

H.14

August 29, 1960.

1960  
AUG 29 1960

FEDERAL RESERVE BANK  
OF RICHMOND

**CAPITAL MARKET DEVELOPMENTS  
IN THE UNITED STATES AND CANADA**

**Part I - United States**

Two large corporate security issues with aggregate proceeds of \$75 million and three large State and local government bond issues totaling \$78 million were sold during the week ending August 26. This week only one corporate debenture issue for \$125 million--Republic Steel Corporation--and one State and local government bond issue for \$13 million are scheduled for sale.

Long-term bond yields - Yields on long-term corporate and State and local government bonds declined further last week to new lows for the year, while yields on U. S. Government long-term bonds were stable.

Short- and intermediate-term interest rates - Yields on Treasury bills rose last week while yields on intermediate-term government bonds declined. Both the prime rate and the rate on call loans secured by stock exchange collateral were reduced from 5 per cent to 4-1/2 per cent by New York banks. The rate quoted for 3- to 6-month directly-placed finance company paper was unchanged.

Mortgage recordings - Mortgage recordings rose about seasonally in June. As in May, they were about one-tenth lower than a year earlier but higher than in the corresponding month of any earlier year. In the first half of this year recordings totaled \$14.2 billion, compared with \$15.7 billion in the first half of 1958, and \$13.9 billion in the first half of 1955.

Stock prices - Common stock prices, as measured by Standard and Poor's index of 500 stocks, increased last week, closing at 57.60 on Friday, an increase of .59 points. Trading volume averaged 3.1 million shares a day, the heaviest since June.

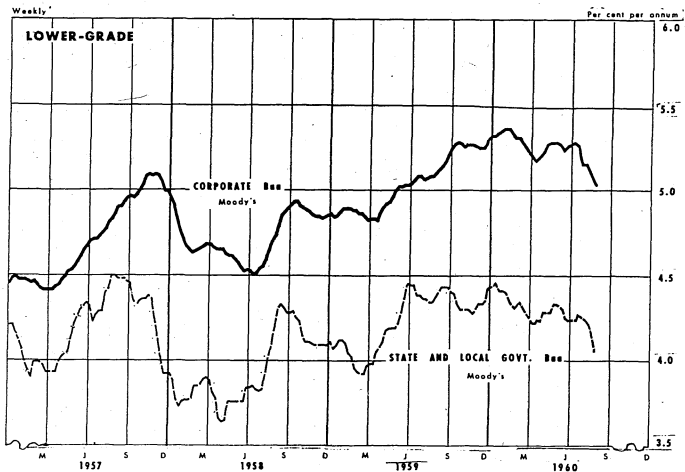
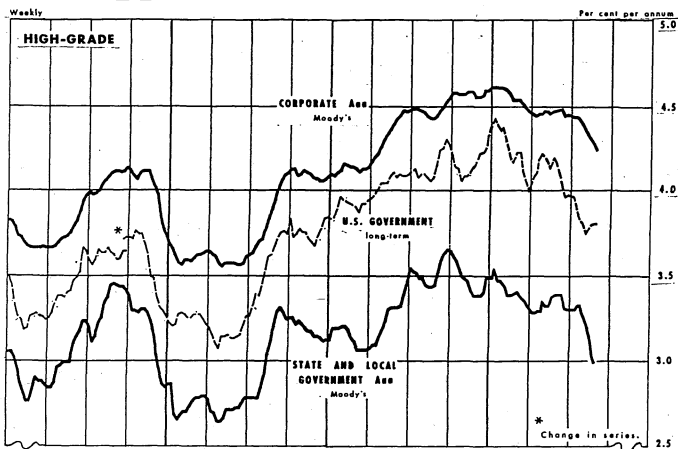
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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	4.23 (8/26)	3.75 (8/5)	2.99 (8/25)	.19	.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	4.26	3.81	3.03	.45	.79
Aug. 26 p/	4.23	3.81	2.99	.42	.82

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	1.09
Low	5.03 (8/26)	4.05 (8/25)	.71	.92
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	5.06	4.11	.80	1.09
Aug. 26 p/	5.03	4.05	.80	1.06

p/ Preliminary.

