

Not for Publication

DECONTROLLED AFTER SIX MONTHS

H.14

January 5, 1959

CAPITAL MARKET DEVELOPMENTS

The volume of new public security financing is expected to increase substantially this week after being seasonally small during the holiday period. The only large corporate offering last week was a common stock issue for \$17 million, subscription rights for which expired on December 30. No large State and local government bond issues were sold. This week, corporations are expected to sell large issues totaling \$135 million. State and local government issues amounting to \$218 million are also scheduled for sale. One of the two State and local government issues expected this week is the \$200 million revenue issue by New York State Power Authority, which was first tentatively scheduled for sale last October.

Bond yields - Changes in yields on outstanding bonds were mixed, but minor during the week ending January 2. Yields on corporate bonds increased slightly, while yields on State and local government bonds remained stable. Yields on U. S. Government bonds declined slightly. At the end of 1958, corporate Aaa-rated bond yields were 1/2 basis points higher than a year earlier, while yields on the Baa-rated bonds were 11 basis points lower. Yields for high-grade State and local government bonds were 28 basis points higher at the end of 1958, while those for lower-grade State and local government bonds were 18 basis points higher than a year earlier. Yields on U. S. Government obligations were about 60 basis points higher.

January security volume - The January volume of corporate issues for new capital is expected to total \$700 million, one-fourth smaller than the estimated December volume, but only slightly below the volume last January. Large publicly-offered issues are expected to total \$250-\$300 million.

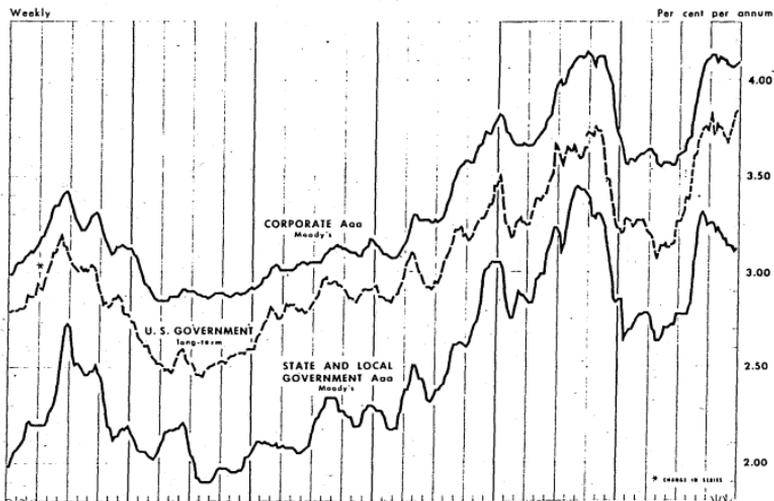
State and local government security issues for January are estimated at \$550 million. This volume would be more than one-fifth larger than the December estimate, but nearly one-third smaller than the volume in January 1958. The number of large issues now scheduled for sale this month is relatively small. After the sale of the New York State Power Authority issue, however, more issues may be added to the calendar, which could result in a larger January total than currently expected.

Stock prices - Stock prices increased sharply last week. Standard and Poor's index of 500 common stocks closed at 55.44 on January 2, 2.5 per cent higher than a week earlier. Closing the end of the year at 55.21 on Wednesday, prices were nearly two-fifths higher than at the end of 1957. Trading activity was heavy last week, but somewhat smaller than earlier in December. The daily average trading volume in 1958 was 3.0 million shares a day as compared with only 2.2 million in 1957.

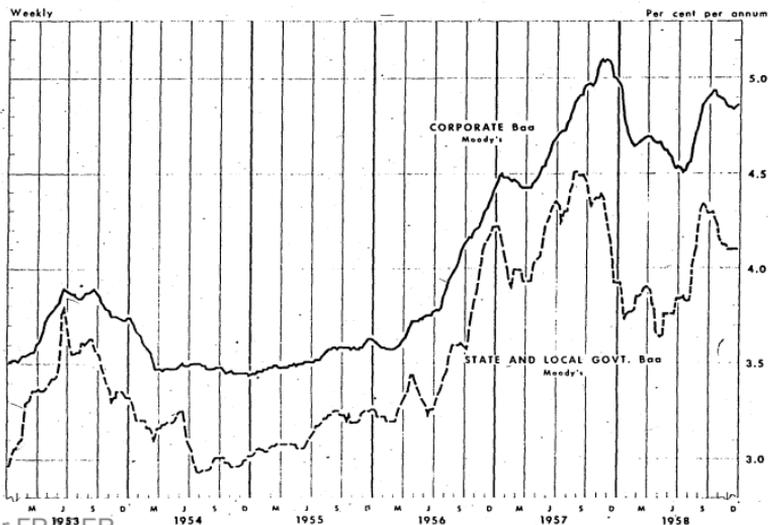
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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	4.11 (9/27)	3.76 (10/18)	3.45 (8/29)	.60	.47
1958 - High	4.13 (10/10)	3.84 (12/26)	3.31 (9/11)	.51	.72
Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.22	.34
Dec. 5	4.06	3.73	3.11	.33	.59
Dec. 12	4.06	3.77	3.13	.29	.64
Dec. 19	4.07	3.83	3.11	.24	.72
Dec. 26	4.09	3.84	3.12	.25	.72
Jan. 2 ^{p/}	4.10	3.83	3.12	.27	.71

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	3.14 (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
Dec. 5	4.85	4.10	.79	.96
Dec. 12	4.84	4.10	.78	.97
Dec. 19	4.85	4.10	.78	.99
Dec. 26	4.86	4.10	.77	.98
Jan. 2 ^{p/}	4.87	4.10	.77	.98

^{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

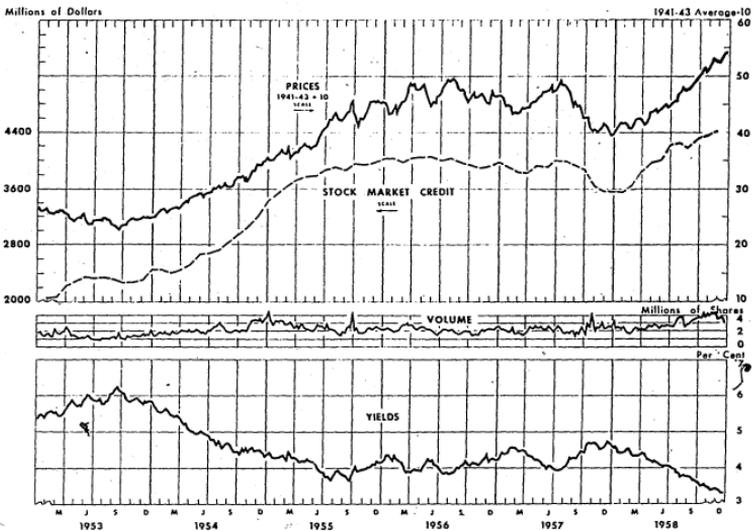


Exhibit D

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	54.11 (12/26)	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
November	52.50	4.1	3.42	4,423	3,245	1,178
December	53.49	3.6	3.35	n.a.	n.a.	1,203
Dec. 19	54.07	3.7	3.30	n.a.	n.a.	1,193
Dec. 26	54.11	3.0	3.30	n.a.	n.a.	1,203
Jan. 2 p/	55.44	3.8	3.22	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/		
	1959	1958	1957	1959	1958	1957
January	e/700	723	1,060	e/550	812	742
February		851	1,065		953	572
March		1,561 ^{3/}	1,320		511	506
April		1,141	931		798	765
May		600	765		895	546
June		881	1,453		551	393
July		1,102	1,003		806	529
August		538	924		403	584
September		1,144	973		650	431
October		p/815	1,090		455	698
November		e/600	789		p/461	633
December		e/950	1,076		e/450	698
1st quarter		3,135	3,445		2,276	1,820
2nd quarter		2,622	3,149		2,244	1,704
3rd quarter		2,784	2,899		1,859	1,544
4th quarter		e/2,365	2,954		e/1,366	2,029
1st half		5,757	6,594		4,520	3,524
Three quarters		8,541	9,493		6,379	5,069
Year		e/10,906	12,447		e/7,745	7,099
		Excluding finance companies 4/				
1st quarter		2,894	3,237			
2nd quarter		2,583	2,889			
3rd quarter		2,753	2,582			
4th quarter		e/2,290	2,810			
Year		e/10,520	11,518			

e/ Estimated.

p/ Preliminary.

1/ Securities and Exchange Commission estimates of net proceeds.

2/ Investment Bankers Association of America estimates of principal amounts.

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

4/ 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 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

(Billions 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 during December

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
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				
Pacific Tel. & Tel. Co.	Com. stk.	16.0				
<u>STATE AND LOCAL GOVERNMENT</u>						
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	2.00-3.60	A
State of New York	G.O.	51.0	1960-79	2.96	1.70-3.00	Aaa
Chicago Bd. of Educ., Ill.	G.O.	25.0	1961-78	n.a.	2.50-3.50	A

Large Individual Issues Offered during December (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 - 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	683	71
Dec. 31	210	261	75	370	515	75

Forthcoming Large Offerings, as of January 2

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Washington Water Power Co.	1st mtg. bds.	15.0	Jan. 8
*Household Finance Corp.	S.F. deb.	30.0	Jan. 8
San Diego Gas and 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 and Fiber Co.	Conv. deb.	20.0	Jan. 29
*Consolidated Edison Co.	Conv. deb.	59.8	(rights expire) Feb. 13
Consumers Power Co.	Pfd. stk.	15.0	(rights expire) Winter
Montana Power Co.	1st mtg. bds.	20.0	winter
Commerce Oil Refining Corp.	Deb., bds. and common	45.0	winter
Indiana and Michigan Electric Co.	1st mtg. bds.	20.0	winter

Forthcoming Large Offerings, as of January 2 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
New York State Power Authority	Rev.-Ut.	200.0	Jan. 6
Los Angeles Dept. of Wtr. and Pwr., California	Rev.-Ut.	18.0	Jan. 7
Sacramento Mun. Ut. Dist., Calif.	Rev.-Ut.	25.0	Jan. 15
*Dallas, Texas	Rev.-Ut.	17.6	Jan. 19
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>OTHER</u>			
*Province of Ontario	Deb.	75.0	Jan. 14

*--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		
Oct. 7	4.57	25	4.35 ^{2/}	31
15	4.50	22		
28	4.40 ^{2/}	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.