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June 9, 1955

CAPITAL MARKET DEVELOPMENTS

Volume of new capital moderate - State and local governments floated several large security issues with aggregate proceeds of 87 million dollars during the week ending June 3; no large corporate issues were offered. Almost 100 million dollars of large offerings are expected this week, including 74 millions of the Florida State Turnpike Authority issue.

Bond yields - State and local government Aaa bond yields increased one basis point during the week ending June 3, and U. S. Government long-term bond yields decreased one basis point. Yields on corporate Aaa bonds did not change.

State and local government revenue bond yields rose two basis points last week. Yields on lower-grade corporate and State and local bonds remained steady.

Little change occurred during the first three days of this week in the series for which data are available.

Stock prices rise - Stock prices, as measured by the SEC index of 265 common stocks, rose to a new high of 237.5 last week. Further increases occurred each day of this week through Wednesday according to daily indexes.

Institutional Savings and Investments
in the First Quarter of 1955

Life insurance companies, savings and loan associations and mutual savings banks increased mortgage holdings by 2.5 billion dollars during the first quarter of 1955, as shown in the attached table, almost half again as much as the increase in the same period last year. Net mortgage acquisitions accounted for more than 70 per cent of total available funds in 1955 compared to little more than one-half the year before. Reflecting the heavier investment in mortgages, business security holdings rose only 550 million dollars, one-fourth less than the growth in the first quarter of 1954. Net investments in other assets increased in the first period but not as much as before.

The flow of new savings into institutions was slightly larger from January to March this year than last--3.3 billion dollars in 1955 compared to 3.1 billion in 1954. The percentage increase in new savings from one first quarter to the next was only

Uses and Sources of Funds by Major Types of Savings Institutions
First Quarter 1954-1955

(In millions of dollars)

First quarter	Uses - Net purchases of:					Sources of funds		
	Total uses ^{1/}	Domestic business securities	Mortgages	State and local govt. securities	Other assets	Total sources ^{2/}	New savings	Reduction of U. S. Government securities
Total - Major Types of Savings Institutions								
1955	3,549	552	2,521	182	294	3,549	3,280	-295
1954	3,285	734	1,739	210	602	3,285	3,111	131
Life Insurance Companies								
1955	1,676	526	800	131	219	1,676	1,575	-70
1954	1,708	561	494	168	485	1,708	1,448	106
Savings and Loan Associations								
1955	1,204	--	1,171	$\frac{3}{}$	33	1,204	1,139	-181
1954	912	--	840	$\frac{3}{}$	72	912	1,123	-5
Mutual Savings Banks								
1955	669	26	550	51	42	669	566	-44
1954	665	173	405	42	45	665	540	30

^{1/} Uses of funds consist of net changes in asset holdings other than cash and U. S. Government securities.

^{2/} Includes other sources not shown separately.

^{3/} 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.

5 per cent, the smallest in four years. During the first quarter of 1951, a smaller volume of new savings flowed into these institutions than in the preceding first quarter. Cash and surplus supplied a substantial proportion of total funds during the first quarter of 1955 in contrast to a relatively unimportant role in the previous first quarter. For the first time in eight quarters, these institutions as a whole increased rather than reduced U. S. Government holdings. They bought almost 300 million dollars of Government securities. This was largely a result of institutional participation in the Treasury's offering of 40-year bonds in February of this year.

Life insurance companies - New savings of life insurance companies were 1.6 billion dollars, slightly more than earlier. Because insurance companies increased their holdings of U. S. Government securities for the first quarter since the July to October period in 1952, funds available for other investments were smaller than last year; Governments increased 70 million dollars. Almost half the available funds, or 800 million dollars, were placed in mortgage holdings in contrast to 494 million in the previous first period. Investments in other securities and other assets increased somewhat but not as much as a year earlier. Business security investments were 526 million dollars this year compared to 561 million in the first three months of 1954.

