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FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS

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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 rate basis at which Bankers' Acceptances sell reflects a further softening of the market, the ruling rate for prime 90-day unendorsed acceptances now being $4\frac{1}{2}$ per cent. Active demand has sprung up for this class of paper, corporations with idle money, owing to business stagnation, being large byers. For such, bankers' acceptances offer an excellent form of liquid investment pending business revival.

DISTRICT NO. 2 (NEW YORK)

Dealers' bid rates for prime bills were lowered 1/4 of one per cent to 4 5/8 per cent early in October reflecting easier tendencies in money markets, increased investment demand and moderate supply. Dealers' selling rates were lowered in proportion and prime bills from 30 to 120 days maturity sold at 4 1/2 per cent during the last three weeks of October, as compared with 4 3/4 per cent a month ago.

Pruchases by interior banks were somewhat restricted because of the lower rate but sales to these banks and for foreign account continued to constitute a substantial portion of total sales. Large New York banks purchased fair amounts of bills giving preference in some cases to the shorter maturities.

Bills drawn against export shipments of cotton and grain were, as last month, the most numerous of the new offerings, with cotton bills increasing slightly during October. Bills covering imports of raw sugar mainly of 30 to 60 day maturity, were next in importance, and because of the early maturity were in good demand. Dealers reported somewhat larger supply of bills drawn for the purpose of furnishing dollar exchange.

The number of investors in bills continued to expand. Two dealers who maintained records of new names added to their lists of acceptance buyers reported 24 additional purchasers within a period of three weeks.

DISTRICT NO. 3 (PHILADELPHIA)

A further easing in the selling rates of bankers' acceptances has been noted during the past month, and rates now average 1/4 per cent lower. Rates on prime bills of member banks are 4½ per cent for maturities up to 90 days, and 4-5/8 per cent for 180 days. Non members' bills as a rule are 1/4 per cent above these rates. The general improvement in monetary conditions is said to be mainly responsible for this change. One dealer makes the following comment: "The lowering of the discount rate by several of the Federal Reserve Banks has confirmed the tendency toward lower rates for acceptances in the open market rather than served as a factor in causing such decline. The decline in rates has been brought about primarily by the easing money situation and the decreased supply of bills." Other letters lend support to this view, and it is further stated that the security market has not been sufficiently active to absorb the large amounts of money that have been loanable on call.

The issues of United States certificates of indebtedness combining a slightly higher yield with the unquestioned security of the Government have tended to restrict sales of acceptances, but judging by the enormous oversubscriptions to such issues, they have evidently not absorbed the entire available supply of short-term investment funds. Bankers' acceptances are finding a ready market; in fact, dealers state that they are not available in sufficient amounts to satisfy the demand. Sales by four dealers in this District during September were 16 per cent below those of August. City banks are the principal purchasers. A large amount of buying for foreign account is also reported, and this is being handled through private banking houses and the Federal Reserve Bank of New York.

The financing of foreign trade is responsible for the bulk of the acceptances executed lately, but no authoritative data are yet available regarding the distribution of these instruments over the various classes of transactions - foreign trade, dollar exchange, warehousing, and domestic shipments. It is stated, however, that warehousing bills have remained practically unchanged in volume. Cotton, grain, tobacco and sugar bills have formed a large part of recent transactions covered by acceptances.

Reports from twelve member banks in this Federal Reserve District show a decrease in the volume of acceptances executed during the month ending October 10, but a considerable gain in the amount outstanding over that of the preceding month:

	Executed during preceding month	Outstanding on date given
1921 - March 10	$5,325,000	$14,127,000
April 10	4,558,000	13,234,000
May 10	5,611,000	12,892,000
June 10	2,795,000	10,798,000
July 10	3,121,000	9,286,000
August 10	4,852,000	8,756,000
September 10	5,312,000	9,009,000
October 10	4,507,000	9,902,000

DISTRICT NO. 4 (CLEVELAND)

Of twenty reporting accepting banks, seven indicate acceptances executed for customers during September, $2,865,122, and eleven banks report acceptances paid during the same period, $3,561,964. Predominating classifications are coal, oil, and tractors for domestic shipment. Bankers' acceptances bought by the Federal Reserve Bank of Cleveland during September, 1921, amount to $3,168,127, and the amount paid to $2,808,507.

The acceptance market was inactive throughout the month. Bills were scarce, and the rates steadily declined to their present level of 4½ per cent.

This was partly due to the scarcity of bills and to the lower level of call money rates in New York. Indications through this credit instrument show a general liquidation of frozen credits with domestic shipments being sold in "spot" and otherwise being taken care of through the channels of straight loans.

Few bills originated against domestic shipments and on warehouse receipts. The majority of bills, accepted by the banks in the District, were participations of old syndicates and a few bills against foreign transactions.

The demand throughout the month has remained practically the same as in the previous month. In the first week or so, when the rates first began to fall, there was a momentary lull, but as the month progressed and idle funds accumulated, the call for bills became strong. As the market could not supply the need for prime bills, temporarily idle funds were diverted into other channels.

The rates for prime eligible bills are as follows:

Under 30 days	$4\frac{1}{2}$ to $4\frac{3}{4}$ per cent
30 to 60 days	$4\frac{1}{2}$ to $4\frac{3}{4}$ per cent
60 to 90 days	$4\frac{1}{2}$ to $4\frac{3}{4}$ per cent

DISTRICT NO. 6 (ATLANTA)

Reports from accepting member banks in the District reflect little activity in acceptance market conditions. Most of the banks report no dealings in acceptances. A few of the reports show domestic acceptances executed during September to be somewhat larger than during August, while foreign acceptances executed during September were, in the aggregate, about three times the amount during the preceding month.

Acceptances purchased in the open market by the Federal Reserve Bank during September, however, were approximately 577 per cent larger than during August, and in turn were larger than for any month since February 1920.

DISTRICT NO. 7 (CHICAGO)

Revised statistics, compiled so that banks do not include in purchases bills which they themselves have accepted, nor purchases and sales of bills for account of specific customers, are as follows:

(In Thousands of Dollars)

Twenty-nine banks	September	August	July
Bills bought	7,858	8,685	11,847
Bills sold	16,525	23,763	24,571
Held at close of month	6,728	5,774	5,452
Amount accepted.	11,800	20,729	22,651

Included in the statistics are those of one bank which does a large brokerage business in bankers' acceptances.

These reports from banks in the Seventh Federal Reserve District show a continued decrease since July 1, in bills accepted, bought and sold. The only item to show increase is bills held at the close of the month.

DISTRICT NO. 8 (ST. LOUIS)

During the past thirty days the acceptance market has been considerably more active than for some time previous. The larger banks of the District have displayed more interest, investing rather freely and rates of discount have declined. Prime unendorsed bills are now selling at about $4\frac{3}{4}$ per cent, which is the lowest quotation for many months.

DISTRICT NO. 9 (MINNEAPOLIS)

During the month of September more than $189,000 worth of trade acceptances were discounted by the Minneapolis Federal Reserve Bank. This is in contrast with the total of $329,000 in trade acceptances discounted during the month of August. Last year between August and September, there was also a decline in the amount of trade acceptances discounted from $289,000 to $166,000.

During September, this bank discounted more than $10,000 worth of bankers' acceptances. September was the first month since June in which this Bank discounted any bankers' acceptances during 1921.

There were no purchases during September of bankers' acceptances, trade acceptances, or dollar exchange. The rates for the discount and purchase of acceptances remained unchanged during September.

DISTRICT NO. 10 (KANSAS CITY)

During the past 30 to 60 days the acceptance market in this District has been quiet, due largely to the decline in foreign trade activity. The Federal Reserve Bank is carrying something over $1,000,000 of bank acceptances based on Oklahoma cotton, but at this date in October is carrying practically no acceptances based on wheat and flour for export.

DISTRICT NO. 11 (DALLAS)

Inquiries directed to accepting banks develop the fact that there was a substantial increase in September of outstanding acceptances created in this District, the total on September 30th being $2,436,000 which represents an increase of $1,530,000 since August 31st. Most of these acceptances were based on domestic shipments and storage of goods.

DISTRICT NO. 12 (SAN FRANCISCO)

The noteworthy feature of the san Francisco bill market during the month ending October 10th was the steady decline in rates. From 5%, at which figure it had remained for over a month, the rate fell successively to 4-7/8%, 4-3/4% 4-5/8%, and finally 4-1/2% on October 11th. This decline is attributed to the pronounced easing of the call money and bill rates in the East. In spite of this diminution of return on acceptances, demand is reported to have been fairly well maintained throughout the month. Northern California and the Pacific Northwest continue to accept over 90% of the bills drawn in this District, and to buy 80% of all acceptances sold here. Bills of 120 and 150 day maturities have become more popular, doubtless due to anticipation of further rate declines in the immediate future. Maturities of bills purchased during the month ending October 11th were divided roughly as follows:

30 day	- 26.0%
60 day	- 25.0%
90 day	- 42.5%
120 day	- 6.0%
150 day	- 0.5%

Bills originating in this District are still somewhat larger in total amount than they were during the summer months, doubtless due to continuation of crop marketing. The thirty-seven principal accepting banks of the District reported total September purchases of acceptances of $5,994,000 compared with $2,996,000 in August. Of the $5,994,000 purchased, $2,118,000 represented bills drawn in this District, based primarily upon canned goods, wheat, sugar, and coffee. These thirty-seven banks reported a total of $11,480,000 acceptances held at the close of September compared with $4,075,000 on hand at the end of August.

Rates in the open discount market at the end of the period were as follows:

	30 days	60 days	90 days
Eligible member banks	4-1/2%	4-1/2%	4-1/2%
Eligible non-members	4-3/4%	4-3/4%	4-3/4%