PRODUCTION INDEX  Wildcat strikes and model change-overs in the
SHOWS GAIN  automobile industry dampened the advance of over-
all industrial production in September, the Federal Reserve Board has reported. The index of production showed a
one-point increase for September—the smallest increase in the five
months since the index turned upward. Except for the cutback in auto
output, the picture was one of generally increasing activity. The
September report placed production at 137 on the index, which uses
the 1947-49 average as a comparison base of 100. At the low point of
the recession, last April, the index was at 126, having fallen from
a level of 145 in August 1957. The index for manufacturing as a
whole rose one point, as its durable goods segment held steady and
the nondurables segment rose by one point. The minerals index rose
three points. All index figures are seasonally adjusted. (N.Y.
Times, 10/15 p.40)

PERSONAL INCOME  Personal income rose again in September, hitting
ROSE IN SEPTEMBER  a record seasonally adjusted annual rate of
$357.5 billion, the Department of Commerce re-
ported. The September rate, which set a new high for the third
straight month, was about $1.4 billion higher than the revised August
figure, with most of the increase due to a further advance in wage
and salary payments. Personal income last month was $3.3 billion
higher, at adjusted annual rates, than July's pace of $354.2 billion.
(Wall St. J., 10/16 p.2)

GNP REACHED  National production may climb to the highest level in
$440 BILLION  history by the close of 1958. That's the way Govern-
ment experts size up the economy six months after the
low point of the recession was reached. Total output of goods and
services jumped to a yearly gait of $440 billion in the third quarter——

Selection of these items does not imply this bank's guaranty of their accuracy,
nor agreement with the views expressed.
up from $429 billion the preceding three months. That means about two-thirds of the ground lost during the recession has been recovered. The Federal seers say there's nothing in sight to prevent the gross national product from hitting a $450 billion pace in the next few months--topping the previous record of $445.6 billion in last year's third quarter. (Wall St. J. 10/14 p.1)

**DEFENSE OUTLAYS EXPECTED TO RISE**

Defense spending may be stepped up at least $1.2 billion in the fiscal year starting next July 1. Despite pressure within the Administration to hold down the budget, top Pentagon planners are figuring on fiscal 1960 outlays of $42 billion, compared with $40.8 billion expected in the current fiscal year. This was disclosed at Hot Springs, Virginia, by Deputy Defense Secretary Donald A. Quarles. He told newsmen he doesn't feel the Pentagon is bound by limits set by the Budget Bureau in the preparation of appropriation requests. (Wall St. J., 10/20 p.1)

**MARGIN REQUIREMENTS BOOSTED TO 90%**

The Federal Reserve Board announced an increase in margin requirements for trading in stocks from 70% to 90%, effective tomorrow (October 16). The new margin requirement is the highest in eleven years. It marked the second jump of 20 percentage points in a little more than two months, one of the sharpest tightenings of stock market credit on record. The order came in a background of record-high prices and heavy activity on the stock exchanges. Stock market credit, $4.3 billion at the end of September, was at a record since formal statistics began in the mid-nineteen thirties, but still far less than the amount of credit at the time of the 1929 crash. (Dale, Jr. N.Y. Times, 10/16 p.1)

**GOVERNMENT BONDS DOWN**

Long-term U.S. Government securities worked lower in quiet trading on Friday (October 17), to close the week with sizable losses. Prior to the decline, some Treasury bonds had gained more than three points in a four-day rally. Volume was light in last week's decline, as it had been during the rally in the previous week. The Treasury has a $12 billion refunding due in December. Should the Treasury issue a new long-term bond with an attractive coupon, it would represent stiff competition for presently outstanding issues. The 3-1/2s of 1990 now have the highest yield--3.86%--of any outstanding issue. (Wall St. J., 10/20 p.15)

**GOLD EXODUS RENEWED**

With the earmarking of another $50 million for foreign account, as shown in the latest Treasury daily statement, gold losses of the United States for the period since last January 1 have now been pushed above the $2 billion mark.
This is the largest loss of gold sustained by this country in a continuous flow since the start of the postwar period, and one of the largest ever sustained by any country. However, it is estimated that the United States could lose as much as $8 billion more before existing minimum levels of gold reserve required against currency and deposits would become a source of concern. The loss of even a fraction of such an amount remaining available is not probable. Gold stock, as of the latest report date, October 9, is $20,775 million, which is $2,008 million below the level of last January 1, and $3,788 million below the postwar peak attained at the end of 1949. (Tyng. J. of Comm., 10/15 p.1)

U.S. DEBT UP The national debt soared nearly $2.7 billion last week to the highest level in 2-1/2 years. The Treasury disclosed today (October 13) that the big increase was registered last Wednesday (October 8) as the Government borrowed about $3.5 billion to replenish its depleted cash drawer. Completion of the big borrowing operation pushed the gross national debt to $279 billion. That's the biggest debt since March 15, 1956, when the Government's financial obligations were about $365 million heavier. (N.Y. Herald Trib., 10/14 II p.7)

TREASURY TURNS TO SAVINGS BANKS The Treasury fired another gun in its campaign to induce institutional holders of the nation's savings to buy more Government bonds. The appeal came from Charles J. Gable, Jr., Assistant to the Secretary handling debt management, in a speech to the Savings Banks Association of Connecticut. The appeal has three main elements: 1. The Treasury has not been getting its fair share of the nation's savings over the last decade. In fact, on balance, the amount of savings flowing into Government securities directly and indirectly has been negative. 2. If the Treasury cannot tap savings in this period of large deficit financing, it must resort to the commercial banks. This means an increase in the money supply and a potential inflation problem. 3. Therefore, the holders of the nation's savings, out of self-interest, should buy more Government securities in order to protect the value of the dollar, and thus augment the flow of savings. (Dale, Jr. N.Y. Times, 10/15 p.59)

GAINS SEEN IN INFLATION WAR The strong stand of the nation's money managers against inflation is helping to lessen the wage-price spiral, Dr. Neil H. Jacoby said at a press conference at the Fourteenth American Assembly at Arden House. Dr. Jacoby, dean of the Graduate School of Business Administration at the University of California, Los Angeles, is a former member of President Eisenhower's Council of Economic Advisers. He said it was surprising how
many of the sixty leaders in business, education, and Government attending the four-day meeting on monetary policy felt the nation was on the road to solving the problems of maintaining high-level employment without inflation. (Kraus. N.Y. Times, 10/18 p.29)

FRENCH DISCOUNT
RATE CUT TO 4-1/2%

The Bank of France reduced its discount rate on loans to commercial banks to 4-1/2% from 5%. The move had no effect on the value of the French franc in New York foreign exchange transactions, dealers reported. The discount-rate cut comes at a time when some French financial experts fear France might start feeling the aftermath of the U.S. recession, the Associated Press reported from Paris. The last time the Bank of France changed its discount rate was last August when the fee was boosted to 5% from 4%. (Wall St. J., 10/17 p.6)

CASH DIVIDENDS DOWN
2% FROM '57 PERIOD

Corporations issuing public reports paid out $1.6 billion in cash dividends in September, down 2% from the $1.7 billion in September payments a year ago, the Department of Commerce reported. The bulk of the decline was concentrated in mining and in metal manufacturing industries. Most other manufacturing groups, as well as railroads, also reported lower payments. For the first nine months, total dividend payments by the publicly reporting corporations came to $8.2 billion, off 1% from the like period of 1957. (Wall St. J., 10/17 p.5)

RAIL ORDERS HELP
RAISE STEEL RATE

Railroad buying, long absent as a factor in the steel market, is beginning to show up again on steel order books, promising an offset to expected seasonal drops in some other lines during the next couple of months. The increase in railroad steel tonnage being placed with the mills is not large, but it's notable because it has been a long time since the railroads have boosted their orders. They are now showing up more frequently and in heavier tonnages on mill order books already being fattened by a steady flow of business from a variety of customers. The pickup has sent steel production rates to their highest levels of the year, last week's scheduled rate of 73.6% yielding the largest tonnage (1,987,000 tons) since early November 1957. (Lally. Wall St. J., 10/20 p.22)

U.S. POPULATION
HITS 175 MILLION

The population of the United States reached 175 million today (October 16). The Bureau of the Census estimates that the population is growing by one person every eleven seconds, largely because of the excess of births (one every seven and one-half seconds) over deaths (one every twenty seconds). Immigration and emigration do not have much effect on the overall rate. (N.Y. Times, 10/17 p.31)