

H.14

December 7, 1956

### CAPITAL MARKET DEVELOPMENTS

Two State and local government offerings totaling \$17 million were the only large issues for new capital publicly offered during the week ending November 30. The calendar for this week indicates a substantial volume of offerings, particularly for corporate securities. Corporations are expected to market issues totaling \$295 million. This total includes expiration of subscription rights for the \$167 million Sinclair Oil Company's debenture issue and the \$47 million Chase Manhattan Bank stock offering. State and local government offerings amounting to \$77 million were scheduled for sale. The largest of these issues, however--the Michigan State Highway bond issue--has been indefinitely postponed. The issue, carrying a 3 1/2 per cent coupon limit and a required bid of par, received no bids on the scheduled date.

Bond yields - Yields on all types of outstanding bonds continued to increase last week, establishing new highs for the year in every category.

Offering yields on new corporate issues also continue to increase. A new Aaa-rated 30-year first mortgage electric utility issue for \$10 million was reoffered this week at a yield of 4.20 per cent. This is the first such issue of this rating group to be offered since mid-August, when an issue was reoffered to yield 3.94 per cent. An A-rated utility issue was also offered this week to yield 4.58 per cent--18 basis points above that for the last comparable issue, an offering made on October 10.

Estimated December volume - Corporate security offerings during December are expected to total \$1,100 million, the same as the estimate for November, but one-fifth greater than the volume in December last year. Included in the total are expected large issues totaling between \$400 and \$450 million. Take-downs of private placements are expected to be seasonally large. Including this estimate for December, fourth quarter offerings are estimated to total \$3,000 million, which would be the largest quarter on record. The volume for the year as a whole would be almost \$10.5 billion, about one-sixth larger than last year.

State and local government issues for December are currently estimated at \$250 million, one-fourth below the estimate for November and less than one-third the volume for December a year ago. This total does not include the \$154 million Memphis, Tennessee electric revenue bond issue, although reports indicate that it may be marketed in mid-December. Offerings for the whole fourth quarter

are expected to total \$1,210 million, two-fifths less than the comparable quarter last year. The total for the year, however, is likely to be only about 10 per cent below that of last year.

Stock prices - Stock prices, as measured by the SEC index of 265 common stocks, declined slightly last week, closing at 269.3 on November 30. Daily figures through Thursday of this week indicate a substantial increase in prices.

#### State and Local Government Security Offerings in the Third Quarter 1956

State and local governments offered \$928 million of long-term security issues in the third quarter of 1956, as shown in the table on the following page, 18 per cent less than last year and the smallest third quarter volume since 1951. No very large issues--defined here as those with proceeds over \$50 million--were offered for sale this year; three such issues were included in the quarterly total for 1955. Nearly all bonds sold were for the purpose of raising new capital, as refunding issues continued to be small.

#### Purpose of issue

As in the third quarter of each of the last two years, more issues were sold for school building construction than for any other purpose. The volume of such offerings amounted to \$289 million, slightly more than last year. Issues to obtain funds for sewer and water construction were the second largest in volume and totaled \$145 million, one-fifth smaller than in the third quarter 1955.

New financing for highways, bridges and tunnels, aggregating \$115 million, was two-fifths less than last year with most of the decline being in highway flotations. This category has been particularly affected by the numerous postponements of offerings which occurred during the quarter, reflecting market congestion and rising interest rates. It is estimated that about \$80 million of bonds for roads and highways either were postponed from their originally scheduled offering dates or failed to be sold when offered to the underwriters. Included in this estimate are \$50 million New York Thruway general revenue bonds and \$25 million New Jersey Highway Authority revenue bonds. (The New Jersey issue was rescheduled and sold in October.)

The volume of bonds sold to provide for residential building by local governments also was low--\$7 million as compared to over \$100 million in each of the corresponding periods of the four previous years. There was no issue of Public Housing Authorities' bonds in the third quarter this year, as these Authorities delayed funding of their short-term notes because of the high interest rates prevailing on long-term securities.

Long-Term Security Issues of State and Local Governments  
Third Quarter

(In millions of dollars)

	1956	1955	1954	1953	1952
<u>Issuing authority:</u>					
State	106	77	157	214	21
County and township	57	125	96	72	115
Municipality	234	296	286	242	186
School district	246	210	177	155	107
Special authority	164	230	354	434	327
Unidentified 1/	120	199	163	141	174
Total	928	1,136	1,232	1,258	931
<u>Purpose of issue:</u>					
New capital total	<u>908</u>	<u>1,124</u>	<u>1,188</u>	<u>1,253</u>	<u>919</u>
Schools	289	273	272	277	212
Highways, bridges, tunnels	115	200	271	418	120
Residential buildings	7	129	140	125	202
Hospitals and institutions	8	7	13	14	6
Sewer and water	145	183	154	139	87
Misc. public service enterprises	58	18	64	24	56
Recreation	19	6	8	5	11
Port and airport	28	11	20	13	2
Veterans aid	2	8	10	15	2
Industrial buildings	--	--	1	3	3
Other	118	92	79	79	43
Unidentified 1/	120	199	159	141	174
Refunding	20	12	44	5	12
Total	928	1,136	1,232	1,258	931
<u>Type of issue:</u>					
General obligation	670	795	730	747	700
Revenue	258	334	502	235	231
General revenue 2/	--	8	--	275	--
Total	928	1,136	1,232	1,258	931

1/ Issues of less than \$500,000 not further classified.

2/ Total of issues with proceeds of \$5 million or over.

Note.--Details may not add to totals because of rounding.

Source.--Bond Buyer and Federal Reserve.

Type of issuer

School districts sold the largest volume of bonds during the third quarter of the year, accounting for over one-fourth of all issues. Flotations by municipalities were almost as large. The volume of \$246 million for school districts was 17 per cent greater than in 1955 but the total of \$234 million for municipalities reflected a 21 per cent decline from last year. Special authority and county and township issues were smaller than the 1955 volume, but the volume of State government issues increased.

Type of issue

General obligations were the most important type of issue during the third quarter of 1956. The volume of such issues was \$670 million or 72 per cent of the total. While the volume of both general obligation and revenue bond issues declined, the relationship of each type to the total volume did not change significantly from that of last year. An increased volume in the issuing of revenue bonds to finance miscellaneous public service enterprises partially offset the decline in toll highway issues.

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

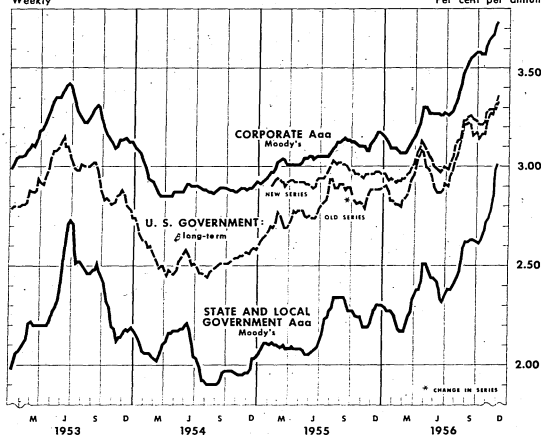
Business Finance and Capital Markets Section,  
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Board of Governors of the Federal Reserve System.

## 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	
		Old series	New series		Corporate	State and
					Aaa	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	3.73 (11/30)	3.36 (11/30)	3.33 (11/30)	3.01 (11/29)	.44	.68
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.32
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
November 23	3.71	3.30	3.29	2.98	.41	.32
November 30	3.73	3.36	3.33	3.01	.37	.35

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

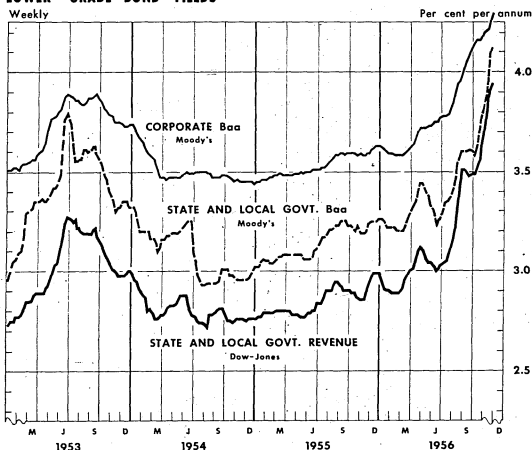
2/ Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 14 years in 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	4.30 (11/30)	4.12 (11/29)	3.94 (11/30)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
November 2	4.20	3.82	3.71
November 9	4.21	3.89	3.80
November 16	4.22	3.99	3.87
November 23	4.26	4.09	3.91
November 30	4.30	4.12	3.94

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

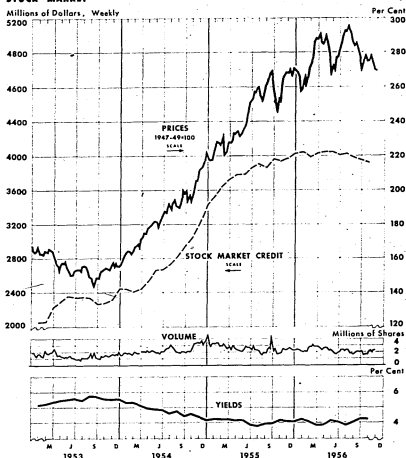
2/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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	1,314	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	1,158
October	275.7	1.8	4.23	3,914	2,748	1,166
November	273.1	2.2	n.a.	n.a.	n.a.	n.a.
November 16	272.9	2.0	n.a.	n.a.	n.a.	1,158
November 23	269.9	2.3	n.a.	n.a.	n.a.	1,158
November 30	269.3	2.3	n.a.	n.a.	n.a.	n.a.

n.a.--Not available.

1/ SBC index of 265 common stocks, weekly closing prices, 1937=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	1,066	597	909	376	470	279
August	669	644	335	199	249	261
September	836	670	747	333	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/325	658	423
December	e/1,100	900	604	e/250	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	908	1,124	1,188
Three quarters	7,434	6,128	5,594	4,001	3,927	4,894
4th quarter	e/3,000	2,695	1,896	e/1,210	1,984	1,894
Year	e/10,434	8,821	7,490	e/5,211	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	2,263	1,434	1,911			
4th quarter	e/2,875	2,554	1,792			
Year	e/9,275	7,569	7,158			

<sup>e/</sup> 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 <u>2/</u>
1955 - November	221	401	25
December	263	227	50
1956 - January	95	192	--
February	212	144	--
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
November	701	135	--

Large Individual Issues Offered during November

Issuer	Type <u>3/</u>	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.	1st & 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 during November (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
Long Beach, Calif.	G.O.	5.0	1958-81	3.35	2.50-3.45	Aa
Chelan Co. Public Util- ity Dist., Wash.	Rev.	23.1	1992	n.a.	4.82	--
Niagara Falls, N. Y.	G.O.	6.4	1957-78	3.02	2.25-3.05	Aa
Oklahoma City, Okla.	G.O.	10.7	n.a.	n.a.	<u>5/</u>	n.a.
<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/ 1957-62 maturities not reoffered.

5/ 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 - 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	--
Nov. 30	436	48	23	481	979	23

Forthcoming Large Offerings, as of November 30

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Sinclair Oil Corp.	Conv. sub. deb.	167.2	December 3 (rights expire)
Chase Manhattan Bank	Cap. stk.	47.0	December 3 (rights expire)
Michigan Bell Telephone Co.	Deb.	30.0	December 5
Long Island Lighting Co.	1st mtg. bds.	20.0	December 6
Public Service Electric & Gas	Common stk.	31.2	December 6
Florida Power & Light Co.	1st mtg. bds.	15.0	December 11
Texas Eastern Transmission Co.	Deb.	40.0	December 12
May Stores Realty Corp.	Gen. mtg. bds.	25.0	December 13
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 30 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE &amp; LOCAL GOVERNMENT</u>			
Prince Georges Co., Md.	G.O.	5.0	December 6
University of Washington	Rev.	5.0	December 6
Maryland State Roads Commission	G.O.	15.0	December 6
Milwaukee, Wisconsin	G.O.	8.4	December 11
Florida State Board of Education	L.L.	9.3	December 11
Norfolk, Virginia	G.O.	5.0	December 18
*Denver, Colorado	G.O.	20.0	January 18
State of Michigan	L.L.	52.0	Winter
Memphis, Tennessee	Elec. rev.	154.0	Winter
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	December 11

\*--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