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October 24, 1957

### CAPITAL MARKET DEVELOPMENTS

(Including Quarterly Review of State and  
Local Government Security Financing)

Large public security offerings for new capital during the week ending October 8 totaled \$111 million for State and local governments and \$75 million for the International Bank for Reconstruction and Development. No large corporate issues were sold last week. The calendar for this week initially included corporate offerings totaling \$125 million and State and local government issues with aggregate proceeds of \$91 million. However, one large corporate issue, Commercial Credit Company's \$50 million note issue, has been postponed because of prevailing market conditions. No new offering date has been named.

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

**Stock prices** - Stock prices, as measured by the Standard and Poor's index of 500 common stocks, declined further last week, closing at 40.33 on October 18. Prices declined sharply on Monday and continued to decline, but somewhat more moderately, on Tuesday of this week. On Wednesday prices rebounded, closing at 40.73. Trading volume has been very heavy -- averaging 4.8 million shares a day for the first three days of the week.

#### State and Local Government Security Offerings in the Third Quarter of 1957

State and local governments offered \$1,552 million of long-term security issues in the third quarter of 1957, a record third quarter volume and over 50 per cent above the corresponding period of 1956. Nearly all bonds sold were for the purpose of raising new capital, as refunding issues continued to be small in volume.

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

(In millions of dollars)

	1957	1956	1955	1954	1953
<b>Issuing authority:</b>					
State	256	119	77	157	214
County and township	117	86	125	96	72
Municipality	557	295	296	286	242
School district	379	294	210	177	155
Special authority	243	194	230	354	434
Unidentified 1/	--	--	199	163	141
<b>Total</b>	<b>1,552</b>	<b>988</b>	<b>1,136</b>	<b>1,232</b>	<b>1,258</b>
<b>Purpose of issue:</b>					
New capital total	<u>1,530</u>	<u>971</u>	<u>1,124</u>	<u>1,188</u>	<u>1,253</u>
Schools 2/	568	406	273	272	277
Highways, bridges, and tunnels	270	105	200	271	418
Residential buildings	37	9	129	140	125
Hospitals and institutions	19	5	7	13	14
Sewer and water	282	170	183	154	139
Misc. public service enterprises	47	91	18	64	24
Veterans' aid	75	2	8	10	15
Other	231	184	109	106	100
Unidentified 1/	--	--	199	159	141
Refunding	22	17	12	44	5
<b>Total</b>	<b>1,552</b>	<b>988</b>	<b>1,136</b>	<b>1,232</b>	<b>1,258</b>
<b>Type of issue:</b>					
General obligation	1,100	680	681	594	897
Revenue	388	248	333	499	234
Utility	300	191	n.a.	n.a.	n.a.
Quasi-Utility	7	22	n.a.	n.a.	n.a.
Special tax	21	6	n.a.	n.a.	n.a.
Rental	59	30	n.a.	n.a.	n.a.
Public Housing Authority	--	--	122	136	125
Federal Government loans 3/	64	61	1	3	1
<b>Total</b>	<b>1,552</b>	<b>988</b>	<b>1,136</b>	<b>1,232</b>	<b>1,258</b>

1/ Issues of less than \$500,00 not further classified.

2/ Data for years prior to 1956 probably understate school issues by about one-fourth because of unclassified small issues.

3/ Coverage for 1956 and 1957 is broader than for earlier years.

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

Source.--1953-1955, Bond Buyer and Federal Reserve; 1956 and 1957, Investment Bankers Association of America. Data for 1956 and 1957 not strictly comparable with data for earlier years.

Purpose of issue - As in other recent years, more bond issues were sold for school building construction than for any other purpose. The volume of such offerings amounted to \$568 million, nearly 40 per cent greater than in the third quarter last year. Issues to obtain funds for sewer and water construction were the second largest in volume and totaled \$282 million, as compared with \$170 million in the third quarter a year earlier.

Sales of highway and of veterans' aid bonds were substantially larger during the third quarter than a year earlier. The increase in bonds sold for veterans' aid reflected the sale of a large issue for this purpose by the State of California. Issues for miscellaneous public service enterprises were the only type in smaller volume this year than last.

Type of issuer - All levels of governments sold a markedly greater volume of securities in the third quarter than in the corresponding period of 1956. Municipalities sold the largest volume of bonds, accounting for more than one-third of all issues in the quarter. Except for issues of State governments, comparison of current data with those prior to 1956 is difficult because of differences in classification procedures.

Type of issue - General obligations accounted for a slightly larger proportion of the total in the third quarter this year than in 1956. The share of revenue bond financing did not change significantly. Sales of utility revenue bonds increased substantially from last year -- the only two years for which such data are available.

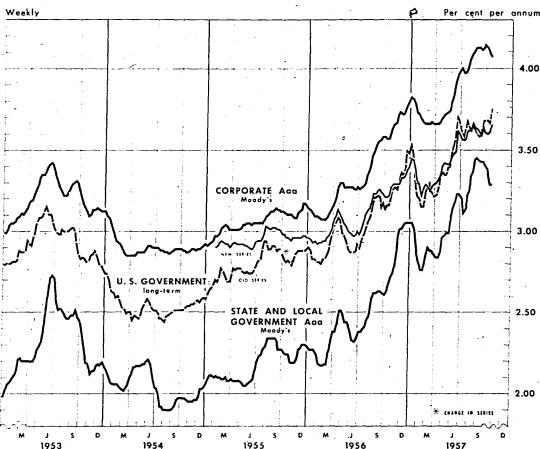
It should be noted that beginning with this quarterly report a more detailed classification of security issues by type of issue is available. In particular, it is now possible to subclassify revenue issues into four major groups. 1) Utility revenue bonds are those used to finance projects usually considered to be public utilities (electric, water, sewer, etc.) 2) The quasi-utility category includes bonds which are also secured by non-tax revenues, but which are used for projects not normally associated with the services rendered by public utilities -- such as parking lots and hospitals. 3) Special tax revenue bonds are those secured by the earmarking of revenue from specific taxes. 4) Rental revenue bonds are those secured solely by lease payments.

More detailed information concerning recent capital markets 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 govt. Aaa <sup>3/</sup>	Spread between U. S. Govt. (old series) and Corporate/State and Local Aaa	
		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	3.79 (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	4.11 (9/27)	3.75 (10/18)	3.66 (10/18)	3.45 (8/29)	.54	.49
Low	3.66 (4/12)	3.15 (2/8)	3.22 (2/8)	2.76 (2/21)	.25	.14
September 20	4.12	3.68	3.63	3.43	.44	.25
September 27	4.14	3.68	3.61	3.41	.46	.27
October 4	4.12	3.68	3.60	3.38	.44	.30
October 11	4.09	3.66	3.61	3.29	.42	.37
October 18	4.07	3.75	3.66	3.29	.32	.46

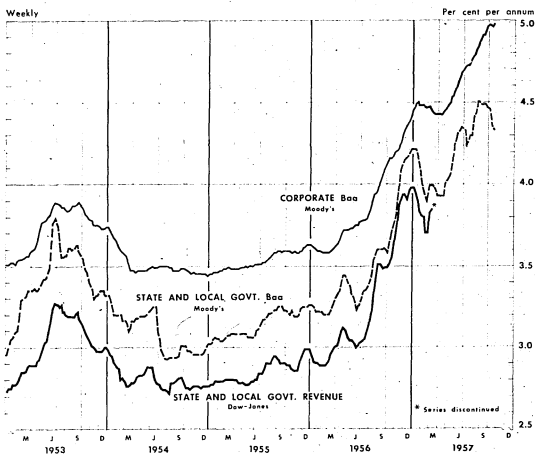
<sup>1/</sup> Weekly average of daily figures. Average term of bonds included is 25-26 years.

<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 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.

<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.

## LOWER-GRADE BOND YIELDS



Date	Corporate Baa <sup>1/</sup>	State and local govt. Baa <sup>2/</sup>	State and local govt. rev. <sup>3/</sup>
	(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	4.41 (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	4.98 (10/18)	4.51 (8/29)	3.98 (1/4)
Low	4.42 (4/12)	3.90 (2/21)	3.70 (2/22)
September 20	4.94	4.49	<sup>4/</sup>
September 27	4.96	4.47	
October 4	4.97	4.46	
October 11	4.96	4.36	
October 18	4.98	4.33	

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

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

<sup>3/</sup> Friday figures. Average rating of bonds included is between Baa and A; average term is 20 years.

<sup>4/</sup> Series discontinued, as of March 15.

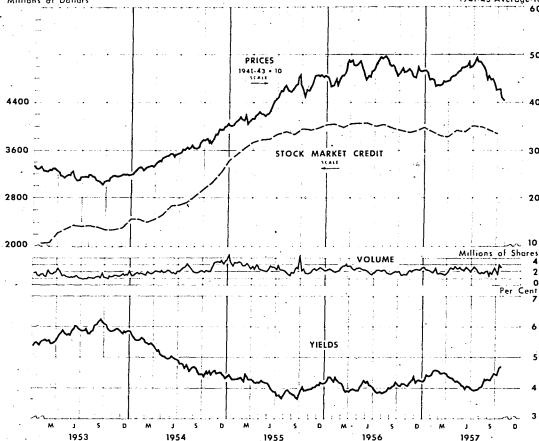
Note.--Highs and lows are for individual series and may be on different dates for different series.

EXHIBIT C

STOCK MARKET

Millions of Dollars

1941-43 Average: 10  
60



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 balances <sup>4/</sup>	Bank loans to "others" <sup>5/</sup>
(Millions of dollars)						
1953 - High	26.54 (1/2)	2.5	6.25	2,455	1,665	780
Low	22.95 (9/18)	0.9	5.38	2,055	1,314	664
1954 - High	35.98 (12/31)	3.7	5.82	3,436	2,388	1,048
Low	24.93 (1/8)	1.4	4.32	2,405	1,653	746
1955 - High	45.89 (12/9)	4.6	4.42	4,030	2,805	1,241
Low	35.28 (1/14)	1.5	3.64	3,537	2,517	1,018
1956 - High	49.64 (6/3)	3.1	4.35	4,047	2,823	1,267
Low	43.22 (1/20)	1.5	3.82	3,914	2,740	1,155
1957 - High	49.08 (7/12)	3.1	4.69	4,031	2,887	1,263
Low	40.33 (10/18)	1.4	3.91	3,832	1,713	1,086
August	45.84	1.9	4.15	3,929	2,833	1,096
September	43.98	1.8	4.34	3,882	2,789	1,093
October 4	42.79	1.6	4.40	n.a.	n.a.	1,086
October 11	40.94	3.1	4.63	n.a.	n.a.	1,086
October 18	40.33	2.6	4.69	n.a.	n.a.	n.a.

n.a.--Not available.

<sup>1/</sup> Standard and Poor's composite index of 500 common stocks, weekly closing prices, 1941-43-10. Monthly data are averages of daily figures rather than of Fridays' only. Highs and lows are for Friday's data only.

<sup>2/</sup> Averages of daily trading volume on the New York Stock Exchange.

<sup>3/</sup> Standard and Poor's composite stock yield based on Wednesday data converted to weekly closing prices by Federal Reserve.

<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 70 per cent of loans to others. For further detail see *Bulletin*.

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 <sup>1/</sup>		
	1957	1956	1955	1957	1956	1955
January	1,063	573	535	742	1,041	535
February	1,071	712	407	573	696	312
March	1,344	817	1,223	506	390	538
April	924	818	1,178	765	376	1,127
May	771	1,146	886	546	490	350
June	1,489	841	687	394	735	642
July	e/1,075	1,063	597	524	408	1,170
August	e/500	654	614	572	206	219
September	e/1,000	838	670	418	357	406
October	e/1,000	745	1,162 <sup>2/</sup>	e/600	639	919
November		1,089 <sup>3/</sup>	632		317	658
December		1,088	900		409	1,08
1st quarter	3,479	2,102	2,165	1,821	1,490	1,365
2nd quarter	3,184	2,805	2,052	1,705	1,603	1,416
3rd quarter	e/2,975	2,556	1,911	1,514	971	1,124
4th quarter		2,922	2,695		1,395	1,984
1st half	6,663	4,907	4,216	3,526	3,093	2,802
Three quarters	e/9,638	7,463	6,127	5,040	4,064	3,927
Year		10,384	8,821		5,459	5,911
	Excluding finance companies <sup>4/</sup>					
1st quarter	3,268	1,647	1,727			
2nd quarter	2,924	2,541	1,870			
3rd quarter	e/2,675	2,216	1,444			
4th quarter		2,826	2,544			
Year		9,259	7,595			

e/ Estimated.

<sup>1/</sup> Data through June 1956 are Bond Buyer data classified as new capital by Federal Reserve; later data are from the Investment Bankers Association of America and are somewhat more complete as to coverage than the earlier data, particularly for Federal Government loans.

<sup>2/</sup> Includes \$637.2 million AT&T convertible debenture issue.

<sup>3/</sup> Includes \$571.5 million AT&T common stock issue.

<sup>4/</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 - September	558	184	--
October	386	383	35
November	701	135	--
December	430	201	--
1957 - January	567	386	100
February	671	306	50
March	788	194	--
April	477	499	125
May	329	248	25
June	877	176	39
July	525	265	25
August	526	357	--
September	537	185	30

Large Individual Issues Offered October 1 through 18

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Gulf States Utilities Co.	1st mtg.bds.	17.0	1987	4 7/8	4.78	Aa
Southwestern Bell Tel. Co.	Deb.	100.0	1992	4 3/4	4.70	Aaa
Northern Natural Gas Co.	Pfd. stk.	16.0				
Shamrock Oil & Gas Corp.	Conv.sub.deb.	17.5	1982	5 1/4	5.25	Ba
Columbia Gas System Inc.	Deb.	25.0	1982	5	5.00	A
Chem. Corn Exchange Bank	Cap. stk.	48.4				
Commonwealth Edison Co.	Pfd. stk.	25.0				
<u>STATE &amp; LOCAL GOVERNMENT</u>						
State of New York	G.O.	24.0	1958-72	2.90	2.25-2.90	Aaa
State of Oregon	G.O.	26.6	1960-71/67	3.11	2.70-3.25	Aa



## Large Individual Issues Offered October 1 through 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 AND LOCAL GOVERNMENT</u> (Continued)						
City & Co. of San Francisco, Calif.	G.O.	28.9	1958-77	3.13	2.40-3.20	Aa
State of Ohio	Hwy. rev.	31.0	1958-72	3.32	2.20-3.30	Aa
Cincinnati, Ohio	G.O.	5.3	1959-98	3.20	2.40-3.30	Aaa
Chicago Park Dist., Ill.	G.O.	6.0	1959-77	3.45	2.60-3.50	A
Mecklenberg Co., N. C.	G.O.	5.0	1959-78	3.37	2.60-3.40	A
L.A. Dept of Wtr. & Pwr., Calif.	Rev.	18.0	1958-87	3.52	2.50-3.55	Aa
Dayton City S. D., Ohio	G.O.	8.0	1959-78	3.22	2.50-3.15	Aa
San Diego U.S.D., Calif.	G.O.	10.0	1960-79	3.53	2.80-3.60	A
Commonwealth of Mass.	G.O.	63.5	1958-77	3.49	2.50-3.45	Aa
Pittsburgh, Penna.	G.O.	6.6	1958-77	3.30	2.40-3.30	A
Md. State Roads Comm.	G.O.	15.0	1958-72/65	3.51	2.60-3.45	Aa
Boston, Massachusetts	G.O.	16.0	1958-77	3.56	2.50-3.60	A
<u>OTHER</u>						
Int'l Bk. for Rec. & Dev.	Bds.	75.0	1980	4 3/4	4.75	Aa

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.

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 - 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	--
Mar. 29	461	290	25	486	862	25
Apr. 30	187	179	25	258	396	25
May 31	525	97	--	525	388	--
June 28	370	172	25	415	498	25
July 31	526	252	--	811	514	--
Aug. 30	578	243	30	845	439	30
Sept. 30	576	370	--	647	587	15

Forthcoming Large Offerings, as of October 18

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Consolidated Edison Co.	1st & ref.mtg.bds.	60.0	Oct. 23
General Portland Cement Co.	Conv.sub.deb.	15.0	Oct. 23
Commercial Credit Co.	Notes	50.0	Oct. 24
American Telephone & Telegraph Co.	Deb.	250.0	Oct. 29
National Cylinder Gas Co.	Conv.sub.deb.	17.5	Oct.
Consumers Power Co.	Conv. deb.	35.2	Nov. 1
			(rights expire)
Merrimack Essex Electric Co.	1st mtg. bds.	20.0	Nov. 7
Dayton Power & Light Co.	1st mtg. bds.	25.0	Nov. 7
Southern New England Tel. Co.	Common stk.	27.4	Nov. 8
			(rights expire)
*Beneficial Finance Co.	Deb.	50.0	Nov. 8
*Transcontinental Gas Pipe Line Corp.	S.F. deb.	20.0	Nov. 15
*Idaho Power Co.	1st mtg. bds.	15.0	Nov. 20
Ohio Power Co.	1st mtg. bds.	25.0	Nov. 20
Standard Oil Co. of New Jersey	Common stk.	250.0	Dec. 17
			(rights expire)

## Forthcoming Large Offerings, as of October 18 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
Milwaukee, Wisconsin	G.O.	5.5	Oct. 22
State of California	G.O.	85.0	Oct. 23
State of Washington	G.O.	52.0	Oct. 29
State of Mississippi	G.O.	10.0	Oct. 30
Broward Co. Spec.Sch.Dist. No. 1, Fla.	G.O.	12.5	Nov. 1
Los Angeles Co. Flood Control Dist., Calif.	Rev.	20.0	Nov. 5
Jacksonville, Florida	Utilities rev.	30.0	Nov. 7
Port of New York Auth.	Rev.	25.0	Nov. 7
*Cook County, Ill.	G.O.	20.0	Nov. 7
State of Kentucky	G.O.	35.0	Nov. 12
*Springfield, Missouri	Water rev.	22.0	Nov. 13
*Chicago, Illinois	Water works rev.	20.0	Nov. 13
*New York Thruway Auth.	Rev.	50.0	Nov. 19
State of Ohio	Thoroughfare rev.	30.0	Nov. 19
New York City	G.O.	36.5	Nov. 19
Territory of Hawaii	G.O.	7.0	Nov. 19
Washington Toll Bridge Auth.	Rev.	30.5	Nov. 20
*Chicago Bd. of Education, Ill.	G.O.	25.0	Dec. 17
State of Missouri	G.O.	30.0	1957
State of Texas	G.O.	12.5	1957
University System Eldg. Auth., Ga.	Rev.	12.0	1957
Pennsylvania Turnpike Commission	Rev.	62.0	1957
Inter-American Center Auth., Fla.	Rev.	20.0	1957
New York State Thruway Authority	G.O.	50.0	1957
<u>OTHER</u>			
Union of South Africa	Ext. loan bds.	15.0	1957

\*--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.

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 - 1956				
High	4.30(12/12/56)	62	4.58(12/6/56)	70
Low	2.93(3/31/54)	- 3	3.00(3/17/54)	-15
1957 - January	4.44	57	4.62	64
February	4.25	44	None	
March	None		4.50	45
April 3	4.29	50		
10			4.60	59
12			4.50	49
May 10			4.53	52
15			4.53 <sup>2/</sup>	52
16	4.50	65	4.70	69
21	4.38 <sup>2/</sup>	51		
23			5.00	98
29			5.25	123
June 5	4.63	75		
7			5.10	106
11	4.78	87		
July 3			4.80 <sup>2/</sup>	64
10	4.57	48	4.88 <sup>2/</sup>	74
11	4.77	68		
16	4.65	56		
17			4.90	71
August 14	5.00	75		
September 5	4.80	51		
6	4.85	56		
October <sup>25</sup>	4.78	45	5.10	51
15			5.00	39
17			4.95	34

<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.

<sup>2/</sup> Provides for a 5-year period during which issue may not be called for refunding at a lower coupon rate. Other issues have no such provision.