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December 9, 1955

**CAPITAL MARKET DEVELOPMENTS**

Large corporate security issues offered for new capital purposes totaled 67 million dollars for the week ending December 2. State and local governments floated 27 million dollars of large issues and the Union of South Africa offered a bond issue for 25 million. The volume of proceeds from large offerings expected for the week ended December 9 is 190 million dollars for corporations--including 100 million dollars of RCA convertible debentures, subscription rights for which expired December 5--and 104 million dollars for State and local governments.

Dealers' inventories of State and local government bonds were at a record level on November 25, totaling 359 million dollars. This week they declined moderately but are still above the high level reached last summer. Some new issues offered recently appeared to be moving slowly. A 100 million dollar Connecticut Turnpike issue scheduled for sale December 13 was postponed indefinitely. The New York Thruway issue was sold on December 7 at a net interest cost of 2.74 per cent. In October a similar issue was awarded at an interest cost of 2.51 per cent.

December estimates - The estimate for corporate security offerings for new capital in December is 925 million dollars, more than 50 per cent greater than the volume in December 1954. Fourth quarter offerings are expected to total 2,775 million dollars, which would be the largest quarter on record. The volume for the year as a whole would be 9,030 million dollars, a total slightly larger than in the previous peak year of 1952.

State and local government issues for December are currently estimated at 400 million dollars, less than one-half the unusually large volume for that month a year ago. (The total for last December included proceeds from the 335 million dollar New York Power Authority offering.) No very large issues are expected to be offered this December; however, the volume of small- and medium-sized issues continues to be heavy as in recent months.

Despite the lower outlook for December, offerings for the whole fourth quarter are expected to total 1,925 million dollars, and at that volume, would represent the largest quarter since the second period of 1954. The total for the year, however, is likely to be about 15 per cent below that of last year.

Bond yields - State and local government bond yields jumped sharply during the week ending December 2 but are still below the September highs. Aaa bond yields rose six basis points, and yields on Baa and revenue bonds increased four basis points.

Corporate Aaa bond yields increased slightly while yields on corporate Baa bonds and Treasury obligations remained stable. Little change has occurred in these series so far this week.

As shown in Exhibit G, yields on newly-offered 30-year electric power bonds with Aa-ratings are seven basis points above yields on similarly rated outstanding bonds with slightly shorter maturity, the same spread as for bonds offered in mid-October.

Stock prices - The SEC index of 265 common stocks decreased 3.3 points in the week ending December 2 to a level of 265.0. Prices have continued to fluctuate in a relatively narrow range this week but rose slightly from the previous week's ending.

Corporate Security Offerings  
in the First Nine Months, 1952-1955

Net proceeds of corporate offerings for new capital

Corporate security issues for new capital during the first nine months of 1955 totaled 6.3 billion dollars, as shown in Table 1, almost 12 per cent more than the corresponding volume in 1954 but slightly less than the total of such issues offered in the comparable period of the record year of 1952. The volume of such corporate financing in the third quarter this year was 1.9 billion dollars.

Manufacturing corporations were the most important issuers of securities during the first nine months of this year, as in 1952. This was a major shift from the industrial pattern in the previous two years, when electric, gas and water utilities were the largest issuers.

So far this year, manufacturing companies have floated 2.0 billion dollars of issues, about 400 million more than in the corresponding periods of either 1953 or 1954, but 700 million less than the record 1952 volume. Electric, gas and water company offerings totaled only 1.6 billion dollars for the first three quarters this year in contrast with 2.1 and 2.3 billion in 1953 and 1954 respectively. As usual in the third quarter, utility financing dropped off from the first half level.

Real estate and finance companies have issued 1.5 billion dollars so far in 1955, a new high for the first nine months of any year. For the first quarter since the series began (1934), this group was the largest issuer in the July-September period this year. Financing by real estate and finance companies was small in 1952 and 1954, but almost as great in 1953 as this year. Sales finance and personal loan company issues accounted for most of the fluctuations in the financing volume.

Consumer finance companies sold 1.1 billion dollars of securities during the first nine months of this year, only slightly

less than the volume of the corresponding period of 1953. In the third period, security sales by consumer finance companies totaled 477 million dollars, a quarterly volume second only to the April-June period of 1953. Two very large debenture issues--the 200 million dollar GMAC and the 100 million CIT Financial issues--accounted for more than one-half the total for such offerings in the third quarter.

