

H.14

June 8, 1959

CAPITAL MARKET DEVELOPMENTS

The volume of large public security financing continues to be substantial. During the week ending June 5, corporations sold large issues, including expiration of subscription rights, amounting to \$93 million and State and local government offerings also totaled \$93 million. This week, large corporate issues are expected to total \$64 million. State and local government issues with aggregate proceeds of \$173 million are scheduled for sale, including a \$100 million bond issue by the State of California.

There were a number of substantial additions to the June calendar of municipal bond sales last week and it now appears that June bond sales may be about \$800 million, \$150 million more than estimated last week.

Bond yields - Yields on corporate and U. S. Government bonds increased slightly last week, while those on State and local government bonds remained stable.

Offering yields on new corporate bonds declined slightly last week. A new Aa-rated, first mortgage electric bond issue was offered to investors on Thursday to yield 4.95 -- 5 basis points below that for a comparable offering made a week earlier.

The offering of New York City bonds last week affords an opportunity to compare current State and local government bond yields with the postwar peaks reached in August of 1957. New York City also sold a similar A-rated issue at about the time yields on outstanding bonds reached their peaks. The comparison of yields on these two issues tends to confirm the movement in the Moody's series on outstanding bond yields, which is still somewhat below the 1957 peaks. (Other municipal yield series -- Standard and Poor's, Bond Buyer and Dow-Jones -- have surpassed their 1957 highs.) New offering yields for shorter term bonds are 25-35 basis points lower than in August 1957, while those for the longest term (14 years) are 11 basis points lower. Yields on outstanding A-rated bonds are currently 8 basis points below the level of August 1957.

New York City Bond Issues

	Amount (millions of dollars)	Net interest cost	Yield by years to maturity (per cent)				
			New issue				Outstanding
			1	5	10	14	20
Aug. 15, 1957	40.0	3.76	2.75	3.40	3.70	3.80	3.91
June 5, 1959	27.0	n.a.	2.40	3.15	3.50	3.69	3.83

1/ Moody's A-rated State and local government bond yield averages.

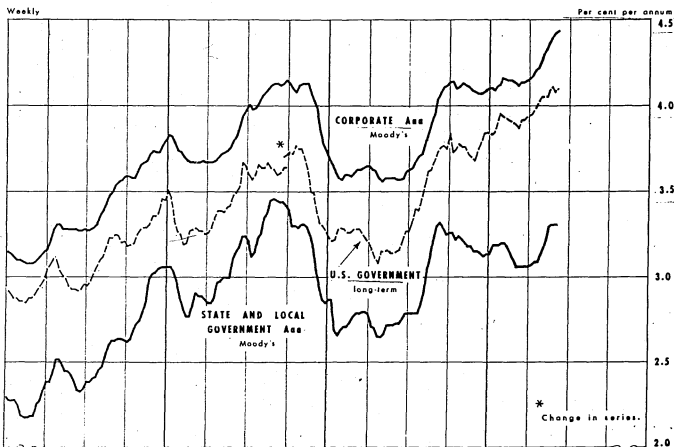
Stock prices - Stock prices declined substantially last week. Standard and Poor's index of 500 common stocks closed at 57.51 on June 5, 2 per cent lower than a week earlier. The volume of trading again averaged 3.0 million shares a day.

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

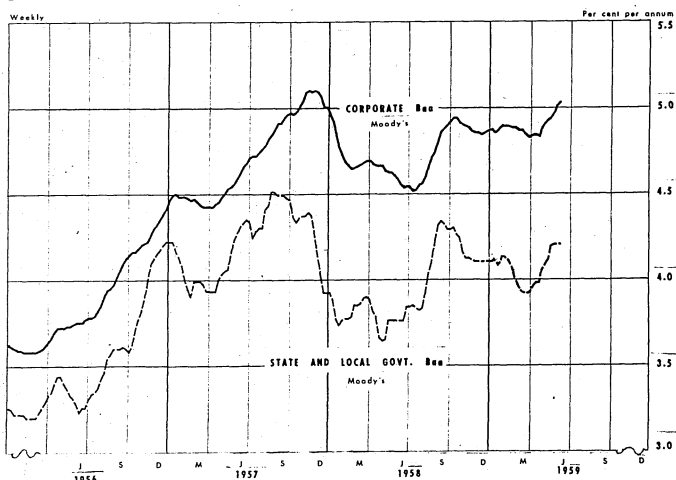
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

EXHIBIT A

HIGH-GRADE BOND YIELDS



LOWER-GRADE BOND YIELDS



Tables for Exhibit A

High-grade Bond Yields

Date	Corporate Aaa <u>1</u> /	U. S. Govt. long-term <u>2</u> /	State and local govt. Aaa <u>3</u> /	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	4.44 (6/5)	4.11 (5/22)	3.31 (6/4)	.34	.92
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.65
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	4.42	4.08	3.31	.34	.77
June 5 p/	4.44	4.10	3.31	.34	.79

Lower-grade Bond Yields

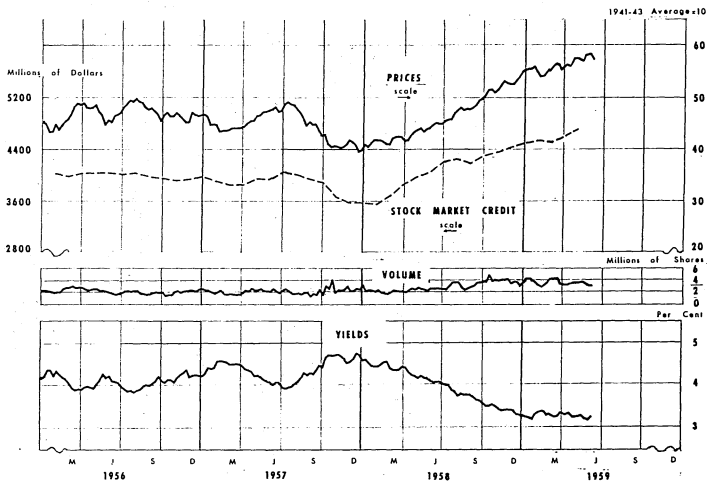
Date	Corporate Baa <u>1</u> /	State and local govt. Baa <u>2</u> /	Spread between Aaa and Baa	
			Corporate	State and local govt.
	(Per cent)			
1954 - Low	3.44 (12/31)	2.93 (8/5)	.52	.96
1957 - High	5.10 (11/29)	4.51 (8/29)	1.27	1.21
1958 - High	4.96 (1/3)	4.34 (9/11)	1.28	1.11
Low	4.51 (7/11)	3.64 (5/1)	.77	.93
1959 - High	5.03 (6/5)	4.20 (6/4)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.58	.86
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	5.01	4.20	.59	.89
June 5 p/	5.03	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



MORTGAGE AND BOND YIELDS

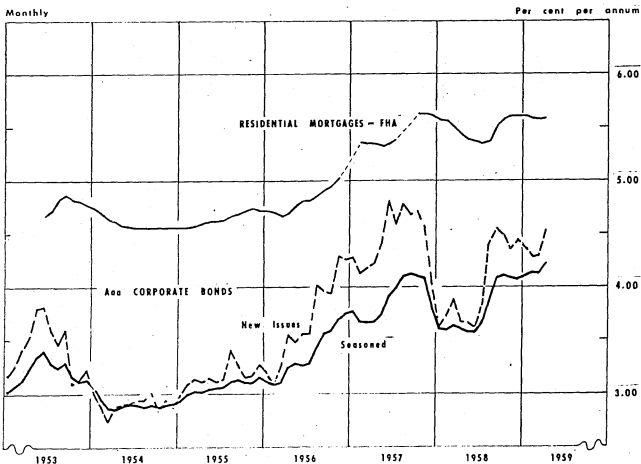


Exhibit D - Tables for Exhibit C

H.14

Stock Market

Date	Stock price index <u>1/</u>	Common stock yields <u>2/</u> (per cent)	Trading volume <u>3/</u> (millions of shares)	Stock market customer credit		
				Total	Customers' debit balances <u>4/</u>	Bank loans to "others" <u>5/</u>
(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 22	58.33	3.19	3.2	n.a.	n.a.	1,324
May 29	58.68	3.16	3.0	n.a.	n.a.	1,326
June 5 <u>p/</u>	57.51	3.23	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.

Mortgage and Bond Yields 1/

Date	FHA mortgages <u>2/</u>	Aaa corporate bonds <u>1/</u>		Spread between new corporate bonds and	
		New <u>3/</u>	Seasoned <u>4/</u>	FHA mortgages	Seasoned bonds
1953-1958 - High	5.62	4.81	4.11	1.96	.90
Low	4.56	2.74	2.85	.54	-.12
1959 - High	5.60	4.53	4.23	1.29	.30
Low	5.57	4.29	4.12	1.05	.15
1958 - Dec.	5.60	4.44	4.08	1.16	.36
1959 - Jan.	5.60	4.36	4.12	1.24	.24
Feb.	5.58	4.29	4.14	1.29	.15
Mar.	5.57	4.30	4.13	1.27	.17
Apr.	5.58	4.53	4.23	1.05	.30

1/ Neither mortgage nor bond yields take into account servicing costs which are much higher for mortgages than bonds. Generally, bonds pay interest semi-annually; mortgages, monthly. Mortgage yields, if computed as equivalent to a semiannual interest investment, would be slightly higher than given in the table.

2/ Based on FHA field-office opinions about average bid prices in the private secondary market for new-home mortgages for immediate delivery. Since late 1955, data relate only to 25-year mortgages with downpayments of 10 per cent or more, weighted by probable volume of transactions. Yields computed by FRB, assuming 25-year mortgages are paid off in 12 years. Dashed lines indicate periods of adjustment to changes in the contractual interest rate.

3/ First National City Bank of New York. Averages of offering yields of all new issues of publicly-sold bonds rated Aaa, Aa or A by Moody's Investors Service (except serial and convertible issues and offerings of natural gas and foreign companies) weighted by size of issue. Yields on Aa and A issues are first adjusted to an Aaa basis by the spread between yields of outstanding bonds in these categories and those on Aaa-rated bonds. The series reflects changes in industrial composition, maturity, type, etc. of new offerings.

4/ Moody's Investors Service. Monthly averages of daily data. See Exhibit B.

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/800	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	2,216	3,135	3,445	2,130	2,276	1,820
2nd quarter	e/2,400	2,622	3,149	e/2,285	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/4,415	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.

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/		
	1959	1958	1957	1959	1958	1957
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 <u>2/</u>
1958 - 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
May	342	258	50

Large Individual Issues Offered June 1 through 5

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Pub. Service Elec. & Gas	1st&ref.mtg.bds.	50.0	1989	5 1/8	5.00	Aa
Florida Power Corp.	Com.stk.	17.6				
Florida Power & Light Co.	1st mtg. bds.	25.0	1989	5	4.95	Aa
<u>STATE AND LOCAL GOVERNMENT</u>						
Los Angeles Co. Flood Control Dist., California	G.O.	40.0	1961-89	3.96	2.40-4.00	Aa
Memphis, Tennessee	G.O.	16.0	1960-89	3.52	2.30-4.20 <u>4/</u>	Aa
Pennsylvania State Hwy. & Bridge Authority	Rev.-Ut.	10.0	1961-80/67	3.55	2.60-3.65	Aa
New York, New York	G.O.	27.0	1960-74	n.a.	2.40-3.69	A
<u>OTHER</u>						
None						

Footnotes

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 1989 not publicly 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 June 5

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
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.	29.1	June 23 (rights expire)
*Philip Morris, Inc.	S.F. deb.	40.0	June 23
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 26
Commerce Oil Refining Corp.	Deb., bds. & common	45.0	Summer
<u>STATE AND LOCAL GOVERNMENT</u>			
State of Maryland	G.O.	10.5	June 9
State of California	G.O.	100.0	June 10
*State of Connecticut	Rev.-S.T.	62.5	June 10
*Port of New York Authority	Rev.-Ut.	30.0	June 17

Forthcoming Large Offerings, as of June 5 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
*Florida State Bd. of Education	Rev.	12.0	June 23
California Toll Bridge Authority	Rev.-Ut.	34.0	June 24
*Los Angeles Dept. of Wtr. & Pwr., California	Rev.-Ut.	15.0	June 24
*Birmingham, Alabama	Rev.-Ut.	22.8	June 25
Territory of Hawaii	G.O.	19.8	June 25
*State of New York	G.O.	50.0	June 30
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>			
*Municipality of Metro. Toronto, Can.	S.F. deb.	33.2	July 1

*--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 $\frac{1}{2}$

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		
June 4	4.95	29		

*--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.