

Hall

January 4, 1956

CAPITAL MARKET DEVELOPMENTS

No large security issues were publicly offered for new capital during the week ending December 30. Only one large offering is scheduled for flotation this week--a State and local government issue of \$7 million.

Settlement of the Illinois State Toll Highway bond issue of \$415 million has been delayed because of further litigation. The issue was offered on October 25 pending clearance of all litigation within 45 days, with a provision for a 45-day extension.

January estimates - The corporate volume of new capital issues for January is estimated at \$450 million, about one-fifth below the corresponding total last year. Of the total, only \$70 million are expected in large publicly offered issues, as compared to the \$141 million in large issues offered last year.

The January estimate for State and local government issues is \$325 million, almost 40 per cent less than the volume a year ago. Large issues accounted for almost two-thirds of the total last January, but only about one-third of this month's total is scheduled in large issues.

Bond yields - Yields on outstanding corporate Aaa bonds decreased slightly and State and local and U. S. Government bond yields increased slightly during the week ending December 30. Since the increase in the discount rate in mid-November, U. S. Government bond yields have increased only 3 basis points, while yields on Aaa-rated State and local government bonds have increased 11 basis points and corporate Aaa yields 8 basis points. Therefore the spread between the corporate and the U. S. Government yields has risen 5 basis points while the spread for State and local and U. S. Government bond yields has declined 8 basis points.

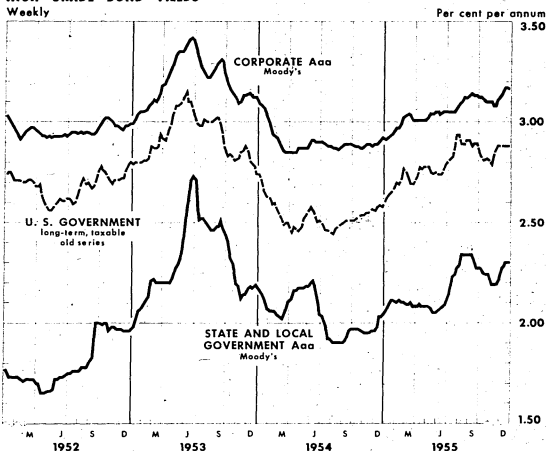
Stock prices - The SEC index of 265 common stocks rose slightly to a new high of 270.7 last week. Prices decreased somewhat on Tuesday of this week.

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 <u>1/</u>	U. S. Govt. long-term <u>2/</u>	State and local govt., Aaa <u>3/</u>	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 (12/23)	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
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
December 23	3.17	2.88	2.30	.29	.58
December 30	3.16	2.89	2.30	.27	.59

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

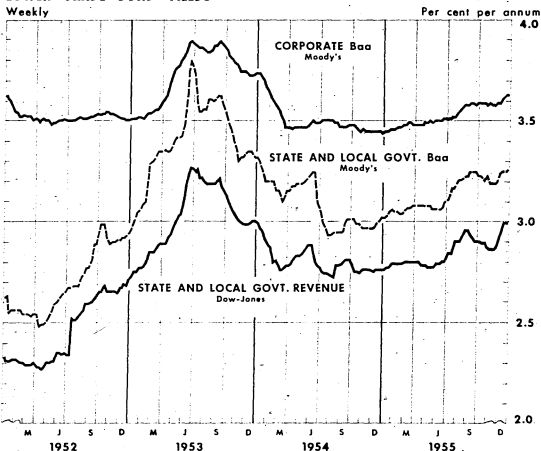
^{2/} Weekly average of daily figures; old series. Average term to first call of bonds included is 11-14 years.

