

World Financial Markets

Morgan Guaranty Trust Company of New York

March 1976

Foreign-exchange
market developments, 1

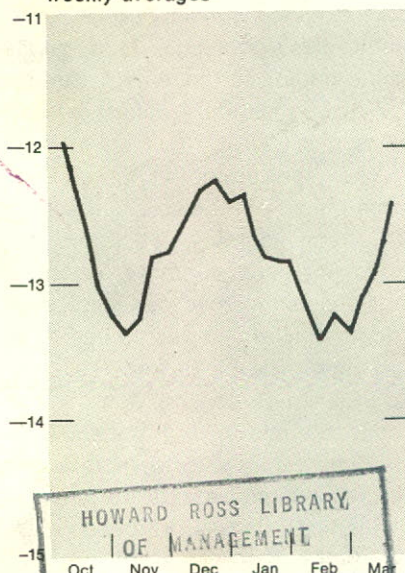
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**Effective dollar
exchange rate change**
trade-weighted percent change,
from pre-June 1970 parities
weekly averages



Foreign-exchange market developments

After a brief lull in the second half of February, exchange-market pressures erupted again early in March. The pound sterling plummeted, apparently with the help — and certainly the approval — of the authorities, from the vicinity of £1/\$2.02 to as low as £1/\$1.91 in less than a week. The pound previously had traded in a relatively narrow range for about four months, despite a rate of inflation still well above that of several of its important trade partners. Sterling's drop kindled anew, and reinforced, the downward pressures on the French franc. French authorities resisted by means of heavy exchange-market intervention. About \$1¼ billion in foreign currency reserves were expended to keep the franc within the EEC joint float just in the second week of March. This brought the reserve loss so far in 1976 to \$3¼ billion, cutting by half the central bank's holdings of convertible currencies. (This loss, incidentally, has reduced considerably the scope for potential French purchases of gold, whatever their intentions may have been.) Apparently unable to obtain an orderly realignment of several EEC exchange rates and perhaps also some modification of

the EEC snake mechanism, the French authorities had no choice but to pull the franc out of the snake again.

The decision on the French franc sealed the fate of the arrangement between the Dutch and Belgian authorities to keep the movement in their currencies in a narrow 1½% band ("the worm"). As noted in last month's issue, this arrangement had outlived its usefulness. Subsequently, the Belgian franc and Danish krone came under strong downward pressure within the snake, necessitating substantial intervention by the remaining snake participants. Belgian authorities had spent an estimated \$¾ billion in support of the franc so far in 1976. The Italian lira continued to be very weak, dropping as low as about \$1/Lit 890 and declining about 26% on an effective basis since early January.

The dollar lost ground *vis-à-vis* the German mark, the Canadian dollar and the Japanese yen during the past month. The loss would have been greater had it not been for considerable intervention, particularly by the Canadian and Japanese authorities, who added about \$450 million and \$1.1 billion, respectively, to their international reserves in January-February.

On balance, the dollar gained about 1% on an effective basis in

Table 1

Foreign exchange ratespercent changes from
Jan 5 to Mar 17, 1976

	each currency versus U.S. dollar	each currency's trade- weighted average change versus 14 others
United States	—	+0.25
Canada	+3.08	+3.68
Japan	+1.80	+2.38
United Kingdom	-5.58	-4.33
Germany	+2.17	+6.84
France	-5.15	-1.60
Italy	-23.16	-25.96
Belgium	-0.05	+2.47
Netherlands	-1.19	+0.54
Switzerland	+1.74	+5.35
Austria	-0.02	+2.52
Denmark	-0.65	+1.56
Norway	-0.37	+1.32
Sweden	-1.00	+1.02
Australia	-1.07	+0.10

the past month (see chart on page 1). This was in contrast to developments in February, when the dollar tended to weaken as a consequence of European exchange-rate tensions. In the recent period of heavy intervention, the French and German authorities to a much greater extent than in January and February used local currencies instead of dollars. Thus, the snake did not have a tendency to move up *vis-à-vis* the dollar. So far this year, the dollar has only moved up ¼% on an effective basis (see Table 1).

The dollar also benefited from a modest upward movement of the Federal funds rate, changes in which quickly affect the dollar exchange rate (see chart on page 3). Interest rate developments overshadowed the exchange-rate implications of the less favorable U.S.

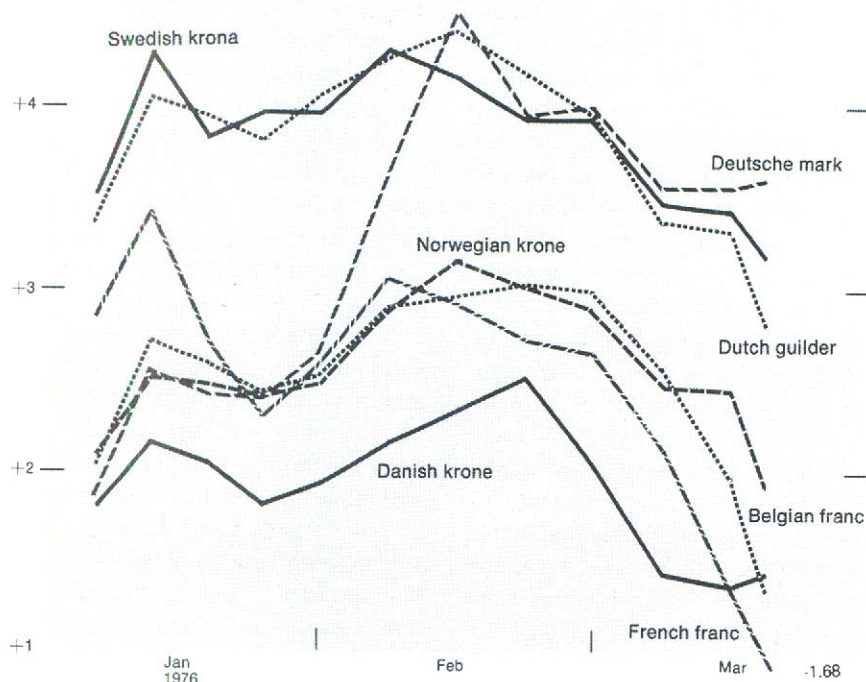
trade figures for January. U.S. interest rates later were allowed to ease somewhat, perhaps partly to help reduce pressures on the weaker European currencies. U.S. rates, however, are expected to continue on a gradual upward trend in the period ahead. In addition, the dollar continues to benefit from the diminishing rate of inflation in this country. In the latest three months, retail and manufactures wholesale price indices have risen from the preceding three months at annual rates of only 6.7% and 2.8%, respectively.

Events in Europe were a distinct setback for those who had hoped that the agreements at Rambouillet and Jamaica would lead to greater stability of exchange rates, obtained partly by increasing official intervention. It is clear, however, that so long as there are continued substantial differences in rates of inflation and large-scale, short-term capital movements, rates should be allowed to respond to fundamental trends and rigid exchange-rate management is impractical and too costly. In the final analysis, official intervention should be used primarily to maintain orderly markets, a condition which is fairly well defined. But exchange-market intervention to resist so-called "erratic" movements should be conducted with caution, since the authorities may at times mistake rate shifts related to fundamental trends for erratic and unjustified fluctuations.

The departure of the French franc from the snake is also a setback for European monetary unification. With such divergent economic trends and policies as those now existing, even the floating snake has proved to be too rigid. The close trade relations of EEC countries, and their commitment to move toward monetary union, do justify efforts to minimize intra-Community exchange-rate fluctuations. But if real progress toward eventual currency unification is to be

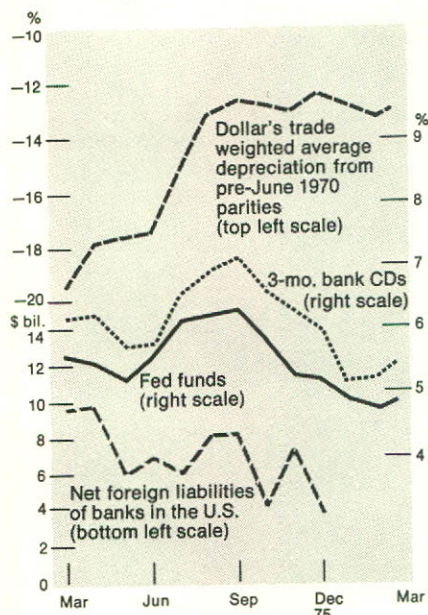
The EEC snakepercentage deviation from central
rates, expressed in U.S. dollars*

+5



*maximum deviation of currencies within the snake is 2.25%, based on central rates; plottings are weekly averages of daily rates except for last plotting Mar. 16.

The dollar, interest rates and capital flows



achieved, the snake experiment will have to be founded on greater parallelism in national economic policies. Otherwise, rules governing the snake may have to be more flexible than in the past.

The issue of competitive depreciation

In view of the substantial exchange-rate changes so far in 1976, the question now arises: how are these individual currency movements to be interpreted? Do they constitute elements of competitive depreciation, or have the adjustments still not gone far enough to restore balanced international competitiveness? Fears of competitive depreciation have grown recently because of high unemployment in Europe and the preference for pulling out of recession via export-led expansion. With growth rates and import demand sluggish in developing countries, the Comecon group unlikely to provide significant stimulus, and the slackening of growth in OPEC imports, hopes for export growth turn on maintaining competitiveness in trade *vis-à-vis* other industrial countries, particularly Germany, the United States, and Japan.

In this connection it is helpful to examine changes in international competitiveness stemming from the movements in both exchange rates and prices. The chart on page 4 shows three lines for each of eight major currencies. The dotted line in each panel represents changes in a country's exchange rate with other industrial countries on a trade-weighted basis. This "effective-rate change" measures the average movement in foreign prices relative to domestic prices stemming from exchange-rate changes, on the assumption that domestic producers' selling prices in national currencies are constant. The averaging process

assigns to each partner country a weight proportional to that partner's share of the subject country's bilateral trade. The method of computing such changes was described in detail in the October 1973 issue of this publication.

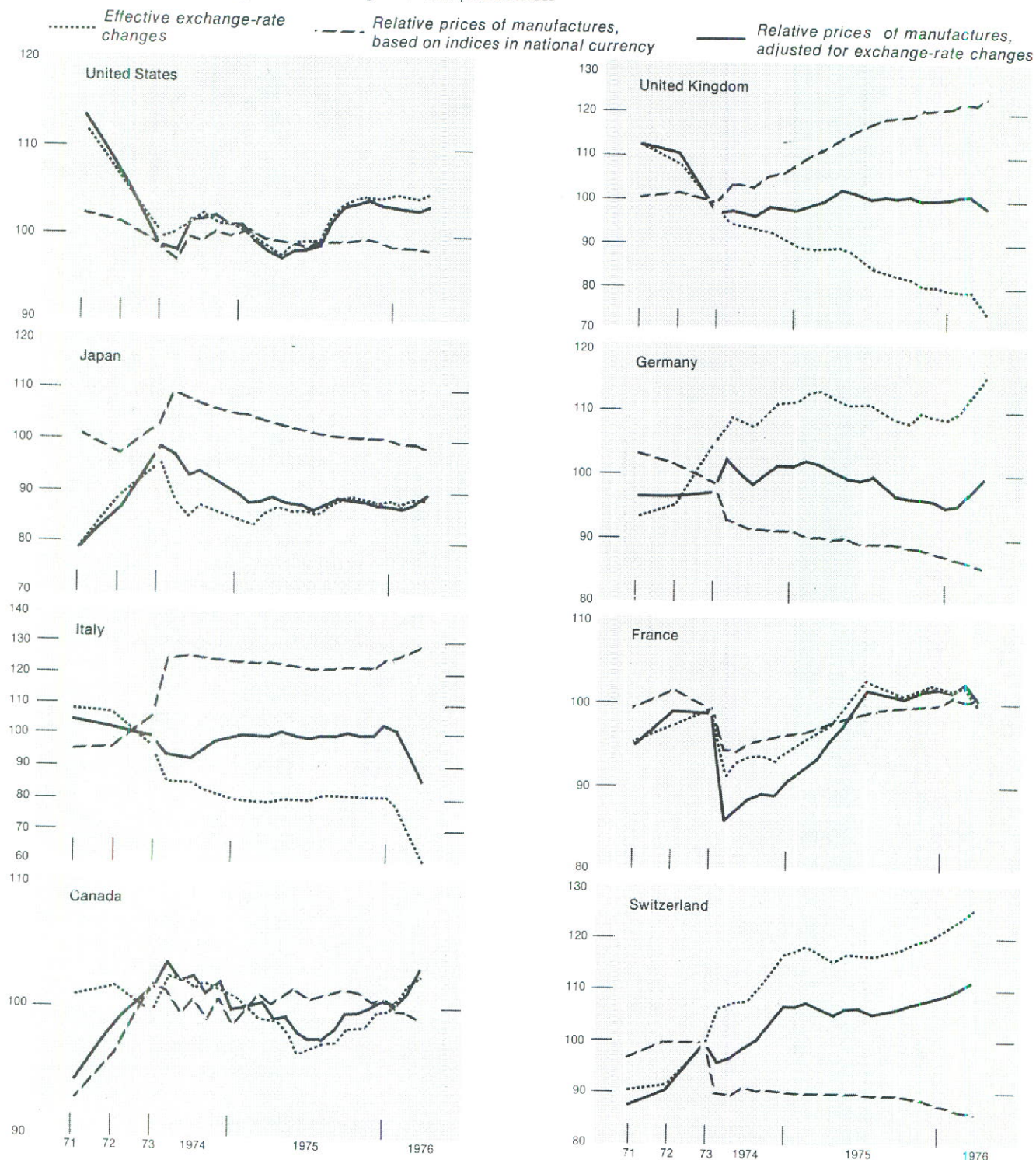
The dashed line in each panel of the chart represents changes in a country's wholesale prices in manufacturing relative to those of its major trading partners, again computed on a trade-weighted basis. This trade-weighted average comparison of foreign and domestic prices is made on the hypotheses that selling prices in national currencies parallel exactly the inflation shown in appropriate domestic price indices, and — for this purpose — that exchange rates are constant. The solid line in each of these panels mathematically combines the impact of changes in *exchange rates and relative prices*. In this joint calculation, foreign selling prices of domestic producers embody both relative domestic inflation and the full extent of currency movements.

In theory, exchange-rate movements tend to offset relative price changes over a long period of time. The accompanying chart shows evidence of such development for most currencies. This method of approach should assist the analyst in making a tentative judgment as to whether significant changes in international competitiveness have occurred, and in judging the direction of possible future exchange pressures.

It must be emphasized, however, that such judgments should be tentative and are subject to many qualifications. In particular, trends in competitiveness over time do not in themselves indicate what levels would be "about right" at present without further judgment identifying some earlier period as showing satisfactory relationships. This may not have been the case for all currencies in the base period, March 1973, to

Effective exchange-rate changes and relative prices of manufactures

index numbers (March 1973=100); 1971-73 plottings are annual averages; subsequent plottings begin with July 1974 and are monthly averages except that final plotting is as of March 16, 1976; a rising line indicates loss of competitiveness, a falling line indicates gain in competitiveness



Indices are trade-weighted averages of national exchange rate and price movements, weighted according to 1973 bilateral trade in manufactures among 18 industrial countries (the 15 included in Morgan Guaranty Trust Company's published effective exchange-rate changes, plus South Africa, Spain, Finland, Greece, but excluding Australia).

Price indicators are wholesale indices for manufactures, except consumer prices of all items less food and rent for Austria and Switzerland and all goods less food for France, Denmark and Norway

which the chart is drawn, and certainly not in the case of the Japanese yen. Furthermore, there is no certainty as to just what price indices offer the best guide. With manufactures forming the bulk of OECD trade and such goods generally considered the most responsive to price forces, the indices used in the chart are for wholesale prices of manufactured goods. But in some countries consumer price indices for goods are used when the available wholesale data are severely influenced by raw commodity prices. The indices chosen here appear to present a reasonable measure of manufactures price developments, and offer an important advantage of timeliness in comparison to other possible price indicators such as the export unit values of manufactures. General consumer prices, although more widely publicized, are a poor guide to competitive trends in production of manufactures, because general cost of living indicators impute heavy weighting to food, housing and other services, which components have little bearing on manufacturing costs. Moreover, the relationship between consumer prices and exchange rates is rather weak.

Besides these technical difficulties, it will be realized that exchange rates respond to many other factors than actual changes in relative prices, and expectations regarding future price developments. Particularly important are actual and anticipated changes in short-term interest rates and changes in the political environment. Structurally important changes, such as the discovery of natural resources and changed availability in the agricultural sector, also should be taken into account in assessing exchange-rate movements over a longer period of time. Despite all these qualifications, it nevertheless is useful to examine changes in a country's international

competitiveness in manufacturing as described above.

The inflation-compensating role of exchange-rate changes over the long run is best illustrated by the case of the United Kingdom, which the chart indicates has experienced little net change in competitive position since late 1974 despite inflation greatly in excess of that of its trading partners. On balance, but with greater short-run variability, the Italian experience has been similar until quite recently. Among low inflation countries, it appears that the German mark's appreciation has gone far to match German industry's continuing favorable price performance.

The chart suggests that for France there has been a substantial loss of competitiveness since the summer of 1974 by reason both of France's comparatively poor inflation performance and the upward hoist in the currency prior to and during the franc's participation in the European snake. However, the present competitive position of France — incorporating the decline in the franc after departure from the snake — appears no less advantageous than in the spring of 1973. The depreciation of the franc in early 1974 had little clear rationale in terms of relative price performance.

The overall competitive position of Japanese industry is less clear-cut: the chart suggests a considerable gain since March 1973, largely through the yen's depreciation but also from price factors. However, it will be recalled that the upward float of the yen at the time of the dollar's second devaluation occurred when a major acceleration of Japan's inflation was getting underway, and it is therefore doubtful that the March 1973 nexus of exchange rates and prices represented an equilibrium situation for Japan. Instead, it may be noted that even now the figures suggest Japanese industry is in a somewhat weaker competitive posi-

tion than in 1972.

Finally, the United States competitive position seems to have weakened since mid-1975, wholly on account of the dollar's exchange appreciation. Although the position also appears weaker than in March 1973 the deterioration is small — about 3½ %. This modest weakening of the U.S. competitive position in *manufactures* over the past three years has occurred at a time when net exports of agricultural products have grown by more than \$10 billion. This increase in farm exports appears to justify some greater appreciation of the dollar than relative price considerations might warrant.

While the chart reviews developments of the past few years, Table 2 presents current price trends and possible implications for exchange rates. The first two columns set out the actual price performance of individual countries in 1975 and projections for manufactures price increases in 1976. Columns 3 and 4 show how the individual inflation rates translate to percent inflation differentials of each country *vis-à-vis* its major trading partners, where a positive differential implies competi-

tive deterioration for the domestic industry, other things being equal. Columns 5 through 6 indicate for end-1975 and mid-March of this year, the actual effective exchange-rate changes for each currency from pre-June parities. Column 7, as a hypothetical exercise, sets out what the effective exchange-rate indicators would have to be in December 1976 to reproduce the competitive position of end-1975, given the inflation assumptions of column 2.

Comparisons of columns 5, 6 and 7 provide perspective on exchange developments this year. Thus, it appears that the recent depreciation of the Italian lira has been far in excess of any degree warranted by Italy's likely excess inflation in 1976. To a modest extent this also appears the case with sterling's decline. On the other hand, these figures suggest that the valuation of the French franc was reasonable as of March 17, but that the Belgian franc was somewhat overvalued, as compared to end-1975 position from a price-competitive point of view. In the case of the Canadian dollar it appears that the currency's rise in exchange markets this year is sub-

Table 2

Relative price inflation and exchange rates

based on national price indices for manufactured goods and exchange rates as of March 17

	domestic inflation in %		trade weighted percent changes				
	actual Dec 74- Dec 75 (1)	assumed Dec 75- Dec 76 (2)	domestic prices relative to competitors' prices		effective exchange-rate changes from pre-June 1970 parities		
			Dec 74- Dec 75 (3)	Dec 75- Dec 76 (4)	actual Dec 75 (5)	actual Mar 17, 76 (6)	hypothetical level in Dec 76 to com- pensate for infla- tion differentials in column (4)
United States	5	5	-1.3	-2.6	-12.4	-12.4	-10.0
Canada	7	8	+1.7	+2.2	+4.4	+8.0	+2.2
Japan	0	7	-5.9	-0.3	+10.5	+13.0	+10.8
United Kingdom	20	11	+15.4	+3.9	-36.8	-41.8	-39.2
Germany	3	3	-3.6	-4.8	+17.7	+25.6	+23.5
France	9	10	+3.8	+3.0	+4.3	+2.7	+1.3
Italy	4	15	+0.4	+6.2	-31.8	-60.9	-35.8
Belgium	2	7	-4.2	+0.6	+2.1	+4.7	+1.5
Netherlands	3	6	-1.2	-0.7	+9.2	+10.3	+10.0
Switzerland	4	4	-2.2	-2.7	+34.5	+41.8	+38.3

Table 3

**Publicly-announced new
Euro-currency bank credits**
millions of dollars

	1975	1st Qtr 1976 ^p
Developed countries	6,840	2,248
Italy	95	359
South Africa	321	275
United States	744	268
United Kingdom	150	150
Norway	151	145
Japan	447	121
Spain	1,260	94
Sweden	310	21
France	734	—
Greece	239	—
Ireland	338	—
Finland	343	—
Others ^a	1,708	815 ^b
Developing countries	11,567	3,254
Non-OPEC countries	8,589	2,336
Philippines	338	732
Mexico	2,269	535
Brazil	2,321	320
Morocco	200	300
South Korea	353	109
Argentina	140	100
Thailand	—	100
Hong Kong	544	—
Peru	374	—
Others ^c	2,050	140
OPEC countries	2,978	918
Iran	265	420
Algeria	500	400
Indonesia	1,277	21
Other	936	77
Communist countries	2,421	851
Poland	475	111
U.S.S.R.	650	—
Others ^d	1,296	740
Total	20,828	6,353

^a includes multi-national organizations

^b includes \$300 million EEC loan

^c includes regional development organizations

^d includes Comecon institutions

^p preliminary

stantially contrary to price developments. Of the countries with favorable price performance, Germany's currency appreciation this year to date at least offsets its full year projected price advantage. However, the table also shows that the improving U.S. price situation has not yet fully been captured in exchange-market performance. As noted, the dollar on an effective basis has remained virtually unchanged this year. A 2% effective appreciation of the dollar could be achieved by a 4%-5% depreciation of the Canadian currency *vis-à-vis* the U.S. dollar, given the mutual importance of U.S.-Canadian trade. This would also largely restore Canada's competitive position. Were this Canadian-U.S. bilateral adjustment to occur, there would be no compelling reason for a further appreciation of the dollar through a general weakening of European currencies.

These comments on individual currencies must be understood against the background of the specific assumptions underlying the table. Obviously the inflation forecasts could be in error. In the case of Italy, for example, the exceptional weakening of the lira — if sustained — could accelerate domestic inflation significantly. More importantly, there is nothing about the competitive position of December 1975 that indicates it should be maintained exactly. Finally, these comments on the competitive position are not in themselves exchange-rate forecasts since, as noted earlier, factors other than prices frequently dominate exchange-market performance in the short term.

Trends in international lending

Activity in the international bank credit and bond markets has continued at a rapid pace in recent months.

Publicized new Euro-currency bank credits — nearly \$6.4 billion in the first quarter of 1976 — are continuing at about the same rate as in the second half of 1975. New issue volume in the international bond market has reached record levels, with nearly \$8.7 billion of issues completed or announced in the first quarter of this year.

The willingness and ability of banks both in the Euro-currency market and in the United States to maintain a strong pace of international lending is attributable in part to slack domestic bank loan demand in most major industrial countries. This condition exists in the United States, despite the fact that a rather robust economic recovery has been underway since mid-1975, as well as in Western Europe and Japan, where economic recovery has been comparatively modest. Another key factor that has contributed to sustained international lending is the reasonable degree of confidence that exists in the banking community about the gradually improving balance-of-payments prospects for a number of less-developed countries (LDCs), and the manageability of their external financing requirements. Particularly encouraging have been the signs of increased demand in industrial nations for the commodities exported by non-oil LDCs, and evidence of import restraint by many of these countries.

New Euro-currency bank credits to non-oil LDCs have exceeded \$2.3 billion in the first quarter of this year, or approximately 37% of the preliminary total for all publicized Euro credits during the period. This represents roughly the same pace of Euro-currency lending to these countries as in 1975, when non-oil LDCs accounted for 41% of the total. Moreover, in the second half of 1975 banks in the United States increased their net loans to non-oil developing countries by about \$2.2 billion, con-

Table 4

**Loans to foreigners
by banks in the United States^a**
millions of dollars

	change, Dec 1974- Jun 1975	change, Jun 1975- Dec 1975
Developed countries	-2,362	1,251
Canada	-108	222
Japan	-2,497	286
South Africa	192	119
Spain	91	22
United Kingdom	92	117
Others	-132	485
Developing countries	2,252	2,802
Non-OPEC countries	2,171	2,219
Argentina	354	37
Brazil	-3	775
Israel	51	171
South Korea	586	112
Mexico	559	502
Peru	149	26
Philippines	73	-43
Taiwan	-12	370
Others	414	269
OPEC countries	81	583
Indonesia	1	21
Venezuela	59	310
Others	21	252
Communist countries	105	136
Total	-5	4,192

^a short-term loans and acceptances plus long-term claims; excludes Euro-currency credits

tinuing their first-half rate of lending to these countries. These data indicate that non-oil LDCs have continued to get commercial bank credit in recent months at about a \$13-\$14-billion annual rate on a gross basis. As shown in Tables 3 and 4, a relatively small number of non-oil LDCs — led recently by Brazil, Mexico, The Philippines and South Korea — are still receiving the bulk of new bank credits extended to this group of countries.

Among other developments in the Euro-currency bank credit market in the first quarter is the reappearance of Iran as a sizable borrower, which has brought the total of Euro credits for OPEC nations to nearly \$920 million so far this year. Euro loans to developed countries, which accounted for about 35% of the total of publicized credits during the first quarter of 1976, include a \$300-million loan for the EEC as part of the \$1.3 billion being raised on behalf of Italy and Ireland. Approximately 30% of the \$2¼ billion of new credits to developed country borrowers during this period has been directly connected with the financing of North Sea projects. Eastern Europe continued to be a sizable Euro-currency borrower in the first quarter, with more than \$850 million of publicized new credits, including a loan of \$600 million for the International Investment Bank, a Comecon institution.

The Bank for International Settlements recently published some additional statistics covering liabilities to and claims on foreigners reported by banks in the Group of Ten countries and Switzerland. In addition to their Euro-currency business, the data cover these banks' domestic currency business with foreigners, and provide a more detailed geographic breakdown than previously available. However, these data are subject to numerous limitations including the time lag in their availability, the existence of rather large

amounts of liabilities and claims which are not allocated by country or even area, and the exclusion of liabilities and claims reported by banks in other financial centers such as the Bahamas and Singapore. Nevertheless, the BIS figures provide a useful confirmation of the overall volume and broad geographic distribution of international bank lending indicated by more timely data on publicized new Euro-currency bank credits and loans to foreigners by banks in the United States.

International bond market

Preliminary data indicate a record amount of new issue activity in the international bond market during the first three months of 1976. Nearly \$8.7 billion of public offerings and publicly announced private placements have been completed or announced, up from the already large \$5½-billion level of issuing activity in the fourth quarter of 1975. Of the \$8.7-billion total, more than \$3¼-billion is being raised in the United States, nearly \$1.2 billion in other foreign markets, and \$4¼ billion in the Euro-bond market.

