

DECONTROLLED AFTER SIX MONTHS

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January 18, 1960.

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES AND CANADA

The volume of new capital public security offerings in the United States is expected to be much smaller this week than last, particularly for State and local government issues. During the week ending January 15, corporations sold large issues for \$40 million and State and local governments sold issues amounting to \$301 million. The State and local government financing total included the sale of two very large bond issues--a \$120 million issue by New York State Power Authority and a \$100 million California offering. Both were well received by investors.

This week, subscription rights expire for a corporate stock issue for \$25 million. State and local government issues totaling \$77 million are also scheduled for sale.

Bond yields - Changes in yields on outstanding bonds were mixed last week. Yields on lower grade corporate bonds increased slightly while those for high-grade bonds remained stable. Yields on State and local and U. S. Government obligations declined.

Housing starts - Private nonfarm housing starts in December declined less than seasonally for the second straight month. At a seasonally adjusted annual rate of 1,310,000 units, they were 8 per cent above November, but nearly 9 per cent below the advanced level of a year earlier, according to preliminary estimates. This was the third highest December rate ever registered.

1959 was the second biggest year in housing production, as private nonfarm starts totaled 1,342,000 units, slightly below the 1950 record. Conventionally-financed starts accounted for about two-thirds of the total, as in the previous two years. In contrast, conventional starts in the other two boom years of 1950 and 1955 represented only one-half of the total.

Compared with 1958, total nonfarm starts were up nearly 14 per cent in both metropolitan and nonmetropolitan areas. Although public starts were down by 48 per cent, private starts were up by 18 per cent. Private conventionally-financed starts increased by 21 per cent; FHA-insured starts by 12 per cent; and VA-guaranteed starts by 7 per cent.

Stock prices - Standard and Poor's index of 500 common stocks continued to decline last week, closing at 58.38 on January 15--nearly 3 per cent lower than at the close of 1959. Trading activity changed little with daily volume averaging 3.5 million shares a day.

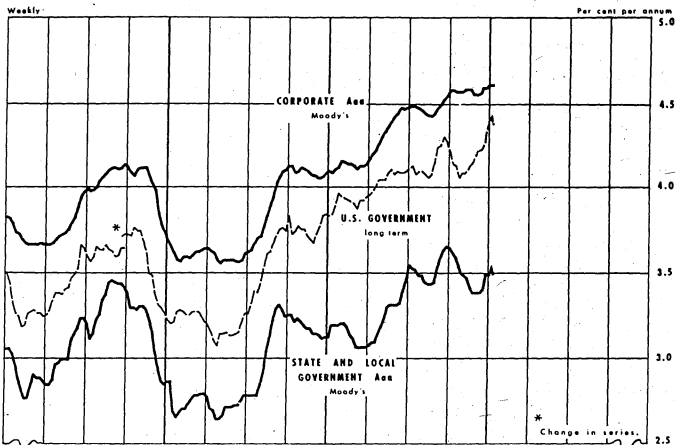
More detailed information concerning recent capital market developments is presented in the attached exhibits.

Developments in the Canadian capital market are presented in appendix 1 at the end of this report.

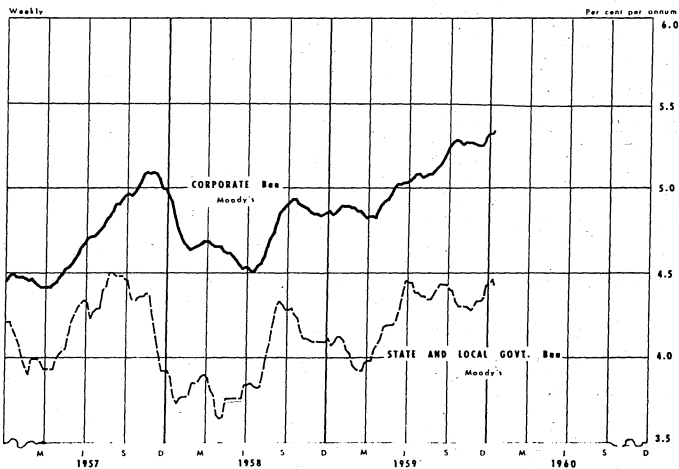
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

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	4.61 (12/31)	4.37 (12/31)	3.65 (9/24)	.50	.92
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/26)	.16	.53
Dec. 18	4.59	4.25	3.40	.34	.85
Dec. 24	4.59	4.32	3.49	.27	.83
Dec. 31	4.61	4.37	3.49	.24	.88
Jan. 8	4.61	4.42	3.53	.19	.89
Jan. 15 p/	4.61	4.37	3.49	.24	.88

Lower-grade Bond Yields

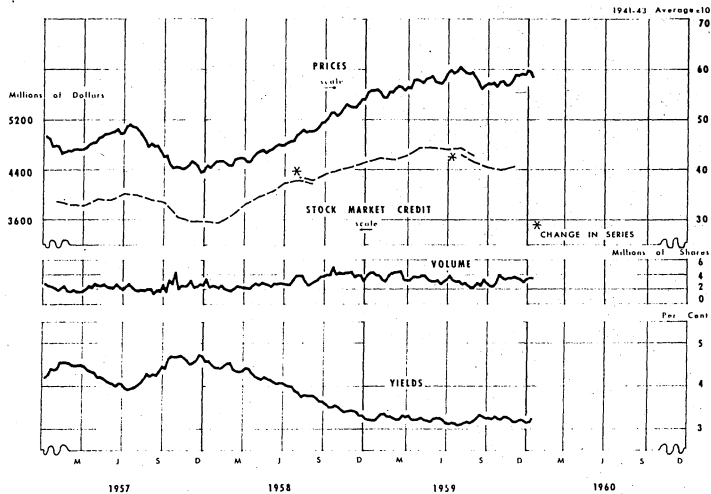
Date	Corporate Baa ^{1/}	State and local govt. Baa ^{2/}	Spread between Aaa and Baa	
			Corporate	State and local govt.
(Per cent)				
1954 - Low	3.44 (12/31)	2.93 (8/5)	.52	.96
1957 - High	5.10 (11/29)	4.51 (8/29)	1.27	1.21
1958 - High	4.96 (1/3)	4.34 (9/11)	1.28	1.11
Low	4.51 (7/11)	3.64 (5/1)	.77	.93
1959 - High	5.32 (12/31)	4.46 (7/2)	.77	.98
Low	4.83 (4/17)	3.92 (3/26)	.56	.79
Dec. 18	5.27	4.35	.68	.95
Dec. 24	5.30	4.42	.71	.93
Dec. 31	5.32	4.43	.71	.94
Jan. 8	5.32	4.46	.71	.93
Jan. 15 p/	5.34	4.43	.73	.94

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

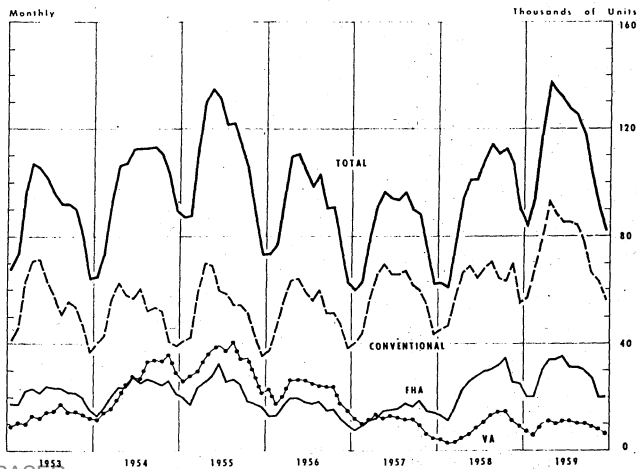


Exhibit D - Tables for Exhibit C

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 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	4,764	3,401	1,332
Low	54.37 (2/6)	3.34	2.1	4,401	3,210	1,210
November	57.23	3.24	3.4	4,460	3,273	1,187
December	59.06	3.18	3.3	n.a.	n.a.	1,174
Dec. 31	59.89	3.15	3.3	n.a.	n.a.	<u>1,174</u>
Jan. 8	59.50	3.18	3.6	n.a.	n.a.	1,327
Jan. 15 ^{p/}	58.38	3.24	3.5	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 - 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.	1,340	125	31	10	84
Sept.	1,323	117	30	10	77
Oct.	^{p/} 1,180	^{p/} 102	27	9	^{p/} 66
Nov.	^{p/} 1,210	^{p/} 91	20	8	^{p/} 63
Dec.	^{p/} 1,310	^{p/} 82	20	6	^{p/} 56

^{1/} Total starts are Census estimates. Prior to June 1959, data are from Bureau of Labor Statistics. 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/		
	1960	1959	1958	1960	1959	1958
January	e/750	840	728	e/700	637	812
February		745	857		857	953
March		631	1,553 ^{3/}		645	511
April		899	1,140		931	798
May		791	597		592	895
June		874	887		982	551
July		531	1,107		567	806
August		718	540		514	403
September		709	1,114		468	651
October		p/826	862		p/590	456
November		p/778	518		p/497	474
December		e/850	920		e/450	435
1st quarter		2,216	3,139		2,139	2,276
2nd quarter		2,564	2,623		2,505	2,244
3rd quarter		1,958	2,760		1,549	1,860
4th quarter		e/2,454	2,300		e/1,537	1,365
1st half		4,780	5,762		4,644	4,520
Three quarters		6,738	8,522		6,193	6,380
Year		e/9,192	10,823		e/7,730	7,746
	Excluding finance companies 4/					
1st quarter		2,011	2,899			
2nd quarter		2,409	2,586			
3rd quarter		1,695	2,731			
4th quarter		e/2,304	2,213			
Year		e/8,419	10,429			

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	85	9	28	--	164	--
August	1	5	7	98	--	--
September	36	17	30	150	--	215
October	29	58	4	--	220	--
November	38	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	467	423	272	365	206	370
September	399	369	252	665	330	512
October	235	231	303	733	454	1,238
November	343	415	94	471	114	255
December	306	243	459	288	137	116
Year	4,127	3,910	3,274	6,047	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 - 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
October	400	294	20
November	421	163	--
December	230	217	70

Large Individual Issues Offered January 1 through 15

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
C.I.T. Financial Corp.	Deb.	75.0	1980	5 1/8	5.25	--
Commercial Credit Co.	Notes	50.0	1980	5 1/4	5.25	--
Kansas City Pwr. & Lt. Co.	1st mtg. bds.	20.0	1990	5	4.95	Aaa
Northern Illinois Gas Co.	Pfd. stk.	15.0				
Chesapeake & Potomac Tel. Co. of Maryland	Deb.	25.0	1996	5 1/4	5.19	Aaa
<u>STATE AND LOCAL GOVERNMENT</u>						
Toledo Sch. Dist., Ohio	G.O.	10.0	1961-83	3.65	2.90-3.70	Aa
Seattle, Washington	Rev.-Ut.	11.8	1969-85/70	3.72	3.50-4.40	Aa
City & Co. of San Francisco California	G.O.	13.6	1961-80	3.44	2.85-3.60 <u>4/</u>	Aa
New York State Pwr. Auth. Term	Rev.-Ut.	96.0	2006	4.39	4.38	--
Serial		24.0	1965-79		3.50-4.00	
State of Maryland	G.O.	23.1	1963-75	3.30	2.95-3.30	Aaa

Large Individual Issues Offered January 1 through 15 (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)						
Tacoma, Washington	Rev.-Ut.	32.0	1964-2010/70	4.51	3.50-4.75	Baa
State of California	G.O.	100.0	1961-85	4.02	3.00-4.00	Aa
<u>OTHER</u>						
None						

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/ 1 per cent of 1980 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 <u>2/</u>	Corporate	State and local govt.	Other <u>2/</u>
1958 - 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	--
Oct. 30	385	115	--	509	336	--
Nov. 30	226	295	70	271	485	70
Dec. 31	210	445	30	280	545	30

Forthcoming Large Offerings, as of January 15

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
General Public Utilities Corp.	Com. stk.	24.5	Jan. 19 (rights expire)
General Acceptance Corp.	Deb.	25.0	Jan. 26
Southern California Edison Co.	1st & ref. mtg. bds.	30.0	Jan. 27
Connecticut Light & Power Co.	1st mtg. bds.	25.0	Jan. 28
Duke Power Co.	1st & ref. mtg. bds.	50.0	Feb. 17
*Consolidated Natural Gas Co.	Deb.	25.0	February
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
Detroit, Michigan	G.O.	13.2	Jan. 19
Sacramento Unif. Sch. Dist., Calif.	G.O.	10.0	Jan. 20
State of Washington	Rev.-Ut.	28.1	Jan. 20
State of North Carolina	G.O.	11.1	Jan. 20
State of Louisiana	G.O.	15.0	Jan. 20
New York, New York	G.O.	22.0	Feb. 4
Washington Sub. Sanit. Dist., Md.	G.O.	10.0	Feb. 9
Public Housing Authorities	G.O.	102.8	Feb. 9
<u>OTHER</u>			
Montreal Metropolitan Corp., Canada	S.F. deb.	30.0	Jan. 28
Province of New Brunswick, Canada	S.F. deb.	15.0	Jan. 28

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 - January	4.63	37	*4.75 ^{2/}	23
February	*4.35 ^{2/}	4		
March	4.43 ^{2/}	10		
April	4.58 ^{2/}	17	*4.67	18
May	4.97	37	5.01	25
June	*4.95	29	5.01 ^{3/}	15
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
Oct. 22	5.25	46		
23	4.95 ^{2/}	16		
28	5.15	40	5.25	35
29			5.40	50
30	5.15	42		
Nov. 25	5.08	42		
Dec. 8	5.30	63		
9			5.45	51
10			5.44	50
1960 - Jan. 7			5.30 ^{2/}	28

*--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/ Includes one issue which provides for a 7-year period during which the issue may not be called for refunding at a lower coupon rate.

January 18, 1960

Appendix 1

MONEY AND CAPITAL MARKET DEVELOPMENTS IN CANADA

Sharply lower Treasury bill yields in Canada last week brought the 3-months bill closer to the corresponding United States rate than it has been for twelve months. Easier credit conditions in Canada were accompanied by a general decline in the short-term sector, ranging from day-to-day loans to the shorter bonds. However, yields on intermediate and long Government bonds continued to climb. The market for corporate and municipal bonds improved during the week.

Money market conditions. The yield on the short Treasury bill declined 32 basis points at last week's auction from 5.14 per cent to 4.82 per cent and the 6-month bill yield dropped by 45 points from 5.53 to 5.08 per cent. On January 13, the incentive to shift funds from Canadian to United States short bills was entirely eliminated as the discount on the 3-month Canadian dollar was less than the spread between short bill rates in the two markets. Day-to-day money closed at 3.60 per cent compared to 4.06 per cent a week earlier.

Bond market developments. There was a general upward movement in yields on intermediate- and long-term Government bonds, ranging from 9 basis points for an 8-year issue to 2 basis points on a 40-year security. At midweek, spreads between comparable Canadian and United States Treasury bonds were (figures in parenthesis refer to the previous week):

0.23 per cent on 91-day bill (0.50)
0.09 per cent on 182-day bill (0.52)
0.66 per cent on an 8-year bond (0.49)
1.02 per cent on a 20-year bond (0.88)
1.08 per cent on a 35-year bond (0.97)

Other sectors of the bond market reported a better tone. A 20-year City of Montreal offering during the week rose a full point above the issue price. The recently issued 5-3/4 per cent Canadian National Railways bonds of 1984 moved from last week's low of 94-1/2 to 96. A new \$10 million 6-3/4 per cent private offering is expected to be priced to show a 6.84 per cent yield to maturity with a 12-year noncall feature.

During 1959, there was a sharp cutback in new offerings of corporate bonds: sales totaled \$415 million compared to \$725 million for 1958 and \$1,045 million for 1957. Municipal and provincial offerings were about at the 1958 levels.

Appendix 1-2

Estimates put new Canadian bond flotations in New York at about \$468 million in 1959 or about the same as in the previous year. However, offerings of corporations and municipalities were substantially lower in 1959 but borrowings by provinces correspondingly higher. Several new Canadian offerings are on the books for the New York market for January.

Stock markets. At midweek, the Toronto industrial index was 12 points below a week earlier and slightly below the year-ago level. By comparison, the New York Dow-Jones industrial index also dropped during the week but remained 12 per cent above the year-ago level. The Montreal industrial average was about 8 points below a week earlier but by Thursday had recovered 2 points.

British Commonwealth Section
Division of International Finance
Board of Governors of the Federal Reserve System

Appendix 1-3

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 ^{4/}
				long-term bond ^{4/}	3-mo. bills ^{2/}	
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	1.19	2.96	
Low	3.25	4.45	4.41	0.47	0.30	
Dec. 23	5.03	5.28	5.26	0.93	0.36	1.13
30	5.12	5.37	5.30	0.96	0.60	0.91
Jan. 6	5.14	5.46	5.37	0.88	0.50	0.66
13	4.82	5.55	5.42	1.02	0.23	0.18

^{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.

Sales of new Canadian Government Municipal and Corporate Bonds
(in millions of Canadian dollars)

	1959	1958	1957
Government	9,620	15,130	9,104
Provincial	781	791	646
Municipal	419	459	357
Corporation	415	725	1,045
	<u>10,865</u>	<u>16,831</u>	<u>10,568</u>
Less short-term financing (less than one year)	<u>6,570</u>	<u>6,531</u>	<u>6,280</u>
	4,294	10,300	4,288
Of the above, the following have been sold in New York			
Provincial	310	195	122
Municipal	113	173	95
Corporation	45	112	390
	<u>468</u>	<u>480</u>	<u>607</u>

Source: A. E. Ames & Co., Limited.