

May 15, 1961.

CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES

Public security financing was light last week but was expected to be in large volume this week. Subscription rights expired for a \$15 million corporate convertible debenture issue during the week ending May 12 and two State and local government bond offerings totaling \$44 million were sold. This week seven large corporate issues, including those for which subscription rights expire, with aggregate gross proceeds of \$197 million are scheduled; two large State and local government bond issues with par value of \$65 million are on the calendar. A \$25 million Canadian municipal issue is also scheduled for sale in the United States.

Long-term bond yields. Yields on U. S. Government and corporate bonds declined last week while yields on State and local government bonds remained stable.

Short- and intermediate-term interest rates. Yields on Treasury bills increased slightly last week while those on intermediate-term U. S. Government obligations declined 8 basis points to a new low for the year. The effective rate for Federal funds rose sharply from the low level of the immediately preceding weeks, averaging 2.35 per cent. Other short- and intermediate-term interest rates were unchanged.

Mortgage and bond yields. Average secondary market yields on selected unseasoned FHA new home mortgages declined 7 basis points further in April to 5.75 per cent, the lowest level since the summer of 1959. The spread between yields on FHA mortgages and those available on new high-grade corporate bonds declined to 133 basis points, the narrowest since December.

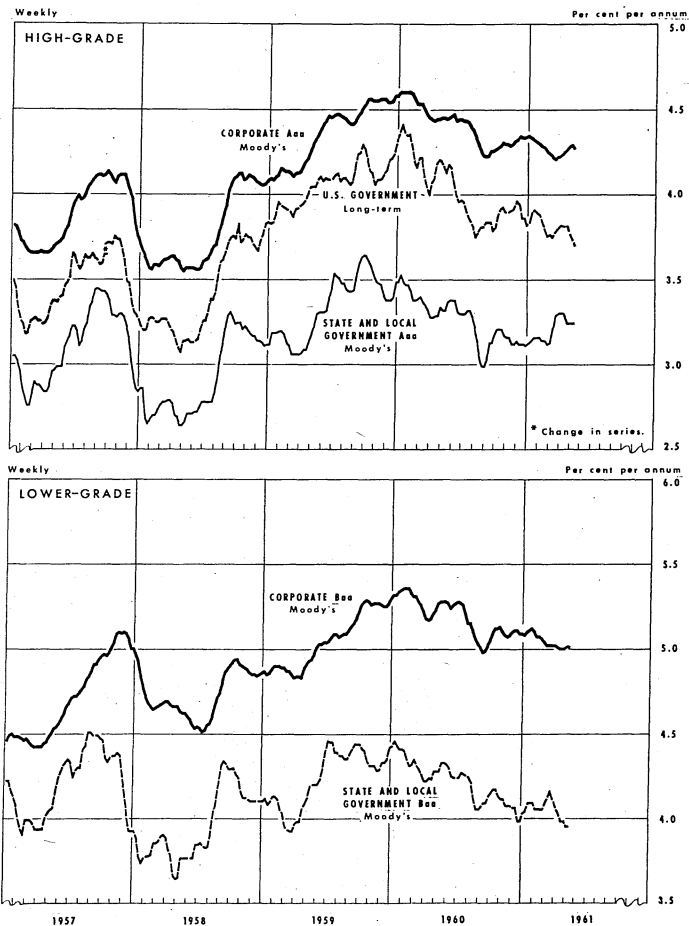
Stock prices. Common stock prices, as measured by Standard and Poor's index of 500 stocks, declined slightly last week in heavy trading. The Friday close of 66.45, however, was less than one-half of one per cent below the mid-April peak. Trading volume averaged 5.2 million shares a day, the heaviest trading in more than a month.

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

LONG-TERM BOND YIELDS



Long-term Bond Yields
High-grade

Date	Corporate Aaa 1/	U. S. Govt. long-term 2/	State and local government 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	.50
1958 - Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.22	.34
1959-60 - High	4.61 (1/29/60)	4.42 (1/8/60)	3.65 (9/24/59)	.59	.92
1960 - Low	4.23 (9/9)	3.75 (8/5)	2.99 (9/1)	.19	.53
1961 - High	4.34 (1/6)	3.92 (1/20)	3.30 (1/13)	.57	.76
Low	4.21 (3/17)	3.70 (5/12)	3.12 (2/23)	.40	.46
Apr. 14	4.24	3.81	3.30	.43	.51
Apr. 21	4.26	3.81	3.24	.45	.57
Apr. 28	4.28	3.78	3.24	.51	.53
May 5	4.29	3.73	3.24	.56	.49
May 12 p/	4.27	3.70	3.24	.57	.46

Lower-grade

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 (11/20)	4.51 (8/29)	1.27	1.21
1958 - Low	4.51 (7/11)	3.64 (5/1)	.77	.93
1959-60 - High	5.36 (2/12/60)	4.46 (1/7/60)	.84	1.08
1960 - Low	4.98 (9/9)	3.98 (12/29)	.71	.86
1961 - High	5.12 (1/27)	4.16 (3/23)	.81	.93
Low	5.00 (4/21)	3.95 (5/11)	.73	.71
Apr. 14	5.00	4.03	.76	.73
Apr. 21	5.00	3.98	.74	.74
Apr. 28	5.01	3.98	.73	.74
May 5	5.02	3.95	.73	.71
May 12 p/	5.01	3.95	.74	.71

p/ Preliminary.

1/ Weekly average of daily figures. Average term of bonds included is 23-26 years.

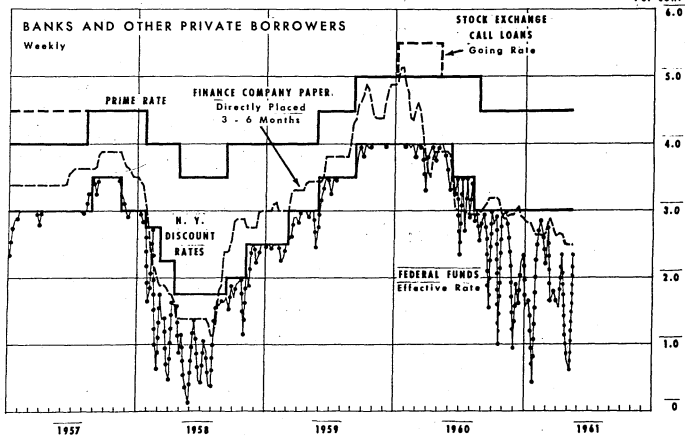
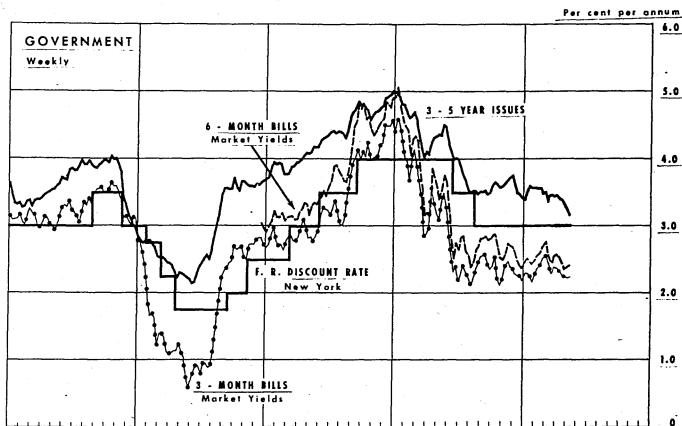
2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

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.
For spreads, high refers to widest, and low to narrowest.

EXHIBIT C

SHORT- AND INTERMEDIATE- TERM INTEREST RATES



Short- and Intermediate-term Interest Rates

Government

Date	Discount rate 1/	Yields			Spread between yields on	
		3-month bills 2/	6-month bills 2/	3-5 year issues 2/	3-month bills	3-5 yr. issues
			(per cent)			
1954 - Low	1.50	.61 (6/11)	--	1.66 (4/30)	--	.66
1957 - High	3.50	3.64 (10/18)	--	4.04 (10/18)	--	.86
1958 - Low	1.75	.58 (5/29)	3.02 (12/26)	2.14 (6/6)	.26	.04
1959-60 - High	4.00	4.59 (1/8/60)	5.07 (1/8/60)	5.00 (12/24/59)	.79	1.81
1960 - Low	3.00	2.11 (10/28)	2.38 (12/30)	3.40 (12/30)	.16	.38
1961 - High	3.00	2.56 (3/3)	2.75 (3/3)	3.59 (1/20)	.25	1.40
Low	3.00	2.17 (1/27)	2.35 (4/28)	3.15 (5/12)	.12	.92
Apr. 14	3.00	2.31	2.52	3.40	.21	1.09
Apr. 21	3.00	2.25	2.41	3.38	.16	1.13
Apr. 28	3.00	2.23	2.35	3.32	.12	1.09
May 5	3.00	2.22	2.38	3.23	.16	1.01
May 12 p/	3.00	2.23	2.40	3.15	.17	.92

Banks and Other Private Borrowers

Date	Stock Exchange call loan 1/	Prime rate 1/	Finance company paper 3/	Federal funds 4/	Spread between
					3-mo. bills and finance co. paper
			(per cent)		
1954 - Low	3.00	3.00	1.25 (12/31)	n.a.	0
1957 - High	4.50	4.50	3.88 (11/15)	3.50 (11/8)	.63
1958 - Low	3.50	3.50	1.13 (8/8)	.13 (5/29)	-.35
1959-60 - High	5.50	5.00	5.13 (1/22/60)	4.00 (5/13/60)	1.02
1960 - Low	4.50	4.50	2.88 (12/30)	.95 (12/2)	.22
1961 - High	4.50	4.50	2.88 (3/10)	2.85 (2/17)	.56
Low	4.50	4.50	2.50 (5/12)	.43 (1/27)	.15
Apr. 14	4.50	4.50	2.64	2.35	.33
Apr. 21	4.50	4.50	2.53	1.15	.26
Apr. 28	4.50	4.50	2.50	.75	.27
May 5	4.50	4.50	2.50	.60	.28
May 12 p/	4.50	4.50	2.50	2.35	.27

1/ Weekly rate shown is that in effect at end of period. Discount rate is for Federal Reserve Bank of New York. Stock Exchange call loan rate is going rate on call loans secured by customers' stock exchange collateral at New York City banks. Prime rate is that charged by large banks on short-term loans to business borrowers of the highest credit standing.

2/ Market yield; weekly averages computed from daily closing bid prices. Series of 3-5 year issues consists of selected notes and bonds.

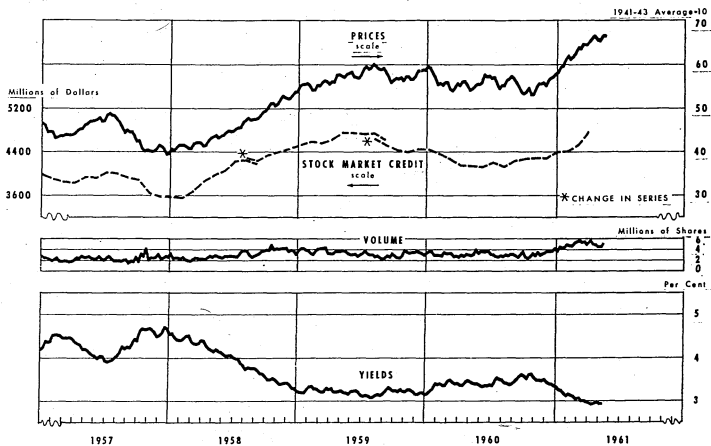
3/ Average of daily rates published by finance companies for directly placed paper for varying maturities in the 90-179 day range.

4/ Weekly average of daily effective rate, which is the rate for the heaviest volume of purchase and sale transactions as reported to the Federal Reserve Bank of New York.

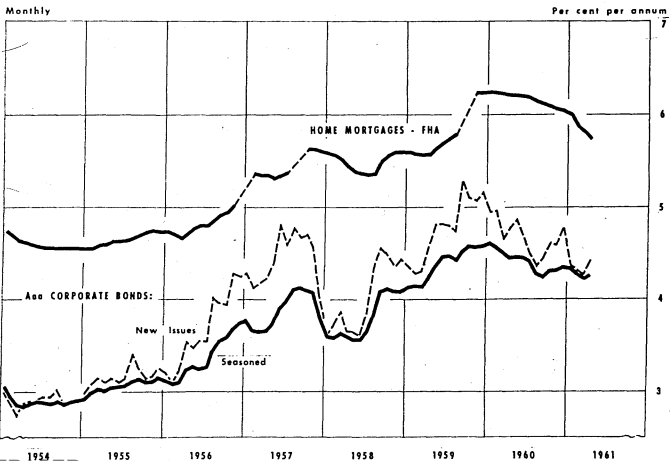
Note:--Highs and lows are for individual series and may be on different dates for different dates for different series. For spreads, high refers to widest, and low to narrowest.

EXHIBIT E

STOCK MARKET



MORTGAGE AND BOND YIELDS



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/}
(In millions of dollars)						
1957-60 - High	60.51 (7/31/59)	3.08	4.9	4,764 (4/59)	3,401 (4/59)	1,373 (5/59)
Low	39.48 (12/29/57)	4.72	1.4	3,554 (1/59)	2,482 (12/57)	1,060 (11/57)
1961 - High	66.52 (5/5)	2.92	5.8	4,778 (3/61)	3,604 (3/61)	1,271 (5/5)
Low	58.48 (1/6)	3.32	3.6	4,416 (1/61)	3,253 (1/61)	1,152 (3/10)
March	64.12	3.03	5.4	4,778	3,604	1,174
April	65.83	2.95	5.1	n.a.	n.a.	1,244
Apr. 28	65.31	2.97	4.5	n.a.	n.a.	1,254
May 5	66.52	2.92	4.6	n.a.	n.a.	1,271
May 12 p/	66.45	2.92	5.2	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 Friday's only. Highs and lows are for Friday's 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
1953-58 - 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)	2.84 (4/54)	.54	-.12
1959-60 - High	6.24 (1/60)	5.29 (9/59)	4.61 (1/60)	1.76	.77
Low	5.57 (3/59)	4.29 (2/59)	4.12 (1/59)	.83	.08
1960 - December	6.04	4.79	4.35	1.25	.44
1961 - January	6.00	4.35	4.32	1.65	.03
February	5.88	4.31	4.27	1.57	.04
March	5.82	4.26	4.22	1.56	.04
April	5.75	4.42	4.25	1.33	.17

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-hous 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 mutual 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 those 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/		
	1961	1960	1959	1961	1960	1959
January	580	577	821	708	700	648
February	667	715	738	634	611	859
March	562	860	616	e/800	568	638
April	e/2,000	766	894	e/725	719	934
May	e/950	567	785	e/550	545	568
June		1,034	887		991	987
July		727	535		492	443
August		962	740		606	521
September		738	703		683	470
October		874	879		348	593
November		959	864		501	450
December		876	900		491	478
1st quarter	1,809	2,151	2,204	e/2,142	1,880	2,145
2nd quarter		2,367	2,567		2,256	2,488
3rd quarter		2,427	1,979		1,780	1,433
4th quarter		2,709	2,642		1,340	1,521
1st half		4,519	4,771		4,136	4,634
Three quarters		6,945	6,750		5,916	6,067
Year		9,055	9,392		7,257	7,588
	Excluding finance companies 3/					
1st quarter	e/1,509	1,722	1,999			
2nd quarter		2,150	2,412			
3rd quarter		2,017	1,716			
4th quarter		2,358	2,503			
Year		8,248	8,630			

e/ Estimated. p/ Preliminary.

1/ Securities and Exchange Commission estimates of net proceeds.

2/ Investment Bankers Association of America estimates of principal amounts.

3/ Total new capital issues excluding offerings of sales and consumer finance companies.

Other Security Offerings
(In millions of dollars)

	Gross long-term 1/					
	Foreign government 2/			Federal agency 3/		
	1961	1960	1959	1961	1960	1959
January	.6	2	81	--	182	199
February	29	175	60	--	150	--
March	20	70	2	252	150	175
April		34	58		148	--
May		72	50		354	--
June		40	42		--	--
July		25	85		--	--
August		1	1		199	98
September		36	35		--	150
October		34	33		160	--
November		2	30		149	--
December		41	70		181	86
Year		533	547		1,672	707
		Net short-term 4/				
		State and local government 5/			Federal agency 3/	
January	160	58	-4	-144	-196	-82
February	195	140	181	-162	-202	176
March		-80	4	-174	-59	33
April		70	197		-277	50
May		-146	-25		170	368
June		-157	-197		320	286
July		48	57		95	362
August		415	392		23	133
September		-175	131		-201	79
October		-16	-81		-23	280
November		50	-176		-33	240
December		-189	-117		-250	44
Year		18	362		-633	1,969

2/ Preliminary.

1/ These data differ from those in Exhibit G 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, Treasury Department and Federal Reserve.

4/ These data differ from those in Exhibit G and above in that they represent new offerings less retirements, whether from the proceeds of refunding issues or from other funds. Data include only issues with original maturity of one year or less.

5/ 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 and Federal Reserve.

Exhibit I

Large Long-term Public Security Issues for New Capital
(Other than U. S. Treasury) 1/

Proceeds of Large Issues Offered

(In millions of dollars)

Month	Corporate	State and local government	Other 2/
1960 - April	309	370	71
May	139	234	28
June	442	561	30
July	303	191	--
August	581	298	75
September	266	367	25
October	566	46	77
November	465	186	150
December	260	222	99
1961 - January	147	391	--
February	267	360	--
March	70	405	67
April	1,572	383	--

Large Individual Issues Offered May 1 through 12

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Pell Tel. of Pa.	Deb.	20.0	2001	4-3/4	4.60	Aaa
Nippon Tel. & Tel. Corp.	Ex. bds.	15.0	1976	6	6.47	--
Washington Gas Light Co.	Ref.mtg.bds.	15.0	1986	4-1/8	4.85	A
Continental Oil Co.	Deb.	100.0	1991	4-1/2	4.55	Aa
U. S. Freight Co.	Conv.sub.deb.	15.4	1981	5	5.00	Ba
<u>STATE AND LOCAL GOVERNMENT</u>						
Los Angeles Unif. Sch. Dist., Calif.	G.O.	30.0	1962-86	3.42	1.50-3.60	Aa
Grand Rapids, Mich.	Rev.-Ut.	13.1	1962-82	3.31	1.60-4.10	Aa
Port of New York Auth.	Rev.-Ut.	35.0	1962-81	3.41	1.60-3.60	A
Cincinnati, Ohio	G.O.	21.5	1962-2001	3.18	1.40-3.40 ^{4/}	Aaa
Puerto Rico Wtr. Resources Auth.	Rev.-Ut.	22.0	1963-98	4.08	2.15-4.10	A
<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/ 3 per cent bonds of 1990-2001 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/
1960 - Apr. 29	202	243	--	357	258	--
May 31	483	277	30	553	502	60
June 30	237	180	30	455	380	30
July 29	596	275	--	1,006	324	--
Aug. 31	216	283	--	731	283	--
Sept. 30	576	212	77	836	336	127
Oct. 31	440	258	50	585	391	50
Nov. 30	260	242	--	335	560	--
Dec. 30	91	412	--	1,036	682	--
1961 - Jan. 31	110	181	--	1,046	360	--
Feb. 28	55	307	--	1,125	638	--
Mar. 31	1,580	559	--	1,700	806	--
Apr. 28	542	236	15	687	579	15

Forthcoming Large Offerings, as of May 12

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Duke Power Co.	Com. stk.	16.6	May 15 (rights expire)
Tennessee Gas Transmission Corp.	Deb.	75.0	May 16
New York State Elec. & Gas Co.	1st mtg. bds.	25.0	May 17
Aerojet-General Corp.	S.F. deb.	15.0	May 17
Federal Paper Board Co.	S.F. deb.	20.0	May 18
New England Tel. & Tel. Co.	Com. stk.	45.0	May 19 (rights expire)
Ohio Edison Co.	1st mtg. bds.	30.0	May 23
Armco Steel Corp.	S.F. deb.	50.0	May 23
Allegheny-Ludlum Corp.	S.F. deb.	15.0	May 24
Michigan Consolidated Gas Co.	1st mtg. bds.	30.0	May 24
Consolidated Natural Gas Co.	Deb.	40.0	May 25
New Orleans Public Service Corp.	1st mtg. bds.	15.0	May 26
*P. Lorillard Co.	S.F. deb.	40.0	May 31
Aldens, Inc.	S.F. deb.	15.0	May
Clark Equipment Credit Corp.	Deb.	20.0	May
Indiana and Michigan Electric Co.	S.F. deb.	20.0	June 1
Columbia Gas System Inc.	Deb.	30.0	June 2
Brooklyn Union Gas Co.	1st mtg. bds.	20.0	June 5
*Consolidated Edison Co.	1st ref. mtg. bds.	50.0	June 13
*Southern Electric Generating Co.	1st mtg. bds.	20.0	June 15

Forthcoming Large Offerings, as of May 12 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE (Cont'd)</u>			
Michigan-Wisconsin Pipe Line Co.	1st mtg.p.l.bds.	30.0	June 15
Union Tank Car Co.	S.F. deb.	40.0	June
*Gimbel Bros., Inc.	S.F. deb.	17.2	June
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
Realty Collateral Corp.	Coll. tr. notes	20.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
Chicago Board of Education, Ill.	G.O.	40.0	May 15
Penn. St. Public School Bldg. Auth.	Rev.-Rent.	24.6	May 17
Owensburg, Kentucky	Rev.-Ut.	25.0	May 23
State of Ohio	G.O.	32.0	May 24
Houston, Texas	G.O.	17.2	May 24
New York State Housing Fin. Agency	Rev.	50.0	May
Monroe County Wtr. Resources Auth., New York	Rev.-Ut.	17.0	June 1
Sacramento Mun. Util. Dist., Calif.	Rev.-Ut.	30.0	June 1
*Louisiana State Bond & Bldg. Comm.	Rev.-S.T.	14.0	June 1
*Milwaukee, Wisconsin	G.O.	10.0	June 6
*Nassau County, New York	G.O.	20.0	June
Massachusetts Turnpike Auth.	Rev.	175.0	Indefinite
Orleans Parish School Dist., La.	G.O.	10.0	Indefinite
Dade County, Florida	G.O.	46.0	Indefinite
Jacksonville Expressway Auth.	Rev.-Ut.	40.0	Indefinite
<u>OTHER</u>			
City of Montreal, Canada	S.F. deb.	25.0	May 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.

Exhibit K

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)
1952-1959 - High	5.30 (12/8/59)	87	5.65 (5/18/59)	123
Low	2.93 (3/31/54)	-8	3.00 (3/17/54)	-15
1959 - Oct.	5.13 ^{2/}	36	5.33	43
Nov.	*5.08	42		
Dec.	*5.30	63	5.45	51
1960 - Jan.			*5.30 ^{2/}	28
Feb.	5.09	45		
Mar.	4.82	25	4.97	9
Apr.	4.91	37	5.14	35
May	*4.88	32	5.15	29
June	4.83	26	*4.95	11
July 8			4.93	11
July 13			4.88	8
Sept. 15			4.80	24
23	4.65	27		
28	4.55 ^{2/}	17		
Oct. 5	4.63 ^{2/}	24		
21	4.67 ^{2/}	22		
Nov. 4			4.88	26
16	4.78	33		
17	4.85	40		
18			5.05	43
Dec. 7	5.00	49		
1961 - Jan. 12	4.60	11		
18	4.55	7		
25	4.44	-2		
Feb. 8			4.60	-2
16			4.65	5
16			4.47	-13
Mar. 23	4.37	8	4.50	5
24			4.40	-5
Apr. 13			4.65	17

*--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.