

H.14

June 29, 1959.

CAPITAL MARKET DEVELOPMENTS

During the week ending June 26, corporations sold large public security issues (including expiration of subscription rights) totaling \$105 million. State and local governments sold issues amounting to \$58 million and one Canadian municipal issue for \$40 million was sold. No bids were received on a \$12 million State and local government issue because of a 4 per cent interest rate limitation. This week only one \$17 million corporate issue is expected, but large State and local government offerings totaling \$280 million are scheduled, including a \$195 million Grant County, Washington, Public Utility District issue. A Canadian municipal bond issue for \$20 million is also expected.

Bond yields - Yields on all types of bonds (except Baa corporate) rose last week. The increase was slight for Aaa-rated corporate and U. S. Government bonds, but sharp for State and local government bonds. Aaa-rated municipal bond yields increased 6 basis points to 3.45 per cent, a level equal to the postwar peak established in August 1957.

FNMA secondary market operations - Secondary market operations of the Federal National Mortgage Association in May reflected some further pressure in the mortgage market. Although FNMA purchases declined slightly from the highest level in more than a year, offerings increased further to the largest total in 19 months. Sales picked up somewhat but remained relatively insignificant.

FNMA secondary market purchases during the first five months of 1959 totaled more than \$175 million. As in past periods, most mortgages have been bought under immediate purchase contracts and few under standby commitment contracts. Through May less than 1 per cent of total purchases were for standbys.

This is in line with FNMA's statutory directive to issue advance (or standby) commitments "only at prices which are sufficient to facilitate advance planning of home construction, but which are sufficiently below the price then offered by the Association for immediate purchase to prevent excessive sales to the Association pursuant to such commitments." According to FNMA, "the objective of the standby procedure is to enable sellers, through the use of FNMA's commitments, to obtain construction funds with the expectation that the mortgages will be sold to private investors in the general secondary mortgage market when construction is completed and the mortgages are ready for delivery. The seller may elect to sell the mortgages to purchasers other than FNMA, but during the term of the commitment contract the Association is prepared to purchase the mortgages at the contract price; that is, it occupies a 'standby' position under which it will purchase the mortgages if the seller elects not to dispose of them elsewhere."

Through May, total FNMA purchases of mortgages under all its programs amounted to nearly \$849 million. Secondary market purchases accounted for about one-fifth of this amount. More than \$673 million of mortgages were purchases under FNMA's special assistance functions carried out under Presidential authorization or Congressional direction to provide special assistance for financing selected types of home mortgages originated under designated housing programs, such as housing for the elderly, disaster, urban renewal, low-cost, cooperative, and armed services housing.

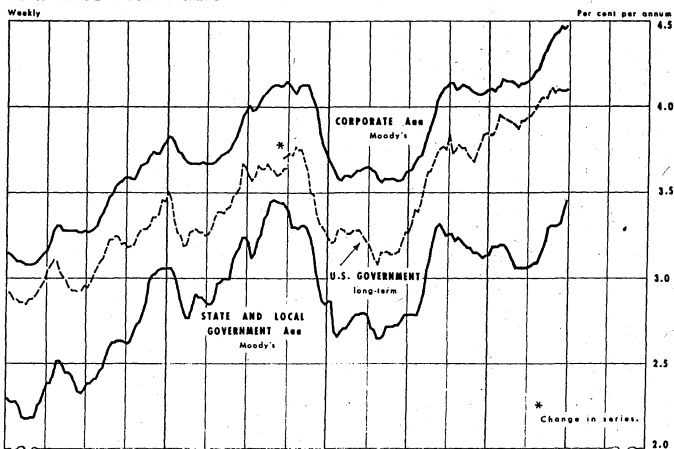
Stock prices - Common stock prices rose last week, the first increase since late May. Standard and Poor's index of 500 stocks closed Friday at 57.98, 0.85 higher than a week earlier. Trading volume increased moderately from the very low volume of the preceding week, but, averaging 3.0 million shares a day, was still well below trading activity earlier this year.

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

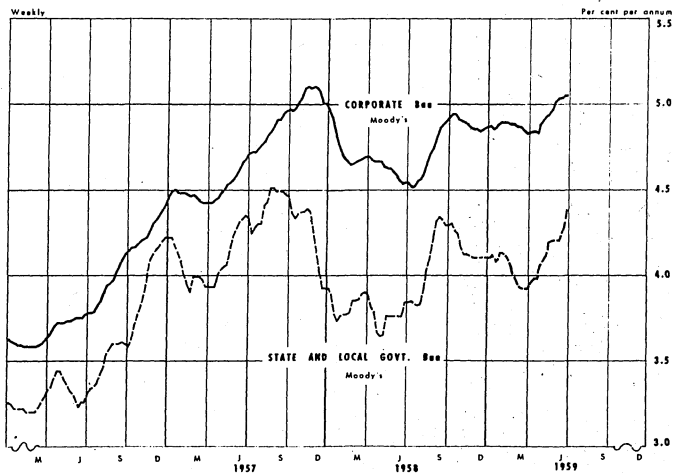
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

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	4.47 (6/26)	4.11 (5/22)	3.45 (6/25)	.38	.92
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.65
May 29	4.42	4.08	3.31	.34	.77
June 5	4.44	4.10	3.31	.34	.79
June 12	4.47	4.09	3.32	.38	.77
June 19	4.46	4.09	3.39	.37	.70
June 26 p/	4.47	4.10	3.45	.37	.65

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	5.04 (6/26)	4.38 (6/25)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.86
May 29	5.01	4.20	.59	.89
June 5	5.03	4.20	.59	.89
June 12	5.03	4.23	.56	.91
June 19	5.04	4.29	.58	.90
June 26 p/	5.04	4.38	.57	.93

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.

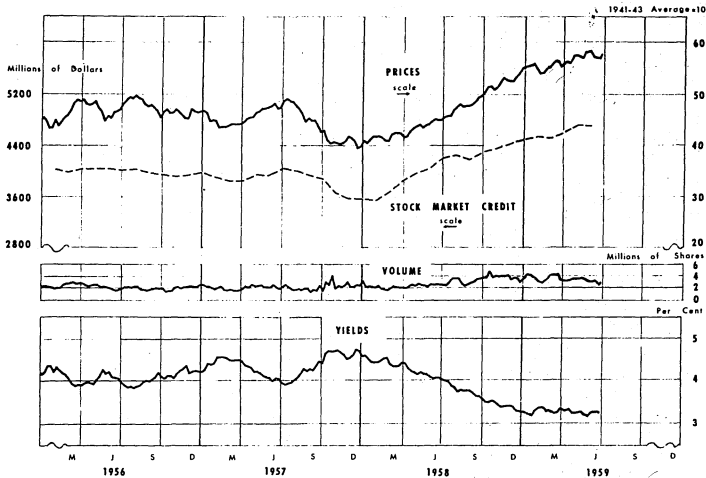
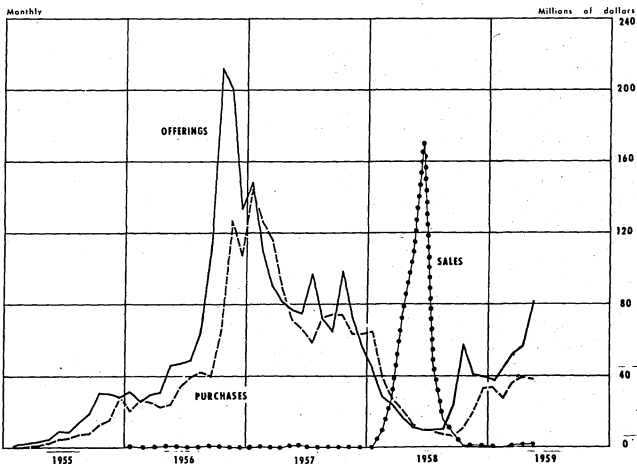
STOCK MARKET
FEDERAL NATIONAL MORTGAGE ASSOCIATION
SECONDARY MARKET OPERATIONS


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 bal- ances 4/	Bank loans to "others" 5/
(Millions of dollars)						
1953-1958 - High Low	54.11 (12/24/58)	3.30	4.9	4,492	3,285	1,317
	22.95 (9/18/53)	6.25	0.9	2,055	1,314	669
1959 - High Low	58.68 (5/29)	3.16	4.3	4,721	3,401	1,332
	54.37 (2/6)	3.34	2.6	4,527	3,253	1,210
April	57.10	3.25	3.4	4,721	3,401	1,320
May	57.96	3.20	3.4	4,711	3,385	1,326
June 12	57.29	3.24	3.1	n.a.	n.a.	1,320
June 19	57.13	3.25	2.6	n.a.	n.a.	1,303
June 26 p/	57.98	3.21	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	£/1.0
May	80.6	73.4	7.2	38.3	1.0

*--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. Data exclude FNMA activity under Special Assistance and Management and Liquidating Programs.

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	728	1,060	636	812	742
February	745	857	1,065	856	953	572
March	631	1,553	1,320	644	511	506
April	p/826	1,140	931	927	798	765
May	e/750	597	765	p/580	895	546
June	e/850	887	1,453	e/800	551	393
July		1,107	1,003		806	529
August		540	924		403	584
September		1,114	973		651	431
October		862	1,090		456	698
November		518	789		474	633
December		920	1,076		435	698
1st quarter	2,216	3,139	3,445	2,136	2,276	1,820
2nd quarter	e/2,426	2,623	3,149	e/2,307	2,244	1,704
3rd quarter		2,760	2,899		1,860	1,544
4th quarter		2,300	2,954		1,365	2,029
1st half	e/4,622	5,762	6,594	e/4,443	4,520	3,524
Three quarters		8,522	9,493		6,380	5,069
Year		10,823	12,447		7,746	7,099
	Excluding finance companies 4/					
1st quarter	2,011	2,899	3,237			
2nd quarter	e/2,176	2,586	2,889			
3rd quarter		2,731	2,582			
4th quarter		2,213	2,810			
Year		10,429	11,518			

e/ Estimated. p/ Preliminary. r/ Revised.

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	56	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	675	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 - 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 26

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est 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
Duke Power Co.	Pfd. stk.	25.1				
Consolidated Nat. Gas Co.	Cap. stk.	38.6				
Virginia Elec. & Pwr. Co.	Com. stk.	23.4				
Spiegel, Inc.	Conv. sub. deb.	15.4	1984	5	5.00	Ba
Philadelphia Electric Co.	Com. stk.	29.1				
Philip Morris, Inc.	S.F. deb.	40.0	1979	4 7/8	4.95	A
Northern Illinois Gas Co.	1st mtg. bds.	20.0	1984	5	4.95	Aa
<u>STATE AND LOCAL GOVERNMENT</u>						
Los Angeles Co. Flood Con- trol Dist., California	G.O.	40.0	1961-89	3.94	2.40-4.00	Aa
Memphis, Tennessee	G.O.	16.0	1960-89	3.51	2.30-4.20 1/2	Aa
Pennsylvania State Hwy. & Bridge Authority	Rev.-Ut.	10.0	1961-79/67	3.55	2.60-3.65	Aa
New York, New York	G.O.	27.0	1960-74	3.57	2.40-3.69	A

Large Individual Issues Offered June 1 through 26 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u> <u>(Cont'd)</u>						
State of Maryland	G.O.	10.5	1962-74	3.15	2.50-3.25	Aaa
State of California	G.O.	100.0	1961-85/80	3.94	2.50-4.00	Aa
Port of New York Authority	Rev.-Ut.	30.0	1960-79/68	4.09	2.50-4.15	A
State of Connecticut	Rev.-S.T.	62.5	1964-97/69	4.30	3.25-4.25	A
Yonkers, New York	G.O.	11.6	1960-79	3.96	2.50-4.10	A
Los Angeles Dept. of Wtr. & Pwr., California	Rev.-Ut.	15.0	1960-89/64	4.12	2.50-4.15	Aa
Birmingham, Alabama	Rev.-Ut.	22.8	1960-99/69	4.87	3.10-4.85	Baa
Territory of Hawaii	G.O.	19.8	1962-79	4.06	3.00-4.10	A
<u>OTHER</u>						
Mun. of Metro. Toronto, Canada	Deb.	40.0	1960-89	n.a.	4.13-5.18	A

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 26

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
International Recreation Corp.	Com. stk.	17.2	June 30
United States Plywood Corp.	Conv. sub. deb.	15.0	July 17
*Transcontinental Gas Pipe Line Corp.	1st mtg. p. l. bds.	20.0	July 29
Pennsylvania Electric Co.	1st mtg. bds.	15.0	Aug. 4
*Pan American World Airways	Conv. sub. deb.	47.0	Aug. 14
			(rights expire)
Commerce Oil Refining Corp.	Deb., bds. & common	45.0	Summer
Long Island Lighting Co.	1st mtg. bds.	25.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
State of New York	G.O.	50.0	June 30
Maryland State Roads Commission	Rev.-Ut.	25.0	June 30
Grant Co. Public Utility Dist. No. 2, Washington	Rev.-Ut.	195.0	July 1
Jefferson Parish S. D. No. 1, La.	G.O.	10.0	July 2
State of Ohio	Rev.-S.T.	31.0	July 15
University of California	Rev.-Q.Ut.	18.0	July 17
Territory of Hawaii	Rev.-Ut.	12.5	July 21
*State of Ohio	G.O.	30.0	July 21
California Toll Bridge Authority	Rev.-Ut.	34.0	July 28

Forthcoming Large Offerings, as of June 26 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Michigan Highway Department	Rev.-S.T.	50.0	July
Commonwealth of Pennsylvania	G.O.	130.0	Aug. 4
Chesapeake Bay Ferry Commission	Rev.-Ut.	144.0	Summer
New York Thruway Authority	Rev.-Ut.	50.0	Summer
<u>OTHER</u>			
Montreal, Canada	S.F. deb.	20.0	June 30
*Quebec Hydro-Electric Commission	Deb.	50.0	July 15

*--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: Florida State Board of Education -- no bids received.

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 $\frac{2}{2}$	28	4.16 $\frac{2}{2}$	15
August	--	--	--	--
September	--	--	--	--
October	4.47 $\frac{2}{2}$	18	--	--
November	--	--	--	--
December	*4.44	23	--	--
1959 - Jan. 7			4.75 $\frac{2}{2}$	23
20	4.60	34		
28	4.65	40		
Feb. 18	4.35 $\frac{2}{2}$	4		
Mar. 11	4.40 $\frac{2}{2}$	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 $\frac{2}{2}$	21		
29	4.55 $\frac{2}{2}$	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		
17			4.92 $\frac{3}{2}$	7
26			5.10	24

*--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.

3/ Provides for a 7-year period during which issue may not be called for refunding at a lower coupon rate.