BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

H. 13

No. 239

March 16, 1966.

CAPITAL MARKET DEVELOPMENTS ABROAD

SPECIAL SUPPLEMENT

$I\mathcal{J}$, description and sources of data

This special issue of the H.13 series contains a detailed description of the data used in the weekly chart series on foreign financial markets and the sources from which they are collected. Users will want to file it for frequent reference.

II. Ten Charts on Financial Markets Abroad

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

Europe and British Commonwealth Section.

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WEEKLY CHARTS ON FINANCIAL MARKETS ABROAD:

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DESCRIPTION AND SOURCES OF DATA

CHART 1

<u>New York, London, Montreal: Yields for U.S.</u> <u>Dollar Investors on 3-month Funds</u> (all figures per cent per annum)

Euro-dollar Deposit

The rate of interest paid (bid rate) on three-month, U.S. dollardenominated time deposits with banking institutions in London. Wednesday figures.

Source: Market data obtained from the Foreign Department, Federal Reserve Bank of New York.

U.S. Certificate of Deposit

The yield calculated from secondary market offering prices for threemonth time certificates of deposit of major New York City banks. Wednesday figures.

Source: Market data obtained from the Market Statistics Department, Federal Reserve Bank of New York.

U.K. Hire-purchase Deposit (covered)

The rate of interest paid (bid rate) on three-month time deposits made with prime British finance companies adjusted for the premium or discount on the three-month forward dollar in London. Friday figures.

Source: Market data obtained from the Foreign Department, Federal Reserve Bank of New York.

Canadian Finance Company Paper (covered)

The yield calculated from offering prices for three-month notes issued by Canadian finance companies adjusted for the premium or discount on the three-month forward dollar in Montreal. Friday figures.

Source: Market data obtained from the Foreign Department, Federal Reserve Bank of New York.

U.S. Finance Company Paper

The yield calculated from offering prices for three-month notes of prime U.S. finance companies. Friday figures.

Source: Market data obtained from the Foreign Department, Federal Reserve Bank of New York.

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London: Yields for U.S. Dollar Investors on 3-month Funds (all figures per cent per annum)

Euro-dollar Deposit Rates

The rate of interest paid (bid rate) on call, 30-day, 90-day and 180-day U.S. dollar-denominated time deposits by banking institutions in London. Friday figures.

Source: Market data obtained from the Foreign Department, Federal Reserve Bank of New York.

Hire-purchase Deposit (covered) .

The rate of interest paid on three-month time deposits with prime British finance houses covered against exchange risk by purchase of three-month forward U.S. dollars in London. As of close of business Friday.

Source: Bank of England.

Local Authority Deposit (covered)

The rate of interest paid on three-month time deposits with U.K. local authorities covered against exchange risk by purchase of three-month forward U.S. dollars in London. As of close of business Friday.

Source: Bank of England.

Euro-dollar Deposit

The rate of interest paid (bid rate) on three-month, U.S. dollar-denominated time deposits in banking institutions in London. As of close of business Friday.

Source: Bank of England.

I. Interest Arbitrage: Frankfurt/London, Zurich/London (all figures per cent per annum)

German Interbank Loan Rate

The rate of interest in the German interbank loan market for threemonth funds. The rate charted is the mid-point of the highest and lowest rates quoted by Frankfurt banks on business days in the periods ending on the reporting dates: 7th, 15th, 23rd, and final day of month.

Source: Deutsche Bundesbank.

Euro-dollar Rate (covered)

The rate of interest paid (bid rate) on three-month, U.S. dollardenominated time deposits with banking institutions in London. The rate charted is the arithmetic average of the rates quoted on business days in the periods ending on the 7th, 15th, 23rd, and final day of month. The three-month forward DM quotation used to compute the cost of cover is the average of Frankfurt market quotations for the corresponding days.

Source: Market data obtained from the Foreign Department, Federal Reserve Bank of New York.

Swiss Deposit Rate

The mid-point of the range of rates of interest paid (bid rates) on three-month deposits by large banks in Zurich on the 7th, 15th, 23rd, and last day of each month.

Source: Swiss National Bank, Monthly Bulletin.

Euro-dollar Rate (covered)

The rate of interest paid (bid rate) on three-month U.S. dollardenominated time deposits with banking institutions in London. The rates charted are for the 7th, 15th, 23rd, and final day of each month. The three-month forward Swiss franc quotation used to compute the cost of cover is the Zurich market quotation for the corresponding days.

