

H.14

June 1, 1959

CAPITAL MARKET DEVELOPMENTS

The volume of large public security financing was very heavy last week, but is expected to be much more moderate this week. During the week ending May 29, corporations sold large issues (including expiration of subscription rights) totaling \$230 million and State and local governments sold issues with aggregate proceeds of \$159 million. The State and local government financing total included a \$105 million issue of the Public Housing Authorities which was sold last Tuesday. The calendar for this week includes corporate issues amounting to \$93 million and State and local government bonds totaling \$87 million.

Bond yields - Changes in yields on seasoned bonds were mixed last week. Corporate bond yields increased further; State and local government bond yields remained stable, while those on U. S. Government obligations declined.

All types of yields on outstanding bonds increased during May. At the end of the month yields on corporate Aaa-rated bonds were 12 basis points higher than a month earlier and at postwar record levels. Yields on U. S. Government obligations were 3 basis points higher than at the end of April and only slightly below the peak reached a week earlier. State and local government bond yields increased about 12 basis points during May with those for Aaa-rated bonds reaching their 1958 highs. (Baa yields are below those levels.)

Offering yields on new corporate bonds increased somewhat further last week. On Tuesday, an Aa-rated, first mortgage electric utility bond issue was offered to investors to yield 5.00 per cent -- 5 basis points above the yield for a comparable offering made a week earlier and the same as the peak reached in mid-September 1957. The next day, an Aa-rated, first and refunding mortgage bond issue with similar terms was offered to yield 5.05 per cent.

The recent offering of Public Housing Authorities bonds provides an opportunity to compare the increase since February in new issue yields on State and local government bonds of different maturity. Included in last week's sale were \$36 million of bonds of the New York City Housing Authority. The same Authority in February had sold similar bonds amounting to \$33 million. Yields at which shorter-term bonds have been offered to investors have increased 45 basis points over the three-month period, while the longer-term yields have increased about 35 basis points. The increase since late February in yields on outstanding Aaa-rated bonds has been from 20 to 25 basis points.

New York City Housing Authority Bond Issues

1959	Amount (millions of dollars)	Yield by years to maturity (per cent)							
		New issue						Outstanding ^{1/}	
		1	5	10	20	30	40	10	20
Feb. 27	32.9	1.70	2.25	2.70	3.10	3.40	3.50	2.80	3.11
May 27	36.3	2.15	2.70	3.05	3.45	3.75	3.82	3.05	3.31

^{1/} Moody's Aaa-rated State and local government bond yield averages.

FNMA secondary market operations - In April secondary market operations of the Federal National Mortgage Association indicated some further firming in conditions. The dollar volume of offerings and purchases increased to the highest level in 17 months. Standby offerings nearly tripled to reach the largest total in 6 months. Sales, which attained a record \$171 million under easier market conditions last June, were zero.

Last week FNMA announced that it would adjust its secondary market mortgage purchase prices by dropping them 1 point below earlier levels. New 1-point-lower prices were also set for standby commitments. These adjustments, which became effective May 29, reflected recent trends toward greater firmness in mortgage markets and toward higher yields in general. FNMA felt the impact of higher interest rates last week when it publicly offered a \$150 million issue of 9-month secondary market operations debentures bearing 4-1/2 per cent interest, the highest rate paid by FNMA since September 1957. Part of the proceeds will be used to redeem \$100 million of 10-month debentures issued last August at a 2 per cent interest rate.

June security volume - The June volume of corporate issues for new capital is expected to total \$850 million, one-eighth larger than the revised estimate for May volume, but 4 per cent below the volume in June of last year. Large public issues are expected to total over \$250 million and takedowns of private placements are expected to be seasonally large this month. A volume of \$2.4 billion in the second quarter (8 per cent smaller than a year earlier) would bring the first half new issue total to \$4.6 billion, one-fifth below the volume in the corresponding period of 1958.

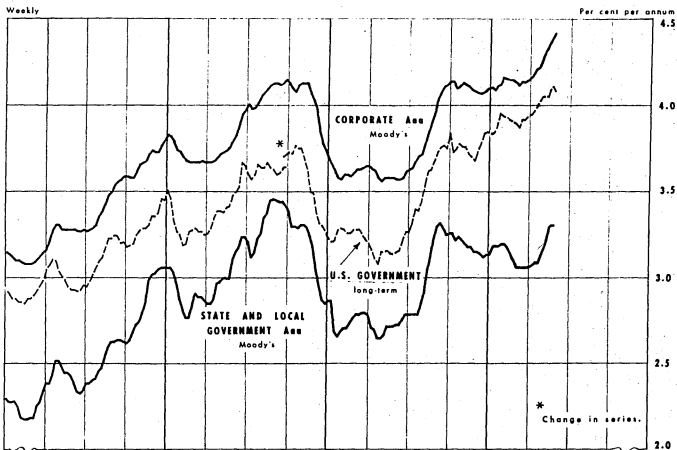
State and local government security financing is expected to total \$650 million in June. This volume would be one-eighth more than in May and one-fifth larger than a year earlier. The June estimate does not include a \$200 million issue of a Grant County Public Utility District which some press reports indicate may be sold late this month. Including the estimate for June, the volume of State and local government security issues for new capital in the first half of this year would total \$4.3 billion--only 6 per cent below the record volume of the first half of 1958.

Stock prices - Common stock prices rose to new highs last week. Standard and Poor's index of 500 common stocks closed at 58.68 on May 29, 0.6 per cent higher than a week earlier and two per cent above the end-of-April level. Trading activity slackened in late May with the daily average volume for last week amounting to 3.0 million shares a day.

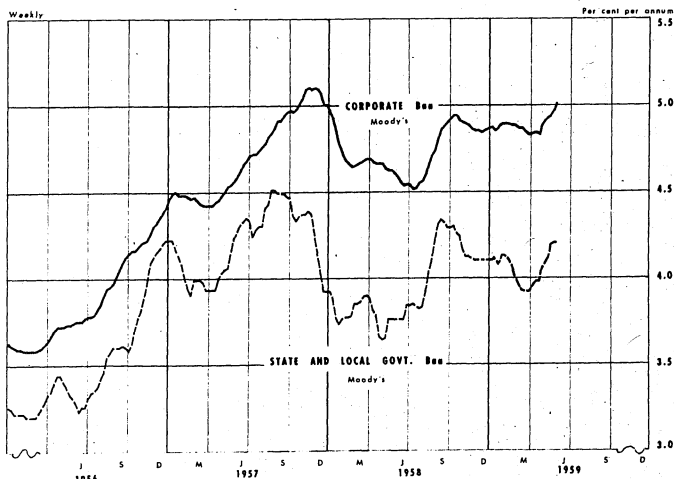
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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	4.42 (5/29)	4.11 (5/22)	3.31 (5/28)	.34	.92
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.65
May 1	4.30	4.05	3.18	.25	.87
May 8	4.33	4.05	3.23	.28	.82
May 15	4.36	4.09	3.30	.27	.79
May 22	4.39	4.11	3.31	.28	.80
May 29 p/	4.42	4.08	3.31	.34	.77

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	5.01 (5/29)	4.20 (5/28)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.58	.86
May 1	4.91	4.09	.61	.91
May 8	4.93	4.12	.60	.89
May 15	4.94	4.19	.58	.89
May 22	4.97	4.20	.58	.89
May 29 p/	5.01	4.20	.59	.89

p/ Preliminary.

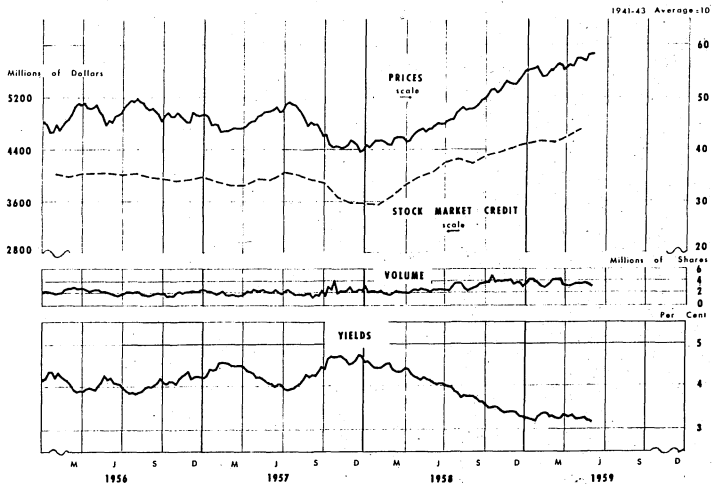
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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**

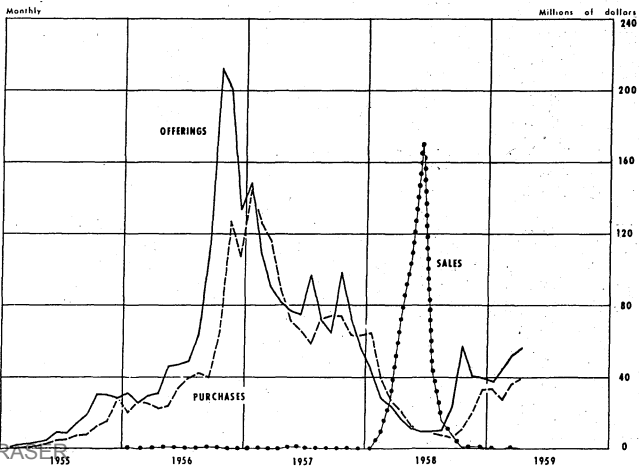


Exhibit D - Tables for Exhibit C

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 balances ^{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	58.68 (5/29)	3.16	4.3	4,719	3,399	1,332
Low	54.37 (2/6)	3.34	3.0	4,527	3,253	1,210
March	56.15	3.25	3.9	4,597	3,305	1,292
April	57.10	3.25	3.4	4,719	3,399	1,320
May 15	58.16	3.20	3.6	n.a.	n.a.	1,320
May 22	58.33	3.19	3.2	n.a.	n.a.	1,324
May 29 ^{p/}	58.68	3.16	3.0	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 - 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	*
Mar.	52.4	49.8	2.6	36.5	.8
Apr.	57.8	50.1	7.7	39.6	--

*--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.

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Exhibit E

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	840	723	1,060	636	812	742
February	745	851	1,065	855	953	572
March	631	1,561 ^{3/}	1,320	639	511	506
April	e/800	1,141	931	p/910	798	765
May	e/750	600	765	e/575	895	546
June	e/850	881	1,453	e/650	551	393
July		1,102	1,003		806	529
August		538	924		403	584
September		1,144	973		651	431
October		858	1,050		456	698
November		473	789		474	633
December		914	1,076		435	698
1st quarter	2,216	3,135	3,445	2,130	2,276	1,820
2nd quarter	e/2,400	2,622	3,149	e/2,135	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	e/4,616	5,757	6,594	e/4,265	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/2,016	2,894	3,237			
2nd quarter	e/2,150	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.

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	197	84	199	1,163	72	
February	59	54	49	--	251	--	
March	2	--	30	175	--	--	
April		139	123		523	125	
May		200	48		--	--	
June		120	42		--	60	
July		9	28		164	--	
August		5	7		--	--	
September		17	30		--	215	
October		57	4		220	--	
November		123	60		--	100	
December		74	1		--	--	
Year		995	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	295	273	147	489	144	505	
April	p/497	357	205	486	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 - 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
April	359	563	20

Large Individual Issues Offered May 1 through 29

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Alabama Power Co.	1st mtg. bds.	20.0	1989	4 7/8	4.85	A
Textron, Inc.	Sub. deb.	25.5	1984	5	5.00	Ba
Idaho Power Co.	1st mtg. bds.	15.0	1989	5	4.95	Aa
Southwestern Elec. Pwr. Co.	1st mtg. bds.	16.0	1989	5 1/8	5.06	A
Gen. Amer. Oil Co. of Tex.	Sub. conv. deb.	20.0	1984	4 3/4	4.75	Ba
Gulf States Utilities Co.	Com. stk.	15.4				
Baltimore Gas & Elec. Co.	Conv. deb.	19.9	1974	4 1/4	4.25	Aa
Consolidated Edison Co.	1st & ref. mtg. bds.	75.0	1989	5 1/8	5.05	Aa
Potomac Electric Power Co.	Com. stk.	30.2				
National Steel Corp.	1st mtg. bds.	80.0	1989	4 5/8	4.69	Aa
So. Elec. Generating Co.	1st mtg. bds.	25.0	1992	5 1/4	5.15	A
<u>STATE AND LOCAL GOVERNMENT</u>						
Los Angeles, California	G.O.	15.0	1961-89/69	3.83	2.40-3.95	Aa
Cincinnati, Ohio	G.O.	26.9	1960-89	3.47	2.20-3.70	Aaa
State of New Jersey	G.O.	25.0	1964-84/75	3.24	2.50-3.35	Aaa
King Co., Washington	G.O.	14.5	1961-79/69	3.66	2.60-3.75	A
Kanawha Co. Bd. of Educ., West Virginia	G.O.	18.0	1960-69	3.25	2.40-3.25	Aa

Large Individual Issues Offered May 1 through 29 (Cont'd)

Issuer	Type ^{3/}	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)						
Public Housing Authorities	G.O.	104.8	1960-2000	3.78	2.15-3.88	Aaa
Oakland Co., Michigan	G.O.	12.7	1960-89/74	4.40	2.60-4.40	A
Chicago, Illinois	Rev.-Ut.	30.0	1960-84	4.05	2.40-4.00	A
Oyster Bay C.S.D.#4, N.Y.	G.O.	11.3	1959-87	4.15	2.30-4.20	Baa
<u>OTHER</u>						
Alberta Mun. Financing Corp	S.F. deb.	50.0	1984	4 3/4	4.89	Aa

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/ 1/4s of 1979 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 - 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
Apr. 30	246	254	50	346	517	50
May 29	287	247	--	332	761	--

Forthcoming Large Offerings, as of May 29

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Public Service Electric & Gas Co.	1st & ref. mtg. bds.	50.0	June 3
Florida Power Corp.	Com. stk.	17.6	June 3 (rights expire)
Florida Power & Light Co.	1st mtg. bds.	25.0	June 4
Duke Power Co.	Pfd. stk.	25.0	June 10
Consolidated Natural Gas Co.	Cap. stk.	38.6	June 10 (rights expire)
Virginia Electric & Power Co.	Com. stk.	23.4	June 18 (rights expire)
Spiegel, Inc.	Conv. sub. deb.	15.4	June 19 (rights expire)
Philadelphia Electric Co.	Com. stk.	30.0	June 23 (rights expire)
*Northern Illinois Gas Co.	1st mtg. bds.	20.0	June 24
*Long Island Lighting Co.	1st mtg. bds.	25.0	June 25
International Recreation Corp.	Com. stk.	17.2	June
Commerce Oil Refining Corp.	Deb., bds. & common	45.0	Summer

Forthcoming Large Offerings, as of May 29 (Cont'd)

13

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
Los Angeles Co. Flood Control Dist., California	G.O.	40.0	June 2
Memphis, Tennessee	G.O.	10.0	June 2
Pennsylvania State Highway and Bridge Authority	Rev.-Ut.	10.0	June 3
New York, New York	G.O.	10.0	June 4
State of Maryland	G.O.	10.5	June 9
State of California	G.O.	100.0	June 10
California Toll Bridge Authority	Rev.-Ut.	34.0	June 24
*Territory of Hawaii	G.O.	15.0	June 25
Chesapeake Bay Ferry Commission	Rev.-Ut.	144.0	Summer
Commonwealth of Pennsylvania	G.O.	120.0	Summer
New York Thruway Authority	Rev.-Ut.	50.0	Summer
Grant Co. Public Utility Dist. No.2, Washington	Rev.-Ut.	200.0	Summer
<u>OTHER</u>			
None			

*--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 - 1958				
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 - May	3.87	18	4.07	6
June	3.87	17	--	--
July	4.07 ^{2/}	28	4.16 ^{2/}	15
August	--	--	--	--
September	--	--	--	--
October	4.47 ^{2/}	18	--	--
November	--	--	--	--
December	*4.44	23	--	--
1959 - Jan. 7			4.75 ^{2/}	23
20	4.60	34		
28	4.65	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
15	4.60	22		
16	4.59 ^{2/}	21		
29	4.55 ^{2/}	7		
May 1			4.85	17
13			5.06	13
14	4.95	38		
20	4.95	34		
21			5.13	27
26	5.00	38		

*--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.