Interest rates have followed a strong upward trend for the past several years. After a brief pause last summer, the trend continued this past fall and winter. The yield on long-term U.S. Government securities (page 8) averaged 6.15 per cent in the three days ending March 19, up from an interim low of about 5 per cent last summer. Market rates on seasoned corporate Aaa bonds averaged 6.91 per cent early this week, up from 6 per cent in the summer. This long upward trend has been the result of the increase in the demand for funds relative to the supply over the whole period. The rapidly growing demand is related to the excessive growth in total spending and the resulting inflation and, in turn, the excessive growth of total spending may be attributed to the Government deficit and monetary expansion in these past years.

The most notable change in short-term interest rates this week was the jump in the rate on commercial bank loans to prime business customers from 7 to 7½ per cent (page 8). With this recent increase, the banks' prime loan rate has risen 1½ percentage points since September, while the market rate on commercial paper has risen about 1 percentage point. During the same six-month period the discount rate charged by the Federal Reserve on reserves borrowed by member banks has increased only one quarter of one percentage point (page 9).

Interest rates charged by commercial banks have been under exceptional pressure in the last couple of months because of limitations on the supply of funds to banks in the face of the continued strong demand for loans. Maximum rates which the banks may pay on time deposits have been unchanged during the last six months of upward demand pressure on loan funds; consequently, funds have been diverted from banks into other channels. Since early December large certificates of deposit issued at the banks have fallen from $24.3 billion to $19.4 billion (page 6). Total time deposits have declined since late December from $204.6 billion to $201 billion (page 7).

The monetary base has risen at a 3.6 per cent annual rate in the past three months, compared with 6 per cent during the past year (page 2). The major factor resulting in the recent slower growth of the monetary base has been a substantially slower growth in Federal Reserve credit since late fall. Federal Reserve credit has increased at only a 3.3 per cent rate in the past three months, compared with 7 per cent in the past year. Total member bank reserves have grown at a 5 per cent annual rate in the past three months, about the same as during the past year.

Growth of the money stock in the past three months has been at a 2.5 per cent annual rate, somewhat slower than the growth of the monetary base (page 3). This has been due mainly to a strong growth in currency in the hands of the public. This factor tends to decrease the multiplier relationship between the monetary base and the money stock.

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: March 21, 1969
MONETARY BASE [1]
FEDERAL RESERVE CREDIT [2]
Averages of Daily Figures

Annual rates of change, average of four weeks ending March 19, 1969 from four weeks ending:

<table>
<thead>
<tr>
<th>Date</th>
<th>Monetary Base</th>
<th>F.R. Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec. 18, 1968</td>
<td>+3.6</td>
<td>+3.3</td>
</tr>
<tr>
<td>Sept. 18, 1968</td>
<td>+5.1</td>
<td>+3.9</td>
</tr>
<tr>
<td>June 19, 1968</td>
<td>+5.6</td>
<td>+5.7</td>
</tr>
<tr>
<td>Mar. 20, 1968</td>
<td>+5.6</td>
<td>+6.9</td>
</tr>
<tr>
<td>1957-1968</td>
<td>+3.6</td>
<td>+7.8</td>
</tr>
</tbody>
</table>

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 1968 Review of this bank.

2/ Defined to include holdings of securities, loans, and float, adjusted for reserve requirement changes and changes in requirements due to shifts in deposits among classes of banks.

Latest data preliminary
Latest data plotted week ending: March 19, 1969

Prepared by Federal Reserve Bank of St. Louis

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Federal Reserve Bank of St. Louis
Annual rates of change, average of four weeks ending March 12, 1969 from four weeks ending:

- Dec. 11, 1968: +2.5
- Sept. 11, 1968: +4.0
- June 12, 1968: +5.0
- Mar. 13, 1968: +6.0

1957-1968: +2.9

Latest data preliminary
Latest data plotted week ending: March 12, 1969

13-week centered moving average
Weekly

For trend of money stock by months see this bank's monthly release entitled "Monetary Trends".
MONEY STOCK PLUS TIME DEPOSITS*
Averages of Daily Figures
Seasonally Adjusted

Billions of Dollars

Annual rates of change, average of
four weeks ending March 12, 1969
from four weeks ending:
Dec. 11, 1968  -1.0
Sept. 11, 1968  +7.1
June 12, 1968  +7.1
Mar. 13, 1968  +7.0
1957-1968  +6.4

Latest data preliminary
Latest data plotted week ending: March 12, 1969

* Current data appear in the Board's H.6 release. Back
data appear in the June 1968 Federal Reserve Bulletin;
For trend of money stock plus time deposits by months
see this bank's monthly release entitled "Monetary Trends".

Prepared by Federal Reserve Bank of St. Louis
BUSINESS LOANS
Large Commercial Banks
Wednesday Figures

Billions of Dollars

Seasonally adjusted by this bank.

Annual rates of change, average of four weeks ending March 12, 1969 from four weeks ending:

- Dec. 11, 1968: +17.2%
- Sept. 11, 1968: +14.7%
- June 12, 1968: +13.2%
- Mar. 13, 1968: +13.6%
- 1960-1968: +9.6%

Current and year ago unadjusted data appear in the Board's H.4.2 release. Seasonal adjustment computed by this bank using 1962 through 1967 data.

Prepared by Federal Reserve Bank of St. Louis

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Federal Reserve Bank of St. Louis
CERTIFICATES OF DEPOSIT
Large Commercial Banks
Wednesday Figures

Annual rates of change, seasonally unadjusted data, average of four weeks ending March 12, 1969 from four weeks ending:

- Dec. 11, 1968: -72.3
- Sept. 11, 1968: -22.1
- June 12, 1968: +1.8
- Mar. 13, 1968: -5.8

1964-1968: +16.0

Current and year ago data appear in the Board's H.4.2. release.

1/ Negotiable time certificates of deposit in denominations of $100,000 or more.

Prepared by Federal Reserve Bank of St. Louis
Annual rates of change, average of four weeks ending March 12, 1969 from four weeks ending:
- Dec. 11, 1968 + 7.3
- Sept. 11, 1968 + 6.2
- June 12, 1968 + 9.2
- Mar. 13, 1968 + 8.1

1957-1968 + 12.0

* For trend of time deposits by months see this bank's monthly release entitled "Monetary Trends".

Prepared by Federal Reserve Bank of St. Louis
BORROWINGS AND EXCESS RESERVES
All Member Banks in the Nation
Averages of Daily Figures

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<th>Year</th>
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<td>28</td>
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<td>25</td>
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</table>

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.

Prepared by Federal Reserve Bank of St. Louis
DEMAND DEPOSIT COMPONENT OF MONEY STOCK*
Averages of Daily Figures
Seasonally Adjusted

Annual rates of change, average of four weeks ending March 12, 1969 from four weeks ending:
Dec. 11, 1968 +2.1
Sept. 11, 1968 +3.7
June 12, 1968 +4.7
Mar. 13, 1968 +5.7
1957-1968 +2.7

Latest data preliminary
Latest data plotted week ending: March 12, 1969

Weekly Data 1968-69
Dec. 4 149.6
11 149.6
18 149.2
25 149.3
Ja n. 1 150.3
8 151.9
15 156.2
22 150.0
29 148.1
Feb. 5 149.9
12 149.0
19 150.9
26 150.5
Mar. 5 150.0
12 149.6

* Current data appear in the Board's H.6 release. Back data appear in the June 1968 Federal Reserve Bulletin. For trend of demand deposits by months see this bank's monthly release entitled "Monetary Trends".

Prepared by Federal Reserve Bank of St. Louis

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Federal Reserve Bank of St. Louis
TOTAL CREDIT
Large Commercial Banks
Wednesday Figures

Seasonally adjusted by this bank.

Annual rates of change, average of four weeks ending Mar. 12, 1969 from four weeks ending:
Dec. 11, 1968       -2.1
Sept. 11, 1968      +6.7
June 12, 1968       +9.8
Mar. 13, 1968       +8.1