

H.14

September 2, 1958

CAPITAL MARKET DEVELOPMENTS

(Including Quarterly Review of
Corporate Security Financing)

The volume of new public security financing was moderate last week and is expected to be only slightly larger this week. During the week ending August 29, one large corporate issue for \$50 million and two large State and local government issues with aggregate proceeds of \$54 million were offered. The calendar for this holiday-shortened week includes a \$150 million debenture issue of Standard Oil Company of California (which had been originally scheduled for sale in late June) and a \$17 million State government issue.

Bond yields - Yields continued to increase last week for all types of outstanding bonds. The increase was particularly sharp for yields on State and local government bonds.

Bond yields increased sharply throughout August, with those on State and local government bonds increasing about 40 basis points, while corporate bond yields increased about 20 points. Yields on outstanding U. S. Government obligations increased nearly 30 points during the month. At current levels, yields on U. S. Government bonds are less than 10 basis points below their 1957 high, while yields on corporate and State and local government bonds are 20-30 basis points below their highs.

The sale by New York City of an A-rated, \$32 million bond issue last week presents an opportunity to trace relative changes during the past year in new issue yields on bonds of varying maturity. New York City sold similar issues in August last year and in May this year, when yields were near their highs and lows, respectively. In the downturn last year, yields on the shorter-term maturities declined more rapidly than those on the longer maturities, but in the upturn in recent months have increased more rapidly. Yields on bonds with maturity in one year declined 190 basis points in the August-May period while those on bonds maturing in 15 years declined only 90 basis points. Yields for the shortest maturities have increased 75 basis points since May, while those for the longer-term maturities have increased 39 points. The spread between the offering yields on one-year and 15-year maturities for the latest issue is therefore much narrower than it was in May, although not as narrow as in August last year.

New York City Bond Issues

	Amount (millions of dollars)	Yields by maturities (per cent)			
		1 year	5 years	10 years	15 years
August 15, 1957	40.0	2.75	3.40	3.70	3.80
May 15, 1958	47.3	.85	2.00	2.60	2.90
August 26, 1958	32.4	1.60	2.70	3.25	3.29

September security volume - The volume of new financing is expected to be large this month, both for corporations and State and local governments.

The September volume of corporate issues for new capital is expected to total \$1.2 billion, nearly two and a half times as great as the estimated volume in August, and about one-fourth larger than offerings in September of last year. The calendar for this month includes three very large public issues--those of Standard Oil Company of California, Sears Roebuck and Company and Standard Oil Company of Indiana--with total proceeds of \$700 million. A volume of \$2.9 billion in the third quarter (only slightly below sales a year earlier) would bring the first nine months total to \$8.6 billion, about 9 per cent below the record volume in the corresponding period of 1957.

State and local government security issues for September are currently estimated at \$600 million. This volume would be one-half larger than in August and two-fifths greater than in September 1957. Including the estimated volume for this month, State and local government security financing in the first three quarters of the year would total a record \$6.1 billion, one-fifth greater than the volume a year earlier.

Stock prices - Stock prices showed little net change last week. Standard and Poor's index of 500 common stocks closed at 47.75 on August 29. Trading activity picked up somewhat, averaging 2.7 million shares a day.

Corporate Security Offerings
in the First Half 1958

Net proceeds for new capital - Corporations sold \$5.8 billion of security issues to obtain new capital in the first six months of 1958, as shown in Table 1. (The totals shown in Table 1 exclude refunding issues and costs of flotation.) This volume was one-eighth below the record volume in corresponding period of last year, but was substantially above that of any other first half. The volume of new issues in the second quarter was 17 per cent smaller than that of the corresponding period last year, while first quarter volume was only 9 per cent smaller than a year earlier.

