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April 5, 1956

CAPITAL MARKET DEVELOPMENTS

The volume of publicly sold security issues was large last week, particularly for corporate securities, and is expected to be even larger this week. During the week ending March 30, corporations sold large issues totaling \$120 million, while State and local government flotations amounted to \$45 million. This week rights expire on two large corporate offerings totaling \$155 million and five other issues with proceeds of \$115 million are expected. State and local governments are scheduled to float large issues totaling \$19 million.

April volume - The volume of corporate security issues is expected to continue to be heavy in April. The April volume is estimated at \$800 million, somewhat smaller than that of March but nearly two-thirds greater than the volume of the corresponding month last year. The volume of publicly offered issues is unusually heavy, and includes expected large issues with proceeds of \$380 million.

State and local government bond issues during April are expected to total only \$350 million, slightly less than the March volume and about one-fifth smaller than that of April 1955. No very large issues are currently scheduled for offering.

Bond yields - Yields on all types of long-term bonds rose last week, reflecting in part the heavy corporate new issue volume, both actual and potential, and the increase in rates on bank loans to brokers and dealers. The increases ranged from 2 basis points on yields of corporate and State and local revenue bonds to 6 basis points on yields of top-rated State and local bonds.

Daily data indicate a sharp increase in U. S. Government bond yields on Monday and Tuesday of this week, but some decline on Wednesday. Corporate yields increased somewhat further. New security issues reflecting the higher rates reportedly have sold rapidly. This is in contrast to the recent experience when a number of large corporate and State and local government issues encountered considerable investor resistance at their initial offering yields. In a number of instances underwriting syndicates were dissolved with a considerable portion of the issue still unsold and reoffering yields increased sharply in an attempt to distribute the remainder. As a result of such price cutting, at the end of last week dealers had made some progress in reducing their heavy inventory of municipal bonds.

With the recent rise in new issue yields, the spread between yields on new issues and outstanding issues of similar term

and quality has widened. The offering yield on a new 30-year A-rated electric power utility issue sold on March 30 was 3.55 per cent, 30 basis points higher than that of a similar issue offered in late February. The yield on the new offering was 25 basis points above the yield on outstanding bonds of similar term and quality, while the February offering yield was slightly lower than yields prevailing on similar outstanding bonds at that time.

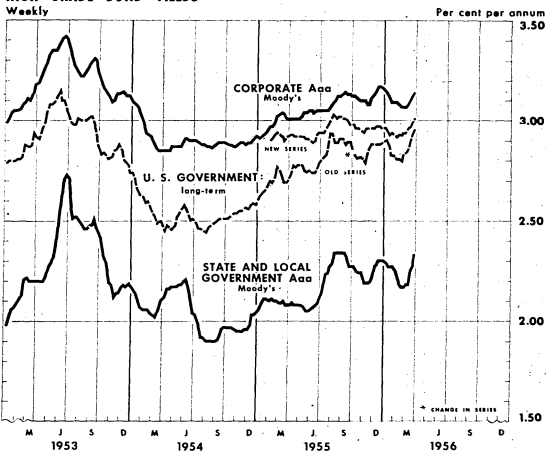
Stock prices - Common stock prices, as measured by the SEC index of 265 stocks, declined slightly during the week ending March 30. Trading volume continued heavy. Daily indexes indicate some increase in prices through Wednesday of this week.

More detailed information concerning recent 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 ^{1/}	U. S. Govt., long-term ^{2/}		State and local govt. Aaa ^{3/}	Spread between U. S. Govt. (old series) and Corporate Aaa and 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 (3/30)	2.96 (3/30)	3.01 (3/30)	2.33 (3/29)	.26	.68
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.18	.56
March 2	3.07	2.84	2.94	2.18	.23	.66
March 9	3.08	2.86	2.96	2.18	.22	.68
March 16	3.10	2.89	2.97	2.25	.21	.64
March 23	3.12	2.93	2.99	2.27	.19	.66
March 30	3.14	2.96	3.01	2.33	.18	.63

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

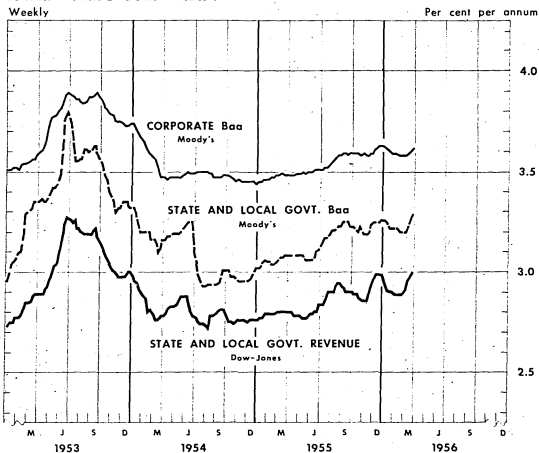
^{2/} Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 14 years in early 1953 to 11 1/2 years in early 1956. The new series is comprised of the 3 per cent bond of 1955 and the 3 1/4 per cent bond of 1978-83.

^{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.

EXHIBIT B

LOWER - GRADE BOND YIELDS



Date	Corporate Baa <u>1/</u>	State and local govt. Baa <u>2/</u>	State and local govt. REV. <u>3/</u>
	(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 (3/30)	3.29 (3/29)	3.00 (3/30)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
March 2	3.58	3.20	2.90
March 9	3.58	3.20	2.91
March 16	3.59	3.23	2.96
March 23	3.60	3.26	2.98
March 30	3.62	3.29	3.00

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

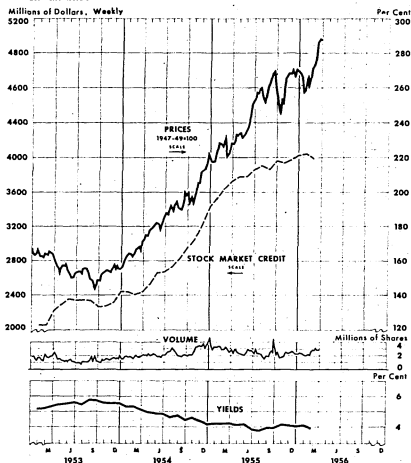
2/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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



Date	Stock price index <u>1/</u>	Trading volume <u>2/</u> (millions of shares)	Common stock yields <u>3/</u> (per cent)	Stock market customer credit		
				Total	Customers' debit balances <u>4/</u>	Bank loans to "others" <u>5/</u>
(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	4,030	2,805	1,241
Low	217.4 (1/14)	1.5	3.78	3,537	2,517	1,018
1956 - High	288.4 (3/23)	3.1	4.08	4,040	2,786	1,257
Low	257.4 (1/20)	2.0	3.93	3,991	2,740	1,249
February	266.3	2.3	3.93	3,991	2,740	1,251
March	283.2	2.7	n.a.	n.a.	n.a.	n.a.
March 16	285.0	3.1	n.a.	n.a.	n.a.	1,252
March 23	288.4	2.8	n.a.	n.a.	n.a.	1,252
March 30	287.8	2.8	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=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		
	1955	1955	1954	1956	1955	1954
January	487	546	547	e/400	535	396
February	e/725	436	426	e/650	312	411
March	e/975	1,261	635	e/375	538	565
April	800	494	497	e/350	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 ^{1/}	1,003		919	594
November		631	290		658	423
December		921	604		408	877
1st quarter	e/2,185	2,243	1,608	e/1,425	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		1,984	1,894
Year		9,014	7,490		5,911	6,789
	Excluding finance companies 2/					
1st quarter	e/1,765	1,791	1,527			
2nd quarter		1,912	1,927			
3rd quarter		1,441	1,911			
4th quarter		2,619	1,792			
Year		7,762	7,158			

e/ Estimated.

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

2/ 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 - 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	221	396	25
December	263	205	50
1956 - January	95	192	--
February	212	433	--
March	278	163	--

Large Individual Issues Offered during March

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Bell Telephone of Pa.	Deb.	35.0	1996	3 1/4	3.20	Aa
Houston Lighting & Power	1st mtg. bds.	30.0	1996	3 1/4	3.19	Aa
Fruehauf Trailer Co.	Conv. sub. deb.	37.5	1976	4	4.00	Baa
Pacific Gas & Electric	1st & ref. mtg. bds.	25.0	1988	3 3/8	3.32	Aa
Whirlpool-Seeger	SF deb.	30.0	1980	3 1/2	3.50	A
New York Tel.	Ref. mtg. bds.	55.0	1996	3 3/8	3.35	A
Pa. Salt Mfg.	SF deb.	15.0	1981	3.45	3.45	Aaa
Tide Water Associated Oil	SF deb.	50.0	1986	3 1/2	3.50	A
<u>STATE & LOCAL GOVERNMENT</u>						
San Antonio, Texas	G.O.	5.0	1957-76	2.74	1.90-2.75	Baa
Penn Township School District, Pa.	L.L.	5.3	1957-86	3.31	1.95-3.35	Baa
St. Louis, Missouri	G.O.	12.2	1962-75	2.16	1.85-2.25	Aa

Large Individual Issues Offered during March (Cont'd)

Issuer	Type ^{3/}	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE & LOCAL GOVERNMENT</u> (Cont'd)						
Santa Clara, Calif.	G.O.	5.2	1957-81	2.29	1.60-2.35	Aa
Denver Colo., School District #1	G.O.	28.5	1957-75	2.27	1.60-2.30	Aa
Bethlehem Auth., Pa.	Rev.	8.0	1959-96	2.81	2.00-2.82	A
State of Alabama	L.L.	15.0	1958-75	2.96	2.00-2.90	A
State of New Hampshire	G.O.	19.3	1957-83	2.25	1.60-2.35	Aaa
San Diego, Calif.	Rev.	6.0	1956-75	2.57	1.80-2.60	Aa
Milwaukee, Wisconsin	G.O.	8.0	1957-76	2.24	1.60-2.30	Aaa
State of New Mexico	L.L.	5.0	1957-61	2.08	1.65-2.00 ^{4/}	Aaa
Dallas, Texas	G.O.	8.5	1957-76	2.69	1.80-2.70 ^{4/}	A
Wash. State Toll Bridge Auth.	Rev.	9.3	1961-71	3.32	3.00-3.20	--
State of Delaware	G.O.	10.8	1957-76	2.45	1.70-2.40	Aa
St. Louis Co., Mo.	G.O.	10.7	1957-76	2.52	1.80-2.50	Aa
Louisville, Kentucky	G.O.	6.0	1957-96	2.53	1.50-2.65	Aa
<u>OTHER</u>						
None						

^{1/} Includes corporate and other security offerings of \$15 million 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; L.L., limited liability obligations secured by pledge of designated revenues.

^{4/} 1976 maturity not reoffered.

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 - Mar. 31	211	208	--	922	2,009	--
Apr. 29	425	116	--	1,441	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	--
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	--
Feb. 29	123	220	--	233	785	--
Mar. 30	380	132	--	1,013	811	--

Forthcoming Large Offerings, as of March 30

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Bank of America	Com. stock	56.0	April 2 (rights expire)
Scott Paper	Conv. deb.	98.7	April 3 (rights expire)
Plantation Pipe Line	SF deb.	25.0	April 3
Florida Power and Light	1st mtg. bds.	15.0	April 4
Duquesne Light	1st mtg. bds.	20.0	April 4
Caterpillar Tractor	Com. stock	34.4	April 4
Westcoast Transmission Ltd.	Sub. deb.	20.5	April 5
Columbia Gas	Deb.	40.0	April 10
Southern California Edison	1st & ref. mtg. bds.	40.0	April 17
*Wisconsin Electric Power	1st mtg. bds.	30.0	April 24
*Duke Power	1st & ref. mtg. bds.	30.0	May 7
*General Telephone	Conv. deb.	53.0	May (rights expire)
*General Electric	Deb.	300.0	Spring
*American Telephone and Telegraph	Deb.	250.0	June

Forthcoming Large Offerings, as of March 30 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
Escanaba, Michigan	Rev.	7.0	April 4
Louisiana State Building Auth.	L.L.	12.0	April 5
Philadelphia School District, Pa.	G.O.	12.0	April 10
*State of Massachusetts	G.O.	18.0	April 10
Omaha Public Power Dist., Neb.	Rev.	15.0	April 11
*Detroit, Michigan	G.O.	5.4	April 12
*State of Ohio	G.O.	50.0	April 25
*Philadelphia, Pennsylvania	G.O.	12.3	April 25
Georgia Rural Roads Authority	Rev.	15.5	May
Chesapeake Bay Ferry Commission	n.a.	20.0	Spring
Florida State Turnpike Auth.	n.a.	209.0	Summer
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
Inter-American Center Auth., Fla.	Rev.	70.0	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	3.16	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
28			3.25	-3
29	3.15	3		
March 8	3.19	5		
16			e/3.35	7
30			3.55	25

*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.