

Week ending: December 11, 1968

AUG 27 1998

Short-term interest rates (pages 8 and 9) have been rising since September and went up sharply in the last three days. On December 11, yields on three-month Treasury bills reached 5.88 per cent compared with a peak of 5.82 per cent last May and a low of about 5 per cent in late summer. Interest rates on long-term issues followed a similar pattern. Expectations of continued rapid increases in spending and inflation have increased since early fall. With expected price rises, interest rates typically go up, since lenders seek to protect the purchasing power of funds and borrowers expect to repay in cheaper dollars.

Monetary expansion, as measured by the money stock (page 3), has apparently resumed a rapid pace. Although money rose at a 2 per cent annual rate from July to October, the increase in money over the entire last six months has been at a 6 per cent rate, about the same as in the previous six months.

The trend growth of the monetary base (total credit provided by the Treasury and the Federal Reserve) largely determines the trend growth of money. The growth of the base (page 2) has been rapid throughout the year, advancing at a nearly steady 6 per cent rate, significantly faster than the average 3.3 per cent trend rate from 1957 to 1967.

Federal Reserve credit is the largest source component of the monetary base, and the two series usually

follow a similar pattern over time. Recently, however, growth of Federal Reserve credit (page 2) decelerated from a 12 per cent annual rate during the first eight months of the year to a 0.5 per cent rate in the last three months.

The growth of the base continued to be rapid in the face of slower growth of Federal Reserve credit largely as a result of a substantial increase in Federal Reserve holdings of foreign denominated currencies, which increased a source of the base not included in Federal Reserve credit. (See table of sources of the base on page 12.) From the week ending November 20 to that of the 27th, Federal Reserve holdings of foreign denominated currencies rose by a large amount due to an increase in international "swaps" relating to the French financial difficulties. Federal Reserve credit declined about \$1.2 billion from the week ending November 20 to that of the 27th, but other sources of the base increased more than \$.5 billion during the same period. Consequently, the base declined only about \$.5 billion in that week. The rise in Federal Reserve holdings of foreign denominated currencies has usually been a temporary phenomenon, corresponding to periods of turmoil in international money markets.

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

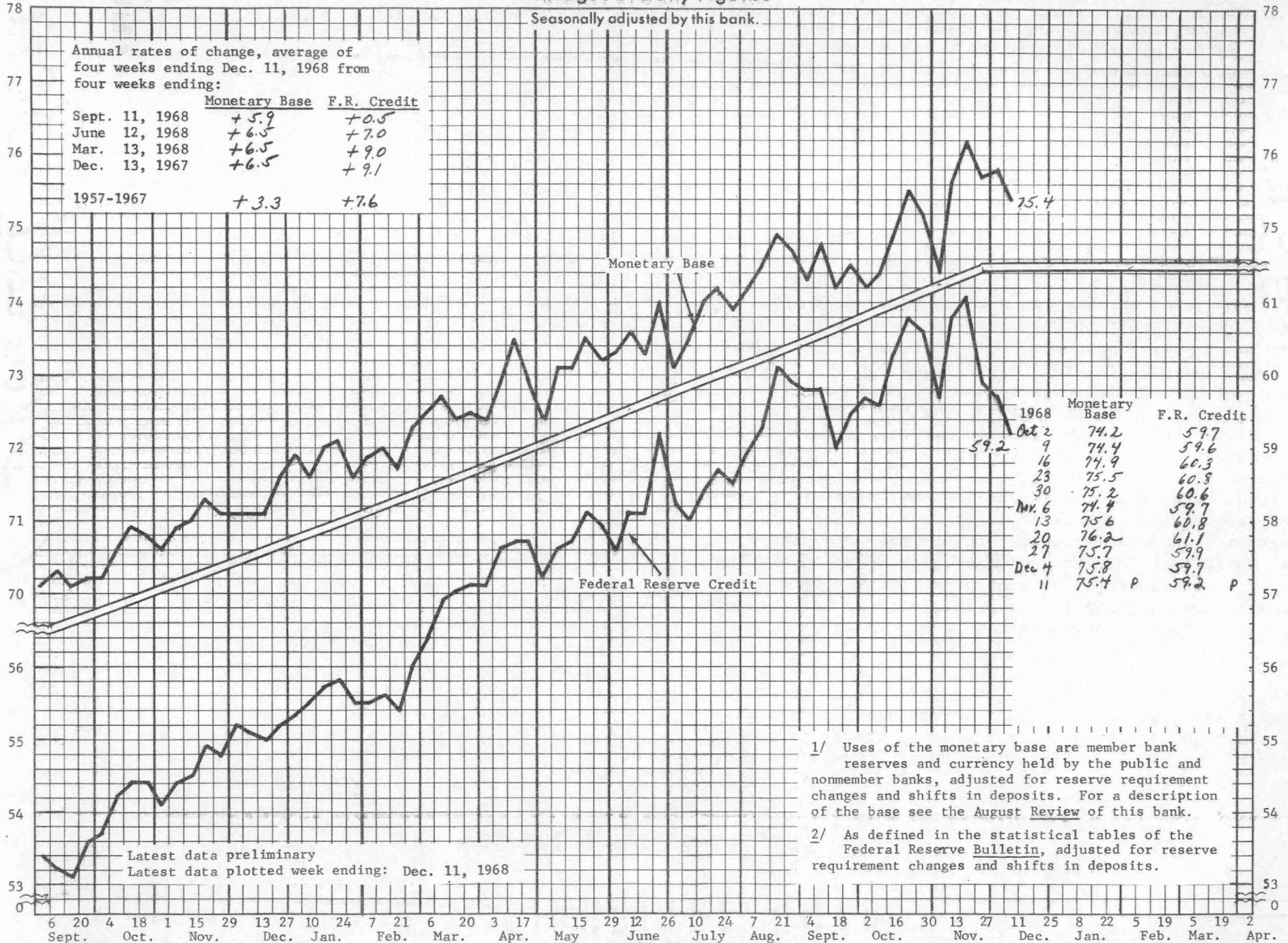
Prepared by Federal Reserve Bank of St. Louis

