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December 14, 1956

CAPITAL MARKET DEVELOPMENTS

The volume of publicly sold security issues was large last week, particularly for corporate securities, and is expected to be only moderately smaller this week. During the week ending December 7, large issues sold by corporations amounted to \$293 million. Most of the total--\$212 million out of the \$293 million--represented expiration of subscription rights. Two State and local government issues, totaling \$20 million, were offered. This week, tax-exempt offerings for \$181 million are scheduled, including a \$163 million Memphis, Tennessee electric revenue bond issue. Three corporate security issues with proceeds of \$76 million and a Canadian offering for \$22 million are scheduled for sale. The sale of the Memphis issue Wednesday, at an interest cost of 4.75 per cent, has raised the December estimate of State and local government bond sales by \$150 million to a total of \$400 million for the month.

Bond yields--Changes in yields on outstanding bonds were mixed but minor last week. Yields on corporate Baa's and State and local government Aaa's and Baa's continued to move upward and those for State and local government revenue and U. S. Government (new series) obligations remained stable while corporate Aaa and U. S. Government (old series) yields declined.

Reoffering yields on new issues also show little change. Florida Power and Light Company's Aa-rated, 30-year first mortgage bond issue for \$15 million was reoffered this week to yield 4.30 per cent--the same as the offering yield on the last comparable issue, an offering made on November 21.

Stock prices--Stock prices, as measured by the SEC index of 265 common stocks, increased substantially last week, closing at 279.2 on December 7. Daily figures through Thursday of this week indicate a decline in prices for the first three days of the week with some recovery on Thursday.

Corporate Security Offerings in the Third Quarter 1956

Net Proceeds for New Capital

Corporations sold \$2.6 billion of security issues to obtain new capital during the third quarter of 1956, as shown in Table 1. This was the largest volume of offerings in any recent third quarter, exceeding the corresponding period of 1955 by 35 per cent. Most major industrial groups showed a sharp rise in volume of issues as compared with last year.

Manufacturing companies were the most important group of issuers, offering securities with proceeds of \$752 million--52 per cent greater than the third quarter last year. Nearly all industries sold a markedly greater volume of securities than last year with the lumber and wood products and the nonelectrical machinery groups showing the biggest increases percentage-wise. Nonferrous metal and rubber manufacturers were subgroups registering a significant decline from 1955 in the volume of securities sold.

New capital offerings by electric, gas and water utilities totaled \$637 million in the third quarter--61 per cent greater than the volume of last year.

Finance and real estate companies with total net proceeds of \$423 million ranked third in importance. However, this total was 26 per cent below the volume a year earlier, with smaller volume of issues by consumer and sales finance companies accounting for the bulk of the decline. It should be noted that the volume in the third quarter of last year included the GMAC debenture issue for \$200 million; there was no single issue of this magnitude sold in the third quarter 1956. Several fairly large issues scheduled for sale early in the quarter were postponed, but most were sold before the quarter closed.

The increased security financing of the communication companies is largely accounted for by the \$255 million AT&T debenture issue offered in July this year; last year, AT&T's financing was done in October. There were increases in the volume of offerings by railroads, mining and commercial and other corporations; however, offerings by other transportation companies showed a moderate decline.

Total Gross Proceeds.

Gross proceeds from corporate offerings, which include refunding and cost of flotation, were \$2.7 billion during the third quarter of 1956, 15 per cent greater than last year as shown in Table 2. Refunding issues this year were only about \$100 million as compared to over \$400 million in 1955 and over \$650 million in 1954. The volume of refunding largely accounts for the smaller increase in total security offerings; offerings for new capital increased by over one-third.

Public issues, which totaled \$1.9 billion dollars during the third quarter, were almost one-third greater than last year, while private placements declined 11 per cent. Representing two-thirds of total security offerings, public issues were a slightly greater proportion of total security financing than in recent years.

Table 1.

Corporate Security Offerings for New Capital
by Type of Business of Issuer
Third Quarter

(Net proceeds in millions of dollars)

	1956	1955	1954	1953	1952
All corporate offerings	2,571	1,911	1,991	1,561	1,918
Manufacturing	752	495	735	292	565
Chemicals	128	63	32	31	119
Motor vehicles and equipment	126	62	77	10	5
Nonelectrical machinery	106	24	26	13	105
Primary iron and steel	72	32	327	65	46
Lumber and wood products	52	6	2	n.a.	n.a.
Electrical machinery	51	21	17	8	31
Paper	50	46	42	49	52
Primary nonferrous metals	30	71	--	25	6
Fabricated metal products	25	23	7	n.a.	n.a.
Textiles and apparel	17	11	4	2	14
Foods	9	5	26	4	35
Petroleum	6	4	70	15	54
Rubber	1	82	7	2	26
Other ^{1/}	79	45	98	68	42
Electric, gas and water utilities	637	395	466	545	502
Communication	400	155	353	136	530
Railroad	87	59	37	42	67
Other transportation	43	65	109	51	80
Commercial and other	68	65	64	59) 96
Mining	161	104	102	30	
Financial and real estate	423	573	123	404	78
Consumer finance companies	308	467	80	338	41
Banks	28	30	19	15	6
Other	87	76	24	51	31

^{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.

n.a.--Not separately available.

Table 2

Total Corporate Security Offerings by Type of Issue
Third Quarter

(Gross proceeds in millions of dollars)

Type of issue	1956	1955	1954	1953	1952
Total corporate offerings	2,717	2,358	2,685	1,624	2,179
<u>Type of offering</u>					
Public	1,890	1,427	1,767	935	1,420
Private	827	931	918	689	759
<u>Type of security</u>					
Bonds and notes	2,158	1,803	2,323	1,346	1,827
Public	1,351	928	1,460	665	1,070
Private	806	875	862	681	757
Preferred stock	98	150	180	82	100
Common stock	461	405	182	196	252

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

Source.--Securities and Exchange Commission.

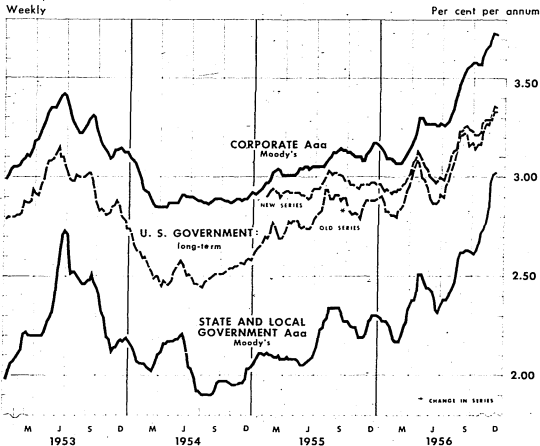
Debt financing was somewhat larger in volume this year than last. Common stock financing also increased somewhat, but preferred stock financing declined. The proportional distribution by type of security did not change significantly, however. The volume of financing through convertible issues--predominantly bonds--increased, amounting to over \$200 million as compared to about \$140 million for the corresponding period last year.

More detailed information concerning recent capital 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 ^{1/} 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	3.73 (11/30)	3.36 (11/30)	3.33 (12/7)	3.02 (12/6)	.44	.68
Low	3.07 (3/2)	2.80 (2/17)	2.52 (2/3)	2.17 (2/23)	.13	.32
November 9	3.66	3.27	3.29	2.79	.39	.48
November 16	3.67	3.26	3.29	2.85	.41	.41
November 23	3.71	3.30	3.29	2.98	.41	.32
November 30	3.73	3.36	3.33	3.01	.37	.35
December 7	3.72	3.35	3.33	3.02	.37	.33

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

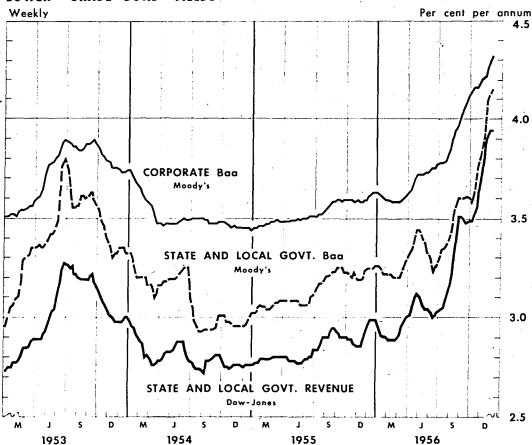
^{2/} Weekly averages of daily figures. The old series includes fully taxable, marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 14 years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

EXHIBIT B

LOWER - GRADE BOND YIELDS



Date	Corporate Baa <u>1/</u>	State and local govt. Baa <u>2/</u>	State and local govt. rev. <u>3/</u>
	(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	4.32 (12/7)	4.15 (12/6)	3.94 (12/7)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
November 9	4.21	3.89	3.80
November 16	4.22	3.99	3.87
November 23	4.26	4.09	3.91
November 30	4.30	4.12	3.94
December 7	4.32	4.15	3.94

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

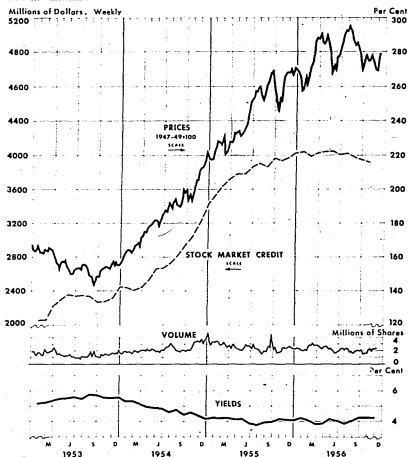
2/ Thursday figures. Only general obligation bonds are included; average term is 20 years.

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	1,241
Low	217.4 (1/14)	1.5	3.78	3,537	2,517	1,018
1956 - High	295.5 (8/3)	3.1	4.25	4,047	2,810	1,267
Low	257.4 (1/20)	1.5	3.86	3,914	2,740	1,158
October	275.7	1.8	4.23	3,914	2,748	1,166
November	273.1	2.2	4.25	n.a.	n.a.	1,162
November 23	269.9	2.3	n.a.	n.a.	n.a.	1,158
November 30	269.3	2.3	n.a.	n.a.	n.a.	1,162
December 7	279.2	2.4	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	579	535	547	404	535	396
February	704	407	426	696	312	411
March	790	1,223	635	390	538	565
April	816	478	497	377	427	734
May	1,144	886	656	490	350	748
June	830	687	842	735	641	853
July	1,066	597	909	376	470	279
August	669	644	335	199	249	261
September	836	670	747	333	406	649
October	778	1,162 ^{1/}	1,003	e/635	919	594
November	e/1,050 ^{2/}	632	290	e/325	658	423
December	e/1,100	900	604	e/400	408	877
1st quarter	2,073	2,165	1,608	1,490	1,385	1,372
2nd quarter	2,790	2,052	1,995	1,603	1,418	2,334
1st half	4,863	4,217	3,603	3,093	2,803	3,706
3rd quarter	2,571	1,911	1,991	908	1,124	1,188
Three quarters	7,434	6,128	5,594	4,001	3,927	4,894
4th quarter	e/2,928	2,695	1,896	e/1,360	1,984	1,894
Year	e/10,362	8,821	7,490	e/5,361	5,911	6,789
	Excluding finance companies ^{3/}					
1st quarter	1,617	1,727	1,527			
2nd quarter	2,520	1,870	1,927			
3rd quarter	2,263	1,434	1,911			
4th quarter	e/2,803	2,554	1,792			
Year	e/9,203	7,569	7,158			

e/ Estimated.

^{1/} Includes \$637.2 million AT&T convertible debenture issue.

^{2/} Includes \$571.5 million AT&T common stock issue.

^{3/} Total new capital issues excluding offerings of sales and consumer 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 2/
1955 - November	221	401	25
December	263	227	50
1956 - January	95	192	--
February	212	444	--
March	278	163	--
April	395	157	50
May	623	233	--
June	185	463	20
July	592	164	--
August	217	35	37
September	558	184	--
October	386	383	35
November	701	135	--

Large Individual Issues Offered December 1 through 7

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Sinclair Oil Corp.	Conv. sub. deb.	167.2	1986	4 3/8	4.38	A
Chase Manhattan Bank	Cap. stk.	44.4				
Michigan Bell Tel.	Deb.	30.0	1991	4 3/8	4.25	Aaa
Long Island Lighting Co. Public Service Elec. & Gas Co.	1st mtg. bds.	20.0	1986	4 3/4	4.58	Aaa
	Common stk.	31.2				
<u>STATE & LOCAL GOVERNMENT</u>						
Prince Georges Co., Md.	G.O.	5.0	1957-81	4.28	3.00-4.25	Baa
Maryland State Roads Commission	G.O.	15.0	1958-72	3.60	2.75-3.50	Aa
<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.

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 - 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	--
Mar. 30	380	132	--	1,013	811	--
Apr. 30	568	173	--	818	832	--
May 31	198	332	--	448	941	--
June 29	437	81	--	567	690	--
July 31	247	--	37	1,096	726	37
Aug. 31	369	131	--	1,202	958	--
Sept. 28	315	359	--	1,009	1,197	--
Oct. 31	683	162	--	990	955	--
Nov. 30	436	48	23	481	979	23

Forthcoming Large Offerings, as of December 7

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
*General Telephone Corp.	Common stk.	31.1	December 11
Florida Power & Light Co.	1st mtg. bds.	15.0	December 12
Texas Eastern Transmission Co.	Deb.	30.0	December 13
Burroughs Corp.	Deb.	30.2	December 17 (rights expire)
National Cash Register Co.	Conv. sub. deb.	28.2	December 19 (rights expire)
May Stores Realty Corp.	Gen. mtg. bds.	25.0	December
*Pacific Power & Light Co.	1st mtg. bds.	20.0	January 7
*Louisiana Power & Light Co.	1st mtg. bds.	20.0	January 15
Michigan Wisconsin Pipe Line Co.	1st mtg. bds.	25.0	Winter
Southern New England Telephone Co.	Common stk.	20.4	Winter
<u>STATE AND LOCAL GOVERNMENT</u>			
Milwaukee, Wisconsin	G.O.	8.4	December 11
Florida State Board of Education	L.L.	9.3	December 11
Memphis, Tennessee	Elec. rev.	163.2	December 13
Norfolk, Virginia	G.O.	5.0	December 18

Forthcoming Large Offerings, as of December 7 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
*Fort Worth, Texas	G.O.	5.0	January 4
*Los Angeles, Calif.	G.O.	18.0	January 8
*Caddo Parish, La.	G.O.	5.0	January 9
*Orange County, Calif.	G.O.	10.0	January 15
Denver, Colorado	G.O.	20.0	January 18
State of Michigan	L.L.	52.0	Winter
Pennsylvania Turnpike Commission	Rev.	62.0	Winter
Washington State Toll Bridge Auth.	Rev.	227.0	Winter
Inter-American Center Auth., Fla.	Rev.	20.0	Winter
New York State Thruway Authority	G.O.	50.0	Winter
Jacksonville Expressway Authority	Rev.	42.0	Winter
Florida State Turnpike Authority	Rev.	185.0	Winter
Oklahoma Turnpike Authority	Rev.	65.0	Winter
State of Connecticut	Expressway rev.	54.0	Winter
<u>OTHER</u>			
City of Montreal, Canada	Deb.	22.5	December 11

*--Included in table for first time.

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.

Note.--Deletions for reasons other than sale of issue: University of Washington, \$5.0 million issue--bid received, but no decision reached.