

Not for Publication

DECONTROLLED AFTER SIX MONTHS

H. 14

June 15, 1955

CAPITAL MARKET DEVELOPMENTS

Moderate volume of issues for new capital last week - One large State and local government offering of 74 million dollars; and one large public utility bond issue of 25 million dollars were publicly floated for new capital during the week ending June 10. Large issues scheduled for offering this week total 93 million dollars for the State and local governments and 41 million for corporations.

Bond yields - Yields on outstanding corporate Aaa bonds declined one basis point last week. U. S. Government long-term bond yields did not change. State and local government Aaa yields increased one basis point. Yields on lower-grade bonds remained steady. According to daily figures, the corporate Aaa yields rose slightly on Monday and remained steady on Tuesday of this week. Treasury yields did not change during the first two days of this week.

As indicated in Exhibit G, the spread between yields on newly-offered 30-year first mortgage electric power bonds with A ratings and yields on similarly rated outstanding bonds of somewhat shorter maturity is currently 10 basis points, moderately less than in the last several months but still considerably larger than the spread in 1954.

Stock market credit - Customers' debit balances, excluding borrowings for carrying U. S. Government securities, of member firms of the New York Stock Exchange, declined 20 million dollars to total 2,684 million at the end of May, the first decrease since February 1954. Money borrowed by member firms on collateral other than U. S. Government securities increased but only by 58 million dollars, considerably less than one-half the increase during each of the two preceding months. Free credit balances fell substantially for the third consecutive month and totaled 928 million dollars at the end of May.

Despite the decline in customers' debit balances, total stock market credit increased 2 million dollars during May because bank loans to "others" increased more than debit balances declined.

Below are April and May 1955 figures for stock market credit outstanding:

(Millions of dollars)

	<u>April</u>	<u>May</u>
Customers' debit balances - total	2,752	2,731
Customers' debit balances - excluding money borrowed for carrying Government obligations	2,704	2,684
Money borrowed by member firms maintaining margin accounts	2,062	2,119
Money borrowed, by member firms maintaining margin accounts, on collateral other than Government obligations	1,988	2,047
Customers' free credit balances	973	928
Bank loans to others for purchasing and carrying securities (last Wednesday of month - weekly reporting member banks, excluding Governments for New York and Chicago reporting banks)	1,081	1,103
Total stock market credit (equals sum of item 2 and item 6)	3,785	3,787

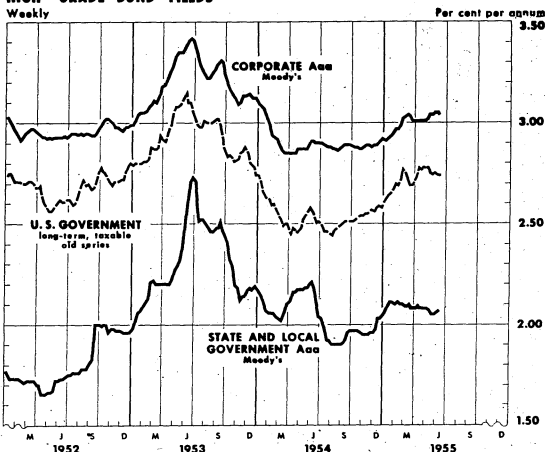
Stock prices rise - The SEC index of 265 common stocks increased 4.4 points to a new high of 241.9 during the week ending June 10. Trading volume on the New York Stock Exchange averaged 2.9 million shares a day last week, moderately above the low for the year. Stock prices rose moderately on Monday and decreased very slightly on Tuesday of this week according to daily indexes.