Table 1

Corporate Security Offerings for New Capital
by Type of Business of Issuer
First Six Months 1954-1958

(Net proceeds in millions of dollars)

	1958	1957	1956	1955	1954
All corporate offerings	5,756	6,593	4,907	4,216	3,603
Manufacturing	<u>1,563</u>	<u>2,373</u>	<u>1,613</u>	<u>1,381</u>	808
Primary nonferrous metals	287	383	63	32	142
Petroleum and refining	225	441	206	87	106
Paper	122	78	171	40	58
Electrical machinery	115	58	338	50	42
Fabricated metal products	94	69	29	33	20
Chemicals	92	86	76	57	84
Other transportation equipment	89	38	52	78	--
Foods	85	39	69	59	63
Nonelectrical machinery	69	400	104	83	125
Primary iron and steel	55	183	35	243	30
Stone, clay and glass	42	90	121	43	62
Beverages	40	3	10	16	3
Printing	22	20	18	7	8
Other 1/	226	485	321	552	65
Electric, gas and water utilities.	2,082	2,116	1,304	1,156	1,797
Communication	930	696	248	121	136
Railroad	127	210	168	88	112
Other transportation	282	195	160	132	150
Commercial and other	110	150	150	200	113
Mining	106	122	145	196	217
Financial and real estate	<u>556</u>	<u>732</u>	<u>1,119</u>	<u>944</u>	<u>269</u>
Sales and consumer finance cos.	280	468	719	620	148
Other	276	264	400	324	121

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 during the first half, offering securities with proceeds of \$2.1 billion, only two per cent smaller than last year. A greater proportion of this volume was sold in the first quarter this year than last; utility financing during the first quarter was one-eighth larger than a year earlier, but volume in the second quarter of 1958 was one-eighth smaller than during the corresponding period of 1957.

New capital offerings by manufacturing companies totaled \$1.6 billion during these six months, one-third less than the record volume a year earlier. The smaller volume this year resulted almost entirely from the low level of financing by manufacturers during the first quarter, as sales during the second quarter were only slightly below the volume a year earlier. Financing by primary iron and steel, nonelectrical machinery and petroleum concerns was much smaller this year than last. New financing by the latter two industries had been particularly heavy last year, reflecting the sale of a number of very large public issues, some of which were common stock offerings.

New issue volume by communication companies was the third most important category during the first half of the year, with proceeds of \$930 million, \$234 million more than in the first half 1957. Much of the total this year is accounted for by the \$718 million AT&T convertible debenture issue sold in March. (Last March, AT&T sold a \$250 million debenture issue.)

Financial and real estate company issues, with total proceeds of \$556 million, were nearly one-fourth smaller than in the corresponding half of 1957. The volume of new capital issues by sales and consumer finance companies was two-fifths less this year, with the second quarter volume being very small, only \$39 million. In the first quarter issues by these finance companies had been in larger volume than a year earlier.

Offerings by transportation (other than railroad) corporations were in larger volume this year than last; offerings by railroads, mining and commercial and other companies, however, were smaller.

Total gross proceeds - Gross proceeds from corporate offerings, which includes refunding issues and costs of flotation, were \$6.2 billion during the first half of 1958, \$600 million less than a year earlier. The volume of financing for refunding of outstanding securities was four times larger this year than last, but still totaled less than \$400 million, substantially below the volume of the corresponding period of 1954 and 1955.

Publicly-offered issues totaled \$4.5 billion in the first six months this year. While this volume was nearly one-tenth less than last year, this type of offering accounted for about the same proportion (73 per cent) of total security offerings as a year earlier, for the volume of privately-placed securities was also one-tenth smaller than in 1957.

Table 2

Total Corporate Security Offerings by Type of Issue
First Six Months 1954-1958

(Gross proceeds in millions of dollars)

Type of issue	1958	1957	1956	1955	1954
Total corporate offerings	6,222	6,815	5,239	4,943	4,261
<u>Type of offering</u>					
Public	4,515	4,949	3,139	3,406	2,677
Private	1,707	1,866	2,100	1,537	1,584
<u>Type of security</u>					
Bonds and notes					
Public	5,406	5,060	4,017	3,304	3,177
Private	3,749	3,254	1,978	1,841	1,669
Preferred stock	318	237	337	319	485
Common stock	498	1,519	884	1,320	599

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

Source--Securities and Exchange Commission.

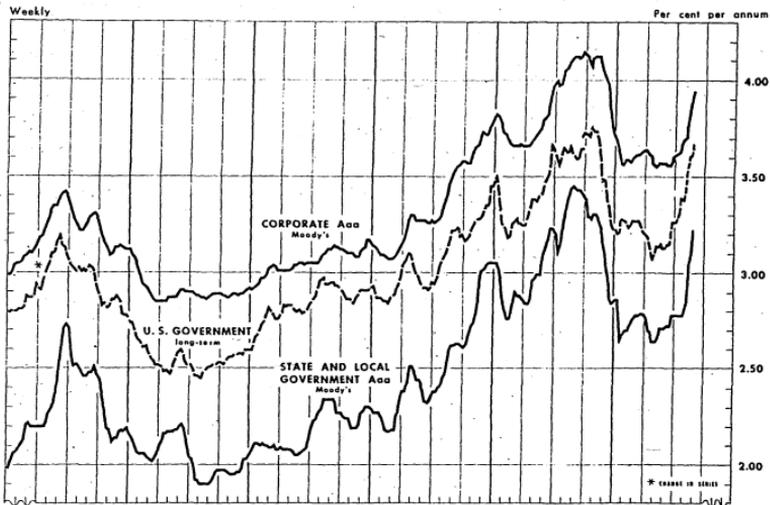
Offerings of bonds and notes were in record volume during the first half of the year, totaling \$5.4 billion, 7 per cent more than a year earlier. While privately-placed debt issues were in smaller volume this year than in the first half of 1957, public offerings were 15 per cent larger. The latter accounted for the largest proportion of debt issues (69 per cent) in any six months period in the post-war period. In part this reflected the importance of publicly-offered convertible bond issues (including, of course, the very large AT&T issue) which accounted for nearly one-sixth of all debt offerings. Nonconvertible fixed-income security sales were in about the same volume during the first half of this year as in 1957.

The volume of preferred stock issues, while still relatively small, was one-third larger than last year. On the other hand, common stock offerings totaled only one-third the volume sold during the first six months of last year. This was the smallest volume for any half-year period since 1950.

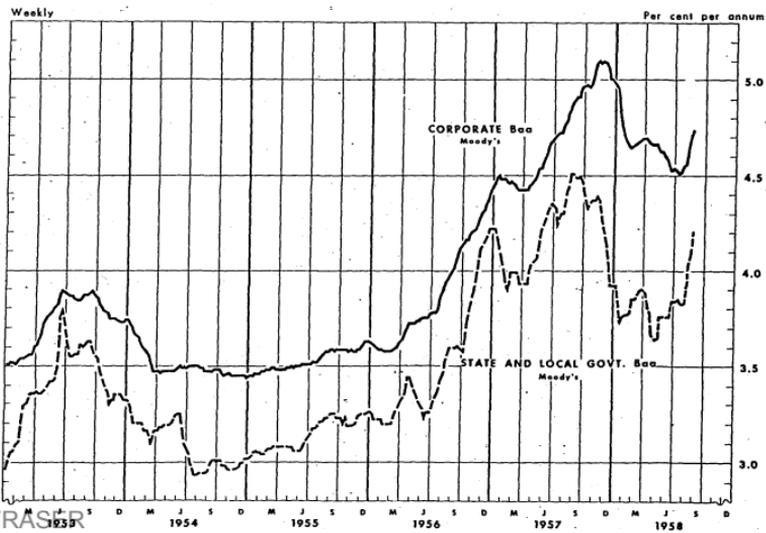
More detailed information concerning recent capital market developments is presented in the attached exhibits.

Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

HIGH-GRADE BOND YIELDS



LOWER - GRADE BOND YIELDS



Tables for 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. and	
				Corporate Aaa	State and local Aaa
(Per cent)					
1953 - High	3.42 (6/19)	3.19 (6/5)	2.73 (6/25)	.38	.83
1954 - Low	2.85 (4/23)	2.45 (8/6)	1.90 (9/2)	.30	.30
1957 - high	4.14 (9/27)	3.76 (10/18)	3.45 (8/29)	.60	.47
1958 - High	3.94 (8/29)	3.67 (8/29)	3.22 (8/28)	.51	.62
Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.22	.34
Aug. 1	3.71	3.44	2.84	.27	.60
Aug. 8	3.77	3.53	2.91	.24	.62
Aug. 15	3.83	3.61	3.04	.22	.57
Aug. 22	3.89	3.62	3.12	.27	.50
Aug. 29 p/	3.94	3.67	3.22	.27	.45

Lower-grade Bond Yields

Date	Corporate Baa 1/	State and local govt. Baa 2/	Spread between Aaa and Baa	
			Corporate	State and local govt.
(Per cent)				
1953 - High	3.89 (9/18)	3.79 (6/25)	.69	1.21
1954 - Low	3.44 (12/31)	2.93 (8/5)	.52	.96
1957 - High	5.10 (11/29)	4.51 (8/29)	1.27	1.21
1958 - High	4.96 (1/3)	4.21 (8/28)	1.28	1.11
Low	4.51 (7/11)	3.64 (5/1)	.80	.98
Aug. 1	4.56	3.83	.85	.99
Aug. 8	4.60	3.92	.83	1.01
Aug. 15	4.66	4.03	.83	.99
Aug. 22	4.71	4.10	.82	.98
Aug. 29 p/	4.74	4.21	.80	.99

p/ Preliminary.

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

2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

3/ Thursday figures. Only general obligations 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 C

STOCK MARKET

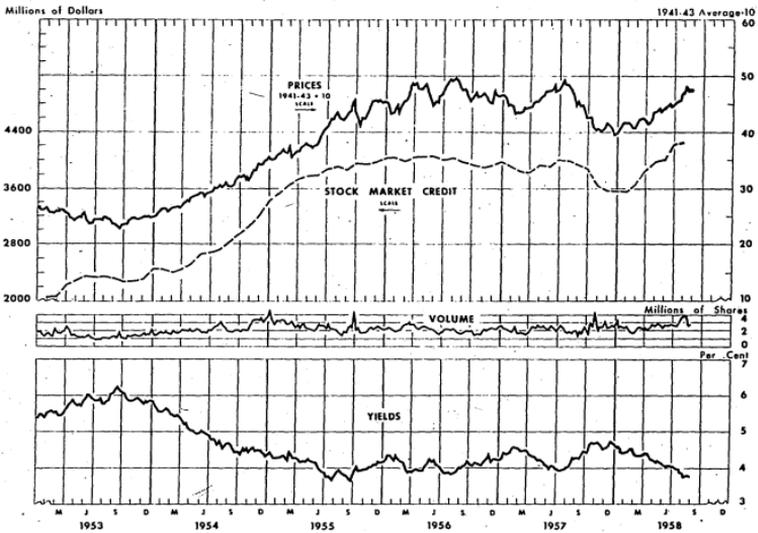


Exhibit D

Table for Exhibit C

Stock Market

Date	Stock price index <u>1/</u>	Trading volume <u>2/</u> (millions of shares)	Common stock yields <u>3/</u> (per cent)	Stock market customer credit		
				Total	Customers' debit balances <u>4/</u>	Bank loans to "others" <u>5/</u>
(Millions of dollars)						
1953 - High	26.54 (1/2)	2.5	5.38	2,455	1,665	780
Low	22.95 (9/18)	0.9	6.25	2,055	1,314	664
1954 - High	35.98 (12/31)	3.7	4.32	3,436	2,388	1,048
Low	24.93 (1/8)	1.4	5.82	2,405	1,653	746
1955 - High	45.89 (12/9)	4.6	4.08	4,030	2,805	1,241
Low	35.28 (1/14)	1.5	4.41	3,537	2,517	1,018
1956 - High	49.64 (8/3)	3.1	3.82	4,047	2,823	1,267
Low	43.22 (1/20)	1.5	4.34	3,914	2,740	1,155
1957 - High	49.08 (7/12)	4.2	3.91	4,031	2,887	1,163
Low	39.48 (12/20)	1.4	4.72	3,576	2,482	1,054
1958 - High	48.05 (8/8)	3.8	3.74	4,251	3,020	1,317
Low	40.37 (1/10)	1.7	4.58	3,554	2,487	1,051
June	44.75	2.7	4.07	4,226	2,929	1,297
July	45.98	3.2	3.97	4,251	3,020	1,231
Aug. 15	47.50	2.9	3.79	n.a.	n.a.	1,189
Aug. 22	47.73	2.5	3.77	n.a.	n.a.	1,184
Aug. 29 <u>p/</u>	47.75	2.7	3.77	n.a.	n.a.	n.a.

n.a.--Not available.

p/ Preliminary.

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. Yields shown are for dates on which price index reached its high or low.

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.

Long-term Corporate and State and Local Government
Security Offerings and Placements

(In millions of dollars)

	New capital					
	Corporate 1/			State and local 2/		
	1958	1957	1956	1958	1957	1956
January	723	1,060	573	812	742	404
February	851	1,065	712	953	572	696
March	1,561 ^{3/}	1,320	817	511	506	390
April	1,141	931	818	798	765	378
May	600	765	1,146	873	546	490
June	891	1,453	841	542	393	735
July	e/1,150	1,003	1,063	p/627	529	408
August	e/500	924	654	e/400	584	206
September	e/1,200	973	838	e/600	431	357
October		1,090	745		698	639
November		789	1,089 ^{4/}		633	347
December		1,076	1,088		698	409
1st quarter	3,135	3,445	2,102	2,276	1,820	1,490
2nd quarter	2,622	3,119	2,805	2,213	1,704	1,603
3rd quarter	e/2,850	2,899	2,556	e/1,627	1,544	971
4th quarter		2,954	2,922		2,029	1,395
1st half	5,757	6,594	4,907	4,489	3,524	3,093
Three quarters	e/8,607	9,493	7,463	e/6,116	5,069	4,064
Year		12,447	10,384		7,099	5,459
	Excluding finance companies 5/					
1st quarter	2,894	3,237	1,647			
2nd quarter	2,583	2,889	2,541			
3rd quarter	e/2,800	2,582	2,246			
4th quarter		2,810	2,826			
Year		11,518	9,260			

e/ Estimated.

p/ Preliminary.

1/ Securities and Exchange Commission estimates of net proceeds.

2/ 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.

3/ Includes \$718.3 million AT&T convertible debenture issue.

4/ Includes \$571.5 million AT&T common stock issue.

5/ Total new capital issues excluding offerings of sales and consumer finance companies.

Large Long-term 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>
1957 - August	526	266	--
September	537	133	245
October	574	393	--
November	420	344	154
December	399	404	--
1958 - January	318	410	1,357
February	605	553	266
March	1,093	182	--
April	725	300	653
May	356	505	164
June	281	195	86
July	771	275	41
August	209	109	--

Large Individual Issues Offered during August

Issuer	Type <u>3/</u>	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
Consolidated Nat. Gas Co.	S. F. deb.	45.0	1983	4 3/8	4.30	Aaa
Public Serv. Elec. & Gas	1st ref.mtg.bds.	60.0	1988	4 5/8	4.50	Aa
Houston Corp.	Deb.&com.stk.	54.2	1968	5	5/	--
Southern Calif. Edison Co.	1st ref.mtg.bds.	50.0	1983	4 5/8	4.55	Aa
<u>STATE AND LOCAL GOVERNMENT</u>						
Philadelphia Sch.Dist.,Pa.	G.O.	12.0	1960-83	3.28	1.40-3.50 ^{4/}	A
Georgia Rural Rds. Auth.	Rev.-Rent.	21.0	1960-79/68	3.72	1.70-3.70	A
Los Angeles, California	G.O.	21.5	1959-88/68	3.63	1.25-3.85	Aa
New York, New York	G.O.	32.4	1959-73	3.25	1.60-3.29	A
Detroit, Michigan	G.O.	21.7	1959-83	3.58	1.50-4.40	A
<u>OTHER</u>						
None						

1/ Includes corporate and other security offerings of \$15 million and over; State and local government security offerings of \$10 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.

3/ In the case of State and local government securities, G.O. denotes general obligations; Rev.-Ut., revenue obligations secured only by income from public utilities; Rev.-Q.Ut., revenue bonds secured only by revenue of quasi-utilities; Rev.-S.T., revenue bonds secured by revenue from specific taxes only; Rev.-Rent., revenue bonds secured solely by lease payments.

4/ The 3.50 per cent yield is for the 1981-82 maturities. The 1/4s of 1983 were reoffered to yield 4.00 per cent.

5/ Offered in units with common stock.

Forthcoming Large Long-term 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/
1957 - July 31	526	218	--	811	471	--
Aug. 30	578	183	30	845	379	30
Sept. 30	576	334	--	647	551	15
Oct. 31	458	339	30	815	543	45
Nov. 29	383	363	18	1,193	558	63
Dec. 31	378	345	150	1,161	564	165
1958 - Jan. 31	498	370	--	1,378	487	--
Feb. 28	1,123	134	--	1,208	341	--
Mar. 31	555	298	110	670	330	110
Apr. 30	356	493	150	561	493	150
May 29	266	177	36	464	208	36
June 30	768	225	--	1,048	235	--
July 31	161	55	--	381	125	--
Aug. 29	785	241	--	914	435	--

Forthcoming Large Offerings, as of August 29

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Standard Oil Co. of California	Deb.	150.0	Sept. 5
Texas Eastern Trans. Co.	1st mtg. p. l. bds.	35.0	Sept. 11
Sears Roebuck & Co.	S. F. deb.	350.0	Sept.
Tennessee Gas Trans. Co.	1st mtg. p. l. bds.	50.0	Sept.
*Standard Oil Co. of Indiana	Deb.	200.0	Sept.
*Public Service Co. of Indiana	Pfd. stk.	24.3	Oct. 6 (rights expire)
Universal-Cyclops Steel Corp.	S. F. deb.	15.0	1958
Montana Power Co.	1st mtg. bds.	20.0	1958
Commerce Oil Refining Corp.	Deb., bds. & common	45.0	1958
Martin Co.	S. F. deb.	25.0	1958
<u>STATE AND LOCAL GOVERNMENT</u>			
State of Delaware	G.O.	17.0	Sept. 3
Indiana State Office Bldg. Comm.	Rev.	30.0	Sept. 9
State of Connecticut	G.O.	20.0	Sept. 9
San Diego Unif. Sch. Dist., Calif.	G.O.	10.0	Sept. 10
*State of Washington	Rev.-S.T.	10.0	Sept. 10

Forthcoming Large Offerings, as of August 29 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
*Florida State Board of Education	Rev.	12.5	Sept. 16
Los Angeles Co. Flood Dist., Calif.	Rev.-Ut.	30.0	Sept. 16
*State of Oregon	G.O.	20.0	Sept. 17
State of Ohio	Rev.-S. T.	30.0	Sept. 18
*Commonwealth of Massachusetts	G.O.	61.0	Sept. 24
Chesapeake Bay Ferry Comm.	Rev.-Ut.	144.0	Oct.
State of California	G.O.	50.0	Dec. 3
<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 \$10 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues and non-guaranteed issues by Federal agencies.

Note--Deletions for reasons other than sale of issue: None.

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 - 1957				
High	5.00(8/14/57)	87	5.50(11/7/57)	123
Low	2.93(3/31/54)	-3	3.00(3/17/54)	-15
1958 - January	*3.60	-8	3.96 ^{2/}	3
February	3.89 ^{2/}	22	4.07	9
March 4			4.25	6
5	4.15	44		
6	4.22	50		
12	4.00	28		
19	4.00	26		
21			4.07	-7
25	4.05	31		
April 1	3.98	23		
2	4.00	25		
17			3.98	5
23	3.75	5		
29			4.04	11
May 7			4.00	3
13	3.90	21		
15			4.07	4
16			4.35	32
20	3.85	16		
21	3.85	16		
22			4.00	-1
28			3.95	-6
June 10	3.85	17		
17	3.82	12		
25	3.95	24		
July 2			3.98 ^{2/}	1
9	4.00	25		
18	4.10	28		
23	4.10	29	4.35 ^{2/}	31

*—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. Monthly averages so marked include one or more issues with such a provision. Other issues have no such provision.