

H.14

July 14, 1958.

CAPITAL MARKET DEVELOPMENTS

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

The volume of public security financing for new capital was substantial last week, particularly for corporate securities, and is expected to be even larger this week. During the week ending July 11, corporations sold large issues totaling \$202 million and State and local governments offered issues with aggregate proceeds of \$45 million. This week, large corporate issues, including a \$300 million debenture issue by United States Steel Corporation, are expected to total \$452 million. State and local government issues totaling \$46 million are also scheduled for sale.

Bond yields - Changes in yields on outstanding bonds were mixed last week. Yields on high-grade corporate, U. S. Government, and lower-grade State and local government bonds increased, while those for Aaa-rated State and local government bonds remained stable. Yields on Baa-rated corporate bonds declined.

A new Aa-rated first mortgage electric utility issue was offered to investors last week to yield 4.00 per cent -- 5 basis points above that for a comparable offering made a week earlier.

Stock prices - The Standard and Poor's index of 500 common stocks increased further last week, reaching 45.72 on July 11. Prices are now only 7 per cent below the level of a year ago, when the 1957 peak was reached. The volume of trading averaged 2.5 million shares a day.

State and Local Government Security
Offerings in the Second Quarter of 1958

The volume of bonds sold by State and local governments during the second quarter of 1958 was \$2.2 billion, 30 per cent larger than a year earlier, but slightly below the volume in the first three months of this year. For the first six months of 1958, State and local government security financing totaled a record \$4.5 billion, more than one-fourth greater than in the first half of last year.

Purpose of issue - School construction was the most important purpose of financing as it has been in other recent years. Accounting for nearly one-third of total offerings, the volume of \$681 million in the second quarter was more than 15 per cent greater than in the same period of 1957.

Long-term Security Issues of State and Local Governments
Second Quarter

(In millions of dollars)

	1958	1957	1956	1955	1954
Issuing authority:					
State	670	400	164	254	668
County and township	165	109	53	134	118
Municipality	641	611	452	363	466
School district	361	361	287	241	247
Special authority	393	236	496	312	745
Unidentified 1/	--	--	165	125	129
Total	2,230	1,717	1,617	1,429	2,372
Purpose of issue:					
New capital total	2,201	1,704	1,603	1,418	2,334
Schools 2/	681	578	394	365	502
Highways, bridges, and tunnels	424	313	159	226	1,068
Residential buildings	157	57	114	140	133
Hospitals and institutions	65	27	15	28	43
Sewer and water	253	251	213	192	162
Misc. public service enterprises	54	81	245	37	57
Veterans' aid	103	136	68	20	25
Other	463	262	230	286	217
Unidentified 1/	--	--	165	125	127
Refunding	29	12	14	11	39
Total	2,230	1,717	1,617	1,429	2,372
Type of issue:					
General obligation	1,647	1,173	979	860	1,125
Revenue	457	470	533	457	1,126
Utility	241	323	n.a.	n.a.	n.a.
Quasi-Utility	51	17	n.a.	n.a.	n.a.
Special tax	143	92	n.a.	n.a.	n.a.
Rental	22	39	n.a.	n.a.	n.a.
Public Housing Authority	71	36	92	112	119
Federal Government loans 3/	55	38	13	--	3
Total	2,230	1,717	1,617	1,429	2,372

n.a.--Not available.

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

2/ Data for years prior to 1957 probably understate school issues by about one-fourth because of unclassified small issues.

3/ Coverage for 1957 and 1958 is broader than for earlier years.

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

Source.--1954-1956, Bond Buyer and Federal Reserve; 1957-1958, Investment Bankers Association of America. Data for 1957-1958 not strictly comparable with data for earlier years.

New financing for highways, bridges and tunnels ranked second in importance. Sales of these bonds totaled \$424 million and were one-third larger than a year earlier. Sales of bonds for residential buildings, hospitals and institutions were also substantially larger during this second quarter. Bonds for miscellaneous public service enterprises and veterans' aid were the only major types of issue sold in smaller volume in the second quarter than a year earlier.

Type of issuer - Most major types of issuing units sold a larger volume of bonds this year than last. The only exception was school districts, whose sales equalled those of a year earlier. While the volume of bonds floated for educational purposes increased, a larger proportion was sold by States and municipal governments. States were the most important group of issuers during this period, selling bonds totaling \$670 million. This volume accounted for 30 per cent of total offerings and was two-thirds greater than in the second quarter of 1957.

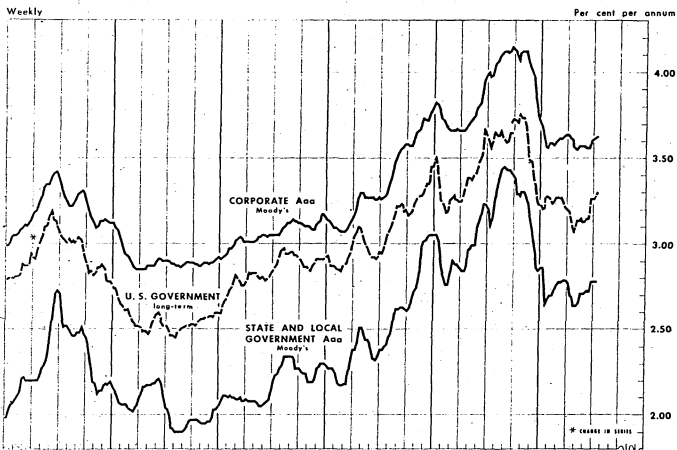
Type of issue - General obligations remained the most important type of issue sold and were two-fifths larger than in the second quarter of 1957. Sales of revenue bonds declined slightly while both Federal Government loans and Public Housing Authority offerings were in larger volume this year.

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

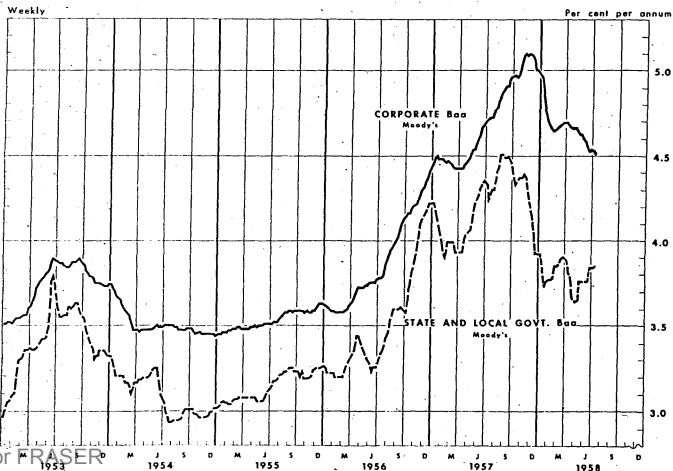
Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

EXHIBIT A

HIGH-GRADE BOND YIELDS



LOWER - GRADE BOND YIELDS



Tables for 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. and	
				Corporate Aaa	State and Local Aaa
(Per cent)					
1953 - High	3.42 (6/19)	3.19 (6/5)	2.73 (6/25)	.38	.83
1954 - Low	2.85 (4/23)	2.45 (8/6)	1.90 (9/2)	.30	.30
1957 - high	4.14 (9/27)	3.76 (10/18)	3.45 (8/29)	.60	.47
1958 - High	3.68 (1/3)	3.30 (7/11)	2.86 (1/9)	.51	.62
Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.28	.34
June 13	3.56	3.15	2.72	.41	.43
June 20	3.57	3.21	2.75	.36	.46
June 27	3.61	3.26	2.78	.35	.48
July 4	3.62	3.26	2.78	.36	.48
July 11 p/	3.63	3.30	2.78	.33	.52

Lower-grade Bond Yields

Date	Corporate Baa 1/	State and local govt. Baa 3/	Spread between Aaa and Baa	
			Corporate	State and local govt.
(Per cent)				
1953 - High	3.89 (9/18)	3.79 (6/25)	.69	1.21
1954 - Low	3.44 (12/31)	2.93 (8/5)	.52	.96
1957 - High	5.10 (11/29)	4.51 (8/29)	1.27	1.21
1958 - High	4.96 (1/3)	3.92 (1/2)	1.28	1.11
Low	4.51 (7/11)	3.64 (5/1)	.88	.99
June 13	4.55	3.76	.99	1.04
June 20	4.53	3.76	.96	1.01
June 27	4.54	3.84	.93	1.06
July 4	4.53	3.84	.91	1.06
July 11 p/	4.51	3.85	.88	1.07

p/ Preliminary.

