

H.14

August 18, 1958

CAPITAL MARKET DEVELOPMENTS

The volume of public security financing was small last week and is expected to be only slightly larger this week. During the week ending August 15, one large corporate issue for \$45 million was sold, while the sale of two other issues originally scheduled for last week was postponed until later this month. No large State and local government issues were offered last week. This week, corporations are expected to sell large issues totaling \$96 million. Only one State and local government issue for \$22 million is scheduled for sale.

Bond yields - Yields increased sharply last week for all categories of outstanding bonds. Yields for all types of bonds, except those for corporate Baa-rated bonds, again rose to new highs for the year.

Stock market credit - Customer credit in the stock market (excluding that for U. S. Government securities) rose further to a new record level in July, although the increase was not as large as in earlier months of the year. Such credit totaled \$4,251 million at the end of last month, 20 per cent higher than when margin requirements were reduced in January. The \$25 million increase in July reflected a \$91 million rise in net debit balances which was partially offset by a \$66 million decline in bank loans to "others."

Borrowing by member firms of the NYSE maintaining margin accounts (excluding borrowing on U. S. Government securities) declined last month. Customers' net free credit balances continued to increase, totaling \$1,080 million at the end of the month. These and other data on stock market credit are shown in the following table.

	End of month		Change
	July	June	
Customer credit			
Excluding U. S. Government securities - total	4,251	4,226	+25
Net debit balances	3,020	2,929	+91
Bank loans to "others"	1,231	1,297	-66
Net debit balances secured by U. S. Govt. securities	149	240	-91
Bank loans to others for purchasing or carrying			
U. S. Government securities	113	84	+29
Broker and dealer credit			
Money borrowed except on U. S. Government securities	1,903	r/1,930	-27
On customer collateral	1,594	1,591	+3
Money borrowed on U. S. Government securities	306	r/468	-162
Customers' net free credit balances	1,080	1,047	+33

r/ Revised.

Stock prices - Stock prices declined last week, after increasing in each of the previous seven weeks. Standard and Poor's index of 500 common stocks closed at 47.50 on August 15, one per cent lower than the high for the year reached last Monday. Trading activity also declined last week averaging 2.9 million shares a day. In each of the three preceding weeks volume exceeded 3.7 million shares a day.

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.

Tables for Exhibit A

High-grade Bond Yields

Date	Corporate Aaa <u>1/</u>	U. S. Govt. long-term <u>2/</u>	State and local govt. Aaa <u>3/</u>	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	3.83 (8/15)	3.61 (8/15)	3.04 (8/14)	.51	.62
Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.22	.34
July 18	3.67	3.39	2.78	.28	.62
July 25	3.70	3.38	2.78	.32	.60
Aug. 1	3.71	3.44	2.84	.27	.60
Aug. 8	3.77	3.53	2.91	.24	.62
Aug. 15 p/	3.83	3.61	3.04	.22	.57

Lower-grade Bond Yields

Date	Corporate Baa <u>1/</u>	State and local govt. Baa <u>3/</u>	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)	4.03 (8/14)	1.28	1.11
Low	4.51 (7/11)	3.64 (5/1)	.83	.99
July 18	4.52	3.83	.85	1.05
July 25	4.55	3.82	.85	1.04
Aug. 1	4.56	3.83	.85	.99
Aug. 8	4.60	3.92	.83	1.01
Aug. 15 p/	4.66	4.03	.83	.99

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

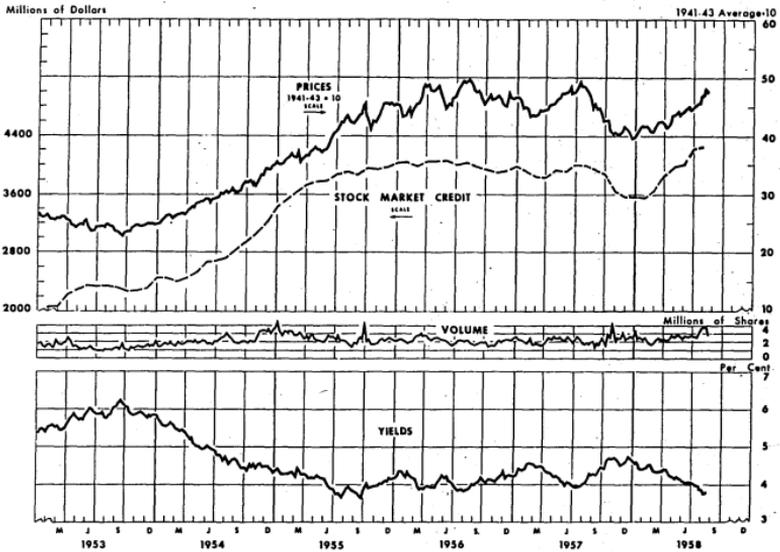


Exhibit D

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 bal- ances 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	48.05 (8/8)	3.8	3.74	4,251	3,020	1,317
Low	40.37 (1/10)	1.7	4.58	3,554	2,487	1,051
June	44.75	2.7	4.07	4,226	2,929	1,297
July	45.98	3.2	3.97	4,251	3,020	1,231
Aug. 1	47.49	3.8	3.84	n.a.	n.a.	1,231
Aug. 8	48.05	3.7	3.74	n.a.	n.a.	1,199
Aug. 15 p/	47.50	2.9	3.79	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	1,065	712	953	572	696
March	1,561 ^{3/}	1,320	817	511	506	390
April	1,141	931	818	798	765	378
May	600	765	1,146	873	546	490
June	891	1,453	841	542	393	735
July	e/1,150	1,003	1,063	p/627	529	408
August	e/600	924	654	e/300	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	2,276	1,820	1,490
2nd quarter	2,622	3,149	2,805	2,213	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	5,757	6,594	4,907	4,489	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/2,572	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	198	48	--	--	--	--	
June	120	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	354	337	252	161	469	314	
June	p/264	153	176	329	501	260	
July		272	195	601	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 <u>2/</u>
1957 - July	525	224	25
August	526	266	--
September	537	133	245
October	574	393	--
November	420	344	154
December	399	404	--
1958 - January	318	410	1,357
February	605	553	266
March	1,093	182	--
April	725	300	653
May	356	505	164
June	281	195	86
July	771	275	41

Large Individual Issues Offered August 1 through 15

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Consolidated Nat. Gas Co.	S.F. deb.	45.0	1983	4 3/8	4.30	Aaa
<u>STATE AND LOCAL GOVERNMENT</u>						
Philadelphia Sch. Dist., Pa.	G.O.	12.0	1960-83	3.28	1.40-3.50 ^{4/} A	
Georgia Rural Rds. Auth.	Rev.-Rent.	21.0	1960-79/68	3.72	1.70-3.70	A
<u>OTHER</u>						
None						

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.

4/ The 3.50 per cent yield is for the 1981-82 maturities. The 1/4s of 1983 were reoffered to yield 4.00 per cent.

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 2/	Corporate	State and local govt.	Other 2/
1957 - 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	--
July 31	161	55	--	381	125	--

Forthcoming Large Offerings, as of August 15

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Houston Corp.	Deb. & common stk.	36.2	Aug. 19
Public Service Electric & Gas Co.	1st ref. mtg. bds.	60.0	Aug. 21
Southern California Edison Co.	1st ref. mtg. bds.	50.0	Aug. 26
Universal-Cyclops Steel Corp.	S.F. deb.	22.5	Aug. 27
Montana Power Co.	1st mtg. bds.	20.0	Aug. 27
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
<u>STATE AND LOCAL GOVERNMENT</u>			
Los Angeles, California	G.O.	21.5	Aug. 19
New York, New York	G.O.	32.4	Aug. 26
Detroit, Michigan	Rev.	10.6	Aug. 26
San Carlos, California	G.O.	10.7	August
Indiana State Office Bldg. Comm.	Rev.	30.0	Sept. 9
San Diego Unif. Sch. Dist., Calif.	G.O.	10.0	Sept. 10
State of Ohio	Rev.-S.T.	30.0	Sept. 18
State of California	G.O.	50.0	Oct. 22
Chesapeake Bay Ferry Comm.	Rev.-Ut.	144.0	October
<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: None.

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		
18	4.10	28		
23	4.10	29	4.35 ^{2/}	31

*—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.