

H. 14

December 22, 1958

CAPITAL MARKET DEVELOPMENTS

The usual seasonal lull in new public security financing is taking place. No large issues--either corporate or State and local government--were sold last week and none are scheduled for sale during this holiday-shortened week.

Bond yields - Changes in yields on outstanding bonds were mixed last week. Yields on corporate and U. S. Government obligations increased. The increase in yields was substantial for Government bonds, but slight for corporate bonds. Yields on lower grade State and local government bonds were unchanged, while those on high-grade State and local government bonds declined slightly.

A new Aa-rated, first mortgage electric utility bond issue was offered to investors last week to yield 4.44 per cent, about the same as yields on comparable offerings made in late October. The spread between the yields on this offering and yields on similar outstanding bonds was larger than in October, however, since yields on outstanding bonds have declined since then.

Stock market credit - Customer credit in the stock market (excluding that for U. S. Government securities) increased \$54 million further in November. At a record level of \$4,423 million, customer credit was almost 3 per cent higher than at the end of September, shortly before the mid-October increase in margin requirements to 90 per cent. The November increase resulted from a \$57 million rise in net debit balances and a \$3 million decline in bank loans to "others."

Borrowing by member firms of the New York Stock Exchange maintaining margin accounts (excluding borrowing on U. S. Government securities) increased last month, principally in borrowing on customer collateral. Customers' net free credit balances increased somewhat further and totaled \$1,148 million at the end of the month. These and other data on stock market credit for November and October are shown in the table on the following page.

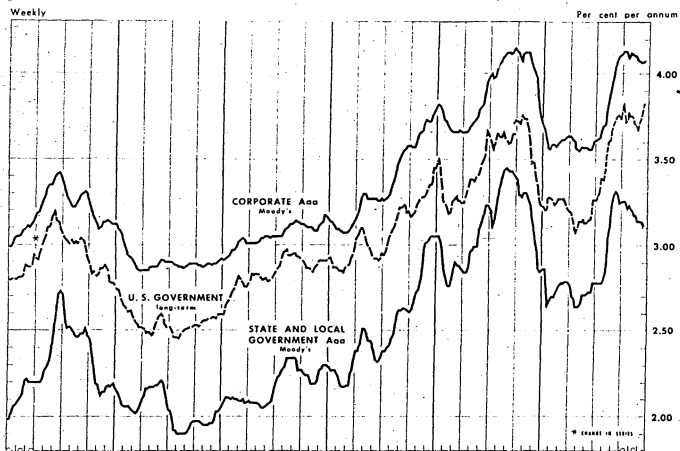
Stock prices - Stock prices increased considerably last week. Standard and Poor's index of 500 common stocks at the close Friday was 54.07, slightly below the record of 54.15 reached on Thursday, but still 1.6 per cent higher than a week earlier. Trading volume continued to be heavy.

	End of Month		Change
	Nov.	Oct.	
	(Millions of dollars)		
Customer credit			
Excluding U. S. Government securities - total	4,423	4,369	+54
Net debit balances	3,245	2,188	+57
Bank loans to "others"	1,178	1,181	-3
Net debit balances secured by U. S. Govt. securities	124	123	+1
Bank loans to others for purchasing or carrying U. S. Government securities	50	59	-9
Broker and dealer credit			
Money borrowed except on U. S. Government securities	1,923	1,832	+91
On customer collateral	1,677	1,612	+65
Money borrowed on U. S. Government securities	210	193	+17
Customers' net free credit balances	1,148	1,140	+8

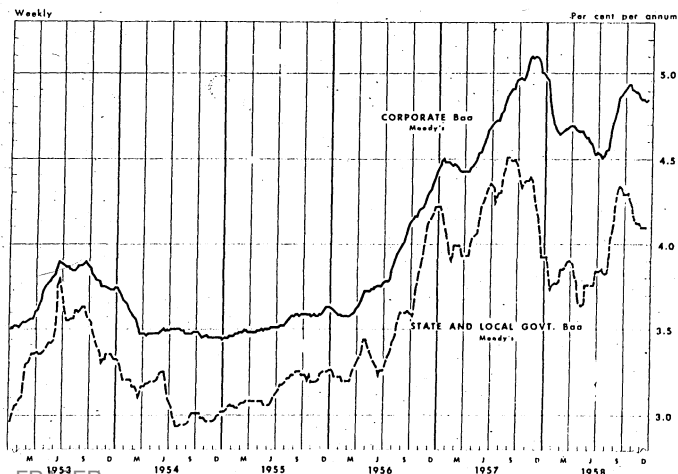
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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 (12/19)	3.31 (9/11)	.51	.72
Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.22	.34
Nov. 21	4.08	3.69	3.17	.39	.52
Nov. 28	4.07	3.67	3.14	.40	.53
Dec. 5	4.06	3.73	3.14	.33	.59
Dec. 12	4.06	3.77	3.13	.29	.64
Dec. 19 p/	4.07	3.83	3.11	.24	.72

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	.93
Nov. 21	4.86	4.11	.78	.94
Nov. 28	4.85	4.10	.78	.96
Dec. 5	4.85	4.10	.79	.96
Dec. 12	4.84	4.10	.78	.97
Dec. 19 p/	4.85	4.10	.78	.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

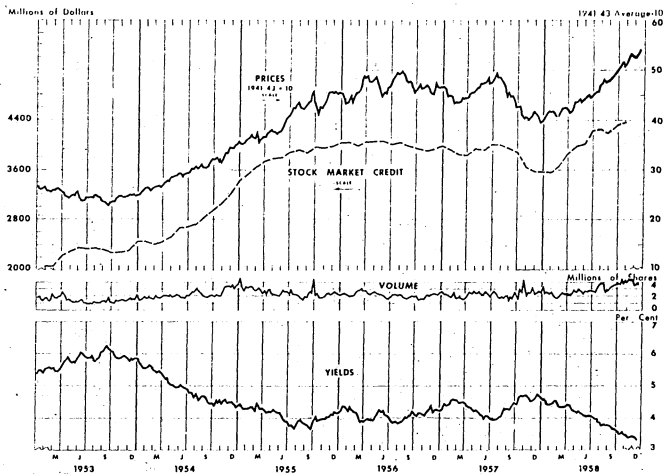


Exhibit D

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	54.07 (12/19)	4.9	3.30	4,423	3,245	1,317
Low	40.37 (1/10)	1.7	4.58	3,554	2,487	1,051
October	50.95	4.1	3.52	4,369	3,188	1,181
November	52.50	4.1	3.42	4,423	3,245	r/1,178
Dec. 5	52.46	3.5	3.42	n.a.	n.a.	1,186
Dec. 12	53.22	3.8	3.38	n.a.	n.a.	1,189
Dec. 19 p/	54.07	3.7	3.30	n.a.	n.a.	n.a.

n.a.--Not available.

p/ Preliminary.

r/ Revised.

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	895	546	490
June	881	1,453	841	551	393	735
July	1,102	1,003	1,063	806	529	408
August	538	924	654	403	584	206
September	1,144	973	838	650	431	357
October	e/815	1,090	745	455	698	639
November	e/600	789	1,089 ^{4/}	e/461	633	347
December	e/950	1,076	1,088	e/450	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	2,784	2,899	2,556	1,859	1,544	971
4th quarter	e/2,365	2,954	2,922	1,366	2,029	1,395
1st half	5,757	6,594	4,907	4,520	3,524	3,093
Three quarters	8,541	9,493	7,463	6,379	5,069	4,064
Year	e/10,906	12,447	10,344	e/7,745	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	2,753	2,582	2,246			
4th quarter	e/2,290	2,810	2,826			
Year	e/10,520	11,518	9,260			

e/ Estimated.

p/ Preliminary.

1/ Securities and Exchange Commission estimates of net proceeds.

2/ Data through June 1956 are Fond 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	9	28	2	164	--	--
August	5	7	39	--	--	109
September	17	30	--	--	215	--
October	58	4	44	220	--	--
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	264	153	176	329	501	260
July	289	272	195	437	224	222
August	423	272	207	206	370	425
September	369	252	179	330	512	273
October	231	303	294	454	1,238	407
November	p/414	94	328	114	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 PMA 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 - 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
October	259	172	209
November	227	259	100

Large Individual Issues Offered December 1 through 19

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
CORPORATE						
Pacific Gas & Electric Co.	1st ref.mtg.bds.	65.0	1990	4 1/2	4.50	Aa
Public Service Elec. & Gas	Com. stk.	26.4				
Potomac Elec. Pwr. Co.	1st mtg. bds.	25.0	1993	4 5/8	4.55	Aa
P. Lorillard Co.	Com. stk.	24.8				
Southern Bell Tel. & Tel.	Deb.	70.0	1993	4 5/8	4.55	Aaa
Philadelphia Elec. Co.	1st ref. mtg. bds.	50.0	1986	4 3/8	4.38	Aaa
Arvida Corp.	Com. stk.	27.5				
STATE AND LOCAL GOVERNMENT						
State of Ohio	G.O.	30.0	1959-73	2.72	1.60-2.80	Aaa
State of California	G.O.	100.0	1959-85	3.60	1.80-3.65	Aa
East Baton Rouge Par., La.	G.O.	22.5	1960-79	3.60	2.00-3.00	Aa
State of New York	G.O.	51.0	1960-79	2.86	1.70-3.00	Aaa
Chicago Bd. of Educ., Ill.	G.O.	25.0	1971-78	n.a.	2.50-3.50	A

Large Individual Issues Offered December 1 through 19 (Cont'd)

Issuer	Type ^{3/}	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>OTHER</u>						
Republic of Austria	Bonds	25.0	1973	5 1/2	5.91	--
Union of South Africa	Bonds	25.0	1961-68	5, 5 1/2	5.00-5.70	A
Metro. Toronto, Canada	S.F. deb.	28.6	1959-88	4 3/4	3.50-4.80	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 from 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 - Oct. 31	458	339	30	815	513	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	--
Oct. 31	204	258	--	326	675	--
Nov. 28	301	229	71	401	663	71

Forthcoming Large Offerings, as of December 19

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Pacific Telephone and Telegraph Co.	Common stk.	16.0	Dec. 30 (rights expire)
Washington Water Power Co.	1st mtg. bds.	15.0	Jan. 8
San Diego Gas & Electric Co.	S. F. deb.	15.0	Jan. 9
*C. I. T. Financial Corp.	Deb.	75.0	Jan. 9
*Commonwealth Edison Co.	Deb.	20.0	Jan. 14
*Southern Natural Gas Co.	1st mtg. p. 1. bds.	35.0	Jan. 21
*Champion Paper & Fiber Co.	Conv. deb.	20.0	Jan. 29 (rights expire)
Consumers Power Co.	Pfd. stk.	15.0	Winter
Montana Power Co.	1st mtg. bds.	20.0	Winter
Commerce Oil Refining Corp.	Deb., bds. & common	45.0	Winter
Indiana & Michigan Electric Co.	1st mtg. bds.	20.0	Winter
<u>STATE AND LOCAL GOVERNMENT</u>			
New York State Power Authority	Rev.-Ut.	200.0	Jan. 6
*Los Angeles Dept. of Wtr. & Pwr., California	Rev.-Ut.	18.0	Jan. 7

forthcoming Large Offerings, as of December 19 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Sacramento Mun. Ut. Dist., Calif.	Rev.-Ut.	25.0	Jan. 15
Chesapeake Bay Ferry Commission	Rev.-Ut.	144.0	Winter
Detroit-Metro. Expressway	Rev.-Ut.	35.0	Winter
Massachusetts Port Authority	Rev.-Ut.	75.0	Winter
<u>NONE</u>			
Other			

*--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	4.08	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 ^{2/}	1
9	4.00	25		
18	4.10	28		
23	4.10	29	4.35 ^{2/}	31
Oct. 7	4.57	25		
15	4.50	22		
28	4.40	12		
29	4.42 ^{2/}	14		
Dec. 17	4.44	23		

*--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.