

H. 14

April 6, 1959

CAPITAL MARKET DEVELOPMENTS

The volume of public security financing for new capital was substantial last week and is expected to be slightly larger this week. During the week ending April 3, corporations sold large issues amounting to \$116 million and State and local governments offered bonds totaling \$85 million. A \$90 million issue by Federal National Mortgage Association was also sold. This week, large corporate issues, including expiration of subscription rights, are expected to total \$176 million. State and local government offerings with aggregate proceeds of \$172 million are also scheduled for sale.

Bond yields - Yields increased last week for all categories of outstanding bonds, with yields for Aaa-rated corporate bonds reaching a new postwar peak of 4.17 per cent.

A new Aa-rated, first mortgage electric utility bond issue was offered to investors last week to yield 4.47 per cent, slightly above the yield for two comparable offerings made a week earlier. A new A-rated issue with similar terms was offered to yield 4.67 per cent, somewhat below that for the last comparable issue for this category, an offering made in early January.

Changes in bond yields during March and the first few days of April were mixed. Yields for outstanding high-grade corporate and U. S. Government obligations increased slightly to about their postwar peaks. Yields for Aaa-rated State and local governments bonds declined slightly and are currently 38 basis points below their postwar high. Lower-grade corporate and State and local government bonds declined on balance.

Housing starts - Exhibits C and D include a chart and table showing monthly data on housing starts. This is the third in a series of new tables and charts which will be included in this report, with different materials covered each week on a four-week cycle.

Private housing starts in February showed less than seasonal strength and fell slightly to a seasonally adjusted annual rate of 1,320,000 units, according to preliminary estimates. This, however, was the highest February rate in four years, and 44 per cent above the recession low a year earlier. During January and February, starts were 38 per cent above the same 1958 period and the second highest on record for these two months. Once again, Federally underwritten starts demonstrated their volatility as VA starts were 90 per cent higher than in the first two months of last year and FHA were 62 per cent higher. Conventional starts, which held up well in 1958, were 28 per cent higher.

Most new dwellings are financed mainly by mortgage loans, and trends in housing starts tend to be reflected in the mortgage recordings and loan series shown two weeks ago in this release. There is no exact relation between the two series, however. One is given in terms of numbers of new dwellings begun; the other, dollar amounts on new and existing properties. Housing starts, for example, relate to the estimated number of dwelling units included in proposed homes and projects on which initial work has begun and for which commitments have or have not been obtained to make or underwrite permanent mortgage loans upon completion or sale. The mortgage recordings series pertains to the estimated amount of first and junior mortgages of \$20,000 or less secured by real estate, primarily 1- to 4-family residences, but also some nonresidential properties. It excludes residential or other recorded mortgages of more than \$20,000 each.

The following discussion illustrates some of the differences which may exist between housing starts and mortgage recordings and loans. Starts refer to new permanent units begun at a wide range of anticipated selling prices. Recordings concern properties, whether or not with permanent structures, and only when the mortgages amount to no more than \$20,000 each. Recordings also reflect operations involving refinancing, recasting, or even the financing of repair and modernization, household equipment, a college education, or setting up a business.

A new dwelling unit enters the recordings series only if an individual mortgage of \$20,000 or less is originated on it and recorded. New units acquired without mortgages are excluded. According to the FRB's Survey of Consumer Finances, roughly 15 per cent of all new units may be excluded for this reason.

A time differential is also involved. A mortgage made in connection with a construction loan, for instance, may be recorded before the unit is started. A mortgage may be initiated and recorded, on the other hand, only when the unit is sold well after excavation has begun or even months after completion.

Finally, there is no precise relation among the component parts of the two series. A unit started under one type of financing arrangement may be permanently financed later in another manner. A house processed for a FHA-insured mortgage, for example, may eventually be sold with a conventional mortgage, for cash, or, if eligible, to a veteran under a VA-guaranteed mortgage.

