

H. 14

July 27, 1959.

CAPITAL MARKET DEVELOPMENTS

(Including Quarterly Review of State and
Local Government Security Financing)

The volume of large public security financing, particularly by State and local governments, is expected to be somewhat larger this week than the very small volume in recent weeks. Last week, a corporate issue for \$50 million and a State and local government issue for \$13 million were the only large offerings sold. The calendar for the coming week, ending July 31 includes corporate offerings amounting to \$35 million and State and local government bond issues with aggregate proceeds of \$112 million.

Bond yields - Changes in yields on outstanding bonds were mixed last week. Yields on State and local government and high-grade corporate bonds declined last week, while those on Baa-rated corporate bonds remained stable and those on U. S. Government bonds increased slightly.

Mortgage and bond yields - Reflecting some further pressures in mortgage markets, discounts on 5-1/4 per cent FHA-insured new home mortgages available for immediate delivery in the secondary market increased further in June to \$3.50 per \$100 outstanding loan amount, according to FHA estimates. This represented an average gross annual yield of about 5.71 per cent, the highest on record. The 3-1/2 point discount was somewhat greater than reported two years just before FHA raised the maximum permissible interest rate on insured mortgages from 5 per cent to the present 5-1/4 per cent.

Stock prices - Stock prices, as measured by Standard and Poor's index of 500 common stocks increased last week, closing at 59.65 on July 24. Trading activity moderated with the daily average volume being 2.8 million shares a day.

State and Local Government Security
Offerings in the Second Quarter of 1959

The volume of bonds sold by State and local governments during the second quarter of 1959 was a record \$2.5 billion, one-tenth larger than a year earlier and one-sixth greater than the volume in the first three months of this year. For the first six months of 1959, State and local government security financing totaled \$4.6 billion, about \$100 million more than in the first half of last year. Sales of very large revenue bonds accounted for a much larger portion of total volume this year than in 1958.

Long-term Security Issues of State and Local Governments
Second Quarter 1954-59

(In millions of dollars)

	1959	1958	1957	1956	1955	1954
Issuing authority:						
State	507	675	400	164	254	668
County and township	118	165	109	53	134	118
Municipality	610	664	611	452	363	466
School district	383	369	361	287	241	247
Special authority	898	402	236	496	312	745
Unidentified 1/	--	--	--	165	125	129
Total	2,518	2,275	1,717	1,617	1,429	2,372
Purpose of issue:						
New capital total	<u>2,501</u>	<u>2,245</u>	<u>1,704</u>	<u>1,603</u>	<u>1,418</u>	<u>2,334</u>
Schools 2/	668	694	578	394	365	502
Highways, bridges and tunnels	322	425	313	159	226	1,068
Residential buildings	160	168	57	114	140	133
Hospitals and institutions	45	65	27	15	28	43
Sewer and water	376	266	251	213	192	162
Misc. public service enterprises	459	55	81	245	37	57
Veterans' aid	133	103	136	68	20	25
Other	339	469	262	230	286	217
Unidentified 1/	--	--	--	165	125	127
Refunding	16	30	12	14	11	39
Total	2,518	2,275	1,717	1,617	1,429	2,372
Type of issue:						
General obligation	1,383	1,664	1,173	979	860	1,125
Revenue	<u>945</u>	<u>467</u>	<u>470</u>	<u>533</u>	<u>457</u>	<u>1,126</u>
Utility	794	250	323	n.a.	n.a.	n.a.
Quasi-utility	47	52	17	n.a.	n.a.	n.a.
Special tax	69	143	92	n.a.	n.a.	n.a.
Rental	35	22	39	n.a.	n.a.	n.a.
Public Housing Authority	105	71	36	92	112	119
Federal Government loans 3/	85	72	38	13	--	3
Total	2,518	2,275	1,717	1,617	1,429	2,372

n.a.--Not available.

1/ Issues of less than \$500,000 not further classified in 1954, 1955 and 1956.

2/ Data for years prior to 1957 probably understate school issues by about one-fourth because of unclassified small issues.

3/ Coverage for 1957-1959 is broader than for earlier years.

Note.--Details may not add to totals because of rounding.

Source.--1954-1956, Bond Buyer and Federal Reserve; 1957-1959, Investment Bankers Assoc. of FRASER. Data for 1957-1959 not strictly comparable with data for earlier years.

Purpose of issue - Nearly all bonds sold in the second quarter were for the purpose of raising new long-term funds; refunding issues continued to be small in volume. School construction was the most important purpose of financing as it has been in other recent years. Sales of these bonds totaled \$668 million, slightly smaller than in the first quarter of 1958. (In the first quarter this year education bonds had been one-third smaller in volume than a year earlier.)

New financing for miscellaneous public service enterprises ranked second in importance. The total of \$459 million largely reflects the sale of two very large revenue bond issues last quarter--a \$200 million issue by the New York State Power Authority and a \$195 million issue by a Grant County Public Utilities District in Washington. Sales of bonds for purposes of sewer and water construction and veterans' aid were other major types of issues sold in larger volume this second quarter. The volume of financing for highways, bridges and tunnels, residential buildings, and hospitals and institutions was smaller this year than in the corresponding quarter of 1958.

Type of issue - Special authorities were the most important group of issuers during the second quarter of 1959, selling bonds (including the very large revenue issues mentioned above) which totaled nearly \$900 million. This volume accounted for more than one-third of total offerings and was more than twice as large as in the second quarter of 1958. Offerings by school districts were in slightly larger volume than a year earlier; issues by States, counties and townships and municipalities were in smaller volume.

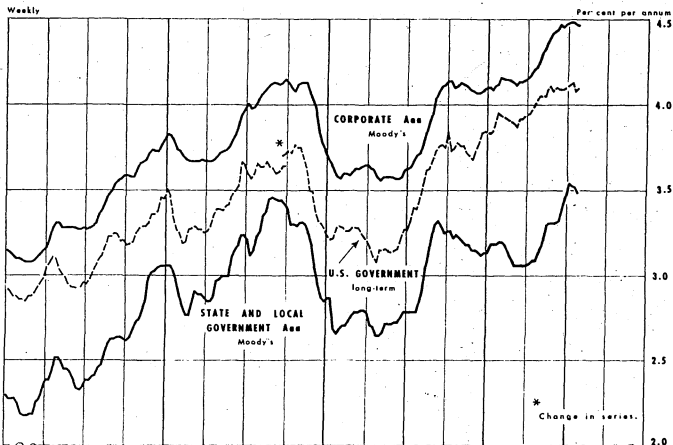
Type of issue - General obligations continued to be the most important type of issue. However, the proportion of total sales accounted for by such bonds declined from 73 per cent in the April-June 1958 period to 55 per cent this year as the share of revenue bond financing increased from 21 per cent to 38 per cent. Both Public Housing Authority offerings and Federal Government loans were in larger volume than a year earlier.

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

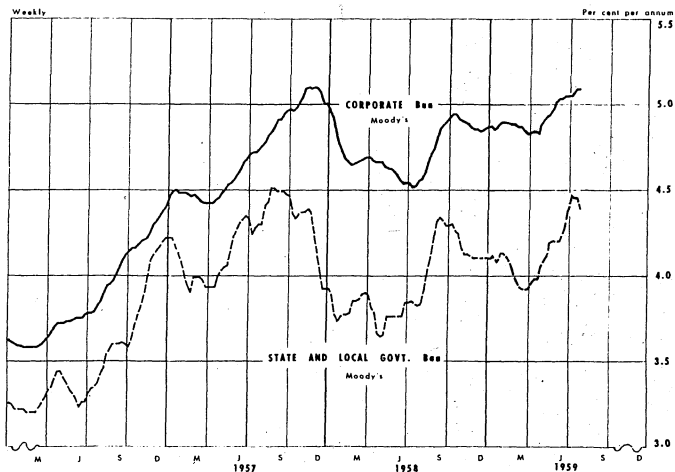
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

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	4.48 (7/10)	4.13 (7/10)	3.54 (7/2)	.39	.92
Low	4.09 (1/9)	3.33 (1/2)	3.06 (3/26)	.16	.57
June 26	4.47	4.10	3.45	.37	.65
July 3	4.43	4.12	3.54	.36	.58
July 10	4.43	4.13	3.52	.35	.61
July 17	4.47	4.09	3.51	.39	.57
July 24 <u>p/</u>	4.46	4.10	3.48	.36	.62

Lower-grade Bond Yields

Date	Corporate Baa <u>1/</u>	State and local govt. Baa <u>3/</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	5.09 (7/24)	4.46 (7/2)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.86
June 26	5.04	4.33	.57	.93
July 3	5.05	4.46	.57	.92
July 10	5.07	4.45	.59	.93
July 17	5.09	c/4.45	.62	c/.94
July 24 <u>p/</u>	5.09	4.39	.63	.91

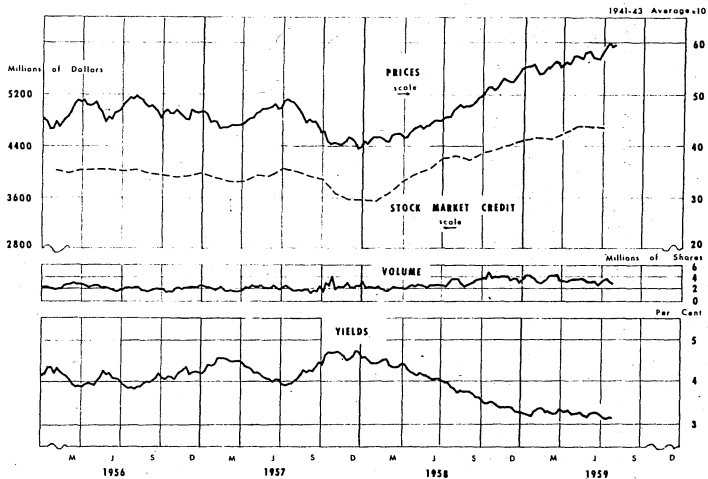
p/ Preliminary. c/ Corrected.

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

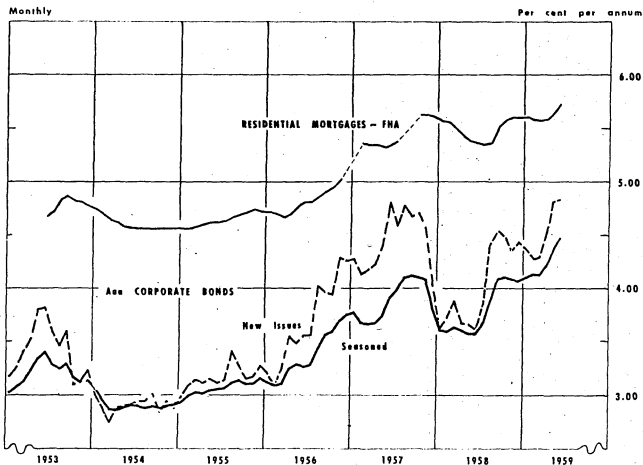


Exhibit D - Tables for Exhibit C

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 (12/24/53)	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	59.91 (7/10)	3.11	4.3	4,721	3,401	1,332
Low	54.37 (2/6)	3.34	2.6	4,527	3,253	1,210
May	57.96	3.20	3.4	4,711	3,385	1,326
June	57.46	3.23	2.9	4,692	3,388	1,304
July 3	59.28	3.13	3.2	n.a.	n.a.	1,301
July 10	59.91	3.11	3.7	n.a.	n.a.	1,253
July 17	59.19	3.14	3.1	n.a.	n.a.	1,254
July 24 p/	59.65	3.12	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. Prior to July 1, 1959, such loans are excluded only 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 2/	Aaa corporate bonds 1/		Spread between new corporate bonds and FHA mortgages	
		New 3/	Seasoned 4/	FHA mortgages	Seasoned bonds
1953-1958 - High	5.63 (11/57)	4.81 (6/57)	4.12 (9/57)	1.96	.90
Low	4.56 (2/55)	2.74 (3/54)	2.85 (4/54)	.54	-.12
1959 - High	5.64	4.81	4.37	1.29	.44
Low	5.57	4.29	4.12	.83	.15
1959 - 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
May	5.64	4.81	4.37	.83	.44
June	5.71	4.82	4.46	.89	.36

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	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	930	798	765
May	p/806	597	765	592	895	546
June	e/950	887	1,453	p/980	551	393
July	e/550	1,107	1,003	e/475	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/2,582	2,623	3,149	e/2,502	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/4,798	5,762	6,594	e/4,638	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/2,332	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.

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	50	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	563	357	205	486	209	336
May	p/407	354	337	675	161	469
June		264	153	289	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 - 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
June	284	635	60

Large Individual Issues Offered July 1 through 24

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Long Island Lighting Co.	1st mtg. bds.	25.0	1939	5 1/4	5.10	A
Tennessee Gas Trans. Corp.	1st mtg. pl. bds.	50.0	1979	5 1/4	5.15	A
<u>STATE AND LOCAL GOVERNMENT</u>						
Univ. of Texas, Agr. & Mech. College of Texas	Rev.-Ut.	10.0	1960-79	3.47	2.40-3.50	Aaa
State of Ohio	Rev.-S.T.	31.0	1960-72	3.54	2.40-3.60 <u>4/</u>	Aa
Univ. of California	Rev.-4.Ut.	13.0	n.a.	2.88	n.a.	--
Territory of Hawaii	Rev.-Ut.	12.5	1961-39/66	4.33	3.00-4.35	A
<u>OTHER</u>						
Quebec Hydro-Elec. Comm.	Deb.	50.0	1984	5	5.00	A

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/ 1972 maturities 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 - 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	148	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	--
June 30	165	146	50	272	500	50

Forthcoming Large Offerings, as of July 24

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Transcontinental Gas Pipe Line Corp.	Pfd. stk.	15.0	July 29
Transcontinental Gas Pipe Line Corp.	1st mtg.p.l. bds.	20.0	July 29
Pennsylvania Electric Co.	1st mtg. bds.	15.0	Aug. 4
Northern States Power Co.	Com. stk.	27.9	Aug. 11
*Michigan Bell Telephone Co.	Deb.	30.0	(rights expire) Aug. 12
Pan American World Airways, Inc.	Conv. sub. deb.	47.0	Aug. 12
*Houston Lighting & Power Co.	1st mtg. bds.	25.0	(rights expire) Aug. 20
Pacific Gas & Electric Co.	1st & ref. mtg. bds.	65.0	Aug. 25
American and Foreign Power Co.	Conv. jr. deb.	22.5	Summer
Commerce Oil Refining Corp.	Deb., bds. & common	45.0	Summer
<u>STATE AND LOCAL GOVERNMENT</u>			
California Toll Bridge Authority	Rev.-Ut.	34.0	July 28
Commonwealth of Puerto Rico	G.O.	15.2	July 23
State of Vermont	G.O.	13.0	July 28
Michigan Highway Department	Rev.-S.T.	50.0	July 30
Commonwealth of Pennsylvania	G.O.	120.0	Aug. 4
Los Angeles Sch. Dists., Calif.	G.O.	26.0	Aug. 4
State of Ohio	G.O.	30.0	Aug. 11

Forthcoming Large Offerings, as of July 24 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
*Texas Water Development Board	G.O.	10.0	Aug. 12
Chesapeake Bay Ferry Commission	Rev.-Ut.	144.0	August
New York Thruway Authority	Rev.-Ut.	50.0	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: International Recreation Corporation's common stock offering--proceeds for publicly-sold shares less than \$15 million. United States Plywood Corporation's subordinated convertible debentures--cancelled.

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
1959 - Jan. 7			4.75 ² / ₁	23
20	4.60	34		
28	4.65	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
15	4.60	22		
16	4.59 ² / ₁	21		
29	4.55 ² / ₁	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 ³ / ₁	6
26			5.10	24
July 9			5.10	19
10	4.93	31		
15			5.10	19

*--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.