

H.14

November 21, 1956

#### CAPITAL MARKET DEVELOPMENTS

Large public security offerings issued for new capital last week totaled \$70 million for corporations and \$66 million for State and local governments. During this holiday-shortened week ending November 23, three State and local government issues amounting to \$82 million were the only large offerings scheduled for sale. The largest of these scheduled issues, however--the Connecticut Expressway's revenue bond issue--has been indefinitely postponed. This issue, which had been originally scheduled for sale on October 30 in the amount of \$75 million was reduced to \$54 million when rescheduled for this week. The issue carried a 4.00 per cent ceiling on interest cost and received no bids.

Bond yields - Bond yields continued to move upward last week for all categories of outstanding bonds, except for those on U. S. Government obligations. The Government (new series) bond yields remained stable while those for the old series declined one basis point. Yields on State and local Aaa- and Baa-rated bonds have risen particularly sharply recently, surpassing their 1953 highs the first week in November. Currently at 2.85 per cent for the Aaa's and 3.99 per cent for the Baa's, they are 12 and 20 basis points respectively above previous 1953 peaks. Corporate bond yields passed their 1953 highs in mid-August and are now 25 to 33 basis points above those levels.

Offering yields on new issues have also been rising in recent weeks. Texas Power and Light Company's Aa-rated 30-year first mortgage bond issue was reoffered this week to yield 4.30 per cent--10 basis points above that for the last comparable issue, an offering made on October 31, and the same as the offering yield for a similar rated first and refunding mortgage bond issue which was floated last week.

Stock market credit - Customer credit in the stock market (excluding U. S. Government securities) declined \$36 million during October, to total \$3,914 million at the end of the month. This is the smallest amount outstanding since August 1955. Both net debit balances and bank loans to "others" continued to decline. Borrowing by member firms of the NYSE maintaining margin accounts, except borrowings on U. S. Government securities, increased \$15 million while customers' net free credit balances declined \$32 million. These and other data on stock market credit for September and October are shown in the following table.

	End of month		Change
	October	September	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Govt. securities - Total	3,914	3,950	-36
Net debit balances	2,748	2,782	-34
Bank loans to "others"	1,166	1,168	-2
Net debit balances secured by U. S. Govt. securities	36	33	3
Bank loans to others for purchasing or carrying U. S. Govt. securities	42	42	0
Broker and dealer credit			
Money borrowed except on U. S. Govt. securities	2,086	2,071	15
On customer collateral	1,788	1,777	11
Money borrowed on U. S. Govt. securities	45	42	3
Customers' net free credit balances	834	r/866	-32

r/ Revised

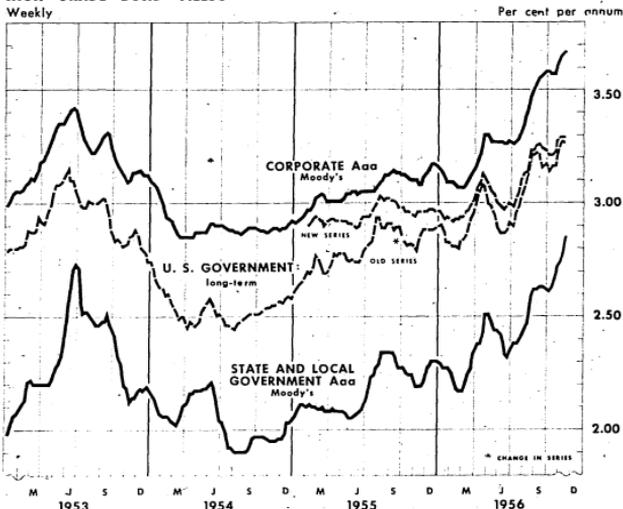
Stock prices - Stock prices, as measured by the SEC index of 265 common stocks, declined 2.8 points last week, closing at 272.9 on November 16. Daily figures through Tuesday of this week indicate a further decline in prices.

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	3.67 (11/16)	3.27 (11/9)	3.29 (11/16)	2.85 (11/15)	.44	.68
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.45
October 19	3.57	3.16	3.22	2.68	.41	.48
October 26	3.61	3.22	3.27	2.72	.39	.50
November 2	3.65	3.26	3.29	2.74	.39	.52
November 9	3.66	3.27	3.29	2.79	.39	.48
November 16	3.67	3.26	3.29	2.85	.41	.41

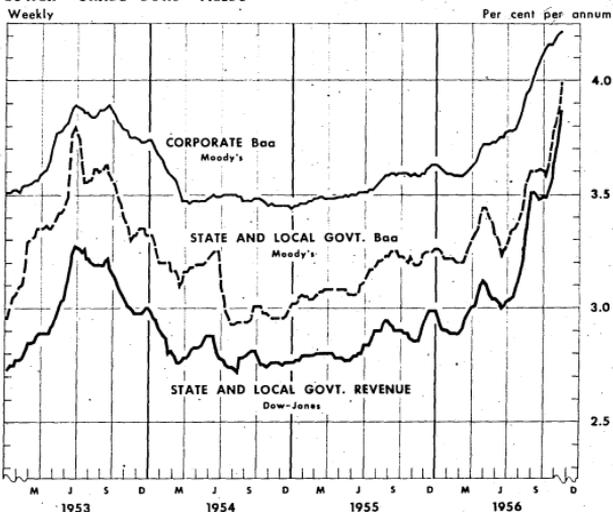
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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	4.22 (11/16)	3.99 (11/15)	3.87 (11/16)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
October 19	4.16	3.71	3.56
October 26	4.18	3.77	3.64
November 2	4.20	3.82	3.71
November 9	4.21	3.89	3.80
November 16	4.22	3.99	3.87

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

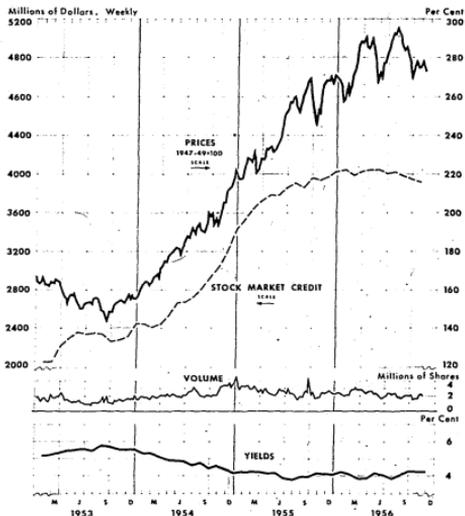
2/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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 bal- ances <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	4.24	4,047	2,810	1,267
Low	257.4 (1/20)	1.5	3.86	3,914	2,740	1,159
September	278.2	2.0	4.24	3,950	2,782	1,168
October	275.7	1.8	4.23	3,914	2,748	1,166
November 2	278.0	2.1	n.a.	n.a.	n.a.	1,166
November 9	275.7	2.3	n.a.	n.a.	n.a.	1,159
November 16	272.9	2.0	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=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	1,066	597	909	376	470	279
August	669	644	335	199	249	261
September	836	670	747	e/350	406	649
October	e/800	1,162 <sup>1/</sup>	1,003	e/635	919	594
November	e/1,100 <sup>2/</sup>	632	290	e/275	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	2,571	1,911	1,991	e/925	1,124	1,188
Three quarters	7,434	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 <sup>3/</sup>					
1st quarter	1,617	1,727	1,527			
2nd quarter	2,520	1,870	1,927			
3rd quarter	2,321	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> Includes \$571.5 million AT&T common stock issue.

<sup>3/</sup> 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 2/
1955 - 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	--
October	386	383	35

Large Individual Issues Offered November 1 through November 16

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Allied Stores Corp.	S.F. deb.	15.0	1976	4 3/4	4.75	A
American Tel. & Tel. Co.	Common stk.	571.5				
Northspan Uranium Mines, Ltd.	Gen. mtg. bds.	45.0	1963	5 3/4	5.93	--
Public Service Electric and Gas Co.	lst & ref. mtg. bds.	50.0	1986	4 3/8	4.30	Aa
Pacific Lighting Corp.	Conv. pfd.	19.8				
<u>STATE &amp; LOCAL GOVERNMENT</u>						
Los Angeles, Calif.	Elec. rev.	13.5	1957-86	3.36	2.25-3.35	Aa
Trenton, New Jersey	G.O.	5.3	1957-81	2.99	2.10-3.00	Aa
San Antonio, Texas	G.O.	5.0	1957-76	3.57	2.40-3.60	A
Chicago, Ill.	Water rev.	5.0	1970-74	3.73	3.50-3.65	A

## Large Individual Issues Offered November 1 through November 16 (Cont'd)

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE &amp; LOCAL GOVERNMENT</u> (Cont'd)						
Newark, N. J.	G.O.	12.5	1957-76	3.59	2.50-3.55	A
Chicago Board of Education, Ill.	G.O.	10.0	1959-76	3.62	2.75-3.60	A
Cleveland, Ohio	Water rev.	7.4	1961-81	3.58	3.00-3.56	A
State of Oregon	G.O.	5.7	1969-71	3.06	2.90-3.00	Aa
Houston, Texas	G.O.	20.0	1958-82	3.75	2.60-3.75	A
Hempstead School Dis- trict No. 5, N. Y.	G.O.	5.6	1957-86	4.30	3.95-4.15 <sup>4/</sup>	Baa
<u>OTHER</u>						
None						

<sup>1/</sup> Includes corporate and other security offerings of \$15 million and over; State and local government security offerings of \$5 million and over.

<sup>2/</sup> Includes foreign government and International Bank for Reconstruction and Development issues.

<sup>3/</sup> 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.

<sup>4/</sup> 1957-62 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 <u>2/</u>	Corporate	State and local govt.	Other <u>2/</u>
1955 - 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 November 16

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Sinclair Oil Corp.	Conv. sub. deb.	170.6	December 3 (rights expire)
Chase Manhattan Bank	Cap. stk.	47.0	December 3 (rights expire)
*Michigan Bell Telephone Co.	Deb.	30.0	December 4
Long Island Lighting Co.	1st mtg. bds.	20.0	December 5
Public Service Electric & Gas	Common stk.	33.0	December 5
*Florida Power & Light Co.	1st mtg. bds.	15.0	December 11
Burroughs Corp.	Deb.	30.2	December 17 (rights expire)
*National Cash Register Co.	Conv. sub. deb.	28.3	December 19 (rights expire)
Michigan Wisconsin Pipe Line Co.	1st mtg. bds.	25.0	Winter
Southern New England Telephone Co.	Common stk.	20.4	Winter

## Forthcoming Large Offerings, as of November 16 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
Long Beach, Calif.	G.O.	5.0	November 20
*Chelan Co. P. U. Dist., Wash.	Rev.	23.1	November 21
Florida State Board of Education	L.L.	9.3	November 27
Niagara Falls, New York	G.O.	6.4	November 28
*Maryland State Roads Commission	G.O.	15.0	December 4
*Norfolk, Virginia	G.O.	5.0	December 18
Memphis, Tennessee	Elec. rev.	154.0	December
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
Oklahoma Turnpike Authority	Rev.	65.0	Winter
State of Connecticut	Expressway rev.	54.0	Winter
<u>OTHER</u>			
City of Montreal, Canada	Deb.	22.5	Winter

\*--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: Seaboard Finance Company, \$15.0 million issue and J. P. Stevens & Company, \$28.7 million issue--withdrawn from registration with the Securities and Exchange Commission.