^{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	3.63 (12/30)	3.26 (12/29)	2.99 (12/30)
Low	3.45 (1/14)	3.02 (1/6)	2.76 (1/7)
December 2	3.59	3.24	2.92
December 9	3.61	3.25	2.97
December 16	3.62	3.25	2.99
December 23	3.63	3.25	2.99
December 30	3.63	3.26	2.99

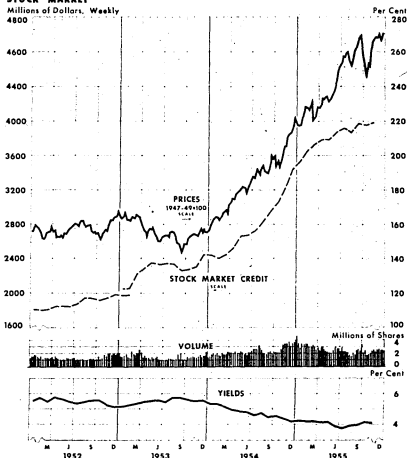
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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.

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	270.7 (12/30)	4.6	4.22	3,980	2,805	1,241
Low	217.4 (1/14)	1.5	3.78	3,537	2,517	1,018
November	265.0	2.3	4.09	3,980	2,759	1,221
December	269.2	2.4	n.a.	n.a.	n.a.	n.a.
December 16	266.9	2.4	n.a.	n.a.	n.a.	1,233
December 23	269.6	2.4	n.a.	n.a.	n.a.	1,241
December 30	270.7	2.3	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=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 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		
	1956	1955	1954	1956	1955	1954
January	<u>e/450</u>	546	547	<u>e/325</u>	535	396
February		436	426		312	411
March		1,261	635		538	565
April		494	497		427	734
May		903	656		350	748
June		697	842		641	853
July		583	909		470	279
August		654	335		249	261
September		680	747		406	649
October		1,138 ^{1/}	1,003		919	594
November		<u>e/680</u>	290		<u>e/625</u>	423
December		<u>e/825</u>	604		<u>e/400</u>	877
1st quarter		2,243	1,608		1,385	1,372
2nd quarter		2,094	1,995		1,418	2,334
3rd quarter		1,917	1,991		1,124	1,188
4th quarter		<u>e/2,645</u>	1,896		<u>e/1,945</u>	1,894
Year		<u>e/8,900</u>	7,490		<u>e/5,870</u>	6,789
	Excluding finance companies ^{2/}					
1st quarter		1,791	1,527			
2nd quarter		1,912	1,927			
3rd quarter		1,441	1,911			
4th quarter		<u>e/2,445</u>	1,792			
Year		<u>e/7,590</u>	7,158			

^{e/} Estimated.

^{1/} Includes \$637.2 million AT&T convertible 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 - 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
December	215	205	50

Large Individual Issues Offered during December

Issuer	Type ^{3/}	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
Conn. Light & Power	1st & ref. bds.	20.0	1985	3 1/4	3.27	Aaa
New Jersey Bell Tel.	Deb.	25.0	1995	3 3/8	3.33	Aaa
<u>STATE AND 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, Calif.	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

Large Individual Issues Offered during December (Cont'd)

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND 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
San Francisco, Calif.	G.O.	13.3	1957-71	2.24	1.50-2.25	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 <u>2/</u>	Corporate	State and local govt.	Other <u>2/</u>
1954 - 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	c/205	50	230	756	50
Dec. 30	70	121	--	85	618	--

Forthcoming Large Offerings, as of December 30

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
*Textron-American	Conv. deb.	30.0	January 23
*Northwestern Bell Telephone	Deb.	25.0	January 31
*Texas Utilities	Con. stock	15.0	January 31
Sheraton Corporation of America	Deb.	15.0	1956
<u>STATE AND LOCAL GOVERNMENT</u>			
Wayne County, Michigan	G.O.	6.7	January 5
Allegheny County, Pennsylvania	G.O.	6.0	January 10
Los Angeles, California	G.O.	40.0	January 10
State of Colorado	L.L.	8.0	January 10
Detroit, Michigan	Rev.	8.0	January 10
San Diego, California	n.a.	9.5	January 17
Springfield, Ohio	n.a.	5.2	January 17
*State of Michigan	Rev.	20.0	January 17
*Caddo Parish, Louisiana	n.a.	5.0	January 18
Louisiana State Building Authority	n.a.	7.6	January 19
Tacoma, Washington	Rev.	5.0	January 31

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

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
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
<u>OTHER</u>			
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.

c/ Corrected.