

Haane
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April 19, 1956

CAPITAL MARKET DEVELOPMENTS

The volume of large publicly sold security issues was moderate last week. One large corporate issue with proceeds of \$40 million and State and local government issues totaling \$50 million were sold during the week ending April 13. This week the expected volume of large offerings is small, totaling \$40 million for corporations and \$16 million for State and local governments.

Bond yields - Yields on nearly all types of outstanding bonds continued to increase last week. The increase was particularly sharp in yields on corporate and State and local revenue bonds, as shown in Exhibit A and B. Yields on corporate securities increased further this week. During the recent period of sharp increases in yields the spread between corporate Aaa yields and U. S. Government (old series) yields has narrowed from 27 to about 15 basis points.

Yields on newly offered securities also increased. A new Aa-rated electric utility bond issue was reoffered Tuesday, April 17, at 3.68 per cent, a yield about 30 basis points higher than on a similar issue offered in mid-March and about 50 basis points above new offering yields in February and early March. Price restrictions were removed Tuesday on an A-rated electric utility bond issue initially offered last week at a yield of 3.67 per cent, but largely undistributed, and the yield increased to about 3.85 per cent.

Stock market credit - Customer credit in the stock market increased \$47 million during March to total \$4,038 million at the end of the month. The rise is attributable almost entirely to a \$46 million increase in customers' net debit balances, excluding balances secured by U. S. Government securities. This increase canceled the February decline, bringing the total of debit balances outstanding back to the level prevailing at the end of January. Money borrowed by New York Stock Exchange firms maintaining margin accounts, except borrowings on U. S. Government securities, declined somewhat, while customers' net free credit balances increased. These and other data on stock market credit for February and March are shown in the table on the following page.

	End of month		Change
	February	March	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Govt. securities - Total	3,991	4,038	+47
Net debit balances	2,740	2,786	+46
Bank loans to "others"	1,251	1,252	+1
Net debit balances secured by U. S. Govt. securities	34	31	-3
Bank loans to others for purchasing or carrying U. S. Govt. securities	36	40	+4
Broker and dealer credit			
Money borrowed except on U. S. Govt. securities	2,137	2,127	-10
On customer collateral	1,756	1,742	-14
Money borrowed on U. S. Govt. securities	52	50	-2
Customers' net free credit balances	913	960	+47

Stock prices - Common stock prices, as measured by the SEC index of 265 stocks, declined 5.2 points during the week ending April 13. Daily indexes indicate little change in prices the first three days of this week.

More detailed information concerning recent market developments is presented in the attached exhibits.

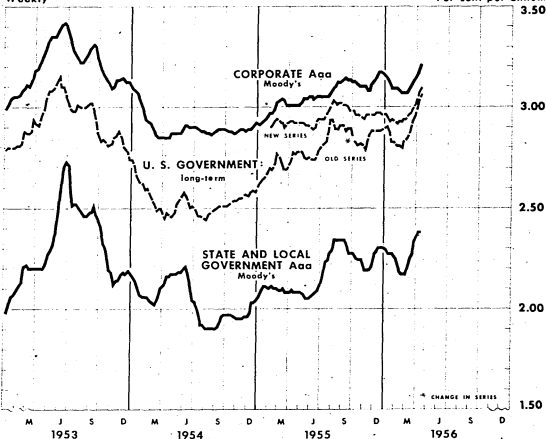
Business Finance and Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

EXHIBIT A

HIGH-GRADE BOND YIELDS

Weekly

Per cent per annum



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 ^{1/} State and Aaa 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	3.21 (4/13)	3.06 (4/13)	3.09 (4/13)	2.38 (4/12)	.28	.68
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.56
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
April 6	3.16	3.03	3.07	2.38	.13	.65
April 13	3.21	3.06	3.09	2.38	.15	.68

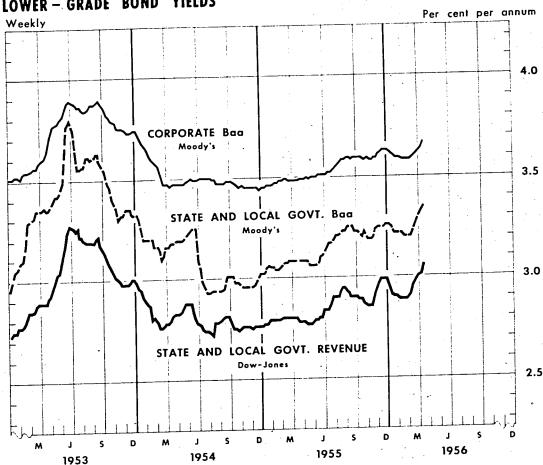
^{1/} Weekly average of daily figures. Average term of bonds included is 25-26 years.

^{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.

LOWER - GRADE BOND YIELDS



Date	Corporate Baa 1/	State and local govt. Baa 2/	State and local govt. rev. 3/
	(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	3.67 (4/13)	3.35 (4/12)	3.06 (4/13)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
March 16	3.59	3.23	2.96
March 23	3.60	3.26	2.98
March 30	3.62	3.29	3.00
April 6	3.64	3.33	3.01
April 13	3.67	3.35	3.06

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

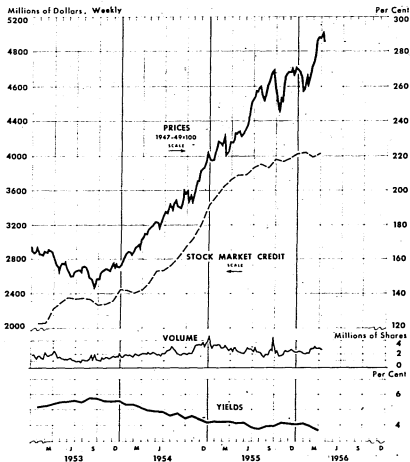
2/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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 ^{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	4,030	2,805	1,214
Low	217.4 (1/14)	1.5	3.78	3,537	2,517	1,018
1956 - High	290.8 (4/6)	3.1	4.08	4,040	2,786	1,267
Low	257.4 (1/20)	2.0	3.68	3,991	2,740	1,249
February	266.3	2.3	3.93	3,991	2,740	1,251
March	283.2	2.7	3.68	4,038	2,786	1,252
March 30	287.8	2.8	3.68	n.a.	n.a.	1,252
April 6	290.8	2.8	n.a.	n.a.	n.a.	1,252
April 13	285.6	2.6	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	487	546	547	404	535	396
February	708	436	426	e/650	312	411
March	e/875	1,261	635	e/375	538	565
April	e/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/2,070	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 <u>2/</u>					
1st quarter	e/1,670	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 April 2 through 13

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Bank of America	Com. stk.	56.0				
Scott Paper	Conv. deb.	98.7	1971	3	3.00	A
Plantation Pipe Line	SF deb.	25.0	1986	3 1/2	3.50	A
Florida Power & Light	1st mtg. bds.	15.0	1986	3 5/8	3.57	A
Duquesne Light	1st mtg. bds.	20.0	1986	3 1/2	3.40	Aaa
Caterpillar Tractor	Com. stk.	34.4				
Columbia Gas	Deb.	40.0	1981	3 7/8	3.85	A
<u>STATE & LOCAL GOVERNMENT</u>						
Escanaba, Michigan	Rev.	7.0	1959-87	3.89	3.00-3.80	--
La. State Bldg. Auth.	L.L.	12.0	1960-85	--	2.90-3.00	Baa
Phila. School Dist., Pa.	G.O.	12.0	1958-81	2.88	2.00-3.10	A
State of Massachusetts	G.O.	18.0	1957-86	2.37	1.80-2.35	Aa
Detroit, Michigan	G.O.	5.4	1957-81	Var.	2.00-2.90	A
Omaha Public Power, Dist., Nebraska	Rev.	15.0	1958-86	2.94	2.10-2.95	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/ For 1961-66 maturities only; 1967-85 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	--	1,141	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	--
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 April 13

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Southern California Edison	1st & ref. mtg. bds.	40.0	April 17
Wisconsin Electric Power	1st mtg. bds.	30.0	April 24
Westcoast Transmission Ltd.	Sub. deb.	20.5	April
Duke Power	1st & ref. mtg. bds.	30.0	May 7
General Telephone	Conv. deb.	53.0	May 7
			(rights expire)
California Oregon Power	1st mtg. bds.	16.0	May 8
General American Transportation	Conv. deb.	23.8	May 9
			(rights expire)
*Kaiser Aluminum and Chemical	Conv. pref. stk.	30.0	May
*Pacific Finance	Deb.	25.0	May
General Electric	Deb.	300.0	Spring
American Telephone and Telegraph	Deb.	250.0	June
<u>STATE AND LOCAL GOVERNMENT</u>			
*Purdue University, Indiana	Rev.	9.0	April 18
*Oklahoma City School Dist., No. 89	G.O.	6.8	April 19
Wichita, Kansas	G.O.	6.9	April 24
Oakland, California	G.O.	5.0	April 24

Forthcoming Large Offerings, as of April 13 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Florida Development Commission	Rev.	5.5	April 24
State of Ohio	L.L.	50.0	April 25
Philadelphia, Pennsylvania	G.O.	12.3	April 25
*Hempstead, N. Y., Union Free School Dist. No. 3	G.O.	6.0	April 25
*Columbus, Ohio	G.O.	5.2	April 26
Territory of Hawaii	G.O.	7.5	April 26
Allegheny County Sanitary Auth., Pa.	Rev.	25.0	May 1
*Baltimore, Maryland	G.O.	25.0	May 1
*Los Angeles, Calif., Dept. of Water & Power	Rev.	9.0	May 2
*Great Falls, Montana	G.O.	5.0	May 7
Pasadena, Calif.	G.O.	11.0	May 8
*Dade Co., Florida, Special Tax School Dist. No. 1	G.O.	15.0	May 16
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>			
Province of Ontario	Deb.	50.0	April 25

*--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	None	--	None	--
February	*3.15	3	3.23	-5
March 8	3.19	5		
16			3.35	7
23	3.37	18		
30			3.55	25
April 4			3.57	23
4			3.60	25
11			3.67	29

*--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.