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December 15, 1955

CAPITAL MARKET DEVELOPMENTS

The volume of large security issues publicly offered for new capital was heavy during the week ending December 9, totaling \$190 million for corporations--including proceeds of \$100 million from RCA subscription debentures--and \$104 million for State and local governments. A corporate debenture issue of \$25 million, State and local government offerings with proceeds of \$88 million, and a Quebec Hydro-Electric Commission flotation of \$50 million are the large issues expected this week.

Bond Yields - Yields on corporate Aaa and State and local government Aaa and Baa outstanding bonds increased slightly last week. Corporate Baa bond yields rose moderately, and yields on State and local government revenue bonds jumped five basis points. Treasury obligation yields remained unchanged. Daily figures reflected a slight rise on Tuesday of this week in the corporate Aaa, Baa and U. S. Government series.

As shown in Exhibit G, yields on newly-offered 30-year first mortgage electric power bonds with Aa-ratings rose somewhat to 12 basis points above yields on similarly rated outstanding bonds with slightly shorter maturity. The preceding week the spread between newly-offered and seasoned yields had been seven basis points.

Stock prices - Stock prices as measured by the SEC index of 265 common stocks, rose to 270.5, a new high, during the week ending December 9. Prices decreased generally during the first three days of this week according to daily indexes.

Stock market credit - Total stock market credit--net debit balances with brokers and bank loans to "others"--increased \$36 million during November to a level of \$3,944 million in contrast to a \$22 million decrease in October. Most of the increase was in bank loans; customers' net debit balances, excluding balances secured by U. S. Government securities, accounted for only \$10 million of the \$36 million rise in November.

Money borrowed on securities other than U. S. Government obligations by NYSE member firms maintaining margin accounts increased \$97 million; about one-third of this increased borrowing was secured by customer collateral. Customers' net free credit balances declined \$44 million.

The table on the following page shows these and other data on stock market credit for October and November.

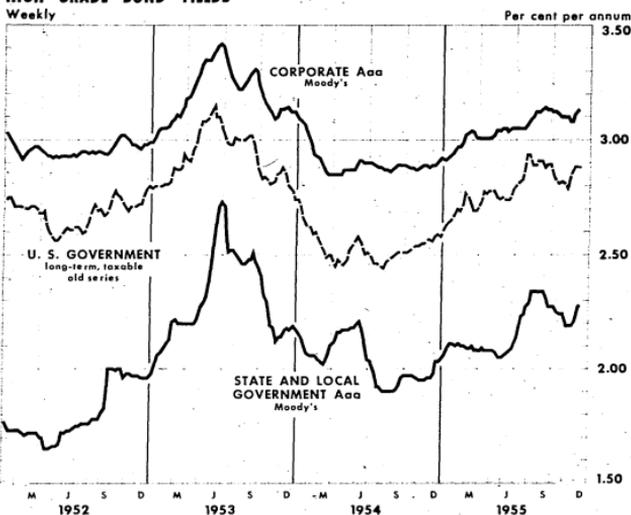
	End of month		Change
	October	November	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Govt. securities - Total	3,944	3,980	+36
Net debit balances	2,749	2,759	+10
Bank loans to "others"	1,195	1,221	+26
Net debit balances secured by U.S. Govt. securities	40	38	-2
Bank loans to others for purchasing or carrying U. S. Govt. securities	29	27	-2
Broker and dealer credit			
Money borrowed except on U.S. Govt. securities	2,088	2,185	+97
On customer collateral	1,711	1,741	+30
Money borrowed on U. S. Govt. securities	71	75	+4
Customers' net free credit balances	920	876	-44

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.

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
November 11	3.08	2.83	2.19	.25	.64
November 18	3.08	2.86	2.19	.22	.67
November 25	3.11	2.88	2.21	.23	.67
December 2	3.12	2.88	2.27	.24	.61
December 9	3.13	2.88	2.28	.25	.60

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

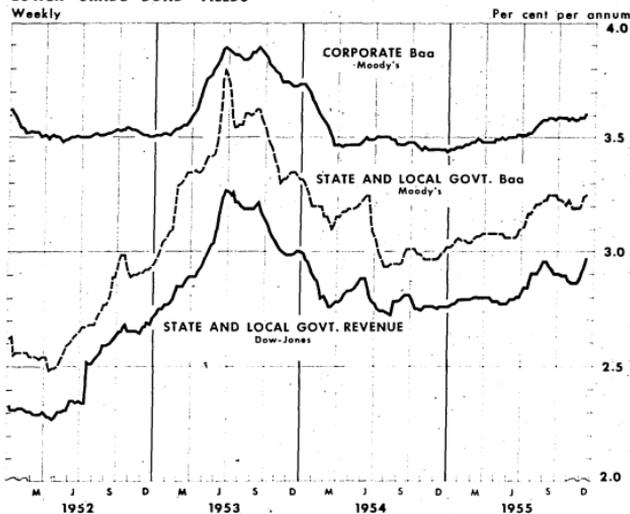
^{2/} Weekly average of daily figures; old series. Average term to first call of bonds included is 11-14 years.

^{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	3.61 (12/9)	3.25 (12/8)	2.97 (12/9)
Low	3.45 (1/14)	3.02 (1/6)	2.76 (1/7)
November 11	3.58	3.19	2.86
November 18	3.58	3.19	2.86
November 25	3.59	3.20	2.88
December 2	3.59	3.24	2.92
December 9	3.61	3.25	2.97

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

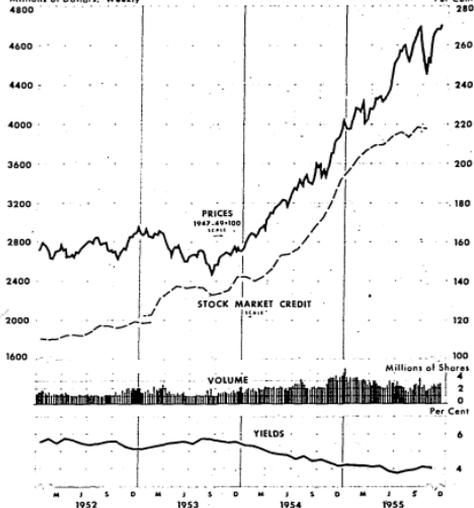
2/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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

Millions of Dollars, Weekly
4800Per Cent
280

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
1952 - 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
1953 - 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
1954 - Low	156.5 (1/6)	1.4	4.20	2,405	1,653	746
1955 - High	270.5 (12/9)	4.6	4.22	3,966	2,805	1,221
1955 - Low	217.4 (1/14)	1.5	3.78	3,537	2,517	1,018
October	250.4	2.0	4.12	3,944	2,749	1,195
November	265.0	2.3	4.09	n.a.	n.a.	1,221
November 25	268.3	2.2	n.a.	n.a.	n.a.	1,217
December 2	268.3	2.5	n.a.	n.a.	n.a.	1,221
December 9	270.5	2.6	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	583	909	483	470	279	519
August	654	335	325	249	261	259
September	680	747	753	406	649	475
October	1,138 ^{1/}	1,003	577	e/900	594	453
November	e/680	290	429	e/625	423	408
December	e/925	604	1,438 ^{2/}	e/400	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	1,917	1,991	1,561	1,124	1,188	1,253
4th quarter	e/2,745	1,896	2,444 ^{2/}	e/1,925	1,894	1,636
Year	e/9,000	7,490	8,495	e/5,850	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	1,441	1,911	1,223			
4th quarter	e/2,545	1,792	2,344			
Year	e/7,690	7,158	7,227			

e/ Estimated.

^{1/} Includes \$637.2 million AT&T convertible debenture issue.^{2/} Includes \$602.5 million 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 <u>2/</u>
1954 - 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	403	--
July	101	278	--
August	405	65	--
September	328	234	--
October	805	716	--
November	269	396	25

Large Individual Issues Offered December 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>						
Radio Corp. of America	Conv. deb.	100.0	1980	3 1/2	3.35	Baa
Consolidated Edison Co. of New York	1st & ref. bds.	70.0	1985	3 3/8	3.32	Aa
Connecticut Light & Power	1st & ref. bds.	20.0	1985	3 1/4	3.27	Aaa
<u>STATE & LOCAL GOVERNMENT</u>						
Pend Oreille Co., Wash.	Rev.	14.4	1956-05	n.a.	1.85-3.25	--
Onondaga Co. Water Authority, New York	Rev.	12.6	1957-95	3.30	2.00-3.35	Baa
Los Angeles, California	G.O.	20.0	1957-81	2.72	1.80-2.75	Aa
Cook County, Illinois	G.O.	6.8	1957-75	2.81	2.00-2.80	A
New York Thruway	G.R.	50.0	1985-95	2.74	2.60-2.75	Aaa
<u>OTHER</u>						
None						

n.a.--Not available.

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.

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 - 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	--
Oct. 31	202	330	--	412	1,650	--
Nov. 30	215	305	50	230	756	50

Forthcoming Large Offerings, as of December 9

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
New Jersey Bell Telephone	Deb.	25.0	December 14
Sheraton Corporation of America	Deb.	15.0	1956
<u>STATE AND LOCAL GOVERNMENT</u>			
California Toll Bridge Authority	Rev.	46.0	December 13
Milwaukee, Wisconsin	G.O.	6.9	December 13
Newark, New Jersey	G.O.	5.0	December 13
Long Beach Unified School District, California	G.O.	10.0	December 13
State of South Carolina	G.O.	20.0	December 14
San Francisco, California	G.O.	13.3	December 19
*Wayne County, Michigan	n.a.	6.7	January 5
*Allegheny County, Pennsylvania	n.a.	6.0	January 10
*Tacoma, Washington	Rev.	5.0	January 10
Los Angeles, California	n.a.	38.0	January 10
State of Colorado	Rev.	8.0	January 10
San Diego, California	n.a.	9.5	January 17
Springfield, Ohio	n.a.	5.2	January 17
Inter-American Center Auth., Fla.	Rev.	25.0	1956

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

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)			
Oklahoma Turnpike Authority	Rev.	65.0	1956
Pennsylvania Turnpike Commission	Rev.	62.0	1956
Washington State Toll Bridge Auth.	Rev.	227.0	1956
Salt River Project, Arizona	n.a.	11.0	1956
Connecticut Expressway	Rev.	100.0	1956
<u>OTHER</u>			
Quebec Hydro-Electric Commission	SF deb.	50.0	December 13

*--Included in table for first time.

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.

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		
October 19	3.25	7		
20			3.25	-7
27			3.30	-4
November 30	3.27	7		
December 7	3.32	12		

* 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.