

H.14

October 27, 1958.

### CAPITAL MARKET DEVELOPMENTS

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

The volume of public security financing for new capital is expected to be somewhat larger this week than it has been in recent weeks. During the week ending October 24, large corporate issues, including expiration of subscription rights, totaled \$43 million and State and local government issues totaled \$35 million. A foreign government issue for \$25 million was also sold. This week, corporations are expected to offer large security issues amounting to \$153 million, while State and local governments are expected to offer bonds with aggregate proceeds of \$80 million. (Another large State government issue--New York State Power Authority's \$200 million bond issue--had been tentatively scheduled for sale in October; however, reports now indicate the sale will probably be later in the year.) A foreign government issue for \$28 million is also scheduled for sale this week.

Bond yields - Changes in bond yields were mixed, but minor last week. Yields on outstanding high-grade corporate and State and local government and U. S. Government obligations increased, while those for lower-grade corporate and State and local government bonds declined.

Stock prices - Stock prices declined last week after increasing in each of the previous nine weeks. Standard and Poor's index of 500 common stocks closed at 50.81 on October 24--one per cent lower than a week earlier. Trading activity slackened somewhat from the unusual pace of the previous week, but continued to be very heavy, averaging 3.9 million shares a day.

### State and Local Government Security Offerings in the Third Quarter of 1958

State and local government security issues sold during the third quarter of 1958 were in larger volume than in any earlier third quarter, although as usual sales were smaller than in the first two quarters of the year. State and local governments offered \$1.9 billion of long-term bonds in the third quarter, one-fifth larger than in the corresponding period of 1957. Nearly all bonds sold were for the purpose of raising new capital, as refunding issues continued to be small in volume. For the first nine months of 1958, State and local government security financing totaled a record \$6.4 billion--one-fourth larger than a year earlier.

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

(In millions of dollars)

	1958	1957	1956	1955	1954
<b>Issuing authority:</b>					
State	436	256	119	77	157
County and township	124	119	87	125	96
Municipality	695	563	295	296	286
School District	332	383	294	210	177
Special authority	301	245	194	230	354
Unidentified <sup>1/</sup>	--	--	--	199	163
<b>Total</b>	<b>1,888</b>	<b>1,566</b>	<b>988</b>	<b>1,136</b>	<b>1,232</b>
<b>Purpose of issue:</b>					
<b>New capital total</b>	<b>1,851</b>	<b>1,544</b>	<b>971</b>	<b>1,124</b>	<b>1,188</b>
Schools <sup>2/</sup>	571	574	406	273	272
Highways, bridges, and tunnels	235	272	155	200	271
Residential buildings	194	37	9	129	140
Hospitals and institutions	34	20	5	7	13
Sewer and water	271	287	170	183	154
Misc. public service enterprises	95	47	91	18	64
Veterans' aid	120	75	2	8	10
Other	329	231	184	109	106
Unidentified <sup>1/</sup>	--	--	--	199	159
Refunding	37	22	17	12	44
<b>Total</b>	<b>1,888</b>	<b>1,566</b>	<b>988</b>	<b>1,136</b>	<b>1,232</b>
<b>Type of issue:</b>					
General obligation	1,184	1,110	680	681	594
Revenue	488	393	248	333	499
Utility	192	304	191	n.a.	n.a.
Quasi-utility	40	7	22	n.a.	n.a.
Special tax	99	21	6	n.a.	n.a.
Rental	156	61	30	n.a.	n.a.
Public Housing Authority	2	--	--	122	136
Federal Government loans <sup>3/</sup>	215	64	61	1	3
<b>Total</b>	<b>1,888</b>	<b>1,566</b>	<b>988</b>	<b>1,136</b>	<b>1,232</b>

n.a.--Not available.

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

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

<sup>3/</sup> Coverage for 1956-1958 is broader than for earlier years.

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

Source.--1954 and 1955, Bond Buyer and Federal Reserve; 1956-1958, Investment Bankers Association of America. Data for 1956-1958 not strictly comparable with data for earlier years.

Purpose of issue - School construction was the most important purpose of financing as it has been in other recent years. Accounting for 30 per cent of total offerings, the volume of \$571 million sold in the third quarter was about the same as last year; this is in contrast to the first two quarters of the year when school financing was in larger volume than a year earlier. Issues to obtain funds for sewer and water construction were the second largest in volume and totaled \$271 million, slightly less than in the third quarter a year earlier.

