

Issue 1  
9/18

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H.14

September 13, 1956

CAPITAL MARKET DEVELOPMENTS

The \$25 million issue of the Port of New York Authority was the only large publicly offered security issue during the week ending September 7. The calendar for this week indicates a large volume of flotations. Corporate security offerings are expected to total \$204 million, comprised of expiration of subscription rights to \$60 million in convertible debentures, a common stock issue for \$24 million and new debt offerings amounting to \$120 million. State and local government issues totaling \$71 million are scheduled for sale.

**Bond yields** - Yields on outstanding corporate bonds and U. S. Government obligations continued to increase last week, while yields on State and local bonds remained stable.

Reoffering yields on new corporate issues also continued to rise. Two new Aa-rated 30-year first mortgage public utility issues were reoffered this week at yields of 4.20 and 4.17 per cent, some 10 basis points above the offering yield on a similar offering in late August.

The recent Port of New York Authority offering of A-rated consolidated revenue bonds was 45 points above a comparable issue by the Authority in May of this year and 70 basis points above a comparable issue in May of 1955. The rise in yields on these Authority issues over their 16-month period closely approximates the increase in yields on comparable outstanding revenue bonds. It may be noted that the underwriting spread--i.e. the difference between the reoffering yield and the net interest cost--was wider for the issue of this month and that of November of last year, periods of sharply rising yields, than it was for the issues of May 1955 and May 1956, when interest rates were more stable.

	Amount (millions of dollars)	Maturity	Net interest cost	Yield	
				New issue	Outstanding <sup>1/</sup>
May 23, 1955	30.0	1985	2.79	2.75	2.77
Nov. 30, 1955	16.0	1983	2.96	2.90	2.92
May 21, 1956	30.0	1986	3.04	3.00	3.04
Sept. 6, 1956	25.0	1986	3.52	3.45	3.51

<sup>1/</sup> As measured by Dow-Jones 10 revenue bond averages.

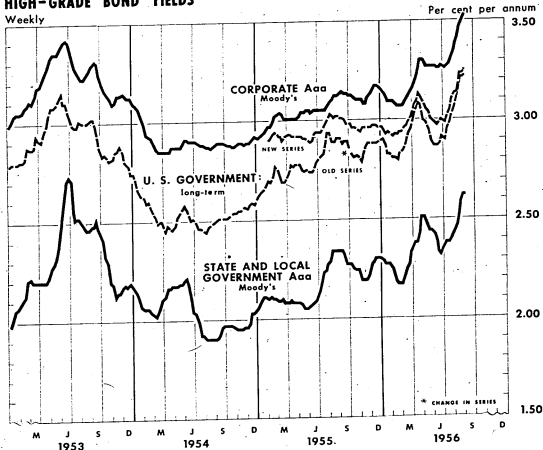
Stock prices - The SEC index of 265 common stock prices increased slightly last week, closing at 285.1 on September 7. Daily figures through Wednesday of this week indicate a sharp decline in prices, with the daily indexes back to the late June levels.

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   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	3.53 (9/7)	3.22 (9/7)	3.25 (9/7)	2.62 (9/6)	.40	.68
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.45
August 10	3.38	3.09	3.14	2.47	.29	.62
August 17	3.42	3.14	3.18	2.53	.28	.61
August 24	3.47	3.21	3.23	2.59	.26	.62
August 31	3.49	3.21	3.23	2.62	.28	.59
September 7	3.53	3.22	3.25	2.62	.31	.60

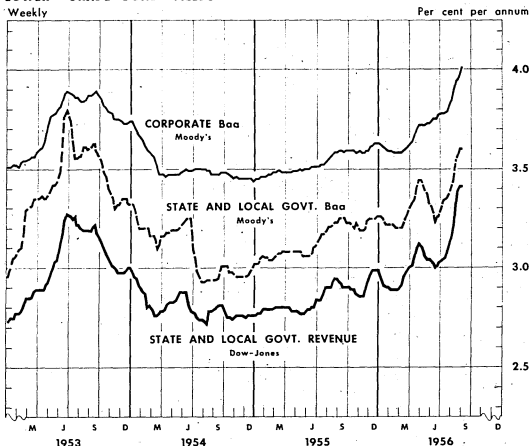
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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 <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	4.01 (9/7)	3.60 (9/6)	3.51 (9/7)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
August 10	3.90	3.46	3.22
August 17	3.94	3.54	3.31
August 24	3.95	3.57	3.39
August 31	3.97	3.60	3.51
September 7	4.01	3.60	3.51

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

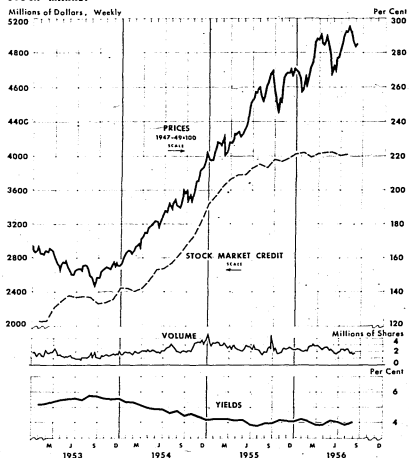
2/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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 <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	1,241
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	1,196
July	290.1	2.2	3.87	4,026	2,812	1,214
August	290.0	1.9	4.02	n.a.	n.a.	1,205
August 24	286.7	1.8	n.a.	n.a.	n.a.	1,205
August 31	283.2	1.6	n.a.	n.a.	n.a.	1,196
September 7	285.1	1.8	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	816	478	497	377	427	734
May	1,144	886	656	490	350	748
June	830	687	842	735	641	853
July	e/1,120	597	909	e/380	470	279
August	e/700	644	335	e/215	249	261
September	e/850	670	747	e/350	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	2,790	2,052	1,995	1,603	1,418	2,334
3rd quarter	e/2,670	1,911	1,991	945	1,124	1,188
4th quarter		2,695	1,896		1,984	1,894
Year		8,621	7,490		5,911	6,789
	Excluding finance companies <sup>2/</sup>					
1st quarter	1,617	1,727	1,527			
2nd quarter	c/2,520	1,870	1,927			
3rd quarter	e/2,470	1,434	1,911			
4th quarter		2,554	1,792			
Year		7,569	7,158			

e/ 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.

c/ Corrected.

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 - 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	--
August	217	35	37

Large Individual Issues Offered Sept. 1 through 7

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
None						
<u>STATE &amp; LOCAL GOVERNMENT</u>						
Port of New York Authority, N. Y.	Rev.	25.0	1986	3.52	3.45	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.

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 - 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
Aug. 31	369	131	--	1,202	c/958	--

Forthcoming Large Offerings, as of September 7

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Gulf States Utilities Co.	1st mtg. bds.	15.0	September 11
General Telephone Co. of Calif.	1st mtg. bds.	20.0	September 12
Southern California Edison Co.	Common stk.	24.3	September 12
Northern States Power Co.	1st mtg. bds.	15.0	September 13
Procter & Gamble Co.	Deb.	70.0	September 13
Detroit Edison Co.	Conv. deb.	59.8	September 14 (rights expire)
Tennessee Gas Transmission Co.	1st mtg. bds.	50.0	September 18
Southern Pacific R.R. Co.	1st mtg. bds.	35.0	September 19
North American Aviation, Inc.	Cap. stk.	43.5	September 24 (rights expire)
Virginia Electric & Power Co.	1st mtg. bds.	20.0	September 25
New England Tel. & Tel. Co.	Cap. stk.	18.9	September 28 (rights expire)
United Aircraft Corp.	Conv. pf'd. stk.	33.1	October 2 (rights expire)
*Columbia Gas System, Inc.	Deb.	25.0	October
American Tel. & Tel. Co.	Common stk.	580.0	November 5 (rights expire)



## Forthcoming Large Offerings, as of September 7 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u> (Cont'd)			
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
Commercial Credit Co.	Notes	50.0	1956
<u>STATE AND LOCAL GOVERNMENT</u>			
Allegheny Co. Inst. Dist., Pa.	G.O.	6.3	September 11
Oakland Unified School Dist., Cal.	G.O.	10.0	September 11
New York, New York	G.O.	30.0	September 12
State of Michigan	L.L.	25.0	September 13
Los Angeles School Dists., Cal.	G.O.	29.0	September 18
*Nassau Co., New York.	G.O.	19.6	September 18
*Kansas City, Missouri	Water rev.	9.5	September 19
Florida Development Commission	Bridge rev.	5.5	September 20
Jacksonville Expressway Authority	Rev.	42.0	Fall
Memphis, Tennessee	Elec. rev.	135.0	Fall
Washington State Toll Bridge Auth.	Rev.	5.4	Fall
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.	31.0	1956
New Jersey Highway Authority	Rev.	25.0	1956
New York State Thruway Authority	G.O.	50.0	1956
<u>OTHER</u>			
None			

\*--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.

c/ Corrected.