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March 15, 1956

CAPITAL MARKET DEVELOPMENTS

Large public corporate issues for new capital totaled \$103 million, and State and local financing through large security offerings amounted to \$64 million during the week ending March 9. Large issues expected this week are by State and local governments only and total but \$40 million.

Bond yields - After declining from year end through mid-February, bond yields have increased or stabilized in recent weeks. Yields on U. S. Government long-term obligations (old and new series) rose moderately last week, while corporate Aaa and State and local revenue bond yields increased slightly. Other yields remained stable. Daily figures show further increases so far this week for Treasury bond yields.

Stock prices - The SEC index of 265 common stocks rose 4.9 points to a new high of 279.4 during the week ending March 9. According to daily indexes, prices increased moderately on balance through Wednesday of this week.

Corporate Security Offerings in 1955

Net proceeds of corporate offerings for new capital

Corporations floated \$9.0 billion of security issues for new capital in 1955, as shown in Table 1, 20 per cent more than in the year earlier and 3 per cent above the previous peak volume of 1952.

Financial and real estate companies, as a group, showed the greatest growth in financing from 1954, with total offerings of \$1.8 billion last year compared to about \$800 million in the preceding period. Consumer finance company offerings accounted for most of the rise in offerings. Their flotations totaled \$1.3 billion, almost four times as much as in 1954 and almost as large as the volume in the record year of 1953.

Manufacturing companies were the most important major group of issuers in 1955, offering securities with proceeds of \$2.6 billion compared to \$2.0 billion the previous year. This was considerably less than the record \$3.7 billion volume of 1952 however. Much of the increase occurred in motor vehicle company offerings, reflecting largely the \$329 million common stock issue

by General Motors. Rubber companies increased their flotations sizably from \$23 million to \$162 million, while petroleum offerings fell from \$292 million to \$100 million.

Communication companies increased their security offerings from \$651 million in 1954 to \$1.0 billion in 1955, the greatest volume on record. Well over half this total is represented by the AT&T convertible debenture offering of \$637 million, offered in the fourth quarter of 1955.

The volume of electric, gas and water utility issues was \$2.3 billion last year, the smallest yearly total since 1950, despite a sizable fourth quarter volume.

Total gross proceeds of corporate offerings

Gross proceeds from all corporate offerings, including refunding as well as new capital issues, and also including costs of flotation which are not recorded in the net proceeds series discussed above, were a record \$10.5 billion in 1955. (See Table 2.) This was 10 per cent more than the corresponding volume in both 1952 and 1954. Refunding issues dropped from \$1.9 billion in 1954 to \$1.2 billion last year; in 1952 total refunding amounted to only \$664 million.

Two-thirds of all offerings--\$6.8 billion--were public issues last year, more than in any of the three previous years. Five public offerings with proceeds over \$100 million accounted for 22 per cent of all public financing.

Debt financing was relatively less important in 1955 although the dollar amount offered and placed was higher than in the three earlier periods. Common stock volume rose substantially from \$1.2 billion in 1954 to \$2.2 billion in 1955, thereby accounting for a larger proportion of the corporate total. Preferred stock issues were moderately less in volume in 1955 than in the year earlier.

In addition to the AT&T offering mentioned above, a large number of convertible issues was floated totaling \$1.5 billion last year in contrast to \$246 million in 1954.

Table 1

Corporate Security Offerings for New Capital
by Type of Business of Issuer
1952-1955

(Net proceeds in millions of dollars)

	1955	1954	1953	1952
All corporate offerings	9,014	7,490	8,495	8,716
Manufacturing	<u>2,561</u>	<u>2,044</u>	<u>2,128</u>	<u>3,712</u>
Primary iron and steel	313	364	108	245
Primary nonferrous metals	107	145	72	306
Machinery	363	325	305	831
Motor vehicles and equipment	416	103	322	16
Chemicals	184	248	446	829
Rubber	162	23	32	159
Petroleum	100	292	335	563
Foods	91	101	68	136
Paper	130	125	146	150
Other 1/	695	318	294	477
Electric, gas and water utilities	2,270	2,675	2,905	2,539
Communication	1,040	651	871	747
Railroad	221	213	267	297
Other transportation	306	288	286	461
Commercial and other	417	363	282) 512
Mining	384	468	220	
Financial and real estate	1,813	788	1,536	448
Consumer finance companies	<u>1,252</u>	<u>332</u>	<u>1,268</u>	<u>265</u>
Other	561	456	268	183

1/ 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
1952-1955

(Gross proceeds in millions of dollars)

Type of issue	1955	1954	1953	1952
Total corporate offerings	10,454	9,516	8,898	9,534
<u>Type of offering</u>				
Public	6,825	5,848	5,580	5,533
Private	3,628	3,668	3,318	4,002
<u>Type of security</u>				
Bonds and notes	7,637	7,488	7,083	7,601
Public	4,175	4,003	3,856	3,645
Private	3,462	3,484	3,228	3,957
Preferred stock	638	816	489	564
Common stock	2,178	1,213	1,326	1,369

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

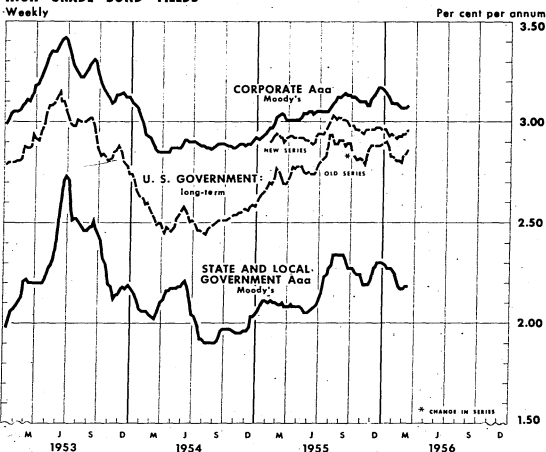
Source.--Securities and Exchange Commission.

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 ^{1/}	U. S. Govt., long-term ^{2/}		State and local govt. Aaa ^{3/}	Spread between U. S. Govt. (old series) and Corporate Aaa and State and local Aaa	
		Old series	New series		Corporate Aaa	State and local Aaa
(Per cent)						
1953 - High	3.42 (6/19)	3.15 (6/6)	n.a.	2.73 (6/25)	.38	.84
Low	2.99 (1/9)	2.78 (12/26)	n.a.	1.98 (1/8)	.19	.30
1954 - High	3.09 (1/8)	2.74 (1/9)	n.a.	2.21 (6/10)	.43	.61
Low	2.85 (4/23)	2.44 (8/7)	n.a.	1.90 (9/2)	.32	.29
1955 - High	3.17 (12/23)	2.94 (8/5)	3.03 (8/5)	2.34 (9/8)	.34	.70
Low	2.91 (1/7)	2.62 (1/7)	2.89 (6/10)	2.05 (5/26)	.13	.54
1956 - High	3.14 (1/6)	2.90 (1/6)	2.96 (3/9)	2.29 (1/5)	.28	.68
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.22	.56
February 10	3.08	2.81	2.93	2.18	.27	.63
February 17	3.07	2.80	2.93	2.17	.27	.63
February 24	3.07	2.83	2.94	2.17	.24	.66
March 2	3.07	2.84	2.94	2.18	.23	.66
March 9	3.08	2.86	2.96	2.18	.22	.68

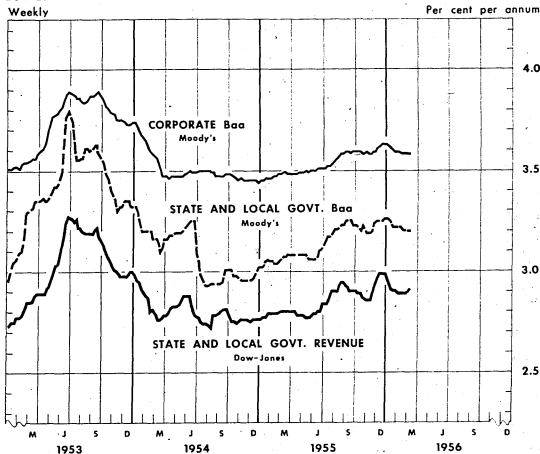
^{1/} Weekly average of daily figures. Average term of bonds included is 25-26 years.

^{2/} Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 14 years in early 1953 to 11 1/2 years in early 1956. The new series is comprised of the 3 per cent bond of 1955 and the 3 1/4 per cent bond of 1978-83.

^{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.

LOWER - GRADE BOND YIELDS



Date	Corporate Baa ^{1/}	State and local govt. Baa ^{2/}	State and local govt. rev. ^{3/}
	(Per cent)		
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	3.63 (12/30)	3.26 (12/29)	2.99 (12/30)
Low	3.45 (1/14)	3.02 (1/6)	2.76 (1/7)
1956 - High	3.62 (1/6)	3.26 (1/5)	2.94 (1/6)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
February 10	3.58	3.22	2.89
February 17	3.58	3.20	2.89
February 24	3.58	3.20	2.89
March 2	3.58	3.20	2.90
March 9	3.58	3.20	2.91

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

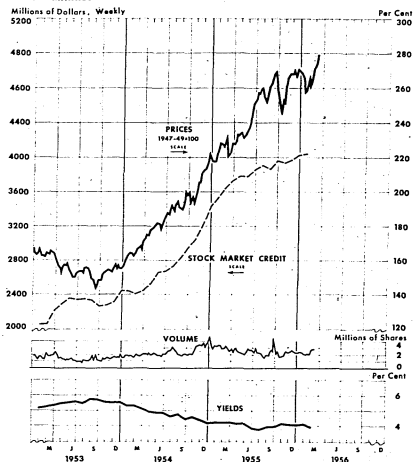
^{2/} Thursday figures. Only general obligation bonds are included; average term is 20 years.

^{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.

EXHIBIT C

STOCK MARKET



Date	Stock price index ^{1/}	Trading volume ^{2/} (millions of shares)	Common stock yields ^{3/} (per cent)	Stock market customer credit		
				Total	Customers' debit balances ^{4/}	Bank loans to "others" ^{5/}
(Millions of dollars)						
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	270.7 (12/30)	4.6	4.22	4,030	2,805	1,214
Low	217.4 (1/14)	1.5	3.78	3,537	2,517	1,018
1956 - High	279.4 (3/9)	2.8	4.08	n.a.	n.a.	1,267
Low	257.4 (1/20)	2.0	3.93	n.a.	n.a.	1,211
January	252.8	2.2	4.08	4,040	2,786	1,254
February	266.3	2.3	3.93	n.a.	n.a.	1,251
February 24	271.2	2.6	n.a.	n.a.	n.a.	1,249
March 2	274.5	2.8	n.a.	n.a.	n.a.	1,251
March 9	279.4	2.8	n.a.	n.a.	n.a.	n.a.

n.a.--Not available.

^{1/} 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.

^{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 balances secured by U. S. Government obligations.

^{5/} Wednesday figures for weekly reporting member banks. Excludes loans for purchasing or carrying U. S. Government securities at banks in New York and Chicago. 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		
	1956	1955	1954	1956	1955	1954
January	r/487	546	547	e/400	535	396
February	e/725	436	426	e/650	312	411
March	e/975	1,261	635	e/425	538	565
April		494	497		427	734
May		903	656		350	748
June		697	842		641	853
July		583	909		470	279
August		654	335		249	261
September		680	747		406	649
October		1,207 ^{1/}	1,003		919	594
November		631	290		658	423
December		921	604		408	877
1st quarter	e/2,185	2,243	1,608	e/1,475	1,385	1,372
2nd quarter		2,094	1,995		1,418	2,334
3rd quarter		1,917	1,991		1,124	1,188
4th quarter		2,760	1,896		1,984	1,894
Year		9,014	7,490		5,911	6,789
		Excluding finance companies ^{2/}				
1st quarter	e/1,785	1,791	1,527			
2nd quarter		1,912	1,927			
3rd quarter		1,441	1,911			
4th quarter		2,619	1,792			
Year		7,762	7,158			

^{e/} Estimated.^{r/} Revised to exclude private placements now identified as short-term financing.^{1/} Includes \$637.2 million AT&T convertible debenture issue.^{2/} 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>
1955 - 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	<u>r/221</u>	396	25
December	<u>r/263</u>	205	50
1956 - January	95	192	--
February	212	433	--

Large Individual Issues Offered March 1 through 9

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Bell Tel. of Pa.	Deb.	35.0	1996	3 1/4	3.20	Aa
Houston Lighting and Power	1st mtg. bds.	30.0	1996	3 1/4	3.19	Aa
Fruehauf Trailer Co.	Conv. sub. deb.	37.5	1976	4	4.00	Baa
<u>STATE & LOCAL GOVERNMENT</u>						
San Antonio, Texas	G.O.	5.0	1957-76	2.74	1.90-2.75	Baa
Penn Township School District, Pa.	L.L.	5.3	1957-86	3.31	1.95-3.35	Baa
St. Louis, Missouri	G.O.	12.2	1962-75	2.16	1.85-2.25	Aa
Santa Clara, Calif.	G.O.	5.2	1957-81	2.29	1.60-2.35	Aa
Denver, Colo., School District #1	G.O.	28.5	1957-75	2.27	1.60-2.30	Aa
Bethlehem Auth., Pa.	Rev.	8.0	1959-96	2.81	2.00-2.82	A
<u>OTHER</u>						
None						

1/ Includes corporate and other security offerings of \$15 million 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; L.L., limited liability obligations secured by pledge of designated revenues.

r/ Revised.

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/
1955 - 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	344	--	830	1,845	--
July 29	407	100	--	1,135	2,018	--
Aug. 31	222	184	--	920	1,971	--
Sept. 30	805	843	--	909	2,205	--
Oct. 31	202	330	--	412	1,650	--
Nov. 30	215	205	50	230	756	50
Dec. 30	70	121	--	85	618	--
1956 - Jan. 31	176	327	--	376	917	--
Feb. 29	123	220	--	233	785	--

Forthcoming Large Offerings, as of March 9

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
*Pacific Gas and Electric Whirlpool-Seeger	1st & ref. mtg. bds.	25.0	March 20
Tide Water Associated Oil	SF deb.	30.0	March 20
Westcoast Transmission, Ltd.	SF deb.	100.0	March 20
New York Telephone	Sub. deb.	20.5	March 21
*Bank of America	Ref. mtg. bds.	55.0	March 27
Scott Paper	Com. stock	56.0	April 2
*Duquesne Light	Conv. deb.	98.7	April 3
*Florida Power and Light	1st mtg. bds.	20.0	April 4
Southern California Gas	1st mtg. bds.	15.0	April 4
Sheraton Corporation of America	Mtg. bds.	40.0	May
*Kentucky Utilities	Deb.	15.0	1956
*Pennsylvania Salt Mfg.	1st mtg. bds.	19.0	1956
	SF deb.	15.0	1956
<u>STATE AND LOCAL GOVERNMENT</u>			
State of Alabama	L.L.	15.0	March 14
State of New Hampshire	G.O.	19.3	March 15
San Diego, California	Rev.	6.0	March 15
Milwaukee, Wisconsin	G.O.	8.0	March 20

Forthcoming Large Offerings, as of March 9 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u> (Cont'd)			
State of New Mexico	L.L.	5.0	March 20
*Key West, Florida	Rev.	9.5	March 20
Dallas, Texas	n.a.	8.5	March 26
Washington State Toll Bridge Auth.	Rev.	9.3	March 27
*St. Louis County, Missouri	n.a.	10.7	March 28
*Louisville, Kentucky	G.O.	6.0	March 28
Alexandria, Louisiana	Rev.	8.3	March 29
Inter-American Center Auth., Fla.	Rev.	70.0	March
*Louisiana State Building Auth.	n.a.	12.0	April 5
*Philadelphia, Pennsylvania	n.a.	12.0	April 10
Georgia Rural Roads Authority	Rev.	15.5	May
*Chesapeake Bay Ferry Commission	n.a.	20.0	Spring
Florida State Turnpike Auth.	n.a.	185.0	Late spring
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
<u>OTHER</u>			
None			

*--Included in table for first time.

n.a.--Not available.

1/ Includes corporate and other issues of \$15 million and over; State and local government issues of \$5 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues.