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Not for Publication **DECONTROLLED AFTER SIX MONTHS**

H.14

April 12, 1956

#### CAPITAL MARKET DEVELOPMENTS

The volume of publicly sold security issues was very large last week, but is expected to be more moderate during the rest of April. Large corporate issues totaling \$249 million were either sold or had subscription rights expire during the week ending April 6, while large State and local bond issues aggregating \$19 million were floated. This week a \$40 million corporate debenture issue and \$50 million of State and local bonds are scheduled for sale.

Bond yields - Yields on all types of outstanding bonds increased further last week, establishing new highs for the year. Daily data indicate increases through Tuesday of this week for corporate and U. S. Government (old series) yields. State and local government and U. S. Government bond yields last week were at the highest level since late 1953. At week-end, corporate Baa-rated bond yields were the highest since early 1954, but Aaa yields were still slightly below the 1955 high.

Yields on newly issued 30-year first mortgage electric utility bonds increased somewhat last week, as shown in Exhibit G. The spread between yields on the two new issues and yields on similar outstanding bonds was 23 and 26 basis points, about the same as the spread a week earlier. Tuesday of this week, a new issue of this type, but with slightly shorter maturity, was offered at the even higher yield of 3.67 per cent.

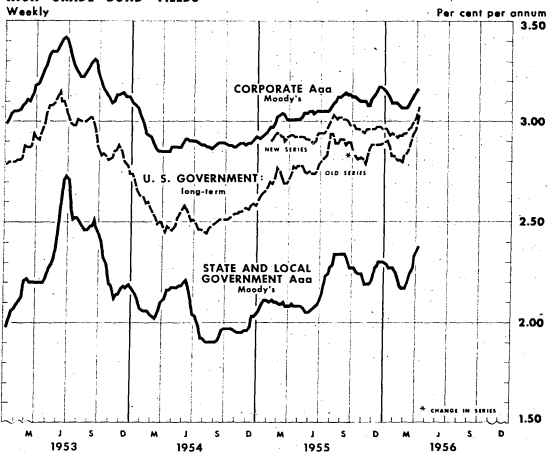
Stock prices - Common stock prices increased to a new high last week and, as measured by the SEC index of 265 stocks, were 290.8 on April 6. Prices declined on Monday of this week and then broke sharply on Tuesday, closing at about the mid-March levels. There was some recovery Wednesday.

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 <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 <sup>1/</sup> State and Aaa 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	3.16 (4/6)	3.03 (4/6)	3.07 (4/6)	2.38 (4/5)	.28	.68
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.56
March 9	3.08	2.86	2.96	2.18	.22	.68
March 16	3.10	2.89	2.97	2.25	.21	.64
March 23	3.12	2.93	2.99	2.27	.19	.66
March 30	3.14	2.96	3.01	2.33	.18	.63
April 6	3.16	3.03	3.07	2.38	.13	.65

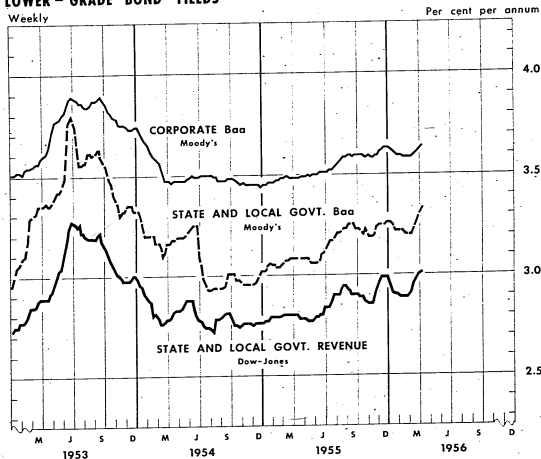
<sup>1/</sup> Weekly average of daily figures. Average term of bonds included is 25-26 years.

<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 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.

<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.

## 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	3.64 (4/6)	3.33 (4/5)	3.01 (4/6)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
March 9	3.58	3.20	2.91
March 16	3.59	3.23	2.96
March 23	3.60	3.26	2.98
March 30	3.62	3.29	3.00
April 6	3.64	3.33	3.01

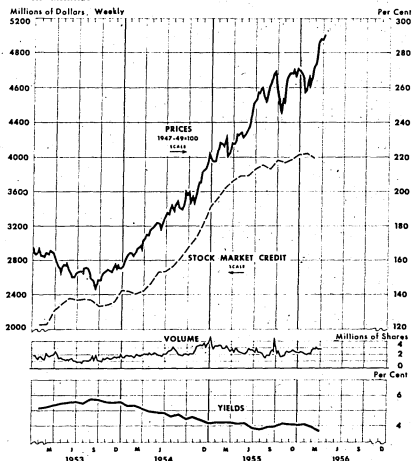
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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 <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 (3/6)	1.4	4.20	2,405	1,653	746
1955 - High	270.7 (12/30)	4.6	4.22	4,030	2,805	1,241
Low	217.4 (1/14)	1.5	3.78	3,577	2,517	1,018
1956 - High	290.8 (1/6)	3.1	4.08	4,040	2,786	1,267
Low	257.4 (1/20)	2.0	3.68	3,991	2,740	1,249
February	266.3	2.3	3.93	3,991	2,740	1,251
March	283.2	2.7	3.68	n.a.	n.a.	1,252
March 23	288.4	2.8	n.a.	n.a.	n.a.	1,252
March 30	287.8	2.8	3.68	n.a.	n.a.	1,252
April 6	290.8	2.8	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	487	546	547	404	535	396
February	708	436	426	e/650	312	411
March	e/875	1,261	635	e/375	538	565
April	e/800	494	497	e/350	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 <sup>1/</sup>	1,003		919	594
November		631	290		658	423
December		921	604		408	877
1st quarter	e/2,070	2,243	1,608	e/1,425	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	7,490		5,911	6,769
	Excluding finance companies 2/					
1st quarter	e/1,670	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.

<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 - 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	--
March	278	163	--

Large Individual Issues Offered April 2 through 6

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Bank of America	Com stk.	56.0				
Scott Paper	Conv. deb.	98.7	1971	3	3.00	A
Plantation Pipe Line	SF deb.	25.0	1986	3 1/2	3.50	A
Florida Power & Light	1st mtg. bds.	15.0	1986	3 5/8	3.57	A
Duquesne Light	1st mtg. bds.	20.0	1986	3 1/2	3.40	Aaa
Caterpillar Tractor	Com. stk.	34.4				
<u>STATE &amp; LOCAL GOVERNMENT</u>						
Escanaba, Michigan	Rev.	7.0	1959-87 <sup>11/1</sup>	3.89	3.00-3.80	--
La. State Bldg. Auth.	L.L.	12.0	1960-85 <sup>11/1</sup>	--	2.90-3.00	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/ For 1961-66 maturities only; 1967-85 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 - 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	--
Mar. 30	380	132	--	1,013	811	--

Forthcoming Large Offerings, as of April 6

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Columbia Gas	Deb.	40.0	April 10
Southern California Edison	1st & ref. mtg. bds.	40.0	April 17
Wisconsin Electric Power	1st mtg. bds.	30.0	April 24
Westcoast Transmission Ltd.	Sub. deb.	20.5	April
Duke Power	1st & ref. mtg. bds.	30.0	May 7
General Telephone	Conv. deb.	53.0	May 7
*General American Transportation	Conv. deb.	23.8	(rights expire) May 9
*California Oregon Power	1st mtg. bds.	16.0	May
General Electric	Deb.	300.0	Spring
American Telephone and Telegraph	Deb.	250.0	June
<u>STATE AND LOCAL GOVERNMENT</u>			
Philadelphia School District, Pa.	G.O.	12.0	April 10
State of Massachusetts	G.O.	18.0	April 10
Detroit, Michigan	G.O.	5.4	April 10
Omaha Public Power Dist., Neb.	Rev.	15.0	April 11



## Forthcoming Large Offerings, as of April 6 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)			
*Florida Development Commission	Rev.	5.5	April 24
State of Ohio	G.O.	50.0	April 25
Philadelphia, Pennsylvania	G.O.	12.3	April 25
*Territory of Hawaii	G.O.	7.5	April 26
*Allegheny County Sanitary Auth., Pa.	Rev.	25.0	May 1
*Pasadena, Calif.	G.O.	11.0	May 8
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
Inter-American Center Auth., Fla.	Rev.	70.0	1956
<u>OTHER</u>			
*Ontario Hydro-Electric Commission	Deb.	50.0	April 22

\*--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 <sup>1/</sup>

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
1956 - January	None	--	None	--
February	*3.15	3	3.23	-5
March 8	3.19	5		
16			3.35	7
23	3.37	18		
30			3.55	25
April 4			3.57	23
4			3.60	26

\*--Single observation, not an average.

<sup>1/</sup> 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.