Released: December 13, 1968

MONETARY BASE ¹ FEDERAL RESERVE CREDIT ² Averages of Daily Figures

Billions of Dollars

Billions of Dollars



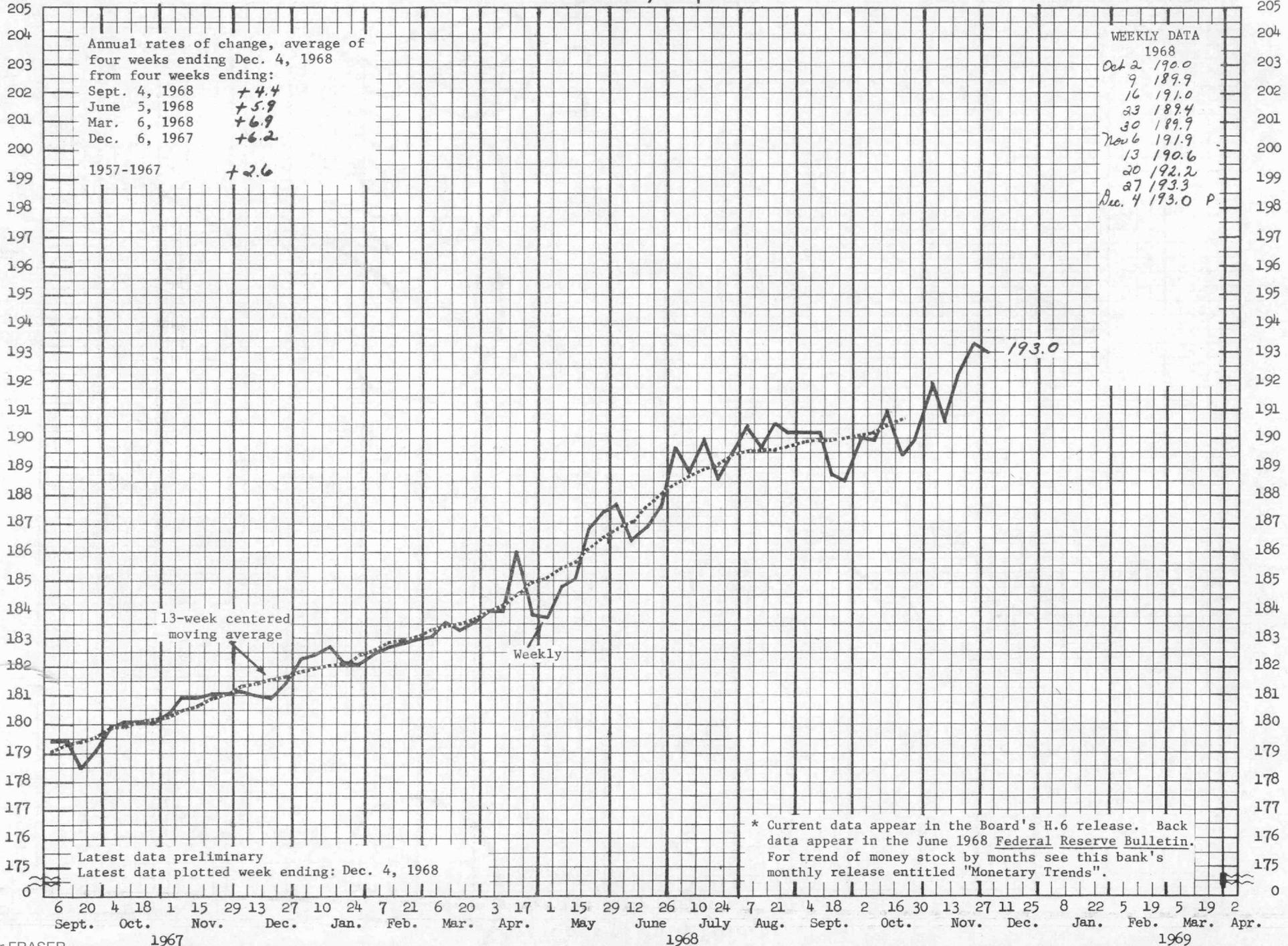
1/ Uses of the monetary base are member bank reserves and currency held by the public and nonmember banks, adjusted for reserve requirement changes and shifts in deposits. For a description of the base see the August Review of this bank.

