DIVISION OF INTERNATIONAL FINANCE

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

H. 13
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CAPITAL MARKET DEVELOPMENTS ABROAD

I. Germany
II. Nine Charts on Financial Markets Abroad
III. Latest Figures Plotted in H.13 Chart Series, 1965

I. Germany: Money and Capital Markets, July-August 1965

Money and capital markets in Germany remained under great strain during July and August. In July, a flood of new bond issues caused prices of outstanding bonds to fall. Yields on public authority bonds rose 31 basis points during the first three weeks of July, resulting in a further widening of the substantial gap between long and short-term interest rates. (See Table 1.)

Table 1. Germany: Selected Interest Rates
(in per cent per annum) a/

	1964 Dec.	1965 March	May	June	July 27	Aug. 13	Sept. 3
Call money b/	2.87	4.07	3.44	4.44	4.38	3.75	4.63
90-day money b/	5.39	4.31	4.63	4.88	5.13	5.25	5.38
Yield on 6% public authority bonds	6.43	6.68	7.21	7.31	7.61	7.48	7.61
Discount rate	3.0	3.5	3.5	3.5	3.5	4.0	4.0

a/ End of period unless indicated.
b/ Monthly midpoint.

This widening interest-rate differential, and concern over inflationary price pressures, led the Bundesbank to reconsider its earlier reluctance to change the discount rate. On August 13, the discount rate was raised from 3-1/2 to 4 per cent and the rate for advances against securities from 4-1/2 to 5 per cent. At the same time, the Bundesbank announced that, effective October 1, rediscount quotas of banks would be reduced by 12-1/2 per cent instead of 25 per cent, as previously announced.

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From the beginning of July to the 27th, the average yield on 6 per cent public authority bonds jumped from 7.32 to 7.61 per cent. On July 28, in an attempt to halt further deterioration on the bond market, the Cabinet declared a general freeze on all new bond issues and summoned representatives of the major borrowers to Bonn to discuss measures to reduce heavy capital financing demands of the public authorities. The August capital market meetings were inconclusive but discussions will apparently continue in the search for an agreed-upon solution.

The freeze on new issues was lifted at the beginning of September. However, the almost immediate announcement of a DM 260 million Federal Railways loan to be floated in September confirmed market fears that the licensing freeze and the discussions had not brought about any change in the public authorities' attitude regarding borrowing. When bond sales caused yields to rise again, the Capital Market Committee postponed the Railways issue indefinitely; they also announced that, with one small exception, no new issues were scheduled to come to the market before the beginning of October. Subsequently, the Laender governments moved to draw up a comprehensive framework within which to fit their collective financing demands and, reportedly, the major German cities decided to postpone further financing demands for the time being. These actions would seem to indicate that the public authorities have realized the necessity of some cooperative effort, in their own interests, to tailor their aggregate financing needs to more reasonable proportions.

Congestion in bond market prompts new issue freeze. In July, the German bond market was flooded by an unexpected volume of financing demands. The nominal value of gross placements of fixed interest bearing securities totaled DM 1911 million; this represents the largest volume of issues brought to the German bond market in any single month, with the exception of seasonally high January placements of the past few years. (See Table 2.)[1/] The massive sale of new issues caused prices of outstanding issues to fall and the price of some outstanding 6 per cent government bonds dropped below 90 for the first time. Consequently, yields on public authority bonds rose from 7.32 per cent at the beginning of July to 7.61 per cent by the 27th of the month.

The spate of new issues in July was the result of a sudden surge of pent-up financing requirements. As the volume of new issues rose and the market weakened, fears that it would be impossible to hold the 7 per cent coupon rate led to a further rush of new issues in anticipation of a further rise in interest rates, which seemed particularly plausible in view of the fact that municipalities had been offering to pay almost 8 per cent for 4-year promissory notes (Schuldscheine).

1/ The figures in the text are not comparable with those in Table 2, which represent market values while the former are available only on a nominal basis. Comparison of the two, however, does provide an indication of the approximate difference in magnitudes.

Table 2. Germany: Gross Placements in Securities Markets 1964-June 1965[1/]
(millions of DM, month or monthly average)

	1964 I	1964 II	1964 III	1964 IV	1965 I	1965 II	1965 May	1965 June
"Occasional" borrowers bonds:								
Industrial	70	195	39	55	86	90	--	270
Public authorities	495	325	300	315	303	380	364	342
Foreign issuers	46	177	52	20	193	43	163	26
Other bonds 2/	316	138	347	144	333	181	187	148
Total	927	835	738	534	915	694	654	786
Mortgage and communal bonds	959	668	544	661	853	570	418	613
Total gross bond placements 3/	1886	1503	1282	1195	1768	1264	1072	1399
Gross share placements	145	225	245	133	239	349	431	502
Total security placements at issue value	2031	1728	1527	1328	2007	1613	1053	1901

1/ Market value.
2/ Mostly bonds of specialized credit institutions.
3/ Includes medium-term notes (Kassenobligationen).
Source: Deutsche Bundesbank.

On July 28, in order to halt the further deterioration of the market, the Cabinet declared a general freeze on the licensing of all new issues and called a meeting of the major capital market borrowers to consider measures to control the heavy borrowing demands of the public authorities. The Government based its action--the legality of which has been questioned--upon Paragraph 795 of the Civil Code, which states that the Government may take preventive action when the ability of the capital market to function is endangered. The market settled following the announcement of the issue freeze, and toward the end of August yields on 6 per cent public authority bonds moved down to 7.46 per cent. However, the market remained uneasy and generally skeptical that the discussions would succeed in limiting the financing demands of the public authorities, particularly in view of the fact that the Cabinet had earlier approved all of the additional expenditure bills passed at the end of the Parliamentary session.

Representatives of the Federal Government, the Laender, municipalities and credit institutions met twice during August to discuss measures to coordinate the timing, volume and conditions of loans of public borrowers. The Government rejected a proposal by the credit institutions for an across-the-board percentage cut in approvals for license applications filed since the introduction of the freeze; instead, the authorities favored a case by case review as a more equitable and more effective way of limiting total financing demand.

The August meetings were inconclusive, but the Federal Government did announce that it would substantially reduce the amount of its planned borrowings for the remainder of 1965 and the Laender and municipalities expressed their willingness to cooperate. As an initial step, the Government of the Land North Rhine Westphalia ordered its municipalities to refrain from taking up loans of any type on which the interest exceeded 7.6 per cent. In the absence of a similar directive on the part of other Laender governments, however, this action would merely exclude the municipalities of this one Land from the capital market.

The freeze on new issues was lifted at the beginning of September. However, the immediate announcement of a DM 260 million Federal Railways loan produced a further fall in bond prices and yields on public authority bonds moved up from 7.46 per cent on August 23 to 7.63 per cent on September 2. The Capital Market Committee thereupon announced the indefinite postponement of the Railways issue and stated further that, with the exception of one small DM 40 million loan, no new issues would be offered before the beginning of October.

At this writing, it appears that the public authorities have realized the seriousness of the situation on the capital market and the necessity of come cooperative effort to limit demands. The Laender as well as the Railway Authority were originally expected to float sizable new issues, but the Laender have now agreed to try to coordinate their financing requirements, and discussions to this end are to continue. In addition, the major German cities, have recently announced the postponement, for the time being, of plans for raising new funds in 1966.

Authorities move to realign short and long-term interest rates. The rise of long-term bond yields to 7.6 per cent at the end of July resulted in a further widening of the substantial gap between long and short-term interest rates in Germany, even though short-term rates had already risen considerably above the level of the discount rate, to which they are legally tied. Rates for call money had remained above the discount rate ever since March, at times by as much as 1-1/8 per cent and market circles had expected a discount rate increase, designed to narrow the gap between short and long-term rates, ever since May, when the 7 per cent coupon was established on the German bond market. At that time, the Bundesbank rejected a discount rate increase on the grounds that the general economic situation did not require further tightening of credit policies. However, when market pressures forced bond yields to 7.6 per cent at the end of July, the Bundesbank accepted the necessity of an adjustment designed to bring long and short-term rates into better alignment. On August 13, the Bundesbank raised discount rate from 3-1/2 to 4 per cent, and its rate on advances against securities from 4-1/2 to 5 per cent; selling rates of the Bundesbank for money-market paper were also adjusted accordingly, thus raising the rate on 3-month Treasury bills from 3.12 to 3.88 per cent.

At the same time, the Bundesbank announced that on October 1, the rediscount quotas of credit institutions at the Bundesbank would be reduced by only 12-1/2 per cent instead of the full 25 per cent originally announced. Evidently, this move reflected public relations rather than monetary policy considerations. It is unlikely that reduction of rediscount quotas by 25 per cent would have resulted in much further tightening, since most banks have substantial rediscount margins which they have never used. The total rediscounting facility of credit institutions with the Bundesbank is estimated between DM 10-15 billion; the highest amount that the credit institutions have so far found it necessary to discount has totaled only DM 5.9 billion. However, a full 25 per cent cut in rediscount quotas in addition to the higher discount rate would have further strained relations between the Bundesbank and the credit institutions. The reduced cut-back in rediscount quotas was evidently designed to convince the credit institutions that the object of the Bundesbank's restrictive measures is to control the inflationary actions of the public authorities rather than to curb the banks' activities.

Following the Bundesbank's action, commercial banks immediately raised their short-term lending rates by the full amount of the discount rate increase. The maximum rate for money loans now stands at 8.5 per cent; the rate for the discount of paper eligible for rediscounting at the Bundesbank is now 7 per cent, and 8.5 per cent for discount of other bills. Furthermore, the Federal Supervisory Office and the credit institutions represented in the Central Loans Committee have agreed on increases in deposit rates of interest. Effective October 1, the key rate for savings deposits with a maturity of less than 12 months will be raised from 3-1/2 to 3-3/4 per cent and the rate for deposits subject to notice of 12 months to 2-1/2 years will be raised from 4-1/2 to 5 per cent; interest rates are not regulated on deposits with a maturity of more than 2-1/2 years.

Money market continues tight. In July and August, German money markets also reflected continued tight liquidity conditions. The rate for three-month loans moved up from a weekly average of 4.94 per cent at the end of June to 5.13 per cent at the end of July; in August the rate advanced further to 5.25 per cent. (See Table 3.)

The easing of rates for day-to-day money in the period under review was largely the result of technical factors. The decline in the first part of July occurred in reaction to the passing of the strain connected with mid-year payments. Rates continued to ease as banks replenished their cash position by repatriating $127 million of their foreign exchange assets in

July. Furthermore, banks' total borrowing at the Bundesbank rose from DM 5.2 billion in June to DM 5.7 billion in July and rose somewhat further in the first week of August as banks hedged against the possibility of a discount rate increase. Accordingly, rates for day-to-day money fell from an average of 4.55 per cent in the first week of July to 3.50 per cent by the last week in August. In the first few days of September, however, call money rates tightened sharply as banks began preparations for the major mid-September tax date.

Table 3. Germany: Money Market Rates in Frankfurt, January-August 1965[1/]
(in per cent per annum)

	Day-to-day money[1/]	Three-month loans
1965 - January	2.44	3.94
February	3.50	3.94
March	4.12	4.31
April	4.19	4.50
May	3.44	4.63
June	4.44	4.88
Week of:		
July 1	4.55	5.06
8	4.41	5.06
16	4.30	5.06
24	4.08	5.13
Aug. 1	4.19	5.25
8	3.69	5.19
16	3.91	5.38
24	3.50	5.25

1/ Midpoint of the rates quoted each week (month) by Frankfurt banks except in the case of weekly quotations for day-to-day money which represent averages of daily quotations.
Source: Deutsche Bundesbank.

