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Not for Publication **DECONTROLLED AFTER SIX MONTHS**

H.14

October 31, 1956

CAPITAL MARKET DEVELOPMENTS

The volume of publicly sold security issues was substantial last week, but is expected to be much smaller this week. During the week ending October 26, corporations sold large issues totaling \$95 million while State and local government offerings amounted to \$133 million. This week two corporate issues with aggregate proceeds of \$43 million and one State and local government issue for \$7 million are expected. The sale of another State and local issue originally scheduled for this week--the Connecticut Turnpike \$75 million bond issue--was postponed until November.

Bond yields - Bond yields have been moving upward again after a slight leveling off during late September and early October. Yields on all types of outstanding bonds increased sharply to new highs for the year last week. The State and local government Aaa-rated and Baa-rated bond yields are now only 1 and 2 basis points, respectively, below their 1953 highs, while yields on corporate bonds surpassed their 1953 levels in mid-August and are currently 20-30 basis points above those levels.

Offering yields on new corporate issues have also increased further recently. Ohio Power Company's Aa-rated 30-year first mortgage bond issue was reoffered this week to yield 4.20 per cent. This yield is 19 basis points above that for the last comparable issue, an offering made on September 25. The same company rejected the bids for its \$6 million preferred stock issue because of the existing market conditions. The high bidder for the issue had planned to reoffer the shares to yield 4.80 per cent.

Estimated November volume - Corporate security issues during November are expected to total \$1,200 million, two-fifths greater than the estimated October volume and almost twice the volume in November last year. Large publicly offered issues are expected to total between \$650 and \$700 million including the \$573 million AT&T common stock offering for which subscription rights expire early in the month.

State and local government bond issues during November are expected to total \$325 million as compared with over \$600 million for October as well as for November 1955.

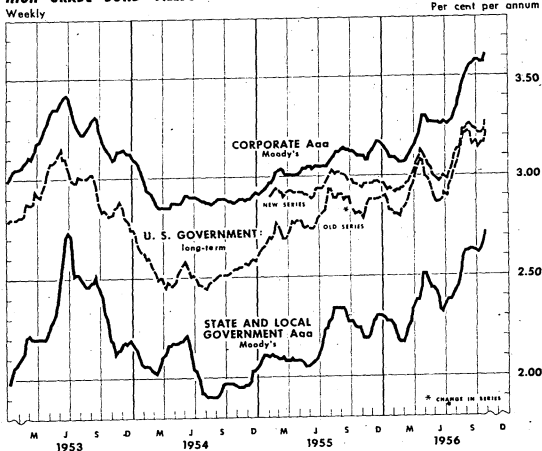
Stock prices - Stock prices, as measured by the SEC index of 265 common stocks, increased slightly last week, closing at 275.0 on October 26. Daily figures for the first three days of this week indicate a decline in prices, with the drop being particularly sharp on Wednesday.

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



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	
		Old series	New series		State and local 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	3.61 (10/26)	3.22 (10/26)	3.27 (10/26)	2.72 (10/25)	.44	.68
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.45
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	2.65	.41	.53
October 19	3.57	3.16	3.22	2.68	.41	.48
October 26	3.61	3.22	3.27	2.72	.39	.50

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

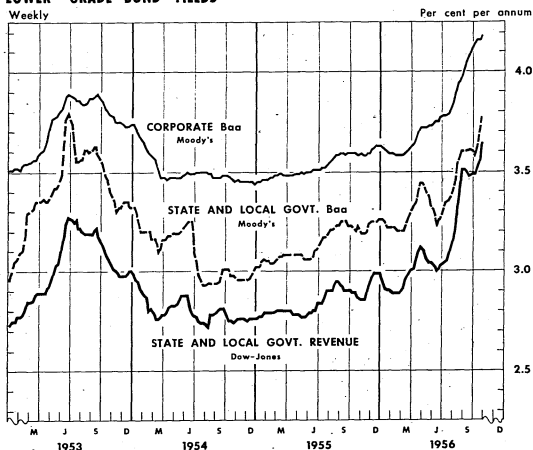
2/ Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 14 years in 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	4.18 (10/26)	3.77 (10/25)	3.64 (10/26)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
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
October 26	4.18	3.77	3.64

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

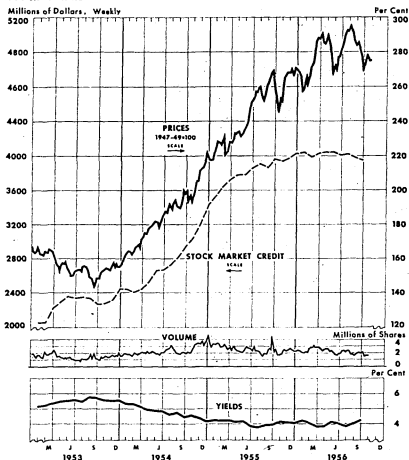
2/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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 ^{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	1,344	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	3,950	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 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.	1,177
October 26	275.0	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/ 620	919	594
November	e/1,200	632	290	e/325	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 consumer 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 26

Issuer	Type <u>3/</u>	Amount of (millions of dollars)	Maturity	Coupon rate or net inter- est 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				
Consolidated Edison Co.	1st & ref. mtg. bds.	40.0	1986	4 1/4	4.13	Aa
National Steel Corp.	1st mtg. bds.	55.0	1986	3 7/8	3.90	Aa

Large Individual Issues Offered October 1 through 26 (Cont'd)

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest 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	Baa
St. Louis School District, Missouri	G.O.	5.5	1958-76	c/2.69	2.00-2.75	Aa
New Jersey Highway Auth.	Rev.	25.0	1988	4.53	4.38	--
Flint, Michigan	G.O.	5.4	1958-86	3.13	2.15-3.20	Aa
Philadelphia, Pa.	G.O.	58.8	1958-87	2.60	1.90-2.70	A
Boston, Massachusetts	G.O.	5.8	1957-76	3.63	2.25-3.20	A
Territory of Hawaii	G.O.	12.0	1959-76	2.53	2.10-2.50	A
State of Maryland	G.O.	8.7	1959-71	3.75	2.60-3.75	Aaa
Orlando, Utility Commission, Fla.	Elec. & water rev.	7.5	1957-77	4.09	3.10-4.00	Aa
Salt River Project & Agricultural Improve- ment & Pwr. Dist., Ariz.	G.R.	10.0	1960-87	2.94	2.20-3.00	A
State of Ohio	Rev.	25.0	1957-72	2.90	2.00-3.00	Aa
<u>OTHER</u>						
None						

c/ Corrected.

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	--
Oct. 31	683	162	--	990	955	--

Forthcoming Large Offerings, as of October 26

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Ohio Power Co.	1st mtg. bds.	28.0	October 31
Allied Stores Corp.	S.F. deb.	15.0	November 1
American Tel. & Tel. Co.	Common stk.	572.6	November 5 (rights expire)
*Northspan Uranium Mines, Ltd.	Gen. mtg. bds.	45.0	November 9
Public Service Electric & Gas Co.	1st & ref. mtg. bds.	50.0	November 15
*Sinclair Oil Corp.	Conv. sub. deb.	170.6	December 3 (rights expire)
Seaboard Finance Co.	S.F. notes	15.0	Winter
J. P. Stevens & Co.	S.F. deb.	28.7	Winter
Michigan Wisconsin Pipe Line Co.	1st mtg. bds.	25.0	Winter
Southern New England Telephone Co.	Common stk.	20.4	Winter
*Pacific Lighting Corp.	Conv. pfd.	20.0	Winter

Forthcoming Large Offerings, as of October 26 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
Dallas, Texas	Airport rev.	6.5	October 29
*Los Angeles Co., Calif.	Elec. rev.	13.5	November 8
*Trenton, New Jersey	G.O.	5.3	November 8
*San Antonio, Texas	G.O.	5.0	November 8
Harris Co., Texas	G.O.	6.0	November 9
Chicago, Ill.	Water rev.	5.0	November 13
*Newark, New Jersey	G.O.	12.5	November 13
Chicago Bd. of Education, Ill.	G.O.	10.0	November 14
Cleveland, Ohio	Water rev.	10.0	November 14
*State of Oregon	G.O.	5.7	November 14
*Long Beach, Calif.	G.O.	5.0	November 20
Florida State Bd. of Education	G.O.	9.3	November 27
State of Connecticut	Expressway rev.	75.0	November
Pennsylvania Turnpike Commission	Rev.	62.0	Winter
Washington State Toll Bridge Auth.	Rev.	227.0	Winter
Inter-American Center Auth., Fla.	Rev.	20.0	Winter
New York State Thruway Authority	G.O.	50.0	Winter
Jacksonville Expressway Authority	Rev.	42.0	Winter
Florida State Turnpike Authority	Rev.	185.0	Winter
Memphis, Tennessee	Elec. rev.	135.0	Winter
Oklahoma Turnpike Authority	Rev.	65.0	Winter
<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.