

H.14

November 21, 1960.

CAPITAL MARKET DEVELOPMENTS  
IN THE UNITED STATES AND CANADA

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

Part I - United States

A large volume of new security issues were publicly offered last week. Six corporate issues with gross proceeds of \$195 million, three State and local government bond issues with par value of \$84 million, and a \$50 million TVA bond issue were publicly sold. This week, shortened by the Thanksgiving Day holiday, new financing volume will be substantially smaller. Two corporate issues with gross proceeds of \$100 million and one \$25 million revenue bond issue by the Port of New York Authority are the only large public offerings scheduled.

Bond yields - Changes in bond yields were mixed last week. Yields on State and local government bonds and lower grade corporate bonds declined while yields on U. S. Government long-term bonds and Aaa-rated corporate bonds increased slightly.

Yields on new issues of corporate bonds rose last week. An A-rated 30-year electric power first mortgage bond issue was offered to investors to yield 5.05 per cent last week, 17 basis points higher than the offering yield on a similar issue sold early in November. There were also two Aa-rated electric utility offerings, but comparison of yields on these offerings with earlier issues is made difficult because of special call provisions.

Short- and intermediate-term interest rates - Yields on short- and intermediate-term U. S. Government obligations rose last week. The increase in yields on 6-month bills was substantial but the increase in yields on 90-day bills and 3-5 year issues was more moderate. Interest rates on directly placed finance company paper were increased last week. Rates on 90-179 day paper are currently 3-1/8 per cent. This was an increase of 3/8 per cent for 90-119 day paper and 1/8 per cent for 120-179 day paper.

Housing starts - Private housing starts, which declined by 17 per cent in September, rose by 15 per cent in October to a seasonally adjusted annual rate of 1,231,000 units, according to preliminary estimates. This rate, slightly below the average for the first three quarters, was down by nearly one-fourth from the high attained in April of last year.

Stock market credit - Total customer credit in the stock market, excluding borrowing on U. S. Government securities, totaled \$4,294 million at the end of October, slightly higher than a month earlier. Although, customers' net debit balances declined \$4 million, bank loans to others than brokers and dealers rose \$16 million.

Borrowing by member firms of the New York Stock Exchange maintaining margin accounts, excluding borrowing on U. S. Government securities changed little in October totaling \$2.1 billion at the end of the month. Customers' net free credit balances increased slightly last month. These and other data for stock market credit in October and September are shown in the following table.

	End of month		Change
	Oct.	Sept.	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Government securities - total	4,294	4,282	+12
Net debit balances	3,133	3,137	-4
Bank loans to "others"	1,161	1,145	+16
Net debit balances secured by U. S. Govt. securities	111	122	-11
Bank loans to "others" for purchasing or carrying U. S. Government securities	136	147	-11
Broker and dealer credit			
Money borrowed except on U. S. Government securities	2,139	2,143	-4
On customer collateral	1,849	1,871	-22
Money borrowed on U. S. Government securities	161	177	-16
Customers' net free credit balances	1,063	1,059	+4

Institutional investors - Combined savings inflow in September at three major financial institutions--life insurance companies, savings and loan associations and mutual savings banks--was nearly one-third larger than in the comparable month a year earlier. In the first half of 1960, savings and loan associations had been the only one of these institutions showing a larger growth than in 1959 and the increase in deposits at mutual savings banks had been only one-half as large as a year earlier. In recent months, however, the flow of savings to these institutions has picked up substantially, particularly at mutual savings banks. (The increases in time and savings deposits at commercial banks have also been much larger than in 1959, although until June growth had been smaller.)

Combined growth at these three major institutions totaled \$10.2 billion for the first nine months, slightly more than the growth a year earlier. The investment pattern of these institutions has changed little during this period as they continued to invest most of their funds in mortgages and to reduce their holdings of U. S. Government securities.

## Sources and Uses of Funds of Major Types of Savings Institutions 1/

First nine months 1953-1960

(In millions of dollars)

Year	Uses of funds						Total sources or uses	Sources of funds		
	Cash	U. S. Govt. securities	Business securities	Mortgages	State & local govt. sec.	Other assets		Net change in deposits or savings capital	Borrowing	Other
<u>Life Insurance Companies</u>										
1960	-149	-262	1,222	1,800	369	1,341	4,321	--	--	--
1959	-190	-13	1,723	1,401	439	906	4,266	--	--	--
1958	-79	266	1,725	1,199	244	940	4,295	--	--	--
1957	-129	-266	1,781	1,702	91	827	4,006	--	--	--
1956	-180	-746	1,558	2,685	214	621	4,152	--	--	--
1955	-58	108	1,419	2,322	150	520	4,461	--	--	--
1954	-119	-681	1,754	1,760	499	950	4,163	--	--	--
1953	-108	-265	2,060	1,453	111	327	3,578	--	--	--
<u>Savings and Loan Associations</u>										
1960	-90	64	--	5,274	n.a.	209	5,457	4,969	-519	1,007
1959	-765	708	--	5,901	n.a.	441	6,285	4,513	528	1,244
1958	169	454	--	3,975	n.a.	152	4,750	4,005	-246	991
1957	-472	438	--	3,329	n.a.	429	3,722	3,102	-119	739
1956	-344	390	--	3,406	n.a.	280	3,723	3,402	-294	615
1955	-361	310	--	4,487	n.a.	167	4,592	3,295	453	844
1954	198	46	--	3,020	n.a.	72	3,334	2,978	-266	622
1953	-93	195	--	2,720	n.a.	104	2,922	2,540	-63	445
<u>Mutual Savings Banks</u>										
1960	-42	-359	144	1,445	-34	117	1,271	890	--	381
1959	-174	38	-21	1,475	51	114	1,483	1,108	--	375
1958	-24	-160	601	1,568	54	100	2,139	1,791	--	348
1957	-137	-121	580	1,057	16	75	1,470	1,188	--	282
1956	-130	-254	166	1,758	28	82	1,650	1,334	--	316
1955	-103	-91	-133	1,831	52	52	1,611	1,388	--	223
1954	-34	-312	298	1,476	161	88	1,677	1,449	--	228
1953	-78	-2	379	1,098	71	75	1,544	1,364	--	180

n.a.--Not available.

1/ For description of data see Exhibits J, K and L.

The increase in life insurance company assets for the first nine months this year, amounting to \$1.3 billion, was 2 per cent larger than a year earlier and larger than in any other recent comparable period with the exception of 1955. Liquidation of U. S. Government securities was much greater this year than last. Net acquisition of business securities, totaling \$1.2 billion, was the smallest in any recent year and more than one-fourth below a year earlier. In contrast, mortgage holdings increased one-fourth more this year than in 1959, but the increase was still below that of 1955 and 1956.

Share capital at savings and loan associations has continued to increase at a record pace this year. For the first three quarters, inflow amounted to \$5.0 billion, one-tenth larger than last year. Net acquisition of mortgages, however, was one-tenth smaller than last year as these associations repaid borrowings, which were made in record amounts in 1959. The increase in U. S. Government securities was very small compared with the substantial acquisition last year.

Inflow to mutual savings banks through September was \$ .9 billion, one-fifth smaller than a year earlier and the smallest since 1951. (As mentioned earlier, the third quarter increase in deposits was four-fifths larger than in the comparable three months of 1959, after being one-half smaller in the first half.) Net acquisition of mortgages was only slightly smaller than in the first nine months of 1959. There was heavy liquidation of U. S. Government securities in this period; last year there had been slight acquisition. Holdings of business securities have increased moderately thus far this year, in contrast to slight net liquidation last year.

Stock prices - Common stock prices, as measured by Standard and Poor's index of 500 common stocks, changed little on balance last week, closing on Friday at 55.82. Trading volume averaged 2.8 million shares a day, substantially less than a week earlier.

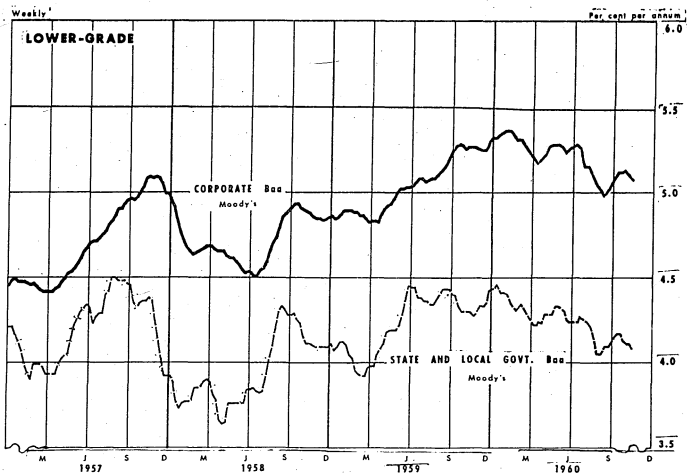
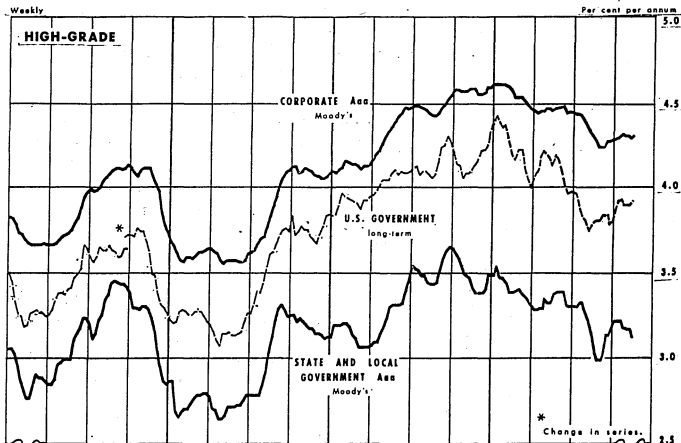
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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. 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	4.29	3.91	3.16	.38	.75
Nov. 18 p/	4.30	3.92	3.12	.38	.80

Lower-grade

Date	Corporate Baa 1/	State and local govt. Baa 2/	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. 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	5.08	4.11	.79	.95
Nov. 18 p/	5.07	4.07	.77	.95

p/ Preliminary.

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

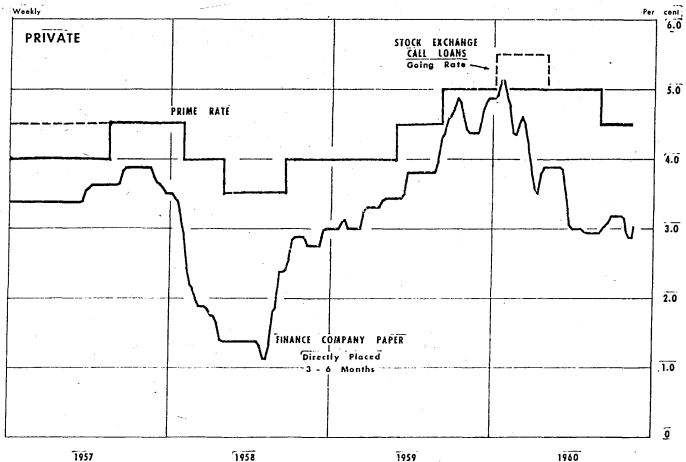
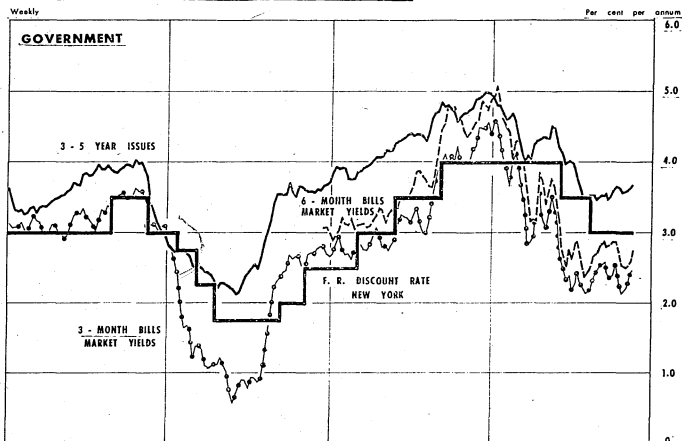
2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

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**



## 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. 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	3.00	2.40	2.59	3.63	.19	1.23	
Nov. 18 p/	3.00	2.46	2.75	3.68	.29	1.22	

## 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. 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	4.50	4.50	2.88	.48	
Nov. 18 p/	4.50	4.50	3.04	.58	

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.

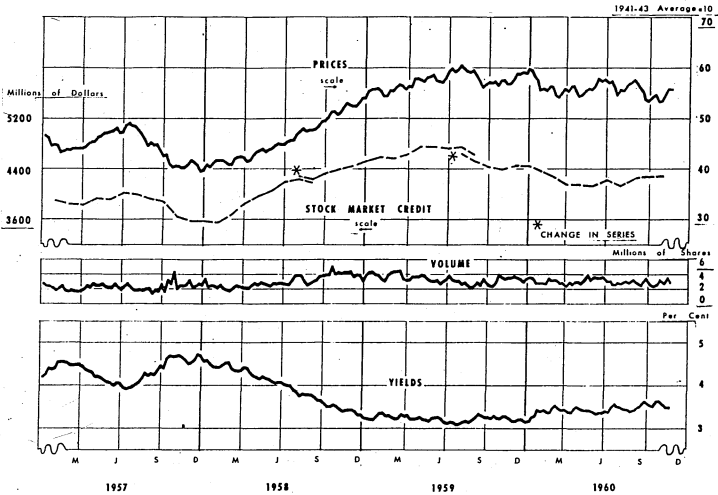
2/ Market yield; weekly averages computed from daily closing bid prices. Series of 3-5 year issues consists of selected notes and bonds.

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

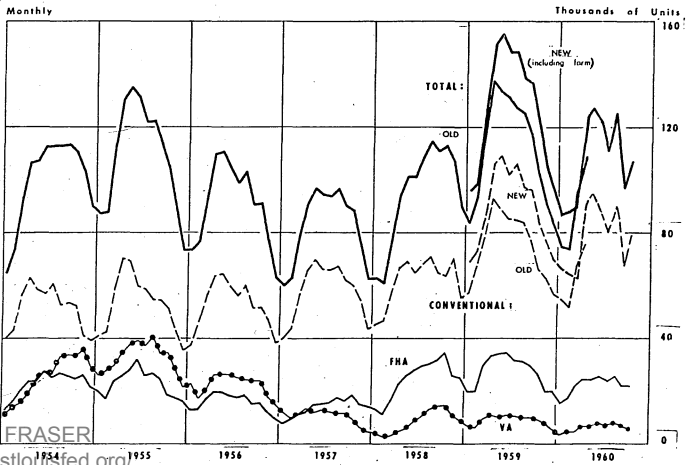
Note.--Highs and lows are for individual series and may be on different dates for different series. For spreads, high refers to widest, and low to narrowest.



STOCK MARKET



PRIVATE HOUSING STARTS



## Stock Market

Date	Stock price index 1/	Common stock yields 2/ (per cent)	Trading volume 3/ (millions of shares)	Stock market customer credit		
				Total	Customers' debit 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	4,294	3,133	1,161
Nov. 4	54.90	3.54	2.7	n.a.	n.a.	1,156
Nov. 11	55.87	3.48	3.4	n.a.	n.a.	1,152
Nov. 18 p/	55.82	3.48	2.8	n.a.	n.a.	n.a.

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

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

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

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

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

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

## Private Housing Starts 1/

Date	Seasonally adjusted annual rate		Unadjusted					
	Nonfarm old series	Total new series	Total		FHA	VA	Conventional	
			Nonfarm old series	Total new series			Nonfarm old series	Total new series
(Thousand of units)								
1959 - Oct.	1,180	1,378	102	120	27	9	66	84
Nov.	1,210	1,356	91	105	20	8	62	76
Dec.	1,330	1,451	83	96	20	6	57	69
1960 - Jan.	1,216	1,366	75	87	16	4	55	67
Feb.	1,115	1,367	74	88	18	5	52	65
Mar.	1,125	1,112	95	90	22	5	68	63
Apr.	1,135	1,325	109	124	25	7	76	91
May	--	1,342	--	r/127	25	7	--	r/95
June	--	1,302	--	122	26	8	--	88
July	--	1,182	--	111	24	7	--	80
r/ Aug.	--	1,292	--	125	26	8	--	90
r/ Sept.	--	1,066	--	97	22	7	--	68
p/ Oct.	--	1,231	--	107	22	6	--	79

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

## Exhibit G

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

(In millions of dollars)

	New capital					
	Corporate 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>3/</sup>	575	646	511
April	766	894	1,140	731	932	798
May	567	785	597	550	593	895
June	1,034	887	887	1,030	1,006	551
July	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	597	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 <sup>4/</sup>					
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&amp;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	199	399	369	296	665	330
October	p/146	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 FHA notes included may have a somewhat longer term than one year. Source: Bond Buyer.

## Exhibit I

-14-

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 18

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	--
New Jersey Bell Tel. Co.	Deb.	20.0	2000	4-7/8	4.72	Aaa
Northern Natural Gas Co.	S.F. deb.	20.0	1980	4-7/8	4.85	A
Idaho Power Co.	1st mtg. bds.	15.0	1990	4-7/8	4.78	Aa
John Deere Credit Corp.	Deb.	50.0	1985	4-7/8	4.95	--
Wisc. Elec. Power Co.	1st mtg. bds.	30.0	1990	5	4.85	Aa
B. F. Goodrich Co.	Deb.	60.0	1985	4-5/8	4.63	Aa
<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
Port of Los Angeles, Cal.	Rev.-Ut.	14.0	1963-85	3.82	2.30-3.90	A

## Large Individual Issues Offered November 1 through 18 (Cont'd)

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)						
State of Massachusetts	G.O.	34.8	1961-2009	3.15	1.60-3.55	Aa
Philadelphia, Pa.	G.O.	35.1	1962-91	3.47	1.85-3.65	A
<u>OTHER</u>						
Tennessee Valley Auth.	Bds.	50.0	1985	4.44	4.40	Aaa

- 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 18

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Consolidated Edison Co. of N. Y.	1st ref. mtg. bds.	75.0	Nov. 23
United Airlines	Conv. sub. deb.	25.0	Nov. 24
Beneficial Finance Corp.	Deb.	50.0	Nov. 30
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
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 New York Authority	Rev.-Ut.	25.0	Nov. 21
*Alabama Highway Authority	Rev.-S.T.	15.0	Nov. 29
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
*State of Michigan	Rev.-Ut.	25.0	Dec. 14
*Oklahoma City Metro. Improvement Auth., Oklahoma	Rev.-Ut.	55.0	December
Los Angeles Dept. of Wtr. and Pwr., California	Rev.-Ut.	12.0	Indefinite

## Forthcoming Large Offerings, as of November 18 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
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>			
None			

\*--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		
Nov. 4			4.88	26
16	4.78	33		
17	4.85	40		
18			5.05	43

\*--Single observation, not an average.

- <sup>1/</sup> Covers only 30-year first mortgage bonds, as reported in Moody's Bond Survey. Except where indicated, the actual yield figure and the amount above seasoned yields are averages of offerings during the indicated period and of the differences between these new-offering yields and yields on seasoned issues of similar quality for the same day. Average maturity for the seasoned issues varies from 26 to 28 years.
- <sup>2/</sup> Provides for a 5-year period during which issue may not be called for refunding at a lower coupon rate. Monthly averages so marked include one or more issues with such a provision. Other issues have no such provision.

## Exhibit I

Sources and Uses of Funds by  
Life Insurance Companies

	Uses of funds 1/						Total sources or uses
	Cash	U. S. Govt. securities	Busi-ness securi-ties 2/	State and local govt. securi-ties	Mort-gages	Other	
Value of assets at end of period:	(In millions of dollars)						
1956 - Dec.	1,273	7,519	39,552	2,234	32,994	12,272	95,844
1957 - Dec.	1,294	7,028	42,133	2,377	35,271	13,206	101,309
1958 - Dec.	1,363	7,182	44,612	2,691	37,092	14,640	107,580
1959 - Dec.	1,327	6,848	46,977	3,177	39,299	15,998	113,626
1960 - Sept.	1,178	6,586	48,199	3,546	41,099	17,339	117,947
Changes:							
1958 - July	22	172	191	24	128	45	582
Aug.	-18	44	129	37	139	154	485
Sept.	1	4	214	20	142	72	453
Oct.	-17	11	309	26	186	72	587
Nov.	55	19	137	32	145	88	476
Dec.	110	-142	308	12	291	334	913
1959 - Jan.	-81	303	188	53	119	-17	565
Feb.	-57	-71	223	30	139	174	438
Mar.	-14	-185	251	66	136	108	362
Apr.	-24	22	242	49	116	80	485
May	10	-16	193	79	135	97	498
June	3	11	242	23	157	60	496
July	-15	13	214	94	214	208	728
Aug.	19	95	75	30	174	101	494
Sept.	-31	-185	95	15	211	95	200
Oct.	22	-22	208	8	251	92	559
Nov.	33	-131	207	16	240	134	499
Dec.	99	-168	227	23	315	226	722
1960 - Jan.	-91	163	128	20	274	82	576
Feb.	-53	-36	125	25	196	207	464
Mar.	-30	-167	104	35	242	115	299
Apr.	39	-85	134	21	225	95	429
May	-12	-62	231	26	203	128	514
June	33	-102	125	13	192	211	469
July	12	73	167	104	63	206	628
Aug.	4	-40	168	43	226	175	576
Sept.	-51	-6	40	82	179	122	366

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

2/ Includes securities of domestic corporations only.

Source.--Institute of Life Insurance.

Sources and Uses of Funds by  
Savings and Loan Associations

	Uses of funds 1/				Total sources or uses	Sources of funds		
	Cash	U. S. Govt. securities	Mortgages 2/	Other assets		Net change savings capital	Borrowing 3/	Other
Value of assets at end of period	(In millions of dollars)							
1956 - Dec.	2,119	2,782	35,775	2,199	42,875	37,148	1,347	4,380
1957 - Dec.	2,146	3,173	40,049	2,770	48,138	41,912	1,379	4,847
1958 - Dec.	3,585	3,819	45,627	3,108	55,139	47,976	1,444	5,719
1959 - Dec.	2,201	4,474	53,093	3,707	63,475	54,556	2,388	6,531
1960 - Sept.	2,089	4,532	58,342	3,893	68,856	59,494	1,004	7,498
Changes:								
1958 - July	-290	42	554	-90	216	73	-37	180
Aug.	-70	110	564	12	616	360	51	205
Sept.	-77	146	578	45	692	447	84	161
Oct.	-107	104	605	137	739	507	58	174
Nov.	42	51	470	102	665	480	41	144
Dec.	335	37	528	-53	847	1,072	212	-437
1959 - Jan.	-298	297	402	-55	346	434	-181	93
Feb.	-26	97	427	80	578	408	-56	226
Mar.	-2	76	593	98	765	529	-5	241
Apr.	-182	105	705	151	779	420	97	262
May	26	23	754	178	981	604	63	314
June	245	-4	840	10	1,091	1,090	313	-312
July	-432	104	783	-108	347	190	31	126
Aug.	-43	17	727	22	723	394	118	211
Sept.	-53	-7	670	65	675	444	148	83
Oct.	-68	7	621	88	648	399	136	113
Nov.	65	-34	459	140	630	483	57	90
Dec.	384	-26	485	-70	773	1,185	223	-635
1960 - Jan.	-314	201	320	-113	94	468	-453	79
Feb.	-33	67	398	62	494	409	-125	210
Mar.	49	-27	545	100	667	623	-127	171
Apr.	-30	1	566	104	641	372	38	231
May	81	15	634	209	939	630	3	306
June	329	-148	779	-52	908	1,216	211	-519
July	-214	-28	665	-128	295	180	-121	236
Aug. r/	31	-27	712	2	781	489	21	271
Sept.	11	10	655	25	701	582	34	85

r/ Revised.

1/ Uses of funds represent net changes in assets and therefore reflect net, rather than gross, uses. Savings and loan associations do not hold business securities and data on holdings of State and local government bonds, presumed to be small, are not available.

2/ Prior to 1957, data adjusted to include mortgage pledged shares as currently reported.

3/ Advances from Home Loan Banks and other borrowing.

Source - Federal Savings and Loan Insurance Corporation.

Sources and Uses of Funds  
by Mutual Savings Banks

	Uses of funds 1/						Total sources or uses	Sources of funds	
	Cash	U. S. Govt. securities	Business securities 2/	State & local govt. securities	Mortgages	Other		Net change in deposits	Other
Value of assets at end of period	(In millions of dollars)								
1956 - Dec.	920	7,971	3,523	669	19,529	698	33,311	30,032	3,279
1957 - Dec.	890	7,552	4,331	682	20,951	761	35,168	31,695	3,473
1958 - Dec.	921	7,266	4,973	725	23,039	855	37,779	34,041	3,738
1959 - Dec.	829	6,864	4,849	722	24,768	910	38,942	34,983	3,959
1960 - Sept.	787	6,505	4,993	688	26,213	1,027	40,213	35,873	4,341
Changes:									
1958 - July	-66	11	34	8	193	-28	152	88	64
Aug.	-5	19	8	2	198	29	251	143	108
Sept.	18	-27	34	2	181	29	237	267	-30
Oct.	-8	-92	-6	-3	195	-46	40	95	-55
Nov.	-38	-32	--	-1	151	43	123	42	81
Dec.	101	-2	47	-7	174	-3	309	418	-109
1959 - Jan. 3/	-96	119	-16	17	208	-58	175	122	53
Feb.	18	39	6	-4	125	32	216	113	103
Mar.	45	62	-31	41	175	38	330	313	17
Apr.	-114	-44	58	-33	155	-32	-10	6	-16
May	8	13	-20	10	161	45	217	120	97
June	43	-85	--	19	145	39	161	202	-41
July	-79	-13	-47	4	179	-12	32	-54	86
Aug.	3	-12	13	-1	156	33	192	80	112
Sept.	-2	-32	-2	8	160	31	163	197	-34
Oct.	-27	-281	-55	-20	137	-37	-283	-187	-96
Nov.	20	-85	-28	-8	124	42	65	-27	92
Dec.	111	-12	23	-24	132	-12	218	340	-122
1960 - Jan.	-131	-9	-12	-6	159	-12	-11	-68	57
Feb.	37	-11	-9	-9	116	43	167	50	117
Mar.	41	32	52	3	150	41	319	320	-1
Apr.	-86	-148	-19	13	129	-21	-132	-95	-37
May	42	-80	13	-23	161	63	176	58	118
June	108	-93	57	-4	169	-59	178	221	-43
July	-69	-48	38	-4	159	42	118	21	97
Aug. 7/	-6	30	-8	-5	206	6	223	105	118
Sept.	22	-32	32	1	196	14	233	278	-45

7/ Revised.

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

2/ Includes Canadian government and political subdivisions, International Bank for Reconstruction and Development, nonguaranteed Federal agency and other bonds as well as corporate bonds and stocks.

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

November 21, 1960

Part II - Canada

For the sixth consecutive week, interest rates rose rather sharply in Canada last week. As a result, the levels of Canadian bill and bond yields rose further above those in the United States. The short Treasury bill rate exceeded that on the U.S. bill by over 1 per cent. Canadian bond yields rose for all maturities. The stock market was strong through the early part of the week. The Canadian dollar declined slightly and closed last Thursday at just slightly over 102 (U.S. cents).

The Prime Minister announced to Parliament the Government's intention to expand outlays for local public works and to aid housing as part of an anti-unemployment program. He stated that the Finance Minister would present a special budget before Christmas to provide the required revenue.

Money market. There was a further sharp rise in Canadian Treasury bill yields last week. The average yield on the 3-month Treasury bill at last Thursday's auction rose 27 basis points from 3.21 per cent the week before to 3.48 per cent. The average yield on the 6-month bill rose from 3.47 per cent to 3.78 per cent, or 31 basis points. Rising yields attracted \$26 million of purchases by the general public; the chartered banks sold \$28 million of bills during the week. The average closing rate on day-to-day loans last week was 3.19 per cent compared with 3.03 per cent the week before.

The sharp rise in the Canadian 3-month bill yield, combined with a slight fall in the yield on the United States bill, brought the Canadian bill over 1.00 per cent above the U.S. bill rate. While the discount on the 3-month forward Canadian dollar increased to 0.31 per cent per annum, the net incentive to hold the Canadian bill rose slightly to 0.77 per cent, from 0.70 per cent the week before.

Bond market. Bond yields rose for all maturities, with some increases exceeding 20 basis points. 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):

1.08 per cent on a 91-day bill (0.76)  
1.02 per cent on a 182-day bill (0.83)  
0.72 per cent on an 8-year bond (0.76)  
1.22 per cent on a 30-year bond (1.14)  
1.27 per cent on a 35-year bond (1.24)

The general public sold \$17 million of bonds last week while the chartered banks purchased \$6 million and the Bank of Canada purchased \$10 million. The general public purchased another \$151 million of the new saving bond issue.

The Canadian press reported that a private placement is presently being made of \$(U.S.)90 million first mortgage bonds of Pacific Gas Transmission Co., and \$(U.S.)26 million Alberta Natural Gas. A \$7.5 million, 2 per cent, Nova Scotia issue, dated December 15, 1960 due February 15, 1963 was offered at 95.89 to yield 4.00 per cent. Saskatchewan is issuing \$7.5 million of 18-year bonds at 5-1/4 per cent.

Recent policy developments. Last week, the Prime Minister introduced his new program to Parliament to counter unemployment and recession. An enlarged program of spending on local public works and further aid to housing was outlined with the Federal Government to provide financial assistance. He announced that the Finance Minister will introduce a special budget before the Christmas recess to provide the necessary revenue. The Government also proposes to introduce legislation to encourage Canadian ownership of business and to require foreign-based businesses and labor unions to make disclosures of information about their operations.

The Governor of the Bank of Canada made another speech under the title, "Foreign Debt and Unemployment" last week in which he maintained that "all attempts to rectify the deficits in our balance of payments must be self-defeating" unless the inflow of capital is reduced. He stated that foreign borrowing enabled Canadians "to import more goods which could have been produced in Canada and thereby provided jobs to unemployed Canadians." He did not explain what steps should be taken to reduce the capital inflow.

Mortgage approvals and housing starts. Mortgage loan approvals have been running far behind the 1959 levels largely because of the fall off in the NHA approvals. NHA lending was curtailed early in 1960 when Government funds ran out. Further funds were made available in September; a recent legislative proposal to Parliament would provide further expansion of federal assistance for mortgage financing. Housing starts, seasonally adjusted, showed some rise in September but the decline in NHA financing is reflected in the low annual rate in 1960 (see Table).

Foreign exchange. The Canadian dollar declined during the week to 102.02 (U.S. cents) last Thursday from 102.53 (U.S. cents) a week ago. There was an increase in the discount on the forward Canadian dollar as Canadian bill yields rose and the spread over the United States bill widened.

Stock exchange. The price of industrial stock on the Canadian exchanges rose early last week to the highest since early September.

	<u>Toronto</u>	<u>Montreal</u>	<u>New York Standard and Poor</u>
1960 - High	532.56	271.1	60.51
Low	472.38	250.3	55.98
November 4	492.25	263.1	58.26
7	492.81	262.6	58.52
8	494.44	262.8	--
9	495.38	262.1	58.84
10	499.81	264.5	59.71
11	499.88	266.3	59.39
14	500.38	265.4	59.06
15	500.09	265.1	59.31
16	499.59	264.4	59.17

The volume of sales declined to \$8.944 million in the week ended November 11, compared with \$9.349 million the week before.

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

Selected Canadian Money Market and Related Data

-25-

	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	1.08	105.27	--	0.99	1.05
Low	1.68	2.10	-0.82	102.16	--	-0.72	-0.57
Oct. 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
17	3.48	2.40	1.08	102.20	101.94	-0.31	0.77

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	1.02	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. 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
17	3.78	1.02	4.57	0.72	5.09	1.22	5.05	1.27

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>
Sept. 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
17	+ 3	+ 10	- 1	- 28	+ 6	+151	+ 26	- 17

Source: Bank of Canada, Weekly Financial Statistics.

Housing Starts and Mortgage Loans Approved

	<u>Housing starts (seasonally adjusted at annual rates)</u>	<u>Mortgages approved (millions of Canadian dollars)</u>		
		<u>NHA</u>	<u>Other</u>	<u>Total</u>
1959 - July-Sept.	99.8	222.4	94.2	316.6
Oct.-Dec.	114.1	133.4	65.8	199.3
1960 - Jan.-Mar.	76.4	21.7	65.5	87.2
April-June	66.7	99.4	92.2	191.7
July	80.3	28.3	n.a.	n.a.
August	66.2	32.8	n.a.	n.a.
Sept.	76.2	n.a.	n.a.	n.a.

Source: Bank of Canada, Statistical Summary.