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July 11, 1957

CAPITAL MARKET DEVELOPMENTS

(Including Quarterly Review of State and  
Local Government Security Financing)

Few large security issues were offered publicly last week which included the July 4 holiday. Large corporate debt offerings consisted of two mortgage issues; totaling \$55 million, and rights expired on a \$19 million subscription offering of common stock. A \$5 million flotation by a regional power district was the only State or local obligation sold. This week's calendar for large issues will be heavier with \$115 million in corporate and \$50 million in State and local issues scheduled. Also scheduled is a foreign issue for \$25 million.

Bond yields - Yields on high-grade outstanding corporate bonds reached a new high weekly average of 4.00 per cent last week. On a daily basis, however, the Friday figure was down slightly from a peak earlier in the week, and daily figures since then show further slight declines. Lower grade corporate bonds, which also established a new high, have not as yet registered a similar decline. Yields on both Aaa- and Baa-rated State and local issues turned down slightly while long-term Government bond yields declined for the second week.

An Aa-rated electric utility thirty-year first mortgage issue was reoffered on Tuesday of this week to yield 4.58 per cent, down 20 basis points from a similar issue on June 11. The following day, however, an A-rated issue with five-year protection against re-funding was reoffered at 4.88, 8 basis points higher than a July 3 issue with comparable provisions. The two electric utility issues marketed last week sold quickly and are currently being quoted at premiums.

Stock prices - The SEC index of 265 common stocks closed at 291.8 on July 5, the highest level of stock prices reached this year. Trading volume increased, averaging 2.3 million shares per day. Daily indexes indicate little change on balance during the first three days of this week.

State and Local Government Security  
Offerings in the Second Quarter of 1957

State and local governments sold \$1.7 billion of bonds during the second quarter, a somewhat larger volume than a year earlier, but below the record volume of the second quarter of 1954,

when four exceptionally large toll-highway issues accounted for two-fifths of the \$2.3 billion total.

New issue volume declined from the high level of April in both May and June, particularly the latter month which is usually a month of a large volume of sales. In June this was due to a considerable extent to postponements or failures to sell issues offered, because of rapidly rising interest rates and unstable market conditions. In the early months of 1957, when interest rates declined temporarily, there was a record first quarter new issue volume as issuers took advantage of the somewhat lower rates. As a result, the volume of bond sales was about the same in both quarters whereas usually second quarter volume is substantially larger than in the first quarter.

Purpose - Bonds sold during the second quarter to provide funds for school construction accounted for one-third of the total, and amounted to \$568 million. This was probably an increase over last year, but precise comparison is impossible, because data for 1956 and earlier years exclude small school bond issues and thus understate school issue volume. Sales of highway and of veterans' aid bonds were substantially larger during the second quarter than a year earlier; in the case of veterans' aid bonds the increase reflected the sale of a large issue by the State of California.

Type - Sales of general obligations were somewhat larger in volume this year than last, while revenue bond volume was somewhat smaller.

Issuers - All types of issuers except special authorities appear to have sold more bonds during the second quarter of 1957 than in 1956. Issues of special authorities were only one-half as large as in 1956. Except for issues of State governments, however, comparison is difficult because of the unclassified small issues in the earlier data.

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.

Long-Term Security Issues of State and Local Governments  
Second Quarter

(In millions of dollars)

