

H.14

April 13, 1959

CAPITAL MARKET DEVELOPMENTS

Public security financing was in substantial volume last week, but is expected to be much smaller this week. During the week ending April 10, corporations sold large issues, including the expiration of subscription rights, with aggregate proceeds of \$161 million and State and local governments sold bonds amounting to \$172 million. The calendar for this week includes only one large corporate issue for \$20 million. State and local government issues amounting to \$92 million are also scheduled for sale.

Bond yields - Yields increased last week for all categories of outstanding bonds except those for lower-grade corporate bonds, which remained stable. Yields for high-grade corporate bonds and U. S. Government obligations reached new highs, while yields for other types of bonds continued to be near their 1959 lows.

FNMA secondary market operations - Exhibits C and D include a chart and table showing monthly data on FNMA secondary market operations. This is the fourth 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.

The Federal National Mortgage Association, a constituent unit of the Housing and Home Finance Agency, administers the Government's secondary market for federally-underwritten residential mortgages. Its secondary market facility, as rechartered in 1954, is designed to furnish "supplementary assistance to the secondary market for home mortgages by providing a degree of liquidity for mortgage investments, thereby improving the distribution of investment capital available for home mortgage financing." The law authorizes FNMA to buy and resell acceptable VA-guaranteed or FHA-insured mortgages from or to eligible investors at such FNMA-determined prices and terms "as will reasonably prevent excessive use of the Association's facilities." Most of FNMA's funds come from the open-market sale of FNMA debentures which are not guaranteed by the United States.

Separate and apart from FNMA's self-supporting secondary market operations which are intended to be privately owned eventually, the agency also administers certain special assistance and management and liquidating functions. These activities are excluded in the table and chart which relate solely to secondary market operations.

In the spring of 1958, FNMA secondary market operations reflected a period of easing market conditions when its sales rose to record levels, far exceeding offerings and purchases, as investors bought from FNMA's portfolio to supplement their other sources of

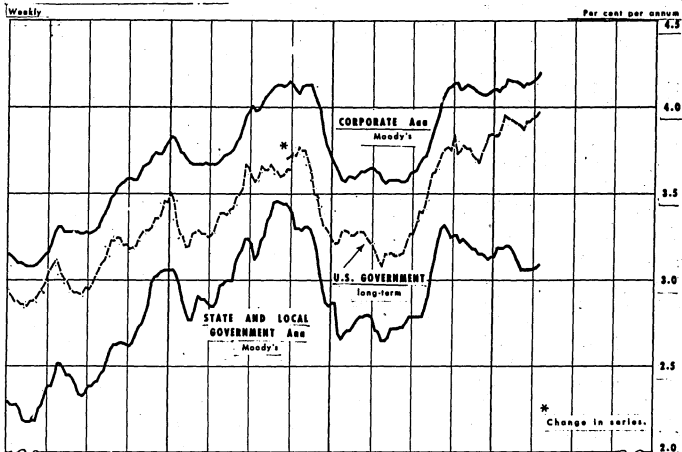
mortgages. Since last summer FNMA offerings and purchases have stepped up as the market has tightened, while sales have been negligible. Further increases are expected for March. Standby commitment offerings, often considered to be a leading indicator of market changes, fell off somewhat in January and the shortened month of February but are likely to be higher in March.

Stock prices - Standard and Poor's index of 500 common stocks, showing little net change last week, closed at 56.22 on April 10. Trading volume again averaged 3.1 million shares a day.

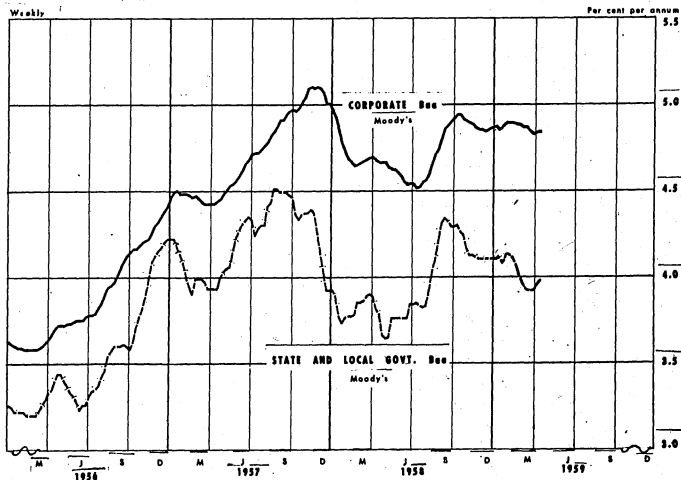
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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

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	4.20 (4/10)	3.97 (3/10)	3.20 (2/5)	.27	.88
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.65
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	4.17	3.95	3.07	.22	.88
Apr. 10 p/	4.20	3.97	3.09	.23	.88

Lower-grade Bond Yields

Date	Corporate Baa 1/	State and local govt. Baa 3/	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)	.64	.86
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	4.84	3.97	.67	.90
Apr. 10 p/	4.84	3.98	.64	.89

p/ Preliminary.

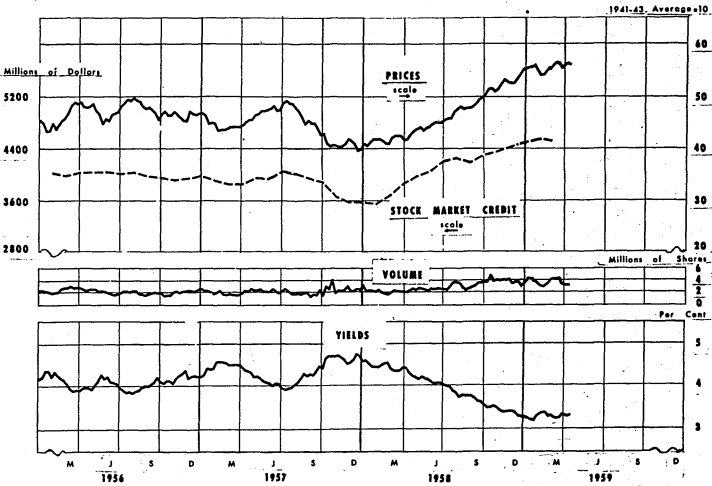
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

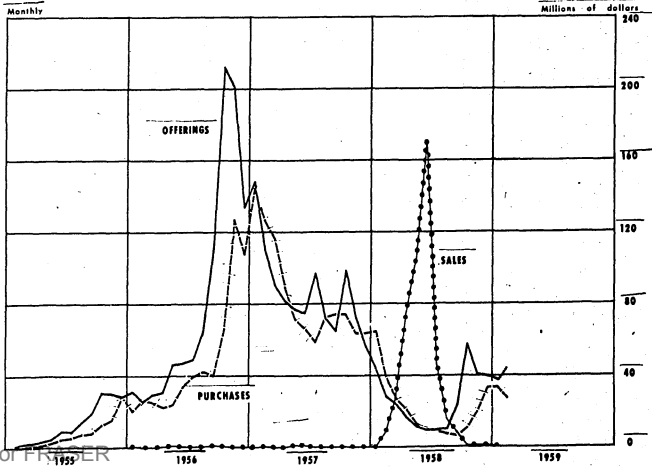
3/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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

STOCK MARKET



**FEDERAL NATIONAL MORTGAGE ASSOCIATION
SECONDARY MARKET OPERATIONS**



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	1,293
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. 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	56.44	3.27	3.1	n.a.	n.a.	1,293
Apr. 10 ^{p/}	56.22	3.30	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.

Federal National Mortgage Association Secondary Market Operations ^{1/}

Date	Estimated Offerings to FNMA			Purchases by FNMA	Sales by FNMA
	Total	Immediate purchase	Standby commitment		
(Millions of dollars)					
1958 - Feb.	28.2	25.3	2.9	39.1	9.0
Mar.	23.7	21.6	2.1	27.0	28.9
Apr.	16.6	16.0	.6	20.9	75.4
May	11.0	10.7	.3	12.7	108.7
June	9.4	9.1	.3	9.7	171.3
July	9.6	9.1	.5	8.4	45.9
Aug.	10.1	9.3	.7	7.0	15.5
Sept.	23.8	22.0	1.8	6.0	7.9
Oct.	57.3	49.6	7.7	10.8	.8
Nov.	40.7	39.2	1.5	20.0	1.1
Dec.	39.7	35.3	4.4	33.2	.9
1959 - Jan.	37.7	33.9	3.8	33.7	.3
Feb.	44.4	41.2	3.2	27.6	*

*--Less than \$50,000.

^{1/} Data represent unpaid principal balances of the mortgages involved, exclusive of premiums, discounts, or other charges. Offerings are amounts of applications received during the period from sellers proposing that FNMA execute purchasing contracts. An immediate purchase contract covers existing mortgages which the seller must deliver to FNMA within 45 days. A standby commitment contract relates to proposed mortgages, on housing not yet under construction, which the seller must usually deliver within one year. Purchases include those under both immediate purchase and standby commitment contracts.

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	e/782	723	1,060	636	812	742
February	e/650	851	1,065	855	953	572
March	e/650	1,561 ^{3/}	1,320	e/623	511	506
April	e/700	1,141	931	e/850	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		478	789		474	633
December		914	1,076		435	698
1st quarter	e/2,082	3,135	3,445	e/2,114	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	428	460	455	500	208	430	
March	p/265	273	147	489	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 PMA 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 - 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
March	215	369	176

Large Individual Issues Offered April 1 through 10

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
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
Glickman Corp.	Com. stk.	31.0				
Tenn. Gas Transm. Corp.	Pfd. stk.	44.0				
Texas Eastern Transm. Corp.	1st mtg.p.l.bds.	45.0	1979	4 7/8	4.92	Baa
Nat. Gas Pipeline Co. of America	1st mtg.p.l.bds.	20.0	1979	4 5/8	4.65	A
Food Fair Stores, Inc.	Conv. sub. deb.	21.2	1979	4	4.00	Ba
<u>STATE AND LOCAL GOVERNMENT</u>						
Pennsylvania State Univ.	Rev.-Q.Ut.	11.0	1961-84,99	n.a.	2.25-3.80,3.90	--
Los Angeles Sch. Dist., California	G.O.	27.0	1960-84	3.44	2.00-3.60	Aa
Alabama Highway Auth.	Rev.-S.T.	20.0	1960-79/64	3.41	2.10-3.50	A
Puerto Rico Wtr. Resources Authority	Rev.-Ut.	20.0	1961-96	4.26	2.50-4.25	Baa
State of Connecticut	G.O.	16.9	1960-79	2.93	1.90-3.00	Aaa
Mass: Turnpike Auth.	Rev.-Ut.	52.8	1999	n.a.	4.75	--
Florida Development Comm.	Rev.-S.T.	25.0	1963-89/69	4.10	2.75-4.15	Baa

Large Individual Issues Offered April 1 through 10 (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)						
Buffalo, New York	G.O.	10.2	1959-74	2.70	1.70-2.90	Aaa
<u>OTHER</u>						
None						

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 by 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/ 3s of 1989 not reoffered.

**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 2/	Corporate	State and local govt.	Other 2/
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 10

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
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 Co. of Colorado	1st mtg. bds.	20.0	Apr. 29
Alabama Power Co.	1st mtg. bds.	20.0	May 1
*Textron, Inc.	Sub. deb.	25.5	May 7
Idaho Power Co.	1st mtg. bds.	15.0	May 13
Commerce Oil Refining Corp.	Deb., bds. & common	45.0	Spring
<u>STATE AND LOCAL GOVERNMENT</u>			
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

Forthcoming Large Offerings, as of April 10 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
*State of Oregon	G.O.	33.0	Apr. 22
*Cleveland, Ohio	G.O.	16.9	Apr. 22
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. 23

*--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: W. T. Grant Company's common stock issue--proceeds of less than \$15 million.

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Exhibit I

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 _{2/}	-8	3.96 _{2/}	3
February	3.89 _{2/}	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
9	4.00	25		
18	4.10	28		
23	4.10	29	4.35 _{2/}	31
Oct. 7	4.57	25		
15	4.50	22		
28	4.40	12		
29	4.42 _{2/}	14		
Dec. 17	4.44	23		
1959 - Jan. 7			4.75 _{2/}	23
20	4.60	34		
28	4.65 _{2/}	40		
Feb. 18	4.35 _{2/}	4		
Mar. 11	4.40 _{2/}	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.