

Week ending: March 27, 1974



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Short-term market interest rates have increased sharply in recent weeks. Most short-term rates had risen by five or more percentage points from early 1972 to late last summer, then, with the exception of a brief upturn in the fall, declined through late February. In relation to early 1972, short-term market rates currently are much higher, and in relation to September 1973, most short-term market rates currently are within about one percentage point. The three-month Treasury bill rate rose from a low of 3.20 percent in February 1972 to 8.95 percent in the week ending September 14, 1973, then fell to about 7.15 percent in the week ending October 19. After subsequently varying within about one-half of a percentage point of 7.50 percent, the three-month bill rate averaged 8.30 percent in recent days.

The predominant paths of most long-term interest rates have been upward for the past year. Longer-term rates typically are less volatile than short-term rates. However, yields on three- to five-year Government securities have risen about a percentage point in the past month to 7.65 percent. Yields on corporate Aaa bonds averaged 8.10 percent early this week, up from about 7.15 percent in early 1973. Upward revisions in expectations of inflation probably have increased demand for long-term loans relative to the supply, driving up the long-term rate.

Many commercial banks recently have adjusted the rate charged on prime bank loans upward to 9 percent from 8.75 percent.* The prime rate had fallen from 10 percent in late September and October to 8.75 percent in late February. The February 27 issue of this release discussed factors related to this decline. It noted that rapid increases in the monetary base and declines in the rate on large 90-day certificates of deposit (CDs) had tended to increase the supply of bank loans. At the same time upward revisions in inflationary expectations and decreases in the commercial paper rate had tended to shift demand for credit to markets other than banks. In the past month some of these developments have been reversed. Whereas the prime rate averaged about 80 basis points above the 90-day CD rate from mid-December to late February, by the week ending March 20, the 90-day CD rate was within about 10 basis points of the prime rate. In the past week the 90-day CD rate averaged 9.38 percent, surpassing the prime rate. Business loans at commercial banks have shown renewed expansion since late February. Demands for bank loans have probably been encouraged by increases in the cost of alternative sources of funds—a 140 basis point rise in the four- to six-month commercial paper rate since late February and further increases in long-term rates.

Throughout the time in which these interest rate developments have occurred, the monetary base has increased at a rapid and fairly steady rate. In the past year the base has increased 7.3 percent and in the past three months it has increased at an 8.0 percent annual rate. The nation's money stock has risen 6.2 percent in the past year and at a 6.7 percent annual rate in the past three months.

* Effective Thursday, March 28, a number of major banks have raised their prime rate to 9.25 percent.

Prepared by Federal Reserve Bank of St. Louis

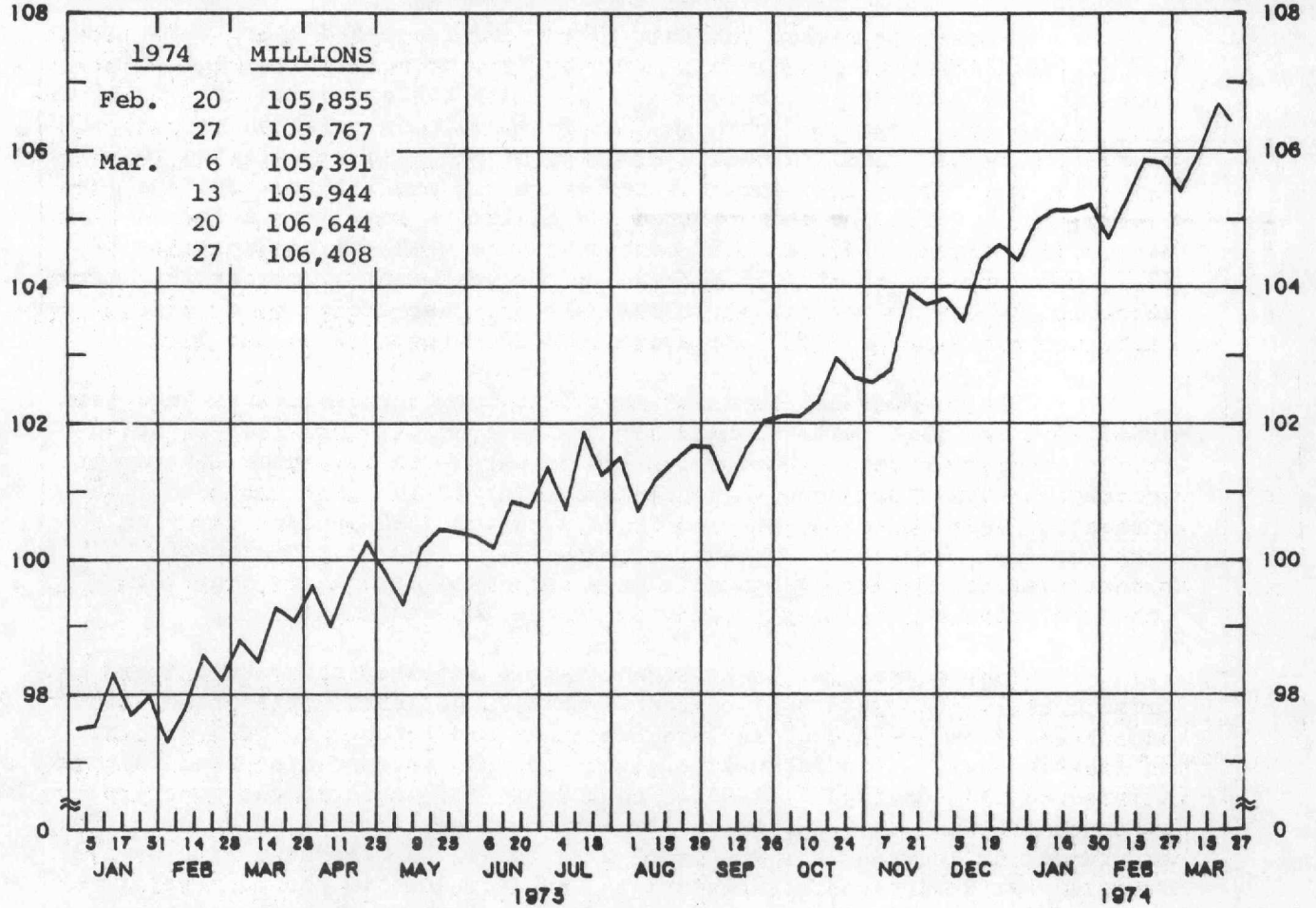
Released: March 29, 1974

MONETARY BASE

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED BY THIS BANK

BILLIONS OF DOLLARS

BILLIONS OF DOLLARS



LATEST DATA PLOTTED WEEK ENDING: MARCH 27, 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.