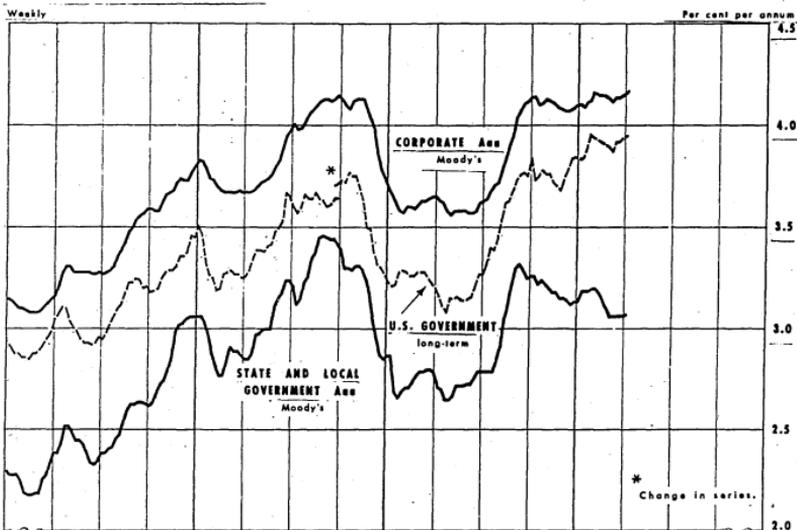
Stock prices - Standard and Poor's index of 500 common stocks increased last week, closing at 56.44 on April 3. The volume of trading declined slightly, averaging 3.1 million a day.

More detailed information concerning recent capital market developments is presented in the attached exhibits.

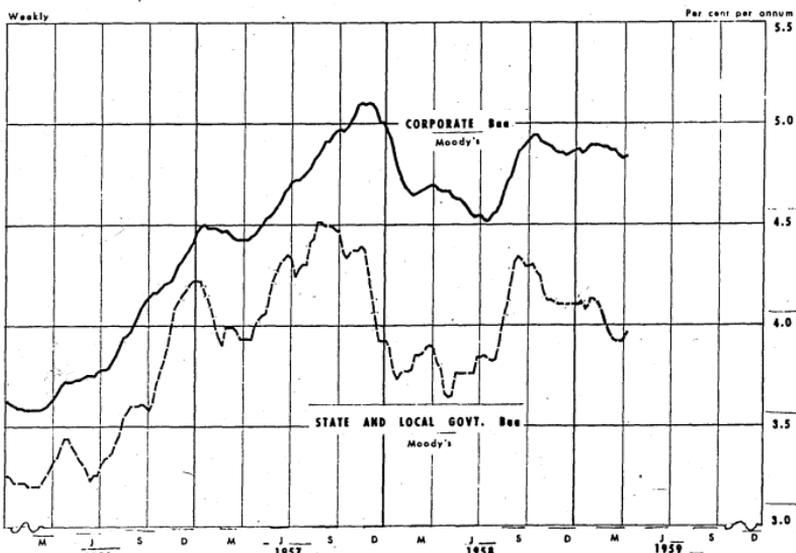
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

EXHIBIT A

HIGH-GRADE BOND YIELDS



LOWER-GRADE BOND YIELDS



Tables for Exhibit A
High-grade Bond Yields

Date	Corporate Aaa 1/	U. S. Govt. long-term 2/	State and local govt. Aaa 3/	Spread between U. S. Govt. and	
				Corporate Aaa	State and local Aaa
(Per cent)					
1954 - Low	2.85 (4/23)	2.45 (8/6)	1.90 (9/2)	.30	.30
1957 - High	4.14 (9/27)	3.76 (10/18)	3.45 (8/29)	.60	.47
1958 - High	4.13 (10/10)	3.84 (12/26)	3.31 (9/11)	.51	.72
Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.22	.34
1959 - High	4.17 (4/3)	3.96 (1/23)	3.20 (2/5)	.27	.88
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.65
Mar. 6	4.11	3.87	3.06	.24	.81
Mar. 13	4.13	3.92	3.06	.21	.86
Mar. 20	4.13	3.92	3.06	.21	.86
Mar. 27	4.14	3.94	3.06	.20	.88
Apr. 3 p/	4.17	3.95	3.07	.22	.88

Lower-grade Bond Yields

Date	Corporate Baa 1/	State and local govt. Baa 2/	Spread between Aaa and Baa	
			Corporate	State and local govt.
(Per cent)				
1954 - Low	3.44 (12/31)	2.93 (8/5)	.52	.96
1957 - High	5.10 (11/29)	4.51 (8/29)	1.27	1.21
1958 - High	4.96 (1/3)	4.34 (9/11)	1.28	1.11
Low	4.51 (7/11)	3.64 (5/1)	.77	.93
1959 - High	4.90 (2/13)	4.13 (2/5)	.77	.98
Low	4.83 (3/26)	3.92 (3/26)	.67	.86
Mar. 6	4.87	3.95	.76	.89
Mar. 13	4.87	3.93	.74	.87
Mar. 20	4.85	3.92	.72	.86
Mar. 27	4.83	3.92	.69	.86
Apr. 3 p/	4.84	3.97	.67	.90

p/ Preliminary.

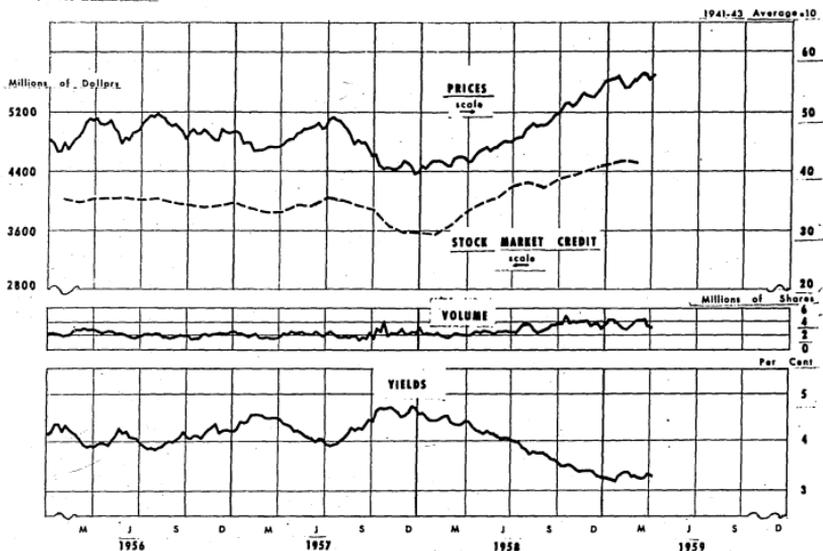
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.
2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

3/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

Note.--Highs and lows are for individual series and may be on different dates for different series.

