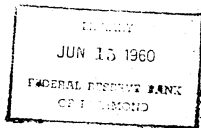


DECONTROLLED AFTER SIX MONTHS

Not for Publication

H.14



June 10, 1960

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

(Including Quarterly Review of Corporate Security Financing in the United States and Monthly Review of Financial Developments in the United Kingdom)

Part I - United States

The volume of large public security financing for new capital is expected to be somewhat smaller this week for corporations and somewhat larger for State and local governments than in other recent weeks. Last week, ending June 10, large corporate issues with aggregate proceeds of \$130 million and State and local government bonds totaling \$58 million were sold. This week, one corporate bond issue for \$50 million and State and local government bond issues amounting to \$126 million are expected to be sold. A Canadian provincial issue for \$30 million is also scheduled for sale.

Long-term bond yields - Yields declined last week for all categories of outstanding bonds, except those for high-grade State and local government bonds which remained stable. Yields for high-grade corporate and U. S. Government obligations are currently at their low levels reached earlier this year; those for State and local government and lower grade corporate bonds are still 7-10 basis points above their 1960 lows.

Short- and intermediate-term interest rates - Money market rates also generally declined last week. The discount rate at the Federal Reserve Bank of New York was lowered on Thursday to 3-1/2 per cent. Yields on Treasury bills and intermediate-term issues continued to decline substantially with those for both 3- and 6-month bills reaching the lowest level this year. The rate for directly placed finance company paper, 3 to 6 months, also declined further as early last week the rate was changed from 3-3/4 to 3-1/2 per cent.

Stock prices - Standard and Poor's index of stock prices increased substantially last week, closing at 57.97 on June 10. Prices, at the highest levels since mid-January, are currently 4 per cent below the high reached in the first week this year and 8 per cent higher than the low recorded in early March.

FNMA secondary market operations - Secondary operations of FNMA in May continued to reflect some further easing in mortgage market conditions. Offerings to and purchases by FNMA were down again. The modest volume of FNMA sales was the largest in 20 months, and at \$3.6 million exceeded the total for all of last year.

Corporate Security Offerings
in the First Quarter 1960

Net proceeds for new capital - Corporate security offerings for new capital totaled \$2.2 billion in the first quarter of 1960, about the same as a year earlier, but one-third smaller than the very heavy volume sold in the first quarters of 1958 or 1957. (Securities sold to refund outstanding issues were small in volume--\$82 million--but somewhat larger than a year earlier.) Although the total of net proceeds for new capital was little different from last year, offerings by manufacturing, electric, gas and water utilities, transportation and commercial and other companies were in substantially smaller volume. Issues sold by communications, financial and real estate and mining companies were larger.

Financial and real estate companies offered securities with proceeds of \$.6 billion, nearly one-half larger than a year earlier and the largest first quarter volume for these companies since 1956. The increase this year reflected a much larger number of moderate-sized (\$15-\$50 million) issues sold by sales and consumer finance companies.

New financing by electric, gas and water utilities, amounting to \$.6 billion, was one-fourth smaller than in the first quarter of 1959. A further increase in internal funds, principally depreciation allowances, and substantially smaller net repayments of bank loans this year than in the first quarter of 1959, made it possible for these companies to finance about the same amount of plant and equipment expenditures with a smaller volume of long-term external financing.

New issue volume by manufacturing companies was \$.3 billion. This volume was one-tenth smaller than in the first quarter last year and the smallest volume of security sales by manufacturing companies since the first quarter of 1954. The amount of securities sold was moderate for all types of manufacturers. Industries selling a larger dollar volume of issues this year than last included electrical machinery, fabricated metal products and textiles and apparel; chemical and food manufacturers sold less than last year.

Total gross proceeds - Gross proceeds from corporate offerings, which include refunding issues and costs of flotation were \$2.3 billion in the first three months of 1960, about the same as a year earlier.

Publicly-offered issues totaled \$1.4 billion, slightly less than in 1959, while private placements amounted to nearly \$.9 billion, slightly more.

The volume of bond financing was nearly one-tenth larger this year than last. Stock financing was smaller with that for common stock issues being almost one-third smaller and preferred stock one-sixth smaller than a year earlier. Financing through convertible bonds

Corporate Security Offerings for New Capital
by Type of Business of Issuer
First Quarter 1956-60

(Net proceeds in millions of dollars)

	1960	1959 ^{1/}	1958	1957	1956
Total corporate offerings	2,233	2,232	3,273	3,493	2,209
Refunding	82	28	134	49	106
New capital	2,151	2,204	3,139	3,445	2,102
Manufacturing	<u>318</u>	<u>358</u>	<u>514</u>	<u>1,297</u>	<u>606</u>
Electrical machinery	92	25	43	18	13
Fabricated metal products	25	17	4	23	2
Chemicals	22	33	67	51	48
Textiles and apparel	21	6	6	24	68
Nonelectrical machinery	18	19	58	91	53
Stone, clay and glass products	13	1/	14	57	38
Foods	12	34	3	17	24
Rubber products	11	4	1	6	40
Other transportation equipment	11	7	4	36	14
Motor vehicle and equipment	10	1/	15	54	57
Other 2/	80	213	299	920	249
Electric, gas and water utilities	598	813	1,091	981	451
Communication	186	105	867	428	141
Railroad	31	52	95	112	85
Other transportation	118	239	90	90	49
Commercial and other	172	197	46	67	85
Mining	115	26	53	83	46
Financial and real estate	<u>614</u>	<u>414</u>	<u>382</u>	<u>387</u>	<u>638</u>
Sales and consumer finance	429	205	240	208	455
Other	185	209	142	179	183

^{1/} Revised.

^{1/} Less than \$500,000.

^{2/} Includes small volume of issues of foreign manufacturers not further classified.

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

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

totaled \$.1 billion, the smallest volume in recent first quarters, and accounted for 6 per cent of all bond issues.

Table 2

Total Corporate Security Offerings by Type of Issue
1st Quarter 1956-60

(Gross proceeds in millions of dollars)

Type of issue	1960	1959 ^{r/}	1958	1957	1956
Total corporate offerings	2,283	2,282	3,318	3,558	2,250
<u>Type of offering</u>					
Public	1,401	1,429	2,521	2,626	1,201
Private	881	855	797	932	1,048
<u>Type of security</u>					
Bonds and notes	1,753	1,622	2,846	2,706	1,706
Public	937	787	2,067	1,798	683
Private	816	835	779	908	1,024
(Memo: Convertible)	(106)	(135)	(805)	(469)	(122)
Preferred stock	100	142	182	98	191
Common stock	429	518	289	753	352

n.a.--Not available.

r/ Revised

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

Source.--Securities and Exchange Commission.

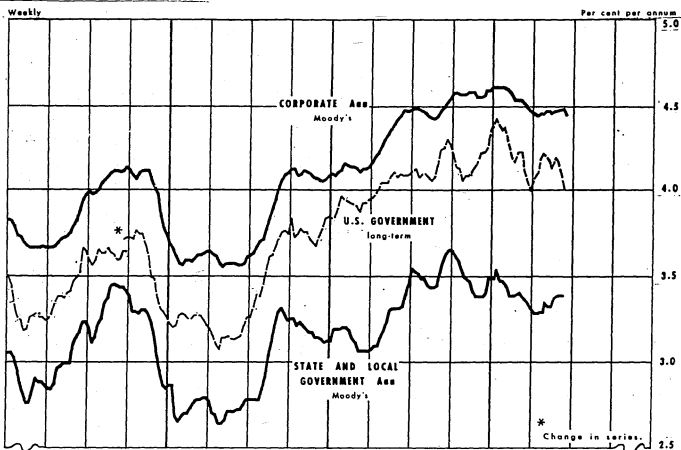
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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

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

EXHIBIT A

HIGH-GRADE LONG-TERM



LOWER-GRADE

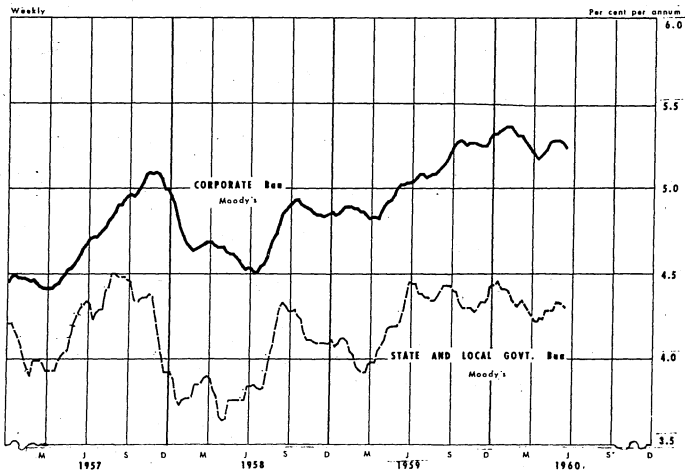


Exhibit B - Tables for Exhibit A
 Long-term Bond Yields
 High-grade

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 (6/10)	4.00 (6/10)	3.28 (4/7)	.19	.62
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	4.48	4.07	3.38	.41	.69
June 10 p/	4.44	4.00	3.38	.44	.62

Lower-grade

Date	Corporate Baa 1/	State and local govt. Baa 2/	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	.92
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	5.27	4.32	.79	.94
June 10 p/	5.24	4.30	.80	.92

p/ Preliminary.

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

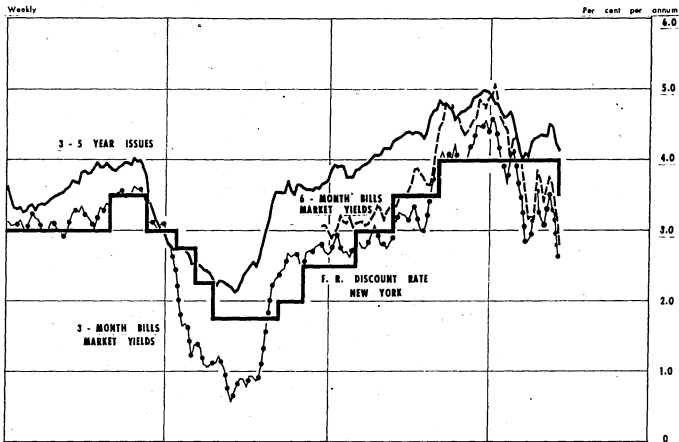
2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

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

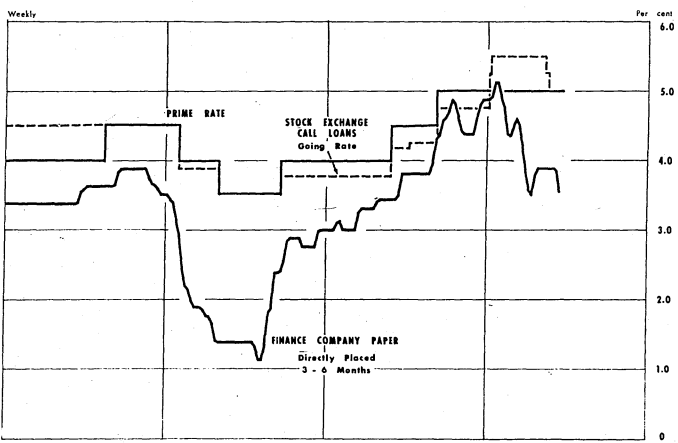
Note.—Highs and lows are for individual series and may be on different dates for different series.

EXHIBIT C

**SHORT- AND INTERMEDIATE- TERM INTEREST RATES
GOVERNMENT**



PRIVATE



1958

1959

1960

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	1.51
Low	3.50	2.61 (6/10)	2.80 (6/10)	4.02 (3/25)	.16	.38
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
June 10 p/	3.50	2.61	2.80	4.12	.19	1.51

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 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	
June 10 p/	5.00	5.00	3.53	.92	

1/ 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.

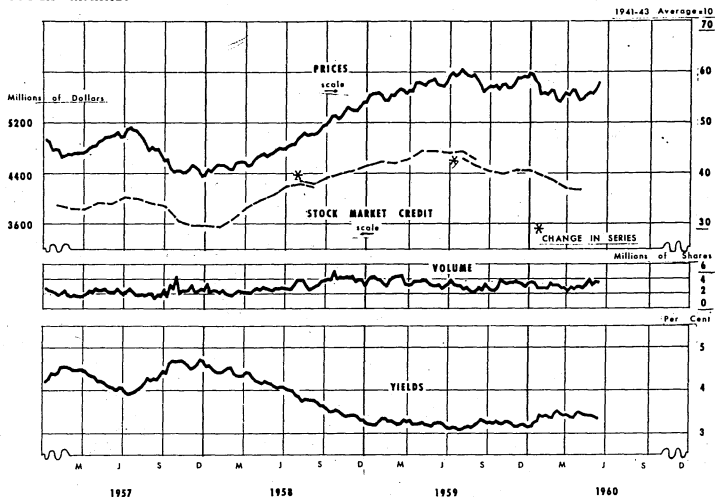
2/ Market yield; weekly averages computed from daily closing bid prices. Series of 3-5 year issues consists of selected notes and bonds.

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

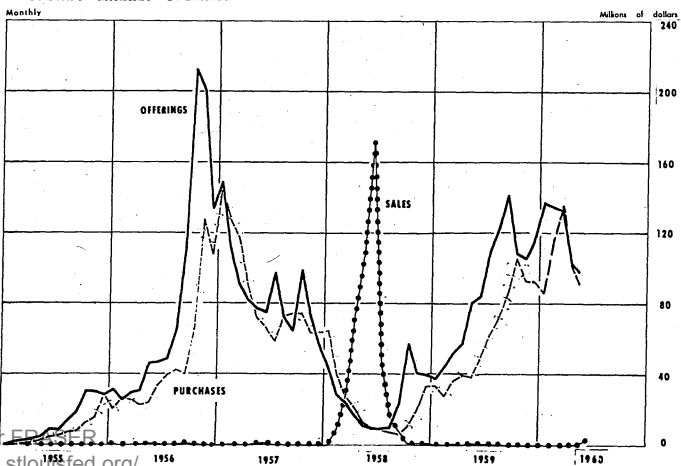
Note.--Highs and lows are for individual series and may be on different dates for different series. For spreads, high refers to widest, and low to narrowest.

EXHIBIT E

STOCK MARKET



FEDERAL NATIONAL MORTGAGE ASSOCIATION
SECONDARY MARKET OPERATIONS



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	1,111
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 27	55.74	3.40	3.2	n.a.	n.a.	1,111
June 3	56.23	3.37	3.6	n.a.	n.a.	1,108
June 10 p/	57.97	3.33	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.

Federal National Mortgage Association Secondary Market Operations 1/

Date	Estimated Offerings to FNMA			Purchases by FNMA	Sales by FNMA
	Total	Immediate purchase	Standby commitment		
(Millions of dollars)					
1959 - May	80.6	73.4	7.2	38.3	1.1
June	84.4	76.6	7.8	49.4	.6
July	109.5	92.5	17.1	62.3	.3
Aug.	123.1	109.9	13.3	71.7	.3
Sept.	141.3	134.8	6.5	85.4	--
Oct.	108.3	101.8	6.5	105.5	--
Nov.	105.6	100.3	5.3	92.6	*
Dec.	116.3	111.4	4.9	92.2	*
1960 - Jan.	137.6	128.3	9.3	86.1	--
Feb.	135.8	128.9	6.9	116.7	--
Mar.	133.2	124.6	8.6	135.0	--
Apr.	103.4	96.1	7.3	102.6	*
May p/	98.5	93.8	4.7	91.9	3.6

*--Less than \$50,000.

1/ Data represent unpaid principal balances of the mortgages involved, exclusive of premiums, discounts, or other charges. Offerings are amounts of applications received during the period from sellers proposing that FNMA execute purchasing contracts. An immediate purchase contract covers existing mortgages which the seller must deliver to FNMA within 45 days. A standby commitment contract relates to proposed mortgages, on housing not yet under construction, which the seller must usually deliver within one year. Purchases include those under both immediate purchase and standby commitment contracts. Data exclude FNMA activity under Special Assistance and Management and Liquidating Programs.

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/}	p/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		537	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/}		
	1960	1959	1958	1960	1959	1958
January	268	190	233	479	359	371
February	345	428	460	463	500	208
March	365	295	273	512	489	144
April	365	563	357	509	486	209
May	267	411	354		675	161
June		245	261		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 <u>2/</u>
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 10

Issuer	Type <u>3/</u>	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
Northwestern Bell Tel. Co.	Deb.	45.0	1998	4-7/8	4.80	Aaa
Midwestern Gas Transm. Co.	1st mtg. bds.	60.0	1980	5-3/4	5.70	--
Baltimore Gas & Elec. Co.	1st ref.mtg.bds.	25.0	1980	4-7/8	4.75	Aaa
<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 ^{1/2}	A
Memphis, Tennessee	G.O.	17.7	1961-90	3.33	2.25-3.50 ^{1/2}	Aa
Penna. Gen. State Auth.	Rev.-Rent.	25.0	1963-87/70	3.61	2.80-3.70	--
Los Angeles Dept. of Wtr. and Pwr., California	Rev.-Ut.	15.0	1961-90/65	3.68	2.40-3.75	Aa

Large Individual Issues Offered June 1 through 10 (Cont'd)

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>OTHER</u> None						

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/ 1/4 per cent bonds of 1989 and 1/10 per cent bonds of 1990 not reoffered.

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 - 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 10

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Consolidated Edison Co. of N. Y.	1st ref.mtg.bds.	50.0	June 15
James Talcott Inc.	Senior notes	20.0	June 23
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 29
Illinois Bell Telephone Co.	Com. stk.	61.0	June 30
			(rights expire)
*Commercial Credit Co.	Senior notes	50.0	July 6
Mississippi River Fuel Co.	S.F. deb.	24.0	July 8
Northern Illinois Gas Co.	1st mtg. bds.	30.0	July 14
Texas Eastern Transmission Corp.	Deb.	25.0	Indefinite
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
State of Kentucky	G.O.	30.0	June 14
State of Michigan	Rev.-S.T.	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
*State of Connecticut	G.O.	28.9	June 16

Forthcoming Large Offerings, as of June 10 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Oroville-Wyandotte Irr. Dist., Calif.	Rev.-Ut.	62.0	June 21
*State of Maryland	G.O.	13.5	June 21
Alabama Education Authority	Rev.-S.T.	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
Florida Development Comm.	Rev.-Ut.	16.8	June 29
*State of North Carolina	G.O.	10.7	July 6
Santa Clara Co., California	G.O.	11.5	July 12
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	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
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 easing of rates in Canadian money markets last week in sympathy with trends in United States markets. Canadian Treasury bill and bond yields touched new lows for the year. There was only a small net incentive to hold the 3-month Canadian bill. In the bond market, the spread in favor of the Canadian bonds widened during the week. Stock prices showed some rise over the week but remained relatively low for the year. General bank loans continue to expand more than seasonally. There was little change in the price of the Canadian dollar during the week.

Money market conditions. At last Thursday's auction the 3-month Treasury bill declined by 27 basis points from 2.92 per cent a week ago to 2.63 per cent, a low for the year. The 6-month bill also declined to a low for the year, by 35 basis points, from 3.24 per cent to 2.89 per cent (see Table). Last week the chartered banks decreased their bill holding by \$9 million while the general public holdings increased by an equivalent amount; in the preceding four weeks, the chartered banks were heavy purchasers of bills and the general public heavy sellers (see Table). The average closing rate on day-to-day loans increased to 2.95 per cent from 2.60 per cent the previous week.

For the first time since the end of April the yield on the Canadian 3-month bill was above the rate for the United States bill. Because the premium on the 3-month forward Canadian dollar declined, the net incentive in favor of the Canadian bill fell from 0.31 per cent per annum to 0.20 per cent (see Table).

Bond market conditions. Bond yields generally declined during the week, many to the lowest levels for the year. The spread between selected 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):

0.02 per cent on a 91-day bill	(0.00)
0.06 per cent on a 182-day bill	(0.09)
0.42 per cent on an 8-year bond	(0.21)
0.98 per cent on a 20-year bond	(0.92)
1.37 per cent on a 35-year bond	(1.31)

There was little change in bond holdings during the week. The Bank of Canada showed no net change and the chartered banks increased holdings by \$5 million while the general public decreased by \$10 million including savings bonds (see Table).

Manitoba issued a \$5 million 20-year 3 per cent bond priced at 71-1/4 to yield about 5.35 per cent. In the corporate sector, Alberta Gas Trunk Line Co. has announced its intentions to offer \$110 million of securities (\$65 million in the United States and \$45 million in Canada) in the latter part of the year. The funds are to be used for constructing pipe lines when U.S. distributors are given permission to import Alberta gas. It is hoped that construction can begin this year and be completed before 1962.

Chartered bank loans. On a seasonally adjusted basis, general bank loans rose by \$47 million in May compared with increases of \$14 million in April and \$15 million in March. During the month, the banks bought \$78 million of Treasury bills and \$9 million of bonds. Their liquid asset ratio rose from 16.7 per cent on April 27 to 18.2 per cent on June 1.

Exchange rate. There is little change in the spot rate on the Canadian dollar for the week before. The Canadian dollar closed at 101.88 last Thursday. The 3-month forward rate continued to show a slight premium for the sixth straight week (see Table).

Stock market conditions. During the last week the industrial indices on both the Toronto and Montreal exchanges increased, and for the first time since mid-April the Toronto index reached 501. Both indices continued to be well below their midpoint for the year as noted in the following table:

	<u>Toronto</u>	<u>Montreal</u>	<u>New York Standard and Poor</u>
1960 - High	532.94	320.0	65.02
Low	484.60	277.9	57.00
June 1	496.75	284.1	59.57
2	498.31	285.8	59.86
3	499.06	286.7	59.97
6	499.00	285.1	60.70
7	500.63	285.9	61.34
8	501.25	285.9	61.83

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Selected Canadian Money Market and Related Data

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	3-mo. Treas. bills			Canadian dollar			Net incentive to hold Can. bills/
	Canada	U.S. b/	Spread over U.S.	Spot	3-mo. forward	discount (-) premium(+)/d/	
	a/			c/			
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	2.65	2.63	-0.69	101.31	--	-0.72	-0.57
May 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	102.02	0.31	0.31
9	2.65	2.63	0.02	101.88	101.92	0.18	0.20

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	Spread over U.S. b/	Canada	Spread over U.S. d/	(20 year)		(35 year)	
					Canada	Spread over U.S. f/	Canada	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	2.89	-0.69	4.49	0.21	4.96	0.87	5.05	0.98
May 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
9	2.89	0.06	4.54	0.42	4.96	0.98	5.05	1.37

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 1976-83.

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 Total</u>	<u>Chartered banks</u>		<u>General public</u>		
	<u>Treas. bills</u>	<u>Bonds</u>		<u>Treas. bills</u>	<u>Bonds</u>	<u>Savings bonds</u>	<u>Treas. bills</u>	<u>Bonds</u>
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
9	- 1	0	- 9	- 9	+ 5	- 7	+ 9	- 3

Source: Bank of Canada, Weekly Financial Statistics.

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

	1960 <u>to June 6</u>	1959 <u>to June 8</u>	1958 <u>to June 9</u>
Government (direct)	3,389.0	3,145.0	3,625.0
Government (guaranteed)	--	150.0	300.0
Provincial (direct)	142.5	111.0	195.0
Provincial (guaranteed)	153.8	143.8	178.7
Municipal Corporation	282.4	170.6	205.5
	305.6	167.1	505.4
Less short term	4,273.4	3,887.5	5,009.6
	2,760.0	2,945.0	2,675.0
	1,513.4	942.5	2,334.6

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 Corporation	110.7	4.6	67.2
	50.3	24.0	102.1
	208.0	159.8	339.3

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

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Appendix 1

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United Kingdom: Money and Capital Markets During May

Rates in money and capital markets in Britain showed little change during May but conditions in the gilt-edged market deteriorated in early June. Several developments disturbed the bond market. On June 1, an economic assessment published by a well-known academic research staff concluded that Britain's economic situation has changed for the worse and recommended that the authorities let gilt-edged prices fall "in so far as this is necessary to make monetary policy effective." Secondly, external developments -- weakness in the sterling rate, a larger import deficit in April and "unexciting" gold and dollar figures for May -- added to uncertainties about the outlook for gilt-edged prices. The spot pound declined from \$2.809 on April 29 to \$2.802 on June 3.

Outside financial markets, the upward drift in interest rates continued during May. The increased attractiveness of Treasury nonmarketable securities introduced in the 1960-61 budget on April 4 (see "Capital Market Developments for March," dated April 18, 1960) led the building societies as a group to introduce higher yields to their investors and higher rates on their new and outstanding mortgages. In addition, the Treasury-sponsored Agricultural Mortgage Corporation also raised its lending rate.

Money market conditions. The 3-month Treasury bill rate declined from 4.67 per cent to 4.56 per cent on May 6 and remained unchanged through the June 3 tender (see Table).

The spread favoring the London bill over the United States bill remained wide through the month. After narrowing early in the month, the spread increased to 1.91 per cent on June 3 compared with 1.63 per cent on May 6. The discount on the 3-month forward sterling changed little during May. The net incentive to hold the United Kingdom bill fell sharply on May 13 to only 0.42 per cent, but reached 1.21 per cent (annual basis) on June 3 (see Table).

Gilt-edged market. Gilt-edged yields fluctuated within narrow limits during May, with yields slightly higher in the first week of June. The changes in yields on selected maturities between May 6 and June 3 were (the figures in parenthesis refer to April changes):

-0.11 per cent on a 91-day bill (0.05)
0.18 per cent on a 6-year bond (-0.03)
0.07 per cent on a 15-year bond (0.03)
0.20 per cent on an undated bond (-0.04)

The higher yields on June 3 resulted from a fall in security prices following the suggestion in the June issue of the London and Cambridge Economic Service that additional monetary restrictions may be needed to curb inflationary pressures. Some uneasiness about the pound in the exchange market added to market concern about the outlook for gilt-edged prices. Activity in gilt-edged was at a reduced level over the past month and on Tuesday, June 7 the bond price index reached a 1960 low of 81.5 compared with 85.4 at the end of last year.

Installment credit controls. The effectiveness of the recently established installment credit restriction is difficult to estimate at this early date. The press reports that the hire-purchase controls appear to have had little effect on the demand for most durable consumer items subject to these new regulations. For many of these items, such as automobiles, a several-month lag between orders and deliveries continued to exist. According to trade estimates the decline in contracts on automobiles in May were only about 5.6 per cent below the number of contracts registered in May 1959. Thus far, cancellations have not been unusual. For some smaller items, such as radios and television sets, consumers appear to be ready to meet the new requirements without any noticeable decline in demand.

Total installment credit debt rose in April by £29 million compared with increases of £31 million in March and £16 million in February. Credit outstanding totaled £949 million at the end on April compared with £642 million at the end of April 1959.

Stock prices. Stock prices fluctuated widely during the period under review. After reaching a 1960 low of 295.8 on May 9, the Financial Times industrial index rose to a peak of 322.2 on May 31 (see Table). On June 1, however, the index dropped to 318.1 but by June 8 recovered to 322.3.

During the month, the gap in yields between stocks and bonds widened as the Consols yield rose and the share yield declined with rising stock prices (see Table). The gap in favor of bonds reached a minimum of 0.73 per cent on May 6 but had widened to 1.23 per cent on June 3.

Mortgage loans. The national organization of building societies announced an increase in mortgage rates from 5-1/2 per cent to 6 per cent effective immediately for new borrowers and after a three months delay for existing borrowers. Savings invested in building society shares will receive 3-1/2 per cent beginning July 1 as against 3-1/4 per cent at present, but interest on deposits will remain at 3 per cent. These new rates affect all members of the Building Society Association. The Halifax Board, one of the largest nonmembers, has not yet announced a change but is expected to do so soon because of growing difficulties of the building societies in maintaining their inflow of new funds to meet their mortgage demands.

National Savings Movement. Receipts by the National Savings Movement exceeded repayments by £53.25 million during the first nine weeks of the current fiscal year as compared with £55.838 million during the same period last year. However, after accounting for an early Easter, the current year rate of saving exceeds that of the record year in 1959.

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United Kingdom: Treasury Bill Yields and Exchange Rates

Date	3-mo. Treasury bill			Discount on 3-mo. sterling ^{c/}	Net incentive to hold U.K. bill ^{d/}	Exchange rate	
	U.K. ^{a/}	U.S. ^{b/}	Differ- ence			Spot sterling ^{e/}	Discount on 3-mo. sterling ^{f/}
1959 - High	3.6	4.7	-1.1	--	--	--	--
Low	3.0	2.6	0.4	--	--	--	--
1960 - High	4.62	4.59	1.94	(P).64	1.30	281.17	.65
Low	3.75	2.65	-0.84	.92	-.23	279.83	(P).47
April 29	4.65	3.04	1.61	.87	.74	280.91	.61
May 6	4.67	3.04	1.63	.80	.83	280.84	.56
13	4.56	3.44	1.12	.70	.42	280.71	.49
20	4.56	3.25	1.31	.70	.61	280.53	.49
27	4.56	3.09	1.47	.68	.79	280.32	.48
June 3	4.56	2.65	1.91	.70	1.21	280.20	.49

^{a/} Average yield at Friday weekly tender.

^{b/} Closing market yield for Friday in New York.

^{c/} Spread between spot and forward rate in per cent per annum.

^{d/} Net of difference in bill yield less discount on 3-month sterling.

^{e/} Spot rate in New York market in U.S. cents.

^{f/} Spread between spot and forward rates in U.S. cents.

United Kingdom: Selected Capital Market Yields

	6-year bond ^{a/}	15-year bond ^{b/}	War loan ^{c/}	Consols ^{d/}	Share yield ^{e/}	Yield gap ^{f/}	Share prices ^{g/}
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 29	5.52	5.75	5.70	5.35	4.28	1.07	305
May 6	5.35	5.65	5.58	5.26	4.53	0.73	297
13	5.35	5.59	5.59	5.28	4.40	0.88	307.4
20	5.42	5.64	5.62	5.35	4.36	0.99	309.9
27	5.39	5.62	5.62	5.33	4.23	1.10	319.7
June 3	5.53	5.72	5.69	5.46	4.23	1.23	319.7

^{a/} 5-1/2 per cent Exchequer, 1966.

^{b/} 3 per cent Savings Bond 1965-75.

^{c/} 3-1/2 per cent War Loan (undated).

^{d/} 2-1/2 per cent Consol (undated).

^{e/} Financial Times.

^{f/} Difference between yield on 2-1/2 per cent Consols and share yield.

^{g/} Financial Times.