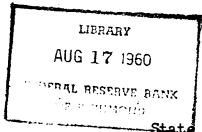


Not for Publication DECONTROLLED AFTER SIX MONTHS

H. 14

August 15, 1960.



CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

Part I - United States

(Including Quarterly Review of
State and Local Government Security Financing)

During the week ending August 12, large corporate security issues, including the expiration of subscription rights, totaled \$96 million. A State and local government issue for \$11 million was also sold. This week, the calendar includes corporate issues with aggregate proceeds of \$185 million (including a \$150 million GMAC issue) and a State government offering for \$15 million.

Long-term bond yields - Yields declined last week for all types of seasoned bonds, except those for U. S. Government obligations, which increased slightly. Yields on corporate and State and local government bonds reached new lows for the year.

Short- and intermediate-term interest rates - The discount rate at the Federal Reserve Bank of New York was lowered on Thursday to 3 per cent. Yields on Treasury bills and intermediate-term issues increased slightly on balance last week. Other money market rates remained stable.

Mortgage and bond yields - Yields on mortgages and corporate bonds--both new and seasoned--declined last month. The decline in secondary market yields on certain 5-3/4 per cent FHA-insured new home mortgages was slight. At 6.17 per cent, they were 7 basis points lower than at the beginning of the year, but 40 basis points above a year ago. The spread between yields on new Aaa corporate bond issues and mortgages was the widest since mid-1958, as yields on bonds declined more than those on mortgages.

Stock market - Stock prices and trading activity increased last week. Standard and Poor's index of 500 common stocks closed at 56.66 on August 12, more than two per cent higher than a week earlier. Trading volume averaged 2.9 million shares a day.

State and Local Government Security Offerings
in the Second Quarter of 1960

State and local government security financing during the second quarter of 1960 was \$2.3 billion, one-tenth smaller than the record volume in 1959. (The volume of bonds sold in the first quarter had also been one-tenth smaller than a year earlier.) As in other

Long-term Security Issues of State and Local Governments
Second Quarter 1955-60

(In millions of dollars)

	1960	1959	1958	1957	1956	1955
Issuing authority:						
State	348	508	675	400	164	254
County and township	109	121	165	109	53	134
Municipality	777	621	664	611	452	363
School district	390	395	369	361	287	241
Special authority	634	902	402	236	496	312
Unidentified 1/	--	--	--	--	165	125
Total	2,259	2,547	2,275	1,717	1,617	1,429
Purpose of issue:						
New capital total	2,249	2,531	2,245	1,704	1,603	1,418
Schools 2/	702	681	694	578	394	365
Highways, bridges and tunnels	202	325	425	313	159	226
Residential buildings	225	160	168	57	114	140
Hospitals and institutions	22	47	65	27	15	28
Sewer and water	344	383	266	251	213	192
Misc. public service enterprises	68	460	55	81	245	37
Veterans' aid	51	133	103	136	68	20
Other	635	342	469	262	230	286
Unidentified 1/	--	--	--	--	165	125
Refunding	9	16	30	12	14	11
Total	2,259	2,547	2,275	1,717	1,617	1,429
Type of issue:						
General obligation	1,237	1,410	1,664	1,173	979	860
Revenue	770	949	467	470	533	457
Utility	422	796	250	323	n.a.	n.a.
Quasi-utility	252	47	52	17	n.a.	n.a.
Special tax	16	70	143	92	n.a.	n.a.
Rental	80	36	22	39	n.a.	n.a.
Public Housing Authority	154	105	71	36	92	112
Federal Government loans 3/	98	84	72	38	13	--
Total	2,258	2,547	2,275	1,717	1,617	1,429

n.a.--Not available.

1/ Issues of less than \$500,000 not further classified in 1955 and 1956.

2/ Data for years prior to 1957 probably understate school issues by about one-fourth because of unclassified small issues.

3/ Coverage for 1957-60 is broader than for earlier years.

Note.--Details may not add to totals because of rounding.

Source.--1955-56, Bond Buyer and Federal Reserve; 1957-60, Investment Bankers Association of America. Data for 1957-60 not strictly comparable with data for earlier years.

recent years, nearly all bonds were sold to raise new capital, sales of refunding issues being negligible.

Type of issue - General obligation financing by State and local governments totaled \$1.2 billion this year, one-eighth smaller than in the second quarter last year. Sales of revenue bonds amounted to \$.8 billion, nearly one-fifth less than in the corresponding period a year earlier. The decline in revenue bond financing is largely attributed to a smaller volume of very large issues (\$100 million or over). In the second quarter last year two very large issues with aggregate proceeds of \$400 million were sold; in the comparable period this year proceeds from the sale of two such issues were \$200 million. Bond issues of Public Housing Authorities sold under the provisions of the Housing Act of 1949 were in larger volume this year, as were Federal Government loans made to State and local governments.

Purpose of issue - Financing of school construction, the most important use of bond sales proceeds, totaled \$.7 billion, slightly more than in the second quarter last year. Bonds sold to finance residential housing amounted to \$.2 billion, two-fifths larger than a year earlier. Bond sales to finance other major State and local government functions were in smaller volume in the second quarter of this year than last year.

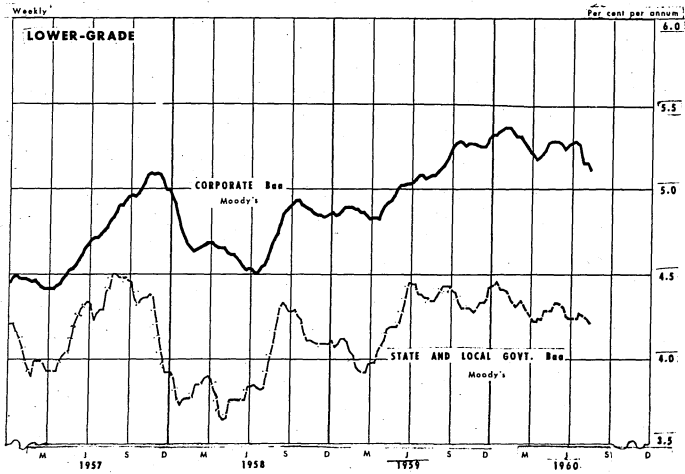
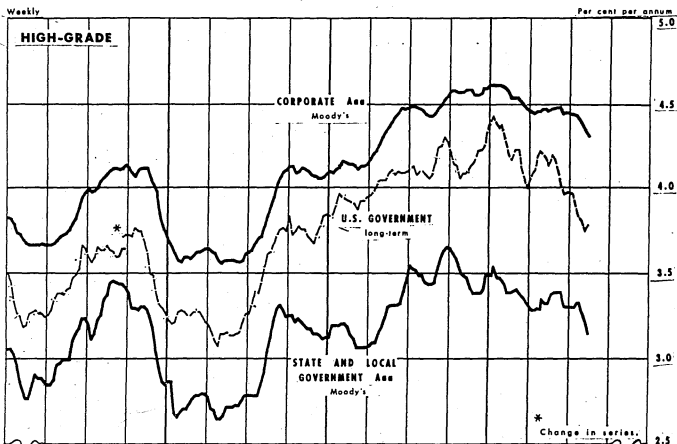
Issuing authority - Municipalities were the only major group of issuers selling more bonds this second quarter than last. Such financing totaled \$.8 billion, one-fourth larger than in 1959, and accounted for more than one-third of total sales. Offerings by special authorities totaled \$.6 billion, nearly one-third less than a year earlier. Sales of bonds by States were also one-third smaller than in the second quarter of 1959, while those of school districts were in about the same volume.

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.

LONG-TERM BOND YIELDS



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)	.59	.92
Low	4.30 (8/12)	3.75 (8/5)	3.14 (8/11)	.19	.53
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	4.34	3.75	3.22	.59	.53
Aug. 12 p/	4.30	3.78	3.14	.52	.64

Lower-grade

Date	Corporate Baa 1/	State and local govt. Baa 2/	Spread between Aaa and Baa	
			Corporate	State and local govt.
(Per cent)				
1954 - Low	3.44 (12/31)	2.93 (8/5)	.52	.96
1957 - High	5.10 (11/29)	4.51 (8/29)	1.27	1.21
1958 - Low	4.51 (7/11)	3.64 (5/1)	.77	.93
1959 - High	5.32 (12/31)	4.46 (7/2)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.79
1960 - High	5.36 (2/12)	4.46 (1/7)	.84	1.07
Low	5.11 (8/12)	4.21 (8/11)	.71	.92
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	5.15	4.24	.81	1.02
Aug. 12 p/	5.11	4.21	.81	1.07

p/ Preliminary.

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

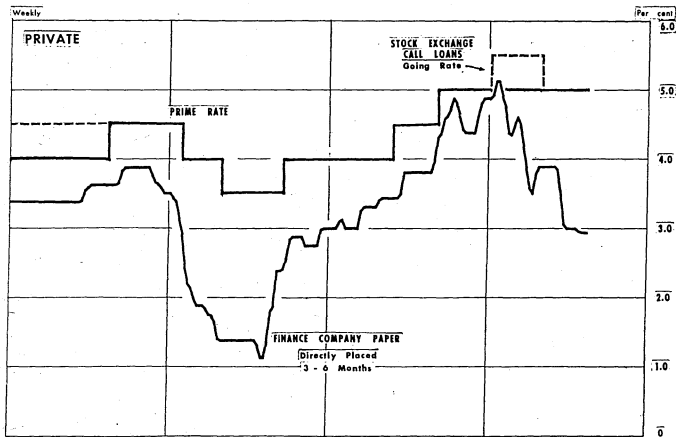
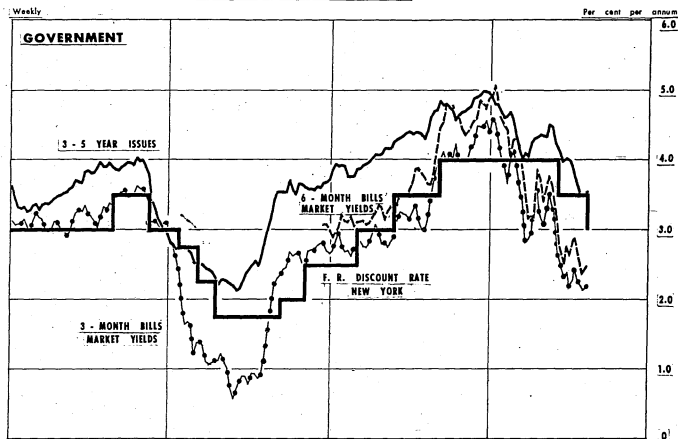
2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

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	3.00	2.13 (8/5)	2.39 (8/5)	3.49 (8/5)	.16	.38
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	3.50	2.13	2.39	3.49	.26	1.36
Aug. 12 p/	3.00	2.18	2.48	3.52	.30	1.34

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 (8/12)	.22 (4/15)	
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	5.00	5.00	2.94	.81	
Aug. 12 p/	5.00	5.00	2.94	.76	

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.

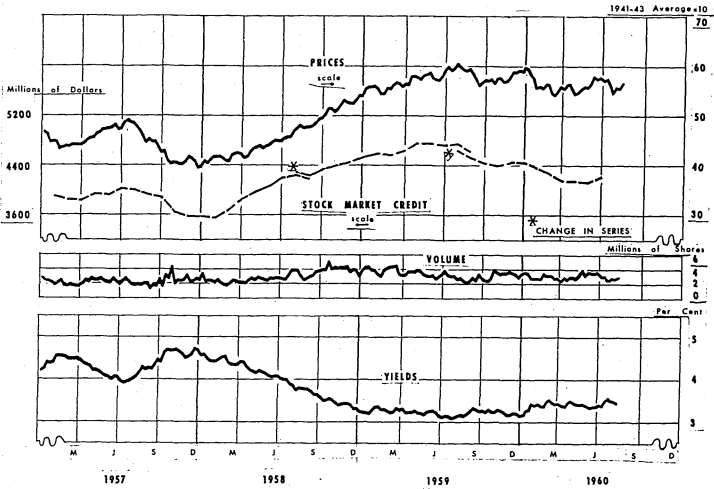
2/ Market yield; weekly averages computed from daily closing bid prices. Series of 3-5 year issues consists of selected notes and bonds.

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

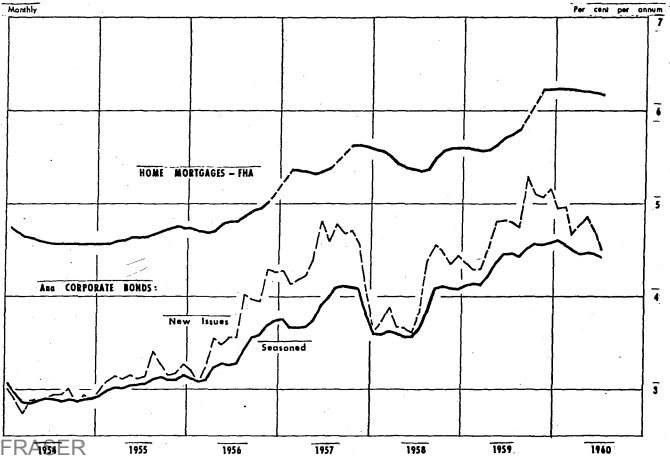
Note.--Highs and lows are for individual series and may be on different dates for different series. For spreads, high refers to widest, and low to narrowest.

EXHIBIT E

STOCK MARKET



MORTGAGE AND BOND YIELDS



Stock Market

Date	Stock price index 1/	Common stock yields 2/ (per cent)	Trading volume 3/ (millions of shares)	Stock market customer credit		
				Total	Customers' debit bal- ances 4/	Bank loans to "others" 5/
(Millions of dollars)						
1957-1959 - 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 29	55.51	3.50	2.8	n.a.	n.a.	1,129
Aug. 5	55.44	3.49	2.6	n.a.	n.a.	1,133
Aug. 12 p/	56.66	3.42	2.9	n.a.	n.a.	n.a.

n.a.--Not available. p/ Preliminary.

1/ Standard and Poor's composite index of 500 common stocks, weekly closing prices, 1941-43-10. Monthly data are averages of daily figures rather than of Fridays' only. Highs and lows are for Fridays' data only.

2/ Standard and Poor's composite stock yield based on Wednesday data converted to weekly closing prices by Federal Reserve. Yields shown are for dates on which price index reached its high or low.

3/ Averages of daily trading volume on the New York Stock Exchange.

4/ End of month figures for member firms of the New York Stock Exchange which carry margin accounts; excludes balances secured by U. S. Government obligations.

5/ Wednesday figures for weekly reporting member banks. Excludes loans for purchasing or carrying U. S. Government securities: Prior to July 1, 1959, such loans are excluded only at banks in New York and Chicago.

Weekly reporting banks account for about 70 per cent of loans to others. For further detail see Bulletin.

Mortgage and Bond Yields 1/

Date	FHA mortgages 2/	Aaa corporate bonds 1/		Spread between new corporate bonds and FHA mortgages	
		New 3/	Seasoned 4/	Seasoned bonds	Seasoned 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
1959-1960 - High	6.24 (1/60)	5.29 (9/59)	4.61 (1/60)	1.68	.77
Low	5.57 (3/59)	4.29 (2/59)	4.12 (1/59)	.83	.08
1960 - 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
July	6.17	4.49	4.41	1.68	.08

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 FHA, 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/} 766	894	1,140	729	932	798
May	^{p/} 566	785	597	551	593	895
June	^{p/} 1,034	887	887	^{p/} 970	1,006	551
July	^{e/} 800	535	1,107	^{e/} 550	567	806
August	^{e/} 925	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	^{p/} 2,366	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	^{p/} 4,518	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	^{p/} 2,066	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		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 - 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 12

Issuer	Type 3/	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
Texas Eastern Trans. Corp.	S.F. deb.	25.0	1980	5-3/8	5.38	Ba
El Paso Natural Gas Co.	Com. stk.	33.0				
Consumers Power Co.	Conv. deb.	38.1	1975	4-3/8	4.38	Aa
<u>STATE AND LOCAL GOVERNMENT</u>						
Chesapeake Bay Bridge and Tunnel Commission	Rev.-Ut.	70.0	2000	5.62	4.88	--
"	Rev.-Ut.	30.0	2000	5.62	5.50	--
"	Rev.-Ut.	81.3	2000	5.62	5.75	--
Los Angeles Co., Calif.	G.O.	11.0	1961-80	3.31	1.70-3.45	Aa
<u>OTHER</u>						
Fed. Nat. Mtg. Assoc.	Deb.	75.0	1971	4-1/8	4.10	--

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 12

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Michigan Bell Telephone Co.	Deb.	35.0	Aug. 17
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. 25
Republic Steel Corp.	Deb.	125.0	Aug. 31
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
Natural Gas Pipeline of America	1st mtg. bds.	25.0	Indefinite
Natural Gas Pipeline of America	Pfd. stk.	15.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
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

Forthcoming Large Offerings, as of August 12 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
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.

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.

The Canadian dollar moved up sharply during the week to \$103.31 U.S. cents, the highest point reported since April. Since July 7, the dollar has risen by 1-1/2 U.S. cents. The 3-month forward dollar strengthened to a slight premium during the week. Interest rates moved generally with U.S. rates. The net incentive to hold the Canadian bill on a covered basis rose slightly.

Money market conditions. The average yield on the 3-month Treasury bill increased by 8 basis points to 2.91 per cent per annum at last Thursday's auction from 2.83 per cent a week ago (see Table). The 6-month bill yield also increased to 3.13 per cent from 3.05 per cent the previous week. The chartered banks sold \$8 million of Treasury bills and the Bank of Canada \$11 million, while the Government accounts purchased \$13 million (see Table). The average closing rate on day-to-day loans decreased to 2.98 per cent compared with 3.05 per cent a week ago.

The net incentive to hold the Canadian short Treasury bill on a covered basis rose slightly from 0.68 per cent on August 3 to 0.73 per cent per annum on August 11 due to the emergence of a small premium on the forward Canadian dollar (see Table).

Bond market conditions. Bond yields for most maturities increased during the week. The Bank of Canada purchased \$5 million of bonds and the general public sold \$9 million. The spreads between selected comparable Canadian and United States securities (Thursday yield for bills and Wednesday yields for bonds) showed few changes during the week as may be seen in the following calculations. (figures in parentheses refer to the previous week):

0.67 per cent on a 91-day bill (0.68)
 0.58 per cent on a 182-day bill (0.65)
 0.96 per cent on an 8-year bond (0.94)
 1.11 per cent on a 20-year bond (1.14)
 1.29 per cent on a 35-year bond (1.25)

New issues of Government, municipal and corporations bonds in the first seven months of 1960 in Canada have been in greater volume than in the corresponding period of 1959 (see Table). New corporation bonds (which decreased by over \$400 million in the first seven months of 1959 compared with the same period of 1958) have staged a substantial comeback; they show an increase of nearly \$200 million in the first seven months of 1960 as compared with the same period of 1959. Borrowings by municipalities and provinces are also running ahead of comparable borrowings last year. Government bond borrowings in 1960 have been running at about the 1959 volume but short-term financing is appreciably below last year levels.

A new two-part issue by Imperial Investment Corporation of Vancouver will be made shortly. It will consist of \$3 million 6-1/2 per cent sinking fund debentures due September 1, 1980, priced at par, and

\$3 million, 6-1/4 per cent cumulative preferred stock. A \$5 million issue of Manitoba 3 per cent debentures due July 4, 1980, has been placed privately.

A Financial Post analysis of 12 Canadian mutual funds shows that in the first six months of 1960 net sales are down by 53 per cent compared with the same period of 1959. This implies a dropping off of investment by the funds of \$32 million, a substantial proportion of which would normally be in the Canadian stock market.

Exchange rate. During the week, the Canadian dollar continued to strengthen, reaching 103.31 (U.S. cents) on Thursday, the highest since early May, from 102.86 the week before (see Table). The 3-month forward on the Canadian dollar moved to a premium of 0.06 per cent per annum on August 11, in spite of the continued spread between the Canadian and U.S. short Treasury bill rates.

The continuing rise in the Canadian dollar has been occurring despite reduced Canadian local government borrowing in the United States. Total new issues in this country amounted to \$238 million from January to August 1960 compared with total bond sales of \$271 million and \$384 million in the same period during the two preceding years (see Table).

Stock exchange. The price of industrial stock on the Toronto exchange improved during the week with a rise of about 8 per cent from a week ago while the Montreal exchange showed a rise of about 3 per cent, as noted in the following table:

	<u>Toronto</u>	<u>Montreal</u>	<u>New York Standard & Poor</u>
August 1	--	259.8	58.96
2	475.06	259.3	58.41
3	475.00	260.1	58.03
4	475.19	260.9	58.24
5	479.00	261.3	58.85
8	478.50	261.5	58.94
9	480.50	262.1	59.28
10	483.06	262.7	59.55

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

Canada: Changes in Distribution of Holdings of Canadian
Government Direct and Guaranteed Securities
(millions of Canadian dollars, par value)

	<u>Bank of Canada</u>		<u>Government Total</u>	<u>Chartered banks</u>		<u>General public</u>		
	<u>Treas. bills</u>	<u>Bonds</u>		<u>Treas. bills</u>	<u>Bonds</u>	<u>Savings bonds</u>	<u>Treas. bills</u>	<u>Bonds</u>
June 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
11	- 12	+ 5	+ 15	- 8	+ 1	- 5	+ 11	- 9

Source: Bank of Canada, Weekly Financial Statistics.

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

	1960 to Aug. 2	1959 to Aug. 4	1958 to July 28
Government (direct)	4,589.0	4,685.0	4,430.0
Government (guaranteed)	--	150.0	300.0
Provincial (direct)	210.0	161.0	205.0
Provincial (guaranteed)	260.8	253.3	223.3
Municipal	323.6	255.3	267.6
Corporation	384.4	189.0	611.7
	<u>5,767.8</u>	<u>5,693.6</u>	<u>6,037.6</u>
Less short term	<u>3,720.0</u>	<u>4,210.0</u>	<u>3,492.0</u>
	2,047.8	1,483.6	2,545.6

Of the above, the following amounts have been sold in the United States

Provincial (direct)	25.0	75.0	100.0
Provincial (guaranteed)	52.0	106.2	70.0
Municipal	110.7	65.4	106.8
Corporation	<u>50.3</u>	<u>24.0</u>	<u>107.2</u>
	238.0	270.6	383.9

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

Selected Canadian Money Market and Related Data

	3-mo. Treas. bills			Canadian dollar			Net incentive to hold Can. bills/
	Canada	U.S.	Spread over U.S.	Spot	3-mo. forward	discount (-) premium(+)/d/	
	a/	b/		c/			
1959 - High	6.16	4.49	2.96	105.51	--	--	--
Low	3.25	2.80	0.30	102.58	--	--	--
1960 - High	5.14	4.63	0.90	105.27	--	0.31	0.94
Low	2.65	2.15	-0.69	101.31	--	-0.72	-0.57
July 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
11	2.91	2.24	0.67	103.31	103.33	+0.06	0.73

a/ Average yield at weekly tender on Thursday.

b/ Composite market yield for the U.S. Treasury bill on Thursday close of business.

c/ In U.S. cents.

d/ Spread between spot rate and 3-month forward Canadian dollar on Thursday closing, expressed as per cent per annum.

e/ Spread over U.S. Treasury bill (column 3), plus 3-month forward discount or premium (column 6).

Selected Government of Canada Security Yields

	6-mo. Treas. bills		Intermediate bonds (8 yr.)		Long-term bonds			
	Canada	Spread over U.S.	Canada	Spread over U.S.	(20 year)		(35 year)	
		b/		d/	Canada	Spread over U.S.	Canada	Spread over U.S.
	a/		e/		f/	g/	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 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
10	3.13	0.58	4.54	0.96	4.89	1.14	4.90	1.29

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.