

H.14

March 16, 1959.

CAPITAL MARKET DEVELOPMENTS

The volume of public security financing for new capital was substantial last week, but is expected to be much smaller this week. During the week ending March 13, large corporate issues, including expiration of subscription rights, totaled \$105 million and State and local government bond offerings amounted to \$153 million. The Federal Land Banks also offered an \$86 million issue. The calendar for this week includes only one large corporate issue for \$15 million and large State and local government bond issues totaling \$62 million.

Bond yields - Changes in yields on outstanding bonds were mixed last week. Yields for high-grade corporate and U. S. Government bonds increased somewhat, those for high-grade State and local government and corporate Baa bonds remained stable, and yields for lower-grade State and local government bonds declined slightly.

A new Aa-rated first mortgage electric utility bond issue was offered to investors last week to yield 4.40 per cent--5 basis points above that for the last comparable offering made in mid-February. Both issues included a 5-year nonrefunding provision.

Mortgage yields - Exhibits C and D include a new chart and table showing monthly data on mortgage and bond yields which will be included in this report once each month. Other data on current developments in mortgage financing will be presented in this space at other times.

Yields on FHA and conventional mortgages have been stable since late last year, while yields on new issues of corporate bonds have declined. As a result, the differential between mortgage and bond yields has widened. This spread, 140 basis points for FHA mortgages and 147 for conventional mortgages, is considerably narrower than in the early months of last year when the very wide differential led many investors to acquire mortgages in preference to corporate securities.

Stock market credit - Customer credit in the stock market (excluding that for U. S. Government securities) declined slightly last month for the first time since August 1958, totaling \$4,527 million at the end of the month. The February decline of \$27 million in customer credit resulted from a decline in net debit balances more than offsetting the slight increase in bank loans to "others."

Borrowing by member firms of the New York Stock Exchange maintaining margin accounts (excluding borrowing on U. S. Government securities) declined further last month. Customers' net free credit balances declined \$30 million (the first decline since last May), totaling \$1,196 million at the end of February. These and other data on stock market credit 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	4,527	4,554	-27
Net debit balances	3,253	3,297	-44
Bank loans to "others"	1,274	1,257	+17
Net debit balances secured by U. S. Govt. securities	157	155	+2
Bank loans to others for purchasing or carrying U. S. Government securities	62	65	-3
Broker and dealer credit			
Money borrowed except on U. S. Government securities	1,963	1,990	-27
On customer collateral	1,722	1,741	-19
Money borrowed on U. S. Government securities	223	230	-7
Customers' net free credit balances	1,196	1,226	-30

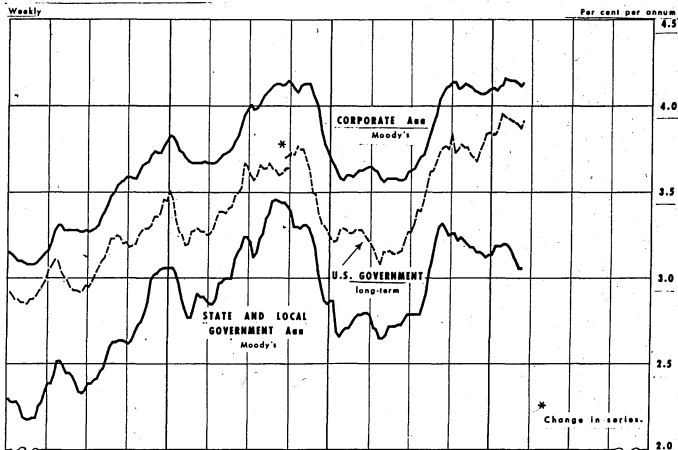
Stock prices - Stock prices, as measured by Standard and Poor's index of 500 common stocks, increased further last week, closing at 56.67 on March 13. Trading activity continued to be very heavy, averaging 4.2 million shares a day.

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

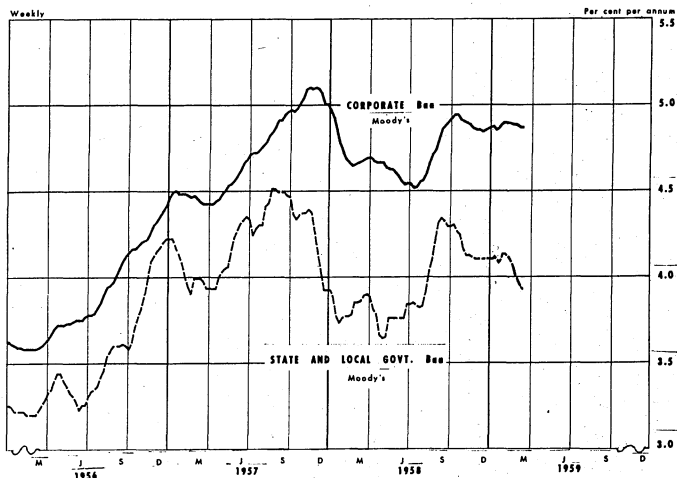
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

EXHIBIT A

HIGH-GRADE BOND YIELDS



LOWER-GRADE BOND YIELDS



Tables for Exhibit A

High-grade Bond Yields

Date	Corporate Aaa <u>1/</u>	U. S. Govt. long-term <u>2/</u>	State and local govt. Aaa <u>3/</u>	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	.47
1958 - High	4.13 (10/10)	3.84 (12/26)	3.31 (9/11)	.51	.72
Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.22	.34
1959 - High	4.16 (1/30)	3.96 (1/16)	3.20 (2/5)	.27	.86
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/12)	.16	.65
Feb. 13	4.14	3.92	3.18	.22	.74
Feb. 20	4.14	3.91	3.13	.23	.78
Feb. 27	4.13	3.90	3.11	.23	.79
Mar. 6	4.11	3.87	3.06	.24	.81
Mar. 13 <u>p/</u>	4.13	3.92	3.06	.21	.86

Lower-grade Bond Yields

Date	Corporate Baa <u>1/</u>	State and local govt. Baa <u>2/</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 - High	4.96 (1/3)	4.34 (9/11)	1.28	1.11
Low	4.51 (7/11)	3.64 (5/1)	.77	.93
1959 - High	4.90 (2/13)	4.13 (2/5)	.77	.98
Low	4.85 (1/9)	3.93 (3/12)	.74	.87
Feb. 13	4.90	4.11	.76	.93
Feb. 20	4.89	4.05	.75	.92
Feb. 27	4.89	4.03	.76	.92
Mar. 6	4.87	3.95	.76	.89
Mar. 13 <u>p/</u>	4.87	3.93	.74	.87

p/ Preliminary.

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

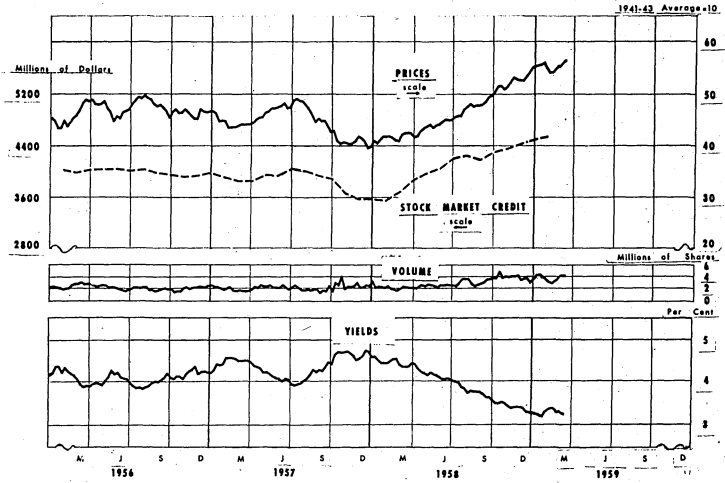
2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

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

STOCK MARKET



MORTGAGE AND BOND YIELDS

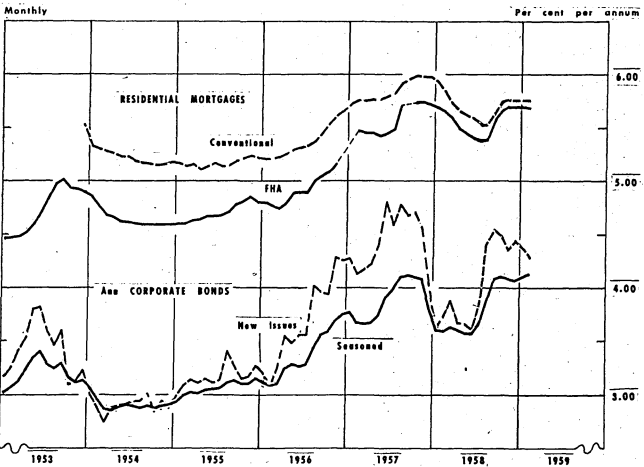


Exhibit D - Tables for Exhibit C

Stock Market

Date	Stock price index 1/	Common stock yields 2/ (per cent)	Trading volume 3/ (millions of shares)	Stock market customer credit		
				Total	Customers' debit balances 4/	Bank loans to "others" 5/
(Millions of dollars)						
1953-1958 - High	54.11 (12/26)	3.30	4.9	4,488	3,281	1,317
Low	22.95 (9/18)	6.25	0.9	2,055	1,314	664
1959 - High	56.67 (3/13)	3.21	4.2	4,554	3,297	1,274
Low	54.37 (2/6)	3.34	3.0	4,527	3,253	1,210
January	55.82	3.24	4.0	4,554	3,297	1,257
February	54.77	3.32	3.5	4,527	3,253	1,274
Feb. 27	55.41	3.29	4.1	n.a.	n.a.	1,274
Mar. 6	56.21	3.24	4.2	n.a.	n.a.	1,270
Mar. 13 p/	56.67	3.21	4.2	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 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.

Mortgage and Bond Yields

Date	Mortgages 1/		Aaa corporate bonds 1/		Spread between new corporate bonds and 6/		
	FHA 2/	Conv. 3/	New 4/	Seasoned 5/	FHA mtgs.	Conv. mtgs.	Seasoned bonds
1953-1958 - High	5.74	5.99	4.81	4.11	2.07	2.54	.90
Low	4.46	5.14	2.74	2.85	.64	.99	-.12
1959 - High	5.70	5.76	4.36	4.14	1.40	1.47	.24
Low	5.69	5.76	4.29	4.12	1.34	1.40	.15
1958 - Oct.	5.67	5.74	4.48	4.11	1.19	1.26	.37
Nov.	5.70	5.76	4.35	4.09	1.35	1.41	.26
Dec.	5.70	5.76	4.44	4.08	1.26	1.32	.36
1959 - Jan.	5.70	5.76	4.36	4.12	1.34	1.40	.24
Feb.	5.69	5.76	4.29	4.14	1.40	1.47	.15

1/ Neither mortgage nor bond yields take into account servicing costs which are much higher for mortgages than bonds.

2/ Computed by Federal Reserve from average prices reported by FHA, assuming loans are paid off in 8 years. Beginning January 1956, the series includes 10 per cent down, 25-year mortgages only. Dashed lines indicate periods of adjustment to changes in the contractual interest rate. Data for the first half of 1953 are less reliable than later data.

3/ Computed by FHA from typical rates.

4/ First National City Bank of New York. Averages of offering yields of all new issues of publicly-sold bonds rated Aaa, Aa or A by Moody's Investors Service (except serial and convertible issues and offerings of natural gas and foreign companies) weighted by size of issue. Yields on Aa and A issues are first adjusted to an Aaa basis by the spread between yields of outstanding bonds in these categories and those on Aaa-rated bonds. The series reflects changes in industrial composition, maturity, type, etc. of new offerings.

5/ Moody's Investors Service. Monthly averages of daily data. See Exhibit B.

6/ High indicates widest spread and low, narrowest spread.

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

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

(In millions of dollars)

	New capital					
	Corporate 1/			State and local 2/		
	1959	1958	1957	1959	1958	1957
January	p/782	723	1,060	p/629	812	742
February	e/650	851	1,065	p/842	953	572
March	e/650	1,561 ^{3/}	1,320	e/650	511	506
April		1,141	931		798	765
May		600	765		895	546
June		881	1,453		551	393
July		1,102	1,003		806	529
August		538	924		403	584
September		1,144	973		651	431
October		858	1,090		456	698
November		478	789		474	633
December		914	1,076		435	698
1st quarter	e/2,082	3,135	3,445	e/2,121	2,276	1,820
2nd quarter		2,622	3,149		2,244	1,704
3rd quarter		2,784	2,899		1,860	1,544
4th quarter		2,250	2,954		1,365	2,029
1st half		5,757	6,594		4,520	3,524
Three quarters		8,541	9,493		6,380	5,069
Year		10,791	12,447		7,746	7,099
	Excluding finance companies ^{4/}					
1st quarter	e/1,882	2,894	3,237			
2nd quarter		2,583	2,889			
3rd quarter		2,753	2,582			
4th quarter		2,161	2,810			
Year		10,391	11,518			

e/ Estimated p/ Preliminary.

1/ Securities and Exchange Commission estimates of net proceeds.

2/ Investment Bankers Association of America estimates of principal amounts.

3/ Includes \$718.3 million AT&T convertible debenture issue.

4/ Total new capital issues excluding offerings of sales and consumer finance companies.

Other Security Offerings 1/

(In millions of dollars)

	Long-term					
	Foreign government 2/			Federal agency 3/		
	1959	1958	1957	1959	1958	1957
January	77	196	84	199	1,163	72
February		53	49		251	--
March		--	30		--	--
April		139	123		523	125
May		198	48		--	--
June		120	42		--	60
July		9	28		164	--
August		5	7		--	--
September		17	30		--	215
October		58	4		220	--
November		123	60		--	100
December		74	1		--	--
Year		992	507		2,321	572
	Short-term					
	State and local government 4/			Federal agency 3/		
	1959	1958	1957	1959	1958	1957
January	p/189	233	326	270	371	638
February		460	455	500	208	430
March		273	147		144	505
April		357	205		209	336
May		354	337		161	469
June		264	153		329	501
July		289	272		437	224
August		423	272		206	370
September		369	252		330	512
October		231	303		454	1,238
November		415	94		114	255
December		243	459		137	116
Year		3,910	3,274		3,098	5,543

e/ Estimated.

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 PMA notes included may have a somewhat longer term than one year. Source: Bond Buyer.

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

Proceeds of Large Issues Offered

(Millions of dollars)

Month	Corporate	State and local government	Other 2/
1958 - February	605	553	266
March	1,093	182	--
April	725	300	653
May	356	505	164
June	281	195	86
July	771	275	41
August	209	109	--
September	825	288	18
October	259	172	209
November	227	259	100
December	305	229	79
1959 - January	369	335	174
February	340	551	35

Large Individual Issues Offered March 1 through 13

Issuer	Type 2/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
No. Indiana Pub. Serv. Co.	1st mtg. bds.	25.0	1989	4 1/2	4.40	Aa
KLM Royal Dutch Airlines	Conv. sub. deb.	18.5	1979	4 3/4	4.75	--
American Natural Gas Co.	Com. stk.	28.0				
Colorado Interstate Gas Co.	1st mtg.p.l.bds.	33.0	1979	4.70	4.67	A
<u>STATE AND LOCAL GOVERNMENT</u>						
Detroit-Metro. Expressway	Rev.-S.T.	25.0	1960-84	3.54	1.90-3.65	A
Philadelphia, Pennsylvania	G.O.	25.5	1960-89	3.27	1.85-3.45 ^{4/}	A
Port of New York Auth.	Rev.-Ut.	30.0	1989/68	3.68	3.63	A
New York, N. Y.	G.O.	26.3	1960-74	3.17	1.90-3.37	A
Metro.Wtr.Dist.of So.Calif.	Rev.-Ut.	26.4	1960-71	2.96	1.90-3.05	Aa
State of California	G.O.	100.0	1960-84/79	3.55	1.90-3.60	Aa
<u>OTHER</u>						
Federal Land Banks	Farm loan bds.	86.0	1968	4 1/4	4.35	--

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/ 1987-89 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/
1958 - Feb. 28	1,123	134	--	1,208	341	--
Mar. 31	555	298	110	670	330	110
Apr. 30	356	493	150	561	493	150
May 29	266	177	36	464	208	36
June 30	768	225	--	1,048	235	--
July 31	161	55	--	381	125	--
Aug. 29	785	241	--	914	435	--
Sept. 30	113	295	--	216	524	--
Oct. 31	204	258	--	326	675	--
Nov. 28	301	229	71	401	683	71
Dec. 31	210	261	75	370	515	75
1959 - Jan. 30	270	551	45	365	856	45
Feb. 27	158	292	--	279	481	--

Forthcoming Large Offerings, as of March 13

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Texas Eastern Trans. Corp.	Pfd. stk.	15.0	Mar. 20
Cleveland Electric Illuminating Co.	1st mtg. bds.	25.0	Mar. 25
Montana Power Co.	1st mtg. bds.	20.0	Mar. 25
Ohio Edison Co.	1st mtg. bds.	30.0	Mar. 26
Ohio Power Co.	1st mtg. bds.	25.0	Mar. 31
Monongahela Power Co.	1st mtg. bds.	16.0	Apr. 1
*Armco Steel Corp.	S.F. deb.	75.0	Apr. 2
Food Fair Stores, Inc.	Conv. sub. deb.	21.8	Apr. 10
Columbia Gas System, Inc.	Common stk.	40.0	Apr. 20
Commerce Oil Refining Corp.	Deb., bds. & common	45.0	Spring
<u>STATE AND LOCAL GOVERNMENT</u>			
Phoenix, Arizona	Rev.-Ut.	10.0	Mar. 17
West Virginia University	Rev.-Rent.	10.2	Mar. 17
Baltimore, Md.	G.O.	28.9	Mar. 17
State of Delaware	G.O.	12.5	Mar. 18
Milwaukee, Wisconsin	G.O.	18.8	Mar. 31
Pennsylvania General State Auth.	Rev.	30.0	Mar. 31

Forthcoming Large Offerings, as of March 13 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
*Shelby Co., Tennessee	G.O.	11.0	Mar. 31
Los Angeles Sch. Dists., Calif.	G.O.	27.0	Apr. 7
*Alabama Highway Authority	Rev.-Ut.	20.0	Apr. 7
Buffalo, New York	G.O.	10.2	Apr. 9
*Florida Development Comm.	Rev.-Ut.	25.0	Apr. 9
*State of Minnesota	G.O.	12.0	Apr. 14
Chesapeake Bay Ferry Commission	Rev.-Ut.	144.0	Spring
State of New Jersey	G.O.	25.0	Spring
Memphis, Tennessee	G.O.	10.0	Spring
<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 reasons other than sale of issue: None.

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 - 1957				
High	5.00(9/14/57)	87	5.50(11/7/57)	123
Low	2.93(3/31/54)	-3	3.00(3/17/54)	-15
1958 - January	*3.60 ^{2/}	-8	3.96 ^{2/}	3
February	3.89 ^{2/}	22	4.07	9
March	4.08	35	4.16	-1
April	3.91	18	4.01	8
May	3.87	18	4.07	6
June	3.87	17	--	--
July 2			3.98 ^{2/}	1
9	4.00	25		
18	4.10	28		
23	4.10	29	4.35 ^{2/}	31
Oct. 7	4.57	25		
15	4.50	22		
28	4.40	12		
29	4.42 ^{2/}	14		
Dec. 17	4.44	23		
1959 - Jan. 7			4.75 ^{2/}	23
20	4.60	34		
28	4.65 ^{2/}	40		
Feb. 18	4.35 ^{2/}	4		
Mar. 11	4.40 ^{2/}	11		

*--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.