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Week ending: December 15, 1971

The nation's money stock averaged \$227.9 billion in the four weeks ending December 8, about the same as the level of four months earlier (page 5). In comparison, money grew at an average 6.2 percent annual rate from the fourth quarter of 1966 to the third quarter of 1971. The monetary base, which largely determines the money stock over a period of several months, rose at about a 3 percent annual rate in the past four months, after increasing at a 6 percent rate from the fourth quarter of 1966 to the third quarter of 1971 (page 2).

Interest rates have declined on a broad front over the past four months (pages 10 and 11). Yields on four- to six-month commercial paper averaged 4.75 percent in the three days ending December 15, compared with 5.83 percent in early August. The Bond Buyer's twenty-bond index of municipal bonds was 5.23 percent on December 9, about 85 basis points below early August. Effective December 13, the discount rate, the interest rate charged by Federal Reserve Banks on loans to their member banks, was lowered by several banks to 4-1/2 percent, down 1/4 of one percentage point. This was the second such reduction in recent weeks, bringing the rate to the lowest level since 1967. In addition, the prime interest rate has been lowered by a few banks recently from 5-1/2 percent to 5-1/4 percent. This rate is charged by commercial banks on loans to their best business customers.

Yield curves of U.S. Government securities for August 13, 1971 and December 10, 1971 are presented on page 9. A yield curve shows the relationship between term to maturity of interest-bearing obligations and their market yields. Reflecting the recent declines of market rates, the December 10 yield curve is considerably below the curve for August 13. This downward shift has been almost parallel for maturities of one to five years. According to the expectations hypothesis, long-term bond yields are an average of a series of expected short-term yields. Using this hypothesis, a parallel downward shift of a yield curve, other things equal, implies that the expected short-term rates over the next several years have been lowered by the same amount as the downward shift. The lowering of interest rate expectations has apparently been fostered by the President's New Economic Program, recent improvements in price indices, and a somewhat lower level of economic activity than may have been expected earlier.

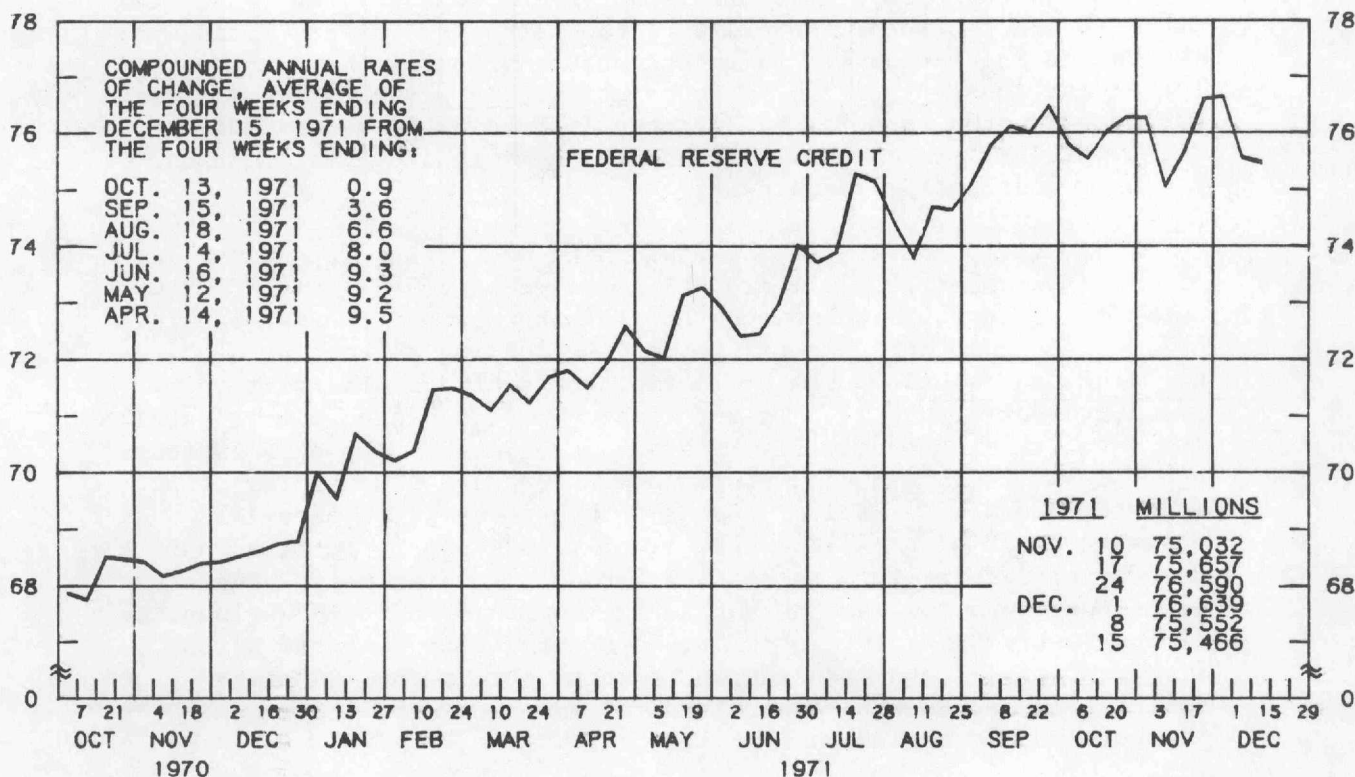
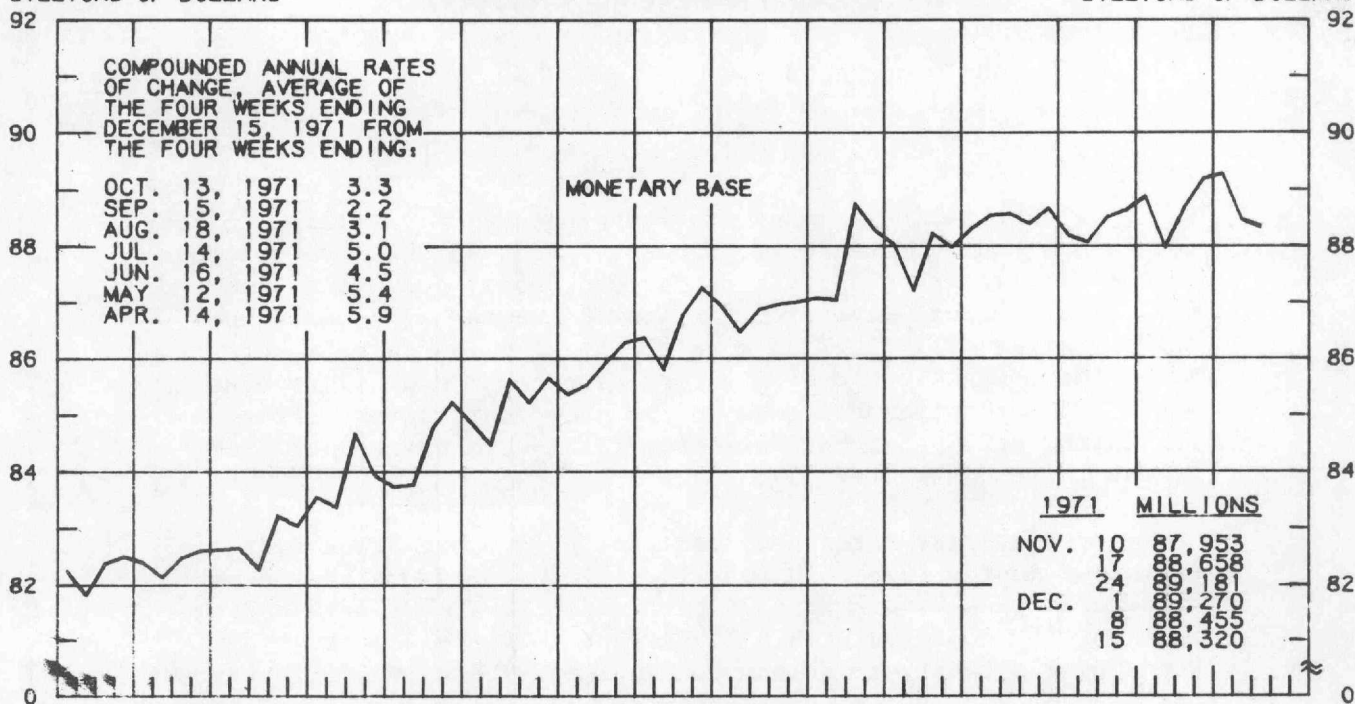
2

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: DECEMBER 15, 1971

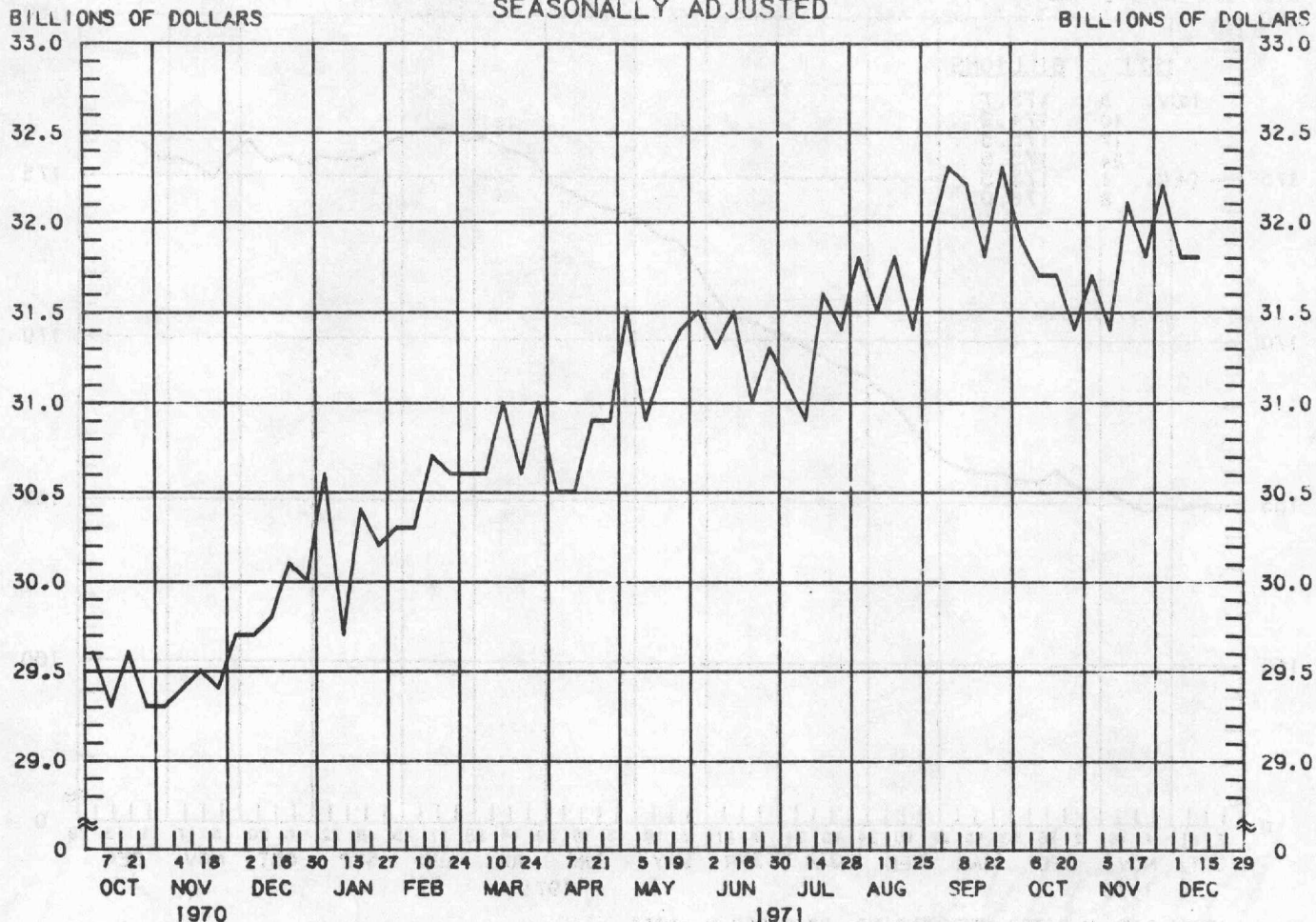
1/ USES OF MONETARY BASE ARE MEMBER BANK RESERVES AND CURRENCY HELD BY THE PUBLIC AND NONMEMBER BANKS, ADJUSTED FOR RESERVE REQUIREMENT CHANGES AND SHIFTS IN DEPOSITS. FOR A DESCRIPTION OF THE BASE SEE THE AUGUST 1968 "REVIEW" OF THIS BANK.

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: DECEMBER 15, 1971
 CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.9 RELEASE.

1971	BILLIONS
NOV. 10	31.4
17	32.1
24	31.8
DEC. 1	32.2
8	31.8
15	31.8

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF THE FOUR WEEKS ENDING DECEMBER 15, 1971 FROM THE FOUR WEEKS ENDING:

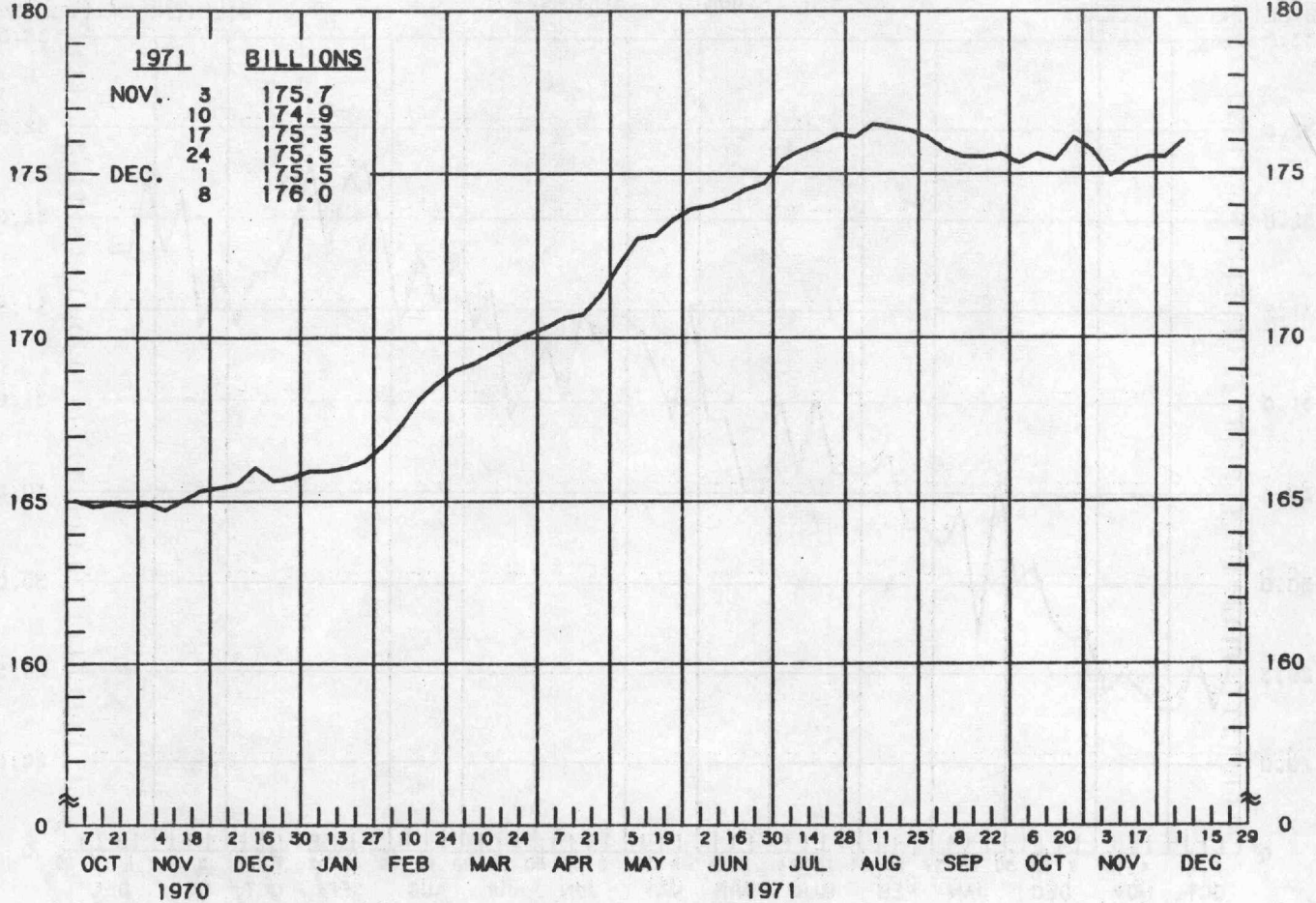
OCT. 13, 1971	0.0
SEP. 15, 1971	-1.2
AUG. 18, 1971	2.9
JUL. 14, 1971	6.2
JUN. 16, 1971	3.2
MAY 12, 1971	4.4
APR. 14, 1971	5.9

DEMAND DEPOSIT COMPONENT OF MONEY STOCK

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED

BILLIONS OF DOLLARS

BILLIONS OF DOLLARS



LATEST DATA PLOTTED WEEK ENDING: DECEMBER 8, 1971

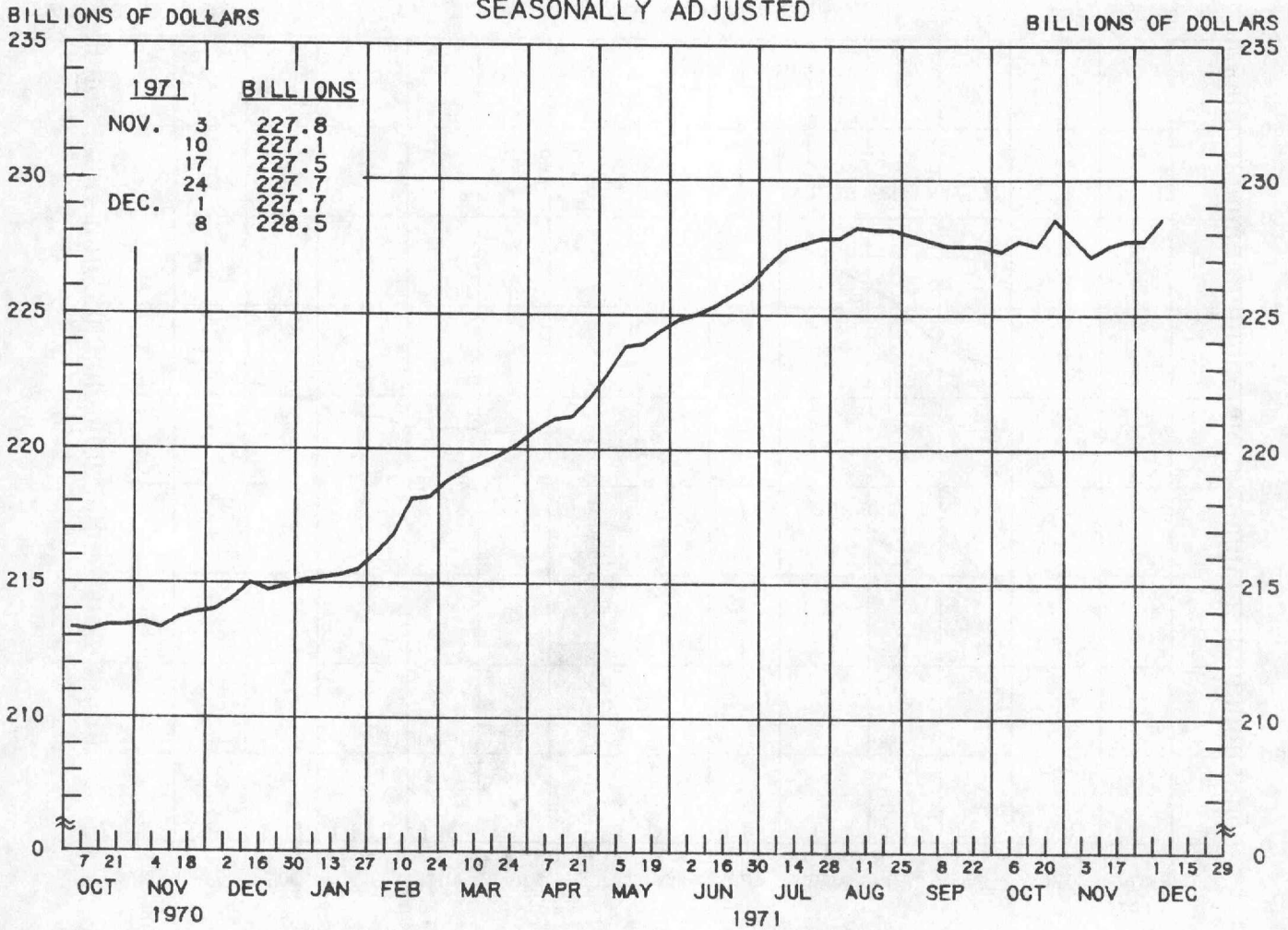
CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:								
	12/9/70	4/7/71	5/5/71	6/9/71	7/7/71	8/11/71	9/8/71	10/6/71
TO THE AVERAGE OF FOUR WEEKS ENDING:								
5/ 5/71	9.1							
6/ 9/71	10.4	13.6						
7/ 7/71	10.1	11.8	12.4					
8/11/71	10.0	11.1	11.3	8.6				
9/ 8/71	8.8	8.8	8.5	5.6	4.7			
10/ 6/71	7.5	6.7	6.0	3.2	1.8	-2.6		
11/10/71	6.7	5.6	4.9	2.5	1.3	-1.6	-2.0	
12/ 8/71	6.2	5.0	4.3	2.2	1.2	-1.0	-1.1	0.3

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

MONEY STOCK

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: DECEMBER 8, 1971
 CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

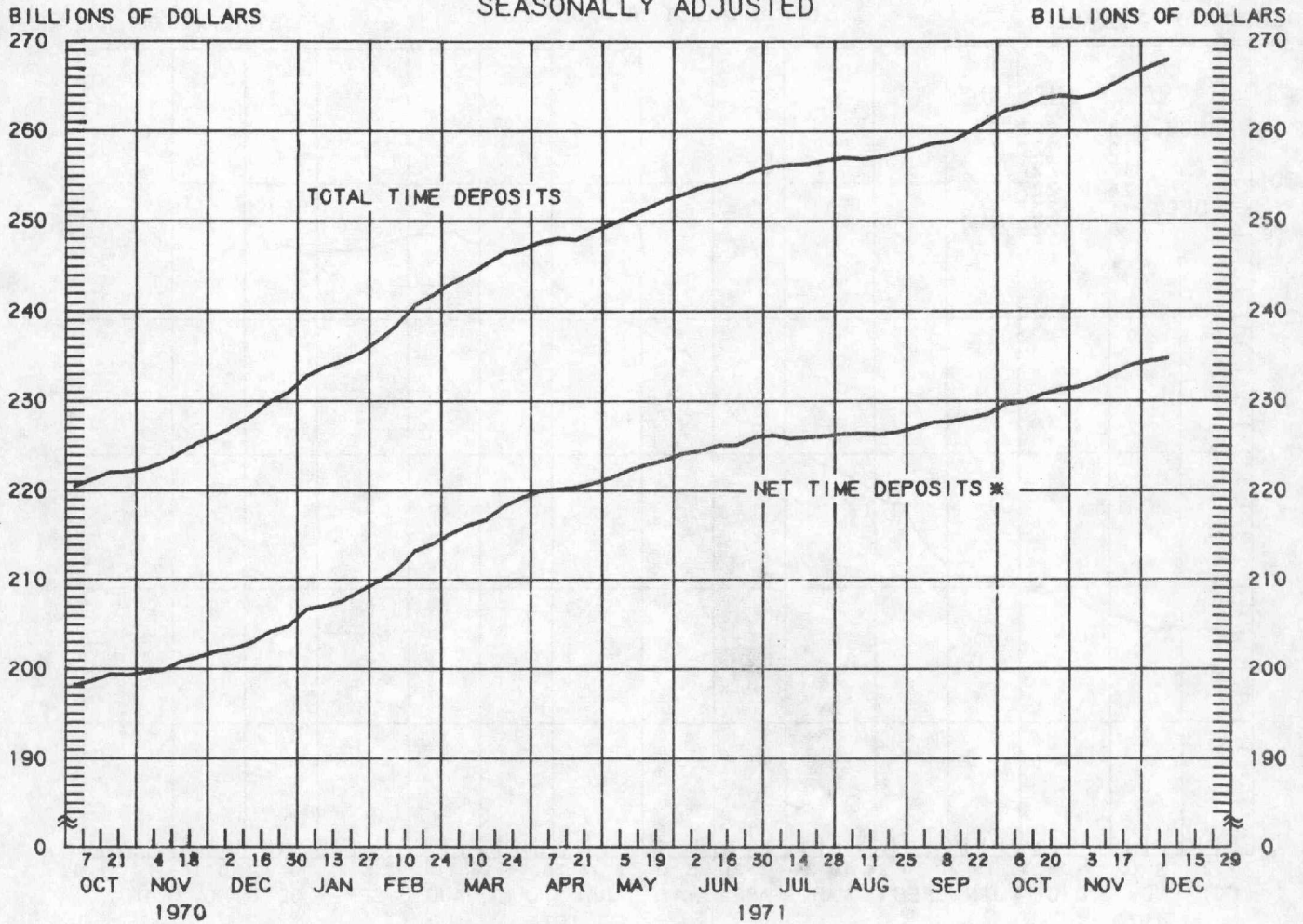
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

12/9/70	4/7/71	5/5/71	6/9/71	7/7/71	8/11/71	9/8/71	10/6/71
---------	--------	--------	--------	--------	---------	--------	---------

TO THE AVERAGE
OF FOUR WEEKS
ENDING:

5/ 5/71	9.3						
6/ 9/71	10.1	12.1					
7/ 7/71	9.9	11.2	11.4				
8/11/71	9.8	10.6	10.6	9.1			
9/ 8/71	8.8	8.7	8.3	6.4	5.2		
10/ 6/71	7.7	6.8	6.2	4.1	2.7	-1.1	
11/10/71	7.0	5.9	5.2	3.4	2.2	-0.4	-0.8
12/ 8/71	6.5	5.3	4.7	3.1	2.0	0.0	-0.2
							1.0

TIME DEPOSITS ALL COMMERCIAL BANKS AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: DECEMBER 8, 1971

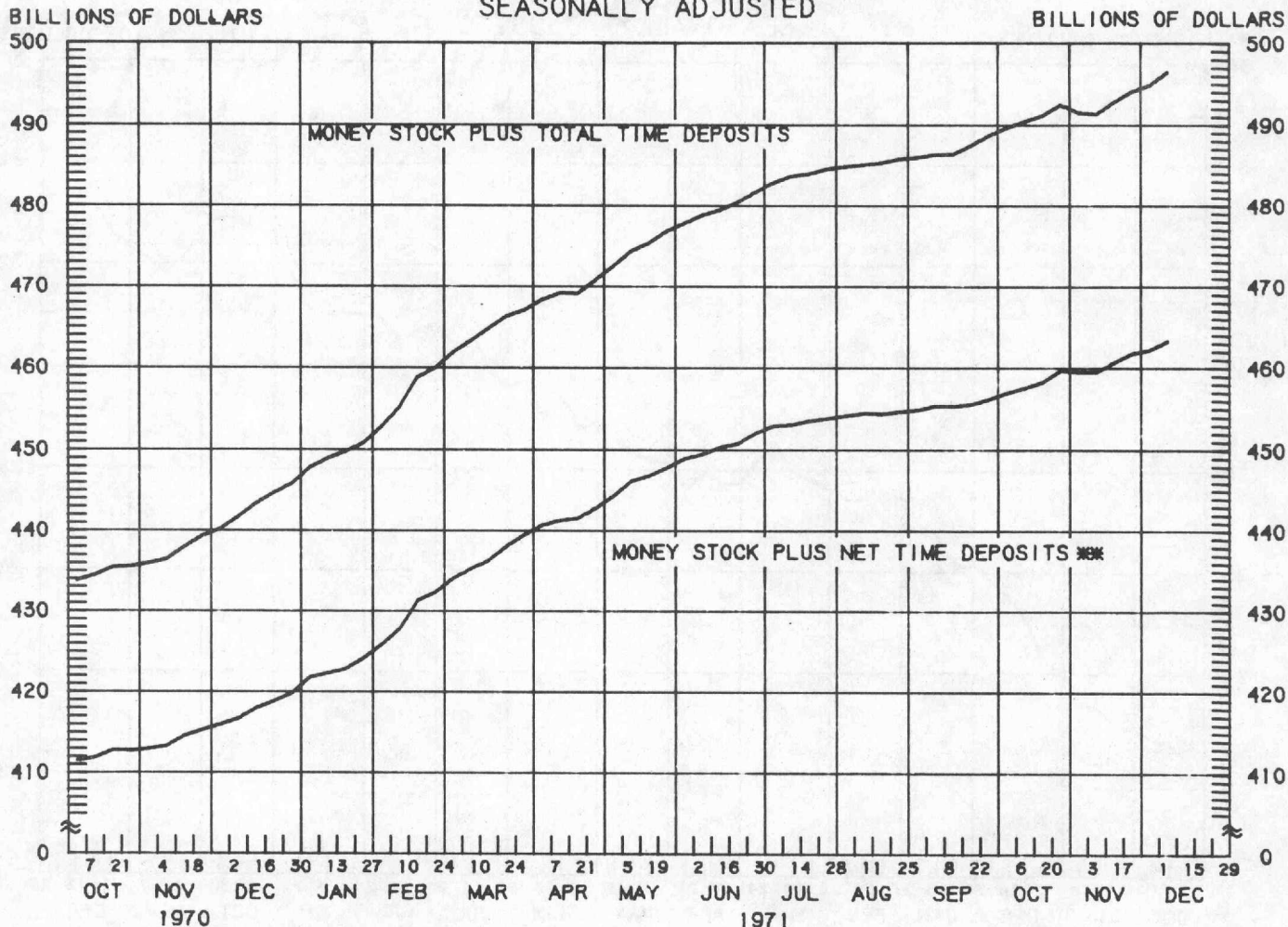
CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

* 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:									
	12/9/70	4/7/71	5/5/71	6/9/71	7/7/71	8/11/71	9/8/71	10/6/71	
TO THE AVERAGE OF FOUR WEEKS ENDING:									
5/ 5/71	25.1								
6/ 9/71	23.1	14.6							
7/ 7/71	21.4	13.4	13.2						
8/11/71	18.6	10.4	9.4	6.4					
9/ 8/71	17.0	9.2	8.2	5.7	3.4				
10/ 6/71	16.4	9.4	8.6	6.7	5.4	7.1			
11/10/71	16.1	10.1	9.5	8.3	7.7	9.7	12.3		
12/ 8/71	16.1	10.8	10.4	9.5	9.2	11.2	13.5	15.0	

MONEY STOCK PLUS TIME DEPOSITS

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: DECEMBER 8, 1971

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

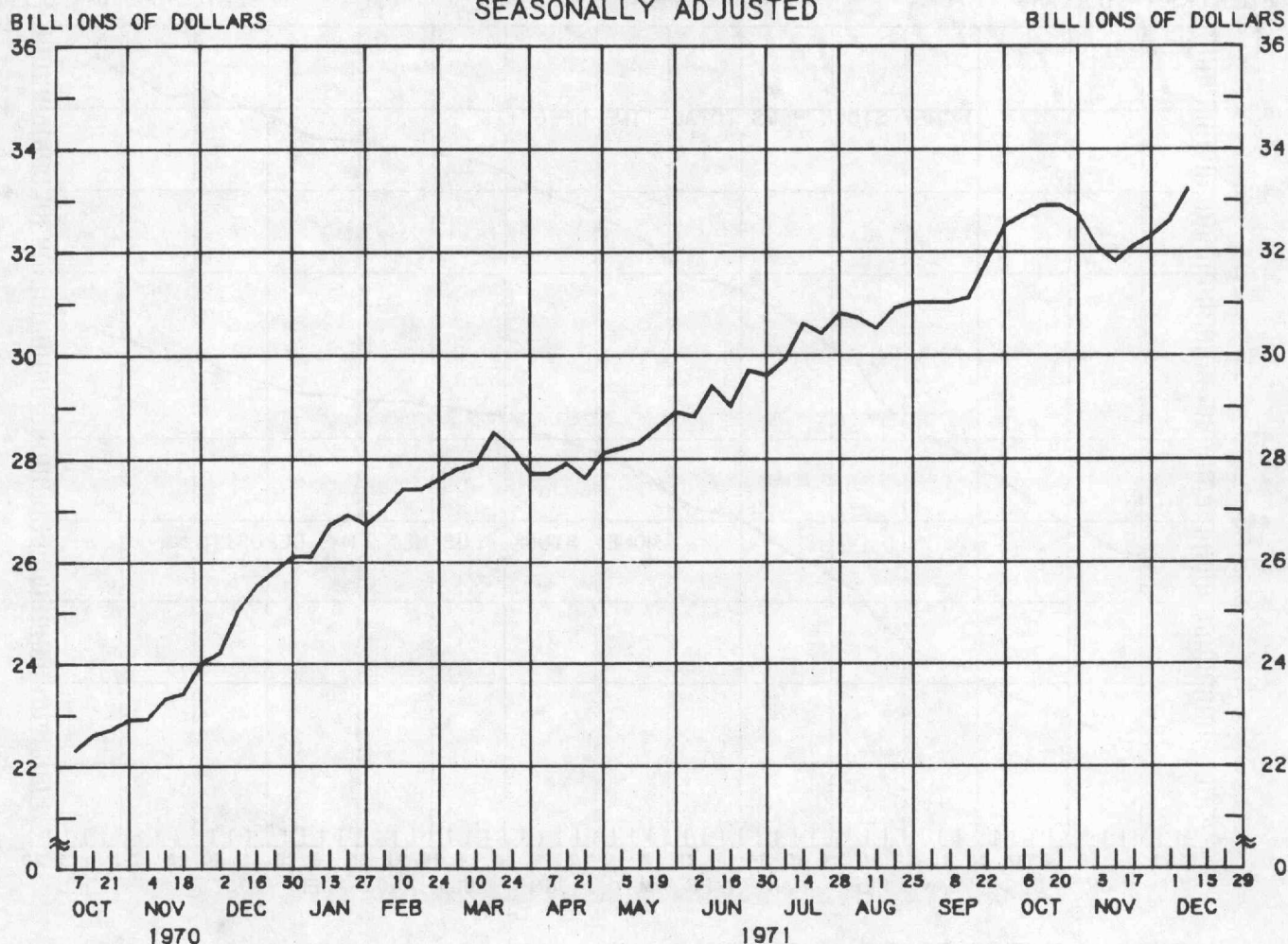
*** M₂ IS DEFINED AS: CURRENCY, DEMAND DEPOSITS PLUS NET TIME DEPOSITS (SEE PAGE 6).

MONEY STOCK PLUS NET TIME DEPOSITS (M₂)

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

	12/9/70	4/7/71	5/5/71	6/9/71	7/7/71	8/11/71	9/8/71	10/6/71
TO THE AVERAGE OF FOUR WEEKS ENDING:								
5/ 5/71	16.7							
6/ 9/71	16.3	13.3						
7/ 7/71	15.4	12.3	12.5					
8/11/71	14.0	10.5	10.1	7.7				
9/ 8/71	12.8	9.0	8.3	6.0	4.3			
10/ 6/71	11.8	8.0	7.4	5.3	4.0	2.8		
11/10/71	11.4	8.0	7.4	5.9	5.0	4.7	5.7	
12/ 8/71	11.1	8.0	7.5	6.2	5.5	5.4	6.4	7.8

**CERTIFICATES OF DEPOSIT
LARGE COMMERCIAL BANKS**
WEDNESDAY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: DECEMBER 8, 1971

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

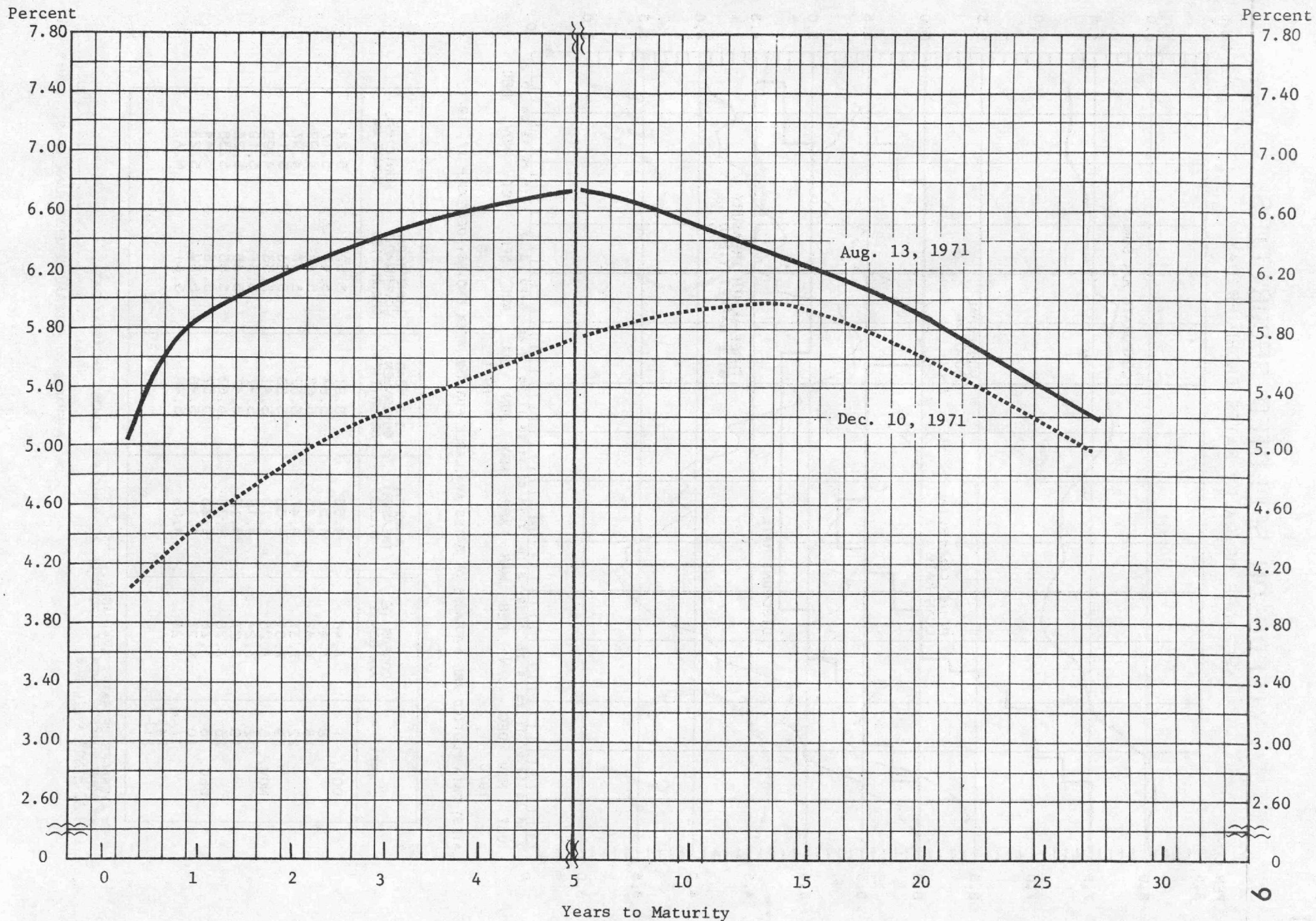
NEGOTIABLE TIME CERTIFICATES OF DEPOSIT ISSUED IN DENOMINATIONS OF \$100,000 OR MORE BY LARGE WEEKLY REPORTING COMMERCIAL BANKS.

MONEY AND TIME DEPOSIT DATA			
1971	BILLIONS		
	CERTIFICATES OF DEPOSIT	NET TIME DEPOSITS *	M 2 ***
OCT. 6	32.7	229.6	456.9
13	32.9	229.8	457.5
20	32.9	230.7	458.2
27	32.7	231.2	459.6
NOV. 3	32.1	231.5	459.4
10	31.8	232.2	459.4
17	32.1	233.1	460.6
24	32.3	234.0	461.7
DEC. 1	32.6	234.4	462.1
8	33.2	234.7	463.2
15			
22			
29			

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

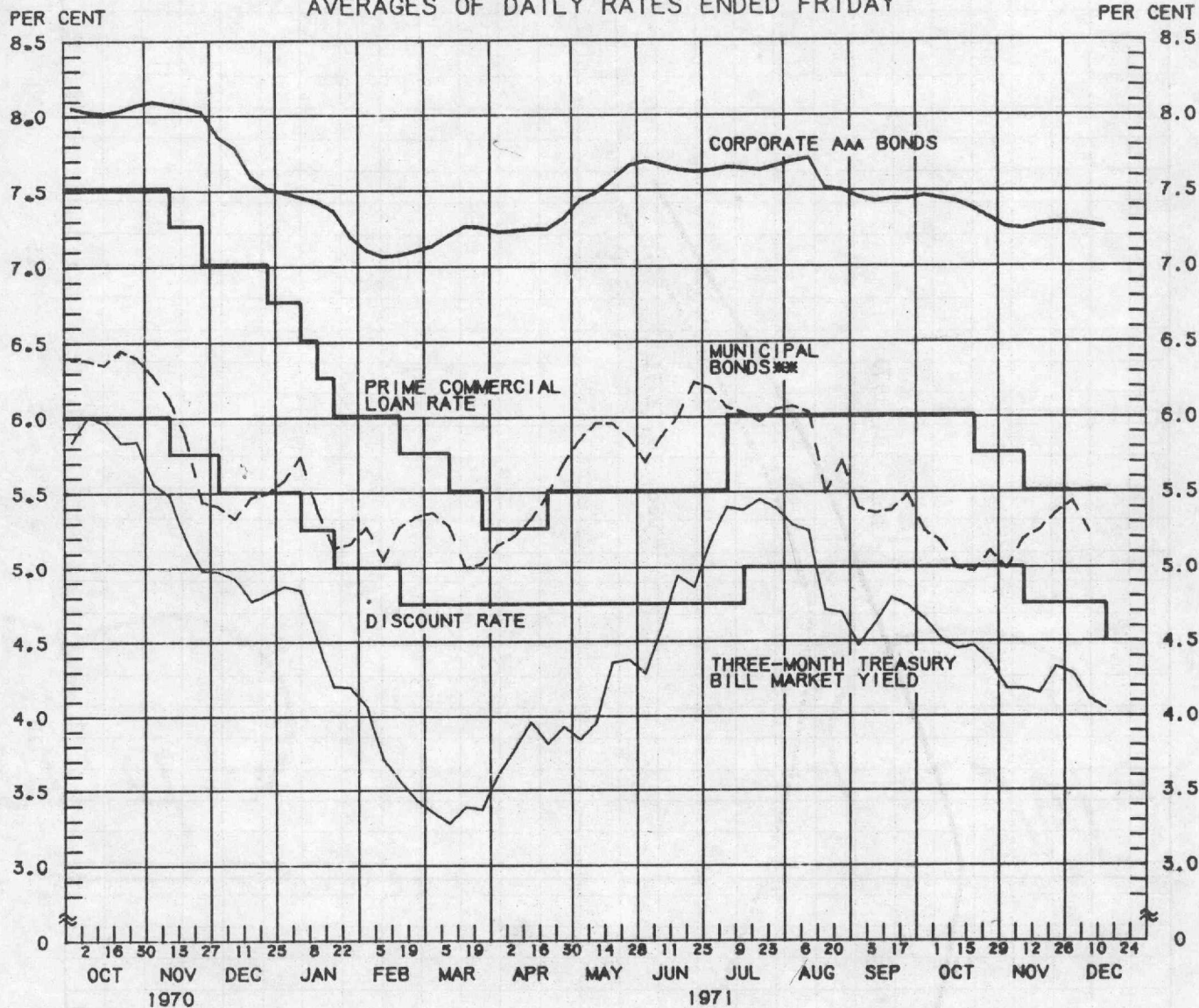
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YIELDS ON U. S. GOVERNMENT SECURITIES



YIELDS ON SELECTED SECURITIES

AVERAGES OF DAILY RATES ENDED FRIDAY



LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: DECEMBER 17, 1971

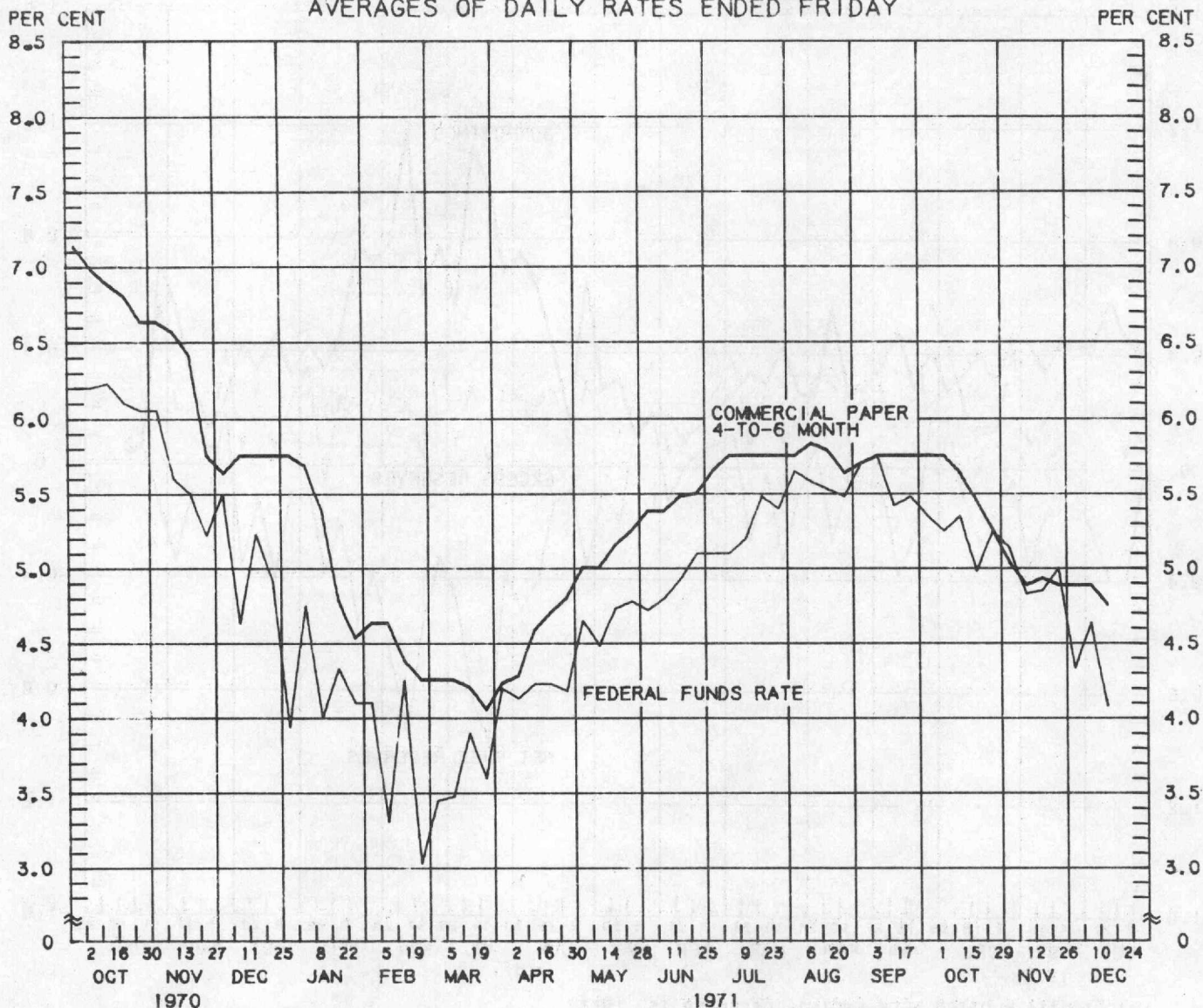
1971	CORPORATE AAA BONDS	3-MONTH TREASURY BILLS	3-5 YEAR GOVERNMENT SECURITIES	LONG-TERM GOVERNMENT SECURITIES	MUNICIPAL BONDS ***
OCT. 1	7.46	4.65	5.91	5.52	5.24
8	7.44	4.51	5.84	5.47	5.17
15	7.42	4.45	5.68	5.44	4.99
22	7.37	4.47	5.62	5.47	4.97
29	7.31	4.36	5.53	5.43	5.11
NOV. 5	7.25	4.18	5.41	5.33	4.99
12	7.24	4.18	5.47	5.37	5.19
19	7.27	4.15	5.47	5.46	5.25
26	7.28	4.33	5.63	5.56	5.36
DEC. 3	7.28	4.28	5.52	5.58	5.44
10	7.27	4.11	5.48	5.59	5.23
17 *	7.25	4.05	5.48	5.61	N.A.
24					
31					

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

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SELECTED SHORT-TERM INTEREST RATES

AVERAGES OF DAILY RATES ENDED FRIDAY



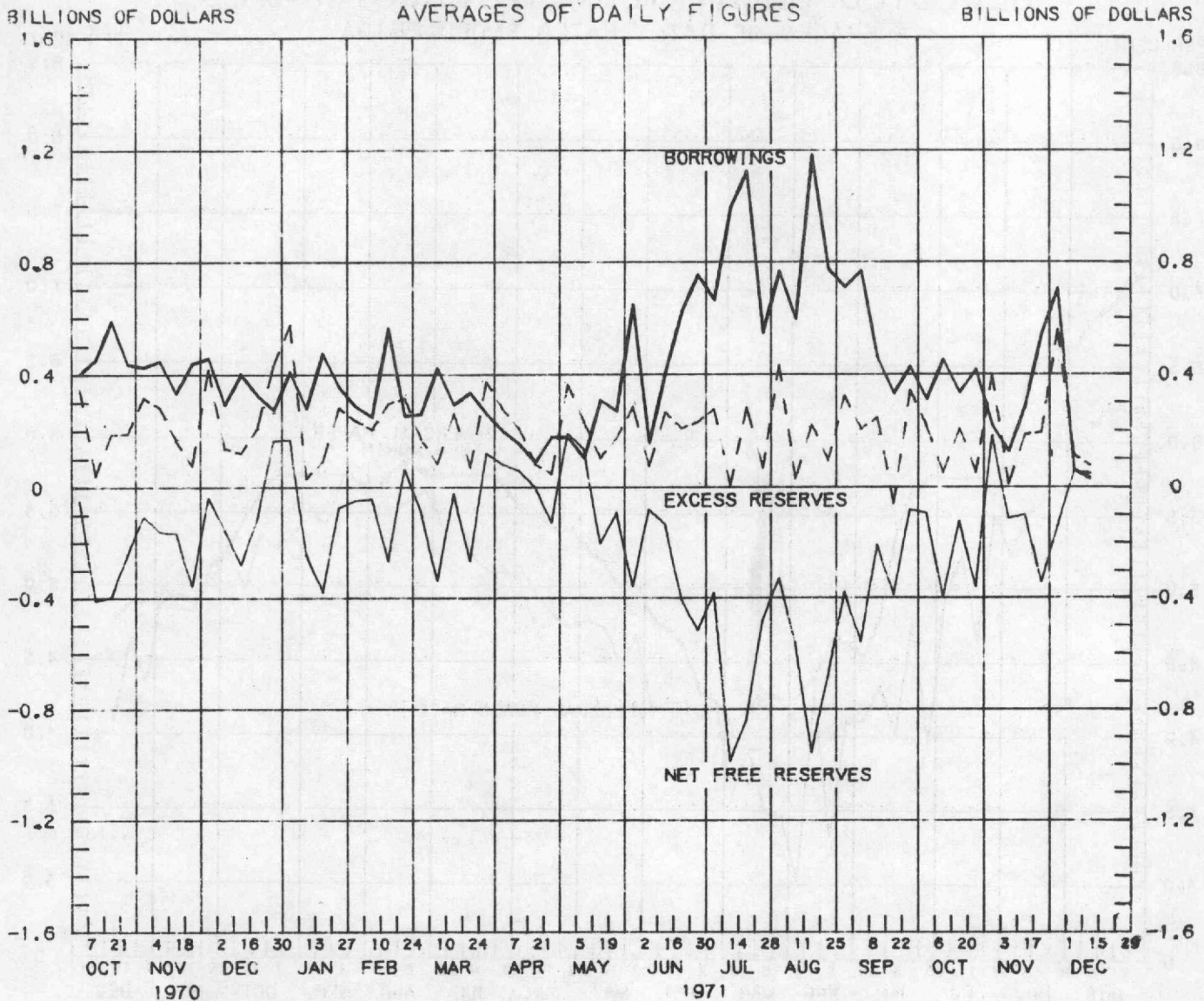
LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: DECEMBER 17, 1971

1971	PRIME COMMERCIAL PAPER 4-6 MONTH	FEDERAL FUNDS	PRIME BANKERS' ACCEPTANCES	90 DAY CD'S ***
OCT. 1	5.75	5.35	5.40	5.62
8	5.75	5.25	5.23	5.53
15	5.63	5.35	5.03	5.44
22	5.45	4.98	4.98	5.29
29	5.25	5.25	4.88	5.18
NOV. 5	5.03	5.13	4.78	4.99
12	4.88	4.83	4.75	4.91
19	4.93	4.85	4.75	4.88
26	4.88	5.00	4.82	4.89
DEC. 3	4.88	4.33	4.75	4.89
10	4.88	4.63	4.58	4.84
17 *	4.75	4.08	4.50	4.75
24				
31				

* 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.

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BORROWINGS AND EXCESS RESERVES ALL MEMBER BANKS IN THE NATION



1971	MILLIONS		
	EXCESS RESERVES	BORROWINGS	FREE RESERVES
OCT. 6	214	309	- 95
13	49	449	- 400
20	210	332	- 122
27	51	413	- 362
NOV. 3	396	216	180
10	10	122	- 112
17	188	287	- 99
24	195	539	- 344
DEC. 1	558	701	- 143
8	114	60	54
15	75	27	48
22			
29			

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