

H. 14  
JUL 11 1961

July 10, 1961.

CAPITAL MARKET DEVELOPMENTS  
IN THE UNITED STATES

The volume of public security financing to obtain new capital was light during the holiday-shortened week ending July 7, and will be in only moderately larger volume this week. Last week, due primarily to the expiration of a large rights offering, corporations sold large security issues aggregating \$99 million; no large State and local government bond issue was offered. This week, ending July 14, corporate issues, consisting entirely of the expiration of rights offerings, will total \$61 million while four large State and local government bond issues with par value of \$94 million are on the calendar.

Bond yields. Changes in yields on bonds were mixed during the week. While yields on both Aaa and Baa rated corporate bonds increased, with yields on Aaa rated bonds establishing a new high for the year, yields on long-term U. S. Government bonds declined slightly. Yields on State and local bonds were unchanged.

Short- and intermediate-term interest rates. Yield changes on short- and intermediate-term securities were also mixed during the week. Yields on Treasury bills increased 4 basis points while the yields on 3-5 year U. S. Government obligations declined 2 basis points. Reflecting the full impact in the previous week's decrease in advertised interest rates paid on directly placed finance company paper, the weekly average on such paper with 90-179 day maturity declined to 2.50 per cent. The average effective rate for Federal funds increased to 1.38 per cent.

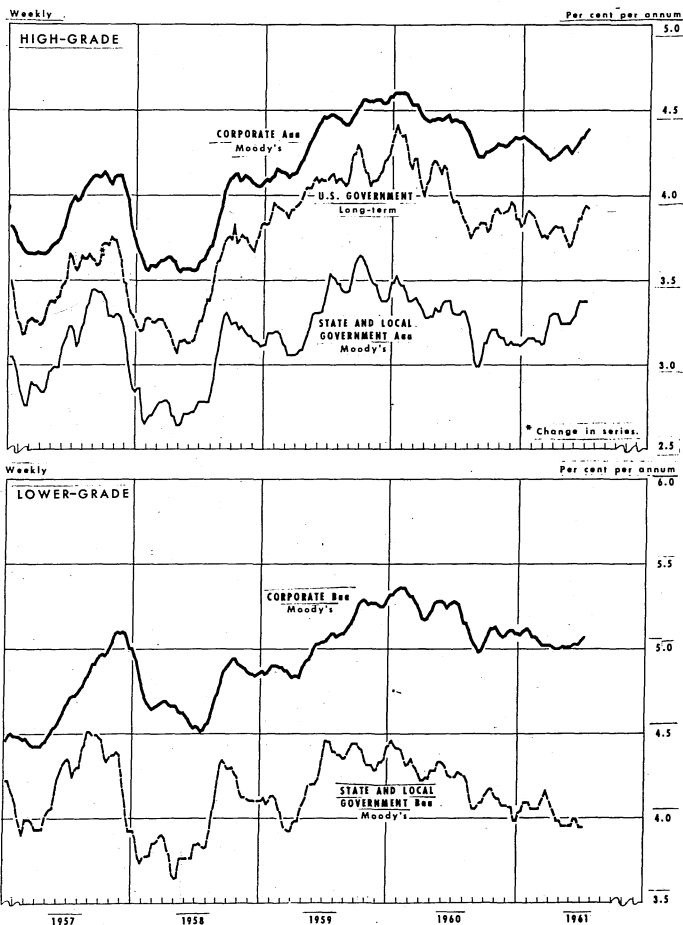
Stock market. Common stock prices, as measured by Standard and Poor's composite index of 500 stocks, increased 2 per cent last week, closing on June 7 at 65.77. Trading volume, which had been declining ever since stock prices reached their high for the year on May 17, picked up after the July 4th holiday, averaging 3.0 million shares a day for the week as a whole.

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**



## Exhibit B - Tables for Exhibit A

-3-

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 (4/6)	1.90 (9/2)	.30	.30
1957 - High	4.14 (9/27)	3.76 (10/18)	3.45 (4/29)	.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 (1/4/60)	3.65 (9/24/59)	.59	.92
1960 - Low	4.23 (9/8)	3.75 (4/5)	2.99 (9/1)	.19	.53
1961 - High	4.39 (7/7)	3.93 (6/30)	3.37 (7/6)	.57	.76
Low	4.21 (3/17)	3.70 (5/12)	3.12 (2/23)	.40	.46
June 9	4.31	3.86	3.35	.45	.51
June 16	4.33	3.86	3.37	.47	.49
June 23	4.34	3.90	3.37	.44	.53
June 30	4.36	3.93	3.37	.43	.56
July 7 p/	4.39	3.92	3.37	.47	.55

## Lower-grade

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 (12/21)	2.93 (4/5)	.52	.96
1957 - High	5.10 (11/29)	4.51 (4/29)	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)	3.94 (7/6)	.68	.57
June 9	5.03	3.99	.72	.64
June 16	5.03	3.99	.70	.62
June 23	5.04	3.97	.70	.60
June 30	5.05	3.94	.69	.57
July 7 p/	5.07	3.94	.68	.57

p/ Preliminary.

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

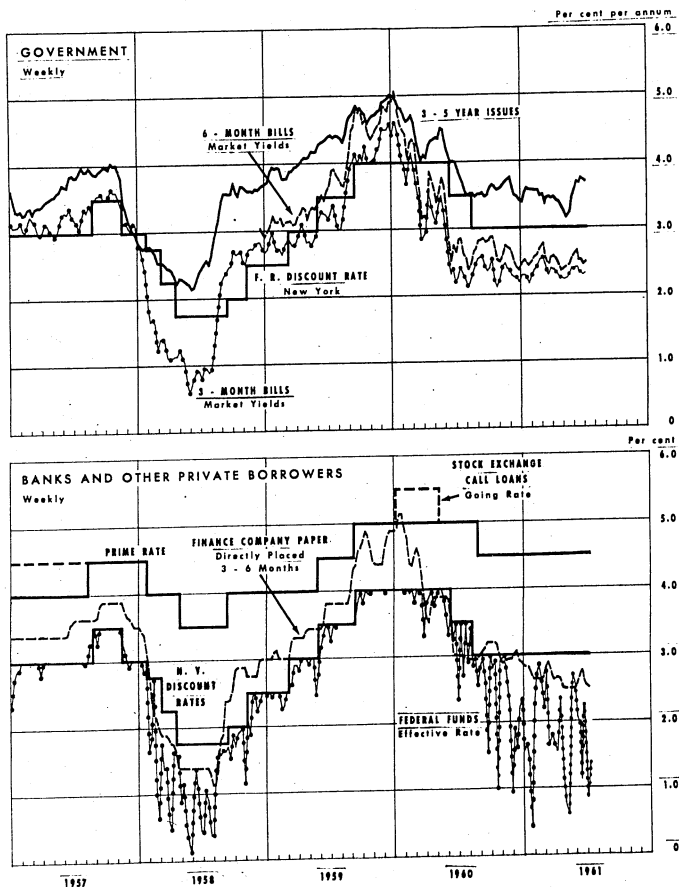
2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

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



## Exhibit D - Tables for Exhibit C

## 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 and yields on 6-mo. 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)	3.74 (6/23)	.25	1.44
Low	3.00	2.17 (1/27)	2.35 (4/28)	3.15 (5/12)	.12	.92
June 9	3.00	2.40	2.64	3.69	.24	1.29
June 16	3.00	2.32	2.50	3.67	.18	1.35
June 23	3.00	2.31	2.50	3.74	.19	1.43
June 30	3.00	2.27	2.45	3.71	.18	1.44
July 7 p/	3.00	2.31	2.49	3.69	.18	1.38

## 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 (12/21)	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 (7/7)	.43 (1/27)	.11
June 9	4.50	4.50	2.71	1.90	.31
June 16	4.50	4.50	2.75	1.15	.43
June 23	4.50	4.50	2.65	2.25	.34
June 30	4.50	4.50	2.54	.85	.27
July 7 p/	4.50	4.50	2.50	1.38	.19

1/ Weekly rate shown 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.

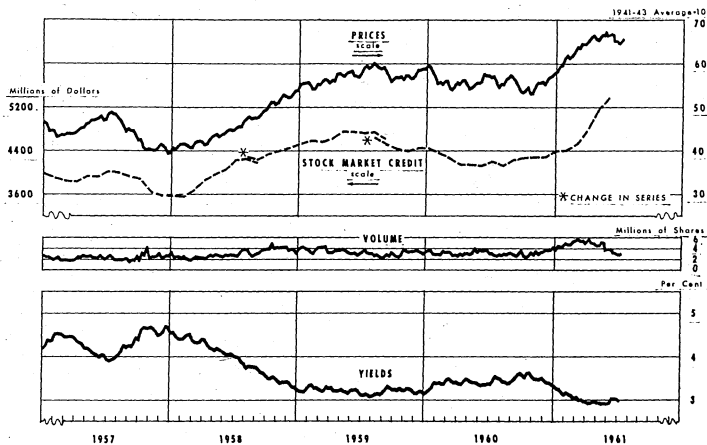
3/ Average of daily rates published by finance companies for directly placed paper for varying maturities in the 90-179 day range.

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.

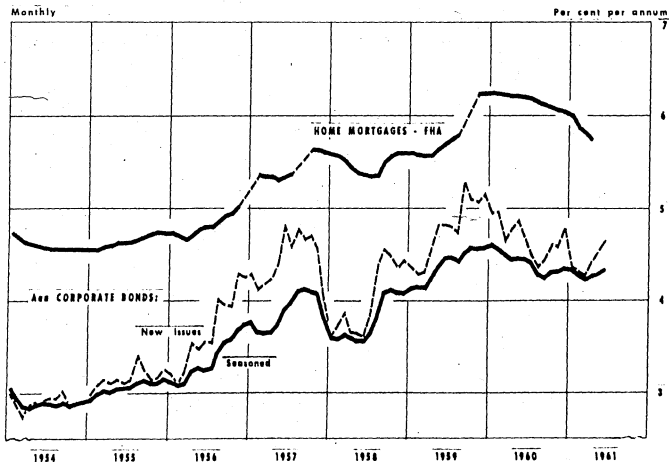
Notes.--Highs and lows are for individual series and may be on different dates for different series. For spreads, high refers to widest, and low to narrowest.

EXHIBIT 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 (1/58)	2,482 (12/57)	1,060 (11/57)
1961 - High	67.27 (5/19)	2.90	5.8	5,382 (5/61)	4,056 (5/61)	1,343 (6/28)
Low	58.48 (1/6)	3.32	2.7	4,416 (1/61)	3,253 (1/61)	1,152 (3/8)
May	66.50	2.92	4.6	5,382	4,056	1,326
June	65.62	2.99	3.3	n.a.	n.a.	1,343
June 23	65.16	3.01	3.2	n.a.	n.a.	1,340
June 30	64.64	3.03	2.7	n.a.	n.a.	1,343
July 7 p/	65.77	2.97	3.0	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
1961 - 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
May	n.a.	4.51	4.27	n.a.	.21
June	n.a.	4.65	4.33	n.a.	.32

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-home 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 FIB, assuming 25-year mortgages are paid off in 12 years. Dashed lines indicate periods of adjustment to changes in the contractual interest rates.

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 natural 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 these categories and those on Aaa-rated bonds. The series reflects changes in industrial crop collaterals, maturity, type, etc. of new offerings.

4/ Moody's Investors Service. Monthly averages of daily data. See Exhibit B.

## Exhibit G

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	570	821	708	700	648
February	667	715	738	661	611	859
March	562	860	616	740	568	638
April	2,115	761	894	e/725	719	934
May	e/1,000	577	785	e/550	545	568
June	e/1,100	1,044	887	e/1,050	991	987
July	e/1,000	736	535	e/550	492	443
August		967	740		606	521
September		726	703		683	470
October		890	879		348	593
November		956	864		501	450
December		852	900		491	478
1st quarter	1,809	2,145	2,204	2,109	1,880	2,145
2nd quarter	e/4,215	2,382	2,567	e/2,325	2,256	2,488
3rd quarter		2,428	1,979		1,780	1,433
4th quarter		2,698	2,642		1,340	1,521
1st half	e/6,330	4,527	4,771	e/4,434	4,136	4,634
Three quarters		6,955	6,750		5,916	6,067
Year		9,653	9,392		7,257	7,588
	Excluding finance companies 3/					
1st quarter	e/1,554	1,716	1,999			
2nd quarter	e/4,065	2,165	2,412			
3rd quarter		2,018	1,716			
4th quarter		2,347	2,503			
Year		8,246	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	100	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	368	-80	4	-174	-59	33	
April	103	70	197	-79	-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	

p/ Preliminary.

1/ These data differ from those in Exhibit G in that refunding issues, as well as new capital issues, are included.

2/ Long-term securities are defined as those maturing in more than one year.

3/ Includes securities offered in the United States by foreign governments and their subdivisions and by international organizations. Source: Securities and Exchange Commission.

4/ Issues not guaranteed by the U. S. Government. Source: long-term, Securities and Exchange Commission; short-term, Treasury Department and Federal Reserve.

5/ 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.

6/ 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) <sup>1/</sup>

## Proceeds of Large Issues Offered

(In millions of dollars)

Month	Corporate	State and local government	Other <sup>2/</sup>
1960 - June	442	561	30
July	303	191	--
August	581	298	75
September	266	367	25
October	566	46	77
November	465	186	150
December	280	222	99
1961 - January	147	391	--
February	267	360	--
March	70	405	67
April	1,572	383	--
May	557	256	25
June	532	616	151

## Large Individual Issues Offered July 1 through 7

Issuer	Type <sup>3/</sup>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Pacific Gas & Elec. Co.	Com. stk.	63.6				
Jim Walters Corp.	1st sub.deb.	20.0	1981	5-7/8	5.85	--
General Acceptance Corp.	Conv.cap.deb.	15.0	1981	5	5.00	--
<u>STATE AND LOCAL GOVERNMENT</u>						
None						
<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.

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 - 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
May 31	487	431	75	611	771	75
June 30	521	195	--	666	291	--

Forthcoming Large Offerings, as of July 7

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Northern Illinois Gas Co.	Com. stk.	22.3	July 11 (rights expire)
Hunt Foods and Industries Inc.	Conv. sub. deb.	38.8	July 14 (rights expire)
Automatic Canteen Co. of America	Conv. sub. deb.	20.8	July 18 (rights expire)
Shell Oil Co.	Deb.	200.0	July 19
Union Electric Co.	1st mtg. bds.	30.0	July 26
Long Island Lighting Co.	1st mtg. bds.	25.0	July
Northern Natural Gas Co.	S. P. deb.	35.0	July
Consumer Power Co.	1st mtg. bds.	40.0	Aug. 16
Northern State Power Co.	1st mtg. bds.	20.0	Aug. 9
Clark Equipment Credit Corp.	Deb.	20.0	Indefinite
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
Realty Collateral Corp.	Coll. tr. notes	20.0	Indefinite
Texas Eastern Transmission Co.	Deb. & pfd. stk.	50.0	Indefinite
<u>STATE AND LOCAL GOVERNMENT</u>			
Los Angeles, California	G.O.	18.8	July 11
Memphis, Tennessee	G.O.	13.5	July 11
New York State Housing Fin. Agency	Rev.	51.9	July 13

## Forthcoming Large Offerings, as of July 7 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Milwaukee County, Wisconsin	G.O.	11.4	July 13
State of Kentucky	G.O.	35.0	July 18
State of Michigan	Rev.-S.T.	35.0	July 26
State of Alaska	G.O.	14.0	July 26
State of North Carolina	G.O.	17.2	July 26
*State of Maryland	G.O.	16.9	Aug. 2
*Public Housing Auth.	--	60.3	Aug. 2
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>			
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 reason other than sale of issue: none.

Yields on New and Outstanding  
Electric Power Bonds, Rated Aa and A 1/2

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 Low	5.30 (12/8/59)	87	5.65 (9/18/59)	123
	2.93 (3/31/54)	-8	3.00 (3/17/54)	-15
1960 - Jan.			*5.30 <sup>2/</sup>	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			4.87	6
Aug.				
Sept.	4.60 <sup>2/</sup>	22	*4.80	24
Oct.	4.65 <sup>2/</sup>	23		
Nov.	4.82	37	4.97	35
Dec.	*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 <sup>2/</sup>	17
21			4.80 <sup>2/</sup>	32
26	4.80	43		
27	4.67	29		
May 17	4.50 <sup>2/</sup>	13	4.72	19
18	4.57	20		
19			4.80	27
23	4.65	27		
26			4.94	40
June 8			5.12	55
13			4.92	36
23	4.87	41		

\*--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.