DIVISION OF INTERNATIONAL FINANCE

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

H. 13
No. 218

October 20, 1965

CAPITAL MARKET DEVELOPMENTS ABROAD

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

I. U.S. Dollar Assets in Foreign Financial Centers, July-October 1965

Rates on U.S. dollar deposits in major overseas financial centers (mainly London) eased considerably from early July to mid-September, but then began to turn upward again. (See Table 1 and Chart 1.) More stabilized supply conditions, following the large withdrawal of funds through Canadian banks in May and early June, and reduced seasonal demand allowed most rates to drop back to the lower levels of last January.

Table 1. Euro-dollar Deposit Rates (London): Changes Between Selected Dates, January-October 1965
(per cent per annum)

	Rate Jan. 1, 1965	Changes from previous date							Rate Oct. 8, 1965
		Jan. 22	March 12	April 30	May 28	July 23	Aug. 27	Oct. 8	
Call (2-day)	3.75	+.25	+.19	-.07	+.26	-.38	.00	+.25	4.25
7-day	4.00	+.12	+.26	-.07	+.19	-.38	.00	+.26	4.38
30-day	4.44	-.19	+.63	-.38	+.56	-.68	-.07	+.19	4.50
90-day	4.56	-.12	+.56	-.19	+.44	-.69	-.12	+.56	5.00
180-day	4.69	-.13	+.56	-.12	+.44	-.44	-.19	+.31	5.12

Source: Federal Reserve Bank of New York.

Increasingly tight money-market conditions in the United States and rising yields on certificates of deposit in New York have contributed to the current upswing in Euro-dollar rates. However, in mid-September the spread between bid rates for 90-day dollar funds in London and in New York had narrowed to a two-year low of only 9 basis points. (See Table 2 and Chart 1.) The London deposit rate was lower and rates quoted on certificates of deposit in New York were higher. But by early October the spread on 90-day funds had widened to 43 basis points--due to the rise in Euro-dollar rates--although this was still less than one half the widest spread of 1965.

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Table 2. Euro-dollar Deposit Rates vs. New York Certificates of Deposit
(per cent per annum)

	1965							
	Feb. 17	March 10	April 28	June 2	July 28	Aug. 25	Sept. 15	Oct. 6
Euro-dollars over CD's								
90-day Euro-$ Deposit	4.50	5.12	4.75	5.25	4.56	4.50	4.44	4.88
90-day CD	4.20	4.26	4.30	4.34	4.28	4.28	4.35	4.45
Difference	.30	.86	.45	.91	.28	.22	.09	.43
180-day Euro-$ Deposit	4.62	5.25	5.00	5.38	5.00	4.83	4.88	5.06
180-day CD	4.29	4.35	4.37	4.42	4.34	4.38	4.44	4.52
Difference	.33	.90	.63	.96	.66	.45	.44	.54

Source: Federal Reserve Bank of New York.

Business in Euro-dollar deposits in the London market was reduced considerably in the second quarter with large-scale withdrawals of funds by Canadian banks. Commercial banks in Canada withdrew $221 million of deposits and raised their borrowings of dollars $25 million, the first time Canadian dollar borrowings in London have increased since 1963. British banks met this drain of funds mainly by pulling back dollars that had been converted into sterling and placed in money-market investments (primarily local authority deposits) in London during the first quarter, when very high interest rates in the U.K. made this switching profitable. Net outstanding U.S. dollar liabilities of U.K. banks to non-residents (i.e., total dollar liabilities to foreigners less total assets) decreased from $1.13 billion at the end of March to $874 million at the end of June.

In the market for long-term dollar bonds, more restricted foreign demand for long-term dollars reduced flotations of U.S. dollar-denominated bonds to non-resident dollar holders 28 per cent below 1964 offerings during the first three quarters of the year. One of last year's two major borrowers, Japan, has not been to market at all this year, and the other, Denmark, has raised only $20 million. (Together they took over half the funds raised in 1964.) However, borrowers from Australia, New Zealand, Sweden and the United States have put in appearances this year for the first time.

When U.S. firms began issuing bonds in September in response to the U.S. government's program to cut down on the flow of capital to abroad, an important new element was introduced into the foreign loan market for dollars. So far this year, three U.S. firms have floated bonds worth $60 million through European-based subsidiaries, and more such bonds are reportedly in the offering. U.S. investment bankers have further concentrated in their hands the underwriting of Euro-dollar bonds. Out of the seven issues marketed since June, only in one issue has a U.S. house not participated either as head or co-manager of the underwriting syndicate.

Deposit rates for U.S. dollars in London fall during July-September

Rates fall to year's low in early September. Easier supply and reduced demand conditions brought about rate decreases in July and August in the international market for short-term U.S. dollar deposits, but in late September rates began to turn upward again. Between May 28 (when most rates reached their peaks) and August 27, bid rates in London for dollar deposits decreased considerably across the entire maturity range: from 38 basis points on call and 7-day funds to 81 basis points on 90-day funds. (See Table 1 and Chart 1.) At these levels, most rates were at their lowest points since January. For example, 7-day funds were bid at 4.12 per cent and 30-day funds at 4.31 per cent on August 27, the same rates for which they were bid on January 29. The rate for 180-day deposits, however, was 4.81 per cent on August 27, compared with its previous low this year of 4.44 on February 5.

Since mid-September, both increased seasonal pressures and tightening conditions in the United States have produced an upturn in rates; the sharpest increase has been for deposits of 90-day term, which rose from 4.44 on September 10 to 5.00 on October 8. (See Table 1 and Chart 1.)

Narrower differential over U.S. rates. In mid-September, the spread between New York and London bid rates for 90-day dollar funds fell to its lowest margin in almost two years--only 9 basis points--due both to the lower London deposit rates and higher New York rates on certificates of deposit. (See Table 2.) However, the recent sharp rise in 90-day Euro-dollar rates has widened the spread again, but it is still only 43 basis points, or less than half the widest spread of 91 basis points in June.

Factors affecting Euro-dollar rates. The summer decline in Euro-dollar rates reflected seasonal influences and other factors which brought greater ease to both the demand and supply sides of the market. Supply conditions stabilized after the Canadian banks made large withdrawals of funds in May and early June. Italian banks continued to supply dollars to the market, and there were some reports that U.S. firms were being more lenient about leaving dollars on deposit abroad than they were immediately following the initiation of the President's balance of payments program. 1/ It is also reported that Europeans bought dollars in the summer for their autumn needs and temporarily deposited them in the London market.

