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H.14

December 11, 1957

CAPITAL MARKET DEVELOPMENTS

(Including Quarterly Review of
Corporate Security Financing)

Large public security offerings for new capital during the week ending December 6 totaled \$45 million for corporations and \$50 million for State and local governments. The calendar for this week includes large corporate offerings amounting to \$50 million and State and local government issues totaling \$43 million. Press reports had previously indicated the negotiated sale of a \$250 million bond issue by the Chelan County Public Utilities District No. 1 would take place this week. Current information indicates it will be sold later in the month.

Bond yields - Yields declined last week for all categories of outstanding bonds except for those of U. S. Government (new series) obligations, which increased slightly. The drop was substantial for the State and local government bonds and U. S. Government (old series) bond yields. Daily figures for Monday and Tuesday of this week indicate a sharp decline in yields on Aaa-rated corporate bonds.

Offering yields on new corporate issues also have declined further. An A-rated, 30-year first mortgage electric utility bond issue was sold to the public this week at a yield of 4.40 per cent -- 110 basis points below an offering made in early November.

Stock prices - Stock prices, as measured by the Standard and Poor's index of 500 common stocks, declined last week, closing at 41.31 on December 6. Prices declined further in the early part of this week closing at 40.51 on Wednesday.

Corporate Security Offerings in the Third Quarter 1957

Net proceeds for new capital - Corporations sold \$2.9 billion of security issues to obtain new capital during the third quarter of 1957, as shown in Table 1. Although this was the largest volume of offerings in any third quarter, exceeding the corresponding period of 1956 by one-eighth, offerings in the July-September period were smaller than earlier this year (\$3.5 billion in the first quarter and \$3.2 billion in the second quarter). The total volume for the first nine months of 1957 was about 28 per cent, or \$2.1 billion, more than a year ago.

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Table 1

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

(Net proceeds in millions of dollars)

	1957	1956	1955	1954	1953
All corporate offerings	2,878	2,556	1,911	1,991	1,561
Manufacturing	<u>807</u>	<u>736</u>	<u>495</u>	<u>735</u>	<u>292</u>
Motor vehicles and equipment	149	126	62	77	10
Nonelectrical machinery	145	106	24	26	13
Petroleum and refining	102	6	4	70	15
Primary iron and steel	92	72	32	327	65
Primary nonferrous metals	79	30	71	--	25
Electrical machinery	58	51	21	17	8
Stone, clay and glass	49	1	2	3	n.a.
Chemicals	32	128	63	32	31
Paper	19	52	46	42	49
Textiles and apparel	16	17	11	4	2
Fabricated metal products	16	25	23	7	n.a.
Other transportation equipment	10	4	2	28	39
Other 1/	40	118	134	102	35
Electric, gas & water utilities	913	632	395	466	545
Communication	244	399	155	353	136
Railroad	62	87	59	37	42
Other transportation	89	49	65	109	51
Commercial and other	88	65	65	64	59
Mining	69	149	104	102	30
Financial and real estate	<u>605</u>	<u>439</u>	<u>573</u>	<u>123</u>	<u>404</u>
Sales and consumer finance cos.	318	309	467	80	338
Other	287	130	106	43	66

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.

Electric, gas and water utilities were the most important group of issuers in the third quarter, offering securities with proceeds of \$913 million -- over 40 per cent greater than last year. Issues by this group of public utilities accounted for nearly one-third of all offerings this third quarter.

New capital offerings by manufacturing companies totaled \$807 million -- 10 per cent larger than in the third quarter last year. Nearly all groups of manufacturing industries sold a markedly greater volume of securities than a year earlier. Largest percentage increases occurred in the petroleum, nonferrous metals, and stone, clay, and glass subgroups. Much of the increase in financing by these groups reflects sale of large issues (over \$15 million). Chemical and paper companies were the only types of manufacturers that sold a smaller volume of securities than in the third quarter of 1956. New offerings by the chemical group had been unusually large last year.

Financial and real estate companies, with total proceeds of \$605 million, ranked third in importance this year. Most of the increase in issues by the banking subgroup reflects the \$118 million stock issue by the First National City Bank of New York. New issue volume of sales and consumer finance companies was about the same as last year.

The decline in third quarter security financing by the communications industry reflects largely the difference in timing of financing by AT&T. In 1956, their large financing came in July and November; this year it occurred in October. There were increases in offerings by other transportation and commercial and other corporations; however, offerings by railroads and mining companies were smaller.

Total gross proceeds - Gross proceeds from corporate offerings, which includes refunding issues and cost of flotation, were \$3.0 billion during the third quarter of 1957 compared with \$2.7 billion a year earlier. The volume of refunding issues continued to be small.

Publicly offered issues totaled \$2.0 billion in the third quarter of this year. Representing 68 per cent of total security offerings, these public issues were a slightly smaller proportion than a year ago.

Debt financing was in larger volume this year than last, while both common and preferred stock financing declined. One-tenth of the new securities offered were convertible issues -- predominately convertible bonds.

Table 2

Total Corporate Security Offerings by Type of Issue
Third Quarter

(Gross proceeds in millions of dollars)

Type of issue	1957	1956	1955	1954	1953
Total corporate offerings	2,987	2,690	2,358	2,685	1,624
<u>Type of offering</u>					
Public	2,041	1,881	1,427	1,767	935
Private	946	809	931	918	689
<u>Type of security</u>					
Bonds and notes	2,513	2,134	1,804	2,323	1,346
Public	1,586	1,352	928	1,460	665
Private	927	782	875	862	681
Preferred stock	72	99	150	180	82
Common stock	402	457	405	182	196

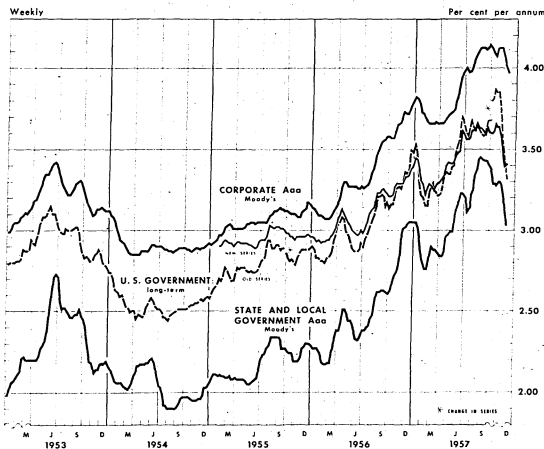
Note.--Details may not add to totals due to rounding.

Source.--Securities and Exchange Commission.

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.

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	
		Old series	New series		Corporate	State and
					Aaa	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	.50
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	4.14 (9/27)	3.87 (10/18)	3.66 (10/18)	3.45 (8/29)	.65	.58
Low	3.66 (4/12)	3.15 (2/8)	3.22 (2/8)	2.76 (2/21)	.20	.14
November 8	4.12	3.77	3.60	3.30	.35	.47
November 15	4.12	3.70	3.54	3.28	.42	.42
November 22	4.06	3.50	3.44	3.23	.56	.27
November 29	4.02	3.44	3.40	3.16	.58	.28
December 6	3.97	3.32	3.41	3.03	.65	.29

n.a.--Not available.

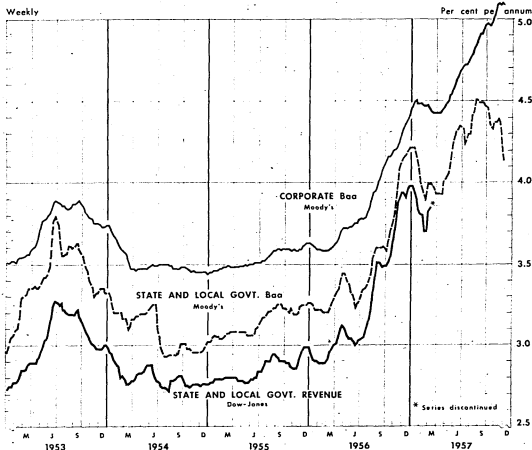
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.

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, including, beginning October 1957, the 4 per cent bond of 1969. The new series is comprised of the 3 per cent average 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 <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	4.41 (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	5.10 (11/29)	4.51 (8/29)	3.98 (1/4)
Low	4.42 (4/12)	3.90 (2/21)	3.70 (2/22)
November 8	5.09	4.37	<u>4</u>
November 15	5.10	4.39	
November 22	5.09	4.37	
November 29	5.10	4.25	
December 6	5.09	4.14	

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.

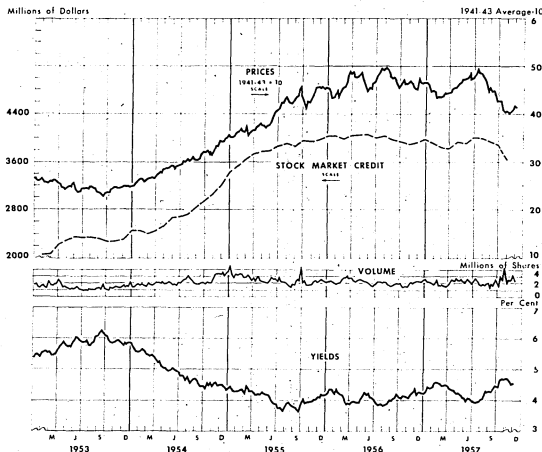
3/ Friday figures. Average rating of bonds included is between Baa and A; average term is 20 years.

4/ Series discontinued, as of March 15.

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

STOCK MARKET

Millions of Dollars



Date	Stock price index 1/ 	Trading volume 2/ (millions of shares)	Common stock yields 3/ (per cent)	Stock market customer credit		
				Total	Customers' debit bal-	Bank
					ances 4/ 	loans to "others" 5/
(Millions of dollars)						
1953 - High	26.54 (1/2)	2.5	6.25	2,455	1,665	780
Low	22.95 (9/18)	0.9	5.38	2,055	1,314	664
1954 - High	35.98 (12/31)	3.7	5.82	3,436	2,388	1,048
Low	24.93 (1/8)	1.4	4.32	2,405	1,653	746
1955 - High	45.89 (12/9)	4.6	4.42	4,030	2,805	1,214
Low	35.28 (1/14)	1.5	3.64	3,537	2,517	1,018
1956 - High	49.64 (8/3)	3.1	4.35	4,047	2,823	1,267
Low	43.22 (1/20)	1.5	3.82	3,914	2,740	1,155
1957 - High	49.08 (7/12)	4.2	4.70	4,031	2,887	1,163
Low	40.19 (11/8)	1.4	3.91	3,643	2,568	1,060
October	40.43	2.8	4.60	3,643	2,568	1,075
November	40.35	2.5	4.62	n.a.	n.a.	1,060
November 22	40.87	2.5	4.59	n.a.	n.a.	1,060
November 29	41.72	3.1	4.50	n.a.	n.a.	1,060
December 6	41.31	2.2	4.53	n.a.	n.a.	n.a.

n.a.--Not available.

1/ Standard and Poor's composite index of 500 common stocks, weekly closing prices, 1941-43=10. Monthly data are averages of daily figures rather than of Fridays' only. Highs and lows are for Friday's data only.

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

3/ Standard and Poor's composite stock yield based on Wednesday data converted to weekly closing prices by Federal Reserve.

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 70 per cent of loans to others. For further detail see Bulletin.

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 ^{1/}		
	1957	1956	1955	1957	1956	1955
January	1,063	573	535	742	404	535
February	1,071	712	407	572	696	312
March	1,344	817	1,223	506	390	538
April	924	818	478	765	378	427
May	771	1,146	886	546	490	350
June	1,489	841	687	395	735	642
July	991	1,063	597	529	408	470
August	914	654	644	584	206	249
September	973	838	670	430	357	406
October	1,014	745 ^{2/}	1,162 ^{2/}	695	639	919
November	e/900	1,089 ^{3/}	632	621	347	658
December	e/1,000	1,088	900	e/600	400	408
1st quarter	3,479	2,102	2,165	1,820	1,490	1,365
2nd quarter	3,184	2,805	2,052	1,706	1,603	1,418
3rd quarter	2,878	2,556	1,911	1,543	971	1,124
4th quarter	e/2,914	2,922	2,695	e/1,916	1,395	1,984
1st half	6,663	4,907	4,216	3,526	3,093	2,802
Three quarters	9,541	7,463	6,127	5,069	4,064	3,927
Year	e/12,455	10,384	8,821	e/6,985	5,459	5,911
	Excluding finance companies ^{4/}					
1st quarter	3,268	1,647	1,727			
2nd quarter	2,924	2,541	1,870			
3rd quarter	2,560	2,216	1,444			
4th quarter	e/2,764	2,826	2,544			
Year	e/11,516	9,259	7,595			

^{e/} Estimated.

^{1/} Data through June 1956 are Bond Buyer data classified as new capital by Federal Reserve; later data are from the Investment Bankers Association of America and are somewhat more complete as to coverage than the earlier data, particularly for Federal Government loans.

^{2/} Includes \$637.2 million AT&T convertible debenture issue.

^{3/} Includes \$571.5 million AT&T common stock issue.

^{4/} 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 - November	701	135	--
December	430	201	--
1957 - January	567	386	100
February	671	306	50
March	788	194	--
April	477	499	125
May	329	248	25
June	877	176	39
July	525	265	25
August	526	357	--
September	537	185	30
October	574	435	75
November	420	386	--

Large Individual Issues Offered December 1 through 10

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
Virginia Elec. & Pwr. Co.	1st&ref.mtg.bds.	20.0	1987	4 1/2	4.47	Aa
Northern Natural Gas Co.	S.F. deb.	25.0	1977	4 5/8	4.63	A
<u>STATE AND LOCAL GOVERNMENT</u>						
Akron, Ohio	Water rev.	5.0	1959-78	3.36	2.50-3.40	A
Los Angeles Sch.Dists., Calif.	G.O.	15.0	1959-83	3.19	2.35-3.25	Aa
Indianapolis, Ind.	G.O.	5.1	1960-89	2.91	2.25-3.00	Aaa
State of Ohio	G.O.	25.0	1958-77/67	2.65	2.00-2.70	Aaa
<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 <u>2/</u>	Corporate	State and local govt.	Other <u>2/</u>
1956 - 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	--
Mar. 29	461	290	25	486	862	25
Apr. 30	187	179	25	258	396	25
May 31	525	97	--	525	388	--
June 28	370	172	25	415	498	25
July 31	526	252	--	811	514	--
Aug. 30	578	243	30	845	439	30
Sept. 30	576	370	--	647	587	15
Oct. 31	458	369	30	815	573	45
Nov. 29	383	387	18	1,193	589	63

Forthcoming Large Offerings, as of December 6

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Chesapeake & Potomac Tel. Co. of Md.	Deb.	30.0	Dec. 10
Commonwealth Oil Refining Co.	Conv. sub. deb.	20.0	Dec. 11
Standard Oil Co. of New Jersey	Common stk.	283.2	Dec. 18
American Telephone & Telegraph Co.	Conv. deb.	720.0	(rights expire) March 12
Commercial Credit Co.	Notes	50.0	winter
Natural Gas Pipeline Co. of America	1st mtg. bds.	40.0	winter
<u>STATE AND LOCAL GOVERNMENT</u>			
Greater Baton Rouge Port Comm., La.	Rev.	19.4	Dec. 11
Pergen Co., N. J.	G.O.	7.2	Dec. 11
Phoenix, Arizona	Water rev.	16.0	Dec. 12
State of Texas	G.O.	12.5	Dec. 16
Minneapolis & St. Paul Met. Airport Comm., Minn.	G.O.	13.0	Dec. 17

Forthcoming Large Offerings, as of December 6 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
* Atlanta, Georgia	G.O.	15.0	Dec. 17
Richmond, Virginia	G.O.	6.5	Dec. 18
Chicago Bd. of Education, Ill.	G.O.	25.0	Dec. 18
Chelan Co. Pub. Ut. Dist., No. 1, Wash.	Rev.	250.0	Dec.
Caddo Parish Sch. Dist., La.	G.O.	7.5	Jan. 7
* Dade Co., Florida	G.O.	14.5	Jan. 8
* New York State	G.O.	37.5	Jan. 14
Penna. State Highway & Bridge Auth.	Rev.	20.0	Jan. 17
East Baton Rouge Par. S.D. No. 1, La.	G.O.	10.0	Feb. 4
New York State Thruway Auth.	Rev.	40.0	Winter
State of Missouri	G.O.	30.0	Winter
Pennsylvania Turnpike Commission	Rev.	62.0	Winter
Inter-American Center Auth., Fla.	Rev.	20.0	Winter
<u>OTHER</u>			
Pacific Great Eastern Ry. Co.	S.F. deb.	30.0	Winter
Union of South Africa	Ext. loan bds.	15.0	Winter

*--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: Montreal Quebec's \$18.0 million sinking fund debenture issue--to be offered in Canada.

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 - 1956				
High	4.30(12/12/56)	62	4.58(12/6/56)	70
Low	2.93(3/31/54)	-3	3.00(3/17/54)	-15
1957 - January	4.44	57	4.62	64
February	4.25	44	None	
March	None		4.50	45
April	*4.29	50	4.55	54
May	4.44	58	4.80	79
June 5	4.63	75		
7			5.10	106
11	4.78	87		
July 3			4.80 2/	64
10	4.57	48	4.88 2/	74
11	4.77	68		
16	4.65	56		
17			4.90	71
August 14	5.00	75		
September 5	4.80	51		
6	4.85	56		
25			5.10	51
October 1	4.78	45		
15			5.00	39
17			4.95	34
24			5.30	67
November 7	4.97	63	5.50	88
8	4.86 2/	52		
15			5.05 2/	43
20	4.82	53		
21	4.65	37		
22	4.65	39		
December 6	4.30	14		

*--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.

2/ Provides for a 5-year period during which issue may not be called for refunding at a lower coupon rate. Other issues have no such provision.