



Week ending: May 26, 1971

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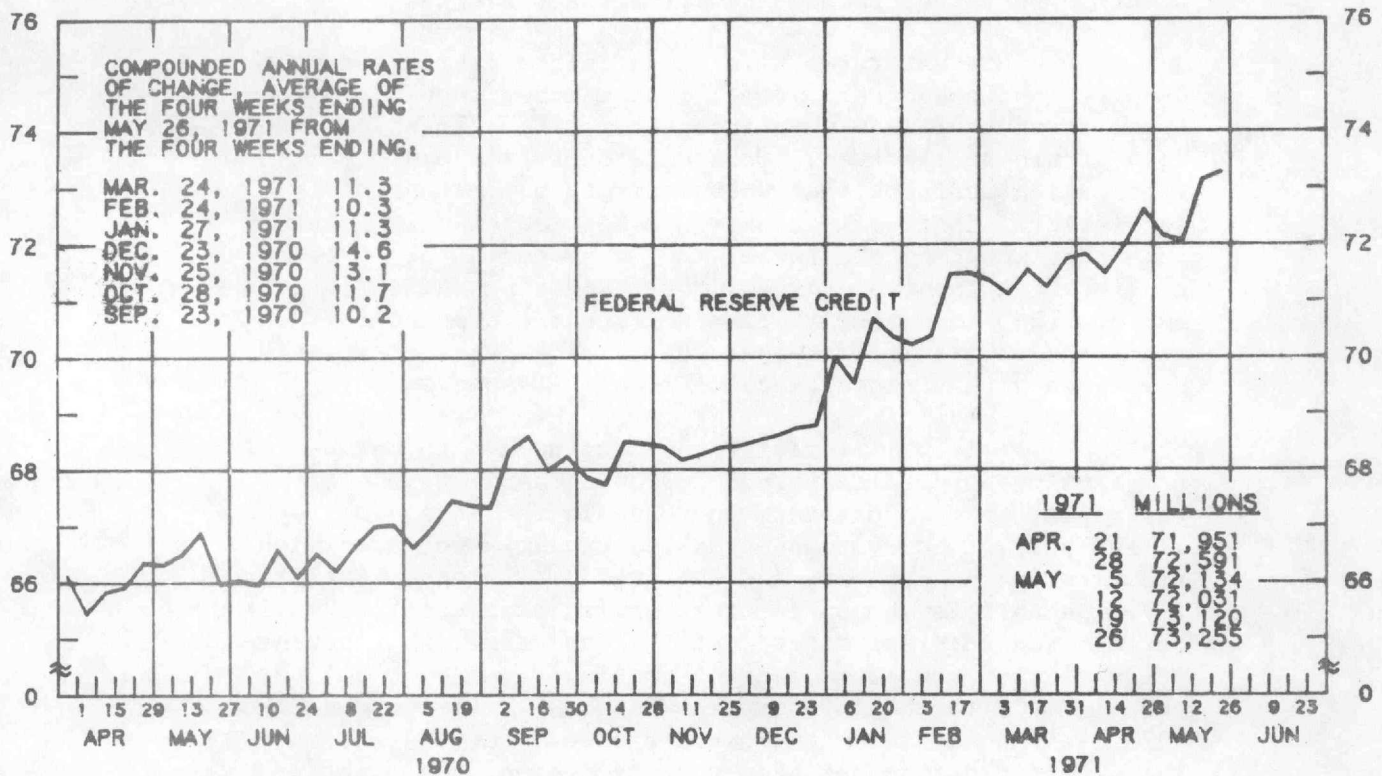
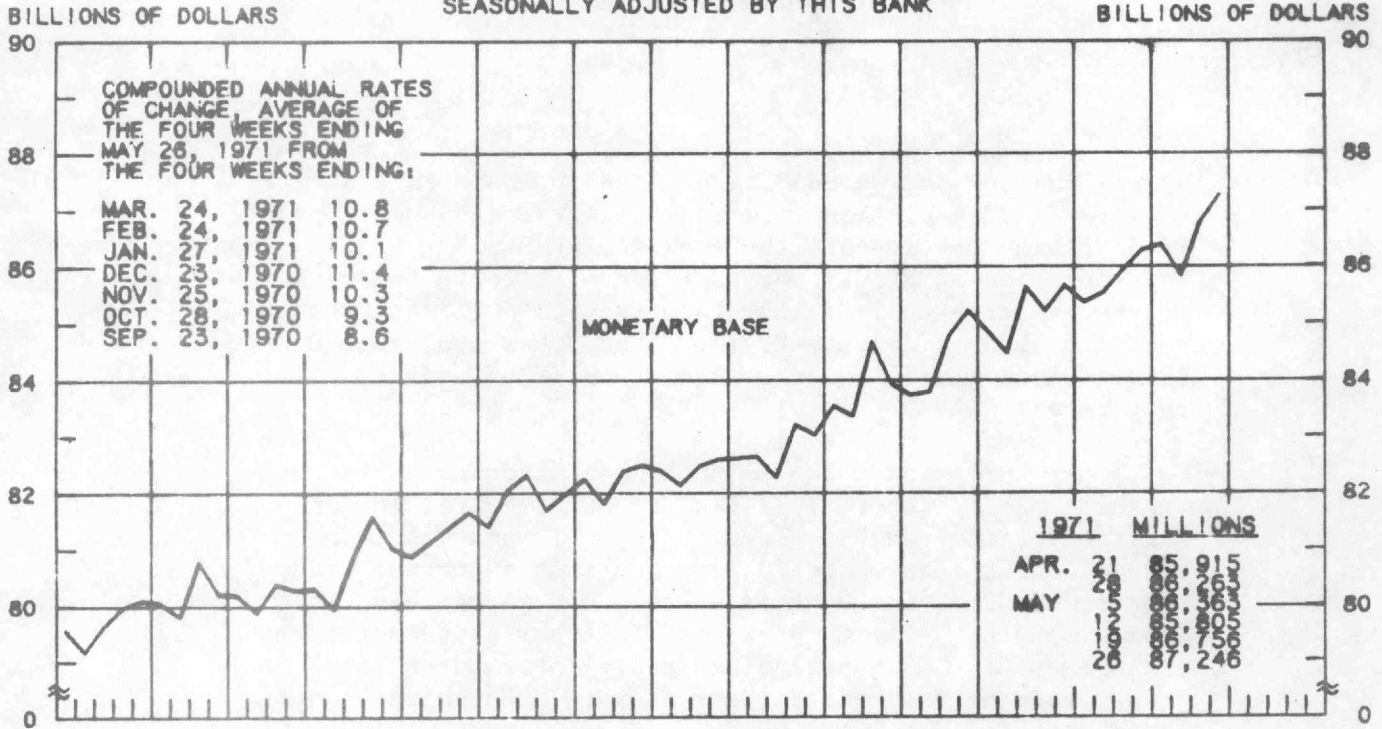
The money supply (demand deposits and currency held by the public) increased \$1.7 billion in the week ending May 19 after a \$2.4 billion rise in the week ending May 12 and a \$1.6 billion increase in the week ending May 5 (page 5). Money has increased at a 10.1 per cent annual rate in the past four months, substantially faster than the 5.5 per cent rate from February 1970 to January 1971 and the 3 per cent rate during 1969. Since mid-1964, money has grown at an average 5.2 per cent rate.

