


BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date October 19, 1936

To Chairman Eccles

Subject: \_\_\_\_\_

From Mr. Goldenweiser 

In connection with tomorrow's Treasury conference,

October 20, 1936

CURRENT COMMENTS IN BRIEF

Excess Reserves

Excess reserves are now \$2,070,000,000 and are expected by the middle of this week to be \$2,200,000,000. This is the highest level since the 50 percent increase in reserve requirements. The increase has been due to an inflow of more than \$300,000,000 of gold from abroad and would have been larger were it not for a seasonal increase of more than \$100,000,000 in the domestic demand for currency.

Recent Capital Movements

Since the new currency arrangement much capital has returned to the gold-bloc countries, mostly from London. As much as \$200,000,000 of gold has been transferred from London to Paris--half from hoards and half from the British Equalization Fund. A smaller amount has been taken from London by the Swiss commercial banks.

The flow of capital to the American stock market from England and from the former gold-bloc countries has not only continued but in recent weeks has been exceptionally heavy. It has been a factor in the recent increase in activity and advance in prices in the stock market.

The table below shows how the inflow of foreign capital into our security markets grew as the gold-bloc difficulties neared a crisis, fell off in the week in which the gold standard was suspended, and then following stabilization was resumed on a greater scale.

FOREIGN PURCHASES OF AMERICAN SECURITIES  
IN NEW YORK

(In millions of dollars)

Week ending	Total	British orders	Gold-bloc orders	Others
Sept. 9	4.4	1.9	2.6	- .1
16	15.5	3.9	7.9	3.7
23	16.9	8.2	6.7	2.0
30	1.6	3.6	.9	- 2.9
Oct. 7	33.1	18.3	7.8	7.0
14 <u>1/</u>	35.0	20.0	10.0	5.0
21 <u>1/</u>	45.0	25.0	15.0	5.0

1/ Estimated on basis of incomplete reports to S. E. C.

Member Bank Credit

Deposits of member banks continued to grow and are now the largest on record. Recent increases are due in part to gold imports and in part to the fact that banks are once more increasing their commercial loans. At the same time the banks are disposing of some of their United States Government securities to other investors.

Business Activity

In September and the first half of October industrial activity continued to increase seasonally from the high level reached in mid-summer. Factory employment in September was higher than at any time since 1930. Retail trade has been maintained, and wholesale commodity prices have remained steady at the August level, following three months of advance.