

H. 14

October 24, 1960.

CAPITAL MARKET DEVELOPMENTS  
IN THE UNITED STATES AND CANADA

Part I - United States

Large corporate security issues with proceeds of \$126 million were offered to the public last week. State and local issues aggregating \$46.3 million were also sold as was a \$35 million bond and note offering by the High Authority of the European Coal & Steel Community.

This week, two large corporate offerings--including a \$250 million debenture issue by the American Telephone and Telegraph Company--are expected to total \$300 million. No large State or local issues are scheduled.

Long-term bond yields - Yields on top quality corporate bonds increased moderately last week as did those on U. S. Government obligations. No changes were reported in yields available on State and local securities or on lower grade corporate issues.

A new Aa-rated 30-year electric utility issue was sold last week to yield 4.67 per cent, up 4 basis points from a comparable offering on October 5 and 22 basis points from one near the end of September. All three issues afford protection against early refunding.

Short- and intermediate-term interest rates - Yields declined sharply last week on both three- and six-month Treasury bills and more moderately on finance company paper and three- to five-year Government obligations. Other short-term interest rates remained unchanged.

Housing starts - Private housing starts, which had increased in August, dropped 17 per cent during September to an estimated 1,077,000 units. This is the lowest level yet shown by the new Census Bureau series which began in January of last year. Starts over the third quarter averaged 1,185,000 units, nearly 22 per cent below the corresponding period of 1959.

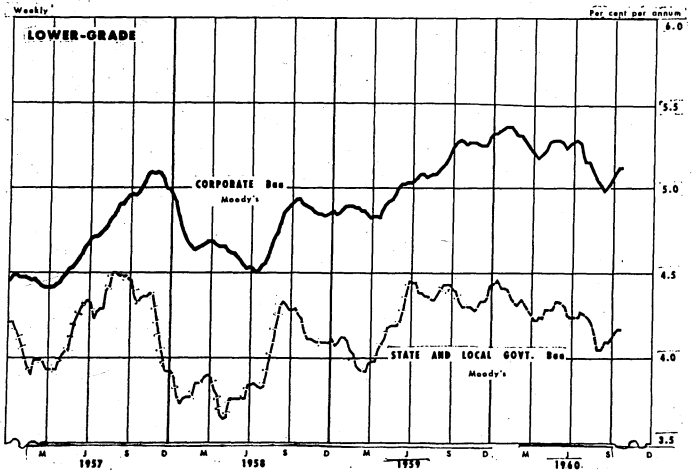
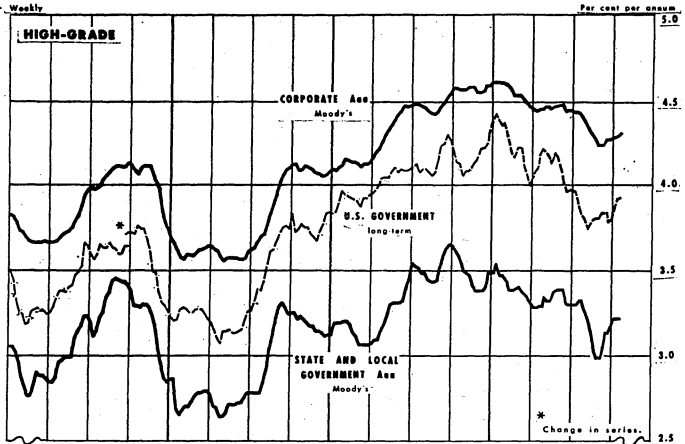
Stock prices- Common stock prices, as measured by Standard and Poor's Index of 500 issues, declined 3 per cent last week, closing at 53.32. While this is the lowest weekly closing level this year, it remains somewhat above daily lows in late September and last March. Trading volume increased moderately to an average of 2.6 million shares a day--reflecting in part heavy activity in gold shares during the latter portion of the week.

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. 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	4.29	3.92	3.21	.37	.71
Oct. 21 p/	4.31	3.93	3.21	.38	.72

## 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. 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	5.12	4.17	.83	.96
Oct. 21 p/	5.12	4.17	.81	.96

p/ Preliminary.

