

H.14

December 13, 1960.

**CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA**

(Including Quarterly Review of Corporate
Security Financing)

Part I - United States

Last week the volume of new security financing was substantial. Three large corporate issues with gross proceeds of \$150 million and two large State and local government bond issues with par value of \$23 million were publicly sold. In addition the Federal Land Banks offered two intermediate-term bond issues of which \$31 million was for new capital. This week three corporate security issues totaling \$110 million are scheduled and two State and local government bond issues with par value of \$123 million are on the calendar.

Bond yields - Changes in long-term bond yields were mixed but minor last week. Yields on U. S. Government and State and local government bonds declined slightly while those on corporate bonds increased somewhat.

Short- and intermediate-term interest rates - Yields on Treasury bills and intermediate-term U. S. Government obligations declined moderately last week. Interest rates on directly placed finance company paper increased somewhat, primarily as a result of an adjustment in the maturities offered at previously established rates.

Mortgage recordings - Nonfarm mortgage recordings in September were 8 per cent below the record monthly level of a year earlier. Compared with September 1959, conventional loans were down by 5 per cent, FHA-insured loans by 17 per cent, and VA-guaranteed loans by 23 per cent.

**Corporate Security Offerings
in the Third Quarter 1960**

Corporate security offerings during the third quarter of 1960 totaled \$2.5 billion. This was more than one-fifth greater than in the unusually low third quarter of 1959. Refunding of outstanding securities, as it had been a year earlier, was very small--\$41 million.

Net proceeds for new capital - Corporations sold \$2.4 billion of security issues to obtain new capital. Although substantially above financing last year, corporate security offerings were smaller than in other recent third quarters.

Table 1

Corporate Security Offerings for New Capital
by Type of Business of Issuer
Third Quarter 1956-60

(Net proceeds in millions of dollars)

	1960	1959	1958	1957	1956
Total corporate offerings	2,467	2,016	2,862	2,950	2,641
Refunding	41	37	101	51	86
New capital	2,427	1,979	2,760	2,899	2,556
Manufacturing	570	468	1,112	810	736
Primary iron and steel	151	47	320	92	72
Fabricated metal products	71	10	12	16	25
Chemicals	63	77	46	32	128
Electrical machinery	49	44	8	58	51
Textiles and apparel	43	27	21	16	17
Nonelectrical machinery	34	31	62	145	106
Foods	20	15	23	4	9
Paper	18	20	45	19	52
Printing	14	6	9	1	4
Other transportation equipment	11	64	79	10	4
Other 1/	96	127	487	417	268
Electric, gas and water utilities	651	470	809	912	632
Communication	308	99	124	243	399
Railroad	63	32	43	62	87
Other transportation	130	235	75	94	49
Commercial and other	104	105	429	80	65
Mining	32	35	53	77	119
Financial and real estate	569	534	116	620	439
Sales and consumer finance	410	263	29	318	309
Other	159	271	87	302	130

1/ Includes small volume of issues of foreign manufacturers not further classified.

Note.--Details may not add to totals due to rounding.

Source.--Securities and Exchange Commission and Federal Reserve.

For the first nine months of 1960 new capital offerings of corporations totaled \$6.9 billion, slightly larger than a year earlier. (Through the first half, financing had been somewhat smaller this year than in 1959.)

Electric, gas and water utilities were the most important group of issuers during the third quarter, selling securities totaling \$7 billion. This volume was nearly two-fifths larger than last year but smaller than in 1957 and 1958. Security offerings of manufacturing corporations totaled \$6 billion. Though one-fifth larger than a year earlier, this was smaller than in any other third quarter since 1955. The amount of securities sold was moderate for most types of industrial producers. Primary iron and steel, fabricated metal products, textile, printing and food manufacturers, however, sold a larger volume of new securities in the third quarter than in most other recent years.

New financing by financial and real estate companies in the July-September period totaled \$6 billion, slightly larger than last year. Security sales by sales and consumer finance companies, however, were up sharply--50 per cent above a year earlier and the largest third quarter volume since 1955. The decline this year in financing by other types of financial corporations largely reflects a smaller volume of real estate company financing during the recent quarter.

New issue volume by communication companies and by railroads in the third quarter was also larger than a year earlier, while offerings by transportation companies other than railroads, and by mining and commercial and other companies were in smaller volume this year.

Total gross proceeds - Gross proceeds from corporate offerings, which include refunding issues and costs of flotation were \$2.5 billion in the third quarter. Publicly offered issues, totaling \$1.7 billion, were nearly half again as large as a year ago, while private placements amounted to \$.8 billion, nearly one-tenth smaller.

