

H.14

September 29, 1955

CAPITAL MARKET DEVELOPMENTS

Large public security offerings issued for new capital during the week ending September 23 totaled 82 million dollars for corporations and 60 million for State and local governments. State and local governments expect to float 106 million dollars of large issues this week--including a 69 million dollar Richmond-Petersburg Turnpike offering. One corporate preferred stock offering of 35 million dollars is scheduled. Most of the large issues floated last week and the first part of this week were well received by investors. As a result, dealers have continued to maintain low inventories.

Bond yields - Aaa State and local government outstanding bond yields dropped five basis points during the week ending September 23. Yields on corporate Aaa and U. S. Government long-term bonds did not change.

Corporate Baa and State and local government revenue bond yields decreased moderately while State and local government Baa bond yields remained steady.

A sharp drop in Treasury obligation yields occurred on Monday of this week with a further decline on Tuesday according to daily figures. There was little change in corporate yields during the same period.

As shown in Exhibit G, the yield on a newly-offered 30-year first mortgage electric power bond with Aa-rating was ten basis points above yields on similarly-rated outstanding bonds of somewhat shorter maturity. The spread for this issue--the first of this rating to be offered since June--is just slightly above the average for the months of 1955 in which there have been new offerings.

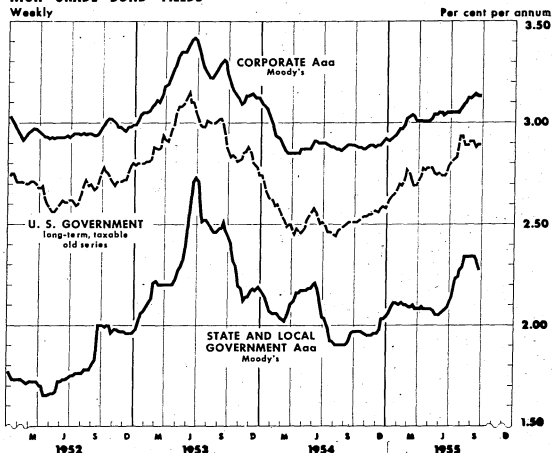
Stock prices - The SEC index of 265 common stocks rose to a new high of 269.7 during the week ending September 23. On Monday of this week prices declined sharply--for the industrial averages, it was the largest drop in absolute terms in one day since 1929. Percentagewise, however, the 6.54 per cent decline in the Dow-Jones industrials was somewhat smaller than it had been in either May 1940 or October 1937. Transactions on the New York Stock Exchange totaled 7,720 million shares, the greatest volume since July 21, 1933.

Prices regained more than two-fifths of Monday's loss in the next two days on trading volume lower than on Monday but still heavy.

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	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 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
September 16	3.13	2.89	2.32	.24	.57
September 23	3.13	2.89	2.27	.24	.62

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

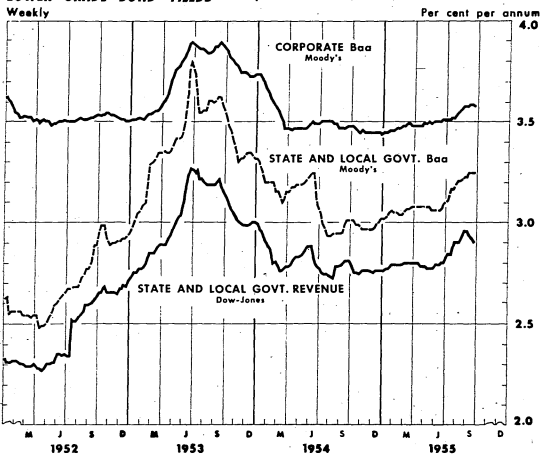
^{2/} Weekly average of daily figures; old series. Average term to first call of bonds included is 13-14 years.

^{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	3.59 (9/16)	3.25 (9/22)	2.95 (9/2)
Low	3.45 (1/14)	3.02 (1/6)	2.76 (1/7)
August 26	3.58	3.23	2.95
September 2	3.58	3.23	2.95
September 9	3.59	3.25	2.93
September 16	3.59	3.25	2.92
September 23	3.58	3.25	2.90

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

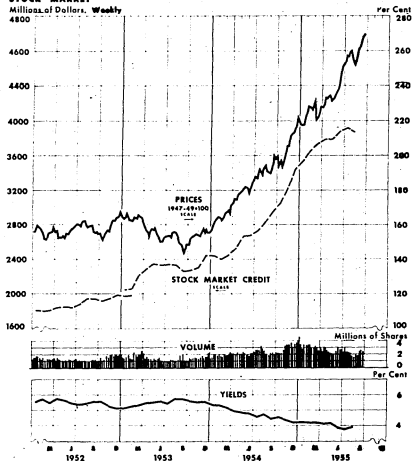
^{2/} Thursday figures. Only general obligation bonds are included; average term is 20 years.

^{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)						
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	562
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	1,344	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	269.7 (9/23)	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	3,865	2,710	1,155
September 9	262.3	2.4	n.a.	n.a.	n.a.	1,157
September 16	267.4	2.6	n.a.	n.a.	n.a.	1,167
September 23	269.7	2.4	n.a.	n.a.	n.a.	n.a.

n.a. Not available.

^{1/} SEC index of 266 common stocks, weekly closing prices, 1939=100; converted to 1947=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/390	649	475
October		1,003	577		594	453
November		290	429		423	408
December		604	1,438		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	e/1,085	1,188	1,253
4th quarter		1,896	2,444		1,894	1,635
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 2/
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	r/173	230	15
May	483	152	—
June	r/175	409	—
July	101	278	—
August	405	72	—

Large Individual Issues Offered September 1 through 23

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Utah Power & Light	1st mtg.bds.	15.0	1985	3 5/8	3.50	A
Tenn. Gas Transmission	1st mtg. PL	50.0	1976	3 7/8	3.80	A
Tenn. Gas Transmission	Common stk.	16.0				
CIT Financial	Deb.	100.0	1970	3 5/8	3.75	—
Ohio Power Co.	1st mtg. bds.	17.0	1985	3 3/8	3.32	Aa
Columbia Gas System, Inc.	Deb.	40.0	1980	3 5/8	3.63	A
Public Service Elec.& Gas	Pfd. stk.	25.0				
<u>STATE & 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, N. J.	Rev.	25.0	1962-95	3.33	2.50-3.35	—
Buffalo, New York	G.O.	12.8	1956-70	1.89	1.40-2.00	Aaa
Volusia Co., Florida	G.R.	8.0	1961-64	3.35	2.60-3.35	Baa

Large Individual Issues Offered September 1 through 23 (Cont'd)

Issuer	Type ^{3/}	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)						
Detroit, Michigan	G.O.	9.1	1956-80	2.62	1.50-2.70	A
Lós Angeles, California	Rev.	18.0	1956-85	2.52	1.50-2.60	Aa
State of New Mexico	L.L.	8.9	1956-65	2.09	1.50-2.05	Aa
Chicago Regional Port District, Illinois	Rev.	24.0	1995	n.a.	4.00	--
<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.

r/ Revised.

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 - 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	--	520	1,971	--

Forthcoming Large Offerings, as of September 23

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Kaiser Aluminum & Chemical	Pfd. stock	35.0	September 28
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
Long Island Lighting	1st mtg. bds.	15.0	October 26
New York State Electric and Gas	1st mtg. bds.	15.0	October
*New England Telephone & Telegraph	Deb.	30.0	November 15
*Southern Co.	Common stock	30.0	November 22
Southern California Gas	Bonds	40.0	November
Pacific Gas and Electric	Pfd. stock	25.0	November
Freedom Insurance Company	Common stock	22.0	1955
<u>STATE AND LOCAL GOVERNMENT</u>			
Warren Township, Michigan	G.O.	15.0	September 27
Baltimore County, Maryland	G.O.	15.9	September 28
Sedgwick County, Kansas	G.O.	5.8	September 28
Richmond-Petersburg Turnpike Auth.	Rev.	69.0	September 28

Forthcoming Large Offerings, as of September 23 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)			
Indianapolis, Indiana	G.O.	6.6	October 4
Cook County, Illinois	n.a.	40.0	October 10
*State of Tennessee	n.a.	8.6	October 10
*Montgomery Co., California	n.a.	7.0	October 11
Orleans Parish, Louisiana	n.a.	6.0	October 13
Philadelphia, Pennsylvania	n.a.	39.9	October 18
*Public Housing Authorities	--	120.0	October 26
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.	186.0	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.

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
1954 - January	3.19	6	*3.35	2
February	3.01	-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	*3.22	10	3.35	14
June	*3.20	7	*3.30	10
July	None	--	None	--
August 31			3.57	30
September 14			3.50	23
21	3.32	10		

* 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 issues were included. Average maturity for the seasoned issues varies from 26 to 28 years.