

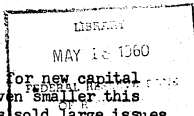
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May 16, 1960

**CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA**

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

Part I - United States



The volume of public security financing for new capital was quite small last week and is expected to be even smaller this week. During the week ending May 13, corporations sold large issues totaling \$50 million and a local government unit sold a \$30 million issue. This week, large corporate issues, including the expiration of subscription rights, are expected to total \$60 million. No large (\$10 million or over) State and local government bond issues are scheduled for sale.

Bond yields - Changes in yields on seasoned bonds were mixed again last week. Yields on lower grade corporate bonds increased slightly; those on State and local government bonds remained stable; and yields on high-grade corporate and U. S. Government obligations declined.

Two new first mortgage electric utility bond issues were sold last week. An Aa-rated issue was offered to investors to yield 4.88 per cent--7 basis points below that for a comparable offering made in late April. The yield on the A-rated offering was 5.10 per cent--20 basis points lower than the yield on a similar issue offered on April 21.

Housing starts - Private nonfarm housing starts rose about seasonally in April, and the seasonally adjusted annual rate changed little at 1,135,000 units. This was one-fifth below the peak reached a year earlier.

Stock market credit - Total customer credit in the stock market, excluding borrowing on U. S. Government securities, declined further, although very slightly, in April. Stock market credit has declined each month since November and totaled \$4.2 billion at the end of April, 7 per cent lower than at the end of 1959. The April decline of \$5 million was a result of the decline--\$14 million--in bank loans to other than broker and dealers more than offsetting the increase--\$9 million--in net debit balances.

Borrowing by member firms of the New York Stock Exchange maintaining margin accounts, excluding borrowing on U. S. Government securities, increased \$94 million, the first increase this year, to total \$2.2 billion at the end of April. Customers' net free credit

balances declined last month. These and other data on stock market credit for April and March are shown in the following table.

	End of month		Change
	April	March	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Government securities - total	4,153	4,158	-5
Net debit balances	3,037	3,028	+9
Bank loans to "others"	1,116	1,130	-14
Net debit balances secured by U. S. Govt. securities	113	117	-4
Bank loans to "others" for purchasing or carrying U. S. Government securities	135	136	-1
Broker and dealer credit			
Money borrowed except on U. S. Government securities	2,153	2,059	+94
On customer collateral	1,881	1,821	+60
Money borrowed on U. S. Government securities	199	161	+38
Customers' net free credit balances	940	988	-48

Stock prices - Stock prices and trading activity increased last week. Standard and Poor's index of 500 common stocks closed at 55.30 on May 13, one per cent higher than a week earlier. The volume of trading averaged 3.1 million shares a day.

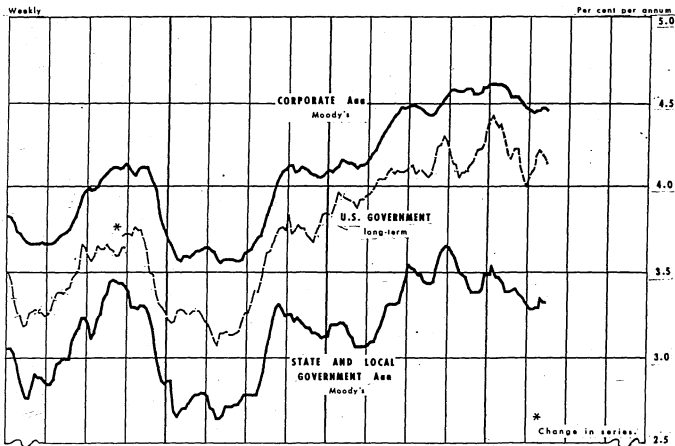
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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

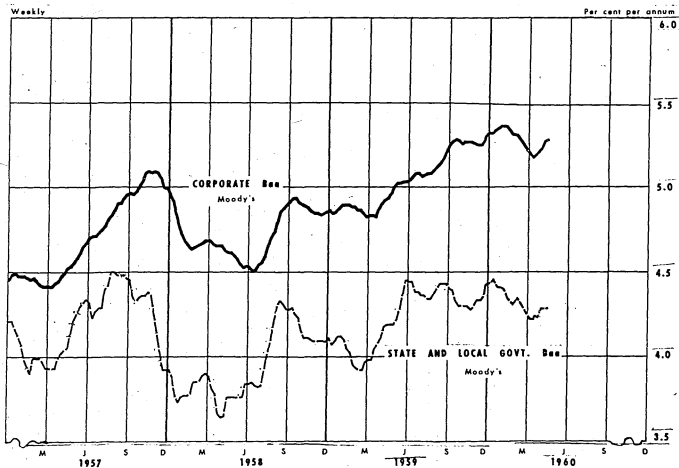
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

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	.92
Low	4.44 (4/8)	4.00 (3/25)	3.28 (4/7)	.19	.68
Apr. 15	4.45	4.18	3.29	.27	.89
Apr. 22	4.45	4.21	3.29	.24	.92
Apr. 29	4.46	4.20	3.34	.26	.86
May 6	4.46	4.17	3.32	.29	.85
May 13 p/	4.45	4.13	3.32	.32	.81

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)	.83	.97
Low	5.17 (4/8)	4.22 (4/7)	.71	.93
Apr. 15	5.18	4.24	.73	.95
Apr. 22	5.21	4.23	.76	.94
Apr. 29	5.23	4.28	.77	.94
May 6	5.27	4.28	.81	.96
May 13 p/	5.28	4.28	.83	.96

p/ Preliminary.

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

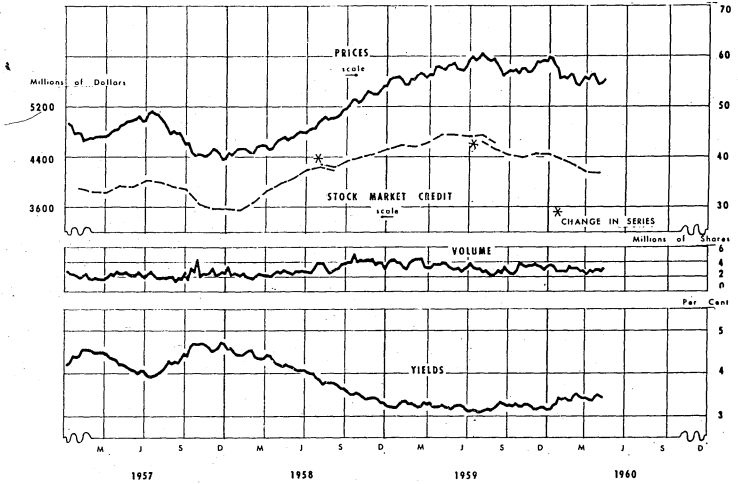
2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

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

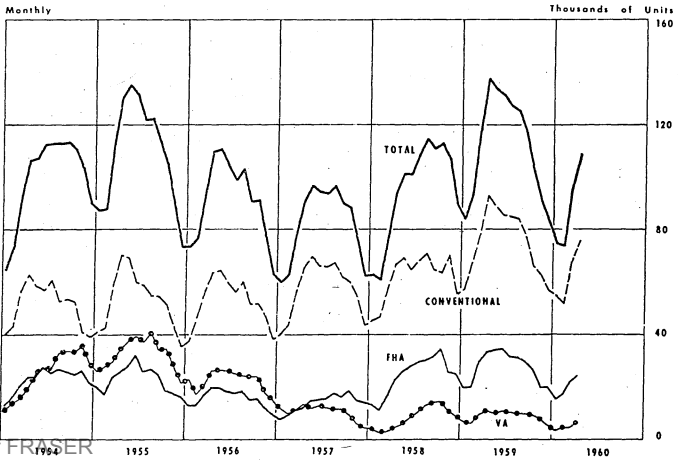
Note.--Highs and lows are for individual series and may be on different dates for different series.

STOCK MARKET

1941-43 Average = 100



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 balances 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	3,153	3,028	1,130
March	55.02	3.45	2.9	4,158	3,028	1,130
April	55.73	3.41	2.9	4,153	3,037	1,116
Apr. 29	54.37	3.49	3.0	n.a.	n.a.	1,116
May 6	54.75	3.46	2.8	n.a.	n.a.	1,116
May 13 p/	55.30	3.42	3.1	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 - 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.	1,115	74	18	5	52
Mar.	1,125	95	22	5	68
Apr.	p/1,135	p/109	25	7	76

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.

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	734	638	812
February	p/739	745	857	p/587	858	953
March	p/775	631	1,553 ^{3/}	e/525	646	511
April	e/725	899	1,140	e/725	931	798
May	e/700	791	597	e/650	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		455	435
1st quarter	e/2,110	2,216	3,139	e/1,846	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		1,562	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		7,784	7,746
	Excluding finance companies 4/					
1st quarter	e/1,760	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	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 4/			Federal agency 3/		
	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

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 - 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
April	309	370	71

Large Individual Issues Offered May 1 through 13

Issuer	Type ^{3/}	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Columbia Gas Sys., Inc.	Com. stk.	26.0				
Wisconsin Telephone Co.	Deb.	20.0	1995	4-7/8	4.80	Aaa
Gen. Amer. Transp. Corp.	E.T.	30.0	1980	4-7/8	4.84	A
<u>STATE AND LOCAL GOVERNMENT</u>						
State of Minnesota	G.O.	48.8	1961-79	3.45	2.50-3.50	Aa
Pub. Housing Authorities Jacksonville, Florida	G.O.	133.4	1961-2000/75	3.83	2.40-3.90	Aaa
	Rev.-Ut.	30.0	1962-80/71	3.48	2.70-3.50	Aa
<u>OTHER</u>						
None						

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 - 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	--
Apr. 29	202	243	--	357	258	--

Forthcoming Large Offerings, as of May 13

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Wisconsin Electric Power Co.	Com. stk.	18.1	May 17 (rights expire)
Milwaukee Gas Light Co.	1st mtg. bds.	22.0	May 18
Uris Building Corp.	S.F. deb.	20.0	May 20
Midwestern Gas Transmission Co.	1st mtg. bds.	60.0	May 24
Texas Eastern Transmission Corp.	Deb.	25.0	May 26
*Florida Light & Power Co.	Com. stk.	20.0	June 1
Michigan Wisconsin Pipe Line Co.	1st mtg. p. l. bds.	30.0	June 2
Southern Electric Generating Co.	1st mtg. bds.	40.0	June 3
National Cash Register Co.	S.F. deb.	40.0	June 3
*Northwestern Bell Tel. Co.	Deb.	45.0	June 7
*Consolidated Edison Co. of N. Y.	1st ref. mtg. bds.	50.0	June 15
Montgomery Ward Credit Corp.	Deb.	50.0	June 28
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
Detroit Sch. Dist., Michigan	G.O.	19.3	May 24
*State of California	G.O.	50.0	May 24
Denver, Colorado	Rev.-Ut.	11.8	May 25

Forthcoming Large Offerings, as of May 13 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
King Co. Sch. Dist. No. 1, Wash.	G.O.	10.0	June 1
*State of Kentucky	G.O.	30.0	June 7
Memphis, Tennessee	G.O.	15.0	June 7
Los Angeles Dept. of Wtr. & Pwr., California	Rev.-Ut.	15.0	June 8
State of Michigan	Rev.-Ut.	25.0	June 14
<u>OTHER</u>			
Montreal, Canada	S.F. deb.	28.0	May 26

*--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: Cincinnati Ohio's general obligation issue--proceeds of less than \$10 million.

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)
1952-1959 - High	5.30 (12/8/59)	87	5.65 (9/18/59)	123
Low	2.93 (3/31/54)	-3	3.00 (3/17/54)	-15
1959 - July	*4.93	31	5.07	17
Aug.	4.83	23		
Sept.			*5.65	60
Oct.	5.13 ^{2/}	36	5.33	43
Nov.	*5.08	42		
Dec.	*5.30	63	5.45 ^{2/}	51
1960 - Jan. 7			5.30 ^{2/}	28
Feb. 25	5.08	44		
26	5.10	46		
Mar. 15	4.90 ^{2/}	32		
16	4.73 ^{2/}	17		
18			5.00	11
29			4.93	7
Apr. 6	4.85	33		
8			4.98	21
14	4.94	39		
21			5.30	50
27	4.95	39		
May 10	4.88	32		
12			5.10	26

*--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.

Part II - Canada

Even though the Bank of Canada was a small net seller of Treasury bills during the week, Canadian bill yields declined below the U.S. rates to the lowest point of the year. Although the premium on the 3-month forward Canadian dollar increased slightly, the incentive favoring the United States 3-month bill improved. The Bank purchased short-term bonds and offset this with sales of intermediate- and long-term bonds. However, yields on the shorter issues rose slightly while the over-2-year maturity yields eased. General bank loans continued to expand and stock prices rose somewhat. The spot rate on the Canadian dollar continued to fall.

Money market conditions. The Canadian 3-month and 6-month Treasury bills declined during the week to the lowest levels for the year in spite of net sales of \$3 million and \$26 million by the Bank of Canada and the general public respectively, while the chartered banks increased their holdings by \$14 million (see Table). The short Treasury bill yield declined 15 basis points from 2.82 per cent a week ago to 2.67 per cent at last Thursday's auction. The 6-month bill declined 10 basis points from 3.00 per cent to 2.90 per cent. The average closing rate on day-to-day loans decreased from 3.10 per cent a week ago to 2.75 per cent last week.

The spread in favor of the United States 2-month bill over the Canadian bill increased during the week as a result of a rise in the U.S. rate. While the 3-month forward premium on the Canadian dollar increased slightly, the incentive favoring the U.S. bill increased to 0.57 per cent per annum compared with 0.21 per cent a week ago (see Table).

Bond market conditions. During the week, bond yields showed some decline in the intermediate- and longer-term maturities with some rise in the shorter terms. The spread between comparable Canadian and United States securities (Thursday yields for bills and Wednesday yields for bonds) was as follows (figures in parentheses refer to the previous week):

-0.69 per cent on a 91-day bill (-0.27)
 -0.69 per cent on a 182-day bill (-0.42)
 0.71 per cent on an 8-year bond (0.76)
 1.01 per cent on a 20-year bond (0.93)
 1.44 per cent on a 35-year bond (1.41)

During the week there was little change in the total holdings of government bonds. The Bank of Canada increased its holdings of under 2-year maturities by \$6 million and increased its holdings of over 2 years by an equal amount.

Most of the bond activity during the week was in municipal issues. A \$4.9 million Vancouver 6 per cent, 20-year sinking fund was offered at 99 to yield 6.09 per cent. A London issue of \$2 million of 1-to-20 year serials was offered to yield 5.625 per cent. Discussions are now underway between dealers and the City of Ottawa which may soon seek part or all of the \$18 million new funds it needs through new bond issues.

Exchange rate. The spot rate of the Canadian dollar declined from 103.30 last week to 102.59 (U.S. cents) on May 12, the lowest level in over a year (see Table). According to the press, dealers attribute the decline to a reduced demand for dollars resulting from fewer Canadian security issues on the U.S. market. According to a private Canadian firm, while total new Canadian issues floated on the U.S. market have been decreasing, they remain substantially above the levels a year ago, as noted in the following table showing sales of Canadian Government and corporate securities on the U.S. market by month in 1959 and 1960 (in millions of dollars):

	<u>1960</u>		<u>1959</u>
Jan. 1 - Feb. 1	13.8	Jan. 1 - Feb. 2	75.0
Feb. 1 - Mar. 7	88.1	Feb. 2 - Mar. 9	1.4
Mar. 7 - April 4	42.2	Mar. 9 - April 6	1.3
April 4 - May 2	<u>25.6</u>	April 6 - May 4	<u>12.1</u>
Total	-169.7		89.8

Chartered banks. The banks again increased general bank loans in the first week of May. They increased their holdings of Treasury bills and slightly decreased their holding of bonds. The net effect of these shifts was to bring up their liquid asset ratio to 17.1 per cent.

Stock market. Industrial stock prices on the Canadian exchanges showed increases over the previous week in spite of some declines in midweek (see Table).

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

Selected Canadian Money Market and Related Data

Date	3-mo. Treas. bills			Canadian dollar			Net incentive to hold Can. bill ^{4/}
	Canada	U.S. ^{2/}	Spread over U.S.	5/ Spot	3-mo. forward	discount premium(+) ^{3/}	
	1/	2/					
1959 - High	6.16	4.49	2.96	105.51	--	--	--
Low	3.25	2.80	0.30	102.58	--	--	--
1960 - High	5.14	4.63	0.90	105.27	--	0.12	0.48
Low	2.67	2.86	-0.27	102.59	--	-0.72	-0.24
April 21	3.50	3.35	0.15	103.67	103.70	0.12	0.27
28	3.26	3.16	0.10	103.72	103.72	0	0.10
May 5	2.82	3.09	-0.27	103.30	103.31	0.06	-0.21
12	2.67	3.36	-0.69	102.59	102.63	0.12	-0.57

1/ Average yield at weekly tender on Thursday.

2/ Composite market yield for the U.S. Treasury bill on Thursday close of business.

3/ Spread between spot rate and 3-month forward Canadian dollar on Thursday closing, expressed as per cent per annum.

4/ Column 3, spread over U.S. Treasury bill, plus column 6, 3-month forward discount or premium.

5/ In U.S. cents.

Selected Government of Canada Security Yields

	6-mo. Treas. bills		Intermediate bonds (8 yr.)		Long-term bonds			
	Canada	Spread over	Canada	Spread over	(20 year)		(35 year)	
		U.S. ^{2/}		U.S. ^{4/}	Canada	Spread over	Canada	Spread over
	1/	2/	3/	4/	5/	U.S. ^{6/}	7/	U.S. ^{8/}
1959 - High	6.24	--	5.37	--	5.30	--	5.05	--
Low	5.11	--	4.50	--	4.44	--	4.73	--
1960 - High	5.33	0.85	5.55	1.11	5.42	1.22	5.28	1.61
Low	2.90	-0.69	4.85	0.53	5.13	0.91	5.11	0.98
April 21	3.71	-0.05	5.14	0.80	5.24	0.98	5.25	1.40
28	3.43	-0.13	5.05	0.70	5.22	0.96	5.24	1.40
May 5	3.00	-0.42	5.04	0.76	5.17	0.93	5.24	1.41
12	2.90	-0.69	4.85	0.71	5.15	1.01	5.20	1.44

1/ Average yield at weekly tender on Thursday.

2/ Spread between Canadian auction rate and composite market yield of U.S. bill on close of business Thursday.

3/ Government of Canada 2-3/4 per cent of June 1967-68.

4/ Spread over U.S. Government 2-1/2 per cent of 1963-68.

5/ Government of Canada 3-1/4 per cent of October 1879.

6/ Spread over U.S. Government 3-1/4 per cent of 1978-83.

7/ Government of Canada 3-3/4 per cent of September 1996 - March 1998.

8/ Spread over U.S. Government of 1995.

**Canada: Changes in Distribution of Holdings of Canadian
Government Direct and Guaranteed Securities**

(millions of dollars, par value)

	<u>Bank of Canada</u>			<u>Chartered banks</u>			<u>General public</u>		
	<u>Treas. bills</u>	<u>Bonds</u>	<u>Government Total</u>	<u>Treas. bills</u>	<u>Bonds</u>	<u>Savings bonds</u>	<u>Treas. bills</u>	<u>Bonds</u>	
March 10	+ 31	- 7	- 3	- 33	- 10	- 6	- 7	+ 34	
17	+ 11	- 10	- 18	- 1	- 3	- 3	0	+ 26	
23	+ 43	- 9	- 17	+ 9	0	- 7	- 32	+ 10	
30	+ 25	- 34	- 10	+ 2	+ 16	- 8	- 12	+ 19	
April 6	+ 28	- 30	- 3	- 10	+ 9	- 6	- 19	+ 38	
13	+ 37	0	- 11	- 33	+ 3	- 7	+ 14	- 10	
20	+ 14	0	+ 3	- 4	+ 2	- 5	- 11	- 5	
27	- 10	+ 7	+ 2	+ 7	- 18	- 8	+ 3	+ 7	
May 4	+ 9	+ 14	+ 1	+ 17	- 7	- 7	- 26	- 8	
11	- 3	0	+ 2	+ 14	- 2	- 8	- 26	0	

Source: Bank of Canada, Weekly Financial Statistics.

