

Alamant
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Not for Publication **DECONTROLLED AFTER SIX MONTHS**

H.14

March 21, 1956

CAPITAL MARKET DEVELOPMENTS

Three State and local government bond issues totaling \$40 million were the only large public security issues sold during the week ending March 16. This week, large State and local government issues are expected to total \$23 million. Corporations are scheduled to offer large issues with proceeds aggregating \$176 million. This includes the \$100 million Tide Water Associated Oil Company debenture issue.

Bond yields - Yields on all types of outstanding bonds rose last week. The increase was particularly sharp for yields on State and local government Aaa-rated bonds and revenue bonds, which rose 7 and 5 basis points, respectively.

Stock market credit - Customer credit in the stock market, excluding U. S. Government securities, declined \$49 million during February to total \$3,991 million at the end of the month. This was the first decrease since October 1955 and was primarily the result of a decline in customers' net debit balances. Despite the decline in debit balances, borrowing by NYSE firms maintaining margin accounts increased moderately during February.

The following table shows these and other data on stock market credit for January and February.

	End of month		Change
	January	February	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Govt. securities - Total	4,040	3,991	-49
Net debit balances	2,786	2,740	-46
Bank loans to "others"	1,254	1,251	-3
Net debit balances secured by U. S. Govt. securities	36	34	-2
Bank loans to others for purchasing or carrying U. S. Govt. securities	37	36	-1
Broker and dealer credit			
Money borrowed except on U. S. Govt. securities	2,129	2,137	+8
On customer collateral	1,734	1,756	+22
Money borrowed on U. S. Govt. securities	41	52	+11
Customers' net free credit balances	905	913	+8

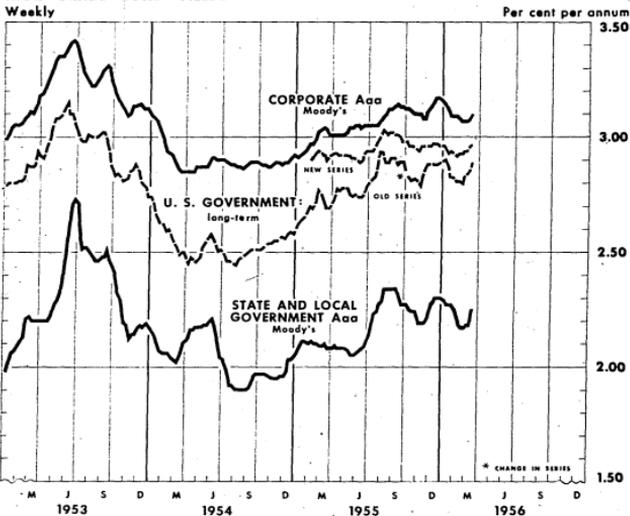
Stock prices - Common stock prices advanced sharply last week in the heaviest trading volume since late September 1955. The SEC index of 265 common stocks rose 6.6 points during the week to a new high of 266 on March 16. Daily indexes indicate a continued sharp advance in prices Monday and Tuesday of this week.

More detailed information concerning recent 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 govt. Aaa ^{3/}	Spread between U. S. Govt. (old series) and Corporate State and Local Aaa		
		Old series	New series		State	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)	2.97 (3/16)	2.29 (1/5)	.28	.68	
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.21	.56	
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	
March 9	3.08	2.86	2.96	2.18	.22	.68	
March 16	3.10	2.89	2.97	2.25	.21	.64	

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

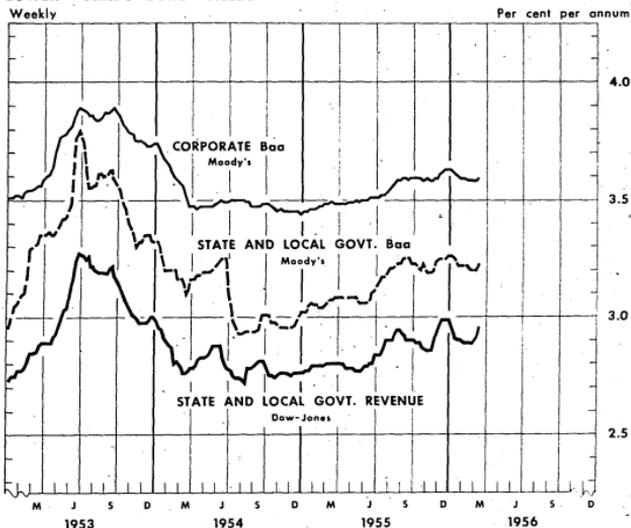
^{2/} Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 14 years 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)	2.96 (3/16)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
February 17	3.58	3.20	2.89
February 24	3.58	3.20	2.89
March 2	3.58	3.20	2.90
March 9	3.58	3.20	2.91
March 16	3.59	3.23	2.96

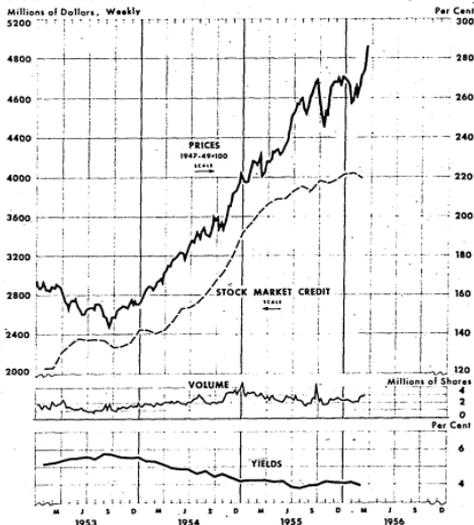
^{1/} Weekly average of daily figures. Average term of bonds included is 25-26 years.

^{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	286.0 (3/16)	3.1	4.08	4,040	2,786	1,267
Low	257.4 (1/20)	2.0	3.93	3,991	2,740	1,214
January	262.8	2.2	4.08	4,040	2,786	1,254
February	266.3	2.3	3.93	3,991	2,740	1,214
March 2	274.5	2.8	n.a.	n.a.	n.a.	1,251
March 9	279.4	2.8	n.a.	n.a.	n.a.	1,251
March 16	286.0	3.1	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	487	546	547	e/400	535	396
February	e/725	436	425	e/650	312	411
March	e/975	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/2,185	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	1,168
4th quarter		2,760	1,896		1,984	1,894
Year		9,014	7,490		5,911	6,789
	Excluding finance companies ^{2/}					
1st quarter	e/1,785	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 2/
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	221	396	25
December	263	205	50
1956 - January	95	192	--
February	212	433	--

Large Individual Issues Offered March 1 through 16

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
CORPORATE						
Bell Telephone of Pa.	Deb.	35.0	1996	3 1/4	3.20	Aa
Houston Lighting and Power	1st mtg. bds.	30.0	1996	3 1/4	3.19	Aa
Fruehauf Trailer Co.	Conv. sub.deb.	37.5	1976	4	4.00	Baa
STATE & LOCAL GOVERNMENT						
San Antonio, Texas	G.O.	5.0	1957-76	2.74	1.90-2.75	Baa
Penn Township School District, Pa.	L.L.	5.3	1957-86	3.31	1.95-3.35	Baa
St. Louis, Missouri	G.O.	12.2	1962-75	2.16	1.85-2.25	Aa
Santa Clara, Calif.	G.O.	5.2	1957-81	2.29	1.60-2.35	Aa
Denver Colo., School District #1	G.O.	28.5	1957-75	2.27	1.60-2.30	Aa
Bethlehem Auth., Pa.	Rev.	8.0	1959-96	2.81	2.00-2.82	A
State of Alabama	L.L.	15.0	1958-75	2.96	2.00-2.90	A
State of New Hampshire	G.O.	19.3	1957-83	2.25	1.60-2.35	Aaa
San Diego, Calif.	Rev.	6.0	1956-75	2.57	1.80-2.60	Aa

Large Individual Issues Offered March 1 through 16 (Cont'd)

Issuer	Type ^{3/}	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<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.

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 March 16

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Pacific Gas and Electric	1st & ref. mtg. bds.	25.0	March 20
Whirlpool-Seeger	SF deb.	30.0	March 20
Tide Water Associated Oil	SF deb.	100.0	March 21
Westcoast Transmission, Ltd.	Sub. deb.	20.5	March 21
New York Telephone	Ref. mtg. bds.	55.0	March 27
Bank of America	Com. stock	56.0	April 2
Scott Paper	Conv. deb.	98.7	April 3
Florida Power and Light	1st mtg. bds.	15.0	April 3
Duquesne Light	1st mtg. bds.	20.0	April 4
*Plantation Pipe Line	SF deb.	25.0	April 4
*Caterpillar Tractor	Com. stock	33.5	April 4
*Columbia Gas	Deb.	40.0	April 10
Southern California Gas	Mtg. bds.	40.0	May
Sheraton Corporation of America	Deb.	15.0	1956
Kentucky Utilities	1st mtg. bds.	19.0	1956
Pennsylvania Salt Mfg.	SF deb.	15.0	1956
*Southern California Edison	1st & ref. mtg. bds.	40.0	1956

Forthcoming Large Offerings, as of March 16 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)			
Milwaukee, Wisconsin	G.O.	8.0	March 20
State of New Mexico	L.I.	5.0	March 20
Key West, Florida	Rev.	9.5	March 20
Dallas, Texas	G.O.	8.5	March 26
Washington State Toll Bridge Auth.	Rev.	9.3	March 27
*State of Delaware	G.O.	10.8	March 27
St. Louis County, Missouri	G.O.	10.7	March 28
Louisville, Kentucky	G.O.	6.0	March 28
Alexandria, Louisiana	Rev.	8.3	March 29
Inter-American Center Auth., Fla.	Rev.	70.0	March
Louisiana State Building Auth.	n.a.	12.0	April 5
Philadelphia, Pennsylvania	n.a.	12.0	April 10
Georgia Rural Roads Authority	Rev.	15.5	May
Chesapeake Bay Ferry Commission	n.a.	20.0	Spring
Florida State Turnpike Auth.	n.a.	209.0	Summer
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	-8
28			3.25	-3
29	3.15	3		
March 8	3.19	5		

*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.