

H.14

January 26, 1956

CAPITAL MARKET DEVELOPMENTS

The volume of publicly sold issues has been small in January. The first large public corporate offering of the year--\$75 million of senior notes--was floated last week by Commercial Credit Company. Private sales to insurance companies, however, have been larger than at this time last year, apparently reflecting large takedowns of commitments to two finance companies--\$100 million each to CIT Financial and GMAC. One \$30 million corporate offering is scheduled for this week.

Large State and local government offerings totaled \$58 million during the week ending January 20, and \$15 million of such offerings are expected this week.

Illinois' turnpike issue, which was sold last October, was finally cleared of litigation on Monday, and the \$415 million of toll road revenue bonds were delivered to the underwriters.

A major factor in security markets last week was the Ford Foundation's offering of Ford Motor Company stock on January 17. Amounting to \$642.6 million, it was the largest issue of its type on record. Apparently the issue was heavily oversubscribed; the stock, which was initially offered at \$64.50 per share, reached a high of \$71.00 early in over-the-counter trading. Since then, however, the price has decreased to \$64 7/8, \$65 1/8 asked.

The stock will not be listed on the New York Stock Exchange until sometime after the settlement date of January 26. Some reports attribute recent strong demands for U. S. Government short-term securities to anticipation of reinvestment of the proceeds of this flotation, as well as of the Illinois Turnpike issue mentioned above.

Bond yields - U. S. Government long-term bond yields dropped five basis points during the week ending January 20. Yields on State and local government Baa bonds decreased three basis points. Other bond yields decreased more moderately, with the exception of State and local government Aaa bond yields which did not change last week.

Daily figures indicate moderate increases on both Monday and Tuesday of this week for Treasury obligations.

Stock prices - Stock prices, as measured by the SEC index of 265 common stocks, dropped 8.8 points to 257.4 during the

week ending January 20, the lowest price level since October 28. Since the beginning of the year, this index has fallen by 5 per cent. During the first three days of this week, however, prices increased somewhat.

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 <sup>1/</sup>	U. S. Govt. long-term <sup>2/</sup>	State and local govt., Aaa <sup>3/</sup>	Spread between U. S. Govt. and	
				Corporate Aaa	State and Local Aaa
(Per cent)					
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)	.33	.70
Low	2.91 (1/7)	2.62 (1/7)	2.05 (5/26)	.13	.54
December 23	3.17	2.88	2.30	.29	.58
December 30	3.16	2.89	2.30	.27	.59
January 6	3.14	2.90	2.29	.24	.61
January 13	3.13	2.88	2.27	.25	.61
January 20	3.11	2.83	2.27	.28	.56

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

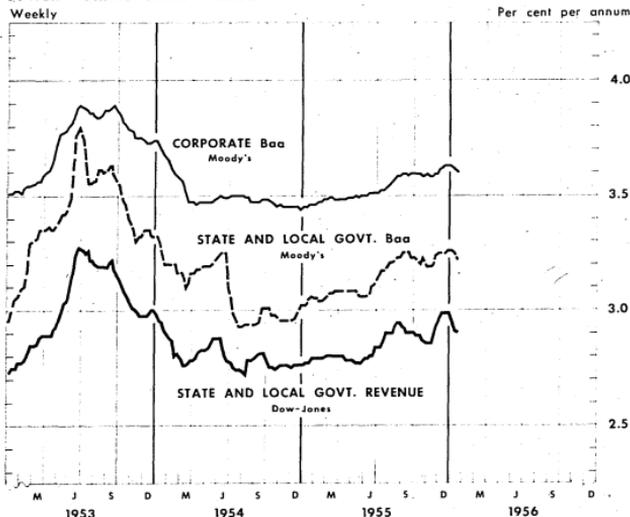
<sup>2/</sup> Weekly average of daily figures; old series. Average term to first call of bonds included is 11-14 years.

<sup>3/</sup> 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 <u>1/</u>	State and local govt. Baa <u>2/</u>	State and local govt. rev. <u>3/</u>
	(Per cent)		
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 23	3.63	3.25	2.99
December 30	3.63	3.26	2.99
January 6	3.62	3.26	2.94
January 13	3.61	3.25	2.91
January 20	3.60	3.22	2.90

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

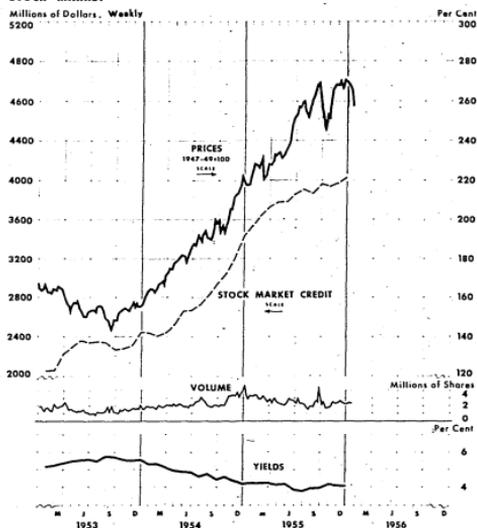
2/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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 <sup>1/</sup>	Trading volume <sup>2/</sup> (millions of shares)	Common stock yields <sup>3/</sup> (per cent)	Stock market customer credit		
				Total	Customers' debit balances <sup>4/</sup>	Bank loans to "others" <sup>5/</sup>
(Millions of dollars)						
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	4,025	2,805	1,214
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	4.06	4,025	2,786	1,239
January 6	268.8	2.3	n.a.	n.a.	n.a.	1,253
January 13	266.2	2.4	n.a.	n.a.	n.a.	1,253
January 20	257.4	2.3	n.a.	n.a.	n.a.	n.a.

n.a.--Not available.

<sup>1/</sup> 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.

<sup>2/</sup> Averages of daily trading volume on the New York Stock Exchange.

<sup>3/</sup> Moody's 200 common stocks; end of month figures.

<sup>4/</sup> 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.

<sup>5/</sup> 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		
	1956	1955	1954	1956	1955	1954
January	<u>e/600</u>	546	547	<u>e/360</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 <sup>1/</sup>	1,003		919	594
November		601	290		658	423
December		<u>e/850</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/2,590</u>	1,896		<u>e/1,977</u>	1,894
Year		<u>e/8,845</u>	7,490		<u>e/5,904</u>	6,789
		Excluding finance companies <sup>2/</sup>				
1st quarter		1,791	1,527			
2nd quarter		1,912	1,927			
3rd quarter		1,441	1,911			
4th quarter		<u>e/2,390</u>	1,792			
Year		<u>e/7,535</u>	7,158			

<sup>e/</sup> Estimated.<sup>1/</sup> Includes \$637.2 million AT&T convertible debenture issue.<sup>2/</sup> 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 - 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 January 2 through 20

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Commercial Credit Co.	Notes	75.0	1976	3 5/8	3.63	--
<u>STATE &amp; LOCAL GOVERNMENT</u>						
Wayne County Sewer System, Michigan	G.O.	6.7	1956-93	3.21	1.90-3.20	A
Platte County, Missouri	Rev.	5.4	1986	n.a.	3.75	n.a.
Allegheny Co., Pa.	G.O.	6.0	1957-86	2.53	1.75-2.60	A
Los Angeles, Calif.	G.O.	40.0	1957-76	2.58	1.80-2.65	Aa
State of Colorado	L.L.	8.0	1957-71	2.29	1.70-2.25	Aa
Detroit, Michigan	Rev.	8.0	1961-76	2.41	2.10-2.45	Aa
Gwinnett County, Ga.	L.L.	5.9	1959-84	n.a.	3.00-3.50	--
San Diego, Calif.	G.O.	9.5	1957-81	2.56	1.75-2.60	A
Springfield, Ohio	G.O.	5.2	1957-80	2.48	1.75-2.55	A
State of Michigan	L.L.	10.0	1957-78	2.37	1.70-2.40	Aa

## Large Individual Issues Offered January 2 through 20 (Cont'd)

Issuer	Type <sup>3/</sup>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE &amp; LOCAL GOVERNMENT</u> (Cont'd)						
State of Michigan	L.L.	10.0	1957-72	2.30	1.70-2.30	Aa
Detroit, Michigan	G.O.	5.2	1957-81	Var.	1.80-2.60	A
Caddo Parish, La.	G.O.	5.0	1957-76	2.57	1.80-2.60	A
La. State Building Auth.	L.L.	7.6	1961-85	3.06	2.50-3.05	Baa
<u>OTHER</u>						
None						

Var.--Various

n.a.--Not available.

<sup>1/</sup> Includes corporate and other security offerings of \$15 million and over; State and local government security offerings of \$5 million and over.

<sup>2/</sup> Includes foreign government and International Bank for Reconstruction and Development issues.

<sup>3/</sup> 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; 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 2/	Corporate	State and local govt.	Other 2/
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	205	50	230	756	50
Dec. 30	70	121	--	85	618	--

Forthcoming Large Offerings, as of January 20

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Textron-American	Conv. deb.	30.0	January 26
Northwestern Bell Telephone	Deb.	25.0	February 1
Texas Utilities	Com. stock	15.0	February 1
*Chemical Corn Exchange Bank	Com. stock	26.0	February 8
*M. Lowenstein and Sons	Conv. sub. deb.	34.3	February 15
Reynolds Metals	Pfd. stock	40.0	February
Bell Telephone of Pennsylvania	Deb.	35.0	March 6
New York Telephone	Ref. mtg. bds.	55.0	March 27
Southern California Gas	Mtg. bds.	40.0	May
Sheraton Corporation of America	Deb.	15.0	1956
*Southern California Edison	Pfd. stock	30.0	1956
<u>STATE AND LOCAL GOVERNMENT</u>			
Milwaukee County, Wisconsin	G.O.	8.9	January 23
Philadelphia, Pennsylvania	G.O.	6.0	January 25
State of Maryland	G.O.	7.8	January 31
Tacoma, Washington	Rev.	5.0	January 31

## Forthcoming Large Offerings, as of January 20 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Walsenburg, Colorado	Rev.	21.0	February 2
Oklahoma City, Oklahoma	n.a.	13.2	February 7
Public Housing Authorities	--	106.8	February 7
*New Orleans, Louisiana	n.a.	11.5	February 8
*Harris County, Texas	n.a.	5.5	February 14
*Metropolitan Water Dist. of So. Cal.	n.a.	7.3	February 14
*Weber Basin Water Conservancy District, Utah	n.a.	5.4	February 15
Rochester, New York	n.a.	7.4	February 21
*Georgia Rural Roads Authority	Rev.	15.5	May
Florida State Turnpike Authority	n.a.	185.0	Late spring
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 and over; State and local government issues of \$5 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues.