

H.14

October 17, 1960.

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

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

Part I - United States

One large corporate security issue with proceeds of \$20 million was sold last week. No large State and local government bond issues were sold as the sole bid for the only large issue scheduled--a \$70 million issue of the State of Massachusetts--was rejected as unsatisfactory. In recent weeks a number of other State and local issues have also been postponed so it appears likely that the volume of State and local government bond sales in October will be substantially less than expected earlier.

This week corporate security financing is expected to total \$106 million and State and local government bond sales for \$46 million are scheduled as is a \$35 million bond offering by the High Authority of the European Coal and Steel Community.

Long-term bond yields - Changes in yields on long-term bonds were mixed last week. Yields on U. S. Government obligations, corporate bonds and lower grade State and local government bonds increased moderately, while yields on high-grade State and local government bonds were not changed.

Short- and intermediate-term interest rates - Yields on 91-day Treasury bills and three- to five-year Government obligations rose last week. Yields on six-month Treasury bills were unchanged as were other short- and intermediate-term interest rates.

Mortgage and bond yields - The spread between yields on new Aaa-rated corporate bond issues and FHA mortgages narrowed in September as mortgage yields declined slightly while yields on newly issued corporate bonds increased.

Stock market credit - Total customer credit in the stock market, excluding borrowing on U. S. Government securities, rose \$39 million in September. Customers' debit balances rose \$28 million and bank loans to other than brokers and dealers rose \$11 million.

Borrowing by member firms of the New York Stock Exchange maintaining margin accounts, excluding borrowing on U. S. Government securities, rose \$80 million in September. Most of the increase was in borrowing on customer collateral. Customers' net free credit balances rose \$38 million. These and other data for September and August are shown in the table on the following page.

	End of month		Change
	Sept.	Aug.	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Government securities - total	4,282	4,243	+39
Net debit balances	3,137	3,109	+28
Bank loans to "others"	1,145	1,134	+11
Net debit balances secured by U. S. Govt. securities	122	111	+11
Bank loans to "others" for purchasing or carrying U. S. Government securities	147	r/140	+7
Broker and dealer credit			
Money borrowed except on U. S. Government securities	2,143	2,063	+80
On customer collateral	1,875	1,820	+55
Money borrowed on U. S. Government securities	177	173	+4
Customers' net free credit balances	1,059	1,021	+38

r/ Revised.

Institutional investors - In August, savings inflow at three major savings institutions--life insurance companies, savings and loan associations, and mutual savings banks--totalled \$1.2 billion, one-fifth larger than in August 1959. This is the first time this year that savings inflow at all three of the institutions has been larger than in the corresponding month last year. (Time and savings deposits at commercial banks also increased much more this year than in August 1959.)

Although savings and loan associations are the only type of institution showing a larger growth for the first eight-month period of 1960 than a year earlier, savings inflow for the three institutions combined in this period was only slightly below 1959. The increase in savings capital this year has been 8 per cent larger, life insurance company assets 3 per cent smaller, and deposits at mutual savings banks nearly one-third smaller.

The net increase in life insurance company assets totaled \$576 million in August, one-sixth more than in August 1959. There was a modest net liquidation of U. S. Government securities in contrast with a net acquisition last year. Net acquisition of business securities was more than twice as large as a year earlier. The net increase in mortgage holdings was nearly one-third larger than a year earlier; such holdings have increased more than in 1959 each month this year with the exception of July.

Share capital at savings and loan associations increased \$192 million, one-fourth more than in August 1959. (Inflow at these associations has been larger in each month this year than in the corresponding month a year earlier with the exception of April and July.) There was a further, but slight, liquidation of U. S. Government securities in August in contrast

with a slight net acquisition last year. The increase in mortgage holdings continued to be large, although slightly below the increase last August. Last year, these associations had borrowed heavily, principally at the Federal Home Loan Banks, to supplement their savings inflow in financing their purchases of mortgages. Although they have generally reduced their indebtedness this year, they borrowed a slight amount in August.

Deposits at mutual savings banks increased \$105 million, nearly one-third more than in August 1959. This is the third successive month that growth in deposits has been higher than for comparable periods a year earlier. Savings banks used their increased available funds mainly to enlarge their mortgage holdings, which rose nearly one-third more than in August 1959. There was also a slight net acquisition of U. S. Government securities and a small reduction in holdings of business securities.

Stock prices - Common stock prices, as measured by Standard and Poor's index of 500 common stocks, increased last week, closing on Friday at 54.86. Trading volume was light, averaging 2.2 million shares a day, the smallest trading volume this year.

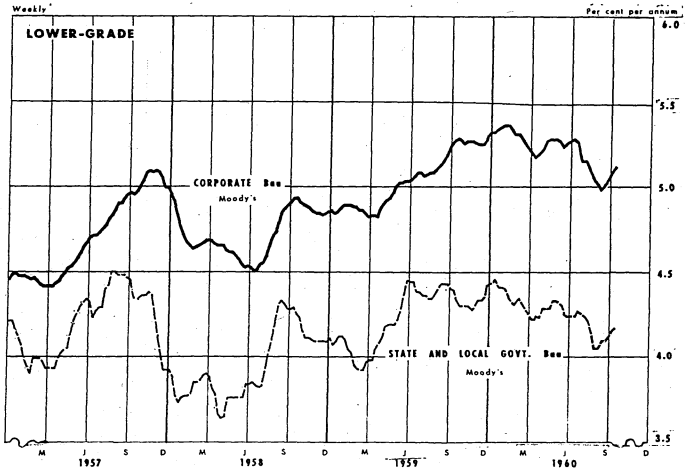
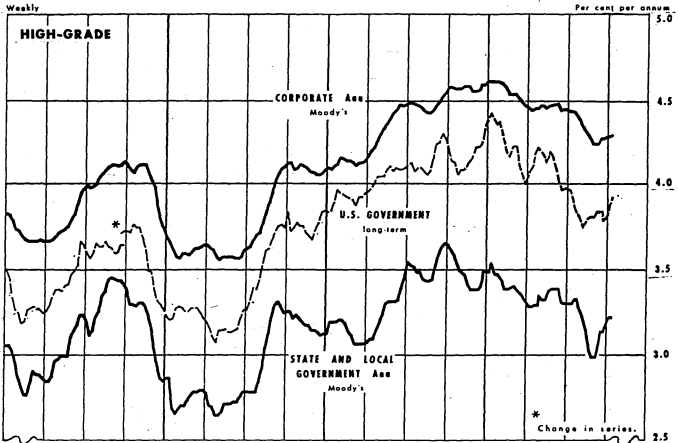
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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



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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. 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	4.28	3.88	3.21	.40	.67
Oct. 14 p/	4.29	3.92	3.21	.37	.71

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. 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	5.09	4.15	.81	.94
Oct. 14 p/	5.12	4.17	.83	.96

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.

SHORT- AND INTERMEDIATE- TERM INTEREST RATES

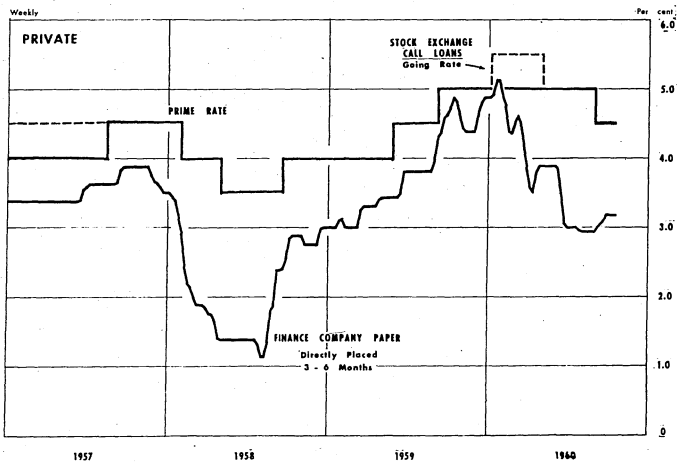
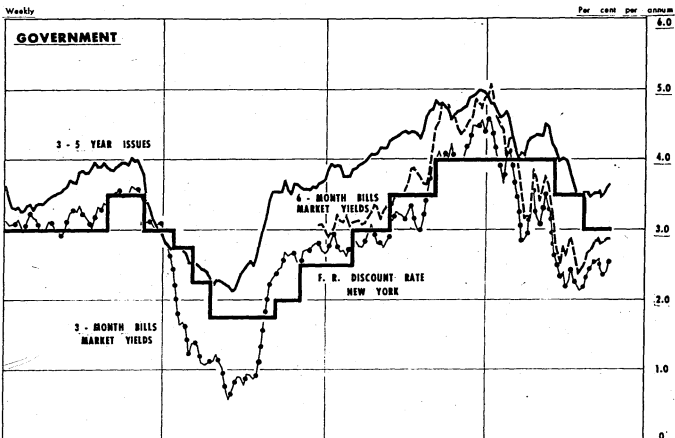


Exhibit D - Tables for Exhibit C

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. 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	3.00	2.40	2.88	3.60	.48	1.20
Oct. 14 p/	3.00	2.54	2.88	3.65	.34	1.10

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. 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	4.50	4.50	3.19	.79	
Oct. 14 p/	4.50	4.50	3.19	.65	

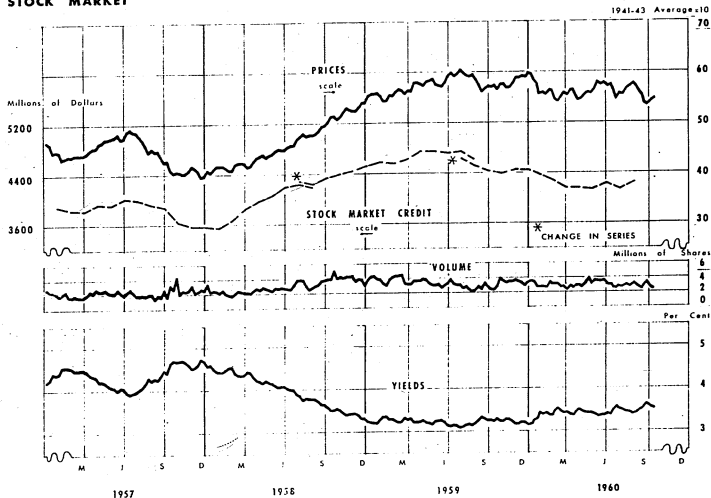
1/ Weekly rate shown is that in effect at end of period. Discount rate is for Federal Reserve Bank of New York. Stock exchange call loan rate is going rate on call loans secured by customers' stock exchange collateral at New York City banks. Prime rate is that charged by large banks on short-term loans 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: High and low are for individual series and may be on different dates for different series. For spreads, high rates is highest, and low to narrowest.

STOCK MARKET



MORTGAGE AND BOND YIELDS

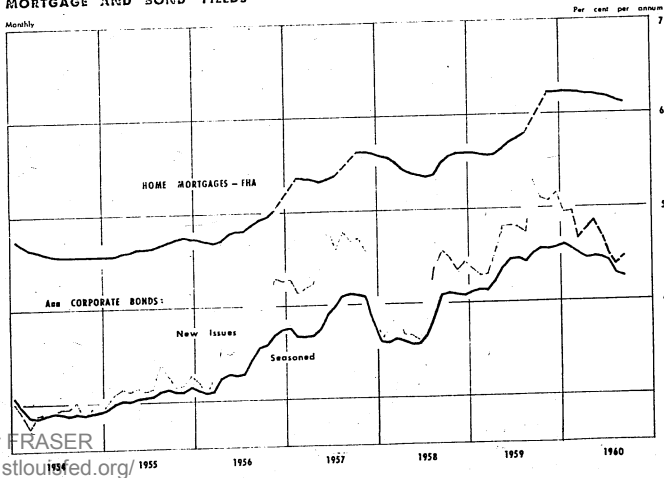


Exhibit F - Tables for Exhibit E

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	2.2	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	4,282	3,137	1,145
Sept. 30	53.52	3.62	3.4	n.a.	n.a.	1,145
Oct. 7	54.03	3.58	2.4	n.a.	n.a.	1,160
Oct. 14 p/	54.86	3.52	2.2	n.a.	n.a.	n.a.

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

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

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

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

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

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

Mortgage and Bond Yields 1/

Date	FHA mortgages 2/	Aaa corporate bonds 1/		Spread between new corporate bonds and	
		New 3/	Seasoned 4/	FHA mortgages	Seasoned bonds
1953-1958 - High	5.63 (11/57)	4.81 (6/57)	4.12 (9/57)	1.96	.90
Low	4.56 (2/55)	2.74 (3/54)	2.84 (4/54)	.54	-.12
1959-1960 - High	6.24 (1/60)	5.29 (9/59)	4.61 (1/60)	1.76	.77
Low	5.57 (3/59)	4.29 (2/59)	4.12 (1/59)	.83	.08
1960 - May	6.20	4.86	4.46	1.34	.40
June	6.19	4.69	4.45	1.50	.24
July	6.17	4.49	4.41	1.68	.08
August	6.13	4.37	4.28	1.76	.09
September	6.11	4.45	4.25	1.66	.20

1/ Neither mortgage nor bond yields take into account servicing costs which are much higher for mortgages than bonds. Generally, bonds pay interest semi-annually; mortgages, monthly. Mortgage yields, if computed as equivalent to a semiannual interest investment, would be slightly higher than given in the table.

