

Not for Publication
FEDERAL RESERVE BANK
H. H. H.

Capital Market

DECONTROLLED AFTER SIX MONTHS November 14, 1960.

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

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

Part I - United States

A \$12 million issue of the State of Mississippi was the only large public security issue sold last week, which was shortened by one full holiday--Election Day--and one partial holiday--Veterans' Day. This week new security financing will be substantial. Six large corporate issues with aggregate proceeds of \$195 million are scheduled and three State and local government bond issues with proceeds of \$84 million are scheduled. Also the Tennessee Valley Authority will offer its first bond issue, a \$50 million offering which is part of a much larger total authorization.

Bond yields - Changes in bond yields were mixed and minor last week. Yields on long-term U. S. Government bonds increased slightly. Yields on State and local government bonds were stable, while yields on corporate bonds decreased slightly.

Short- and intermediate-term interest rates - Yields on 91-day Treasury bills rose 20 basis points last week. Yields on the six-month Treasury bill and on three- to five-year U. S. Government obligations also rose but more moderately. Other short-term interest rates were unchanged.

Bond referenda - While it is still too early to have final data on all State and local government bond referenda submitted to voters in the November 8 general election, preliminary information indicates that over 90 per cent of the dollar volume of issues submitted was approved. The record \$3.6 billion of bonds submitted included a \$1.75 billion water supply issue of the State of California which will be sold gradually over a period of 20 years. As shown in the table on the following page, the percentage of bonds approved in the general election was about the same as that approved four years earlier, but substantially more than in 1958 and 1959 when large issues were defeated.

Stock prices - Common stock prices, as measured by Standard and Poor's index of 500 common stocks, increased about 2 per cent last week, closing on Friday at 55.87. Trading volume averaged 3.4 million shares per day, substantially more than a week earlier.

Bond Proposals Submitted
in November General Elections

(In millions of dollars)

Year	Submitted	Approved	Per cent of proposals approved
1949	1,608	1,342	83
1950	958	654	68
1951	1,142	1,097	96
1952	1,461	1,242	85
1953	926	850	92
1954	1,589	1,397	88
1955	1,523	556	37
1956	2,683	2,472	92
1957	940	775	82
1958	2,527	1,882	74
1959	1,357	785	58
1960	3,637	n.a.	n.a.

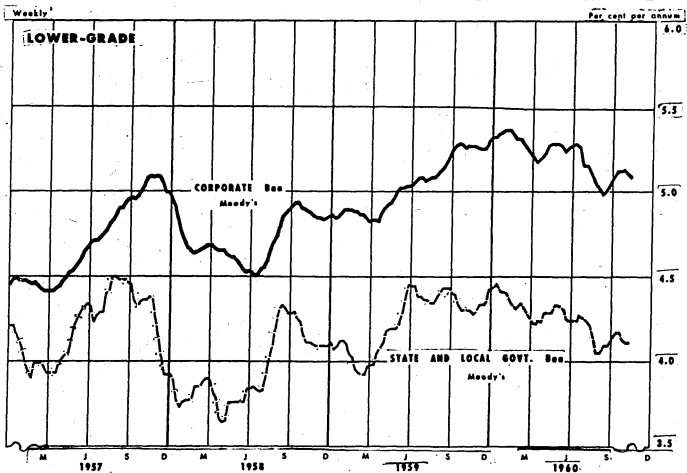
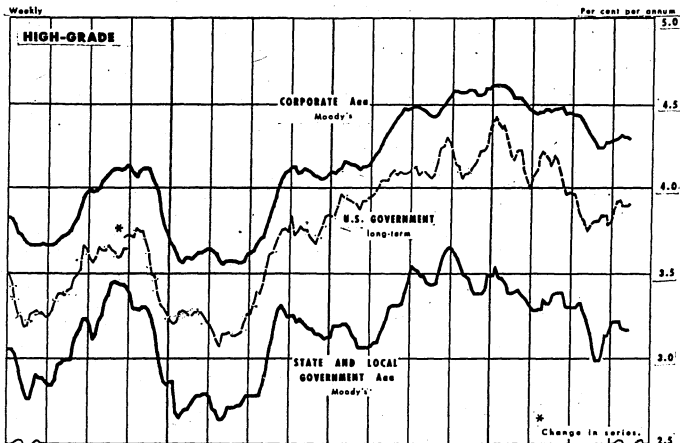
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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 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. 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	4.30	3.90	3.16	.40	.74
Nov. 11 p/	4.29	3.91	3.16	.38	.75

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. 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	5.10	4.11	.80	.95
Nov. 11 p/	5.08	4.11	.79	.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/ Timeday 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

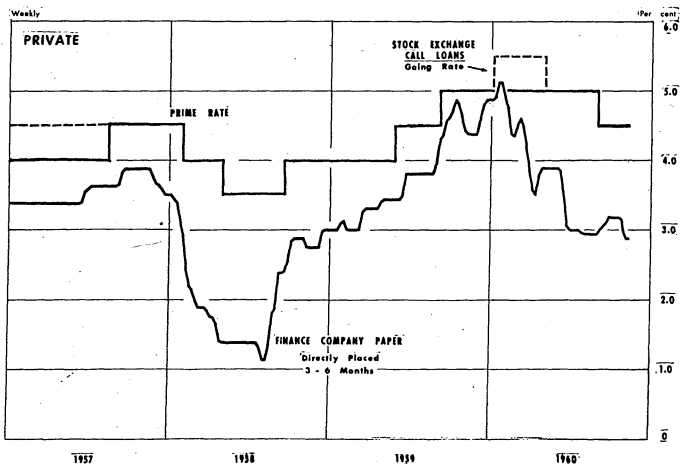
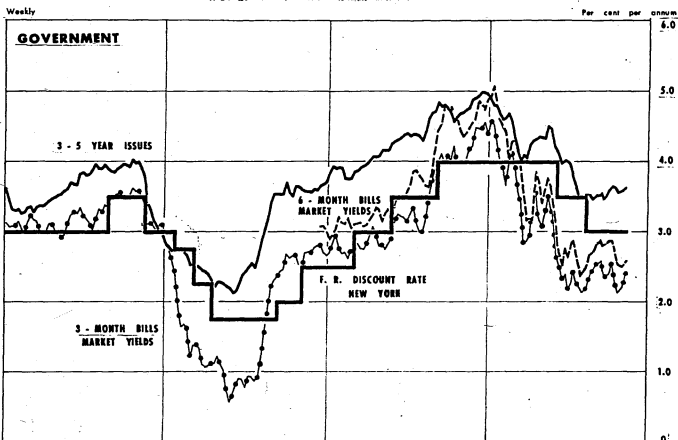


Exhibit D - Tables for Exhibit C

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	2.11 (10/28)	2.39 (8/5)	3.47 (9/23)	.16	.38
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	3.00	2.20	2.50	3.59	.30	1.39
Nov. 11 p/	3.00	2.40	2.59	3.63	.19	1.23

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	2.88 (11/4)	.22 (4/15)
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	4.50	4.50	2.88	.68
Nov. 11 p/	4.50	4.50	2.88	.48

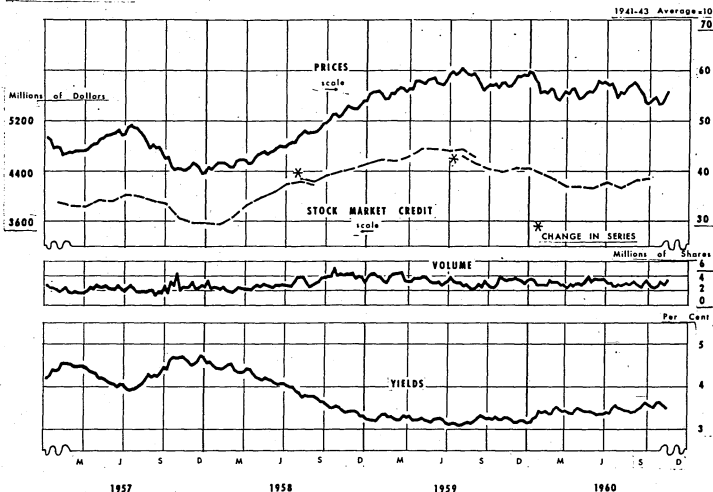
1/ Weekly rate shown is that in effect at end of period. Discount rate is for Federal Reserve Bank of New York. Stock exchange call loan rate is going rate on call loans secured by customers' stock exchange collateral at New York City banks. Prime rate is that charged by large banks on short-term loans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

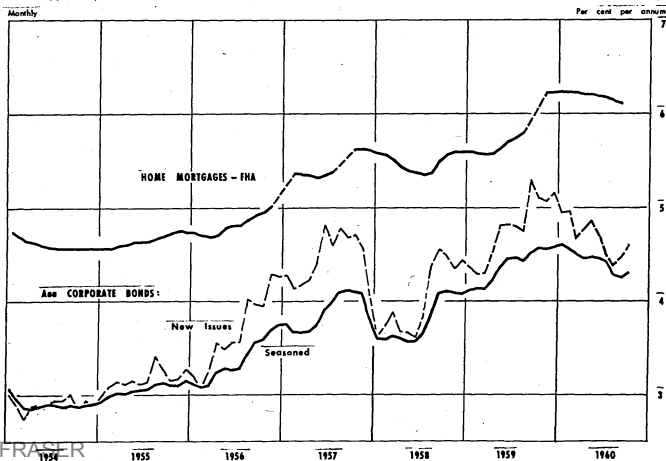
3/ Average of daily rates published by finance companies for directly placed paper for varying maturities in the 90-179 day range.

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

STOCK MARKET



MORTGAGE AND BOND YIELDS



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. 28	53.41	3.63	3.2	n.a.	n.a.	1,161
Nov. 4	54.90	3.54	2.7	n.a.	n.a.	1,156
Nov. 11 p/	55.87	3.48	3.4	n.a.	n.a.	n.a.

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

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

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

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

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

^{5/} Wednesday figures for weekly reporting member banks. Excludes loans for purchasing or carrying U. S. Government securities. Prior to July 2, 1959, such loans are excluded only at banks in New York and Chicago. Weekly reporting banks account for about 70 per cent of loans to others. For further detail see Bulletin.

Mortgage and Bond Yields ^{1/}

Date	FHA mortgages ^{2/}	Aaa corporate bonds ^{1/}		Spread between new corporate bonds and	
		New ^{3/}	Seasoned ^{4/}	FHA mortgages	Seasoned bonds
1953-58 - High	5.63 (11/57)	4.81 (6/57)	4.12 (9/57)	1.96	.90
Low	4.56 (2/55)	2.74 (3/54)	2.84 (4/54)	.54	-.12
1959-60 - High	6.24 (1/60)	5.29 (9/59)	4.61 (1/60)	1.76	.77
Low	5.57 (3/59)	4.29 (2/59)	4.12 (1/59)	.83	.08
1960 - June	6.19	4.69	4.45	1.50	.24
July	6.17	4.49	4.41	1.68	.08
August	6.13	4.37	4.28	1.76	.09
September	6.11	4.45	4.25	1.66	.20
October	n.a.	4.60	4.30	n.a.	.30

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

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

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

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

Exhibit G

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

(In millions of dollars)

	New capital					
	Corporate 1/			State and local 2/		
	1960	1959	1958	1960	1959	1958
January	577	821	728	738	639	812
February	715	738	857	623	858	953
March	860	646	1,553 ^{3/}	575	646	511
April	766	894	1,140	731	932	798
May	567	785	597	550	593	895
June	1,034	887	887	1,030	1,006	551
July	727	535	1,107	571	567	806
August	962	740	540	599	516	403
September	738	703	1,114	p/670	465	651
October	e/1,000	879	862	e/325	577	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	2,427	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	6,945	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	1,977	1,716	2,731			
4th quarter		2,503	2,213			
Year		8,630	10,429			

e/ Estimated.

p/ Preliminary.

1/ Securities and Exchange Commission estimates of net proceeds.

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

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

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

Other Security Offerings 1/

(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	25	85	9	--	--	164
August	1	1	5	199	98	--
September	36	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. Sources: Securities and Exchange Commission.

3/ Issues not guaranteed by the U. S. Government. Sources: long-term, Securities and Exchange Commission; short-term, Federal Reserve.

4/ Principally tax and bond anticipation notes, warrants or certificates and Public Housing Authority notes. In some instances PHA notes included may have a somewhat longer term than one year. Sources: Bond Buyer.

Exhibit I

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

Proceeds of Large Issues Offered

(Millions of dollars)

Month	Corporate	State and local government	Other 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 11

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest 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
State of Mississippi	G.O.	12.0	1961-80	3.34	1.60-3.40	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 11

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
New Jersey Bell Telephone Co.	Deb.	20.0	Nov. 15
Northern Natural Gas Co.	S.F. 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
E. F. Goodrich Co.	Deb.	60.0	Nov. 17
Consolidated Edison Co. of N. Y.	1st ref. mtg. bds.	75.0	Nov. 23
Beneficial Finance Corp.	Deb.	50.0	Nov.
*Southern Bell Telephone & Telegraph	Deb.	75.0	Dec. 6
Northern States Power Co.	1st mtg. bds.	35.0	Dec. 7
*Potomac Electric Power Co.	1st mtg. bds.	40.0	Dec. 8
Consumers Power Co.	1st mtg. bds.	35.0	Dec. 13
United Airlines	Conv. sub. deb.	25.0	Dec.
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>			
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
Port of New York Authority	Rev.-Ut.	25.0	Nov. 21

Forthcoming Large Offerings, as of November 11 (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 Authority	Rev.	55.0	Indefinite
Dade County, Florida	G.O.	46.0	Indefinite
New York State Housing Fin. Agency	Rev.	100.0	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 offerings 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.

After rising sharply for five straight weeks, Canadian Treasury bill yields were virtually unchanged last week. Bond yields, on the other hand, rose slightly for all maturities. The Bank of Canada made little change in its security holdings during the week, and the general public sold small amounts of bills and bonds to the chartered banks. The Canadian dollar declined slightly during the week and closed at 102.5 (U.S. cents) last Thursday.

Money market. The average yield on the 3-month Treasury bill at last Thursday's auction was 3.21 per cent, virtually unchanged from the previous week (see Table). The yield on the 6-month bill declined slightly to 3.47 per cent from 3.51 per cent a week ago. There were only minor changes in Treasury bill holdings during the week (see Table). The average closing rates on day-to-day loans during the week was 3.03 per cent compared with 3.10 per cent a week ago.

The spread favoring the Canadian over the U.S. 3-month bill narrowed by 25 basis points to 0.76 per cent per annum during the week, as the result of a rise in the U.S. bill yield. There was an offsetting decline in the discount on the forward Canadian dollar with the result that the net incentive to hold the Canadian bill rose slightly to 0.70 per cent per annum.

Bond market. Bond yields rose in Canada last week for all maturities. 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):

0.76 per cent on a 91-day bill (1.01)
 0.83 per cent on a 182-day bill (1.03)
 0.76 per cent on an 8-year bond (0.81)
 1.14 per cent on a 30-year bond (1.04)
 1.24 per cent on a 35-year bond (1.17)

The general public sold \$7 million of bonds while the chartered banks purchased \$7 million. The Bank of Canada sold only \$1 million of bonds. The general public increased its holdings of savings bonds by \$199 million.

The press reports a good reception for the Alberta Municipal Financing Corp., offering this week. The new issue included \$10 million, 2 per cent debentures due December 1, 1961, priced at 98.39 to yield 3.65 per cent, and \$10 million of 20-year debentures callable in 18 years, priced at 97 to yield 5.50 per cent.

The Bank of Nova Scotia has made the first increase in interest rates on some maturities of its new short-term notes (see "Capital Market Developments," October 3, 1960). The new rates show increases of one-half per cent for maturities up to three years and no change for over three years. Shortly after issuing the new notes in late September all rates declined. (see Table).

Stock market. Industrial stock prices on the Canadian exchanges rose by almost 2 per cent in Toronto and one per cent in Montreal during the first week of November, while prices in New York rose almost 3 per cent.

	<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. 28	483.50	260.8	56.57
31	485.44	260.9	56.58
Nov. 1	489.63	263.6	57.22
2	490.93	262.7	57.51
3	491.88	263.7	57.72
4	492.25	263.1	57.26

The volume of sales during the week ending November 4 was \$9.3 million compared with \$10.4 million the week before.

Foreign exchange. The Canadian dollar declined slightly through the week and closed at 102.53 (U.S. cents) last Thursday compared with 102.80 (U.S. cents) the week before. The discount on the 3 months forward Canadian dollar also declined to 0.06 per cent per annum compared with 0.37 per cent the week before.

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

**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.</u>			<u>Treas.</u>	<u>Bonds</u>	<u>Savings</u>	<u>Treas.</u>	
	<u>bills</u>	<u>Bonds</u>				<u>bonds</u>	<u>bills</u>	<u>Bonds</u>
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
Nov. 3	- 11	- 5	+ 6	+ 8	+ 19	+ 9	+ 6	- 17
10	- 1	- 1	+ 2	+ 6	+ 7	+199	- 6	- 7

Source: Bank of Canada, Weekly Financial Statistics.

Yields on Bank of Nova Scotia Term Notes
(per cent per annum)

	<u>New rate</u>	<u>Previous rate.(Oct.)</u>	<u>Original rate (Sept.)</u>
1 year	3.50	3.25	3.75
2 year	4.00	3.75	4.00
3 year	4.25	4.00	4.25
4 year	4.50	4.50	4.75
5-6 years	4.75	4.75	5.00

Source: The Financial Post.

Selected Canadian Money Market and Related Data

	3-mo. Treas. bills			Canadian dollar			Net incentive to hold Can. bills/
	Canada	Spread		Spot	3-mo. discount (-)	premium (+)d/	
	a/	U.S. b/	over U.S.	c/	forward		
1959 - High	6.16	4.49	2.96	105.51	--	--	--
Low	3.25	2.80	0.30	102.58	--	--	--
1960 - High	5.14	4.63	1.01	105.27	--	0.99	1.05
Low	1.68	2.10	-0.82	102.16	--	-0.72	-0.57
Oct. 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
10	3.21	2.45	0.76	102.53	102.52	-0.06	0.70

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
Oct. 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
10	3.47	0.83	4.62	0.76	4.99	1.14	5.01	1.24

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.

November 14, 1960

United Kingdom: Money and Capital Markets During October

The inflow of foreign-owned funds continued to dominate London financial markets in October. These funds produced further substantial official reserve accruals and pushed the spot pound rate in early November to the highest point this year. A boom in the free London bullion market as a result of foreign purchases in October which pushed the price from about \$35-1/4 to a peak of around \$40 an ounce attracted international attention.

The reserve inflow and other developments contributed to an easing of money and security yields in Britain in October. The Treasury bill yield declined sharply in early October in anticipation of a cut in Bank rate. On October 27, the Bank of England reduced its discount rate from 6 to 5-1/2 per cent as a step to narrow the spread between money rates in Britain and North America, not as a move toward credit relaxation in Britain. Thereafter bill yields declined further. By early November, the net incentive to hold London Treasury bills rather than New York bills had declined (on a covered basis) to just around 1 per cent. The British cut in Bank rate followed a reduction of the Bank of France's discount rate from 4 to 3.5 per cent on October 6, while on November 10 the German Bundesbank reduced its discount rate from 5 per cent to 4 per cent.

In the gilt-edged market, yields declined generally, especially in the intermediate-term and undated ranges. The press reported foreign purchases of outstanding long-term Government bonds as well as new issues offered during the month. Advances of the London clearing banks rose from mid-September to mid-October by £28.1 million. Stock prices declined by about 5 per cent during October.

Money market conditions. The yield on Treasury bills declined from 5.56 per cent to 5.31 per cent over the first three weeks of October in expectation of a reduction in Bank rate. This expectation was realized on October 27 when Bank rate was reduced by one-half of one per cent from 6 per cent to 5-1/2 per cent. Thereafter the yield on the 3-month bill declined sharply reaching 4.89 per cent by November 4 (see Table).

During October the yield on London Treasury bills exceeded the bill yield in New York by more than 3 per cent. By November 4, however, the U.S. bill rate strengthened and the U.K. bill rate declined; as a result, the spread of the U.K. bill over the U.S. bill was reduced to 2.67 per cent. The incentive to hold the U.K. bill rather than the U.S. bill (with exchange risk covered) was between 1 and 1.5 per cent per annum during October and was at 1.15 per cent on November 4 (see Table and Chart).

Change in Bank rate. The reduction in Bank rate from 6 to 5-1/2 per cent was interpreted in the financial press as an early step in "a general world-wide move towards cheaper money." The Governor of the Bank of England stated that the move was because we had "our eye particularly on this occasion on comparative interest rates around the world. But

it is very clear that today's situation at home does not justify any change of the lines of credit policy." With the trade deficit substantial and with continuing demand pressures within the British economy, the Chancellor had explicitly warned that "the time has not yet come when we can relax them (the credit restrictions)."

The structure of interest rates in London before and after the change in Bank rate was (in per cent per annum):

	<u>Before</u>	<u>After</u>
Borrowing rates:		
Bank overdrafts	7 - 7-1/2	6-1/2 - 7
Personal loans	5 - 6	unchanged
Term business loans	8	7-1/2
Term farm loans	7	6-1/2
Mortgages	6	unchanged
Deposit and other lending rates:		
Bank deposits	4	3-1/2
Finance house deposits	5 and up	unchanged
Building society deposits	3	unchanged
Building society shares	3-1/2	unchanged
Local Government loans	5-3/4 - 6-1/4	unchanged
3-1/2 per cent War Loan	5.725	unchanged

Source: The Financial Times.

Gilt-edged market. Bond yields in the gilt-edged market declined generally during October. The continued inflow of gold and dollar reserves, in part reflecting foreign demand for British bonds, contributed to the easing of bond yields. Consols eased by 10 basis points and intermediate range yields by as much as 16 basis points (see Table). Despite this easing, however, London bond yields remained at or near the 6 per cent level for intermediate and the 5-1/2 per cent level for long-term issues.

London County Council offered on October 14 a £20 million issue of 6 per cent stock at £99 with a gross redemption yield of 6.05 per cent. Lanarkshire County issued a £1 million, 6 per cent redeemable stock 1978-80 at £99-1/4 with a gross redemption yield of 6.09 per cent. Both issues were well received and went immediately to a premium.

British Aluminum made a £4.2 million loan in Switzerland on October 19. The issue was at 4-1/2 per cent with a maximum term of 15 years; the proceeds are to be used to finance development both in the U.K. and abroad. This loan was exceptional because of the strict regulations by the U.K. authorities on borrowing outside the British capital market.

As an indication of United States interest in current British bond yields, American Depositary Receipts are now being issued by Morgan Guaranty Trust Company for the United Kingdom 3-1/2 per cent War Loan. This security

is now yielding 5-3/4 per cent. These Deposit Receipts can be traded in New York in the "over the counter" market while the securities remain in London.

Bank advances. Advances of the London clearing banks rose from mid-September to mid-October by £28.1 million, compared with a rise of £8 million in the month to mid-September and a fall of £44 million in the month to mid-August. The average liquidity ratio for the eleven banks is 31.47. This compares with 31.57 in the month to mid-September and 34.36 a year ago.

Installment credit. The total hire-purchase debt declined by £8 million to £962 million in September. This follows the decline in August of £1 million, the first fall since March 1958, when the total debt outstanding amounted to only £451 million. This £8 million fall was composed of a £3 million decline in the debt owed directly to household goods shops and, for the first time in 2-1/2 years, a £5 million drop in the debt owed directly to finance houses.

Foreign exchange. After easing early in October, spot sterling strengthened and reached its high for the year of 281.750 U.S. cents on November 2 (see Table).

The discount on 3-month forward sterling decreased by about 40 basis points during the month. Security sterling was at a premium on November 3 when it reached 281.750 U.S. cents, its highest point since April 1959.

During October, foreign exchange reserves increased by \$30.8 million or (adjusted for special capital payments) by \$128.8 million. Since February the total increase in reserves has totaled \$454 million or (adjusted for capital payments) by \$823 million.

Bullion market. The price of gold in the London bullion market soared to about \$40.50 per fine ounce on October 20. That was the highest point reached since the London bullion market reopened in 1954. In the past the price has fluctuated around \$35 per fine ounce and in September of this year reached its high to that time of \$35.24 per fine ounce. The peak reached on October 20 represented, in the words of a press article, panic orders which had been placed at "the best obtainable price." But these purchases were never important. The highest price at which "a sizeable volume of transactions took place" was around \$38.50; the price at the daily fixing never exceeded \$38.

On the other hand, the market price since the October 20 flurry has remained at about \$36 to \$36.50. A press article states that profit taking at these prices has been a "considerable" source of gold offered to the market to supplement the "daily sales of the Bank of England in its function as agent for the South African Reserve Bank" and that "quite large new demand" appeared in the market in October "whenever the price fell to or slightly under \$36." On November 11 the price was \$35-7/8.

The Australian Finance Minister announced that Australia had shipped 320,582 fine ounces of gold (\$11 million) to Britain in August. From January through August, Australian shipments to London totaled 920,513 fine ounces (\$32 million) compared with 8,204 ounces in the previous six years.

Stock market. During October stock prices eased generally with the index falling from 331.7 on October 7 to 316.1 on November 4, a decline of about 5 per cent (see Table). Yields on shares rose slightly as a result. Consequently, the gap between Consols and shares declined from 1.35 per cent on October 7 to 0.97 per cent on November 4.

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United Kingdom: Treasury Bill Yields and Exchange Rates

Date	3-mo. Treasury bill			Discount on 3-mo. sterling ^{c/}	Net incentive to hold U.K. bill ^{d/}	Exchange rate	
	U.K. ^{a/}	U.S. ^{b/}	Differ- ence ^{e/}			Spot sterling e/	Discount on 3-mo. sterling ^{f/}
1959 - High	3.6	4.7	-1.1	--	--	--	--
Low	3.0	2.6	0.4	--	--	--	--
1960 - High	5.68	4.59	3.63	(P).64	1.95	281.57	1.64
Low	2.13	2.05	-0.84	2.33	-.23	279.83	(P).47
Sept. 23	5.49	2.40	3.09	2.12	0.97	281.30	1.49
30	5.57	2.30	3.27	1.95	1.32	281.12	1.37
Oct. 7	5.56	2.53	3.03	1.94	1.09	281.09	1.36
14	5.48	2.44	3.04	1.96	1.08	280.97	1.38
21	5.31	2.15	3.16	1.74	1.42	281.37	1.26
28	5.09	2.07	3.02	1.58	1.44	281.52	1.11
Nov. 4	4.89	2.22	2.67	1.52	1.15	281.55	1.07

a/ Average yield at Friday weekly tender.

b/ Closing market yield for Friday in New York.

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

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

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

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

United Kingdom: Selected Capital Market Yields

	6-year bond ^{a/}	15-year bond ^{b/}	War loan ^{c/}	Consols d/	Share yield ^{e/}	Yield gap ^{f/}	Share price ^{g/}
1960 - High	6.04	6.00	5.91	5.69	4.49	1.49	338.6
Low	4.93	5.33	5.53	5.03	3.74	0.76	297
Sept. 23	6.02	5.97	5.91	5.55	4.28	1.27	328.7
30	6.00	5.96	5.81	5.50	4.34	1.16	325.6
Oct. 7	6.00	5.98	5.83	5.56	4.21	1.35	331.7
14	5.97	5.81	5.77	5.53	4.30	1.23	328.2
21	5.98	5.81	5.77	5.53	4.34	1.19	325.4
28	5.98	5.81	5.93	5.46	4.39	1.07	321.1
Nov. 4	6.00	5.82	5.76	5.46	4.49	0.97	316.1

a/ 5-1/2 per cent Exchequer, 1966.

b/ 3 per cent Savings Bond 1965-75.

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

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

e/ Financial Times.

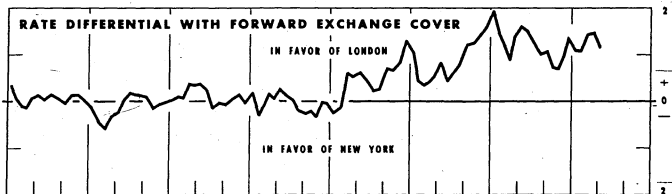
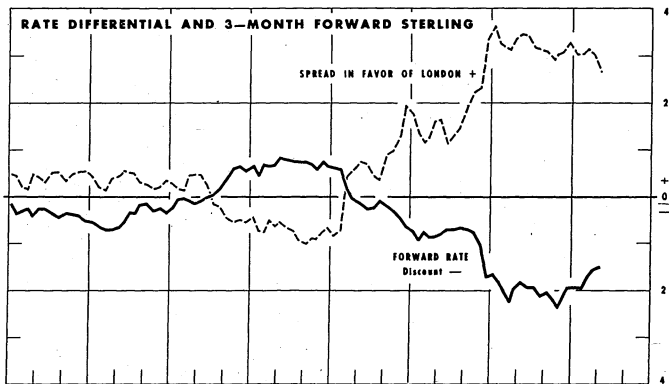
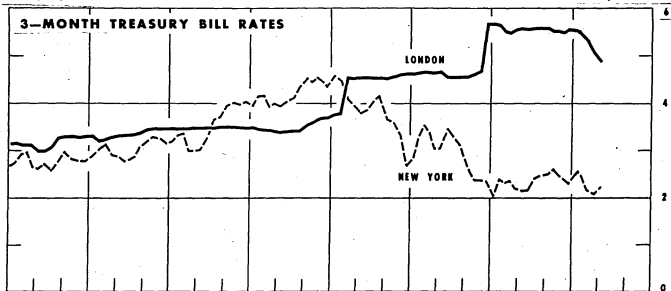
f/ Difference between yield on 2-1/2 per cent Consols and share yield.

g/ Financial Times.

INTEREST ARBITRAGE, NEW YORK / LONDON

Friday figures

Per cent per annum



1959

1960