

H.14

December 14, 1959.

CAPITAL MARKET DEVELOPMENTS

(Including Quarterly Review of
Corporate Security Financing)

The volume of public security financing for new capital was quite small last week, but is expected to be somewhat larger, although still moderate, this week. During the week ending December 11, corporations sold large issues amounting to \$30 million and State and local governments sold bonds totaling \$30 million. A \$100 million issue of the State of California had also been scheduled for sale last week, but was postponed until January. Press reports indicate that the postponement resulted from doubts on the part of State officials as to whether the only bid expected would reflect the decline in interest rates since the last major sale by the State in September.

This week is expected to include offerings of all of the large issues remaining on the calendar for this year. Corporate issues are expected to total \$75 million; and State and local government offerings with aggregate proceeds of \$95 million are expected.

Bond yields - Yields on outstanding bonds showed little change last week. Yields on high-grade corporate and U. S. Government bonds increased slightly while those for State and local government and lower grade corporate bonds remained stable.

Several first mortgage electric utility bond issues were offered to the public last week. An Aa-rated issue was offered to yield investors 5.30 per cent--22 basis points above that for an offering made in late November. Two A-rated issues were offered at yields of 5.44 and 5.45 per cent--only slightly above the yield on a similar offering made in late October.

Stock prices - Stock prices, as measured by Standard and Poor's index of 500 common stocks, showed little net change last week, closing at 58.88 on December 11. Trading activity declined, averaging 3.4 million shares a day.

Corporate Security Offerings
in the Third Quarter 1959

Net proceeds of corporate security offerings during the third quarter of 1959 totaled \$2.0 billion, as shown in Table 1. Refunding of outstanding securities was very small--\$38 million as compared with \$101 million in the third quarter last year when interest rates were much lower.

Table 1

Corporate Security Offerings for New Capital
by Type of Business of Issuer
Third Quarter 1955-1959

(Net proceeds in millions of dollars)

	1959	1958	1957	1956	1955
Total corporate offerings	1,996	2,862	2,950	2,641	2,314
Refunding	38	101	51	86	403
New capital	1,959	2,760	2,899	2,556	1,911
Manufacturing	478	1,112	810	736	495
Chemicals	77	46	32	128	63
Other transportation equipment	64	79	10	4	2
Primary iron and steel	47	320	92	72	32
Electrical machinery	44	8	58	51	21
Stone, clay and glass products	37	14	49	1	2
Nonelectrical machinery	31	62	145	106	24
Textiles and apparel	27	21	16	17	11
Paper	20	45	19	52	46
Motor vehicles and equipment	19	49	149	126	62
Foods	15	23	4	9	5
Lumber and wood products	13	2	2	52	6
Fabricated metal products	10	12	16	25	23
Other ^{1/}	74	431	218	93	198
Electric, gas and water utilities	471	809	912	632	395
Communication	99	124	243	399	155
Railroad	32	43	62	87	59
Other transportation	241	75	94	49	65
Commercial and other	102	429	80	65	65
Mining	43	53	77	149	104
Financial and real estate	492	116	620	439	573
Sales and consumer finance	263	29	318	309	467
Other	229	87	302	130	106

^{1/} Less than \$500,000.^{2/} Includes small volume of foreign issues not further classified in the manufacturing group.

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

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

Net proceeds for new capital - Corporations sold \$2.0 billion of security issues to obtain new capital in the third quarter of 1959, 30 per cent below the volume a year earlier. For the first nine months as a whole, the volume of new capital issues totaled \$6.7 billion, one-fifth smaller than in the corresponding period last year.

Financial and real estate companies were the most important group of issuers during the third quarter, selling securities totaling \$500 million. This volume was nearly three times as large as last year, which had been unusually small (the smallest volume since third quarter 1952). Reflecting the sharp rise in consumer credit outstanding this year, new capital issues of sales and consumer finance companies totaled \$263 million as compared with only \$30 million last year when the increase in consumer credit was quite small; however, this volume was smaller than that of other recent third quarters. In August, GMAC publicly offered a \$124 million debenture issue and three other issues of moderate size from \$25-50 million were also sold last quarter; a year earlier, no issues over \$15 million were sold. Offerings by banks, real estate and other financial companies were also much larger than in the July-September period last year.

New capital offerings by manufacturing companies, amounting to \$478 million, were less than half the volume last year. The volume of securities sold by most types of industrial producers was in even smaller volume than in the third quarter of 1958. Last year, the volume was moderate for most manufacturers other than those of primary iron and steel and petroleum which included the sale of very large issues--over \$150 million each by U. S. Steel Corporation, Standard Oil Company of California and Standard Oil Company of Indiana; no issues of this magnitude were sold in the recent third quarter.

New issue volume by electric, gas and water utilities totaled \$471 million, two-fifths less than last year and the smallest since first quarter 1956. Offerings by communication, railroad, mining and commercial and other companies were also in smaller volume than a year earlier, while offerings by transportation companies other than railroads were in larger volume, largely reflecting the sale of two airlines issues.

Total gross proceeds - Gross proceeds from corporate offerings, which include refunding issues and costs of flotation, were \$2.0 billion in the third quarter. Publicly-offered issues, totaling \$1.2 billion, were nearly one-half smaller than a year earlier, while private placements amounted to \$862 million, one-fifth greater.

As earlier this year, the decline in new financing during the third quarter from that of a year earlier occurred largely in publicly-offered bond issues. The volume of public bond issues was less than half as large as last year, while privately placed bonds were one-fourth...

larger. Stock financing--both by common and preferred issues--was smaller this third quarter. Convertible bond financing, totaling nearly \$200 million, accounted for one-eighth of all debt offerings and was more than twice as large as in the comparable quarter of 1958.

Table 2

Total Corporate Security Offerings by Type of Issue
Third Quarter 1955-1959

(Gross proceeds in millions of dollars)

Type of issue	1959	1958	1957	1956	1955
Total corporate offerings	2,040	2,910	2,997	2,690	2,358
<u>Type of offering</u>					
Public	1,178	2,201	2,044	1,881	1,427
Private	862	710	954	809	931
<u>Type of security</u>					
Bonds and notes ^{1/}	1,648	2,461	2,521	2,134	1,804
Public	807	1,795	1,586	1,352	928
Private	842	666	935	782	875
Preferred stock	63	104	72	99	150
Common stock	329	345	404	457	405
Convertible bonds	197	79	234	117	n.a.

^{1/} Includes convertible bonds shown separately below.

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

Source.--Securities and Exchange Commission.

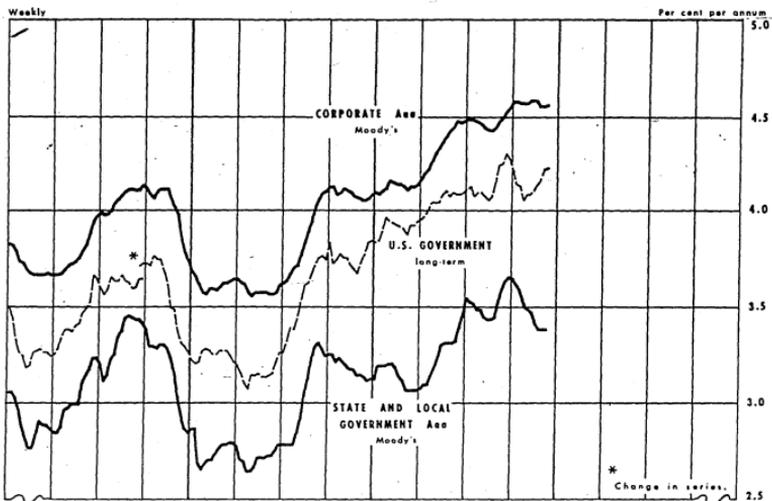
More detailed information concerning recent capital market developments is presented in the attached exhibits.

Developments in the Canadian capital market are presented in Appendix 1 at the end of this report.

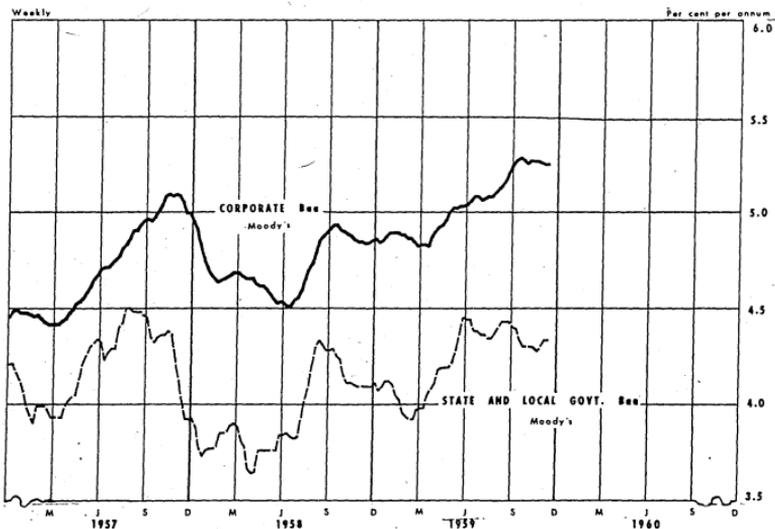
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

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 (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
Nov. 13	4.57	4.10	3.47	.47	.63
Nov. 20	4.57	4.13	3.41	.44	.72
Nov. 27	4.55	4.15	3.38	.40	.77
Dec. 4	4.55	4.21	3.38	.34	.83
Dec. 11 p/	4.56	4.22	3.38	.34	.84

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
Nov. 13	5.27	4.31	.70	.84
Nov. 20	5.27	4.28	.70	.87
Nov. 27	5.26	4.29	.71	.91
Dec. 4	5.25	4.33	.70	.95
Dec. 11 p/	5.25	4.33	.69	.95

p/ Preliminary.

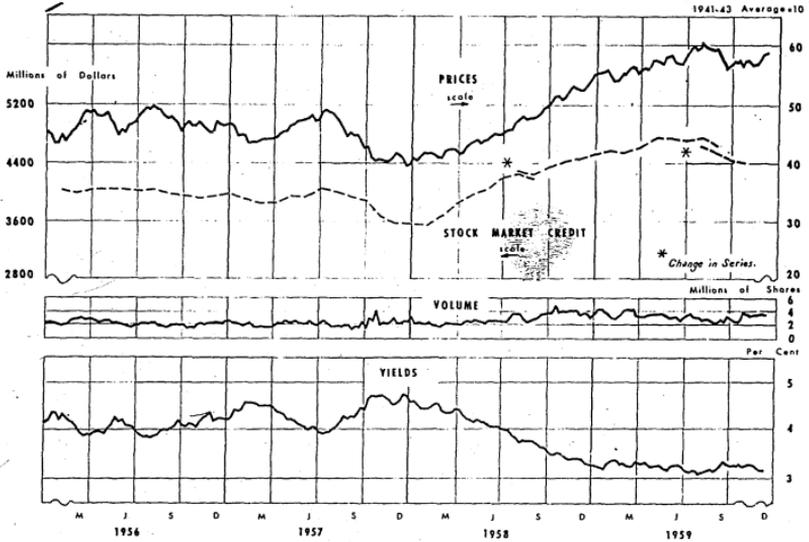
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years

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.

STOCK MARKET



MORTGAGE AND BOND YIELDS

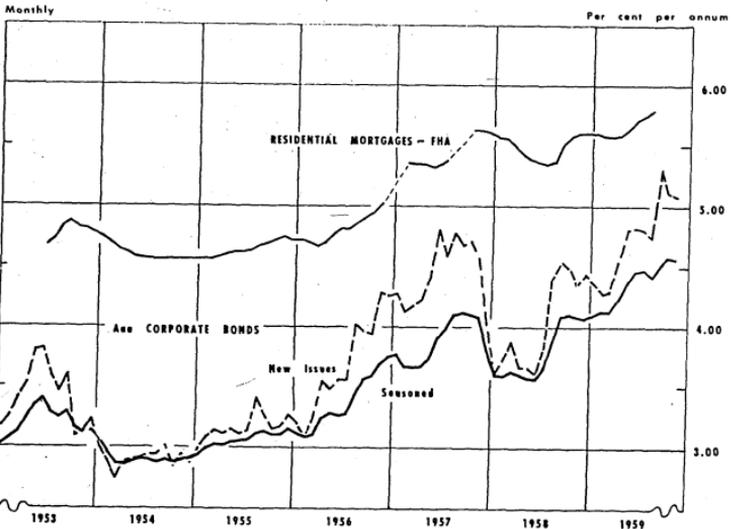


Exhibit D - Tables for Exhibit C

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
October	57.00	3.24	2.8	4,401	3,210	1,191
November	57.23	3.24	3.4	n.a.	n.a.	1,187
Nov. 27	57.70	3.22	3.4	n.a.	n.a.	1,187
Dec. 4	58.85	3.16	3.6	n.a.	n.a.	1,178
Dec. 11 p/	58.88	3.16	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.

Mortgage and Bond Yields 1/

Date	FHA mortgages 2/	Aaa corporate bonds 1/		Spread between new corporate bonds and	
		New 3/	Seasoned 4/	FHA mortgages	Seasoned bonds
1953-1958 - High	5.63 (11/57)	4.81 (6/57)	4.12 (9/57)	1.96	.90
Low	4.56 (2/55)	2.74 (3/54)	2.85 (4/54)	.54	-.12
1959 - High	5.80	5.29	4.57	1.29	.77
Low	5.57	4.29	4.12	.83	.15
1959 - July	5.75	4.80	4.47	.95	.33
August	5.80	4.74	4.43	1.06	.31
September	n.a.	5.29	4.52	n.a.	.77
October	n.a.	5.10	4.57	n.a.	.53
November	n.a.	5.07	4.56	n.a.	.51

1/ Neither mortgage nor bond yields take into account servicing costs which are much higher for mortgages than bonds. Generally, bonds pay interest semi-annually; mortgages, monthly. Mortgage yields, if computed as equivalent to a semiannual interest investment, would be slightly higher than given in the table.

