

H.11

March 14, 1960.

(CAPITAL MARKET) DEVELOPMENTS
IN THE UNITED STATES AND CANADA

(Including Quarterly Review of State
and Local Government Financing)

The volume of new public security financing was substantial last week. During the week ending March 11 corporations sold large security issues with proceeds totaling \$135.0 million and State and local governments offered bond issues amounting to \$152.4 million. This week corporations are offering issues totaling \$110.5 million, but there are no large State and local government bond issues scheduled for sale.

Bond yields - Yields on all types of long-term bonds declined last week. The decline in yields on U. S. Government bonds was particularly sharp. Yields on all types of bonds were at the lowest level of the year last week.

Mortgage yields - Average secondary discounts for FHA-insured 5-3/4 per cent new home mortgages remained virtually unchanged in February for the fourth straight month and the implied yield of nearly 6-1/4 per cent continued about 65 basis points above a year earlier.

Stock prices - Common stock prices declined somewhat further last week. Standard and Poor's 500 stock index closed on Friday at 54.24, 0.33 points lower than a week earlier. Average daily trading volume was 3.2 million, the same as the preceding week.

State and Local Government Security Offerings in 1959

State and local governments sold new bond issues aggregating a record \$7.9 billion last year, slightly more than in 1958. About 60 per cent of the year's sales were in the first half of the year when there was an unusually large volume of large revenue bond issues sold. Refunding issues were sold in small volume as in other recent years.

Purpose of issue - Bonds sold to provide funds for educational building totaled \$2.2 billion and were, as in other recent years, the most important purpose of issue. School bond sales last year were, however, \$0.4 billion less than the record 1958 volume. New highway financing also declined, reflecting in part a reduction in the Federal-aid highway program which reduced the need to obtain funds to match Federal grants. New bond issues sold to obtain funds for miscellaneous public service enterprises--primarily electric utilities--increased \$0.5 billion to a total of \$0.8 billion, reflecting primarily the sale of \$0.4 billion of bonds by the New York State Power Authority. Financing of public housing also increased, while bond sales to provide funds for other purposes were in about the same volume as a year earlier.

Type of issuer - Special authorities were the most important type of State and local governmental unit selling bonds in 1959. Bond sales by these units totaled \$2.1 billion, \$0.7 billion more than in 1958. States, municipalities, and school districts sold a smaller dollar volume of bonds last year than a year earlier.

Type of issue - Revenue bond sales rose sharply last year and, aggregating \$2.4 billion, accounted for 30 per cent of last year's bond financing, the largest proportion since 1955 when the volume of toll highway financing was large. Much of the revenue bond financing consisted of large bond issues sold to provide funds for electric utility systems. Sales of general obligation bonds were in smaller volume last year than in 1958. Offerings of public housing authority bonds--bonds secured by the pledge of grants from the Federal Government--rose to \$0.3 billion, the largest volume since 1955.

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

Developments in the Canadian 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.

Long-term Security Issues of State and Local Governments
1954-59
(In millions of dollars)

	1959	1958	1957	1956	1955	1954
<u>Issuing authority:</u>						
State	1,609	2,016	1,508	818	1,408	2,047
County and township	499	541	434	328	472	442
Municipality	2,354	2,436	2,327	1,814	1,313	1,601
School district	1,324	1,471	1,602	1,111	1,005	828
Special authority	2,094	1,368	1,279	1,103	1,097	1,463
Unidentified 1/	--	--	--	351	683	587
Total	7,880	7,832	7,150	5,525	5,976	6,969
<u>Purpose of issue:</u>						
New capital total	<u>7,773</u>	<u>7,746</u>	<u>7,099</u>	<u>5,459</u>	<u>5,911</u>	<u>6,789</u>
Schools 2/	2,238	2,644	2,551	1,682	1,516	1,432
highways, bridges and tunnels	834	1,172	1,041	701	1,362	2,136
Residential buildings	701	530	299	258	570	456
hospitals and institutions	115	216	136	61	98	77
Sewer and water	1,120	1,089	1,020	817	712	674
Misc. public service enterprises	841	314	503	663	169	597
Veterans' aid	355	339	333	110	169	162
Other	1,569	1,441	1,216	817	637	681
Unidentified 1/	--	--	--	351	680	576
Refunding	108	86	50	66	65	180
Total	7,880	7,832	7,150	5,525	5,976	6,969
<u>Type of issue:</u>						
General obligation	4,766	5,446	4,795	3,570	3,770	3,380
Revenue	<u>2,397</u>	<u>1,778</u>	<u>1,964</u>	<u>1,610</u>	<u>1,730</u>	<u>3,205</u>
Utility	1,593	1,006	1,433	n.a.	n.a.	n.a.
Quasi-utility	404	165	54	n.a.	n.a.	n.a.
Special tax	238	331	289	n.a.	n.a.	n.a.
Rental	162	276	188	n.a.	n.a.	n.a.
Public Housing Authority	333	187	66	199	474	374
Federal Government loans 3/	384	420	324	146	2	9
Total	7,880	7,832	7,150	5,525	5,976	6,969

n.a.--Not available.

1/ Issues of less than \$500,000 not further classified in 1954 and 1955 and first half of 1956.

2/ Data for years prior to 1956 probably understate school issues by about one-fourth because of unclassified small issues.

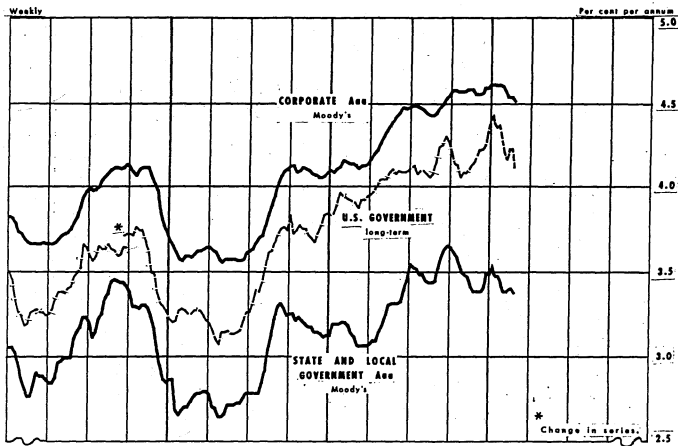
3/ Coverage for 1956-1959 is broader than for earlier years.

Note.--Details may not add to totals because of rounding.

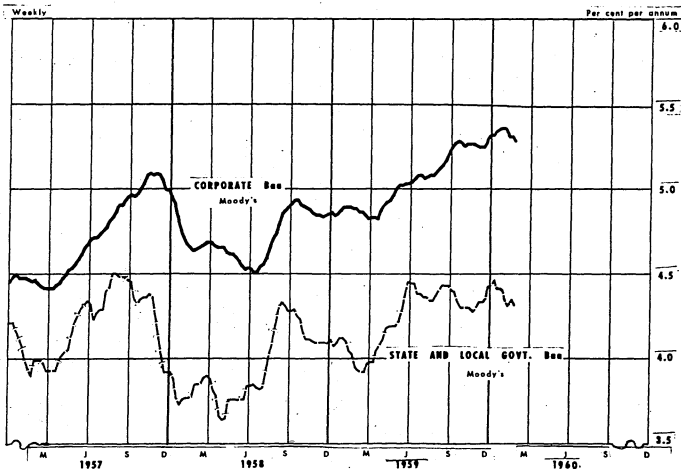
Source.--1954, 1955 and first half 1956, Bond Buyer and Federal Reserve; July 1956-1959, Investment Bankers Association of America. Data for 1956-1959 not strictly comparable with data for earlier years.

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)	.40	.89
Low	4.51 (3/11)	4.11 (3/11)	3.37 (3/10)	.19	.74
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	c/4.54	4.22	3.40	.33	.82
Mar. 11 p/	4.51	4.11	3.37	.40	.74

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	5.28 (3/11)	4.31 (2/18)	.71	.93
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	5.31	4.35	.76	.95
Mar. 11 p/	5.28	4.31	.77	.94

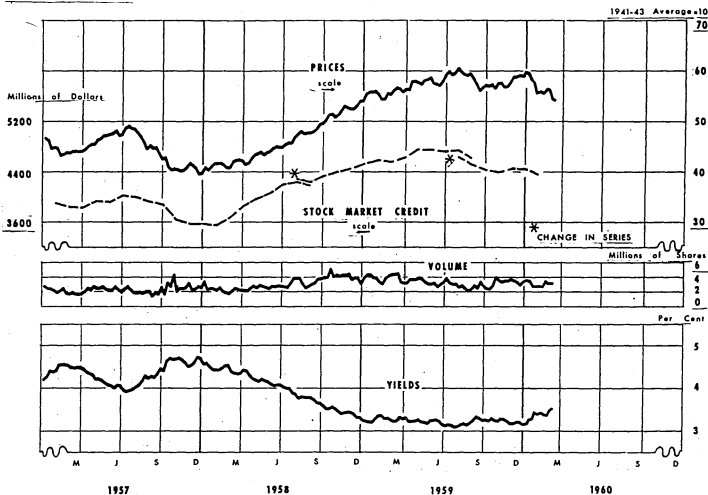
p/ Preliminary.

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.

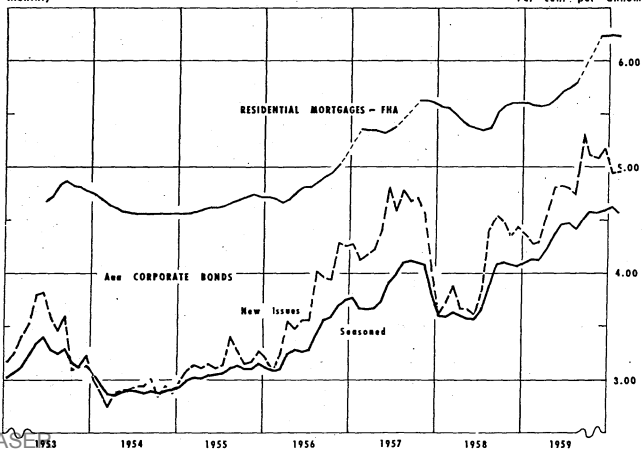
3/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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

STOCK MARKET**MORTGAGE AND BOND YIELDS**

Monthly

Per cent. per annum



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 bal- ances 4/	Bank loans to "others" 5/
(Millions of dollars)						
1957-1959 - High Low	60.51 (7/31/59)	3.07	4.3	4,764	3,401	1,373
	39.78 (12/27/57)	4.66	1.4	3,554	2,482	1,060
1960 - High Low	59.50 (1/8)	3.18	3.6	n.a.	n.a.	n.a.
	54.24 (3/11)	3.51	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. 26	56.16	3.37	3.2	n.a.	n.a.	1,145
Mar. 4	54.57	3.47	3.2	n.a.	n.a.	1,140
Mar. 11 p/	54.24	3.51	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.

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	6.24	5.29	4.61	1.29	.77
Low	5.57	4.29	4.12	.83	.15
1959 - October	n.a.	5.10	4.57	n.a.	.53
November	6.23	5.07	4.56	1.16	.51
December	6.23	5.16	4.58	1.07	.58
1960 - January	6.24	4.95	4.61	1.29	.34
February	6.23	4.96	4.56	1.27	.40

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

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

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

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

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	596	840	728	e/700	638	812
February	e/600	745	857	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/1,896	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/1,550	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 FHA 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 11

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est 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	--
Coastal Sts. Gas Prod. Co.	S.F. deb.	20.0	1980	6	6.00	Ba
Gen. Motors Accept. Corp.	Deb.	100.0	1981	5	5.04	--
Gen. Tel. Co. of Fla.	1st mtg. bds.	15.0	1990	5	5.05	A
<u>STATE AND LOCAL GOVERNMENT</u>						
Grand Rapids Expressway, Mich.	Rev.-S.T.	18.0	1961-85	4.12	3.00-4.15	A
Dade Co. Port Auth., Fla.	Rev.-Ut.	19.2	1999/63	4.73	4.67	--
State of Louisiana	G.O.	15.0	1961-84/69	3.80	2.80-3.75	A
Wool Co., Illinois	Rev.-S.T.	25.0	1961-70	3.44	2.80-3.45	A
State of Delaware	G.O.	12.4	1961-80	3.25	2.60-3.30	Aa
State of California	G.O.	100.0	1961-86/80	3.95	2.75-3.95	Aa
<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.

Exhibit H

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 11

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
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
Mid-American Pipeline Co.	Sub. deb. & stk.	20.5	Mar. 17
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.
*Carolina Power & Light Co.	1st mtg. bds.	25.0	Apr. 5
*Commonwealth Edison	1st mtg. bds.	30.0	Apr. 6
*Alabama Power Co.	1st mtg. bds.	19.5	Apr. 7
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>			
Chicago Board of Education, Ill.	G.O.	25.0	Mar. 30
Venture Port Dist., Calif.	Rev. -Ut.	10.0	Mar.

Forthcoming Large Offerings, as of March 11 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)			
*New York, New York	G.O.	20.5	Apr. 27
*Sacramento Municipal Utility Dist., California	Rev.	30.0	Apr. 28
Triborough Bridge & Tunnel Auth. Jacksonville, Fla.	Rev.-Ut.	100.0	April
	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: 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 ^{3/}	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.

March 14, 1960

Part II - Canada

There were substantial declines in short money rates in Canada last week. The spread between Canadian and United States yields widened through the entire range of Treasury bills and longer-dated securities. Activity in the corporate and local government sectors of the bond market was slowed down by expectation of a coming Government of Canada offering. Stock prices continued to decline during the week.

Money market conditions. The short Treasury bill yield declined from 4.57 per cent to 4.34 per cent at last Thursday's auction; the yield on 6-month bills fell from 4.84 per cent to 4.57 per cent. During the week, the chartered banks were substantial sellers but the Bank of Canada and government accounts reported offsetting acquisitions. The rate on day-to-day loans eased from 4.15 per cent to 4.05 per cent for the week ending March 9.

The spread in favor of the 3-month Canadian bill compared with the U.S. bill continued to widen during the week as U.S. bill rates declined more sharply than Canadian rates (see Table). However, the increase in the discount on the 3-month Canadian dollar resulted in a reduced incentive for holding Canadian bills as compared with the previous week.

Bond market developments. Canadian bond yields eased during the week. However, the substantial declines in U.S. bond yields caused the spreads to widen in favor of Canadian bonds. On Thursday, the spreads between comparable Canadian and United States securities were (figures in parenthesis refer to the preceding week):

0.68 per cent on a 91-day bill (0.59)
0.71 per cent on a 182-day bill (0.52)
0.98 per cent on an 8-year bond (0.85)
1.21 per cent on a 20-year bond (1.19)
1.40 per cent on a 35-year bond (1.25)

Press reports indicate that activity in the corporate and local government sectors of the bond market will be slowed down in the coming week by the expectation of a sizable Government of Canada issue in the near future. During the past week, two larger corporate offerings were well received. A \$17.5 million T. Eaton Acceptance Co. debenture was offered at a 6.80 per cent yield to maturity. A \$25 million Bell Telephone 14-year first mortgage bond with a 6-1/4 per cent coupon was offered at par.

Several local government issues are scheduled for the current week. A \$15 million 6 per cent debenture of the Province of Manitoba will be offered in two tranches: a 1968 bond yielding 6.12 per cent and a 1980 bond yielding 6.20 per cent. A \$3.4 million 20-year Vancouver issue at 6-1/4 per cent is to be available at a 6.32 per cent yield. A \$2.8 million 6 per cent Three Rivers bond is being offered at a 6.35 per

cent maturity yield in an 11 to 20 year range of maturities. The press reports that Regina is negotiating a \$1.9 million bond flotation in the New York market.

An official survey of private and public investment intentions for 1960, released last week, shows that a resurgence in business capital spending is anticipated for 1960 following a sharp decline in 1958 and a further easing in 1959 (see Table). This pickup in business demands for funds has already led to a resumption of corporate borrowing in the Canadian security market during the first two months of this year (see Table for March 7). Although construction is to be at a peak level, a continued decline in residential housing is expected. Total investment for 1960 will be at \$8.8 billion or fractionally above the previous peak in 1957.

Stock markets. Prices in Canadian stock markets continued to decline during the past week. On Thursday, the Toronto industrial index was at 475.4 compared with 509.79 a month ago and 535.69 a year ago; the 1960 high was 533.65. The Montreal industrial index was 277.2 compared with 302.1 a month ago and 321.5 a year ago; the 1960 high was 320.0.

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

Selected Government of Canada Security Yields

<u>Date</u>	<u>3-month Treasury bills^{1/}</u>	<u>Inter- mediate Govt. bond^{2/}</u>	<u>Long- term Govt. bond^{3/}</u>	<u>Spread between Canadian & U.S. rates</u>		<u>Discount on 3-mo. Canadian dollar^{6/}</u>
				<u>long-term bond^{4/}</u>	<u>3-mo. bills^{5/}</u>	
1957 - High	4.08	4.81	4.35			
1958 - 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	
1960 - High	5.14	5.55	5.42	1.21	0.90	0.72
Low	4.34	5.28	5.24	0.91	0.31	0.24
Feb. 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	1.19	0.59	0.30
10	4.34	5.28	5.36	1.21	0.68	0.48

- 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.

Canada: Outlook for Private and Public Investment, 1960
 (in billions of Canadian dollars)

	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959^{1/}</u>	<u>1960^{2/}</u>
<u>Business capital:</u>					
Forest and minerals	1.1	1.2	0.7	0.6	0.8
Fuel and power	1.2	1.6	1.3	1.1	1.1
Commerce and finance	0.6	0.7	0.7	0.8	0.9
Transport	0.8	1.0	1.0	0.9	0.9
Other	1.3	1.2	1.2	1.3	1.3
Total	5.0	5.7	4.9	4.7	5.0
<u>Housing and social capital:</u>					
Housing	1.5	1.4	1.8	1.8	1.7
Institutional services	0.4	0.5	0.5	0.5	0.6
Government and waterworks	1.1	1.2	1.2	1.4	1.5
Total	3.0	3.1	3.5	3.7	3.8
Total capital expenditures	8.0	8.7	8.4	8.4	8.8

- 1/ Preliminary.
 2/ Intentions.
 Source: Private and Public Investment in Canada: Outlook 1960, Department of Trade and Commerce, Ottawa.