

October 10, 1960.

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

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

Part I - United States

Four large corporate security issues with proceeds totaling \$170 million were sold last week and a five-year Federal Land Bank bond issue--\$42 million of which represented new capital--was sold. All bids on the only large State and local government bond offering definitely scheduled for sale were rejected. This week one State and local government bond issue for \$70 million is on the calendar and a \$20 million corporate issue is tentatively scheduled for public offering.

Long-term bond yields - Yields on all major types of long-term bonds increased last week. The increase was fairly sharp in yields on long-term U. S. Government bonds.

Short- and intermediate-term interest rates - Yields on Treasury bills and three- to five-year Treasury obligations increased last week. Private short- and intermediate-term interest rates were unchanged.

Mortgage recordings - Nonfarm mortgage recordings, which declined contraseasonally in July, were 18 per cent below the record monthly level of a year earlier. This was the sharpest year-over-year decline registered in any month of 1960.

Common stock prices - Common stock prices, as measured by Standard and Poor's index of 500 stocks, increased slightly last week, closing on Friday at 54.03. Trading volume was light, averaging 2.4 million shares a day.

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

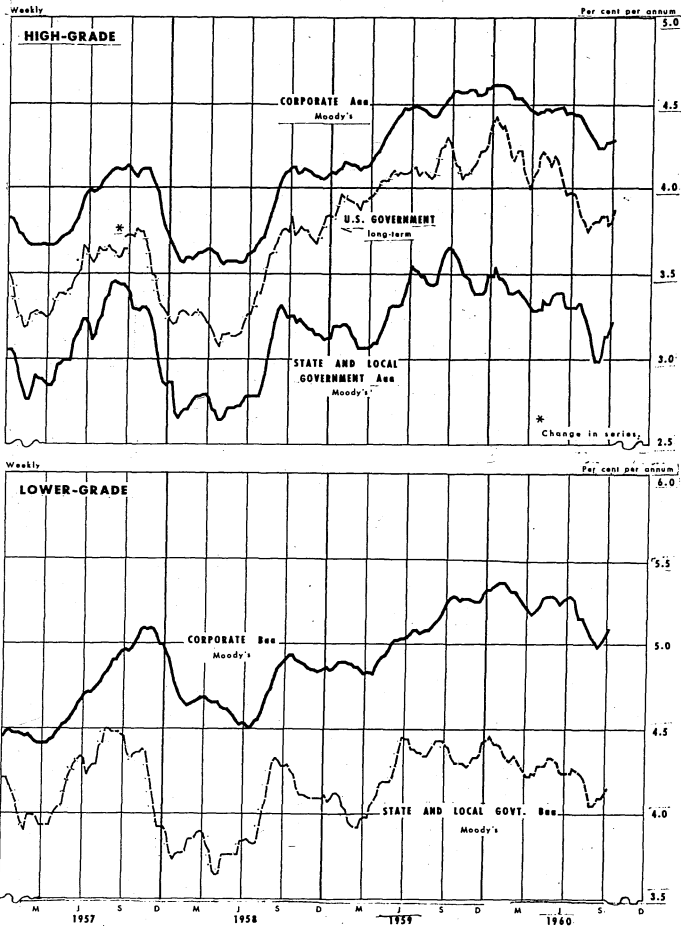


Exhibit B - Tables for Exhibit A
 Long-term Bond Yields
 High-grade

| 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 (9/9) | 3.75 (8/5) | 2.99 (9/1) | .19 | .53 |
| Sept. 9 | 4.23 | 3.84 | 3.03 | .39 | .81 |
| Sept. 16 | 4.26 | 3.84 | 3.13 | .42 | .71 |
| Sept. 23 | 4.26 | 3.79 | 3.13 | .47 | .66 |
| Sept. 30 | 4.27 | 3.81 | 3.18 | .46 | .63 |
| Oct. 7 p/ | 4.28 | 3.88 | 3.21 | .40 | .67 |

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 | 1.08 |
| Low | 4.98 (9/9) | 4.05 (9/1) | .71 | .92 |
| Sept. 9 | 4.98 | 4.07 | .75 | 1.04 |
| Sept. 16 | 4.99 | 4.09 | .73 | .96 |
| Sept. 23 | 5.02 | 4.09 | .76 | .96 |
| Sept. 30 | 5.05 | 4.13 | .78 | .95 |
| Oct. 7 p/ | 5.09 | 4.15 | .81 | .94 |

p/ Preliminary.

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

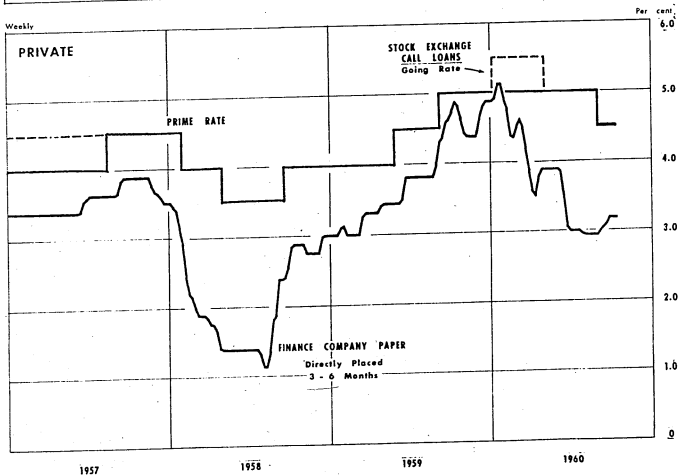
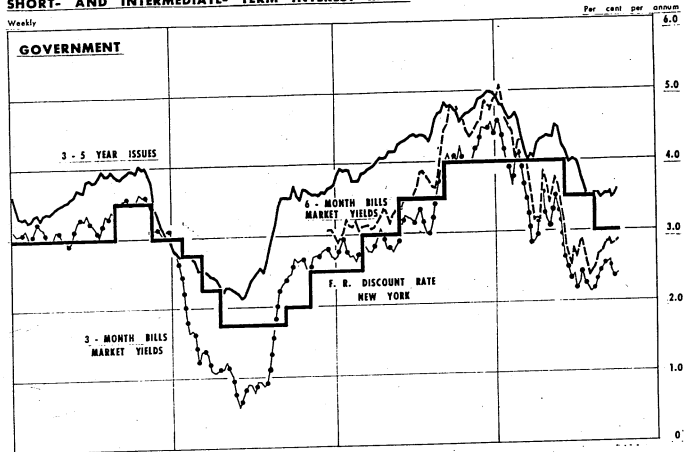
2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

