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FEDERAL RESERVE BANK  
OF NEW YORK

May 23, 1960.

CAPITAL MARKET DEVELOPMENTS  
IN THE UNITED STATES AND CANADA

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

Part I - United States

Last week three large corporate security issues with proceeds of \$63 million were publicly sold; no large State and local government bond issues were scheduled for sale. This week a \$25 million corporate issue is scheduled to be publicly offered and State and local government bond issues totaling \$81 million are on the calendar.

Bond yields - Yields on most types of seasoned bonds rose last week. The increase was substantial for U. S. Government and State and local government bonds but minor for yields on high-grade corporate bonds.

Mortgage yields - Average discounts in the private secondary market for certain FHA-insured 5-3/4 per cent new-home mortgages edged down again in April, but the implied yield of 6.20 per cent was still close to record postwar levels, about 60 basis points above a year earlier.

Stock prices - Common stock prices as measured by Standard and Poor's index of 500 common stocks rose moderately last week, closing Friday at 55.85. Trading volume averaged 3.5 million shares a day, the largest trading volume since early January.

Institutional investors - Combined growth at three major types of savings institutions--life insurance companies, savings and loan associations and mutual savings banks--totaled \$3.1 billion during the first quarter, 5 per cent less than in the comparable period last year. Savings and loan associations were the only type having a larger inflow this year than last. The growth in life insurance company assets was only slightly smaller--2 per cent; but the increase in deposits at mutual savings banks was only about half as large as in the first three months of 1959.

The net increase in life insurance company assets totaled \$1.3 billion in the first quarter. In January and February the growth in assets had been slightly larger than in the comparable months of 1959; however, in March assets increased less than a year earlier. Net acquisition of mortgages, totaling \$.7 billion, was four-fifths larger than in the January-March 1959 period, while acquisition of business securities, amounting to \$.4 billion, was only about half as large. There was a slight net liquidation of U. S. Government securities in contrast with a slight net acquisition last year.

## Sources and Uses of Funds of Major Types of Savings Institutions 1/

First Quarter 1953-1960

(In millions of dollars)

Year	Uses of Funds						Sources of Funds			
	Cash	U. S. Govt. securities	Business securities	Mortgages	State & local govt. sec.	Other assets	Total sources or uses	Net change in deposits or savings capital	Borrowing	Other
Life Insurance Companies										
1960	-174	-40	357	712	80	404	1,339	--	--	--
1959	-152	47	662	394	149	265	1,365	--	--	--
1958	-123	58	631	455	86	318	1,425	--	--	--
1957	-206	-77	571	688	21	336	1,333	--	--	--
1956	-215	-500	673	957	155	235	1,305	--	--	--
1955	-171	70	513	799	131	222	1,564	--	--	--
1954	-160	-106	563	494	168	479	1,436	--	--	--
1953	-154	-132	763	480	52	252	1,261	--	--	--
Savings and Loan Associations										
1960	-295	253	--	1,229	n.a.	33	1,220	1,471	-710	459
1959	-326	470	--	1,422	n.a.	123	1,689	1,371	-242	560
1958	267	26	--	775	n.a.	27	1,095	1,317	-592	370
1957	-235	347	--	838	n.a.	122	1,070	997	-299	372
1956	-99	240	--	907	n.a.	73	1,118	1,106	-326	338
1955	-54	179	--	1,180	n.a.	28	1,329	1,147	-39	221
1954	136	5	--	736	n.a.	30	906	1,047	-335	194
1953	-30	139	--	655	n.a.	20	782	877	-254 <sup>2/</sup>	159
Mutual Savings Banks										
1960	-53	12	31	425	-12	72	475	302	--	173
1959	-33	220	-41	508	55	12	721	548	--	173
1958	39	20	332	394	33	54	872	719	--	153
1957	-76	59	205	355	7	54	604	435	--	169
1956	-79	21	50	587	43	30	652	512	--	140
1955	-42	44	26	550	51	42	671	566	--	105
1954	22	-30	173	405	42	45	657	540	--	117
1953	-45	94	135	299	75	45	602	506	--	96

n.a.--Not available.

1/ For description of data see Exhibits J, K and L.

2/ Includes Federal Home Loan Bank advances only.

The growth in share capital at savings and loan associations, totaling a first quarter record of \$1.5 billion, was 7 per cent larger than in the comparable months of 1959. (In February, the increase in savings capital had been one-fifth larger than a year earlier, but in January and March increases were only slightly larger.) These associations made large repayments of borrowed funds, principally to the Federal Home Loan Banks. Repayment of advances is usual in the first quarter, but it was sharply higher this year than last. These associations had borrowed in record amounts after March last year to supplement their savings inflow in carrying out their heavy mortgage lending activity. Because of a reduction of funds available this year, net acquisition of mortgages, totaling \$1.2 billion, was one-seventh smaller than in the first three months last year. The increase in holdings of U. S. Government securities was only about half as much in the past quarter as a year earlier.

Deposits at mutual savings banks increased \$.3 billion in the first quarter, only about half as large as last year. In March, however, the increase in deposits was larger (although only very slightly) than a year earlier for the first time since November 1958. (Throughout 1959 and the first months this year deposits had either declined absolutely or increased less than in the comparable month a year earlier.) Most of the funds available this year were invested in mortgages in contrast with first quarter last year when savings banks also made substantial acquisitions of U. S. Government securities as well as mortgages. There was a slight net acquisition of business securities by these banks in contrast to a small liquidation last year. In March, acquisition of these securities, although only \$52 million, was the largest since April 1959. (Savings banks had generally reduced their holdings of business securities after late 1958.)

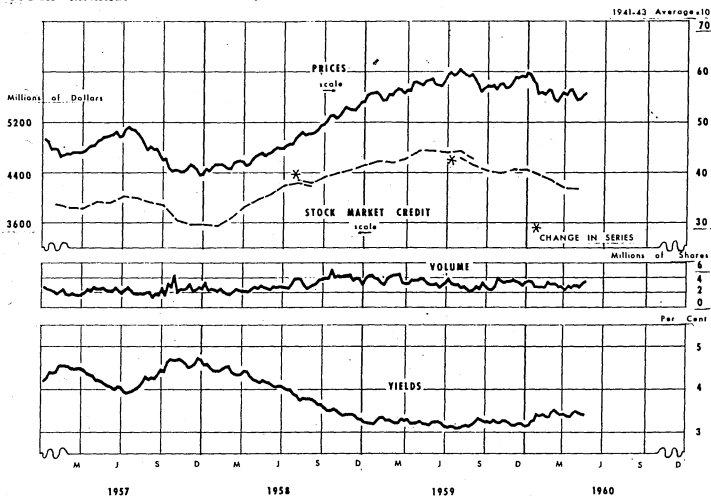
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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

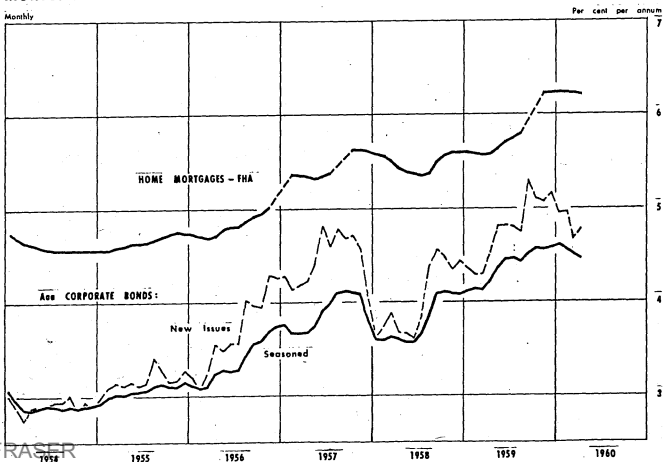
Capital Markets Section,  
Division of Research and Statistics,  
Board of Governors of the Federal Reserve System.

EXHIBIT C

STOCK MARKET



MORTGAGE AND 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. 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	4.45	4.13	3.32	.32	.81
May 20 p/	4.46	4.18	3.37	.28	.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. 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	5.28	4.28	.83	.96
May 20 p/	5.28	4.33	.82	.96

p/ Preliminary.

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

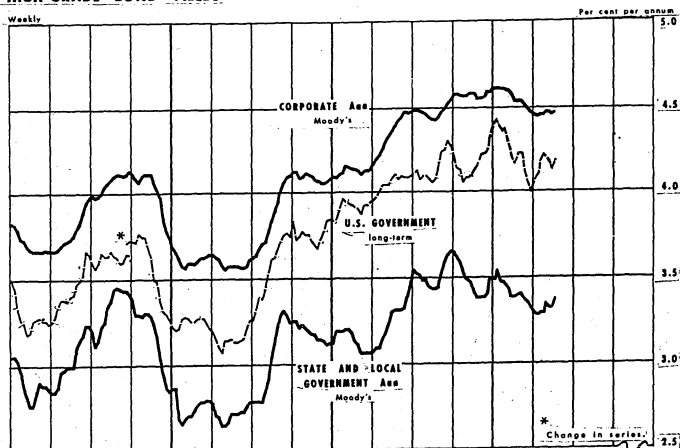
2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

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

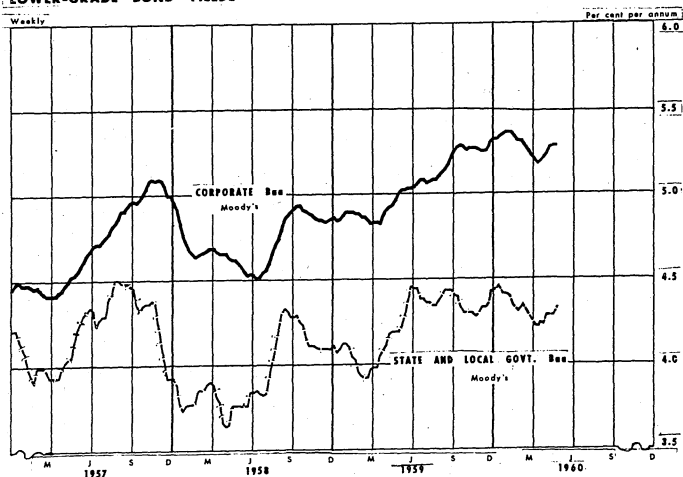
Note.--Highs and lows are for individual series and may be on different dates for different series.

EXHIBIT A

HIGH-GRADE BOND YIELDS



LOWER-GRADE BOND YIELDS



## 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	4,153	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
May 6	54.75	3.46	2.8	n.a.	n.a.	1,116
May 13	55.30	3.42	3.1	n.a.	n.a.	1,110
May 20 p/	55.83	3.40	3.5	n.a.	n.a.	n.a.

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

1/ Standard and Poor's composite index of 500 common stocks, weekly closing prices, 1941-43=10. Monthly data are averages of daily figures rather than of Fridays' only. Highs and lows are for Fridays' data only.

2/ Standard and Poor's composite stock yield based on Wednesday data converted to weekly closing prices by Federal Reserve. Yields shown are for dates on which price index reached its high or low.

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

4/ End of month figures for member firms of the New York Stock Exchange which carry margin accounts; excludes balances secured by U. S. Government obligations.

5/ Wednesday figures for weekly reporting member banks. Excludes loans for purchasing or carrying U. S. Government securities. Prior to July 1, 1959, such loans are excluded only at banks in New York and Chicago. Weekly reporting banks account for about 70 per cent of loans to others. For further detail see Bulletin.

## Mortgage and Bond Yields 1/

Date	FHA mortgages 2/	Aaa corporate bonds 1/		Spread between new corporate bonds and	
		New 3/	Seasoned 4/	FHA mortgages	Seasoned bonds
1953-1958 - High	5.63 (11/57)	4.81 (6/57)	4.12 (9/57)	1.96	.90
Low	4.56 (2/55)	2.74 (3/54)	2.85 (4/54)	.54	-.12
1959 - High	6.23	5.29	4.58	1.29	.77
Low	5.57	4.29	4.12	.83	.15
1959 - December	6.23	5.16	4.58	1.07	.58
1960 - January	6.24	4.95	4.61	1.29	.34
February	6.23	4.96	4.56	1.27	.40
March	6.22	4.66	4.49	1.56	.17
April	6.20	r/4.78	4.45	1.41	r/.33

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

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

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

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

## Exhibit E

Long-term Corporate and State and Local Government  
Security Offerings and Placements

(In millions of dollars)

	New capital					
	Corporate 1/			State and local 2/		
	1960	1959 r/	1958	1960	1959	1958
January	577	821	728	734	638	812
February	715	738	857	p/587	858	953
March	860	646	1,553 <sup>3/</sup>	e/525	646	511
April	e/725	894	1,140	e/725	931	798
May	e/700	785	597	e/650	593	895
June		887	887		1,006	551
July		535	1,107		567	806
August		740	540		514	403
September		703	1,114		468	651
October		879	862		593	456
November		864	518		513	474
December		900	920		455	435
1st quarter	2,151	2,204	3,139	e/1,846	2,142	2,276
2nd quarter		2,567	2,623		2,531	2,244
3rd quarter		1,979	2,760		1,549	1,860
4th quarter		2,642	2,300		1,562	1,365
1st half		4,771	5,762		4,673	4,520
Three quarters		6,750	8,522		6,223	6,380
Year		9,392	10,823		7,784	7,746
Excluding finance companies 4/						
1st quarter	e/1,801	1,999	2,899			
2nd quarter		2,412	2,586			
3rd quarter		1,716	2,731			
4th quarter		2,503	2,213			
Year		8,630	10,429			

e/ Estimated.

p/ Preliminary.

r/ Revised.

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 <u>2/</u>			Federal agency <u>3/</u>		
	1960	1959	1958	1960	1959	1958
January	2	81	196	182	199	1,163
February	75	60	53	150	--	251
March	70	2	--	150	175	--
April		58	139		--	523
May		50	198		--	--
June		42	120		--	--
July		85	9		--	164
August		1	5		98	--
September		35	17		150	--
October		33	58		--	220
November		30	123		--	--
December		70	74		86	--
Year		547	992		707	2,321
	Short-term					
	State and local government <u>4/</u>			Federal agency <u>3/</u>		
	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.

## 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 - 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 20

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est 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
Wisconsin Elec. Pwr. Co.	Com. stk.	18.1				
Milwaukee Gas Light Co.	1st mtg. bds.	22.0	1985	5-5/8	5.45	Baa
Uris Building Corp.	S.F. deb.	23.0	1975	6-1/2	<u>4/</u>	--
<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	G.O.	133.4	1961-2000/75	3.83	2.40-3.90	aaa
Jacksonville, Florida	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.

4/ Uris Building Corp's \$23 million issue offered in units with stock.

## 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 20

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Texas Eastern Transmission Corp.	Deb.	25.0	May 26
Midwestern Gas Transmission Co.	1st mtg. bds.	60.0	May
Florida Light & Power Co.	Com. stk.	20.0	June 1
Michigan Wisconsin Pipe Line Co.	1st mtg. p. 1. 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
*Illinois Bell Telephone Co.	Com. stk.	61.0	June 30
			(rights expire)
*James Talcott Inc.	Senior notes	20.0	June
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
Detroit Sch. Dist., Michigan	G.O.	19.6	May 24
State of California	G.O.	50.0	May 24
Denver, Colorado	Rev.-Ut.	11.8	May 25
King Co. Sch. Dist. No. 1, Wash.	G.O.	10.0	June 1

## Forthcoming Large Offerings, as of May 20 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Memphis, Tennessee	G.O.	15.0	June 7
*Pennsylvania Gen. State Auth.	Rev.	25.0	June 7
Los Angeles Dept. of Wtr. & Pwr., California	Rev.-Ut.	15.0	June 8
State of Kentucky	G.O.	30.0	June 14
State of Michigan	Rev.-Ut.	25.0	June 14
*Milwaukee, Wisc.	G.O.	15.0	June 14
*State of Ohio	G.O.	15.0	June 21
<u>OTHER</u>			
Montreal, Canada	S.F. deb.	28.0	May 26
*Alberta Municipal Finance Corp.	S.F. deb.	30.0	June 15

\*--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)
1952-1959 - 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 <sup>2/</sup>	36	5.33	43
Nov.	*5.08	42		
Dec.	*5.30	63	5.45 <sup>2/</sup>	51
1960 - Jan. 7			5.30 <sup>2/</sup>	28
Feb. 25	5.08	44		
26	5.10	46		
Mar. 15	4.90 <sup>2/</sup>	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		
21			5.30	50
27	4.95	39		
May 10	4.68	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.

Sources and Uses of Funds by  
Life Insurance Companies

	Uses of Funds 1/						Total sources or uses
	Cash	U. S. Govt. securities	Business securities 2/	State and local govt. securities	Mortgages	Other	
Value of assets at end of period:	(In millions of dollars)						
1956 - Dec.	1,273	7,519	39,552	2,234	32,594	12,272	95,844
1957 - Dec.	1,294	7,028	42,133	2,377	35,271	13,206	101,309
1958 - Dec.	1,363	7,182	44,612	2,691	37,092	14,640	107,580
1959 - Dec.	1,327	6,848	46,977	3,177	39,299	15,998	113,626
1960 - Mar.	1,153	6,808	47,334	3,257	40,011	16,402	114,965
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.	-30	-167	104	35	242	115	299

1/ Uses of funds represent net changes in assets and therefore reflect net, rather than gross, uses.

2/ Includes securities of domestic corporations only.

Source: Institute of Life Insurance.

## Exhibit K

Sources and Uses of Funds by  
Savings and Loan Associations

	Uses of Funds 1/				Total sources or uses	Sources of Funds		
	Cash	U. S. Govt. secur- ities	Mort- gages 2/	Other assets		Net change savings capital	Borrow- ing 3/	Other
Value of assets at end of period	(In millions of dollars)							
1956 - Dec.	2,119	2,782	35,775	2,199	42,875	37,148	1,347	4,380
1957 - Dec.	2,146	3,173	40,049	2,770	48,138	41,912	1,379	4,847
1958 - Dec.	3,585	3,819	45,627	3,108	55,139	47,976	1,444	5,719
1959 - Dec.	2,189	4,471	53,087	3,725	63,472	54,548	2,384	6,540
1960 - Mar.	1,894	4,724	54,316	3,758	64,692	56,019	1,674	6,999
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.	30	-7	507	113	643	539	-131	235

p/ Preliminary.

1/ Uses of funds represent net changes in assets and therefore reflect net, rather than gross, uses. Savings and loan associations do not hold business securities and data on holdings of State and local government bonds, presumed to be small, are not available.

2/ Prior to 1957, data adjusted to include mortgage pledged shares as currently reported.

3/ Advances from Home Loan Banks and other borrowing.

Source: Federal Savings and Loan Insurance Corporation.



**Sources and Uses of Funds by  
Mutual Savings Banks**

	Uses of Funds 1/						Sources of Funds		
	Cash	U. S. Govt. securities	Business securities 2/	State & local govt. securities	Mortgages	Other	Total sources or uses	Net change in deposits	Other
Value of assets at end of period	(In millions of dollars)								
1956 - Dec.	920	7,971	3,523	669	19,529	698	33,311	30,032	3,279
1957 - Dec.	890	7,552	4,331	682	20,951	761	35,168	31,695	3,473
1958 - Dec.	921	7,266	4,973	725	23,039	855	37,779	34,041	3,738
r/1959 - Dec.	829	6,864	4,819	722	24,768	910	38,942	34,983	3,959
1960 - Mar.	776	6,881	4,856	725	25,195	982	39,415	35,289	4,126
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	140	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
r/ Dec.	111	-12	23	-24	132	-12	218	340	-122
1960 - Jan.	-131	-9	-12	-6	159	-12	-11	-68	57
Feb.	37	-11	-9	-9	116	43	167	50	117
Mar.	41	32	52	3	150	41	319	320	-1

1/ Uses of funds represent net changes in assets and therefore reflect, net rather than gross, uses.

2/ Includes Canadian government and political subdivisions, International bank for Reconstruction and Development, nonguaranteed Federal agency and other bonds as well as corporate bonds and stocks.

3/ Adjusted to eliminate the effect of a consolidation of a large savings bank with a commercial bank.

Source: National Association of Mutual Savings Banks and Federal Deposit Insurance Corporation.

May 23, 1960

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Part II - Canada

The Canadian dollar continued to decline during the week and reached the lowest level in almost two years under the influence of reduced Canadian security offerings on the United States market, among other factors. The Canadian bill rate rose even more sharply than the United States bill rate, thereby decreasing the spread in favor of the United States bill. The Bank of Canada sold Treasury bills to offset the decreased roll-over of new bills by the Treasury. Bond yields for all maturities declined during the week, many to new lows for the year, while the chartered banks and the Bank of Canada increased their bond holdings and the general public reduced its holdings.

Money market conditions. The average yield on the short Treasury bill increased during the week by 32 basis points from 2.67 per cent a week ago to 2.99 per cent at last Thursday's auction (see Table). The yield on the 6-month Treasury bill also increased by 32 basis points from 2.90 per cent to 3.22 per cent. Beginning a week ago, the Treasury reduced the total roll-over of Treasury bills by \$15 million from \$135 million to \$120 million, probably reflecting the improved budget position. During the week the Bank of Canada reduced its holdings of Treasury bills by \$15 million thereby offsetting the reduced supply of new bills. The general public also reduced its holding of Treasury bills by \$6 million while the chartered banks made net purchases of \$7 million.

The spread favoring the United States 3-month Treasury bill over the Canadian bill decreased during the week as a result of a greater rise in the Canadian bill rate. The premium on the 3-month forward Canadian dollar also increased during the week. The net incentive to hold the United States bill therefore decreased from 0.57 per cent per annum a week ago to 0.12 per cent last week (see Table).

Bond market conditions. Bond yields for all maturities declined during the week, most of them to new lows for the year, and the spread in favor of Canadian bonds declined sharply. 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):

-0.43 per cent on a 91-day bill	(-0.69)
-0.48 per cent on a 182-day bill	(-0.69)
0.32 per cent on an 8-year bond	(0.71)
0.88 per cent on a 20-year bond	(1.01)
1.30 per cent on a 35-year bond	(1.44)

The Bank of Canada and the chartered banks increased their holdings of bonds by \$4 million and \$17 million respectively, while the general public decreased its holdings by \$15 million.

Exchange rate. The Canadian dollar continued to decline during the week and reached a low of 101.47 (U.S. cents) at last Thursday's

closing (see Table). An important factor in the recent decline has been the reduced Canadian borrowing in the United States. With central Government borrowing needs sharply reduced in Canada, Canadian local governments are reducing their reliance upon borrowing in the United States.

The Governor of the Bank of Canada was outspoken in his criticism of foreign borrowing by Canadians in general and of local-authority borrowing in particular in a speech in Hamilton, Ontario on May 12. He tied together Canadian borrowing and the exchange rate for the Canadian dollar in these words:

"The fact is that at times the amount of foreign borrowing done by Canadians has exceeded even the large volume of imports then requiring to be financed and has led to a strengthening of the Canadian exchange rate. This in turn has induced a higher rate of imports than would otherwise have occurred, pushed the rate of imports up another notch, over and over again, imports which compete with Canadian production for the domestic market, and have an obvious effect on employment conditions in Canadian industries. I have no doubt that the marginal factor, the straw that broke the camel's back, so to speak -- and at times it has been a very large straw indeed -- has been the unnecessary and ill-advised borrowing in foreign currencies on the part of some provincial governments and municipalities and their agencies."

Private estimates indicate that, since April 19, no Canadian local Government issues have been offered on the U.S. market compared with \$129.7 million in earlier months of the year. Corporate bond offerings on the United States market in the last two weeks totaled \$2 million compared with \$40 million earlier in 1960.

Sales of Canadian securities in the United States in 1960 are estimated as follows (in millions of Canadian dollars):

	<u>Jan. 1</u> <u>thru April 4</u>	<u>April 4</u> <u>thru April 19</u>	<u>April 19</u> <u>thru May 16</u>
Provincial (direct)	15.0	10.0	0.0
Provincial (guaranteed)	22.0	0.0	0.0
Municipal	82.1	0.6	0.0
Corporation	<u>25.0</u>	<u>15.0</u>	<u>2.0</u>
	144.1	25.6	2.0

Source: A. E. Ames & Co., Ltd.

Stock market. The prices of industrial stock on the Canadian exchanges eased some last week after showing moderate gains the week before (see Table).

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

Selected Canadian Money Market and Related Data

	3-mo. Treas. bills			Canadian dollar			Net incentive to hold Can. bill <sup>4/</sup>
	Canada 1/	U.S. <sup>2/</sup>	Spread over U.S.	5/ Spot	3-mo. forward	discount premium (+) <sup>3/</sup>	
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	-0.69	101.47	--	-0.72	-0.57
April 28	3.26	3.16	0.10	103.72	103.72	0.00	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
19	2.99	3.42	-0.43	101.47	101.55	0.31	-0.12

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			
	Spread		Spread		(20 year)		(35 year)	
	Canada 1/	U.S. <sup>2/</sup>	Canada 3/	U.S. <sup>4/</sup>	Canada 5/	U.S. <sup>6/</sup>	Canada 7/	U.S. <sup>8/</sup>
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	4.67	0.31	5.08	0.87	5.11	0.98
April 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
19	3.22	-0.48	4.67	0.31	5.08	0.87	5.12	1.29

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 1979.

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)

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	<u>Bank of Canada</u>		<u>Government</u>	<u>Chartered banks</u>		<u>General public</u>		
	<u>Treas.</u>	<u>Bonds</u>		<u>Treas.</u>	<u>Bonds</u>	<u>Savings</u>	<u>Treas.</u>	<u>Bonds</u>
	<u>bills</u>		<u>Total</u>	<u>bills</u>		<u>bonds</u>	<u>bills</u>	
March 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
18	- 15	+ 4	- 8	+ 7	+ 17	- 7	- 6	- 15

Source: Bank of Canada, Weekly Financial Statistics.

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

	<u>Total sold</u>			<u>Of which sold in U.S.</u>		
	<u>To</u>	<u>To</u>	<u>To</u>	<u>To</u>	<u>To</u>	<u>To</u>
	<u>May 16</u>	<u>May 18</u>	<u>May 20</u>	<u>May 16</u>	<u>May 18</u>	<u>May 20</u>
	<u>1960</u>	<u>1959</u>	<u>1958</u>	<u>1960</u>	<u>1959</u>	<u>1958</u>
Government (direct)	3029.0	2740.0	3280.0			
Government (guaranteed)	--	150.0	300.0			
Provincial (direct)	138.5	111.0	195.0	25.0	75.0	100.0
Provincial (guaranteed)	102.2	77.8	145.4	22.0	6.2	70.0
Municipal	196.1	138.6	183.3	82.7	4.6	66.2
Corporation	271.7	152.1	451.7	42.0	24.0	82.8
	<u>3737.5</u>	<u>3369.5</u>	<u>4555.4</u>	<u>171.7</u>	<u>109.8</u>	<u>319.0</u>
Less short-term	<u>2400.0</u>	<u>2540.0</u>	<u>2330.0</u>			
	<u>1337.5</u>	<u>829.5</u>	<u>2225.4</u>			

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</u> <u>Standard &amp; Poor</u>
May 11	488.94	279.1	58.11
12	490.00	280.0	58.43
13	493.50	280.9	58.95
16	495.56	282.7	58.98
17	493.94	282.6	59.14
18	493.50	283.1	59.12