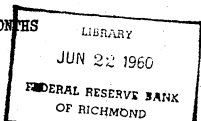


DECONTROLLED AFTER SIX MONTHS

Not for Publication

H.14



June 20, 1960.

CAPITAL MARKET DEVELOPMENTS  
IN THE UNITED STATES AND CANADA

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

Part I - United States

The volume of large public security issues for new capital this week is expected to be small again for corporations, but for State and local governments it is expected to be the largest since early this year. During the week ending June 17, one large corporate issue for \$50 million, State and local government issues totaling \$126 million, and a Canadian provincial government issue for \$30 million were sold. This week, a corporate issue for \$20 million and State and local government issues with aggregate proceeds of \$261 million are scheduled for sale. The calendar of State and local government issues includes a \$100 million revenue bond issue of New York State Power Authority which is expected to be sold through negotiation early this week.

Long-term bond yields - Yields on seasoned U. S. Government and State and local government bonds declined substantially last week, while those on corporate bonds increased slightly.

Short- and intermediate-term interest rates - Money market rates generally declined further last week. Yields on Treasury bills and intermediate-term Government issues continued to decline with all categories reaching new lows for the year. The rate for directly placed finance company paper, 3 to 6 months, was lowered for the third consecutive week from 3.50 to 3.00 per cent. The going rate on call loans secured by customers' stock exchange collateral at New York City banks and the prime rate continued at 5.00 per cent.

Mortgage and bond yields - Average discounts in the private secondary market on certain 5-3/4 per cent FHA-insured new home mortgages, which decreased slightly earlier this year, were unchanged in May, and at an implied yield of 6.20 per cent were about 55 basis points above last year. Since yields on new corporate bonds rose somewhat in May the spread between these bond and mortgage yields narrowed slightly further.

Stock market credit - Total customer credit in the stock market, excluding borrowing on U. S. Government securities, declined slightly in May. Stock market credit declined about \$100 million per month in the first three months of the year but has decreased little further since March. At \$4.1 billion at the end of May, stock market

credit was 7 per cent lower than at the end of 1959. The small May decline resulted from a \$16 million decline in net debit balances and a \$5 million decline in bank loans to other than brokers and dealers.

Borrowing by member firms of the New York Stock Exchange maintaining margin accounts, excluding borrowing on U. S. Government securities, declined \$40 million in May to total \$2.1 billion at the end of the month. Customers' net free credit balances increased somewhat last month. These and other data on stock market credit for May and April are shown in the following table.

	End of month		Change
	May	Apr.	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Government securities - total	4,132	4,153	-21
Net debit balances	3,021	3,037	-16
Bank loans to "others"	1,111	1,116	-5
Net debit balances secured by U. S. Govt. securities	130	113	+17
Bank loans to "others" for purchasing or carrying U. S. Government securities	139	135	+4
Broker and dealer credit			
Money borrowed except on U. S. Government securities	2,115	r/2,155	-40
On customer collateral	1,820	r/1,883	-63
Money borrowed on U. S. Government securities	207	r/185	+22
Customers' net free credit balances	970	940	+30

r/ Revised.

Stock prices - Stock prices, as measured by Standard and Poor's index of 500 common stocks, declined slightly last week, closing at 57.44 on June 17. Trading continued to be active, averaging 3.5 million shares a day.

Institutional investors - The net inflow of funds to three major types of savings institutions--life insurance companies, savings and loan associations and mutual savings banks--totaled \$707 million in April, one-fifth less than a year earlier. The net inflow was smaller this April than in 1959 for each type of institution, with an absolute decline in deposits at mutual savings banks. (The increase in time and savings deposits at commercial banks was also smaller this April.) For the first four months of the year total inflow at the three institutions was one-tenth smaller than a year earlier with only savings and loan associations enjoying a larger inflow than in the January-April period of 1959.

