

H.14

November 23, 1959.

CAPITAL MARKET DEVELOPMENTS

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

The volume of public security financing for new capital last week was very large, but is expected to be very small during this holiday-shortened week. During the week ending November 20, corporations sold large issues, including a \$250 million AT&T debenture issue, with aggregate proceeds of \$336 million. State and local government issues amounting to \$128 million were also sold. The calendar for this week includes only two corporate offerings totaling \$31 million and one State and local government issue for \$10 million.

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

Housing starts - Private nonfarm housing starts declined more than seasonally in October, and dropped nearly 11 per cent to a seasonally adjusted annual rate of 1,180,000 units, according to preliminary Census Bureau estimates. This was about one-sixth below the peak level in April, and the lowest rate in fifteen months. Through October of this year, the cumulative total of private starts remained slightly ahead of the same period in 1955 and close to the record pace set in 1950. The relative distribution of starts by type of financing, however, was different. So far this year, 67 per cent of all private starts were financed by conventional mortgages or without borrowing; in the same period of 1955, the percentage was 49, and in 1950, it was 51. The remainder was financed by Federally-underwritten mortgages.

Stock market credit - Customer credit in the stock market (excluding that on U. S. Government securities) continued to decline in October, totaling \$4.4 billion at the end of the month. The decline of \$42 million occurred primarily in net debit balances as the decline in bank loans to "others" was slight.

Borrowing by member firms of the New York Stock Exchange maintaining margin accounts (excluding borrowing on U. S. Government securities) increased in October. This was the first increase since June and brought the total to \$2.2 billion at the end of the month. On the other hand, customers' net free credit balances, amounting to \$1.0 billion, declined in October. These and other data on stock market credit for October and September are shown in the table on the following page.

	End of month		Change
	October	September	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Government securities - total	4,401	4,443	-42
Net debit balances	3,210	3,250	-40
Bank loans to "others"	1,191	1,193	-2
Net debit balances secured by U. S. Govt. securities	168	156	+12
Bank loans to others for purchasing or carrying U. S. Government securities	158	162	-4
Broker and dealer credit			
Money borrowed except on U. S. Government securities	2,178	2,149	+29
On customer collateral	1,923	1,906	+17
Money borrowed on U. S. Government securities	227	231	-4
Customers' net free credit balances	967	1,039	-72

Stock prices - Stock prices, as measured by Standard and Poor's index of 500 common stocks showed little change last week, closing at 56.97 on November 20. Trading activity increased with the daily volume averaging 3.4 million shares a day.

Institutional investors - Savings inflow in September was one-half smaller than a year earlier at life insurance companies, about the same at savings and loan associations, and one-fourth smaller at mutual savings banks. In most other months thus far this year life insurance company assets and savings capital at savings and loan associations have increased more than in the comparable months of 1958. However, the growth in deposits at mutual savings banks has continuously been much smaller this year. (The increase in time deposits at commercial banks has also been much less than the very rapid growth last year.)

Combined growth at these three major institutions--life insurance companies, savings and loan associations and mutual savings banks--totaled \$10 billion for the first nine months, slightly more than the growth a year earlier. The investment pattern for these institutions has changed little during the first nine months of the year as each has continued to invest heavily in mortgages.

The increase in life insurance company assets for the first three quarters this year, amounting to \$4.4 billion, was 6 per cent larger than in 1958. There was a slight net liquidation of U. S. Government securities this year; last year there was net acquisition of these securities. The increase in business security holdings was slightly larger than in the January-September period of 1958. Net acquisitions of mortgages were one-sixth larger than a year earlier. These companies increased their holdings of State and local government securities sharply--nearly twice as much as in the first nine months of 1958.