Source: Market data obtained from the Foreign Department, Federal Reserve Bank of New York.

II. Price of Gold in London

U.S. dollar equivalent of the price in sterling per fine ounce as of close of business Friday.

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Interest Arbitrage: United State/Canada (all figures per cent per annum)

Canadian Treasury Bill

January 2, 1959 through December 27, 1962--Average Thursday tender rate for 90-day Treasury bills adjusted to a New York quotation basis, as described below.

Source: Bank of Canada, Weekly Financial Statistics.

January 4, 1963 to date--11 a.m. Friday market offer rate in Canada for 90-day Treasury bills adjusted to a New York quotation basis. (The Canadian Treasury bill, which is quoted in Canada on a 365-day true yield basis, is adjusted to a 360-day discount basis, which is the quotation basis of the U.S. Treasury bill in New York.)

Source: Market data obtained from the Foreign Department, Federal Reserve Bank of New York.

U.S. Treasury Bill

January 2, 1959 through December 27, 1962--11 a.m. Thursday market offer rate in New York for 90-day Treasury bills.

January 4, 1963 to date--ll a.m. Friday market offer rate in New York for 90-day Treasury bills.

Source: Market data obtained from the Securities Department, Federal Reserve Bank of New York.

Canadian Finance Paper (uncovered)

The yield calculated from offering prices for three-month notes issued by prime Canadian finance companies. Thursday figures.

Source: Equitable Securities Canada, Ltd.

Premium/Discount on the Forward Canadian Dollar

January 2, 1959 through December 27, 1963--Premium/discount in per cent per annum on the three-month forward Canadian dollar, computed on the basis of mid-rates for both spot and forward quotations at noon on Thursday in New York.

January 4, 1963 through December 27, 1963--Premium/discount in per cent per annum on the three-month forward Canadian dollar computed on the basis of mid-rates for both spot and forward quotations at noon on Friday in New York.

January 3, 1964 to date--Premium/discount in per cent per annum on the three-month forward Canadian dollar, computed on the basis of mid-rates for both spot and forward quotations at 11 a.m. on Friday in New York.

Source: Market data obtained from the Foreign Department, Federal Reserve Bank of New York.

Prime Finance Paper (differential)

Differential computed from U.S. and Canadian finance company paper. See notes to Chart 1.

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Interest Arbitrage: New York/London (all figures per cent per annum)

U.K. Treasury Bill

January 2, 1959 through June 24, 1960--Average Friday tender rate for 90-day Treasury bills adjusted to a New York quotation basis.

Source: The Economist.

July 1, 1960 to date--Prior 11 a.m. Friday market offer rate in London for 90-day Treasury bills adjusted to a New York quotation basis. (The U.K. Treasury bill, which is quoted in London on a 365-day discount basis, is adjusted to a 360-day discount basis, the quotation basis of the U.S. Treasury bill in New York, by multiplying the London quotations by the ratio $\frac{360}{365}$.)

Source: Market data obtained from the Foreign Department, Federal Reserve Bank of New York.

U.S. Treasury Bill

January 2, 1959 to date--11 a.m. Friday market offer rate in New York for 90-day Treasury bills.

Source: Market data obtained from the Securities Department, Federal Reserve Bank of New York.

U.K. Local Authority Deposits (uncovered)

The rate of interest paid on three-month time deposits made with British local authorities. Friday figures.

Source: The Financial Times (London).

Premium/Discount on the Forward Pound Sterling

January 2, 1959 through December 27, 1963--Premium/discount in per cent per annum on forward pound, computed on the basis of mid-rates for both spot and forward quotations at noon on Friday in New York.

January 3, 1964 to date--Premium/discount in per cent per annum on forward pound, computed on the basis of mid-rates for both spot and forward quotations at 11 a.m. on Friday in New York.

Source: Market data obtained from the Foreign Department, Federal Reserve Bank of New York.

Short-term Interest Rates (all figures per cent per annum)

Euro-dollar Rate (London)

90-day rate, Friday figures. See notes to Chart 2.

U.S. Treasury Bill Rate

See notes to Chart 5.

U.K. Treasury Bill Rate

See notes to Chart 5.

Canadian Treasury Bill Rate

See notes to Chart 4.

Japan: Average Rate on Bank Loans and Discounts

A weighted average of agreed interest rates and discounts charged by city banks, local banks, trust banks, and long-term credit banks. Monthly average.

Source: Bank of Japan, Economic Statistics Monthly.

German Treasury Bill Rate

The yield on three-month Treasury bills offered by the German Federal Bank to commercial banks.

Source: Deutsche Bundesbank, Monthly Report.

Switzerland: Three-month Deposit Rate

See notes to Chart 3.

Long-term Bond Yields (all figures per cent per annum)

U.K.: U.K. Government 3-1/2 per cent War Loan (1952)

"Flat" yield calculated from the mean of market bid and offer quotations for Thursday of each week.

Source: September 5, 1958 to December 8, 1961, <u>Financial Times</u> (London).

December 15, 1961 to date, Bank of England.

U.S.: U.S. Government 3-1/2 per cent (1990)

Yield to maturity computed on the average of closing bid prices quoted by five Government security dealers in New York City for Wednesday of each week.

Source: Market data obtained from the Securities Department, Federal Reserve Bank of New York.

Switzerland: 3 per cent Swiss Confederation (1967-74)

Yield to maturity calculated from transactions prices (or average of bid offer quotations if no transactions occurred) for Friday of each week.

Source: International Bank for Reconstruction and Development.

Canada

December 12, 1957 to December 31, 1964: <u>Government of Canada 3-3/4</u> per cent (1975-78).

January 1, 1965 to date: <u>Government of Canada 4-1/2 per cent (1983)</u>. Yield to maturity computed from closing mid-market prices for Wednesday of each week.

Source: Bank of Canada, Weekly Financial Statistics.

Netherlands: Netherlands Government perpetual loan

January 15, 1960 to November 15, 1961: Weighted average of yields computed from quotations for the 15th of each month for 2-1/2 per cent and 3 per cent government perpetual bonds.

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December 15, 1961 to end 1965: Weighted average of yields computed from quotations for Friday of each week.

January 1966 to date: Yield computed from quotations for the 3 per cent Netherlands perpetual bond for Friday of each week.

Source: The Netherlands Bank.

Germany

January 3, 1958 to July 9, 1965: German Federal Railway, 5-1/2 per cent (1958-83).

Source: International Bank for Reconstruction and Development.

July 9, 1965 to date: Federal Government, 6 per cent (1970).

Weekly average of daily yields to maturity computed from an average of daily market quotations.

Source: Deutsche Bundesbank.

CHART 8 Industrial Stock Indices (1958 = 100)

U.S.

Weekly average of daily indices of the prices of 425 industrial stocks.

Source: Standard and Poor's, Inc.

Japan

Weekly average of daily indices of the prices of 225 industrial and other stocks traded on the Tokyo exchange.

Source: Japan Journal, Inc., Japan Stock Journal.

U.K.

Industrial Ordinary stock index. Closing Friday figures.

Source: The Financial Times (London).

Switzerland

Index of the prices of 39 industrial stocks. Closing Friday figures.

Source: Swiss Bank Corporation.

Germany

Index of the prices of German industrial stocks calculated for the 7th, 15th, 23rd and final day of each month.

Source: Deutsche Bundesbank.

Canada

Weekly average of daily indices of the prices of 79 industrial stocks calculated for Friday through Thursday of each week.

Source: Financial Post (Toronto).

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

Belgian franc, Canadian dollar, French franc, German mark, Italian lira, Japanese yen, Netherlands guilder, Swiss franc, and British pound

Quotations used are certified* noon buying rates in New York in U.S. cents per unit of foreign currency. In the chart these have been expressed as a percentage above or below their par values with the U.S. dollar.

Source: Federal Reserve Bank of New York.

CHART 10

Three-month Forward Exchange Rates (all figures per cent per annum)

Swiss franc

Premium/discount in per cent per annum on the three-month forward Swiss franc vis-a-vis the U.S. dollar calculated on the basis of quotations in the Zurich foreign exchange market for Friday of each week.

Source: Federal Reserve Bank of New York.

German mark

Premium/discount in per cent per annum on the three-month forward mark vis-a-vis the U.S. dollar calculated on the basis of quotations in the Frankfurt foreign exchange market for Friday of each week.

Source: Federal Reserve Bank of New York.

Pound sterling

See notes to Chart 5.

