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October 6, 1955

CAPITAL MARKET DEVELOPMENTS

State and local governments offered large security issues with total proceeds of 106 million dollars during the week ending September 30. Corporations floated 65 million dollars of large public issues for new capital and are offering a 35 million dollar debenture issue this week. No large State and local government offerings are expected this week--the only issue scheduled was postponed for an indefinite period because of a suit filed by a taxpayer.

October outlook - The October corporate estimate for new capital is 1,300 million dollars, the largest monthly volume since December 1953. Included in this month's estimate are proceeds from a 637.2 million dollar American Telephone and Telegraph convertible debenture issue, subscription rights for which expire October 13. A similar AT&T issue of 602.5 million dollars accounted for a large part of the December 1953 volume.

State and local government offerings for October are estimated at 1,050 million dollars which, if realized, will be the largest month on record in municipal financing. This estimate includes two issues--the Illinois Turnpike 410 million and the Texas Turnpike Company 137 million--which had been expected earlier in the year and then had been delayed. Also expected for offering this month are two issues--the 50 million dollar New York State Thruway offering and the 40 million Cook County, Illinois issue--which previously had been scheduled for offering in the third quarter but were not sold when all bids were rejected.

Bond yields - Treasury obligation yields decreased three basis points during the week ending September 30. Changes in yields on other outstanding bonds were mixed but moderate, as can be seen from the attached charts.

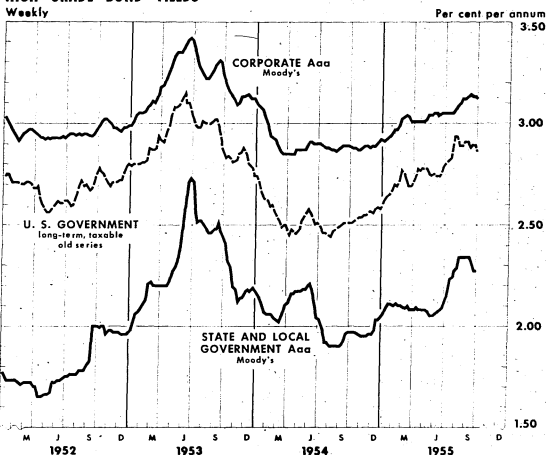
According to daily figures, yields on U. S. Government long-term bonds declined moderately on Monday and were stable on Tuesday of this week. Corporate yields were unchanged so far this week.

Stock prices - Stock prices, as measured by the S&C index of 265 common stocks, dropped 11.8 points to 257.9 last week in heavy trading volume. A sharp drop occurred on Monday, September 26, but by Friday, the day for which the SEC index is computed, prices had regained more than half of the decline. This Monday, however, according to Standard and Poor's 90 stock index, prices decreased sharply again to below the level of the previous Monday. A little more than half of this loss had been recovered by October 5 in moderate daily trading volume.

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	
				Corporate Aaa	U. S. Govt. and 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
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
September 30	3.12	2.86	2.27	.26	.59

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

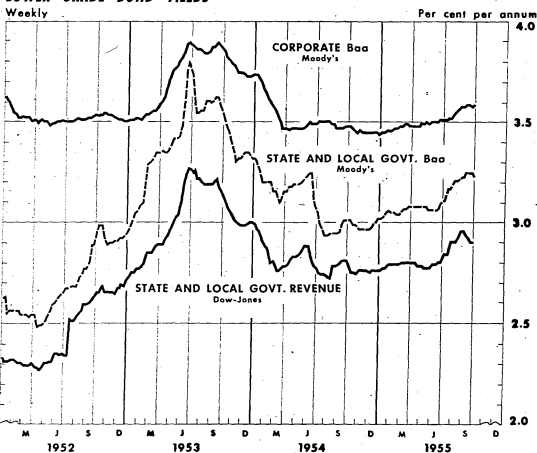
2/ Weekly average of daily figures; old series. Average term to first call of bonds included is 13-14 years.

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 (9/30)	3.25 (9/22)	2.95 (9/2)
Low	3.45 (1/14)	3.02 (1/6)	2.76 (1/7)
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
September 30	3.59	3.23	2.90

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

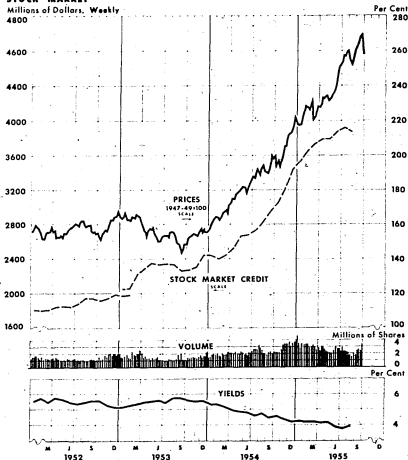
^{2/} Thursday figures. Only general obligation bonds are included; average term is 20 years.

