

AUG 27 1968

Week ending October 2, 1968

During recent months and over the past year most monetary aggregates have increased more rapidly than their trend rates. A few aggregates have increased more slowly in recent weeks and months than over the last nine or 12 months. The money stock (page 3) averaged \$188.6 billion in the week ending September 25. This represents a 5 per cent annual rate of growth during the last three months and a 6 per cent rate of growth from nine months ago, in contrast to a trend growth rate of 2.6 per cent from 1957 to 1967. The most recent three month growth rate of money has moved progressively lower for several weeks, and, on balance, money has changed little since mid-July. This recent moderation in the growth of money has prevailed for a relatively short period and may reflect only irregular forces or inadequacies of the data. The slower growth reflects, in part, the use of bank reserves to support rapidly increased time deposits which have constrained the growth of reserves available for private demand deposits. In the last three months time deposits (page 7) have grown at a 17 per cent rate, much more rapid than the 9 per cent rate for the last nine months and the 12.1 per cent trend rate of growth from 1957 to 1967.

Large negotiable certificates of deposit (page 5) at large commercial banks averaged \$22.1 billion in September, up \$2.8 billion from a low point in June and up \$1.4 billion since January. Funds also flow to users through commercial paper (page 5), which averaged \$19.5 billion outstanding volume in August, or \$0.8 billion more than the June average.

The changes in the relative growth rates of CDs and commercial paper during the past six months have been accompanied by changes in the relative yields on new CDs and substitute assets such as commercial paper (pages 4 and 5). Movements in interest rates on CDs and commercial

paper have generally shown similar patterns with only a narrow spread between these rates. During September the interest rate on new 6 month CDs of \$100,000 or more averaged 5.75 per cent while the rate on commercial paper averaged 5.81 per cent. Exceptions to this general rule have occurred when the new issue rates banks may offer on CDs are constrained by Regulation Q ceilings. One such exception occurred in the second quarter of this year when rates on substitute assets rose, by a relatively wide margin, above the maximum rates permitted on new CDs, weakening the competitive ability of banks to attract funds. During that quarter the volume of CDs declined while the growth of commercial paper surged at a 39 per cent rate. During June and July market interest rates on short-term instruments declined sufficiently that the rates banks could offer on CDs were once again competitive, and consequently the volume of CDs increased rapidly to a level more in line with its long-term growth trend.

A similar case occurred in the fall of 1966 when a wide differential between Regulation Q ceiling rates and interest rates on substitute assets was accompanied by an acceleration in the growth of commercial paper and a decline in the outstanding volume of CDs. When market interest rates subsequently declined in early 1967, the volume of CDs rose rapidly to a level more in line with its trend.

Rates of change reported in this release are intended to serve as summaries which may be useful in analyzing recent developments.

Prepared by Federal Reserve Bank of St. Louis
Released: October 4, 1968

**MONETARY BASE ¹
FEDERAL RESERVE CREDIT ²
Averages of Daily Figures**

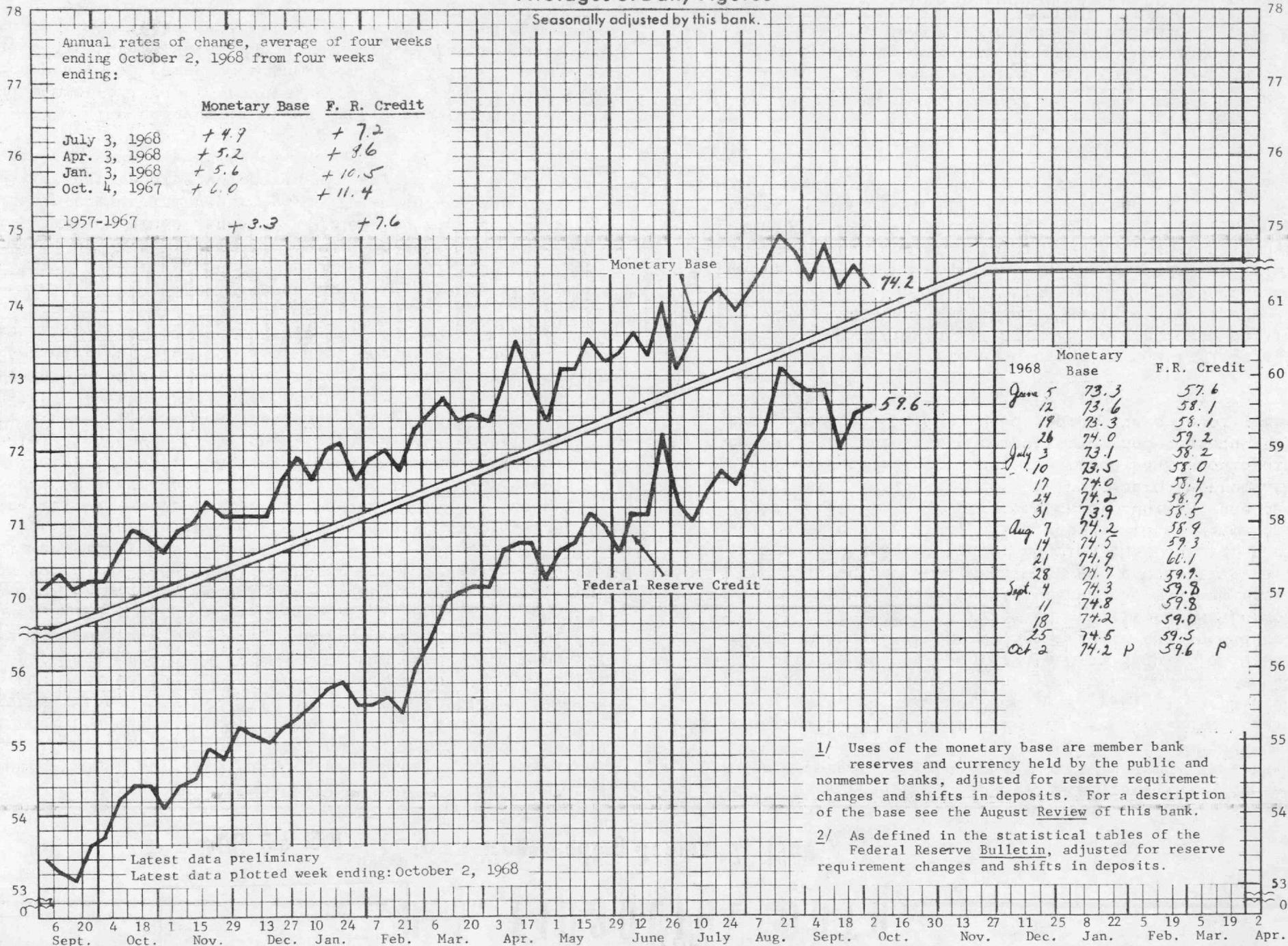
Billions of Dollars

Billions of Dollars

Seasonally adjusted by this bank.

Annual rates of change, average of four weeks ending October 2, 1968 from four weeks ending:

	Monetary Base	F. R. Credit
July 3, 1968	+ 4.9	+ 7.2
Apr. 3, 1968	+ 5.2	+ 9.6
Jan. 3, 1968	+ 5.6	+ 10.5
Oct. 4, 1967	+ 6.0	+ 11.4
1957-1967	+ 3.3	+ 7.6



1968	Monetary Base	F.R. Credit
June 5	73.3	57.6
12	73.6	58.1
19	73.3	58.1
26	74.0	59.2
July 3	73.1	58.2
10	73.5	58.0
17	74.0	58.4
24	74.2	58.7
31	73.9	58.5
Aug 7	74.2	58.9
14	74.5	59.3
21	74.9	60.1
28	74.7	59.7
Sept. 4	74.3	59.8
11	74.8	59.8
18	74.2	59.0
25	74.5	59.5
Oct 2	74.2 P	59.6 P

1/ Uses of the monetary base are member bank reserves and currency held by the public and nonmember banks, adjusted for reserve requirement changes and shifts in deposits. For a description of the base see the August Review of this bank.

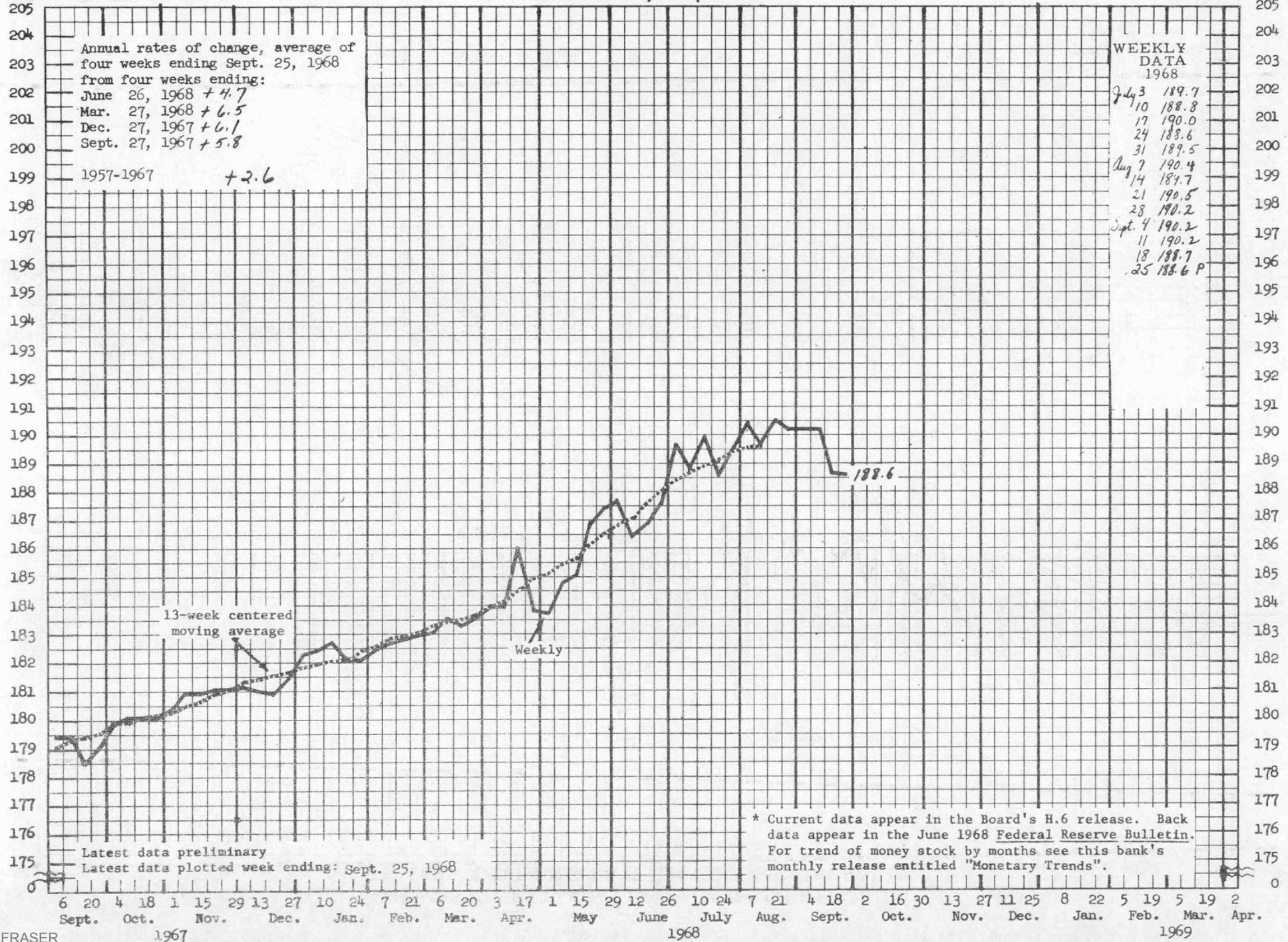
2/ As defined in the statistical tables of the Federal Reserve Bulletin, adjusted for reserve requirement changes and shifts in deposits.