More detailed information concerning recent capital market developments will be found 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 <u>1/</u>	U. S. Govt. long-term <u>2/</u>	State and local govt., Aaa <u>3/</u>	Spread between U. S. Govt. and	
				Corporate Aaa	State and local Aaa
(Per cent)					
1952 - High	3.03 (1/4)	2.79 (12/27)	2.00 (10/23)	.37	1.02
Low	2.91 (2/15)	2.56 (5/17)	1.65 (5/1)	.19	.71
1953 - High	3.42 (6/19)	3.15 (6/6)	2.73 (6/25)	.38	.84
Low	2.99 (1/9)	2.78 (12/26)	1.98 (1/8)	.19	.30
1954 - High	3.09 (1/8)	2.74 (1/9)	2.21 (6/10)	.43	.61
Low	2.85 (4/23)	2.44 (8/7)	1.90 (9/2)	.32	.29
1955 - High	3.05 (6/3)	2.77 (5/6)	2.11 (2/10)	.34	.70
Low	2.91 (1/7)	2.62 (1/7)	2.05 (5/26)	.24	.54
May 13	3.04	2.75	2.07	.29	.68
May 20	3.04	2.74	2.05	.30	.69
May 27	3.05	2.75	2.05	.30	.70
June 3	3.05	2.74	2.06	.31	.68
June 10	3.04	2.74	2.07	.30	.67

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

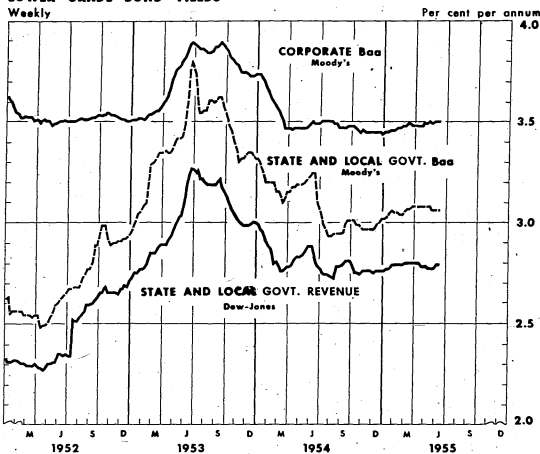
2/ Weekly average of daily figures; old series. Average term to first call of bonds included is 13-14 years.

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)		
1952 - High	3.63 (1/4)	2.98 (10/23)	2.69 (12/19)
Low	3.48 (5/16)	2.48 (4/17)	2.27 (4/25)
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	3.50 (6/10)	3.08 (5/12)	2.80 (4/15)
Low	3.45 (1/14)	3.02 (1/6)	2.76 (1/7)
May 13	3.50	3.08	2.77
May 20	3.49	3.06	2.77
May 27	3.50	3.06	2.77
June 3	3.50	3.06	2.79
June 10	3.50	3.06	2.79

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

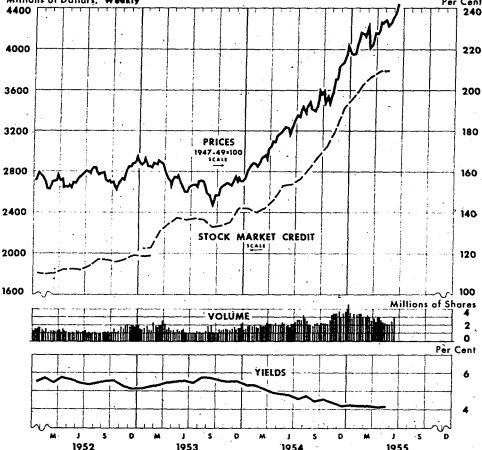
2/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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.

STOCK MARKET

Millions of Dollars, Weekly



Date	Stock price index 1/	Trading volume 2/ (millions of shares)	Common stock yields 3/ (per cent)	Stock market credit		
				Total	Customers' debt bal- ances 4/	Bank loans to "others" 5/
(Millions of dollars)						
1952 - High	165.3 (12/26)	2.0	5.77	1,986	1,332	656
Low	151.7 (10/24)	0.9	5.13	1,804	1,241	552
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	241.9 (6/10)	4.6	4.22	3,787	2,704	1,126
Low	217.4 (1/14)	2.0	4.12	3,537	2,517	1,018
April	231.4	2.7	4.12	3,785	2,704	1,081
May	233.3	2.2	4.14	3,787	2,684	1,103
May 20	233.3	2.1	n.a.	n.a.	n.a.	1,092
May 27	234.6	2.0	n.a.	n.a.	n.a.	1,103
June 3	237.5	2.4	n.a.	n.a.	n.a.	1,126
June 10	241.9	2.9	n.a.	n.a.	n.a.	n.a.

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 money borrowed for carrying U. S. Government obligations.

5/ Wednesday figures for weekly reporting member banks. Excludes all loans on U. S. Governments for 1952; since 1953 only loans secured by Governments at banks in New York and Chicago are excluded. Weekly reporting banks account for about 72 per cent of loans to others.

n.a.—Not available.

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		
	1955	1954	1953	1955	1954	1953
January	546	547	623	535	396	389
February	436	426	623	312	411	360
March	1,261	635	666	538	565	426
April	e/500	497	779	e/425	734	329
May	e/900	656	675	e/350	748	649
June	e/650	842	1,123	e/550	853	434
July		909	483		279	519
August		335	325		261	259
September		747	753		649	475
October		1,003	577		594	453
November		290	429		423	408
December		604	1,438 ^{1/}		877	774
1st quarter	2,243	1,608	1,912	1,385	1,372	1,176
2nd quarter	e/2,050	1,995	2,578	1,325	2,334	1,412
3rd quarter		1,991	1,561 ^{1/}		1,188	1,253
4th quarter		1,896	2,444 ^{1/}		1,894	1,636
Year		7,490	8,495		6,789	5,477
Excluding finance companies ^{2/}						
1st quarter	1,791	1,527	1,669			
2nd quarter	e/2,000	1,927	1,991			
3rd quarter		1,911	1,223			
4th quarter		1,792	2,344			
Year		7,158	7,227			

^{1/} Includes 602.5 million dollar AT&T debenture issue.^{2/} Total new capital issues excluding offerings of sales and personal finance companies.

e/ Estimated.

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>
1954 - May	324	557	--
June	350	603	--
July	336	92	--
August	75	86	--
September	335	455	--
October	413	388	--
November	0	268	--
December	94	689	30
1955 - January	141	341	35
February	72	107	--
March	750	337	--
April	175	238	15
May	483	109	--

Large Individual Issues Offered June 1 through 10

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Virginia Electric and Power Company	1st & ref. bds.	25.0	1985	3.25	3.20	Aa
<u>STATE AND LOCAL GOVERNMENT</u>						
Houston, Texas	G.O.	12.5	1956-80	2.47	1.20-2.65	A
New York City Housing Authority	G.R.	27.2	1958-03	3.01	1.75-2.78	A
State of North Carolina	G.O.	11.0	1957-75	1.96	1.20-2.05	Aa
Baltimore, Maryland	G.O.	24.7	1956-84	2.15	1.05-2.30	Aa
Galveston Co. Navigation District, Texas	G.O.	6.0	1957-91	2.93	1.40-3.00 ^{4/}	A
Minneapolis, Minnesota	G.O.	5.2	1956-75	--	1.15-2.10	Aa
Florida Turnpike Auth.	Rev.	74.0	1995	3.32	3.25	--

Large Individual Issues Offered June 1 through 10 (Cont'd)

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>OTHER</u>						
None						

1/ Includes corporate and other security offerings of 15 million dollars 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; and, L.L., limited liability obligations secured by pledge of designated revenues.

4/ Subject to award.

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/
1954 - May 28	332	596	--	526	1,971	--
June 30	336	86	--	532	1,524	--
July 30	100	54	--	303	1,553	--
Aug. 31	334	300	--	608	1,876	--
Sept. 30	343	383	--	414	2,158	--
Oct. 29	15	436	--	135	1,957	30
Nov. 30	94	661	30	246	2,682	30
Dec. 31	184	567	--	216	2,144	35
1955 - Jan. 31	16	682	--	422	1,961	--
Feb. 28	710	524	--	1,395	1,978	--
Mar. 31	211	208	--	922	2,009	--
Apr. 29	425	116	--	1,441	1,917	--
May 31	160	339	--	850	1,861	--

Forthcoming Large Offerings, as of June 10

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Southern California Edison	Conv. deb.	41.0	June 14
Southern New England Telephone and Telegraph	Deb.	20.0	June 21
Oklahoma Gas and Electric	1st mtg. bds.	15.0	June 21
Consolidated Natural Gas	Common stock	22.9	June 21
Baltimore Gas and Electric	Common stock	17.4	June 22
Peoples Gas Light & Coke	Common stock	15.7	June 24
Merritt-Chapman & Scott Corp.	Deb.	25.0	June
*American Natural Gas	Common stock	37.0	July
American Telephone and Telegraph	Conv. deb.	650.9	1955
Southern California Gas	Bonds	40.0	1955
*Goodyear Tire and Rubber	Common stock	50.0	1955
<u>STATE AND LOCAL GOVERNMENT</u>			
Texas Turnpike Authority	Rev.	58.5	June 14
Kansas City, Kansas	Rev.	7.0	June 14
Prince George's County, Maryland	G. O.	6.0	June 14
Dade County Port Authority, Fla.	Rev.	21.0	June 16

Forthcoming Large Offerings, as of June 10 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)			
Maryland State Roads Commission	Rev.	25.0	June 20
Cleveland, Ohio	G.O.	13.2	June 21
Tacoma, Washington	Rev.	15.0	June 21
*State of Connecticut	G.O.	20.0	June 21
Pennsylvania General State Auth.	Rev.	50.0	June 22
Dallas, Texas	n.a.	9.2	June 27
*Dayton, Ohio School District	n.a.	12.0	June 30
*New York State Thruway	G.R.	125.0	July 12
Inter-American Center Auth., Fla.	Rev.	60.0	1955
Michigan Turnpike Authority	Rev.	186.0	1955
State of Louisiana	n.a.	80.0	1955
Illinois Turnpike Authority	Rev.	390.0	1955
Connecticut Expressway	Rev.	100.0	1955
Texas Turnpike Company	Rev.	140.0	1955
Springfield, Illinois	n.a.	9.0	1955
Allegheny County, Pennsylvania			
Sanitary Authority	Rev.	85.0	1955
California Toll Bridge Authority	Rev.	235.0	1955
Jersey City Sewerage Auth., N. J.	Rev.	16.0	1955
North Carolina Turnpike Authority	n.a.	200.0	1955
<u>OTHER</u>			
None			

1/ Includes corporate and other issues of 15 million dollars and over; State and local government issues of 5 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues.

n.a.--Not available.

*--Included in table for first time.

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	r/3.46	r/16	r/3.78	r/26
1954 average	r/3.03	3	3.12	-3
1954 - January	r/3.19	6	*3.35	2
February	r/3.01	r/-1	*3.20	-1
March	*2.93	0	3.05	-10
April	2.99	5	3.10	-6
May	3.00	4	3.14	0
June	*3.00	1	3.14	-2
July	None	--	*3.13	-1
August	None	--	3.11	-1
September	3.02	3	*3.10	-3
October	3.03	3	3.10	-2
November	None	--	None	--
December	None	--	3.11	0
1955 - January	*3.15	13	None	--
February	*3.14	7	*3.23	9
March	*3.17	8	3.29	14
April	None	--	3.31	16
May 11			3.35	14
11			3.32	11
18	3.22	10		
24			3.37	16
June 9			3.30	10

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.

r/ Revised.

*--Single observation, not an average.