

H.14

August 17, 1959.

CAPITAL MARKET DEVELOPMENTS

The volume of public security financing for new capital is expected to be somewhat smaller this week than last week. During the week ending August 14, corporations sold large issues, including expiration of subscription rights, amounting to \$98 million; State and local governments sold issues with aggregate proceeds of \$66 million. A Federal agency non-guaranteed bond issue for \$98 million was also offered to the public. This week, the calendar includes corporate utility issues totaling \$75 million and one State and local government offering for \$50 million.

Bond yields - Changes in yields on outstanding bonds were mixed, but minor last week. Yields on high-grade corporate and State and local government and U. S. Government obligations continued to decline. Yields on Baa State and local government bonds remained stable, while those on lower grade corporate bonds increased slightly.

Housing starts - Private nonfarm housing starts showed little change in July at a seasonally adjusted annual rate of 1,350,000 units, according to preliminary estimates. Although this was somewhat below the 1,434,000-unit revised April peak, it represented the highest July rate in nine years.

Private starts in the first seven months were one-third greater than over the same period last year, slightly higher than in 1955, and very close to the 1950 record when 1,352,200 units were placed under construction during the year.

Conventional starts have set new monthly records ever since October and have accounted for over two-thirds of all private starts this year as in 1958, compared with about one-half in 1955 and 1950. On the other hand, VA-financed starts, which represented three-tenths of starts in 1955, were less than one-tenth of total starts this year.

Stock market credit - Total customer credit in the stock market probably increased slightly in July. Customers' debit balances, excluding those secured by U. S. Government securities, increased \$31 million to a new peak of \$3,419 million. Bank loans to other than brokers or dealers for purchasing or carrying securities other than U. S. Government obligations probably changed little. Loans for purchasing or carrying U. S. Government securities, which it had been possible formerly to exclude only for New York and Chicago banks, are

now excluded for all banks in the reporting series; at the same time, coverage of the series has been broadened, partially offsetting the decline due solely to this exclusion and making it impossible to determine what change -- if any -- would have been shown on the old reporting basis.

| | End of month | | Change |
|---|-----------------------|-------|--------|
| | July | June | |
| | (Millions of dollars) | | |
| Customer credit | | | |
| Excluding U. S. Government securities - total | 4,693 | 4,692 | +1 |
| Net debit balances | 3,419 | 3,388 | +31 |
| Bank loans to "others" | 1,274 | 1,304 | -30 |
| Net debit balances secured by U. S. Govt. securities | 153 | 158 | -5 |
| Bank loans to others for purchasing or carrying U. S. Government securities | 164 | 58 | +106 |
| Broker and dealer credit | | | |
| Money borrowed except on U. S. Government securities | 2,205 | 2,246 | -41 |
| On customer collateral | 1,944 | 1,970 | -26 |
| Money borrowed on U. S. Government securities | 228 | 237 | -9 |
| Customers' net free credit balances | 1,079 | 1,094 | -15 |

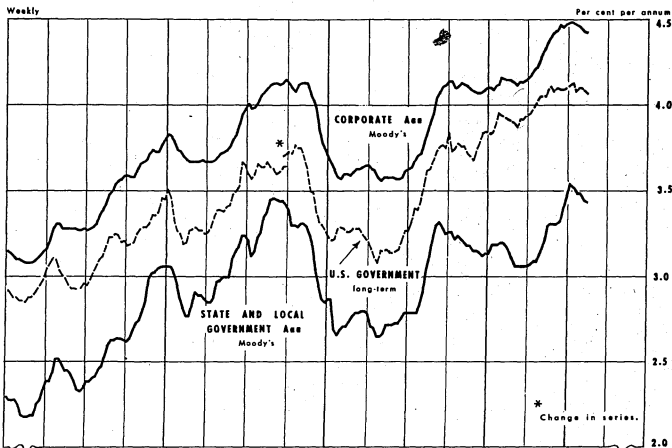
Stock prices - Stock prices, as measured by Standard and Poor's index of 500 common stocks, declined very sharply last Monday to 58.62, then partially recovered to close at 59.29 on August 14.

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

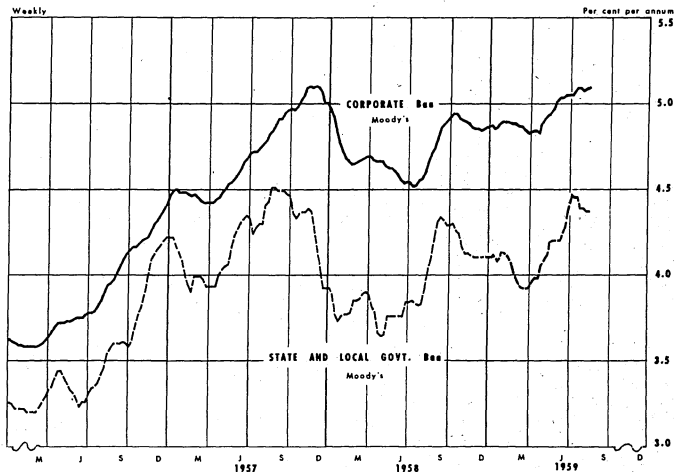
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

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 17 | 4.47 | 4.08 | 3.51 | .39 | .57 |
| July 24 | 4.46 | 4.10 | 3.48 | .36 | .62 |
| July 31 | 4.45 | 4.10 | 3.48 | .35 | .62 |
| Aug. 7 | 4.43 | 4.08 | 3.44 | .35 | .64 |
| Aug. 14 p/ | 4.42 | 4.06 | 3.43 | .36 | .63 |

Lower-grade Bond Yields

| Date | Corporate Baa 1/ | State and local govt. Baa 3/ | 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 (8/14) | 4.46 (7/2) | .77 | .98 |
| Low | 4.83 (4/17) | 3.92 (3/26) | .56 | .86 |
| July 17 | 5.09 | 4.45 | .62 | .94 |
| July 24 | 5.09 | 4.39 | .63 | .91 |
| July 31 | 5.07 | 4.39 | .62 | .91 |
| Aug. 7 | 5.08 | 4.37 | .65 | .93 |
| Aug. 14 p/ | 5.09 | 4.37 | .67 | .94 |

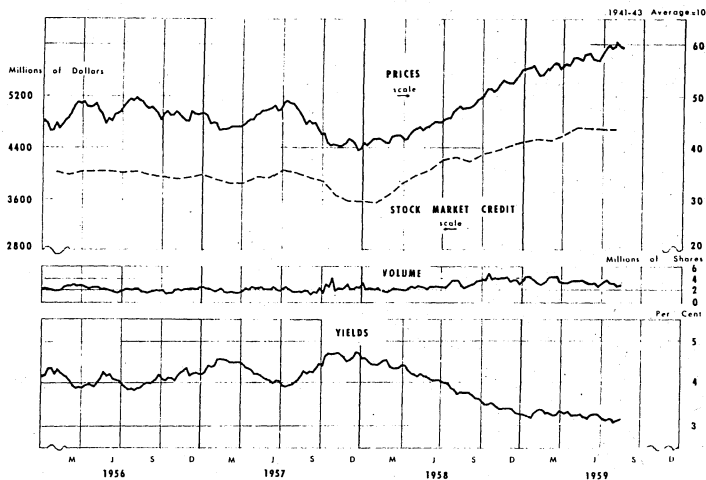
p/ Preliminary.

1/ Weekly average of daily figures. Average term of bonds included is 25-26 years. 10 years or more.

2/ Weekly average of daily figures. The series includes bonds due or callable in 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



PRIVATE PERMANENT NONFARM DWELLING UNITS STARTED

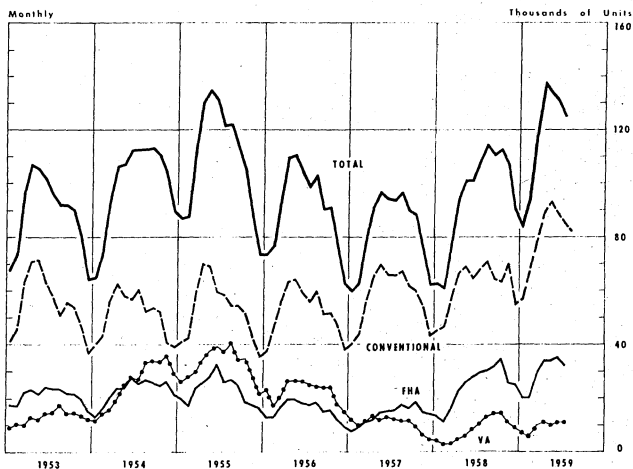


Exhibit D - Tables for Exhibit C

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 | 60.51 (7/31) | 3.08 | 4.3 | 4,721 | 3,419 | 1,332 |
| Low | 54.37 (2/6) | 3.34 | 2.6 | 4,527 | 3,253 | 1,210 |
| June | 57.46 | 3.23 | 2.9 | 4,692 | 3,388 | 1,304 |
| July | 59.74 | 3.12 | 3.2 | 4,693 | 3,419 | 1,274 |
| July 24 | 59.65 | 3.12 | 3.0 | n.a. | n.a. | 1,271 |
| July 31 | 60.51 | 3.08 | 3.0 | n.a. | n.a. | 1,274 |
| Aug. 7 | 59.87 | 3.10 | 2.6 | n.a. | n.a. | 1,277 |
| Aug. 14 p/ | 59.29 | 3.14 | 2.8 | 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.

Private Permanent Nonfarm Dwelling Units Started ^{1/}

| Date | Total | | Unadjusted | | |
|----------------------|---------------------------------|------------|------------|----|-------|
| | Seasonally adjusted annual rate | Unadjusted | FHA | VA | Conv. |
| (Thousands of units) | | | | | |
| 1958 - July | 1,174 | 109 | 30 | 11 | 68 |
| Aug. | 1,228 | 115 | 30 | 13 | 71 |
| Sept. | 1,255 | 111 | 32 | 14 | 65 |
| Oct. | 1,303 | 113 | 35 | 15 | 64 |
| Nov. | 1,427 | 107 | 26 | 11 | 70 |
| Dec. | 1,432 | 90 | 25 | 9 | 55 |
| 1959 - Jan. | 1,364 | 84 | 20 | 7 | 57 |
| Feb. | 1,403 | 94 | 20 | 6 | 67 |
| Mar. | 1,403 | 118 | 30 | 10 | 78 |
| Apr. | 1,434 | 137 | 34 | 11 | 93 |
| May | 1,370 | 134 | 34 | 10 | 89 |
| June | p/ 1,370 | p/ 131 | 35 | 11 | p/ 85 |
| July | p/ 1,350 | p/ 125 | 32 | 11 | p/ 82 |

^{1/} Total starts are BLS estimates. A dwelling unit is started when excavation begins; all units in an apartment structure are considered started at that time. FHA and VA starts are units started under commitments by these agencies to insure or guarantee the mortgages. As reported by FHA and VA, a unit is started when a field office receives the first compliance inspection report, which is made before footings are poured in some cases but normally after the foundations have been completed. Capable military housing units are excluded. Conventional starts are derived as a residual, although total and FHA and VA starts are not strictly comparable in concept or timing; they include both units financed by conventional mortgages and units without mortgages.

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 ^{r/} | 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 | 645 | 511 | 506 |
| April | 899 | 1,140 | 931 | 930 | 798 | 765 |
| May | 791 | 597 | 765 | 592 | 895 | 546 |
| June | 874 | 887 | 1,453 | 980 | 551 | 393 |
| July | e/550 | 1,107 | 1,003 | p/548 | 806 | 529 |
| August | e/650 | 540 | 924 | e/500 | 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 | 2,138 | 2,276 | 1,820 |
| 2nd quarter | 2,564 | 2,625 | 3,149 | 2,501 | 2,244 | 1,704 |
| 3rd quarter | | 2,760 | 2,899 | | 1,860 | 1,544 |
| 4th quarter | | 2,301 | 2,954 | | 1,365 | 2,029 |
| 1st half | 4,780 | 5,762 | 6,594 | 4,639 | 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/2,314 | 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 | 196 | 84 | 199 | 1,163 | 72 |
| February | 59 | 53 | 49 | -- | 251 | -- |
| March | 2 | -- | 30 | 175 | -- | -- |
| April | 56 | 139 | 123 | -- | 523 | 125 |
| May | 50 | 198 | 48 | -- | -- | -- |
| June | 42 | 120 | 42 | -- | -- | 60 |
| July | | 9 | 28 | | 164 | -- |
| August | | 5 | 7 | | -- | -- |
| September | | 17 | 30 | | -- | 215 |
| October | | 58 | 4 | | 220 | -- |
| November | | 123 | 60 | | -- | 100 |
| December | | 74 | 1 | | -- | -- |
| Year | | 992 | 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 | 563 | 357 | 205 | 486 | 209 | 336 |
| May | 411 | 354 | 337 | 675 | 161 | 469 |
| June | ^{p/} 213 | 264 | 153 | 289 | 329 | 501 |
| July | | 289 | 272 | | 437 | 224 |
| August | | 423 | 272 | 727 | 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 |

^{e/} Estimated. ^{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 - 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 |
| July | 110 | 194 | 50 |

Large Individual Issues Offered August 1 through 7

| Issuer | Type <u>3/</u> | Amount - (millions of dollars) | Maturity | Coupon rate or net interest cost | Offering yield | Rating |
|-----------------------------------|----------------|--------------------------------|------------|----------------------------------|----------------|--------|
| <u>CORPORATE</u> | | | | | | |
| Pennsylvania Electric Co. | 1st.mtg.bds. | 15.0 | 1969 | 5 | 4.85 | Aa |
| Northern States Power Co. | Com.stk. | 20.9 | | | | |
| Michigan Bell Telephone Co. | Deb. | 30.0 | 1994 | 4 7/8 | 4.75 | Aaa |
| Pan Amer. World Airways, Inc. | Conv.sub.deb. | 47.0 | 1979 | 4 7/8 | 4.88 | Ba |
| <u>STATE AND LOCAL GOVERNMENT</u> | | | | | | |
| Commonwealth of Penna. | G.O. | 120.0 | 1962-75/73 | 3.40 | 2.75-3.38 | Aa |
| Los Angeles Sch. Dist., Cal. | G.O. | 26.0 | 1960-84 | 3.72 | 2.50-3.00 | Aa |
| State of Ohio | G.O. | 30.0 | 1959-74 | 3.10 | 1.70-3.10 | Aaa |
| Texas Wtr. Development Bd. | G.O. | 10.0 | 1962-94/83 | 3.56 | 2.60-3.60 | Aa |
| Nassau Co., New York | G.O. | 26.2 | 1960-88 | 3.73 | 2.50-3.85 | A |
| <u>OTHER</u> | | | | | | |
| Federal Land banks | Bds. | 98.0 | 1962 | 4 7/8 | 4.75 | -- |

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.

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 - 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 | -- |
| June 30 | 165 | 146 | 50 | 272 | 500 | 50 |
| July 31 | 238 | 356 | -- | 305 | 406 | -- |

Forthcoming Large Offerings, as of August 14

| Issuer | Type | Amount (millions of dollars) | Approximate date of offering |
|-----------------------------------|----------------------|------------------------------|------------------------------|
| <u>CORPORATE</u> | | | |
| Consumers Power Co. | 1st mtg. bds. | 35.0 | Aug. 19 |
| American and Foreign Power Co. | Conv. jr. deb. | 15.0 | 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 |
| *General Motors Acceptance Corp. | Deb. | 125.0 | Sept. 2 |
| *Associates Investment Co. | Deb. | 50.0 | Sept. 3 |
| *Union Electric Co. | Com. stk. | 30.0 | Oct. |
| Commerce Oil Refining Corp. | Deb., bds. & common | 45.0 | (rights expire) 1959 |
| <u>STATE AND LOCAL GOVERNMENT</u> | | | |
| New York Thruway Authority | Rev.-Ut. | 50.0 | Aug. 19 |
| Los Angeles, California. | G.O. | 12.5 | Sept. 1 |
| *Allegheny Co. San. Dist., Pa. | Rev.-Ut. | 15.0 | Sept. 2 |
| State of California | G.O. | 50.0 | Sept. 10 |
| Chesapeake Bay Ferry Commission | Rev.-Ut. | 190.0 | Summer |
| <u>OTHER</u> | | | |
| None | | | |

Footnotes

*--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 |
| Aug. 5 | 4.85 | 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.