This record level of new issue activity has been facilitated by a fairly large differential between short- and long-term interest rates which has induced investors to place their funds in medium- and long-term obligations. Short-term interest rates are generally expected to remain relatively low in the Euro-dollar and some domestic money markets at least for the next few months, given the moderate pace of economic recovery in major industrial countries and the probable monetary policies in the United States and Germany. Investors also have been encouraged by evidence of a further moderation of inflation in several key countries, and by the relative strength exhibited in the exchange markets by the dollar, mark, Swiss

Table 5

**International bond issues
outside the United States**
millions of dollars

	1975	1st Qtr 1976p
Developed countries	10,488	3,542
Canada	1,341	821
France	1,534	509
Japan	1,442	409
Sweden	861	334
Norway	725	297
Netherlands	675	279
United Kingdom	185	191
Denmark	206	88
Finland	342	71
United States	310	45
Austria	786	43
Australia	426	39
New Zealand	426	39
South Africa	448	25
Others	781	352
Developing countries	274	167
Communist countries	199	41
International organizations	1,630	1,651
European	1,121	1,362 ^a
Others	509	289
Total	12,591	5,401

^a includes \$1 billion EEC issues
p preliminary

Table 6

**Foreign bond issues
in the United States**
millions of dollars

	1975	1st Qtr 1976p
Developed countries	4,213	2,938
Canada	3,063	2,448
France	235	300
Norway	200	100
Japan	260	75
Australia	265	—
Others	190	15
Developing countries	304	—
Mexico	182	—
Others	122	—
International organizations	1,875	350
I.B.R.D.	1,250	—
Others	625	350
Total	6,392	3,288

p preliminary

franc, and guilder — the traditional vehicle currencies.

Indicative of the strong investor demand for good quality medium- and long-term obligations is the considerable decline in secondary market yields for international bonds. As shown in the table on page 15, these yields have fallen approximately 85-110 basis points since the end of September 1975, and about 40-50 basis points since the beginning of this year. Coupons on new issues also have been reduced in the Euro-bond market in recent weeks — in both the dollar and mark sectors — and issue sizes frequently have been increased following the initial announcement of new offerings. Furthermore, there have been a few successful offerings in the Euro-bond market recently with maturities slightly longer than the prevalent five-to-ten-year range.

As for the borrowers, in many instances the amounts and/or terms obtainable in the international bond market have been more attractive than those available in their respective domestic markets. This has been especially true, for example, for Canadian borrowers who have raised more than \$3¼ billion in the international markets since the beginning of this year. Yields on Canadian domestic bonds have been approximately 125-135 basis points higher than the yields on comparable Canadian bonds in the U.S. and Euro-dollar bond markets, and about 50-60 basis points higher than those on Euro-Canadian issues. However, this has not been the case for U.S. borrowers, who have made very few offerings in the Euro-bond market because of lower borrowing costs in the U.S. domestic bond market.

A number of borrowers also are taking advantage of the receptive markets to lengthen the maturity of their existing indebtedness, or to obtain medium- and long-term funds at fixed, rather than floating rates.

Although the cost of borrowing under a floating rate, medium-term, Euro-dollar bank credit facility at current market rates is below the present cost of raising funds via a fixed rate, medium-term, dollar-denominated Euro-bond issue, this has not always been the case. Indeed, the average cost that would have been incurred for a floating rate Euro loan over the past five years — 9.17% based on a 1¼% spread over the average 3-month London interbank offer rate during 1971-75 — is moderately higher than the present cost of raising funds by the issuance of a fixed rate bond issue.

As indicated in Table 5, the volume of new issues outside the United States continues to be dominated by entities — both governmental and private — from developed countries, which accounted for some 65% of the total in the first quarter of 1976. As in 1975, borrowers from countries with sizable actual or anticipated current-account deficits, such as Canada, France, the United Kingdom, and the Scandinavian countries, have been active participants. Japanese companies also have been frequent borrowers.

International organizations have completed or announced new bond issues in markets outside the United States amounting to nearly \$1.7 billion in the first quarter of 1976. This total includes the \$1-billion, fixed-rate portion of the \$1.3 billion being raised by the EEC on behalf of Italy and Ireland.

Access to the international bond market by the LDCs continues to be very limited, as shown in Table 5. Brazil, Mexico, Iran, and Singapore tapped the market for relatively modest amounts.

As noted earlier, *foreign bond issues in the United States* during the first three months of 1976 totaled about \$3¼ billion, more than half of the entire sum raised in 1975. Of this amount, Canadian entities account-

ed for \$2.4 billion, or approximately three-quarters of the total. Two Canadian borrowers, Quebec Hydro and Ontario Hydro, made very large, long-term private placements with U.S. institutional investors amounting to \$1 billion and \$650 million, respectively. As shown in Table 6, borrowers from other developed countries have raised \$490 million during the first quarter. The remainder of the foreign bond issues in the United States during January-March have been for international institutions. Most of the foreign offerings by non-Canadian borrowers in the U.S. market in recent months have been in the same five-to-ten-year maturity range that is prevalent in the Euro-bond market, and the issue yields for comparable borrowers have been similar in these markets. However, Canadian borrowers, who are better known to U.S. investors, have been able to obtain funds generally in larger amounts and for longer terms and less cost in the

U.S. market than in the Euro-bond market.

Approximately 72%, or more than \$6¼ billion, of all international bond issues in the first quarter were denominated in dollars. This includes almost \$3 billion in the Euro-bond market, reflecting a strong investor preference for dollar assets. Bonds denominated in other strong currencies also have been popular with investors, as reflected by the \$790 million of issues in marks, \$520 million in Swiss francs, and \$350 million in guilders. Canadian dollar issues — mostly by Canadian borrowers — continued to be well received, with more than \$520 million placed during the first quarter. Unit-of-account bonds have fallen into disfavor, there having been only two such issues earlier this year. The weakness of the French franc since early February led the French authorities to call a halt to Euro franc offerings by French borrowers.

The OPEC surplus

Several new estimates of the OPEC 1975 financial surplus have recently been announced. The Bank of England in mid-March placed the 1975 surplus at \$31.5 billion, almost \$10 billion less than the \$41 billion figure announced by the U.S. Treasury Department earlier in the year. In January, this publication had estimated that OPEC's 1975 surplus may have been on the order of \$29 billion.

The Bank of England figure is virtually the same as our January estimate when placed on a similar accounting basis. Bank of England oil revenue estimates are given on a cash basis — that is, they are adjusted for lags in oil payments — while those used here are on an accrual (IMF balance-of-payments) basis. Adjusting the Bank of England figures to an accrual basis would lower them by \$1-\$2 billion. In addi-

Table 7

The OPEC surplus and its disposition billions of dollars

	1974	1975
Financial surplus	52.0	29.5
Investments in United States	11.0	5.5
Bank deposits	4.0	—
Treasury bills	5.4	0.8
Bonds and direct loans	1.2	3.3
Equities	0.4	1.4
Investments in United Kingdom	7.2	0.2
Bank deposits (in £)	1.7	0.2
Treasury bills (in £)	2.7	0.4
Government bonds (in £)	0.9	-0.9
Equities and property (in £)	0.7	0.3
Direct loans (foreign currency)	1.2	0.2
Euro-currency bank deposits	22.7	7.0
International organizations	4.0	2.9
IMF oil facility	1.9	2.7
World Bank and other regional development institutions	2.1	0.2
Grants and loans to developing countries	2.5	4.0
Direct loans to developed countries other than U.S. and U.K.	4.5	2.0
Other net capital flows^a	0.1	7.9

^a including investments in Eurobonds, other portfolio investments, direct investments, and local currency bank deposits in countries other than U.S. and U.K. as well as debt repayments.

tion, Bank of England data include the financial surpluses of several non-OPEC oil exporters, which may amount to half a billion dollars or so.

There remains a very large discrepancy, however, between the estimates of the Bank of England and this bank on the one hand, and the U.S. Treasury on the other. About \$5 billion of this discrepancy stems from a lower Treasury estimate of OPEC commodity imports, the remaining \$7 billion from a lower Treasury estimate of the OPEC net services deficit. Our estimates have assumed that 1975 OPEC services imports (exclusive of investment income payments) grew as rapidly as commodity imports. In fact, in 1974, OPEC services imports, about \$12 billion in the aggregate, grew by 85% for the eight OPEC countries for which official data were available versus 70% for commodity imports of the same eight countries. The assumption of equal growth rates for 1975 commodity and services imports, therefore, would seem if anything to be conservative. Of course, all of the 1975 OPEC surplus estimates are preliminary, and further revisions are likely. Our projection of OPEC's likely 1976 current surplus remains \$28 billion.

There was a marked evolution in OPEC's investment preferences last year. Holdings of liquid external assets grew more slowly than in 1974, while those of longer maturity increased rapidly.

Contributing to this trend was the large interest rate spread that developed last year in favor of long-term debt instruments, as well as the more favorable outlook in the U.S. equity markets. In addition, those OPEC countries that are likely to remain in current surplus for several years had more than met their needs for international liquidity in 1974, and by 1975 were looking for attractive long-term investment opportunities. Other OPEC countries that

reached or were approaching current deficits found it necessary to reduce their holdings of bank deposits and other short-term investments accumulated in 1974.

Thus, net new investments in U.S. and U.K. bank deposits and treasury bills, which were \$13.8 billion or 27% of OPEC's financial surplus in 1974, dropped to only \$1.4 billion or 5% in 1975. Indeed, there was virtually no change in OPEC bank deposits in these two countries last year. OPEC interest in Euro-currency deposits also waned somewhat. Additions to such deposits declined from \$23 billion in 1974 to perhaps \$7 billion in 1975, dropping from 44% of the total surplus to 24%.

By contrast, net new bond and equity investments in the United States originating directly from OPEC countries rose from \$1.6 billion or 3% of the surplus in 1974 to \$4.7 billion or 16% in 1975. There was some net disinvestment in these categories in the United Kingdom last year, however.

Contributions to international organizations declined in absolute terms last year, although they grew slightly from 8% of the 1974 surplus to 10% in 1975 — reflecting mainly increased lending to the IMF's oil facility. Actual flows of bilateral grants and loans to developing countries probably rose from \$2.5 billion in 1974 to about \$4 billion in 1975, increasing from 5% of the surplus to 14%.

Direct bilateral loans to developed countries have declined slightly in relative importance. In 1974 such loans were \$4.5 billion, or almost 9% of the surplus. Last year the figure was probably on the order of \$2 billion, or 7% of the total. The increase in the "net other capital flows" category of Table 7 — which includes Eurobonds and other non-specified portfolio investments, direct investments, local currency bank deposits in countries other

Statistical appendix

for key to data in charts and tables see
February 1976 World Financial Markets

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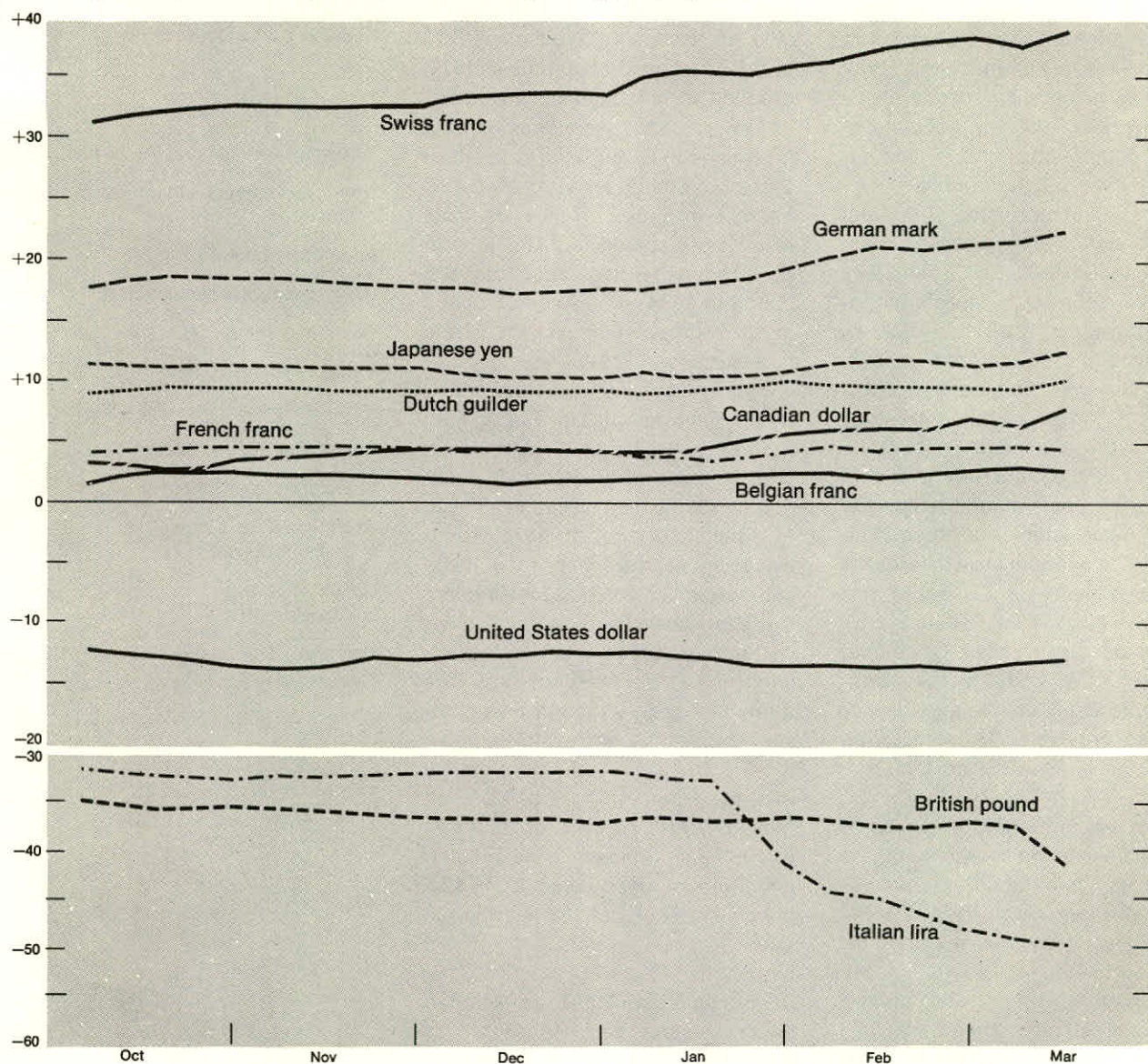
Information herein is from sources we consider to be reliable but is furnished without responsibility on our part.

than the United States and the United Kingdom — from a small amount in 1974 to about \$8 billion last year reflects the continuing diversification in the portfolios of the remaining OPEC surplus countries.

Effective exchange-rate changes

percentage exchange-rate vis-a-vis a group of 14 major currencies
according to the average bilateral trade of 1971-1973

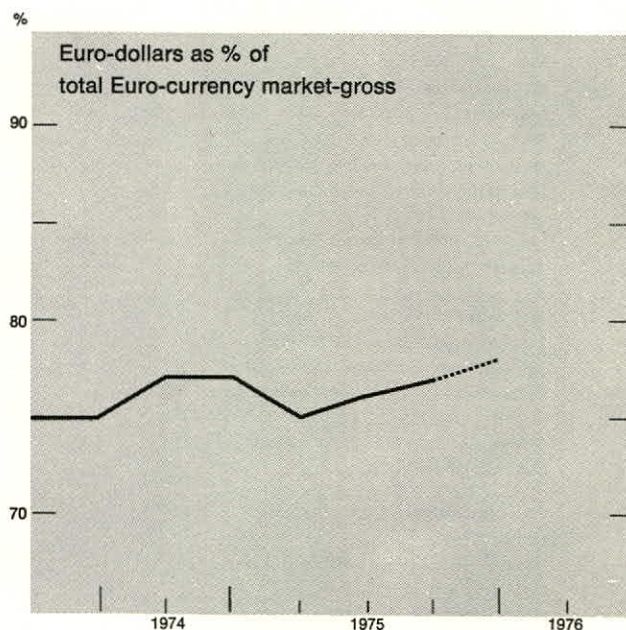
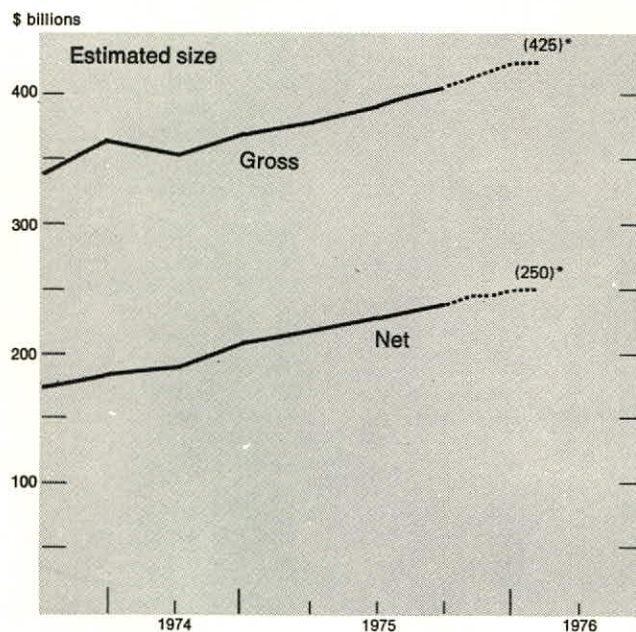
changes from pre-June 1970 parities, based on weekly averages of daily rates



	United States	Canada	Japan	United Kingdom	Germany	France	Italy	Belgium-Lux.	Neth.	Switz.	Austria	Denmark	Norway	Sweden	Australia
1976															
Jan	-12.76	5.14	10.70	-36.70	18.56	3.85	-35.15	2.43	9.58	35.79	12.52	5.84	11.49	1.29	3.96
Feb	-13.30	6.45	11.61	-36.98	21.23	4.65	-45.64	2.77	9.71	37.64	13.27	6.08	11.86	1.21	3.89
20	-13.24	6.46	11.56	-37.10	21.22	4.65	-46.12	2.92	9.74	38.00	13.54	6.42	11.91	1.09	3.93
27	-13.37	7.11	11.42	-36.90	21.59	4.83	-47.92	3.02	9.60	38.34	13.16	5.98	11.88	1.23	3.94
Mar 5	-13.07	6.97	11.79	-37.10	21.67	4.85	-48.57	3.11	9.49	37.77	13.15	5.86	11.93	1.26	4.01
12	-12.84	7.80	12.38	-41.69	22.38	4.66	-49.47	3.02	10.12	38.80	13.57	6.80	12.79	2.16	3.91

Euro-currency market

based on foreign-currency liabilities of banks in major European countries, the Bahamas, Canada, Japan and Singapore



*latest plotting January 1976

Euro-currency bank credits

publicly-announced in period, in millions of dollars

	1972	1973	1974	1975					1976
				1st Half	QIII	QIV	Year	QIP	
Developed countries	4 088	13 748	20 859	2 820	1 981	2 039	6 840	2 248	
France	176	50	3 224	445	124	165	734	—	
Greece	270	510	419	19	220	—	239	—	
Italy	928	4 762	2 322	—	50	45	95	359	
Spain	136	479	1 151	631	309	302	1 260	94	
United Kingdom	689	3 150	5 655	95	15	40	150	150	
United States	865	1 649	2 221	514	143	88	745	268	
Othera	1 024	3 148	5 867	1 116	1 120	1 381	3 617	1 377	
Developing countries	2 495	7 323	7 178	4 564	4 094	2 910	11 567	3 254	
Non-OPEC countries	1 562	4 597	6 331	3 652	2 924	2 013	8 589	2 336	
Brazil	579	740	1 672	966	795	560	2 321	320	
Mexico	197	1 588	948	829	790	650	2 269	535	
Peru	139	434	443	250	24	100	374	—	
Philippines	50	187	844	135	68	135	338	732	
South Korea	100	205	134	342	—	11	353	109	
Otherb	497	1 443	2 290	1 130	1 247	557	2 934	640	
OPEC countries	933	2 726	847	912	1 170	897	2 978	918	
Algeria	172	1 302	—	100	400	—	500	400	
Indonesia	93	167	469	746	—	531	1 277	21	
Iran	335	722	115	5	240	20	265	420	
Other	333	535	263	61	530	346	936	77	
Communist countries	274	780	1 238	986	626	808	2 421	851	
Poland	—	430	509	350	75	50	475	111	
U.S.S.R.	—	—	100	250	—	400	650	—	
Otherc	274	350	647	386	551	358	1 296	740	
TOTAL	6 857	21 851	29 275	8 370	6 701	5 757	20 828	6 353	

a includes multi-national organizations, b includes regional development organizations, c includes COMECON institutions, p preliminary

New international bond issues

Issuer (Guarantor)	(Euro-bond: E; Foreign bond: outside United States—F,O; in United States—F,US)	Country/state of domicile	Amount, millions	Offer date	Coupon rate ^a	Maturity	Offer price	Yield ^b
February 1976								
Foreign companies								
Kubota Limited (F,US) c		Japan	\$75	4	6¾	1991	100	6.75
Ste. Financiere Europeenne (E)		Luxembourg	\$30	6	9a	1983	100	8.81
Provincial Bank of Canada (E)		Canada	C\$10	10	9¾a	1982	100	9.52
Svenska Handelsbanken (E)		Sweden	\$30	10	9¾a	1986	99	9.14
Mitsui Mining and Smelting Co. Ltd. (Mitsui Bank Limited) (E)		Japan	\$25	13	9¾a	1981	100	9.04
Hitachi Shipbuilding and Engineering Co. Ltd. (Sanwa Bank Ltd.) (E)		Japan	DM 50	13	8¾a	1981	100	8.09
Manufacture Francaise des Pneumatiques Michelin S.A. (E)		France	\$75	24	9¾a	1986	100½	9.00
Toronto Dominion Bank (E)		Canada	C\$50	26	9a	1982	100½	8.76
Alusuisse International N.V. (Schweizerische Aluminium A.G.) (E) d		N. Antilles	Fl 75	27	8¾a	1983	99¾	8.15
Nippon Fudosan Bank Ltd. (E) c, d		Japan	\$10	n.a.	8a	1978	100	7.85
Canadian General Transit Co. (F,US) d		Canada	\$7	n.a.	11½	1995	n.a.	n.a.
Fujita Corp. (Mitsui Bank Limited) (F,O) d		Japan	SwF 50	n.a.	7¾a	1981	100	7.12
Orient Leasing (Caribbean) N.V. (Sanwa Bank Limited, Orient Leasing Co.) (E) d		Japan	\$15	n.a.	9½a	1981	n.a.	n.a.
Comalco Limited (F,US) d		Australia	\$15	n.a.	10½	1990	n.a.	n.a.
State enterprises								
Euroflima (E)			\$30	3	8½a	1983	99¼	8.39
Banque Francaise du Commerce Exterieur (Republic of France) (E)		France	\$75	4	8¾a	1983	100	8.57
Caisse Nationale des Telecommunications (Republic of France) (F,US)		France	\$100	6	8½	1984	100	8.88
Bank Handlowy w Warszawie (E) f		Poland	KD 5	9	8¾a	1986	99¾	8.59
Finnish Export Credit Ltd. (E)		Finland	\$20	10	9¾a	1981	99	9.14
Sveriges Investeringsbank AB (F,O)		Sweden	SwF 80	17	7a	1991	99	6.95
Hydro Quebec (F,US) d		Canada	\$1,000	20	10¼	1996	n.a.	n.a.
Banque Nationale de Paris (E)		France	\$75	23	*	1983	100	*
Ljubljanska Banka (Republic of Slovenia) (E)		Yugoslavia	KD 5	24	9a	1981	99¾	8.83
Cie. Nationale du Rhone (Republic of France) (F,O)		France	SwF 80	24	7a	1991	99½	6.94
Genossenschaftliche Zentralbank A.G. (E) d		Austria	DM 50	n.a.	8½a	1983	99¼	8.39
Governments								
City of Oslo (F,O)		Norway	Fl 75	3	8½a	1988	100	8.33
City of Montreal (E)		Canada	\$50	5	9¼a	1983	100	9.04
Republic of Iceland (E)			EUA 15	12	9¼a	1983	100	9.04
City of Malmoe (E)		Sweden	DM 50	17	8¾a	1983	100½	8.05
Government of New Zealand (E)			DM 100	18	7½a	1983	99½	7.46
City of Winnipeg (F,US)		Canada	\$50	19	9¼	1996	99¼	9.32
Mexico (E) g			\$50	19	9½	1991	100	9.20
Province of Nova Scotia (F,US)		Canada	\$60	26	9¼	2001	99¾	9.27
City of Oslo (E)		Norway	\$40	27	9a	1988	100½	8.76
Municipality of York (F,US) d		Canada	\$4.6	n.a.	10½	1995	n.a.	n.a.
Municipality of Waterloo (F,US) d		Canada	\$6.5	n.a.	10½	1995	n.a.	n.a.
International organizations								
Asian Development Bank (E) d			Fl 75	9	8¼a	1983	99¾	8.11
European Investment Bank (F,O)			SwF 100	9	7a	1991	99	6.99
Asian Development Bank (F,O)			DM 100	18	8a	1982	100	7.85
Inter-American Development Bank (F,O) d			DM 50	n.a.	8a	1983	100	7.85

a Coupon interest is payable semiannually, unless followed by an "a" which indicates an annual coupon.

b Where coupon interest is payable annually, payment is discounted semiannually for comparability in computation of yield.

c Convertible debt.

d Private placement.

e Certificates of deposit.

f Holder has option to redeem bonds in 1981 at par.

g Holder has option to redeem bonds in 1981.

* Interest is payable at ¼% over six-months Euro-dollar interbank rate. Minimum interest is 7% p.a.

New international bond issues

new issues in period, in millions of dollars

				1976			Jan-Mar	
	1973	1974	1975 ^r	Jan ^r	Feb	Mar ^p	1976 ^p	1975
Euro-bonds, total	4 193	2 134	8 580	1 539	867	1 827	4 233	1 905
<i>by category of borrower</i>								
U.S. companies	874	110	268	50	—	45	95	25
Foreign companies	1 309	640	2 884	621	295	464	1 380	497
State enterprises	947	542	3 211	394	329	328	1 051	761
Governments	659	482	1 625	238	215	139	592	391
International organizations	404	360	592	236	28	851	1 115	231
<i>by currency of denomination</i>								
U.S. dollar	2 447	996	3 733	985	600	1 400	2 985	565
German mark	1 025	344	2 234	132	98	146	376	840
Dutch guilder	194	381	765	60	57	99	216	280
Canadian dollar	—	60	582	279	61	182	522	—
Unit of account	99	174	363	31	17	—	48	78
French franc	166	—	293	28	—	—	28	19
Other	262	179	610	24	34	—	58	123
Foreign bonds outside the United States, total	2 626	1 432	4 011	330	207	631	1 168	912
U.S. companies	546	77	42	—	—	—	—	—
Foreign companies	396	455	1 270	31	20	279	330	404
State enterprises	446	568	949	154	62	28	244	194
Governments	297	138	708	30	28	—	58	265
International organizations	941	194	1 038	115	97	324	536	49
<i>by currency of denomination</i>								
German mark	362	253	1 064	154	59	200	413	395
Swiss franc	1 526	911	2 604	118	120	279	517	465
Dutch guilder	—	4	137	58	28	47	133	31
Other	738	264	206	—	—	105	105	21
Foreign bonds in the United States, total	960	3 266	6 392	765	1 318	1 205	3 288	1 305
<i>by category of borrower</i>								
Canadian entities	865	1 962	3 064	415	1 128	905	2 448	567
International organizations	—	610	1 875	250	—	100	350	590
Other	95	694	1 453	100	190	200	490	148
International bonds, total of which issued by:	7 779	6 832	18 983	2 634	2 392	3 663	8 689	4 122
Developed countries	5 770	5 065	14 701	1 919	2 200	2 361	6 480	3 019
Developing countries	664	603	777	114	67	27	208	233
International organizations	1 345	1 164	3 505	601	125	1 275	2 001	870

^r revised

^p preliminary

International bond yields

long-term issues, at or near end of month

	1972	1973	1974	1975						1976	
	Dec	Dec	Dec	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
<i>U.S. companies:</i>											
U.S. dollar	7.49	8.30	9.35	8.52	8.68	9.28	8.80	8.70	8.52	8.41	8.17
German mark	7.01	9.18	9.33	8.42	8.07	8.34	8.10	8.03	7.99	7.82	7.47
Swiss franc	5.89	6.90	8.00	7.15	7.14	7.15	6.92	6.90	6.72	6.30	6.32
<i>European companies:</i>											
U.S. dollar	7.69	8.56	11.23	9.76	9.92	10.33	10.01	9.83	9.62	9.34	9.14
German mark	7.19	9.18	9.93	9.09	8.93	9.14	8.99	8.77	8.77	8.37	8.03
<i>Governments:</i>											
U.S. dollar	7.65	8.69	10.08	9.17	9.39	9.59	9.67	9.46	9.30	9.12	9.07

Central bank discount rates

	1972	1973	1974	1975					current
	end Dec	end Dec	end Dec	end Mar	end Jun	end Sep	end Dec	Mar 18 1976	effective since
United States	4.50	7.50	7.75	6.25	6.00	6.00	6.00	5.50	Jan 19, 76
Canada	4.75	7.25	8.75	8.25	8.25	9.00	9.00	9.50	Mar 8, 76
Japan	4.25	9.00	9.00	9.00	8.00	7.50	6.50	6.50	Oct 24, 75
United Kingdom	9.00	13.00	11.50	10.00	10.00	11.00	11.25	9.00	Mar 5, 76
Belgium	5.00	7.75	8.75	7.50	6.50	6.00	6.00	7.00	Mar 18, 76
France	7.50	11.00	13.00	11.00	9.50	8.00	8.00	8.00	Sep 5, 75
Germany	4.50	7.00	6.00	5.00	4.50	3.50	3.50	3.50	Sep 12, 75
Italy	4.00	6.50	8.00	8.00	7.00	6.00	6.00	8.00	Feb 25, 76
Netherlands	4.00	8.00	7.00	6.00	6.00	4.50	4.50	4.00	Feb 2, 76
Denmark	7.00	9.00	10.00	9.00	8.00	7.50	7.50	7.50	Aug 18, 75
Norway	4.50	4.50	5.50	5.50	5.50	5.50	5.00	5.00	Oct 7, 75
Spain	5.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00	Aug 10, 74
Sweden	5.00	5.00	7.00	7.00	7.00	6.00	6.00	5.50	Jan 30, 76
Switzerland	3.75	4.50	5.50	5.00	4.50	3.50	3.00	2.50	Jan 13, 76
Brazil	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	Feb, 72
Mexico	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	
Philippines	10.00	10.00	6.00	6.00	6.00	6.00	6.00	6.00	Dec 12, 74
Singapore	—	—	—	6.00	4.00	4.00	4.00	4.00	Jul 15, 75
South Africa	6.00	5.50	8.00	8.00	8.00	8.50	8.50	8.50	Aug 11, 75
Venezuela	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Oct, 70

Day-to-day money rates

monthly averages

	1972	1973	1974	1975					1976		
	Dec	Dec	Dec	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
United States	5.33	9.95	8.53	6.10	6.14	6.24	5.82	5.22	5.20	4.87	4.77
Canada	3.71	6.57	7.38	7.19	7.42	7.85	7.95	8.55	8.74	8.75	8.74
Japan	4.46	10.20	13.23	10.75	10.44	9.43	8.48	7.36	7.73	7.02	6.75
Australia	4.12	6.21	7.28	6.66	7.87	7.60	6.95	7.12	7.17	6.90	7.17
United Kingdom	6.75	11.00	9.34	8.70	9.50	9.88	10.81	11.16	10.44	10.34	8.50
Belgium	3.75	7.38	9.05	4.98	5.27	4.37	4.58	4.00	3.97	4.17	5.63
France	7.32	11.52	11.87	7.28	7.18	6.92	6.68	6.74	6.45	6.36	7.20
Germany	6.75	11.75	8.35	4.25	2.00	4.28	3.32	3.32	4.05	3.65	3.30
Italy	5.88	7.88	17.20	9.45	9.78	8.40	7.66	7.38	7.38	7.63	9.22
Netherlands	3.20	8.75	6.96	1.61	1.46	1.07	4.63	4.19	4.39	3.82	3.05
Spain	n.i.	11.75	5.63	5.93	6.16	6.61	6.96	8.02	8.26	11.41	n.a.
Sweden	3.34	3.83	8.93	8.17	7.20	7.08	7.49	5.30	5.24	5.10	4.83
Switzerland	4.00	7.50	5.00	3.00	0.75	1.50	1.25	1.00	1.00	0.75	1.00
Brazil	15.36	13.54	12.00	14.40	13.75	14.76	20.16	21.00	16.68	18.36	n.a.
Mexico	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Philippines	9.38	13.38	16.53	12.99	12.96	13.26	14.15	12.52	15.14	13.54	13.19
Singapore	3.60	9.34	8.13	3.02	3.40	3.90	3.48	3.95	4.00	5.01	4.85
South Africa	4.39	2.93	5.85	5.55	6.15	6.38	6.62	6.68	6.75	6.81	6.89
Euro-dollars	5.14	9.91	8.35	5.98	6.06	6.19	5.82	5.54	5.35	4.89	4.79

Treasury bill rates

bond-equivalent yields, at or near end of month

	1972	1973	1974	1975						1976	
	Dec	Dec	Dec	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
United States	5.21	7.54	7.28	6.30	6.52	6.94	5.59	5.64	5.27	4.74	5.01
Canada	3.65	6.32	7.05	7.44	7.87	8.46	8.16	8.52	8.64	8.59	8.79
Japan	4.15	5.80	6.83	6.31	6.06	5.68	5.68	5.68	5.68	5.68	5.68
Australia	3.85	7.35	7.81	7.31	7.19	7.19	7.19	7.19	7.19	6.98	6.98
United Kingdom	8.48	12.82	11.44	10.71	10.66	11.79	11.74	11.30	10.78	9.52	8.80
Belgium	4.80	7.65	10.50	6.25	6.05	6.05	6.05	6.05	6.05	6.50	6.40
Germany	4.30	7.12	5.19	3.40	3.40	n.i.	n.i.	n.i.	n.i.	n.i.	n.i.
Netherlands	4.25	10.00	7.50	2.00	2.75	3.75	4.50	4.75	5.00	4.50	2.50
Sweden	2.77	2.52	8.95	8.45	6.36	6.35	5.83	4.81	4.81	4.55	4.55
Brazil	15.36	14.75	18.35	16.44	17.37	18.73	20.59	24.16	25.10	25.51	n.a.
Philippines	12.29	9.66	10.31	10.28	11.84	10.88	9.46	9.51	9.62	9.77	9.64
Singapore	3.75	3.68	4.48	3.27	3.17	3.40	3.39	3.39	3.36	3.38	3.44
South Africa	4.42	3.21	6.16	5.63	6.51	6.75	6.96	6.96	7.05	7.12	7.29

Representative money-market rates

bond-equivalent yields on major short-term (mostly 3-4 month) money market instruments, other than Treasury bills, at or near end of month

	1972	1973	1974	1975						1976	
	Dec	Dec	Dec	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
United States	5.65	9.47	9.60	6.48	6.83	6.96	6.05	5.91	5.91	5.13	5.27
Canada	5.31	10.52	10.52	7.77	8.82	9.47	9.08	9.73	9.86	9.21	9.47
Japan	4.88	12.00	13.50	11.00	10.50	9.50	8.00	7.50	8.00	7.00	7.00
Australia	4.75	9.00	12.50	9.75	9.25	8.75	8.75	8.50	8.50	8.00	9.00
United Kingdom	8.94	15.94	12.75	10.38	10.38	10.56	11.63	11.19	10.69	10.63	8.75
Belgium	4.85	7.95	11.00	6.50	6.20	6.20	6.20	6.20	6.20	6.20	6.55
France	8.00	11.50	11.50	7.13	7.00	6.88	6.88	6.88	6.50	6.50	7.69
Germany	7.75	12.75	8.30	4.30	4.10	4.00	4.10	4.10	4.20	3.90	3.70
Italy	6.25	8.50	17.50	11.00	9.75	8.50	8.00	8.00	7.88	9.00	n.a.
Netherlands	4.75	14.00	8.38	3.50	3.50	4.25	5.25	5.38	5.63	4.88	3.00
Spain	n.i.	n.i.	8.75	10.14	10.27	10.17	10.57	11.15	11.43	12.29	n.a.
Brazil	22.16	18.85	26.89	26.89	26.33	26.62	26.35	28.96	28.96	27.99	n.a.
Philippines	n.a.	n.a.	18.52	13.65	14.51	15.43	16.57	16.38	16.06	15.32	14.19
Singapore	5.88	8.25	9.19	3.56	3.88	4.50	4.38	4.50	4.56	4.56	4.25
South Africa	5.47	7.33	11.31	6.87	8.95	9.21	8.48	8.37	8.68	9.31	13.97

Euro-dollar deposit rates

prime banks' bid rates in London, at or near end of month

	1972	1973	1974	1975						1976	
	Dec	Dec	Dec	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
overnight	4.50	9.75	8.00	5.79	6.13	6.44	5.63	5.20	5.13	4.78	4.94
7-day fixed	5.13	9.50	9.38	6.06	6.44	6.55	5.81	5.38	5.19	5.06	5.13
one month	5.69	10.06	9.75	6.31	6.63	6.94	6.31	6.63	5.38	4.94	5.38
three months	5.88	10.13	10.19	6.94	7.31	7.88	6.81	7.00	5.81	5.25	5.56
six months	6.19	10.13	10.19	7.94	8.31	8.69	7.13	7.69	6.63	5.88	6.31
twelve months	6.38	9.56	9.75	8.38	8.69	8.81	8.06	8.06	7.19	6.69	6.88

Commercial bank deposit rates

at or near end of month

	1972	1973	1974	1975						1976	
	Dec	Dec	Dec	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
United States	5.63	9.25	9.25	6.75	7.00	7.13	6.38	6.25	5.50	5.00	5.13
Canada	5.13	8.50	9.25	7.50	8.00	8.75	8.75	8.75	8.75	9.00	9.00
Japan	3.75	4.25	5.50	5.50	5.50	5.50	5.50	4.50	4.50	4.50	4.50
Australia	3.90	9.00	8.50	8.50	8.50	8.25	7.50	7.50	7.25	7.00	7.00
United Kingdom	8.81	15.25	12.25	10.38	10.38	11.31	11.50	11.19	10.50	9.44	8.75
Belgium	5.75	10.25	11.55	6.25	5.88	6.13	6.25	6.38	6.13	7.13	7.63
France	6.75	10.00	11.00	7.75	7.75	7.50	7.50	7.50	7.00	6.50	7.25
Germany	7.25	11.50	8.00	4.00	4.00	3.50	4.00	4.50	4.20	3.50	3.50
Italy	4.00	4.00	14.50	9.00	9.50	8.50	9.00	9.00	9.00	9.25	9.25
Netherlands	4.75	13.75	8.50	3.38	3.75	4.50	5.38	5.50	5.63	5.13	3.25
Denmark	6.00	8.00	9.00	7.00	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Norway	3.00	3.00	3.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Spain	2.50	3.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Sweden	4.75	4.75	6.75	6.75	5.75	5.75	5.75	5.75	5.75	5.25	5.25
Switzerland	4.00	5.50	6.00	3.00	2.50	2.50	2.50	2.50	2.50	1.00	1.50
Brazil	n.a.	24.00	27.00	29.00	29.00	29.00	29.00	32.00	32.63	27.60	n.a.
Mexico	n.a.	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
Philippines	6.50	6.50	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.50	8.50
Singapore	5.00	6.50	7.50	3.94	4.00	4.50	4.25	4.38	4.69	4.94	4.81
South Africa	5.25	5.50	8.00	7.00	7.00	7.00	7.50	7.50	7.50	8.00	8.00
Venezuela	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Euro-dollars	5.88	10.13	10.19	6.94	7.31	7.88	6.81	7.00	5.81	5.25	5.56

Commercial bank lending rates to prime borrowers

at or near end of month

	1972	1973	1974	1975						1976	
	Dec	Dec	Dec	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
United States	5.75	9.75	10.25	7.50	7.75	8.00	7.75	7.25	7.25	6.75	6.75
Canada	6.00	9.50	11.00	9.00	9.00	9.75	9.75	9.75	9.75	9.75	9.75
Japan	6.33	7.91	9.55	9.16	9.05	8.90	8.78	8.64	8.38	8.23	8.18
Australia	7.25	9.00	11.75	11.75	11.75	11.75	11.75	11.75	11.75	11.75	11.25
United Kingdom	8.50	14.00	13.00	10.50	11.00	11.00	12.00	12.00	12.00	11.50	10.50
Belgium	6.25	10.00	13.00	9.00	8.50	8.50	8.50	8.50	8.50	8.50	8.75
France	9.15	12.45	14.45	11.85	11.85	10.85	10.85	10.85	10.85	10.65	10.65
Germany	8.50	14.00	11.00	8.25	7.50	7.00	7.00	7.00	7.00	7.00	6.75
Italy	7.00	9.50	19.50	14.00	14.00	12.00	12.00	11.00	11.00	11.00	13.00
Netherlands	6.00	11.00	10.50	8.50	8.00	7.00	7.00	7.00	7.00	7.00	6.00
Denmark	9.00	11.00	13.00	11.00	11.00	10.50	10.50	10.50	10.50	10.50	10.50
Norway	7.50	7.50	7.83	8.33	8.33	8.33	8.33	8.33	8.33	8.33	8.33
Spain	7.00	8.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Sweden	7.75	7.75	10.00	10.00	9.00	9.00	9.00	9.00	9.00	8.50	8.50
Switzerland	7.00	7.25	8.50	8.50	8.25	8.25	8.00	7.75	7.50	7.75	7.75
Brazil	18.20	16.80	16.80	16.80	16.80	16.80	16.80	16.80	16.80	16.80	n.a.
Mexico	12.50	13.50	14.00	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50
Philippines	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00
Singapore	7.50	9.00	10.25	7.25	7.00	7.00	6.95	6.95	7.08	7.15	7.32
South Africa	8.50	8.00	10.50	11.00	11.50	11.50	11.50	12.00	12.00	12.00	12.00
Venezuela	10.00	10.00	10.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
Euro-dollars	6.63	10.75	11.32	8.07	8.44	9.00	7.94	8.13	6.94	6.38	6.69

Domestic government bond yields

long-term issues, at or near end of month

	1972	1973	1974	1975						1976	
	Dec	Dec	Dec	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
United States	5.95	7.35	8.13	8.35	8.41	8.52	8.15	8.30	8.05	7.99	7.92
Canada	7.12	7.71	8.64	9.34	9.39	9.87	9.35	9.58	9.49	9.29	9.27
Japan	6.39	7.79	9.96	9.36	9.49	9.39	9.36	9.00	9.01	8.51	8.62
Australia	6.00	8.50	9.50	10.00	10.00	10.00	10.00	10.00	10.00	10.20	10.20
United Kingdom	9.75	11.39	16.27	13.00	12.67	13.21	13.96	14.03	13.71	12.21	12.73
Belgium	7.21	7.79	8.79	8.07	8.21	8.41	8.50	8.53	8.72	8.80	8.80
France	8.03	9.29	11.21	10.20	10.03	10.10	10.15	10.19	10.18	10.16	10.16
Germany	8.48	9.49	9.73	8.63	8.92	8.82	8.86	8.82	8.73	8.29	7.85
Italy	7.57	7.60	12.65	11.50	11.43	11.51	11.55	11.46	11.37	11.40	11.82
Netherlands	7.50	9.01	9.09	8.75	8.94	8.83	8.97	8.87	8.61	8.47	8.25
Denmark	10.73	12.70	14.36	12.03	12.48	11.90	12.14	12.39	12.57	12.99	13.26
Norway	6.13	6.20	7.26	7.27	7.28	7.30	7.28	7.28	7.29	7.31	7.32
Sweden	7.34	7.37	8.17	9.05	9.08	9.11	9.13	9.14	9.15	9.19	n.a.
Switzerland	5.25	6.31	7.17	6.45	6.32	6.17	6.08	6.00	5.81	5.35	5.29
Brazil	22.00	19.44	38.69	51.98	38.47	37.57	38.67	33.01	33.30	37.13	n.a.
Philippines	n.a.	n.a.	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Venezuela	8.14	8.09	7.70	7.46	7.33	7.31	7.17	7.04	7.02	6.93	n.a.

Domestic corporate bond yields

long-term issues, at or near end of month

	1972	1973	1974	1975						1976	
	Dec	Dec	Dec	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
United States	7.15	7.75	9.25	8.95	9.20	9.30	8.65	9.00	8.55	8.40	8.35
Canada	8.15	8.81	10.72	10.93	10.94	11.40	11.15	11.15	11.06	10.75	10.69
Japan	6.75	10.73	11.82	9.64	9.55	9.64	9.65	9.64	9.39	8.75	8.59
Australia	8.00	10.25	13.50	13.75	13.50	13.50	13.25	13.25	12.50	12.50	12.50
United Kingdom	10.40	13.56	19.50	15.47	15.44	15.29	16.08	16.01	14.90	14.57	14.62
Belgium	7.74	8.39	11.00	9.57	9.94	9.98	10.38	10.28	10.24	10.29	10.32
France	8.30	9.81	11.90	10.87	10.83	10.79	10.76	10.82	10.85	10.74	10.68
Germany	8.58	10.33	10.09	8.87	8.93	9.01	9.06	8.80	8.63	8.44	8.22
Italy	8.67	8.58	14.41	n.a.	11.42	11.60	11.81	11.96	11.94	12.17	12.39
Netherlands	7.63	9.64	9.55	8.54	8.67	8.97	8.92	8.66	8.52	8.31	8.02
Norway	6.29	6.30	7.56	7.74	7.78	7.67	7.77	7.77	7.73	7.69	7.72
Spain	8.33	9.04	11.64	11.39	11.59	11.51	11.10	11.09	10.99	11.07	n.a.
Sweden	7.28	7.26	8.05	9.10	9.13	9.13	9.15	9.17	9.14	9.18	9.19
Switzerland	5.47	6.55	7.95	7.29	7.28	7.36	7.36	7.26	7.08	6.39	6.30
Mexico	11.22	n.a.	14.73	12.77	12.59	13.33	12.68	12.68	13.02	13.04	13.00
Venezuela	10.13	10.09	10.61	10.38	10.08	10.05	10.16	10.25	10.18	10.22	10.32

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