

H.14

October 9, 1959

CAPITAL MARKET DEVELOPMENTS

During the week ending October 9, corporations sold large issues, including the expiration of subscription rights, totaling \$64 million. One large local government issue for \$26 million was also sold. The calendar for this week includes corporate offerings amounting to \$125 million and State and local government bond issues with aggregate proceeds of \$51 million.

Bond yields - Changes in yields on outstanding bonds were mixed last week. Yields on State and local and U. S. Government obligations declined. Yields on lower grade corporate bonds continued to increase, while those for high-grade corporates remained stable for the first time since they began to rise in mid-August.

FNMA secondary market operations - Further pressures in residential mortgage markets were indicated by secondary market operations of the Federal National Mortgage Association in August. Total offerings to FNMA increased further despite the fact FNMA had reduced its mortgage commitment and purchase prices early in July and again in mid-August. FNMA purchases during August were the largest in twenty-three months, and its sales continued to be negligible.

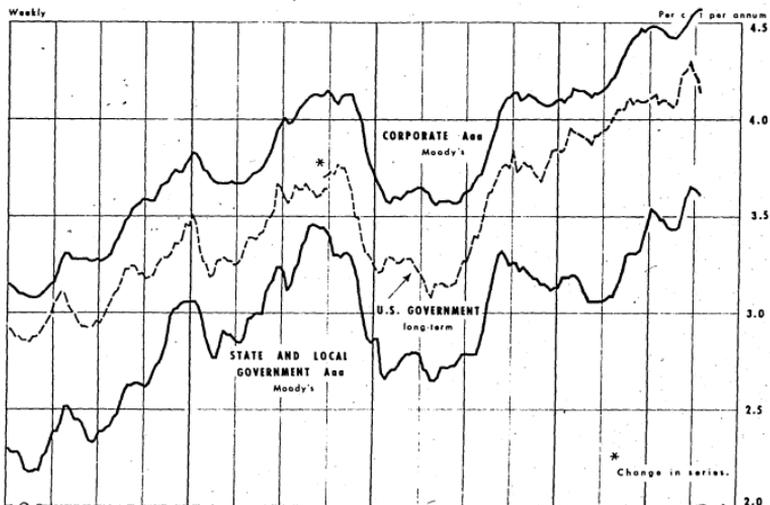
Stock prices - Stock prices fluctuated within a narrow range last week. Standard and Poor's index of 500 common stocks closed at 57.00 on October 9, 0.20 points lower than a week earlier. Trading activity slackened somewhat with the daily volume averaging 2.4 million shares a day.

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

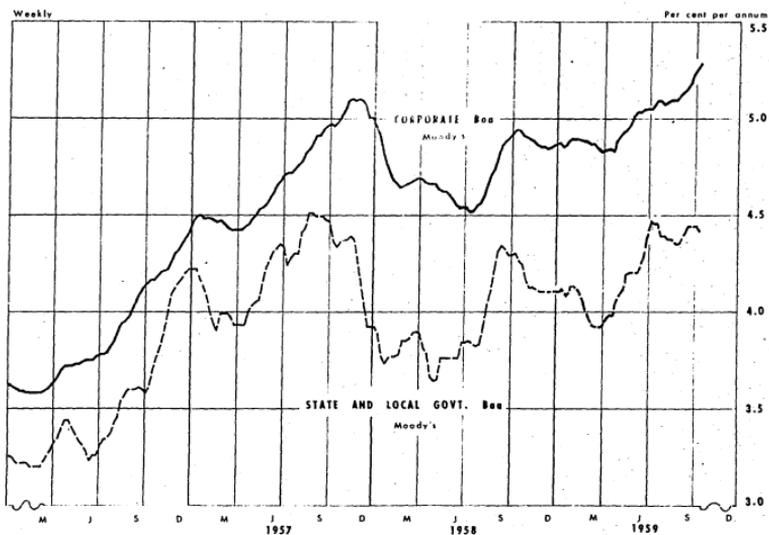
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System,

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 (10/9)	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. 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	4.57	4.21	3.64	.36	.57
Oct. 9 p/	4.57	4.14	3.61	.43	.53

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	5.28 (10/9)	4.46 (7/2)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.79
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	5.26	4.44	.69	.80
Oct. 9 p/	5.28	4.41	.71	.80

p/ Preliminary.

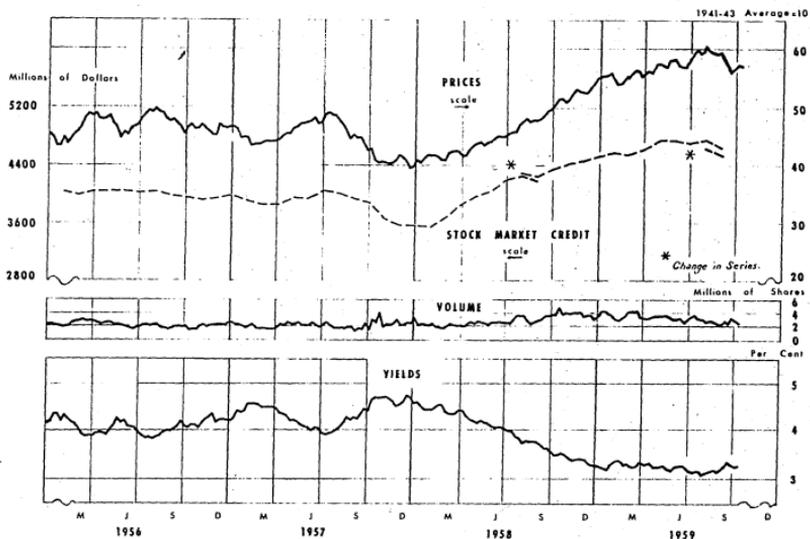
1/ weekly average of daily figures. Average term of bonds included is 25-26 years.

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



**FEDERAL NATIONAL MORTGAGE ASSOCIATION
SECONDARY MARKET OPERATIONS**

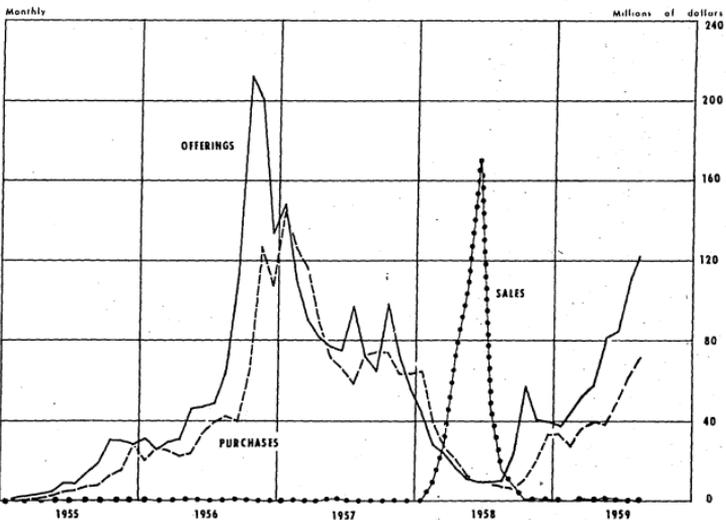


Exhibit D - Tables for Exhibit C

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)						
1953-1958 - 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	4,528	3,253	1,210
August	59.40	3.13	2.4	4,529	3,270	1,259
September	57.05	3.26	2.7	n.a.	n.a.	1,193
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	57.20	3.24	2.7	n.a.	n.a.	1,193
Oct. 9 p/	57.00	3.25	2.4	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		Standby commitment	Purchases by FNMA	Sales by FNMA
	Total	Immediate purchase			
(Millions of dollars)					
1958 - 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	10.8	.8
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	49.8	2.6	36.5	.8
Apr.	57.8	50.1	7.7	39.6	*
May	80.6	73.4	7.2	38.3	1.1
June	84.4	76.6	7.8	49.4	.6
July	109.5	92.5	17.1	62.3	.3
Aug.	123.1	109.8	13.3	71.7	.3

--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 deliver within one year. Purchases include those under both immediate purchase and standby commitment 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	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	1,514
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	2,889			
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.

Exhibit F

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 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 - 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
September	199	214	175

Large Individual Issues Offered October 1 through 9

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Boston Edison Co.	1st mtg. bds.	15.0	1989	5 1/4	5.17	Aaa
So. New England Tel. Co.	Com. stk.	18.8				
Columbia Gas System, Inc.	Deb.	25.0	1984	5 3/8	5.38	A
Northern Natural Gas Co.	Pfd. stk.	20.0				
<u>STATE AND LOCAL GOVERNMENT</u>						
Port of New York Authority	Rev.-Ut.	25.0	1989	4.37	4.31	A
Wayne Co., Mich.	G.O.	26.0	1962-68/65	4.08	3.50-4.00	A
<u>OTHER</u>						
None						

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 <u>2/</u>	Corporate	State and local govt.	Other <u>2/</u>
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 9

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Boston Edison Co.	Com. stk.	15.4	Oct. 13 (rights expire)
Philadelphia Electric Co.	1st ref. mtg. bds.	50.0	Oct. 15
American Electric Power	Com. stk.	60.0	Oct. 15
Southern Bell Telephone & Telegraph	Deb.	70.0	Oct. 21
Texas Gas Transmission Corp.	Pfd. stk.	15.0	Oct. 22
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
*Northern Natural Gas Co.	S.F. deb.	25.0	Nov.
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
Sylvania Electric Products, Inc.	S.F. deb.	25.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
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

Forthcoming Large Offerings, as of October 9 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
*Consumers Public Power Dist., Neb. Los Angeles Flood Control Dist., California	*Rev.-Ut.	23.3	Oct. 22
Baltimore Co., Md.	G.O.	21.2	Oct. 27
Pennsylvania General State Auth. Columbus, Ohio	G.O.	20.0	Oct. 28
Chesapeake Bay Ferry Commission	Rev.	25.0	Oct. 28
	G.O.	10.0	Dec. 1
	Rev.-Ut.	190.0	Indefinite
<u>OTHER</u>			
*Montreal, Canada	Ext. S.F. deb.	20.0	Oct. 20

*--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			
20	4.95			
21			5.13	27
26	5.00			
June 4	4.95			
17			4.92 ^{2/}	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	4.90	22		
Sept. 18			5.65	60

^{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. 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.