

Not for Publication

DECONTROLLED AFTER SIX MONTHS

H.14

October 5, 1959.

CAPITAL MARKET DEVELOPMENTS

The volume of large public security financing for new capital was substantial last week, but is expected to be much smaller this week. During the week ending October 2, large corporate issues, including the expiration of subscription rights, amounted to \$101 million and large State and local government bond issues totaled \$83 million. The State and local government financing volume for last week includes a \$25 million issue by the Port of New York Authority, which was sold through negotiation at a net interest cost of 4.38 per cent. The Authority had rejected the only bid received (specifying a net interest cost of 4.59 per cent) a week earlier. Press reports indicate the previous bid had been adversely affected by a legal action taken against the Authority.

This week, large corporate issues are expected to total \$44 million and one State and local government issue for \$26 million is scheduled for sale.

Bond yields - Changes in yields on outstanding bonds were mixed again last week. Yields on corporate bonds continued to increase, those on lower grade State and local government bonds remained stable, and yields on high-grade State and local and U. S. Government obligations declined.

A new Aaa-rated, first mortgage electric utility bond issue was offered to investors last week at a yield of 5.17 per cent--56 basis points higher than the yield for the last comparable issue, an offering made in mid-August. It should be noted that the earlier issue carried a 5-year restriction against refunding while the recent issue had no such restriction.

On balance, bond yields, except those for U. S. Government bonds, increased during September. Yields on corporate bonds advanced throughout the month with the increase being 11 basis points for the high-grade and 14 basis points for the lower grade corporates. State and local government bond yields advanced sharply in early September, but have changed little in recent weeks. The September increase for Aaa State and local government bonds was 21 basis points, and 9 for the lower rated bonds. U. S. Government bond yields increased somewhat during most of the month; however, the decline last week brought the average near the end-of-August levels.

Housing starts - Private nonfarm housing starts increased about seasonally in August and were at an estimated seasonally adjusted annual rate of 1,340,000 units, according to preliminary Census Bureau

estimates. This was about 7 per cent below the revised April high, but was 9 per cent above a year earlier and the second highest for the month of August on record.

Private starts through August this year totaled 31 per cent more than in the same period of 1958. They have been slightly above the total for the first eight months of 1955 (when private starts for the year came to 1,310,000 units) but slightly below the total for the first eight months of 1950 (when private starts for the year amounted to 1,352,000 units). Conventional starts have represented two-thirds of the total this year, about the same as in 1957 and 1958. In the earlier years of very high building activity, 1950 and 1955, conventional starts accounted for only about half of the total.

Stock prices - Stock prices, as measured by Standard and Poor's index of 500 common stocks, extended the increase of the previous week to close at 57.20 on October 2. Trading activity declined from the rapid pace of a week earlier with the average daily volume being 2.7 million shares a day.

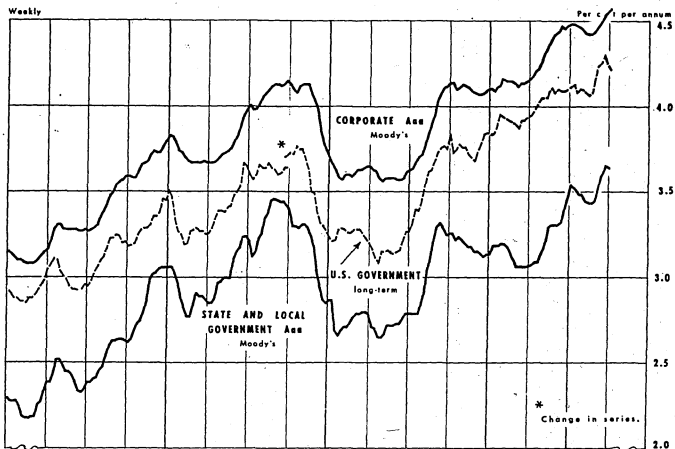
Common stock prices generally declined throughout September until late in the month when they recovered somewhat. At the close of September Standard and Poor's index was 5 per cent lower than at the end of August.

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

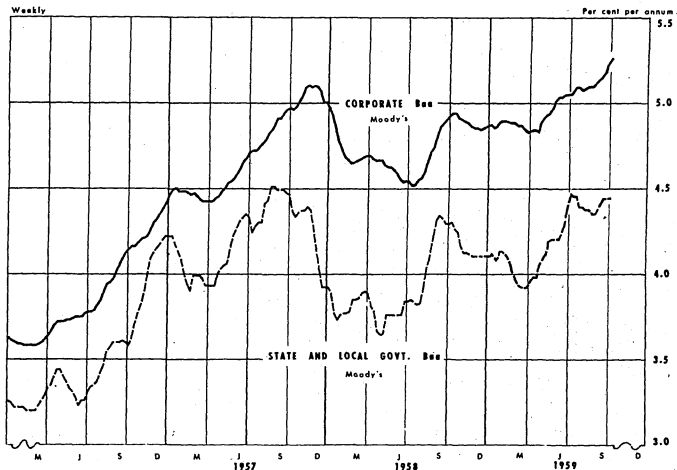
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

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	4.57 (10/2)	4.30 (9/18)	3.65 (9/24)	.39	.92
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.57
Sept. 4	4.47	4.24	3.52	.23	.72
Sept. 11	4.49	4.25	3.59	.24	.66
Sept. 18	4.52	4.30	3.63	.22	.67
Sept. 25	4.54	4.27	3.65	.27	.62
Oct.-2 p/	4.57	4.21	3.64	.36	.57

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	5.26 (10/2)	4.46 (7/2)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.79
Sept. 4	5.13	4.38	.66	.86
Sept. 11	5.15	4.41	.65	.82
Sept. 18	5.18	4.44	.66	.81
Sept. 25	5.22	4.44	.68	.79
Oct. 2 p/	5.26	4.44	.69	.80

p/ Preliminary.

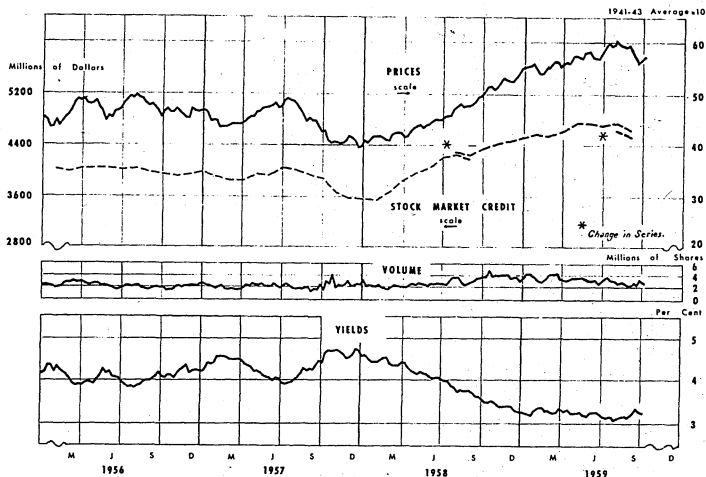
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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



PRIVATE PERMANENT NONFARM DWELLING UNITS STARTED

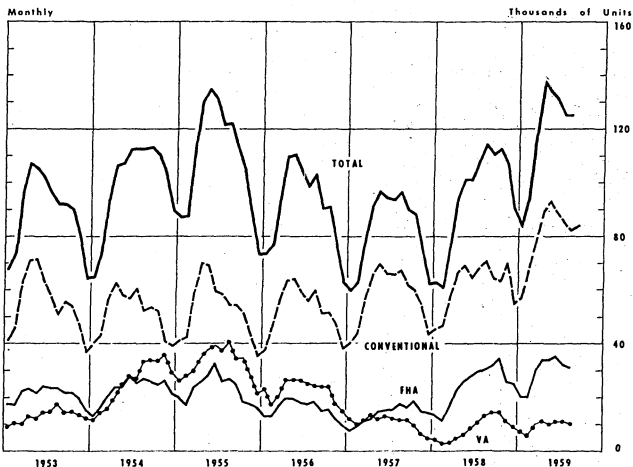


Exhibit D - Tables for Exhibit C

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 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	60.51 (7/31)	3.08	4.3	4,721	3,388	1,332
	54.37 (2/6)	3.34	2.1	4,528	3,253	1,210
July	59.74	3.12	3.2	4,648	3,374	1,274
August	59.40	3.13	2.4	4,529	3,270	1,259
Sept. 11	57.41	3.24	2.8	n.a.	n.a.	1,251
Sept. 18	56.09	3.32	2.4	n.a.	n.a.	1,240
Sept. 25	56.73	3.28	3.2	n.a.	n.a.	1,222
Oct. 2 p/	57.20	3.24	2.7	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 - 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	1,368	131	35	11	85
July	p/1,350	p/125	32	11	p/82
Aug.	p/1,340	p/125	31	10	p/84

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. Capital 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.

H.14

Exhibit E

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 ^{2/}	1,320	645	511	506
April	899	1,140	931	931	798	765
May	791	597	765	592	895	546
June	874	887	1,453	981	551	393
July	e/550	1,107	1,003	567	806	529
August	e/775	540	924	p/498	403	584
September	e/650	1,114	973	e/525	651	431
October	e/800	862	1,090	e/600	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	2,504	2,244	1,704
3rd quarter	e/1,975	2,760	2,899	e/1,590	1,860	1,544
4th quarter		2,300	2,954		1,365	2,029
1st half	4,780	5,762	6,594	4,642	4,520	3,524
Three quarters	e/6,755	8,522	9,493	e/6,232	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	2,809			
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	74	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	246	289	272	727	437	224
August	p/462	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 FHA notes included may have a somewhat longer term than one year. Source: Bond Buyer.

H.14

Exhibit C

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 October 2

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	--
Georgia Power Co.	1st mtg. bds.	18.0	1989	5 3/4	5.65	A
New England Tel. & Tel. Co.	Deb.	45.0	1994	5 3/4	5.63	Aa
Southern California Gas Co.	1st mtg. bds.	30.0	1984	5 3/8	5.25	Aa
Hooker Chemical Corp.	Conv. deb.	24.4	1984	5	5.00	Baa
Union Electric Co.	Com. stk.	31.1				
Boston Edison Co.	1st mtg. bds.	15.0	1989	5 1/4	5.17	Aaa
<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
Cook Co., Illinois	G.O.	44.0	1960-77	4.00	3.10-4.00	A

Large Individual Issues Offered September 1 through October 2 (Cont'd)

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)						
Orange Co. Flood Control Dist., California	G.O.	12.0	1962-96	4.11	3.15-4.25 ^{4/}	Aa
Indianapolis-Marion Co., Indiana	G.O.	32.0	1963-99/69	4.15	3.25-4.20	--
Oakland Unif. Sch. Dist., California	G.O.	10.0	1960-84	3.69	2.85-3.80 ^{5/}	Aa
Detroit, Michigan	G.O.	15.9	1960-84	4.12	3.00-4.70	A
Port of New York Authority	Rev.-Ut.	25.0	1989	4.37	4.31	A
<u>OTHER</u>						
Fed. Nat. Mtg. Assoc.	Deb.	150.0	1961	5 1/8	5.26	--
Commonwealth of Australia	Ext. deb.	25.0	1979	5 1/2	5.75	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/ 1s of 1995 and 1996 not reoffered.

5/ 1984 maturity 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 - 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
Sept. 30	374	270	--	694	470	--

Forthcoming Large Offerings, as of October 2

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Southern New England Telephone Co.	Com. stk.	18.8	Oct. 9 (rights expire)
Columbia Gas System, Inc.	Deb.	25.0	Oct. 9
Boston Edison Co.	Com. stk.	15.4	Oct. 13 (rights expire)
Philadelphia Electric Co.	1st ref. mtg. bds.	50.0	Oct. 15
Northern Natural Gas Co.	Pfd. stk.	20.0	Oct. 16
Southern Bell Telephone & Telegraph	Deb.	70.0	Oct. 21
*Texas Gas Transmission Corp.	Pfd. stk.	15.0	Oct. 22
American Electric Power	Com. stk.	60.0	Oct. 23
*Florida Power & Light Co.	1st mtg. bds.	20.0	Oct. 28
Puget Sound Power & Light Co.	1st mtg. bds.	20.0	Oct. 29
Central & South West Corp.	Com. stk.	15.0	Oct. 30
*Hilton Hotels Corp.	Sub. S.F. deb.	30.0	Oct.
American Telephone & Telegraph Co.	Deb.	250.0	Nov. 17
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
Sylvania Electric Products, Inc.	S.F. deb.	25.0	Indefinite

Forthcoming Large Offerings, as of October 2 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
Wayne Co., Mich.	G.O.	26.0	Oct. 6
Denver, Colorado	G.O.	17.0	Oct. 14
New York, New York	G.O.	18.0	Oct. 15
State of New Hampshire	G.O.	16.0	Oct. 15
Public Housing Authorities	G.O.	102.1	Oct. 20
Los Angeles Flood Control Dist., California	G.O.	21.2	Oct. 27
Baltimore Co., Md.	G.O.	20.0	Oct. 28
*Commonwealth of Pennsylvania	Rev.	25.0	Oct. 28
Columbus, Ohio	G.O.	10.0	Dec. 1
Chesapeake Bay Ferry Commission	Rev.-Ut.	190.0	Indefinite
<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: State of Mississippi's \$12.0 million revenue bond issue reduced to less than \$10 million.

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		
Sept. 18			5.65	60

*--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.