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March 10, 1955

CAPITAL MARKET DEVELOPMENTS

Heavy volume of security issues last week - Proceeds from large public offerings for new capital totaled 366 million dollars for corporate issues and 49 million for State and local governments during the week ending March 5. The volume of large issues to be floated this week is 408 million dollars and includes 328.6 million dollars from the General Motors common stock offering, the expiration date for which was March 7.

Bond yields - Yields on outstanding corporate Aaa and high-grade municipal bonds rose last week. Corporate Baa yields did not change, and yields on Treasury obligations decreased two basis points. A decrease occurred in the Government yields on Tuesday of this week.

As indicated in Exhibit F, yields on newly-offered 30-year first mortgage electric power bonds with Aa- and A-ratings have recently been substantially above yields on similarly rated outstanding bonds of somewhat shorter maturity. The A-rated newly-offered bond yields had been below seasoned bond yields for most of 1954, while offering yields on the Aa-rated bonds had been just slightly above comparable seasoned yields.

Stock prices - The SEC index of 265 common stocks increased further to a new high of 231.0 for the week ending March 4. However, according to daily indexes, a sharp decline occurred on March 8, and a smaller decrease on March 9.

Corporate Security Offerings

Fourth Quarter and Year of 1953 and 1954

Net proceeds for new capital

Net proceeds from corporate security offerings for new capital in 1954 declined 11 per cent from the volume floated in 1953 and totaled 7,561 million dollars, as shown in Table 1. The volume of the largest major industrial group in both years, the electric, gas and water utilities, decreased 8 per cent to 2,673 million dollars from 2,905 million in 1953. Sales finance companies declined from their high level of issues offered in 1953 and dropped to 332 million dollars last year. Although the common stock offering from banks, and in particular the National City Bank of New York issue for 131 million dollars, are included in

the finance and real estate total, the volume for this major group was just half as large in 1954 as in the year earlier as a result of the decline in finance company issues.

Manufacturing companies as a whole issued about the same volume of securities in both years. Three of the largest industries in the manufacturing group each year--namely, the iron and steel, petroleum and chemical companies in 1954, and the chemical, petroleum and automobile companies in 1953--were large primarily because of the inclusion of the proceeds from at least one issue of over 100 million dollars. An exception was the machinery company volume which was made up of a greater number of only moderately large issues. The large issues refer to public offerings or single takedowns of private placements. United States Steel's 300 million dollars of debentures in July was the largest public issue floated last year.

The largest growth, both in dollar value and percentage-wise was in the mining group, which rose from a 220 million dollar total in 1953 to 460 million in 1954. Communication company flotations decreased primarily because of the American Telephone and Telegraph financing program which offered 602 million dollars of convertible debentures in December 1953 in contrast to about 250 million of straight debentures in September 1954.

In the fourth quarter last year, the volume of issues for new capital was 22 per cent less than in the last three months of 1953. Manufacturing companies floated about the same amount of issues both years. The General Motor's offering mentioned above was the only large issue of over 100 million dollars issued in 1953 and accounted for over half the manufacturing volume. In 1954 three industries reached the level of over 100 million dollars--the chemical, petroleum, and machinery companies--the two former ones as a result of a very large offering. Electric, gas and water utility offerings were little more than half the volume of the fourth quarter of 1953. The largest growth from one fourth period to the next occurred in the financial and real estate group due mainly to the National City Bank offering. Consumer finance companies issued about the same volume of securities in both fourth quarters. However, while the fourth quarter of 1954 was the largest that year, in 1953 the last three months total was the smallest and represented a decline from the first three periods when finance offerings were at their highest level.

A breakdown of net capital proceeds between public issues and private placements is not available. Estimates indicate that about one-half of bonds were privately placed, a slightly higher portion than in 1953. Affecting this result was the high representation in 1954 of manufacturing issues, which are frequently privately placed. Common stock issues for new capital, although declining slightly from the dollar amount offered in 1953, increased slightly as a ratio of total new capital.

