

same
6/18

H.14

June 15, 1956

CAPITAL MARKET DEVELOPMENTS

The volume of publicly offered securities was substantial during the week ending June 8. Corporations sold large issues totaling \$105 million and State and local government offerings amounted to \$77 million. This week, ending May 15, an \$18 million preferred stock issue and \$91 million of State and local issues are scheduled for sale.

Bond yields - Changes in yields on outstanding bonds were mixed last week. Yields on U. S. Government (new series) and State and local government bonds declined, while yields on Aaa-rated corporate and U. S. Government (old series) bonds were stable and Baa corporate yields increased slightly.

Stock market credit - Customer credit in the stock market, excluding U. S. Government securities, increased slightly during May, rising \$4 million to total \$4,047 million at the end of the month. An \$18 million decline in bank loans to "others" largely offset a \$22 million increase in customers' net debit balances. The decline in bank loans to "others" was the first decline of any size since August 1955. Borrowing by member firms of the NYSE maintaining margin accounts, except on U. S. Government securities, increased \$41 million while customers' net free credit balances declined \$26 million. These and other data on stock market credit are shown in the table below.

	End of month		Change
	April	May	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Govt. securities - Total	4,043	4,047	+4
Net debit balances	2,788	2,810	+22
Bank loans to "others"	1,255	1,237	-18
Net debit balances secured by U.S. Govt. securities	33	38	+5
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	2,145	2,186	+41
On customer collateral	1,794	1,840	+46
Money borrowed on U. S. Govt. securities	44	42	-2
Customers' net free credit balances	896	870	-26

Stock prices - Common stock prices, as measured by the SEC index of 265 common stocks, declined 3.1 points during the week ending June 8, closing at 269.8. Daily indexes indicate a substantial recovery in stock prices through Thursday of this week, although they are still well below the early May highs.

State and Local Government Security
Offerings in the First Quarter 1956

Purpose of issue

State and local governments sold \$1.5 billion of bonds during the first three months of 1956, as shown in the table on the following page, a record first quarter volume and 8 per cent greater than last year. Nearly all issues sold were for the purpose of raising new capital. As in most other recent years, the volume of refunding issues was small.

School construction was the most important purpose of financing during the first quarter this year, amounting to \$401 million. School financing was about one-tenth smaller than in the first three months of 1955, however. Issues to obtain funds for highway, bridge and tunnel construction were the second largest in volume, totaling \$280 million, nearly 60 per cent more than last year. This unusually large volume of highway financing in the first quarter is largely attributable to the sale of a \$100 million Connecticut Expressway issue in February which had originally been scheduled for offering in late 1955, but had been postponed because of the market conditions prevailing in December of last year. The third most important purpose of financing was sewer and water which totaled \$264 million, two-thirds greater than in 1955. The volume of bonds sold to provide for residential building by local governments was \$111 million, about one-third smaller than a year earlier.

Type of issuer

Municipalities were the most important type of issuer during the first three months of 1956, selling bonds totaling \$444 million. This volume was one-third greater than in 1955. Issues of State governments totaled \$270 million, one-fourth smaller than last year. Offerings of special authorities were \$253 million, one-half larger than last year, while county and township and school district issues were in about the same volume as in 1955.

Type of issue

General obligations were the most important type of issue during the first quarter of 1956. The volume amounted to \$1,067 million, slightly less than in the corresponding period last year. The volume of revenue bond financing was unusually large for a first quarter, over one-half more than last year. Revenue bonds accounted for 30 per cent of total volume, a larger proportion than in any first quarter since 1952.

H.14

Long-Term Security Issues of State and Local Governments
First Quarter

(In millions of dollars)

	1956	1955	1954	1953	1952
<u>Issuing authority:</u>					
State	270	344	217	253	104
County and township	94	109	126	65	57
Municipality	444	333	412	315	213
School district	270	294	232	225	114
Special authority	253	167	258	232	368
Unidentified 1/	186	162	139	97	182
Total	1,517	1,409	1,384	1,188	1,038
<u>Purpose of issue:</u>					
New capital total	1,490	1,385	1,372	1,176	815
Schools	401	449	405	319	216
Highways, bridges, tunnels	280	176	145	144	76
Residential buildings	111	175	182	137	147
Hospitals and institutions	22	30	15	25	13
Sewer and water	264	159	186	190	90
Misc. public service enterprises	80	77	70	75	52
Recreation	10	13	9	14	3/
Port and airport	17	1	25	1	5
Veterans aid	0	82	67	111	0
Industrial buildings	1	0	0	1	2
Other	119	65	133	61	32
Unidentified 1/	186	159	137	97	182
Refunding	27	24	11	12	223
Total	1,517	1,409	1,384	1,188	1,038
<u>Type of issue:</u>					
General obligation	1,067	1,122	1,028	991	726
Revenue	450	287	356	197	312
General revenue 2/	0	0	0	0	0
Total	1,517	1,409	1,384	1,188	1,038

1/ Issues of less than \$500,000 not further classified.

2/ Total of issues with proceeds of \$5 million or over.

3/ Under \$500,000.

Note.--Details may not add to totals because of rounding.

Source.--Bond Buyer and Federal Reserve.

Corporate Security Offerings
in the First Quarter 1956

Net proceeds for new capital

Corporations sold \$2.2 billion of security issues to obtain new capital during the first quarter of 1956, a volume slightly smaller than in the corresponding period last year but larger than in other recent years.

Manufacturing companies were the most important group of issuers, offering securities with proceeds of \$626 million. This volume was one-sixth smaller than that of the first quarter of 1955. Sharpest decline was in offerings by the motor vehicles and equipment industry. It should be noted that the volume in the first quarter of last year included the General Motors common stock issue of \$329 million; there was no single issue of this magnitude sold by any manufacturing company this year. Paper, textile and apparel, and primary nonferrous metal manufacturers sold a markedly greater volume of securities during the first three months of this year than in the corresponding period of 1955, but the volume for other industrial groups was about the same this year as last.

Financial and real estate companies offered the second largest volume of securities in the first quarter, \$589 million. Consumer finance companies accounted for the bulk of the total, as last year, although common stock offerings of banks were sizable in both periods.

Offerings of electric, gas and water utilities were slightly smaller in volume this year than last, despite the increased spending for plant and equipment anticipated for 1956. There were also moderate declines in the volume of offerings by mining and commercial and other corporations. On the other hand, offerings of communication companies totaled \$142 million, nearly three times last year's volume, as the result of three fairly large issues by telephone companies.

Total gross proceeds

Gross proceeds from corporate offerings, which include refunding and costs of flotation, were \$2.2 billion, during the first three months of 1956, one-eighth smaller than last year, as shown in Table 2. The greater part of the decline was in refunding issues, which were only about \$100 million this year as compared to over \$300 million in 1955.

Table 1

Corporate Security Offerings for New Capital
by Type of Business of Issuer
First Quarter

(Net proceeds in millions of dollars)

	1956	1955	1954	1953	1952
All corporate offerings	2,073	2,165	1,608	1,912	1,979
Manufacturing	<u>626</u>	<u>752</u>	<u>261</u>	<u>612</u>	<u>1,002</u>
Paper	73	22	13	5	24
Textiles and apparel	68	1	9	12	32
Petroleum	67	65	96	101	49
Machinery	66	66	33	158	168
Primary nonferrous metals	61	9	20	15	166
Motor vehicles and equipment	50	325	5	0	8
Chemicals	48	47	14	176	196
Rubber	40	10	14	30	28
Foods	24	36	15	24	57
Primary iron and steel	15	36	15	25	86
Other 1/	114	133	27	62	188
Electric, gas and water utilities	446	487	857	669	670
Communication	142	52	61	51	10
Railroad	85	53	85	89	58
Other transportation	51	39	59	68	110
Commercial and other	81	123	54	96	80
Mining	52	78	83	29	
Financial and real estate	<u>589</u>	<u>580</u>	<u>148</u>	<u>299</u>	<u>47</u>
Consumer finance companies	456	438	81	244	18
Banks	94	80	14	30	9
Other	39	62	53	25	20

1/ Includes small volume of foreign issues not further classified in the manufacturing group. In 1952, it also includes a \$103 million issue by a tobacco company.

Note.--Details may not add to totals due to rounding.

Source.--Securities and Exchange Commission and Federal Reserve.

Table 2

Total Corporate Security Offerings by Type of Issue
First Quarter
(Gross proceeds in millions of dollars)

Type of issue	1956	1955	1954	1953	1952
Total corporate offerings	2,226	2,530	1,730	2,039	2,066
<u>Type of offering</u>					
Public	1,204	1,739	1,073	1,139	1,268
Private	1,022	791	656	899	798
<u>Type of security</u>					
Bonds and notes	1,682	1,662	1,318	1,524	1,551
Public	683	894	689	649	756
Private	1,000	768	629	875	795
Preferred stock	189	111	115	159	152
Common stock	355	758	296	356	363

Note.--Details may not add to totals due to rounding.

Source.--Securities and Exchange Commission.

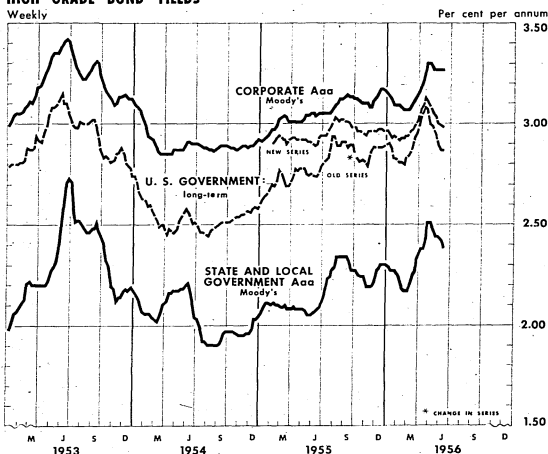
Nearly one-half of corporate offerings were private placements, a considerably higher percentage than in most recent first quarters. The volume of private placements was larger than in any other first quarter.

Debt financing was slightly larger in volume this year than last, and preferred stock financing also increased. Despite the higher level of stock prices, offerings of common stocks were less than one-half of last year's volume; equity financing accounted for only one-fourth of total security issues this year as compared to one-third in 1955. The 1955 volume includes the large General Motors stock issue noted above, however, which resulted in a considerably higher ratio of equity to debt flotations than in other recent first quarters, when the ratio was about the same as this year. The volume of financing through convertible bonds and convertible preferred stock increased, amounting to about \$150 million during the first three months of 1956. This was one-half greater than in the corresponding period of 1955.

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

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		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)	.40	.68
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.45
May 11	3.27	2.98	3.05	2.48	.29	.50
May 18	3.27	2.94	3.03	2.44	.33	.50
May 25	3.27	2.89	3.00	2.44	.38	.45
June 1	3.27	2.87	2.99	2.42	.40	.45
June 8	3.27	2.87	2.98	2.38	.40	.49

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

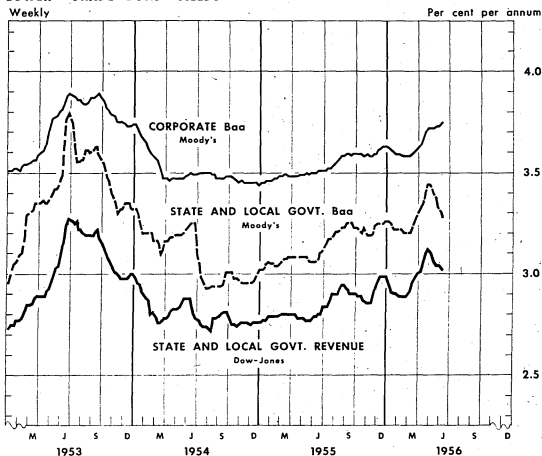
2/ Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 14 years in 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	3.75 (6/8)	3.44 (5/3)	3.12 (4/27)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
May 11	3.72	3.40	3.06
May 18	3.73	3.37	3.04
May 25	3.73	3.33	3.04
June 1	3.74	3.31	3.03
June 8	3.75	3.28	3.02

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

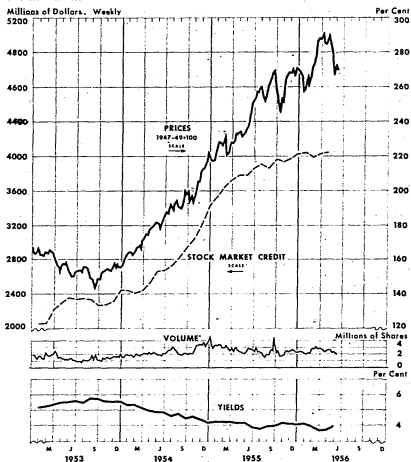
2/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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



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	1,237
April	286.8	2.6	3.69	4,043	2,788	1,255
May	280.1	2.4	3.97	n.a.	n.a.	1,237
May 25	268.0	2.3	n.a.	n.a.	n.a.	1,240
June 1	272.9	2.2	n.a.	n.a.	n.a.	1,237
June 8	269.8	2.0	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	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/1,100	886	656	e/500	350	748
June	e/875	687	842	e/700	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	e/2,865	2,052	1,995	e/1,550	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	1,617	1,727	1,527			
2nd quarter	e/2,665	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.

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 - 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
May	623	233	--

Large Individual Issues Offered June 1 through 8

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Commonwealth Edison	1st mtg. bds.	40.0	1986	3 1/2	3.50	Aaa
U. S. Plywood	Deb.	15.0	1981	4 1/4	4.25	Baa
Household Finance	Deb.	50.0	1978	4	4.00	--
<u>STATE & LOCAL GOVERNMENT</u>						
Wash. Toll Bridge Auth.	Rev.	6.0	1956-96	n.a.	4/	--
Cincinnati, Ohio	G.O.	8.5	1957-96	2.35	1.70-2.50	Aaa
New York, N. Y.	G.O.	30.0	1957-71	2.80	2.00-2.80	A
Denver, Colorado	G.O.	5.3	1967-95	2.50	2.10-2.55	Aa
Chicago, Illinois	G.O.	22.0	1958-75	2.61	2.10-2.65	A
Tallahassee, Florida	Elec. rev.	4.0	1959-78	3.13	2.60-3.15	Baa
Tallahassee, Florida	Util. tax rev.	1.5	1958-82	3.07	2.25-3.10	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.

4/ No reoffering.

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 - 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	175	327	--	376	917	--
Feb. 29	123	220	--	233	785	--
Mar. 30	380	132	--	1,013	811	--
Apr. 30	568	173	--	818	832	--
May 31	198	332	--	448	941	--

Forthcoming Large Offerings, as of June 8

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Combustion Engineering	Conv. sub. deb.	15.0	June 19
Halliburton Oil Well Cementing Co.	Common stk.	25.9	June 20
National Gypsum	Common stk.	19.6	June 25
Boston Edison	Pfd. stk.	18.0	(rights expire) June
*Pacific Gas and Electric	Common stk.	36.6	July 2
American Telephone and Telegraph	Deb.	250.0	(rights expire) July 10
CIT Financial	Deb.	75.0	1956
Pacific Finance	Deb.	25.0	1956
<u>STATE AND LOCAL GOVERNMENT</u>			
Pennsylvania General State Auth.	Rev.	20.0	June 12
Georgia Rural Roads Authority	Rev.	15.5	June 12
State of California	G.O.	50.0	June 13
Hudson County, New Jersey	G.O.	5.1	June 14
*Alexandria, Louisiana	Rev.	8.3	June 19
*Washington Suburban Sanitary District, Maryland	G.O.	8.5	June 21

Forthcoming Large Offerings, as of June 8 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
*Power Authority of the State of New York	Rev.	7.3	June 21
Long Beach, California	G.O.	5.9	June 21
Public Housing Authorities	--	93.3	June 27
Grant County Public Utility District, Washington	Rev.	163.0	June
Florida State Turnpike Authority	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>			
*British Columbia Power Commission	SF deb.	20.0	June 27

*--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.