1/ The Times of London said on August 2 that "when President Johnson first called the dollars home, there was a substantial movement. . The pace subsequently slowed down. Now it is thought that the U.S. Treasury is unofficially taking a more permissive line. American companies and American banks are, it is said, being allowed to do things which would never have been allowed a few months ago.

Table 3. Short-term Interest Rates in Selected Financial Centers, 1965

1965		New York 1/	London 2/	Frank-furt 3/5/	Paris 6/	Zurich 4/5/	Canada 1/	Euro-$ London 7/
April	2	3.91	6.35	n.a.	5.25	n.a.	3.52	4.75
	23	3.92	6.26	4.56	3.19	3.25	3.59	4.75
May	14	3.88	6.13	4.75	3.75	3.44	3.72	4.88
	28	3.85	6.20	4.50	4.69	3.50	3.84	5.25
June	11	3.79	5.42	4.88	4.63	3.69	3.88	5.00
	25	3.74	5.39	4.94	4.62	3.88	3.85	4.88
July	16	3.82	5.46	5.06	3.94	3.81	3.87	4.75
	23	3.79	5.46	5.06	3.69	3.81	3.92	4.56
	30	3.78	5.46	5.13	4.88	n.a.	3.96	4.62
Aug.	6	3.82	5.46	5.25	4.75	3.81	3.99	4.75
	13	3.81	5.36	5.19	3.50	3.69	4.00	4.63
	20	3.81	5.36	5.38	3.44	3.69	3.98	4.50
	27	3.83	5.39	5.25	3.50	3.69	3.99	4.44
Sept.	3	3.84	5.36	5.25	4.25	3.69	4.00	4.38
	10	3.87	5.36	5.38	3.50	3.69	4.03	4.44
	17	3.86	5.36	5.44	3.50	3.82	3.99	4.44
	24	3.94	5.36	5.50	3.50		3.98	4.50
Oct.	1	3.99	5.27		4.82		4.06	4.88
	8	3.98	5.24		3.75		4.00	5.00

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.

In Switzerland, money-market conditions eased in the late summer as the authorities put funds back into the market that they had absorbed in the first quarter (1965). (See Table 3.) Swiss commercial banks, in turn, were able to reduce their withdrawals from London and may have even placed new funds there. In France, short-term rates also eased, and in September the authorities took steps to avoid any monetary tightness by decreasing the "liquid asset reserve requirement" of the commercial banks.

A number of factors also reduced the demand for dollars. In the United Kingdom, continued tightening of the credit squeeze appears to have cut into the demand for short-term credits. Lower rates on local authority deposits than existed earlier in the year and a high discount on forward sterling made it unprofitable to switch dollar deposits into sterling (covered with purchases of forward dollars) and put the sterling into local authority deposits, as was done in the first quarter (1965). (See Table 4.) Also, in Japan, the continuing recession reduced the demand for dollars and commercial banks lowered the rates they offer for dollar deposits.

Table 4. Comparison Between 3-month U.K. Local Authority Deposit Rates and the "Cost" of Dollar-Derived Sterling

1965	Euro-$ rate (1)	Prem. on 3-mo. fwd. $ (2)	Total "cost" of £ 1/ (3)	L A deposit rate 2/ (4)	Net gain 3/ (5)
July 2	4.88	1.93	6.81	6.37	-.44
9	4.88	1.82	6.70	6.38	-.32
16	4.75	1.85	6.60	6.38	-.22
23	4.56	1.98	6.54	6.44	-.10
30	4.62	2.09	6.71	6.50	-.21
Aug. 6	4.75	2.54	7.29	6.69	-.60
13	4.62	2.49	7.11	6.62	-.49
20	4.50	2.51	7.01	6.56	-.45
27	4.44	2.49	6.93	6.63	-.30
Sept. 3	4.38	2.59	6.97	6.56	-.41
10	4.44	2.09	6.53	6.56	.03
17	4.44	1.88	6.32	6.31	-.01
24	4.50	1.73	6.23		

1/ The sum of (1), the rate paid per annum on 3-month Euro-$ deposits, and (2), the cost of 3-month forward dollar cover.
2/ Rate paid by U.K. local authorities for deposits.
3/ The difference between columns (4) and (3). Net loss shown by minus sign (-).

On the other hand, tight monetary conditions existed in some countries during the summer, but did not seem to influence directly Euro-dollar rates. In Germany, the discount rate was raised from 3-1/2 per cent to 4 per cent in August, and commercial banks repatriated funds from abroad. Also, in Canada financial markets were tight and short-term rates crept higher. (See Table 3.) Canadian banks drew further on their dollar assets in London to meet U.S. withdrawals in Canada, but amounts were much below the April-June flow.

More recently, increasingly tight conditions in the U.S. market for short-term funds has contributed to the current upswing in Euro-dollar rates. (See Table 3.) This may have prompted some withdrawal of U.S. funds from London, but more probably has increased the demand of U.S. commercial banks for Euro-dollar funds.

Other Euro-currency rates down less than dollar rates

Other foreign currency deposit rates (linked in the closely knit international money market to the dominant Euro-dollar rate primarily by the cost of forward cover against the dollar) also tended downward during the July-September period, although not as much as the dollar deposit rates. Foreign demand for these currencies and, in some cases, tightening availability placed them under generally greater strain than Euro-dollars. (See Table 5.)

