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August 9, 1956

CAPITAL MARKET DEVELOPMENTS

The volume of large publicly sold security issues was small during the week ending August 3, consisting only of a \$25 million preferred stock offering and a \$9 million State and local government bond issue. No large public flotations are expected this week, ending August 10. The only offering originally scheduled--the \$75 million CIT financial debenture issue--was again postponed. Originally registered with the SEC in the spring for sale in early June, the issue was postponed then because of market conditions. The most recent postponement was reportedly due to differences between the company and the underwriters as to the appropriate interest rate under current market conditions. The postponement of another issue, a \$40 million mortgage bond offering of Southern California Edison scheduled for sale in early September, was also announced this week. The utility said it was planning a smaller common stock offering instead.

Bond yields - Yields on all types of outstanding bonds increased sharply during the week ending August 3, most reaching new highs for the year. Corporate and U. S. Government bond yields are within less than 10 basis points of the 1953 highs, but State and local government yields are still considerably below the 1953 levels.

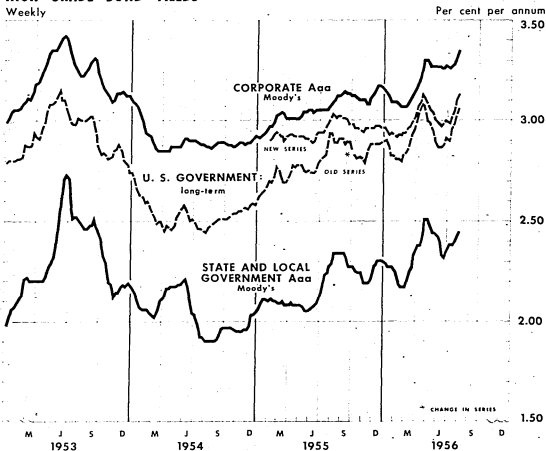
Stock prices - Common stock prices, as measured by the SEC index of 265 stocks, advanced to new record levels last week, closing on Friday, August 13, at 295.5. Daily indexes indicate some recovery on Tuesday and Wednesday, following a sharp drop on Monday associated with rising tensions in the Middle East.

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		State and local Aaa
		Old series	New series		Aaa	Local Aaa	
(Per cent)							
1953 - High	3.42 (6/19)	3.15 (6/6)	n.a.	2.73 (6/25)	.38	.84	
1953 - 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	
1954 - Low	2.85 (1/23)	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	
1955 - Low	2.91 (1/7)	2.62 (1/7)	2.89 (6/10)	2.05 (5/26)	.13	.54	
1956 - High	3.35 (8/3)	3.08 (1/20)	3.13 (7/3)	2.51 (5/3)	.40	.68	
1956 - Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.45	
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	
August 3	3.35	3.06	3.13	2.45	.29	.61	

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

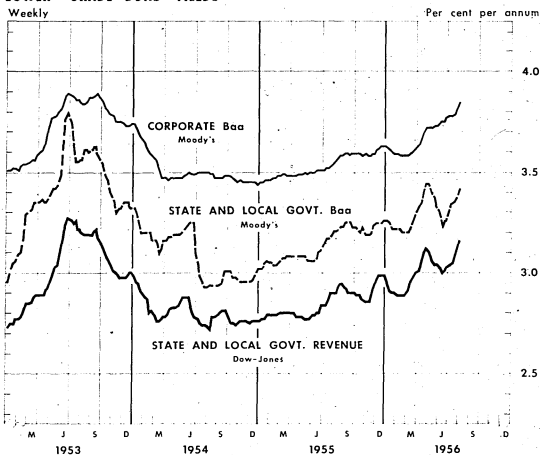
^{2/} Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 1 1/2 years in early 1953 to 1 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	3.85 (8/3)	3.44 (5/3)	3.16 (8/3)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
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
August 3	3.85	3.42	3.16

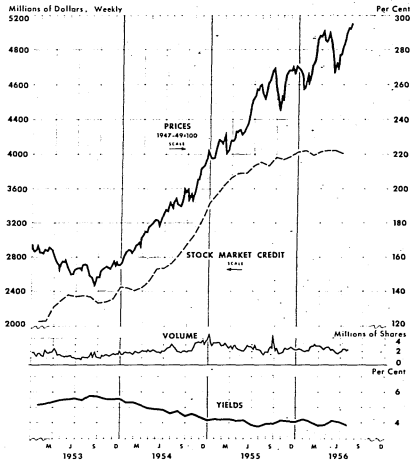
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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	1,211
Low	217.4 (1/14)	1.5	3.78	3,537	2,517	1,018
1956 - High	295.5 (8/3)	3.1	c/4.21	4,047	2,810	1,267
Low	257.4 (1/20)	1.6	c/3.86	3,991	2,740	1,214
June	275.5	1.8	c/4.01	4,009	2,786	1,223
July	290.1	2.2	3.87	n.a.	n.a.	1,214
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.	1,267
August 3	295.5	2.3	n.a.	n.a.	n.a.	n.a.

n.a.--Not available.

^{1/} Corrected.

^{2/} 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.

^{3/} Averages of daily trading volume on the New York Stock Exchange.

^{4/} Moody's 200 common stocks; end of month figures.

^{5/} 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.

^{6/} 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 ^{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/1,597	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 ^{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 <u>2/</u>
1955 - 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
July	592	164	--

Large Individual Issues Offered July 1 through August 3

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Compon 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.	45.7	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
El Paso Natural Gas Co.	Pfd. stk.	25.0				

Large Individual Issues Offered July 1 through August 3 (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>						
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	G.O.	5.5	1958-71	2.62	2.10-2.60	A
Dearborn, Michigan, School District	G.O.	14.0	1956-73	2.93	2.00-3.00	A
Md. State Roads Com- mission	G.O.	15.0	1957-71	2.77	1.90-2.75	Aa
Jacksonville, Florida	Elec. rev.	14.0	1958-76	2.67	2.05-2.70	Aa
Oklahoma City, Oklahoma	G.O.	8.8	1958-81	2.78	2.10-2.80	A
Salt Lake City, Utah	G.O.	7.5	1957-74	2.28	1.70-2.25	Aa
Chicago, Illinois	Parking rev.	13.5	1958-82	4.28	^{4/}	--
Milwaukee Co., Wisconsin	G.O.	8.8	1957-71	2.31	1.70-2.30	Aaa
<u>OTHER</u>						
None						

n.a.--Not available.

^{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/} 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 - 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	--
July 31	247	--	37	1,096	726	37

Forthcoming Large Offerings, as of August 3

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Consumers Power Co.	1st mtg. bds.	40.0	August 14
General Acceptance Corp.	Deb.	20.0	August 14
Commercial Credit Co.	Notes	50.0	August 14
Pacific Telephone & Telegraph Co.	Deb.	78.0	August 21
*Commercial Credit Co.	Notes	50.0	August 21
*Associates Investment Co.	Deb.	50.0	August 23
*Minneapolis-Honeywell Co.	S.F. deb.	25.0	August 23
Mack Trucks, Inc.	S.F. deb.	19.2	August 30 (rights expire)
Northern States Power Co.	1st mtg. bds.	15.0	September 12
Detroit Edison Co.	Conv. deb.	59.8	September 14 (rights expire)
Consolidated Natural Gas Co.	Deb.	30.0	September
*New England Tel. & Tel. Co.	Cap. stk.	18.9	September
American Tel. & Tel. Co. 3/	Common stk.	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
Michigan Wisconsin Pipe Line Co.	1st mtg. bds.	25.0	1956
Southern Calif. Edison Co.	1st mtg. bds.	40.0	1956

Forthcoming Large Offerings, as of August 3 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
*Washington State Toll Bridge Auth.	Rev.	5.4	August 21
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.