

Week ending January 19, 1966

Since June, ^{AUG 9 7 1966} money supply growth has accelerated from an already rapid rate and reserves available to support private demand deposits have also increased at a sharp pace.

Historically, sustained periods of strong monetary growth have generally been accompanied by a rise in spending. Since the economy is now fairly taut, a larger portion of any rapid rise in spending, which might follow recent fiscal ease and monetary growth, is likely to take the form of price increases rather than increases in real output.

MONEY SUPPLY

The nation's money supply, which averaged \$168.7 billion in the week ending January 19, has grown \$2.1 billion since early December and at a 8.0 per cent annual rate since June. The rise since June is the fastest rise for a 7-month period in 13 years. Prior to June, money had increased at a 4 per cent rate from September 1962 and at a 1.5 per cent average rate from 1953 to 1962.

The rate of increase in the turnover of money has declined in recent months. Since early summer, the income velocity of money has risen at a 1.4 per cent annual rate, compared with an average 3 per cent annual rate since 1951. Typically, when there has been a sharp injection of money, spending initially has risen slower than money and the income velocity of money has declined or risen at a slower rate for a time. However, after a brief period the growth rate of spending has usually accelerated, and the velocity has risen as fast or faster than before the injection.

RESERVES

The recent monetary growth has been made possible by a rapid rise in bank reserves. The increase in total member bank reserves was very sharp in December and early January. Reserves available to support private demand deposits have risen at an unusually fast 7.1 per cent rate since June. Such reserves rose 2.2 per cent in the year previous to June.

INTEREST RATES

In the three days ending January 19, the average yield on 90-day Treasury bills rose to 4.63 per cent, up from 4.59 per cent in the week ending January 14 and from 3.83 per cent in July.

Interest rates have risen since July as corporations have increasingly turned to outside sources for investment funds and as borrowings by state and local governments have risen. Recently, the Federal Government has increased its demands for funds.

A legal limit of 4.25 per cent payable on new Government bonds (securities 5 years or more to maturity) has affected the term structure of interest rates as well as the maturity of the public debt. The yields on Treasury bills and intermediate term Government securities have risen relative to the long-term yield, and the average maturity of the Federal debt has shortened.

Prepared by Federal Reserve Bank of St. Louis

Released: January 21, 1966

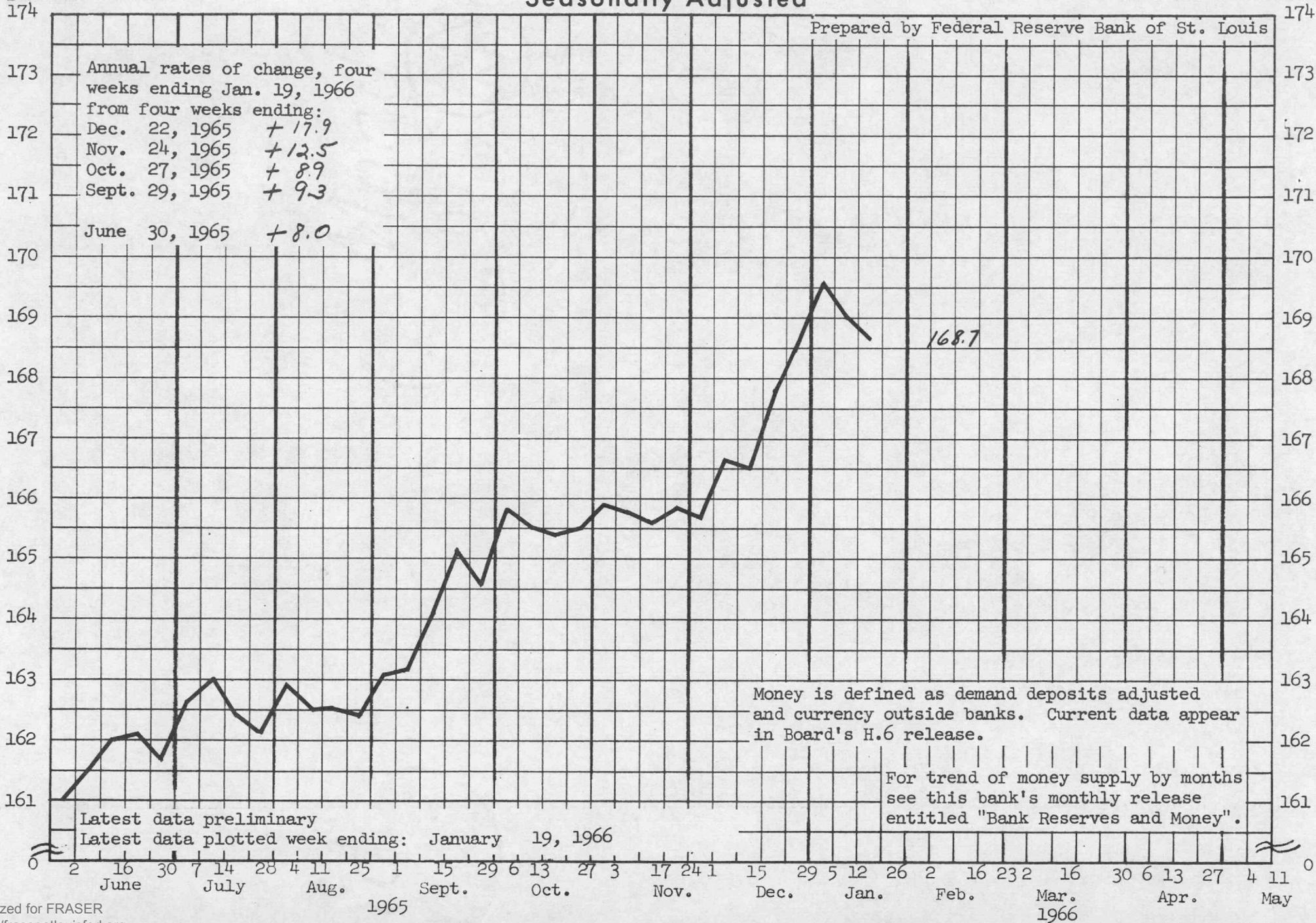
U.S. MONEY STOCK

Weekly Averages of Daily Figures

Seasonally Adjusted

Billions of Dollars

