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April 4, 1960

CAPITAL MARKET DEVELOPMENTS  
IN THE UNITED STATES AND CANADA

(Including Quarterly Review of  
Corporate Security Financing)

Part I - United States

Public security financing for new capital continues to be moderate. During the week ending April 1, corporations sold large issues totaling \$100 million and State and local governments sold bonds with total proceeds of \$35 million. A \$150 million long-term issue by the Federal National Mortgage Association was also sold. This week, large corporate issues are expected to total \$75 million and State and local government issues \$37 million.

Bond yields - Yields continued to decline last week for all categories of outstanding bonds, except those for U. S. Government bonds, which increased. The effect on long-term Government yields of the announcement of the offering as a 4-1/4 per cent 25-year bond issue, callable after 15 years, was moderate. The Government average was 4.04 per cent on Thursday prior to the announcement and closed at 4.08 per cent on Friday.

Offering yields on new corporate issues also declined last week. A new A-rated, first mortgage electric utility bond issue was offered to investors to yield 4.93 per cent, 7 basis points lower than the yield for a comparable offering made on March 18.

Bond yields generally declined throughout March with the decline being about 10 basis points for corporate and State and local government bonds. The decline for U. S. Governments was more than 20 basis points.

Mortgage recordings - Mortgage recordings declined more than usual in January, with decreases registered for each type of loan. The seasonally adjusted annual rate continued downward in December to \$29.8 billion, about one-tenth below the all-time peak in mid-1959.

Stock prices - Stock prices and trading activity declined somewhat last week. Standard and Poor's index of 500 common stocks closed at 55.43 on April 1, .55 points lower than a week earlier. The volume of trading averaged 2.4 million shares a day, the lowest this year.

Prices on balance declined 1 per cent during March as the increases in late March were not enough to offset the sharp declines early in the month. Trading activity, declining slightly, averaged 2.9 million shares a day last month.

## Corporate Security Offerings in 1959

Corporate security issues totaled \$2.7 billion in the fourth quarter of 1959, bringing the total for the year to \$9.6 billion. This volume was one-sixth less than the issues sold in 1958 and one-fourth smaller than the record volume in 1957. Refunding of outstanding issues was very small--\$.2 billion as compared with \$.5 billion in 1958 when interest rates were much lower.

Net proceeds for new capital - Corporations sold \$9.4 billion of security issues to obtain new capital in 1959, one-eighth below the volume a year earlier, as corporations relied heavily on internal funds to finance plant and equipment expenditures. Most major groups of issuers sold a smaller volume of offerings last year than in 1958.

Electric, gas and water utilities were the most important group of issuers, offering securities with proceeds of \$3.2 billion and accounting for one-third of all corporate offerings. This total was one-eighth below the volume in 1958, however.

New financing by manufacturing companies, amounting to \$2.0 billion, was two-fifths smaller than in 1958. Nearly all types of industrial producers sold a smaller volume of securities last year. Iron and steel and electrical machinery companies were the most important groups of issuers among manufacturers.

New capital offerings by financial and real estate companies in 1959 totaled \$1.8 billion. This volume was three-fourths larger than the unusually small volume a year earlier. New issue volume by sales and consumer finance companies was nearly twice as large as in 1958, but substantially below that for other recent years despite the sharp rise in consumer credit.

Offerings by communication, railroad and mining companies were in smaller volume than in 1958, while offerings by transportation (other than railroad) and commercial and other companies were in somewhat larger volume.

Total gross proceeds - Gross proceeds from corporate offerings, which includes refunding issues and costs of flotation, were \$9.8 billion in 1959. Publicly-offered issues, totaling \$6.0 billion were one-fourth smaller than a year earlier, while private placements were one-tenth larger.

The decline in new financing last year from that of a year earlier occurred largely in publicly offered bond issues. The total of public bond sales was two-fifths smaller than in 1958, while privately placed bond financing was one-tenth larger. Common stock financing was one-half larger than in 1958, with most of the increased volume occurring in the first half of the year. Preferred stock issues were slightly smaller than in 1958. Financing through convertible bonds totaled \$.6 billion and accounted for nearly one-tenth of all debt offerings. This was a slightly smaller proportion than in 1958 when the total included a \$.7 billion AT&T convertible debenture issue.

