



Week ending: November 8, 1978

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DEC 26 1978

This past week most large commercial banks raised their prime lending rate from 10.50 to 10.75 percent. One way to place this 25 basis point increase in perspective is to consider the effect of last week's increase in reserve requirements on the cost to banks of raising loanable funds. Until last week, time deposits with initial maturities of 30-179 days had reserve requirements of 3 percent on these deposits up to the first \$5 million and 6 percent on the rest. However, as of the week beginning Thursday, November 2, 1978, the Federal Reserve imposed a supplementary 2 percent reserve requirement on all member bank time deposits of \$100,000 or more, and on certain other member bank liabilities. One consequence of this supplementary reserve requirement has been an increase of more than 20 basis points (at current market interest rates) in the effective interest rate faced by member banks obtaining loanable funds through the issuance of large (\$100,000 or more) short-term negotiable certificates of deposit (CDs).

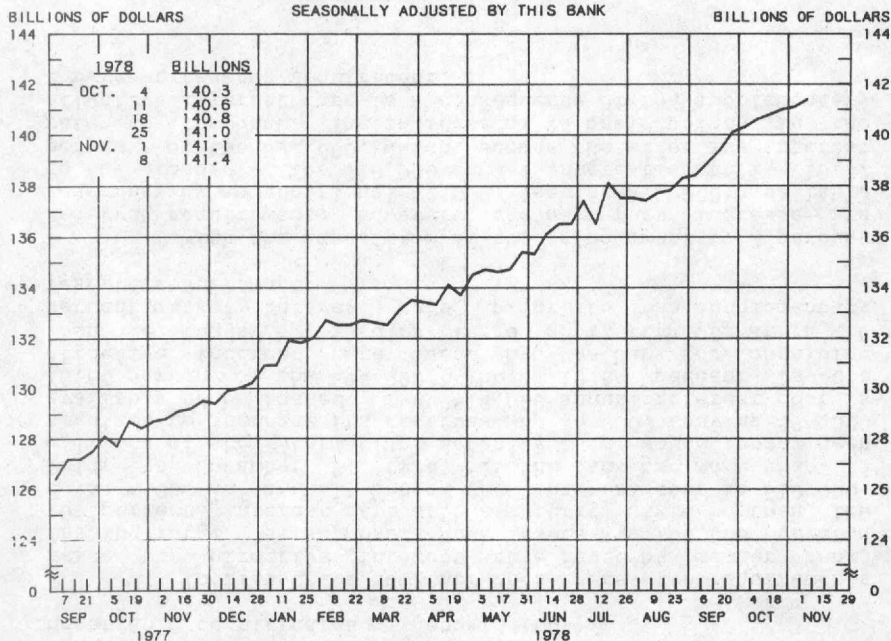
To illustrate how increases in reserve requirements raise the effective interest rate faced by member banks issuing large CDs, suppose a bank issues a \$100,000 CD at a 10 percent interest rate with a maturity of less than 180 days. On an annual basis the interest cost is \$10,000. Prior to November 2, 1978, if the bank had more than \$5 million of short-term time deposits, it would have been required to increase its reserves by \$6,000, leaving \$94,000 available to be loaned. The \$10,000 annual interest cost is 10.64 percent of the \$94,000. Thus, 10.64 percent is the effective interest rate faced by the bank for obtaining loanable funds by issuing large short-term CDs at a 10 percent market interest rate, prior to the supplementary reserve requirement.

With the imposition of the supplementary 2 percent reserve requirement, however, the bank must increase its reserves by an additional \$2,000, leaving \$92,000 available to be loaned. The \$10,000 annual interest cost is 10.87 percent of the \$92,000, which becomes the effective interest rate to the bank. The increase of 23 basis points in the effective interest rate is a consequence of the supplementary 2 percent reserve requirement.

Prepared by Federal Reserve Bank of St. Louis

Released: November 10, 1978

MONETARY BASE **AVERAGES OF DAILY FIGURES** **SEASONALLY ADJUSTED BY THIS BANK**



LATEST DATA PLOTTED WEEK ENDING: NOVEMBER 8, 1978

THE MONETARY BASE CONSISTS OF MEMBER BANK RESERVES AT THE FEDERAL RESERVE BANKS AND CURRENCY IN CIRCULATION (CURRENCY HELD BY THE PUBLIC AND IN THE VAULTS OF COMMERCIAL BANKS), ADJUSTED FOR RESERVE REQUIREMENT RATIO CHANGES AND SHIFTS IN THE SAME TYPE OF DEPOSITS BETWEEN BANKS WHERE DIFFERENT RESERVE REQUIREMENT RATIOS APPLY. THE MAJOR SOURCES OF THE MONETARY BASE ARE FEDERAL RESERVE CREDIT AND THE GOLD STOCK. DATA ARE COMPUTED BY THIS BANK. A DETAILED DESCRIPTION OF THE MONETARY BASE IS AVAILABLE FROM THE FEDERAL RESERVE BANK OF ST. LOUIS.

