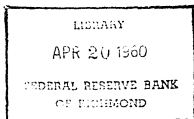


H.14

April 18, 1960.



CAPITAL MARKET DEVELOPMENTS  
IN THE UNITED STATES AND CANADA

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

Part I - United States

(Including Monthly Review of Sources and  
Uses of Funds of Financial Intermediaries)

During the week ending April 15, corporations sold large public security issues with aggregate proceeds of \$122 million and State and local governments sold issues totaling \$30 million. The calendar for this week includes corporate offerings totaling \$50 million and State and local government issues amounting to \$154 million. The State and local government financing total includes a \$100 million offering by the Triborough Bridge and Tunnel Authority which is expected to be sold by negotiation. A \$25 million Australian government offering is also scheduled for sale this week.

Bond yields - Yields increased last week for all categories of seasoned bonds, but the increase was slight.

Yields on new bond offerings also increased last week. A new Aa-rated, first mortgage electric utility issue was offered to yield investors 4.94 per cent--9 basis points higher than the yield for a comparable offering made a week earlier.

Housing starts - Private nonfarm housing starts rose about normally in March, and the seasonally adjusted annual rate remained at 1,115,000 units, according to Census Bureau preliminary estimates. The March rate, which was 22 per cent below the peak last April, was the fifth highest in the postwar period for that month.

Private starts during the first quarter were at a seasonally adjusted annual rate of 1,149,000 units, about 18 per cent below the corresponding period last year. Conventionally-financed starts so far this year averaged 73 per cent of total private starts, compared with 69 per cent in the same period a year ago.

Stock market credit - Total customer credit in the stock market, excluding borrowing on U. S. Government securities, declined further in March. Totalling \$4.2 billion at the end of the month, such credit was 7 per cent lower than at the end of 1959. The March decline was largely in net debit balances, which declined \$116 million. Bank loans to other than brokers and dealers declined only slightly.

Borrowing by member firms of the New York Stock Exchange maintaining margin accounts (excluding borrowing on U. S. Government securities) declined last month, principally in borrowing on customer collateral. Customers' net free credit balances increased slightly last month. These and other data on stock market credit for March and February are shown in the following table.

	End of month		Change
	March	February	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Government securities - total	4,158	4,274	-116
Net debit balances	3,028	3,129	-101
Bank loans to "others"	1,130	1,145	-15
Net debit balances secured by U. S. Govt. securities	117	138	-21
Bank loans to "others" for purchasing or carrying U. S. Government securities	136	146	-10
Broker and dealer credit			
Money borrowed except on U. S. Government securities	2,059	2,194	-135
On customer collateral	1,821	1,945	-124
Money borrowed on U. S. Government securities	161	202	-41
Customers' net free credit balances	988	981	+7

r/ Revised.

Stock prices - Stock prices fluctuated within a narrow range last week. Standard and Poor's index of 500 common stocks closed at 56.43 on April 14, slightly higher than at the close of the previous week. Trading activity declined somewhat with the daily volume averaging 2.6 million shares a day.

Institutional investors - In February, the net inflow of funds to life insurance companies and savings and loan associations was greater than a year earlier, while the inflow to mutual savings banks was smaller. (The increase in time and savings deposits at commercial banks was also smaller this February.)

The growth in life insurance company assets was \$464 million, 6 per cent greater than in February 1959. Net liquidation of U. S. Government securities was moderate--\$36 million--and nearly one-half smaller than last February. Net acquisitions of business securities totaled \$125 million, two-fifths smaller this February, while net purchases of mortgages were \$196 million, two-fifths larger. This is a continuation of the investment pattern for these companies which started in late 1959 when increases in mortgage holdings became larger than in the corresponding months a year earlier and increases in business security portfolios became smaller.

The net increase in share capital at savings and loan associations was \$195 million in February, one-fifth larger than in February last year. These associations repaid borrowing from the Home Loan Bank Board as they had in January, although only about one-fourth as much. The increase in mortgage holdings was 7 per cent less than in February 1959, when the repayment of borrowed funds was smaller. Since November acquisition of mortgages has been smaller than in the comparable month a year earlier. Net acquisition of U. S. Government securities was about the same as in February 1959.