Motor vehicle companies as a group floated the largest volume of issues within manufacturing in the first three quarters this year, with offerings of 405 million dollars. Second in importance was the iron and steel group, with 275 million dollars of issues. Last year the iron and steel group was first and the machinery group the second largest, and motor vehicle companies were seventh on the list.

Single large issues accounted for a major portion of manufacturing security offerings in the first nine months of 1955. In the motor vehicle group, the General Motors common stock issue amounted to 325 million dollars of the total of 405 million. In the iron and steel group, the Bethlehem Steel debenture offering of 192 million dollars represented 70 per cent of the total.

There were no very large single manufacturing issues in the third quarter of 1955, but in several industries--nonferrous metal, rubber and paper--there was more financing than in the whole first half.

#### Total gross proceeds of corporate offerings

Gross proceeds from all corporate issues--as distinguished from the net proceeds of offerings for new capital described above--totalled 7.4 billion dollars in the first nine months of 1955 (see Table 2). This total was from four to 11 per cent more than in the corresponding periods of the three previous years.

Refunding issues this year were more than twice as large as in 1952. The volume of refunding accounts for the increase in total security offerings, in contrast to the slight decrease in offerings for new capital shown in Table 1.

Public issues totaled 4.9 billion dollars for the nine months of 1955. Representing two-thirds of total security offerings, these public issues were a slightly greater proportion of total security financing than in earlier years. In part, the increase of public issues reflects the extremely heavy volume of common stock financing so far in 1955--1.7 billion dollars out of the total of 7.4 billion of gross proceeds. Preferred stock financing totaled 471 million dollars so far in 1955, about 30 per cent less than the unusually large volume last year.

Total debt offerings were 5.2 billion dollars in the first three quarters, somewhat less relative to total issues than earlier. Convertible security issues--mostly bonds--have been sizeable in 1955, 563 million dollars compared to 190 million last year.

Table 1

Corporate Security Offerings for New Capital  
by Type of Business of Issuer  
First Nine Months, 1952-1955

(Net proceeds in millions of dollars)

Type of business	First nine months			
	1955	1954	1953	1952
All corporate offerings	6,254	5,593	6,050	6,526
Manufacturing	<u>1,961</u>	<u>1,543</u>	<u>1,572</u>	<u>2,679</u>
Primary iron and steel	275	357	100	175
Primary nonferrous metals	103	142	51	275
Machinery	178	211	228	577
Motor vehicles and equipment	405	86	15	12
Chemicals	132	117	425	657
Rubber	160	23	32	131
Petroleum	91	176	330	252
Paper	85	100	107	110
Other <sup>1/</sup>	531	331	298	489
Electric, gas and water utilities	1,564	2,263	2,134	2,002
Communication	273	489	244	641
Railroad	149	149	193	227
Other transportation	179	259	208	378
Commercial and other	297	178	203	) 314
Mining	297	319	128	
Financial and real estate	<u>1,534</u>	392	<u>1,369</u>	285
Consumer finance companies	<u>1,111</u>	228	<u>1,169</u>	167
Other	423	164	200	118

<sup>1/</sup> Includes small volume of foreign issues not further classified in the manufacturing group.

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

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

Table 2

Total Corporate Security Offerings by Type of Issue  
First Nine Months, 1952-1955

(Gross proceeds in millions of dollars)

Type of issue	First nine months			
	1955	1954	1953	1952
Total corporate offerings	7,435	6,946	6,358	7,133
<u>Type of offering</u>				
Public	4,903	4,443	3,886	4,457
Private	2,531	2,502	2,471	2,676
<u>Type of security</u>				
Bonds and notes				
Public	5,249	5,500	4,971	5,624
Private	2,831	3,130	2,551	2,979
Preferred stock	471	665	391	480
Common stock	1,715	781	996	1,030

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

Source.--Securities and Exchange Commission.

More detailed information concerning recent market developments is presented 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 <sup>1/</sup>	U. S. Govt. long-term <sup>2/</sup>	State and local govt., Aaa <sup>3/</sup>	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)	3.35 (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	3.14 (9/9)	2.94 (8/5)	2.34 (9/8)	.34	.70
Low	2.91 (1/7)	2.62 (1/7)	2.05 (5/26)	.13	.54
November 4	3.10	2.79	2.19	.31	.60
November 11	3.08	2.83	2.19	.25	.64
November 18	3.08	2.86	2.19	.22	.67
November 25	3.11	2.88	2.21	.23	.67
December 2	3.12	2.88	2.27	.24	.61

<sup>1/</sup> Weekly average of daily figures. Average term of bonds included is 25-26 years.

