

H.14

October 26, 1959.

CAPITAL MARKET DEVELOPMENTS

(Including Monthly Review of Sources and
Uses of Funds of Financial Intermediaries)

The volume of large public security financing for new capital continues to be substantial. During the week ending October 23, corporations sold large issues totaling \$85 million; a Public Housing Authority issue for \$102 million and a foreign government offering for \$20 million were also sold. The calendar for this week includes large corporate issues with aggregate proceeds of \$110 million and State and local government issues totaling \$90 million.

Bond yields - Bond yields declined last week for all categories of outstanding bonds, except those for high-grade corporate bonds, which remained stable.

A new Aa-rated first mortgage electric utility bond issue was offered to investors last week to yield 4.95 per cent, 15 basis points higher than the yield for a comparable offering made a month earlier. It should be noted that the recent issue carried a 5-year refunding restriction, while the earlier issue had no such restriction.

Mortgage recordings - Total nonfarm mortgage recordings remained at a record seasonally adjusted annual rate of \$33.4 billion in July, one-fifth above a year earlier and two-fifths above the low of late 1957 and early 1958. Conventional recordings in August continued to represent about three-fourths of the total.

The mortgage recordings series, based on mortgages of \$20,000 or less primarily on 1- to 4-family properties, serves as an indicator of trends in home financing. By excluding mortgages of more than \$20,000, this indicator has understated the volume and type of home financing to a minor but increasing extent in the past few years. These over-\$20,000 mortgages, nearly all of the conventional type, have become somewhat more frequent recently as property values have risen and lending terms have been liberalized. But the degree of understatement, while tending upward, may still be only a few percentage points of the total.

Stock prices - Stock prices, as measured by Standard and Poor's index of 500 common stocks, declined last week, closing at 56.56 on October 23. Trading activity increased, averaging 2.8 million shares a day.

Institutional investors - In August, savings inflow at life insurance companies and savings and loan associations continued to increase more rapidly than a year earlier, with the former being 4 per cent larger and the latter one-eighth larger. In contrast, the increase in deposits at mutual savings banks was again smaller (two-fifths less). Combined growth at these savings institutions--as measured by the increase in life insurance company assets, share capital at savings and loan associations and deposits at mutual savings banks--amounting to \$468 million, showed little change this August from that of a year earlier. Growth for the first eight months this year, totaling \$9.2 billion, was 5 per cent larger with life insurance company assets and savings and loan share capital each increasing one-eighth more and mutual savings bank deposits increasing two-fifths less than a year ago.

The investment pattern of these savings institutions showed little change in August from that of other recent months this year. As in most months, funds invested in mortgages were substantially larger than in the corresponding months of 1958. The increase in mortgage holdings by life insurance companies was one-fourth larger, for savings and loan associations nearly one-third larger, but for mutual savings banks one-fifth smaller. (Early in the year these savings banks also increased their mortgage holdings more rapidly than a year earlier; however, since May the increases have been smaller.)

The increase in business security portfolios was small during August. For the first time this year the increase in business security holdings of life insurance companies was sharply smaller (two-fifths less) than in the similar month of 1958. In contrast, savings banks have generally reduced their holdings thus far this year.

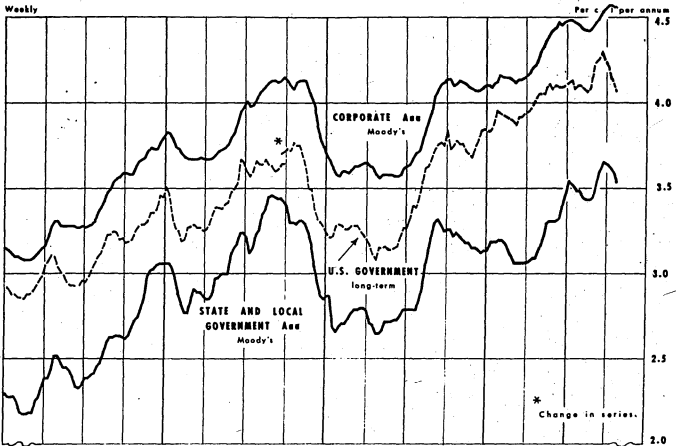
The increase in life insurance company holdings of U. S. Government securities was more than twice as large as a year earlier with most of the increase occurring in Treasury bills, while the increase in those held by savings and loan associations was four-fifths smaller. Holdings of Governments by mutual savings banks declined further in August; they had risen slightly in August 1958.

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

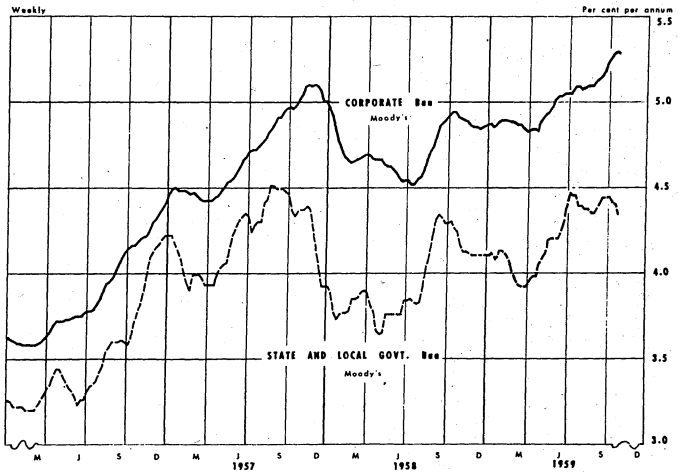
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

EXHIBIT A

HIGH-GRADE BOND YIELDS



LOWER-GRADE BOND YIELDS



Tables for Exhibit A
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 - High	4.13 (10/10)	3.84 (12/26)	3.31 (9/11)	.51	.72
Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.22	.34
1959 - High	4.57 (10/9)	4.30 (5/18)	3.65 (9/24)	.50	.92
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.53
Sept. 25	4.54	4.27	3.65	.27	.62
Oct. 2	4.57	4.21	3.64	.36	.57
Oct. 9	4.57	4.14	3.61	.43	.53
Oct. 16	4.56	4.13	3.58	.43	.55
Oct. 23 ^{p/}	4.56	4.06	3.53	.50	.53

Lower-grade Bond Yields

Date	Corporate Baa ^{1/}	State and local govt. Baa ^{2/}	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 - High	4.96 (1/3)	4.34 (9/11)	1.28	1.11
Low	4.51 (7/11)	3.64 (5/1)	.77	.93
1959 - High	5.29 (10/16)	4.46 (7/2)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.79
Sept. 25	5.22	4.44	.68	.79
Oct. 2	5.26	4.44	.69	.80
Oct. 9	5.28	4.41	.71	.80
Oct. 16	5.29	4.40	.73	.82
Oct. 23 ^{p/}	5.28	4.34	.72	.81

^{p/} Preliminary.

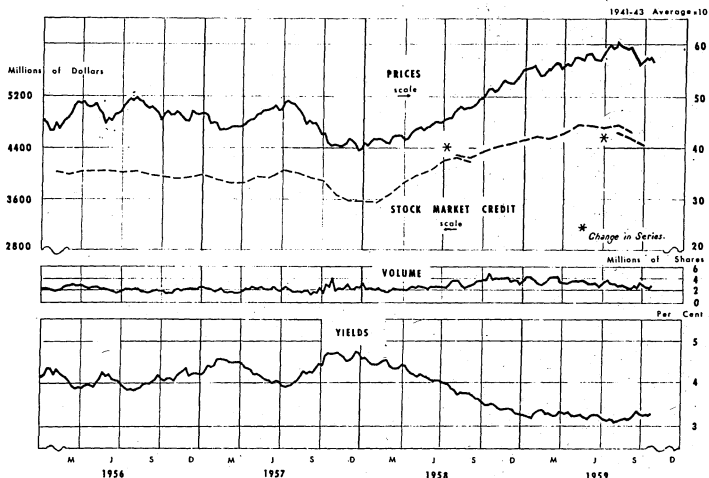
^{1/} Weekly average of daily figures. Average term of bonds included is 25-26 years.

^{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



MORTGAGE RECORDINGS AND LOANS

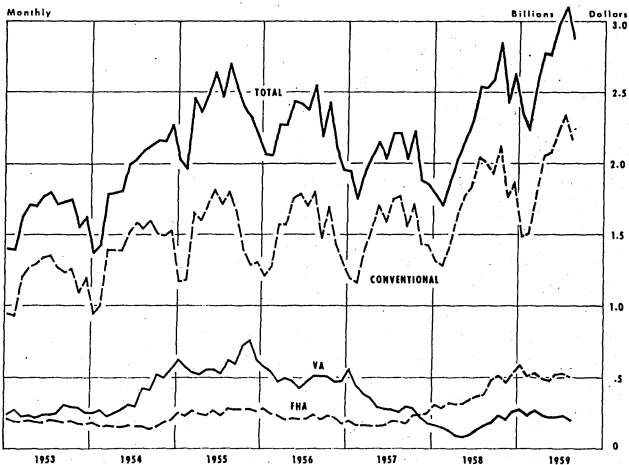


Exhibit D - Tables for Exhibit C

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 balances ^{4/}	Bank loans to "others" ^{5/}
(Millions of dollars)						
1953-1958 - High	54.11 (12/24/58)	3.30	4.9	4,492	3,285	1,317
Low	22.95 (9/18/53)	6.25	0.9	2,055	1,314	669
1959 - High	60.51 (7/31)	3.08	4.3	4,764	3,401	1,332
Low	54.37 (2/6)	3.34	2.1	4,443	3,250	1,210
August	59.40	3.13	2.4	4,528	3,269	1,259
September	57.05	3.26	2.7	4,443	3,250	1,193
Oct. 2	57.20	3.24	2.7	n.a.	n.a.	1,193
Oct. 9	57.00	3.25	2.4	n.a.	n.a.	1,195
Oct. 16	57.33	3.22	2.3	n.a.	n.a.	1,180
Oct. 23 p/	56.56	3.28	2.8	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)					
1958 - Aug.	2,413	2,535	371	156	2,007
Sept.	2,488	2,596	480	189	1,927
Oct.	2,567	2,857	501	239	2,116
Nov.	2,652	2,432	457	216	1,759
Dec.	2,629	2,629	510	257	1,861
1959 - Jan.	2,677	2,353	585	276	1,491
Feb.	2,631	2,245	506	238	1,500
Mar.	2,683	2,586	530	261	1,796
Apr.	2,683	2,776	490	231	2,055
May	2,757	2,768	478	212	2,079
June	2,780	2,974	521	221	2,233
July	2,787	3,100	524	227	2,349
Aug.	n.a.	2,871	504	202	2,165

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.

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

(In millions of dollars)

	New capital					
	Corporate 1/			State and local 2/		
	1959	1958	1957	1959	1958	1957
January	840	728	1,060	636	812	742
February	745	857	1,065	856	953	572
March	631	1,553 ^{2/}	1,320	645	511	506
April	899	1,140	931	931	798	765
May	791	597	765	592	895	546
June	874	887	1,453	981	551	393
July	p/497	1,107	1,003	566	806	529
August	p/741	540	924	516	403	584
September	e/650	1,114	973	p/488	651	431
October	e/800	862	1,090	e/600	456	698
November		518	789		474	633
December		920	1,076		435	698
1st quarter	2,216	3,139	3,445	2,138	2,276	1,820
2nd quarter	2,564	2,623	3,149	2,504	2,244	1,704
3rd quarter	e/1,888	2,760	2,899	e/1,571	1,860	1,544
4th quarter		2,300	2,954		1,365	2,029
1st half	4,780	5,762	6,594	4,642	4,520	3,524
Three quarters	e/6,668	8,522	9,493	e/6,213	6,300	5,069
Year		10,823	12,447		7,746	7,099
	Excluding finance companies ^{4/}					
1st quarter	2,011	2,899	3,237			
2nd quarter	2,409	2,586	2,889			
3rd quarter	e/1,588	2,731	2,582			
4th quarter		2,213	2,810			
Year		10,429	11,518			

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/}		
	1959	1958	1957	1959	1958	1957
January	77	196	84	199	1,163	72
February	59	53	49	--	251	--
March	2	--	30	175	--	--
April	56	139	123	--	523	125
May	50	198	48	--	--	--
June	42	120	42	--	--	60
July	73	9	28	--	164	--
August	1	5	7	--	--	--
September		17	30	98	--	215
October		58	4		220	--
November		123	60		--	100
December		74	1		--	--
Year		992	507		2,321	572
	Short-term					
	State and local government ^{4/}			Federal agency ^{3/}		
	1959	1958	1957	1959	1958	1957
January	190	233	326	359	371	638
February	428	460	455	500	208	430
March	295	273	147	489	144	505
April	563	357	205	486	209	336
May	411	354	337	675	161	469
June	245	264	153	289	329	501
July	246	289	272	727	437	224
August	467	423	272	365	206	370
September	p/325	369	252	665	330	512
October		231	303		454	1,238
November		415	94		114	255
December		243	159		137	116
Year		3,910	3,274		3,098	5,543

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. Source: Securities and Exchange Commission.

