

Not for Publication
AUG 24 1960

FEDERAL RESERVE BANK
OF RICHMOND

DECONTROLLED AFTER SIX MONTHS

August 22, 1960

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

Part I - United States

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

The sale of large public security offerings for new capital totaled \$185 million for corporations (including a \$150 million GMAC issue) and \$15 million for State and local governments during the week ending August 19. The State and local government offering was sold by the State of California at a net interest cost of 3.31 per cent. This issue was originally offered for sale in late June, but a bid naming a net interest cost of 4.02 per cent was rejected at that time.

The calendar for this week includes large corporate issues with aggregate proceeds of \$75 million. State and local government issues totaling \$78 million are also scheduled for sale.

Long-term bond yields - Yields on seasoned corporate and State and local government bonds declined last week, while those on U. S. Government obligations increased slightly. The decline was particularly sharp for State and local government bonds with yields on Aaa-rated bonds reaching the lowest level since the summer of 1958.

Short-and intermediate-term interest rates - Yields on Treasury bills and intermediate-term Government issues increased last week. Other major money market rates remained stable.

Stock prices - Stock prices, as measured by Standard and Poor's index of 500 common stocks, increased slightly last week, closing at 57.01 on August 19. Trading activity declined with the daily volume averaging 2.7 million shares a day.

Stock market credit - Total customer credit in the stock market, excluding borrowing on U. S. Government securities, declined in July, offsetting the increase a month earlier. The decline last month was largely in net debit balances, as bank loans to others than brokers and dealers changed little. Totaling \$4.1 billion at the end of July, stock market credit is now 11 per cent lower than at the end of July 1959, with the percentage decline being about the same for both net debit balances and bank loans to "others."

Borrowing by member firms of the New York Stock Exchange maintaining margin accounts, excluding borrowing on U. S. Government securities, continued to decline in July and totaled \$2.0 billion at

the end of the month. Customers' net free credit balances changed little last month. These and other data for July and June are shown in the following table.

| | End of month | | Change |
|---|-----------------------|-------|--------|
| | July | June | |
| | (Millions of dollars) | | |
| Customer credit | | | |
| Excluding U. S. Government securities - total | 4,133 | 4,214 | -81 |
| Net debit balances | 3,004 | 3,082 | -78 |
| Bank loans to "others" | 1,129 | 1,132 | -3 |
| Net debit balances secured by U. S. Govt. securities | 110 | 106 | +4 |
| Bank loans to "others" for purchasing or carrying U. S. Government securities | 135 | 135 | -- |
| Broker and dealer credit | | | |
| Money borrowed except on U. S. Government securities | 2,042 | 2,110 | -68 |
| On customer collateral | 1,801 | 1,832 | -31 |
| Money borrowed on U. S. Government securities | 187 | 162 | +25 |
| Customers' net free credit balances | 1,018 | 1,016 | +2 |

Housing starts - Private housing starts in farm and nonfarm areas in July declined to a seasonally adjusted annual rate of 1,173,000, according to preliminary Census Bureau estimates. The rate for May has been revised up slightly, and for June down moderately, so that generally there now appears to have been a fairly steady decline since February in the seasonally adjusted annual rate.

Institutional investors - Total savings inflow during June at three major financial institutions--life insurance companies, savings and loan associations and mutual savings banks--was slightly larger than a year earlier. The increased growth at savings and loan associations and mutual savings banks more than offset the decline in the growth of life insurance company assets.

For the first six months of this year combined growth at these three institutions totaled \$6.9 billion, slightly less than in the comparable months of 1959. Savings and loan associations were the only type of institution experiencing an increased growth this year. The increase in life insurance company assets was slightly less than last year, and the increase in deposits at mutual savings banks was only a little more than one-half as large as in the January-June period of 1959. (The increase in time deposits at commercial banks has also been smaller than last year even though the increase in June was much larger than in June 1959.)

Sources and Uses of Funds of Major Types of Savings Institutions 1/

First Half 1953-1960

(In millions of dollars)

| Year | Uses of funds | | | | | | Total sources or uses | Sources of funds | | |
|--------------------------------------|---------------|------------------------|---------------------|-----------|--------------------------|--------------|-----------------------|---|-----------|-------|
| | Cash | U. S. Govt. securities | Business securities | Mortgages | State & local govt. sec. | Other assets | | Net change in deposits or savings capital | Borrowing | Other |
| Life Insurance Companies | | | | | | | | | | |
| 1960 | -114 | -289 | 847 | 1,332 | 140 | 838 | 2,751 | -- | -- | -- |
| 1959 | -163 | 64 | 1,339 | 802 | 300 | 502 | 2,844 | -- | -- | -- |
| 1958 | -84 | 46 | 1,191 | 790 | 163 | 669 | 2,775 | -- | -- | -- |
| 1957 | -137 | -207 | 1,096 | 1,190 | 59 | 570 | 2,571 | -- | -- | -- |
| 1956 | -178 | -625 | 1,048 | 1,859 | 149 | 363 | 2,616 | -- | -- | -- |
| 1955 | -136 | 25 | 968 | 1,556 | 124 | 365 | 2,902 | -- | -- | -- |
| 1954 | -124 | -424 | 1,135 | 1,109 | 363 | 692 | 2,751 | -- | -- | -- |
| 1953 | -191 | -165 | 1,502 | 976 | 69 | 178 | 2,369 | -- | -- | -- |
| Savings and Loan Associations | | | | | | | | | | |
| 1960 | 60 | 103 | -- | 3,217 | n.a. | 287 | 3,667 | 3,687 | -458 | 438 |
| 1959 | -237 | 594 | -- | 3,721 | n.a. | 462 | 4,540 | 3,485 | 231 | 824 |
| 1958 | 606 | 156 | -- | 2,279 | n.a. | 185 | 3,226 | 3,125 | -344 | 445 |
| 1957 | -60 | 347 | -- | 2,105 | n.a. | 408 | 2,798 | 2,578 | -166 | 386 |
| 1956 | -27 | 304 | -- | 2,191 | n.a. | 300 | 2,762 | 2,656 | -279 | 385 |
| 1955 | -12 | 256 | -- | 2,878 | n.a. | 182 | 3,304 | 2,603 | 301 | 400 |
| 1954 | 311 | 36 | -- | 1,835 | n.a. | 130 | 2,312 | 2,282 | -214 | 244 |
| 1953 | 44 | 210 | -- | 1,703 | n.a. | 110 | 2,064 | 1,945 | -146 | 265 |
| Mutual Savings Banks | | | | | | | | | | |
| 1960 | 11 | -325 | 76 | 894 | -25 | 58 | 689 | 480 | -- | 209 |
| 1959 | -96 | 95 | 15 | 980 | 39 | 62 | 1,096 | 885 | -- | 211 |
| 1958 | 29 | -163 | 525 | 996 | 42 | 70 | 1,499 | 1,293 | -- | 206 |
| 1957 | -49 | -108 | 402 | 721 | 10 | 58 | 1,034 | 876 | -- | 158 |
| 1956 | -48 | -163 | 116 | 1,147 | 30 | 65 | 1,147 | 997 | -- | 150 |
| 1955 | -37 | -73 | -38 | 1,155 | 56 | 40 | 1,106 | 975 | -- | 130 |
| 1954 | 4 | -167 | 226 | 933 | 125 | 64 | 1,185 | 1,042 | -- | 143 |
| 1953 | -51 | 42 | 285 | 726 | 53 | 44 | 1,100 | 1,007 | -- | 93 |

n.a.--Not available.

1/ For description of data see Exhibits J, K and L.

2/ Includes Federal Home Loan Bank advances only.

The net increase in life insurance company assets totaled \$2.8 billion in the first half, 3 per cent less than a year earlier. Net acquisition of mortgages, amounting to \$1.3 billion, was two-thirds larger this year than last. In contrast, acquisition of business securities, totaling \$.8 billion, was more than one-third smaller. There was a substantial liquidation of U. S. Government securities by these companies in contrast with a slight net acquisition last year. Net purchases of State and local government securities were only about half as much as a year earlier. The increase in holdings of these securities had been substantial last year probably reflecting the volume of very large revenue bond issues sold by State and local governmental units. The increase in policy loans (included in other assets) was four-fifths larger than in the first half last year.

The growth in savings capital at savings and loan associations was \$3.7 billion during the first six months, 6 per cent larger than last year. Except in April, the increase in share capital has been larger in each month this year than in corresponding month of 1959 and the increase for June was a record \$1.2 billion. This year, however, these associations made very large repayments of borrowed funds, principally to the Federal Home Loan Banks, in contrast with substantial borrowing last year; in 1959 after March, these associations had borrowed in record amounts in addition to drawing down their cash balances to supplement their savings inflow in order to carry out their heavy mortgage lending activity. Net acquisition of mortgages totaled \$3.2 billion during the first half this year, one-seventh smaller than in 1959. Net purchases of U. S. Government securities were only one-sixth as large as in the first six months last year.

Deposits at mutual savings banks in the first half increased \$.5 billion, only about half as much as last year. March and June are the only months thus far this year in which deposits have increased more than in the comparable period of 1959. Net acquisition of mortgages was only one-tenth smaller than in the first half last year, but there was a heavy liquidation of U. S. Government securities this year in contrast with a modest acquisition last year. Net purchases of business securities, although still very small, were much larger than a year earlier.

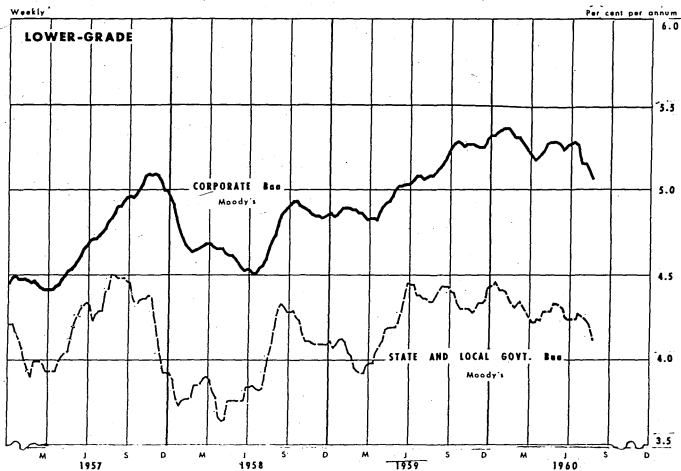
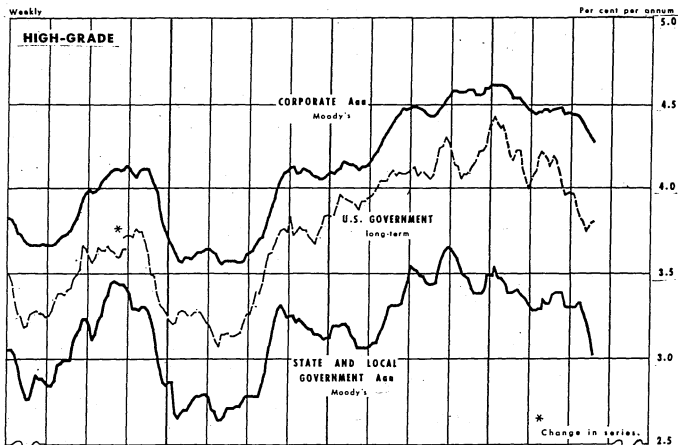
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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



H.14

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) | .59 | .92 |
| Low | 4.26 (8/19) | 3.75 (8/5) | 3.02 (8/18) | .19 | .53 |
| 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 | 4.30 | 3.78 | 3.14 | .52 | .64 |
| Aug. 19 p/ | 4.26 | 3.81 | 3.02 | .45 | .79 |

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 | 1.07 |
| Low | 5.06 (8/19) | 4.11 (8/18) | .71 | .92 |
| 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 | 5.11 | 4.21 | .81 | 1.07 |
| Aug. 19 p/ | 5.06 | 4.11 | .80 | 1.09 |

p/ Preliminary.

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

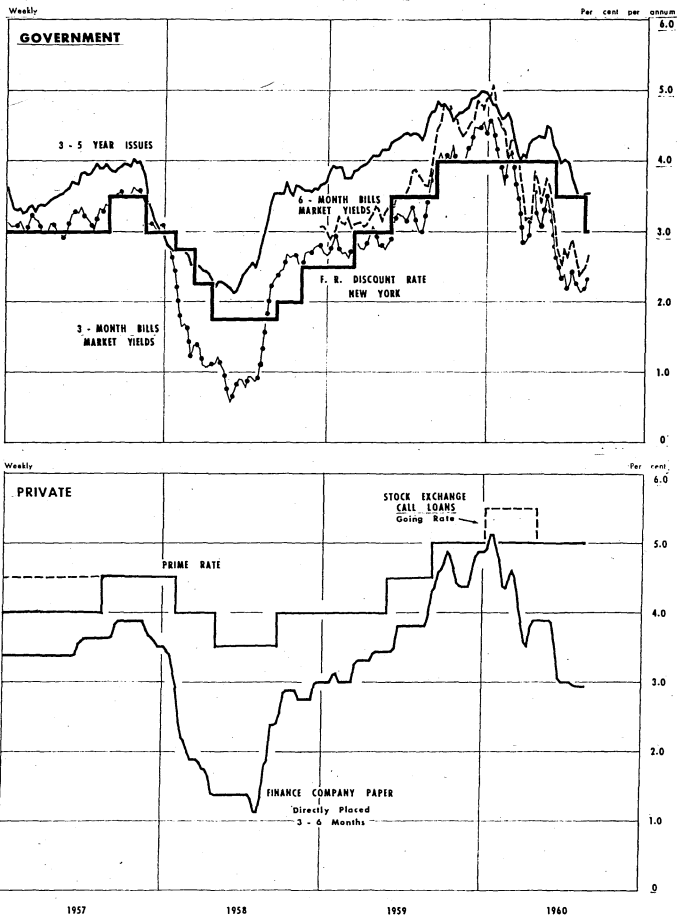
2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

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 $\frac{1}{2}$ | Yields | | | Spread between yields on | |
|-------------|-----------------------------|-----------------------------|-----------------------------|-------------------------------|---|----------------|
| | | 3-month bills $\frac{2}{2}$ | 6-month bills $\frac{2}{2}$ | 3-5 year issues $\frac{2}{2}$ | 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 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 | 3.00 | 2.18 | 2.48 | 3.52 | .30 | 1.34 |
| Aug. 19 p/ | 3.00 | 2.31 | 2.66 | 3.53 | .35 | 1.22 |

Private

| Date | Stock Exchange call loan $\frac{1}{2}$ | Prime rate $\frac{1}{2}$ | Finance company paper $\frac{3}{2}$ | 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 (8/19) | .22 (4/15) |
| 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 | 5.00 | 5.00 | 2.94 | .76 |
| Aug. 19 p/ | 5.00 | 5.00 | 2.94 | .63 |

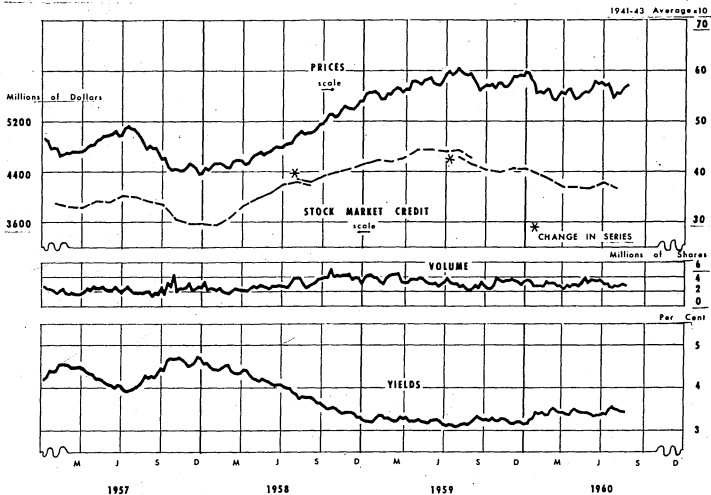
1/ Weekly rate shown is that in effect at end of period. Discount rate is for Federal Reserve Bank of New York. Stock exchange call loan rate is going rate on call loans secured by customers' stock exchange collateral at New York City banks. Prime rate is that charged by large banks on short-term loans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

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

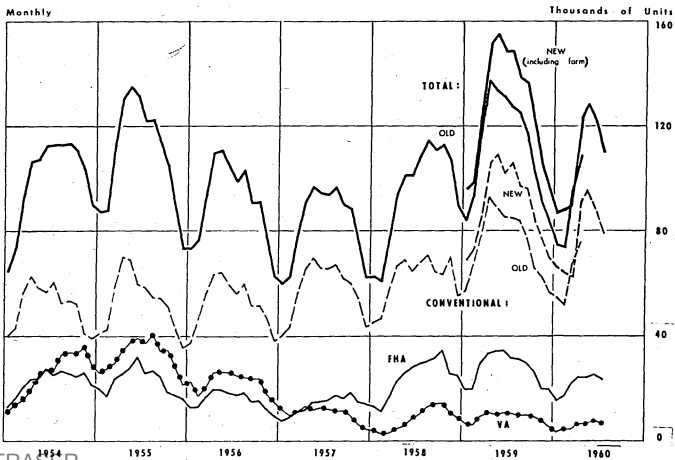
3/ Average of daily rates published by finance companies for directly placed paper for varying maturities in the 90-179 day range.

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

STOCK MARKET



PRIVATE HOUSING STARTS



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 | 3,004 | 1,111 |
| June | 57.26 | 3.35 | 3.5 | 4,214 | 3,082 | 1,132 |
| July | 55.84 | 3.45 | 2.7 | 4,133 | 3,004 | 1,129 |
| Aug. 5 | 55.44 | 3.49 | 2.6 | n.a. | n.a. | 1,133 |
| Aug. 12 | 56.66 | 3.42 | 2.9 | n.a. | n.a. | 1,125 |
| Aug. 19 p/ | 57.01 | 3.41 | 2.7 | 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.

Private Housing Starts 1/

| Date | Seasonally adjusted annual rate | | Unadjusted | | | | | |
|---------------------|------------------------------------|---------------------|-----------------------|---------------------|-----|----|-----------------------|---------------------|
| | | | Total | | FHA | VA | Conventional | |
| | Nonfarm old series | Total new series | Nonfarm old series | Total new series | | | Nonfarm old series | Total new series |
| (Thousand of units) | | | | | | | | |
| 1959 - July | 1,375 | 1,578 | 127 | 148 | 32 | 11 | 85 | 106 |
| Aug. | 1,340 | 1,450 | 125 | 138 | 31 | 10 | 84 | 97 |
| Sept. | 1,323 | 1,509 | 117 | 136 | 30 | 10 | 77 | 97 |
| Oct. | 1,180 | 1,378 | 102 | 120 | 27 | 9 | 66 | 84 |
| Nov. | 1,210 | 1,356 | 91 | 105 | 20 | 8 | 62 | 76 |
| Dec. | 1,330 | 1,451 | 83 | 96 | 20 | 6 | 57 | 69 |
| 1960 - Jan. | 1,216 | 1,366 | 75 | 87 | 16 | 4 | 55 | 67 |
| Feb. | 1,115 | 1,367 | 74 | 88 | 18 | 5 | 52 | 65 |
| Mar. | 1,125 | 1,112 | 95 | 90 | 22 | 5 | 68 | 63 |
| Apr. | 1,135 | 1,325 | 109 | 123 | 25 | 7 | 76 | 91 |
| May | -- | 1,342 | -- | 128 | 25 | 7 | -- | 96 |
| June p/ | -- | 1,298 | -- | 122 | 26 | 8 | -- | 88 |
| July p/ | -- | 1,173 | -- | 110 | 24 | 7 | -- | 79 |

- 1/ Total starts are Census estimates, which are not strictly comparable with old nonfarm series developed by BLS. A dwelling unit is started when excavation begins; all units in an apartment structure are considered started at that time. FHA and VA data represent units started, as based on field office reports of first compliance inspections which are made before footings are poured in some cases but normally after the foundations have been completed. Capehart military housing units are excluded. Conventional starts are derived as a residual, although total and FHA and VA starts are not strictly comparable in concept or timing; they include both units financed by conventional mortgages and units without mortgages.

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 | 766 | 894 | 1,140 | 729 | 932 | 798 |
| May | 567 | 785 | 597 | 551 | 593 | 895 |
| June | 1,034 | 887 | 887 | e/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 | 2,367 | 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 | 4,519 | 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/2,067 | 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 <u>2/</u> | | | Federal agency <u>3/</u> | | |
| | 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 | 72 | 50 | 198 | 354 | -- | -- |
| June | 40 | 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 <u>4/</u> | | | Federal agency <u>3/</u> | | |
| | 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 | 351 | 411 | 354 | 632 | 675 | 161 |
| June | <u>2/247</u> | 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 |

1/ Preliminary.

2/ 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.

3/ 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.

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 19

| 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 |
| Michigan Bell Telephone Co. | Deb. | 35.0 | 1996 | 4-5/8 | 4.53 | Aaa |
| General Motors Accept. Corp. | Deb. | 150.0 | 1982 | 4-5/8 | 4.68 | -- |
| <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., California | G.O. | 11.0 | 1961-80 | 3.31 | 1.70-3.45 | Aa |
| State of California | G.O. | 15.0 | 1965-90/85 | 3.31 | 2.40-4.00 | 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 19

| Issuer | Type | Amount (millions of dollars) | Approximate date of offering |
|--------------------------------------|--------------------|------------------------------|------------------------------|
| <u>CORPORATE</u> | | | |
| 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 |
| *Virginia Electric & Power Co. | 1st ref. mtg. bds. | 25.0 | Sept. 14 |
| *Public Service Co. of Colorado | Pfd. stk. | 15.0 | Sept. 15 |
| Utah Power & Light Co. | 1st mtg. bds. | 16.0 | Sept. 15 |
| Pacific Power & Light Co. | 1st mtg. bds. | 20.0 | Sept. 22 |
| *Union Electric Co. | 1st mtg. bds. | 50.0 | Oct. 19 |
| 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 Vermont | G.O. | 13.7 | Aug. 23 |
| State of Washington | G.O. | 34.0 | Aug. 23 |
| East Bay Municipal Util. Dist., Cal. | G.O. | 30.0 | Aug. 24 |
| *Atlanta, Georgia | G.O. | 12.7 | Aug. 30 |

Forthcoming Large Offerings, as of August 19 (Cont'd)

| Issuer | Type | Amount (millions of dollars) | Approximate date of offering |
|---|----------|------------------------------------|---------------------------------|
| <u>STATE AND LOCAL GOVERNMENT (Cont'd)</u> | | | |
| Alameda-Contra Costa Transit Dist., California | Rev.-Ut. | 16.5 | Sept. 7 |
| *New York State Thruway Auth. | Rev.-Ut. | 50.0 | Sept. 8 |
| City & Co. of San Francisco, Calif. | G.O. | 21.5 | Sept. 12 |
| *Pa. State Highway & Bridge Auth. | Rev.-Ut. | 10.0 | Sept. 13 |
| *State of Ohio | G.O. | 31.0 | Sept. 13 |
| *Public Housing Authorities Milwaukee, Wisconsin | G.O. | 48.9 | Sept. 14 |
| | 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 |
| 19 | | | 4.93 | 7 |
| Apr. 6 | 4.85 | 33 | | |
| 8 | | | 4.98 | 21 |
| 14 | 4.94 | 39 | | |
| 21 | | | 5.30 | 50 |
| 27 | 4.95 | 39 | | |
| May 10 | 4.88 | 32 | | |
| 12 | | | 5.10 | 26 |
| 25 | | | 5.20 | 33 |
| June 17 | | | 4.95 | 11 |
| 28 | 4.82 | 25 | | |
| 29 | 4.84 | 27 | | |
| July 8 | | | 4.93 | 11 |
| 13 | | | 4.88 | 8 |

*--Single observation, not an average.

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

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

Sources and Uses of Funds by
Savings and Loan Associations

| | Uses of funds 1/ | | | | Total sources or uses | Sources of funds | | |
|----------------------------------|--------------------------|------------------------|--------------|--------------|-----------------------|----------------------------|--------------|-------|
| | Cash | U. S. Govt. securities | Mortgages 2/ | Other assets | | Net change savings capital | Borrowing 3/ | Other |
| Value of assets at end of period | (In millions of dollars) | | | | | | | |
| 1956 - Dec. | 2,119 | 2,782 | 35,775 | 2,199 | 42,875 | 37,148 | 1,347 | 4,380 |
| 1957 - Dec. | 2,146 | 3,173 | 40,049 | 2,770 | 48,138 | 41,912 | 1,379 | 4,847 |
| 1958 - Dec. | 3,585 | 3,819 | 45,627 | 3,108 | 55,139 | 47,976 | 1,444 | 5,719 |
| 1959 - Dec. | 2,201 | 4,474 | 53,093 | 3,707 | 63,475 | 54,556 | 2,368 | 6,531 |
| 1960 - June | 2,261 | 4,577 | 56,310 | 3,994 | 67,142 | 58,243 | 1,930 | 6,969 |
| Changes: | | | | | | | | |
| 1958 - Apr. | 119 | 37 | 403 | 102 | 661 | 362 | 112 | 187 |
| May | 42 | 12 | 528 | 99 | 681 | 511 | -29 | 199 |
| June | 178 | 81 | 573 | -43 | 789 | 935 | 165 | -311 |
| July | -290 | 42 | 554 | -90 | 216 | 73 | -37 | 180 |
| Aug. | -70 | 110 | 564 | 12 | 616 | 360 | 51 | 205 |
| Sept. | -77 | 146 | 578 | 45 | 692 | 447 | 84 | 161 |
| Oct. | -107 | 104 | 605 | 137 | 739 | 507 | 58 | 174 |
| Nov. | 42 | 51 | 470 | 102 | 665 | 480 | 41 | 144 |
| Dec. | 335 | 37 | 528 | -53 | 847 | 1,072 | 212 | -437 |
| 1959 - Jan. | -298 | 297 | 402 | -55 | 346 | 434 | -181 | 93 |
| Feb. | -26 | 97 | 427 | 80 | 578 | 408 | -56 | 226 |
| Mar. | -2 | 76 | 593 | 98 | 765 | 529 | -5 | 241 |
| Apr. | -182 | 105 | 705 | 151 | 779 | 420 | 97 | 262 |
| May | 26 | 23 | 754 | 178 | 981 | 604 | 63 | 314 |
| June | 245 | -4 | 840 | 10 | 1,091 | 1,090 | 313 | -312 |
| July | -432 | 104 | 783 | -108 | 347 | 190 | 31 | 126 |
| Aug. | -43 | 17 | 727 | 22 | 723 | 394 | 118 | 211 |
| Sept. | -53 | -7 | 670 | 65 | 675 | 444 | 148 | 83 |
| Oct. | -68 | 7 | 621 | 88 | 648 | 399 | 136 | 113 |
| Nov. | 65 | -34 | 459 | 140 | 630 | 483 | 57 | 90 |
| Dec. | 384 | -26 | 485 | -70 | 773 | 1,175 | 223 | -625 |
| 1960 - Jan. | -314 | 201 | 320 | -113 | 94 | 460 | -453 | 79 |
| Feb. | -33 | 67 | 398 | 62 | 494 | 409 | -125 | 210 |
| Mar. | 49 | -27 | 545 | 100 | 667 | 623 | -127 | 171 |
| Apr. | -30 | 1 | 566 | 104 | 641 | 372 | 38 | 231 |
| May | 80 | 15 | 630 | 209 | 934 | 633 | -- | 301 |
| June | 308 | -154 | 758 | -75 | 837 | 1,182 | 209 | -554 |

p/ Preliminary.

1/ Uses of funds represent net changes in assets and therefore reflect net, rather than gross, uses. Savings and loan associations do not hold business securities and data on holdings of State and local government bonds, presumed to be small, are not available.

2/ Prior to 1957, data adjusted to include mortgage pledged shares as currently reported.

3/ Advances from Home Loan Banks and other borrowing.

Source: Federal Savings and Loan Insurance Corporation.

Sources and Uses of Funds by
Mutual Savings Banks

| | Uses of funds 1/ | | | | | | Sources of funds | | |
|----------------------------------|--------------------------|------------------------|------------------------|--------------------------------|-----------|-------|-----------------------|------------------------|-------|
| | Cash | U. S. Govt. securities | Business securities 2/ | State & local govt. securities | Mortgages | Other | Total sources or uses | Net change in deposits | Other |
| Value of assets at end of period | (In millions of dollars) | | | | | | | | |
| 1956 - Dec. | 920 | 7,971 | 3,523 | 669 | 19,529 | 698 | 33,311 | 30,032 | 3,279 |
| 1957 - Dec. | 890 | 7,552 | 4,331 | 682 | 20,951 | 761 | 35,168 | 31,695 | 3,473 |
| 1958 - Dec. | 921 | 7,266 | 4,973 | 725 | 23,039 | 855 | 37,779 | 34,011 | 3,738 |
| 1959 - Dec. | 829 | 6,864 | 4,849 | 722 | 24,768 | 910 | 38,942 | 34,983 | 3,959 |
| 1960 - June | 840 | 6,539 | 4,925 | 697 | 25,662 | 968 | 39,631 | 35,463 | 4,168 |
| Changes: | | | | | | | | | |
| 1958 - Apr. | -47 | -85 | 97 | 4 | 154 | -29 | 94 | 93 | 1 |
| May | -5 | -62 | 120 | -19 | 195 | 40 | 269 | 181 | 88 |
| June | 42 | -36 | -24 | 24 | 253 | 5 | 264 | 300 | -36 |
| July | -66 | 11 | 34 | 8 | 193 | -28 | 152 | 88 | 64 |
| Aug. | -5 | 19 | 8 | 2 | 198 | 29 | 251 | 143 | 108 |
| Sept. | 18 | -27 | 34 | 2 | 181 | 29 | 237 | 267 | -30 |
| Oct. | -8 | -92 | -6 | -3 | 195 | -46 | 40 | 95 | -55 |
| Nov. | -38 | -32 | -- | -1 | 151 | 43 | 123 | 42 | 81 |
| Dec. | 101 | -2 | 47 | -7 | 174 | -3 | 309 | 418 | -109 |
| 1959 - Jan. 3/ | -96 | 119 | -16 | 17 | 208 | -58 | 175 | 122 | 53 |
| Feb. | 18 | 39 | 6 | -4 | 125 | 32 | 216 | 113 | 103 |
| Mar. | 45 | 62 | -31 | 41 | 175 | 38 | 330 | 313 | 17 |
| Apr. | -114 | -44 | 58 | -33 | 155 | -32 | -10 | 6 | -16 |
| May | 8 | 13 | -20 | 10 | 161 | 45 | 217 | 120 | 97 |
| June | 43 | -85 | -- | 19 | 145 | 39 | 161 | 202 | -41 |
| July | -79 | -13 | -47 | 4 | 179 | -12 | 32 | -54 | 86 |
| Aug. | 3 | -12 | 13 | -1 | 156 | 33 | 192 | 80 | 112 |
| Sept. | -2 | -32 | -2 | 8 | 160 | 31 | 163 | 197 | -34 |
| Oct. | -27 | -281 | -55 | -20 | 137 | -37 | -283 | -187 | -96 |
| Nov. | 20 | -85 | -28 | -8 | 124 | 42 | 65 | -27 | 92 |
| Dec. | 111 | -12 | 23 | -24 | 132 | -12 | 218 | 340 | -122 |
| 1960 - Jan. | -131 | -9 | -12 | -6 | 159 | -12 | -11 | -68 | 57 |
| Feb. | 37 | -11 | -9 | -9 | 116 | 43 | 167 | 50 | 117 |
| Mar. | 41 | 32 | 52 | 3 | 150 | 41 | 319 | 320 | -1 |
| Apr. | -86 | -148 | -19 | 13 | 149 | -21 | -132 | -95 | -37 |
| May | 42 | -80 | 13 | -23 | 161 | 63 | 176 | 58 | 118 |
| June | 108 | -109 | 51 | -3 | 179 | -56 | 170 | 215 | -45 |

1/ Uses of funds represent net changes in assets and therefore reflect, net rather than gross, uses.

2/ Includes Canadian government and political subdivisions, International Bank for Reconstruction and Development, nonguaranteed Federal agency and other bonds as well as corporate bonds and stocks.

3/ Adjusted to eliminate the effect of a consolidation of a large savings bank with a commercial bank.

Sources and Uses of Funds by
Life Insurance Companies

| | Uses of funds 1/ | | | | | | Total sources or uses |
|-----------------------------------|--------------------------|------------------------|------------------------|----------------------------------|-----------|--------|-----------------------|
| | Cash | U. S. Govt. securities | Business securities 2/ | State and local gov't securities | Mortgages | Other | |
| Value of assets at end of period: | (In millions of dollars) | | | | | | |
| 1956 - Dec. | 1,273 | 7,519 | 39,552 | 2,234 | 32,994 | 12,272 | 95,844 |
| 1957 - Dec. | 1,294 | 7,028 | 42,133 | 2,377 | 35,271 | 13,206 | 101,309 |
| 1958 - Dec. | 1,363 | 7,182 | 44,612 | 2,691 | 37,092 | 14,540 | 107,580 |
| 1959 - Dec. | 1,327 | 6,848 | 46,977 | 3,177 | 39,299 | 15,996 | 113,626 |
| 1960 - June | 1,213 | 6,559 | 47,824 | 3,317 | 40,631 | 16,836 | 116,377 |
| Changes: | | | | | | | |
| 1958 - Apr. | -18 | 14 | 216 | 14 | 115 | 39 | 380 |
| May | 81 | -71 | 143 | 29 | 118 | 164 | 464 |
| June | -24 | 45 | 201 | 34 | 102 | 148 | 506 |
| July | 22 | 172 | 151 | 24 | 128 | 45 | 582 |
| Aug. | -18 | 44 | 129 | 37 | 139 | 154 | 485 |
| Sept. | 1 | 4 | 214 | 20 | 142 | 72 | 453 |
| Oct. | -17 | 11 | 309 | 26 | 186 | 72 | 587 |
| Nov. | 55 | 19 | 137 | 32 | 145 | 88 | 476 |
| Dec. | 110 | -142 | 308 | 12 | 291 | 334 | 913 |
| 1959 - Jan. | -81 | 303 | 188 | 53 | 119 | -17 | 565 |
| Feb. | -57 | -71 | 223 | 30 | 139 | 174 | 438 |
| Mar. | -14 | -185 | 251 | 66 | 136 | 108 | 362 |
| Apr. | -24 | 22 | 242 | 49 | 116 | 80 | 485 |
| May | 10 | -16 | 193 | 79 | 135 | 97 | 498 |
| June | 3 | 11 | 242 | 23 | 157 | 60 | 496 |
| July | -15 | 13 | 214 | 94 | 214 | 208 | 728 |
| Aug. | 19 | 95 | 75 | 30 | 174 | 101 | 494 |
| Sept. | -31 | -185 | 95 | 15 | 211 | 95 | 200 |
| Oct. | 22 | -22 | 208 | 8 | 251 | 92 | 559 |
| Nov. | 33 | -131 | 207 | 16 | 240 | 134 | 499 |
| Dec. | 99 | -168 | 227 | 23 | 315 | 226 | 722 |
| 1960 - Jan. | -91 | 163 | 128 | 20 | 274 | 82 | 576 |
| Feb. | -53 | -36 | 125 | 25 | 196 | 207 | 464 |
| Mar. | -30 | -167 | 104 | 35 | 242 | 115 | 299 |
| Apr. | 39 | -85 | 134 | 21 | 225 | 95 | 429 |
| May | -12 | -62 | 231 | 26 | 203 | 128 | 514 |
| June | 33 | -102 | 125 | 13 | 192 | 211 | 469 |

1/ Uses of funds represent net changes in assets and therefore reflect net, rather than gross, uses.

2/ Includes securities of domestic corporations only.

Source.--Institute of Life Insurance.

August 22, 1960

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Part II-- Canada

Sharp declines in Treasury bill yields dominated Canadian money markets last week. These declines brought Canadian bill yields close to those in the United States and virtually wiped out any incentive to buy Canadian bills. Bond yields fell from 10 to 20 points on the short and intermediate maturities (up to 12 years) and to a lesser extent on longer maturities. The spread of Canadian bond yields compared with U.S. yields narrowed only slightly. For the first time in a month and a half, the spot Canadian dollar declined fractionally during the week.

Money market conditions. At last Thursday's auction, the average yield on the 3-month Treasury bill dropped sharply by 35 basis points to 2.66 per cent per annum from 2.91 per cent a week ago (see Table). It is only one basis point above its low for the year. The 6-month bill yield also dropped by 24 basis points to 2.89 per cent from 3.13 per cent the previous week. It is now equal to its low for the year. The chartered banks purchased \$21 million of Treasury bills and the general public sold \$19 million. The average closing rate on day-to-day loans remained at 2.98 per cent, the same as in the previous week.

The net incentive to hold the Canadian short Treasury bill on a covered basis fell sharply from 0.73 per cent per annum on August 11 to 0.28 per cent on August 18. This was the result of the fall of 39 basis points in the spread between the Canadian and United States 3-month Treasury bill rates and the disappearance of the premium of the 3-month forward dollar (see Table).

Bond market. Short and intermediate bond yields dropped during the week between 10 and 20 basis points. The Bank of Canada purchased \$17 million of bonds and the chartered banks purchased \$10 million, while the general public sold \$23 million. The spreads between selected comparable Canadian and United States securities (Thursday yield for bills and Wednesday yield for bonds) were as follows (figures in parentheses refer to the previous week):

0.28 per cent on a 91-day bill (0.67)
0.17 per cent on a 182-day bill (0.58)
0.85 per cent on an 8-year bond (0.96)
1.09 per cent on a 20-year bond (1.14)
1.20 per cent on a 35-year bond (1.29)

Market sources noted that the failure of an expected new issue by the Canadian National Railways to appear contributed to the rise in Government of Canada issues last week. It is also reported that the Bank of Canada has withdrawn offerings of a number of outstanding issues from the market.

Prudential Insurance Co. of America has bought a \$30 million 6-1/8 per cent, 20-year first mortgage bond issue of Celgar Ltd., which is building a \$50 million pulp mill and sawmill in British Columbia. Last week, there was an offering in Canada of \$1,206,000 serial debentures of

Côte St. Lac, Quebec; the 5-1/2 per cent 1-to-10-year maturities were priced to yield 5.70 per cent and the 6 per cent 11-to-20-year issues were priced to yield 6.25 per cent.

During the second quarter, Canadian mutual funds reported substantial shifts from bonds into equities (see Table). This movement reversed the trend of the two preceding quarters.

Exchange rate. During the week, the Canadian dollar fell to 103.125 (U.S. cents) on Thursday from 103.313 the week before (see Table). The premium on the 3-month forward Canadian dollar, which developed in the previous week, disappeared on Thursday. This is the first easing in both the spot and 3-month forward dollar since late June.

Stock exchange. The prices of industrial stock on the Toronto and Montreal exchanges have declined steadily throughout 1960 (see Table below). Canadian stocks now are returning the highest average yield in more than two years, with an average of 4.08 per cent on those shares used to compile the Toronto Stock Exchange industrial index, compared with a yield of about 3.5 per cent for stocks used in the New York Dow-Jones industrial average. Prices of industrial stock on both the Toronto and the Montreal exchanges improved by 5-6 per cent from August 11 to 17 as noted in the following table:

| | <u>Toronto</u> | <u>Montreal</u> | <u>New York Standard & Poor</u> |
|------------|----------------|-----------------|---|
| January 4 | 532.58 | 318.9 | 64.50 |
| February 2 | 515.48 | 305.8 | 60.81 |
| March 1 | 494.71 | 290.6 | 59.83 |
| April 1 | 495.23 | 285.4 | 59.14 |
| May 2 | 484.60 | 280.9 | 57.59 |
| June 1 | 496.75 | 284.1 | 59.57 |
| July 5 | 485.50 | 272.0 | 60.65 |
| August 11 | 485.94 | 262.9 | 59.77 |
| 12 | 490.31 | 265.4 | 60.19 |
| 15 | 490.94 | 268.0 | 60.08 |
| 16 | 492.38 | 268.1 | 60.18 |
| 17 | 492.94 | 268.3 | 60.30 |

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

Selected Canadian Money Market and Related Data

| | 3-mo. Treas. bills | | | Canadian dollar | | | Net incen- tive to hold Can. bills/ |
|-------------|--------------------|---------|---------------------|-----------------|------------------|--------------------------------|--|
| | Canada a/ | U.S. b/ | Spread over U.S. | Spot c/ | 3-mo. forward | discount (-) premium (+) d/ | |
| 1959 - High | 6.16 | 4.49 | 2.96 | 105.51 | -- | -- | -- |
| Low | 3.25 | 2.80 | 0.30 | 102.58 | -- | -- | -- |
| 1960 - High | 5.14 | 4.63 | 0.90 | 105.27 | -- | 0.31 | 0.94 |
| Low | 2.65 | 2.15 | -0.69 | 101.31 | -- | -0.72 | -0.57 |
| July 28 | 2.92 | 2.23 | 0.69 | 102.66 | 102.56 | -0.35 | 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 |
| 18 | 2.66 | 2.38 | 0.28 | 103.13 | 103.13 | -- | 0.28 |

a/ Average yield at weekly tender on Thursday.

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

c/ In U.S. cents.

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

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

Selected Government of Canada Security Yields

| | 6-mo. Treas. bills | | Intermediate bonds (8 yr.) | | Long-term bonds | | | |
|-------------|--------------------|---------------------------|-------------------------------|---------------------------|-----------------|---------------------------|--------------|---------------------------|
| | Canada a/ | Spread over U.S. b/ | Canada c/ | Spread over U.S. d/ | (20 year) | | (35 year) | |
| | | | | | Canada e/ | Spread over U.S. f/ | Canada g/ | Spread over U.S. h/ |
| 1959 - High | 6.24 | -- | 5.37 | -- | 5.30 | -- | 5.05 | -- |
| Low | 5.11 | -- | 4.50 | -- | 4.44 | -- | 4.73 | -- |
| 1960 - High | 5.33 | 0.85 | 5.55 | 1.11 | 5.42 | 1.22 | 5.28 | 1.61 |
| Low | 2.89 | -0.69 | 4.45 | 0.21 | 4.85 | 0.87 | 4.85 | 0.98 |
| July 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 |
| 17 | 2.89 | 0.17 | 4.45 | 0.85 | 4.87 | 1.09 | 4.86 | 1.20 |

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)

-25-

| | <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 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 |
| 18 | - 3 | + 17 | + 2 | + 21 | + 10 | - 5 | - 19 | - 23 |

Source: Bank of Canada, Weekly Financial Statistics.

**Canada: Changes in Portfolios of Nine Mutual Funds,
end of quarter, March and June 1960**
(in per cent of total assets)

| | <u>Bonds</u> | | <u>Equities</u> | |
|----------------------------|--------------|-------------|-----------------|-------------|
| | <u>March</u> | <u>June</u> | <u>March</u> | <u>June</u> |
| All Canadian Funds | 10.6 | 5.1 | 89.4 | 94.9 |
| Canada General Fund | 0.6 | 0.3 | 99.4 | 99.7 |
| Canadian Investment Fund | 19.0 | 19.6 | 81.0 | 80.4 |
| Commonwealth International | 21.5 | 22.4 | 78.3 | 77.6 |
| Corporate Investors | 15.3 | 16.6 | 84.7 | 83.4 |
| Investors Mutual | 20.1 | 23.1 | 79.9 | 75.9 |
| Mutual Accumulating | 18.2 | 16.6 | 81.8 | 83.4 |
| New York Capital Fund | 9.1 | 6.9 | 90.9 | 93.1 |
| Scudder Fund | 5.5 | 4.4 | 94.5 | 95.6 |

Source: Financial Post, August 20, 1960.