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

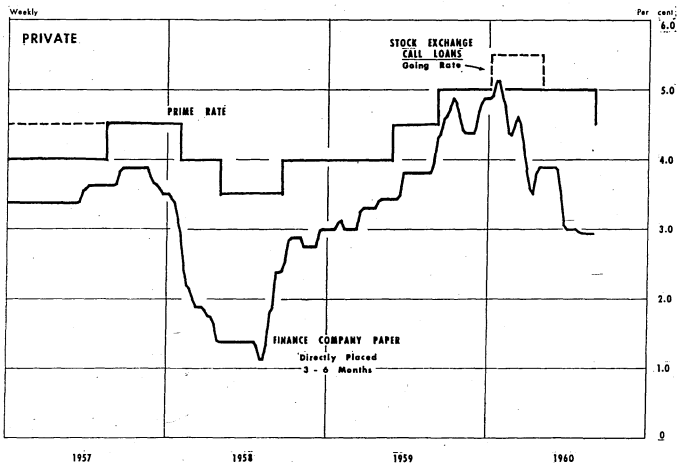
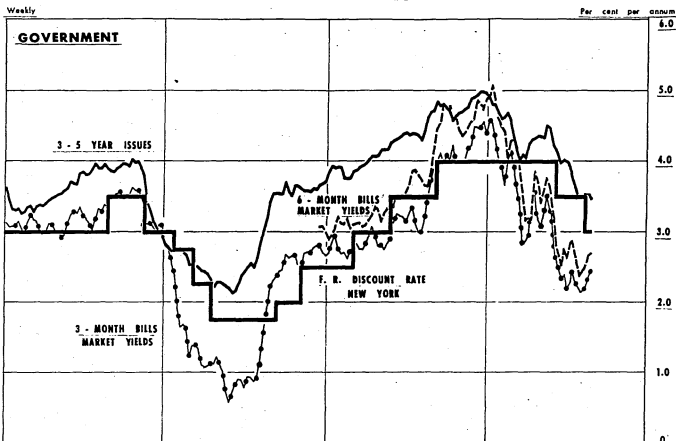
2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

3/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

Note.—Highs and lows are for individual series and may be on different dates for different series.

EXHIBIT C

SHORT- AND INTERMEDIATE- TERM INTEREST RATES



## Short- and Intermediate-term Interest Rates

## Government

Date	Discount rate 1/	Yields			Spread between yields on	
		3-month bills 2/	6-month bills 2/	3-5 year issues 2/	3-month bills and yields on 6-mo. bills	3-5 yr. issues
(per cent)						
1954 - Low	1.50	.61 (6/11)	--	1.66 (4/30)	--	.66
1957 - High	3.50	3.64 (10/18)	--	4.04 (10/18)	--	.86
1958 - Low	1.75	.58 (5/29)	3.02 (12/26)	2.14 (6/7)	.26	.04
1959 - High	4.00	4.57 (12/26)	4.91 (12/31)	5.00 (12/24)	.79	1.42
Low	2.50	2.63 (2/20)	2.92 (1/2)	3.70 (1/2)	.19	.40
1960 - High	4.00	4.59 (1/8)	5.07 (1/8)	4.97 (1/8)	.58	1.81
Low	3.00	2.13 (8/5)	2.39 (8/5)	3.47 (8/26)	.16	.38
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	3.00	2.31	2.66	3.52	.35	1.22
Aug. 26 p/	3.00	2.43	2.70	3.47	.27	1.04

## 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	4.50	4.50	2.94 (8/26)	.22 (4/15)	
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	5.00	5.00	2.94	.63	
Aug. 26 p/	4.50	4.50	2.94	.51	

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.

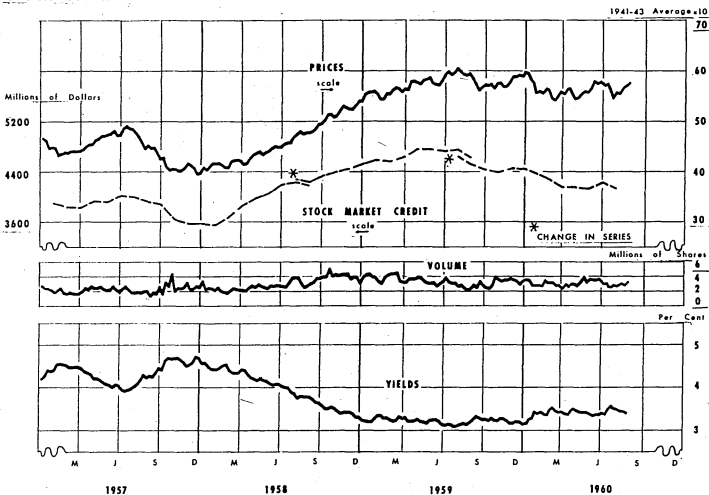
2/ Market yield; weekly averages computed from daily closing bid prices. Series of 3-5 year issues consists of selected notes and bonds.

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

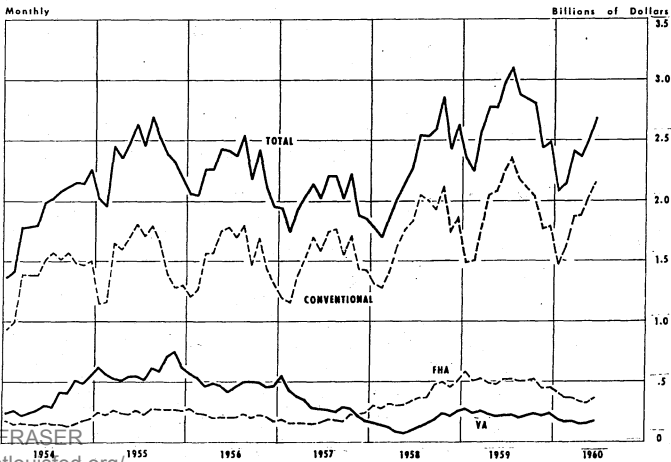
Note: Highs and lows are for individual series and may be on different dates for different series. For spreads, high refers to widest, and low to narrowest.

EXHIBIT E

STOCK MARKET



MORTGAGE RECORDINGS AND LOANS



## Stock Market

Date	Stock price index <sup>1/</sup>	Common stock yields <sup>2/</sup> (per cent)	Trading volume <sup>3/</sup> (millions of shares)	Stock market customer credit		
				Total	Customers' debit balances <sup>4/</sup>	Bank loans to "others" <sup>5/</sup>
(Millions of dollars)						
1957-59 - 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. 12	56.66	3.42	2.9	n.a.	n.a.	1,125
Aug. 19	57.01	3.41	2.7	n.a.	n.a.	1,127
Aug. 26 <sup>p/</sup>	57.60	3.38	3.1	n.a.	n.a.	n.a.

n.a.--Not available. <sup>p/</sup> Preliminary.

<sup>1/</sup> 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.

<sup>2/</sup> 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.

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

<sup>4/</sup> 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.

<sup>5/</sup> 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 <sup>1/</sup>

Date	Total		Unadjusted		
	Seasonally adjusted <sup>2/</sup>	Unadjusted	FHA	VA	Conv.
(Millions of dollars)					
1959 - 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	2,467	451	241	1,794
1960 - January	2,487	2,079	417	195	1,467
February	2,430	2,149	368	170	1,612
March	2,441	2,406	361	173	1,872
April	2,400	2,366	336	153	1,878
May	2,446	2,500	322	155	2,023
June	n.a.	2,690	365	175	2,150

n.a.--Not available.

<sup>1/</sup> 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.

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

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

## 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 <sup>3/</sup>	575	646	511
April	766	894	1,140	729	932	798
May	567	785	597	551	593	895
June	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	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&amp;T convertible debenture issue.

4/ Total new capital issues excluding offerings of sales and consumer finance companies.

Other Security Offerings <sup>1/</sup>

(In millions of dollars)

	Long-term					
	Foreign government <sup>2/</sup>			Federal agency <sup>3/</sup>		
	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 <sup>4/</sup>			Federal agency <sup>3/</sup>		
	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	297	245	264	435	289	329
July	207	246	289	312	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

<sup>B/</sup> Preliminary.<sup>1/</sup> Data presented in this exhibit differ from those in Exhibit F 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.<sup>2/</sup> Includes securities offered in the United States by foreign governments and their subdivisions and by international organizations. Source: Securities and Exchange Commission.<sup>3/</sup> Issues not guaranteed by the U. S. Government. Source: Long-term, Securities and Exchange Commission; short-term, Federal Reserve.<sup>4/</sup> 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 26

Issuer	Type 2/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est 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	--
Southern Calif. Edison Co.	1st ref. mtg. bds.	60.0	1985	4-3/8	4.38	Aa
McKesson & Robbins, Inc.	Deb.	15.0	1980	4-5/8	4.61	A
<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
State of California	G.O.	15.0	1965-90/85	3.31	2.40-4.00	Aa

