INDUSTRIAL PRODUCTION  The impact of the steel strike on industrial production outside of steel itself remained negligible through September, the Federal Reserve Board reported today. The Board's index of industrial output, with the 1947-49 average as 100, dropped 1 point in September to 148. This compared with the peak of 155 in June, before the strike, which began on July 15, and 149 in August, the first full month of the strike. The total decline from the June peak was less than 5%. Almost all of the drop represented the loss of steel output itself. Despite the slight impact in the figures up to now, today's report said "inventories of steel were being rapidly depleted and output curtailments among steel-consuming industries were spreading after mid-month." (Dale, Jr. N.Y. Times, 10/16 p.43)

UNEMPLOYMENT  Layoffs caused by the steel strike cut the usual September decline in unemployment to 196,000 and will keep jobless levels above normal in October figures to be reported next month, the Government said. At mid-September, unemployment stood at 3,230,000, the Department of Labor said. The total number of workers employed dropped by 894,000 to 66,347,000, about the normal seasonal decline for September. (Wall St. J., 10/14 p.2)

Unemployment figures as they issue from Government agencies require much interpretation in these days of the steel strike. The jobless rolls were actually down by 196,000 last month, but they would have been actually higher had the roll been called October 7, for in that week 225,000 persons in steel-using industries were laid off. (J. of Comm., 10/14 p.1)

Selection of these items does not imply this bank's guaranty of their accuracy, nor agreement with the views expressed.
THIRD QUARTER The nation-wide steel strike reduced the nation's STEEL OUTPUT production of raw steel in the third quarter this year to the lowest level for any three-month period since the like quarter of 1938. Mills not made idle by the dispute poured 1,535,000 net tons of ingots and steel for castings last month, the American Iron and Steel Institute reported yesterday. In September last year, 7,632,372 tons were poured. Despite the strike, which began last July 15, steel production for the first nine months this year was still well ahead of output in the 1958 period when demand and production were lagging in the economic recession. Operations were maintained at a high level during the first two quarters this year when consumers were stocking up in anticipation of a strike, and when the economy was rallying from the recession. (N.Y. Times, 10/17 p.29)

SEPTEMBER Construction activities throughout the country declined in September for the first time in eight months as steel became harder to get. The Department of Commerce estimated the value of building work at $5.1 billion--down from a record $5.2 billion in August. The total, however, was still well above the $4.7 billion outlays in September 1958. (Wall St. J., 10/19 p.1)

SEES HOUSING Johns-Manville Corporation officials estimate that STARTS LOWER 1,380,000 new dwelling units will be started this year. W. R. Wilkinson, vice president of Johns-Manville, a building materials manufacturer, said that new home starts next year, however, are expected to drop about 9% from this year's estimated total. He said high interest rates and a "money shortage" would act to retard home construction in 1960, though "demand for new housing remains strong." (Wall St. J., 10/14 p.32)

TAX ANTICIPATION BILLS The Treasury's $2 billion offering of 245-day tax anticipation bills was sold at an average yield to the buyers of 4.783%--the highest rate paid on a U.S. issue in the six-month to one-year range since 1921. The tax anticipation bills, to be dated October 21 and mature next June 22, will be the second half of a two-issue cash offering to borrow $4 billion. Last week, the Treasury sold $2.2 billion of 5%, four-year and 10-month notes--the so-called "magic fives" which drew $11 billion of subscriptions and of which just short of $1 billion was sold to individuals. Officials said an exact comparison of the rate on the tax anticipation bill with other issues was difficult. (Wall St. J., 10/16 p.7)
The rise in Treasury bill yields to levels that are above the rates paid in the 1933 bank holiday period—-the latest weekly award was at 4.26% for 91 days—-may tend to encourage further shifts of bills to non-bank holders but the process cannot go much further. The reason it cannot is that banks now own only about 5% of the $37 billion total of Treasury bills outstanding and will sell that 5% as soon as possible to get additional funds to lend. (Tyng. J. of Comm., 10/14 p.4)

It is evident nearly every week that foreigners continue to increase their dollar resources here. They are going easy on gold purchases—-U.S. gold stocks this week were only nominally lower—-but they are buying Government securities in large volume. Total foreign holdings of U.S. Treasury short-term securities this week rose by $75 million to a new record total of $4,484 million. That is some $833 million more than a year earlier. (J. of Comm., 10/16 p.1)

Helped by a batch of cheerful company statements, industrial shares on the stock market here today finished the busiest week on record with widespread gains. The feature of trading, however, was the strong demand for Government securities. The yields on many Government loans are more than 5%, whereas yields on most industrial leaders have plummeted to around 3% with the sharp rise in share prices. (N.Y. Times, 10/17 p.31)

The Treasury told the financial world today that it would like to do about $20 billion of "advance refunding" over the next two or three years. The disclosure came in a speech by Julian B. Baird, Under Secretary for Monetary Affairs. Mr. Baird made it plain that no advance refunding would be possible under present market conditions until Congress removed the 4-1/4% interest rate ceiling on Government bonds. He indicated that either removal of the ceiling or a general decline in interest rates would permit the Treasury to put into effect this new device—the most significant innovation in debt management since World War II. Under advance refunding, the Treasury would offer holders of older Government bonds approaching maturity the right to take a new long-term bond with a higher interest rate. The effect would be a major "stretching out" of the national debt. The use of advance refunding would relieve what Mr. Baird called "serious congestion" in the area of one-to-five year maturities. (N.Y. Times, 10/16 p.43)
FOURTH QUARTER Hopes and fears tied to the steel strike continued to dominate the stock market last week. Prices declined when the outlook was gloomy. Near the end of the week, however, when rumors of a settlement without use of a Taft-Hartley injunction filled the brokerage house board rooms, stocks, led by steels, began moving smartly upward. Settlement or no, brokers do look for some selling of steel shares on strong spots because of the damaging effects of the strike on second-half earnings of major producers. Not only will third quarter earnings reports of the struck firms be very poor but it is becoming increasingly clear that even if the strike ends immediately, their fourth quarter showing will not be very good. Not only will starting up costs be substantial, but heavy expenses will result from repairing furnaces damaged by excessive cooling and idleness. In addition, if workers return to the job under a Taft-Hartley injunction, additional costs will be incurred after the 80-day "cooling off" period when mills prepare for a possible new shutdown. (Gingold. Wall St. J., 10/19 p.25)

COTTON CLOTH MILLS Cotton print cloth mills are starting to take orders for delivery in the third quarter of 1960. Practically all shipments this year of cotton print cloth are called for and almost all the mills' first quarter 1960 production is committed, too. Trade sources estimated that second quarter output already is 50% to 60% booked. Late last week, 80-square print cloth climbed another quarter-cent to 20¢ a yard--highest since March 1956. (Wall St. J., 10/19 p.1)

WHEAT GLUT The 1959 wheat crop of 1.1 billion bushels probably will top domestic and export needs by around 100 million bushels. So the carry-over of wheat from previous years next June 30 may climb to 1.4 billion bushels, or enough to meet domestic needs for over two years. Most of this huge heap will be in Uncle Sam's price shelter; last June 30, over 97% was in the prop pile. The 1960 winter wheat crop, which farmers plant the preceding summer and fall, is off to a good start, suggesting a bumper crop again next year. Moisture conditions in most parts of the Southwest are even better than a year ago. Export prospects are dimming. (Wall St. J., 10/13 p.1)

DAIRY SURPLUS Uncle Sam's hoard of surplus dairy products has dropped to its lowest level since late 1952, as farmers continue to bring milk production nearer into line with demand. The Department of Agriculture said it owned 34 million pounds of surplus dairy goods on September 30, far below the 218 million pounds on hand the year before. (Wall St. J., 10/13 p.26)