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## FEDERAL RESERVE BOARD

## STATEMENT FOR THE PRESS

For release in afternoon papers,  
Friday, April 1, 1921.

CONDITION OF THE ACCEPTANCE MARKET

The following reports have been received from the Federal Reserve Banks concerning the condition of the acceptance market in their respective Districts:

District No. 1 (Boston)

"The acceptance market during the month has been somewhat spotty. In the latter part of February there was a fair demand, which, however, subsided as the date for payment of the first installment of the Federal income tax approached. This caused rates to strengthen to 6 per cent, thereby developing a fair volume of buying, the demand coming largely from savings banks and corporations. The heavy demand from commercial banks, both out-of-town and in Boston, is rather surprising in view of provision which these institutions had to make for tax payments. At the present time the bill market is improving, a rate of 5-7/8 per cent for prime bills becoming more common. The Federal Reserve Bank is holding very few bills as direct purchases in its own portfolio, nearly 50 per cent of its present total holdings being carried for bill brokers on short term agreements."

District No. 2 (New York)

In the last week of February, a comparatively light supply of bills, particularly of the 90-day maturities, coupled with a broad demand, caused dealers to lower their rates. Rates on New York member bank 90-day bills, which had been offered at 6 per cent, declined to  $5\frac{3}{4}$  or  $5\frac{7}{8}$  per cent. This action resulted in a reduction of sales and an increase in dealers' bill portfolios. Subsequently most of the dealers restored their rates to 6 per cent.

Fluctuations in buying occurred chiefly in New York City, as demand from interior banks was generally well maintained, and the market continued to broaden to include new buyers. The reduced volume of New York City purchases led to a slight reduction in aggregate sales as compared with the total for the thirty days prior to February 20.

District No. 4 (Cleveland)

"Although there were outward indications of improved conditions in the District, the acceptance market for the month was weak and erratic. The volume of acceptance transactions decreased to a level as low as that of December of last year. In spite of this inactivity, the rates fluctuated back and forth  $1\frac{1}{8}$  of 1 per cent in an endeavor to bring about a balanced market. The changing of rates, however, had no noticeable effect in bringing more bills into the market or increasing the demand. In the early part of the month the weak demand for prime paper exceeded the supply. It indicated that transactions culminating in the creation of bankers' acceptances seemed almost at a standstill, but as the month progressed, more bills came into the market. However, the demand fell off, due to the anticipated withdrawals of Federal income tax payments and to the issuing of another block of United States Certificates of Indebtedness. Thus for the first time in several months the acceptance market felt the pressure of Government borrowing.

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The increased supply of bankers' acceptances during the latter part of the month gives encouraging indications of renewal of business. During the first six weeks of this year the supply of bills came from the completion of expiring acceptance agreements, and the lull in the market, which we have just passed through during this month, seems to have marked the bottom, for already new names are appearing on the bills against domestic shipments, warehouse receipts, and foreign transactions.

Although the volume is not<sup>as</sup> great, it indicates new business is developing. The present rates for prime bills are as follows:

Under 30 days	-	5-3/4% to 5-7/8%
30 to 60 days	-	5-7/8% to 6%
60 to 90 days	-	6% to 6-1/8%

During the past month, some few import bills from the Orient have again been seen in the market but the principal volume of new paper has been drawn against imports of sugar, silk, coffee, wool and burlaps, and exports of cotton, grain, packers' products, other food stuffs, and tobacco. Also finance bills for providing dollar exchange for South America have been offered in rather substantial volume.

The minimum buying rate of the Federal Reserve Bank remained unchanged at 5-3/4 to 6 per cent, according to maturity, for indorsed New York member bank bills.

District No. 7 (Chicago).

"The market for acceptances has widened considerably. Reports from one large firm show an increase of 200 per cent in the number of customers, over February, 1920. The range of rates reported for February were  $5\frac{3}{4}$  to 6 per cent. Confidential inquiry in Chicago regarding volume and rates on bankers' acceptances shows that five leading banks and one dealer handled during February the following:

Total bankers acceptances bought during month	-----	\$25,887,409
Total bankers acceptances sold during month	-----	24,763,067
Total bankers acceptances held during month	-----	4,142,013

Selling Rates of Prime Bills:	High	Low
30 day maturity -----	$5\frac{3}{4}\%$	$5\frac{1}{2}\%$
60 day maturity -----	$5-7/8\%$	$5-5/8\%$
90 day maturity -----	6%	$5\frac{3}{4}\%$

Trade acceptances have not as yet developed as an open market factor. They are mostly discounted by the holder's banker and retained by the bank."

District No. 8 (St. Louis)

"The market for bankers' acceptances which had been very limited until toward the end of February and the first week of March, developed a change for the better, a brisk demand appearing. This demand came from St. Louis financial institutions, scattering country banks, and corporations having surplus funds to invest. The market continued active for two or three weeks but during the past ten days lost its spontaneity. Rates for unendorsed prime bills range from  $5\frac{3}{4}\%$  to  $6\frac{1}{4}$  per cent, according to maturity."

District No. 10 (Kansas City).

"Considerable interest is being awakened among bankers of the Southwest in trade financing, with particular reference to promoting foreign demand for the products of this District. There are also some evidences of interest displayed by bankers in bankers' acceptances, but the heavy demands on this District for a large production and marketing of necessities are absorbing their available funds; and thus at present their institutions are not in position to invest heavily in the acceptance market. The Federal Reserve Bank at this time has only comparatively small holdings of bills, due mainly to the fact that member banks' requirements are heavy. "

District No. 11 (Dallas)

"Offerings of bankers' acceptances on the local market have been very limited for some time. At the close of February our investment in this type of paper amounted to only \$38,924.43, which compares with a total of \$1,754,000.00 at the close of February, 1920. On account of the fact that the banks of District No. 11 (Dallas) have found it necessary to carry over a large proportion of the indebtedness of their customers maturing last fall, which, but for the depression in demand for farm and ranch products, would probably have been retired at that time, there has been no surplus of funds available for investment in the open acceptance market. The same condition is true with respect to commercial paper. A year ago conditions were just the reverse of this situation. The sale of 1919 farm products at high prices had enabled the

farmers to retire their indebtedness, and, in addition, to build up substantial deposits with their banks. A part of the excess funds thus accumulated in banks found an investment outlet in the form of acceptances and bills bought in open market. A large proportion of this paper, of course, originated in the North and East. When the restoration of normal conditions in the Southwest is accomplished, a resumption of investment operations in the acceptance market by banks in the Dallas District as a medium of financing the movement of commodities within and into this District (a practice which heretofore has been locally followed in only a very limited way) will steadily increase as our banks become better acquainted with the advantages of this type of paper as an instrument of credit. The number of accepting banks in this District is smaller just now than usual, due largely to the fact that farm products have moved so slowly during past fall and winter that ordinary forms of bank credits have generally been preferred as a means of financing commodity movements."