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October 3, 1956

CAPITAL MARKET DEVELOPMENTS

The volume of publicly sold security issues was substantial last week, particularly for corporate securities, but is expected to be somewhat smaller this week. During the week ending September 28, corporations sold large issues totaling \$174 million while State and local government offerings amounted to \$30 million. This week subscription rights expire on two convertible issues with aggregate proceeds of \$48 million and a corporate debenture issue for \$25 million is scheduled for flotation. Three State and local government offerings totaling \$59 million are expected.

Bond yields - The leveling-off in bond yields continued last week, with only slight changes reported in the averages for outstanding bonds. Yields on corporate, U. S. Government (old series) and State and local government revenue bonds increased slightly, while yields on U. S. Government (new series) and Aaa- and Baa-rated State and local bonds each declined one basis point.

Estimated October volume - Corporate security issues during October are expected to total \$850 million, the same as the estimated September volume and one-fourth less than the volume in October last year. It should be noted that over half of the October 1955 volume was accounted for by a \$637 million AT&T debenture issue; this year, AT&T is financing through a stock issue, subscription rights to which expire in November. Included in the estimated total for this October are large public issues totaling \$315 million.

State and local governments are expected to offer \$625 million of bonds during October. This would be an increase of three-fourths over the estimated September flotations and a decline of about one-third from last year's October volume which included the \$415 million Illinois Turnpike issue.

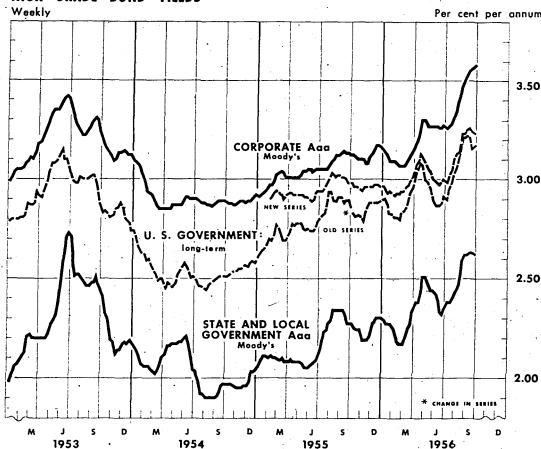
Stock prices - Stock prices, as measured by the SEC index of 265 common stocks, continued to decline during the week ending September 28, closing at 269.3--the lowest since late May. Daily figures through Wednesday of this week indicate particularly sharp increases in prices on Tuesday and Wednesday which more than offset a sharp decline on Monday.

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 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	3.58 (9/28)	3.22 (9/7)	3.26 (9/14)	2.63 (9/20)	.41	.68
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.45
August 31	3.49	3.21	3.23	2.62	.28	.59
September 7	3.53	3.22	3.25	2.62	.31	.60
September 14	3.55	3.21	3.26	2.63	.34	.58
September 21	3.56	3.15	3.24	2.63	.41	.52
September 28	3.58	3.17	3.23	2.62	.41	.55

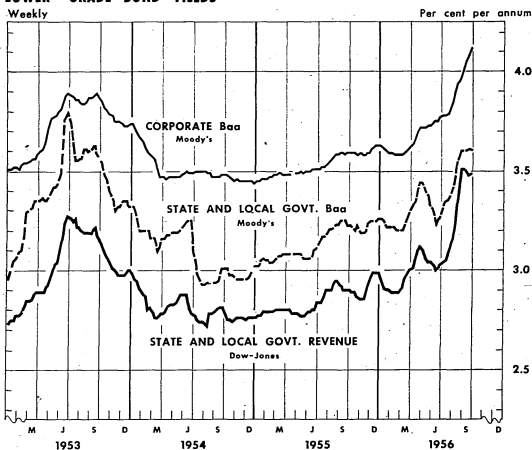
<sup>1/</sup> Weekly average of daily figures. Average term of bonds included is 25-26 years.

<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 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.

<sup>3/</sup> 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 <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	4.12 (9/28)	3.61 (9/20)	3.51 (9/7)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
August 31	3.97	3.60	3.51
September 7	4.01	3.60	3.51
September 14	4.05	3.60	3.50
September 21	4.09	3.61	3.48
September 28	4.12	3.60	3.49

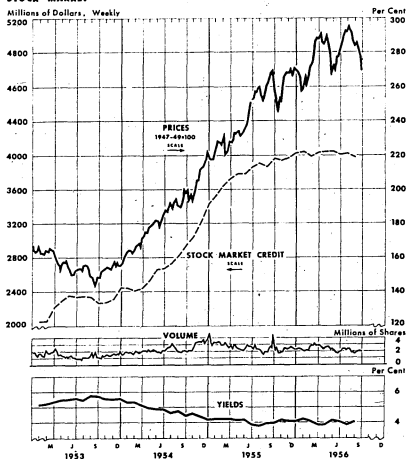
<sup>1/</sup> Weekly average of daily figures. Average term of bonds included is 25-26 years.

<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 <sup>1/</sup>	Trading volume <sup>2/</sup> (millions of shares)	Common stock yields <sup>3/</sup> (per cent)	Stock market customer credit		
				Total	Customers' debit balances <sup>4/</sup>	Bank loans to "others" <sup>5/</sup>
(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	295.5 (8/3)	3.1	4.21	4,047	2,810	1,267
Low	257.4 (1/20)	1.6	3.86	3,979	2,740	1,167
August	290.0	1.9	4.02	3,979	2,785	1,194
September	278.2	2.0	n.a.	n.a.	n.a.	n.a.
September 14	281.3	2.0	n.a.	n.a.	n.a.	1,182
September 21	277.3	2.1	n.a.	n.a.	n.a.	1,167
September 28	269.3	2.0	n.a.	n.a.	n.a.	n.a.

n.a.--Not available.

<sup>1/</sup> 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.

<sup>2/</sup> Averages of daily trading volume on the New York Stock Exchange.

<sup>3/</sup> Moody's 200 common stocks; end of month figures.

<sup>4/</sup> 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.

<sup>5/</sup> 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	816	478	497	377	427	734
May	1,144	886	656	490	350	748
June	830	687	842	735	641	853
July	e/1,120	597	909	e/380	470	279
August	e/700	644	335	e/215	249	261
September	e/850	670	747	e/350	406	649
October	e/850	1,162 <sup>1/</sup>	1,003	e/625	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	2,790	2,052	1,995	1,603	1,418	2,334
3rd quarter	e/2,670	1,911	1,991	945	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 <sup>2/</sup>					
1st quarter	1,617	1,727	1,527			
2nd quarter	2,520	1,870	1,927			
3rd quarter	e/2,470	1,434	1,911			
4th quarter		2,554	1,792			
Year		7,569	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 - 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
July	592	164	--
August	217	35	37
September	558	184	--

Large Individual Issues Offered during September

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Gulf States Utilities Co.	1st mtg. bds.	15.0	1986	4 1/4	4.20	Aa
General Telephone of Cal.	1st mtg. bds.	20.0	1986	4 1/2	4.41	A
Southern Cal. Edison Co.	Common stk.	24.3				
Northern States Power Co.	1st mtg. bds.	15.0	1986	4 1/4	4.17	Aa
Procter & Gamble Co.	Deb.	70.0	1981	3 7/8	3.88	Aa
Detroit Edison Co.	Conv. deb.	59.8	1971	3 3/4	3.75	A
Tennessee Gas Transmission Co.	1st mtg. bds.	50.0	1976	4 3/4	4.70	A
Tennessee Gas Transmission Co.	Pfd. stk.	20.0				
CIT Financial Corp.	Deb.	75.0	1971	4 1/4	4.32	--
Southern Pacific R.R. Co.	1st mtg. bds.	35.0	1983	5 1/4	5.25	Baa
North American Aviation, Inc.	Cap. stk.	43.5				
Virginia Electric & Power Co.	1st mtg. bds.	20.0	1986	4 1/8	4.01	Aa

## Large Individual Issues Offered during September (Cont'd)

Issuer	Type <sup>3/</sup>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u> (Cont'd)						
Commercial Credit Co.	Notes	75.0	1974	4 1/4	4.33	--
New England Tel. & Tel. Co.	Cap. stk.	18.9				
Pacific Tel. & Tel. Co.	Common stk.	16.2				
<u>STATE &amp; LOCAL GOVERNMENT</u>						
Port of New York Auth. New York	Rev.	25.0	1986	3.52	3.45	A
Allegheny Co. Inst. Dist., Pa.	G.O.	6.3	1957-86	3.17	2.20-3.20	A
Cakland Unified School Dist., Cal.	G.O.	10.0	1957-81	2.85	2.10-2.90	Aa
New York, New York	G.O.	30.0	1957-71	3.28	2.25-3.30	A
State of Michigan	L.L.	25.0	1957-79	3.04	2.15-3.00	Aa
Los Angeles School Dists., Calif.	G.O.	29.0	1957-81	3.08	2.00-3.10	Aa
Nassau Co., New York	G.O.	19.6	1957-85	3.34	2.25-3.35	A
Kansas City, Mo.	Water rev.	9.5	1961-86	2.99	2.50-3.00	Aa
Kalamazoo School Dist., Michigan	G.O.	10.0	1957-82	2.69	1.90-2.70	Aaa
Washington State Toll Bridge Authority	Rev.	5.4	1987	4.46	4.35	--
Westchester Co., N. Y.	G.O.	7.3	1957-81	2.63	1.90-2.70	Aa
Cook Co., High School Dist., No. 209, Ill.	G.O.	6.8	1957-75	3.74	2.60-3.70	Baa
<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 - 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 29	437	81	--	567	690	--
July 31	247	--	37	1,096	726	37
Aug. 31	369	131	--	1,202	958	--
Sept. 28	315	359	--	1,009	1,197	--

Forthcoming Large Offerings, as of September 28

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
United Aircraft Corp.	Conv. pfd. stk.	31.8	October 2 (rights expire)
Allegheny Ludlum Steel Corp.	Conv. deb.	16.4	October 2 (rights expire)
Columbia Gas System, Inc.	Deb.	25.0	October 4
Southern Bell Tel. & Tel. Co.	Deb.	60.0	October 8
Pacific Finance Corp.	Deb.	25.0	October 9
Seaboard Finance Co.	S.F. notes	15.0	October 10
*Texas Eastern Transmission Corp.	Pfd. stk.	15.0	October 10
Long Island Lighting Co.	Conv. pfd. stk.	18.0	October 15 (rights expire)
*Georgia Pacific Corp.	Common stk.	15.0	October 16
*Johns-Manville Corp.	Common stk.	25.9	October 17 (rights expire)
Consolidated Edison Co.	1st & ref. mtg. bds.	40.0	October 23
Ohio Power Co.	1st mtg. bds.	28.0	October 30
Southern New England Tel. Co.	Common stk.	20.4	November 2 (rights expire)
American Tel. & Tel. Co.	Common stk.	580.0	November 5 (rights expire)



## Forthcoming Large Offerings, as of September 28 (Cont'd).

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u> (Cont'd)			
J. P. Stevens & Co.	S.F. deb.	28.7	1956
Michigan Wisconsin Pipe Line Co.	1st mtg. bds.	25.0	1956
*Commonwealth Edison Co.	Pfd. stk.	40.0	1956
<u>STATE AND LOCAL GOVERNMENT</u>			
Detroit, Michigan	G.O.	12.3	October 2
State of California	G.O.	35.0	October 3
*Buffalo, New York	G.O.	11.4	October 4
State of South Carolina	G.O.	15.0	October 9
San Bernardino Co., Calif.	G.O.	6.0	October 9
Territory of Hawaii	Highway rev.	12.0	October 9
*Baltimore Co., Md.	G.O.	21.0	October 10
*Washington Co., Md.	G.O.	8.0	October 16
*Hagerstown, Md.	G.O.	5.8	October 16
*Charlotte, N. C.	G.O.	5.2	October 16
State of Massachusetts	G.O.	58.0	October 17
*Ft. Pierce, Florida	Water rev.	5.1	October 17
*St. Louis Bd. of Education, Ill.	G.O.	5.5	October 18
*Philadelphia, Pennsylvania	G.O.	58.8	October 23
State of Ohio	L.L.	25.0	October 25
*State of Connecticut	G.O.	75.0	October 30
*Harris Co., Texas	G.O.	6.0	November 9
Chicago Bd. of Education, Ill.	G.O.	10.0	November 14
Jacksonville Expressway Authority	Rev.	42.0	Fall
Florida State Turnpike Authority	Rev.	185.0	Fall
Memphis, Tennessee	Elec. rev.	135.0	Winter
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.	31.0	1956
New Jersey Highway Authority	Rev.	25.0	1956
New York State Thruway Authority	G.O.	50.0	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.

Note.--Deletions for reasons other than sale of issue: None.

Yields on New and Outstanding  
Electric Power Bonds, Rated Aa and A <sup>1/</sup>

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		
25	3.70	33		
August 1			4.00	43
30	4.07	52		
September 11	4.20	62		
13	4.17	58		
25	4.01	37		

\*--Single observation, not an average.

<sup>1/</sup> 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.