TREASURY FINANCING

The Treasury broke with past practice and classical economic theory by floating a long-term bond in the midst of a recession. As part of a total financing package of $10.5 billion, the Treasury offered for new cash $1 billion of twenty-seven-year bonds bearing 3-1/4% interest. The bonds will be sold at a price of $100.50 for each $100 in bonds, meaning that the effective interest rate to the buyer will be 3.22%. The new long-term bond will be offered for cash on June 3. On June 4, books will open for an exchange of $9.5 billion of maturing securities. Holders of these securities will be offered in exchange a choice between an eleven-month certificate bearing 1-1/4% interest and a six-year, eight-month bond bearing 2-5/8% interest. Officials insisted that they believed the action would have only "very little impact" on long-term interest rates. Normally, a long-term Treasury issue would tend to raise such interest rates. (Dale, Jr. N.Y. Times, 5/30 p.1)

MUNICIPAL MARKET

Heavy new financing is still the keynote of the market for State and local government bonds. The volume was large during the past week, and it will again be substantial in the holiday week. Early in June, there will be some lessening in the demands upon the capital market, for the U.S. Treasury then will embark upon its refinancing of $9.5 billion maturing issues. It is clear that the first half of this calendar year will set a record in municipal financing for any six months' period. Most signs point to a somewhat slower rate of fresh borrowings in the coming second half. There is no doubt that the crowded schedule of recent months was due partly to delayed financings that normally would have come along last year, if monetary policy had permitted. This general market readjustment has now come almost to an end. Even without this influence, the future seems to be assured of much State and municipal borrowing, but perhaps at a more normal rate of expansion. (Wanders. Amer. Bkr., 5/27 p.2)

Selection of these items does not imply this bank's guaranty of their accuracy, nor agreement with the views expressed.
CONSUMER CREDIT  The Federal Reserve Board reported that Americans paid off their installment loans faster than they contracted new ones in April. After allowing for seasonal factors, consumer installment credit outstanding declined $123 million during the month. The month-end total was $32.9 billion. As in other recent months, nearly all of the decline in outstanding installment loans occurred in automobile credit. Personal loans increased during the month. Repayments were near the high level reached in the fourth quarter of 1957 and extensions rose slightly from the levels of February and March. (N.Y. Times, 5/30 p.25)

CED MONETARY RESEARCH STUDY  Launching formally its most ambitious research project, a survey of United States public and private monetary policies and institutions after the pattern set by the Aldrich Commission in 1908-11, the Committee for Economic Development promised a strictly objective approach. The tentative plans for the work were outlined by Donald K. David, chairman of the CED board of trustees, and by Frazier B. Wilde, who is chairman of the committee of 25 who will make the institutional and financial survey. The Commission on Money and Credit, which was established by the Committee for Economic Development with a grant of $500,000 from the Ford Foundation, will be a self-governing body. Mr. Wilde said the work would be accomplished by setting up various task forces and that he doubted whether the work would be completed in less than the three years' time required by the Aldrich Commission for a similar work on a less complex subject half a century ago. (J. of Comm., 5/29 p.4)

BIG MUTUAL FUND NOW IN BUSINESS  The One William Street Fund, Inc., the first venture of Lehman Brothers financial management into the mutual fund field, is in business. The transaction represented the largest initial financing ever undertaken by an investment company. The stock sale amounted to 15,833,114 shares. An initial money stake of $183,070,381 came into the possession of the new fund yesterday morning as the 640 underwriters paid for the stock they had contracted to buy and received stock certificates in exchange. (N.Y. Times, 5/30 p.25)

PAYMENTS CRISIS AHEAD FOR FRENCH ECONOMY  French officials have indicated to France's allies in Western Europe that a new Government in Paris will face an immediate economic emergency. At Brussels, on Tuesday, Maurice Faure warned France's partners in the European Common Market that France would have to turn to the exceptions procedure of the Treaty of Rome providing for the reduction of imports under bilateral trade agreements. The British have been told that only an emergency economic program by a new Government can forestall bankruptcy for France. The situation is being...
painted in the darkest colors. In the City of London, it was predicted that it might be only a matter of weeks before France was forced to cut essential imports of raw materials and reduce industrial production because of the lack of foreign currency reserves.

(Middleton. N.Y. Times, 5/31 p.1)

STEEL OUTPUT DUE TO RISE

Steel operations are slated for their snappiest comeback of the year in major production centers this week, and hope is strengthening among steel men that June output will exceed May's tonnage. The upturn, started in late April from the year's low operating rate of 47.1%, now has carried through five successive weeks to a scheduled rate for last week of 56.5% of rated capacity. And, it will extend into its sixth week if advances slated for the Pittsburgh, Chicago, and Youngstown districts are a criterion. Those three areas normally turn out more than 50% of the country's steel. (Lally. Wall St. J., 6/2 p.3)

COPPER DEMAND ACTIVE FOR CUSTOM SMELTERS

Custom smelters' copper sales continued excellent after the firms nudged their price another 1/4¢ a pound higher to 24-1/4¢, the second advance of that size in two weeks. The latest price move narrowed the custom smelter price spread to 3/4¢ below the 25¢ charged by large producers. There are indications this spread may be reduced further if demand at the lower custom quotation continues as active as it has been during the past week or so. Custom firms now report their sales position as "quite good" and assert they are not pressing for orders. (Keller. Wall St. J., 6/2 p.7)

BUILDING CONTRACT AWARDS UP

Construction contract awards in April rose 4% above the level of April 1957 to $2.9 billion, F.W. Dodge Corporation said. It was the first year-to-year increase for a month since last November. George Cline Smith, an economist of the company, said that "while one month doesn't make a trend, the April increase is significant and highly encouraging because most types of construction activity showed increases."

Highlights of the Dodge report are: Residential building awards rose to $1.2 billion, the first increase in 1958 for this line from a year earlier. The number of dwelling units was up 4%. Non-residential building awards rose 14% above April 1957 to $958 million. Heavy engineering awards fell 3% to $683 million. (Wall St. J., 5/29 p.5)

FNMA RECEIVES $300 MILLION

The Bureau of the Budget uncorked another $300 million authorization for the Federal National Mortgage Association to use in making commitments for the future purchase of low-cost home mortgages. The move came as Fannie Mae announced it had used up $220 million of the original $300 mil-
lion released for the program started under the new housing law signed by President Eisenhower, April 1. The Agency figured it would run out of the original portion of the authorization early in June if the additional amount wasn't released. The program, an anti-recession measure, originally authorized Fannie Mae to commit up to $1 billion for the future purchase at par of mortgages up to $13,500 in face value and backed by the Federal Housing Administration or the Veterans' Administration. (Wall St. J., 5/28 p.7)

ALUMINUM RETURNS TO OHIO VALLEY The aluminum industry is returning to the Ohio Valley in force, after an absence of almost fifty years during which it pursued cheap electric power in the northern, northwestern, and southwestern parts of the United States. Industry sources estimate that the Ohio Valley will be yielding upward of 22% of total output when new facilities built there by three primary producers get fully underway. Kaiser Aluminum & Chemical Corporation just announced commencement of "hot line" rolling by facilities adjacent to its new Ravenswood, West Virginia, reduction plant. Aluminum Company of America is building a new reduction plant in Evansville, Indiana, while Ormet Corporation, a newcomer to the industry, is in the process of bringing its Ormal, Ohio, reduction facilities up to full production by the end of this year. (Regan. J. of Comm., 5/29 p.4)

REPLACEMENT TIRE SHIPMENTS RISE Major rubber manufacturers are drawing some cheer from an otherwise droopy business outlook as they spot a more-than-seasonal upturn in shipments of new passenger tires into retail trade channels. Shipments of passenger tires for the replacement market last month moved 5.5% ahead of April 1957. This brought shipments for the first four months to a point only 1.1% below the like period of 1957, compared with a 3.7% decline in the first quarter. Though inconclusive, the evidence is reviving hopes that replacement demand in 1958 will hit another high for the seventh year in a row. (Byrne. Wall St. J., 5/29 p.22)

JOBLESS PAY BILL APPROVED The Senate approved a House-passed bill for extra unemployment compensation benefits, sending it to the White House. The President is expected to approve the measure promptly. The bill makes the program optional with each state, and would cover workers exhausting benefits from July 1, 1957, on, but would terminate April 1, 1959. The states could repay the Federal advances anytime within four years, but if not repaid by then, the Federal unemployment tax rate would rise slightly on employers in states that had not paid back their advances. If all the states chose to participate, the bill could cost the Treasury right now up to $640 million and would make extra benefits available to as many as 2,650,000 workers. (Wall St. J., 5/29 p.10)