

Samuel
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H.14

August 15, 1956

CAPITAL MARKET DEVELOPMENTS

No large security issues for new capital were publicly offered during the week ending August 10, and the calendar for this week indicates a small volume of offerings. One corporate bond issue for \$40 million, one tax-exempt issue for \$9 million and a \$15 million Canadian offering are scheduled for flotation. Another offering originally scheduled for sale this week--the \$50 million Commercial Credit note issue--was indefinitely postponed on August 15, reportedly after negotiations between the company and underwriters resulted in disagreement as to interest cost. Another finance company issue--the General Acceptance Corporation debenture issue--was postponed until later this month.

Bond yields - Yields on all types of outstanding bonds continued to increase sharply last week, establishing new highs for the year in every category except State and local government Aaa bonds.

Offering yields on new issues also continue to increase. On August 15, Consumers Power Company's Aaa-rated 30-year first mortgage bond issue for \$40 million was reoffered to yield 3.94 per cent, 44 basis points higher than a similar offering made on June 6 and higher than any offering yields on Aaa issues sold in 1953. Yields on outstanding Baa-rated corporate bonds have surpassed their 1953 highs, but those on Aaa-rated bonds are still slightly below that peak. State and local government Aaa bonds are only 4 basis points below their May 1956 highs, as compared with 19 points in mid-June.

Stock market credit - Customer credit in the stock market (excluding U. S. Government securities) increased \$17 million during July, to total \$4,026 million at the end of the month. A \$26 million increase in net debit balances more than offset last month's decline in debit balances. Bank loans to "others" continued to decline, however. Borrowing by member firms of the NYSE maintaining margin accounts, except on U. S. Government securities, increased \$15 million. Customers' net free credit balances advanced \$22 million, the first increase in four months. These and other data on stock market credit are shown in the table on the following page.

	End of month		Change
	July	June	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Govt. securities - Total	4,026	4,009	+17
Net debit balances	2,812	2,786	+26
Bank loans to "others"	1,214	1,223	-9
Net debit balances secured by U. S. Govt. securities	31	34	-3
Bank loans to others for purchasing or carrying U. S. Govt. securities	45	48	-3
Broker and dealer credit			
Money borrowed except on U. S. Govt. securities	2,210	2,195	+15
On customer collateral	1,873	r/1,853	+20
Money borrowed on U. S. Govt. securities	31	39	-8
Customers' net free credit balances	858	836	+22

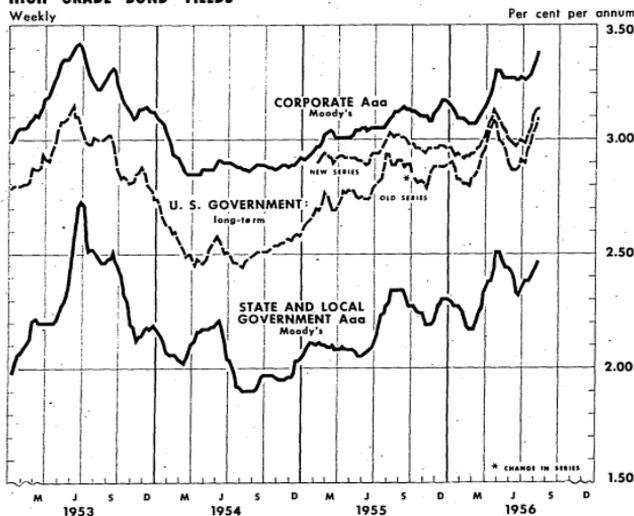
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Stock prices - The SEC index of 265 common stocks recorded a decline of 2.2 points during the week ending August 10. Daily indexes indicate some decline in prices through Wednesday of this week.

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.

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 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
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	3.38 (8/10)	3.09 (8/10)	3.14 (8/10)	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
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
August 10	3.38	3.09	3.14	2.47	.29	.62

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

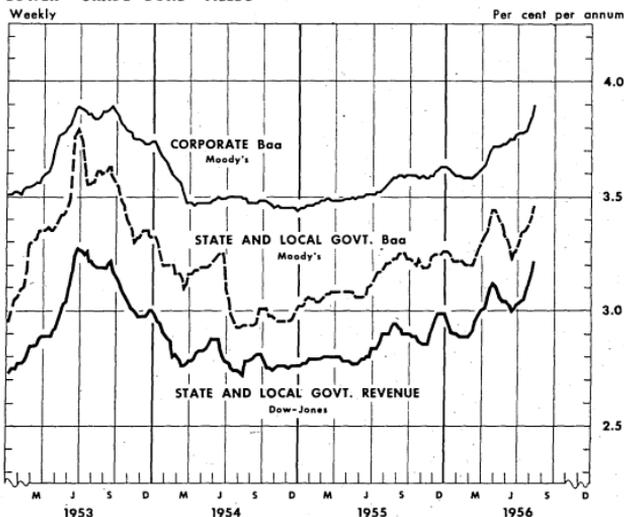
^{2/} Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 14 years 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 <u>1/</u>	State and local govt. Baa <u>2/</u>	State and local govt. rev. <u>3/</u>
	(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	3.90 (8/10)	3.46 (8/9)	3.22 (8/10)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
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
August 10	3.90	3.46	3.22

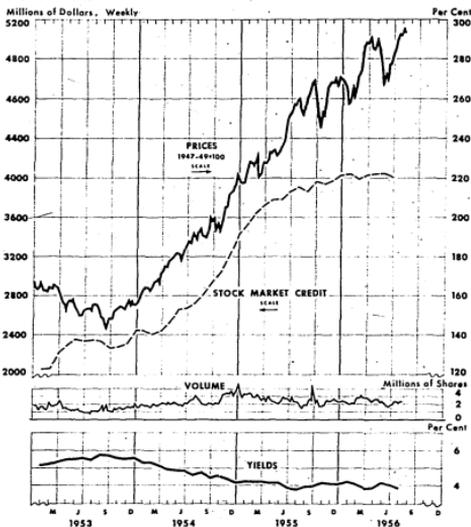
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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 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	1,221
Low	217.4 (1/14)	1.5	3.78	3,537	2,517	1,018
1956 - High	295.5 (8/3)	3.1	4.21	4,047	2,810	1,267
Low	257.4 (1/20)	1.6	3.86	3,991	2,740	1,211
June	275.5	1.8	4.01	4,009	2,786	1,223
July	290.1	2.2	3.87	n.a.	n.a.	1,214
July 27	292.2	2.1	n.a.	n.a.	n.a.	1,214
August 3	295.5	2.3	n.a.	n.a.	n.a.	1,211
August 10	293.3	2.3	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=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	816	478	497	377	427	734
May	1,144	886	656	490	350	748
June	830	687	842	e/730	641	853
July	e/1,120	597	909	e/380	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	2,790	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/2,590	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 August 1 through August 10

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
El Paso Natural Gas Co.	Pfd. stk.	25.0				
<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.

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 10

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Consumers Power Co.	1st mtg. bds.	40.0	August 15
Pacific Telephone & Telegraph Co.	Deb.	78.0	August 21
Associates Investment Co.	Deb.	50.0	August 23
Minneapolis-Honeywell Co.	S.F. deb.	25.0	August 23
Consolidated Natural Gas Co.	Deb.	30.0	August 28
Mack Trucks, Inc.	S.F. deb.	19.2	August 30
			(rights expire)
General Acceptance Corp.	Deb.	20.0	August
*Gulf States Utilities Co.	1st mtg. bds.	15.0	September 10
Northern States Power Co.	1st mtg. bds.	15.0	September 12
Detroit Edison Co.	Conv. deb.	59.8	September 14
			(rights expire)
New England Tel. & Tel. Co.	Cap. stk.	18.9	September
			(rights expire)
American Tel. & Tel. Co. 3/	Common stk.	575.0	November 5
			(rights expire)
J. P. Stevens & Co.	S.F. deb.	28.7	1956

Forthcoming Large Offerings, as of August 10 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u> (Cont'd)			
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
Commercial Credit Co.	Notes	50.0	1956
<u>STATE AND LOCAL GOVERNMENT</u>			
*Suffolk Co., N. Y.	G.O.	9.3	August 15
*State of Delaware	G.O.	7.0	August 21
Washington State Toll Bridge Auth.	Rev.	5.4	August 21
*Chicago, Ill., Park District	G.O.	12.0	August 28
New Jersey Highway Authority	Rev.	25.0	Summer
New York State Thruway Authority	G.O.	50.0	Summer
*Oakland Unified School Dist., Calif.	G.O.	10.0	September 11
Jacksonville Expressway Authority Memphis, Tennessee	Rev.	42.0	September
Florida State Turnpike Authority	Elec. rev.	135.0	September
Oklahoma Turnpike Authority	Rev.	185.0	Fall
Pennsylvania Turnpike Commission	Rev.	65.0	1956
Washington State Toll Bridge Auth.	Rev.	62.0	1956
Inter-American Center Auth., Fla.	Rev.	227.0	1956
	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.

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
18	3.62	26		
25	3.70	33		
August 1			4.00	43

*--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.