The volume of bond and note financing, \$2.1 billion, was one-fourth larger than in the corresponding period of 1959. Public bond sales were two-thirds larger than in 1959 when volume had been unusually small, while privately placed bonds were one-seventh smaller. (Private placements of bonds have been smaller in volume in each quarter this year than in the corresponding period of 1959.) Bonds convertible into common stock were also sold in smaller volume during the recent third quarter. New preferred stock financing totaled \$.1 billion, three-fourths larger than a year earlier. Common stock financing, amounting to \$.3 billion, was about the same as in the third quarter of 1959.

Table 2

Total Corporate Security Offerings by Type of Issue
Third Quarter 1956-60

(Gross proceeds in millions of dollars)

Type of issue	1960	1959	1958	1957	1956
Total corporate offerings	2,518	2,062	2,910	2,997	2,690
Type of offering					
Public	1,717	1,182	2,201	2,044	1,681
Private	801	880	710	954	1,009
Type of security					
Bonds and notes	2,076	1,666	2,461	2,521	2,134
Public	1,344	807	1,795	1,586	1,352
Private	732	859	666	935	782
(Memo: Convertible)	(115)	(198)	(79)	(234)	(116)
Preferred stock	112	63	104	72	99
Common stock	330	333	345	404	457

n.a.--Not available.

Note.--Details may not add to totals due to rounding.

Source.--Securities and Exchange Commission.

Stock prices - Common stock prices, as measured by Standard and Poor's index of 500 stocks, increased 2 per cent last week, closing at 50.65 on Friday. At this level prices were about midway between the 1960 high and low. Trading volume averaged 3.7 million shares per day, the heaviest trading since last spring.

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.

EXHIBIT A

LONG-TERM BOND YIELDS

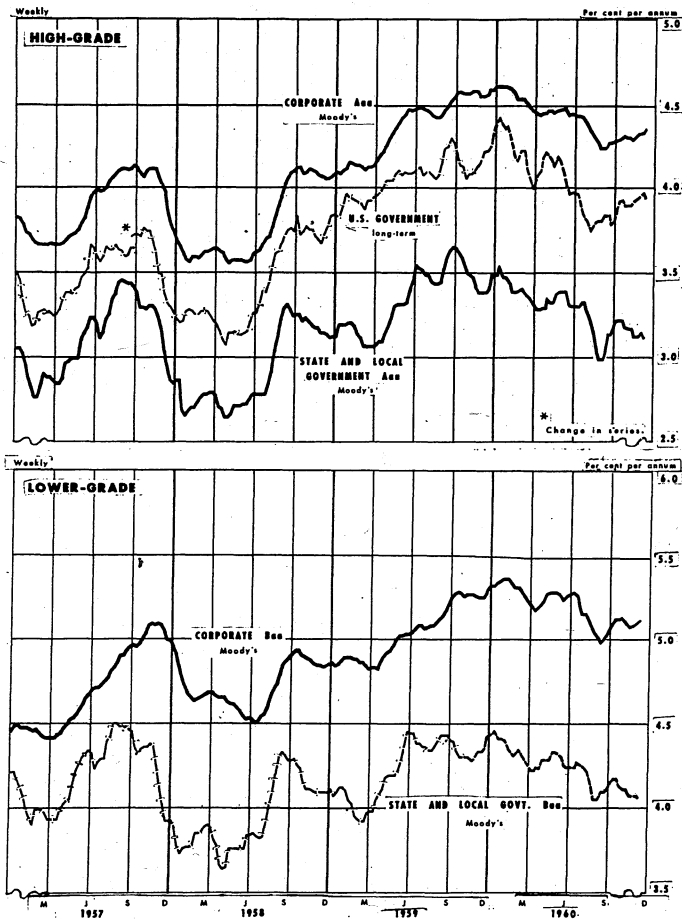


Exhibit B - Tables for Exhibit A
Long-term Bond Yields
High-grade

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)	.59	.92
Low	4.23 (9/9)	3.75 (8/5)	2.99 (9/1)	.19	.53
Nov. 11	4.29	3.91	3.16	.38	.75
Nov. 18	4.30	3.92	3.12	.38	.80
Nov. 25	4.32	3.94	3.12	.38	.82
Dec. 2	4.33	3.97	3.14	.36	.83
Dec. 9 p/	4.35	3.94	3.11	.41	.83

Lower-grade

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)	.84	1.08
Low	4.98 (9/9)	4.05 (9/1)	.71	.92
Nov. 11	5.08	4.11	.79	.95
Nov. 18	5.07	4.07	.77	.95
Nov. 25	5.08	4.07	.76	.95
Dec. 2	5.10	4.07	.77	.93
Dec. 9 p/	5.11	4.06	.76	.95

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.