EXHIBIT C

STOCK MARKET



PRIVATE FERMAMENT NONFARM DWELLING UNITS STARTED

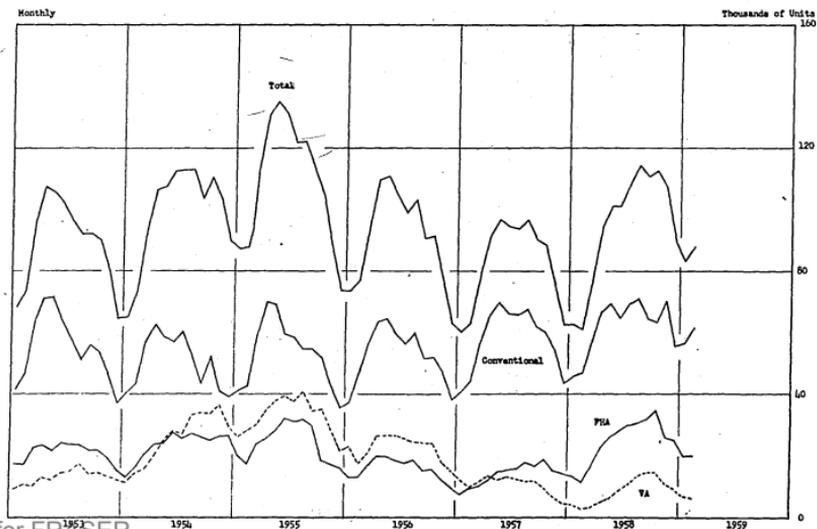


Exhibit D - Tables for Exhibit C

Stock Market

Date	Stock price index 1/	Common stock yields 2/ (per cent)	Trading volume 3/ (millions of shares)	Stock market customer credit		
				Total	Customers' debit bal-ances 4/	Bank loans to "others" 5/
(Millions of dollars)						
1953-1958 - High	54.11 (12/24/58)	3.30	4.9	4,492	3,285	1,317
Low	22.95 (9/18/53)	6.25	0.9	2,055	1,314	669
1959 - High	56.67 (3/13)	3.21	4.3	4,554	3,297	1,292
Low	54.37 (2/6)	3.34	3.0	4,527	3,253	1,210
February	54.77	3.32	3.5	4,527	3,253	1,274
March	56.15	3.25	3.9	n.a.	n.a.	1,292
Mar. 13	56.67	3.21	4.2	n.a.	n.a.	1,271
Mar. 20	56.39	3.22	4.3	n.a.	n.a.	1,289
Mar. 27	55.76	3.31	3.2	n.a.	n.a.	1,292
Apr. 3 p/	56.44	3.27	3.1	n.a.	n.a.	n.a.

n.a.--Not available. p/ Preliminary.

1/ Standard and Poor's composite index of 500 common stocks, weekly closing prices, 1941-43=10. Monthly data are averages of daily figures rather than of Fridays' only. Highs and lows are for Fridays' data only.

2/ Standard and Poor's composite stock yield based on Wednesday data converted to weekly closing prices by Federal Reserve. Yields shown are for dates on which price index reached its high or low.

3/ Averages of daily trading volume on the New York Stock Exchange.

4/ End of month figures for member firms of the New York Stock Exchange which carry margin accounts; excludes balances secured by U. S. Government obligations.

5/ Wednesday figures for weekly reporting member banks. Excludes loans for purchasing or carrying U. S. Government securities at banks in New York and Chicago. Weekly reporting banks account for about 70 per cent of loans to others. For further detail see Bulletin.

Private Permanent Nonfarm Dwelling Units Started 1/

Date	Total		Unadjusted		
	Seasonally adjusted annual rate	Unadjusted	FHA	VA	Conv.
(Thousands of units)					
1958 - Feb.	915	61	11	3	47
Mar.	918	77	17	3	58
Apr.	983	94	23	5	67
May	1,039	101	26	6	69
June	1,057	101	28	8	65
July	1,174	109	30	11	68
Aug.	1,228	115	30	13	71
Sept.	1,255	111	32	14	65
Oct.	1,303	113	35	15	64
Nov.	1,427	107	26	11	70
Dec.	p/1,430	p/90	25	9	p/55
1959 - Jan.	p/1,350	p/83	20	7	p/57
Feb.	p/1,320	p/88	20	6	p/62

1/ Total starts are BLS estimates. A dwelling unit is started when excavation begins; all units in an apartment structure are considered started at that time. FHA and VA starts are units started under commitments by these agencies to insure or guarantee the mortgages. As reported by FHA and VA, a unit is started when a field office receives the first compliance inspection report, which is made before footings are poured in some cases but normally after the foundations have been completed. Capehart military housing units are excluded. Conventional starts are derived as a residual, although total and FHA and VA starts are not strictly comparable in concept or timing; they include both units financed by conventional mortgages and units without mortgages.

Long-term Corporate and State and Local Government
Security Offerings and Placements

(In millions of dollars)

	New capital					
	Corporate 1/			State and local 2/		
	1959	1958	1957	1959	1958	1957
January	p/782	723	1,060	634	812	742
February	e/650	851	1,065	p/842	953	572
March	e/650	1,561 ^{3/}	1,320	e/650	511	506
April	e/700	1,141	931	e/750	798	765
May		600	765		895	546
June		881	1,453		551	393
July		1,102	1,003		806	529
August		538	924		403	584
September		1,144	973		651	431
October		858	1,090		456	698
November		473	789		474	633
December		914	1,076		435	698
1st quarter	e/2,082	3,135	3,445	e/2,126	2,276	1,820
2nd quarter		2,622	3,149		2,244	1,704
3rd quarter		2,784	2,899		1,860	1,544
4th quarter		2,250	2,954		1,365	2,029
1st half		5,757	6,594		4,520	3,524
Three quarters		8,541	9,493		6,380	5,069
Year		10,791	12,447		7,746	7,099
	Excluding finance companies ^{4/}					
1st quarter	e/1,882	2,894	3,237			
2nd quarter		2,583	2,889			
3rd quarter		2,753	2,582			
4th quarter		2,161	2,810			
Year		10,391	11,518			

e/ Estimated p/ Preliminary.

1/ Securities and Exchange Commission estimates of net proceeds.

2/ Investment Bankers Association of America estimates of principal amounts.

3/ Includes \$718.3 million AT&T convertible debenture issue.

4/ Total new capital issues excluding offerings of sales and consumer finance companies.

Other Security Offerings 1/

(In millions of dollars)

	Long-term						
	Foreign government 2/			Federal agency 3/			
	1959	1958	1957	1959	1958	1957	
January	77	196	84	199	1,163	72	
February		53	49		251	--	
March		--	30		--	--	
April		139	123		523	125	
May		198	48		--	--	
June		120	42		--	60	
July		9	28		164	--	
August		5	7		--	--	
September		17	30		--	215	
October		58	4		220	--	
November		123	60		--	100	
December		74	1		--	--	
Year		992	507		2,321	572	
		Short-term					
		State and local government 4/			Federal agency 3/		
January	190	233	326	359	371	638	
February	p/423	460	455	500	208	430	
March		273	147		144	505	
April		357	205		209	336	
May		354	337		161	469	
June		264	153		329	501	
July		289	272		437	224	
August		423	272		206	370	
September		369	252		330	512	
October		231	303		454	1,238	
November		415	94		114	255	
December		243	459		137	116	
Year		3,910	3,274		3,098	5,543	

p/ Preliminary.

1/ Data presented in this exhibit differ from those in Exhibit E in that refunding issues, as well as new capital issues, are included. Long-term securities are defined as those maturing in more than one year.

2/ Includes securities offered in the United States by foreign governments and their subdivisions and by international organizations. Source: Securities and Exchange Commission.

3/ Issues not guaranteed by the U. S. Government. Source: long-term, Securities and Exchange Commission; short-term, Federal Reserve.

4/ Principally tax and bond anticipation notes, warrants or certificates and Public Housing Authority notes. In some instances P&A notes included may have a somewhat longer term than one year. Source: Bond Buyer.

Large Long-term Public Security Issues for New Capital
(Other than U. S. Treasury) 1/

Proceeds of Large Issues Offered

(Millions of dollars)

Month	Corporate	State and local government	Other 2/
1958 - February	605	553	266
March	1,093	182	--
April	725	300	653
May	356	505	164
June	281	195	86
July	771	275	41
August	209	109	--
September	825	288	18
October	259	172	209
November	227	259	100
December	305	229	79
1959 - January	369	335	174
February	340	551	35

Large Individual Issues Offered March 1 through April 3

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
No. Indiana Pub. Serv. Co.	1st mtg. bds.	25.0	1989	4 1/2	4.40	Aa
KLM Royal Dutch Airlines	Conv. sub. deb.	18.5	1979	4 3/4	4.75	--
American Natural Gas Co.	Com. stk.	28.0				
Colorado Interstate Gas Co.	1st mtg. p.l. bds.	33.0	1979	4.70	4.67	A
Texas Eastern Trans. Corp.	Pfd. stk.	15.0				
Cleveland Elec. Illum. Co.	1st mtg. bds.	25.0	1994	4 3/8	4.29	Aaa
Montana Power Co.	1st mtg. bds.	15.0	1989	4 1/2	4.43	Aa
Ohio Edison Co.	1st mtg. bds.	30.0	1989	4 1/2	4.43	Aa
Ohio Power Co.	1st mtg. bds.	25.0	1989	4 5/8	4.47	Aa
Monongahela Power Co.	1st mtg. bds.	16.0	1984	4 3/4	4.65	A
Armco Steel Corp.	S.F. deb.	75.0	1984	4.35	4.35	Aa
<u>STATE AND LOCAL GOVERNMENT</u>						
Detroit-Metro. Expressway	Rev.-S.T.	25.0	1960-84	3.54	1.90-3.65	A
Philadelphia, Pa.	G.O.	25.5	1960-89	3.27	1.85-3.45	A
Port of New York Auth.	Rev.-Ut.	30.0	1989/68	3.68	3.63	A
New York, N. Y.	G.O.	26.3	1960-74	3.17	1.90-3.37	A

Large Individual Issues Offered March 1 through April 3 (Cont'd)

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)						
Metro.Wtr.Dist.of So.Calif	Rev.-Ut.	26.4	1960-71	2.96	1.90-3.05	Aa
State of California	G.O.	100.0	1960-84/79	3.55	1.90-3.60	Aa
Phoenix, Arizona	Rev.-Ut.	10.0	1960-88/68	3.69	2.00-3.80	A
West Virginia Univ.	Rev.-Q.Ut.	10.2	1960-89/69	4.27	3.25-4.30 ^{5/}	--
Baltimore, Md.	G.O.	28.9	1960-81	3.11	1.90-3.20	Aa
State of Delaware	G.O.	12.5	1960-79	2.96	1.80-3.05	Aa
Milwaukee, Wisconsin	G.O.	18.8	1960-79	2.98	1.85-3.10	Aaa
Penna. Gen. State Auth.	Rev.-Rent.	30.0	1961-85/64	3.58	2.25-3.70	--
Shelby Co., Tennessee	G.O.	11.0	1960-84	3.16	1.90-3.25 ^{6/}	Aa
Territory of Hawaii	Rev.-Q.Ut.	14.0	1984/69	4.40	4.32	--
Pennsylvania State Univ.	Rev.-Q.Ut.	11.0	1961-84,99	n.a.	2.25-3.80,3.90--	--
<u>OTHER</u>						
Federal Land Banks	Farm loan bds.	86.0	1968	4 1/4	4.35	--
Fed. Nat'l. Mortgage Assoc.	Deb.	90.0	1969	4 3/8	4.47	--

n.a.--Not available.

^{1/} Includes corporate and other security offerings of \$15 million and over; State and local government security offerings of \$10 million and over.

^{2/} Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.

^{3/} In the case of State and local government securities, G.O. denotes general obligations; Rev.-Ut., revenue obligations secured only by income from public utilities; Rev.-Q.Ut., revenue bonds secured only revenue from quasi-utilities; Rev.-S.T., revenue bonds secured by revenue from specific taxes only; Rev.-Rent., revenue bonds secured solely by lease payments.

^{4/} 1987-89 maturities not reoffered.

^{5/} 1989 maturities not reoffered.

^{6/} Is of 1983-84 reoffered to yield 4.00 per cent.

Forthcoming Large Long-term Public Security Offerings for New Capital
(Other than U. S. Treasury) 1/

Expected Proceeds from Forthcoming Large Issues

Date of computation	During month following date shown			Subsequent to date shown		
	Corporate	State and local govt.	Other <u>2/</u>	Corporate	State and local govt.	Other <u>2/</u>
1958 - Mar. 31	555	298	110	670	330	110
Apr. 30	356	493	150	561	493	150
May 29	266	177	36	464	208	36
June 30	768	225	--	1,048	235	--
July 31	161	55	--	381	125	--
Aug. 29	785	241	--	914	435	--
Sept. 30	113	295	--	216	524	--
Oct. 31	204	258	--	326	675	--
Nov. 28	301	229	71	401	683	71
Dec. 31	210	261	75	370	515	75
1959 - Jan. 30	270	551	45	365	856	45
Feb. 27	198	292	--	279	481	--
Mar. 31	396	550	20	476	761	20

Forthcoming Large Offerings, as of April 3

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Glickman Corp.	Com. stk.	31.0	Apr. 7
Tennessee Gas Transmission Co.	Pfd. stk.	44.0	Apr. 8
W. T. Grant Co.	Com. stk.	15.0	Apr. 9
Texas Eastern Transmission Corp.	1st mtg. p. l. bds.	45.0	Apr. 9
Natural Gas Pipeline Co. of America	1st mtg. p. l. bds.	20.0	Apr. 10
Food Fair Stores, Inc.	Conv. sub. deb.	21.2	Apr. 10 (rights expire)
Philco Corp.	Conv. deb.	20.0	Apr. 16
Columbia Gas System, Inc.	Com. stk.	39.1	Apr. 20 (rights expire)
*General Telephone & Electronics Corp.	Com. stk.	50.0	Apr. 21
Public Service of Colorado	1st mtg. bds.	20.0	Apr. 29
*Alabama Power Co.	1st mtg. bds.	20.0	May 1
*Idaho Power Co.	1st mtg. bds.	15.0	May 13
Commerce Oil Refining Corp.	Deb., bds. & common	45.0	Spring

Forthcoming Large Offerings, as of April 3 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
Los Angeles Sch. Dist., Calif.	G.O.	27.0	Apr. 7
Alabama Highway Authority	Rev.-S.T.	20.0	Apr. 7
*Puerto Rico Water Resources Auth.	Rev.-Ut.	20.0	Apr. 7
State of Connecticut	G.O.	16.9	Apr. 8
Buffalo, New York	G.O.	10.2	Apr. 9
Florida Development Commission	Rev.-Ut.	25.0	Apr. 9
*Massachusetts Turnpike Auth.	Rev.-Ut.	52.8	Apr. 9
State of Minnesota	G.O.	12.0	Apr. 14
Commonwealth of Massachusetts	G.O.	60.2	Apr. 14
State of Mississippi	G.O.	20.0	Apr. 15
Oakland Co., Michigan	Rev.-Ut.	12.7	Apr. 20
State of New Jersey	G.O.	25.0	Apr. 20
New York State Power Auth.	Rev.-Ut.	200.0	Apr. 21
*Houston Navigation Dist., Texas	Rev.-Ut.	12.5	Apr. 23
State of Tennessee	G.O.	15.0	Apr. 28
*State of Louisiana	G.O.	10.0	Apr. 30
Los Angeles, California	Rev.-Ut.	15.0	May 12
Cincinnati, Ohio	G.O.	26.9	May 12
*King Co. Sch. Dist. No. 1, Wash.	G.O.	14.5	May 13
Chesapeake Bay Ferry Commission	Rev.-Ut.	144.0	Spring
Memphis, Tennessee	G.O.	10.0	Spring
<u>OTHER</u>			
*Southern Italy Development Fund	Bonds	20.0	Apr.

*--Included in table for first time.

1/ Includes corporate and other issues of \$15 million and over; State and local government issues of \$10 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.

Note.--Deletions for reasons other than sale of issue: None.

Yields on New and Outstanding
Electric Power Bonds, Rated Aa and A 1/

Date	Aa-rated offering yields		A-rated offering yields	
	Actual (per cent)	Amount above seasoned yields (basis points)	Actual (per cent)	Amount above seasoned yields (basis points)
1952 - 1957				
High	5.00(9/14/57)	87	5.50(11/7/57)	123
Low	2.93(3/31/54)	-3	3.00(3/17/54)	-15
1958 - January	*3.60	-8	3.96 ² / ₁	3
February	3.89 ² / ₁	22	4.07	9
March	4.08	35	4.16	-1
April	3.91	18	4.01	8
May	3.87	18	4.07	6
June	3.87	17	--	--
July 2			3.98 ² / ₁	1
9	4.00	25		
18	4.10	28		
23	4.10	29		
Oct. 7	4.57	25	4.35 ² / ₁	31
15	4.50	22		
28	4.40 ² / ₁	12		
29	4.42 ² / ₁	14		
Dec. 17	4.44	23		
1959 - Jan. 7			4.75 ² / ₁	23
20	4.60	34		
28	4.65 ² / ₁	40		
Feb. 18	4.35 ² / ₁	4		
Mar. 11	4.40 ² / ₁	11		
25	4.43	9		
26	4.43	9		
31	4.47	13		
Apr. 3			4.67	18

*--Single observation, not an average.

1/ Covers only 30-year first mortgage bonds, as reported in Moody's Bond Survey. Except where indicated, the actual yield figure and the amount above seasoned yields are averages of offerings during the indicated period and of the differences between these new offering yields and yields on seasoned issues of similar quality for the same day. Average maturity for the seasoned issues varies from 26 to 28 years.

2/ Provides for a 5-year period during which issue may not be called for refunding at a lower coupon rate. Monthly averages so marked include one or more issues with such a provision. Other issues have no such provision.