

H.14

March 1, 1956

CAPITAL MARKET DEVELOPMENTS

State and local governments offered \$71 million of large security issues during the week ending February 24. Two large corporate stock issues were also publicly floated for new capital last week, but no large offerings are expected this week. State and local governments are scheduled to offer large issues with total proceeds of \$153 million, including the \$100 million offering for the Connecticut Expressway.

Expected March volume - The March estimate for corporate new capital issues is \$750 million, more than 40 per cent below the volume for March of 1955. Last year, however, two issues alone accounted for most of the volume of large issues, and almost half of the total of all new capital flotations. This year only about one-sixth of total volume is expected in large public issues, none of which compares in size with the General Motors or GMAC issues of last March. New capital offerings for the first three months of this year are estimated at \$2,160 million, four per cent below the \$2,243 million a year ago.

The estimated March volume for State and local government financing is \$425 million, about one-fifth below the corresponding total a year ago, and more than one-third less than last month's volume. The first quarter estimate of total volume is \$1,475 million, six per cent above the corresponding total for 1955.

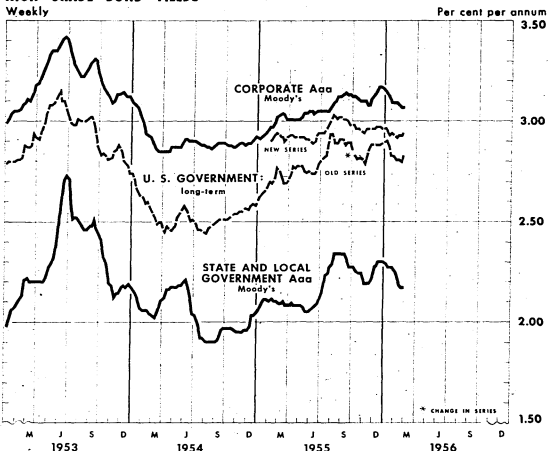
Bond yields - Corporate and State and local government bond yields did not change during the week ending February 24. Yields on U. S. Government long-term bonds (old and new series) rose, as can be seen in the attached exhibits.

Stock prices - The SEC index of 265 common stocks rose to a new high of 271.2 during the week ending February 24 in the largest average daily trading volume this year. Prices decreased on balance through Wednesday of this week, with the initial advance on Wednesday morning following the President's announcement offset by substantial declines in the afternoon.

More detailed information concerning recent capital market developments is presented in the attached exhibits.

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. (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 |
| 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 |
| 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 |
| 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 | .66 |
| Low | 3.07 (2/24) | 2.80 (2/17) | 2.92 (2/3) | 2.17 (2/23) | .24 | .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 |
| February 10 | 3.08 | 2.81 | 2.93 | 2.18 | .27 | .63 |
| February 17 | 3.07 | 2.80 | 2.93 | 2.17 | .27 | .63 |
| February 24 | 3.07 | 2.83 | 2.94 | 2.17 | .24 | .66 |

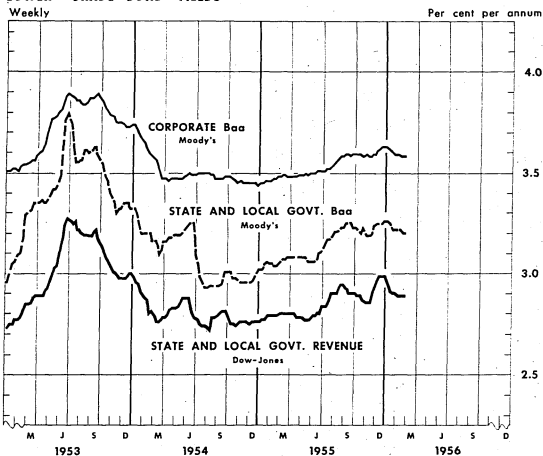
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

2/ 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.

3/ Thursday figures. Only general obligator 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.

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) |
| 1956 - High | 3.62 (1/6) | 3.26 (1/5) | 2.94 (1/6) |
| Low | 3.58 (2/24) | 3.20 (2/23) | 2.89 (2/24) |
| January 27 | 3.59 | 3.22 | 2.90 |
| February 3 | 3.59 | 3.22 | 2.89 |
| February 10 | 3.58 | 3.22 | 2.89 |
| February 17 | 3.58 | 3.20 | 2.89 |
| February 24 | 3.58 | 3.20 | 2.89 |

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

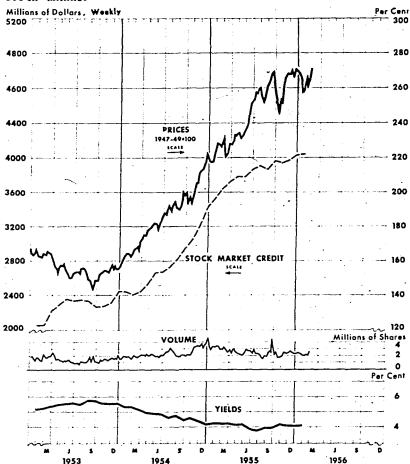
2/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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 ^{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) | | | | | | |
| 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 | r/4,030 | 2,805 | 1,241 |
| Low | 217.4 (1/14) | 1.5 | 3.78 | 3,537 | 2,517 | 1,018 |
| 1956 - High | 271.2 (2/24) | 2.6 | n.a. | n.a. | n.a. | 1,267 |
| Low | 257.4 (1/20) | 2.0 | n.a. | n.a. | n.a. | 1,241 |
| December | 269.2 | 2.4 | 4.06 | r/4,030 | r/2,791 | 1,239 |
| January | 262.8 | 2.2 | 4.08 | 4,040 | 2,786 | 1,254 |
| February 10 | 260.9 | 2.1 | n.a. | n.a. | n.a. | 1,246 |
| February 17 | 266.4 | 2.1 | n.a. | n.a. | n.a. | 1,252 |
| February 24 | 271.2 | 2.6 | n.a. | n.a. | n.a. | 1,241 |

n.a.—Not available.

r/ Revised.

^{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 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/735 | 546 | 547 | e/400 | 535 | 396 |
| February | e/675 | 436 | 426 | e/650 | 312 | 411 |
| March | e/750 | 1,261 | 635 | e/425 | 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 | | 1,207 ^{1/} | 1,003 | | 919 | 594 |
| November | | 631 | 290 | | 658 | 423 |
| December | | 921 | 604 | | e/400 | 877 |
| 1st quarter | e/2,160 | 2,243 | 1,608 | e/1,475 | 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 | | 2,760 | 1,896 | | e/1,977 | 1,894 |
| Year | | 9,014 | 7,490 | | e/5,904 | 6,789 |
| | | Excluding finance companies ^{2/} | | | | |
| 1st quarter | e/1,660 | 1,791 | 1,527 | | | |
| 2nd quarter | | 1,912 | 1,927 | | | |
| 3rd quarter | | 1,441 | 1,911 | | | |
| 4th quarter | | e/2,560 | 1,792 | | | |
| Year | | e/7,704 | 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/ |
|----------------|-----------|----------------------------|----------|
| 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 February 1 through 24

| Issuer | Type 3/ | Amount (millions of dollars) | Maturity | Coupon rate or net interest cost | Offering yield | Rating |
|-------------------------------------|----------------|------------------------------|----------|----------------------------------|----------------|--------|
| CORPORATE | | | | | | |
| Northwestern Bell Telephone | Deb. | 25.0 | 1996 | 3 1/4 | 3.15 | Aaa |
| Reynolds Metals | Pfd. stk. | 40.0 | | | | |
| Chemical Corn Exchange Bank | Com. stk. | 26.0 | | | | |
| So. Calif. Edison | Pfd. stk. | 30.7 | | | | |
| M. Lowenstein & Sons | Conv. sub.deb. | 34.3 | 1981 | 4 3/8 | 4.38 | Ba |
| Koppers Co., Inc. | Com. stk. | 15.6 | | | | |
| Tennessee Gas Transmission | Pfd. stk. | 40.0 | | | | |
| STATE & LOCAL GOVERNMENT | | | | | | |
| Oklahoma City, Oklahoma | G.O. | 13.2 | 1958-81 | 2.49 | 1.85-3.10 | A |
| Public Housing Auth. | -- | 106.8 | 1956-90 | 2.69 | 1.80-2.75 | Aaa |
| New Orleans, Louisiana | G.O. | 11.5 | 1957-95 | 2.57 | 1.70-2.75 | A |

Large Individual Issues Offered February 1 through 24 (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) | | | | | | |
| Metropolitan Water Dist. of So. Calif. | Rev. | 7.3 | 1957-81 | 2.24 | 1.50-2.35 | Aa |
| Lubbock, Texas | G.O.-Rev. | 9.8 | 1957-81 | 2.80 | 1.90-2.85 | A |
| New York State Thruway | G.R. | 50.0 | 1985-95 | 2.42 | 2.25-2.40 | Aaa |
| Chicago, Illinois | Rev. | 15.0 | 1964-78 | 2.60 | 2.30-2.65 | A |
| Puerto Rico | G.O. | 9.5 | 1957-76 | 2.78 | 1.90-2.75 | A |
| Los Angeles, Calif. | Rev. | 24.0 | 1957-86 | 2.47 | 1.65-2.25 | Aa |
| Montgomery Co., Md. | G.O. | 6.8 | 1957-86 ^{4/} | 2.88 | 1.85-3.00 | Baa |
| Indianapolis, Ind. | G.O. | 18.0 | 1958-87 | 2.29 | 1.65-2.38 | Aaa |
| Rochester, New York | G.O. | 7.4 | 1957-69 | 1.89 | 1.50-1.90 | Aaa |
| Weber Basin Water Cons. District, Utah | G.O. | 5.4 | 1960-96 | 3.38 | 2.50-3.50 | -- |
| <u>OTHER</u> | | | | | | |
| None | | | | | | |

^{1/} Includes corporate and other security offerings of \$15 million 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; L.L., limited liability obligations secured by pledge of designated revenues.

^{4/} 1984-86 maturities not reoffered.

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/ |
| 1955 - 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 | -- |
| 1956 - Jan. 31 | 176 | 327 | -- | 376 | 917 | -- |
| Feb. 29 | 123 | 220 | -- | 233 | 785 | -- |

Forthcoming Large Offerings, as of February 24

| Issuer | Type | Amount (millions of dollars) | Approximate date of offering |
|------------------------------------|-----------------|------------------------------|------------------------------|
| <u>CORPORATE</u> | | | |
| Bell Telephone of Pennsylvania | Deb. | 35.0 | March 6 |
| Westcoast Transmission, Ltd. | Sub. deb. | 20.5 | March 7 |
| Houston Lighting and Power | 1st mtg. bds. | 30.0 | March 7 |
| *Freuhouf Trailer Co. | Conv. sub. deb. | 37.5 | March 7 |
| New York Telephone | Ref. mtg. bds. | 55.0 | April 30 |
| Southern California Gas | Mtg. bds. | 40.0 | May |
| Sheraton Corporation of America | Deb. | 15.0 | 1956 |
| <u>STATE AND LOCAL GOVERNMENT</u> | | | |
| Fort Worth, Texas | G.O.-Rev. | 10.0 | February 27 |
| Connecticut Expressway | Rev. | 100.0 | February 28 |
| Los Angeles Co., Calif. | G.O. | 7.9 | February 28 |
| State of California | G.O. | 30.0 | February 29 |
| San Antonio, Texas | G.O. | 5.0 | March 1 |
| Inter-American Center Auth., Fla. | Rev. | 70.0 | March 6 |
| Penn Township School District, Pa. | L.L. | 5.3 | March 6 |
| St. Louis, Missouri | G.O. | 12.2 | March 6 |

Forthcoming Large Offerings, as of February 24 (Cont'd)

| Issuer | Type | Amount (millions of dollars) | Approximate date of offering |
|--|------|------------------------------------|---------------------------------|
| <u>STATE AND LOCAL GOVERNMENT (Cont'd)</u> | | | |
| Santa Clara, California | G.O. | 5.2 | March 6 |
| Denver, Colorado, School Dist. #1 | G.O. | 28.5 | March 7 |
| Bethlehem Authority, Pa. | Rev. | 8.0 | March 8 |
| State of North Carolina | n.a. | 25.0 | March 14 |
| *State of Alabama | n.a. | 15.0 | March 14 |
| State of New Hampshire | n.a. | 19.3 | March 15 |
| *San Diego, California | Rev. | 6.0 | March 15 |
| *State of Oklahoma | n.a. | 11.8 | March 20 |
| *Dallas, Texas | n.a. | 8.5 | March 26 |
| Georgia Rural Roads Authority | Rev. | 15.5 | May |
| Florida State Turnpike Authority | n.a. | 185.0 | Late spring |
| 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.

n.a.--Not available.

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.