Sources and Uses of Funds of Major Types of Savings Institutions ^{1/}

First nine months 1953-1958

(In millions of dollars)

Year	Uses of funds						Total sources or uses	Sources of funds		
	Cash	U. S. Govt. securities	Business securities	Mortgages	State & local govt. sec.	Other assets		Net change in deposits or savings capital	Borrowing	Other
Life Insurance Companies										
1959	-192	-36	1,720	1,396	445	1,094	4,427	--	--	--
1958	-85	279	1,652	1,191	239	908	4,184	--	--	--
1957	-129	-266	1,781	1,702	91	827	4,006	--	--	--
1956	-180	-746	1,558	2,685	214	621	4,152	--	--	--
1955	-58	108	1,419	2,322	150	520	4,461	--	--	--
1954	-119	-681	1,754	1,760	499	950	4,163	--	--	--
1953	-108	-265	2,060	1,453	111	327	3,578	--	--	--
Savings and Loan Associations										
1959	-770	712	--	5,901	n.a.	453	6,295	4,513	528	1,254
1958	149	454	--	3,948	n.a.	166	4,717	3,963	-242	996
1957	-472	438	--	3,329	n.a.	429	3,722	3,102	-119	739
1956	-344	390	--	3,406	n.a.	280	3,723	3,352	-294	665
1955	-361	310	--	4,487	n.a.	167	4,592	3,295	602	695
1954	198	46	--	3,020	n.a.	72	3,334	2,978	-266	622
1953	-93	195	--	2,720	n.a.	104	2,922	2,540	-63	445
Mutual Savings Banks										
1959	-174	38	-21	1,475	51	114	1,483	1,108	--	375
1958	-24	-160	601	1,568	54	100	2,139	1,791	--	348
1957	-137	-121	580	1,057	16	75	1,470	1,188	--	282
1956	-130	-254	166	1,758	28	82	1,650	1,334	--	316
1955	-103	-91	-133	1,831	52	52	1,611	1,388	--	223
1954	-34	-312	298	1,476	161	88	1,677	1,449	--	228
1953	-78	-2	379	1,098	71	75	1,544	1,364	--	180

n.a.--Not available.

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

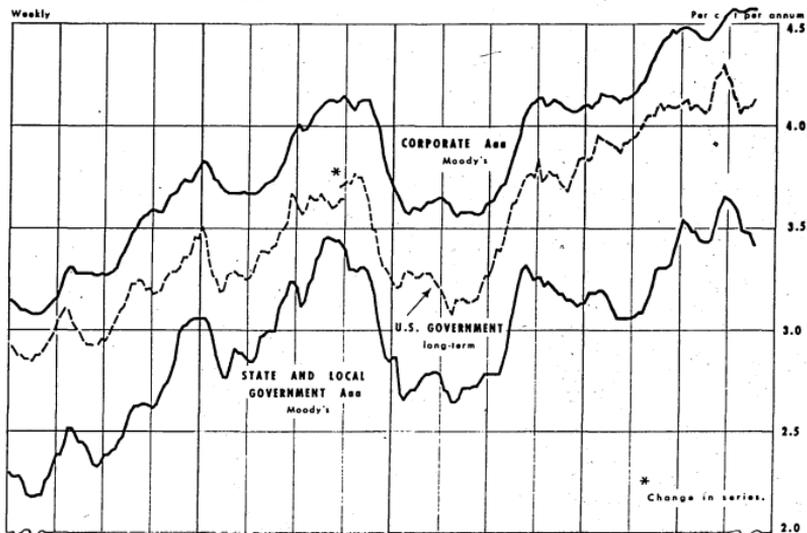
Share capital at savings and loan associations increased a record \$4.5 billion during the first nine months of the year, one-seventh more than last year. Borrowings by these associations rose \$528 million, in contrast to a net repayment of \$242 million in the corresponding period of 1958; most of the borrowing was from the Federal Home Loan Banks. The increased growth in savings capital, supplemented by substantial borrowing, enabled these institutions to increase their mortgage holdings by a record \$5.9 billion in the January-September period, \$2 billion more than a year earlier. Net acquisitions of U. S. Government securities were also larger this year. These associations sharply reduced their cash balances by about the same amount as they increased their Government holdings.

The growth in deposits at mutual savings banks was \$1.1 billion, two-fifths less than in the first nine months last year. The reduced savings inflow this year was reflected primarily in a slight net liquidation of business securities; last year net acquisitions of these securities had totaled over \$600 million. The increase in mortgage holdings was only 6 per cent less than a year earlier. (Through March the rate of increase in these holdings had been more rapid than in the corresponding months of 1958.) Savings banks increased their holdings of U. S. Government securities slightly in contrast to a net liquidation last year.

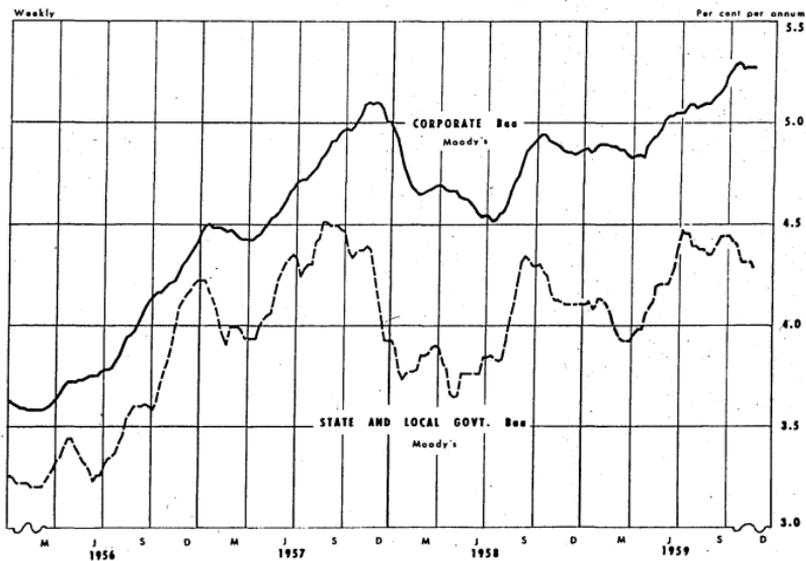
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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 (11/20)	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. 23	4.56	4.06	3.53	.50	.53
Oct. 30	4.56	4.09	3.49	.47	.60
Nov. 6	4.57	4.09	3.48	.48	.61
Nov. 13	4.57	4.10	3.47	.47	.63
Nov. 20 p/	4.57	4.13	3.41	.44	.72

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)	1.20	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. 23	5.28	4.34	.72	.81
Oct. 30	5.26	4.31	.70	.82
Nov. 6	5.27	4.31	.70	.83
Nov. 13	5.27	4.31	.70	.84
Nov. 20 p/	5.27	4.28	.70	.87

p/ Preliminary.

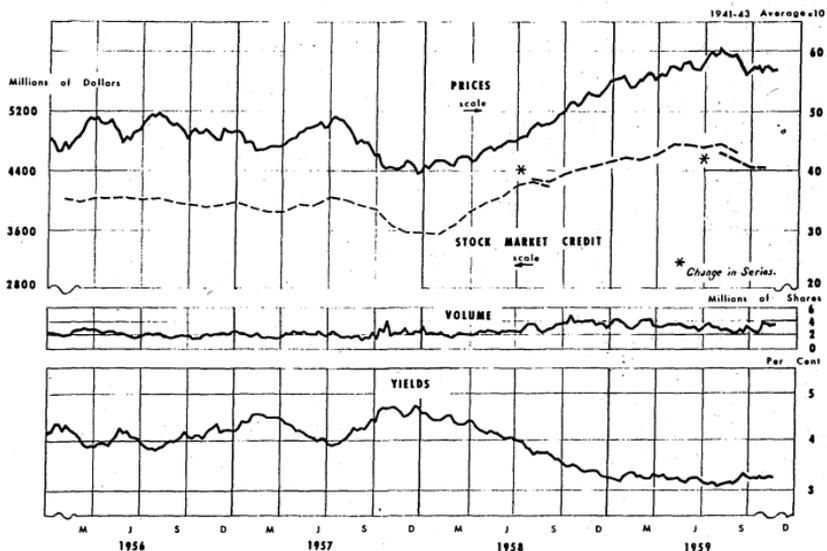
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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



PRIVATE PERMANENT NONFARM DWELLING UNITS STARTED

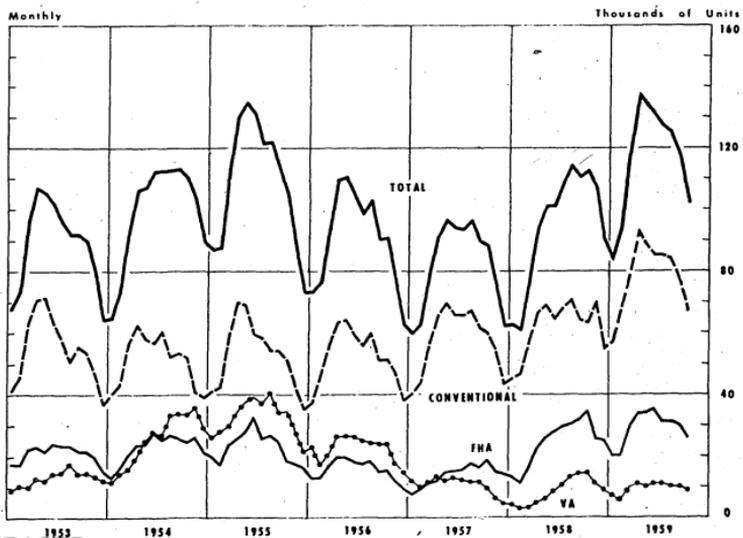


Exhibit D - Tables for Exhibit C

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	4,401	3,210	1,210
September	57.05	3.26	2.7	4,443	3,250	1,193
October	57.00	3.24	2.8	4,401	3,210	1,191
Oct. 30	57.52	3.23	3.8	n.a.	n.a.	1,191
Nov. 6	57.60	3.22	3.5	n.a.	n.a.	1,195
Nov. 13	56.85	3.27	3.2	n.a.	n.a.	1,193
Nov. 20 ^{p/}	56.97	3.26	3.4	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.

Private Permanent Nonfarm Dwelling Units Started ^{1/}

Date	Total		Unadjusted		
	Seasonally adjusted annual rate	Unadjusted	FHA	VA	Conv.
(Thousands of units)					
1958 - Oct.	1,303	113	35	15	64
Nov.	1,427	107	26	11	70
Dec.	1,432	90	25	9	55
1959 - Jan.	1,364	84	20	7	57
Feb.	1,403	94	20	6	67
Mar.	1,403	116	30	10	78
Apr.	1,434	137	34	11	93
May	1,370	134	34	10	89
June	1,368	131	35	11	85
July	1,375	127	31	11	85
Aug.	1,340	125	31	10	84
Sept.	^{p/} 1,325	^{p/} 117	30	10	^{p/} 77
Oct.	^{p/} 1,180	^{p/} 102	26	9	^{p/} 67

^{1/} Total starts are Census estimates. Prior to June 1959, data are from Bureau of Labor Statistics. A dwelling unit is started when excavation begins; all units in an apartment structure are considered started at that time. FHA and VA starts are units started under commitments by these agencies to insure or guarantee the mortgages. As reported by FHA and VA, a unit is started when a field office receives the first compliance inspection report, which is made before footings are poured in some cases but normally after the foundations have been completed. Capehart military housing units are excluded. Conventional starts are derived as a residual, although total and FHA and VA starts are not strictly comparable in concept or timing; they include both units financed by conventional mortgages and units without mortgages.

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Exhibit E

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	531	1,107	1,003	566	806	529
August	718	540	924	516	403	584
September	709	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	1,958	2,760	2,899	p/1,571	1,860	1,544
4th quarter		2,300	2,954		1,365	2,029
1st half	4,780			4,642		
Three quarters	6,738	5,762	6,594	p/6,213	4,520	3,524
Year		8,522	9,493		6,380	5,069
		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/1,658	2,731	2,582			
4th quarter		2,213	2,810			
Year		10,429	11,518			

e/ Estimated. p/ Preliminary. r/ Revised.

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	85	9	28	--	164	--
August	1	5	7	98	--	--
September	36	17	30	150	--	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	459		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 - 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
October	400	294	20

Large Individual Issues Offered November 1 through 20

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Sylvania Elec. Prod., Inc.	S.F. deb.	25.0	1984	5 1/2	5.50	Baa
Tenn. Gas Transm. Co.	Pfd. stk.	29.5				
U.S. Fidelity & Guaranty Co.	Cap. stk.	24.1				
Amer. Tel. & Tel. Co.	Deb.	250.0	1986	5 3/8	5.22	Aa
Transwestern Pipeline Co.	Sub.deb.&stk.	61.5	1969	5	n.a.	--
<u>STATE AND LOCAL GOVERNMENT</u>						
Humboldt Bay Mun. Water Dist., California	G.O.	10.7	1964-98/74	4.12	3.25-4.15	A
State of Mississippi	G.O.	14.0	1960-75	3.59	2.80-3.60	Aa
State of South Carolina	G.O.	10.0	1960-79/74	3.24	2.60-3.30	Aa
State of Delaware	G.O.	16.4	1960-79	3.29	2.60-3.35	Aa
Chicago, Illinois	G.O.	10.0	1961-77	3.68	2.80-3.70	A
Los Angeles Dept. of Wtr. & Pwr., California	Rev.-Ut.	12.0	1960-89/64	3.75	2.80-3.80	Aa
State of New York	G.O.	55.1	1961-2009/99	3.48	2.65-3.90	Aaa
Philadelphia, Penna.	G.O.	24.8	1961-90	3.71	2.90-4.25	A
<u>OTHER</u>						
None						

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.

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 - 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 November 20

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Potomac Electric Power Co.	1st mtg. bds.	15.0	Nov. 24
Gulf States Utilities Co.	1st mtg. bds.	16.0	Nov. 25
Consolidated Edison Co. of New York	1st ref. mtg. bds.	75.0	Dec. 2
General Telephone Co. of Calif.	1st mtg. bds.	30.0	Dec. 3
Arkansas Louisiana Gas Co.	1st mtg. bds.	16.0	Dec. 4
James Talcott, Inc.	Senior notes	15.0	Dec. 8
Arkansas Power & Light Co.	1st mtg. bds.	15.0	Dec. 9
Dallas Power & Light Co.	1st mtg. bds.	20.0	Dec. 15
Public Service Electric & Gas Co.	Com. stk.	25.0	Dec. 16
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
Alabama Highway Auth.	Rev.-Ut.	10.0	Nov. 24
*Montgomery Wks. & Sanit. Swr. Bd., Ala.	Rev.-Ut.	10.0	Nov. 30
*Salt River Project Agric. Imp. & Pwr. Dist., Arizona	Rev.-Ut.	15.0	Dec. 1
Los Angeles Sch. Dists., California	G.O.	21.5	Dec. 1
Columbus, Ohio	G.O.	10.0	Dec. 1
Los Angeles Co., California	Rev.-Ut.	13.0	Dec. 3
*State of Massachusetts	G.O.	21.6	Dec. 3
*Commonwealth of Puerto Rico	G.O.	20.0	Dec. 8

Forthcoming Large Offerings, as of November 20 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
State of California	G.O.	100.0	Dec. 9
Chesapeake Bay Ferry Commission	Rev.-Ut.	190.0	Indefinite
<u>OTHER</u>			
*Credit Foncier de France	Ext. loan bds.	50.0	Dec. 10

*--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: New York State Electric and Gas Company's common stock issue--proceeds of less than \$15 million.

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 ^{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. 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.

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 govt. 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	214	208	728
Aug.	19	95	75	30	174	101	494
Sept.	-31	-185	95	15	211	95	200

^{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. securities	Mortgages 2/	Other assets		Net change savings capital	Borrowing 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 ^d - 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 ^d 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.	-52	-10	670	69	677	444	148	85	

^d 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.

Source: 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	186	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.	-2	-32	-2	8	160	31	163	197	-34

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.

Sources: Nat. Assoc. of Mutual Savings Banks and Federal Deposit Insurance Corp.

November 23, 1959

Appendix 1

MONEY AND CAPITAL MARKET DEVELOPMENTS IN CANADA

There were no large new Canadian issues reported last week either internally or in the New York market. Canadian interest rates showed mixed movements and most spreads between internal rates and comparable United States rates narrowed, especially at the short end of the market. As a result, it once again became profitable for funds to move from Canada to the United States. A rough calculation of spread differentials between Treasury bills in the two markets, given in Appendix Table 1-3, showed Canadian yields only 0.58 per cent per annum above U.S. yields; with the 3-month future Canadian dollar at an 0.71 per cent per annum discount below the spot rate, an investor could thus obtain a slight interest gain by shifting from Canadian to U.S. bills. The Government's cash balances continued to increase as a result of large sales of savings bonds to the general public. Chartered bank loans fell rather sharply but at the same time there was a slight tightening in the banks' liquid assets position.

Money market rates - Last Thursday's auction rate on 91-day bills rose very slightly for the second straight week to 4.91 per cent compared to 4.88 per cent the week before. The 182-day bill rate declined a bit further to 5.18 per cent from 5.24 per cent 7 days earlier. Canadian short money rates thus remained relatively stable in spite of the steep jump in money rates in the United States earlier in the week. These developments made it profitable for short funds to move from Canada to the United States, the reverse of the normal money flow relation between the two countries. The interest arbitrage incentive was not, however, very large.

Bond market developments - No large new Canadian security flotations were reported last week. A \$35 million Bell Telephone Company of Canada issue and a \$50 million Ontario Hydro borrowing -- both anticipated over the past two weeks -- have been postponed because of disagreements between borrowers and lending institutions over precise details. On November 13, the City of Montreal was authorized to raise \$30 million in the United States market to repay bank loans floated earlier in the year in Canada.

Government bond yields (to midweek) showed mixed movements, with a slight rising tendency on balance. At midweek spreads between comparable Canadian and United States Government securities were:

0.58 per cent on 91-day bills
0.44 per cent on 182-day bills
0.61 per cent on a 9-year bond
1.08 per cent on a 20-year bond
1.04 per cent on a 36-year bond

Appendix 1-2

Very large net purchases of Government Savings Bonds continued to be reported in the Treasury's current campaign. In the four weeks through November 18, sales in excess of redemptions amounted to \$643 million.

Stock prices — Although trading was more active last week, prices of Canadian stocks failed to show any sustained movement away from their average level the week before. At Thursday's close the Montreal industrial average was 1.3 per cent lower than it had been seven days earlier.

Appendix 1-3

Selected Government of Canada Security Yields

Date	3-month Treasury bills ^{1/}	Inter- mediate Govt. bonds ^{2/}	Long- term Govt. bonds ^{3/}	Spread between Canadian & U.S. rates		Discount on 3-mo. Canadian dollar ^{6/}
				long-term bonds ^{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. 28	5.02	5.22	5.17	1.15	1.00	1.42
Nov. 4	4.83	5.21	5.19	1.16	0.69	1.06
11	4.88	5.16	5.15	1.11	0.79	0.77
18	4.91	5.10	5.17	1.04	0.58	0.71

- 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 Nov. 9	1958 to Nov. 10	1957 to Nov. 11
Government	7,610	7,599	6,404
Provincial	609	654	535
Municipal	385	372	277
Corporation	286	657	967
	<u>8,890</u>	<u>9,282</u>	<u>8,183</u>
Less short-term financing (less than one year)	<u>5,953</u>	<u>5,926</u>	<u>5,655</u>
	2,937	3,356	2,528

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

Provincial	230	170	97
Municipal	105	139	95
Corporation	41	112	365

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