Deposits at mutual savings banks increased \$50 million in February, one-half less than last year. There was a slight net liquidation of U. S. Government securities in contrast with a moderate acquisition a year earlier. Savings banks continued to liquidate holdings of business, State and local government, and other securities in small amounts. Net acquisitions of mortgages totaled \$116 million, 7 per cent smaller than last February.

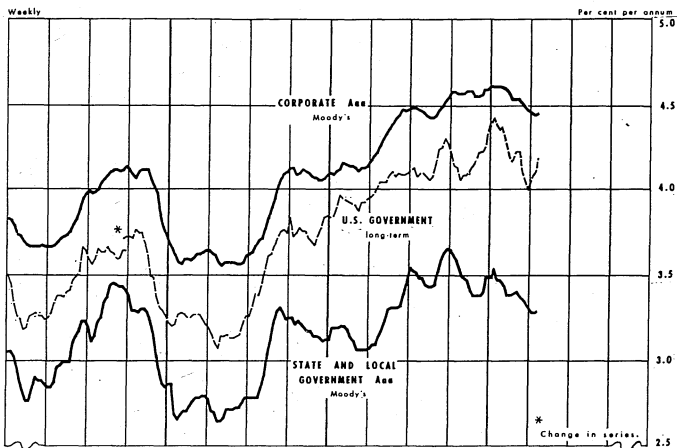
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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

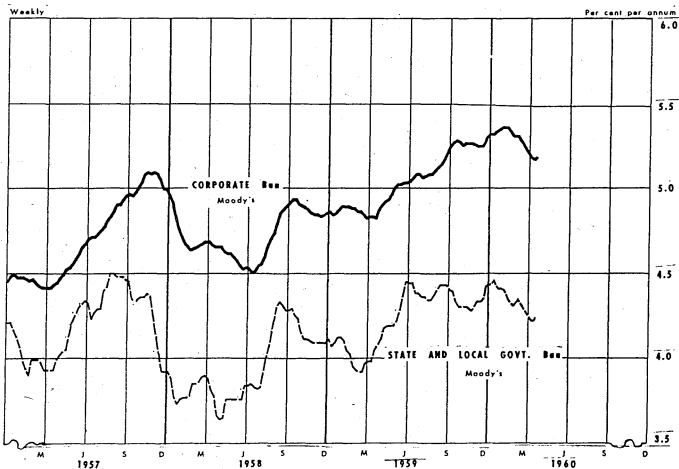
Capital Markets Section,  
Division of Research and Statistics,  
Board of Governors of the Federal Reserve System.

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)	.46	.89
Low	4.44 (4/8)	4.00 (3/25)	3.28 (4/7)	.19	.68
Mar. 18	4.48	4.05	3.35	.43	.70
Mar. 25	4.46	4.00	3.32	.46	.68
Apr. 1	4.45	4.07	3.28	.37	.79
Apr. 8	4.44	4.10	3.28	.34	.82
Apr. 15 p/	4.45	4.18	3.29	.27	.89

## Lower-grade Bond Yields

Date	Corporate Baa 1/	State and local govt. Baa 3/	Spread between Aaa and Baa	
			Corporate	State and local govt.
(Per cent)				
1954 - Low	3.44 (12/31)	2.93 (8/5)	.52	.96
1957 - High	5.10 (11/29)	4.51 (8/29)	1.27	1.21
1958 - Low	4.51 (7/11)	3.64 (5/1)	.77	.93
1959 - High	5.32 (12/31)	4.46 (7/2)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.79
1960 - High	5.36 (2/12)	4.46 (1/7)	.79	.97
Low	5.17 (4/8)	4.22 (4/7)	.71	.93
Mar. 18	5.26	4.29	.78	.94
Mar. 25	5.22	4.26	.76	.94
Apr. 1	5.18	4.22	.74	.94
Apr. 8	5.17	4.22	.73	.94
Apr. 15 p/	5.18	4.24	.73	.95

p/ Preliminary.

