as had been widely expected, the Bundesbank had stated in its Monthly Report 1/ that although it had no intention of easing its credit policies, the present situation indicated no need for a further tightening of the existing restrictive measures. The discount rate would therefore not be raised since a rise in the rate for the technical reason of realigning long- and short-term rates would probably cause an additional and undesired rise in the interest level as a result of the psychological factors connected with such a move.

German foreign trade continues to expand

Germany's foreign trade continued to expand in the period under review with the growth of imports considerably exceeding that of exports. Imports in the January-May period exceeded those of a year ago by 23.0 per cent while imports were 10.4 per cent higher than in the comparable period in 1964 and the monthly trade balance for January-May stood at a monthly average of DM .28 billion for this year as compared to DM .77 billion in 1964

1/ Deutsche Bundesbank Monthly Report, May 1965 p.4.

(See Table 3.) Exports in May recovered from the unusually low April level and were 3.9 per cent higher than the first quarter average; but at 6.0 per cent, the growth of imports remained considerably higher.

Table 3. Germany: Merchandise Trade
(seasonally adjusted monthly or monthly average, in DM billions)

		Exports f.o.b.	Imports c.i.f.	Trade balance
1964	I	5.34	4.46	.88
	II	5.41	4.71	.70
	III	5.29	5.04	.25
	IV	5.52	5.37	.15
1965	I	5.91	5.52	.39
1964	Jan.-May	5.30	4.53	.77
1965	Jan.-May	5.85	5.57	.28
1965	Jan.	5.85	5.68	.17
	Feb.	5.73	5.26	.47
	March	6.15	5.61	.53
	April	5.36	5.43	-.07
	May	p/ 6.14	p/ 5.85	.29

p/ Preliminary.
Source: Deutsche Bundesbank.

German balance of payments continues to show deficit

In May the German balance of payments registered a deficit for the third straight month. The deficit, which at DM 553 million was larger than those in either March or April, was caused by a large outflow on service account and by a reduction in the inflow of private capital. (See Table 4.) The May deficit thus reduces the surplus for the current year--all of which was earned in January and February--to DM 762 million.

The improvement in the trade account from April to May was more than offset by the seasonal swing in the service account caused primarily by dividend payments to foreign shareholders. The DM 504 million inflow on private capital account counterbalanced only part of the outflows on goods and services and official capital accounts. The largest part of the inflow of private capital was an inflow of long-term funds which represented the re-investment of dividends normally repatriated by foreign parent firms in their German subsidiaries in the form of stock purchases.

Table 4. Germany: Balance of Payments, 1964-May 1965
(in millions of DM)

	Jan.-May 1964	Jan.-May 1965	1964 IV	1965 I	1965 April	1965 May a/
1. Goods and Services						
Trade balance	3894	1358	1034	1096	4	258
Services	227	-728	-40	21	-39	-710
Total	4121	630	994	1117	-35	-452
2. Official Payments						
Donations 1/	-2202	-2750	-1101	-1387	-924	-439
Long-term capital	-423	-383	-464	-174	-132	-77
Short-term capital	-400	54	-415	68	75	-89
Total	-3025	-3079	-1980	-1493	-981	-605
3. Private Capital						
Long-term	-50	912	485	371	188	353
Short-term 2/	705	364	-251	273	103	-12
Errors and omissions	654	1935	-453	1169	603	163
Total	1309	3211	-219	1813	894	504
Surplus or Deficit (-)	2405	762	-1205	1437	-122	-553

a/ Preliminary.
1/ Also includes foreign workers' remittances.
2/ Includes commercial bank capital exclusive of net foreign exchange holdings.
Source: Basic data from Bundesbank and International Financial Statistics rearranged by author.

German foreign exchange holdings decline

German official reserves fell by $38 million in April and by a further $157 million in May as the German balance of payments continued in deficit. (See Table 5.) A continued decline in the Bundesbank's foreign exchange assets of $93 million in June would indicate another payments deficit for the month.

Table 5. Germany: Changes in Reserve Position, 1964-June 1965
(in millions of U.S. dollars)

	1964 Jan.-June	1964 July-Dec.	1965 I	1965 Mar.	1965 Apr.	1965 May	1965 June
A. Bundesbank gold & foreign exchange							
Gold	238	167	11	- 8	--	134	--
Foreign exchange	-178	-356	-106	166	-36	-473	-93
Total	60	-189	- 95	158	-36	-339	-93
B. Drawing rights on IMF	147	214	- 33	11	- 2	182	--
C. Commercial banks net foreign exchange	164	- 87	517	-219	-16	24	n.a.
Total A through C	371	- 62	389	-50	-54	-133	n.a.

n.a. Not available.
Source: IMF, International Financial Statistics; Bundesbank, Monthly Report.

The modest balance of payments deficits which Germany has registered for the past few months and the growing scarcity of dollars abroad has substantially improved the rate for the dollar against the mark. The rate for the DM fell from 25.149 cents in April to 25.097 cents in May and towards the end of June it slipped below par for the first time since the period following the Cuban crisis. On July 16 the rate for the DM stood at 24.963 cents, still substantially above the lower intervention level of 24.875 U.S. cents. (See Table 6.)

The easing of the spot quotation on the mark has been accompanied by a decline in the rate for three-months forward DM, which has gone from 0.7 per cent in May to 0.6 per cent in the first part of June and to 0.5 per cent since the middle of June. The decline in the forward rate for DM may well be connected with a repatriation of funds or borrowing abroad by banks trying to meet the heavy requirements of the domestic money market in the last half of June.

Table 6. Germany: Exchange Rate for the DM, January-July 1965
(in U.S. cents per DM and per cent p.a.)

Par value	25.00
Upper limit	25.188
Lower limit	24.875

1965		Spot rate 1/	Forward rate 2/
January		25.135	+0.8%
February		25.137	+0.5%
March		25.144	+0.7%
April		25.149	+0.6%
May		25.097	+0.7%
June		25.003	+0.6%
May	7	25.122	+0.5%
	14	25.110	+0.6%
May	21	25.075	+0.8%
	28	25.038	+0.7%
June	4	25.020	+0.6%
	11	25.001	+0.6%
	18	24.995	+0.5%
	25	24.983	+0.5%
July	2	25.975	+0.5%
	9	24.976	+0.5%

1/ Noon buying rates.
2/ Rate for three month forward DM.
Source: Federal Reserve Board.

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 - Three-month Forward Exchange Rates

Table 7. Germany: Selected Money Market Yields and Exchange Rates
(per cent per annum)

	3-mo. Euro-dollar deposits London	3-mo. inter-bank loans Frankfurt	Spread in favor London	3-mo. U.S. $ into Marks: Comm. bank	3-mo. U.S. $ into Marks: Market	3-mo. Treas. bills: U.K.	3-mo. Treas. bills: Ger.	3-mo. Treas. bills: U.S.
1964 - Nov. 27	5.00	5.44	-0.44	+0.25	+0.3	6.41	2.63	3.79
Dec. 31	4.62	5.25	-0.63	+0.25	+0.6	6.41	2.63	3.80
1965 - Jan. 29	4.50	3.75	+0.75	+0.25	+0.8	6.38	3.12	3.83
Feb. 26	4.56	4.06	+0.50	+0.25	+0.2	6.29	3.12	3.97
Mar. 26	4.88	4.44	+0.44	+0.25	+0.8	6.35	3.12	3.86
Apr. 2	4.75	4.50	+0.25	+0.25	+0.8	6.35	3.12	3.91
9	4.75	4.44	+0.31	+0.25	+0.7	6.32	3.12	3.90
16	4.82	4.56	+0.26	+0.25	+0.6	6.29	3.12	3.91
23	4.75	4.56	+0.19	+0.25	+0.3	6.26	3.12	3.92
May 7	4.81	4.62	+0.19	+0.25	+0.6	6.13	3.12	3.87
14	4.88	4.75	+0.13	+0.25	+0.6	6.13	3.12	3.88
21	4.94	4.62	+0.32	+0.25	+0.8	6.10	3.12	3.88
28	5.25	4.50	+0.75	+0.25	+0.7	6.20	3.12	3.85
June 4	5.12	4.82	+0.30	+0.25	+0.6	5.49	3.12	3.82
11	5.00	4.88	+0.12	+0.25	+0.6	5.42	3.12	3.79
18	5.00	4.82	+0.18	+0.25	+0.5	5.42	3.12	3.77
25	4.88	4.94	-0.06	+0.25	+0.5	5.39	3.12	3.74
July 2	4.88	n.a.	n.a.	+0.25	+0.5	5.36	3.12	3.80
9	4.88	n.a.	n.a.	+0.25	+0.5	5.42	3.12	3.84

Table 8. Germany: Selected Loan, Deposit and Security Rates
(per cent per annum)

	Comm. bank loans 1/	6-12 mo. deposits: Savings	6-12 mo. deposits: Time 2/	Bond yields: 5-1/2% Railway 1958-83 3/	Bond yields: Public authorities	Share Yields	Yield gap
1964 - March	7.50	3.50	2.75	5.88	6.0	2.83	3.2
April	7.50	3.50	2.75	6.09	6.2	2.88	3.3
May	7.50	3.50	2.75	6.23	6.3	2.98	3.3
June	7.50	3.50	2.75	6.36	6.3	3.03	3.3
July	7.50	3.50	2.75	6.35	6.3	2.96	3.3
August	7.50	3.50	2.75	6.33	6.3	2.90	3.4
September	7.50	3.50	2.75	6.34	6.4	2.93	3.5
October	7.50	3.50	2.75	6.39	6.4	3.08	3.3
November	7.50	3.50	2.75	6.38	6.4	3.11	3.3
December	7.50	3.50	2.75	6.39	6.4	3.08	3.3
1965 - January	4/8.00	3.50	2.75	6.42	6.4	3.09	3.3
February	8.00	3.50	2.75	6.48	6.5	3.20	3.3
March	8.00	3.50	3.00	6.57	6.5	3.28	3.2
April	8.00	3.50	3.00	6.71	6.6	3.34	3.3
May	8.00	3.50	3.00	6.82	n.a.	n.a.	n.a.
June	8.00	3.50	3.00	6.89	n.a.	n.a.	n.a.

1/ Approved credits on current account.
2/ Beginning on March 20, 1964, commercial banks are prohibited from making interest payments on new foreign owned time deposits.
3/ Monthly averages of end-of-week figures.
4/ Effective January 22.

Chart 1

INTERNATIONAL MONEY MARKET YIELDS FOR U.S. DOLLAR INVESTORS

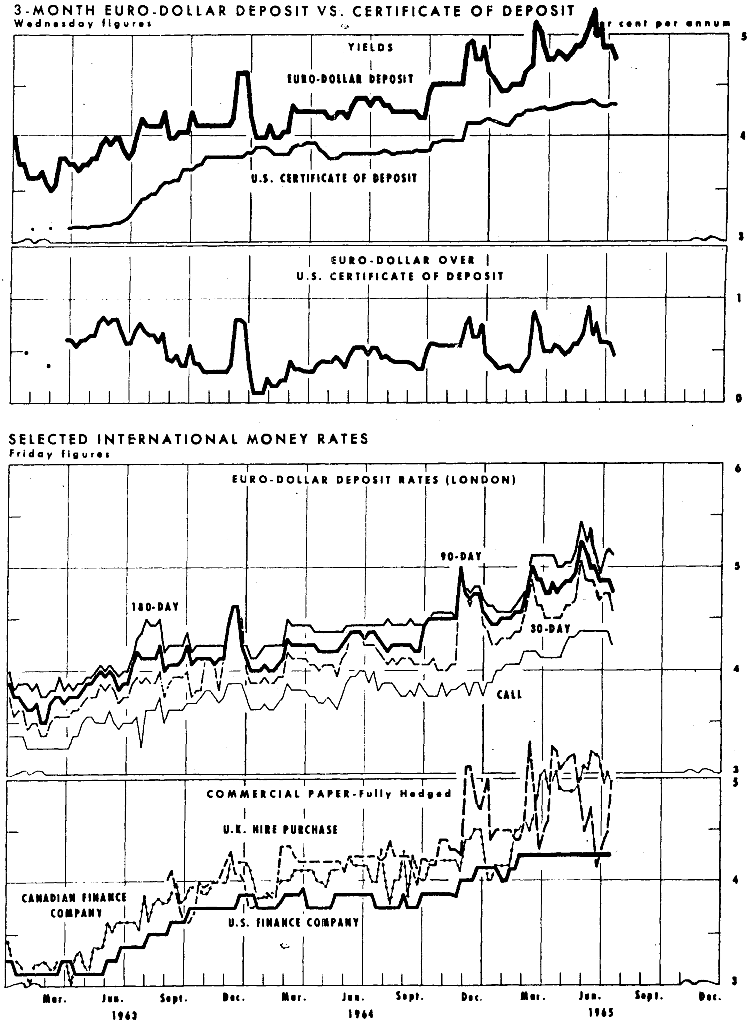
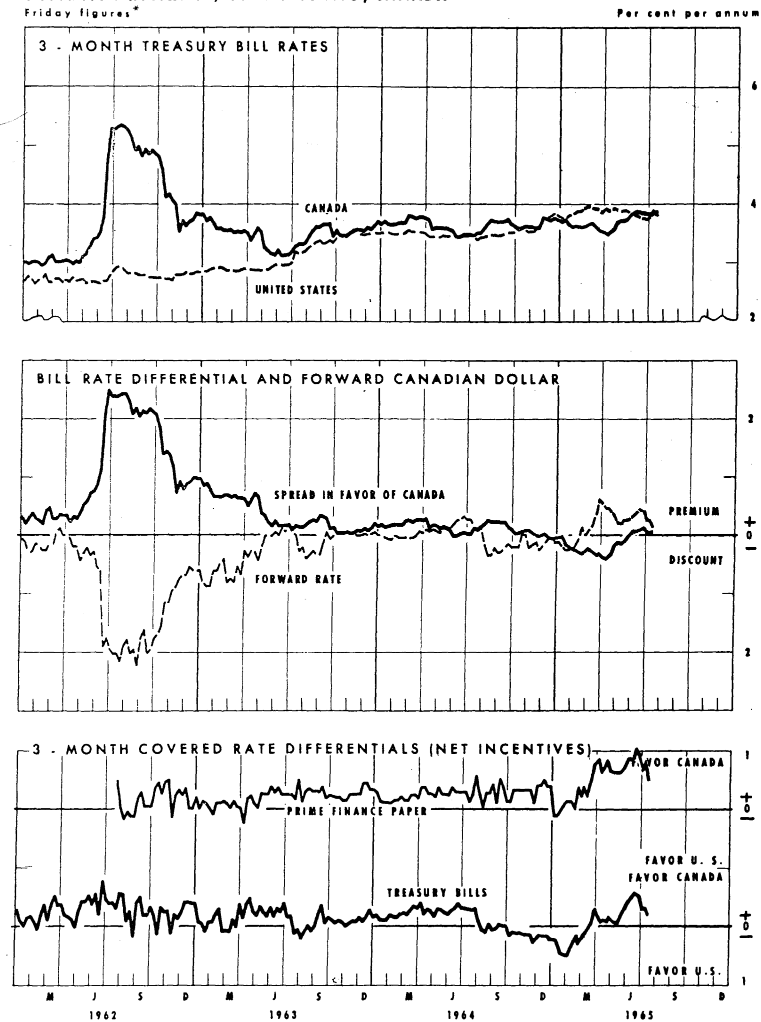


Chart 2

INTEREST ARBITRAGE, UNITED STATES / CANADA

Friday figures*



*Thursday figures 1962, Friday thereafter.

Chart 3

INTEREST ARBITRAGE, NEW YORK/LONDON

Friday figures

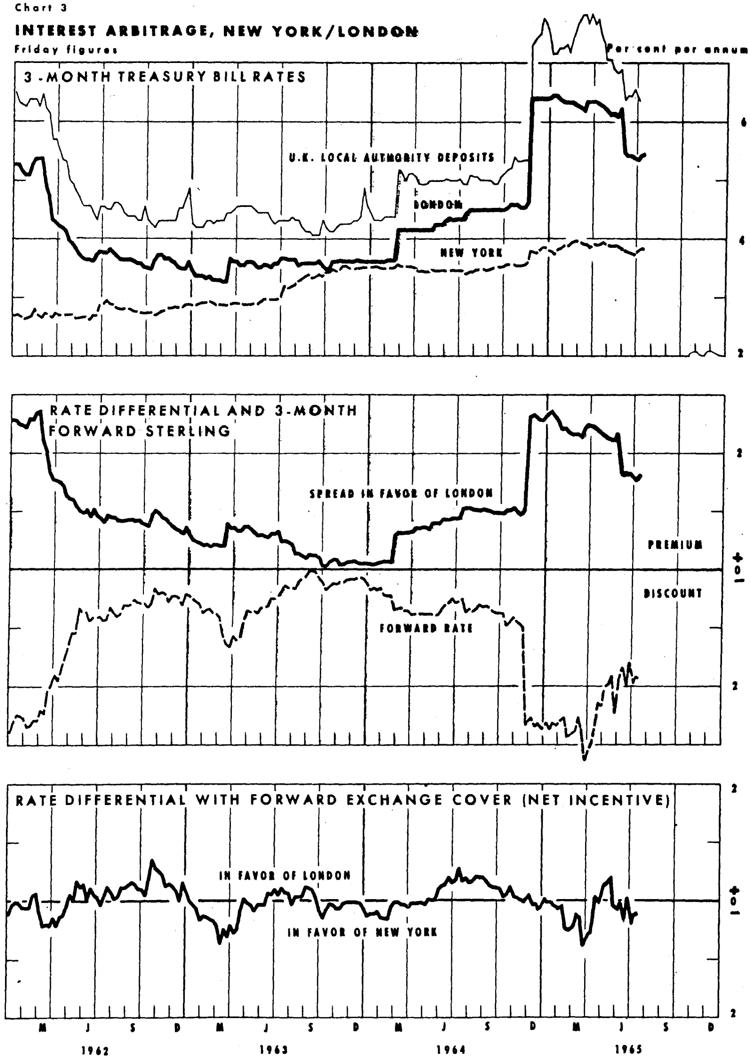


Chart 4

INTEREST ARBITRAGE FOR GERMAN COMMERCIAL BANKS

Friday figures

Per cent per annum

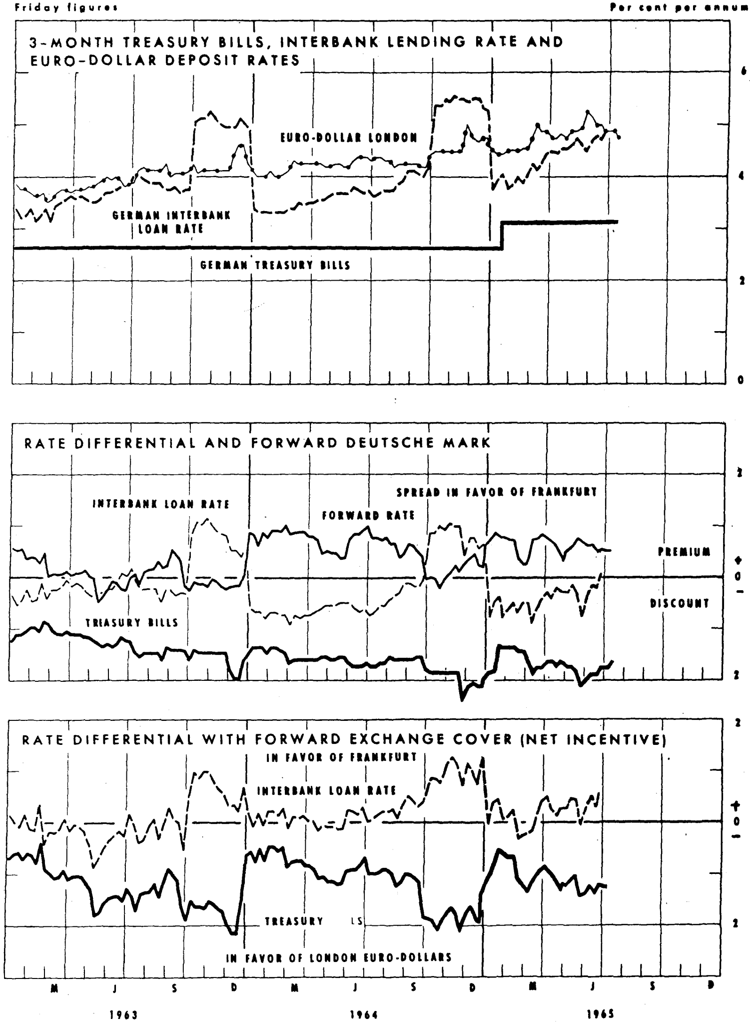
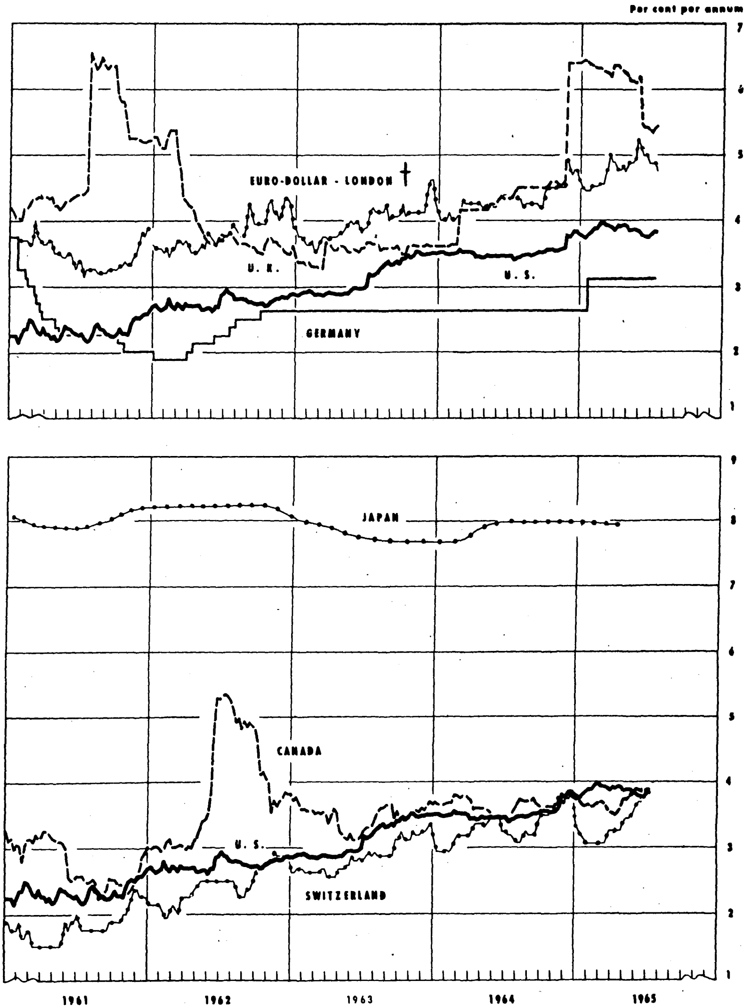


Chart 5

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

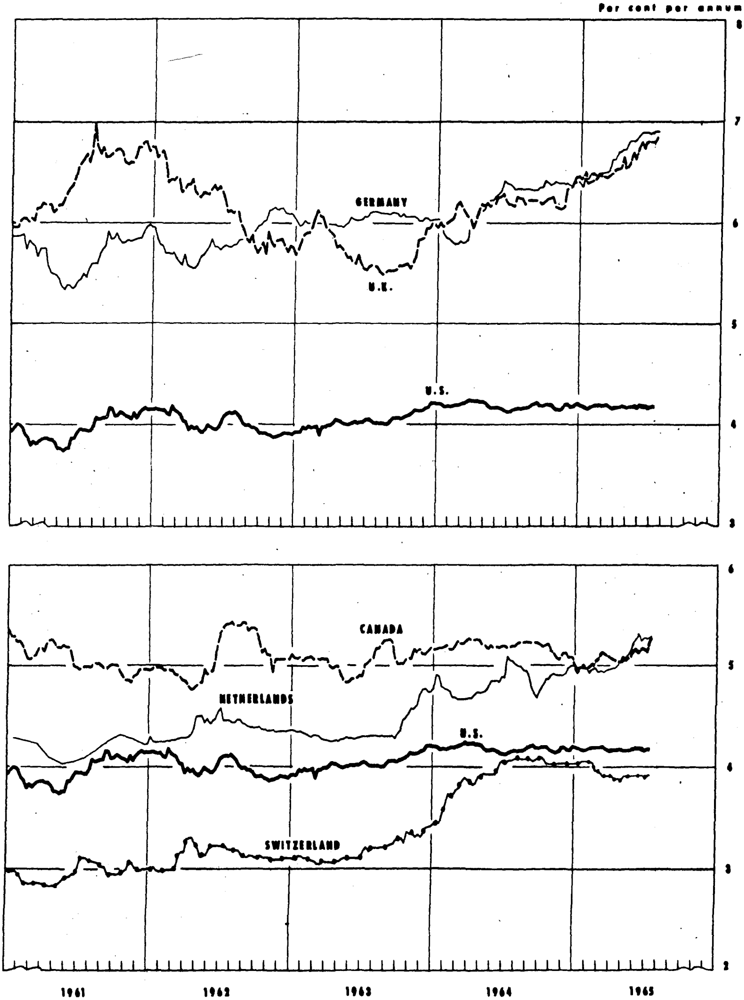
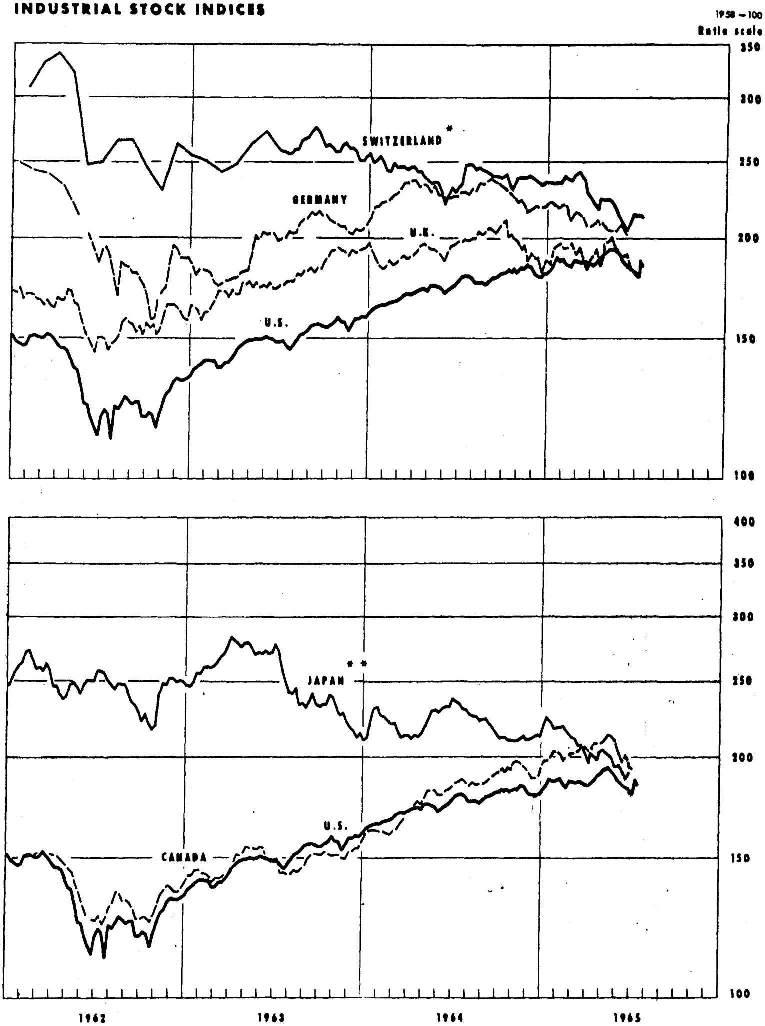


Chart 7

INDUSTRIAL STOCK INDICES



* Swiss Bank Corporation industrial stock.

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

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Chart 8

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

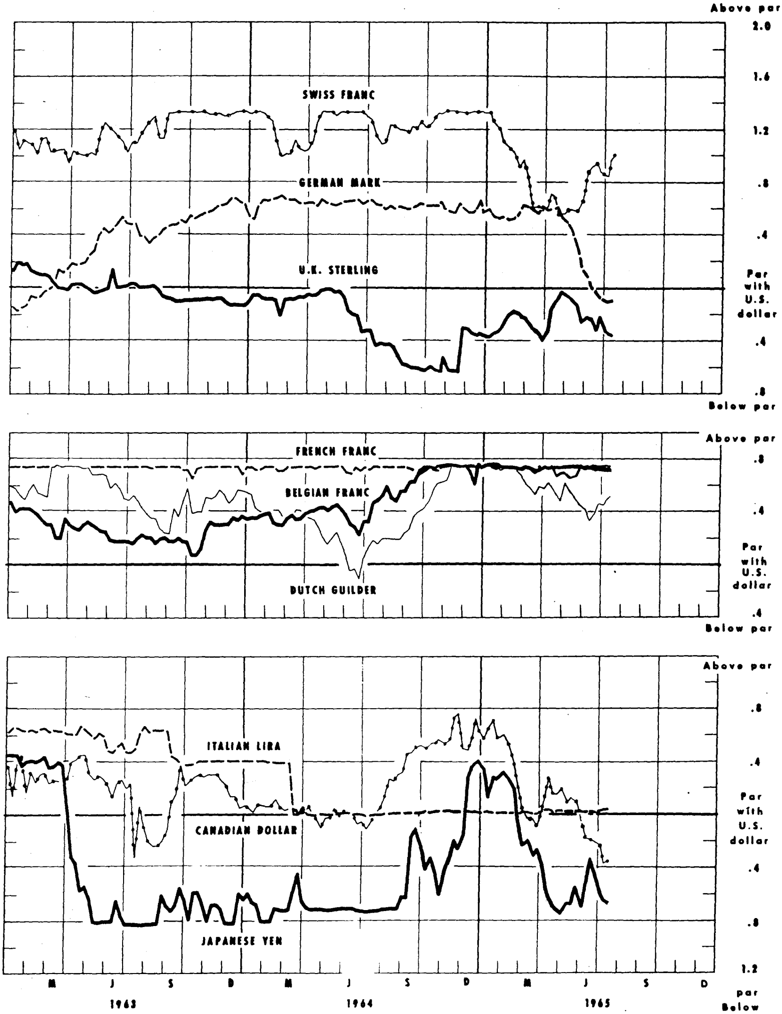
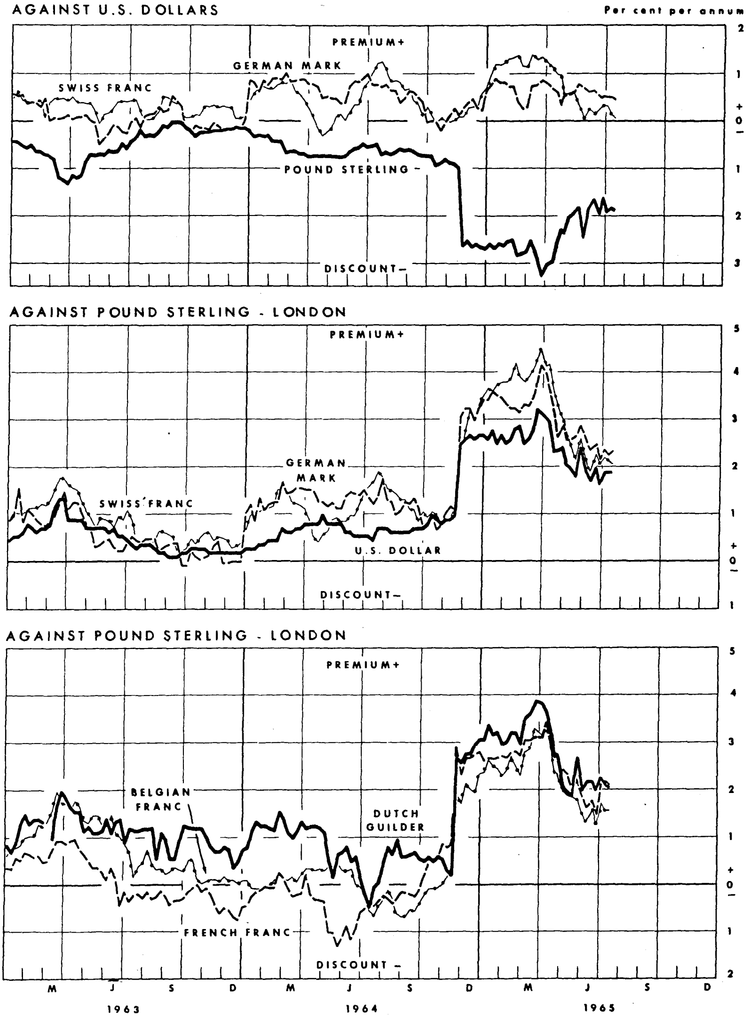


Chart 9

3-MONTH FORWARD EXCHANGE RATES

Friday figures



July 21, 1965

21.

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

Chart 1

	Per cent per annum
Upper panel	
(Wednesday, July 14)	
Euro-$ deposit	4.75
U.S. certif. of deposit	4.31
Lower panels	
(Friday, July 16)	
Euro-dollar deposits: Call	4.250
7-day	4.438
30-day	4.563
90-day	4.750
180-day	5.125
Finance Co. paper: U.S.	4.25
Canada	4.95
Hire-purchase paper, U.K.	4.96

Chart 2

(Friday, July 16)	
Treasury bills: Canada	3.87
U.S.	3.82
Spread favor Canada	+0.05
Forward Canadian dollar	+0.14
Net incentive (Canada +)	+0.19

Chart 3

(Friday, July 16)	
Treasury bills: U.K.	5.46
U.S.	3.82
Spread favor U.K.	+1.64
Forward pound	-1.85
Net incentive (U.K. +)	-0.21

Chart 5

(Friday, July 16, except as noted)	Per cent per annum
Treasury bills:	
U.S.	3.82
U.K.	5.46
Germany	3.12
Canada	3.87
Swiss 3-month deposits (Date: June 23)	3.69
Euro-$ deposit (London)	4.75
Japan: composite rate (Date: April 30)	7.921

Chart 6

Bonds:	
U.S. govt. (Wed., July 14)	4.18
U.K. war loan (Thurs., July 8)	6.85
German Fed. Railway (Fri., July 16)	6.89
Swiss Confederation (Fri., July 9)	3.91
Canadian govt. (Wed., July 14)	5.27
Netherlands government perpetual (Fri., July 9)*	5.28

* Additional rate: (July 2) 5.27

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