

H.14

February 20, 1961.

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

Part I - United States

The volume of large public security financing for new capital was substantial last week but is expected to be quite small this week. During the week ending February 17, four large corporate issues with proceeds of \$222 million and two State and local government bond issues with par value of \$48 million were sold publicly. This week, interrupted by the Washington's Birthday holiday, no large corporate issues are scheduled for public offering and only one State and local government issue for \$19 million is on the calendar.

Long-term bond yields - Yields on high-grade corporate and long-term U. S. Government bonds declined slightly last week while yields on lower grade corporate and State and local government bonds remained stable.

Two new A-rated first mortgage electric utility bond issues were offered to investors last week, one to yield 4.65 per cent and the other 4.47 per cent. A similar offering a week earlier had been priced to yield 4.60 per cent, which was 45 basis points below the previous comparable issue, in late November.

Short- and intermediate-term interest rates - Treasury bill yields rose further to new highs for the year last week. Yields on 3-month bills rose 5 basis points to 2.40 per cent while yields on 6-month bills rose 4 basis points to 2.59 per cent. Other short- and intermediate-term money rates were unchanged.

Housing starts - Private housing starts, which had dropped sharply in December, rose moderately in January to a seasonally adjusted annual rate of 1,098,000 units. This is about 5 per cent below the average rate of the fourth quarter and 11 per cent below the average rate of the whole year 1960.

Stock market credit - Customer credit in the stock market, excluding borrowing on U. S. Government securities, increased slightly further in January to total \$4.4 billion at the end of the month. The January increase of \$10 million was the result of a rise in net debit balances that more than offset a decline in bank loans to others than brokers and dealers.

Borrowing by member firms of the New York Stock Exchange maintaining margin accounts, excluding borrowing on U. S. Government securities, totaled \$1.9 billion, substantially below the end of December level. Most of the \$196 million decline occurred in borrowing on customer collateral. Customers' net free credit balances rose \$134 million in January. These and other data for January and December are shown in the table on the following page.

	End of month		Change
	Jan.	Dec.	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Government securities - total	4,416	4,406	+10
Net debit balances	3,253	3,222	+31
Bank loans to "others"	1,163	1,184	-21
Net debit balances secured by U. S. Govt. securities	77	95	-18
Bank loans to "others" for purchasing or carrying U. S. Government securities	123	134	-11
Broker and dealer credit			
Money borrowed except on U. S. Government securities	1,937	2,133	-196
On customer collateral	1,677	1,806	-129
Money borrowed on U. S. Government securities	101	142	-41
Customers' net free credit balances	1,269	1,135	+134

Stock prices - Standard and Poor's index of 500 common stocks rose one per cent last week, closing at 62.10 on Friday, February 17. Trading activity continued to be heavy, averaging 4.6 million shares per day. Trading volume thus far this year has averaged 4.4 million shares a day, two-fifths more than the 3.1 million share per day average for the comparable period of 1960.

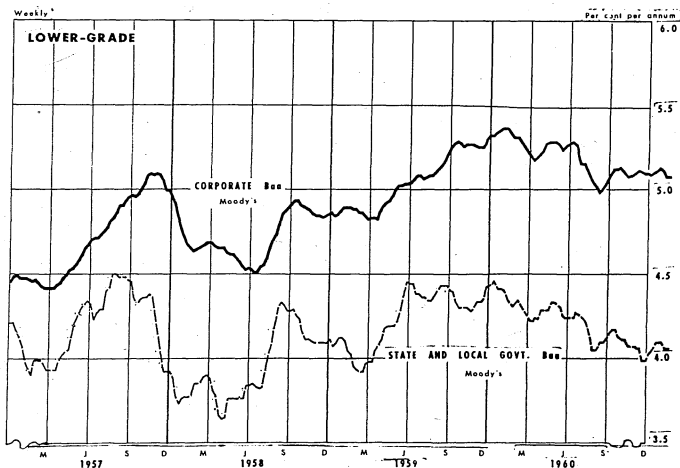
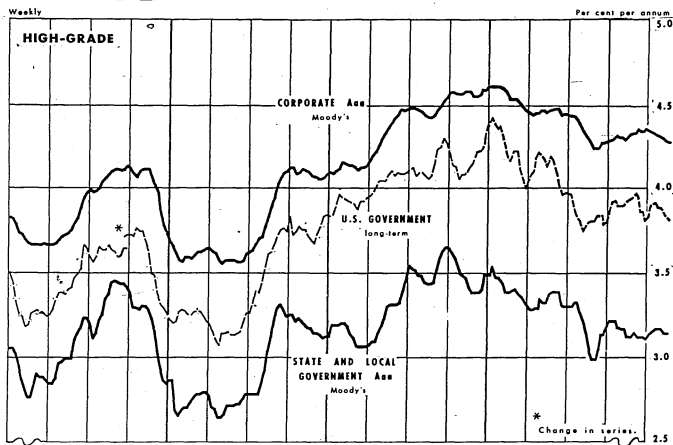
More detailed information concerning recent capital market developments is presented in the attached exhibits.

Developments in the Canadian capital market are presented in Part II of this report.

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

EXHIBIT A

LONG-TERM BOND YIELDS



Long-term Bond Yields

High-grade

Date	Corporate	U. S. Govt.	State and	Spread between	
	Aaa 1/	long-term 2/	local	U. S. Govt. and	
			government	Corporate	State and
			Aaa 3/	Aaa	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 (2/2)	.50	.76
Low	4.27 (2/17)	3.81 (2/17)	3.13 (1/5)	.40	.67
Jan. 20	4.32	3.92	3.16	.40	.76
Jan. 27	4.31	3.89	3.16	.42	.73
Feb. 3	4.30	3.88	3.16	.42	.72
Feb. 10	4.28	3.84	3.14	.44	.70
Feb. 17 p/	4.27 /	3.81	3.14	.46	.67

Lower grade

Date	Corporate Baa 1/ (per cent)	State and local government Baa 3/ (per cent)	Spread between Aaa and Baa	
			Corporate	State and local govt.
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 (2/2)	.81	.93
Low	5.07 (2/17)	4.03 (1/5)	.74	.90
Jan. 20	5.11	4.09	.79	.93
Jan. 27	5.12	4.09	.81	.93
Feb. 3	5.10	4.09	.80	.93
Feb. 10	5.07	4.05	.79	.91
Feb. 17 p/	5.07 /	4.05	.80	.91

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.

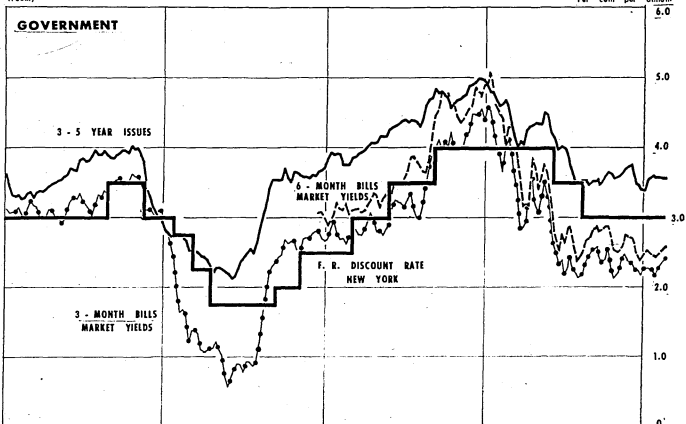
Note.--Highs and lows are for individual series and may be on different dates for different series.

EXHIBIT C

SHORT- AND INTERMEDIATE- TERM INTEREST RATES

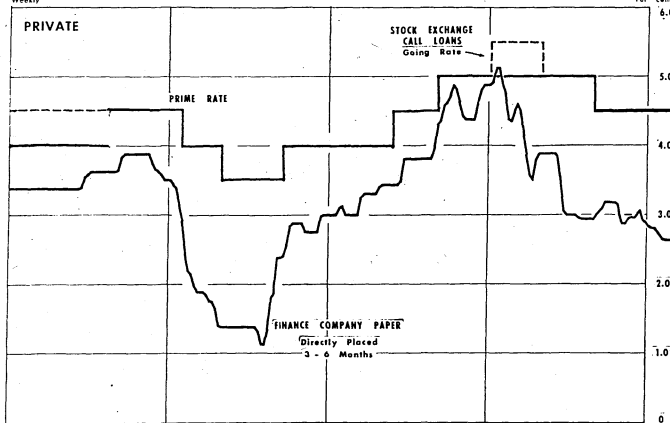
Weekly

Per cent per annum



Weekly

Per cent



1957

1958

1959

1960

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
1959-60 - 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.	2.40 (2/17)	2.59 (2/17)	3.59 (1/20)	.25	1.40
Low	n.a.	2.17 (1/27)	2.42 (1/27)	3.39 (1/6)	.19	1.11
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	3.00	2.29	2.49	3.57	.20	1.28
Feb. 10	3.00	2.35	2.55	3.56	.20	1.21
Feb. 17 p/	3.00	2.40	2.59	3.56	.19	1.16

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 (1/7/60)	1.02	(3/25/60)
1961 - High	n.a.	n.a.	2.83 (1/6)	.56	(1/20)
Low	n.a.	n.a.	2.63 (2/17)	.28	(2/17)
Jan. 20	4.50	4.50	2.81	.56	
Jan. 27	4.50	4.50	2.71	.54	
Feb. 3	4.50	4.50	2.64	.42	
Feb. 10	4.50	4.50	2.63	.28	
Feb. 17 p/	4.50	4.50	2.63	.28	

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.

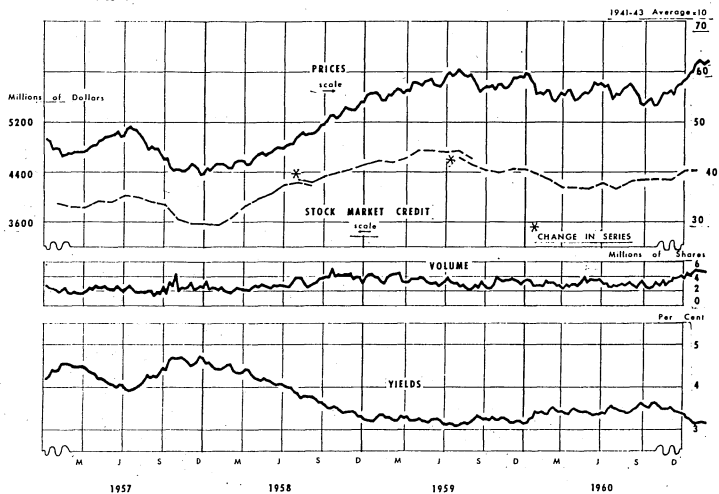
2/ Market yield; weekly averages computed from daily closing bid prices. Series of 3-5 year issues consists of selected notes and bonds.

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

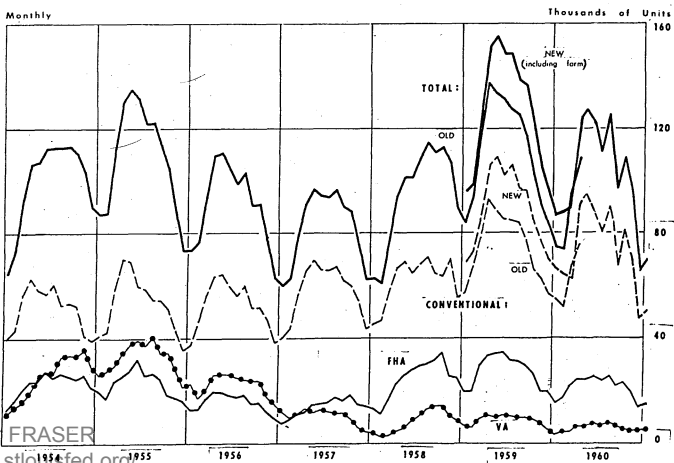
Note.--Highs and lows are for individual series and may be on different dates for different series. For spreads, high refers to widest, and low to narrowest.

EXHIBIT E

STOCK MARKET



PRIVATE HOUSING STARTS



Stock Market

Date	Stock price index 1/	Common stock yields 2/ (per cent)	Trading volume 3/ (millions of shares)	Stock market customer credit		
				Total	Customers' debit bal- ances 4/	Bank loans to "others" 5/
(In millions of dollars)						
1957-60 - High Low	60.51 (7/31/59)	3.08	4.9	4,764 (4/59)	3,401 (4/59)	1,373 (5/59)
	39.48 (12/29/57)	4.72	1.4	3,554 (1/58)	2,482 (12/57)	1,060 (11/57)
1961 - High Low	62.22 (2/3)	3.12	4.9	n.a.	n.a.	n.a.
	58.48 (1/6)	3.32	3.6	n.a.	n.a.	n.a.
December	56.80	3.41	3.7	4,406	3,222	1,184
January	59.72	3.28	4.2	4,416	3,253	1,163
Feb. 3	62.22	3.12	4.9	n.a.	n.a.	1,168
Feb. 10	61.50	3.17	4.7	n.a.	n.a.	1,159
Feb. 17 p/	62.10	3.13	4.6	n.a.	n.a.	n.a.

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

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

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

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

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

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

Private Housing Starts 1/

Date	Seasonally adjusted annual rate		Unadjusted					
	Nonfarm old series	Total new series	Total		FHA	VA	Conventional	
			Nonfarm	Total			Nonfarm	Total
			old series	new series			old series	new series
(Thousand of units)								
1960 - Jan.	1,216	1,366	75	87	16	4	55	67
Feb.	1,115	1,367	74	88	18	5	52	65
Mar.	1,125	1,112	95	90	22	5	68	63
Apr.	1,135	1,325	109	124	25	7	76	91
May	--	1,342	--	127	25	7	--	95
June	--	1,302	--	122	26	8	--	88
July	--	1,182	--	111	24	7	--	80
Aug.	--	1,292	--	125	26	8	--	90
Sept.	--	1,066	--	97	22	7	--	68
Oct.	--	1,256	--	109	23	6	--	81
Nov.	--	1,216	--	94	20	5	--	69
Dec. p/	--	984	--	66	14	5	--	47
1961 - Jan. p/	--	1,098	--	69	15	5	--	50

✓ Total starts are Census estimates, which are not strictly comparable with old nonfarm series developed by H.S. A dwelling unit is started when excavation begins; all units in an apartment structure are considered started at that time. FHA and VA starts are units started under commitments by these agencies to insure or guarantee the mortgages. As reported by FHA and VA, a unit is started when a field office receives the first compliance inspection report, which is made before footings are poured in some cases but normally after the foundations have been completed. Capehart military housing units are excluded. Conventional starts are derived as a residual, although total and FHA and VA starts are not strictly comparable in concept or timing; they include both units financed by conventional mortgages and units without mortgages.

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

(In millions of dollars)

	New capital					
	Corporate 1/			State and local 2/		
	1961	1960	1959	1961	1960	1959
January	e/500	577	821	e/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		874	879		339	597
November		959	864		502	519
December		876	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		2,709	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		9,655	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/2,309	2,503			
Year		e/8,198	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	41	70	74	181	86	--
Year	533	547	992	1,672	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	499	343	445	282	471	114
December	215	358	243	177	288	137
Year	3,942	4,179	3,910	4,817	6,047	3,098

p/ Preliminary.

1/ Data presented in this exhibit differ from those in Exhibit F 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 bonds. In some instances FHA notes included may have a somewhat longer term than one year. Source: Bond Buyer.

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 17

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Consolidated Natural Gas Co	Deb.	45.0	1986	4-3/8	4.33	Aaa
Southern Co.	Com. stk.	37.0				
Chesapeake & Potomac Tel.	Deb.	20.0	1998	4-3/8	4.30	Aaa
Puget Sound Pwr. & Lt. Co.	1st mtg. bds.	15.0	1991	4-5/8	4.65	A
General Motors Accept. Corp.	Deb.	150.0	1983	4-5/8	4.67	--
<u>STATE AND LOCAL GOVERNMENT</u>						
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.-Rent.	21.2	2000		4.80	--
Serial	Rev.-Rent.	17.8	1965-84	4.86	3.50-4.60	--
Chicago - O'Hare Int'l Airport	Rev.-Ut.	25.0	1999	4.66	4.50	--
State of North Carolina	G.O.	10.0	1962-80	2.86	1.40-3.00	Aaa
State of Texas	G.O.	12.5	1966-96/75	3.26	2.10-3.40	Aa

Large Individual Issues Offered February 1 through 17 (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)						
St. Louis, Missouri	G.O.	15.8	1961-81	2.94	1.50-3.10	Aa
Baltimore, Maryland	G.O.	32.6	1962-93	3.12	1.50-4.20	Aa
<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.

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 17

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
American Machine & Foundry Co.	Conv. deb.	40.5	Mar. 16 (rights expire)
Southwestern Public Service Co.	1st mtg. bds.	15.0	Mar. 23
American Telephone & Telegraph Co.	Com. stk.	e/975.0	Apr. 14 (rights expire)
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
Realty Collateral Corp.	Coll. tr. notes	20.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
Dallas, Texas	G.O.	19.0	Feb. 20
Alabama Education Auth.	Rev.-G.O.	30.0	Feb. 28
Prince Georges Co., Md.	G.O.	11.4	Feb. 28
Shelby Co., Tenn.	G.O.	11.0	Feb. 28
New York State Power Auth.	Rev.-Ut.	100.0	Mar. 1
*Chicago, Illinois	Rev.-Ut.	30.0	Mar. 1
*Commonwealth of Puerto Rico	G.O.	40.0	Mar. 7
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
*Duvai Co., Fla.	G.O.	15.0	Mar. 14
*Wash. Sanitation Dist., Md.	G.O.	10.0	Mar. 14
*Commonwealth of Kentucky	G.O.	100.0	Mar.
Orleans Parish School Dist., La.	G.O.	10.0	Indefinite

Forthcoming Large Offerings, as of February 17 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
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: Los Angeles Dept. of Water and Power \$12.0 million bond issue--reduced to less than \$10 million.

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)	-8	3.00 (3/17/54)	-15
1959 - 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	*4.88	32	5.15	29
June	4.83	26	*4.95	11
July 8			4.93	11
13			4.88	8
Sept. 15			4.80	24
23	4.65 ^{2/}	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		
Feb. 8			4.60	-2
16			4.65	-5
16			4.47	13

*--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 20, 1961

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Part II - Canada

Interest rates in Canada declined last week and moved closer to U.S. yields for all maturities. Treasury bill yields fell sharply but a narrowing of the discount on the forward Canadian dollar offset the decline. As a result, there was little change in the net incentive to hold the Canadian bill on a covered basis. The Bank of Canada bought Treasury bills and made unusually large sales of over-2-year bonds. Stock prices declined slightly but remained above 1960 highs. The Canadian dollar fluctuated around 101 (U.S. cents) during the week and closed fractionally below it at last Thursday's closing.

Money market. There was a sharp fall in the average yield on Canadian Treasury bills at last Thursday's auction. The 3-month Treasury bill yield declined 24 basis points from 3.10 per cent on February 9 to 2.86 per cent on February 16 (see Table and Chart). The 6-month Treasury bill yield declined 28 basis points from 3.43 per cent on February 9 to 3.15 per cent on February 16. The Bank of Canada purchased \$10 million of Treasury bills and the general public purchased \$6 million, while the chartered banks sold \$8 million and the Government Accounts sold \$9 million.

As a result of the lower Canadian bill, the spread over the U.S. bill yield declined to 0.48 per cent on February 16 compared with 0.74 per cent on February 9. However, there was also a sharp decline in the discount on the forward Canadian dollar from 0.25 per cent per annum the week before to 0.06 per cent last week (see Table). As a result, the net incentive to hold the Canadian dollar declined only slightly from 0.49 to 0.42 per cent per annum.

Bond market. Bond yields eased last week for all maturities and Canadian yields moved closer to U.S. yields. The spread between selected comparable Canadian and United States securities (Thursday yields for bills and Wednesday yields for bonds) were as follows (figures in parentheses refer to the previous week):

- 0.48 per cent on a 91-day bill (0.74)
- 0.58 per cent on a 182-day bill (0.86)
- 0.84 per cent on an 8-year bond (0.89)
- 1.29 per cent on a 30-year bond (1.32)
- 1.37 per cent on a 35-year bond (1.55)

During the week the Bank of Canada sold \$30 million of Government bonds (largely bonds of over-2-years maturity) while the chartered banks purchased \$22 million and the general public purchased \$8 million.

There was a heavy demand for Quebec Hydro's \$50 million bond issue of last week with the long-term bonds going at a half point premium shortly after bidding began. The offer was in two parts (with the amount of each maturity open) as follows: (1) 5-1/2 per cent, 24-year bonds at 97-3/4 to yield 5.67 per cent; (2) 5 per cent, 6-year bonds at 98-1/2 to yield 5.30 per cent.

Last week's \$25 million open end Manitoba Hydro issue was taken as follows: \$19.5 million, 5-3/4 per cent, to mature 1981-83, yielding 5.79 per cent; and \$5.5 million, 5-1/4 per cent, 1966 bonds, yielding 5.42 per cent.

Foreign exchange. During the week the Canadian dollar fluctuated narrowly around 101 (U.S. cents) and closed at 100.98 (U.S. cents) last Thursday. The discount on the forward Canadian dollar narrowed considerably as the Canadian bill yield declined.

Stock market. Industrial stock prices fell off slightly during the week ending February 10 and showed little change in the early part of last week. The total sale of stock on the Canadian exchanges during the week ending February 10 was \$9.5 million compared with \$9.8 million in the previous week. A comparison of industrial price indices for the Canadian and Standard and Poor of New York follow:

	<u>Toronto</u>	<u>Montreal</u>	<u>New York Standard & Poor</u>
1960 - High	672.38	277.1	61.49
Low	532.56	250.3	55.98
1961 - Feb. 3	542.81	291.8	65.81
8	541.31	292.5	65.79
10	540.15	291.3	
14	540.25	291.5	64.86

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

Selected Canadian Money Market and Related Data

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	3-mo. Treas. bills			Canadian dollar			Net incentive to hold Can. bills/
	Canada a/	U.S. b/	Spread over U.S.	Spot c/	3-mo. forward	discount (-) premium (+) d/	
1959 - High	6.16	4.49	2.96	105.51	--	--	--
Low	3.25	2.80	0.30	102.58	--	--	--
1960 - High	5.14	4.63	1.62	105.27	--	0.99	1.99
Low	1.68	2.10	-0.82	100.33	--	-0.91	-0.57
Jan. 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
9	3.10	2.36	0.74	101.16	101.09	-0.25	0.49
16	2.86	2.38	0.48	100.98	100.97	-0.06	0.42

a/ Average yield at weekly tender on Thursday.

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

c/ In U.S. cents.

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

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

Selected Government of Canada Security Yields

	6-mo. Treas. bills		Intermediate bonds (8 yr.)		Long-term bonds			
	Canada a/	Spread over U.S. b/	Canada c/	Spread over U.S. d/	(20 year)		(35 year)	
					Canada e/	Spread over U.S. f/	Canada g/	Spread over U.S. h/
1959 - High	6.24	--	5.27	--	5.30	--	5.05	--
Low	5.11	--	4.50	--	4.44	--	4.73	--
1960 - High	5.33	1.37	5.55	1.11	5.42	1.36	5.28	1.61
Low	1.99	-0.86	4.09	0.21	4.63	0.85	4.68	0.95
Jan. 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
9	3.43	0.86	4.58	0.89	5.15	1.32	5.19	1.55
16	3.15	0.58	4.64	0.84	5.08	1.29	5.15	1.37

a/ Average yield at weekly tender on Thursday.

b/ Spread between Canadian auction rate and composite market yield of U.S. bill on close of business Thursday.

c/ Government of Canada 2-3/4 per cent of June 1967-68.

d/ Spread over U.S. Government 2-1/2 per cent of 1963-68.

e/ Government of Canada 3-1/4 per cent of October 1979.

f/ Spread over U.S. Government 3-1/4 per cent of 1978-83.

g/ Government of Canada 3-3/4 per cent of September 1996 - March 1998.

h/ Spread over U.S. Government of 1995.

**Canada: Changes in Distribution of Holdings of Canadian
Government Direct and Guaranteed Securities**
(millions of Canadian dollars, par value)

	<u>Bank of Canada</u>		<u>Government</u>	<u>Chartered banks</u>		<u>General public</u>		
	<u>Treas. bills</u>	<u>Bonds</u>		<u>Treas. bills</u>	<u>Bonds</u>	<u>Savings bonds</u>	<u>Treas. bills</u>	<u>Bonds</u>
Dec. 15	- 2	+ 1	- 6	- 13	- 5	- 13	+ 19	+ 4
22	- 5	- 9	-103	+ 18	- 23	- 11	- 11	- 62
29	- 3	0	+ 2	+ 6	+ 14	- 8	--	- 24
Jan. 5	+ 2	- 2	- 11	+ 18	- 12	- 4	- 15	+ 10
12	- 9	- 12	+ 16	+ 39	- 2	+ 16	- 24	- 11
19	- 14	- 25	+ 25	+ 10	- 17	- 7	+ 3	+ 17
26	- 20	- 1	- 15	+ 44	- 6	- 7	- 10	+ 7
Feb. 2	- 18	- 46	- 61	+ 24	+ 51	- 3	- 8	+ 56
9	+ 5	- 4	- 6	+ 33	+ 8	- 3	- 31	- 6
16	+ 10	- 30	- 9	- 8	+ 22	+ 7	+ 6	+ 8

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>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Jan. 26</u>	<u>Feb. 2</u>	<u>Feb. 9</u>
1. Money supply:						
Currency and deposits	13,768	13,811	13,763	13,646	13,763	
Less: Govt. deposits	628	548	354	480	354	
Equals: privately held	13,140	13,263	13,409	13,166	13,409	
Change in period	- 241	+ 123	+ 243	+ 25	+ 243	
2. General bank loans	1/5,027	1/5,117	1/5,076	4,988	4,990	
Change in period	+ 56	+ 91	- 41	+ 7	+ 2	
3. Total Govt. securities:	17,994	17,760	17,239	17,743	17,739	17,736
Of which: Treas. bills	1,985	1,985	1,985	1,985	1,985	1,985
Bonds	12,377	12,179	12,161	12,162	12,161	12,161
Savings bonds	3,632	3,596	3,493	3,596	3,593	3,590
4. New security issues ^{1/}	1,044	1,311	788	352	123	
Of which sold in U.S.	0	14	1	1	0	
5. Chartered bank liquidity:						
Cash reserve	988	1,017	1,027	1,030	1,027	1,015
Cash ratio	8.1	8.2	8.2	8.2	8.2	8.1
Liquid assets	2,125	2,093	2,189	2,193	2,309	2,287
Liquid asset ratio	17.3	16.8	17.4	17.4	18.4	18.2

^{1/} Seasonally adjusted.

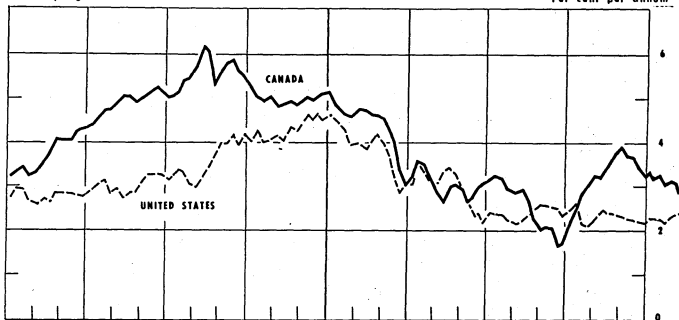
^{2/} Source: A. E. Ames & Co., Ltd. (Includes public and private securities.)

CANADA - UNITED STATES

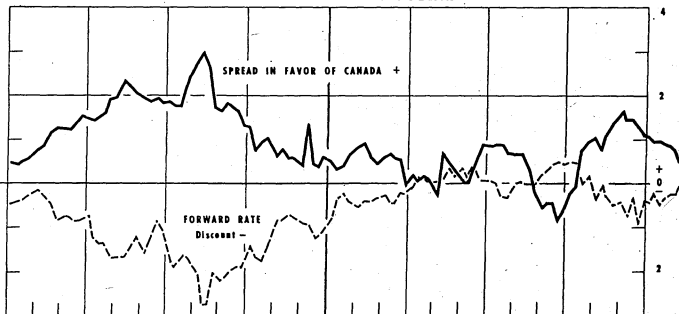
THREE-MONTH TREASURY BILL RATES

Thursday figures

Per cent per annum



RATE DIFFERENTIAL AND FORWARD CANADIAN DOLLAR



RATE DIFFERENTIAL WITH FORWARD EXCHANGE COVER