Sales of bonds for residential building and miscellaneous public service enterprises showed the largest percentage increases this year. New financing for hospitals and institutions and veterans' aid was also larger than a year earlier, but highway financing was in smaller volume.

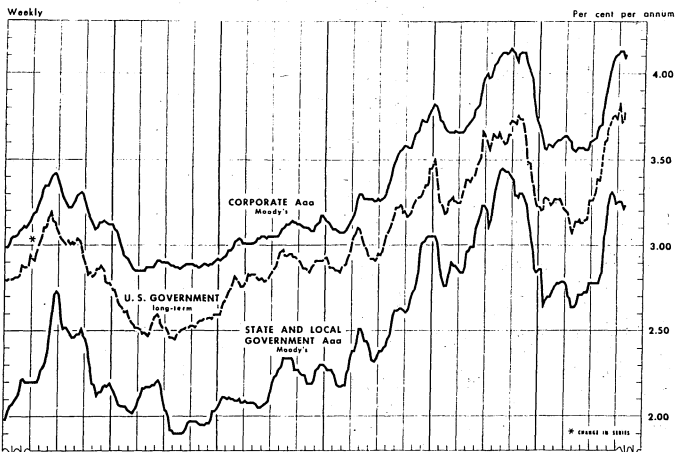
Type of issuer - Most major types of issuing units sold a larger volume of bonds this year than last. The only exception was school districts, whose sales were more than 10 per cent smaller than a year earlier. While the volume of bonds floated for educational purposes was about the same as last year, a larger proportion was sold by States and special authorities. Municipalities were the most important group of issuers, selling bonds totaling \$695 million. This volume accounted for more than one-third of total offerings and was nearly one-fourth greater than in the third quarter of 1958. Bonds sold by States, totaling \$436 million, showed the largest increase from a year earlier. (Part of this increase reflects a \$100 million issue sold by California for financing veterans' aid. No issue of this size was sold in the third quarter of 1957.)

Type of issue - General obligations continued to be the most important type of issue sold but were slightly less important than last year. Totaling \$1.2 billion, these obligations accounted for 63 per cent of all offerings this year as compared with 71 per cent a year earlier. Federal Government loans accounted for a larger proportion of the total this year. The share of revenue bond financing was about the same in both third quarters--accounting for one-fourth of total sales.

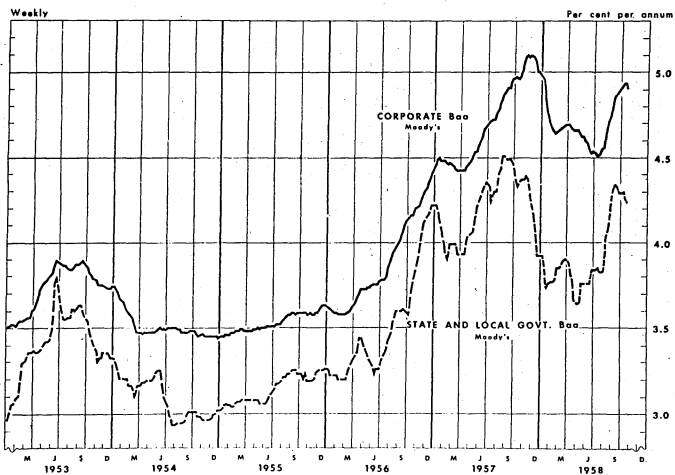
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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

## 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	4.13 (10/10)	3.83 (10/3)	3.31 (9/11)	.51	.62
Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.22	.34
Sept. 26	4.11	3.74	3.24	.37	.50
Oct. 3	4.13	3.83	3.25	.30	.58
Oct. 10	4.13	3.72	3.25	.41	.47
Oct. 17	4.09	3.74	3.21	.35	.53
Oct. 24 p/	4.10	3.77	3.23	.33	.54

## 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)	4.34 (9/11)	1.28	1.11
Low	4.51 (7/11)	3.64 (5/1)	.77	.98
Sept. 26	4.90	4.29	.79	1.05
Oct. 3	4.92	4.29	.79	1.04
Oct. 10	4.94	4.30	.81	1.05
Oct. 17	4.94	4.26	.85	1.05
Oct. 24 p/	4.91	4.24	.81	1.01

p/ Preliminary.

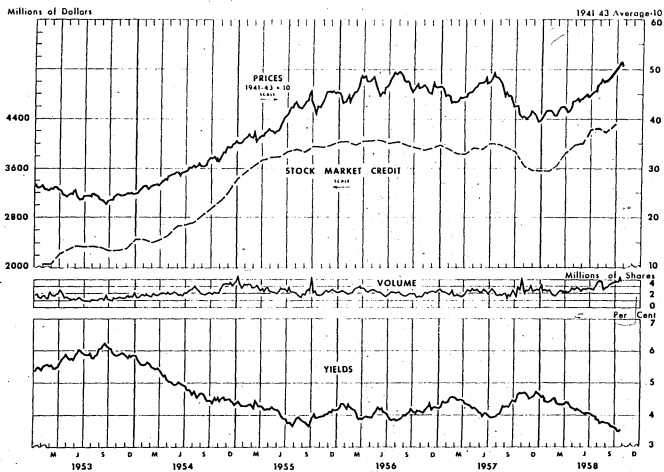
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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.

STOCK MARKET



## Exhibit D

Table for 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	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	51.46 (10/17)	4.9	3.50	4,313	3,114	1,317
Low	40.37 (1/10)	1.7	4.58	3,554	2,487	1,051
August	47.70	3.0	3.78	4,199	3,013	1,186
September	48.85	3.4	3.69	4,313	3,114	1,199
Oct. 10	51.39	3.8	3.50	n.a.	n.a.	1,166
Oct. 17	51.46	4.9	3.50	n.a.	n.a.	1,180
Oct. 24 p/	50.81	3.9	3.54	n.a.	n.a.	n.a.

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

<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. Yields shown are for dates on which price index reached its high or low.

<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.

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 <sup>3/</sup>	1,320	817	511	506	390
April	1,141	931	818	798	765	378
May	600	765	1,146	895	546	490
June	881	1,453	841	551	393	735
July	p/1,101	1,003	1,063	803	529	408
August	p/471	924	654	403	584	206
September	e/1,100	973	838	p/645	431	357
October	e/550	1,090	745	e/650	698	639
November		789	1,089 <sup>4/</sup>		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	2,244	1,704	1,603
3rd quarter	e/2,672	2,899	2,556	p/1,851	1,544	971
4th quarter		2,954	2,922		2,029	1,395
1st half	5,757	6,594	4,907	4,520	3,524	3,093
Three quarters	e/8,429	9,493	7,463	p/6,371	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	2,583	2,889	2,541			
3rd quarter	e/2,622	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 <sup>1/</sup>

(In millions of dollars)

	Long-term					
	Foreign government <sup>2/</sup>			Federal agency <sup>3/</sup>		
	1958	1957	1956	1958	1957	1956
January	196	81	37	1,163	72	--
February	53	45	--	251	--	--
March	--	30	8	--	--	--
April	139	123	50	523	125	60
May	198	48	--	--	--	--
June	120	42	95	--	60	--
July	9	28	2	164	--	--
August	5	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 <sup>4/</sup>			Federal agency <sup>3/</sup>		
	1958	1957	1956	1958	1957	1956
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	264	153	176	329	501	260
July	289	272	195	601	224	222
August	423	272	207	206	370	425
September	<sup>e/</sup> 362	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

<sup>e/</sup> Estimated.<sup>p/</sup> Preliminary.

<sup>1/</sup> 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.

<sup>2/</sup> Includes securities offered in the United States by foreign governments and their subdivisions and by international organizations. Source: Securities and Exchange Commission.

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

<sup>4/</sup> Principally tax and bond anticipation notes, warrants or certificates and Public Housing Authority notes. In some instances PIA 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 - 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
August	209	109	--
September	825	288	18

Large Individual Issues Offered October 1 through 24

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
American Cement Corp.	S.F. deb.	20.0	1978	5	5.16	A
Public Service Co. of Ind.	Pfd. stk.	24.3				
Idaho Power Co.	1st mtg. bds.	15.0	1988	4 1/2	4.50	Aa
Peoples Gas Lt. & Coke Co.	Cap. stk.	18.3				
Cincinnati-Suburban Bell Telephone Co.	Deb.	25.0	1993	4 1/2	4.40	Aaa
<u>STATE AND LOCAL GOVERNMENT</u>						
Boston, Massachusetts	G.O.	23.7	1959-78	3.80	2.20-3.85	A
Venice, Illinois	Rev.-Ut.	12.0	1988	n.a.	5.00	--
Met. Wtr. Dist. of So. Calif.	Rev.-Ut.	18.0	1959-70	3.04	2.00-3.10	Aa
State of South Carolina	G.O.	13.0	1959-78	3.06	1.90-3.15	Aa
Cook County, Illinois	G.O.	25.0	1959-68	3.29	2.15-3.35	A
Oakland Unif. Sch. Dist., Cal.	G.O.	10.0	1959-83	3.28	2.00-3.40	Aa

## Large Individual Issues Offered October 1 through 24 (Cont'd)

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>OTHER</u>						
Commonwealth of Australia	Bds.	25.0	1978	5	5.20	A

n.a.--Not available.

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 2/	Corporate	State and local govt.	Other 2/
1957 - 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	--
Aug. 29	785	241	--	914	435	--
Sept. 30	113	295	--	216	524	--

Forthcoming Large Offerings, as of October 24

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Florida Power & Light Co.	Common stk.	20.0	Oct. 29
International Harvester Credit Corp.	Deb.	50.0	Oct. 30
Glidden Co.	S.F. deb.	30.0	Oct. 30
Puget Sound Power & Light Co.	Deb.	15.0	Oct. 30
Hartford Electric Light Co.	1st mtg. bds.	18.0	Oct. 30
J. I. Case Co.	Conv. deb.	20.1	Oct. 30
			(rights expire)
Columbia Gas System, Inc.	Deb.	25.0	Nov. 7
Indiana & Michigan Electric Co.	1st mtg. bds.	20.0	Nov. 7
Natural Gas Pipeline Co.	1st mtg.p.l. bds.	30.0	Nov. 8
*Pacific Telephone & Telegraph Co.	Deb.	80.0	Nov. 19
*Pacific Telephone & Telegraph Co.	Common stk.	16.6	Dec.
			(rights expire)
Consumers Power Co.	Pfd. stk.	15.0	1958
Montana Power Co.	1st mtg. bds.	20.0	1958
Commerce Oil Refining Corp.	Deb., bds. & common	45.0	1958
Martin Co.	S.F. deb.	25.0	1958

## Forthcoming Large Offerings, as of October 24 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
City & Co. of San Francisco, Calif.	G.O.	26.4	Oct. 27
*Chicago Metro. Fair & Exposition Auth.	Rev.	20.0	Oct. 27
City & Co. of Denver, Colorado	Rev.-Ut.	12.8	Oct. 29
Los Angeles Dept. of Wtr. Pwr., Calif.	Rev.-Ut.	10.0	Oct. 29
St. Louis, Missouri	G.O.	10.8	Oct. 29
New York State Power Authority	Rev.-Ut.	200.0	Oct.
*Chicago, Illinois	Rev.-Ut.	25.0	Nov. 5
*Baltimore Co., Maryland	G.O.	11.5	Nov. 6
Public Housing Authorities	--	45.3	Nov. 6
*State of Maryland	G.O.	16.8	Nov. 12
*Allegheny Co. Sanitary Auth., Pa.	Rev.-Ut.	20.0	Nov. 13
*Philadelphia, Pennsylvania	G.O.	17.4	Nov. 20
Florida State Board of Education	Rev.	12.5	Nov.
Chesapeake Bay Ferry Commission	Rev.-Ut.	144.0	Nov.
State of California	G.O.	50.0	Dec. 3
Detroit-Metro. Expressway	Rev.-Ut.	35.0	Nov.
*Los Angeles Sch. Dist., Calif.	G.O.	28.0	Nov.
<u>OTHER</u>			
Monetreal, Canada	Deb.	28.0	Oct. 29

\*--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: Republic of Panama's \$16.7 million bond 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 <sup>2/</sup>	3
February	3.89 <sup>2/</sup>	22	4.07	9
March	4.08	35	4.16	-1
April	3.91	18	4.01	8
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 <sup>2/</sup>	1
9	4.00	25		
18	4.10	28		
23	4.10	29		
Oct. 7	4.57	25	4.35 <sup>2/</sup>	31
15	4.50	22		

\*--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.