Table 1

Corporate Security Offerings for New Capital
by Type of Business of Issuer
Fourth Quarter and Year of 1953 and 1954

(Net proceeds in millions of dollars)

Type of business	Fourth quarter		Year	
	1954	1953	1954	1953
All corporate offerings	1,899	2,444	7,561	8,495
Manufacturing	<u>531</u>	<u>555</u>	<u>2,131</u>	<u>2,128</u>
Iron and steel	6	9	363	108
Nonferrous	6	21	153	72
Machinery	115	77	336	305
Automobile	17	307	107	322
Chemical	131	20	248	446
Petroleum	116	4	293	335
Other	140	117	631	540
Electric, gas and water utilities	408	771	2,673	2,905
Communication	162	627	655	871
Railroad	64	74	213	267
Other transportation	28	77	294	286
Commercial and other	175	79	368	282
Mining	149	92	460	220
Financial and real estate	382	168	766	1,536
Consumer finance companies	<u>104</u>	<u>100</u>	<u>332</u>	<u>1,268</u>
Other	278	68	434	268

Note.—Components of manufacturing totals are shown net of foreign securities. Details may not add to totals due to rounding.

Source.—Securities and Exchange Commission and Federal Reserve.

Gross proceeds

Unlike new capital, the volume of total corporate security offerings was slightly larger in 1954 than in 1953. The volume was 9,563 million dollars last year, and 8,898 million in 1953 as shown in Table 2. The major difference between the gross proceeds from corporate offerings and net proceeds for corporate new capital in 1954 as shown in Table 1 is the large volume of refunding issues floated. About 1,860 million dollars of such issues were offered in contrast with 260 million offered during 1953. Approximately one-third of the proceeds from refunding programs in 1954 was used to refinance bonds which had been offered from April to September 1953 when interest rates were higher than they had been in recent years. Increased refunding began at the end of March and remained sizable throughout last year; the December volume was the largest month of the year.

Table 2

Total Corporate Security Offerings by Type of Issue

Fourth Quarter and Year of 1953 and 1954

(Gross Proceeds in millions of dollars)

Type of issue	Fourth quarter		Year	
	1954	1953	1954	1953
Total corporate offerings	2,581	2,540	9,563	8,898
<u>Type of offering</u>				
Public	1,400	1,694	5,844	5,580
Private	1,180	846	3,719	3,318
<u>Type of security</u>				
Bonds and notes	2,003	2,113	7,545	7,083
Public	874	1,305	4,004	3,856
Private	1,129	808	3,541	3,228
Preferred stock	151	98	814	489
Common stock	427	330	1,204	1,326

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

Source.--Securities and Exchange Commission.

Public offerings and private placements changed only slightly in their ratios to total offerings as compared to the 1953 figures. Public offerings were 5,844 million dollars, 61 per cent of total corporate issues in 1954. During the year before, 63 per cent of all corporate offerings was publicly floated. Bonds and notes continued to account for the major portion of offerings; 7,545 million dollars were issued last year and of that total, 4,004 million were publicly offered. Common stock volume decreased moderately both in absolute and relative terms; preferred issues rose to about 9 per cent of total issues from 5 per cent in 1953.

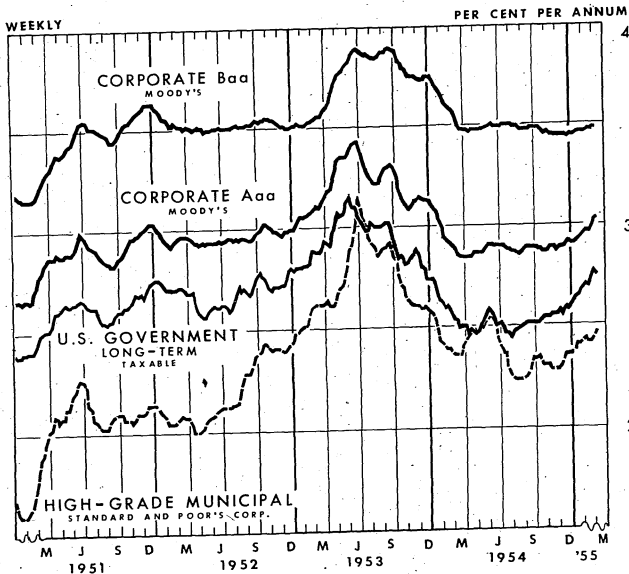
In the fourth quarter, the proportions in the two years were somewhat different. Little more than half of the 2,581 million dollars of total corporate volume was publicly offered in the fourth quarter of 1954. Bonds and notes represented about four-fifths of total issues, but 1,129 million dollars or 56 per cent were privately placed. In the same quarter of 1953, privately-placed bonds and notes were just over one-third of total debt offerings. Both preferred and common stocks accounted for slightly larger proportions of total issues in the last three months of 1954 than in the comparable period of 1953.

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 Electric Power 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)					
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	3.03	3.48	2.77	.29	2.46
Low	2.91	3.45	2.62	.25	2.36
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
March 4	3.03	3.48	2.75	.28	2.46

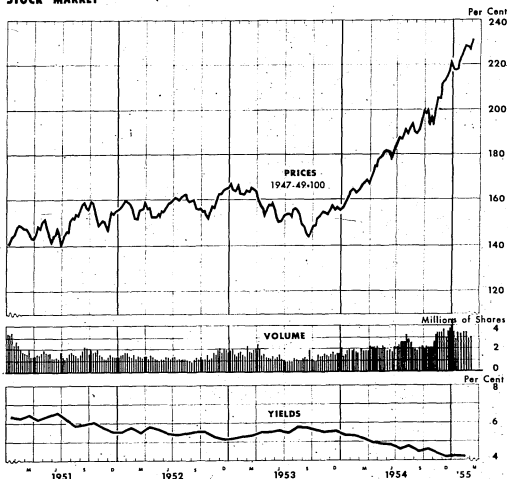
^{1/} Moody's Investors Service; weekly average of daily figures.

^{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
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	221.4	3.7	5.33	2,388	487
Low	156.5	1.4	4.20	1,653	328
1955 - High	231.0	4.6	n.a.	n.a.	497
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	4.21	n.a.	490
February 18	227.6	3.4	n.a.	n.a.	489
February 25	226.2	2.9	n.a.	n.a.	497
March 4	231.0	3.0	n.a.	n.a.	493

^{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 2/
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 March 1 through 4

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
May Department Store	SF deb.	25.0	1980	3 1/4	3.25	A
Central & South West Corp.	Common stk.	20.1				
Union Oil Company	Conv. deb.	21.0	1975	3	3.00	Baa
Pacific Gas & Electric Co.	1st & ref mtg bds	50.0	1987	3 3/8	3.30	Aa
General Motors Acceptance Corp.	Deb.	250.0	1960;1972	3;3 1/2	3.00;3.50	--
<u>STATE AND LOCAL GOVERNMENT</u>						
Portland, Oregon	G.O.	8.0	1958-75	2.01	1.15-2.20	Aa
State of Louisiana	G.O.	10.0	1960-70	2.23	1.50-2.35	A
Hempstead & N. Hempstead, New York	G.O.	15.5	1955-84	3.08	1.10-3.13	Baa
Houston, Texas	G.O.	15.0	1956-85	2.59	1.00-3.10	A

Large Individual Issues Offered March 1 through 4 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<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.

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	383	--	444	2,158	--
Oct. 29	15	436	--	135	1,957	30
Nov. 30	94	661	30	246	2,682	30
Dec. 31	184	567	--	216	2,444	35
1955 - Jan. 31	16	682	--	422	1,961	--
Feb. 28	710	524	--	1,395	1,978	--

Forthcoming Large Offerings, as of March 4

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
General Motors Corp.	Common stock	328.6	March 7
Joy Manufacturing Company	SF deb.	20.0	March 22
New England Telephone and Telegraph	Common stock	15.7	March 31
Alabama Power	1st mtg. bonds	15.0	May 24
American Telephone and Telegraph	Conv. deb.	650.0	1955
<u>STATE AND LOCAL GOVERNMENT</u>			
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
State of South Carolina	G.O.	20.0	March 9
St. Petersburg, Florida	L.L.	14.0	March 10
*Oyster Bay, New York	G.O.	5.8	March 10
State of Mississippi	Rev.	5.2	March 15
State of New Jersey	G.O.	6.6	March 15
New Jersey Turnpike Authority	Rev.	34.0	March 17

Forthcoming Large Offerings, as of March 4 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
*Georgia State School Building Auth.	Rev.	30.2	March 22
Illinois Turnpike Authority	Rev.	390.0	March
Connecticut Expressway	Rev.	100.0	Winter
Texas Turnpike Authority	Rev.	58.5	Winter
*San Francisco, California	n.a.	6.9	April 4
Los Angeles, California	n.a.	5-10.0	April 6
*Louisville, Kentucky	n.a.	7.5	April 20
*Wichita, Kansas	n.a.	7.4	April 26
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
Florida State Turnpike Authority	Rev.	74.0	Spring
Sam Houston Turnpike Corp.	Rev.	146.0	1955
Texas Turnpike Company	Rev.	140.0	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.

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 average	3.16	13	3.35	12
1953 average	3.43	15	3.79	27
1954 average	3.04	3	3.12	-3
1954 - January	3.20	6	*3.35	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	0
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	3.03	3	3.10	-2
November	None	--	None	--
December	None	--	3.11	0
1955 - January 19	3.15	13		
February 24 25	3.14	7	3.23	9

^{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.

*--Single observation, not an average.