

H.14

February 29, 1960.

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

(Including Monthly Review of Sources and Uses of Funds
of Financial Intermediaries in the United States)

I - United States

During the week ending February 26, corporations sold large issues totaling \$60 million and State and local governments sold issues with aggregate proceeds of \$75 million. A long-term issue for \$150 million was also sold by Federal National Mortgage Association. The calendar for this week includes large corporate offerings for \$35 million and State and local government issues totaling \$102 million. A Canadian issue for \$35 million is also scheduled for sale.

Bond yields - Changes in yields on outstanding bonds were mixed last week. Yields on U. S. Government and State and local government obligations increased, while those for high-grade corporate bonds were stable, and yields on lower grade corporate bonds declined.

Two new Aa-rated, first mortgage electric utility issues were offered to investors last week, one to yield 5.08 per cent and the other 5.10 per cent. These yields are about 20 basis points below that for the last comparable issue, an offering made in early December.

FNMA secondary market operations - Operations in the secondary mortgage markets by the Federal National Mortgage Association in January continued to reflect pressures in mortgage markets. Offerings to, and purchases by, FNMA continued in large volume and there were no sales of mortgages by the Association.

March security volume - New public security financing for both corporations and State and local governments is expected to continue moderate in March. The volume of corporate security financing is currently estimated at \$700 million, one-sixth larger than the volume in February and one-tenth larger than in March last year. Large public issues are expected to total about \$300 million. New financing of \$700 million in March would bring the first quarter new issue total to \$2.0 billion, one-tenth less than the volume in the first quarter last year.

State and local government security financing is expected to total \$600 million in March, including a \$100 million issue by the State of California which is expected to be sold next week. This volume would be about one-tenth larger than the February total, but one-twelfth below the volume last March. For the first quarter of this year, State and local government bond issues are estimated at \$1.9 billion, one-seventh less than the volume in the first quarter of 1959.

Stock prices - Stock prices, as measured by Standard and Poor's index of 500 common stocks, showed little net change last week, closing at 56.16 on February 26. Trading activity declined somewhat with volume averaging 3.2 million shares a day.

Institutional investors - In December, share capital at savings and loan associations increased one-tenth more than a year earlier, while both life insurance company assets and mutual savings bank deposits increased one-fifth less. The investment pattern of these institutions showed little change in December from that of other recent months as holdings of mortgages generally continued to increase rapidly and growth in holdings of business securities was smaller than a year earlier.

For the year 1959, the savings inflow to these three major types of savings institutions--life insurance companies, savings and loan associations and mutual savings banks--was 6 per cent smaller than in the previous year. The decline in the growth of deposits at mutual savings banks was particularly sharp. (Time and savings deposits at commercial banks also increased much less than in 1958.) The decline in growth of life insurance assets was small, while share capital at savings and loan associations increased somewhat more than a year earlier.

The increase in life insurance company assets in 1959 amounted to \$6.0 billion, 4 per cent smaller than in 1958, but larger than in most other recent years. (Part of this decline probably reflects the less rapid increase in stock prices in 1959 than in 1958.) There was net liquidation of U. S. Government securities, principally in holdings of bills and savings bonds, during 1959 in contrast with an increase in holdings in 1958. The liquidation was smaller, however, than during the years 1953 through 1957. After March, acquisitions of mortgages were larger in each month last year than in the corresponding month a year earlier with the total for the year being more than one-fifth larger. (The growth in mortgage holdings had been smaller in 1958 than in other recent years.) In contrast, these companies acquired business securities in smaller volume in the last half of 1959 than in 1958 and for the year the increase in such holdings was 5 per cent smaller than a year earlier. Net acquisitions of State and local government securities was much larger last year than a year earlier.

The net increase in share capital at savings and loan associations was a record \$6.6 billion last year, 8 per cent larger than in 1958. These associations also increased their indebtedness to Home Loan Banks by a record amount--\$637 million and drew down their cash substantially. This increase in funds enabled these associations to increase their holdings of mortgages by \$7.5 billion. This was a record increase and one-third larger than in 1958. However, net acquisition of mortgages slowed in November and December to a rate less than in the comparable months of 1958. Growth in holdings of U. S. Government securities was about the same in 1959 as it had been in 1958.

Sources and Uses of Funds of Major Types of Savings Institutions 1/

1953-1959

(In millions of dollars)

Year	Uses of funds						Sources of funds			
	Cash	U. S. Govt. securities	Business securities	Mortgages	State & local govt. sec.	Other assets	Total sources or uses	Net change in deposits or savings capital	Borrowing	Other
Life Insurance Companies										
1959	-36	-334	2,365	2,207	486	1,358	6,046	--	--	--
1958	69	154	2,479	1,821	314	1,434	6,271	--	--	--
1957	14	-526	2,495	2,241	124	950	5,298	--	--	--
1956	18	-1,026	1,972	3,569	236	808	5,577	--	--	--
1955	55	-476	2,126	3,497	165	832	6,199	--	--	--
1954	5	-746	2,280	2,653	555	1,120	5,867	--	--	--
1953	80	-428	2,792	2,030	152	541	5,167	--	--	--
Savings and Loan Associations										
1959	-396	652	--	7,460	n.a.	617	8,333	6,572	940	821
1958	439	646	--	5,578	n.a.	338	7,001	6,064	65	872
1957	27	391	--	4,278	n.a.	571	5,263	4,764	32	467
1956	52	440	--	4,268	n.a.	408	5,156	4,956	-211	411
1955	92	325	--	5,300	n.a.	320	6,023	4,890	745	388
1954	492	93	--	4,146	n.a.	172	4,900	4,406	-77	571
1953	190	133	--	3,566	n.a.	189	4,073	3,651	83	339
Mutual Savings Banks										
1959	-62	-349	-106	1,855	23	109	1,470	1,228	--	242
1958	31	-266	642	2,088	43	94	2,611	2,346	--	265
1957	-30	-419	808	1,422	13	63	1,857	1,663	--	194
1956	-45	-489	177	2,284	32	78	2,037	1,845	--	192
1955	-61	-288	-178	2,429	37	57	1,998	1,828	--	170
1954	43	-436	230	2,050	193	68	2,146	1,961	--	185
1953	65	-238	388	1,556	82	44	1,897	1,777	--	120

r/ Revised.

n.a.--Not available.

1/ For description of data see Exhibits J, K and L.

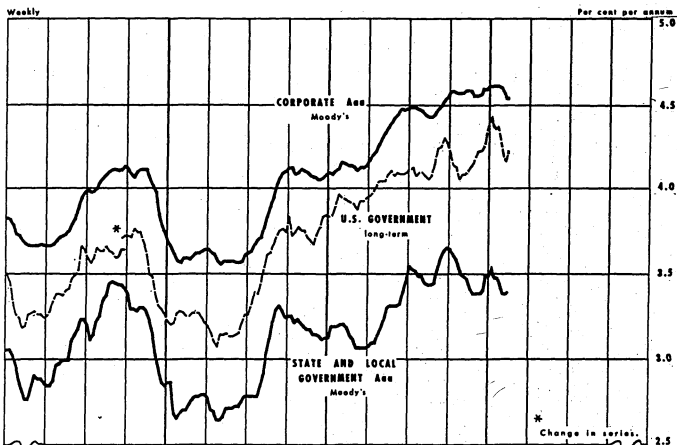
Although deposits at mutual savings banks rose during most months, the rate of growth was smaller than in corresponding months of 1958. For 1959 as a whole, the net increase in deposits totaled \$1.2 billion, nearly one-half less than a year earlier and the smallest increase since 1951. Net acquisition of mortgages was one-tenth smaller than in 1958. Early in the year acquisitions were larger than in comparable months of 1958 and even when the rate of growth became less than that of a year earlier, acquisitions continued to be substantial. There was a net liquidation of business securities generally throughout 1959 with the decline for the year totaling \$106 million as compared with a net acquisition of \$642 million in 1958. There was also a net liquidation of U. S. Government securities as in other recent years.

More detailed information concerning recent capital market developments is presented in the attached exhibits.

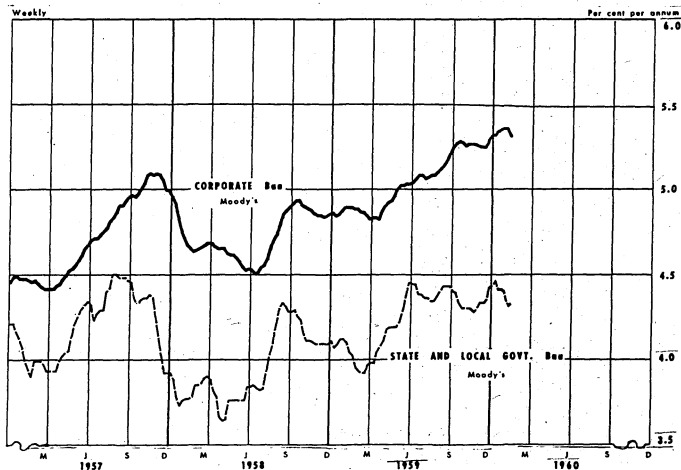
Developments in the Canadian capital markets are presented in Part II at the end of this report.

Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

HIGH-GRADE BOND YIELDS



LOWER-GRADE BOND YIELDS



High-grade Bond Yields

Date	Corporate Aaa 1/	U. S. Govt. long-term 2/	State and local govt. Aaa 3/	Spread between U. S. Govt. and	
				Corporate Aaa	State and local Aaa
(Per cent)					
1954 - Low	2.85 (4/23)	2.45 (8/6)	1.90 (9/2)	.30	.30
1957 - High	4.14 (9/27)	3.76 (10/18)	3.45 (8/29)	.60	.47
1958 - Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.22	.34
1959 - High	4.61 (12/31)	4.37 (12/31)	3.65 (9/24)	.50	.92
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.53
1960 - High	4.61 (1/29)	4.42 (1/8)	3.53 (1/7)	.38	.89
Low	4.54 (2/26)	4.16 (2/19)	3.38 (2/18)	.19	.78
Jan. 29	4.61	4.36	3.47	.25	.89
Feb. 5	4.60	4.29	3.43	.31	.86
Feb. 12	4.57	4.20	3.38	.37	.82
Feb. 19	4.54	4.16	3.38	.38	.78
Feb. 26 p/	4.54	4.22	3.39	.32	.83