^{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 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	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
August	254.5	1.8	3.91	3,865	2,710	1,155
September	263.6	2.9	n.a.	n.a.	n.a.	n.a.
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.	1,177
September 30	257.9	4.3	n.a.	n.a.	n.a.	n.a.

n.a.—Not available.

^{1/} S&P 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/} Average 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	470	279	519
August	e/750	335	325	e/235	261	259
September	e/625	747	753	e/390	649	475
October	e/1,300 ^{1/}	1,003	577	e/1,050	594	453
November		290	429		423	408
December		604	1,438 ^{2/}		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/1,095	1,188	1,253
4th quarter		1,896	2,444 ^{2/}		1,894	1,636
Year		7,490	8,495		6,789	5,477
	Excluding finance companies ^{3/}					
1st quarter	1,791	1,527	1,669			
2nd quarter	1,912	1,927	1,991			
3rd quarter	e/1,730	1,911	1,223			
4th quarter		1,792	2,344			
Year		7,158	7,227			

e/ Estimated.

^{1/} Includes 637.2 million dollar AT&T convertible debenture issue.^{2/} Includes 602.5 million dollar AT&T convertible debenture issue.^{3/} 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	173	238	15
May	483	152	--
June	175	409	--
July	101	278	--
August	405	72	--
September	328	227	--

Large Individual Issues Offered September 1 through 30

Issuer	Type ^{3/}	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est 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				
Detroit Steel	1st mtg. bds.	30.0	1970	4 7/8	5.00	Baa
Kaiser Aluminum & Chemical	Pfd. stk.	35.0				
<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, N. J.	Rev.	25.0	1952-95	3.33	2.50-3.35	--

Large Individual Issues Offered September 1 through 30 (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)						
Buffalo, New York	G.O.	12.8	1956-70	1.89	1.40-2.00	Aaa
Volusia Co., Florida	G.R.	8.0	1961-84	3.35	2.60-3.35	Baa
Detroit, Michigan	G.O.	9.1	1956-80	2.62	1.50-2.70	A
Los 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	--
Warren Township, Mich. Richmond-Petersburg Turnpike Authority	G.O.	15.0	1958-94	3.31	2.15-3.35	Baa
Baltimore County, Md.	Rev.	69.0	1995	3.50	3.45	--
Sedgwick County, Kansas	G.O.	15.9	1958-85	2.49	1.70-2.60	A
	G.O.	5.8	1957-76	2.20	1.60-2.25	Aa
<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 - 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	—
Sept. 30	805	843	—	909	2,205	—

Forthcoming Large Offerings, as of September 30

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Public Service Electric and Gas	Deb.	35.0	October 4
American Telephone and Telegraph	Conv. deb.	637.2	October 13
Southern Bell Telephone & Telegraph	Deb.	30.0	October 17
*Burlington Industries	Sub. conv. deb.	30.0	October 19
New York State Electric and Gas	1st mtg. bds.	15.0	October 19
Pacific Gas and Electric	Pfd. stock	25.0	October 25
Long Island Lighting	1st mtg. bds.	15.0	October 26
*Southern New England Telephone and Telegraph	Common stock	17.9	October 28
New England Telephone & Telegraph	Deb.	30.0	November 15
Southern Co.	Common stock	30.0	November 22
Southern California Gas	Bonds	40.0	November
Freedom Insurance Company	Common stock	22.0	1955
<u>STATE AND LOCAL GOVERNMENT</u>			
Cook County, Illinois	G.O.	40.0	October 10
State of Tennessee	G.O.	8.6	October 10
Monterey Co., California	n.a.	7.0	October 11
New York State Thruway Authority	G.R.	50.0	October 11

Forthcoming Large Offerings, as of September 30 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Orleans Parish, Louisiana	G.O.	6.0	October 13
Illinois Turnpike Authority	Rev.	410.0	October 17
Philadelphia, Pennsylvania	n.a.	39.9	October 18
*Jersey City Sewerage Authority	Rev.	13.0	October 19
Public Housing Authorities	--	122.0	October 26
Texas Turnpike Company	Rev.	137.0	October 26
*Cleveland, Ohio	n.a.	9.0	October 27
*Florida State Board of Education	n.a.	10.6	November 1
State of California	n.a.	60.0	November 2
Territory of Hawaii	n.a.	7.5	November 16
*Commonwealth of Massachusetts	n.a.	159.9	November 16
Connecticut Expressway	Rev.	100.0	1955
Inter-American Center Auth., Fla.	Rev.	25.0	1955
California Toll Bridge Authority	Rev.	43.0	1955
Michigan Turnpike Authority	Rev.	186.0	1955-56
California Toll Bridge Authority	Rev.	235.0	1955-56
Louisiana Turnpike Commission	Rev.	100.0	1955-56
Oklahoma Turnpike Authority	Rev.	146.0	1955-56
*Pennsylvania Turnpike Commission	Rev.	62.0	1955-56
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.