

January 23, 1961.

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

Part I - United States

Corporations sold large issues with total proceeds of \$45 million and State and local governments sold bonds aggregating \$138 million during the week ending January 20. This week, corporate issues, including the expiration of subscription rights, are expected to total \$102 million. Large State and local government bond issues amounting to \$97 million are also scheduled for sale.

Long-term bond yields - Yields increased last week for all categories of outstanding bonds, except those for high-grade corporate bonds which declined slightly.

Yields on new corporate bond issues also declined slightly. A new Aa-rated, first mortgage electric utility bond issue was offered to investors to yield 4.55 per cent, 5 basis points lower than the yield for a comparable offering made a week earlier.

Short- and intermediate-term interest rates - Yields on Treasury bills declined last week, but those on three- to five-year Government obligations increased. Other major short-term money rates were unchanged.

Housing starts - Housing starts in December declined substantially more than usual for the month to a seasonally adjusted annual rate of 990,000. This was 18 per cent below the November rate and about 21 per cent below the average rate of the first 11 months. Most of the drop was in conventionally financed starts. Especially bad weather in the New England and Middle Atlantic States may have been responsible for some of the decline.

Stock market credit - Total customer credit in the stock market, excluding borrowing on U. S. Government securities, increased \$112 million in December. Totaling \$4.4 billion at the end of the month, customer credit was at the highest level in 1960 and only 1 per cent less than at the end of 1959. The December increase reflected an \$81 million rise in net debit balances and a \$31 million rise in bank loans to others than brokers and dealers.

Borrowing by member firms of the New York Stock Exchange maintaining margin accounts changed little in December, while customers' net free credit balances increased \$73 million. These and other data for stock market credit in November and December are shown in the table on the following page.

	End of month		Change
	Dec.	Nov.	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Government securities - total	4,406	4,294	+112
Net debit balances	3,222	3,141	+81
Bank loans to "others"	1,184	1,153	+31
Net debit balances secured by U. S. Govt. securities	95	99	-4
Bank loans to "others" for purchasing or carrying U. S. Government securities	134	128	+6
Broker and dealer credit			
Money borrowed except on U. S. Government securities	2,133	2,129	+4
On customer collateral	1,806	1,815	-9
Money borrowed on U. S. Government securities	142	139	+3
Customers' net free credit balances	1,135	1,062	+73

Stock prices - Stock prices continued to increase last week; Standard and Poor's index of 500 common stocks closed at 59.96 on January 20, .36 points higher than a week earlier. Trading activity, although somewhat less than the very heavy volume a week earlier, averaged 4.1 million shares a day.

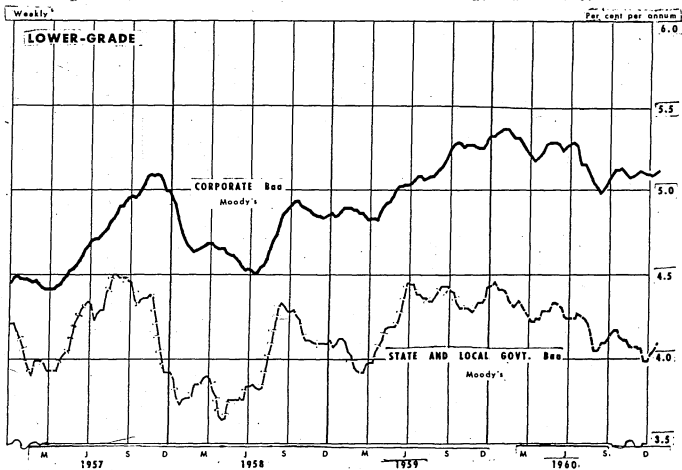
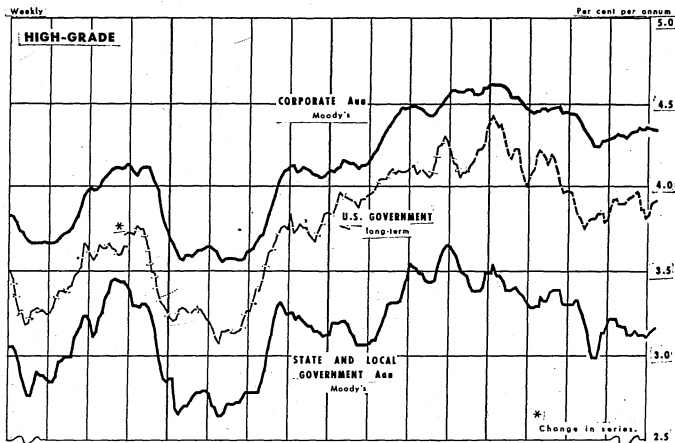
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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

