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December 23, 1955

CAPITAL MARKET DEVELOPMENTS

Large offerings floated for new capital during the week ending December 16 totaled \$88 million for State and local governments, \$25 million for one corporate debenture issue, and \$50 million for one foreign flotation. The only large offering expected this week is a \$13 million State and local government issue. Last week two small municipal offerings were postponed, two not offered because the sole bid was rejected by the issuer, and one issue received no bids.

Bond yields - Yields on outstanding corporate Aaa bonds jumped four basis points during the week ending December 16. State and local government revenue and Aaa bond yields rose moderately and yields on corporate Baa bonds increased slightly. Treasury obligation and State and local government Baa bond yields did not change.

Daily figures showed little change during the first part of this week.

Stock prices - The SEC index of 265 common stocks decreased moderately to 266.9 during the week ending December 16. Daily indexes indicated a moderate rise in prices on balance through Thursday of this week.

**State and Local Government Security Offerings
First Nine Months, 1955**

State and local government offerings of long-term securities for new capital were \$3.9 billion in the first three quarters of 1955, as shown in the attached table. This volume was 20 per cent below that of the corresponding period last year, but slightly above the volume in 1953.

Large individual issues this year have come only from public housing authorities. In contrast, there were five very large highway issues with proceeds of more than \$100 million offered last year, in addition to the usual housing financing.

The changed structure of State and local government security offerings this year noted below is largely a result of the decline in turnpike financing which is reflected in the lesser importance of special authorities as issuers of securities and the smaller volume of revenue bond flotations.

Long-Term Security Issues of State and local Governments
First Nine Months, 1953-1955

(In millions of dollars)

	First nine months		
	1955	1954	1953
<u>Issuing authority:</u>			
State	675	1,042	603
County and township	368	340	202
Municipality	991	1,164	857
School district	745	656	644
Special authority	709	1,358	1,189
Unidentified ^{1/}	486	430	392
Total	3,975	4,989	3,887
<u>Purpose of issue:</u>			
New capital total	<u>3,927</u>	<u>4,895</u>	<u>3,840</u>
Schools	1,088	1,180	1,012
Highways, bridges, tunnels	602	1,484	885
Residential buildings	444	455	385
Hospitals and institutions	65	70	83
Sewer and water	533	501	507
Misc. public service enterprises	131	190	130
Recreation	33	25	32
Port and airport	70	66	23
Veterans aid	109	102	136
Industrial buildings	3	2	7
Other	367	398	252
Unidentified ^{1/}	483	422	390
Refunding	47	94	46
Total	3,975	4,989	3,887
<u>Type of issue:</u>			
General obligation	2,862	2,987	2,629
Revenue	1,078	1,983	825
General revenue ^{2/}	35	19	433
Total	3,975	4,989	3,887

^{1/} Issue of less than \$500,000 not further classified.

^{2/} Total of issues with proceeds of \$5 million or over.

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

Source--Bond Buyer and Federal Reserve.

Issuing authority - Of the various types of issuing authorities, municipal governments were the largest issuers in the first three quarters of 1955, with \$991 million of offerings. However, this is considerably below the volume offered in the corresponding period last year. In 1954 and 1953, special authorities--mainly the highway financing groups--accounted for the largest proportion of total issues, \$1.4 billion in 1954 and \$1.2 billion in 1953. This year this group has issued only \$700 million of issues.

School districts, with offerings totaling almost \$750 million, were the second largest issuing authority in 1955, and the only group to offer a substantially greater volume in the first nine months of this year, as compared to the volume last year.

Purpose of issue - More issues were sold for school construction than any other purpose in the first nine months of 1955--\$1.1 billion compared to \$1.2 billion and \$1.0 billion in 1954 and 1953 respectively.

In general about the same volume of issues was offered for the various purposes in each of the last two years. The exception was the volume of financing done for highway, bridge and tunnel construction. Such issues declined to \$600 million, from \$1.5 billion in 1954 and \$900 million in 1953. As in past year, refunding issues continued to be relatively unimportant.

Type of issue - General obligation issues were \$2.9 billion of a total of \$4.0 billion in the first three quarters this year. This is 72 per cent of total offerings. Last year the volume of such issues was slightly higher but accounted for only 60 per cent of the total. Revenue offerings dropped sharply to \$1.1 billion from \$2.0 billion a year ago. General revenue issues, which accounted for 11 per cent of total offerings in 1953, were negligible in the last two years.

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	3.17 (12/16)	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 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
December 16	3.17	2.88	2.30	.29	.58

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

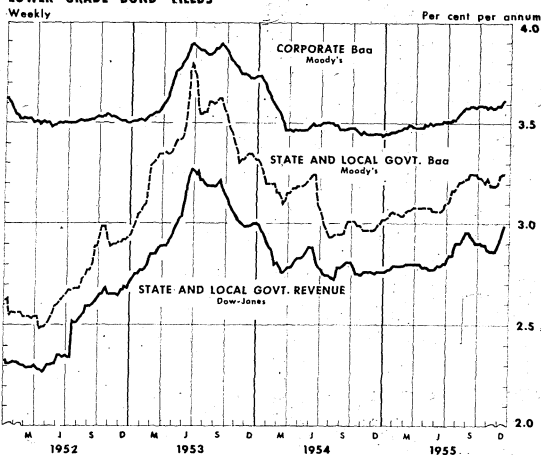
^{2/} Weekly average of daily figures; old series. Average term to first call of bonds included is 11-14 years.

^{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	3.62 (12/16)	3.25 (12/15)	2.99 (12/16)
Low	3.45 (1/14)	3.02 (1/6)	2.76 (1/7)
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
December 16	3.62	3.25	2.99

^{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.

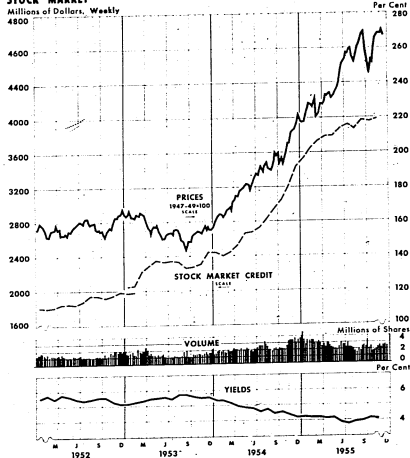
^{3/} Friday figures. Average rating of bonds included is between Baa and A; average term is 20 years.

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



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	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	270.5 (12/9)	4.6	4.22	3,980	2,805	1,221
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	3,980	2,759	1,221
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.	1,221
December 16	266.9	2.4	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 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 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 and 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 16

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 Consolidated Edison Co. of New York	Conv. deb.	100.0	1980	3 1/2	3.35	Baa
Conn. Light & Power	1st & ref. bds.	70.0	1985	3 3/8	3.32	Aa
New Jersey Bell Tel.	1st & ref. bds. Deb.	20.0 25.0	1985 1995	3 1/4 3 3/8	3.27 3.33	Aaa Aaa
<u>STATE & LOCAL GOVERNMENT</u>						
Pend Oreille Co., Wash. Onondaga Co. Water Authority, New York	Rev.	14.4	1956-05	n.a.	1.85-3.25	--
Los Angeles, Calif.	Rev.	12.6	1957-95	3.30	2.00-3.35	Baa
Cook County, Illinois	G.O.	20.0	1957-81	2.72	1.80-2.75	Aa
New York Thruway	G.O.	6.8	1957-75	2.81	2.00-2.80	A
	G.R.	50.0	1985-95	2.74	2.60-2.75	Aaa

Large Individual Issues Offered December 1 through 16 (Cont'd)

Issuer	Type ^{3/}	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE & LOCAL GOVERNMENT</u> (Cont'd)						
Calif. Toll Bridge Auth.	Rev.	46.0	1995	3.68	3.61	--
Milwaukee, Wisconsin	G.O.	6.9	1956-70	2.21	1.70-2.20	Aaa
Newark, New Jersey	G.O.	5.0	1956-75	3.02	2.00-3.05	Baa
Long Beach Unified School Dist., Calif.	G.O.	10.0	1956-76	2.93	2.00-2.95	A
State of South Carolina	G.O.	20.0	1956-75	2.34	1.70-2.35	Aa
<u>OTHER</u>						
Quebec Hydro-Electric Commission	SF deb.	50.0	1981	3 1/2	3.53	A

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 2/	Corporate	State and local govt.	Other 2/
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	--	1,441	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 16

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Sheraton Corporation of America	Deb.	15.0	1956
<u>STATE AND LOCAL GOVERNMENT</u>			
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
*Detroit, Michigan	n.a.	8.0	January 10
San Diego, California	n.a.	9.5	January 17
Springfield, Ohio	n.a.	5.2	January 17
*Louisiana State Building Authority	n.a.	7.6	January 19
*Rochester, New York	n.a.	7.4	February 21
Inter-American Center Auth., Fla.	Rev.	25.0	1956
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

Forthcoming Large Offerings, as of December 16 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
None			

*--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.