

H.14

December 28, 1959.

### CAPITAL MARKET DEVELOPMENTS

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

The usual seasonal lull in new financing is occurring. No large public security issues were sold last week and none are scheduled for sale this week. The calendar of sales scheduled for January, however, has already built up to substantial proportions, particularly for State and local government bond issues.

Bond yields - Yields increased last week for all categories of outstanding bonds, except those for high-grade corporate bonds which remained stable. Yields on corporate and U. S. Government bonds are at record peaks, while those on State and local government bonds are still below their highs reached earlier in the year.

Mortgage and bond yields - The implied annual gross yield on 5-3/4 per cent FHA-insured new-home mortgages was 6.23 per cent in November, a postwar high. Since April, yields on these mortgages available for immediate delivery in the private secondary market have risen about 65 basis points, whereas they had shown little change in the interval from October 1958 through April 1959. No yield data have been published for September and October this year pending a period of adjustment to the change in the contractual interest rate from 5-1/4 to 5-3/4 per cent, effective September 24.

Stock prices - Stock prices fluctuated within a narrow range last week, closing at 59.00 on December 24. Trading activity declined with the daily volume averaging 2.9 million shares a day.

Institutional investors - The inflow of funds to major savings institutions in October was sharply reduced from that of a year earlier. The combined growth of life insurance company assets, deposits at mutual savings banks and share capital at savings and loan associations was \$771 million, one-third less than in October 1958. While the asset growth of insurance companies of \$559 million was only slightly smaller than in 1958, the \$399 million increase in share capital of savings and loan associations was one-fifth smaller than a year earlier, and savings bank deposits declined \$187 million in contrast to a small increase last year. (Time and savings deposits at commercial banks, which had increased by \$200 million last October, declined by \$200 million this year.)

Savings bank deposits had increased in all but one month in the first three quarters of this year, but the monthly gains were much smaller than in 1958. In October 1959, deposits declined substantially, compared with a rise the year earlier. The decline apparently reflected withdrawals by depositors in order to purchase the 5 per cent, 4 year, 10 month note sold by the U. S. Treasury in that month. The monthly growth of savings capital at savings and loan associations this year has been greater than the growth a year earlier in most months, and the sharply reduced rise in October also appears to be associated with the Treasury note issue.

Net acquisition of business securities by life insurance companies this October totaled \$208 million, one-third less than a year earlier. As in other recent months, these companies invested most of their available funds in mortgages; the increase in their mortgage holdings this year was \$251 million compared with \$186 million in October 1958.

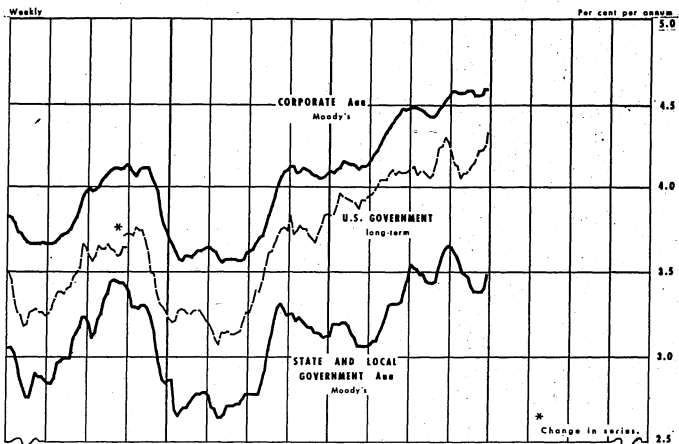
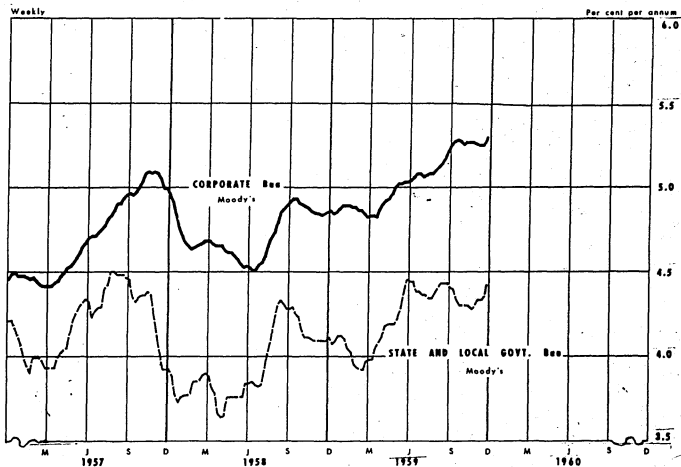
Mutual savings banks continued to increase their mortgage portfolios in October--by \$137 million--although at a reduced rate. In view of the sharp decline in their deposits, continued acquisition of mortgages required a \$281 million reduction in their U. S. Government security holdings, the sharpest on record, and a continuance of the net sales of business and State and local government securities that had taken place in many of the earlier months of the year.

