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DECONTROLLED AFTER SIX MONTHS

H.14

July 18, 1960.

JUL 20 1960
FEDERAL RESERVE BANK
OF ST. LOUISCAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

Part I - United States

Large public security financing for new capital last week totaled \$120 million for corporations and \$39 million for State and local governments. This week, the volume of new financing is expected to be quite small. The calendar includes only one large corporate issue for \$20 million and two large State and local government issues with total proceeds of \$55 million.

Long-term bond yields - Changes in bond yields were mixed, but minor last week. Yields on State and local governments increased while those on corporate and U. S. Government obligations declined. High-grade corporate and U. S. Government bonds reached new lows for the year.

Offering yields on new corporate issues also declined slightly last week. A new A-rated, first mortgage electric utility issue was offered to investors to yield 4.88 per cent--5 basis points lower than that for a comparable issue offered a week earlier.

Mortgage and bond yields - Secondary market yields on certain FHA-insured 5-3/4 per cent new home mortgages declined slightly in June. At 6.19 per cent, they were the lowest this year, but were about 50 basis points above last year. Since yields on new corporate bonds declined substantially, the spread between these bonds and mortgage yields widened somewhat.

Short- and intermediate-term interest rates - The average yield on Treasury bills rose last week, while that on intermediate-term Government issues declined further. Other major money market rates were unchanged.

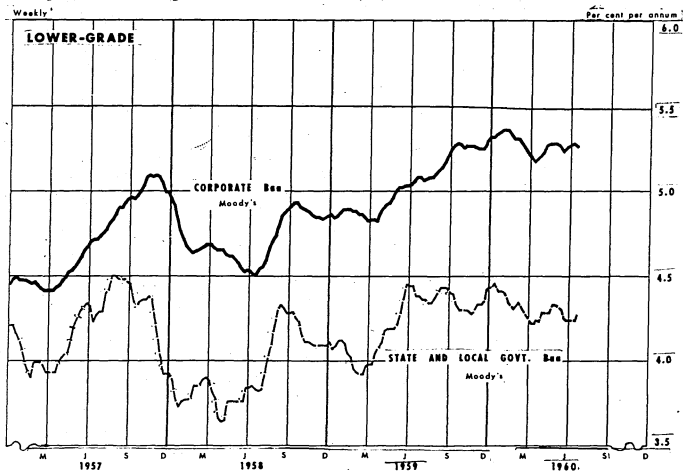
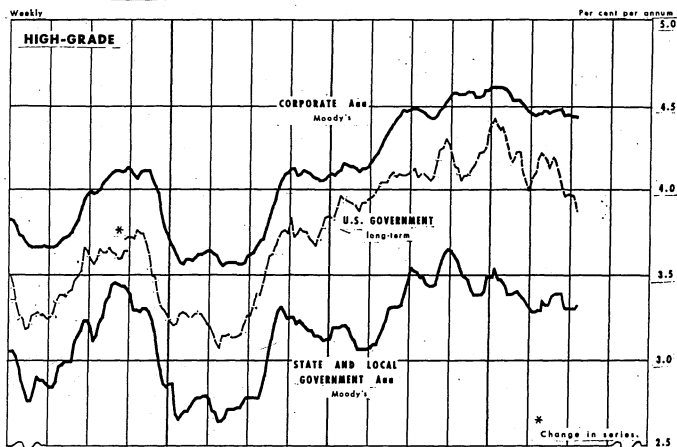
Stock prices - Standard and Poor's index of 500 common stocks declined 2 per cent last week, closing at 56.05 on July 15, the lowest since early June. Trading activity also declined last week with the daily volume averaging 2.6 million shares a day, the lowest since mid-April.

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

LONG-TERM BOND YIELDS



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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)	.56	.92
Low	4.43 (7/15)	3.87 (7/15)	3.28 (4/7)	.19	.55
June 17	4.45	3.96	3.38	.49	.65
June 24	4.45	3.97	3.30	.48	.67
July 1	4.44	3.96	3.30	.48	.66
July 8	4.44	3.91	3.30	.53	.61
July 15 p/	4.43	3.87	3.32	.56	.55

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)	.84	.97
Low	5.17 (4/8)	4.22 (4/7)	.71	.92
June 17	5.26	4.25	.81	.94
June 24	5.27	4.24	.82	.94
July 1	5.28	4.24	.84	.94
July 8	5.27	4.24	.83	.94
July 15 p/	5.26	4.27	.83	.95

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

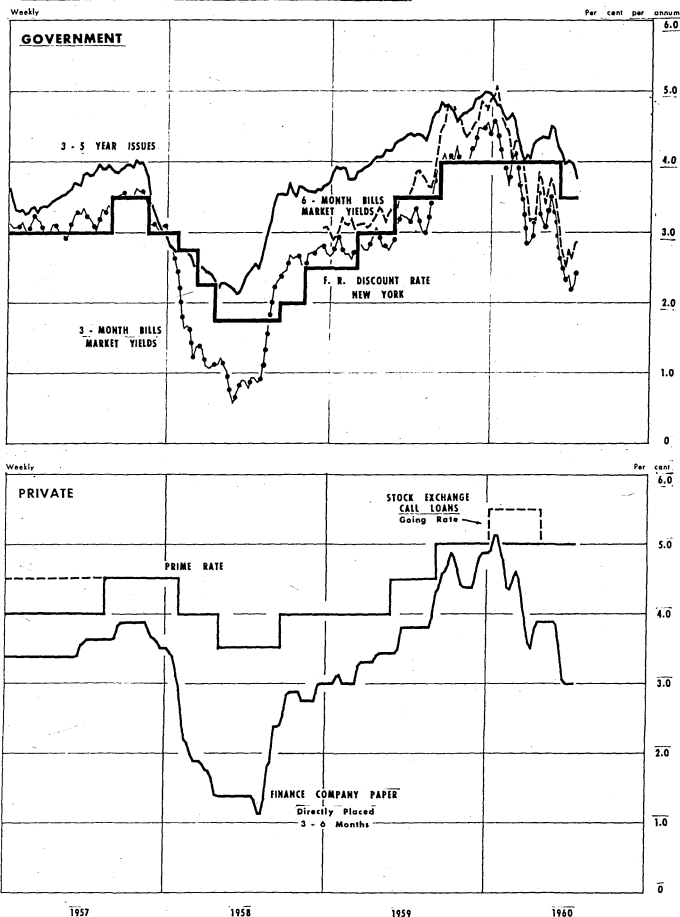


Exhibit D - Tables for Exhibit C

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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)	.58	1.81
Low	3.50	2.18 (7/11)	2.52 (6/17)	3.76 (7/15)	.16	.38
June 17	3.50	2.31	2.52	3.99	.21	1.68
June 24	3.50	2.39	2.76	4.01	.37	1.62
July 1	3.50	2.18	2.64	3.99	.46	1.81
July 8	3.50	2.27	2.85	3.87	.58	1.60
July 15 p/	3.50	2.41	2.87	3.76	.46	.89

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	3.00 (7/15)	.22 (4/15)
June 17	5.00	5.00	3.05	.74
June 24	5.00	5.00	3.00	.61
July 1	5.00	5.00	3.00	.82
July 8	5.00	5.00	3.00	.73
July 15 p/	5.00	5.00	3.00	.59

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.

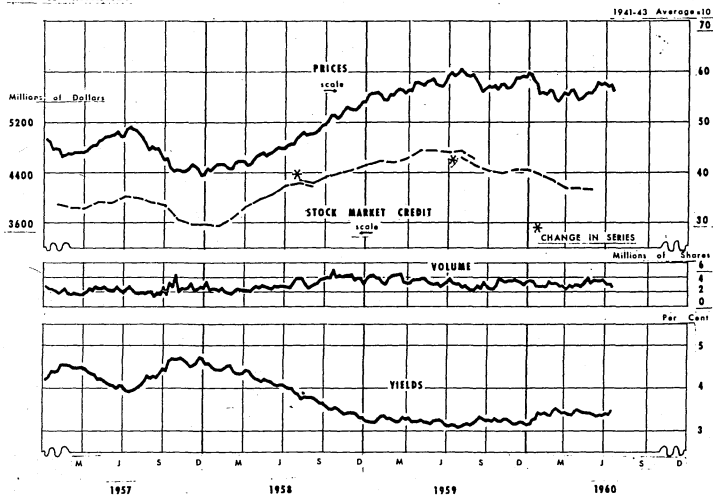
2/ Market yields weekly averages computed from daily closing bid prices. Series of 3-5 year issues consists of selected notes and bonds.

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



Stock Market

Date	Stock price index 1/	Common stock yields 2/ (per cent)	Trading volume 3/ (millions of shares)	Stock market customer credit		
				Total	Customers' debit balances 4/	Bank loans to "others" 5/
(Millions of dollars)						
1957-1959 - 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
May	55.22	3.42	3.3	4,132	3,021	1,111
June	57.26	3.35	3.5	n.a.	n.a.	1,132
July 1	57.06	3.38	3.0	n.a.	n.a.	1,132
July 8	57.38	3.36	3.0	n.a.	n.a.	1,134
July 15 p/	56.05	3.44	2.6	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.

Mortgage and Bond Yields 1/

Date	FHA mortgages 2/	Aaa corporate bonds 1/		Spread between new corporate bonds and	
		New 3/	Seasoned 4/	FHA mortgages	Seasoned bonds
1953-1958 - High	5.63 (11/57)	4.81 (6/57)	4.12 (9/57)	1.96	.90
Low	4.56 (2/55)	2.74 (3/54)	2.84 (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
June	6.19	4.69	4.45	1.50	.24

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

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

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

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

Exhibit 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	1958
January	577	821	728	736	639	812
February	715	738	857	623	858	953
March	860	646	1,553 ^{3/}	575	646	511
April	p/789	894	1,140	733	932	798
May	p/570	785	597	p/531	593	895
June	e/1,100	887	887	e/950	1,006	551
July	e/675	535	1,107	e/550	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	1,934	2,143	2,276
2nd quarter	e/4,459	2,567	2,623	e/2,214	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/4,610	4,771	5,762	e/4,148	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/2,159	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.

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	*	81	196	182	199	1,163
February	175	60	53	150	--	251
March	70	2	--	150	175	--
April	33	58	139	148	--	523
May	31	50	198	354	--	--
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		66	--
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	e/632	675	161
June		245	264	435	289	329
July		246	289		727	437
August		467	423		365	206
September		399	369		665	330
October		235	231		733	454
November		343	415		471	114
December		358	243		288	137
Year		4,179	3,910		6,047	3,098

p/ Preliminary.

1/ Data presented in this exhibit differ from those in Exhibit E in that refunding issues, as well as new capital issues, are included. Long-term securities are defined as those maturing in more than one year.

2/ Includes securities offered in the United States by foreign governments and their subdivisions and by international organizations. Source: Securities and Exchange Commission.

3/ Issues not guaranteed by the U. S. Government. Source: long-term, Securities and Exchange Commission; short-term, Federal Reserve.

4/ Principally tax and bond anticipation notes, warrants or certificates and Public Housing Authority notes. In some instances PHA notes included may have a somewhat longer term than one year. Source: Bond Buyer.

Exhibit 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 - 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
June	442	561	30

Large Individual Issues Offered July 1 through 15

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Illinois Bell Telephone Co.	1st mtg. bds.	50.0	1997	4-7/8	4.75	Aaa
Commercial Credit Co.	Sr. notes	50.0	1979	4-3/4	4.83	--
Northern Illinois Gas Co.	1st mtg. bds.	30.0	1985	4-5/8	4.60	Aa
American Can Co.	Deb.	40.0	1990	4-3/4	4.70	--
<u>STATE AND LOCAL GOVERNMENT</u>						
Salt River Proj. Agric. Imp. & Pwr. Dist., Ariz.	Rev.-Ut.	19.0	1963-92/69	3.92	2.90-4.05 4/	A
State of North Carolina	G.O.	10.7	1961-80	3.01	2.90-3.10 5/	Aaa
Dist. of Columbia Armory Board 6/	Rev.-Ut.	19.8	1979	4.19	4.15	Aaa
Chicago, Illinois	G.O.	37.0	1962-79	3.60	2.40-3.65	A
Santa Clara Co., Calif.	G.O.	11.5	1967-85	3.53	2.20-3.65 1/	Aa
Nassau Co., New York	G.O.	27.1	1961-89	3.86	2.20-4.00	A
<u>OTHER</u>						
None						

I-2

Footnotes

- 1/ Includes corporate and other security offerings of \$15 million and over; State and local government security offerings of \$10 million and over.
- 2/ Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.
- 3/ In the case of State and local government securities, G.O. denotes general obligations; Rev.-Ut., revenue obligations secured only by income from public utilities; Rev.-Q.Ut., revenue bonds secured only by revenue from quasi-utilities; Rev.-S.T., revenue bonds secured by revenue from specific taxes only; Rev.-Rent., revenue bonds secured solely by lease payments.
- 4/ 1992 maturities not reoffered.
- 5/ 1961-70 maturities not reoffered.
- 6/ Interest on these securities is not exempt from Federal income taxation.
- 7/ 1/4 per cent bonds of 1985 not reoffered.

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 - June 30	165	116	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
June 30	237	180	30	455	380	30

Forthcoming Large Offerings, as of July 15

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
State Loan & Finance Co.	S.F. deb.	20.0	July 20
Southern Counties Gas Co.	1st mtg. bds.	23.0	July 27
Seaboard Finance Co.	S.F. deb.	40.0	Aug. 2
*Southwestern Bell Telephone Co.	Deb.	100.0	Aug. 3
Natural Gas Pipeline Co. of Am.	1st mtg. bds.	25.0	Aug. 6
Natural Gas Pipeline Co. of Am.	Pfd. stk.	15.0	Aug. 8
El Paso Natural Gas Co.	Com. stk.	30.0	Aug. 11
Consumers Power Co.	Conv. deb.	38.1	(rights expire) Aug. 12
International Harvester Credit Corp.	Deb.	50.0	(rights expire) Aug.
Texas Eastern Transmission Corp.	Deb.	25.0	Indefinite
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
Trustors' Corp.	Partif. certif.	40.0	Indefinite
Liberian Iron Ore, Ltd	Bds. & stk.	30.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
Carmen-Smith Hydro-Elec. Proj., Ore.	Rev.-Ut.	25.0	July 19
Washington Toll Bridge Auth.	Rev.-Ut.	30.0	July 20
*Houston, Texas	G.O.	10.5	July 27
Chesapeake Bay Bridge & Tunnel Comm.	Rev.-Ut.	200.0	Indefinite
OTHER			
None			

Footnotes

*--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 ^{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
June 17			4.95	11
28	4.82	25		
29	4.84	27		
July 8			4.93	11
13			4.88	8

*--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.

July 18, 1960

Part II - Canada

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For the fifth consecutive week, Treasury bill rates rose in Canada. Bond yields also had a rising tendency but were well below early June levels. The net incentive to hold Canadian Treasury bills rather than United States bills remained at nearly 0.90 per cent per annum (with the exchange risk covered). The Canadian dollar moved up fractionally during the past week. The forward Canadian dollar showed a slight discount early in the week but closed the week at parity with the spot dollar. Industrial stock prices dropped sharply during the week on the Toronto and Montreal exchanges; however, prices in Toronto turned up after Wednesday.

Money market conditions. The average yield on the 3-month Treasury bill at last Thursday's auction rose 7 basis points to 3.24 per cent from 3.17 per cent a week ago. The 6-month bill rose by 10 basis points to 3.45 per cent compared with 3.35 per cent the previous week. During the week, the general public bought \$24 million of Treasury bills; the chartered banks sold the same amount. The Bank of Canada decreased its bill holdings by \$2 million. The average closing rate on day-to-day loans during the week was 3.28 per cent compared with 3.13 per cent the week before.

During the week the yield on the Canadian bill (with exchange risk covered) was 0.87 per cent above the yield on the United States bill.

Bond market conditions. Bond yields had a rising tendency in most maturities. The spread between selected comparable Canadian and United States securities (Thursday yields for bills and Wednesday yields for bonds) were as follows (figures in parentheses refer to the previous week):

0.87 per cent on a 91-day bill	(0.83)
0.77 per cent on a 182-day bill	(0.42)
0.86 per cent on an 8-year bond	(0.60)
1.04 per cent on a 20-year bond	(1.02)
1.23 per cent on a 35-year bond	(1.27)

During the week the general public decreased its holdings of bonds by \$15 million; the Bank of Canada bought \$12 million and the Chartered banks \$6 million.

On July 8 a two part \$50 million Province of Quebec issue was announced as follows: 5-1/2 per cent debentures due August 15, 1968, to be offered at par; 5-1/2 per cent debentures maturing August 15, 1981 (non-callable until 1979) to be offered at 99-1/2 to yield 5.54 per cent. The issue was heavily oversubscribed. A Province of Saskatchewan \$9 million loan offered on the Swiss market was also oversubscribed. British Columbia residents are being given preference in the distribution of a \$15 million, 5-3/4 per cent, 25-year British Columbia Telephone issue priced at 99 to yield 5.28 per cent.

Stock market conditions. Prices of industrial stocks on the Canadian exchanges declined early last week but the Toronto exchange regained part of the loss later in the week as noted in the following table:

	<u>Toronto</u>	<u>Montreal</u>	<u>New York</u> <u>Standard & Poor</u>
1960 - High	532.94	320.0	65.02
Low	484.60	277.9	57.00
July 9	490.60	276.0	61.00
11	486.75	274.9	60.40
12	484.06	272.3	59.70
13	484.75	271.4	59.52
14	486.38	271.8	59.54
15	488.06	270.9	59.44

Exchange rate. The Canadian dollar fluctuated within narrow limits during the week and closed at 102.03 on Friday compared with 101.92 a week ago. The 3-month forward dollar was at a small discount early in the week but closed at par with the spot rate on Thursday.

Canadian Dollar Rates
(in U.S. cents)

	<u>Spot rate</u>	<u>3-months</u> <u>forward</u>
July 8	101.922	101.938
11	102.063	102.047
12	101.969	101.906
13	102.000	101.984
14	102.031	102.031
15	102.031	102.031

Mortgage loans and housing construction. Housing starts in the first 5 months of this year were 38.6 per cent below the same period last year; starts for the year are expected to be about 100,000 compared with 154,000 in 1959. The Canadian Construction Association stated that over-building in the past years through government assistance to counter unemployment has already left a supply of unsold houses in the larger cities. In the first quarter of 1960, National Housing Association approvals have decreased to \$21.7 million (1802 units) compared with \$97.6 million (8,887) units the year before. (See Table) NHA funds were exhausted in October 1959 and no further applications were accepted at that time. In March of 1960 the Government announced a reduction in NHA funds to about half the 1959 level (see Capital Market Developments March 21, 1960).

British Commonwealth Section
Division of International Finance

Selected Canadian Money Market and Related Data

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	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	0.94
Low	2.65	2.19	-0.69	101.31	--	-0.72	-0.57
June 23	2.98	2.39	0.59	101.84	101.91	0.24	0.83
30	3.07	2.19	0.88	102.03	102.05	0.06	0.94
July 7	3.17	2.34	0.83	101.84	101.86	0.06	0.89
14	3.24	2.37	0.87	102.03	102.03	0.0	0.87

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	2.89	-0.69	4.49	0.21	4.85	0.87	4.90	0.98
June 23	3.19	0.40	4.50	0.43	4.87	0.99	4.96	1.28
30	3.23	0.62	4.50	0.45	4.85	1.01	4.94	1.25
July 7	3.35	0.42	4.54	0.60	4.85	1.02	4.94	1.27
14	3.45	0.77	4.54	0.86	4.85	1.04	4.90	1.23

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 1979.

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. bills</u>	<u>Bonds</u>		<u>Treas. bills</u>	<u>Bonds</u>	<u>Savings bonds</u>	<u>Treas. bills</u>	<u>Bonds</u>
May 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
23	- 4	+ 13	- 17	+ 5	- 2	- 7	- 1	+ 4
30	+ 5	+ 5	0	- 46	+ 11	- 7	+ 40	- 17
July 7	+ 18	+ 48	+ 13	+ 21	- 27	- 5	- 49	- 25
14	- 2	+ 12	- 2	- 24	+ 6	- 2	+ 24	- 15

Source: Bank of Canada, Weekly Financial Statistics.

Residential Construction and Mortgage Loans

	<u>Approved Loans</u>			<u>Total Units</u>		
	(mil. of Canadian dollars)			(number of Units)		
	<u>NHA</u>	<u>Other</u>	<u>Total</u>	<u>NHA</u>	<u>Other</u>	<u>Total</u>
1959 I	97.6	69.2	166.8	8,887	10,103	18,990
II	221.3	105.6	326.9	20,081	14,522	34,603
III	222.4	90.7	313.1	19,792	12,282	32,074
IV	<u>133.4</u>	<u>63.3</u>	<u>196.8</u>	<u>12,166</u>	<u>8,447</u>	<u>20,613</u>
Total	674.7	328.9	1003.6	60,926	45,354	106,280
1960 I	21.7	--	--	1,802	--	--
April	18.6	--	--	1,611	--	--

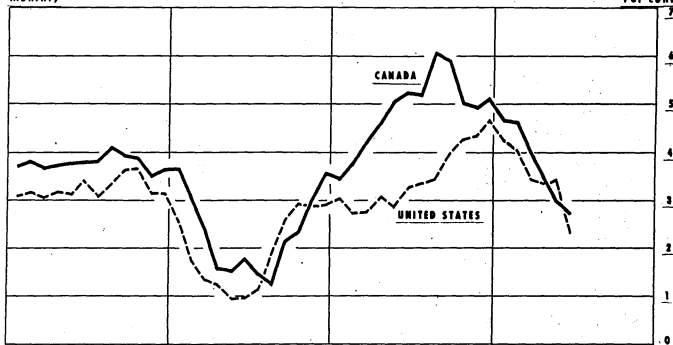
Source: Statistical Summary, Bank of Canada.

CANADA - UNITED STATES

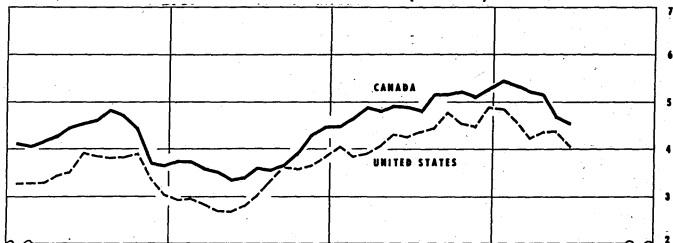
THREE-MONTH TREASURY BILL RATES

Monthly

Per cent



GOVERNMENT INTERMEDIATE TERM BOND YIELDS (8 YEARS)



LONG TERM GOVERNMENT BOND YIELDS (20 YEARS)

