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August 21, 1961.

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CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES

Public security financing to obtain new capital was in moderate volume last week, and is expected to be light this week. Last week, ending August 18, one large corporate security issue for \$40 million was offered while two State and local government bond issues totaling \$110 million were sold. This week, ending August 25, no large corporate bond issues are on the calendar and only one State and local bond issue with par value of \$25 million is scheduled for sale.

The State of California sold only \$100 million of its \$225 million issue offered for bid on August 22. The successful bidder on the \$100 million portion for which the State accepted the bid had entered an offer which set the net interest cost to the State 11 basis points below that of the other bidding syndicate which had been the only bidder on California bonds in recent years. Bids on the remaining \$125 million of the offering were rejected and these bonds will be offered for bidding again in the near future. As a result of the failure to sell part of the California issue the August estimate of State and local bond sales for new capital has been reduced to \$600 million.

Bond yields. Changes in bond yields were mixed last week. Yields on Aaa-rated corporate bonds remained at their year's high for the third consecutive week. Yields on Aaa-rated State and local government bonds rose a single basis point while yields on long-term U. S. Government bonds declined two basis points.

Short- and intermediate-term interest rates. Yields on 3-month and 6-month Treasury bills increased 12 and 14 basis points, respectively, last week, yields on 6-month bills reaching a new high for the year. Yields on 3-5 year U. S. Government obligations declined 3 basis points. The average rate on directly placed finance company paper with 90-179 day maturity rose 9 basis points last week to 2.69 per cent as a result of increases of $\frac{3}{8}$ and $\frac{1}{8}$ percentage points on paper maturing on or after January 2, 1962, announced by most major finance companies; the effective rate on directly placed finance company paper maturing in 60 days or over through December 29 is $2\frac{1}{2}$ per cent and that on paper maturing on January 2, 1962 out to 270 days is $2\frac{7}{8}$ per cent. The average effective rate on Federal funds fell 25 basis points to 2.45 per cent.

Housing starts. Private housing starts dipped in July, following a pronounced, though irregular, advance this year. The seasonally adjusted annual rate of 1,317,000 in July was about a fifth above the level near the start of the year and the same proportion below the unusually high rate reached in the spring of 1959.

Stock market credit. Customers' credit in the stock market declined slightly in July as it had in June, the only two months in which declines had occurred since July 1960 when margin requirements were lowered to 70 per cent. At \$5.4 billion, however, customer credit was considerably more than a billion dollars above the July 1960 figure. Customer debit balances, excluding those secured by U. S. Government obligations, declined \$33 million, but this was partially offset by an increase of \$21 million in bank loans to other than brokers and dealers for purchasing and carrying securities.

Money borrowed by NYSE member firms declined \$20 million. Customers' free credit balances continued the decline started in May, decreased \$73 million in July. At \$1.2 billion, free credit balances were at the lowest level since last December. These and other data on stock market credit in June and July are shown in the following table.

	End of month		Change
	July	June	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Government securities - total	5,355	r/5,367	-12
Net debit balances	3,991	r/4,024	-33
Bank loans to "others"	1,364	1,343	+21
Net debit balances secured by U. S. Government securities	50	51	-1
Bank loans to "others" for purchasing or carrying U. S. Government securities	106	104	+2
Broker and dealer credit			
Money borrowed except on U. S. Government securities	2,728	r/2,748	-20
On customer collateral	2,391	r/2,363	+28
Money borrowed on U. S. Government securities	71	r/67	+4
Customers' net free credit balances	1,207	1,280	-73

r/ Revised.

Stock prices. Common stock prices, as measured by Standard and Poor's composite index of 500 stocks, rose moderately further last week, reaching a new high of 68.29 on Friday. Trading volume averaged 3.6 million shares a day, the same as in the previous week.

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.

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 (8/18)	4.03 (8/11)	3.37 (7/6)	.57	.76
Low	4.21 (3/17)	3.70 (5/12)	3.12 (2/23)	.40	.46
July 21	4.41	3.88	3.34	.53	.54
July 28	4.42	3.89	3.33	.53	.56
Aug. 4	4.45	3.95	3.32	.51	.62
Aug. 11	4.45	4.03	3.32	.42	.71
Aug. 18 p/	4.45✓	4.01	3.33	.44	.68

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 (12/31)	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 (8/18)	4.16 (3/23)	.81	.93
Low	5.00 (4/21)	3.93 (8/3)	.66	.57
July 21	5.09	3.93	.68	.59
July 28	5.10	3.93	.68	.60
Aug. 4	5.11	3.93	.66	.61
Aug. 11	5.11	3.97	.66	.65
Aug. 18 p/	5.12✓	3.97	.67	.64

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.

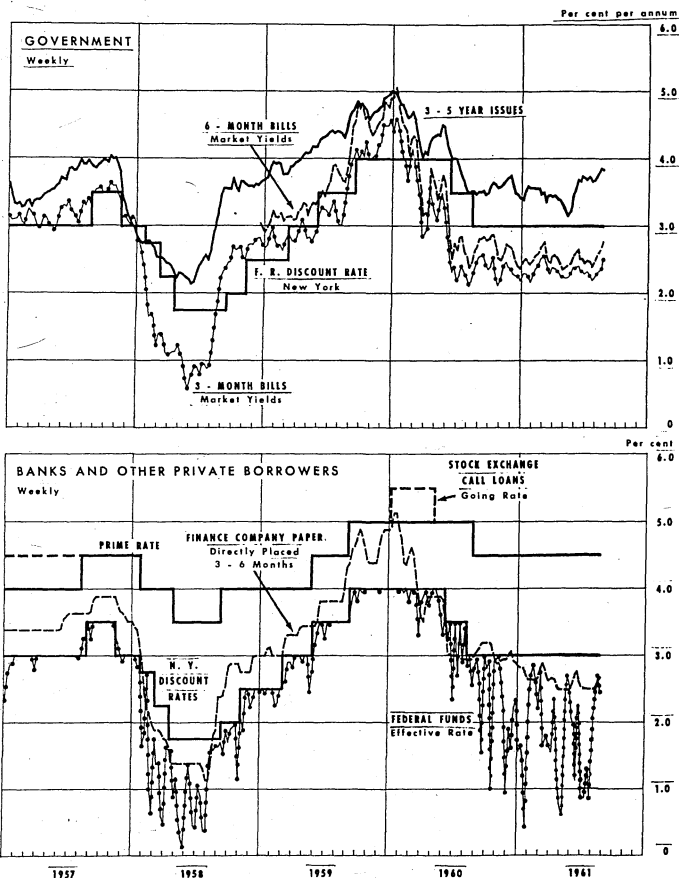
3/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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 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)	2.78 (8/18)	3.86 (8/11)	.28	1.48
Low	3.00	2.17 (1/27)	2.35 (4/28)	3.15 (5/12)	.12	.92
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	3.00	2.28	2.51	3.74	.23	1.46
Aug. 11	3.00	2.38	2.64	3.86	.26	1.48
Aug. 18 p/	3.00	2.50	2.78	3.83	.28	1.33

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 21	4.50	4.50	2.50	1.30	.31
July 28	4.50	4.50	2.50	.85	.28
Aug. 4	4.50	4.50	2.50	2.05	.22
Aug. 11	4.50	4.50	2.60	2.70	.22
Aug. 18 p/	4.50	4.50	2.69	2.45	.19

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.

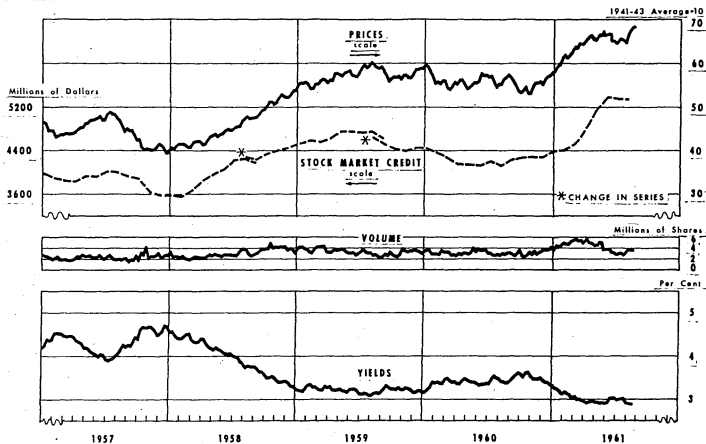
3/ Average of daily rates published by finance companies for directly placed paper for varying maturities in the 90-179 day range.

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

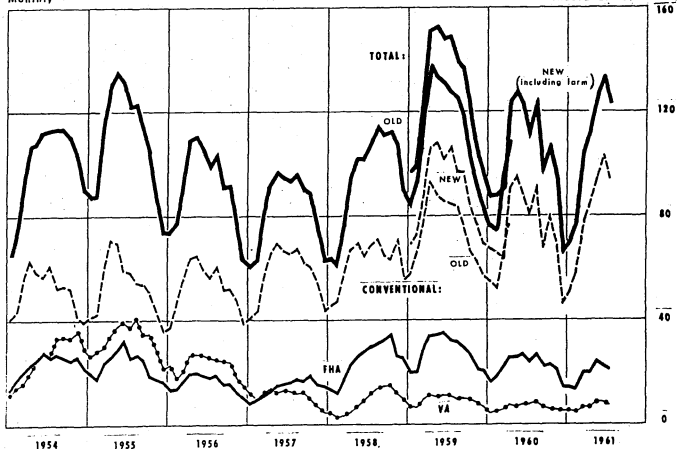
STOCK MARKET



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 Low	60.51 (7/31/59)	3.08	4.9	4,764 (4/59)	3,401 (4/59)	1,373 (5/59)
	39.48 (12/29/57)	4.72	1.4	3,554 (1/59)	2,482 (12/57)	1,060 (11/57)
1961 - High Low	68.29 (8/18)	2.88	5.8	5,386 (5/61)	4,060 (5/61)	1,376 (7/19)
	58.48 (1/6)	3.32	2.7	4,424 (1/61)	3,253 (1/61)	1,161 (3/8)
June	65.62	2.99	3.3	5,367	4,024	1,343
July	65.38	2.98	3.0	5,355	3,991	1,364
Aug. 4	67.68	2.90	3.8	n.a.	n.a.	1,371
Aug. 11	68.06	2.89	3.6	n.a.	n.a.	1,367
Aug. 18 p/	68.29	2.88	3.6	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. High and low 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 - July	1,227	114	24	7	83
Aug.	1,355	130	26	8	96
Sept.	1,089	97	22	7	68
Oct.	1,473	110	23	6	82
Nov.	1,220	93	20	5	67
Dec.	996	64	14	5	46
1961 - Jan.	1,127	70	14	5	51
Feb.	1,166	76	13	5	58
Mar.	1,296	105	20	6	78
Apr.	1,166	111	20	6	85
May	1,291	127	24	8	95
June p/	1,383	133	22	8	103
July p/	1,317	123	21	7	94

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 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	715	700	648
February	667	715	738	681	611	859
March	562	860	616	758	568	638
April	2,118	761	894	720	719	934
May	1,259	577	785	588	545	568
June	1,318	1,044	887	e/1,050	991	987
July	e/1,000	736	535	e/450	492	443
August	e/600	967	740	e/600	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	2,154	1,880	2,145
2nd quarter	1,469	2,382	2,567	e/2,358	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	1, e/504	4,527	4,771	e/4,512	4,136	4,634
Three quarters		6,955	6,750		5,916	6,067
Year		9,653	9,392		7,257	7,508
Excluding finance companies 3/						
1st quarter	1,554	1,716	1,999			
2nd quarter	1,445	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	2	34	58	100	148	--
May	63	72	50	149	354	--
June	24	40	42	278	--	--
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	-8	-80	4	-174	-59	33
April	-103	70	197	-79	-277	50
May	-42	-146	-25	-87	170	368
June		-157	-197	207	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. 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 - 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 18

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
CORPORATE						
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
Northern States Pwr. Co.	1st mtg. bds.	20.0	1991	4-7/8	4.85	Aa
Consumers Power Co.	1st mtg. bds.	40.0	1991	4-5/8	4.60	Aaa
STATE AND LOCAL GOVERNMENT						
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 ^{4/}	Aa
Penna. Gen. State Auth.	Rev.-Rent.	25.0	1964-88	3.54	2.20-3.70	--
St. Petersburg, Fla.	Rev.-Ut.	14.0	1967-91	4.11	2.90-4.10	A
Washington Sub. Sanitary Dist., Md.	G.O.	10.0	1963-92	3.56	2.10-3.85 ^{5/}	A

Large Individual Issues Offered August 1 through 18 (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)						
State of California	G.O.	100.0	1963-87	3.75	2.00-3.90	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/ 1986 maturity not reoffered.
- 5/ 1.10 per cent bonds due 1990-92 were reoffered to yield 4.75.

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 - 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. 31	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 18

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
*Mountain Fuel Supply Co.	Deb.	18.0	Sept. 12
*Western Union Telegraph Co.	Com. stk.	45.0	Sept. 25 (rights expire)
*Pacific Gas & Electric Co.	1st & ref.mtg.bds.	60.0	Sept. 27
*Rochester Gas & Electric Co.	1st mtg. bds.	15.0	Sept. 28
Armour & Co.	Conv. sub. deb.	32.5	Sept. (rights expire)
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>			
Cook County, Illinois	G.O.	25.0	Aug. 22
San Diego Unif. Sch. Dist., Calif.	G.O.	20.0	Aug. 29
*Commonwealth of Massachusetts	G.O.	47.0	Sept. 12
*Los Angeles, Calif.	Rev.-Ut.	15.0	Sept. 15
*Penna. State School Bldg. Auth.	Rev.-Rent.	24.0	Sept. 19

Forthcoming Large Offerings, as of August 18 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
*New York City	G.O.	42.9	Sept. 20
*Oklahoma Building Bond Comm.	G.O.	35.5	Sept. 26
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			

*--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)
1952-1960 - 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
9	4.85	29		

- ^{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.