

H.14

February 1, 1960

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

(Including Monthly Review of Sources and Uses of Funds
of Financial Intermediaries in the United States)

I - United States

The volume of new public security financing for new capital continues to be moderate. During the week ending January 29, one large corporate issue for \$30 million and a Federal agency long-term offering for \$100 million were offered to the public. No large State and local government issues were sold. The calendar for this week includes only two State and local government bond issues totaling \$35 million and a Canadian issue for \$15 million.

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

Bond yields also showed little net change during January. Corporate Aaa bond yields remained stable and corporate Baa bond yields gradually increased throughout the month. Yields on other types of obligations increased somewhat in early January, then declined.

February security volume - New public security financing for both corporations and State and local governments is expected to be moderate in February. The volume of corporate security financing is currently estimated at \$600 million, one-seventh less than the volume in January and one-fifth smaller than in February last year. Large publicly offered issues are expected to total about \$200 million during February.

State and local government bond sales are expected to total \$550 million in February, including a \$103 million Public Housing Authorities issue which is expected to be sold next week. This volume would be one-fifth smaller than the January total and more than one-third less than the heavy volume last February.

FNMA secondary market operations - Secondary market operations of the Federal National Mortgage Association in December continued to reflect pressures on residential mortgage markets. Offerings to FNMA and FNMA purchases remained unusually large. FNMA sales again were negligible.

In the fourth quarter of last year, secondary market offerings to FNMA were somewhat below the advanced third-quarter level, but FNMA purchases were substantially higher. FNMA sales were the lowest on record for any quarter.

During the year 1959, FNMA secondary market purchases totaled nearly \$735 million, compared with \$260 million during 1958 when market conditions were easier. FNMA sales in 1959 were less than \$4 million compared with \$466 million a year earlier.

Stock prices - Stock prices declined sharply last week. Standard and Poor's index closed at 55.61 on January 29, 3 per cent lower than a week earlier. Prices generally declined throughout January and at the end of the month were 7 per cent lower than at the close of 1959.

Trading activity has moderated somewhat in recent weeks (daily volume averaging 2.8 million shares a day) when the decline in prices has been the sharpest. For the month as a whole, trading volume averaged 3.2 million shares, little different from December.

Institutional investors - The inflow of funds to major savings institutions was slightly smaller in November than a year earlier. The combined growth of life insurance company assets, deposits at mutual savings banks and savings capital at savings and loan associations was \$955 million, 4 per cent less than in November 1958. While the growth in assets of life insurance companies was slightly larger than a year earlier, and the increase in savings and loan associations share capital about the same, savings bank deposits declined in contrast to a small increase in November 1958.

The increase in life insurance company assets in November was \$499 million, 5 per cent larger than the increase in 1958. There was substantial net liquidation of U. S. Government securities in contrast with slight net acquisition a year earlier. This liquidation of Government securities (principally in shorter term securities) enabled these companies to increase their holdings of business securities and mortgages much more than in November 1958; the former was one-half larger and the latter two-thirds larger.

The November increase in share capital at savings and loan associations amounted to \$483 million, about the same as a year earlier. There was some liquidation of U. S. Government securities in November, while in 1958 there had been a moderate net acquisition. Net purchases of mortgages was slightly smaller than in November 1958. (This is the first month of 1959 when the increase in mortgage holdings was smaller than in the comparable month of 1958.)

For the second consecutive month deposits at mutual savings banks showed an absolute decline. The decline of \$27 million, however, was much smaller than in October (November data are effected by seasonal Christmas club account withdrawals). As in most months of 1959, savings banks were net sellers of business and U. S. Government securities. The increase in their mortgage portfolio was nearly one-fifth less than November 1958.

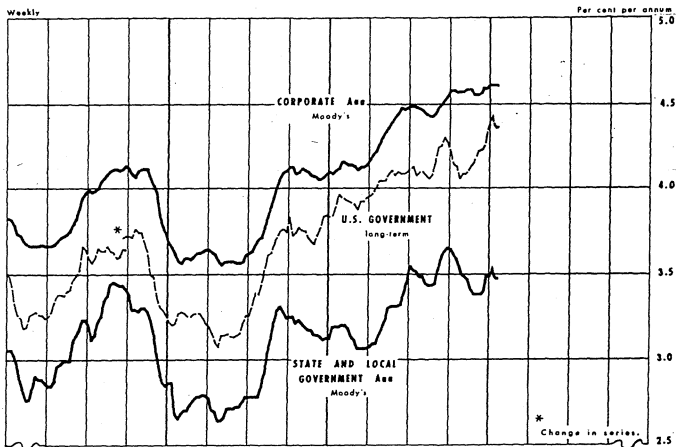
More detailed information concerning recent capital market developments is presented in the attached exhibits.

Developments in the Canadian capital market are presented in Part II at the end of this report.

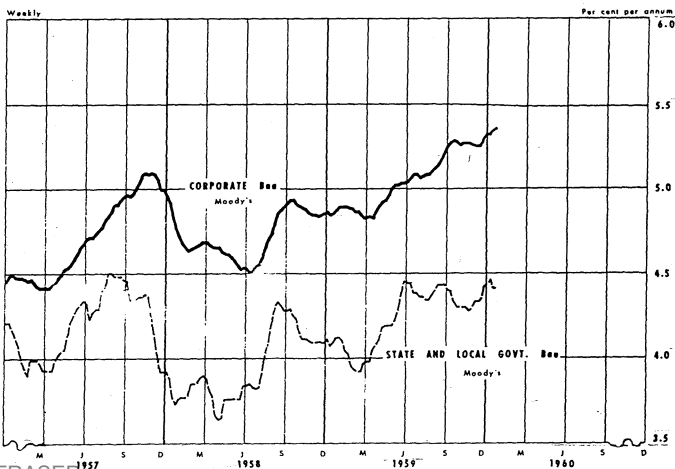
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

EXHIBIT A

HIGH-GRADE BOND YIELDS



LOWER-GRADE BOND YIELDS



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Exhibit B - 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 - Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.22	.34
1959 - High	4.61 (12/31)	4.37 (12/31)	3.65 (9/24)	.50	.92
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.53
1960 - High	n.a.	4.42 (1/8)	3.53 (1/7)	.26	.89
Low	n.a.	4.35 (1/22)	3.47 (1/28)	.19	.88
Dec. 31	4.61	4.37	3.49	.24	.88
Jan. 8	4.61	4.42	3.53	.19	.89
Jan. 15	4.61	4.37	3.49	.24	.88
Jan. 22	4.61	4.35	3.47	.26	.88
Jan. 29 p/	4.61	4.36	3.47	.25	.89

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 - Low	4.51 (7/11)	3.64 (5/1)	.77	.93
1959 - High	5.32 (12/31)	4.46 (7/2)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.79
1960 - High	5.36 (1/29)	4.46 (1/7)	.75	.94
Low	5.32 (1/8)	4.41 (1/28)	.71	.93
Dec. 31	5.32	4.43	.71	.94
Jan. 8	5.32	4.46	.71	.93
Jan. 15	5.34	4.43	.73	.94
Jan. 22	5.35	4.41	.74	.94
Jan. 29 p/	5.36	4.41	.75	.94

p/ Preliminary.

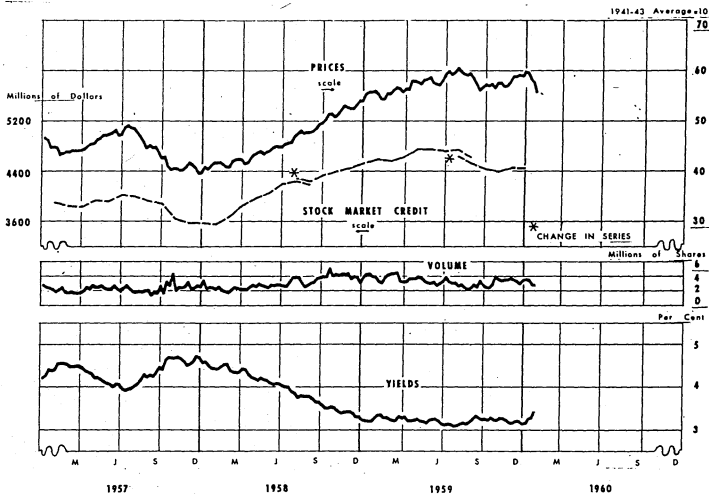
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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



**FEDERAL NATIONAL MORTGAGE ASSOCIATION
SECONDARY MARKET OPERATIONS**

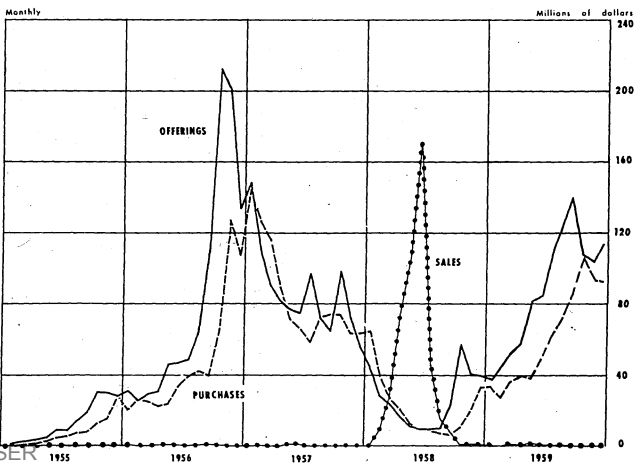


Exhibit D - Tables for Exhibit C

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)						
1957-1959 - High	60.51 (7/31/59)	3.07	4.3	4,764	3,401	1,373
Low	39.78 (12/27/57)	4.66	1.4	3,554	2,482	1,060
1960 - High	59.50 (1/8)	3.18	3.6	n.a.	n.a.	n.a.
Low	55.61 (1/29)	3.41	2.8	n.a.	n.a.	n.a.
November	57.23	3.24	3.4	4,460	3,273	1,187
December	59.06	3.18	3.3	4,454	3,280	1,174
Jan. 15	58.38	3.24	3.5	n.a.	n.a.	1,176
Jan. 22	57.38	3.29	2.8	n.a.	n.a.	1,164
Jan. 29 p/	55.61	3.41	2.8	n.a.	n.a.	n.a.

n.a.--Not available. p/ Preliminary.

1/ Standard and Poor's composite index of 500 common stocks, weekly closing prices, 1941-43=10. Monthly data are averages of daily figures rather than of Fridays' only. Highs and lows are for Fridays' data only.

2/ Standard and Poor's composite stock yield based on Wednesday data converted to weekly closing prices by Federal Reserve. Yields shown are for dates on which price index reached its high or low.

3/ Averages of daily trading volume on the New York Stock Exchange.

4/ End of month figures for member firms of the New York Stock Exchange which carry margin accounts; excludes balances secured by U. S. Government obligations.

5/ Wednesday figures for weekly reporting member banks. Excludes loans for purchasing or carrying U. S. Government securities. Prior to July 1, 1959, such loans are excluded only at banks in New York and Chicago. Weekly reporting banks account for about 70 per cent of loans to others. For further detail see Bulletin.

Federal National Mortgage Association Secondary Market Operations 1/

Date	Estimated Offerings to FNMA			Purchases by FNMA	Sales by FNMA
	Total	Immediate purchase	Standby commitment		
(Millions of dollars)					
1958 - Dec.	39.7	35.3	4.4	33.2	.9
1959 - Jan.	37.7	33.9	3.8	33.7	.3
Feb.	44.4	41.2	3.2	27.6	*
Mar.	52.4	49.8	2.6	36.5	.8
Apr.	57.8	50.1	7.7	39.6	*
May	80.6	73.4	7.2	38.3	1.1
June	84.4	76.6	7.8	49.4	.6
July	109.5	92.5	17.1	62.3	.3
Aug.	123.1	109.8	13.3	71.7	.3
Sept.	141.3	134.8	6.5	85.4	--
Oct.	107.4	100.9	6.5	105.5	--
Nov.	104.2	98.9	5.3	92.6	*
Dec.	114.5	109.7	4.9	92.2	*

*--Less than \$50,000.

1/ Data represent unpaid principal balances of the mortgages involved, exclusive of premiums, discounts, or other charges. Offerings are amounts of applications received during the period from sellers proposing that FNMA execute purchasing contracts. An immediate purchase contract covers existing mortgages which the seller must deliver to FNMA within 45 days. A standby commitment contract relates to proposed mortgages, on housing not yet under construction, which the seller must usually deliver within one year. Purchases include those under both immediate purchase and standby commitment contracts. Data exclude FNMA activity under Special Assistance and Management and Liquidating Programs.

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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/		
	1960	1959	1958	1960	1959	1958
January	e/700	840	728	e/700	637	812
February	e/600	745	857	e/550	857	953
March		631	1,553 ^{3/}		645	511
April		899	1,140		931	798
May		791	597		592	895
June		874	887		982	551
July		531	1,107		567 ⁴	806
August		718	540		514	403
September		709	1,114		468	651
October		p/826	862		p/590	456
November		p/778	518		p/497	474
December		e/850	920		e/450	435
1st quarter		2,216	3,139		2,139	2,276
2nd quarter		2,564	2,623		2,505	2,244
3rd quarter		1,958	2,760		1,549	1,860
4th quarter		e/2,454	2,300		e/1,537	1,365
1st half		4,780	5,762		4,644	4,520
Three quarters		6,738	8,522		6,193	6,380
Year		e/9,192	10,823		e/7,730	7,746
	Excluding finance companies ^{4/}					
1st quarter		2,011	2,899			
2nd quarter		2,409	2,586			
3rd quarter		1,695	2,731			
4th quarter		e/2,304	2,213			
Year		e/8,419	10,429			

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/}

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(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	--	--	6
July	85	9	28	--	164	--
August	1	5	7	--	--	--
September	36	17	30	98 150	--	215
October	29	58	4	--	220	--
November	38	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		437	224
August	467	423	272	727	206	370
September	399	369	252	365 665	330	512
October	235	231	303	733	454	1,238
November	343	415	94	471	114	255
December	306	243	459	288	137	116
Year	4,127	3,910	3,274	6,047	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.

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Exhibit G

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 <u>2/</u>
1958 - 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	--
December	230	217	70

Large Individual Issues Offered during January

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
C.I.T. Financial Corp.	Deb.	75.0	1980	5 1/8	5.25	--
Commercial Credit Co.	Notes	50.0	1980	5 1/4	5.25	--
Kansas City Pwr. & Lt. Co.	1st mtg. bds.	20.0	1990	5	4.95	Aaa
Northern Illinois Gas Co.	Pfd. stk.	15.0				
Chesapeake & Potomac Tel. Co. of Maryland	Deb.	25.0	1996	5 1/4	5.19	Aaa
Gen. Public Utilities Corp	Com. stk.	24.5				
Gen. Acceptance Corp.	Deb.	15.0	1980	6	6.00	--
Conn. Light & Power Co.	1st ref.mtg.bds	25.0	1990	4 7/8	4.94	Aaa
Southern Calif. Edison	1st ref.mtg.bds	30.0	1985	5	4.92	Aa
<u>STATE AND LOCAL GOVERNMENT</u>						
Toledo Sch. Dist., Ohio	G.O.	10.0	1961-83	3.65	2.90-3.70	Aa
Seattle, Washington	Rev.-Ut.	11.8	1969-85/70	3.72	3.50-4.40	Aa
City & Co. of San Francisco California	G.O.	13.6	1961-80	3.44	2.85-3.60 <u>4/</u>	Aa

Large Individual Issues Offered during January (Cont'd)

Issuer	Type ^{3/}	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u>						
<u>(Cont'd)</u>						
New York State Pwr. Auth.						
Term		96.0	2006		4.38	--
Serial	Rev.-Ut.	24.0	1965-79	4.39	3.50-4.00	--
State of Maryland	G.O.	23.1	1963-75	3.30	2.95-3.30	Aaa
Tacoma, Washington	Rev.-Ut.	32.0	1964-2010/70	4.51	3.50-4.75	Baa
State of California	G.O.	100.0	1961-85	4.02	3.00-4.00	Aa
Detroit, Michigan	G.O.	13.2	1961-85	4.10	3.10-4.50	A
Sacramento Unif.S.D., Cal.	G.O.	10.0	1962-85	3.57	2.95-3.65 ^{5/}	Aa
State of Washington	Rev.-Ut.	18.0	1967-77/72	3.94	3.60-3.90	A
State of Washington	Rev.-Ut.	10.1	1961-79/70	3.65	3.00-3.70	Aa
State of Louisiana	G.O.	15.0	1961-84/69	3.84	2.90-3.85	A
State of North Carolina	G.O.	11.1	1961-79	3.29	2.75-3.35	Aaa
<u>OTHER</u>						
Fed. Natl..Mtg. Assoc.	Deb.	100.0	1972	5 1/8	5.17	--

^{1/} Includes corporate and other security offerings of \$15 million and over; State and local government security offerings of \$10 million and over.

^{2/} Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.

^{3/} In the case of State and local government securities, G.O. denotes general obligations; Rev.-Ut., revenue obligations secured only by income from public utilities; Rev.-Q.Ut., revenue bonds secured only by revenue from quasi-utilities; Rev.-S.T., revenue bonds secured by revenue from specific taxes only; Rev.-Rent., revenue bonds secured solely by lease payments.

^{4/} 1 per cent of 1980 maturity not reoffered.

^{5/} 1/4 per cent of 1985 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 <u>2</u> /	Corporate	State and local govt.	Other <u>2</u> /
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
Dec. 31	210	445	30	280	545	30
1960 - Jan. 29	207	210	45	252	310	45

Forthcoming Large Offerings, as of January 29

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Consolidated Natural Gas Co.	Deb.	25.0	Feb. 9
*Pacific Telephone & Telegraph Co.	Deb.	72.0	Feb. 16
Duke Power Co.	1st & ref. mtg. bds.	50.0	Feb. 17
Duquesne Light Co.	S.F. deb.	20.0	Feb. 25
*Brooklyn Union Gas Co.	Pfd. stk.	15.0	Feb. 25
*Dayton Power & Light Co.	1st mtg. bds.	25.0	Feb. 26
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
Milwaukee Co., Wisc.	G.O.	12.5	Feb. 2
New York, New York	G.O.	22.0	Feb. 4
Washington Sub. Sanit. Dist., Md.	G.O.	10.0	Feb. 9
Public Housing Authorities	G.O.	102.8	Feb. 9
Dallas, Texas	G.O.	18.0	Feb. 15
St. Louis, Missouri	G.O.	12.4	Feb. 17
Ventura Port Dist., Calif.	Rev.-Ut.	10.0	Feb.
*Elizabeth River Tunnel Comm., Va.	Rev.-Ut.	22.0	Feb.
*State of California	G.O.	100.0	Mar. 9
<u>OTHER</u>			
Province of New Brunswick, Canada	S.F. deb.	15.0	Feb. 3
Montreal Metropolitan Corp., Canada	S.F. deb.	30.0	Feb. 9

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	4.97	37	5.01	25
June	*4.95	29	5.01 ^{3/}	15
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
1960 - Jan. 7			5.30 ^{2/}	28

*--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/} Includes one issue which provides for a 7-year period during which the 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 2/	State and local gov't securities	Mortgages	Other	
Value of assets at end of period:							
1956 - Dec.	1,273	7,519	39,552	2,234	32,994	12,272	95,844
1957 - Dec.	1,294	7,028	42,133	2,377	35,271	13,206	101,309
1958 - Dec.	1,363	7,182	44,612	2,691	37,092	14,640	107,580
1959 - Nov.	1,228	7,016	46,750	3,154	38,984	15,772	112,904
Changes:							
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
1958 - 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
1959 - Jan.	-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.	33	-131	207	16	240	134	499
Dec.							

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

2/ Includes securities of domestic corporations only.

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
Value of Assets at End of Period								
1956 - Dec.	2,119	2,782	35,775	2,199	42,875	37,148	1,347	4,380
1957 - Dec.	2,146	3,173	40,049	2,770	48,138	41,912	1,379	4,847
1958 - Dec.	2,585	3,819	45,627	3,108	55,139	47,976	1,444	5,719
1959 - Nov.	1,817	4,500	52,608	3,777	62,702	53,371	2,165	7,166
Changes:								
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
1958 - 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
1959 ^{1/} - 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.	65	-34	459	140	630	483	57	90
Dec.								

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/ Prior to 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/						Sources of Funds		
	Cash	U. S. Govt. secur- ities	Busi- ness secur- ities 2/	State & local govt. secur- ities	Mort- gages	Other	Total sources or uses	Net change in deposits	Other
Value of assets at end of period:									
1956 - Dec.	920	7,971	3,523	669	19,529	698	33,311	30,032	3,279
1957 - Dec.	890	7,552	4,331	682	20,951	761	35,168	31,695	3,473
1958 - Dec.	921	7,266	4,973	725	23,039	855	37,779	34,041	3,738
1959 - Nov.	718	6,876	4,826	746	24,636	922	38,724	34,643	4,081
Changes:									
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
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
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.	20	-85	-28	-8	124	42	65	-27	92
Dec.									

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.

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

The decline in Canadian short money rates last week was appreciably less than in the two preceding weeks. Because of the further sharp fall in U.S. bill yields, the differential in favor of Canadian bills widened by 29 basis points on the short bill and by 12 basis points on the 6-month bill. In the bond market, the yields on long-term government securities were unchanged but short bonds declined moderately in yield. Three major bond issues were offered during the week in the provincial and corporate sectors of the market.

Money market conditions. The yield on the short Treasury bill declined 6 basis points at last week's auction from 4.66 per cent to 4.60 per cent and the 6-month bill yield dropped by 10 basis points. (See Table.) There was a marked pick-up in the bill holdings of the public but the Bank of Canada substantially reduced its holdings during the week. Day-to-day money closed at 3.25 per cent, the lowest point reached since early in 1959.

The interest incentive in favor of the short Canadian bill compared to the United States bill widened slightly during the week from 0.15 per cent to 0.26 per cent per annum. The yield differential in favor of the Canadian bill widened from 0.39 per cent to 0.68 per cent, but part of this advantage was offset by a widening of the discount on the 3-month Canadian dollar. (See Table.)

Bond market developments. The yields on one to five year bonds declined about 4 to 10 basis points last week but longer bond yields were unchanged or drifted upward by 1 or 2 basis points. At midweek, spreads between comparable Canadian and United States Treasury securities were (figures in parenthesis refer to the previous week):

0.68 per cent on a 91-day bill (0.39)
 0.51 per cent on a 182-day bill (0.39)
 0.68 per cent on an 8-year bond (0.60)
 0.99 per cent on a 20-year bond (0.97)
 1.13 per cent on a 35-year bond (1.11)

On February 1, the Minister of Finance announced a combined cash and conversion offering. For cash subscription only, a \$100 million 5-1/2 per cent bond due October 1, 1962 is offered at an issue price of 99-1/2 per cent showing a yield to maturity of 5.70 per cent. These bonds can be exchanged at the holder's option into 5-1/2 per cent bonds due October 1, 1975 yielding about 5.55 per cent to maturity. In addition, \$200 million are offered in conversion for an April 1, 1960 maturity: holders are offered a 5-1/2 per cent bond due April 1, 1963 yielding 5.76 per cent to maturity and exchangeable into an April 1, 1976 issue yielding about 5.57 per cent.

Three major bond issues were offered to Canadian investors last week. A \$50 million Ontario Hydro with a 6 per cent coupon was offered in a 10- and 20-year maturity: the shorter issue was priced to yield 6.07 per cent and the longer to yield 6.20 per cent. Last July, the same agency borrowed for the same maturities on a 5.75 per cent yield basis. This large offering was meeting "a satisfactory reception," according to press reports. Two smaller offerings were quickly oversubscribed. A \$10 million, 15-year oil bond with a 6 per cent coupon was issued at par. A smaller 25-year corporate offering showed a 6.84 per cent maturity yield: this company had borrowed on a 5.75 per cent yield basis in the spring of 1959.

Press reports indicate that the (U.S.) \$30 million Montreal Metropolitan Corp. issue in the New York market may be offered in the second week in February.

Life insurance companies. Figures for the 11 months, January to November, show that mortgages accounted for about two-thirds of net investments of Canadian life companies in 1959. (See Table.) During the year, their purchases of provincial and municipal securities were sharply up but their acquisition of corporate bonds substantially lower.

Stock markets. Prices in the Canadian stock markets continued to decline during the week. The Toronto industrial index on Friday stood at 510.35 compared to 519.19 a week earlier and to 530.15 a month ago. The Montreal industrial index stood at 306.3 at Friday's closing compared with 310.6 a week earlier and 317.8 a month previous.

British Commonwealth Section
Division of International Finance
Board of Governors of the Federal Reserve System

Selected Government of Canada Security Yields

Date	3-month Treasury bills ^{1/}	Inter- mediate Govt. bond ^{2/}	Long- term Govt. bond ^{3/}	Spread between Canadian & U.S. rates		Discount on 3-mo. Canadian dollar ^{6/}
				long-term bond ^{4/}	3-mo. bills ^{5/}	
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	
Jan. 6	5.14	5.46	5.37	0.88	0.51	0.72
13	4.82	5.55	5.42	1.02	0.31	0.36
20	4.66	5.43	5.41	0.97	0.39	0.24
27	4.60	5.45	5.41	0.99	0.68	0.42

^{1/} Average yield at weekly tender on Thursday.

^{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 Canadian auction rate and composite market yield for the U.S. bill on the close of business on Thursday.

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

Investment Transactions of Canadian Life Insurance Companies^{1/}
(in millions of Canadian dollars)

	Total, January to November			
	1956	1957	1958	1959
<u>Net investment in:</u>				
Govt. of Canada bonds	-137	- 35	37	41
Other bonds	158	80	83	93
Preferred and common stocks	1	2	51	43
Mortgages (gross)	438	361	331	404
Other assets	35	51	30	25
Total	496	459	531	605
<u>Net source of funds:</u>				
Mortgage repayments (gross)	172	174	203	214
Funds transferred from abroad	74	18	30	26
Balancing item ^{2/}	250	267	298	365

^{1/} Covers 12 companies whose net premium income in Canada in 1958 was 77.0 per cent of total for all registered companies. For more detailed breakdown see the Bank of Canada, Statistical Summary.

^{2/} Mainly Canadian dollars from insurance operations plus changes in Canadian dollar balances.