Table 5. 90-day Euro-currency Deposit Rates
(per cent per annum)

Date 1965		U.S. Dollars (London)	Sterling (Paris)*	Swiss Franc*	D- mark*
March	12	5.00	7.75 (7.54)	3.75 (3.62)	4.38 (4.27)
April	30	4.81	7.32 (7.14)	4.25 (4.26)	4.31 (4.31)
May	28	5.25	7.50 (7.69)	5.00 (5.20)	4.56 (4.56)
June	25	4.88	6.69 (6.53)	4.56 (4.54)	4.56 (4.36)
July	9	4.88	6.75 (6.70)	4.69 (4.72)	4.56 (4.38)
	23	4.56	6.56 (6.54)	5.06 (4.75)	4.44 (4.24)
August	6	4.75	7.12 (7.29)	4.62 (4.52)	4.50 (4.42)
	20	4.50	7.00 (7.01)	4.00 (3.94)	4.31 (4.20)
September	3	4.38	7.00 (6.97)	4.44 (4.29)	4.38 (4.28)
	10	4.44	6.75 (6.53)	4.50 (4.38)	4.38 (4.29)
	17	4.44	6.44 (6.32)	4.31 (4.29)	4.50 (4.47)
	24	4.50	6.25 (6.23)	4.19 (4.22)	4.62 (4.53)
October	1	4.88	6.44 (6.26)	4.88 (4.79)	5.19 (5.07)
	8	5.00	6.44 (6.35)	4.88 (5.20)	5.50 (4.55)

* The figures in parentheses indicate the "cost of obtaining" the foreign currency deposit by borrowing U.S. dollars in the Euro-dollar market and swapping them into the foreign currency desired by buying the foreign currency spot in the exchange market and selling it forward for the maturity of the original U.S. dollar deposit. Rates on these "dollar derived" deposits may be compared with those paid on direct foreign currency deposits in the Euro-currency market.

Comparison of Swiss franc and D-mark foreign deposit rates with their "dollar-derived equivalents" 1/ indicates there was more pronounced pressure on these currencies than the Euro-dollar sector of the market. D-mark deposit rates remained substantially above their dollar-derived equivalents--sometimes as much as 20 basis points higher--throughout July-September. Foreign Swiss franc deposit rates were consistently above their dollar-derived equivalents from mid-July, with a spread ranging between 31 and 6 basis points. Sterling deposit rates in Paris, on the other hand, followed the course of dollar deposit rates, after taking into account the wide discount on forward sterling, until mid-September when increased demand for sterling strengthened its rate with respect to the London dollar rate. (See Table 5.)

Long-term dollar bond flotations in foreign markets down from 1964.

Reduced foreign demand for long-term dollar funds--especially from last year's two major borrowers, Japan and Denmark--has reduced flotations of U.S. dollar-denominated bonds to non-resident dollar holders so far this year 28 per cent below 1964 offerings. Between January-September (1965) issues totalling only $257 million were put on foreign markets, compared with $358 million in the same 1964 period. (See Table 6.)

Of last year's two major borrowers (which together took approximately 54 per cent of the funds raised in the January-September period), Japan has not been in the market at all this year, and Denmark has raised only $20 million. (See Table 7.) Apparently Japanese borrowers switched from borrowing in the domestic U.S. market to the foreign dollar market in 1964, while the Interest Equalization Tax (IET) was pending, but there was less pressure to borrow in Europe in 1965 after Japan was granted a $100 million quota exemption from the IET. Furthermore, the Japanese recession reduced foreign borrowings, and the subsequent sell-off of shares on the Tokyo stock market seriously affected the prices of outstanding Japanese convertible bonds traded on the London Exchange.

Danish demand for long-term dollar funds was cut off in mid-1964 when the authorities, as a part of their anti-inflationary program, suspended all new foreign borrowing operations by municipalities and utilities companies. The Danish government loan of June 1965 was used exclusively to strengthen the country's foreign exchange reserves.

Some switching to non-dollar currencies as a source of long-term funds has occurred this year, but it has been very small. DM-denominated loans for non-resident borrowers have increased slightly, but they have been discouraged by the very high interest rates prevailing in the German market. In the first six months of 1965, the increase in international bond issues denominated in non-dollar currencies took up only about one-third of the reduction that occurred in dollar-denominated issues.

1/ Swiss franc, sterling, D-mark and other foreign currency deposits may be "derived" from dollar deposits, insured against exchange risk, by selling dollars spot for the desired foreign currency and buying them forward for the maturity of the original dollar deposit. This operation is commonly called a "swap". The cost of borrowing the foreign currency in this case is the cost of the original dollar deposit plus the cost of the forward cover.

Table 6. U.S. Dollar Bonds: New Issues Offered in Europe, July-Oct. 1965

Borrower	Coupon (%)	Price	Term (yr.)	Amount ($ mil.)	Under - written in
July					
Commonwealth of New Zealand	5.75	97.5	20	20	New York & London
August					
None					
September					
*Cyanamid International Development Corporation	5.75	98.25	15	20	New York
Kockums Mekaniska Verkstads AK (Sweden)	6.00	99.25	15	15	New York
European Investment Bank	6.00	99.50	20	20	New York & Europe
Ciments Lafarge	6.00		15	10	Paris & Luxembourg
October					
*Amoco Oil Holdings, S.A. (Luxembourg)	5.75	99.50	20	25	New York
*Monsanto International Finance Co.	4.50	100.00	20	25	New York

*Subsidiaries of U.S. firms.

TOTAL VOLUME
(millions)

	1964	1965
Jan.-Mar.	$111.5	$75.0
Apr.-June	128.5	97.0
Jul.-Sept.	118.0	85.0
Oct.-Dec.	132.0	

Table 7. U.S. Dollar Bonds Issued in Europe
(millions U.S. dollars)

Borrowing Country	January-September 1964		January-September 1965	
Scandinavia		220 (61.4%)		130 (50.6%)
Denmark	122		20	
Norway	82		70	
Sweden	0		30	
Finland	16		10	
Western & Southern Europe		63 (17.6%)		62 (24.1%)
France	0		10	
E.E.C.	0		20	
Italy	25		20	
Austria	18		12	
Portugal	20		0	
British Commonwealth		0 (0%)		45 (17.5%)
Australia	0		25	
New Zealand	0		20	
Japan		70 (19.6%)		0 (0%)
Israel		5 (1.4%)		0 (0%)
U.S. Subsidiaries		0 (0%)		20 (7.8%)
Total		358 (100%)		257 (100%)

Increased new issues in September. Some $65 million of new dollar bonds were offered in September, following offerings of $82 million[1/] in June and early July and none in August. The climate of the market had become more receptive in September: prices of outstanding issues (traded mostly in London and Luxembourg) had recovered from their June lows, and Euro-dollar deposit rates were more stable.

Six issues were put on the market in September and early October: three for U.S. firms, one for a Swedish and a French firm, and one for the European Investment Bank, an organ of the European Economic Community (EEC). Indicating a better borrowers market, the $15 million 6 per cent issue for Kockums Mekaniska Verkstads, AK (a Swedish shipyard) was priced at 99.25 per cent to yield 6.08 per cent to maturity. By contrast, the Allmanna Svenska

1/ This is exclusive of the $20 million private placing of 5-year promissory notes for the Belgian Régie des Telegraphs et des Telephones.

Elektriska, A.B. (Swedish electric utility) raised $15 million in June with a 6 per cent bond priced to yield 6.31 per cent. The rates at which U.S. subsidiaries raised long-term funds ranged from a 5.925 per cent yield (5.75 per cent coupon) for American Cyanamid in mid-September to a 5.79 per cent yield for Standard Oil of Indiana only three weeks later. (See Table 6.)

Market observers consider that new issues have been well recieved--all recent flotations have been quickly taken up--and, consequently, expect heavy activity to extend through the fall. Several issues are reported to be in the pipeline, including two more for Swedish firms and several for U.S. firms.

U.S. firms issue dollar bonds in Europe for first time. When U.S. firms began issuing dollar-denominated bonds in foreign markets in September, a new element was introduced into the international loan market. 1/ Several U.S. corporations have already formed European-based holding companies and subsidiaries (primarily in Luxembourg) to raise long-term financing in foreign markets for overseas expansion in compliance with the President's balance of payments program. More are expected to follow suit soon. A subsidiary of American Cyanamid--Cyanamid International Development Corporation--the large chemical producer offered the first such issue in mid-September. (See Table 6.) This was followed in October by two $20 million ~~issues,~~ one for the Standard Oil Co. (Indiana) and one for the Monsanto Chemical Co. These issues are fully guaranteed by the parent firms and have been well received.

Scandanavian borrowers, however, continue to dominate the foreign dollar-bond market, but their share of the total funds raised in the market in the first three quarters of the year is down from 1964. (See Table 7.) Sweden made its first appearance in the market in September, and several additional Swedish issues are expected soon. Australia and New Zealand were also newcomers this year--taking almost one-fifth of the funds raised in the first nine-months. The Ciments Lafarge issue was an unexpected first for a French company; proceeds reportedly will be used to finance foreign operations.

New York underwriters gain business. New York investment bankers continued to shift much of the business of underwriting foreign-issued dollar-bonds from London and the continent to New York in the July-October period. Out of the seven issues marketed since June, only in the case of the Ciments Lafarge issue did a U.S. house not participate either as head

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1/ These dollar-bonds are in addition to recent borrowing U.S. firms have done in local currencies in European financial centers. As early as June, Socony Mobil Oil raised £10 million in a sterling-deutsche mark loan through its Luxembourg subsidiary, Mobil Oil Holdings, S.A. In July, U.S. Rubber issued £5 million in sterling-deutsche mark bonds through its Luxembourg subsidiary. More recently the Gulf Oil Corporation isssued DM 100 million bonds on the German market and Socony Mobil Oil raised SF 45 million in Switzerland, both through their Continental subsidiaries.

or co-manager of the underwriting syndicate; the underwriting syndicates for the three issues of U.S. subsidiaries were headed entirely by U.S. investment bankers. U.S. underwriters have participated in the management of 12 (75 per cent) of the 16 syndicates formed so far this year to float dollar-bonds abroad, compared with only about 16 per cent of those formed in 1964.

Bond prices recover. Probably reflecting the general ease in foreign dollar availabilities, prices of outstanding U.S. dollar bonds quoted in London recovered from their mid-year lows in August-September, although most are still considerably below their highs for the year. (See Table 8.) For example, the Copenhagen Telephone, 5-3/4 per cent bond, rose $2.50 between end June and early October. Most of the other issues rose more modestly; but even some of the convertible Japanese debentures, which have been depressed along with stock prices in Tokyo, have shown some price comeback.

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. Dollars
Chart 9 - 3-month Forward Exchange Rates

Table 8. Prices and Yields of Selected U.S. Dollar Bonds Traded in London

Issue	Gov't of Austria 6%, 1979-1984 High	Low	Gov't of Denmark 5-1/2%, 1970-1984 High	Low	IRI 5-3/4%, 1975-1979 High	Low	City of Oslo 5-3/4%, 1969-1979 High	Low
1964	103.62	101.25	103.62	100.38	109.12	105.75	103.0	101.25
1965	101.75	99.38	102.12	97.00	112.0	92.75	101.12	97.00
	Price	Yield to maturity	Price	Yield to maturity	Price	Yield to maturity	Price	Yield to maturity
Last Friday of:								
June 1965	100.25	5.9	97.50	5.6	92.75	6.4	97.75	5.9
July	100.75	5.8	99.50	5.5	93.25	6.4	97.50	5.9
August	100.25	5.9	97.75	5.6	93.50	6.3	97.25	5.9
September	100.12	5.9	98.50	5.5	93.75	6.3	97.25	5.9
October 1	100.00	5.9	98.50	5.5	94.12	6.3	97.50	5.9
8	100.00	5.9	98.50	5.5	94.38	6.2	97.25	5.9

Issue	Mort. Bk. Denmark 5-5/8%, 1970-1984 High	Low	Copenhagen Telephone 5-3/4%, 1970-1984 High	Low	Itoh 6-1/4%, 1984 High	Low	Takeda 6%, 1984 High	Low
1964	101.38	99.50	102.62	100.12	100.0	94.75	105.5	98.5
1965	100.25	95.75	102.25	97.25	100.25	78.00	107.0	88.00
	Price	Yield to maturity	Price	Yield to maturity	Price	Yield to maturity	Price	Yield to maturity
Last Friday of:								
June 1965	96.00	5.9	97.50	5.9	79.50	8.3	93.00	6.4
July	96.50	5.8	99.00	5.7	81.50	8.0	89.00	6.7
August	96.00	5.9	99.25	5.7	90.00	7.2	98.50	6.0
September	96.75	5.8	99.88	5.7	90.00	7.3	97.00	6.1
October 1	96.88	5.8	100.00	5.7	86.50	7.4	96.50	6.2
8	96.50	5.8	100.00	5.7	85.50	7.5	95.50	6.3

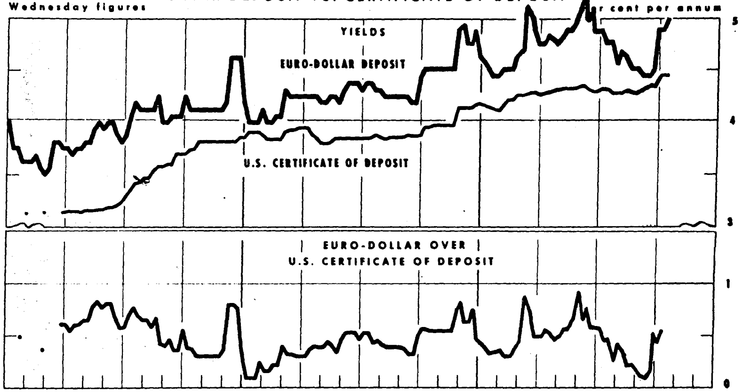
Prices are bid.

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

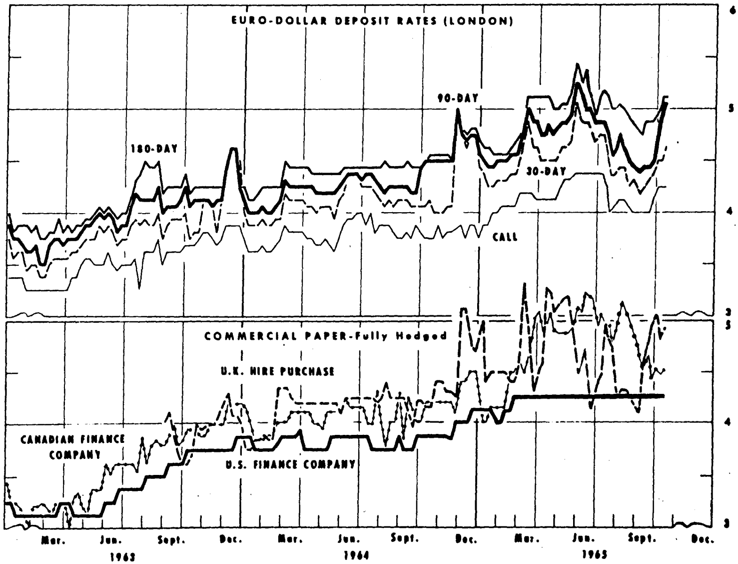
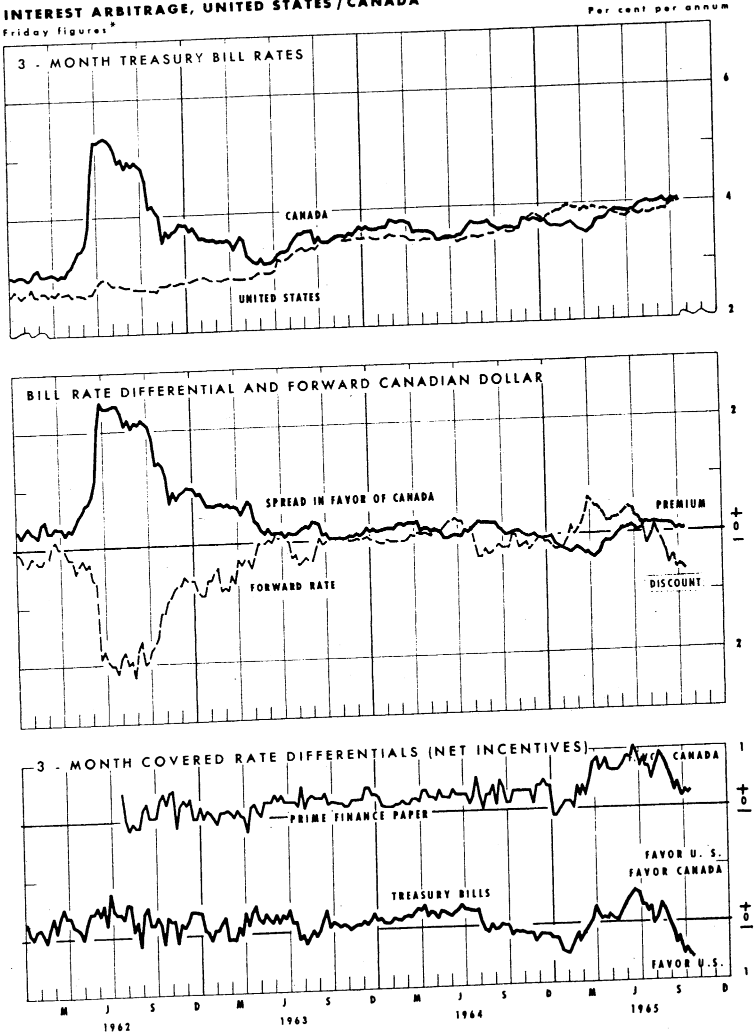


Chart 2

INTEREST ARBITRAGE, UNITED STATES / CANADA

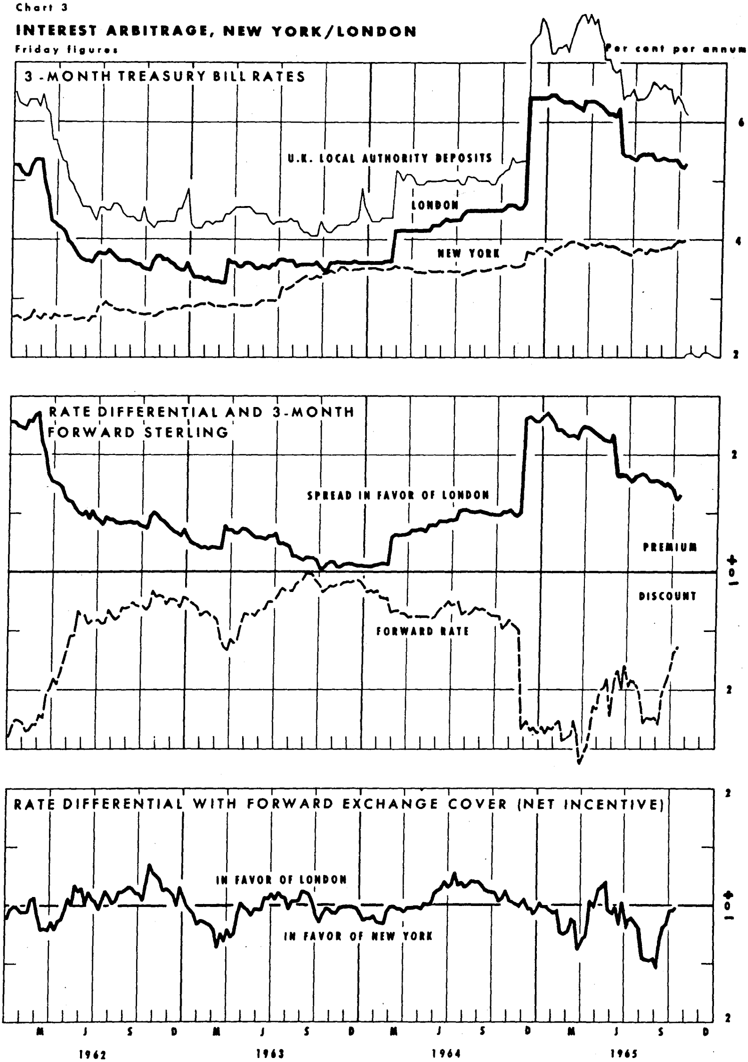
Friday figures*



Thursday figures 1962, Friday thereafter.

15

Chart 3



INTEREST ARBITRAGE, NEW YORK/LONDON
Friday figures
Per cent per annum
3-MONTH TREASURY BILL RATES
U.K. LOCAL AUTHORITY DEPOSITS
LONDON
NEW YORK
6
4
2
RATE DIFFERENTIAL AND 3-MONTH FORWARD STERLING
SPREAD IN FAVOR OF LONDON
PREMIUM
DISCOUNT
FORWARD RATE
2
+
0
−
2
RATE DIFFERENTIAL WITH FORWARD EXCHANGE COVER (NET INCENTIVE)
IN FAVOR OF LONDON
IN FAVOR OF NEW YORK
2
+
0
−
2
M J S D M J S D M J S D M J S D
1962
1963
1964
1965

\\0

Chart 4

INTEREST ARBITRAGE FOR GERMAN COMMERCIAL BANKS

Friday figures — Per cent per annum

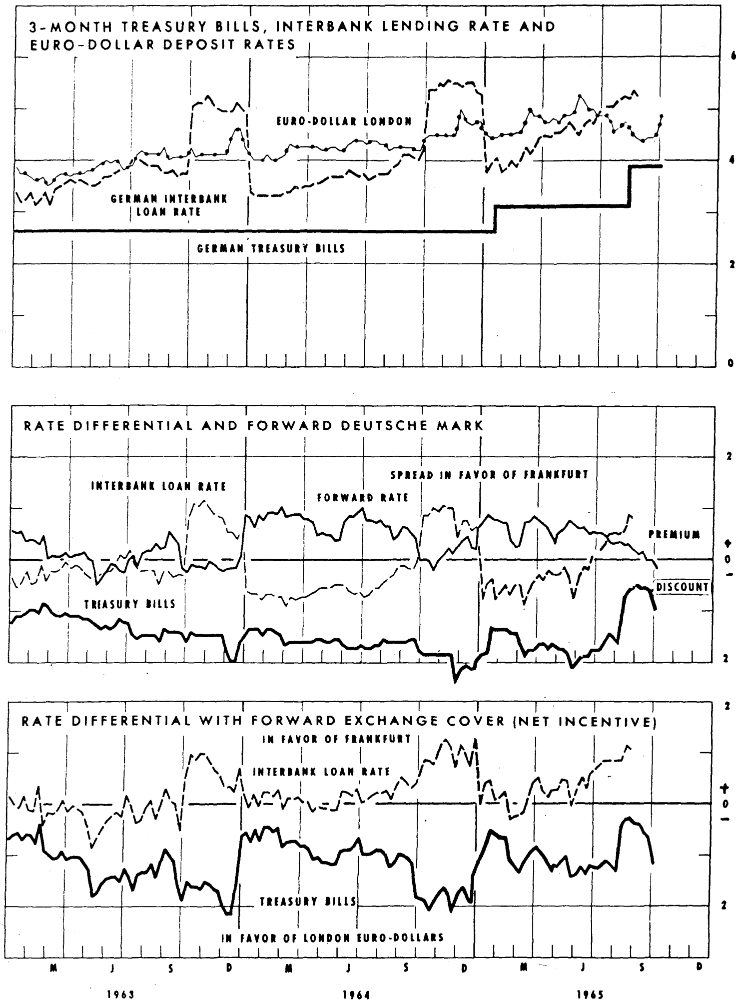
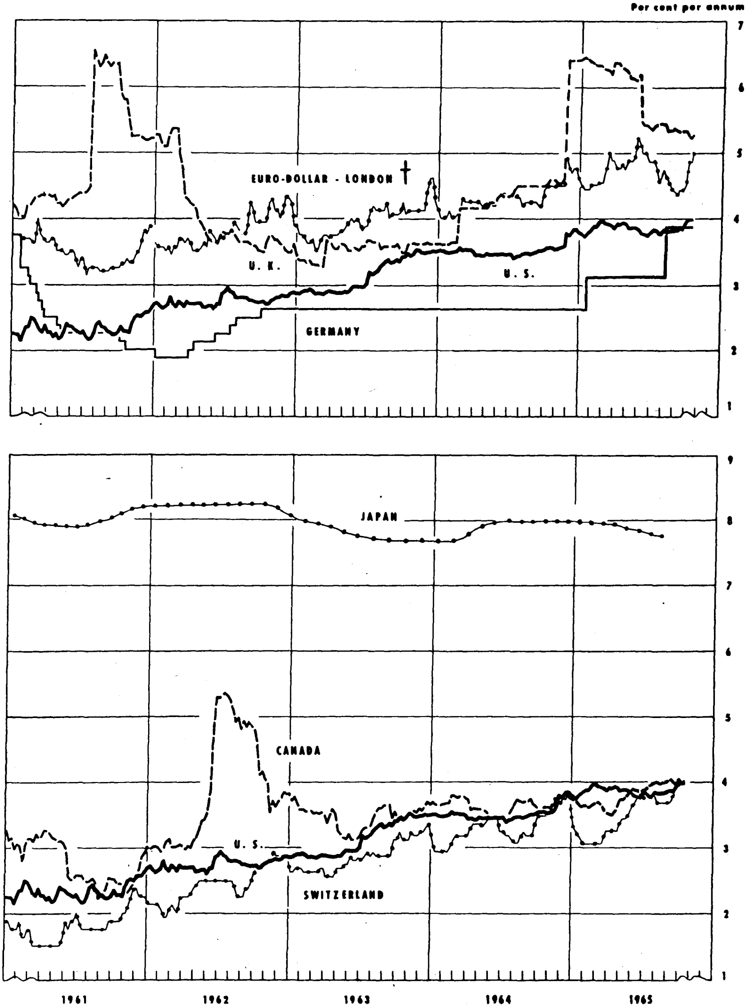


Chart 5
SHORT-TERM INTEREST RATES*



* 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.

