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September 15, 1955

CAPITAL MARKET DEVELOPMENTS

Three large State and local government issues with proceeds of 41 million dollars were offered for new capital during the week ending September 9. No large corporate offerings were floated, but 181 million dollars of such issues are expected this week including 100 million dollars of debentures from CIT Financial. About 21 million dollars of large State and local government issues are also scheduled.

Bond yields - Outstanding corporate Aaa bond yields increased one basis point during the week ending September 9. Yields on U. S. Government obligations decreased three basis points, and State and local government Aaa bond yields remained steady.

For lower-grade bonds, corporate Baa yields rose one basis point; State and local government Baa bond yields increased two basis points; and yields on State and local government revenue bonds decreased two basis points.

Corporate Aaa yields decreased slightly on Monday but remained steady on Tuesday of this week. Treasury bond yields rose on Tuesday.

Stock prices - As measured by the SEC index of 265 common stocks, prices rose last week to 262.3, a new high. Substantial price rises occurred on Tuesday and Wednesday of this week according to daily indexes.

Stock market credit - Customers' debit balances, excluding credit extended on U. S. Government obligations, of member firms of the New York Stock Exchange, totaled 2,710 million dollars at the end of August, a decline of 24 million from the preceding month. Total customer credit, excluding Governments, declined 46 million dollars. The following tabulation shows data on stock market credit for July and August.

	End of month		Change
	July	August	
(Millions of dollars)			
Customer credit			
Excluding U. S. Govt. securities - Total	3,911	3,865	-46
Net debit balances	2,734	2,710	-24
Bank loans to others	1,177	1,155	-22
Net debit balances secured by U. S. Govt. securities	45	43	-2
Bank loans to others for purchasing or carrying U. S. Govt. securities	29	29	--
Broker and dealer credit			
Money borrowed except on U. S. Govt. securities	2,003	1,994	-9
Money borrowed on U. S. Govt. securities	77	71	-6
Customers' net free credit balances	918	887	-31

State and Local Government Security
Offerings in the Second Quarter and
First Half of 1954 and 1955

State and local governments issued 1,429 and 2,838 million dollars of long-term security offerings in the second quarter and first half of 1955 respectively, as shown in the attached table. The quarterly volume was 40 per cent and the half year total 24 per cent less than the corresponding amounts in 1954. These declines in new issue volume were largely due to the fact that no very large toll highway bond issues were sold during the second quarter this year, whereas four issues with aggregate par value of 872 million dollars were sold during this period last year.

Issuing authority

Municipalities sold the largest volume of bonds during the second quarter of this year, accounting for one-fourth of all issues, but several other types of issuing authorities were almost as important. During the second quarter last year, in contrast, States and special authorities were the largest issuers, accounting together for more than three-fifths of the total. This is largely attributable to the lack of large toll highway issues this year, as noted above, since this type of issue is usually sold by a State or a special authority established for that purpose. Except for counties and townships, all types of issuing authorities sold fewer bonds during the second quarter this year than last, the decline being largest for States and special authorities. Half-year data show a similar pattern.

Long-Term Security Issues of State and Local Governments
Second Quarter and First Half of 1954 and 1955

(In millions of dollars)

	Second quarter		First half	
	1955	1954	1955	1954
<u>Issuing authority:</u>				
State	254	668	598	885
County and township	134	118	243	244
Municipality	363	466	696	878
School district	241	247	535	479
Special authority	312	745	479	1,003
Unidentified 1/	125	129	287	268
Total	1,429	2,372	2,838	3,756
<u>Purpose of issue:</u>				
New capital total	<u>1,418</u>	<u>2,334</u>	<u>2,803</u>	<u>3,706</u>
Schools	365	502	814	908
Highways, bridges, tunnels	226	1,068	401	1,213
Residential buildings	140	133	315	315
Hospitals and institutions	28	43	58	58
Sewer and water	192	162	350	347
Misc. public service enterprises	37	57	114	126
Recreation	14	8	27	18
Port and airport	59	22	59	47
Veterans aid	20	25	102	92
Industrial building	3	1	3	1
Other	210	186	275	319
Unidentified 1/	125	127	284	263
Refunding	11	39	35	50
Total	1,429	2,372	2,838	3,756
<u>Type of issue:</u>				
General obligation	945	1,238	2,067	2,266
Revenue	457	1,125	744	1,481
General revenue	27	9	27	9
Total	1,429	2,372	2,838	3,756

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

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

Sources.--Bond Buyer and Federal Reserve.

Purpose of issue

Offerings for new capital amounted to 1,418 million dollars in the second quarter compared to the unusually large second period last year when 2,334 million was sold. The refunding volume, as usual, was small in both periods. More bonds were sold for school construction than for any other purpose during the second quarter. Such issues totaled 365 million dollars, but the volume was still one-fourth smaller than during the same period last year. Highway and bridge bonds, which accounted for the largest volume last year, aggregated only 226 million dollars this year, only one-fifth last year's total which was augmented by large toll highway issues. Bonds for other purposes were issued in about the same volume in the second quarter this year as last.

Offerings for new capital purposes totaled 2,803 million dollars in the first six months of this year, or about 900 million less than in the year before. Most of the decline was in highway financing, but bonds issued for most other purposes either declined in volume or increased only moderately. As in the second quarter, funds for school financing accounted for more than one-fourth of total offerings.

Type of issue

The volume of both general obligation and revenue bond issues was smaller during the second quarter this year than last. The decline was much greater for revenue bonds however--about 60 per cent largely because of the lack of large toll highway issues this year--so that such bonds accounted for only one-third of the total this year, compared to nearly one-half last year. The volume of general revenue bonds was small in both periods.

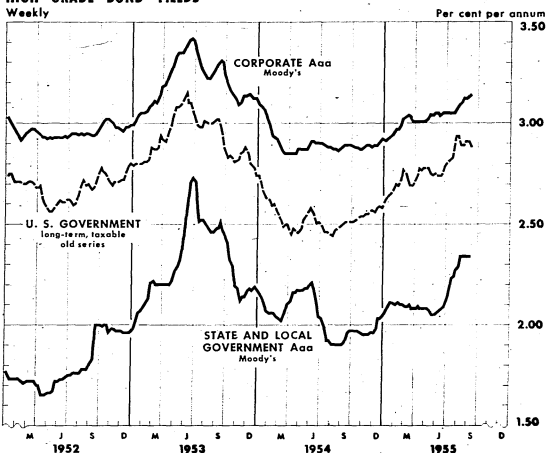
The proportion of revenue bonds to the total declined in a similar manner in the first half of 1954 compared to the corresponding period of 1955. The volume of revenue issues was 1,481 million dollars in the first six months last year or 39 per cent of the total. This year such offerings represented little more than one-fourth the total. Almost all other financing was in the form of general obligation bonds, totaling 2,067 million dollars in 1955 compared to 2,266 million the year before.

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 1/	U. S. Govt. long-term 2/	State and local govt., Aaa 3/	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	3.14 (9/9)	2.94 (8/5)	2.34 (9/8)	.34	.70
Low	2.91 (1/7)	2.62 (1/7)	2.05 (5/26)	.13	.54
August 12	3.10	2.89	2.34	.21	.55
August 19	3.12	2.89	2.34	.23	.55
August 26	3.12	2.91	2.34	.21	.57
September 2	3.13	2.91	2.34	.22	.57
September 9	3.14	2.88	2.34	.26	.54

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

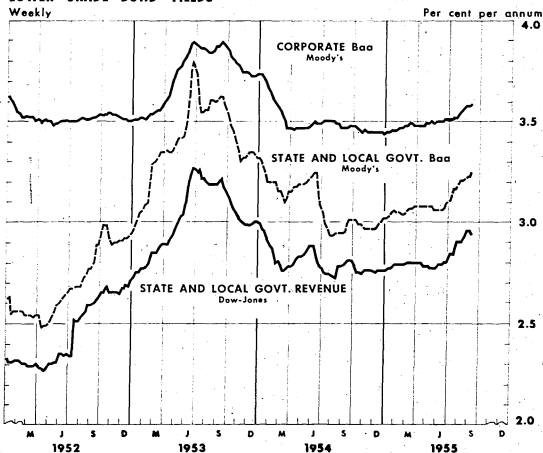
2/ Weekly average of daily figures; old series. Average term to first call of bonds included is 13-14 years.

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



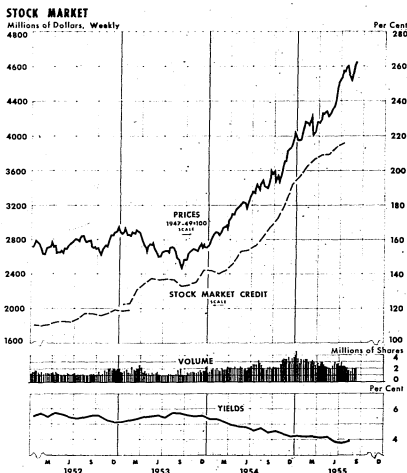
Date	Corporate Baa <u>1/</u>	State and local govt. Baa <u>2/</u>	State and local govt. rev. <u>3/</u>
	(Per cent)		
1952 - High	3.63 (1/4)	2.98 (10/23)	2.69 (12/19)
Low	3.48 (5/16)	2.48 (4/17)	2.27 (4/25)
1953 - High	3.89 (9/18)	3.79 (6/25)	3.27 (6/26)
Low	3.50 (1/2)	2.96 (1/8)	2.71 (1/2)
1954 - High	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	3.59 (9/9)	3.25 (9/8)	2.95 (9/2)
Low	3.45 (1/14)	3.02 (1/6)	2.76 (1/7)
August 12	3.56	3.21	2.90
August 19	3.57	3.22	2.93
August 26	3.58	3.23	2.95
September 2	3.58	3.23	2.95
September 9	3.59	3.25	2.93

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.



Date	Stock price index 1/	Trading volume 2/ (millions of shares)	Common stock yields 3/ (per cent)	Stock market customer credit		
				Total	Customers' debit 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	262.3 (9/9)	4.6	4.22	3,911	2,734	1,177
Low	217.4 (1/14)	1.5	3.78	3,537	2,517	1,018
July	257.3	2.4	3.78	3,911	2,734	1,177
August	254.5	1.8	3.91	n.a.	n.a.	1,155
August 26	257.4	2.0	n.a.	n.a.	n.a.	1,163
September 2	260.6	2.0	n.a.	n.a.	n.a.	1,155
September 9	262.3	2.0	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 1917=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 all loans for purchasing or carrying U. S. Governments for 1952; since 1953 only these loans at banks in New York and Chicago are excluded. 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		
	1955	1954	1953	1955	1954	1953
January	546	547	623	535	396	390
February	436	426	623	312	411	360
March	1,261	635	666	538	565	426
April	494	497	779	427	734	329
May	903	656	675	350	748	649
June	697	842	1,123	641	853	434
July	531	909	483	e/460	279	519
August	e/750	335	325	e/235	261	259
September	e/625	747	753	e/350	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	2,094	1,995	2,578	1,418	2,334	1,412
3rd quarter	e/1,905	1,991	1,561 1/	e/1,045	1,188	1,253
4th quarter		1,896	2,444		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	1,912	1,927	1,991			
3rd quarter	e/1,455	1,911	1,223			
4th quarter		1,792	2,344			
Year		7,158	7,227			

e/ Estimated.

1/ Includes 602.5 million dollar AT&T 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>
1954 - August	75	86	—
September	364	455	—
October	433	388	—
November	0	268	—
December	121	689	30
1955 - January	141	341	35
February	63	107	—
March	750	337	—
April	175	238	15
May	483	152	—
June	182	409	—
July	101	278	—
August	405	72	—

Large Individual Issues Offered September 1 through 9

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
None						
<u>STATE AND LOCAL GOVERNMENT</u>						
State of Delaware	G.O.	7.0	1956-75	2.12	1.45-2.20	Aa
Essex County, New Jersey	G.O.	8.8	1956-76	2.20	1.50-2.25	Aa
Middlesex Co. Sewerage Authority, M. J.	Rev.	25.0	1962-95	3.33	2.50-3.35	—
<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.

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 <u>2/</u>	Corporate	State and local govt.	Other <u>2/</u>
1954 - 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	--	1,141	1,917	--
May 31	160	339	--	850	1,861	--
June 30	67	344	--	830	1,845	--
July 29	407	100	--	1,135	2,018	--
Aug. 31	222	184	--	920	1,971	--

Forthcoming Large Offerings, as of September 9

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Utah Power and Light	1st mtg. bds.	15.0	September 14
Tennessee Gas Transmission	1st mtg. PL bds.	50.0	September 14
Tennessee Gas Transmission	Common stk.	16.0	September 14
CIT Financial	Deb.	100.0	September 15
Ohio Power	1st mtg. bds.	17.0	September 20
Columbia Gas	Deb.	40.0	September 21
Public Service Electric and Gas	Pfd. stock	25.0	October 4
Public Service Electric and Gas	Deb.	35.0	October 4
American Telephone and Telegraph	Conv. deb.	637.2	October 13
Southern Bell Telephone and Telegraph	Deb.	30.0	October 17
New York State Electric and Gas	1st mtg. bds.	25.0	October 19
*Long Island Lighting	1st mtg. bds.	15.0	October 26
*Kaiser Aluminum & Chemical	Pfd. stock	35.0	October
Southern California Gas	Bonds	40.0	November
Freedom Insurance Company	Common stk.	22.0	1955

Forthcoming Large Offerings, as of September 9 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
Buffalo, New York	G.O.	12.8	September 13
Volusia County, Florida	G.R.	8.0	September 15
*Detroit, Michigan	n.a.	9.1	September 20
Los Angeles, California	Rev.	18.0	September 21
State of New Mexico	L.L.	8.9	September 23
Sedgwick County, Kansas	G.O.	5.8	September 28
Richmond-Petersburg Turnpike Auth.	Rev.	69.0	September 28
Chicago Regional Port Dist., Ill.	Rev.	24.0	September
*Philadelphia, Pennsylvania	n.a.	39.9	October 18
Texas Turnpike Company	Rev.	130.0	October
Illinois Turnpike Authority	Rev.	400.0	October
*State of California	n.a.	60.0	November 2
*Territory of Hawaii	n.a.	7.5	November 16
Connecticut Expressway	Rev.	100.0	1955
Inter-American Center Auth., Fla.	Rev.	25.0	1955
Michigan Turnpike Authority	Rev.	185.0	1955
State of Louisiana	n.a.	80.0	1955
California Toll Bridge Authority	Rev.	235.0	1955
Louisiana Turnpike Commission	Rev.	100.0	1955
California Toll Bridge Authority	Rev.	43.0	1955
New York State Thruway Authority	G.R.	125.0	1955
Oklahoma Turnpike Authority	Rev.	146.0	1955
Washington State Toll Bridge Auth.	Rev.	227.0	1956
<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.