

Week ending: July 7, 1971

AUG 27 1998

Monetary aggregates rose at an accelerated pace in the first half of 1971, after a moderately expansive pace in 1970. The money stock has increased at a rapid 10.3 per cent annual rate in 1971, compared with 5.4 per cent in 1970 and an average 3.4 per cent trend rate from 1957 to 1970. The growth of money in the first half of 1971 was greater than any other six-month period since World War II. Money plus net time deposits has risen at a 16 per cent rate in the past six months, after rising at a 10 per cent rate from February 1970 to December 1970 (page 7). Growth of this measure in 1971 ranks in the 100th percentile of all six-month periods in the past twenty-five years.

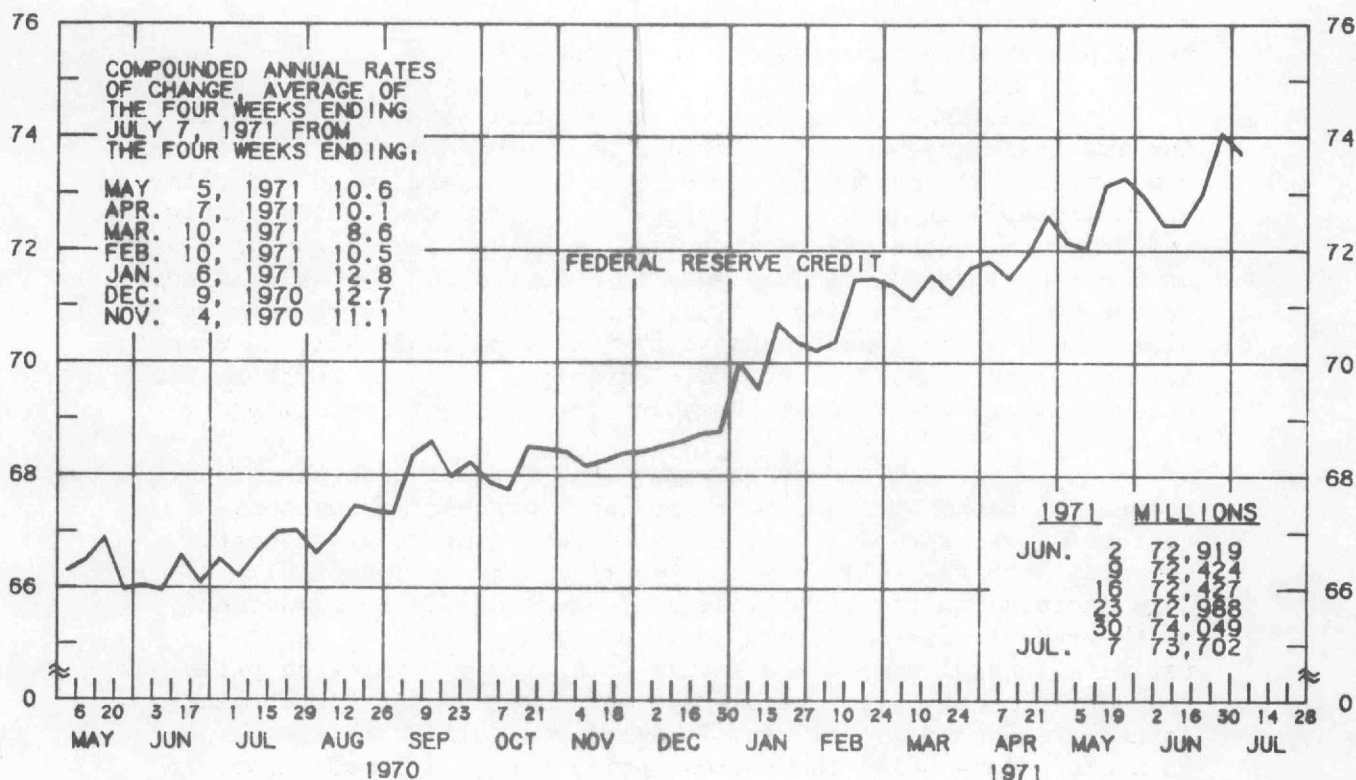
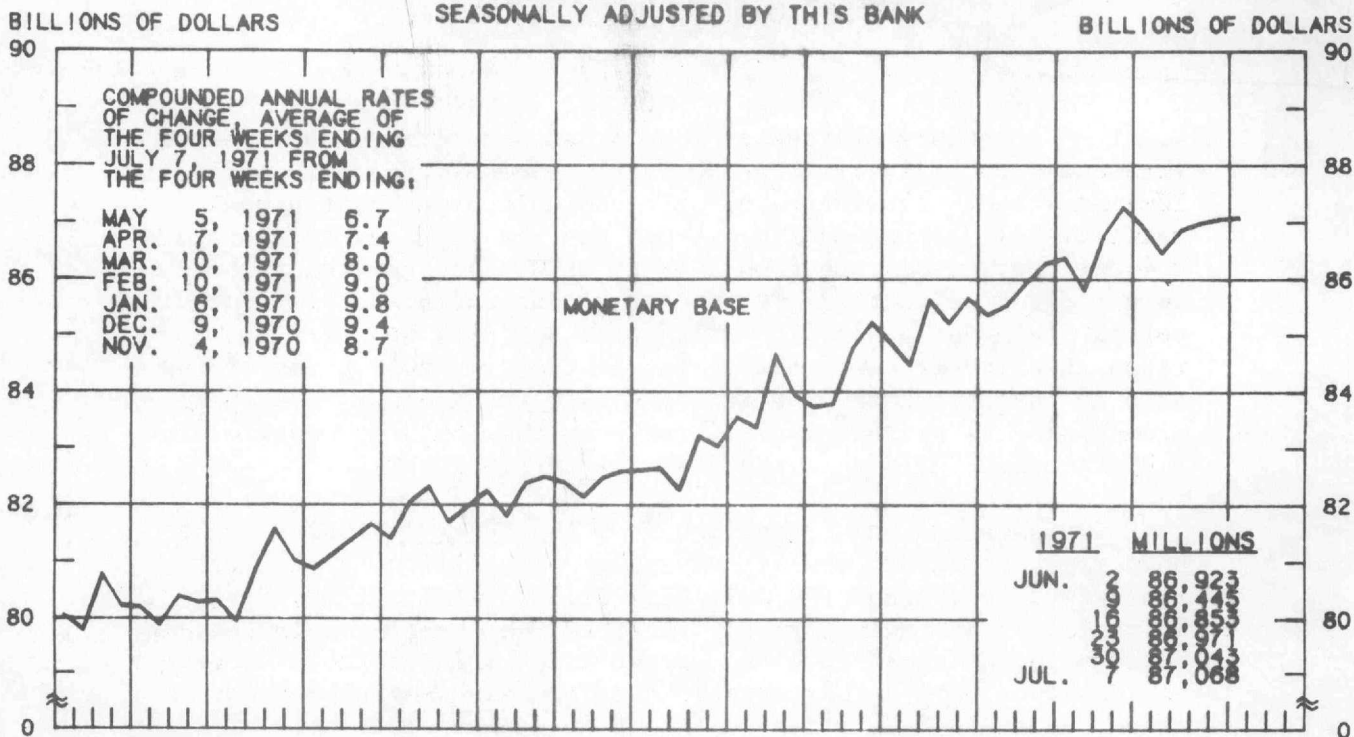
Member bank borrowings from the Federal Reserve banks have risen in recent weeks, averaging \$610 million in the past four weeks, compared with only \$150 million in April 1971 (page 12). This rise in borrowings partly reflects the changing relationship between the discount rate and competitive market rates. Currently the discount rate on borrowings from Federal Reserve banks by member banks is 4.75 per cent, about 75 basis points below the three-month Treasury bill rate and 40 basis points below the Federal funds rate. In contrast, the discount rate averaged 90 basis points above the Treasury bill rate in April and 60 basis points above the Federal funds rate.