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Chart 6

LONG-TERM BOND YIELDS

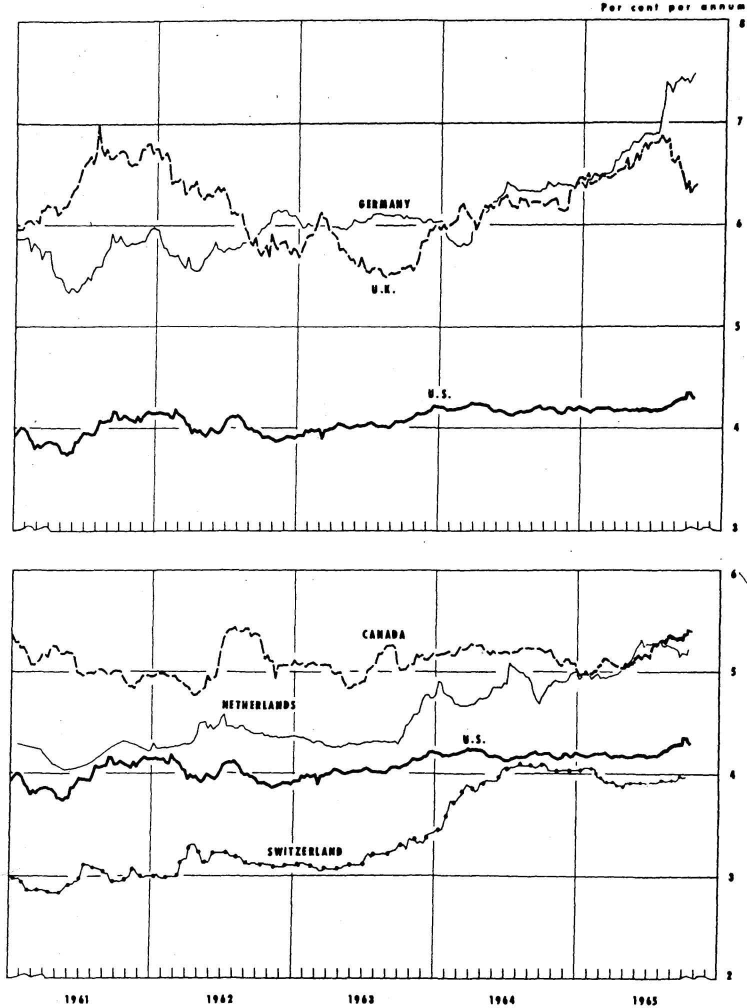
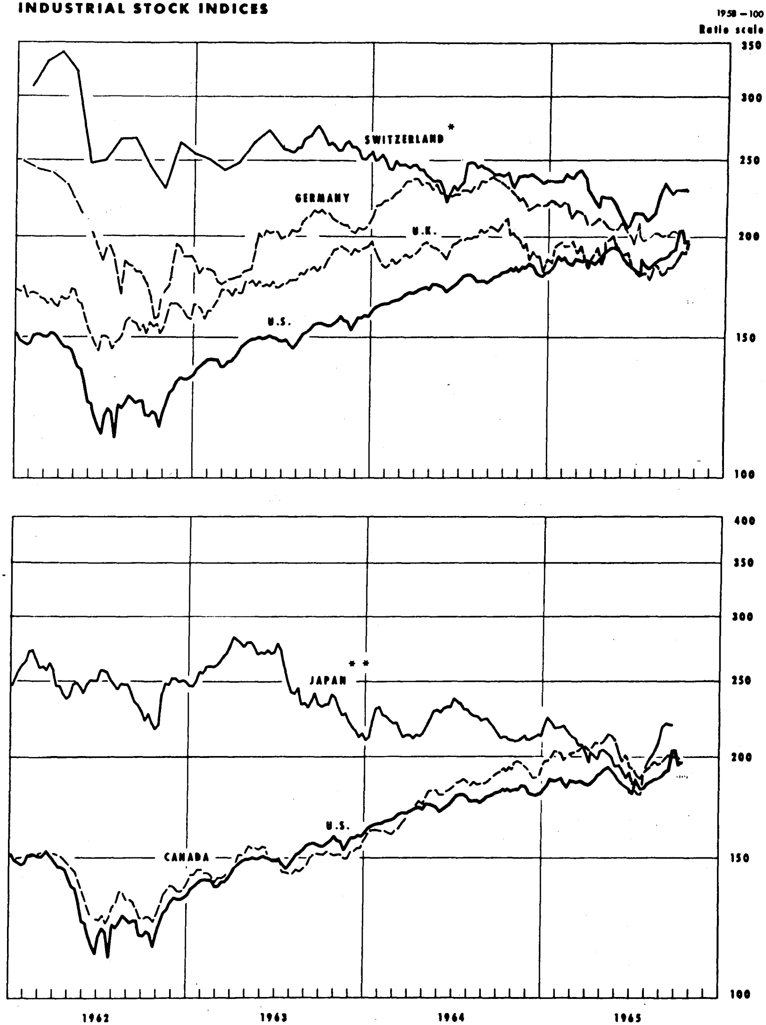


Chart 7

INDUSTRIAL STOCK INDICES



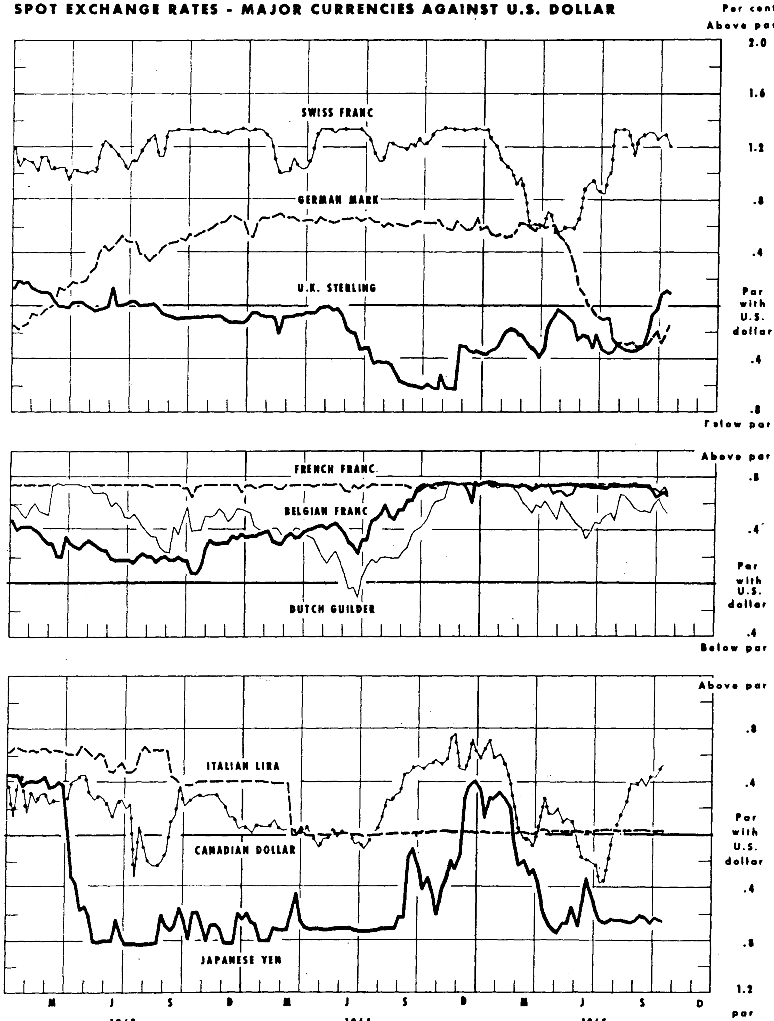
* Swiss Bank Corporation industrial stock.

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

20

Chart 8

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

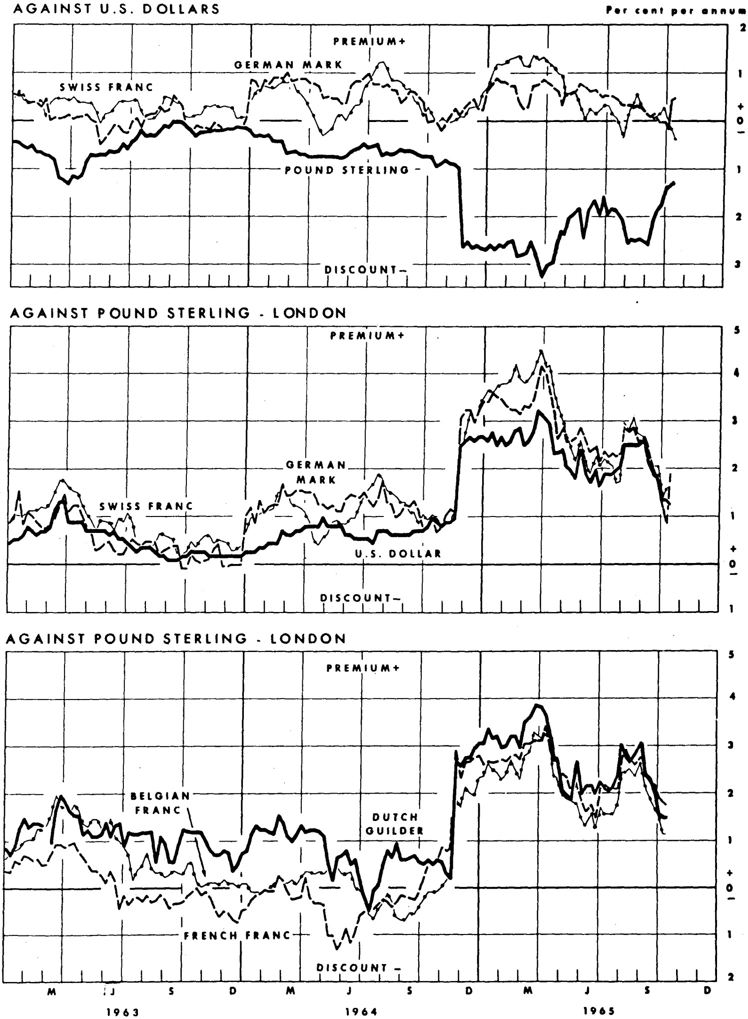


21

Chart 9

3-MONTH FORWARD EXCHANGE RATES

Friday figures



October 20, 1965

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

Chart 1	Per cent per annum
Upper panel	
(Wednesday, Oct. 13)	
Euro-$ deposit	5.00
U.S. certif. of deposit	4.45
Lower panels	
(Friday, Oct. 15)	
Euro-dollar deposits: Call	4.25
7-day	4.38
30-day	4.62
90-day	5.06
180-day	5.12
Finance Co. paper: U.S.	4.25
Canada	4.51
Hire-purchase paper, U.K.	4.92
Chart 2	
(Friday, Oct. 15)	
Treasury bills: Canada	4.03
U.S.	3.99
Spread favor Canada	+0.04
Forward Canadian dollar	-0.67
Net incentive (Canada +)	-0.63
Chart 3	
(Friday, Oct. 15)	
Treasury bills: U.K.	5.30
U.S.	3.99
Spread favor U.K.	+1.31
Forward pound	-1.27
Net incentive (U.K. +)	+0.04

Chart 5	Per cent per annum
(Friday, Oct. 15, except as noted)	
Treasury bills:	
U.S.	3.99
U.K.	5.30
Germany	3.88
Canada	4.03
Swiss 3-month deposits (Date: Sept. 23)	3.82
Euro-$ deposit (London)	5.00
Japan: composite rate (Date: Aug. 30)	7.731
Chart 6	
Bonds:	
U.S. govt. (Wed., Oct. 13)	4.29
U.K. war loan (Thurs., Oct. 14)	6.39
German Fed. Railway (Fri., Oct. 8)	7.48
Swiss Confederation (Fri., Oct. 1)	3.97
Canadian govt. (Wed., Oct. 13)	5.39
Netherlands government perpetual (Fri., Oct. 8)	5.22

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