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

Exhibit D - Tables for Exhibit C

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 (6/6) | .26 | .04 |
| 1959 - High | 4.00 | 4.57 (12/24) | 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 (9/23) | .16 | .38 |
| Sept. 9 | 3.00 | 2.56 | 2.83 | 3.51 | .27 | .95 |
| Sept. 16 | 3.00 | 2.58 | 2.87 | 3.53 | .29 | .95 |
| Sept. 23 | 3.00 | 2.43 | 2.80 | 3.47 | .37 | 1.04 |
| Sept. 30 | 3.00 | 2.35 | 2.82 | 3.50 | .47 | 1.15 |
| Oct. 7 p/ | 3.00 | 2.40 | 2.88 | 3.60 | .48 | 1.20 |

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 (11/15) | .59 (7/19) |
| 1958 - Low | 3.50 | 3.50 | 1.13 (8/8) | -.35 (8/29) |
| 1959 - High | 5.00 | 5.00 | 4.88 (12/31) | .86 (10/9) |
| Low | 4.00 | 4.00 | 3.00 (3/6) | .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) |
| Sept. 9 | 4.50 | 4.50 | 3.06 | .50 |
| Sept. 16 | 4.50 | 4.50 | 3.11 | .53 |
| Sept. 23 | 4.50 | 4.50 | 3.19 | .76 |
| Sept. 30 | 4.50 | 4.50 | 3.19 | .84 |
| Oct. 7 p/ | 4.50 | 4.50 | 3.19 | .79 |

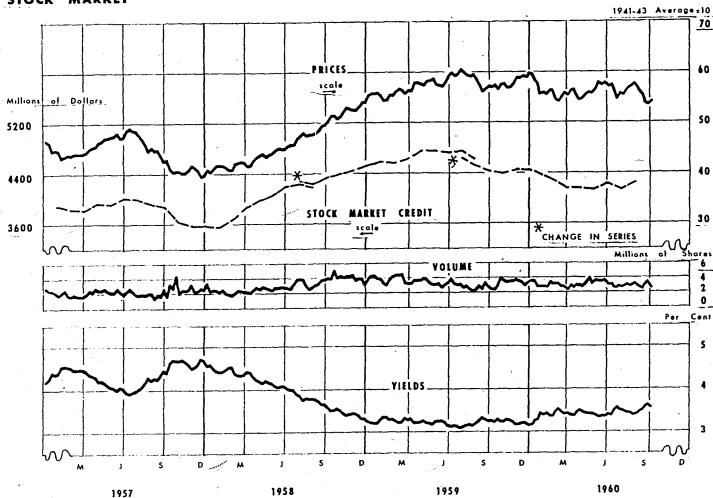
1/ Weekly rate shown is that in effect at end of period. Discount rate is for Federal Reserve Bank of New York. Stock exchange call loan rate is going rate on call loans secured by customers' stock exchange collateral at New York City banks. Prime rate is that charged by large banks on short-term loans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

STOCK MARKET



MORTGAGE RECORDINGS AND LOANS

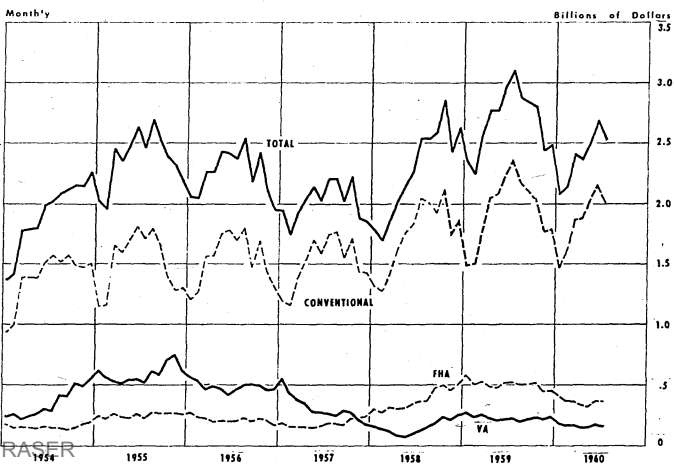


Exhibit F - Tables for Exhibit E

-7-

Stock Market

| Date | Stock price index 1/ | Common stock yields 2/ (per cent) | Trading volume 3/ (millions of shares) | Stock market customer credit | | |
|-----------------------|----------------------|-----------------------------------|--|------------------------------|------------------------------|---------------------------|
| | | | | Total | Customers' debit balances 4/ | Bank loans to "others" 5/ |
| (Millions of dollars) | | | | | | |
| 1957-59 - 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 | 53.52 (9/30) | 3.62 | 2.4 | 4,132 | 3,004 | 1,111 |
| August | 56.51 | 3.43 | 2.8 | 4,243 | 3,109 | 1,134 |
| September | 54.81 | 3.51 | 2.9 | n.a. | n.a. | 1,145 |
| Sept. 23 | 53.90 | 3.58 | 3.0 | n.a. | n.a. | 1,147 |
| Sept. 30 | 53.52 | 3.62 | 3.4 | n.a. | n.a. | 1,145 |
| Oct. 7 p/ | 54.03 | 3.58 | 2.4 | n.a. | n.a. | n.a. |

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

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

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

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

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

5/ Wednesday figures for weekly reporting member banks. Excludes loans for purchasing or carrying U. S. Government securities. Prior to July 1, 1959, such loans are excluded only at banks in New York and Chicago. Weekly reporting banks account for about 70 per cent of loans to others. For further detail see Bulletin.

Nonfarm Mortgage Recordings and Loans 1/

| Date | Total | | Unadjusted | | |
|-----------------------|------------------------|------------|------------|-----|-------|
| | Seasonally adjusted 2/ | Unadjusted | FHA | VA | Conv. |
| (Millions of dollars) | | | | | |
| 1959 - July | 2,787 | 3,100 | 524 | 227 | 2,349 |
| Aug. | 2,769 | 2,871 | 504 | 202 | 2,165 |
| Sept. | 2,650 | 2,834 | 510 | 221 | 2,103 |
| Oct. | 2,639 | 2,799 | 523 | 238 | 2,039 |
| Nov. | 2,589 | 2,442 | 448 | 220 | 1,775 |
| Dec. | 2,485 | 2,487 | 451 | 241 | 1,794 |
| 1960 - Jan. | 2,487 | 2,079 | 417 | 195 | 1,467 |
| Feb. | 2,430 | 2,149 | 368 | 170 | 1,612 |
| Mar. | 2,441 | 2,406 | 361 | 173 | 1,872 |
| Apr. | 2,400 | 2,366 | 336 | 153 | 1,878 |
| May | 2,446 | 2,500 | 322 | 155 | 2,023 |
| June | 2,427 | 2,690 | 365 | 175 | 2,150 |
| July | n.a. | 2,528 | 362 | 160 | 2,006 |

n.a.--Not available.

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

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

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

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 | 738 | 639 | 812 |
| February | 715 | 738 | 857 | 623 | 858 | 953 |
| March | 860 | 646 | 1,553 ^{3/} | 575 | 646 | 511 |
| April | 766 | 894 | 1,140 | 731 | 932 | 798 |
| May | 567 | 785 | 597 | 550 | 593 | 895 |
| June | 1,034 | 887 | 887 | 1,030 | 1,006 | 551 |
| July | ^{p/} 747 | 535 | 1,107 | ^{p/} 555 | 567 | 806 |
| August | ^{e/} 925 | 740 | 540 | ^{e/} 600 | 516 | 403 |
| September | ^{e/} 700 | 703 | 1,114 | ^{e/} 675 | 465 | 651 |
| October | ^{e/} 1,000 | 879 | 862 | ^{e/} 550 | 597 | 456 |
| November | | 864 | 518 | | 519 | 474 |
| December | | 900 | 920 | | 455 | 435 |
| 1st quarter | 2,151 | 2,204 | 3,139 | 1,936 | 2,143 | 2,276 |
| 2nd quarter | 2,367 | 2,567 | 2,623 | 2,311 | 2,531 | 2,244 |
| 3rd quarter | ^{e/} 2,372 | 1,979 | 2,760 | ^{e/} 1,830 | 1,548 | 1,860 |
| 4th quarter | | 2,642 | 2,300 | | 1,571 | 1,365 |
| 1st half | 4,519 | 4,771 | 5,762 | 4,247 | 4,674 | 4,520 |
| Three quarters | ^{e/} 6,890 | 6,750 | 8,522 | ^{e/} 6,077 | 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 | 2,150 | 2,412 | 2,586 | | | |
| 3rd quarter | ^{e/} 1,922 | 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/}

-9-

(In millions of dollars)

| | Long-term | | | | | |
|-----------|--|-------|-------|------------------------------|-------|-------|
| | Foreign government ^{2/} | | | Federal agency ^{3/} | | |
| | 1960 | 1959 | 1958 | 1960 | 1959 | 1958 |
| January | 2 | 81 | 196 | 182 | 199 | 1,163 |
| February | 175 | 60 | 53 | 150 | -- | 251 |
| March | 70 | 2 | -- | 150 | 175 | -- |
| April | 34 | 58 | 139 | 148 | -- | 523 |
| May | 72 | 50 | 198 | 354 | -- | -- |
| June | 40 | 42 | 120 | -- | -- | -- |
| July | -- | 85 | 9 | -- | -- | 164 |
| August | | 1 | 5 | p/200 | 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 | 475 | 500 | 208 |
| March | 365 | 295 | 273 | 511 | 489 | 144 |
| April | 365 | 563 | 357 | 509 | 486 | 209 |
| May | 351 | 411 | 354 | 632 | 675 | 161 |
| June | 297 | 245 | 264 | 435 | 289 | 329 |
| July | 280 | 246 | 289 | 312 | 727 | 437 |
| August | p/370 | 467 | 423 | 468 | 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 | 3,096 |

p/ Preliminary.

^{1/} 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.

^{2/} Includes securities offered in the United States by foreign governments and their subdivisions and by international organizations. Sources: Securities and Exchange Commission.

^{3/} Issues not guaranteed by the U. S. Government. Sources: 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 FHA notes included may have a somewhat longer term than one year. Sources: Bond Buyer.

Exhibit I

Large Long-term Public Security Issues for New Capital
(Other than U. S. Treasury) 1/

Proceeds of Large Issues Offered

(Millions of dollars)

| Month | Corporate | State and local government | Other <u>2/</u> |
|------------------|-----------|----------------------------|-----------------|
| 1959 - 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 | -- |
| August | 581 | 298 | 75 |
| September | 266 | 367 | 25 |

Large Individual Issues Offered October 1 through 7

| Issuer | Type <u>3/</u> | Amount (millions of dollars) | Maturity | Coupon rate or net interest cost | Offering yield | Rating |
|-----------------------------------|--------------------|------------------------------|----------|----------------------------------|----------------|--------|
| <u>CORPORATE</u> | | | | | | |
| San Diego Gas & Elec. Co. | 1st mtg. bds. | 30.0 | 1990 | 4-5/8 | 4.63 | Aa |
| Youngstown Sheet & Tube | 1st mtg. S.F. bds. | 60.0 | 1990 | 4-1/2 | 4.60 | Aa |
| Household Finance Corp. | Deb. | 50.0 | 1981 | 4-7/8 | 4.88 | -- |
| Columbia Gas System | Deb. | 30.0 | 1985 | 5-1/8 | 5.05 | A |
| <u>STATE AND LOCAL GOVERNMENT</u> | | | | | | |
| None | | | | | | |
| <u>OTHER</u> | | | | | | |
| Federal Land Banks | Bds. | 42.0 | 1965 | 4 | 4.03 | -- |

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.

Exhibit J

Forthcoming Large Long-term Public Security Offerings for New Capital
(Other than U. S. Treasury) ^{1/}

Expected Proceeds from Forthcoming Large Issues

| Date of computation | During month following date shown | | | Subsequent to date shown | | |
|---------------------|-----------------------------------|-----------------------|---------------------|--------------------------|-----------------------|---------------------|
| | Corporate | State and local govt. | Other ^{2/} | Corporate | State and local govt. | Other ^{2/} |
| 1959 - 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 | -- |
| Aug. 31 | 216 | 283 | -- | 731 | 283 | -- |
| Sept. 30 | 576 | 212 | 77 | 836 | 336 | 127 |

Forthcoming Large Offerings, as of October 7

| Issuer | Type | Amount (millions of dollars) | Approximate date of offering |
|--------------------------------------|-------------------|------------------------------|------------------------------|
| <u>CORPORATE</u> | | | |
| Associated Dry Goods Corp. | S.F. deb. | 20.0 | Oct. 12 |
| General Acceptance Corp. | Sen. deb. | 20.0 | Oct. 17 |
| Louisville Gas & Elec. Co. | 1st mtg. bds. | 16.0 | Oct. 19 |
| Pacific Lighting Gas Supply Co. | S.F. deb. | 25.0 | Oct. 20 |
| Florida Power Co. | 1st mtg. bds. | 25.0 | Oct. 21 |
| American Telephone and Telegraph Co. | Deb. | 250.0 | Oct. 25 |
| John Deere Credit Corp. | Deb. | 50.0 | Oct. 27 |
| United Gas Corp. | Bds. & deb. | 60.0 | Nov. 1 |
| Idaho Power Co. | 1st mtg. bds. | 15.0 | Nov. 15 |
| Wisconsin Elec. Power Co. | 1st mtg. bds. | 30.0 | Nov. 16 |
| 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 |

Forthcoming Large Offerings, as of October 7 (Cont'd)

| Issuer | Type | Amount (millions of dollars) | Approximate date of offering |
|--|----------------|------------------------------------|---------------------------------|
| <u>STATE AND LOCAL GOVERNMENT</u> | | | |
| State of Massachusetts | G.O. | 69.5 | Oct. 10 |
| Dade County, Florida | G.O. | 46.0 | Oct. 18 |
| Los Angeles County Flood Control Dist., California | G.O. | 10.0 | Oct. 18 |
| *Chicago, Illinois, School District | G.O. | 15.0 | Oct. 18 |
| Pa. State Public School Bldg. Auth. | Rev.-Rent. | 21.3 | Oct. 19 |
| *Cook County, Illinois | G.O. | 25.0 | Nov. 1 |
| Los Angeles Harbor Dist., Calif. | Rev. | 12.0 | Nov. 15 |
| New York State Housing Fin. Agency | Rev. | 100.0 | November |
| Los Angeles Dept. of Wtr. and Pwr., California | Rev.-Ut. | 12.0 | Indefinite |
| Orleans Parish, La., School Dist. | G.O. | 10.0 | Indefinite |
| Kentucky Turnpike Auth. | Rev. | 55.0 | Indefinite |
| <u>OTHER</u> | | | |
| high Authority of the European Coal and Steel Community | Bds. and notes | 35.0 | Oct. 17 |
| Tennessee Valley Auth. | Bds. | 50.0 | Nov. 15 |

*--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/

-14-

| 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 | 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 |
| Sept. 15 | | | 4.80 | 24 |
| 23 | 4.65 | c/27 | | |
| 28 | 4.55 ^{2/} | c/17 | | |
| Oct. 5 | 4.63 ^{2/} | 24 | | |

*--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.

October 10, 1960

Part II - Canada

Money and Capital Markets during September

During September, Canadian bill and bond yields declined to 1960 lows. In fact, bill yields were at the lowest point since 1958. During this period, the Canadian bills were substantially below yields on United States bills; even with the premium on the forward Canadian dollar, there was a slight incentive in favor of the United States bill compared with the Canadian bill.

During the first week in October, however, the decline in Canadian bill yields was sharply reversed. The yield on the 3-month bill rose by 60 basis points to the highest level since the end of August. Bond yields also rose for all maturities.

Money market. During September the 3-month Treasury bill rate declined sharply to the lowest levels of the year and on September 22 reached 1.68 per cent, the lowest since August 1958; 3 $\frac{1}{2}$ basis points below the high of January 7, 1960. The average yield for September was 1.95 per cent compared with 2.46 per cent in August. (See Chart)

The 6-month Treasury bill fell to new lows through September and reached 1.99 per cent on September 21. During the last week of August and the first half of September, when the bill rate was declining, the Bank made no changes in its bill holdings. It did, however, sell \$43 million of Treasury bills during the last two weeks of September which helped heavy purchases by the chartered banks. The banks purchased \$90 million during the month and the public sold \$41 million.

During September, there was a substantial spread favoring the United States bill over the Canadian bill, reaching 0.8 per cent on September 22. A slight net incentive to hold the United States bill on a covered basis continued through September in spite of a close to 0.5 per cent premium on the 3-month forward Canadian dollar.

A comparison of the yields on short-term commercial paper in some of the major acceptance houses in Canada and the United States indicates the same trend through September as noted in the Treasury bill market. While Canadian rates were generally above United States rates through August, the Canadian rates fell below U.S. rates in September. Similarly while the net incentive moved against the Canadian paper, the premium on the forward Canadian dollar held the incentive on a covered basis well below 0.5 per cent (see Table).

1 to 3 month paper

| | <u>Canada</u> | <u>United States</u> | <u>Spread</u> |
|---------|---------------|----------------------|---------------|
| Aug. 25 | 2.75 | 2.25-2.50 | + 0.38 |
| Sept. 1 | 2.50 | 2.50-2.75 | - 0.25 |
| 22 | 2.0-2.5 | 3.00 | - 0.75 |
| 29 | 2.0-2.5 | 2.75 | - 0.50 |

Day-to-day loans in Canada also declined steadily through September and the average closing rate fell from 2.58 per cent at end of August to 1.15 per cent at end of September.

Bond market. Bond yields also fell to new lows in September for all maturities. While yields on short- and intermediate-term maturities continued to decline through September, the longer maturities remained at about the low levels reached early in the month. The spread between selected comparable Canadian and United States securities (Thursday yields for bills and Wednesday yields for bonds) were as follows:

| | <u>Sept. 29</u> | <u>Aug. 25</u> |
|--------------|-----------------|----------------|
| 91-day bill | - 0.66 | - 0.24 |
| 182-day bill | - 0.78 | - 0.35 |
| 8-year bond | + 0.52 | + 0.69 |
| 20-year bond | + 0.91 | + 1.00 |
| 35-year bond | + 1.01 | + 1.15 |

The decline in bond yields through September was general and affected corporate and local Government issues as well. The McLeod, Young, Weir Bond Yield averages for 40 bond yields showed a 7 basis point decline through September from 5.42 per cent on September 1 to 5.35 per cent on October 1. The declines ranged from 4 basis points in Provincials to 9 basis points in industrials as noted in the following table:

| | <u>Sept. 1</u> | <u>Oct. 1</u> |
|-----------------------|-------------------|---------------|
| | <u>(per cent)</u> | |
| 10 Provincials | 5.32 | 5.28 |
| 10 Municipals | 5.67 | 5.61 |
| 10 Public utilities | 5.37 | 5.29 |
| 10 Industrials | 5.33 | 5.24 |
| 40 Bond yield average | 5.42 | 5.35 |

Source: McLeod, Young, Weir Bond Yield Average

While new long-term bond issues expanded about \$334 million in September, there were no new sales during the month to residents of the United States. Total new issues during the month amounted to \$814 million, of which \$480 million were short term. Some of the most important new longer-term issues of the month were:

| | |
|----------------|--------------------------------------|
| Manitoba Hydro | \$25 million to yield 5.45% |
| Nova Scotia | \$10 million to yield 5.04 to 5.23% |
| CNR | \$250 million to yield 4.68 to 5.17% |
| Newfoundland | \$5 million to yield 5.71% |

(For details see Capital Market Developments dated September 5 through October 3.)

In mid-September the Government announced the terms of the new Series 15 Canada Savings Bonds. The bonds will be dated November 1 and will mature in 10 years with a graduated interest rate which will yield 4.71 per cent if held to maturity. This compares with an all-time peak of 4.96 per cent for the 1959 issue.

Interest rates. Three of the larger Canadian insurance companies and one other large mortgage lender announced a reduction in mortgage rates in September, to 7 per cent from the 7-1/4 to 7-1/2 per cent level of the last two years. The Industrial Development Bank also reduced lending rates to 6-1/2 per cent from 7 per cent. The prime bank lending rate and the prime rates on call loans, however, continue at the 5-3/4 per cent level of the last year and private bankers have indicated no intention of lowering rates at this time since they are able to lend all available funds at the current rate (see general bank loans).

General bank loans and money supply. Bank loans seasonally adjusted expanded \$25 million in September, for the seventh straight month of expansion. While adjusted bank loans reached a peak of \$5,006 million in August 1959, they fell a total of \$235 million in the next six-month period. The increase to date beginning March of this year, was \$200 million, bringing the total outstanding to \$4,971 million, \$39 million below last year's peak.

The money supply expanded by \$81 million during the July-September quarter in spite of a \$349 million decline in Government of Canada deposits at the chartered banks. The rise in the March-September period reflects in part the heavy seasonal needs of the summer months.

Total Currency Outside Banks and Bank Deposits
(millions of Canadian dollars)

| | <u>Currency</u> | <u>Deposits</u> | <u>Total</u> | <u>Change</u> |
|----------------|-----------------|-----------------|--------------|---------------|
| Dec. 31, 1959 | 1,789 | 11,360 | 13,148 | -- |
| March 31, 1960 | 1,715 | 11,297 | 13,012 | - 136 |
| June 30, 1960 | 1,767 | 11,481 | 13,248 | + 236 |
| Sept. 30, 1960 | 1,767 | 11,561 | 13,329 | + 81 |

Foreign exchange. The Canadian dollar rose slightly above 103 (U.S. cents) on September 1 and remained so until the middle of the month. Partly in response to the low level of Canadian bill yields, the Canadian dollar declined gradually after September 20, and closed at 102.20 on October 6 (see Table). The premium on the forward Canadian dollar also rose through the month from 0.19 per cent per annum on September 1 to 0.43 per cent on September 29 and 0.49 per cent on October 6 (see Table).

Official holdings of foreign exchange, reflecting increased dollar holdings, rose for the third consecutive month in August, after declining sharply in May when the Canadian dollar declined. Private short-term holdings rose in May, June, and July, reflecting higher interest rates in Canada during that period.

| | <u>Change in Official Holdings^{1/}</u> | | | | <u>Change in short-term U.S. dollar holdings--private and official^{2/}</u> | <u>Change in private short-term holdings^{3/}</u> |
|------|---|-----------------|---------------------|------|---|---|
| | <u>Total</u> | <u>Of which</u> | | | | |
| | | <u>Gold</u> | <u>U.S. dollars</u> | | | |
| May | -101.5 | -23.3 | -78.2 | + 37 | +115.2 | |
| June | + 33.6 | -12.2 | +45.8 | +108 | + 62.2 | |
| July | + 56.7 | - 3.3 | +50.0 | +154 | +104.0 | |
| Aug. | + 16.0 | - 2.1 | +18.1 | | | |

^{1/} Source: Bank of Canada, Statistical Summary.

^{2/} Source: Federal Reserve Bulletin.

^{3/} Difference between total private and official short-term holdings and total official holdings.

Stock exchange. Through September industrial stock prices declined sharply, and on October 4 were about 1.6 per cent over the low of this year on the Toronto exchange and about 3.3 per cent over the low of the year on the Montreal exchange. During September the decline in industrials on the Canadian market was between 4.3 per cent and 5.3 per cent compared with a fall of 8.7 per cent in the Standard & Poor industrial average.

| | <u>Toronto</u> | <u>Montreal</u> | <u>New York Standard & Poor</u> |
|-------------|----------------|-----------------|-------------------------------------|
| 1960 - High | 532.56 | 271.1 | 60.51 |
| Low | 472.38 | 250.3 | 55.98 |
| Sept. 1 | 505.56 | 271.1 | 60.51 |
| 9 | 503.38 | 272.0 | 59.37 |
| 15 | 498.06 | 269.6 | 58.37 |
| 23 | 484.07 | 264.2 | 56.93 |
| 29 | 480.13 | 259.9 | 55.69 |
| October 4 | 479.75 | 258.5 | 56.07 |

Consumer credit. Consumer credit reached a peak of \$3.5 billion in the second quarter of 1960 after declining slightly in the first quarter of the year. Total consumer credit has grown over 3 times the immediate postwar level of \$1,049 million as noted in the table below. During this period personal cash loans have grown to major importance, equal to almost 50 per cent of total consumer credit as compared with about 37 per cent in 1950 (see Table).

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 | -- | 0.99 | 0.94 |
| Low | 1.68 | 2.15 | -0.82 | 101.31 | -- | -0.72 | -0.57 |
| Sept. 1 | 2.01 | 2.58 | -0.57 | 103.03 | 103.08 | 0.19 | -0.38 |
| 8 | 2.09 | 2.55 | -0.46 | 103.06 | 103.13 | 0.24 | -0.22 |
| 15 | 2.07 | 2.53 | -0.46 | 103.08 | 103.19 | 0.42 | -0.04 |
| 22 | 1.68 | 2.50 | -0.82 | 102.63 | 102.75 | 0.49 | -0.33 |
| 29 | 1.70 | 2.33 | -0.66 | 102.28 | 102.39 | 0.43 | -0.23 |
| Oct. 6 | 2.20 | 2.47 | -0.27 | 102.20 | 102.33 | 0.49 | 0.22 |

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 | 1.99 | -0.86 | 4.09 | 0.21 | 4.63 | 0.85 | 4.68 | 0.95 |
| Sept. 1 | 2.24 | -0.63 | 4.15 | 0.54 | 4.65 | 0.88 | 4.75 | 1.03 |
| 7 | 2.32 | -0.50 | 4.09 | 0.44 | 4.63 | 0.85 | 4.68 | 0.95 |
| 14 | 2.36 | -0.48 | 4.17 | 0.60 | 4.68 | 0.88 | 4.69 | 0.97 |
| 21 | 1.99 | -0.86 | 4.14 | 0.67 | 4.66 | 0.92 | 4.70 | 1.03 |
| 28 | 2.05 | -0.78 | 4.09 | 0.52 | 4.66 | 0.91 | 4.70 | 1.01 |
| Oct. 6 | 2.52 | -0.35 | 4.23 | 0.57 | 4.72 | 0.87 | 4.74 | 1.00 |

a/ Average yield at weekly tender on Thursday.

b/ Spread between Canadian auction rate and composite market yield of U.S. 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> |
| 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 |
| 31 | 0 | 0 | + 4 | + 11 | + 9 | - 5 | - 10 | - 9 |
| Sept. 7 | 0 | 0 | + 4 | - 11 | + 18 | - 4 | + 13 | - 19 |
| 14 | 0 | 0 | 0 | + 8 | + 11 | + 2 | - 3 | - 12 |
| 21 | - 16 | 0 | + 3 | + 52 | + 3 | - 7 | - 37 | 0 |
| 28 | - 27 | - 2 | - 1 | + 41 | + 16 | - 5 | - 14 | - 5 |
| Oct. 6 | - 1 | + 5 | + 3 | + 2 | + 68 | - 5 | + 3 | +165 |

Source: Bank of Canada, Weekly Financial Statistics.

Consumer Credit
(millions of Canadian dollars)

| <u>End of quarter</u> | <u>Charge accounts</u> | <u>Instal- ment credit</u> | <u>Personal cash loans</u> | <u>Total</u> | <u>Consumer credit as % of personal disposable in- come</u> |
|---------------------------|----------------------------|------------------------------------|------------------------------------|--------------|---|
| 1950 | 255 | 401 | 383 | 1,049 | 8.3 |
| 1958 | 406 | 1,277 | 1,318 | 3,001 | 13.3 |
| 1959 - I | 362 | 1,226 | 1,380 | 2,968 | 12.6 |
| II | 368 | 1,282 | 1,502 | 3,152 | 13.1 |
| III | 391 | 1,317 | 1,568 | 3,276 | 13.7 |
| IV | 431 | 1,368 | 1,588 | 3,387 | 14.1 |
| 1960 - I | 380 | 1,322 | 1,582 | 3,284 | 13.5 |
| II | 399 | 1,395 | 1,690 | 3,484 | 14.5 |

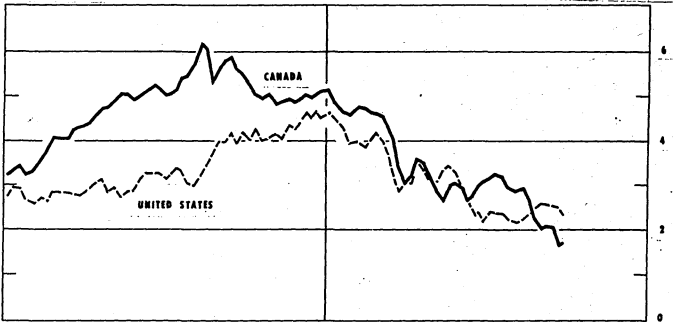
Source: Bank of Montreal Business Review.

CANADA - UNITED STATES

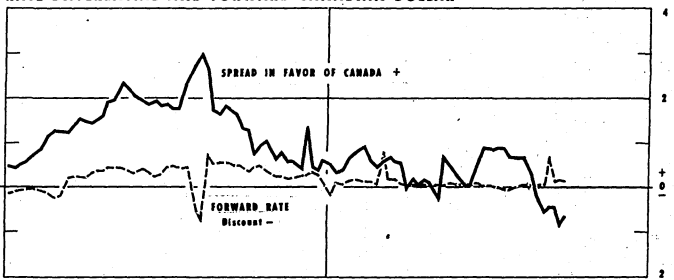
THREE-MONTH TREASURY BILL RATES

Thursday figures

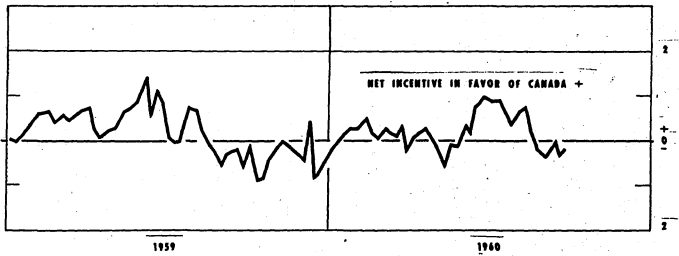
Per cent per annum



RATE DIFFERENTIAL AND FORWARD CANADIAN DOLLAR



RATE DIFFERENTIAL WITH FORWARD EXCHANGE COVER



October 7, 1960

United Kingdom: Money and Capital Markets During September

An inflow of capital from abroad, largely in response to the level of short-term interest rates in Britain, continued to be an important factor in London financial markets in September. Britain's reserves rose by \$37 million in September, despite continuing poor trade figures; if allowance is made for the \$56 million repayment to the I.M.F., the gross increase in reserves was \$93 million.

British Treasury bill yields declined slightly in early September but pressure by the Bank of England on the discount houses helped to check the decline. The yield on London Treasury bills exceeded the yield in New York by over 3 per cent. The incentive to hold the London bill (with exchange risk covered) fell to a recent low of 0.70 per cent on September 16 but was at 1.32 per cent on September 30.

In the gilt-edged market, yields in short- and intermediate-term maturities rose fractionally but those on longer term eased slightly. American interest in British gilt-edged bonds was reported in the press. Unexpectedly in late September the Bank of England offered a substantial 50-year bond, the longest-term issue now on the market with a maturity date at an effective yield of 5.80 per cent. For the first time since March 1958, total hire-purchase debt fell in August.

Stock price continued to rise to a peak in early September but had fallen by 3 per cent by the end of the month.

Spot sterling rose from \$2.8110 U.S. cents on September 2 to \$2.8157 U.S. cents on September 16 but had returned to \$2.8112 U.S. cents by the end of the month. During September, blocked securities sterling was at or fractionally above the spot rate. The discount on forward sterling widened in the first part of September but the spread narrowed thereafter.

Money market conditions. The yield on Treasury bills fell 8 basis points from 5.59 per cent to 5.51 per cent in early September and held steady about 5.50 per cent until the last week in the month when it increased to 5.57 (see Table). The decline in yield was halted after the Bank of England forced the discount market to borrow at the penal rate on September 10, the day following the fall in the Treasury bill yield. This intervention occurred on Saturday, the first such move since 1952, and served to demonstrate to the financial community the resistance of the Bank of England to a further decline in bill rates.

During this period, the yield on London Treasury bills exceeded the bill yield in New York by 3 per cent (see Chart). Because of the wider discount on forward sterling, however, the net incentive to hold the British bill declined from 1.24 per cent on August 19 to 0.70 per cent on September 15 (see Table). Thereafter, the net incentive rose substantially reaching 1.37 per cent on September 30 due to declines in the United States bill yields and to the reduced discount on 3-month forward sterling. Trends in bill rates in London and New York for 1960 are shown in a Chart at the end of this report.

Gilt-edged market. Despite the continued capital inflow, the easing in bond yields in late August did not continue into September. On the contrary, bond yields rose slightly during the month; short and intermediate yields rose by about 2 basis points and the Consol yield by 11 basis points (see Table). During the last week in September, the yield on 3-1/2 per cent War Loan fell by 10 basis points and that of 2-1/2 per cent Consols by 5 basis points. Press reports stated that sizeable American buying contributed to the declines.

On September 30, the Bank of England announced an offering of £500 million of 5-1/2 per cent Treasury stock 2008-12 at 95 to give a gross redemption yield of 5.80 per cent -- slightly below the market. This stock replaces the former long-term "tap" Treasury 5 per cent 1986-89 with a gross redemption yield of 6.05 per cent, supplies of which were finally exhausted last week. Income from the bond is tax-free for nonresidents of the U.K. The new stock replaces the Funding 3-1/2 per cent 1999-2004 bond as the longest redeemable gilt-edged security in the market. This 50-year offering seems to be designed for long-term insurance and pension fund investors. The new bonds will be held by the Issue Department of the Bank of England and fed into the gilt-edged market as demand conditions permit.

The Agricultural Mortgage Corporation made a public offering on September 16 of £6 million of newly created 6 per cent. debenture stock, with a life of 22-27 years. It was priced at 99 with a gross redemption yield of 6.08 per cent. The last offering of the Corporation, which makes loans on first mortgages on farms, was over two years ago for £5 million with a 5-1/2 per cent coupon priced at 98 and a life of 22-27 years. The Surrey 6 per cent 1978-80 was well received and went immediately to a premium of three-fourths per cent.

In the past week several large companies have announced plans for new debenture issues, including £14.4 million for Bowater Paper Corporation, £13 million for City and Central Investments, £12.3 million for British Oxygen Company, £7 million for English Electric and £5 million for Gold Fields Mining and Industrial Corporation.

During the first eight months of 1960, new capital issues on the London market (excluding Treasury operations) totaled £352 million compared with £324 million in 1959, according to estimates of the Midland Bank. The total new issues were broken down as follows (in millions of pounds):

| <u>Borrows</u> | <u>1959</u> | <u>1960</u> |
|----------------|-------------|-------------|
| United Kingdom | 281 | 320 |
| Overseas | 33 | 32 |
| Total | 324 | 352 |

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

Bank advances. The British Bankers Association quarterly analysis of bank advances shows that the rate of increase in loans is slowing down

and that there is a shift in emphasis from consumption to investment, particularly engineering. Loans rose in the three months to the end of August by £59 million to £3,516 million compared with a rise of £214 million in the three months to the end of May.

Advances of the London clearing banks rose from mid-August to mid-September by £8 million. This slight rise follows the substantial decline of advances from mid-July to mid-August of £41 million. The liquidity ratio is 31.6 per cent compared with 33.2 per cent a year ago.

Installment credit. For the first time since March 1958, total hire-purchase debt fell in August by £1 million from £971 million to £970 million. In March 1958, total debt outstanding amounted to only £451 million. The August decline reflects the impact of the reintroduction of hire-purchases controls in April. During the summer period, the rate of expansion in this credit had already been slowed by the restrictions.

Since May, debt owed to household goods shops, which represents about one-third of the total, has been falling steadily. Until August, however, this decline had been offset by increases in the debt owed directly to finance houses. There was a smaller increase in the debt owed to finance houses in August, due mainly to a fall off in hire-purchase sales of automobiles; as a result, the total debt declined as may be seen in the following figures (in millions of pounds):

| Installment credit owed to: | 1959 | | | | 1960 | | | |
|--------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | May | June | July | Aug. | May | June | July | Aug. |
| Household goods shops | 256 | 264 | 273 | 279 | 311 | 336 | 332 | 328 |
| Finance houses | <u>418</u> | <u>444</u> | <u>469</u> | <u>477</u> | <u>623</u> | <u>630</u> | <u>639</u> | <u>642</u> |
| Total | 674 | 708 | 742 | 756 | 964 | 966 | 971 | 970 |

Hire-purchase sales of automobiles in September were down 7 per cent from August and down 11 per cent from September 1959.

Life insurance. Life assurance business transacted by the industrial life office in 1959 accounted for a record total of over £115 million net new saving, nearly 20 per cent higher than the 1958 figure.

| | 1959 (£m) | 1958 (£m) |
|------------|--------------|--------------|
| Industrial | 2,059 | 1,952 |
| Ordinary | 1,582 | 1,451 |
| General | 54 | 50 |

Foreign exchange. Spot sterling continued to rise and reached 281.54 U.S. cents on September 15, its highest point since mid-May 1959, but fell to 281.12 U.S. cents later in the month (see Table).

By mid-September security sterling reached its high since April 1959 of 281.624 U.S. cents. The discount on 3-month forward sterling rose to 2.33 per cent in midmonth but later fell to 1.95 per cent (see Table).

The price of gold on the London bullion market reached its all time peak on September 28 of \$35.255 per troy ounce. Thereafter, the price eased and was at \$35.215 on October 3.

Stock market. During early September, stock prices continued their 6-week rise and reached a 1960 peak of 338.6 on September 9 (see Table). Thereafter, the index eased, perhaps partly in sympathy with the sharp drop in prices on Wall Street, and was at 325.6 on September 30, a decline of about 3 per cent.

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

United Kingdom: Treasury Bill Yields and Exchange Rates

| Date | 3-mo. Treasury bill | | | Discount on 3-mo. sterling ^{c/} | Net incentive to hold U.K. bill ^{d/} | Exchange rate | |
|-------------|---------------------|--------------------|-----------------|--|--|------------------------|--|
| | U.K. ^{a/} | U.S. ^{b/} | Differ- ence | | | Spot sterling a/ | Discount on 3-mo. sterling ^{f/} |
| 1959 - High | 3.6 | 4.7 | -1.1 | -- | -- | -- | -- |
| Low | 3.0 | 2.6 | 0.4 | -- | -- | -- | -- |
| 1960 - High | 5.68 | 4.59 | 3.63 | (P).64 | 1.95 | 281.57 | 1.64 |
| Low | 2.13 | 2.05 | -0.84 | 2.33 | -.23 | 279.83 | (P).47 |
| August 19 | 5.59 | 2.40 | 3.19 | 1.95 | 1.24 | 281.13 | 1.37 |
| 26 | 5.59 | 2.46 | 3.13 | 2.12 | 1.01 | 281.10 | 1.49 |
| Sept. 2 | 5.59 | 2.49 | 3.10 | 2.05 | 1.05 | 281.12 | 1.44 |
| 9 | 5.51 | 2.59 | 2.92 | 2.20 | 0.72 | 281.36 | 1.55 |
| 16 | 5.51 | 2.48 | 3.03 | 2.33 | 0.70 | 281.57 | 1.64 |
| 23 | 5.49 | 2.40 | 3.09 | 2.12 | 0.97 | 281.30 | 1.49 |
| 30 | 5.57 | 2.30 | 3.27 | 1.95 | 1.32 | 281.12 | 1.37 |

a/ Average yield at Friday weekly tender.

b/ Closing market yield for Friday in New York.

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

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

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

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

United Kingdom: Selected Capital Market Yields

| | 6-year bond ^{a/} | 15-year bond ^{b/} | War loan ^{c/} | Consols d/ | Share yield ^{e/} | Yield gap ^{f/} | Share prices ^{g/} |
|-------------|------------------------------|-------------------------------|---------------------------|---------------|------------------------------|----------------------------|-------------------------------|
| 1960 - High | 6.04 | 6.00 | 5.91 | 5.69 | 4.49 | 1.49 | 338.6 |
| Low | 4.93 | 5.33 | 5.53 | 5.03 | 3.74 | 0.76 | 297 |
| August 19 | 5.96 | 5.97 | 5.90 | 5.63 | 4.24 | 1.38 | 327.1 |
| 26 | 5.97 | 5.94 | 5.89 | 5.54 | 4.18 | 1.36 | 334.4 |
| Sept. 2 | 5.99 | 5.95 | 5.90 | 5.44 | 4.13 | 1.31 | 335.2 |
| 9 | 6.00 | 5.93 | 5.91 | 5.45 | 4.12 | 1.33 | 338.6 |
| 16 | 5.99 | 5.94 | 5.88 | 5.47 | 4.24 | 1.23 | 330.1 |
| 23 | 6.02 | 5.97 | 5.91 | 5.55 | 4.28 | 1.27 | 328.7 |
| 30 | 6.00 | 5.96 | 5.81 | 5.50 | 4.34 | 1.16 | 325.6 |

a/ 5-1/2 per cent Exchequer.

b/ 3 per cent Savings Bond 1965-75.

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

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

e/ Financial Times.

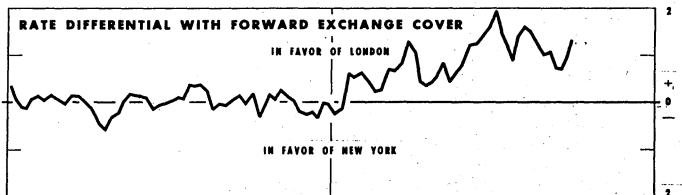
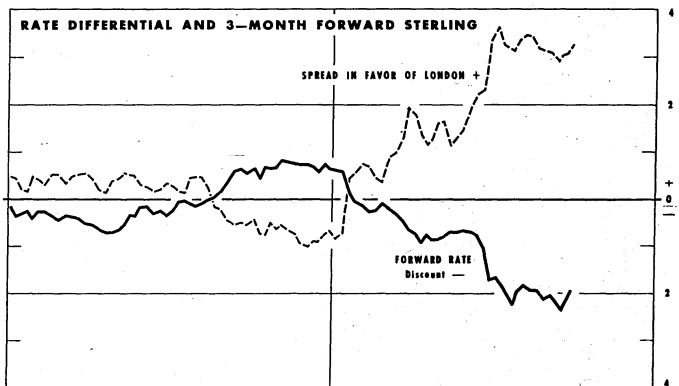
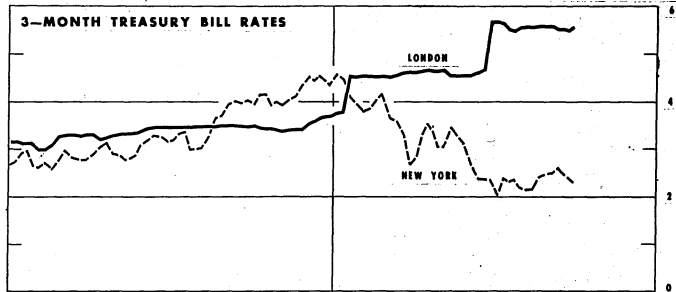
f/ Difference between yield on 2-1/2 per cent Consols and share yield.

g/ Financial Times.

INTEREST ARBITRAGE, NEW YORK / LONDON

Friday figures

Per cent per annum



1959

1960