

H.11

August 3, 1959.

CAPITAL MARKET DEVELOPMENTS

During the week ending July 31, large corporate offerings for new capital totaled \$35 million and large State and local government issues aggregated \$122 million. This week, the volume of public security financing by State and local governments is expected to total \$146 million, including a \$120 million Pennsylvania veterans' bond issue. A utility bond issue for \$15 million is the only large corporate offering scheduled for sale this week.

Bond yields - Yields on outstanding bonds changed little last week. Yields on State and local government and U. S. Government obligations remained stable, while those on corporate bonds declined slightly. A new A-rated, first mortgage electric utility issue was offered to investors last week to yield 5.00 per cent--10 basis points lower than that for the last comparable issue, an offering made on July 15.

FNMA secondary market operations - Additional pressures in residential mortgage markets were reflected by secondary market operations of the Federal National Mortgage Association in June. Offerings rose further to the highest level in 20 months, purchases were the largest in 17 months, and sales remained negligible.

Offerings to FNMA in the first half of 1959 exceeded \$350 million, 14 per cent above the total for the entire year of 1958. FNMA mortgage purchases of \$225 million came within 15 per cent of the annual total in 1958. These first-half offerings and purchases, however, were well below comparable figures in the record 1957 period.

August security volume - The volume of new security financing for corporations and State and local governments is expected to be seasonally low in August, but somewhat above the very small volume of offerings made last month and in August of last year.

The August volume of corporate issues for new capital is expected to total \$650 million, one-sixth larger than the volume in both July this year and August 1958. State and local government bond sales during August are currently estimated at \$500 million, slightly larger than the July total and nearly one-fourth larger than the volume last August. The August estimate does not include the large Chesapeake Bay Ferry Commission issue which may be sold by negotiation sometime late in the month.

Stock prices - Stock prices increased further last week. Standard and Poor's index of 500 common stocks closed at 60.51 on July 31, slightly below the peak of 60.62 reached on last Wednesday.

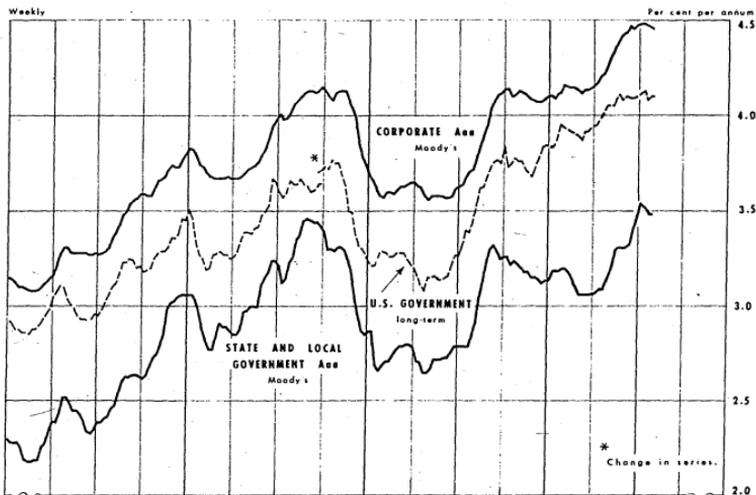
Stock prices increased sharply in early July, then declined somewhat before advancing again to new highs. The Standard and Poor's index showed an increase of 3.5 per cent for the month. Trading activity was somewhat higher in July, particularly early in the month, than in June.

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

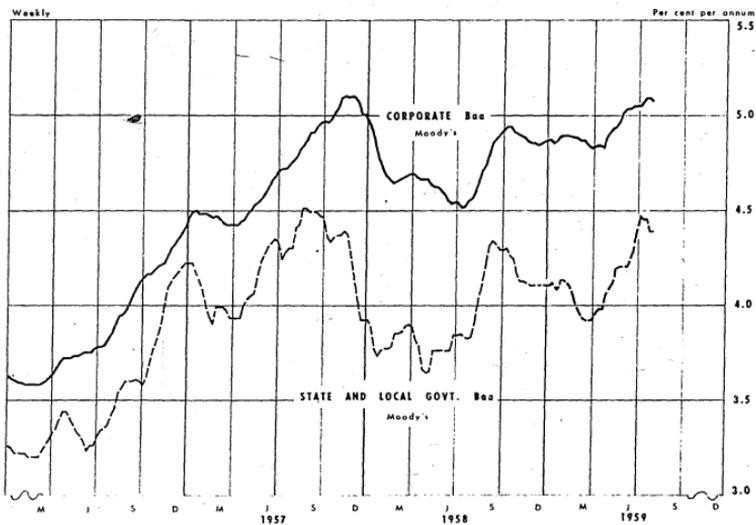
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

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	4.48 (7/10)	4.13 (7/10)	3.54 (7/2)	.39	.92
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.57
July 3	4.48	4.12	3.54	.36	.58
July 10	4.48	4.13	3.52	.35	.61
July 17	4.47	4.08	3.51	.39	.57
July 24	4.46	4.10	3.48	.36	.62
July 31 p/	4.45	4.10	3.48	.35	.62

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	5.09 (7/24)	4.46 (7/2)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.86
July 3	5.05	4.46	.57	.92
July 10	5.07	4.45	.59	.93
July 17	5.09	4.45	.62	.94
July 24	5.09	4.39	.63	.91
July 31 p/	5.07	4.39	.62	.91

p/ Preliminary.

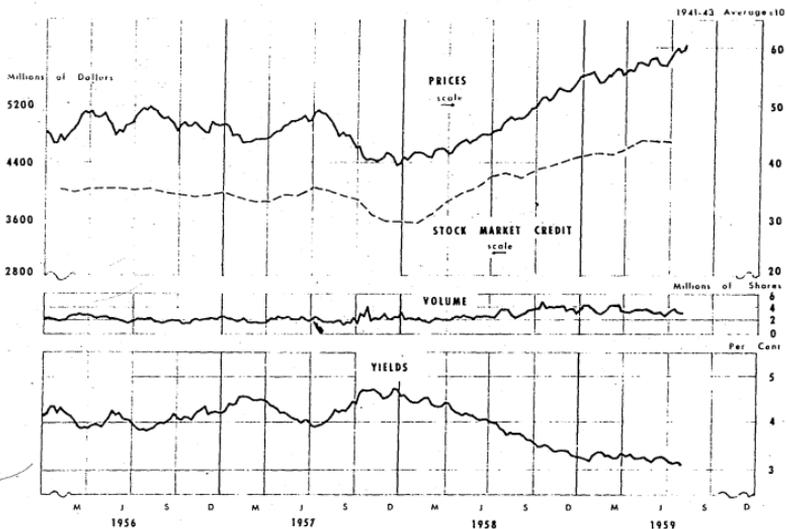
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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**

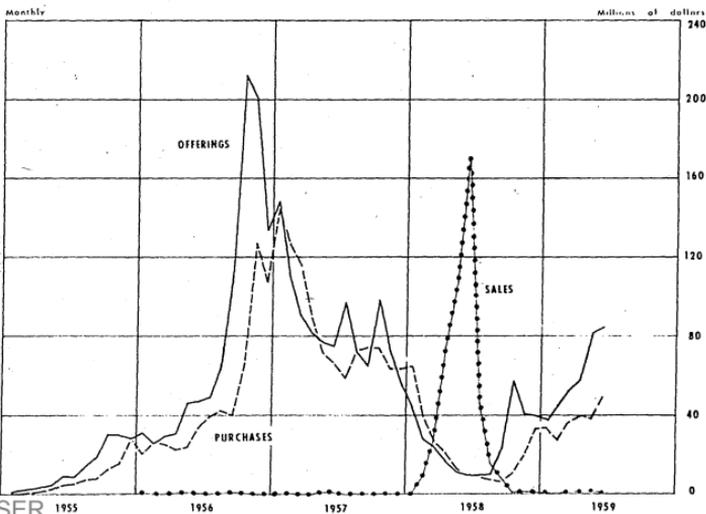


Exhibit D - Tables for Exhibit C

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)						
1953-1953 - High	54.11 (12/24/53)	3.30	4.9	4,492	3,235	1,317
Low	22.95 (9/13/53)	6.25	0.9	2,055	1,314	669
1959 - High	60.51 (7/31)	3.03	4.3	4,721	3,471	1,332
Low	51.37 (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	3,338	1,304
July 10	59.91	3.11	3.7	n.a.	n.a.	1,243
July 17	59.19	3.14	3.1	n.a.	n.a.	r/1,256
July 24	59.65	3.12	3.0	n.a.	n.a.	1,271
July 31 p/	60.51	3.08	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.

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)					
1953 - June	9.4	9.1	.3	9.7	171.3
July	9.6	9.1	.5	3.4	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	10.3	.3
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	49.3	2.6	36.5	.3
Apr.	57.3	50.1	7.7	39.6	1.0
May	80.6	73.4	7.2	38.3	r/1.1
June	84.4	76.6	7.8	49.4	.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 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 ^{3/}	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	e/650	540	924	e/500	403	504
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	2,546	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 \$713.2 million AT&T convertible debenture issue.^{4/} Total new capital issues excluding offerings of sales and consumer finance companies.

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 - 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 during July

Issuer	Type 3/	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.p.lbds.	50.0	1979	5 1/4	5.15	A
Transcont. Gas P. L. Corp.	Pfd. stk.	15.0				
Transcont. Gas P. L. Corp.	1st mtg.p.lbds.	20.0	1980	5 1/3	5.15	Baa
<u>STATE AND LOCAL GOVERNMENT</u>						
Univ. of Texas, Agr. & Mech. College of Texas	Rev. Mt.	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	Aa
Univ. of California	Rev. Mt.	13.0	n.a.	2.33	n.a.	--
Territory of Hawaii	Rev. Mt.	12.5	1961-30/4	4.33	3.00-4.35	A
Calif. Toll Bridge Auth.	Rev. Mt.	34.0	1995/64	4.36	4.29	--
Commonwealth of Puerto Rico	G.O.	15.2	1960-79/71	3.91	2.50-4.00	A

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Large Individual Issues Offered during July

Issuer	Type ^{3/}	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
STATE AND LOCAL GOVERNMENT (Cont'd)						
State of Vermont	G.O.	13.0	1960-79	3.10	2.30-3.20	Aaa
Michigan Highway Dept.	Rev.-S.T.	50.0	1961-85	4.29	3.00-4.25	A
Jefferson Par.S.D.No.1,La.	G.O.	10.0	1960-89.	4.58	2.90-4.60	--
<u>OTHER</u>						
Quebec Hydro-Elec. Comm.	Deb.	50.0	1984	5	5.00	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/} 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
July 31	238	356	--	305	406	--

Forthcoming Large Offerings, as of July 31

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Pennsylvania Electric Co.	1st mtg. bds.	15.0	Aug. 4
Northern States Power Co.	Com. stk.	20.9	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
*Consumers Power Co.	1st mtg. bds.	35.0	(rights expire) Aug. 19
Houston Lighting & Power Co.	1st mtg. bds.	25.0	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>			
Commonwealth of Pennsylvania	G.O.	120.0	Aug. 4
Los Angeles Sch. Dist., Calif.	G.O.	26.0	Aug. 4
State of Ohio	G.O.	30.0	Aug. 11
Texas Water Development Board	G.O.	10.0	Aug. 12
*Nassau Co., New York	G.O.	26.2	Aug. 12
Chesapeake Bay Ferry Commission	Rev.-Ut.	100.0	Summer
New York State Authority	Rev.-Ut.	50.0	Summer

Forthcoming Large Offerings, as of July 31 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<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
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	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		
17			4.92 ^{3/}	6
26			5.10	24
July 9			5.10	19
10	4.93	31		
15			5.10	19
30			5.00	13

*--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.