DIVISION OF INTERNATIONAL FINANCE

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

H. 13
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CAPITAL MARKET DEVELOPMENTS ABROAD

I. Eurodollar Market
II. Ten Charts on Financial Markets Abroad
III. Latest Figures Plotted in H. 13 Chart Series, 1967

I. The Eurodollar Deposit Market, January-June 1967

Recent developments

The sharp decline in Eurodollar deposit rates from the peak levels which were reached last fall has been interrupted recently. By the end of April rates for deposits of standard maturities in major European financial centers had fallen between 1.9 and 2.8 percentage points from their peaks of early December 1966. (See Table 1.) However, there was a turn in market conditions in May. Rates edged upward throughout May and then shot up sharply in early June. From April 28 to June 16 the 90-day Eurodollar rate in London advanced from 4.62 per cent to 5.25 per cent, although at this level it was still considerably below its previous peak of 7.50 per cent on December 2, 1966. (See Chart 2.)

The currently tighter conditions in the Eurodollar market reflect several factors. Rates usually increase in May-June because seasonal demand for funds from the Continent leads to increased borrowing and to withdrawals of funds from the market by some depositors. The sharp rate increases in early June may, in addition, have reflected withdrawals associated with Middle East developments.

Table 1. Eurodollar Deposit Rates (London): Changes Between Selected Dates, September 1966 - June 1967
(per cent per annum)

	Rate	Changes from previous date						Rate
	Sept. 2 1966	Dec. 30	Feb. 17	Mar. 3	Mar. 31	Apr. 28	June 16	June 16 1967
Call (2-day)	6.12	-.12	- .75	+.13	-.13	-.93	+.50	4.82
30-day	6.56	0	-1.31	+.50	-.50	-.56	+.31	5.00
90-day	6.75	-.31	-1.06	+.18	-.25	-.69	+.63	5.25
180-day	7.38	-.94	- .82	+.07	-.31	-.63	+.69	5.44

Source: Federal Reserve Bank of New York.

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Finally, the resumption of active bidding for funds by U.S. banks through their branches in the major overseas financial centers contributed to the turnaround in market conditions in May.

The rise in Eurodollar rates in the last six weeks has occurred at a time when short-term rates have been generally stable in the United States; hence, the spread between U.S. and Eurodollar rates has tended to widen. Yields on short-term U.S. Treasury bills have continued to decline during this period, but there has been a slight increase in the yield on certificates of deposit (CD's) in the New York market since late April, although the rise has not been nearly so great as in Eurodollar rates. (See Chart 1.) For 90-day funds, the Eurodollar differential over New York CD's increased from a range of 35 to 55 basis points in March-May to a range of 75 to 125 basis points in the first week of June. (See Table 2.)

Table 2. Eurodollar Deposit Rates vs. New York Certificates of Deposit
(per cent per annum)

	1966			1967				
	Aug. 31	Oct. 12	Dec. 28	Jan. 18	Feb. 15	Mar. 8	May 31	June 7
Eurodollars over CD's								
90-day Euro-$ Deposits	6.75	7.00	6.56	5.62	5.44	5.56	5.06	5.75
90-day CD	5.88	5.82	5.59	5.53	5.08	5.13	4.48	4.48
Difference	.87	1.18	.97	.09	.36	.43	.58	1.27
180-day Euro-$ Deposits	7.38	6.75	6.62	5.88	5.62	5.62	5.19	5.75
180-day CD	6.03	6.05	5.72	5.53	5.20	5.16	4.68	4.70
Difference	1.35	.70	.90	.35	.42	.46	.51	1.05

Source: Federal Reserve Bank of New York.

More generally, the decided firming of Eurodollar rates in the last six weeks may reflect in part the market's view that the broad de-escalation of interest rates of 1966 and early 1967 has come to an end. The sharp declines in interest rates so far in 1967 have been the result of easier monetary policy in response to easing demand pressures in many of the industrial economies. Although these recessionary tendencies still seem to be prevalent, monetary authorities have not acted to counter market forces which have tended to produce higher yields, especially in longer-term interest rates in the United States, Canada and the U.K., and in the European market for U.S. dollar-denominated bonds.

In major financial centers interest rates on short-term domestic currency assets appear to have bottomed out recently. (See Table 3.) In the United States the build-up of liquidity in the banking system and continued credit ease have allowed some short-term rates - such as the

Table 3. Short-term Interest Rates in Selected Financial Centers, 1966-67

1966		New York 1/	London 2/	Frank-Furt 3/5/	Paris 6/	Zurich 4/5/	Canada 1/	Euro-$ London 7/
Sept.	30	5.30	6.60	6.72	4.60	4.25	4.87	6.88
Dec.	30	4.79	6.35	7.07	5.40	4.50	4.83	6.44
1967								
Jan.	27	4.58	5.95	5.46	5.55	4.50	4.53	5.62
Feb.	24	4.59	5.89	5.31	5.05	4.50	4.44	5.56
Mar.	24	4.11	5.49	4.95	5.00	4.50	3.98	5.38
Apr.	14	3.86	5.30	4.45	5.00	4.25	3.86	4.88
	28	3.68	5.30	4.20	5.19	4.25	3.91	4.62
May	5	3.65	5.12	3.97	4.88	4.25	3.93	4.81
	12	3.63	5.09	3.80	4.88	4.25	4.02	5.00
	19	3.52	5.09	3.56	4.63	4.25	4.06	5.00
	26	3.45	5.13	3.56	4.50	4.25	4.11	5.00
June	2	3.37	5.12	3.56	4.92	4.25	4.14	5.31
	9	3.40	5.12	3.79	4.50	4.25	4.23	5.25
	16	3.56	5.12	4.01	4.00	4.25	4.32	5.25

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.
6/ Day-to-day money against private paper; average of rates on Thursday each week except for last week of month, which are monthly averages.
7/ Friday bid rate for 90-day U.S. dollar deposits in London.

Treasury bill rate - to continue to fall; but some other rates, such as the New York CD rate, tended to firm in early June. In London there has been little change in short-term rates since late April. The increased nervousness about the pound sterling has contributed to a leveling-off of rates even after a 1/2 per cent reduction in the discount rate in May. There has been little movement in short-term rates since mid-May in Frankfurt. In Switzerland it is believed that banks have repatriated funds from abroad to ease their liquidity positions and thus set the stage for the slight easing of rates that has occurred since April. Finally, Canadian short-term rates have risen since the end of April, although there has been no basic reversal of the Bank of Canada's easier monetary policy. These recent increases are largely attributed to public forecasts of a major upturn in Canadian business conditions later in the year.

Eurodollar rates decline sharply in January-April

The decline in Eurodollar rates which began about mid-December 1966 accelerated rapidly in the early months of 1967. A turn to significantly easier monetary policy occurred, following agreement among monetary authorities of the major Western financial powers, and interest rates in financial markets where there had been rapid advance in 1966 declined almost as rapidly as they had advanced. (See Table 3 and Chart 6.) Eurodollar deposit rates fell sharply through the whole range of maturities; for example, the 30-day London Eurodollar deposit rate fell 1.87 percentage points from end-December to April 28 (from 6.56 per cent to 4.69 per cent).

The cessation of bidding by U.S. banks through their foreign branches in the Eurodollar market - which had been responsible for creating a very wide differential of Eurodollar rates over domestic dollar deposit rates in the late months of 1966 - was one of the most significant factors contributing to the sharp decline. The fall in Eurodollar deposit rates was much sharper than in rates for local-currency assets in most major financial centers, with the notable exception of Germany. In particular, the spread between Eurodollar rates and deposit rates paid on dollars in New York narrowed quickly. For 90-day funds, the Eurodollar differential over New York certificates of deposit narrowed from 97 basis points on December 28 to 9 basis points on January 18; after that, a more normal spread of from 30 to 50 basis points prevailed until the end of April when Eurodollar rates started rising again. (See Table 2.)

Funds flow out of U.S. In the first quarter (1967) the heavy flow of Eurodollar funds to the United States which occurred in 1966 - particularly the second half of the year - was reversed. U.S. residents placed $92 million in new funds with Canadian and U.K. banks, while at the same time repaying $553 million in borrowings. The net outflow from the U.S. to U.K. and Canadian banks was $645 million during this period. (See Table 4.)

Table 4. United States Residents: Claims and Liabilities on British and Canadian Banks in U.S. Dollars
(millions U.S. dollars)

End of Month:	1965 December	1966 March	1966 June	1966 September	1966 December	1967 March
On U.K. banks:						
Liabilities	1,596	2,220	2,467	3,125	3,466	3,254
Claims	529	652	868	997	952	1,033
Net Liabilities	-1,067	-1,568	-1,599	-2,128	-2,514	-2,221
On Canadian Banks:						
Liabilities	1,757	1,591	1,525	1,682	1,964	1,623
Claims	980	843	780	710	710	721
Net Liabilities	- 777	- 748	- 745	- 972	-1,254	- 902
Total:						
Liabilities	3,344	3,811	3,992	4,807	5,430	4,877
Claims	1,509	1,495	1,648	1,707	1,662	1,754
Net Liabilities	-1,835	-2,316	-2,344	-3,100	-3,768	-3,123

Source: Bank of England, Quarterly Bulletin and Bank of Canada, Statistical Summary.

The major element in this outflow was the repayment by U.S. head offices of balances "due to" foreign branches. In 1966 this comprised the largest flow of Eurodollar funds to the United States. Because of liquidity pressures and domestic ceilings on deposit rates, U.S. banks entered the Eurodollar market indirectly through their foreign branches, which transferred the funds acquired as intrabank balances -- "due to" branches from head office - rather than using them for their own loan business or other investments abroad. These intrabank balances owed by U.S. head offices to branches fell about $1 billion in the first four months of this year.

The net reflow of Eurodollar funds from the U.S. to Canada occurred mainly through the repayment of U.S. borrowings there. U.S.-dollar liabilities of U.S. residents to Canadian banks fell $341 million between end-December and end-March, while new U.S. placements in Canada were only $11 million. In addition, there were repayments by U.S. residents to U.K. banks of $212 million of borrowings. New deposits by U.S. residents in U.K. banks rose $81 million. (See Table 4.)

Canadians withdraw funds from Eurodollar market. Canadian chartered banks utilized their reflow from the U.S. by placing $135[1/] million in U.K.banks; by paying off $154 million in U.S. dollar withdrawals by Canadian residents (non-banks) from their U.S. dollar accounts with Canadian banks; and by reducing their own U.S. dollar investments by $76 million, i.e., switching assets from U.S. dollars to Canadian dollars. (See Table 5.) The net flow of Eurodollars from Canadian residents - banks and non-banks together - to U.K. banks, however, was only $22 million. Although the chartered banks placed funds with U.K. banks, Canadian non-banks withdrew $113 million in Eurodollar deposits with U.K. banks. This action coincided with the large-scale withdrawals of Eurodollars by non-bank Canadian residents from their own banks and no doubt reflected the reduced spread between Canadian dollar and Eurodollar rates, which had been so favorable to Eurodollars in late 1966.

Funds flow to U.K. from U.S., Canada, Germany and Mid-East. The major net flows of Eurodollars into U.K. banks in the first quarter - in addition to those already mentioned from the U.S. ($293 million) and Canada ($22 million) - were $84 million from Middle Eastern countries and, in Western Europe, $285 million from German residents and $44 million from Italy. (See Table 6.) Although Italian residents withdrew funds from London, they made larger repayments and increased their net credit balance there above the fourth quarter level. This was possible in part because Italian authorities offset drains on liquidity of the banking system from the seasonal balance of payments deficit and from the decline in Bank of Italy credit to the Treasury.

A large German external payments surplus and the active easing in Bundesbank monetary policy, together with very weak German demand for credit, produced new German placements with London banks in January-March of $257 million. There were also repayments of previous borrowings of $28 million. (See Table 6.) Domestic German interest rates have fallen faster from their peak levels than Eurodollar rates: for example, the Frankfurt interbank loan rate declined from 7.07 per cent on December 30, 1966 to 3.56 on June 2 this year. Thus, the covered yield on Eurodollar deposits for holders of Deutsche marks since the beginning of 1967 has been greater than the yield on DM interbank deposits in the Frankfurt interbank loan market - an interest arbitrage opportunity that is important to German commercial banks. (See Chart 3 and Table 3.) This outflow of German funds to the Eurodollar market has contributed to holding down official German reserve gains at a time of a massive trade surplus.

1/ In addition, Canadian banks lowered their net liabilities to U.K. non-banks $6 million.

Table 5. Canadian Chartered Banks: U.S. Dollar Claims and Liabilities
(millions U.S. dollars)

End of Month:	1965 December	1966 March	1966 June	1966 September	1966 December	1967 March
Claims on Residents of:						
U.S.	1,757	1,591	1,524	1,682	1,964	1,623
U.K.	438	410	411	389	474	479
Other non-residents	456	432	416	412	462	450
Total	2,651	2,433	2,351	2,483	2,900	2,552
Liabilities to Residents of:						
U.S.	980	843	780	710	710	721
U.K.	137	66	81	93	205	69
Other non-residents	1,245	1,119	1,088	1,024	1,243	1,250
Total	2,362	2,028	1,949	1,827	2,158	2,040
Net claims (+), liabilities (-) to non-residents:						
U.S.	+777	+748	+744	+972	+1,254	+902
U.K.	+301	+344	+330	+296	+ 269	+410
Other non-residents	-789	-687	-672	-612	- 781	-800
Total net claims on non-residents	+289	+405	+402	+656	+742	+512
Total net liabilities to non-bank residents	-276	-406	-435	-636	-572	-418
Total net claims (-net liabilities)	+13	-1	- 33	+20	+170	+94

Source: Bank of Canada, *Statistical Summary*.

U.K. banks convert dollars to sterling and other foreign currencies. The flow of Eurodollars to London banks in the first quarter was used primarily to meet withdrawals from France and Switzerland, to increase lending to Japan, and to convert into other currencies - primarily sterling. (See Table 6.) Net withdrawals by France were $28 million.

Table 6. U.S. Dollar Claims and Liabilities on London Banks
(millions U.S. dollars)

	1965	1966				1967
End of Month:	December	March	June	September	December	March
GERMAN Residents						
Claims	95	126	154	174	118	375
Liabilities	188	154	202	288	305	277
Net Claims (-net Liabilities)	- 93	- 28	-148	-114	-187	98
ITALIAN Residents						
Claims	588	426	358	630	728	543
Liabilities	428	204	227	333	515	286
Net Claims (-net Liabilities)	160	222	131	297	213	257
SWISS Residents 1/						
Claims	1,039	1,151	1,201	1,224	1,691	1,604
Liabilities	193	235	260	230	221	258
Net Claims	846	916	941	994	1,470	1,346

1/ Including the B.I.S.
Source: Bank of England, Quarterly Bulletin.

These were prompted by the continuation of relatively high interest rates in France this year, a policy which the authorities pursued until mid-May in spite of softness in the economy. (See Table 3.)

Net withdrawals from Switzerland amounted to $124 million. These no doubt reflected in part some reversal of the official activity taken by the Swiss National Bank and the Bank for International Settlements late in 1966 to moderate strains in the Eurodollar market. However, interest rates have declined relatively little in Switzerland this year. The domestic demand for funds has remained firm and, under these circumstances, Swiss funds have been repatriated from foreign markets. The covered interest differential between Eurodollar deposits and Swiss franc deposits in favor of Eurodollars has narrowed sharply since the beginning of 1967. (See Chart 3.)

U.K. banks increased their Eurodollar loans to Japanese banks $134 million in the January-March period.

The largest share of the Eurodollar inflow to London in the first quarter, however, was used to convert to other currencies. (See Table 7.) U.K. banks converted $129 million into non-sterling currencies.

Table 7. U.K. Commercial Banks: External U.S. Dollar Claims and Liabilities
(millions U.S. dollars)

	1965	1966				1967
End of Month:	December	March	June	September	December	March
Liabilities	5,261	5,446	6,079	6,888	7,591	7,764
Claims	4,547	4,880	5,620	6,376	7,311	6,964
Net Liabilities	- 714	- 566	- 459	- 512	- 280	- 800
Net Assets in other foreign currencies	356	356	434	468	375	504
Net Liabilities in all foreign currencies (+net asset)	- 358	- 210	- 25	- 44	+ 95	- 296

Source: Bank of England, Quarterly Bulletin.

This more than compensated for the reduction of their position in non-dollar foreign currency assets in the fourth quarter, when funds were switched into U.S. dollars because of the high Eurodollar rates.

By far the largest single outflow from the London Eurodollar market in the January-March period was into sterling. U.K. banks converted $391 million into sterling to invest in domestic money market assets. Although interest rates have fallen sharply in the U.K. from last year's peaks, in the first quarter they did not fall as sharply as Eurodollar rates. (See Table 3.) Therefore, the yield to be gained by converting U.S. dollars into sterling and investing the funds in such assets as local authority deposits and hire purchase paper was greater during most of the period than Eurodollar investments. Also favoring this movement of funds was the relatively stable and narrower premium on forward dollars vis-a-vis sterling, which to the investor undertaking such a switch is the cost of protecting the transaction against exchange rate variation. (See Chart 2.)

The flows of Eurodollar funds through U.K. banks in the first quarter 1967 are summarized on a net basis in the following sources and uses table:

(Millions U.S. dollars)

Sources			Uses		
1. Increased net liabilities to non-residents		-364	3. Reduced net liabilities to Latin America		-3
Western Europe	- 24[illegible]		4. Increased net claims on Japan		-134
Middle East	- 84		5. Net conversion by U.K. banks into:		-520
Canada	- 22		(a) nondollar foreign currencies	- 129	
Overseas Sterling	- [illegible]		(b) sterling	- 391	
Other	- 11				
2. Reduced net claims on U.S.		-293			
Total		- 657	Total		- 657

U.S. banks actively compete for funds in the Eurodollar market in 1966

The major factor contributing to sharp rises in Eurodollar rates and the unprecedented spread between Eurodollar and U.S. deposit rates (See Chart 1) in the second half of 1966 was the spill-over into the Eurodollar market of competition for funds in the U.S. domestic money market. U.S. banks were able through their foreign branches to pay rates on deposits above the ceilings which U.S. authorities have placed on rates to be paid for domestic deposits. Consequently, Eurodollar deposit rate advances in the latter half of 1966 more accurately reflect the effects of U.S. monetary stringency than changes in domestic deposit rates do.

U.S. banks entered the Eurodollar market indirectly through their foreign branches, mainly their branches in London. Individual U.S. banks drew on deposits received by their foreign branches for head office use - to build up in internal "due to" branch accounts-rather than to have these funds loaned by the branches themselves to foreign customers. According to U.S. balance of payments accounts, U.S. liabilities to foreign commercial banks (which include head office liabilities to overseas branches) rose $2,011 million in the final half of 1966, almost all of which was the result of increased U.S. foreign branch "due from" positions with their head offices.[1/]

The flow of funds to the United States in 1966, which was accelerated by the operation of U.S. foreign branches in the Eurodollar market, is also clearly reflected in Canadian and U.K. statistics. Gross U.S. dollar liabilities of U.S. residents[2/] to banks in Canada and the United Kingdom (including U.S. branches there) rose $2,086 million in 1966, $1,438 million of which occurred in the second half of the year. (See Table 4.) Since there was a very slight increase in the claims of U.S. residents on banks in these two countries, the net flow of funds to the U.S. from these sources (the increase in U.S. resident net liabilities to banks in Canada and the U.K.) was almost equal to the gross flow: $1,933 million for the whole year, and $1,424 million in the last six months.

Funds flow from Canada to U.S. In 1966 U.S. residents repatriated funds as well as increased their borrowings from Canadian banks. U.S. claims on Canadian banks in U.S. dollars decreased $270 million; at the time, U.S. liabilities in U.S. dollars to Canadian banks rose $207 million. (See Table 4.) The resulting net flow to the U.S. from Canada totaled $477 million.

The funds that flowed to the U.S. from Canada in 1966 came mainly from Canada and did not flow through the country from other sources or represent Canadian withdrawals elsewhere, as was the case in the spring of 1965 when U.S. residents repatriated large volumes of funds from Canada and forced Canadian withdrawals from the London market. There was some increased borrowing of U.S. dollars in London. U.S. dollar liabilities of

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1/ The quarterly increases (not seasonally adjusted) in U.S. liabilities to foreign commercial banks in 1966 were (millions U.S. dollars):

I - 404 II - 316 III - 1,162 IV - 849

A large part of the $720 million increase in liabilities to foreign commercial banks in the first half of 1966 was also the result of a build-up in U.S. bank head office indebtedness to overseas branches.

2/ These figures include liabilities and assets of U.S. non-banks as well as banks.

Canadian banks to U.K. residents increased $68 million during the year, but since Canadian deposits of U.S. dollars in London grew $36 million at the same time, the net inflow to Canada from London was only $32 million. (See Table 5.) U.S. dollar claims and liabilities to non-residents other than in the U.S. and U.K. were little changed in 1966. The chartered banks' main sources of U.S. dollar funds were from Canadian residents (non-bank) and from their own net conversion of domestic currency into U.S. dollars. Canadian residents (non-bank) raised their net U.S. dollar holdings with the chartered banks in 1966 $296 million, most of the build-up occurring in the first quarter and the final half of the year when Eurodollar rates were rising so sharply. Also, the chartered banks themselves made a net conversion of $157 million into U.S. dollars in 1966, mostly late in 1966 when Eurodollar rates were so favorable.

These flows of U.S. dollar funds of Canadian banks in 1966 are summarized on a net basis in the following sources and uses table:

Sources	(millions U.S. dollars)	Uses	
1. Reduced net claims on U.K. banks	- 32	4. Increased net claims on U.S.	- 477
2. Increased net liabilities to non-bank residents	- 296	5. Reduced net liabil. to non-residents other than U.K. and U.S.	- 8
3. Net conversion into U.S. dollars by Canadian banks	- 157		
Total	- 485	Total	- 485

Funds flow from U.K. to U.S. The net flow of funds to the U.S. in 1966 through banks in the U.K. (including U.S. branches there) was $1,447 million. The gross inflow from British banks was $1,870 million, but the wide spread between domestic U.S. deposit rates and Eurodollar rates produced a partially offsetting flow of funds from the U.S. to U.K. banks of $423 million. (See Table 4.)

The major inflows of U.S. dollars to U.K. banks in 1966 came from Western Europe. Residents of these countries placed $804 million more in London banks than they borrowed. The largest part of this net inflow - $624 million - came from Switzerland. (See Table 6.) Other Western European countries which built up their net assets in the London dollar market were France (+$174 million); Austria (+$56 million); Italy (+53 million); Belgium (+$42 million); and Denmark (+$25 million).

Most of the inflow to London from Switzerland, which occurred during the fourth quarter of 1966, reflected concerted efforts by central banks, (working through the Bank for International Settlements (BIS) in Basle), to moderate the severe strain on the Eurodollar market toward the close of the year. (See Table 6.) The Swiss National Bank (BNS) also channeled the U.S. dollar proceeds from its year-end swap operations with Swiss commercial banks[1/] back into the Eurodollar market, either directly or through the BIS. The volume of these operations totaled nearly $400 million. The BNS also placed $75 million in the Eurodollar market which it had acquired outright in November 1966. Finally, the BIS drew $200 million under its Swiss franc/dollar swap agreement with the Federal Reserve and placed these funds, along with $75 million of its own investment funds, into the Eurodollar market.

The other major source of U.S. dollars for London banks in 1966 was reduction of their own borrowings in the Eurodollar market, i.e., switching out of sterling into U.S. dollars. These operations produced a net flow from sterling into dollars of $434 million during the year; net liabilities in U.S. dollars of U.K. banks fell from $714 million at the end of 1965 to $280 million at the close of 1966. (See Table 7.) During the same time, there was also a small amount of switching -- $19 million -- from sterling into non-dollar currencies.

1/ Under these swaps the BNS buys U.S. dollars spot against a forward resale contract with the Swiss commercial banks.

These flows of U.S. dollar funds of banks in the U.K. in 1966 are summarized on a net basis in the following sources and uses table:

(millions U.S. dollars)

Sources		Uses	
1. Increased net liabilities to non-residents	- $1,170	3. Increased net claims on U.S.	- $1,447
Western Europe - 804			
Overseas Sterling - 162			
Latin America - 101			
Middle East - 48			
Other - 56			
2. Net conversion into U.S. dollars by U.K. banks.	- 434	4. Increased net claims on Japan	- 157
Total	- $1,604	Total	- $1,604

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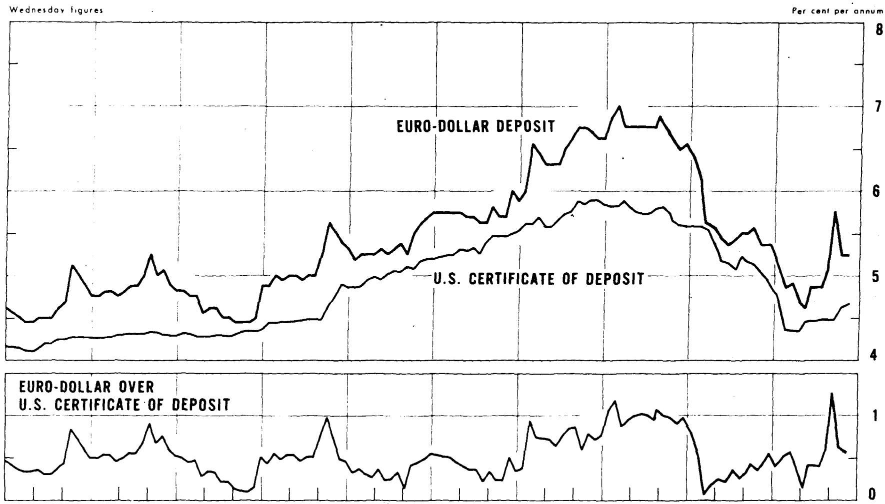
Chart 1

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

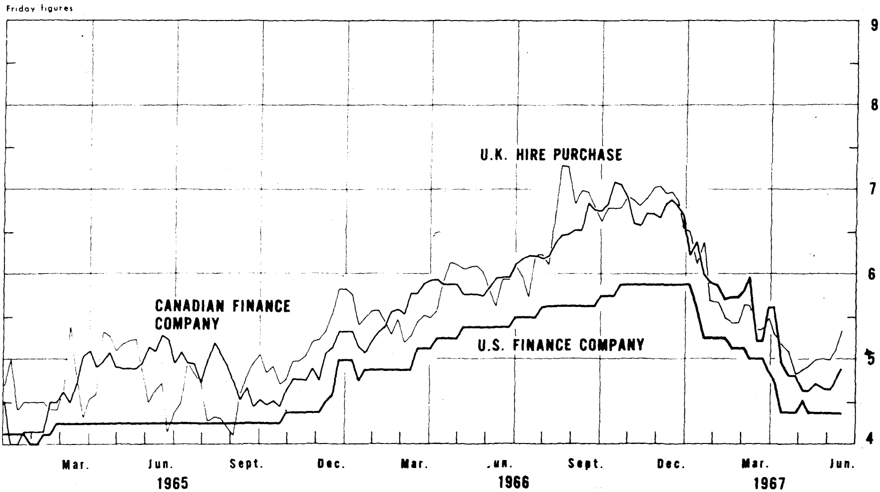


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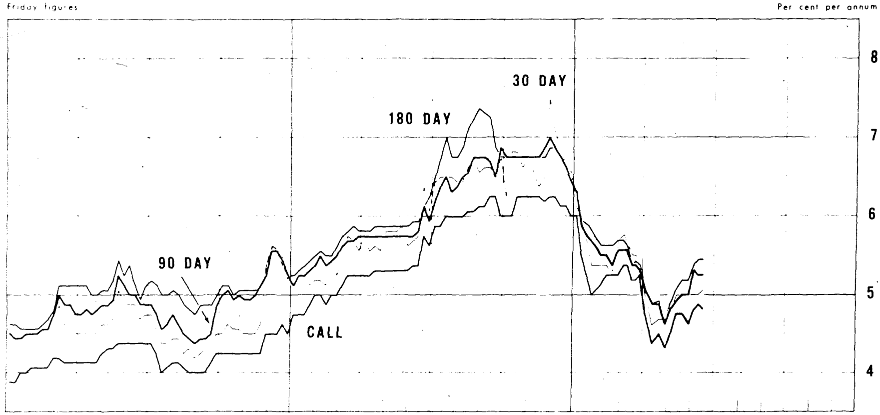
Chart 2

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

EURO-DOLLAR DEPOSIT RATES



HIRE PURCHASE AND LOCAL AUTHORITY DEPOSIT RATES (covered)

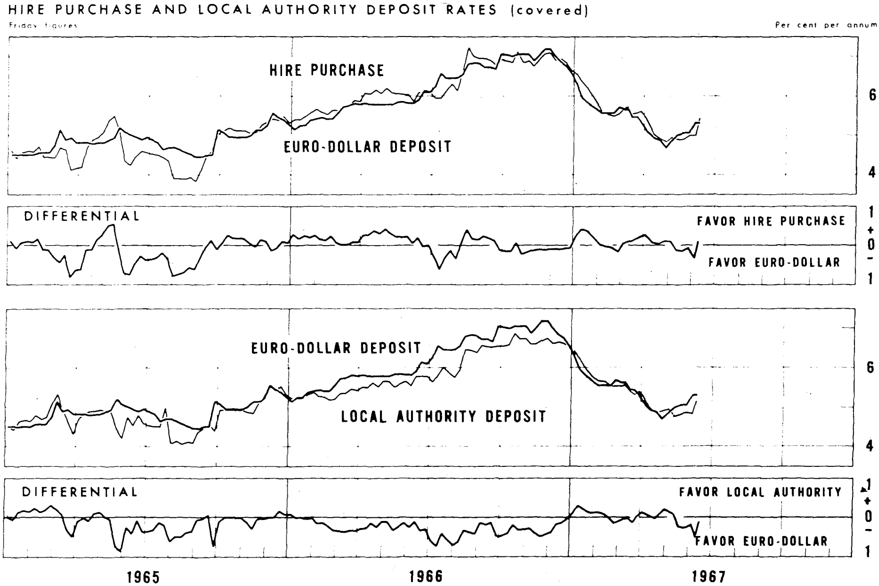
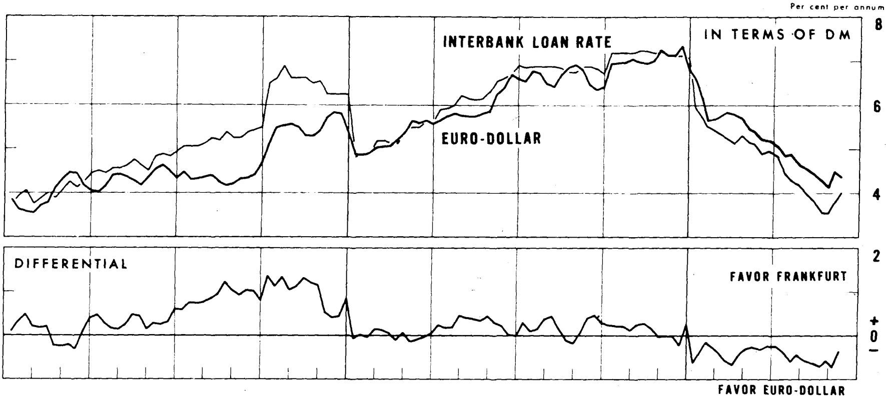


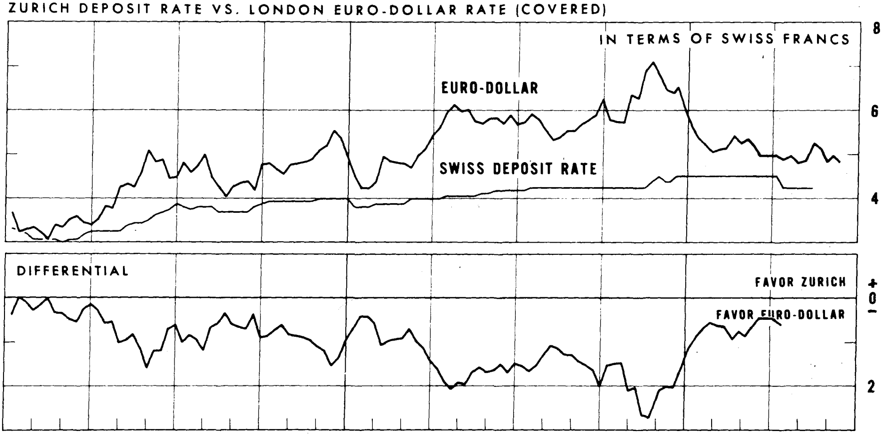
Chart 3

I 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

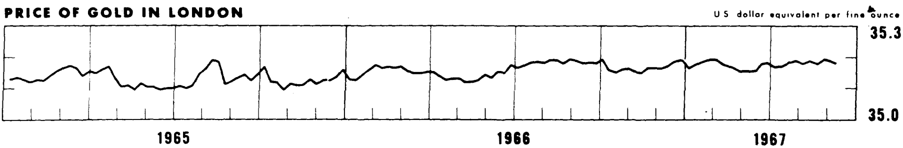


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Chart 4

INTEREST ARBITRAGE, UNITED STATES/CANADA

Friday figures

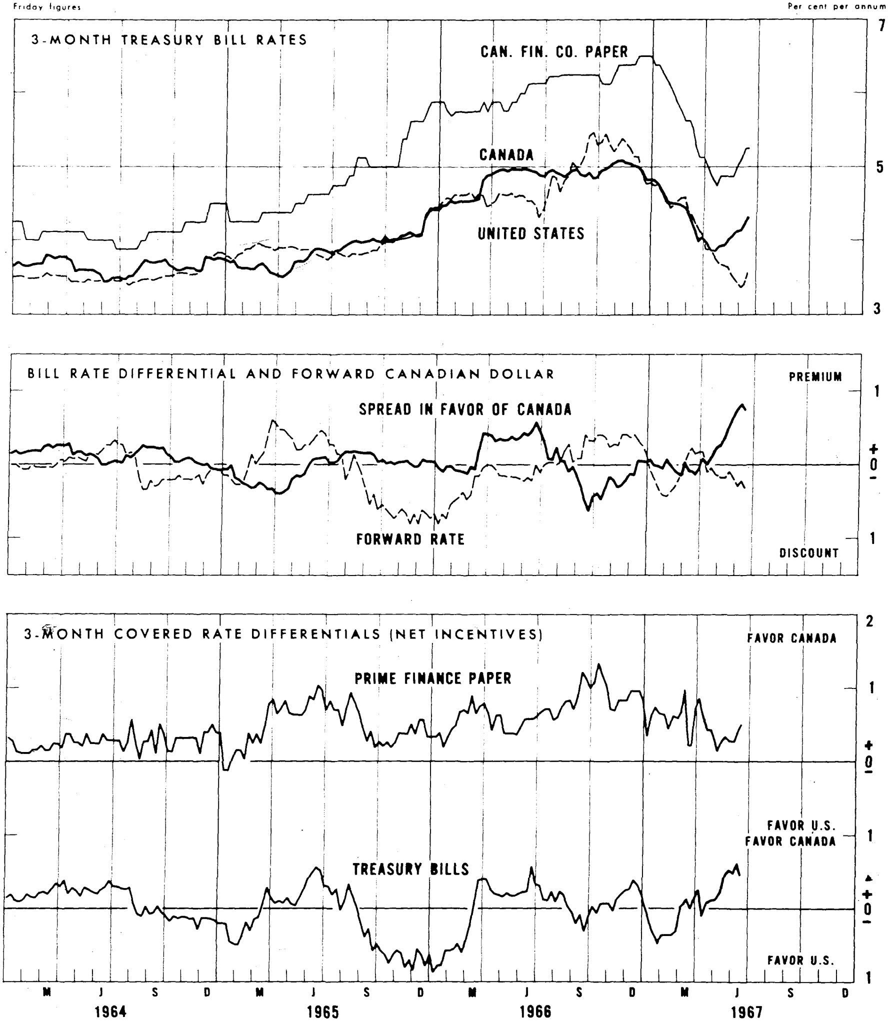

Chart 5

INTEREST ARBITRAGE, NEW YORK/LONDON

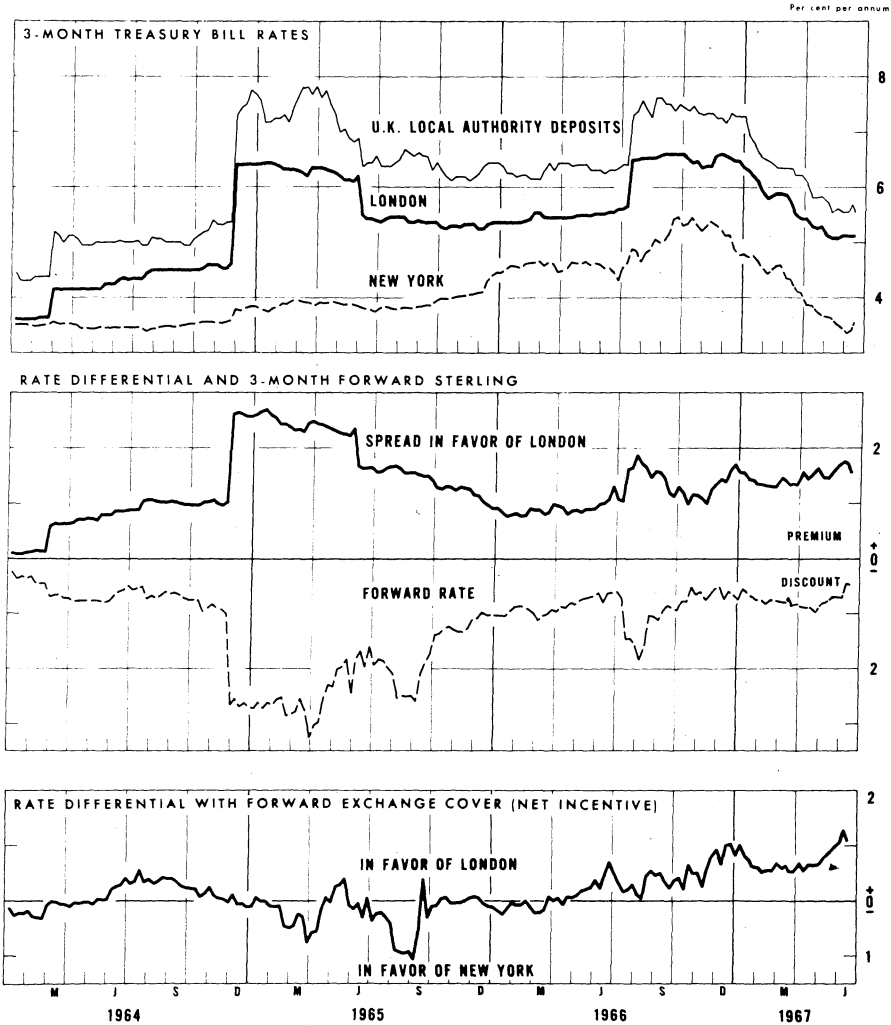

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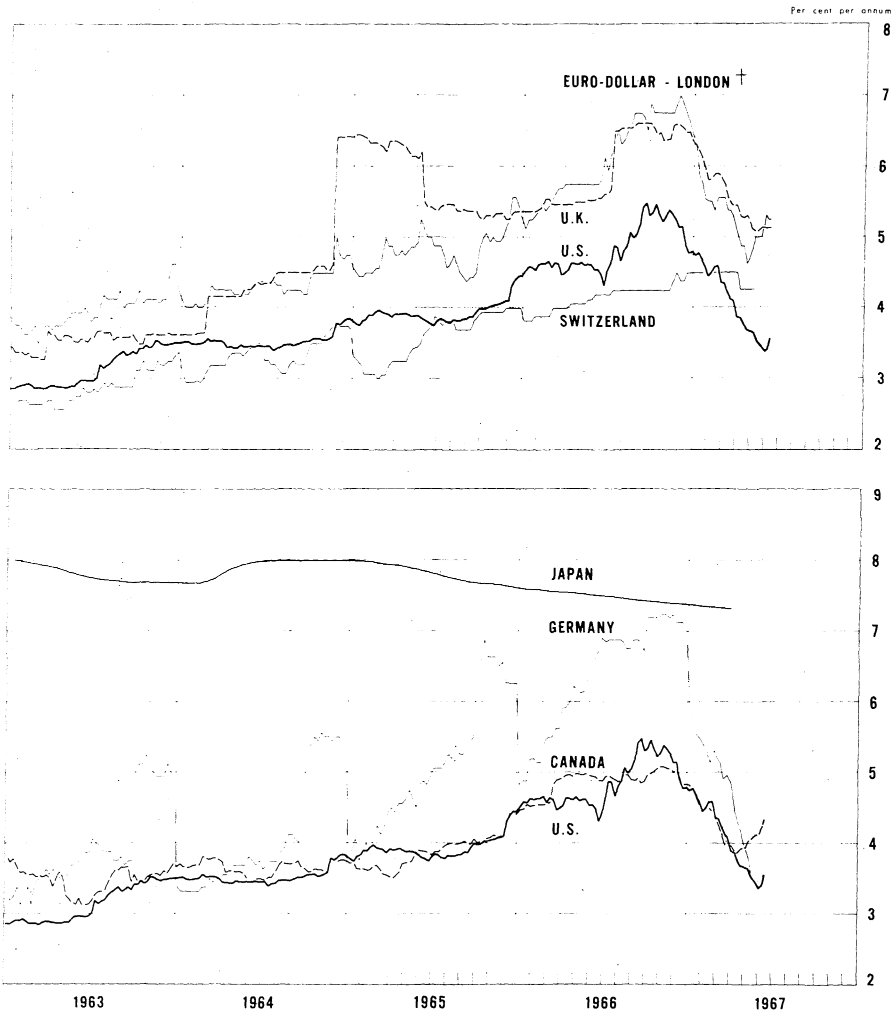
Chart 6

SHORT-TERM INTEREST RATES *



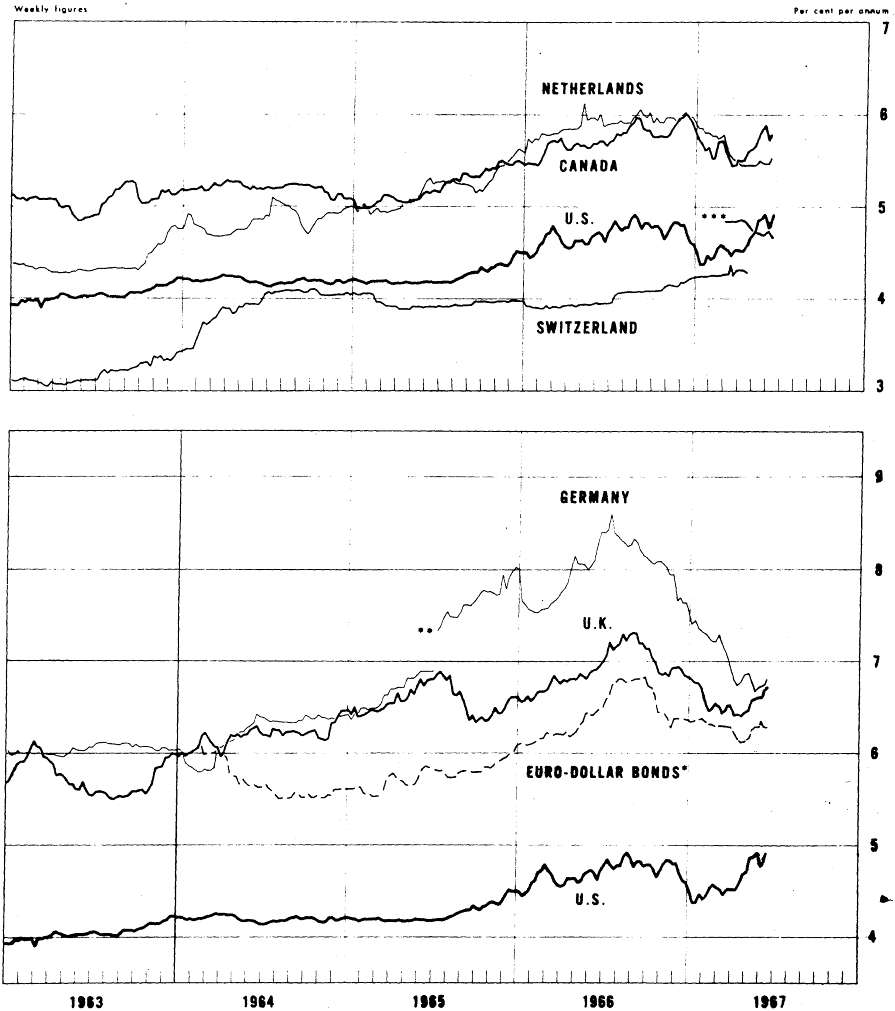
* 3 month treasury bill rates for all countries except Japan (Average rate on bank loans and discounts) Switzerland (3 month deposit rate) and Germany (Interbank Loan Rate)

† 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

** New series for Germany starts 7.9.65

*** New series for Switzerland starts 3.3.67

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Chart 6

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

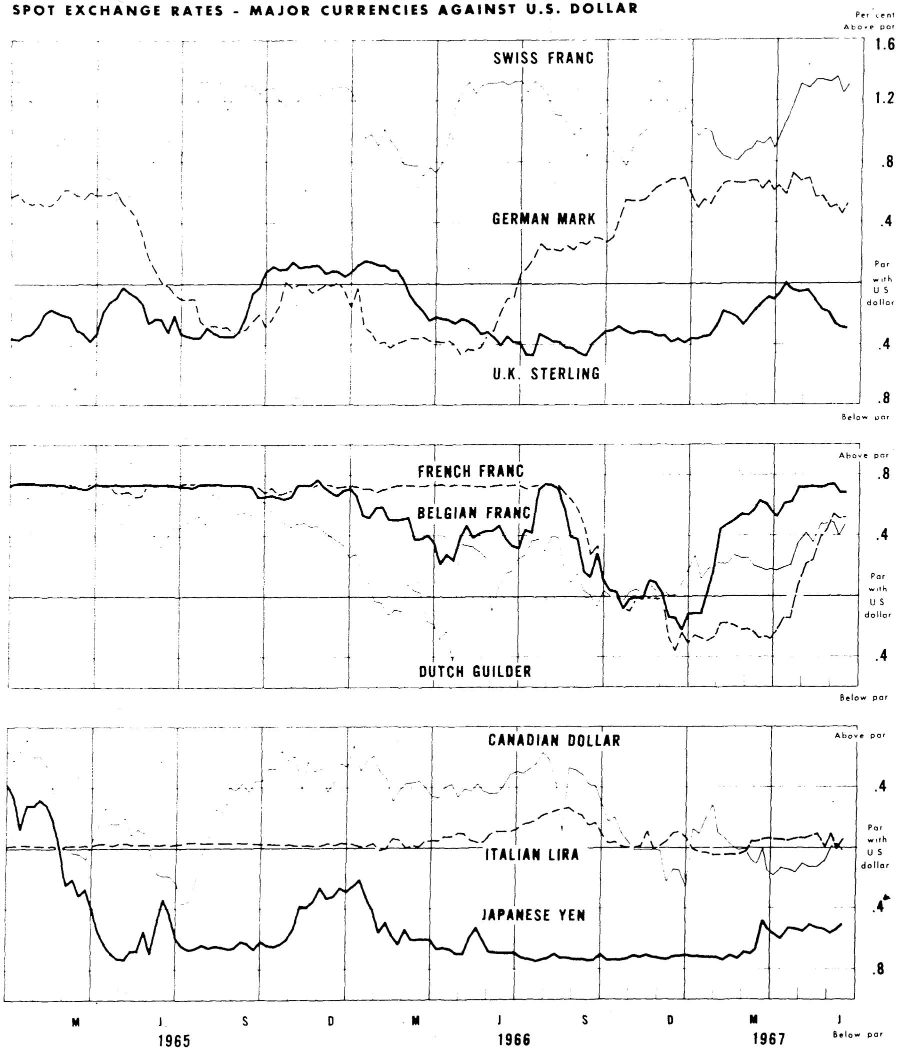


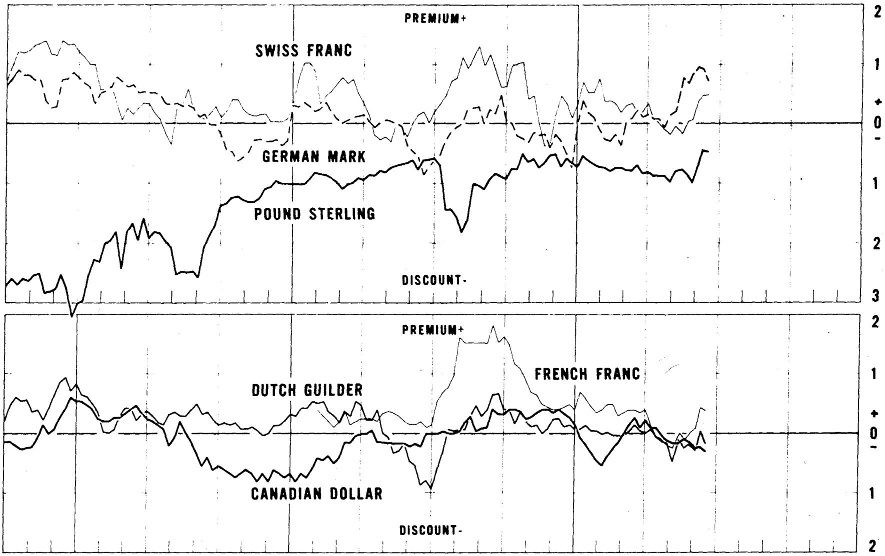
Chart 9

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

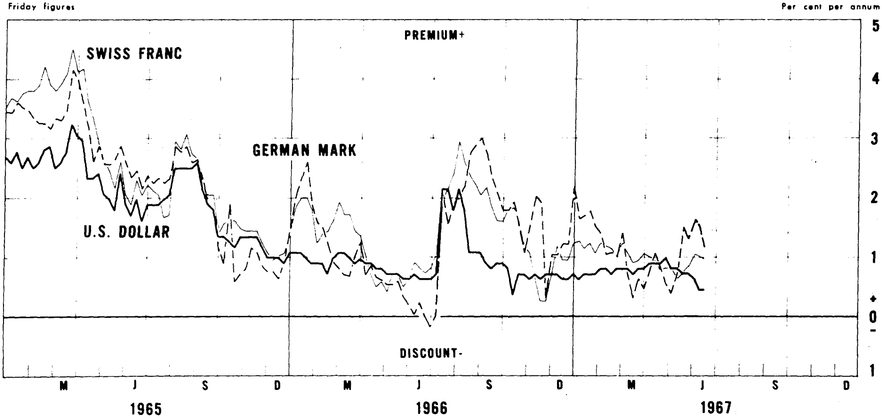
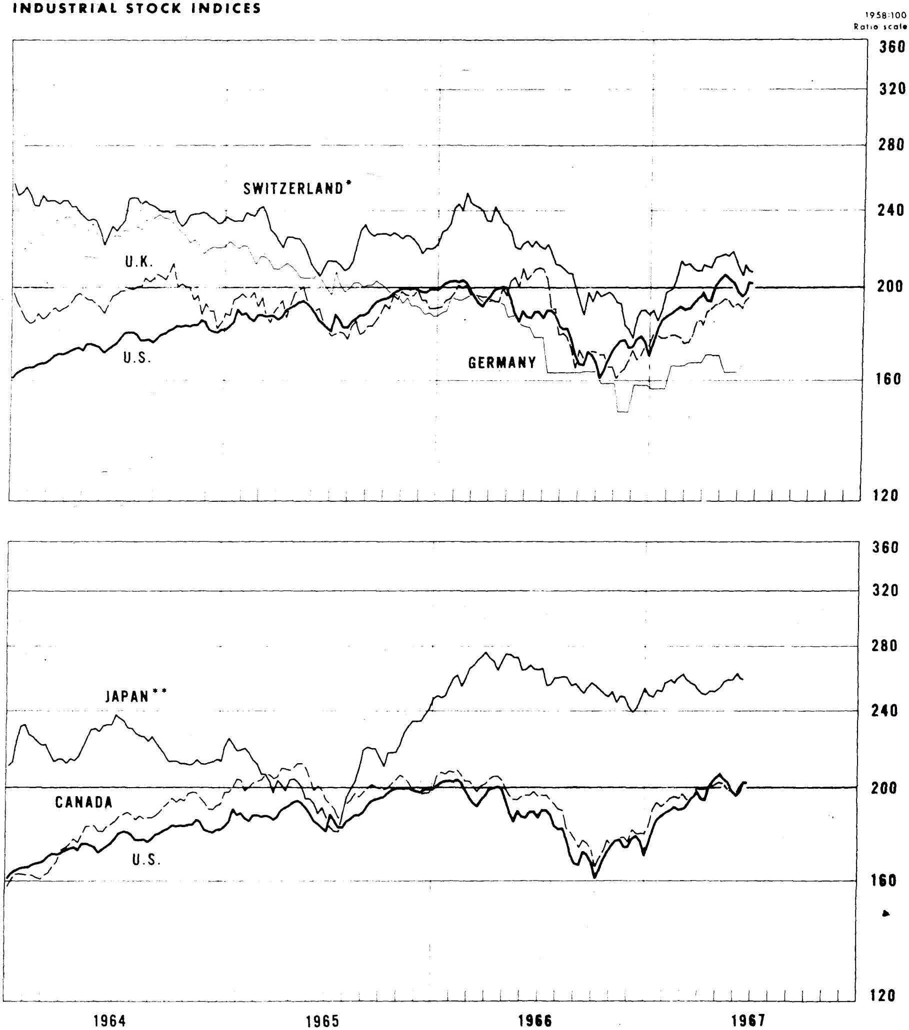


Chart 10

INDUSTRIAL STOCK INDICES



* Swiss Bank Corporation industrial stock index

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

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No. 304

III. Latest Figures Plotted in H.13 Chart Series, 1967
(all figures per cent per annum)

June 21, 1967

Chart 1

Upper Panel (Wednesday, June 21)

Euro-$ deposit	5.25
U.S. certif. of deposit	4.68

Lower Panel (Friday, June 16)

Finance co. paper: U.S.	4.38
Canada	4.88
Hire-purchase paper, U.K.	5.33

Chart 2

(Friday, June 16)

Euro-$ deposits:

Call	4.82	90-day	5.25
30-day	5.06	180-day	5.44

Hire-purchase paper (June 9)	5.88
Local-authority deposit (June 9)	5.63

Chart 3

Upper Panel (Period: June 15)

Interbank loan (mid-point)	4.01
Euro-$ deposit (average)	5.29

Lower Panel (Date: May 15)

Zurich 3-month deposit	4.25
Price of gold (Friday, June 9)	35.180

Chart 4

(Friday, June 16)

Treasury bills: Canada	4.32
U.S.	3.56
Spread favor Canada	0.76
Forward Canadian $	-0.30
Net incentive (Canada +)	+0.46
Canadian finance paper	5.25

Chart 5

(Friday, June 16)

Treasury bills: U.K.	5.12
U.S.	3.56
Spread favor U.K.	+1.56
Forward pound	-0.48
Net incentive (U.K. +)	+1.08

Chart 6

(Friday, June 16)

Treasury bills: U.S.	3.56
U.K.	5.12
Canada	4.32
Interbank loan rate (German)	4.01
Euro-$ deposit (London)	5.25
Zurich 3-month deposit (Date: May 15)	4.25
Japan composite rate (Date: April 28)	7.31

Chart 7

U.S. Gov't. (Wed., June 14)	4.91
U.K. War Loan (Thurs., June 15)	6.73
German Fed. (Fri., June 16)	6.82
Swiss Confed. (Fri., June 16)	4.67
Canadian Gov't. (Wed., June 14)	5.99
Netherlands Gov't. perpetual 3% (Friday, June 9)	5.53
Euro-$ bonds (Fri., June 16)	6.29

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