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H.14

August 8, 1960.

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

(Including Monthly Review of Financial
Developments in the United Kingdom)

Part I - United States

Public security financing for new capital last week included a Southwestern Bell Telephone Company issue for \$100 million and a Chesapeake Bay Bridge and Tunnel Commission revenue bond issue for \$181 million. (This State and local government issue had been tentatively scheduled for sale several times since late 1958.)

This week, large corporate issues, including the expiration of subscription rights, are expected to total \$96 million. A local government issue for \$11 million is also scheduled for sale.

Long-term bond yields - Yields declined last week for all categories of seasoned bonds, except those on lower grade corporate bonds which remained stable. Only lower rated State and local government bonds were above the low reached in April.

Short- and intermediate-term interest rates - Yields on Treasury bills and intermediate-term issues also declined last week, reaching new lows for the year.

Stock prices - Stock prices, as measured by Standard and Poor's index of 500 common stock prices, showed little net change last week, closing at 55.44 on August 15. Trading volume averaged 2.6 million shares a day, .2 million less than a week earlier.

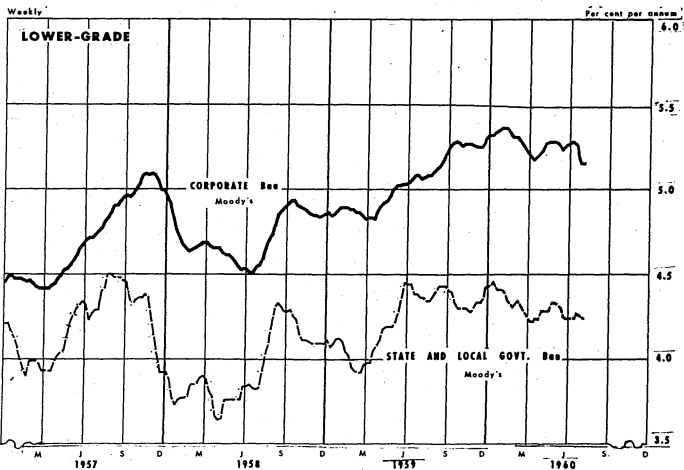
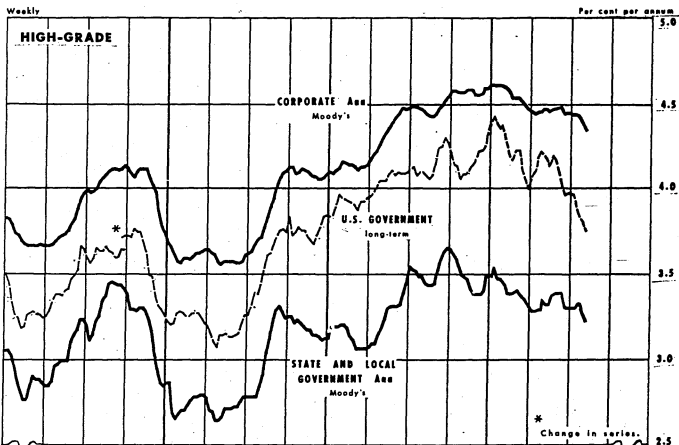
Mortgage recordings - Nonfarm mortgage recordings in May were again below year-earlier all-time highs, but were above any other May on record. Recordings during the first five months of 1960 were one-tenth smaller in amount than in the same period last year. The sharpest decline--25 per cent--was shown by recordings of commercial banks.

More detailed information concerning recent capital market developments is presented in the attached exhibits. Developments in the Canadian and United Kingdom 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

High-grade Bond Yields

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	.40
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)	.59	.92
Low	4.34 (8/5)	3.75 (8/5)	3.22 (8/4)	.19	.53
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	4.38	3.81	3.28	.57	.53
Aug. 5 p/	4.34	3.75	3.22	.59	.53

Lower-grade Bond Yields

Date	Corporate Baa 1/	State and local govt. Baa 2/	Spread between Aaa and Baa	
			Corporate	State and local govt.
(Per cent)				
1954 - Low	3.44 (12/31)	2.93 (8/5)	.52	.96
1957 - High	5.10 (11/29)	4.51 (8/29)	1.27	1.21
1958 - Low	4.51 (7/11)	3.64 (5/1)	.77	.93
1959 - High	5.32 (12/31)	4.46 (7/2)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.79
1960 - High	5.36 (2/12)	4.46 (1/7)	.84	1.02
Low	5.15 (8/5)	4.22 (4/7)	.71	.92
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	5.15	4.25	.77	.97
Aug. 5 p/	5.15	4.24	.81	1.02

p/ Preliminary.