Net acquisition of mortgages by savings and loan associations in October amounted to \$621 million, slightly more than a year earlier. With mortgage acquisitions high and growth in share capital reduced, purchases of U. S. Government securities were negligible, compared with a \$104 million increase in their holdings in October 1958. Borrowing from Federal Home Loan Banks and others rose \$136 million, more than twice as much as in 1958. At the end of October, advances of Federal Home Loan Banks to these associations, which has surpassed the 1955 peak level of \$1,412 million in June, totaled \$1,915 million.

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.

**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	4.59 (12/24)	4.33 (12/24)	3.65 (9/24)	.50	.92
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.53
Nov. 27	4.55	4.15	3.38	.40	.77
Dec. 4	4.55	4.21	3.38	.34	.83
Dec. 11	4.56	4.22	3.38	.34	.84
Dec. 18	4.59	4.25	3.40	.34	.85
Dec. 24 p/	4.59	4.33	3.49	.26	.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	5.30 (12/24)	4.46 (7/2)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.79
Nov. 27	5.26	4.29	.71	.91
Dec. 4	5.25	4.33	.70	.95
Dec. 11	5.25	4.33	.69	.95
Dec. 18	5.27	4.35	.68	.95
Dec. 24 p/	5.30	4.42	.71	.83

p/ Preliminary.

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

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

3/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

Note.--Highs and lows are for individual series and may be on different dates for different series.

EXHIBIT C

STOCK MARKET

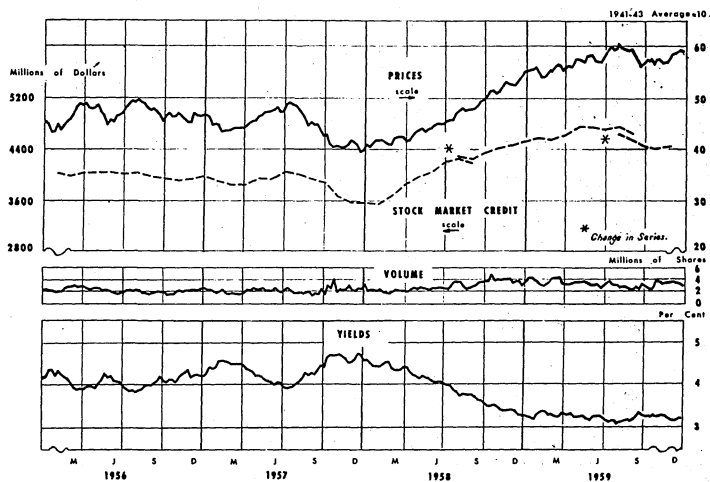


Exhibit D - Tables for Exhibit C

Stock Market

Date	Stock price index 1/	Common stock yields 2/ (per cent)	Trading volume 2/ (millions of shares)	Stock market customer credit			
				Total	Customers' debit bal- ances 4/	Bank loans to "others" 5/	
(Millions of dollars)							
1953-1958 - High Low	54.11 (12/24/58)	3.30	4.9	4,492	3,285	1,317	
	22.95 (9/18/53)	6.25	0.9	2,055	1,314	669	
1959 - High Low	60.51 (7/31)	3.08	4.3	4,764	3,401	1,332	1,373
	54.37 (2/6)	3.34	2.1	4,401	3,210	1,210	1,180
October	57.00	3.24	2.8	4,401	3,210		1,191
November	57.23	3.24	3.4	4,460	3,273		1,187
Dec. 11	58.88	3.16	3.4	n.a.	n.a.		1,187
Dec. 18	59.14	3.20	3.2	n.a.	n.a.		1,187
Dec. 24 p/	59.00	3.20	2.9	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, 1941-13-10. 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	6.23	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	6.23	5.07	4.56	1.16	.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 FH, assuming 25-year mortgages are paid off in 12 years. Dashed lines indicate periods of adjustment to changes in the contractual interest rates.

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 those 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.

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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 <sup>2/</sup>	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	p/826	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/2,526	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/9,264	10,823	12,447	e/7,664	7,746	7,099
Excluding finance companies <sup>4/</sup>						
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/2,376	2,213	2,810			
Year	e/8,491	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&amp;T convertible debenture issue.

4/ Total new capital issues excluding offerings of sales and consumer finance companies.

Other Security Offerings <sup>1/</sup>

(In millions of dollars)

	Long-term					
	Foreign government <sup>2/</sup>			Federal agency <sup>3/</sup>		
	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	29	58	4	--	220	--
November		123	60		--	100
December		74	1		--	--
Year		992	507		2,321	572
	Short-term					
	State and local government <sup>4/</sup>			Federal agency <sup>3/</sup>		
	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	733	454	1,238
November		415	94	471	114	255
December		243	459		137	116
Year		3,910	3,274		3,098	5,543

p/ Preliminary.

<sup>1/</sup> 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.

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

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

<sup>4/</sup> 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 24

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est 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
Dallas Pwr. & Lt. Co.	1st mtg. bds.	20.0	1989	5 1/4	5.10	Aaa
Pub. Sv. Elec. & Gas Co.	Com. stk.	29.1				
Bell Tel. Co. of Penna.	Deb.	30.0	1994	5 3/8	5.21	Aaa
<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

## Large Individual Issues Offered December 1 through 24 (Cont'd)

Issuer	Type <sup>3/</sup>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)						
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
Houston Indep. S.D., Texas	G.O.	16.9	1961-89	3.92	3.00-4.00 <sup>4/</sup>	A
State of New Jersey	G.O.	66.8	1963-75	3.41	2.90-3.40	Aaa
DeKalb Co. Sch. Dist., Ga.	G.O.	11.5	1962-90	4.05	3.10-4.10	A
Wisconsin State Agencies Bldg. Corp.	G.O.	10.7	1962-89	3.91	3.00-3.90	--
<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

<sup>1/</sup> Includes corporate and other security offerings of \$15 million and over; State and local government security offerings of \$10 million and over.

<sup>2/</sup> Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.

<sup>3/</sup> 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.

<sup>4/</sup> 1/4 % 1989 maturity 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 - 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 24

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
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
*Chesapeake & Potomac Tel. Co. of Md.	Deb.	25.0	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>			
Toledo Sch. Dist., Ohio	G.O.	10.0	Jan. 7
Seattle, Washington	Rev.-Ut.	11.8	Jan. 11
City and Co. of San Francisco, Cal.	G.O.	13.6	Jan. 11
New York State Power Authority	Rev.-Ut.	200.0	Jan. 12
*State of Maryland	G.O.	23.1	Jan. 12
*Tacoma, Washington	Rev.-Ut.	32.0	Jan. 12
State of California	G.O.	100.0	Jan. 13
State of Washington	Rev.-Ut.	28.1	Jan. 20
*State of North Carolina	G.O.	11.1	Jan. 20
*State of Louisiana	G.O.	15.0	Jan. 20
<u>OTHER</u>			
*Montreal. Metropolitan Corp., Canada	Deb.	30.0	Jan. 27

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	*4.752/	23
February	*4.352/	11		
March	4.432/	10		
April	4.582/	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			4.922/	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	4.952/	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.

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. secur- ities	Busi- ness secur- ities	State and local govt. secur- ities	Mort- gages	Other	
1957 - 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 <sup>r</sup> - Jan.	-102	166	229	50	176	139	658
Feb.	-41	16	158	12	137	76	358
Mar.	20	-124	244	24	142	103	409
Apr.	-18	14	216	14	115	39	380
May	81	-71	143	29	118	164	464
June	-24	45	201	34	102	148	506
July	22	172	191	24	128	45	582
Aug.	-18	44	129	37	139	154	485
Sept.	1	4	214	20	142	72	453
Oct.	-17	11	309	26	186	72	587
Nov.	55	19	137	32	145	88	476
Dec.	110	-142	308	12	291	334	913
Value of Assets at End of Year	1,363	7,182	44,612	2,691	37,092	14,640	107,580
1959 - Jan. <sup>r</sup> /	-81	303	188	53	119	-17	565
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
Oct.	22	-22	208	8	251	92	559
Nov.							
Dec.							
Value of Assets at End of Year							

<sup>r</sup>/ Revised.

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	Other assets		Net change savings capital	Borrow- ing 2/	Other
1957 - 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 <sup>p</sup> - Jan.	-118	45	197	10	134	453	-375	56
Feb.	173	-19	240	13	407	376	-128	159
Mar.	212	--	338	4	554	488	-89	155
Apr.	119	37	403	102	661	362	112	187
May	42	12	528	99	681	511	-29	199
June	178	81	573	-43	789	935	165	-311
July	-290	42	554	-90	216	73	-37	180
Aug.	-70	110	564	12	616	360	51	205
Sept.	-77	146	578	45	692	447	84	161
Oct.	-107	104	605	137	739	507	58	174
Nov.	42	51	470	102	665	480	41	144
Dec.	335	37	528	-53	847	1,072	212	-437
Value of Assets at End of Year	2,585	3,819	45,627	3,108	55,139	47,976	1,444	5,719
1959 <sup>p</sup> - Jan.	-298	297	402	-55	346	434	-181	93
Feb.	-26	97	427	80	578	408	-56	226
Mar.	-2	76	593	98	765	529	-5	241
Apr.	-182	105	705	151	779	420	97	262
May	26	23	754	178	981	604	63	314
June	245	-4	840	10	1,091	1,090	313	-312
July	-432	104	783	-108	347	190	31	126
Aug.	-43	17	727	22	723	394	118	211
Sept.	-53	-7	670	65	675	444	148	83
Oct.	-68	7	621	88	648	399	136	113
Nov.								
Dec.								
Value of Assets at End of Year								

p/ Preliminary. r/ Revised.

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. secur- ities	Busi- ness secur- ities 2/	State and local govt. secur- ities	Mort- gages	Other		Net change in deposits	Other
1957 - 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
Oct.	-27	-281	-55	-20	137	-37	-283	-187	-96
Nov.									
Dec.									
Value of Assets at End of Year									

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, nonguaranteed 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: National Association of Mutual Savings Banks and Federal Deposit Insurance Corporation.



December 28, 1959

Appendix 1

MONEY AND CAPITAL MARKET DEVELOPMENTS IN CANADA

Money market conditions - Last Thursday's average auction rate for 3-month bills rose to 5.03 per cent from 4.98 per cent the week before. The rate on 6-month bills rose to 5.33 per cent from 5.29 per cent. The quite modest increases in bill rates in Canada during the past four weeks, while United States bill rates have risen sharply, have appreciably narrowed the money rate spreads between the two countries. The sizable discount on the 3-months forward Canadian dollar gave an incentive of roughly eight-tenths of one per cent for switching short funds from Canadian to United States Treasury bills.

Bond market developments - Two large pending Canadian issues to fund loans from the chartered banks were reported last week. Montreal Metropolitan Corporation was negotiating a private \$30 million sinking fund issue with First Boston Corporation of New York. The issue will be payable in U.S. dollars in 1985. The Home Oil Co., Ltd. filed a registration statement with the SEC for a public offering of \$20 million in convertible debentures due 1975. The debentures, to be offered in Canada and the United States, will be convertible into common shares of Trans-Canada Pipeline of which Home Oil is a major stockholder. The terms of this issue have not yet been set.

Canadian Government bond yields rose over the entire range last week, but the rises were generally less than the rise in corresponding yields for U.S. Government bonds. At midweek, spreads between comparable Canadian and United States Government securities were (figures in parenthesis refer to the previous week):

0.36 per cent on 91-day bills (0.44)  
0.39 per cent on 182-day bills (0.46)  
0.42 per cent on a 9-year bond (0.54)  
0.93 per cent on a 20-year bond (1.01)  
0.94 per cent on a 36-year bond (1.02)

The chartered banks - General loans of the chartered banks continued to fall last week reaching a level nearly 6 per cent below their high level of August and September. The banks' total major assets remained at roughly the level at which Bank of Canada policy has kept them since October 1958. In recent months, the banks have continued to add to their holdings of government insured mortgages although it is reported that they had sharply cut back their commitments to buy such mortgages in future months. Last week's action by the Government raising the maximum interest rate on guaranteed mortgages to 6-3/4 per cent may, however, sustain the flow of bank money into mortgages.

# Appendix 1-2

## Selected Government of Canada Security Yields

<u>Date</u>	<u>3-month</u>	<u>Inter-</u>	<u>Long-</u>	<u>Spread between</u>		<u>Discount</u>
	<u>Treasury</u>	<u>mediate</u>	<u>term</u>	<u>Canadian &amp; U.S. rates</u>	<u>3-mo.</u>	
	<u>bills<sup>1/</sup></u>	<u>Govt.</u>	<u>Govt.</u>	<u>long-term</u>	<u>bills<sup>2/</sup></u>	<u>Canadian</u>
		<u>bond<sup>2/</sup></u>	<u>bond<sup>3/</sup></u>	<u>bond<sup>4/</sup></u>		<u>dollar<sup>5/</sup></u>
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	
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
16	4.98	5.23	5.23	1.01	0.44	1.25
23	5.03	5.28	5.26	0.93	0.36	1.13

- 1/ Average yield at weekly tender on Thursday following Wednesday date shown.  
2/ Government of Canada 2-3/4 per cent of June 15, 1967-78.  
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)

	<u>1959</u>	<u>1958</u>	<u>1957</u>
	<u>to Dec. 14</u>	<u>to Dec. 15</u>	<u>to Dec. 16</u>
Government	9,380	11,900	8,620
Provincial	727	790	606
Municipal	414	446	332
Corporation	344	694	1,010
	<u>10,865</u>	<u>16,831</u>	<u>10,568</u>
Less short-term financing (less than one year)	<u>6,570</u>	<u>6,531</u>	<u>6,280</u>
	<u>4,294</u>	<u>10,300</u>	<u>4,288</u>

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

Provincial	265	195	97
Municipal	112	167	95
Corporation	41	112	365
	<u>418</u>	<u>474</u>	<u>557</u>

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