

H.14

March 21, 1960

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

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

Part I - United States

During the week ending March 18, corporations sold large issues totaling \$114 million. No large State and local government issues were sold last week. No large issues by either corporations or State and local governments are expected to be sold this week.

Bond yields - Yields declined last week for all categories of outstanding bonds and reached the lowest level for the year.

Yields on new corporate issues have also declined recently. Two new Aa-rated, first mortgage electric utility issues were offered to investors to yield 4.90 per cent and 4.73 per cent, the latter with a 5-year nonrefundable restriction. A comparable issue was offered in late February at 5.10 per cent.

Housing starts - In February, the seasonally adjusted annual rate of private nonfarm housing starts declined further to 1,115,000 units, approximately one-fifth below the peak last April. Conventionally financed units continued to account for about seven-tenths of the total.

During 1959, private starts exceeded the 1955 total by about 33,000 units but were somewhat below the 1950 record. The table given below indicates that the mix of starts by type of structure and by kind of financing in 1959 differed considerably from that in 1955. The number of units started under conventional financing, as well as in multi-family structures was larger in 1959, whereas home starts and VA-financed starts were lower in 1959.

Private Permanent Nonfarm Dwelling Units Started

(Thousands of units)

	Total	1- to 4-family				5- or more-family		
		Total	FHA	VA	Conv.	Total	FHA	Conv.
1955	1,310	1,239	269	393	577	70	6	64
1959	<u>1,343</u>	<u>1,154</u>	<u>305</u>	<u>109</u>	<u>740</u>	<u>189</u>	<u>25</u>	<u>164</u>
1959 minus 1955	33	-85	36	-284	163	119	19	100

Stock market credit - Total customer credit in the stock market, excluding borrowing on U. S. Government securities, declined for the third consecutive month in February. Totaling \$4.3 billion at the end of February, such credit was 4 per cent lower than at the close of 1959. The February decline resulted from a \$69 million decline in customers' net debit balances and a \$22 million decline in bank loans to other than brokers and dealers.

Borrowing by member firms of the New York Stock Exchange maintaining margin accounts (excluding borrowing on U. S. Government securities) declined further in February, totaling \$2.2 billion at the end of the month. Customers' net free credit balances also declined slightly last month. These and other data on stock market credit for February and January are shown in the following table.

	End of month		Change
	February	January	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Government securities - total	4,274	4,365	-91
Net debit balances	3,129	3,158	-69
Bank loans to "others"	1,145	1,167	-22
Net debit balances secured by U. S. Govt. securities	138	134	+4
Bank loans to others for purchasing or carrying U. S. Government securities	146	154	-8
Broker and dealer credit			
Money borrowed except on U. S. Government securities	2,196	2,233	-37
On customer collateral	1,945	1,995	-50
Money borrowed on U. S. Government securities	202	190	+12
Customers' net free credit balances	981	1,001	-20

Stock prices - Stock prices, as measured by Standard and Poor's index of 500 common stocks, increased last week. Closing at 55.01 on March 18, prices were one per cent higher than a week earlier. Trading activity slackened considerably with the daily volume averaging 2.6 million shares, the lowest average this year.

Institutional investors - In January, the inflow of funds to life insurance companies and savings and loan associations was about the same as a year earlier. Mutual savings bank deposits, however, declined somewhat in contrast to an increase in January 1959. The combined inflow at these three institutions was one-sixth smaller than last year. (Time and savings deposits at commercial banks declined more than they had last January.)

The increase in life insurance company assets was \$576 million this January as compared with \$565 million last year. Net acquisition of U. S. Government securities was only half as large this January as a year earlier. This year, however, insurance companies increased their holdings of bills substantially, partially offsetting this by reducing their holdings of other types of Government securities. In January 1959, they had made sizable acquisitions in holdings of all types of Governments.

Net acquisition of business securities by life companies was nearly one-third smaller than last January, while the net increase in mortgages was more than twice as large. This sharp shift in investment policy between January 1960 and January 1959, was the result of a gradual change that took place during the course of 1959.

The net increase in share capital at savings and loan associations was \$437 million, little different from January 1959. These associations repaid a substantial amount of borrowing from the Home Loan Bank Board. Repayment of advances is usual in January, but it was larger than seasonal this year. The increase in mortgage holdings was one-fifth smaller than in January last year. Since November acquisition of mortgages has been smaller than in the comparable month a year earlier. The increase in holdings of Government securities was two-fifths smaller than in January 1959.

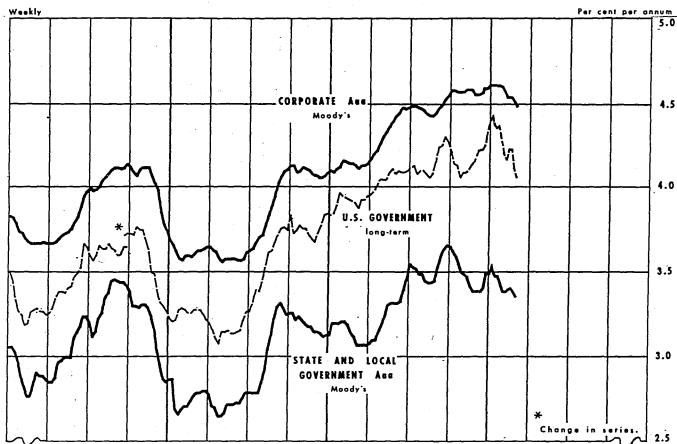
Deposits at mutual savings banks declined \$68 million in January in contrast with a \$122 million increase last year. Net acquisition of mortgages was one-fourth smaller this January. There was a slight net liquidation of Government securities as the decline in holdings of notes and bonds more than offset the increase in holdings of bills and certificates. Last January, the increase in holdings of Governments had been particularly sharp, reflecting in part purchases of the new 4 per cent bond.

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

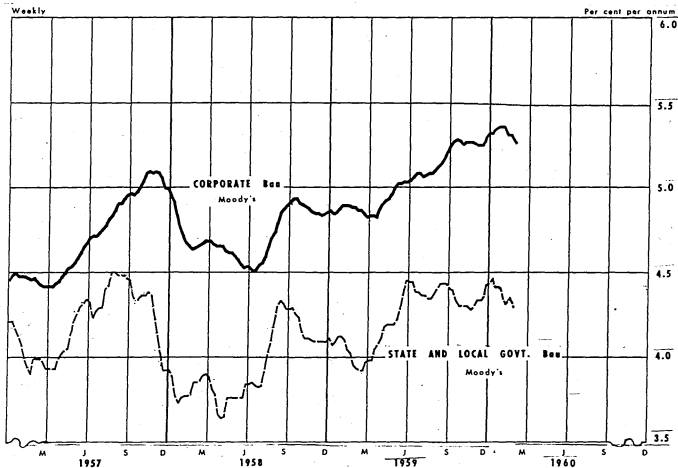
Developments in the Canadian capital markets are presented in Part II at the end of this report.

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

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)	.43	.89
Low	4.48 (3/18)	4.05 (3/18)	3.35 (3/17)	.19	.70
Feb. 19	4.54	4.16	3.38	.38	.78
Feb. 26	4.54	4.22	3.39	.32	.83
Mar. 4	4.54	4.22	3.40	.33	.82
Mar. 11	4.51	4.11	3.37	.40	.74
Mar. 18 p/	4.48	4.05	3.35	.43	.70

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	3.26 (3/18)	4.29 (3/17)	.71	.93
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	5.28	4.31	.77	.94
Mar. 18 p/	5.26	4.29	.78	.94

p/ Preliminary.

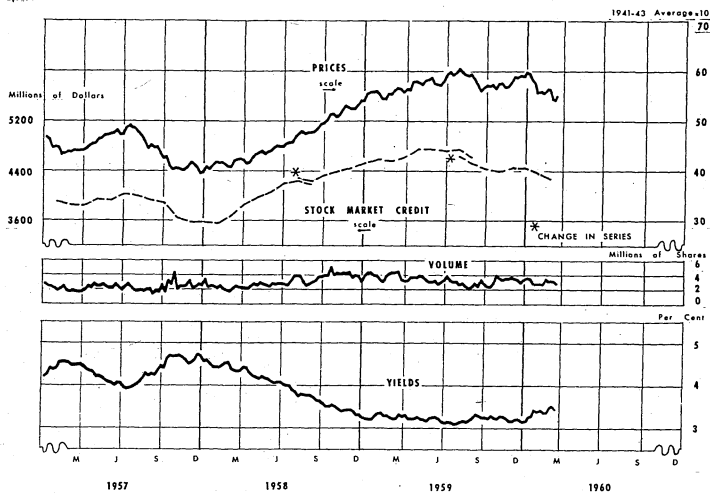
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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

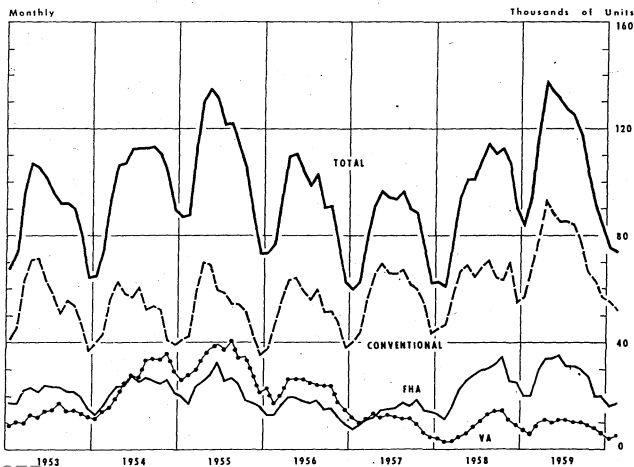
3/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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

STOCK MARKET



PRIVATE PERMANENT NONFARM DWELLING UNITS STARTED



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)						
1957-59 - 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
1960 - High	59.50 (1/8)	3.18	3.6	4,365	3,198	1,167
	Low	54.24 (3/11)	3.51	2.6	4,274	3,129
January	58.03	3.28	3.2	4,365	3,198	1,167
February	55.69	3.38	3.0	4,274	3,129	1,145
Mar. 4	54.57	3.47	3.2	n.a.	n.a.	1,140
Mar. 11	54.24	3.51	3.2	n.a.	n.a.	1,130
Mar. 18 p/	55.01	3.44	2.6	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.

Private Permanent Nonfarm Dwelling Units Started 1/

Date	Total		Unadjusted		
	Seasonally adjusted annual rate	Unadjusted	FHA	VA	Conv.
(Thousands of units)					
1959 - Feb.	1,403	94	20	6	67
Mar.	1,403	118	30	10	78
Apr.	1,434	137	34	11	93
May	1,370	134	34	10	89
June	1,368	131	35	11	85
July	1,375	127	31	11	85
Aug.	1,340	125	31	10	84
Sept.	1,323	117	30	10	77
Oct.	1,180	102	27	9	66
Nov.	1,210	91	20	8	63
Dec.	1,330	83	20	6	57
1960 - Jan.	p/1,210	p/75	16	4	55
Feb.	p/1,115	p/74	17	5	52

1/ Total starts are Census estimates. Prior to June 1959, data are from Bureau of Labor Statistics. A dwelling unit is started when excavation begins; all units in an apartment structure are considered started at that time. FHA and VA starts are units started under commitments by these agencies to insure or guarantee the mortgages. As reported by FHA and VA, a unit is started when a field office receives the first compliance inspection report, which is made before footings are poured in some cases but normally after the foundations have been completed. Capehart military housing units are excluded. Conventional starts are derived as a residual, although total and FHA and VA starts are not strictly comparable in concept or timing; they include both units financed by conventional mortgages and units without mortgages.

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		2,549	2,213			
Year		8,665	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	182	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		46	--
Year		558	992		707	2,321
	Short-term					
	State and local government 4/			Federal agency 3/		
January	196	190	233	479	359	371
February		428	460	463	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		358	243		288	137
Year		4,179	3,910		6,047	3,098

p/ Preliminary.

1/ Data presented in this exhibit differ from those in Exhibit F 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 18

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
Chesapeake & Potomac Tel. Co. of W. Va.	Deb.	25.0	2000	5	4.88	Aaa
No. Ind. Pub. Sv. Co.	1st mtg. bds.	15.0	1990	4-7/8	4.73	Aa
Gen. Tel. & Electron. Corp.	Com. stk.	57.1				
Genesco, Inc.	Com. stk.	16.8				
<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	--

Large Individual Issues Offered March 1 through 18 (Cont'd)

Issuer	Type 2/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)						
State of Louisiana	G.O.	15.0	1961-84/69	3.80	2.80-3.80	A
Cook 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	1961-86/80,81	3.95	2.90-3.95	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

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 18

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Louisiana Power & Light Co.	1st mtg. bds.	20.0	Mar. 30
Niagara Mohawk Power Co.	Gen. mtg. bds.	50.0	Mar. 30
Mid-American Pipeline Co.	Sub. deb. & stk.	20.5	Mar.
Carolina Power & Light Co.	1st mtg. bds.	25.0	Apr. 6
Commonwealth Edison Co.	1st mtg. bds.	30.0	Apr. 7
Alabama Power Co.	1st mtg. bds.	19.5	Apr. 8
National Fuel Gas Co.	S.F. deb.	18.0	Apr. 12
*Mountain States Tel. & Tel. Co.	Deb.	40.0	Apr. 13
*Iowa-Illinois Gas & Electric Co.	1st mtg. bds.	15.0	Apr. 14
United States Plywood Corp.	S.F. deb.	25.0	Apr. 14
*Transcontinental Gas Pipeline Co.	1st mtg. bds.	35.0	Apr. 21
Puget Sound Power & Light Co.	1st mtg. bds.	20.0	Apr. 21
Metropolitan Edison Co.	1st mtg. bds.	15.0	Apr. 27
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
Aratrer Corp.	Pfd. stk.	26.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
Chicago Board of Education, Ill.	G.O.	25.0	Mar. 30
*Cleveland, Ohio	G.O.	13.3	Apr. 26
*Los Angeles City Sch. Dists., Calif.	G.O.	16.0	Apr. 26

Forthcoming Large Offerings, as of March 18 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
New York City Hsg. Auth., New York	G.O.	20.5	Apr. 27
Sacramento Mun. Ut. Dist., Calif.	Rev.	30.0	Apr. 28
Triborough Bridge & Tunnel Auth.	Rev.-Ut.	100.0	Apr.
Ventura Port Dist., Calif.	Rev.-Ut.	10.0	Apr.
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: None.

Exhibit I

Yields on New and Outstanding
Electric Power Bonds, Rated Aa and A 1/

Date	Aa-rated offerings		A-rated offerings	
	Actual (per cent)	Amount above seasoned yields (basis points)	Actual (per cent)	Amount above seasoned yields (basis points)
1952 - 1956				
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	35	5.01 ^{2/}	15
July 9			5.10	19
10	4.93	31		
15			5.10	19
30			5.00	13
Aug. 5	4.65	24		
20	4.80	22		
Sept. 18			5.65	60
Oct. 22	5.25	46		
23	4.95 ^{2/}	16		
23	5.15	40	5.25	30
29			5.40	50
30	5.15	42		
Nov. 25	5.08	42		
Dec. 6	5.30	63		
9			5.45	51
10			5.44	50
1960 - Jan. 7			5.20 ^{2/}	28
Feb. 25	5.08	14		
26	5.10	46		
Mar. 15	4.90	32		
16	4.73 ^{2/}	17		
18			5.00	11

*--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

	Uses of Funds 1/						Total sources or uses
	Cash	U. S. Govt. securities	Business securities 2/	State and local govt. securities	Mortgages	Other	
Value of assets at end of period:	(In millions of dollars)						
1956 - Dec.	1,273	7,519	39,552	2,234	32,594	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 - Dec.	1,327	6,848	46,977	3,177	39,299	15,998	113,626
1960 - Jan.	1,236	7,011	47,105	3,197	39,573	16,080	114,202
Changes:							
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.	99	-168	227	23	315	226	722
1960 - Jan.	-91	163	128	20	274	82	576
Feb.							
Mar.							

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.

Exhibit K

Sources and Uses of Funds by
Savings and Loan Associations

	Uses of Funds 1/				Total sources or uses	Sources of Funds		
	Cash	U. S. Govt. secur- ities	Mort- pages 2/	Other assets		Net change savings capital	Borrow- ing 3/	Other
Value of assets at end of period	(In millions of dollars)							
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.	3,585	3,819	45,627	3,108	55,139	47,976	1,444	5,719
1959 - Dec.	2,189	4,471	53,087	3,725	63,472	54,548	2,384	6,540
1960 - Jan.	1,898	4,647	53,410	3,609	63,564	54,985	1,935	6,644
Changes:								
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 - 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.	372	-29	479	-52	770	1,177	219	-626
1960 - Jan.	-291	176	323	-116	92	437	-449	104
Feb.								
Mar.								

p/ Preliminary.

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**

	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	(In millions of dollars)								
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 - Dec.	829	6,869	4,825	737	24,770	910	38,940	34,987	3,953
1960 - Jan.	695	6,862	4,805	738	24,929	900	38,929	34,919	4,010
Changes:									
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	398	418	-109
1959 - Jan.	-96	119	-16	17	208	-50	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.	111	-7	-1	-9	134	-12	216	344	-128
1960 - Jan.	-134	-7	-20	1	159	-10	-11	-68	57
Feb.									
Mar.									

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.

March 21, 1960

Part II - Canada

Money rates in all sectors eased further in Canada last week. However, there was little change in the spreads between United States and Canadian yields in bills and bonds. Stock prices staged a modest recovery during the week.

Money market conditions. The short Treasury bill yield continued to decline, from 4.34 per cent to 4.02 per cent at last Thursday's auction; the yield on 6-month bills also fell, from 4.57 per cent to 4.26 per cent. During the week the Bank of Canada added about \$11 million to its bill holdings while chartered bank and public holdings were unchanged. The rate of day-to-day loans eased slightly to 3.90 per cent. The spread in favor of the 3-month Canadian bill compared with the U.S. bill narrowed slightly due to a greater decline in the Canadian bill rate than the U.S. rate (see Table). Since the discount on the 3-month Canadian dollar remained constant, this decrease in the spread between Canadian and U.S. 3-month rates reduced the incentive for holding Canadian bills as compared with the previous week.

Rates on short-term finance company paper were reduced by three firms last week by one-fourth per cent roughly as follows:

	<u>Before</u>	<u>After</u>
30-89 day paper	4-1/4 per cent	4 per cent
90-179 days	4-1/2 - 4-3/4 per cent	4-1/4 - 4-1/2 per cent
180-269 days	5 - 5-1/4 per cent	4-3/4 - 5 per cent
270-365 days	5-1/4 - 5-1/2 per cent	5 - 5-1/4 per cent

Bond market developments. Canadian bond yields eased during the week, but the spread between Canadian and United States rates showed little change from the previous week. At Wednesday's closing, the spreads between comparable Canadian and United States securities were (figures in parenthesis refer to the preceding week):

0.58 per cent on a 91-day bill (0.68)
 0.70 per cent on a 182-day bill (0.71)
 0.98 per cent on a 8-year bond (0.98)
 1.22 per cent on a 20-year bond (1.21)
 1.54 per cent on a 35-year bond (1.40)

On Monday, March 14, the Federal Government announced the terms of its \$329 million cash offer to cover an April 1 maturity. Investors could select:

a 9-year 5-1/2 per cent bond priced at 97.75 to yield about 5.82 per cent to maturity; or

a 3-year 5-1/2 per cent bond priced at 99.75 to yield 5.59 per cent and exchangeable before the end of 1962 at the holder's option into a 5-1/2 per cent 16-year bond with a 5.52 per cent yield.

A feature of the operation was that \$150 million were offered to dealers at a fixed price and \$50 million were open to competitive tender at "not less than the issue price less commission." The Bank of Canada agreed to accept the 3-year 5-1/2 per cent bond for its \$129 million of the April 1 maturity. Investor reaction to the issue was favorable and both parts of the bonds quickly rose slightly above the issue price. Press reports some dealer criticism of the auction experiment because of the added doubt about market price introduced by the competitive bidding.

In his annual report for 1959, Governor Coyne of the Bank of Canada proposed a lower rate of growth in Canada. He pointed to the large current-account deficit in the balance of international payments as proof that the Canadians were trying to go "too far, too fast" and are borrowing too much in the United States. He wanted Canada to accept a slower rate of growth because "we must in the end learn as a nation to live within our means, and exhibit the strength and will to do so."

Mortgages. In line with the expected decline in outlays for residential construction during 1960 (see weekly report for March 14), the Federal Government announced last week a more restrictive policy on housing loans. Direct Federal loans under the National Housing Act (NHA) will be cut from \$340 million in 1959 to between \$150-175 million in 1960. It will be recalled that the \$1.0 billion previously available for direct loans was exhausted; as a result, on October 30, no more applications were accepted. The Government will start loans under the 1960 program as soon as legislation has been passed. NHA approved loans by major groups of private investors declined from \$908 million in 1958 to \$675 million in 1959 (see Table). The principal declines were in loans by the chartered banks.

Stock markets. Prices of Canadian stock showed a slight recovery last week. On Friday the Toronto industrial index was 487.02 as compared with 481.83 a week earlier, and the Montreal industrial index was 281.7 compared with 280.2 a week earlier.

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^{2/}</u>	<u>Spread between Canadian & U.S. rates</u>		<u>Discount on 3-mo. Canadian dollar^{3/}</u>
				<u>long-term bond^{4/}</u>	<u>3-mo. bills^{2/}</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	1.22	0.90	0.72
Low	4.34	5.28	5.24	0.91	0.31	0.24
Feb. 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
17	4.02	5.20	5.29	1.22	0.58	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. Bond prices are Wednesday closing quotations.

^{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: Mortgage Loans Approved for Nonfarm Residential Construction^{1/} (in millions of Canadian dollars)

	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>
Chartered banks (NHA)	158.4	173.4	300.4	175.6
Life insurance companies				
NHA	227.0	95.8	171.3	112.9
Other	189.7	155.3	181.2	(n.a.)
Other companies				
NHA	40.1	8.8	47.3	19.3
Other	65.1	84.0	109.3	--
CMHC (NHA)	<u>19.9</u>	<u>235.3</u>	<u>389.3</u>	<u>366.9</u>
Total				
NHA	445.3	513.2	908.3	674.7
Other	<u>254.9</u>	<u>239.3</u>	<u>290.5</u>	<u>(n.a.)</u>
Grand total	700.2	752.5	1198.8	(n.a.)

^{1/} Data are on a gross basis; i.e., they do not take account of cancellations.

n.a. - Not available.

Source: Bank of Canada Statistical Summary.