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STOCK TRANSACTIONS OF SELECTED FINANCIAL INSTITUTIONS AND FOREIGN INVESTORS, FIRST QUARTER OF 1980

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Aggregate purchases and sales of common stock by four institutional groups — private noninsured pension funds, open-end investment companies, life insurance companies and property-liability insurance companies — were \$20.4 billion and \$18.2 billion, respectively, during the first quarter of 1980. These levels of purchases and sales are the highest recorded for a single quarter since the first quarter of 1964, the first quarter for which such data is available. Comparable quarterly figures since the first quarter of 1979 are set forth in Table Q-520.

The record dollar amounts of common stocks traded by the four institutional groups in this year's first quarter can be ascribed primarily to two factors. First, the size of their aggregate common stock portfolio has grown. For example, from the end of 1963 to the end of 1979, the aggregate market value of common stock held by these four institutional groups rose from \$62.2 billion to \$203.8 billion. 1/ Second, their trading activity relative to holdings was higher in the first quarter than in any other quarter on record. Their common stock activity rate was 38.8% in this year's first quarter. 2/ The previous high for this measure of trading activity was 34.8% in the first quarter of 1971.

Although the general level of trading activity for the four institutional groups established new highs during the first quarter, net acquisitions of common stock by such institutions remained well below the record level; the \$2.2 billion in net acquisitions during this year's first quarter was less than half the \$4.9 billion in net acquisitions made by such institutions in the second quarter of 1971. However, the level of net acquisitions thus far exhibited in 1980 compares favorably with the quarterly levels attained since the first quarter of 1973 and is substantially above the historic low which occurred in the first quarter of 1978 when these institutions sold \$947 million more in common stock than they purchased. 3/

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- 1/ These figures indicate an annual compound growth rate of 7.7%. During the same period, the market value of corporate stock outstanding and the Consumer Price Index exhibited annual compound growth rates of 4.0% and 5.9%, respectively. See the July 1980 issue (p. 28) of this publication for recent data on institutional stockholdings.
- 2/ Activity rate is defined as the aggregate of purchases and sales divided by the average market value of holdings. Quarterly activity rates have been annualized.
- 3/ The second quarter of 1978 was the only quarter in which the figure for net acquisitions (purchases minus sales) of common stock was negative.

Private noninsured pension funds continue to be the institutional group primarily affecting the level of net acquisitions. In this year's first quarter, such institutions' net acquisitions were \$2.4 billion or \$215 million more than the net acquisitions for the four institutional groups combined. 4/ These pension funds also accounted for almost half of the aggregate purchases and sales of the four institutional groups and about 60% of their aggregate common stock holdings.

Open-end investment companies (commonly referred to as mutual funds) continue to exhibit the highest activity rate. During the first quarter of this year, their activity rate was 69.1%. The next highest activity rate (for separate accounts of life insurance companies) was 56.9%. The lowest activity rate, which private noninsured pension funds have usually exhibited, was 29.2%.

Foreign investors, like the four domestic institutional groups previously discussed, stepped up their trading activity in the first quarter of 1980. Aggregate purchases and sales of preferred and common stocks were \$10.3 billion and \$8.1 billion, respectively. Both of these figures and the more than \$2 billion in net acquisitions which the figures imply are historic highs. Interestingly, almost 85% of these net acquisitions were made during January and February before most of this year's Spring decline in stock prices, as measured by changes in the major market indices, had occurred. It does not appear, therefore, that the sharp increase in the amount of net acquisitions made by foreign investors during the first quarter was in response to the decline in stock prices that began during the quarter.

4/ The aggregate sales of other three institutional groups exceeded their aggregate purchases by \$215 million.

Q-520: QUARTERLY COMMON STOCK TRANSACTIONS AND ACTIVITY RATES OF SELECTED FINANCIAL INSTITUTIONS

(Millions of Dollars)

	1979				1980			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
PRIVATE NONINSURED PENSION FUNDS 1/								
Purchases	6,796	7,072	8,303	8,805	10,037			
Sales	4,412	3,989	4,220	5,334	7,597			
Net Purchases (Sales)	2,384	3,083	4,083	3,471	2,440			
Activity Rate	20.5	19.5	21.2	23.1	29.2			
OPEN-END INVESTMENT COMPANIES 2/								
Purchases	2,738	2,962	3,739	3,650	5,157			
Sales	3,571	3,875	4,592	3,885	6,009			
Net Purchases (Sales)	(833)	(913)	(853)	(235)	(852)			
Activity Rate	40.3	42.9	50.6	44.2	69.1			
LIFE INSURANCE COMPANIES - TOTAL								
Purchases	1,399	1,373	2,072	2,393	3,394			
Sales	1,763	2,020	2,023	2,519	2,970			
Net Purchases (Sales)	(364)	(647)	49	(126)	424			
Activity Rate	25.0	26.5	30.9	35.6	46.6			
LIFE INSURANCE CO. - GENERAL ACCTS.								
Purchases	363	442	992	1,059	1,401			
Sales	516	814	860	1,237	1,386			
Net Purchases (Sales)	(153)	(372)	132	(178)	15			
Activity Rate	12.8	18.0	25.8	30.9	37.9			
LIFE INSURANCE CO. - SEPARATE ACCTS.								
Purchases	1,036	931	1,080	1,334	1,993			
Sales	1,247	1,206	1,163	1,282	1,584			
Net Purchases (Sales)	(211)	(275)	(83)	52	409			
Activity Rate	39.5	36.6	36.9	41.1	56.9			
PROPERTY-LIABILITY INSURANCE COMPANIES								
Purchases	1,200	1,251	1,291	1,685	1,821			
Sales	719	819	1,402	1,350	1,608			
Net Purchases (Sales)	481	432	(111)	335	213			
Activity Rate	23.5	23.7	29.3	32.0	37.1			
TOTAL SELECTED INSTITUTIONS								
Purchases	12,133	12,658	15,405	16,533	20,409			
Sales	10,465	10,703	12,237	13,088	18,184			
Net Purchases (Sales)	1,668	1,955	3,168	3,445	2,225			
Activity Rate	24.8	24.8	28.2	29.2	38.8			
FOREIGN INVESTORS 3/								
Purchases	4,693	5,054	6,222	6,620	10,264			
Sales	4,008	4,703	6,021	6,241	8,116			
Net Purchases (Sales)	685	351	201	379	2,148			

r = revised

- 1/ Includes deferred profit sharing and pension funds of corporations, unions, multiemployer groups and nonprofit organizations.
 2/ Mutual funds reporting to the Investment Company Institute, a group whose assets constitute about ninety percent of the assets of all open-end investment companies.
 3/ Transactions of foreign individuals and institutions in domestic common and preferred stocks. Activity rates for foreign investors are not calculable.

Note: Activity rate is defined as the average of gross purchases and sales (annualized) divided by the average market value of holdings.

Source: Pension funds and property liability insurance companies; Investment companies, Investment Company Institute; Life insurance companies, American Council of Life Insurance; Foreign investors, Treasury Department.