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May 17, 1956

CAPITAL MARKET DEVELOPMENTS

The volume of publicly offered securities was large during the week ending May 11, and will be even larger this week. Sales of large corporate issues (or expiration of subscription rights) amounted to \$123 million during the week ending May 11, and large State and local issues totaling \$21 million were sold. This week \$315 million of large corporate issues and \$36 million of State and local government issues are scheduled for sale.

This week's major offering was the \$300 million General Electric 20-year debenture issue which was offered Tuesday, May 15, at a yield of 3.47 per cent. The issue, which was rated Aaa, was quickly oversubscribed and quoted at a premium in the over-the-counter market. The terms of the issue provided for an optional delayed payment by purchasers in July, which therefore moderates the immediate drain on investment funds.

The recent stabilizing of yields and the decline in the volume of dealers' inventories of unsold securities has apparently resulted in a rather sharp increase in the calendar of forthcoming State and local government bond issues. Announcement was made last week of bidding dates for 7 large issues totaling \$122 million, all scheduled for sale late this month or in early June. Accordingly the May estimate of State and local government offerings has been raised substantially, from \$375 million to \$500 million.

Bond yields - Yields on corporate and State and local government bonds, except Baa-rated corporate bonds, declined last week, after having stabilized at high levels the previous week. U. S. Government bond yields declined further.

Yields on new issues also have declined. An A-rated first mortgage electric utility bond was offered Wednesday, May 16, at 3.73 per cent, 7 basis points below the yield on a similar issue offered a week earlier.

Stock market credit - Customer credit in the stock market, excluding U. S. Government securities, increased slightly during April, rising \$5 million to total \$4,043 million at the end of this month. Both net debit balances and bank loans to "others" increased slightly. Borrowing by member firms of the NYSE maintaining margin accounts, except borrowings on U. S. Government securities, increased \$18 million. Borrowing on customer collateral increased \$52 million, but this increase was largely offset by a decline in borrowing on other collateral. Customers' net free credit balances declined \$64 million. These and other data on stock market credit are shown in the table on the following page.

	End of month		Change
	March	April	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Govt. securities - Total	4,038	4,043	+5
Net debit balances	2,786	2,788	+2
Bank loans to "others"	1,252	1,255	+3
Net debit balances secured by U.S. Govt. securities	31	33	+2
Bank loans to others for purchasing or carrying U. S. Govt. securities	40	40	0
Broker and dealer credit			
Money borrowed except on U. S. Govt. securities	2,127	2,145	+18
On customer collateral	1,742	1,794	+52
Money borrowed on U. S. Govt. securities	50	44	-6
Customers' net free credit balances	960	896	-64

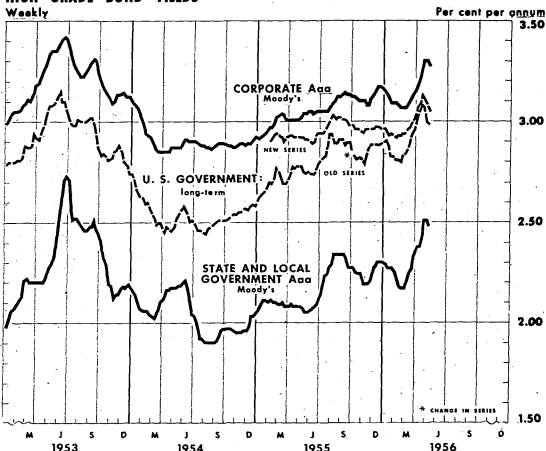
Stock prices - Common stock prices, as measured by the SEC index of 265 stocks, declined 6.8 points during the week ending May 11 to close at 283.2. Daily indexes indicate a further sharp decline through Tuesday of this week.

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 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 (5/4)	3.08 (4/20)	3.13 (4/20)	2.51 (5/3)	.31	.68	
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.48	
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	
May 4	3.30	2.99	3.08	2.51	.31	.48	
May 11	3.27	2.98	3.05	2.48	.29	.50	

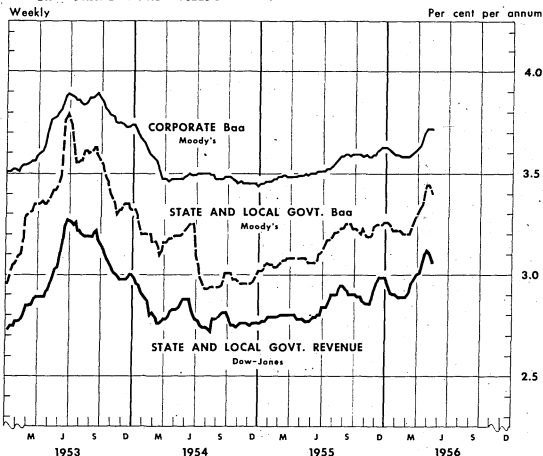
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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.

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	3.72 (5/11)	3.44 (5/3)	3.12 (4/27)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
April 13	3.67	3.35	3.06
April 20	3.70	3.40	3.10
April 27	3.72	3.44	3.12
May 4	3.72	3.44	3.10
May 11	3.72	3.40	3.06

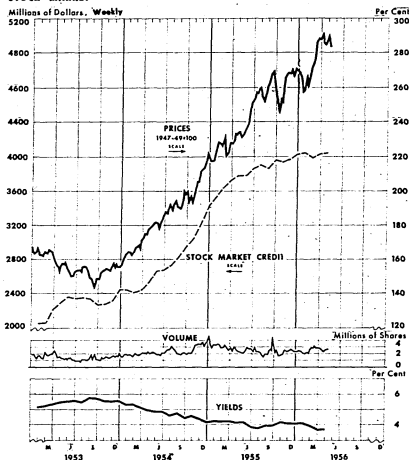
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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 bal- ances 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	1,241
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	4,043	2,788	1,267
Low	257.4 (1/20)	2.0	3.68	3,991	2,740	1,249
March	283.2	2.7	3.68	4,038	2,786	1,252
April	286.8	2.6	3.69	4,043	2,788	1,255
April 27	286.2	2.5	n.a.	n.a.	n.a.	1,255
May 4	290.0	2.6	n.a.	n.a.	n.a.	1,259
May 11	283.2	2.6	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	579	546	547	404	535	396
February	704	436	426	696	312	411
March	790	1,261	635	e/375	538	565
April	e/830	494	497	e/350	427	734
May	e/1,050	903	656	e/500	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	2,073	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 2/						
1st quarter	e/1,673	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 - April	173	238	15
May	483	152	--
June	175	403	--
July	101	278	--
August	405	65	--
September	328	234	--
October	805	716	--
November	221	401	25
December	263	227	50
1956 - January	95	192	--
February	212	444	--
March	278	163	--
April	395	157	50

Large Individual Issues Offered May 1 through 11

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Duke Power	1st & ref. mtg. bds.	30.0	1986	3 5/8	3.50	Aaa
Kaiser Aluminum & Chem.	Conv. pref. stk.	30.0				
General Telephone	Conv. deb.	53.0	1971	4	4.00	--
Calif. Oregon Power	1st mtg. bds.	16.0	1986	3 7/8	3.80	A
General American Trans.	Conv. deb.	23.8	1981	4	4.00	Baa
Niagara Mohawk Power	Gen'l. mtg. bds.	30.0	1986	3 5/8	3.55	Aa
<u>STATE & LOCAL GOVERNMENT</u>						
Allegheny Co. Sanitary Auth., Pa.	Rev.	25.0	1961-96	3.35	2.75-3.35	--
Baltimore, Maryland	G.O.	25.0	1958-82	2.81	2.10-2.80	Aa
La Mesa, Lemon Grove & Spring Valley Irrigation Dist., Cal.	G.O.	5.2	1966-96	3.90	3.30-3.85	Baa

Large Individual Issues Offered May 1 through 11 (Cont'd)

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE & LOCAL GOVERNMENT</u> (Cont'd)						
Los Angeles, Calif.						
Dept. of Water & Pwr.	Rev.	9.0	1957-86	2.94	2.10-2.95	Aa
Chesapeake Bay Ferry						
Dist. Commission, Va.	Rev.	20.0	1986	n.a.	n.a.	--
Great Falls, Montana	G.O.	5.0	1973	4.35	n.a.	--
Pasadena, Calif.	G.O.	11.0	1958-71	2.47	2.00-2.50	Aa
Tulsa, Oklahoma	Rev.	5.0	1958-81	2.82	2.20-2.85	A
<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 - 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	--
Apr. 30	568	173	--	818	832	--

Forthcoming Large Offerings, as of May 11

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
General Electric	Deb.	300.0	May 15
Northern Illinois Gas	1st mtg. bds.	15.0	May 17
Southern California Gas	1st mtg. bds.	40.0	May 22
Consolidated Edison	1st & ref. mtg. bds.	30.0	May 23
Lockheed Aircraft	Deb.	30.0	May 23
*Mountain States Telephone & Telegraph	Deb.	25.0	May 28
*Commonwealth Edison	1st mtg. bds.	40.0	June 5
American Telephone and Telegraph	Deb.	250.0	June
<u>STATE AND LOCAL GOVERNMENT</u>			
Salt River Project, Arizona	G.O.	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
Omaha, Nebraska, School District	G.O.	20.0	May 21
*Port of New York Authority, N. Y.	Rev.	30.0	May 21
State of Minnesota	G.O.	10.0	May 22

Forthcoming Large Offerings, as of May 11 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)			
Cleveland, Ohio	G.O.	16.2	May 22
*Baltimore County Metropolitan District, Maryland	G.O.	10.0	May 23
*Houston, Texas	G.O.	17.0	May 23
*Mahoning Valley Sanitary Dist., Ohio	G.O.	6.0	May 23
Georgia Rural Roads Authority	Rev.	15.5	May
*Cincinnati, Ohio	G.O.	8.5	June 5
*New York, New York	G.O.	30.0	June 5
Denver, Colorado	G.O.	5.3	June 6
Tallahassee, Florida	Rev.	6.0	June 7
*Pennsylvania General State Auth.	Rev.	20.0	June 12
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 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
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
11			3.60	26
25	3.77	40	3.67	29
May 9			3.80	32

*--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.