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October 13, 1955

CAPITAL MARKET DEVELOPMENTS

Only one large public offering for new capital was floated last week--a 35 million dollar debenture issue. No large corporate issues are scheduled for offering this week; however proceeds from the American Telephone and Telegraph 637 million dollar convertible debenture issue will be included in the total since subscription rights expire on October 13. Although a significant proportion of the rights had been exercised prior to the first of October, the entire amount is counted at the time of the expiration date. State and local governments are scheduled to offer large issues totaling 112 million dollars.

Two of the large issues sold this week represent securities on which bids had been rejected when first offered this summer. On October 10, the Board of Commissioners of Cook County, Illinois sold 40 million dollars of general obligation bonds at a net interest cost of 2.56 per cent compared to the cost of the rejected bid of 2.69 per cent made in mid-August. The following day, the New York State Thruway Authority accepted a bid with a net interest cost of 2.51 per cent on its 50 million dollar general revenue issue. In July the sole bid on an offering of 125 million dollars with the same maturity would have resulted in a net interest cost of 2.79 per cent. Both offerings were favorably received by investors.

Bond yields - U. S. Government long-term bond yields declined three basis points last week. Yields on other outstanding bonds remained stable.

In general, bond yields have fallen during the last few weeks from the 1955 highs which were reached in early September. Despite the decline, yields are still above the averages prevailing last spring, before the summer rise occurred. Corporate yields are 11 basis points higher and State and municipal Aaa and Baa bond yields are 19 and 15 basis points higher, respectively, than last March levels.

Stock prices - The SEC index of 265 common stocks dropped 6.7 points during the week ending October 7 to 251.2 in moderate trading volume. According to daily indexes, prices declined sharply through Tuesday of this week but regained some of the loss on Wednesday.

More detailed information concerning recent capital market developments will be found in the attached exhibits.

Business Finance and Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

EXHIBIT A

HIGH-GRADE BOND YIELDS



Date	Corporate Aaa ^{1/}	U. S. Govt. long-term ^{2/}	State and local govt., Aaa ^{3/}	Spread between	
				U. S. Govt. and Corporate Aaa	State and local Aaa
(Per cent)					
1952 - High	3.03 (1/4)	2.79 (12/27)	2.00 (10/23)	.37	1.02
Low	2.91 (2/15)	2.56 (5/17)	1.65 (5/1)	.19	.71
1953 - High	3.42 (6/19)	3.15 (6/6)	2.73 (6/25)	.38	.84
Low	2.99 (1/9)	2.78 (12/26)	1.98 (1/8)	.19	.30
1954 - High	3.09 (1/8)	2.74 (1/9)	2.21 (6/10)	.13	.61
Low	2.95 (4/23)	2.44 (8/7)	1.90 (9/2)	.32	.29
1955 - High	3.14 (9/9)	2.94 (8/5)	2.34 (9/8)	.34	.70
Low	2.91 (1/7)	2.62 (1/7)	2.05 (5/26)	.13	.54
September 9	3.14	2.88	2.34	.26	.54
September 16	3.13	2.89	2.32	.24	.57
September 23	3.13	2.89	2.27	.24	.62
September 30	3.12	2.86	2.27	.26	.59
October 7	3.12	2.83	2.27	.29	.56

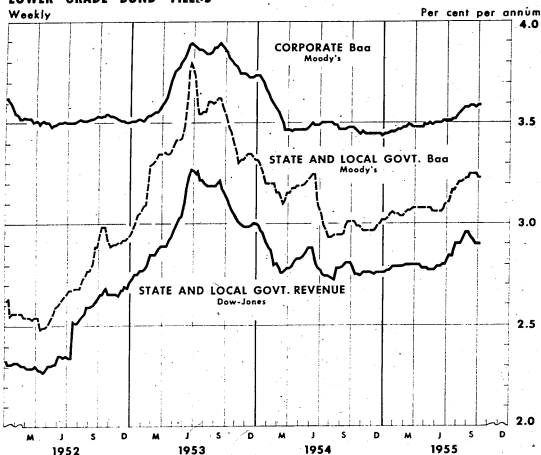
^{1/} Weekly average of daily figures. Average term of bonds included is 25-26 years.

^{2/} Weekly average of daily figures; old series. Average term to first call of bonds included is 13-14 years.

^{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.

