

10/29

H.14

October 24, 1956

CAPITAL MARKET DEVELOPMENTS

The volume of public security financing continues to be substantial. Large public security offerings issued for new capital during the week ending October 19 totaled \$100 million for corporations and \$112 million for State and local governments. This week the volume will again be large. Two corporate bond issues totaling \$95 million and State and local government issues amounting to \$133 million are scheduled for sale.

Bond yields - Yields on outstanding State and local government and U. S. Government (new series) obligations increased last week, while yields on corporate and U. S. Government (old series) bonds remained stable. The increase in the State and local government yields was sharp, and established a new high for the year in each quality category. The sharp rise in municipal yields reflects the increased volume of new security offerings and the concomitant rise in dealer inventories.

Offering yields on new corporate issues have begun to increase again after a dip in September. Consolidated Edison Company of New York's Aa-rated first and refunding mortgage bond issue was reoffered this week at a yield of 4.13 per cent--12 basis points above the last comparable issue, an offering made on September 25, and only 7 points below the peak rate recorded on an issue of September 11. A similar issue of the Consolidated Edison Company marketed in May of this year yielded 3.55 per cent. The increase of 58 basis points during the five-month period from May to October compares with a 25 basis point increase in yields on outstanding bonds of the same quality rating.

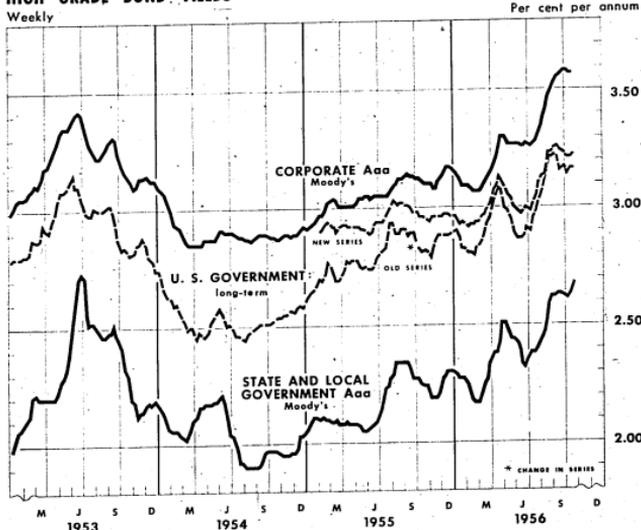
Stock prices - Stock prices, as measured by the SEC index of 265 common stocks, declined last week, closing at 274.8 on October 19. Volume of trading continued low, averaging only 1.6 million shares a day. Prices have continued to decline slightly this week.

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.

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 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 | 3.58 (10/5) | 3.22 (9/7) | 3.26 (9/14) | 2.68 (10/18) | .44 | .68 |
| Low | 3.07 (3/2) | 2.80 (2/17) | 2.92 (2/3) | 2.17 (2/23) | .13 | .45 |
| 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 |
| October 19 | 3.57 | 3.16 | 3.22 | 2.68 | .41 | .48 |

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

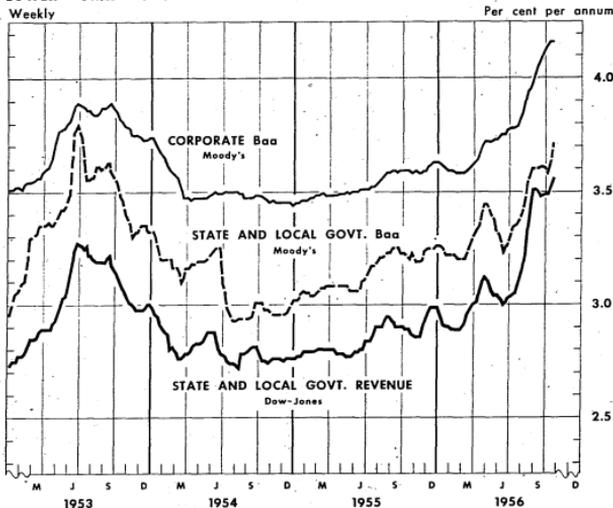
^{2/} Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 14 years 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 | 4.16 (10/19) | 3.71 (10/18) | 3.56 (10/19) |
| Low | 3.58 (3/9) | 3.20 (3/8) | 2.89 (2/24) |
| 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 |
| October 19 | 4.16 | 3.71 | 3.56 |

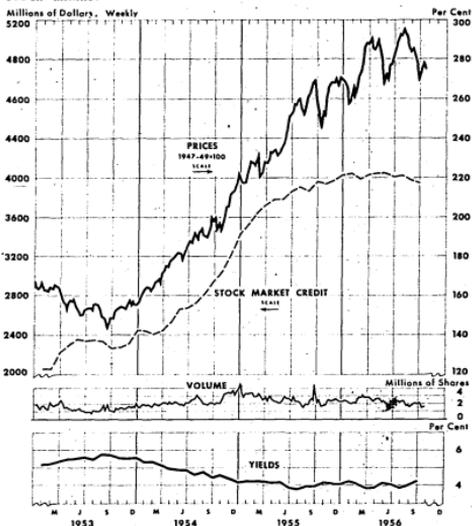
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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 | 4.21 | 4,047 | 2,810 | 1,267 |
| Low | 257.4 (1/20) | 1.5 | 3.86 | 3,950 | 2,740 | 1,167 |
| August | 290.0 | 1.9 | 4.02 | 3,979 | 2,785 | 1,194 |
| September | 278.2 | 2.0 | 4.24 | 3,950 | 2,782 | 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. | 1,184 |
| October 19 | 274.8 | 1.6 | 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 1947-49=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 | 735 | 641 | 853 |
| July | e/1,120 | 597 | 909 | 376 | 470 | 279 |
| August | e/700 | 644 | 335 | 199 | 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/925 | 1,124 | 1,188 |
| Three quarters | e/7,533 | 6,128 | 5,594 | e/4,018 | 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 | 463 | 20 |
| July | 592 | 164 | -- |
| August | 217 | 35 | 37 |
| September | 558 | 184 | -- |

Large Individual Issues Offered October 1 through 19

| 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 | | | | |
| Long Island Lighting Co. | Conv. pfd. stk. | 18.0 | | | | |
| Georgia Pacific Corp. | Common stk. | 15.9 | | | | |
| Commonwealth Edison Co. | Pfd. stk. | 40.0 | | | | |
| Johns-Manville Corp. | Common stk. | 25.9 | | | | |

Large Individual Issues Offered October 1 through 19 (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> | | | | | | |
| Detroit, Michigan | G.O. | 12.3 | 1957-81 | 3.09 | 2.20-3.20 | A |
| State of California | G.O. | 35.0 | 1958-77 | 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 |
| San Bernardino Co., Cal. | 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 | A |
| Baltimore Co., Md. | G.O. | 21.0 | 1959-96 | 3.15 | 2.50-3.25 | A |
| Washington Co., Md. | G.O. | 8.0 | 1957-81 | 2.98 | 2.10-3.00 | Aa |
| Hagerstown, Md. | G.O. | 5.8 | 1957-81 | 2.99 | 2.10-3.00 | Aa |
| Charlotte, N. C. | G.O. | 5.2 | 1958-95 | 2.99 | 2.30-3.40 | A |
| State of Massachusetts | G.O. | 57.6 | 1957-96 | 2.93 | 1.90-2.95 | Aa |
| Ft. Pierce, Florida | Elec. & water rev. | 5.1 | 1959-88 | 4.36 | 3.20-4.20 | n.a. |
| St. Louis Board of Education, Missouri | G.O. | 5.5 | 1958-76 | 3.04 | 2.00-2.75 | Aa |
| New Jersey Highway Auth. | Rev. | 25.0 | 1988 | 4.53 | 4.38 | -- |
| <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/} 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 19

| Issuer | Type | Amount (millions of dollars) | Approximate date of offering |
|-----------------------------------|----------------------|------------------------------|-------------------------------|
| <u>CORPORATE</u> | | | |
| Consolidated Edison Co. | 1st & ref. mtg. bds. | 40.0 | October 24 |
| National Steel Corp. | 1st mtg. bds. | 55.0 | October 24 |
| 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 |
| <u>STATE AND LOCAL GOVERNMENT</u> | | | |
| Flint, Michigan | G.O. | 5.4 | October 23 |
| Philadelphia, Pennsylvania | G.O. | 58.8 | October 24 |
| Boston, Massachusetts | G.O. | 5.8 | October 24 |
| Territory of Hawaii | G.O. | 12.0 | October 24 |
| State of Maryland | G.O. | 8.7 | October 24 |

Forthcoming Large Offerings, as of October 19 (Cont'd)

| Issuer | Type | Amount (millions of dollars) | Approximate date of offering |
|-----------------------------------------------------------------------|--------------------|------------------------------------|---------------------------------|
| <u>STATE AND LOCAL GOVERNMENT (Cont'd)</u> | | | |
| Orlando, Util. Comm., Fla. | Elec. & water rev. | 7.5 | October 25 |
| Salt River Project & Agricultural Improvement & Power Dist., Ariz. | G.R. | 10.0 | October 25 |
| State of Ohio | Rev. | 25.0 | October 26 |
| 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 |
| *Cleveland, Ohio | Rev. | 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 31 |

*--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.