

Hadme
10/22

H.14

October 18, 1956

CAPITAL MARKET DEVELOPMENTS

Large public security offerings issued for new capital during the week ending October 12 totaled \$90 million for corporations and \$55 million for State and local governments. The calendar for this week indicates a substantial volume of offerings. Subscription rights expire on two stock issues with aggregate proceeds of \$44 million and two other stock issues totaling \$56 million are scheduled for flotation. State and local government offerings amounting to \$112 million are expected. This total includes the New Jersey Highway Authority issue for \$25 million which had been originally scheduled for sale in July, but was postponed because of market conditions in early summer. The leveling-off in yields and improved investor reception in September has apparently brought a number of borrowers back to the market, but more recently with the heavier volume of offerings, some of the new issues have not moved as rapidly.

Bond yields - Changes in yields on outstanding bonds were mixed but minor last week. Yields on corporate Baa-rated, State and local government and U. S. Government (old series) bonds increased, while the yields on U. S. Government (new series) obligations were stable and yields on corporate Aaa-rated bonds declined one basis point.

Stock market credit - Customer credit in the stock market (excluding U. S. Government securities) declined \$29 million during September. At the end of the month, the total outstanding was \$3,950 million. Both net debit balances and bank loans to "others" continued to decline. (Preliminary estimates by the New York Stock Exchange had previously indicated the probability of some increase in debit balances, but final figures showed a slight decline.) Borrowing by member firms of the NYSE maintaining margin accounts, except borrowings on U. S. Government securities, increased \$23 million while customers' net free credit balances declined \$5 million. These and other data on stock market credit for August and September are shown in the table on the next page.

	End of month		Change
	September	August	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Govt. securities - Total	3,950	3,979	-29
Net debit balances	2,782	2,785	-3
Bank loans to "others"	1,168	1,194	-26
Net debit balances secured by U. S. Govt. securities	33	33	0
Bank loans to others for purchasing or carrying U. S. Govt. securities	42	41	1
Broker and dealer credit			
Money borrowed except on U. S. Govt. securities	2,071	2,048	23
On customer collateral	1,777	1,742	35
Money borrowed on U. S. Govt. securities	42	38	4
Customers' net free credit balances	867	872	-5

Stock prices - Stock prices, as measured by the SEC index of 265 common stocks, increased 2.7 points during the week ending September 12, closing at 277.9. Trading volume declined substantially, to establish a new low for the year. Daily data for this week indicate a decline in prices through Wednesday.

More detailed information concerning recent capital market developments is presented in the attached exhibits.

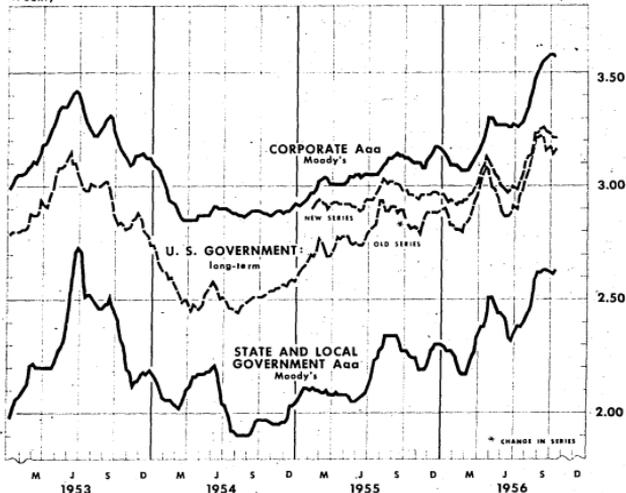
Business Finance and Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

EXHIBIT A

HIGH-GRADE BOND YIELDS

Weekly

Per cent per annum



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 ^{1/} State and Aaa 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	3.58 (10/5)	3.22 (9/7)	3.26 (9/14)	2.63 (10/11)	.44	.68	
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.45	
September 14	3.55	3.21	3.26	2.63	.34	.58	
September 21	3.56	3.15	3.24	2.63	.41	.52	
September 28	3.58	3.17	3.23	2.62	.41	.55	
October 5	3.58	3.14	3.21	2.61	.44	.53	
October 12	3.57	3.16	3.21	2.63	.41	.53	

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

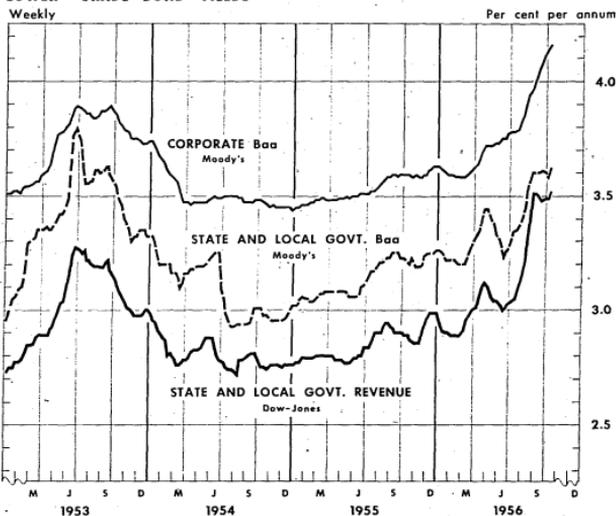
^{2/} Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 14 years 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 ^{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	4.16 (10/12)	3.62 (10/11)	3.52 (10/12)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
September 14	4.05	3.60	3.50
September 21	4.09	3.61	3.48
September 28	4.12	3.60	3.49
October 5	4.14	3.58	3.49
October 12	4.16	3.62	3.52

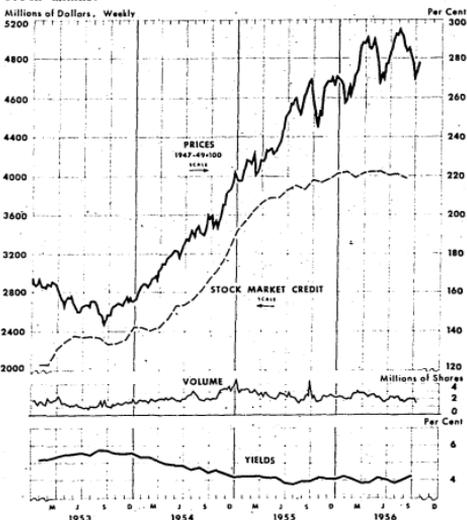
^{1/} Weekly average of daily figures. Average term of bonds included is 25-26 years.

^{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	295.5 (8/3)	3.1	4.21	4,047	2,810	1,267
Low	257.4 (1/20)	1.5	3.86	3,979	2,740	1,167
August	290.0	1.9	4.02	3,979	2,785	1,194
September	278.2	2.0	4.24	n.a.	n.a.	1,168
September 28	269.3	2.0	n.a.	n.a.	n.a.	1,168
October 5	275.2	2.1	n.a.	n.a.	n.a.	1,189
October 12	277.9	1.5	n.a.	n.a.	n.a.	n.a.

n.a.--Not available.

^{1/} Revised

^{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.

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	376	470	279
August	e/700	644	335	e/215	249	261
September	e/850	670	747	e/350	406	649
October	e/850	1,162 ^{1/}	1,003	e/625	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
1st half	4,863	4,217	3,603	3,093	2,803	3,706
3rd quarter	e/2,670	1,911	1,991	e/941	1,124	1,188
Three quarters	e/7,533	6,128	5,594	e/4,034	3,927	4,894
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	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.

^{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 - 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	163	20
July	592	164	--
August	217	35	37
September	558	184	--

Large Individual Issues Offered October 1 through 12

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
United Aircraft Corp.	Conv. pfd.stk.	31.8				
Allegheny Ludlum Steel Corp.	Conv. deb.	16.3	1981	4	4.00	Baa
Columbia Gas System, Inc.	Deb.	25.0	1981	4 3/4	4.70	A
Southern Bell Tel. & Tel. Co.	Deb.	60.0	1983	4	3.90	Aaa
Pacific Finance Corp.	Deb.	15.0	1971	4 5/8	4.75	--
Texas Eastern Trans. Corp.	Pfd. stk.	15.0				
<u>STATE & LOCAL GOVERNMENT</u>						
Detroit, Michigan	G.O.	12.3	1957-81	3.09	2.20-3.20	A
State of California	G.O.	35.0	1956-77	2.80	2.15-2.85	Aa
Buffalo, New York	G.O.	11.4	1957-71	2.35	1.90-2.40	Aaa
State of South Carolina	G.O.	15.0	1957-76	2.64	2.00-2.65	Aa

Large Individual Issues Offered October 1 through 12 (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> (Cont'd)						
San Bernardino Co., Calif.	G.O.	6.0	1957-76	2.80	2.10-2.85	Aa
Territory of Hawaii	Hwy. rev.	12.5	1958-86	3.84	2.70-3.80 ^{1/}	A
Baltimore Co., Md.	G.O.	21.0	1959-96	3.15	2.50-3.25 ^{1/}	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.

^{4/} 1986-96 maturities 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 - 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 29	437	81	--	567	690	--
July 31	247	--	37	1,096	726	37
Aug. 31	369	131	--	1,202	958	--
Sept. 28	315	359	--	1,009	1,197	--

Forthcoming Large Offerings, as of October 12

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Long Island Lighting Co.	Conv. pfd. stk.	18.0	October 15 (rights expire)
Georgia Pacific Corp.	Common stk.	15.9	October 17
Commonwealth Edison Co.	Pfd. stk.	40.0	October 17
Johns-Manville Corp.	Common stk.	25.9	October 17 (rights expire)
Consolidated Edison Co.	1st & ref. mtg. bds.	40.0	October 24
National Steel Corp.	1st mtg. bds.	55.0	October 25
Ohio Power Co.	1st mtg. bds.	28.0	October 30
*Allied Stores Corp.	S.F. deb.	15.0	November 1
American Tel. & Tel. Co.	Common stk.	572.6	November 5 (rights expire)
*Public Service Electric & Gas Co.	1st & ref. mtg. bds.	50.0	November 15
Seaboard Finance Co.	S.F. notes	15.0	1956
J. P. Stevens & Co.	S.F. deb.	28.7	1956
Michigan Wisconsin Pipe Line Co.	1st mtg. bds.	25.0	1956

Forthcoming Large Offerings, as of October 12 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
Washington Co., Md.	G.O.	8.0	October 17
Hagerstown, Md.	G.O.	5.8	October 17
Charlotte, N. C.	G.O.	5.2	October 17
State of Massachusetts	G.O.	57.6	October 18
Ft. Pierce, Florida	Elec.&water rev.	5.1	October 18
St. Louis Bd. of Education, Mo.	G.O.	5.5	October 19
New Jersey Highway Authority	Rev.	25.0	October 19
Flint, Michigan	G.O.	5.4	October 22
Philadelphia, Pennsylvania	G.O.	58.8	October 23
Boston, Massachusetts	G.O.	5.8	October 23
Territory of Hawaii	G.O.	12.0	October 23
State of Maryland	G.O.	8.7	October 23
Orlando, Util. Comm., Fla.	Elec.&water rev.	7.5	October 24
Salt River Project & Agricultural Improvement & Power Dist., Ariz.	G.O.	10.0	October 24
State of Ohio	L.L.	25.0	October 25
*Dallas, Texas	Airport rev.	6.5	October 29
State of Connecticut	Expressway rev.	75.0	October 30
Harris Co., Texas	G.O.	6.0	November 9
*Chicago, Ill.	Water rev.	5.0	November 13
Chicago Bd. of Education, Ill.	G.O.	10.0	November 14
Florida State Bd. of Education	G.O.	9.3	November 27
Jacksonville Expressway Authority	Rev.	42.0	Fall
Florida State Turnpike Authority	Rev.	185.0	Fall
Memphis, Tennessee	Elec. rev.	135.0	Winter
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.	20.0	1956
New York State Thruway Authority	G.O.	50.0	1956
<u>OTHER</u>			
*Quebec Hydro-Electric Commission	Deb.	35.0	October 30

*--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.

Note.--Deletions for reasons other than sale of issue: None.

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
30	4.07	52		
September 11	4.20	62		
13	4.17	58		
25	4.01	37		
October 10			4.40	63

*--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. Average maturity for the seasoned issues varies from 26 to 28 years.