urgently try to patch together some time-buying arrangement behind the scenes.

Indeed, bond traders document that since approximately early March, the Bank of Japan and private Japanese buyers of U.S. Treasury securities have not been seen in the New York bond markets. In 1995, the Bank of Japan was the largest single buyer of U.S. Treasury securities as they tried aggressively to push the inflated yen down from its postwar high of 79 yen to the dollar. By the March 31 end of Japan's fiscal year, those U.S. Treasury purchases had brought the yen to its present range of 107-109 yen to the dollar, a decline of 38% to a level where Japan's industrial exports again were competitive on the world market, at which point the Japanese ceased buying.

According to reliable bond market sources, this absence of major Japanese support for the U.S. bond market is a crucial reason for the alarming collapse of the U.S. bond market since February. Interest rates on U.S. 30-year bonds have risen well over 7%, a huge rise of 1.3% since January. Rising bond interest rates reflect the lack of Japanese as well as other buyers in recent months.

In this precarious situation, reportedly, the Federal Reserve has been forced to step in covertly numerous times in recent weeks, to act, in the words of one bond broker, "as buyer of last resort," to prevent a further debacle in bond prices.

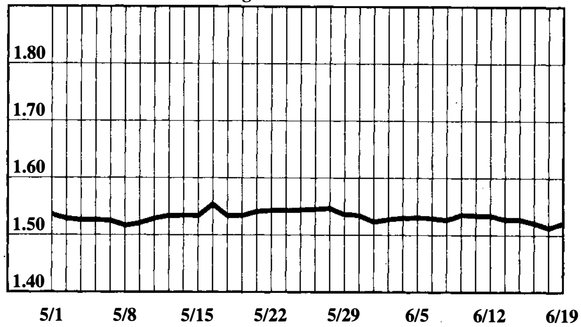
The aim has been, according to these accounts, to cap the rise in interest rates below the danger level. "If U.S. interest on 30-year bonds were to go above 7.5%," noted S.J. Lewis of London Bond Brokers Ltd. in a recent discussion with *EIR*, "that would be the trigger, all else being equal, for a substantial crash in the overvalued U.S. stock market. The Fed is concerned to prevent this at all costs."

At the same time, the financial structures in the European Union, especially in France, are more fragile than ever before in the postwar period. France's largest bank, the state-owned Crédit Lyonnais, which only a year ago got a FF 135 billion (roughly $27 billion) state bailout to avoid collapse, recently announced it was having problems servicing its debt, and is reportedly frantically trying to devise a new bailout scheme to keep afloat. France's huge, partly state-owned real estate mortgage bank, Crédit Foncier, just announced record losses, and France's large bank, Paribas, is in serious trouble, with a huge amount of defaulted real estate from the 1980s Paris real estate speculative boom which since collapsed.

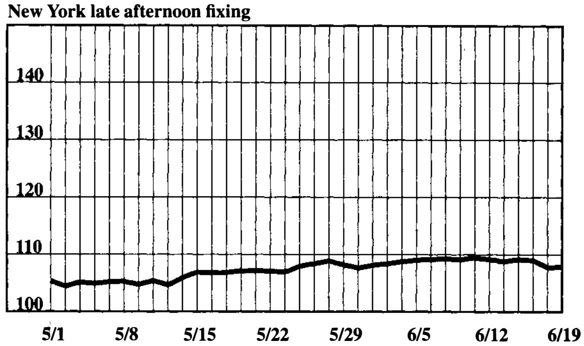
"Taking the latest Japanese decision to accelerate reflation, the recent Federal Reserve reflation moves, even if so far disguised so as not to trigger panic, and given the fragility of the economic and banking problems in western Europe," Lewis concluded, "it is clearly the case that a main focus of discussion at the June 10 BIS central bankers closed-door meeting, was coordinated global reflation." This is a more appropriate context to consider the otherwise inexplicable Sumitomo affair.

# Currency Rates

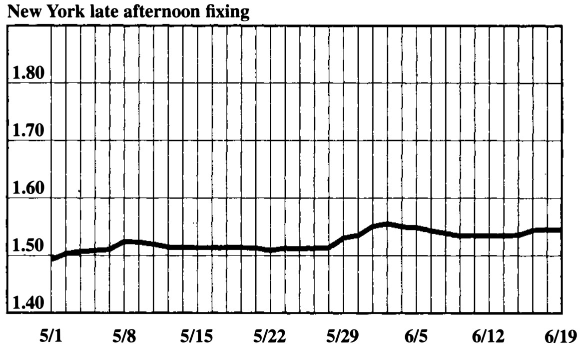
### The dollar in deutschemarks
**New York late afternoon fixing**




### The dollar in yen
**New York late afternoon fixing**




### The British pound in dollars
**New York late afternoon fixing**




### The dollar in Swiss francs
**New York late afternoon fixing**