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March 3, 1955

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CAPITAL MARKET DEVELOPMENTS

Small volume of security issues last week - Large State and local government security offerings for new capital totaled 25 million dollars during the week ending February 25; no large corporate issues were offered. The volume of large corporate and State and local flotations expected this week is 444 million dollars and includes 250 million dollars of General Motors Acceptance Corporation debentures.

February experience - February estimate of the volume of State and local securities is now 310 million dollars, considerably lower than the preliminary estimate. At the end of January, 682 million dollars of large issues were expected for offering in the following month, but only 101 million were successfully floated. Several issues totaling 650 million dollars which had been tentatively scheduled for offering, notably those of the Illinois Toll Road, Texas Turnpike, Florida State Turnpike, and Sam Houston Turnpike, failed to reach the municipal market in February. Since these issues were to be sold by negotiation, their offering dates were fixed less definitely than for most State and local security offerings. The latter are sold on an auction basis with a predetermined bidding date. The Illinois Toll Road Authority expects to offer the 390 million issue in March, but no definite dates are currently listed for the others. All bids were rejected on two smaller bond issues; one was reoffered and sold later in the month.

March outlook - Corporate security offerings for new capital in March are estimated at 1,150 million dollars, a volume larger than any month since December 1953. Included in this estimate are two offerings with aggregate proceeds of almost 600 million dollars to be issued by General Motors and GMAC.

The March estimate for State and local government issues is 750 million dollars, almost a third greater than the volume in the corresponding month a year ago and nearly two and one-half times as large as in February 1955. As noted above, this estimate includes the proceeds from the Illinois Toll Road issue.

First quarter estimates for corporate and State and local offerings are 1,750 and 1,595 million dollars respectively. Excluding finance companies, the corporate first quarter volume is estimated at 1,575 million dollars, slightly larger than the corresponding period a year ago.

Bond yields - Yields on corporate Aaa, Baa, and U. S. Government and high-grade municipal bonds rose during the week ending February 25. On a weekly basis, Treasury yields rose five basis points; no further change occurred on a daily basis on Monday and Tuesday of this week. Corporate Aaa yields increased three points last week and rose one point on March 1.

Stock prices - Stock prices, as measured by the SEC index of 265 common stocks, decreased slightly last week. A small increase was indicated by daily indexes through March 2. Daily trading volume on the New York Stock Exchange decreased to an average of 2.9 million shares per day last week.

State and Local Government Security
Offerings, Fourth Quarter
and Year, 1953-1954

State and local governments issued a greater volume of securities in 1954 than in any other year--a total of 6,969 million dollars, as shown in the accompanying table, 25 per cent greater than the 1953 volume. Refunding issues, which are only a small part of total offerings, increased 100 million dollars over the previous year's volume and totaled 180 million for 1954. Offerings for new capital were 1,894 million dollars in the fourth period, a quarterly total second only to the record volume of the second period last year.

Purpose of issues

Highway, bridge and tunnel financing accounted for the largest use of funds in the fourth quarter and year of both 1953 and 1954. The volume was 2,136 million dollars in 1954, over a third larger than the volume in the previous year. Included in these totals were several very large issues of over 100 million dollars. Another important purpose in the fourth period of 1954 was miscellaneous public service enterprises, due mainly to the 335 million dollar New York Power Authority issue offered in December, the largest single financing in the municipal market since February 1950. Bond issues for school construction in the last three months of 1954 were somewhat below the corresponding 1953 volume. School offerings increased in volume for the year as a whole but decreased as a proportion of the new capital total.

Issuing authority

Unlike a year earlier, State governments were the largest issuers in both the fourth quarter and year of 1954. States offered 2,047 million dollars of securities during 1954, in contrast to only 767 million in 1953. Almost half the volume of last year's State issues were floated in the fourth period. Special authorities offered 1,463 million in 1954, considerably less than in 1953

when a very large last quarter brought the yearly total to 2,091 million, the largest group that year.

Type of issue

The proportion of type of issue to total offerings has varied substantially in the last two years. Revenue bonds represented 46 per cent of total offerings in 1954 as compared with 28 per cent the year earlier. The increased volume of revenue issues, especially in the large issues of over 50 million dollars, as shown in the table below, made up a major portion of the rise in total security offerings. Included in the 1,889 million dollar total of large revenue offerings were four issues of over 200 million dollars--three turnpike offerings and the New York Power Authority issue. Only one issue of that size was floated in 1953, the 280 million dollar Indiana Toll Road offering. Small revenue issues increased 548 million dollars from 1953 to last year. No general revenue bonds were floated in 1954 in contrast to a total of 535 million dollars of such issues in the earlier year.

State and Local Government Security Issues

Year	Total	General obligation	General revenue ^{1/}	Revenue		
				Total	Small	Large ^{2/}
1953	5,558	3,456	535	1,566	798	768
1954	6,969	3,739	—	3,235	1,346	1,889

^{1/} Secured by both facilities revenue and the general revenue of the State.

^{2/} Issues of 50 million dollars or more.

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

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)

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

Long-Term Security Issues of State and Local Governments
Fourth Quarter and Year, 1953 and 1954

(In millions of dollars)

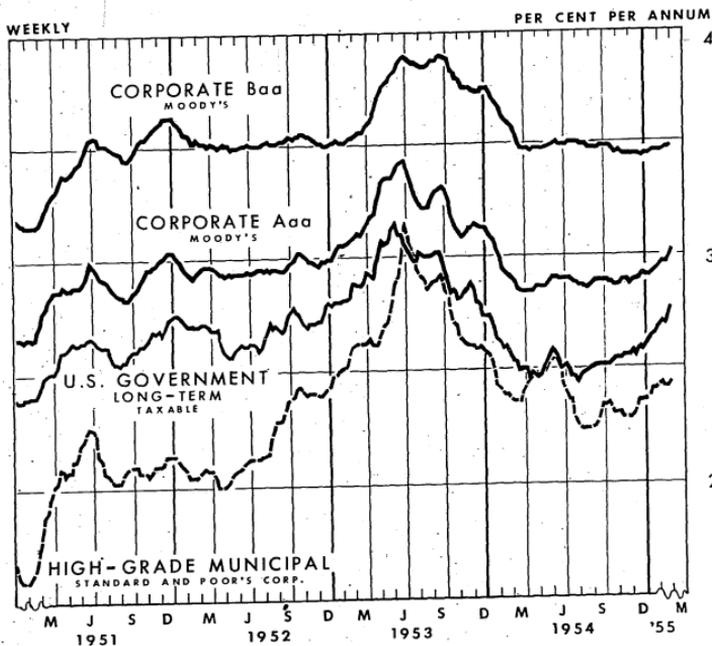
Type of issuer or purpose of issue	Fourth quarter		Year	
	1954	1953	1954	1953
<u>Issuing authority:</u>				
State	1,006	164	2,047	767
County and township	102	69	1,076	271
Municipality	438	195	967	1,052
School district	172	190	828	834
Special authority	106	901	1,463	2,091
Unidentified ^{1/}	157	152	587	543
Total	1,980	1,671	6,969	5,558
<u>Purpose of issue:</u>				
New capital total	<u>1,894</u>	<u>1,636</u>	<u>6,789</u>	<u>5,477</u>
Schools	252	308	1,432	1,320
Highways, bridges, tunnels	652	703	2,136	1,588
Residential buildings	1	121	456	506
Hospitals and institutions	6	50	77	133
Sewer and water	173	140	674	647
Misc. public service enterprises	406	26	597	156
Recreation	32	12	58	45
Port and airport	22	26	88	49
Veterans aid	60	5	162	141
Industrial building	--	--	2	7
Other	135	93	533	344
Unidentified ^{1/}	154	152	576	542
Refunding	86	35	180	82
Total	1,980	1,671	6,969	5,558

^{1/} Issues of less than \$500,000 not classified.

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

Sources.--Bond Buyer and Federal Reserve.

BOND YIELDS



Date	Corporate ^{1/}		U. S. Govt. long-term ^{2/}	Spread between Corporate Aaa and U. S. Govt.	High- grade, ^{3/}
	Aaa	Baa			
	(Per cent per annum)				
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	3.14
Low	2.99	3.50	2.74	.19	2.43
1954 - High	3.09	3.74	2.74	.43	2.56
Low	2.85	3.44	2.44	.32	2.23
1955 - High	3.02	3.48	2.77	.29	2.43
Low	2.91	3.45	2.62	.27	2.36
January 28	2.94	3.46	2.67	.27	2.41
February 4	2.97	3.46	2.70	.27	2.43
February 11	2.97	3.47	2.69	.28	2.41
February 18	2.99	3.47	2.72	.27	2.41
February 25	3.02	3.48	2.77	.25	2.43

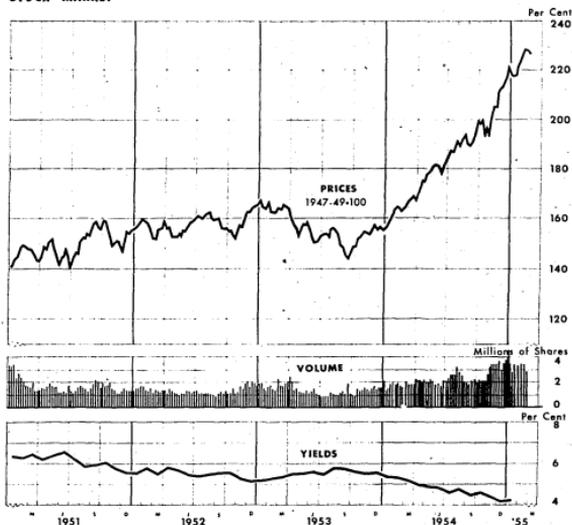
^{1/} Moody's Investors Service; weekly average of daily figures.

^{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)
1952 - High	165.3	2.0	5.77	1,328	295
1952 - Low	151.7	0.9	5.13	1,211	250
1953 - High	167.1	2.5	5.75	1,665	327
1953 - Low	144.0	0.9	5.35	1,311	252
1954 - High	221.4	3.7	5.33	2,388	487
1954 - Low	156.5	1.4	4.20	1,653	328
1955 - High	228.1	4.6	n.a.	n.a.	497
1955 - Low	217.4	2.8	n.a.	n.a.	475
January	218.4	3.6	4.22	2,517	481
February	226.8	3.2	n.a.	n.a.	490
February 11	228.1	3.4	n.a.	n.a.	488
February 18	227.6	3.4	n.a.	n.a.	489
February 25	226.2	2.9	n.a.	n.a.	497

^{1/} SEC index of 265 common stocks, weekly closing price, 1939=100; converted to 1947-49=100 by Federal Reserve. The conversion factor is 123.91.

^{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.

Corporate and State and Local Government
Security Offerings and Placements

(In millions of dollars)

	New capital					
	Corporate			State and local		
	1955	1954	1953	1955	1954	1953
January	e/450	544	623	e/535	396	389
February	e/350	439	623	e/310	411	360
March	e/1,150	660	666	e/750	565	426
April		486	779		734	329
May		652	675		748	649
June		859	1,123		853	434
July		898	483		279	519
August		346	325		261	259
September		776	753		649	475
October		1,008	577		594	453
November		298	429		423	408
December		592	1,438 ^{1/}		877	774
1st quarter	e/1,950	1,643	1,912	e/1,595	1,372	1,176
2nd quarter		1,998	2,578		2,334	1,412
3rd quarter		2,021	1,561		1,188	1,253
4th quarter		1,899	2,444 ^{1/}		1,894	1,636
Year		7,561	8,495		6,789	5,477
	Excluding finance companies ^{2/}					
1st quarter	e/1,575	1,562	1,669			
2nd quarter		1,931	1,991			
3rd quarter		1,941	1,223			
4th quarter		1,795	2,344			
Year		7,229	7,227			

^{1/} Includes 602.5 million dollar AT&T debenture issue.^{2/} Total new capital issues excluding offerings of sales and personal finance companies.

e/ Estimated.

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

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 <u>2/</u>
1954 - 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	--
December	94	689	30
1955 - January	141	341	35
February	72	101	--

Large Individual Issues Offered during February

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Allied Stores	Common stk.	16.4				
Hilton Hotels	Deb.	39.9	1970	4 1/2; 4 3/4	n.a.	n.a.
Kansas City Power & Light	1st mtg. bds.	16.0	1985	3.25	3.12	Aaa
<u>STATE AND LOCAL GOVERNMENT</u>						
Allegheny Co., Pa.	G.O.	7.2	1956-85	2.37	0.90-2.55	A
Miami, Florida	L.L.	6.0	1956-81	3.09	1.20-3.10	Baa
Milwaukee County, Wis.	G.O.	15.5	1956-62	1.43	0.85-1.45	Aaa
Long Beach Unified School District, Cal.	G.O.	16.3	1956-75	2.48	0.90-2.50	A
Florida State Board of Education	L.L.	9.2	1956-75	Var.	1.00-2.75	A
San Antonio, Texas	G.O.	6.0	1957-70	2.36	1.20-2.55	Baa

Large Individual Issues Offered during February (Cont'd)

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)						
Huntington, New York	G.O.	5.6	1955-84 ^{1/}	2.49	1.10-3.00	Baa
Baltimore County, Md.	G.O.	10.0	1958-95 ^{1/}	2.42	1.20-2.70	A
Fort Worth, Texas	Rev.	3.5	1956-80	2.21	1.00-2.40	Aa
Fort Worth, Texas	G.O.	5.0	1956-80	2.44	1.00-2.90	A
Milwaukee, Wisconsin	G.O.	7.0	1956-75	1.83	0.80-2.00	Aaa
Washington Suburban San- itary District, Md.	G.O.	9.8	1956-95	2.98	1.10-3.40	Baa
<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.

^{3/} In the case of State and local government securities, G.O. denotes general obligation; Rev., revenue bonds; G.R., general obligations additionally secured by facilities revenues; and, L.L., limited liability obligations secured by pledge of designated revenues.

^{4/} Bonds maturing 1990-95 not publicly reoffered.

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/
1954 - 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	393	--	414	2,158	--
Oct. 29	15	436	--	135	1,957	30
Nov. 30	94	661	30	246	2,682	30
Dec. 31	184	567	--	216	2,144	35
1955 - Jan. 31	16	682	--	422	1,961	--
Feb. 28	710	524	--	1,395	1,978	--

Forthcoming Large Offerings, as of February 25

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
May Department Store	SF deb.	25.0	March 1
*Central and South West Corp.	Common stock	19.7	March 2
Union Oil Company	Conv. deb.	21.0	March 2
Pacific Gas and Electric Co.	1st & ref. mtg. bds.	50.0	March 2
General Motors Acceptance Corp.	Deb.	250.0	March 3
General Motors Corp.	Common stock	328.6	March 7
New England Telephone and Telegraph	Common stock	15.7	March 31
Alabama Power	1st mtg. bonds	15.0	May 31
American Telephone and Telegraph	Conv. deb.	650.0	1955
*Joy Manufacturing Company	SF deb.	20.0	1955
<u>STATE AND LOCAL GOVERNMENT</u>			
Portland, Oregon	G.O.	8.0	March 1
State of Louisiana	G.O.	10.0	March 3
Hempstead, North Hempstead, N. Y.	G.O.	15.5	March 3
Houston, Texas	G.O.	15.0	March 4
Multnomah County, Oregon	G.O.	15.5	March 8
Metropolitan Water Dist. of So. Cal.	G.O.	8.0	March 9
New York Bridge Authority	Rev.	16.0	March 9

Forthcoming Large Offerings, as of February 25 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
State of South Carolina	G.O.	20.0	March 9
St. Petersburg, Florida	L.L.	14.0	March 10
State of Mississippi	Rev.	5.2	March 15
*State of New Jersey	n.a.	6.6	March 15
Illinois Turnpike Authority	Rev.	390.0	March
New Jersey Turnpike Authority	n.a.	30.0	Winter
Connecticut Expressway	Rev.	100.0	Winter
Texas Turnpike Authority	Rev.	58.5	Winter
Los Angeles, California	n.a.	5-10.0	April 6
San Diego County, California	n.a.	8.4	Spring
Inter-American Center Auth., Fla.	Rev.	60.0	Spring
Michigan Turnpike Authority	Rev.	186.0	Spring
State of Louisiana	n.a.	80.0	Spring
Sam Houston Turnpike Corp.	Rev.	46.0	1955
Texas Turnpike Company	Rev.	14.0	1955
Florida State Turnpike Authority	Rev.	74.0	1955
Sam Houston Company	Rev.	100.0	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
Jersey City Sewerage Auth., N. J.	Rev.	16.0	1955
North Carolina Turnpike Authority	n.a.	200.0	1955
<u>OTHER</u>			
None			

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.