

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date November 9, 1936

To Chairman Eccles

Subject: _____

From Mr. Goldenweiser



In connection with your Treasury meeting.

Trading? meeting

CONFIDENTIAL

Tr. 3

November 3, 1936
R and S

CURRENT COMMENTS IN BRIEF

Business conditions

Preliminary figures for October indicate that production, employment, and trade increased somewhat further from the high levels reached in September.

Stock market

The stock market continued to be active last week, with a sharp decline on Monday that was fully recovered before the end of the week. The undertone of the market was firm. Greater activity is to be expected immediately after election, probably accompanied for a time by some sharp fluctuations in prices. Trading on credit showed no growth.

Recent figures collected by the Securities and Exchange Commission show that about 20 percent of the trading on the New York Stock Exchange is done for account of members, and 80 percent for account of nonmembers.

Excess reserves

As a result principally of gold imports, member bank excess reserves increased slightly to \$2,160,000,000 during the week ended October 28. Seasonal demands for currency in the next six weeks will probably reduce excess reserves to approximately \$2,000,000,000. Further changes in the last half of December will depend upon Treasury fiscal operations and the holiday currency demand.

New York impressions (based on talks to a number of experts on business and financial conditions)

New York is definitely optimistic about the future of business and of security markets. Such questions as are raised regarding the immediate future relate to the possible effects of strikes, inventory accumulations, and increases in short money rates. Important long-term problems mentioned are (1) the effect of the growing power of organized labor upon industrial costs and profits and (2) the adequacy of existing instruments of control to curb over-expansion in the future, particularly in view of the large supply of available investment funds, which can provide the basis for considerable expansion without further increase in credit.

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CURRENT COMMENTS IN BRIEF

Income

Advances in wage rates and in dividend payments announced by several corporations during the current week are significant because they will result in a further growth in the incomes of consumers. Accumulated funds of corporations are being put to more active use.

Commodity prices

Prices of nonferrous metals, rubber, and some other industrial raw materials advanced considerably during the past few days following upon a previous less pronounced rise. Foreign, as well as domestic, buying of these commodities has been active.

Stock market

A world-wide rise has occurred in stock prices. It has affected British as well as American stocks, but has been more pronounced in New York than in London. Influences causing the advance in New York include foreign buying, the expectation of further improvement in American business, larger corporate earnings, and larger dividends. Confidence in continued easy money conditions, particularly in view of the outcome of the election, is another factor.

Increase in "other" loans

So-called "all other" loans of weekly reporting member banks, which include loans for commercial purposes, have increased steadily since last July. An increase in these loans is usual in the autumn and has occurred during the corresponding period of nearly every year for which figures are available, except 1921, 1931, and 1932. The seasonal maximum is generally reached about the third week of October. This year's increase of about 12 percent, however, is much larger than is usual for the season. The increase has been country-wide but has been larger in New York, Chicago, the South, and the middle West than in the Northeast or the far West.