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

MON STOCK*
Averages of Daily Figures
Seasonally Adjusted

Billions of Dollars

Billions of Dollars



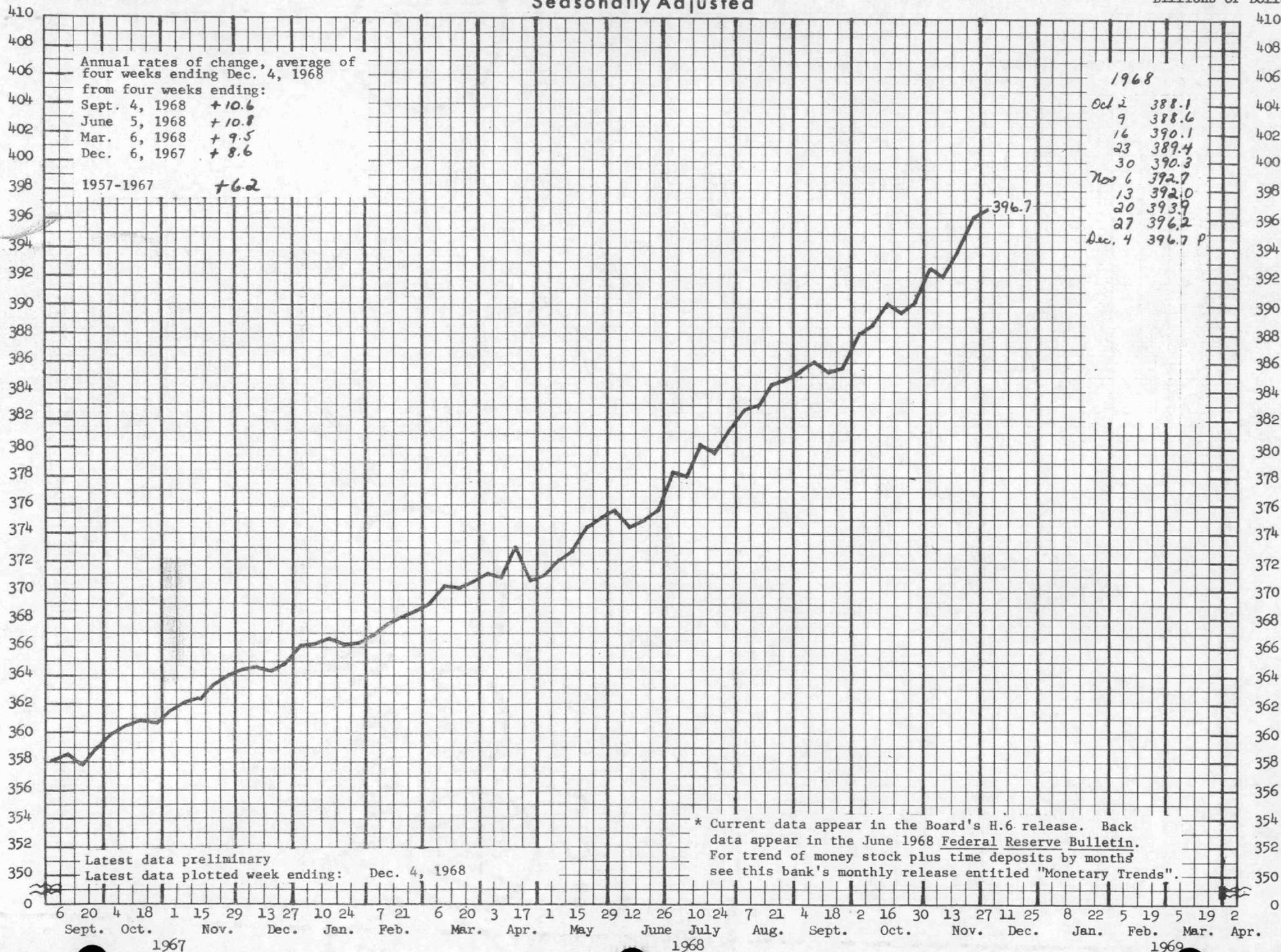
MONEY STOCK PLUS TIME DEPOSITS*

Averages of Daily Figures

Seasonally Adjusted

Billions of Dollars