Swiss franc, German DM, U.S. dollar, Netherlands guilder, French franc, and Belgian franc

Premium/discount in per cent per annum on three-month delivery of each of these currencies vis-a-vis sterling calculated on the basis of the mid-rates of the daily range of both spot and forward quotations in the London foreign exchange market.

Source: The Financial Times (London).

* Certified rates are rates certified to the Secretary of the Treasury by the Federal Reserve Bank of New York for purposes of converting foreign currency into dollars for customs valuation.



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Chart 7 . LONG-TERM BOND YIELDS



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South States and States

Chart 10 INDUSTRIAL STOCK INDICES

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Swiss Bank Corporation industrial stack index. Japan: index of 225 industrial and other stacks traded on the Takya exchange

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<pre>(Friday, March 11) Treasury bills: Canada U.S. Spread favor Canada Forward Canadian \$ Net incentive (Canada +) Canadian finance paper Chart 5 (Friday, March 11) Treasury bills: U.K. U.S. Spread favor U.K. Forward pound Net incentive (U.K. +)</pre>	$ \begin{array}{r} 4.57 \\ 4.64 \\ -0.07 \\ -0.15 \\ -0.22 \\ 5.75 \\ 5.45 \\ 4.64 \\ +0.81 \\ -1.03 \\ \end{array} $
Treasury bills: Canada U.S. Spread favor Canada Forward Canadian \$ Net incentive (Canada +) Canadian finance paper <u>Chart 5</u> (Friday, <u>March 11</u>) Treasury bills: U.K. U.S. Spread favor U.K. Forward pound Net incentive (U.K. +)	$ \begin{array}{r} 4.57 \\ 4.64 \\ -0.07 \\ -0.15 \\ -0.22 \\ 5.75 \\ 5.45 \\ 4.64 \\ +0.81 \\ -1.03 \\ \end{array} $
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Forward Canadian \$ Net incentive (Canada +) Canadian finance paper <u>Chart 5</u> (Friday, <u>March 11</u>) Treasury bills: U.K. U.S. Spread favor U.K. Forward pound Net incentive (U.K. +)	-0.15 -0.22 5.75 5.45 4.64 +0.81 -1.03
Net incentive (Canada +) Canadian finance paper <u>Chart 5</u> (Friday, <u>March 11</u>) Treasury bills: U.K. U.S. Spread favor U.K. Forward pound Net incentive (U.K. +)	-0.22 5.75 5.45 4.64 +0.81 -1.03
Canadian finance paper <u>Chart 5</u> (Friday, <u>March 11</u>) Treasury bills: U.K. U.S. Spread favor U.K. Forward pound Net incentive (U.K. +)	5.75 5.45 4.64 +0.81 -1.03
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(Friday, <u>March 11</u>) Treasury bills: U.K. U.S. Spread favor U.K. Forward pound Net incentive (U.K. +)	5.45 4.64 +0.81 -1.03
Treasury bills: U.K. U.S. Spread favor U.K. Forward pound Net incentive (U.K. +)	5.45 4.64 +0.81 -1.03
Spread favor U.K. . Forward pound Net incentive (U.K. +)	+0.81
 Forward pound Net incentive (U.K. +) 	-1.03
Net incentive (U.K. +)	
	-0.22
<u>Chart 6</u>	
(Friday, <u>March 11</u>)	
Treasury bills: U.S. <u>4.64</u> Germany U.K. <u>5.45</u> Canada	4.00 (Feb.
Euro-\$ deposit (London)	5.62
* Zurich 3-mo. deposit (Date:February 15)	3.88
Japan composite rate (Date: <u>December 31</u>)	7.607
Chart 7	
U.S. Gov't. (Wed., <u>Mar. 9</u>)	4.72
U.K. War Loan (Thurs., Mar.	10) 6.76
German Fed. (Fri., Mar. 4	, 7.46
Swiss Confed. (Fri., Mar. 4	<u>)</u> <u>3.91</u>
Canadian Gov't. (Wed., Mar.	3%
Netherlands Gov't. perpetual	5.80
	(Date: <u>December 31</u>) <u>Chart 7</u> U.S. Gov't. (Wed., <u>Mar. 9</u>) U.K. War Loan (Thurs., <u>Mar.</u> German Fed. (Fri., <u>Mar. 4</u> Swiss Confed. (Fri., <u>Mar. 4</u> Canadian Gov't. (Wed., <u>Mar.</u> Netherlands Gov't. perpetual (Fri., <u>March 4</u>)

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