

H.14

November 7, 1960.

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

Part I - United States

Last week three large corporate security issues, totaling \$170 million, were offered to the public. One large finance company debenture issue was deferred till later in the month, but the offering date of a similar issue of equal size was advanced. Two large State and local obligations with proceeds of \$35.9 million were sold during the week.

This week's calendar is expected to be very light with no large corporate issues scheduled and only one tax exempt issue of \$12 million.

Long-term bond yields - Yields on outstanding long-term securities changed little last week. There were slight declines in returns available on State and local government obligations and on lower grade corporate securities while yields on U. S. Government obligations and top quality corporate securities remained constant.

An A-rated electric utility 30-year first mortgage bond sold on November 4 to yield 4.88 per cent. This was 8 basis points higher than the offering yield on the last comparable issue in mid-September.

Short- and intermediate-term interest rates - Yields on short- and intermediate-term securities were mixed last week. Yields increased 9 basis points on three-month Treasury bills and more moderately on three- to five-year Government obligations. On the other hand, there was a slight decline in the return available on six-month bills and a sharper one in that for directly placed finance company paper. The current yield of 2.88 per cent on such paper represents a new low for the year. Other money market rates remained unchanged.

Nonfarm mortgage recordings - Nonfarm mortgage recordings in August were 3 per cent below the record monthly level of a year earlier. This was the smallest margin of decline reported for any month in 1960. Conventional loans, at 79 per cent of the total, continued to represent a somewhat larger share of all recordings than a year earlier.

The cumulative amount of recordings through August was 10 per cent below the same record eight-month period of 1959. Recordings were down for all major institutional lenders, but were up slightly for individuals. Recordings made in the name of life insurance companies

were 6 per cent lower; savings and loan associations, 9 per cent; mutual savings banks, 13 per cent; and commercial banks, 25 per cent.

Stock prices - Common stock prices, as measured by Standard and Poor's 500 stock index, advanced about 3 per cent during the week and closed at a level of 54.90. Daily volume was 2.7 million shares, slightly above the October average but down considerably from the previous week.

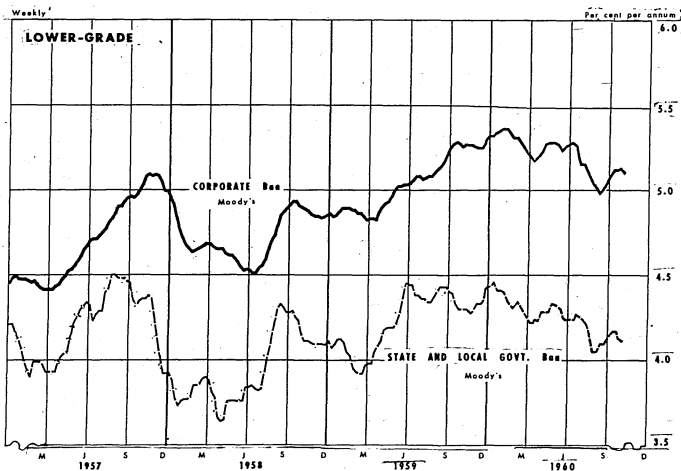
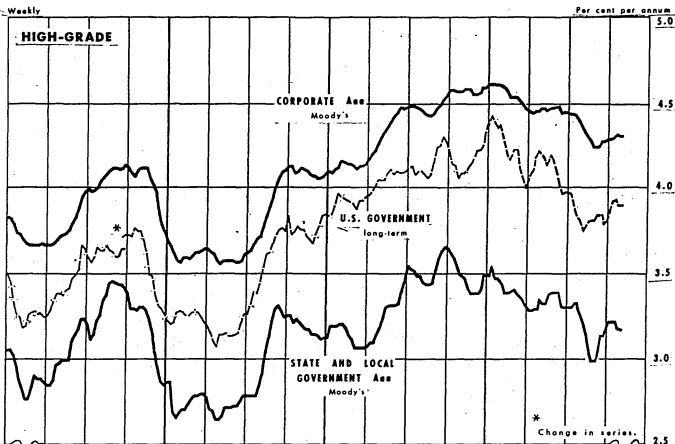
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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



