

H.14

March 24, 1955

### CAPITAL MARKET DEVELOPMENTS

Small volume of security offerings - State and local governments offered 46 million dollars of large issues during the week ending March 18; no large corporate offerings were floated. This week large public issues for new capital totaling 101 million dollars are scheduled for offering.

Bond yields - Yields on outstanding corporate Baa and high-grade municipal bonds did not change last week; corporate Aaa yields decreased one basis point. Long-term U. S. Government yields dropped three basis points during the week ending March 18 and declined further on Monday and Tuesday of this week.

Stock prices rise - The SEC index of 265 common stocks increased moderately to 222.7 last week. Prices, after decreasing on Monday, rose on Tuesday and Wednesday to the highest level since early March, according to daily indexes. Average daily trading volume declined to 2.9 million shares last week.

#### Institutional Savings and Investments in 1954

The inflow of new savings into life insurance companies, savings and loan associations and mutual savings banks totaled 12,278 million dollars in 1954, as shown in the accompanying table, more than in any other year to date. New savings flowing into these institutions represented two-thirds of the increase in net public and private debt last year. Liquidation of U. S. Government securities—more than twice the volume in 1954 than in 1953—provided additional funds for investments of other types. This liquidation was facilitated by the increased demand of commercial banks for Government obligations developing from the easier credit policy of the Federal Reserve System. Moreover since Government security prices rose in 1954 to about the same level as when they were purchased, the savings institutions incurred no loss in these sales.

Aggregate mortgage holdings of the major types of savings institutions increased almost 9 billion dollars in 1954, a record to date. Net investments in domestic business securities were 2,481 million dollars last year, compared to 3,193 million in 1953. Savings institutions increased their holdings of State and local government securities by 752 million dollars, a growth well above that of any previous year.

Life insurance companies

Net mortgage acquisitions of life insurance companies amounted to 2,652 million dollars last year, well above the comparable volume for 1953. Holdings of corporate securities rose 2,266 million dollars, but the increase was not as large as in 1953, due in part to the smaller volume of new issues and in part to the heavier investments in the higher-yielding mortgages and State and local government securities--particularly the long-term revenue bonds with high coupon rates. Acquisitions of State and local government securities and other assets were considerably larger last year than earlier. A major part of the State and local increase for all institutions mentioned above was accounted for by the life insurance companies. Increase in assets was almost 700 million dollars larger last year than the previous twelve-month period and totaled 5,851 million. The other source of funds--sales of Government obligations--provided 746 million dollars compared to 428 million in 1953.

Savings and loan associations

The inflow of savings capital into savings and loan associations was 4,481 million dollars last year, 23 per cent more than in 1953. The growth in the flow last year was relatively larger than in either of the other two types of institutions. Since this increase more than offset total demands made, mainly by mortgage acquisitions, extra funds were applied towards increasing cash and Government holdings--especially the cash holdings, which were raised 458 million dollars.

Mutual savings banks

Mutual savings banks increased their holdings of mortgages by 2,055 million dollars in 1954 compared to a growth of 1,556 million the year before. Investments in business securities grew but not as much as during 1953. New savings were 1,946 million dollars last year, about 10 per cent more than the flow the year before. Most of the additional funds needed for new investments were supplied by an increased reduction of holdings of Government securities in 1954.

Uses and Sources of Funds by Major Types of Savings Institutions  
1953-1954

(In millions of dollars)

Year	Uses - Net purchases of:					Sources of funds		
	Total uses <sup>1/</sup>	Domestic business securities	Mortgages	State and local govt. securities	Other assets	Total sources <sup>2/</sup>	New sav-ings	Reduction of U. S. Government securities
Total - Major Types of Savings Institutions								
1954	13,608	2,481	8,967	752	1,408	13,608	12,278	1,095
1953	11,317	3,193	7,132	234	758	11,317	10,579	534
Life Insurance Companies								
1954	6,592	2,266	2,652	555	1,119	6,592	5,851	746
1953	5,515	2,805	2,030	152	528	5,515	5,167	428
Savings and Loan Associations								
1954	4,483	--	4,260	$\frac{3}{3}$	223	4,483	4,481	-103
1953	3,732	--	3,546	$\frac{3}{3}$	186	3,732	3,635	-132
Mutual Savings Banks								
1954	2,533	215	2,055	197	66	2,533	1,946	452
1953	2,070	388	1,556	82	44	2,070	1,777	238

<sup>1/</sup> Uses of funds consist of net changes in asset holdings other than cash and U. S. Government securities.

<sup>2/</sup> Includes other sources not shown separately.

<sup>3/</sup> Change of less than 500 thousand dollars.

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

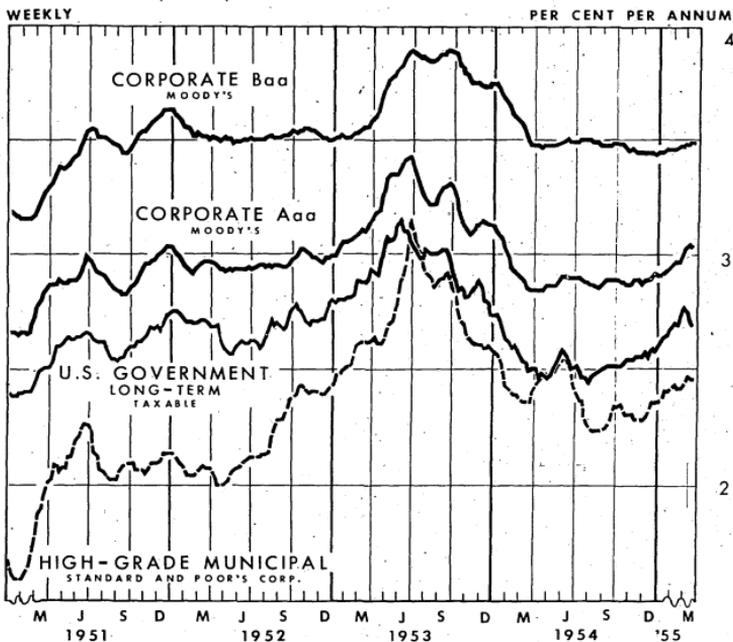
Sources of data.--Institute of Life Insurance, Federal Savings and Loan Insurance Corporation, and National Association of Mutual Savings Banks.

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,  
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## BOND YIELDS



Date	Corporate <sup>1/</sup>		U. S. Govt. long-term <sup>2/</sup>	Spread between Corporate Aaa and U. S. Govt.	High- grade Mun. <sup>3/</sup>
	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	3.04	3.49	2.77	.34	2.46
Low	2.91	3.45	2.62	.25	2.36
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
March 11	3.04	3.49	2.72	.32	2.45
March 18	3.03	3.49	2.69	.34	2.45

<sup>1/</sup> Moody's Investors Service; weekly average of daily figures.

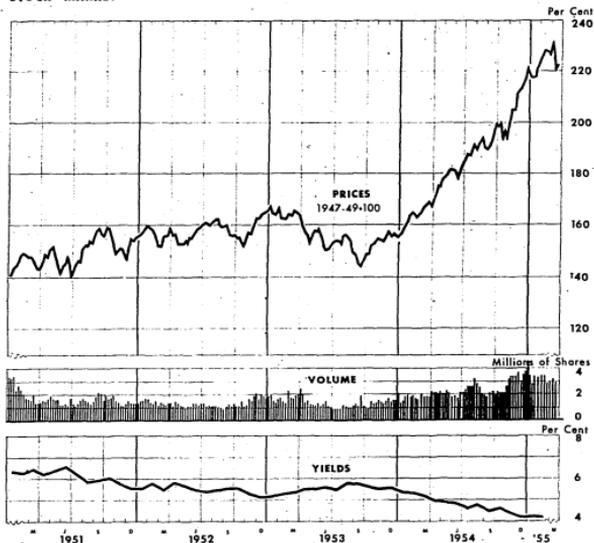
<sup>2/</sup> Federal Reserve; weekly average of daily figures.

<sup>3/</sup> 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

EXHIBIT B



Date	Stock price index <sup>1/</sup> (1947-49=100)	Trading volume <sup>2/</sup> (millions of shares)	Common stock yields <sup>3/</sup> (per cent per annum)	Customers' debit balances <sup>4/</sup> (millions of dollars)	Bank loans to "others" for purchases of securities <sup>5/</sup> (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	4.22	2,590	507
Low	217.4	2.8	4.21	2,517	475
January	218.4	3.6	4.22	2,517	461
February	226.8	3.2	4.21	2,590	490
March 4	231.0	3.0	n.a.	n.a.	493
March 11	220.8	3.2	n.a.	n.a.	r/501
March 18	222.7	2.9	n.a.	n.a.	507

<sup>1/</sup> 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.

<sup>2/</sup> Weekly averages of daily trading volume on New York Stock Exchange.

<sup>3/</sup> Moody's 200 common stocks; end of month figures.

<sup>4/</sup> End of month figures for member firms of New York Stock Exchange; excludes balances secured by U. S. Government securities.

<sup>5/</sup> 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.

r/ Revised.

n.a.—Not available.

Note.—Highs and lows are for individual series and may be on different dates on 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/486	544	623	535	396	389
February	e/350	439	623	e/310	411	360
March	e/1,225	660	666	e/500	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 <sup>1/</sup>		423	408
December		592	1,438 <sup>2/</sup>		877	774
1st quarter	e/2,061	1,643	1,912	e/1,345	1,372	1,176
2nd quarter		1,998	2,578		2,334	1,412
3rd quarter		2,021	1,561 <sup>1/</sup>		1,188	1,253
4th quarter		1,899	2,444 <sup>1/</sup>		1,894	1,636
Year		7,561	8,495		6,789	5,477
	Excluding finance companies <sup>2/</sup>					
1st quarter	e/1,661	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			

<sup>1/</sup> Includes 602.5 million dollar AT&T debenture issue.

<sup>2/</sup> 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 March 1 through 18

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest 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	--
General Motors Corp.	Common stk.	328.6				
<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 18 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)						
Multnomah County, Oregon	G.O.	12.0 <sup>4/</sup>	1956-75	2.02	0.95-2.20	Aa
Metropolitan Water Dis- trict of Southern Cal.	G.O.	8.0	1956-80	2.19	0.95-2.35	Aa
New York Bridge Authority	Rev.	16.0	1956-89	2.64	1.00-2.69	A
State of South Carolina	G.O.	20.0	1956-75	1.95	0.95-2.10	Aa
St. Petersburg, Florida	L.L.	14.0	1956-77	3.50	1.75-3.43	Ba
Oyster Bay, New York	G.O.	5.8	1955-83	2.97	1.00-3.05	Baa
State of Mississippi	Rev.	5.2	1971-75	2.53	2.25-2.50	A
State of New Jersey	G.O.	6.6	1957-90	2.19	1.10-2.40	Aa
New Jersey Turnpike Auth.	Rev.	34.0	1988	2.88	2.84	—
<u>OTHER</u>						
None						

<sup>1/</sup> Includes corporate and other security offerings of 15 million dollars and over; State and local government security offerings of 5 million and over.

<sup>2/</sup> Includes foreign government and International Bank For Reconstruction and Development issues.

<sup>3/</sup> 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.

<sup>4/</sup> 3.5 million dollars not reoffered pending settlement of taxpayers' litigation.

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 <u>2/</u>	Corporate	State and local govt.	Other <u>2/</u>
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	—	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	1,976	—

Forthcoming Large Offerings, as of March 18

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Joy Manufacturing Company	SF deb.	20.0	March 22
Pacific Northwest Pipeline	Interim notes	17.2	March 29
New England Telephone and Telegraph	Common stock	15.7	March 31
National Gypsum	Common stock	18.6	April 4
General Dynamics Corp.	Conv. deb.	40.0	April 5
Tennessee Gas Transmission	Deb.	25.0	April 6
Philadelphia Electric	Bds.	20.0	April 25
*Southern California Gas Co.	Bonds	40.0	April
*Public Service of Indiana, Inc.	Pfd. stock	21.3	April
Alabama Power	1st mtg. bonds	15.0	May 24
*Consolidated Natural Gas	Common stock	24.4	June
American Telephone and Telegraph	Conv. deb.	650.9	1955
<u>STATE AND LOCAL GOVERNMENT</u>			
New York State	G.O.	50.7	March 22
Georgia State School Building Auth.	L.L.	30.2	March 22
*Springfield, Missouri	Rev.	11.1	March 29

## Forthcoming Large Offerings, as of March 18 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)			
State of Massachusetts	G.O.	60.9	March 29
Florida State Improvement Comm.	Rev.	6.0	March 31
San Francisco, California	n.a.	6.9	April 4
Los Angeles, California	n.a.	5-10.0	April 6
San Diego County, California	n.a.	8.4	April 19
Louisville, Kentucky	n.a.	7.5	April 20
Calcasieu Parish, Louisiana	n.a.	5.5	April 21
Wichita, Kansas	n.a.	7.4	April 26
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
Illinois Turnpike Authority	Rev.	390.0	1955
Connecticut Expressway	Rev.	100.0	1955
Texas Turnpike Authority	Rev.	58.5	1955
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 <sup>1/</sup>

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
March 10 16	3.17	8	3.27	12

<sup>1/</sup> 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.