^{3/} Issues not guaranteed by the U. S. Government. Source: 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. 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 2/
1958 - September	825	288	18
October	259	172	209
November	227	259	100
December	305	229	79
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

Large Individual Issues Offered October 1 through 23

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Boston Edison Co.	1st mtg. bds.	15.0	1989	5 1/4	5.17	Aaa
So. New England Tel. Co.	Com. stk.	18.8				
Columbia Gas System, Inc.	Deb.	25.0	1984	5 3/8	5.38	A
Northern Natural Gas Co.	Pfd. stk.	20.0				
Boston Edison Co.	Com. stk.	15.4				
Philadelphia Elec. Co.	1st ref. mtg. bds.	50.0	1989	5	4.93	Aaa
American Elec. Pwr. Co.	Com. stk.	55.5				
So. Bell Tel. & Tel. Co.	Deb.	70.0	1994	5 1/2	5.35	Aaa
Texas Gas Transm. Corp.	Pfd. stk.	15.0				
<u>STATE AND LOCAL GOVERNMENT</u>						
Port of New York Auth.	Rev.-Ut.	25.0	1989	4.37	4.31	A
Wayne Co., Mich.	G.O.	26.0	1962-68/65	4.08	3.50-4.00	A
Denver, Colorado	G.O.	17.0	1970-98	3.65	3.25-3.75	aa
New York, New York	G.O.	18.0	1960-74	3.65	3.00-3.70	A
State of New Hampshire	G.O.	16.0	1960-88	3.22	2.60-3.35	Aaa
Public Housing Authorities	G.O.	102.1	1960-2000	3.86	2.75-3.93	Aaa
<u>OTHER</u>						
Montreal, Canada	Ext. S.F. deb.	20.0	1979	5 5/8	5.63	A

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/ 1s of 1998 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/
1958 - Sept. 30	113	295	--	216	524	--
Oct. 31	204	258	--	326	675	--
Nov. 28	301	229	71	401	683	71
Dec. 31	210	261	75	370	515	75
1959 - Jan. 30	270	551	45	365	856	45
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	--

Forthcoming Large Offerings, as of October 23

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Hilton Hotels Corp.	Sub. S.F. deb.	30.0	Oct. 27
Florida Power & Light Co.	1st mtg. bds.	20.0	Oct. 28
Puget Sound Power & Light Co.	1st mtg. bds.	20.0	Oct. 29
Northern Natural Gas Co.	S.F. deb.	25.0	Oct. 29
Central & South West Corp.	Com. stk.	15.0	Oct. 30
American Telephone & Telegraph Co.	Deb.	250.0	Nov. 17
*Transwestern Pipeline Co.	Sub. deb. & stk.	40.0	Nov. 18
Gulf States Utilities Co.	1st mtg. bds.	16.0	Nov. 25
*New York Electric & Gas Co.	Com. stk.	15.0	Dec. 7
			(rights expire)
*Public Service Electric & Gas Co.	Com. stk.	25.0	Dec.
Commerce Oil Refining Corp.	Deb., tds. & com.	45.0	Indefinite
Sylvania Electric Products, Inc.	S.F. deb.	25.0	Indefinite
American Educational Life Ins. Co.	Com. stk.	23.8	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
Consumers Public Power Dist., Neb.	Rev.-Ut.	23.3	Oct. 27
Los Angeles Flood Control Dist., Cal.	G.O.	21.2	Oct. 27
Baltimore Co., Md.	G.O.	20.0	Oct. 28
Pennsylvania General State Auth.	Rev.-Rent.	25.0	Oct. 28

Forthcoming Large Offerings, as of October 23 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
State of Mississippi	G.O.	14.0	Nov. 10
*State of New York	G.O.	56.0	Nov. 18
*Philadelphia, Pa.	G.O.	24.8	Nov. 19
*Los Angeles Sch. Dist., California	G.O.	21.5	Dec. 1
Columbus, Ohio	G.O.	10.0	Dec. 1
Chesapeake Bay Ferry Commission	Rev.-Ut.	190.0	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.

