FINANCING BY U.S. TERMED SUCCESS

The Treasury has announced the successful raising of $3.5 billion needed to pay its bills, but its troubles are far from over. The announcement of the results of a two-part offering of short-term securities, September 29, both with interest rates well above those existing in the market, showed that each had been oversubscribed by more than 100%.

In a new breakdown, the Treasury disclosed that 39% of the subscriptions for the notes, and 17% of the subscriptions for the bills, came from non-bank investors. Officials expressed gratification at these relatively high percentages. Their gratification was based on their wish to use methods as little inflationary as possible in raising the money to cover the huge deficit in the budget. In theory, the less bank credit is employed, the less inflationary the financing will be. (N.Y. Times, 10/3 p.41)

U.S. BOND MARKET OFFERS HOPE

A series of Friday afternoon (October 3) mark-ups lifted the quotations of long-term U.S. Government bonds from 1958 bottoms and a level that neared quarter-century lows. The 1/4-point recoveries, dealers said, were mostly technical, and not spurred by any significant buying interest. But coming near the end of a week which saw long-term Treasurys drop as much as two points, dealers found the mark-ups hopeful. "The market," one trader said, "is trying to find a trading range. It could hold at this level. It could even improve. There's no real selling pressure any more." Traders throughout the week hinted that the off-and-on spurts of liquidation, which contributed heavily to the market's severe declines, came from selling accounts apparently expecting a long-term Treasury offering later in the fall at a yield level higher than the present range. (Wall St. J., 10/6 p.16)
BOND FLOTATIONS AT SEPTEMBER HIGH

Public offerings of bonds set new highs in September. Industrial bond flotations set a record both for a single issue and for the group as a whole. Of the $1.8 billion in 224 bond issues offered publicly to investors last month, $714 million represented five industrial bond issues. In no month since this compilation was started by The New York Times in 1927 has a larger face amount of industrial bonds been floated. Included in the industrial total was a single bond issue of $350 million, a record high for an individual industrial issue. The total of all bond issues last month was the largest for any month since April, and the biggest for a September in thirty-two years. (N.Y. Times, 10/1 p.58)

BILL RATE HITS HIGH FOR YEAR

The Treasury's short-term borrowing costs rose to the highest point this year on the latest issue of bills. (Dated October 2.) The new issue drew a rate of 2.920%. The previous week, the rate on a similar issue was 2.511%. The rate for the new issue was the highest since that announced December 23, 1957. Department officials indicated that they thought the bill rate, in addition to reflecting the general upward movement of short-term interest rates in the past few weeks, also was affected by the Treasury's new cash financing on which subscription books were opened Monday (September 29). (Wall St. J., 10/1 p.2)

STOCK MARKET AT PEAK LEVEL

The stock market last week soared to its highest level of all time. Judged by the composite of 100 representative stocks, compiled by the New York Herald Tribune, the average topped the previous high made in 1956, and thus exceeded also the 1929 peak. The market closed the week strong and in the five days there were four in which plus signs predominated. The break-through came Friday (October 3), when news of the settlement of the strike issue at General Motors presaged three years of labor peace in the vital automobile industry. News from other economic fronts helped spur speculative fervor and the consensus was that we have definitely put the 1957-58 business recession behind us. (Stabler. N.Y. Herald Trib., 10/5 II p.6)

MANUFACTURERS' SALES SHOW RISE

During the month of August, manufacturers' sales and new orders continued to rise while the liquidation of inventories continued to slow. Manufacturers' sales increased more than seasonally, and their new orders rose about in line with seasonal expectations, the Department of Commerce said. The slowdown in inventory liquidation in the manufacturing sector--first clearly visible in July--continued in more pronounced fashion. Inventory book values were $48.8 billion, a decline of $300 million, on a seasonally adjusted basis. This compared with
a decline of $400 million in July and liquidations averaging better than $600 million a month for the first six months of the year. (J. of Comm., 10/1 p.4)

PRICES RAISED ON 3 BASE METALS Prices of all three major base metals—copper, lead and zinc—advanced a half-cent a pound yesterday (October 2). The increases were touched off in the custom smelter field, and were soon matched by mine producers of lead and zinc. Copper producers, however, who account for 80% to 90% of the refined copper sold domestically, did not go along with the new smelter price of that metal. Back of all three increases, market men reported, was lively buying, apparently based on the belief that nonferrous metals prices had reached bottom in the recession and would henceforth move upward, spurred by heavier consumption as overall business improved and by gradually tightening supplies. In the case of copper, the market was strengthened by strikes that have closed major mines in Northern Rhodesia and Canada. The United States new lead and zinc import quotas that went into effect on Wednesday (October 1), restricting imports to 80% of the 1953-57 average, were reported to have contributed—psychologically at least—to the strength in those metals. (N.Y. Times, 10/3 p.41)

TIME DEPOSIT RATES BOOSTED Confronted by the possibility of diversion of a substantial portion of their time deposits into short-term investments rapidly rising in yields, the nation's larger banks boosted the rate of interest paid on their time deposits, other than individual savings, by as much as one-half of 1%. Chief beneficiaries of the decision of the banks to pay more were foreign central banks, which have more than $1 billion on deposit in New York, and about $1.4 billion on deposit in all the banks of the United States. Most banks have been paying 3% on individual savings since last year, and no further change in this rate is contemplated. (Tyng. J. of Comm., 10/1 p.1)

INSTALMENT DEBT RISES IN AUGUST Consumers added to their instalment debt in August after six straight months of cutbacks, the Federal Reserve Board reported. Seasonally adjusted instalment credit rose by $30 million during the month to a total of $33.2 billion, as buyers took on more new debt than they repaid. This was a switch from the $32 million adjusted reduction in outstanding instalment credit in July. But it was well below the adjusted rise in instalment debt of $246 million in August 1957. The FRB reported that auto loans outstanding continued to decline in August, as consumers kept on paying back old loans faster than they took on new obligations. But this decline was more than offset by the August increases in all other types of instalment credit. Total consumer
credit rose to an August 30 total of $43.2 billion—$116 million above the total at the end of August 1957. (Wall St. J., 10/1 p.3)

RUBBER CONSUMPTION Expanding in U.S. Rubber consumption in the U.S., which for the first eight months is about 10% below a year ago, will, with a fast last quarter stretch-run, pull up to about 1.3 million tons for 1958, compared with 1,464,000 tons a year ago, trade sources predict. Improvement, which actually got underway during August, is based on the prospect that 1959 car models coming off the production line will exceed 5 million units and promote increased demand for original tires, and that, at the same time, the excellent replacement tire demand will hold. (McCarthy. J. of Comm., 9/30 p.1)

OIL PRICE DECLINE May Hit Profits The weakness that is showing once more in oil prices may be reflected in lower-than-expected oil industry earnings for the last quarter. The trend started about two weeks ago, when heavy fuel oil prices were reduced along the Atlantic seaboard by as much as 30¢ a barrel. Prices of this product now are at the lowest levels in several years. This week, the Pacific coast companies cut prices by 35¢ a barrel. Heavy inventories of most oil products, competition with natural gas, and an excessive crude oil producing capacity, both in this country and abroad, account for the unsettled price structure. Also, the increase in domestic demand for oil products, which has been averaging about 5% a year, has slowed. This year, it is expected to be less than 1%. (N.Y. Times, 10/3 p.42)

STEEL SCRAP Prices Fall Steel scrap prices continued to weaken in the Chicago district, despite rising steel production. Industry sources ascribed the conflicting trends to "comfortably" large scrap supplies at the mills. Following a drop of $1 a ton in industrial bundles of scrap late in the week ending September 27, a $6.50 tumble took place yesterday (October 1). (Wall St. J., 10/2 p.1)

BRITISH RESERVES Hit 7-Year High The British Treasury announced that the gold and dollar reserves held by Britain, as banker for the sterling area, increased $31 million last month. This brought the total to $3.12 billion, an increase of $1.27 billion since September 1957. It was in that month that the Government raised the bank rate from 5% to 7%, and invoked other credit restrictions to stem a severe drain on the reserves. The present level is the highest in seven years. The September increase is the twelfth consecutive one. The rise was considered especially gratifying because the trend of September reserves usually is adverse. In that month, Britain normally pays for dollar imports, while sterling area sales to dollar countries are relatively low. (N.Y. Times, 10/3 p.44)