

Capital Markets

Not for Publication

DECONTROLLED AFTER SIX MONTHS

H.114

March 20, 1961.

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

Part I - United States

(Including Monthly Review of Sources and Uses
of Funds of Financial Intermediaries)

Subscription rights expired last week for a \$40 million corporate issue, and two large State and local government issues totaling \$40 million were offered to the public. An offering of two bond issues, \$67 million of which was for new money, was also made by the Federal Land Banks.

The calendar for this week includes a corporate offering for \$15 million and State and local government issues aggregating \$86 million. Another large corporate issue for \$70 million, the proceeds of which will be used to refund a debenture issue sold in October 1959, is also scheduled for sale this week. This is the first of a number of corporate issues which have recently been scheduled for the purpose of refunding high coupon bonds in advance of maturity.

Long-term bond yields - Changes in long-term bond yields were mixed again last week. Yields on U. S. Government and State and local government obligations increased; yields on lower grade corporate bonds were unchanged and those on high-grade corporate bonds declined slightly. As a result, yields on State and local governments reached new highs for the year, while those on corporates were at the lowest level of the year.

Short- and intermediate-term interest rates - Yields on Treasury bills declined last week, but those on three- to five-year Government issues increased. Rates on three- to six-month, directly placed finance company paper were lowered last week, the weekly average showing a decline of 10 basis points. Other major short-term money rates were unchanged.

Housing starts - Housing starts rose further in February and were at an annual rate of 1,200,000 compared with 1,107,000 in January. A year earlier the rate was 1,395,000. The proportion of private units started under conventional financing increased to over three-fourths.

Stock market credit - Total customer credit in the stock market, excluding borrowing on U. S. Government securities, increased \$108 million in February. Totalling \$4.5 billion at the end of the month, customer credit was 3 per cent higher than at the end of 1960 and the highest since August 1959. The February increase was almost entirely in net debit balances; bank loans to other than brokers and dealers were about the same as a month earlier.

Customer's net free credit balances rose \$123 million further in February. Since the end of last year customers' net free credit balances have increased more than 20 per cent to a record level of \$1.4 billion. Borrowing by member firms of the New York Stock Exchange maintaining margin accounts, excluding borrowing on U. S. Government securities, declined in February and totaled \$1.9 billion at the end of the month. This was one-tenth below the end of 1960 and the lowest level since late 1958. These and other data for February and January are shown in the following table.

	End of month		Change
	Feb.	Jan.	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Government securities - total	4,524	4,416	+108
Net debit balances	3,358	3,253	+105
Bank loans to "others"	1,166	1,163	+3
Net debit balances secured by U. S. Govt. securities	68	77	-9
Bank loans to "others" for purchasing or carrying U. S. Government securities	127	123	+4
Broker and dealer credit			
Money borrowed except on U. S. Government securities	1,905	1,937	-32
On customer collateral	1,614	1,677	-63
Money borrowed on U. S. Government securities	94	101	-7
Customers' net free credit balances	1,392	1,269	+123

Stock prices - Stock prices resumed their advance last week, reaching new highs in heavy trading. Standard and Poor's index of 500 common stocks reached 64.60 on March 17, one per cent higher than the peak reached on March 6. The volume of trading averaged 5.3 million shares a day, only slightly less than the record volume a week earlier.

Short-term security offerings by Federal agencies and State and local governments - Data on the short-term offerings by State and local governments and Federal agencies, as shown in Exhibit h, have been revised. These data now represent new offerings less retirements and reflect net borrowing by these units through short-term issues. Previously the data had covered only gross new short-term offerings.

Institutional investors - Savings growth at life insurance companies, savings and loan associations and mutual savings banks increased sharply in January. Saving was larger at each of these institutions with the combined inflow totaling \$1.5 billion, half again as much as a year earlier and 30 per cent more than in January 1959. (Time and savings deposits at commercial banks also increased, in contrast with a decline in January last year.)

The growth in life insurance assets totaled \$750 million in January, nearly two-fifths more than a year earlier. The net increase in holdings of U. S. Government securities was one-third smaller than in January 1960. Insurance companies had net purchases of business securities one-fifth larger than the year before whereas in most months of 1960 they had much smaller purchases of these securities than in the corresponding months of 1959. Net purchases of mortgages have been smaller each month since August than a year earlier and in January were nearly two-fifths less than in January 1960.

The inflow to savings and loan associations continued to advance at a record pace in January. Share capital increased \$549 million, one-sixth more than a year earlier. Most of the inflow was used to repay borrowing, which is usual in January. The net increase in mortgage holdings was one-sixth larger than in January 1960. Net acquisitions of Government securities was three-fourths smaller than a year earlier.

Deposits at mutual savings banks increased \$170 million in contrast to a decline of \$68 million in January 1960. (The increase in deposits was very small through May last year, but since then deposits have increased more than in the corresponding months a year earlier.) There was substantial acquisition by savings banks of U. S. Government securities, principally bills, while a year earlier there had been a small net liquidation. The increase in mortgage holdings was about the same in January as last year.

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

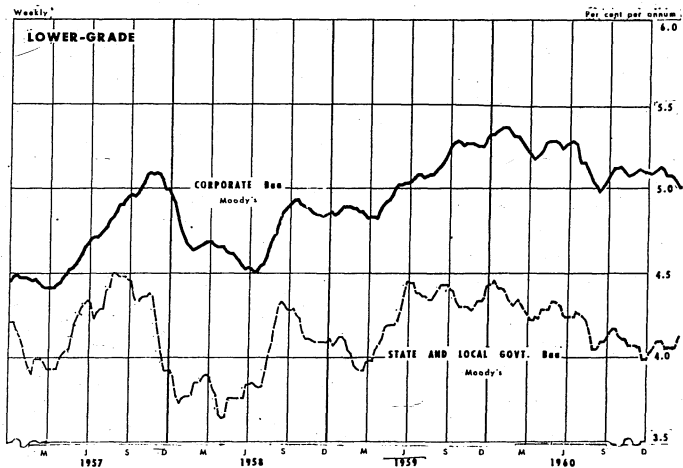
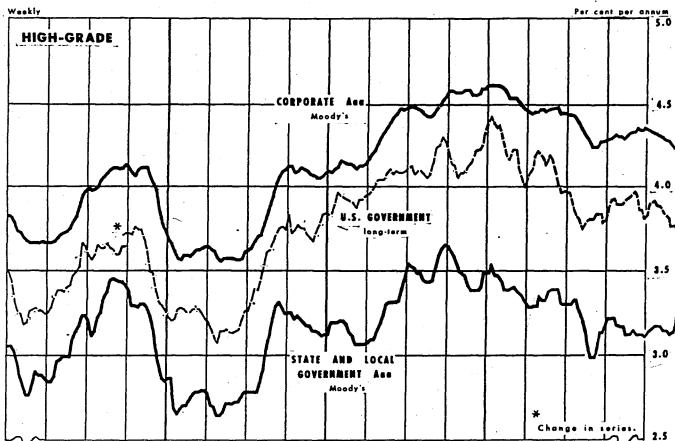


Exhibit B - Tables for Exhibit A

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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
1960 - Low	4.23 (9/9)	3.75 (8/5)	2.99 (9/1)	.19	.53
1961 - High	4.34 (1/6)	3.92 (1/20)	3.26 (3/16)	.50	.76
Low	4.21 (3/17)	3.75 (3/10)	3.12 (2/23)	.40	.52
Feb. 17	4.27	3.81	3.14	.46	.67
Feb. 24	4.25	3.76	3.12	.49	.64
Mar. 3	4.23	3.77	3.13	.46	.64
Mar. 10	4.22	3.75	3.18	.47	.57
Mar. 17 p/	4.21 ✓	3.78	3.26	.43	.52

Lower-grade

Date	Corporate Baa <u>1</u> /	State and local govt. Baa <u>3</u> /	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
1960 - Low	4.98 (9/9)	3.98 (12/29)	.71	.86
1961 - High	5.12 (1/27)	4.12 (3/16)	.81	.93
Low	5.02 (3/17)	4.03 (1/5)	.74	.86
Feb. 17	5.07	4.05	.80	.91
Feb. 24	5.06	4.05	.81	.93
Mar. 3	5.04	4.05	.81	.92
Mar. 10	5.02	4.09	.81	.91
Mar. 17 p/	5.02 /	4.12	.81	.86

p/ Preliminary.

1/ Weekly average of daily figures. Average term of bonds included is 23-26 years.

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

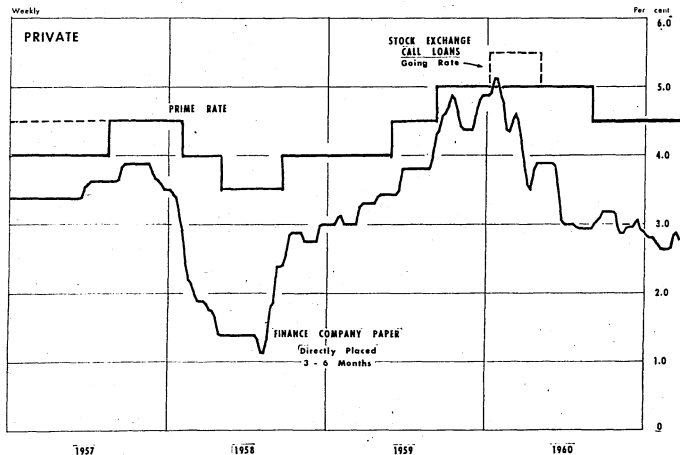
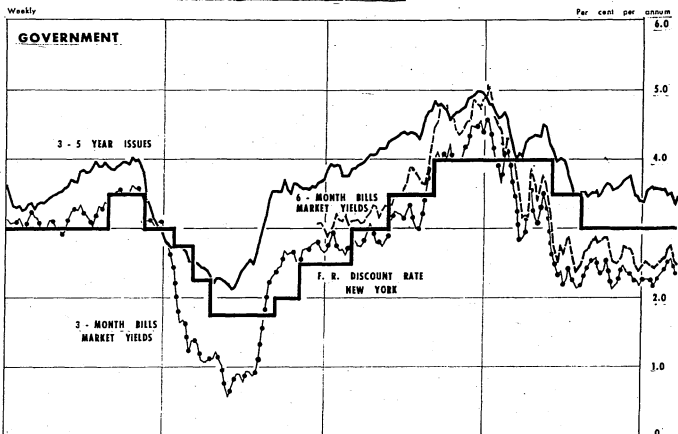
3/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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

For spreads, high refers to widest, and low to narrowest.

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
1960 - Low	3.00	2.11 (10/28)	2.38 (12/30)	3.40 (12/30)	.16	.38
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)	3.36 (3/10)	.12	.92
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	3.00	2.56	2.75	3.49	.19	.93
Mar. 10	3.00	2.44	2.56	3.36	.12	.92
Mar. 17 p/	3.00	2.35	2.47	3.44	.12	1.09

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)
1960 - Low	4.50	4.50	2.88 (12/30)	.22	(4/15)
1961 - High	n.a.	n.a.	2.88 (3/10)	.56	(1/20)
Low	n.a.	n.a.	2.63 (2/17)	.15	(2/24)
Feb. 17	4.50	4.50	2.63	.23	
Feb. 24	4.50	4.50	2.66	.15	
Mar. 3	4.50	4.50	2.84	.28	
Mar. 10	4.50	4.50	2.88	.44	
Mar. 17 p/	4.50	4.50	2.78	.43	

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.

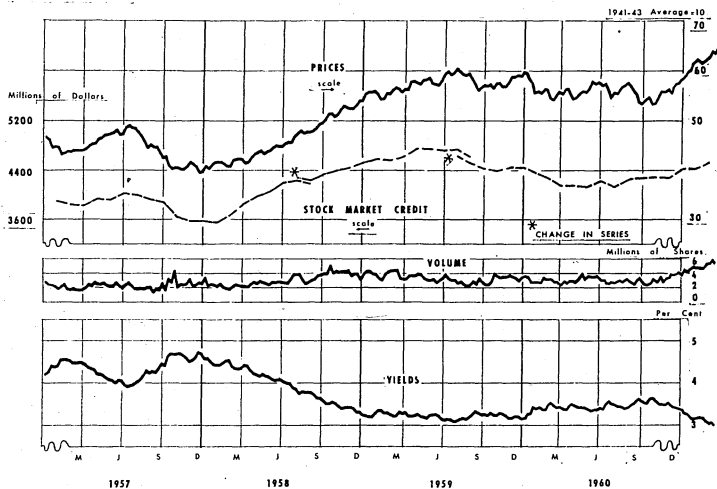
2/ Market yields; weekly averages computed from daily closing bid prices. Series of 3-5 year issues consist of selected notes and bonds.

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

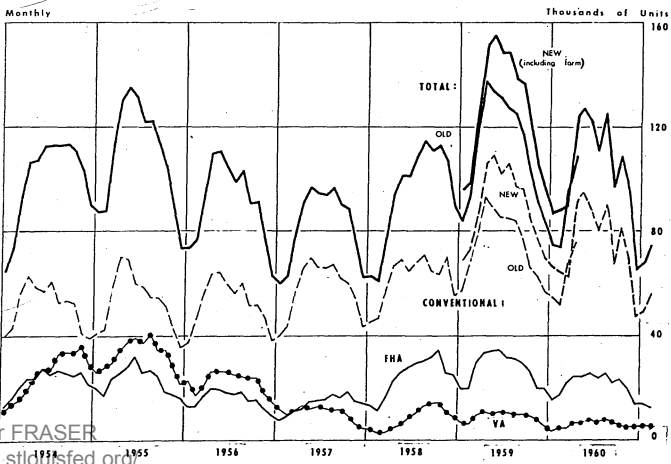
Note.--Highs and lows are for individual series and may be on different dates for different series. For spreads, high refers to widest, and low to narrowest.

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	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	64.60 (3/17)	3.01	5.8	4,524 (2/61)	3,358 (2/61)	1,172 (1/6)
Low	58.48 (1/6)	3.32	3.6	4,416 (1/61)	3,253 (1/61)	1,152 (3/10)
January	59.72	3.28	4.2	4,416	3,253	1,163
February	62.17	3.13	4.9	4,524	3,358	1,166
Mar. 3	63.95	3.04	5.4	n.a.	n.a.	1,165
Mar. 10	63.48	3.06	5.8	n.a.	n.a.	1,152
Mar. 17 p/	64.60	3.01	5.3	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. High and low 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					
			Total				Conventional	
	Nonfarm old series	Total new series	Nonfarm old series	Total new series	FHA	VA	Nonfarm old series	Total new series
(Thousand of units)								
1960 - 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.	--	979	--	65	14	5	--	47
1961 - Jan. p/	--	1,076	--	68	14	5	--	49
Feb. p/	--	1,154	--	74	13	5	--	56

- 1/ 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.

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	p/526	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/1,676	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/1,376	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.

Other Security Offerings
(In millions of dollars)

	Gross long-term 1/					
	Foreign government 2/			Federal agency 3/		
	1961	1960	1959	1961	1960	1959
January	--	2	81	--	182	199
February		175	60		150	--
March		70	2		150	175
April		34	58		148	--
May		72	50		354	--
June		40	42		--	--
July		25	85		--	--
August		1	1		199	98
September		36	35		--	150
October		34	33		160	--
November		2	30		149	--
December		41	70		181	86
Year		533	547		1,672	707
	Net short-term 4/					
	State and local government 5/			Federal agency 3/		
	1961	1960	1959	1961	1960	1959
January		58	-4		-196	-82
February		140	181		-202	176
March		-80	4		-59	33
April		70	197		-277	50
May		-146	-25		170	368
June		-157	-197		320	286
July		48	57		95	362
August		415	392		23	133
September		-175	131		-201	79
October		-16	-81		-23	280
November		50	-176		-33	240
December		-189	-117		-250	44
Year		18	362		-633	1,969

6/ Preliminary.

1/ These data differ from those in Exhibit G 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, Treasury Department and Federal Reserve.

4/ These data differ from those in Exhibit G and above in that they represent new offerings less retirements, whether from the proceeds of refunding issues or from other funds. Data include only issues with original maturity of one year or less.

5/ 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 and Federal Reserve.

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 <u>2/</u>
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 17

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Am. Machine & Foundry Co.	Conv. deb.	39.5	1981	4-1/4	1.93	Ba
<u>STATE AND LOCAL GOVERNMENT</u>						
Chicago, Illinois	Key.-Ut.	30.0	1962-85	3.53	1.50-3.60	A
Commonwealth of Puerto Rico	G.O.	40.0	1962-81	3.89	1.75-4.00	A
Denver, Colorado	G.O.	15.0	1972-99/81	3.55	2.85-3.60	Aa
State of New Jersey	G.O.	20.9	1968-88/79	3.16	2.40-3.30	Aaa
St. Paul, Minnesota	G.O.	10.6	1962-91	3.35	1.60-3.50	Aa
Cherokee, Alabama	Rev.-Rent.	25.0	1963-86	n.a.	n.a.	--
Duval Co., Florida	G.O.	15.0	1962-81/71	3.20	1.65-3.40 <u>4/</u>	Aa
Pa. Gen. State Auth.	Rev.-Rent.	25.0	1964-88/71	3.48	2.10-3.65	--
<u>OTHER</u>						
Federal Land Banks	Bonds	67.0	1966	3-5/8	3.90	--

Footnotes

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- 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 1981 maturities 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 17

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Southwestern Public Service Co.	1st mtg. bds.	15.0	Mar. 23
Southern Calif. Edison Co.	1st ref. mtg. bds.	30.0	Apr. 5
Flintkote Co.	Deb.	35.0	Apr. 5
Tennessee Gas Trans. Co.	Pfd. stk.	20.0	Apr. 6
American Telephone & Telegraph Co.	Com. stk.	e/975.0	Apr. 14 (rights expire)
Mead Corp.	Deb.	25.0	Apr. 18
*Transcontinental Gas Pipe Line Co.	1st mtg. p. l. bds.	35.0	Apr. 19
*Minneapolis-Honeywell Regulator Co.	S.F. deb.	25.0	Apr.
*Minneapolis-Honeywell Regulator Co.	Pfd. stk.	25.0	Apr.
*Spiegel, Inc.	Deb.	40.0	Apr.
*Duke Power Co.	Com. stk.	15.0	May (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>			
Columbus, Ohio	G.O.	12.6	Mar. 20
State of Massachusetts	G.O.	62.5	Mar. 21
*State of Rhode Island	G.O.	10.9	Mar. 22

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

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
*Detroit, Michigan	G.O.	16.7	Mar. 28
Wash. Sanitation Dist., Md.	G.O.	10.0	Mar. 28
Detroit Sch. Dist., Mich.	G.O.	10.0	Mar. 28
Commonwealth of Kentucky	G.O.	100.0	Mar. 29
State of Michigan	Rev.-Ut.	25.0	Apr. 4
State of California	G.O.	190.0	Apr. 5
*Cleveland, Ohio	G.O.	14.5	Apr. 11
*Public Housing Authorities	G.O.	50.1	Apr. 20
*Cincinnati, Ohio	G.O.	21.5	May 9
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 ^{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	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.

Exhibit L

-17-

Sources and Uses of Funds by
Life Insurance Companies

	Uses of funds 1/						Total sources or uses
	Cash	U. S. Govt. secur- ities	Busi- ness secur- ities 2/	State and local govt. secur- ities	Mort- gages	Other	
Value of assets at end of period:	(In millions of dollars)						
1957 - Dec.	1,294	7,028	42,133	2,377	35,271	13,206	101,309
1958 - Dec.	1,363	7,182	44,612	2,691	37,092	14,640	107,580
1959 - Dec. r/	1,307	6,858	46,901	3,221	39,237	16,126	113,650
1960 - Dec.	1,332	6,444	48,896	3,622	41,798	17,625	119,717
1961 - Jan.	1,278	6,545	49,138	3,671	42,008	17,827	120,467
Changes:							
r/1959 - Jan.	-81	279	190	39	138	58	623
Feb.	-47	-69	223	38	126	170	441
Mar.	-20	-183	235	71	137	86	326
Apr.	-29	19	258	51	110	113	522
May	15	-15	182	82	126	85	475
June	2	10	227	34	156	60	489
July	-25	39	194	110	194	146	658
Aug.	16	95	81	31	167	110	500
Sept.	-39	-181	82	18	207	108	195
Oct.	20	-18	203	14	245	91	555
Nov.	33	-132	195	18	235	146	495
Dec.	99	-168	219	24	304	313	791
1960 - Jan. r/	-71	153	204	-24	336	-46	552
Feb.	-53	-36	125	25	196	207	464
Mar.	-30	-167	104	35	242	115	299
Apr.	39	-85	134	21	225	95	429
May	-12	-62	231	26	203	128	514
June	33	-102	125	13	192	211	469
July	12	73	167	104	63	206	628
Aug.	4	-40	168	43	226	175	576
Sept.	-51	-6	40	82	179	122	366
Oct.	90	-62	311	33	214	11	597
Nov.	-35	23	198	26	208	102	522
Dec.	99	-103	188	17	277	173	651
1961 - Jan.	-54	101	242	49	210	202	750
Feb.							
Mar.							

1/ Uses of funds represent net changes in assets and therefore reflect net, rather than gross, uses.

2/ Includes securities of domestic corporations only.

Source.--Institute of Life Insurance.

Exhibit M

Sources and Uses of Funds by
Savings and Loan Associations

	Uses of funds 1/				Total sources or uses	Sources of funds		
	Cash	U. S. Govt. secur-ities	Mort-gages2/	Other assets		Net change savings capital	Borrow-ing 3/	Other
Value of assets at end of period	(In millions of dollars)							
1957 - Dec.	2,146	3,173	40,049	2,770	48,138	41,912	1,379	4,847
1958 - Dec.	2,585	3,819	45,627	3,108	55,139	47,976	1,444	5,719
1959 - Dec.	2,183	4,477	53,194	3,676	63,530	54,583	2,387	6,560
1960 - Dec.	2,647	4,560	60,042	4,152	71,401	62,116	2,159	7,126
1961 - Jan.	2,574	4,638	60,446	4,934	71,692	62,703	1,723	7,266
Changes:								
r/1959 - Jan.	-297	283	414	-41	359	446	-180	93
Feb.	-27	96	430	83	582	405	-54	231
Mar.	-1	75	596	99	769	527	-8	250
Apr.	-180	105	710	151	786	414	97	275
May	27	21	757	185	990	599	62	329
June	238	-3	884	-36	1,083	1,089	314	-320
July	-431	108	803	-113	367	201	31	135
Aug.	-42	23	740	14	735	394	119	222
Sept.	-52	-7	679	64	684	447	148	89
Oct.	-69	10	626	86	653	396	136	121
Nov.	61	-28	460	141	634	484	56	94
Dec.	371	-25	468	-65	749	1,205	222	-678
p/1960 - Jan.	-301	196	316	-119	92	468	-462	86
Feb.	-34	65	398	65	494	409	-114	199
Mar.	49	-22	547	93	667	623	-126	170
Apr.	-27	-2	565	106	642	372	37	233
May	80	21	635	203	939	630	5	304
June	329	-143	780	-58	908	1,216	211	-519
July	-236	-33	615	-127	219	149	-127	197
Aug.	30	-27	713	2	718	489	22	207
Sept.	24	1	643	63	731	602	49	80
Oct.	104	20	605	85	814	667	-14	161
Nov.	86	36	501	153	776	558	51	167
Dec. r/	428	-3	572	-38	959	1,388	240	-669
p/1961 - Jan.	-141	52	362	-70	203	549	-415	69
Feb.								
Mar.								

r/ Revised. p/ Preliminary.

1/ Uses of funds represent net changes in assets and therefore reflect net, rather than gross, uses. Savings and loan associations do not hold business securities and data on holdings of State and local government bonds, presumed to be small, are not available.

2/ Data for 1957 adjusted to include mortgage pledged shares as currently reported.

3/ Advances from Home Loan Banks and other borrowing.

Source.--Federal Savings and Loan Insurance Corporation.

Exhibit N

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Sources and Uses of Funds
by Mutual Savings Banks

	Uses of funds 1/						Sources of funds		
	Cash	U. S. Govt. securities	Business securities 2/	State & local govt. securities	Mortgages	Other	Total sources or uses	Net change in deposits	Other
Value of assets at end of period	(In millions of dollars)								
1957 - Dec.	890	7,552	4,331	682	20,951	761	35,168	31,695	3,473
1958 - Dec.	921	7,266	4,973	725	23,039	855	37,779	34,041	3,738
1959 - Dec.	829	6,864	4,849	722	24,768	910	38,942	34,983	3,959
1960 - Dec. F/	874	6,236	5,080	673	26,701	1,005	40,568	36,349	4,219
1961 - Jan.	825	6,342	5,083	668	26,862	1,022	40,801	36,519	4,282
Changes:									
1959 - Jan. 3/	-96	119	-16	17	208	-58	175	122	53
Feb.	18	39	6	-4	125	32	216	113	103
Mar.	45	62	-31	41	175	38	330	313	17
Apr.	-114	-44	58	-33	155	-32	-10	6	-16
May	8	13	-20	10	161	45	217	120	97
June	43	-85	--	19	145	39	161	202	-41
July	-79	-13	-47	4	179	-12	32	-54	86
Aug.	3	-12	13	-1	156	33	192	80	112
Sept.	-2	-32	-2	8	160	31	163	197	-34
Oct.	-27	-281	-55	-20	137	-37	-283	-187	-96
Nov.	20	-85	-28	-8	124	42	65	-27	92
Dec.	111	-12	23	-24	132	-12	218	340	-122
1960 - Jan.	-131	-9	-12	-6	159	-12	-11	-68	57
Feb.	37	-11	-9	-9	116	43	167	50	117
Mar.	41	32	52	3	150	41	319	320	-1
Apr.	-86	-148	-19	13	129	-21	-132	-95	-37
May	42	-80	13	-23	161	63	176	58	118
June	108	-93	57	-4	169	-59	178	221	-43
July	-69	-48	38	-4	159	42	118	21	97
Aug.	-6	30	-8	-5	206	6	223	105	118
Sept.	22	-32	32	1	196	14	233	278	-45
Oct.	-8	-156	-4	-6	168	-25	-31	56	-87
Nov.	9	-68	34	-5	171	13	154	39	115
Dec. F/	86	-45	57	-4	149	-10	232	381	-149
1961 - Jan.	-49	106	3	-5	161	17	233	170	63
Feb.									
Mar.									

1/ Uses of funds represent net changes in assets and therefore reflect net, rather than gross, uses.

2/ Includes Canadian government and political subdivisions, International Bank for Reconstruction and Development, nonguaranteed Federal agency and other bonds as well as corporate bonds and stocks.

3/ Adjusted to eliminate the effect of a consolidation of a large savings bank with a commercial bank.

Source. --National Association of Mutual Savings Banks and Federal Deposit Insurance Corp.

March 20, 1961

Part II - Canada

Treasury bill yields declined and bond yields rose in Canada last week. There was a \$50 million decline in Treasury bills outstanding. Government bonds outstanding rose \$150 million with the new Government issue of a few weeks ago. The spread favoring the Canadian short Treasury bill over the U.S. bill was widened somewhat as a result of greater declines in the U.S. yields. The forward rate on the Canadian dollar was at par with the spot rate for the second straight week. Stock prices continued to rise through the week. The spot rate on the Canadian dollar declined from 101.7 (U.S. cents) to 101.5 (U.S. cents) last Thursday.

Money market. Yields on Canadian Treasury bills eased slightly last week. The average yield on the 3-month bill declined 6 basis points at last Thursday's auction to 3.16 per cent from 3.21 per cent the week before. The 6-month bill declined 7 basis points last Thursday to 3.34 per cent from 3.41 per cent the week before. The Bank of Canada decreased its holdings of Treasury bills by \$46 million and the general public's holdings fell \$5 million while the chartered bank holdings showed no change. There was a net reduction of Treasury bills outstanding of \$50 million.

The spread of the Canadian over the U.S. short Treasury bill widened as a result of greater declines in the U.S. bill. For the second straight week the 3-month forward rate on the Canadian dollar was almost flat with the spot Canadian dollar.

Bond market. There was some rise in bond yields last week but the spread over U.S. yields narrowed slightly as a result of rising U.S. yields. The spread between comparable Canadian and U.S. securities (in per cent per annum) follows)

	<u>March 9</u>	<u>March 16</u>	<u>Change</u>
91-day bill	0.78	0.83	+0.05
182-day bill	0.91	0.85	-0.06
8-year bond	1.04	0.97	-0.07
30-year bond	1.31	1.30	-0.01
35-year bond	1.49	1.46	-0.03

The Bank of Canada purchased \$77 million of Government bonds, the chartered banks purchased \$52 million, and the general public purchased \$21 million. There was a \$150 million increase in bonds outstanding reflecting the new issue of several weeks ago.

A \$30.4 million Metropolitan Toronto issue was offered last week as follows:

- (1) \$4.4 million, 5-1/4 per cent, 10-year debentures at 98-1/2 to yield 5.45 per cent;
- (2) \$21.4 million, 5-1/2 per cent, 20-year debentures at 97 to yield 5.75 per cent;

- (3) \$4.1 million, 5-1/2 per cent, 30-year debentures at 97 to yield 5.71 per cent.

Canadian breweries offered \$20 million of 5-1/2 per cent, 25-year sinking fund debentures, at 96-1/2 to yield 5.77 per cent. The Alberta Gas Trunk Line \$10 million, 5-3/4 per cent cumulative redeemable preferred issue sold at par.

Stock exchange. The indices of industrial stock prices on the Canadian exchanges continued to rise through the early part of last week. A comparison of recent changes in these indices for Toronto, Montreal, and New York Standard & Poor is shown in the following table:

	<u>Toronto</u>	<u>Montreal</u>	<u>New York Standard & Poor</u>
1960 - High	532.90	320.0	65.00
Low	472.38	258.5	55.34
1961 - High	554.75	303.1	67.87
Low	535.75	287.0	62.77
March 3	553.50	298.8	67.72
8	548.88	296.9	67.21
10	551.13	299.8	67.17
14	554.75	303.1	67.06

The total value of shares sold on the Canadian exchanges during the week ending March 10 continued high at \$9.449 million, but down some from the high the week before of over \$11 million.

Foreign exchange. The spot rate on the Canadian dollar eased some last week and closed at 101.25 (U.S. cents) last Thursday compared with 101.72 (U.S. cents) the week before. The rate on the 3-month forward dollar was at par with the spot rate for the second straight week.

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 ^e
	Canada a/	U.S. b/ over U.S.	Spread over U.S.	Spot c/	3-mo. forward	discount (-) premium(+) ^d	
1959 - High	6.16	4.49	2.96	105.52	--	--	--
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
Feb. 23	3.11	2.54	0.57	101.45	101.42	-0.12	- .45
Mar. 2	3.21	2.54	0.67	101.50	101.48	-0.06	0.61
9	3.21	2.43	0.78	101.72	100.74	0.06	0.84
16	3.16	2.33	0.83	101.25	101.27	0.06	0.89

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) 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
Feb. 23	3.37	0.65	4.63	0.95	5.01	1.30	5.06	1.50
Mar. 2	3.43	0.69	4.66	0.99	5.06	1.30	5.06	1.48
9	3.41	0.91	4.65	1.04	5.06	1.31	5.04	1.49
16	3.34	0.85	4.66	0.97	5.09	1.30	5.50	1.46

a/ Average yield at weekly tender on Thursday.

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

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

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

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

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

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

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

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

	<u>Bank of Canada</u>		<u>Government</u>	<u>Chartered banks</u>		<u>General public</u>		
	<u>Treas.</u> <u>bills</u>	<u>Bonds</u>		<u>Treas.</u> <u>bills</u>	<u>Bonds</u>	<u>Savings</u> <u>bonds</u>	<u>Treas.</u> <u>bills</u>	<u>Bonds</u>
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
23	- 4	+ 12	- 6	+ 18	+ 7	- 7	- 9	- 19
Mar. 2	+ 4	+ 42	- 36	- 3	+ 1	- 6	- 7	- 7
9	+ 2	+ 1	+ 4	- 2	- 5	- 3	+ 1	- 1
16	- 46	+ 77	- 1	0	+ 52	0	- 5	+ 21

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>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Feb. 22</u>	<u>Mar. 1</u>	<u>Mar. 8</u>
1. Money supply:						
Currency and deposits	13,811	13,763	13,798	13,690	13,798	
Less: Govt. deposits	548	354	415	467	415	
Equals: privately held	13,263	13,409	13,383	13,223	13,383	
Change in period	+ 123	+ 146	- 26	+ 3	+ 160	
2. General bank loans	1/5,117	1/5,076	1/5,113	4,991	5,003	
Change in period	+ 90	- 41	+ 37	- 5	+ 12	
3. Total Govt. securities:	17,760	17,239	17,729	17,734	17,729	17,726
Of which: Treas. bills	1,985	1,985	1,985	1,985	1,985	1,985
Bonds	12,179	12,161	12,160	12,160	12,160	12,160
Savings bonds	3,596	3,493	3,581	3,589	3,584	3,581
4. New security issues:	1,311	788		390	131	421
Of which sold in U.S.	14	1		4	0	0
5. Chartered bank liquidity:						
Cash reserve	1,017	1,027	1,016	1,002	999	1,001
Cash ratio	8.2	8.2	8.1	8.0	8.0	8.0
Liquid assets	2,093	2,189	2,284	2,261	2,284	2,282
Liquid asset ratio	16.8	17.4	18.2	18.0	18.4	18.3

1/ Seasonally adjusted.

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

INTEREST ARBITRAGE, NEW YORK / LONDON

Friday figures

Per cent per annum