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

2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

3/ Thursday figures. Only general obligations 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 C

STOCK MARKET

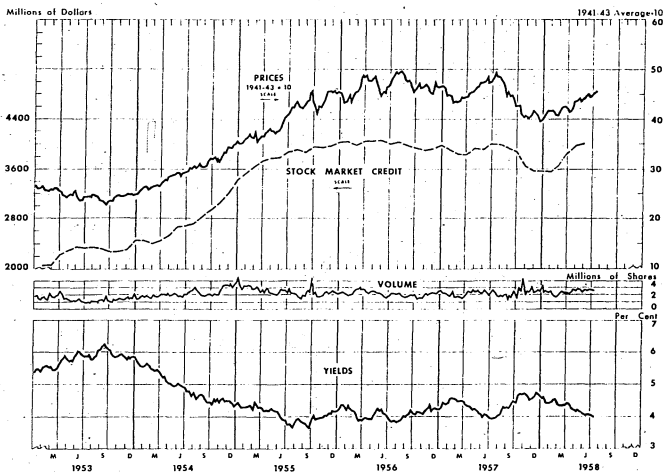


Exhibit D

Table for 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 balances 4/	Bank loans to "others" 5/
(Millions of dollars)						
1953 - High	26.54 (1/2)	2.5	5.38	2,455	1,665	780
Low	22.95 (9/18)	0.9	6.25	2,055	1,314	664
1954 - High	35.98 (12/31)	3.7	4.32	3,436	2,388	1,048
Low	24.93 (1/8)	1.4	5.82	2,405	1,653	746
1955 - High	45.89 (12/9)	4.6	4.08	4,030	2,805	1,241
Low	35.28 (1/14)	1.5	4.41	3,537	2,517	1,018
1956 - High	49.64 (8/3)	3.1	3.82	4,047	2,823	1,267
Low	43.22 (1/20)	1.5	4.34	3,914	2,740	1,155
1957 - High	49.08 (7/12)	4.2	3.91	4,031	2,887	1,163
Low	39.48 (12/20)	1.4	4.72	3,576	2,482	1,054
1958 - High	45.72 (7/11)	2.8	3.99	4,069	2,856	1,317
Low	40.37 (1/10)	1.7	4.58	3,554	2,487	1,051
May	43.70	2.6	4.17	4,069	2,856	1,213
June	44.75	2.7	4.07	n.a.	n.a.	1,297
June 27	44.90	2.7	4.07	n.a.	n.a.	1,297
July 4	45.47	2.6	4.02	n.a.	n.a.	1,317
July 11 p/	45.72	2.5	3.99	n.a.	n.a.	n.a.

n.a.--Not available. p/ Preliminary.

1/ 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.

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

3/ Standard and Poor's composite stock yield based on Wednesday data converted to weekly closing prices by Federal Reserve. Yields shown are for dates on which price index reached its high or low.

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 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.

Long-term Corporate and State and Local Government
Security Offerings and Placements

(In millions of dollars)

	New capital					
	Corporate 1/			State and local 2/		
	1958	1957	1956	1958	1957	1956
January	723	1,060	573	812	742	404
February	851 ^{3/}	1,065	712	953	572	696
March	1,561 ^{3/}	1,320	817	511	506	390
April	p/1,124	931	818	797	765	378
May	p/624	765	1,146	871	546	490
June	e/800	1,453	844	p/532	393	735
July	e/1,150	1,003	1,063	e/525	529	408
August		924	654		584	206
September		973	838		431	357
October		1,090	745		698	639
November		789	1,089 ^{4/}		633	347
December		1,076	1,088		698	409
1st quarter	3,135	3,445	2,102		1,820	1,490
2nd quarter	e/2,548	3,149	2,805	p/2,200	1,704	1,603
3rd quarter		2,899	2,556		1,544	971
4th quarter		2,954	2,922		2,029	1,395
1st half	e/5,683	6,594	4,907	p/4,470	3,524	3,093
Three quarters		9,493	7,463		5,069	4,064
Year		12,447	10,384		7,099	5,459
	Excluding finance companies 5/					
1st quarter	2,894	3,237	1,647			
2nd quarter	e/2,498	2,889	2,541			
3rd quarter		2,582	2,246			
4th quarter		2,810	2,826			
Year		11,518	9,260			

e/ Estimated. p/ Preliminary.

1/ Securities and Exchange Commission estimates of net proceeds.

2/ 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.

3/ Includes \$718.3 million AT&T convertible debenture issue.

4/ Includes \$571.5 million AT&T common stock issue.

5/ Total new capital issues excluding offerings of sales and consumer finance companies.

Other Security Offerings ^{1/}

(In millions of dollars)

	Long-term					
	Foreign government ^{2/}			Federal agency ^{3/}		
	1958	1957	1956	1958	1957	1956
January	196	84	37	1,163	72	--
February	53	49	--	251	--	--
March	--	30	8	--	+	--
April	139	123	50	523	125	60
May	197	48	--	3	--	--
June		42	95		60	--
July		28	2		--	--
August		7	39		--	109
September		30	--		215	--
October		4	44		--	--
November		60	5		100	--
December		1	21		--	--
Year		507	300		572	169
				Short-term		
				State and local government ^{4/}		
				Federal agency ^{3/}		
January	233	326	196	371	638	380
February	460	455	357	208	430	220
March	273	147	249	144	505	283
April	357	205	125	209	336	323
May	p/353	337	252	161	469	314
June		153	176		501	260
July		272	195		224	222
August		272	207		370	425
September		252	179		512	273
October		303	294		1,238	407
November		94	328		255	222
December		459	148		116	128
Year		3,274	2,706		5,543	3,457

e/ Estimated. p/ Preliminary.

^{1/} Data presented in this exhibit differ from those in Exhibit E in that refunding issues, as well as new capital issues, are included. Long-term securities are defined as those maturing in more than one year.

^{2/} Includes securities offered in the United States by foreign governments and their subdivisions and by international organizations. Source: Securities and Exchange Commission.

^{3/} Issues not guaranteed by the U. S. Government. Source: long-term, Securities and Exchange Commission; short-term, Federal Reserve.

^{4/} Principally tax and bond anticipation notes, warrants or certificates and Public Housing Authority notes. In some instances PHA notes included may have a somewhat longer term than one year. Source: Bond Buyer.

Large Long-term 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/
1957 - June	877	81	99
July	525	224	25
August	526	266	--
September	537	133	245
October	574	393	75
November	420	344	100
December	399	404	--
1958 - January	318	410	1,378
February	605	553	266
March	1,093	182	--
April	725	300	653
May	356	505	165
June	281	195	86

Large Individual Issues Offered July 1 through 11

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Florida Power Corp.	1st mtg. bds.	25.0	1988	4 1/8	3.98	A
Northern Ind. Pub. Sv. Co.	Com. stk.	15.2				
Pacific Gas & Elec. Co.	Com. stk.	44.4				
N. Y. Telephone Co.	Ref. mtg. bds.	65.0	1993	4 1/8	4.00	Aaa
New Eng. Tel. & Tel. Co.	Com. stk.	22.6				
Southern Nat. Gas Co.	S.F. deb.	30.0	1978	4 1/2	4.50	Baa
Boston Edison Co.	Pfd. stk.	25.0				
<u>STATE AND LOCAL GOVERNMENT</u>						
Penna. Gen. State Auth.	Rev.-S.T.	30.0	1960-84	3.34	1.30-3.50	--
Met. San. Dist. of Chi., Illinois	Rev.-Ut.	15.0	1960-78	3.03	1.25-3.20	A
<u>OTHER</u>						
Federal Land Banks	Loan bds.	41.0	Oct. 1959	1 3/4	1.90	--

1/ Includes corporate and other security offerings of \$15 million and over; State and local government security offerings of \$10 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.

3/ In the case of State and local government securities, G.O., denotes general obligations; Rev.-Ut., revenue obligations secured only by income from public utilities; Rev.-Q.Ut., revenue bonds secured only by revenue of quasi-utilities; Rev.-S.T., revenue bonds secured by revenue from specific taxes only; Rev.-Rent., revenue bonds secured solely by lease payments.

Forthcoming Large Long-term 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>
1957 - May 31	525	87	--	525	407	--
June 28	370	153	25	415	479	25
July 31	526	218	--	811	471	--
Aug. 30	578	183	30	845	379	30
Sept. 30	576	334	--	647	551	15
Oct. 31	458	339	30	815	543	45
Nov. 29	383	363	18	1,193	558	63
Dec. 31	378	345	150	1,161	564	165
1958 - Jan. 31	498	370	--	1,378	487	--
Feb. 28	1,123	134	--	1,208	341	--
Mar. 31	555	298	110	670	330	110
Apr. 30	356	493	150	561	493	150
May 29	266	177	36	464	208	36
June 30	768	225	--	1,048	235	--

Forthcoming Large Offerings, as of July 11

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Southern Railway Co.	1st coll. tr. bds.	22.0	July 16
Boeing Airplane Co.	S.F. deb.	60.0	July 17
United States Steel Corp.	S.F. deb.	300.0	July 17
Pacific Lighting Corp.	Common stk.	45.0	July 17
Burroughs Corp.	Deb.	25.0	July 18
Washington Water Power Co.	1st mtg. bds.	15.0	July 24
Natural Gas Pipeline Co. of America	Conv. deb.	35.0	July 25
*Natural Gas Pipeline Co. of America	Pfd. stk.	15.0	July 25
Boeing Airplane Co.	Conv. sub. deb.	30.6	July 29
Burroughs Corp.	Common stk.	15.0	(rights expire) Aug. 1
Montana Power Co.	1st mtg. bds.	20.0	Aug. 13
Consolidated Natural Gas Co.	S.F. deb.	45.0	Aug. 14
*Houston Corp.	Deb. & common stk.	36.2	Aug.
Commerce Oil Refining Corp.	Deb., bds. & common	45.0	1958
Standard Oil Co. of California	Deb.	150.0	1958
Martin Co.	S.F. deb.	25.0	1958

Forthcoming Large Offerings, as of July 11 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
Memphis, Tennessee	Rev.-Ut.	10.0	July 15
Los Angeles Dept. of Wtr. & Pwr., California	Rev.-Ut.	21.0	July 16
State of North Carolina	G.O.	15.0	July 16
State of Ohio	Rev.-S.T.	31.0	July 22
Territory of Hawaii	Rev.-Ut.	12.5	July 22
State of California	G.O.	100.0	July 23
*Los Angeles Sch. Dists., Calif.	G.O.	40.0	July 29
Philadelphia, Pennsylvania	G.O.	12.0	Aug. 5
San Diego Unif. Sch. Dist., Calif.	G.O.	10.0	Sept. 10
<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 \$10 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.

Note.--Deletions for reasons other than sale of issue: Mead Corporation's \$25 million debenture issue - proceeds for new capital less than \$15 million.

Yields on New and Outstanding
Electric Power Bonds, Rated Aa and A ^{1/}

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 - 1957				
High	5.00(8/14/57)	87	5.50(11/7/57)	123
Low	2.93(3/31/54)	-3	3.00(3/17/54)	-15
1958 - January	*3.60	-8	3.96 ^{2/}	3
February	3.89 ^{2/}	22	4.07	9
March 4			4.25	6
5	4.15	44		
6	4.22	50		
12	4.00	28		
19	4.00	26		
21			4.07	-7
25	4.05	31		
April 1	3.98	23		
2	4.00	25		
17			3.98	5
23	3.75	5		
29			4.04	11
May 7			4.00	3
13	3.90	21		
15			4.07	4
16			4.35	32
20	3.85	16		
21	3.85	16		
22			4.00	-1
28			3.95	-6
June 10	3.85	17		
17	3.82	12		
25	3.95	24		
July 2			3.98 ^{2/}	1
9	4.00	25		

*—Single observation, not an average.

^{1/} 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.

^{2/} Provides for a 5-year period during which issue may not be called for refunding at a lower coupon rate. Monthly averages so marked include one or more issues with such a provision. Other issues have no such provision.