basic business NEWS

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CONSTRUCTION IN U.S. SOARING TO RECORDS

The nation's construction industry, usually regarded as a bellwether for the economy in general, appears to be heading for a record year in 1958 despite its lagging pace only a few months ago. According to figures compiled by the F.W. Dodge Corporation, construction news and marketing specialists, construction contracts awarded in July amounted to $3.6 billion, a gain of 24% over the corresponding month of 1957. As a result, the last three months have been the most active in history, with June ranking first, July second, and May third. Substantial gains were made in the residential, nonresidential, and heavy engineering categories. This broad-front advance was viewed as an omen of sound economic recovery. (Stern. N.Y. Times, 8/29 p.1)

STEEL ORDER RISE CONTINUES

Steel order volume has continued to improve and a faster tempo is expected to set in this week following the holiday. The pick-up in steel orders has come faster than many had expected. This is especially pointed up in view of the relative lack of support from the auto industry. Many steel concerns claim automotive orders leave a lot to be desired, while other plants insist that their auto steel orders are fairly large. On the whole, car makers are not ordering in the volume that ordinarily would be expected in view of the proximity of the new model output. This is a result of the uncertain labor outlook and the fear of a strike. (N.Y. Times, 9/1 p.22)

PRODUCTION WORKERS' WEEKLY EARNINGS UP

Weekly earnings of production workers in manufacturing industries during July averaged $83.50. They were up 40¢ from a month earlier, and $1.11 from a year earlier. The work week during July averaged 39.2 hours, unchanged from June. In July of last year, the work week was 39.8 hours. (Wall St. J., 8/27 p.1)

MONEY VOTES SET CONGRESS RECORD — The session of Congress just ended voted a peacetime record of $83 billion in appropriations and other forms of spending authority, an analysis by the Tax Foundation showed. Herbert J. Miller, the foundation's executive director, called the implications of these actions "ominous." The $83 billion does not include any provision for Federal pay rises or for new spending authority in the housing field, both of which are likely to pass early in the next session. Mr. Miller pointed out that most of the increases in the current year's spending estimate had resulted from past spending authority voted by Congress. Thus, he said, the record total of new spending authority voted by this session "may presage Federal budgets in the $80 billion range for several years to come." He continued that "the full inflationary impact of expenditures from the fiscal 1959 authorizations will not be felt until later years." (N.Y. Times, 8/27 p.1)

FNMA MORTGAGE PRICES CUT — In an effort to encourage home builders to seek private financing, the Federal National Mortgage Association has switched from its former purchase-at-par policy which, for a year, has made the Agency a pre-emptive buyer of mortgages made under the ten special assistance programs. The new lower schedule of prices, now permissible by reason of expiration of a provision of the 1957 Housing Act requiring par purchase, takes into account the tightening trend of the mortgage market. The prices paid by Fanny May vary as to types of mortgage, but they are uniform nationwide as to each type. The new prices take effect on all sale offers subsequent to midnight August 27, as evidenced by hand delivery or postmark. The new prices are spread from 97-1/2% to 100%. (Amer. Bkr., 8/29 p.1)

U.S. SECURITIES FALL AGAIN — U.S. Government securities--amidst renewed pressure --sustained losses of more than 3/4-point in spots on August 28. Most intermediate range maturities finished at new 1958 lows. Dealers said the sharp declines again came in "very light" trading. Speculative liquidation accounted for some of the selling pressure, traders added. But the session's mark-downs also were partly in anticipation of a discount rate increase by more Federal Reserve districts. Such increases would match the recent 1/4-point hikes by the San Francisco, Dallas and Atlanta banks. The announcement that the Kansas City District had raised its rate to 2% from 1-3/4% came well after the session ended. High-grade corporate bonds, adversely influenced by the renewed declines in the Treasury market, worked lower. However, the mark-downs were less severe than among the Governments. (Wall St. J., 8/29 p.9)

BILL RATE ROSE AGAIN The Treasury bill rate rose sharply again on August 29, the Treasury disclosed. The average interest rate on $1.8 billion of the ninety-one-day discount bills sold August 29 was 2.462%, compared to 2.162% last week. This was the highest rate since last January 23, when it was 2.587%. The new rate also was far above the recently increased Federal Reserve discount rate, now 2% at four of the Federal Reserve banks. The increase followed another tightening in member bank reserve positions as a result of Federal Reserve open market operations. The bills were sold Friday because of the Monday holiday. (N.Y. Times, 8/30 p.18)

BOND MARKET TEST ISSUE DUE SOON Standard Oil Company of California is negotiating to go ahead with a public offering of $150 million of 25-year sinking fund debentures that had been postponed in late June. Securities dealers looked on the rescheduled issue as a key test of the bond market, which has been declining for some time--and thus, pushing up yields and prospective borrowing costs on new securities. California Standard had deferred its debenture offering on the ground of "market conditions." When it did so in late June, the corporate bond market was declining, but the summer drop in prices of U.S. Government securities had not yet become apparent. (Wall St. J., 8/29 p.9)

BOND REFUNDINGS SEEM TO BE ENDED The corporate refunding phase of the 1958 bond market seems to have come to an early end. The postponement of more than $200 million in debt refunding over the past week and a half by five major utilities makes it obvious that many companies have missed the boat on low interest rates. If we are headed for another period of monetary stringency, it may be some time before many concerns can relieve themselves of the load of 4-1/2% and 5% coupon rates acquired last year at the height of the tight money period. The recent announcements that refundings were being deferred carried the usual cliches about "unsettled" market conditions, but unlike such statements issued a month or two ago, postponements were of indefinite duration. (Tompkins. N.Y. Times, 8/31 III p.1)

CAUTION RULES STOCK MARKET For many traders and business men, the end of August also marks the end of summer. They look to Labor Day as the jumping-off point for an autumnal upturn. So a waiting mood appeared to prevail in the stock market last week. By and large, caution held sway; the tendency was to limit commitments. Other factors may have been involved. International tension refused to disappear; it merely shifted its arena of activity. There was nothing new in the economic picture to produce either special optimism or pessimism. Things continued along the same mixed course. Even so, stock prices edged to within striking distance of the year's highest levels, although gains were later whittled. (Forrest. N.Y. Times, 8/31 III p.1)

STOCK TRADING SETS AUGUST MARK Stocks made modest gains this month in the heaviest trading for an August since 1932. Trading activity centered in special situation issues and, particularly, in low-priced stocks. Volume slackened late in the month, but ended with a total of 62,373,056 shares. This was 7 million shares below July's level, but 21 million shares above that of August 1957. (N.Y. Times, 8/30 p.27)

REPLACEMENT TIRE TRADE UP IN JULY Manufacturers shipped more than 6.5 million tires for the passenger car replacement trade in July, up 12% from the like 1957 period and the second best monthly total in the history of the industry. For the first seven months this year, passenger replacement tires also moved at a record pace, an estimated 5% ahead of 1957. However, with original equipment shipments to auto manufacturers off about a third from a year ago, total passenger tire volume is running nearly 10% behind 1957. Passenger tire inventories at the end of July dropped below a year earlier for the first time in 1958. (Wall St. J., 8/26 p.17)

FARM INCOME RISES The Department of Agriculture said that farm cash marketings totaled $16.6 billion in the first seven months of 1958. This was 11% more than for the same period last year. Prices averaged 7% higher and the volume of marketings was 4% larger. Crop receipts totaled $6 billion, up 12%, reflecting increases in receipts from wheat, corn, citrus fruits, and potatoes. (N.Y. Herald Trib., 8/27 p.8)

HOG PRICES END DECLINE One of the longest runs of consecutive price declines in the trade history came to an end on August 27, as the butcher hog market held steady to strong. Until then, prices had dropped on twelve successive days, from a top of $23.25 on August 11 to $20 on August 26. (N.Y. Times, 8/28 p.39)

WORLD STEEL OUTPUT DROPS World steel ingot production was off some 21 million tons in the first half of this year from the record high pace of the first six months of 1957. Only the European Coal and Steel Community and Russia showed output increases from last year. The Department of Commerce notes that the 22.8 million ton drop in U.S. production accounted for the overwhelming bulk of the decline. (J. of Comm., 8/27 p.4)