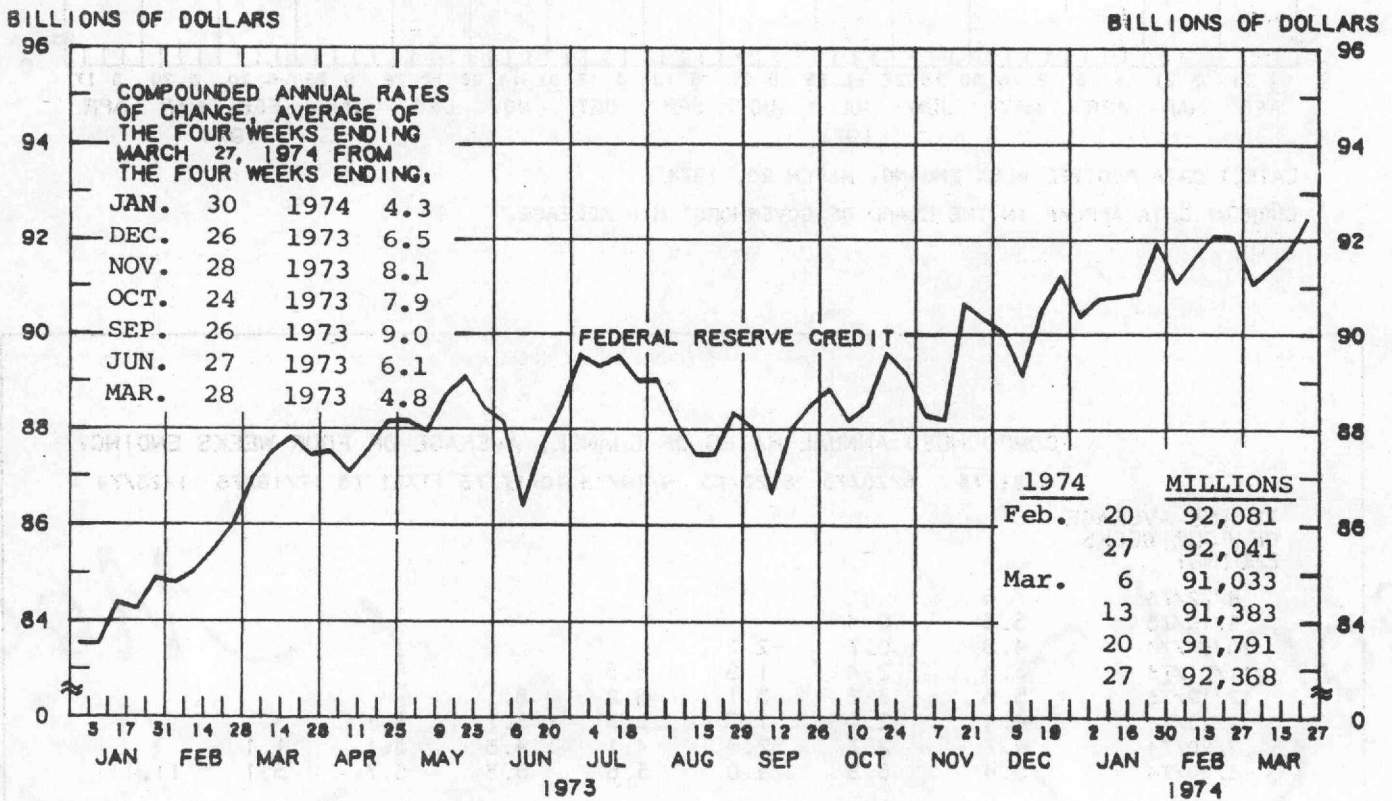
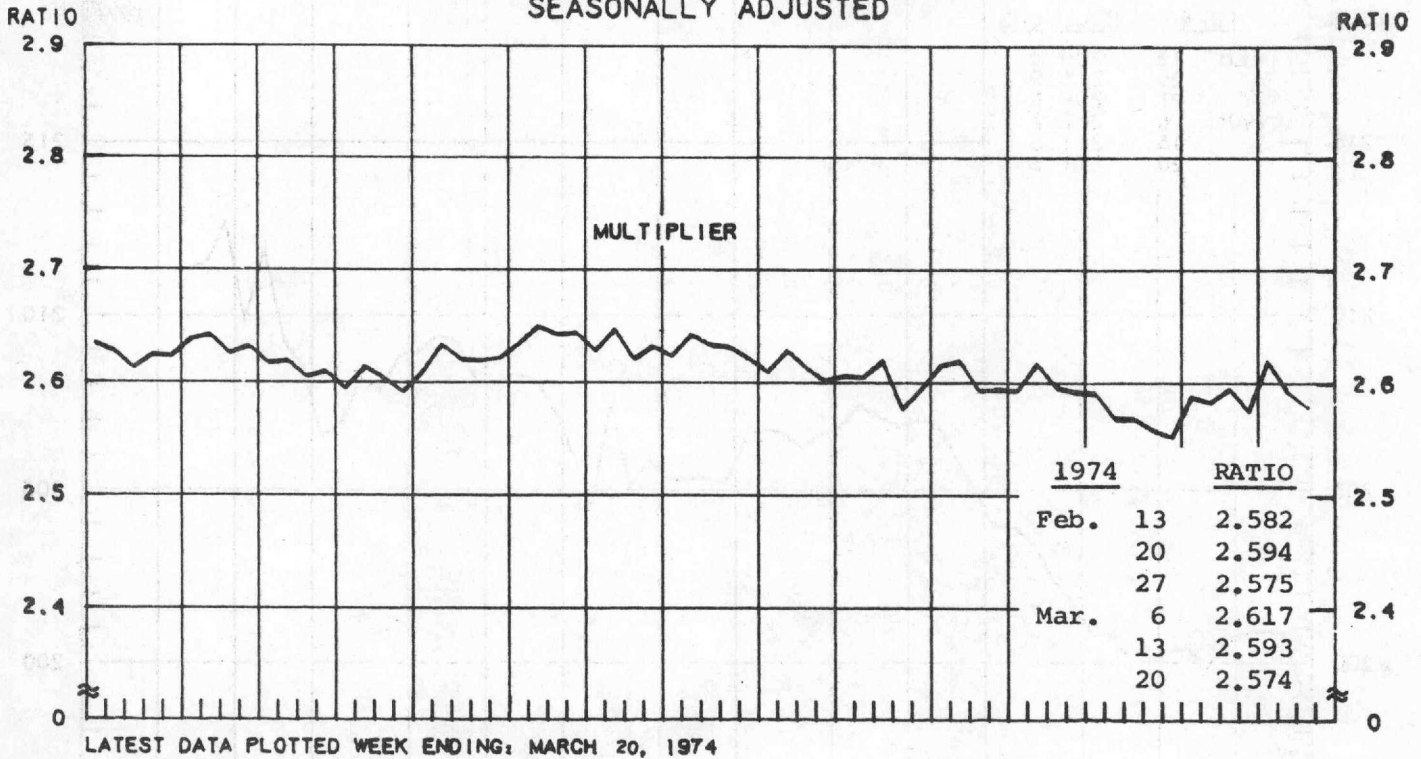
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

3/28/73 6/27/73 8/29/73 9/26/73 10/24/73 11/28/73 12/26/73 1/30/74

TO THE AVERAGE
OF FOUR WEEKS
ENDING:

