DIVISION OF INTERNATIONAL FINANCE

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

H. 13

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CAPITAL MARKET DEVELOPMENTS ABROAD

I. India: Money and Capital Markets - September 1965 to June 1966

1. Introduction. On June 5, 1966, the Indian authorities devalued the rupee by 36.5 per cent and announced measures to liberalize the country's complex exchange controls and trade restrictions. The government adopted a new par value of 7.5 rupees per dollar. The former rate of 4.7619 rupees per dollar had been in effect since September 1949. The authorities also reduced import duties on certain essential raw materials and equipment and promised to subsidize essential consumer goods imports, so as to reduce the expected impact of devaluation on domestic prices. Finally, in order to prevent windfall export profits and a decline in export prices, export subsidies were abolished and export duties of up to 40 per cent were imposed on 12 major commodities which account for 60 per cent of total exports.

These steps were taken mainly to ease pressures on the balance of payments. However, the abolition of export subsidies and the new export duties greatly reduce the stimulus to exports from devaluation. Newspaper reports indicate that the government is already considering reductions in export duties and a resumption of export subsidies. The measures were also taken to encourage a resumption of foreign aid, which was suspended last year when hostilities broke out between India and Pakistan, and to strengthen India's case before the aid India consortium for an increase in the aid level. In the first week of July, the consortium agreed to consider favorably the requested increase.

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The measures represent a shift in policies by India's new leaders as the fourth five-year plan of economic development gets under way. In the last 15 years, while carrying out its first three five-year plans, India experienced severe inflationary pressures generated mainly by large scale financing of Government deficits by the Reserve Bank. Money supply rose 128 per cent, 80 per cent more than real national income, and consumer prices increased 72 per cent, most of it in the last 7 years. The trade deficit increased from a nominal $7 million in the year ended March 1951 to $1,100 million in the year ended March 1966. Imports more than doubled, but exports rose only 27 per cent, all in the last five years under the stimulus of a variety of special incentives. Gold and foreign exchange reserves, which exceeded $2 billion at the end of 1950, were down to less than $500 million at the end of 1964, and their subsequent partial recovery only reflects increased borrowings abroad, especially from the International Monetary Fund. As reserves dwindled, import restrictions increased and shortages developed, driving prices up at an increasing rate. India came to depend heavily on foreign aid.

Under the impact of the severe inflationary pressures, the currency became increasingly overvalued, and this caused serious damage to India's exports. Its share of world exports decreased from 2.1 per cent in 1950 to 0.9 per cent in 1965. If this share had remained unchanged, India's export earnings in 1965 could have been double what they actually were ($3.5 billion instead of $1.7 billion) and could have yielded a surplus since imports were $2.8 billion. The rising domestic cost of production due to inflationary pressures, especially in the past few years, priced Indian exports out of traditional markets. India had a near monopoly of world jute exports (97 per cent) in 1950-51, but its share was only 76 per cent in 1964, mainly due to competition from Pakistan which provided a flexible exchange rate through the "bonus voucher scheme." India's share of world tea exports declined from 47 per cent to 37 per cent in the same period due to competition from Ceylon and Africa. India's share of world cotton textile exports declined from 11 per cent in 1951 to 8 per cent in 1964.

At the same time, the rise in public spending had a direct effect on imports, which came increasingly to be made on government account. Government imports increased three and a half times between 1950 and 1965, while private imports were held down by import restrictions and even declined in the last four years as restrictions were tightened. Government imports, which now represent 56 per cent of total imports, are not likely to be very sensitive to the devaluation, especially since the authorities are counting on the new export duties to provide the means of covering the additional rupee cost of official imports. They may even rise further as foreign aid increases.

The situation worsened in the last nine months. Inflationary pressures were intensified by (a) a sharp increase in defense expenditures due to the war with Pakistan in September 1965; (b) a sharp drop in agricultural production due to a severe drought; and (c) the suspension of foreign military aid shipments and new economic aid commitments in September 1965. As stocks of imported raw materials, spare parts and equipment dwindled and as the flow of domestic raw materials declined, the pace of industrial production slowed and idle capacity increased. The sharp decline in food production also increased the need to import foodstuffs to prevent a famine. These developments intensified domestic price pressures and placed additional strains on the balance of payments.

When the new Prime Minister took office in January 1966, a drastic change in economic policies was promised. Foreign economic aid began to be resumed by some donor countries, and the U. S. promised 12 million tons of foodgrains to help India avoid the consequences of a food shortage.

However, the budget presented at the end of February did not include new measures, though it provided certain tax reliefs for corporations and individuals. The Reserve Bank's net claims on the Government continued to rise rapidly through May. However, on July 19, the central government decided to reduce expenditures by Rs. 1.7 billion, about 3.9 per cent of the overall budget. Current expenditures are to be reduced by 3 per cent and development expenditures by 5 per cent. In addition, the Prime Minister indicated that further austerity measures will be taken to create a climate of economy in government expenditures. State governments were urged to take similar measures to reduce expenditures. The expenditure cuts still leave a large fiscal gap which will probably be financed by the Reserve Bank. If long continued, this policy may bring about new price-cost distortions and threaten to destroy the gains which the devaluation and trade liberalization were counted on to produce.

2. Wholesale prices and production. The index of wholesale prices was 18.1 per cent higher at the end of June 1966 than a year earlier. (See Table 1). There was a contra-seasonal price increase of 13.2 per cent from September 1965 to June 1966, compared with a decrease of 1.1 per cent in the previous year. By the end of June, food prices were 19.3 per cent higher than a year earlier, industrial raw material prices were 28.7 per cent higher and manufactured goods prices were 11.6 per cent higher.

These changes partly reflect the unfavorable production trends. Due to a severe drought, agricultural production is expected to be 10 per cent lower this year than last year. Foodgrain production alone may decline by 17 per cent or 15 million tons to 73.4 million tons. Moreover, the annual growth rate of industrial production declined sharply to 3.8 per cent in 1965-66 compared with 6.4 per cent and 9.2 per cent, respectively, in the two previous years.

Table 1. India: Per Cent Change in the Index Numbers of Wholesale Prices (1952-53=100)

Quarterly Annual Percentage Rates of Change (Average of end of Months)

	1962-63	1963-64	1964-65	1965-66
I	3.0	9.0	8.6	10.6
II	4.8	9.3	8.7	16.5
III	4.2	15.0	6.2	
IV	5.2	16.3	7.2	

Table 1 (Cont.)

Monthly Annual Percentage Rates of Change 1965 and 1966 (end of Month)

October	6.1	January	6.1	April	14.4
November	7.7	February	8.9	May	16.3
December	6.2	March	15.2	June	18.1 a/

a/ Provisional.

3. Money supply. The expansion of money supply in the 1965-66 harvest season was 12.4 per cent or Rs. 5.13 billion. This compares with a 10.1 per cent expansion of Rs. 3.85 billion last year. As a result, the monthly annual rate of increase rose from 9.1 per cent in October to 11.3 per cent in April. (See Table 2). However, money supply declined slightly after April, and the monthly annual rate of increase fell back to 9.5 per cent in June. This expansion is in sharp contrast to the unfavorable production trends just noted.

Table 2. India: Money Supply with the Public (last Friday of the period-- in billions of rupees)

Quarterly Annual Percentage Rates of Change

	1960-61	1961-62	1962-63	1963-64	1964-65 a/	1965-66 a/
I	5.5	6.2	8.7	13.4	10.0	10.5
II	3.9	7.6	10.4	13.5	9.3	9.5
III	3.4	9.4	12.0	10.7	10.6	
IV	4.8	9.9	13.7	10.1	10.2	

Month	1964-65	1965-66 a/	Monthly Annual Percentage Rate of Change
October	38.07	[illegible].53	9.1
November	38.39	41.95	9.3
December	39.01	42.99	10.2
January	39.76	43.60	9.7
February	40.20	44.07	9.6
March	40.76	45.03	10.5
April	41.92	46.66	11.3
May	41.88	46.01	9.9
June	41.93	45.93	9.5

a/ Provisional.

4. Banking developments. The decline in agricultural production and the sharp slow down in the pace of industrial production, superimposed on the restrictive credit and import policies, reduced the seasonal demand for bank credit and produced a more than seasonal increase in deposits. In the harvest season from the end of October to the end of April, bank credit rose 25 per cent less than in the previous harvest season and deposits increased more than twice as much. (See Table 3). In view of their more ample liquidity position, the banks reduced their holdings of government securities by only Rs. 300 million, less than a fifth as much as in the previous harvest season, and borrowed only Rs. 266 million from the Reserve Bank compared with Rs. 1,226 million last year.

The devaluation and related measures, the resumption of foreign aid and the promised increases in balance of payments assistance will tend to increase credit demands in the next few months. Normally, at this time banks experience a seasonal reflow of funds, which they invest temporarily in government securities. If the new credit demands are superimposed on the coming seasonal rise in credit requirements this fall, the liquidity position of the banks could be severely strained.

On June 29 the Governor of the Reserve Bank announced that he expects to continue the restrictive credit policies and warned banks to conserve resources for the coming harvest season. By the end of October, he expects banks to contract seasonal bank credit by Rs. 1,000 million, and increase deposits by Rs. 2,000 million, from end of May levels. He warned banks that current credit should be limited to the 59 priority industries specified by the government.

Table 3. India: Scheduled Banks--Changes in Deposits, Borrowings from the Reserve Bank and Principal Assets
(in millions of rupees)

	Deposits	Per Cent Change	Credit	Per Cent Change	Holdings of Govt. Securities	Per Cent Change	Borrowings from Reserve Bk.	Cash & Balances with Reserve Bk.
1965								
I	554	2.2	2,221	12.3	- 453	- 5.9	1,171	16
II	1,273	4.9	362	1.8	71	1.0	- 869	89
III	831	3.1	- 712	- 3.4	1,154	15.9	- 573	18
IV	745	2.7	1,023	5.1	- 141	1.7	101	196
1966								
I	731	2.6	1,868	8.9	- 166	2.1	592	-208
II	1,828	6.2	- 110	- 5	963	11.9	- 701	284
January	265	0.9	439	2.1	28	0.3	11	- 80
February	323	1.1	429	2.0	- 57	- 0.7	168	- 64
March	143	0.5	1,101	4.6	- 138	- 1.7	372	- 64
April	930	3.2	379	1.7	161	2.0	- 434	174
May	250	0.8	- 138	- 0.6	279	3.4	132	- 24
June	649	2.1	- 351	- 1.5	523	6.1	- 399	134

Table 3 (Cont.)

	Deposits	Per Cent Change	Credit	Per Cent Change	Holdings of Govt. Securities	Per Cent Change	Borrowings from Reserve Bk.	Cash & Balances with Reserve Bk.
Comparison of Busy Season - 1964-65 and 1965-66								
End of Month Oct. to Apr.								
1964-65	943	3.7	4,118	24.1	-1,544	-17.7	1,226	90
1965-66	2,163	7.7	3,072	15.2	- 300	- 3.5	266	71

5. Money market. The average day-to-day inter-bank rate in Bombay declined contra-seasonally from its mid-December 1965 peak and remained well below the 6 per cent Bank rate throughout January and February. (See Table 4). It turned up in early March and again exceeded the Bank rate for five weeks, before turning down in mid-April, well ahead of its usual seasonal downturn at the end of the harvest season. The contra-seasonal movements in December-February and again in April-May reflect the lower credit demands discussed above. There was no immediate reaction in this rate following the devaluation and related measures.

The total amount of Treasury bills outstanding increased Rs. 3.32 billion (21 per cent) to Rs. 19.22 billion in the year ending June 1966. (See Table 5). Combined sales to the Reserve Bank and to State governments and approved bodies increased by Rs 1.26 billion in the year ending June 1966 compared to the previous year. However, gross sales to the public increased Rs. 2.715 billion (87 per cent) in the same period. Net Reserve Bank claims on government increased Rs. 3.91 billion (13 per cent) to Rs. 34.24 billion in the year ending May. This increase is 120 per cent of the Rs. 3.25 billion increase in money supply.

Table 4. India: Inter-Bank Call Money Rates in Bombay[a/]

Quarterly Averages	1963	1964	1965	1966
I	5.64	5.67	5.92	4.69[b/]
II	4.46	5.01	7.88	4.48[b/]
III	2.01	2.22	5.51	
IV	2.93	3.04	5.67	

Selected Months - 1965 and 1966

October	6.38	January	3.99	April	5.30
November	4.74	February	4.04	May	4.14
December	5.90	March	6.04	June[b/]	3.99

a/ Weekly averages weighted by deposits.
b/ Provisional.

Table 5. India: Treasury Bills and Reserve Bank Claims on Government
(in billions of rupees)

	Average Rate of Discount for Auction Sales in % Per Annum	Gross Sales[a] To Public	To State Govts. & Approved Bodies	To Reserve Bk.	Total Outstanding at End of Period	Total Reserve Bank Claims on Govt. (Net)[b/c] at end of Period
1965						
I	2.91	.369	d/	14.11	14.44	28.55
II	3.50	.584	d/	15.31	15.90	30.41
III	3.50	1.660	2.486	10.81	15.72	29.24
IV	3.50	1.168	3.439	12.18	15.19	31.06
1966						
I	3.50	.758	1.404	11.92	15.25	32.21
II	3.50	1.702	1.684	15.83	19.22	
January	3.50	.378	.356	6.81	16.01	31.72
February	3.50	.234	.620	3.97	15.31	32.00
March	3.50	.147	.428	1.15	15.25	32.21
April	3.50	.552	.544	9.57	17.21	34.12
May	3.50	.396	.664	4.82	18.26	34.24
June	3.50	.755	.476	1.45	19.22	

a/ Includes intermediate Treasury bills. From July 12, 1965, auction sales were suspended and Treasury bills were offered at fixed discounts.
b/ Claims on government net of deposits. Includes central and state government claims.
c/ Provisional or partial.
d/ Separate figure not available. Amount included in sales to the Reserve Bank.

6. Central Government bonds. The yield on a representative short-term security increased from 4.10 per cent in the fourth quarter 1965 to 4.19 per cent by June. (See Table 6). The medium-term yield which fluctuated within a narrow range since mid-December, declined from 5.28 per cent at the end of May to 5.12 per cent in the first week of June. The yield on the long-term security remained steady around 5.53 per cent. In general, the devaluation did not have a noticeable impact on the yield pattern.

Beginning July 18, subscriptions were open to two new issues of government bonds, a 5 year, 4.5 per cent bond priced to yield 4.53 per cent, and a 25 year, 5.5 per cent bond, priced to yield 5.56 per cent. The new issues total Rs. 2.6 billion, but about Rs. 1.9 billion in government securities are maturing.

Table 6. India: Yields on Selected Government Securities
(end of period--in per cent per annum)

	Short[a/]	Medium[b/]	Long[c/]
1962	3.89	3.94	4.76
1963	3.89	4.15	4.57
1964	3.81	4.19	4.84
1965	4.10	5.29	5.53
1966			
I	4.14	5.30	5.52
II	4.20	5.13	5.57
April	4.16	5.29	5.52
May	4.18	5.28	5.50
June 3	4.18	5.12	5.53
10	4.18	5.12	5.53
17	4.19	5.13	5.53
24	4.20	5.13	5.57
July 1	4.19	5.13	5.58
8	4.18	5.14	5.58
15	4.18	5.14	5.58

a/ 3-3/4 per cent N.P.B., 1968.
b/ 3-3/4 per cent 1974.
c/ 3 per cent 1986 or later.

7. Stock market. After a 28.3 per cent decline from mid-1962 to the end of last year, the index of variable dividend industrial securities turned up in January and rose 12 per cent in the first half of 1966. (See Table 7). This was due in part to the expectation of drastic changes in economic policies when the new Prime Minister and Finance Minister took office in January, and to the influence of discussions leading to the resumption of foreign aid. In addition, a 12.5 per cent tax on corporate bonus issues (stock dividends) was eliminated at the end of February.

Table 7. India: Price Index of Variable Dividend Industrial Securities
(1952-53=100)

Quarterly Averages	1962	1963	1964	1965	1966
I	190.0	167.4	170.4	162.0	144.4
II	192.6	162.9	163.7	156.3	156.0
III	185.0	162.5	166.0	151.8	
IV	173.6	172.7	163.7	143.8	

Monthly Averages - 1965 and 1966

October	147.2	January	143.1	April	154.3
November	144.2	February	143.2	May	156.7
December	140.0	March	147.0	June	157.0

8. Gold market. The official gold price in Bombay reached a record high of $100.91 per ounce in the first week of May, 18 per cent higher than a year earlier. The price fell back to $88.32 per ounce in the week just prior to the devaluation of the rupee on June 6, 1966. (See Table 8). In the following week, the rupee price increased 9.2 per cent so that the U. S. dollar price at the new exchange rate became $61.26 per ounce, 30.6 per cent below the previous week's level. The jump in the rupee price following devaluation would seem to reflect some skepticism about the viability of the new exchange parity in the long run. The subscriptions to a 15 year gold bond issue floated by the Government were closed on May 31, 1966. Newspaper reports estimate gold subscriptions as of May 14 amounted to 12,311 kg., worth about $13.8 million at $35 per ounce.

Table 8. India: Price of Gold Bullion in Bombay[a/]
(U. S. dollars per fine ounce)

Quarterly Averages	1962	1963	1964	1965	1966
I	79.38	66.98	72.24	78.31	91.32
II	80.60	72.10	75.99	84.46	86.77
III	82.06	69.98	78.60	86.63	
IV	71.41	66.42	75.38	85.32	

Monthly Averages - 1965 and 1966

October	83.93	January	88.87	June 4	88.32
November	85.12	February	92.93	11	61.26
December	86.91	March	92.19	18	61.11
		April	97.92	24	60.52
		May	94.58		

a/ Average of Friday spot rupee quotations in 14 carat gold per 10 grams from August 28, 1963, converted to U. S. dollars per fine ounce.
b/ Provisional.

9. Exchange rate. On June 6, 1966, the par value of the rupee was fixed at 0.118489 grams of fine gold compared to the previous 0.186621 grams. This represents a 36.5 per cent devaluation of the rupee in terms of gold. As a result the rupee exchange rate to the U. S. dollar increased 57.5 per cent from 4.7619 to 7.5 rupees. At the same time, the Indian authorities imposed duties on 12 major export commodities. On the import side, duties on certain essential items were reduced and essential consumer imports will be subsidized to lessen the expected rise in prices.

The free market selling rate of Indian rupee notes in Hong Kong in the week preceding devaluation was 10.03 rupees per U. S. dollar or a discount of 52.5 per cent from the official rate of 4.7619 rupees. (See Table 9). In the week following devaluation, the rate was 12.04 rupees or a discount of 37.6 per cent from the new official rate of 7.5 rupees. By the third week in June, the discount decreased to 34.5 per cent.