LOWER-GRADE BOND YIELDS



Date	Corporate Baa ^{1/}	State and local govt. Baa ^{2/}	State and local govt. rev. ^{3/}
	(Per cent)		
1952 - High	3.63 (1/4)	2.98 (10/23)	2.69 (12/19)
Low	3.48 (5/16)	2.48 (4/17)	2.27 (4/25)
1953 - High	3.89 (9/18)	3.79 (6/25)	3.27 (6/26)
Low	3.50 (1/2)	2.96 (1/8)	2.71 (1/2)
1954 - High	3.74 (1/8)	3.32 (1/7)	3.00 (1/1)
Low	3.44 (12/31)	2.93 (8/5)	2.72 (8/13)
1955 - High	3.59 (10/7)	3.25 (9/22)	2.95 (9/2)
Low	3.45 (1/14)	3.02 (1/6)	2.76 (1/7)
September 9	3.59	3.25	2.93
September 16	3.59	3.25	2.92
September 23	3.58	3.25	2.90
September 30	3.59	3.23	2.90
October 7	3.59	3.23	2.90

^{1/} Weekly average of daily figures. Average term of bonds included is 25-26 years.

^{2/} Thursday figures. Only general obligation bonds are included; average term is 20 years.

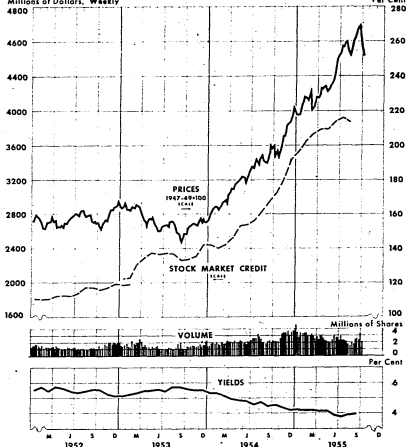
^{3/} Friday figures. Average rating of bonds included is between Baa and A; average term is 20 years.

Note.—Highs and lows are for individual series and may be on different dates for different series.

EXHIBIT C

STOCK MARKET

Millions of Dollars, Weekly



Date	Stock price index ^{1/}	Trading volume ^{2/} (millions of shares)	Common stock yields ^{3/} (per cent)	Stock market customer credit		
				Total	Customers' debit balances ^{4/}	Bank loans to "others" ^{5/}
(Millions of dollars)						
1952 - High	165.3 (12/26)	2.0	5.77	1,986	1,332	656
Low	151.7 (10/24)	0.9	5.13	1,804	1,241	562
1953 - High	167.1 (1/2)	2.5	5.75	2,445	1,665	780
Low	144.0 (9/18)	0.9	5.15	2,055	1,314	664
1954 - High	221.4 (12/31)	3.7	5.33	3,436	2,388	1,048
Low	156.5 (1/6)	1.4	4.20	2,405	1,653	746
1955 - High	269.7 (9/23)	4.6	4.22	3,911	2,734	1,177
Low	217.4 (1/14)	1.5	3.78	3,537	2,517	1,018
August	254.5	1.8	3.91	3,865	2,710	1,155
September	263.6	2.9	3.93	n.a.	n.a.	1,161
September 23	269.7	2.4	n.a.	n.a.	n.a.	1,173
September 30	257.9	4.3	n.a.	n.a.	n.a.	1,161
October 7	251.2	2.1	n.a.	n.a.	n.a.	n.a.

n.a.—Not available.

^{1/} SEC index of 265 common stocks, weekly closing prices, 1939=100; converted to 1917=100 by Federal Reserve. The conversion factor is 123.91.

^{2/} Averages of daily trading volume on the New York Stock Exchange.

^{3/} Moody's 200 common stocks; end of month figures.

^{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 all loans for purchasing or carrying U. S. Governments for 1952; since 1953 only these loans at banks in New York and Chicago are excluded. Weekly reporting banks account for about 72 per cent of loans to others.

Note.—Highs and lows are for individual series and may be on different dates for different series.

Corporate and State and Local Government
Security Offerings and Placements

(In millions of dollars)

	New capital					
	Corporate			State and local		
	1955	1954	1953	1955	1954	1953
January	546	547	623	535	396	390
February	436	426	623	312	411	360
March	1,261	635	666	538	565	426
April	494	497	779	427	734	329
May	903	656	675	350	748	649
June	697	842	1,123	641	853	434
July	531	909	483	470	279	519
August	e/750	335	325	e/235	261	259
September	e/625	747	753	e/390	649	475
October	e/1,300 ^{1/}	1,003	577	e/1,050	594	453
November		290	429		423	408
December		604	1,438 ^{2/}		877	774
1st quarter	2,243	1,608	1,912	1,385	1,372	1,176
2nd quarter	2,094	1,995	2,578	1,418	2,334	1,412
3rd quarter	e/1,905	1,991	1,561	e/1,095	1,188	1,253
4th quarter		1,896	2,444 ^{2/}		1,894	1,636
Year		7,490	8,495		6,789	5,477
	Excluding finance companies ^{3/}					
1st quarter	1,791	1,527	1,669			
2nd quarter	1,912	1,927	1,991			
3rd quarter	e/1,730	1,911	1,223			
4th quarter		1,792	2,344			
Year		7,158	7,227			

e/ Estimated.

^{1/} Includes 637.2 million dollar AT&T convertible debenture issue.^{2/} Includes 602.5 million dollar AT&T convertible debenture issue.^{3/} Total new capital issues excluding offerings of sales and personal finance companies.

Note.—Details may not add to totals due to rounding.

Large Public Security Issues for New Capital
(Other than U. S. Treasury) ^{1/}

Proceeds of Large Issues Offered

(Millions of dollars)

Month	Corporate	State and local government	Other ^{2/}
1954 - September	364	455	--
October	433	388	--
November	0	268	--
December	121	689	30
1955 - January	141	341	35
February	63	107	--
March	750	337	--
April	173	238	15
May	483	152	--
June	175	r/403	--
July	101	278	--
August	405	r/65	--
September	328	r/234	--

Large Individual Issues Offered October 3 through 10

Issuer	Type ^{3/}	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Public Service Electric and Gas	Deb.	35.0	1975	3 1/2	3.35	A
<u>STATE AND LOCAL GOVERNMENT</u>						
None						
<u>OTHER</u>						
None						

r/ Revised.

^{1/} Includes corporate and other security offerings of 15 million dollars and over; State and local government security offerings of 5 million and over.

^{2/} Includes foreign government and International Bank for Reconstruction and Development issues.

^{3/} In the case of State and local government securities, G.O. denotes general obligation; Rev., revenue bonds; G.R., general obligations additionally secured by facilities revenues; and, L.L. limited liability obligations secured by pledge of designated revenues.

Forthcoming Large 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/
1954 - Sept. 30	343	383	--	414	2,158	--
Oct. 29	15	436	--	135	1,957	30
Nov. 30	94	661	30	246	2,682	30
Dec. 31	184	567	--	216	2,144	35
1955 - Jan. 31	16	682	--	422	1,961	--
Feb. 28	710	524	--	1,395	1,978	--
Mar. 31	211	208	--	922	2,009	--
Apr. 29	425	116	--	1,141	1,917	--
May 31	160	339	--	850	1,861	--
June 30	67	344	--	830	1,845	--
July 29	407	100	--	1,135	2,018	--
Aug. 31	222	184	--	920	1,971	--
Sept. 30	805	843	--	909	2,205	--

Forthcoming Large Offerings, as of October 7

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
American Telephone and Telegraph	Conv. deb.	637.2	October 13
Southern Bell Telephone & Telegraph	Deb.	30.0	October 17
Burlington Industries	Sub. conv. deb.	30.0	October 19
New York State Electric and Gas	1st mtg. bds.	15.0	October 19
Pacific Gas and Electric	Pfd. stock	25.0	October 25
Long Island Lighting	1st mtg. bds.	15.0	October 26
Southern New England Telephone and Telegraph	Common stock	17.9	October 28
*United Gas	1st mtg. bds.	20.0	November 9
New England Telephone & Telegraph	Deb.	30.0	November 15
Southern Co.	Common stock	30.0	November 22
Southern California Gas	Bonds	40.0	November
*New Jersey Bell Telephone	Deb.	25.0	December 14
Freedom Insurance Company	Common stock	22.0	1955
<u>STATE AND LOCAL GOVERNMENT</u>			
Cook County, Illinois	G.O.	40.0	October 10
State of Tennessee	G.O.	8.6	October 10
Monterey Co., California	G.O.	7.0	October 11

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

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)			
New York State Thruway Authority	G.R.	50.0	October 11
Orleans Parish, Louisiana	G.O.	6.0	October 13
Illinois Turnpike Authority	Rev.	415.0	October 18
Philadelphia, Pennsylvania	G.O.	39.9	October 18
Jersey City Sewerage Authority	Rev.	13.0	October 19
*Corning, New York	n.a.	5.1	October 19
Public Housing Authorities	--	122.3	October 26
Texas Turnpike Company	Rev.	137.0	October 26
Cleveland, Ohio	n.a.	9.0	October 27
Florida State Board of Education	n.a.	10.6	November 1
*Los Angeles, California	n.a.	25.0	November 1
State of California	n.a.	60.0	November 2
Territory of Hawaii	n.a.	7.5	November 16
Commonwealth of Massachusetts	n.a.	159.9	November 16
California Toll Bridge Authority	Rev.	46.0	December 13
Connecticut Expressway	Rev.	100.0	1955
Inter-American Center Auth., Fla.	Rev.	25.0	1955
Michigan Turnpike Authority	Rev.	186.0	1955-56
California Toll Bridge Authority	Rev.	235.0	1955-56
Louisiana Turnpike Commission	Rev.	100.0	1955-56
Oklahoma Turnpike Authority	Rev.	146.0	1955-56
Pennsylvania Turnpike Commission	Rev.	62.0	1955-56
Washington State Toll Bridge Auth.	Rev.	227.0	1956
<u>OTHER</u>			
None			

n.a.--Not available.

*--Included in table for first time.

1/ Includes corporate and other issues of 15 million dollars and over; State and local government issues of 5 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues.