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February 24, 1956

CAPITAL MARKET DEVELOPMENTS

Four large State and local government bond issues totaling \$82 million and two corporate issues with proceeds of \$65 million were publicly sold for new capital during the week ending February 17. Large offerings totaling \$71 million for State and local governments and \$56 million for corporations are scheduled for sale this week.

Bond yields - Yields on outstanding bonds--corporate, Federal and municipal--declined slightly or remained stable during the week ending February 17.

Yields on newly offered bond issues are currently 8 basis points above yields on outstanding bonds of similar term and quality as measured by the series shown in Exhibit G. In October 1955, the date of the last previous sale of 30-year first mortgage electric power utility bonds, the new offering was priced to yield slightly less than similar outstanding bonds.

The sale, last week, of a \$50 million issue of New York Thruway Authority bonds (State guaranteed) presents an unusual opportunity to compare changes in net interest cost of new issues with changes in yield averages of outstanding State and local government bonds. Comparisons of changes in net interest costs can be made only rarely, since market acceptability of bonds of different issuers varies considerably even when the bonds are rated identically by the investment services and since the average term of serial issues often varies widely. In the last eight months, however, the New York Thruway Authority offered or sold (in one instance the bid was rejected) issues of identical average term--about 35 years. Over the period during which these issues were offered--July 1955 through February 1956--net interest costs have fluctuated much more widely than have yields on outstanding issues of comparable quality. In particular, the decline this year has been more pronounced; between December 7 and February 15, net interest costs on Thruway issues fell 32 basis points while the Moody index of Aaa State and local government bond yields declined only 11 basis points.

The table on the following page compares changes in the net interest cost of the Thruway issues (which are rated Aaa by investment services) with changes in the average yield on outstanding Aaa-rated bonds with 20-year maturity.

Date	Thruway issues		Moody's Aaa State and local bonds	
	Net interest cost	Change from preceding date	Change from preceding date	Yield
	(Per cent)	(Basis points)	(Basis points)	(Per cent)
July 12, 1955	2.79			2.23
October 11, 1955	2.51	-28	+2	2.25
December 7, 1955	2.74	+23	+3	2.28
February 15, 1956	2.42	-32	-11	2.17

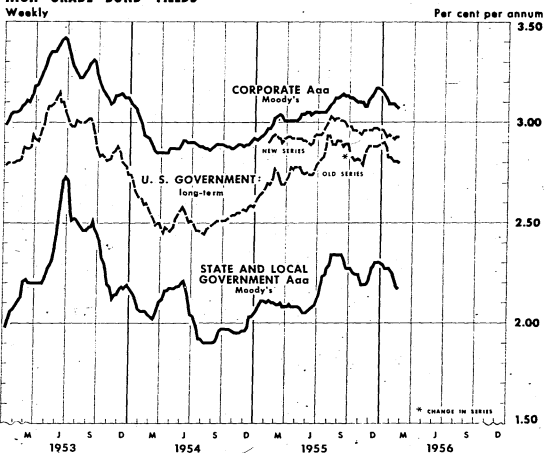
Stock prices - The SEC index of 265 common stock prices rose 6 points during the week ending February 17 to a level of 266, which is close to its high for the year. Most of the gain occurred at the end of the week. Daily indexes indicate prices were stable Monday and Tuesday of this week.

More detailed information concerning recent capital market developments is presented 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 <sup>1/</sup>	U. S. Govt., long-term <sup>2/</sup>		State and local govt. Aaa <sup>3/</sup>	Spread between U. S. Govt. (old series) and Corporate <sup>1/</sup> State and local Aaa	
		Old series	New series		Corporate Aaa	State and local Aaa
	(Per cent)					
1953 - High	3.42 (6/19)	3.15 (6/6)	n.a.	2.73 (6/25)	.38	.84
Low	2.99 (1/9)	2.78 (12/26)	n.a.	1.98 (1/8)	.19	.30
1954 - High	3.09 (1/8)	2.74 (1/9)	n.a.	2.21 (6/10)	.43	.61
Low	2.85 (4/23)	2.44 (8/7)	n.a.	1.90 (9/2)	.32	.29
1955 - High	3.17 (12/23)	2.94 (8/5)	3.03 (8/5)	2.34 (9/8)	.34	.70
Low	2.91 (1/7)	2.62 (1/7)	2.89 (6/10)	2.05 (5/26)	.13	.54
1956 - High	3.14 (1/6)	2.90 (1/6)	2.96 (1/6)	2.29 (1/5)	.28	.63
Low	3.07 (2/17)	2.80 (2/17)	2.92 (2/3)	2.17 (2/16)	.24	.56
January 20	3.11	2.83	2.93	2.27	.28	.56
January 27	3.09	2.83	2.94	2.27	.26	.56
February 3	3.09	2.81	2.92	2.24	.28	.57
February 10	3.08	2.81	2.93	2.18	.27	.63
February 17	3.07	2.80	2.93	2.17	.27	.63

<sup>1/</sup> Weekly average of daily figures. Average term of bonds included is 25-26 years.

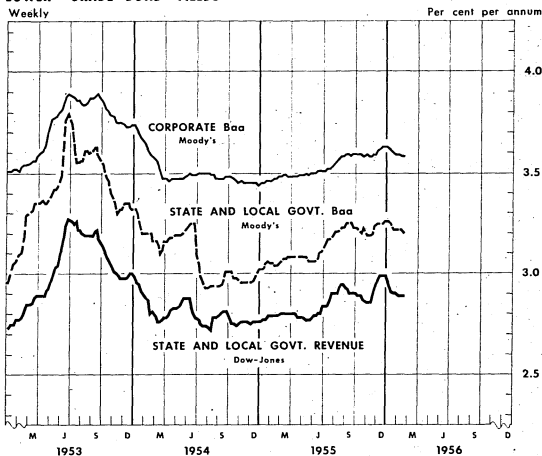
<sup>2/</sup> Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 14 years in early 1953 to 11 1/2 years in early 1955. The new series is comprised of the 3 per cent bond of 1955 and the 3 1/4 per cent bond of 1978-83.

<sup>3/</sup> Thursday figures. Only general obligations 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.

## EXHIBIT B

## LOWER - GRADE BOND YIELDS



Date	Corporate Baa <sup>1/</sup>	State and local govt. Baa <sup>2/</sup>	State and local govt. rev. <sup>3/</sup>
	(Per cent)		
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	3.63 (12/30)	3.26 (12/29)	2.99 (12/30)
Low	3.45 (1/14)	3.02 (1/6)	2.76 (1/7)
1956 - High	3.62 (1/6)	3.26 (1/5)	2.94 (1/6)
Low	3.58 (2/17)	3.20 (2/16)	2.89 (2/17)
January 20	3.60	3.22	2.90
January 27	3.59	3.22	2.90
February 3	3.59	3.22	2.89
February 10	3.58	3.22	2.89
February 17	3.58	3.20	2.89

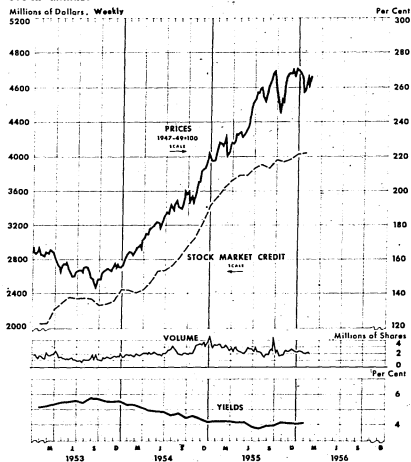
<sup>1/</sup> Weekly average of daily figures. Average term of bonds included is 25-26 years.

<sup>2/</sup> Thursday figures. Only general obligation bonds are included; average term is 20 years.

<sup>3/</sup> 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.

## STOCK MARKET



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)						
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	270.7 (12/30)	4.6	4.22	4,025	2,805	1,241
Low	217.4 (1/14)	1.5	3.78	3,537	2,517	1,018
1956 - High	268.8 (1/6)	2.4	n.a.	n.a.	n.a.	1,267
Low	257.4 (1/20)	2.0	n.a.	n.a.	n.a.	1,241
December	269.2	2.4	4.06	4,025	2,786	1,239
January	262.8	2.2	4.08	4,040	2,786	1,254
February 3	266.7	2.0	n.a.	n.a.	n.a.	1,267
February 10	260.9	2.1	n.a.	n.a.	n.a.	1,246
February 17	265.4	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 1947-49=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 loans for purchasing or carrying U. S. Government securities at banks in New York and Chicago. 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		
	1956	1955	1954	1956	1955	1954
January	e/735	546	547	e/400	535	396
February	e/600	436	426	e/625	312	411
March		1,261	635		538	565
April		494	497		427	734
May		903	656		350	748
June		697	842		641	853
July		583	909		470	279
August		654	335		249	261
September		680	747		406	649
October		1,207 <sup>1/</sup>	1,003		919	594
November		631	290		658	423
December		921	604		e/400	877
1st quarter		2,243	1,608		1,385	1,372
2nd quarter		2,094	1,995		1,418	2,334
3rd quarter		1,917	1,991		1,124	1,188
4th quarter		2,760	1,896		e/1,977	1,894
Year		9,014	7,490		e/5,904	6,789
		Excluding finance companies <sup>2/</sup>				
1st quarter		1,791	1,527			
2nd quarter		1,912	1,927			
3rd quarter		1,441	1,911			
4th quarter		e/2,560	1,792			
Year		e/7,704	7,158			

e/ Estimated.

<sup>1/</sup> Includes \$637.2 million AT&T convertible debenture issue.

<sup>2/</sup> 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 <u>2/</u>
1955 - January	141	341	35
February	63	107	--
March	750	337	--
April	173	238	15
May	483	152	--
June	175	403	--
July	101	278	--
August	405	65	--
September	328	234	--
October	805	716	--
November	269	396	25
December	215	205	50
1956 - January	95	192	--

Large Individual Issues Offered February 1 through 17

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Northwestern Bell Telephone	Deb.	25.0	1996	3 1/4	3.15	Aaa
Reynolds Metals	Pfd. stk.	40.0				
Chemical Corn Exchange Bank	Com. stk.	26.0				
So. Calif. Edison	Pfd. stk.	30.7				
M. Lowenstein & Sons	Conv. sub.deb.	34.3	1981	4 3/8	4.38	Ba
<u>STATE &amp; LOCAL GOVERNMENT</u>						
Oklahoma City, Oklahoma	G.O.	13.2	1958-81	2.49	1.85-3.10	A
Public Housing Auth.	--	106.8	1956-90	2.69	1.80-2.75	Aaa
New Orleans, Louisiana	G.O.	11.5	1957-95	2.57	1.70-2.75	A
Metropolitan Water Dist. of So. Calif	Rev.	7.3	1957-81	2.24	1.50-2.35	Aa

## Large Individual Issues Offered February 1 through 17 (Cont'd)

Issuer	Type <sup>3/</sup>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE &amp; LOCAL GOVERNMENT</u> (Cont'd)						
Lubbock, Texas	G.O.-Rev.	9.8	1957-81	2.80	1.90-2.85	A
New York State Thruway	G.R.	50.0	1985-95	2.42	2.25-2.40	Aaa
Chicago, Illinois	Rev.	15.0	1964-78	2.60	2.30-2.65	A
<u>OTHER</u>						
None						

<sup>1/</sup> Includes corporate and other security offerings of \$15 million and over; State and local government security offerings of \$5 million and over.

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

<sup>3/</sup> 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; 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/
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	160	--	1,135	2,018	--
Aug. 31	222	184	--	920	1,971	--
Sept. 30	805	843	--	909	2,205	--
Oct. 31	202	330	--	412	1,650	--
Nov. 30	215	205	50	230	756	50
Dec. 30	70	121	--	85	618	--
1956 - Jan. 31	176	327	--	376	917	--

Forthcoming Large Offerings, as of February 17

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Koppers Co., Inc.	Com. stock	15.6	February 20
Tennessee Gas Transmission	Pfd. stock	40.0	February 21
Westcoast Transmission, Ltd.	Sub. deb.	20.5	March 5
Bell Telephone of Pennsylvania	Deb.	35.0	March 6
Houston Lighting and Power	1st mtg. bds.	30.0	March 7
New York Telephone	Ref. mtg. bds.	55.0	March 27
Southern California Gas	Mtg. bds.	40.0	May
Sheraton Corporation of America	Deb.	15.0	1956
<u>STATE AND LOCAL GOVERNMENT</u>			
Puerto Rico	G.O.	9.5	February 20
Los Angeles, California	Rev.	24.0	February 20
Montgomery Co., Maryland	G.O.	6.8	February 21
Indianapolis, Indiana	G.O.	18.0	February 21
Rochester, New York	G.O.	7.4	February 21
Weber Basin Water Conservancy District, Utah	G.O.	5.4	February 23

## Forthcoming Large Offerings, as of February 17 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Fort Worth, Texas	G.O.-Rev.	10.0	February 27
Connecticut Expressway	Rev.	100.0	February 28
Los Angeles Co., Calif.	G.O.	7.9	February 28
State of California	G.O.	30.0	February 29
San Antonio, Texas	G.O.	5.0	March 1
Inter-American Center Auth., Fla.	Rev.	70.0	March 6
*Penn Township School District, Pa.	Rev.	5.3	March 6
*Saint Louis, Missouri	n.a.	12.2	March 6
*Santa Clara, California	n.a.	5.2	March 6
Denver, Colorado, School Dist. #1	n.a.	28.5	March 7
*Bethlehem Authority, Pa.	Rev.	8.0	March 8
*State of North Carolina	n.a.	25.0	March 14
State of New Hampshire	n.a.	19.3	March 15
Georgia Rural Roads Authority	Rev.	15.5	May
Florida State Turnpike Authority	n.a.	185.0	Late spring
Oklahoma Turnpike Authority	Rev.	65.0	1956
Pennsylvania Turnpike Commission	Rev.	62.0	1956
Washington State Toll Bridge Auth.	Rev.	227.0	1956
Salt River Project, Arizona	n.a.	11.0	1956
<u>OTHER</u>			
None			

\*--Included in table for first time.

n.a.--Not available.

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

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

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 average	3.16	13	3.35	12
1953 average	3.46	16	3.78	26
1954 average	3.03	3	3.12	-3
1955 average	3.23	9	3.33	12
1955 - January	*3.15	13	None	--
February	*3.14	7	*3.23	9
March	*3.17	8	3.29	14
April	None	--	3.31	16
May	*3.22	10	3.35	14
June	*3.20	7	*3.30	10
July	None	--	None	--
August	None	--	*3.57	30
September	*3.32	10	*3.50	23
October	*3.25	7	3.28	-5
November	*3.27	7	None	--
December	*3.32	12	None	--
1956 - January	None	--	None	--
February 15			3.20	8

\*Single observation, not an average.

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. The number of new issues included in the monthly averages varies from 2 to 4 except for October 1954 when 6 A-rated issues were included. Average maturity for the seasoned issues varies from 26 to 28 years.