

X-3257

FEDERAL RESERVE BOARD
STATEMENT FOR THE PRESS

For release in afternoon papers,
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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)

Another reflection of these easing tendencies in the money market is visible in the unabated demand for bankers' acceptances, especially by institutions and corporations which are temporarily in funds seeking liquid investments. The 30 day maturity is sought principally. The demand for this class of acceptances is frequently greater than the supply. Following the almost simultaneous reduction in the discount rate of all of the Federal Reserve Banks early in November, the going rate on prime bankers' acceptances promptly fell to 4-3/8 per cent or 1/8 per cent below the discount rate obtaining at the Federal Reserve Banks of Boston, New York and Philadelphia.

The last 10 days in October show the largest amount of sales of 30 day bills recorded in this District for over a year, this period being also marked by the issuance of a fair amount of 15 day bills covering sugar importations from Cuba. Following November 1, the demand is good with numerous inquiries from corporations and country banks. Savings banks appeared in the market for moderate amounts of bills. The excellent market conditions prompted dealers to carry larger portfolios in Boston, drawing on the surplus of bills which were being carried by their New York offices, the increase of bills being required to meet the quick demand of the purchasers. At this writing (November 18) the supply of bills slightly exceeds the demand with sales somewhat less than during the preceding week and the trend running more to the city banks. There is also a noticeable increase in the holdings of the dealers. It is recorded that Boston banks have reduced their par rates on notes secured by acceptances from 5-1/2 to 5 per cent. This appears to reflect itself in the smaller number of bills which the Federal Reserve Bank of Boston is called upon by the dealers to carry. The bid rates by all dealers in Boston for prime bills are now 4-3/8 and the offering rates 4-1/4 per cent. There seems to be an over-supply of call money for general stock exchange collateral which may reflect itself in an increased demand for bills. Our own portfolio, while it has been at a higher point than during the previous month, is now at about the point where the month opened. We are called upon to make but few purchases on our own account as our rates have been slightly less favorable to the seller than could be obtained through the dealers.

DISTRICT NO. 2 (NEW YORK)

During November, dealers found it necessary to lower bid rates by successive stages from $4\frac{3}{4}$ to $4\frac{3}{8}$ per cent in order to obtain a sufficient supply of bills. Selling rates were lowered in proportion and by the middle of the month were $4\frac{1}{4}$ per cent for all maturities up to four months, as compared with $4\frac{1}{2}$ per cent at the close of October. Demand for bills increased materially following the reduction in Federal Reserve discount rates. Interior banks bought in substantial volume and purchases by New York banks and large corporations were greater than in October. Demand was most active for bills which would mature before the end of the year. The supply of bankers' bills offered in New York increased somewhat early in the month as a result of several large offerings of sugar import syndicate paper. These offerings, coming when the demand was particularly good, were quickly absorbed by investors and later in the month the supply of bills was insufficient to meet the demand. Cotton, grain, and silk bills were next to sugar bills in order of importance in the month's new offerings.

DISTRICT NO. 3 (PHILADELPHIA)

An increase in the supply of bankers' acceptances has served to make it more nearly equal to the demand. Sales of four dealers during October to banks in the Third Federal Reserve District increased 45 per cent over those of September, but sales of three dealers distributed throughout the country declined slightly. Importation of sugar, exportation of cotton and foodstuffs, and warehousing of sugar, cotton and tobacco were the transactions which gave rise to a large proportion of the bills executed lately. The totals for 12 banks located in this District show an increase in the amount of bills accepted and bills outstanding. The amounts executed are larger than they have been

at any time since our reports were started last March.

Bankers' Acceptances Executed.

	<u>Executed during preceding month</u>	<u>Outstanding on date given.</u>
1921 - November 10.....	\$6,325,000	\$11,824,000
October 10.....	4,507,000	9,902,000
September 10....	5,312,000	9,009,000
August 10.....	4,852,000	8,756,000
July 10.....	3,121,000	9,286,000
June 10.....	2,795,000	10,798,000

The lowering in the discount rates of the Federal Reserve Banks and the lower yield of recent issues of Government certificates have been leading factors in bringing down the rates for acceptances. The selling rate on eligible members' bills is now 4-1/4 per cent, as compared with 4-1/2 per cent last month; and for non-members, 4-3/8 per cent as against 4-5/8 at that time.

DISTRICT NO. 4 (CLEVELAND)

Bankers' acceptances bought by the Federal Reserve Bank of Cleveland during October, 1921, amount to \$4,483,344, and those maturing and paid, total \$3,209,471. Nineteen accepting banks in the Fourth District report acceptances executed during October as \$3,614,903, and acceptances paid, as \$4,760,553. The undertone of the acceptance market for the first half of the past month was somewhat better with slight improvement in the turnover in comparison with the previous month. Country banks in some sections were buyers. There was also some demand from corporate and individual sources. Rates have tended to decline throughout the month in sympathy with the easier call money rates and the increasing supply of short time demand funds. The general inactivity of the acceptance market in the past months and the supply and demand of prime bills have had little effect in

the settling of the bank acceptance rates. The rates have been determined rather by rates on short time funds in the other markets. Few bills originated in this District. Much of the supply offered by the brokers was participated in by banks from eastern syndicates. No noticeable improvement appeared in the supply of bills drawn against foreign transactions. However, there was a slight improvement in the supply of paper drawn against domestic shipment. As in the previous month, there was a general decrease in bills drawn against warehouse receipts. The present rates for prime bills, eligible for rediscount by the Federal Reserve Banks, are as follows:

Under 30 days	4-1/4 to 4-1/2
30 to 60 days	4-1/4 to 4-1/2
60 to 90 days	4-1/4 to 4-1/2

DISTRICT NO. 6 (ATLANTA)

Eighteen reports regarding acceptance transactions during October 1921, were received from accepting/^{member}banks in the Sixth District, ten of which indicated no transactions of any kind during the month. Domestic acceptances executed during October were 15.9 per cent less than were executed during September, but 56.0 per cent more than during October 1920. Foreign acceptances executed during October were 26.3 per cent less than during September, and 30.1 per cent less than October 1920. Acceptances purchased in the open market by the Federal Reserve Bank during October were about 24.3 per cent less than during the preceding month, but were 30.9 per cent greater than were bought in October 1920. With the exception of September, this item was larger in October than during the past nineteen months.

DISTRICT NO. 7 (CHICAGO)

Returns from reporting banks in the Seventh Federal Reserve District

show increases in bills accepted and bills sold for October, as compared with September. The greater increase was in bills accepted which was 43.1 per cent. Decreases are shown in bills bought and in bills held at the close of the month. During the two preceding months there were decreases in bills bought, sold, and accepted, and increases in bills held at the close of the month. Purchase rates for October were reported as ranging from 4-1/2 to 6 per cent, although most of the rates reported were less than 5 per cent. The maturities of bills purchases were divided as follows: 30-day, 1.9 per cent; 60-day, 9.6 per cent; 90-day, 86.1 per cent; and 180-day, 2.4 per cent. The greater part of the bills was reported drawn against meats, wheat, and cotton. A detailed summary of the returns of 29 reporting banks is as follows:

	October	September
*Bills bought.....	\$6,905,000	\$7,858,000
**Bills sold.....	17,699,000	16,525,000
Bills held at close of month.....	6,551,000	6,728,000
Amount accepted.....	16,885,000	11,800,000

* Exclusive of bills purchased by the accepting banks, and of purchases for the account of specific customers.

** Exclusive of bills purchased for the account of, and sold to, specific customers.

One broker reports the buying demand as sluggish, due to low rates of return as opposed to prime commercial paper. One large reporting bank states that the discount market is working more easily, with no surplus funds yet available from banks, corporations, and individuals for investment in acceptances. Comparison of statistics on bankers' acceptances at the Federal Reserve Bank of Chicago for September and October follows:

	October	September
Bankers Acceptances rediscounted.....	\$ 175,000	None
*Bankers Acceptances bought.....	10,626,197	\$6,665,118
Bankers Acceptances sold from holdings.....	25,000	270,000

Held at close of month

Bankers Acceptances rediscounted.....	None	None
*Bankers Acceptances bought.....	\$ 3,427,354	\$2,849,396

* Included in Acceptances Bought, but not in Acceptances Sold, are those bought with agreement by the sellers to repurchase within fifteen days.

DISTRICT NO. 8 (ST. LOUIS)

The market for bankers' acceptances during the past thirty days has developed more activity than for the last few months. Corporations holding idle money and desiring a quickly convertible investment, have purchased fair amounts, and city banks have also figured as buyers. Virtually all the bills included in these transactions have emanated from outside the District. Rates on acceptances reflect the generally easier tendency of money, ranging from 4-3/8 to 4-5/8 per cent.

DISTRICT NO. 9 (MINNEAPOLIS)

During the month of October no dollar exchange, bankers' or trade acceptances were purchased by the Minneapolis Federal Reserve Bank, but there were purchases of warrants to the amount of \$9,608.50. During the month of September no paper was purchased, but in October a year ago, \$483,000 worth of bankers' acceptances were purchased by this bank. During October there were discounts of \$75,000 in bankers' acceptances as compared with \$10,724 in September and none in October a year ago. Trade acceptances to the amount of \$259,548 were discounted in October as compared with \$187,763 in September and \$222,000 in October last year. The rates on all classes of paper were lowered to 5-1/2 per cent on November 5th.

DISTRICT NO. 11 (DALLAS)

October reports indicate that the accepting banks of this District created acceptances amounting to \$3,691,580.74. The total amount outstanding on September 30th was \$2,486,000. Of the amount created \$2,325,659.12 represented domestic shipments and storage of goods, while \$1,365,921.62 was based on import and export transactions. The total amount of bankers' acceptances held by this Bank on October 31st was \$205,000, an increase during the month, as \$70,000 was the amount held on September 30th. All acceptances held were executed but not endorsed by banks of this District.

DISTRICT NO. 12 (SAN FRANCISCO)

The rate on prime bills in the acceptance market is now $4\frac{3}{8}$ per cent as compared with $4\frac{1}{2}$ per cent a month ago. The offering of United States Treasury certificates of six months' maturity at $4\frac{1}{4}$ per cent on November 1, and the lowering by $1\frac{1}{2}$ per cent of rediscount rates at ten of the Federal Reserve Banks and of 1 per cent at the other two Banks on November 3, were all expressions of a tendency toward easier money rates. This tendency was reflected in the acceptance market by a reduction of the selling price of prime bills to a $4\frac{3}{8}$ basis, the ruling rate today, November 17th, as compared with $4\frac{1}{2}$ per cent on October 15th. Up to the time of change in rates, the bill market showed unusual activity both in strength and breadth of the demand. This activity was halted abruptly by the decrease in the yield of acceptances and has not resumed its former proportions, although the increasing amount of idle funds has caused a firmer feeling and increasing sales. The largest dealer on the Coast reports that a rough classification of bills marketed during the past month would show a distinct preference for 90 day acceptances. His figures are as follows:

Maturity of	30 days	9.0%
"	60 days	10.5%
"	90 days	74.5%
"	120 days	5.0%
"	150 days	1.0%

As was the case last month the bills drawn in this District were based primarily upon wheat, canned fruits, sugar and coffee, with an appearance during October of some cotton bills. Details of purchases and holdings of acceptances by the 36 principal accepting banks in the District appear in the following table

Acceptances of 36 Reporting Banks.
Amount Bought

	Created in		Amount Bought		Total		Amount held			
	12th Fed. Res. Dist.	All other	October	September	October	September	October	September		
Pac. Northwest..	\$1,140,199	\$1,471,129	\$270,031	\$635,967	\$2,601,886	\$1,383,503	\$2,871,967	\$2,025,470	\$7,752,824	\$6,584,358
Northern Cal...	3,580,105	2,395,182	2,078,211	854,000	937,654	1,336,304	3,015,875	2,190,304	3,109,149	3,595,333
*Southern Cal..	539,005	160,000	172,041	627,928	1,332,532	150,418	1,504,573	778,346	2,057,149	1,300,379
Other Districts	---	---	---	---	---	---	---	---	---	---
Total	\$5,259,309	\$4,026,311	\$2,520,333	\$2,117,895	\$4,872,082	\$2,876,225	\$7,392,415	\$4,994,120	12,919,122	11,480,070

* One bank in Los Angeles, reporting \$336,505 as amount accepted in October, did not report in September.