Latest data preliminary
Latest data plotted week ending: October 2, 1968

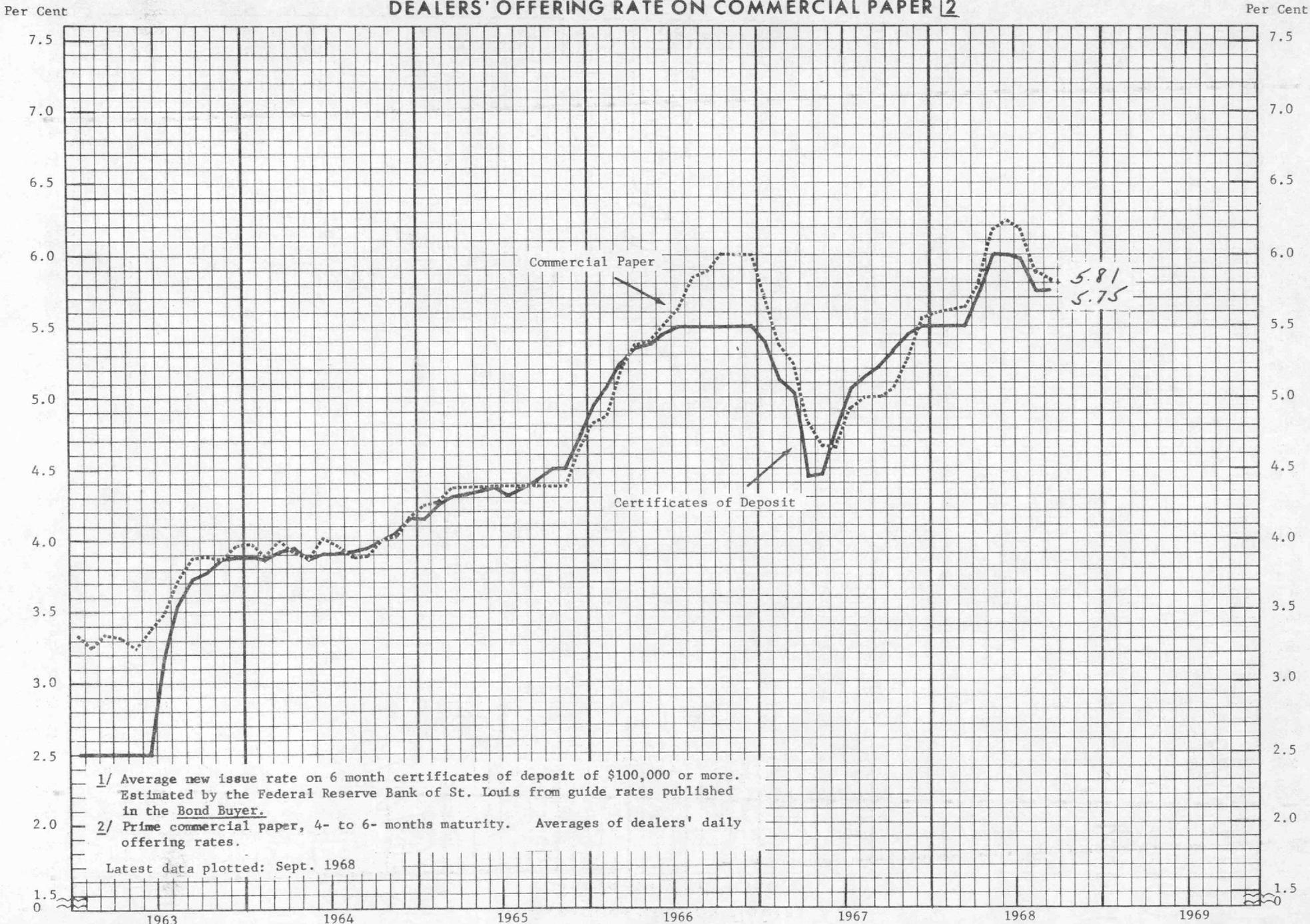
MONEY STOCK* Averages of Daily Figures Seasonally Adjusted

Billions of Dollars

Billions of Dollars



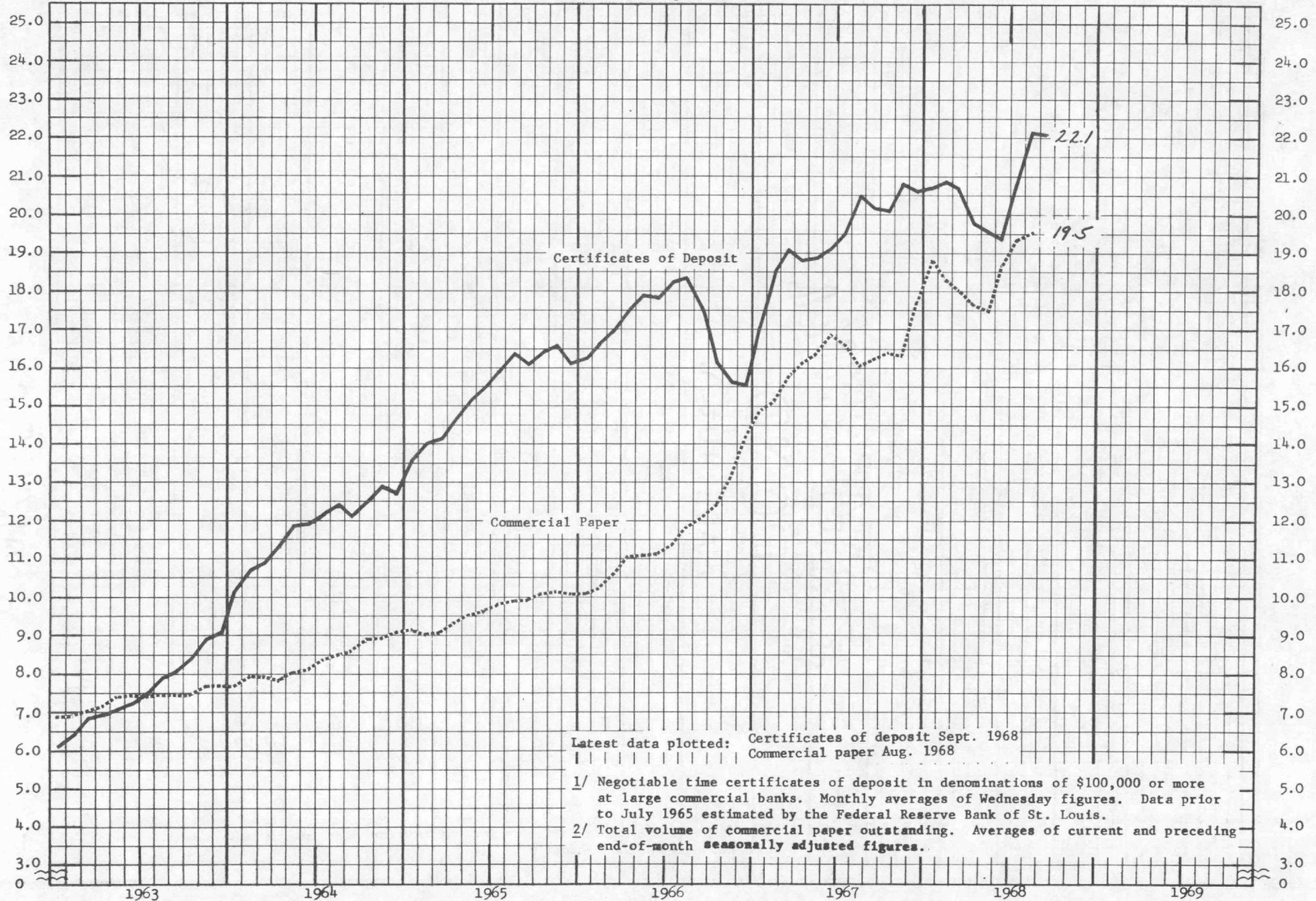
NEW ISSUE RATE ON CERTIFICATES OF DEPOSIT 1 DEALERS' OFFERING RATE ON COMMERCIAL PAPER 2



**CERTIFICATES OF DEPOSIT ¹ AND COMMERCIAL PAPER ²
Outstanding Volume**

Billions of Dollars

Billions of Dollars



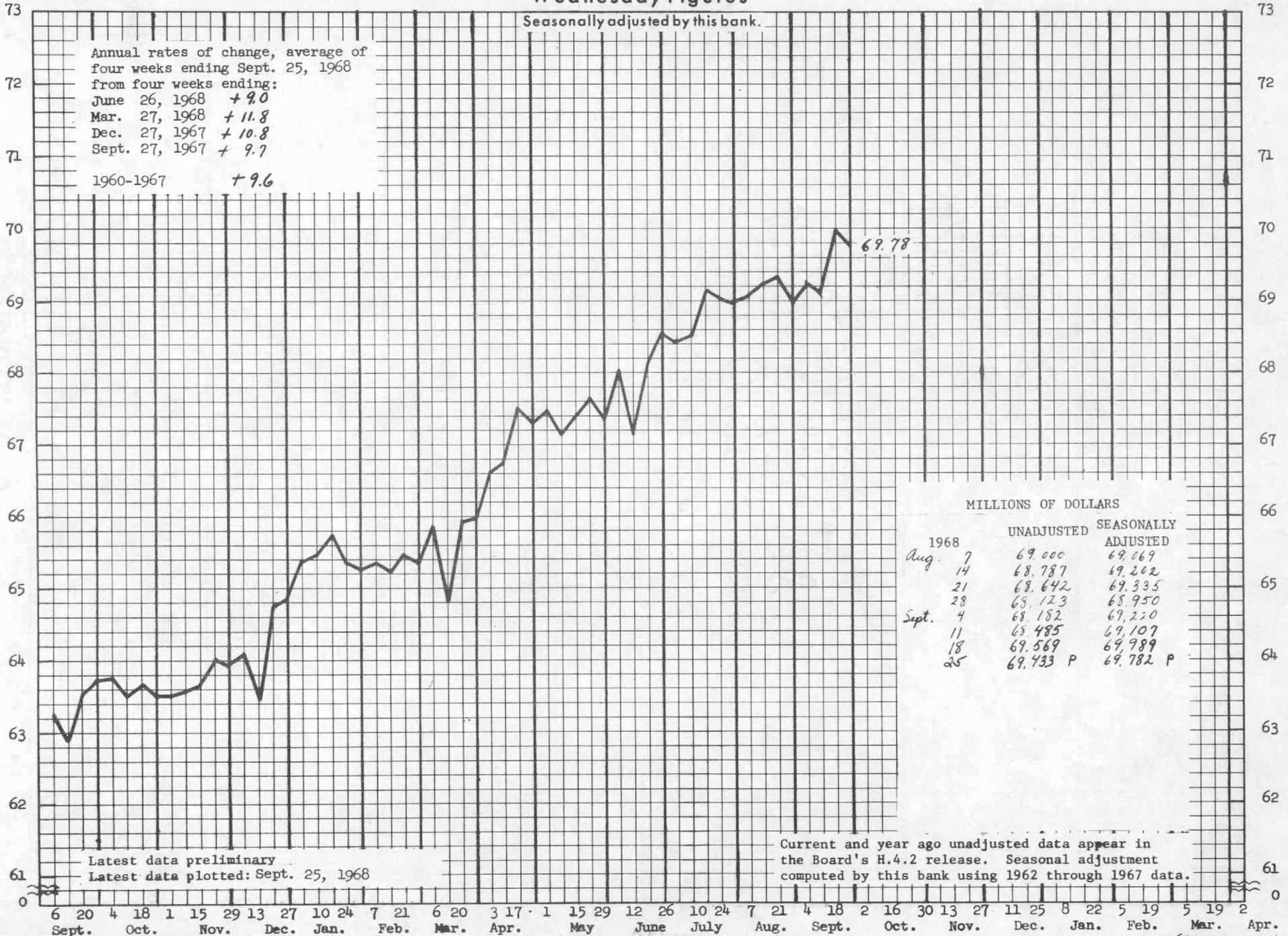
Latest data plotted: Certificates of deposit Sept. 1968
Commercial paper Aug. 1968

- 1/ Negotiable time certificates of deposit in denominations of \$100,000 or more at large commercial banks. Monthly averages of Wednesday figures. Data prior to July 1965 estimated by the Federal Reserve Bank of St. Louis.
- 2/ Total volume of commercial paper outstanding. Averages of current and preceding end-of-month seasonally adjusted figures.

BUSINESS LOANS Large Commercial Banks Wednesday Figures

Billions of Dollars

Billions of Dollars



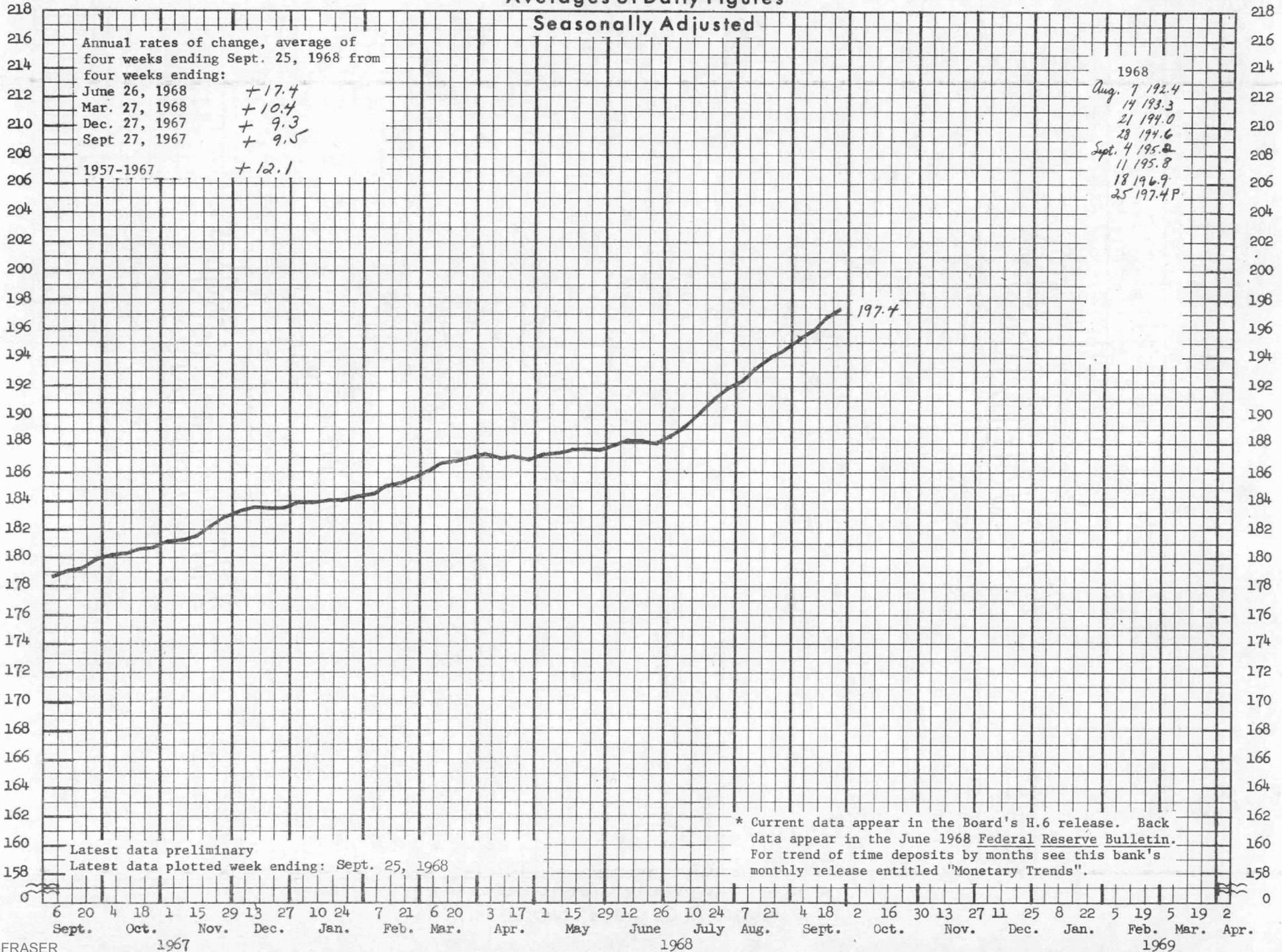
TIME DEPOSITS*

All Commercial Banks

Averages of Daily Figures

Billions of Dollars

Billions of Dollars

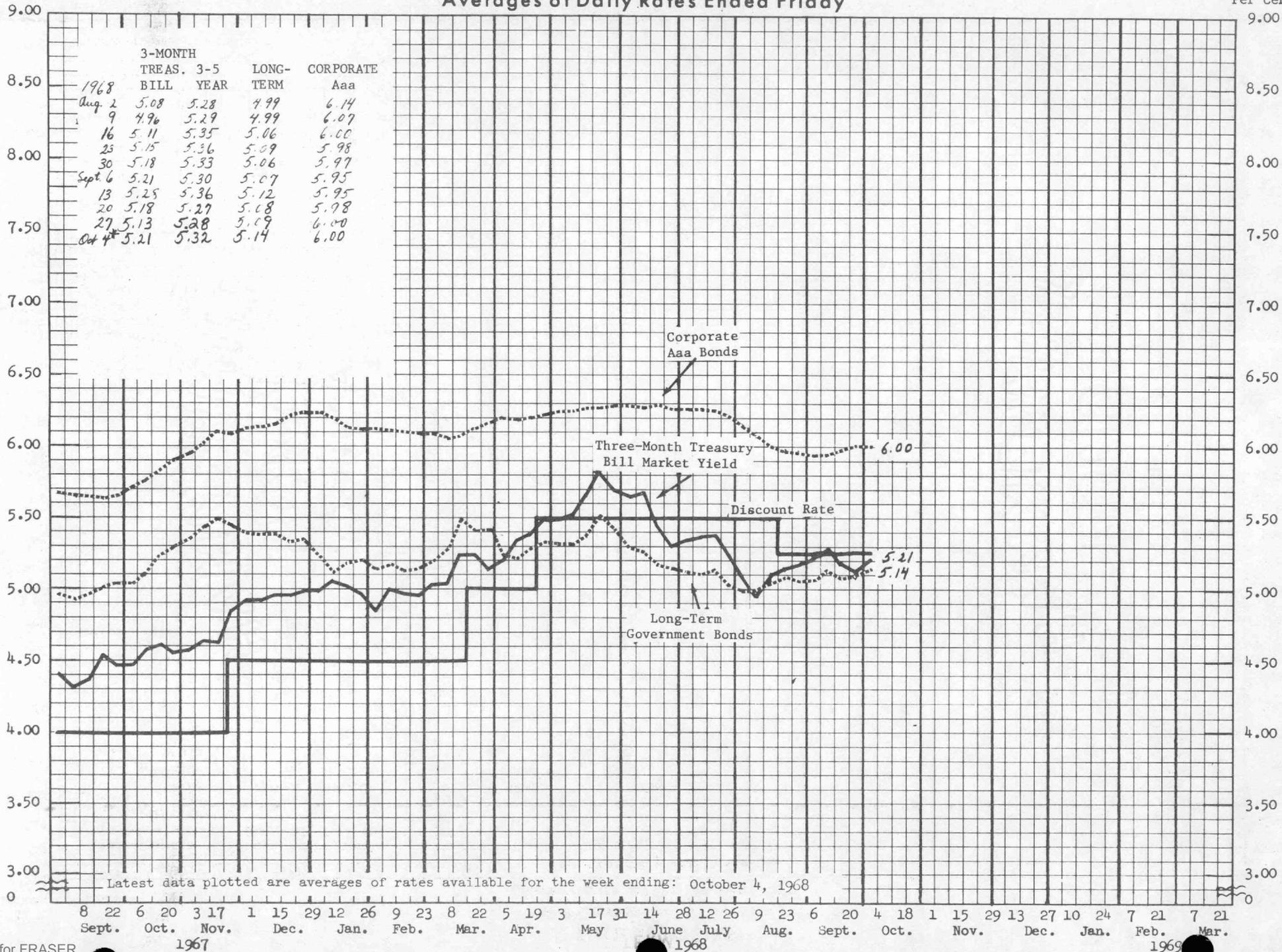


YIELDS ON SELECTED SECURITIES

Averages of Daily Rates Ended Friday

Per Cent

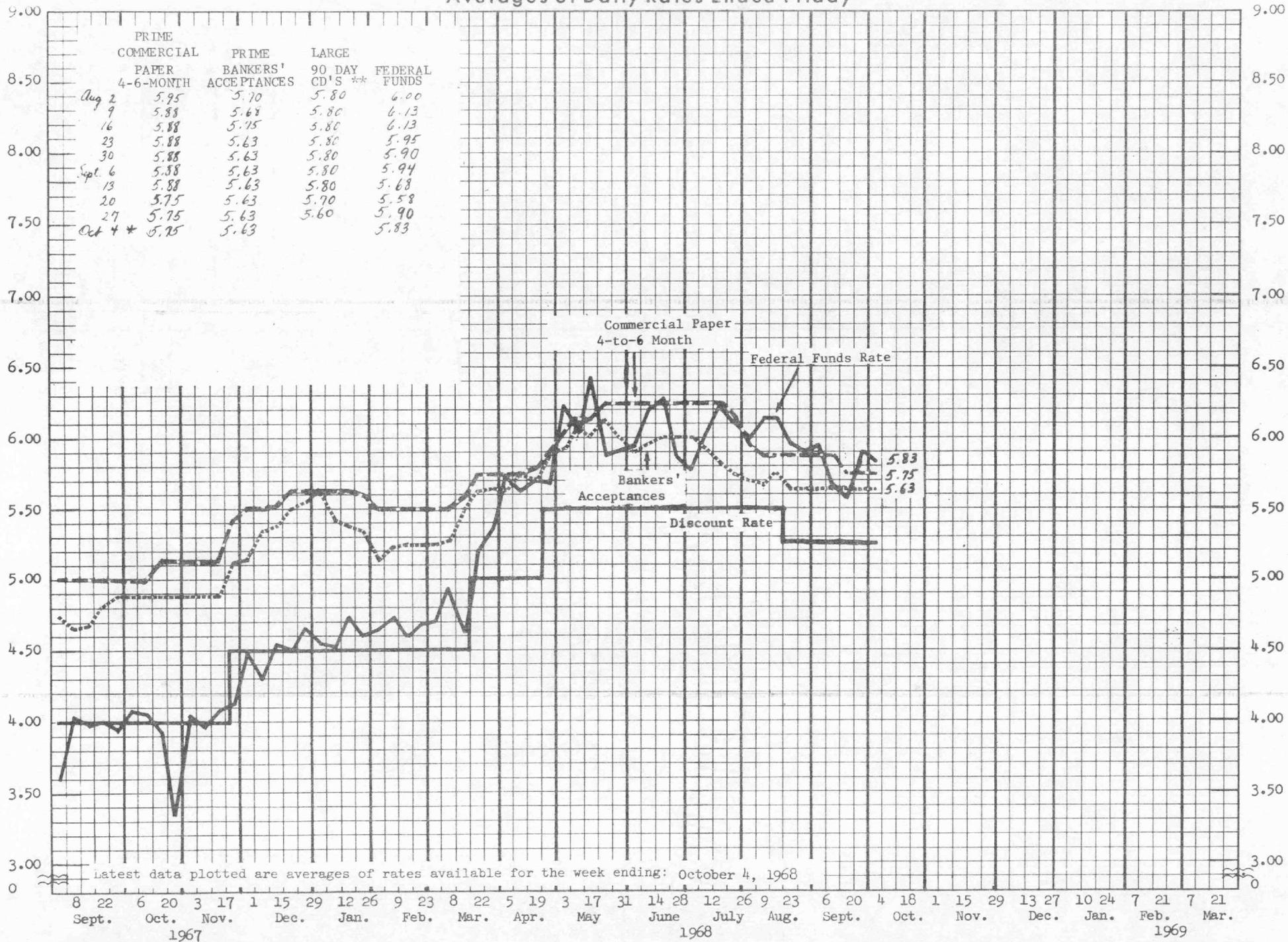
Per Cent



SELECTED SHORT-TERM INTEREST RATES Averages of Daily Rates Ended Friday

Per Cent

Per Cent



Latest data plotted are averages of rates available for the week ending: October 4, 1968

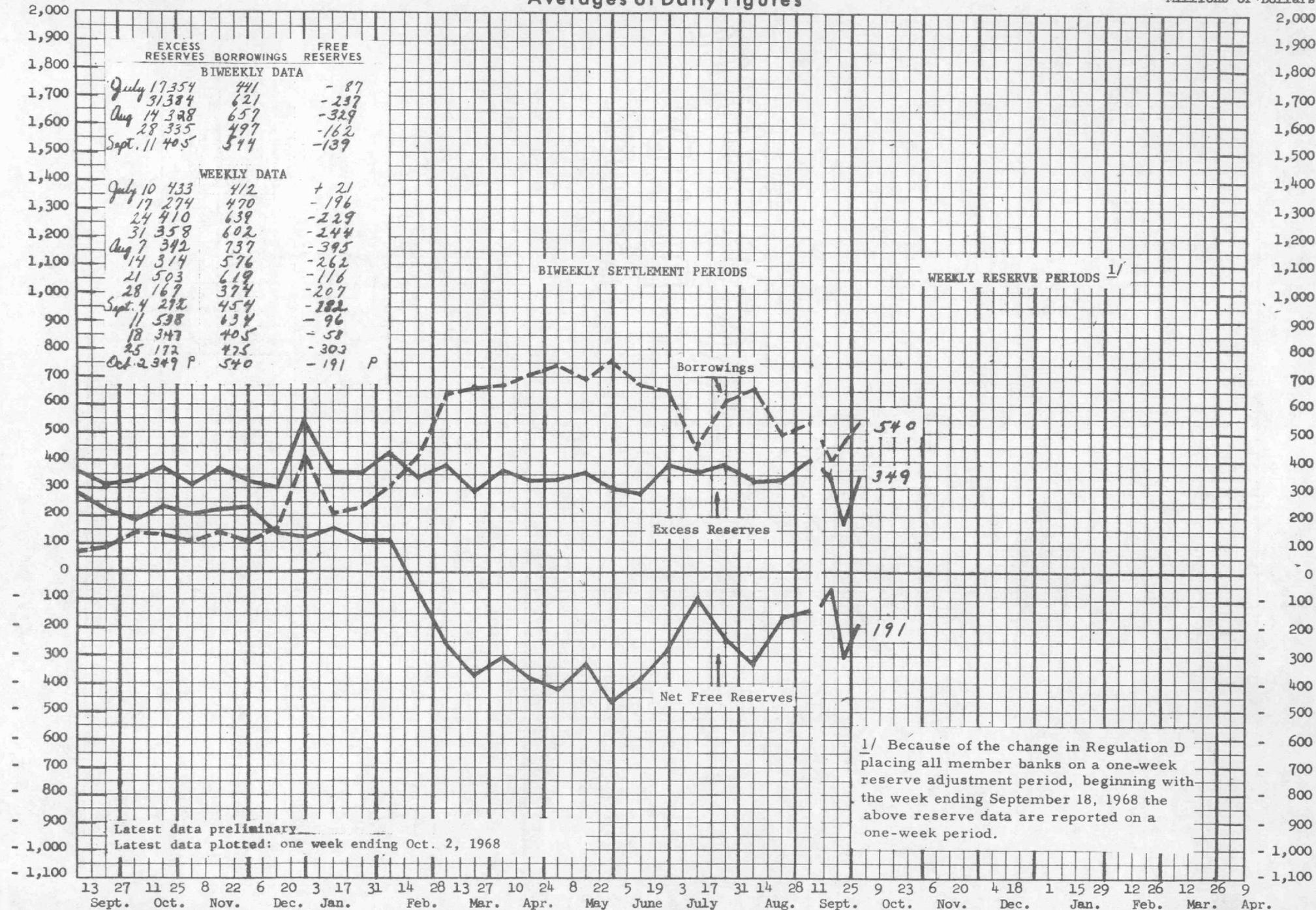
BORROWINGS AND EXCESS RESERVES

All Member Banks in the Nation

Averages of Daily Figures

Millions of Dollars

Millions of Dollars



1/ Because of the change in Regulation D placing all member banks on a one-week reserve adjustment period, beginning with the week ending September 18, 1968 the above reserve data are reported on a one-week period.

Latest data preliminary
 Latest data plotted: one week ending Oct. 2, 1968

<u>Total Federal Reserve Credit Seasonally Adjusted</u>		<u>Total Federal Reserve Credit Seasonally Adjusted</u>		<u>Total Federal Reserve Credit Seasonally Adjusted</u>		<u>Total Effective Reserves Seasonally Adjusted</u>	
<u>Week Ending</u>		<u>Week Ending</u>		<u>Week Ending</u>		<u>Week Ending</u>	
Jan. 4, 1967	50.5	Oct. 4, 1967	53.7	July 3, 1968	58.2	Aug. 7, 1968	26.41
11	50.9	11	54.2	10	58.0	14	26.20
18	50.8	18	54.4	17	58.4	21	26.60
25	51.4	25	54.4	24	58.7	28	26.26
Feb. 1, 1967	51.1	Nov. 1, 1967	54.1	31	58.5	Sept. 4, 1968	26.24
8	51.0	8	54.4	Aug. 7, 1968	58.9	11	26.51
15	51.4	15	54.5	14	59.3	18	26.08
22	51.6	22	54.9	21	60.1	25	25.57
Mar. 1, 1967	51.2	29	54.8	28	59.9	Oct. 2	26.32 P
8	51.7	Dec. 6, 1967	55.2	Sept. 4, 1968	59.8		
15	51.7	13	55.1	11	59.8		
22	52.3	20	55.0	18	59.0		
29	52.4	27	55.2	25	59.5		
Apr. 5, 1967	52.2	Jan. 3, 1968	55.3	Oct. 2	59.6 P		
12	52.3	10	55.5				
19	52.6	17	55.7				
26	52.9	24	55.8				
May 3, 1967	52.8	31	55.5				
10	52.9	Feb. 7, 1968	55.5				
17	52.8	14	55.6				
24	52.9	21	55.4				
31	52.5	28	56.0				
June 7, 1967	52.7	Mar. 6, 1968	56.4				
14	52.4	13	56.9				
21	52.5	20	57.0				
28	52.7	27	57.1				
July 5, 1967	52.7	Apr. 3, 1968	57.1				
12	53.0	10	57.6				
19	53.2	17	57.7				
26	53.5	24	57.7				
Aug. 2, 1967	53.3	May 1, 1968	57.2				
9	53.2	8	57.6				
16	53.4	15	57.7				
23	53.5	22	58.1				
30	53.3	29	57.9				
Sept. 6, 1967	53.4	June 5, 1968	57.6				
13	53.2	12	58.1				
20	53.1	19	58.1				
27	53.6	26	59.2				

Reserves Available For Private Demand Deposits

<u>Week Ending</u>	<u>Seasonally Adjusted</u>
Aug. 7, 1968	17.68
14	17.48
21	17.79
28	17.45
Sept. 4, 1968	17.56
11	17.76
18	17.39
25	17.21
Oct. 2	17.51 P

Averages of daily figures in billions of dollars.

P - preliminary.