

Not for Publication DECONTROLLED AFTER SIX MONTHS

H.14

July 24, 1961.

CAPITAL MARKET DEVELOPMENTS  
IN THE UNITED STATES

While the volume of corporate security financing to obtain new capital was in large volume last week, there were no large flotations of State and local government issues; this week the volume of both corporate and State and local offerings is expected to be moderate. Last week, ending July 21, large security offerings by corporations aggregated \$221 million, highlighted by the successful distribution of \$200 million of Shell Oil Company debentures. This week, ending July 28, three large State and local government bond offerings with par value of \$66 million are on the calendar while corporate issues with gross proceeds of \$65 million are scheduled.

Bond yields. Yields on Aaa-rated State and local government bonds and long-term U. S. Government bonds declined last week by 2 and 4 basis points, respectively. Yields on Aaa-rated corporate bonds, which had increased steadily since mid-May, were unchanged.

Short- and intermediate-term interest rates. Yields on short- and intermediate-term U. S. Government securities declined last week. Yields on 3-month and 6-month Treasury bills decreased by 6 and 7 basis points, respectively, while yields on 3-5 year U. S. Government obligations declined 6 basis points.

Mortgage recordings. Nonfarm mortgage recordings advanced sharply in May, reflecting appreciable increases in Government underwritten loans as well as in conventional. The seasonally adjusted volume of recordings in April was almost as great as last summer, about a tenth less than at the peak in mid-1959.

Stock market credit. Customers' credit in the stock market declined \$28 million in June, the first decline since July 1960 when margin requirements were lowered to 70 per cent. At \$5.4 billion, however, customer credit was considerably more than a billion dollars above the July 1960 figure. Customer debit balances, excluding those secured by U. S. Government obligations, declined \$45 million, but this was partially offset by an increase of \$17 million in bank loans to other than brokers and dealers for purchasing and carrying securities.

Money borrowed by NYSE member firms increased \$227 million further in June. Customers' free credit balances, however, continued the decline started in May, decreasing \$173 million in June. These and other data on stock market credit in May and June are shown in the table on the following page.

	End of month		Change
	June	May	
	(Millions of dollars)		
Customer credit			
excluding U. S. Government securities - total	5,358	<u>5,386</u>	-28
Net debit balances	4,015	<u>4,060</u>	-45
Bank loans to "others"	1,343	1,326	+17
Net debit balances secured by U. S. Govt. securities	51	40	+11
Bank loans to "others" for purchasing or carrying U. S. Government securities	104	108	-4
Broker and dealer credit			
Money borrowed except on U. S. Government securities	2,756	2,529	+227
On customer collateral	2,371	<u>2,180</u>	+191
Money borrowed on U. S. Government securities	59	58	+1
Customers' net free credit balances	1,280	1,453	-173

r/ Revised.

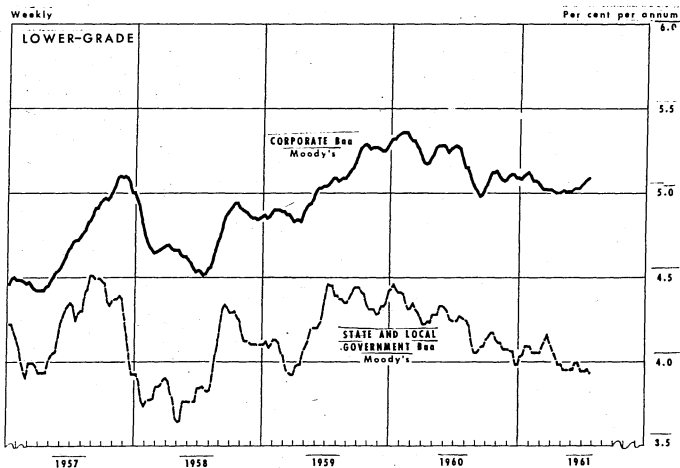
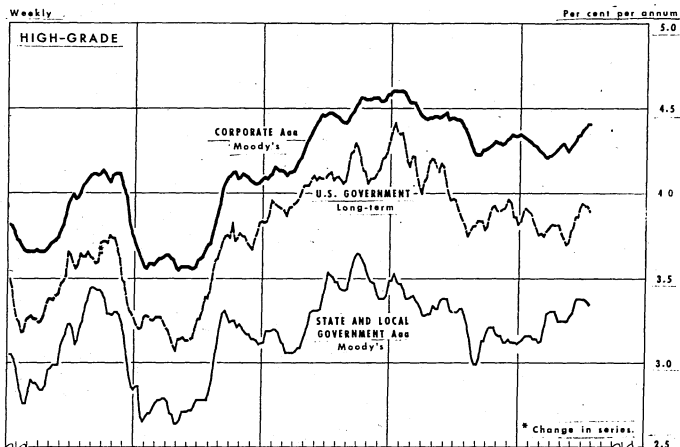
Stock prices. Common stock prices, as measured by Standard and Poor's composite index of 500 stocks, declined on balance last week, closing on July 21 at 64.86. Trading volume also declined, averaging 2.7 million shares a day, equaling the previous low for the year.

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

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 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	4.41 (7/21)	3.93 (6/30)	3.37 (7/6)	.57	.76
Low	4.21 (3/17)	3.70 (5/12)	3.12 (2/23)	.40	.46
June 23	4.34	3.90	3.37	.44	.53
June 30	4.36	3.93	3.37	.43	.56
July 7	4.39	3.92	3.37	.47	.55
July 14	4.41	3.92	3.36	.49	.56
July 21 p/	4.41	3.88	3.34	.53	.54

## Lower-grade

Date	Corporate Baa 1/	State and local govt. Baa 3/	Spread between Aaa and Baa	
			Corporate	State and local govt.
	(per cent)			
1954 - Low	3.44 (12/31)	2.93 (8/5)	.52	.96
1957 - High	5.10 (11/20)	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)	4.16 (3/23)	.81	.93
Low	5.00 (4/21)	3.93 (7/20)	.67	.57
June 23	5.04	3.97	.70	.60
June 30	5.05	3.94	.69	.57
July 7	5.07	3.94	.68	.57
July 14	5.08	3.95	.67	.59
July 21 p/	5.09 ✓	3.93	.68	.59

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.

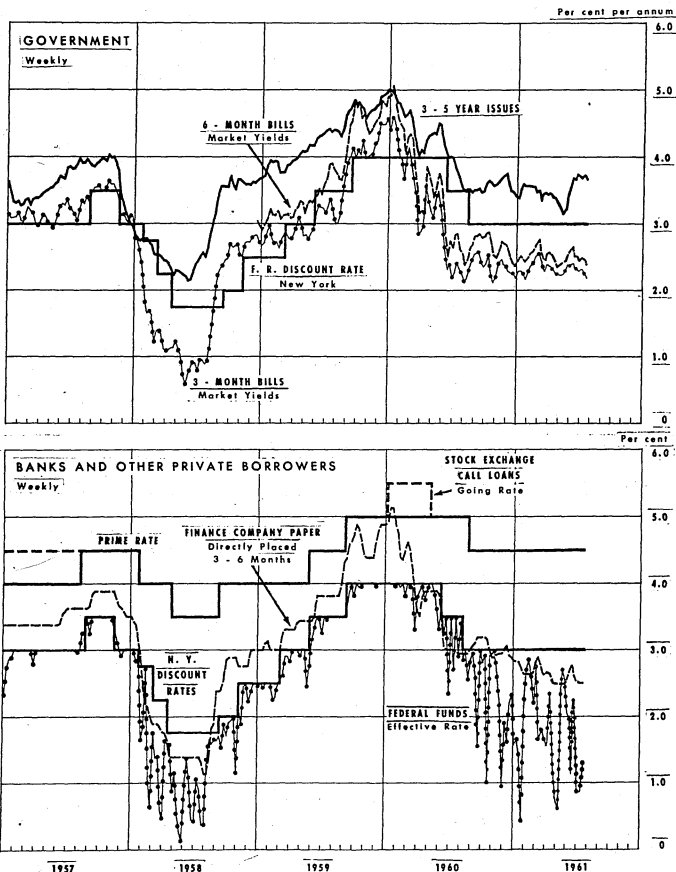
3/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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	3.00	2.56 (3/3)	2.75 (3/3)	3.74 (6/23)	.25	1.47
Low	3.00	2.17 (1/27)	2.35 (4/28)	3.15 (5/12)	.12	.92
June 23	3.00	2.31	2.50	3.74	.19	1.43
June 30	3.00	2.27	2.45	3.71	.18	1.44
July 7	3.00	2.31	2.49	3.69	.18	1.38
July 14	3.00	2.25	2.46	3.72	.21	1.47
July 21 p/	3.00	2.19	2.39	3.66	.20	1.47

## Banks and Other Private Borrowers

Date	Stock Exchange call loan 1/	Prime rate 1/	Finance company paper 2/	Federal funds 4/	Spread between 3-mo. bills and finance co. paper
	(per cent)				
1954 - Low	3.00	3.00	1.25 (12/31)	n.a.	0
1957 - High	4.50	4.50	3.88 (11/15)	3.50 (11/8)	.63
1958 - Low	3.50	3.50	1.13 (8/8)	.13 (5/29)	-.35
1959-60 - High.	5.50	5.00	5.13 (1/22/60)	4.00 (5/13/60)	1.02
1960 - Low	4.50	4.50	2.88 (12/30)	.95 (12/2)	.22
1961 - High	4.50	4.50	2.88 (3/10)	2.85 (2/17)	.56
Low	4.50	4.50	2.50 (7/21)	.43 (1/27)	.11
June 23	4.50	4.50	2.65	2.25	.34
June 30	4.50	4.50	2.54	.85	.27
July 7	4.50	4.50	2.50	.85	.19
July 14	4.50	4.50	2.50	.85	.25
July 21 p/	4.50	4.50	2.50	1.30	.31

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.

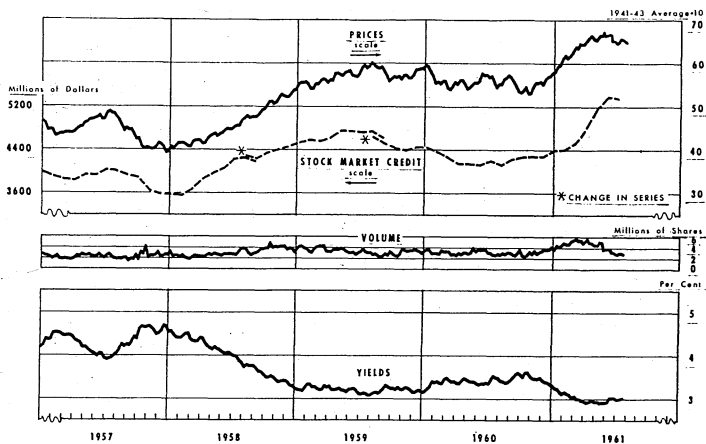
3/ Average of daily rates published by finance companies for directly placed paper for varying maturities in the 90-179 day range.

4/ Weekly average of daily effective rate, which is the rate for the heaviest volume of purchase and sale transactions as reported to the Federal Reserve Bank of New York.

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

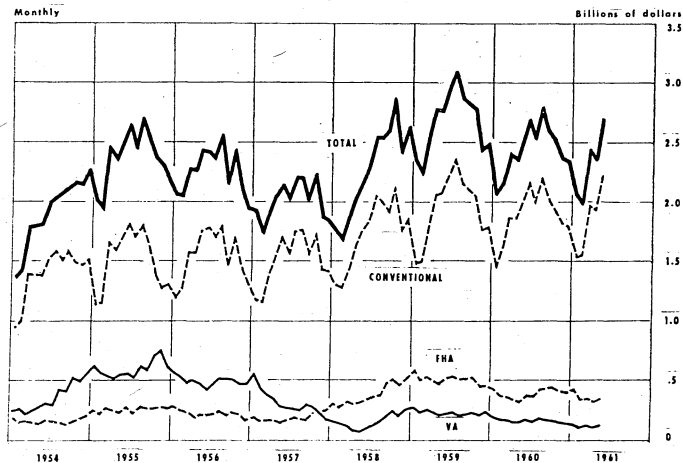
EXHIBIT E

STOCK MARKET



MORTGAGE RECORDINGS AND LOANS

Monthly



## 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	67.27 (5/19)	2.90	5.8	5,386 (5/61)	4,060 (5/61)	1,367 (7/12)
Low	58.48 (1/6)	3.32	2.7	4,416 (1/61)	3,253 (1/61)	1,152 (3/8)
May	66.50	2.92	4.6	5,386	4,060	1,326
June	65.62	2.99	3.3	5,358	4,015	1,343
July 7	65.77	2.97	3.0	n.a.	n.a.	1,360
July 14	65.28	3.00	3.0	n.a.	n.a.	1,367
July 21 p/	64.86	3.02	2.7	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 Fridays' data only.
- 2/ Standard and Poor's composite stock yield based on Wednesday data converted to weekly closing prices by Federal Reserve. Yields shown are for dates on which price index reached its high or low.
- 3/ Averages of daily trading volume on the New York Stock Exchange.
- 4/ End of month figures for member firms of the New York Stock Exchange which carry margin accounts; excludes balances secured by U. S. Government obligations.
- 5/ Wednesday figures for weekly reporting member banks. Excludes loans for purchasing or carrying U. S. Government securities. Prior to July 1, 1959, such loans are excluded only at banks in New York and Chicago. Weekly reporting banks account for about 70 per cent of loans to others. For further detail see Bulletin.

## Nonfarm Mortgage Recordings and Loans 1/

Date	Total		Unadjusted		
	Seasonally adjusted 2/	Unadjusted	FHA	VA	Conv.
(Millions of dollars)					
1960 - May	2,446	2,500	322	155	2,023
June	2,427	2,690	365	175	2,150
July	2,493	2,528	362	160	2,006
Aug.	2,488	2,784	417	181	2,186
Sept.	2,464	2,598	425	169	2,004
Oct.	2,451	2,525	434	162	1,929
Nov.	2,426	2,378	404	150	1,824
Dec.	2,407	2,338	390	142	1,806
1961 - Jan.	2,373	2,075	410	132	1,533
Feb.	2,387	1,997	341	108	1,548
Mar.	2,398	2,444	348	125	1,972
Apr.	2,476	2,358	318	109	1,931
May	n.a.	2,700	349	123	2,228

n.a.--Not available.

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

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

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



## 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	580	570	821	708	700	648
February	667	715	738	661	611	859
March	562	860	646	759	568	638
April	2,115	761	894	678	719	934
May	p/1,223	577	785	e/550	545	568
June	p/1,149	1,044	887	e/1,050	991	987
July	e/1,000	736	535	e/550	492	443
August		967	740		606	521
September		726	703		683	470
October		890	879		348	593
November		956	864		501	450
December		852	900		491	478
1st quarter	1,809	2,145	2,204	2,128	1,880	2,145
2nd quarter	p/4,487	2,382	2,567	e/2,278	2,256	2,488
3rd quarter		2,428	1,979		1,780	1,433
4th quarter		2,698	2,642		1,340	1,521
1st half	p/6,296	4,527	4,771	e/4,406	4,136	4,634
Three quarters		6,955	6,750		5,916	6,067
Year		9,653	9,392		7,257	7,508
Excluding finance companies 3/						
1st quarter	1,554	1,716	1,999			
2nd quarter	p/4,337	2,165	2,412			
3rd quarter		2,018	1,716			
4th quarter		2,347	2,503			
Year		8,246	8,630			

e/ Estimated.

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	6	2	81	--	182	199
February	29	175	60	--	150	--
March	20	70	2	252	150	175
April	--	34	58	100	148	--
May	61	72	50	149	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	160	58	-4	-144	-196	-82
February	195	140	181	-162	-202	176
March	368	-80	4	-174	-59	33
April	103	70	197	-79	-277	50
May		-146	-25	87	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

2/ 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 FHA 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 2/
1960 - 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	--
March	70	405	67
April	1,572	383	--
May	557	256	25
June	532	616	151

## Large Individual Issues Offered July 1 through 21

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Pacific Gas & Elec. Co.	Com.stk.	63.6				
Jim Walters Corp.	1st sub.deb.	20.0	1981	5-7/8	5.85	--
General Acceptance Corp.	Conv.cap.deb.	15.0	1981	5	5.00	--
Northern Illinois Gas Co.	Com.stk.	22.3				
Hunt Foods & Industries	Conv.sub.deb.	38.8	1986	4-3/8	4.38	Ba
Harvey Aluminum, Inc.	Com.stk.	29.3				
Automatic Canteen Co. of Am.	Conv.sub.deb.	20.8	1981	4-3/4	4.75	Baa
Shell Oil Co.	Deb.	200.0	1986	4-5/8	4.64	Aaa
<u>STATE AND LOCAL GOVERNMENT</u>						
Milwaukee County, Wisc.	G.O.	11.4	1962-81	3.07	1.60-3.30	Aaa
Dade Co. Port Auth., Fla.	Rev.-Rent.	17.3	1964-91	3-3/4-4-3/4	3.25-4.75	--
City of Los Angeles, Calif.	G.O.	18.8	1962-81	3.39	1.65-3.60	Aa
Memphis, Tennessee	G.O.	13.5	1962-91	3.28	1.60-3.55	Aa
N. Y. St. Housing Fin. Agency	Rev.	51.9	1964-2004	3.97	2.20-4.00	--
<u>OTHER</u>						
None						

Footnotes

- 1/ Includes corporate and other security offerings of \$15 million and over; State and local government security offerings of \$10 million and over.
- 2/ Includes foreign government and International bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.
- 3/ In the case of State and local government securities, G. O. denotes general obligations; Rev.-Ut., revenue obligations secured only by income from public utilities; Rev.-Q.Ut., revenue bonds secured only by revenue from quasi-utilities; Rev.-S.T., revenue bonds secured by revenue from specific taxes only; Rev.-Rent., revenue bonds secured solely by lease payments.
- 4/ 1 per cent bonds of 1989-91 not reoffered.

## Exhibit J

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

## Expected Proceeds from Forthcoming Large Issues

Date of computation	During month following date shown			Subsequent to date shown		
	Corporate	State and local govt.	Other 2/	Corporate	State and local govt.	Other 2/
1960 - 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	--
Mar. 31	1,580	559	--	1,700	806	--
Apr. 28	542	236	15	687	579	15
May 31	487	431	75	611	771	75
June 30	521	195	--	666	291	--

## Forthcoming Large Offerings, as of July 21

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Union Electric Co.	1st mtg. bds.	30.0	July 26
Northern Natural Gas Co.	S.F. deb.	35.0	July 26
Long Island Lighting Co.	1st mtg. bds.	25.0	Aug. 3
Kimberly-Clark Corp.	S.F. deb.	35.0	Aug. 8
Northern State Power Co.	1st mtg. bds.	20.0	Aug. 9
Consumers Power Co.	1st mtg. bds.	40.0	Aug. 16
Clark Equipment Credit Corp.	Deb.	20.0	Indefinite
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
Realty Collateral Corp.	Coll. tr. notes	20.0	Indefinite
Texas Eastern Transmission Co.	Deb. & pfd. stk.	50.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
State of Michigan	Rev.-S.T.	35.0	July 26
State of Alaska	G.O.	14.0	July 26
State of North Carolina	G.O.	17.2	July 26
State of Maryland	G.O.	16.9	Aug. 2
Public Housing Authority	--	60.3	Aug. 2
*Sacramento, Calif. Unif. Sch. Dist.	G.O.	10.0	Aug. 2
*St. Petersburg, Fla.	Rev.-Ut.	14.0	Aug. 8
*Pennsylvania General State Auth.	Rev.-Rent.	25.0	Aug. 8
State of California	G.O.	225.0	Aug. 16

## Forthcoming Large Offerings, as of July 21 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Cook County, Illinois	G.O.	25.0	Aug. 22
*San Diego, Calif. Unified Sch. Dist.	G.O.	20.0	Aug. 29
Orleans Parish School Dist., La.	G.O.	10.0	Indefinite
Dade County, Florida	G.O.	46.0	Indefinite
Jacksonville Expressway Auth.	Rev.-Ut.	40.0	Indefinite
State of Kentucky	G.O.	35.0	Indefinite
<u>OTHER</u>			
None			

\*--Included in table for first time.

- 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 reason 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
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			4.87	6
Aug.				
Sept.	4.60 <sup>2/</sup>	22	*4.80	24
Oct.	4.65 <sup>2/</sup>	23		
Nov.	4.82	37	4.97	35
Dec.	*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
Mar. 23	4.37	8	4.50	5
24			4.40	-5
Apr. 13			4.65 <sup>2/</sup>	17
21			4.80 <sup>2/</sup>	32
26	4.80	43		
27	4.67	29		
May 17	4.50 <sup>2/</sup>	13	4.72	19
18	4.57	20		
19			4.80	27
23	4.65	27		
26			4.94	40
June 8			5.12	55
13			4.92	36
28				
July 13	4.87	41	4.93	29

\*--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.