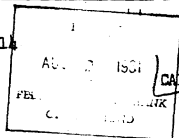


H.14

July 28, 1961.



CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES

The volume of new security financing was moderate last week and is expected to continue so this week. Last week, ending July 28, two large corporate issues for new capital with proceeds of \$65 million were publicly sold while three State and local government bond issues for \$66 million were offered. This week three corporate issues for \$75 million are scheduled for sale and three State and local bond issues with par value of \$87 million are on the calendar.

Bond yields. Yields on corporate and U. S. Government long-term bonds rose one basis point last week; yields on Aaa-rated State and local government bonds declined and those on Baa-rated municipal bonds were unchanged.

Short- and intermediate-term interest rates. Yields on Treasury bills and 3-5 year Government obligations rose last week. The increase in 6-month bill yields was 7 basis points while yields on 3-month bills increased 3 basis points and those on intermediate-term obligations rose 2 basis points. The average effective rate for Federal funds was 1 per cent, 30 basis points less than a week earlier. Other short- and intermediate-term interest rates were unchanged.

Housing starts. Seasonally adjusted private starts--farm and nonfarm--increased moderately further in June to an annual rate of about 1.4 million units. While still substantially below earlier peaks, this was the highest rate this year and higher than in any month of 1960. In the second quarter as a whole, starts were about 5 per cent higher than in the first quarter.

August security volume. Security issues by corporations are expected to be in sharply smaller volume in August than in other recent months while State and local government financing is expected to be in substantial volume. Corporate financing in August is expected to total \$0.6 billion, one-third less than in July and in August last year. Only \$170 million of large issues are scheduled for public offering. State and local government bond sales in August are estimated at \$750 million, two-thirds larger than the revised estimate for July and one-fourth more than in August last year. Accounting for a large part of the estimated August volume is a \$225 million offering of the State of California scheduled for sale at midmonth.

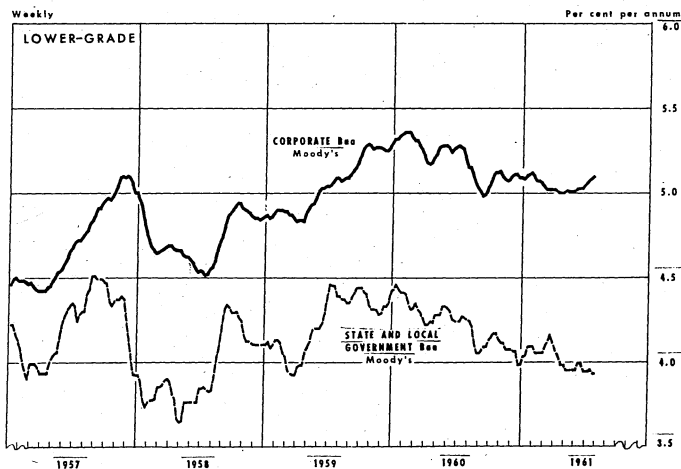
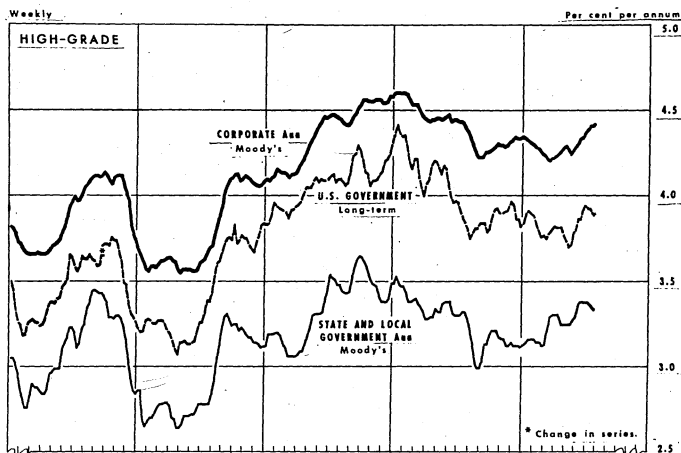
Stock prices. Common stock prices, as measured by Standard and Poor's index of 500 stocks, rose sharply last week, closing at 66.71 on Friday. Most of the 3 per cent increase in prices last week occurred in the two trading sessions immediately following President Kennedy's defense message when trading volume was over 4.0 million shares. At Friday's close, prices were within 1 per cent of their mid-May high.

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	4.42 (7/28)	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 30	4.36	3.93	3.37	.43	.56
July 7	4.39	3.92	3.37	.47	.55
July 14	4.41	3.92	3.36	.49	.56
July 21	4.41	3.88	3.34	.53	.54
July 28 p/	4.42 ✓	3.89	3.33	.53	.56

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 (11/29)	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)	3.93 (7/27)	.67	.57
June 30	5.05	3.94	.69	.57
July 7	5.07	3.94	.68	.57
July 14	5.08	3.95	.67	.59
July 21	5.09	3.93	.68	.59
July 28 p/	5.10 ✓	3.93	.68	.60

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

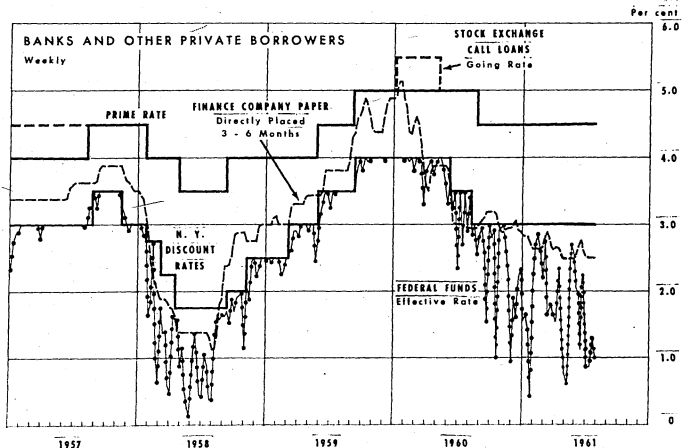
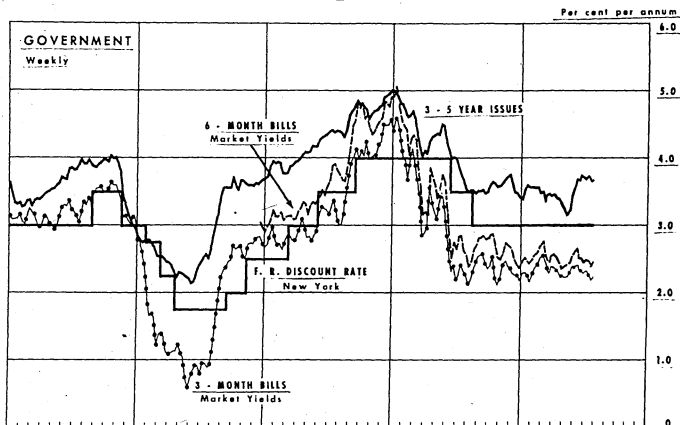


Exhibit D - Tables for Exhibit C
Short- and Intermediate-term Interest Rates

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 (4/11)	--	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	1.47
Low	3.00	2.17 (1/27)	2.35 (4/28)	3.15 (5/12)	.12	.92
June 30	3.00	2.27	2.45	3.71	.18	1.44
July 7	3.00	2.31	2.49	3.69	.18	1.38
July 14	3.00	2.25	2.46	3.72	.21	1.47
July 21	3.00	2.19	2.39	3.66	.20	1.47
July 28 p/	3.00	2.22	2.46	3.68	.24	1.46

Banks and Other Private Borrowers

Date	Stock Exchange call loan 1/	Prime rate 1/	Finance company paper 2/	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 (11/6)	.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 (7/28)	.43 (1/27)	.11
June 30	4.50	4.50	2.54	.85	.27
July 7	4.50	4.50	2.50	.85	.19
July 14	4.50	4.50	2.50	.85	.25
July 21	4.50	4.50	2.50	1.30	.31
July 28 p/	4.50	4.50	2.50	1.00	.28

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.

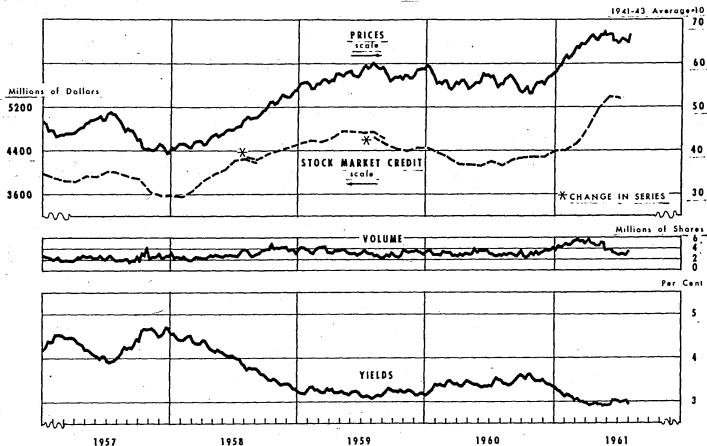
3/ Average of daily rates published by finance companies for directly placed paper for varying maturities in the 90-179 day range.

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

EXHIBIT E

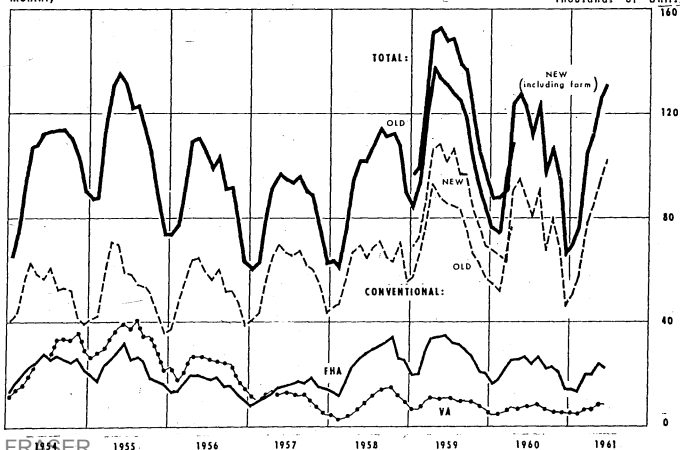
STOCK MARKET



PRIVATE HOUSING STARTS

Monthly

Thousands of Units.



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 bal- ances 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	67.27 (5/19)	2.90	5.8	5,386 (5/61)	4,060 (5/61)	1,376 (7/19)
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	5,386	4,060	1,326
June	65.62	2.99	3.3	5,358	4,015	1,343
July 14	65.28	3.00	3.0	n.a.	n.a.	1,367
July 21	64.86	3.02	2.7	n.a.	n.a.	1,376
July 28 p/	66.71	2.93	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 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.

Private Housing Starts 1/

Date	Total		Unadjusted		
	Seasonally adjusted annual rate	Unadjusted	FHA	VA	Conventional
(Thousand of units)					
1960 - June	1,302	122	26	8	88
July	1,182	111	24	7	80
Aug.	1,292	125	26	8	90
Sept.	1,066	97	22	7	68
Oct.	1,256	109	23	6	81
Nov.	1,216	94	20	5	69
Dec.	979	65	14	5	47
1961 - Jan.	1,127	70	14	5	51
Feb.	1,169	76	13	5	59
Mar.	1,296	105	20	6	78
Apr.	1,166	111	20	6	85
May p/	1,298	127	24	8	95
June p/	1,374	131	22	8	102

- 1/ Total starts are Census estimates, which are not strictly comparable with old nonfarm series developed by BLS. 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. Conventional 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.

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	646	759	568	638
April	2,115	761	894	678	719	934
May	e/1,223	577	785	e/550	545	568
June	e/1,149	1,044	887	e/1,050	991	987
July	e/1,000	736	535	e/ 50	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	2,128	1,880	2,145
2nd quarter	e/4,487	2,382	2,567	e/2,278	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/6,296	4,527	4,771	e/4,406	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	1,554	1,716	1,999			
2nd quarter	e/ 4,337	2,165	2,412			
3rd quarter		2,018	1,716			
4th quarter		2,347	2,503			
Year		8,246	8,630			

e/ Estimated.

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	61	72	50	140	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/		
	1961	1960	1959	1961	1960	1959
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	-87	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 Q 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 Q 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 - 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	--
May	557	256	25
June	532	616	151

Large Individual Issues Offered July 1 through 28

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Pacific Gas & Electric 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	--
Northern Illinois Gas Co.	Com.stk.	22.3				
Hunt Foods & Industries	Conv.sub.deb.	38.8	1986	4-3/8	4.38	Ea
Harvey Aluminum, Inc.	Com.stk.	29.3				
Automatic Canteen Co. of Am.	Conv.sub.deb.	20.8	1981	4-3/4	4.75	Eaa
Shell Oil Co.	Deb.	200.0	1986	4-5/8	4.64	Aaa
Union Electric Co.	1st mtg.bds.	30.0	1991	4-3/4	4.65	Aa
Northern Natural Gas Co.	S.F. deb.	35.0	1981	4-7/8	4.80	A
<u>STATE AND LOCAL GOVERNMENT</u>						
Milwaukee County, Wisc.	G.O.	11.4	1962-81	3.07	1.60-3.30	Aaa
Dade Co. Port Auth., Fla.	Rev.-Rent.	17.3	1964-91	3-3/4-4-3/4	3.25-4.75	--
City of Los Angeles, Calif.	G.O.	18.8	1962-81	3.39	1.65-3.60	Aa
Memphis, Tennessee	G.O.	13.5	1962-91	3.28	1.60-3.55 1/2	Aa
N. Y. St. Hous. Fin. Agency	Rev.	51.9	1964-2004	3.97	2.20-4.00	--
State of Michigan	Rev.-S.T.	35.0	1962-86	3.69	1.70-3.80	A
State of Alaska	G.O.	14.0	1962-91	3.79	1.70-3.90	Baa
State of North Carolina	G.O.	17.2	1962-81	2.98	1.40-3.10	Aaa

Large Individual Issues Offered July 1 through 28 (Cont'd)

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<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 bonds of 1989-91 not reaffered.

Exhibit J

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 28

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Texas Eastern Transmission Co.	Deb. & pfd. stk.	50.0	Aug. 3
Long Island Lighting Co.	1st mtg. bds.	25.0	Aug. 3
Kimberly-Clark Corp.	S.F. deb.	35.0	Aug. 8
Northern State Power Co.	1st mtg. bds.	20.0	Aug. 9
Consumers Power Co.	1st mtg. bds.	40.0	Aug. 16
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

STATE AND LOCAL GOVERNMENT

State of Maryland	G.O.	16.9	Aug. 2
Public Housing Authority	--	60.3	Aug. 2
Sacramento, Calif. Unif. Sch. Dist.	G.O.	10.0	Aug. 2
St. Petersburg, Fla.	Rev.-Ut.	11.0	Aug. 8
Pennsylvania General State Auth.	Rev.-lent.	25.0	Aug. 8
Washington Sub. Sanitary Dist., Md.	G.O.	10.0	Aug. 15
State of California	G.O.	225.0	Aug. 16
Cook County, Illinois	G.O.	25.0	Aug. 22
San Diego, Calif. Unif. Sch. Dist.	G.O.	20.0	Aug. 29
Orleans Parish School Dist., La.	G.O.	10.0	Indefinite
St. Johns County, Florida	G.O.	40.0	Indefinite

Forthcoming Large Offerings, as of July 28 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Jacksonville Expressway Auth.	Rev.-Ut.	40.0	Indefinite
State of Kentucky	G.O.	35.0	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/

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)
1952-1960 - high	5.30 (12/8/59)	87	5.65 (9/18/59)	123
Low	2.93 (3/31/54)	-8	3.00 (3/17/54)	-15
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 <u>2/</u>	17
21			4.80 <u>2/</u>	32
26	4.80	43		
27	4.67	29		
May 17	4.50 <u>2/</u>	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
28	4.87	41		
July 13			4.93	29
26	4.65	14		

- 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.