Table 1

Corporate Security Offerings for New Capital  
by Type of Business of Issuer  
1955-59

(Net proceeds in millions of dollars)

	1959	1958	1957	1956	1955
Total corporate offerings	9,588	11,372	12,661	10,749	10,049
Refunding	160	549	214	364	1,227
New capital	<u>9,427</u>	<u>10,823</u>	<u>12,447</u>	<u>10,384</u>	<u>8,821</u>
Manufacturing	1,966	3,265	4,104	3,336	2,397
Primary iron and steel	298	408	313	198	313
Electrical machinery	251	139	129	419	195
Chemicals	198	220	244	234	163
Other transportation equipment	128	218	48	94	95
Nonelectrical machinery	125	233	689	362	168
Foods	103	116	51	113	91
Paper	91	207	111	298	119
Primary nonferrous metals	73	306	517	136	107
Stone, clay and glass products	70	75	169	180	60
Textiles and apparel	69	31	60	130	82
Fabricated metal products	67	135	106	68	93
Rubber products	52	12	22	56	152
Tobacco	50	26	--	8	6
Petroleum and refining	46	600	876	413	100
Lumber and wood products	44	34	49	157	24
Other 2/	301	505	720	470	626
Electric, gas and water utilities	3,178	3,605	3,821	2,474	2,254
Communication	709	1,294	1,441	1,384	1,045
Railroad	172	206	326	365	221
Other transportation	788	572	475	329	323
Commercial and other	670	630	309	284	382
Mining	168	237	270	398	386
Financial and real estate	1,777	1,014	1,701	1,815	1,812
Sales and consumer finance	758	394	929	1,125	1,227
Other	1,019	620	772	690	585

1/ Less than \$500,000.

2/ Includes small volume of foreign issues not further classified in the manufacturing group.

Note.--Details may not add to totals due to rounding.

Source.--Securities and Exchange Commission and Federal Reserve.

Table 2  
Total Corporate Security Offerings by Type of Issue  
1955-59

(Gross proceeds in millions of dollars)

Type of issue	1959	1958	1957	1956	1955
Total corporate offerings	9,803	11,558	12,884	10,939	10,240
<u>Type of offering</u>					
Public	5,981	8,068	8,959	7,053	6,763
Private	3,822	3,490	3,925	3,886	3,477
<u>Type of security</u>					
Bonds and notes	7,253	9,653	9,957	8,002	7,420
Public	3,556	6,332	6,118	4,225	4,119
Private	3,697	3,320	3,839	3,777	3,301
(Memo: Convertible)	(617)	(1,147)	(1,064)	(925)	n.a.
Preferred stock	535	571	411	636	635
Common stock	2,015	1,334	2,516	2,301	2,185

n.a.--Not available.

Note.--Details may not add to totals due to rounding.

Source.--Securities and Exchange Commission.

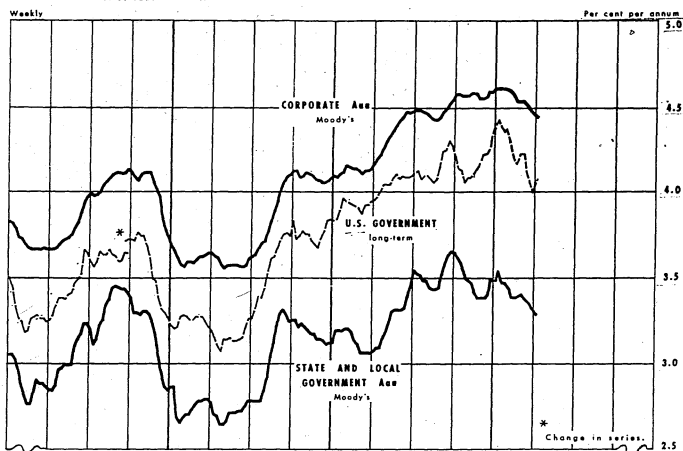
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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

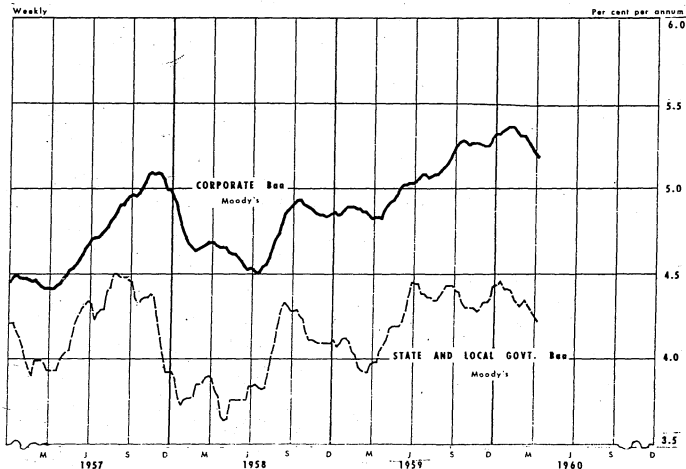
Capital Markets Section,  
Division of Research and Statistics,  
Board of Governors of the Federal Reserve System.

EXHIBIT A

HIGH-GRADE BOND YIELDS



LOWER-GRADE BOND YIELDS



## 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)	.46	.89
Low	4.44 (4/1)	4.00 (3/25)	3.28 (3/31)	.19	.68
Mar. 4	4.54	4.22	3.40	.33	.82
Mar. 11	4.51	4.11	3.37	.40	.74
Mar. 18	4.48	4.05	3.35	.43	.70
Mar. 25	4.46	4.00	3.32	.46	.68
Apr. 1 p/	4.44	4.07	3.28	.37	.79

## 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	5.18 (4/1)	4.22 (3/31)	.71	.93
Mar. 4	5.31	4.35	.76	.95
Mar. 11	5.28	4.31	.77	.94
Mar. 18	5.26	4.29	.78	.94
Mar. 25	5.22	4.26	.76	.94
Apr. 1 p/	5.18	4.22	.74	.94

p/ Preliminary.

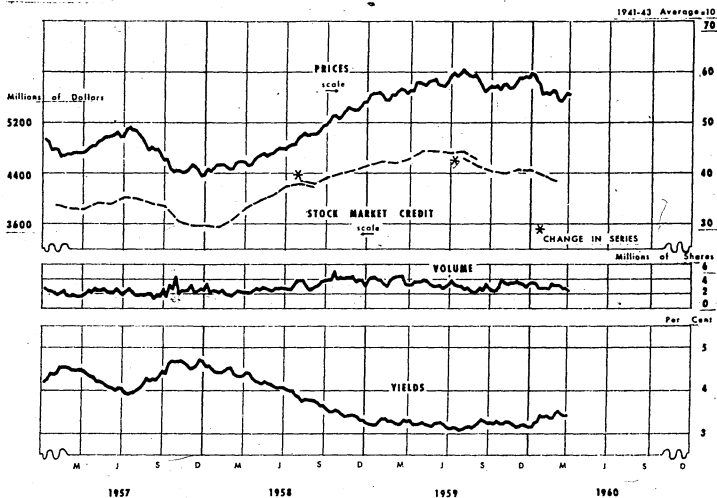
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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

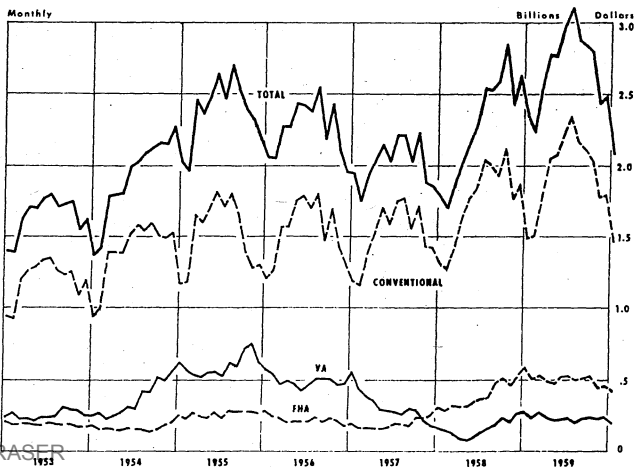
3/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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

## STOCK MARKET



## MORTGAGE RECORDINGS AND LOANS



## 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	1,060
1960 - High	59.50 (1/8)	3.18	3.6	4,365	3,198	1,167
Low	54.24 (3/11)	3.51	2.4	4,274	3,129	1,145
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. 18	55.01	3.44	2.6	n.a.	n.a.	1,128
Mar. 25	55.98	3.40	2.7	n.a.	n.a.	1,125
Apr. 1 p/	55.43	3.42	2.4	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 2/	Unadjusted	FHA	VA	Conv.
(Millions of dollars)					
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.	2,485	2,487	451	241	1,794
1960 - Jan.	n.a.	2,079	417	195	1,467