2/ Based on FHA field-office opinions about average bid prices in the private secondary market for new-home mortgages for immediate delivery. Since late 1955, data relate only to 25-year mortgages with downpayments of 10 per cent or more, weighted by probable volume of transactions. Yields computed by FRB, assuming 25-year mortgages are paid off in 12 years. Dashed lines indicate periods of adjustment to changes in the contractual interest rate.

3/ First National City Bank of New York. Averages of offering yields of all new issues of publicly-sold bonds rated Aaa, Aa or A by Moody's Investors Service (except serial and convertible issues and offerings of natural gas and foreign companies) weighted by size of issue. Yields on Aa and A issues are first adjusted to an Aaa basis by the spread between yields of outstanding bonds in these categories and those on Aaa-rated bonds. The series reflects changes in industrial comp. position, maturity, type, etc. of new offerings.

4/ Moody's Investors Service. Monthly averages of daily data. See Exhibit B.

Exhibit G

Long-term Corporate and State and Local Government
Security Offerings and Placements

(In millions of dollars)

	New capital					
	Corporate 1/			State and local 2/		
	1960	1959	1958	1960	1959 r/	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/572	567	806
August	p/1,024	740	540	p/579	516	403
September	e/700	703	1,114	e/675	465	651
October	e/1,000	879	862	e/400	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/2,471	1,979	2,760	e/1,826	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/6,989	6,750	8,522	e/6,073	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/2,021	1,716	2,731			
4th quarter		2,503	2,213			
Year		8,630	10,429			

e/ Estimated.

p/ Preliminary.

r/ Revised.

1/ Securities and Exchange Commission estimates of net proceeds.

2/ Investment Bankers Association of America estimates of principal amounts.

3/ Includes \$718.3 million AT&T convertible debenture issue.

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

Other Security Offerings ^{1/}

(In millions of dollars)

	Long-term					
	Foreign government ^{2/}			Federal agency ^{3/}		
	1960	1959	1958	1960	1959	1958
January	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	1	5	199	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	505	467	423	468	365	206
September	^{p/} 152	399	369	296	665	330
October		235	231		733	454
November		343	415		471	114
December		358	243		288	137
Year		4,179	3,910		6,047	3,098

^{p/} Preliminary.^{1/} Data presented in this exhibit differ from those in Exhibit E in that refunding issues, as well as new capital issues, are included. Long-term securities are defined as those maturing in more than one year.^{2/} Includes securities offered in the United States by foreign governments and their subdivisions and by international organizations. Source: Securities and Exchange Commission.^{3/} Issues not guaranteed by the U. S. Government. Source: Long-term, Securities and Exchange Commission; short-term, Federal Reserve.^{4/} Principally tax and bond anticipation notes, warrants or certificates and Public Housing Authority notes. In some instances PHA notes included may have a somewhat longer term than one year. Source: Bond Buyer.

Exhibit I

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

Proceeds of Large Issues Offered

(Millions of dollars)

Month	Corporate	State and local government	Other 2/
1959 - 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 3/	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
General Accept. Corp.	Sen. deb.	20.0	1976	5-1/2	5.50	--
<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 14

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Louisville Gas & Elec. Co.	1st mtg. bds.	16.0	Oct. 19
Pacific Lighting Gas Supply Co.	S.F. deb.	25.0	Oct. 20
Natural Gas Pipeline of America	1st mtg. bds.	25.0	Oct. 20
Natural Gas Pipeline of America	Pfd. stk.	15.0	Oct. 20
Florida Power Co.	1st mtg. bds.	25.0	Oct. 21
Associated Dry Goods Corp.	S.F. deb.	20.0	Oct. 24
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
*Pacific Gas & Electric Co.	1st ref. mtg. bds.	60.0	Nov. 2
Idaho Power Co.	1st mtg. bds.	15.0	Nov. 15
Wisconsin Elec. Power Co.	1st mtg. bds.	30.0	Nov. 16
*Commercial Credit Co.	Sen. notes	50.0	Nov.
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
Liberian Iron Ore, Ltd.	Bas. & stk.	30.0	Indefinite

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Forthcoming Large Offerings, as of October 14 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
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
*Trenton, New Jersey	G.O.	10.9	Nov. 3
*State of Mississippi	G.O.	12.0	Nov. 9
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
State of Massachusetts	G.O.	69.5	Indefinite
Dade County, Florida	G.O.	46.0	Indefinite
<u>OTHER</u>			
High Authority of the European Coal and Steel Community	Bds. and notes	35.0	Oct. 20
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: Trustrors' Corporation's \$40.0 million participation certificates--withdrawn from registration.

Exhibit K

-16-

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	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	27		
28	4.55 ^{2/}	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.

Sources and Uses of Funds by
Life Insurance Companies

	Uses of funds 1/						Total sources or uses
	Cash	U. S. Govt. securities	Busi-ness secur-ities 2/	State and local govt. secur-ities	Mort-gages	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	14,640	107,580
1959 - Dec.	1,327	6,848	46,977	3,177	39,299	15,998	113,626
1960 - Aug.	1,229	6,592	48,159	3,464	40,920	17,217	117,581
Changes:							
1958 - July	22	172	191	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
July	12	73	167	104	63	206	628
Aug.	4	-40	168	43	226	175	576
Sept.							

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.

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	2,388	6,531
1960 - Aug.	2,077	4,516	57,670	3,865	68,128	58,915	1,825	7,388
Changes:								
1958 - 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	1,185	223	-635
1960 - Jan.	-314	201	320	-113	94	468	-453	79
Feb.	-33	67	398	62	494	409	-125	210
Mar.	49	-27	545	100	607	623	-127	171
Apr.	-30	1	565	104	641	372	38	231
May	81	15	634	209	939	630	3	306
June	329	-148	779	-52	908	1,216	211	-519
July	-214	-28	665	-128	295	180	-121	236
Aug.	30	-33	695	-1	691	492	12	187
Sept.								

r/ Revised.

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.

4/ 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. secur- ities	Busi- ness secur- ities 2/	State & local govt. secur- ities	Mort- gages	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	34,041	3,738
1959 - Dec.	829	6,864	4,849	722	24,768	910	38,942	34,983	3,959
1960 - Aug.	764	6,537	4,948	687	26,017	1,027	39,980	35,595	4,385
Changes:									
1958 - 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. 2/	-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	129	-21	-132	-95	-37
May	42	-80	13	-23	161	63	176	58	118
June	108	-93	57	-4	169	-59	178	221	-43
July	-69	-48	38	-4	159	42	118	21	97
Aug.	-7	30	-21	-5	206	20	223	105	118
Sept.									

1/ Revised.

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

3/ 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.

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

Source.--National Assoc. of Mutual Savings Banks and Federal Deposit Insurance Corp.

October 17, 1960

Part II - Canada

There was a general rise in interest rates on Government securities and in short-term money rates in Canada last week. The Canadian Treasury bill rates rose sharply but continued below the yields on comparable U.S. Treasury bills. As the result of a continued premium on the 3-month forward Canadian dollar, the net incentive was again in favor of holding the Canadian bill. Bond yields rose slightly for all maturities, but there was little change in the spread over comparable U.S. bonds. Stock prices rose slightly in early October after declining through September. The Canadian dollar showed little change during the week.

Money market. There was another sharp rise in Treasury bill rates last week. The average yield on the 3-month Treasury bill rose 20 basis points to 2.48 per cent from 2.20 per cent the week before. (see Table). The 3-month yield is now 80 basis points above the low of September 22. The average yield on the 6-month bill rose 30 basis points from 2.52 per cent to 2.82 per cent, and now stands 83 basis points above the low of September 22. For the first time in 11 weeks, the Bank of Canada was a heavy purchaser of bills during the week. The Bank bought \$44 million; the general public and the chartered banks together sold \$39 million. Recent capital flotations have probably contributed to the upward pressure on short-term rates during the last two weeks, particularly the new CNR issue (see Capital Market Developments, September 19, 1960) in the week of October 6 and the new Bank of Nova Scotia issue (see Capital Market Developments, September 12, 1960). The average closing on day-to-day loans last week was 2.25 per cent compared with 1.58 per cent the week before.

With Canadian yields rising more sharply than U.S. yields, the United States short Treasury bill was only 12 basis points above the Canadian short bill. Due to the continued premium on the forward Canadian dollar, however, the net incentive on a covered basis continued to favor the Canadian bill; this net incentive increased during the week from 0.22 to 0.31 per cent per annum (see Table).

The Canadian press commented that chartered banks recently reduced their rates on call loans to investment dealers. For almost a year, the banks had been charging the prime rate of 5-3/4 per cent on these loans. A loan secured by a Government of Canada security will be 3-1/2 per cent for maturities less than 3 years, 4-1/2 per cent on 3- to 5-year maturities, 4-3/4 per cent on 5- to 10-year maturities, and 5-1/4 per cent on maturities over 10 years.

In early October there were sharp increases in the yields on Canadian commercial paper in the leading Canadian acceptance houses. The increases followed sharp declines in September. On October 6, the spread favoring the U.S. paper was eliminated, as noted in the following table showing a comparison of Canadian and U.S. yields based upon leading houses in each country:

1- to 3-month Commercial Paper

	<u>Canada</u>	<u>United States</u>	<u>Spread</u>
Aug. 25	2.75	2.25-2.50	+ 0.38
Sept. 15	2.50	3.00	- 0.50
29	2.00-2.50	2.75	- 0.50
Oct. 6	2.50-3.00	2.75	0
13	2.75-3.00	2.75-3.00	0

Bond market. Bond yields for all maturities rose last week; some maturities rose by as much as 10 basis points (see Table). The spread between selected comparable Canadian and United States securities (Thursday yield for bills and Wednesday yield for bonds) were as follows (figures in parenthesis refer to the previous week):

-0.12 per cent on a 91-day bill (-0.27)
 -0.03 per cent on a 182-day bill (-0.35)
 0.57 per cent on an 8-year bond (0.57)
 0.87 per cent on a 30-year bond (0.87)
 1.07 per cent on a 35-year bond (1.00)

The chartered banks purchased \$23 million of bonds while the general public sold \$27 million. The Bank of Canada sold only \$1 million during the week. The CNR issues of \$75 million, 4-1/2 per cent due 1967 and \$175 million of 5 per cent, due 1987 were well received in the market where over \$200 million of debt had been retired since March.

The City of Quebec offered at par a Swiss franc 20 million loan (\$4.6 million) on the Swiss market at 4-1/2 per cent. On October 7 through October 12. The proceeds are to be used for municipal investments.

During the first 9 months of the year the total outstanding Government of Canada debt rose by \$211 million from \$17,135 million to \$17,346 million (see Table). During the April through September period, the Canadian Government's borrowing needs declined as a result of the budget surplus. The sharp rise in debt in October reflects the new CNR issue.

Speech by Governor of Bank of Canada. In a speech before the Canadian Chamber of Commerce on October 5, Governor Coyne again warned Canadians against living beyond their means. He pointed out that second quarter GNP declined in Canada and seasonally adjusted unemployment continued to increase as the rise in the labor force continued to exceed new jobs, in spite of easing in monetary policy over the last six months. There was a \$400 million rise in bank loans from the seasonal low of February last, and a \$280 million rise in chartered bank deposits, which are now \$150 million above last year. He commented, "this is a moderate increase and I hope it will continue to qualify for the description 'moderate,' but there has been no 'tightness' in the monetary situation for many months." Interest rates on Government securities have fallen continuously and more recently mortgage rates also declined. The Governor stated that, "there has been an ample supply of funds in the capital market to provide for the borrowing requirements of Canadian and local governments,

while the Federal Government has incurred little or no increase in the bonded debt except in the field of Canada Savings Bonds." However, Governor Coyne continued to criticize local government borrowing from abroad which increases this nation's ". . . already hazardous foreign exchange liabilities . . ." during a period when ample funds are available in Canada. He also pointed to reducing the large current account deficit in the balance of payments and replacing imports by domestic production thus raising the level of employment. He was also critical of the increasing degree of foreign domination, ". . . and especially American domination of Canadian economic life [which] has increased, is increasing, and ought to be diminished."

Stock exchange. The price of industrial stock on the Canadian exchanges rose slightly during the early weeks of October after declining through September. On October 11 prices on the Toronto market dropped over 2 points while Montreal held steady, and the New York Standard and Poor index rose slightly as noted in the following table.

	<u>Toronto</u>	<u>Montreal</u>	<u>New York Standard & Poor</u>
1960 - High	5.32.56	274.8	60.51
Low	473.38	250.3	55.98
Sept. 1	505.56	271.1	60.51
30	483.56	260.6	56.70
Oct. 5	483.94	261.1	56.52
7	490.25	262.5	57.20
11	487.94	262.7	57.43

Foreign exchange. The spot rate on the Canadian dollar closed at 102.16 (U.S. cents) last Thursday compared with 102.20 (U.S. cents) the week before (see Table); The premium on the 3-month forward Canadian dollar continued at 0.43 per cent per annum compared with 0.49 per cent the week before.

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 incentive to hold Can. bills/
	Canada	Spread	U.S. b/ over U.S.	Spot	3-mo. discount (-)	premium(+)/d/	
	a/ a/	U.S. b/ over U.S.		c/ c/	forward		
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	102.16	--	-0.72	-0.57
Sept. 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	102.38	0.43	-0.23
Oct. 6	2.20	2.47	-0.27	102.20	102.33	0.49	0.22
13	2.48	2.60	-0.12	102.16	102.27	0.43	0.31

a/ Average yield at weekly tender on Thursday.

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

c/ In U.S. cents.

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

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

Selected Government of Canada Security Yields

	6-mo. Treas. bills		Intermediate bonds (8 yr.)		Long-term bonds			
	Canada	Spread over U.S. b/	Canada	Spread over U.S. d/	(20 year)		(35 year)	
					Canada	Spread over U.S. f/	Canada	Spread over U.S. h/
a/	U.S. b/	c/	U.S. d/	e/	U.S. f/	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	1.99	-0.86	4.09	0.21	4.63	0.85	4.68	0.95
Sept. 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
13	2.82	-0.03	4.27	0.57	4.77	0.87	4.84	1.07

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>
Aug. 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
13	+ 44	- 1	+ 2	- 20	+ 23	- 5	- 19	- 27

Source: Bank of Canada, Weekly Financial Statistics.

**Change in Government of Canada Debt
Outstanding from September 30, 1959**
(millions of Canadian dollars)

	<u>Treas. bills</u>	<u>Savings bonds</u>	<u>Direct and guaranteed debt</u>	<u>Total</u>
<u>1959</u>				
Sept. 30	2,024	2,662	11,990	16,676
Change to Dec. 31	+ 53	+ 550	- 143	+ 459
<u>1960</u>				
March 31	+ 48	- 69	+ 195	+ 175
June 30	- 160	- 84	+ 108	- 136
Sept. 28	- 5	- 55	- 7	- 67
Oct. 12	+ 10	- 10	+ 239	+ 239

Source: Bank of Canada, Statistical Summary and Weekly Financial Statistics.

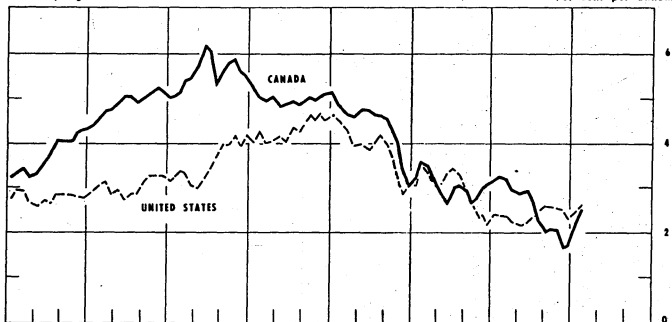
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CANADA - UNITED STATES

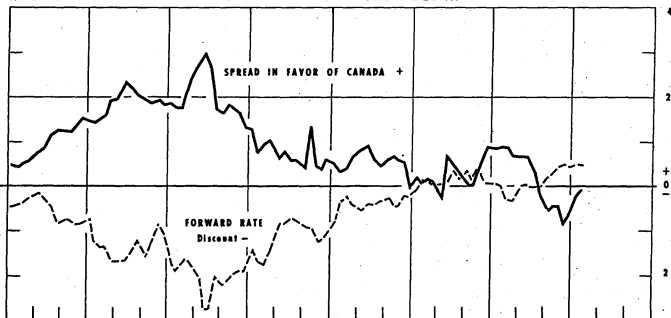
THREE-MONTH TREASURY BILL RATES

Thursday figures

Per cent per annum



RATE DIFFERENTIAL AND FORWARD CANADIAN DOLLAR



RATE DIFFERENTIAL WITH FORWARD EXCHANGE COVER

