

H.14

November 16, 1959.

CAPITAL MARKET DEVELOPMENTS

The volume of new security financing is expected to be very large this week, particularly in comparison with the volume of recent weeks. Last week, ending November 13, only one large corporate issue for \$30 million and one large State and local government issue for \$14 million were sold. This week, a \$250 million AT&T debenture issue is scheduled for sale in addition to two other corporate offerings totaling \$64 million. A number of State and local government bond issues with aggregate proceeds of \$128 million are also included on the calendar.

Bond yields - Bond yields on outstanding bonds changed little last week. Yields on U. S. Government obligations increased slightly while yields on corporate and lower grade State and local government bonds remained stable. Yields on high-grade State and local government obligations declined slightly.

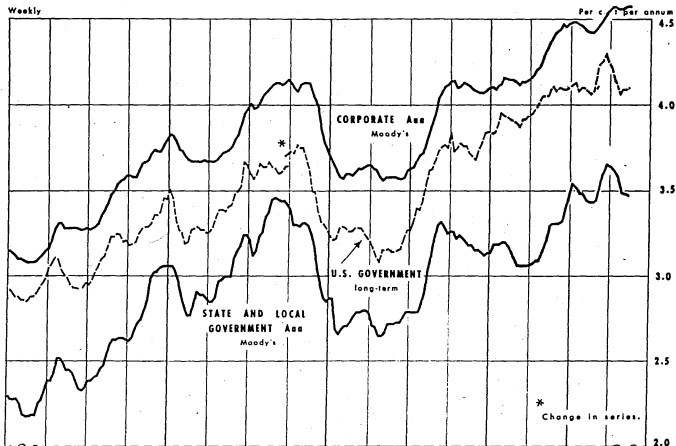
Stock prices - Stock prices, as measured by Standard and Poor's index of 500 common stocks, declined last week, closing at 56.85 on November 13. Trading activity also declined, averaging 3.2 million shares a day.

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

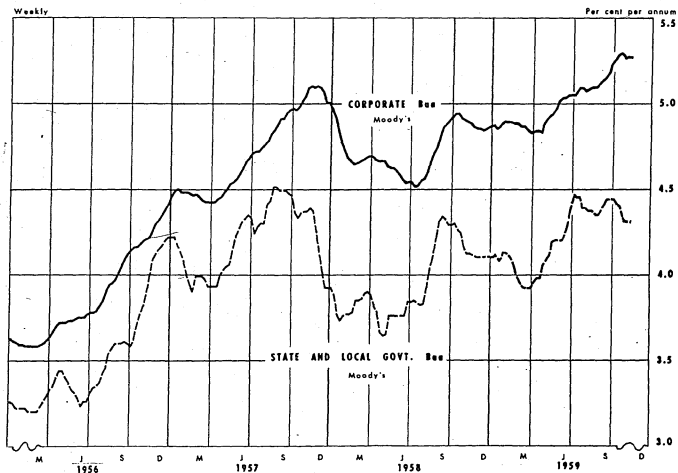
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

EXHIBIT A

HIGH-GRADE BOND YIELDS



LOWER-GRADE BOND YIELDS



Tables for Exhibit A

High-grade Bond Yields

Date	Corporate Aaa 1/	U. S. Govt. long-term 2/	State and local govt. 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	.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	4.57 (11/13)	4.30 (9/18)	3.65 (9/24)	.50	.92
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.53
Oct. 16	4.56	4.13	3.58	.43	.55
Oct. 23	4.56	4.06	3.53	.50	.53
Oct. 30	4.56	4.09	3.49	.47	.60
Nov. 6	4.57	4.09	3.48	.48	.61
Nov. 13 p/	4.57	4.10	3.47	.47	.63

Lower-grade Bond Yields

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 (11/29)	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	5.29 (10/16)	4.46 (7/2)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.79
Oct. 16	5.29	4.40	.73	.82
Oct. 23	5.28	4.34	.72	.81
Oct. 30	5.26	4.31	.70	.82
Nov. 6	5.27	4.31	.70	.83
Nov. 13 p/	5.27	4.31	.70	.84

p/ Preliminary.

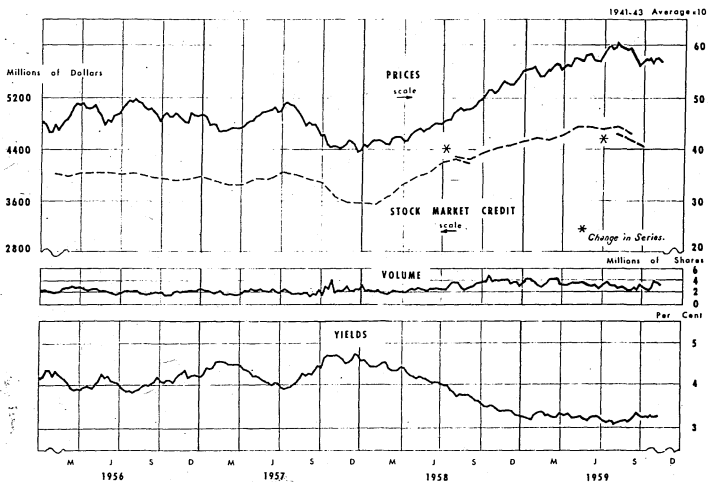
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years

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.

STOCK MARKET



MORTGAGE AND BOND YIELDS

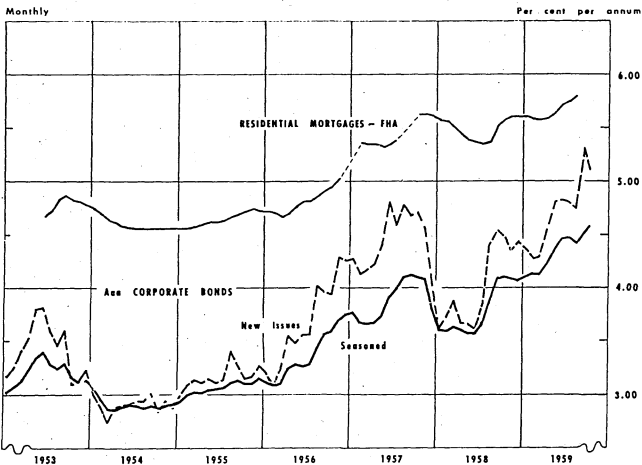


Exhibit D - Tables for Exhibit C

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 (12/24/58)	3.30	4.9	4,492	3,285	1,317
Low	22.95 (9/18/53)	6.25	0.9	2,055	1,314	669
1959 - High	60.51 (7/31)	3.08	4.3	4,764	3,401	1,332
Low	54.37 (2/6)	3.34	2.1	4,443	3,250	1,210
September	57.05	3.26	2.7	4,443	3,250	1,193
October	57.00	3.24	2.8	n.a.	n.a.	1,191
Oct. 23	56.56	3.28	2.8	n.a.	n.a.	1,190
Oct. 30	57.52	3.23	3.8	n.a.	n.a.	1,191
Nov. 6	57.60	3.22	3.5	n.a.	n.a.	1,195
Nov. 13 p/	56.85	3.27	3.2	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. 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.

Mortgage and Bond Yields 1/

Date	FHA mortgages 2/	Aaa corporate bonds 1/		Spread between new corporate bonds and	
		New 3/	Seasoned 4/	FHA mortgages	Seasoned bonds
1953-1958 - High	5.63 (11/57)	4.81 (6/57)	4.12 (9/57)	1.96	.90
Low	4.56 (2/55)	2.74 (3/54)	2.85 (4/54)	.54	-.12
1959 - High	5.80	5.29	4.57	1.29	.77
Low	5.57	4.29	4.12	.83	.15
1959 - June	5.71	4.82	4.46	.89	.36
July	5.75	4.80	4.47	.95	.33
August	5.80	4.74	4.43	1.06	.31
September	n.a.	5.29	4.52	n.a.	.77
October	n.a.	5.10	4.57	n.a.	.53

1/ Neither mortgage nor bond yields take into account servicing costs which are much higher for mortgages than bonds. Generally, bonds pay interest semi-annually, mortgages, monthly. Mortgage yields, if computed as equivalent to a semiannual interest investment, would be slightly higher than given in the table.

2/ Based on FHA field-office opinions about average bid prices in the private secondary market for new-home mortgages for immediate delivery. Since late 1955, data relate only to 25-year mortgages with downpayments of 10 per cent or more, weighted by probable volume of transactions. Yields computed by FRB, assuming 25-year mortgages are paid off in 12 years. Dashed lines indicate periods of adjustment to changes in the contractual interest rate.

3/ 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.

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

**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	840	728	1,060	636	812	742
February	745	857	1,065	856	953	572
March	631	1,553 ^{3/}	1,320	645	511	506
April	899	1,140	931	931	798	765
May	791	597	765	592	895	546
June	874	887	1,453	981	551	393
July	e/497	1,107	1,003	566	806	529
August	p/741	540	924	516	403	584
September	e/650	1,114	973	p/488	651	431
October	e/750	862	1,090	e/600	456	698
November	e/750	518	789	e/475	474	633
December		920	1,076		435	698
1st quarter	2,216	3,139	3,445	2,138	2,276	1,820
2nd quarter	2,564	2,623	3,149	2,504	2,244	1,704
3rd quarter	e/1,888	2,760	2,899	e/1,571	1,860	1,544
4th quarter		2,300	2,954		1,365	2,029
1st half	4,780	5,762	6,594	4,642	4,520	3,524
Three quarters	e/6,668	8,522	9,493	e/6,213	6,380	5,069
Year		10,823	12,447		7,746	7,099
	Excluding finance companies 4/					
1st quarter	2,011	2,899	3,237			
2nd quarter	2,409	2,586	2,889			
3rd quarter	e/1,588	2,731	2,582			
4th quarter		2,213	2,810			
Year		10,429	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	59	53	49	--	251	--
March	2	--	30	175	--	--
April	56	139	123	--	523	125
May	50	198	48	--	--	--
June	42	120	42	--	--	60
July	73	9	28	--	164	--
August	1	5	7	98	--	--
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/		
January	190	233	326	359	371	638
February	428	460	455	500	208	430
March	295	273	147	489	144	505
April	563	357	205	486	209	336
May	411	354	337	675	161	469
June	245	264	153	289	329	501
July	246	289	272	727	437	224
August	467	423	272	365	206	370
September	p/325	369	252	665	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

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 PWA 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 <u>2/</u>
1958 - October	259	172	209
November	227	259	100
December	305	229	79
1959 - January	369	335	174
February	340	551	35
March	215	369	176
April	359	563	20
May	342	258	50
June	284	635	60
July	110	194	50
August	363	263	98
September	199	214	175
October	400	294	20

Large Individual Issues Offered November 1 through 13

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Sylvania Elec. Prod., Inc.	S.F. deb.	25.0	1984	5 1/2	5.50	Baa
Tenn. Gas Transm. Co.	Pfd. stk.	29.5				
<u>STATE AND LOCAL GOVERNMENT</u>						
Humboldt Bay Mun. Water Dist., California	G.O.	10.7	1964-98/74	4.12	3.25-4.15	A
State of Mississippi	G.O.	14.0	1960-75	3.59	2.80-3.60	Aa
<u>OTHER</u>						
None						

Footnotes

n.a.--Not available.

1/ Includes corporate and other security offerings of \$15 million and over; State and local government security offerings of \$10 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.

3/ In the case of State and local government securities, G.O. denotes general obligations; Rev.-Ut., revenue obligations secured only by income from public utilities; Rev.-Q.Ut., revenue bonds secured only by revenue from quasi-utilities; Rev.-S.T., revenue bonds secured by revenue from specific taxes only; Rev.-Rent., revenue bonds secured solely by lease payments.

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

Expected Proceeds from Forthcoming Large Issues

Date of computation	During month following date shown			Subsequent to date shown		
	Corporate	State and local govt.	Other <u>2/</u>	Corporate	State and local govt.	Other <u>2/</u>
1958 - 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	198	292	--	279	481	--
Mar. 31	396	550	20	476	761	20
Apr. 30	246	254	50	346	517	50
May 29	287	247	--	332	761	--
June 30	165	146	50	272	500	50
July 31	238	356	--	305	406	--
Aug. 31	198	385	25	517	402	25
Sept. 30	374	270	--	694	470	--
Oct. 30	385	115	--	509	336	--

Forthcoming Large Offerings, as of November 13

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
U. S. Fidelity and Guaranty Co.	Cap. stk.	24.1	Nov. 17 (rights expire)
American Telephone & Telegraph Co.	Deb.	250.0	Nov. 18
Transwestern Pipeline Co.	Sub. deb. & stk.	40.0	Nov. 19
Potomac Electric Power Co.	1st mtg. bds.	15.0	Nov. 24
Gulf States Utilities Co.	1st mtg. bds.	16.0	Nov. 25
Consolidated Edison Co. of New York	1st ref. mtg. bds.	75.0	Dec. 2
General Telephone Co. of Calif.	1st mtg. bds.	30.0	Dec. 3
*Arkansas Louisiana Gas Co.	1st mtg. bds.	16.0	Dec. 4
New York Electric & Gas Co.	Com. stk.	15.0	Dec. 7 (rights expire)
*James Talcott, Inc.	Senior notes	15.0	Dec. 8
Arkansas Power & Light Co.	1st mtg. bds.	15.0	Dec. 9
*Dallas Power & Light Co.	1st mtg. bds.	20.0	Dec. 15
Public Service Electric & Gas Co.	Com. stk.	25.0	Dec. 16
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
State of South Carolina	G.O.	10.0	Nov. 17
State of Delaware	G.O.	16.4	Nov. 17
Chicago, Illinois	G.O.	10.0	Nov. 18

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

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Los Angeles Dept of Wtr. & Pwr., Cal.	Rev.-Ut.	12.0	Nov. 18
State of New York	G.O.	55.1	Nov. 18
Philadelphia, Pa.	G.O.	24.8	Nov. 19
*Alabama Highway Auth.	Rev.-Ut.	10.0	Nov. 24
Los Angeles Sch. Dist., California	G.O.	21.5	Dec. 1
Columbus, Ohio	G.O.	10.0	Dec. 1
*Los Angeles Co., Calif.	Rev.-Ut.	13.0	Dec. 3
*State of California	G.O.	100.0	Dec. 9
Chesapeake Bay Ferry Commission	Rev.-Ut.	190.0	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 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 - 1958				
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
1959 - January	4.63	37	*4.75 ^{2/}	23
February	*4.35 ^{2/}	4		
March	4.43 ^{2/}	10		
April	4.58 ^{2/}	17	*4.67	18
May 1			4.85	17
13			5.06	13
14	4.95	38		
20	4.95	34		
21			5.13	27
26	5.00	38		
June 4	4.95	29		
17			4.92 ^{2/}	6
26			5.10	24
July 9			5.10	19
10	4.93	31		
15			5.10	19
30			5.00	13
Aug. 5	4.85	24		
20	4.80	22		
Sept. 18			5.65	60
Oct. 22	5.25	46		
23	4.95 ^{2/}	16		
28	5.15	40	5.25	35
29			5.40	50
30	5.15	42		

*--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.

3/ Provides for a 7-year period during which issue may not be called for refunding at a lower coupon rate.

November 16, 1959

Appendix 1

MONEY AND CAPITAL MARKET DEVELOPMENTS IN CANADA

The Canadian bond market continued receptive to new issues last week as bond prices remained firm or rose moderately. The Government's Savings Bond drive was building up cash balances beyond expectations and seemed to ensure that the Treasury would not need to borrow again in the present fiscal year ending March 31. Chartered bank loans continued little changed and the banks' liquid assets ratio remained well above the 15 per cent minimum required. Last Thursday's 91-day Treasury bill rate rose slightly but other short rates continued to fall.

Money market rates - Last Thursday's auction rate on 91-day bills inched up to 4.88 per cent from 4.83 per cent the week before. The 182-day bill rate dropped slightly, however, falling to 5.24 per cent from 5.29 per cent 7 days earlier. The average of closing rates for day-to-day loans by the chartered banks fell to 4.13 per cent for the week ending last Wednesday compared to 4.40 per cent the preceding week. Short-term bond yields also fell further.

Bond market developments - The market continued to be receptive to new issues last week. A \$20 million corporate issue was placed privately and a \$35 million telephone issue was reported in the negotiation stages. In addition, a \$15 million provincial guaranteed issue of noncallable 25-year debentures was reported to have been placed privately in the United States. Government bond yields (to midweek) were either unchanged or fell slightly. At midweek, spreads between comparable Canadian and United States Government securities were:

0.79 per cent on 91-day bills
0.71 per cent on 182-day bills
0.68 per cent on a 9-year bond
1.11 per cent on a 20-year bond
1.07 per cent on a 36-year bond

The Government's Savings Bond drive appeared to be going even better than had been hoped last week. Total purchases for the first 19 days of the campaign were \$677 million compared with \$465 million for the comparable period in 1958 and \$654 million in 1957.

Stock prices - Canadian uranium shares fell sharply early last week following the announcement that sales contracts with the U.S. Atomic Energy Commission would not be extended. Other segments of the market showed little change on limited trading. At Thursday's close the Montreal industrial average was 1-1/2 per cent higher than the week before.

Appendix 1-2

Selected Government of Canada Security Yields

Date	3-month Treasury bills ^{1/}	Inter- mediate Govt. bond ^{2/}	Long- term Govt. bond ^{3/}	Spread between Canadian & U.S. rates		Discount on 3-mo. Canadian dollar ^{6/}
				long-term bond ^{4/}	3-mo. bills ^{5/}	
1954-55 - Low	0.78	2.81	3.13			
1957 - High	4.08	4.81	4.35			
1958 - High	3.65	4.52	4.42			
Low	0.87	3.31	3.78			
1959 - High	6.16	5.30	5.30	1.19	2.96	
Low	3.25	4.45	4.41	0.47	0.30	
Oct. 21	4.93	5.16	5.16	1.19	0.83	1.66
28	5.02	5.22	5.17	1.15	1.00	1.42
Nov. 4	4.83	5.21	5.19	1.16	0.69	1.06
11	4.88	5.16	5.15	1.11	0.79	0.77

1/ Average yield at weekly tender on Thursday following Wednesday date shown.

2/ Government of Canada 2-3/4 per cent of June 15, 1967-68.

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

4/ U.S. Government 3-1/4 per cent of 1978-83. Government of Canada 3-1/4 per cent of 1979.

5/ Spread between average auction rates: on Monday preceding Wednesday date shown for the United States; on Thursday following Wednesday date shown for Canada.

6/ Spread between 3-months forward and spot price of the Canadian dollar, expressed as per cent per annum, on Friday following Wednesday date shown.

Averages of Selected Bond Yields

Date	10 Provin- cials ^{1/}	10 Munici- pals ^{1/}	10 Public Utilities ^{1/}	10 Indus- tri-als ^{1/}	Govt. of Canada long-term ^{2/}
1954-55 - Low	3.27	3.65	3.69	3.93	3.18
1957 - High	5.18	5.77	5.50	5.77	4.29
1958 - High	5.08	5.30	5.03	5.12	4.78
Low	4.46	5.02	4.81	4.78	3.88
1959 - High	6.19	6.60	6.01	6.05	5.61
Low	5.14	5.38	5.14	5.22	4.70
July 31	5.61	5.86	5.57	5.60	5.05
Sept. 1	5.97	6.20	5.78	5.78	5.52
Oct. 1	6.19	6.60	6.01	6.05	5.61
Nov. 2	6.06	6.53	6.00	6.03	5.52

1/ Average term of bonds included is 14-16 years. Source: McLeod, Young, Weir and Co., Ltd.

2/ Government of Canada 3-3/4 per cent of January 15, 1975-78.