Stock market remains uncertain. Despite a favorable business outlook and a current high level of economic activity, the German stock market continued to move uncertainly, largely in sympathy with the uncertainty on the bond market. After declining throughout June, the market firmed during July and registered small gains in August. At the end of August, the FAZ general stock index stood about 2 points above the end of July level but 8.5 per cent below its level at the beginning of the year.

German foreign trade continued to expand. Germany's foreign trade continued to expand in June and July along the same lines as it has for more than a year, with import growth exceeding export expansion. In June-July exports rose by 2.4 per cent over April-May to a level 5.7 per cent over that of a year ago; but imports rose by 3.1 per cent over April-May and were 17.3 per cent above June-July 1964. (See Table 4.) On a seasonally adjusted basis, Germany's trade surplus was reduced from DM 22 million in April-May to DM 13 million in June-July.

Table 4. Germany: Merchandise Trade
(seasonally adjusted month 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
II	5.76	5.72	.04
April	5.36	5.43	-.07
May	6.14	5.85	.29
June	5.77	5.87	-.10
July	p/ 6.01	p/ 5.78	p/ .23

p/ Preliminary.
Source: Deutsche Bundesbank.

Balance of payments continues in deficit. The German balance of payments registered another deficit in June, owing largely to the continued deterioration of the trade balance. (See Table 5.) In fact, on a balance of payments basis, the trade balance swung from a surplus of DM 258 million in May to a deficit of DM 309 million in June, the first time since 1958 that Germany has registered a deficit in its trade account. Despite a modest improvement in the services account, the deficit on goods and services widened by DM 91 million to DM 419 million, while official payments totalled DM 616 million. The combined deficit was offset only in part by an inflow of unrecorded private capital totaling DM 737 million, and Germany's overall balance of payments deficit in June amounted to DM 450 million.

Table 5. Germany: Balance of Payments 1964-June 1965
(in millions of DM)

	Jan.-June		1965			
	1964	1965	I	II	May	June a/
1. Goods & Services						
Trade balance	4362	1049	1096	- 47	258	-309
Services	127	- 658	53	- 711	-586	-110
Total	4489	391	1149	- 758	-328	-419
2. Official Payments						
Donations 1/	-2616	-3102	-1357	-1745	-382	-449
Long-term capital	- 479	- 511	- 174	- 337	- 80	-131
Short-term capital	- 380	18	68	- 50	- 89	- 36
Total	-3475	-3595	-1463	-2132	-551	-616
3. Private Capital						
Long-term capital	- 296	859	371	488	360	- 59
Short-term capital 2/	721	274	273	1	- 9	- 93
Errors & omissions	1111	2383	1107	1276	- 25	737
Total	1536	3516	1751	1765	326	585
Surplus or Deficit (-)	2550	312	1437	-1125	-553	-450

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

Preliminary balance of payments figures for the month of July suggest an adjusted deficit in the neighborhood of DM 870 million. This overall result combines a deficit of DM 178 million on goods and services, (a merchandise surplus of DM 122 million and a deficit of DM 300 million for services), net outflows of DM 623 million of long-term capital and donations totaling DM 404 million, which were partially offset by an inflow of DM 334 million of short-term capital.

The balance of payments results of the first six months of this year present a dramatic contrast to those of the same period of 1964, as reflected in the reduction of the overall deficit from DM 2,550 to only DM 312 million. (See Table 5.) In large part, the change is the result of a tremendous surge in imports which has cut the trade surplus of this year to one-quarter of its January-June 1964 level, but growing deficits on travel have contributed to the shrinking payments surplus. On the other hand, measures to discourage capital inflow have kept net imports of capital from reversing or offsetting this tendency to any important extent. Foreign financing arrangements of German firms explain a substantial part of the private capital inflows which have taken place.

Decline in foreign exchange reserves continues. The balance of payments deficit was reflected by declines in German reserves totalling $323 million in June and July, of which the larger part, $221 million, took place in July. (See Table 6.) However, the July reduction in the Bundesbank's foreign exchange reserves was caused largely by the transfer of $116 million of its reserves to the category of non-freely useable assets following Germany's movement of foreign exchange funds from U.S. to U.K. Treasury bills. In effect, the purchase of U.K. Treasury bills represented a prepayment in connection with Germany's agreement with the U.K. to share the cost of the British Rhine forces. If this transaction were excluded from reserve movements, Bundesbank reserves would have risen by $13 million; since commercial bank foreign exchange reserves declined $129 million in July, this would have produced a total reserve decline of only $105 million after adjustment for Germany's IMF position. A substantial reserve decline of $152 million in Bundesbank reserves during August indicates a balance of payments deficit for that month.

As a result of foreign exchange losses and the continuing balance of payments deficit, the exchange rate for the DM declined in the last half of July and August; the rate moved from 24.963 U.S. cents in mid-July to 24.931 cents by the end of the month and declined further to 24.919 cents by the end of August. (See Table 7.)

Table 6. Germany: Changes in Reserve Position, 1964-August 1965
(in millions of U.S. dollars)

	1964		1965				
	Jan.-June	July-Dec.	I	II	June	July	Aug.
A. Bundesbank gold & foreign exchange							
Gold	238	167	11	134	--	5	68
Foreign exchange	-178	-356	-106	-602	- 93	-103	- 84
Total	60	-189	- 95	-468	- 93	- 98	-152
B. Drawing rights on IMF	147	214	- 33	180	--	6	6
C. Commercial banks net foreign exchange	164	- 87	517	- 1	- 9	-129	n.a.
Total A through C	371	- 62	389	-289	-102	-221	n.a.