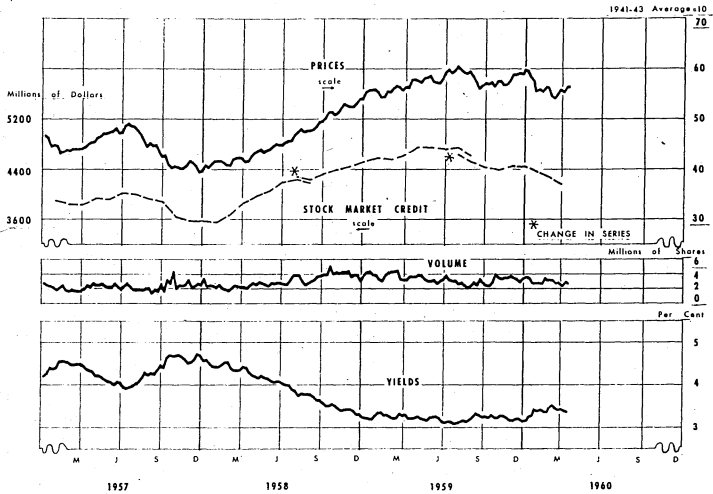
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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



PRIVATE PERMANENT NONFARM DWELLING UNITS STARTED

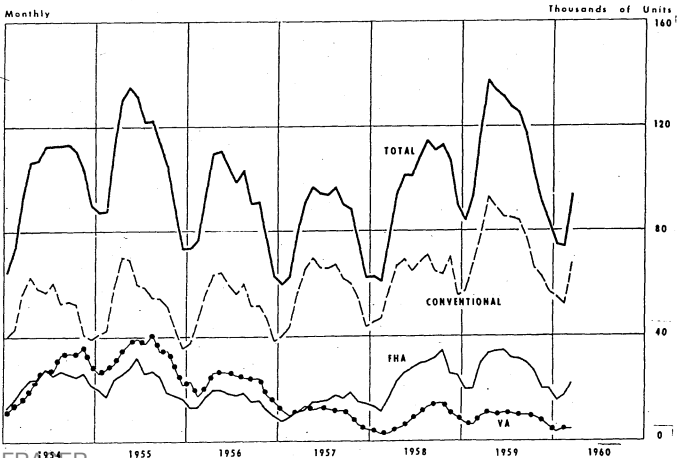


Exhibit D - Tables for Exhibit C

Stock Market

Date	Stock price index <sup>1/</sup>	Common stock yields <sup>2/</sup> (per cent)	Trading volume <sup>3/</sup> (millions of shares)	Stock market customer credit		
				Total	Customers' debit balances <sup>4/</sup>	Bank loans to "others" <sup>5/</sup>
(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	4,158	3,028	1,130
February	55.69	3.38	3.0	4,274	3,129	1,145
March	55.02	3.45	2.9	4,158	3,028	1,130
Apr. 1	55.43	3.42	2.4	n.a.	n.a.	1,130
Apr. 8	56.39	3.37	2.9	n.a.	n.a.	1,120
Apr. 15 p/	56.43	3.36	2.6	n.a.	n.a.	n.a.

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

<sup>1/</sup> 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.

<sup>2/</sup> 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.

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

<sup>4/</sup> 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.

<sup>5/</sup> 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 <sup>1/</sup>

Date	Total		Unadjusted		
	Seasonally adjusted annual rate	Unadjusted	FHA	VA	Conv.
(Thousands of units)					
1959 - 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.	1,216	75	16	4	55
Feb.	p/1,115	p/74	p/18	5	52
Mar.	p/1,115	p/94	22	5	68

<sup>1/</sup> 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	e/ 596	840	728	e/728	638	812
February	e/739	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		e/444	435
1st quarter	e/2,085	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		e/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		e/7,773	7,746
	Excluding finance companies 4/					
1st quarter	e/1,735	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 <sup>1/</sup>

(In millions of dollars)

	Long-term					
	Foreign government <sup>2/</sup>			Federal agency <sup>3/</sup>		
	1960	1959	1958	1960	1959	1958
January	--	77	196	182	199	1,163
February	147	59	53	150	--	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 <sup>4/</sup>			Federal agency <sup>3/</sup>		
	1960	1959	1958	1960	1959	1958
January	268	190	233	479	359	371
February	345	428	460	463	500	208
March	p/363	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

<sup>1/</sup> Preliminary.<sup>2/</sup> 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.<sup>3/</sup> Includes securities offered in the United States by foreign governments and their subdivisions and by international organizations. Source: Securities and Exchange Commission.<sup>4/</sup> Issues not guaranteed by the U. S. Government. Source: long-term, Securities and Exchange Commission; short-term, Federal Reserve.<sup>5/</sup> 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.

## Exhibit G

Large Long-term Public Security Issues for New Capital  
(Other than U. S. Treasury) 1/

## Proceeds of Large Issues Offered

(Millions of dollars)

Month	Corporate	State and local government	Other <u>2/</u>
1959 - 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
March	384	225	191

## Large Individual Issues Offered April 1 through 15

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Carolina Power & Lt. Co.	1st mtg. bds.	25.0	1990	4-7/8	4.85	Aa
Commonwealth Edison Co.	1st mtg. bds.	30.0	1990	4-5/8	4.63	Aaa
Alabama Power Co.	1st mtg. bds.	19.5	1990	5	4.98	A
National Fuel Gas Co.	S.F. deb.	18.0	1985	5-1/8	5.05	Aa
Kratter Corp.	Pfd. stk.	23.6				
Mountain Sts.Tel.&Tel.Co.	Deb.	40.0	2000	5	4.87	Aaa
Iowa-Ill. Gas & Elec. Co.	1st mtg. bds.	15.0	1990	5	4.94	Aa
United States Plywood Corp.	S.F. deb.	25.0	1985	5-1/4	5.25	Baa
<u>STATE AND LOCAL GOVERNMENT</u>						
State Pub.Sch.Bldg.Auth., Pa.	Rev.-Rent.	16.0	1962-99/65	4.00	3.10-4.05	--
N. Y. City Hsg. Auth.	G.O.	20.5	1962-2010/75	4.01	2.85-4.02	A
Puerto Rico Wtr.Res.Auth.	Rev.-Ut.	20.0	1962-97	4.40	3.00-4.38	Baa
Chicago, Illinois	G.O.	10.0	1965-79	3.60	2.85-3.65	A
<u>OTHER</u>						
Federal Land Banks	Bds.	46.0	1964	4-1/2	4.40	--

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 - 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 15

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
*Middle South Utilities, Inc.	Com. stk.	15.0	Apr. 21
Transcontinental Gas Pipeline Co.	1st mtg. bds.	35.0	Apr. 22
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
*General American Transportation Corp.	E.T.	30.0	May 11
Milwaukee Gas Light Co.	1st mtg. bds.	22.0	May 18
*Texas Eastern Transmission Corp.	Deb.	25.0	May
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
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

## Forthcoming Large Offerings, as of April 15 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Sacramento Mun. Ut. Dist., Calif.	Rev.	30.0	Apr. 28
Ventura Port Dist., Calif.	Rev.-Ut.	10.0	Apr.
Public Housing Authorities	G.O.	133.4	May 4
State of Minnesota	G.O.	48.8	May 5
Jacksonville, Fla.	Rev.-Ut.	30.0	May 10
Cincinnati, Ohio	G.O.	12.2	May 17
<u>OTHER</u>			
Commonwealth of Australia	Bds.	25.0	Apr. 21

\*--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: Puget Sound Power & Light Company's first mortgage bond issue -- proceeds for new capital less than \$15 million.

## Exhibit I

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

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>2/</sup>	15
July	*4.93	31	5.07	17
Aug.	4.83	23		
Sept.			*5.65	60
Oct.	5.13 <sup>2/</sup>	36	5.33	43
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	7
Apr. 6	4.85	33		
8			4.98	21
14	4.94	39		

\*--Single observation, not an average.

<sup>1/</sup> 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.

<sup>2/</sup> 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.

<sup>3/</sup> 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 gov't. 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 - Feb.	1,183	6,975	47,230	3,222	39,769	16,287	114,666
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.	-53	-36	125	25	196	207	464
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.

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. securities	Mortgages 2/	Other assets		Net change savings capital	Borrowing 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 - Feb.	1,864	4,731	53,809	3,645	64,049	55,480	1,805	6,764
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.	-34	84	399	36	485	495	-130	120
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/						Total sources or uses	Sources of Funds	
	Cash	U. S. Govt. securities	Business securities 2/	State & local gov't. securities	Mortgages	Other		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 - Feb.	735	6,849	4,804	722	25,045	941	39,096	34,969	4,127
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	309	418	-109
1959 - Jan.	-96	119	-16	17	208	-58	175	122	53
Feb.	18	39	6	-4	125	32	216	113	103
Mar.	45	62	-31	41	175	38	330	313	17
Apr.	-114	-44	58	-33	155	-32	-10	6	-16
May	8	13	-20	10	161	45	217	120	97
June	43	-85	--	19	145	39	161	202	-41
July	-79	-13	-47	4	179	-12	32	-54	86
Aug.	3	-12	13	-1	156	33	192	80	112
Sept.	-2	-32	-2	8	160	31	163	197	-34
Oct.	-27	-281	-55	-20	137	-37	-283	-187	-96
Nov.	20	-85	-28	-8	124	42	65	-27	92
Dec.	111	-7	-1	-9	134	-12	216	344	-128
1960 - Jan. 1/	-131	-9	-12	-6	159	-12	-11	-68	57
Feb.	37	-11	-9	-9	116	43	167	50	117
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.

Part II - Canada

Treasury bill yields rose during the week and remained at about the level of United States bill rates. The Canadian dollar continued to decline while the 3-month forward dollar was sold at a premium rather than a discount. The Bank of Canada continued to be a large purchaser of Treasury bills for the eleventh straight week. Bond yields increased moderately while stock prices declined slightly during the week.

Money market conditions. The short Treasury bill rate showed modest gains for the second straight week, following eight weeks of decline, rising from 3.24 per cent a week ago to 3.58 per cent at last week's auction. The yield on the 6-month bill rose from 3.47 per cent to 3.83 per cent. During the week, the Bank of Canada continued to increase its holdings of Treasury bills with a net purchase of \$37 million. The Bank decreased its holdings of under-two-years bonds by \$34 million and increased its longer term holdings by an equal amount. The chartered banks sold \$33 million of Treasury bills while the holdings of the general public increased by \$14 million. The average rate on day-to-day loans increased from 3.15 per cent a week ago to 3.38 per cent last week.

The rise in the 3-month bill rate was less than the rise in the United States rate, with the result that the spread in favor of the Canadian bill rate over the United States rate declined from 0.19 per cent to 0.06 per cent. However, a forward premium of 0.12 per cent per annum on the Canadian dollar has resulted in a slight incentive to hold the Canadian bill.

Bond market developments. Canadian bond yields showed modest increases during the week for all issues. The spread between comparable Canadian and United States securities (Wednesday yields for bills and for bonds) were as follows (figures in parenthesis refer to the previous week):

0.06 per cent on a 91-day bill (0.19)  
0.00 per cent on a 182-day bill (0.17)  
0.86 per cent on an 8-year bond (0.87)  
0.98 per cent on a 20-year bond (0.98)  
1.41 per cent on a 35-year bond (1.41)

The press indicated continuing strength in the bond market and reported that new provincial issues for Manitoba and Quebec are soon to be expected. A \$15 million 20-year, 6-1/4 per cent Dominion Tar and Chemical debenture issue was offered and sold at 98-1/2 to yield 6.38 per cent.

Exchange rate. The spot rate of the Canadian dollar declined further during the week from \$104.0 one week ago to \$103.86 last Thursday. The 3-month forward rate on the Canadian dollar shifted from a discount of 0.12 per cent (annual rate) a week ago to a premium of 0.12 per cent on Thursday. Recent market rates for the Canadian dollar have been (in U.S. cents):

	<u>Spot</u>	<u>3 mos. forward</u>	<u>Discount (-) or premium (+) at annual rate</u>	-19-
March 17	105.27	105.14	- 0.48	
31	104.38	104.31	- 0.24	
April 7	104.00	103.97	- 0.12	
14	103.86	103.89	+ 0.12	

Stock market. Prices of industrial stocks in Canada, which had been rising since mid-March, eased slightly last week on both the Toronto and Montreal exchanges (See Table). The Canadian press commented that the changes in the stock prices at this time seem largely to reflect short-run business uncertainty.

Recent changes in prices of industrial stocks in the Canadian exchange have been:

	<u>Toronto</u>	<u>Montreal</u>	<u>New York Standard &amp; Poor</u>
March 17	485.65	281.6	58.58
23	491.60	282.5	59.05
30	495.91	284.8	59.38
April 7	502.31	291.1	60.39
12	499.13	289.7	60.13

Selected Government of Canada Security Yields

Date	3-month Treasury bills <sup>1/</sup>	Inter- mediate Govt. bond <sup>2/</sup>	Long- term Govt. bond <sup>3/</sup>	Spread between Canadian & U.S. rates		Discount on 3-mo. Canadian dollar <sup>6/</sup>
				long-term bond <sup>4/</sup>	3-mo. bills <sup>5/</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	5.07	5.15	0.91	-0.01	(P)0.12
Mar. 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
April 7	3.24	5.08	5.13	0.98	0.19	0.12
14	3.58	5.16	5.22	0.98	0.06	(P)0.12

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: Averages of Selected Bond Yields

Date	Provinci- als <sup>1/</sup>	Municipi- pals <sup>1/</sup>	Public Utilities <sup>1/</sup>	Indus- tri-als <sup>1/</sup>	Gov't. of Canada long-term <sup>2/</sup>
1958 - High	5.08	5.30	5.03	5.12	4.78
Low	4.46	5.02	4.81	4.78	3.88
1959 - High	6.19	6.60	6.04	6.14	5.61
Low	5.14	5.38	5.14	5.17	4.70
1960 - High	6.19	6.60	6.17	6.22	5.76
Low	6.05	6.24	6.02	6.00	5.23
Dec. 31	6.12	6.60	6.04	6.14	5.60
Feb. 1	6.19	6.60	6.17	6.22	5.74
Mar. 1	6.05	6.56	6.14	6.20	5.56
April 1	5.79	6.24	6.02	6.00	5.32

1/ Average term of bonds included is 14-16 years. Source: McLeod, Young, Weir and Co., Ltd.

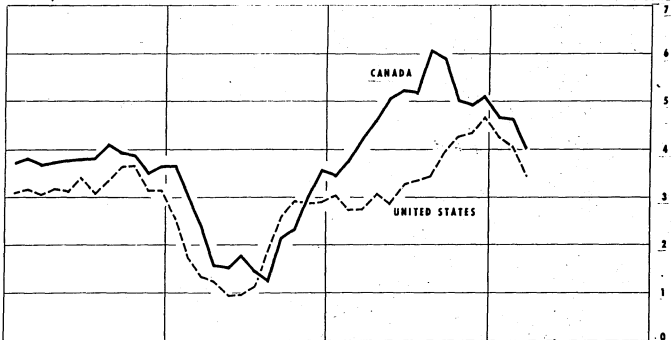
2/ Government of Canada 3-3/4 per cent of January 15, 1975-78.

CANADA - UNITED STATES

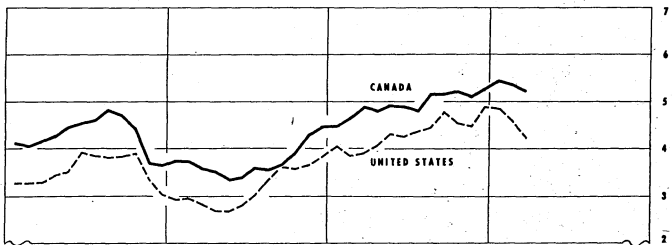
THREE-MONTH TREASURY BILL RATES

Monthly

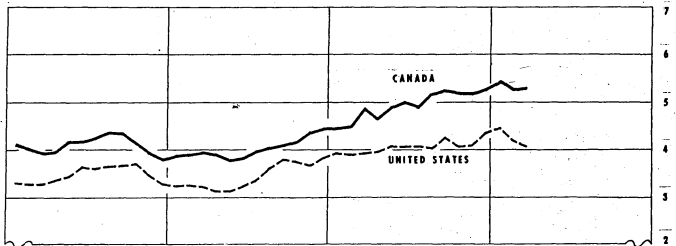
Per cent



GOVERNMENT MEDIUM TERM BOND YIELDS



LONG TERM GOVERNMENT BOND YIELDS



1957

1958

1959

1960

Appendix 1

United Kingdom: Money and Capital Markets During March

The emergence of a wide yield spread in favor of London Treasury bills which produced an inflow of funds from North America and the continent was the principal money-market development during March. During March and early April, financial markets began to react to evidence of growing demand pressures on Britain's resources. The Chancellor's warning in his budget speech on April 4 that new credit restraints may soon be needed, together with unfavorable trade figures for February and March, contributed to an upward tendency in interest rates not merely in money and bond markets, but elsewhere. The Treasury's action making its nonmarketable securities more attractive added to the competition for available savings.

Money Market conditions. The 91-day Treasury bill rate rose in the period under review from 4.56 per cent at the March 4 tender to 4.65 per cent at the April 8 tender.

The sharp fall in United States (and Canadian) bill rates in the period under review produced a very wide gap between British and North American bill yields. The spread in favor of the London bill widened from 0.36 per cent on February 25 to 1.94 per cent on March 25; it narrowed to only 0.43 per cent on April 8 (see Table). As North American and other dollar holders began to shift into London bills with the forward exchange risk covered, the discount on 3-month forward sterling gradually widened from 0.10 per cent (per annum) on February 26 to 0.92 per cent on April 8 (see Table). Thus, the net advantage in favor of the British bill on a covered basis increased from 0.26 per cent on February 26 to a peak of 1.30 per cent on March 25; but on April 8 the spread narrowed to only 0.43 per cent (see Table). In addition to the inflow into London on a covered basis, there have been reports that European funds came in on an uncovered basis. While the total short term capital inflow was probably of modest proportions, it contributed to the unexpectedly large increase of £21 million (\$59 million) in Britain's official reserves during March.

Gilt-edged market. The Government bond market, which was shaken between February 23 and 26 when the Government Broker lowered his buying prices (see report for month of February), adjusted to the new circumstances last month. During March, prices showed only a slightly downward tendency. The rise in the yields on selected maturities in March was (the figures in parenthesis refer to February changes):

0.06 per cent on a 91-day bill (0.01)  
0.26 per cent on a 6-year bond (0.07)  
0.12 per cent on a 15-year bond (0.04)  
0.05 per cent on an undated bond (0.03)

During the first part of April bond yields rose further. Uncertainty about the gilt-edged outlook was created by the Chancellor's statement in his 1960-61 budget speech on April 4 that he thought "the time may soon arrive when. . .we should take other steps to restrain further expansion of private credit." As a result, news reports indicate that "the stream of small and medium-sized buying orders from institutions that has been coming forward quietly in recent weeks has dried up."

Budget estimates of government borrowing. In his budget speech, the Chancellor announced that the Treasury's capital spending needs for 1960-61 would be £318 million or about the same figure as in 1959-60. He reported that Treasury cash receipts from sales of nonmarketable securities amounted to £339 million last year; in an attempt to maintain the cash inflow from this source this year, he "sweetened" the terms on these types of nonmarketable securities:

1. National Savings Certificates -- maximum purchases increased from £750 to £900.
2. Defense Bonds -- a new 5 per cent issue is to be introduced in June when the maximum permitted holding is to be raised from £2000 to £5000.
3. Premium Savings Bonds -- these "lottery" securities will be made more attractive in several particulars:
  - a. The interest rate for the prize fund is to be increased from 4 to 4-1/2 per cent;
  - b. Maximum holdings increased from £500 to £800;
  - c. Prizes are to be made more attractive.

In this way, the Treasury hopes to avoid borrowing from the gilt-edged market.

The Chancellor also stated that last year the authorities "paid out more to the gilt-edged market than (they) were able to take in by new issues and official sales." There was not "any long period of sustained demand for gilt-edge and only occasionally were we able to sell on any scale." Maturities during the year totalled £950 mill. and "there was a certain amount of what the Americans call 'attrition.'" These run-offs and the heavy bank sales required the authorities to assist the market during the past year.

Mid-March figures show that the London clearing banks reduced their holdings of securities by £117 million in March after sales of £80 million in February (see Table). The volume of these sales explain the decision of the authorities to reduce their buying prices for key bonds on February 24. The banks are reported to be tightening up on new loan applications and to be building up their liquidity ratios up to 33 per cent (see Table) in anticipation of a possible call-up to Special Deposits at the Bank of England should it be decided to put the Special Deposits scheme into effect over the coming months.

Rates are also rising in the corporate sector. One periodical suggests that the 5-1/2 per cent coupon on a prime industrial debenture which was successfully offered in mid-February would now be around 5-3/4 to 6 per cent.

Life insurance companies. The net increase in life insurance assets is estimated at £423 million in 1959 or about 15 per cent above the year-earlier figure. Premiums on new contracts increased by £138 million in 1959 compared with £123 million in 1958.

Building societies. The building societies association decided at a meeting in early April to postpone its decision on its deposit and mortgage rates until the annual conference on May 18-19. At present, mortgage rates are around 5-1/2 per cent (compared with their 1957 high of 6 per cent) and their deposit rates are 3-1/4 per cent (compared with 3-1/2 per cent). It is reported that a return to the 6 per cent mortgage rate and 3-1/2 per cent deposit rate is to be expected.

Operations of the building societies in 1959 were at a record level. Mortgage loans granted rose from £260 million in 1958 to £382 million in 1959 and deposits grew on a net basis from £120 million in 1958 to £195 million in 1959. Total assets of the societies rose from £1,957 million in 1958 to £2,156 million in 1959.

Stock prices. During March, stock prices drifted downward, declining from an index of 319 to a low of 306 on March 9; thereafter prices recovered to a peak of 331 on April 4. The Chancellor's warning of additional credit restraints in his budget speech led to a price reaction and on April 12 the index had returned to 315.

The uncertain credit outlook and the low yields on stocks have encouraged a greater interest in fixed-interest securities. For example, the manager of a major pension fund recommended in a public speech 3-1/2 per cent War Loan (an undated government bond) as an ideal investment for pension funds at this time. He argued that "an equity yielding 2-1/2--3 per cent and showing an earnings yield of, say, 5--5-1/2 per cent is too dear whatever the industry or company." Further evidence is found in the fact that the net amount of savings going into unit trusts (open end investment funds) during March totalled only £3,700 compared with £1,844,000 during February. New funds invested in unit trusts are estimated at about £50 million during 1959 when stock prices boomed.

The extent of the 1959 boom in stock prices is reflected in the 23 per cent rise in the market value of all securities on the London Stock Exchange, as reported in the Exchange's annual report. The total value of all securities rose from £30.7 billion at the end of 1958 to £37.6 billion at the end of 1959. The rise in the value of shares alone was 55 per cent, the total growing from £12.2 billion in 1958 to £19.0 billion in 1959.

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



United Kingdom: Selected Security Yields

Date	3-mo. Treasury bill			Discount on 3-mo. sterling <sup>3/</sup>	London capital market yields		
	U.K. <sup>1/</sup>	U.S. <sup>2/</sup>	Differ- ence		6-yr. Gov't bond <sup>4/</sup>	Undated Gov't. bond <sup>5/</sup>	Share yield <sup>6/</sup>
1959 - High	3.6	4.7	1.1	--	5.13	5.14	--
Low	3.0	2.6	.4	--	4.71	4.66	--
1960:							
Feb. 26	4.55	4.19	.36	.10	5.14	5.25	3.99
Mar. 4	4.56	3.64	.92	.20	5.26	5.27	4.07
11	4.58	3.59	.99	.31	5.27	5.28	4.17
18	4.61	3.30	1.31	.47	5.36	5.31	3.98
25	4.62	2.68	1.94	.64	5.40	5.30	4.01
April 1	4.62	2.84	1.78	.73	5.38	5.33	4.01
8	4.65	3.30	1.35	.92	5.53	5.38	4.02

<sup>1/</sup> Average yield at Friday weekly tender.

<sup>2/</sup> Closing market yield for Friday in New York.

<sup>3/</sup> Spread between spot and forward rate in per cent per annum.

<sup>4/</sup> Exchequer 5-1/2 per cent of 1966.

<sup>5/</sup> Undated 2-1/2 per cent Consols.

<sup>6/</sup> Financial Times index.

London clearing banks: Changes in selected assets  
(millions of pounds)

Date	Investments (Securities)	Advances to private sector	Advances to nationalized industries	Liquid Assets <sup>1/</sup>	
				Total	Per cent of deposits
1959:					
May-July	- 74	+173	+ 3	2,283	32.7
Aug.-Oct.	- 81	+130	- 3	2,477	34.4
Nov.-Dec.	- 9	+109	+ 7	2,543	34.2
1960:					
Jan.	- 22	+ 37	-10	2,541	34.3
Feb.	- 80	+ 95	- 8	2,304	33.8
Mar.	-117	+ 14	+ 9	2,218	33.2

<sup>1/</sup> Ratio of cash reserves, call money, Treasury and commercial bills to deposits. Figures shown are for end of period.