FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS

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CONDITION OF THE ACCEPTANCE MARKET

The Federal Reserve Banks have furnished the following reports on the condition of the acceptance market in their respective Districts for the period prior to April 23rd:

District No. 2 (New York)

Ninety-day bills of the large New York banks held firmly at 5-7/8 to 6 per cent during the last ten days of March and until after the completion of April first payments. At that time there was a further easing of call money rates which was reflected in the increased demand for bills. Some dealers reduced their offering rate for the best 90-day bills to 5-1/2 per cent while others quoted 5-5/8 or 5-3/4 per cent. During the first three weeks of April the ruling rate fluctuated between these figures with a tendency toward the end of the period to center on 5-5/8 per cent.

Fluctuations in the volume of sales followed in the main the movements of money rates. During the second week of April, when rates were lower and there was a particularly active demand, dealers' portfolios were reduced sharply. But in later weeks sales were somewhat smaller and portfolios were built up to about the same amount as at the beginning of the month. Evidence of the further broadening of this market is found in a report by two dealers of the addition of 45 new buyers of bankers' acceptances to their lists within three weeks. This bank continues to add two or three members each week to the list of member banks for whom bills are purchased.

While bills drawn for the purpose of furnishing dollar exchange continue to predominate in the local market there has been an increased proportion of both metal, grain and packers' bills recently. The volume of sugar bills offered has fluctuated rather widely, but these, also, are in heavier volume now than a month ago.

The minimum buying rate of the Federal Reserve Bank has remained unchanged at 5-3/4 to 6 per cent, according to maturity, for endorsed prime bills."

District No. 3 (Philadelphia)

"Sales of bankers' acceptances in the Third Federal Reserve District during the first few weeks of April did not keep pace with the earlier months of the year. This is due in part to the fact that many institutions preferred to invest in United States certificates of indebtedness. As compared to last year, sales have been much larger.

The supply of bills has decreased, but is ample for the requirements of the market. Factors in reducing the supply are the disposition of business firms to liquidate acceptances covering goods in warehouses, and the lessening in import and export business. Latest reports of the Department of Commerce show that March exports totalled $384,000,000 as compared to $820,000,000 in the previous year; and imports totalled $252,000,000 as against $524,000,000 last year.

Commercial banking institutions are the largest purchasers of acceptances, but it is stated that industrial and business corporations have purchased considerable amounts with the funds released by curtailment of their operations. Acceptance dealers complain of the State laws restricting investments of savings banks and insurance companies, as they feel that this class of paper furnished an investment combining security and liquidity in a high degree. The purchases of the Federal Reserve Bank of Philadelphia have averaged $2,741,000 weekly thus far in 1921, as compared to a weekly average of $1,469,000 in 1920, and $270,000 in 1919.

Inquiries among accepting banking institutions in Philadelphia, show that during the month ending April 10, eleven of these institutions accepted bills aggregating $4,561,000 as compared to $5,321,000 in the previous month, a decline of 14 per cent. The total amount of their acceptances outstanding on April 10 was $13,150,000; on March 10 the amount was $14,095,000. Cotton, wool, silk, leather, and oil figure largely among the commodities covered by these acceptances.

Selling rates quoted by dealers operating in the District are given below with comparative rates a month ago and a year ago:

Eligible members' bills.

	April 1921	March 1921	April 1920
Thirty days	5-1/2 5-5/8	5-5/8 5-3/4	5-5/8 5-3/4
Sixty days	5-1/2 5-3/4	5-3/4 5-7/8	5-3/4 5-7/8
Ninety days	5-5/8 5-3/4	5-7/8 6	5-7/8 6

Eligible nonmembers' bills

	April 1921	March 1921	April 1920
Thirty days	5-5/8 5-3/4	5-3/4 6	5-3/4 5-7/8
Sixty days	5-3/4 5-7/8	5-7/8 6-1/8	5-7/8 6
Ninety days	5-3/4 5-/78	5-7/8 6-1/4	5-7/8 6-1/4 "

District No. 4 (Cleveland)

"The acceptance market for the month was spotted and the rates fluctuating. Brokers were unable to maintain uniformity in rates and purchasers shopped wide for prime bills. The easing off and wide range of call money rates in New York and the zealousness of certain brokers in the open market to permanently force acceptance rates under the 6 per cent mark brought about a variance in selling rates of prime paper. Brokers differed in opinion as to whether the acceptance market should change with each indication of better money rates and conditions throughout the country and offered their bills accordingly.

A good variety of prime paper was offered in the market, in addition to the usual amount of corporation bills and other less-known paper, but was not absorbed as readily as last month. Many purchasers took less-known names as the rates for prime paper declined. The demand for corporation bills continued sluggish. Bills created against foreign transactions fell off, but there was a corresponding increase in domestic paper, due to seasonal demands. The banks remained the principal purchasers but there was also an increased demand by corporations and individuals. There was considerable increase in the turnover of paper over the previous month.

The present rates for prime 90-day bills vary between 5-3/4 per cent and 5-7/8 per cent."

District No. 6 (Atlanta)

"The Acceptance Market in the Sixth Federal Reserve District has been very inactive during the early months of this year. This is attributed to the inactive movement of commodities, particularly foreign shipments of cotton.

Nowhere in the District have acceptances been executed to any extent, except at New Orleans, which is the principal export city of the District, and there each succeeding month since December, 1920 has shown a decline.

The amount of acceptances rediscounted by the Federal Reserve Bank of Atlanta for its member banks during March was slightly less than the amount for the month of February, and only approximately 30 per cent of the sum discounted during the month of January of this year. The total amount of acceptances discounted by the Federal Reserve Bank for its member banks during the first three months of 1921, was approximately 11 per cent of the amount rediscounted during the same months of 1920.

Export movements of cotton financed by the War Finance Corporation and the Federal International Banking Company should materially strengthen the acceptance market in this District when cotton commences to move from interior points to port cities.

Acceptances have never been used in this Federal Reserve District to any very great extent, although there is a growing tendency for their use during periods of crop movements."

District No. 7 (Chicago)

"Improvement in the demand for acceptances is noted. Statistics for March over February showed increased sales. Most of this demand has been from the surburban and country banks. One of the largest dealers reported 80 per cent of the bills sold to be of ninety-day maturity and the remainder divided between thirty and sixty day maturities. The acceptances sold by one bank showed 25 per cent of the acceptances drawn against grain, 25 per cent drawn against sugar, and the remainder against oil, machinery, tobacco, coffee, and cotton.

The March returns from three banks and one dealer show increase over February as follows: 26 per cent in amount of sales, 2 per cent in amount of purchases and 9 per cent in amount held at the close of month. The figures for these percentages are given below:

	March	February
Total bankers acceptances bought during month	$18,980,377	$18,558,189
" " " sold " "	21,667,561	17,182,243
" " " held at close of "	2,704,819	3,393,617

	March		February	
Selling rates for prime bills	High	Low	High	Low
30 day maturity	5-7/8	$5\frac{3}{4}$	$5\frac{3}{4}$	$5\frac{1}{2}$
60 " "	6	$5\frac{3}{4}$	5-7/8	5-5/8
90 " "	6-1/8	$5\frac{3}{4}$	6	$5\frac{3}{4}$

The selling rates for the past month show a slight increase for March over February."

District No. 8 (St. Louis)

"The demand for bankers' acceptances was more active in this District during the period from March 15 to April 15 than for some previous time. This demand came in the main from large mercantile interests who found themselves with surplus funds for investment. There has also been a spotty demand for bankers' acceptances from several of the larger banks in the principal cities of the District. Rates during this time have been more or less unsettled and recently brokers were offering unendorsed prime bills at a flat rate of 5½ per cent for all maturities. From reports it does not appear that this offering has been either attractive or a true measure of the market for such investments.

There is evidence that some of the smaller banks in the District are using bankers' acceptances as a secondary reserve.

The high, low and customary rates prevailing in St. Louis, Louisville and Little Rock, as reported by banks in those cities, were as follows between March 15 and April 15:

	St. Louis			Louisville			Little Rock		
Bankers' Acceptances of 60 to 90 days:	H	L	C	H	L	C	H	L	C
Endorsed	...	...	...	...	...	...	...	...	...
Unendorsed	6-1/8	5-7/8	6	6	5-7/8	6	...	...	...

District No. 9 (Minneapolis)

Interest rates in the Minneapolis money market on April 15 as compared with March 15 were unchanged at 7 per cent for customers' loans at banks and 8 per cent for commercial paper. There were recessions, however, of 5/8 to 3/4 per cent in bankers' acceptances, and over ½ per cent on collateral secured loans and cattle paper. The prevailing rate on April 15 was 5¾ per cent on bankers' acceptances and 8 per cent on collateral notes and cattle loans."

District No. 10 (Kansas City).

"Bankers are devoting their resources and energies to the situation at home and for the present are putting little of their surplus into acceptances or other forms of investment."

District No. 11 (Dallas)

"The local acceptance market has been very dull during the past thirty days, and offerings have been in limited amounts only. On March 31st this Bank held acceptances aggregating $20,906.00 as compared with $1,186,210.00 on March 31, 1920.

A recent inquiry of 64 banks engaged in extending acceptance credits in this District elicited replies from 10, showing that those institutions had acceptances outstanding aggregating $1,745,000 of which $706,000 was based on import and export transactions, and $939,000 on domestic shipments, or commodities in storage. The average maturity of the acceptances outstanding was 90 days.

No activity is anticipated in the acceptance market in this District until the financial situation materially improves. In past seasons, especially in the Fall when the banks of the District were in surplus funds, acceptances and commercial paper have been sought as an investment, and have proven attractive outlet for idle funds. For the past several months, however, there has been little demand for acceptances and purchases by the banks in this District have been negligible. There have been no new accepting banks, within the month. The attractiveness of acceptance credits as a method of finance is fully appreciated, and with the large agricultural interests of the Eleventh District a large increase in acceptance transactions will result, although their general use may be slow of accomplishment."

District No. 12 (San Francisco)

Bankers' acceptances purchased in the open market declined by $16,200,000 during the last two weeks of March and on April 8th stood at $14,030,000, compared with a maximum holding of this class of paper of $119,000,000 on January 30, 1920. During this same period, bills discounted for member banks increased $81,000,000 indicating that funds previously invested in outside paper were diverted to meeting the demands of member banks for funds to lend their customers in this District."