

H. 14

July 12, 1956

CAPITAL MARKET DEVELOPMENTS

The week ending July 6 was completely devoid of large State and local issues and produced only two large corporate offerings. Utility companies accounted for both of these issues--one of first mortgage bonds, the other of common stock--totaling \$56.6 million. AT&T's scheduled offering of \$250 million in bonds on July 11 appears to have influenced the market throughout the week preceding its issue. Early reports indicate a favorable reception for the Telephone issue which was priced to yield 3.73.

Despite the modest level of new State and local offerings, recent issues, including approximately \$50 million of the Public Housing Authority bonds issued the previous week, continued to move slowly. Dealers' inventories of State and local issues remained high--\$298.3 million on Friday, July 6. This, together with rising yields, presumably contributed to the announcement, on July 10, of decisions to postpone indefinitely two highway bond issues of \$25 and \$50 million respectively. A \$38 million offering by the State of Massachusetts remains scheduled for July 11.

Bond yields - Except for corporate Aaa's, which yielded 3.26 and approximated their June level, corporate and municipal yields continued to increase very gradually, as is shown in Exhibits A and B. This was particularly true of lower-grade yields, with corporate Baa's registering a new high for the year at 3.78. Dealers' price cuts to move a remaining balance of over \$30 million California State bonds originally offered on June 13 increased yields on this issue by 10 to 15 basis points, and similar price concessions were made on a number of other municipal issues but apparently were not of much help in reducing inventories.

Stock prices - Both stock prices and trading volume continued to climb, with prices, as measured by the SEC index of 265 common stocks, reaching 286.1 on July 6. This was 6 points higher than the preceding Friday. Average daily trading volume climbed 200,000 shares to 2 million. This exceeded the June average but remained below that for May. Price rises registered throughout June lowered the yield for that month 15 basis points from the end of May level of 3.82 (Moody's series).

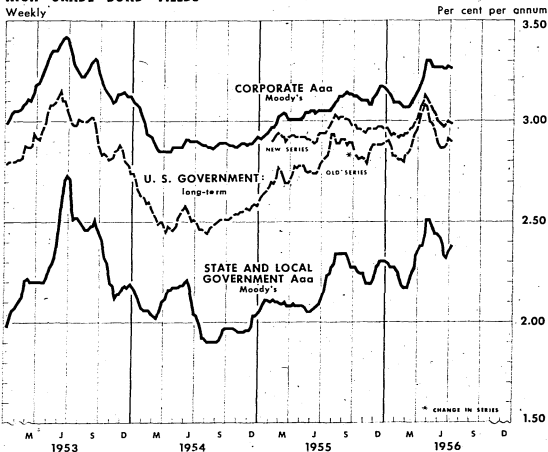
Daily indexes indicate further price rise, particularly for industrials, through July 11. Daily volume of trading on Wednesday passed 2.5 million shares.

More detailed information concerning the recent capital 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 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 (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
June 8	3.27	2.87	2.98	2.38	.40	.49
June 15	3.26	2.87	2.97	2.33	.39	.54
June 22	3.26	2.88	2.98	2.32	.38	.56
June 29	3.27	2.92	3.00	2.34	.35	.58
July 6	3.26	2.90	2.98	2.38	.36	.52

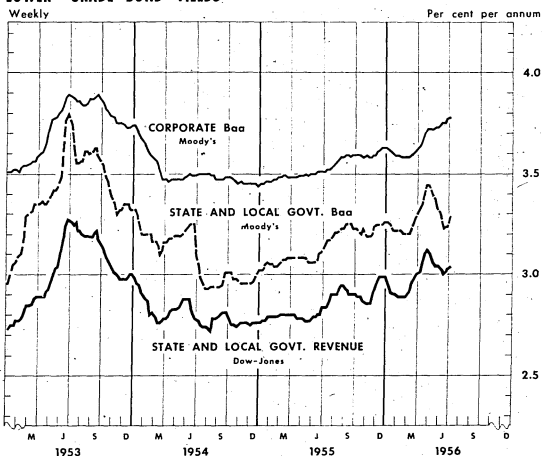
^{1/} Weekly average of daily figures. Average term of bonds included is 25-26 years.

^{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	3.78 (7/6)	3.44 (5/3)	3.12 (4/27)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
June 8	3.75	3.28	3.02
June 15	3.75	3.23	3.00
June 22	3.75	3.24	3.01
June 29	3.77	3.24	3.03
July 6	3.78	3.29	3.04

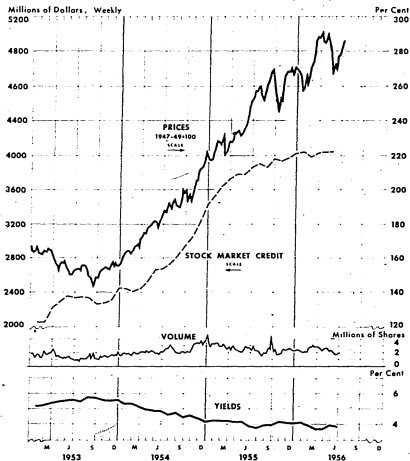
^{1/} Weekly average of daily figures. Average term of bonds included is 25-26 years.

^{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.

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 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	4,047	2,810	1,267
Low	257.4 (1/20)	1.6	3.68	3,991	2,740	1,217
May	280.1	2.4	3.97	4,047	2,810	1,237
June	275.5	1.8	3.82	n.a.	n.a.	1,223
June 22	277.7	1.6	n.a.	n.a.	n.a.	1,222
June 29	280.1	1.8	n.a.	n.a.	n.a.	1,223
July 6	286.1	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	390	538	565
April	e/890	478	497	377	427	734
May	e/1,100	886	656	e/500	350	748
June	e/760	687	842	e/730	641	853
July	e/1,150	597	909	e/400	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	1,490	1,385	1,372
2nd quarter	e/2,750	2,052	1,995	e/1,607	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/2,550	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 - 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	--
June	185	463	20

Large Individual Issues Offered July 1 through 6

Issuer	Type ^{3/}	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Florida Power Corp.	1st mtg. bds.	20.0	1986	3 7/8	3.82	A
Pacific Gas & Electric	Common stk.	36.6				
<u>STATE & LOCAL GOVERNMENT</u>						
None						
<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.

Exhibit F

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 <u>2/</u>	Corporate	State and local govt.	Other <u>2/</u>
1955 - 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	--
May 31	198	332	--	448	941	--
June 30	437	81	--	567	690	--

Forthcoming Large Offerings, as of July 6

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
American Telephone and Telegraph Co.	Deb.	250.0	July 11
Tennessee Gas Transmission Co.	Deb.	30.0	July 10
Union Electric Co.	1st mtg. bds.	40.0	July 17
Superior Oil Co. of Calif.	Deb.	45.7	July 18
*J. P. Stevens & Co.	S.F. Deb.	28.7	July 18
Inland Steel Co.	1st mtg. bds.	50.0	July 19
Sperry Rand Corp.	Common stk.	52.7	July 25
			(rights expire)
Illinois Power Co.	1st mtg. bds.	20.0	July 25
Food Machinery and Chemical Corp.	Deb.	30.0	July 26
Champion Paper & Fibre Co.	Deb.	16.5	July 26
*Michigan Wisconsin Pipe Line Co.	1st mtg. bds.	25.0	August 1
Consolidated Natural Gas Co.	Deb.	30.0	Summer
CIT Financial Corp.	Deb.	75.0	1956
Pacific Finance Corp.	Deb.	25.0	1956

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

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
State of Massachusetts	G.O.	38.5	July 11
State of Michigan	Rev.	16.0	July 17
Tulsa, Oklahoma, Independent			
School District	G.O.	5.5	July 17
Dearborn, Michigan, School District	G.O.	14.0	July 18
Maryland State Roads Commission	G.O.	15.0	July 24
Jacksonville, Florida	Elec. rev. bds.	14.0	July 24
*Oklahoma City, Oklahoma	G.O.	8.1	July 25
New Jersey Highway Authority	Rev.	25.0	Summer
New York State Thruway Authority	G.O.	50.0	Summer
Jacksonville Expressway Authority	Rev.	42.0	September
Florida State Turnpike Authority	Rev.	185.0	Fall
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
4			3.60	26
11			3.67	29
25	3.77	40		
May 9			3.80	32
16			3.73	24
24	3.53	19		
June 8	3.52	18		
20			3.75	27
July 3			3.82	28

*--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.