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 data 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	596	840	728	p/728	638	812
February	e/600	745	857	e/550	858	953
March	e/750	631	1,553 <sup>3/</sup>	e/525	646	511
April	e/725	899	1,140	e/700	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/1,946	2,216	3,139	e/1,803	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/1,596	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&amp;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		86	--
Year		558	992		707	2,321
	Short-term					
	State and local government 4/			Federal agency 3/		
	1960	1959	1958	1960	1959	1958
January	268	190	233	479	359	371
February	p/340	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 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 April 1

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	--
Chesapeake & Potomac Tel. Co. of W. Va.	Deb.	25.0	2000	5	4.88	Aaa
Gen. Tel. Co. of Fla.	1st mtg. bds.	15.0	1990	5	5.05	A
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				
Louisiana Pwr. & Lt. Co.	1st mtg. bds.	20.0	1990	5	4.93	A
Niagara Mohawk Power Co.	Gen. mtg. bds.	50.0	1990	4-3/4	4.70	Aa
Mid-Amer. Pipeline Co.	Sub.deb.&stk.	30.1	1980	6-1/2	--	--

## Large Individual Issues Offered March 1 through April 1 (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>						
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	2.60-3.80	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
Los Angeles Co. Flood Cont. Dist., Calif.	G.O.	10.0	1961-89	3.63	2.40-3.85	Aa
Chi. Bd. of Educ., Ill.	G.O.	25.0	1962-80	3.53	2.80-3.60	A
<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
Fed. Nat. Mtg. Assoc.	Deb.	150.0	1970	4-5/8	4.63	--

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.-C.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 - 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
Mar. 31	299	250	--	344	280	--

Forthcoming Large Offerings, as of April 1

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
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
Kratter Corp.	Pfd. stk.	26.0	Apr. 12 (rights expire)
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
Cincinnati Gas & Electric Co.	1st mtg. bds.	30.0	Apr. 29
*Columbia Gas System, Inc.	Com. stk.	20.0	May 5
*Uris Building Corp.	S.F. deb.	20.0	May 11
*Milwaukee Gas Light Co.	1st mtg. bds.	22.0	May 18
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite

## Forthcoming Large Offerings, as of April 1 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
State Public School Bldg. Auth., Pa.	G.O.	16.0	Apr. 6
New York City Hsg. Auth., New York	G.O.	20.5	Apr. 7
*Chicago, Illinois	G.O.	10.0	Apr. 14
*State of California	G.O.	25.0	Apr. 19
Triborough Bridge & Tunnel Auth.	Rev.-Ut.	100.0	Apr. 19
Philadelphia, Pa.	G.O.	29.3	Apr. 20
Cleveland, Ohio	G.O.	13.3	Apr. 26
Los Angeles City Sch. Dists., Calif.	G.O.	16.0	Apr. 26
State of Tennessee	G.O.	15.0	Apr. 27
*New York, New York	G.O.	75.0	Apr. 27
Sacramento Mun. Ut. Dist., Calif.	Rev.	30.0	Apr. 28
Ventura Port Dist., Calif.	Rev.-Ut.	10.0	Apr.
*Puerto Rico Water Resources Auth.	Rev.-Ut.	20.0	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 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 <sup>2/</sup>	23
February	*4.35 <sup>2/</sup>	4		
March	4.43 <sup>2/</sup>	10		
April	4.58 <sup>2/</sup>	17	*4.67	18
May	4.97	37	5.01	25
June	*4.95	29	5.01 <sup>3/</sup>	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 <sup>2/</sup>	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 <sup>2/</sup>	28
Feb. 25	5.08	44		
26	5.10	46		
Mar. 15	4.90	32		
16	4.73 <sup>2/</sup>	17		
18			5.00	11
29			4.93	?

\*--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.

The continuing decline in Canadian bill rates at last Thursday's tender brought Canadian yields fractionally below U.S. bill yields. At Thursday's closing, there was a net incentive to hold U.S. bills against Canadian bills for the first time since January. Purchases by the Bank of Canada have contributed to the eight-week decline in bill rates. Bond prices also strengthened during the week. It is expected that the Government will have a balanced budget in 1960-61 compared with cash borrowings of about \$333 million in 1959-60. The recovery in stock prices on the Canadian exchanges continued.

Money market conditions. The short Treasury bill declined from 3.41 per cent the preceding week to 3.01 per cent at last Thursday's tender: the yield on the 6-month bill fell from 3.65 per cent a week earlier to 3.23 per cent on Thursday. The short bill rate has dropped 1.75 per cent since the decline began on February 3 and 1.33 per cent in the past three weeks. The recent decline in rates has been accompanied by substantial increases in the holdings of the Bank of Canada and by sales by the general public as may be seen in the following weekly changes in bill holdings (in millions of Canadian dollars):

	<u>91-day bill rate</u>	<u>Bank of Canada</u>	<u>Chartered banks</u>	<u>Govt. accounts</u>	<u>General public</u>
Feb. 10	4.75	+ 15	- 79	+ 18	+ 52
17	4.62	+ 37	- 45	- 11	+ 18
24	4.61	+ 1	+ 16	0	- 9
March 2	4.57	+ 31	+ 12	+ 4	- 27
9	4.34	+ 31	- 33	+ 14	- 7
16	4.02	+ 11	- 1	- 5	0
23	3.41	+ 43	+ 9	- 15	- 32
30	3.01	+ 25	+ 2	- 9	- 12

The rate on day-to-day loans eased from 3.80 per cent last week to 3.25 per cent for the week ending March 30.

The lower Canadian bill rate, combined with a rise in the United States rate, brought the United States rate 0.01 per cent above the Canadian rate as compared with the previous week when the spread was 0.55 per cent in favor of the Canadian bill (see Table). With the discount on the forward Canadian dollar unchanged at 0.24 per cent per annum, the incentive moved in favor of holding United States bills for the first time since early January.

Bond market developments. Canadian bond prices improved in all sectors of the market. The spreads between comparable Canadian and United States securities (Thursday yields for bills and Wednesday closing for bonds) were as follows (figures in parenthesis refer to the previous week):



-0.01 per cent on a 91-day bill (+0.55)  
 -0.15 per cent on a 182-day bill (+0.53)  
 0.94 per cent on an 8-year bond (1.11)  
 1.01 per cent on a 20-year bond (1.20)  
 1.48 per cent on a 35-year bond (1.61)

The press reported continuing strength in the bond market evidenced by the heavy oversubscription of last week's British Columbia Electric 6-1/2 per cent 30-year issue. Financial institutions alone placed orders for more than the \$30 million offered.

Budget. The budget for 1960-61, as presented to Parliament last Thursday night, anticipates a cash surplus of about \$12 million. This includes a \$173 million increase in expenditures for increases in salaries for the civil service, and an increase of \$591 million in revenue as a result of higher levels of economic activity. Certain technical amendments to the tax structure have been proposed which were designed to eliminate loopholes and to meet certain special problems but these tax changes will have no net effect on the total revenue anticipated. The Minister stated that he anticipates a year of solid expansion and balanced growth.

Stock markets. Prices of Canadian industrial stocks on the Toronto and Montreal market continued to rise over the past week, as noted in the following comparison between close of business March 29 and one week earlier:

	<u>March 22</u>	<u>March 29</u>
Toronto industrials	487.54	495.31
Montreal industrials	280.9	284.4
New York-Standard and Poors industrials	59.05	59.51

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 <sup>1/</sup>	Inter- mediate Govt. bonds <sup>2/</sup>	Long- term Govt. bonds <sup>3/</sup>	Spread between Canadian & U.S. rates		Discount on 3-mo. Canadian dollar <sup>5/</sup>
				long-term bonds <sup>4/</sup>	3-mo. bills <sup>2/</sup>	
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	3.01	5.17	5.21	0.91	-0.01	0.24
Mar. 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
24	3.41	5.19	5.21	1.20	0.55	0.24
31	3.01	5.17	5.22	1.09	-0.01	0.24

- 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: Distribution of Holdings of Government Securities  
 (millions of dollars, par value)

	End 1958	End 1959	1960		
			Jan. 27	Feb. 24	Mar. 30
<u>Bank of Canada</u>					
Treasury bills	36	309	206	261	402
Other securities	2,634	2,368	2,363	2,260	2,196
Total	2,670	2,677	2,568	2,621	2,598
<u>Chartered banks</u>					
Treasury bills	956	983	1,094	979	968
Other securities	2,565	1,827	1,836	1,912	1,930
Total	3,520	2,811	2,930	2,891	2,898
<u>Government accounts</u>					
Total	1,367	1,258	910	883	830
<u>General public</u>					
Treasury bills	415	755	767	820	741
Savings bonds	2,895	3,212	3,204	3,176	3,146
Other	5,658	6,758	6,845	7,013	7,101
Total	8,968	10,725	10,817	11,009	10,988
<u>Total outstanding</u>	16,416	17,135	17,225	17,304	17,313

Source: Bank of Canada Statistical Summary.