EXHIBIT C

SHORT- AND INTERMEDIATE- TERM INTEREST RATES

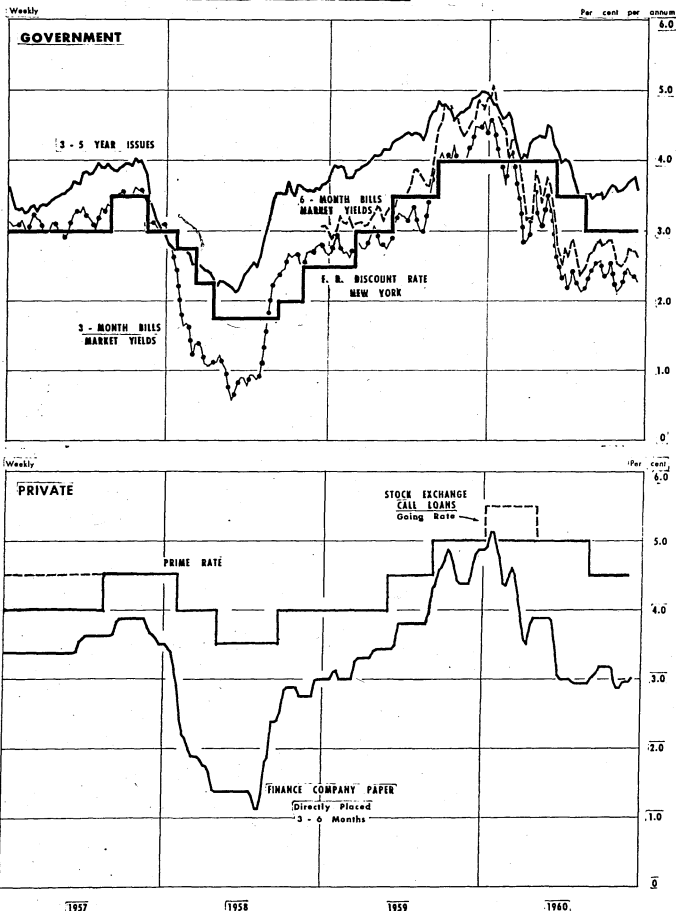


Exhibit D - Tables for Exhibit C

Short- and Intermediate-term Interest Rates

Government

Date	Discount rate 1/	Yields			Spread between yields on	
		3-month bills 2/	6-month bills 2/	3-5 year issues 2/	3-month bills and yields on 6-mo. bills 3-5 yr. issues	
(per cent)						
1954 - Low	1.50	.61 (6/11)	--	1.66 (4/30)	--	.66
1957 - High	3.50	3.64 (10/18)	--	4.04 (10/18)	--	.86
1958 - Low	1.75	.58 (5/29)	3.02 (12/26)	2.14 (6/6)	.26	.04
1959 - High	4.00	4.57 (12/24)	4.91 (12/31)	5.00 (12/24)	.79	1.42
Low	2.50	2.63 (2/20)	2.92 (1/2)	3.70 (1/2)	.19	.40
1960 - High	4.00	4.59 (1/8)	5.07 (1/8)	4.97 (1/8)	.58	1.81
Low	3.00	2.11 (10/28)	2.39 (8/5)	3.47 (9/23)	.16	.38
Nov. 11	3.00	2.40	2.59	3.63	.19	1.23
Nov. 18	3.00	2.46	2.75	3.69	.29	1.23
Nov. 25	3.00	2.38	2.71	3.72	.33	1.01
Dec. 2	3.00	2.35	2.70	3.75	.35	1.40
Dec. 9 p/	3.00	2.28	2.62	3.59	.34	1.31

Private

Date	Stock Exchange call loan 1/	Prime rate 1/	Finance company paper 3/	Spread between 3-month Treasury bill yield and finance company paper rates
	(per cent)			
1954 - Low	3.00	3.00	1.25 (12/31)	0 (12/18) -
1957 - High	4.50	4.50	3.88 (11/15)	.59 (7/19)
1958 - Low	3.50	3.50	1.13 (8/8)	-.35 (8/29)
1959 - High	5.00	5.00	4.88 (12/31)	.86 (10/9)
Low	4.00	4.00	3.00 (3/6)	.13 (12/4)
1960 - High	5.50	5.00	5.13 (1/22)	1.02 (3/25)
Low	4.50	4.50	2.88 (11/4)	.22 (4/15)
Nov. 11	4.50	4.50	2.88	.48
Nov. 18	4.50	4.50	2.93	.47
Nov. 25	4.50	4.50	2.94	.56
Dec. 2	4.50	4.50	2.94	.59
Dec. 9 p/	4.50	4.50	3.01	.73

