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December 19, 1960.

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

(Including Monthly Review of Sources and Uses
of Funds of Financial Intermediaries and of
Financial Developments in the United Kingdom)

Part I - United States

The volume of security financing was moderate last week. Three large corporate issues with proceeds of \$110 million and two State and local government bond issues with par value of \$123 million were publicly offered. This week no large corporate issues are scheduled for public offering and only two State and local government issues totaling \$30 million are definitely on the calendar, although another State and local issue for \$56 million may be sold by negotiation.

Bond yields - Yields on long-term U. S. Government bonds declined 8 basis points last week. Yields on corporate bonds also declined, but very slightly, while State and local government bond yields were unchanged.

Short- and intermediate-term interest rates - Yields on Treasury bills and intermediate-term U. S. Government obligations declined last week. Rates on six-month bills and three- to five-year Government securities declined substantially--12 and 10 basis points respectively. The decline in yields on three-month bills was considerably smaller. Interest rates on directly placed finance company paper increased somewhat last week, reflecting rate adjustments announced a week earlier. Other short-term interest rates were unchanged.

Housing starts - Private housing starts, which rose almost as much in October as they dropped in September, declined slightly in November to a seasonally adjusted annual rate of 1,235,000 units, according to preliminary estimates. This was 5 per cent below the average for the first ten months, and was 23 per cent below the high in April of last year. Conventional starts continued to account for more than seven-tenths of the total.

Institutional investors - Combined savings inflow in October at three major types of financial institutions--life insurance companies, savings and loan associations and mutual savings banks--was \$1.3 billion. This was more than two-thirds larger than in October 1959 when savings flows, particularly at mutual savings banks, were adversely affected by extraordinary withdrawals in order to purchase high yielding Treasury securities. (Time and savings deposits at commercial banks also increased substantially this October in contrast with a decline in the corresponding month last year.) The flow of savings to savings and loan associations

and mutual-savings banks has picked up sharply in recent months. For the first ten months of the year, the net increase in assets of the three types of institutions totaled \$11.5 billion, 7 per cent larger than a year earlier and 2 per cent larger than in 1958.

The increase in life insurance company assets in October was only slightly larger than it had been in the corresponding month of 1959 and 1958. Liquidation of U. S. Government obligations was larger than a year earlier. Net acquisition of business securities was half again as large as in October 1959, but the increase in mortgage holdings was one-seventh smaller.

Inflow to savings and loan associations continued to increase at a record pace in October. The \$651 million increase in share capital was nearly two-thirds larger than in October 1959 and over one-fourth more than in the same month of 1958. Net acquisition of mortgages, however, was slightly smaller than last year as these associations used their funds to increase their cash balances and to repay borrowings. In October 1959, as in most months last year, they had drawn down their cash balances and borrowed heavily to finance their purchases of mortgages.

Deposits at mutual savings banks increased \$56 million this October. A year earlier they had declined \$187 million but in October 1958 had increased by \$95 million. Net liquidation of U. S. Government securities was only about half as large as a year earlier and net purchases of mortgages were nearly one-fourth larger this October.

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 November, the same as a month earlier. Customers' debit balances increased \$8 million during November but this was offset by a decline of the same amount in bank loans to other than brokers and dealers for purchasing or carrying securities.

Borrowing by member firms of the New York Stock Exchange maintaining margin accounts excluding borrowing on U. S. Government securities, declined slightly in November. Customers' net free credit balances were practically unchanged. These and other data on stock market credit in November and October are shown in the table on the following page.

Stock prices - Common stock prices, as measured by Standard and Poor's index of 500 stocks, rose 1 per cent last week, closing on Friday at 57.20. Trading volume continued heavy, averaging 3.6 million shares a day.

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

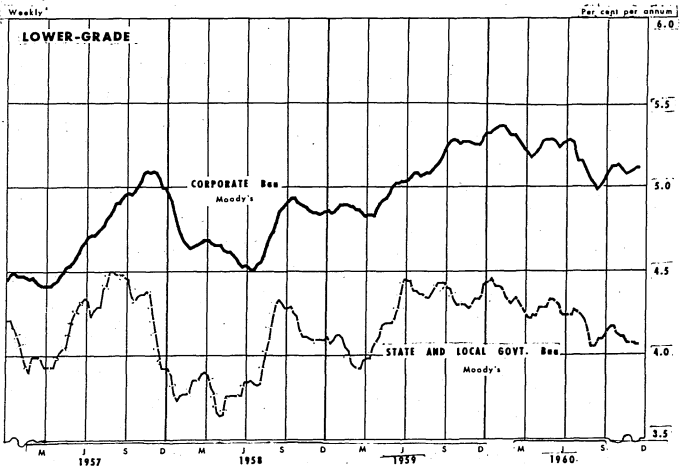
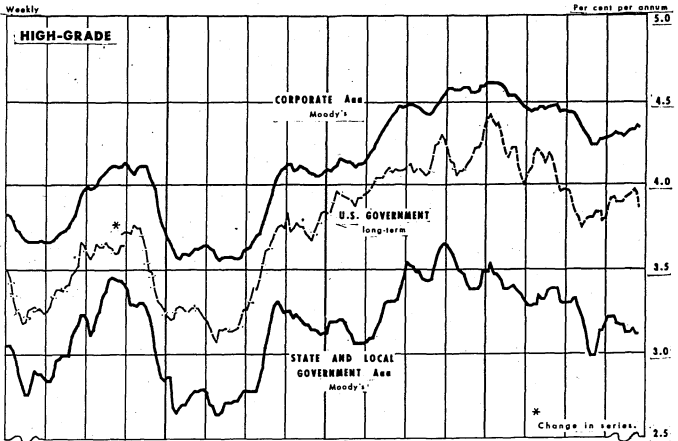
Developments in the Canadian capital markets are presented in Part II at the end of this report.

	End of month		Change
	Nov.	Oct.	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Government securities - total	4,294	4,294	--
Net debit balances	3,141	3,133	+8
Bank loans to "others"	1,153	1,161	-8
Net debit balances secured by U. S. Govt. securities	99	111	-12
Bank loans to "others" for purchasing or carrying U. S. Government securities	128	136	-8
Broker and dealer credit			
Money borrowed except on U. S. Government securities	2,129	2,139	-10
On customer collateral	1,815	1,849	-34
Money borrowed on U. S. Government securities	139	161	-22
Customers' net free credit balances	1,062	1,063	-1

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

EXHIBIT A

LONG-TERM BOND YIELDS



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

Date	Corporate Aaa ^{1/}	U. S. Govt. long-term ^{2/}	State and local govt. Aaa ^{3/}	Spread between U. S. Govt. and	
				Corporate Aaa	State and local Aaa
	(Per cent)				
1954 - Low	2.85 (4/23)	2.45 (8/6)	1.90 (9/2)	.30	.30
1957 - High	4.14 (9/27)	3.76 (10/18)	3.45 (8/29)	.60	.47
1958 - Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.22	.34
1959 - High	4.61 (12/31)	4.37 (12/31)	3.65 (9/24)	.50	.92
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.53
1960 - High	4.61 (1/29)	4.42 (1/8)	3.53 (1/7)	.59	.92
Low	4.23 (9/9)	3.75 (8/5)	2.99 (9/1)	.19	.53
Nov. 18	4.30	3.92	3.12	.38	.80
Nov. 25	4.32	3.94	3.12	.38	.82
Dec. 2	4.33	3.97	3.14	.36	.83
Dec. 9	4.35	3.94	3.11	.41	.83
Dec. 16 ^{p/}	4.34	3.86	3.11	.48	.75

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
Nov. 18	5.07	4.07	.77	.95
Nov. 25	5.08	4.07	.76	.95
Dec. 2	5.10	4.07	.77	.93
Dec. 9	5.11	4.06	.76	.95
Dec. 16 ^{p/}	5.10	4.06	.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

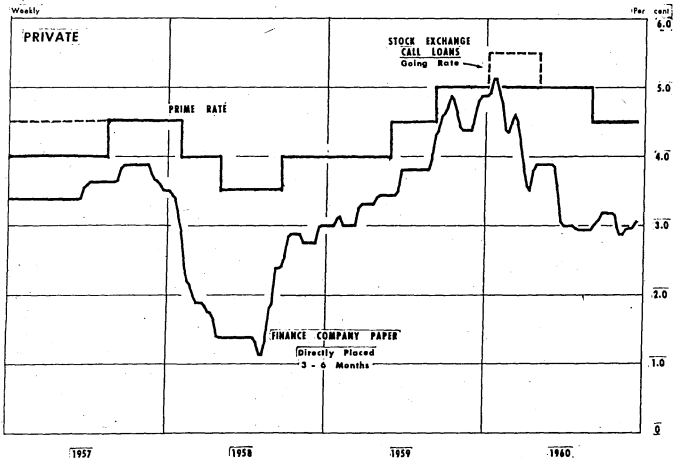
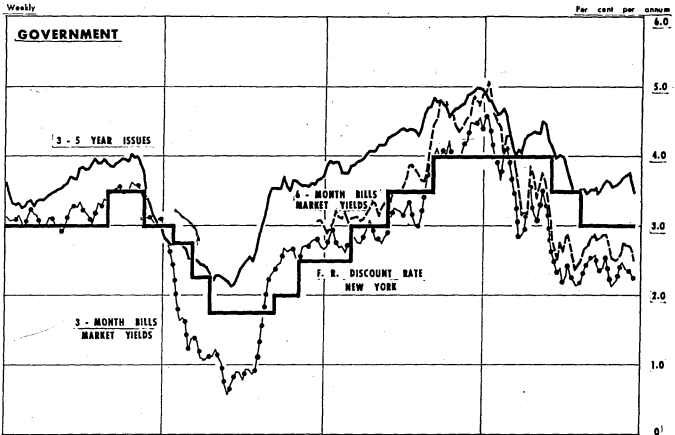


Exhibit D - Tables for Exhibit C

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
Nov. 18	3.00	2.46	2.75	3.69	.29	1.23
Nov. 25	3.00	2.38	2.71	3.72	.33	1.01
Dec. 2	3.00	2.35	2.70	3.75	.35	1.40
Dec. 9	3.00	2.28	2.62	3.59	.34	1.31
Dec. 16 p/	3.00	2.25	2.50	3.49	.25	1.24

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)	
Nov. 18	4.50	4.50	2.93	.47	
Nov. 25	4.50	4.50	2.94	.56	
Dec. 2	4.50	4.50	2.94	.59	
Dec. 9	4.50	4.50	3.01	.73	
Dec. 16 p/	4.50	4.50	3.06	.81	

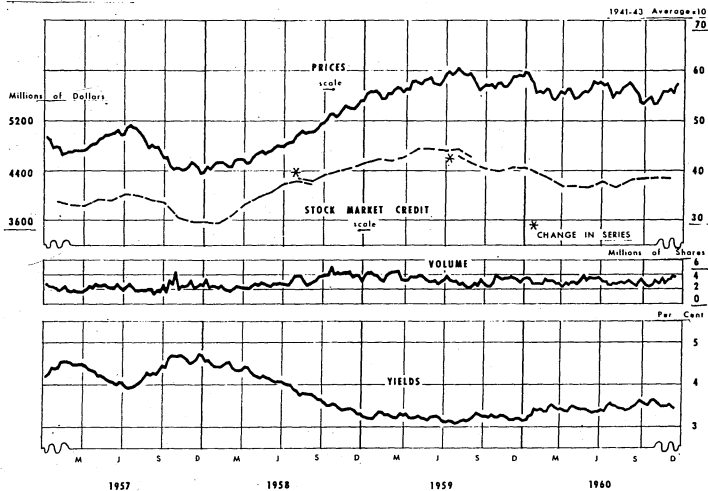
1/ Weekly rate shown is that in effect at end of period. Discount rate is for Federal Reserve Bank of New York. Stock exchange call loan rate is going rate on call loans secured by customers' stock exchange collateral at New York City banks. Prime rate is that charged by large banks on short-term loans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

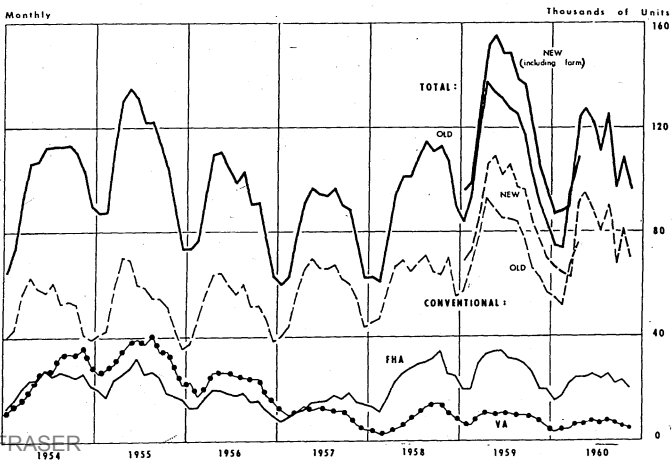


Exhibit F - Tables for Exhibit E

Stock Market

Date	Stock price index 1/	Common stock yields 2/ (per cent)	Trading volume 3/ (millions of shares)	Stock market customer credit		
				Total	Customers' debit bal- ances 4/	Bank loans to "others" 5/
(Millions of dollars)						
1957-59 - high	60.51 (7/31/59)	3.07	4.3	4,764	3,401	1,373
Low	39.78 (12/27/57)	4.66	1.4	3,554	2,482	1,060
1960 - High	59.50 (1/8)	3.18	3.9	4,365	3,198	1,167
Low	53.32 (10/21)	3.62	2.2	4,132	3,004	1,111
October	53.73	3.60	2.6	4,294	3,133	1,161
November	55.47	3.51	3.1	4,294	3,141	1,153
Dec. 2	55.39	3.51	3.4	n.a.	n.a.	1,153
Dec. 9	56.65	3.44	3.7	n.a.	n.a.	1,354
Dec. 16 p/	57.20	3.40	3.6	n.a.	n.a.	n.a.

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

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

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

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

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

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

Private Housing Starts 1/

Date	Seasonally adjusted annual rate		Unadjusted					
	Nonfarm old series	Total new series	Total		FHA	VA	Conventional	
			Nonfarm old series	Total new series			Nonfarm old series	Total new series
(Thousand of units)								
1959 - 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	--	127	25	7	--	95
June	--	1,302	--	122	26	8	--	88
July	--	1,182	--	111	24	7	--	80
Aug.	--	1,292	--	125	26	8	--	90
Sept.	--	1,066	--	97	22	7	--	68
p/Oct.	--	1,253	--	109	23	6	--	81
p/Nov.	--	1,235	--	96	20	5	--	70

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. Conventional 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	739	639	812
February	715	738	857	623	858	953
March	860	646	1,553 ^{3/}	582	646	511
April	766	894	1,140	731	932	798
May	567	785	597	550	593	895
June	1,034	887	887	1,033	1,006	551
July	727	535	1,107	572	567	806
August	962	740	540	602	516	403
September	738	703	1,114	687	465	651
October	e/965	879	862	e/320	597	456
November	e/825	864	518	e/500	519	474
December	e/900	900	920	e/450	455	435
1st quarter	2,151	2,204	3,139	1,943	2,143	2,276
2nd quarter	2,367	2,567	2,623	2,314	2,531	2,244
3rd quarter	2,427	1,979	2,760	1,862	1,548	1,860
4th quarter	e/2,690	2,642	2,300	e/1,270	1,571	1,365
1st half	4,519	4,771	5,762	4,257	4,674	4,520
Three quarters	6,945	6,750	8,522	6,119	6,222	6,380
Year	e/9,635	9,392	10,823	e/7,389	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	2,017	1,716	2,731			
4th quarter	e/2,290	2,503	2,213			
Year	e/8,179	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	34	33	58	160	--	220
November		30	123	p/100	--	--
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	209	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	241	733	454
November		343	415	282	471	114
December		358	243		288	137
Year		4,179	3,910		6,047	3,098

^{1/} Preliminary.^{2/} 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.^{3/} Includes securities offered in the United States by foreign governments and their subdivisions and by international organizations. Source: Securities and Exchange Commission.^{4/} Issues not guaranteed by the U. S. Government. Source: long-term, Securities and Exchange Commission; short-term, Federal Reserve.^{5/} 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

(In millions of dollars)

Month	Corporate	State and local government	Other 2/
1959 - 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
November	465	186	150

Large Individual Issues Offered December 1 through 16

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Southern Bell Tel. & Tel.	Deb.	75.0	1997	5	4.85	Aaa
Northern States Pwr. Co.	1st mtg. bds.	35.0	1990	5	5.00	Aa
Potomac Electric Pwr. Co.	1st mtg. bds.	40.0	1995	5	4.95	Aa
Consumers Power Co.	1st mtg. bds.	35.0	1990	4-5/8	4.63	Aaa
Beneficial Finance Corp.	Deb.	50.0	1981	4-7/8	4.95	--
Public Service Elec. & Gas	Pfd. stk.	25.0				
<u>STATE AND LOCAL GOVERNMENT</u>						
San Diego Unif. Sch. Dist. California	G.O.	10.0	1963-81	3.43	2.20-3.65 ^{4/}	A
Maryland St. Rds. Comm.	Rev.-S.T.	12.5	1962-76	3.29	1.90-3.35	Aa
Public Housing Authorities	--	97.6	1961-2001	3.49	1.50-3.65	Aaa
State of Michigan	Rev.-Ut.	25.0	1963-84	3.69	2.20-3.85	A
<u>OTHER</u>						
Federal Land Banks	Bds.		1964	4	4.08	--
Federal Land Banks	Bds.	31.0	1962	3-3/8	3.78	--

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.
- 4/ 1/4 per cent obligations of 1982 were not reoffered.

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 - 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
Nov. 30	260	242	--	335	560	--

Forthcoming Large Offerings, as of December 16

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Texas Eastern Transmission Corp.	Pfd. stk.	15.0	Jan. 18
Lone Star Gas Co.	Com. stk.	20.0	Jan. 23
Brunswick Corp.	Conv. sub. deb.	25.6	(rights expire) Jan. 25
Texas Eastern Transmission Corp.	1st mtg. p.l. bds.	30.0	Jan.
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>			
State of New Mexico	G.O.	16.1	Dec. 19
State Colleges of California	Rev.-Q.Ut.	14.2	Dec. 21
Oklahoma City Metro. Improvement Auth., Oklahoma	Rev.-Ut.	56.0	December
Los Angeles, California	G.O.	30.0	Jan. 10
State of California	G.O.	95.0	Jan. 11
Pennsylvania St. Pub. Sch. Bldg. Auth.	Rev.-Rent.	23.0	Jan. 18
Los Angeles Dept. of Wtr. & Pwr., Calif.	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
None			

Footnotes

*--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
16	4.78	33		
17	4.85	40		
18			5.05	43
Dec. ?	5.00	49		

*--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.

Exhibit L

Sources and Uses of Funds By
Life Insurance Companies

	Uses of funds 1/						Total sources or uses
	Cash	U. S. Govt. securities	Business securities 2/	State and local govt. securities	Mortgages	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 - Oct.	1,268	6,524	48,510	3,579	41,313	17,350	118,544
Changes:							
1958 - 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
Oct.	90	-62	311	33	214	11	597
Nov.							
Dec.							

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.

Exhibit M

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 - Oct.	2,205	4,542	58,922	3,999	69,668	60,165	1,857	7,646
Changes:								
1958 - 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	620	97	262
May	26	23	754	178	981	404	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	-57	908	1,216	211	-519
July	-236	-34	640	-151	219	149	-126	104
Aug.	31	-27	712	2	718	489	21	208
Sept. ^{F/}	23	3	649	57	732	602	40	90
Oct.	104	17	586	74	781	651	-21	151
Nov.								
Dec.								

^{F/} Revised.^{L/} 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.

Exhibit N

Sources and Uses of Funds
By Mutual Savings Banks

	Uses of funds 1/						Sources of funds		
	Cash	U. S. Govt. securities	Business securities 2/	State & local govt. securities	Mortgages	Other	Total sources or uses	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 - Oct.	779	6,349	4,989	682	26,381	1,002	40,182	35,929	4,253
Changes:									
1958 - 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.	-6	30	-8	-5	206	6	223	105	118
Sept.	22	-32	32	1	196	14	233	278	-45
Oct.	-8	-156	-4	-6	168	-25	-31	56	-87
Nov.									
Dec.									

- 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.

Source:--Nat. Assoc. of Mutual Savings Banks and Federal Deposit Insurance Corp.

Part II - Canada

Even though the Canadian and United States Treasury bill yields were unchanged last week, the net incentive to hold the Canadian bill compared with the United States bill (with forward exchange risk covered) rose from 0.71 per cent to 1.09 per cent. A sharp fall in the discount on the forward Canadian dollar produced the rise in net investor yield. Canadian bond yields eased somewhat in the shorter maturities but remained fairly steady in the longer maturities.

During the past week, the Canadian spot dollar eased only slightly. Stock prices increased generally but continued well below 1960 peaks.

Money market. The yield on Canadian Treasury bills remained steady at last Thursday's auction, being 3.69 per cent compared with 3.70 per cent the week before (see Table). The yield on the 6-month bill was also steady at 2.25 per cent compared with 2.26 per cent the previous week (see Table). During the week the chartered banks sold \$13 million while the general public purchased \$19 million; the Bank of Canada sold only \$2 million of Treasury bills (see Table). The average closing rate on day-to-day loans was 3.25 per cent compared with 3.40 per cent a week ago.

The spread at last Thursday's auction in favor of the Canadian over the United States short Treasury bill remained unchanged from the previous week at 1.44 per cent (see Table). The discount on the 3-month forward Canadian dollar fell from 0.73 per cent in the previous week to 0.35 per cent increasing the net incentive for foreign investors to hold the Canadian bill to 1.09 per cent compared with 0.71 per cent in the week before.

Bond market. Bond yields eased in shorter maturities and stayed generally steady in the intermediate- and long-term maturities (see Table). The spread between selected comparable Canadian and United States securities (Thursday yields for bills and Wednesday yields for bonds) were as follows (figures in parenthesis refer to the previous week):

1.44 per cent on a 91-day bill (1.44)
1.45 per cent on a 182-day bill (1.34)
0.99 per cent on an 8-year bond (0.81)
1.37 per cent on a 30-year bond (1.25)
1.52 per cent on a 35-year bond (1.41)

During the week the chartered banks sold \$5 million of bonds and the general public purchased \$4 million of bonds and sold \$13 million of savings bonds (see Table).

Stock market. Industrial stock prices on the Canadian exchanges continued to rise in the week ending December 12, as noted in the following table:

	<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
December 1	495.94	262.8	59.59
2	499.00	263.7	58.70
5	499.31	264.4	58.58
6	499.75	264.0	58.74
7	500.94	265.1	59.38
8	503.13	265.2	59.54
9	505.63	267.0	60.11
12	507.38	267.4	60.34

Foreign exchange. The spot rate on the Canadian dollar eased slightly from 102.34 (U.S. cents) the week before and closed at 102.25 (U.S. cents) last Thursday. The discount on the 3-month forward Canadian dollar declined from 0.73 per cent in the previous week to 0.35 per cent on Thursday.

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	U.S.	Spread over U.S.	Spot	3-mo. forward	discount premium(+)/(-)d/	
	a/	b/		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	1.62	105.27	--	0.99	1.19
Low	1.68	2.10	-0.82	101.31	--	-0.73	-0.57
Nov. 24	3.77	2.39	1.38	102.38	102.25	-0.49	0.89
Dec. 1	3.95	2.33	1.62	102.22	102.11	-0.43	1.19
8	3.70	2.26	1.44	102.34	102.16	-0.73	0.71
15	3.69	2.25	1.44	102.25	102.16	-0.35	1.09

a/ Average yield at weekly tender on Thursday.

b/ Composite market yield for the U.S. Treasury bill on Thursday close of business.

c/ In U.S. cents.

d/ Spread between spot rate and 3-month forward Canadian dollar on Thursday closing, expressed as per cent per annum.

e/ Spread over U.S. Treasury bill (column 3), plus 3-month forward discount or premium (column 6).

Selected Government of Canada Security Yields

	6-mo. Treas. bills		Intermediate bonds (8 yr.)		Long-term bonds			
	Canada	Spread	Canada	Spread	(20 year)		(35 year)	
		over U.S.		over U.S.	Canada	Spread	Canada	Spread
	a/	b/	c/	d/	e/	f/	g/	h/
1959 - High	6.24	--	5.27	--	5.30	--	5.05	--
Low	5.11	--	4.50	--	4.44	--	4.73	--
1960 - High	5.33	1.37	5.55	1.11	5.42	1.30	5.28	1.61
Low	1.99	-0.86	4.09	0.21	4.63	0.85	4.68	0.95
Nov. 24	3.93	1.23	4.70	0.68	5.20	1.30	5.09	1.28
Dec. 1	4.07	1.37	4.72	0.72	5.21	1.28	5.16	1.34
8	3.92	1.34	4.73	0.81	5.17	1.25	5.18	1.41
15	3.91	1.45	4.71	0.99	5.18	1.37	5.18	1.52

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</u>	<u>Chartered banks</u>		<u>General public</u>		
	<u>Treas.</u> <u>bills</u>	<u>Bonds</u>		<u>Treas.</u> <u>bills</u>	<u>Bonds</u>	<u>Savings</u> <u>bonds</u>	<u>Treas.</u> <u>bills</u>	<u>Bonds</u>
Oct. 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
24	+ 1	- 3	+ 8	- 30	- 3	+271	+ 29	- 5
Dec. 1	+ 10	+ 3	+ 24	- 21	+ 8	+ 4	+ 3	- 27
8	+ 9	- 3	- 4	- 7	- 28	- 4	+ 1	+ 31
15	- 2	+ 1	- 6	- 13	- 5	- 13	+ 19	+ 4

Source: Bank of Canada, Weekly Financial Statistics.

Selected Canadian Economic Indicators
(seasonally adjusted)

	1959		1960		
	<u>July-</u> <u>Sept.</u>	<u>Aug.-</u> <u>Dec.</u>	<u>Jan.-</u> <u>Mar.</u>	<u>Apr.-</u> <u>June</u>	<u>July-</u> <u>Sept.</u>
Unemployment (% of labor force)	5.7	5.9	6.4	6.9	7.3
Industrial production (1949=100)	168.4	169.4	171.8	167.3	165.9

(annual rates, in millions of Canadian dollars)

Gross National Product	34,616	35,272	35,624	35,048
New machinery and equipment	2,772	2,704	2,620	2,484
Residential construction	1,720	1,748	1,708	1,396
Consumption	22,304	22,780	22,676	23,052
Exports	6,648	6,976	7,224	6,680

Source: Canadian Statistical Review and National Accounts Income and Expenditure, Second Quarter, 1960.

December 19, 1960

Appendix 1

United Kingdom: Money and Capital Markets During November

Short- and long-term yields in London financial markets diverged markedly in early December. The London bill rate declined through November and the fall was accelerated with the reduction of Bank rate to 5 per cent on December 8, the second reduction in six weeks. In contrast, yields on gilt-edged securities, especially Consols and War Loans, increased steadily after mid-November and have now reached their highs for the year. This fall in bond prices represents the market concern about the poor export trend and the possibility in the near future of heavy sales by the clearing banks to better their liquidity positions. Recent price trends are summarized in the following comparison of yields on November 4 and December 9:

	<u>Nov. 4</u>	<u>Dec. 9</u>	<u>Change</u>
Treasury bills	4.89	4.48	-0.41
6-year bond	6.00	6.05	+0.05
15-year bond	5.82	5.86	+0.04
Consols (undated)	5.46	5.59	+0.13
War Loan (undated)	5.76	5.88	+0.12

The spread between London and New York bill rates remained well over 2 per cent throughout November and early December. Spot and 3-month forward sterling declined steadily over the period by over one U.S. cent. The incentive to hold the London bill over the New York bill on a covered basis declined in mid-November but subsequently increased to about 1.3 per cent. The fall in London bill rates coincided with declines in United States bill rates. Foreign exchange reserves continued to be augmented by an inflow of foreign-owned short-term capital, but the increase in November was the smallest for this year.

Advances of the London clearing banks rose from mid-October to mid-November by £6.5 million. The hire-purchase debt declined for the third month in succession. Stock prices continued to decline and fell to their 1960-low on December 9.

Money market conditions. Money market rates declined through November and early December. The yield on Treasury bills declined steadily through the month from 4.89 per cent on November 4 to 4.63 per cent on December 2 (see Table). After the reduction in Bank rate on December 8 the Treasury bill yield fell to 4.48 per cent on December 9. The yield on British Treasury bills exceeded the U.S. Treasury bill yield by over 2-2/3 per cent in early November but had fallen to under 2-1/4 per cent by December 9.

The incentive to hold the U.K. bill rather than the U.S. bill (with exchange risk covered) declined from 1.15 per cent early in November to 0.70 per cent by the middle of the month (see Table and Chart). By December 2 it had strengthened to 1.31 per cent, easing to just over one per cent following the reduction in Bank rate.

Gilt-edged market. There has been a sharp fall in bond prices since mid-November. Yields in almost all maturities reached highs for the year in early December. The yields on undated bonds increased by about 1/5 of 1 per cent between November 18 and December 9. These declines in price are in response to Britain's continuing unfavorable export trends and to continued sales by commercial banks of gilt-edged investments (see Bank advances below).

The City of Coventry has issued a £6 million offering for 6 per cent 1976-78 priced at 99-1/2. The gross redemption yield is 6.05 per cent. It will be used to replace temporary borrowing and maturing mortgage debt and to finance further expenditure on capital schemes.

New capital issues on the London market (excluding Treasury operations) during the first nine months of 1960 totaled £470.9 million compared with £405.6 million in 1959, according to estimates of the Midland Bank. The total new issues were broken down as follows (in millions of pounds):

<u>Borrowers</u>	<u>1959</u>	<u>1960</u>
United Kingdom	372.9	433.6
Overseas	32.7	37.3
Total	405.6	470.9

Sterling liabilities. The U.K.'s total short-term sterling debts increased in the third quarter of 1960 by £72 million to £4347 million compared with an increase of £95 million in the second quarter. The portion of this debt owing to foreign countries rose even faster by £226 million to £3,743 million. By far the largest inflow shown in the figures is £43 million increase in the sterling balances of Western European countries while the increase in the dollar area was £42 million. On the other hand, the adverse turn in the trading fortunes of the Commonwealth is reflected in the sharp £97 million fall in the balances of the rest of the sterling area.

Sterling Balances
(In millions of pounds)

<u>1960</u>	<u>Sterling countries</u>	<u>Nonsterling countries</u>			<u>Non-territorial organizations</u>
		<u>Total</u>	<u>North America</u>	<u>Western Europe</u>	
March (total)	2,670	822	58	408	688
June (change)	+ 4	+118	+33	+ 81	- 27
Sept. (change)	- 97	+226	+42	+143	- 57

Change in Bank rate. The reduction in Bank rate from 5-1/2 to 5 per cent on December 8 followed closely on the October 27 reduction from 6 to 5-1/2 per cent. It reflects the continued concern of the Bank of England to reduce somewhat the spread between European and New York money rates. The domestic impact of the lower Bank rate is intended to be limited; faced with a choice between relaxing installment credit restrictions and lowering Bank rate, the Bank has chosen the alternative which will not immediately expand domestic demand. The lower Bank rate and other money-market rates will reduce the foreign-exchange cost of the short-term capital inflow now in London. At this time, however, the United Kingdom is so dependent upon foreign short-term capital to tide the economy over the period of time required to expand exports and to reduce the trade deficit that British money rates are not likely to be allowed to drift downward enough to induce any appreciable capital outflow.

Interest rate adjustment. The interest paid on tax reserve certificates was reduced on November 26 from 3-1/4 per cent to 3 per cent. The rate was raised from 2-1/2 per cent to 2-3/4 per cent on May 28 and raised further to 3-1/4 per cent on June 29. This is a general interest rate realignment following the reduction in Bank rate from 6 to 5-1/2 per cent on October 27 and may be expected to be reduced further in the next few weeks. Interest on the certificates is not subject to income tax, surtax or profits tax.

The New Rates
(per cent)

	<u>From</u>	<u>To</u>
Bank rate	5-1/2	5
Overdraft rates:		
England	5-1/2 to 6-1/2	5 to 6
Scotland (minimum)	7 to 7-1/2	6-1/2 to 7
Personal loans (midland Bank)	6	6
Deposit rates:		
Clearing banks	3-1/2	3
Big hire-purchase houses (3 months)	5-1/2	5
Money market loans:		
To discount houses (clearing bank minimum)	3-7/8	3-3/8
To local authorities:		
Seven-day	5-3/8	5
Two-year	6-1/4	n.a.
Hire-purchase charges)		
Building society rates)	no change expected	

Bullion market. After the sharp rise in the price of gold in late October the price has settled down to \$35.50 per fine ounce by December 9 (see Table). Throughout November the price steadily declined from \$36.15 to \$35.12 per fine ounce and the trading range narrowed substantially. In early December the price declined further to \$35.41 but later rose again somewhat. The general trend of price movements and the trading range in the London bullion market since July may be found in a table below. This table will not be repeated in subsequent issues; only current figures will be supplied.

Bank advances. Advances of the London clearing banks rose from mid-October to mid-November by £6.5 million. This follows the rise of £28 million in the month to mid-October and the rise of £8 million in the month to mid-September. The average liquidity ratio fell from 31.5 per cent for the month to mid-October to 31.3 per cent for the month to mid-November. It was 33.6 per cent in November 1959. Investments in gilt-edged securities declined in the month to mid-November by £15 million to £1,298 million. The corresponding decline in October was £8 million and in September was £5 million. The tight liquidity position of the banks has contributed to the recent decline in gilt-edged prices.

Industry's capital needs. New capital issues by industry in the eleven months to the end of November totaled £431 million, against £362 million in the corresponding period of 1959, according to figures compiled by the Financial Times. Approximately three-quarters of this year's total (£305 million) was in the form of new equity capital. About one-quarter (£113 million) was in loan capital. The difference was made up by the comparatively minor figure of £13 million for new preference capital.

Installment credit. The total hire-purchase debt declined by a further £7 million to £955 million in October. This follows the decline in September of £8 million and that of August of £1 million, the first fall since March 1958. Between March 1958 and May 1960, when installment credit restrictions were reimposed, there was an average monthly increase of £20 million. This £7 million fall was composed of a £2 million decline in the debt owed directly to household goods shops and a £5 million drop in the debt owed directly to finance houses. Short-time in automobiles, reflecting the hire-purchase restrictions and reduced export sales, has produced widespread pressures for relaxation of the credit restrictions.

Building society investments. Net new investments of building societies in the third quarter of 1960 were just over £26 million compared with more than £37.5 million in the previous quarter. It was the lowest quarterly total since the second quarter of 1958. There is a big demand for advances to house purchasers but competitive media have been tempting new savings funds away.

Foreign exchange. After reaching its high for the year of 281.750 U.S. cents, in early November, spot sterling fell generally and by early December was below 280.900 U.S. cents (see Table).

Security sterling was at a small premium above spot sterling through most of November and early December. The discount on 3-month

forward sterling continued to fall and was just over 1 per cent in early December (see Table).

The foreign exchange reserves increase by a further \$28 million in November; this was the smallest increase in reserves (excluding special capital flows) since January.

Stock market. A sharp shakeout in stock prices during November brought the stock index from 316.1 on November 4 to 294.6 on December 9, the low point for 1960 (see Table). The gap between Consols and shares continued to decline and in early December reached its lowest point since May of this year (see Chart).

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

United Kingdom: Treasury Bill Yields and Exchange Rates

Date	3-mo. Treasury bill			Discount on 3-mo. sterling ^{e/}	Net incentive to hold U.K. bill ^{d/}	Exchange rate	
	U.K. ^{a/}	U.S. ^{b/}	Differ- ence			Spot sterling £	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	281.58	1.64
Low	2.13	2.05	-0.84	2.33	-.23	279.83	(P).47
Oct. 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	1.35	281.55	1.07
11	4.77	2.45	2.32	1.62	0.70	281.58	1.14
18	4.67	2.37	2.30	1.41	0.89	281.29	0.99
25	4.64	2.39	2.25	1.15	1.10	281.26	0.81
Dec. 2	4.63	2.30	2.33	1.02	1.31	281.12	0.72
9	4.48	2.26	2.22	0.97	1.05	280.86	0.68

^{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 prices ^{g/}
1960 - High	6.05	6.00	5.88	5.69	4.96	1.49	338.6
Low	4.93	5.33	5.53	5.03	3.74	0.63	294.6
Oct. 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
11	5.98	5.82	5.73	5.44	4.52	0.92	313.3
18	5.97	5.82	5.67	5.39	4.49	0.90	315.9
25	6.00	5.83	5.74	5.46	4.66	0.80	308.7
Dec. 2	6.05	5.83	5.80	5.52	4.71	0.81	301.8
9	6.05	5.86	5.88	5.59	4.96	0.63	294.6

^{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.

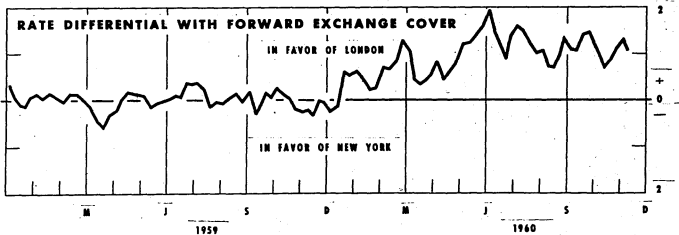
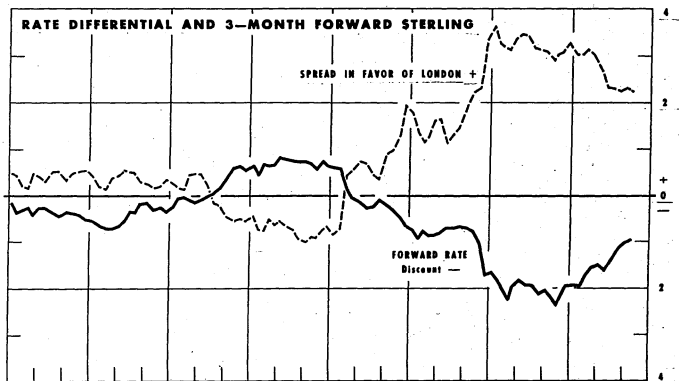
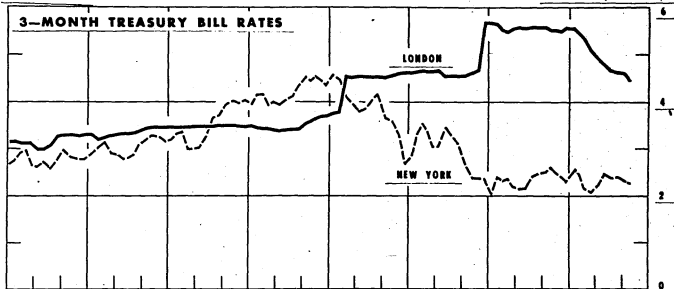
London Bullion Market

	<u>Sterling fixing price</u>	<u>Spot sterling</u>	<u>Dollar fixing price</u>	<u>Trading range</u>
July 1	250/ 3/4	280.70	35.0962	35.085 - 35.105
August 2	250/2-1/4	280.91	35.1400	35.130 - 35.150
September 1	250/2-1/2	281.07	35.1630	35.150 - 35.170
October 3	250/6-1/4	281.17	35.2194	35.215 - 35.235
7	250/10-3/4	280.94	35.2433	35.215 - 35.235
18	251/-	281.04	35.2705	35.250 - 35.350
19	251/8	281.18	35.3818	35.330 - 35.600
20	260/-	281.15	36.5495	36.000 - 39.500
21	260/-	281.27	36.5651	36.000 - 38.000
25	270/-	281.38	37.9863	37.000 - 39.000
31	256/-	281.47	36.0281	35.750 - 36.250
November 4	256/9	281.60	36.1504	36.125 - 36.300
10	255/6	281.61	35.9756	35.750 - 36.125
18	253/3	281.25	35.6132	35.600 - 35.650
25	253/4	281.27	35.6275	35.600 - 35.630
December 2	252/-	281.05	35.4123	35.400 - 35.450
9	252/9	280.93	35.5025	35.560 - 35.600

INTEREST ARBITRAGE, NEW YORK / LONDON

Friday figures

Per cent per annum

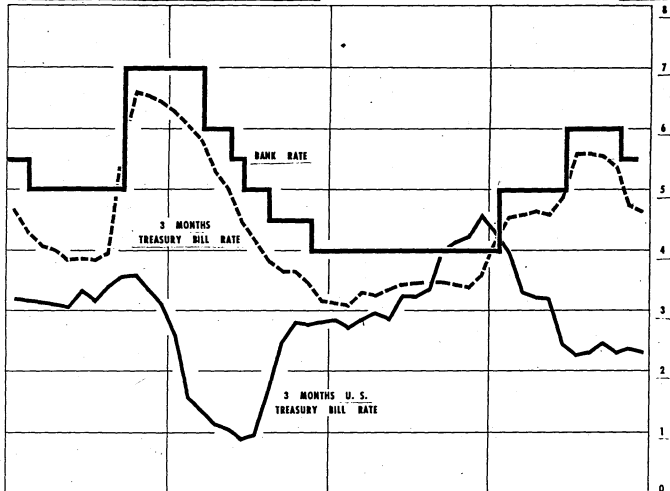


UNITED KINGDOM

MONTHLY AVERAGES

BANK RATE AND TREASURY BILL RATE

Per cent



BOND AND STOCK YIELDS