Billions of Dollars



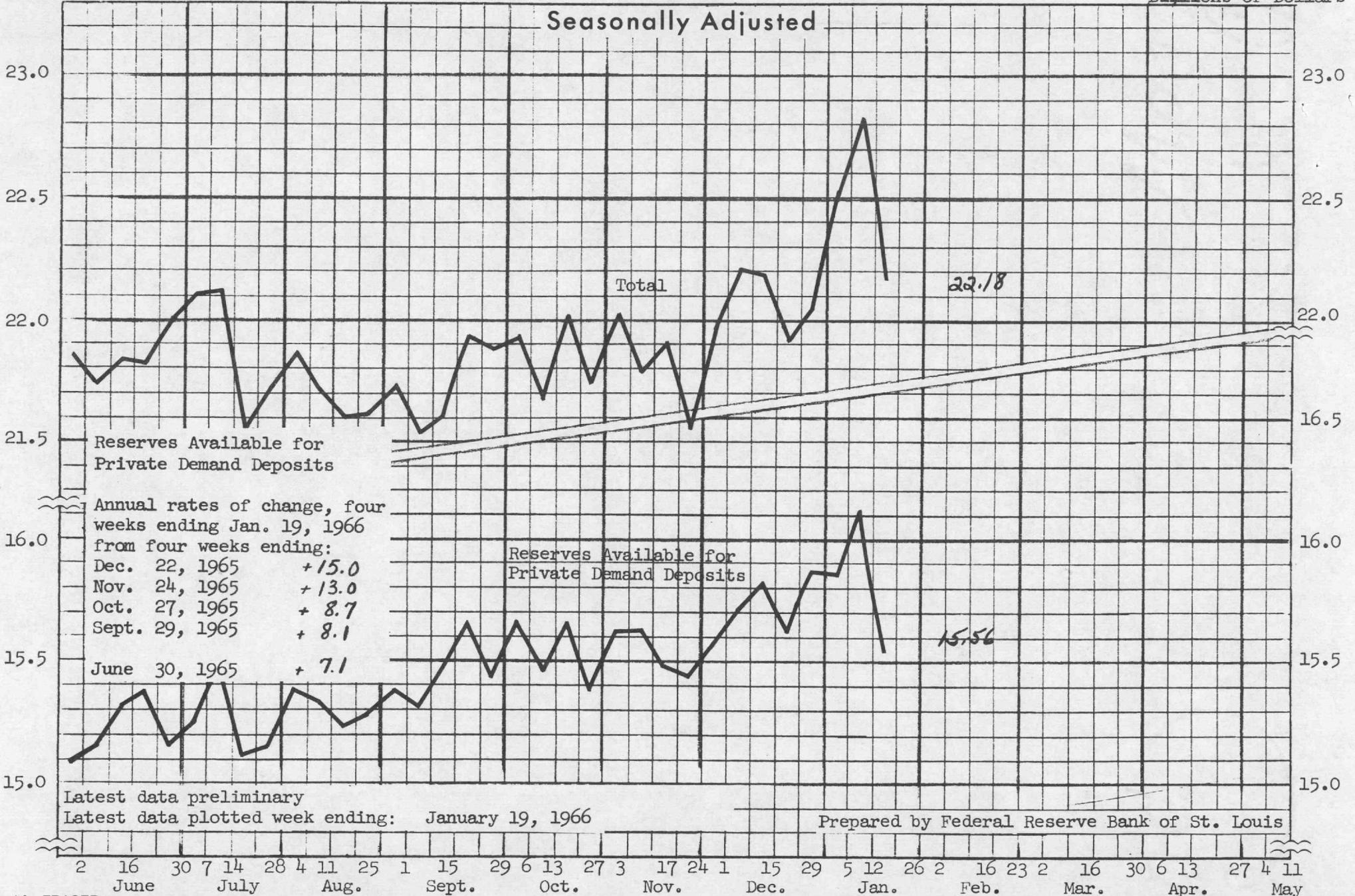
RESERVES

All Member Banks in the Nation Weekly Averages of Daily Figures

Billions of Dollars

Billions of Dollars

Seasonally Adjusted



Latest data preliminary
Latest data plotted week ending: January 19, 1966

Prepared by Federal Reserve Bank of St. Louis

BORROWINGS AND EXCESS RESERVES

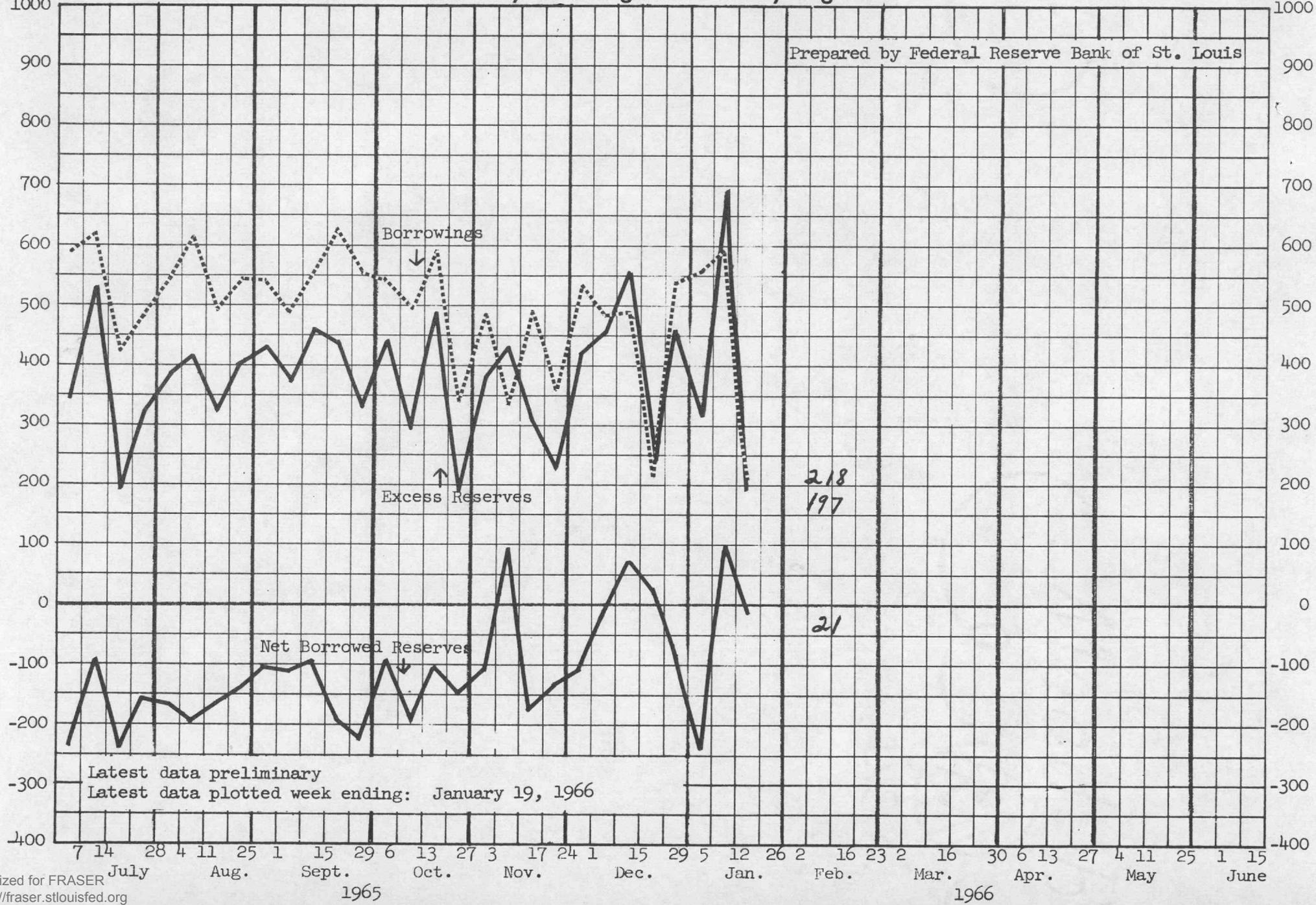
All Member Banks in the Nation

Weekly Averages of Daily Figures

Millions of Dollars
1000

Millions of Dollars
1000

Prepared by Federal Reserve Bank of St. Louis



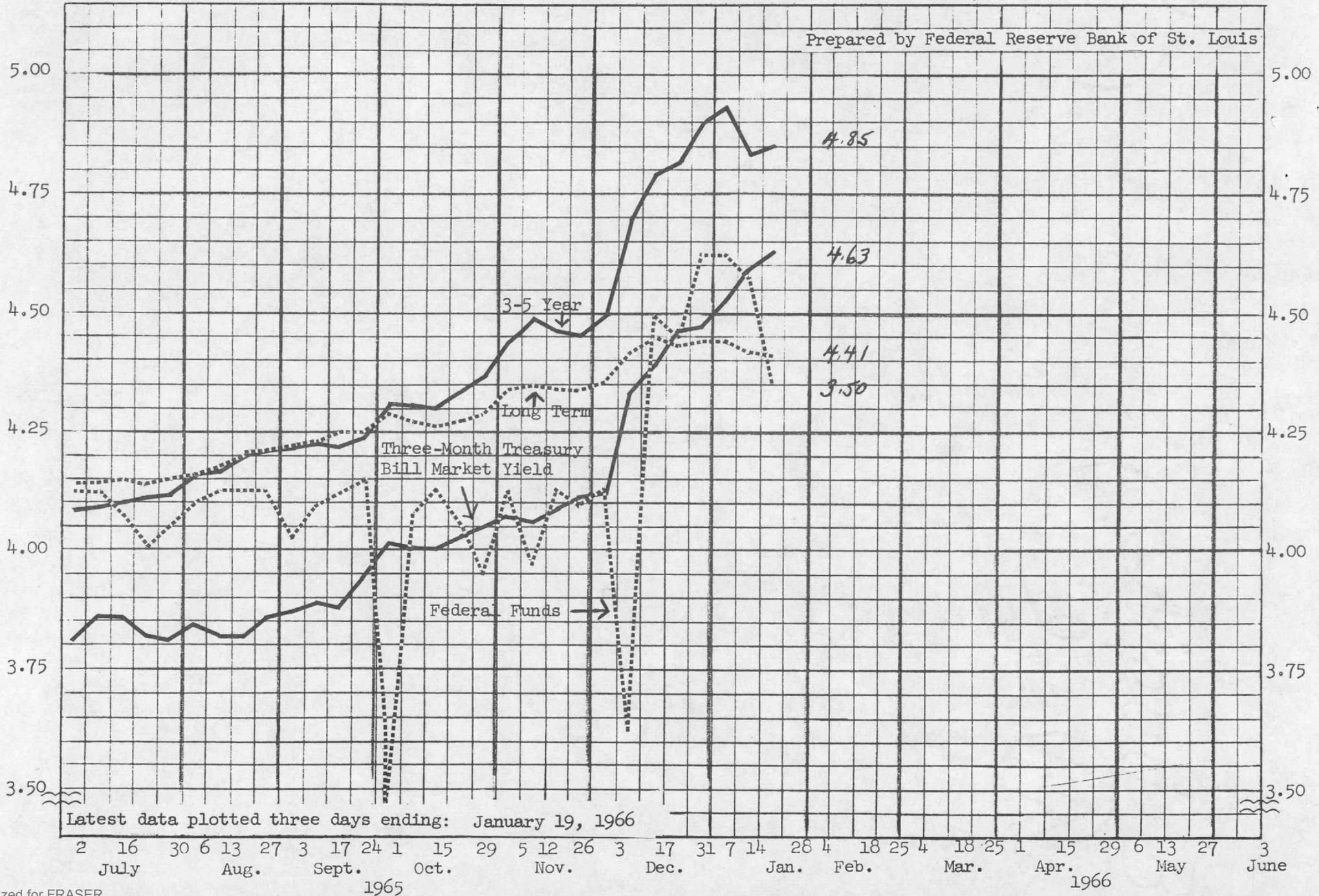
YIELDS ON U.S. GOVERNMENT SECURITIES & FEDERAL FUNDS

Weekly Averages of Daily Rates Ended Friday

Per Cent

Per Cent

Prepared by Federal Reserve Bank of St. Louis



Latest data plotted three days ending: January 19, 1966

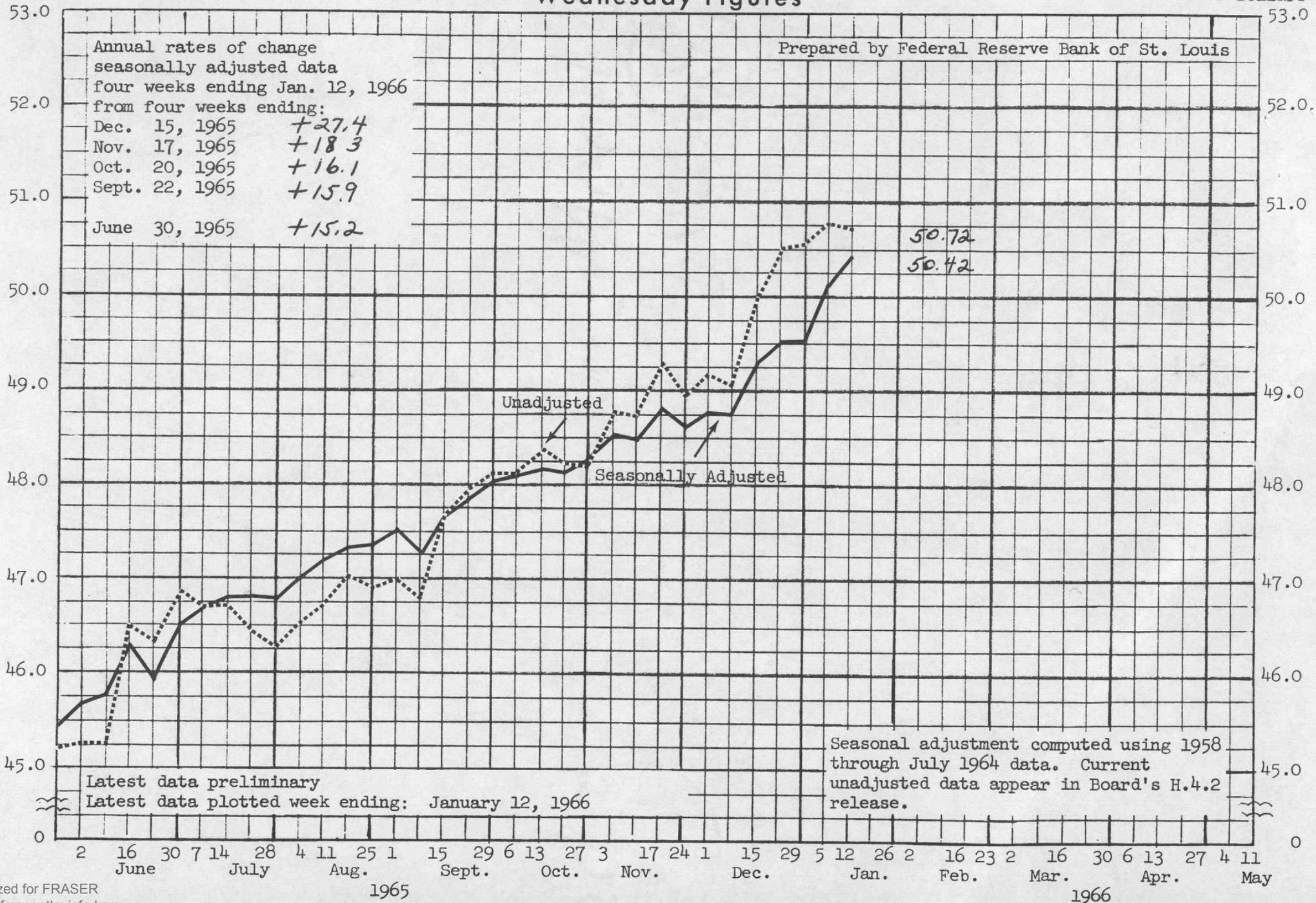
BUSINESS LOANS

All Weekly Reporting Banks in the Nation

Wednesday Figures

Billions of Dollars

Billions of Dollars



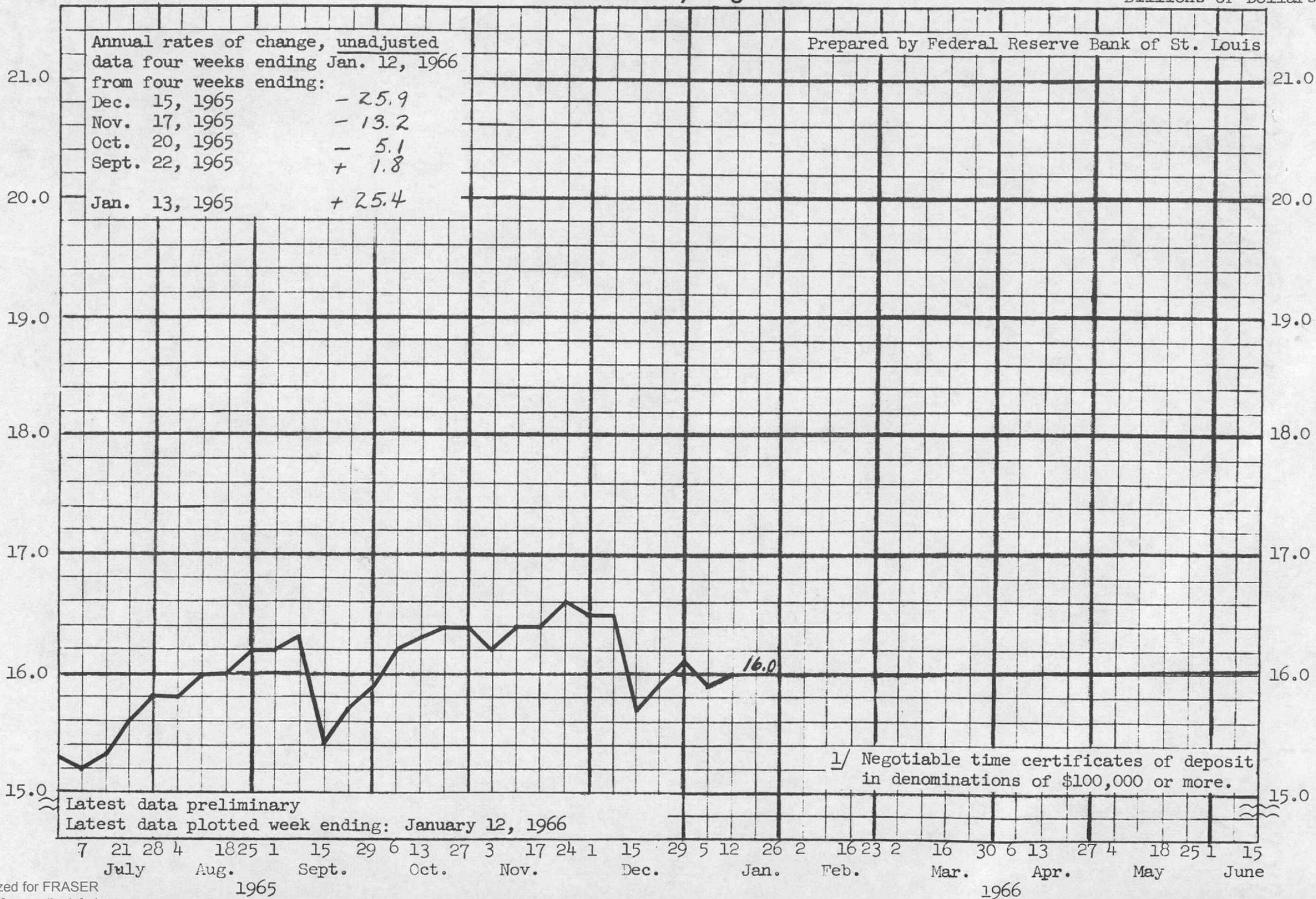
CERTIFICATES OF DEPOSIT ¹

All Weekly Reporting Banks in the Nation

Wednesday Figures

Billions of Dollars

Billions of Dollars



MEMBER BANK

YIELDS ON U. S. GOVERNMENT SECURITIES

FEDERAL FUNDS

8

| WEEK ENDING | EXCESS RESERVES BORROWINGS FREE RESERVES | | | WEEK ENDING | LONG TERM 3-5 YEAR 3 MONTH TREAS. BILL | | | WEEK ENDING FRIDAY |
|-------------|---|-----|--------|-------------|---|--------|--------|--------------------|
| | MILLIONS OF DOLLARS AVERAGES OF DAILY FIGURES WEEK ENDING WEDNESDAY | | | | PER CENT PER ANNUM AVERAGES OF DAILY FIGURES WEEK ENDING FRIDAY | | | |
| 1965 Oct. 6 | 440 | 536 | - 96 | 1965 Oct. 8 | 4.27 | 4.31 | 4.00 | 4.075 |
| 13 | 298 | 495 | -197 | 15 | 4.26 | 4.30 | 4.00 | 4.125 |
| 20 | 490 | 591 | -101 | 22 | 4.27 | 4.34 | 4.03 | 4.050 |
| 27 | 192 | 338 | -146 | 29 | 4.29 | 4.37 | 4.05 | 3.950 |
| Nov. 3 | 378 | 486 | -108 | Nov. 5 | 4.34 | 4.44 | 4.07 | 4.125 |
| 10 | 429 | 334 | + 95 | 12 | 4.35 | 4.49 | 4.06 | 3.969 |
| 17 | 315 | 489 | -174 | 19 | 4.34 | 4.46 | 4.09 | 4.125 |
| 24 | 228 | 361 | -133 | 26 | 4.34 | 4.45 | 4.11 | 4.094 |
| Dec. 1 | 423 | 534 | -111 | Dec. 3 | 4.36 | 4.50 | 4.12 | 4.125 |
| 8 | 457 | 478 | - 21 | 10 | 4.42 | 4.70 | 4.33 | 3.625 |
| 15 | 559 | 486 | + 73 | 17 | 4.45 | 4.79 | 4.39 | 4.500 |
| 22 | 236 | 218 | + 18 | 24 | 4.43 | 4.82 | 4.46 | 4.450 |
| 29 | 464 | 546 | - 82 | 31 | 4.44 | 4.90 | 4.47 | 4.625 |
| 1966 Jan. 5 | 322 | 562 | -240 | 1966 Jan. 7 | 4.44 | 4.93 | 4.53 | 4.625 |
| 12 | 690 | 590 | +100 | 14 | 4.42 | 4.84 | 4.59 | 4.575 |
| 19 | 197 P | 218 | - 21 P | 21 | 4.41 * | 4.85 * | 4.63 * | 3.500 * |

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

MONEY SUPPLY
AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED
BILLIONS OF DOLLARS

BUSINESS LOANS
ALL WEEKLY REPORTING BANKS
WEDNESDAY FIGURES
MILLIONS OF DOLLARS

MEMBER BANK RESERVES
AVERAGES OF DAILY FIGURES
MILLIONS OF DOLLARS
SEASONALLY ADJUSTED

| MONTH | WEEK ENDING | | SEASONALLY ADJUSTED | | AVAILABLE FOR PRIVATE DEMAND DEPOSITS | | TOTAL |
|-----------|-------------|---------------------|---------------------|---------------------|---------------------------------------|----------|----------|
| | UNADJUSTED | SEASONALLY ADJUSTED | UNADJUSTED | SEASONALLY ADJUSTED | AVAILABLE FOR PRIVATE DEMAND DEPOSITS | TOTAL | |
| 1965 Jan. | 160.0 | 1965 Oct. 6 | 165.8 | 48,132 | 48,084 | 15,673 | 21,943 |
| Feb. | 159.7 | 13 | 165.5 | 48,370 | 48,177 | 15,464 | 21,684 |
| Mar. | 160.3 | 20 | 165.4 | 48,241 | 48,145 | 15,665 | 22,007 |
| Apr. | 161.1 | 27 | 165.5 | 48,220 | 48,268 | 15,391 | 21,753 |
| May | 160.0 | Nov. 3 | 165.9 | 48,778 | 48,535 | 15,627 | 22,022 |
| June | 161.8 | 10 | 165.8 | 48,737 | 48,495 | 15,624 | 21,796 |
| July | 162.5 | 17 | 165.6 | 49,303 | 48,815 | 15,498 | 21,900 |
| Aug. | 162.7 | 24 | 165.8 | 48,951 | 48,611 | 15,440 | 21,553 |
| Sept. | 164.3 | Dec. 1 | 165.7 | 49,167 | 48,777 | 15,571 | 21,970 |
| Oct. | 165.6 | 8 | 166.6 | 49,061 | 48,768 | 15,702 | 22,201 |
| Nov. | 165.7 | 15 | 166.5 | 49,992 | 49,302 | 15,815 | 22,195 |
| Dec. | 167.4 P | 22 | 167.8 P | 50,511 | 49,521 | 15,623 | 21,906 |
| | | 29 | 168.6 P | 50,564 | 49,524 | 15,877 | 22,045 |
| | | 1966 Jan. 5 | 169.6 P | 50,773 | 50,121 | 15,876 | 22,528 |
| | | 12 | 169.0 P | 50,719 P | 50,417 P | 16,127 | 22,820 |
| | | 19 | 168.7 P | | | 15,557 P | 22,179 P |

LARGE CERTIFICATES OF DEPOSIT
ALL WEEKLY REPORTING BANKS

WEDNESDAY FIGURES
MILLIONS OF DOLLARS

| WEEK ENDING | UNADJUSTED |
|-------------|------------|-------------|------------|-------------|------------|-------------|------------|-------------|------------|
| 1965 JAN. 6 | 12,761 | JULY 7 | 15,203 | 1966 JAN. 5 | 15,927 | | | | |
| 13 | 13,262 | 14 | 15,272 | 12 | 16,024 P | | | | |
| 20 | 13,425 | 21 | 15,593 | | | | | | |
| 27 | 13,638 | 28 | 15,840 | | | | | | |
| FEB. 3 | 13,585 | AUG. 4 | 15,822 | | | | | | |
| 10 | 13,703 | 11 | 16,003 | | | | | | |
| 17 | 13,748 | 18 | 16,014 | | | | | | |
| 24 | 13,866 | 25 | 16,177 | | | | | | |
| MAR. 3 | 13,890 | SEP. 1 | 16,242 | | | | | | |
| 10 | 14,147 | 8 | 16,277 | | | | | | |
| 17 | 13,829 | 15 | 15,461 | | | | | | |
| 24 | 14,029 | 22 | 15,662 | | | | | | |
| 31 | 13,962 | 29 | 15,914 | | | | | | |
| APR. 7 | 14,190 | OCT. 6 | 16,177 | | | | | | |
| 14 | 14,332 | 13 | 16,293 | | | | | | |
| 21 | 14,453 | 20 | 16,372 | | | | | | |
| 28 | 14,741 | 27 | 16,381 | | | | | | |
| MAY 5 | 14,749 | NOV. 3 | 16,198 | | | | | | |
| 12 | 14,902 | 10 | 16,374 | | | | | | |
| 19 | 15,061 | 17 | 16,372 | | | | | | |
| 26 | 15,110 | 24 | 16,610 | | | | | | |
| JUNE 2 | 15,068 | DEC 1 | 16,465 | | | | | | |
| 9 | 15,324 | 8 | 16,475 | | | | | | |
| 16 | 14,998 | 15 | 15,745 | | | | | | |
| 23 | 15,248 | 22 | 15,947 | | | | | | |
| 30 | 15,342 | 29 | 16,097 | | | | | | |

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