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August 2, 1956

### CAPITAL MARKET DEVELOPMENTS

Large public security offerings issued for new capital during the week ending July 29 totaled \$119 million for corporations and \$45 million for State and local governments. The calendar for this week, ending August 3, indicates a small volume of both corporate and tax-exempt offerings. Two large new corporate issues totaling \$50 million were originally scheduled for sale and a single local government offering for \$9 million is expected. However, all bids on a \$25 million public utility bond offering were rejected on Wednesday, August 1; the highest bid would have resulted in an interest cost to the company of about 4.70 per cent, well above the rate on similar recent offerings.

Bond yields - Yields on all types of outstanding bonds increased further last week. Corporate Aaa bond yields rose sharply in the latter part of the week and continued to rise in the early days of this week. On Tuesday, the Moody series reached 3.34 per cent, 3 basis points above the early May high.

Offering yields on new issues also continue to increase. On August 1, Jersey Central Power and Light Company's A-rated 30-year first mortgage bond issue for \$10 million was reoffered to yield 4.00 per cent, 18 basis points higher than a similar offering made on July 3. Early reports indicate a favorable reception for the issue.

Estimated August volume - The volume of corporate security issues for new capital during August is estimated at \$700 million. This volume is only three-fifths as great as the July total, but represents the largest volume for any August in the postwar period, and exceeds last year's August volume by one-twelfth. Most of the estimated volume is comprised of issues to be publicly offered; take-downs of private placements are expected to be seasonally low.

State and local government bond offerings for the month of August are expected to total \$200 million. This would be a substantial drop from the previous month, and would also be somewhat below last year's volume. No large issues are currently scheduled for sale in August.

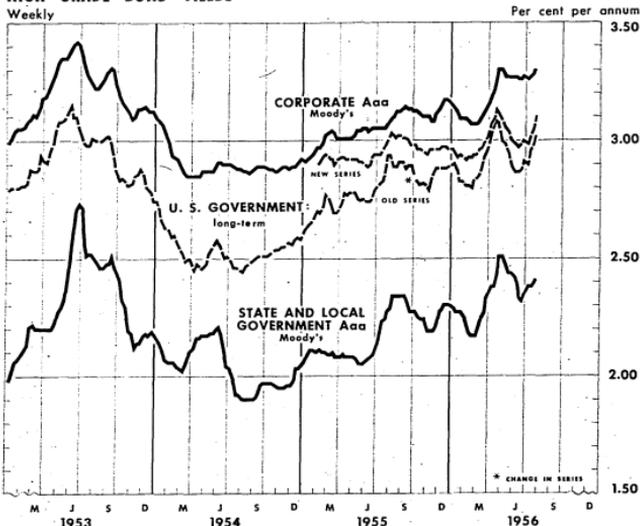
Stock prices - Common stock prices declined fractionally last week and, as measured by the SEC index of 265 stocks, were 292.2 on July 27. Daily figures through Wednesday of this week indicate increases in prices to new record levels.

More detailed information concerning 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 (7/27)	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 29	3.27	2.92	3.00	2.34	.35	.58
July 6	3.26	2.90	2.98	2.38	.36	.52
July 13	3.27	2.95	3.01	2.38	.32	.57
July 20	3.28	2.98	3.05	2.40	.30	.58
July 27	3.30	3.02	3.10	2.41	.28	.61

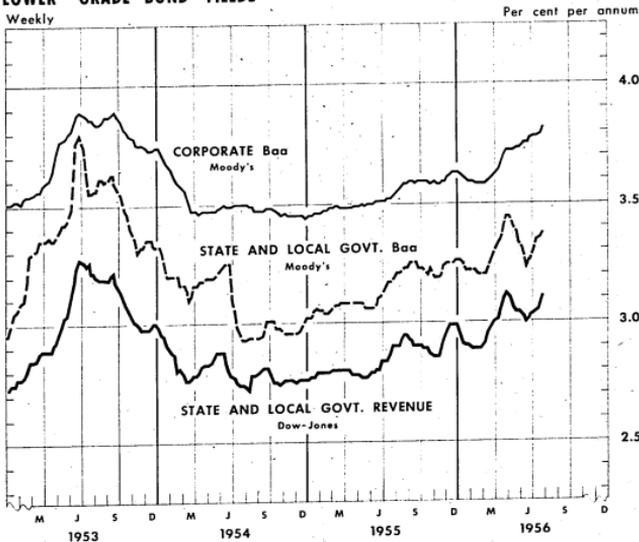
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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 <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	3.82 (7/27)	3.44 (5/3)	3.12 (4/27)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
June 29	3.77	3.26	3.03
July 6	3.78	3.31	3.04
July 13	3.78	3.34	3.05
July 20	3.79	3.35	3.08
July 27	3.82	3.37	3.11

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

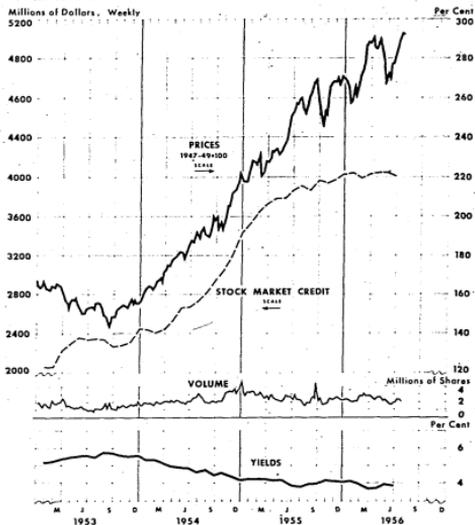
<sup>2/</sup> Thursday figures. Only general obligation bonds are included; average term is 20 years.

<sup>3/</sup> Friday figures. Average rating of bonds included is between 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 <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 balances <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	1,214
Low	217.4 (1/14)	1.5	3.78	3,537	2,517	1,018
1956 - High	292.8 (7/20)	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	4,009	2,786	1,223
July 13	289.2	2.3	n.a.	n.a.	n.a.	1,225
July 20	292.8	2.3	n.a.	n.a.	n.a.	1,219
July 27	292.2	2.1	n.a.	n.a.	n.a.	n.a.

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 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	490	350	748
June	e/760	687	842	e/730	641	853
July	e/1,150	597	909	e/350	470	279
August	e/700	644	335	e/200	249	261
September		670	747		406	649
October		1,162 <sup>1/</sup>	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/1,597	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 <sup>2/</sup>					
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			

<sup>e/</sup> 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 - 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 27

Issuer	Type <u>3/</u>	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				
Tennessee Gas Trans.	Deb.	30.0	1977	4 1/2	4.50	Baa
American Tel. & Tel. Co.	Deb.	250.0	1990	3 7/8	3.73	Aa
Union Electric Co.	1st mtg. bds.	40.0	1986	3 3/4	3.62	Aa
Superior Oil Co.	Deb.	<u>45.7</u>	1981	3 3/4	3.75	A
Inland Steel Co.	1st mtg. bds.	50.0	1981	3 1/2	3.47	Aa
Sperry Rand Corp.	Common stk.	52.7				
Illinois Power Co.	1st mtg. bds.	20.0	1986	3 3/4	3.70	Aa
Food Mach. & Chem. Corp.	S.F. deb.	30.0	1981	3.80	3.80	A
Champion Paper & Fiber	S.F. deb.	16.5	1981	3 3/4	3.75	A

## Large Individual Issues Offered July 1 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>						
Commonwealth of Mass.	G.O.	38.5	1957-2005	2.63	1.90-2.80	Aa
Puerto Rico Water Res. Auth.	Elec. rev.	22.0	1958-93	n.a.	2.60-3.75	Baa
State of Michigan	G.O.	16.0	1959-79	2.81	2.00-2.75	Aa
Tulsa, Oklahoma, Ind. School District Dearborn, Michigan, School District	G.O.	5.5	1958-71	2.62	2.10-2.60	A
Md. State Roads Commission	G.O.	14.0	1956-73	2.93	2.00-3.00	A
Jacksonville, Florida	G.O.	15.0	1957-71	2.77	1.90-2.75	Aa
Oklahoma City, Oklahoma	Elec. rev.	14.0	1958-76	2.67	2.05-2.70	Aa
Salt Lake City, Utah	G.O.	8.8	1958-81	2.78	2.10-2.80	A
Chicago, Illinois	G.O.	7.5	1957-74	2.28	1.70-2.25	Aa
	Parking rev.	13.5	1958-82	4.28	<u>1/</u>	--
<u>OTHER</u>						
None						

<sup>c/</sup> Corrected.

n.a.--Not available.

<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.

1/ 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 <u>2/</u>	Corporate	State and local govt.	Other <u>2</u>
1955 - 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	360	132	--	1,013	811	--
Apr. 30	568	173	--	818	832	--
May 31	198	332	--	448	911	--
June 30	437	81	--	567	690	--
July 31	247	--	37	1,096	726	37

Forthcoming Large Offerings, as of July 27

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Michigan Wisconsin Pipe Line Co.	1st mtg. bds.	25.0	August 1 <sup>4/</sup>
*El Paso Natural Gas Co.	Pfd. stock	25.0	August 1
Consumers Power Co.	1st mtg. bds.	40.0	August 14
*General Acceptance Corp.	Deb.	20.0	August 14
*Braniff Airways, Inc.	Common stock	15.0	August 16 (rights expire)
*Mack Trucks, Inc.	S.F. deb.	19.0	August 30 (rights expire)
*Pacific Telephone & Telegraph Co.	Deb.	78.0	August
*Commercial Credit Co.	Notes	50.0	August
*Detroit Edison Co.	Conv. deb.	59.8	September (rights expire)
*Northern States Power Co.	1st mtg. bds.	15.0	September
*Southern Calif. Edison Co.	1st mtg. bds.	40.0	September
Consolidated Natural Gas Co.	Deb.	30.0	Summer
American Tel. & Tel. Co. <u>3/</u>	Common stock	575.0	November 5 (rights expire)
J. P. Stevens & Co.	S.F. deb.	28.7	1956
CIT Financial Corp.	Deb.	75.0	1956
Pacific Finance Corp.	Deb.	25.0	1956

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

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
Milwaukee Co., Wisconsin	G.O.	8.8	July 30
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
*Memphis, Tennessee	Elec. rev.	135.0	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>			
*Municipality of Metropolitan Toronto	Deb.	36.5	August 15

\*--Included in table for first time.

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.

3/ Subject to stockholders' approval on September 5, 1956.

4/ All bids rejected; alternative financing arranged for the present.

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
16	3.62	26		
25	3.70	33		

\*--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.