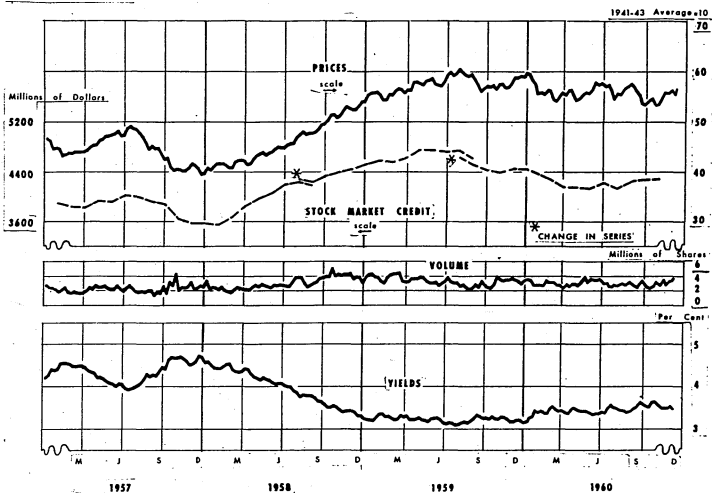
1/ Weekly market shown is that in effect at end of period. Discount rate is for Federal Reserve Bank of New York. Stock exchange call loan rate is going rate on call loans secured by customers' stock exchange collateral at New York City banks. Prime rate is that charged by large banks on short-term loans to business borrowers of the highest credit standing.

2/ Market yield; weekly averages computed from daily closing bid prices. Series of 3-5 year issues consists of selected notes and bonds.

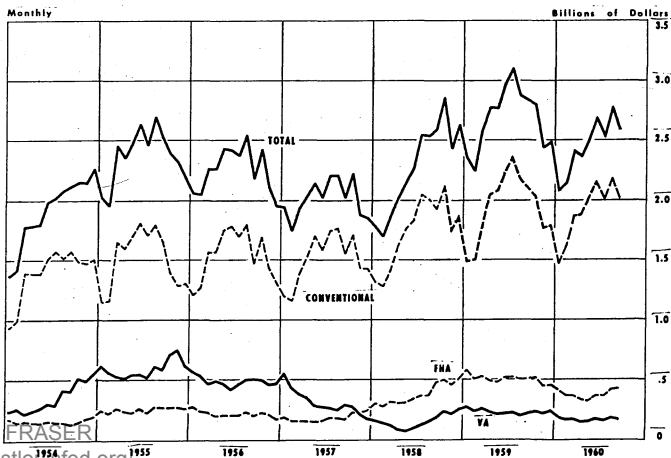
3/ Average of daily rates published by finance companies for directly placed paper for varying maturities in the 90-179 day range.

Note:—Highs and lows are for individual series and may be on different dates for different series. For spreads, high refers to widest, and low to narrowest.

STOCK MARKET



MORTGAGE RECORDINGS AND LOANS



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)						
1957-59 - High	60.51 (7/31/59)	3.07	4.3	4,764	3,401	1,373
Low	39.78 (12/27/57)	4.66	1.4	3,554	2,482	1,060
1960 - High	59.50 (1/8)	3.18	3.9	4,365	3,198	1,167
Low	53.32 (10/21)	3.62	2.2	4,132	3,004	1,111
October	53.73	3.60	2.6	4,294	3,133	1,161
November	55.47	3.51	3.1	n.a.	n.a.	1,153
Nov. 25	56.13	3.47	3.2	n.a.	n.a.	1,155
Dec. 2	55.39	3.51	3.4	n.a.	n.a.	1,153
Dec. 9 p/	56.65	3.44	3.7	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.

Nonfarm Mortgage Recordings and Loans 1/

Date	Total		Unadjusted		
	Seasonally adjusted 2/	Unadjusted	FHA	VA	Conv.
(Millions of dollars)					
1959 - Sept.	2,650	2,834	510	221	2,103
Oct.	2,639	2,799	523	238	2,039
Nov.	2,589	2,442	448	220	1,775
Dec.	2,485	2,487	451	241	1,794
1960 - Jan.	2,487	2,079	417	195	1,467
Feb.	2,430	2,149	368	170	1,612
Mar.	2,441	2,406	361	173	1,872
Apr.	2,400	2,366	336	153	1,878
May	2,446	2,500	322	155	2,023
June	2,427	2,690	365	175	2,150
July	2,493	2,528	362	160	2,006
Aug.	2,488	2,784	417	181	2,186
Sept.	n.a.	2,598	425	169	2,004

n.a.--Not available.

