

H.14

September 14, 1959.

CAPITAL MARKET DEVELOPMENTS

The volume of new public security financing continues to be small. During the week ending September 11, a State of California bond issue for \$50 million and a long-term Federal National Mortgage Association debenture issue for \$150 million were the only large offerings made; no corporate issues were offered. The calendar for this week includes one corporate issue for \$18 million, a local government issue for \$13 million, and a foreign government offering for \$18 million.

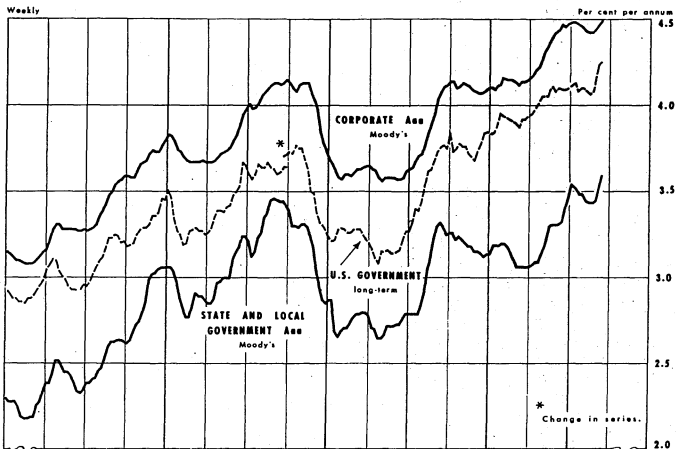
Bond yields - Yields increased last week for all categories of outstanding bonds. The increase in yields was slight for corporate, lower grade State and local and U. S. Government obligations, but substantial for high-grade State and local government bonds. Yields are currently at record highs for all categories of bonds, except those for lower grade State and local government bonds, which are slightly below their early July peaks.

Stock prices - Stock prices continued to decline last week and trading activity increased. Standard and Poor's index of 500 common stocks closed at 57.41 on September 11, 2 per cent lower than a week earlier. Common stock prices are 5 per cent below their high for the year but 4 per cent higher than at the end of last year. The volume of trading averaged 2.9 million shares a day.

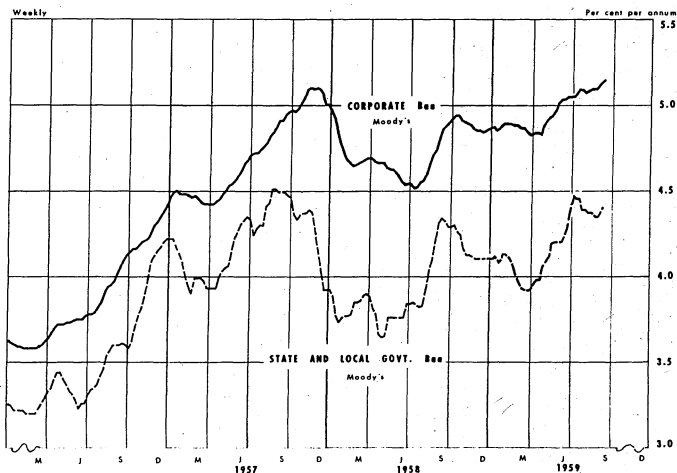
More detailed information concerning recent capital market developments is presented in the attached exhibit.

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

HIGH-GRADE BOND YIELDS



LOWER-GRADE BOND YIELDS



H.14

Exhibit B

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	4.49 (9/11)	4.25 (9/11)	3.59 (9/10)	.39	.92
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.57
Aug. 14	4.42	4.06	3.43	.36	.63
Aug. 21	4.42	4.08	3.43	.34	.65
Aug. 28	4.44	4.15	3.44	.29	.71
Sept. 4	4.47	4.24	3.52	.23	.72
Sept. 11 p/	4.49	4.25	3.59	.24	.66

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	5.14 (9/11)	4.46 (7/2)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.82
Aug. 14	5.09	4.37	.67	.94
Aug. 21	5.09	4.35	.67	.92
Aug. 28	5.11	4.35	.67	.91
Sept. 4	5.13	4.38	.66	.86
Sept. 11 p/	5.14	4.41	.65	.82

p/ Preliminary.

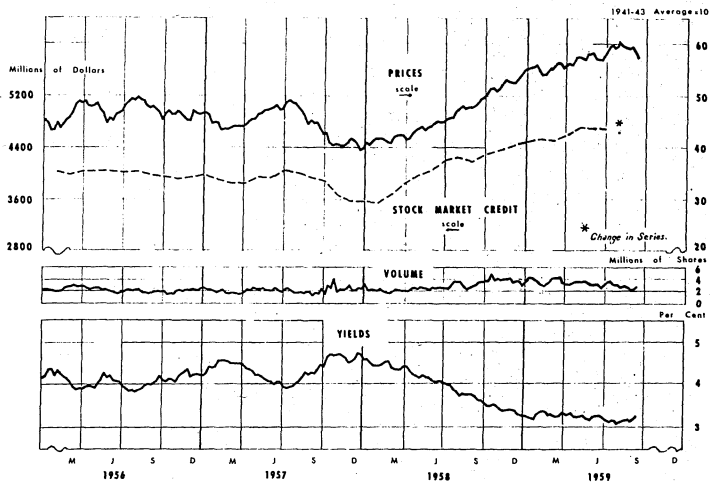
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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

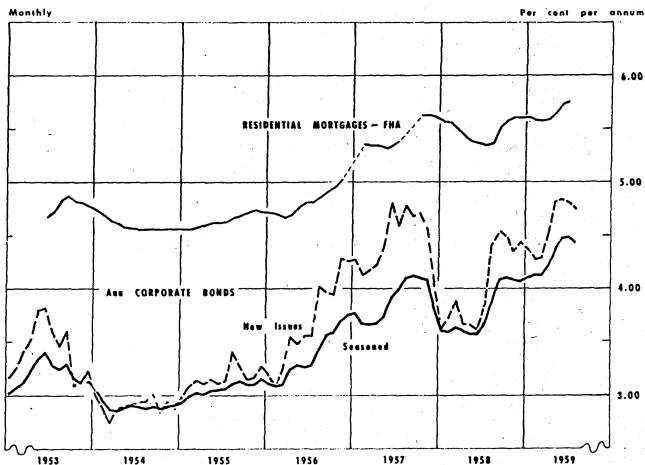


Exhibit D - Tables for Exhibit C

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	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	3,388	1,332
Low	54.37 (2/6)	3.34	2.1	4,527	3,253	1,210
July	59.74	3.12	3.2	4,648	3,374	1,274
August	59.40	3.13	2.4	n.a.	n.a.	1,259
Aug. 21	59.08	3.16	2.4	n.a.	n.a.	1,264
Aug. 28	59.49	3.13	2.1	n.a.	n.a.	1,259
Sept. 4	58.54	3.18	2.3	n.a.	n.a.	1,273
Sept. 11 p/	57.41	3.24	2.9	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	
		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	5.75	4.82	4.47	1.29	.44
Low	5.57	4.29	4.12	.83	.15
1959 - May	5.64	4.81	4.37	.83	.44
June	5.71	4.82	4.46	.89	.36
July	5.75	4.80	4.47	.95	.33
August	n.a.	4.74	4.43	n.a.	.31

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 ^{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/775	540	924	e/500	403	584
September	e/650	1,114	973	e/475	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	2,623	3,149	2,501	2,244	1,704
3rd quarter	e/1,975	2,760	2,899	e/1,523	1,860	1,544
4th quarter		2,300	2,954		1,365	2,029
1st half	4,780	5,762	6,594	4,639	4,520	3,524
Three quarters	e/6,755	8,522	9,493	e/6,162	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	2,409	2,586	2,889			
3rd quarter	e/1,675	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	245	264	153	289	329	501
July	p/245	289	272	727	437	224
August		423	272	365	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 ^{2/}
1958 - 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
August	363	263	98

Large Individual Issues Offered September 1 through 11

Issuer	Type ^{3/}	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Associates Investment Co.	Deb.	50.0	1979	5 1/8	5.13	--
<u>STATE AND LOCAL GOVERNMENT</u>						
Los Angeles, California	G.O.	12.5	1960-79	3.88	2.75-4.00	Aa
State of Connecticut	G.O.	22.5	1961-87	3.73	2.60-3.75	Aaa
Allegheny Co. San. Dist., Pa.						
Serial	Rev.-Ut.	7.5	1961-81		3.00-4.00	--
Term	Rev.-Ut.	7.5	1996/65	4.24	4.30	--
State of California	G.O.	50.0	1961-85/80	4.01	3.00-4.00	Aa
<u>OTHER</u>						
Fed. Nat. Mtg. Assoc.	Deb.	150.0	1961	5 1/8	5.26	--

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 - 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	--
Aug. 31	198	385	25	517	402	25

Forthcoming Large Offerings, as of September 11

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Georgia Power Co.	1st mtg. bds.	18.0	Sept. 18
New England Telephone & Telegraph Co.	Deb.	45.0	Sept. 21
Sylvania Electric Products, Inc.	S.F. deb.	25.0	Sept. 22
Southern California Gas Co.	1st mtg. bds.	30.0	Sept. 30
Hooker Chemical Corp.	Conv. deb.	25.0	Sept. 30 (rights expire)
Union Electric Co.	Com. stk.	31.1	Sept. 30 (rights expire)
Boston Edison Co.	1st mtg. bds.	15.0	Oct. 1
Southern New England Telephone Co.	Com. stk.	18.8	Oct. 9 (rights expire)
*Columbia Gas System, Inc.	Deb.	25.0	Oct. 9
American Telephone & Telegraph Co.	Deb.	250.0	Nov. 17
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	1959
<u>STATE AND LOCAL GOVERNMENT</u>			
Atlanta, Georgia	G.O.	12.5	Sept. 15
*Indianapolis-Marion Co., Ind.	G.O.	32.0	Sept. 20
*Orange Co. Flood Cont. Dist., Calif.	G.O.	12.0	Sept. 22
Rock, Ill.	G.O.	44.0	Sept. 22

Forthcoming Large Offerings, as of September 11 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
*Port of New York Authority	Rev.-Ut.	25.0	Sept. 24
Oakland Unif. Sch. Dist., Calif.	G.O.	10.0	Sept. 29
*Detroit, Michigan	G.O.	15.9	Sept. 29
*State of Mississippi	Rev.-Ut.	12.0	Sept. 30
Denver, Colorado	G.O.	17.0	Oct. 14
State of New Hampshire	G.O.	16.0	Oct. 15
Chesapeake Bay Ferry Commission	Rev.-Ut.	190.0	Indefinite
<u>OTHER</u>			
Commonwealth of Australia	Bds.	25.0	Sept. 18

*--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 ^{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		
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		
20	4.80	22		

*--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.