

H.14

December 8, 1954

CAPITAL MARKET DEVELOPMENTS

No new capital issues last week - No large security issues for new capital were publicly offered during the week ending December 3. Several large State and local government offerings with total proceeds of 370 million dollars and corporate issues aggregating 64 million dollars are scheduled for flotation this week.

The estimated December volume for State and local offerings has been increased to 875 million dollars with the announcement of the 60 million dollar Michigan Veterans bonus bond issue which was sold on December 7. This issue plus the expected proceeds from the Oklahoma Turnpike Authority and New York State Power Authority offerings will help make the December volume the largest on record. No letdown is anticipated in State and local government issues early in 1955. Several very large offerings are scheduled, namely, 390 million dollars by the Illinois Turnpike Authority, 200 million by the Texas Turnpike Company, 150 million of the Sam Houston Company, and 135 million by the Public Housing Authorities. It may be noted that most of the issues mentioned above are revenue bond issues which are more directly competitive on a yield basis with corporate bonds than are general obligations and that the corporate calendar is comparatively light at this time.

Bond yields - Yields on outstanding U. S. Government long-term obligations, corporate Aaa and high-grade municipal bonds increased one basis point last week. Corporate Baa bond yields remained unchanged. Daily figures showed a slight decline on December 7 for the Treasury bonds.

New high in stock prices - Stock prices, as measured by the SEC index of 265 common stocks continued to rise, setting a new high of 212.7 during the week ending December 3. Daily indexes indicated continued gains through December 7. The average daily trading volume remained at the high level of 3.4 million shares per day.

Corporate Security Offerings

Net proceeds of corporate offerings for new capital - Corporate security offerings for new capital were 2,021 million dollars in the third quarter of 1954, as shown in Table 1, the largest quarterly volume so far this year and nearly 30 per cent greater than the third quarter total last year. Despite the

increased flotation in the latest three-month period, the total for the first nine months this year is almost 400 million dollars below the volume for the comparable period in 1953.

For the first time in over a year and one-half, manufacturing companies accounted for the largest proportion of corporate offerings--765 million dollars--or 38 per cent of the total. The nine-month total this year was 1,601 million dollars, about the same level as for these three quarters a year ago. Communication company issues increased to 355 million dollars from 136 million in last year's third period. This increase was due to the 250 million dollar debenture issue sold by American Telephone and Telegraph Company in September. Electric, gas and water utilities, which had been the largest type of issuer since the first quarter of 1953, had sales in the third quarter this year of 457 million dollars, almost 90 million dollars less than in that period last year. The volume of offerings by public utilities for the first nine months was 2,265 million dollars, still somewhat above that of last year. As in the second quarter, the largest decline in the volume of offerings from a year ago occurred in the financial and real estate group. Proceeds from issues of this group were only 119 million dollars this year in contrast to 404 million dollars in the previous third quarter. The drop is even more apparent in the cumulative nine-month total which is 384 million dollars this year and 1,369 million in 1953. Consumer finance company issues, constituting the largest portion of the financial group, have declined in almost every quarter since the peak period of April to June of 1953. The third quarter volume this year was 80 million dollars, slightly larger than last quarter but still at a low level relative to 1953 offerings.

Iron and steel companies offered the largest volume of issues within the manufacturing group. One of the companies, United States Steel, sold 300 million dollars of serial debentures, the largest single issue of the quarter. That offering was the major factor in the increase over last year's manufacturing total. Automobile companies offered 79 million dollars of securities in the third quarter this year, accounted for mainly by the Chrysler Corporation private placement of 62.5 million dollars. Petroleum companies issued 70 million dollars in the third period, much more than in the same period last year. For the nine-month period, however, the 1954 volume was only 177 million dollars in contrast to 330 million in 1953. Machinery companies had large offerings in the first half of both years but these did not continue at that level in either third period. Three large private placements by companies included in the other manufacturing group helped to bring the quarterly total to 168 million dollars, namely, 50 million placed by Brown and Williamson, 20 million by Spartan Aircraft, and 15 million by General Precision Equipment.

Table 1

Corporate Security Offerings for New Capital
by Type of Business of Issuer
Third Quarter and First Nine Months of 1953 and 1954

(Net proceeds in millions of dollars)

Type of business	Third quarter		First nine months	
	1954	1953	1954	1953
All corporate offerings	2,021	1,561	5,662	6,050
Manufacturing	765	292	1,601	1,572
Iron and steel	327	65	357	100
Nonferrous	5	25	147	51
Machinery	41	22	221	228
Automobile	79	10	90	15
Chemicals	32	31	117	426
Petroleum	70	15	177	330
Paper	42	49	101	107
Other	168	75	391	315
Electric, gas and water utilities	457	545	2,265	2,134
Communication	355	136	493	244
Railroad	37	42	149	193
Other transportation	118	51	266	208
Commercial and other	70	59	192	203
Mining	99	30	311	128
Financial and real estate	119	404	384	1,369
Consumer finance companies	80	338	228	1,169
Other	39	66	156	200

Note.--Details may not add to totals due to rounding.

Source.--Securities and Exchange Commission and Federal Reserve.

Total gross proceeds of corporate offerings - Gross proceeds from all corporate security issues were 2,695 and 6,983 million dollars in the third quarter and first nine months of 1954 respectively, as shown in Table 2. These represent increases of 66 and 10 per cent above those periods last year. Most of the large difference between total gross proceeds and net proceeds for new capital in this year's third quarter is due to the heavy volume of refunding issues—640 million dollars. Public offerings increased slightly in their proportion to total corporate offerings, relative to both last year's third quarter and the first half of this year.

More debt issues were offered in the third quarter of this year compared with the third quarter of 1953, and unlike the earlier period, public bond offerings accounted for more than half of all the bonds floated. During the first nine months, 5,542 million dollars of bonds and notes were issued in 1954 and 4,971 million in 1953. Issues of preferred stock totaled 177 million dollars in the third period and 663 million in the first three quarters of 1954. The common stock volume was 179 million dollars from July to September this year and 196 million in those months last year. The proportion of common to total offerings in both the third quarter and in the first nine months is smaller than in comparable periods of 1953.

Table 2

Total Corporate Security Offerings by Type of Issue
Third Quarter and First Nine Months of 1953 and 1954

(Gross proceeds in millions of dollars)

Type of issue	Third quarter		First nine months	
	1954	1953	1954	1953
Total corporate offerings	2,695	1,624	6,983	6,358
<u>Type of offering</u>				
Public	1,766	935	4,444	3,886
Private	929	689	2,539	2,471
<u>Type of security</u>				
Bonds and notes	2,339	1,346	5,542	4,971
Public	1,460	665	3,131	2,551
Private	879	681	2,411	2,420
Preferred stock	177	82	663	391
Common stock	179	196	777	996

Note.—Details may not add to totals due to rounding.

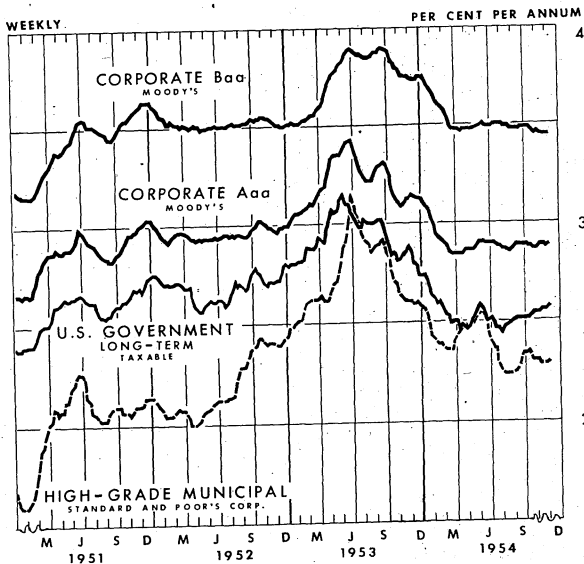
Source.—Securities and Exchange Commission.

Further details on capital market developments available from exhibits - More detailed information concerning recent capital market developments will be found in the following exhibits which are attached hereto:

- A - Bond Yields
- B - Stock Market
- C - Corporate and State and Local Government Security Offerings and Placements
- D - Large Public Security Issues for New Capital (other than U. S. Treasury)
- E - Forthcoming Large Public Security Offerings for New Capital (other than U. S. Treasury)
- F - Yields on New and Outstanding Public Utility Bonds, rated Aa and A

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

BOND YIELDS



Date	Corporate ^{1/}		U. S. Govt. long-term ^{2/}	Spread between Corporate Aaa and U. S. Govt.	High- grade Mun. ^{3/}
	Aaa	Baa			
	(Per cent per annum)				
1951 - High	3.03	3.63	2.74	.36	2.26
Low	2.65	3.16	2.38	.25	1.59
1952 - High	3.03	3.63	2.79	.37	2.43
Low	2.91	3.48	2.56	.19	2.00
1953 - High	3.42	3.89	3.15	.38	3.34
Low	2.99	3.50	2.74	.19	2.43
1954 - High	3.09	3.74	2.74	.43	2.56
Low	2.85	3.45	2.44	.32	2.23
November 5	2.88	3.46	2.54	.34	2.30
November 12	2.89	3.45	2.55	.34	2.28
November 19	2.89	3.45	2.55	.34	2.28
November 26	2.88	3.45	2.56	.32	2.28
December 3	2.89	3.45	2.57	.32	2.29

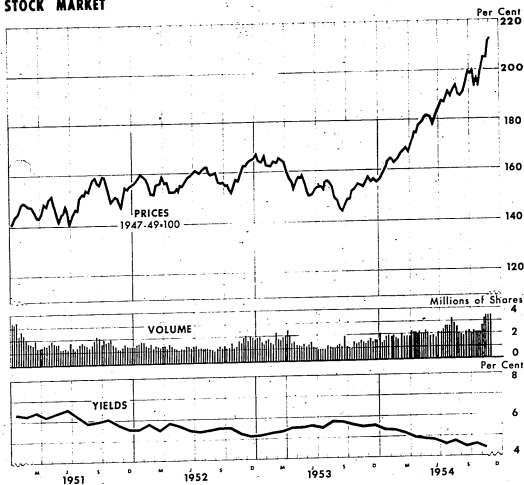
^{1/} Moody's Investors Service; weekly average of daily figures.

^{2/} Federal Reserve; weekly average of daily figures.

^{3/} Standard and Poor's Corporation; Wednesday figure.

Note.—Highs and lows are for individual series and may be on different dates for different series.

STOCK MARKET



Date	Stock price index ^{1/} (1947-49=100)	Trading volume ^{2/} (millions of shares)	Common stock yields ^{3/} (per cent per annum)	Customers' debit balances ^{4/} (millions of dollars)	Bank loans to "others" for purchases of securities ^{5/} (millions of dollars)
1951 - High	158.6	3.4	6.55	1,297	340
Low	140.3	1.1	5.55	1,219	260
1952 - High	165.3	2.0	5.77	1,328	295
Low	151.7	0.9	5.13	1,241	250
1953 - High	167.1	2.5	5.75	1,665	327
Low	144.0	0.9	5.15	1,314	252
1954 - High	212.7	3.4	5.33	2,095	472
Low	156.5	1.4	4.39	1,653	328
October	196.6	2.1	4.57	2,095	439
November	205.3	3.2	4.39	n.a.	461
November 19	205.1	3.4	n.a.	n.a.	465
November 26	211.1	3.4	n.a.	n.a.	471
December 3	212.7	3.4	n.a.	n.a.	472

^{1/} SEC index of 265 common stocks, weekly closing price, 1939=100; converted to 1947-49=100 by Federal Reserve.

^{2/} Weekly averages of daily trading volume on New York Stock Exchange.

^{3/} Moody's 200 common stocks; end of month figures.

^{4/} End of month figures for member firms of New York Stock Exchange; excludes balances secured by U. S. Government securities.

^{5/} Wednesday figures for weekly reporting member banks in New York and Chicago; excludes loans for purchase of U. S. Government securities. On March 4, 1953, the last date on which figures for all reporting banks were available, New York and Chicago accounted for 45 per cent of such loans. In the past New York and Chicago loans have fluctuated more than total loans.

n.a.—Not available.

Note.—Highs and lows are for individual series and may be on different dates for different series.

Exhibit C

Corporate and State and Local Government Security Offerings and Placements

(In millions of dollars)

	New capital					
	Corporate			State and local		
	1954	1953	1952	1954	R/ 1953	R/ 1952
January	544	623	615	396	389	358
February	439	623	413	411	360	300
March	660	666	951	565	426	156
April	486	779	870	734	329	455
May	652	675	990	748	649	392
June	859	1,123	769	853	434	630
July	898	483	1,237 ^{1/}	279	519	244
August	346	325	291	261	259	201
September	776	753	390	649	475	474
October	895	577	999	e/610	453	303
November	e/300	429	340	e/400	408	183
December	e/575	1,438 ^{2/}	851	e/875	774	398
1st quarter	1,643	1,912	1,979	1,372	1,176	815
2nd quarter	1,998	2,578	2,629	2,334	1,412	1,477
3rd quarter	2,021	1,561	1,918 ^{1/}	1,188	1,253	919
4th quarter	e/1,770	2,444 ^{2/}	2,191	e/1,885	1,636	885
Year	e/7,385	8,495 ^{2/}	8,716 ^{1/}	e/6,780	5,477	4,096
	Excluding finance companies ^{3/}					
1st quarter	1,562	1,669	1,961			
2nd quarter	1,931	1,991	2,521			
3rd quarter	1,941	1,223	1,877			
4th quarter	e/1,720	2,344	2,094			
Year	e/7,130	7,227	8,452			

^{1/} Includes 490 million dollar American Telephone and Telegraph debenture issue.

^{2/} Includes 603 million dollar AT&T debenture issue.

^{3/} Total new capital issues excluding offerings of sales and personal finance companies.

e/ Estimated.

R/ Revised.

Note.—Details may not add to totals due to rounding.

Exhibit D

Large 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/}
1953 - November	96	254	19
December	963	571	50
1954 - January	289	164	119
February	103	213	--
March	160	378	50
April	169	557	--
May	324	557	--
June	350	603	--
July	336	92	--
August	75	86	--
September	335	455	--
October	413	388	--
November	0	268	--

Large Individual Issues Offered December 1 through 3

Issuer	Type	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
None						
<u>STATE AND LOCAL GOVERNMENT</u>						
None						
<u>OTHER</u>						
None						

^{1/} Includes corporate and other security offerings of 15 million dollars and over; State and local government security offerings of 5 million and over.

^{2/} Includes foreign government and International Bank for Reconstruction and Development issues.

Exhibit E

Forthcoming Large 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/
1953 - Nov. 30	948	537	73	1,616	1,752	88
Dec. 31	232	179	123	669	1,238	138
1954 - Jan. 29	118	161	--	479	1,660	--
Feb. 26	108	498	50	690	1,916	50
Mar. 31	204	555	--	555	2,789	--
Apr. 30	323	525	27	647	2,322	27
May 28	332	596	--	526	1,971	--
June 30	336	86	--	532	1,524	--
July 30	100	54	--	303	1,553	--
Aug. 31	334	300	--	608	1,876	--
Sept. 30	343	383	--	414	2,158	--
Oct. 29	15	436	--	135	1,957	30
Nov. 30	94	661	30	246	2,682	30

Forthcoming Large Offerings, as of December 3

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Long Island Lighting	1st mtg. bonds	15.0	December 7
Virginia Electric and Power Co.	Common stock	17.4	December 8
Tennessee Gas Transmission	Bonds	32.0	December 8
New England Telephone and Telegraph Commonwealth Edison	Deb.	30.0	December 14
	Conv. deb.	50.0	January 11
New England Power	1st mtg. bonds	25.0	January 18
Public Service of Oklahoma	1st mtg. bonds	20.0	January
Public Service Electric & Gas Co.	Pfd. stock	25.0	January
Kansas City Power and Light	1st mtg. bonds	16.0	February 15
New England Telephone and Telegraph	Common stock	15.8	March
*Consumer Power Company	Bonds	30.0	1955
<u>STATE AND LOCAL GOVERNMENT</u>			
*State of Michigan	G.O.	60.0	December 7
New York Thruway	Rev.	50.0	December 7
Oklahoma Turnpike Authority	Rev.	214.0	December 8
Jefferson and St. Tammany Parishes, La.	Rev.	46.0	December 8

Forthcoming Large Offerings as of December 3 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Spokane County, Washington	G.O.	5.0	December 14
Tampa, Florida	Rev.	10.0	December 14
Puerto Rico Water Resources Auth.	Rev.	12.5	December 14
New Orleans, Louisiana	G.O.	8.1	December 15
New York State Power Authority	Rev.	315.0	December 15
State of California	n.a.	60.0	January 5
Public Housing Authorities	n.a.	135.0	January 11
Los Angeles Dept. of Water & Power	Rev.	18.0	January 26
Illinois Turnpike Authority	Rev.	390.0	January
Texas Turnpike Company	Rev.	200.0	January
Sam Houston Company	Rev.	150.0	January
Los Angeles School Dists., Cal.	n.a.	20.0	January
Inter-American Center Auth., Fla.	Rev.	60.0	Spring
Michigan Turnpike Authority	Rev.	186.0	Spring
State of Louisiana	n.a.	80.0	Spring
Metropolitan Water Dist. of So. Cal.	G.O.	8-10.0	Spring
*New York State Bridge Authority	Rev.	15.9	1955
Dade County Port Authority, Fla.	Rev.	21.0	1955
Springfield, Illinois	n.a.	9.0	1955
Allegheny County, Pennsylvania Sanitary Authority	Rev.	85.0	1955
California Toll Bridge Authority	Rev.	235.0	1955
Texas Turnpike Authority	n.a.	59.0	1955
Florida State Turnpike Authority	Rev.	89.0	1955
Jersey City Sewerage Auth., N. J.	Rev.	16.0	1955
North Carolina Turnpike Authority	n.a.	200.0	1955
<u>OTHER</u>			
Kingdom of Belgium	Bonds	30.0	December 15

1/ Includes corporate and other issues of 15 million dollars and over; State and local government issues of 5 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues.

n.a.--Not available.

*--Included in table for first time.

Yields on New and Outstanding
Public Utility 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 average	3.18	14	3.37	12
1953 average	3.44	16	3.78	25
1953 - January	3.25	11	None	--
February	3.39	19	None	--
March	3.40	17	3.59	23
April	3.48	16	3.88	41
May	3.79	28	3.99	37
June	None	--	4.10	39
July	*3.68	29	*4.00	30
August	None	--	None	--
September	None	--	3.92	29
October	3.34	6	3.56	7
November	*3.28	7	3.42	2
December	*3.30	5	3.51	10
1954 - January	3.20	6	3.34	2
February	3.02	0	*3.20	-1
March	*2.93	0	3.05	-10
April	2.99	5	3.10	-6
May	3.00	4	3.14	-1
June	*3.00	1	3.14	-2
July	None	--	*3.13	-1
August	None	--	3.11	-1
September	3.02	3	*3.10	-3
October 5	3.03	4	3.12	-1
6	3.04	4		
6	3.04	4		
14			3.12	0
15			3.10	-2
19	3.00	1		
21			3.08	-3
26			3.07	-4
28			3.08	-4
November	None	--	None	--
December 1			3.11	0

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.

*--Single observation, not an average.