Business loans of large commercial banks, adjusted to include loans sold to their affiliates, have increased at a 4 per cent annual rate in the past five months, compared with a decline at an 11 per cent rate in the previous five months, which partly reflected the automobile strike. Adjusted business loans grew at an 8 per cent rate from July 1969 to August 1970, and at a 10 per cent trend rate from 1960 to 1969 (unadjusted). The relatively slow growth of business loans in the first half of 1971, in view of the upturn in general economic activity, probably reflects the heavy business borrowing through longer-term debt instruments.

This week the prime rate, the interest rate charged by commercial banks on loans to their large high-rated business customers, was raised 1/2 of 1 percentage point to 6 per cent, despite the rather slow growth of business loans (page 10). This increase in the prime rate represents mainly an adjustment to the recent rise in market interest rates, which in turn, reflects general demand and supply conditions. Yields on prime four- to six-month commercial paper, a major competitor of bank loans, averaged 5.75 per cent in the first half of this week, 25 basis points below the current prime rate. By comparison, in March, April, and May the commercial paper rate averaged 80 basis points below the prime rate. Interest rates banks pay for funds have also increased. For example, rates on secondary market CDs averaged 5.59 per cent this week, 1.7 percentage points above the March level.

MONETARY BASE ^{1/} FEDERAL RESERVE CREDIT ^{2/}

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED BY THIS BANK



LATEST DATA PLOTTED WEEK ENDING: JULY 7, 1971

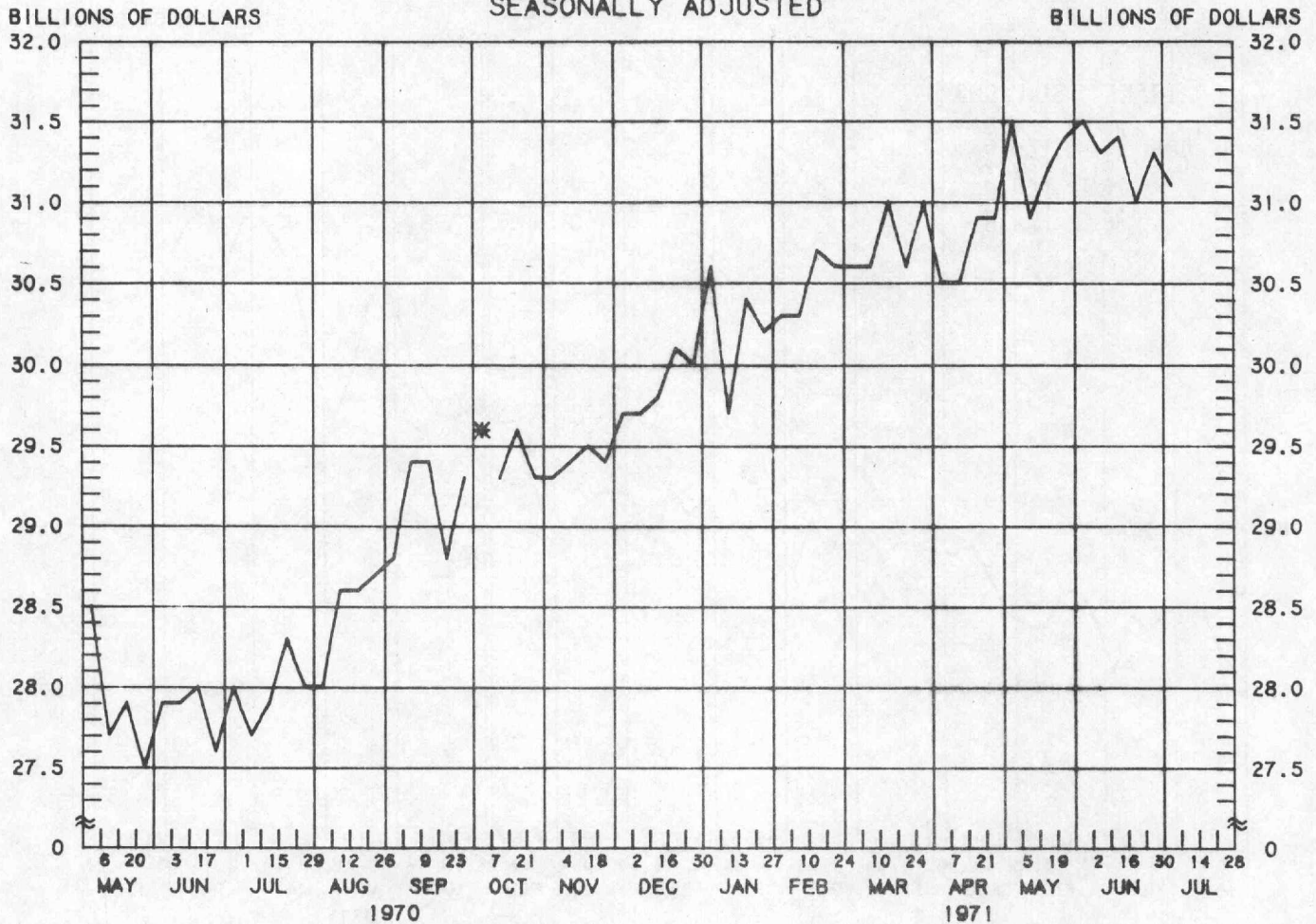
1/ USES OF MONETARY BASE ARE MEMBER BANK RESERVES AND CURRENCY HELD BY THE PUBLIC AND NONMEMBER BANKS, ADJUSTED FOR RESERVE REQUIREMENT CHANGES AND SHIFTS IN DEPOSITS. FOR A DESCRIPTION OF THE BASE SEE THE AUGUST 1968 "REVIEW" OF THIS BANK.

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: JULY 7, 1971

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

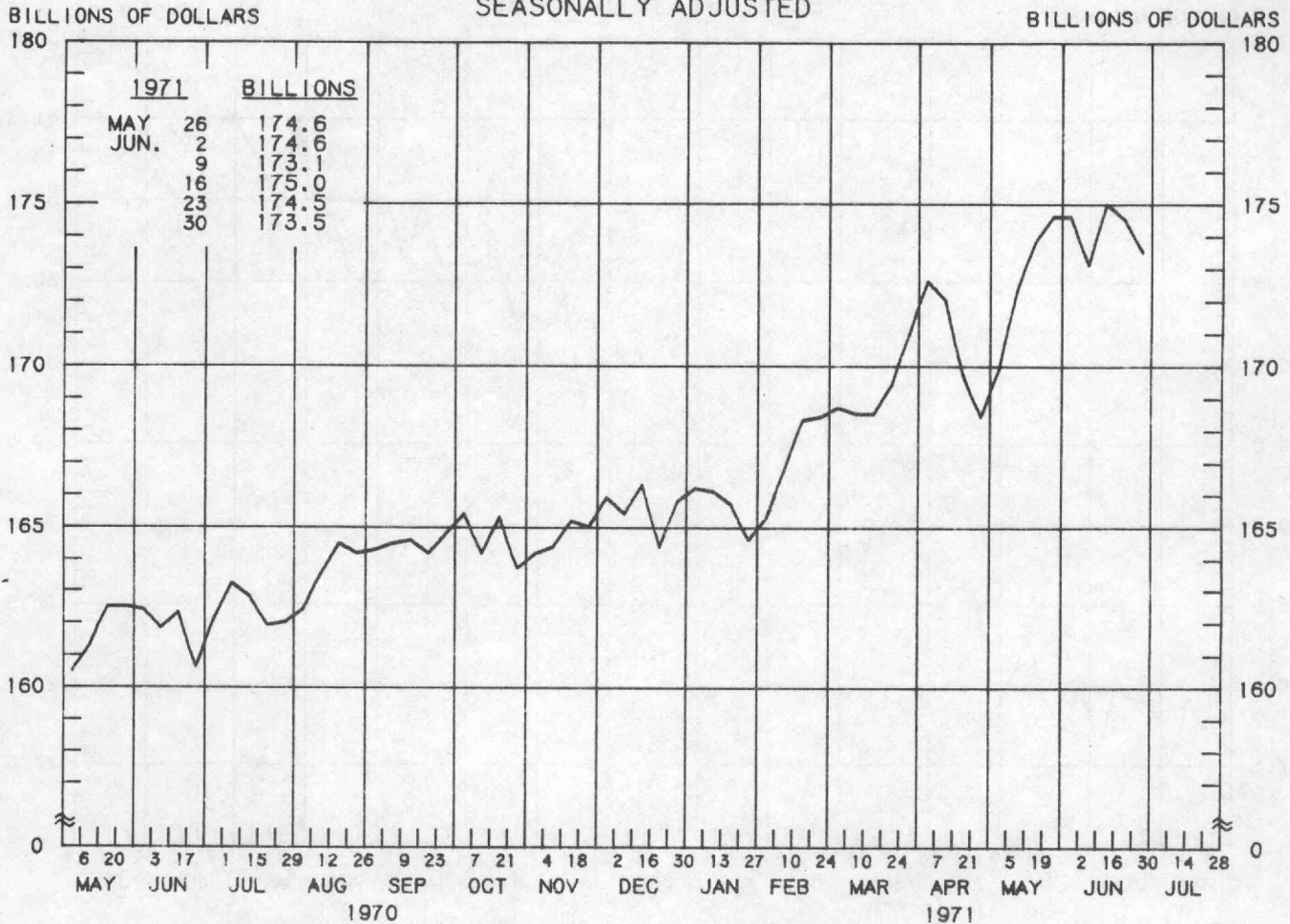
* BREAK IN SERIES DUE TO CHANGES IN REGULATION D EFFECTIVE OCTOBER 1, 1970.

1971	BILLIONS
JUN. 2	31.5
9	31.3
16	31.4
23	31.0
30	31.3
JUL. 7	31.1

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF THE FOUR WEEKS ENDING JULY 7, 1971 FROM THE FOUR WEEKS ENDING:	
MAY 5, 1971	3.8
APR. 7, 1971	5.3
MAR. 10, 1971	6.1
FEB. 10, 1971	7.5
JAN. 6, 1971	7.4
DEC. 9, 1970	9.6
NOV. 4, 1970	9.2

DEMAND DEPOSIT COMPONENT OF MONEY STOCK

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



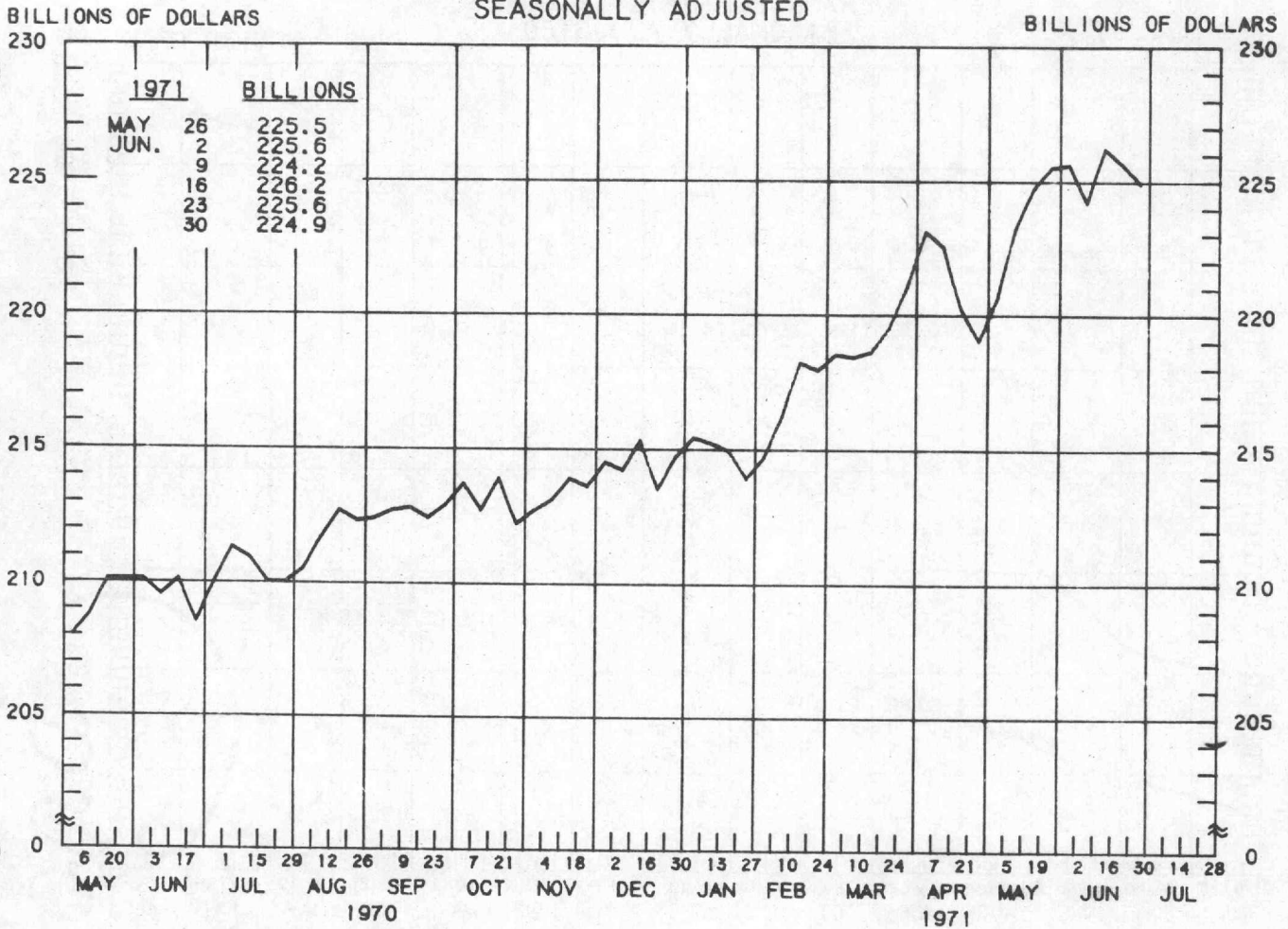
LATEST DATA PLOTTED WEEK ENDING: JUNE 30, 1971
 CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

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

	7/1/70	10/28/70	12/2/70	12/30/70	1/27/71	3/3/71	3/31/71	4/28/71
TO THE AVERAGE OF FOUR WEEKS ENDING:								
12/ 2/70	5.0							
12/30/70	4.8	2.8						
1/27/71	4.3	2.5	2.4					
3/ 3/71	5.9	6.1	7.5	9.4				
3/31/71	6.4	6.9	8.2	9.8	13.6			
4/28/71	6.8	7.4	8.6	9.9	12.6	10.5		
6/ 2/71	8.1	9.4	10.8	12.3	14.8	14.3	16.0	
6/30/71	7.6	8.5	9.5	10.5	12.2	11.1	11.3	11.7

MONEY STOCK

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED

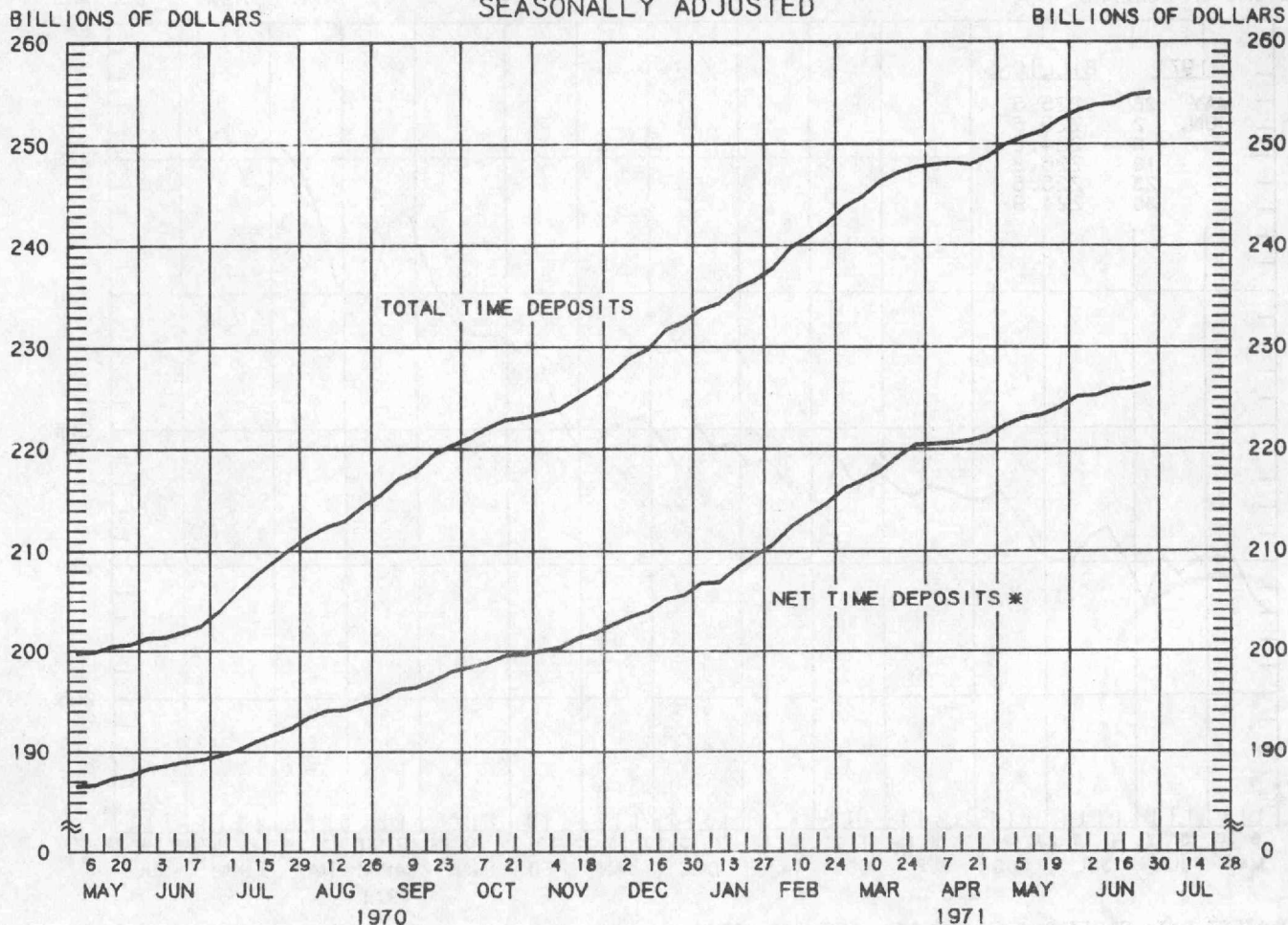


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COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

TO THE AVERAGE OF FOUR WEEKS ENDING:	7/1/70	10/28/70	12/2/70	12/30/70	1/27/71	3/3/71	3/31/71	4/28/71
12/ 2/70	4.9							
12/30/70	4.7	3.6						
1/27/71	4.5	3.4	3.4					
3/ 3/71	5.9	6.4	7.5	9.2				
3/31/71	6.3	7.1	8.2	9.7	12.7			
4/28/71	6.8	7.7	8.8	10.0	12.3	10.9		
6/ 2/71	7.9	9.4	10.6	11.8	13.9	13.7	15.1	
6/30/71	7.5	8.6	9.4	10.3	11.7	10.9	11.0	10.9

TIME DEPOSITS ALL COMMERCIAL BANKS AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: JUNE 30, 1971

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

* NET TIME DEPOSITS ARE DEFINED AS: SAVINGS DEPOSITS, TIME DEPOSITS OPEN ACCOUNT PLUS TIME CERTIFICATES OF DEPOSIT OTHER THAN NEGOTIABLE TIME CERTIFICATES OF DEPOSIT ISSUED IN DENOMINATIONS OF \$100,000 OR MORE BY LARGE WEEKLY REPORTING COMMERCIAL BANKS.

NET TIME DEPOSITS

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

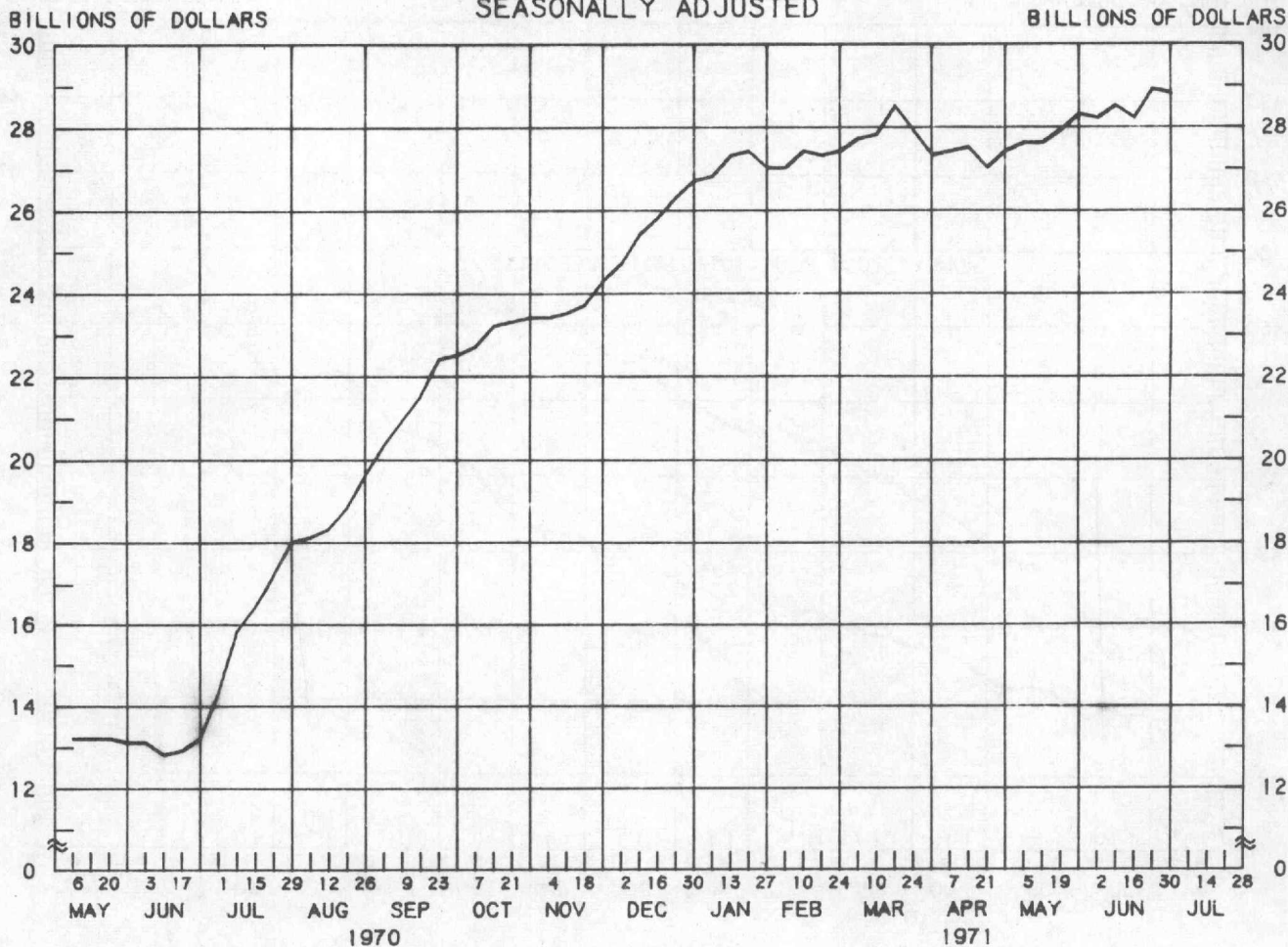
7/1/70 10/28/70 12/2/70 12/30/70 1/27/71 3/3/71 3/31/71 4/28/71

TO THE AVERAGE
OF FOUR WEEKS
ENDING:

12/ 2/70	16.2							
12/30/70	17.1	16.7						
1/27/71	18.0	18.9	22.9					
3/ 3/71	20.4	23.3	27.7	30.4				
3/31/71	21.4	24.7	28.5	30.6	33.6			
4/28/71	20.7	23.0	25.6	26.4	27.2	22.2		
6/ 2/71	20.2	21.8	23.6	23.9	23.9	19.6	14.8	
6/30/71	19.5	20.6	21.9	21.9	21.6	17.7	13.8	13.8

CERTIFICATES OF DEPOSIT LARGE COMMERCIAL BANKS

WEDNESDAY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: JUNE 30, 1971

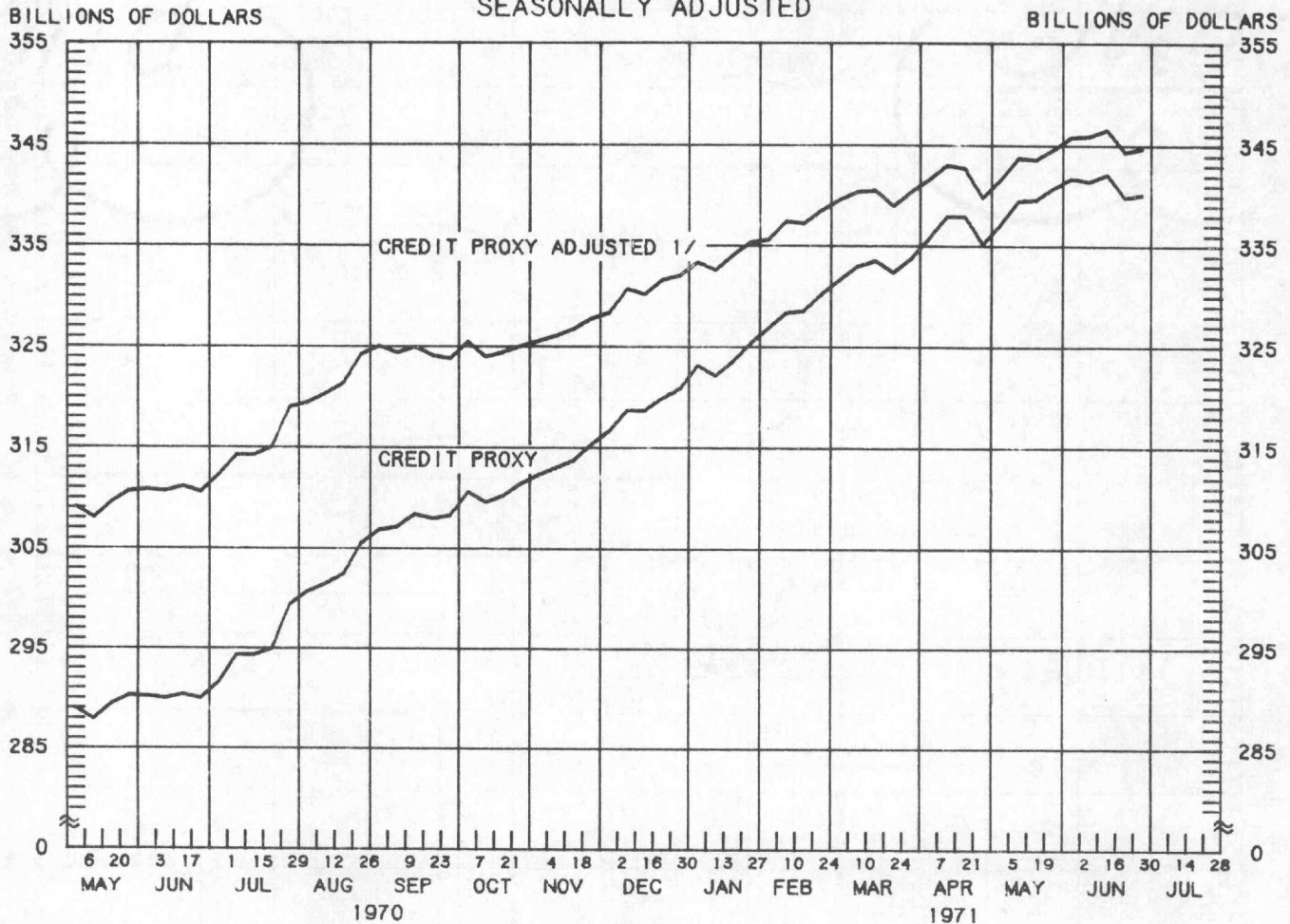
CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

NEGOTIABLE TIME CERTIFICATES OF DEPOSIT ISSUED IN DENOMINATIONS OF \$100,000 OR MORE BY LARGE WEEKLY REPORTING COMMERCIAL BANKS.

MONEY AND TIME DEPOSIT DATA			
1971	BILLIONS		
	CERTIFICATES OF DEPOSIT	NET TIME DEPOSITS *	M 2 **
MAY	5	27.6	222.3
	12	27.6	223.0
	19	27.9	223.3
	26	28.3	224.0
JUNE	2	28.2	225.1
	9	28.5	225.2
	16	28.2	225.8
	23	28.9	225.9
	30	28.8	226.3
JULY	7		
	14		
	21		
	28		

* SEE FOOTNOTE PAGE 6.
** SEE FOOTNOTE PAGE 7.

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



LATEST DATA PLOTTED WEEK ENDING: JUNE 30, 1971

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

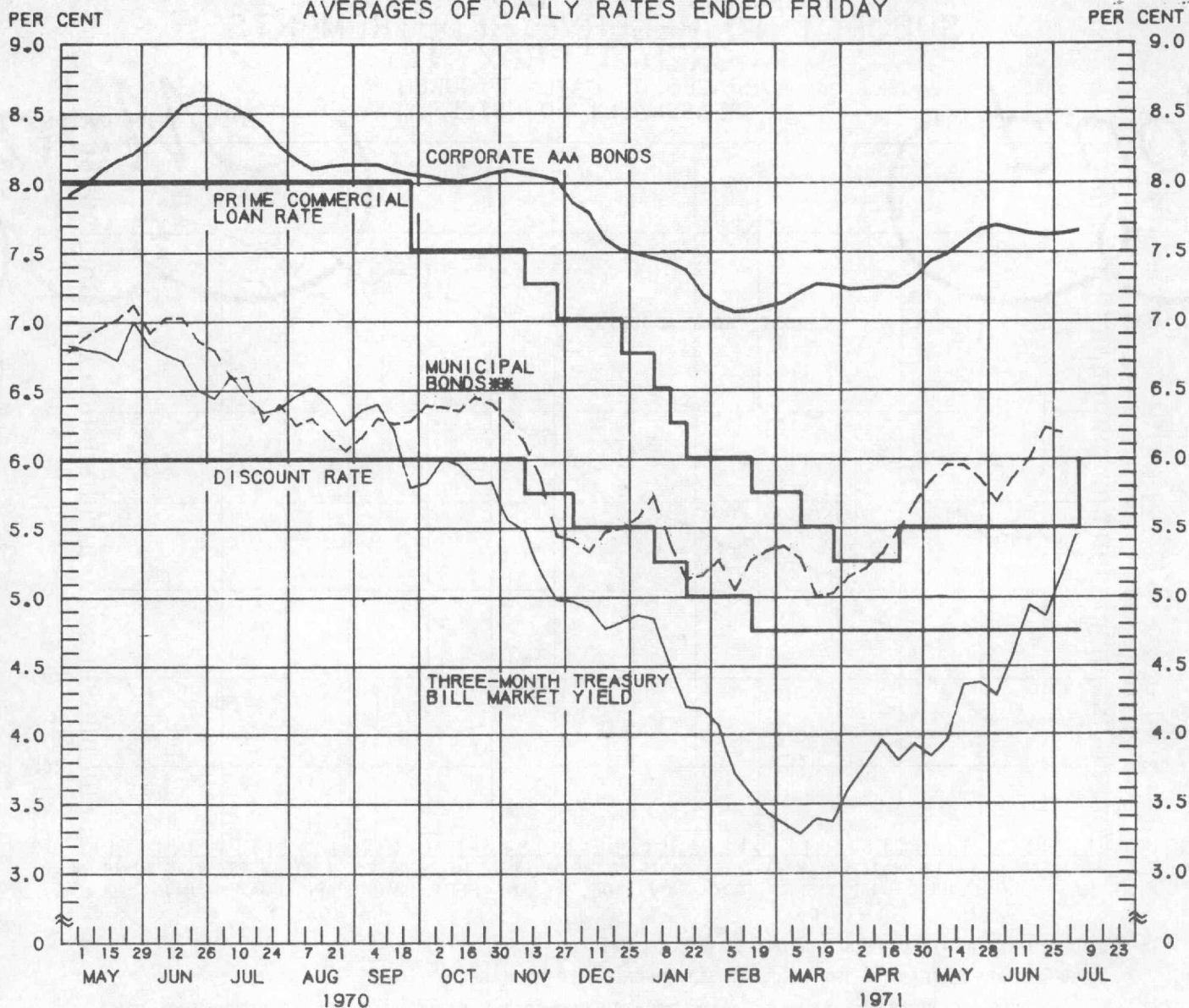
1/ INCLUDES MEMBER BANK DEPOSITS, BANK-RELATED COMMERCIAL PAPER, EURODOLLAR BORROWINGS OF U.S. BANKS, AND CERTAIN OTHER NONDEPOSIT SOURCES.

1971		BILLIONS	
		CREDIT PROXY	CREDIT PROXY ADJUSTED
MAY	26	340.8	344.6
JUN.	2	341.7	345.8
	9	341.4	345.9
	16	342.1	346.5
	23	339.8	344.3
	30	340.1	344.7

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF THE FOUR WEEKS ENDING JUNE 30, 1971 FROM THE FOUR WEEKS ENDING:		
	CREDIT PROXY	CREDIT PROXY ADJUSTED
APR. 28, 1971	7.4	6.2
MAR. 31, 1971	9.7	6.4
MAR. 3, 1971	10.8	6.7
JAN. 27, 1971	13.2	8.4
DEC. 30, 1970	13.8	8.8
DEC. 2, 1970	14.9	9.8
OCT. 28, 1970	14.9	9.6

YIELDS ON SELECTED SECURITIES

AVERAGES OF DAILY RATES ENDED FRIDAY



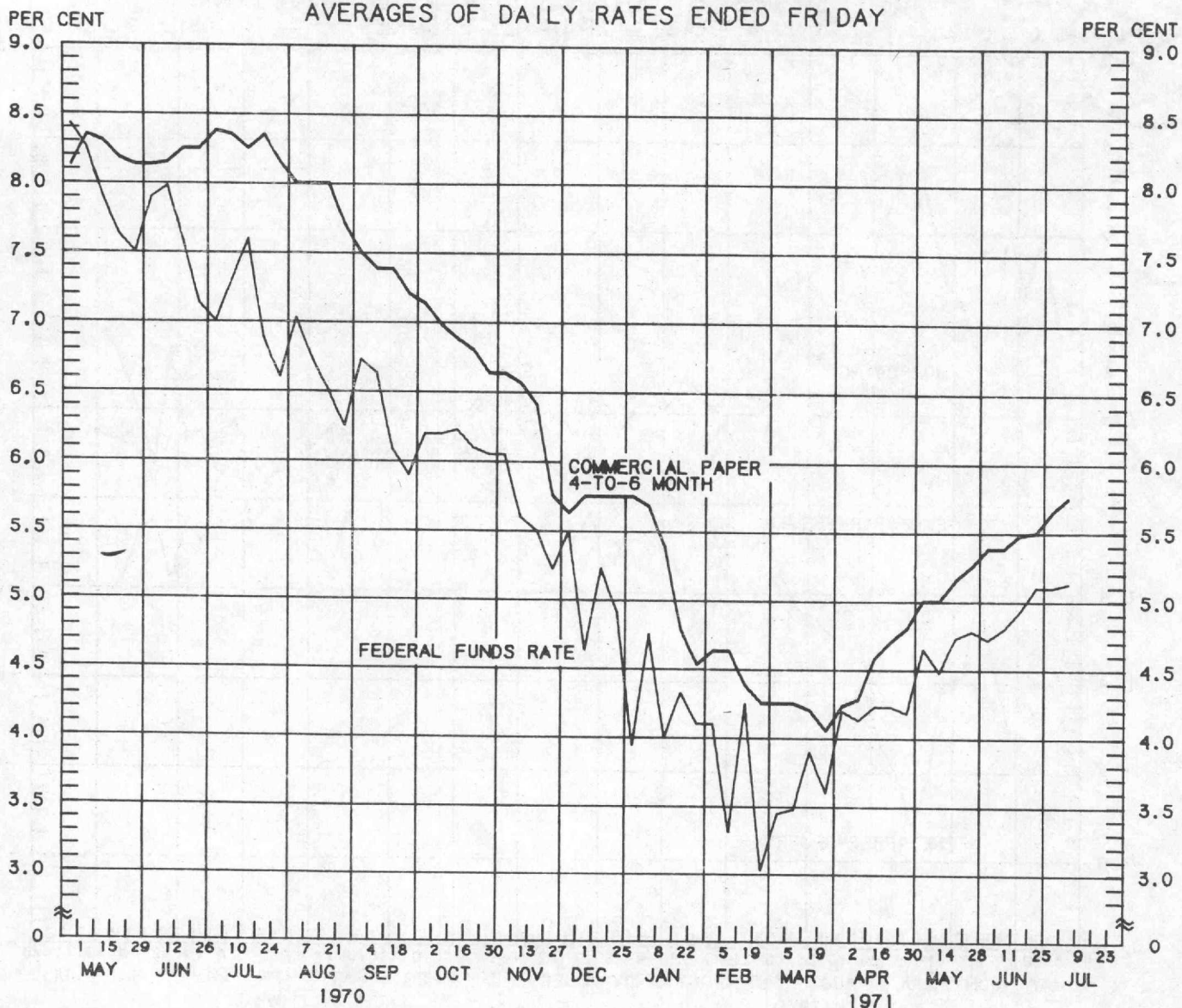
LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: JULY 9, 1971

1971	CORPORATE AAA BONDS	3-MONTH TREASURY BILLS	3-5 YEAR GOVERNMENT SECURITIES	LONG-TERM GOVERNMENT SECURITIES	MUNICIPAL BONDS ***
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	7.66	4.38	5.97	5.90	5.86
JUNE 4	7.69	4.28	5.92	5.79	5.70
11	7.66	4.58	6.22	5.89	5.87
18	7.63	4.94	6.54	6.06	6.00
25	7.62	4.86	6.46	5.98	6.23
JULY 2	7.63	5.17	6.70	5.97	6.19
9 *	7.65	5.49	6.68	5.94	N.A.
16					
23					
30					

* 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



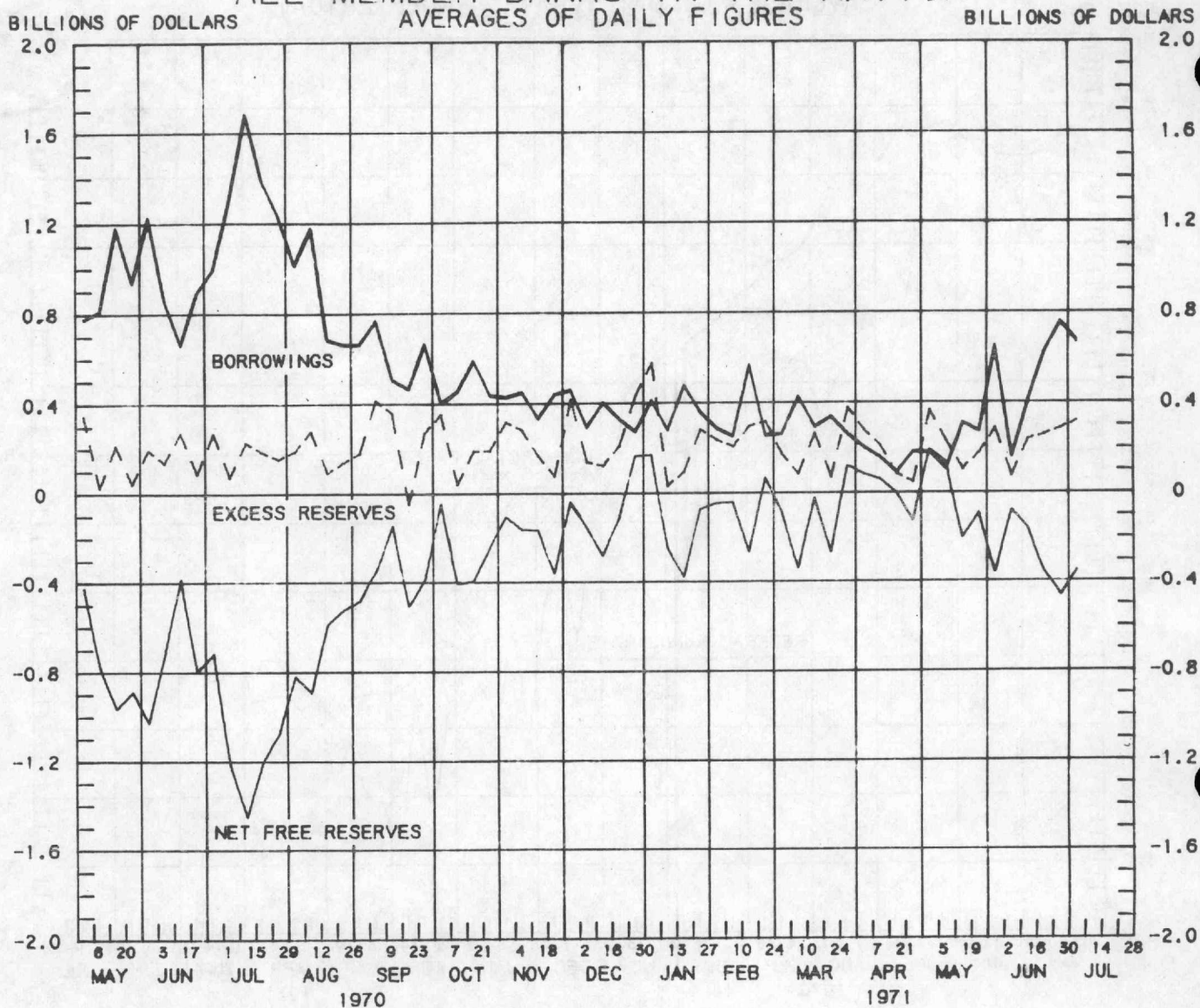
LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: JULY 9, 1971

1971		PRIME COMMERCIAL PAPER 4-6 MONTH	FEDERAL FUNDS	PRIME BANKERS' ACCEPTANCES	90 DAY CD'S ^{***}
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	4.78	5.00	5.12
JUNE	4	5.38	4.72	5.00	5.25
	11	5.38	4.80	5.18	5.28
	18	5.48	4.93	5.43	5.33
	25	5.50	5.10	5.50	5.43
JULY	2	5.65	5.10	5.60	5.53
	9 *	5.75	5.13	5.63	5.59
	16				
	23				
	30				

* 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



LATEST DATA PLOTTED WEEK ENDING: JULY 7, 1971

1971	MILLIONS		
	EXCESS RESERVES	BORROWINGS	FREE RESERVES
MAY 5	365	174	191
12	230	99	131
19	102	306	- 204
26	174	267	- 93
JUNE 2	285	646	- 361
9	73	153	- 80
16	238	403	- 165
23	258	618	- 360
30	286	752	- 466
JULY 7	316	667	- 351
14			
21			
28			

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS