

H.14

August 1, 1960.

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

Part I - United States

Large public security financing for new capital during the week ending July 29 totaled \$113 million for corporations and \$11 million for State and local governments. The calendar for this week includes a \$100 million bond issue of Southwestern Bell Telephone Company and a \$181 million issue by Chesapeake Bay Bridge and Tunnel Commission. This State and local government issue has been tentatively scheduled for sale numerous times in the past few years.

Long-term bond yields - Yields declined last week for all categories of outstanding bonds. Only lower rated State and local government bond yields were above the low reached earlier this year.

Although yields on corporate bonds remained relatively stable in early July, they declined in later weeks, with the decline for the month being about 10 basis points. U. S. Government bond yields declined throughout July and at the end of the month were 22 basis points lower than at the end of June. State and local government bond yields showed little net change during July.

Short- and intermediate-term interest rates - Yields on Treasury bills and intermediate-term issues also declined last week. For the month of July, market yields on 3-month bills showed no net change; those on 6-month bills declined 12 basis points and yields on 3- to 5-year issues declined more than 50 basis points.

Rates on directly placed finance company paper, 3-6 months were lowered slightly in late July. Other major money market rates remained stable last month.

Stock prices - Common stock prices fluctuated widely last week and trading activity increased somewhat. Standard and Poor's index of 500 common stocks closed at 55.51 on July 29, one per cent higher than a week earlier. Trading volume averaged 2.8 million shares a day.

Stock prices generally declined throughout July reaching 54.17 last week, 5 per cent lower than at the end of June. Prices on Friday, however, recovered about half of this decline. Trading activity averaged 2.7 million shares a day in July as compared with 3.5 million shares a day in June.

FNMA secondary market operations - Offerings to FNMA under its secondary market operations during June changed little, while FNMA purchases declined further. Both offerings and purchases in the second quarter were down about one-fourth from the near-record levels of the preceding quarter, as market conditions eased somewhat. Reflecting this trend, FNMA early in July raised by 1/2 point its prices for Federally-underwritten home mortgages bought over-the-counter under immediate purchase contracts. This was the first time such prices had been raised since the secondary market program was reconstituted in 1954.

August security volume estimates - New financing for corporations is expected to be heavy in August, but moderate for State and local governments.

Corporate security issues are estimated at \$1.1 billion, about one-half larger than in July and two-fifths larger than in August 1959. Large public issues are expected to total \$600 million, including the very large issues scheduled for sale by Southwestern Bell Telephone Company, General Motors Acceptance Corporation and Republic Steel Corporation.

State and local government security financing is expected to total \$550 million in July. This volume would be the same as a month earlier and slightly above the total a year ago. The calendar of large issues scheduled for sale in August is light except for the Chesapeake Bay Bridge and Tunnel Commission issue.

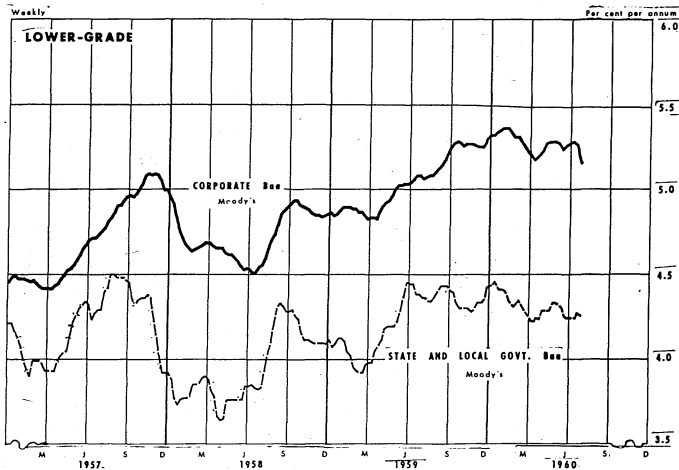
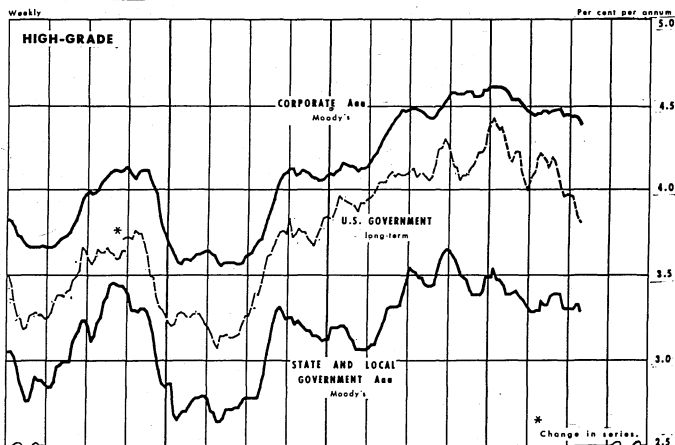
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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)	.57	.92
Low	4.38 (7/29)	3.81 (7/29)	3.28 (7/28)	.19	.53
July 1	4.44	3.96	3.30	.48	.66
July 8	4.44	3.91	3.30	.53	.61
July 15	4.43	3.87	3.32	.56	.55
July 22	4.40	3.84	3.32	.56	.53
July 29 p/	4.38	3.81	3.28	.57	.53

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
July 1	5.28	4.24	.84	.94
July 8	5.27	4.24	.83	.94
July 15	5.26	4.27	.83	.95
July 22	5.20	4.26	.80	.94
July 29 p/	5.15	4.25	.77	.97

p/ Preliminary.

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

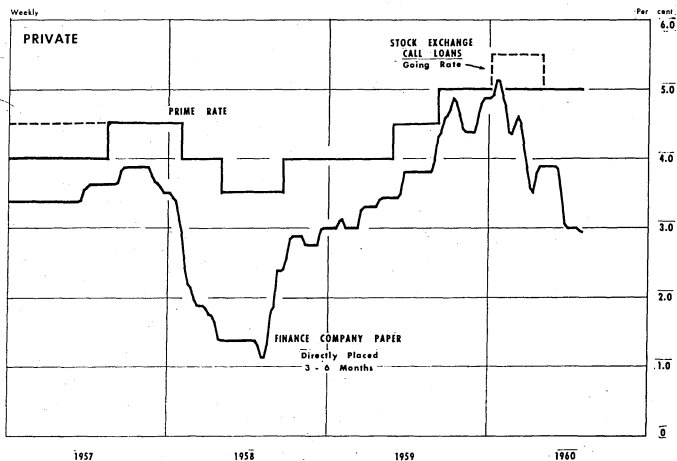
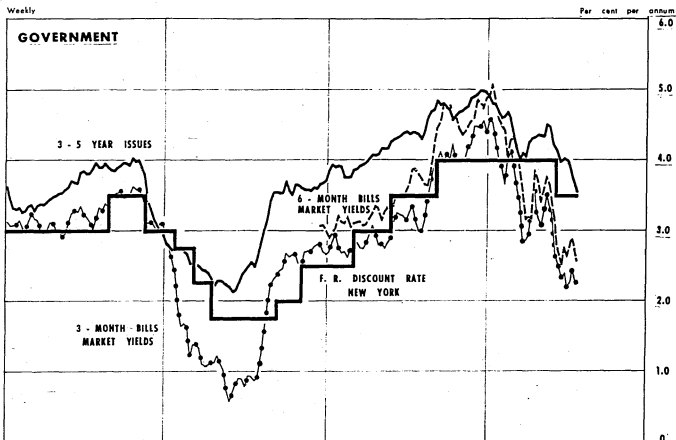
2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

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



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)	3.54 (7/29)	.16	.38
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	3.50	2.41	2.87	3.76	.46	.89
July 22	3.50	2.31	2.62	3.67	.31	1.36
July 29 p/	3.50	2.24	2.56	3.54	.32	.98

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	2.94 (7/29)	.22	(4/15)
July 1	5.00	5.00	3.00	.82	
July 8	5.00	5.00	3.00	.73	
July 15	5.00	5.00	3.00	.59	
July 22	5.00	5.00	2.96	.65	
July 29 p/	5.00	5.00	2.94	.70	

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.

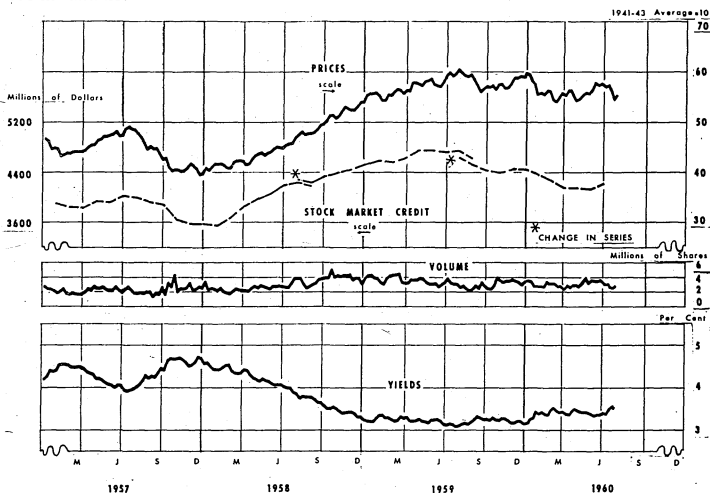
2/ Market yield; weekly averages computed from daily closing bid prices. Series of 3-5 year issues consists of selected notes and bonds.

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

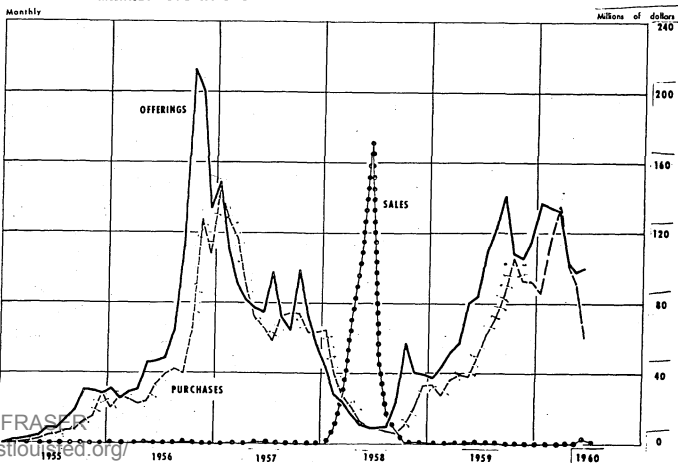
Note.—Highs and lows are for individual series and may be on different dates for different series. For spreads, high refers to widest, and low to narrowest.

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)						
1957-1959 - High Low	60.51 (7/31/59)	3.07	4.3	4,764	3,401	1,373
	39.78 (12/27/57)	4.66	1.4	3,554	2,482	1,060
1960 - High Low	59.50 (1/8)	3.18	3.9	4,365	3,198	1,167
	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	4,214	3,082	1,132
July 15	56.05	3.46	2.6	n.a.	n.a.	1,148
July 22	54.72	3.55	2.5	n.a.	n.a.	1,138
July 29 p/	55.51	3.50	2.8	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	Sales
	Total	Immediate purchase	Standby commitment	by FNMA	by FNMA
(Millions of dollars)					
1959 - 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	98.5	93.8	4.7	91.9	3.6
June p/	100.2	94.0	6.1	60.8	1.0

*--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 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	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	e/1,050	740	540	e/550	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/2,459	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.

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Exhibit H

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		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	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 during July

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	--
State Loan & Finance Co.	S.F. deb.	20.0	1980	5.40	5.40	--
Southern Counties Gas Co.	1st mtg. bds.	23.0	1985	4-3/4	4.60	A
Seaboard Finance Co.	S.F. deb.	40.0	1980	5-1/4	5.25	--
International Harvester Credit Co.	Deb.	50.0	1981	4-3/4	4.73	--
<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 ^{4/5}	A
State of North Carolina	G.O.	10.7	1961-80	3.01	2.90-3.10 ^{2/5}	Aaa
Dist. of Columbia Army 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
San Jose, Calif.	G.O.	11.5	1967-85	3.53	2.20-3.65 ^{1/5}	Aa

Large Individual Issues Offered during July (Cont'd)

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Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)						
Nassau Co., New York	G.O.	27.1	1961-89	3.86	2.20-4.00	A
Carmen-Smith Hydro-Elec. Proj., Oregon	Rev.-Ut.	25.0	1965-2004/71	3.93	3.10-4.30	A
Wash. Toll Bridge Auth.	Rev.-Ut.	30.0	2000/65	4.95	4.90	A
Houston, Texas	G.O.	10.5	1961-85	3.45	2.90-3.60 ^{8/}	A
<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/ 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.
- 8/ Bonds due 1961-65 and 1971-80 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 - 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
July 29	596	275	--	1,006	324	--

Forthcoming Large Offerings, as of July 29

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Southwestern Bell Telephone Co.	Deb.	100.0	Aug. 3
El Paso Natural Gas Co.	Com. stk.	33.0	Aug. 11
Consumers Power Co.	Conv. deb.	38.1	(rights expire) Aug. 12
*Michigan Bell Telephone Co.	Deb.	35.0	(rights expire) Aug. 17
Natural Gas Pipeline Co. of America	1st mtg. bds.	25.0	Aug. 18
Natural Gas Pipeline Co. of America	Pfd. stk.	15.0	Aug. 18
*General Motors Acceptance Corp.	Deb.	150.0	Aug. 18
Southern California Edison Co.	1st ref. mtg. bds.	60.0	Aug. 24
*McKesson & Robbins, Inc.	Deb.	15.0	Aug.
*Republic Steel Corp.	Deb.	125.0	Aug.
*Pacific Power & Light Co.	1st mtg. bds.	20.0	Sept. 22
American Telephone & Telegraph Co.	Deb.	250.0	Oct. 25
Texas Eastern Transmission Corp.	Deb.	25.0	Indefinite
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
Trustors' Corp.	Partic. certif.	40.0	Indefinite
Liberian Iron Ore, Ltd.	Bds. & stk.	30.0	Indefinite

Forthcoming Large Offerings, as of July 29 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
Chesapeake Bay Bridge & Tunnel Comm.	Rev.-Ut.	181.3	Aug. 1
*Los Angeles Co., California	G.O.	11.0	Aug. 9
State of Washington	G.O.	34.0	Aug. 23
East Bay Municipal Util. Dist., Cal.	G.O.	30.0	Aug. 24
*City & Co. of San Francisco, Calif.	G.O.	21.5	Sept. 12
Milwaukee, Wisconsin	G.O.	10.8	Sept. 20
*Alameda-Contra Costa Transit Dist., California	Rev.-Ut.	16.5	Sept. 7
<u>OTHER</u>			
None			

*--Included in table for first time.

1/ Includes corporate and other issues of \$15 million and over; State and local government issues of \$10 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.

Note.--Deletions for reasons other than sale of issue: None.

Exhibit K

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
20			4.80	--

*--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

The spot Canadian dollar advanced for the fourth consecutive week and closed at 102.66 U.S. cents on July 28. Canadian Treasury bill yields fell appreciably during the week. The net incentive to hold Canadian bills over United States bills was negligible on July 28 (see Table). There was a substantial reduction in the bill holdings of the general public. The Bank of Canada added to its bill holdings during the week and total bills outstanding were reduced. Shorter-term bond yields had an easier tendency but intermediate- and longer-term yields edged upward. Government accounts bought bonds during the week. Industrial stock prices showed little improvement; prices declined further on the Toronto exchange but slight gains were reported on the Montreal exchange.

Money market conditions. The average yield on the 3-month Treasury bill declined at last Thursday's auction by 27 basis points to 2.92 per cent from 3.19 per cent the previous week. The 6-month bill rate also declined to 3.15 per cent from 3.41 per cent the previous week. During the week the general public sold \$37 million of Treasury bills while the Bank of Canada increased its holdings of Treasury bills by \$18 million and the chartered banks by \$4 million (see Table). Total bills outstanding were reduced by \$15 million. The average closing rate on day-to-day loans during the week was 3.18 per cent compared with 3.35 per cent a week ago.

The spread favoring the Canadian over the U.S. short Treasury bill narrowed during the week to 0.69 per cent from 0.85 per cent the week before, and the discount on the 3-month forward Canadian dollar increased slightly. As a result, the net incentive to hold the Canadian bill declined to 0.33 per cent per annum from 0.54 per cent the week before, the lowest net incentive recorded since June 16.

Canadian commercial paper continued to offer incentives for short-term investment in Canada. According to commercial sources, some examples of short-term (90-day) commercial paper yields and the covered arbitrage as of July 22 were:

	<u>Yield</u>	<u>Covered arbitrage</u>
General Motors Acceptance Corporation	3.75	3.44
Continental Guaranty Corporation	4.00	3.69
United Dominions	4.00	3.69
Imperial Investments	3.75	3.44
Industrial Acceptance Corporation	3.75	3.44
Pacific Finance Corporation	3.75	3.44
Union Acceptance Corporation	3.75	3.44
Traders Finance Corporation	3.75	3.44

Source: Wood, Gundy and Co.

Bond market conditions. Bond yields for the shorter maturities fell while intermediate- and long-term issues showed some tendency to rise. 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):

0.69 per cent on a 91-day bill (0.85)
 0.61 per cent on a 182-day bill (0.77)
 0.92 per cent on an 8-year bond (0.85)
 1.11 per cent on a 20-year bond (1.12)
 1.25 per cent on a 35-year bond (1.24)

During the week the Canadian Government accounts purchased \$25 million of bonds. The Bank of Canada made net sales of \$13 million, the chartered banks sold \$3 million, and the general public sold \$10 million.

While there have been few new issues in recent weeks, the Hudson's Bay Co., Acceptance Ltd. \$10 million offer of 20-year, 6 per cent debentures was heavily over subscribed.

Stock exchanges. The prices of industrial stock on the Canadian exchanges continued at low levels, with the Toronto index falling to a new low for the year and the Montreal index up only slightly from the year's record low of last week.

	<u>Toronto</u>	<u>Montreal</u>	<u>New York Standard & Poor</u>
1960 - High	532.94	320.0	65.02
Low	472.38	260.6	57.00
July 20	480.25	267.0	58.90
21	477.56	265.5	58.34
22	473.75	262.4	57.95
25	472.81	260.6	57.40
26	472.38	261.5	57.80

The total turnover of mining and industrial stock on the Toronto exchange fell to 30,000 shares in both April and May, the lowest level in 10 years. The trading value was just over \$90,000,000, about the level of two days' trading in the 1955-56 boom. Average daily volume so far this year is about \$2 million, about two-thirds the level usually experienced. According to the press, at least part of the decreased demand for Canadian stocks is attributable to a sharp fall off in American interest in the Canadian market. The total value of shares on all Canadian exchanges in May was \$144 million, unchanged from April but substantially below the first-quarter level (see Table). During May, customer credit declined by about 7 per cent, mostly because of reduced brokers loans.

Exchange rates. The spot rate on the Canadian dollar rose during the week and closed at \$1.0289 Wednesday, July 27, the highest since mid-May (see Table). The discount on the 3-month forward dollar continued to increase during the week and closed at 0.36 per cent per annum (see Table).

Selected Canadian Money Market and Related Data

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	3-mo. Treas. bills			Canadian dollar			Net incen- tive to hold Can. bills/
	Canada	Spread	over U.S.	Spot	3-mo. discount	(-)	
	a/	U.S. b/		c/	forward	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
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
21	3.19	2.34	0.85	102.30	102.22	-0.31	0.54
28	2.92	2.23	0.69	102.66	102.56	-0.36	0.33

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 <u>a/</u>	Spread over U.S. <u>b/</u>	Canada <u>c/</u>	Spread over U.S. <u>d/</u>	(20 year)		(35 year)	
		Canada <u>e/</u>		Spread over U.S. <u>f/</u>	Canada <u>g/</u>	Spread over U.S. <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	4.85	0.87	4.86	0.98
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
21	3.41	0.77	4.55	0.85	4.88	1.12	4.86	1.24
28	3.15	0.61	4.57	0.92	4.88	1.11	4.87	1.25

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>Total</u>	<u>Treas. bills</u>	<u>Bonds</u>	<u>Savings bonds</u>	<u>Treas. bills</u>	<u>Bonds</u>
May 25	0	- 4	- 33	+ 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
21	- 15	- 5	+ 13	- 4	- 4	- 6	+ 4	- 4
28	+ 18	- 13	+ 25	+ 4	- 3	- 6	- 37	- 10

Source: Bank of Canada, Weekly Financial Statistics.

Credit Provided Through Members of the Stock Exchanges
(millions of Canadian dollars)

	<u>Customers debit balance</u>	<u>Chief sources of funds</u>		<u>Value of shares traded</u>
		<u>Brokers loans</u>	<u>Customers free credit balances</u>	
January	158	77	35	179
February	152	76	34	160
March	152	68	42	172
April	158	77	36	144
May	148	71	38	144

Source: Bank of Canada Statistical Summary, June 1960.