8/29/73	5.7								
9/26/73	5.5	4.2							
10/24/73	6.2	5.7	7.4						
11/28/73	6.6	6.5	8.2	10.0					
12/26/73	7.0	7.2	8.8	10.2	10.1				
1/30/74	7.5	7.7	9.2	10.4	10.3	10.8			
2/27/74	7.1	7.3	8.4	9.1	8.8	8.6	7.6		
3/27/74	7.3	7.5	8.5	9.1	8.9	8.7	8.0	6.4	

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



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

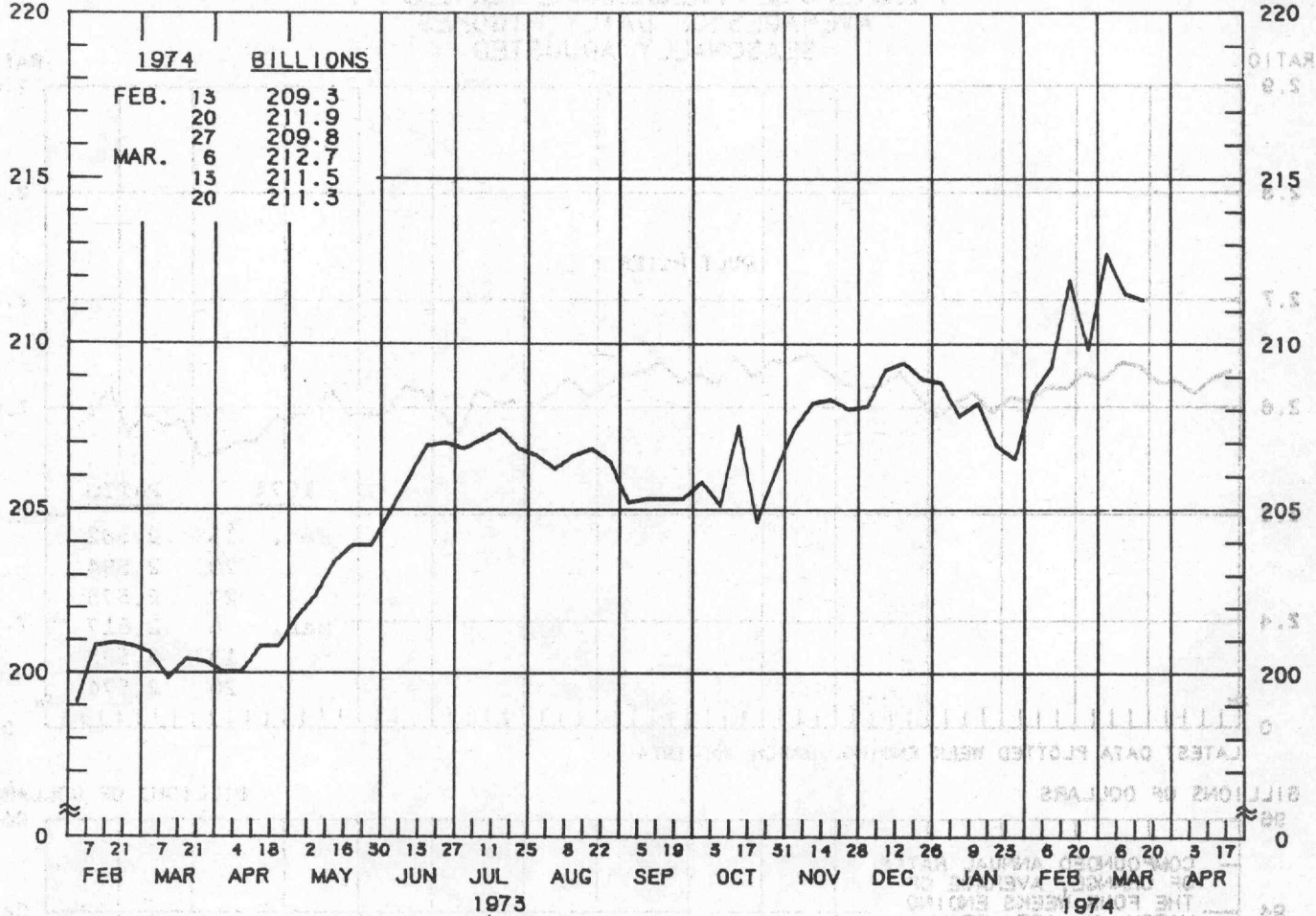
2/ DEFINED TO INCLUDE HOLDINGS OF SECURITIES, LOANS, FLOAT AND "OTHER" ASSETS, ADJUSTED FOR RESERVE REQUIREMENT CHANGES AND CHANGES IN REQUIREMENTS DUE TO SHIFTS IN DEPOSITS AMONG CLASSES OF BANKS. DATA ARE SEASONALLY ADJUSTED BY THIS BANK.

DEMAND DEPOSIT COMPONENT OF MONEY STOCK

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED

BILLIONS OF DOLLARS

BILLIONS OF DOLLARS



LATEST DATA PLOTTED WEEK ENDING: MARCH 20, 1974

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

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

3/21/73 6/20/73 8/22/73 9/19/73 10/17/73 11/21/73 12/19/73 1/23/74

TO THE AVERAGE
OF FOUR WEEKS
ENDING:

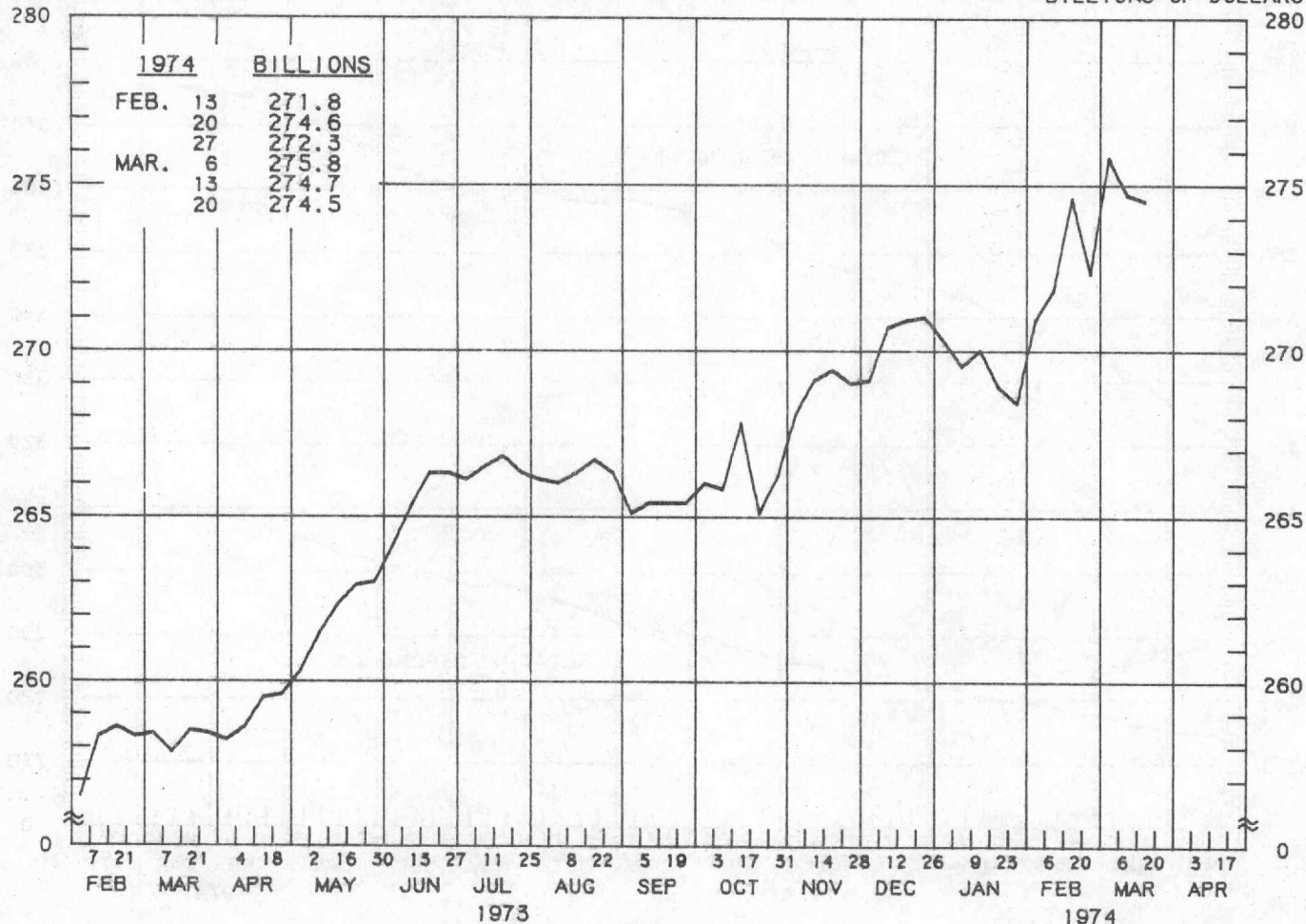
8/22/73	7.5						
9/19/73	5.3	0.4					
10/17/73	4.8	0.7	-2.2				
11/21/73	5.3	2.4	1.8	5.5			
12/19/73	5.6	3.2	3.1	6.2	8.1		
1/23/74	4.4	2.1	1.5	3.3	3.7	1.1	
2/20/74	4.7	2.7	2.4	4.1	4.6	3.1	1.1
3/20/74	5.4	3.8	4.0	5.6	6.3	5.7	5.1

MONEY STOCK

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED

BILLIONS OF DOLLARS

BILLIONS OF DOLLARS



LATEST DATA PLOTTED WEEK ENDING: MARCH 20, 1974

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

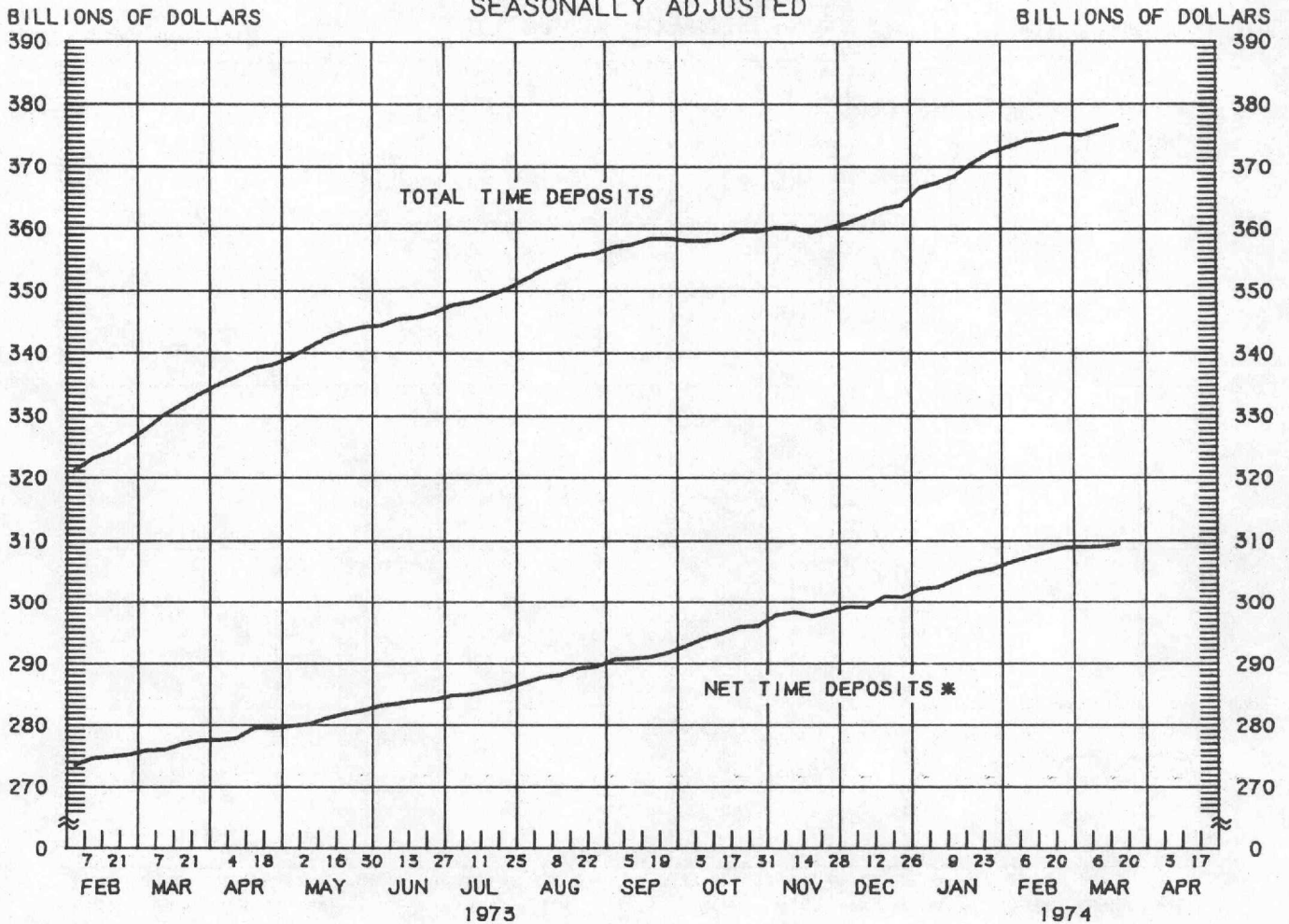
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

3/21/73 6/20/73 8/22/73 9/19/73 10/17/73 11/21/73 12/19/73 1/23/74

TO THE AVERAGE
OF FOUR WEEKS
ENDING:

8/22/73	7.5							
9/19/73	5.7	1.4						
10/17/73	5.4	1.9	0.0					
11/21/73	5.7	3.2	2.9	5.8				
12/19/73	6.0	4.0	4.2	6.6	8.1			
1/23/74	5.2	3.2	3.0	4.5	4.8	3.3		
2/20/74	5.5	3.8	3.9	5.2	5.6	4.9	3.3	
3/20/74	6.2	4.9	5.3	6.7	7.2	7.1	6.7	11.6

TIME DEPOSITS ALL COMMERCIAL BANKS AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: MARCH 20, 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

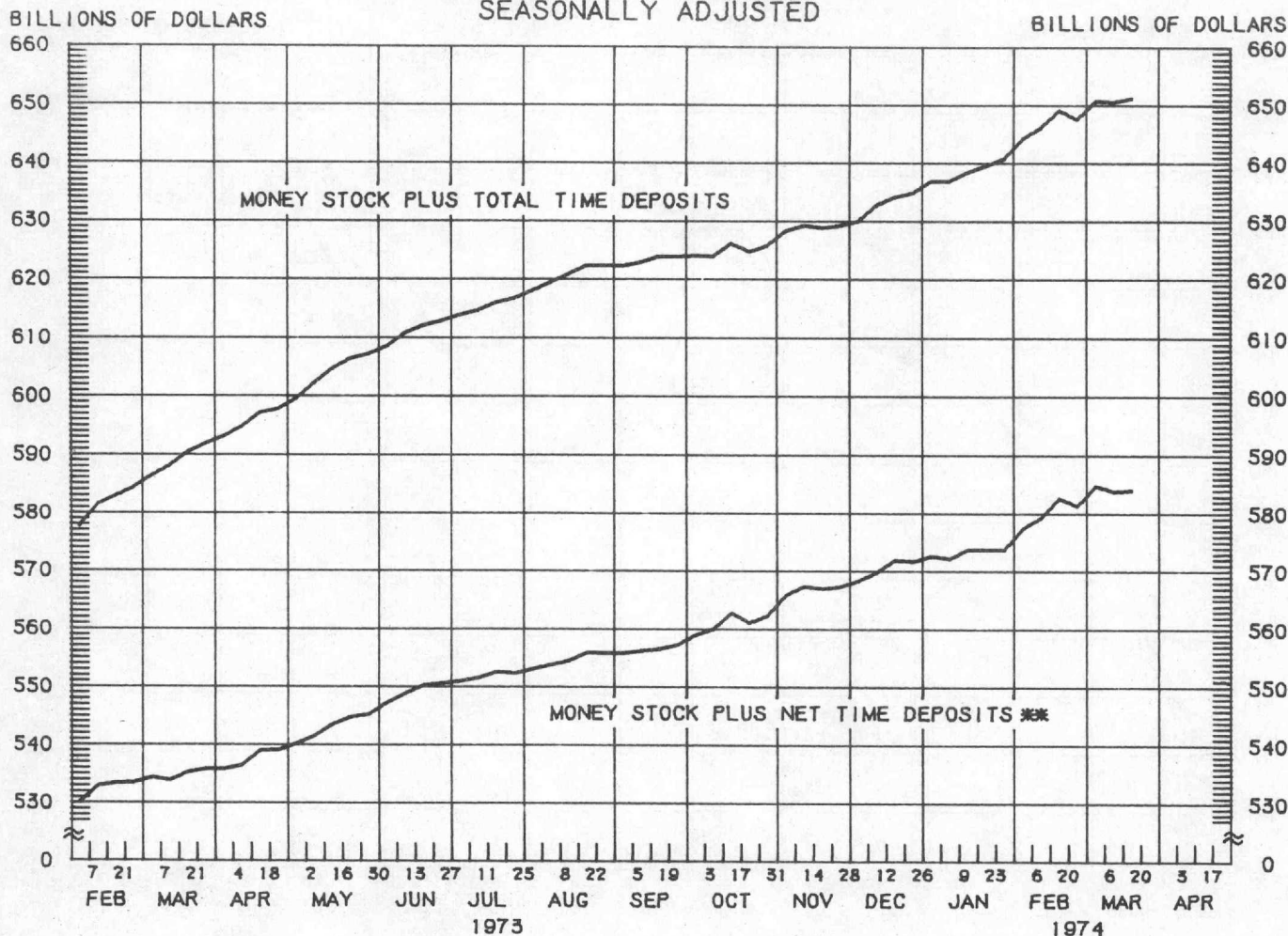
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:
3/21/73 6/20/73 8/22/73 9/19/73 10/17/73 11/21/73 12/19/73 1/23/74

TO THE AVERAGE
OF FOUR WEEKS
ENDING:

8/22/73	10.7							
9/19/73	10.8	10.6						
10/17/73	11.2	11.3	12.6					
11/21/73	11.7	12.2	13.6	14.5				
12/19/73	11.5	11.7	12.5	12.8	12.4			
1/23/74	11.8	12.2	13.0	13.4	13.3	12.2		
2/20/74	12.1	12.6	13.4	13.8	13.8	13.3	15.2	
3/20/74	12.0	12.3	13.0	13.2	13.1	12.5	13.6	12.9

MONEY STOCK PLUS TIME DEPOSITS

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: MARCH 20, 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:

	3/21/73	6/20/73	8/22/73	9/19/73	10/17/73	11/21/73	12/19/73	1/23/74
TO THE AVERAGE OF FOUR WEEKS ENDING:								
8/22/73	9.1							
9/19/73	8.4	6.0						
10/17/73	8.4	6.7	6.5					
11/21/73	8.9	7.8	8.4	10.3				
12/19/73	8.9	7.9	8.5	9.8	10.3			
1/23/74	8.7	7.8	8.2	9.1	9.2	7.9		
2/20/74	9.0	8.3	8.8	9.7	9.9	9.3	9.5	
3/20/74	9.2	8.7	9.3	10.1	10.3	10.0	10.4	12.4

CERTIFICATES OF DEPOSIT LARGE COMMERCIAL BANKS

WEDNESDAY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: MARCH 20, 1974

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

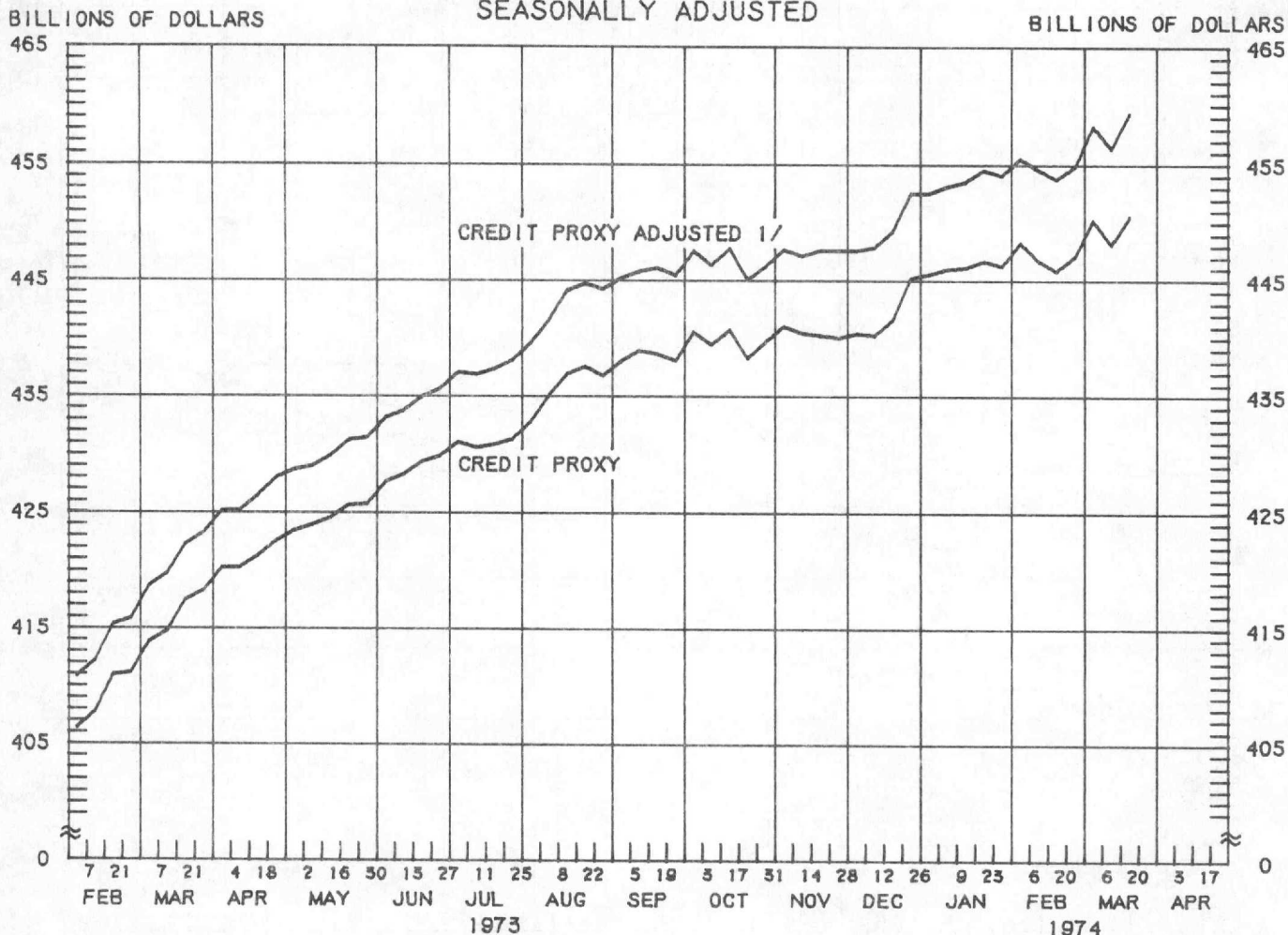
NEGOTIABLE TIME CERTIFICATES OF DEPOSIT ISSUED IN DENOMINATIONS OF \$100,000 OR MORE BY LARGE WEEKLY REPORTING COMMERCIAL BANKS.

MONEY AND TIME DEPOSIT DATA			
1974	BILLIONS		
	CERTIFICATES OF DEPOSIT	NET TIME DEPOSITS *	M 2 **
FEB. 6	66.8	306.4	577.3
13	67.0	307.2	579.1
20	66.4	308.0	582.6
27	66.2	308.8	581.1
MAR. 6	65.9	308.9	584.7
13	66.8	309.0	583.7
20	67.1	309.4	583.9
27			
APR. 3			
10			
17			
24			

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

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

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



LATEST DATA PLOTTED WEEK ENDING: MARCH 20, 1974

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

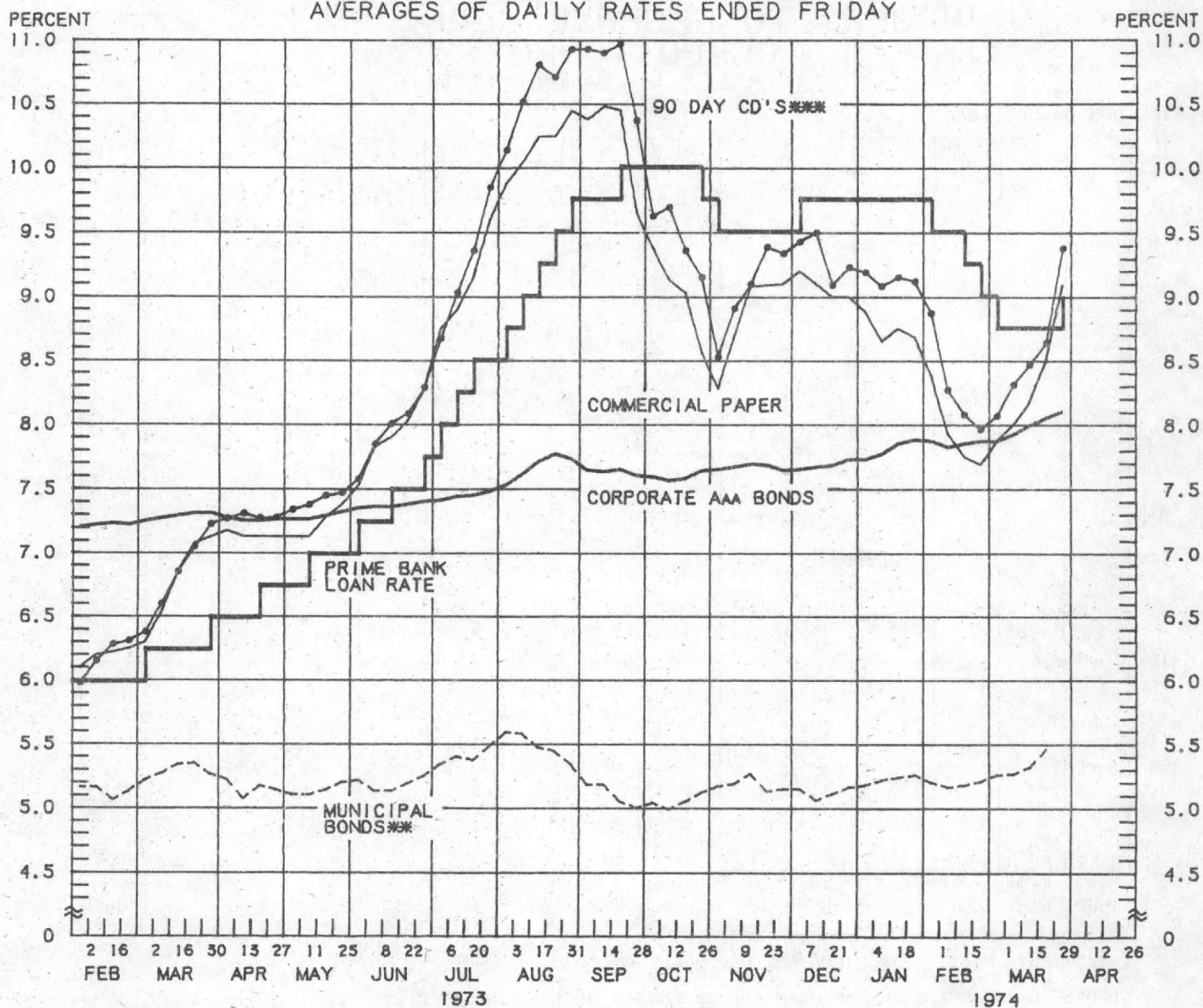
1/ INCLUDES MEMBER BANK DEPOSITS, BANK-RELATED COMMERCIAL PAPER, EURODOLLAR BORROWINGS OF U.S. BANKS, AND CERTAIN OTHER NONDEPOSIT SOURCES.

1974		BILLIONS	
		CREDIT PROXY	CREDIT PROXY ADJUSTED
FEB.	13	446.7	454.5
	20	445.8	453.7
	27	447.1	454.8
MAR.	6	450.2	458.2
	13	448.1	456.3
	20	450.5	459.3

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF THE FOUR WEEKS ENDING MARCH 20, 1974 FROM THE FOUR WEEKS ENDING:			
		CREDIT PROXY	CREDIT PROXY ADJUSTED
JAN.	23, 1974	4.3	5.6
DEC.	19, 1973	7.8	8.4
NOV.	21, 1973	6.2	7.0
OCT.	17, 1973	5.1	5.6
SEP.	19, 1973	5.0	5.4
JUN.	20, 1973	6.7	7.4
MAR.	21, 1973	8.4	9.1

YIELDS ON SELECTED SECURITIES

AVERAGES OF DAILY RATES ENDED FRIDAY



LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: MARCH 29, 1974

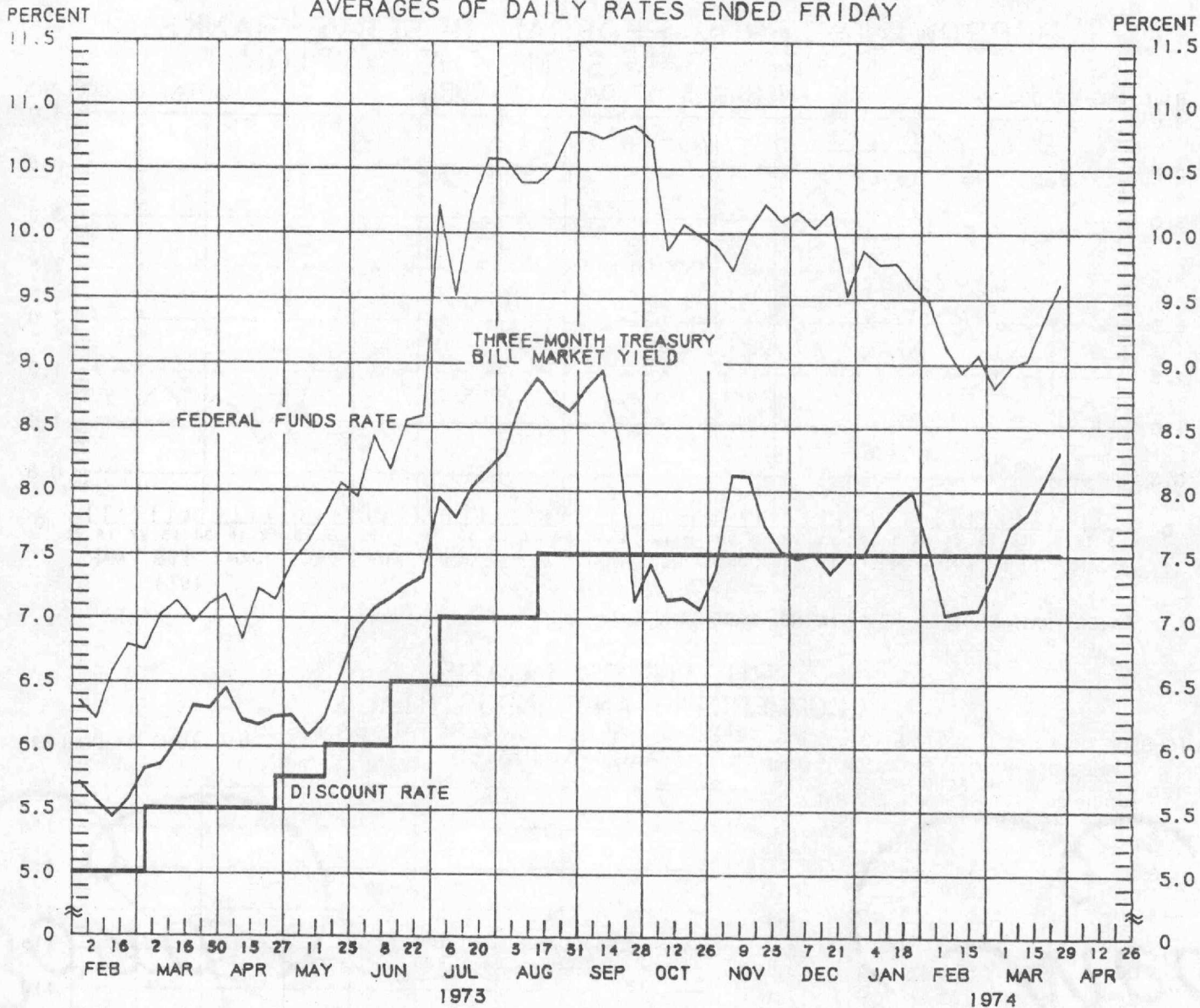
1974	90 DAY CD'S ***	PRIME COMMERCIAL PAPER 4-6 MONTH	PRIME BANKERS' ACCEPTANCES	CORPORATE AAA BONDS	MUNICIPAL BONDS **
FEB. 1	8.87	8.38	8.55	7.87	5.20
8	8.27	7.93	7.85	7.82	5.16
15	8.08	7.75	7.75	7.85	5.18
22	7.96	7.69	7.75	7.87	5.21
MAR. 1	8.07	7.88	7.85	7.87	5.26
8	8.31	8.00	8.00	7.92	5.27
15	8.47	8.18	8.10	7.99	5.32
22	8.64	8.50	8.60	8.05	5.46
29 *	9.38	9.09	9.00	8.10	N.A.
APR. 5					
12					
19					
26					

* AVERAGES OF RATES AVAILABLE.
 ** BOND BUYER'S AVERAGE INDEX OF 20 MUNICIPAL BONDS, THURSDAY DATA.
 *** SEVEN-DAY AVERAGES OF SECONDARY MARKET RATES FOR THE WEEK ENDING WEDNESDAY TWO DAYS EARLIER THAN DATES SHOWN. CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.9 RELEASE.
 N.A. - NOT 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: MARCH 29, 1974

1974	FEDERAL FUNDS %**	3-MONTH TREASURY BILLS	3-5 YEAR GOVERNMENT SECURITIES	LONG-TERM GOVERNMENT SECURITIES
FEB. 1	9.47	7.55	6.94	6.55
8	9.13	7.03	6.74	6.50
15	8.93	7.06	6.70	6.50
22	9.07	7.07	6.76	6.56
MAR. 1	8.81	7.36	6.93	6.62
8	8.98	7.71	7.06	6.71
15	9.03	7.82	7.16	6.75
22	9.33	8.06	7.48	6.88
29 *	9.61	8.30	7.65	6.92
APR. 5				
12				
19				
26				

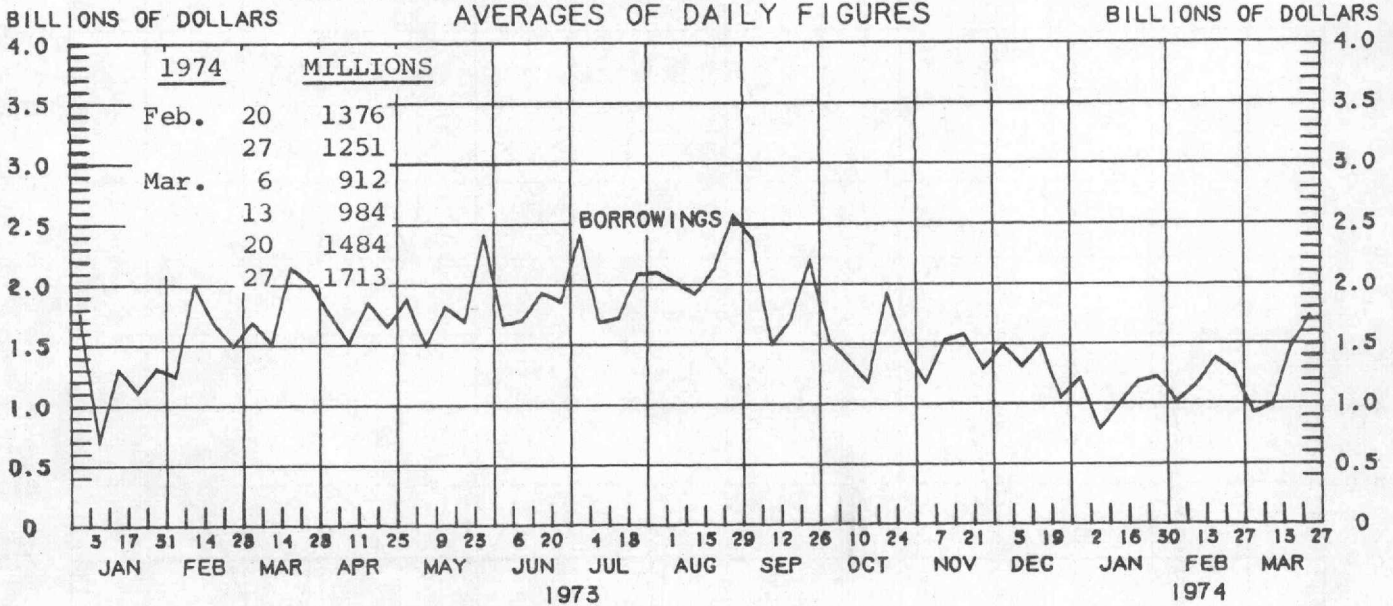
* AVERAGES OF RATES AVAILABLE.

** SEVEN-DAY AVERAGES FOR WEEK ENDING WEDNESDAY TWO DAYS EARLIER THAN DATE SHOWN.

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

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

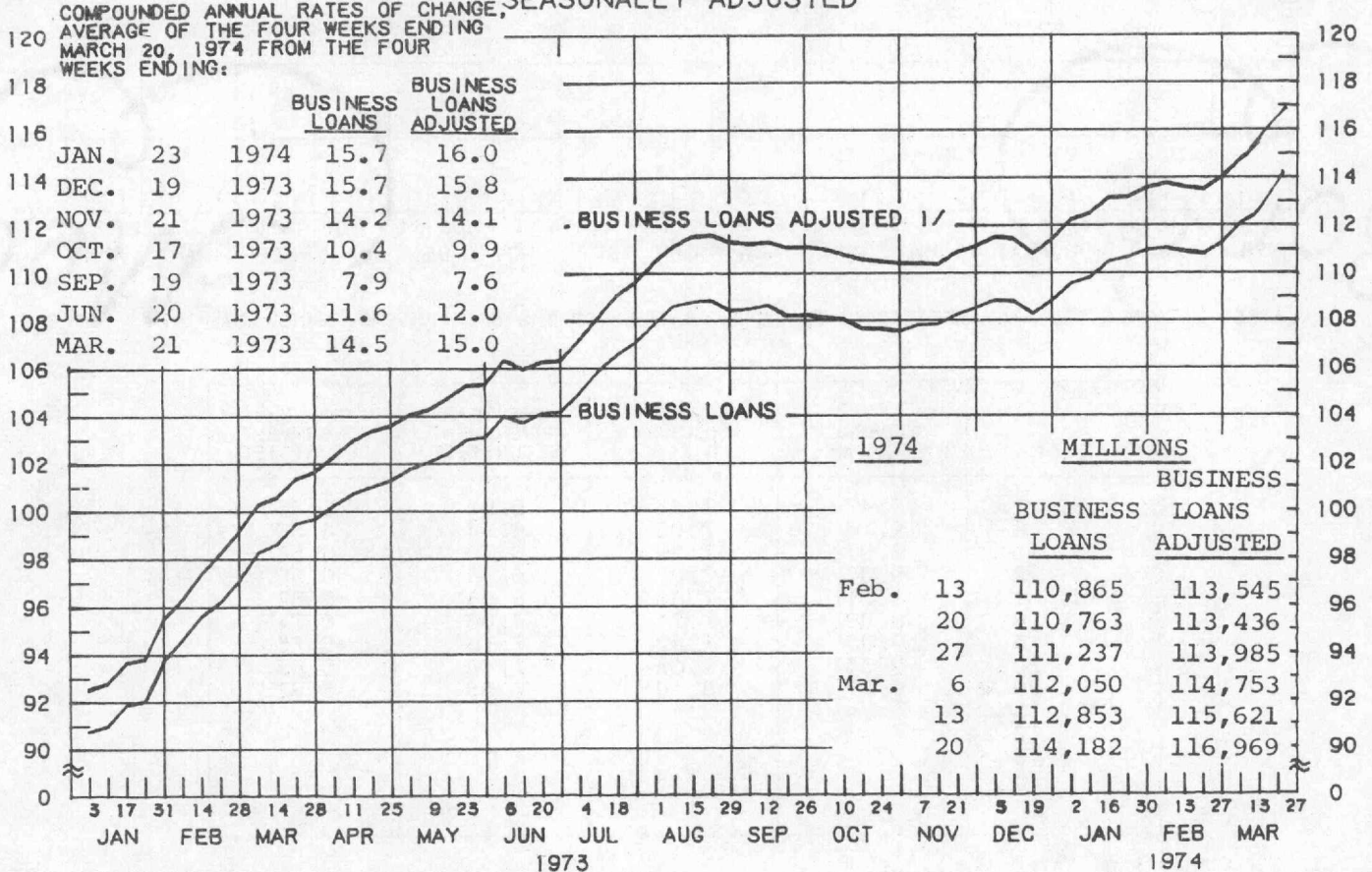
BORROWINGS FROM FEDERAL RESERVE BANKS ALL MEMBER BANKS IN THE NATION



LATEST DATA PLOTTED WEEK ENDING: MARCH 27, 1974

BUSINESS LOANS (COMMERCIAL AND INDUSTRIAL)

WEEKLY REPORTING LARGE COMMERCIAL BANKS
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: MARCH 20, 1974

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

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS