

DECONTROLLED AFTER SIX MONTHS

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FEDERAL RESERVE BANK
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H.11

June 6, 1960.

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

(Including Quarterly Review of State and Local
Government Security Financing in the United States)

Part I - United States

The volume of large public security financing for new capital continues to be substantial for corporations and small for State and local governments. Last week, four large corporate issues totaling \$133 million and one State and local government issue for \$10 million were sold. The calendar for this week includes corporate issues with total proceeds of \$130 million and State and local government bonds amounting to \$55 million.

Although recently the volume of State and local bond sales has been very moderate, the volume of offerings scheduled for sale later this month expanded substantially last week. Reflecting largely the announcements of a proposed bond issue by the New York State Power Authority for \$100 million and an increase from \$50 to \$93 million in the California issue, State and local government bond sales in June are now estimated at \$800 million, only one-fifth less than the very large volume a year earlier. Financing by these governments may be even larger as press reports indicate there is a possibility of a negotiated sale during the month of a \$200 million issue of Chesapeake Bay Bridge and Tunnel Commission, an issue which had been postponed several times last year.

Long-term bond yields - Changes in yields on outstanding bonds were mixed last week. Yields on high-grade corporate bonds increased while those for high-grade State and local government bonds remained stable. Yields for U. S. Government and lower grade corporate and State and local government bonds declined. The decline was substantial for Governments, but slight for lower grade bonds.

Short- and intermediate-term interest rates - Beginning with this report, two new exhibits will be included regularly-- Exhibits C and D--covering developments in short- and intermediate-term interest rates. Last week, yields on short- and intermediate-term Government securities also declined substantially. The rate for directly placed finance company paper also declined last week as near the close of the week the rate was changed from 3-7/8 to 3-3/4 per cent.

Mortgage recordings - Mortgage recordings in March were even further below the level of a year earlier than they were in February. Federally-underwritten loans dropped sharply while conventional loans, which comprised an unusually large share of the total, edged up.

Stock prices - Stock prices increased slightly last week, closing at 56.23 on June 3. Trading activity also increased with daily volume averaging 3.6 million shares a day.

State and Local Government Long-term Bond Sales in the First Quarter of 1960

Sales of long-term bonds by State and local governments during the first quarter of 1960 totaled \$1.9 billion, one-eighth less than a year earlier and one-sixth less than the record volume sold in the first quarter of 1958. As in other recent years, nearly all bonds were sold to raise new capital, sales of refunding issues being negligible.

The smaller volume of State and local government financing in the first quarter of this year than in the corresponding period of 1959 is attributable to a smaller volume of revenue bond sales, particularly of very large issues. In the first quarter of 1959 three revenue bond issues of over \$50 million with total proceeds of \$0.4 billion were sold; this year only one very large revenue bond issue--for \$0.1 billion--was offered.

Type of issue - General obligation financing by State and local governments totaled \$1.3 billion in the first quarter this year, slightly more than in the first quarter of 1959. Sales of revenue bonds amounted to \$0.5 billion, \$0.3 billion less than in the corresponding period a year earlier; as noted above, this reflected a smaller volume of very large bond issues. Federal Government loans were made in about the same volume this year as last, as were bond issues of Public Housing Authorities sold under the provisions of the Housing Act of 1959.

Purpose of issue - Financing of school construction, the most important single use of bond sale proceeds, totaled \$0.6 billion in the first quarter of the year, \$0.1 billion more than a year earlier but \$0.2 billion less than the record volume sold for this purpose in the first quarter of 1958. Sales of bonds to finance sewer and water projects totaled \$0.2 billion, \$0.1 billion less than a year earlier. The volume of financing of miscellaneous public service enterprises totaled \$0.1 billion, \$0.2 billion smaller than in the first quarter of 1959, reflecting the smaller volume of very large issues sold for this purpose. Bond sales to finance other major State and local government functions were in about the same volume in the first quarter of this year as in the corresponding period a year earlier.

Long-term Security Issues of State and Local Governments -3-
First Quarter 1955-60

(In millions of dollars)

	1960	1959	1958	1957	1956	1955
<u>Issuing authority:</u>						
State	336	380	633	340	270	344
County and township	166	117	116	106	94	109
Municipality	492	665	634	604	444	333
School district	418	317	480	527	270	294
Special authority	514	701	420	252	253	167
Unidentified 1/	--	--	--	--	186	162
Total	1,926	2,180	2,283	1,829	1,517	1,409
<u>Purpose of issue:</u>						
New capital total	<u>1,911</u>	<u>2,143</u>	<u>2,276</u>	<u>1,821</u>	<u>1,490</u>	<u>1,385</u>
Schools 2/	602	518	786	753	401	449
Highways, bridges and tunnels	187	166	392	164	280	176
Residential buildings	166	158	112	151	111	175
Hospitals and institutions	36	36	85	28	22	30
Sewer and water	209	317	293	252	264	159
Misc. public service enterprises	52	287	145	68	80	77
Veterans' aid	100	70	111	53	--	82
Other	560	590	352	351	147	79
Unidentified 1/	--	--	--	--	186	159
Refunding	15	38	7	8	27	24
Total	1,926	2,180	2,283	1,829	1,517	1,409
<u>Type of issue:</u>						
General obligation	1,263	1,241	1,565	1,312	960	1,004
Revenue	<u>474</u>	<u>772</u>	<u>562</u>	<u>385</u>	<u>441</u>	<u>286</u>
Utility	274	412	412	289	n.a.	n.a.
Quasi-utility	127	270	33	24	n.a.	n.a.
Special tax	41	46	62	31	n.a.	n.a.
Rental	33	44	55	41	n.a.	n.a.
Public Housing Authority	103	125	67	29	107	118
Federal Government loans 3/	86	43	89	102	9	1
Total	1,926	2,180	2,283	1,829	1,517	1,409

n.a.--Not available.

1/ Issues of less than \$500,000 not further classified in 1955 and 1956.

2/ Data for years prior to 1957 probably understate school issues by about one-fourth because of unclassified small issues.

3/ Coverage for 1957-60 is broader than for earlier years.

Note.--Details may not add to totals because of rounding.

Source.--1955-1956, Bond Buyer and Federal Reserve; 1957-1960, Investment Bankers Association of America. Data for 1957-1960 not strictly comparable with data for earlier years.

Issuing authority - Special authorities sold the largest volume of bonds in the first quarter of 1960--\$0.5 billion--but this was \$0.2 billion less than a year earlier. Bond sales by municipalities, totaling \$0.5 billion, were also \$0.2 billion less than in the first quarter of 1959. The volume of financing by school districts, however, was \$0.1 billion larger than in the corresponding period of 1959.

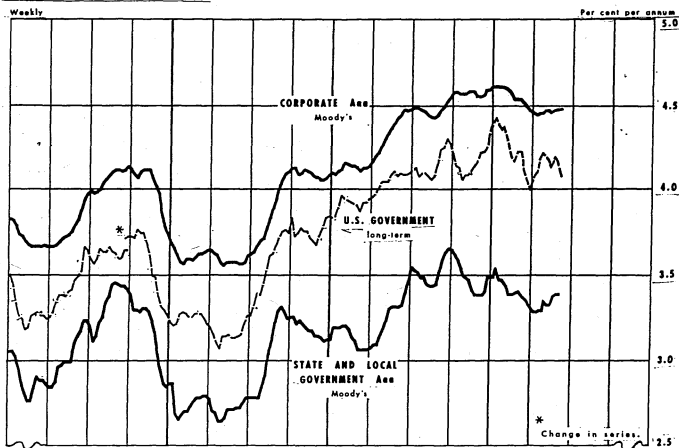
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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

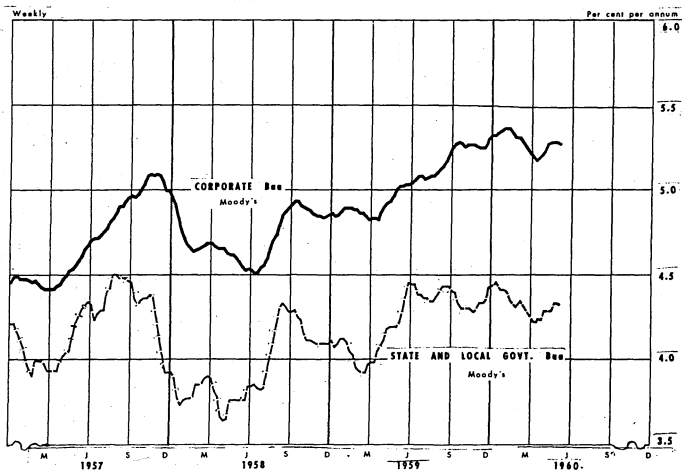
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

EXHIBIT A

HIGH-GRADE LONG-TERM



LOWER-GRADE



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Exhibit B - Tables for Exhibit A
Long-term Bond Yields
High-grade

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
May 6	4.46	4.17	3.32	.29	.85
May 13	4.45	4.13	3.32	.32	.81
May 20	4.46	4.18	3.37	.28	.81
May 27	4.47	4.16	3.38	.31	.78
June 3 p/	4.48	4.07	3.38	.41	.69

Lower-grade

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
May 6	5.27	4.28	.81	.96
May 13	5.28	4.28	.83	.96
May 20	5.28	4.33	.82	.96
May 27	5.28	4.33	.81	.95
June 3 p/	5.27	4.32	.79	.94

p/ Preliminary.

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

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

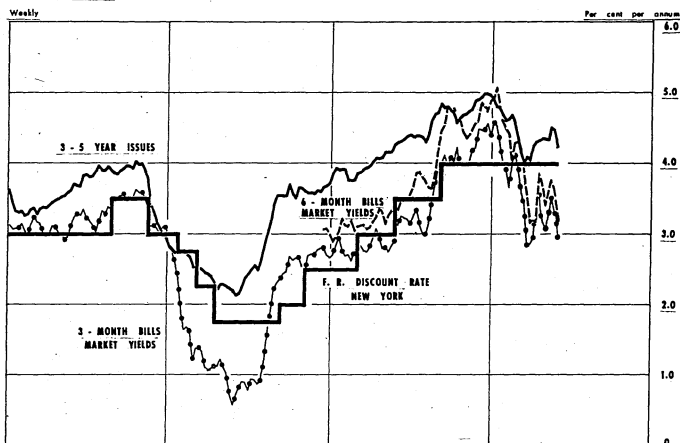
3/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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

EXHIBIT C

SHORT- AND INTERMEDIATE- TERM INTEREST RATES

GOVERNMENT



PRIVATE

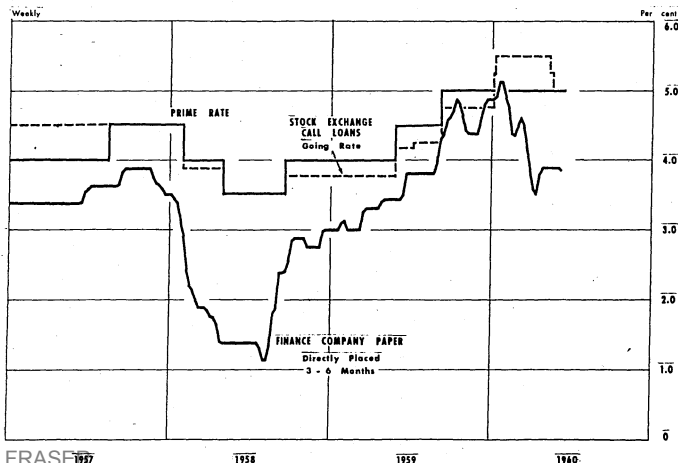


Exhibit D - Tables for Exhibit C

Short- and Intermediate-term Interest Rates

Government

Date	Discount rate 1/	Yields			Spread between yields on	
		3-month bills 2/	6-month bills 2/	3-5 year issues 2/	3-month bills and yields on 6-mo. bills	3-5 yr. issues
(per cent)						
1954 - Low	1.50	.61 (6/11)	--	1.66 (4/30)	--	.66
1957 - High	3.50	3.64 (10/18)	--	4.04 (10/18)	--	.86
1958 - Low	1.75	.58 (5/29)	3.02 (12/26)	2.14 (6/7)	.26	.04
1959 - High	4.00	4.57 (12/26)	4.91 (12/31)	5.00 (12/24)	.79	1.42
Low	2.50	2.63 (2/20)	2.92 (1/2)	3.70 (1/2)	.19	.40
1960 - High	4.00	4.59 (1/8)	5.07 (1/8)	4.97 (1/8)	.51	1.23
Low	4.00	2.84 (3/25)	3.17 (3/25)	4.02 (3/25)	.16	.38
May 6	4.00	3.08	3.41	4.37	.33	1.29
May 13	4.00	3.32	3.55	4.35	.23	1.03
May 20	4.00	3.50	3.77	4.51	.27	1.01
May 27	4.00	3.29	3.64	4.48	.35	1.19
June 3	4.00	2.94	3.18	4.23	.24	1.29

Private

Date	Stock Exchange call loan 1/	Prime rate 1/	Finance company paper 3/	Spread between 3-month Treasury bill yield and finance company paper rates	
				(per cent)	
1954 - Low	3.00	3.00	1.25 (12/31)	0	(12/18)
1957 - High	4.50	4.50	3.88 (11/16)	.59	(7/19)
1958 - Low	3.50	3.50	1.13 (8/8)	-.35	(8/29)
1959 - High	4.75	5.00	4.88 (12/31)	.86	(10/9)
Low	3.75	4.00	3.00 (4/6)	.13	(12/4)
1960 - High	5.50	5.00	5.13 (1/22)	1.02	(3/25)
Low	5.00	5.00	3.50 (4/8)	.22	(4/15)
May 6	5.50	5.00	3.88	.80	
May 13	5.00	5.00	3.88	.56	
May 20	5.00	5.00	3.88	.38	
May 27	5.00	5.00	3.88	.59	
June 3	5.00	5.00	3.83	.89	

✓ Weekly rate shown is that in effect at end of period. Discount rate is for Federal Reserve Bank of New York. Stock exchange call loan rate is going rate on call loans secured by customers' stock exchange collateral at New York City banks. Prime rate is that charged by large banks on short-term loans to business borrowers of the highest credit standing.

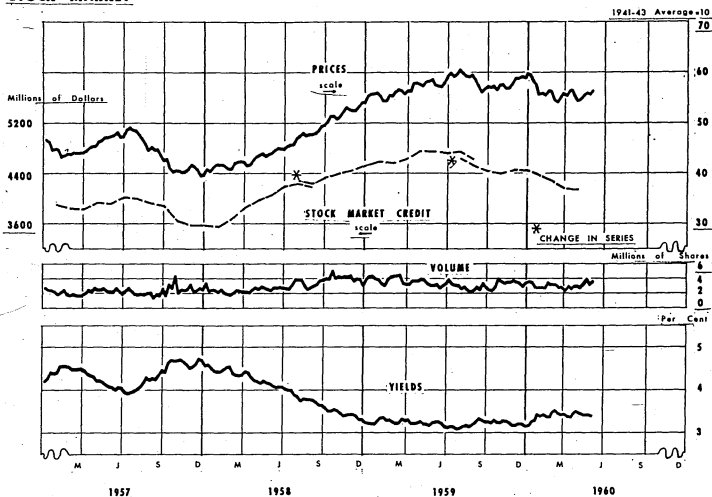
✓ Market yield; weekly averages computed from daily closing bid prices. Series of 3-5 year issues consists of selected notes and bonds.

✓ Average of daily rates published by finance companies for directly placed paper for varying maturities in the 90-179 day range.

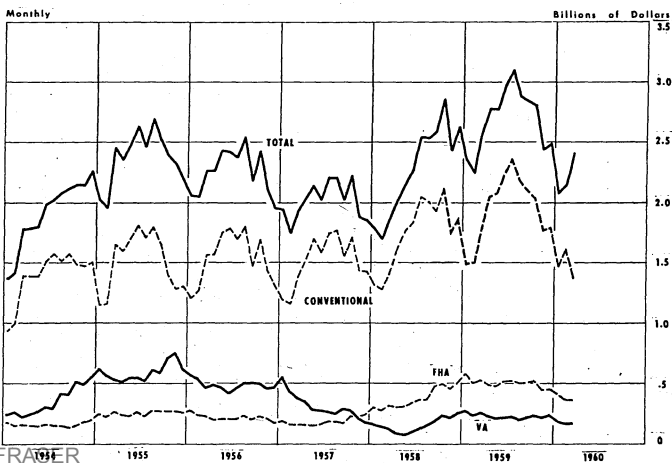
Note.—Highs and lows are for individual series and may be on different dates for different series. For spreads, high refers to widest, and low to narrowest.

EXHIBIT E

STOCK MARKET



MORTGAGE RECORDINGS AND LOANS



Stock Market

Date	Stock price index 1/	Common stock yields 2/ (per cent)	Trading volume 3/ (millions of shares)	Stock market customer credit		
				Total	Customers' debit bal- ances 4/	Bank loans to "others" 5/
(Millions of dollars)						
1957-59 - High	60.51 (7/31/59)	3.07	4.3	4,764	3,401	1,373
Low	39.78 (12/27/57)	4.66	1.4	3,554	2,482	1,060
1960 - High	59.50 (1/8)	3.18	3.9	4,365	3,198	1,167
Low	54.24 (3/11)	3.51	2.4	4,153	3,028	1,130
April	55.73	3.41	2.9	4,153	3,037	1,116
May	55.22	3.42	3.3	n.a.	n.a.	1,111
May 20	55.83	3.40	3.9	n.a.	n.a.	1,110
May 27	55.74	3.40	3.2	n.a.	n.a.	1,111
June 3 p/	56.23	3.37	3.6	n.a.	n.a.	n.a.

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

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

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

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

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

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

Nonfarm Mortgage Recordings and Loans 1/

Date	Total		Unadjusted		
	Seasonally adjusted 2/	Unadjusted	FHA	VA	Conv.
(Millions of dollars)					
1959 - Mar.	2,683	2,586	530	260	1,796
Apr.	2,683	2,776	490	231	2,055
May	2,757	2,768	478	211	2,079
June	2,780	2,974	521	221	2,233
July	2,787	3,100	524	227	2,349
Aug.	2,769	2,871	504	202	2,165
Sept.	2,650	2,834	510	221	2,103
Oct.	2,639	2,799	523	238	2,039
Nov.	2,589	2,442	448	220	1,775
Dec.	2,485	2,487	451	211	1,794
1960 - Jan.	2,487	2,079	417	195	1,467
Feb.	2,430	2,149	368	170	1,612
Mar.	n.a.	2,406	361	173	1,872

n.a.--Not available.

1/ Total recordings data are estimates based on reports from about 450 areas and include mortgages of \$20,000 or less secured by nonfarm real estate, primarily residential properties. FHA-insured loans represent gross amount of insurance written, and VA-guaranteed loans the gross amount of loans closed, on 1-4 family houses. Conventional data are derived as a residual, although total recordings and VA and FHA loans are not strictly comparable in concept or timing.

2/ Three-month moving average, seasonally adjusted by Federal Reserve.

Source: Federal Home Loan Bank Board, Federal Housing Administration and Veterans Administration.

Exhibit G

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 r/	1958
January	577	821	728	736	639	812
February	715	738	857	620	858	953
March	860	646	1,553 ^{3/}	e/556	646	511
April	e/725	894	1,140	e/725	932	798
May	e/650	785	597	e/550	593	895
June	e/1,050	887	887	e/800	1,006	551
July		535	1,107		567	806
August		740	540		516	403
September		703	1,114		465	651
October		879	862		577	456
November		864	518		519	474
December		900	920		455	435
1st quarter	2,151	2,204	3,139	e/1,912	2,143	2,276
2nd quarter	e/2,425	2,567	2,623	e/2,075	2,531	2,244
3rd quarter		1,979	2,760		1,548	1,860
4th quarter		2,642	2,300		1,571	1,365
1st half	e/4,576	4,771	5,762	e/3,987	4,674	4,520
Three quarters		6,750	8,522		6,222	6,380
Year		9,392	10,823		7,793	7,746
Excluding finance companies 4/						
1st quarter	1,722	1,999	2,899			
2nd quarter	e/2,125	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&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	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 4/			Federal agency 3/		
January	268	190	233	479	359	371
February	345	428	460	463	500	208
March	365	295	273	512	489	144
April	p/339	563	357	509	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 FHA notes included may have a somewhat longer term than one year. Source: Bond Buyer.

