

March 6, 1961.

CAPITAL MARKET DEVELOPMENTS  
IN THE UNITED STATES AND CANADA

Part I - United States

No large corporate security issues have been offered to the public since mid-February and none are scheduled for sale this week. Large State and local government bond issues totaling \$182 million were sold last week. Included in the total is a New York State Power Authority \$100 million bond issue which was sold by negotiation. The calendar for this week includes State and local government issues with proceeds of \$87 million.

Long-term bond yields - Changes in bond yields were mixed, but minor, last week. Yields on corporate bonds continued to decline; those on lower grade State and local government bonds remained stable, while yields on U. S. Government and high-grade State and local government obligations increased slightly. Yields on corporate Aaa's reached their 1960 lows last week. Other categories of seasoned bonds remained above the levels reached last fall.

During February, yields on all types of outstanding long-term bonds declined. The decline was 4 basis points for State and local governments, 8 for corporates, and 13 for U. S. Government bonds. Since the end of 1960, however, yields on State and local governments have risen slightly, long-term Government yields have declined on balance very little, and those on corporates have dropped moderately.

Short- and intermediate-term interest rates - Yields on Treasury bills and intermediate-term issues increased last week. Rates on directly placed finance company paper of 3 to 6 months maturity were also increased again. For the week ending March 3, the average yield for this paper was 2.84 per cent--18 basis points higher than a week earlier. Other short-term money rates were unchanged.

During the month of February, yields on both 3-month and 6-month Treasury bills continued to rise; those on 3-5 year issues declined. At the end of the month, yields on bills were about 30 basis points higher than at the end of January and nearly 40 basis points higher than at the end of 1960. After increasing 25 basis points in January, rates on 3-5 year issues dropped 9 basis points in February. Rates on directly placed finance company paper increased 18 basis points in February, but at the end of the month they were still below the level prevailing at the end of December.

FNMA secondary market operations - Secondary market operations of FNMA continued in January to reflect easing in the mortgage market. Sales rose further and purchases again declined. Offerings of mortgages

to the Association for immediate delivery declined while applications for standby commitments remained about the same as in December.

March security volume - Sales of corporate securities to raise new capital in March are expected to total \$500 million, one-fourth smaller than in February and two-fifths smaller than in March 1960. The calendar of large issues scheduled for public offering is particularly small; however, the volume of takedowns of private placements is expected to be seasonally large. New financing of \$500 million in March would bring the first quarter issue total to \$1.7 billion, one-fourth less than the volume in the first quarter last year and the smallest quarterly total since 1954.

State and local government security financing is estimated at \$650 million in March. This total would be slightly more than in February, and one-eighth above March 1960. Included in the March estimate is a \$100 million veterans' bond issue by Kentucky which is expected to be sold by negotiation near the end of the month. For the first quarter, State and local government bond issues are expected to total \$2.0 billion, about the same as the year before.

Stock prices - Stock prices continued to advance sharply last week in record trading activity. Standard and Poor's index of 500 stocks closed at 63.95 on March 3, two per cent higher than the week before. Trading volume averaged 5.4 million shares a day.

After declining in mid-February, stock prices resumed their advance to new highs. Prices increased 3 per cent further in February. (In January they advanced 6 per cent.) Trading activity in February averaged 4.9 million shares a day, the largest since the early 1930's.

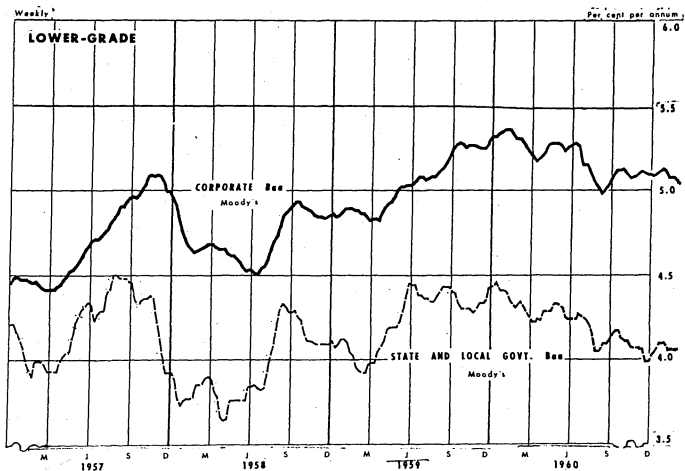
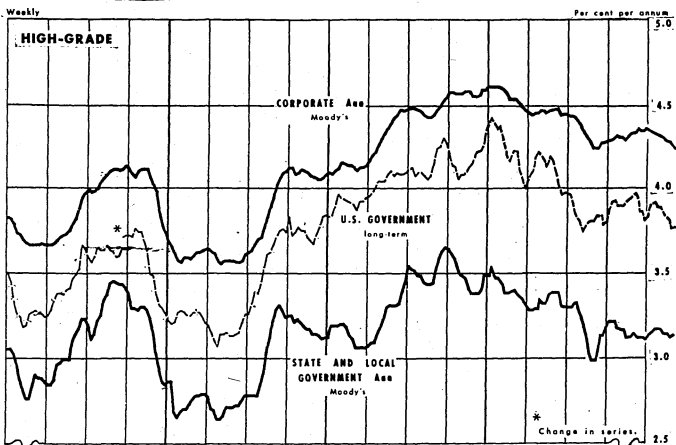
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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



## Exhibit B - Tables for Exhibit A

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## 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 (2/2)	.50	.76
Low	4.23 (3/3)	3.76 (2/24)	3.12 (2/23)	.40	.64
Feb. 3	4.30	3.88	3.16	.42	.72
Feb. 10	4.28	3.84	3.14	.44	.70
Feb. 17	4.27	3.81	3.14	.46	.67
Feb. 24	4.25	3.76	3.12	.49	.64
Mar. 3 p/	4.23	3.77	3.13	.46	.64

## 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	5.04 (3/3)	4.03 (1/5)	.74	.90
Feb. 3	5.10	4.09	.80	.93
Feb. 10	5.07	4.05	.79	.91
Feb. 17	5.07	4.05	.80	.91
Feb. 24	5.06	4.05	.81	.93
Mar. 3 p/	5.04 ✓	4.05	.81	.92

p/ Preliminary.

1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

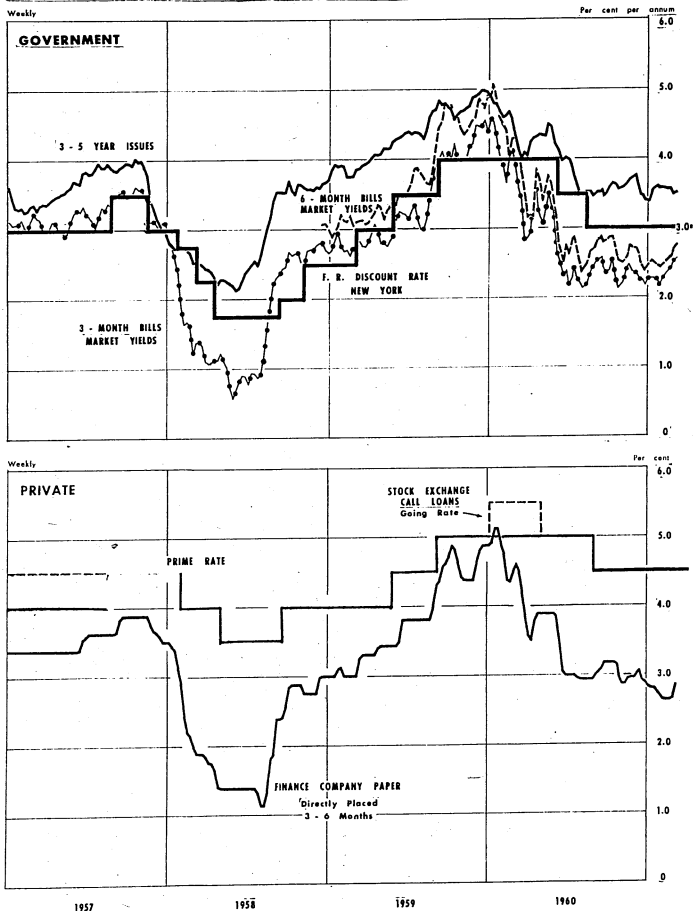
2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

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			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.	2.56 (3/3)	2.75 (3/3)	3.59 (1/20)	.25	1.40
Low	n.a.	2.17 (1/27)	2.42 (1/27)	3.39 (1/6)	.17	.93
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	3.00	2.40	2.59	3.56	.19	1.16
Feb. 24	3.00	2.51	2.68	3.48	.17	.97
Mar. 3 p/	3.00	2.56 ✓	2.75	3.49	.19	.93

## 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.	2.84 (3/3)	.56 (1/20)
Low	n.a.	n.a.	2.63 (2/17)	.15 (2/24)
Feb. 3	4.50	4.50	2.64	.42
Feb. 10	4.50	4.50	2.63	.28
Feb. 17	4.50	4.50	2.63	.23
Feb. 24	4.50	4.50	2.66	.15
Mar. 3 p/	4.50	4.50	2.84	.28

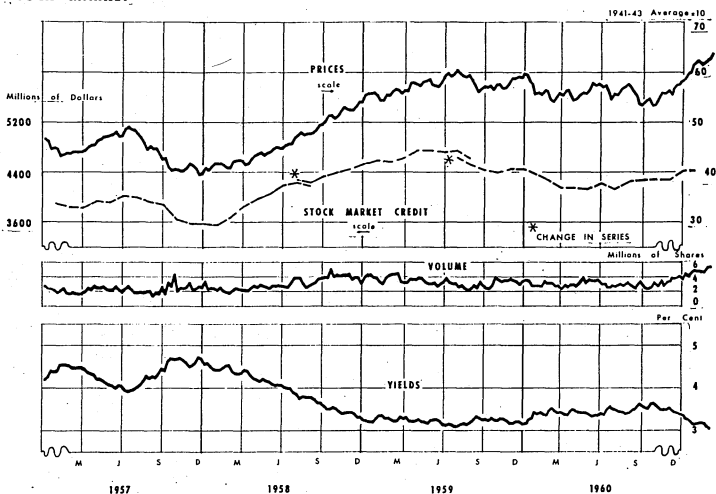
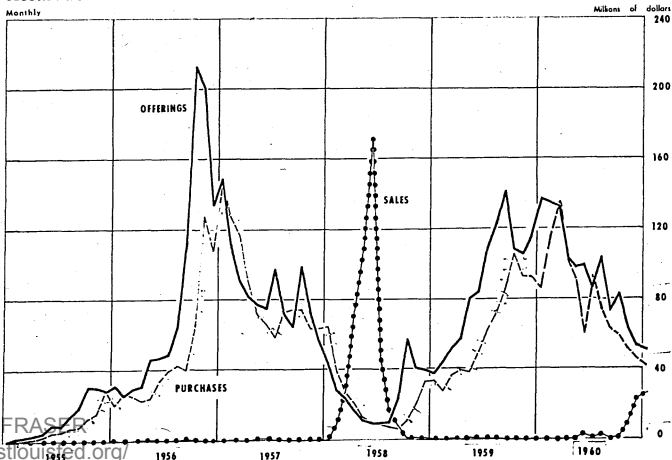
1/ Weekly rate shown is that in effect at end of period. Discount rate is for Federal Reserve Bank of New York. Stock Exchange call loan rate is going rate on call loans secured by customers' stock exchange collateral at New York City banks. Prime rate is that charged by large banks on short-term loans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

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

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

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

## 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 bal- ances 4/	Bank loans to "others" 5/
(In millions of dollars)						
1957-60 - 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 (12/23/57)	4.72	1.4	3,554 (1/58)	2,482 (12/57)	1,060 (11/57)
1961 - High	63.95 (3/3)	3.04	5.4	n.a.	n.a.	1,172 (1/6)
	Low 58.48 (1/6)	3.32	3.6	n.a.	n.a.	1,159 (2/17)
January	59.72	3.28	4.2	4,416	3,253	1,163
February	62.17	3.13	4.9	n.a.	n.a.	1,166
Feb. 17	62.10	3.13	4.6	n.a.	n.a.	1,167
Feb. 24	62.84	3.10	5.2	n.a.	n.a.	1,166
Mar. 3 p/	63.95	3.04	5.4	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.

## Federal National Mortgage Association Secondary Market Operations 1/

Date	Estimated Offerings to FNMA			Purchases	Sales
	Total	Immediate purchase	Standby commitment	by FNMA	by FNMA
(In millions of dollars)					
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	91.5	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.	61.7	56.9	4.8	51.2	8.9
Dec.	53.3	51.4	1.9	45.5	23.3
1961 - Jan.	50.1	48.1	2.1	41.2	26.2

\*--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.



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/600	623	858
March	e/500	860	646	e/650	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	e/1,650	2,151	2,204	e/1,975	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	e/1,350	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 B

## 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	409	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	279	358	243	177	288	137
Year	4,006	4,179	3,910	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 FHA 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 - 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	--
February	267	360	--

## Large Individual Issues Offered February 1 through March 3

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Consolidated Nat. 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
Gen. 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	4.86	4.80	--
Serial	Rev.-Rent.	17.8	1965-84		3.50-4.60	--
Chicago - O'Hare Int'l Airport	Rev.-Ut.	25.0	1999	4.66	4.50	--

## Large Individual Issues Offered February 1 through March 3 (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)						
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
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
Dallas, Texas	Rev.-Ut.	9.8	1961-81	2.97	1.30-3.20	Aa
	G.O.	9.2	1962-81	3.03	1.50-4.00	A
Alabama Education Auth.	Rev.-Q.Ut.	30.0	1962-81/66	3.36	1.50-3.50	Aa
Prince Georges Co., Md.	G.O.	11.4	1962-86	3.29	1.50-4.20	A
Shelby Co., Tenn.	G.O.	11.0	1962-86	3.12	1.60-4.20 <sup>4/</sup>	Aa
N. Y. State Pwr. Auth.						
Term	Rev.-Ut.	80.0	2006	3.76	3.75	--
Serial		20.0	1965-79		2.50-3.40	--
Chicago, Ill.	Rev.-Ut.	30.0	1962-85	3.53	1.50-3.60	A
<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/ 1/4 per cent bonds maturity 1985-86 not reoffered.

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

Expected Proceeds from Forthcoming Large Issues

Date of computation	During month following date shown			Subsequent to date shown		
	Corporate	State and local govt.	Other 2/	Corporate	State and local govt.	Other 2/
1960 - 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	--
Feb. 28	55	307	--	1,125	638	--

Forthcoming Large Offerings, as of March 3

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
American Machine & Foundry Co.	Conv. deb.	39.5	Mar. 16 (rights expire)
Southwestern Public Service Co.	1st mtg. bds.	15.0	Mar. 23
*Southern Calif. Edison Co.	1st ref. mtg. bds.	30.0	Apr. 5
American Telephone & Telegraph Co.	Com. stk.	9/975.0	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>			
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
Duval Co., Fla.	G.O.	15.0	Mar. 14
Wash. Sanitation Dist., Md.	G.O.	10.0	Mar. 14
Pennsylvania Gen. State Auth.	Rev.-Rent.	25.0	Mar. 14
*Detroit Sch. Dist., Mich.	G.O.	10.0	Mar. 28
*State of Massachusetts	G.O.	60.0	Mid-March
Commonwealth of Kentucky	G.O.	100.0	March

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

Issuer	Type	Amount (Millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
*Mass. Turnpike Auth.	Rev.	175.0	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 <sup>1/</sup>

Date	Aa-rated offering yields		A-rated offering yields	
	Actual (per cent)	Amount above seasoned yields (basis points)	Actual (per cent)	Amount above seasoned yields (basis points)
1952-1959 - High	5.30 (12/8/59)	87	5.65 (9/18/59)	123
Low	2.93 (3/31/54)	-8	3.00 (3/17/54)	-15
1959 - Oct.	5.13 <sup>2/</sup>	36	5.33	43
Nov.	*5.08	42		
Dec.	*5.30	63	5.45 <sup>2/</sup>	51
1960 - Jan.			*5.30 <sup>2/</sup>	28
Feb.	5.09	45		
Mar.	4.82	25	4.97	9
Apr.	4.91	37	5.14	35
May	*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 <sup>2/</sup>	27		
28	4.55 <sup>2/</sup>	17		
Oct. 5	4.63 <sup>2/</sup>	24		
21	4.67 <sup>2/</sup>	22		
Nov. 4			4.88	26
16	4.78	33		
17	4.85	40		
18			5.05	43
Dec. 7	5.00	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.

March 6, 1961

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Part II - Canada

Canada: Money and Capital Markets During February

Canadian short-term interest rates rose sharply at the end of February to about the level at the beginning of the month. On the other hand, there was some easing of yields on longer maturities. The Bank of Canada made large sales of securities for the second straight month to absorb the excess liquidity from the fourth quarter of 1960. The Government Account also made large security sales last month. The chartered banks and the general public purchased securities.

During the month there was little change in the incentive to hold the Canadian 3-month Treasury bill in preference to the U.S. bill. While the spread in yields narrowed, this was offset by a narrowing of the discount on the forward Canadian dollar.

General bank loans seasonally adjusted decreased in January for the first time in eleven months; however, they remain above the high of August 1959. During the early weeks of February, there was some further increase in loans which appeared to be in excess of seasonal requirements.

Stock prices continued to rise through the month and at month's end were about 12 per cent above the end-November level. The Canadian stock exchanges have taken steps to get closer ties with European investors by daily broadcasts of prices of 71 listed stocks. The Canadian dollar fluctuated around 101 (U.S. cents) during the month and closed at 101.5 (U.S. cents) on March 2.

Money market. A sharp rise in Treasury bill yields in the last week of February brought them back to the levels of end-January. The 3-month Treasury bill rose 25 basis points to 3.11 per cent on February 23 compared with 3.13 per cent on February 2. While the yield on the 3-month bill is down 85 basis points from the December 1 level, it continues far above the 1.68 per cent low of last September. The average yield on the 6-month Treasury bill was 3.43 per cent at the February 23 auction compared with 3.48 per cent on February 2.

During February the Bank of Canada sold \$7 million of Treasury bills compared with sales of \$41 million in the previous month. The Government Accounts also sold \$21 million of Treasury bills in February and the general public sold \$26 million while the chartered banks purchased \$67 million.

The spread favoring the Canadian over the U.S. 3-month bill narrowed during the month, from 0.82 per cent on February 2 to 0.57 per cent on February 23. However, this narrowing trend was offset by a narrowing of the discount on the 3-month forward Canadian dollar from 0.25 per cent to 0.12 per cent during the same period. The net incentive to hold the Canadian bill, covered for forward arbitrage, therefore showed



only a slight narrowing from 0.50 per cent in beginning February to 0.45 per cent at the month's end.

Yields on short-term commercial paper in leading Canadian acceptance houses also declined somewhat during February and there was some narrowing of the spread over yields in the U.S. The following table compares 30-90 day rates in leading Canadian and U.S. acceptance houses:

	<u>Canada</u>	<u>United States</u>	<u>Spread</u>
Feb. 2	3.25	2.38	0.87
9	3.25	2.38	0.87
16	3.00	2.38	0.62
23	n.a.	2.50-2.65	

Bond market. Bond yields declined during the month for all maturities. Bonds under 5-year maturities showed declines of as much as 26 basis points and longer-term maturities fell up to 18 basis points as shown in the following table:

	<u>Yields (per cent per annum)</u>		
<u>Maturity</u>	<u>Feb. 2</u>	<u>Feb. 23</u>	<u>Change during period</u>
Oct. 1962	3.33	3.07	-0.26
Sept. 1965	4.71	4.47	-0.24
Jan. 1975-78	5.25	5.07	-0.18
Sept. 1983	5.26	5.09	-0.17

The spread between yields on comparable Canadian and United States Government securities widened somewhat for intermediate- and medium-term maturities, but narrowed for short terms. The following table compares yield changes for comparable Canadian and United States securities.

	<u>Feb. 2</u>	<u>Feb. 23</u>	<u>Change during period</u>
91-day bill	0.82	0.57	-0.25
182-day bill	0.98	0.65	-0.33
8-year bond	0.82	0.95	+0.13
20-year bond	1.29	1.30	+0.01
35-year bond	1.50	1.50	0

During the month both the Bank of Canada and the Government Accounts made substantial sales of Government securities. The Bank sold \$68 million of bonds, about 70 per cent of which were maturities of less than two years. The Government Accounts sold \$61 million of Government bonds during the month. The chartered banks were net buyers of Government bonds for the first time since November. The banks increased their bond holdings by \$28 million in February and the general public purchased \$39 million.

There were \$662 million of new security issues during February, according to the Weekly Bond Sales summary of A. E. Ames & Co., Ltd.

Since \$480 million represented Canadian Treasury bills which are rolled-over weekly at the rate of about \$120 million a week, new issues of bonds were relatively small during the month; the volume was about 60 per cent of the January issue. As noted in the following table, the largest expansion during the month, outside of Treasury bills, was in new issues by the Provincial Governments in the Canadian market:

New Security Issues  
(millions of Canadian dollars)

	<u>Jan. 1-30</u>	<u>Feb. 1-27</u>	<u>Total</u>
Government - direct	630.0	470.0	1,110.0
Government - guaranteed	--	--	--
Provincial - direct	65.0	20.0	85.0
Provincial - guaranteed	50.5	100.0	150.6
Municipal	19.9	13.8	33.7
Corporation	22.5	46.9	69.4
Total	787.8	611.8	1,448.6
Less short-term	480.0	480.0	960.0
	307.8	180.8	488.6

Some of the larger new issues during the month included the Quebec Hydro \$50 million, Manitoba Hydro \$25 million.

On February 24, the Minister of Finance announced two new short-term Government bond issues totaling \$275 million. Of the new maturity \$100 million will be offered for cash and the Bank of Canada stands ready to purchase \$25 million of this amount. In addition, the Bank has agreed to take \$175 million in exchange for the following amounts of current holdings:

\$75 million of 3 per cent bonds due May 1, 1961;  
\$50 million of 3 per cent bonds due December 1, 1961;  
\$50 million of Special 1-year Treasury bills due  
June 2, 1961.

The new issue will consist of (1) \$175 million, of 3-1/2 per cent noncallable bonds due December 15, 1962, to be sold at 99.40, yielding 3.86 per cent to maturity, and (2) \$100 million, of 4 per cent noncallable bonds due May 1, 1964, to be sold at 98.75, yielding 4.43 per cent to maturity.

Another \$300 million of debt will mature on May 1, 1961 and the Minister indicated that further refunding would be announced in April and that it would be done in an orderly manner in light of current market conditions.

Chartered banks. General bank loans seasonally adjusted declined \$41 million in January, the first decline since February 1960. However, during the early weeks of February 1961, a month of seasonally low demand for loans, the banks showed some loan expansion on a seasonally adjusted basis. At end-January total outstanding loans were \$5,076 million, compared with \$4,771 million in February 1960, and the \$5,006 million high in

August 1959. During the early weeks of February there was a decline in the money supply of about \$200 million, reflecting in part a shift from privately held deposits to Government deposits, and some reversal of the seasonal expansion in late 1960. There was some tightening of bank liquidity in the early weeks of February, with the cash ratio at 8 per cent in the week of February 23 compared with an 8.2 per cent average for January. However, the liquid asset ratio rose to 18 per cent from an average of 17.4 per cent in January.

The press reports increasing interest is being shown in the Government guarantee loan program for small business set up last January. These loans are set at a maximum of 5.5 per cent and they are limited to businesses with a maximum annual revenue of \$250,000. They may be made for renovation of premises or for the purchase of new equipment. These loans are not available for new businesses. Most loans already granted under the program were in the \$6,000 to \$15,000 range, with only a few as high as \$25,000.

Housing loans. New housing loan approvals in January under the NHA (National Housing Act) reached a record high for that month. January approvals to \$35.4 million, for 3,437 dwelling units compared with \$1.4 million and 110 units in January 1960. Housing starts also showed sharp increases in January, 4.7 per cent above January 1960. Housing starts seasonally adjusted have been rising through the last quarter of 1960 but in December they were still 12 per cent below the previous year.

Stock exchange. Prices of industrial stock on the Canadian stock exchanges continued to rise through February but at a slower rate than the rise in the Standard & Poor index. From end-January to end-February the Toronto index was up 2 per cent and the Montreal index was up 1 per cent while Standard & Poor rose almost 3.5 per cent. Since the end of November, when the rise in stock prices began, industrials rose from 11 per cent to 12 per cent just short of the 12.8 per cent rise in Standard & Poor, as noted in the following table:

	<u>Toronto</u>	<u>Montreal</u>	<u>New York Standard &amp; Poor</u>
1960 - High	532.94	320.0	65.00
Low	472.38	258.5	55.34
1960 - Nov. 28	496.44	264.1	59.45
Dec. 23	516.69	272.6	60.88
1961 - Jan. 27	292.7	64.86	
Feb. 3	542.81	291.8	65.81
10	540.15	291.3	
17	546.25	295.3	65.60
24	547.94	296.1	66.38
28	550.75	295.8	67.08

The total value of stock sold on the Canadian exchanges rose somewhat through February from \$9.8 million during the first week to \$10.2 million in the last week as noted below:

<u>Week ending</u>	<u>Total sales</u>
Feb. 3	\$9.764 million
10	\$9.493 "
17	\$9.756 "
24	\$10.206 "

Arrangements were made in February to provide for a closer tie in between Canadian and European stock exchanges. The Montreal Stock Exchange has scheduled daily broadcasts to Europe of 71 Canadian stock quotations. Initially the broadcasts will be in English but by June they will be carried in French and German. In the beginning only "last price" and "net change" will be given, but commentaries may be included at some later date.

Foreign exchange. There was some strengthening of the Canadian dollar in February, with the spot rate rising from 100.9 (U.S. cents) on February 1 to 101.5 (U.S. cents) on March 2. The 3-month forward discount rate narrowed through the month as the spread between Canadian and U.S. yields narrowed.

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 incen- tive 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	2.66	105.51	--	--	--
Low	3.25	2.80	0.30	102.58	--	--	--
1960 - High	5.14	4.53	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	2.27	0.87	101.75	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	101.46	101.05	-0.25	0.49
16	2.86	2.36	0.50	100.58	100.97	-0.05	0.42
23	3.11	2.54	0.57	101.45	101.12	-0.12	0.45
Mar. 2	3.21	2.50	0.71	101.50	101.18	-0.06	0.61

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	1.31	4.55	1.11	5.42	1.36	5.28	1.61
Low	1.99	-0.55	1.09	0.21	4.53	0.85	4.68	0.95
Jan. 19	3.53	1.36	4.73	0.78	5.20	1.29	5.20	1.47
26	3.36	0.56	4.72	0.84	5.18	1.29	5.18	1.48
Feb. 2	3.48	0.48	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
23	3.27	0.45	4.53	0.95	5.01	1.30	5.06	1.50
Mar. 2	3.52	0.45	4.50	0.99	5.06	1.30	5.05	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</u>	<u>Chartered banks</u>		<u>General public</u>		
	<u>Treas. bills</u>	<u>Bonds</u>	<u>Total</u>	<u>Treas. bills</u>	<u>Bonds</u>	<u>Savings bonds</u>	<u>Treas. bills</u>	<u>Bonds</u>
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
Feb.	- 7	- 68	- 96	+ 67	+ 88	- 6	- 26	+ 39

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>Feb. 9</u>	<u>Feb. 16</u>	<u>Feb. 23</u>
1. Money supply:						
Currency and deposits	13,768	13,811	13,763	13,720	13,727	13,690
Less: Govt. deposits	628	548	354	519	507	467
Equals: privately held	13,140	13,263	13,409	13,201	13,220	13,223
Change in period	- 241	+ 123	+ 146	- 208	+ 19	+ 3
2. General bank loans	1/5,027	1/5,117	1/5,076	5,013	4,996	4,991
Change in period	+ 56	+ 90	- 41	+ 21	- 17	- 5
3. Total Govt. securities:	17,994	17,760	17,239	17,736	17,742	17,734
Of which: Treas. bills	1,985	1,985	1,985	1,985	1,985	1,985
Bonds	12,377	12,179	12,161	12,161	12,160	12,160
Savings bonds	3,632	3,596	3,493	3,590	3,597	3,589
4. New security issues <sup>2/</sup>	1,044	1,311	788	159	390	131
Of which sold in U.S.	0	14	1	0	4	0
5. Chartered bank liquidity:						
Cash reserve	988	1,017	1,027	1,015	1,018	1,002
Cash ratio	8.1	8.2	8.2	8.1	8.1	8.0
Liquid assets	2,125	2,093	2,189	2,287	2,284	2,261
Liquid asset ratio	17.3	16.8	17.4	18.2	18.2	18.0

<sup>1/</sup> Seasonally adjusted.

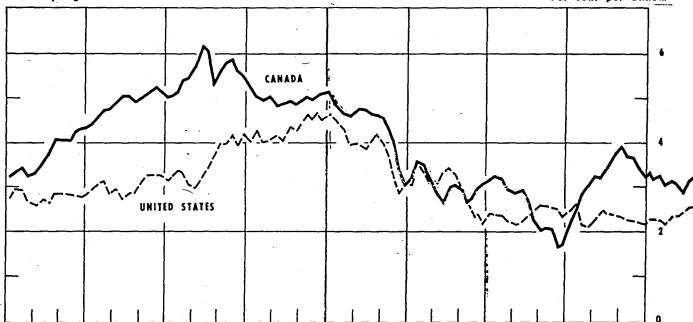
<sup>2/</sup> Source: A. E. Ames & Co., Ltd. (Includes public and private securities.)

# CANADA - UNITED STATES

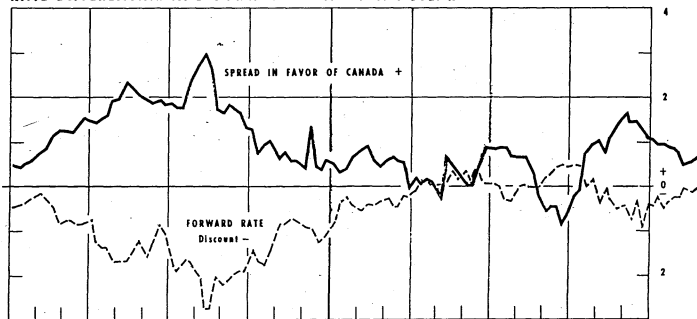
## THREE-MONTH TREASURY BILL RATES

Thursday figures

Per cent per annum



## RATE DIFFERENTIAL AND FORWARD CANADIAN DOLLAR



## RATE DIFFERENTIAL WITH FORWARD EXCHANGE COVER