1/ Total recordings data are estimates based on reports from about 450 areas and include mortgages of \$20,000 or less secured by nonfarm real estate, primarily residential properties. FHA-insured loans represent gross amount of insurance written, and VA-guaranteed loans the gross amount of loans closed, on 1-4 family houses. Conventional data are derived as a residual, although total recordings and VA and FHA loans are not strictly comparable in concept or timing.

2/ Three-month moving average, seasonally adjusted by Federal Reserve.

Source: Federal Home Loan Bank Board, Federal Housing Administration and Veterans Administration.

Exhibit G

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	577	821	728	738	639	812
February	715	738	857	623	858	953
March	860	646	1,553 ^{3/}	575	646	511
April	766	894	1,140	731	932	798
May	567	785	597	550	593	895
June	1,034	887	887	1,030	1,006	551
July	727	535	1,107	571	567	806
August	962	740	540	599	516	403
September	738	703	1,114	p/670	465	651
October	e/1,000	879	862	e/325	597	456
November	e/825	864	518	e/500	519	474
December	e/900	900	920	e/450	455	435
1st quarter	2,151	2,204	3,139	1,936	2,143	2,276
2nd quarter	2,367	2,567	2,623	2,311	2,531	2,244
3rd quarter	2,427	1,979	2,760	p/1,840	1,548	1,860
4th quarter	e/2,725	2,642	2,300	e/1,275	1,571	1,365
1st half	4,519	4,771	5,762	4,247	4,674	4,520
Three quarters	6,945	6,750	8,522	p/6,087	6,222	6,380
Year	e/9,670	9,392	10,823	e/7,362	7,793	7,746
Excluding finance companies 4/						
1st quarter	1,722	1,999	2,899			
2nd quarter	2,150	2,412	2,586			
3rd quarter	2,017	1,716	2,731			
4th quarter	e/2,325	2,503	2,213			
Year	e/8,214	8,630	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	2	81	196	182	199	1,163
February	175	60	53	150	--	251
March	70	2	--	150	175	--
April	34	58	139	148	--	523
May	72	50	198	354	--	--
June	40	42	120	--	--	--
July	25	85	9	--	--	164
August	1	1	5	199	98	--
September	36	35	17	--	150	--
October		33	58	p/160	--	220
November		30	123	p/100	--	--
December		70	74		86	--
Year		547	992		707	2,321
	Short-term					
	State and local government 4/			Federal agency 3/		
	1960	1959	1958	1960	1959	1958
January	268	190	233	479	359	371
February	345	428	460	475	500	208
March	365	295	273	511	489	144
April	365	563	357	509	486	209
May	351	411	354	632	675	161
June	297	245	264	435	289	329
July	280	246	289	312	727	437
August	505	467	423	468	365	206
September	199	399	369	296	665	330
October	p/146	235	231	241	733	454
November		343	445	282	471	114
December		358	243		288	137
Year		4,179	3,910		6,047	3,098

p/ Preliminary.

1/ 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.

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

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

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

Exhibit I

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

Proceeds of Large Issues Offered

(In millions of dollars)

Month	Corporate	State and local government	Other 2/
1959 - November	421	163	--
December	230	217	70
1960 - January	279	388	100
February	262	283	320
March	384	225	191
April	309	370	71
May	139	234	28
June	442	561	30
July	303	191	--
August	581	298	75
September	266	367	25
October	566	46	77
November	465	186	150

Large Individual Issues Offered December 1 through 9

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Southern Bell Tel. & Tel.	Deb.	75.0	1997	5	4.85	Aaa
Northern States Pwr. Co.	1st mtg. bds.	35.0	1990	5	5.00	Aa
Potomac Electric Pwr. Co.	1st mtg. bds.	40.0	1995	5	4.95	Aa
<u>STATE AND LOCAL GOVERNMENT</u>						
San Diego Unif. Sch. Dist. California	G.O.	10.0	1963-81	3.43	2.20-3.65 4/	A
Maryland St. Rds. Comm.	Rev.-S.T.	12.5	1962-76	3.29	1.90-3.35	Aa
<u>OTHER</u>						
Federal Land Banks	Bds.	31.0	1964	4	4.08	--
Federal Land Banks	Bds.		1962	3-3/8	3.78	--

Footnotes

- 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/ 1/4 per cent obligations of 1982 were 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 - 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
Mar. 31	299	250	--	344	280	--
Apr. 29	202	243	--	357	258	--
May 31	483	277	30	553	502	60
June 30	237	180	30	455	380	30
July 29	596	275	--	1,006	324	--
Aug. 31	216	283	--	731	283	--
Sept. 30	576	212	77	836	336	127
Oct. 31	440	258	50	585	391	50
Nov. 30	260	242	--	335	560	--

Forthcoming Large Offerings, as of December 9

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Consumers Power Co.	1st mtg. bds.	35.0	Dec. 14
Beneficial Finance Corp.	Deb.	50.0	Dec. 15
Public Service Electric & Gas Co.	Pfd. stk.	25.0	Dec. 15
*Texas Eastern Transmission Corp.	Pfd. stk.	15.0	Jan. 18
*Lone Star Gas Co.	Com. stk.	20.0	Jan. 23 (rights expire)
*Brunswick Corp.	Conv. sub. deb.	25.6	Jan. 25 (rights expire)
*Texas Eastern Transmission Corp.	1st mtg. p.l.bds.	30.0	Jan.
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
Liberian Iron Ore, Ltd.	Bds. & stk.	30.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
Public Housing Authorities	--	97.6	Dec. 14
State of Michigan	Rev.-Ut.	25.0	Dec. 14
State of New Mexico	G.O.	16.1	Dec. 19
State Colleges of California	Rev.-Q.Ut.	14.2	Dec. 21
Oklahoma City Metro. Improvement Auth., Oklahoma	Rev.-Ut.	55.0	December
*Los Angeles, California	G.O.	30.0	Jan. 10
State of California	G.O.	95.0	Jan. 11

Forthcoming Large Offerings, as of December 9 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
*Pennsylvania State Public Sch. Bldg. Auth.	Rev.-Rent.	23.0	Jan. 18
Los Angeles Dept. of Wtr. and Pwr., California	Rev.-Ut.	12.0	Indefinite
Orleans Parish School Dist., La.	G.O.	10.0	Indefinite
Kentucky Turnpike Authority	Rev.	55.0	Indefinite
Dade County, Florida	G.O.	46.0	Indefinite
New York State Housing Fin. Agency	Rev.	100.0	Indefinite
<u>OTHER</u>			
None			

*--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.

Exhibit K

**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)
1952-1959 - High	5.30 (12/8/59)	87	5.65 (9/18/59)	123
Low	2.93 (3/31/54)	-3	3.00 (3/17/54)	-15
1959 - July	*4.93	31	5.07	17
Aug.	4.83	23		
Sept.				
Oct.	5.13 ^{2/}	36	*5.65	60
Nov.	*5.08	42	5.33	43
Dec.	*5.30	63		
1960 - Jan.			5.45	51
Feb.	5.09	45	*5.30 ^{2/}	28
Mar.	4.82	25		
Apr.	4.91	37	4.97	9
May 10	4.88	32	5.14	35
12				
25			5.10	26
June 17			5.20	33
28	4.82	25	4.95	11
29	4.84	27		
July 8			4.93	11
13			4.88	8
Sept. 15			4.80	24
23	4.65	27		
28	4.55 ^{2/}	17		
Oct. 5	4.63 ^{2/}	24		
21	4.67 ^{2/}	22		
Nov. 4			4.88	26
16	4.78	33		
17	4.85	40		
18			5.05	43
Dec. 7	5.00	49		

*--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.

December 13, 1960

Part II- Canada

For the first time in eleven weeks, Canadian Treasury bill yields declined slightly last week. Bill yields for shorter maturities rose slightly while there was some decline in yields on longer maturities. The Bank of Canada purchased \$9 million of Treasury bills and \$53 million of under-2-year bonds; these purchases helped to ease the pressure on short-term rates growing out of the new \$200 million 1962-63 maturity Government of Canada refunding issue, marketed last week. At the same time, the Bank sold \$56 million of over-2-year bonds. Stock prices rose slightly. The Canadian dollar showed little change closing at 102.34 (U.S. cents) last Thursday.

Money market. The yield on Canadian Treasury bills declined for the first time in 9 weeks. The average yield on the 3-month Treasury bill at last Thursday's auction was 3.70 per cent compared with 3.95 per cent the week before. (See Table) The yield on the 6-month bill also declined from 4.07 per cent to 3.92 per cent. (See Table) The Bank of Canada purchased \$9 million of Treasury bills during the week while the chartered banks sold \$7 million and the general public sold \$4 million. (See Table) The average closing rate on day-to-day loans was 3.40 per cent compared with 3.50 per cent a week ago.

The spread in favor of the Canadian over the United States short Treasury bill narrowed only slightly from 1.62 per cent the week before to 1.44 per cent last Thursday. However, the discount on the forward Canadian dollar reached 0.73 per cent per annum (the largest for 1960), reducing the net incentive to hold the Canadian bill by 48 basis points to 0.71 per cent per annum from 1.19 per cent the week before. (See Table.)

Bond market. Bond yields rose slightly in shorter maturities and declined in most longer maturities. The spread between selected comparable Canadian and United States securities (Thursday yields for bills and Wednesday yields for bonds) were as follows (figures in parenthesis refer to the previous week):

1.44 per cent on a 91-day bill (1.62)
1.34 per cent on a 182-day bill (1.37)
0.81 per cent on an 8-year bond (0.72)
1.25 per cent on a 30-year bond (1.28)
1.41 per cent on a 35-year bond (1.34)

During the week the Bank of Canada sold \$56 million of over-2-year Government bonds and purchased \$53 million under-2-year bonds, thus reducing the pressure on short-term rates. The chartered banks sold \$28 million and the general public purchased \$31 million of Government bonds. (See Table.)

The Minister of Finance announced that the new refunding issue of Government of Canada bonds (see Capital Market Developments, December 1, 1960) was oversubscribed. Offers for the two maturities totaling \$200 million available to investors have been accepted as follows: \$120 million in the 1962 maturity and \$80 million in the 1963 maturity. In addition, the Bank of Canada took \$180 million of the 1962 maturity and \$220 million of the 1963 maturity

A \$35 million offer of 6 per cent, 25-year bonds last week by Bell Telephone of Canada resulted in an immediate oversubscription. Bid went to 101 on a "when issued" basis shortly after the announcement and then eased to 100-3/4.

The McLeod, Young, Weir 40 bond yield average for December 1 showed an increase to 5.68 per cent compared with 5.44 per cent on November 1. The rise was apparent in all types of bonds. (See Table.)

Stock market. Industrial stock prices on the Canadian exchanges rose slightly early in the week ending December 9, after falling in the previous week, as noted in the following table:

	<u>Toronto</u>	<u>Montreal</u>	<u>New York Standard & Poor</u>
1960 - High	532.56	271.1	60.51
Low	472.38	250.3	55.98
November 28	496.44	264.1	59.45
29	496.81	262.7	59.22
30	497.06	262.0	58.87
December 1	495.94	262.8	59.59
2	499.00	263.7	58.70
5	499.31	264.4	58.58
6	499.75	264.0	58.74

Foreign exchange. The spot rate on the Canadian dollar rose slightly last week and closed at 102.34 (U.S. cents) last Thursday. The discount on the forward Canadian dollar increased from 0.43 per cent per annum to 0.71 per cent last week to the highest for the year, under the influence of continued large spreads favoring the Canadian over the U. S. Treasury bill.

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

Selected Canadian Money Market and Related Data

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	3-mo. Treas. bills			Canadian dollar			Net incentive to hold Can. bills/
	Canada a/	U.S. b/	Spread over U.S.	Spot c/	3-mo. forward	discount (-) premium (+) d/	
1959 - High	6.16	4.49	2.96	105.51	--	--	--
Low	3.25	2.80	0.30	102.58	--	--	--
1960 - High	5.14	4.63	1.62	105.27	--	0.99	1.19
Low	1.68	2.10	-0.82	101.31	--	-0.73	-0.57
Nov. 3	3.22	2.21	1.01	102.80	102.70	-0.37	0.64
10	3.21	2.45	0.76	102.53	102.52	-0.06	0.70
17	3.48	2.40	1.08	102.02	101.94	-0.31	0.77
24	3.77	2.39	1.38	102.38	102.25	-0.49	0.89
Dec. 1	3.95	2.33	1.62	102.22	102.11	-0.43	1.19
8	3.70	2.26	1.44	102.34	102.16	-0.73	0.71

- a/ Average yield at weekly tender on Thursday.
b/ Composite market yield for the U.S. Treasury bill on Thursday close of business.
c/ In U.S. cents.
d/ Spread between spot rate and 3-month forward Canadian dollar on Thursday closing, expressed as per cent per annum.
e/ Spread over U.S. Treasury bill (column 3), plus 3-month forward discount or premium (column 6).

