

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date October 22, 1947

To Chairman Eccles

Subject: Changes in holdings of "E"

From Thomas Lee Smith
T. L. Smith

bonds by denominations

Total holdings of Series "E" bonds increased in the first half of 1947 for the first time since 1945. The increase, however, was entirely in denominations of \$200 and over, and holdings of lower denominations continued to decrease though at a slower rate than in 1946. Total holdings increased by 528 million, 248 million because of an excess of sales over redemptions and 280 million because of additions to accrued discount. By denominations, sales of \$200 and larger bonds exceeded redemptions by 787 million, but sales of smaller denominations were 542 million dollars less than redemptions. The net redemption of \$25 and \$10 bonds was 350 million dollars.

The following data with respect to the changes in holdings of "E" bonds have been condensed from the attached table which shows changes in sales and redemptions of all U. S. Savings Bonds.

CHANGES IN HOLDINGS OF "E" BONDS

(In millions of dollars)

	Excluding accrued discount				Including accrued discount, total
	\$10, \$25 bonds	\$50, \$100 bonds	\$200, \$500, \$1,000 bonds	Total	
<u>1945</u>					
Jan.-June	783	1,233	1,408	3,427	3,583
July-Dec.	- 37	405	1,067	1,432	1,629
<u>1946</u>					
Jan.-June	-600	- 393	378	- 605	- 367
July-Dec.	-508	- 329	485	- 352	- 96
<u>1947</u>					
Jan.-June	-350	- 192	787	248	528

Changes in holdings since June are not available by bond denominations. Aggregate holdings, however, have been quite steady during the last six months. Following an increase of 427 million in the first quarter (excluding accrued discount), when sales are seasonally high prior to exhaustion of the purchase limit, holdings have decreased by 77 and 70 million in the second and third quarters, respectively.

As shown in the more detailed table attached, aggregate redemptions of "E" bonds increased sharply for a year after the end of the war in mid-1945, rising from 2.1 billion dollars in the first half of 1945 to 3.0 billion in the first half of 1946. At the same time, sales fell off even more rapidly, from 5.5 billion to 2.4 billion in the same two periods. As a result, aggregate holdings decreased .6 billion in the first half of 1946, or else by .4 billion if the increase in accrued discount is added to holdings. This marks the first and also the greatest decline in "E" bond holdings that has occurred. Holdings, including accrued discount, decreased only .1 billion in the second half of 1946, and then increased by .5 billion in the first half of 1947.

The improvement since the first half of 1946 is accounted for by a large reduction in the volume of redemptions, reversing the previous upward trend, which has exceeded in amount a further reduction in the volume of purchases. Redemptions decreased from 3.0 billion in the first half of 1946 to 2.0 billion in the first half of 1947, while sales were decreasing from 2.4 to 2.3 billion. The facts that redemptions are now no larger than in the first half of 1945 and that sales have turned upward from a low point of 2.0 billion in the second half of 1946, reflect the effect of a rising level of income and the elimination of many of the more transitory investors who, under the incentive of patriotism, had purchased more bonds than they could afford.

The increasing permanence of the investments in "E" bonds is also shown by the decline in the proportion of redemptions to total amounts outstanding which has been in progress beginning in the last half of 1946 for all denominations of bonds. The decline in the redeemed proportion of smaller denomination bonds (\$50 and under) began even earlier. The redeemed proportion of the smaller denomination bonds as well as of the total of all "E" bonds has fallen below the level in the first half of 1945, but the redeemed proportion of larger denomination bonds has not yet fallen below the earlier level. The estimated proportions redeemed in selected periods are as follows:

REDEMPTIONS OF "E" BONDS AS PER CENT
OF AMOUNT OUTSTANDING AT BEGINNING OF PERIOD

	<u>\$10</u>	<u>\$25</u>	<u>\$50</u>	<u>\$100</u>	<u>\$200</u>	<u>\$500</u>	<u>\$1,000</u>	<u>Total</u>
<u>1945</u>								
Jan.-June	34.6	15.1	10.5	5.3	--	3.6	3.5	8.2
July-Dec.	35.6	17.9	13.0	6.8	--	4.4	4.2	9.9
<u>1946</u>								
Jan.-June	30.9	15.9	12.5	7.8	9.6	5.9	5.8	9.9
July-Dec.	23.4	12.7	10.0	6.5	6.5	4.9	4.7	7.9
<u>1947</u>								
Jan.-June	18.3	10.2	8.2	5.6	7.0	4.6	4.5	6.6

To: Chairman Eccles

- 3 -

The pattern of redemptions and sales of smaller denominations (\$100 or less) has differed somewhat from that of larger denominations. The peak redemptions of the smaller denomination bonds occurred in July-December 1945 rather than in January-June 1946; and the volume of sales of the smaller denominations has continued to decrease while that of larger denominations turned upward in July-December 1946.

Attachment

U. S. SAVINGS BONDS, SALES AND REDEMPTIONS
(In millions of dollars)

Period	Series "E" bonds								"F"	"G"	"A-D"	Total
	\$10	\$25	\$50	\$100	\$200	\$500	\$1,000	Total				
1945												
Jan. - June												
Sales	43	1,850	811	1,087	--	623	1,100	5,516	363	1,488	--	7,367
Redemptions	9	1,101	352	313	--	128	187	2,089	47	120	105	2,361
Net	+ 34	+ 749	+459	+ 774	--	+495	+ 913	+3,427	+316	+1,368	-105	+5,006
Accrued dis.	*	*	*	*	*	*	*	+ 156	+ 11	--	+ 52	+ 219
July - Dec.												
Sales	43	1,392	606	756	115	496	901	4,306	232	1,032	--	5,570
Redemptions	21	1,451	499	458	--	179	266	2,874	58	145	120	3,197
Net	+ 22	- 59	+107	+298	+115	+317	+635	+1,432	+174	+ 887	-120	+2,373
Accrued dis.	*	*	*	*	*	*	*	+ 197	+ 15	--	+ 61	+ 265
1946												
Jan. - June												
Sales	21	709	304	348	80	280	691	2,433	176	1,433	--	4,041
Redemptions	25	1,295	498	547	11	257	405	3,038	91	203	188	3,520
Net	- 4	- 586	-194	-199	+ 69	+ 23	+286	- 605	+ 85	+1,230	-188	+ 521
Accrued dis.	*	*	*	*	*	*	*	+ 238	+ 19	--	+ 54	+ 308
July - Dec.												
Sales	11	466	211	289	57	286	713	2,033	149	1,203	--	3,385
Redemptions	18	967	383	446	12	217	342	2,385	98	222	202	2,907
Net	- 7	-501	-172	-157	+ 45	+ 69	+371	- 352	+ 51	+ 981	-202	+ 478
Accrued dis.	*	*	*	*	*	*	*	+ 256	+ 22	--	+ 54	+ 331
1947												
Jan. - June												
Sales	6	393	197	294	63	332	968	2,254	210	1,357	--	3,822
Redemptions	13	736	302	381	16	209	351	2,006	105	246	280	2,638
Net	- 7	-343	-105	- 87	+ 47	+123	+617	+ 248	+105	+1,111	-280	+1,184
Accrued dis.	*	*	*	*	*	*	*	+ 280	+ 27	--	+ 54	+ 360

* Not available.

GOVERNMENT FINANCE SECTION, BOARD OF GOVERNORS
October 21, 1947