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

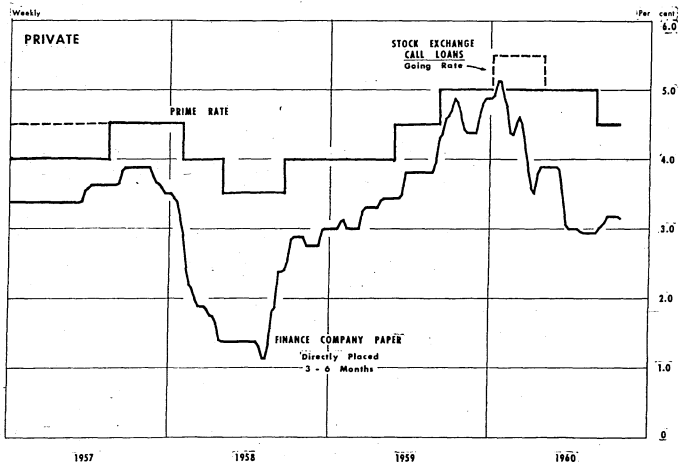
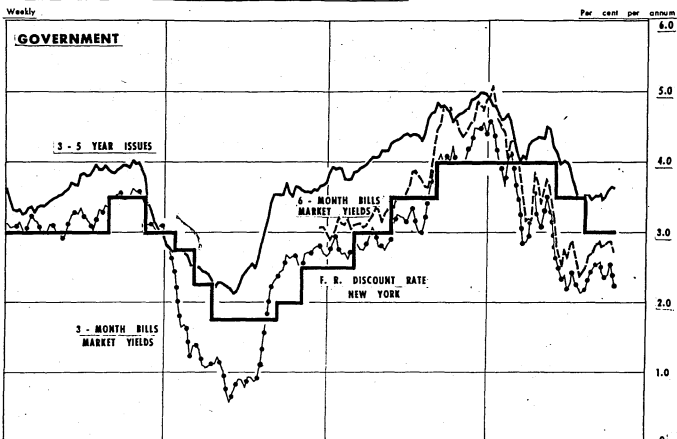
2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

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.

EXHIBIT C

**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. 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	3.00	2.54	2.88	3.65	.34	1.10
Oct. 21 p/	3.00	2.23	2.71	3.62	.48	1.40

## 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. 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	4.50	4.50	3.19	.65
Oct. 21 p/	4.50	4.50	3.15	.92

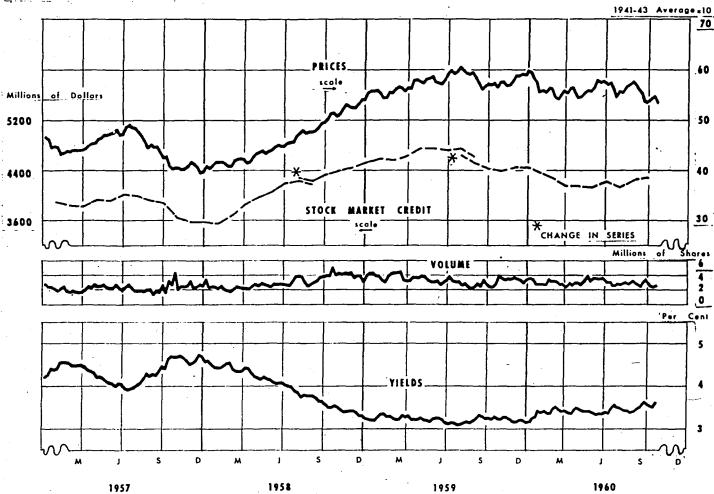
1/ Weekly rate shown is that in effect at end of period. Discount rate is for Federal Reserve Bank of New York. Stock exchange call loan rate is going rate on call loans secured by customers' stock exchange collateral at New York City banks. Prime rate is that charged by large banks on short-term loans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

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

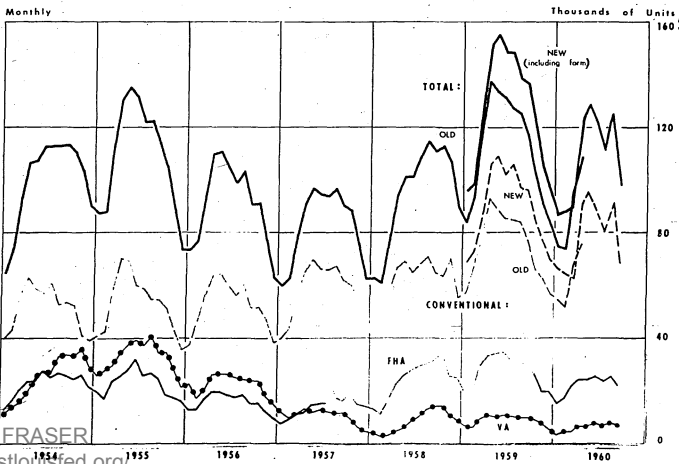
3/ Average of daily rates published by finance companies for directly placed paper for varying maturities in the 90-179 day range.

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

STOCK MARKET



PRIVATE HOUSING STARTS



## Stock Market

Date	Stock price index 1/	Common stock yields 2/ (per cent)	Trading volume 3/ (millions of shares)	Stock market customer credit		
				Total	Customers' debit bal- ances 4/	Bank loans to "others" 5/
(Millions of dollars)						
1957-59 - 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	53.32 (10/21)	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
Oct. 7	54.03	3.58	2.4	n.a.	n.a.	1,160
Oct. 14	54.86	3.52	2.2	n.a.	n.a.	1,151
Oct. 21 p/	53.32	3.62	2.6	n.a.	n.a.	n.a.

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

- 1/ Standard and Poor's composite index of 500 common stocks, weekly closing prices, 1941-43=10. Monthly data are averages of daily figures rather than of Fridays' only. Highs and lows are for Fridays' data only.
- 2/ Standard and Poor's composite stock yield based on Wednesday data converted to weekly closing prices by Federal Reserve. Yields shown are for dates on which price index reached its high or low.
- 3/ Averages of daily trading volume on the New York Stock Exchange.
- 4/ End of month figures for member firms of the New York Stock Exchange which carry margin accounts; excludes balances secured by U. S. Government obligations.
- 5/ Wednesday figures for weekly reporting member banks. Excludes loans for purchasing or carrying U. S. Government securities. Prior to July 1, 1959, such loans are excluded only at banks in New York and Chicago. Weekly reporting banks account for about 70 per cent of loans to others. For further detail see Bulletin.

## Private Housing Starts 1/

Date	Seasonally adjusted annual rate		Unadjusted					
	Nonfarm old series	Total new series	Total		FHA	VA	Conventional	
			Nonfarm old series	Total new series			Nonfarm old series	Total new series
(Thousand of units)								
1959 - Sept.	1,323	1,509	117	136	30	10	77	97
Oct.	1,180	1,378	102	120	27	9	66	84
Nov.	1,210	1,356	91	105	20	8	62	76
Dec.	1,330	1,451	83	96	20	6	57	69
1960 - Jan.	1,216	1,366	75	87	16	4	55	67
Feb.	1,115	1,367	74	88	18	5	52	65
Mar.	1,125	1,112	95	90	22	5	68	63
Apr.	1,135	1,325	109	124	25	7	76	91
May	--	1,342	--	128	25	7	--	96
June	--	1,302	--	r/122	26	8	--	88
r/July	--	1,182	--	111	24	7	--	80
r/Aug.	--	1,295	--	125	26	8	--	91
p/Sept.	--	1,077	--	98	22	7	--	69

- 1/ Total starts are Census estimates, which are not strictly comparable with old nonfarm series developed by BLS. A dwelling unit is started when excavation begins; all units in an apartment structure are considered started at that time. FHA and VA starts are units started under commitments by these agencies to insure or guarantee the mortgages. As reported by FHA and VA, a unit is started when a field office receives the first compliance inspection report, which is made before footings are poured in some cases but normally after the foundations have been completed. Conspicuously military housing units are excluded. Conventional starts are derived as a residual, although total and FHA and VA starts are not strictly comparable in concept or timing; they include both units financed by conventional mortgages and units without mortgages.

## Exhibit G

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

(In millions of dollars)

	New capital					
	Corporate <sup>1/</sup>			State and local <sup>2/</sup>		
	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 <sup>3/</sup>	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	577	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 <sup>4/</sup>					
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			

<sup>e/</sup> Estimated.<sup>p/</sup> Preliminary.<sup>r/</sup> Revised.<sup>1/</sup> Securities and Exchange Commission estimates of net proceeds.<sup>2/</sup> Investment Bankers Association of America estimates of principal amounts.<sup>3/</sup> Includes \$718.3 million AT&T convertible debenture issue.<sup>4/</sup> 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

-10-

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 21

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	--
Louisville Gas & Elec. Co.	1st mtg.S.F.bds.	16.0	1990	4-7/8	4.74	Aaa
Pacific Lighting Gas Supply	S.F. deb.	25.0	1980	5	4.95	A
Natural Gas Pipeline Co. of America	1st mtg.bds.	25.0	1980	5	5.00	A
Natural Gas Pipeline Co. of America	Pfd. stk.	15.0				
Florida Power Co.	1st mtg.bds.	25.0	1990	4-3/4	4.67	Aa
Associated Dry Goods Corp.	S.F. deb.	20.0	1980	4-3/4	4.83	A
<u>STATE AND LOCAL GOVERNMENT</u>						
Los Angeles Co. Flood Control Dist., Calif.	G.O.	10.0	1962-89	3.71	1.90-3.85	Aa
Chicago Sch. Dist., Ill.	G.O.	15.0	1962-80	3.49	2.10-3.70	A
Pa. State Pub. Sch. Auth.	Rev.-Rent.	21.3	1961-2000	4.07	1.75-4.50	--

## Large Individual Issues Offered October 1 through 21 (Cont'd)

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>OTHER</u>						
Federal Land Banks High Authority of the European Coal & Steel Community	Bds.	42.0	1965	4	4.03	--
	Sec. bds.	25.0	1980	5-3/8	5.63	--
	Ser.sec.notes	10.0	1963-65	4-3/4 - 5	4.15-5.00	--

- 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 21

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
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. 16
Wisconsin Elec. Power Co.	1st mtg. bds.	30.0	Nov. 16
*New Jersey Bell Telephone Co.	Deb.	20.0	Nov. 16
*Consolidated Edison Co.	1st ref.mtg. bds.	75.0	Nov. 22
Commercial Credit Co.	Sen. notes	50.0	Nov.
*B. F. Goodrich Co.	Deb.	60.0	Nov.
*Consumers Power Co.	1st mtg. bds.	35.0	Dec. 12
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
Liberian Iron Ore, Ltd.	Bds. & stk.	30.0	Indefinite
*Northern Natural Gas Co.	S.F. deb.	20.0	Indefinite

## Forthcoming Large Offerings, as of October 21 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
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	Nov. 15
*Port of Los Angeles, Calif.	Rev.-Ut.	14.0	Nov. 15
*Philadelphia, Pa.	G.O.	35.1	Nov. 16
*San Diego Sch. Dist., Calif.	G.O.	10.0	Dec. 6
Los Angeles Dept. of Wtr. and Pwr., California	Rev.-Ut.	12.0	Indefinite
Orleans Parish, School Dist., La.	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>			
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.

Yields on New and Outstanding  
Electric Power Bonds, Rated Aa and A <sup>1/</sup>

Date	Aa-rated offering yields		A-rated offering yields	
	Actual (per cent)	Amount above seasoned yields (basis points)	Actual (per cent)	Amount above seasoned yields (basis points)
1952-1959 - High	5.30 (12/8/59)	87	5.65 (9/18/59)	123
Low	2.93 (3/31/54)	-3	3.00 (3/17/54)	-15
1959 - July	*4.93	31	5.07	17
Aug.	4.83	23		
Sept.			*5.65	60
Oct.	5.13 <sup>2/</sup>	36	5.33	43
Nov.	*5.08	42		
Dec.	*5.30	63	5.45	51
1960 - Jan.			*5.30 <sup>2/</sup>	28
Feb.	5.09	45		
Mar.	4.82	25	4.97	9
Apr.	4.91	37	5.14	35
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 <sup>2/</sup>	17		
Oct. 5	4.63 <sup>2/</sup>	24		
21	4.67 <sup>2/</sup>	22		

\*--Single observation, not an average.

- <sup>1/</sup> 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.
- <sup>2/</sup> 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.

## Part II - Canada

Interest rates rose sharply in Canada for the third straight week in spite of continued heavy purchases by the Bank of Canada. The short Treasury bill was 75 basis points higher than the U.S. short bill, in part because of declining U.S. yields. For the first time in ten weeks, there was an incentive above one-half per cent per annum in favor of the Canadian bill. Canadian short term commercial paper also rose sharply above yields in the United States last week. The chartered banks and the general public sold \$53 million of bills in the last two weeks and the Bank of Canada purchased \$71 million. Bond yields also rose sharply with the large sales by the general public. Industrial stock prices declined slightly during the week. The Canadian dollar fluctuated within narrow limits and closed at 102.39 (U.S. cents) last Thursday.

Money market. For the third straight week, there was a sharp rise in Canadian Treasury bill rates even though the Bank of Canada made heavy purchases. The average yield on the Canadian 3-month Treasury bill rose 39 basis points from 2.48 per cent a week ago to 2.87 per cent last Thursday (see Table). The 6-month Treasury bill yield also rose sharply from 2.82 per cent to 3.24 per cent last week. The Bank of Canada purchased \$27 million of Treasury bills while the chartered banks sold \$20 million and the general public sold \$4 million. (see Table).

For the first time since August 18, the yield on the Canadian Treasury bill rose above the U.S. bill yield, in part because of a sharp fall in U.S. rates; the difference last Thursday was 75 basis points. The premium on the forward Canadian dollar was eliminated. As a result, on a covered basis there was a net incentive of 0.75 per cent per annum in favor of holding the Canadian bill compared with 0.31 per cent a week ago.

Yields on Canadian short-term commercial paper also rose sharply last week while U.S. yields declined. A comparison of 1-3 month rates in leading Canadian and American acceptance houses indicates that Canadian yields were 1.12 per cent per annum above the yields in the U.S. last week. During the previous two weeks there was no difference between the yields and during the month of July the difference was in favor of the United States paper.

	<u>1-3 month yields</u>		<u>Spread favoring Canada</u>
	<u>Canada</u>	<u>United States</u>	
Sept. 29	2.00-2.50	2.75	-0.50
Oct. 6	2.50-3.00	2.75	--
13	2.75-3.00	2.75-3.00	--
20	3.25	2.13	+1.12

Bond market. Bond yields rose rather sharply last week for most maturities, and the spread favoring the Canadian bond widened. 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):

0.75 per cent on a 91-day bill (-0.12)  
 0.60 per cent on a 182-day bill (-0.03)  
 0.69 per cent on an 8-year bond (0.57)  
 0.96 per cent on a 30-year bond (0.87)  
 1.15 per cent on a 35-year bond (1.07)

The general public reduced its holdings by \$42 million and the Bank of Canada sold \$4 million, while the chartered banks purchased \$23 million and the Government accounts purchased \$21 million (see Table).

There were several new offerings of corporate and other bonds last week, some of which were oversubscribed. The Thompson Newspapers Ltd., \$4 million, 20-year, 6 per cent bonds were offered at par and oversubscribed. Alberta Natural Gas Co. offered 284,000 par \$10 shares at \$10.65 and the quotations on the over-the-counter market jumped to \$15-\$16. The market quotation for the 552,500 no par value Pacific Gas Transmission Co. shares offered at \$9.47 was \$14-\$15 per share. The Province of Quebec has issued \$10 million, 5-month, 2 per cent notes due March 24, offered at 99.63 to yield 2.90 per cent. A \$3.5 million Vancouver serial is being offered, including \$2.2 million of 5-1/2 per cent 11 to 20 year maturities priced to yield 5.6 per cent. Thetford-Mines School (Quebec) has issued a \$1.2 million, 5 per cent, 20-year serial debenture, and Brossard (Quebec) has issued a \$1 million 5 per cent to 5-1/2 per cent, 10-year serial.

The City of Quebec 4-1/4 per cent Swiss franc, 20 million (\$4.6 million) offering on the Swiss market a week ago (Capital Market Developments, October 17, 1960) was substantially oversubscribed.

Investments of Canadian life insurance companies. Total investments of leading life insurance companies during the first 8 months of 1960 showed little change from the previous year. However, investments in Canadian securities and stocks are smaller than last year, while investments in provincial and corporate bonds, mortgage loans, real estate, and policy loans have been increasing.

Stock exchange. Prices of industrial stock on the Canadian exchanges declined slightly early last week after remaining fairly steady the week before. The total volume of sales during the week of October 11-14 was \$6.84 million compared with \$9.78 million the week before. The decline reflected the October 10 holiday in Canada.

	Toronto	Montreal	New York Standard & Poor
1960 - High	532.56	274.8	60.51
Low	473.38	250.3	55.98
Oct. 11	487.94	262.7	57.43
12	488.38	262.6	57.34
13	488.41	263.2	57.61
14	488.98	262.5	58.15
17	487.06	262.4	57.88
18	484.50	261.2	57.56



A direct telephone line has been established between the Montreal Stock Exchange and the Boston Stock Exchange to permit members of each exchange to trade on either floor, but trade of Boston members will be restricted to SEC approved issues. The new arrangement will provide the advantage of a wider choice of issues, and a greater volume of sales is expected. A similar arrangement between the New York Stock Exchange and the Toronto Exchange has been in effect for some time.

Foreign exchange. The spot rate on the Canadian dollar rose during the week from 102.16 (U.S. cents) a week ago to 102.39 (U.S. cents) last Thursday. The premium on the forward Canadian dollar was eliminated last week after being in effect since the beginning of September.

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. bill <sup>e/</sup>
	Canada	U.S. <sup>b/</sup>	Spread over U.S.	Spot	3-mo. forward	discount (-) premium(+) <sup>d/</sup>	
	a/			c/			
1959 - High	6.16	4.49	2.96	105.51	--	--	--
Low	3.25	2.80	0.30	102.58	--	--	--
1960 - High	5.14	4.63	0.90	105.27	--	0.99	0.94
Low	1.68	2.12	-0.82	102.16	--	-0.72	-0.57
Sept. 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
20	2.87	2.12	0.75	102.39	102.39	0	0.75

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. <sup>b/</sup>	Canada	Spread over U.S. <sup>d/</sup>	(20 year)		(35 year)	
					Canada	Spread over U.S. <sup>f/</sup>	Canada	Spread over U.S. <sup>h/</sup>
a/		c/		e/		g/		
1959 - High	6.24	--	5.27	--	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. 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
20	3.24	0.60	4.44	0.69	4.87	0.96	4.92	1.15

a/ Average yield at weekly tender on Thursday.

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

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

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

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

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

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

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

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

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	<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. 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
20	+ 27	- 4	+ 23	- 20	+ 23	+ 2	- 4	- 42

Source: Bank of Canada, Weekly Financial Statistics.

Canadian Investment Transactions of Twelve Life Insurance Companies  
(millions of Canadian dollars)

	1960	1959
	<u>Jan.-Aug.</u>	<u>Jan.-Aug.</u>
Government of Canada securities	15.1	36.7
Provincial bonds	39.4	30.8
Municipal bonds	22.6	26.0
Corporate and other bonds	50.1	33.7
Preferred and common stocks	12.0	40.6
Mortgage loans	285.1	276.4
Real estate	16.3	8.1
Policy loans	<u>14.0</u>	<u>5.6</u>
Total	454.6	457.8

Source: Bank of Canada, Statistical Summary.