2/ Based on FHA field-office opinions about average bid prices in the private secondary market for new-home mortgages for immediate delivery. Since late 1955, data relate only to 25-year mortgages with downpayments of 10 per cent or more, weighted by probable volume of transactions. Yields computed by FRB, assuming 25-year mortgages are paid off in 12 years. Dashed lines indicate periods of adjustment to changes in the contractual interest rate.

3/ First National City Bank of New York. Averages of offering yields of all new issues of publicly-sold bonds rated Aaa, Aa or A by Moody's Investors Service (except serial and convertible issues and offerings of natural gas and foreign companies) weighted by size of issue. Yields on Aa and A issues are first adjusted to an Aaa basis by the spread between yields of outstanding bonds in these categories and those on Aaa-rated bonds. The series reflects changes in industrial composition, maturity, type, etc. of new offerings.

4/ Moody's Investors Service. Monthly averages of daily data. See Exhibit B.

**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	531	1,107	1,003	566	806	529
August	718	540	924	516	403	584
September	709	1,114	973	467	651	431
October	e/750	862	1,090	p/573	456	698
November	e/850	518	789	e/450	474	633
December	e/850	920	1,076	e/450	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	1,549	1,860	1,544
4th quarter	e/2,450	2,300	2,954	e/1,473	1,365	2,029
1st half	4,780	5,762	6,594	4,642	4,520	3,524
Three quarters	6,738	8,522	9,493	6,191	6,380	5,069
Year	e/9,188	10,823	12,447	e/7,664	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	1,695	2,731	2,582			
4th quarter	e/2,300	2,213	2,810			
Year	e/8,415	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	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	399	369	252	665	330	512
October	^{p/} 234	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 - 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
November	421	163	--

Large Individual Issues Offered December 1 through 11

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Consol. Edison Co. of N.Y.	1st ref.mtg.bds.	75.0	1989	5 1/4	5.15	Aa
Gen. Telephone Co. of Cal.	1st mtg. bds.	30.0	1989	5	5.00	A
Arkansas Louisiana Gas Co.	1st mtg. bds.	16.0	1979	5 1/8	5.15	A
James Talcott, Inc.	Sr. notes	15.0	1979	5 1/2	5.55	--
Arkansas Pwr. & Lt. Co.	1st mtg. bds.	15.0	1989	5 5/8	5.45	A
<u>STATE AND LOCAL GOVERNMENT</u>						
Salt River Project Agric. Imp. & Pwr. Dist., Ariz.	Rev.-Ut.	15.0	1963-92/69	4.05	3.10-4.15	A
Los Angeles Sch. Dists., California	G.O.	21.5	1961-85	3.89	2.90-3.90	Aa
Columbus, Ohio	G.O.	10.0	1962-86	3.49	2.80-3.55	Aa
Los Angeles Co., Calif.	Rev.-Ut.	13.0	1999/65	5.65	5.51	--
State of Massachusetts	G.O.	21.6	1960-89	3.52	2.80-3.65	Aa
Commonwealth of Puerto Rico	G.O.	20.0	1961-80/75	4.05	3.00-4.05	A
Chicago Bd. of Educ., Ill.	G.O.	10.0	1962-79	3.68	3.00-3.70	A
<u>OTHER</u>						
Credit Foncier de France	Ext. loan bds.	50.0	1979	5 1/2	5.89	--
Alberta Mun. Fin. Corp.	S.F. deb.	20.0	1984	5	5.10	Aa

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 - 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	--
Nov. 30	226	295	70	271	485	70

Forthcoming Large Offerings, as of December 11

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Dallas Power & Light Co.	1st mtg. bds.	20.0	Dec. 15
Public Service Electric & Gas Co.	Com. stk.	25.0	Dec. 16
Bell Telephone Co. of Pa.	Deb.	30.0	Dec. 16
Kansas City Power & Light Co.	1st mtg. bds.	20.0	Jan. 7
*C.I.T. Financial Corp.	Deb.	75.0	Jan. 8
*Northern Illinois Gas Co.	Pfd. stk.	15.0	Jan. 13
*Commercial Credit Co.	Notes	50.0	Jan.
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
Houston Indep. Sch. Dist., Texas	G.O.	16.9	Dec. 14
State of New Jersey	G.O.	66.8	Dec. 16
De Kalb Co. Sch. Dist., Ga.	G.O.	11.5	Dec. 16
*Seattle, Wash.	Rev.-Ut.	11.8	Jan. 11
*New York State Pwr. Auth.	Rev.-Ut.	200.0	Jan. 12
State of California	G.O.	100.0	Jan. 13
*City and Co. of San Francisco, Calif	G.O.	13.6	Jan. 18
<u>OTHER</u>			
None			

H.14

H-2

Footnotes

*--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 ^{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		
Nov. 25	5.08	42		
Dec. 8	5.30	63		
9			5.45	51
10			5.44	50

*--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.

16
December 14, 1959

Appendix 1

MONEY AND CAPITAL MARKET DEVELOPMENTS IN CANADA

Yields in all maturity sectors of the Canadian Government bond market turned up last week. The rise of 9 basis points in the average auction rate for 3-month bills was unusually small, however, considering the sharp rise in the 3-month bill rate in the United States in the past two weeks and in the 50 points advance in the rate for day-to-day loans in Canada. After taking into account the continued sizeable discount on the 3-month future Canadian dollar, the interest advantage from moving short funds to the United States remained, for the second straight week, in excess of one-half of one per cent.

Money market conditions - Last Thursday's auction rate for 3-month bills rose to 5.02 per cent from 4.93 per cent the week before. The rate for 6-month bills rose more sharply, from 5.12 per cent to 5.32 per cent. The average closing rate on day-to-day loans for the week ending Wednesday rose very sharply, by 50 basis points, to 4.65 per cent. In spite of this indication of a tightening market, the chartered banks' average liquidity ratio continued unchanged at 16.7 per cent, well above the 15.0 per cent minimum.

After taking account of the discount on the forward Canadian dollar, there was an interest advantage of about 60 basis points in switching funds out of Canadian and into United States Treasury bills last Friday.

Bond market developments - Canadian bond yields, which were apparently held down by Bank of Canada intervention week before last during the Canadian National Railway issue, rose rather sharply last week although yields on most government issues still remained below their highs at the end of September. Spreads between comparable Canadian and United States issues widened but also remained less than in September and October. At midweek, spreads between comparable Canadian and United States Government securities were (figures in parenthesis refer to the previous week):

0.38 per cent on 91-day bills (0.43)
0.35 per cent on 182-day bills (0.23)
0.61 per cent on a 9-year bond (0.52)
1.02 per cent on a 20-year bond (0.94)
1.03 per cent on a 36-year bond (1.03)

Stock markets - Share prices on Canadian stock markets generally rose last week. Trading was fairly active early in the week but then fell off on Thursday and Friday. Uranium shares — in a period of great uncertainty because of the announced cutback in the United States ore purchases — continued to be heavily traded. At Thursday's close, the Montreal industrial average was 2 per cent higher than the week before and 5.4 per cent below the high for the year.

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 ^{4/}
				long-term bond ^{4/}	3-mo. bills ^{5/}	
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	
Nov. 18	4.91	5.10	5.17	1.04	0.58	0.71
25	4.86	5.12	5.14	1.04	0.58	1.01
Dec. 2	4.93	5.12	5.12	0.94	0.43	0.89
9	5.02	5.19	5.20	1.02	0.38	1.01

^{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.

Averages of Selected Bond Yields

Date	10	10	10	10	Govt. of
	Provin- cials ^{1/}	Munici- pals ^{1/}	Public Utilities ^{1/}	Indus- trials ^{1/}	Canada long-term ^{2/}
1954-55 - Low	3.27	3.65	3.69	3.93	3.18
1957 - High	5.18	5.77	5.50	5.77	4.29
1958 - High	5.08	5.30	5.03	5.12	4.78
Low	4.46	5.02	4.81	4.78	3.88
1959 - High	6.19	6.60	6.01	6.05	5.61
Low	5.14	5.38	5.14	5.22	4.70
Sept. 1	5.97	6.20	5.78	5.78	5.52
Oct. 1	6.19	6.60	6.01	6.05	5.61
Nov. 2	6.06	6.53	6.00	6.03	5.52
Dec. 1	5.97	6.52	6.00	6.02	5.52

^{1/} Average term of bonds included is 14-16 years. Source: McLeod, Young, Weir and Co., Ltd.

^{2/} Government of Canada 3-3/4 per cent of January 15, 1975-78.