Savings and loan associations - Savings and loan associations used 1.2 billion dollars to acquire about 40 per cent more net mortgages in the first period of 1955 than a year ago. The flow in savings capital was almost the same in both periods--about 1.1 billion dollars. The associations purchased a relatively heavy volume of Government securities--almost 200 million dollars in contrast to only 5 million last year. Cash and other sources supplied about 250 million dollars of additional funds.

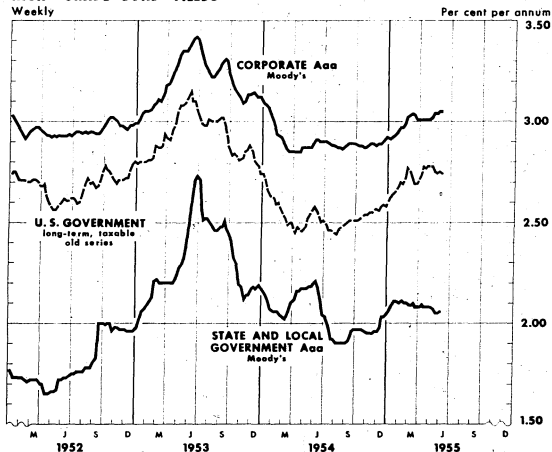
Mutual savings banks - Mortgage holdings increased more than one-half billion dollars for mutual savings banks in the first quarter this year, about one-third more than in the corresponding period of 1954. Less funds were invested in business securities--only 26 million dollars compared to 173 million last year. Deposits grew slightly more this year--566 million dollars.

More detailed information concerning recent capital market developments will be found in the attached exhibits.

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

EXHIBIT A

HIGH - GRADE BOND YIELDS



Date	Corporate Aaa ^{1/}	U. S. Govt. long-term ^{2/}	State and local govt., Aaa ^{3/}	Spread between	
				U. S. Govt. and Corporate Aaa	State and local Aaa
(Per cent)					
1952 - High	3.03 (1/4)	2.79 (12/27)	2.00 (10/23)	.37	1.02
Low	2.91 (2/15)	2.56 (5/17)	1.65 (5/1)	.19	.71
1953 - High	3.42 (6/19)	3.15 (6/6)	2.73 (6/25)	.38	.84
Low	2.99 (1/9)	2.78 (12/26)	1.98 (1/8)	.19	.30
1954 - High	3.09 (1/8)	2.74 (1/9)	2.21 (6/10)	.43	.61
Low	2.85 (4/23)	2.44 (8/7)	1.90 (9/2)	.32	.29
1955 - High	3.05 (6/3)	2.77 (5/6)	2.11 (2/10)	.34	.70
Low	2.91 (1/7)	2.62 (1/7)	2.06 (6/2)	.24	.54
May 6	3.02	2.77	2.08	.25	.69
May 13	3.04	2.75	2.07	.29	.68
May 20	3.04	2.74	2.05	.30	.69
May 27	3.05	2.75	2.05	.30	.70
June 3	3.05	2.74	2.06	.31	.68

^{1/} Weekly average of daily figures. Average term of bonds included is 25-26 years.

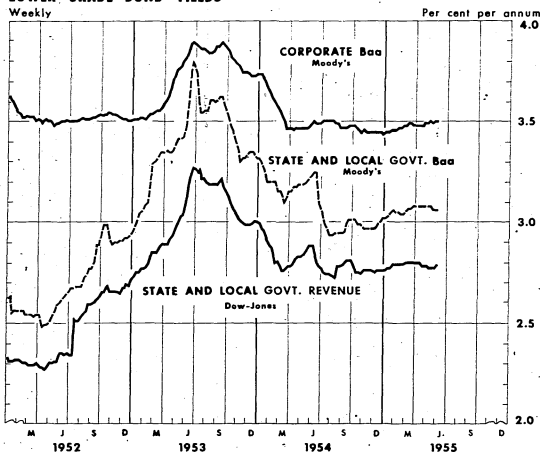
^{2/} Weekly average of daily figures; old series. Average term to first call of bonds included is 13-14 years.

