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March 8, 1956

CAPITAL MARKET DEVELOPMENTS

Large security issues offered for new capital during the week ending March 2 represented State and local government financing only, and totaled \$153 million. Corporations are expected to float \$123 million of large public issues this week, and State and local governments are scheduled to offer \$59 million.

There has been a substantial increase over the past week in the volume of large public issues scheduled to be offered by corporations during the remainder of the month; as a result, the March estimate of total corporate new capital issues has been raised to \$900 million as may be seen in Exhibit D.

Bond yields - Yields on State and local government Aaa and revenue bonds and on U. S. Government long-term (old series) obligations rose slightly last week. Other bond yields remained stable. Daily figures show an increase in the Treasury obligation yields during the first part of this week.

Yields on newly-offered electric utility bond issues with Aa-rating are currently three basis points above, and those with A-rating are three basis points below, yields on outstanding bonds of corresponding quality and similar terms as shown in Exhibit G. In mid-February the offering yield on an A-rated bond was eight basis points below the seasoned yields.

Stock prices - Stock prices, as measured by the SEC index of 265 common stocks, rose to a new high of 274.5 in the week ending March 2, in an average trading volume of 2.8 million shares a day.

According to daily indexes, prices increased moderately on Monday and decreased very slightly on Tuesday and Wednesday of this week.

State and Local Government Security Offerings
in 1955

State and local governments offered \$6.0 billion of long-term security issues in 1955, compared to \$7.0 billion of such financing in 1954, as shown in the attached table. As in the previous year, the major type of issuing authority in 1955 was State governments which floated \$1.4 billion of issues, \$600 million less than in 1954. Municipal and special authority offerings were also down substantially from the 1954 volume. On the other hand the volume of school district and county and township issues increased.

Long-Term Security Issues of State and Local Governments
1952-1955

(In millions of dollars)

	1955	1954	1953	1952
<u>Issuing authority:</u>				
State	1,408	2,047	767	718
County and township	472	442	271	271
Municipality	1,313	1,601	1,052	966
School district	1,005	828	834	537
Special authority	1,097	1,463	2,091	1,305
Unidentified <u>1/</u>	683	587	543	614
Total	5,976	6,969	5,558	4,410
<u>Purpose of issue:</u>				
New capital total	<u>5,911</u>	<u>6,789</u>	<u>5,477</u>	<u>4,096</u>
Schools	1,516	1,432	1,320	969
Highways, bridges, tunnels	1,362	2,136	1,588	938
Residential buildings	570	456	506	424
Hospitals and institutions	98	77	133	38
Sewer and water	712	674	647	419
Misc. public service enterprises	169	597	156	223
Recreation	41	58	45	24
Port and airport	102	88	49	60
Veterans aid	169	162	141	100
Industrial buildings	4	2	7	5
Other	490	533	344	283
Unidentified <u>1/</u>	680	576	542	614
Refunding	65	180	82	314
Total	5,976	6,969	5,558	4,410
<u>Type of issue:</u>				
General obligation	4,109	3,724	3,423	2,947
Revenue	1,732	3,214	1,567	1,463
General revenue <u>2/</u>	135	31	568	--
Total	5,976	6,969	5,558	4,410

1/ Issues 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.

Purpose

New capital issues totaled \$5.9 billion in 1955, 13 per cent less than in the year earlier but still the second largest volume on record. Refunding accounted for slightly more than one per cent of total offerings last year.

Most of the decline in State and local government security offerings last year occurred in highway, bridge and tunnel issues, which dropped from \$2.1 billion to \$1.4 billion reflecting a smaller number of toll road issues. Only one toll highway issue of over \$100 million was offered in 1955 compared with six in 1954. Miscellaneous public service enterprise offerings were also considerably less than in 1954, totaling \$170 million in contrast to almost \$600 million. However, most of this difference can be accounted for by the \$335 million issue which the New York State Power Authority floated in December 1954. School construction issues are among the few groups of offerings which have shown a steady increase in volume since 1952. Proceeds from such issues grew to \$1.5 billion in 1955, from \$1.4 billion in 1954 and \$1.0 billion in 1952.

Offerings for other purposes were generally at about the same level as in the three earlier years.

Type

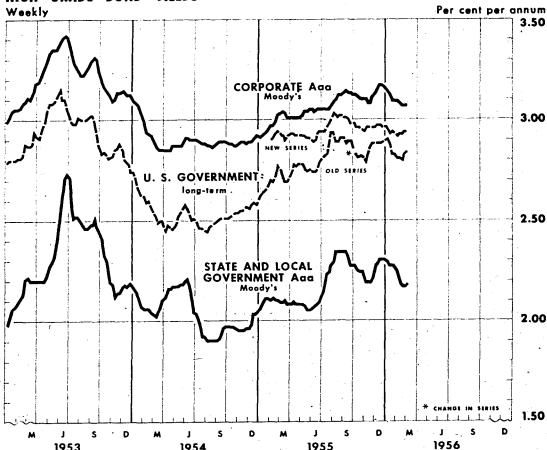
The volume of revenue issues and its relationship to total volume was much smaller in 1955 than in the previous year--\$1.7 billion or 29 per cent in contrast to \$3.2 billion or 46 per cent in 1954--but near that of 1952-53. This was the result of the heavy volume of toll road issues floated in 1954 but not in 1952, 1953 or 1955. General revenue issues increased \$100 million from 1954 to 1955, but the volume did not approach that of 1953 when almost \$570 million of such issues were floated.

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 gov't. Aaa ^{3/}	Spread between U. S. Govt. (old series) and Corporate Aaa State and local Aaa	
		Old series	New series		State and local 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 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.23	.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
March 2	3.07	2.84	2.94	2.18	.23	.66

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

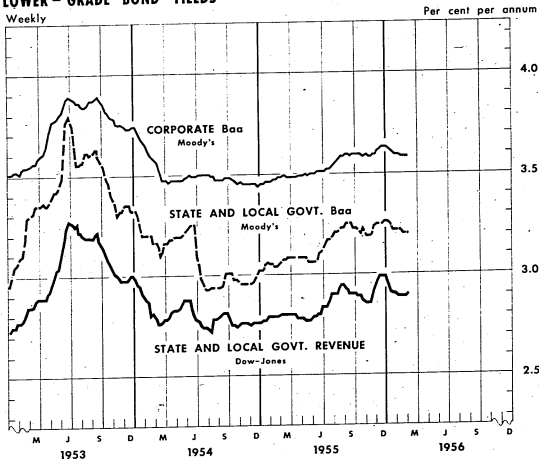
^{2/} Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 14 years in early 1953 to 11 1/2 years in early 1956. 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 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)		
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 (3/2)	3.20 (3/1)	2.89 (2/24)
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
March 2	3.58	3.20	2.90

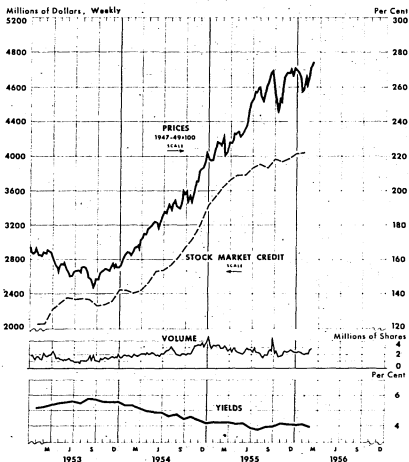
^{1/} Weekly average of daily figures. Average term of bonds included is 25-26 years.

^{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.

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	4,030	2,805	1,214
Low	217.4 (1/14)	1.5	3.78	3,537	2,517	1,018
1956 - High	274.5 (3/2)	2.8	4.08	n.a.	n.a.	1,267
Low	257.4 (1/20)	2.0	3.93	n.a.	n.a.	1,211
January	262.8	2.2	4.08	4,040	2,786	1,254
February	266.3	2.3	3.93	n.a.	n.a.	n.a.
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.	1,249
March 2	274.5	2.8	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 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/900	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		408	877
1st quarter	e/2,310	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		1,984	1,894
Year		9,014	7,450		5,911	6,789
	Excluding finance companies ^{2/}					
1st quarter	e/1,810	1,791	1,527			
2nd quarter		1,912	1,927			
3rd quarter		1,441	1,911			
4th quarter		2,619	1,792			
Year		7,762	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 <u>2/</u>
1955 - 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	--
February	212	433	--

Large Individual Issues Offered February 1 through March 2

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
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 Trans- mission	Pfd. stk.	40.0				
<u>STATE & LOCAL GOVERNMENT</u>						
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 March 2 (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	Baa
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	--
Fort Worth, Texas	G.O.-Rev.	10.0	1957-81	2.65	1.80-2.70	A
Connecticut Expressway	Rev.	100.0	1961-95	2.88	2.10-2.90	A
Los Angeles Co., Calif.	G.O.	7.9	1956-57	1.92	5/	Aa
State of California	G.O.	30.0	1958-82 ^{6/}	2.34	1.70-2.40	Aa
San Antonio, Texas	G.O.	5.0	1957-76	2.74	1.90-2.75	Baa
<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.

^{5/} Not publicly reoffered.

^{6/} 1982 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 <u>2/</u>	Corporate	State and local govt.	Other <u>2/</u>
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 March 2

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
Fruehauf Trailer Co.	Conv. sub. deb.	37.5	March 7
*Whirlpool-Seeger	SF deb.	30.0	March 20
*Tide Water Associated Oil	SF deb.	100.0	March 20
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
*Scott Paper	Conv. deb.	98.7	1956
<u>STATE AND LOCAL GOVERNMENT</u>			
Penn Township School District, Pa.	L.L.	5.3	March 6
St. Louis, Missouri	G.O.	12.2	March 6
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

Forthcoming Large Offerings, as of March 2 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
State of Alabama	L.L.	15.0	March 14
State of New Hampshire	G.O.	19.3	March 15
San Diego, California	Rev.	6.0	March 15
*Milwaukee, Wisconsin	n.a.	8.0	March 20
*State of New Mexico	n.a.	5.0	March 20
Dallas, Texas	n.a.	8.5	March 26
*Washington State Toll Bridge Auth.	Rev.	9.3	March 27
*Alexandria, Louisiana	Rev.	8.3	March 29
Inter-American Center Auth., Fla.	Rev.	70.0	March
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.

Yields on New and Outstanding
Electric Power Bonds, Rated Aa and A 1/

Date	Aa-rated offering yields		A-rated offering yields	
	Actual (per cent)	Amount above seasoned yields (basis points)	Actual (per cent)	Amount above seasoned yields (basis points)
1952 average	3.16	13	3.35	12
1953 average	3.46	16	3.78	26
1954 average	3.03	3	3.12	-3
1955 average	3.23	9	3.33	12
1955 - January	*3.15	13	None	--
February	*3.14	7	*3.23	9
March	*3.17	8	3.29	14
April	None	--	3.31	16
May	*3.22	10	3.35	14
June	*3.20	7	*3.30	10
July	None	--	None	--
August	None	--	*3.57	30
September	*3.32	10	*3.50	23
October	*3.25	7	3.28	-5
November	*3.27	7	None	--
December	*3.32	12	None	--
1956 - January	None	--	None	--
February 15			3.20	c/-8
28			3.25	-3
29	3.15	3		

*Single observation, not an average.

1/ Covers only 30-year first mortgage bonds, as reported in Moody's Bond Survey. Except where indicated, the actual yield figure and the amount above seasoned yields are averages of offerings during the indicated period and of the differences between these new offering yields and yields on seasoned issues of similar quality for the same day. The number of new issues included in the monthly averages varies from 2 to 4 except for October 1954 when 6 A-rated issues were included. Average maturity for the seasoned issues varies from 26 to 28 years.

c/ Corrected.