



Week ending: January 9, 1974

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In the past three months the monetary base has increased at an 8.6 percent annual rate, somewhat faster than the 7 percent rate recorded over the previous nine months. Over the past year monetary expansion, measured by the growth of the base has been 7.5 percent.

Member bank borrowings from Federal Reserve Banks have declined markedly since September. In recent weeks the level of member bank borrowings has averaged somewhat above \$1 billion. These borrowings averaged about \$2 billion in the period July through September of 1973. Borrowing from the Federal Reserve Bank in its District is one means by which a member bank may meet its short-run demands for reserves. An alternative short-run source of reserves for a bank is to borrow reserves from another member bank through the Federal funds market. When deciding between these two sources of reserves, a member bank compares their relative costs. Therefore, changes in the level of member bank borrowings are closely related to the spread between the Federal funds rate and the discount rate (the interest rate charged by Federal Reserve Banks to member banks).

The close relationship between the level of nonseasonally adjusted member bank borrowings and the differential between the Federal funds rate and the discount rate is shown in the chart on page 9. From an average of 3.50 percent in early 1972 the Federal funds rate rose rapidly, reaching an average of 10.78 percent in September 1973. The discount rate was unchanged at 4-1/2 percent during 1972, then, was repeatedly raised in the first eight months of 1973. Discount rate changes have tended to lag behind changes in the Federal funds rate. As a result, the differential between these interest rates steadily widened to an historically high average level of 342 basis points in July 1973, then remained at an average of about 320 basis points in August and September. Member bank borrowings rose from an average of less than a \$100 million in the first three months of 1972 to an average of about \$2 billion in July through September of 1973. Since September the differential between the funds rate and the discount rate has steadily narrowed, reaching about 250 basis points on average in December. Member bank borrowings have declined to \$1.3 billion on average during December.

The relationship between member bank borrowings and the interest rate differential observed in the last two years also holds for previous periods, as shown in the chart on page 9. For example from late 1967 through 1969 the Federal funds rate rose more rapidly than the discount rate. Consequently, member bank borrowings rose from about \$100 million in mid-1967 to \$1.2 billion on average in the last half of 1969. Through 1970 the Federal funds rate fell sharply, from an average of 9 percent in early 1970 to 3.72 percent by February 1971. The discount rate was lowered in several stages during this period, but still the interest rate differential decreased. By late 1970 the discount rate exceeded the funds rate. Member bank borrowings fell to an average of about \$300 million in early 1971.

Prepared by Federal Reserve Bank of St. Louis

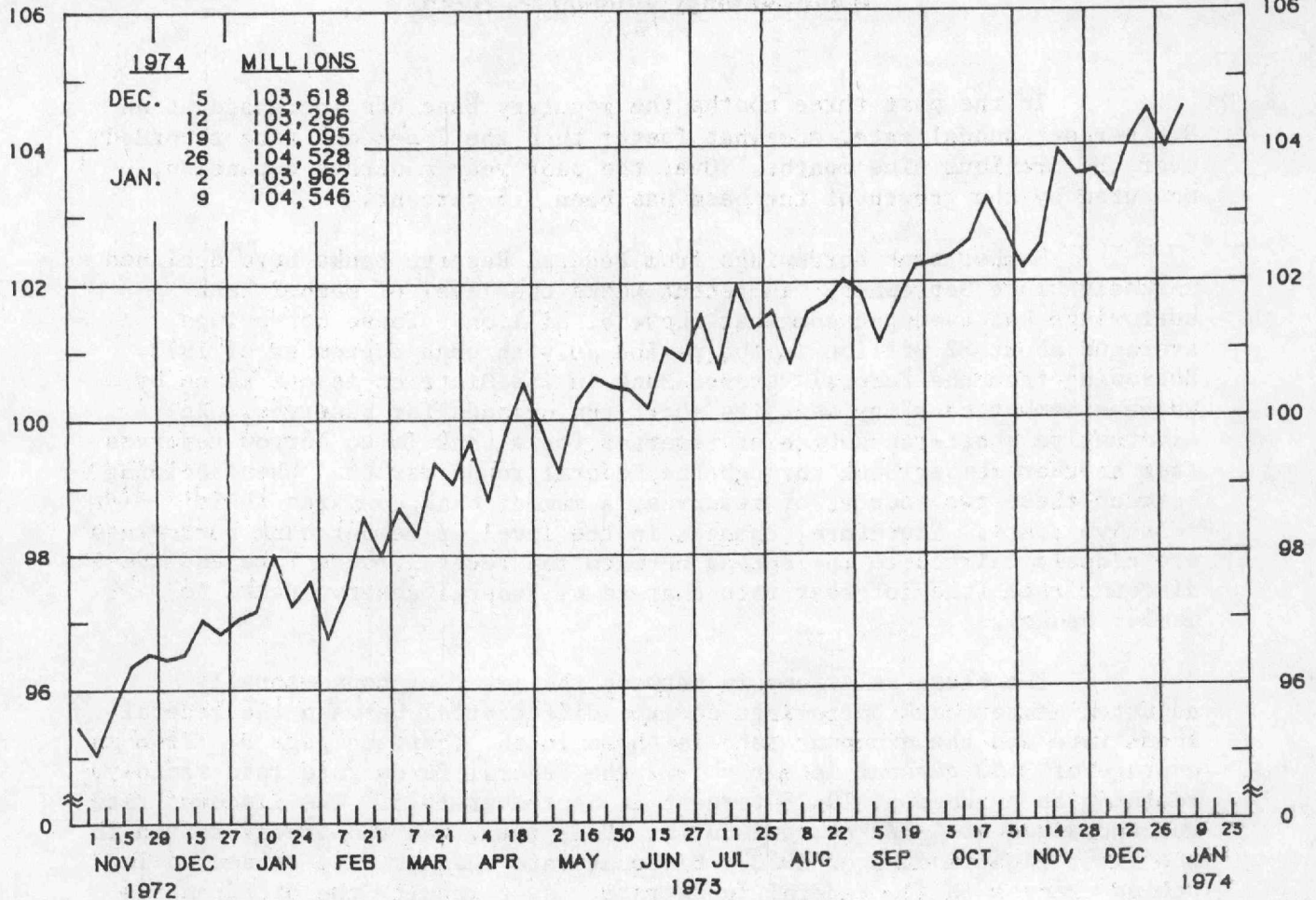
Released: January 11, 1974

MONETARY BASE

AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED BY THIS BANK

BILLIONS OF DOLLARS

BILLIONS OF DOLLARS



LATEST DATA PLOTTED WEEK ENDING: JANUARY 9, 1974

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.

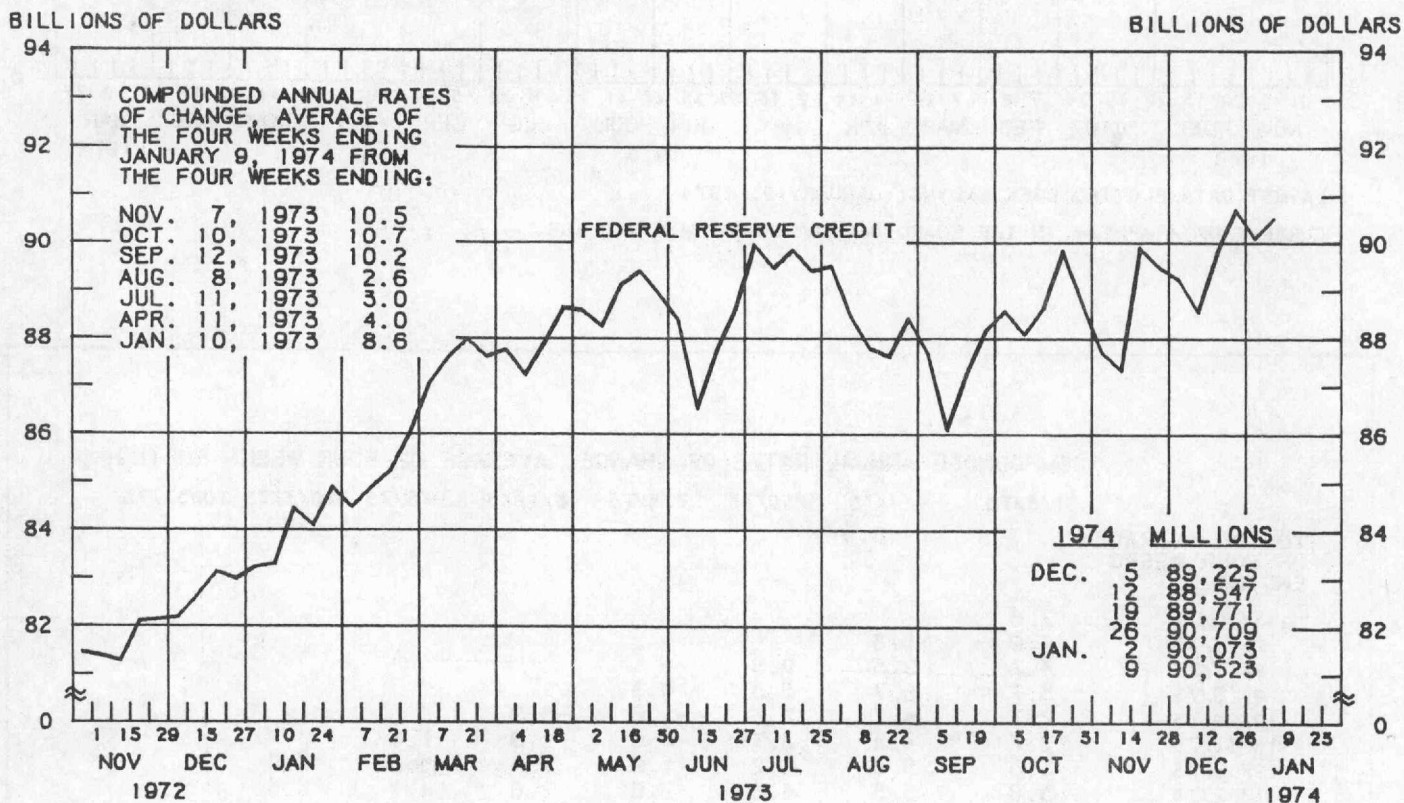
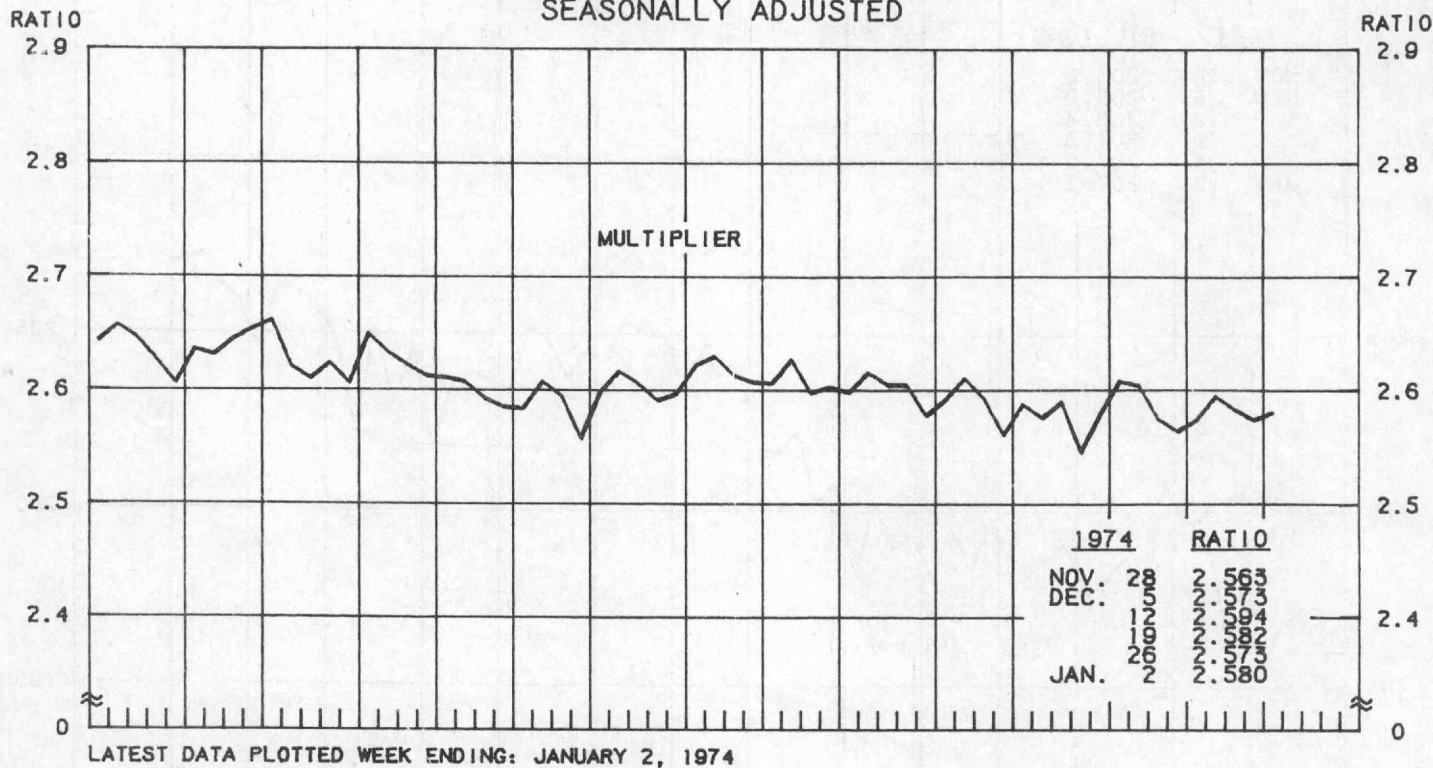
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

1/10/73 4/11/73 6/6/73 7/11/73 8/8/73 9/12/73 10/10/73 11/7/73

TO THE AVERAGE
OF FOUR WEEKS
ENDING:

6/ 6/73	9.0								
7/11/73	8.5	7.5							
8/ 8/73	8.0	6.9	5.7						
9/12/73	7.2	5.9	4.6	3.7					
10/10/73	7.1	6.0	5.0	4.5	4.3				
11/ 7/73	7.1	6.1	5.4	5.1	5.1	6.7			
12/12/73	7.4	6.6	6.1	6.1	6.4	7.8	8.5		
1/ 9/74	7.5	6.9	6.5	6.5	6.8	8.1	8.6	9.3	

MULTIPLIER ^{1/} FEDERAL RESERVE CREDIT ^{2/} AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED

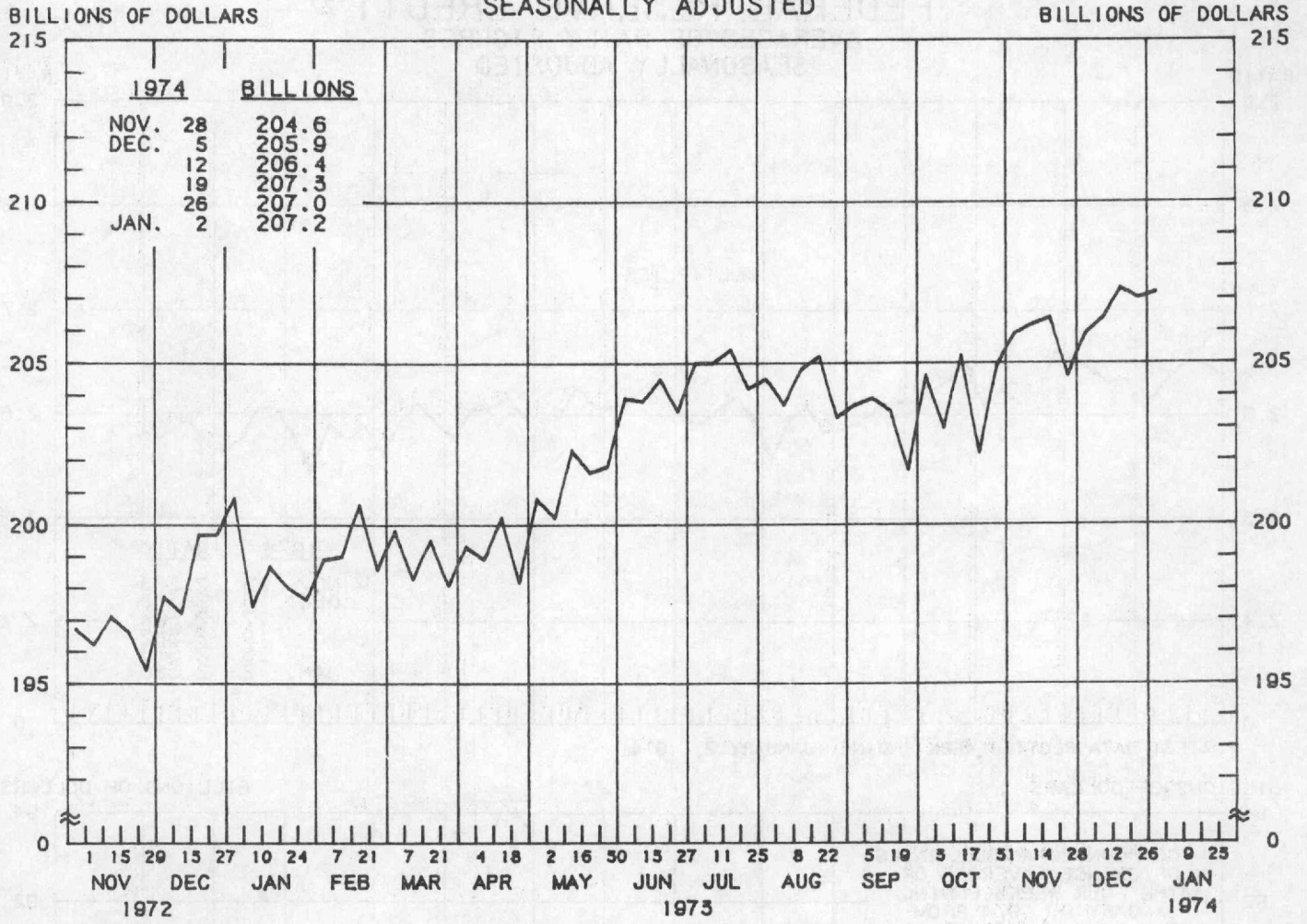


1/ RATIO OF MONEY STOCK (M1) / MONETARY BASE.

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. DATA ARE SEASONALLY ADJUSTED BY THIS BANK.

DEMAND DEPOSIT COMPONENT OF MONEY STOCK

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED

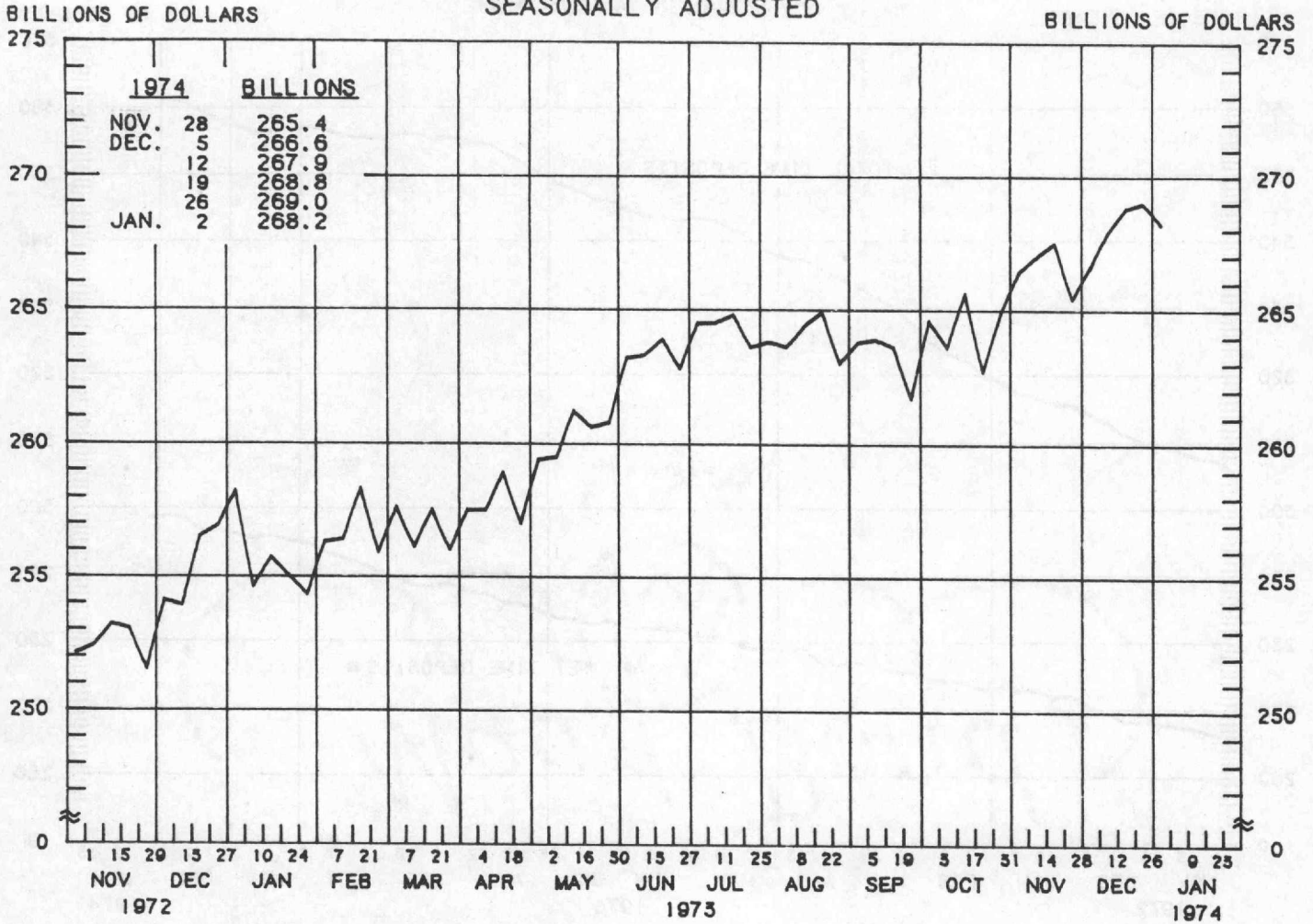


LATEST DATA PLOTTED WEEK ENDING: JANUARY 2, 1974
CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:									
	1/3/73	4/4/73	5/30/73	7/4/73	8/1/73	9/5/73	10/3/73	10/31/73	
TO THE AVERAGE OF FOUR WEEKS ENDING:									
5/30/73	2.6								
7/ 4/73	4.9	11.3							
8/ 1/73	4.7	9.5	9.8						
9/ 5/73	3.7	6.7	5.3	0.3					
10/ 3/73	2.7	4.7	2.7	-1.6	-3.9				
10/31/73	2.7	4.4	2.7	-0.6	-1.9	-1.6			
12/ 5/73	3.5	5.3	4.2	1.9	1.4	3.0	7.0		
1/ 2/74	3.8	5.5	4.6	2.8	2.6	4.1	7.3	9.4	

MONEY STOCK

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



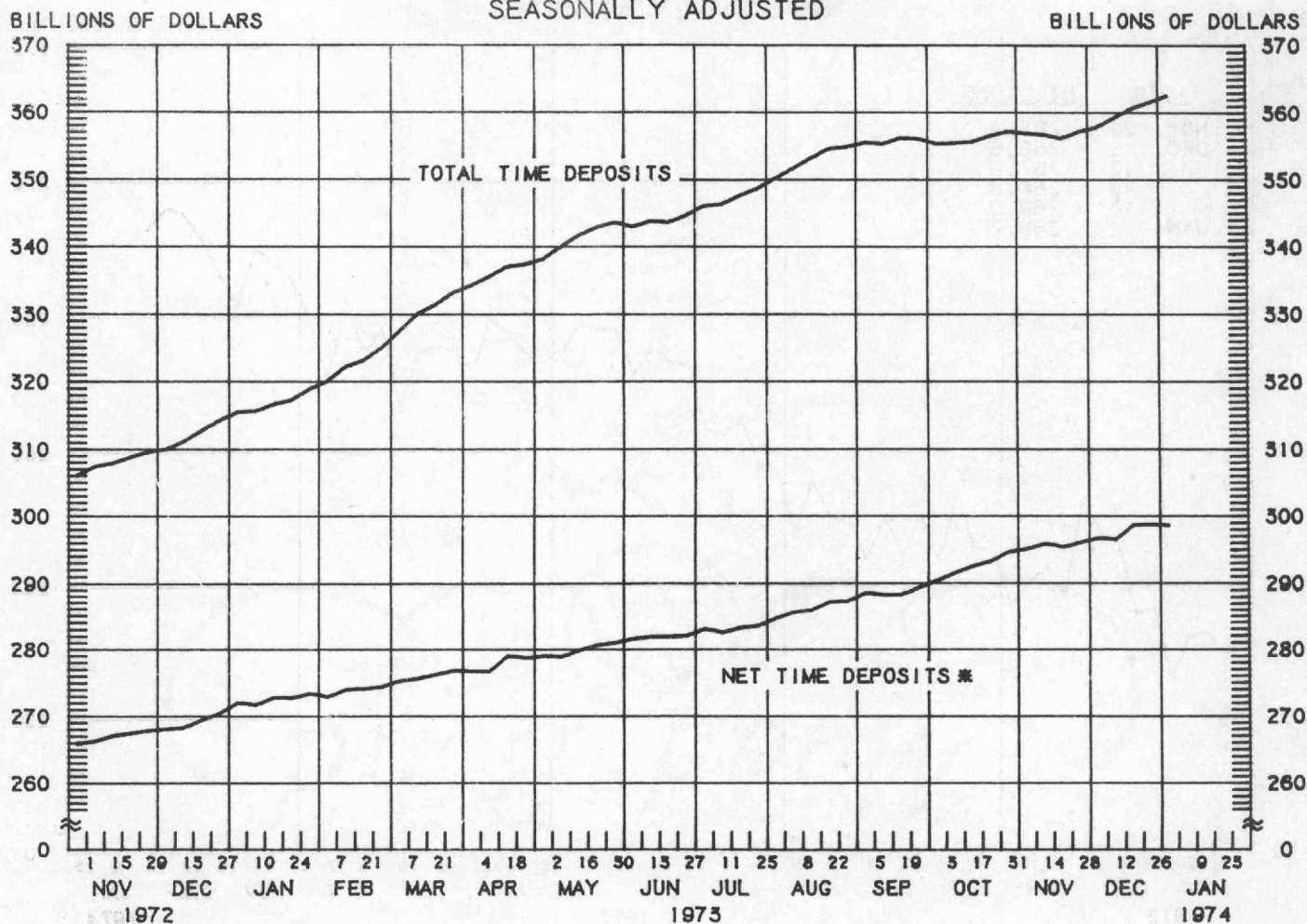
LATEST DATA PLOTTED WEEK ENDING: JANUARY 2, 1974

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

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

	1/3/73	4/4/73	5/30/73	7/4/73	8/1/73	9/5/73	10/3/73	10/31/73
TO THE AVERAGE OF FOUR WEEKS ENDING:								
5/30/73	4.0							
7/ 4/73	5.7	11.0						
8/ 1/73	5.3	9.1	8.5					
9/ 5/73	4.4	6.8	5.1	0.9				
10/ 3/73	3.7	5.3	3.4	-0.2	-1.5			
10/31/73	3.7	5.0	3.4	0.7	0.0	0.5		
12/ 5/73	4.3	5.7	4.6	2.7	2.6	4.0	7.0	
1/ 2/74	4.7	6.1	5.2	3.8	3.9	5.3	7.8	9.8

TIME DEPOSITS
ALL COMMERCIAL BANKS
 AVERAGES OF DAILY FIGURES
 SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: JANUARY 2, 1974

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:

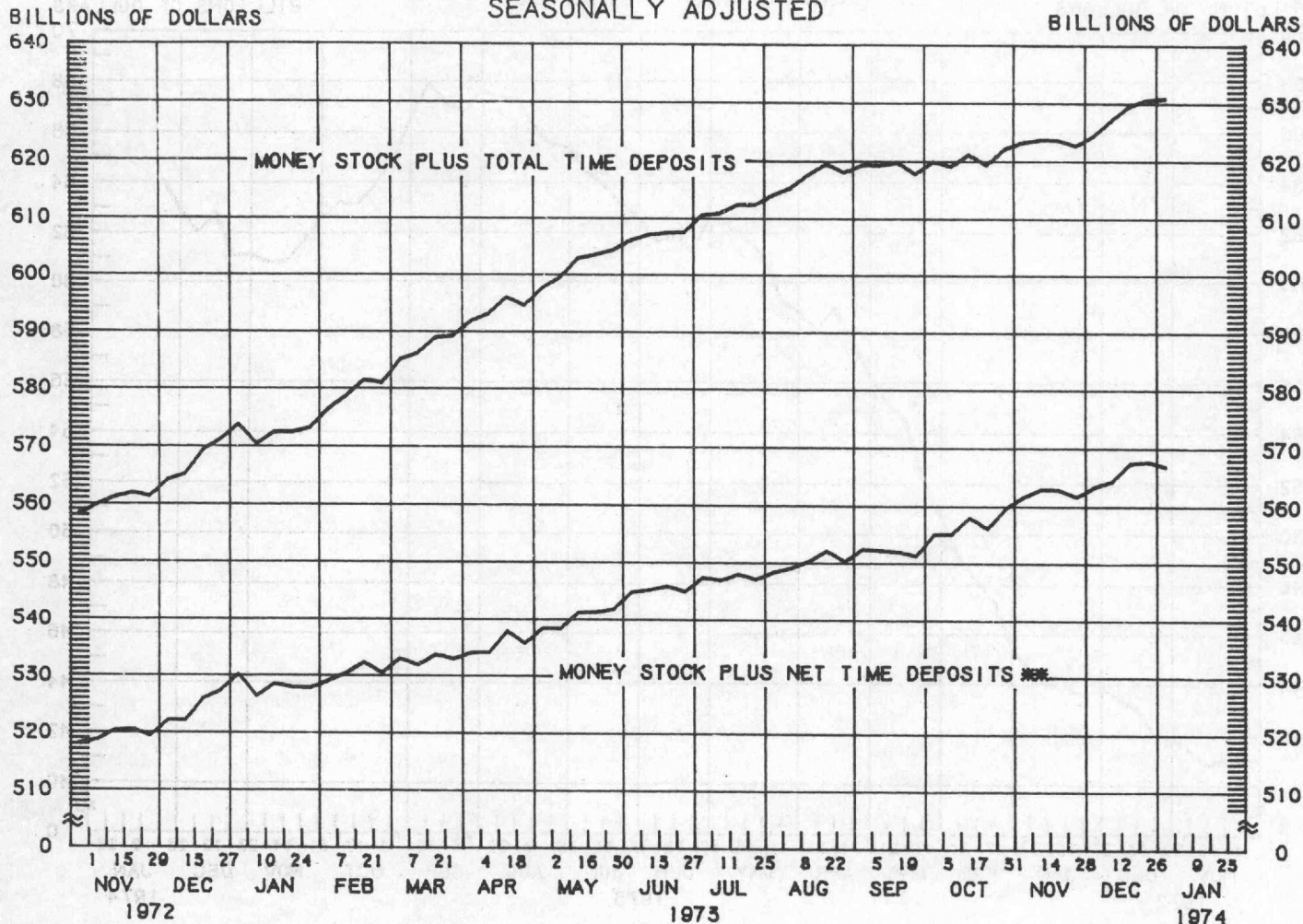
1/3/73 4/4/73 5/30/73 7/4/73 8/1/73 9/5/73 10/3/73 10/31/73

TO THE AVERAGE
OF FOUR WEEKS
ENDING:

5/30/73	9.5							
7/ 4/73	9.2	8.8						
8/ 1/73	8.8	8.1	7.0					
9/ 5/73	9.7	9.7	9.9	10.9				
10/ 3/73	9.5	9.5	9.6	10.1	12.2			
10/31/73	10.4	10.7	11.2	12.2	14.3	13.6		
12/ 5/73	10.5	10.8	11.2	11.9	13.4	12.7	14.6	
1/ 2/74	10.4	10.7	11.0	11.6	12.7	11.9	13.0	10.5

MONEY STOCK PLUS TIME DEPOSITS

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: JANUARY 2, 1974

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)

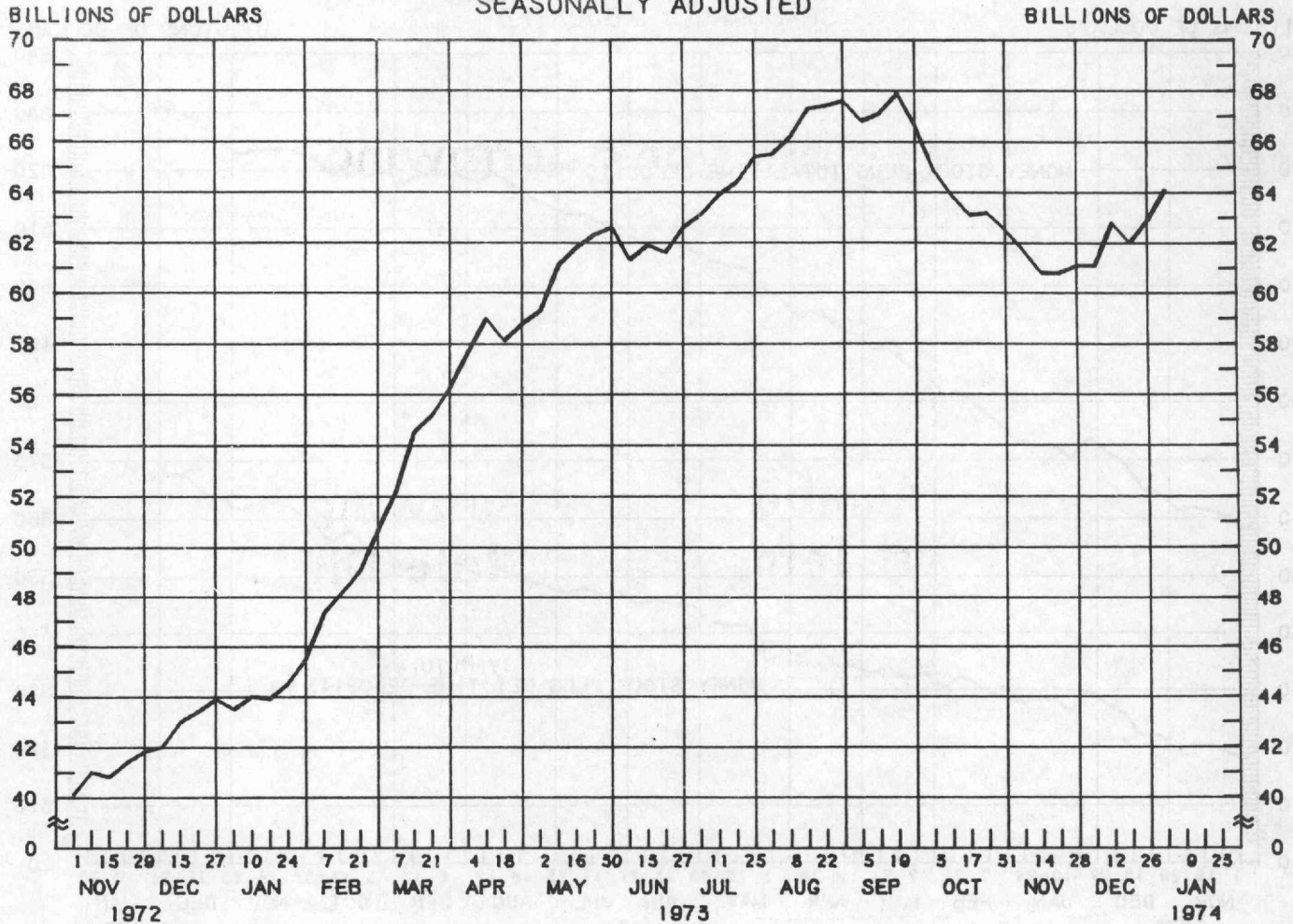
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

1/3/73 4/4/73 5/30/73 7/4/73 8/1/73 9/5/73 10/3/73 10/31/73

TO THE AVERAGE
OF FOUR WEEKS
ENDING:

5/30/73	6.8							
7/ 4/73	7.5	9.9						
8/ 1/73	7.1	8.6	7.7					
9/ 5/73	7.1	8.3	7.6	6.0				
10/ 3/73	6.7	7.4	6.5	5.1	5.4			
10/31/73	7.1	8.0	7.4	6.5	7.2	7.2		
12/ 5/73	7.5	8.3	8.0	7.4	8.1	8.5	10.9	
1/ 2/74	7.6	8.4	8.2	7.7	8.4	8.7	10.4	10.0

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



LATEST DATA PLOTTED WEEK ENDING: JANUARY 2, 1974

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

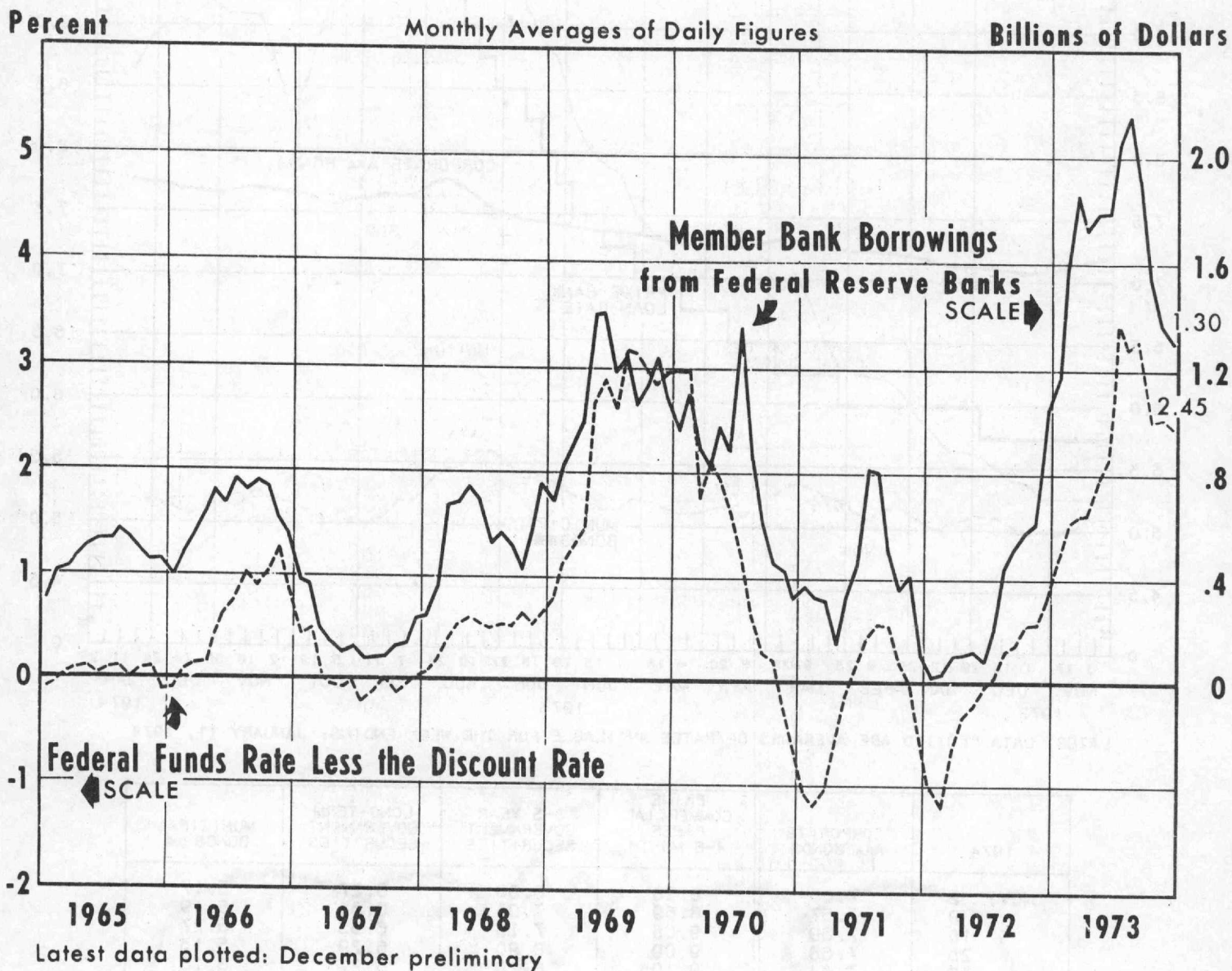
NEGOTIABLE TIME CERTIFICATES OF DEPOSIT ISSUED IN DENOMINATIONS OF \$100,000 OR MORE BY LARGE WEEKLY REPORTING COMMERCIAL BANKS.

MONEY AND TIME DEPOSIT DATA			
1974	BILLIONS		
	CERTIFICATES OF DEPOSIT	NET TIME DEPOSITS *	M 2 **
NOV. 7	61.7	295.1	561.5
14	60.8	295.9	562.9
21	60.8	295.3	562.8
28	61.1	296.1	561.5
DEC. 5	61.1	296.7	563.3
12	62.8	296.4	564.3
19	62.0	298.7	567.4
26	62.9	298.7	567.7
JAN. 2	64.1	298.5	566.7
9			
16			
23			
30			

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

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

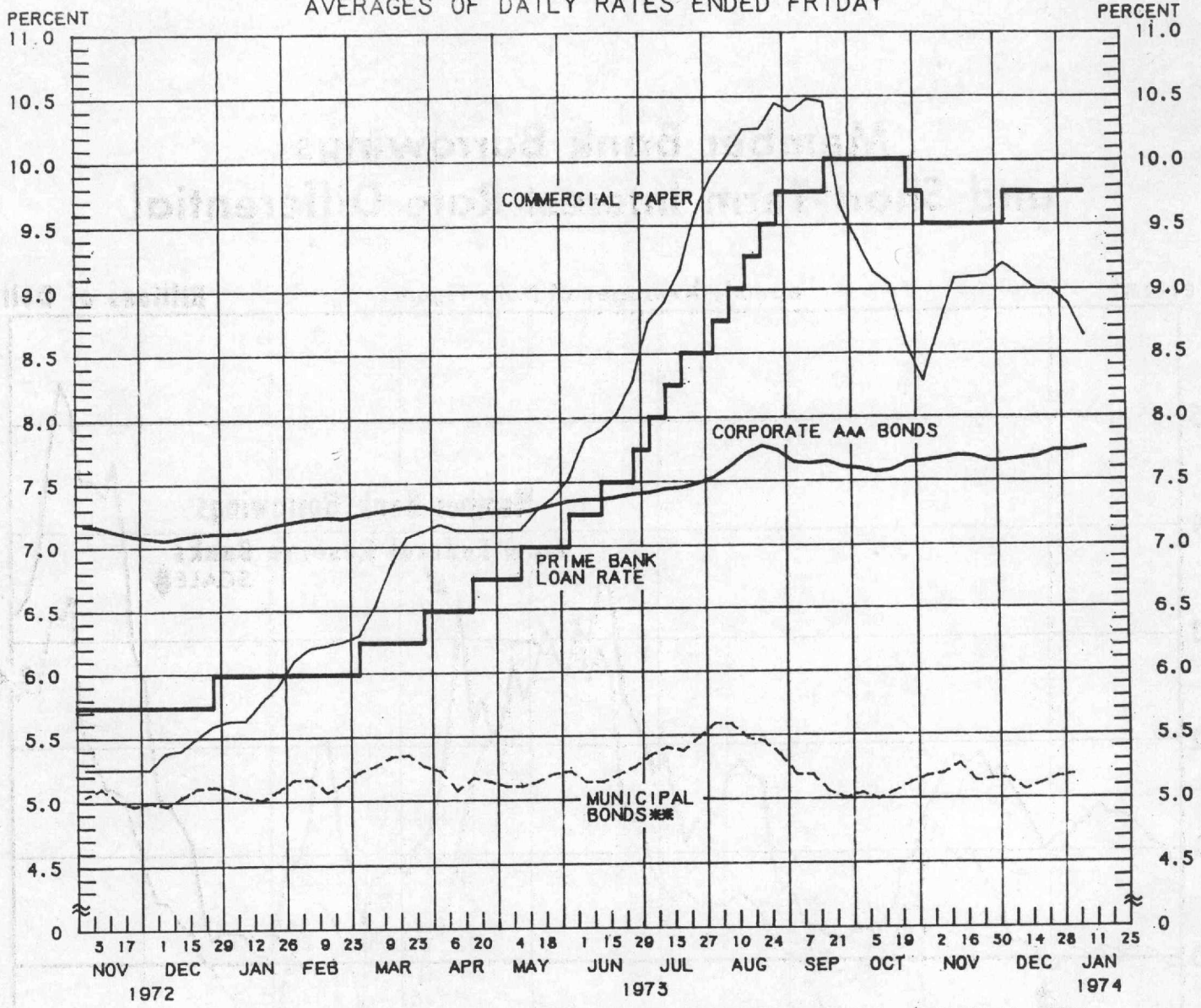
Member Bank Borrowings and Short-Term Interest Rate Differential



Prepared by Federal Reserve Bank of St. Louis

YIELDS ON SELECTED SECURITIES

AVERAGES OF DAILY RATES ENDED FRIDAY



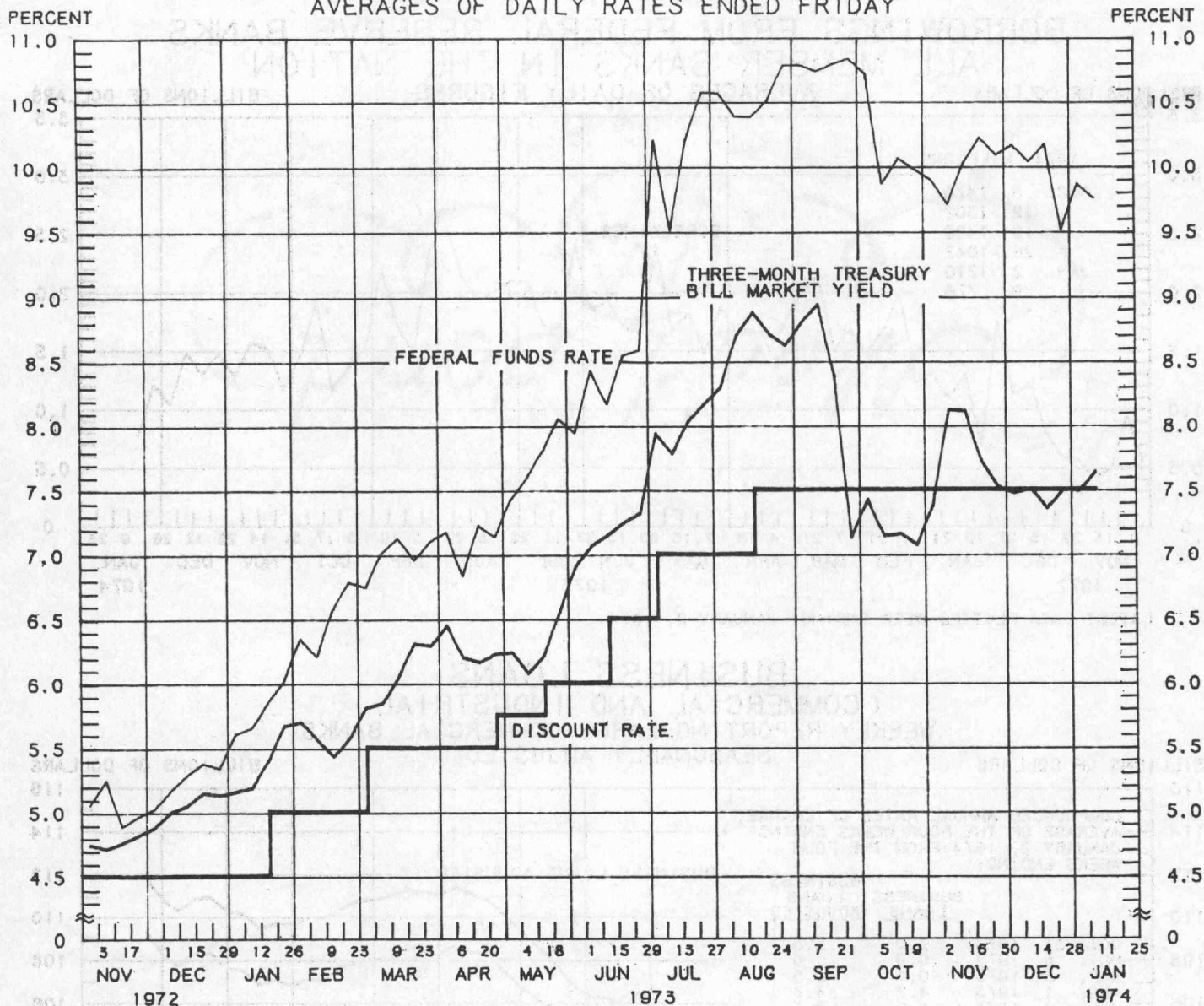
LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: JANUARY 11, 1974

1974	CORPORATE AAA BONDS	PRIME COMMERCIAL PAPER 4-6 MONTH	3-5 YEAR GOVERNMENT SECURITIES	LONG-TERM GOVERNMENT SECURITIES	MUNICIPAL BONDS * **
NOV. 2	7.65	8.28	6.83	6.27	5.17
9	7.67	8.69	7.03	6.33	5.19
16	7.69	9.08	7.16	6.35	5.27
23	7.68	9.09	6.90	6.29	5.13
30	7.64	9.10	6.79	6.27	5.15
DEC. 7	7.65	9.20	6.90	6.31	5.15
14	7.67	9.10	6.76	6.30	5.06
21	7.68	9.00	6.73	6.34	5.11
28	7.73	9.00	6.83	6.47	5.16
JAN. 4	7.73	8.88	6.83	6.52	5.18
11 *	7.75	8.63	6.86	6.56	N.A.
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

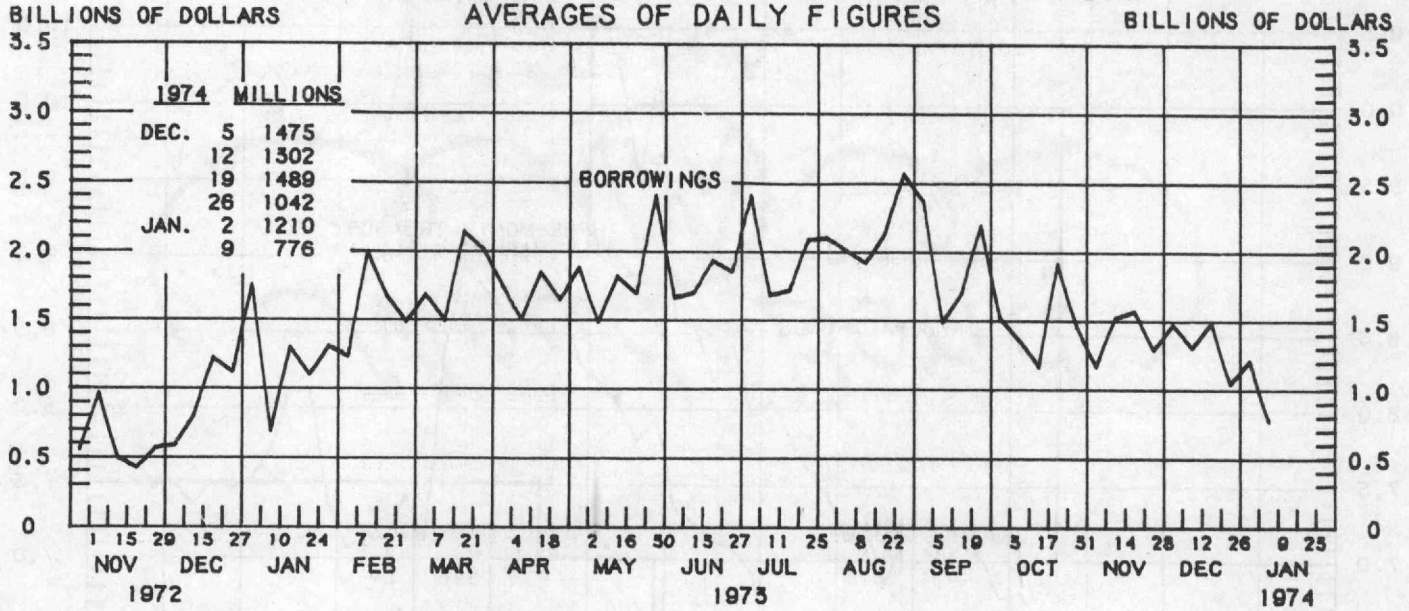


LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: JANUARY 11, 1974

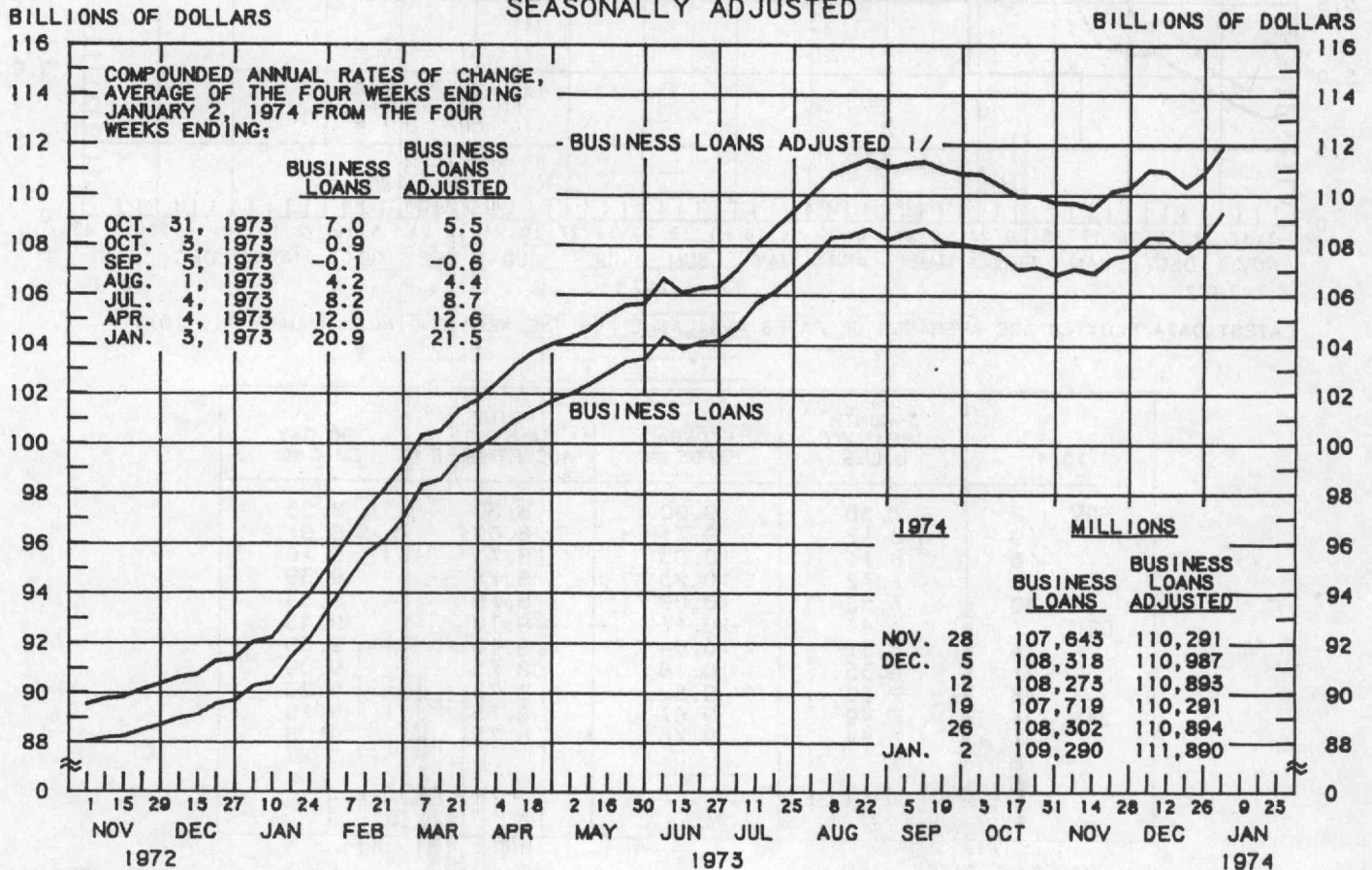
1974	3-MONTH TREASURY BILLS	FEDERAL FUNDS ***	PRIME BANKERS' ACCEPTANCES	90 DAY CD'S **
NOV. 2	7.38	9.90	8.50	8.53
9	8.12	9.71	8.69	8.91
16	8.11	10.03	8.75	9.10
23	7.72	10.23	8.75	9.39
30	7.52	10.09	8.75	9.34
DEC. 7	7.47	10.17	9.10	9.43
14	7.51	10.04	9.15	9.50
21	7.35	10.18	8.75	9.09
28	7.50	9.52	8.75	9.23
JAN. 4	7.49	9.87	8.75	9.19
11 *	7.64	9.76	8.75	9.08
18				
25				

* AVERAGES OF RATES AVAILABLE.
 ** FEDERAL FUNDS AND CD RATES ARE SEVEN-DAY AVERAGES FOR WEEK ENDING WEDNESDAY TWO DAYS EARLIER THAN DATES SHOWN. CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.9 RELEASE.
 CD DATA ARE SECONDARY MARKET RATES.

BORROWINGS FROM FEDERAL RESERVE BANKS ALL MEMBER BANKS IN THE NATION



BUSINESS LOANS (COMMERCIAL AND INDUSTRIAL) WEEKLY REPORTING LARGE COMMERCIAL BANKS SEASONALLY ADJUSTED



1/ INCLUDES LOANS SOLD OUTRIGHT BY COMMERCIAL BANKS TO OWN SUBSIDIARIES, FOREIGN BRANCHES, HOLDING COMPANIES, AND OTHER AFFILIATES.