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August 7, 1961.

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FEDERAL RESERVE BANK (Including Monthly Review of Capital Market Developments)
OF RICHMONDCAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES

Public security financing to obtain new capital was in moderate volume last week, but is expected to be light this week. Last week, ending August 4, large security offerings by corporations aggregated \$105 million while State and local government bond issues totaled \$86 million. This week, ending August 11, one large corporate bond issue of \$20 million is scheduled for sale and two State and local bond issues with par value of \$39 million are on the calendar.

Bond yields. Yields on Aaa-rated corporate and U. S. Government long-term bonds reached new highs for the year last week, increasing 3 and 5 basis points, respectively; yields on Aaa-rated State and local government bonds declined one basis point while those on Baa-rated municipals were unchanged.

Short- and intermediate-term interest rates. Yields on Treasury bills and 3-5 year Government obligations rose last week. Yields on 3-month bills increased 6 basis points while those on 6-month bills rose 5 basis points. Yields on intermediate-term obligations also increased 6 basis points to reach a new high for the year. The average effective rate for Federal funds at 2.05 per cent was up 120 basis points from the revised average for the week ending July 28. Other short- and intermediate-term interest rates were unchanged.

FNMA secondary market operations. Secondary market mortgage purchases by the Federal National Mortgage Association rose somewhat in June after little change in May; offerings of mortgages to the Association, which had begun to turn up in May, increased further. Sales continued very sharply down from the high reached in April and were at the lowest level since last November.

Stock prices. Common stock prices, as measured by Standard and Poor's composite index of 500 stocks, increased 1-1/2 per cent last week, closing at a new high of 67.68 on Friday. Trading volume averaged 3.8 million shares a day, an increase of 0.3 million shares from the previous week.

Capital markets in July. The volume of new corporate security financing remained large in July, totaling close to \$1.0 billion, only slightly less than the very large volume of the immediately preceding months. New State and local government bond financing, however, declined sharply to about \$450 million, the smallest since last October.

The corporate bond market was under considerable pressure early in July as new issue volume continued large and yields on seasoned corporate bonds increased further. However, as it became apparent that the volume of new offerings for the rest of the summer would be quite small, investor reception of new issues improved markedly and bond yields stabilized. Late in the month yields rose again, influenced by the increase in the British Bank Rate and the President's defense speech. For the month as a whole, yields on seasoned Aaa-rated corporate bonds rose 8 basis points to 4.45 per cent (daily basis). At this level yields were 24 basis points above this year's low and only 16 basis points below their early 1960 peak. Average new issue yields (adjusted to an Aaa basis), reflecting largely the improved market sentiment around mid-month, declined about 5 basis points from their June average to about 4.60 per cent.

The light volume of new State and local government financing in July enabled underwriters to reduce substantially their very large volume of advertised inventories and municipal bond yields declined. Dealers' inventories of unsold securities were reduced by nearly \$100 million during the month to a total of only slightly over \$400 million. Yields on Aaa-rated municipal bonds declined 4 basis points from their end of June level (which was also their high for the year) to 3.33 per cent on July 26.

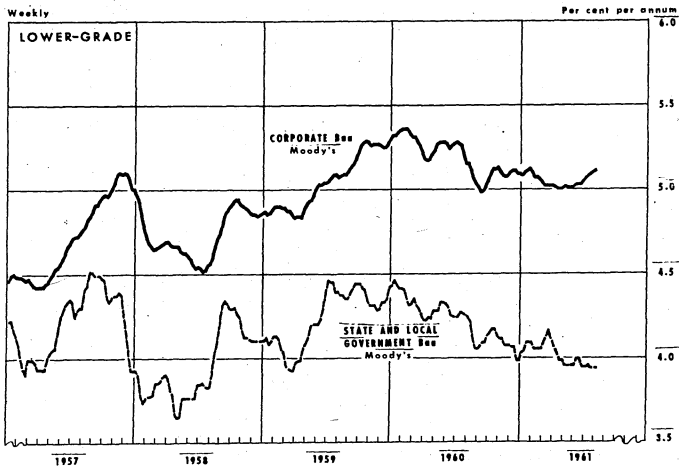
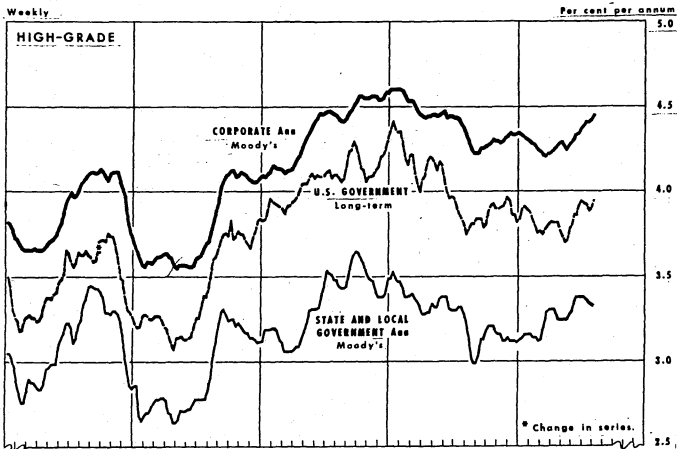
Common stock prices changed little on balance during the first three weeks of July in moderate trading volume. The last week of the month, however, prices increased sharply, reflecting primarily initial investor reaction to the President's speech. Most of the price increase occurred in heavy trading (over 4.0 million shares a day) during the two days immediately following the speech. For the month as a whole, prices, as measured by Standard and Poor's index of 500 stocks, rose 3 per cent to 66.76, 1 per cent below their mid-May high, and trading volume averaged 3.0 million shares a day.