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

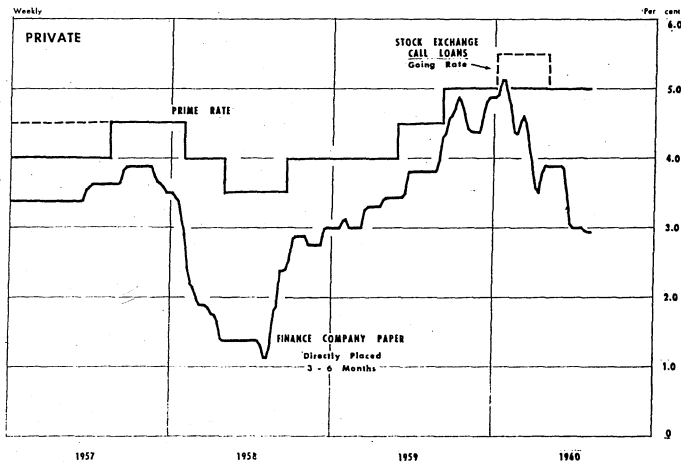
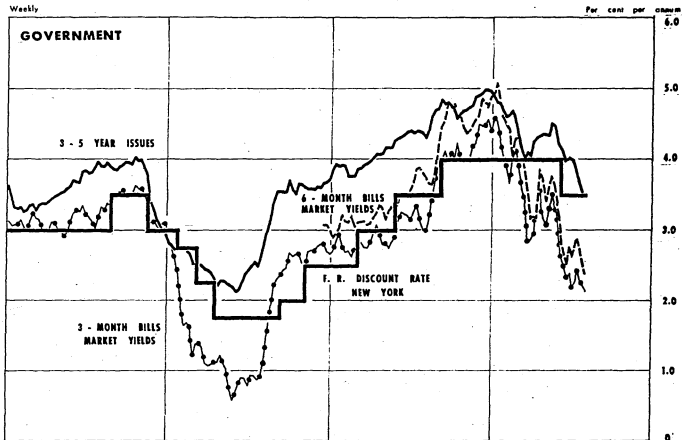
2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

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



1957

1958

1959

1960

Short- and Intermediate-term Interest Rates

Government

Date	Discount rate 1/	Yields			Spread between yields on	
		3-month bills 2/	6-month bills 2/	3-5 year issues 2/	3-month bills and yields on 6-mo. bills	3-5 yr. issues
(per cent)						
1954 - Low	1.50	.61 (6/11)	--	1.66 (4/30)	--	.66
1957 - High	3.50	3.64 (10/18)	--	4.04 (10/18)	--	.86
1958 - Low	1.75	.58 (5/29)	3.02 (12/26)	2.14 (6/7)	.26	.04
1959 - High	4.00	4.57 (12/26)	4.91 (12/31)	5.00 (12/24)	.79	1.42
Low	2.50	2.63 (2/20)	2.92 (1/2)	3.70 (1/2)	.19	.40
1960 - High	4.00	4.59 (1/8)	5.07 (1/8)	4.97 (1/8)	.58	1.81
Low	3.50	2.13 (8/5)	2.39 (8/5)	3.49 (8/5)	.16	.38
July 8	3.50	2.27	2.85	3.87	.58	1.60
July 15	3.50	2.41	2.87	3.76	.46	1.35
July 22	3.50	2.31	2.62	3.67	.31	1.36
July 29	3.50	2.24	2.56	3.54	.32	1.30
Aug. 5 p/	3.50	2.13	2.39	3.49	.26	1.36

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 (8/5)	.22 (4/15)
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	5.00	5.00	2.94	.70
Aug. 5 p/	5.00	5.00	2.94	.81

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 all 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.

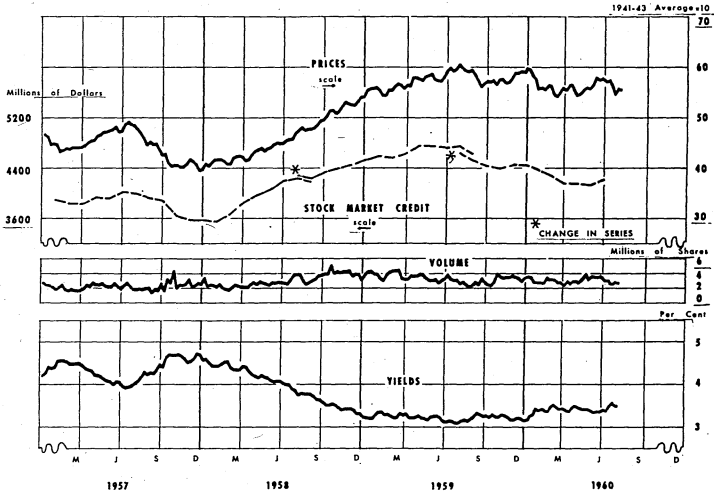
2/ Market yield; weekly averages computed from daily closing bid prices. Series of 3-5 year issues consists of selected notes and bonds.

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

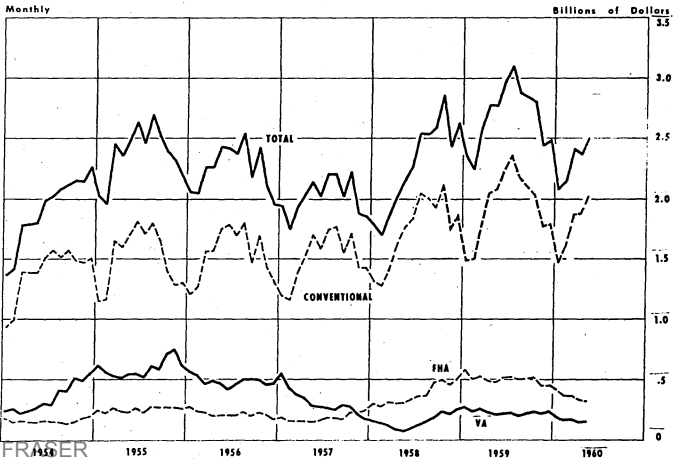
Note.—Highs and lows are for individual series and may be on different dates for different series. For spreads, high refers to widest, and low to narrowest.

EXHIBIT E

STOCK MARKET



MORTGAGE RECORDINGS AND LOANS



Stock Market

Date	Stock price index 1/	Common stock yields 2/ (per cent)	Trading volume 3/ (millions of shares)	Stock market customer credit		
				Total	Customers' debit 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
June	57.26	3.35	3.5	4,214	3,082	1,132
July	55.84	3.45	2.7	n.a.	n.a.	1,129
July 22	54.72	3.55	2.5	n.a.	n.a.	1,138
July 29	55.51	3.50	2.8	n.a.	n.a.	1,129
Aug. 5 p/	55.44	3.49	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.

Nonfarm Mortgage Recordings and Loans 1/

Date	Total		Unadjusted		
	Seasonally adjusted 2/	Unadjusted	FHA	VA	Conv.
(Millions of dollars)					
1959 - May	2,757	2,768	478	211	2,079
June	2,780	2,974	521	221	2,233
July	2,787	3,100	524	227	2,349
August	2,769	2,871	504	202	2,165
September	2,650	2,834	510	221	2,103
October	2,639	2,799	523	238	2,039
November	2,589	2,442	448	220	1,775
December	2,485	2,487	451	244	1,794
1960 - January	2,487	2,079	417	195	1,467
February	2,430	2,119	368	170	1,612
March	2,441	2,406	361	173	1,872
April	2,400	2,366	336	153	1,878
May	n.a.	2,500	322	155	2,023

n.a.--Not available.

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

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

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

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	729	932	798
May	p/570	785	597	551	593	895
June	e/1,100	887	887	p/970	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	p/2,249	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	p/4,183	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 <u>2/</u>
1959 - 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
July	303	191	--

Large Individual Issues Offered August 1 through 5

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Southwestern Bell Tel. Co.	Deb.	100.0	1995	4-5/8	4.55	Aaa
<u>STATE AND LOCAL GOVERNMENT</u>						
Chesapeake Bay Bridge and Tunnel Commission	Rev.-Ut.	70.0	2000	5.62	4.88	--
Chesapeake Bay Bridge and Tunnel Commission	Rev.-Ut.	30.0	2000	5.62	5.50	--
Chesapeake Bay Bridge and Tunnel Commission	Rev.-Ut.	81.3	2000	5.62	5.75	--
<u>OTHER</u>						
None						

Footnotes

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

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

3/ In the case of State and local government securities, G. O. denotes general obligations; Rev.-Ut., revenue obligations secured only by income from public utilities; Rev.-Q.Ut., revenue bonds secured only by revenue from quasi-utilities; Rev.-S.T., revenue bonds secured by revenue from specific taxes only; Rev.-Rent., revenue bonds secured solely by lease payments.

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 August 5

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Texas Eastern Transmission Corp.	Deb.	25.0	Aug. 11
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	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
Republic Steel Corp.	Deb.	125.0	Aug. 31
McKesson & Robbins, Inc.	Deb.	15.0	Aug.
*Utah Power & Light Co.	1st mtg. bds.	16.0	Sept. 15
Pacific Power & Light Co.	1st mtg. bds.	20.0	Sept. 22
American Telephone & Telegraph Co.	Deb.	250.0	Oct. 25
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 August 5

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
Los Angeles Co., California.	G.O.	11.0	Aug. 9
State of California	G.O.	15.0	Aug. 17
State of Washington	G.O.	34.0	Aug. 23
East Bay Municipal Util. Dist., Cal.	G.O.	30.0	Aug. 24
Alameda-Contra Costa Transit Dist., California	Rev.-Ut.	16.5	Sept. 7
City & Co. of San Francisco, Calif.	G.O.	21.5	Sept. 12
Milwaukee, Wisconsin	G.O.	10.8	Sept. 20
<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.

Canadian interest rates continued to decline last week. Bond yields were at or near lows for the year, especially in the shorter range. Substantial official bond purchases (\$57 million) were made by the Government accounts last week. The Bank of Canada was also a modest purchaser. The yield on Treasury bills eased slightly as the total bills outstanding was reduced by \$15 million. With the elimination of the discount on the forward dollar, there was a sharp rise in the net incentive to hold the Canadian bill on a covered basis. For the fifth straight month, seasonally adjusted general bank loans continued to expand. The Canadian dollar strengthened during the week. There was little change in industrial stock prices.

Money market conditions. The average yield on the 3-month Treasury bill declined at last Thursday's auction by 9 basis points to 2.83 per cent from 2.92 per cent a week ago. The 6-month bill yield also declined to 3.05 per cent from 3.15 per cent the previous week. There was a \$15 million decrease in the supply of Treasury bills outstanding. The chartered banks sold \$12 million and the Bank of Canada \$3 million. The average closing rate on day-to-day loans decreased to 3.05 per cent compared with 3.18 per cent a week ago.

The net incentive to hold the Canadian short Treasury bill over the comparable U.S. bill increased 0.35 percentage points to 0.68 per cent per annum, due to the elimination of the discount on the 3-month forward Canadian dollar.

Between July 22 and July 29, commercial paper sold by Canadian acceptance companies declined from 0.25 to 0.50 percentage points. (See Capital Market Developments July 29.) The following are the rates now being paid by three of the biggest acceptance firms:

<u>Maturity</u>	<u>Rate</u>
30-89 days	3-1/4 per cent
90-179 days	3-1/2 per cent
180-269 days	3-3/4 per cent
270-365 days	4 per cent

Prime commercial paper on August 5 was quoted at 3-3/8 per cent for 30 days and 3-5/8 per cent for 60 days.

Bond market conditions. Bond yields for all maturities declined during the week. The Government accounts purchased \$57 million of bonds and the Bank of Canada purchased \$13 million. The chartered banks sold \$34 million and the general public sold \$35 million. Over the last three weeks, the Government accounts have purchased a total of \$95 million of bonds (see Table). 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):

0.68 per cent on a 91-day bill (0.69)
 0.65 per cent on a 182-day bill (0.61)
 0.94 per cent on an 8-year bond (0.92)
 1.14 per cent on a 20-year bond (1.11)
 1.25 per cent on a 35-year bond (1.25)

The McLeod, Young, Weir average bond yield for 40 bonds declined to 5.59 per cent compared with 5.64 per cent on June 30 and 6.23 per cent in the beginning of the year (see Table). The decline was registered for all types; provincial, municipal, public utilities, and industrials.

The press reported some improvement in the Canadian bond market following the news regarding the U.S. Treasury offering of intermediate bonds rather than long terms as had been expected. The Industrial Acceptance Corp. offered \$7.5 million of 6 per cent, 20-year secured notes at par.

Chartered bank loans. General bank loans by the chartered banks, adjusted for seasonal variation, increased \$39 million in July for the fifth straight month. Recent monthly changes in seasonally adjusted loans since the fall of 1959 have been as follows (in millions of Canadian dollars):

	<u>Decline in loans</u>		<u>Increase in loans</u>
1959: Sept.	- 3	1960: Mar.	+ 15
Oct.	- 90	Apr.	+ 16
Nov.	- 22	May	+ 5
Dec.	- 35	June	+ 19
1960: Jan.	- 70	July	+ 39
Feb.	- 15		

Stock exchange. The price of industrial stock on the Toronto exchange improved during the week with a rise of about one per cent from a week ago while the Montreal exchange showed a decline of about the same amount, as noted in the following table:

	<u>Toronto</u>	<u>Montreal</u>	<u>New York Standard & Poor</u>
July 26	472.38	261.5	57.80
27	472.63	261.1	57.40
28	472.73	261.5	57.86
29	474.81	261.4	58.96
Aug. 1	--	259.8	58.96
2	476.06	259.3	58.41

Exchange rate. During the week, the Canadian dollar fluctuated between 102.58 (U.S. cents) and 102.86, and the premium on the 3-month forward dollar was eliminated. While Canadian foreign exchange reserves declined \$100 million in May, presumably in support of the spot rate on the Canadian dollar, there was a \$33 million increase in reserves in June.

During July, there have been no sales of Canadian corporate and local Government securities in the United States, according to trade sources (see Table). For the period, January through July, total sales in the United States were \$238 million in 1960 compared with \$271 million in 1959 and \$384 million in 1958.

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Selected Canadian Money Market and Related Data

	3-mo. Treas. bills			Canadian dollar			Net incentive to hold Can. bill ^e
	Canada ^a / _a	U.S. ^b / _b	Spread over U.S.	Spot ^c / _c	3-mo. forward	discount (-) premium(+) ^d / _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	2.15	-0.69	101.31	--	-0.72	-0.57
July 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
Aug. 3	2.83	2.15	0.68	102.75	102.75	0.0	0.68

^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 / _a	Spread over U.S. ^b / _b	Canada ^c / _c	Spread over U.S. ^d / _d	(20 year)		(35 year)	
					Canada ^e / _e	Spread over U.S. ^f / _f	Canada ^g / _g	Spread over U.S. ^h / _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	4.85	0.98
July 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
Aug. 3	3.05	0.65	4.53	0.94	4.85	1.14	4.85	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)

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	<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>
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
Aug. 4	- 3	+ 11	+ 57	- 12	- 34	- 5	0	- 35

Source: Bank of Canada, Weekly Financial Statistics.

McLeod, Young, Weir Bond Yield Average
(per cent)

	1960		1959
	<u>Aug. 2</u>	<u>June 30</u>	<u>Dec. 31</u>
10 Provincials	5.51	5.54	6.12
10 Municipals	5.84	5.88	6.60
10 Public Utilities	5.50	5.58	6.04
10 Industrials	5.52	5.56	6.14
40 Bond Yield Average	5.59	5.64	6.23

Canadian Provincial, Municipal, & Corporate Securities Sold in the United States
(in millions of dollars)

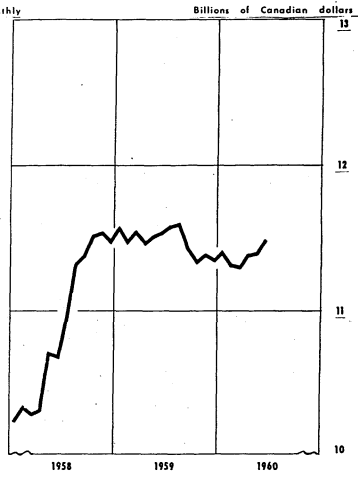
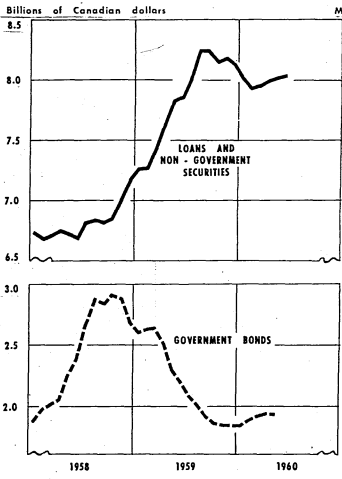
<u>Month ending</u>	<u>1960</u>	<u>1959</u>	<u>1958</u>
February 1	13.8	75.0	50.0
February 29	31.8	1.4	33.5
March 28	98.5	1.3	0.0
May 2	25.6	12.1	200.5
May 30	70.0	70.0	40.0
June 27	66.3	39.9	54.8
July 25	0.0	71.1	5.1
	<u>238.0</u>	<u>270.6</u>	<u>383.9</u>

Source: A. E. Ames & Co., Ltd.

CANADA

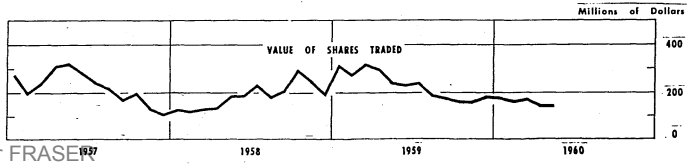
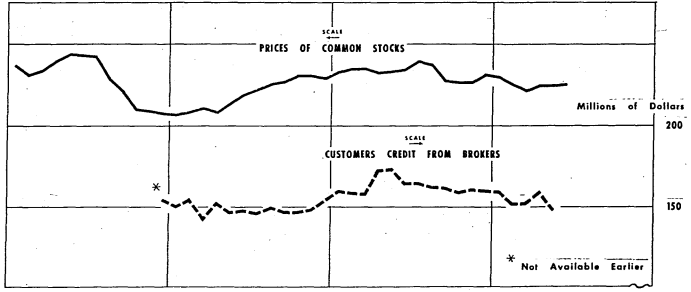
SELECTED CHARTERED BANK ASSETS

BANK DEPOSITS - LESS FLOAT



STOCK MARKET

1935-39 Average = 10



Appendix 1

United Kingdom: Money and Capital Markets During July

A continued inflow of funds from abroad, which produced an increase of \$103 million in Britain's foreign-exchange reserves during July (see Chart), had an important influence on London financial markets during July. Bidding by foreigners for Treasury bills produced a 20 basis point decline in the bill yield between July 1 and 22. With U.S. bill yields rising, the net incentive in favor of the London bill compared with the U.S. bill dropped from 1.95 to 0.90 per cent per annum. However, this trend was reversed late in July when U.S. bill yields declined sharply. Throughout July, bond yields in London remained relatively firm and long-term yields were at or above the end of June levels. During the month rates outside the financial market continued to rise. Both the Agricultural Mortgage Corporation and the Public Works Loan Board adjusted their lending rates to the new level of money rates. An unexpectedly sharp rise in bank loans for the month ending July 20, which was announced at the end of the month, raised the question of the effectiveness of current measures of restraint.

Money market conditions. From July 1 to July 22 the 3-month Treasury bill rate eased from 5.68 per cent to 5.49 per cent. This decline was associated with a continued inflow of funds from abroad. Competition from foreign investors was an important factor in reducing the discount syndicates' allotment of bills early in the month. On July 8, for example, the market obtained an allotment of only 20 per cent; as a result, the syndicates' consolidated bid at the July 15 tender was raised, and the discount houses got a 67 per cent allotment at the 5.51 per cent yield, as may be seen in the following figures showing the syndicate's weekly allotment (per cent of tender offering) and the average yield of 3-month bills (in per cent per annum):

<u>Date</u>	<u>Syndicate's allotment</u>	<u>Treasury bill yield</u>
June 24	57	5.68
July 1	54	5.68
8	20	5.66
15	67	5.51
22	43	5.49
29	39	5.55

The net incentive to hold the U.K. bill compared with the U.S. Treasury bill declined from a high for the year of 1.95 per cent per annum on July 1 to 0.90 per cent per annum on July 22 but subsequently strengthened to 1.39 on July 29 and to 1.63 per cent on August 5.

Gilt-edged market. The gilt-edged market was generally quiet during July with investors reported somewhat wary of entering. Yields on Government bonds remained at or near recent highs and fluctuated only narrowly during the month. There was only a limited tendency for bond yields to follow the easing in the bill yield (see Table).

Since last December, bond yields have moved steadily upward. Changes in selected Government security yields over the past seven months in per cent per annum along with the changes in Bank rate and Treasury bill yields are set out in the following table:

Selected London Security Yields

	<u>1959</u>		<u>1960</u>			<u>Change</u>
	<u>Dec. 30</u>	<u>Jan. 22</u>	<u>May 6</u>	<u>June 24</u>	<u>July 20</u>	<u>Dec. to July</u>
Bank rate	4	5	5	6	6	+ 2
Treas. bill rate	3.69	4.55	4.67	5.68	5.51	+ 1.82
Govt. bond yields:						
1961	3.67	3.80	4.17	4.94	5.04	+ 1.37
1963	4.28	4.47	4.93	5.65	5.66	+ 1.38
1969	5.21	5.40	5.58	6.00	5.85	+ 0.64
1980	5.24	5.39	5.61	5.99	5.97	+ 0.73
1996	5.13	5.25	5.30	5.72	5.73	+ 0.63
2004	5.12	5.26	5.38	5.75	5.75	+ 0.63
War Loan (undated)	5.35	5.53	5.56	5.83	5.82	0.47

On July 12, the Treasury announced a new offering of £300 million of a 5-1/2 per cent bond, 1962, priced at 99 for cash. The issue was well received and produced a slight rise in yields in the short bond sector.

A cash-and-conversion issue of a Commonwealth of Australia 6 per cent bond, 1977-80, was offered at a price of 98 providing a yield to maturity of 6.18 per cent to holders of the outstanding £13.9 million of an Australia 3 per cent bond, 1958-60, with a final maturity in December. Holders who convert into the 1977-80 bond will receive a £2 cash payment. Cash applications were invited to cover attrition by current holders.

During the first half of 1960, new capital issues on the London market (excluding Treasury operations) totaled £272 million compared with £244 million in 1959, according to estimates of the Midland Bank. The total new issues were broken down as follows (in millions of pounds):

<u>Borrowers</u>	<u>1959</u>	<u>1960</u>
United Kingdom	213	244
British overseas	40	25
Foreign countries	a/	4
Total	244	272

a/ Less than £500,000.

While British borrowers increased their takings in 1960, issues on behalf of British overseas countries were below the 1959 levels.

Bank advances. An unexpectedly large growth in bank loans featured the clearing banks' statement for July 20. The banks reported an increase of £99 million in July, compared with only £3 million in June and £26 million in May; in July 1959, the increase was £84 million. This substantial expansion in loans, coming after the rise in Bank rate and the call to Special Deposits on June 23, has provoked considerable comment since seasonal factors can explain only part of the increase.

The banks continued to dispose of gilt-edged securities in order to finance these loans. Their holdings dropped nearly £40 million in July. At the same time, the London clearing banks reported an average liquidity ratio of 31.2 per cent compared with 31.4 per cent in mid-June and 31.6 per cent in mid-May. Three of the "big five" banks were near the 30 per cent level in July. Between July and December, the banks will have to build up their liquid asset ratio to around 34 or 35 per cent in order to meet the sharp decline in Treasury bill outstandings which always takes place in the first quarter of the year when Treasury tax receipts are concentrated.

Treasury financial institutions. During July, the Agricultural Mortgage Corporation increased from 6 per cent to 6-1/2 per cent the rate of interest for new loans to farmers. On July 16, the interest rate structure of new loans to the local authorities was also raised by the Public Works Loan Board. Below is a table setting out the previous interest rates, the amounts borrowed at the various rates by the local authorities in the 12 months ending March 31, 1960 and the new rates that are now in operation.

	Old rate of interest	Amt. borrowed Apr. 1, 1959 to Mar. 31, 1960	New rate of interest
Not more than 5 years	5-1/2	365,000	6-1/4
Between 5 and 15 years	6	4,668,000	6-1/4
Between 15 and 30 years	6	21,858,000	6-1/8
More than 30 years	5-7/8	<u>18,422,000</u>	6
Total		<u>45,313,000</u>	

By limiting the increase in long-term rates, the Treasury hopes to encourage local authorities to borrow on longer term.

Insurance companies. Insurance companies increased their assets by £486 million in 1959 compared with an increase of £358 million in 1958. During 1959, new assets mostly went into equities, property and other market investments, rather than into gilt-edged securities. The breakdown of increase in insurance company portfolios was (in millions of pounds):

	1958	1959
Gilt-edged	39	32
Equities	88	175
Other market investments	<u>279</u>	<u>131</u>
Total	<u>358</u>	<u>486</u>

Foreign exchange market. Sterling remained in good demand throughout the month and Britain's reserves unexpectedly rose by the substantial amount of \$103 million or (adjusted for special capital payments) by \$159 million (see Chart). The high level of London rates compared with yields in New York and the German exchange control regulation which prohibits the sale of German Treasury bills to foreign investors underlie the short-term capital inflow. The fact that the discount on 3-months sterling has not been pushed out enough to eliminate the incentive for foreigners to buy London Treasury bills helps to explain the sustained inflow (see Table).

During July, spot sterling rose from \$2.8069 to about \$2.8089. The discount on 3-months sterling widened from 1.68 per cent per annum on July 1 to 2.24 per cent per annum on July 22 but narrowed to 1.97 per cent on July 29 (see Table). Security sterling rose from \$2.78-3/4 on July 1 to \$2.8006 on August 1.

Stock market. The Industrial Ordinary index remained quite stable around 315 until the last week in July when it fell to 307. (see Table). By contrast, stock prices in Wall Street declined throughout the period. On July 29, yields on stocks were at 4.49 per cent or 1.17 per cent below the yield on Consols, the lowest yield gap during July (see Table).

During July several European companies arranged for the placing of their stocks on exchanges in other European countries. Several British companies, including Imperial Chemical Industries, Courtaulds, Elliot-Automation, Distillers, and Bowater, have or are about to have their shares listed on the Paris Bourse. On the other side, the German steel company, August Thyssen-Huette A.G., and the Swedish company, L. M. Ericsson Telephone, have had their shares listed on the London exchange.

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United Kingdom: Treasury Bill Yields and Exchange Rates

Date	3-mo. Treasury bill			Discount on 3-mo. sterling ^{c/}	Net incentive to hold U.K. bill ^{d/}	Exchange rate	
	U.K. ^{a/}	U.S. ^{b/}	Differ- ence			Spot sterling ^{e/}	Discount on 3-mo. sterling ^{f/}
1959 - High	3.6	4.7	-1.1	--	--	--	--
Low	3.0	2.6	0.4	--	--	--	--
1960 - High	5.68	4.59	3.63	(P).64	1.95	280.89	1.57
Low	2.73	2.05	-0.84	2.24	-.23	279.83	(P).47
July 1	5.68	2.05	3.63	1.68	1.95	280.69	1.18
8	5.66	2.39	3.27	1.84	1.43	280.86	1.29
15	5.51	2.31	3.20	2.01	1.19	280.89	1.41
22	5.49	2.35	3.14	2.24	0.90	280.88	1.57
29	5.55	2.19	3.36	1.97	1.39	280.89	1.38
August. 5	2.13	2.13	3.47	1.84	1.63	280.90	1.29

a/ Average yield at Friday weekly tender.

b/ Closing market yield for Friday in New York.

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

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

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

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

United Kingdom: Selected Capital Market Yields

	6-year bond ^{a/}	15-year bond ^{b/}	War loan ^{c/}	Consols d/	Share yield ^{e/}	Yield gap ^{f/}	Share prices ^{g/}
1960 - High	6.03	6.00	5.89	5.69	4.49	1.36	333
Low	4.93	5.33	5.53	5.03	3.74	0.76	297
July 1	5.93	6.00	5.82	5.67	4.32	1.35	315.2
8	5.83	5.95	5.85	5.61	4.30	1.31	317.6
15	5.95	5.96	5.88	5.66	4.37	1.29	312.7
22	5.98	5.96	5.87	5.65	4.41	1.24	315.5
29	6.03	5.99	5.89	5.66	4.49	1.17	307.0

a/ 5-1/2 per cent Exchequer.

b/ 3 per cent Savings Bond 1965-75.

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

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

e/ Financial Times.

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

g/ Financial Times.

UNITED KINGDOM

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