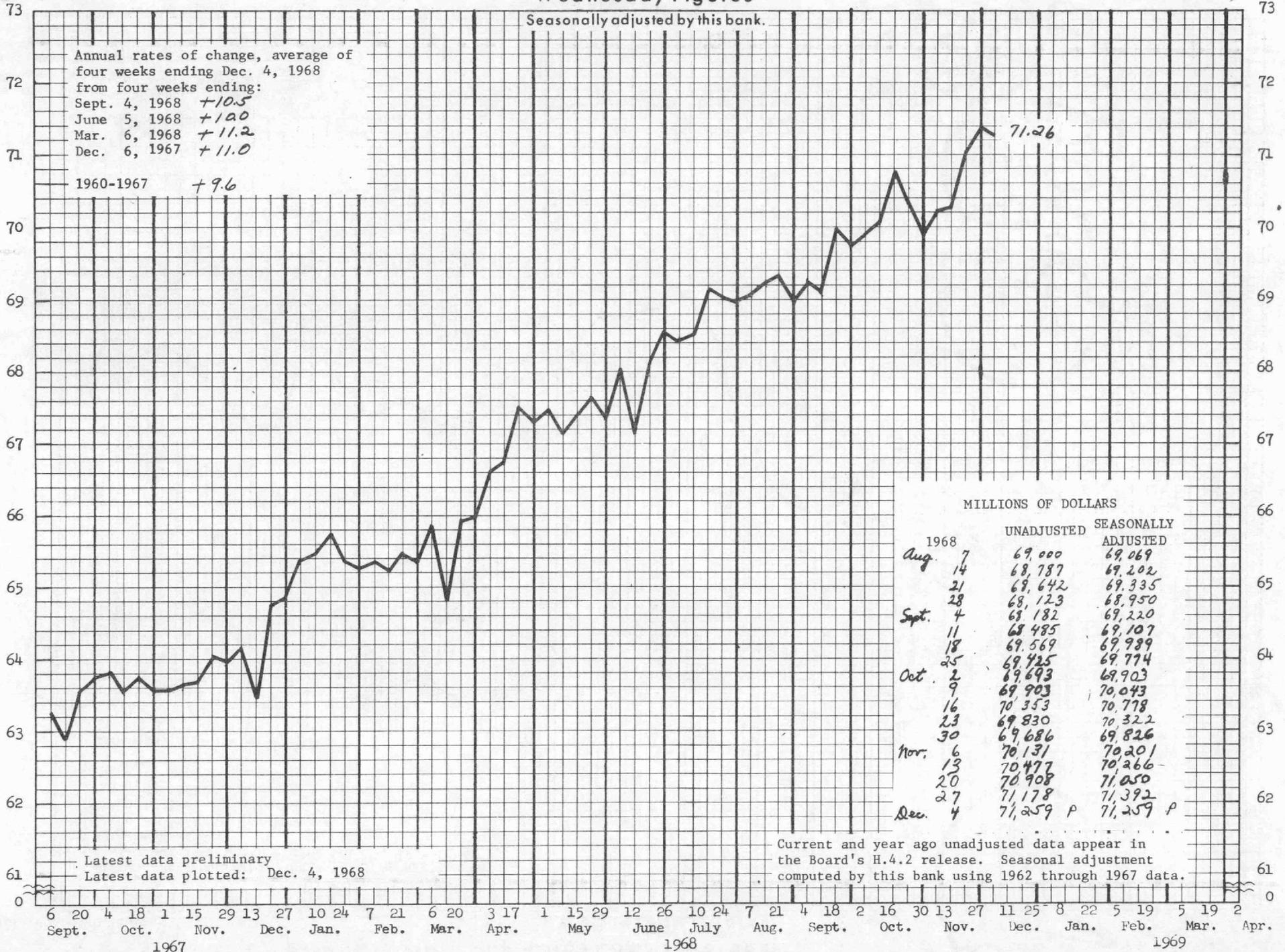
Billions of Dollars



BUSINESS LOANS Large Commercial Banks Wednesday Figures

Billions of Dollars

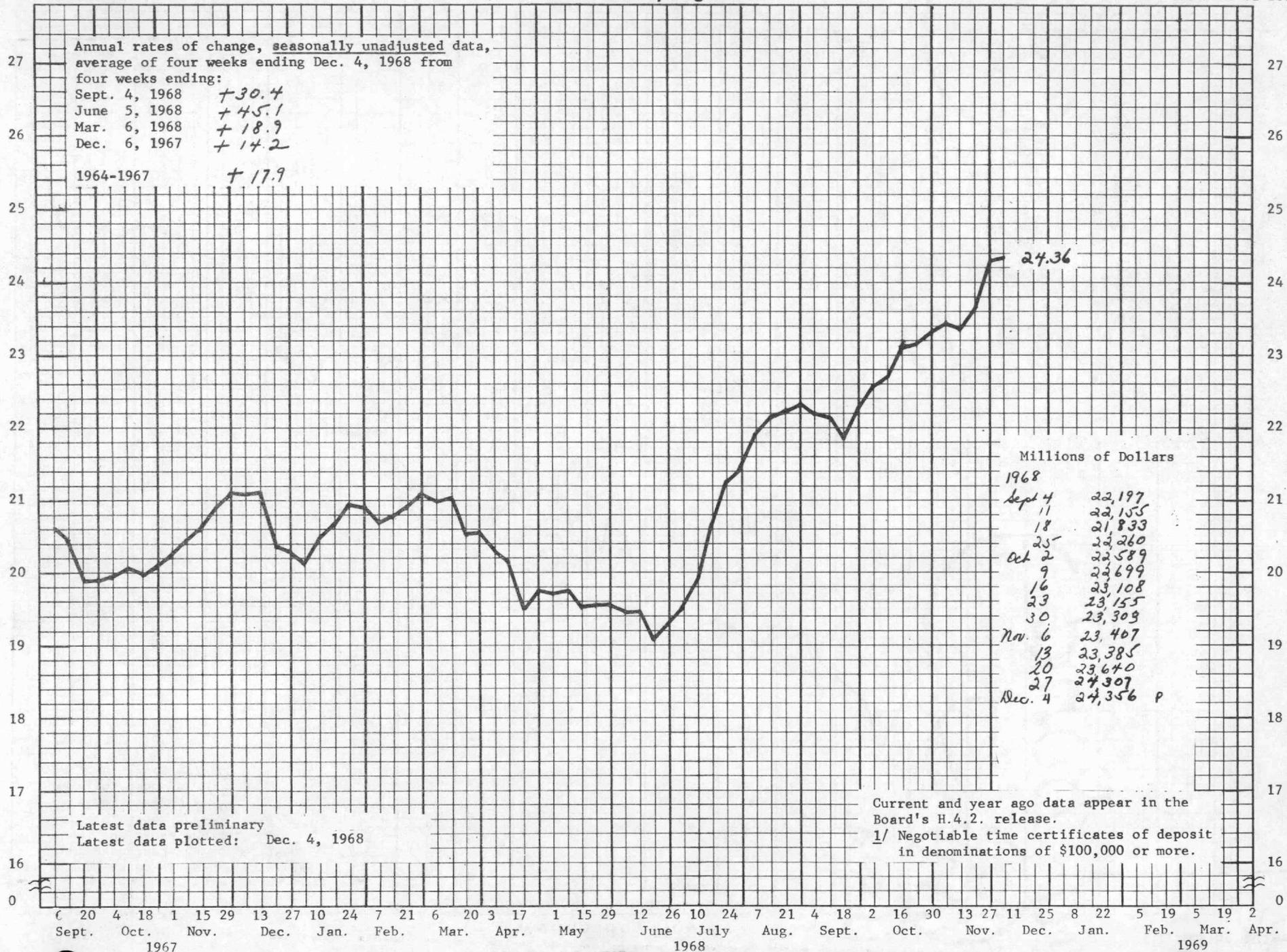
Billions of Dollars



CERTIFICATES OF DEPOSIT ¹
Large Commercial Banks
Wednesday Figures

Billions of Dollars

