

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

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CONDITION OF THE ACCEPTANCE MARKET

The reports of most Federal Reserve Banks indicate an increase in the activity of the acceptance market. Both purchases and sales of bills increased considerably as compared with previous periods. District No. 3 (Philadelphia) and District No. 7 (Chicago), in which the largest increases occurred, report: "For the month ending May 10 the amount of acceptances executed was \$3,274,000; for the month ending April 10, \$3,097,000, and for that ending February 10, \$2,365,000. (Philadelphia)."

"Average weekly purchases in this period reported by dealers to this bank, amounted to \$7,660,000 as compared with \$2,275,000 in the preceding five weeks, while average weekly sales increased from \$2,797,000 to \$7,922,000. (Chicago)." District No. 12 (San Francisco) reports an increase of 42 per cent in acceptances bought over the previous period.

The market in District No. 1 (Boston) was somewhat spotty at the beginning of the reporting period but showed signs of

improvement towards the end of April. The rate of $3-1/8$ per cent prevailing in Boston failed to induce country bankers to purchase bills. This rate could not have been held except for buying from special sources in New York and Chicago. At the end of the period dealers increased the selling rate for bills from $3-1/8$ to $3\frac{1}{4}$ per cent and raised the buying rate to $3-3/8$ per cent. The latter rate however could not be maintained, as no new bills were offered, and so it went back to $3\frac{1}{4}$ per cent.

District No. 2 (New York) shows the same tendency as Boston. At the beginning of the period both demand and supply were dull but showed considerable improvement towards the end. At the beginning dealers offered at $3-3/8$ per cent and were bidding $3\frac{1}{2}$ per cent. Towards the end of the period, however, as new bills became scarce, they bid $3\frac{1}{4}$ per cent and offered at $3-1/8$ per cent. The comparative scarcity of the supply of bills is partly due to the inclination of banks to hold their own acceptances in view of comparatively easy money. As in previous periods foreign owned monies continued to increase the demand for bankers' bills

A decline in the amount of acceptances executed is reported by the Federal Reserve Banks of Districts No. 6 (Atlanta), No. 8 (St. Louis) and No. 11 (Dallas). District No. 4 (Cleveland) reports a dull market with small supply and slight demand throughout the entire period. The decrease in the amount of acceptances

in Districts No. 6 (Atlanta) and No. 11 (Dallas) is mainly due to the decline in the volume of bills based upon domestic shipments. In Atlanta domestic acceptances decreased 24.6 per cent while foreign acceptances declined only 7.2 per cent as compared with the previous period.

The preference for maturities varied, 90 day bills being in heaviest demand. Districts No. 7 (Chicago) and No. 12 (San Francisco) show the following range of maturities:

	<u>30 day</u>	<u>60 day</u>	<u>90 day</u>	<u>120 day</u>	<u>Total</u>
Chicago	11%	15%	56%	16%	100%
San Francisco	19.6	11.5	58.5	10.4	100%

The prevailing rates in Districts No. 2 (New York) No. 4 (Cleveland) and No. 7 (Chicago) were as follows:

Rates on prime bills		<u>Range during period</u>		<u>Close</u>	
		Bid	Offered	Bid	Offered
No. 2 (New York)	30-day maturity)				
	60 " ")	$3\frac{1}{4} - 3\frac{3}{8}$	$3-1/8 - 3-3/8$	$3\frac{1}{4} - 3-3/8$	$3-1/8$
	90 " ")				
	120 " ")	$3-3/8-3-5/8$	$3-1/8-3-3/8$	$3-3/8 - 3\frac{1}{2}$	$3-1/8 - 3\frac{1}{2}$
	150 " ")				
180 " ")					
No. 4 (Cleveland)	30-day maturity)				
	60 " ")	$3\frac{1}{4} - 3-7/8$	$3-1/8 - 3\frac{3}{4}$	$3\frac{1}{4}$	$3-1/8$
	90 " ")				
	120 " ")	$3\frac{1}{4} - 3-7/8$	$3-1/8 - 3\frac{3}{4}$	$3\frac{1}{4}$	$3-1/8$
	150 " ")				
180 " ")					
No. 7 (Chicago)	30-day maturity)				
	60 " ")	$3\frac{1}{4} - 3\frac{1}{2}$	$3-1/8 - 3-3/8$	$3\frac{1}{4} - 3-3/8$	$3-1/8$
	90 " ")				
	120 " ")	$3\frac{1}{4} - 3\frac{1}{2}$	$3-1/8 - 3-3/8$	$3\frac{1}{4} - 3\frac{1}{2}$	$3-1/8 - 3\frac{1}{2}$
	150 " ")				
180 " ")					