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

Table 7. Germany: Exchange Rate for the DM, January-September 1965
(in U.S. cents per DM and per cent p.a.)

Par value	25.00
Upper limit	25.188
Lower limit	24.875

	Spot rate 1/	Forward rate 2/			Spot rate	Forward rate
January	25.135	+0.81%	July	2	24.975	+0.50%
February	25.137	+0.52%		9	24.976	+0.50%
March	25.144	+0.65%		16	24.963	+0.45%
April	25.149	+0.72%		23	24.939	+0.32%
May	25.097	+0.66%		30	24.931	+0.31%
June	25.003	+0.57%	Aug.	6	24.932	+0.33%
July	24.961	+0.42%		13	24.928	+0.28%
August	24.923	+0.29%		20	24.931	+0.30%
				27	24.919	+0.25%
			Sept.	3	24.915	+0.10%
				10	24.926	+0.15%

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

Table 8. 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	+0.27	6.41	2.63	3.79
Dec. 31	4.62	5.25	-0.63	+0.25	+0.63	6.41	2.63	3.80
1965 - Jan. 29	4.50	3.75	+0.75	+0.25	+0.80	6.38	3.12	3.83
Feb. 26	4.56	4.06	+0.50	+0.25	+0.25	6.29	3.12	3.97
Mar. 26	4.88	4.44	+0.44	+0.25	+0.85	6.35	3.12	3.86
Apr. 23	4.75	4.56	+0.19	+0.25	+0.32	6.26	3.12	3.92
May 28	5.25	4.50	+0.75	+0.25	+0.69	6.20	3.12	3.85
June 11	5.00	4.88	+0.12	+0.25	+0.64	5.42	3.12	3.79
18	5.00	4.82	+0.18	+0.25	+0.50	5.42	3.12	3.77
25	4.88	4.94	-0.06	+0.25	+0.52	5.39	3.12	3.74
July 2	4.88	5.06	-0.18	+0.25	+0.50	5.36	3.12	3.80
9	4.88	5.06	-0.18	+0.25	+0.50	5.42	3.12	3.84
16	4.75	5.06	-0.31	+0.25	+0.45	5.46	3.12	3.82
23	4.56	5.06	-0.50	+0.25	+0.32	5.46	3.12	3.79
30	4.62	5.03	-0.41	+0.25	+0.31	5.46	3.12	3.78
Aug. 6	4.75	5.25	-0.50	+0.25	+0.33	5.46	3.12	3.82
13	4.63	5.19	-0.56	+0.25	+0.28	5.36	3.88	3.81
20	4.50	5.38	-0.88	+0.25	+0.30	5.36	3.88	3.81
27	4.44	5.25	-0.81	+0.25	+0.25	5.39	3.88	3.83

Table 9. Germany: Selected Loan, Deposit and Security Rates
(per cent per annum)

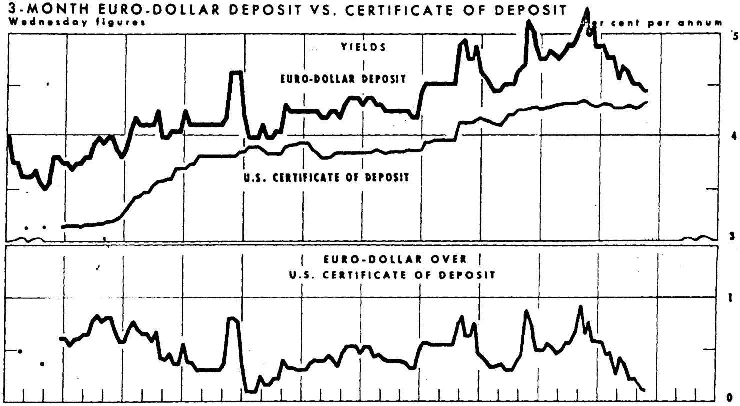
	Comm. bank loans 1/	6-12 mo. deposits: Savings	6-12 mo. deposits: Time 2/	Bond yields: 5-1/2% Railway 1958-63 3/	Bond yields: Public authorities	Share Yields	Yield gap
1964 - June	7.50	3.50	2.75	6.36	6.3	3.03	3.3
July	7.50	3.50	2.75	6.35	6.3	2.96	3.3
August	7.50	3.50	2.75	6.33	6.3	2.90	3.4
September	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	6.9	3.48	3.4
June	8.00	3.50	3.00	6.89	7.1	3.71	3.4
July	8.00	3.50	3.00	6.95	n.a.	n.a.	n.a.
August	5/ 8.50	3.50	3.00	7.08	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.
5/ Effective August 13.