Lower-grade Bond Yields

Date	Corporate Baa 1/	State and local govt. Baa 3/	Spread between Aaa and Baa	
			Corporate	State and local govt.
	(Per cent)			
1954 - Low	3.44 (12/31)	2.93 (8/5)	.52	.96
1957 - High	5.10 (11/29)	4.51 (8/29)	1.27	1.21
1958 - Low	4.51 (7/11)	3.64 (5/1)	.77	.93
1959 - High	5.32 (12/31)	4.46 (7/2)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.79
1960 - High	5.36 (2/12)	4.46 (1/7)	.79	.97
Low	5.31 (2/26)	4.31 (2/18)	.71	.93
Jan. 29	5.36	4.41	.75	.94
Feb. 5	5.36	4.40	.76	.97
Feb. 12	5.36	4.35	.79	.97
Feb. 19	5.33	4.31	.78	.93
Feb. 26 p/	5.31	4.32	.77	.93

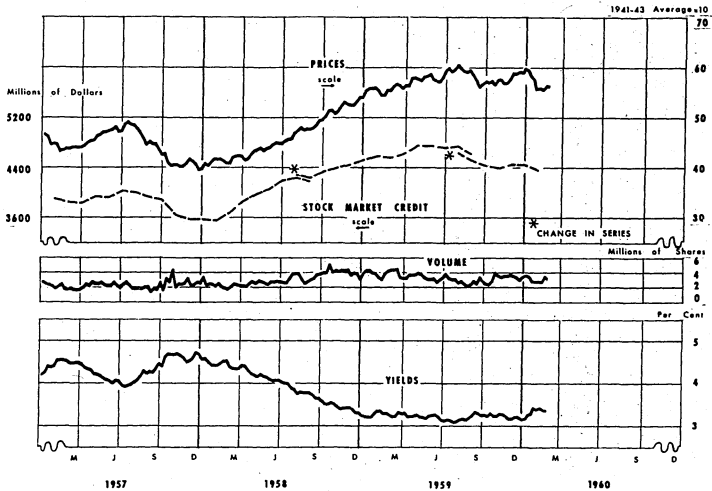
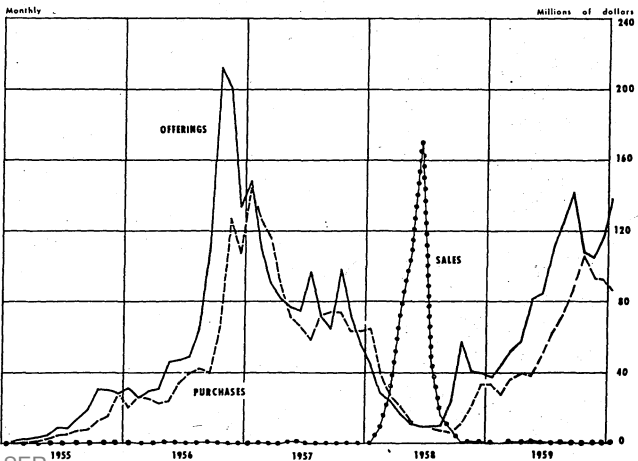
p/ Preliminary.

1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

3/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

Note.--Highs and lows are for individual series and may be on different dates for different series.

STOCK MARKET
FEDERAL NATIONAL MORTGAGE ASSOCIATION
SECONDARY MARKET OPERATIONS


Stock Market

Date	Stock price index 1/	Common stock yields 2/ (per cent)	Trading volume 3/ (millions of shares)	Stock market customer credit		
				Total	Customers' debit bal- ances 4/	Bank loans to "others" 5/
(Millions of dollars)						
1957-1959 - High Low	60.51 (7/31/59)	3.07	4.3	4,764	3,401	1,373
	39.78 (12/27/57)	4.66	1.4	3,554	2,482	1,060
1960 - High Low	59.50 (1/8)	3.18	3.6	n.a.	n.a.	n.a.
	55.46 (2/12)	3.41	2.7	n.a.	n.a.	n.a.
December	59.06	3.18	3.3	4,454	3,280	1,174
January	58.03	3.28	3.2	4,365	3,198	1,167
Feb. 12	55.46	3.41	2.7	n.a.	n.a.	1,151
Feb. 19	56.24	3.37	3.5	n.a.	n.a.	1,145
Feb. 26 p/	56.16	3.37	3.2	n.a.	n.a.	n.a.

n.a.--Not available. p/ Preliminary.

1/ Standard and Poor's composite index of 500 common stocks, weekly closing prices, 1941-43=10. Monthly data are averages of daily figures rather than of Fridays' only. Highs and lows are for Fridays' data only.

2/ Standard and Poor's composite stock yield based on Wednesday data converted to weekly closing prices by Federal Reserve. Yields shown are for dates on which price index reached its high or low.

3/ Averages of daily trading volume on the New York Stock Exchange.

4/ End of month figures for member firms of the New York Stock Exchange which carry margin accounts; excludes balances secured by U. S. Government obligations.

5/ Wednesday figures for weekly reporting member banks. Excludes loans for purchasing or carrying U. S. Government securities. Prior to July 1, 1959, such loans are excluded only at banks in New York and Chicago. Weekly reporting banks account for about 70 per cent of loans to others. For further detail see Bulletin.

