PRODUCTION UP 2D MONTH IN ROW

The output of the nation's mines and factories increased in June for the second straight month, the Federal Reserve Board reported. The index of industrial production rose to 130% of the 1947-49 average. This compared with a May figure of 128, which was revised upward by 1 point from the total originally announced a month ago. The production index hit its recession low of 126 in April after declining for eight straight months. "Activity in manufacturing industries recovered further, and output of minerals increased from its low in May," the Board said. (N.Y. Herald Trib., 7/17 III p.4)

HOUSING STARTS UP IN JUNE

Private home starts in June rose to a seasonally adjusted annual rate of 1,990,000--the highest since August 1956 when it was 1,136,000, the Department of Labor reported. This marked the second month in which the rate has passed the million mark since January of this year. For the first half of 1958, the adjusted annual rate stayed below the million mark, at 983,800. (Wall St. J., 7/15 p.2)

PERSONAL INCOME CONTINUES GAIN

Personal income, the key to consumer buying, rose for the fourth straight month, the Department of Commerce reported. Incomes rose at a yearly rate of $1.9 billion in June to $351.8 billion. This was the largest of the four months of advance. During this stretch, incomes have expanded $5.4 billion and are now only 0.1% below the record set last August. All these figures reflect the new, upward revisions in national income accounts now being posted by the Department. The June gain was more than accounted for by a $2.2 billion rise in payrolls. Increased jobs and the military pay raise along with longer manufacturing work weeks all contributed to the advance. This was the second consecutive monthly gain for wages and salaries, which had fallen for 10 straight months. (Nossiter. Wash. Post, 7/16 A p.2)

Selection of these items does not imply this bank's guaranty of their accuracy, nor agreement with the views expressed.
OIL QUOTA  The Texas Railroad Commission set an 11-day August producing schedule for oil companies in that state. This compares with the 9-day pattern in effect this month. Under the new schedule, the allowable oil output will be 2,978,058 barrels a day, the highest since February. (N.Y. Times, 7/18 p.29)

There was no mention of increasing production as a result of trouble in the Middle East, but most purchasing company spokesmen said inventories--considered much too high early this year--have now been reduced to levels where greater production is required. (J. of Comm., 7/18 p.7)

COTTON CLOTH  A buying surge which excited the textile trade flared up in the primary cotton cloth market. Mills immediately reacted by hiking price quotations fractionally. This accelerating sales pace has not come as a complete surprise. There had been some stirrings throughout the market over the past several weeks, marked by sporadic large-scale buying by larger cotton cloth converters. Since this newest business had been more or less pending, mills and market observers discount the current war scare as having had any influence or bearing on the picture. (Lee. J. of Comm., 7/18 p.1)

U.S. BONDS  The Open Market Committee of the Federal Reserve System, supported at 3:13 p. m., Friday, announced that the "bills only" policy had been suspended in view of the upset condition of the U.S. Government securities market, and the New York Federal Reserve Bank had been authorized to purchase securities of any maturity. The announcement read: "In view of conditions in the U.S. Government securities market, the Federal Open Market Committee has instructed the manager of the Open Market Account to purchase Government securities in addition to short-term Government securities." The announcement's immediate effect was to disorganize the market temporarily, and trading was suspended until the dealers could reevaluate the entry of this new variable into the Government securities market. At Washington, the Treasury appeared pleased at this new development, with comments being heard that "it will help the general situation... a constructive move, no one knows now what developments may come... better to make this announcement now than later... it should be most helpful." (Amer. Bkr., 7/21 p.1)

TREASURY OFFERS  The Treasury made a strategic withdrawal to the big 1-year issue short-term end of the securities market by offering holders of about $16.3 billion of maturing issues only a one-year, 1-5/8% certificate in exchange. The Department also served notice it intends to stay in the short-term area until the present bond market congestion clears up. Officials said a
security due in a year or less will be offered to raise $3 billion in new money sometime in the next three weeks. Books on the exchange-only offering will be open Monday, July 21, and will close July 23. The exchange will be par for par in the case of the maturing certificates. Of the $16.3 billion total of securities, more than $7 billion is held by Federal Reserve Banks and by Government investment accounts. (Wall St. J., 7/18 p.2)

TREASURY FACES $52 BILLION FINANCING

The market for United States Government securities is being freshened for a succession of big financing transactions that are sure to keep bond pricers busy from now until February. Over this period, the Treasury's market dealings are slated to exceed $52 billion. More than $9 billion in new money must be raised at the same time that terms are decided upon for refunding over $43 billion of maturing Government debt. Both the Treasury and the Federal Reserve System last week took significant steps for coping with the gigantic financial undertaking. (Heffernan. N.Y. Times, 7/20 III p.1)

4% YIELD RETURNS ON DEBT ISSUES

The 4% yield on high grade, long-term corporate bonds has returned after almost four months. It seemed a few weeks ago that the market had begun to stabilize itself at the 3.90% to 3.95% level, but several factors have worked to depress the long end of the Government bond list since that time. First, the speculative holdings of new Treasury issues and their subsequent liquidation proved to be larger than had been anticipated. Second, United States' move in the Middle East following the revolt in Iraq early last week touched off a wave of selling that depressed some long-term Treasury bonds to new 1958 lows. (Tompkins. N.Y. Times, 7/20 III p.1)

STOCK MARKET

The swift and alarming flow of events in the Middle East last week overshadowed domestic business developments. On Monday mounting tension upset the stock market, with temporary liquidation clipping an estimated total of $2.8 billion from market values. International oil shares bore the brunt of selling. Following the landing of Marines in Lebanon, the market rallied on Tuesday with trading the heaviest in a month. The advance gained impetus as the week progressed, when all components of The New York Times averages touched new highs for the year. (Forrest. N.Y. Times, 7/20 III p.1)

SHORT INTEREST AT NEW HIGH

Short interest on the New York Stock Exchange reached a record high of 6,087,260 shares on July 15. The mid-July figure, largest since the exchange tabulation began in May 1931, was 283,655 shares more than the previous high on June 13 of this year. It was the sixth consecutive month that
short interest on the Big Board has increased. (N.Y. Herald Trib., 7/19 II p.5)

U. S. STEEL FINANCING United States Steel Corporation's offering of $300 million of 4% sinking fund debentures, due 1983, has been oversubscribed and books have been closed on the underwriting. (N.Y. Herald Trib., 7/19 II p.5)

SCARE BUYING SCARE BUYING SHUNNED IN CRISIS Most businessmen and consumers so far are not altering their buying or other plans as a result of the danger of war in the Mideast. Businessmen by and large are not rushing to build up inventories--or even planning to do so in the immediate future. Consumers for the most part see no reason as yet to start stocking up on automobiles, appliances, and other goods. There are exceptions, to be sure. Some users of steel, textiles, and other materials are modestly increasing their buying, at least partly because of the Mideast crisis. Others are ready to move if the situation worsens. Interest centers on items most likely to become scarce in a war emergency. Those were the findings of a 13-city survey. (Wall St. J., 7/21 p.1)

FARMERS' NET INCOME Farmers' earnings jumped 22% in the first six months of 1958, the Department of Agriculture has reported. After subtracting production expenses, farmers' income was at a yearly rate of $13.3 billion, compared to $10.8 billion in the first half of 1957. Part (of the gain) was due to the delay in marketing late 1957 harvests. Most, however, stemmed from higher prices for farm products. This offset a 4% gain in costs. (Wash. Post, 7/16 A p.2)

CANADA PROPOSES DEBT STRETCH-OUT The largest financing in Canada's history was announced July 14 by Donald Fleming, Minister of Finance. It involves the offer of new bonds for old ones amounting to $6.4 billion. The plan provides for the replacing of all outstanding 3% Victory Loan bonds issued during the Second World War by a choice of new non-callable, longer term bonds bearing interest at 4-1/2%, or other bonds of various maturities bearing 4-1/4%, 3-3/4% and 3%. All holders of Victory bonds who take advantage of the offer will, in addition, receive a cash adjustment. Mr. Fleming said the refunding loan covered more than 40% of the national debt and nearly 60% of all outstanding Government securities, excluding special categories of Treasury bills and Canada Savings Bonds. (Daniell. N.Y. Times, 7/15 p.35)