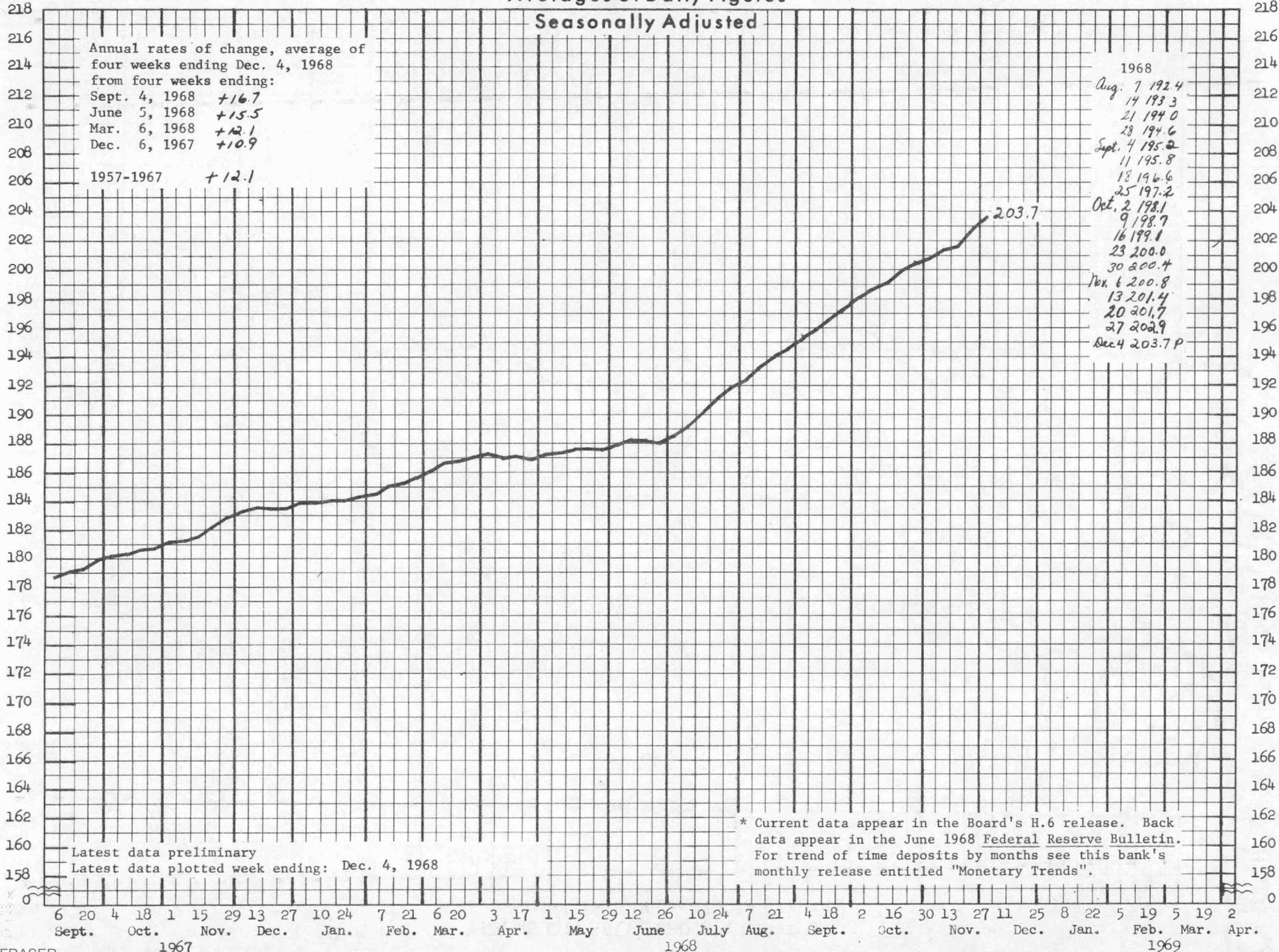
Billions of Dollars



TIME DEPOSITS* All Commercial Banks Averages of Daily Figures

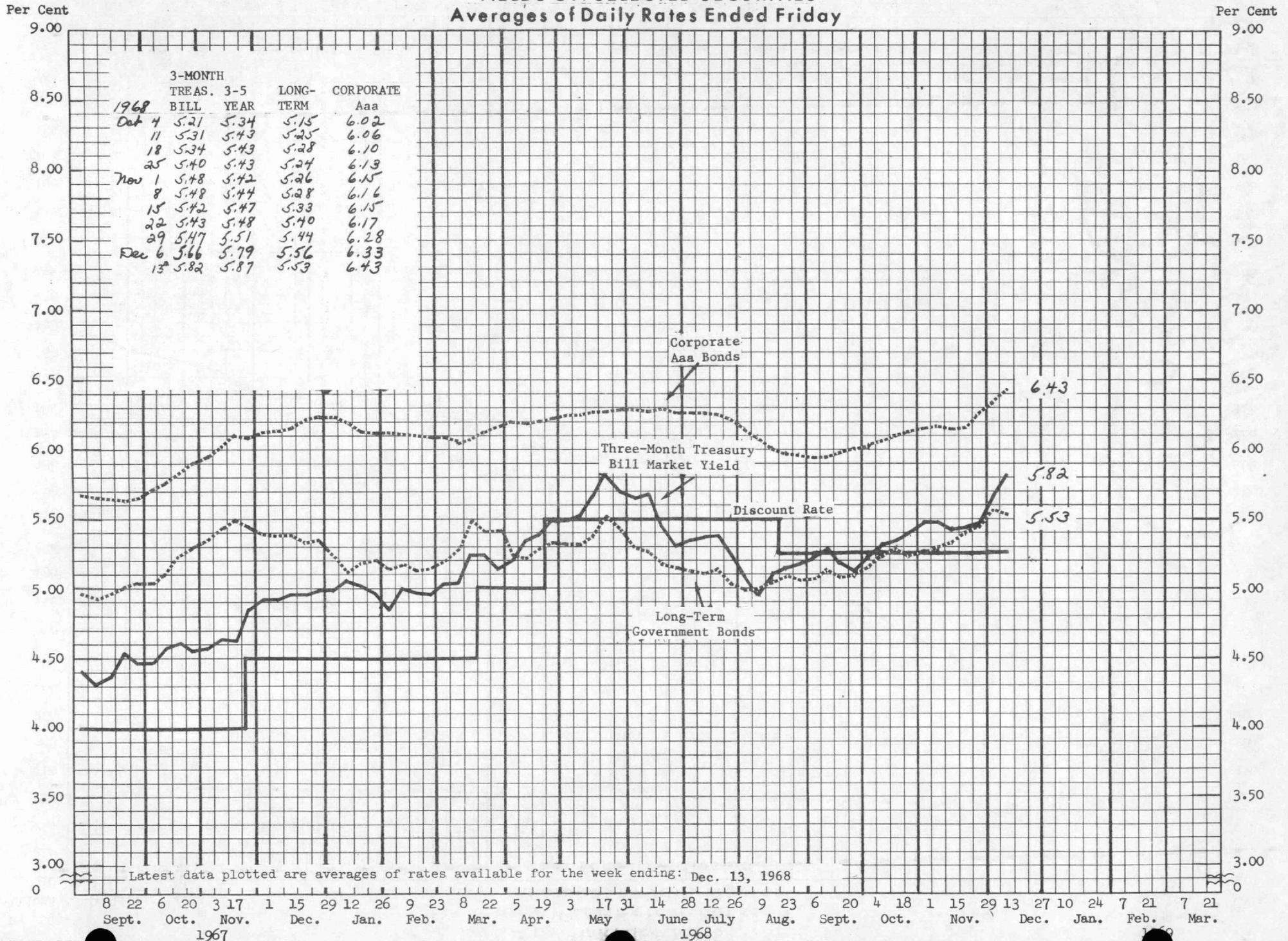
Billions of Dollars

Billions of Dollars



YIELDS ON SELECTED SECURITIES

Averages of Daily Rates Ended Friday

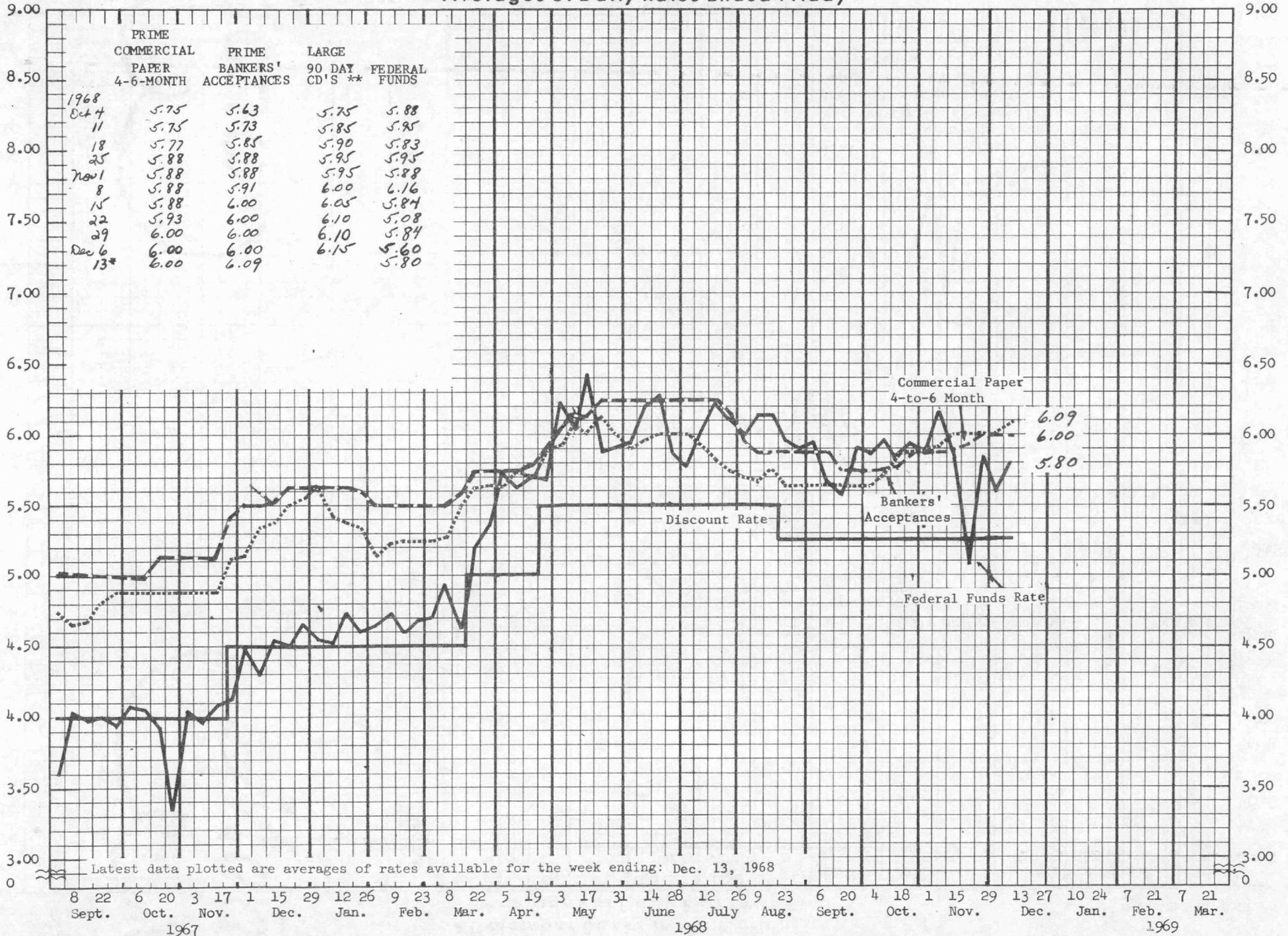


SELECTED SHORT TERM INTEREST RATES

Averages of Daily Rates Ended Friday

Per Cent

Per Cent



Digitized for FRASER* AVERAGES OF RATES AVAILABLE
 http://fraser.stlouisfed.org SOURCE: SALOMON BROTHERS AND HUTZLER
 Federal Reserve Bank of St. Louis SECONDARY MARKET RATE ON 90-DAY PRIME CD'S.