Chart 1

INTERNATIONAL MONEY MARKET YIELDS FOR U.S. DOLLAR INVESTORS

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



SELECTED INTERNATIONAL MONEY RATES
Friday figures

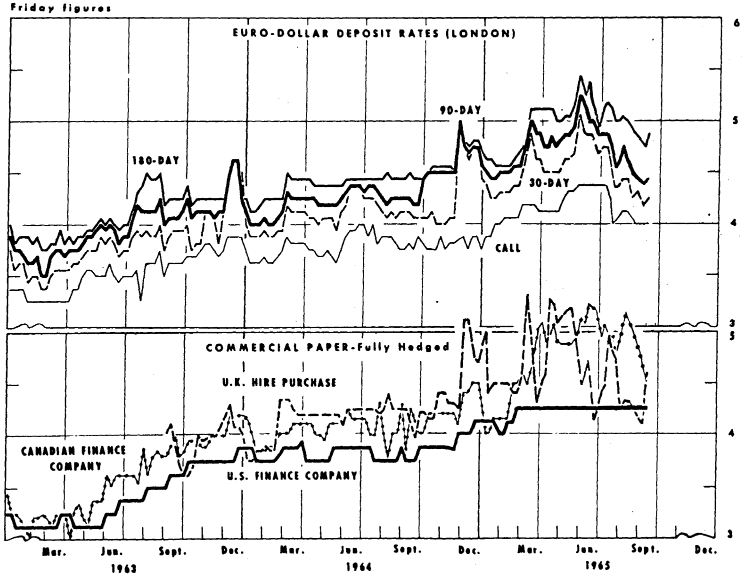


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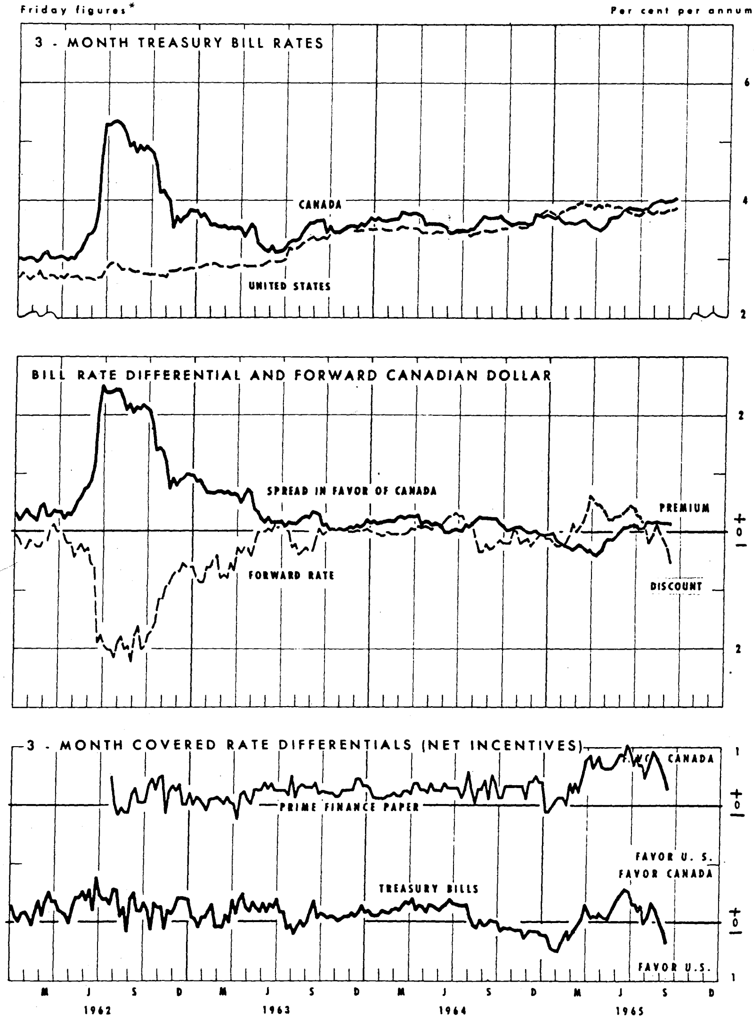
Chart 2

INTEREST ARBITRAGE, UNITED STATES / CANADA

Friday figures*



Thursday figures 1962, Friday thereafter

Chart 3

INTEREST ARBITRAGE, NEW YORK/LONDON

Friday figures

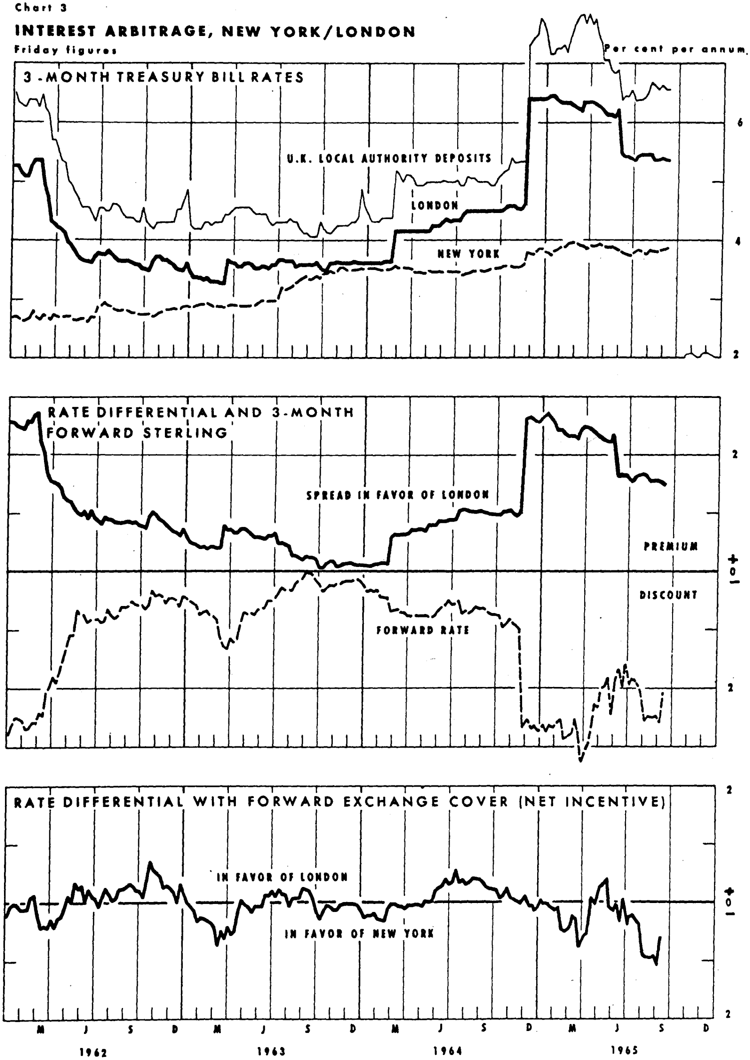


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Chart 4

INTEREST ARBITRAGE FOR GERMAN COMMERCIAL BANKS

Friday figures

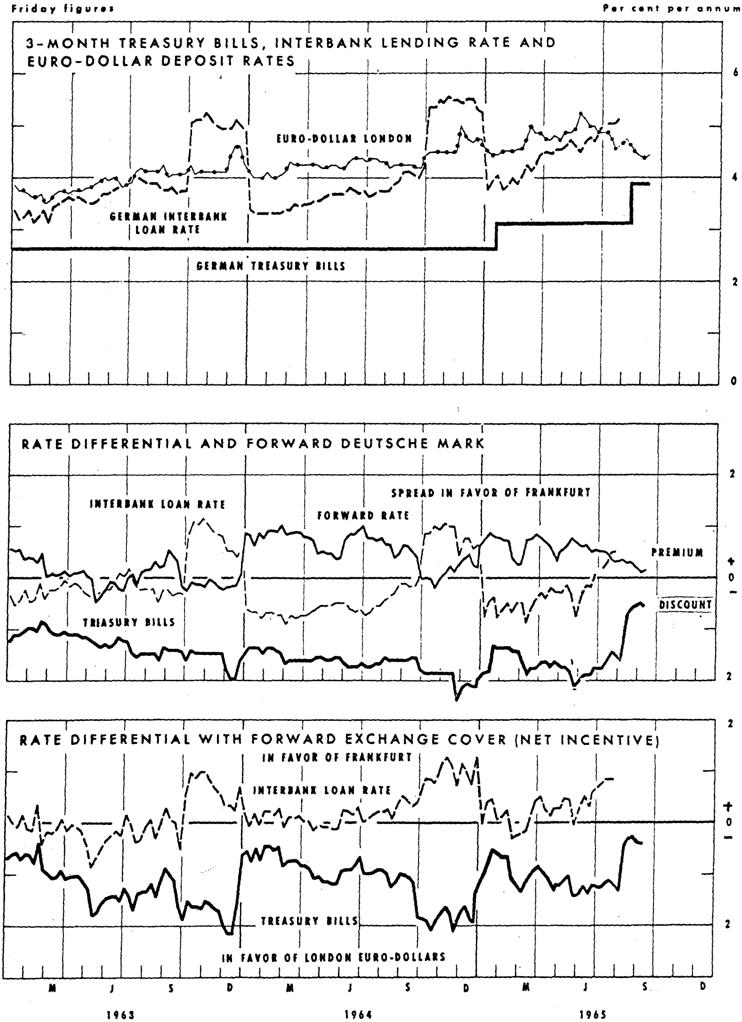
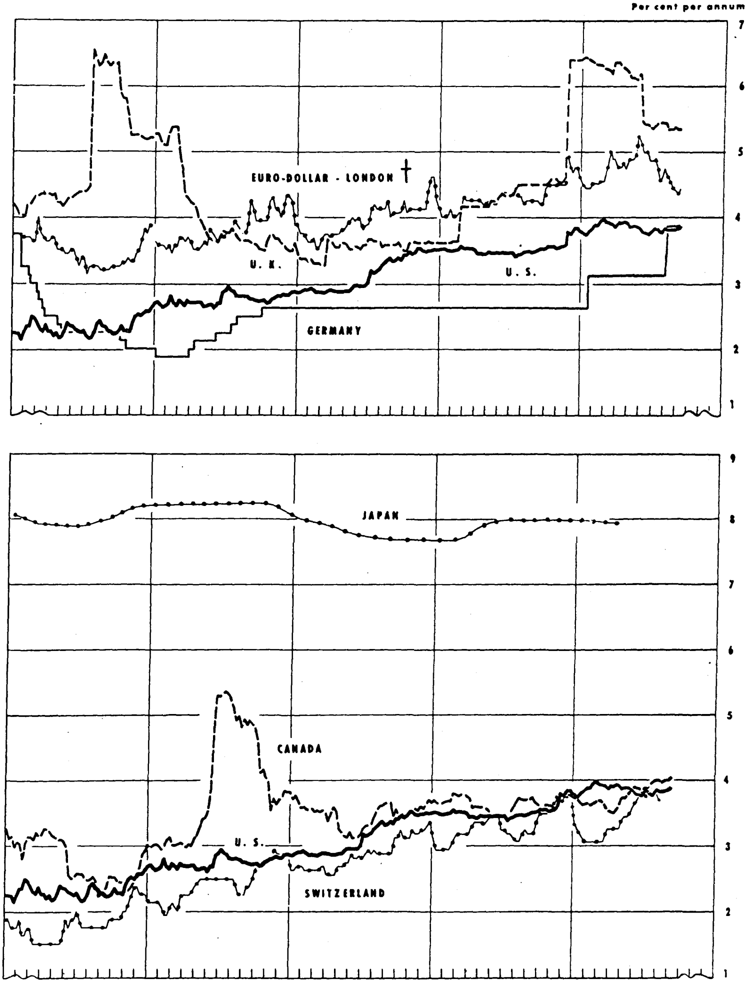


Chart 5
SHORT-TERM INTEREST RATES*



* 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.

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Chart 6
LONG-TERM BOND YIELDS

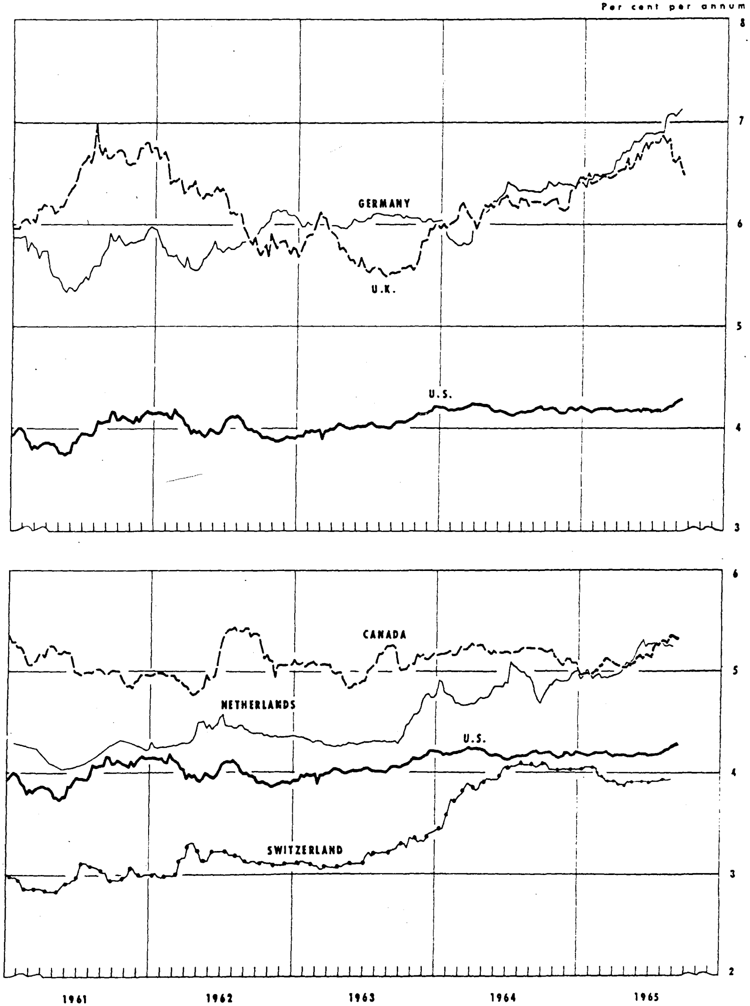
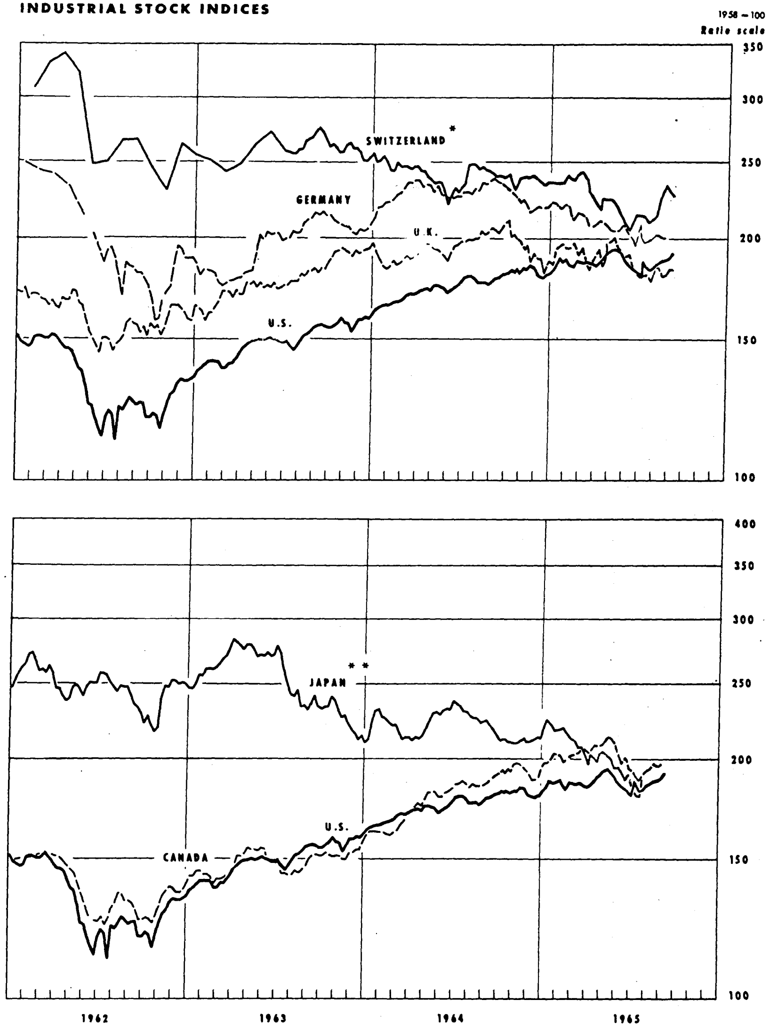


Chart 7

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

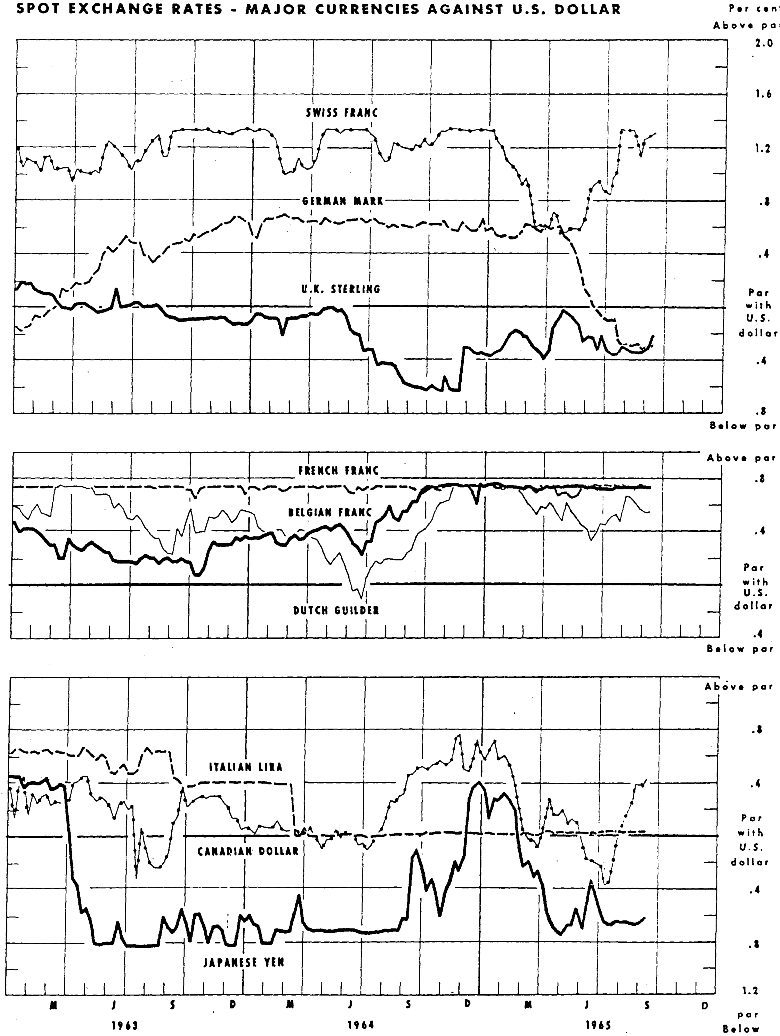
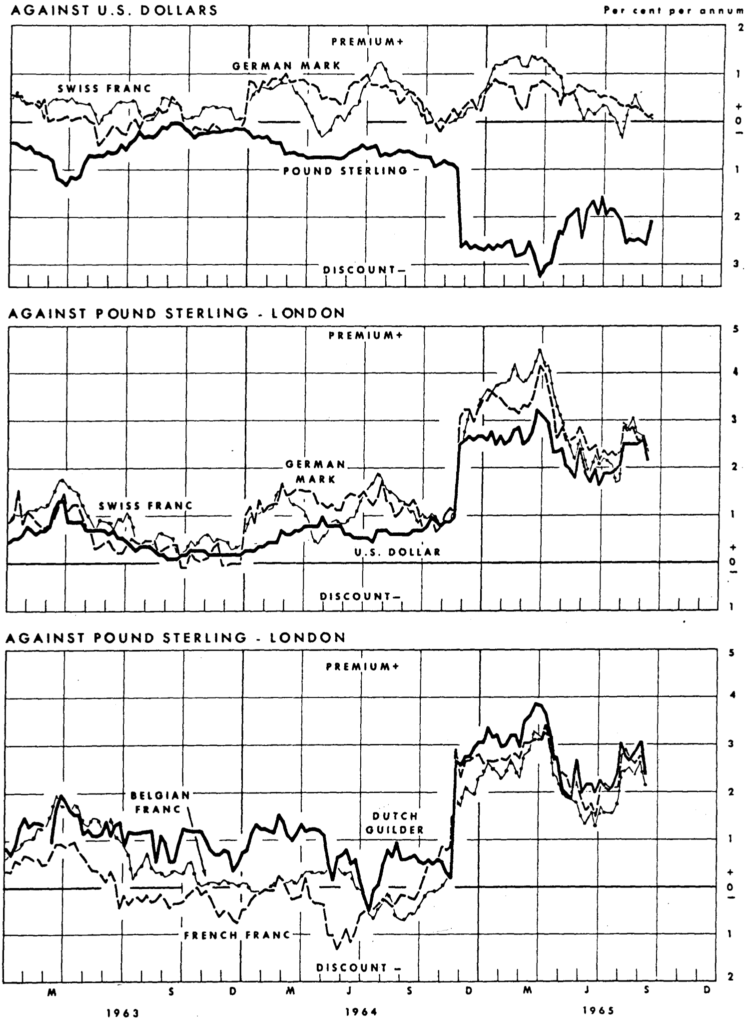


Chart 9

3-MONTH FORWARD EXCHANGE RATES

Friday figures



H. 13
No. 213

September 15, 1965

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

Chart 1

	Per cent per annum
Upper panel	
(Wednesday, Sept. 8)	
Euro-$ deposit	4.44
U.S. certif. of deposit	4.33
Lower panels	
(Friday, Sept. 10)	
Euro-dollar deposits: Call	4.00
7-day	4.12
30-day	4.25
90-day	4.44
180-day	4.88
Finance Co. paper: U.S.	4.25
Canada	4.52
Hire-purchase paper, U.K.	4.60

Chart 2

(Friday, Sept. 10)	
Treasury bills: Canada	4.03
U.S.	3.87
Spread favor Canada	+0.16
Forward Canadian dollar	-0.54
Net incentive (Canada +)	-0.38

Chart 3

(Friday, Sept. 10)	
Treasury bills: U.K.	5.36
U.S.	3.87
Spread favor U.K.	1.49
Forward pound	-2.09
Net incentive (U.K. +)	-0.60

Chart 5

	Per cent per annum
(Friday, Sept. 10, except as noted)	
Treasury bills:	
U.S.	3.87
U.K.	5.36
Germany	3.88
Canada	4.03
Swiss 3-month deposits (Date: Aug. 15)	3.69
Euro-$ deposit (London)	4.44
Japan: composite rate (Date: Apr. 30)	7.921

Chart 6

Bonds:	
U.S. govt. (Wed., Sept. 8)	4.28
U.K. war loan (Thurs., Sept. 9)	6.48
German Fed. Govt. Bond (Fri., Sept. 10)	7.41
Swiss Confederation (Fri., Aug. 27)	3.93
Canadian govt. (Wed., Sept. 8)	5.32
Netherlands government perpetual (Fri., Sept. 3)	5.23
Sept. 10	5.21

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