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United States Senate
 COMMITTEE ON FINANCE

February 17, 1948

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Hon. Marriner S. Eccles, Chairman
 Board of Governors
 Federal Reserve System

My dear Mr. Chairman:

I have received a letter from Mrs. David N.
 Hulfish, 607 S. Washington Street, Alexandria, Virginia,
 asking me for information regarding the prices and yields
 of government bonds in 1939 compared with prices and
 yields on some recent date. I wonder if your organization
 can furnish me with a tabulation showing the trend of
 these factors from 1939 to the present time.

Very sincerely yours,

Hugh Butler
 HUGH BUTLER, U.S.S.
 Nebraska

HB:cs

March 4, 1948.

Honorable Hugh Butler,
United States Senate,
Nebraska.

Dear Senator Butler:

I want to apologize for the delay in answering your letter of February 17. I had requested that a table indicating the trend in prices and yields of Government bonds since 1939 be prepared, but was so busy that a delay in its preparation escaped my attention. It will be sent you in the first part of next week.

Sincerely yours,

(Signed) M. S. Eccles

M. S. Eccles,
Chairman pro tem.

MS:db

FOR FILE
VaLois T. Jones

March 8, 1948.

Honorable Hugh Butler,
United States Senate,
Nebraska.

Dear Senator Butler:

Tabulations showing changes in prices and yields of Government bonds since 1939, which I promised in my letter of March 4, are attached.

The comparison of prices and yields is complicated by the fact that so many of the current issues differ from those outstanding in 1939 with respect to various special characteristics affecting price and yield. There were no fully taxable issues or issues restricted as to ownership outstanding in 1939, and the coupon interest carried and the periods to maturity of the issues were different. I have had issues selected for comparison in Table I whose special features are as alike as possible in order to reflect only the significant changes in price and yield.

Table I shows that by the end of 1947 prices had declined and yields risen with respect to all but the longest term bonds. Instead of a general trend, however, prices and yields fluctuated considerably, as is shown on Table II attached. During the six years 1939-1945, long-term partially tax-exempt bonds rose in price and declined in yield. During the war years, 1942 into 1945, prices and yields of long-term fully taxable bonds were fairly stable, but their prices began to rise in latter 1945, reached a peak in the spring of 1946, and until the last quarter of 1947 prices continued well above and yields well below their wartime averages. In the last quarter of 1947, prices and yields of long-term taxable bonds drew very close to their war levels and, in the case of short and intermediate fully taxable and partially tax-exempt bonds, prices fell below and yields rose above their war levels.

Sincerely yours,

(Signed) M. S. Eccles

M. S. Eccles,
Chairman pro tem.

Attachments
TIS:db

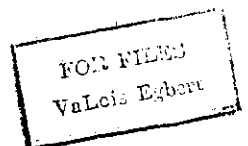


Table I
PRICES AND YIELDS OF SELECTED U. S. TREASURY BONDS

(Prices in thirty-seconds)

Security	Maturity (Years to first call date)	Price	Yield to earliest call (per cent)	Security	Maturity (Years to first call date)	Price	Yield to earliest call (per cent)
A. Fully-taxable:				A. Fully-taxable:			
<u>June 30, 1942</u>				<u>December 31, 1947</u>			
1. 2 % 3/15/48-50	5 3/4	101 11/32	1.75	1. 2 % 12/15/52-54	5	101 6/32	1.75
2. 2 % 12/15/51-55	9 1/2	100 9/32	1.96	2. 2 1/8% 9/15/56-59 ^R	8 3/4	101 9/32	2.09
3. 2 1/2% 3/15/56-58	13 3/4	102 30/32	2.25	3. 2 1/2% 6/15/62-67 ^R	14 1/2	101 9/32	2.39
4. 2 1/2% 9/15/67-72	25 1/4	101	2.45	4. 2 1/2% 9/15/67-72	19 3/4	101	2.43
				5. 2 1/2% 12/15/67-72 ^R	20	100 9/32	2.48
B. Partially tax-exempt:^{6/}				B. Partially tax-exempt:^{6/}			
<u>December 30, 1939</u>				<u>December 31, 1947</u>			
1. 2 3/4% 9/15/45-47	5 3/4	108 7/32	1.27	1. 2 % 6/15/53-55	5 1/2	102 2/32	1.50
2. 2 3/4% 3/15/48-51	8 1/4	108 10/32	1.66	2. 2 3/4% 9/15/56-59	8 3/4	106 8/32	1.97
3. 2 1/4% 12/15/51-53	12	102 30/32	1.97	3. 2 3/4% 12/15/60-65	13	108	2.04

(R) Restricted ownership; ineligible for commercial bank ownership with minor exceptions.

- 1/ The price would be 9/32 lower and yield .08 per cent higher if maturity were identical with issue selected for comparison in 1942.
- 2/ Price higher than issue with comparable maturity selected for comparison in 1942, because of larger coupon.
- 3/ Price would be about 10/32 higher and yield .02 per cent lower if were unrestricted as to ownership.
- 4/ The price would tend to be very slightly lower and the yield slightly higher if the period to first call date were 25 years as in the case of the issue in 1942 selected for comparison.
- 5/ Price is 23/32 lower and yield .05 per cent higher than the comparable 20-year bond issue in 1947 (A4) which is unrestricted as to ownership.
- 6/ Price higher and market yield lower than for comparable taxable issues, since are exempt from normal income tax.
- 7/ Price lower than issue with comparable maturity selected for comparison in 1939, because of smaller coupon.

Table II

UNITED STATES GOVERNMENT SECURITY YIELDS AND PRICES

Yields in per cent per annum. Averages of daily figures used for weeks ending on dates indicated. In some cases highs or lows of the year occurred in various weeks. In such cases earliest dates have been used.⁷

Yields	1939		1940		1941		1942		1943		1944		1945		1946		1947	
3- to 5-year taxable issues																		
High	--	--	--	--	12/13	1.13	10/17	1.49	1/2	1.49	3/25	1.39	1/6	1.34	12/21	1.32	12/24	1.65
Low	--	--	--	--	9/6	.58	3/7	1.01	7/10	1.28	9/9	1.27	12/15	1.12	3/9	.92	3/29	1.14
Average	--	--	--	--		.78		1.29		1.34		1.33		1.18		1.16		1.32
Bonds: 7- to 9-year taxable																		
High	--	--	--	--	--	--	10/24	1.99	3/20	2.01	1/8	1.99	1/6	1.93	11/30	1.64	12/27	1.88
Low	--	--	--	--	--	--	4/18	1.80	7/3	1.91	8/26	1.92	12/29	1.37	2/16	1.27	6/7	1.45
Average	--	--	--	--	--	--		1.93		1.96		1.94		1.60		1.45		1.58
Bonds: 15 years and over Partially tax-exempt																		
High	9/23	2.74	6/1	2.49	2/22	2.24	12/5	2.13	1/2	2.13	2/5	1.96	1/6	1.83	*	*	*	*
Low	6/10	2.20	12/14	1.99	11/1	1.93	5/30	2.04	7/10	1.89	12/30	1.84	12/8	1.51	*	*	*	*
Average		2.41		2.26		2.05		2.09		1.98		1.92		1.66	*	*	*	*
Bonds: 15 years and over Taxable																		
High	--	--	--	--	12/13	2.50	12/5	2.49	11/20	2.49	1/8	2.49	1/6	2.45	9/21	2.30	12/24	2.45
Low	--	--	--	--	11/8	2.33	5/28	2.43	5/29	2.45	9/9	2.47	12/8	2.32	8/13	2.03	4/12	2.18
Average	--	--	--	--		2.4		2.46		2.47		2.48		2.37		2.19		2.25
Prices (In 32nds)	1939		1940		1941		1942		1943		1944		1945		1946		1947	
Long-term bonds: ^{3/} High	6/10	107.4	12/14	110.4	8/2	110.7	6/27	101.10	5/29	100.86	12/30	100.47	12/29	102.84	4/6	107.38	4/12	104.77
Low	9/23	100.1	6/1	103.4	12/27	100.04	12/19	100.20	12/18	100.18	2/5	100.13	1/6	100.66	9/21	103.11	12/24	101.28
Average		104.5		106.6		109.5		100.72		100.50		100.25		102.04		104.77		103.76

^{1/} Negative yield.

^{2/} Series started late in year.

^{3/} Price derived from average yield of partially tax-exempt bonds on basis of 2 3/4 per cent 16-year bond through October 1941. Thereafter, average prices of taxable bonds due or callable in 15 years or more.

None outstanding.