The growth in life insurance company assets totaled \$429 million in April, one-eighth less than 1959. There was some liquidation of U. S. Government securities in contrast with a slight net acquisition a year earlier. Net investment in mortgages continued to be larger this year than last while that in business securities remained smaller. Net purchases of business securities totaled \$134 million, two-fifths smaller this April, while net acquisitions of mortgages were \$225 million, nearly twice as large as last year. The increase in policy loans (included in other assets) in April was up sharply from a year earlier, as in other recent months, as policyholders continued to take advantage of the fact that such loans were available at rates lower than those charged by commercial banks. Despite this increase in lending to policyholders, such loans still constitute only a relatively minor use of life insurance funds.

The net increase in share capital at savings and loan associations was \$373 million in April, one-tenth smaller than in April last year. This is the first time this year that the growth in share capital has been smaller than in the corresponding period of 1959. There was a small amount of borrowing by these associations in contrast with heavy repayment of borrowed funds in the first three months this year. Borrowing is usual in April, however, and the amount this year was only about half as much as last year. Net acquisitions of mortgages, continuing to be smaller than a year earlier, totaled \$579 million, one-fifth smaller than in April 1959. Holdings of U. S. Government securities increased only slightly in comparison to a substantial increase a year earlier.

Deposits at mutual savings banks declined \$95 million in April in contrast with a slight net increase last year. The increase in deposits is generally small in April reflecting heavy withdrawals following quarterly interest/dividend payments. This April not only were withdrawals larger than a year earlier, but new deposits were smaller. Holdings of mortgages and State and local government securities were the only types of investments to increase in April. The increase for mortgages, however, at \$129 million, was one-sixth smaller than in April 1959. There was a net decline in other types of investments. Liquidation of U. S. Government securities was more than three times as large as a year earlier. There was a slight net liquidation of business securities; in April 1959 there had been a modest net acquisition.

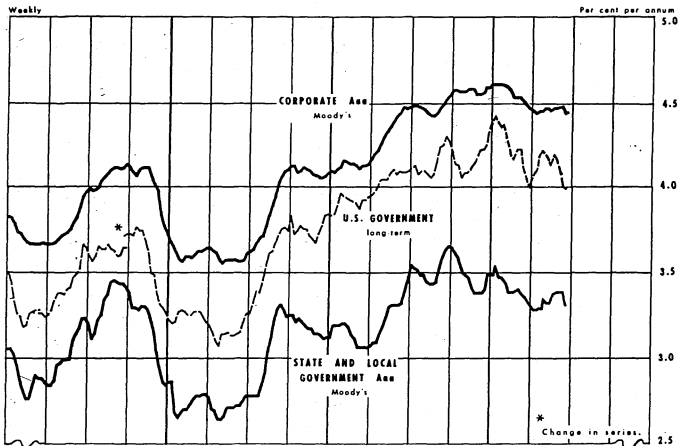
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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

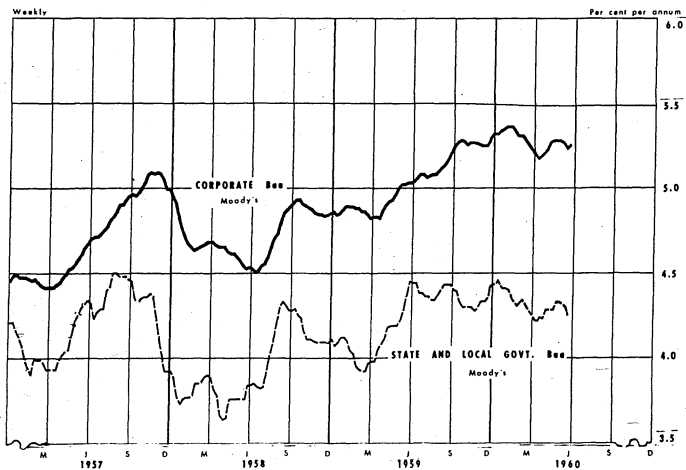


Exhibit B - Tables for Exhibit A  
Long-term Bond Yields  
High-grade

Date	Corporate Aaa 1/	U. S. Govt. long-term 2/	State and local govt. Aaa 2/	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)	.49	.92
Low	4.44 (6/10)	3.96 (6/17)	3.28 (4/7)	.19	.62
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	4.44	4.00	3.38	.44	.62
June 17 p/	4.45	3.96	3.31	.49	.65

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)		.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 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	5.24	4.30	.80	.92
June 17 p/	5.26	4.25	.81	.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.

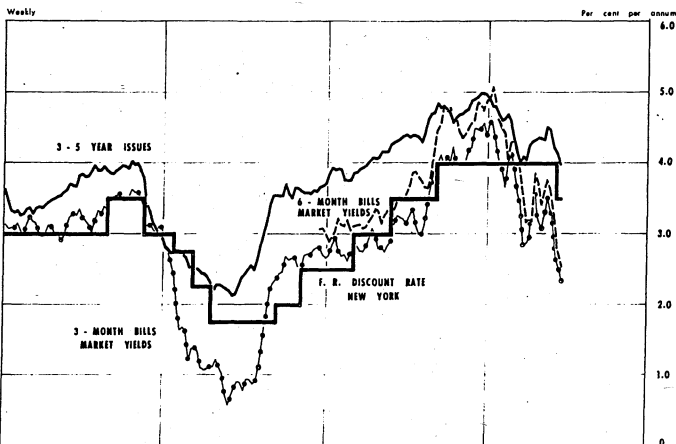
3/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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

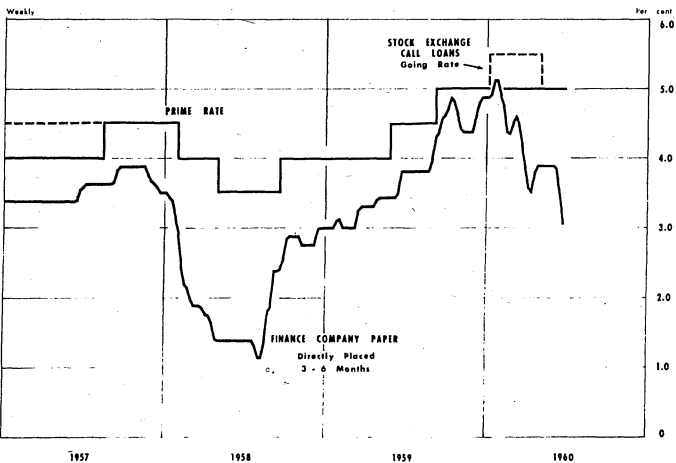
EXHIBIT C

SHORT- AND INTERMEDIATE- TERM INTEREST RATES

GOVERNMENT



PRIVATE



## Exhibit D - Tables for Exhibit C

-7-

## 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	1.68
Low	3.50	2.31 (6/17)	2.52 (6/17)	3.99 (6/17)	.16	.38
May 20	4.00	3.50	3.77	4.51	.27	1.01
May 27	4.00	3.25	3.64	4.48	.35	1.19
June 3	4.00	2.94	3.18	4.24	.24	1.30
June 10	3.50	2.61	2.80	4.12	.19	1.51
June 17 p/	3.50	2.31	2.52	3.99	.21	1.68

## Private

Date	Stock Exchange call loan 1/	Prime rate 1/	Finance company paper 2/	Spread between 3-month Treasury bill yield and finance company paper rates	
				3-month Treasury bill yield	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	5.00	5.00	4.88 (12/31)	.86	(10/9)
Low	4.00	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	3.05 (6/17)	.22	(4/15)
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	5.00	5.00	3.53	.92	
June 17 p/	5.00	5.00	3.05	.74	