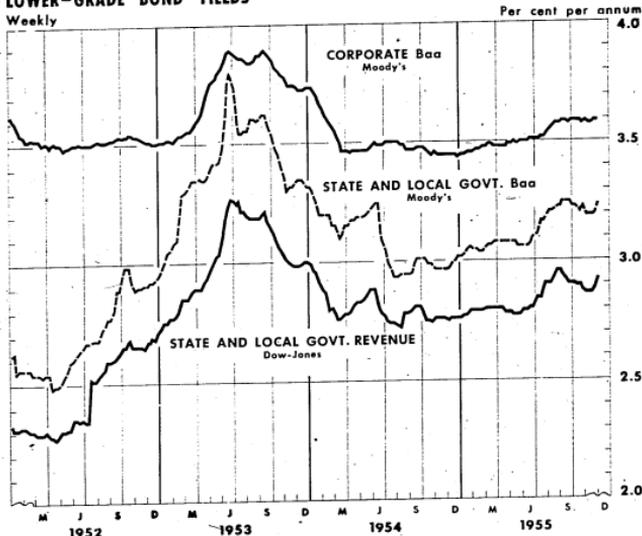
<sup>2/</sup> Weekly average of daily figures; old series. Average term to first call of bonds included is 11-14 years.

<sup>3/</sup> 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 <sup>1/</sup>	State and local govt. Baa <sup>2/</sup>	State and local govt. rev. <sup>3/</sup>
	(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	3.44 (12/31)	2.93 (8/5)	2.72 (8/13)
1955 - High	3.59 (12/2)	3.25 (9/22)	2.95 (9/2)
Low	3.45 (1/14)	3.02 (1/6)	2.76 (1/7)
October 28	3.58	3.23	2.87
November 4	3.59	3.19	2.86
November 11	3.58	3.19	2.86
November 18	3.58	3.19	2.86
November 25	3.59	3.20	2.88
December 2	3.59	3.24	2.92

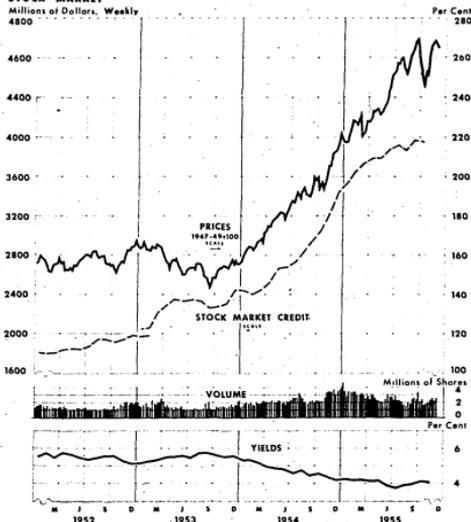
<sup>1/</sup> Weekly average of daily figures. Average term of bonds included is 25-26 years.

<sup>2/</sup> Thursday figures. Only general obligation bonds are included; average term is 20 years.

<sup>3/</sup> 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 <sup>1/</sup>	Trading volume <sup>2/</sup> (millions of shares)	Common stock yields <sup>3/</sup> (per cent)	Stock market customer credit		
				Total	Customers' debit bal- ances <sup>4/</sup>	Bank loans to "others" <sup>5/</sup>
(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	166.5 (1/6)	1.4	4.20	2,405	1,653	746
1955 - High	269.7 (9/23)	4.6	4.22	3,966	2,805	1,217
Low	217.4 (1/14)	1.5	3.78	3,537	2,517	1,018
October	250.4	2.0	4.12	3,944	2,749	1,195
November	265.0	2.3	4.09	n.a.	n.a.	n.a.
November 4	259.1	1.9	n.a.	n.a.	n.a.	1,215
November 11	265.4	2.3	n.a.	n.a.	n.a.	1,217
November 18	267.2	2.5	n.a.	n.a.	n.a.	1,217
November 25	268.3	2.2	n.a.	n.a.	n.a.	1,217
December 2	265.0	2.5	n.a.	n.a.	n.a.	n.a.

n.a.—Not available.

<sup>1/</sup> SEC index of 265 common stocks, weekly closing prices, 1939-100; converted to 1947-49=100 by Federal Reserve. The conversion factor is 123.91.

<sup>2/</sup> Averages of daily trading volume on the 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 the New York Stock Exchange which carry margin accounts; excludes balances secured by U. S. Government obligations.

<sup>5/</sup> Wednesday figures for weekly reporting member banks. Excludes all loans for purchasing or carrying U. S. Governments for 1952; since 1953 only these loans at banks in New York and Chicago are excluded. Weekly reporting banks account for about 72 per cent of loans to others.

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	390
February	436	426	623	312	411	360
March	1,261	635	666	538	565	426
April	494	497	779	427	734	329
May	903	656	675	350	748	649
June	697	842	1,123	641	853	434
July	583	909	483	470	279	519
August	654	335	325	249	261	259
September	680	747	753	406	649	475
October	e/1,200 <sup>1/</sup>	1,003	577	e/900	594	453
November	e/650	290	429 <sup>2/</sup>	e/625	423	408
December	e/925	604	1,438 <sup>2/</sup>	e/400	877	774
1st quarter	2,243	1,608	1,912	1,385	1,372	1,176
2nd quarter	2,094	1,995	2,578	1,418	2,334	1,412
3rd quarter	1,917	1,991	1,561	1,124	1,188	1,253
4th quarter	e/2,775	1,896	2,444 <sup>2/</sup>	e/1,925	1,894	1,636
Year	e/9,030	7,490	8,495	e/5,850	6,789	5,477
	Excluding finance companies <sup>3/</sup>					
1st quarter	1,791	1,527	1,669			
2nd quarter	1,912	1,927	1,991			
3rd quarter	1,441	1,911	1,223			
4th quarter	e/2,575	1,792	2,344			
Year	e/7,719	7,158	7,227			

e/ Estimated.

<sup>1/</sup> Includes 637.2 million dollar AT&T convertible debenture issue.

<sup>2/</sup> Includes 602.5 million dollar AT&T convertible debenture issue.

<sup>3/</sup> Total new capital issues excluding offerings of sales and personal finance companies.

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 - October	433	388	--
November	0	268	--
December	121	689	30
1955 - January	141	341	35
February	63	107	--
March	750	337	--
April	173	238	15
May	483	152	--
June	175	403	--
July	101	278	--
August	405	65	--
September	328	234	--
October	805	716	--
November	269	396	25

Large Individual Issues Offered during November

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
United Gas	1st&coll.bds.	20.0	1975	3 3/8	3.25	A
New England Tel. & Tel.	Deb.	30.0	1991	3 1/4	3.20	Aa
National Tea Co.	Conv. SF deb.	15.0	1980	3 1/2	3.38	Baa
Pacific Lighting	Pfd. stock	20.0				
Michigan Consolidated Gas	1st mtg. bds.	30.0	1980	3 1/2	3.35	A
Commonwealth Edison	Common stk.	41.6				
Southern Co.	Common stk.	26.4				
Kimberly-Clark Corp.	Common stk.	18.6				
San Diego Gas & Elec.	1st mtg. bds.	18.0	1985	3 1/4	3.27	Aa
Baltimore Gas & Elec.	1st&ref.bds.	30.0	1990	3 1/4	3.22	Aaa
Wheeling Steel	Conv. deb.	19.1	1975	3 3/4	3.75	Baa

## Large Individual Issues Offered during November (Cont'd)

Issuer	Type <sup>3/</sup>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>STATE &amp; LOCAL GOVERNMENT</u>						
Florida State Board of Education	Rev.	10.6	1957-76	2.87	1.90-2.82	A
State of California	G.O.	60.0	1957-81	2.17	1.50-2.30	Aa
Territory of Hawaii	G.O.	7.5	1958-75	2.44	1.80-2.50	A
Port of New Orleans, La.	G.O.	10.0	1960-90	2.62	2.00-2.70	A
Hamilton County, Ohio	G.O.	5.6	1957-81 <sup>4/</sup>	2.06	1.50-2.10	Aaa
State of Oklahoma	G.O.	9.0	1956-61	1.75	1.35-1.65	Aa
Dallas, Texas	G.O.	10.0	1956-75	2.38	1.50-2.45	A
St. Louis Bd. of Educa- tion, Missouri	G.O.	6.5	1957-75	2.07	1.40-2.10	Aa
Md. State Roads Com- mission	L.L.	15.0	1956-70	2.42	1.60-2.45	Aa
Commonwealth of Mass.	G.O.	159.8	1956-2005	2.31	1.50-2.60	Aa
Sonoma Co. Flood Control & Water Conservation Dist., Calif.	G.O.	5.7	1960-94	2.58	1.75-2.90	Aa
Ga. Rural Roads Auth.	L.L.	14.5	1957-71	2.70	1.75-2.70	A
Orlando, Florida	Rev.	5.4	1956-81	2.82	1.75-2.85	A
New York, New York	G.O.	50.0	1956-70	2.66	1.75-2.70	A
Port of New York Auth.	Rev.	16.0	1983	2.96	2.90	A
Oakdale Irrigation Dist., Calif.	Rev.	5.3	2004	3.04	3.00	--
South San Joaquin Irri- gation Dist., Calif.	Rev.	5.3	2004	3.04	3.00	--
<u>OTHER</u>						
Union of South Africa	Bds.	25.0	1958-65	3 7/8-4 1/4	3.88-4.44	A

<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; L.L., limited liability obligations secured by pledge of designated revenues.

<sup>4/</sup> 1960-61 maturities not 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 <u>2/</u>	Corporate	State and local govt.	Other <u>2/</u>
1954 - 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	--
June 30	67	314	--	830	1,845	--
July 29	407	100	--	1,135	2,018	--
Aug. 31	222	134	--	920	1,971	--
Sept. 30	805	843	--	909	2,205	--
Oct. 31	202	330	--	412	1,650	--
Nov. 30	215	305	50	230	756	50

Forthcoming Large Offerings, as of December 2

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Radio Corporation of America	Conv. deb.	100.0	December 5
Consolidated Edison Co. of New York	1st & ref. bds.	70.0	December 6
Connecticut Light and Power	1st & ref. bds.	20.0	December 8
New Jersey Bell Telephone	Deb.	25.0	December 14
Sheraton Corporation of America	Deb.	15.0	1956
<u>STATE AND LOCAL GOVERNMENT</u>			
*Pend Oreille Co., Washington	Rev.	14.4	December 5
Onondaga Co. Water Authority, N. Y.	Rev.	12.6	December 6
Los Angeles, California	G.O.	20.0	December 6
Cook County, Illinois	G.O.	6.8	December 7
New York Thruway	G.R.	50.0	December 7
California Toll Bridge Authority	Rev.	46.0	December 13
Milwaukee, Wisconsin	G.O.	6.9	December 13
*Newark, New Jersey	G.O.	5.0	December 13
*Long Beach Unified School District, California	n.a.	10.0	December 13

## Forthcoming Large Offerings, as of December 2 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)			
State of South Carolina	G.O.	20.0	December 14
San Francisco, California	n.a.	13.3	December 19
Los Angeles, California	n.a.	38.0	January 10
*State of Colorado	Rev.	8.0	January 10
*San Diego, California	n.a.	9.5	January 17
*Springfield, Ohio	n.a.	5.2	January 17
Inter-American Center Auth., Fla.	Rev.	25.0	1956
Oklahoma Turnpike Authority	Rev.	65.0	1956
Pennsylvania Turnpike Commission	Rev.	62.0	1956
Washington State Toll Bridge Auth.	Rev.	227.0	1956
Salt River Project, Arizona	n.a.	11.0	1956
Connecticut Expressway	Rev.	100.0	1956
<u>OTHER</u>			
Quebec Hydro-Electric Commission	SF deb.	50.0	December 13

\*--Included in table for first time.

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.

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	3.46	16	3.78	26
1954 average	3.03	3	3.12	-3
1954 - January	3.19	6	*3.35	2
February	3.01	-1	*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	*3.15	13	None	--
February	*3.14	7	*3.23	9
March	*3.17	8	3.29	14
April	None	--	3.31	16
May	*3.22	10	3.35	14
June	*3.20	7	*3.30	10
July	None	--	None	--
August 31			3.57	30
September 14			3.50	23
October 19	3.32	10		
20	3.25	7	3.25	-7
27			3.30	-4
November 30	3.27	7		

\* Single observation, not an average.

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. The number of new issues included in the monthly averages varies from 2 to 4 except for October 1954 when 6 issues were included. Average maturity for the seasoned issues varies from 26 to 28 years.