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 - Jan. 7			4.75 ^{2/}	23
20	4.60	34		
28	4.65	40		
Feb. 18	4.35 ^{2/}	4		
Mar. 11	4.40 ^{2/}	11		
25	4.43	9		
26	4.43	9		
31	4.47	13		
Apr. 3			4.67	18
15	4.60	22		
16	4.59 ^{2/}	21		
29	4.55 ^{2/}	7		
May 1			4.85	17
13			5.06	13
14	4.95	38		
20	4.95	34		
21			5.13	27
26	5.00	38		
June 4	4.95	29		
17			4.92 ^{3/}	6
26			5.10	24
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. 23	4.95 ^{2/}	16		

^{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. Other issues have no such provision.

^{3/} Provides for a 7-year period during which 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. securities	Business securities	State and local gov't. securities	Mortgages	Other	
1957 - July	-9	5	324	14	163	87	584
Aug.	-30	-32	163	11	195	77	384
Sept.	47	-32	198	7	154	93	467
Oct.	-17	13	244	13	170	6	429
Nov.	22	-92	212	10	132	110	394
Dec.	138	-181	258	10	237	7	469
Value of Assets at End of Year	1,294	7,028	42,133	2,377	35,271	13,206	101,309
1958 - Jan.	-93	171	221	51	191	111	652
Feb.	-51	15	106	10	125	144	349
Mar.	20	-119	277	23	140	60	401
Apr.	-17	11	208	13	113	19	347
May	74	-70	135	28	116	167	450
June	-20	47	194	35	104	140	500
July	20	175	182	24	123	46	570
Aug.	-17	42	128	36	140	147	476
Sept.	-1	7	201	19	139	74	439
Oct.	-19	12	303	25	186	53	560
Nov.	52	25	133	31	146	100	487
Dec.	123	-139	394	13	303	185	879
Value of Assets at End of Year	1,365	7,205	44,615	2,685	37,097	14,452	107,419
1959 - Jan.	-83	280	185	59	114	171	726
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	1/214	1/208	728
Aug.	19	95	75	30	174	101	494
Sept.							

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

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
1957 - July	-320	41	407	-94	34	-52	-37	123
Aug.	-103	24	460	59	440	252	37	151
Sept.	11	26	357	56	450	324	47	79
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
Value of Assets at End of Year	2,146	3,173	40,049	2,770	48,138	41,912	1,379	4,847
1958 ^{p/} - Jan.	-119	44	194	12	131	450	-377	58
Feb.	173	-19	247	8	409	373	-127	163
Mar.	209	-1	335	10	553	484	-89	158
Apr.	116	38	398	102	654	356	113	185
May	38	13	528	100	679	508	-32	203
June	177	81	582	-37	803	937	169	-303
July	-297	40	533	-80	196	62	-39	173
Aug.	-70	111	557	9	607	353	55	199
Sept.	-78	147	574	42	685	440	85	160
Oct.	-108	107	605	131	735	501	58	176
Nov.	44	50	465	102	661	477	41	143
Dec.	338	37	532	-44	863	1,073	215	-425
Value of Assets at End of Year	2,569	3,821	45,599	3,125	55,114	47,926	1,451	5,737
1959 ^{p/} Jan.	-300	296	410	-53	353	434	-181	100
Feb.	-26	97	427	80	578	408	-57	227
Mar.	1	79	593	92	765	529	-5	241
Apr.	-183	106	704	153	780	420	98	262
May	28	23	750	181	982	604	63	315
June	249	-5	840	6	1,090	1,090	313	-313
July	-444	105	779	-92	348	190	31	127
Aug.	-44	21	728	17	722	394	118	210
Sept.								

^{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/} 1957 data adjusted to include mortgage pledged shares as currently reported.

^{3/} Advances from Home Loan Banks and other borrowing.

Sources: Federal Savings and Loan Insurance Corporation.

Sources and Uses of Funds by
Mutual Savings Banks

(In millions of dollars)

	Uses of Funds 1/						Total sources or uses	Sources of Funds	
	Cash	U. S. Govt. securities	Business securities 2/	State and local govt. securities	Mortgages	Other		Net change in deposits	Other
1957 - July	-73	-7	62	7	122	-29	82	16	66
Aug.	-42	11	61	-3	111	28	166	90	76
Sept.	27	-17	55	2	103	18	188	206	-18
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
Value of Assets at End of Year	890	7,552	4,331	682	20,951	761	35,168	31,695	3,473
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
Value of Assets at End of Year	921	7,266	4,973	725	23,039	855	37,779	34,041	3,738
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.									

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, non-guaranteed 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: Nat. Assoc. of Mutual Savings Banks and Federal Deposit Insurance Corp.

17
October 26, 1959

Appendix 1

MONEY AND CAPITAL MARKET DEVELOPMENTS IN CANADA

Yields on the Canadian money market and of Canadian bonds continued to decline last week. The rate on the 91-day Treasury bill (at mid-September peak of 5.88 per cent) slid below 5 per cent for the first time since the end of June. Other money market rates also fell fairly sharply. Several new provincial flotations met with a very good reception and prompted speculation that additional large secondary government issues would soon be attempted.

Money market rates - Last Thursday's auction rate on 91-day bills fell for the fifth straight week to reach 4.93 per cent compared with 5.01 per cent the week before. The rate on 182-day bills also fell further, declining to 5.36 per cent compared with 5.51 per cent a week earlier. Last week's average closing rate on day-to-day loans fell very sharply to 4.05 per cent compared to 4.63 per cent in the week ending October 14.

Bond market developments - In addition to the \$20 million City of Montreal issue sold in New York, two large provincial issues were floated in Canada last week: a \$50 million Ontario issue split into 10 and 20 year maturities yielding 6.00 and 6.07 per cent, and a \$4 million Newfoundland issue, placed privately and yielding 6.75 per cent. The Ontario issue was well received and sold at premiums of one-half to three-quarters of a point immediately after subscriptions were closed. The success of these flotations has created expectations of additional large provincial and municipal issues in the near future.

Yields on medium- and long-term government bonds eased slightly further for the third consecutive week. At midweek, spreads between comparable Canadian and United States Government securities' yields were:

0.83 per cent on 91-day bills
0.87 per cent on 182-day bills
0.85 per cent on a 9-year bond
1.19 per cent on a 20-year bond
1.09 per cent on a 36-year bond

Stock prices - Canadian stock prices, after drifting to lower levels early last week, made a modest recovery Thursday and Friday. At Friday's close, the industrial average on the Montreal exchange was 12 per cent below the year's high in July and one-third of one per cent above the close the week before. This was the fifth straight week during which the industrial average has remained almost unchanged.

Appendix 1-2

Selected Government of Canada Security Yields

Date	3-month Treasury bills ^{1/}	Inter- mediate Govt. bond ^{2/}	Long- term Govt. bond ^{3/}	Spread between Canadian & U.S. rates		Discount on 3-mo. Canadian dollar ^{6/}
				long-term bond ^{4/}	3-mo. bills ^{5/}	
1954-55 - Low	0.78	2.81	3.13			
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	1.06	2.96	
Low	3.25	4.45	4.41	0.47	0.30	
Sept. 30	5.50	5.30	5.30	1.17	1.54	1.66
Oct. 7	5.25	5.27	5.28	1.18	1.24	2.19
14	5.01	5.21	5.18	1.11	0.75	1.66
21	4.93	5.16	5.16	1.19	0.83	1.66

^{1/} Average yield at weekly tender on Thursday following Wednesday date shown.

^{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 average auction rates: on Monday preceding Wednesday date shown for the United States; on Thursday following Wednesday date shown for Canada.

^{6/} Spread between 3-months forward and spot price of the Canadian dollar, expressed as per cent per annum, on Friday following Wednesday date shown.

Distribution of Government of Canada Marketable Debt
(millions of Canadian dollars, par value)

Date	Bank of Canada	Govt. accounts	Chartered banks	General public	Total	Average term of general public holdings	
						Years	Mos.
1957 - Sept. 30	2,412	1,381	2,623	6,133	12,549	6	10
Dec. 31	2,463	1,367	2,641	6,045	12,516	7	—
1958 - Mar. 31	2,438	1,287	2,855	6,134	12,714	7	11
June 30	2,571	1,129	3,333	5,999	13,032	8	—
Sept. 30	2,747	1,221	3,892	5,563	13,423	14	10
Dec. 31	2,670	1,258	3,520	6,073	13,521	13	4
1959 - Mar. 31	2,601	944	3,519	6,642	13,706	12	3
June 30	2,677	1,007	3,174	7,166	14,024	11	4
Sept. 30	2,726	989	2,834	7,466	14,015	11	2
Oct. 21	2,685	944	2,740	7,647	14,016		(n.a.)

Source: Bank of Canada Statistical Summary.

n.a. - Not available.