Not for Publication DECONTROLLED AFTER SIX MONTHS

H.14

February 6, 1961.

CAPITAL MARKET DEVELOPMENTS
IN ~~THE UNITED~~ STATES AND CANADA

(Including Special Review of Money and Capital Markets in Switzerland)

Part I - United States

State and local governments sold large issues with total proceeds of $117 million during the week ending February 3. No large corporate issues were sold last week. This week, the calendar includes one corporate offering for $45 million and two State government issues with aggregate proceeds of $23 million.

Long-term bond yields - Bond yields changed little last week. Yields on State and local government bonds remained stable, while those on corporate and U. S. Government bonds declined slightly.

During the month of January yields declined for corporate bonds, but increased for other categories of seasoned bonds. The decline for corporate yields was 2-6 basis points and the increase for State and local and U. S. Government obligations 5-11 basis points. The average yield on new issues of corporate bonds fell 44 basis points, to 4.35 per cent, about equal to the 1960 low reached in August.

Short- and intermediate-term interest rates - Yields on Treasury bills increased substantially last week, while those on intermediate-term issues remained stable. Other major short-term money rates were unchanged.

Yields on Treasury bills increased 8 basis points in January, and those on 3-5 year issues 25 basis points. Rates on directly placed finance company paper were lowered twice during the month.

FNMA secondary market operations - Mortgage market easing continued to be reflected in December secondary market operations of the Federal National Mortgage Association. The decline in offerings of mortgages to FNMA and purchases by FNMA that characterized the earlier months of the year continued. Sales, amounting to $23.3 million, were higher in the last month of 1960 than in the first 11 months combined.

Stock prices - Stock prices rose 2 per cent further last week in very heavy trading activity. Standard and Poor's index of 500 common stocks, closed at 62.22 on Friday, February 3, only slightly lower than the Thursday peak. The volume of trading averaged 4.9 million shares a day.

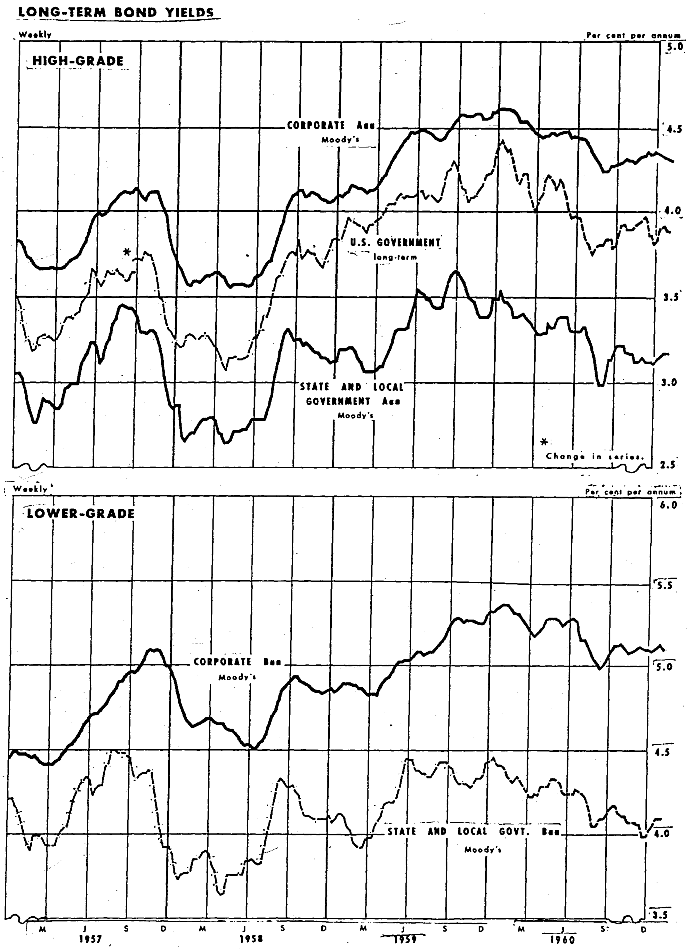
During the month of January, stock prices rose 6 per cent and trading activity averaged a record 4.2 million shares a day.

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

Developments in the Canadian capital market are presented in Part II of this report and a special review of the Swiss money and capital markets is appended.

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

EXHIBIT A



LONG-TERM BOND YIELDS
Weekly
Per cent per annum
HIGH-GRADE
CORPORATE Aaa
Moody's
U.S. GOVERNMENT
long-term
STATE AND LOCAL
GOVERNMENT Aaa
Moody's
*
Change in series.
5.0
4.5
4.0
3.5
3.0
2.5
Weekly
Per cent per annum
LOWER-GRADE
CORPORATE Baa
Moody's
STATE AND LOCAL GOVT. Baa
Moody's
6.0
5.5
5.0
4.5
4.0
3.5
M J S D M J S D M J S D M J S D
1957
1958
1959
1960

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 government 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	.50
1958 - Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.22	.34
1959-60 - High	4.61 (1/29/60)	4.42 (1/8/60)	3.65 (9/24/59)	.59	.92
1961 - High	4.34 (1/6)	3.92 (1/20)	3.16 (1/19)	.50	.76
Low	4.30 (2/3)	3.84 (1/6)	3.13 (1/5)	.40	.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	4.31	3.89	3.16	.42	.73
Feb. 3 p/	4.30	3.88	3.16	.42	.72

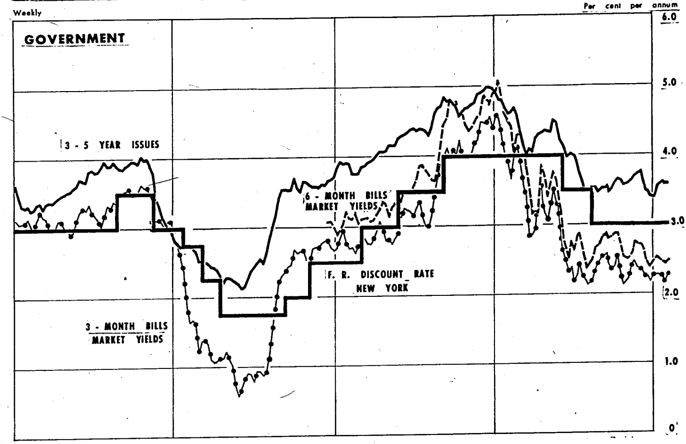
Lower grade

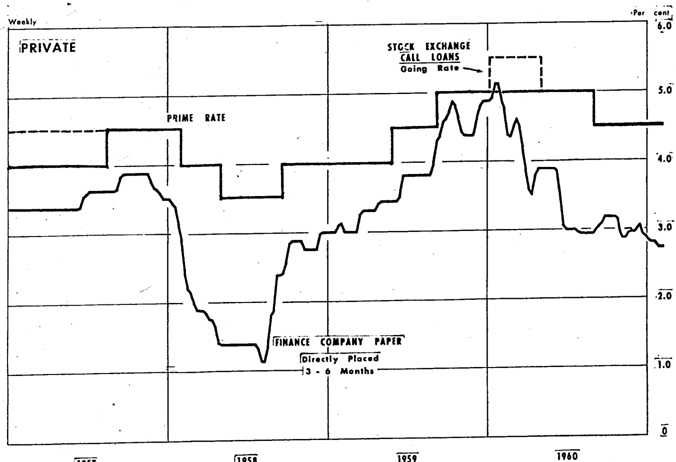
Date	Corporate Baa 1/	State and local government Baa 3/	Spread between Aaa and Baa	
			Corporate	State and local govt.
		(per cent)		
1954 - Low	3.44 (12/31)	2.93 (8/5)	.52	.96
1957 - High	5.10 (11/29)	4.51 (8/29)	1.27	1.21
1958 - Low	4.51 (7/11)	3.64 (5/1)	.77	.93
1959-60 - High	5.36 (2/12/60)	4.46 (1/7/60)	.84	1.08
1961 - High	5.12 (1/27)	4.09 (1/19)	.74	.93
Low	5.08 (1/6)	4.03 (1/5)	.81	.90
Jan. 6	5.08	4.03	.74	.90
Jan. 13	5.10	4.04	.77	.90
Jan. 20	5.11	4.09	.79	.93
Jan. 27	5.12	4.09	.81	.93
Feb. 3 p/	5.09	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 C

SHORT- AND INTERMEDIATE- TERM INTEREST RATES





Short- and Intermediate-term Interest Rates

Government

Date	Discount rate 1/	Yields: 3-month bills 2/	Yields: 6-month bills 2/	Yields: 3-5 year issues 2/	Spread between yields on 3-month bills and yields on 6-mo. bills	Spread between yields on 3-month bills and yields on 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
1959-60 - High	4.00	4.59 (1/8/60)	5.07 (1/8/60)	5.00 (12/24/59)	.79	1.81
1961 - High	n.a.	2.29 (2/3)	2.51 (1/13)	3.59 (1/20)	.25	1.40
Low	n.a.	2.17 (1/27)	2.42 (1/27)	3.39 (1/6)	.20	1.11
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	3.00	2.17	2.42	3.57	.25	1.40
Feb. 3 p/	3.00	2.29	2.49	3.57	.20	1.28

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)	.63 (11/22)
1958 - Low	3.50	3.50	1.13 (8/8)	-.35 (8/29)
1959-60 - High	5.50	5.00	5.13 (1/22/60)	1.02 (3/25/60)
1961 - High	n.a.	n.a.	2.83 (1/6)	.56 (1/20)
Low	n.a.	n.a.	2.71 (1/27)	.42 (2/3)
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	4.50	4.50	2.71	.54
Feb. 3 p/	4.50	4.50	2.64	.42

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.

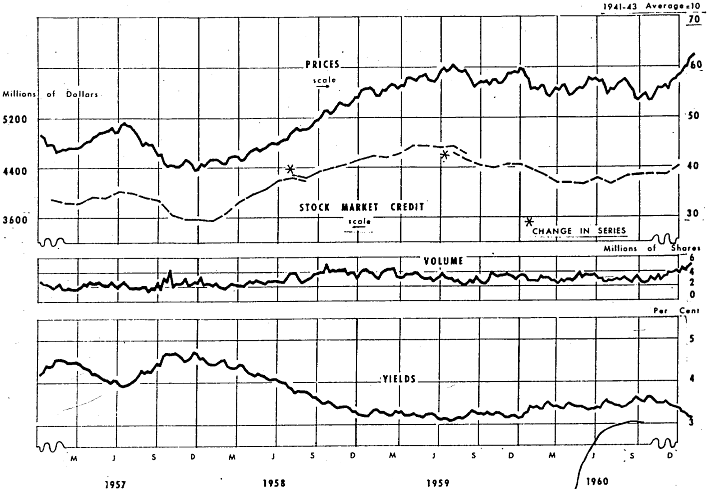
2/ Market yield; weekly averages computed from daily closing bid prices. Series of 3-5 year issues consists of selected notes and bonds.

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

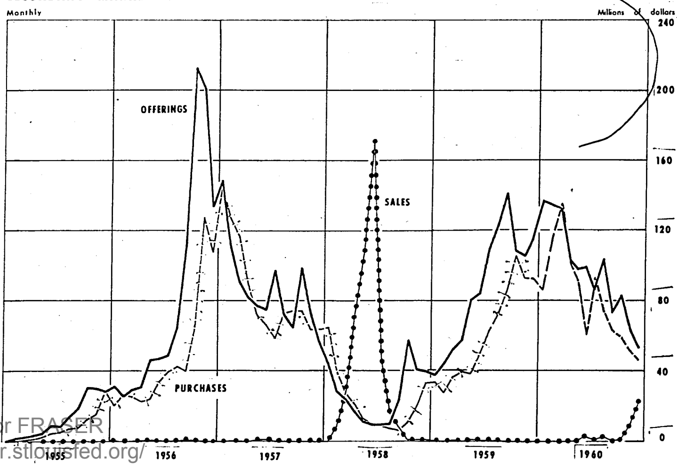
Note.--Highs and lows are for individual series and may be on different dates for different series. For spreads, high refers to widest, and low to narrowest.

EXHIBIT E

STOCK MARKET



FEDERAL NATIONAL MORTGAGE ASSOCIATION
SECONDARY MARKET OPERATIONS



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/
				(In millions of dollars)		
957-60 - High	60.51 (7/31/59)	3.08	4.9	4,764 (4/59)	3,401 (4/59)	1,373 (5/59)
Low	39.48 (12/20/57)	4.72	1.4	3,554 (1/58)	2,482 (12/57)	1,060 (11/57)
961 - High	62.22 (2/3)	3.12	4.9	n.a.	n.a.	n.a.
Low	58.48 (1/6)	3.32	3.6	n.a.	n.a.	n.a.
ecember	56.80	3.41	3.7	4,406	3,222	1,184
anuary	59.72	3.28	4.2	n.a.	n.a.	1,163
an. 20	59.96	3.24	4.1	n.a.	n.a.	1,158
an. 27	61.24	3.18	4.4	n.a.	n.a.	1,163
eb. 3 p/	62.22	3.12	4.9	n.a.	n.a.	n.a.

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 Friday's 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.

Federal National Mortgage Association Secondary Market Operations 1/

Date	Estimated Offerings to FNMA Total	Immediate purchase	Standby commitment	Purchases by FNMA	Sales by FNMA
	(In millions of dollars)				
1959 - Dec.	116.3	111.4	4.9	92.2	*
1960 - Jan.	137.6	128.3	9.3	86.1	--
Feb.	135.8	128.9	6.9	116.7	--
Mar.	133.2	124.6	8.6	135.0	--
Apr.	103.5	96.2	7.3	102.6	*
May	98.5	93.8	4.7	91.9	3.6
June	99.9	93.7	6.1	60.8	1.0
July	88.0	82.9	5.1	93.7	3.2
Aug.	104.0	89.1	14.8	75.6	.1
Sept.	73.0	69.8	3.3	63.0	.8
Oct.	83.2	68.6	14.6	58.8	1.1
Nov.	r/61.7	56.9	4.8	51.6	8.9
Dec. p/	53.3	51.4	1.9	45.5	23.3

*--Less than $50,000.

1/ Data represent unpaid principal balances of the mortgages involved, exclusive of premiums, discounts, or other charges. Offerings are amounts of applications received during the period from sellers proposing that FNMA execute purchasing contracts. An immediate purchase contract covers existing mortgages which the seller must deliver to FNMA within 45 days. A standby commitment contract relates to proposed mortgages, on housing not yet under construction, which the seller must usually deliver within one year. Purchases include those under both immediate purchases and standby commitment contracts. Data exclude FNMA activity under Special Assistance and Management and Liquidating Programs.

Exhibit G

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

(In millions of dollars)

	New capital					
	Corporate 1/			State and local 2/		
	1961	1960	1959	1961	1960	1959
January	e/500	577	821	e/725	739	639
February	e/650	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/		
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	499	343	415	282	471	114
December	p/215	358	243	177	288	137
Year	p/3,942	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/
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
1961 - January	147	391	--

Large Individual Issues Offered February 1 through 3

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
CORPORATE						
None						
STATE AND LOCAL GOVERNMENT						
State of Connecticut	G.O.	29.0	1964-80	2.83	1.90-3.10	Aaa
Houston Ind. Sch. Dist., Texas	G.O.	14.0	1963-89	3.30	1.70-4.00	A
Milwaukee Co., Wisc.	Rev.-Ut.	10.3	1962-81	2.87	1.50-3.15	Aaa
Kentucky Turnpike Auth.						
Term	Rev.-Ut.	21.2	2000	4.86	4.80	--
Serial	Rev.-Ut.	17.8	1965-84		3.50-4.60	
Chicago - O'Hare Int'l Airport	Rev.-Ut.	25.0	1999	4.66	4.50	--
OTHER						
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.

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 February 3

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
CORPORATE			
Consolidated Natural Gas Co.	Deb.	45.0	Feb. 8
Southern Co.	Com. stk.	30.0	Feb. 15
Chesapeake & Potomac Telephone Co.	Deb.	20.0	Feb. 16
Puget Sound Pwr. & Light Co.	1st mtg. bds.	15.0	Feb. 16
*General Motors Accept. Corp.	Deb.	150.0	Feb. 17
American Machine & Foundry Co.	Conv. deb.	40.5	Mar. 16 (rights expire)
American Telephone & Telegraph Co.	Com. stk.	e/800.0	Apr. 14 (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
STATE AND LOCAL GOVERNMENT			
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
*Denver, Colorado	G.O.	15.0	Mar. 7
*State of New Jersey	G.O.	20.9	Mar. 7
St. Paul, Minnesota	G.O.	10.6	Mar. 8
Los Angeles Dept. of Wtr. & Pwr., California	Rev.-Ut.	12.0	Indefinite

Forthcoming Large Offerings, as of February 3 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
STATE AND LOCAL GOVERNMENT (Cont'd)			
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
OTHER			
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: Liberian Iron Ore, Ltd. $30.0 million bonds and stock issue--arrangements made for loans with the Export-Import Bank and foreign financial institutions.

Exhibit K

Yields on New and Outstanding
Electric Power Bonds, Rated Aa and A 1/

Date	Aa-rated offering yields		A-rated offering yields	
	Actual (per cent)	Amount above seasoned yields (basis points)	Actual (per cent)	Amount above seasoned yields (basis points)
1952-1959 - High	5.30 (12/8/59)	87	5.65 (9/18/59)	123
Low	2.93 (3/31/54)	-3	3.00 (3/17/54)	-15
1959 - July	*4.93	31	5.07	17
Aug.	4.83	23		
Sept.			*5.65	60
Oct.	5.13 2/	36	5.33	43
Nov.	*5.08	42		
Dec.	*5.30	63	5.45	51
1960 - Jan.			*5.30 2/	28
Feb.	5.09	45		
Mar.	4.82	25	4.97	9
Apr.	4.91	37	5.14	35
May 10	4.88	32		
12			5.10	26
25			5.20	33
June 17			4.95	11
28	4.82	25		
29	4.84	27		
July 8			4.93	11
13			4.88	8
Sept. 15			4.80	24
23	4.65	27		
28	4.55 2/	17		
Oct. 5	4.63 2/	24		
21	4.67 2/	22		
Nov. 4			4.88	26
16	4.78	33		
17	4.85	40		
18			5.05	43
Dec. 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 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.

February 6, 1961

Part II - Canada

Canada: Money and Capital Markets During January

The decline in Canadian interest rates which commenced in December continued in January especially in the shorter and intermediate sectors of the market. Treasury bills and intermediate bonds dropped about 40 basis points while longer-term Canadian bonds fell about 20 basis points. However, the McLeod, Young, Weir 40 Bond Average remained about steady with November and December average indicating little change in corporate and local government yields.

Several factors contributed to the substantial easing in short money rates. The chartered banks added to their bill holdings, partly because their loans in January declined more than seasonally. Market reports consider that Bank of Canada buying of May 1961 issues and some growth in corporate liquidity contributed to the easing of money rates.

Industrial stock prices rose sharply in January exceeding 1960 highs. The Canadian dollar strengthened through January, rising above 101 (U.S. cents) at end-January but eased to slightly below 101 in early February.

There was a general increase in bank liquidity during the month. The January decline in loans, seasonally adjusted, at least temporarily interrupted an 11-month expansion. At the end of January, the banks' liquid asset ratio at 17.4 per cent was 0.6 per cent above the end-of-December level.

Money market. There was some decline in short-term interest rates through January, with Treasury bill yields declining about 30 basis points and short-term acceptance rates falling somewhat more. The average yield of the 3-month Treasury bill at weekly auctions fell from 3.34 per cent on January 5 to 3.04 per cent on January 26. The 6-month bill declined during this period from 3.63 per cent on January 6 to 3.36 per cent on January 26 (see Chart and Table). There were large purchases of Treasury bills by the chartered banks. They increased their bill holdings by $111 million; on the other hand, the Bank of Canada sold $41 million, and the general public sold $46 million (see Table). The average yield on day-to-day loans declined from 2.81 per cent in the week ending January 4 to 2.60 per cent in the week ending January 25.

There was a minor narrowing of the spread of the Canadian over the United States short Treasury bill yield during the month from 1.07 per cent on January 5 to 0.87 per cent on January 26. However, the discount on the forward Canadian dollar kept the net incentive to hold the Canadian bill on a covered basis at around 0.50 per cent per annum, the level at the end of January.

Yields on short-term commercial paper in leading Canadian acceptance houses also declined. There was also some narrowing of the spread over rates in the United States as a result of greater declines in the Canadian rates. During the month the spread remained close to 1 per cent per annum in favor of the Canadian paper. The following table compares rates in leading Canadian and U.S. acceptance houses:

	Canada	United States	Spread
January 5	3.50-3.75	2.63	1.00
12	3.50	2.63	0.87
19	3.50	2.63	0.87
26	3.25	2.38	0.87

Bond market. A general decline in bond yields accompanied the easing of short-term rates. One-year Canadian Government bonds declined up to 46 basis points but intermediate- and long-term yields fell between 15 and 20 basis points as shown in the following statistics:

	Yields (per cent per annum)	
Maturity	Jan. 5	Jan. 26
Oct. 1962	3.87	3.41
Sept. 1965	4.82	4.68
Jan. 1975-78	5.36	5.24
Sept. 1983	5.37	5.25

The spread between the yields on comparable Canadian and United States Government securities was narrower at the end of January than it was on January 5 as noted in the following table (Thursday yields for bills and Wednesday yields for bonds):

	Jan. 5	Jan. 26
91-day bill	1.07	0.87
182-day bill	1.15	0.96
8-year bond	0.99	0.84
20-year bond	1.37	1.29
35-year bond	1.59	1.48

The Bank of Canada sold $38 million of Government bonds during the month and the chartered banks sold another $37 million, while the general public purchased $23 million and the Government Accounts purchased $37 million.

There was little change in local government and industrial bond yields during the month. The McLeod, Young, Weir and Company 40 bond average was 5.69 per cent on February 1, about the same as the yield on end-November and end-December. A comparison of these yields over recent months is shown in the following table:

McLeod, Young, Weir Bond Yield Average
(per cent per annum)

	Dec. 1	Dec. 31	Feb. 1 1961
10 Provincials	5.60	5.68	5.70
10 Municipals	5.95	5.97	5.94
10 Public utilities	5.54	5.45	5.49
10 Industrials	5.62	5.61	5.62
40 Bond yield average	5.68	5.68	5.69

During the first 23 days of January 1961, $664.5 million of new securities were sold, consisting largely of new Government bonds. As noted in the following table, new issues in January were about half the volume in November and December.

	New issues	Of which sold to U.S.
Oct. 24 - Nov. 28	$1,534.6 mill.	0.0
Nov. 28 - Dec. 31	1,310.5 "	14.0
Dec. 31 - Jan. 23	664.5 "	1.0

Source: A. E. Ames & Co., Ltd.

In 1960 as a whole there was a slight decrease in new issues of Canadian securities and a very substantial reduction in sales of these securities in the United States. The total new issue of securities was $10.5 billion compared with $11.7 billion the year before. In 1960 there was an increase in new corporate and municipal bond issues while new Provincial and Commonwealth issues showed a decline. Of the total new issues, $252.2 million were sold in the United States, just over half of the $472.9 million of new issues sold in the U.S. in 1959. This decrease was due solely to the decline in the sale of new Provincial securities in the United States.

A new $100 million issue of Government of Canada 3-year bonds was announced on January 18 and was oversubscribed with evidence of strong foreign demand. The new issue is the first step in financing the $525 million issue which will mature May 1, 1961. The offering was for non-callable 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 $375 million of the maturing issue and to proceed in an orderly fashion with new bond offerings in the coming months.

Chartered bank loans and money supply. During January there was a $39 million decline in general bank loans on a seasonally adjusted basis, representing the first decline in 10 months. General bank loans have risen steadily since March 1960 (except for no change in October). The total rise since March was $216 million, about 4.5 per cent. The money supply fell $97 million in January following the seasonal rise of $123 million in December. During all of 1960 the money supply rose $428 million, or 3.3 per cent.

Stock market. The rise in industrial stock prices on the Canadian exchanges, which began late in November, continued through January. In January the Toronto index rose 2.9 per cent and the Montreal index rose 6 per cent, compared with a rise of 6.6 per cent in the New York Standard & Poor industrial index, as noted in the following table.

	Toronto	Montreal	New York Standard & Poor
1960 - High	532.56	277.1	61.49
Low	472.38	250.3	55.98
January 3	524.13	276.1	60.87
6	529.69	282.0	61.86
10	533.00	285.6	
13	534.25	290.2	63.07
17	535.94	287.0	62.77
20	540.63	292.1	63.46
23	542.08	292.5	63.86
27	539.50	292.7	64.86

Foreign exchange. The Canadian dollar strengthened through January from 100.59 (U.S. cents) on January 3 to 101 (U.S. cents) on January 31, following heavy grain sales abroad at the end of the month. On February 3 the Canadian dollar closed at 100.84 (U.S. cents). There was a narrowing of the forward discount on the Canadian dollar from 0.44 per cent per annum on January 5, to 0.37 per cent on January 26. On February 2, the discount narrowed further to 0.25 per cent.

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 Canada a/	U.S. b/	Spread over U.S.	Canadian dollar Spot c/	3-mo. forward	discount (-) premium(+) d/	Net incentive to hold Can. bills e/
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
Feb. 2	3.13	2.31	0.82	100.88	100.81	-0.25	0.57

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 Canada a/	Spread over U.S. b/	Intermediate bonds (8 yr.) Canada c/	Spread over U.S. d/	Long-term bonds (20 year) Canada e/	Spread over U.S. f/	(35 year) 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
Feb. 2	3.48	0.98	4.68	0.82	5.18	1.29	5.19	1.50

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)

	Bank of Canada			Chartered banks		General public		
	Treas. bills	Bonds	Government Total	Treas. bills	Bonds	Savings bonds	Treas. bills	Bonds
1960-Jan.	- 89	- 1	- 24	+ 81	+ 4	+ 3	+ 19	+ 95
Feb.	+ 55	-103	- 23	-115	+ 79	- 29	+ 59	+165
March	+141	- 64	- 54	- 11	+ 17	- 31	- 78	+ 98
April	+ 69	+ 23	- 9	- 40	- 4	- 26	- 11	+ 30
May	- 9	+ 14	- 8	+ 78	+ 9	- 29	- 97	- 18
June	- 74	+ 77	- 40	- 59	+ 27	- 31	- 8	+ 46
July	+ 19	+ 40	+ 51	- 3	- 28	- 19	- 58	- 54
Aug.	- 23	+ 34	+ 78	+ 36	- 12	- 26	- 42	- 80
Sept.	- 43	- 2	+ 6	+ 90	+ 45	- 14	- 41	- 36
Oct.	+ 66	+ 6	+ 37	- 54	+126	- 5	0	+ 72
Nov.	- 8	+ 1	+ 15	- 44	+ 29	+630	+ 55	- 46
Dec.	+ 9	- 8	- 87	- 17	- 34	- 32	+ 12	- 78
1961-Jan.	- 41	- 38	+ 15	+111	- 37	- 2	- 46	+ 23

Source: Bank of Canada, Weekly Financial Statistics.

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

	Monthly			Weekly		
	Nov.	Dec.	Jan.	Jan. 12	Jan. 19	Jan. 26
1. Money supply 1/						
Currency	1,838	1,808	1,718	1,756	1,742	1,718
Deposits	11,302	11,455	11,448	11,441	11,399	11,448
Total	13,140	13,263	13,166	13,197	13,141	13,166
Change in period	- 241	+ 123	- 97	- 188	- 56	+ 25
2. Govt. deposits	628	548	480	526	487	480
3. General bank loans 2/	5,027	5,117	5,078	4,994	4,981	4,981
Change in period	+ 56	+ 90	- 39	- 51	- 13	+ 5
4. New security issues 3/	1,043.8	1,310.5	304.5			
Of which sold in U.S.	0.0	14.0	1.0			
5. Govt. securities outstanding	17,994	17,760	17,239	17,759	17,750	17,739
Treasury bills	1,985	1,985	1,985	1,985	1,985	1,985
Bonds	12,377	12,179	12,161	12,164	12,163	12,161
Savings bonds	3,632	3,596	3,493	3,610	3,603	3,593
6. Chartered bank liquidity						
Cash reserve	998	1,017	1,027	1,031	1,024	1,030
Cash ratio	8.1	8.2	8.1	8.2	8.1	8.2
Liquid assets	2,125	2,093	2,189	2,173	2,165	2,193
Liquid asset ratio	17.3	16.8	17.4	17.2	17.2	17.4

1/ Less float, end of period.
2/ Monthly estimates only are seasonally adjusted.
3/ Source: A. E. Ames & Co., Ltd.

New Issues of Canadian Government, Local Government, and Corporate Securities
(millions of Canadian dollars)

	1960	1959	1958
Government - direct	8,614.0	9,615.5	14,830.0
Government - guaranteed	250.0	450.0	300.0
Provincial - direct	279.0	344.4	340.3
Provincial - guaranteed	381.4	436.4	451.0
Municipal	471.4	420.6	464.0
Corporation	499.8	420.1	769.2
Total	10,495.6	11,687.0	17,154.5
Less short-term (under 1 year)	6,490.0	6,947.9	6,761.0
	4,005.6	4,739.0	10,393.5
Of which, sold in the United States			
Provincial - direct	25.0	159.0	125.0
Provincial - guaranteed	67.0	151.2	70.0
Municipal	110.9	112.4	175.3
Corporation	50.3	50.3	116.7
	252.2	472.9	487.0

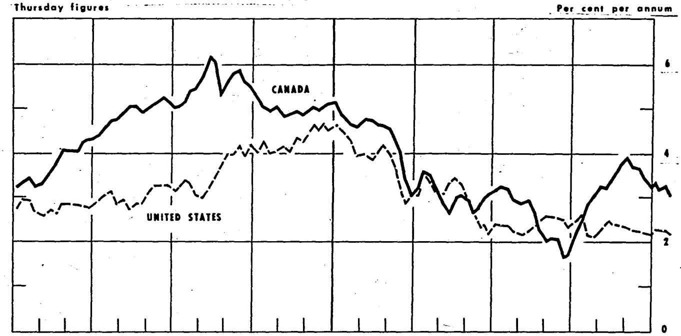
Source: A. E. Ames & Co., Ltd., Weekly Bond Sales Summary.

CANADA - UNITED STATES

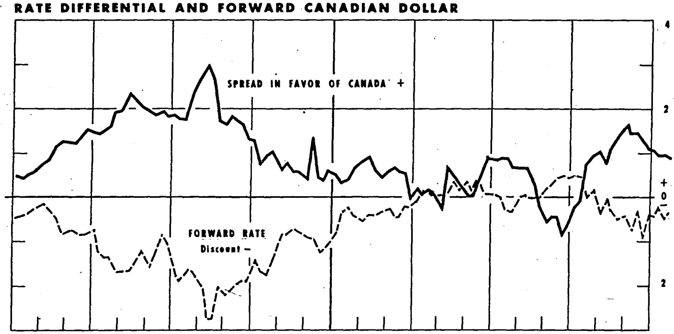
THREE-MONTH TREASURY BILL RATES

Thursday figures

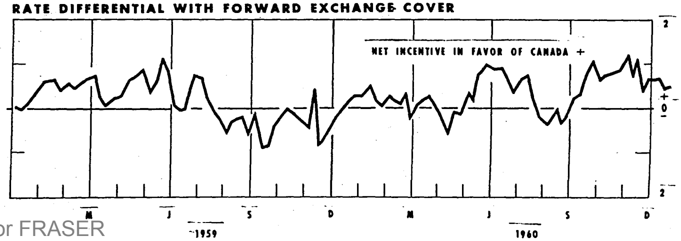
Per cent per annum



RATE DIFFERENTIAL AND FORWARD CANADIAN DOLLAR

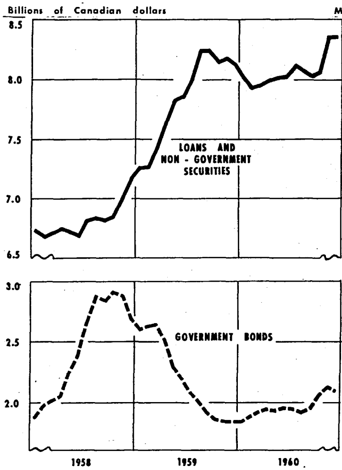


RATE DIFFERENTIAL WITH FORWARD EXCHANGE COVER

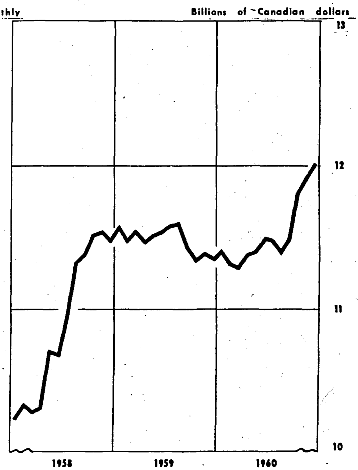


CANADA

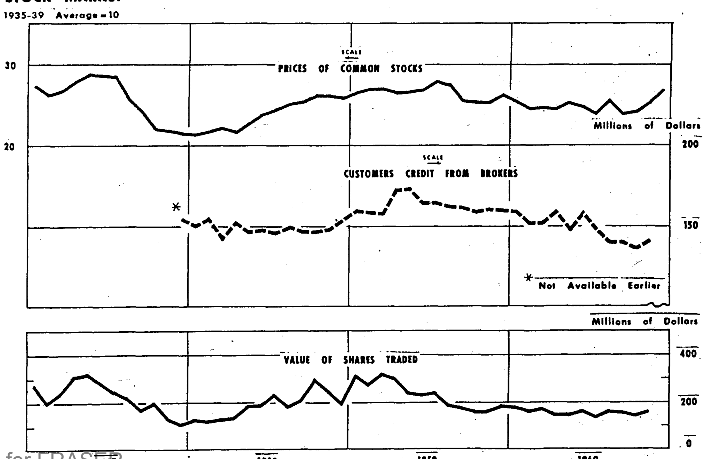
SELECTED CHARTERED BANK ASSETS



BANK DEPOSITS - LESS FLOAT



STOCK MARKET



February 6, 1961

Appendix 1

Switzerland: Money and Capital Markets in 1960

General background. To understand the position of Switzerland as an international financial center it is necessary to know some of the special characteristics of Swiss money and capital markets. Outstanding among these characteristics is the comparatively low level of interest rates normally prevailing as evidenced in the following tabulation of average yields on long-term government bonds, in per cent per annum.

Country	1956	1957	1958	1959	1960*
Switzerland	3.11	3.64	3.19	3.08	3.11
United States	3.06	3.47	3.43	4.07	4.03
Canada	3.58	4.10	4.22	4.86	5.03
France	5.28	5.92	5.68	5.27	5.16
Germany	6.2	6.6	6.3	5.9	6.5
Netherlands	3.84	4.58	4.32	4.12	4.22
United Kingdom	4.73	4.98	4.98	4.82	5.41

* Average through November (through October for France and Germany).

Source: International Monetary Fund, International Financial Statistics, January 1961, p. 29.

The comparatively low level of Swiss interest rates results mainly from two conditions: the large volume of savings (relative to internal Swiss needs for capital) available in the Swiss market, and originating in both Swiss and foreign sources; and restrictions on the outflow of capital from Switzerland.

Control of capital outflow takes the form mainly of the requirement that all foreign placements in Switzerland of share or bond issues amounting to SF 10 million ($2.3 million) or more, and all term loans (12 months or longer) of the same or larger magnitude to foreigners, must have the approval of the

Swiss National Bank.[1] It is true that direct acquisition of foreign securities is unrestricted (except that admission of foreign securities to Swiss stock exchanges can be temporarily discontinued); but the existence of this freedom apparently does not frustrate the purposes of the control of new foreign issues on the Swiss market and on term lending abroad.

The requirement of Swiss National Bank approval of such issues and lending would obviously be a mere formality if approval were granted more or less automatically; but this control is anything but a formality. "The Swiss market has the defects of its qualities. The low interest rates, its great advantage . . . can only be preserved by limiting the calls made upon the market, which in consequence is far from being an open one. There is always a long queue of would-be borrowers . . . The normal practice of the authorities is to allow at most one foreign issue a month and the issue is usually restricted to a maximum of around £5 million [around $15 million]." (London Financial Times, October 3, 1960, p. 1.)[2] In fact, for the two years prior to August 1958 the Swiss market was completely closed to foreign borrowers.

There appear to be two main motives for the basic Swiss policy of limiting capital outflow. The first is the politico-economic objective of keeping mortgage rates relatively low at all times. The second is the Swiss desire that Switzerland be a center of international finance. The authorities apparently feel that in the absence of restraint on Swiss lending and investment abroad, the flow of Swiss capital--which, although large relative to Swiss internal needs, is small relative to those of larger countries--would be completely swallowed up by foreign needs for capital, and the Swiss capital market would cease to have a significant influence of its own upon the world financial scene.

In addition to these essentially permanent motives for limiting capital outflow, the Swiss have another motive operative only at certain times and under certain conditions. Given the continuing tendency for Swiss interest rates to be lower than rates in most other countries, and the relative smallness of the Swiss capital market, it appears that when the economy is booming and liquidity is squeezed there is a tendency for capital outflow to put greater upward pressure on interest rates than the authorities feel is desirable. This was the reason for the closure of the Swiss capital market to foreign borrowers from mid-1956 to mid-1958.

A special motive for Swiss restriction of capital exports in certain directions during the past two years should also be noted. In connection with

1/ Loi fédérale sur les banques et les caisses d'épargnes, November 8, 1934, Article 8. Under certain conditions the National Bank may also subject smaller issues and loans to prior approval.

2/ From Table 3 annexed it can be seen that foreign issues on the Swiss market did not exceed the rate indicated above during the first seven or eight months of 1960, but were at a considerably higher rate during the next few months. This higher rate was probably due to special circumstances to be noted below.

the "split" between the six countries of the European Common Market, on the one hand, and other European countries (including Switzerland) that wanted to establish a larger grouping of countries, Switzerland imposed an informal but unmistakable ban on new flotations in the Swiss market by Common Market countries. However, this was lifted as of the beginning of 1961, in part because of the interest of Swiss officials in curtailing domestic liquidity, which has become very high.

This last point illustrates the other main tendency in Swiss financial policy, which is the opposing one of restricting the inflow of capital whenever the monetary authorities feel the domestic situation is excessively liquid. The Swiss National Bank has few means, other than "moral suasion," for restraining internal credit expansion once the banks have acquired the means for such expansion. Even if it did have such means, moreover, there would be strong internal opposition to efforts to restrain credit expansion by means that might raise interest rates substantially. As a result, the Swiss technique of resisting inflationary pressure by monetary means centers at times in efforts to restrain the inflow of foreign funds or reflows of domestic Swiss funds. In general, aside from the ban on Common Market issues just mentioned, Swiss monetary policy since the latter part of 1958 has emphasized this alternative aspect of policy--namely that of discouraging capital inflows and encouraging capital outflows, as a means of restraining the rise in the liquidity of Swiss banks.

In summary, shifts in official Swiss attitudes toward inflows and outflows of capital generally do not signify changes in underlying Swiss policy, but reflect rather the continued pursuit of the same policy ends--low interest rates, and restraint of inflationary pressure--by means that vary with variation in the conditions faced.

Basic characteristics of the money market. Paradoxical as it may seem, Switzerland does not have a well-developed money market. This is due essentially to what has been called the "permanent liquidity" of the Swiss economy. Trading and industrial firms do a large part of their own short-term financing, and rely mainly on current-account advances from the banks for the remainder; hence the volume of commercial bills in existence is very small. The government's need for short-term financing is small relative to total government debt, and is largely covered by the banks without recourse to public issues of government securities. As a result, there is no market in Treasury or commercial bills. The main available indicators of money-market conditions are call-money rates and the range of rates paid by Zurich banks for three-month deposits (see Table 1 annexed); and at times these rates are merely nominal. Since the supply of short-term money at the disposal of Swiss banks is usually much greater than the demand for such funds in Switzerland, even at the low rates obtaining in the Swiss market, a substantial part of this money is usually invested in other financial centers.

However, the movement of short-term money into or out of Switzerland is influenced by factors additional to interest-rate differentials. One leading factor is the desire for a "safe haven" for funds, which sometimes brings about a substantial net inflow into Switzerland even when international interest-rate differentials would suggest the likelihood of a net outflow. Secondly, year-end "window dressing" leads to a pronounced inflow of funds into Switzerland at the end of the year, which is reversed during the first quarter of the following year. Finally, the cost of forward cover may of course eliminate what would otherwise be an incentive to move funds in response to interest-rate differentials. All three of these factors affected the performance of the Swiss money market during 1960.

The money market in 1960. During the first half of 1960 the money market was not excessively liquid. There was a continued rise in economic activity, and up until mid-May a continued outflow of funds. During the first half of the year, current-account balances at the Swiss National Bank were drawn down by about SF 650 million ($151 million). As Table 1 annexed shows, short-term interest rates were perceptibly higher during this period than during most of 1959. The call-money rate averaged slightly less during the second quarter than during the first, but at 2 per cent the rate paid on three-months' deposits was higher than during the first quarter.

Beginning in the second week of July the situation changed abruptly. During that week the foreign exchange reserves of the Swiss National Bank rose by SF 153 million. The heavy influx of capital continued through the first week of August, and resulted in a rise of SF 950 million ($220 million), or nearly 12 per cent, in the gold and foreign exchange reserves of the Swiss National Bank; in turn, "giro" balances (i.e. working balances of the banks, of trade, and of industry) at the National Bank rose during the same period by SF 962 million--nearly 50 per cent more than the decline in these balances during the first half year.

Interest rate differentials contributed to the inflow of funds into Switzerland in July and early August. Although in preceding months there had been an incentive to shift short-term funds from New York to London, it is probable that some Swiss-controlled funds remained in New York until the end of June at least, because until then it was still possible to clear 1 per cent or better (even on a covered basis) in New York, as compared with what could be earned on three-months' money in Switzerland. This was due to the fact that although U.S. Treasury bill rates were declining, the discount on forward dollars in Zurich was also declining; and during the last week of May and throughout June it was replaced by a premium. With the disappearance of this premium in July, however, the covered spread between New York and Zurich also all but disappeared. As was clearly realized at the time, however, the main causes of the sharp inflow of funds into Switzerland were the Congo and Cuban crises that developed at that time. These causes may also have been reinforced by feelings of uncertainty in some quarters regarding the outlook for the dollar.

Whatever the causes of the inflow, the resulting rise in liquidity was viewed by the monetary authorities as dangerous. They therefore proposed to the banks a "gentlemen's agreement," which came into effect in mid-August. Under this agreement the banks agreed not to accept foreign demand deposits, not to pay interest on new foreign deposits, and were required to charge 1/4 of 1 per cent per calendar quarter for new foreign deposits of less than six months' duration. Deposits to certain small accounts and deposits to accounts used to make normal commercial and debt-servicing payments were exempted from all or part of the provisions of this agreement. Although the agreement went into force on August 18, its provisions were not effectively applied until several weeks thereafter, because of the length of time required by the banks to determined the ownership and character of their deposits.

It was estimated at the time that about half the capital that came into Switzerland during July was Swiss-owned rather than foreign-owned. In mid-September the National Bank therefore made special arrangements with the Swiss Treasury and the commercial banks to place SF 400 million ($91 million) worth of Swiss Treasury certificates with the commercial banks on October 1, in order to sterilize most of the Swiss portion of the capital inflow.

Another heavy inflow of funds into Switzerland occurred in the three-week period from mid-October through November 7, during which SF 488 million ($113 million) in dollars were sold to the National Bank. It is believed that these were mainly Swiss-owned dollars and the dollar deposits of Swiss bank customers. The reflux was touched off by nervousness over the London "gold rush" of mid-October, and was reinforced by awareness that substantial funds would have to be brought home soon in any case for year-end "window-dressing" purposes. Swiss gold and foreign exchange reserves continued to rise in December, and at year-end exceeded SF 10 billion ($2.3 billion) for the first time on record.

The monetary authorities apparently did not feel it necessary to develop special measures to absorb the increase in liquidity caused by the inflow of funds from abroad during the last quarter. As was noted earlier, however, they did speed up somewhat the rate of issuance of foreign loans during the closing months of the year. (See Table 3.)

Interest rates in Switzerland remained quite stable throughout 1960. One of the few noticeable movements was the sagging of short-term rates and also of government bond yields in August, following the massive inflow of foreign funds in July.

<u>Capital market developments in 1960</u>. Data on new issues on the Swiss capital market through the third quarter of 1960 are shown in Table 2 annexed; full information is not yet available for the fourth quarter. Total new issues through September amounted to SF 1857 million ($432 million), and the total for the year may have failed to reach the 1959 record of SF 2526 million. The 1959 results were due to: (1) a sharp increase in foreign bond issues (due partly at least to the fact that the Swiss market had been closed to foreign borrowers from mid-1956 to mid-1958) which more than offset a decline in new Swiss bond issues; and (2) to an even greater extent, to a near-doubling of Swiss share issues.

So far as public offerings alone are concerned, however, a new peak may have been reached in 1960, as the following figures for the first 11 months of each year suggest (figures in SF millions):

New public issues (January through November)

January through November	New issues: Bonds — Swiss	Foreign	Total	Swiss shares	Total new issues	Retirement of securities	Net new money
1957	1077	5	1082	176	1258	214	1044
1958	815	87	901	114	1015	650	365
1959	686	480	1166	354	1520	155	1365
1960	890	508	1398	174	1572	264	1308

As may be seen from Table 2 annexed, total new issues declined sharply during the third quarter. The decline was entirely in publicly-offered issues; private offerings rose slightly. A third-quarter decline in issuing activity is a normal tendency. The fourth-quarter rise in new issues last year--especially of new foreign issues--may have been unusually strong, because of the desire of the authorities to reverse some of the foreign exchange inflow during the last half of the year.

The following tabulation shows that the Swiss Government is not normally a borrower on the Swiss capital market, although the cantonal and communal governments do figure significantly as borrowers. In 1960 as in preceding years, the electric power industry was the largest borrower in the market. The following figures (in SF millions) give total issues (both publicly and privately marketed) including conversions:

Borrower	1957	1958	1959	1960 1/
Central government	80	--	--	--
Cantons & local gov.	209	313	209	97
Electric power	360	555	351	298
Manufacturing	23	62	85	22
Trade	50	8	16	--
Banks	408	66	91	110
Mortgage companies	237	167	313	110
Other	45	115	136	142
Total	1412	1286	1201	779

1/ First nine months only.

The coupon rate on Swiss domestic bond issues during 1960 ranged from 3-1/4 per cent to 5 per cent, with most issues falling between 3-1/2 and 4 per cent. The coupon rate on foreign issues ranged from 4 to 4-1/2 per cent, with a 4-1/2 per cent rate on most issues. The foreign issues placed in the Swiss market in 1960 are listed in Table 3. They included two I.B.R.D. issues for SF 60 million each.

Long and medium-term interest rates. Long-term interest rates, as measured by the average yield on Federal Government and Federal Railway bonds, had declined in 1958 and early 1959, but rose again after that, in part because of a considerable intensification of economic activity. In 1960 the average declined, from 3.32 per cent in January to 2.95 per cent in August, but rose again somewhat subsequently, averaging 3.04 per cent during the last quarter of the year. Medium-term rates also rose during the last half of 1959, and were relatively stable in 1960.

Stock market. The Swiss National Bank's index of industrial share prices in Switzerland rose 27 per cent from the end of 1958 to the end of 1959. In 1960 the rise until early September was much sharper, as the following figures indicate:

	Industrial share index: market value in % of paid-in value
Dec. 31, 1958	599
Dec. 31, 1959	759
March 25, 1960	759
June 24	956
Sept. 9	1123
Sept. 30	1066
Oct. 28	1062
Nov. 25	1054
Dec. 30	1068

By September 9, the index had risen 48 per cent from the end of 1959; and despite some subsequent decline, the index at year-end was still well above year-earlier levels. The break in mid-September was attributed to international political tensions and to extensive profit-taking. Although the rise in Swiss share prices last year was very marked, several other European stock exchanges also moved up sharply; in Italy and Germany the advance was even greater than in Switzerland.

European Section
Division of International Finance
Board of Governors of the Federal Reserve System

Table 1. Interest rates in Switzerland

Period	Central bank discount rate 1/	Call money rate 2/	Three months' deposit rate 3/	Interest on savings bonds: 12 cantonal banks 4/	Interest on savings bonds: 5 large banks 4/	Gov't. bond yield 5/	New mortgage rate 4/ 6/
1956	1.50	1.45	n.a.	3.00	3.05	3.11	3.54
1957	2.50	1.80	n.a.	3.56	3.60	3.64	3.85
1958	2.50	1.19	1.51	3.57	3.49	3.19	4.08
1959	2.00	1.01	1.39	3.02	2.99	3.08	3.86
1st quar.	2.00	.94	1.11	3.10	2.90	2.91	4.04
2d "	2.00	.94	1.19	2.98	2.87	3.06	3.86
3rd "	2.00	1.01	1.49	2.95	3.02	3.12	3.78
4th "	2.00	1.15	1.79	3.05	3.18	3.21	3.76
1960	2.00						3.76
January	2.00	1.25	1 1/2 - 2	3.16	3.32	3.32	3.76
February	2.00	1.20	1 1/2 - 2	3.23	3.32	3.30	3.76
March	2.00	1.15	1 3/4 - 2	3.30	3.32	3.22	3.76
April	2.00	1.00	1 3/4	3.32	3.32	3.13	3.76
May	2.00	1.10	2	3.32	3.32	3.07	3.76
June	2.00	1.20	2	3.32	3.32	3.05	3.76
July	2.00	1.20	2	3.32	3.32	3.00	3.76
Aug.	2.00	1.10	1 1/2 - 1 3/4	3.33	3.32	2.95	3.76
Sept.	2.00	1.00	1 3/4	3.34	3.35	3.00	3.76
Oct.	2.00	1.00	1 3/4 - 2	3.33	3.35	3.03	3.76
Nov.	2.00	1.00	1 1/2 - 1 3/4	3.35	3.34	3.05	3.76
Dec.	2.00		2	3.35 7/	3.34 7/	3.04 8/	3.76 7/

1/ End of period.
2/ Rate for interbank loans. Figures are period averages of highest and lowest quotations of each week in Zurich.
3/ Monthly figures are for mid-month. Quarterly and annual figures are averages of monthly figures.
4/ Monthly figures are end-of-month. Quarterly and annual figures are averages of the monthly figures.
5/ Weighted average of yields to maturity of 12 Government and Federal Railway bonds with maturities of at least 5 years.
6/ Rate for new mortgages on houses and industrial buildings.
7/ As of December 15.
8/ Average of first three weeks.

Sources: call money rate and gov't bond yield from I.M.F., International Financial Statistics; other data from Monthly Reports of the Swiss National Bank.

Table 2. New money raised on Swiss capital market through bond and share issues (in millions of Swiss francs)

Period	New Issues: BONDS: Swiss	New Issues: BONDS: Foreign	New Issues: BONDS: Total	New Issues: Swiss shares	New Issues: Total new issues	Retirement of securities 1/: Bonds	Retirement of securities 1/: Shares	Retirement of securities 1/: Total	Net new Money
	Total new issues (publicly and privately subscribed)								
1957	1527	5	1532	518	2050	.	.	.	.
1958	1190	140	1330	565	1895	.	.	.	.
1959	999	484	1483	1043	2526	.	.	.	.
1st quar.	220	215	441	164	605	.	.	.	.
2d "	281	55	336	269	605	.	.	.	.
3rd "	189	139	328	319	647	.	.	.	.
4th "	303	75	378	291	669	.	.	.	.
1960									
1st quar.	397	118	506	203	709	.	.	.	.
2d "	231	135	364	230	594	.	.	.	.
3rd "	151	75	225	221	446	.	.	.	.
	Publicly-subscribed new issues								
1957	1148	5	1153	186	1339	203	12	215	1124
1958	827	137	964	114	1077	645	9	654	423
1959	686	479	1165	403	1568	137	27	163	1405
1st quar.	225	215	440	32	472	3	3	6	466
2d "	163	55	218	90	308	124	1	125	183
3rd "	119	135	254	229	483	2	11	13	470
4th "	179	75	254	52	305	8	11	19	286
1960									
1st quar.	377	118	495	43	539	76	0	76	463
2d "	181	135	316	90	406	172	3	175	231
3rd "	89	75	164	40	205	0	2	2	203

Note: Details may not add to totals, due to rounding.

1/ Swiss bonds and Swiss shares.

Sources: *La Situation Economique* (November 1960 supplement of *La Vie Economique*), p. 5; and Monthly Reports of the Swiss National Bank.

Table 3. Foreign bonds publicly issued in Switzerland in 1960

Subscription period	Borrower	Amount (SF millions) Total	Conversion	Rate of interest	Issued at	Yield	Maturity
Jan. 29-Feb.5	I.B.R.D.	60	--	4 1/2	100	4.50	1972
eb. 23-29	Belgium	50	50	4 1/2	98	4.74	1972
ar. 16-23	Australia	60	--	4 1/2	99	4.60	1975
pr. 25-29	British Petroleum Co., Ltd.	60	--	4 1/2	100	4.50	1975
y 19-24	International Standard Electric Corp., N.Y.	50	15	4 1/2	100	4.50	1970-78
e 24-29	Saskatchewan Province	40	--	4 1/2	100	4.50	1975
g. 15-22	Badenwerk Aktiengesellschaft	50	34.9	4 1/2	99 1/ 100 2/	4.62 1/ 4.50 2/	1966-77
pt. 23-29	I.B.R.D.	60	--	4	100	4.00	1975
ept. 29-Oct.4	Cal-Tex	60	--	4 1/4	100	4.25	1975
t. 7-12	City of Quebec	20	--	4 1/2	100	4.50	1972-78
ct. 19-25	British Aluminum Co., Ltd.	50	--	4 1/2	100	4.50	1965-75
Nov. 8-14	Norway	50	--	4 1/2	100	4.50	1975
Nov. 29-Dec.5	Denmark	50	--	4 1/2	100	4.50	1975

1/ For the conversion.
2/ For the cash subscriptions.

Source: Swiss National Bank, Monthly Report (Bulletin mensuel) for December 1960.

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