

December 27, 1960

DECONTROLLED AFTER SIX MONTHS

H.14

(Next issue: January 9, 1961)

CAPITAL MARKET DEVELOPMENTS  
IN THE UNITED STATES AND CANADA

Part I - United States

Few security issues were offered during the week preceding Christmas. Proceeds from two State and local revenue issues aggregated \$77 million; no large corporate issues were publicly offered, but \$67.5 million in promissory notes of the New York World's Fair 1964-5 Corporation reached the market. No large issues are scheduled for the final week of 1960.

Bond yields - Yields on top quality long-term bonds changed little during the week. Yields on high-grade State and local issues rose one basis point while those on both corporate and long-term U. S. Government issues remained unchanged. There were further declines in the yields available on lower grade issues--slight in the case of corporate bonds but substantial for Baa-rated State and local issues.

Short- and intermediate-term interest rates - Last week, rates on U. S. Government three- and six-month bills declined moderately, and a further decline in yields available on three- to five-year issues brought rates for this maturity to a new low for the year. A sharp decline of 15 basis points was recorded for directly placed finance company paper. Other short-term interest rates were unchanged.

Mortgage yields - Yields available on FHA new home mortgages in the private secondary market continued to decline last month and are estimated at 6.05 per cent in November, down 4 basis points from the October average. Average yields available on top-rated new corporate issues in November were virtually unchanged at 4.59 per cent, and the spread between mortgage and bond yields narrowed slightly.

Stock prices - On balance common stock prices, as measured by Standard and Poor's index of 500 stocks, increased slightly last week, closing on Friday at 57.44. Trading remained active with daily volume averaging 3.5 million shares, down only slightly from the high volume of the preceding two weeks.

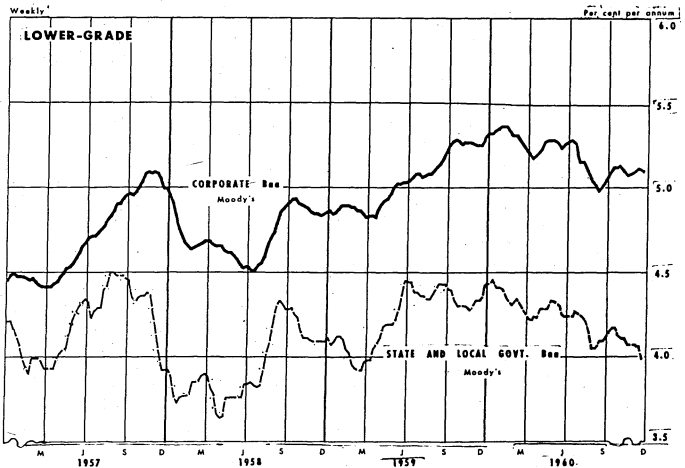
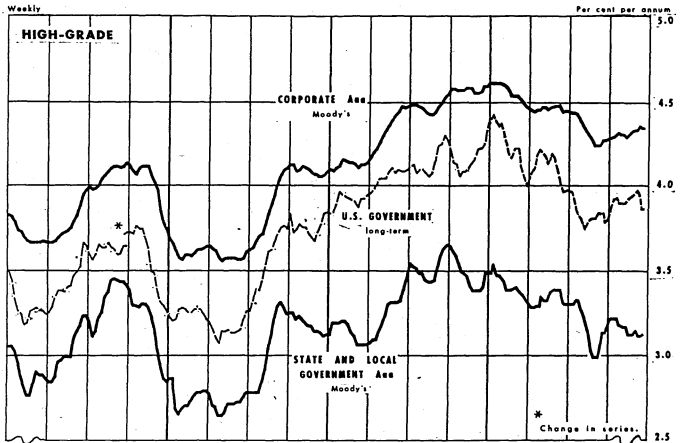
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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

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

EXHIBIT A

LONG-TERM BOND YIELDS



H.14

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

Date	Corporate Aaa 1/	U. S. Govt. long-term 2/	State and local govt. Aaa 3/	Spread between U. S. Govt. and	
				Corporate Aaa	State and local Aaa
(Per cent)					
1954 - Low	2.85 (4/23)	2.45 (8/6)	1.90 (9/2)	.30	.30
1957 - High	4.14 (9/27)	3.76 (10/18)	3.45 (8/29)	.60	.47
1958 - Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.22	.34
1959 - High	4.61 (12/31)	4.37 (12/31)	3.65 (9/24)	.50	.92
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.53
1960 - High	4.61 (1/29)	4.42 (1/8)	3.53 (1/7)	.59	.92
Low	4.23 (9/9)	3.75 (8/5)	2.99 (9/1)	.19	.53
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	4.34	3.86	3.11	.48	.75
Dec. 23 p/	4.34	3.86	3.12	.48	.74