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
Oct. 7	4.28	3.88	3.21	.40	.67
Oct. 14	4.29	3.92	3.21	.37	.71
Oct. 21	4.31	3.93	3.21	.38	.72
Oct. 28	4.30	3.90	3.17	.40	.73
Nov. 4 p/	4.30	3.90	3.16	.40	.74

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
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	5.13	4.13	.83	.96
Nov. 4 p/	5.10	4.11	.80	.95

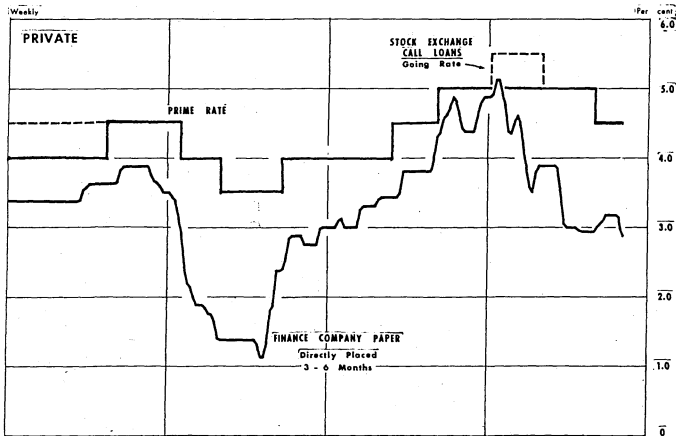
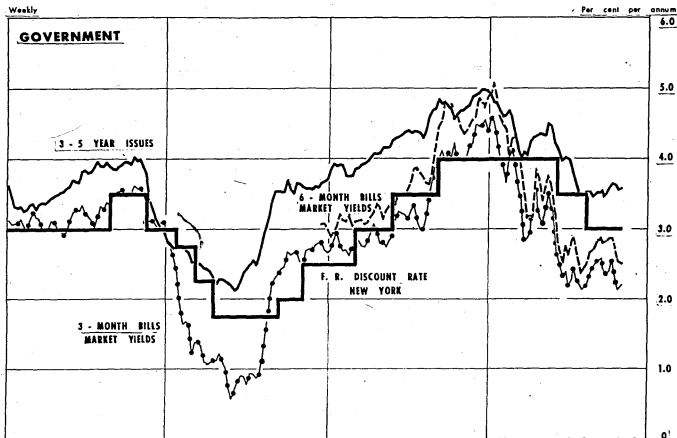
p/ Preliminary.

^{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
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	3.00	2.11	2.53	3.57	.42	1.46
Nov. 4 p/	3.00	2.20	2.50	3.59	.30	1.39

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	
				3-month Treasury bill yield	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	2.88 (11/4)	.22	(4/15)
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	4.50	4.50	2.98	.87	
Nov. 4 p/	4.50	4.50	2.88	.68	

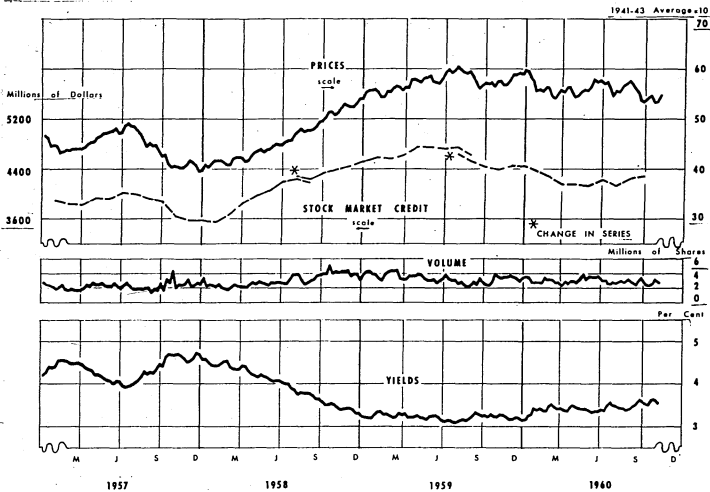
1/ Weekly rate shown is that in effect at end of period. Discount rate is for Federal Reserve Bank of New York. Stock exchange call loan rate is going rate on call loans secured by customers' stock exchange collateral at New York City banks. Prime rate is that charged by large banks on short-term loans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

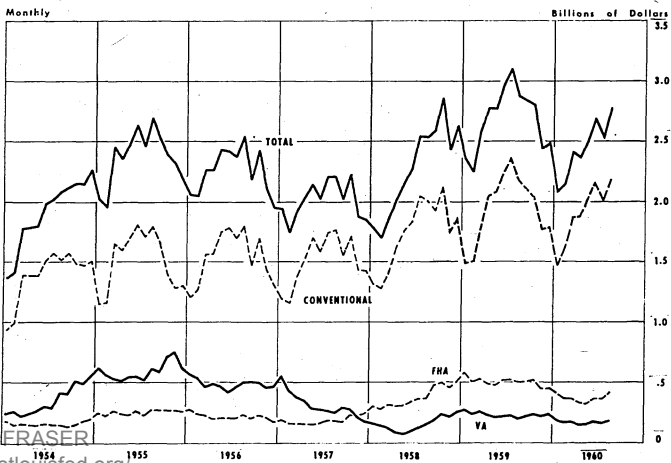
3/ Average of daily rates published by finance companies for directly placed paper for varying maturities in the 90-179 day range.

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

STOCK MARKET



MORTGAGE RECORDINGS AND LOANS



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
September	54.81	3.51	2.9	4,282	3,137	1,145
October	53.73	3.59	2.6	n.a.	n.a.	1,161
Oct. 21	53.32	3.62	2.6	n.a.	n.a.	1,145
Oct. 28	53.41	3.63	3.2	n.a.	n.a.	1,161
Nov. 4 ^{p/}	54.90	3.54	2.7	n.a.	n.a.	n.a.

n.a.--Not available. ^{p/} Preliminary.

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

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

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

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

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

Nonfarm Mortgage Recordings and Loans ^{1/}

Date	Total		Unadjusted		
	Seasonally adjusted ^{2/}	Unadjusted	FHA	VA	Conv.
(Millions of dollars)					
1959 - Aug.	2,769	2,871	504	202	2,165
Sept.	2,650	2,834	510	221	2,103
Oct.	2,639	2,799	523	238	2,039
Nov.	2,589	2,442	448	220	1,775
Dec.	2,485	2,487	451	241	1,794
1960 - Jan.	2,487	2,079	417	195	1,467
Feb.	2,430	2,149	368	170	1,612
Mar.	2,441	2,406	361	173	1,872
Apr.	2,400	2,366	336	153	1,878
May	2,446	2,500	322	155	2,023
June	2,427	2,690	365	175	2,150
July	2,493	2,528	362	160	2,006
Aug.	n.a.	2,784	417	181	2,186

n.a.--Not available.

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

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

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

Exhibit G

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

(In millions of dollars)

	New capital					
	Corporate 1/			State and local 2/		
	1960	1959	1958	1960	1959	1958
January	577	821	728	738	639	812
February	715	738	857	623	858	953
March	860	646	1,553 ^{2/}	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/571	567	806
August	p/1,024	740	540	p/599	516	403
September	e/700	703	1,114	p/670	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	p/1,840	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	p/6,087	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	3,096

^{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 - 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
October	566	46	77

Large Individual Issues Offered November 1 through 4

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
United Gas Corp.	1st mtg.coll. tr.bds.	30.0	1980	5	4.88	A
United Gas Corp.	S.F. deb.	30.0	1980	5-1/8	5.05	Baa
Pacific Gas & Elec. Co.	1st ref.mtg.bds.	60.0	1992	4-5/8	4.63	Aa
Commercial Credit Co.	Sen. notes	50.0	1980	4-3/4	4.83	--
<u>STATE AND LOCAL GOVERNMENT</u>						
Cook County, Ill.	Rev.-S.T.	25.0	1961-75	3.16	1.70-3.35	A
Trenton, New Jersey	G.O.	10.9	1961-85	3.05	1.60-3.25	Aa
<u>OTHER</u>						
None						

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.

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 November 4

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
New Jersey Bell Telephone Co.	Deb.	20.0	Nov. 15
Idaho Power Co.	1st mtg. bds.	15.0	Nov. 16
John Deere Credit Corp.	Deb.	50.0	Nov. 16
Wisconsin Elec. Power Co.	1st mtg. bds.	30.0	Nov. 17
B. F. Goodrich Co.	Deb.	60.0	Nov. 17
Consolidated Edison Co. of N. Y.	1st ref. mtg. bds.	75.0	Nov. 23
Northern Natural Gas Co.	S.F. deb.	20.0	Dec. 7
Northern States Power Co.	1st mtg. bds.	35.0	Dec. 7
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
*Beneficial Finance Corp.	Deb.	50.0	Indefinite
*United Airlines	Conv. sub. deb.	25.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
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, California	Rev.-Ut.	14.0	Nov. 15
State of Massachusetts	G.O.	34.8	Nov. 15
Philadelphia, Pa.	G.O.	35.1	Nov. 16

Forthcoming Large Offerings, as of November 4 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Florida Development Comm.	Rev.-Ut.	14.5	Nov. 30
San Diego Sch. Dist., Calif.	G.O.	10.0	Dec. 6
*Maryland State Roads Comm.	Rev.-S.T.	12.5	Dec. 7
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 ^{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.			*5.30 ^{2/}	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 ^{2/}	17		
Oct. 5	4.63 ^{2/}	24		
21	4.67 ^{2/}	22		
Nov. 4			4.88	26

*--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.

November 7, 1960

Part II - Canada

-17-

Money and Capital Markets During October

Interest rate trends in Canada and the United States diverged sharply during October. Canadian interest rates rose while those in the United States declined. As a result, Canadian bill rates rose substantially above the comparable United States rates and the spread in favor of Canadian bonds widened. Between the end of August and October 13, Canadian bill rates had actually been below United States rates.

With lower United States and higher Canadian bill rates, a substantial incentive to hold Canadian bills reappeared in the latter part of October. Where there was a net incentive of 0.23 per cent in favor of the United States bill on September 28, there was an advantage of 1.05 per cent in favor of the Canadian bill by October 27.

Government bond yields rose generally from the 1960 lows recorded during September. During October, there was a rise of nearly 50 basis points in yields of intermediate bonds and of about 25 basis points in long-term issues. Yields on provincial and industrial securities rose by about 12 basis points.

The rise in Canadian yields during October was in part in reaction to the sharp declines of the preceding month. Money market factors contributed to the upward pressures as the chartered banks sold Treasury bills in preparation for their annual (October 31) closing of their books. Delayed distribution of last month's CNR issue was an added market factor. Prices of industrial stocks declined further during the month.

The exchange rate, at 102.38 (U.S. cents), at the end of October was at about the September 30 level. The price of gold certificates on the Toronto exchange rose as high as \$14 per ounce on October 20 but declined to \$36.17 by October 28.

Money market. There was a sharp rise in short-term interest rates in Canada during October even though the Bank of Canada made substantial purchases of Treasury bills. The yield on the Canadian short Treasury bill rose from 1.68 per cent on September 22 (the low for the year) to 3.03 per cent on October 27 (see Table). During this period the 6-month Treasury bill also rose from a low for the year of 1.99 per cent on September 22 to 3.34 per cent on October 27. The average yield on the day-to-day loans also rose through the month from 1.15 per cent during the week ending September 28 to 2.95 per cent in the week ending October 26.

During the month the chartered banks sold \$54 million of Treasury bills and the Bank of Canada purchased \$66 million. Part of the chartered bank selling during this period is attributable to the closing of their accounts for the year ending October 31.

In mid-October, for the first time in eight weeks, the Canadian bill rate rose above the U.S. bill rate. On October 27, the Canadian yield exceeded the U.S. yield by 0.93 per cent. By comparison on September 22, the Canadian bill yield was below the U.S. bill by 0.82 per cent. The large spread favoring the Canadian bill, combined with a small premium on the forward Canadian dollar, brought the incentive to hold the Canadian bill on a covered basis above 1 per cent at the end of October, for the first time since June 1959 (see Table and Chart).

Yields on short-term commercial paper by major Canadian and U.S. acceptance houses also moved in favor of the Canadian paper in October. Canadian short-term yields exceeded U.S. yields by as much as 1.50 per cent by end-October compared with September 22 when U.S. yields were about 0.75 per cent over Canadian yields.

	<u>Canada</u>	<u>United States</u>	<u>Canada over United States</u>
Sept. 22	2.00-2.50	3.00	-0.75
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
20	3.25-2.13	2.13	+1.12
27	3.50-2.00	2.00	+1.50

Bond market. Bond yields for all maturities moved sharply upward in October after reaching 1960 lows in the previous month. The spread between selected comparable Canadian and United States securities (Thursday yields for bills and Wednesday yields for bonds) was: as follows:

	<u>Oct. 27</u>	<u>Sept. 29</u>
91-day bill	+0.93	-0.66
182-day bill	+0.84	-0.78
8-year bond	+0.76	+0.52
20-year bond	+1.04	+0.91
35-year bond	+1.16	+1.01

During October the chartered banks purchased \$126 million of bonds, the general public purchased \$72 million, and the Bank of Canada purchased \$6 million. There was a large increase in total Government bonds outstanding during the month as a result of the large \$250 million CNR issue of September, a large part of which entered the market in October.

The rise in bond yields through October was not restricted to Government issues. The average of 40 bond yields, including Provincials, Municipals, public utilities, and industrials, rose 9 basis points from 5.35 per cent on October 1 to 5.44 per cent on November 1.

	<u>Oct. 1</u>	<u>Nov. 1</u>
	(per cent)	
10 Provincials	5.28	5.40
10 Municipals	5.61	5.60
10 Public utilities	5.29	5.38
10 Industrials	5.24	5.39
40 Bond yield average	5.35	5.44

Source: McLeod, Young, Weir Co.

The rise in bond yields in October reflects in part the relatively tight market with some new securities being issued and the distribution delays in the recent CNR issue. The new Toronto issue was also expected by the market. According to A. E. Ames, new security issues during the month totaled \$554 million, compared with about \$2.4 billion in the July-September quarter. There were no placements in the United States since the end of June.

The new \$29.35 million Toronto issue was offered last week and is reported to have attracted interest from U.S. financial institutions. The issue includes the following offerings:

- \$3.8 million, 5-1/4 per cent, 1-to-15 year serials placed privately
- \$0.6 million, 5-1/4 per cent, due October 15, 1965, at 99-3/4 to yield 5.31 per cent.
- \$2.3 million, 5-1/4 per cent, due 1970, at 98-1/2 to yield 5.45 per cent.
- \$15.7 million, 5-3/8 per cent, due 1980, at 97-1/4 to yield 5.605 per cent.
- \$6.7 million, 5-3/8 per cent, due 1990, at 97 to yield 5.58 per cent.

A \$1.8 million York County (Ontario), 5-3/4 per cent serial debenture was also offered to yield 5.78 per cent on 1 to 5 year maturities and 5.80 per cent on 6 to 20's.

General bank loans and money supply. General bank loans, seasonally adjusted, showed no change last month after rising for seven straight months. Total loans outstanding, seasonally adjusted, are currently \$4,971 million compared with \$4,771 million in February 1960 and a record high in August 1959 of \$5,006 million (see Table).

The money supply excluding Government deposits rose \$79 million from the end of September to October 19. During the current fiscal year which began April 1, there has been a \$708 million increase in the money supply, an expansion of 5.4 per cent (see Table).

Foreign exchange. During the month the spot rate on the Canadian dollar fluctuated within narrow limits between a low of 101.91 (U.S. cents) on October 17, and a high of 102.48 (U.S. cents) on October 31. During September, when the Canadian dollar declined from 103.03 (U.S. cents) on September 1 to 102.36 (U.S. cents) on September 30, there was a \$23.3

million decline in official holdings of foreign exchange reserves, reflecting a \$10 million decline in gold and a \$13.6 million decline in U.S. dollar holdings. Private short-term U.S. dollar holdings increased during the May-August period, but the August increase was at a considerably slower rate than the previous months.

	<u>Change in Official Holdings^{1/}</u>				
	<u>Total</u>	<u>Of which</u>		<u>Change in short-term U.S. dollar holdings--private and official^{2/}</u>	<u>Change in private short-term holdings^{3/}</u>
		<u>Gold</u>	<u>U.S. dollars</u>		
May	-101.5	-23.3	-78.2	+ 37	+115.2
June	+ 33.6	-12.2	+45.8	+108	+ 62.2
July	+ 56.7	- 3.3	+50.0	+154	+104.0
Aug.	+ 16.0	- 2.1	+18.1	+ 21	+ 2.9
Sept.	- 23.3	-10.0	-13.6		

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

^{2/} Source: Federal Reserve Bulletin.

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

Stock market. Industrial stock prices on the Canadian exchanges declined through October. The lows of the last week were almost 2 per cent below the highs in early October compared with a difference of almost 5 per cent between high and low in the New York Standard & Poor index. The following table compares changes of industrial stock prices in the Toronto and Montreal exchanges with the Standard & Poor index:

	<u>Toronto</u>	<u>Montreal</u>	<u>New York Standard & Poor</u>
1960 - High	532.56	271.1	60.51
Low	472.38	250.3	55.98
Oct. 7	490.25	262.5	57.20
12	488.38	262.6	57.34
17	487.06	262.4	57.88
21	486.06	261.1	56.43
24	482.57	259.8	55.75
26	481.31	259.4	56.18
28	483.50	260.8	56.57

The volume of sales on the Canadian exchanges declined through most of October while interest rates were rising, and reached a low of \$3.3 million in the third week but recovered to \$10.4 million in the last week of the month. The following table shows the total weekly volume of stock sales in millions of Canadian dollars on the Canadian exchanges:

<u>Week</u>	<u>Volume</u>
Sept. 36-30	\$10.1 million
Oct. 3-7	9.8
11-14 (4-day week)	6.8
17-21	3.3
24-28	10.4

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 over U.S. ^{b/}	Spread over U.S.	Spot	3-mo. forward	discount (-) premium(+) ^{d/}	
	a/			c/			
1959 - High	6.16	4.49	2.96	105.51	--	--	--
Low	3.25	2.80	0.30	102.58	--	--	--
1960 - High	5.14	4.63	1.01	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
Nov. 3	3.22	2.21	1.01	102.80	102.70	-0.37	0.64

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		Intermediates 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/}
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
Nov. 3	3.51	1.03	4.62	0.81	4.89	1.04	4.92	1.17

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)

1960	<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>
January	- 89	- 1	- 24	+ 81	+ 4	+ 3	+ 19	+ 95
February	+ 55	-103	- 23	-115	+ 79	- 29	+ 59	+165
March	+141	- 64	- 54	- 11	+ 17	- 31	- 78	+ 98
April	+ 69	+ 23	- 9	- 40	- 4	- 26	- 11	+ 30
May	- 9	+ 14	- 8	+ 78	+ 9	- 29	- 97	- 18
June	- 74	+ 77	- 40	- 59	+ 27	- 31	- 8	+ 46
July	+ 19	+ 40	+ 51	- 3	- 28	- 19	- 48	- 54
August	- 23	+ 34	+ 78	+ 36	- 12	- 26	- 52	- 80
September	- 43	- 2	+ 6	+ 90	+ 45	- 14	- 41	- 36
October	+ 66	+ 6	+ 37	- 54	+126	- 5	0	+ 72

Source: Bank of Canada, Weekly Financial Statistics.

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

	<u>Currency</u>	<u>Deposits</u>	<u>Total</u>	<u>Change</u>
Dec. 31, 1959	1,789	10,956	12,745	--
March 31, 1960	1,715	10,936	12,651	- 94
June 30, 1960	1,767	11,126	12,893	+242
Sept. 30, 1960	1,767	11,513	13,280	+387
Oct. 19, 1960	1,786	11,573	13,359	+ 79

Source: Bank of Canada Statistical Summary.

General Bank Loans Seasonally Adjusted
(millions of Canadian dollars)

	<u>Total outstanding</u>	<u>Change from previous period</u>
1959 - Aug.	5,006	--
1960 - Feb.	4,771	- 235
March	4,786	+ 15
June	4,866	+ 80
Sept.	4,971	+ 105
Oct.	4,971	0

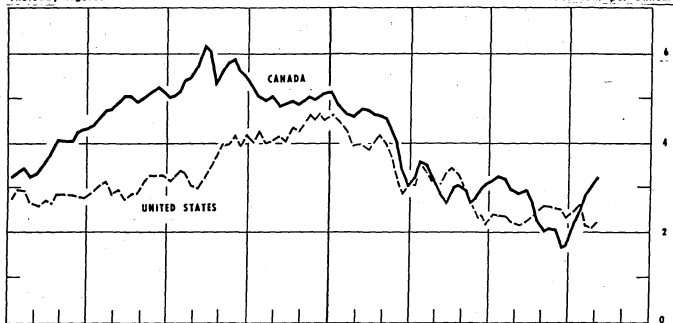
Source: Bank of Canada

CANADA - UNITED STATES

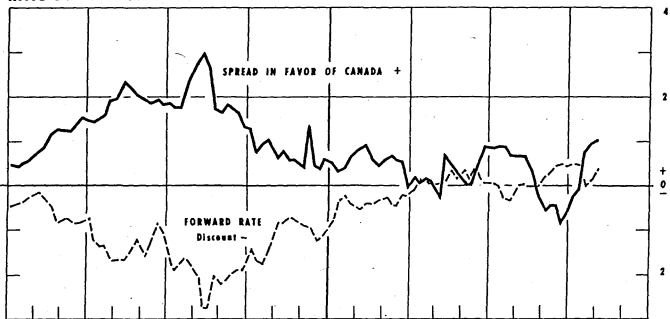
THREE-MONTH TREASURY BILL RATES

Thursday figures

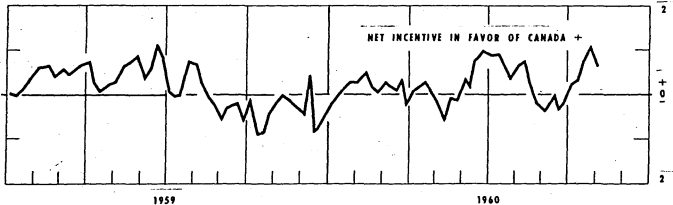
Per cent per annum



RATE DIFFERENTIAL AND FORWARD CANADIAN DOLLAR



RATE DIFFERENTIAL WITH FORWARD EXCHANGE COVER



CANADA

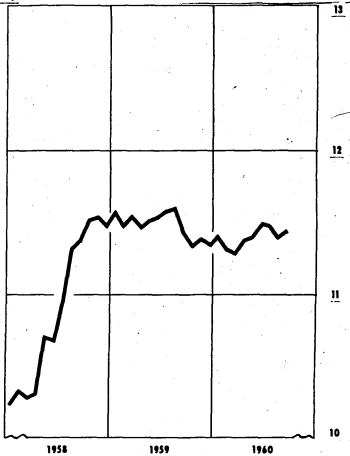
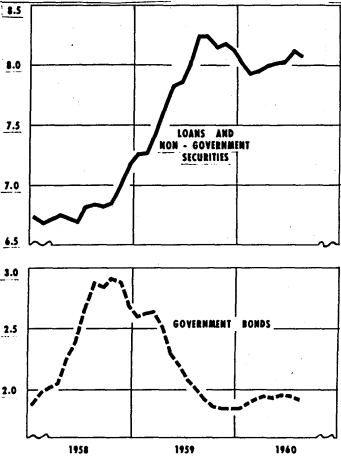
SELECTED CHARTERED BANK ASSETS

BANK DEPOSITS - LESS FLOAT

Billions of Canadian dollars

Monthly

Billions of Canadian dollars



STOCK MARKET

1935-39 Average = 10