Exhibit I

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 - 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
May	139	234	28

Large Individual Issues Offered June 1 through 3

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Florida Lt. & Pwr. Co.	Com.stk.	23.1				
Mich. Wisc. P. L. Co.	1st mtg.p.l.bds.	30.0	1980	5-7/8	5.70	Baa
So. Elec. Generating Co.	1st mtg. bds.	40.0	1992	5-1/4	5.20	A
Natl. Cash Register Co.	S.F. deb.	40.0	1985	4-3/4	4.75	A
<u>STATE AND LOCAL GOVERNMENT</u>						
King Co. Sch. Dist. #1, Washington	G.O.	10.0	1962-80/70	3.67	2.75-3.75	A
<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 J

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	--
May 31	483	277	30	553	502	60

Forthcoming Large Offerings, as of June 3

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Northwestern Bell Tel. Co.	Deb.	45.0	June 7
Midwestern Gas Transmission Co.	1st mtg. bds.	60.0	June 8
Baltimore Gas & Electric Co.	1st ref. mtg. bds.	25.0	June 10
Consolidated Edison Co. of N. Y.	1st ref. mtg. bds.	50.0	June 15
James Talcott Inc.	Senior notes	20.0	June 21
Gulf States Utilities Co.	1st mtg. bds.	17.0	June 28
Tampa Electric Co.	1st mtg. bds.	25.0	June 29
Montgomery Ward Credit Corp.	Deb.	50.0	June 30
Illinois Bell Telephone Co.	Com. stk.	61.0	June 30
*Mississippi River Fuel Co.	S.F. deb.	24.0	(rights expire) July 8
*Northern Illinois Gas Co.	1st mtg. bds.	80.0	July 13
Texas Eastern Transmission Corp.	Deb.	25.0	Indefinite
Commerce Oil Refining Corp.	Deb., bds. and com.	45.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
Memphis, Tennessee	G.O.	15.0	June 7
Pennsylvania Gen. State Auth.	Rev.-Rent	25.0	June 7
Los Angeles Dept. of Wtr. and Pwr., California	Rev.-Ut.	15.0	June 8

Forthcoming Large Offerings, as of June 3 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
State of Kentucky	G.O.	30.0	June 14
State of Michigan	Rev.-Ut.	25.0	June 14
Milwaukee, Wisconsin	Rev.-Ut.	15.0	June 14
Philadelphia Sch. Dist., Pa.	G.O.	10.0	June 14
Commonwealth of Puerto Rico	G.O.	17.0	June 15
Alabama Education Authority	G.O.	50.0	June 21
State of Ohio	G.O.	15.0	June 21
*New York State Power Authority	Rev.-Ut.	100.0	June 21
*Maryland State Roads Commission	Rev.-Ut.	20.0	June 22
State of California	G.O.	93.0	June 28
*Santa Clara Co., California	G.O.	11.5	June 28
*Florida Development Comm.	Rev.-Ut.	16.8	June 29
Carmen-Smith Hydro-Elec. Proj., Ore.	Rev.-Ut.	25.0	July 19
Chesapeake Bay Bridge Tunnel Comm.	Rev.-Ut.	200.0	Indefinite
<u>OTHER</u>			
Alberta Municipal Finance Corp.	S.F. deb.	30.0	June 16
Liberian Iron Ore Ltd.	Bds. & stk.	30.0	Indefinite

*--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.

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	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
25			5.20	33

*--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

There was a general decline in bill and bond yields in Canada last week. Last Thursday, the Canadian and United States Treasury bill yields were identical. For the second week, the chartered banks made heavy purchases of Treasury bills. The Bank of Canada was a heavy seller of bills. The broad decline in bond yields was accompanied by heavy acquisitions of Government bonds by nonbank investors and by the Bank of Canada. Activity in the local-government and corporate sectors of the bond market was resumed last week.

Money market conditions. The chartered banks continued to be heavy purchasers of Treasury bills and increased their holdings during the week by \$32 million. At the same time there was a \$26 million decrease in the "roll over" of new Treasury bills. The reduction in the supply of bills outstanding as well as the increased demand by the chartered banks was met largely by a \$54 million net sale of bills on the part of the Bank of Canada. The general public also reduced their bill holdings by \$4 million (see Table). The average yield on the Canadian 3-month Treasury bill declined 9 basis points from 3.01 per cent the previous week to 2.92 per cent at last Thursday's auction. The 6-month Treasury bill yield also declined, by 12 basis points, from 3.36 per cent to 3.24 per cent (see Table). The average closing rate on day-to-day loans increased last week to 2.60 per cent compared with 2.56 per cent a week ago.

The yields on the 3-month Canadian and United States bills came together last Thursday after four weeks during which the United States bill had been above the Canadian yield. With a wider premium on the forward Canadian dollar, there was an incentive of 0.31 per cent per annum in favor of holding the Canadian bill compared with a margin of 0.13 per cent in favor of the United States bill last week (see Table).

Bond market conditions. Bond yields in all maturities declined substantially last week (see Table). Substantial purchases were reported by nonbank investors (\$73 million) and by the Bank of Canada (\$48 million). Total bonds outstanding at par value increased by \$129 million during the week. However, the spread between comparable Canadian and United States bonds showed little change. The spread between several comparable Canadian and United States securities (Thursday yields for bills and Wednesday yields for bonds) was as follows (figures in parenthesis refer to the previous week):

0.00 per cent on a 91-day bill	(-0.25)
0.09 per cent on a 182-day bill	(-0.29)
0.21 per cent on an 8-year bond	(0.24)
0.92 per cent on a 20-year bond	(0.88)
1.31 per cent on a 35-year bond	(1.30)

According to estimates by a private Canadian investment house, the 40 Bond Yield Average on the basis of prices on June 1, 1960, was 5.86 per cent compared with 5.91 per cent on May 2. The average yields on Provincials, Public Utilities, and Industrials declined by 0.01 per cent, 0.10 per cent and 0.09 per cent respectively, while yields on Municipals were unchanged. The following table gives a comparison with yields six months ago and one year ago for each group:

	1959		1960	
	June 1	Dec. 1	May 2	June 1
	(per cent)			
10 Provincials	5.39	5.87	5.74	5.73
10 Municipals	5.71	6.52	6.06	6.06
10 Public Utilities	5.47	6.00	5.93	5.83
10 Industrials	5.42	6.02	5.91	5.82
40 Bond Yield Average	5.50	6.13	5.91	5.86

Metropolitan Toronto has issued about \$25 million in debentures. About \$3.5 million of serial debentures were privately placed. The remaining \$21.5 million were debentures with sinking funds offered to the public in various maturities (mostly 20 years) to yield between 5.70 and 5.94 per cent. Two smaller municipal issues were also reported, a \$1.6 million serial debenture by Quebec City and a \$1.4 million serial debenture by St. Laurent (Quebec). It is reported that a new Ontario Hydro offering may be announced later this month.

In the corporate sector, St. Lawrence Corp. is expected to offer at par \$15 million in a 6-3/4 per cent, 20-year debenture with sinking fund and with a 12-year noncall feature. A \$2 million, 6-1/2 per cent 10-year debenture with sinking fund of the Trans-Canada Corp. Fund is also being offered at par.

Exchange rate. The Canadian dollar increased slightly to 101.94 (U.S. cents) at last Thursdays closing compared with 101.31 the week before (see Table).

Stock market conditions. The prices of industrial stocks on the Canadian exchanges showed some increases early in the week but declined sharply on June 1:

	Toronto	Montreal	New York Standard & Poor
May 25	497.21	285.8	59.32
26	498.19	285.8	59.38
27	496.56	285.5	
30	498.00	284.7	
31	498.63	286.0	59.50
June 1	496.75	284.1	59.57

In the first quarter of 1960, customer credit extended in the stock market fell slightly below the level outstanding in the second half of last year. Turnover, as measured by the value of shares traded, was about on the level with the volume in late 1959 (see Chart).

Canadian press estimates report that as a result of redemptions by shareholders, U.S.-owned mutual funds specializing in Canadian securities have reduced their holdings by \$9 million in the first quarter of 1960 compared with a decline of \$24 million for 1959. By contrast, Canadian mutual funds have continued to acquire assets thus far this year. On March 31, these funds held assets of \$528 million, an increase of \$41 million from March 31, 1959. During the past 12 months, however, virtually all funds reported declines in their net asset value, ranging from about 5 to 16 per cent. It is reported that a few life insurance companies have acquired parital interests in several mutual funds this year (by Canadian law, they may not own more than 30 per cent of the stock of another company).

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. bills/
	Canada a/	U.S. b/	Spread over U.S.	Spot c/	3-mo. forward	discount (-) premium(+)/d/	
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	--	0.31	0.48
Low	2.67	2.86	-0.69	101.31	--	-0.72	-0.57
May 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
26	3.01	3.26	-0.25	101.31	101.34	0.12	-0.13
June 2	2.92	2.92	--	101.94	101.02	-0.31	-0.31

a/ Average yield at weekly tender on Thursday.

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

c/ In U.S. cents.

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

e/ Spread over U.S. Treasury bill (column 3), plus 3-month forward discount or premium (column 6).

Selected Government of Canada Security Yields

	6-mo. Treas. bills		Intermediate bonds (8 yr.)		Long-term bonds			
	Canada a/	Spread over U.S. b/	Canada c/	Spread over U.S. d/	(20 year)		(35 year)	
					Canada e/	Spread over U.S. f/	Canada g/	Spread over U.S. h/
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	4.49	0.21	5.02	0.87	5.09	0.98
May 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
26	3.26	-0.29	4.65	0.24	5.06	0.88	5.14	1.30
June 2	3.24	0.09	4.49	0.21	5.02	0.92	5.09	1.31

a/ Average yield at weekly tender on Thursday.

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

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

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

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

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

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

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

Canada: Changes in Distribution of Holdings of Canadian
Government Direct and Guaranteed Securities
(millions of Canadian dollars, par value)

	<u>Bank of Canada</u>		<u>Government</u>	<u>Chartered banks</u>		<u>General public</u>		
	<u>Treas.</u> <u>bills</u>	<u>Bonds</u>		<u>Treas.</u> <u>bills</u>	<u>Bonds</u>	<u>Savings</u> <u>bonds</u>	<u>Treas.</u> <u>bills</u>	<u>Bonds</u>
March 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
25	0	- 4	- 3	+ 40	+ 1	- 7	- 39	+ 5
June 2	- 54	- 48	- 2	+ 32	+ 8	- 7	- 4	+ 73

Source: Bank of Canada, Weekly Financial Statistics.

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

	<u>1960</u> <u>to May 24</u>	<u>1959</u> <u>to May 25</u>	<u>1958</u> <u>to May 26</u>
Government (direct)	3,149.0	2,875.0	3,395.0
Government (guaranteed)	--	150.0	300.0
Provincial (direct)	138.5	111.0	195.0
Provincial (guaranteed)	153.8	127.8	150.4
Municipal	218.1	142.9	186.4
Corporation	273.7	152.1	453.7
	3,933.0	3,558.8	4,680.4
Less short term	2,520.0	2,675.0	2,445.0
	1,413.0	883.8	2,235.4

Of the above, the following amounts have been sold in the United States

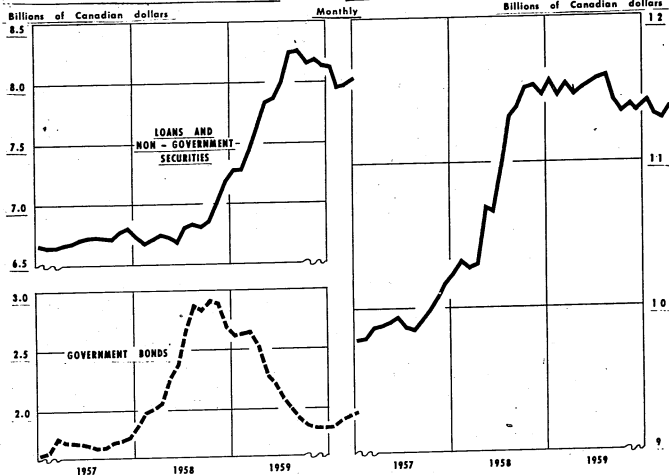
Provincial (direct)	25.0	75.0	100.0
Provincial (guaranteed)	22.0	56.2	70.0
Municipal	82.7	4.6	66.2
Corporation	42.0	24.0	82.8
	171.7	159.8	319.0

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

CANADA

SELECTED CHARTERED BANK ASSETS

BANK DEPOSITS - LESS FLOAT



STOCK MARKET

1935-39 Average-10

