

H.14

March 9, 1959.

CAPITAL MARKET DEVELOPMENTS

(Including Review of Corporate Security Financing in 1958)

The volume of new public security financing was small during the week ending March 6, but is expected to be much larger this week. Large State and local government bond issues sold last week totaled \$81 million; no large corporate issues were offered. This week, corporations are expected to offer large issues, including expiration of subscription rights, with aggregate proceeds of \$103 million. State and local government issues amounting to \$153 million are also scheduled for sale.

Bond yields - Yields declined last week for all types of outstanding bonds. The decline was slight for yields on corporate and U. S. Government obligations, but substantial for those on State and local government bonds. State and local government bond yields are now back to their mid-August 1958 levels.

Stock prices - Stock prices and trading activity increased somewhat last week. Standard and Poor's index of 500 common stocks closed at 56.21 on March 6, declining from a peak of 56.43 reached on Thursday. The volume of trading averaged 4.2 million shares a day.

Corporate Security Offerings in 1958

Net proceeds for new capital - Corporations sold \$2.3 billion of security issues to obtain new capital in the fourth quarter of 1958, bringing the total for the year to \$10.8 billion. This volume for 1958 was one-eighth less than the record volume sold in 1957, but slightly above the total of new issues sold in 1956.

Most major groups of issuers sold a smaller volume of offerings in 1958 than a year earlier. New issue volume by financial and real estate companies showed the largest percentage decline. Most of the decline is accounted for by the smaller volume of financing by sales and consumer finance companies, whose financing was particularly small in the last three quarters of 1958.

Electric, gas and water utilities were the most important group of issuers, offering securities with proceeds of \$3.6 billion and accounting for one-third of all corporate offerings. This total was only 6 per cent below the volume in 1957 but 45 per cent greater than new issues sold in 1956. The volume of securities sold by these utilities was unusually large in the first quarter of 1958 but was smaller in the other three quarters than a year earlier.

Table 1

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

(Net proceeds in millions of dollars)

	1958	1957	1956	1955	1954
All corporate offerings	10,790	12,447	10,384	8,821	7,490
Manufacturing	<u>3,296</u>	<u>4,104</u>	<u>3,336</u>	<u>2,397</u>	<u>2,044</u>
Petroleum and refining	600	876	413	100	292
Primary iron and steel	408	313	198	313	364
Primary nonferrous metals	306	517	136	107	145
Nonelectrical machinery	233	689	362	168	252
Chemicals	220	244	234	163	247
Paper	219	111	298	119	125
Other transportation equipment	218	48	94	95	30
Foods	116	51	113	91	101
Electrical machinery	139	129	419	195	72
Fabricated metal products	135	106	68	93	35
Stone, clay and glass	75	169	180	60	66
Motor vehicles and equipment	73	348	265	416	102
Beverages	111	4	10	17	16
Printing	53	49	29	30	18
Other <sup>2/</sup>	390	450	517	427	179
Electric, gas and water utilities	3,598	3,821	2,474	2,254	2,675
Communication	1,294	1,441	1,384	1,045	651
Railroad	206	326	365	221	213
Other transportation	571	475	329	323	288
Commercial and other	642	309	284	382	362
Mining	240	270	398	386	468
Financial and real estate	<u>944</u>	<u>1,701</u>	<u>1,815</u>	<u>1,812</u>	<u>788</u>
Sales and consumer finance cos.	399	929	1,125	1,227	332
Other	545	772	690	585	457

<sup>1/</sup> Less than \$500,000.<sup>2/</sup> 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.

New financing by manufacturing companies totaled \$3.3 billion, one-fifth smaller than in 1957 and slightly below the volume in 1956. Petroleum and refining companies sold the largest volume of securities, with more than four-fifths of the proceeds being accounted for by very large issues of over \$150 million. New issues by primary iron and steel manufacturers, second largest in volume in 1958, were larger than in other recent years.

New financing by transportation companies (other than railroads) and commercial and other companies was in larger volume than in 1957. The increased financing by commercial and other companies is largely accounted for by the \$346 million debenture issue of Sears, Roebuck and Company sold in September 1958. New issues by railroads and mining companies showed a decline in 1958. New capital financing by communication utilities was also in smaller volume, in spite of increased financing by AT&T.

