

done  
5/7

Not for Publication DECONTROLLED AFTER SIX MONTHS

H.14

May 3, 1956

#### CAPITAL MARKET DEVELOPMENTS

The volume of large publicly offered security issues was heavy during the week ending April 27. Three corporate security issues with aggregate proceeds of \$66 million, State and local bond issues totaling \$80 million and a \$50 million foreign government debenture issue were sold. The volume of large public offerings this week, ending May 4, is expected to be somewhat lighter. Corporate issues totaling \$60 million and State and local issues of \$64 million are scheduled for sale.

Investors were considerably more receptive to last week's new issues, offered at higher yields, than they had been to earlier offerings, and most new issues were quickly distributed.

Bond yields - Yields on outstanding corporate and State and local government bonds increased further during the week ending April 27. U. S. Government bond yields declined somewhat.

Yields on newly offered issues also increased further. An Aa-rated 30-year first mortgage public utility bond issue was reoffered on April 25 at a yield of 3.77 per cent, 40 basis points higher than the yield on outstanding bonds of similar term and quality. In late March a similar new offering was priced to yield 3.19 per cent, 18 basis points above the then prevailing yield level of outstanding issues.

Despite the small volume of flotations, State and local government new issue yields have also risen more rapidly than yields on outstanding bonds, particularly for the shorter maturities. This is illustrated by the table on the following page which compares yields on the Aa-rated State of Ohio highway issue sold last July and the one sold last week, with the yields on outstanding bonds of comparable rating at both dates.

	July 20, 1955	April 25, 1956	Change
	(Per cent)		(Basis points)
State of Ohio flotations (limited tax revenue)			
Reoffering yields			
1-year maturity	1.30	2.30	+100
5-year maturity	1.85	2.75	+90
10-year maturity	2.15	2.90	+75
15-year maturity	2.30	3.00	+70
Net interest cost	2.31	3.09	+78
Yields on outstanding Aa-rated State and local issues (Moody's)			
20-year	2.38	2.69	+31
10-year	2.04	2.47	+43

Expected May volume - An estimated \$1,050 million of corporate security issues are expected to be offered during the month of May. This is about one-third greater than the volume in April and 16 per cent greater than in the corresponding period last year. Large publicly offered issues expected total \$568 million, including the \$300 million General Electric debenture issue.

State and local governments are expected to offer \$375 million of bonds during May, somewhat greater than the volume sold in both April this year and May 1955. No very large issues are expected.

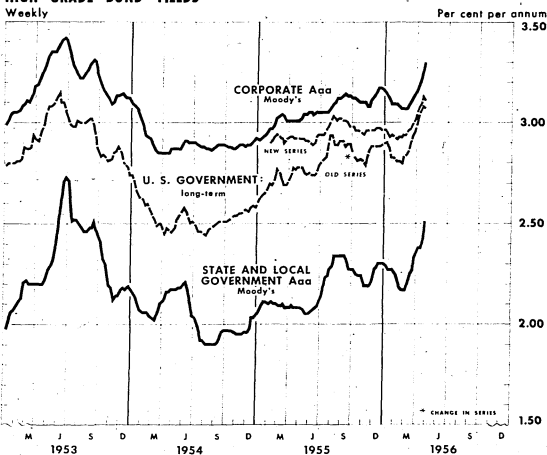
Stock prices - Common stock prices, as measured by the SEC index of 265 stocks, increased 1.6 points during the week ending April 27, to close at 286.2. Daily indexes indicated some decline in prices on balance through Wednesday of this week.

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 <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 and 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	3.30 (4/27)	3.08 (4/20)	3.13 (4/20)	2.51 (4/26)	.28	.68
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.56
March 30	3.14	2.96	3.01	2.33	.18	.63
April 6	3.16	3.03	3.07	2.38	.13	.65
April 13	3.21	3.06	3.09	2.38	.15	.68
April 20	3.27	3.08	3.13	2.43	.19	.65
April 27	3.30	3.07	3.11	2.51	.23	.56

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

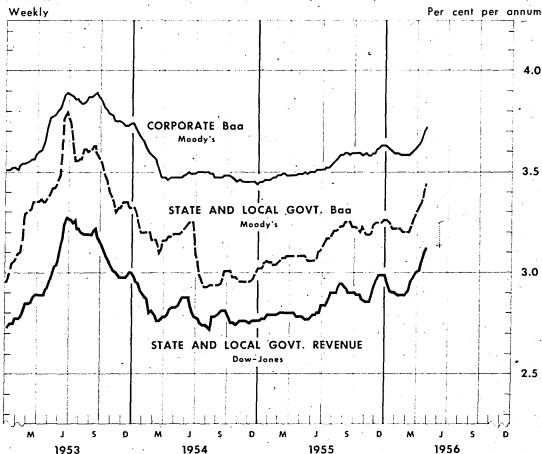
<sup>2/</sup> Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 14 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. On 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	3.72 (4/27)	3.44 (4/26)	3.12 (4/27)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
March 30	3.62	3.29	3.00
April 6	3.64	3.33	3.01
April 13	3.67	3.35	3.06
April 20	3.70	3.40	3.10
April 27	3.72	3.44	3.12

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

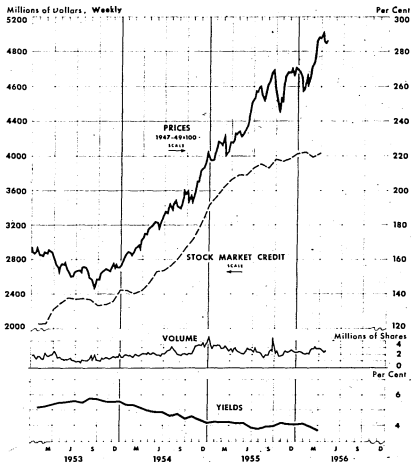
<sup>2/</sup> Thursday figures. Only general obligation bonds are included; average term is 20 years.

<sup>3/</sup> Friday figures. Average rating of bonds included is between *aa* 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' debit bal-ances <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 (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	1,241
Low	217.4 (1/14)	1.5	3.78	3,537	2,517	1,018
1956 - High	290.8 (4/6)	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	4,038	2,786	1,252
April 13	285.6	2.6	n.a.	n.a.	n.a.	1,247
April 20	284.6	2.3	n.a.	n.a.	n.a.	1,260
April 27	286.2	2.5	n.a.	n.a.	n.a.	n.a.

<sup>r/</sup> Revised.

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 or 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	696	312	411
March	e/875	1,261	635	e/375	538	565
April	e/800	494	497	e/350	427	734
May	e/1,050	903	656	e/375	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>2/</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/1,475	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	7,490		5,911	6,789
	Excluding finance companies <sup>2/</sup>					
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 27

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est 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				
Columbia Gas	Deb.	40.0	1981	3 7/8	3.85	A
Southern Calif. Edison	1st & ref. mtg. bds.	40.0	1981	3 5/8	3.68	Aa
Wisconsin Electric Power	1st mtg. bds.	30.0	1986	3 7/8	3.77	Aa
Westcoast Trans. Ltd.	Sub. deb.	20.5	1981	4	4.00	Baa
Nationwide Corporation	Com. stk.	15.2				

## Large Individual Issues Offered April 2 through 27 (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>						
Escanaba, Michigan	Rev.	7.0	1959-87 <sup>4/</sup>	3.89	3.00-3.80	--
Ia. State Bldg. Auth.	L.L.	12.0	1960-85	--	2.90-3.00	Baa
Phila. School Dist., Pa.	G.O.	12.0	1958-81	2.88	2.00-3.10	A
State of Massachusetts	G.O.	18.0	1957-86	2.37	1.80-2.35	Aa
Detroit, Michigan	G.O.	5.4	1957-81	Var.	2.00-2.90	A
Omaha Public Power Dist., Nebraska	Rev.	15.0	1958-86	2.94	2.10-2.95	Aa
Oklahoma City School District No. 89	G.O.	6.8	1958-71	2.89	2.20-2.80	A
Wichita, Kansas	G.O.	6.9	1957-66	2.93	2.20-2.80	A
Oakland, California	G.O.	5.0	1957-76	2.59	1.90-2.65	Aa
State of Ohio	L.L.	50.0	1956-72	3.09	2.15-3.00	Aa
Hempstead, N.Y. Union Free School Dist. No. 3	G.O.	6.0	1957-85	3.50	2.40-3.50	Baa
Columbus, Ohio	G.O.	5.0	1958-82	2.89	2.20-2.80	Aa
Territory of Hawaii	G.O.	7.5	1959-76	3.22	2.70-3.20	A
<u>OTHER</u>						
Province of Ontario	Deb.	50.0	1981	3 7/8	3.90	A

<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.

<sup>4/</sup> 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 - 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	194	--	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	--
Apr. 30	568	173	--	818	832	--

Forthcoming Large Offerings, as of April 27

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Duke Power	1st & ref. mtg. bds.	30.0	May 1
Kaiser Aluminum and Chemical	Conv. pref. stk.	30.0	May 3
General Telephone	Conv. deb.	53.0	May 7 (rights expire)
California Oregon Power	1st mtg. bds.	16.0	May 8
General American Transportation	Conv. deb.	23.8	May 9 (rights expire)
Niagara Mohawk Power	Gen'l. mtg. bds.	30.0	May 9
General Electric	Deb.	300.0	May 15
Northern Illinois Gas	1st mtg. bds.	15.0	May 16
*Consolidated Edison	1st & ref. mtg. bds.	30.0	May 23
*Southern California Gas	1st mtg. bds.	40.0	May 23
American Telephone and Telegraph	Deb.	250.0	June
<u>STATE AND LOCAL GOVERNMENT</u>			
Allegheny County Sanitary Auth., Pa.	Rev.	25.0	May 1
Baltimore, Maryland	G.O.	25.0	May 1
*La Mesa, Lemon Grove & Spring Valley Irrigation Dist., Calif.	G.O.	5.2	May 1

## Forthcoming Large Offerings, as of April 27 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Los Angeles, Calif., Dept. of Water & Power	Rev.	9.0	May 2
Great Falls, Montana	G.O.	5.0	May 7
Pasadena, Calif.	G.O.	11.0	May 8
*Tulsa, Oklahoma	Rev.	5.0	May 8
Salt River Project, Arizona	n.a.	11.0	May 15
*Toledo, Ohio	Rev.	5.0	May 16
Dade Co., Florida, Special Tax School Dist. No. 1	G.O.	15.0	May 16
Orleans Parish, La.	G.O.	5.0	May 16
*Cleveland, Ohio	G.O.	16.2	May 22
Georgia Rural Roads Authority	Rev.	15.5	May
Chesapeake Bay Ferry Commission	Rev.	20.0	May
*State of California	G.O.	50.0	June 13
Florida State Turnpike Auth.	Rev.	185.0	Summer
Oklahoma Turnpike Authority	Rev.	65.0	1956
Pennsylvania Turnpike Commission	Rev.	62.0	1956
Washington State Toll Bridge Auth.	Rev.	227.0	1956
Inter-American Center Auth., Fla.	Rev.	70.0	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 <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
11			3.67	29
25	3.77	40		

\*--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.