basic business NEWS

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UNEMPLOYMENT AT 8-YEAR HIGH The Departments of Labor and Commerce reported that mid-November unemployment rose 700,000 over the previous month, bringing the jobless ranks to the highest level for the month since 1949. At the same time, employment fell 1.1 million to a total of 64.9 million, the lowest point since April 1956. The Agencies attributed the bigger-than-seasonal increase in unemployment, which totaled 3.2 million, largely to greater non-farm layoffs and to people unsuccessfully searching for Christmas jobs. Factory employment dropped by 230,000 during the month, which was "substantially more than usual" for this time of the year. The decline reflected cutbacks in the metals, machinery and aircraft industries. (Wall St. J., 12/12 p.2)

5% DROP EXPECTED IN PLANT SPENDING Plant and equipment spending by business will turn downward next year. This was shown by the December report of the Department of Commerce and the Securities and Exchange Commission on business intentions. In this key field, spending will dip 5% in the first quarter of 1958 from the last quarter of 1957. The Government figures showed that investment had leveled off in the three quarters of 1957 to slightly above an annual rate of $37 billion. The planned figure for the fourth quarter was $37.5 billion. Planned outlays for the first quarter of 1958, despite a decline from recent levels, will still be higher than the $35 billion rate for the whole of 1957. (N. Y. Times, 12/13 p.32)

MARTIN EXPLAINS DISCOUNT RATE CUT Lagging demand for bank credit became increasingly apparent to Federal Reserve officials early last September and was the primary cause for the System's recent cut in the discount rate to 3% from 3-1/2%, William McChesney Martin, Jr., Chairman of the Federal Reserve Board, told the Life Insurance Association of America at their annual meeting. In his first public talk since the Board approved discount rate cuts in four Reserve districts on November 14, Mr. Martin said the System's reason generally for taking that action could be summed up in four words: "The economy; it changed." Mr. Martin said the discount reduction was meant to "constitute a straightforward, clear signal that, in our judgment, inflationary pressures were abating, at least for the moment". He added: "It appeared to us as appropriate and imperative in the execution of a continuing policy directed toward fostering economic balance." Although Mr. Martin cautioned against reading too much into the discount rate cut, it has been noted that since mid-November, the System has acted expressly to increase the supply of credit. (Wall St. J., 12/12 p.16)

TREASURY BILL RATE DROPS BELOW 3% The Government's short-term borrowing costs dropped to a seven-month low of 2.991% on an issue of Treasury bills (dated December 12). The Treasury said this was the lowest since the rate announced on May 13, when an issue of Treasury bills drew a price equivalent to an average yield of 2.894%. (Wall St. J., 12/10 p.2)

TREASURY SEEKS NEW FUNDS The Treasury will tap the money market for nearly $100 million in new cash next week by raising its offering of weekly bills. The Department invited bids for $1.7 billion of bills for cash and in exchange for slightly more than $1.6 billion coming due December 19. The Department is caught between its need for cash and the lack of room under the $275 billion debt limit to borrow any sizable amount. It can only take small bites out of the money market. At present, the Treasury has less than $600 million headway under the ceiling. (Wall St. J., 12/12 p.4)

CHESAPEAKE & POTOMAC TELEPHONE CO. BONDS Investment yields on new issues of high-grade utility debt securities slipped below 4% for the first time in more than a year. Chesapeake & Potomac Telephone Co.'s $30 million 36-year 4-1/8% debentures were offered to the public (December 10) at a price affording a return of 3.98% to maturity. This contrasts with the yield of 4.65% on debentures of another Bell System unit--placed on the market as recently as November 19. (Wall St. J., 12/10 p.1)

TOP CORPORATES GAINING RAPIDLY High-grade corporate securities have been pushing forward at a rapid pace in recent sessions. Some offerings of the last few months have in many cases climbed 8 or 10 points over the introduction price. The recent $250 million offering of American Telephone & Telegraph 5% debentures, which were "sticky" a few weeks ago, were closed yesterday by some dealers at 108-1/2 bid, up from the October 29 introduction price of 101.461. (Wall St. J., 12/12 p.23)

JOHNSON ASKS END TO 40-HOUR WEEK Lyndon B. Johnson, Senate majority leader, called (December 10) for an end to the 40-hour week because it "will not produce" the intercontinental ballistic missile. Referring to the Soviet Union lead in the field of satellites and missiles, the Senator told a civic luncheon meeting in Texas that "before this emergency is over, it may be necessary for us to go on a full, wartime mobilization schedule". He said, "This may seem strange in a country which has never really mobilized except when the shooting broke out." Senator Johnson heads the Senate Preparedness Subcommittee, which recently held hearings on the missile and satellite program. (N. Y. Times, 12/11 p.12)

WAGE FREEZE PLEA SPURNED BY LABOR The AFL-CIO officially came out against proposals for a voluntary wage freeze or a longer work week. Organized labor will continue to press for higher wages "to bolster present inadequate consumer buying power and restore needed national economic growth", the Federation's convention declared in a unanimously adopted resolution turning aside a wage freeze proposal by Richard Gray, head of the Federation's Building Trades Department. The convention also rejected a suggestion by Senator Lyndon B. Johnson that the 40-hour work week limit be sacrificed to enable the U.S. to catch up with Russia in some military fields. The Federation did pledge to cooperate with the national defense effort. (Wall St. J., 12/12 p.3)

RETAIL SALES DOWN AGAIN Retail sales continued to slide off slightly in November, the Department of Commerce reported. November sales, after adjustment for seasonal factors and trading day differences, were down 1% from October. It was the third consecutive monthly drop in the retail sales figures. All of the drop was registered in the durable goods area. (J. of Comm., 12/11 p.1)

STEEL OUTPUT SHOWS BIG DROP Steel production last month was at the lowest level for any month since the nation-wide steel strike in July and August of 1956, the American Iron and Steel Institute reported. The industry poured 8,393,000 tons of ingots and steel for castings last month, operating its steel-making facilities at an average of 76.5% of rated capacity. That compared with 9,197,717 tons in October, when operations averaged 81.1%. Steel-making activity has declined each week since early in October, reflecting reduced demand. The industry's operating rate this week was estimated at 69.4% of capacity. (N. Y. Times, 12/12 p.45)

U.S. SHIPBUILDING MAINTAINS PACE — The United States shipbuilding industry held to its boom pace last month, delivering one vessel and acquiring a new construction contract. The monthly report of the Shipbuilding Council of America listed ninety-eight vessels under construction or on order. The council contrasted today's standing with that of only three years ago, when the total was eighteen vessels. This total was exceeded only in the prolific shipbuilding days of World War II. (N. Y. Times, 12/12 p.52)

INSURANCE COMPANIES' ASSETS RISE IN 1957 — Life insurance companies this year, while increasing their total assets nearly $5.3 billion, have cut their holdings of U.S. Government bonds by $405 million. Corporate bond holdings have been boosted by more than $2.5 billion and mortgage investments by $2.2 billion. These figures, based on year-end estimates, were presented by James J. O'Leary, investment research director of the Life Insurance Association of America, at that group's annual meeting. He put total assets of all life companies as of December 31 at $101.3 billion, up from $96 billion a year earlier. (Amer. Bkr., 12/12 p.3)

LAKE SHIPPING SEASON ENDS — Great Lakes vessels hauled 84.6 million tons of iron ore in the 1957 shipping season, an increase of 7 million tons over 1956, the American Iron Ore Association reported on December 9. (Hendrickson. Cleve. Plain Dealer, 12/10 p.19)

CANADIAN DOLLAR LOSES ALTITUDE — The Canadian dollar reached its lowest level in more than a year on December 12. During the day it touched $1.02-11/32 in New York, lowest since September 1956. That compares with the historic high of $1.06-11/64 reached last August. There were a variety of reasons given. Dealers spoke of lack of any substantial Canadian borrowing in the United States recently, and less interest on the part of some European investors in putting money into Canadian securities. (N. Y. Times, 12/13 p.43)

COTTON CROP ESTIMATE CUT — The Department of Agriculture further reduced its estimate of this year's Government-controlled cotton crop. The estimate, based on December 1 conditions, was 11,010,000 bales, down 6.6% from November's prediction of 11,788,000 bales. The indicated crop would fall far short of domestic and export requirements estimated at 14 million bales for the current marketing year. But the crop is supplemented by reserve and surplus supplies of about 11,200,000 bales from previous crops. (J. of Comm., 12/10 p.1)