## Large Individual Issues Offered August 1 through 26 (Cont'd)

Issuer	Type <sup>3/</sup>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)						
State of Vermont	G.O.	13.7	1962-80	22.65	1.30-2.80	Aaa
State of Washington	Rev.-S.T.	34.0	1961-80/70	3.59	1.70-3.70	A
East Bay Mun. Util. Dist., California	G.O.	30.0	1961-95/75	3.30	1.50-3.95	Aa
<u>OTHER</u>						
Fed. Nat. Mtg. Assoc.	Deb.	75.0	1971	4-1/8	4.10	--

- <sup>1/</sup> Includes corporate and other security offerings of \$15 million and over; State and local government security offerings of \$10 million and over.
- <sup>2/</sup> Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.
- <sup>3/</sup> 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 26

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
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
*Public Service Electric and Gas Co.	1st ref. mtg. bds.	50.0	Sept. 21
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
*Columbia Gas System	Deb.	30.0	October
Trustors' Corp.	Partic. certif.	40.0	Indefinite
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	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>			
Atlanta, Georgia	G.O.	12.7	Aug. 30
Alameda-Contra Costa Transit Dist., California	Rev.-Ut.	16.5	Sept. 7
*Alabama Highway Authority	Rev.	15.0	Sept. 7

## Forthcoming Large Offerings, as of August 26 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
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	G.O.	48.9	Sept. 14
Milwaukee, Wisconsin	G.O.	10.8	Sept. 20
*Buffalo, New York	G.O.	42.3	Sept. 22
<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

-14-

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 <sup>2/</sup>	36	5.33	43
Nov.	*5.08	42		
Dec.	*5.30	63	5.45	51
1960 - Jan. 7			5.30 <sup>2/</sup>	28
Feb. 25	5.08	44		
26	5.10	46		
Mar. 15	4.90 <sup>2/</sup>	32		
16	4.73 <sup>2/</sup>	17		
18			5.00	11
29			4.93	7
Apr. 6	4.85	33	4.98	21
8			5.30	50
14	4.94	39		
21				
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.

A further substantial decline last week in Canadian Treasury bill yields brought Canadian yields to their lowest level since mid-1958. They were also below comparable yields in the United States for the first time since late May. The yield on 3-month bills has declined by 66 basis points in the past two weeks; in this period the Bank of Canada has been a small seller of bills, the chartered banks have been substantial buyers and the general public substantial sellers.

During the past week, bond yields fell generally, with intermediate maturities showing drops of 20 to 28 basis points. With increases in United States interest rates, the spread between Canadian bond yields and U.S. yields narrowed substantially. The spot Canadian dollar moved up fractionally during the week.

Money market conditions. At last Thursday's auction, the average yield on the 3-month Treasury bill again dropped sharply by 41 basis points to 2.25 per cent per annum from 2.66 per cent a week ago (see Table). This is the lowest yield since September 1958. The yield is now 40 basis points below its former low for the year in late May. The 6-month bill yield also declined to its low for 1960 of 2.44 per cent per annum from 2.89 per cent the previous week. The chartered banks purchased \$24 million of Treasury bills and the general public sold \$14 million and the Bank of Canada sold \$6 million. The average closing rate on day-to-day loans decreased to 2.58 per cent per annum from 2.98 per cent last week.

The net incentive to hold the Canadian short Treasury bill on a covered basis disappeared during the week; instead there is now a net incentive of 0.24 per cent per annum in favor of the U.S. bill. During the week, the yield on the Canadian bill fell by 45 basis points and the U.S. bill yield rose by 10 basis points. There was no premium or discount on the 3-month forward Canadian dollar.

Acceptance companies have again reduced their rates on short-term collateral trust notes by 0.25 per cent per annum. A similar cut was made during the first week of August. The new rates being paid by leading firms are:

<u>Maturity</u>	<u>Rate</u> (per cent)
30-89 days	3
90-179	3-1/4
180-269	3-1/2
270-364	3-3/4

Bond market. Bond yields declined generally through the week with the intermediate range maturities registering drops of as much as 28 basis points. The general public sold \$4 million of bonds and \$6 million of savings bonds. 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):

-0.24 per cent on a 91-day bill (0.28)  
 -0.35 per cent on a 182-day bill (0.17)  
 0.69 per cent on an 8-year bond (0.85)  
 1.00 per cent on a 20-year bond (1.09)  
 1.15 per cent on a 35-year bond (1.20)

Offering of the 1959 series of Canada savings bonds will end August 31, Finance Minister Fleming has announced. Current price is 104.15, maintaining the 4.98 per cent yield to maturity. There is a 3 per cent tax free bonus on bonds held to maturity.

The City of Montreal is offering \$5.1 million of 20-year serial debentures. Minimum tender price on August 30 is 95 on an interest rate range between 4 and 5.5 per cent. Proceeds will be used to repay bank advances.

Over the past twelve months, Canadian yields have declined generally (see Table). Since August 1959, the yield on Treasury bills has fallen by over 3 per cent. From their highs in March 1960, bond yields have decreased by 45 to 94 basis points. The United States Treasury bill yield over the last year fell by 1.11 per cent. The yield of long-term bonds has held steady but the intermediate and short maturities have declined over the past four months by 24 to 52 basis points.

Canadian Government, provincial, municipal and corporation public bond financing in Canada for July amounted to nearly \$90 million, off over 40 per cent from July 1959. However bond financing over the first seven months of 1960 was up 95 per cent over the same period in 1957. This increase was principally in the Canada direct and guaranteed bonds.

Exchange rate. During the week, the Canadian dollar strengthened to 103.203 (U.S. cents) on Thursday from 103.125 the week before (see Table). During the week there was a slight premium but by Thursday it had disappeared.

Stock exchange. Prices of industrial stocks on the Toronto index increased by about 6 per cent from August 18 to 23 while over the same period the Montreal index gained about 4 per cent.

	Toronto	Montreal	New York Standard & Poor
January 4	532.58	318.9	64.50
March 1	494.71	290.6	59.83
May 2	484.60	280.9	57.59
July 5	485.50	272.0	60.65
August 2	475.06	259.3	58.41
18	493.63	269.3	60.26
19	496.25	271.3	60.45
22	496.88	273.4	60.65
23	499.50	273.6	61.31

Selected Canadian Money Market and Related Data

-17-

	3-mo. Treas. bills			Canadian dollar			Net incentive to hold Can. bills/
	Canada	U.S. b/	Spread over U.S.	Spot	3-mo. forward	discount (-) premium(+)/d/	
	a/			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	2.25	2.15	-0.69	101.31	--	-0.72	-0.57
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
25	2.25	2.49	-0.24	103.20	103.20	--	-0.24

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 (20 year)			
	Canada a/	Spread over U.S. b/	Canada c/	Spread over U.S. d/	Spread (20 year)		Spread (35 year)	
					Canada e/	U.S. f/	Canada g/	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	2.44	-0.69	4.45	0.21	4.85	0.87	4.85	0.98
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
24	2.44	-0.35	4.25	0.69	4.77	1.00	4.83	1.15

a/ Average yield at weekly tender on Thursday.

b/ Spread between Canadian auction rate and composite market yield of U.S. bill on close of business Thursday.

c/ Government of Canada 2-3/4 per cent of June 1967-68.

d/ Spread over U.S. Government 2-1/2 per cent of 1963-68.

e/ Government of Canada 3-1/4 per cent of October 1979.

f/ Spread over U.S. Government 3-1/4 per cent of 1978-83.

g/ Government of Canada 3-3/4 per cent of September 1996 - March 1998.

h/ Spread over U.S. Government of 1995.

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

	<u>Bank of Canada</u>		<u>Government 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 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
25	- 6	+ 1	+ 1	+ 24	+ 2	- 6	- 14	- 4

Source: Bank of Canada, Weekly Financial Statistics.

Canada and the United States: Comparative Bond Yields

	<u>1960 Aug. 25</u>	<u>1960 July 21</u>	<u>1960 March 23</u>	<u>1959 Aug. 26</u>
<u>Canada</u>				
Treasury bill (3-mo.)	2.25	3.19	3.41	5.33
Canada 2-3/4 per cent, 1967-8	4.25	4.55	5.19	5.10
Canada 3-1/4 per cent, 1979	4.77	4.88	5.21	5.13
Canada 3-3/4 per cent, 1996-8	4.83	4.86	5.28	4.90
<u>United States</u>				
Treasury bill (3-mo.)	2.49	2.34	2.86	3.60
U.S. 2-1/2 per cent 1963-68	3.56	3.70	4.08	4.60
U.S. 3-1/4 per cent, 1978-83	3.77	3.76	4.01	4.12
U.S. 3 per cent 1995	3.68	3.62	3.67	3.86

Source: Bank of Canada, Weekly Financial Statistics.