	1957	1956	1955	1954	1953
<b>Issuing authority:</b>					
State	407	164	254	668	136
County and township	106	53	134	118	66
Municipality	602	452	363	466	299
School district	353	287	241	247	263
Special authority	235	496	312	745	524
Unidentified <sup>1/</sup>	--	165	125	129	154
Total	1,697	1,617	1,429	2,372	1,442
<b>Purpose of issue:</b>					
New capital total	<u>1,685</u>	<u>1,603</u>	<u>1,418</u>	<u>2,334</u>	<u>1,412</u>
Schools <sup>2/</sup>	568	394	365	502	416
Highways, bridges, tunnels	312	159	226	1,068	323
Residential buildings	42	114	140	133	123
Hospitals and institutions	26	15	28	43	44
Sewer and water	247	213	192	162	178
Misc. public service enterprises	96	245	37	57	30
Recreation	15	6	14	8	13
Port and airport	47	76	59	22	9
Veterans' aid	136	68	20	25	10
Industrial buildings	1	3	3	1	2
Other	193	146	210	186	111
Unidentified <sup>1/</sup>	--	165	125	127	153
Refunding	12	14	11	39	30
Total	1,697	1,617	1,429	2,372	1,442
<b>Type of issue:</b>					
General obligation	1,194	1,071	972	1,244	1,048
Revenue	465	533	457	1,126	393
Federal Government loans <sup>3/</sup>	38	13	--	3	1
Total	1,697	1,617	1,429	2,372	1,442

<sup>1/</sup> Issues of less than \$500,000 not further classified.

<sup>2/</sup> Data for years prior to 1957 probably understate school issues by about one-fourth because of unclassified small issues. This is partially offset by the fact that 1957 data are for elementary and secondary schools only while data for prior years include in addition a small amount of bond sales for higher education facilities, libraries, art galleries, and museums.

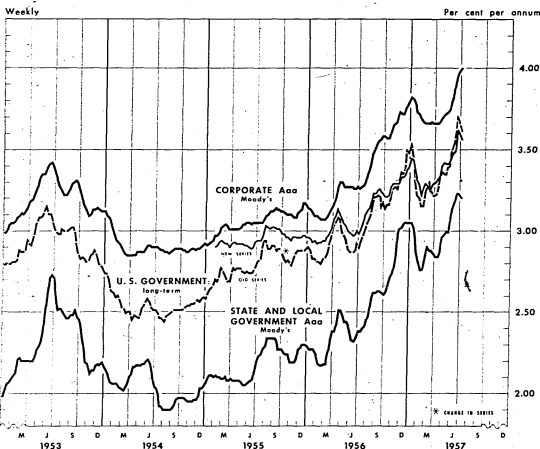
<sup>3/</sup> Coverage for 1957 is broader than for earlier years.

Note.--Details may not add to totals because of rounding.

Source.--1953-1956, Bond Buyer and Federal Reserve; 1957, Investment Bankers Association of America. Data for 1957 not strictly comparable with data for earlier years.

## 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 Aaa		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	3.79 (12/28)	3.49 (12/21)	3.39 (12/28)	3.05 (12/27)	.44	.68	
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.32	
1957 - High	4.00 (7/5)	3.70 (6/21)	3.62 (6/21)	3.23 (6/27)	.54	.48	
Low	3.66 (4/12)	3.15 (2/8)	3.22 (2/8)	2.76 (2/21)	.24	.26	
June 7	3.82	3.51	3.47	3.14	.31	.37	
June 14	3.88	3.54	3.49	3.17	.34	.37	
June 21	3.94	3.70	3.62	3.23	.24	.47	
June 28	3.97	3.68	3.60	3.23	.29	.45	
July 5	4.00	3.61	3.56	3.20	.39	.41	

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

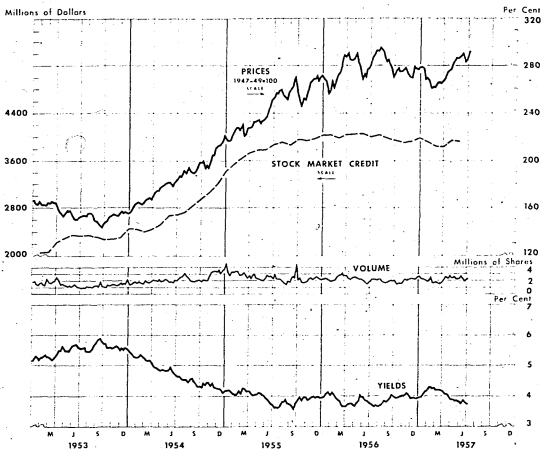
<sup>2/</sup> Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 1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



## 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	5.88	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	5.49	3,436	2,388	1,048
Low	156.5 (1/6)	1.4	4.09	2,405	1,653	746
1955 - High	270.7 (12/30)	4.6	4.23	4,030	2,805	1,224
Low	217.4 (1/14)	1.5	3.59	3,537	2,517	1,018
1956 - High	295.5 (8/3)	3.1	4.13	4,047	2,823	1,267
Low	257.4 (1/20)	1.5	3.65	3,914	2,740	1,155
1957 - High	291.8 (7/5)	2.7	4.28	3,938	2,794	1,163
Low	260.3 (2/8)	1.6	3.73	3,832	1,713	1,117
May	384.2	2.4	3.82	3,924	2,794	1,130
June	286.2	2.2	3.79	n.a.	n.a.	1,147
June 21	283.0	2.2	3.83	n.a.	n.a.	1,145
June 28	284.4	1.9	3.79	n.a.	n.a.	1,147
July 5	291.8	2.3	3.73	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 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 125 industrial stocks; weekly data based on Friday.

<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		
	1957	1956	1955	1957	1956	1955
January	1,063	573	535	685	404	535
February	1,071	712	407	566	696	312
March	1,344	817	1,223	499	390	538
April	e/950	818	478	762	378	427
May	e/750	1,146	886	e/550	490	350
June	e/1,350	841	687	e/380	735	642
July	e/900	1,063	597	e/375	376	470
August		654	644		199	249
September		838	670		333	406
October		745	1,162 <sup>1/</sup>		645	919
November		1,089 <sup>2/</sup>	632		311	658
December		1,088	900		426	408
1st quarter	3,479	2,102	2,165	1,750	1,490	1,385
2nd quarter	e/3,050	2,805	2,052	e/1,692	1,603	1,418
3rd quarter		2,556	1,911		908	1,124
4th quarter		2,922	2,695		1,382	1,984
1st half	e/6,529	4,907	4,216	e/3,442	3,093	2,803
Three quarters		7,463	6,127		4,001	3,927
Year		10,384	8,821		5,383	5,911
	Excluding finance companies <sup>3/</sup>					
1st quarter	3,268	1,647	1,727			
2nd quarter	e/2,800	2,541	1,870			
3rd quarter		2,246	1,444			
4th quarter		2,826	2,554			
Year		9,259	7,595			

e/ Estimated.

<sup>1/</sup> Includes \$637.2 million AT&T convertible debenture issues.

<sup>2/</sup> Includes \$571.5 million AT&T common stock issues.

<sup>3/</sup> Total new capital issues excluding offerings of sales and consumer 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>
1956 - June	185	463	20
July	592	164	--
August	217	35	37
September	558	184	--
October	386	383	35
November	701	135	--
December	430	201	--
1957 - January	567	386	100
February	671	306	50
March	788	194	--
April	477	499	125
May	329	248	25
June	877	176	39

Large Individual Issues Offered July 1 through 5

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Southern Calif. Edison Co.	1st & ref. mtg. bds.	40.0	1982	4 3/4	4.70	Aa
Rochester Gas & Elec. Co.	1st mtg. bds.	15.0	1987	4 7/8	4.80	A
Timken Roller Bearing Co.	Common stk.	19.4				
<u>STATE AND LOCAL GOVERNMENT</u>						
Salt River Agric. Impr. & Power Dist., Arizona	G.O.	5.0	1960-87	4.29	3.20-4.25	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

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/
1956 - 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	--
Oct. 31	683	162	--	990	955	--
Nov. 30	436	48	23	481	979	23
Dec. 31	476	280	100	796	763	100
1957 - Jan. 31	591	153	35	966	648	35
Feb. 28	740	153	--	795	631	--
Mar. 29	461	290	25	486	862	25
Apr. 30	187	179	25	258	396	25
May 31	525	97	--	525	388	--
June 28	370	172	25	415	498	25

