

H.14

January 30, 1961.

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FEDERAL RESERVE BANK
OF RICHMOND

(CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

(Including Quarterly Review of State and Local
Government Financing in the United States)

Part I - United States

Large public security financing was substantial last week, but is expected to be much smaller this week. During the week ending January 27, corporations sold large issues totaling \$102 million, including the expiration of subscription rights. Large State and local government bond issues amounting to \$97 million were also sold.

This week, the calendar includes only three State and local government bond issues with total proceeds of \$53 million. No large corporate issues are scheduled for sale.

Long-term bond yields - Changes in yields on outstanding bonds were mixed, but minor, last week. Yields on high-grade corporate and U. S. Government bonds declined, while those on State and local obligations were stable. Yields on Baa-rated corporate bonds increased slightly.

Offering yields on new corporate issues continued to decline last week. A new Aa-rated, first mortgage electric utility issue was offered to the public last week to yield 4.44 per cent, 11 basis points lower than the yield for a comparable offering made a week earlier. The yield of 4.44 per cent for the recent offering was also two basis points below the yield on similar seasoned bonds. The negative spread, occurring for the first time since January 1958, may be partially accounted for by the fact that the issue had an Aaa rating from another investment service. The spread between new offering and outstanding bond yields has been narrowing in recent weeks, however.

The offering of New York City bonds last week presents an opportunity to compare current State and local government bond yields with those of 1958 and 1959. New York City also sold similar A-rated issues near the time when yields on outstanding bonds were at their lows in 1958 and at their peaks in 1959. The increase in yields for all maturities was greater from May 1958 to October 1959 than the decline since then. Both the increase in yields and the subsequent decline was sharper for shorter term bonds than long-term bonds. Moreover, the decline in yields on shorter term bonds since October 1959 has offset a larger proportion of the earlier increase than has been the case for longer term bonds. (Table on next page.)

Short- and intermediate-term interest rates - Yields on Treasury bills and intermediate-term issues declined last week. Rates on directly placed finance company paper were lowered last week bringing the weekly average to 2.71 per cent--10 basis points less than the week before. Other major short-term money rates were unchanged.

New York City Bond Sales

Date	Amount (millions of dollars)	Net interest cost (per cent)	Yield by years to maturity					Outstanding ^{1/} 20
			New issue					
			1	5	10	15	20	
May 15, 1958	47.3	2.52	.85	2.00	2.60	2.90	--	3.13
Oct. 16, 1959	18.0	3.64	3.00	3.30	3.55	3.70	--	3.97
Jan. 24, 1961	76.5	3.42	1.70	2.80	3.30	3.55	3.65	3.65

^{1/} Moody's A-rated State and local government bond yield averages.

Mortgage recordings - Nonfarm mortgage recordings continued to decline in November and were about 3 per cent lower than a year earlier. Federally-underwritten loans were 17 per cent lower while conventional were 2 per cent higher.

February security volume - Sales of corporate securities to raise new capital in February are expected to total \$500 million, the same as this month, but nearly one-third smaller than in February 1960.

State and local government bond sales are also estimated at \$500 million for February. This total would be one-fifth smaller than a year earlier and one-third smaller than in January.

Stock prices - Stock prices increased sharply last week, reaching a new peak. Standard and Poor's index of 500 common stocks closed at 61.24 on January 27, .53 points higher than the previous peak of 60.71 reached on Monday, August 3, 1959. Trading activity was very heavy, averaging 4.4 million shares a day.

State and Local Government Security Offerings in 1960

State and local governments sold new bond issues in the fourth quarter totaling \$1.3 billion, nearly one-sixth smaller than in the comparable quarter of 1959. (This is the smallest quarterly volume since the fourth quarter of 1958.) The decline in offerings during the recent October-December period from that of a year earlier occurred principally in financing for schools, water and sewer and public housing.

For the year 1960 as a whole, State and local government bond sales aggregated \$7.5 billion, \$400 million less than in 1958 and 1959 but more than in any other year.

Purpose of issue - Bonds sold to provide funds for educational building totaled \$2.4 billion in 1960 and were, as in other recent years, the most important purpose of issue. School bond sales last year were slightly larger than in 1959, but one-tenth smaller than the record 1958 volume. New highway financing also increased last year, totaling \$1.0 billion, one-fifth larger than in 1959. New bond issues to obtain funds

Long-term Security Issues of State and Local Governments
1955-60
(In millions of dollars)

	1960	1959	1958	1957	1956	1955
Issuing authority:						
State	1,094	1,609	2,016	1,508	818	1,408
County and township	533	499	541	434	328	472
Municipality	2,414	2,365	2,436	2,327	1,814	1,313
School district	1,471	1,328	1,471	1,602	1,111	1,005
Special authority	1,977	2,098	1,368	1,279	1,103	1,097
Unidentified 1/	--	--	--	--	351	683
Total	7,489	7,900	7,832	7,150	5,525	5,976
Purpose of issue:						
New capital total	7,444	7,793	7,746	7,099	5,459	5,911
Schools 2/	2,375	2,247	2,644	2,551	1,682	1,516
highways, bridges and tunnels	1,005	834	1,172	1,041	701	1,362
Residential buildings	686	701	530	299	258	570
Hospitals and institutions	101	114	216	136	61	98
Sewer and water	1,043	1,129	1,089	1,020	817	712
Misc. public service enterprises	242	811	314	504	663	169
Veterans' aid	201	355	339	333	110	169
Other	1,791	1,571	1,441	1,216	817	637
Unidentified 1/	--	--	--	--	351	680
Refunding	45	108	86	50	66	65
Total	7,489	7,900	7,832	7,150	5,525	5,976
Type of issue:						
General obligation	4,636	4,775	5,446	4,795	3,570	3,770
Revenue	2,070	2,409	1,778	1,964	1,610	1,730
Utility	965	1,601	1,006	1,433	n.a.	n.a.
Quasi-utility	829	404	165	54	n.a.	n.a.
Special tax	79	238	331	289	n.a.	n.a.
Rental	198	166	276	188	n.a.	n.a.
Public Housing Authority	403	333	187	66	199	474
Federal Government loans 3/	379	383	420	324	146	2
Total	7,489	7,900	7,832	7,150	5,525	5,976

1.a.--Not available.

1/ Issues of less than \$500,000 not further classified in 1954, 1955 and first half of 1956.

2/ Data for 1955 probably understate school issues by about one-fourth because of unclassified small issues.

3/ Coverage for 1957-60 is broader than for earlier years.

Note.--Details may not add to totals because of rounding.

Source.--1955-June 1956, Bond Buyer and Federal Reserve; July 1956-1960, Investment Bankers Association of America. Data for 1957-60 not strictly comparable with data for earlier years.

for other major purposes were in smaller volume in 1960 than a year earlier. The decline was particularly sharp for sales for miscellaneous public service enterprises--primarily electric utilities--and veterans' aid bonds.

Type of issuer - As they had been in 1959, municipalities were the most important type of State and local governmental unit selling bonds. Bond sales by these units totaled \$2.4 billion, slightly more than a year earlier. School districts, counties and townships also sold a larger volume of bonds last year than in 1959. Offerings by States and special authorities, however, were sold in smaller volume.

Type of issue - Revenue bond financing declined much more last year than did general obligation bond sales. The volume of revenue bond offerings--\$2.1 billion--was 14 per cent smaller in 1960 than a year earlier, while general obligation financing, totaling \$4.6 billion, was only 3 per cent smaller. Revenue bond sales had been particularly large in 1959, reflecting in part the sale of a number of very large issues to provide funds for electric utility systems. Offerings of public housing authority bonds were in larger volume in 1960 than a year earlier, while Federal Government loans were made in about the same volume.

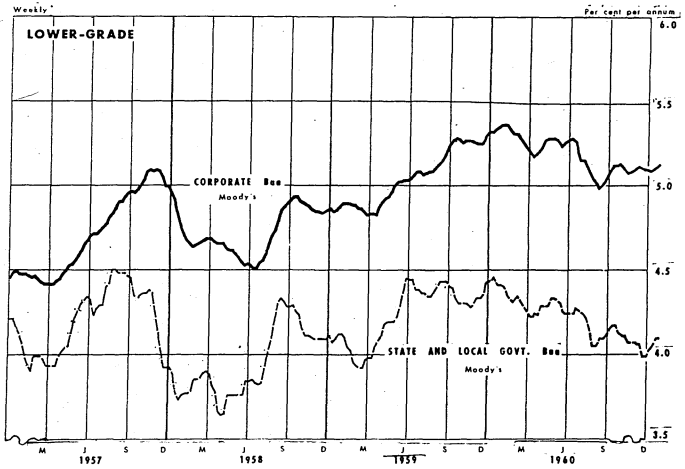
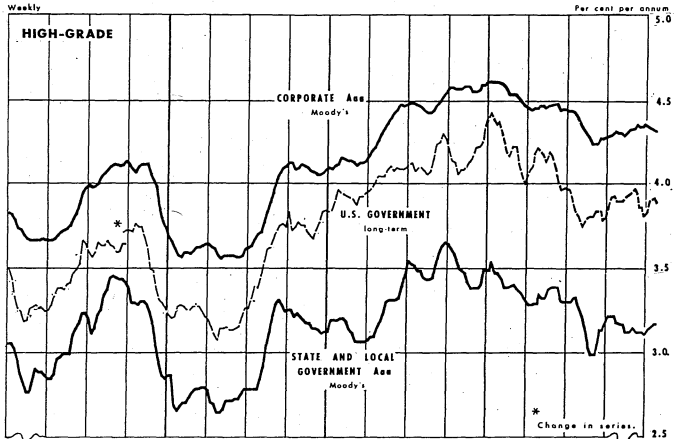
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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



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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
Dec. 30	4.35	3.82	3.11	.53	.71
Jan. 6	4.34	3.84	3.13	.50	.71
Jan. 13	4.33	3.90	3.14	.43	.76
Jan. 20	4.32	3.92	3.16	.40	.76
Jan. 27 ^{p/}	4.31	3.89	3.16	.42	.73

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. 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	5.11	4.09	.79	.93
Jan. 27 ^{p/}	5.12	4.09	.81	.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.

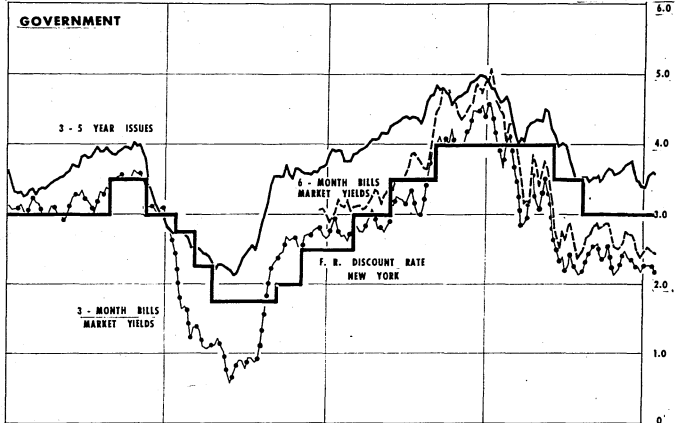
Note.- Highs and lows are for individual series and may be on different dates for different series.

EXHIBIT C

SHORT- AND INTERMEDIATE- TERM INTEREST RATES

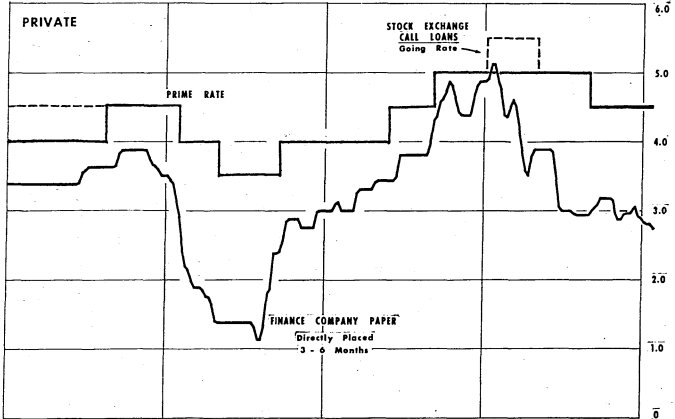
Weekly

Per cent per annum



Weekly

Per cent



1957

1958

1959

1960

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. 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	3.00	2.25	2.46	3.59	.21	1.34	
Jan. 27 p/	3.00	2.17	2.42	3.57	.25	1.40	

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. 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	4.50	4.50	2.81	.56	
Jan. 27 p/	4.50	4.50	2.71	.54	

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.

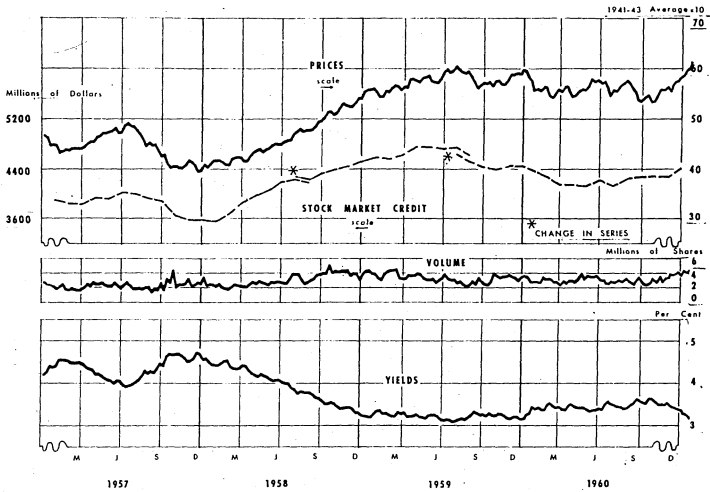
2/ Market yield; weekly averages computed from daily closing bid prices. Series of 3-5 year issues consists of selected notes and bonds.

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

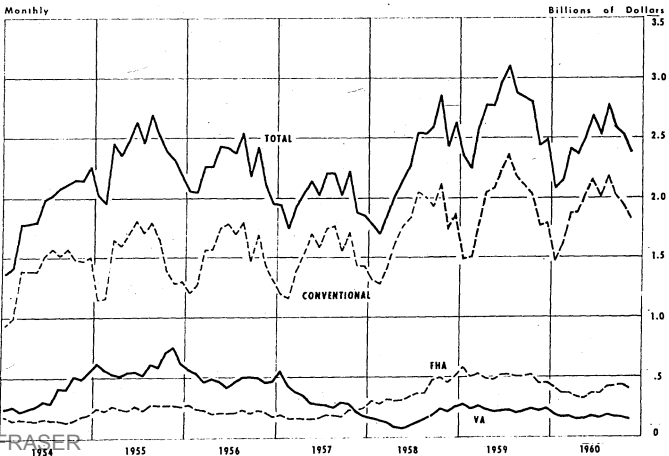
Note.--Highs and lows are for individual series and may be on different dates for different series. For spreads, high refers to widest, and low to narrowest.

EXHIBIT E

STOCK MARKET



MORTGAGE RECORDINGS AND LOANS



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	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. 13	59.60	3.26	4.4	n.a.	n.a.	1,168
Jan. 20	59.96	3.24	4.1	n.a.	n.a.	1,158
Jan. 27 p/	61.24	3.18	4.4	n.a.	n.a.	n.a.

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

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

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

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

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

5/ Wednesday figures for weekly reporting member banks. Excludes loans for purchasing or carrying U. S. Government securities: Prior to July 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.

Nonfarm Mortgage Recordings and Loans 1/

Date	Total		Unadjusted		
	Seasonally adjusted 2/	Unadjusted	FHA	VA	Conv.
(Millions of dollars)					
1959 - Nov.	2,589	2,442	448	220	1,775
Dec.	2,485	2,487	451	241	1,794
1960 - Jan.	2,487	2,079	417	195	1,467
Feb.	2,430	2,149	368	170	1,612
Mar.	2,441	2,406	361	173	1,872
Apr.	2,400	2,366	336	153	1,878
May	2,446	2,500	322	155	2,023
June	2,427	2,690	365	175	2,150
July	2,493	2,528	362	160	2,006
Aug.	2,488	2,784	417	181	2,186
Sept.	2,464	2,598	425	169	2,004
Oct.	2,451	2,525	434	162	1,929
Nov.	n.a.	2,378	404	150	1,824

n.a.--Not available.

1/ Total recordings data are estimates based on reports from about 450 areas and include mortgages of \$20,000 or less secured by nonfarm real estate, primarily residential properties. FHA-insured loans represent gross amount of insurance written, and VA-guaranteed loans the gross amount of loans closed, on 1-4 family houses. Conventional data are derived as a residual, although total recordings and VA and FHA loans are not strictly comparable in concept or timing.

2/ Three-month moving average, seasonally adjusted by Federal Reserve.

Source: Federal Home Loan Bank Board, Federal Housing Administration and Veterans Administration.

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/725	739	639
February	e/500	715	738	e/500	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		339	597
November		p/927	864		502	519
December		e/850	900		p/481	455
1st quarter		2,151	2,204		1,943	2,143
2nd quarter		2,367	2,567		2,316	2,531
3rd quarter		2,427	1,979		1,863	1,548
4th quarter		e/2,742	2,642		p/1,322	1,571
1st half		4,519	4,771		4,259	4,674
Three quarters		6,945	6,750		6,122	6,222
Year		e/9,687	9,392		p/7,444	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.

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Exhibit H

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	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 ^{4/}			Federal agency ^{3/}		
	1960	1959	1958	1960	1959	1958
January	268	190	233	479	359	371
February	345	428	460	475	500	208
March	365	295	273	511	489	144
April	365	563	357	509	486	209
May	351	411	354	632	675	161
June	297	245	264	435	289	329
July	280	246	289	312	727	437
August	505	467	423	468	365	206
September	199	399	369	296	665	330
October	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	3,098

^{p/} Preliminary.^{1/} Data presented in this exhibit differ from those in Exhibit E in that refunding issues, as well as new capital issues, are included. Long-term securities are defined as those maturing in more than one year.^{2/} Includes securities offered in the United States by foreign governments and their subdivisions and by international organizations. Source: Securities and Exchange Commission.^{3/} Issues not guaranteed by the U. S. Government. Source: long-term, Securities and Exchange Commission; short-term, Federal Reserve.^{4/} Principally tax and bond anticipation notes, warrants or certificates and Public Housing Authority notes. In some instances 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 27

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
CORPORATE						
Texas Eastern Trans. Corp.	Pfd. stk.	15.0				
Texas Eastern Trans. Corp.	1st mtg. p.l.bds.	30.0	1981	5	5.00	Baa
Lone Star Gas Co.	Com. stk.	26.2				
Brunswick Corp.	Conv. sub. deb.	25.6	1981	4-1/2	4.50	Ba
Montgomery Ward Cred. Corp.	Deb.	25.0	1981	4-3/4	4.83	A
Montgomery Ward Cred. Corp.	Sub. deb.	25.0	1981	5-1/4	5.21	Baa
STATE AND LOCAL GOVERNMENT						
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. District, California	Rev. - Ut.	12.8	1963-96	3.98	2.10-4.20	Baa

Large Individual Issues Offered January 1 through 27 (Cont'd)

Issuer	Type ^{3/}	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)						
Penna. St. Pub. Bldg.Auth.	Rev.-Rent.	20.6	1961-2000/70	3.85	1.50-4.00 ^{4/}	--
New York City, New York	G.O.	76.5	1962-91	3.42	1.70-3.80	A
State of Maryland	G.O.	20.3	1964-76	2.72	1.85-2.85	Aaa
<u>OTHER</u>						
None						

- ^{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 1998-2000 not reoffered.

Exhibit J

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/
1960 - Jan. 29	207	210	45	372	310	45
Feb. 29	301	255	35	372	385	35
Mar. 31	299	259	--	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	--
1961 - Jan. 31	110	181	--	1,046	360	--

Forthcoming Large Offerings, as of January 27

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Consolidated Natural Gas Co.	Deb.	45.0	Feb. 8
Southern Co.	Com. stk.	30.0	Feb. 11
*Chesapeake & Potomac Telephone Co.	Deb.	20.0	Feb. 16
Puget Sound Pwr. & Light Co.	1st mtg. bds.	15.0	Feb. 17
American Machine & Foundry Co.	Conv. deb.	40.5	Mar. 16
American Telephone & Telegraph Co.	Com. stk.	e/800.0	(rights expire) Apr. 14
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>			
State of Connecticut	G.O.	29.0	Feb. 1
Houston Ind. Sch. Dist., Texas	G.O.	14.0	Feb. 2
Milwaukee Co., Wisc.	Rev.-Ut.	10.3	Feb. 3
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.	32.6	Feb. 15
Dallas, Texas	G.O.	19.0	Feb. 20
Kentucky Turnpike Authority	hev.	38.0	Feb.
*St. Paul, Minnesota	G.O.	10.6	Mar. 8

Forthcoming Large Offerings, as of January 27 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
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 1/2

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)	27	5.65 (9/18/59)	123
	2.93 (3/31/54)	-3	3.00 (3/17/54)	-15
1959 - July	4.93	31	5.07	17
	4.83	23		
			5.65	60
	5.13 ^{2/}	36	5.33	43
	5.08	42		
1960 - Jan.	5.30	63	5.45	51
			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. 7	5.00	49		
1961 - Jan. 12	4.60	11		
18	4.55	7		
25	4.44	-2		

*--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 those 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.

Part II - Canada

There was a marked easing in the Canadian short Treasury bill last week largely in response to heavy Treasury bill purchases by the chartered banks. The Bank of Canada was a net seller during the week. However, the incentive to hold the Canadian bill over the U.S. bill remained at 0.50 per cent per annum on a covered basis. Bond yields eased slightly during the week. Industrial stock prices continued to rise for the eighth straight week; stock prices exceeded 1960 high during the week on the Toronto exchange. The Canadian dollar strengthened and closed above 101 (U.S. cents) last Thursday.

Money market. The average yield on the Canadian 3-month Treasury bill declined 18 basis points at last Thursday's auction from 3.22 per cent on January 19 to 3.04 per cent on January 26. The yield on the 6-month bill declined 17 basis points from 3.53 per cent on January 19 to 3.36 per cent on January 26 (see Table). The chartered banks purchased \$14 million of bills during the week while the Bank of Canada sold \$20 million, the Government Accounts sold \$13 million, and the general public sold \$10 million (see Table). The average yield on day-to-day loans declined during the week to 2.60 per cent per annum, from 2.80 per cent the week before.

While there was a slight narrowing of the spread favoring the Canadian over the United States 3-month bill, this was offset by a narrowing of the discount on the forward Canadian dollar. The net incentive to hold the Canadian bill on a covered basis increased slightly to 0.50 per cent per annum compared with 0.45 per cent a week ago (see Table).

Bond market. Bond yields eased slightly last week in most maturities. The spread between selected comparable Canadian and United States securities (Thursday yields for bills and Wednesday yields for bonds) was as follows (figures in parentheses refer to the previous week):

0.87 per cent on a 91-day bill (0.95)
 0.96 per cent on a 182-day bill (1.06)
 0.84 per cent on an 80-year bond (0.78)
 1.29 per cent on a 30-year bond (1.29)
 1.48 per cent on a 35-year bond (1.50)

Activity in the bond market on a net basis was much below the levels of the preceding week: the general public purchased \$7 million of Government bonds last week while the chartered banks sold \$6 million and the Bank of Canada sold \$1 million (see Table).

The \$15 million, 20-year Irving Oil Co. issue (see Capital Market Developments, January 23, 1961) was offered last week and oversubscribed. A three-part issue of Trans-Prarie Pipe Lines Ltd., has been sold as follows: \$2.5 million, 6-1/2 per cent, 15-year, first mortgage bonds at par; \$1 million, 6-1/4 per cent, 15-year debentures at par; \$20,000, 6 per cent preferred shares, par \$50. There was a yield of 6 per cent on 1- to 8-year maturities and 6.25 per cent on 8- to 20's for the \$1.25 million Metro Toronto Separate School Board.

Foreign exchange. The Canadian dollar showed a tendency to strengthen during the week; sharp rises on January 25 and January 26 following large grain purchases with U.S. dollars brought the rate above 101 U.S. cents. Closing rates of the Canadian dollar in U.S. cents for the week ending January 25 were:

<u>Date</u>	<u>Spot rate</u>
Jan. 19	100.66
20	100.70
23	100.78
24	100.84
25	100.91
26	101.05

There was some narrowing of the discount on the Canadian dollar during the week (see Table).

Stock market. Prices of industrial stock continued to rise for the eighth straight week with the Toronto index exceeding the high for 1960. A comparison of industrial stock price indices in Toronto, Montreal, and Standard and Poor of New York is as follows:

	<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. 16	536.13	289.6	63.07
17	535.94	287.0	62.77
18	473.31	287.7	63.14
19	539.38	289.7	63.26
20	540.63	292.1	63.46
23	542.08	292.5	63.86
24	536.81	288.4	64.11

The volume of stock sold on the Canadian exchanges last week was \$10.57 million compared with the high volume of shares sold the week before of \$14.655 million.

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	1.99
Low	1.68	2.10	-0.82	100.33	--	-0.91	-0.57
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
26	3.04	2.17	0.87	101.05	100.95	-0.37	0.50

- 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. b/		over U.S. d/	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
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
26	3.36	0.96	4.72	0.84	5.18	1.29	5.18	1.48

- 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>
Nov. 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	---	- 10
Jan. 5	+ 2	- 2	- 11	+ 18	- 12	- 4	- 15	+ 24
12	- 9	- 12	+ 16	+ 39	- 2	+ 16	- 24	- 11
19	- 14	- 25	+ 25	+ 10	- 17	- 7	+ 3	+ 17
26	- 20	- 1	- 15	+ 44	- 6	- 7	- 10	+ 7

Source: Bank of Canada, Weekly Financial Statistics.

Selected Canadian Financial Statistics
(in millions of Canadian dollars or per cent)

	<u>Monthly</u>			<u>Weekly</u>		
	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan. 5</u>	<u>Jan. 12</u>	<u>Jan. 19</u>
1. Money supply ^{1/}						
Currency	1,760	1,838	1,808	1,805	1,756	1,742
Deposits	11,621	11,502	11,455	11,580	11,441	11,399
Total	13,381	13,340	13,263	13,385	13,197	13,141
Change in period	+ 101	- 241	+ 123	+ 122	- 188	- 56
2. Govt. deposits	204	628	548	468	526	487
3. General bank loans ^{2/}	4,971	5,027	5,117	5,045	4,994	4,981
Change in period	0	+ 56	+ 90	+ 24	- 51	- 13
4. New security issues ^{3/}	1,534.6	1,043.8	1,310.5			
Of which sold in U.S.	0.0	0.0	14.0			
5. Govt. securities outstanding	+7,359	17,994	17,760	17,746	17,759	17,750
Treasury bills	1,980	1,985	1,985	1,985	1,985	1,985
Bonds	12,380	12,377	12,179	12,169	12,164	12,163
Savings bonds	2,999	3,632	3,556	3,592	3,610	3,603
6. Chartered bank liquidity						
Cash reserve	984	998	1,017	1,026	1,031	1,024
Cash ratio	8.2	8.1	8.2	8.1	8.2	8.1
Liquid assets	2,196	2,125	2,093	2,170	2,173	2,165
Liquid asset ratio	18.3	17.3	16.8	17.2	17.2	17.2

^{1/} Less float, end of period.

^{2/} Monthly estimates only are seasonally adjusted.

^{3/} Source: A. E. Ames & Co., Ltd.