

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date November 16, 1936

To Chairman Eccles

Subject: _____

From Mr. Goldenweiser

In connection with your Treasury meeting.

CURRENT COMMENTS IN BRIEF

Excess reserves

Excess reserves increased by \$120,000,000 in the week ending November 10 to a total of \$2,260,000,000, the largest since the increase in reserve requirements. Since October 7, when the French gold movement ceased, excess reserves have increased by \$310,000,000. This increase reflects an inflow of gold amounting to \$120,000,000, principally from England, Holland, and Canada, and the disbursement of Federal Reserve balances by the Treasury in excess of an increase in reserve requirements and a growth of money in circulation.

No substantial changes in excess reserves may be expected until the middle of December, unless there are large variations in the gold stock.

Reporting member banks

Holdings of Government obligations by New York City banks increased by \$20,000,000 in the week ending November 10, following an almost uninterrupted decline of about \$300,000,000 since July 1. Holdings of other securities continued to decline. "Other", including commercial, loans of these banks increased again in the week, following a decline in the previous week.

Security markets

The stock market has been less active, and the average level of stock prices has declined somewhat. Trading has nevertheless averaged more than 2,500,000 shares per day, with much of the trading apparently consisting of "switching".

Since November 4 there has been a sharp rise in prices of United States Government bonds and other bonds have also risen somewhat. The average yield on long-term United States Government bonds has fallen to 2.28 percent, after remaining in the neighborhood of 2.40 percent since the middle of August. This compares with a level of around 2.70 percent prevailing during most of 1935. Corporate bond prices which were relatively steady in October have also risen. Moody's average of industrial bond yields declined from 3.42 to 3.37 on November 13, the average for utilities declined from 3.80 to 3.74 percent, and yields on high-grade railroad bonds also declined. A year ago yields on industrial bonds averaged about 3.80 percent, and those for utilities 4.20 percent.

Foreign Exchange

On Saturday, November 14, following indications by the President in his Friday afternoon press conference that action might be taken to discourage foreign participation in our security markets, foreigners turned sellers and reduced their holdings of American securities by about \$7,000,000. Foreign exchange rates strengthened and are now higher than before the post-election investment flow to this market began. The quotation on the French franc for delivery in one month, however, although it has risen substantially during the past week, is still at an abnormal discount from the spot rate.

FOREIGN EXCHANGE RATES ON LEADING COUNTRIES

(In cents per unit)

<u>Currency</u>	<u>Nov. 2</u>	<u>Nov. 13</u>	<u>Nov. 16</u>
Sterling	488 7/8	487 7/8	489 1/16
French franc	4.650	4.640	4.651
Guilder	54.01	53.88	54.06
Swiss franc	22.98	22.98	23.00