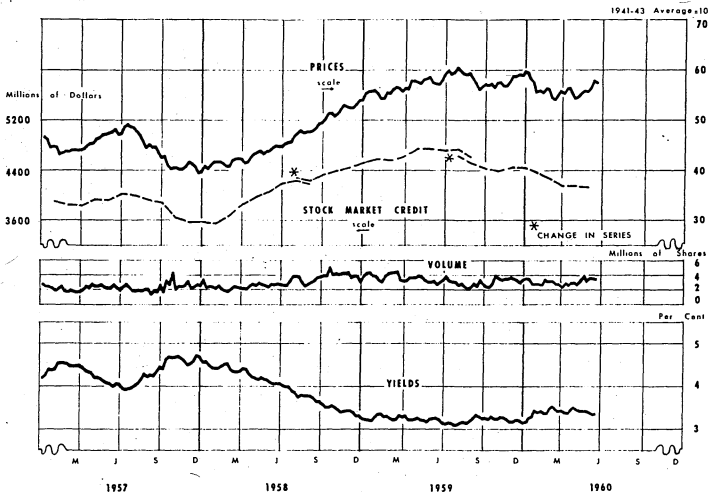
1/ Weekly rate shown is that in effect at end of period. Discount rate is for Federal Reserve Bank of New York. Stock exchange call loan rate is going rate on call loans secured by customers' stock exchange collateral at New York City banks. Prime rate is that charged by large banks on short-term loans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

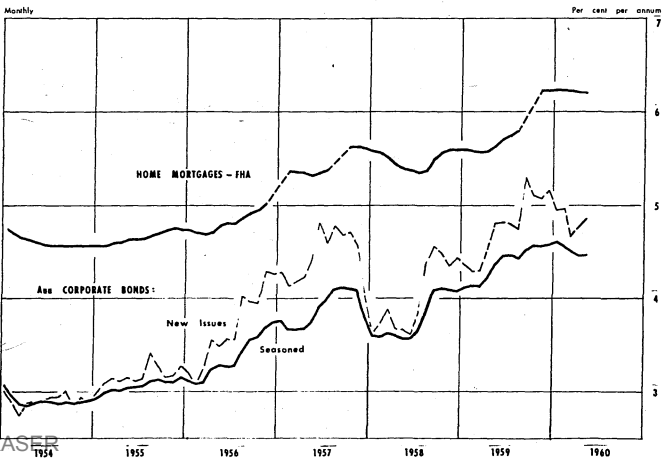
3/ Average of daily rates published by finance companies for directly placed paper for varying maturities in the 90-179 day range.

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.

**STOCK MARKET**



**MORTGAGE AND 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	3.9	4,365	3,198	1,167
Low	54.24 (3/11)	3.51	2.4	4,132	3,021	1,111
April	55.73	3.41	2.9	4,153	3,037	1,116
May	55.22	3.42	3.3	4,132	3,021	1,111
June 3	56.23	3.37	3.6	n.a.	n.a.	1,108
June 10	57.97	3.33	3.5	n.a.	n.a.	1,121
June 17 p/	57.44	3.36	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 FHA mortgages	
		New 3/	Seasoned 4/	Seasoned bonds	Seasoned mortgages
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)	2.84 (4/54)	.54	-.12
1959 - High	6.23	5.29	4.58	1.29	.77
Low	5.57	4.29	4.12	.83	.15
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	4.78	4.45	1.42	.33
May	6.20	4.86	4.46	1.34	.40

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 FHB, 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 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	621	858	953
March	860	646	1,553 <sup>3/</sup>	578	646	511
April	e/725	894	1,140	712	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		597	456
November		864	518		519	474
December		900	920		455	435
1st quarter	2,151	2,204	3,139	1,935	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/4,010	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&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 2/			Federal agency 3/		
	1960	1959	1958	1960	1959	1958
January	*	81	196	182	199	1,163
February	175	60	53	150	--	251
March	70	2	--	150	175	--
April	33	58	139	148	--	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	p/ 267	411	354	986	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 F 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 17

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest 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
Consol. Edison Co. of N.Y.	1st ref.mtg.bds.	50.0	1990	4-3/4	4.70	Aa
<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
Memphis, Tennessee	G.O.	17.7	1961-90	3.33	2.25-3.50 4/	Aa
Penna. Gen. State Auth.	Rev.-Rent.	25.0	1963-87/70	3.61	3.80-3.70	--
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 17 (Cont'd)

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u>						
<u>(Cont'd)</u>						
State of Kentucky	G.O.	30.0	1962-71/68	2.94	2.40-3.00	Aa
State of Michigan	Rev.-S.T.	25.0	1961-85/74	3.94	2.70-4.00	A
Milwaukee, Wisconsin	Rev.-Ut.	15.0	1961-90	3.56	2.25-3.60	Aa
Phila. Sch. Dist., Penna.	G.O.	10.0	1962-75	3.71	2.70-3.80	A
Commonwealth of Puerto Rico	G.O.	17.0	1961-80/75	3.89	2.50-3.90	A
State of Connecticut	G.O.	28.9	1961-80	3.06	2.10-3.15	Aaa
<u>OTHER</u>						
Alberta Mun. Finance Corp.	S.F. deb.	30.0	1985	4-7/8	4.91	Aa

- 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 17

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
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
*Illinois Bell Telephone Co.	1st mtg. bds.	50.0	July 7
Mississippi River Fuel Co.	S.F. deb.	24.0	July 8
Northern Illinois Gas Co.	1st mtg. bds.	30.0	July 14
*American Can Co.	Deb.	40.0	July 14
*Consumers Power Co.	Conv. deb.	38.1	Aug. 12 (rights expire)
Texas Eastern Transmission Corp.	Deb.	25.0	Indefinite
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</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

## Forthcoming Large Offerings, as of June 17 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
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
*Dallas Ind. Sch. Dist., Texas	G.O.	15.0	June 30
*Salt River Proj. Agric. Imp. & Pwr. Dist., Arizona	Rev.-Ut.	19.0	July 6
State of North Carolina	G.O.	10.7	July 6
*Chicago, Illinois	G.O.	37.0	July 7
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>			
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 <sup>2/</sup>	36	5.33	43
Nov.	*5.08	42		
Dec.	*5.30	63	5.45	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	4.88	32		
12			5.10	26
25			5.20	33
June 17			5.00	16

\*--Single observation, not an average.

<sup>1/</sup> Covers only 30-year first mortgage bonds, as reported in Moody's Bond Survey. Except where indicated, the actual yield figure and the amount above seasoned yields are averages of offerings during the indicated period and of the differences between these new offering yields and yields on seasoned issues of similar quality for the same day. Average maturity for the seasoned issues varies from 26 to 28 years.

<sup>2/</sup> Provides for a 5-year period during which issue may not be called for refunding at a lower coupon rate. Monthly averages so marked include one or more issues with such a provision. Other issues have no such provision.



## Exhibit L

Sources and Uses of Funds by  
Life Insurance Companies

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	Uses of funds 1/						Total sources or uses
	Cash	U. S. Govt. securities	Business securities 2/	State and local gov't securities	Mortgages	Other	
Value of assets at end of period:	(In millions of dollars)						
1956 - Dec.	1,273	7,519	39,552	2,234	32,994	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 - Apr.	1,192	6,723	47,468	3,278	40,236	16,497	115,394
Changes:							
1958 - 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
Apr.	39	-85	134	21	225	95	429
May							
June							

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 M

Sources and Uses of Funds by  
Savings and Loan Associations

	Uses of funds 1/				Total sources or uses	Sources of funds		
	Cash	U. S. Govt. securities	Mortgages 2/	Other assets		Net change savings capital	Borrowing 3/	Other
Value of assets at end of period	(In millions of dollars)							
1956 - Dec.	2,119	2,782	35,775	2,199	42,875	37,148	1,347	4,380
1957 - Dec.	2,146	3,173	40,049	2,770	48,138	41,912	1,379	4,847
1958 - Dec.	3,585	3,819	45,627	3,108	55,139	47,976	1,444	5,719
1959 - Dec.	2,189	4,471	53,087	3,725	63,472	54,548	2,384	6,540
1960 - Apr.	1,863	4,731	54,895	3,845	65,334	56,392	1,720	7,222
Changes:								
1958 - 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
Apr.	-31	7	579	87	642	373	46	223
May								
June								

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.

## Exhibit N

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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
1959 - Dec.	829	6,864	4,849	722	24,768	910	38,942	34,983	3,959
1960 - Apr.	690	6,728	4,861	723	25,322	961	39,285	35,190	4,095
Changes:									
1958 - Apr.	-47	-85	97	4	154	-29	94	93	1
May	-5	-62	120	-19	195	40	269	181	88
June	42	-36	-24	24	253	5	264	300	-36
July	-66	11	34	8	193	-28	152	88	64
Aug.	-5	19	8	2	198	29	251	143	108
Sept.	18	-27	34	2	181	29	237	267	-30
Oct.	-8	-92	-6	-3	195	-46	40	95	-55
Nov.	-38	-32	--	-1	151	43	123	42	81
Dec.	101	-2	47	-7	174	-3	309	418	-109
1959 - Jan. 2/	-96	119	-16	17	208	-58	175	122	53
Feb.	18	39	6	-4	125	32	216	113	103
Mar.	45	62	-31	41	175	38	330	313	17
Apr.	-114	-44	58	-33	155	-32	-10	6	-16
May	8	13	-20	10	161	45	217	120	97
June	43	-85	--	19	145	39	161	202	-41
July	-79	-13	-47	4	179	-12	32	-54	86
Aug.	3	-12	13	-1	156	33	192	80	112
Sept.	-2	-32	-2	8	160	31	163	197	-34
Oct.	-27	-281	-55	-20	137	-37	-283	-187	-96
Nov.	20	-85	-28	-8	124	42	65	-27	92
Dec.	111	-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
Apr.	-86	-148	-19	13	129	-21	-132	-95	-37
May									
June									

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 Assoc. of Mutual Savings Banks and Federal Deposit Insurance Corp.

## Part II - Canada

There was a sharp increase in the spread favoring the Canadian short Treasury bill last week due largely to the fall in the U.S. rate while the Canadian rate increased slightly. The net incentive for holding the Canadian bill also rose sharply due both to the increase in the spread and the rise in the premium on the 3-month forward Canadian dollar. There were large reductions in the bill holdings of the Bank of Canada, the chartered banks, and the general public, reflecting a \$114 million reduction in bills outstanding. During the week, Canadian bond yields declined slightly for all maturities but less than the decline in United States bond yields. The spot rate on the Canadian dollar declined slightly during the week while the 3-month forward premium increased slightly. The price of industrial stocks on the Canadian exchanges declined during the week.

**Money market conditions.** The average rate on the 3-month Treasury bill at last Thursday's auction rose 6 basis points to 2.71 per cent compared with 2.65 per cent a week ago. The average rate on the 6-month bill rose from 2.89 per cent to 2.92 per cent. There was a \$114 million decrease in the total supply of Treasury bills outstanding as maturing one year and 253-day bills were refinanced partially by bills and partially by bonds (see Capital Market Developments, May 31, 1960). The decrease in bills outstanding was reflected in reductions in the bill holdings by the chartered banks, the general public, and the Bank of Canada by \$41 million, \$52 million, and \$20 million respectively. The average closing rate on day-to-day loans decreased to 2.70 per cent compared with 2.95 per cent the week before.

There was a sharp increase in the spread favoring the Canadian bill due largely to the sharp decline in the United States bill rate. At the same time the premium on the 3-month forward Canadian dollar increased from 0.18 per cent (annual rate) to 0.37 per cent, with the result that the net incentive to hold the Canadian bill rose 0.56 percentage points from 0.20 per cent to 0.76 per cent per annum.

**Bond market conditions.** Bond yields declined slightly for all maturities, to or near new lows for the year. Due to greater declines in the United States bond yields there was an increase in the spread favoring the Canadian bonds. The spread between selected comparable Canadian and United States securities (Thursday yields for bills and Wednesday for bonds) was as follows (figures in parenthesis refer to the previous week):

0.39 per cent on a 91-day bill (0.02)  
 0.38 per cent on a 182-day bill (0.06)  
 0.49 per cent on an 8-year bond (0.42)  
 1.05 per cent on a 20-year bond (0.98)  
 1.39 per cent on a 35-year bond (1.37)

During the week the Bank of Canada and the chartered banks increased their holdings of bonds by \$13 million and \$5 million respectively while the general public decreased their holdings by \$14 million (includes \$3 million of savings bonds) (see Table).

Exchange rate. During the last week, the Canadian dollar declined slightly in terms of the United States dollar, and closed at 101.67 (U.S. cents) last Thursday compared with 101.88 the week before. The official gold and dollar holdings of the Canadian Government as of May 31 were \$1.74 billion, reflecting a drop of \$102 million during May, as compared with declines of only \$14 million in April and \$2 million in March. The decline reflects the policy of the exchange fund to moderate sharp day-to-day fluctuations in the exchange rate without attempting to change the general trend. Since March 24, the Canadian dollar has declined by 3.57 U.S. cents, from 105.24 to 101.67 last Thursday as noted in the following table:

<u>Date</u>	<u>Spot rate (U.S. cents)</u>
March 24	105.25
April 7	104.00
April 21	103.67
May 5	103.30
May 19	101.47
June 2	101.94
June 16	101.67

Stock market conditions. The prices of industrial stocks on the Canadian stock exchanges showed some decline last week after rising the week before, as noted from the following indices.

	<u>Toronto</u>	<u>Montreal</u>	<u>New York Standard &amp; 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
3	499.06	286.7	59.97
8	501.25	285.9	61.83
9	500.53	284.7	61.95
10	500.25	285.6	61.91
13	500.38	285.6	61.90
14	498.63	284.4	61.80
15	496.38	281.2	61.39

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

Selected Canadian Money Market and Related Data

	<u>3-mo. Treas. bills</u>			<u>Canadian dollar</u>			<u>Net incentive to hold Can. bills/</u>
	<u>Canada</u>	<u>U.S./</u>	<u>Spread over U.S.</u>	<u>Spot</u>	<u>3-mo. forward</u>	<u>discount (-) premium(+)/d/</u>	
	<u>a/</u>	<u>b/</u>		<u>c/</u>			
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	2.32	-0.69	101.31	--	-0.72	-0.57
May 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
16	2.71	2.32	0.39	101.67	101.77	0.37	0.76

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

	<u>6-mo. Treas. bills</u>		<u>Intermediate bonds (8 yr.)</u>		<u>Long-term bonds</u>			
	<u>Canada</u>	<u>Spread over</u>	<u>Canada</u>	<u>Spread over</u>	<u>(20 year)</u>		<u>(35 year)</u>	
		<u>U.S./</u>		<u>U.S./</u>	<u>Canada</u>	<u>Spread over</u>	<u>Canada</u>	<u>Spread over</u>
	<u>a/</u>	<u>b/</u>	<u>c/</u>	<u>d/</u>	<u>e/</u>	<u>f/</u>	<u>g/</u>	<u>h/</u>
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	4.95	0.87	5.04	0.98
May 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
16	2.92	0.38	4.53	0.49	4.95	1.05	5.04	1.39

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 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 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
16	+ 20	+ 13	- 12	- 41	+ 5	- 3	- 52	- 11

Source: Bank of Canada, Weekly Financial Statistics.

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

	1960 to June 13	1959 to June 15	1958 to June 16
Government (direct)	3,509.0	3,480.0	4,200.0
Government (guaranteed)	--	150.0	300.0
Provincial (direct)	150.0	111.0	205.0
Provincial (guaranteed)	153.8	148.8	195.3
Municipal	258.4	177.5	264.2
Corporation	306.1	172.4	602.2
	<u>4,404.4</u>	<u>4,239.8</u>	<u>5,765.8</u>
Less short term	<u>2,880.0</u>	<u>3,080.0</u>	<u>3,253.0</u>
	1,524.4	1,159.8	2,512.8

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	110.7	4.6	106.8
Corporation	50.3	24.0	107.2
	<u>208.0</u>	<u>159.8</u>	<u>383.9</u>

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