^{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 B

LOWER-GRADE BOND YIELDS



Date	Corporate Baa ^{1/}	State and local govt. Baa ^{2/}	State and local govt. rev. ^{3/}
	(Per cent)		
1952 - High	3.63 (1/4)	2.98 (10/23)	2.69 (12/19)
Low	3.48 (5/16)	2.48 (4/17)	2.27 (4/25)
1953 - High	3.89 (9/18)	3.79 (6/25)	3.27 (6/26)
Low	3.50 (1/2)	2.96 (1/8)	2.71 (1/2)
1954 - High	3.74 (1/8)	3.32 (1/7)	3.00 (1/1)
Low	3.14 (12/31)	2.93 (8/5)	2.72 (8/13)
1955 - High	3.50 (6/3)	3.08 (5/12)	2.80 (4/15)
Low	3.45 (1/14)	3.02 (1/6)	2.76 (1/7)
May 6	3.49	3.08	2.78
May 13	3.50	3.08	2.77
May 20	3.49	3.06	2.77
May 27	3.50	3.06	2.77
June 3	3.50	3.06	2.79

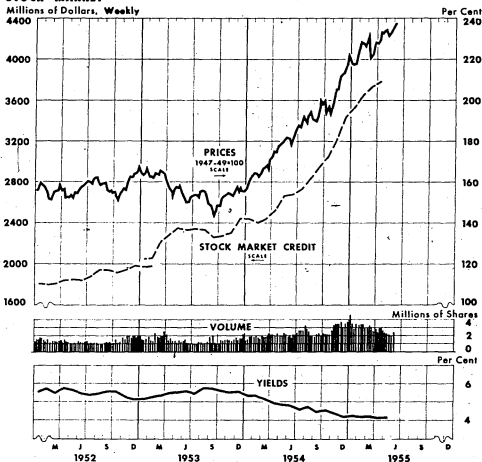
^{1/} Weekly average of daily figures. Average term of bonds included is 25-26 years.

^{2/} Thursday figures. Only general obligation bonds are included; average term is 20 years.

^{3/} Friday figures. Average rating of bonds included is between Baa and A; average term is 20 years.

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

STOCK MARKET



Date	Stock price index ^{1/}	Trading volume ^{2/} (millions of shares)	Common stock yields ^{3/} (per cent)	Stock market credit		
				Total	Customers' debit balances ^{4/}	Bank loans to "others" ^{5/}
(Millions of dollars)						
1952 - High	165.3 (12/26)	2.0	5.77	1,986	1,332	656
Low	151.7 (10/24)	0.9	5.13	1,804	1,241	552
1953 - High	167.1 (1/2)	2.5	5.75	2,445	1,665	780
Low	144.0 (9/18)	0.9	5.15	2,055	1,314	664
1954 - High	221.4 (12/31)	3.7	5.33	3,436	2,388	1,048
Low	156.5 (1/6)	1.4	4.20	2,405	1,653	746
1955 - High	237.5 (6/3)	4.6	4.22	3,785	2,704	1,081
Low	217.4 (1/14)	2.0	4.12	3,537	2,517	1,018
April	231.4	2.7	4.12	3,785	2,704	1,081
May	233.3	2.2	4.14	n.a.	n.a.	1,103
May 20	233.3	2.1	n.a.	n.a.	n.a.	1,092
May 27	234.6	2.0	n.a.	n.a.	n.a.	1,103
June 3	237.5	2.4	n.a.	n.a.	n.a.	n.a.

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

^{2/} Averages of daily trading volume on the New York Stock Exchange.

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

^{4/} End of month figures for member firms of the New York Stock Exchange which carry margin accounts; excludes money borrowed for carrying U. S. Government obligations.

^{5/} Wednesday figures for weekly reporting member banks. Excludes all loans on U. S. Governments for 1952; since 1953 only loans secured by Governments at banks in New York and Chicago are excluded. Weekly reporting banks account for about 72 per cent of loans to others.

^{r/} Revised.

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	546	547	623	535	396	389
February	436	426	623	312	411	360
March	1,261	635	666	538	565	426
April	e/500	497	779	e/425	734	329
May	e/900	656	675	e/350	748	649
June	e/650	842	1,123	e/550	853	434
July		909	483		279	519
August		335	325		261	259
September		747	753		649	475
October		1,003	577		594	453
November		290	429		423	408
December		604	1,438 ^{1/}		877	774
1st quarter	2,243	1,608	1,912	1,385	1,372	1,176
2nd quarter	e/2,050	1,995	2,578	1,325	2,334	1,412
3rd quarter		1,991	1,561		1,188	1,253
4th quarter		1,896	2,444 ^{1/}		1,894	1,636
Year		7,490	8,495		6,789	5,477
	Excluding finance companies ^{2/}					
1st quarter	1,791	1,527	1,669			
2nd quarter	e/2,000	1,927	1,991			
3rd quarter		1,911	1,223			
4th quarter		1,792	2,344			
Year		7,158	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 - 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	107	--
March	750	337	--
April	175	238	15
May	483	109	--

Large Individual Issues Offered June 1 through 3

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
None						
<u>STATE AND LOCAL GOVERNMENT</u>						
Houston, Texas	G.O.	12.5	1956-80	2.47	1.20-2.65	A
New York City Housing Authority	G.R.	27.2	1958-03	3.01	1.75-2.78	A
State of North Carolina	G.O.	11.0	1957-75	1.96	1.20-2.05	Aa
Baltimore, Maryland	G.O.	24.7	1956-84	2.15	1.05-2.30	Aa
Galveston Co. Navigation District, Texas	G.O.	6.0	1957-91	2.93	1.40-3.00	A
Minneapolis, Minnesota	G.O.	5.2	1956-75	--	1.15-2.10	Aa
<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/ Subject to award.

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 - 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	1,978	--
Mar. 31	211	208	--	922	2,009	--
Apr. 29	425	116	--	1,141	1,917	--
May 31	160	339	--	850	1,861	--

Forthcoming Large Offerings, as of June 3

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Virginia Electric and Power	1st & ref. mtg. bds.	25.0	June 7
Southern California Edison	Conv. deb.	41.0	June 14
Southern New England Telephone and Telegraph	Deb.	20.0	June 21
Oklahoma Gas and Electric	1st mtg. bds.	15.0	June 21
Consolidated Natural Gas	Common stock	22.9	June 21
Baltimore Gas and Electric Co.	Common stock	17.4	June 22
Peoples Gas Light & Coke	Common stock	15.5	June 24
*Herritt-Chapman & Scott Corp.	Deb.	25.0	June
American Telephone and Telegraph	Conv. deb.	650.9	1955
Southern California Gas Co.	Bonds	40.0	1955
<u>STATE AND LOCAL GOVERNMENT</u>			
Florida State Turnpike Authority	Rev.	74.0	June 7
Texas Turnpike Authority	Rev.	58.5	June 14
Kansas City, Kansas	Rev.	7.0	June 14
*Prince George's County, Maryland	G.O.	6.0	June 14
Maryland State Roads Commission	Rev.	25.0	June 20

Forthcoming Large Offerings, as of June 3 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Cleveland, Ohio	n.a.	13.2	June 21
Tacoma, Washington	Rev.	15.0	June 21
Pennsylvania General State Auth.	Rev.	50.0	June 22
Dallas, Texas	n.a.	9.2	June 27
Inter-American Center Auth., Fla.	Rev.	60.0	1955
Michigan Turnpike Authority	Rev.	186.0	1955
State of Louisiana	n.a.	80.0	1955
Illinois Turnpike Authority	Rev.	390.0	1955
Connecticut Expressway	Rev.	100.0	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.