

H.14

March 7, 1960.

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

(Including Monthly Review of Financial
Developments in the United Kingdom)

Part I - United States

The volume of new public security financing was small last week, but is expected to be much larger this week. During the week ending March 4, corporations sold large issues totaling \$35 million and State and local governments sold issues with aggregate proceeds of \$37 million. A Canadian issue for \$41 million was also sold. Two other State and local government issues had been scheduled for sale last week; bids were rejected, however, for a \$15 million Newark, New Jersey, bond issue and a \$50 million offering by New York State Thruway Authority was postponed indefinitely because of market conditions. Largely reflecting these postponements, the estimated volume of State and local government bond sales during March has been revised downward to \$525 million.

This week, large corporate issues, including a \$100 million General Motors Acceptance Corporation offering, are expected to total \$135 million. State and local government issues, amounting to \$152 million are also scheduled for sale. This total includes a \$100 million State of California issue which is expected to be sold on Wednesday.

Bond yields - Yields on outstanding corporate bonds declined throughout February and at the end of the month yields on high-grade corporates were 6 basis points lower than at the close of January. Yields on seasoned State and local and U. S. Government obligations also declined until late in February when they increased slightly. On balance, yields on U. S. Governments declined 7 basis points in February and yields on high-grade State and local governments declined 8 basis points.

Last week, yields increased slightly for State and local government and high-grade corporate bonds, while those on lower grade corporate and U. S. Government bonds remained stable.

Mortgage recordings - Mortgage recordings in December were somewhat below the record year-end level of a year earlier. Conventional loans accounted for about the same proportion (72 per cent) of the total as in recent months.

For the entire year of 1959, mortgage recordings amounted to a record \$32.2 billion, one-sixth above 1958 and one-eighth above the previous high in 1955. Although 3 per cent fewer mortgages were recorded in 1959 than in 1955, the total dollar amount recorded was 13 per cent

higher in 1959, reflecting the fact that the average size of loan recorded (\$8,522) was 17 per cent larger. Last year, Federally-underwritten mortgages represented 27 per cent of total recordings, compared with 36 per cent in 1955.

Stock prices - Stock prices on balance increased slightly during February with the decline in the first half of the month being more than offset by the increase in later weeks. Standard and Poor's index of 500 common stocks closed on February 29 at 56.12--51 points above the end of January level.

Prices declined sharply last week, however, closing at 54.57 on March 4. Prices are currently at the lowest level since February 1959 and are 9 per cent lower than at the close of 1959. The volume of trading last week averaged 3.2 million shares a day, the same as a week earlier.

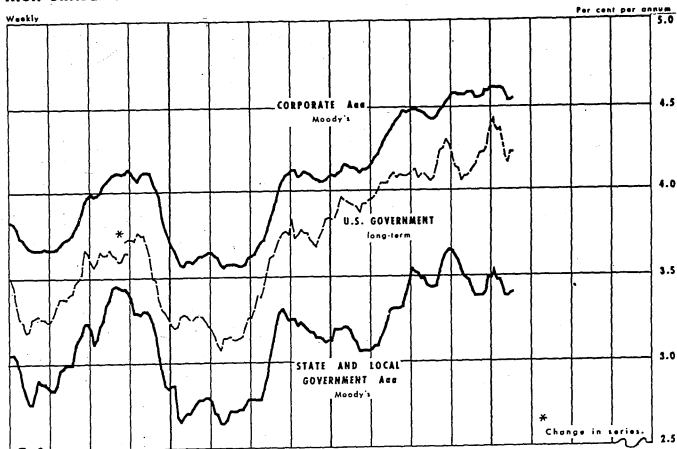
More detailed information concerning recent capital market developments is presented in the attached exhibits.

Developments in the Canadian and United Kingdom capital markets are presented in Part II at the end of this report.

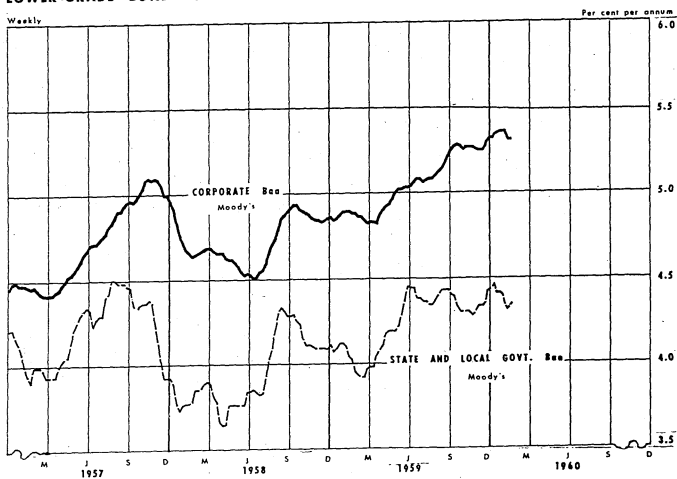
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

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	4.61 (1/29)	4.42 (1/8)	3.53 (1/7)	.38	.89
Low	4.54 (2/26)	4.16 (2/19)	3.38 (2/18)	.19	.78
Feb. 5	4.60	4.29	3.43	.31	.86
Feb. 12	4.57	4.20	3.38	.37	.82
Feb. 19	4.54	4.16	3.38	.38	.78
Feb. 26	4.54	4.22	3.39	.32	.83
Mar. 4 p/	4.55	4.22	3.40	.33	.82

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 (2/12)	4.46 (1/7)	.79	.97
Low	5.31 (3/4)	4.31 (2/18)	.71	.93
Feb. 5	5.36	4.40	.76	.97
Feb. 12	5.36	4.35	.79	.97
Feb. 19	5.33	4.31	.78	.93
Feb. 26	5.31	4.32	.77	.93
Mar. 4 p/	5.31	4.35	.76	.95

p/ Preliminary.

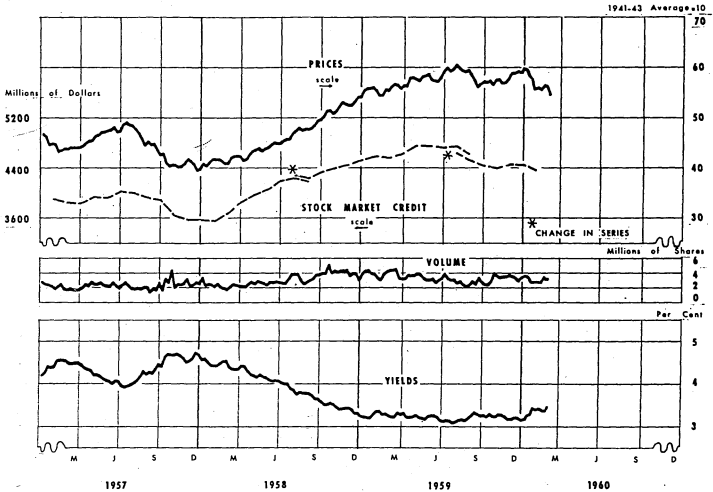
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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

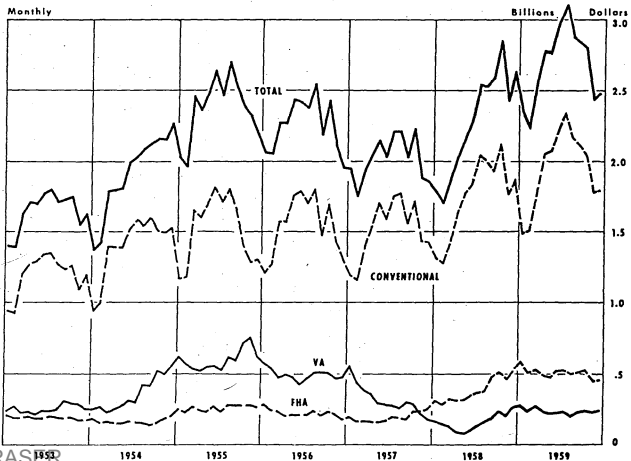
3/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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

STOCK MARKET



MORTGAGE RECORDINGS AND LOANS



Stock Market

Date	Stock price index <u>1/</u>	Common stock yields <u>2/</u> (per cent)	Trading volume <u>3/</u> (millions of shares)	Stock market customer credit		
				Total	Customers' debit balances <u>4/</u>	Bank loans to "others" <u>5/</u>
(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	54.57 (3/4)	3.47	2.7	n.a.	n.a.	n.a.
January	58.03	3.28	3.2	4,365	3,198	1,167
February	55.69	3.38	3.0	n.a.	n.a.	1,145
Feb. 19	56.24	3.37	3.5	n.a.	n.a.	1,145
Feb. 26	56.16	3.37	3.2	n.a.	n.a.	1,145
Mar. 4 <u>p/</u>	54.57	3.47	3.2	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.

Nonfarm Mortgage Recordings and Loans 1/

Date	Total		Unadjusted		
	Seasonally adjusted <u>2/</u>	Unadjusted	FHA	VA	Conv.
(Millions of dollars)					
1958 - Dec.	2,629	2,629	510	257	1,861
1959 - Jan.	2,677	2,352	585	276	1,491
Feb.	2,631	2,245	506	238	1,500
Mar.	2,683	2,586	530	260	1,796
Apr.	2,683	2,776	490	231	2,055
May	2,757	2,768	478	211	2,079
June	2,780	2,974	521	221	2,233
July	2,787	3,100	524	227	2,349
Aug.	2,769	2,871	504	202	2,165
Sept.	2,650	2,834	510	221	2,103
Oct.	2,639	2,799	523	238	2,039
Nov.	2,589	2,442	448	220	1,775
Dec.	n.a.	2,487	451	241	1,794

n.a.--Not available.

1/ Total recordings data are estimates based on reports from about 450 areas and include mortgages of \$20,000 or less secured by nonfarm real estate, primarily residential properties.

FHA-insured loans represent gross amount of insurance written, and VA-guaranteed loans the gross amount of loans closed, on 1-4 family houses. Conventional loans are derived as a residual, although total recordings and VA and FHA loans are not strictly comparable in concept or timing.

2/ Three-month moving average, seasonally adjusted by Federal Reserve.

Source: Federal Home Loan Bank Board, Federal Housing Administration and Veterans Administration.

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	638	812
February	e/600	745	857 ^{3/}	e/550	858	953
March	e/700	631	1,553 ^{3/}	e/525	646	511
April		899	1,140		931	798
May		791	597		593	895
June		874	887		1,006	551
July		531	1,107		567	806
August		718	540		514	403
September		709	1,114		468	651
October		887	862		593	456
November		865	518		513	474
December		936	920		p/444	435
1st quarter	e/2,000	2,216	3,139	e/1,775	2,142	2,276
2nd quarter		2,564	2,623		2,531	2,244
3rd quarter		1,958	2,760		1,549	1,860
4th quarter		2,688	2,300		p/1,550	1,365
1st half		4,780	5,762		4,673	4,520
Three quarters		6,738	8,522		6,223	6,380
Year		9,427	10,823		p/7,773	7,746
		Excluding finance companies 4/				
1st quarter	e/1,600	2,011	2,899			
2nd quarter		2,409	2,586			
3rd quarter		1,695	2,731			
4th quarter		e/2,538	2,213			
Year		e/8,654	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/}

(In millions of dollars)

	Long-term					
	Foreign government ^{2/}			Federal agency ^{3/}		
	1960	1959	1958	1960	1959	1958
January		77	196		199	1,163
February		59	53		--	251
March		2	--		175	--
April		56	139		--	523
May		50	198		--	--
June		42	120		--	--
July		85	9		--	164
August		1	5		98	--
September		36	17		150	--
October		33	58		--	220
November		42	123		--	--
December		70	74		86	--
Year		558	992		707	2,321
	Short-term					
	State and local government ^{4/}			Federal agency ^{3/}		
	1960	1959	1958	1960	1959	1958
January		190	233	479	359	371
February		428	460		500	208
March		295	273		489	144
April		563	357		486	209
May		411	354		675	161
June		245	264		289	329
July		246	289		727	437
August		467	423		365	206
September		399	369		665	330
October		235	231		733	454
November		343	415		471	114
December		306	243		288	137
Year		4,127	3,910		6,047	3,098

^{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 PHA 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/
1959 - 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
1960 - January	279	388	100
February	262	283	320

Large Individual Issues Offered March 1 through 4

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
States Steamship Co.	Ins. bds.	20.2	1981	5	5.00	Aaa
Imperial Investment Co., Ltd.	Coll.tr.bds.	15.0	1980	6-1/2	6.50	--
<u>STATE AND LOCAL GOVERNMENT</u>						
Grand Rapids Expressway, Mich.	Rev.-S.T.	18.0	1961-85	4.12	3.00-4.15	A
Bade Co. Port Authority	Rev.-Ut.	19.2	1999/63	4.73	4.67	--
<u>OTHER</u>						
Metropolitan Toronto, Can.	S.F. deb.	34.5	1965-90	5-5-1/8	5.00-5.15	A
	Instal. deb.	6.9	1961-80	5	4.75-5.15	A

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/
1959 - 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
Feb. 29	301	255	35	372	385	35

Forthcoming Large Offerings, as of March 4

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
General Motors Acceptance Corp.	Deb.	100.0	Mar. 10
General Telephone Co. of Fla.	1st mtg. bds.	15.0	Mar. 11
Mid-American Pipeline Co.	Sub. deb. & stk.	20.5	Mar. 16
Chesapeake & Potomac Telephone Co.	Deb.	25.0	Mar. 16
Northern Indiana Public Service Co.	1st mtg. bds.	15.0	Mar. 16
General Telephone & Electronics Corp.	Com. stk.	50.0	Mar. 16
Louisiana Power & Light Co.	1st mtg. bds.	20.0	Mar. 30
*Niagara Mohawk Power Co.	Gen. mtg. bds.	50.0	Mar. 30
Coastal States Gas Producing Co.	S.F. deb.	20.0	Mar.
*National Fuel Gas Co.	S.F. deb.	18.0	Apr. 12
*Puget Sound Power & Light Co.	1st mtg. bds.	20.0	Apr. 21
*Metropolitan Edison Co.	1st mtg. bds.	15.0	Apr. 27
*United States Plywood Corp.	S.F. deb.	25.0	Apr.
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
Kratter Corp.	Pfd. stk.	26.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
State of Louisiana	G.O.	15.0	Mar. 7
Cook Co., Illinois	Rev.-S.T.	25.0	Mar. 8
State of Delaware	G.O.	12.4	Mar. 8

Forthcoming Large Offerings, as of March 4 (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	Mar. 9
*Chicago Board of Education, Ill.	G.O.	25.0	Mar. 30
Ventura Port Dist., Calif.	Rev.-Ut.	10.0	Mar.
Triborough Bridge & Tunnel Auth.	Rev.-Ut.	100.0	April
Jacksonville, Fla.	Rev.-Ut.	30.0	May 10
<u>OTHER</u>			
None			

*--Included in table for first time.

1/ Includes corporate and other issues of \$15 million and over; State and local government issues of \$10 million and over.

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

Note.--Deletions for reasons other than sale of issue: Newark, New Jersey's \$15.0 million issue--bid rejected and New York State Thruway's \$50.0 million issue--offering indefinitely postponed.

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
Feb. 25	5.08	44		
26	5.10	46		

*--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.

Part II - Canada

Canadian money rates continued to ease last week, although long-term bond yields had an upward tendency. The spread between U.S. and Canadian yields widened through the entire range. The spreads in favor of Canadian bills returned to the early February levels. Stock market prices continued to fall in the Toronto and Montreal Exchanges.

Money market conditions. The Treasury bill yield declined slightly from 4.61 per cent to 4.57 per cent at last Thursday's auction; 6-month Canadian bills fell from 4.86 per cent to 4.84 per cent. The Bank of Canada and the chartered banks increased their holdings of bills while the holdings of the public declined. The rate on day-to-day loans were unchanged at 4.25 per cent from the previous week.

The spread in favor of the Canadian 3-month bill widened compared with the U.S. bill to .87 per cent as the U.S. bill rate fell more sharply than the Canadian. There was an interest advantage of almost one-half per cent in favor of Canadian bills after taking into account the discount on 3-months Canadian dollars.

Bond market developments. Canadian longer-term bond yields moved upward in the last week while the shorter range maturities declined. On Thursday the spreads between comparable Canadian and United States securities were (figures in parenthesis refer to the preceding week):

0.87 per cent on a 91-day bill (0.44)	March 3
0.70 per cent on a 182-day bill (0.56)	March 3
0.85 per cent on an 8-year bond (0.71)	March 2
1.19 per cent on a 20-year bond (1.06)	March 2
1.25 per cent on a 25-year bond (1.22)	March 2

Figures available from market sources indicate that in the first two months of the year new corporate bond issues recovered sharply from the low levels of the same period in 1959, although flotations are still under the 1958 levels. Government bond issues of all kinds are below year-earlier levels. A substantial part of the year-to-year decline in governmental issues was in new issues placed on the New York market; these fell from \$76 million in the first two months of 1959 to \$46 million in the first 2 months of 1960. In the week to February 24 the chartered banks further increased their government securities holdings while reducing loans to local governments; general loans rose. The Bank of Canada reduced its government bond holdings slightly.

The stock markets. Canadian stock prices continued to decline under the pressure of developments in New York. On Friday the Toronto stock index was at 485.96 compared with 493.06 a week earlier and 512.90 a month ago. The Montreal index was at 287.1 compared with 290.2 a week ago and 304.5 a month ago.

Selected Government of Canada Security Yields

Date	3-month Treasury bills ^{1/}	Inter- mediate Govt. bonds ^{2/}	Long- term Govt. bonds ^{2/}	Spread between Canadian & U.S. rates		Discount on 3-mo. Canadian dollar ^{6/}
				long-term bonds ^{4/}	3-mo. bills ^{2/}	
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	
Feb. 11	4.75	5.40	5.35	1.12	0.90	0.42
18	4.62	5.36	5.24	1.05	0.58	0.41
25	4.61	5.47	5.31	1.05	0.44	0.36
Mar. 3	4.57	5.37	5.36	1.09	0.87	0.30

- 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.

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

	1960 to Feb. 29	1959 to Mar. 2	1958 to Mar. 3
Government	1,335.0	1,355.0	1,365.0
Provincial	57.0	114.2	150.2
Municipal	75.7	82.5	48.1
Corporation	104.1	8.8	170.1
	<u>1,591.8</u>	<u>1,560.5</u>	<u>1,733.4</u>
Less short-term financing (less than one year)	935.0	1,135.0	1,065.0
	<u>656.8</u>	<u>415.5</u>	<u>668.4</u>

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

Provincial	15.0	75.0	70.0
Municipal	20.6	1.4	13.5
Corporation	10.0	--	--
	<u>45.6</u>	<u>76.4</u>	<u>83.5</u>

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

MONEY AND CAPITAL MARKET DEVELOPMENTS IN UNITED KINGDOM

A major shakeout occurred in the gilt-edged market when the Bank of England in February lowered the price at which it was prepared to purchase certain key issues from the market. The move was designed to discourage the banks from making any large further sales of government securities, and hence discourage the continued rise in advances. The move followed a particularly sharp rise in bank lending in the month to mid-February. The Treasury bill rate remained unchanged at the latest tender. Stock prices weakened further in the last week.

Money market conditions. The Treasury bill remained virtually unchanged at 4.55 per cent at the tender of March 4, the same level it reached following the rise in Bank rate on January 21. Because of the rising U.S. bill rate through February 26 the interest advantage in favor of British bills narrowed to one-quarter of one per cent on that date. On March 4, however, the sharp fall in the U.S. bill rate widened the advantage in favor of London to almost one-half of one per cent after taking account of the discount on three months forward sterling.

Gilt-edged market. The action by the banks in reducing their government bond holdings by £80 million in the month through mid-February in order to finance a further sharp rise in loans led the monetary authorities on Wednesday, February 24 to reduce the prices at which they were willing to buy selected government bond issues. The banks had been warned by the Governor of the Bank of England on two previous occasions to limit their lending. This latest restrictive action by the authorities caused a severe jolt to the gilt-edged market which has been accustomed to Bank of England market operations to prevent abrupt price changes, although the Bank did not resist pronounced market trends. Most of the price decline took place in the three days following the Bank's action; from Tuesday, February 23 to Friday, February 26 the yield of a 6-year bond rose 22 basis points and the yield of an indefinite bond rose 10 basis points. The yield on a 6-year bond rose by another 11 basis points through March 3 and the yield on an indefinite was unchanged. During February the yield changes were less sharp as prices rose during the first three weeks. The rise in the yields on selected maturities in February were (the figures in parenthesis refer to January):

Treasury bills	0 basis points (81)
6-year bond	7 basis points (10)
15-year bond	4 basis points (12)
Undated bond	3 basis points (12)

An Australian £12 million 5-1/2 per cent bond issue 1977-80 was offered to the public at 99 per cent and was fully subscribed. The issue was quoted at one-quarter per cent premium the day after application lists were closed on February 11.

Stock market. The further restrictive action by the authorities caused equity prices to weaken. The industrial ordinary share index fell from 324 on February 23 to 317 on March 3, the lowest level this year and almost 7 per cent under the January 1 level. Share yields rose from 3.93 per cent on February 23 to 4.05 per cent on March 3 (see Table).

Small savings. Savings by small investors in nonmarketable issues and in post office and savings banks are running well ahead of the record 1958-59 fiscal year. The sharpest increases took place in sales of defense bonds and in post office and trustee savings banks deposits (see Table). Last week the Chancellor of the Exchequer raised from £3,000 to £5,000 the limit on the aggregate amount which anyone may deposit in the Post Office Savings Bank and in the Ordinary Department of a trustee savings bank. In the future there will be no limit on the amount which may be deposited in a savings bank in any one year. The need for restrictions on deposits has disappeared as deposit rates elsewhere compare favorably with the traditional 2-1/2 per cent paid on Post Office savings and by the trustee banks.

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

Selected United Kingdom Security Yields

<u>Date</u>	<u>3-mo. Treas. bill yield</u>			<u>Discount on 3-mo. sterling^{3/}</u>	<u>London capital market yields</u>		
	<u>U.K.^{1/}</u>	<u>U.S.^{2/}</u>	<u>Differ- ence</u>		<u>Govt. bonds</u>		<u>Share yields^{6/}</u>
					<u>6 yr^{4/}</u>	<u>Un- dated^{5/}</u>	
1959 - High	3.6	4.7	1.1	--	5.13	5.14	
Low	3.0	2.6	.4	--	4.71	4.66	
Jan. 29	4.54	3.99	.55	.03(premium)	5.05	5.15	3.84
Feb. 5	4.55	3.80	.65	.14	5.03	5.13	3.92
12	4.55	3.85	.70	.27	4.93	5.15	3.91
19	4.54	4.08	.46	.23	4.90	5.12	3.99
26	4.55	4.19	.36	.10	5.12	5.25	3.99
Mar. 4	4.55	3.64	.91	.23	5.23*	5.25*	4.05*

^{1/} Average yield at Friday weekly tender.

^{2/} Market yield in New York based on 360-day year.

^{3/} Spread between spot and forward rates expressed as per cent per annum.

^{4/} Exchequer 5-1/2 per cent of 1966.

^{5/} Undated 2-1/2 per cent Consols.

^{6/} Financial Times ordinary share yield for the London market (1935 = 100).

* March 3 figures.

Small Savings: net receipts (+)^{1/}
 net repayment (-)
 (in millions of pounds)

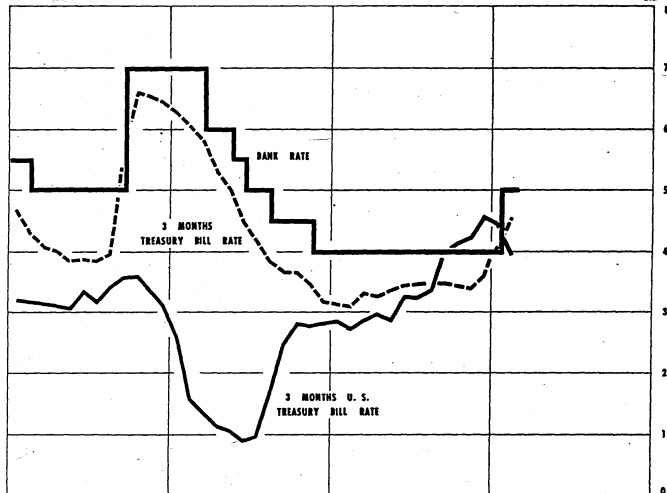
	<u>March 29, 1959 to Jan. 30, 1960</u>	<u>March 30, 1958 to Jan. 31, 1959</u>
National savings certificates	+ 9.0	+ 46.1
Defense bonds	+ 123.0	+ 85.1
Postoffice and trustee)	+ 18.2	- 70.0
Savings banks)		
Premium savings bonds	+ 38.4	+ 58.2
Total	+ 188.5	+ 119.5

^{1/} Excludes accrued interest on existing savings.

UNITED KINGDOM MONTHLY AVERAGES

BANK RATE AND TREASURY BILL RATE

Per cent



BOND AND STOCK YIELDS

