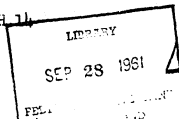


September 25, 1961.

H 11



CAPITAL MARKET DEVELOPMENTS
IN THE UNITED STATES

The volume of security financing to obtain new capital was moderate last week but is expected to be considerably larger this week. Last week, ending September 22, one large corporate security issue for \$15 million was sold and four State and local bond issues aggregating \$117 million were offered. This week, ending September 29, two corporate security offers, including a rights offering, totaling \$105 million are scheduled while four large State and local bond issues with par value of \$156 million are on the calendar.

Bond yields. Yields on long-term U. S. Government bonds declined four basis points last week as it became evident that the Treasury's advance refunding offer had been successful. The decline last week offset a rise the preceding week that had followed announcement of the advance refunding. Yields on Aaa-rated corporate bonds declined one basis point while yields on other bonds were unchanged.

Short- and intermediate-term interest rates. Changes in yields on short- and intermediate-term U. S. Government securities were mixed last week. Yields on 3-month Treasury bills and 3-5 year U. S. Government obligations decreased last week as they had the past several weeks, declining 3 and 4 basis points, respectively, while yields on 6-month bills continued to increase, rising another basis point. The spread between yields on 3- and 6-month bills of 43 basis points last week was the widest since October 1960. The average rate of interest on Federal funds declined 15 basis points to 2.15 per cent.

Housing starts. Private housing starts declined further in August to a seasonally adjusted annual rate of 1,317,000. While below the improved June rate, the July-August average was 4 per cent above the second quarter rate and 3 per cent above a year ago. Seasonally adjusted FHA and VA starts rose somewhat in August.

Stock market credit: A correction. Last week it was reported in error that customer credit in the stock market increased during August. Actually customer credit decreased slightly as a \$19 million decline in customers' debit balances more than offset a \$13 million rise in bank loans to other than brokers and dealers for purchasing and carrying securities. The following table shows corrected stock credit data for August.

	end of month		Change
	Aug.	July	
	(Millions of dollars)		
Customer credit			
excluding U. S. Government securities - total	5,349 ^{c/}	5,355	-6 ^{c/}
Net debit balances	3,972 ^{c/}	3,991	-19 ^{c/}
Bank loans to "others"	1,377	1,364	+13
Net debit balances secured by U. S. Govt. securities	49	50	-1
Bank loans to "others" for purchasing or carrying U. S. Government securities	102	106	-4
Broker and dealer credit			
Money borrowed except on U. S. Government securities	2,679	2,728	-49
On customer collateral	2,363	2,393	-30
Money borrowed on U. S. Government securities	56	69	-13
Customers' net free credit balances	1,208	1,207	+1

^{c/} Corrected.

Stock market. Common stock prices, as measured by Standard and Poor's composite index of 500 stocks, declined more than one per cent last week, closing on September 22 at 66.72, about the level of late July. The average daily volume of trading increased 0.2 million shares from the previous week to 3.2 million shares.

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

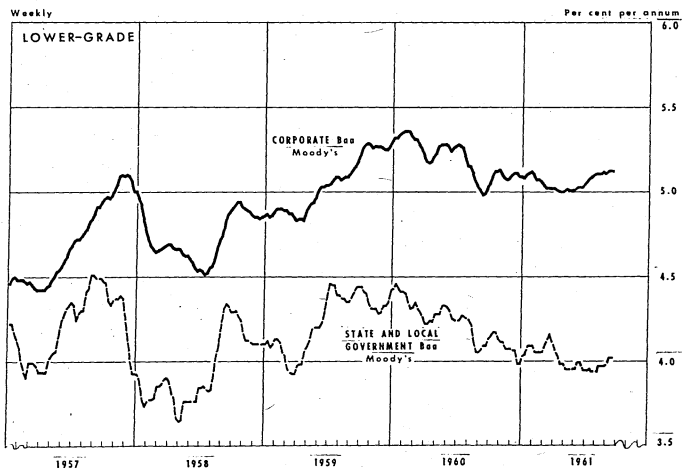
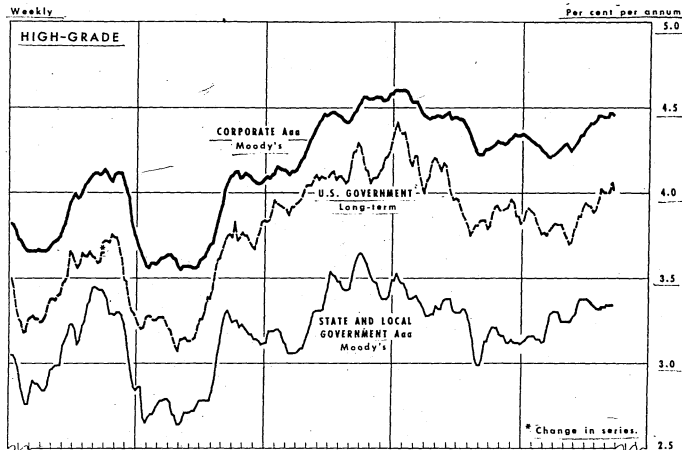


Exhibit B - Tables for Exhibit A

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	4.46 (9/15)	4.06 (9/15)	3.37 (7/6)	.57	.76
Low	4.21 (3/17)	3.70 (5/12)	3.12 (2/23)	.40	.46
Aug. 25	4.44	4.01	3.33	.43	.68
Sept. 1	4.44	4.01	3.34	.43	.67
Sept. 8	4.46	4.02	3.34	.44	.68
Sept. 15	4.46	4.06	3.34	.40	.72
Sept. 22 p/	4.45	4.02	3.34	.43	.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 (9/22)	4.16 (3/23)	.81	.93
Low	5.00 (4/21)	3.93 (8/3)	.66	.57
Aug. 25	5.11	3.97	.67	.64
Sept. 1	5.12	3.98	.68	.64
Sept. 8	5.12	4.02	.66	.68
Sept. 15	5.12	4.02	.66	.68
Sept. 22 p/	5.12	4.02	.67	.68

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

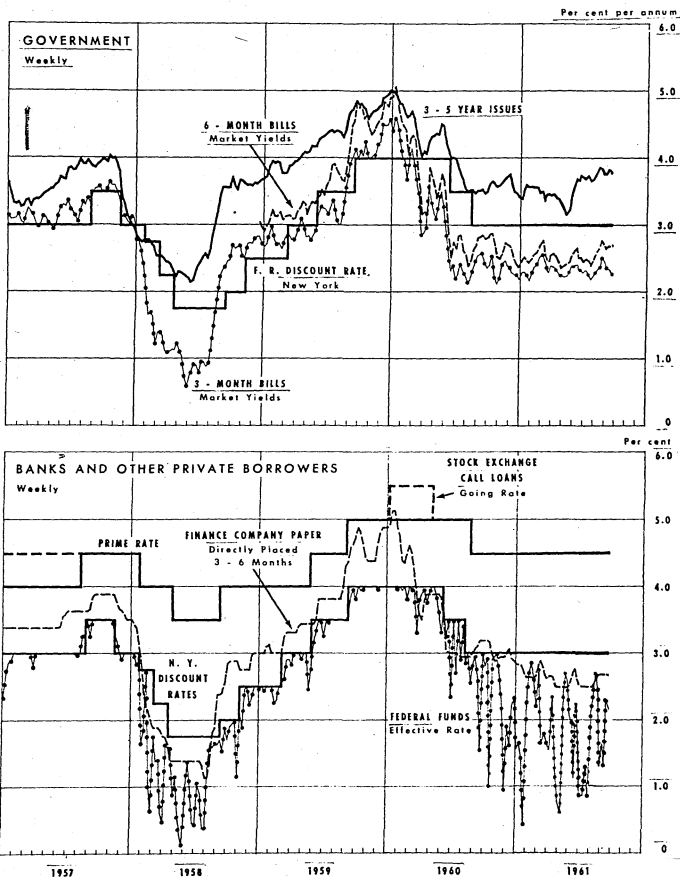


Exhibit D - Tables for Exhibit C

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 (12/24/58)	.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)	.43	1.51
Low	3.00	2.17 (1/27)	2.35 (4/28)	3.15 (5/12)	.12	.92
Aug. 25	3.00	2.43	2.71	3.77	.28	1.34
Sept. 1	3.00	2.34	2.65	3.77	.31	1.43
Sept. 8	3.00	2.32	2.67	3.81	.35	1.49
Sept. 15	3.00	2.29	2.68	3.80	.39	1.51
Sept. 22 p/	3.00	2.26	2.69	3.76	.43	1.50

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
Aug. 25	4.50	4.50	2.69	1.30	.26
Sept. 1	4.50	4.50	2.69	1.65	.35
Sept. 8	4.50	4.50	2.69	1.31	.37
Sept. 15	4.50	4.50	2.69	2.30	.40
Sept. 22 p/	4.50	4.50	2.69	2.15	.11

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.

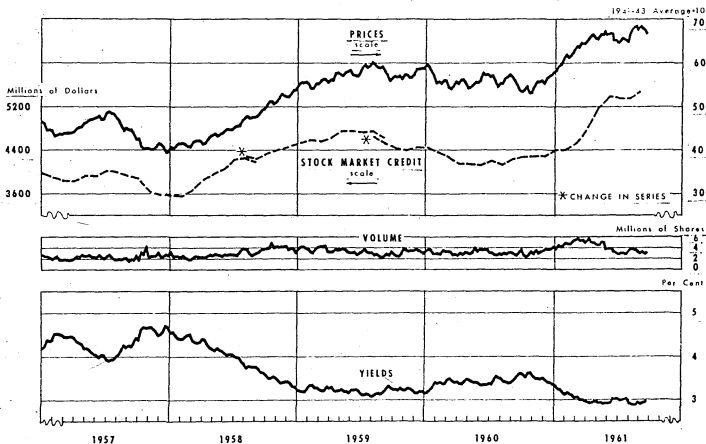
3/ Average of daily rates published by finance companies for directly placed paper for varying maturities in the 90-179 day range.

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

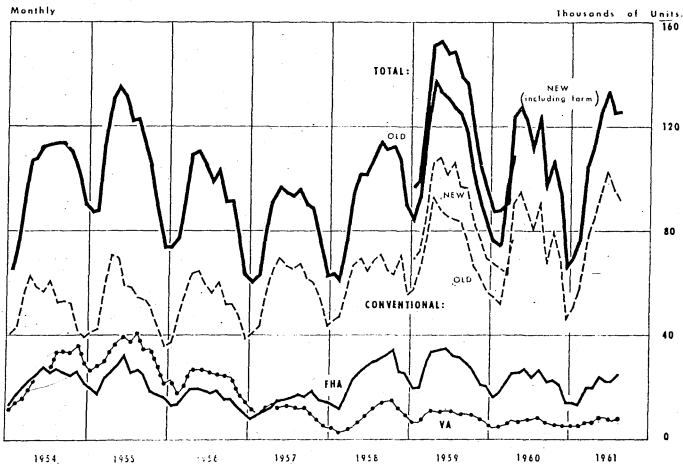
Notes.--Highs and lows are for individual series and may be on different dates for different series. For spreads, high refers to widest, and low to narrowest.

EXHIBIT E

STOCK MARKET



PRIVATE HOUSING STARTS



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 (12/23/57)	4.72	1.4	3,554 (1/58)	2,482 (12/57)	1,060 (11/57)
1961 - High	68.29 (8/18)	2.89	5.8	5,386 (5/61)	4,060 (5/61)	1,378 (8/23)
Low	58.48 (1/6)	3.32	2.7	4,424 (1/61)	3,253 (1/61)	1,161 (3/8)
July	65.38	2.98	3.0	5,355	3,991	1,364
August	67.86	2.90	3.5	5,349	3,972	1,377
Sept. 8	67.88	2.90	3.4	n.a.	n.a.	1,355
Sept. 15	67.65	2.92	3.0	n.a.	n.a.	1,373
Sept. 22 p/	66.72	2.96	3.2	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 Fridays' 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 volumes 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 - Aug.	1,355	130	26	8	96
Sept.	1,089	97	22	7	68
Oct.	1,273	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.	1,169	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	r/ 1,381	133	22	8	103
July p/	1,338	125	22	7	96
Aug. p/	1,317	126	25	8	92

- 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	716	700	648
February	667	715	738	683	611	859
March	562	860	616	760	568	638
April	2,118	761	894	724	719	934
May	1,259	577	785	628	545	568
June	1,318	1,044	887	1,015	991	987
July	957	736	535	e/450	492	443
August	e/600	967	740	e/600	606	521
September	e/700	726	703	e/750	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	2,159	1,880	2,145
2nd quarter	4,695	2,382	2,567	2,367	2,256	2,488
3rd quarter	2,259 e/	2,428	1,979	1,800 e/	1,780	1,433
4th quarter		2,698	2,642		1,340	1,521
1st half	6,504	4,527	4,771	4,526	4,136	4,634
Three quarters	8,761 e/	6,955	6,750	6,326 e/	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	4,552	2,165	2,412			
3rd quarter	2,157 e/	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	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	-155	-157	-197	207	320	286
July		48	57	58	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.

3/ 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 - August	581	298	75
September	266	367	25
October	566	186	77
November	465	46	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	--
August	185	281	100

Large Individual Issues Offered September 1 through 22

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Mountain Fuel Supply Co.	Deb.	18.0	1986	4-7/8	4.80	A
Armour & Co.	Conv. sub. deb.	32.6	1983	4-1/2	4.50	Ba
First Mortgage Investors	Benef. interests	15.0				
<u>STATE AND LOCAL GOVERNMENT</u>						
Cheyenne, Wyoming	Rev.-Ut.	10.0	1963-91	3.57	2.00-3.65	Aa
Commonwealth of Mass.	G.O.	46.8	1962-2009	3.29	1.60-3.90	Aa
State of California	G.O.	100.0	1963-87	3.76	2.00-3.85	A
Okla. Bldg. Bond Comm.	G.O.	35.5	1964-86	3.18	2.00-3.35	Aa
Penna. St. Sch. Bldg. Auth.	Rev.-Rent.	25.9	1962-2000	3.69	1.70-4.60	--
New York City, New York	G.O.	42.9	1962-76	2.72	1.70-3.50	A-
Los Angeles Dept. of Wtr. and Pwr., Calif.	Rev.-Ut.	18.0	1962-91	3.50	1.60-3.70	Aa
<u>OTHER</u>						
Federal Land Banks	Deb.	73.3	1966	4-1/4	4.25	--

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 - 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	--
Aug. 31	175	399	73	240	530	73

Forthcoming Large Offerings, as of September 22

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
CORPORATE			
Western Union Telegraph Co.	Com. stk.	45.0	Sept. 25 (rights expire)
Pacific Gas & Electric Co.	1st & ref. mtg. bds.	60.0	Sept. 27
Public Service Co. of Colorado	1st mtg. bds.	30.0	Oct. 3
Gulf States Utilities Co.	Deb.	15.0	Oct. 4
Allied Stores Corp.	Conv. sub. deb.	27.0	Oct. 9 (rights expire)
Public Service Electric & Gas Co.	Deb.	50.0	Oct. 18
Georgia Power Co.	1st mtg. bds. & pf. stk.	17.0	Oct. 19
Keystone Steel & Wire Co.	Conv. sub. deb.	20.0	Oct.
Northern Indiana Public Service Co.	Conv. deb.	20.3	Oct. (rights expire)
Niagara Mohawk Power Co.	mtg. bds. & com. stk.	70.3	Oct.
FMC Corp.	Conv. sub. deb.	30.0	Oct.
*Family Finance Corp.	Sen. deb.	25.0	Oct.
*General American Transp. Corp.	Equip. tr. ctf.	25.0	Oct.
*Idaho Power Co.	1st mtg. bds. & com. stk.	16.8	late Oct. or early Nov.
Rochester Gas & Electric Co.	1st mtg. bds.	15.0	Indefinite
Commerce Oil Refining Corp.	Deb., bds. & com.	45.0	Indefinite
Healy Collateral Corp.	Coll. tr. notes	20.0	Indefinite

Forthcoming Large Offerings, as of September 22 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
Detroit, Michigan	G.O.	14.5	Sept. 26
Detroit City Sch. Dist., Mich.	G.O.	10.0	Sept. 26
Georgia State Sch. Bldg. Auth.	Rev.-Rent.	31.5	Sept. 26
State of Illinois	G.O.	100.0	Sept. 27
*New Haven, Conn.	G.O.	10.3	Oct. 5
Los Angeles Sch. Dist., Calif.	G.O.	35.0	Oct. 14
Wayne County, Mich.	G.O.	16.8	Oct. 17
*Pittsburgh & Allegheny Co. Public Aud. Auth.	Rev.-Rent.	15.0	Oct. 19
*State of Texas	G.O.	25.0	Oct. 19
*Omaha Public Power Dist., Nebraska	Rev.-Ut.	17.0	Nov. 16
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>			
Japan Development Bank	Bonds	20.0	Oct. 4

*--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: New England Power Co., 1st mtg. bds. since only \$12.3 million of the \$20 million is for new capital.

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.