Total gross proceeds - Gross proceeds from corporate offerings, which include refunding issues and costs of flotation, were \$11.6 billion in 1958, one-tenth below the volume a year earlier. The bigger decline in the volume of net proceeds for new capital offerings than in total gross proceeds largely reflects the increased volume of refunding issues last year. These issues totaled \$582 million in 1958 compared with \$214 million in 1957, but were still substantially below the volume of refunding in 1954 and 1955.

Table 2

Total Corporate Security Offerings by Type of Issue  
1954-1958

(Gross proceeds in millions of dollars)

Type of issue	1958	1957	1956	1955	1954
Total corporate offerings	11,555	12,884	10,939	10,240	9,516
<u>Type of offering</u>					
Public	8,058	8,959	7,053	6,763	5,848
Private	3,497	3,925	3,886	3,477	3,668
<u>Type of security</u>					
Bonds and notes	9,684	9,957	8,002	7,420	7,488
Public	6,333	6,118	4,225	4,119	4,003
Private	3,351	3,839	3,777	3,301	3,484
Preferred stock	551	411	635	635	816
Common stock	1,320	2,516	2,301	2,185	1,213

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

Source.--Securities and Exchange Commission..

Publicly-offered issues totaled \$8.1 billion last year and private placements amounted to \$3.5 billion. The proportionate share of each remained the same as in 1957, with public offerings accounting for 70 per cent of total offerings and private placements 30 per cent.

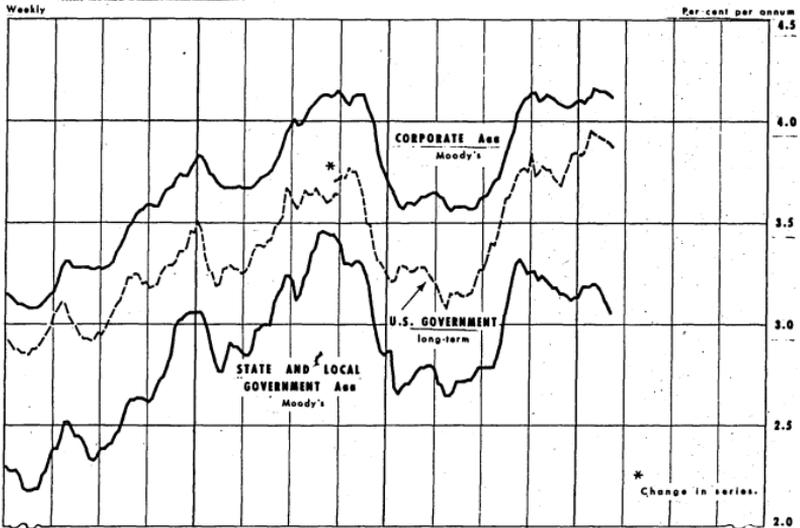
Debt financing was in only slightly smaller volume in 1958 than a year earlier as the increase in bonds offered to the general public nearly offset the decline in privately-placed bond issues. Common stock issues were smaller in every quarter of 1958 than in the corresponding period of 1957, although there was some increase late in the year. Volume for the year as a whole was nearly one-half smaller than in 1957. There were no large stock offerings made in 1958, while three issues of over \$150 million were sold in 1957. Financing through preferred stock issues increased last year, but continued to be relatively small. The volume of convertible bond financing increased in 1958, totaling \$1.1 billion and accounted for one-eighth of all bond issues.

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

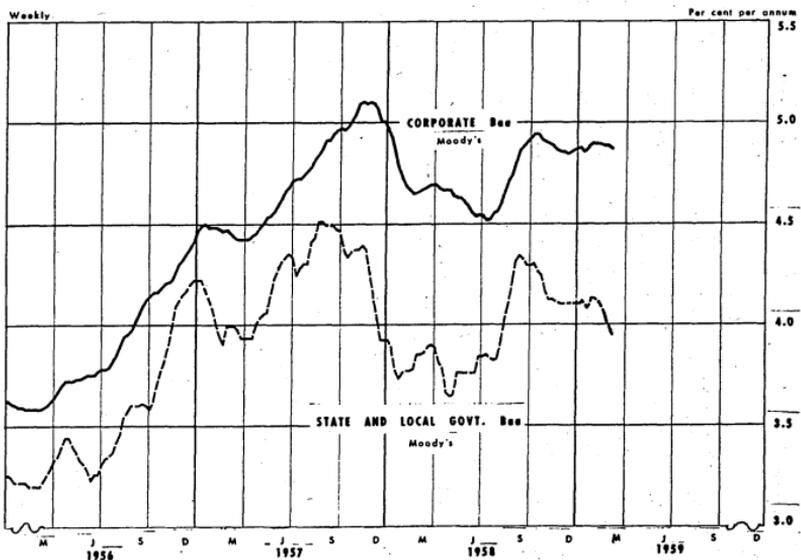
Capital Markets Section,  
Division of Research and Statistics,  
Board of Governors of the Federal Reserve System.

EXHIBIT A

HIGH-GRADE BOND YIELDS



LOWER-GRADE BOND YIELDS



Tables for Exhibit A  
High-grade Bond Yields

Date	Corporate Aaa <u>1/</u>	U. S. Govt. long-term <u>2/</u>	State and local govt. Aaa <u>3/</u>	Spread between U. S. Govt. and	
				Corporate Aaa	State and local Aaa
(Per cent)					
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	4.13 (10/10)	3.84 (12/26)	3.31 (9/11)	.51	.72
Low	3.55 (5/2)	3.07 (4/25)	2.64 (5/1)	.22	.34
1959 - High	4.16 (1/30)	3.96 (1/16)	3.20 (2/5)	.27	.81
Low	4.09 (1/9)	3.83 (1/2)	3.06 (3/5)	.16	.65
Feb. 6	4.15	3.93	3.20	.22	.73
Feb. 13	4.14	3.92	3.18	.22	.74
Feb. 20	4.14	3.91	3.13	.23	.78
Feb. 27	4.13	3.90	3.11	.23	.79
Mar. 6 p/	4.11	3.87	3.06	.24	.81

## Lower-grade Bond Yields

Date	Corporate Baa <u>1/</u>	State and local govt. Baa <u>3/</u>	Spread between Aaa and Baa	
			Corporate	State and local govt.
(Per cent)				
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)	4.34 (9/11)	1.28	1.11
Low	4.51 (7/11)	3.64 (5/1)	.77	.93
1959 - High	4.90 (2/13)	4.13 (2/5)	.77	.98
Low*	4.85 (1/9)	3.95 (3/5)	.74	.89
Feb. 6	4.90	4.13	.75	.93
Feb. 13	4.90	4.11	.76	.93
Feb. 20	4.89	4.05	.75	.92
Feb. 27	4.89	4.03	.76	.92
Mar. 6 p/	4.87	3.95	.76	.89

p/ Preliminary.

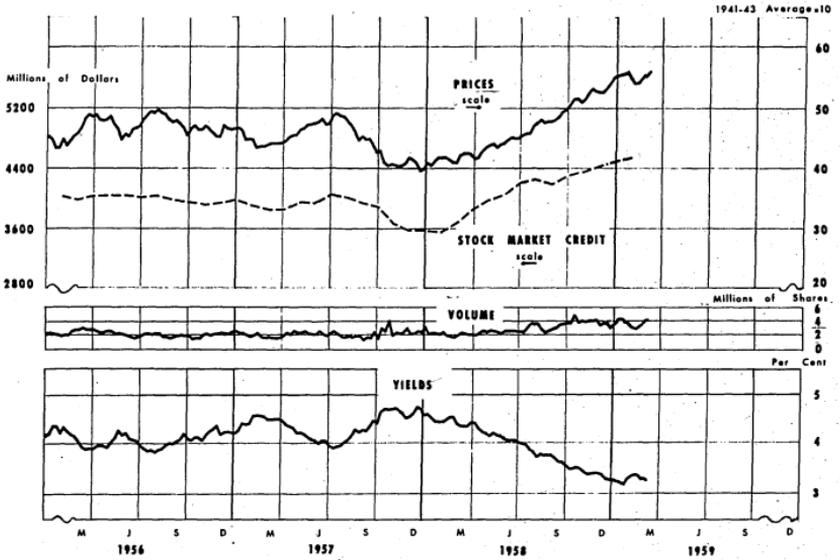
1/ Weekly average of daily figures. Average term of bonds included is 25-26 years.  
2/ Weekly average of daily figures. The series includes bonds due or callable in 10 years or more.

3/ Thursday figures. Only general 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 C

STOCK MARKET



## Exhibit D

Table for 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	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	2,432	1,054
1958 - High	54.11 (12/26)	4.9	3.30	4,488	3,281	1,317
Low	40.37 (1/10)	1.7	4.58	3,554	2,487	1,051
1959 - High	56.21 (3/6)	4.2	3.24	n.a.	n.a.	1,274
Low	54.37 (2/6)	3.0	3.34	n.a.	n.a.	1,210
January	55.82	4.0	3.24	4,554	3,297	1,257
February	54.77	3.5	3.32	n.a.	n.a.	1,274
Feb. 13	54.42	3.0	3.35	n.a.	n.a.	1,259
Feb. 20	55.52	3.7	3.28	n.a.	n.a.	1,256
Feb. 27	55.41	4.1	3.29	n.a.	n.a.	1,274
Mar. 6 p/	56.21	4.2	3.24	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/		
	1959	1958	1957	1959	1958	1957
January	e/700	723	1,060	p/629	812	742
February	e/650	851	1,065	e/800	953	572
March	e/650	1,561 <sup>2/</sup>	1,320	e/650	511	506
April		1,141	931		798	765
May		600	765		895	546
June		881	1,453		551	393
July		1,102	1,003		806	529
August		538	924		403	584
September		1,144	973		651	431
October		858	1,050		456	698
November		473	789		474	633
December		914	1,076		435	698
1st quarter	e/2,000	3,135	3,445	e/2,079	2,276	1,820
2nd quarter		2,622	3,149		2,244	1,704
3rd quarter		2,784	2,899		1,860	1,544
4th quarter		2,250	2,954		1,365	2,029
1st half		5,757	6,594		4,520	3,524
Three quarters		8,541	9,493		6,380	5,069
Year		10,791	12,447		7,746	7,099
	Excluding finance companies 4/					
1st quarter	e/1,800	2,894	3,237			
2nd quarter		2,583	2,889			
3rd quarter		2,753	2,582			
4th quarter		2,161	2,810			
Year		10,391	11,518			

e/ Estimated      p/ Preliminary.

1/ Securities and Exchange Commission estimates of net proceeds.

2/ Investment Bankers Association of America estimates of principal amounts.

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

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

- Other Security Offerings 1/

(In millions of dollars)

	Long-term						
	Foreign government <u>2/</u>			Federal agency <u>3/</u>			
	1959	1958	1957	1959	1958	1957	
January		196	84		1,163	72	
February		53	49		251	--	
March		--	30		--	--	
April		139	123		523	125	
May		198	48		--	--	
June		120	42		--	60	
July		9	28		164	--	
August		5	7		--	--	
September		17	30		--	215	
October		58	4		220	--	
November		123	60		--	100	
December		74	1		--	--	
Year		992	507		2,321	572	
		Short-term					
		State and local government <u>4/</u>			Federal agency <u>3/</u>		
January	<u>p/189</u>	233	326	270	371	638	
February		460	455		208	430	
March		273	147		144	505	
April		357	205		209	336	
May		354	337		161	469	
June		264	153		329	501	
July		289	272		437	224	
August		423	272		206	370	
September		369	252		330	512	
October		231	303		454	1,238	
November		415	94		114	255	
December		243	459		137	116	
Year		3,910	3,274		3,098	5,543	

e/ Estimated. p/ Preliminary.1/ Data presented in this exhibit differ from those in Exhibit E in that refunding issues, as well as new capital issues, are included. Long-term securities are defined as those maturing in more than one year.2/ Includes securities offered in the United States by foreign governments and their subdivisions and by international organizations. Source: Securities and Exchange Commission.3/ Issues not guaranteed by the U. S. Government. Source: long-term, Securities and Exchange Commission; short-term, Federal Reserve.4/ Principally tax and bond anticipation notes, warrants or certificates and Public Housing Authority notes. In some instances PMA notes included may have a somewhat longer term than one year. Source: Bond Buyer.

Large Long-term Public Security Issues for New Capital  
(Other than U. S. Treasury) <sup>1/</sup>

Proceeds of Large Issues Offered  
(Millions of dollars)

Month	Corporate	State and Local government	Other <sup>2/</sup>
1958 - 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	--
September	825	288	18
October	259	172	209
November	227	259	100
December	305	229	79
1959 - January	369	335	75
February	340	551	35

Large Individual Issues Offered March 1 through 6

Issuer	Type <sup>3/</sup>	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>CORPORATE</u>						
None						
<u>STATE AND LOCAL GOVERNMENT</u>						
Detroit-Metro. Expressway	Rev.-S.T.	25.0	1960-84	3.54	1.90-3.65	A
Philadelphia, Pennsylvania Port of New York Auth.	G.O.	25.5	1960-89	3.27	1.85-3.45	A
	Rev.-Ut.	30.0	1989/68	3.68	3.63	A
<u>OTHER</u>						
None						

n.a.--Not available.

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

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

<sup>3/</sup> 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 from quasi-utilities; Rev.-S.T., revenue bonds secured by revenue from specific taxes only; Rev.-Rent., revenue bonds secured solely by lease payments.

<sup>4/</sup> 1987-89 maturities not reoffered.

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/
1958 - 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	--
Sept. 30	113	295	--	216	524	--
Oct. 31	204	258	--	326	675	--
Nov. 28	301	229	71	401	683	71
Dec. 31	210	261	75	370	515	75
1959 - Jan. 30	270	551	45	365	856	45
Feb. 27	198	292	--	279	481	--

Forthcoming Large Offerings, as of March 6

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Northern Indiana Public Service Co.	1st mtg. bds.	25.0	Mar. 11
KLM Royal Dutch Airlines	Conv. sub. deb.	17.0	Mar. 12
American Natural Gas Co.	Common stk.	28.0	Mar. 12
			(rights expire)
Colorado Interstate Gas Co.	1st mtg. p. 1. bds.	33.0	Mar. 12
Texas Eastern Trans. Corp.	Pfd. stk.	15.0	Mar. 20
Cleveland Electric Illuminating Co.	1st mtg. bds.	25.0	Mar. 25
Ohio Edison Co.	1st mtg. bds.	30.0	Mar. 26
Ohio Power Co.	1st mtg. bds.	25.0	Mar. 31
Monongahela Power Co.	1st mtg. bds.	16.0	Apr. 1
*Food Fair Stores, Inc.	Conv. sub. deb.	21.8	Apr. 10
			(rights expire)
*Columbia Gas System, Inc.	Common stk.	40.0	Apr. 20
			(rights expire)
Montana Power Co.	1st mtg. bds.	20.0	Spring
Commerce Oil Refining Corp.	Deb., bds. & common	45.0	Spring

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

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT</u>			
New York, N. Y.	G.O.	26.3	Mar. 10
Metro. Water Dist. of So. Calif.	Rev.-Ut.	26.4	Mar. 10
State of California	G.O.	100.0	Mar. 11
Phoenix, Arizona	Rev.-Ut.	10.0	Mar. 17
*Baltimore, Md.	G.O.	28.9	Mar. 17
*State of Delaware	G.O.	12.5	Mar. 18
Milwaukee, Wisconsin	G.O.	18.8	Mar. 31
Pennsylvania General State Auth.	Rev.	30.0	Mar. 31
*Los Angeles Sch. Dists., Calif.	G.O.	27.0	Apr. 7
*West Virginia University	Rev.-Rent.	10.2	Apr. 9
Buffalo, New York	G.O.	10.2	Apr. 9
Chesapeake Bay Ferry Commission	Rev.-Ut.	144.0	Spring
State of New Jersey	G.O.	25.0	Spring
Memphis, Tennessee	G.O.	10.0	Spring
<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 <sup>2/</sup>	3
February	3.89 <sup>2/</sup>	22	4.07	9
March	4.08	35	4.16	-1
April	3.91	18	4.01	8
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 <sup>2/</sup>	1
9	4.00	25		
18	4.10	28		
23	4.10	29	4.35 <sup>2/</sup>	31
Oct. 7	4.57	25		
15	4.50	22		
28	4.40 <sup>2/</sup>	12		
29	4.42 <sup>2/</sup>	14		
Dec. 17	4.44	23		
1959 - Jan. 7			4.75 <sup>2/</sup>	23
20	4.60	34		
28	4.65	40		
Feb. 18	4.35 <sup>2/</sup>	4		

\*--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.