X-3311

FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS

For release in afternoon papers,
Friday, February 3, 1922.

CONDITION OF THE ACCEPTANCE MARKET

The Federal Reserve Banks report the condition of the acceptance market in their respective Districts as follows:

DISTRICT NO. 1 (BOSTON).

From the middle of December to the end of the year, the market for bankers' acceptances was extremely dull. In order to help the market, the Reserve Bank reduced its purchasing rate and purchased freely for its own portfolios. With this relief to their portfolios, the bill brokers at once increased their offering rate by one eighth of one per cent, but with the close of the year and the prospect of lower rates after the first becoming an important influence on the competition for bills, rates again sagged back to 4-1/4 bid and 4-1/8 asked. The acceptance market during the first week of January was fully as dull as it had been in mid December. The competition for bills early in January by brokers anxious to fill their portfolios in anticipation of a good market for acceptances in the near future again found rates down to a new low level of 3-7/8 bid with sales at 3-3/4. While for a few days brokers were able to make sales at the new rates, the sales were not sufficient in volume to keep up with the offerings of bills, and this, combined with the increase of rates of call money in New York, put up prices again one eighth of one per cent. A feature of the bill market during the past few weeks has been the large proportion of bills against cotton and grain. Even with the low rates prevailing on acceptances, there has been evidence of continued buying by savings banks and banks outside of Boston. Since the first of the year, conditions have been such that the Reserve Bank has kept its purchase rate at a point where it is unprofitable for banks or brokers to dispose of their holdings of bills through that channel and therefore its purchases have been insignificant since the first of the year, although there has been an increase in the volume of bills carried on repurchase agreement.

DISTRICT NO. 2 (NEW YORK)

Firmness of money rates during the latter part of December caused a lack of investment demand in the bill market, and dealers' portfolios increased. This phase was succeeded by a sharp revival of investment demand early in January accompanying easier money conditions. With changed money conditions, dealers reduced their bid rates for prime bills by successive changes from 4-1/4 per cent to 3-7/8 per cent and made proportionate reductions in offering rates down to 3-3/4 per cent. Later in the month both rates advanced 1/8 as the supply of free funds became somewhat more restricted. During the latter part of December the discount market availed itself of Federal Reserve Bank facilities to a considerable extent and during the first part of January entirely liquidated its position at the bank as money became easier. New offerings of bills in the market were in moderate volume and consisted principally of bills in connection with the export of cotton and grain and the import of raw sugar, coffee and silk.

DISTRICT NO. 3 (PHILADELPHIA).

Although easier monetary conditions and low rates for call money have resulted in a ready market for acceptances, dealers have not been able to get a sufficient amount of these bills to accommodate the demand, and sales during the month of December, according to the reports of four dealers fell off 31 per cent in the Third Federal Reserve District from the November figure. Three dealers report that their country-wide sales have declined less than 4 per cent under the previous month, and 39 per cent under December, 1920. The monthly reports from twelve accepting banks in this District indicate an increase in the amount of new acceptances created during the month ending January 10, but the amount outstanding on that date was lower than on December 10. Comparative figures follow:

	Executed during preceding month	Outstanding on given date
1922 January 10............	$4,445,000	$10,784,000
1921 December 10...........	3,564,000	11,231,000
November 10	6,325,000	11,824,000

The bulk of the new bills result from the financing of the export of cotton and grain, the import of sugar and coffee, the domestic shipment of cotton, the warehousing of cotton and tobacco, and the creation of dollar exchange bills. In this connection it is interesting to note that the Federal Reserve Bank of Philadelphia purchased in all $24,875,000 worth of acceptances during November and December, and that this amount was distributed as follows: Dollar exchange, 6.9 per cent; warehousing 5.7 per cent; domestic shipments, 15.6 per cent; imports, 34.5 per cent; exports 36.3 per cent. Sugar importations amounted to 16.3 per cent of the total. There was a further decline in rates from 4-1/4 per cent prevailing a month ago to 3-3/4 per cent in the third week of January. A year ago the ruling rates on 60 to 90 day acceptances were from 5-5/8 to 5-3/4 per cent.

DISTRICT NO. 6 (ATLANTA)

Of 21 reports regarding acceptance transactions during December 1921 received from accepting member banks in this District, 11 reports showed no transactions in acceptances of any kind during the month. Nine reports showed amounts of domestic acceptances executed during December aggregating 5.7 per cent more than during November, but 5.6 per cent less than during December 1920. Foreign acceptances executed during December 1921 were approximately 34 per cent greater in amount than during November 1921, but still about 14 per cent less than during December 1920. Acceptances purchased in the open market during December 1921 by the Federal Reserve Bank of Atlanta were larger by 64.8 per cent than during the preceding month, and were 33.5 per cent in excess of the total for December 1920. Except for September and October 1921, this total for December is larger than for any month since April 1920.

DISTRICT NO. 7 (CHICAGO)

Reports from banks show a continuance during December of the general falling off in acceptance transactions. Bills accepted decreased

37 per cent and bills sold 44 per cent from the November amount. Smaller decreases were shown in bills bought and bills held at the close of the month. Purchase rates for December were reported ranging from 4-1/8 to 4-1/2 per cent although most of the rates reported were 4-1/4 per cent. The maturities of bills purchased were divided as follows: 30 day, 19.3 per cent; 60 day, 30.8 per cent; 90 day, 49.2 per cent, and 180 day, 0.7 per cent. The greatest part were reported drawn against tea, provisions, wool, meat, meat products and cotton. A detailed summary of returns follows:

Twenty-nine banks	In thousands of dollars December	November
*Bills bought	3,878	5,009
**Bills sold	7,143	12,710
Bills held at close of month	4,395	4,650
Amount accepted	5,083	8,981

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

Comparison of statistics on Bankers Acceptances at the Federal Reserve Bank of Chicago for November and December follow:

During Month	December	November
Bankers Acceptances rediscounted	$ 987	$ 2,637
*Bankers Acceptances bought	11,394,584	12,287,463
Bankers Acceptances sold from holdings	9,923	190,000
Held at close of month		
Bankers Acceptances rediscounted	987	2,637
*Bankers Acceptances bought	8,489,145	5,194,566

*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 continues quiet with features of interest or importance lacking. The decline in rates has served to curtail the demand for bills, banks and investors preferring to place their funds in Government securities or other investments yielding more favorable returns. Acceptances purchased in the open market by this Bank in December amounted to $1,221,732, a decrease of $2,911,614 under the preceding month. Rates range from 3-3/4 to 4-1/4 per cent.

DISTRICT NO. 9 (MINNEAPOLIS)

The customary rate on bankers' acceptances with endorsement increased from 4-5/8 to 5 per cent and rates on commodity paper secured by warehouse receipts increased from 6-1/2 to 7 per cent.

DISTRICT No. 10 (KANSAS CITY)

Bankers' acceptances based on foreign trade transactions experienced periods of dullness and at times were neglected because of pressure of other demands during the year. This was indicated by purchases of bills in open market by the Federal Reserve Bank. Reviewing the market for the past year it is seen that on the first Wednesday of January 1921, bills purchased amountedto $2,150,537; the volume declined steadily until in July and August when it reached the total amount of $25,000. An increase was noted after the harvest period and on January 4, 1922, the total holdings of these bills by the Federal Reserve Bank amounted to $1,096,260.

DISTRICT NO. 11 (DALLAS)

Inquiries addressed to accepting banks disclose that there was a substantial increase in the outstanding acceptances createdduring the month, the total on December 31st being $4,251,692 as compared to $3,252,367 on November 30th, or an increase of about 31 per cent. Of this amount $1,904,692 was held against import and export transactions, while $2,347,000 was based on domestic shipment and storage of goods. Total acceptances held by this Bank on December 31st aggregated $165,000 as compared with $190,000 on November 30th, all of which were executed by banks of this District.

DISTRICT NO. 12 (SAN FRANCISCO).

The course of the acceptance market during the period from December 15 to January 15, was uneven. During the latter part of December, when most of the banks were conserving their holdings of cash, the demand fell off materially, resulting in a slight easing of selling rates around the end of the month. After the first of the year, however, large amounts of idle money sought investment in both call money and bankers' acceptances. In consequence, call money rates fell as low as 3 per cent in New York, which made acceptances at the then prevailing rate of 4-1/8 per cent an attractive investment as short-time securities. The demand for bills of this character became so great that within the space of a few days after the first of January the rate for prime bills fell from 4-1/8 per cent to 3-3/4 per cent, at which point it stands today (January 15). The bulk of this demand came from large city banks. Many country banks have found the rate too low to be attractive. Coincident with the large demand for prime bills was a shortage of supply which brought about the necessary condition of a rapidly weakening market. A rough classification of bills marketed as reported by the principal dealer on the Coast shows that short term bills and 120-day bills have gained greatly in favor. The approximate percentages of each class to the total sales of all classes follows:

	Dec. 15 to Jan. 15	Nov. 15 to Dec. 15
30 day	22.5%	6.5%
60 day	33.3%	33.0%
90 day	24.4%	56.3%
120 day	19.8%	3.6%
180 day	--	0.6%

Inactivity in the market during December is reflected in the reports to this Bank of 36 of the principal accepting banks of the District. Total purchases of $6,085,368 during December were $5,266,917 less than purchases in November ($11,352,285) the decrease being almost entirely in purchases of bills originating outside of the District. Wheat, sugar, rice and cotton were the principal commodities on which acceptances executed during the month were based. Purchases and holdings of acceptances of reporting banks appear in the following table:

AMOUNT BOUGHT

	Amount Accepted December	Amount Accepted November	Created in 12th Fed.Res.District December	Created in 12th Fed.Res.District November	All Other December	All Other November	Total December	Total November	Amount held at close of month December	Amount held at close of month November
Pacific Northwest	$ 320,421	$1,451,433	$ 438,109	$ 225,982	$ 353,934	$1,957,511	$ 792,043	$ 2,183,493	$ 5,625,686	$ 6,679,742
Northern California	$2,870,742	$3,461,612	$2,142,686	$2,291,734	$1,953,168	$2,571,826	$4,095,854	$ 4,863,560	$ 3,919,022	$ 2,916,197
Southern California	358,873	$ 651,006	$ 33,639	$ 206,971	$1,163,832	$4,098,261	$1,197,471	$ 4,305,232	$ 5,178,955	$ 5,513,946
Other Districts	----	----	----	----	----	----	----	----	----	----
Total	$3,550,036	$5,564,051	$2,614,434	$2,724,687	$3,470,934	$8,627,598	$6,085,368	$11,352,285	$14,723,663	$15,109,885

36 banks reporting.
November totals changed due to revised figures received from one bank.