

October 31, 1960.

CAPITAL MARKET DEVELOPMENTS  
IN THE UNITED STATES AND CANADA

Part I - United States

Last week only one large corporate security issue--the AT&T debenture issue with proceeds of \$250 million--was sold, and no new large State or local obligations were marketed.

This week's calendar includes three large corporate offerings with expected proceeds of \$170 million. Two State and local general obligations totaling \$35.9 million are also scheduled for the week.

Long-term bond yields - Yields on State and local government obligations decreased last week as did those on U. S. Government long-term obligations. Yields on outstanding corporate bonds were mixed. Returns available on top quality issues declined slightly; those on lower grade issues showed an equally slight increase.

In the major new financing of the week, the \$250 million AT&T debentures were reoffered to yield 4.65--57 basis points below the offering yield for a similar issue last November. The new issue carries Moody's Aaa rating, higher than last year's offering at the time of issue, but this is not believed to account for any significant share of the difference.

Short- and intermediate-term interest rates - For the second consecutive week, yields declined sharply for three- and six-month Treasury bills; rates on finance company paper also fell substantially, and there was a moderate decline in yields available on three- to five-year Government issues. Other short-term interest rates remained unchanged.

FNMA secondary market operations - FNMA secondary market operations during September reflected some further easing in residential mortgage markets. Offerings to FNMA and FNMA mortgage purchases declined and its sales picked up slightly.

Effective October 18, FNMA began to issue standby commitments under its secondary market operations to purchase marketable FHA and VA mortgages on existing housing, including apartments, as authorized by the Housing Act of 1959. Up to then, FNMA issued standbys only on new housing prior to construction and purchased mortgages on existing units solely on immediate delivery (over the counter). FNMA standby commitment practices, prices, and fees for acquiring mortgages on existing housing will be the same as for new housing, but the commitment term for 1- to 4-family houses will be six months rather than one year. On multifamily housing, the term remains two years. Prices currently are set at 93 for 5-3/4 per cent home mortgages, 93 for 5-1/4 per cent

multifamily mortgages, and 90 for 5-1/4 per cent home mortgages. These standbys are subject to a commitment fee of 1 per cent and an initial nonrefundable FNMA stock subscription of 1/2 of 1 per cent of the unpaid principal. If mortgages are eventually sold to FNMA under standby contracts, sellers must subscribe to an additional 1-1/2 per cent of FNMA stock.

November new security volume - Sales of corporate securities for new capital in November are now expected to total about \$825 million. This would be about one-sixth below the heavy October calendar, which included a \$250 million debenture issue by AT&T, and slightly below the volume of new issues marketed last November.

On the basis of issues currently scheduled, State and local offerings of about \$550 million are expected in November. This would represent a substantial increase from the sharply reduced level of new issues in October--now estimated at \$325 million. A state of Massachusetts bond issue--one of several postponed last month due to unfavorable market conditions--has now been reduced by half and rescheduled for November.

Stock prices- Stock prices, as measured by Standard and Poor's index of 500 issues, fluctuated widely over the week but closed at 53.41, up very slightly from the previous Friday. Trading volume increased sharply to a daily average of 3.2 million shares.

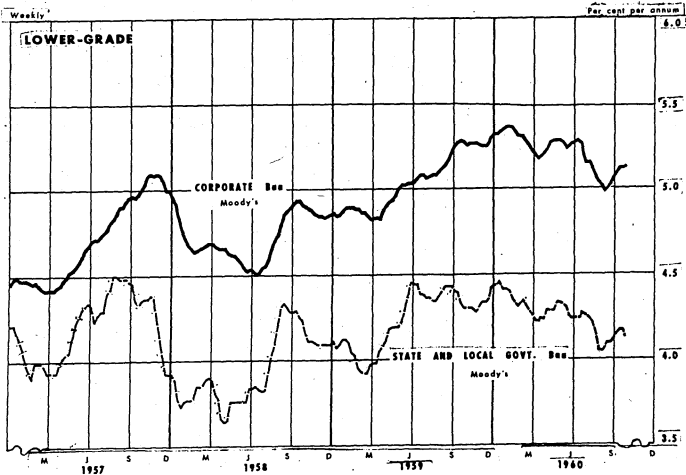
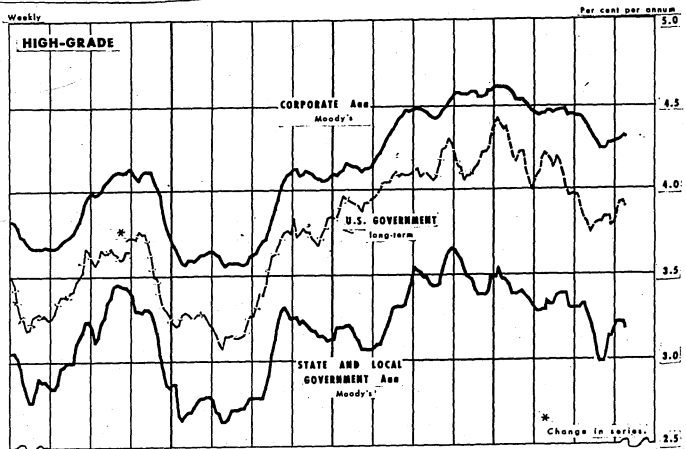
More detailed information concerning recent capital market developments is presented in the attached exhibits.

Developments in the Canadian capital markets are presented in Part II at the end of this report.

Capital Markets Section,  
Division of Research and Statistics,  
Board of Governors of the Federal Reserve System.

EXHIBIT A

LONG-TERM BOND YIELDS



H.14

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

Date	Corporate Aaa <u>1/</u>	U. S. Govt. long-term <u>2/</u>	State and local govt. Aaa <u>3/</u>	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. 30	4.27	3.81	3.18	.46	.63
Oct. 7	4.28	3.88	3.71	.40	.67
Oct. 14	4.29	3.92	3.21	.37	.71
Oct. 21	4.31	3.93	3.21	.38	.72
Oct. 28 p/	4.30	3.90	3.17	.40	.73

Lower-grade

Date	Corporate Baa <u>1/</u>	State and local govt. Baa <u>3/</u>	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. 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	5.12	4.17	.81	.96
Oct. 28 p/	5.13	4.13	.83	.96

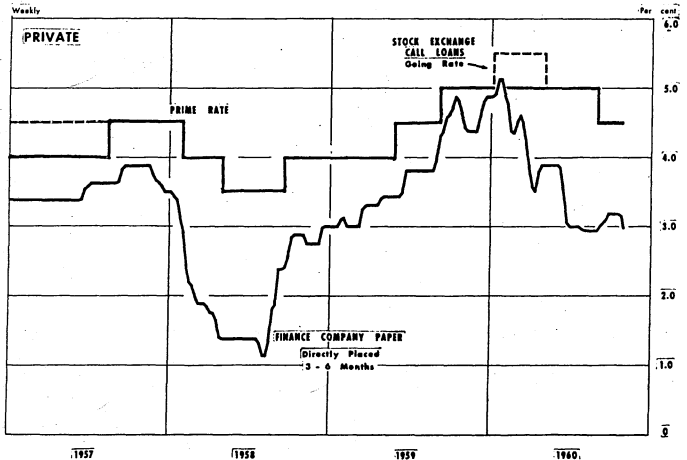
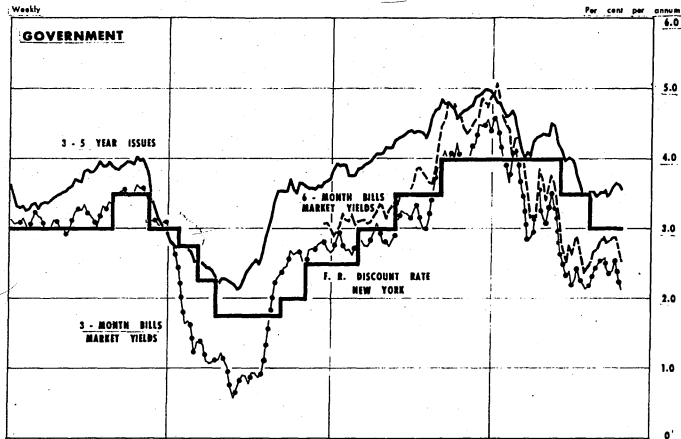
p/ Preliminary.

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.

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	2.11 (10/28)	2.39 (8/5)	3.47 (9/23)	.16	.38
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	3.00	2.23	2.71	3.62	.48	1.40
Oct. 28 p/	3.00	2.11	2.53	3.57	.42	1.46

## 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. 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	4.50	4.50	3.15	.92
Oct. 28 p/	4.50	4.50	2.98	.87

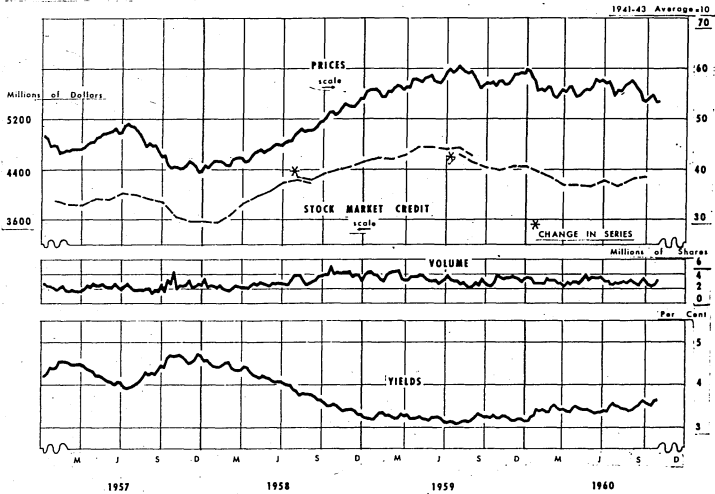
1/ Weekly rate shown is that in effect at end of period. Discount rate is for Federal Reserve Bank of New York. Stock exchange call loan rate is going rate on call loans secured by customers' stock exchange collateral at New York City banks. Prime rate is that charged by large banks on short-term loans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

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

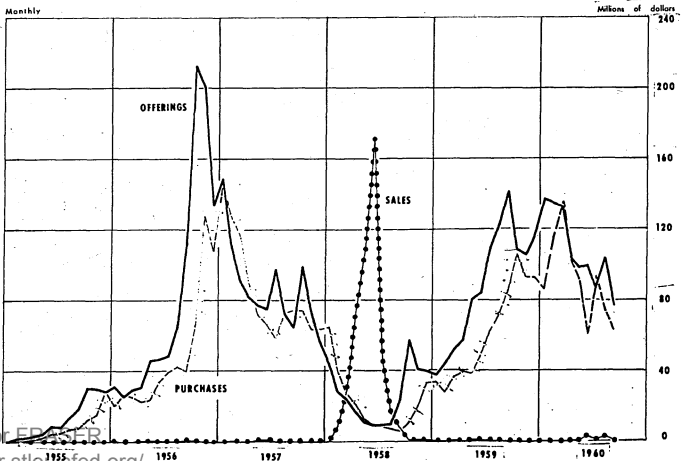
3/ Average of daily rates published by finance companies for directly placed paper for varying maturities in the 90-179 day range.

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

STOCK MARKET



FEDERAL NATIONAL MORTGAGE ASSOCIATION  
SECONDARY MARKET OPERATIONS



## 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	53.32 (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. 14	54.86	3.52	2.2	n.a.	n.a.	1,151
Oct. 21	53.32	3.62	2.6	n.a.	n.a.	1,145
Oct. 28 p/	53.41	3.63	3.2	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.

## Federal National Mortgage Association Secondary Market Operations 1/

Date	Estimated Offerings to FNMA		Standby commitment	Purchases by FNMA	Sales by FNMA
	Total	Immediate purchase			
(Millions of dollars)					
1959 - Sept.	111.3	134.8	6.5	85.4	.3
Oct.	108.3	101.8	6.5	105.5	--
Nov.	105.6	100.3	5.3	92.6	*
Dec.	116.3	111.4	4.9	92.2	*
1960 - Jan.	137.6	128.3	9.3	86.1	--
Feb.	135.8	128.9	6.9	116.7	--
Mar.	133.2	124.6	8.6	135.0	--
Apr.	103.5	96.2	7.3	102.6	*
May	98.5	93.8	4.7	91.9	3.6
June	99.9	93.7	6.1	60.8	1.0
July	88.0	82.9	5.1	93.7	3.2
Aug.	104.0	89.1	14.8	75.6	.1
Sept. p/	76.8	65.5	3.2	63.0	.8

--Less than \$50,000.

1/ Data represent unpaid principal balances of the mortgages involved, exclusive of premiums, discounts, or other charges. Offerings are amounts of applications received during the period from sellers proposing that FNMA execute purchasing contracts. An immediate purchase contract covers existing mortgages which the seller must deliver to FNMA within 45 days. A standby commitment contract relates to proposed mortgages, on housing not yet under construction, which the seller must usually deliver within one year. Purchases include those under both immediate purchase and standby commitment contracts. Data exclude FNMA activity under Special Assistance and Management and Liquidating Programs.



## 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 <sup>2/</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/325	527	456
November	e/825	864	518	e/550	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>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

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 During October

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<b>CORPORATE</b>						
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
Amer. Tel. & Tel. Co.	Deb.	250.0	1992	4-3/4	4.65	Aaa
<b>STATE AND LOCAL GOVERNMENT</b>						
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 during October (Cont'd)

Issuer	Type <sup>3/</sup>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>OTHER</u>						
Federal Land Banks	Bds.	42.0	1965	4	4.03	--
High Authority of the European Coal & Steel Community	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	--

- <sup>1/</sup> Includes corporate and other security offerings of \$15 million and over; State and local government security offerings of \$10 million and over.
- <sup>2/</sup> Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.
- <sup>3/</sup> In the case of State and local government securities, G.O. denotes general obligations; Rev.-Ut., revenue obligations secured only by income from public utilities; Rev.-Q.Ut., revenue bonds secured only by revenue from quasi-utilities; Rev.-S.T., revenue bonds secured by revenue from specific taxes only; Rev.-Rent., revenue bonds secured solely by lease payments.

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

Expected Proceeds from Forthcoming Large Issues

Date of computation	During month following date shown			Subsequent to date shown		
	Corporate	State and local govt.	Other 2/	Corporate	State and local govt.	Other 2/
1959 - 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
Oct. 31	440	258	50	585	391	50

Forthcoming Large Offerings, as of October 28

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
United Gas Corp.	Bds. & deb.	60.0	Nov. 1
Pacific Gas & Electric Co.	1st ref. mtg. bds.	60.0	Nov. 2
John Deere Credit Corp.	Deb.	50.0	Nov. 3
Idaho Power Co.	1st mtg. bds.	15.0	Nov. 16
New Jersey Bell Telephone Co.	Deb.	20.0	Nov. 16
Wisconsin Elec. Power Co.	1st mtg. bds.	30.0	Nov. 17
Consolidated Edison Co. of N. Y.	1st ref. mtg. bds.	75.0	Nov. 22
B. F. Goodrich Co.	Deb.	60.0	Nov. 18
Commercial Credit Co.	Sen. notes	50.0	Nov.
Northern Natural Gas Co.	S.F. deb.	20.0	Nov.
*Northern States Power Co.	1st mtg. bds.	35.0	Dec. 6
Consumers Power Co.	1st mtg. bds.	35.0	Dec. 13
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
Liberian Iron Ore, Ltd.	Bds. & stk.	30.0	Indefinite
<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

## Forthcoming Large Offerings, as of October 28 (Cont'd)

Issuer	Type	Amount (Millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Port of Los Angeles, Calif.	Rev.-Ut.	14.0	Nov. 15
State of Massachusetts	G.O.	34.8	Nov. 15
Philadelphia, Pa.	G.O.	35.1	Nov. 16
*Florida Development Comm.	Rev.-Ut.	14.5	Nov. 30
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
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.

## Exhibit K

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.

- 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.

## Part II - Canada

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With further rises last week, Canadian Treasury bill and bond yields have now moved substantially above corresponding yields in the United States. The Canadian short bill at over 3 per cent was nearly 1 per cent above the United States bill on Thursday. With exchange risks covered, the incentive in favor of the Canadian bill exceeded 1 per cent for the first time in 16 months. Canadian bond yields rose further during the week. Between September 28 and October 27 Canadian bond yields have risen as follows:

3-month Treasury bill	133 basis points
8-year bond	46 basis points
20-year bond	26 basis points
35-year bond	23 basis points

During this four-week period, the chartered banks have been substantial buyers and the general public substantial sellers (except for purchases of a new offering during the week of October 6). The Bank of Canada has not been active in bonds.

Since October 14, Canadian industrial stock prices eased but not to the extent of the fall in the Standard and Poor index for industrials in New York. On October 25, for example, Canadian stock prices were well above the 1960 lows. During the week, the Canadian dollar fluctuated within narrow limits between 102.3 to 102.4 U.S. cents.

Money market. At last Thursday's auction, Canadian Treasury bill yields rose sharply for the fourth straight week returning to the high levels for July 1960. The average yield on the Canadian 3-month Treasury bill rose from 2.87 per cent a week ago to 3.03 per cent at last Thursday's auction (see Table). This is the first time since July that the short bill has exceeded 3 per cent. The yield on the 6-month Canadian bill rose by 10 basis points to 3.34 per cent. The chartered banks made large sales of Treasury bills for the third straight week; the general public continued to be active purchasers (see Table). The average closing rate on day-to-day loans was 2.95 per cent last week compared with 2.65 per cent a week ago.

Following the sharp rise in the Canadian short Treasury bill yield and a slight decline in the U.S. bill yield, the Canadian bill exceeded the yield on the U.S. bill by 0.93 per cent on Thursday, the highest level of the year. Allowing for a slight premium on the forward Canadian dollar, the net incentive to hold the Canadian bill rose 30 basis points during the week to 1.05 per cent, the highest since June 18, 1959 (see Table).

Bond market. Bond yields rose during the week for all maturities, and the spread in favor of the Canadian bond widened further. 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):



0.93 per cent on a 91-day bill (0.75)  
0.84 per cent on a 182-day bill (0.60)  
0.76 per cent on an 8-year bond (0.69)  
1.04 per cent on a 30-year bond (0.96)  
1.16 per cent on a 35-year bond (1.15)

The general public sold \$24 million of bonds last week while the chartered banks purchased \$12 million and the Bank of Canada purchased \$6 million (see Table).

The sharp rise in Canadian Government bonds last week was accompanied by similar movements in corporate and municipal bonds. Expectations of a large Toronto issue and distribution delays in the recent CNR issue contributed to the sharp movements in bond prices last week. Some dealers are reported to have withdrawn from the market because of the price fluctuations. The yield on the 5 per cent CNR bonds of 1987, issued last month at 97-1/2 (see Capital Market Developments, September 19, 1960), rose sharply last week when the price fell to a low of 95-1/2 before recovering to 96.

A \$2 million, 6-1/2 per cent, 25-year sinking fund debenture of Husky Leasebacks Ltd., was offered last week to finance expansion of Husky chain outlets. The \$1.2 million Kitchener serial debenture issue was won by a syndicate and reoffered on a 5.55 per cent yield basis on the 6-1/4 per cent 6- to 9-year maturities, and 5.40 per cent on the 5-1/2 per cent one to fives, and 5.60 per cent on the 5-1/2 per cent 6 to 15's.

The town of Anju, Quebec, awarded \$1.3 million of 5 per cent- 5-1/2 per cent- 6 per cent, 1 to 15 year serials to a syndicate at 95.46, a cost of 6.4596 per cent. The yield is 5.75 per cent on 11 to 20 year maturity of the new \$1.6 million Hull serial debenture.

The Minister of Finance announced that total sales of the 1960 issue of Savings Bonds at close of business October 21 was \$130 million, \$93 million by payroll and \$37 million by general sales. As of the same date in 1959, total sales were \$166 million.

Consumer credit. Consumer credit balances outstanding rose by \$100 million in the April-June quarter. The major part of the expansion was by installment finance companies which increased by \$53 million and cash loans by small loan companies which increased by \$26 million (see Table).

Foreign exchange and gold. The Canadian dollar fluctuated narrowly around 102.3 (U.S. cents) and 102.4 (U.S. cents) last week and closed at 102.3 last Thursday. In September the Canadian dollar rose from 102.03 (U.S. cents) on September 1 to 103.25 (U.S. cents) on September 14 and then declined to 102.36 (U.S. cents) on September 30. During the month official foreign exchange holdings fell \$23.6 million.

Stock exchange. Industrial stock prices on the Canadian exchanges declined early last week after rising the latter part of the previous week. The following table compared industrial stock prices on the Canadian and U.S. exchanges:

	<u>Toronto</u>	<u>Montreal</u>	<u>New York Standard &amp; Poor</u>
1960 - High	532.56	274.8	60.51
Low	473.38	250.3	55.34
October 11	487.94	262.7	57.43
14	488.98	262.5	58.15
18	484.50	261.2	57.56
21	486.06	261.1	56.43
24	482.57	259.8	55.75
25	480.69	259.0	55.34

The volume of stock sales on the Canadian exchanges declined to \$3.3 million during the week ending October 21, less than half the volume of the previous week (a 4-day week in Canada).

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 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	0.93	105.27	--	0.99	1.05
Low	1.68	2.10	-0.82	102.16	--	-0.72	-0.57
Sept. 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	0.75
27	3.03	2.10	0.93	102.30	102.33	0.12	1.05

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	--	5.27	--	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. 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	0.97	4.92	1.15
27	3.34	0.84	4.55	0.76	4.92	1.04	4.93	1.16

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. 25	- 3	+ 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
27	- 4	+ 6	+ 9	- 16	+ 12	+ 3	+ 20	- 24

Source: Bank of Canada, Weekly Financial Statistics.

**Balances Outstanding to Customers by  
Finance Company and Retail Dealers**  
(millions of Canadian dollars)

<u>End of period</u>	<u>Install- ment finance companies</u>	<u>Small loan companies</u>		<u>Dept. stores</u>		<u>Other retail dealers</u>		<u>Total finance companies and retail dealers</u>
		<u>Install- ment credit</u>	<u>Cash loans</u>	<u>Install- ment credit</u>	<u>Charge accts.</u>	<u>Install- ment credit</u>	<u>Charge accts.</u>	
1959	806	38	446	250	64	274	327	2,205
1960-Mar.	790	40	453	238	46	256	296	2,119
Apr.	804	42	463	242	48	n.a.	n.a.	n.a.
May	826	44	470	245	50	n.a.	n.a.	n.a.
June	843	46	479	247	49	259	296	2,219
July	852	47	485		292	n.a.	n.a.	n.a.

Source: Canadian Statistical Review.