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July 19, 1956

CAPITAL MARKET DEVELOPMENTS

The large volume of large corporate issues sold publicly during the week ending July 14 was primarily accounted for by AT&T's \$250 million debenture issue. Despite the size of the issue, an attractive offering yield of 3.73 and other features of the offering produced a rapid sellout. A \$30 million Baa gas transmission debenture, priced to yield 4.50, likewise found a receptive market. An initially crowded calendar of large State and local issues was reduced by postponement of two highway bond issues. This left only two large tax-exempt issues totaling \$60 million, both of which moved well at relatively high yields.

Originally scheduled for the week ending July 20 were large corporate issues totaling approximately \$165 million. One of these, a \$30 million debenture offering by J. P. Stevens Company, has since been postponed "for the time being". A relatively small volume of large State and local offerings, amounting to only \$25 million, are also on the week's schedule.

More recently AT&T has announced plans to raise \$575 million this fall through a subscription sale of stock at a ratio of one new share at \$100 for each ten held currently by stockholders. This will be the largest new capital stock offering on record.

Bond yields - Yields on outstanding Aaa bonds showed no significant change during the past week. Corporate Baa's remained at the 1956 high of 3.78 per cent reached the previous week, and similarly rated State and local issues continued to edge upward to 3.34 per cent, an increase of 3 basis points.

Offering yields on new issues continue to be relatively high. An Aa-rated electric utility, 30-year, first mortgage bond was marketed on July 18 to yield 3.62 per cent--ten basis points above a comparable offering early in June but still substantially below the yield of 3.77 per cent recorded for an offering in early April. The recent Massachusetts offering of Aa-rated general obligation bonds provides an opportunity to compare the longer-term upward trend for State and local offering yields. Information concerning this and three previous serial issues over the past 16 months is summarized on the following page.

Date	Amount of issue	Yield to maturity				
		5-Year	10-Year		20-Year	
		New issue	New issue	Out-standing ^{1/}	New issue	Out-standing ^{1/}
	(Mill. of doll.)					
Mar. 29, 1955	60.9	1.50	1.80	1.77	2.20	2.26
Nov. 16, 1955	159.8	1.90	2.10	2.05	2.35	2.30
Apr. 10, 1956	18.0	2.15	2.35	2.38	2/	2.58
July 11, 1956	38.5	2.20	2.35	2.39	2.55	2.57

^{1/} As measured by Moody's Aa municipal bond yield averages.

^{2/} None issued

Throughout 1955 the rate of increase on new issues exceeded the rate at which yields increased on comparable outstanding issues. During 1956, however, the reverse has been true; yields on outstanding bonds--as measured by Moody's Aa municipal yield series for issues with 10 and 20-year maturities--have increased more rapidly than those on new Massachusetts offerings. A somewhat closer correlation appears to exist between the movement of outstanding and offering yields in the case of bonds with a 10-year maturity than for those not due for 20 years.

Stock market credit - Customer credit in the stock market, excluding U. S. Government securities, decreased during June--falling to a total of \$4,009 million at the month's end. The decline of \$38 million resulted from a decline of \$24 million in net debit balances (reversing an increase of nearly the same amount the preceding month) and a continuing decline, amounting to \$14 million in June, in bank loans to others. A slight increase of \$9 million in money borrowed except on U. S. Government securities by member firms of the NYSE maintaining margin accounts brought the June total to \$2,195 million. These and other details are tabulated on the following page.

	End of month		Change
	June	May	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Govt. securities - Total	4,009	4,047	-38
Net debit balances	2,786	2,810	-24
Bank loans to "others"	1,223	1,237	-14
Net debit balances secured by U.S. Govt. securities	34	38	-4
Bank loans to others for purchasing or carrying U. S. Govt. securities	48	40	+8
Broker and dealer credit			
Money borrowed except on U.S. Govt. securities	2,195	2,186	+9
On customer collateral	1,849	r/1,842	+7
Money borrowed on U.S. Govt. securities	39	42	-3
Customers' net free credit balances	836	870	-34

r/ Revised.

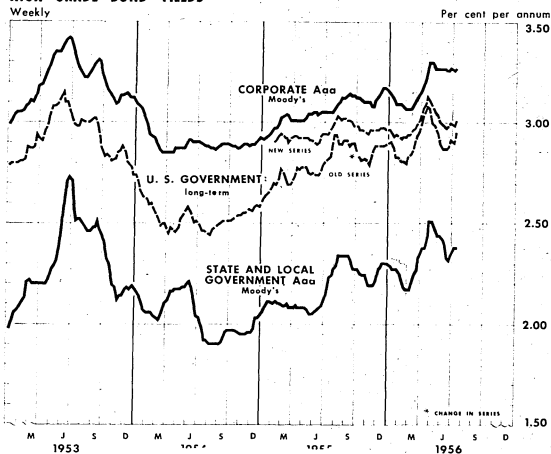
Stock prices - The SEC index of 265 common stocks rose to 289.2 at the close of the week ending July 13. This was an increase of 3.1 points over the preceding week and brought the index within 1.6 points of the 1956 high reached early in April. Daily indexes indicate continuing gains during the early part of the week, leveling off with a fractional decline on Wednesday, July 18.

More detailed information concerning the 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 ^{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	3.30 (5/4)	3.08 (4/20)	3.13 (4/20)	2.51 (5/3)	.40	.68
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.45
June 15	3.26	2.87	2.97	2.33	.39	.54
June 22	3.26	2.88	2.98	2.32	.38	.56
June 29	3.27	2.92	3.00	2.34	.35	.58
July 6	3.26	2.90	2.98	2.38	.36	.52
July 13	3.27	2.95	3.01	2.38	.32	.57

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

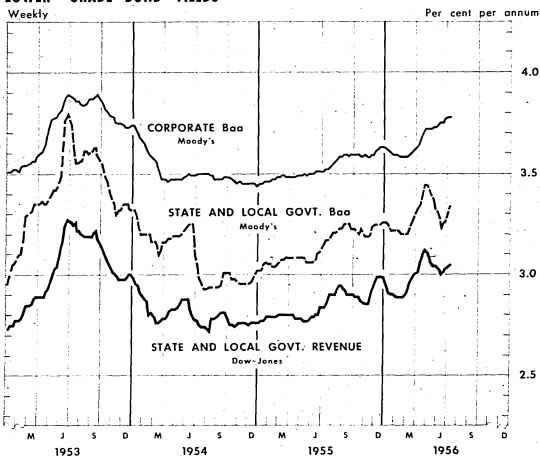
^{2/} Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 14 years 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 1973-83.

^{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 ^{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	3.78 (7/13)	3.44 (5/3)	3.12 (4/27)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
June 15	3.75	3.23	3.00
June 22	3.75	^{r/} 3.26	3.01
June 29	3.77	^{r/} 3.26	3.03
July 6	3.78	^{r/} 3.31	3.04
July 13	3.78	3.34	3.05

^{r/} Revised.

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

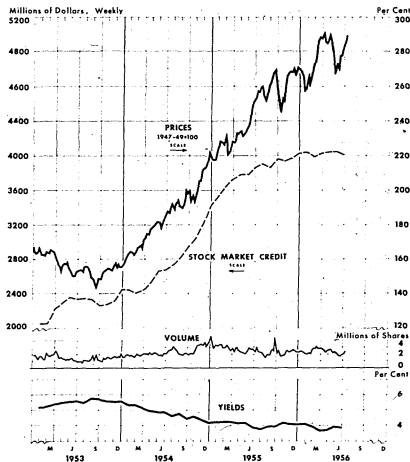
^{2/} Thursday figures. Only general obligation bonds are included; average term is 20 years.

^{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	1,241
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	4,047	2,810	1,267
Low	257.4 (1/20)	1.6	3.68	3,991	2,740	1,217
May	280.1	2.4	3.97	4,047	2,810	1,237
June	275.5	1.8	3.82	4,009	2,786	1,223
June 29	280.1	1.8	n.a.	n.a.	n.a.	1,223
July 6	286.1	2.0	n.a.	n.a.	n.a.	1,231
July 13	289.2	2.3	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	579	535	547	404	535	396
February	704	407	426	696	312	411
March	790	1,223	635	390	538	565
April	e/890	478	497	377	427	734
May	e/1,100	886	656	e/500	350	748
June	e/760	687	842	e/730	641	853
July	e/1,150	597	909	e/400	470	279
August		644	335		249	261
September		670	747		406	649
October		1,162 ^{1/}	1,003		919	594
November		632	290		658	423
December		900	604		408	877
1st quarter	2,073	2,165	1,608	1,490	1,385	1,372
2nd quarter	e/2,750	2,052	1,995	e/1,607	1,418	2,334
3rd quarter		1,911	1,991		1,124	1,188
4th quarter		2,695	1,896		1,984	1,894
Year		8,821	7,490		5,911	6,789
	Excluding finance companies ^{2/}					
1st quarter	1,617	1,727	1,527			
2nd quarter	e/2,550	1,870	1,927			
3rd quarter		1,434	1,911			
4th quarter		2,554	1,792			
Year		7,569	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 2/
1955 - June	175	403	--
July	101	278	--
August	405	65	--
September	328	234	--
October	805	716	--
November	221	401	25
December	263	227	50
1956 - January	95	192	--
February	212	444	--
March	278	163	--
April	395	157	50
May	623	233	--
June	185	463	20

Large Individual Issues Offered July 1 through 13

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Florida Power Corp.	1st mtg. bds.	20.0	1986	3 7/8	3.82	A
Pacific Gas & Electric	Common stk.	36.6				
Tennessee Gas Trans.	Deb.	30.0	1977	4 1/2	4.50	Baa
American Tel. & Tel. Co.	Deb.	250.0	1990	3 7/8	3.73	Aa
<u>STATE & LOCAL GOVERNMENT</u>						
Commonwealth of Mass.	G.O.	38.5	1957-2005	2.63	1.90-2.80	Aa
Puerto Rico Water Res. Auth.	Elec. rev. bds.	22.0	1958-93	n.a.	2.60-3.75	Baa
<u>OTHER</u>						
None						

n.a.--Not available.

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.

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 - 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	--
Apr. 30	568	173	--	818	832	--
May 31	198	332	--	448	941	--
June 30	437	81	--	567	690	--

Forthcoming Large Offerings, as of July 13

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Union Electric Co.	1st mtg. bds.	40.0	July 17
Superior Oil Co. of Calif.	Deb.	45.7	July 18
J. P. Stevens & Co.	S. F. deb.	28.7	July 18 3/
Inland Steel Co.	1st mtg. bds.	50.0	July 19
Illinois Power Co.	1st mtg. bds.	20.0	July 24
Sperry Rand Corp.	Common stk.	52.7	July 25 (rights expire)
Food Machinery and Chemical Corp.	Deb.	30.0	July 26
Champion Paper & Fibre Co.	Deb.	16.5	July 26
Michigan Wisconsin Pipe Line Co.	1st mtg. bds.	25.0	August 1
Consolidated Natural Gas Co.	Deb.	30.0	Summer
CIT Financial Corp.	Deb.	75.0	1956
Pacific Finance Corp.	Deb.	25.0	1956
<u>STATE AND LOCAL GOVERNMENT</u>			
State of Michigan	Rev.	16.0	July 17
Tulsa, Oklahoma, Independent School District	G.O.	5.5	July 17
Dearborn, Michigan, School District	G.O.	14.0	July 18

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

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)			
Maryland State Roads Commission	G.O.	15.0	July 24
Jacksonville, Florida	Elec. rev. bds.	14.0	July 24
Oklahoma City, Oklahoma	G.O.	8.8	July 25
*Milwaukee Co., Wisconsin	G.O.	8.8	July 30
New Jersey Highway Authority	Rev.	25.0	Summer
New York State Thruway Authority	G.O.	50.0	Summer
Jacksonville Expressway Authority	Rev.	42.0	September
Florida State Turnpike Authority	Rev.	185.0	Fall
Oklahoma Turnpike Authority	Rev.	65.0	1956
Pennsylvania Turnpike Commission	Rev.	62.0	1956
Washington State Toll Bridge Auth.	Rev.	227.0	1956
Inter-American Center Auth., Fla.	Rev.	70.0	1956
<u>OTHER</u>			
None			

*--Included in table for first time.

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.

3/ Postponed, as of July 18 "for the time being".