The Treasury offered a 21-year 4% bond to raise $3-1/4 billion in new cash. It will be the first long-term bond offered since last June. The Department also will offer $2.5 billion of 16-month Treasury notes with an interest rate of 3.25%. The price on each of the issues was adjusted to yield the investor slightly more. The long-term bond will be issued at a price of 99% of face value, which will mean an effective interest rate of about 4.07%. The note will be offered at 99.75% of face value, making the effective interest rate about 3.45%. Books on the bond will be open January 12 and 13. The Treasury took special pains to shape the 21-year bond so as to be attractive to savings-type investors, such as pension and retirement funds, insurance companies, and savings banks. (Wall St. J., 1/9 p.3)

The effective yield of 4.07% will be the highest on a Treasury bond in more than a quarter-century, although in 1957, one short-term bill issue sold to yield more than 4%. Officials reported that the Treasury would have to raise cash again in early April and in May, apart from a resumption of the raising of cash through increasing the weekly bill issue. The cash needs in the second quarter arise mainly from the maturing and retirement of a number of tax-anticipation short-term issues. (Dale. N.Y. Times, 1/9 p.35)

The Treasury officials disclosed a change in previously announced financing plans for the next few months. After next week’s issue of Treasury bills, the Treasury will temporarily stop raising $200 million in new cash each week through bills. Instead of selling $2 billion in bills every week, it will sell only $1.8 billion, the same amount as the maturing issues. The issues will consist of $400 million of the new 182-day bills and $1.4 billion of 91-day bills. This means the entire reduction will be in the 91-day variety. This suspension of the raising

Selection of these items does not imply this bank’s guaranty of their accuracy, nor agreement with the views expressed.
of new money through bills will come after $1.2 billion has been raised, including next week's issue. (Dale. N.Y. Times, 1/9 p.35)

U.S. ISSUES DOWN ON HUGE FINANCING PLAN

Prices of United States Government securities declined slightly in moderately active trading following the Treasury's announcement of plans to borrow $3.25 billion. The terms were held to be suitable to present market conditions. However, the size of the borrowing was a surprise to Wall Street, as was the Treasury's decision to discontinue, temporarily, enlarging the weekly issue of discount bills by $200 million. The financial district had not expected the special cash borrowing to exceed $2.5 billion. There was some feeling that the Treasury might have been overconservative in its requisition on the long market, both in volume of debt offered for subscription and in pricing terms. (N.Y. Times, 1/10 p.21)

PRESIDENT'S MESSAGE: THE ECONOMY

The key to the economic and financial proposals in the President's message is to be found in a brief sentence that appears near the end of this section. That statement is: "I shall ask Congress to amend the Employment Act of 1946 to make it clear that Government intends to use all appropriate means to protect the buying power of the dollar."

In the last analysis virtually every economic policy he urges comes down to a specific method or technique designed to implement the philosophy contained in that brief pledge. (Editorial. N.Y. Times, 1/10 p.16)

STOCK YIELDS

Stock prices ended the year with a show of strength, but dividend yields declined. At the year-end, the dividend yield on the 500 common stocks comprising the Standard & Poor's index was 3.24%, well below the 4.66% at the start of 1958. Higher prices for stocks and somewhat lower dividends accounted for the downtrend. Perhaps more significant was the disparity between the common stock yields and those of triple-A bonds as rated by Moody's. These best corporate bonds sold to yield an average 3.68% at the start of 1958, but at year-end, they were yielding 4.10%, or more than common stocks. (N.Y. Times, 1/6 p.40)

COMMODITY FUTURES

The Dow-Jones Commodity Futures Index declined 0.79 to 146.50 (on January 7), the lowest since April 20, 1950, when the average was 145.99.

Slow demand for staples, large supplies of farm commodities, talk of increasing stocks of cocoa, and concern over the large stocks of coffee in producing regions continued to stimulate sales of futures
contracts. Moderating temperatures over large portions of the country are expected to spur farm selling of surplus commodities. Dealers said cold weather slows movement of many perishable staples. (Wall St. J., 1/8 p.18)

INVENTORIES TURN UP IN NOVEMBER Business inventories rose in November for the first time in fifteen months, the Department of Commerce reported (January 7). Inventories at the end of November rose to $85.1 billion, seasonally adjusted, from $84.9 billion at the end of October. In every month since September 1957, inventories declined, providing the most important single impetus to the recession. The inventory decline from the peak at the end of September 1957 until the end of last October was $6.5 billion. (N.Y. Times, 1/8 p.39)

STORE SALES RISE TO RECORD LEVELS Sales of new automobiles and Christmas merchandise lifted retail volume to a record level in December. At the same time, the 1958 total reached an historic high for a year, the Department of Commerce estimated. After adjustments for normal seasonal factors, the December figure was $17.5 billion, a rise of 3% from November's level and 3.8% from that of December 1957. Sales for the year were a fraction of 1% higher than the 1957 total of $200 billion. (N.Y. Times, 1/10 p.28)

AUTO PRODUCTION SLUMPED IN 1958 Auto production in the United States in the year just ended slumped to 4,244,005--the lowest in 10 years. The 1958 total was 31% under the 6,115,461 made a year earlier. One bright spot during the year was the December production. The industry turned out 593,778 cars, the highest monthly production since January 1957. (Wall St. J., 1/5 p.2)

AUTO CREDIT LED CONSUMER DEBT RISE Auto buying on the instalment plan picked up in November. Consumers increased their indebtedness on such purchases by $38 million (seasonally adjusted) during the month, the Federal Reserve Board reported. This was the first upturn in obligations of this kind since December 1957. Expanded "on-the-cuff" demand for automobiles played an important role in boosting total instalment credit outstanding for the second successive month. Volume went up by a seasonally adjusted $142 million in November, following a $31 million rise in October. Consumer time debt had started sagging last February as the business recession gathered momentum. Despite the two-month recovery, the amount outstanding at the close of November was still $440 million below the year-earlier level. (Wall St. J., 1/7 p.1)
BRITISH PAYMENT CUTS A $196 million annual payment on Britain's postwar debt to the United States and Canada pushed the sterling area into the red on its gold and dollar reserve account in December. The British Treasury announced a deficit last month of $145.6 million, the first time reserves held by Britain and its Commonwealth partners have shown a monthly deficit since September 1957. Even so, the sterling area went into 1959 with gold and convertible currencies equal to $3 billion, a healthy increase over the $2.3 billion on hand a year earlier. (Wall St. J., 1/6 p.17)

BRITAIN SHOWS Experts still are cautious about claiming Britain signs of recovery is back on easy street. But they were quietly optimistic that the back of the business slump, which hit this country and much of Western Europe last fall, now has been broken. The most hopeful sign was the December unemployment figures. These showed that the steady upward climb of unemployment, which has continued since last summer, was halted and reversed—though ever so slightly. (J. of Comm., 1/8 p.4)

GERMAN BANK RATE The Federal Bank cut the West German bank rate from CUT TO 2.75% 3% to 2-3/4%, the lowest since a national bank was founded in 1875. The new rate is effective tomorrow (January 10). The preceding bank rate cut was last June 26, a reduction of one-half of 1 percentage point. In the last two years, the rate has dropped at almost regular intervals. The cut reflects the increasing stability of West Germany's financial situation, documented by steadily growing gold and foreign currency reserves and increasing domestic savings accounts. (N.Y. Times, 1/10 p.21)

BED SHEET VOLUME Bed sheet mills report that current market conditions are the best experienced by the industry in several years, with the total volume of merchandise shipped to date against January white sales running roughly 10% ahead of last year. The heavy demand for sales period merchandise, in fact, put most mills into an oversold position, and many retailers, as a result, are running into delays of several weeks in getting goods desperately needed at this time. In large measure, the current tight supply situation is attributed to what had been an overly cautious attitude on the part of wholesalers and retailers earlier in the year. (J. of Comm., 1/8 p.8)