Sales of New Government, Municipal and Corporation Bonds
(millions of dollars)

	1960		1959	
	<u>Total to May 2</u>	<u>Amount sold in U.S.</u>	<u>Total to May 4</u>	<u>Amount sold in U.S.</u>
Government (direct)	2789.0	--	2470.0	--
Government (guaranteed)	--	--	--	--
Provincial (direct)	118.5	25.0	11.0	75.0
Provincial (guaranteed)	101.8	22.0	72.2	6.2
Municipal	176.3	82.7	129.8	4.6
Corporation	261.2	40.0	103.9	4.0
	<u>3446.8</u>	<u>169.7</u>	<u>2886.9</u>	<u>89.8</u>
Less short-term	<u>2160.0</u>		<u>2270.0</u>	
	1286.8		616.9	

Source: Weekly Bond Sales Summary, A. E. Ames & Co., Ltd.

Prices of Industrial Stocks on the Canadian & U.S. Exchanges

	<u>Toronto</u>	<u>Montreal</u>	<u>New York Standard & Poor</u>
	May 5	487.81	279.4
6	489.63	280.1	58.29
9	490.13	280.2	58.34
10	488.75	278.6	57.93
11	488.94	279.1	58.11
12	490.00	280.0	58.43

Appendix 1

UNITED KINGDOM: MONEY AND CAPITAL MARKETS DURING APRIL

Financial markets in London were disturbed through most of April as evidence accumulated from day to day that demand pressures within the British economy were growing and that additional credit restraints would have to be introduced. New restrictive measures, announced on April 28, provided for a call of Special Deposits from the commercial banks (see details below) and the reintroduction of controls over installment credit terms. From April 8, prices of equities declined rapidly to a 1960 low in early May. Gilt-edge prices tended to drift upward in early May after the new restraints were announced. The big uncertainty dominating the immediate financial outlook in Britain is whether the present measures will effectively restrict the growth in credit and slow down the accelerating pace of business expansion.

Money market conditions. The 91-day Treasury bill rate in London rose only slightly during the month of April from 4.62 per cent on April 1 to 4.67 per cent at the May 6 tender (see Table).

Throughout the month, a wide gap persisted between the British and United States bill yields. The advantage in favor of the London bill was 1.78 per cent on April 1 and, after narrowing in mid-April, was 1.61 per cent at the end of the month (see Table). The discount on 3-month sterling moved within narrow limits; as a consequence, the net incentive to hold the U.K. bill on a covered basis narrowed appreciably during the middle of April but widened again on May 6 (see Table).

Gilt-edged market. Gilt-edged yields fluctuated within narrow limits during April. Bond prices staged a moderate recovery during the first week in May, especially in the longer end of the market. The changes in yields on selected maturities between April 1 and May 6 were (the figures in parenthesis refer to March changes):

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

Buying interest increased as stock prices showed a continuing decline after mid-April, particularly after the credit restraints were announced.

Special Deposits. On April 28, the London clearing banks were asked to place a sum equal to one per cent of total deposit in Special Deposits at the bank of England on June 15.^{1/} This sum is in addition to

^{1/} The Special Deposits scheme is described in detail in "The New Monetary Weapon," The Banker (London), August 1958, pp. 493-506.

the 8 per cent minimum which the banks keep as cash or deposits at the Bank and to their customary liquid-asset ratio of around 30 per cent.

The Special Deposits scheme was introduced because earlier restrictive efforts of the authorities had failed to deter the clearing banks from selling bonds and expanding loans. In the last three months (mid-January to mid-April), they sold £258 million of bonds and increased their loans by £265 million. Between mid-March and mid-April, the banks sold £61 million of bonds and increased their loans by £98 million. On April 28, just one day after the clearing banks' statement for April had been made public, the authorities issued their first call to Special Deposits.

