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H.14

February 9, 1956

CAPITAL MARKET DEVELOPMENTS

The volume of large public security issues for new capital for the week ending February 3 totaled \$65 million for corporations and \$45 million for State and local governments. The total of large issues publicly sold this year through February 3 is about 30 per cent less than in the corresponding weeks of 1955. Large issues expected this week are three State and local government issues with total proceeds of \$132 million--including the \$106.8 million Public Housing Authorities financing--and a bank common stock offering for \$26 million.

Bond yields - Yields on corporate, long-term U. S. Government and State and local government bonds decreased further during the week ending February 3, in continuation of the general trend since the first of the year. The greatest drop in yields has occurred in the State and local revenue bonds which are presently 2.89 per cent in contrast to 2.99 per cent for the week ending December 30.

U. S. Government long-term bond yields (old series) have fallen eight basis points to 2.81 per cent since the first of January. A decline of seven basis points in the same period for corporate Aaa bonds has brought current corporate yields to 3.09 per cent. Yields for State and local Aaa bonds are 2.24 per cent, six basis points below the level of the beginning of the year.

Yields for corporate and State and local government Baa bonds and for Treasury bonds (new series) have all decreased four basis points to 3.63, 3.26 and 2.96 per cent respectively.

One factor contributing to this decline in yields has been the relatively small volume of new corporate and State and local securities offered for public sale in recent weeks, as noted above. A markedly larger volume of such issues is expected later this month.

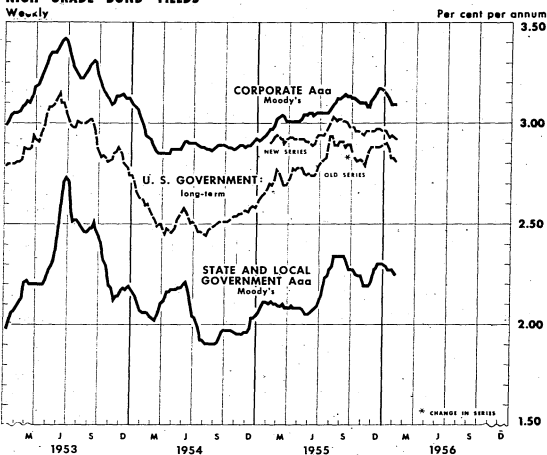
Stock prices - Stock prices, as measured by the SEC index of 265 common stocks, rose sharply during the week ending February 3 to 266.7 in moderate trading volume. Daily prices rose slightly on Monday but decreased somewhat more on Tuesday and Wednesday of this week.

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 <sup>1/</sup>	U. S. Govt., long-term <sup>2/</sup>		State and local govt. Aaa <sup>3/</sup>	Spread between U. S. Govt. (old series) and Corporate Aaa		State and local Aaa
		Old series	New series		Corporate Aaa	State and local Aaa	
(Per cent)							
1953 - High	3.42 (6/19)	3.15 (6/6)	n.a.	2.73 (6/25)	.38		.84
1953 - Low	2.99 (1/9)	2.78 (12/26)	n.a.	1.98 (1/8)	.19		.30
1954 - High	3.09 (1/8)	2.74 (1/9)	n.a.	2.21 (6/10)	.43		.61
1954 - Low	2.85 (4/23)	2.44 (8/7)	n.a.	1.90 (9/2)	.32		.29
1955 - High	3.17 (12/23)	2.94 (8/5)	3.03 (8/5)	2.34 (9/8)	.34		.70
1955 - Low	2.91 (1/7)	2.62 (1/7)	2.89 (6/10)	2.05 (5/26)	.13		.54
1956 - High	3.14 (1/6)	2.90 (1/6)	2.96 (1/6)	2.29 (1/5)	.28		.61
1956 - Low	3.09 (2/3)	2.81 (2/3)	2.92 (2/3)	2.24 (2/2)	.24		.56
January 6	3.14	2.90	2.96	2.29	.24		.61
January 13	3.13	2.88	2.95	2.27	.25		.61
January 20	3.11	2.83	2.93	2.27	.28		.56
January 27	3.09	2.83	2.94	2.27	.26		.56
February 3	3.09	2.81	2.92	2.24	.28		.57

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

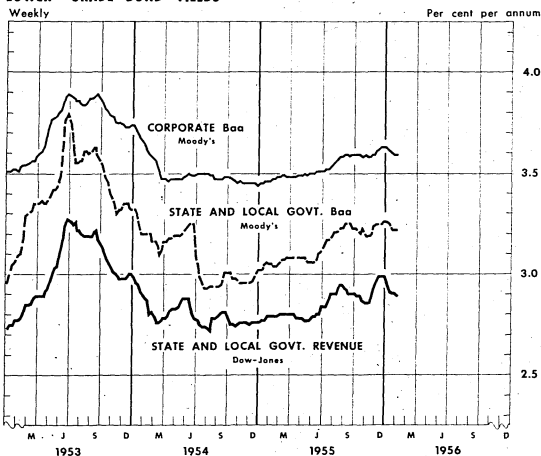
<sup>2/</sup> Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 14 years in early 1953 to 11 1/2 years in early 1955. The new series is comprised of the 3 per cent bond of 1955 and the 3 1/4 per cent bond of 1978-83.

<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 <sup>1/</sup>	State and local govt. Baa <sup>2/</sup>	State and local govt. rev. <sup>3/</sup>
	(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)
1956 - High	3.62 (1/6)	3.26 (1/5)	2.94 (1/6)
Low	3.59 (2/3)	3.22 (2/2)	2.89 (2/3)
January 6	3.62	3.26	2.94
January 13	3.61	3.25	2.91
January 20	3.60	3.22	2.90
January 27	3.59	3.22	2.90
February 3	3.59	3.22	2.89

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

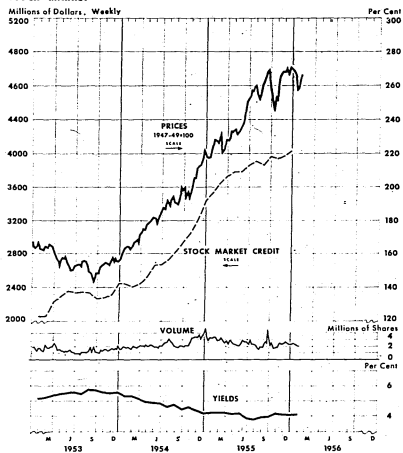
<sup>2/</sup> Thursday figures. Only general obligation bonds are included; average term is 20 years.

<sup>3/</sup> 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' <sup>4/</sup> debit balances	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
1956 - High	268.8 (1/6)	2.4	n.a.	n.a.	n.a.	1,254
Low	257.4 (1/20)	2.0	n.a.	n.a.	n.a.	1,211
December	269.2	2.4	4.06	4,025	2,786	1,239
January	262.8	2.2	4.08	n.a.	n.a.	1,254
January 20	257.4	2.3	n.a.	n.a.	n.a.	1,211
January 27	259.0	2.1	n.a.	n.a.	n.a.	1,254
February 3	266.7	2.0	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 loans for purchasing or carrying U. S. Government securities at banks in New York and Chicago. 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	e/700	546	547	e/400	535	396
February	e/600	436	426	e/575	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		e/850	604		e/400	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		e/2,590	1,896		e/1,977	1,894
Year		e/8,845	7,490		e/5,904	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		e/2,390	1,792			
Year		e/7,535	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>
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
1956 - January	95	192	--

Large Individual Issues Offered January 2 through February 3

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Commercial Credit Co.	Sr. notes	75.0	1976	3 5/8	3.63	--
Textron-American	Conv. deb.	20.0	1971	5.00	5.00	Ba
Northwestern Bell Telephone	Deb.	25.0	1996	3 1/4	3.15	Aaa
Reynolds Metals	Pfd. stk.	40.0				
<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

## Large Individual Issues Offered January 2 through February 3 (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)						
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
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
Milwaukee Co., Wis.	G.O.	8.9	1957-64	1.96	1.55-1.90	Aaa
Philadelphia, Pa.	G.O.	6.0	1957-2006	2.75	1.75-3.00	A
State of Maryland	G.O.	7.8	1959-71	1.99	1.70-2.00	Aaa
Tacoma, Washington	Rev.	5.0	1959-79	2.94	2.20-2.90	Baa
Chelan Co., Wash. Public Utility Dist. No. 1.	Rev.	31.8	1959-2003	n.a.	n.a.	--
<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 <u>2/</u>	Corporate	State and local govt.	Other <u>2/</u>
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	813	--	909	2,205	--
Oct. 31	202	330	--	412	1,650	--
Nov. 30	215	205	50	230	756	50
Dec. 30	70	121	--	85	618	--
1956 - Jan. 31	176	327	--	376	917	--

Forthcoming Large Offerings, as of February 3

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Chemical Corn Exchange Bank	Com. stock	26.0	February 8
Southern California Edison	Pfd. stock	30.0	February 14
M. Lowenstein and Sons	Conv. sub. deb.	34.3	February 15
Koppers Co., Inc.	Com. stock	15.6	February 20
Westcoast Transmission, Ltd.	Sub. deb.	20.5	February 21
Tennessee Gas Transmission	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
<u>STATE AND LOCAL GOVERNMENT</u>			
Oklahoma City, Oklahoma	G.O.	13.2	February 7
Public Housing Authorities	--	106.8	February 7
New Orleans, Louisiana	G.O.	11.5	February 8
Harris County, Texas	G.O.	5.5	February 14
Metropolitan Water Dist. of So. Cal.	Rev.	7.3	February 14



## Forthcoming Large Offerings, as of February 3 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Lubbock, Texas	G.O.-Rev.	9.8	February 14
New York State Thruway	G.R.	50.0	February 15
*Chicago, Illinois	Rev.	15.0	February 15
*Indianapolis, Indiana	n.a.	18.0	February 21
Rochester, New York	n.a.	7.4	February 21
Weber Basin Water Conservancy District, Utah	n.a.	5.4	February 23
Fort Worth, Texas	G.O.-Rev.	10.0	February 27
Connecticut Expressway	Rev.	100.0	February 28
*Los Angeles Co., Calif.	n.a.	7.9	February 28
*State of California	n.a.	30.0	February 29
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
<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.

n.a.--Not available.