

*Chambers*  
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DECONTROLLED AFTER SIX MONTHS

H.14

March 1, 1957

CAPITAL MARKET DEVELOPMENTS

The volume of public security financing continues to be substantial, particularly for corporate issues. During the week ending February 22, corporations sold large issues for new capital totaling \$257 million, including expiration of rights for the Socony Mobil Oil Company's stock issue, and State and local government offerings amounted to \$75 million. This week rights expire on the \$172 million debenture issue of Phillips Petroleum Company and three other corporate issues with aggregate proceeds of \$90 million are scheduled for sale. State and local government issues totaling \$130 million were expected. The State of Massachusetts, however, rejected the only bid received for its \$83 million bond issue on Tuesday. The bid designated an interest cost of 3.22 per cent for the Aa-rated bonds.

Bond yields - Changes in yields on outstanding bonds were mixed last week. Yields on U. S. Government bonds increased with the increase being quite sharp for the old series yields. Yields on State and local government Aaa's and revenue bonds, which had declined steadily since early January, stabilized last week. Yields on Aaa and Baa corporate and Baa State and local government bonds declined.

Reoffering yields on new corporate issues continued to decline slightly. A new Aa-rated, 30-year first mortgage electric utility issue for \$5 million was reoffered this week at a yield of 4.22 per cent--3 basis points below a similar offering last week.

Estimated March volume - Corporate security issues during March are expected to total \$1,275 million, almost one-third above the estimated February volume and three-fifths greater than the volume in March last year. Large publicly offered issues are expected to total over \$750 million including the \$250 million debenture issue for AT&T.

State and local government issues for March are currently estimated at \$325 million. This total would be about 38 per cent below the February volume, but only slightly below the volume in March 1956.

Stock prices - Stock prices, as measured by the SEC index of 265 common stock prices, declined slightly last week, closing at 261.3 on February 21. The volume of trading declined,

averaging 1.7 million shares a day. Daily figures through Thursday of this week indicate a further decline in prices in continued low activity.

#### State and Local Government Security Offerings in 1956

State and local governments offered \$5.4 billion of long-term security issues in 1956, compared to \$6.0 billion of such financing in 1955, as shown in the table on the following page. Nearly all bonds sold were for the purpose of raising new money for capital outlays, as refunding issues continued to be small in volume.

##### Purpose of issue

As in 1955, more issues were sold for school building construction than for any other purpose. The volume of such offerings amounted to \$1.5 billion, about the same as last year. Issues to obtain funds for sewer and water construction were the second largest in volume and totaled \$753 million, 6 per cent larger than in 1955. Miscellaneous public service enterprise issues totaled \$646 million in contrast to less than \$175 million floated last year. A substantial part of this volume was accounted for by the two very large electric utility issues of Memphis, Tennessee and Grant County, Washington.

Most of the decline in State and local government security offerings occurred in highway, bridge and tunnel issues, which dropped from \$1.4 billion to \$.7 billion, reflecting the smaller number of toll road issues. The volume of toll road offerings was 75 per cent below last year's total. The volume of bonds sold to provide for residential building by local governments was considerably less than in the three previous years reflecting postponement of the funding of short-term notes because of the high level of long-term interest rates. Offerings for other purposes were generally at about the same level as in 1955.

##### Type of issuer

The major type of issuing authority in 1956 was municipalities which floated \$1.7 billion of issues, \$400 million more than last year. School district offerings also increased from the 1955 volume. Flotations by all other issuers declined this year with State and county and township issues each showing a decrease of more than one-third.

Long-Term Security Issues of State and Local Governments  
1953-1956

(In millions of dollars)

	1956	1955	1954	1953
<b>Issuing authority:</b>				
State	800	1,408	2,047	767
County and township	290	472	442	271
Municipality	1,706	1,313	1,601	1,052
School district	1,031	1,005	628	834
Special authority	983	1,097	1,463	2,091
Unidentified 1/	638	683	587	543
<b>Total</b>	<b>5,446</b>	<b>5,976</b>	<b>6,969</b>	<b>5,558</b>
<b>Purpose of issue:</b>				
<b>New capital total</b>	<b><u>5,383</u></b>	<b><u>5,911</u></b>	<b><u>6,789</u></b>	<b><u>5,477</u></b>
Schools	1,455	1,516	1,432	1,320
Highways, bridges, tunnels	698	1,362	2,136	1,588
Toll highways and bridges	215	813	1,651	1,209
Residential buildings	258	570	456	506
Hospitals and institutions	62	98	77	133
Sewer and water	753	712	674	647
Misc. public service enterprises	646	169	597	156
Recreation	41	41	58	45
Port and airport	137	102	88	49
Veterans' aid	110	169	162	141
Industrial buildings	11	4	2	7
Other	575	490	533	344
Unidentified 1/	638	680	576	542
<b>Refunding</b>	<b>63</b>	<b>65</b>	<b>180</b>	<b>82</b>
<b>Total</b>	<b>5,446</b>	<b>5,976</b>	<b>6,969</b>	<b>5,558</b>
<b>Type of issue:</b>				
General obligation	3,776	4,109	3,724	3,423
Revenue	1,670	1,732	3,214	1,567
General Revenue 2/	--	135	31	568
<b>Total</b>	<b>5,446</b>	<b>5,976</b>	<b>6,969</b>	<b>5,558</b>

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 issue

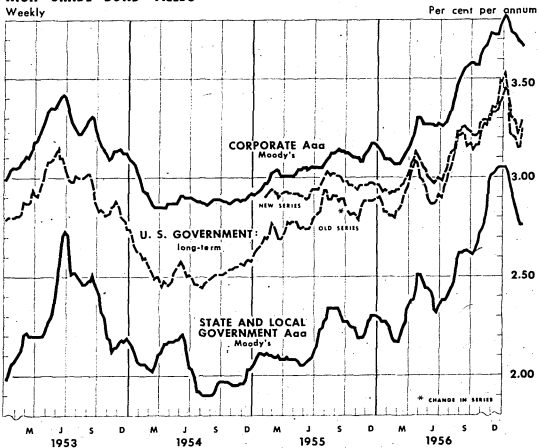
General obligations were the most important type of issue during 1956. The volume of such issues was \$3.8 billion or 69 per cent of the total. Since the volume of both general obligation and revenue bond issues declined, the relationship of each type to the total volume did not change significantly from that of last year.

More detailed information concerning recent 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 <sup>1/</sup>	U. S. Govt., long-term <sup>2/</sup>		State and local gov. Aaa <sup>3/</sup>	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	3.79 (12/28)	3.49 (12/21)	3.39 (12/28)	3.05 (12/27)	.44	.68	
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.32	
1957 - High	3.82 (1/4)	3.53 (1/4)	3.45 (1/4)	3.05 (1/10)	.54	.48	
Low	3.66 (2/22)	3.15 (2/15)	3.22 (2/8)	2.76 (2/21)	.29	.26	
January 25	3.73	3.22	3.31	2.96	.51	.26	
February 1	3.72	3.20	3.29	2.87	.52	.33	
February 8	3.69	3.15	3.22	2.81	.54	.34	
February 15	3.67	3.15	3.26	2.76	.52	.39	
February 22	3.66	3.24	3.29	2.76	.42	.48	

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

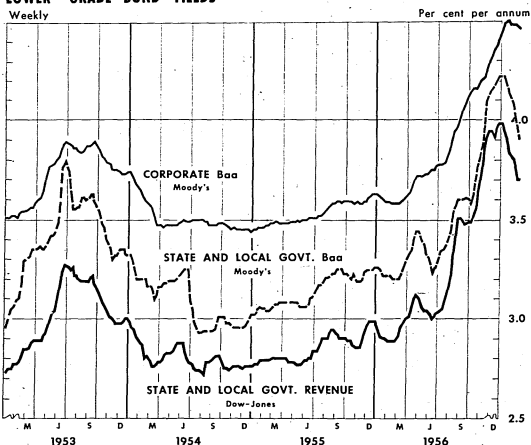
<sup>2/</sup> Weekly averages of daily figures. The old series includes fully taxable marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 1 1/2 years in early 1953 to 11 1/2 years in early 1956. The new series is comprised of the 3 per cent bond of 1995 and the 3 1/4 per cent bond of 1978-83.

<sup>3/</sup> 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	3.14 (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	4.41 (12/28)	4.22 (12/27)	3.98 (12/28)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
1957 - High	4.50 (1/18)	4.22 (1/10)	3.98 (1/4)
Low	4.46 (2/22)	3.90 (2/21)	3.70 (2/22)
January 25	4.48	4.13	3.84
February 1	4.48	4.08	3.81
February 8	4.48	4.00	3.80
February 15	4.47	3.94	3.70
February 22	4.46	3.90	3.70

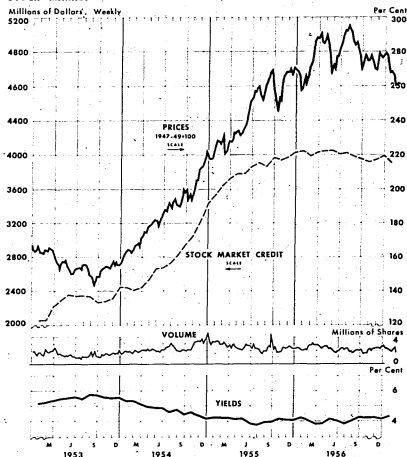
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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

Millions of Dollars, Weekly  
\$200

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	1,241
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	2,823	1,267
Low	257.4 (1/20)	1.5	3.96	3,914	2,740	1,155
1957 - High	279.2 (1/4)	2.7	n.a.	n.a.	n.a.	1,163
Low	260.3 (2/8)	1.7	n.a.	n.a.	n.a.	1,119
December	277.7	2.4	4.13	3,984	2,823	1,161
January	273.0	2.2	4.31	3,903	2,762	1,141
February 8	260.3	2.1	n.a.	n.a.	n.a.	1,120
February 15	261.5	2.4	n.a.	n.a.	n.a.	1,119
February 22	261.3	1.7	n.a.	n.a.	n.a.	n.a.

n.a.--Not available.

1/ SDC 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/ Average of daily trading volume on the New York Stock Exchange.

3/ Woody'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		
	1957	1956	1955	1957	1956	1955
January	e/1,100	579	535	e/660	404	535
February	e/1,000	704	407	e/525	696	312
March	e/1,275	790	1,223	e/325	390	538
April		816	478		377	427
May		1,144	886		490	350
June		830	687		735	641
July		1,066	597		376	470
August		669	644		199	249
September		836	670		333	406
October		747	1,162 <sup>1/</sup>		645	919
November		1,088 <sup>2/</sup>	632		311	658
December		1,094	900		e/425	408
1st quarter		2,073	2,165		1,490	1,385
2nd quarter		2,790	2,052		1,603	1,418
3rd quarter		2,571	1,911		908	1,124
4th quarter		2,929	2,695		e/1,311	1,984
1st half		4,863	4,217		3,093	2,803
Three quarters		7,434	6,128		4,001	3,927
Year		10,363	8,821		e/5,332	5,911
	excluding finance companies <sup>3/</sup>					
1st quarter		1,617	1,727			
2nd quarter		2,520	1,870			
3rd quarter		2,263	1,434			
4th quarter		e/2,804	2,554			
Year		e/9,204	7,569			

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>
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	--
December	430	201	--
1957 - January	567	386	100

Large Individual Issues Offered February 1 through 22

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Carrier Corp.	Conv. sub. deb.	18.0	1982	4 1/8	4.03	Baa
Douglas Aircraft Co.	Conv. sub. deb.	27.9	1977	4	3.89	Baa
Stanrock Uranium Mines, Ltd.	lst mtg. bds.	16.0	1963	5 3/4	4/	--
Potomac Electric Power Co.	Deb.	18.0	1982	4 5/8	4.45	A
Trans-Canada Pipe Lines, Ltd.	Deb. & Common	20.8	1987	5.60	4/	--
Ohio Edison Co.	Common stk.	27.0				
Southern California Edison Co.	lst. & ref. mtg. bds.	37.5	1982	4 1/4	4.25	Aa
Socoxy Mobil Oil Co.	Common stk.	199.3				
Colorado Fuel & Iron Corp.	Conv. S.F. deb.	19.9	1977	4 7/8	4.88	Ba

## Large Individual Issues Offered February 1 through 22 (Cont'd)

Issuer	Type <sup>3/</sup>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u>						
Milwaukee Co., Wisconsin	G.O.	11.2	1958-67	2.48	2.00-2.45	Aaa
San Diego Unified Sch. Dist., California	G.O.	5.0	1959-78	3.07	2.35-3.10	A
New York, New York	G.O.	25.2	1958-66	2.89	2.25-3.00	A
Fresno Unified Sch. Dist., California	G.O.	5.5	1958-77	2.79	2.10-2.85	Aa
Public Housing Authorities State of Missouri	--	28.6	1958-97	2.82	1.95-2.85	Aaa
Allegheny Co. Sanitary Auth., Pennsylvania	G.O.	20.0	1958-77	2.39	1.80-2.40	Aaa
State of New York	Swr. rev.	15.0	1961-96	3.21	2.60-3.22	--
San Francisco (City & Co.), California	G.O.	40.4	1959-2007	2.67	2.00-2.90	Aaa
St. Louis, Missouri	G.O.	23.6	1958-72	2.57	1.85-2.60	Aa
Montgomery Co., Maryland	G.O.	12.1	1963-76	2.68	2.30-2.70	Aa
Elizabeth, New Jersey	G.O.	6.0	1958-87	3.52	2.25-3.60 <sup>5/</sup>	Baa
El Paso Co. Sch. Dist. No. 11, Colorado	G.O.	5.0	1958-87	3.06	2.10-3.15	A
Los Angeles, California	G.O.	6.9	1958-76	2.88	2.00-2.80	Aa
Puerto Rico Aqueduct & Sewer Auth.	Wtr. rev.	9.0	1958-87	3.12	2.00-3.15	Aa
	Rev.	12.0	1958-92	4.04	2.75-4.00	Baa
<u>OTHER</u>						
Quebec Hydro-Electric Commission	Deb.	50.0	1977	4 3/8	4.47	A

<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> Offered in units with common stock.

<sup>5/</sup> The 1/4s of 1987 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/
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
Dec. 31	476	280	100	796	763	100
1957 - Jan. 31	591	153	35	966	648	35
Feb. 28	740	153	--	795	631	--

Forthcoming Large Offerings, as of February 22.

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Phillips Petroleum Co.	Conv. deb.	171.8	February 25 (rights expire)
Illinois Bell Telephone Co.	1st mtg. bds.	40.0	February 27
Potomac Electric Power Co.	Preferred stk.	15.0	February 27
United Gas Corp.	1st & coll. tr.	35.0	February 28
Anaconda Co.	Common stk.	86.7	March 5 (rights expire)
Columbus & Southern Ohio Electric Co.	1st mtg. bds.	16.0	March 6
Connecticut Light & Power Co.	Common stk.	15.3	March 6 (rights expire)
Southern Counties Gas Co.	1st mtg. bds.	15.0	March 7
Texas Eastern Transmission Corp.	1st mtg. P.L.bds.	40.0	March 7
Commonwealth Edison Co.	1st mtg. bds.	50.0	March 12
Central & South West Co.	Common stk.	20.0	March 13
American Natural Gas Co.	Common stk.	28.0	March 14 (rights expire)

## Forthcoming Large Offerings, as of February 22 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE (Cont'd)</u>			
*Commercial Credit Co.	Sub. notes	25.0	March 14
*Dresser Industries, Inc.	Conv. sub.deb.	20.0	March 14
Consolidated Edison Co.	Conv. deb.	55.1	March 15 (rights expire)
Appalachian Electric Power Co.	1st mtg. bds.	29.0	March 20
*Public Service Elec. & Gas Co.	Deb.	50.0	March 20
Consumers Power Co.	Common stk.	24.0	March 22 (rights expire)
Lone Star Gas Co.	Conv. pfd. stk.	15.5	March 25 (rights expire)
American Tel. & Tel. Co.	Deb.	250.0	March 26
*Southern Company	Common stk.	30.0	April 4 (rights expire)
Michigan Wisconsin Pipe Line Co.	1st mtg. bds.	25.0	Winter
<u>STATE AND LOCAL GOVERNMENT</u>			
Fort Worth, Texas	Wtr. & swr. rev.	6.0	February 25
Fort Worth, Texas	G.O.	4.0	February 25
Dallas Ind. Sch. Dist., Texas	G.O.	7.5	February 27
Jacksonville, Florida	Elec. rev.	8.0	February 28
*Pennsylvania State University	Rev.	10.8	February 28
Georgia Farmers Market Authority	Rev.	10.0	February 27
State of Delaware	G.O.	10.8	February 28
Houston Ind. Sch. Dist., Texas	G.O.	16.8	March 1
Seattle, Washington	G.O.	6.5	March 1
University of Illinois	Rev.	6.8	March 5
*Memphis, Tennessee	G.O.	11.5	March 13
Broward Co. Spec. Tax Sch. Dist., Fla.	G.O.	6.0	March 14
Dade Co. Tax Dist. No. 1, Fla.	G.O.	10.0	March 20
*State of California	G.O.	95.0	March 26
Pennsylvania Turnpike Commission	Rev.	62.0	Winter
Inter-American Center Auth., Florida	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: Commonwealth of Massachusetts, \$83 million general obligation bond issue--bid rejected.

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 average	3.81	35	3.73	27
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		
1957 - January 8	4.50	62		
16			4.67	70
18	4.43	56		
22			4.56	57
24	4.40	53		
February 5	4.29	45		
19	4.25	46		

\*--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.