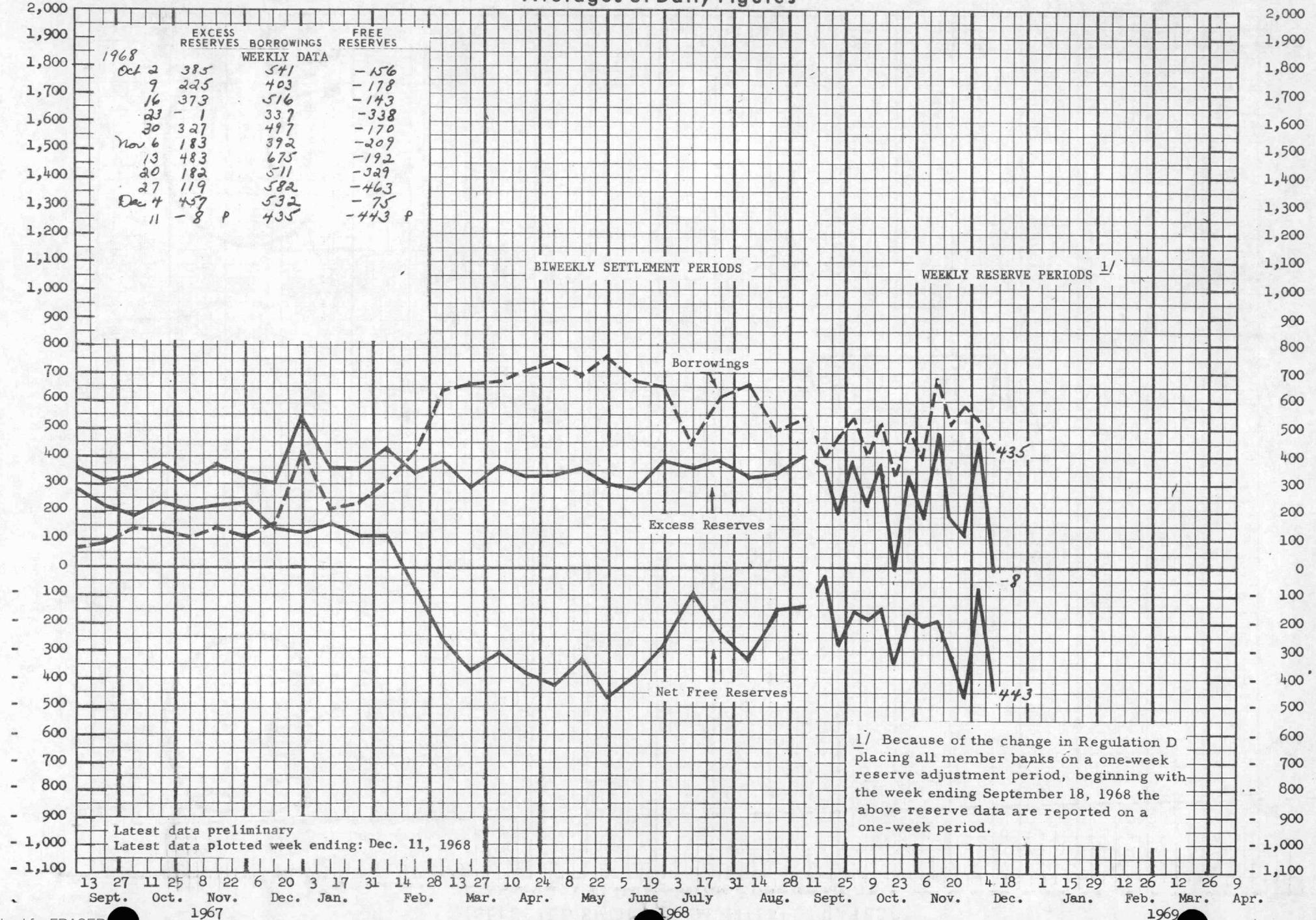
BORROWINGS AND EXCESS RESERVES

All Member Banks in the Nation

Averages of Daily Figures

Millions of Dollars

Millions of Dollars



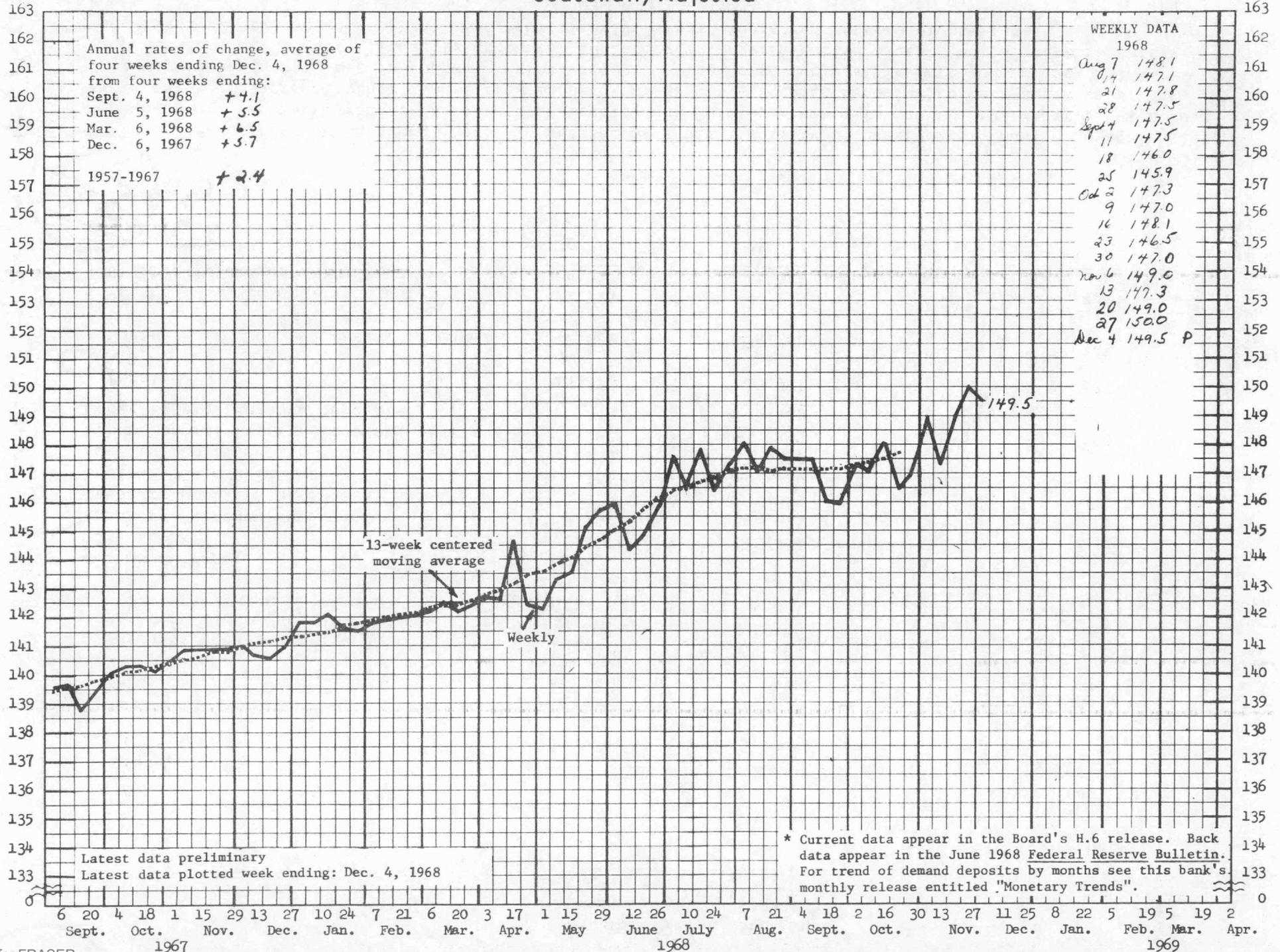
DEMAND DEPOSIT COMPONENT OF U.S. MONEY STOCK*

Averages of Daily Figures

Seasonally Adjusted

Billions of Dollars

Billions of Dollars



SOURCES OF THE BASE
Averages of Daily Figures
(Millions of Dollars)

12

	<u>Nov. 20, 1968</u>	<u>Nov. 27, 1968</u>	<u>Change from Nov. 20 to Nov. 27</u>
Federal Reserve Credit			
Holdings of Securities	\$ 53,564	\$ 53,006	\$ - 558
Discounts & Advances	511	582	+ 71
Float	<u>2,637</u>	<u>2,227</u>	- 410
Total	56,711*	55,814*	- 897
Seasonally Adjusted	56,637	55,465	- 1,172
Reserve Adjustment	<u>4,422</u>	<u>4,396</u>	- 26
	61,059	59,861	- 1,198
 Other Sources of Base			
Gold Stock	10,367	10,367	0
Treasury Currency Outstanding	6,792	6,801	+ 9
(-) Treasury Deposits at Federal Reserve	- 615	- 645	- 30
(-) Treasury Cash Holdings	- 765	- 776	- 11
(-) Foreign Deposits with Federal Reserve	- 155	- 219	- 64
(-) Other Federal Reserve Accounts (Net)	+ 189	+ 839	+ 650
(-) Other Federal Reserve Deposits	<u>- 443</u>	<u>- 420</u>	+ 23
Total	15,370	15,947	+ 577
Source Base (Not seasonally adjusted)	72,080*	71,760*	- 320
Source Base Seasonally Adjusted	71,729	71,275	- 454
Reserve Adjustment	<u>4,422</u>	<u>4,396</u>	- 26
	76,151	75,671	- 480

* Totals do not add due to rounding.

NOTE. - "Other Federal Reserve Accounts (Net)" is treated as a net liability of the Federal Reserve in the table, "Member Bank Reserves, Federal Reserve Bank Credit, and Related Items," in the Federal Reserve Bulletin. This entry consists of other liabilities minus other assets. Foreign denominated currencies related to international "swaps" are included in "other assets." The large increase in foreign currency holdings caused "other (net) liability accounts" to become a larger negative amount, but since this enters negatively in the sources of the base, the rise in "swaps" increased sources of the base.