In the past two months, most interest rates have risen to their January 1971 levels, but they remain considerably below year-ago levels (pages 10 and 11). The Federal funds rate was 4.70 per cent in the current week, compared to 3.71 per cent in March and 4.14 per cent in January. Ninety-day CD's yielded 5.12 per cent in the week ending May 26, 127 basis points above their March level and about the same as their January average. Rates on highest-grade seasoned corporate bonds were 7.64 per cent in the latest week, 43 basis points above their March average and about 30 basis points above their January average.

Interest rates have risen in the past three months despite continued rapid growth in the money supply, in contrast to most of 1970 when interest rates declined as monetary growth accelerated. Economic theory and empirical information indicate that when money supply expansion is accelerated, interest rates are pushed temporarily lower than they would be otherwise. But as money supply growth continues at the faster rate, total spending and inflationary expectations increase, thereby raising the demands for and the price of credit (interest rates) above what they would have been with a slower rate of monetary expansion.

In 1970, interest rates declined, both because of a weakening of credit demands following earlier monetary restraint, and a short-term increase in the supply of funds. In early 1971, however, demands for credit associated with recovery in the economy, and an upward revision of inflationary expectations, began to exert upward pressures on credit demands and interest rates. At the same time, the acceleration of the rate of monetary expansion from about 5.4 per cent in 1970 to about 9 per cent in the first five months of 1971 exerted short-run, downward pressure on interest rates. The upward pressure has been the stronger of the counter-acting forces in the last three months.

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

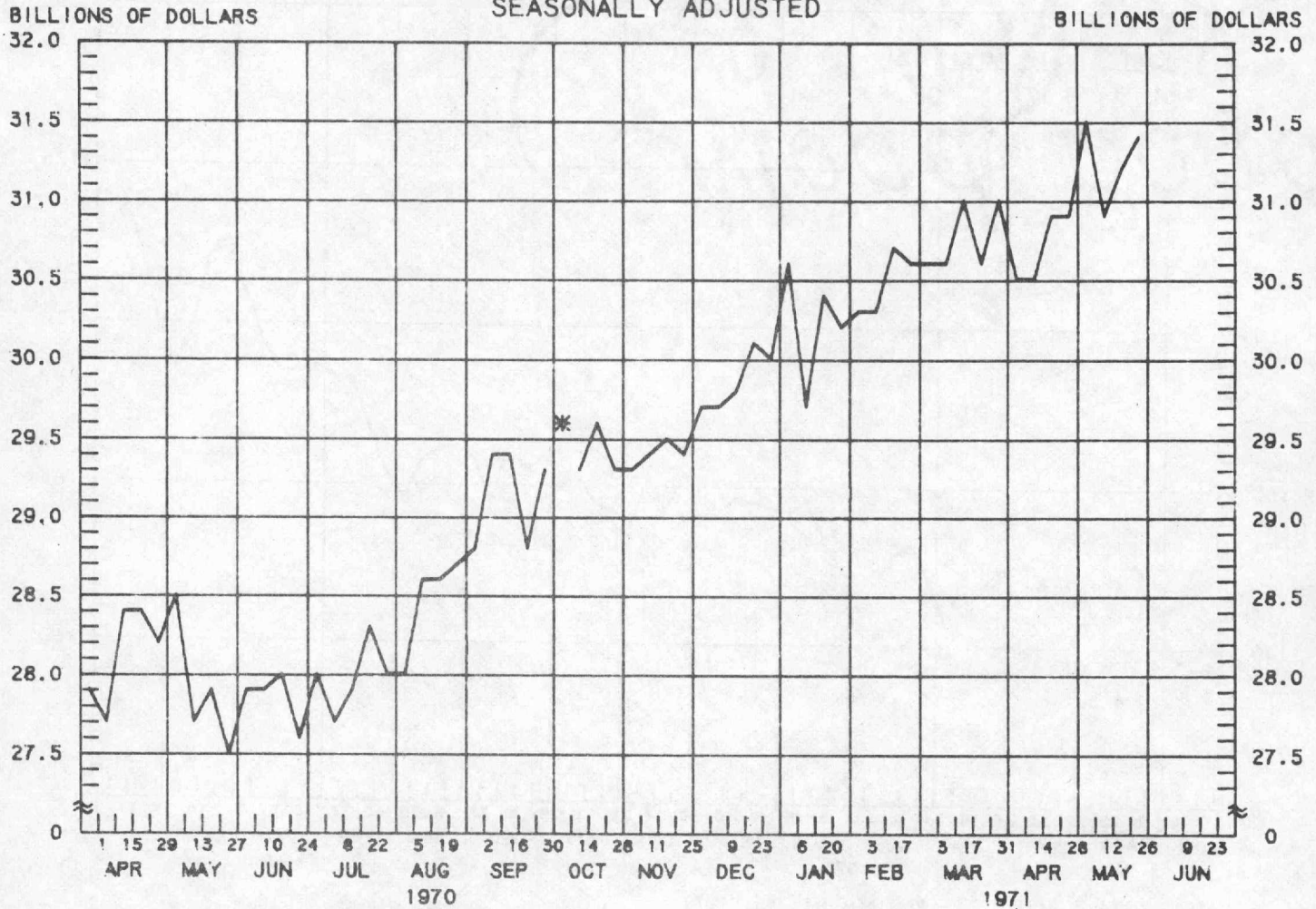


LATEST DATA PLOTTED WEEK ENDING: MAY 26, 1971

- 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: MAY 26, 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.

