



Week ending: February 10, 1971

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The income velocity of money (gross national product divided by the money stock) was 4.64 in the fourth quarter of 1970, down slightly from the peak in the fourth quarter of 1969 (page 9); total spending, which was hampered by the major strike, rose at a slower rate than the money stock. Historically, velocity has exhibited both cyclical and secular movements. It usually declines or changes little in recessionary periods and rises during expansionary periods. Since World War II the rises have been greater than the declines, resulting in an upward trend in velocity. From 1952 to 1970 velocity rose at about a 3 per cent annual rate.

The money stock, defined to include private demand deposits and currency in the hands of the public, has increased at a 4.4 per cent annual rate in the seven months since the four weeks ending July 1, and at a 5.1 per cent rate since December 1969 (page 5). In comparison, money grew 3.1 per cent in 1969. The demand deposit component of money has risen at a 4.8 per cent rate since December 1969, compared with 2.4 per cent in 1969 (page 4). The currency component of money has increased at a 6.5 per cent rate since December 1969, and 6 per cent in 1969.

System holdings of securities, discounts and advances, float, and other Federal Reserve assets, denoted as Federal Reserve credit, have increased at a rapid 12 per cent annual rate in the past seven months, and at a 6.4 per cent rate since December 1969 (page 2). In comparison, this aggregate grew 5.2 per cent in 1969. Most of the recent expansion has resulted from Federal Reserve purchases of securities. Borrowings have declined from an average of \$1,380 million in the four weeks ending July 8 to \$340 million in the latest four weeks, while System holdings of securities have more than offset this decline, increasing from \$57.7 billion to \$62 billion.

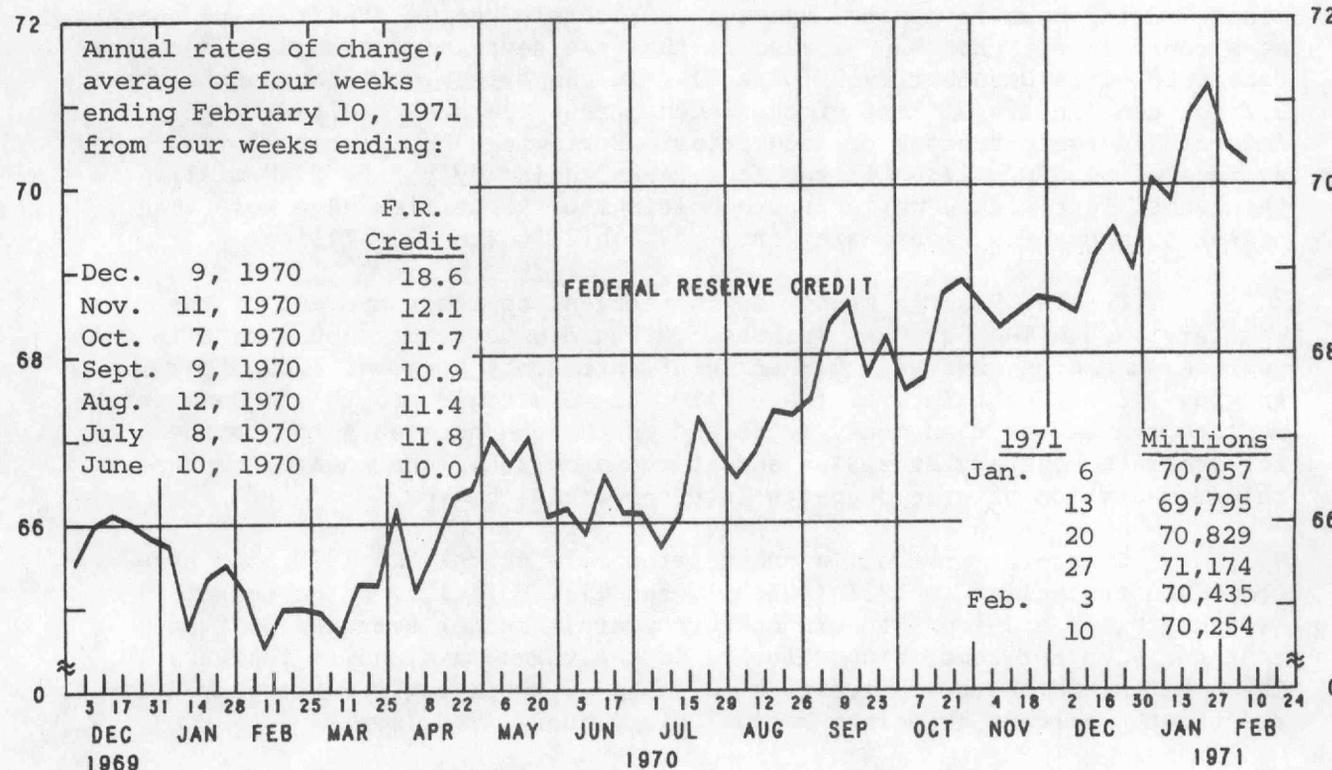
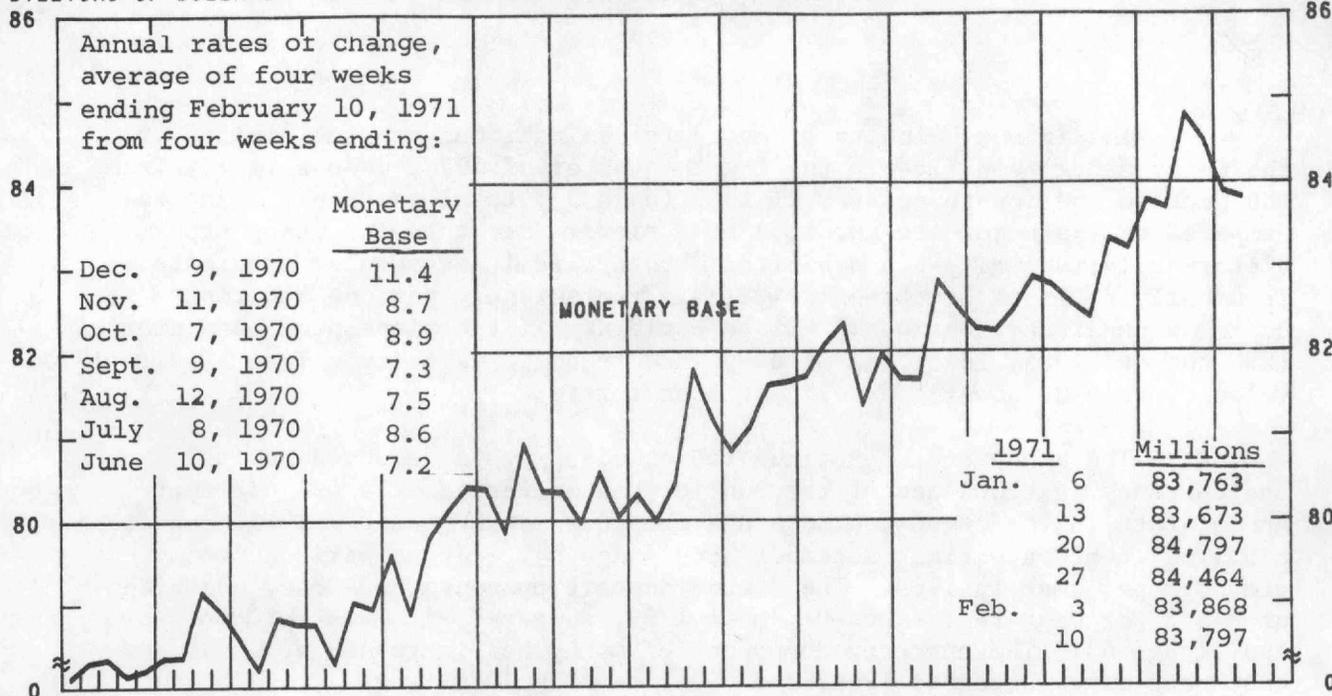
Federal Reserve credit is the largest source component of the monetary base. The base has increased at an 8.6 per cent annual rate in the past seven months, and at a 6.9 per cent rate since December 1969, after growing 3.1 per cent in 1969 (page 2). The more rapid growth of these intermediate aggregates than money in recent months was necessary to provide for moderate monetary expansion and at the same time accommodate the rapid reintermediation of time deposits into commercial banks.

Short-term market interest rates fell sharply in 1970, and have continued to decline in 1971 (pages 10 and 11). Yields on three-month Treasury bills and four- to six-month commercial paper averaged 3.72 per cent and 4.63 per cent, respectively, in the three days ending February 10. These rates are about 1 percentage point below their early January 1971 levels and about 4 percentage points below their January 1970 levels.

MONETARY BASE ^{1/} FEDERAL RESERVE CREDIT ^{2/} AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED BY THIS BANK

BILLIONS OF DOLLARS

BILLIONS OF DOLLARS



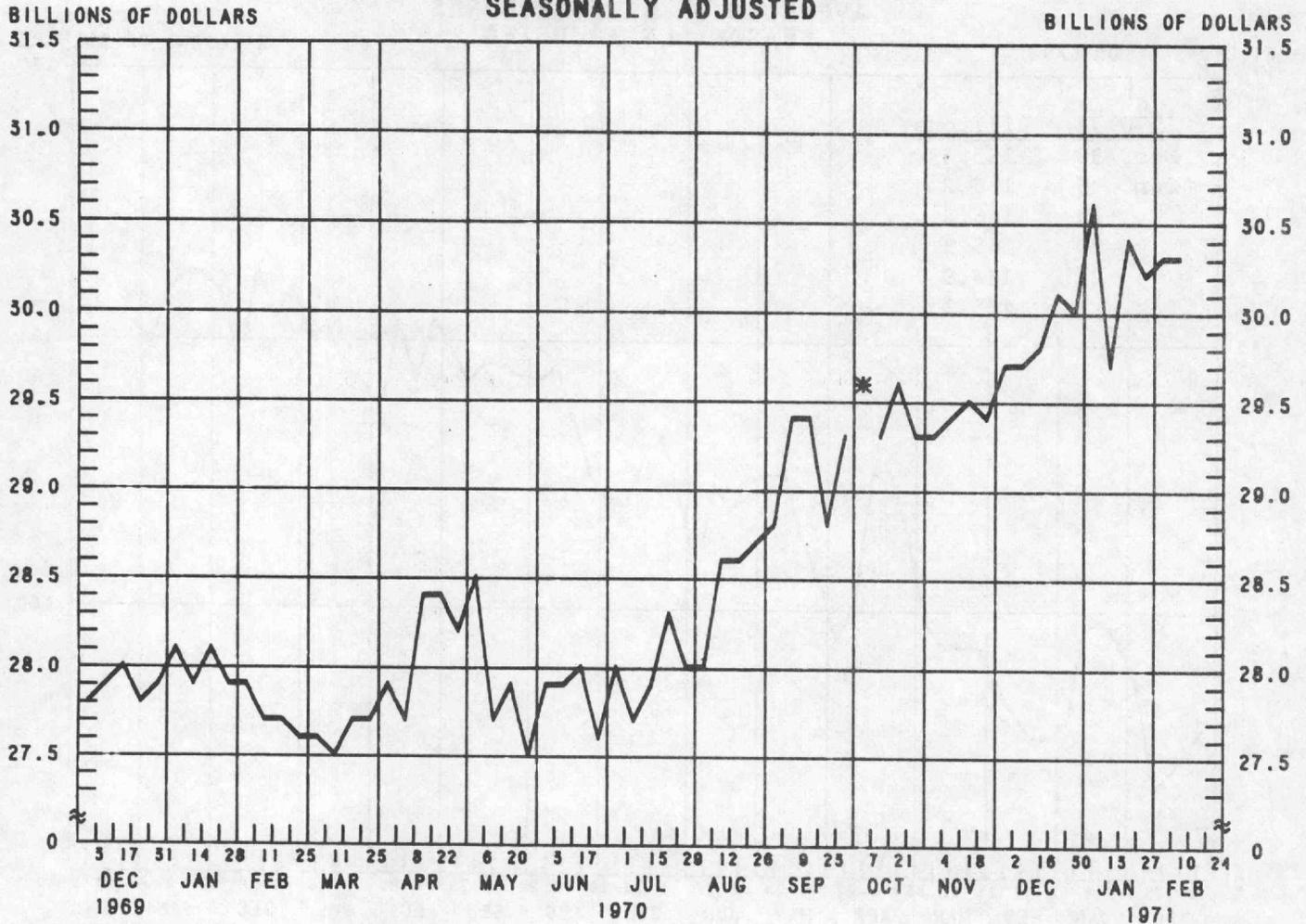
LATEST DATA PLOTTED WEEK ENDING: FEBRUARY 10, 1971

1/ USES OF 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, FLOAT AND "OTHER" ASSETS, ADJUSTED FOR RESERVE REQUIREMENT CHANGES AND CHANGES IN REQUIREMENTS DUE TO SHIFTS IN DEPOSITS AMONG CLASSES OF BANKS.

RESERVES ALL MEMBER BANKS IN THE NATION

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: FEBRUARY 10, 1971

CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.9 RELEASE.

* BREAK IN SERIES DUE TO CHANGES IN REGULATION D EFFECTIVE OCTOBER 1, 1970.

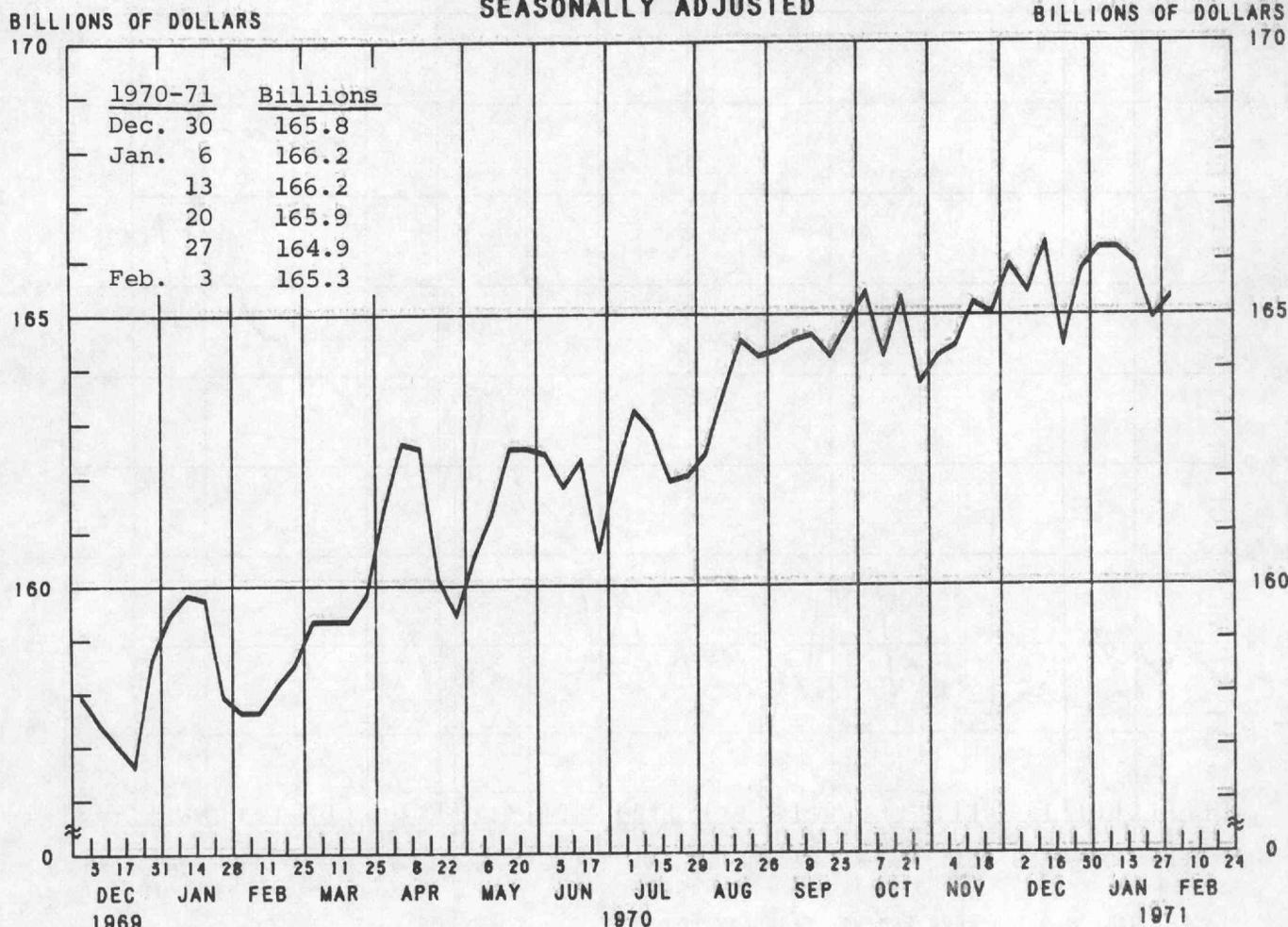
<u>1971</u>	<u>Billions</u>
Jan. 6	30.6
13	29.7
20	30.4
27	30.2
Feb. 3	30.3
10	30.3

Annual rates of change,
average of four weeks
ending February 10, 1971
from four weeks ending:

Dec. 9, 1970	14.2
Nov. 11, 1970	12.2
Oct. 7, 1970	10.2
Sept. 9, 1970	11.6
Aug. 12, 1970	14.9
July 8, 1970	15.4
June 10, 1970	13.5

DEMAND DEPOSIT COMPONENT OF MONEY STOCK

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: FEBRUARY 3, 1971
CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

Annual rates of change, average of four weeks ending:
5/6/70 6/3/70 7/1/70 8/5/70 9/2/70 9/30/70 11/4/70 12/2/70

to average
of four
weeks ending:

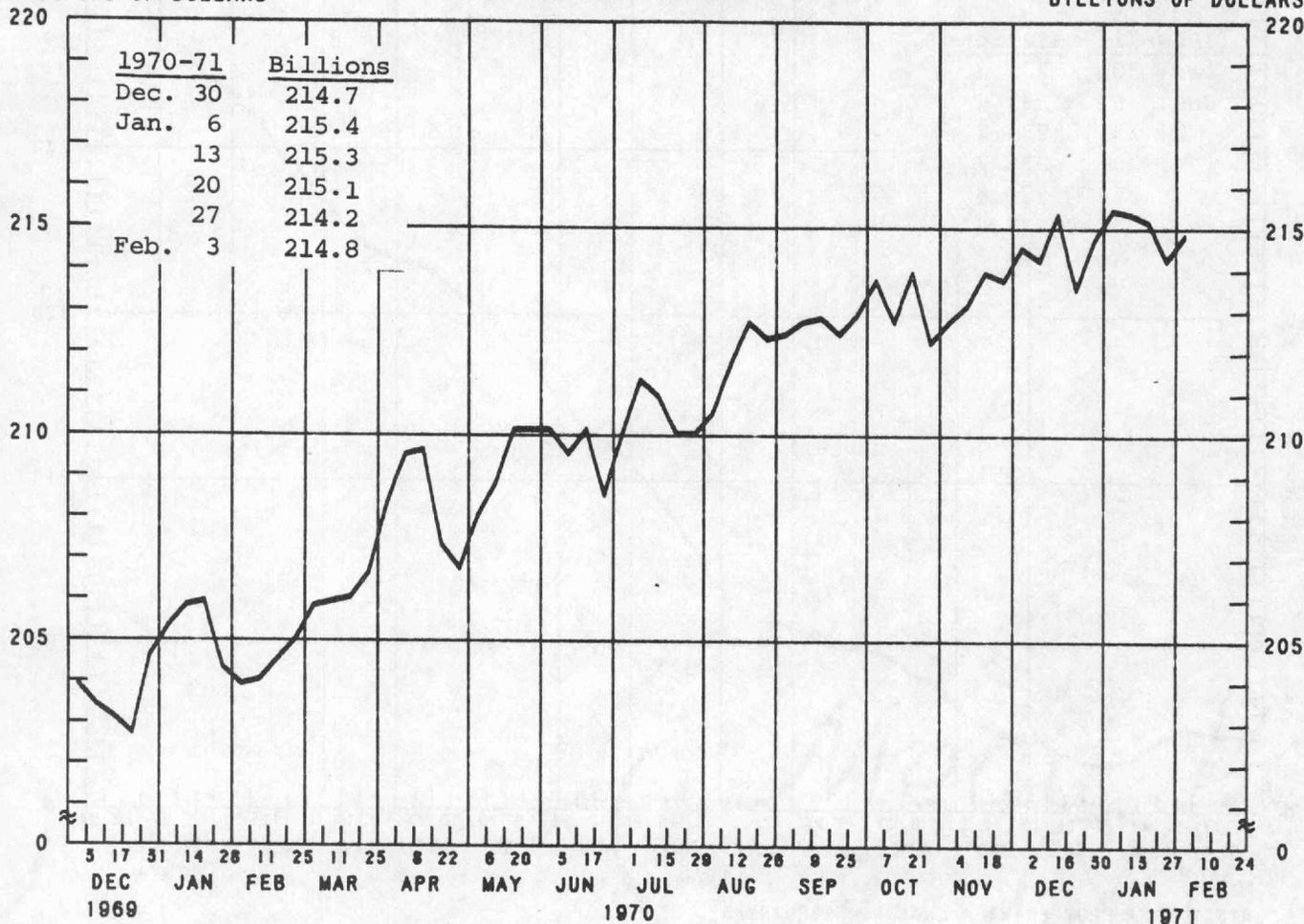
7/ 1/70	4.1							
8/ 5/70	4.2	0.4						
9/ 2/70	6.5	4.7	8.9					
9/30/70	5.8	4.3	6.9	8.1				
11/ 4/70	4.6	3.1	4.8	4.9	0.7			
12/ 2/70	4.8	3.6	5.0	5.2	2.4	2.2		
1/ 6/71	4.8	3.7	4.9	5.0	2.9	2.9	5.1	
2/ 3/71	4.2	3.1	4.1	4.1	2.2	2.0	3.2	1.8

MONEY STOCK

AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED

BILLIONS OF DOLLARS

BILLIONS OF DOLLARS



LATEST DATA PLOTTED WEEK ENDING: FEBRUARY 3, 1971
 CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

Annual rates of change, average of four weeks ending:
 12/31/69 2/25/70 7/1/70 8/5/70 9/2/70 9/30/70 11/4/70 12/2/70

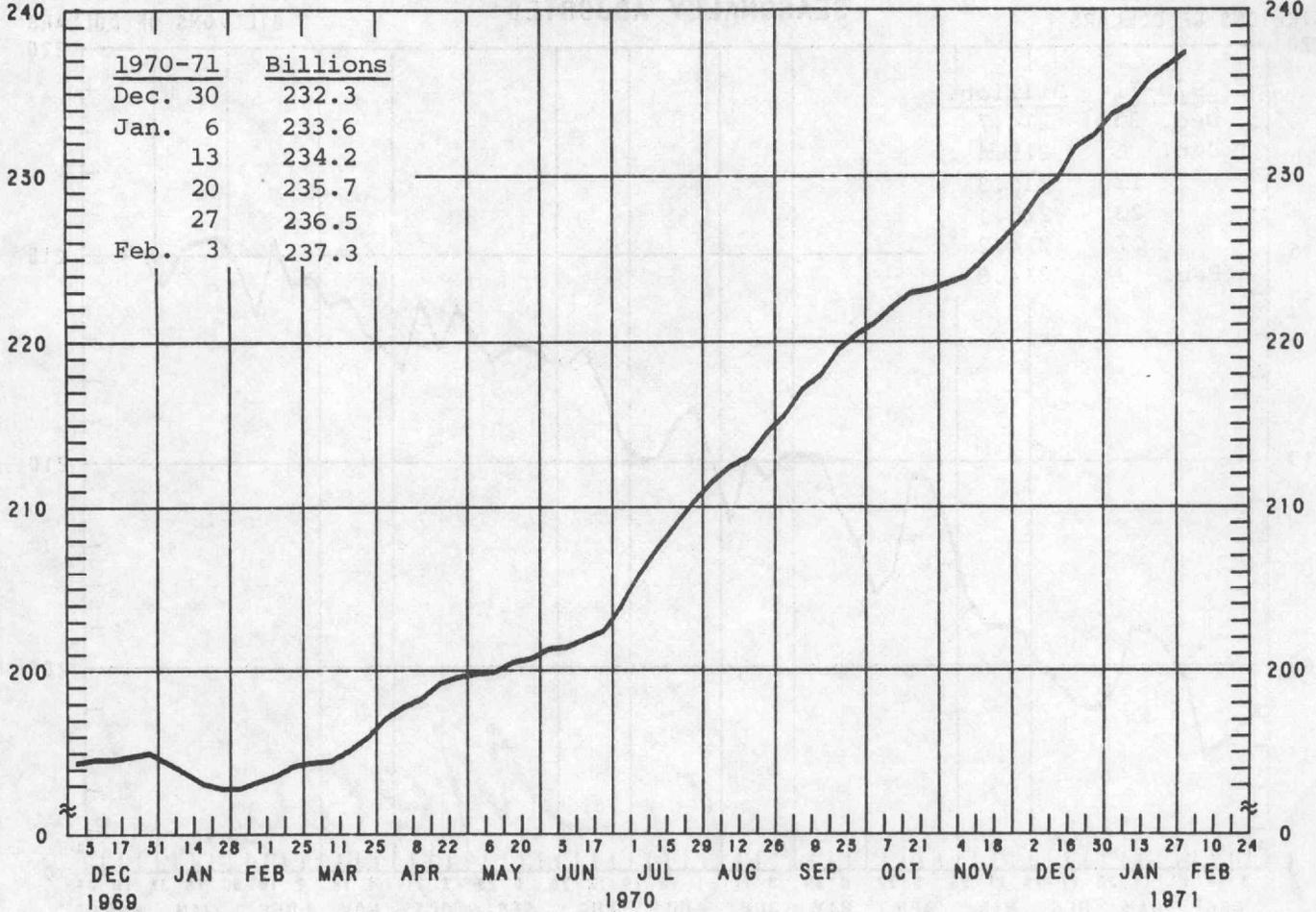
to average
of four
weeks ending:

7/ 1/70	5.9	7.2						
8/ 5/70	5.8	6.6						
9/ 2/70	6.5	7.4	8.0					
9/30/70	6.0	6.8	6.1	6.6				
11/ 4/70	5.5	6.0	4.9	4.8	1.7			
12/ 2/70	5.5	6.0	4.9	4.8	2.8	3.1		
1/ 6/71	5.5	5.8	5.0	4.9	3.4	3.8	5.1	
2/ 3/71	5.1	5.5	4.4	4.3	2.9	3.1	3.8	3.1

TIME DEPOSITS ALL COMMERCIAL BANKS AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED

BILLIONS OF DOLLARS

BILLIONS OF DOLLARS



LATEST DATA PLOTTED WEEK ENDING: FEBRUARY 3, 1971

CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

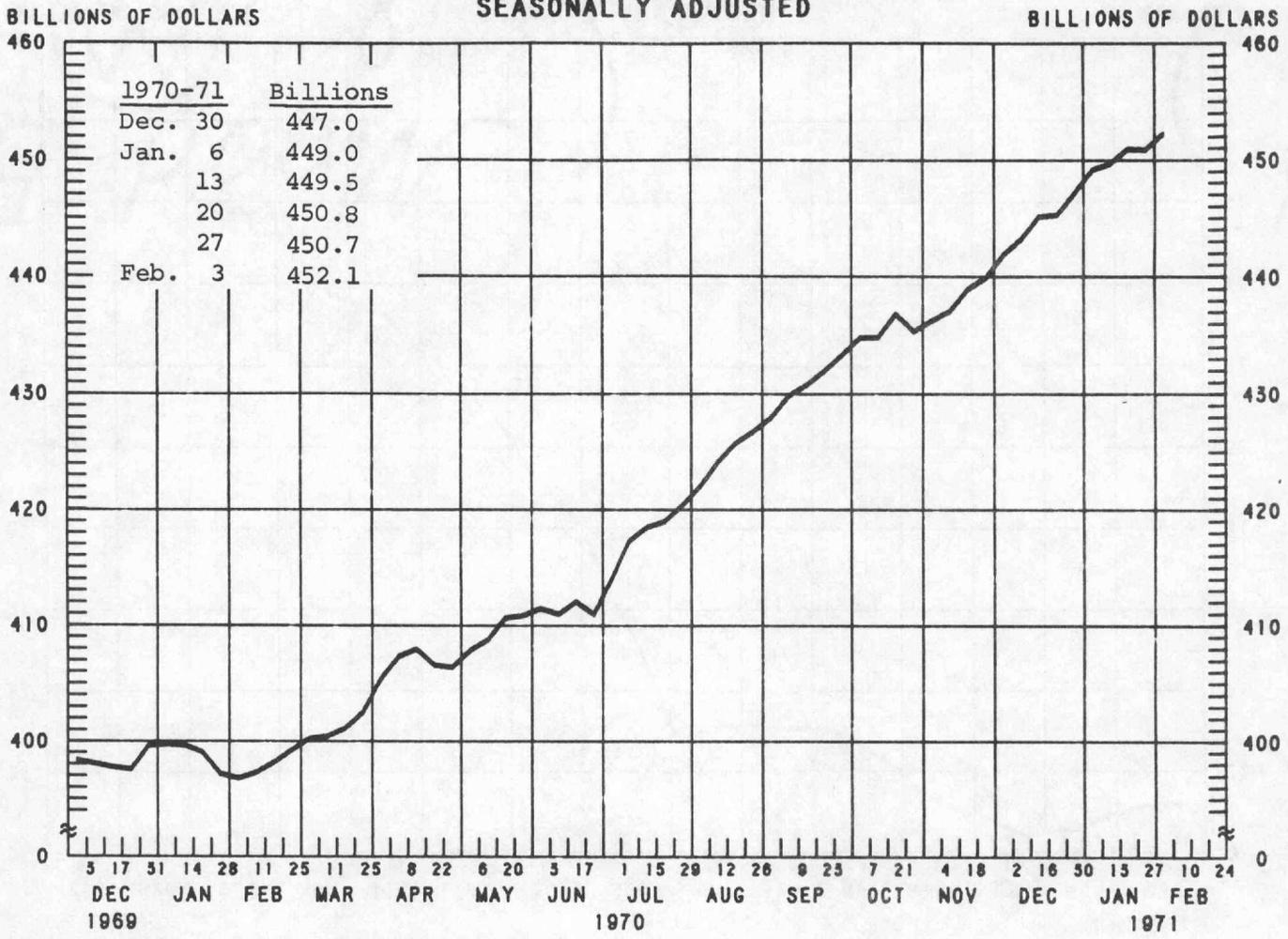
Annual rates of change, average of four weeks ending:
5/6/70 6/3/70 7/1/70 8/5/70 9/5/70 9/30/70 11/4/70 12/2/70

to average
of four
weeks ending:

7/ 1/70	9.6						
8/ 5/70	20.9	26.9					
9/ 2/70	22.0	26.3	33.8				
9/30/70	23.5	27.1	32.2	26.1			
11/ 4/70	23.8	26.7	30.4	25.4	25.5		
12/ 2/70	22.7	24.9	27.5	22.9	22.1	18.9	
1/ 6/71	24.6	26.8	29.2	25.5	25.4	24.2	24.2
2/ 3/71	24.6	26.5	28.5	25.2	24.9	23.7	23.5 27.7

MONEY STOCK PLUS TIME DEPOSITS

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED

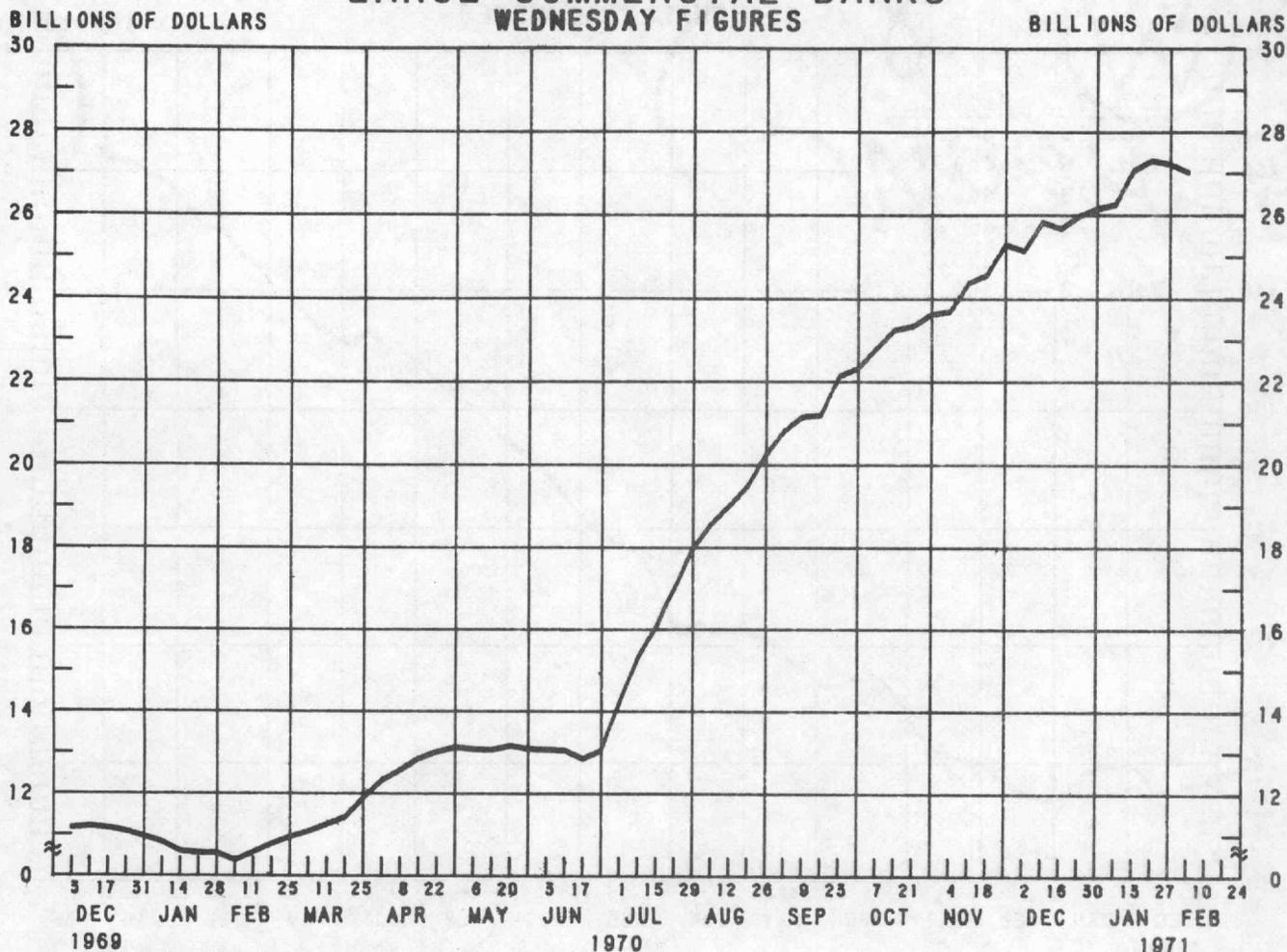


LATEST DATA PLOTTED WEEK ENDING: FEBRUARY 3, 1971
CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

Annual rates of change, average of four weeks ending:

	5/6/70	6/3/70	7/1/70	8/5/70	9/2/70	9/30/70	11/4/70	12/2/70
to average of four weeks ending:								
7/ 1/70	7.1							
8/ 5/70	12.6	13.9						
9/ 2/70	14.0	15.3	20.7					
9/30/70	14.3	15.4	18.9	16.4				
11/ 4/70	14.1	14.9	17.4	15.2	13.7			
12/ 2/70	13.6	14.1	16.0	13.9	12.5	11.1		
1/ 6/71	14.6	15.1	16.9	15.3	14.4	14.1	14.9	
2/ 3/71	14.3	14.8	16.2	14.8	14.0	13.6	13.9	15.7

CERTIFICATES OF DEPOSIT LARGE COMMERCIAL BANKS WEDNESDAY FIGURES



LATEST DATA PLOTTED WEEK ENDING: FEBRUARY 3, 1971

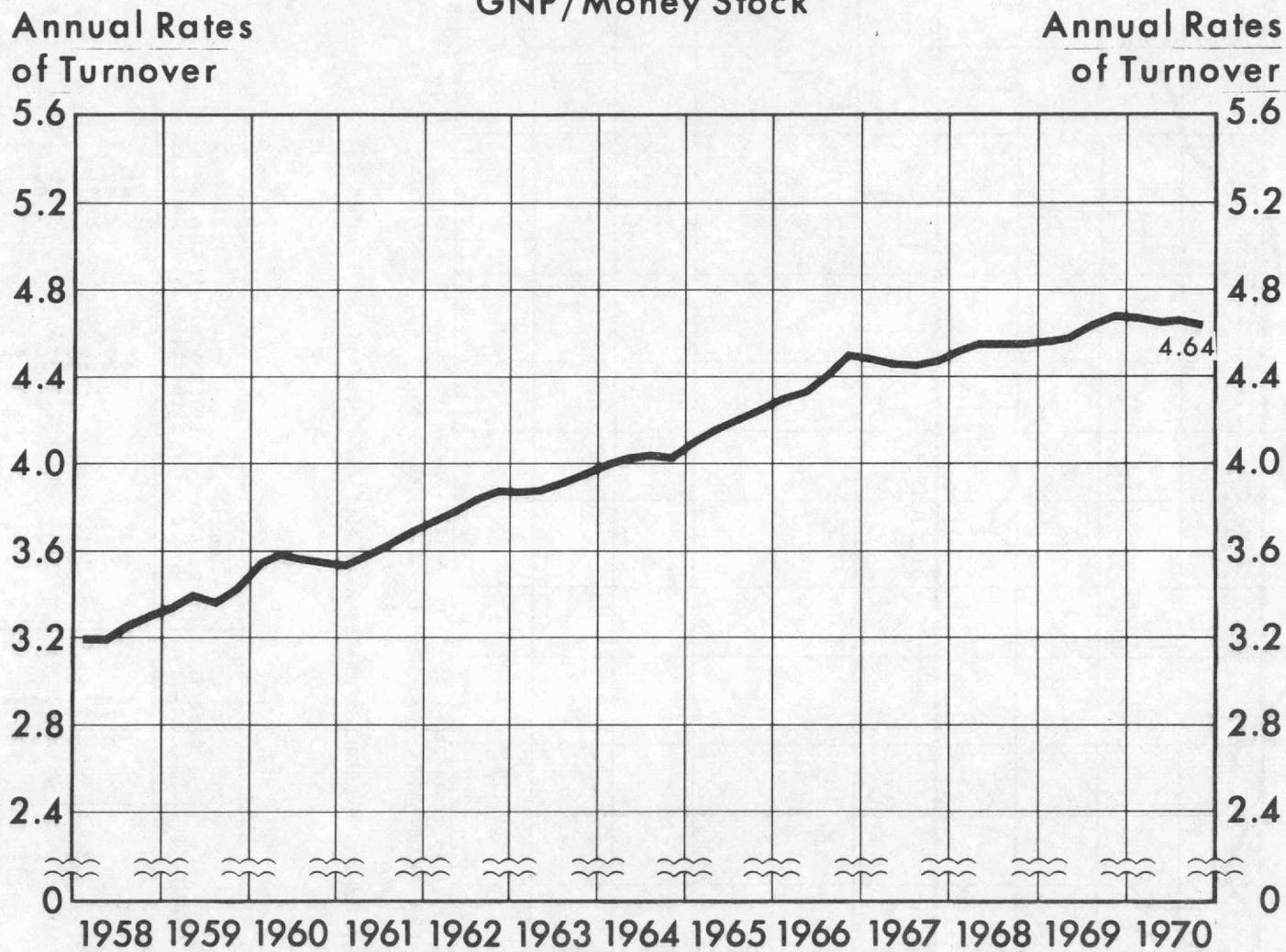
CURRENT AND YEAR AGO DATA APPEAR IN THE BOARD OF GOVERNORS' H.4.2 RELEASE.

NEGOTIABLE TIME CERTIFICATES OF DEPOSIT IN DENOMINATIONS OF \$100,000 OR MORE.

<u>1970-71</u>	<u>Millions</u>
Dec. 30	26,126
Jan. 6	26,217
13	27,046
20	27,278
27	27,190
Feb. 3	26,990

Income Velocity of Money

GNP/Money Stock

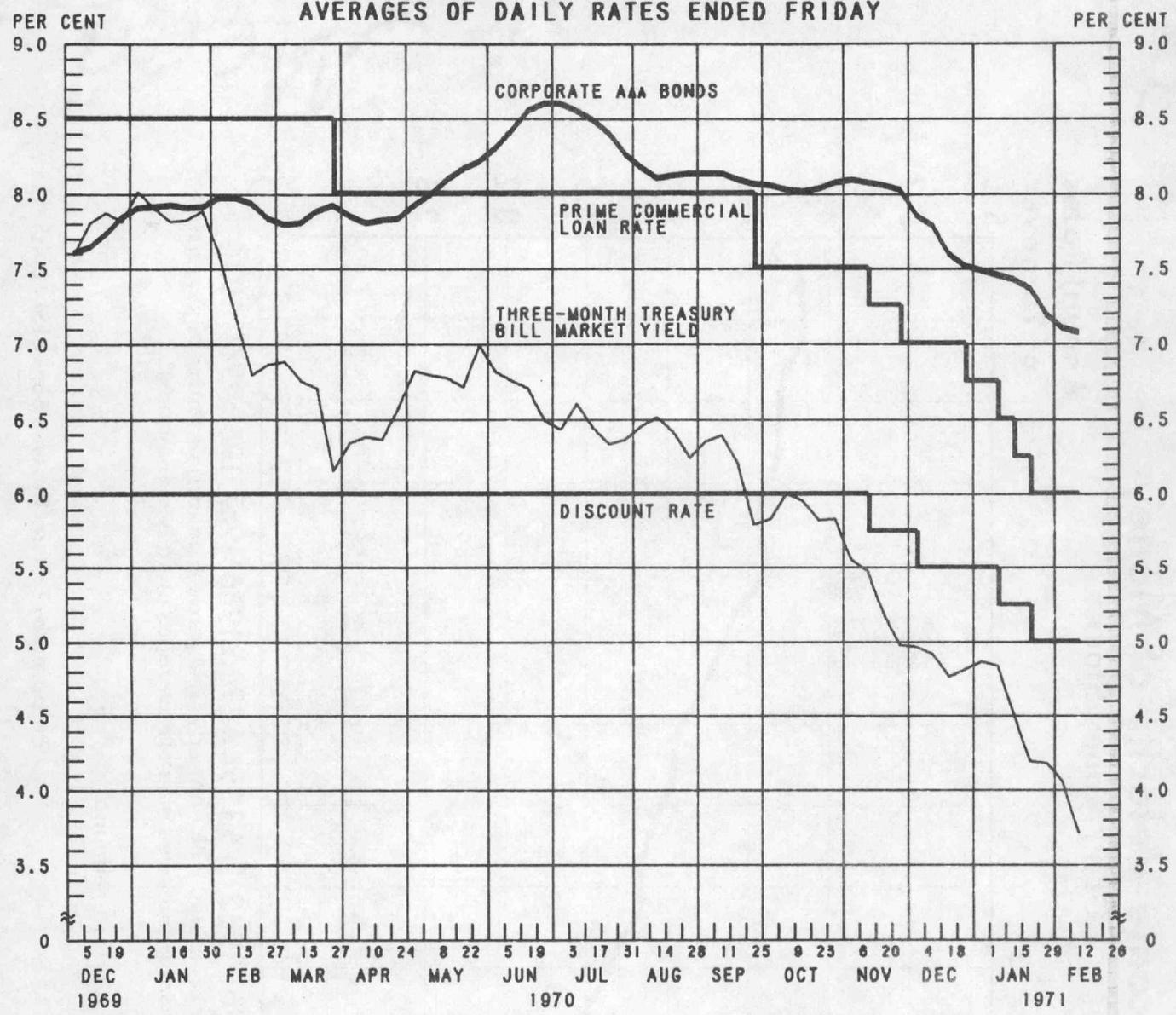


Annual rates of turnover computed with quarterly GNP (current dollars) at seasonally adjusted annual rates, and seasonally adjusted monthly averages of daily money stock.

Latest data plotted: 4th quarter preliminary

Prepared by Federal Reserve Bank of St. Louis

YIELDS ON SELECTED SECURITIES AVERAGES OF DAILY RATES ENDED FRIDAY



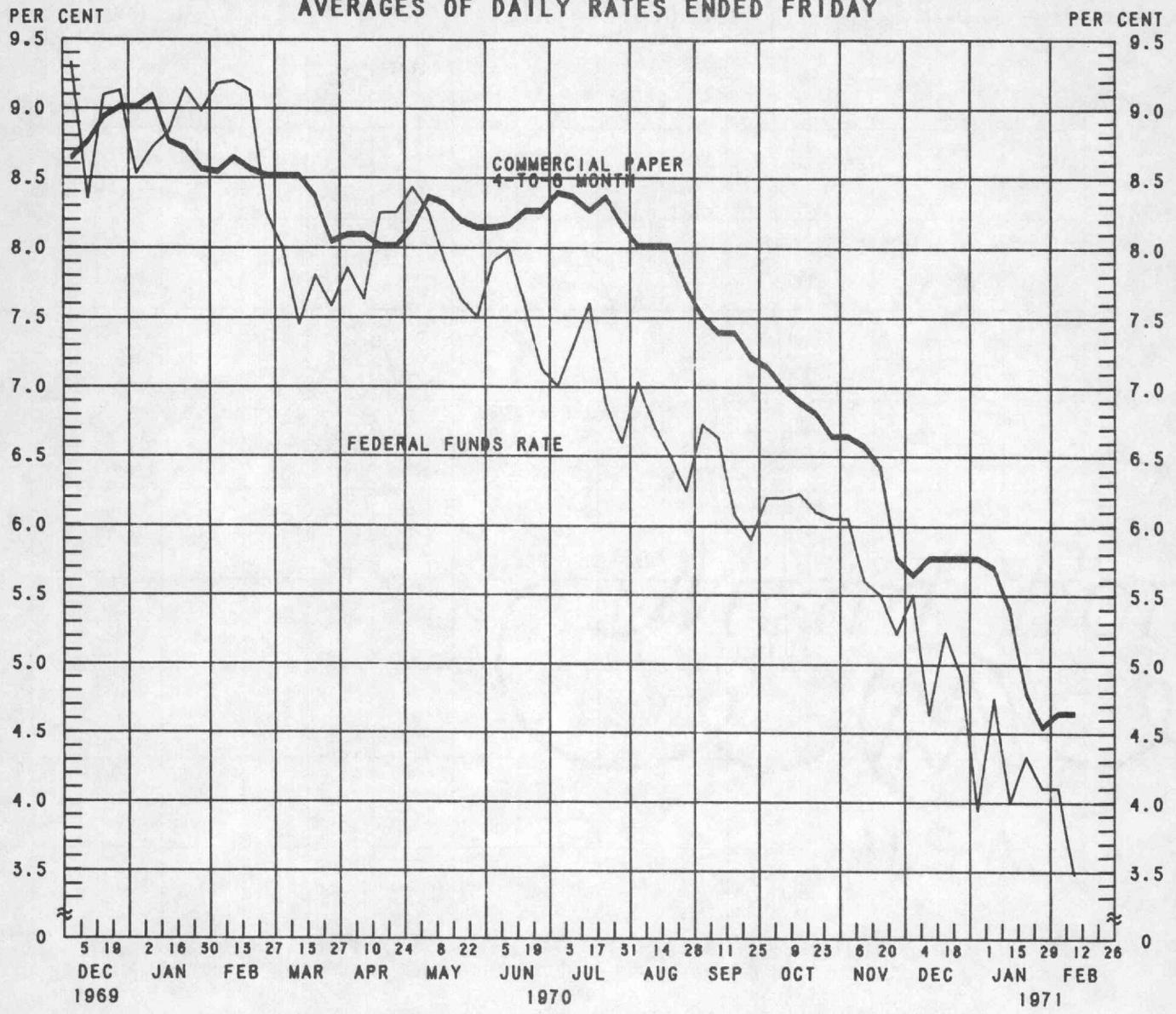
LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: FEBRUARY 12, 1971

1970-71	CORPORATE AAA BONDS	3-MONTH TREASURY BILLS	3-5 YEAR GOVERNMENT SECURITIES	LONG-TERM GOVERNMENT SECURITIES
DEC. 4	7.85	4.97	5.81	5.93
11	7.78	4.92	5.80	5.89
18	7.59	4.77	5.82	5.87
25	7.51	4.82	5.96	6.05
JAN. 1	7.48	4.87	5.94	6.16
8	7.45	4.84	5.99	6.09
15	7.42	4.51	5.78	5.96
22	7.36	4.20	5.58	5.83
29	7.19	4.19	5.54	5.78
FEB. 5	7.10	4.06	5.49	5.80
12*	7.07	3.72	5.34	5.77
19				
26				

* AVERAGES OF RATES AVAILABLE.

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

SELECTED SHORT-TERM INTEREST RATES AVERAGES OF DAILY RATES ENDED FRIDAY



LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: FEBRUARY 12, 1971

1970-71	PRIME COMMERCIAL PAPER 4-6 MONTH	FEDERAL FUNDS	PRIME BANKERS' ACCEPTANCES	90 DAY CD'S **
DEC. 4	5.63	5.50	5.38	5.66
11	5.75	4.63	5.48	5.68
18	5.75	5.23	5.25	5.64
25	5.75	4.91	5.25	5.59
JAN. 1	5.75	3.94	5.25	5.59
8	5.68	4.75	5.23	5.64
15	5.38	4.00	4.88	5.45
22	4.78	4.33	4.48	5.06
29	4.53	4.10	4.45	4.84
FEB. 5	4.63	4.10	4.35	4.73
12*	4.63	3.48	4.13	4.55
19				
26				

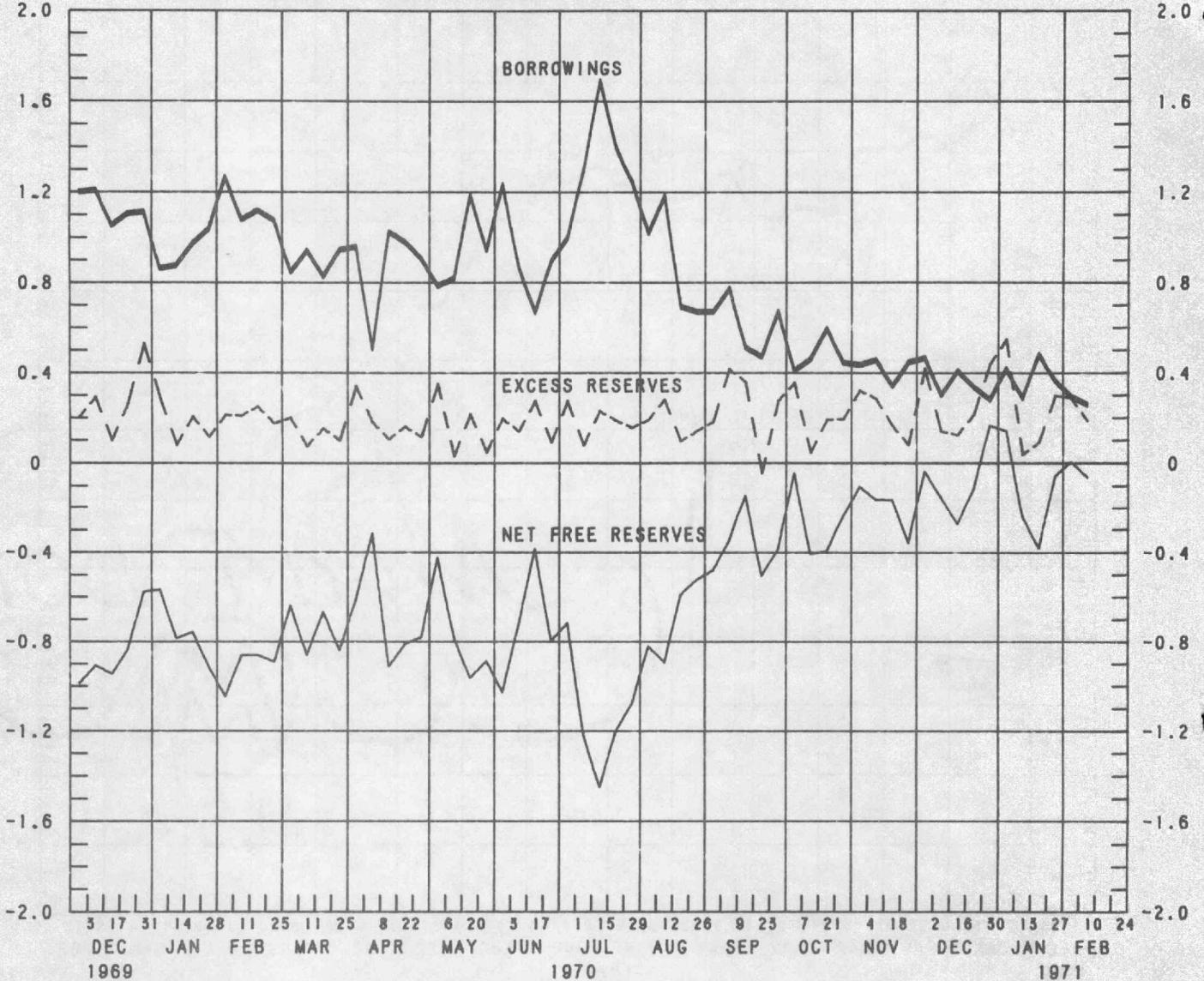
* AVERAGES OF RATES AVAILABLE. FEDERAL FUNDS LAST FIVE DAYS AVAILABLE
 ** DATA ARE SECONDARY MARKET RATES, WEEKLY AVERAGES ENDING WEDNESDAY TWO DAYS EARLIER. CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.9 RELEASE.

BORROWINGS AND EXCESS RESERVES ALL MEMBER BANKS IN THE NATION

BILLIONS OF DOLLARS

AVERAGES OF DAILY FIGURES

BILLIONS OF DOLLARS



LATEST DATA PLOTTED WEEK ENDING: FEBRUARY 10, 1971

1970-71	MILLIONS		
	EXCESS RESERVES	BORROWINGS	FREE RESERVES
DEC. 2	417	455	- 38
9	136	290	- 154
16	120	399	- 279
23	210	325	- 115
30	434	270	164
JAN. 6	545	407	138
13	32	277	- 245
20	88	471	- 383
27	295	354	- 59
FEB. 3	286	283	3
10	183	248	- 65
17			
24			

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS