

Moore  
3/19

Not for Publication DECONTROLLED AFTER SIX MONTHS

H.14

March 15, 1957

CAPITAL MARKET DEVELOPMENTS

(Including Quarterly Review of Corporate Security Financing)

The volume of public security financing continues to be substantial, particularly for corporate securities. During the week ending March 8, corporations sold large issues totaling \$173 million, including expiration of subscription rights for two issues, and a State government issue for \$13 million was sold. The calendar for this week includes issues totaling \$170 million for corporations, of which \$79 million are subscription issues, and \$38 million for State and local governments.

Bond yields - Changes in yields on outstanding bonds were mixed last week. Yields on State and local government Aaa and revenue bonds and U. S. Government (old series) obligations increased, while those for the Aaa corporate and Baa State and local government bonds remained stable. The Baa corporate and U. S. Government (new series) bond yields registered a slight decline. During the past two weeks Aaa State and local government bond yields have increased half as much as they had declined earlier in the year.

Reoffering yields on new corporate securities have increased after showing a decline earlier. A new A-rated, 30-year, electric utility issue was reoffered this week to yield 4.58 per cent -- 17 basis points about that for a comparable offering made last week and at about the level of a comparable offering late in January.

Stock prices - Stock prices, as measured by the SEC index of 265 common stocks increased 1.8 points last week, closing at 265.1 on March 8. Daily figures through Wednesday of this week indicate some further increase in prices.

## Corporate Security Offerings In 1956

### Net proceeds for new capital

Corporations sold \$10.4 billion of security issues to obtain new capital during 1956, as shown in Table 1, 17 per cent more than the previous record volume achieved in 1955.

Manufacturing companies made the most significant contribution to this increase, offering securities with proceeds of \$3.4 billion. Manufacturing new issue volume was 41 per cent greater than in 1955, and accounted for one-third of all corporate offerings. Nearly all industries sold a markedly greater volume of securities than a year earlier, with the lumber and wood products and petroleum and refining industrial groups showing the biggest percentage increases. Rubber, primary iron and steel, and motor vehicle manufacturing subgroups registered a significant decline from the previous year in the volume of securities sold. New offerings by these groups were unusually large in 1955, reflecting principally the large issues by Goodyear Tire and Rubber, Bethlehem Steel and General Motors.

New capital offerings by electric, gas and water utilities totaled \$2.5 billion last year -- 10 per cent greater than the volume of 1955, but below the volume in the three previous years.

Finance and real estate companies, with total net proceeds of \$1.7 billion, ranked third in importance. However, this total was slightly below 1955's peak volume. It should be noted that the volume in 1955 included two \$200 million debenture issues publicly offered by GMAC; there was no single issue of this magnitude sold by finance companies in 1956.

There were increases in the volume of offerings by railroads, communication and mining companies; however, offerings by commercial and other corporations showed a moderate decline and those for other transportation companies remained about the same in volume.

### Total gross proceeds

Gross proceeds from corporate offerings, which include refunding issues and costs of flotation, were a record \$11.0 billion during 1956, 7 per cent greater than a year earlier. Refunding issues last year were only about \$400 million, as compared to over \$1,200 million in 1955 and over \$1,800 million in 1954.

Table 1

Corporate Security Offerings for New Capital  
by Type of Business of Issuer  
1952-1956

(Net proceeds in millions of dollars)

	1956	1955	1954	1953	1952
All corporate offerings	10,362	8,821	7,490	8,495	8,716
Manufacturing	<u>3,375</u>	<u>2,397</u>	<u>2,044</u>	<u>2,128</u>	<u>3,712</u>
Electrical machinery	419	195	72	192	594
Petroleum	413	100	292	335	563
Nonelectrical machinery	362	168	253	113	237
Paper	306	119	125	146	150
Motor vehicles and equipment	265	416	103	322	16
Chemicals	234	163	248	446	829
Primary iron and steel	198	313	364	108	245
Stone, clay and glass	180	60	66	n.a.	n.a.
Lumber and wood products	157	24	6	n.a.	n.a.
Primary nonferrous metals	136	107	145	72	306
Textiles and apparel	130	82	50	22	93
Foods	113	91	101	68	136
Other transportation equipment	94	95	30	43	18
Fabricated metal products	68	93	35	n.a.	n.a.
Rubber	56	152	23	32	159
Other 1/	241	219	131	229	366
Electric, gas and water utilities	2,479	2,254	2,675	2,905	2,539
Communication	1,389	1,045	651	871	747
Railroad	365	221	213	267	297
Other transportation	322	323	288	286	461
Commercial and other	300	382	363	282	) 512
Mining	413	386	468	220	
Financial and real estate	<u>1,719</u>	<u>1,812</u>	<u>788</u>	<u>1,536</u>	<u>448</u>
Consumer finance companies	1,129	1,227	332	1,268	265
Banks	327	216	228	103	77
Other	263	369	228	165	106

n.a.--Not separately available.

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  
1952-1956  
(Gross proceeds in millions of dollars)

Type of issue	1956	1955	1954	1953	1952
Total corporate offerings	10,963	10,240	9,516	8,898	9,534
<u>Type of offering</u>					
Public	7,059	6,763	5,848	5,580	5,533
Private	3,903	3,477	3,668	3,318	4,002
<u>Type of security</u>					
Bonds and notes	8,020	7,420	7,488	7,083	7,601
Public	4,224	4,119	4,003	3,856	3,645
Private	3,796	3,301	3,484	3,228	3,957
Preferred stock	633	635	816	489	564
Common stock	2,309	2,185	1,326	1,326	1,369

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

Source.--Securities and Exchange Commission

Public issues totaled \$7.1 billion in 1956. Representing nearly two-thirds of total security offerings, these public issues were a slightly smaller proportion of total security financing than in 1955, but a slightly greater proportion than in other recent years.

Debt financing was somewhat larger in volume last year than in 1955, primarily because of the increase in privately placed obligations. Common stock financing also increased, but preferred stock financing remained about the same. The proportional distribution by type of security did not change significantly from that of a year earlier.

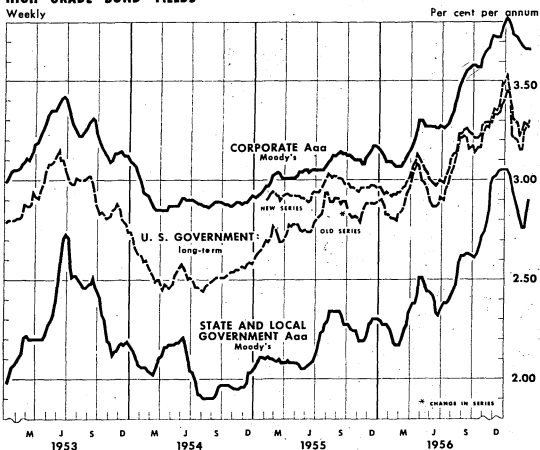
Nearly one-tenth of the new securities offered were convertible issues--predominantly bonds. Convertible financing totaled \$1.1 billion and compares to the volume of \$1.4 billion in 1955, including the \$637 million AT&T debenture issue, and to slightly less than \$250 million in 1954.

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 <sup>1/</sup>	U. S. Govt., long-term <sup>2/</sup>		State and local govt. Aaa <sup>3/</sup>	Spread between U. S. Govt. (old series) and Corporate <sup>1/</sup> State and local Aaa	
		Old series	New series		State and local 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 (9/6)	.34	.70
Low	2.91 (1/7)	2.62 (1/7)	2.89 (6/10)	2.05 (5/26)	.13	.54
1956 - High	3.79 (12/28)	3.49 (12/21)	3.39 (12/28)	3.05 (12/27)	.44	.68
Low	3.07 (3/2)	2.80 (2/17)	2.92 (2/3)	2.17 (2/23)	.13	.32
1957 - High	3.82 (1/4)	3.53 (1/4)	3.45 (1/4)	3.05 (1/10)	.54	.48
Low	3.66 (3/8)	3.15 (2/15)	3.22 (2/8)	2.76 (2/21)	.29	.26
February 8	3.69	3.15	3.22	2.81	.54	.34
February 15	3.67	3.15	3.26	2.76	.52	.39
February 22	3.66	3.24	3.29	2.76	.42	.48
March 1	3.66	3.27	3.28	2.83	.39	.44
March 8	3.66	3.30	3.26	2.90	.36	.40

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

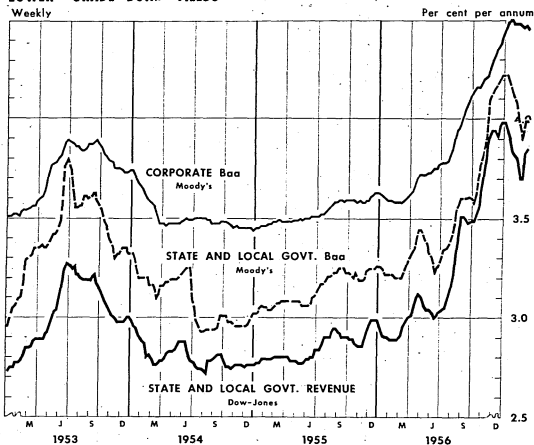
<sup>2/</sup> Weekly averages of daily figures. The old series includes fully taxable marketable 2 1/2 per cent bonds due or first callable after 12 years through September 1955, and those due or callable in 10-12 years thereafter; the average term to first call of the bonds included declined from 14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

<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)		
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	4.41 (12/28)	4.22 (12/27)	3.98 (12/28)
Low	3.58 (3/9)	3.20 (3/8)	2.89 (2/24)
1957 - High	4.50 (1/18)	4.22 (1/10)	3.98 (1/4)
Low	4.45 (3/8)	3.90 (2/21)	3.70 (2/22)
February 8	4.48	4.00	3.80
February 15	4.47	3.94	3.70
February 22	4.46	3.90	3.70
March 1	4.47	3.99	3.83
March 8	4.45	3.99	3.85

<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.

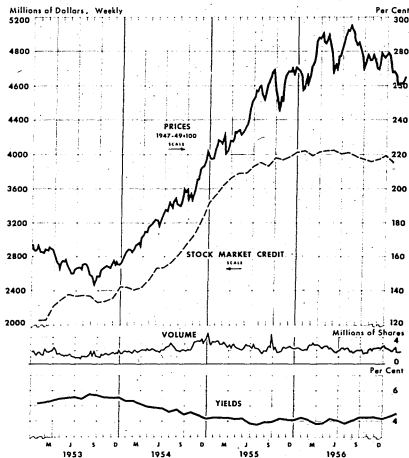
<sup>3/</sup> Friday figures. Average rating of bonds included is between Baa and A; average term is 20 years.

Note.--Highs and lows are for individual series and may

occur on different dates for different series.

## EXHIBIT C

## 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 balances <sup>4/</sup>	Bank loans to "others" <sup>5/</sup>
(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	2,436	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 (1/4)	1.5	3.78	3,537	2,517	1,018
1956 - High	295.5 (8/3)	3.1	4.25	4,047	2,823	1,267
Low	257.4 (1/20)	1.5	3.86	3,914	2,740	1,155
1957 - High	279.2 (1/4)	2.7	4.44	n.a.	n.a.	1,163
Low	260.3 (2/8)	1.7	4.31	n.a.	n.a.	1,117
January	273.0	2.2	4.31	3,903	2,762	1,141
February	262.4	2.0	4.44	n.a.	n.a.	1,117
February 22	261.3	1.7	n.a.	n.a.	n.a.	1,121
March 1	263.3	1.7	n.a.	n.a.	n.a.	1,117
March 8	265.1	1.8	n.a.	n.a.	n.a.	1,117

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 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		
	1957	1956	1955	1957	1956	1955
January	e/1,039	579	535	e/660	404	535
February	e/1,050	704	407	e/525	696	312
March	e/1,275	790	1,223	e/325	390	538
April		816	478		377	427
May		1,144	886		490	350
June		830	687		735	611
July		1,066	597		376	470
August		669	644		199	249
September		836	670		333	406
October		747	1,162 <sup>1/</sup>		645	919
November		1,088 <sup>2/</sup>	632		311	658
December		1,094	900		427	408
1st quarter	e/3,364	2,073	2,165	e/1,510	1,490	1,385
2nd quarter		2,790	2,052		1,603	1,418
3rd quarter		2,571	1,911		908	1,124
4th quarter		2,929	2,695		1,383	1,984
1st half		4,863	4,217		3,093	2,803
Three quarters		7,434	6,128		4,001	3,927
Year		10,363	8,821		5,384	5,911
		excluding finance companies <sup>3/</sup>				
1st quarter	e/3,164	1,617	1,727			
2nd quarter		2,520	1,870			
3rd quarter		2,263	1,434			
4th quarter		2,834	2,554			
Year		9,234	7,569			

e/ Estimated.

<sup>1/</sup> Includes \$637.2 million AT&T convertible debenture issue.<sup>2/</sup> Includes \$571.5 million AT&T common stock issue.<sup>3/</sup> 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 <u>2/</u>
1956 - 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	--
December	430	201	--
1957 - January	567	386	100
February	671	306	50

Large Individual Issues Offered March 1 through 8

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Commercial Credit Co.	Sub. notes	25.0	1977	4 1/2	4.65	--
Anaconda Co.	Common stk.	86.7				
Columbus & So. Ohio Elec.	1st mtg. bds.	16.0	1987	4 1/2	4.41	A
Connecticut Lt. & Pwr. Co.	Common stk.	15.3				
Texas Eastern Trans. Corp.	1st.mtg.P.L.bds.	40.0	1977	4 7/8	4.91	Baa
Southern Counties Gas Co.	1st.mtg.bds.	15.0	1982	4 5/8	4.53	A
<u>STATE AND LOCAL GOVERNMENT</u>						
Houston Ind. Sch. Dist., Texas	G.O.	16.8	1958-87	3.50	2.35-3.50	A
Seattle, Washington	G.O.	6.5	1959-77	3.21	2.35-3.25	A
State of Rhode Island	G.O.	13.0	1958-85	3.19	2.00-3.25	A

## Large Individual Issues Offered March 1 through 8 (Cont'd)

Issuer	Type <sup>3/</sup>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
None	<u>OTHER</u>					

<sup>1/</sup> Includes corporate and other security offerings of \$15 million 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; 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/
1956 - 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
Dec. 31	476	280	100	796	763	100
1957 - Jan. 31	591	153	35	966	648	35
Feb. 28	740	153	--	795	631	--

Forthcoming Large Offerings, as of March 8

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Commonwealth Edison Co.	1st mtg. bds.	50.0	March 3
Central & South West Co.	Common stk.	21.5	March 13
*Owens-Corning Fiberglas Corp.	Common stk.	16.3	March 13
American Natural Gas Co.	Common stk.	24.1	March 14 (rights expire)
Dresser Industries, Inc.	Conv. sub. deb.	20.0	March 14
Consolidated Edison Co.	Conv. deb.	54.8	March 15 (rights expire)
*El Paso Natural Gas Co.	Cum. pfd. stk.	15.0	March 19
Appalachian Electric Power Co.	1st mtg. bds.	29.0	March 20
Public Service Elec. & Gas Co.	Deb.	50.0	March 21
Consumers Power Co.	Common stk.	23.5	March 22 (rights expire)
Lone Star Gas Co.	Conv. pfd. stk.	15.5	March 25 (rights expire)
American Tel. & Tel. Co.	Deb.	250.0	March 26
*General Public Utilities Corp.	Common stk.	20.7	March 29 (rights expire)

## Forthcoming Large Offerings, as of March 8 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE (Cont'd)</u>			
*El Paso Natural Gas Co.	Conv. 2nd pfd. stk.	30.0	April 2 (rights expire)
Southern Company	Common stk.	30.1	April 4 (rights expire)
*Reynolds Metals Co.	Common stk.	17.7	April (rights expire)
Michigan Wisconsin Pipe Line Co.	1st mtg. bds.	25.0	Winter
<u>STATE AND LOCAL GOVERNMENT</u>			
Ferndale Sch. Dist., Michigan	G.O.	5.5	March 11
Chicago, Illinois	Wtr. rev.	15.0	March 12
Memphis, Tennessee	G.O.	11.5	March 13
Broward Co. Spec. Tax Sch. Dist., Fla.	G.O.	6.0	March 14
Alabama Highway Authority	L.L.	14.0	March 19
Commonwealth of Massachusetts	G.O.	20.2	March 19
Dade Co. Tax Dist. No. 1, Florida	G.O.	10.0	March 20
Glendale, California	Elec. rev.	6.5	March 20
Louisiana State Bldg. Authority	L.L.	9.9	March 20
State of South Carolina	G.O.	10.0	March 20
Palm Beach Sch. Dist. No. 1, Florida	G.O.	6.9	March 25
*Commonwealth of Puerto Rico	G.O.	18.3	March 26
State of Ohio	Thoroughfare rev.	32.0	March 27
*Melbourne, Florida	Wtr. & swr. rev.	6.8	March 27
*Jefferson Co., Texas	G.O.	5.4	April 1
Los Angeles City Sch. Dist., Calif.	G.O.	20.0	April 2
Jacksonville Expressway Authority	Rev.	42.0	April 9
*Milwaukee, Wisconsin	G.O.	22.2	April 16
State of California	G.O.	75.0	April 24
Pennsylvania Turnpike Commission	Rev.	62.0	Winter
Inter-American Center Auth., Florida	Rev.	20.0	Winter
New York State Thruway Authority	G.O.	50.0	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>			
None			

\*--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 Illinois, \$6.8 million issue -- reduced to less than \$5 million by rejection of bid for part of issue.

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	11
1953 average	3.46	16	3.78	26
1954 average	3.02	2	3.12	-3
1955 average	3.23	9	3.33	12
1956 average	3.81	35	3.74	28
1956 - January	None	--	None	--
February	*3.15	3	3.23	-6
March	3.28	11	3.45	15
April	*3.77	40	3.61	26
May	*3.53	19	3.76	28
June	*3.52	18	*3.75	27
July 3			3.82	28
18	3.62	26		
25	3.70	33		
August 1			4.00	43
30	4.07	52		
September 11	4.20	62		
13	4.17	58		
25	4.01	37		
October 10			4.40	63
31	4.20	48		
November 21	4.30	52		
December 6			4.58	70
12	4.30	47		
1957 - January 8	4.50	62		
16			4.67	70
18	4.43	56		
22			4.56	57
24	4.40	53		
February 5	4.29	45		
19	4.25	46		
27	4.22	43		
March 6			4.41	35

\*--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. Average maturity for the seasoned issues varies from 26 to 28 years.