The multiple exchange rates permitted under the National Defense Remittance Scheme were terminated on May 31, 1966. This scheme provided that Indians converting private unilateral transfers from abroad through official channels would receive, in addition to the rupee equivalent at the official rate, a negotiable entitlement to import licenses equal to 60 per cent of the amount of these transfers. The import entitlements, which were limited to a list of essential commodities, were sold to importers at varying premiums. According to newspaper reports the premiums averaged about 150 per cent before devaluation. This meant that the recipient of unilateral transfers actually collected 9.05 rupees per dollar, while the importer paid an average of 11.90 rupees per dollar for the eligible commodities.

Table 9. India: Hong Kong and Bangkok Free Market Selling Rates of Indian Rupee Banknotes per U. S. Dollar

Quarterly Average

	Hong Kong a/				Bangkok b/			
	1963	1964	1965	1966	1963	1964	1965	1966
I	5.83	6.99	7.93	10.23	5.42	6.43	7.42	8.89
II	6.18	7.52	8.94	10.30	5.70	7.01	8.05	
III	7.05	7.96	8.75		6.57	7.44	8.38	
IV	6.94	7.93	8.76		6.19	7.06	7.91	

Monthly Average - 1965 and 1966

	Hong Kong	Bangkok
October	8.59	7.81
November	8.77	7.94
December	8.93	7.98
January	9.92	8.63
February	10.37	9.04
March	10.41	9.00
April	10.80 d/	9.86
May	10.06 d/	9.81

Weekly Average for Week Ending

June 3	10.03
June 10	12.04
June 17	11.56
June 24	11.45

a/ Average of month.
b/ End of month.
c/ Provisional.
d/ Average of last week.

10. International reserves. Gold and foreign exchange reserves of the Reserve Bank were $584 million at the end of June, $141 million higher, than a year earlier. (See Table 10). Government holdings were $173 million at the end of April, $97 million higher than at the end of June 1965. In this 10 month period, the combined reserves of the Reserve Bank and the government rose $290 million, to $809 million.

This increase mainly reflects net drawings from the International Monetary Fund (IMF) of $200 million since June 1965, three-fourths of which took place in March. The reserves were also bolstered by the foreign exchange inflow generated by the national defense remittance scheme. From October to mid-May, this is estimated at $112 million In the absence of these operations, the reserves would actually be less than a year earlier.

India drew from the IMF and more recently requested larger foreign exchange assistance from the consortium of aid giving countries in the face of unfavorable trends in the balance of payments. In particular, the trade deficit increased 29 per cent ($260 million) to $1.15 billion for the fiscal year ending in March. This was the result of a 7 per cent increase in imports to $2.8 billion and a 4.2 per cent decline in exports to $1.7 billion. In addition, foreign exchange earnings may have declined even more because the share of rupee exports to communist countries (for which no foreign exchange is received) increased from 17.1 per cent in the 8 month period from April to November 1964 to 19.4 per cent in the same period in 1965

The devaluation of the rupee provides exporters with 57.5 per cent more rupees per unit of convertible foreign exchange However, the elimination of export subsidies and tax credits reduces the rupee proceeds from exports. In addition, varying export duties were imposed on 12 export commodities which account for about 60 per cent of total exports for which India enjoys comparative advantage. The authorities have already begun the gradual elimination of these taxes and have announced plans to reintroduce certain export subsidies.

Table 10. India: Gold and Foreign Exchange Holdings of the Reserve Bank and Foreign Exchange Holdings of the Government
(in millions of U S. dollars at the end of the period)

Quarter	Reserve Bank	Change	Government	Change	Total	Change
1965						
I	461	14	63	12	524	26
II	443	-18	76	13	519	- 5
III	456	13	48	-38	504	-15
IV	460	4	136	88	596	92
1966						
I	474	14	151	15	625	29
II	584	110				
January	474	14	144	8	604	8
February	481	7	131	-13	612	8
March	474	- 7	151	20	625	13
April	636	162	173	22	809	184
May	605	-31				
June	584	-21				

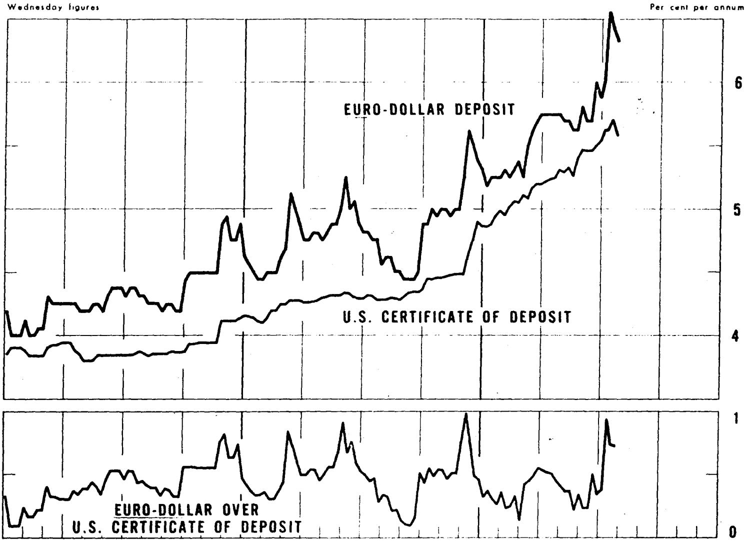
Asia, Africa and Latin America Section

Chart 1

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

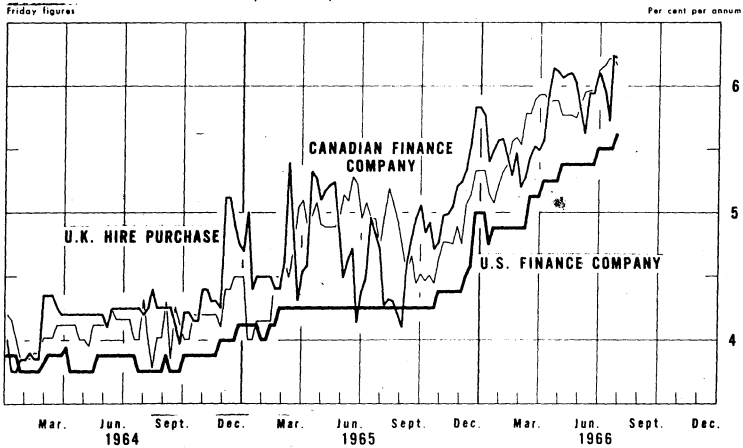


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Chart 2

LONDON: YIELDS FOR U.S. DOLLAR INVESTORS ON 3-MONTH FUNDS

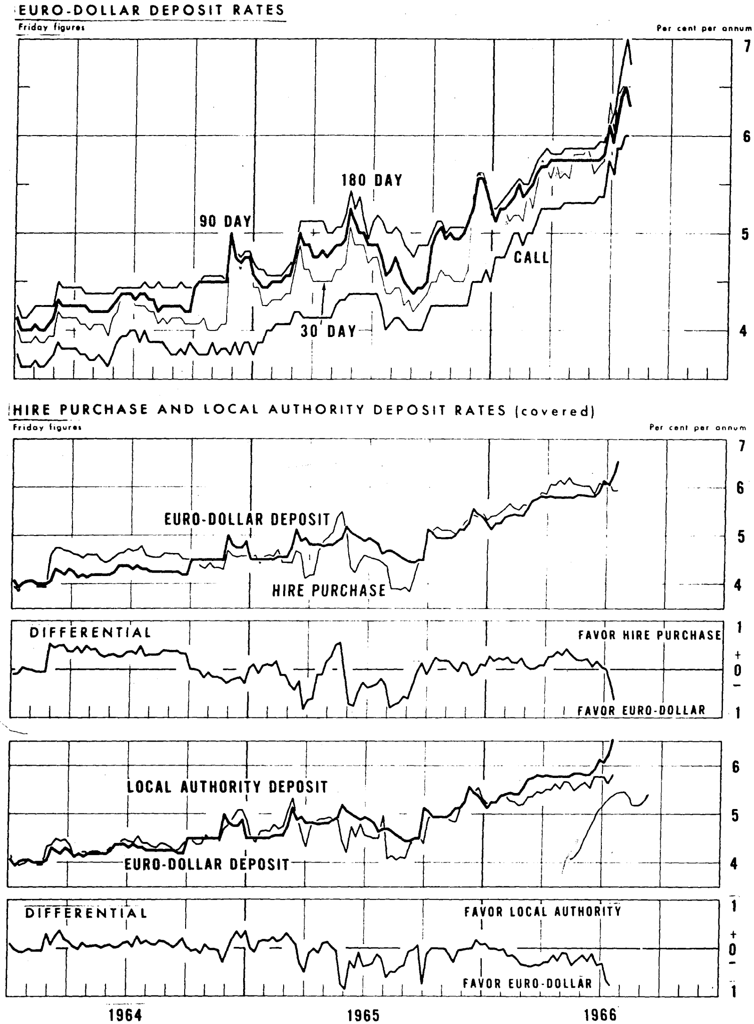
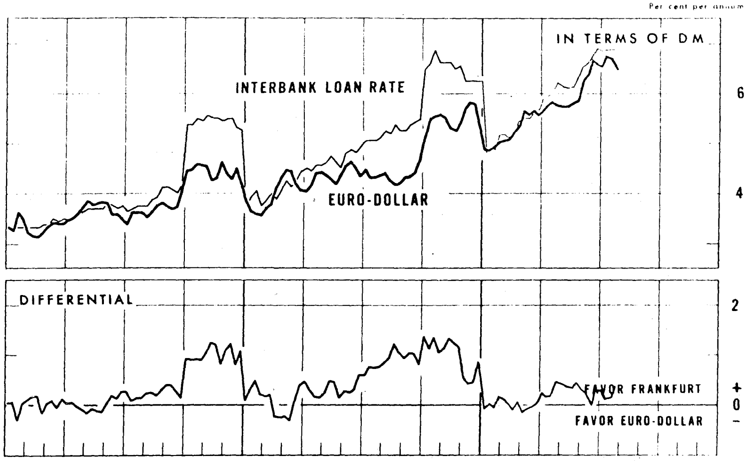


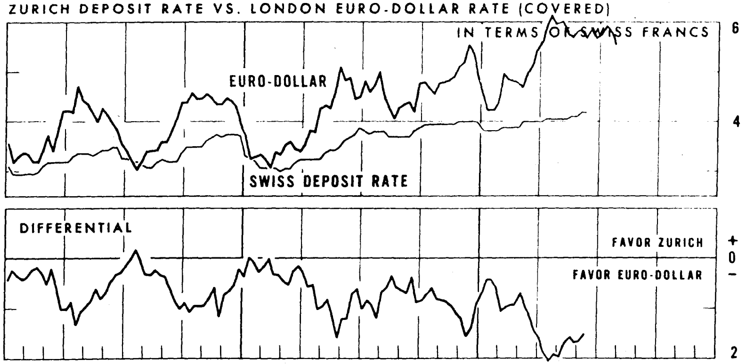
Chart 3

INTEREST ARBITRAGE: FRANKFURT/LONDON, ZURICH/LONDON

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



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



II PRICE OF GOLD IN LONDON

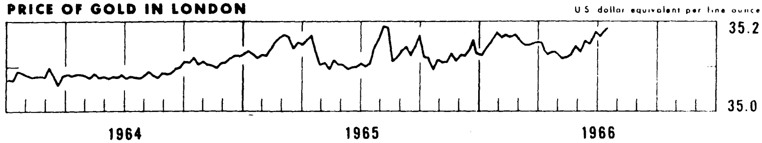


Chart 4

INTEREST ARBITRAGE, UNITED STATES/CANADA

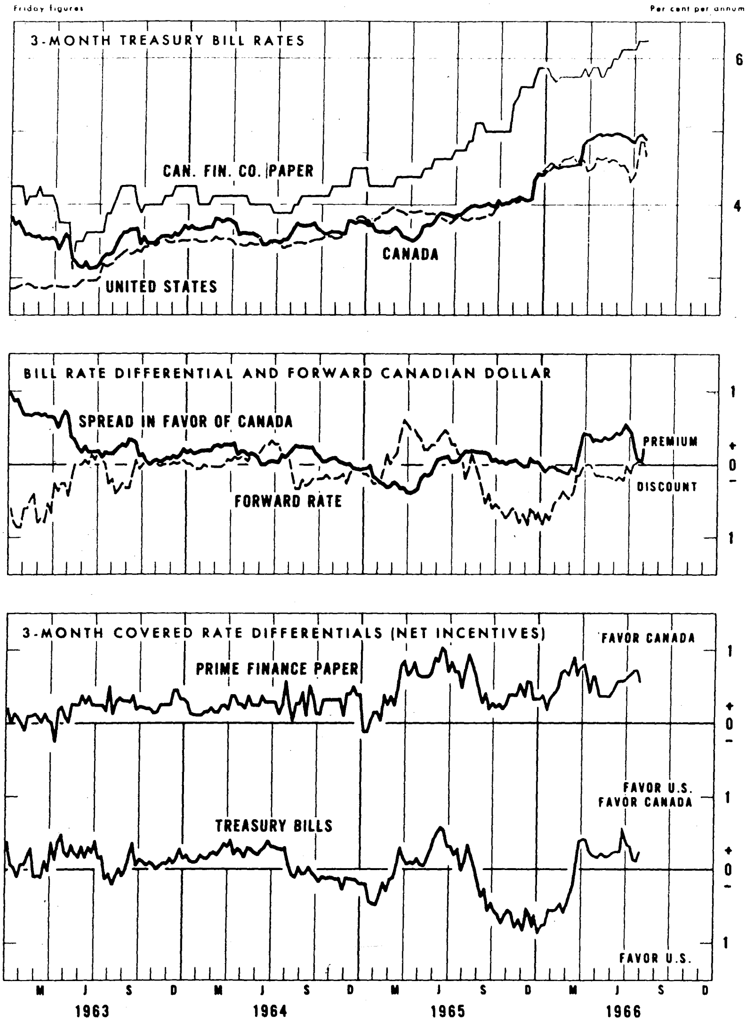


Chart 5

INTEREST ARBITRAGE, NEW YORK/LONDON

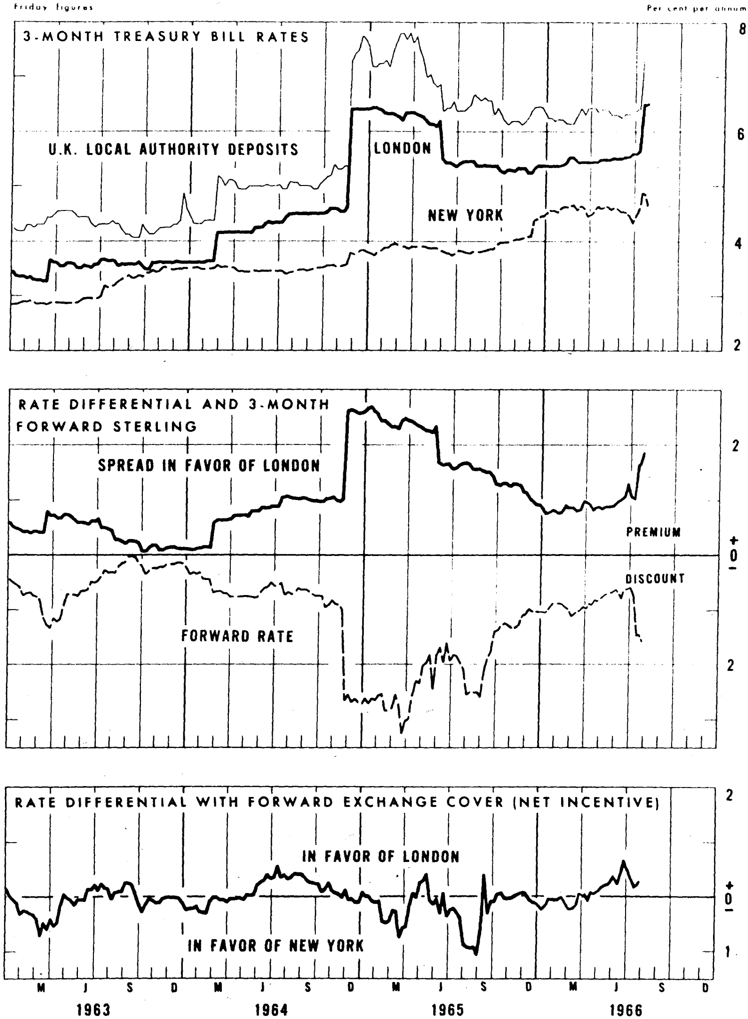
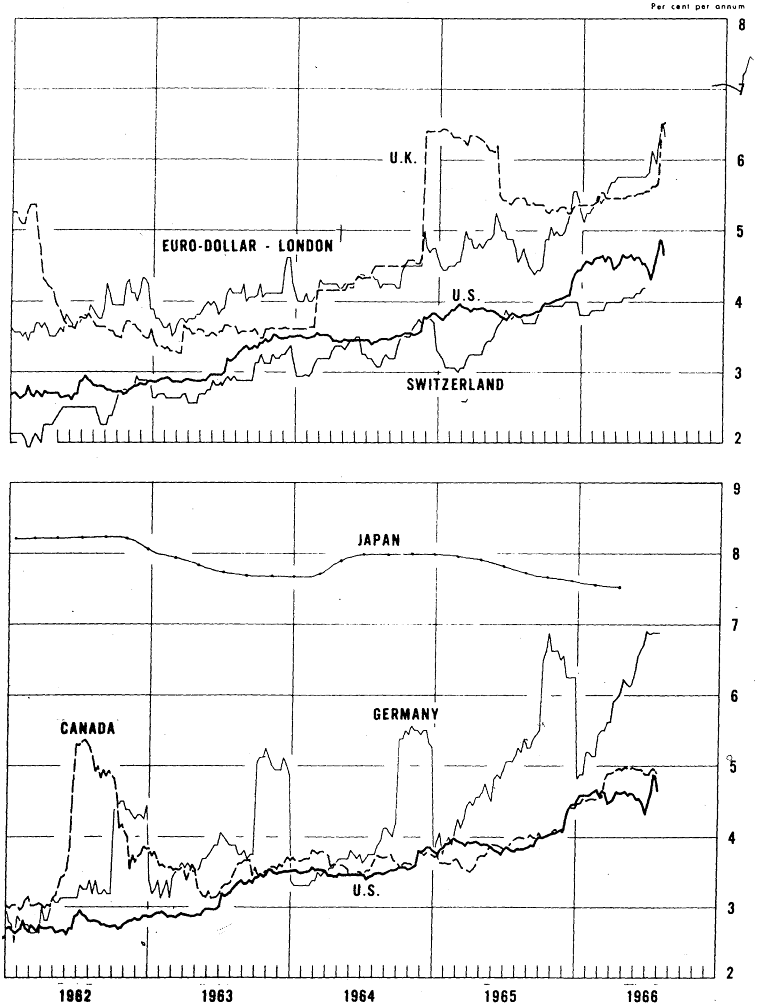


Chart 6

SHORT-TERM INTEREST RATES *



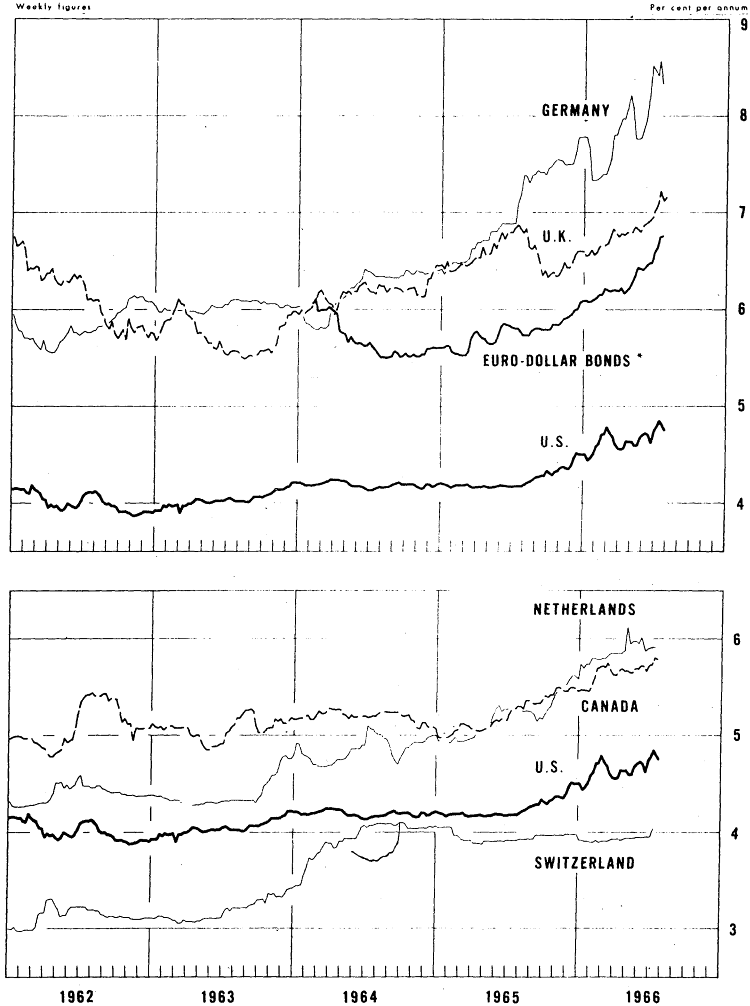
* 3-month treasury bill rates for all countries except Japan (Average rate on bank loans and discounts) Switzerland (3-month deposit rate) and Germany (Interbank Loan Rate)

† 3 month rate for U.S. dollar deposits in London

Chart 7

LONG-TERM BOND YIELDS

Weekly figures



* Average of yields for four foreign government dollar bonds quoted in London

Chart 6

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

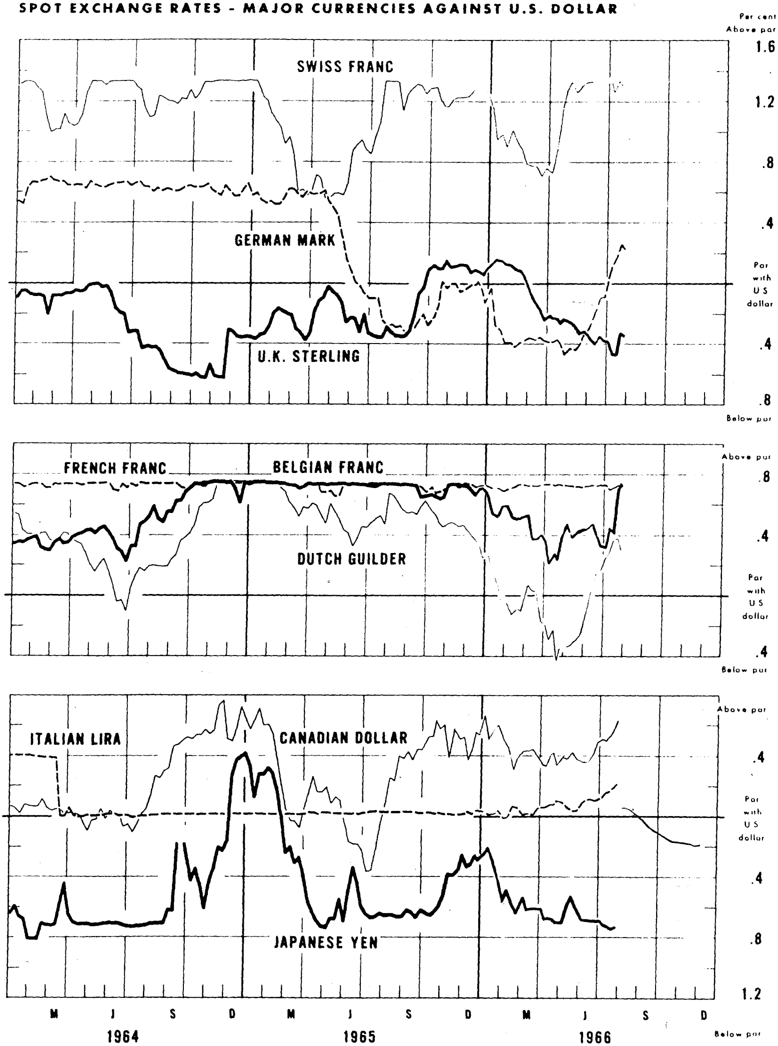


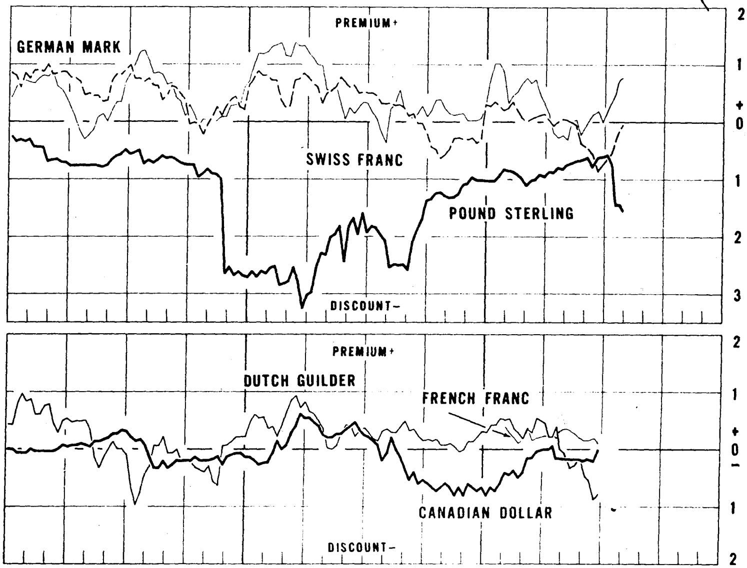
Chart 9

3-MONTH FORWARD EXCHANGE RATES

AGAINST U.S. DOLLARS—NEW YORK

Friday figures

Per cent per annum



AGAINST POUND STERLING—LONDON

Friday figures

Per cent per annum

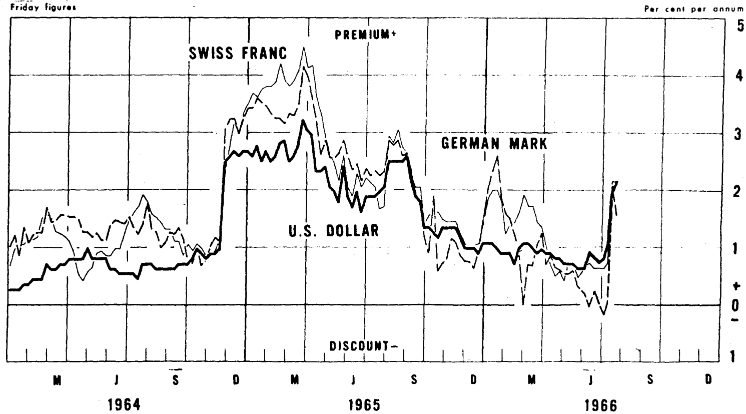
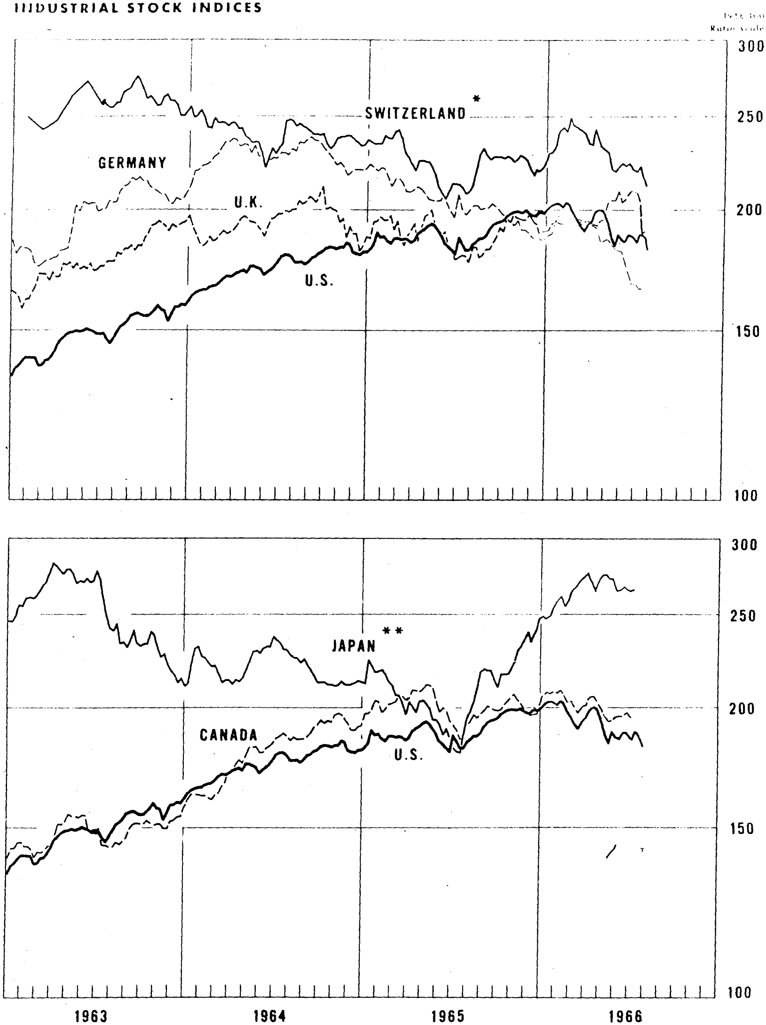


Chart 10

INDUSTRIAL STOCK INDICES



* Swiss Bank Corporation industrial stock index

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

H.13 July 27, 1966

No. 258

III. Latest Figures Plotted in H.13 Chart Series, 1966
(all figures per cent per annum)

Chart 1

Upper Panel (Wednesday, July 20)

Euro-$ Deposit	6.44
U.S. certif. of deposit	5.70

Lower Panel (Friday, July 22)

Finance co. paper:	U.S.	5.50
	Canada	6.22
Hire-purchase paper, U.K.		6.24

Chart 2
(Friday, July 22)

Euro-$ deposits:

Call	6.00	90-day	6.50
7-day	6.12	180-day	7.00
30-day	6.50		

Hire-purchase paper (July 15)	5.94
Local-authority deposit (July 15)	5.81

Chart 3

Upper Panel (Period: July 8-15)

Interbank loan (mid-point)	6.88
Euro-$ deposit (average)	6.38

Lower Panel (Date: June 15)

Zurich 3-mo. deposit	4.19
Price of gold (Friday, July 15)	35.183

Chart 4
(Friday, July 22)

Treasury bills:	Canada	4.92
	U.S.	4.85
Spread favor Canada		+0.07
Forward Canadian $		+0.04
Net incentive (Canada +)		+0.11
Canadian finance paper		6.25

Chart 5
(Friday, July 22)

Treasury bills:	U.K.	6.50
	U.S.	4.85
Spread favor U.K.		+1.65
Forward pound		-1.45
Net incentive (U.K. +)		+0.20

Chart 6
(Friday, July 22)

Treasury bills:	U.S.	4.85
	U.K.	6.50
	Canada	4.92
Interbank loan rate (German)		6.88
(July 8-15) Euro-$ deposit (London)		6.50
Zurich 3-mo. deposit (Date: June 15)		4.19
Japan composit rate (Date: April 30)		7.53

Chart 7

U.S. Gov't. (Wed., July 20)	4.78
U.K. War Loan (Thurs. July 21)	7.12
German Fed. (Fri., July 15)	8.32
Swiss Confed. (Fri., July 15)	4.04
Canadian Gov't. (Wed., July 15)	5.78
Netherlands Gov't perpetual 3% (Friday, July 8)	5.91
Euro-$ bonds (Fri., July 22)	6.77

For descriptions and sources of data, see special supplement to H.13, Number 239, March 16, 1966.