THE PRESIDENT'S ECONOMIC REPORT

In his annual Economic Report to Congress (January 20), President Eisenhower made clear his belief that the business outlook was good and that the big problem was stopping inflation. A balanced budget and union restraint in demands, he said, are the main requirements for price stability. Though he appealed also to business and consumers to do their part, he emphasized the role of union leaders "in view of the great power lodged in their hands." The report described in detail the recession and recovery, and expressed "confidence" in the outlook for the months ahead. The Government's "principal means" of combating inflation, he said, is a balanced budget. (Dale, Jr., N.Y. Times, 1/21 p.1)

FISCAL STUDY

President Eisenhower ordered a fresh look at the Government's financial operations as they affect the national economy. In what was billed as an anti-inflation step, the President set up a committee to study all Federal activities affecting prices and costs and to determine their impact. "We need to make sure that we are not contributing to the nation's inflationary problems by the way in which we run our own Government business," Mr. Eisenhower stated. (N.Y. Herald Trib., 1/24 p.3)

BALANCED BUDGET

President Eisenhower (on January 19) sent Congress a $77 billion budget that calls for sharply reduced spending, record-breaking tax collections, and a "very modest" surplus in the year that will begin July 1. He said it is a "confident" budget that contemplates a vigorous business upturn, and it is a "positive" budget that responds to national needs "without being either extravagant or unduly limiting." Mr. Eisenhower urged that Government spending be chopped to $77 billion in
fiscal 1960 from an anticipated peacetime record of $80 billion in fiscal 1959. He predicted that tax collections will jump to a new peak of $77 billion next year from $68 billion this year. (Slevin. N.Y. Herald Trib., 1/20 p.1)

FLOODWATERS Ice-laden floodwaters of the Allegheny River, sweeping out of northwestern Pennsylvania, caused extensive property damage and industrial curtailments in the Pittsburgh area. Other major rivers in western Pennsylvania and eastern Ohio also rose above flood stages, disrupting steel mill, coal mine and many other operations. The most crippling blows to industry appeared to be dealt in the Ohio, Pennsylvania, and western New York areas. At least two major steelmaking plants, one on the Allegheny River and one on the Ohio, had to suspend melting operations when flood debris clogged their water intake systems. Several mines on the Monongahela were forced to close when high water halted navigation on that stream. All downtown Columbus (Ohio) department stores were reported closed for a day, and public transportation facilities were limited. Mount Vernon, Ohio, was one of the hardest hit cities in the State. (Wall St. J., 1/23 p.3)

PRESIDENT DECLARES President Eisenhower declared sections of the flood-stricken States of Ohio and Pennsylvania disaster areas. The President authorized immediate Federal payments in the two worst-afflicted States to supplement State and local relief efforts. The Governors of the two States had appealed for help. (N.Y. Times, 1/24 p.1)

CONSUMER PRICES The Consumer Price Index dropped in December, the Bureau of Labor Statistics has reported. At the same time, factory workers’ earnings rose materially. The decline in the index of 0.2% wiped out the November rise and restored the index to the level of last June. That was 123.7% of the 1947-49 average. It is still 1.7% higher than a year ago. Prices dropped in five categories, with food, for seasonal reasons, the most influential factor. Other drops occurred in prices for apparel, transportation, personal care, and reading and recreation. (Loftus. N.Y. Times, 1/24 p.1)

YIELDS CLIMB As last week ended, the yields on high-grade corporate bonds were fast rising toward their 1957 highs, and it seemed it would not be long before the 5% coupon would be seen again. Tax switching and the threat of new Treasury financing pushed down the prices of outstanding long-term
United States Government bonds to the point where they were yielding more than 4%. This pressure resulted in sharp rises of five to ten basis points in the yields on A- and AA-rated utility bonds. (Tompkins. N.Y. Times, 1/25 III p.2)

CUT IN PRICE OF LEAD        The cent-a-pound cut in lead's price to 12¢
FAILED TO SPUR BUYING        a pound in New York last week failed to stim-
                                  ulate buying interest. Producers said buying,
slow for the past month or more, just about evaporated immediately
after the price was slashed late Wednesday. Subsequently, some busi-
ness was done at the lowered quotation, but less than before the cut. (Keller. Wall St. J., 1/26 p.16)

BANKS SIGN            Twenty-one banks extended a two-year $200 million line
FRENCH LOAN           of credit to France (January 20). The stand-by credit
                                  puts the funds at the disposal of the French as a re-
serve fund for stabilization of the franc. The French franc had
shown strength on world money markets in recent days, partly as a
result of an improvement of $250 million since Christmas in the
country's foreign exchange position. (N.Y. Herald Trib., 1/21 III
p.4)

DROP IN SHORT        A drop of 692,277 shares in the short interest posi-
INTEREST             tion in the month ended last Thursday (January 15)
                                  was reported by the New York Stock Exchange. The
aggregate short interest as of January 15 was 4,381,079 shares, down
from 5,073,356 as of December 15, 1958. The latest total was the
lowest since February 14, 1958. The sharp drop apparently reflects
covering by shorts at the year-end and, subsequently, the closing out
of a number of arbitrage situations. (N.Y. Times, 1/21 p.41)

LUMBER PRICES       Lumber and plywood prices in the Northwest this month
SHOW STRENGTH        are showing the greatest strength for any January
                                  since 1954. Green fir two-by-fours currently are
selling at $64 a thousand board feet, $3 above the level a few weeks
ago, or $8 above early 1958 quotations. Trade sources ascribe the
market's buoyancy to optimism over 1959 home building prospects. (Wall St. J., 1/23 p.1)

SILVER USE          Handy & Harman, refiners and fabricators of silver,
OFF IN '58           estimated 1958 consumption of silver in the arts and in-
                                  dustries at 85 million ounces, off about 11% from the
previous year's 95 million ounces. The decline was general in all
major categories. The recession had an important effect, since well
over half of all silver used in this country continues to go into industrial applications instead of the arts. (N.Y. Herald Trib., 1/19 III p.4)

"CASH" SAVINGS AT New "cash" type savings fell a little in the HIGH LEVELS third quarter of last year. But these savings in the first nine months of the year were larger than those in any full year since the end of World War II. This was reported by the Federal Home Loan Bank Board. Its report covered savings as the ordinary family thinks of them--deposits in savings banks or commercial bank savings accounts, savings and loan association shares, Government savings bonds, and life insurance. (N.Y. Times, 1/23 p.33)