

H.14

October 19, 1959.

CAPITAL MARKET DEVELOPMENTS

During the week ending October 16, corporations sold large issues, including the expiration of subscription rights, totaling \$123 million and State and local governments sold issues amounting to \$51 million. This week, large corporate issues are expected to total \$109 million. A Public Housing Authority issue for \$102 million and a foreign government issue for \$20 million are also scheduled for sale.

Bond yields - Changes in yields on outstanding bonds were minor last week. Yields declined for all types of obligations, except those for lower grade corporate bonds which increased slightly.

Housing starts - Private nonfarm housing starts declined somewhat more than seasonally in September, but were little changed at a seasonally adjusted annual rate of 1,325,000 units, according to preliminary Census Bureau estimates. While this rate was somewhat below the peak of 1,434,000 units set in April, it was the highest ever registered for the month of September.

Through the first nine months of 1959, the seasonally adjusted annual rate of private starts averaged 1,375,000 units, slightly above the level attained in the same period in 1955 and close to the record pace set in 1950.

Conventionally-financed starts through September of this year continued to represent a larger share of total private starts (67 per cent) than in the corresponding period of 1955 (49 per cent). The shift toward conventional starts has reflected a decline in VA-financed starts from 30 per cent of the total in the first nine months of 1955 to 8 per cent so far this year. Compared with the corresponding period of 1955, the number of conventional starts in 1959 was up by two-fifths and FHA starts were up by one-sixth, but VA starts were down by nearly three-fourths.

Stock market credit - Customer credit in the stock market (excluding that on U. S. Government securities) declined further in September. Totalling \$4.4 billion, credit was about 6 per cent below the April peak, but slightly higher than at the end of September 1958 and at the end of the year. (Exact comparison is impossible because of the change in the data on bank loans.) The September decline in customer credit was largely the result of a decline in bank loans to "others"; the decline in net debit balances was small.

Borrowing by member firms of the New York Stock Exchange maintaining margin accounts (excluding borrowing on U. S. Government securities) continued to decline in September, totaling \$2.1 billion at the end of the month. Customers' net free credit balances, amounting to \$1.0 billion, showed little change last month. These and other data on stock market credit are shown in the following table.

	End of month		Change
	Sept.	Aug.	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Government securities - total	4,443	4,528	-85
Net debit balances	3,250	3,269	-19
Bank loans to "others"	1,193	1,259	-66
Net debit balances secured by U. S. Govt. securities	156	154	+2
Bank loans to others for purchasing or carrying U. S. Government securities	162	166	-4
Broker and dealer credit			
Money borrowed except on U. S. Government securities	2,149	2,199	-50
On customer collateral	1,906	1,945	-39
Money borrowed on U. S. Government securities	231	217	+14
Customers' net free credit balances	1,039	1,035	+4

r/ Revised.

Stock prices - Stock prices, on balance, increased slightly last week. Standard and Poor's index of 500 common stocks closed at 57.33 on October 16, .33 points higher than a week earlier. Trading activity continued to be moderate.

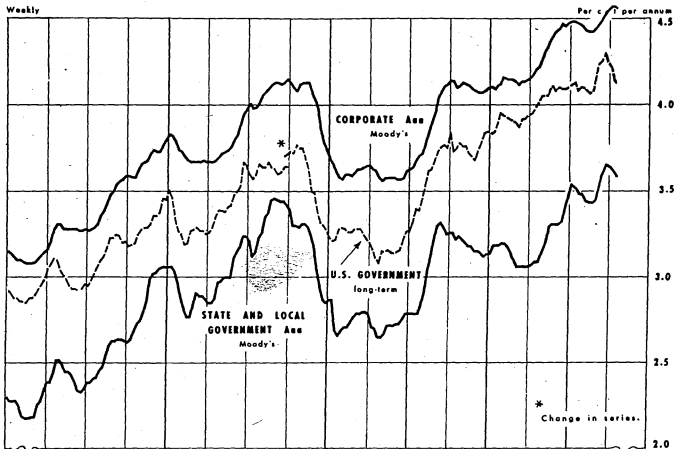
Appendix 1 - Beginning with this report, an appendix, prepared by the Division of International Finance, relating to recent capital market developments in Canada will be included on a regular basis.

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

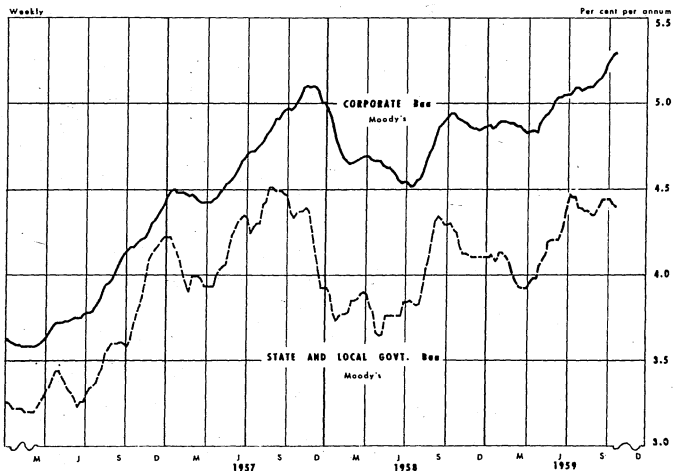
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

EXHIBIT A

HIGH-GRADE BOND YIELDS



LOWER-GRADE BOND YIELDS



Tables for Exhibit A
High-grade Bond Yields

Date	Corporate Aaa <u>1</u> /	U. S. Govt. long-term <u>2</u> /	State and local govt. Aaa <u>3</u> /	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)	.43	.92
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.53
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	4.57	4.14	3.61	.43	.53
Oct. 16 p/	4.56	4.13	3.58	.43	.55

Lower-grade Bond Yields

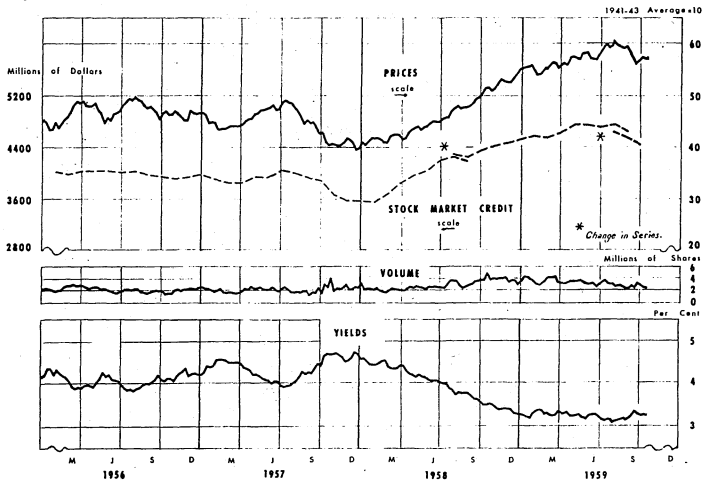
Date	Corporate Baa <u>1</u> /	State and local govt. Baa <u>3</u> /	Spread between Aaa and Baa	
			Corporate	State and local govt.
(Per cent)				
1954 - Low	3.44 (12/31)	2.93 (8/5)	.52	.96
1957 - High	5.10 (11/29)	4.51 (8/29)	1.27	1.21
1958 - High	4.96 (1/3)	4.34 (9/11)	1.28	1.11
Low	4.51 (7/11)	3.64 (5/1)	.77	.93
1959 - High	5.29 (10/16)	4.46 (7/2)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.79
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	5.28	4.41	.71	.80
Oct. 16 p/	5.29	4.40	.73	.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



PRIVATE PERMANENT NONFARM DWELLING UNITS STARTED

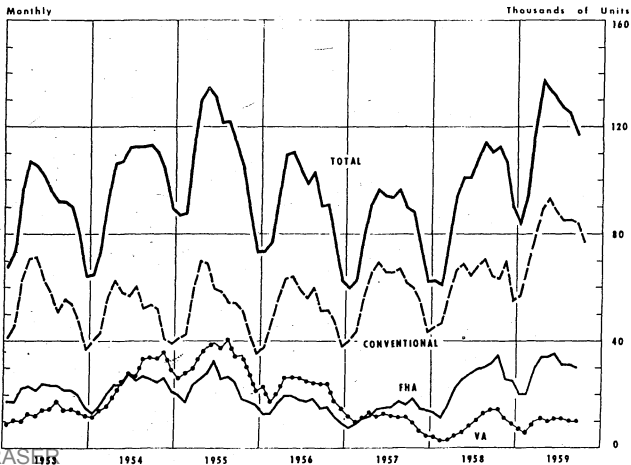


Exhibit D - Tables for Exhibit C

Stock Market

Date	Stock price index <u>1/</u>	Common stock yields <u>2/</u> (per cent)	Trading volume <u>3/</u> (millions of shares)	Stock market customer credit		
				Total	Customers' debit balances <u>4/</u>	Bank loans to "others" <u>5/</u>
(Millions of dollars)						
53-1958 - 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
59 - High	60.51 (7/31)	3.08	4.3	4,764	3,401	1,332
Low	54.37 (2/6)	3.34	2.1	4,443	3,250	1,210
August	59.40	3.13	2.4	4,528	3,269	1,259
September	57.05	3.26	2.7	4,443	3,250	1,193
Oct. 25	56.73	3.28	3.2	n.a.	n.a.	1,222
t. 2	57.20	3.24	2.7	n.a.	n.a.	1,193
t. 9	57.00	3.25	2.4	n.a.	n.a.	1,195
t. 16 p/	57.33	3.22	2.3	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 - 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	1,375	127	31	11	85
Aug.	p/1,340	p/125	31	10	p/84
Sept.	p/1,325	p/117	30	10	p/77

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. Capehart 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	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	p/497	1,107	1,003	566	806	529
August	p/741	540	924	516	403	584
September	e/650	1,114	973	p/488	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/1,888	2,760	2,899	e/1,571	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/6,668	8,522	9,493	p/6,213	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	2,546	2,809			
3rd quarter	e/1,586	2,731	2,582			
4th quarter		2,213	2,610			
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	73	9	28	--	164	--
August	1	5	7	--	--	--
September		17	30	98	--	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/}		
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	467	423	272	305	206	370
September	p/325	369	252	665	330	512
October		231	303		454	1,238
November		415	94		114	255
December		243	159		137	116
Year		3,910	3,274		3,098	5,543

^{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 16

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				
Boston Edison Co.	Com. stk.	15.4				
Philadelphia Elec. Co.	1st ref.mtg.bds.	50.0	1989	5	4.93	Aaa
American Elec. Pwr. Co.	Com. stk.	57.6				
<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
Denver, Colo.	G.O.	17.0	1970-98	3.65	3.25-3.75 ^{4/}	Aa
New York, New York	G.O.	18.0	1960-74	3.65	3.00-3.70	A
State of New Hampshire	G.O.	16.0	1960-88	3.22	2.60-3.35	Aaa
<u>OTHER</u>						
None						

Footnotes

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/ Issuances of 1998 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 16

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
*American Educational Life Ins. Co.	Com. stk.	23.8	Oct. 20
Southern Bell Telephone & Telegraph	Deb.	70.0	Oct. 21
Texas Gas Transmission Corp.	Pfd. stk.	15.0	Oct. 22
Hilton Hotels Corp.	Sub. S.F. deb.	30.0	Oct. 27
Florida Power & Light Co.	1st mtg. bds.	20.0	Oct. 28
Puget Sound Power & Light Co.	1st mtg. bds.	20.0	Oct. 29
Northern Natural Gas Co.	S.F. deb.	25.0	Oct. 29
Central & South West Corp.	Com. stk.	15.0	Oct. 30
American Telephone & Telegraph Co.	Deb.	250.0	Nov. 17
*Gulf States Utilities Co.	1st mtg. bds.	16.0	Nov. 25
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>			
Public Housing Authorities	G.O.	102.1	Oct. 20
Consumers Public Power Dist., Neb.	Rev.-Ut.	23.3	Oct. 27
Los Angeles Flood Control Dist., California	G.O.	21.2	Oct. 27
Baltimore Co., Md.	G.O.	20.0	Oct. 28
Pennsylvania General State Auth.	Rev.	25.0	Oct. 28
*State of Mississippi	G.O.	14.0	Nov. 10

Forthcoming Large Offerings, as of October 16 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Columbus, Ohio Chesapeake Bay Ferry Commission	G.O. Rev.-Ut.	10.0 190.0	Dec. 1 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.

Appendix 1

MONEY AND CAPITAL MARKET DEVELOPMENTS IN CANADA

During the week ending October 14 money market yields continued to decline for the fourth consecutive week. The rate on the 91-day Treasury bill was at 5.01 per cent compared with the mid-September peak of 5.88 per cent and the mid-August peak of 6.16 per cent. Yields on the shorter bonds declined about 50 basis points from mid-September peaks but those for long-term securities were only fractionally lower. Total municipal, provincial and corporate borrowings in New York this year through October 13 amounted to \$333 million compared to \$385 million and \$555 million for the same periods in 1958 and 1957.

Money market rates - Last Thursday's auction rate on 91-day bills declined for the fourth straight week to reach 5.01 per cent compared to 5.25 per cent the week before. The rate on 182-day bills also continued to fall, dropping to 5.55 per cent from 5.91 per cent. The average rate on day-to-day loans was somewhat higher last Thursday than the week before, rising to 4.63 per cent from 4.35 per cent.

Bond market developments - A \$6 million City of Winnipeg issue was reported to have been bought privately by U.S. investment houses last week. Today a \$20 million City of Montreal issue is being offered for bids in New York.

In Canada, yields on medium- and long-term government bonds continued to ease during last week with declines ranging from 6 to 22 basis points. A particularly sharp drop occurred in the yield of the big 4-1/2 per cent 1983 issue. On Friday the bid price of this issue had risen to 93.875 compared to its low price of 90.875 ten days earlier.

At midweek, spreads between comparable Canadian and United States Government securities' yields were:

- 1.01 per cent on 91-day bills
- 0.87 per cent on 182-day bills
- 0.65 per cent on a 9-year bond
- 1.11 per cent on a 20-year bond
- 1.09 per cent on a 36-year bond.

Stock prices - Although Canadian steels and banks strengthened, the industrial average on the Montreal exchange slipped a bit during the week ending last Friday. At Friday's close, the industrial average was 12 per cent below the year's high to date and one per cent below the close the week before.

Appendix 1-2

Selected Government of Canada Security Yields

Date	3-month Treasury bills ^{1/}	Inter- mediate Govt. bond ^{2/}	Long- term Govt. bond ^{3/}	Spread between Canadian & U.S. rates		Discount on 3-mo. Canadian dollar ^{5/}
				long-term bond ^{4/}	3-mo. bills ^{2/}	
1954-55 - Low	0.78	2.81	3.13			
1957 - High	4.08	4.81	4.35			
1958 - High	3.65	4.52	4.42			
Low	0.87	3.31	3.78			
1959 - High	6.16	5.30	5.30	1.06	2.96	
Low	3.25	4.45	4.41	0.47	0.30	
Sept. 23	5.60	5.24	5.24	1.06	1.43	1.90
30	5.50	5.30	5.30	1.17	1.54	1.66
Oct. 7	5.25	5.27	5.28	1.18	1.06	2.19
14	5.01	5.21	5.18	1.11	1.01	1.66

^{1/} Average yield at weekly tender on Thursday following Wednesday date shown.

^{2/} Government of Canada 2-3/4 per cent of June 15, 1967-68.

^{3/} Government of Canada 3-1/4 per cent of 1979.

^{4/} U.S. Government 3-1/4 per cent of 1978-83. Government of Canada 3-1/4 per cent of 1979.

^{5/} Spread between average auction rates: on Monday preceding Wednesday date shown for the United States; on Thursday following Wednesday date shown for Canada.

^{6/} Spread between 3-months forward and spot price of the Canadian dollar, expressed as per cent per annum, on Friday following Wednesday date shown.

Averages of Selected Bond Yields

Date	10 Provin- cials ^{1/}	10 Muni- cials ^{1/}	10 Public Utilities ^{1/}	10 Indus- trials ^{1/}	Govt. of Canada long-term ^{2/}
1954-55 - Low	3.27	3.65	3.69	3.93	2.82
1957 - High	5.18	5.77	5.50	5.77	4.43
1958 - High	5.08	5.30	5.03	5.12	4.42
Low	4.46	5.02	4.81	4.78	3.79
1959 - High	6.19	6.60	6.01	6.05	5.80
Low	5.14	5.38	5.14	5.22	4.48
June 1	5.39	5.71	5.47	5.42	4.94
July 31	5.61	5.86	5.57	5.60	4.97
Sept. 1	5.97	6.20	5.78	5.78	5.29
Oct. 1	6.19	6.60	6.01	6.05	5.80

^{1/} Average term of bonds included is 14-16 years. Source: McLeod, Young, Weir and Co., Ltd.

^{2/} The quotation used in 1958 and 1959 is for Government of Canada 3-1/4 per cent June 1, 1974-76.