CAPITAL MARKET DEVELOPMENTS ABROAD

I. Ten Charts on Financial Markets Abroad

II. Latest Figures Plotted in H. 13 Chart Series, 1966

Several changes are introduced in the charts in the H. 13 Capital Market series with this issue in order to make available certain new technical data. The main changes are:

Chart 1 - the U.S.-U.K.-Canadian finance company paper rate series are plotted on a larger scale.

Chart 2 - the full range of Euro-dollar deposit rates (London) are plotted on a larger scale; for the first time, the covered arbitrage calculations between Euro-dollar and U.K. local authority deposits and between Euro-dollar deposits and U.K. hire-purchase paper are presented.

Chart 3 - in Part I, the covered arbitrage calculations between the Frankfurt interbank loan rate and the London Euro-dollar rate and between the Zurich deposit rate and the London Euro-dollar rate are plotted for the first time; in Part II, the price of gold in London is introduced.

The appended data sheet is new and expanded and presents the figures plotted in Charts 1-7.

An Annex containing a complete description of every series of data plotted in the charts together with their sources will be published soon, supplanting the Annex to H. 13, Number 164, of September 23, 1964.

I. Ten Charts on Financial Markets Abroad


Chart 2 - London: Yields for U.S. Dollar Investors on 3-month Funds

Chart 3 - London, Frankfurt, Zurich: Yields on 3-month Bank Funds; Price of Gold in London

Chart 4 - Interest Arbitrage, New York/Canada

Chart 5 - Interest Arbitrage, New York/London

Chart 6 - Short-term Interest Rates

Chart 7 - Long-term Bond Yields

Chart 8 - Industrial Stock Indices

Chart 9 - Spot Exchange Rates - Major Currencies Against U.S. Dollar

Chart 10 - 3-month Forward Exchange Rates

OFFICIAL USE ONLY
(Decontrolled after six months)
NEW YORK, LONDON, MONTREAL:
YIELDS FOR U.S. DOLLAR INVESTORS ON 3-MONTH FUNDS
DOLLAR DEPOSIT RATES: NEW YORK-LONDON

FINANCE CO. PAPER RATES (covered): QUOTED IN NEW YORK

Chart 1
Chart 3

I. LONDON, FRANKFURT, ZURICH: YIELDS ON 3-MONTH BANK FUNDS

FRANKFURT INTERBANK LOAN RATE VS. LONDON EURO-DOLLAR RATE (COVERED)

In terms of DM

INTERBANK LOAN RATE

EURO-DOLLAR

DIFFERENTIAL

FAVOR FRANKFURT

FAVOR EURO-DOLLAR

ZURICH DEPOSIT RATE VS. LONDON EURO-DOLLAR RATE (COVERED)

In terms of Swiss francs

EURO-DOLLAR

SWISS DEPOSIT RATE

DIFFERENTIAL

FAVOR ZURICH

FAVOR EURO-DOLLAR

II. PRICE OF GOLD IN LONDON

U.S. dollar equivalent per fine ounce

1964 1965 1966

1964 1965 1966
Chart 4

INTEREST ARBITRAGE, UNITED STATES/CANADA

Friday figures

3-MONTH TREASURY BILL RATES

CAN. FIN. CO. PAPER

UNITED STATES

CANADA

BILL RATE DIFFERENTIAL AND FORWARD CANADIAN DOLLAR

SPREAD IN FAVOR OF CANADA

FORWARD RATE

PREMIUM

DISCOUNT

3-MONTH COVERED RATE DIFFERENTIALS (NET INCENTIVES)

PRIME FINANCE PAPER

TREASURY BILLS

FAVOR CANADA

FAVOR U.S.

FAVOR CANADA

FAVOR U.S.

1963 1964 1965 1966
INTEREST ARBITRAGE, NEW YORK/LONDON

Friday figures

3-MONTH TREASURY BILL RATES

U.K. LOCAL AUTHORITY DEPOSITS

LONDON

NEW YORK

RATE DIFFERENTIAL AND 3-MONTH FORWARD STERLING

SPREAD IN FAVOR OF LONDON

PREMIUM

DISCOUNT

FORWARD RATE

RATE DIFFERENTIAL WITH FORWARD EXCHANGE COVER (NET INCENTIVE)

IN FAVOR OF LONDON

IN FAVOR OF NEW YORK
SHORT-TERM INTEREST RATES

- U.K.
- EURO-DOLLAR - LONDON
- U.S.
- GERMANY
- JAPAN
- U.S. CANADA
- SWITZERLAND


3-month treasury bill rates for all countries except Japan and Switzerland (3-month deposit rate).

Average rate on bank loans and discounts.

3-month rate for U.S. dollar deposits in London.
Chart 8
INDUSTRIAL STOCK INDICES

- Switzerland *
- Germany
- U.K.
- U.S.
- Japan **
- Canada
- U.S.

1963 1964 1965 1966

* Swiss Bank Corporation industrial stock index
** Japan: index of 225 industrial and other stocks traded on the Tokyo exchange.
Chart 9

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

1.6

SWISS FRANC

GERMAN MARK

U.K. STERLING

1.2

FRENCH FRANC

BELGIAN FRANC

DUTCH GUILDER

0.8

ITALIAN LIRA

CANADIAN DOLLAR

JAPANESE YEN

1964 1965 1966

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http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis
Chart 10

3-MONTH FORWARD EXCHANGE RATES

AGAINST U. S. DOLLARS

GERMAN MARK

POUND STERLING

SWISS FRANC

DISCOUNT-

PREMIUM+

Against Pound Sterling - London

GERMAN MARK

U. S. DOLLAR

SWISS FRANC

DISCOUNT-

PREMIUM+

Against Pound Sterling - London

DUTCH Guilder

BELGIAN FRANC

FRENCH FRANC

DISCOUNT-

1964 1965 1966
H. 13
No. 229
Latest Figures Plotted in H. 13 Chart Series, 1966
(all figures per cent per annum)

**Chart 1**

Upper panel
(Wednesday, December 29)

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro-$ deposit</td>
<td>5.31</td>
</tr>
<tr>
<td>U.S. cert. of deposit</td>
<td>4.86</td>
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</tbody>
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Lower panel
(Friday, December 31)

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance co. paper: U.S.</td>
<td>5.00</td>
</tr>
<tr>
<td>Hire-purchase paper, U.K.</td>
<td>5.83</td>
</tr>
<tr>
<td>Euro-$ deposits:</td>
<td></td>
</tr>
<tr>
<td>Call</td>
<td>4.50</td>
</tr>
<tr>
<td>7-day</td>
<td>4.62</td>
</tr>
<tr>
<td>30-day</td>
<td>5.18</td>
</tr>
<tr>
<td>Hire-purchase paper (December 17)</td>
<td>5.37</td>
</tr>
<tr>
<td>Local-authority deposit (December 24)</td>
<td>5.54</td>
</tr>
</tbody>
</table>

**Chart 2**

(Friday, December 31)

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro-$ deposits:</td>
<td></td>
</tr>
<tr>
<td>Call</td>
<td>4.50</td>
</tr>
<tr>
<td>90-day</td>
<td>5.25</td>
</tr>
<tr>
<td>7-day</td>
<td>4.62</td>
</tr>
<tr>
<td>180-day</td>
<td>5.25</td>
</tr>
<tr>
<td>30-day</td>
<td>5.18</td>
</tr>
<tr>
<td>Hire-purchase paper</td>
<td>5.37</td>
</tr>
<tr>
<td>Local-authority deposit</td>
<td>5.54</td>
</tr>
</tbody>
</table>

**Chart 3**

Upper panel
(Period: November 24-30)

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interbank loan (mid point)</td>
<td>6.56</td>
</tr>
<tr>
<td>Euro-$ deposit (average)</td>
<td>5.41</td>
</tr>
</tbody>
</table>

Lower panel
(Date: December 23)

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zurich 3-mo. deposit</td>
<td>4.00</td>
</tr>
</tbody>
</table>

Price of gold
(Friday, December 24)

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price of gold</td>
<td>35.160</td>
</tr>
</tbody>
</table>

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

**Chart 4**

(Friday, December 31)

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury bills: U.S.</td>
<td>4.45</td>
</tr>
<tr>
<td>Spread favor Canada</td>
<td>+0.04</td>
</tr>
<tr>
<td>Forward Canadian, $</td>
<td>-0.67</td>
</tr>
<tr>
<td>Net incentive (Canada +)</td>
<td>-0.63</td>
</tr>
<tr>
<td>Canadian finance paper</td>
<td>5.88</td>
</tr>
</tbody>
</table>

**Chart 5**

(Friday, December 31)

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury bills: U.K.</td>
<td>5.36</td>
</tr>
<tr>
<td>Spread favor U.K.</td>
<td>+0.91</td>
</tr>
<tr>
<td>Forward pound</td>
<td>-1.03</td>
</tr>
<tr>
<td>Net incentive (U.K. +)</td>
<td>-0.12</td>
</tr>
</tbody>
</table>

**Chart 6**

(Friday, December 31)

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
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</thead>
<tbody>
<tr>
<td>Treasury bills: U.S.</td>
<td>4.45</td>
</tr>
<tr>
<td>Euro-$ deposit (London)</td>
<td>5.25</td>
</tr>
<tr>
<td>Zurich 3-mo. deposit</td>
<td>4.00</td>
</tr>
<tr>
<td>Japan composite rate</td>
<td>7.660</td>
</tr>
</tbody>
</table>

**Chart 7**

<table>
<thead>
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<th>Description</th>
<th>Rate</th>
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</thead>
<tbody>
<tr>
<td>U.S. Gov't. (Wed., Dec. 29)</td>
<td>4.50</td>
</tr>
<tr>
<td>U.K. War Loan (Thurs., Dec. 30)</td>
<td>6.61</td>
</tr>
<tr>
<td>German Fed. (Fri., Dec. 17)</td>
<td>7.78</td>
</tr>
<tr>
<td>Swiss Confed. (Fri., Dec. 17)</td>
<td>3.98</td>
</tr>
<tr>
<td>Canadian Gov't. (Wed., Dec. 29)</td>
<td>5.45</td>
</tr>
<tr>
<td>Netherlands Gov't. perpetual</td>
<td>5.61</td>
</tr>
</tbody>
</table>

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Federal Reserve Bank of St. Louis