Federal National Mortgage Association Secondary Market Operations 1/

Date	Estimated Offerings to FNMA			Purchases by FNMA	Sales by FNMA
	Total	Immediate purchase	Standby commitment		
(Millions of dollars)					
1959 - Jan.	₹/37.6	33.9	₹/3.7	33.7	.3
Feb.	44.4	41.2	3.2	27.6	*
Mar.	52.4	49.8	2.6	36.5	.8
Apr.	57.8	50.1	7.7	39.6	*
May	80.6	73.4	7.2	38.3	1.1
June	84.4	76.6	7.8	49.4	.6
July	109.5	92.5	17.1	62.3	.3
Aug.	123.1	₹/109.9	13.3	71.7	.3
Sept.	141.3	134.8	6.5	85.4	--
Oct.	₹/108.3	₹/101.8	6.5	105.5	--
Nov.	₹/105.6	₹/100.3	5.3	92.6	*
Dec.	₹/116.3	₹/111.4	4.9	92.2	*
1960 - Jan.	137.9	128.6	9.3	86.1	--

*--Less than \$50,000.

1/ Data represent unpaid principal balances of the mortgages involved, exclusive of premiums, discounts, or other charges. Offerings are amounts of applications received during the period from sellers proposing that FNMA execute purchasing contracts. An immediate purchase contract covers existing mortgages which the seller must deliver to FNMA within 45 days. A standby commitment contract relates to proposed mortgages, on housing not yet under construction, which the seller must deliver within one year. Purchases include those under both immediate purchase and standby commitment contracts. Data exclude FNMA activity under Special Assistance and Management and Liquidating Programs.

**Long-term Corporate and State and Local Government
Security Offerings and Placements**

(In millions of dollars)

	New capital					
	Corporate 1/			State and local 2/		
	1960	1959	1958	1960	1959	1958
January	e/700	840	728	e/700	638	812
February	e/600	745	857	e/550	858	953
March	e/700	631	1,553 ^{2/}	e/600	646	511
April		899	1,140		931	798
May		791	597		593	895
June		874	887		1,006	551
July		531	1,107		567	806
August		718	540		514	403
September		709	1,114		468	651
October		887	862		593	456
November		865	518		513	474
December		936	920		p/444	435
1st quarter	e/2,000	2,216	3,139	e/1,850	2,142	2,276
2nd quarter		2,564	2,623		2,531	2,244
3rd quarter		1,958	2,760		1,549	1,860
4th quarter		2,688	2,300		p/1,550	1,365
1st half		4,780	5,762		4,673	4,520
Three quarters		6,738	8,522		6,223	6,380
Year		9,427	10,823		p/7,773	7,746
Excluding finance companies 4/						
1st quarter	e/1,600	2,011	2,899			
2nd quarter		2,409	2,586			
3rd quarter		1,695	2,731			
4th quarter		e/2,538	2,213			
Year		e/8,654	10,429			

e/ Estimated.

p/ Preliminary.

1/ Securities and Exchange Commission estimates of net proceeds.

2/ Investment Bankers Association of America estimates of principal amounts.

3/ Includes \$718.3 million AT&T convertible debenture issue.

4/ Total new capital issues excluding offerings of sales and consumer finance companies.

Other Security Offerings 1/

(In millions of dollars)

	Long-term					
	Foreign government 2/			Federal agency 3/		
	1960	1959	1958	1960	1959	1958
January		77	196		199	1,163
February		59	53		--	251
March		2	--		175	--
April		56	139		--	523
May		50	198		--	--
June		42	120		--	--
July		85	9		--	164
August		1	5		98	--
September		36	17		150	--
October		33	58		--	220
November		42	123		--	--
December		70	74		86	--
Year		558	992		707	2,321
	Short-term					
	State and local government 4/			Federal agency 3/		
	1960	1959	1958	1960	1959	1958
January		190	233	479	359	371
February		428	460		500	208
March		295	273		489	144
April		563	357		486	209
May		411	354		675	161
June		245	264		289	329
July		246	289		727	437
August		467	423		365	206
September		399	369		665	330
October		235	231		733	454
November		343	415		471	114
December		306	243		288	137
Year		4,127	3,910		6,047	3,098

2/ Preliminary.

3/ Data presented in this exhibit differ from those in Exhibit E in that refunding issues, as well as new capital issues, are included. Long-term securities are defined as those maturing in more than one year.

4/ Includes securities offered in the United States by foreign governments and their subdivisions and by international organizations. Source: Securities and Exchange Commission.

5/ Issues not guaranteed by the U. S. Government. Source: long-term, Securities and Exchange Commission; short-term, Federal Reserve.

6/ Principally tax and bond anticipation notes, warrants or certificates and Public Housing Authority notes. In some instances PHA notes included may have a somewhat longer term than one year. Source: Bond Buyer.

Large Long-term Public Security Issues for New Capital
(Other than U. S. Treasury) 1/

Proceeds of Large Issues Offered

(Millions of dollars)

Month	Corporate	State and local government	Other <u>2/</u>
1959 - January	369	335	174
February	340	551	35
March	215	369	176
April	359	563	20
May	342	258	50
June	284	635	60
July	110	194	50
August	363	263	98
September	199	214	175
October	400	294	20
November	421	163	--
December	230	217	70
1960 - January	279	388	100

Large Individual Issues Offered February 1 through 26

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Consolidated Nat. Gas Co.	Deb.	25.0	1985	5	4.95	Aaa
Pacific Tel. & Tel. Co.	Deb.	72.0	1993	5 1/8	5.05	Aaa
Tenn. Gas Transm. Co.	Com. stk.	55.2				
Duke Power Co.	1st ref.mtg.bds.	50.0	1990	5 1/8	4.97	Aaa
Duquesne Light Co.	S.F. deb.	20.0	2010	5	4.95	Aa
Brooklyn Union Gas Co.	Pfd. stk.	15.0				
Dayton Power & Light Co.	1st mtg. bds.	25.0	1990	5 1/8	5.10	Aa
<u>STATE AND LOCAL GOVERNMENT</u>						
Milwaukee Co., Wisc.	G.O.	12.5 ^{4/}	1961-80	3.19	2.65-3.25	Aaa
New York, New York	G.O.	22.0	1961-65	3.35	2.85-3.35	A
Wash. Sub. Sanit. Dist., Md.	G.O.	10.0	1961-90/75	3.77	3.00-4.50	Baa
Public Housing Authorities	G.O.	102.8	1961-2000/76	3.82	2.60-3.90	Aaa
Dallas, Texas	G.O.	10.0	1961-80	3.44	2.70-3.50	A
Dallas, Texas	Rev.-Ut.	8.0	1961-80	3.43	2.70-3.50	Aa
Port of New York Authority	Rev.-Ut.	30.0	1961-80/69	3.66	2.80-3.70 ^{2/}	A

Large Individual Issues Offered February 1 through 26 (Cont'd)

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)						
St. Louis, Missouri	G.O.	12.4	1962-80	3.29	2.75-3.35	Aa
Los Angeles Co., Calif.	G.O.	18.3	1962-79	3.84	2.90-3.85	Aa
Cuyahoga Co., Ohio	G.O.	10.5	1961-80	3.41	2.65-3.50	Aa
Alabama Bd. of Educ.	Rev.-S.T.	20.0	1961-80/65	3.75	2.80-3.80	Aa
Elizabeth River Tunnel Comm., Va.	Rev.-Ut.	26.0	2000	4.62	4.50	--
<u>OTHER</u>						
Prov. of New Brunswick, Canada	S.F. deb.	15.0	1985	5 3/8	5.40	A
Montreal Metro.Corp., Can.	S.F. deb.	30.0	1985	5 5/8	5.70	A
International Bank for Reconstruction and Development	Bds.	125.0	1985	5	5.00	Aaa
Fed. Natl. Mtge. Assn.	Deb.	150.0	1962	4 7/8	4.98	--

1/ Includes corporate and other security offerings of \$15 million and over; State and local government security offerings of \$10 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.

3/ In the case of State and local government securities, G.O. denotes general obligations; Rev.-Ut., revenue obligations secured only by income from public utilities; Rev.-Q.Ut., revenue bonds secured only by revenue from quasi-utilities; Rev.-S.T., revenue bonds secured by revenue from specific taxes only; Rev.-Rent., revenue bonds secured solely by lease payments.

4/ \$1.3 million of bonds of 1961 to 1970 not reoffered.

5/ 1 per cent of 1980 not reoffered.

Forthcoming Large Long-term Public Security Offerings for New Capital
(Other than U. S. Treasury) 1/

Expected Proceeds from Forthcoming Large Issues

Date of computation	During month following date shown			Subsequent to date shown		
	Corporate	State and local govt.	Other 2/	Corporate	State and local govt.	Other 2/
1959 - Feb. 27	198	292	--	279	481	--
Mar. 31	396	550	20	476	761	20
Apr. 30	246	254	50	346	517	50
May 29	287	247	--	332	761	--
June 30	165	146	50	272	500	50
July 31	238	356	--	305	406	--
Aug. 31	198	385	25	517	402	25
Sept. 30	374	270	--	694	470	--
Oct. 30	385	115	--	509	336	--
Nov. 30	226	295	70	271	485	70
Dec. 31	210	445	30	280	545	30
1960 - Jan. 29	207	210	45	252	310	45
Feb. 29	301	255	35	372	385	35

Forthcoming Large Offerings, as of February 26

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
*States Steamship Co.	Ins. bds.	20.2	Mar. 2
Imperial Investment Co., Ltd.	Coll. tr. bds.	15.0	Mar. 3
General Motors Acceptance Corp.	Deb.	100.0	Mar. 10
*General Telephone Co. of Fla.	1st mtg. bds.	15.0	Mar. 11
Mid-American Pipeline Co.	Sub. deb. & stk.	20.5	Mar. 16
Chesapeake & Potomac Telephone Co.	Deb.	25.0	Mar. 16
Northern Indiana Public Service Co.	1st mtg. bds.	15.0	Mar. 16
Louisiana Power & Light Co.	1st mtg. bds.	20.0	Mar. 30
*Coastal States Gas Producing Co.	S.F. deb.	20.0	Mar.
*General Telephone & Electronics Corp.	Com. stk.	50.0	Mar.
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
Kratter Corp.	Pfd. stk.	26.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
Grand Rapids Expressway, Mich.	Rev.-S.T.	18.0	Mar. 1
Newark, New Jersey	G.O.	15.0	Mar. 1
New York State Thruway Auth.	G.O.	50.0	Mar. 3
Dade Co. Port Authority	Rev.-Ut.	19.2	Mar. 3
*State of Louisiana	G.O.	15.0	Mar. 7

Forthcoming Large Offerings, as of February 26 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Cook Co., Illinois	Rev.-S.T.	25.0	Mar. 8
*State of Delaware	G.O.	12.4	Mar. 8
State of California	G.O.	100.0	Mar. 9
Ventura Port Dist., Calif.	Rev.-Ut.	10.0	Mar.
*Triborough Bridge & Tunnel Auth.	Rev.-Ut.	100.0	April
*Jacksonville, Fla.	Rev.-Ut.	30.0	May 10
<u>OTHER</u>			
Metropolitan Toronto, Canada	Deb.	34.5	Mar. 3

*--Included in table for first time.

1/ Includes corporate and other issues of \$15 million and over; State and local government issues of \$10 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.

Note.--Deletions for reasons other than sale of issue: None.

**Yields on New and Outstanding
Electric Power Bonds, Rated Aa and A 1/**

Date	Aa-rated offering yields		A-rated offering yields	
	Actual (per cent)	Amount above seasoned yields (basis points)	Actual (per cent)	Amount above seasoned yields (basis points)
1952 - 1958				
High	5.00 (9/14/57)	87	5.50 (11/7/57)	123
Low	2.93 (3/31/54)	-3	3.00 (3/17/54)	-15
1959 - January	4.63	37	4.75 ^{2/}	23
February	4.35 ^{2/}	4		
March	4.43 ^{2/}	10		
April	4.58 ^{2/}	17	4.67	18
May	4.97	37	5.01	25
June	4.95	29	5.01 ^{3/}	15
July 9			5.10	19
10	4.93	31		
15			5.10	19
30			5.00	13
Aug. 5	4.85	24		
20	4.80	22		
Sept. 18			5.65	60
Oct. 22	5.25 ^{2/}	46		
23	4.95 ^{2/}	16		
28	5.15	40	5.25	35
29			5.40	50
30	5.15	42		
Nov. 25	5.08	42		
Dec. 8	5.30	63		
9			5.45	51
10			5.44	50
1960 - Jan. 7			5.30 ^{2/}	28
Feb. 25	5.08	44		
26	5.10	46		

*--Single observation, not an average.

1/ Covers only 30-year first mortgage bonds, as reported in Moody's Bond Survey. Except where indicated, the actual yield figure and the amount above seasoned yields are averages of offerings during the indicated period and of the differences between these new offering yields and yields on seasoned issues of similar quality for the same day. Average maturity for the seasoned issues varies from 26 to 28 years.

2/ Provides for a 5-year period during which issue may not be called for refunding at a lower coupon rate. Monthly averages so marked include one or more issues with such a provision. Other issues have no such provision.

3/ Includes one issue which provides for a 7-year period during which the issue may not be called for refunding at a lower coupon rate.

Sources and Uses of Funds by
Life Insurance Companies

(In millions of dollars)

	Uses of Funds 1/						Total sources or uses
	Cash	U. S. Govt. secur- ities	Busi- ness secur- ities 2/	State and local govt. secur- ities	Mort- gages	Other	
Value of assets at end of period:							
1956 - Dec.	1,273	7,519	39,552	2,234	32,994	12,272	95,844
1957 - Dec.	1,294	7,028	42,133	2,377	35,271	13,206	101,309
1958 - Dec.	1,363	7,182	44,612	2,691	37,092	14,640	107,580
1959 - Dec.	1,327	6,848	46,977	3,177	39,299	15,998	113,626
Changes:							
1957 - Oct.	-17	13	244	13	170	6	429
Nov.	22	-92	212	10	132	110	394
Dec.	138	-181	258	10	237	7	469
1958 - Jan.	-102	166	229	50	176	139	658
Feb.	-41	16	158	12	137	76	358
Mar.	20	-124	244	24	142	103	409
Apr.	-18	14	216	14	115	39	380
May	81	-71	143	29	118	164	464
June	-24	45	201	34	102	148	506
July	22	172	191	24	128	45	582
Aug.	-18	44	129	37	139	154	485
Sept.	1	4	214	20	142	72	453
Oct.	-17	11	309	26	186	72	587
Nov.	55	19	137	32	145	88	476
Dec.	110	-142	308	12	291	334	913
1959 - Jan.	-81	303	188	53	119	-17	565
Feb.	-57	-71	223	30	139	174	438
Mar.	-14	-185	251	66	136	108	362
Apr.	-24	22	242	49	116	80	485
May	10	-16	193	79	135	97	498
June	3	11	242	23	157	60	496
July	-15	13	214	94	214	208	728
Aug.	19	95	75	30	174	101	494
Sept.	-31	-185	95	15	211	95	200
Oct.	22	-22	208	8	251	92	559
Nov.	33	-131	207	16	240	134	499
Dec.	99	-168	227	23	315	226	722

1/ Uses of funds represent net changes in assets and therefore reflect net, rather than gross, uses.

2/ Includes securities of domestic corporations only.

Source: Institute of Life Insurance.

Sources and Uses of Funds by
Savings and Loan Associations

(In millions of dollars)

	Uses of Funds 1/				Total sources or uses	Sources of Funds		
	Cash	U. S. Govt. secur- ities	Mort- gages 2/	Other assets		Net change savings capital	Borrow- ing 3/	Other
Value of Assets at End of Period								
1956 - Dec.	2,119	2,782	35,775	2,199	42,875	37,148	1,347	4,380
1957 - Dec.	2,146	3,173	40,049	2,770	48,138	41,912	1,379	4,847
1958 - Dec.	2,585	3,819	45,627	3,108	55,139	47,976	1,444	5,719
1959 - Dec.	2,189	4,471	53,087	3,725	63,472	54,548	2,384	6,540
Changes:								
1957 - Oct.	-18	-5	416	87	480	361	16	103
Nov.	86	23	278	60	447	378	10	59
Dec.	431	-65	253	-5	614	923	125	-434
1958 - Jan.	-118	45	197	10	134	453	-375	56
Feb.	173	-19	240	13	407	376	-128	159
Mar.	212	--	338	4	554	488	-89	155
Apr.	119	37	403	102	661	362	112	187
May	42	12	528	99	681	511	-29	199
June	178	81	573	-43	789	935	165	-311
July	-290	42	554	-90	216	73	-37	180
Aug.	-70	110	564	12	656	360	51	205
Sept.	-77	146	578	45	692	447	84	161
Oct.	-107	104	605	137	739	507	58	174
Nov.	42	51	470	102	665	480	41	144
Dec.	335	37	528	-53	847	1,072	212	-437
1959 - Jan.	-298	297	402	-55	346	434	-181	93
Feb.	-26	97	427	80	578	408	-56	226
Mar.	-2	76	593	98	765	529	-5	241
Apr.	-182	105	705	151	779	420	97	262
May	26	23	754	178	981	604	63	314
June	245	-4	840	10	1,091	1,090	313	-312
July	-432	104	783	-108	347	190	31	126
Aug.	-43	17	727	22	723	394	118	211
Sept.	-53	-7	670	65	675	444	148	83
Oct.	-68	7	621	88	648	399	136	113
Nov.	65	-34	459	140	630	483	57	90
Dec.	372	-29	479	-52	770	1,177	219	-626

p/ Preliminary.

1/ Uses of funds represent net changes in assets and therefore reflect net, rather than gross, uses. Savings and loan associations do not hold business securities and data on holdings of State and local government bonds, presumed to be small, are not available.

2/ Prior to 1957, data adjusted to include mortgage pledged shares as currently reported.

3/ Advances from Home Loan Banks and other borrowing.

Source: Federal Savings and Loan Insurance Corporation.

Sources and Uses of Funds by
Mutual Savings Banks

(In millions of dollars)

	Uses of Funds 1/						Sources of Funds		
	Cash	U. S. Govt. secur- ities	Busi- ness secur- ities 2/	State & local govt. secur- ities	Mort- gages	Other	Total sources or uses	Net change in deposits	Other
Value of assets at end of period:									
1956 - Dec.	920	7,971	3,523	669	19,529	698	33,311	30,032	3,279
1957 - Dec.	890	7,552	4,331	682	20,951	761	35,168	31,695	3,473
1958 - Dec.	921	7,266	4,973	725	23,039	855	37,779	34,041	3,738
1959 - Dec.	837	6,855	4,824	746	24,755	912	38,929	34,977	3,952
Changes:									
1957 - Oct.	-24	-136	60	-3	124	-41	-20	34	-54
Nov.	6	-136	93	7	100	38	108	36	72
Dec.	125	-26	75	-7	141	-9	299	405	-106
1958 - Jan.	-60	--	160	23	130	25	278	234	44
Feb.	63	-21	86	4	99	20	251	149	102
Mar.	36	41	86	6	165	9	343	336	7
Apr.	-47	-85	97	4	154	-29	94	93	1
May	-5	-62	120	-19	195	40	269	181	88
June	42	-36	-24	24	253	5	264	300	-36
July	-66	11	34	8	193	-28	152	88	64
Aug.	-5	19	8	2	198	29	251	143	108
Sept.	18	-27	34	2	181	29	237	267	-30
Oct.	-8	-92	-6	-3	195	-46	40	95	-55
Nov.	-38	-32	--	-1	151	43	123	42	81
Dec.	101	-2	47	-7	174	-3	309	418	-109
1959 - Jan. 3/	-96	119	-16	17	208	-58	175	122	53
Feb.	18	39	6	-4	125	32	216	113	103
Mar.	45	62	-31	41	175	38	330	313	17
Apr.	-114	-44	58	-33	155	-32	-10	6	-16
May	8	13	-20	10	161	45	217	120	97
June	43	-85	--	19	145	39	161	202	-41
July	-79	-13	-47	4	179	-12	32	-54	86
Aug.	3	-12	13	-1	156	33	192	80	112
Sept.	-2	-32	-2	8	160	31	163	197	-34
Oct.	-27	-281	-55	-20	137	-37	-283	-187	-96
Nov.	20	-85	-28	-8	124	42	65	-27	92
Dec.	119	-21	-2	--	119	-10	205	334	-129

1/ Uses of funds represent net changes in assets and therefore reflect, net rather than gross, uses.

2/ Includes Canadian government and political subdivisions, International Bank for Reconstruction and Development, nonguaranteed Federal agency and other bonds as well as corporate bonds and stocks.

3/ Adjusted to eliminate the effect of a consolidation of a large savings bank with a commercial bank.

Source: National Association of Mutual Savings Banks and Federal Deposit Insurance Corporation.

Part II - Canada

Treasury bill yields eased slightly in Canada last week but bond yields had a general upward tendency. Demand pressures from current and prospective offerings of bonds in the local government and corporate sectors produced a decline of about one point in bond prices. The declines in stock prices were resumed on the Toronto and Montreal exchanges.

Money market conditions. Treasury bill yields declined only fractionally last week. The yield on the 3-month bill eased from 4.62 per cent to 4.61 per cent and the rate on the 6-month bill fell from 4.92 per cent to 4.86 per cent (see Table). The chartered banks were substantial net buyers during the week but holdings of the public declined. The rate on day-to-day loans averaged 4.25 per cent for the week ending February 24 or about 0.15 per cent below the previous week's average.

The spread in favor of the Canadian 3-month bill compared with the United States bill was reduced to 0.44 per cent; this spread was virtually offset by the 0.36 per cent discount on the 3-month Canadian dollar (see Table).

Bond market developments. Bond yields moved up during the week in the government and private sectors of the bond market under pressures of local government and corporate demands. On Thursday, spreads between comparable Canadian and United States securities were (figures in parenthesis refer to the preceding week):

- 0.44 per cent on a 91-day bill (0.58)
- 0.51 per cent on a 182-day bill (0.61)
- 0.77 per cent on an 8-year bond (0.77)
- 1.05 per cent on a 20-year bond (1.05)
- 1.27 per cent on a 35-year bond (1.35)

In the government sector, bond yields moved up mostly about 5 basis points last week. The chartered banks continued to add to their bond holdings but the public reduced its holdings by an equivalent amount. There was no change in the Bank of Canada's net holding of bonds.

The local government and corporate sectors reported continuing new-issue activity. A \$6 million Newfoundland 6-1/4 per cent debenture offering will have a 10-year maturity priced to yield 6.49 per cent and a 20-year maturity priced to yield 6.52 per cent. A 6.04 per cent yield is reported on a \$7.5 million Saskatchewan bond. The one-to-five year maturities of a \$5 million 6-1/4 per cent serial issue of Hamilton, Ontario have been placed privately; the remaining \$4.3 million of six-to-twenty year maturities are being offered at a 6.31 per cent yield. A small public utility bond is offered to yield 7 per cent and a 20-year secured note of a smaller instalment finance firm was privately placed at a 7-1/4 per cent yield.

The biggest offering of the current week is a \$30 million 6-1/2 per cent debenture of the General Motors Acceptance Corp. of Canada. The 1975 maturity of this offering is priced to yield 6.60 per cent and a 1980 maturity priced to yield 6.63 per cent. Both tranches are noncallable for 10 years. On March 4, the United States parent company is offering a \$100 million debenture issue in New York with a 21-year maturity and press reports estimate a yield of 5 to 5-1/8 per cent. In addition, the company has announced a \$75 million private placement in the United States market.

During 1959, cash raised through new security issues in Canada totalled \$2,302 million compared to \$3,050 million in 1958 (see Table). Government of Canada borrowings declined by \$500 million and corporate bond borrowings by \$400 million during the year. There was an increase of \$135 million in finance company paper compared to a reduction of \$111 million in 1958. New corporate stocks totalled \$407 million compared with \$300 million in the preceding year.

Stock markets. Stock prices resumed their declines last week. At the low point on Thursday, the Toronto industrial index was at 491.72 compared to 498.35 a week ago and to 512.72 a month ago. The Montreal industrial index was at 289.8 compared to 292.9 a week ago and to 308.2 a month earlier.

British Commonwealth Section
Division of International Finance
Board of Governors of the Federal Reserve System

Selected Government of Canada Security Yields

<u>Date</u>	<u>3-month Treasury bills/</u>	<u>Inter- mediate Govt. bonds/</u>	<u>Long- term Govt. bonds/</u>	<u>Spread between Canadian & U.S. rates</u>		<u>Discount on 3-mo. Canadian dollar/</u>
				<u>long-term bonds/</u>	<u>3-mo. bills/</u>	
1957 - High	4.08	4.81	4.35			
1958 - High	3.65	4.52	4.42			
Low	0.87	3.31	3.78			
1959 - High	6.16	5.30	5.30	1.19	2.96	
Low	3.25	4.45	4.41	0.47	0.30	
Feb. 4	4.76	5.36	5.38	1.06	0.81	0.54
11	4.75	5.40	5.35	1.12	0.90	0.42
18	4.62	5.36	5.24	1.05	0.58	0.41
25	4.61	5.47	5.31	1.05	0.44	0.36

- 1/ Average yield at weekly tender on Thursday.
 2/ Government of Canada 2-3/4 per cent of June 15, 1967-68.
 3/ Government of Canada 3-1/4 per cent of 1979.
 4/ U.S. Government 3-1/4 per cent of 1978-83. Government of Canada 3-1/4 per cent of 1979.
 5/ Spread between Canadian auction rate and composite market yield for the U.S. bill on the close of business on Thursday.
 6/ Spread between 3-months forward and spot price of the Canadian dollar, expressed as per cent per annum, on Thursday.

Canada: New Money Raised Through New Security Issues,
 Calendar Year, 1955 to 1959
 (in millions of Canadian dollars)

	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>
<u>Government of Canada:</u>					
Bonds	340	- 616	- 120	1,382	143
Bills and notes	195	- 150	50	- 130	582
Total	535	- 766	- 70	1,252	725
<u>Non-Government:</u>					
Provincial bonds	211	540	549	614	560
Municipal bonds	225	227	264	340	305
Corporate bonds	320	801	976	651	159
Other bonds	26	5	3	3	11
Total bonds	782	1,573	1,783	1,609	1,035
Finance company paper	59	94	48	- 111	135
Total	840	1,667	1,832	1,498	1,170
<u>Corporate stocks:</u>					
Preferred	95	176	90	29	65
Common	367	514	427	271	342
Total	462	689	517	300	407
<u>Total financing</u>	1,837	1,591	2,279	3,050	2,302