## 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)	3.98 (12/22)	.71	.86
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	5.10	4.06	.77	.95
Dec. 23 p/	5.09	3.98	.75	.86

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

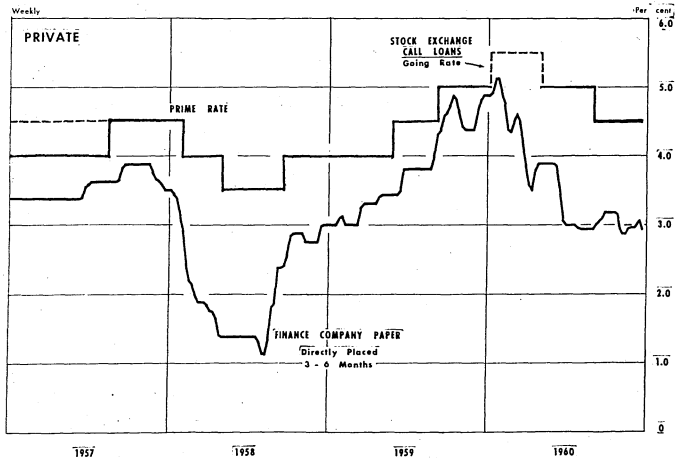
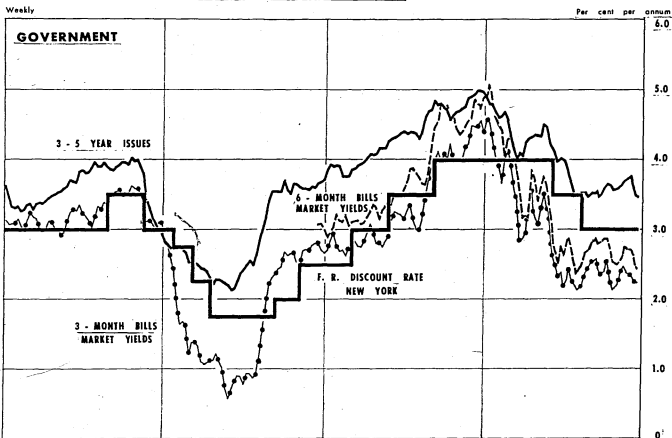


Exhibit D - Tables for Exhibit C  
Short- and Intermediate-term Interest Rates

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)	3.46 (12/23)	.16	.38
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	3.00	2.25	2.50	3.49	.25	1.24
Dec. 23 p/	3.00	2.24	2.42	3.46	.18	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)
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	4.50	4.50	3.06	.81
Dec. 23 p/	4.50	4.50	2.91	.67

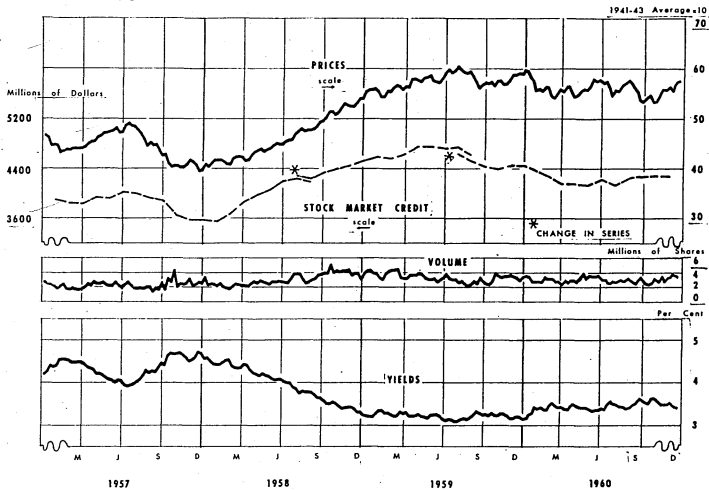
1/ Weekly rate shown is that in effect at end of period. Discount rate is for Federal Reserve Bank of New York. Stock exchange call loan rate is going rate on call loans secured by customers' stock exchange collateral at New York City banks. Prime rate is that charged by large banks on short-term loans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

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

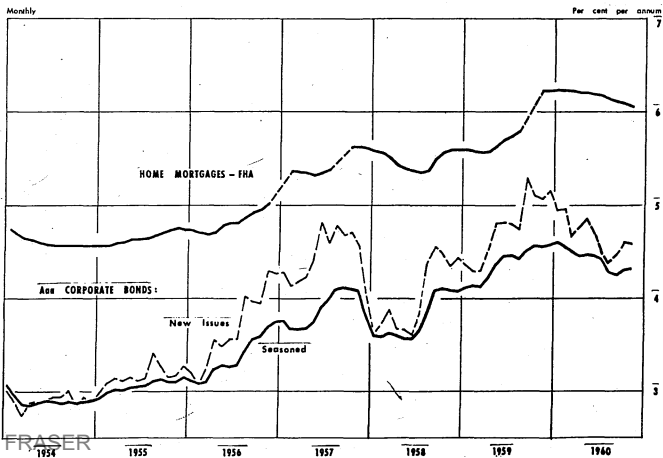
3/ Average of daily rates published by finance companies for directly placed paper for varying maturities in the 90-179 day range.

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

**STOCK MARKET**



**MORTGAGE AND BOND YIELDS**



## 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 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
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. 9	56.65	3.44	3.7	n.a.	n.a.	1,154
Dec. 16	57.20	3.40	3.6	n.a.	n.a.	1,158
Dec. 23 p/	57.44	3.39	3.5	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.

## Mortgage and Bond Yields 1/

Date	FHA mortgages 2/	Aaa corporate bonds 1/		Spread between new corporate bonds and	
		New 3/	Seasoned 4/	FHA mortgages	Seasoned bonds
1953-58 - High	5.63 (11/57)	4.81 (6/57)	4.12 (9/57)	1.96	.90
Low	4.56 (2/55)	2.74 (3/54)	2.84 (4/54)	.54	-.12
1959-60 - High	6.24 (1/60)	5.29 (9/59)	4.61 (1/60)	1.76	.77
Low	5.57 (3/59)	4.29 (2/59)	4.12 (1/59)	.83	.08
1960 - July	6.17	4.49	4.41	1.68	.08
August	6.13	4.37	4.28	1.76	.09
September	6.11	4.45	4.25	1.66	.20
October	6.09	4.60	4.30	1.49	.30
November	6.05	4.59	4.31	1.46	.28

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

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

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

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

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

(In millions of dollars)

	New capital					
	Corporate <sup>1/</sup>			State and local <sup>2/</sup>		
	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 <sup>3/</sup>	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	p/965	879	862	p/320	597	456
November	e/875	864	518	e/500	519	474
December	e/850	900	920	e/500	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	p/2,690	2,642	2,300	e/1,320	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	p/9,635	9,392	10,823	e/7,439	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	2,017	1,716	2,731			
4th quarter	p/2,290	2,503	2,213			
Year	p/8,179	8,630	10,429			

e/ Estimated. p/ Preliminary.

<sup>1/</sup> Securities and Exchange Commission estimates of net proceeds.

<sup>2/</sup> Investment Bankers Association of America estimates of principal amounts.

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

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



Other Security Offerings <sup>1/</sup>

(In millions of dollars)

	Long-term					
	Foreign government <sup>2/</sup>			Federal agency <sup>3/</sup>		
	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 <sup>4/</sup>			Federal agency <sup>3/</sup>		
	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	254	235	231	241	733	454
November	p/418	343	415	282	471	114
December		358	243		288	137
Year		4,179	3,910		6,047	3,098

<sup>p/</sup> Preliminary.<sup>1/</sup> 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.<sup>2/</sup> Includes securities offered in the United States by foreign governments and their subdivisions and by international organizations. Source: Securities and Exchange Commission.<sup>3/</sup> Issues not guaranteed by the U. S. Government. Source: Long-term, Securities and Exchange Commission; short-term, Federal Reserve.<sup>4/</sup> 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 23

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<b>CORPORATE</b>						
Southern Bell Tel. & Tel. California	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				
<b>STATE AND LOCAL GOVERNMENT</b>						
San Diego Unif. Sch. Dist. California	G.O.	10.0	1963-81	3.43	2.20-3.65 <sup>4/</sup>	A
Maryland St. Rds. Comm.	Rev.-S.T.	12.5	1962-76	3.29	1.90-3.35	Aa
Public Housing Auths. State of Michigan	--	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
State Colleges of Calif.	Rev.-G.Ut.	14.2	1962-98	3.50	n.r.	--
Okla. City Metro. Improvement Auth., Okla.	Rev.-Ut.	62.8	1971-2000	n.a.	3.40-4.20	A

## Large Individual Issues Offered December 1 through 23 (Cont'd)

Issuer	Type <sup>3/</sup>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>OTHER</u>						
Federal Land Banks	Bds.		1964	4	4.08	--
Federal Land Banks	Bds.	31.0	1962	3-3/8	3.78	--
New York World's Fair 1964-5 Corp.	Prom. notes	67.5		6	6.00	--

n.r.--Not reoffered.

n.a.--Not available.

- 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.-C.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 <u>2/</u>	Corporate	State and local govt.	Other <u>2/</u>
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 23

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Texas Eastern Transmission Corp.	Pfd. stk.	15.0	Jan. 18
Texas Eastern Transmission Corp.	1st mtg. p.l.bds.	30.0	Jan. 19
Lone Star Gas Co.	Com. stk.	20.0	Jan. 23 (rights expire)
Brunswick Corp.	Conv. sub. deb.	25.6	Jan. 25 (rights expire)
*American Telephone & Telegraph Co.	Com. stk.	e/800.0	March (rights expire)
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
Liberian Iron Ore, Ltd.	Bds. & stk.	30.0	Indefinite
*Healthy Collateral Corp.	Coll. tr. notes	20.0	Indefinite
*Montgomery Ward Credit Corp.	Deb.	25.0	Indefinite
*Montgomery Ward Credit Corp.	Sub. deb.	25.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
*Fulton Co., Georgia	G.O.	14.5	Jan. 5
*State of Connecticut	G.O.	29.0	Jan. 5
*Port of New Orleans, La.	G.O.	17.0	Jan. 9
Los Angeles, California	G.O.	30.0	Jan. 10
State of California	G.O.	95.0	Jan. 11
*State of Oregon	G.O.	30.0	Jan. 17
*State of New York	G.O.	56.2	Jan. 17

## Forthcoming Large Offerings, as of December 23 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Pennsylvania St. Pub. Sch. Bldg. Auth.	Rev.-Rent.	23.0	Jan. 18
*New York City, New York	G.O.	76.5	Jan. 24
*State of Maryland	G.O.	20.3	Jan. 24
*Baltimore, Maryland	G.O.	47.0	Feb.
Los Angeles Dept. of Wtr. & Pwr., California	Rev.-Ut.	12.0	Indefinite
Orleans Parish School Dist., La.	G.O.	10.0	Indefinite
Kentucky Turnpike Authority	Rev.	55.0	Indefinite
Dade County, Florida	G.O.	46.0	Indefinite
New York State Housing Fin. Agency	Rev.	100.0	Indefinite
<u>OTHER</u>			
None			

\*--Included in table for first time.

e/ Estimated.

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: State of New Mexico's \$16.1 million bond issue--secondary sale of bonds held by State investment accounts.

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 <sup>2/</sup>	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
Dec. 7	5.00	39		

\*--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.

## Part II - Canada

With the announcement of the supplementary budget on December 20, the spot Canadian dollar endured its sharpest decline in recent years. The transactions on the bond market were especially large and yields tended to rise generally. The yield on Treasury bills continued its decline and, principally due to a sharp increase in the discount on the 3-month forward Canadian dollar, the net incentive to hold the Canadian bill fell by over 75 basis points. The Canadian stock exchanges continued to rise generally through the week ending December 19.

Money market. The yield on Canadian Treasury bills continued its December decline reaching 3.46 per cent at last Thursday's auction, compared with 3.69 per cent in the previous week (see Table). The yield on the 6-month bill also declined to 3.68 per cent from 3.91 per cent the week before (see Table). During the week the chartered banks purchased \$18 million of Treasury bills while sales were made by the general public of \$11 million and the Bank of Canada of \$5 million; the Government account sold only \$ million of Treasury bills (see Table). The average closing rate on day-to-day loans was 3.10 per cent compared with 3.25 per cent a week ago.

The spread at last Thursday's auction in favor of the Canadian over the United States short Treasury bill declined to 1.24 per cent from the previous week's 1.44 per cent (see Table). The discount on the 3-month forward Canadian dollar increased sharply from 0.35 per cent in the previous week to 0.91 per cent, thus reducing the net incentive for foreign investors to hold the Canadian bill to 0.33 per cent compared with 1.09 per cent in the week before.

Bond market. Bond yields strengthened in the shorter maturities in response to heavy sales by the Bank of Canada. Yields in the intermediate maturities eased slightly while yields on bonds of longer maturities tended to rise (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):

1.24 per cent on a 91-day bill (1.44)  
1.26 per cent on a 182-day bill (1.45)  
0.92 per cent on an 8-year bond (0.99)  
1.36 per cent on a 30-year bond (1.37)  
1.56 per cent on a 35-year bond (1.52)

During the week the bond market was active with the Bank of Canada making substantial purchases of bonds with maturities of over two years and sales of bonds in the shorter maturities, the net effect resulting in sales of \$9 million (see Table). The general public made net sales of \$62 million, the Government accounts sold \$102 million and the chartered banks sold \$23 million.

The Province of Manitoba has made a \$15 million offering of bonds in two maturities; \$3.5 million, 5-1/2 per cent 5-year bonds at par and \$11.5 million, 5-3/4 per cent 20-year bonds at 99 to yield 5.83 per cent.

New Brunswick Electric Power Commission made a \$15 million (U.S.) offering of 25-year, 5-1/4 per cent bonds at par, guaranteed by the Province.

Supplementary Budget. On December 20 the Minister of Finance submitted the supplementary budget to provide for the financing of measures introduced in November to spur the level of economic activity. It indicates increased expenditure and decreased revenue with a deficit of \$268 million (see Table). The new budget includes measures to discourage borrowing from abroad by removing preferential tax treatment given to certain foreign investors and introducing new taxes on such investment. Other new tax measures were designed to encourage domestic investment.

Stock market. Industrial stock prices on the Toronto exchange continued to rise through the week ending December 19, while the Montreal exchange declined slightly at the end of the period. Industrial stock prices in New York reached their highs for the year during the week.

	<u>Toronto</u>	<u>Montreal</u>	<u>New York Standard &amp; Poor</u>
1960 - High	532.56	271.1	60.70
Low	472.38	250.3	55.98
Dec. 12	507.38	267.4	60.34
13	508.00	268.7	60.37
14	509.25	268.6	60.31
15	509.46	269.3	60.10
16	510.94	269.6	60.70
19	511.44	268.5	60.62

Foreign exchange. The spot rate on the Canadian dollar fell sharply upon the announcement of the supplementary budget to 101.28 U.S. cents last Thursday from 102.25 U.S. cents the week before (see Table). The discount on the 3-month forward Canadian dollar increased to 0.91 per cent on Thursday from 0.35 per cent in the previous week.

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



Selected Canadian Money Market and Related Data

	3-mo. Treas. bills			Canadian dollar			Net incentive to hold Can. bills/
	Canada a/	U.S. b/	Spread over U.S.	Spot c/	3-mo. forward	discount (-) premium (+) d/	
1959 - High	6.16	4.49	2.96	105.51	--	--	--
Low	3.25	2.80	0.30	102.58	--	--	--
1960 - High	5.14	4.63	1.62	105.27	--	0.99	1.99
Low	1.68	2.10	-0.82	101.28	--	-0.91	-0.57
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
22	3.46	2.22	1.24	101.28	101.03	-0.91	0.33

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	1.37	5.55	1.11	5.42	1.36	5.28	1.61
Low	1.99	-0.86	4.09	0.21	4.63	0.85	4.68	0.95
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
22	3.68	1.26	4.69	0.92	5.19	1.36	5.23	1.56

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>
Oct. 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
22	- 5	- 9	-103	+ 18	- 23	- 11	- 11	- 62

Source: Bank of Canada, Weekly Financial Statistics.

Summary of Canadian Supplementary Budget, December 20, 1960

Revised Accounts for Fiscal Year 1960-61

	<u>Forecast on March 31, 1960</u>	<u>Revised forecast</u>
	(\$ million)	
<u>Before tax changes</u>		
Total expenditures	\$5,880	\$5,980
Total revenues	<u>5,892</u>	<u>5,680</u>
Surplus (+) or deficit (-)	+\$ 12	-\$ 300
<u>After tax changes</u>		
Total expenditures		\$5,980
Total revenues		<u>5,694</u>
Surplus (+) or deficit (-)		-\$ 286

Net cash requirements for the year remain unchanged at \$210 million.