There is uncertainty about the effects of the experimental Special Deposits, in particular whether the banks might not react by selling more bonds. When asked this question in Parliament, the Chancellor stated that he considered the banks "would be influenced towards moderating their advances rather than selling gilt-edged." At the moment, the clearing banks as a group have only enough liquid assets to meet their June 15 call. They cannot lend more without selling bonds; they can sell bonds only at the risk that the Bank of England will call up their receipts into Special Deposits. Since the Deposits earn only at the Treasury bill rate, it would seem to be in their interest not to sell more bonds.

Installment credit restrictions. The installment-credit regulations provide for a 20 per cent downpayment and a 2-year repayment period for a wide range of consumer goods (including cars, radios, television sets and kitchen electrical equipment). Capital goods are excluded from the regulations. Since the fall of 1958, when hire-purchase restrictions were last removed, the total volume of installment credit has grown from around \$475 million to nearly \$900 million.

Mortgage loans. Early in May, one of the larger building societies informed borrowers that the rates on outstanding mortgages would rise from 5-1/2 to 6 per cent on August 1. At a general meeting of the Building Societies Association on May 18, it is expected that the Association will recommend a general rise in rates.

Stock prices. Stock prices rose to a peak of 327 on April 8 but broke sharply thereafter; by May 6, the index of stock prices stood at 297, a low for 1960 (see Table).

The rapid decline in stock prices brought about a sharp increase in yields on stocks. The dividend-price ratio increased from 4.01 per cent on April 1 to 4.53 per cent on May 6. As a result, the wide gap between Consols and stock yields declined from the record spread of 1.36 per cent in favor of bonds on April 8 to only 0.76 per cent on May 6 (see Table).

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

United Kingdom: Treasury Bill Yields and Exchange Rates

Date	3-mo. Treasury bill			Discount on 3-mo. sterling ^{3/}	Net incentive to hold U.K. bill ^{4/}	Exchange rate	
	U.K. ^{1/}	U.S. ^{2/}	Differ- ence			Spot sterling ^{5/}	Discount on 3-mo. sterling ^{6/}
1959 - High	3.6	4.7	-1.1	--	--	--	--
Low	3.0	2.6	0.4	--	--	--	--
1960 - High	4.62	2.68	1.94	(P).64	1.30 *	281.17	.65
Low	3.75	4.59	-0.84	.92	-.23	279.83	(P).47
April 1	4.62	2.84	1.78	.73	1.05	280.79	.51
8	4.65	3.30	1.35	.92	.43	281.13	.65
15	4.66	3.52	1.14	.78	.36	281.00	.55
22	4.65	3.37	1.28	.87	.41	281.02	.61
29	4.65	3.04	1.61	.87	.74	280.91	.61
May 6	4.67	3.04	1.61	.80	.81	280.84	.56

1/ Average yield at Friday weekly tender.

2/ Closing market yield for Friday in New York.

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

4/ Net of difference in bill yield less discount on 3-month sterling.

5/ Spot rate in New York market in U.S. cents.

6/ Spread between spot and forward rates in U.S. cents.

United Kingdom: Selected Capital Market Yields

	6-year bond ^{1/}	15-year bond ^{2/}	War loan ^{3/}	Consols ^{4/}	Share yield ^{5/}	Yield gap ^{6/}	Share prices ^{7/}
1960 - High	5.53	5.75	5.73	5.40	4.17	1.36	333
Low	4.93	5.33	5.53	5.03	3.74	0.76	297
April 1	5.38	5.62	5.69	5.33	4.01	1.32	321
8	5.53	5.68	5.73	5.38	4.02	1.36	327
15	5.53	5.69	5.68	5.35	4.15	1.20	313
22	5.50	5.69	5.69	5.34	4.32	1.02	309
29	5.52	5.75	5.70	5.40	4.28	1.12	305
May 6	5.35	5.65	5.58	5.29	4.53	0.76	297

1/ 5-1/2 per cent Exchequer, 1966.

2/ 3 per cent Savings Bond 1965-75.

3/ 3-1/2 per cent War Loan (undated).

4/ 2-1/2 per cent Consol (undated)

5/ Financial Times.

6/ Difference between yield on 2-1/2 per cent Consols and share yield.

7/ Financial Times.