

Daane
7/27

H.14

July 26, 1956

CAPITAL MARKET DEVELOPMENTS

Three large corporate flotations produced a total of \$150 million in new capital during the week ending July 20. A like number of large new State and local offerings--the largest single offering being \$16 million in general obligations issued by the State of Michigan--totaled only \$35.5 million. Public reofferings in all instances were favorably received, with the bulk of each issue out of the dealers' hands before the close of the week.

The schedule for the week ending July 27 includes expiration of subscription rights to \$52.7 million in common stock being issued by Sperry Rand Corporation and new corporate debt issues aggregating \$66.5 million. Largest public offerings of tax-exempt bonds scheduled for the week are \$15 million in serial bonds issued by the Maryland Roads Commission and a \$14 million issue of electric revenue bonds by the city of Jacksonville, Florida.

Bond yields - Yields on all categories of bonds moved higher during the week. Municipal yields for selected grades of bonds increased from 1 to 3 basis points. Corporate Aaa's in Moody's series, which have sold for the past 10 weeks at yields varying between 3.26 and 3.27 per cent, edged upward to 3.28 per cent. Meanwhile, Baa-rated corporate bonds, which have maintained a slow but constant climb from their 1956 low of 3.58 per cent in early March, reached 3.79 per cent. Both Aaa and Baa corporate bonds are now 21 basis points above their lows in early March. The yield increase in the higher quality securities occurred over an 8-week period in March and April. Thereafter, these yields stabilized at slightly below the May 4 high of 3.30 per cent. Baa bonds, on the other hand, have established a succession of new highs throughout the entire period.

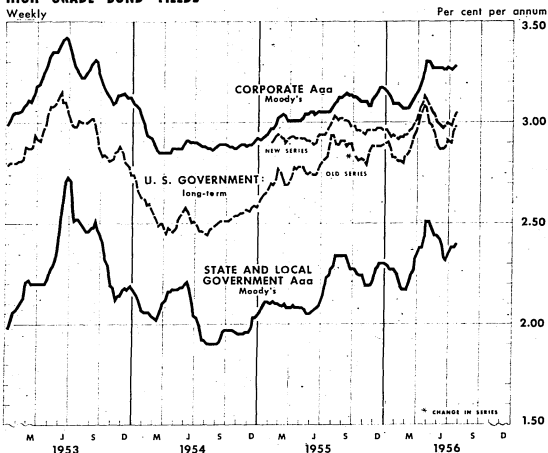
Among new offerings, the Illinois Power Company's Aa-rated 30-year first mortgage issue of July 24 was priced to yield 3.70 per cent, 8 basis points higher than a comparable issue the preceding week and 18 points above the offering yield on a similar issue floated early in June.

Stock prices - On July 20, the SEC index of 265 common stock prices reached a new high for 1956 of 292.8, 3.6 points higher than the preceding week. Daily indexes since that time indicate continuing moderate increases.

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 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 |
| July 20 | 3.28 | 2.98 | 3.05 | 2.40 | .30 | .58 |

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

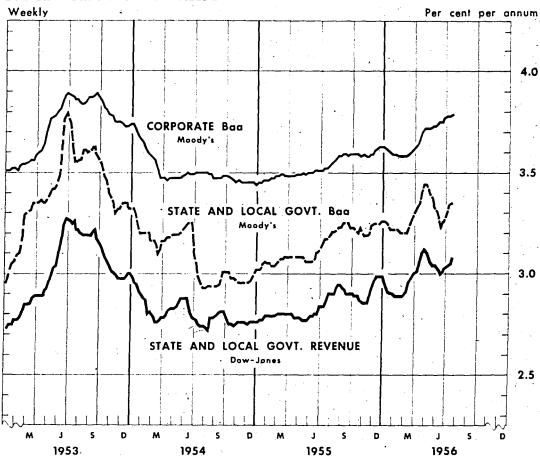
^{2/} Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 14 years 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 ^{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 | 3.79 (7/20) | 3.44 (5/3) | 3.12 (4/27) |
| Low | 3.58 (3/9) | 3.20 (3/8) | 2.89 (2/24) |
| June 22 | 3.75 | 3.26 | 3.01 |
| June 29 | 3.77 | 3.26 | 3.03 |
| July 6 | 3.78 | 3.31 | 3.04 |
| July 13 | 3.78 | 3.34 | 3.05 |
| July 20 | 3.79 | 3.35 | 3.08 |

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

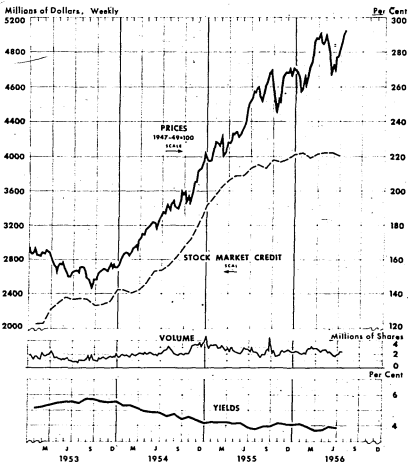
^{2/} Thursday figures. Only general obligation bonds are included; average term is 20 years.

^{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 | 292.8 (7/20) | 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. | 1,225 |
| July 20 | 292.8 | 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/350 | 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 <u>2/</u> |
|----------------|-----------|----------------------------|-----------------|
| 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 20

| Issuer | Type <u>3/</u> | 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 |
| Union Electric Co. | 1st mtg.bds. | 40.0 | 1986 | 3 3/4 | 3.62 | Aa |
| Superior Oil Co. | Deb. | 60.0 | 1981 | 3 3/4 | 3.75 | A |
| Inland Steel Co. | 1st mtg.bds. | 50.0 | 1981 | 3 1/2 | 3.47 | 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 |
| State of Michigan | G.O. | 16.0 | 1959-79 | 2.81 | 2.00-2.75 | Aa |

Large Individual Issues Offered July 1 through 20 (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) | | | | | | |
| Tulsa, Oklahoma, Ind. School District | G.O. | 5.5 | 1958-71 | 2.62 | 2.10-2.60 | A |
| Dearborn, Michigan, School District | G.O. | 14.0 | 1956-73 | 2.93 | 2.00-3.00 | A |
| <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

| | 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 20

| Issuer | Type | Amount (millions of dollars) | Approximate date of offering |
|-----------------------------------|-----------------|------------------------------------|---------------------------------|
| <u>CORPORATE</u> | | | |
| 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 |
| *Consumers Power Co. | 1st mtg. bds. | 40.0 | August |
| Consolidated Natural Gas Co. | Deb. | 30.0 | Summer |
| *American Tel. & Tel. Co. 3/ | Common stk. | 575.0 | November (rights expire) |
| J. P. Stevens & Co. | S. F. deb. | 28.7 | 1956 |
| CIT Financial Corp. | Deb. | 75.0 | 1956 |
| Pacific Finance Corp. | Deb. | 25.0 | 1956 |
| <u>STATE AND LOCAL GOVERNMENT</u> | | | |
| 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 |

Forthcoming Large Offerings, as of July 20 (Cont'd)

| Issuer | Type | Amount (millions of dollars) | Approximate date of offering |
|--|------|------------------------------------|---------------------------------|
| <u>STATE AND LOCAL GOVERNMENT</u> (Cont'd) | | | |
| *Salt Lake City, Utah, School Dist. | G.O. | 7.5 | 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/ Subject to stockholders' approval on September 5, 1956.

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 |
| 1956 - 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 | 26 |
| 11 | | | 3.67 | 29 |
| 25 | 3.77 | 40 | | |
| May 9 | | | 3.80 | 32 |
| 16 | | | 3.73 | 24 |
| 24 | 3.53 | 19 | | |
| June 8 | 3.52 | 18 | | |
| 20 | | | 3.75 | 27 |
| July 3 | | | 3.82 | 28 |
| 18 | 3.62 | 26 | | |

*--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.