Forthcoming Large Offerings, as of July 5

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Central Illinois Light Company	1st mtg. bds.	15.0	July 10
Wisconsin Telephone Company	Deb.	30.0	July 10
Washington Water Power Company	1st mtg. bds.	30.0	July 11
West Penn Power Company	1st mtg. bds.	20.0	July 11
Associates Investment Company	Deb.	20.0	July 12
Texas Electric Service Company	1st mtg. bds.	16.0	July 16
Jersey Central Power & Light Company	1st mtg. bds.	15.0	July 17
Inland Steel Company	1st mtg. bds.	50.0	July 18
First National City Bank of New York	Capital stk.	120.0	July 22
			(rights expire)
*Pacific Gas and Electric Company	1st & ref. mtg. bds.	60.0	July 24
*Sears Roebuck Acceptance Corp.	Deb.	50.0	July
Public Service Electric & Gas Co.	Pfd. stk.	25.0	1957
*Tennessee Gas Transmission	Deb.	25.0	1957

## Forthcoming Large Offerings, as of July 5 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
Fresno Unified Sch. Dist., Calif.	G.O.	7.0	July 9
Met. Water Dist. of So. California	Rev.	15.0	July 9
Port of New York Authority	Airport rev.	28.8	July 10
*Cook Co. Sch. Dist. No. 205, Ill.	G.O.	5.5	July 15
Philadelphia School Dist., Penna.	G.O.	12.0	July 16
State of Minnesota	Highway rev.	12.0	July 16
Atlanta, Georgia	G.O.	15.5	July 16
St. Louis County, Missouri	G.O.	6.8	July 17
State of Louisiana	G.O.	10.0	July 17
*Westport, Connecticut	G.O.	5.4	July 18
*Georgia Rural Roads Authority	Rev.	17.5	July 23
Milwaukee, Wisconsin	Water rev.	10.0	July 23
State of California	G.O.	50.0	July 24
*State of Oregon	G.O.	15.0	July 29
Los Angeles City Sch. Dists., Calif.	G.O.	44.0	Aug. 13
State of Ohio	Highway rev.	31.0	Sept. 10
State of Texas	G.O.	12.5	1957
Jacksonville, Florida	Utilities rev.	30.0	1957
University System Bldg. Auth., Ga.	Rev.	12.0	1957
Pennsylvania Turnpike Commission	Rev.	62.0	1957
Inter-American Center Auth., Fla.	Rev.	20.0	1957
New York State Thruway Authority	G.O.	50.0	1957
Oklahoma Turnpike Authority	Rev.	65.0	1957
<u>OTHER</u>			
Montreal, Quebec	Deb.	25.0	July 10

\*--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 1/<sub>2</sub>

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 - 1956				
High	4.30(12/12/56)	62	4.58(12/6/56)	70
Low	2.93(3/31/54)	- 3	3.00(3/17/54)	-15
1956 - July	3.66	29	*3.82	28
August	*4.07	52	*4.00	43
September	4.13	53	None	--
October	*4.20	48	*4.40	63
November	*4.30	52	None	--
December	*4.30	47	*4.58	70
1957 - January 8	4.50	62		
16			4.67	70
18	4.43	56		
22			4.56	57
24	4.40	53		
February 5	4.29	45		
19	4.25	46		
27	4.22	43		
March 6			4.41	35
12			4.58	52
20			4.55	49
29			4.45	43
April 3	4.29	50		
10			4.60	59
12			4.50	49
May 10			4.53	52
15			4.53 <sup>2</sup> / <sub>2</sub>	52
16	4.50	65	4.70	69
21	4.38 <sup>2</sup> / <sub>2</sub>	51		
23			5.00	98
29			5.25	123
June 5	4.63	75		
7			5.10	106
11	4.78	87		
July 3			4.80 <sup>2</sup> / <sub>2</sub>	64

\*--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. Average maturity for the seasoned issues varies from 26 to 28 years.

2/ Provides for a 5-year period during which issue may not be called for refunding at a lower coupon rate. Other issues have no such provision.