

H.14

February 2, 1959

CAPITAL MARKET DEVELOPMENTS

New security financing was in substantial volume last week and will also be large this week. During the week ending January 30 corporations sold publicly large security issues aggregating \$105 million and State and local governments sold bond issues totaling \$61 million. This week State and local government issues scheduled amount to \$98 million, while \$155 million in corporate securities are expected to be publicly sold.

Bond yields - Yields on all types of outstanding long-term bonds, except those on U. S. Government bonds, increased last week. Yields on Aaa-rated corporate bonds increased four basis points to a postwar peak of 4.16 per cent, two basis points above the previous peak reached in the fall of 1957. Yields on long-term U. S. Government bonds declined two basis points from the record level of a week earlier.

Yields on new offerings of corporate bonds also increased. A new Aa-rated thirty-year first mortgage electric utility bond issue was offered to investors at 4.65 per cent last week, five basis points above the yield on comparable offerings made a week earlier, but 35 basis points below the postwar high for new offerings of this quality.

February security volume - New corporate security offerings are expected to total \$650 million in February, somewhat less than the estimated January volume and one-fourth smaller than in the corresponding month of 1958. Nearly all of the large issues scheduled for public offering are either stock or bonds convertible into stock.

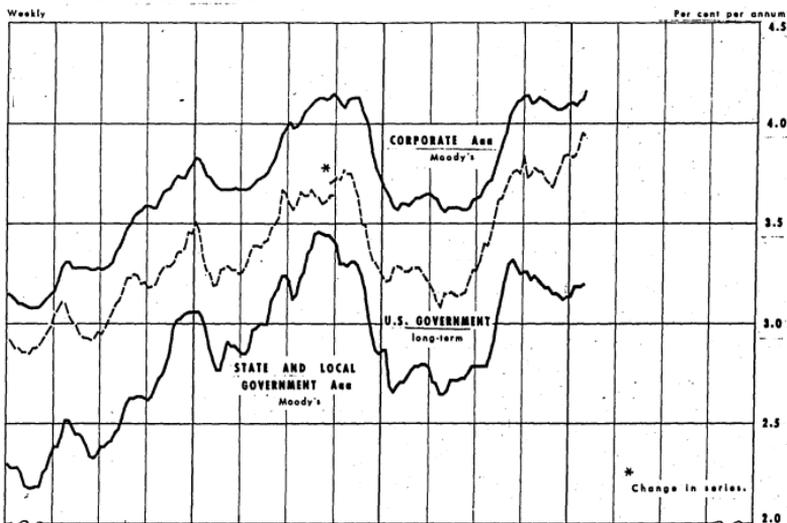
State and local government security financing is expected to aggregate \$800 million in February, one-fourth more than in January but one-sixth less than the record volume of bonds sold during February last year.

Stock prices - Common stock prices declined one per cent last week. Standard and Poor's index of 500 common stocks closed at 55.42 Friday. Trading volume also declined to an average of 3.7 million shares a day.

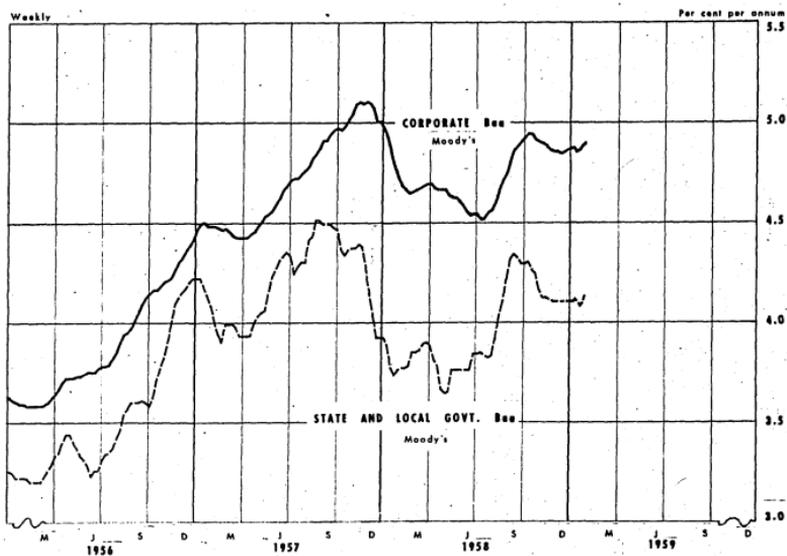
More detailed information concerning recent capital market developments is presented in the attached exhibits.

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

## HIGH-GRADE BOND YIELDS



## LOWER-GRADE BOND YIELDS



## 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)					
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)	3.84 (12/26)	3.31 (9/11)	.51	.72
Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.22	.34
1959 - High	4.16 (1/30)	3.96 (1/16)	3.20 (1/29)	.27	.77
Low	4.09 (1/9)	3.83 (1/2)	3.19 (1/22)	.16	.65
Jan. 2	4.10	3.83	3.12	.27	.71
Jan. 9	4.09	3.84	3.19	.25	.65
Jan. 16	4.11	3.89	3.19	.22	.70
Jan. 23	4.12	3.96	3.19	.16	.77
Jan. 30 <u>p/</u>	4.16	3.94	3.20	.22	.74

## Lower-grade Bond Yields

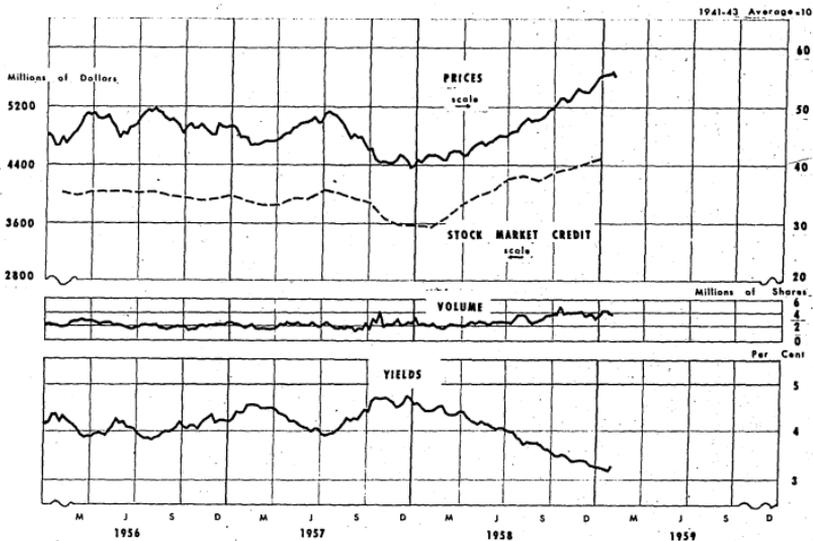
Date	Corporate Baa <u>1/</u>	State and local govt. Baa <u>3/</u>	Spread between Aaa and Baa	
			Corporate	State and local govt.
(Per cent)				
1954 - Low	3.44 (12/31)	2.93 (8/5)	.52	.96
1957 - High	5.10 (11/29)	4.51 (8/29)	1.27	1.21
1958 - High	4.96 (1/3)	4.34 (9/11)	1.28	1.11
Low	4.51 (7/11)	3.64 (5/1)	.77	.93
1959 - High	4.90 (1/30)	4.13 (1/29)	.77	.98
Low	4.85 (1/9)	4.08 (1/15)	.74	.89
Jan. 2	4.87	4.10	.77	.98
Jan. 9	4.85	4.12	.76	.93
Jan. 16	4.86	4.08	.75	.89
Jan. 23	4.88	4.10	.76	.91
Jan. 30 <u>p/</u>	4.90	4.13	.74	.93

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 obligation 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	2,432	1,054
1958 - High	54.11 (12/26)	4.9	3.30	4,488	3,281	1,317
Low	40.37 (1/10)	1.7	4.58	3,554	2,487	1,051
1959 - High	56.00 (1/23)	4.2	3.19	n.a.	n.a.	1,246
Low	55.42 (1/30)	3.7	3.27	n.a.	n.a.	1,210
November	52.50	4.1	3.42	4,423	3,245	1,178
December	53.49	3.6	3.35	4,488	3,281	1,207
Jan. 16	55.81	4.2	3.20	n.a.	n.a.	1,230
Jan. 23	56.00	3.9	3.19	n.a.	n.a.	1,246
Jan. 30 p/	55.42	3.7	3.27	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/650	812	742
February	e/650	851	1,065	e/800	953	572
March		1,561 <sup>2/</sup>	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		453	698
November		p/475	789		472	633
December		e/950	1,076		p/430	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/2,240	2,954		p/1,355	2,029
1st half		5,757	6,594		4,520	3,524
Three quarters		8,541	9,493		6,379	5,069
Year		e/10,781	12,447		p/7,735	7,099
	Excluding finance companies <sup>4/</sup>					
1st quarter		2,894	3,237			
2nd quarter		2,583	2,889			
3rd quarter		2,753	2,582			
4th quarter		e/2,165	2,810			
Year		e/10,395	11,518			

<sup>e/</sup> Estimated.

<sup>p/</sup> Preliminary.

<sup>1/</sup> Securities and Exchange Commission estimates of net proceeds.

<sup>2/</sup> Investment Bankers Association of America estimates of principal amounts.

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

<sup>4/</sup> 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	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	123	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>		
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.

<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 - 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
December	305	229	79

Large Individual Issues Offered during January

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Washington Wtr. Pwr. Co.	1st mtg. bds.	15.0	1989	4 3/4	4.75	A
Household Finance Corp.	S.F. deb.	30.0	1984	4 5/8	4.69	--
C. I. T. Financial Corp.	Deb.	75.0	1979	4 5/8	4.70	--
San Diego Gas & Elec. Co.	S.F. deb.	15.0	1984	4 5/8	4.63	A
Sheraton Corp. of America	S.F. deb.	24.0	1989	7 1/2	7.50-7.70	--
Commonwealth Edison Co.	Deb.	20.0	2009	4 5/8	4.54	Aa
Southern Calif. Edison Co.	Com. stk.	30.0				
Southern Natural Gas Co.	1st mtg. p.l.bds.	35.0	1979	4 3/4	4.75	A
Indiana & Mich. Elec. Co.	1st mtg. bds.	20.0	1988	4 3/4	4.60	Aa
Transcontinental Gas Pipe Line Company	1st mtg. p.l.bds.	35.0	1979	5	5.10	Baa
Inland Steel Co.	1st mtg. bds.	50.0	1989	4 1/2	4.50	A
Champion Paper & Fiber Co.	Conv. sub. deb.	20.0	1984	4 1/2	4.50	Baa

## Large Individual Issues Offered during January (Cont'd)

Issuer	Type <sup>3/</sup>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u>						
New York State Power Auth.	Rev.-Ut.	200.0	1965-2006	4.22	3.20-4.20	--
Los Angeles Dept of Wtr. and Pwr., California	Rev.-Ut.	18.0	1960-89/67	3.61	2.00-3.75	Aa
Sacramento Mun. Ut. Dist., California	Rev.-Ut.	25.0	1966-99/69	3.58	2.90-3.70	Aa
Dallas, Texas	Rev.-Ut.	11.4	1959-79	3.29	1.75-3.40	Aa
State of Oregon	G.O.	20.0	1964-65	2.78	2.60-2.70	Aa
New York City Housing Auth.	G.O.	20.3	1960-2006	4.07	2.20-4.10	A
Houston, Texas	G.O.	20.2	1960-84	3.48	2.00-3.65	A
Commonwealth of Puerto Rico	G.O.	20.0	1960-79	3.94	2.20-4.15	A
<u>OTHER</u>						
Province of Ontario	Ext. deb.	75.0	1984	4 3/4	4.85	A

n.a.--Not available.

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

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

<sup>3/</sup> 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
1959 - Jan. 30	270	551	45	365	856	45

Forthcoming Large Offerings, as of January 30

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Universal Oil Processes, Inc.	Cap. stk.	60.0	Feb. 4
Southern Company	Common stk.	40.0	Feb. 5
Avco Manufacturing Co.	Conv. deb.	14.9	Feb. 10
			(rights expire)
Reynolds Metals Co.	Conv. pfd. stk.	55.0	Feb. 11
Consolidated Edison Co.	Conv. deb.	59.8	Feb. 13
			(rights expire)
Public Service Co. of Indiana, Inc.	1st mtg. bds.	25.0	Feb. 18
Connecticut Light and Power Co.	Common stk.	15.0	Feb. 24
			(rights expire)
*American Natural Gas Co.	Common stk.	30.0	March
			(rights expire)
Montana Power Co.	1st mtg. bds.	20.0	Winter
Commerce Oil Refining Corp.	Deb., bds. & common	45.0	Winter

## Forthcoming Large Offerings, as of January 30 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
Milwaukee Co., Wisc.	G.O.	14.0	Feb. 2
Los Angeles, California	Rev.-Ut.	14.0	Feb. 3
Massachusetts Port Authority	Rev.-Ut.	49.7	Feb. 3
Louisiana Dept. of Highways	Rev.-S.T.	20.0	Feb. 4
State of Minnesota	G.O.	22.9	Feb. 10
State of Washington	G.O.	34.9	Feb. 10
*St. Louis, Missouri	G.O.	12.6	Feb. 10
*State of Connecticut	G.O.	50.5	Feb. 10
State of New Jersey	Rev.-Ut.	25.0	Feb. 16
*Monroe County Water Auth., N. Y.	Rev.-Ut.	13.2	Feb. 17
*East Bay Mun. Ut. Dist., Calif.	Rev.-Ut.	25.0	Feb. 18
Los Angeles Co. Flood Control Dist., California	Rev.-Ut.	10.0	Feb. 19
San Antonio, Texas	G.O.	10.8	Feb. 24
*State of Michigan	Rev.-S.T.	25.0	Feb. 24
Public Housing Authorities	G.O.	103.0	Feb. 26
Chicago, Illinois	Rev.-Ut.	120.0	Feb.
Metro. Water Dist. of So. California	Rev.-Ut.	26.4	Mar. 10
State of California	G.O.	100.0	March
Chesapeake Bay Ferry Commission	Rev.-Ut.	14.0	Winter
Detroit-Metro. Expressway	Rev.-Ut.	35.0	Winter
<u>OTHER</u>			
Kingdom of Denmark	Ext. loan bds.	15.0	Feb. 5
*Empire of Japan	Ext. loan bds.	30.0	Feb.

\*--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/<sub>2</sub>

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> / <sub>2</sub>	3
February	3.89 <sup>2</sup> / <sub>2</sub>	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> / <sub>2</sub>	1
9	4.00	25		
18	4.10	28		
23	4.10	29	4.35 <sup>2</sup> / <sub>2</sub>	31
Oct. 7	4.57	25		
15	4.50	22		
28	4.40 <sup>2</sup> / <sub>2</sub>	12		
29	4.42 <sup>2</sup> / <sub>2</sub>	14		
Dec. 17	4.44	23		
1959 - Jan. 7			4.75 <sup>2</sup> / <sub>2</sub>	23
20	4.60	34		
28	4.65	40		

\*--Single observation, not an average.

1/<sub>2</sub> 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/<sub>2</sub> 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.