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	4.45 (8/4)	3.94 (8/4)	3.37 (7/6)	.57	.76
Low	4.21 (3/17)	3.70 (5/12)	3.12 (2/23)	.40	.46
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	4.42	3.89	3.33	.53	.56
Aug. 4 p/	4.45	3.94	3.32	.51	.62

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)	3.93 (8/3)	.67	.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	5.10	3.93	.68	.60
Aug. 4 p/	5.11	3.93	.66	.61

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

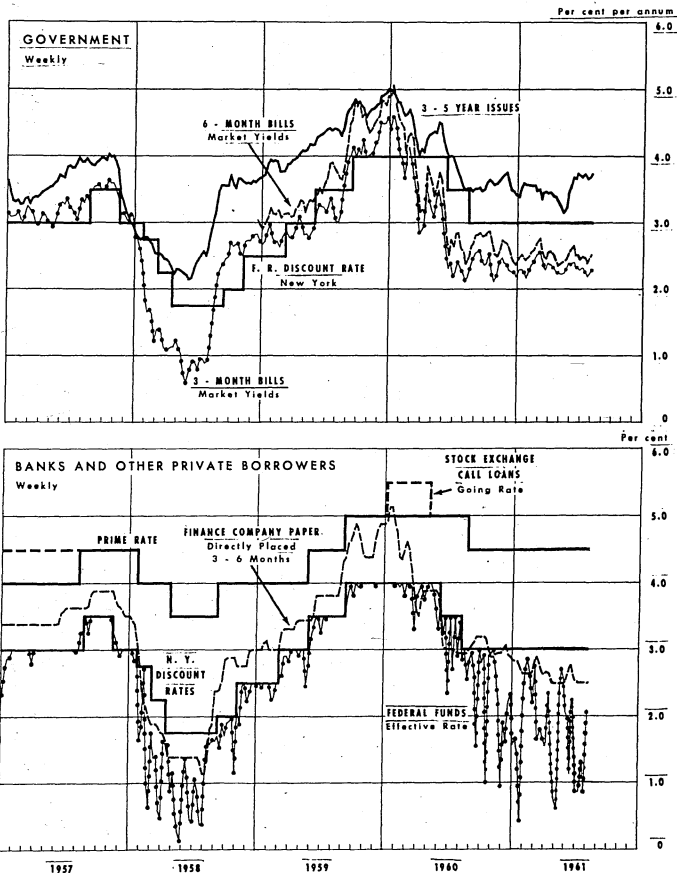


Exhibit D - Tables for Exhibit C

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 (8/4)	.25	1.47
Low	3.00	2.17 (1/27)	2.35 (4/28)	3.15 (5/12)	.12	.92
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	3.00	2.22	2.46	3.68	.24	1.46
Aug. 4 p/	3.00	2.28	2.51	3.74	.23	1.46

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 (7/28)	.43 (1/27)	.11
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	4.50	4.50	2.50	.85	.28
Aug. 4 p/	4.50	4.50	2.50	2.05	.22

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' federal 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.

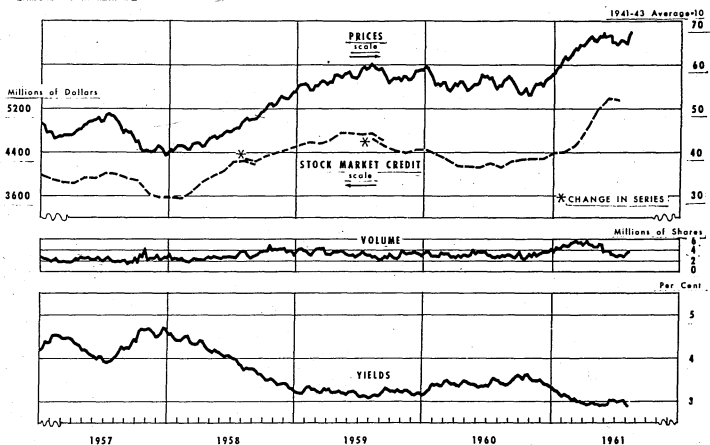
3/ Average of daily rates published by finance companies for directly placed paper for varying maturities in the 90-179 day range.

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: High and low 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

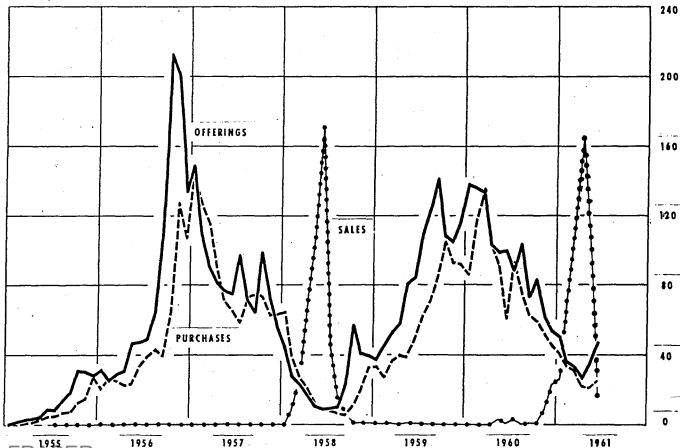
STOCK MARKET



FEDERAL NATIONAL MORTGAGE ASSOCIATION
SECONDARY MARKET OPERATIONS

Monthly

Millions of dollars



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>
(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 (12/23/57)	4.72	1.4	3,554 (1/58)	2,482 (12/57)	1,060 (11/57)
1961 - High	67.68 (8/4)	2.89	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)
June	65.62	2.99	3.3	5,358	4,015	1,343
July	65.38	2.98	3.0	n.a.	n.a.	1,364
July 21	64.86	3.02	2.7	n.a.	n.a.	1,376
July 28	66.71	2.93	3.5	n.a.	n.a.	1,364
Aug. 4 p/	67.68	2.89	3.8	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*.

Federal National Mortgage Association Secondary Market Operations 1/

Date	Estimated Offerings to FNMA			Purchases by FNMA	Sales by FNMA
	Total	Immediate purchase	Standby commitment		
(In millions of dollars)					
1960 - June	99.9	93.7	6.1	60.8	1.0
July	88.0	82.9	5.1	93.7	3.2
Aug.	104.0	89.1	14.8	75.6	.1
Sept.	73.1	69.8	3.3	63.0	.8
Oct.	83.2	68.6	14.6	58.8	1.1
Nov.	61.7	56.9	4.8	51.2	8.9
Dec.	53.3	51.4	1.9	45.5	23.3
1961 - Jan.	50.1	48.1	2.1	41.2	26.2
Feb.	36.3	33.7	2.6	33.7	70.7
Mar.	33.7	29.8	3.9	31.6	115.4
Apr.	26.4	24.0	2.4	21.8	165.6
May	35.0	32.2	2.8	21.3	101.4
June	47.9	46.9	1.0	25.4	17.2

--Less than \$50,000.

1/ Data represent unpaid principal balances of the mortgages involved, exclusive of premiums, discounts, or other charges. Offerings are amounts of applications received during the period from sellers proposing that FNMA execute purchasing contracts. An immediate purchase contract covers existing mortgages which the seller must deliver to FNMA within 45 days. A standby commitment contract relates to proposed mortgages, on housing not yet under construction, which the seller must usually deliver within one year. Purchases include those under both immediate purchases and standby commitment contracts. Data exclude FNMA activity under Special Assistance and Management and Liquidating Programs.

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/450	492	443
August	e/ 600	967	740	e/750	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	2,612		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	149	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

1/ Preliminary.

2/ 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.

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) 1/

Proceeds of Large Issues Offered

(In millions of dollars)

Month	Corporate	State and local government	Other <u>2/</u>
1960 - 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
July	475	179	--

Large Individual Issues Offered August 1 through 4

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Texas Eastern Trans. Co.	Deb.	30.0	1981	5-3/8	5.38	Ba
Texas Eastern Trans. Co.	Conv. pfd. stk.	20.0				
Long Island Lighting Co.	1st mtg. bds.	25.0	1991	5	4.90	A
Kimberly-Clark Corp.	S.F. deb.	30.0	1986	4-5/8	4.63	Aa
<u>STATE AND LOCAL GOVERNMENT</u>						
State of Maryland	G.O.	16.9	1964-76	2.92	2.00-3.10	Aaa
Public Housing Authority	--	60.3	1962-2002	3.45	1.40-3.63	Aaa
Sacramento USD, Calif.	G.O.	10.0	1963-86	3.39	1.85-3.53	<u>4/</u> Aa
<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/ 1986 maturity not reoffered.

Exhibit J

14- 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 - 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	--
July 31	170	406	--	255	537	--

Forthcoming Large Offerings, as of August 4

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
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
<u>STATE AND LOCAL GOVERNMENT</u>			
St. Petersburg, Fla.	Rev.-Ut.	14.0	Aug. 8
Pennsylvania General State Authority	Rev.-Rent.	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 Unif. Sch. Dist., Calif.	G.O.	20.0	Aug. 29
Orleans Parish Sch. Dist., La.	G.O.	10.0	Indefinite
Dade County, Florida	G.O.	46.0	Indefinite
Jacksonville Expressway Auth.	Rev.-Ut.	40.0	Indefinite
State of Kentucky	G.O.	35.0	Indefinite
<u>OTHER</u>			
None			

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)
1952-1960 - 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 ^{2/}	17
21			4.80 ^{2/}	32
26	4.80	43		
27	4.67	29		
May 17	4.50 ^{2/}	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		
Aug. 3			4.90	20

- ^{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.