1971	BILLIONS
APR. 21	30.9
28	30.9
MAY 5	31.5
12	30.9
19	31.2
26	31.4

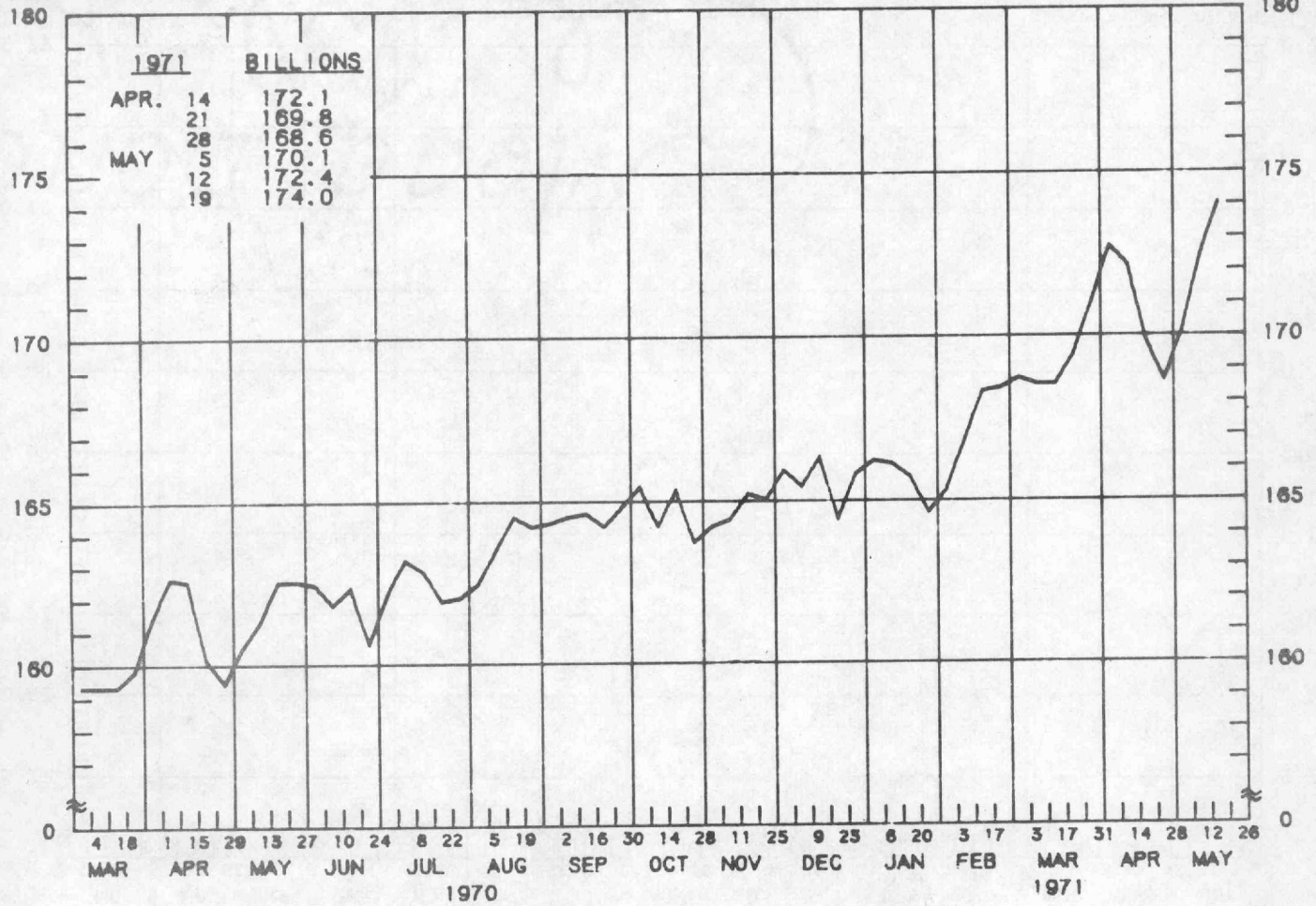
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF THE FOUR WEEKS ENDING MAY 26, 1971 FROM THE FOUR WEEKS ENDING:	
MAR. 24, 1971	11.8
FEB. 24, 1971	10.9
JAN. 27, 1971	11.6
DEC. 23, 1970	12.3
NOV. 25, 1970	13.3
OCT. 28, 1970	10.8
SEP. 23, 1970	11.4

DEMAND DEPOSIT COMPONENT OF MONEY STOCK

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED

BILLIONS OF DOLLARS

BILLIONS OF DOLLARS



LATEST DATA PLOTTED WEEK ENDING: MAY 19, 1971

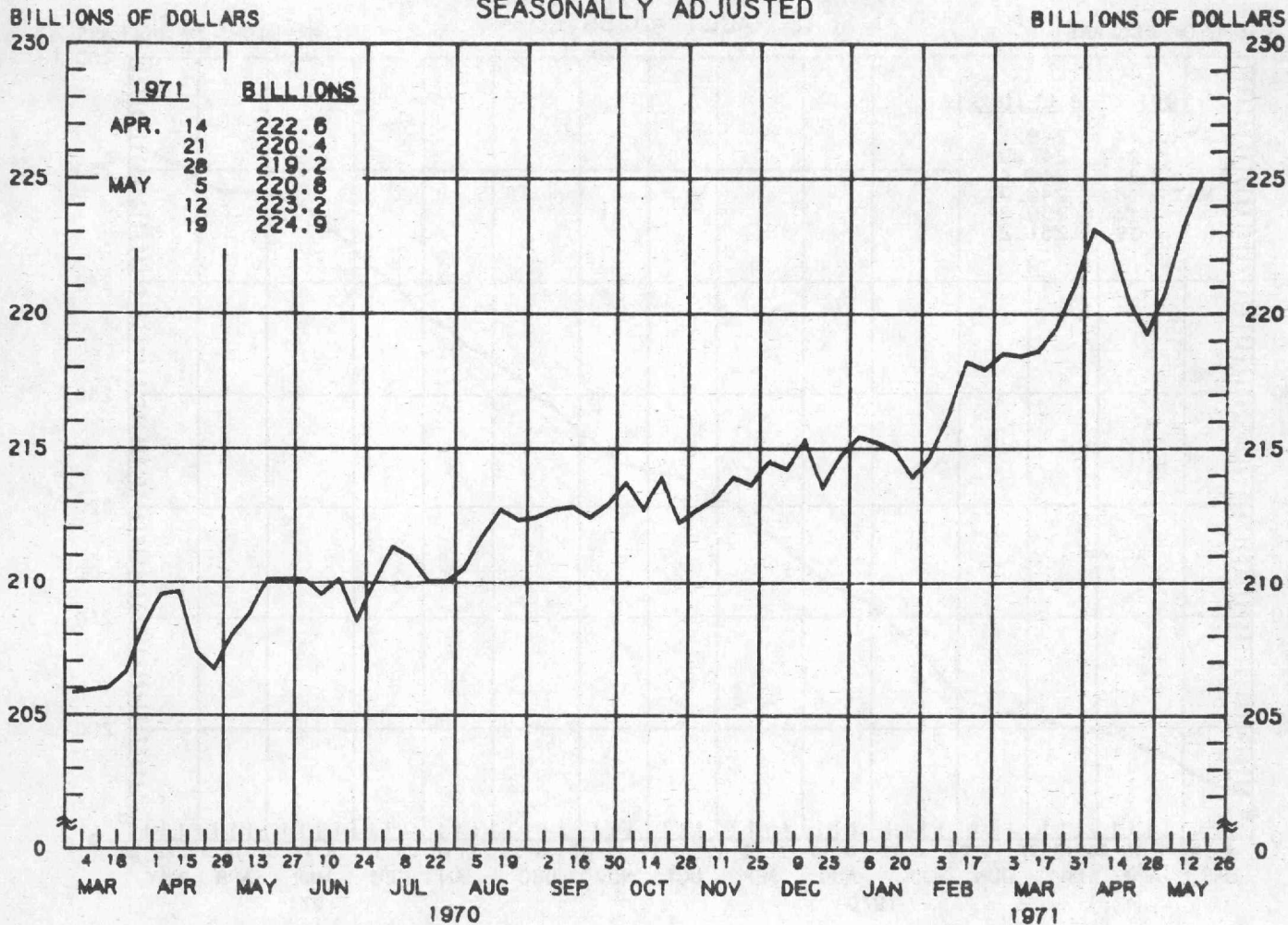
CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

	5/20/70	9/16/70	10/21/70	11/18/70	12/16/70	1/20/71	2/17/71	3/17/71
TO THE AVERAGE OF FOUR WEEKS ENDING:								
10/21/70	6.0							
11/18/70	4.4	0.0						
12/16/70	5.2	3.2	3.2					
1/20/71	4.7	2.8	2.7	5.8				
2/17/71	4.5	2.8	2.6	4.7	2.1			
3/17/71	5.7	5.1	5.5	7.8	6.9	10.2		
4/21/71	7.1	7.2	8.0	10.4	10.3	13.7	19.1	
5/19/71	6.5	6.3	6.8	8.6	8.2	10.1	12.6	10.0

MONEY STOCK

AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: MAY 19, 1971

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

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

5/20/70 9/16/70 10/21/70 11/18/70 12/16/70 1/20/71 2/17/71 3/17/71

TO THE AVERAGE
OF FOUR WEEKS
ENDING:

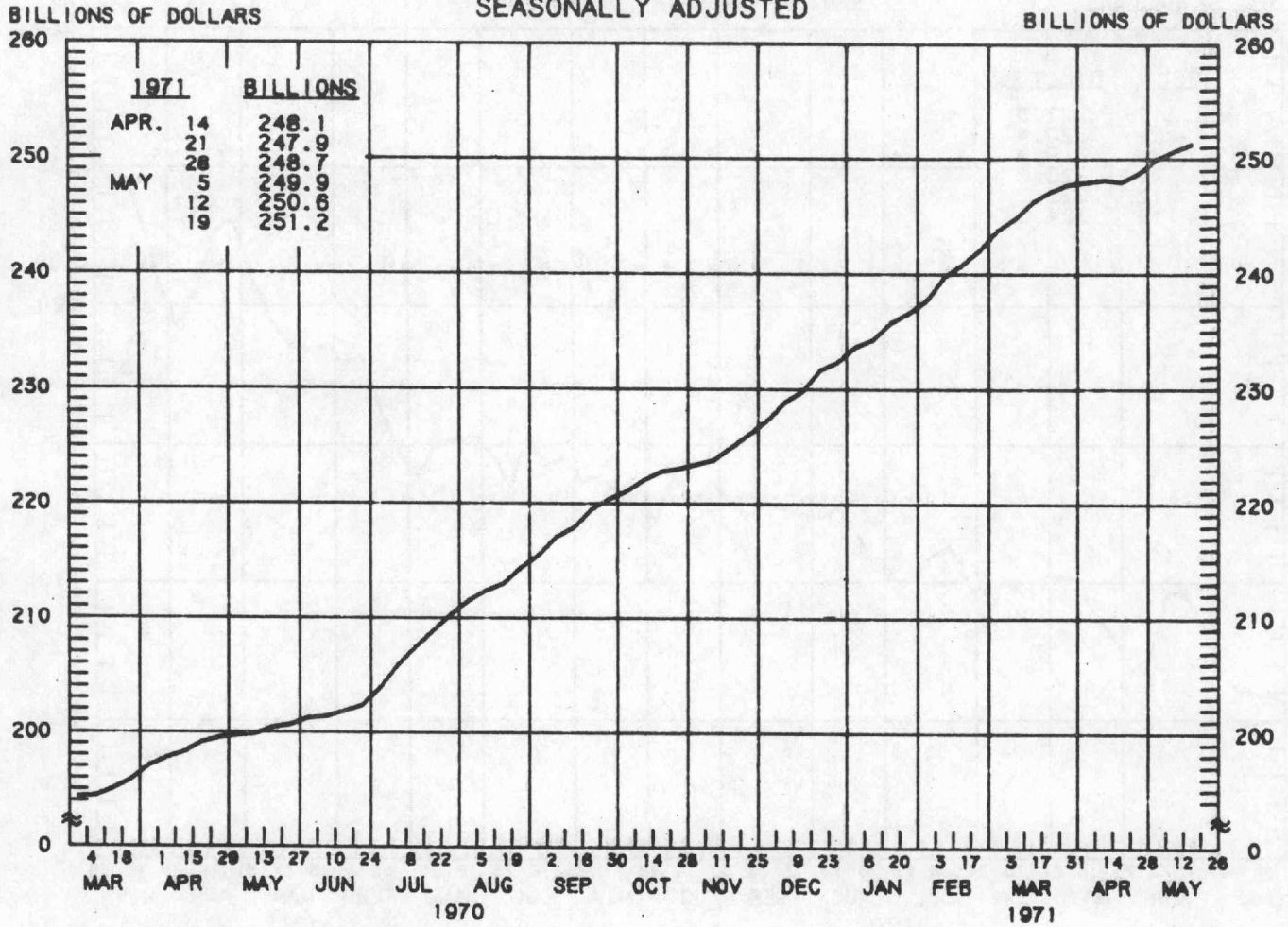
10/21/70	5.6							
11/18/70	4.5	1.1						
12/16/70	5.0	3.4	3.4					
1/20/71	4.8	3.4	3.4	5.8				
2/17/71	4.8	3.6	3.6	5.4	3.8			
3/17/71	5.8	5.5	6.0	8.0	7.7	10.4		
4/21/71	7.0	7.4	8.1	10.0	10.3	13.1	17.2	
5/19/71	6.5	6.6	7.2	8.6	8.6	10.1	12.0	9.9

6

TIME DEPOSITS

ALL COMMERCIAL BANKS

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: MAY 19, 1971

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

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

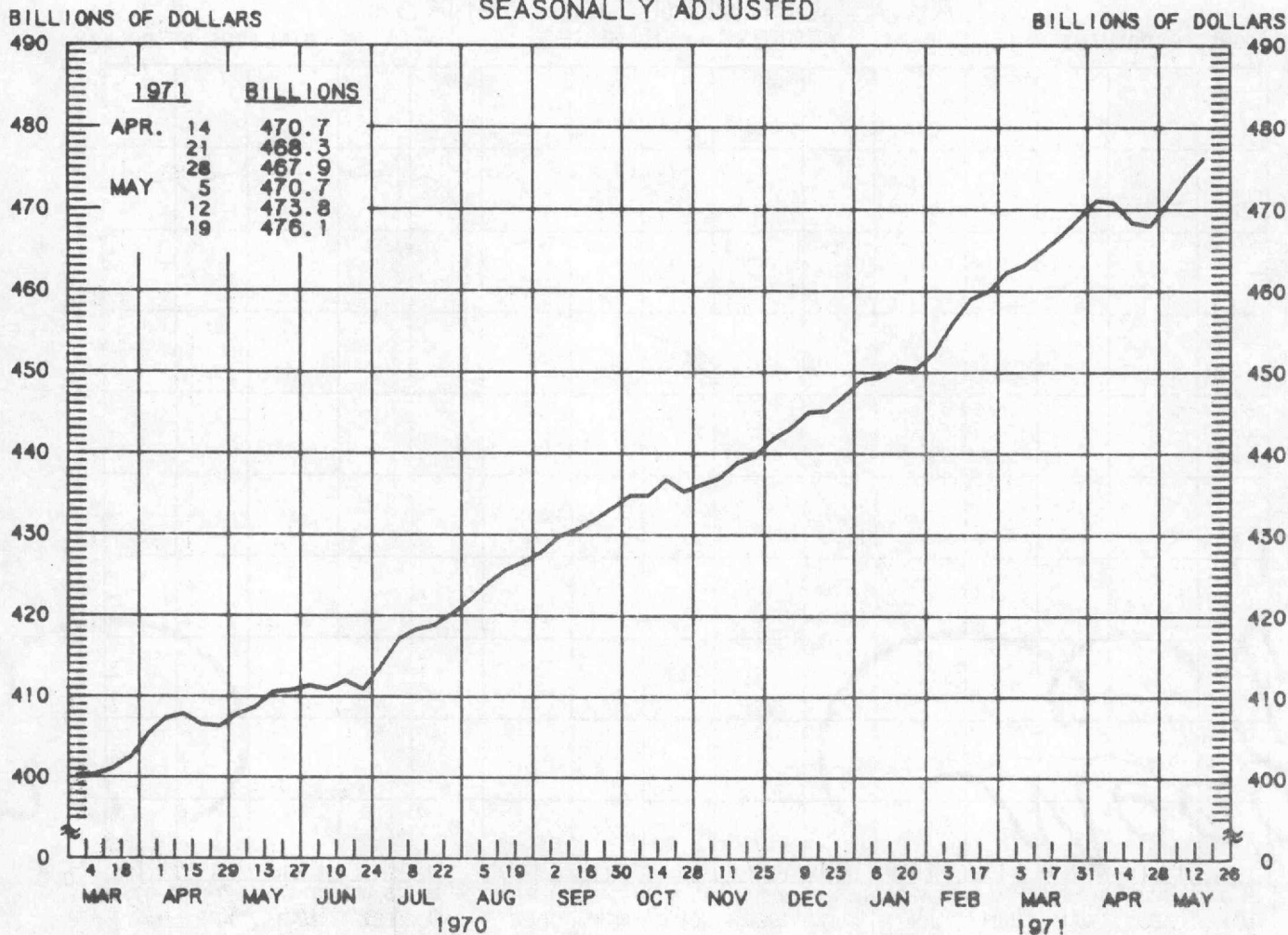
TO THE AVERAGE
OF FOUR WEEKS
ENDING:

	5/20/70	9/16/70	10/21/70	11/18/70	12/16/70	1/20/71	2/17/71	3/17/71
10/21/70	27.4							
11/18/70	25.3	22.4						
12/16/70	25.5	23.7	20.3					
1/20/71	26.4	25.8	24.6	29.4				
2/17/71	26.6	26.4	25.5	29.2	30.4			
3/17/71	27.4	27.7	27.3	30.6	31.8	32.0		
4/21/71	26.3	25.9	25.3	27.3	27.5	26.0	24.7	
5/19/71	25.1	24.2	23.4	24.9	24.6	22.6	20.7	14.8

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

MONEY STOCK PLUS TIME DEPOSITS

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: MAY 19, 1971

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

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

5/20/70 9/16/70 10/21/70 11/18/70 12/16/70 1/20/71 2/17/71 3/17/71

TO THE AVERAGE
OF FOUR WEEKS
ENDING:

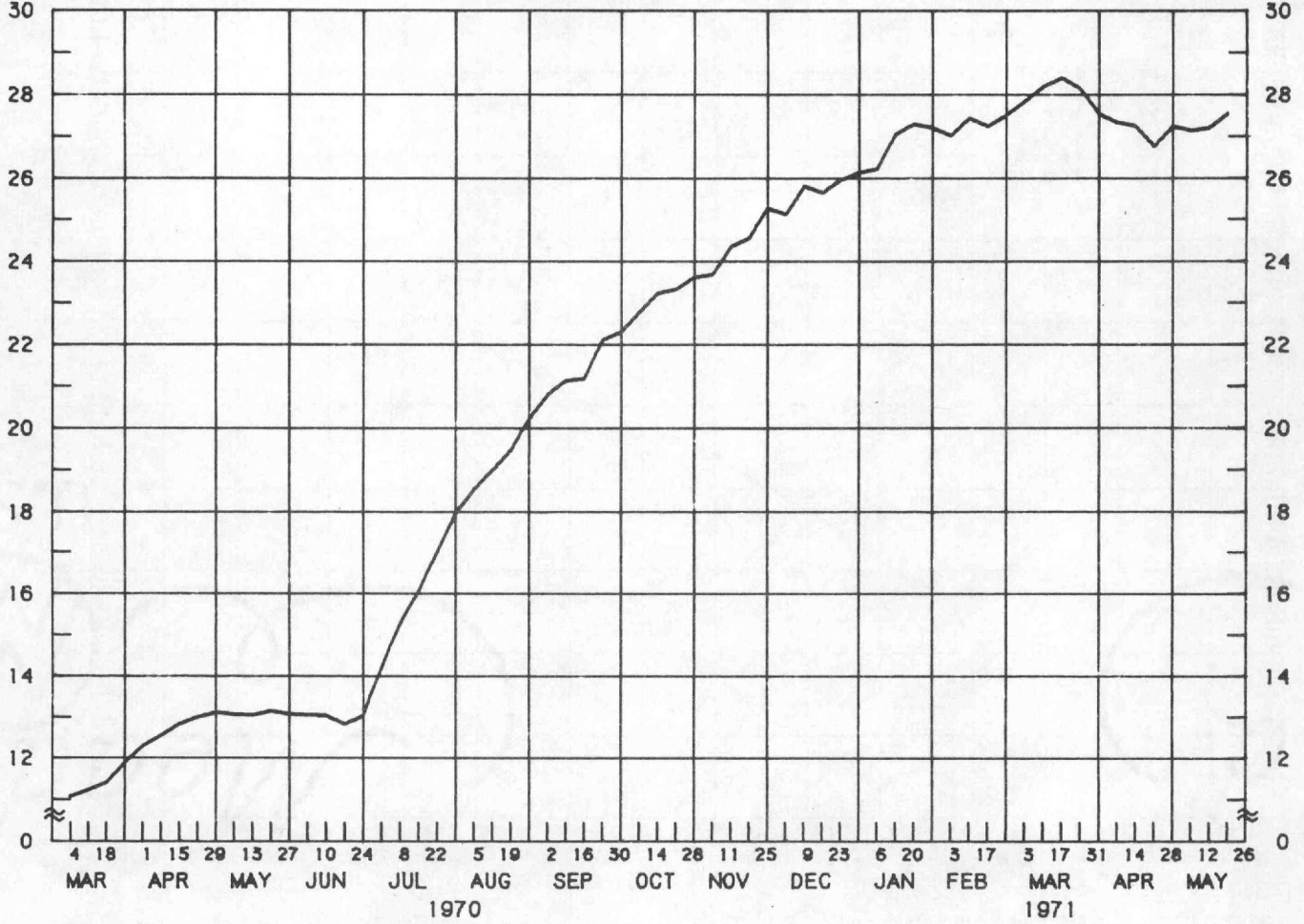
10/21/70	16.0						
11/18/70	14.4	11.4					
12/16/70	14.9	13.3	11.8				
1/20/71	15.2	14.3	13.7	17.3			
2/17/71	15.3	14.8	14.4	17.1	16.9		
3/17/71	16.3	16.4	16.5	19.1	19.6	21.2	
4/21/71	16.4	16.6	16.7	18.7	19.0	19.8	21.1
5/19/71	15.6	15.4	15.3	16.8	16.7	16.6	16.5 12.6

CERTIFICATES OF DEPOSIT LARGE COMMERCIAL BANKS

BILLIONS OF DOLLARS

WEDNESDAY FIGURES

BILLIONS OF DOLLARS



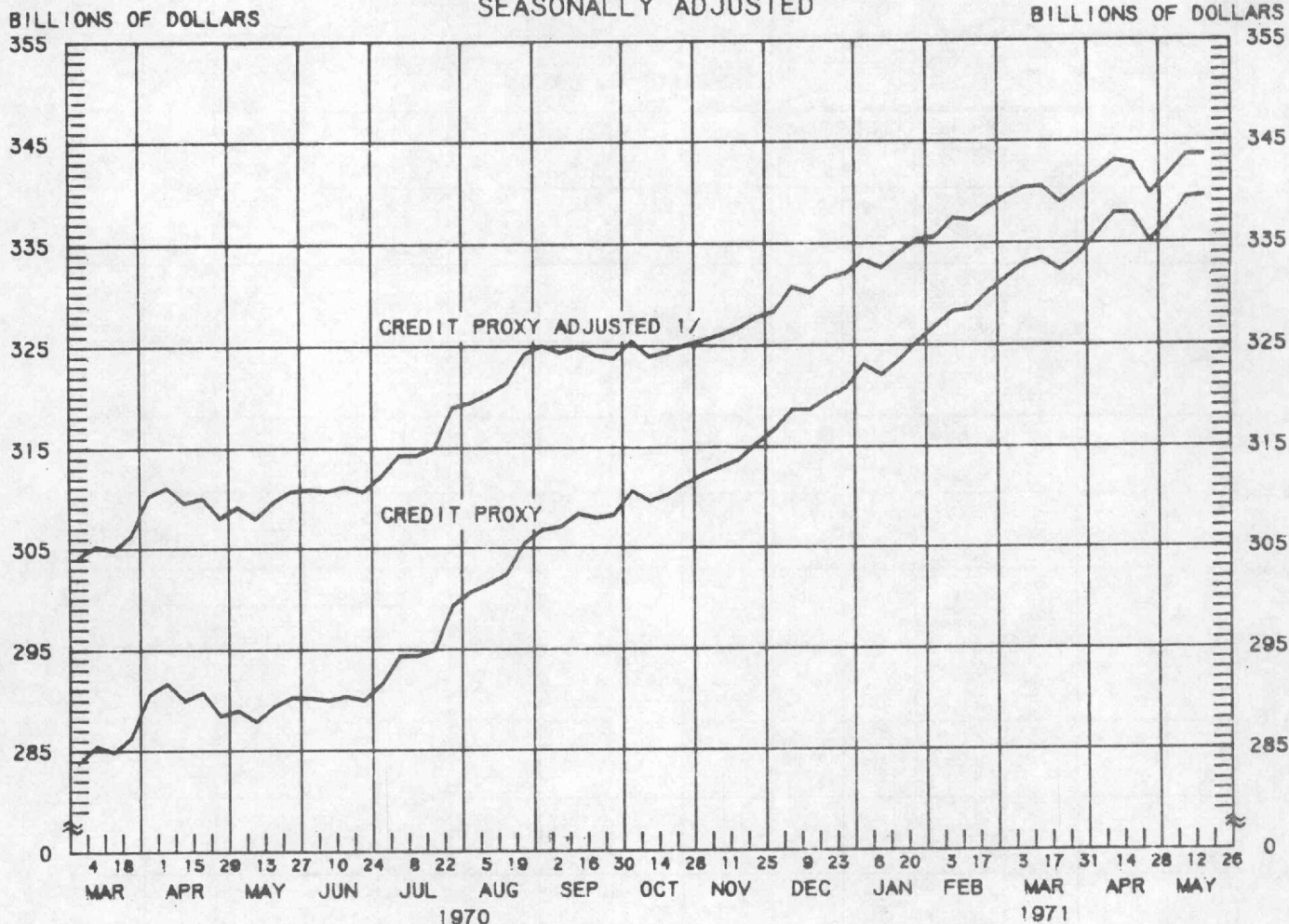
LATEST DATA PLOTTED WEEK ENDING: MAY 19, 1971

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>1971</u>	<u>MILLIONS</u>
APR.	14	27,237
	21	26,741
	28	27,219
MAY	5	27,127
	12	27,185
	19	27,528

MEMBER BANK DEPOSITS SUBJECT TO RESERVE REQUIREMENTS (CREDIT PROXY) AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: MAY 19, 1971

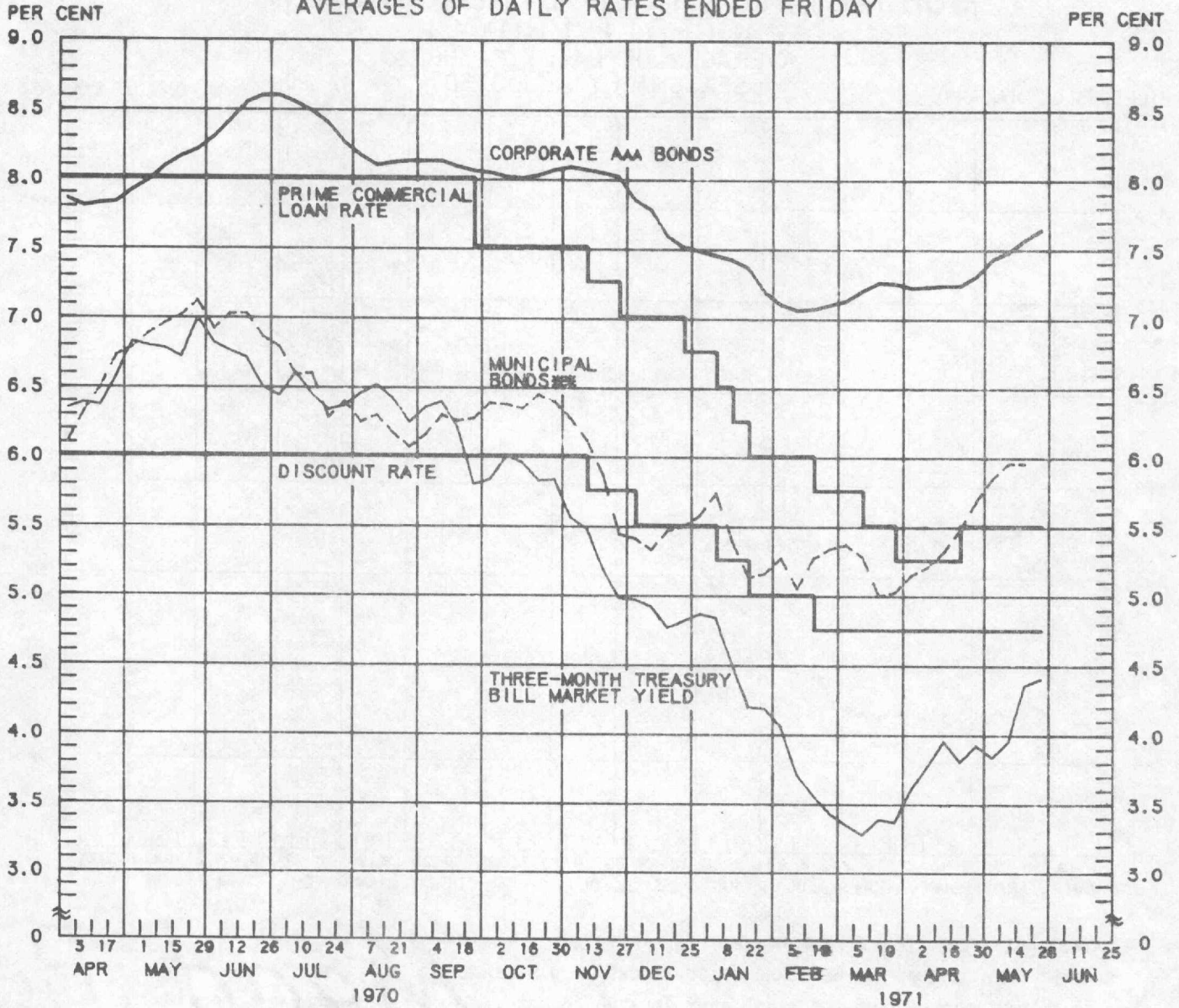
CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.9 RELEASE.

1/ INCLUDES MEMBER BANK DEPOSITS, BANK-RELATED COMMERCIAL PAPER, EURODOLLAR BORROWINGS OF U.S. BANKS, AND CERTAIN OTHER NONDEPOSIT SOURCES.

1971		BILLIONS	
		CREDIT PROXY	CREDIT PROXY ADJUSTED
APR.	14	337.9	343.0
	21	337.9	342.7
	28	335.1	339.8
MAY	5	337.1	341.6
	12	339.4	343.6
	19	339.6	343.6

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF THE FOUR WEEKS ENDING MAY 19, 1971 FROM THE FOUR WEEKS ENDING:			
		CREDIT PROXY	CREDIT PROXY ADJUSTED
MAR.	17	10.3	4.2
FEB.	17	13.6	7.1
JAN.	20	15.3	8.7
DEC.	16	15.9	9.6
NOV.	18	16.8	10.3
OCT.	21	16.3	9.7
SEP.	16	15.3	8.2

YIELDS ON SELECTED SECURITIES AVERAGES OF DAILY RATES ENDED FRIDAY



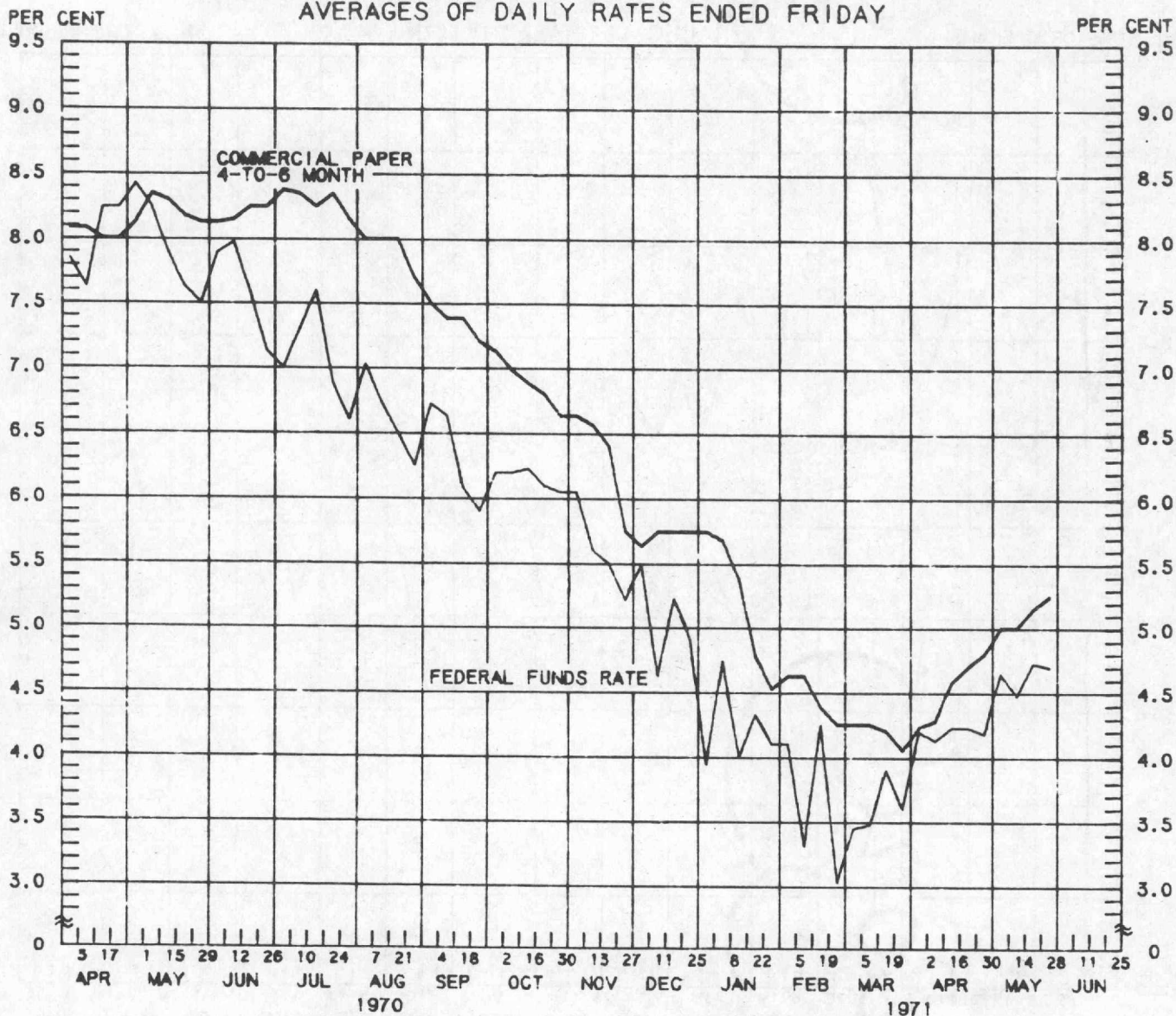
LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: MAY 28, 1971

1971	CORPORATE AAA BONDS	3-MONTH TREASURY BILLS	3-5 YEAR GOVERNMENT SECURITIES	LONG-TERM GOVERNMENT SECURITIES	MUNICIPAL BONDS <small>***</small>
APR. 2	7.22	3.61	4.85	5.64	5.15
9	7.23	3.78	5.08	5.66	5.21
16	7.24	3.96	5.37	5.73	5.32
23	7.24	3.81	5.59	5.82	5.48
30	7.31	3.93	5.77	5.81	5.69
MAY 7	7.43	3.84	5.92	5.92	5.85
14	7.48	3.96	5.98	5.96	5.96
21	7.57	4.36	6.20	6.04	5.96
28 *	7.64	4.41	6.01	5.93	N.A.
JUNE 4					
11					
18					
25					

* AVERAGES OF RATES AVAILABLE.
 *** BOND BUYER'S AVERAGE INDEX OF 20 MUNICIPAL BONDS, THURSDAY DATA.
 N.A. - NOT AVAILABLE

SELECTED SHORT-TERM INTEREST RATES

AVERAGES OF DAILY RATES ENDED FRIDAY



LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: MAY 28, 1971

1971	PRIME COMMERCIAL PAPER 4-6 MONTH	FEDERAL FUNDS	PRIME BANKERS' ACCEPTANCES	90 DAY CD'S ***
APR. 2	4.23	4.20	4.00	3.87
9	4.28	4.13	4.13	3.94
16	4.58	4.23	4.38	4.13
23	4.70	4.23	4.45	4.46
30	4.80	4.18	4.60	4.72
MAY 7	5.00	4.65	4.83	4.82
14	5.00	4.48	4.88	4.83
21	5.15	4.73	4.95	4.91
28 *	5.25	4.70	5.00	5.12
JUNE 4				
11				
18				
25				

* 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.

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

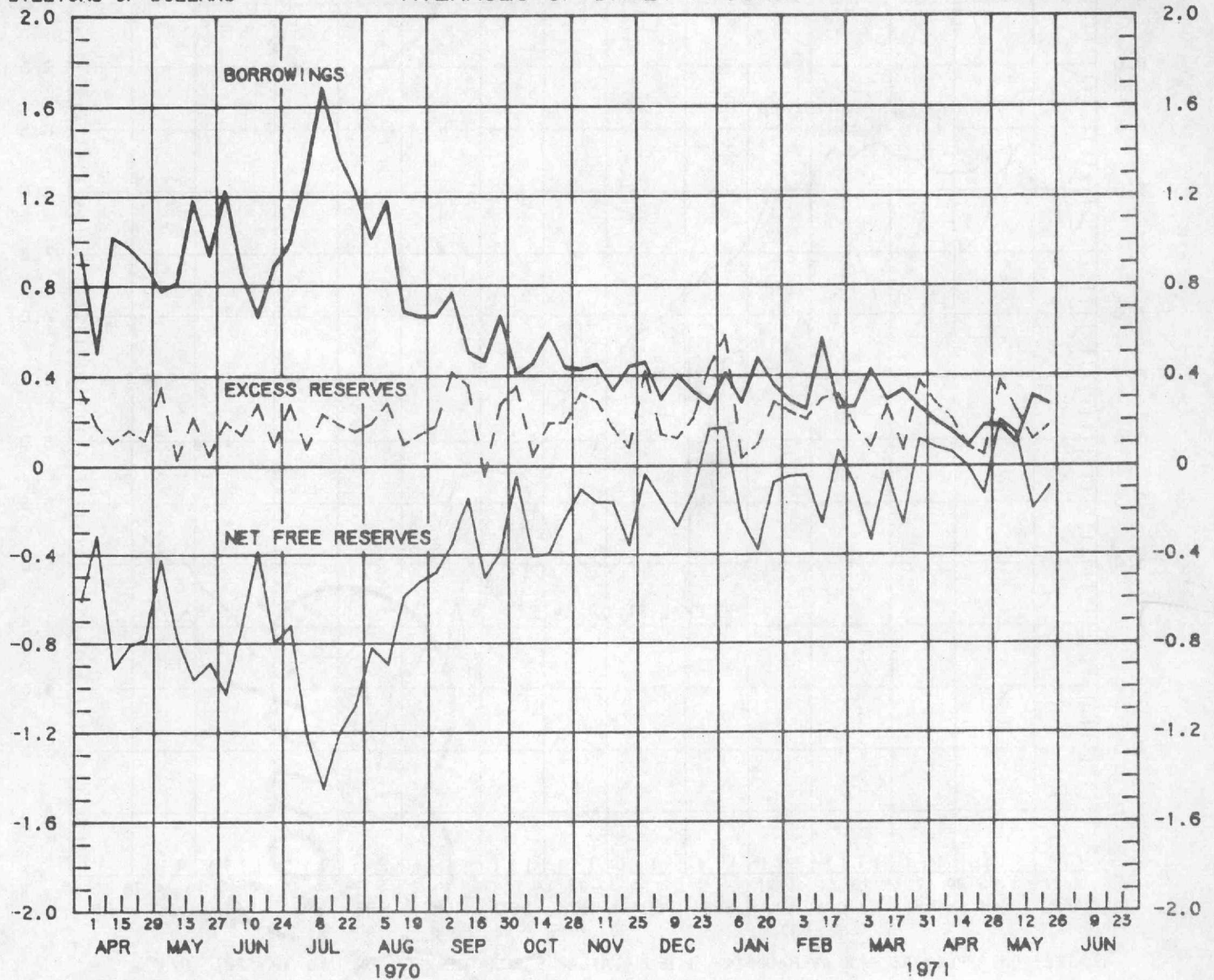
BORROWINGS AND EXCESS RESERVES

ALL MEMBER BANKS IN THE NATION

BILLIONS OF DOLLARS

AVERAGES OF DAILY FIGURES

BILLIONS OF DOLLARS



LATEST DATA PLOTTED WEEK ENDING: MAY 26, 1971

1971	EXCESS RESERVES	MILLIONS	
		BORROWINGS	FREE RESERVES
APR. 7	277	197	80
14	208	150	58
21	81	84	- 3
28	48	176	- 128
MAY 5	377	175	202
12	242	98	144
19	115	308	- 193
26	175	269	- 94
JUNE 2			
9			
16			
23			
30			

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS