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December 20, 1956

# CAPITAL MARKET DEVELOPMENTS

The volume of publicly sold security issues was large last week, particularly for tax-exempt issues, but is expected to be much smaller this week. During the week ending December 14, large issues sold by State and local governments amounted to \$181 million, including the \$163 million Memphis, Tennessee electric revenue bond issue. Corporate issues totaling \$76 million and a Canadian issue for \$22 million were sold. This week, subscription rights expire for two corporate debenture issues with proceeds of \$58 million. No large State and local government issues are expected.

Bond yields - Changes in yields on outstanding bonds were mixed last week. Yields on corporate Baa, State and local government Aaa and Baa and U. S. Government obligations increased slightly and those for corporate Aaa's remained stable while State and local government revenue bond yields declined.

Stock market credit - Customer credit in the stock market (excluding U. S. Government securities) increased \$32 million during November, to total \$3,946 million at the end of the month. The increase in net debit balances--\$36 million--more than offset the decline in October in these balances. Bank loans to "others" continued to decline in November, however. Borrowing by member firms of the NYSE maintaining margin accounts, except on U. S. Government securities, declined \$15 million, principally in borrowing on customer collateral. Customers' net free credit balances continued to decline, totaling \$822 million at the end of the month. These and other data on stock market credit for November and October are shown in the following table.

	End of month		Change
	November	October	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Govt. securities - Total	3,946	3,914	32
Net debit balances	2,784	2,748	36
Bank loans to "others"	1,162	1,166	-4
Net debit balances secured by U. S. Govt. securities	33	36	-3
Bank loans to others for purchasing or carrying U. S. Govt. securities	43	42	1
Broker and dealer credit			
Money borrowed except on U. S. Govt. securities	2,071	2,086	-15
On customer collateral	1,778	1,788	-10
Money borrowed on U. S. Govt. securities	43	45	-2
Customers' net free credit balances	822	785	-13

Revised

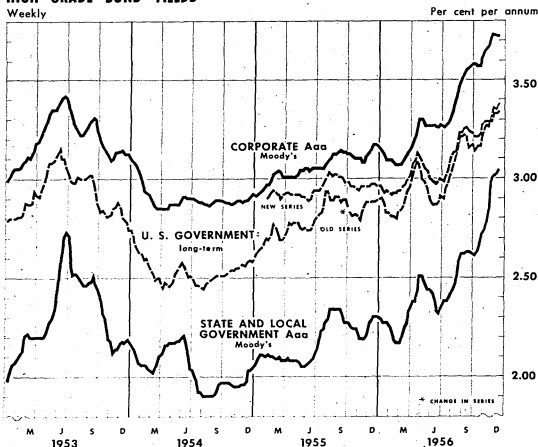
Stock prices - Stock prices, as measured by the SEC index of 265 common stocks, declined 1.8 points last week, closing at 277.4 on December 14. Daily figures through Wednesday of this week indicate little change in prices.

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 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)	2.44 (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)	3.38 (12/14)	3.34 (12/14)	3.04 (12/13)	.44	.68
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.32
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
December 7	3.72	3.35	3.33	3.02	.37	.33
December 14	3.72	3.38	3.34	3.04	.34	.34

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

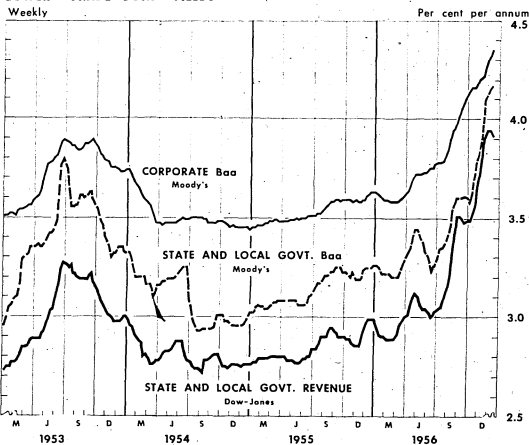
2/ Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term for first call of the bonds included declined from 14 years in 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	4.35 (12/14)	4.17 (12/13)	3.94 (12/7)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
November 16	4.22	3.99	3.87
November 23	4.26	4.09	3.91
November 30	4.30	4.12	3.94
December 7	4.32	4.15	3.94
December 14	4.35	4.17	3.91

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

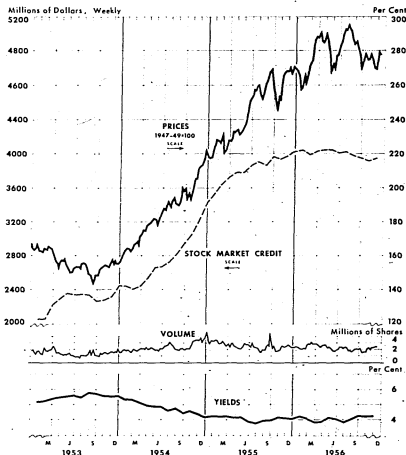
2/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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	4.25	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	4.25	3,946	2,784	1,162
November 30	269.3	2.3	n.a.	n.a.	n.a.	1,162
December 7	279.2	2.4	n.a.	n.a.	n.a.	1,158
December 14	277.4	2.4	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 1947-49=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	333	406	649
October	778 <sup>2/</sup>	1,162 <sup>1/</sup>	1,003	e/635	919	594
November	e/1,050	632	290	e/325	658	423
December	e/1,100	900	604	e/400	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/2,928	2,695	1,896	e/1,360	1,984	1,894
Year	e/10,362	8,821	7,490	e/5,361	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/2,803	2,554	1,792			
Year	e/9,203	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 <u>2/</u>
1955 - 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
November	701	135	--

Large Individual Issues Offered December 1 through 14

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Sinclair Oil Corp.	Conv. sub. deb.	167.2	1986	4 3/8	4.38	A
Chase Manhattan Bank	Cap. stk.	47.0				
Michigan Bell Tel.	Deb.	30.0	1991	4 3/8	4.25	Aaa
Long Island Lighting Co.	1st mtg. bds.	20.0	1986	4 3/4	4.58	Aaa
Public Service Elec. & Gas Co.	Common stk.	31.2				
General Telephone Corp.	Common stk.	31.1				
Texas Eastern Trans- mission Corp.	Deb.	30.0	1976	5 1/2	5.50	Ba
Florida Power & Light Co.	1st mtg. bds.	15.0	1986	4 3/8	4.30	Aa
<u>STATE &amp; LOCAL GOVERNMENT</u>						
Prince Georges Co., Md.	G.O.	5.0	1957-81	4.28	3.00-4.25	Baa
Maryland State Roads Commission	G.O.	15.0	1958-72	3.60	2.75-3.50 <u>1/2</u>	Aa
Milwaukee, Wisconsin	G.O.	8.4	1957-76	2.81	2.20-2.85 <u>1/2</u>	Aaa

## Large Individual Issues Offered December 1 through 14 (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)						
Florida State Board of Education	L.L.	9.3	1958-77	3.79	<u>5/</u>	n.a.
Memphis, Tennessee	Elec. rev.	163.2	1963-92	4.47	3.50-4.20	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/ Part 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 December 14

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Burroughs Corp.	Deb.	30.2	December 17 (rights expire)
National Cash Register Co.	Conv. sub. deb.	28.2	December 19 (rights expire)
May Stores Realty Corp.	Gen. mtg. bds.	25.0	December
*Aluminum Co. of America	Deb.	125.0	January 8
*Idaho Power Co.	1st mtg. bds.	20.0	January 8
*New England Tel. & Tel. Co.	Deb.	35.0	January 9
Pacific Power & Light Co.	1st mtg. bds.	20.0	January 10
Louisiana Power & Light Co.	1st mtg. bds.	20.0	January 16
*Armco Steel Corp.	Common stk.	65.0	January 24 (rights expire)
*Standard Oil Co. of Ohio	SF deb.	25.0	January
*American Tel. & Tel. Co.	Deb.	250.0	March
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 December 14 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
Fort Worth, Texas	G.O.	5.0	January 4
Los Angeles, Calif.	G.O.	18.0	January 8
Caddo Parish School District, La.	G.O.	5.0	January 9
Orange County Flood District, Cal.	G.O.	10.0	January 15
*State of California	G.O.	85.0	January 16
*Dallas, Texas	G.O.	10.0	January 16
*Dallas, Texas	Rev.	5.0	January 16
Denver, Colorado	G.O.	20.0	January 18
*Spokane Co. School District			
No. 81, Washington	G.O.	6.0	January 18
*Birmingham, Alabama	G.O.	6.7	January 23
State of Michigan	L.L.	52.0	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>			
None			

\*--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: Norfolk, Virginia, \$5.0 million issue--reduced to less than \$5 million by rejection of bid for part of issue.

Yields on New and Outstanding  
Electric Power Bonds, Rated Aa and A <sup>1/</sup>

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	11
1953 average	3.46	16	3.78	26
1954 average	3.02	2	3.12	-3
1955 average	3.23	9	3.33	12
1956 - January	None	--	None	--
February	*3.15	3	3.23	-6
March	3.28	11	3.45	15
April	*3.77	40	3.61	26
May	*3.53	19	3.77	28
June	*3.52	18	*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
31	4.20	48		
November 21	4.30	52		
December 6			4.58	70
12	4.30	47		

\*--Single observation, not an average.

<sup>1/</sup> 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.