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
Dec. 23	4.34	3.86	3.12	.48	.74
Dec. 30	4.35	3.82	3.11	.53	.71
Jan. 6	4.34	3.84	3.13	.50	.71
Jan. 13	4.33	3.50	3.14	.43	.76
Jan. 20 p/	4.32	3.92	3.16	.40	.76

Lower-grade

Date	Corporate Baa 1/	State and local govt. Baa 3/	Spread between Aaa and Baa	
			Corporate	State and local govt.
(Per cent)				
1954 - Low	3.44 (12/31)	2.93 (8/5)	.52	.96
1957 - High	5.10 (11/29)	4.51 (8/29)	1.27	1.21
1958 - Low	4.51 (7/11)	3.64 (5/1)	.77	.93
1959 - High	5.32 (12/31)	4.46 (7/2)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.79
1960 - High	5.36 (2/12)	4.46 (1/7)	.84	1.08
Low	4.98 (9/9)	3.98 (12/22)	.71	.86
Dec. 23	5.09	3.98	.75	.86
Dec. 30	5.09	3.98	.74	.87
Jan. 6	5.08	4.03	.75	.90
Jan. 13	5.10	4.04	.77	.90
Jan. 20 p/	5.11	4.09	.79	.93

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 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)	2.38 (12/30)	3.40 (12/30)	.16	.38
Dec. 23	3.00	2.24	2.42	3.46	.18	1.22
Dec. 30	3.00	2.18	2.38	3.40	.20	1.22
Jan. 6	3.00	2.28	2.48	3.39	.20	1.11
Jan. 13	3.00	2.28	2.51	3.52	.23	1.24
Jan. 20 p/	3.00	2.25	2.46	3.59	.21	1.34

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)
Dec. 23	4.50	4.50	2.91	.67
Dec. 30	4.50	4.50	2.88	.70
Jan. 6	4.50	4.50	2.83	.55
Jan. 13	4.50	4.50	2.81	.53
Jan. 20 p/	4.50	4.50	2.81	.56

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

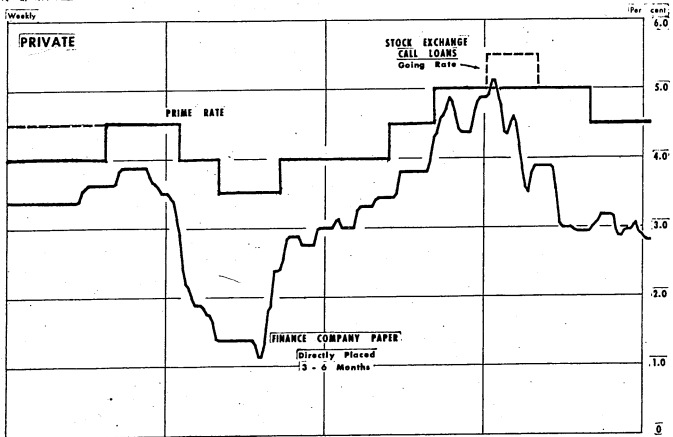
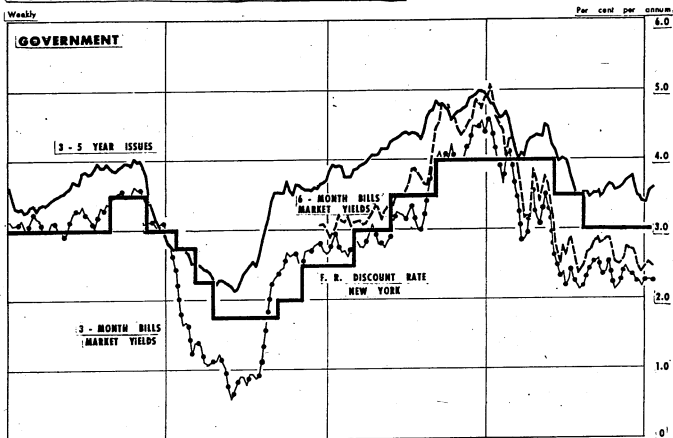
2/ Market yield; weekly averages computed from daily closing bid prices. Series of 3-5 year issues consists of selected notes and bonds.

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

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

EXHIBIT C

SHORT- AND INTERMEDIATE- TERM INTEREST RATES



1957

1958

1959

1960

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	4.1	4,406	3,222	1,184
Low	53.32 (10/21)	3.62	2.2	4,132	3,004	1,111
November	55.47	3.51	3.1	4,294	3,141	1,153
December	56.83	3.41	3.7	4,406	3,222	1,184
Jan. 6	58.48	3.32	3.6	n.a.	n.a.	1,189
Jan. 13	59.60	3.26	4.4	n.a.	n.a.	1,168
Jan. 20 p/	59.96	3.24	4.1	n.a.	n.a.	n.a.

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

- 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.
- 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.
- Averages of daily trading volume on the New York Stock Exchange.
- 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.
- 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 - 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
Oct.	--	1,256	--	109	23	6	--	81
p/ Nov.	--	1,212	--	94	20	5	--	68
p/ Dec.	--	990	--	66	14	5	--	48

- 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. One-part 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.

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

(In millions of dollars)

	New capital					
	Corporate 1/			State and local 2/		
	1961	1960	1959	1961	1960	1959
January	e/500	577	821	e/750	739	639
February		715	738		623	858
March		860	646		582	646
April		766	894		731	932
May		567	785		550	593
June		1,034	887		1,033	1,006
July		727	535		572	567
August		962	740		602	516
September		738	703		689	465
October		p/965	879		336	597
November		p/927	864		p/468	519
December		e/850	900		e/500	455
1st quarter		2,151	2,204		1,943	2,143
2nd quarter		2,367	2,567		2,314	2,531
3rd quarter		2,427	1,979		1,863	1,548
4th quarter		e/2,742	2,642		e/1,304	1,571
1st half		4,519	4,771		4,257	4,674
Three quarters		6,945	6,750		6,200	6,222
Year		e/9,687	9,392		e/7,424	7,793
	Excluding finance companies 3/					
1st quarter		1,722	1,999			
2nd quarter		2,150	2,412			
3rd quarter		2,017	1,716			
4th quarter		e/2,342	2,503			
Year		e/8,231	8,630			

e/ Estimated. p/ Preliminary.

1/ Securities and Exchange Commission estimates of net proceeds.

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

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

Other Security Offerings 1/

(In millions of dollars)

	Long-term					
	Foreign government <u>2/</u>			Federal agency <u>3/</u>		
	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	2	30	123	149	--	--
December		70	74	p/181	86	--
Year		547	992	p/1,673	707	2,321
	Short-term					
	State and local government <u>4/</u>			Federal agency <u>3/</u>		
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	177	288	137
Year		4,179	3,910	p/4,817	6,047	3,096

p/ Preliminary.

1/ Data presented in this exhibit differ from those in Exhibit E in that refunding issues, as well as new capital issues, are included. Long-term securities are defined as those maturing in more than one year.

2/ Includes securities offered in the United States by foreign governments and their subdivisions and by international organizations. Source: Securities and Exchange Commission.

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

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

Exhibit I

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

Proceeds of Large Issues Offered

(In millions of dollars)

Month	Corporate	State and local government	Other 2/
1959 - 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
December	260	222	99

Large Individual Issues Offered January 1 through 20

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Texas Eastern Trans. Corp.	Pfd. stk.	15.0				
Texas Eastern Trans. Corp.	1st mtg.p.l.bds.	30.0	1981	5	5.00	Baa
<u>STATE AND LOCAL GOVERNMENT</u>						
Fulton Co., Georgia	G.O.	14.5	1962-87	3.28	1.50-3.45	Aa
Port of New Orleans, La.	G.O.	17.0	1966-96/76	3.77	2.40-3.90	A
Los Angeles Sch. Dists., California	G.O.	30.0	1961-85	3.63	1.50-3.80	Aa
State of California	G.O.	95.0	1963-87/82	3.68	1.95-3.80	Aa
State of Oregon	G.O.	30.0	1976-78	3.43	3.30-3.42	Aa
State of New York	G.O.	63.5	1962-2011/01	3.49	1.50-3.65	Aaa
Montgomery Co., Md.	G.O.	11.0	1962-91	3.49	1.70-4.40	A
Contra Costa Co. Wtr. Dist. California	Rev.-Ut.	12.8	1963-96	3.98	2.10-4.20	Baa
Penna. St. Pub. Bldg. Auth.	Rev.-Rent.	20.6	1961-2000/70	3.85	1.50-4.00	--
<u>OTHER</u>						
None						

Footnotes

- 1/ Includes corporate and other security offerings of \$15 million and over; State and local government security offerings of \$10 million and over.
- 2/ Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.
- 3/ In the case of State and local government securities, G.O. denotes general obligations; Rev.-Ut., revenue obligations secured only by income from public utilities; Rev.-Q.Ut., revenue bonds secured only by revenue from quasi-utilities; Rev.-S.T., revenue bonds secured by revenue from specific taxes only; Rev.-Rent., revenue bonds secured solely by lease payments.
- 4/ 1 per cent securities of 1198-2000 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 - Dec. 31	210	445	30	280	545	30
1960 - Jan. 29	207	210	45	372	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	--
Dec. 30	91	412	--	1,036	682	--

Forthcoming Large Offerings, as of January 20

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Lone Star Gas Co.	Com. stk.	26.2	Jan. 23 (rights expire)
Brunswick Corp.	Conv. sub. deb.	25.6	Jan. 25 (rights expire)
Montgomery Ward Credit Corp.	Deb.	25.0	Jan. 27
Montgomery Ward Credit Corp.	Sub. deb.	25.0	Jan. 27
Consolidated Natural Gas Co.	Deb.	45.0	Feb. 8
Southern Co.	Com. stk.	30.0	Feb. 11
*Puget Sound Pwr. & Light Co.	Bds.	15.0	Feb. 15
*American Machine & Foundry Co.	Conv. deb.	40.5	Mar. 16 (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
Realty Collateral Corp.	Coll. tr. notes	20.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
New York City, New York	G.O.	76.5	Jan. 24
State of Maryland	G.O.	20.3	Jan. 24
State of Connecticut	G.O.	29.0	Feb. 1
*Milwaukee Co., Wisc.	Rev.-Ut.	10.3	Feb. 3

Forthcoming Large Offerings, as of January 20 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Houston Ind. Sch. Dist., Texas	G.O.	14.0	Feb. 6
State of North Carolina	G.O.	10.0	Feb. 8
*State of Texas	G.O.	12.5	Feb. 9
*St. Louis, Missouri	G.O.	15.8	Feb. 15
Baltimore, Maryland	G.O.	47.0	Feb. 15
Dallas, Texas	G.O.	19.0	Feb. 20
Kentucky Turnpike Authority	Rev.	38.0	Indefinite
Los Angeles Dept. of Wtr. & Pwr., California	Rev.-Ut.	12.0	Indefinite
Orleans Parish School Dist., La.	G.O.	10.0	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: 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 Low	5.30 (12/8/59)	87	5.65 (9/18/59)	123
	2.93 (3/31/54)	-3	3.00 (3/17/54)	-15
1959 - July Aug. Sept. Oct. Nov.	*4.93	31	5.07	17
	4.83	23		
	5.13 ^{2/}	36	*5.65	60
	*5.08	42	5.33	43
	*5.30	63		
1960 - Dec. Jan. Feb. Mar. Apr. May 10 12 25 June 17 28 29 July 8 13 Sept. 15 23 28 Oct. 5 21 Nov. 4 16 17 18 Dec. 7	*5.30	63	5.45	51
			*5.30 ^{2/}	28
	5.09	45		
	4.82	25	4.97	9
	4.91	37	5.14	35
	4.88	32		
			5.10	26
			5.20	33
	4.82	25	4.95	11
	4.84	27		
			4.93	11
			4.88	8
			4.80	24
	4.65 ^{2/}	27		
	4.55 ^{2/}	17		
	4.63 ^{2/}	24		
	4.67 ^{2/}	22		
		4.88	26	
4.78	33			
4.85	40			
		5.05	43	
5.00	49			
1961 - Jan. 12 18	4.86	11		
	4.55	7		

*--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.

January 23, 1961

Part II - Canada

Interest rates had a slight rising tendency in Canada during the week under pressure of new security offerings and securities sales by the Bank of Canada. A \$100 million issue of new 3-year Government of Canada bonds was oversubscribed, and more offerings are expected in the near future. Some foreign interest was reported in the new issue. Canadian short Treasury bills continued to exceed the U.S. bill yield by almost 1 per cent per annum, but on a covered basis the incentive to hold the Canadian bill declined as a result of a widening of the discount on the forward Canadian dollar. Stock prices rose to the highest levels in over a year. The Canadian dollar showed little change and closed last Thursday at about 100.7 (U.S. cents).

Money market. The average yield on the Canadian 3-month Treasury bill at last Thursday's auction rose 4 basis points from 3.18 per cent on January 12 to 3.22 per cent on January 19 (see Table). The average yield on the 6-month bill also rose slightly from 3.48 per cent on January 12 to 3.53 per cent last week. The Bank of Canada sold \$14 million of bills last week, while the chartered banks purchased \$10 million and the general public purchased \$3 million. The average closing rate on day-to-day loans showed no change from the previous week at 2.80 per cent per annum.

The spread favoring the Canadian over the United States short Treasury bill widened just slightly to 0.95 per cent per annum during the week (see Table). A wider discount on the forward Canadian dollar reduced the net incentive to hold the Canadian bill on a covered basis from 0.66 per cent per annum to 0.45 per cent last week (see Table).

Bond market. There was only a slight upward drift in yields on Canadian bonds last week. The spread between selected comparable Canadian and United States securities (Thursday yields for bills and Wednesday yields for bonds) were as follows (figures in parentheses refer to the previous week):

0.95 per cent on a 91-day bill (0.91)
 1.06 per cent on a 182-day bill (0.98)
 0.78 per cent on an 80-year bond (0.82)
 1.29 per cent on a 30-year bond (1.29)
 1.50 per cent on a 35-year bond (1.50)

The Bank of Canada reduced its holding of bonds by \$25 million and the chartered banks sold \$17 million, while the Government accounts purchased \$23 million and the general public purchased \$17 million (see Table).

On January 18, the Minister of Finance announced a new \$100 million, 3-year Canadian bond issue as the first step in financing the \$525 million issue which will mature May 1, 1961. The new issue was oversubscribed with strong foreign demand, especially from Europe. The offering was for noncallable 4 per cent bonds, at 98.50, to yield 4.50 per cent to

maturity on May 1, 1964. Another \$50 million of this issue will be taken by the Bank of Canada in exchange for an equal amount of the May 1, 1961 maturity. The Minister of Finance announced that, as a result of the successful savings bond drive, the Government has sufficient funds to permit it to retire the remaining \$325 million of the maturing issue and follow in an orderly fashion with new bond offerings in the coming months.

Ontario Hydro offered \$50 million of bonds last week with a choice of two maturities as follows: (1) 20-year, 5-1/2 per cent bonds, at 97 yielding 5.75 per cent; (2) 10-year, 5-1/4 per cent bonds, at 99, to yield 5.375 per cent. While the price of the new issue was not considered very generous, demand was reported heavy. Demand from U.S. investors, however, was reported to be light.

A \$15 million, 20-year bond issue by Irving Oil Co. is expected soon, to be priced at a discount with a 6 per cent coupon. Alberta Trunk line is now reassessing its plans for a \$50 million mortgage bond placement in the U.S., since the yield would have to be higher now because of the recent increase in the withholding tax.

Consumer credit. In recent years consumer debt has been increasing faster than disposable income. At the end of September 1960 consumer debt was 14.3 per cent of disposable income compared with 14.1 per cent in 1959 and as little as 8.9 per cent in 1952 (see Table). There has also been a tendency in the last two years for longer repayment periods to be offered in the financing of nondurable consumer purchases (see Table), but the periods remain shorter than the average for the United States.

Foreign exchange. There was little fluctuation in the rate on the Canadian dollar during the week with the spot rate closing at 100.66 (U.S. cents) last Thursday compared with 100.63 (U.S. cents) the week before. There was some upward pressure on the rate early Wednesday when the Government offered a new \$100 million bond issue; the rate rose to 100.8 (U.S. cents) but eased to 100.7 (U.S. cents) later in the day. There was some widening of the discount on the 3-month forward Canadian dollar as the spread of the Canadian over the U.S. bill yields continued close to 1 per cent for the 3-month bill.

Stock market. Industrial stock prices on the Canadian exchanges continued to rise through the week, with the Toronto index exceeding the high of early 1960. The following table compares industrial stock prices in Toronto, Montreal, and New York's Standard and Poor:

	<u>Toronto</u>	<u>Montreal</u>	<u>New York Standard & Poor</u>
1960 - High	532.28	320.0	65.00
Low	472.38	250.3	55.98
1961- Jan. 6	529.69	282.0	61.86
9	532.06	283.2	61.19
10	533.00	285.6	
11	532.68	286.8	62.58
12	532.39	286.9	62.76
13	534.25	290.2	63.07
16	536.13	289.6	63.07

The volume of stock sold on Canadian exchanges rose sharply during the week ending January 13, to \$11,656 million compared with \$9,855 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

	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	100.33	--	-0.91	-0.57
Dec. 29	3.25	2.17	1.08	100.33	100.22	-0.43	0.65
Jan. 5	3.34	2.27	1.07	100.47	100.36	-0.44	0.63
12	3.18	2.27	0.91	100.63	100.56	-0.25	0.66
19	3.22	2.27	0.95	100.66	100.53	-0.50	0.45

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. 29	3.54	1.17	4.74	1.00	5.19	1.37	5.23	1.57
Jan. 5	3.63	1.15	4.70	0.99	5.19	1.37	5.23	1.59
12	3.48	0.98	4.68	0.82	5.17	1.29	5.20	1.50
19	3.53	1.06	4.73	0.78	5.20	1.29	5.20	1.47

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>
Nov. 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
29	- 3	0	+ 2	+ 6	+ 14	- 8	--	- 24
Jan. 5	+ 2	- 2	- 11	+ 18	- 12	- 4	- 15	+ 10
12	- 9	- 12	+ 16	+ 39	- 2	+ 16	- 24	- 11
19	- 14	- 25	+ 25	+ 10	- 17	- 7	+ 3	+ 17

Source: Bank of Canada, Weekly Financial Statistics.

Consumer Debt as Per cent of Disposable Income
(in per cent)

1960	14.3	1955	12.4
1959	14.1	1954	11.2
1958	13.1	1953	10.5
1957	12.7	1952	8.9
1956	13.0		

Average Repayment Terms in Months

	<u>1958</u>	<u>1960</u>
New cars	24.1	26.8
Used cars	17.0	17.6
Other consumer goods	20.1	24.5
Other commercial and industrial goods	25.1	28.3

Source: The Financial Post.