

H.14

November 2, 1959.

CAPITAL MARKET DEVELOPMENTS

(Including Quarterly Review of State and
Local Government Security Financing)

The volume of public security financing for new capital is expected to be much smaller this week than in other recent weeks. Last week, ending October 30, corporations sold large issues totaling \$116 million and State and local governments offered issues with aggregate proceeds of \$90 million. The calendar for this week includes only one large corporate issue for \$25 million and one large State and local government issue for \$11 million.

Bond yields - Changes in yields on outstanding bonds were mixed last week. State and local government and lower grade corporate bond yields continued to decline, while high-grade corporate bonds remained stable. Yields on U. S. Government bonds increased slightly.

Yields on corporate bonds increased somewhat in early October, then levelled off, showing a slight net increase for the month. In contrast, State and local government bond yields declined throughout October, showing a decline of about 15 basis points. Yields on U. S. Government obligations declined 18 basis points during the month.

A number of 30-year first mortgage electric utility bond issues were offered to investors last week. Two Aa-rated issues were offered at a yield of 5.15 per cent--10 basis points below that for a comparable offering made a week earlier, but 20 basis points higher than the yield for a similar issue also sold last week, which had a 5-year refunding restriction. Two new A-rated issues were also offered to the public, one to yield 5.25 per cent and the other 5.40 per cent--40 and 25 basis points respectively below the yield for a comparable offering made in mid-September.

FNMA secondary market operations - FNMA operations in September reflected further pressures in residential mortgage markets. Offerings to FNMA under its secondary market operations increased again for the eighth straight month, and FNMA purchases, which also rose, were much larger than a year earlier when conditions were easier. These trends prevailed despite FNMA's reduction of its mortgage commitment and purchase prices in May, July, August, and twice in September.

In the third quarter of 1959, secondary market offerings to FNMA were the largest in nearly three years, and FNMA's purchases were the largest in over two years. FNMA sales, however, were the smallest since the end of 1957.

Security volume for November - Corporate security issues for the month of November are estimated at a total of \$750 million, the same as the revised estimate for October, but more than two-fifths larger than in November 1958. Large publicly offered issues are expected to total about \$400 million, including a \$250 million debenture issue by AT&T, which is expected to be sold at mid-month.

State and local government bond issues are expected to total \$475 million in November. This total would be one-fifth smaller than the volume last month, but about the same as in November last year.

Stock prices - Stock prices, as measured by Standard and Poor's index of 500 common stocks, increased about 2 per cent last week, closing at 57.52 on October 30. Trading activity increased sharply, with the daily volume averaging 3.8 million shares a day.

On balance, stock prices increased somewhat during October. After fluctuating within a narrow range during the first half of the month, prices dropped substantially, but subsequently more than recovered the loss. For the month, trading activity averaged 2.8 million shares a day, little different from the average volume for September.

State and Local Government Security Offerings in the Third Quarter of 1958

State and local governments sold \$1.6 billion of long-term bonds during the third quarter of 1958, one-sixth less than in the corresponding period of 1957. Bond sales decline seasonally in the third quarter; however, the decline was sharper this year than in other recent years. For the first nine months this year, State and local government security financing totaled 6.3 billion, only slightly below the record total last year.

Purpose of issue - Nearly all bonds sold during the third quarter were for the purpose of raising new capital, as the volume of refunding issues continued to be relatively small.

School construction was the most important purpose of financing as it has been for some years. Sales of bonds for this purpose totaled only \$461 million, however, one-fifth less than in the third quarter of 1957. The decline was entirely in sales of bonds for financing elementary and secondary education; bond issues sold to finance higher education were in somewhat larger volume this year.

New financing for highways, bridges and tunnels ranked second in importance, totaling nearly \$300 million, one-fourth larger than a year earlier. Bonds sold to provide funds for veterans' aid was the only other major type that were sold in larger volume in the third quarter. It should be noted, however, that the total for this year included a \$120 million issue sold in August by the State of Pennsylvania.

Long-term Security Issues of State and Local Governments
Third Quarter 1954-59

(In millions of dollars)

	1959	1958	1957	1956	1955	1954
Issuing authority:						
State	467	436	256	119	77	157
County and township	146	126	119	87	125	96
Municipality	476	704	563	295	296	286
School district	264	338	383	294	210	177
Special authority	228	293	245	194	230	354
Unidentified 1/	--	--	--	--	199	163
Total	1,581	1,897	1,566	988	1,136	1,232
Purpose of issue:						
New capital total	<u>1,571</u>	<u>1,860</u>	<u>1,544</u>	<u>971</u>	<u>1,124</u>	<u>1,188</u>
Schools 2/	461	580	574	406	273	272
Highways, bridges and tunnels	298	237	272	105	200	271
Residential buildings	150	194	37	9	129	140
Hospitals and institutions	20	35	20	5	7	13
Sewer and water	171	260	287	170	183	154
Misc. public service enterprises	49	96	47	91	18	64
Veterans' aid	152	120	75	2	8	10
Other	270	339	232	184	109	106
Unidentified 1/	--	--	--	--	199	159
Refunding	10	37	22	17	12	44
Total	1,581	1,897	1,566	988	1,136	1,232
Type of issue:						
General obligation	999	1,200	1,110	680	681	594
Revenue	<u>420</u>	<u>481</u>	<u>393</u>	<u>248</u>	<u>333</u>	<u>499</u>
Utility	202	179	304	191	n.a.	n.a.
Quasi-utility	45	44	7	22	n.a.	n.a.
Special tax	117	100	21	6	n.a.	n.a.
Rental	57	159	61	30	n.a.	n.a.
Public Housing Authority	--	2	--	--	122	136
Federal Government loans 3/	161	215	64	61	1	3
Total	1,581	1,896	1,566	988	1,136	1,232

n.a.--Not available.

1/ Issues of less than \$500,000 not further classified in 1954 and 1955.

2/ Data for years prior to 1956 probably understate school issues by about one-fourth because of unclassified small issues.

3/ Coverage for 1956-1959 is broader than for earlier years.

Note.--Details may not add to totals because of rounding.

Source.--1954-1955, Bond Buyer and Federal Reserve; 1956-1959, Investment Bankers

Assoc. of America. R Data for 1956-1959 not strictly comparable with data for earlier years.

Type of issuer - Municipalities and States were equally important groups of issuers this third quarter with each type selling bonds totaling about \$470 million. Last year, municipalities had been much more important, selling bonds with proceeds of more than \$700 million; States in this period sold bonds totaling \$436 million. New financing by counties and townships was in larger volume than last year, while financing by school districts and special authorities was in much smaller volume.

Type of issue - All types of bond financing were in smaller volume than a year earlier. General obligation financing, continuing to be the most important type of issue, was one-sixth smaller in volume than in the third quarter of 1958 and revenue bond financing was one-eighth smaller. Federal Government loans were one-fourth smaller.

It should be noted that the increased financing of State and local governments in the first half this year over that of a year earlier was a result of revenue bond financing, largely reflecting the sale of a number of very large issues. Thus far this year sales of general obligations have continuously lagged behind the pace of 1958, while revenue issues were larger than a year earlier until the third quarter.

Table 2

Proceeds from Selected Types of Issues

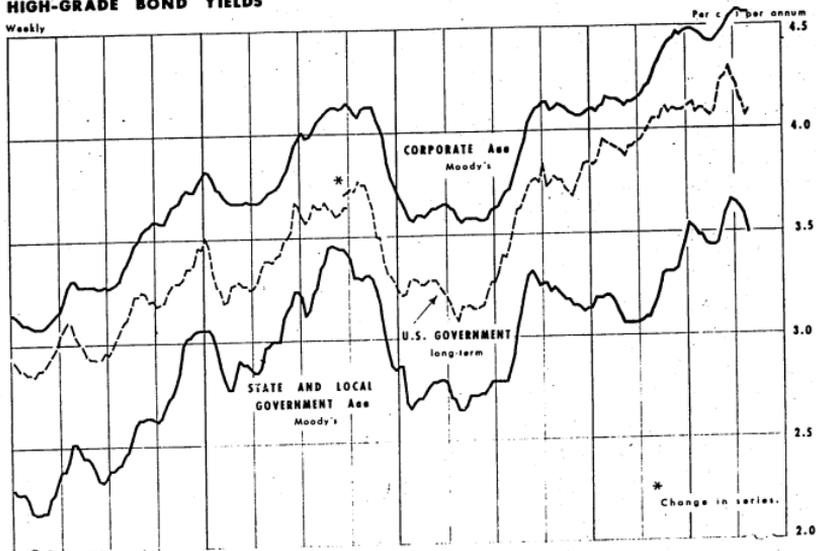
(Millions of dollars)

	General obligation bonds		Revenue bonds	
	1959	1958	1959	1958
1st Quarter	1,239	1,565	771	562
2nd Quarter	1,385	1,664	946	467
3rd Quarter	<u>999</u>	<u>1,200</u>	<u>420</u>	<u>481</u>
1st 9 months	3,621	4,429	2,137	1,510

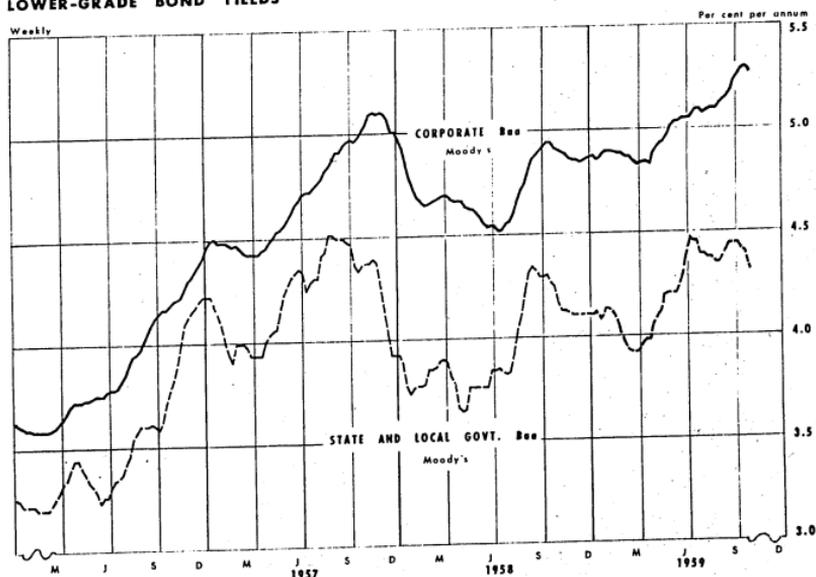
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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

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 (9/18)	3.65 (9/24)	.50	.92
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.53
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	4.56	4.06	3.53	.50	.53
Oct. 30 ^{p/}	4.56	4.09	3.49	.47	.60

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 - 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
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	5.28	4.34	.72	.81
Oct. 30 ^{p/}	5.26	4.31	.70	.82

^{p/} Preliminary.

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

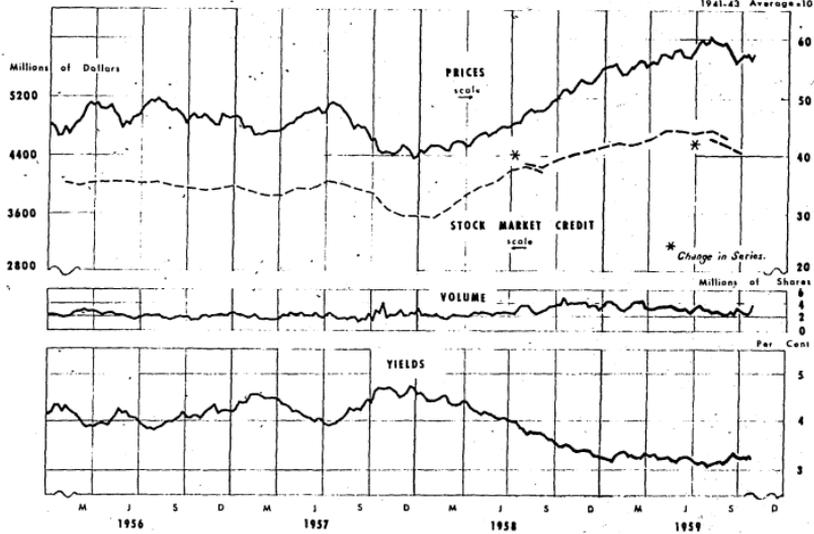
^{2/} Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

^{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

1941-43 Average=10



SECONDARY MARKET OPERATIONS

Monthly

Millions of dollars

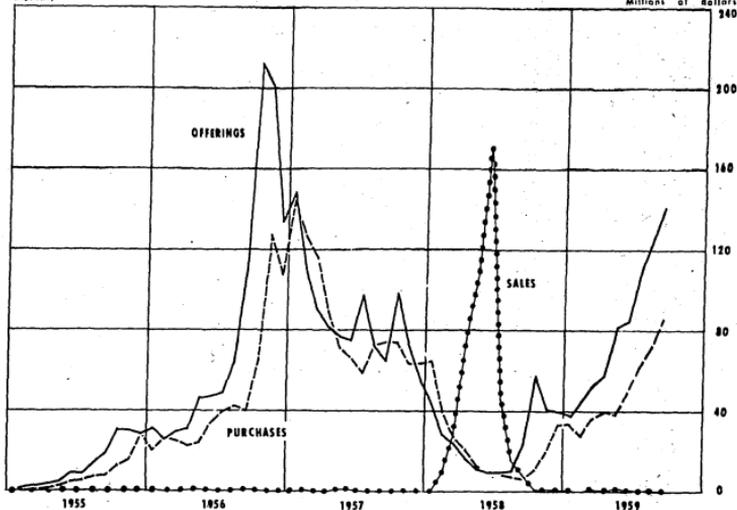


Exhibit D - Tables for Exhibit C

Stock Market

Date	Stock price index <u>1/</u>	Common stock yields <u>2/</u> (per cent)	Trading volume <u>3/</u> (millions of shares)	Stock market customer credit		
				Total	Customers' debit bal-ances <u>4/</u>	Bank loans to "others" <u>5/</u>
(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. 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	56.56	3.28	2.8	n.a.	n.a.	1,190
Oct. 30 <u>p/</u>	57.52	3.23	3.8	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 data 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)					
1958 - Sept.	23.8	22.0	1.8	6.0	7.9
Oct.	57.3	49.6	7.7	10.8	.8
Nov.	40.7	39.2	1.5	20.0	1.1
Dec.	39.7	35.3	4.4	33.2	.9
1959 - Jan.	37.7	33.9	3.8	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	109.8	13.3	71.7	.3
Sept.	141.3	134.8	6.5	85.4	*

*-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 usually 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/		
	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 ^{3/}	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/} 750	862	1,090	^{e/} 600	456	698
November	^{e/} 750	518	789	^{e/} 475	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	^{p/} 6,213	6,380	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	98	--	--
September		17	30		--	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/		
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 during October

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				
Florida Pwr. & Lt. Co.	1st mtg. bds.	20.0	1989	5 1/4	5.15	Aa
Puget Sound Pwr. & Lt. Co.	1st mtg. bds.	20.0	1989	5 1/2	5.40	A
Hilton Hotels Corp.	Sub. S.F. deb.	25.0	1984	6	6.00	--
Northern Natural Gas Co.	S.F. deb.	25.0	1979	5 1/8	5.13	A
Central & South West Corp.	Com. stk.	20.5				
<u>STATE AND LOCAL GOVERNMENT</u>						
Port of New York Authority	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

Large Individual Issues Offered during October (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)						
Denver, Colorado	G.O.	17.0	1970-98	3.65	3.25-3.75 ^{4/}	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 Consumers Public Power Dist., Nebraska	G.O.	102.1	1960-2000	3.86	2.75-3.93	Aaa
Los Angeles Flood Control Dist., California	Rev.-Ut.	23.3	1963-92	4.45	3.25-4.50	A-Baa
Baltimore Co., Maryland	G.O.	21.2	1961-83	3.70	2.90-3.75 ^{4/}	Aa
Penna. Gen. State Auth.	G.O.	20.0	1961-99	3.77	2.90-4.05 ^{2/}	A
	Rev.-Rent.	25.0	1962-86	3.76	3.00-3.80	--
<u>OTHER</u>						
Montreal, Canada	Ext.S.F.deb.	20.0	1979	5 5/8	5.63	A

^{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.

^{5/} 1997-99 maturities 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 <u>2/</u>	Corporate	State and local govt.	Other <u>2/</u>
1958 - 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	--
Oct. 30	385	115	--	509	336	--

Forthcoming Large Offerings, as of October 30

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Sylvania Electric Products, Inc.	S.F. deb.	25.0	Nov. 5
*Tennessee Gas Transmission Co.	Pfd. stk.	30.0	Nov. 11
*U. S. Fidelity and Guaranty Co.	Cap. stk.	24.1	Nov. 17 (rights expire)
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)
*Arkansas Power & Light Co.	1st mtg. bds.	15.0	Dec. 9
Public Service Electric & Gas Co.	Com. stk.	25.0	Dec. 16
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
American Educational Life Ins. Co.	Com. stk.	23.8	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
*Humboldt Bay Municipal Wtr. Dist., Cal.	G.O.	10.7	Nov. 4
State of Mississippi	G.O.	14.0	Nov. 10
*State of South Carolina	G.O.	10.0	Nov. 17
State of New York	G.O.	55.1	Nov. 18
Philadelphia, Pa.	G.O.	24.8	Nov. 19
Los Angeles Sch. Dist., California	G.O.	21.5	Dec. 1

Forthcoming Large Offerings, as of October 30 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
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 - 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 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 ^{2/}	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. 22	5.25	46		
23	4.95 ^{2/}	16		
28	5.15	40	5.25	35
29			5.40	50
30	5.15	42		

*--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/} Provides for a 7-year period during which issue may not be called for refunding at a lower coupon rate.

November 2, 1959

MONEY AND CAPITAL MARKET DEVELOPMENTS IN CANADA

The successive declines since late September in Canadian money market and bond yields came to an end last week. There were no signs of significant market action by the Bank of Canada. On Friday, the Canadian Government unexpectedly halted the flow of government funds into low cost home mortgage loans. Direct 6 per cent loans to builders were cut off because the demand had exhausted appropriated funds. Parliament will be asked to vote new funds for direct loans next January.

Money market rates - Last Thursday's auction rate on 91-day bills rose to 5.02 per cent from 4.93 per cent the week before. The 182-day bill rate also increased, rising to 5.53 per cent compared to 5.36 per cent a week earlier. The average of closing rates for day-to-day loans for the week ending Wednesday, down sharply to 4.05 per cent the week before, was at 4.10 per cent. This general but modest tightening in money market rates followed five weeks of consecutively falling yields.

Bond market developments - Another large Canadian issue was sold in the New York market last week as the Province of Manitoba placed a \$20 million private issue yielding 5.375 per cent. The issue, which matures in 25 years, was the first borrowing by Manitoba in the United States since 1951. The bond market in Canada was reported rather congested due to last week's heavy provincial and municipal offerings, totaling nearly \$100 million. Yields on medium- and long-term government bonds rose slightly, interrupting a three week decline for most issues. At midweek, spreads between comparable Canadian and United States Government securities' yields were:

1.00 per cent on 91-day bills
1.03 per cent on 182-day bills
0.79 per cent on 9-year bond
1.15 per cent on a 20-year bond
1.05 per cent on a 36-year bond

Stock prices - Canadian stock prices firmed last week with particular strength shown by western oil companies with natural gas interests. At Friday's close, the industrial average on the Montreal exchange was almost 2 per cent above the close a week earlier.

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	1.19	2.96	
Low	3.25	4.45	4.41	0.47	0.30	
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
28	5.02	5.22	5.17	1.15	1.00	1.42

^{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.

Sales of new Canadian Government Municipal and Corporate Bonds
(in millions of Canadian dollars)

	1959 to Oct. 19	1958 to Oct. 19	1957 to Oct. 21
Government	6,933	7,110	6,029
Provincial	499	608	439
Municipal	328	319	255
Corporation	282	628	928
	<u>8,042</u>	<u>8,665</u>	<u>7,652</u>
Less short-term financing (less than one year)	<u>5,548</u> 2,494	<u>5,581</u> 3,084	<u>5,280</u> 2,372

Of the above, the following have been sold in New York

Provincial	206	170	2
Municipal	86	108	188
Corporation	41	107	365
	<u>333</u>	<u>385</u>	<u>555</u>

Source: A. E. Ames & Co., Limited.