

H.14

May 24, 1956

CAPITAL MARKET DEVELOPMENTS

The volume of publicly offered securities was exceptionally large during the week ending May 18, and will be only moderately smaller this week. Corporations sold large issues aggregating \$315 million, including the \$300 million General Electric debenture issue, while State and local governments sold large issues totaling \$31 million during the week ending May 18. This week State and local governments are scheduled to sell issues totaling \$116 million and \$100 million of corporate issues are expected.

Bond yields - Changes in bond yields last week were mixed. Yields on U. S. Government and State and local government bonds declined two to four basis points, while yields on Aaa-rated corporate bonds were stable and yields on Baa-rated corporate bonds increased slightly. The spread between Aaa corporate and U. S. Government (old series) yields, which has increased over the last month and a half as a result of the sharp decline in Government yields, was 33 basis points, the widest spread since March 1955. Six weeks earlier the spread was only 13 basis points.

Stock prices - Common stock prices, as measured by the SEC index of 265 common stocks, declined 4.1 points during the week ending May 18, closing at 279.1. Daily indexes indicate further declines through the middle of this week, the break on Tuesday being particularly sharp. As measured by the Dow-Jones 65-stock composite index, prices by Wednesday had declined 5 per cent from the May 4 peak and are now at the same level as in early March.

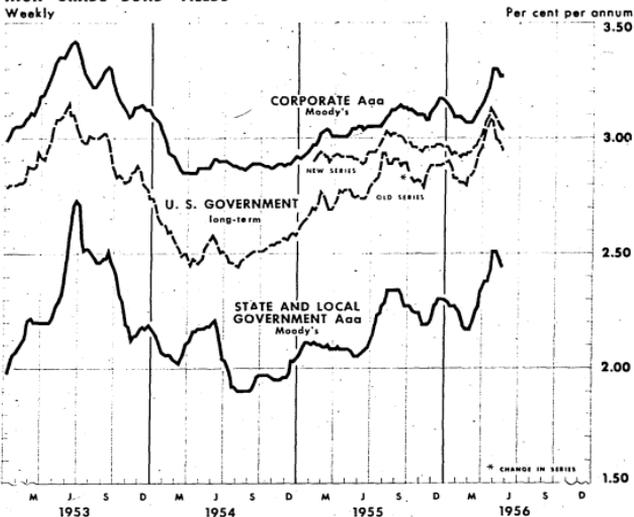
More detailed information concerning recent market developments is presented in the attached exhibits.

Business Finance and Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

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5/28

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 ^{3/}	
		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 (6/16)	2.05 (5/26)	.13	.54
1956 - High	3.30 (5/4)	3.08 (4/20)	3.13 (4/20)	2.51 (5/3)	.33	.69
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.44
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
May 18	3.27	2.94	3.03	2.44	.33	.50

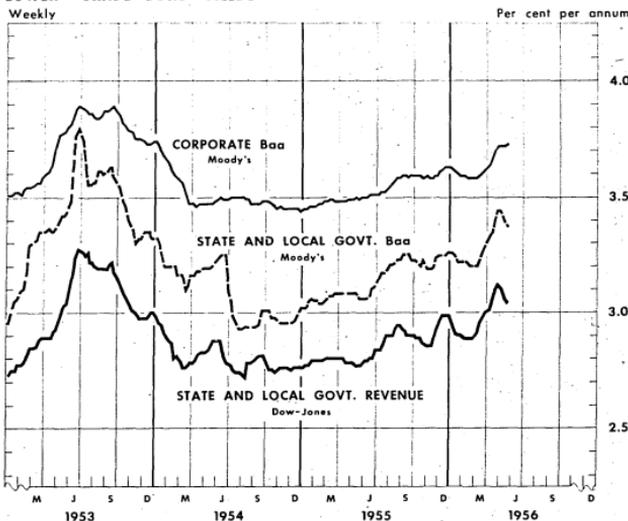
^{1/} Weekly average of daily figures. Average term of bonds included is 25-26 years.

^{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 (1/4)	3.02 (1/6)	2.76 (1/7)
1956 - High	3.73 (5/18)	3.44 (5/3)	3.12 (4/27)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
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
May 18	3.73	3.37	3.04

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

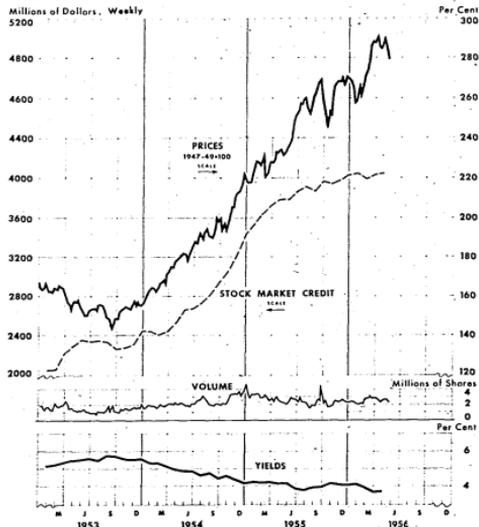
^{2/} Thursday figures. Only general obligation bonds are included; average term is 20 years.

^{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.

EXHIBIT C

STOCK MARKET

Millions of Dollars, Weekly
5200

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	1,241
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	1,240
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
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.	1,240
May 18	279.1	2.2	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	r/ 1955	1954	1956	1955	1954
January	579	535	547	404	535	396
February	704	407	426	696	312	411
March	790	1,223	635	e/375	538	565
April	e/890	478	497	e/350	427	734
May	e/1,050	886	656	e/500	350	748
June		687	842		641	853
July		597	909		470	279
August		644	335		249	261
September		670	747		406	649
October		1,162 ^{1/}	1,003		919	594
November		632	290		658	423
December		900	604		408	877
1st quarter	2,073	2,165	1,608	e/1,475	1,385	1,372
2nd quarter		2,052	1,995		1,418	2,334
3rd quarter		1,911	1,991		1,124	1,188
4th quarter		2,695	1,896		1,984	1,894
Year		8,821	7,490		5,911	6,789
		Excluding finance companies ^{2/}				
1st quarter	e/1,673	1,727	1,527			
2nd quarter		1,870	1,927			
3rd quarter		1,434	1,911			
4th quarter		2,554	1,792			
Year		7,569	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.

r/ Revised.

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 - 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 18

Issuer	Type 3/	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
General Electric	Deb.	300.0	1976	3 1/2	3.47	Aaa
Northern Illinois Gas	1st mtg. bds.	15.0	1981	3 3/4	3.70	A
<u>STATE & LOCAL GOVERNMENT</u>						
Alleghney 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 18 (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)						
Los Angeles, Calif. Dept. of Water & Power	Rev.	9.0	1957-86	2.94	2.10-2.95	Aa
Chesapeake Bay Ferry Dist. Commission, Va.	Rev.	20.0	1986	4.25	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
Salt River Project, Ariz.	G.O.	11.0	1960-87	3.36	2.65-3.35	A
Toledo, Ohio	Rev.	5.0	1958-77	2.54	2.00-2.56	Aa
Dade Co., Fla., Special Tax School Dist. No. 1	G.O.	15.0	1959-76 ^{4/}	3.31	2.60-3.20	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/} 1972-76 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 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 18

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Consolidated Edison	1st & ref. mtg. bds.	30.0	May 22
Southern California Gas	1st mtg. bds.	40.0	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
*Adams Express	Common	15.0	June 6 (Rights expire)
*CIT Financial	Deb.	75.0	June 6
*Household Finance	Deb.	50.0	June 7
*U. S. Plywood	Deb.	15.0	June 19
American Telephone and Telegraph	Deb.	250.0	July 10
<u>STATE AND LOCAL GOVERNMENT</u>			
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
Cleveland, Ohio	G.O.	16.2	May 22

Forthcoming Large Offerings, as of May 18 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Baltimore County Metropolitan	G.O.	10.0	May 23
District, Maryland	G.O.	17.0	May 23
Houston, Texas	G.O.	6.0	May 23
Mahoning Valley Sanitary Dist., Ohio	G.O.	7.1	May 23
*Kansas City, Missouri	G.O.	8.5	June 5
Cincinnati, Ohio	G.O.	30.0	June 5
New York, New York	G.O.	5.3	June 6
Denver, Colorado	G.O.	22.0	June 6
*Chicago, Illinois	Rev.	6.0	June 7
Tallahassee, Florida	Rev.	20.0	June 12
Pennsylvania General State Auth.	Rev.	15.5	June 12
Georgia Rural Roads Authority	G.O.	50.0	June 13
State of California	Rev.	185.0	Summer
Florida State Turnpike Auth.	Rev.	163.0	Summer
*Grant County Public Utility	Rev.	65.0	1956
District, Washington	Rev.	62.0	1956
Oklahoma Turnpike Authority	Rev.	227.0	1956
Pennsylvania Turnpike Commission	Rev.	70.0	1956
Washington State Toll Bridge Auth.			
Inter-American Center Auth., Fla.			
<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
4			3.60	26
11			3.67	29
25	3.77	40		
May 9			3.80	32
16			3.73	24

*--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.