Selected Government of Canada Security Yields

	6-mo. Treas. bills		Intermediate bonds (8 yr.)		Long-term bonds			
	Canada a/	Spread over U.S. b/	Canada c/	Spread over U.S. d/	(20 year)		(35 year)	
					Canada e/	Spread over U.S. f/	Canada g/	Spread over U.S. h/
1959 - High	6.24	--	5.27	--	5.30	--	5.05	--
Low	5.11	--	4.50	--	4.44	--	4.73	--
1960 - High	5.33	1.37	5.55	1.11	5.42	1.30	5.28	1.61
Low	1.99	-0.86	4.09	0.21	4.63	0.85	4.68	0.95
Nov. 3	3.51	1.03	4.62	0.81	4.89	1.04	4.92	1.17
10	3.47	0.83	4.62	0.76	4.99	1.14	5.01	1.24
17	3.78	1.02	4.67	0.72	5.09	1.22	5.05	1.27
24	3.93	1.23	4.70	0.68	5.20	1.30	5.09	1.28
Dec. 1	4.07	1.37	4.72	0.72	5.21	1.28	5.16	1.34
8	3.92	1.34	4.73	0.81	5.17	1.25	5.18	1.41

- a/ Average yield at weekly tender on Thursday.
b/ Spread between Canadian auction rate and composite market yield of U.S. bill on close of business Thursday.
c/ Government of Canada 2-3/4 per cent of June 1967-68.
d/ Spread over U.S. Government 2-1/2 per cent of 1963-68.
e/ Government of Canada 3-1/4 per cent of October 1979.
f/ Spread over U.S. Government 3-1/4 per cent of 1978-83.
g/ Government of Canada 3-3/4 per cent of September 1996 - March 1998.
h/ Spread over U.S. Government of 1995.

**Canada: Changes in Distribution of Holdings of Canadian
Government Direct and Guaranteed Securities**
(millions of Canadian dollars, par value)

	<u>Bank of Canada</u>		<u>Government</u>	<u>Chartered banks</u>		<u>General public</u>		
	<u>Treas.</u> <u>bills</u>	<u>Bonds</u>	<u>Total</u>	<u>Treas.</u> <u>bills</u>	<u>Bonds</u>	<u>Savings</u> <u>bonds</u>	<u>Treas.</u> <u>bills</u>	<u>Bonds</u>
Oct. 6	- 1	+ 5	+ 3	+ 2	+ 68	- 5	+ 3	+165
13	+44	- 1	+ 2	-20	+ 23	- 5	-19	- 27
20	+27	- 4	+23	-20	+ 23	+ 2	- 4	- 42
27	- 4	+ 6	+ 9	-16	+ 12	+ 3	+20	- 24
Nov. 3	-11	- 5	+ 6	+ 8	+ 19	+ 9	+ 6	- 17
10	- 1	- 1	+ 2	+ 6	+ 7	+199	- 6	- 7
17	+ 3	+10	- 1	-28	+ 6	+151	+26	- 17
24	+ 1	- 3	+ 8	-30	- 3	+271	+29	- 5
Dec. 1	+10	+ 3	+24	-21	+ 8	+ 4	+ 3	- 27
8	+ 9	- 3	- 4	- 7	- 28	- 4	+ 1	+ 31

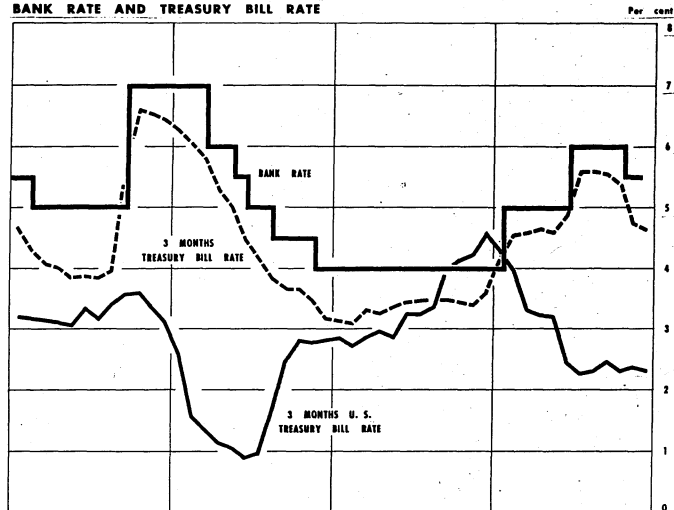
Source: Bank of Canada, Weekly Financial Statistics.

Average Bond Yields
(per cent per annum)

	<u>November 1</u>	<u>December 1</u>
10 Provincials	5.40	5.60
10 Municipals	5.60	5.95
10 Public Utilities	5.38	5.54
10 Industrials	5.39	5.62
40 Bond Yield Average	5.44	5.68

Source: McLeod, Young, Weir.

UNITED KINGDOM
MONTHLY AVERAGES
BANK RATE AND TREASURY BILL RATE



BOND AND STOCK YIELDS