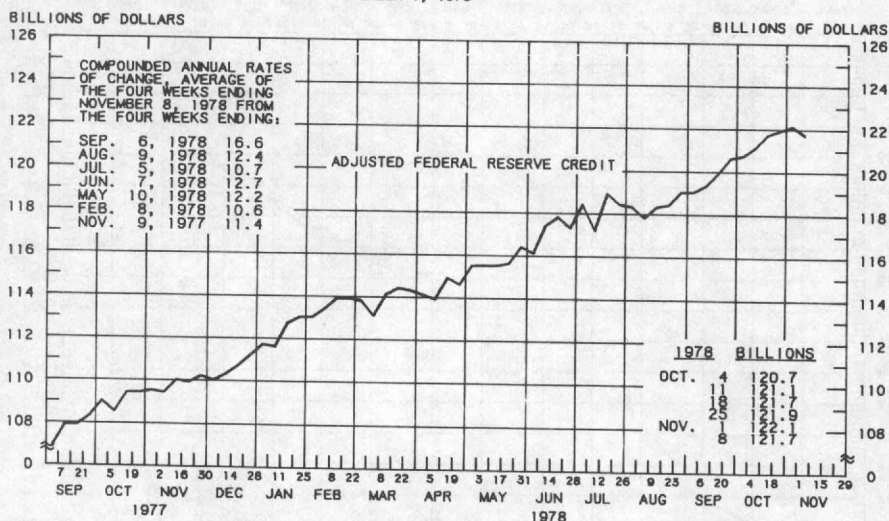
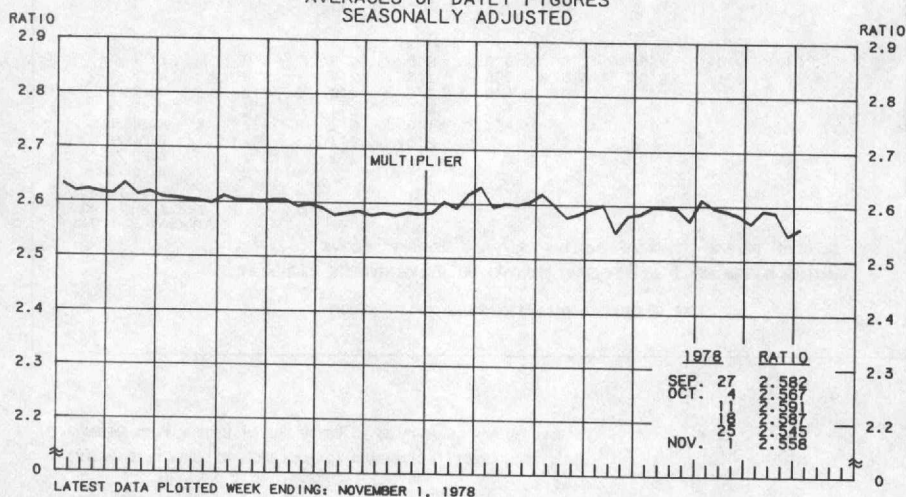
MONETARY BASE

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

	11/9/77	2/8/78	4/5/78	5/10/78	6/7/78	7/5/78	8/9/78	9/6/78
TO THE AVERAGE OF FOUR WEEKS ENDING:								
4/ 5/78	8.7							
5/10/78	8.9	6.8						
6/ 7/78	8.6	6.9	8.5					
7/ 5/78	9.5	8.6	10.9	11.7				
8/ 9/78	9.3	8.5	10.1	10.2	11.7			
9/ 6/78	8.9	8.0	9.1	8.9	9.5	6.5		
10/11/78	9.6	9.1	10.4	10.5	11.3	9.9	11.0	
11/ 8/78	9.6	9.2	10.3	10.4	11.0	9.8	10.6	13.2

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

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



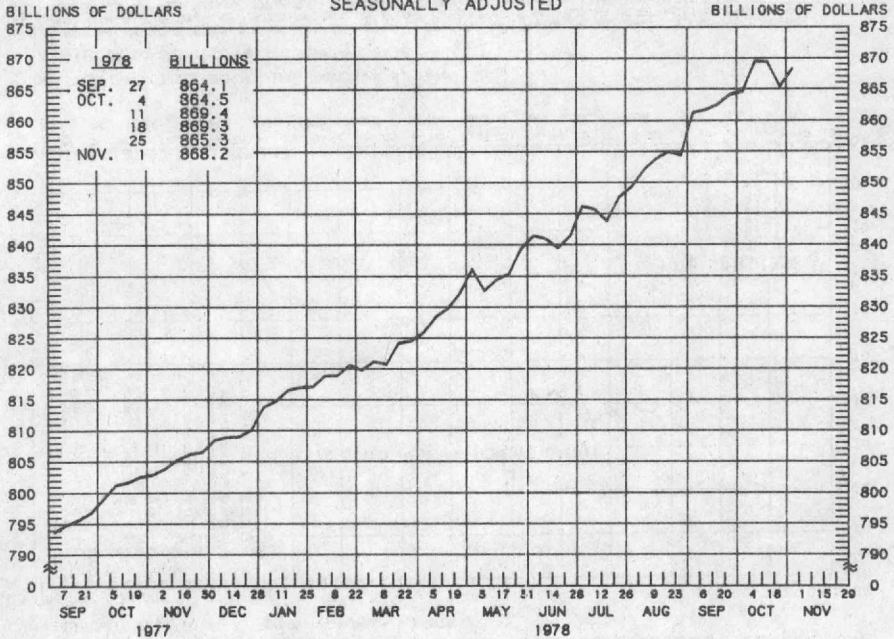
LATEST DATA PLOTTED WEEK ENDING: NOVEMBER 8, 1978

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

2/ FEDERAL RESERVE CREDIT CONSISTS OF FEDERAL RESERVE HOLDINGS OF SECURITIES, LOANS, FLOAT AND OTHER ASSETS. ADJUSTED FEDERAL RESERVE CREDIT IS COMPUTED BY SUBTRACTING TREASURY DEPOSITS AT FEDERAL RESERVE BANKS FROM THIS SERIES, AND ADJUSTING THE SERIES FOR RESERVE REQUIREMENT RATIO CHANGES AND SHIFTS IN THE SAME TYPE OF DEPOSITS BETWEEN BANKS WHERE DIFFERENT RESERVE REQUIREMENT RATIOS APPLY. DATA ARE COMPUTED BY THIS BANK.

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

MONEY STOCK PLUS NET TIME DEPOSITS (M2) AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: NOVEMBER 1, 1978

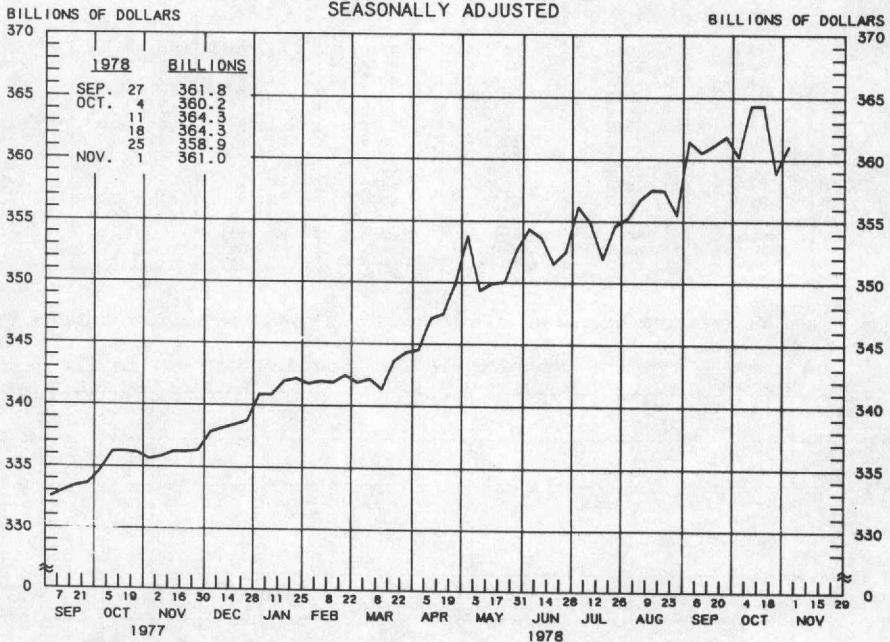
CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

MONEY STOCK PLUS NET TIME DEPOSITS (M2)

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

	11/2/77	2/1/78	3/29/78	5/3/78	5/31/78	6/28/78	8/2/78	8/30/78
TO THE AVERAGE OF FOUR WEEKS ENDING:								
3/29/78	6.5							
5/ 3/78	7.5	7.7						
5/31/78	7.3	7.3	9.3					
6/28/78	7.5	7.6	9.1	7.4				
8/ 2/78	7.5	7.5	8.6	7.4	7.9			
8/30/78	7.9	8.1	9.2	8.4	9.1	9.3		
10/ 4/78	8.3	8.7	9.7	9.2	9.9	10.3	11.9	
11/ 1/78	8.2	8.5	9.5	9.0	9.5	9.7	10.6	10.1

MONEY STOCK (M1) AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: NOVEMBER 1, 1978

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

THE MONEY STOCK CONSISTS OF DEMAND DEPOSITS PLUS CURRENCY AND COIN HELD BY THE NONBANK PUBLIC.

MONEY STOCK (M1)

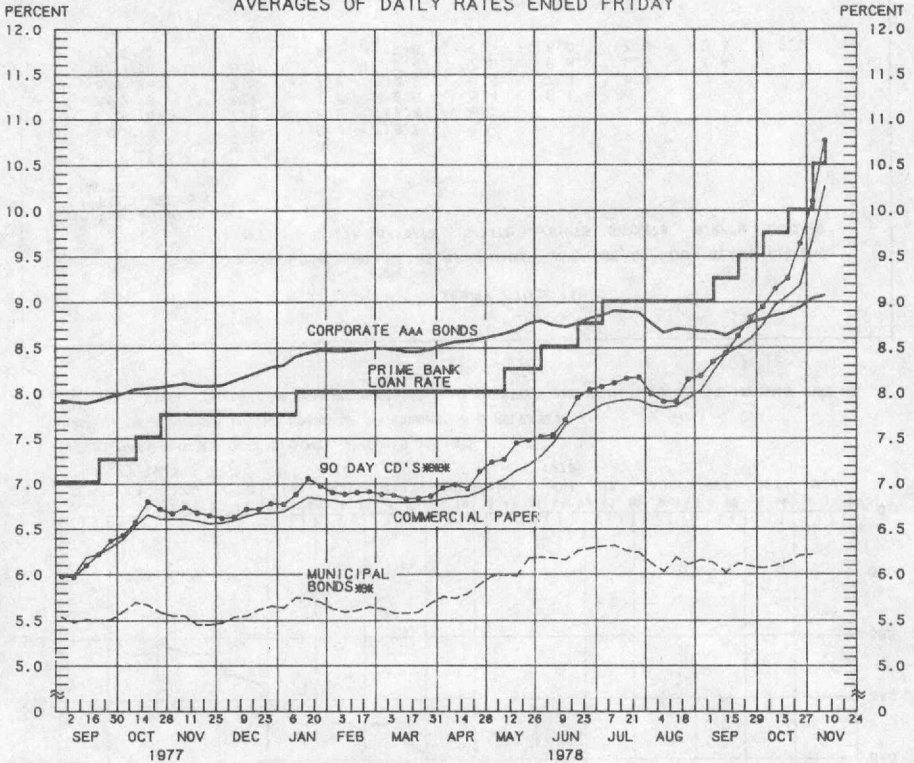
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

	11/2/77	2/1/78	3/29/78	5/3/78	5/31/78	6/28/78	8/2/78	8/30/78
TO THE AVERAGE OF FOUR WEEKS ENDING:								
3/29/78	5.1							
5/ 3/78	8.2	9.6						
5/31/78	7.6	8.2	13.7					
6/28/78	7.8	8.5	12.4	6.7				
8/ 2/78	7.2	7.5	9.8	5.4	6.1			
8/30/78	7.5	7.8	9.9	6.5	7.4	6.4		
10/ 4/78	8.1	8.5	10.4	7.9	8.8	8.6	11.6	
11/ 1/78	7.8	8.1	9.6	7.3	8.0	7.6	9.3	8.9

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: NOVEMBER 10, 1978

1978	90 DAY CD'S	PRIME COMMERCIAL PAPER 4-6 MONTH	PRIME BANKERS' ACCEPTANCES	CORPORATE AAA BONDS	MUNICIPAL BONDS
SEP. 1	8.19	8.03	8.19	8.67	6.16
8	8.35	8.24	8.31	8.67	6.13
15	8.44	8.43	8.44	8.65	6.02
22	8.63	8.51	8.62	8.70	6.12
29	8.83	8.60	8.82	8.77	6.09
OCT. 6	8.95	8.75	8.89	8.81	6.07
13	9.15	8.97	9.06	8.85	6.10
20	9.26	9.07	9.33	8.88	6.14
27	9.64	9.19	9.59	8.94	6.21
NOV. 3	10.10	9.68	10.46	9.04	6.22
10 *	10.77	10.26	10.63	9.07	N.A.
17					
24					

* AVERAGES OF RATES AVAILABLE.

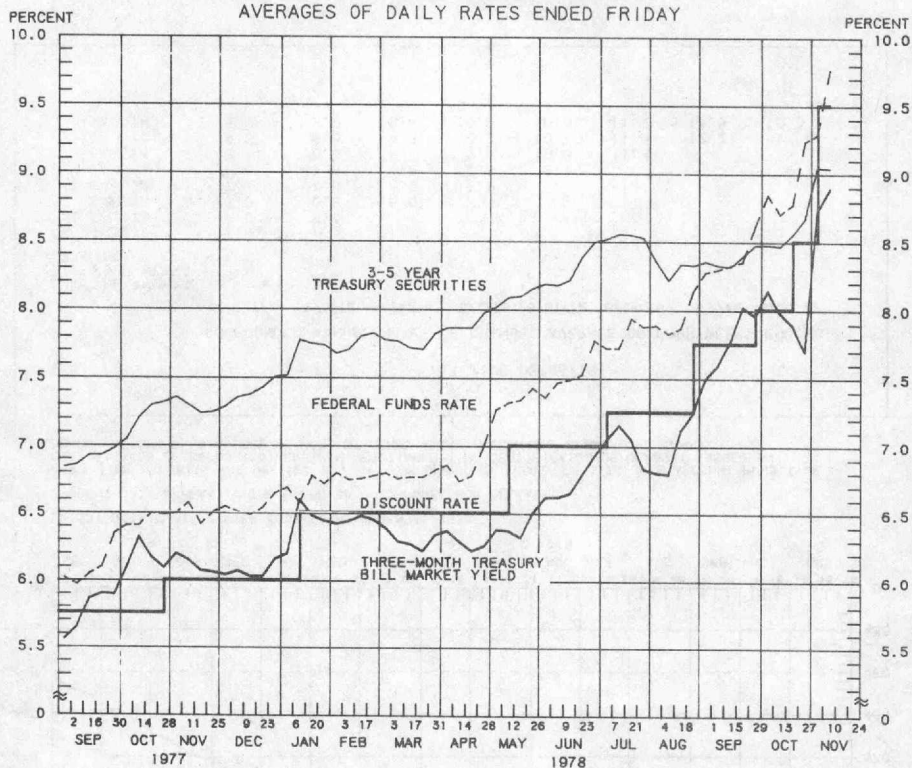
** BOND BUYER'S AVERAGE INDEX OF 20 MUNICIPAL BONDS, THURSDAY DATA.

*** 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 INTEREST RATES AVERAGES OF DAILY RATES ENDED FRIDAY



LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: NOVEMBER 10, 1978

1978	FEDERAL FUNDS RATE	3-MONTH TREASURY BILL	6-MONTH TREASURY BILL	1-YEAR TREASURY BILL	3-5 YEAR TREASURY SECURITIES	LONG-TERM TREASURY SECURITIES
SEP. 1	8.28	7.50	7.55	7.86	8.36	8.34
8	8.30	7.60	7.74	7.86	8.33	8.31
15	8.33	7.77	7.79	7.95	8.32	8.28
22	8.36	8.02	7.98	8.08	8.40	8.40
29	8.52	7.96	8.28	8.16	8.48	8.51
OCT. 6	8.85	8.14	8.38	8.23	8.48	8.55
13	8.71	7.98	8.42	8.28	8.47	8.53
20	8.78	7.89	8.56	8.46	8.56	8.59
27	9.24	7.70	8.61	8.53	8.68	8.64
NOV. 3	9.29	8.73	8.98	9.17	9.05	8.72
10 *	9.77	8.89	9.42	9.30	9.04	8.73
17						
24						

* 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.

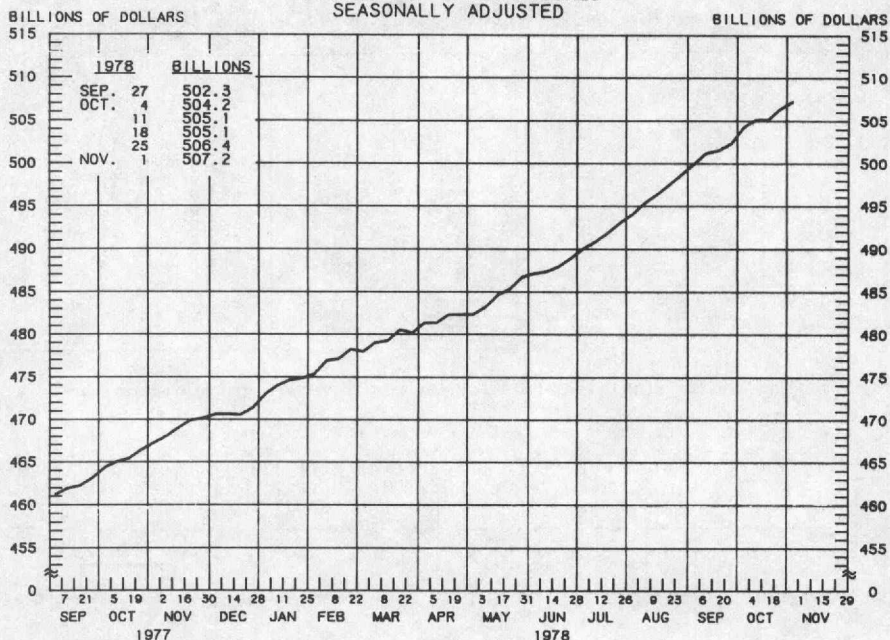
**** NEW ISSUE RATE

RATES ON LONG-TERM TREASURY SECURITIES ARE COMPUTED BY THE FEDERAL RESERVE BANK OF ST. LOUIS.

TREASURY BILL YIELDS ON DISCOUNT BASIS.

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

NET TIME DEPOSITS ALL COMMERCIAL BANKS AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: NOVEMBER 1, 1978

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

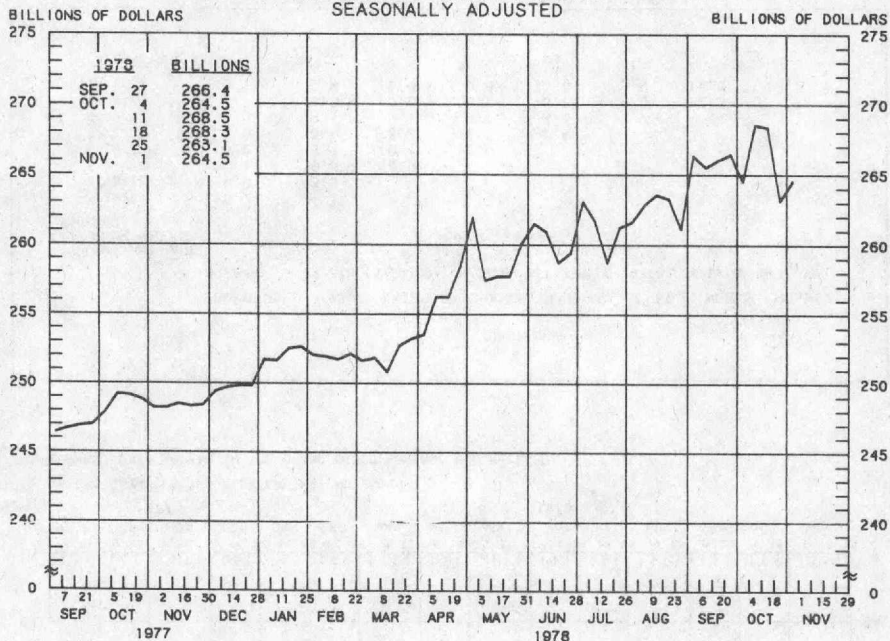
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

	11/2/77	2/1/78	3/29/78	5/3/78	5/31/78	6/28/78	8/2/78	8/30/78
TO THE AVERAGE OF FOUR WEEKS ENDING:								
3/29/78	7.4							
5/ 3/78	7.0	6.4						
5/31/78	7.2	6.8	6.6					
6/28/78	7.2	7.0	6.9	7.9				
8/ 2/78	7.6	7.6	7.8	8.8	9.1			
8/30/78	8.1	8.3	8.7	9.8	10.3	11.4		
10/ 4/78	8.5	8.8	9.3	10.2	10.7	11.5	12.2	
11/ 1/78	8.6	8.9	9.4	10.2	10.5	11.2	11.5	10.9

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

DEMAND DEPOSIT COMPONENT OF MONEY STOCK

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: NOVEMBER 1, 1978

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

DEMAND DEPOSIT COMPONENT OF MONEY STOCK

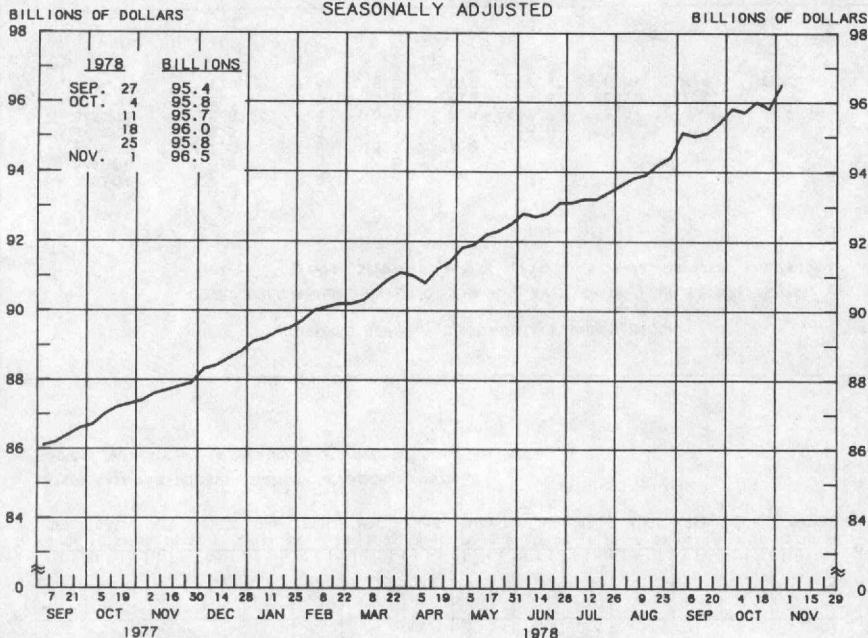
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

TO THE AVERAGE OF FOUR WEEKS ENDING:	11/2/77	2/1/78	3/29/78	5/3/78	5/31/78	6/28/78	8/2/78	8/30/78
3/29/78	3.3							
5/ 3/78	7.7	9.9						
5/31/78	6.6	7.5	14.8					
6/28/78	7.0	7.9	13.3	4.9				
8/ 2/78	6.5	6.9	10.3	4.1	6.0			
8/30/78	6.8	7.3	10.2	5.4	7.2	5.9		
10/ 4/78	7.3	8.0	10.6	6.9	8.5	8.1	11.1	
11/ 1/78	7.0	7.4	9.5	6.2	7.4	6.8	8.4	7.7

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

CURRENCY COMPONENT OF MONEY STOCK

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: NOVEMBER 1, 1978

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

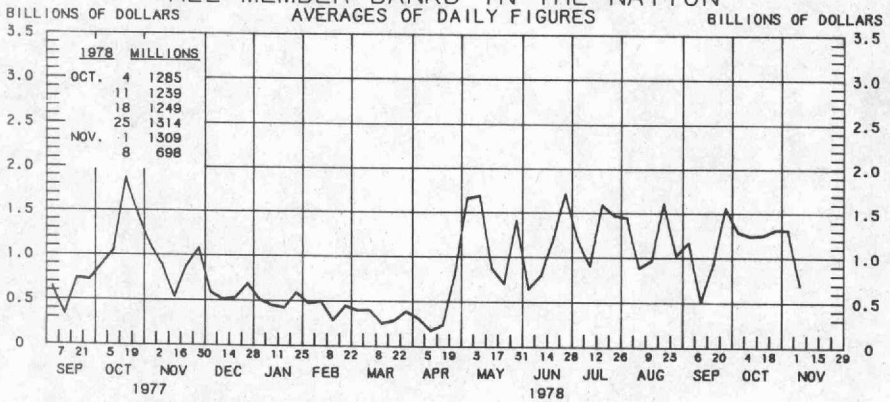
CURRENCY

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

TO THE AVERAGE OF FOUR WEEKS ENDING:	11/2/77	2/1/78	3/29/78	5/3/78	5/31/78	6/28/78	8/2/78	8/30/78
3/29/78	10.2							
5/ 3/78	9.6	8.3						
5/31/78	10.1	9.5	9.9					
6/28/78	10.2	9.7	10.1	12.0				
8/ 2/78	9.6	8.9	8.8	9.5	7.8			
8/30/78	9.6	9.1	9.1	9.7	8.5	7.7		
10/ 4/78	10.1	9.8	10.0	10.7	10.0	9.9	12.3	
11/ 1/78	10.1	9.8	10.0	10.6	10.0	9.9	11.6	12.2

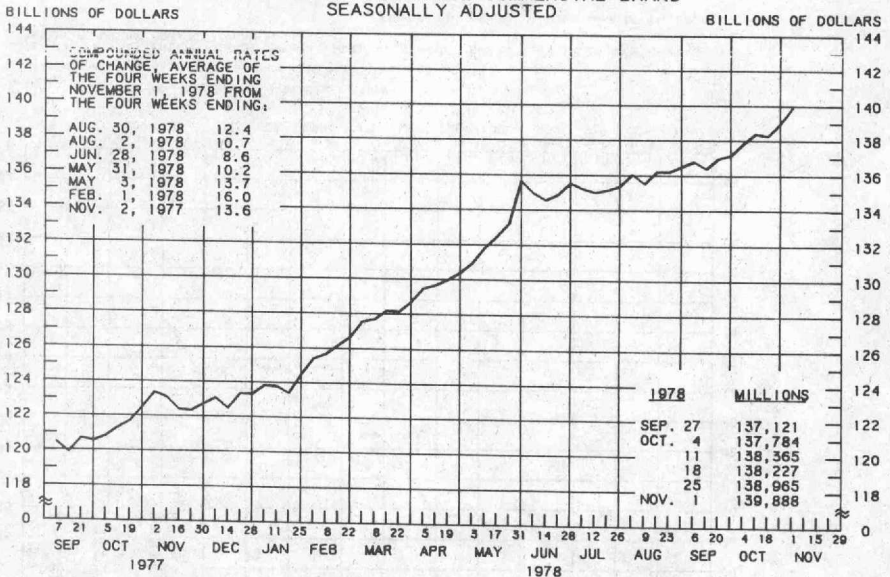
PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

BORROWINGS FROM FEDERAL RESERVE BANKS ALL MEMBER BANKS IN THE NATION



LATEST DATA PLOTTED WEEK ENDING: NOVEMBER 8, 1978

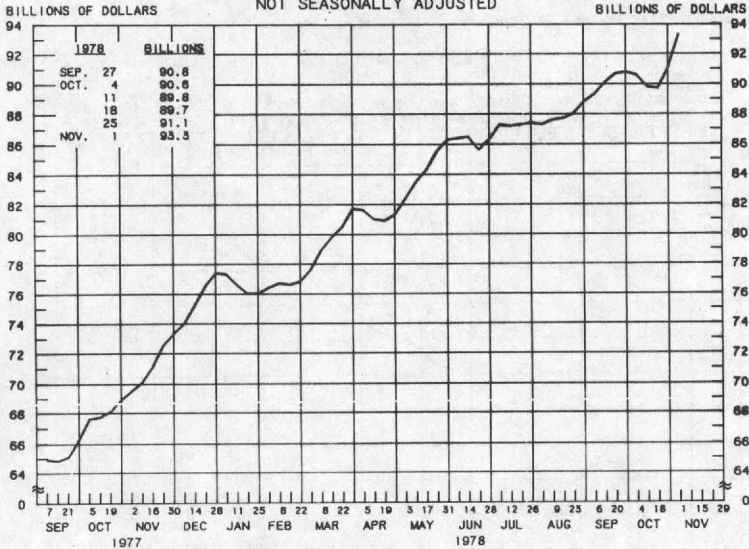
BUSINESS LOANS (COMMERCIAL AND INDUSTRIAL) WEEKLY REPORTING LARGE COMMERCIAL BANKS SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: NOVEMBER 1, 1978

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

CERTIFICATES OF DEPOSIT LARGE COMMERCIAL BANKS WEDNESDAY FIGURES NOT SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: NOVEMBER 1, 1978

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.

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS