



**Week ending: February 14, 1979**

Most short-term interest rates have declined somewhat since the end of December, after increasing during most of 1978. The interest rate on 90-day certificates of deposit (CDs) has shown the largest decline, falling about 80 basis points. This decline has widened the gap between the 90-day CD rate and the commercial bank prime rate.

Because CDs are an important source of funds to banks, changes in the interest rate on CDs have a large effect on the cost of loanable funds to banks. In calculating this cost, banks must consider the reserve requirements on funds raised by issuing CDs. For time deposits with initial maturities of 30-179 days, member banks reserve requirements are 3 percent on the first \$5 million and 6 percent on the balance. In addition, there is a supplementary reserve requirement of 2 percent on time deposits of \$100,000 or more.

To illustrate how reserve requirements affect the cost to banks of issuing additional CDs, consider a large bank which issues a \$100,000 CD at a 10 percent interest rate with a maturity of 90 days. The annual interest cost is \$10,000. By issuing the CD, the bank is required to increase its reserves by \$8,000, leaving \$92,000 available to lend. The \$10,000 in annual interest is 10.87 percent of the \$92,000. This 10.87 percent is the effective cost of obtaining loanable funds by issuing the 90-day CD. The table below presents the interest rate on 90-day CDs, the same rate adjusted for reserve requirements (see market rate adjusted), and the prime rate since December of last year.

**Prime Rate Compared to the Effective Cost of Issuing 90-Day  
Certificates of Deposit**

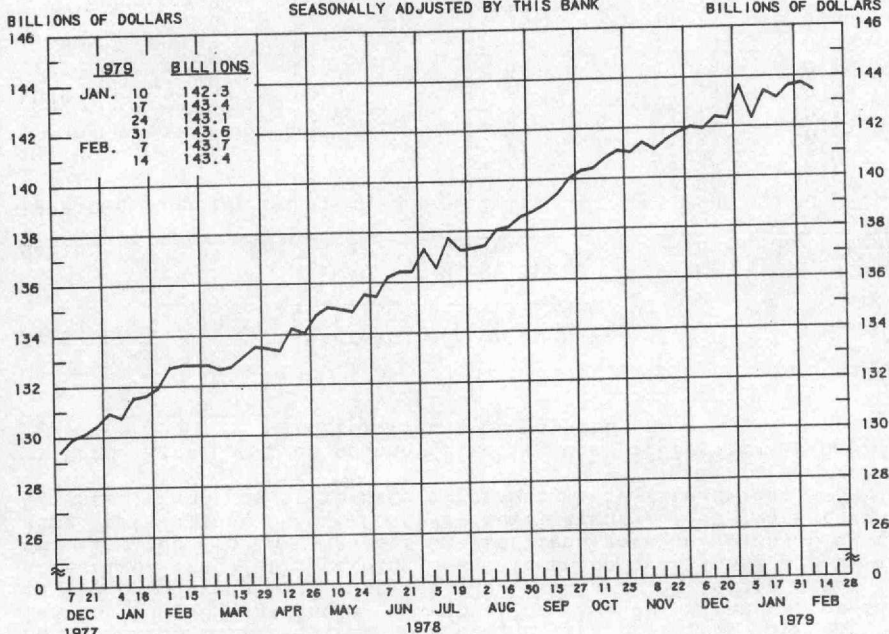
Period*	Interest Rate on 90-Day Certificates of Deposit			
	Market Rate	Market Rate Adjusted	Prime Rate	Difference
1978 December 1	10.66%	11.59%	11.50%	-0.09%
8	10.64	11.57	11.50	-0.07
15	10.53	11.45	11.50	0.05
22	10.68	11.61	11.57	-0.04
29	10.96	11.91	11.75	-0.16
1979 January 5	10.88	11.83	11.75	-0.08
12	10.71	11.64	11.75	0.11
19	10.49	11.40	11.75	0.35
26	10.44	11.35	11.75	0.40
February 2	10.20	11.09	11.75	0.66
9	10.13	11.01	11.75	0.74
16	10.17	11.05	11.75	0.70

\* Seven-day average for the week ending Wednesday two days earlier.

Prepared by Federal Reserve Bank of St. Louis

Released: February 16, 1979

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



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.

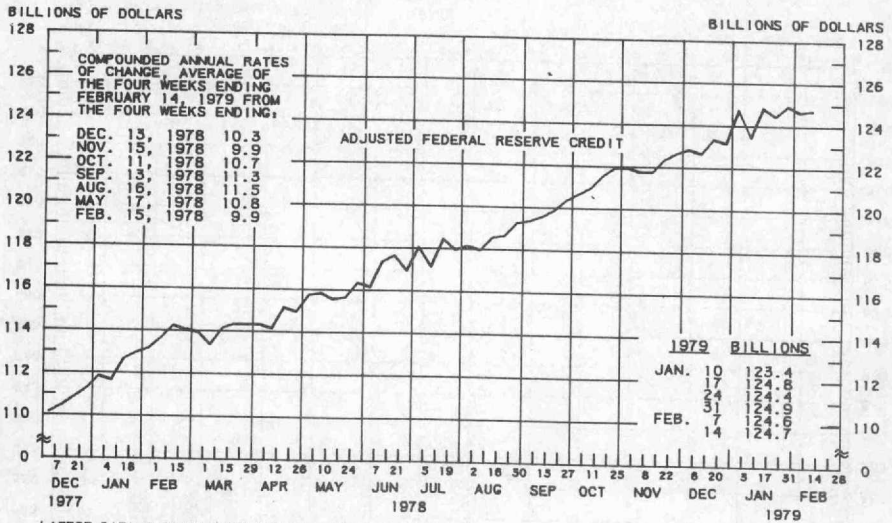
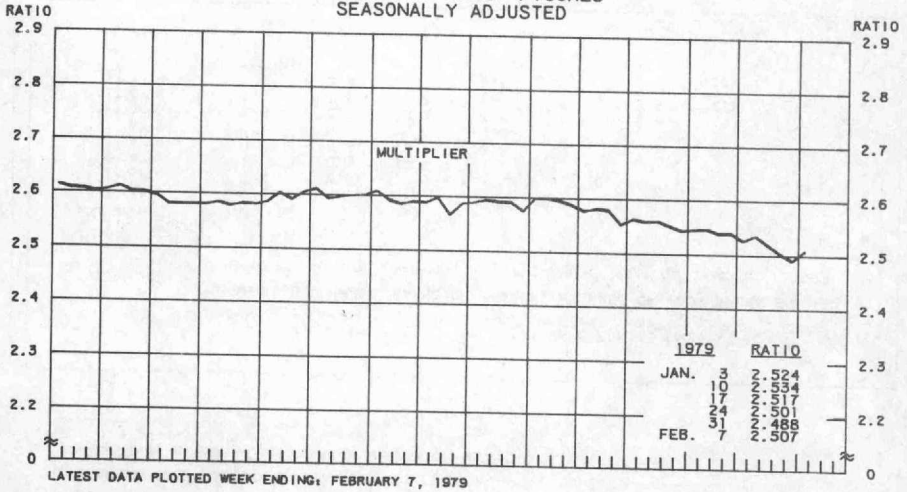
**MONETARY BASE**

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

	2/15/78	5/17/78	7/12/78	8/16/78	9/13/78	10/11/78	11/15/78	12/13/78
TO THE AVERAGE OF FOUR WEEKS ENDING:								
7/12/78	8.4							
8/16/78	8.0	8.6						
9/13/78	8.4	9.1	8.3					
10/11/78	9.0	10.0	10.0	12.4				
11/15/78	9.1	9.9	9.8	11.2	11.3			
12/13/78	8.7	9.3	9.0	9.9	9.6	7.7		
1/17/79	8.7	9.2	8.9	9.5	9.2	7.9	7.2	
2/14/79	8.5	8.8	8.5	8.9	8.6	7.4	6.7	7.1

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

**MULTIPLIER <sup>1/</sup>**  
**ADJUSTED FEDERAL RESERVE CREDIT <sup>2/</sup>**  
 AVERAGES OF DAILY FIGURES  
 SEASONALLY ADJUSTED



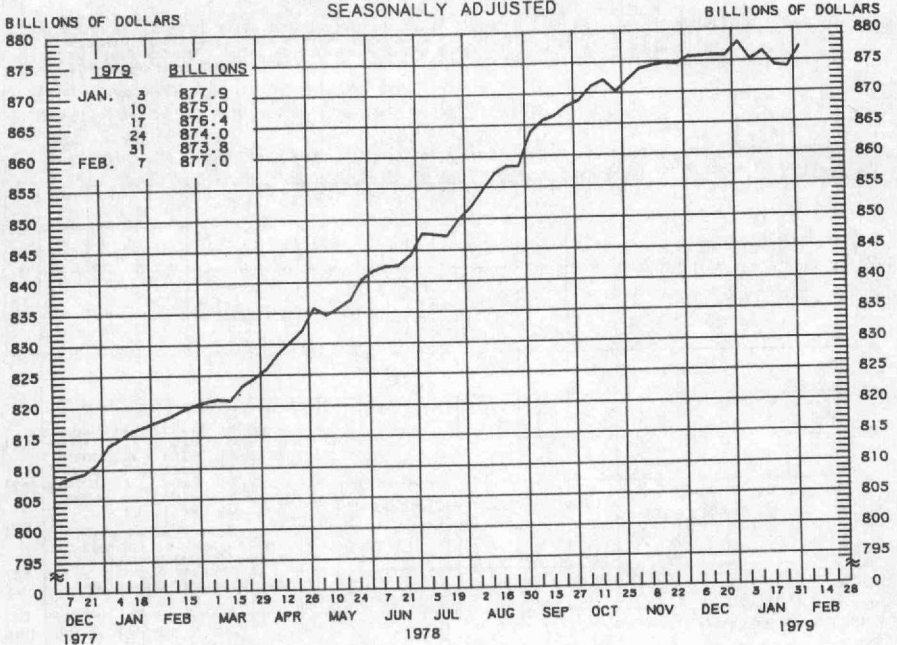
<sup>1/</sup> RATIO OF MONEY STOCK (M1) / MONETARY BASE.

<sup>2/</sup> 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.

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## MONEY STOCK PLUS NET TIME DEPOSITS (M2)

AVERAGES OF DAILY FIGURES  
SEASONALLY ADJUSTED



### MONEY STOCK PLUS NET TIME DEPOSITS (M2)

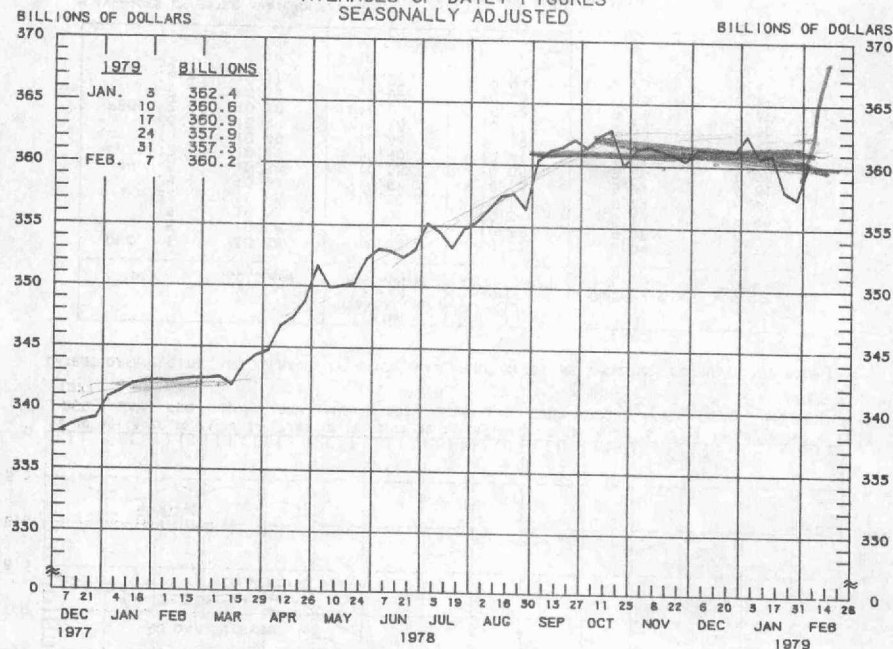
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

TO THE AVERAGE  
OF FOUR WEEKS  
ENDING:

	2/8/78	5/10/78	7/5/78	8/9/78	9/6/78	10/4/78	11/8/78	12/6/78
7/ 5/78	8.4							
8/ 9/78	8.4	8.8						
9/ 6/78	9.1	10.0	10.9					
10/ 4/78	9.5	10.4	11.4	13.2				
11/ 8/78	9.1	9.6	9.8	10.3	8.8			
12/ 6/78	8.6	8.8	8.8	8.9	7.4	5.2		
1/10/79	7.9	7.8	7.4	7.2	5.8	3.9	2.8	
2/ 7/79	7.1	6.8	6.3	5.8	4.4	2.7	1.5	0.3

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**MONEY STOCK (M1)**  
 AVERAGES OF DAILY FIGURES  
 SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: FEBRUARY 7, 1979

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

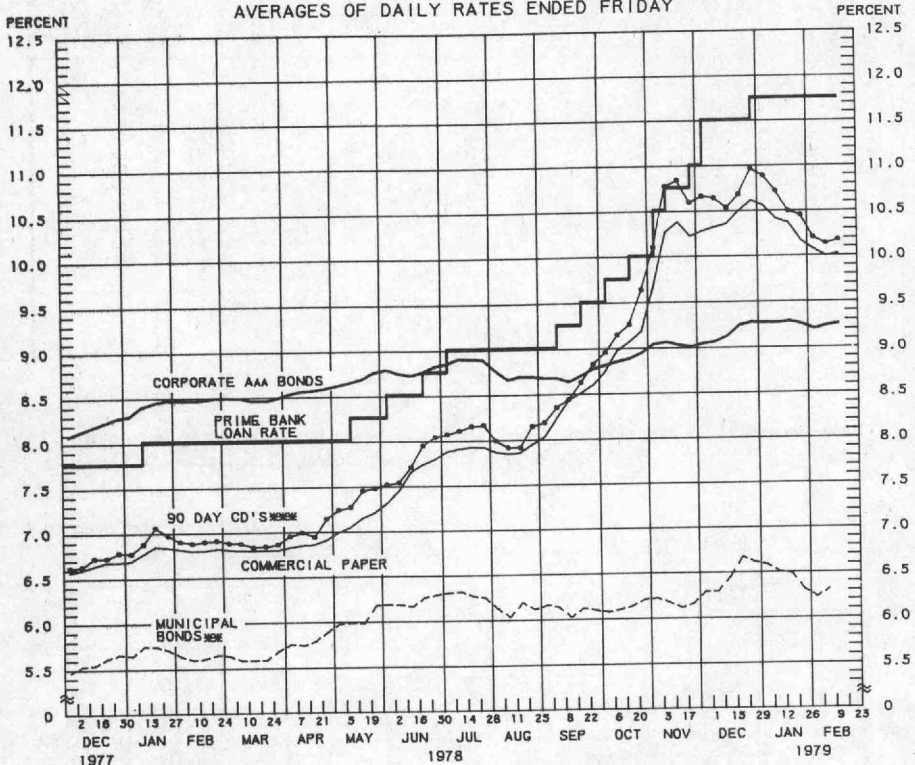
THE MONEY STOCK CONSISTS OF DEMAND DEPOSITS PLUS CURRENCY AND COIN HELD BY THE NONBANK PUBLIC.

MONEY STOCK (M1)									
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:									
TO THE AVERAGE OF FOUR WEEKS ENDING:	2/8/78	5/10/78	7/5/78	8/9/78	9/6/78	10/4/78	11/8/78	12/6/78	
7/ 5/78	8.3								
8/ 9/78	7.6	6.4							
9/ 6/78	8.1	7.6	7.8						
10/ 4/78	8.8	8.8	9.6	12.7					
11/ 8/78	7.8	7.0	6.8	7.5	5.8				
12/ 6/78	6.7	5.8	5.2	5.3	3.4	-1.0			
1/10/79	6.1	5.1	4.5	4.4	2.9	-0.1	0.0		
2/ 7/79	5.0	3.7	2.8	2.4	0.8	-1.9	-2.5	-2.8	

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: FEBRUARY 16, 1979

1979	90 DAY CD'S *	PRIME COMMERCIAL PAPER 4-6 MONTH	PRIME BANKERS' ACCEPTANCES	CORPORATE AAA BONDS	MUNICIPAL BONDS **
DEC. 1	10.66	10.28	10.52	9.04	6.29
8	10.64	10.32	10.38	9.06	6.29
15	10.53	10.35	10.37	9.12	6.45
22	10.68	10.50	10.78	9.24	6.67
29	10.96	10.61	10.73	9.27	6.61
JAN. 5	10.88	10.55	10.65	9.26	6.58
12	10.71	10.40	10.41	9.26	6.50
19	10.49	10.36	10.29	9.28	6.48
26	10.44	10.16	10.11	9.24	6.30
FEB. 2	10.20	10.07	9.92	9.19	6.22
9	10.13	9.99	10.03	9.23	6.31
16 *	10.17	10.02	9.94	9.25	N.A.
23					

\* AVERAGES OF RATES AVAILABLE.

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

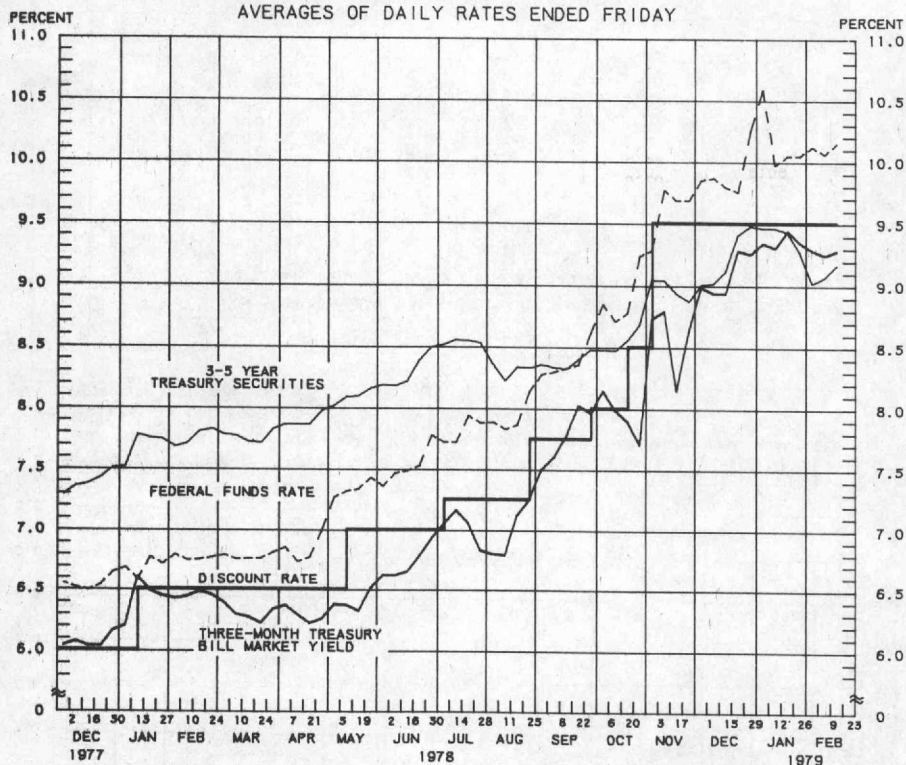
\*\*\* SEVEN-DAY AVERAGES OF SECONDARY MARKET RATES FOR THE WEEK ENDING WEDNESDAY TWO DAYS EARLIER THAN DATES SHOWN. CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.9 RELEASE.

N.A. - NOT AVAILABLE

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## SELECTED INTEREST RATES

AVERAGES OF DAILY RATES ENDED FRIDAY



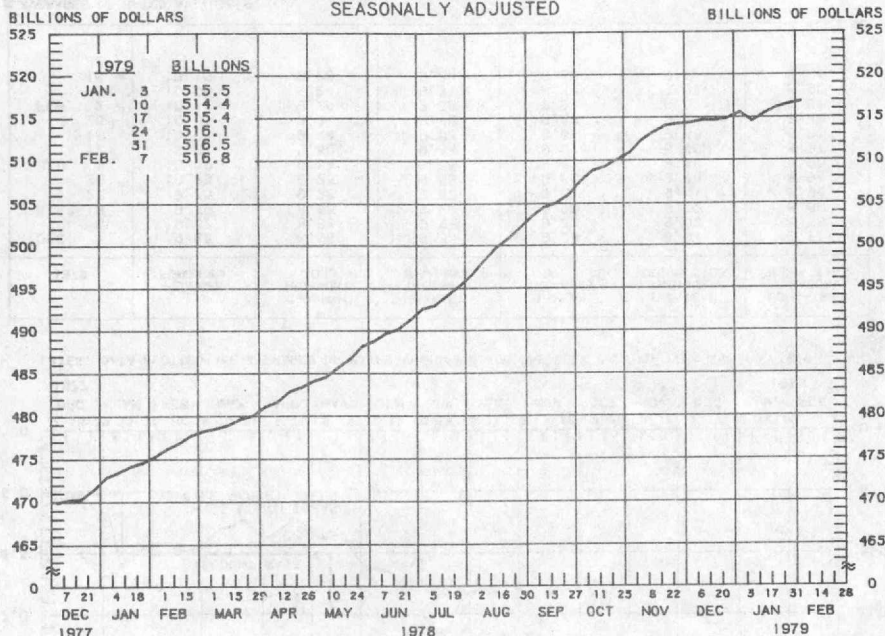
LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: FEBRUARY 16, 1979

1979	FEDERAL FUNDS RATE	3-MONTH TREASURY BILL	6-MONTH TREASURY BILL	1-YEAR TREASURY BILL	3-5 YEAR TREASURY SECURITIES	LONG-TERM TREASURY SECURITIES
DEC. 1	9.85	8.98	9.33	9.29	9.01	8.71
8	9.87	8.93	9.22	9.32	9.02	8.75
15	9.79	8.93	9.26	9.28	9.12	8.80
22	9.75	9.28	9.52	9.61	9.41	8.94
29	10.25	9.25	9.58	9.65	9.48	8.94
JAN. 5	10.59	9.34	9.55	9.61	9.46	8.96
12	9.97	9.30	9.44	9.61	9.46	8.97
19	10.05	9.44	9.53	9.61	9.43	8.97
26	10.05	9.34	9.48	9.46	9.27	8.89
FEB. 2	10.12	9.28	9.38	9.31	9.02	8.81
9	10.06	9.24	9.31	9.34	9.07	8.90
16 *	10.15	9.28	9.34	9.36	9.17	8.96
23						

IN 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: FEBRUARY 7, 1979

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.

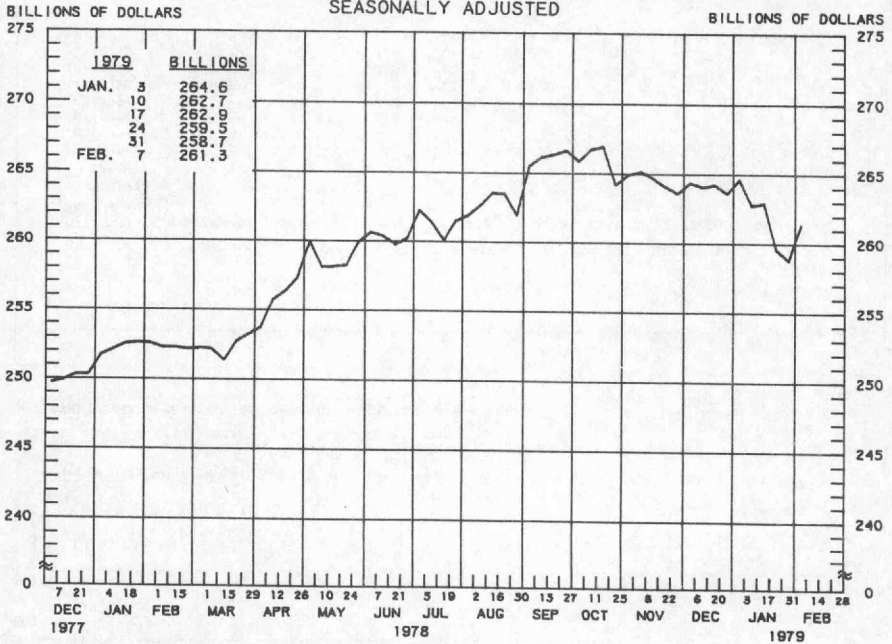
NET TIME DEPOSITS

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

TO THE AVERAGE OF FOUR WEEKS ENDING:	2/8/78	5/10/78	7/5/78	8/9/78	9/6/78	10/4/78	11/8/78	12/6/78
7/ 5/78	8.5							
8/ 9/78	9.0	10.5						
9/ 6/78	9.8	11.6	13.0					
10/ 4/78	10.1	11.6	12.6	13.6				
11/ 8/78	10.1	11.4	12.0	12.4	11.1			
12/ 6/78	10.0	11.1	11.4	11.5	10.4	9.7		
1/10/79	9.1	9.7	9.6	9.2	7.9	6.8	4.8	
2/ 7/79	8.7	9.1	8.8	8.4	7.1	6.1	4.5	2.6

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**DEMAND DEPOSIT COMPONENT OF MONEY STOCK**  
 AVERAGES OF DAILY FIGURES  
 SEASONALLY ADJUSTED

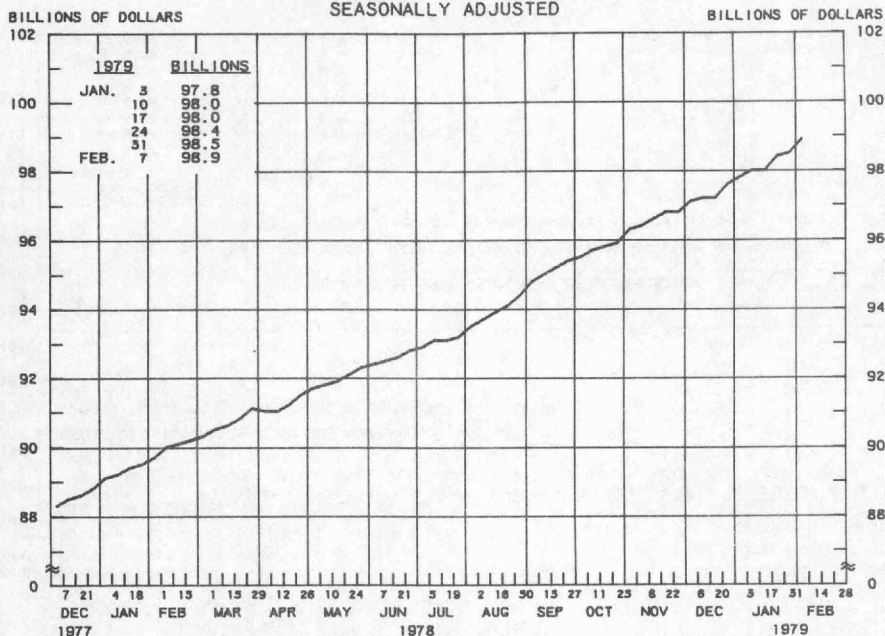


LATEST DATA PLOTTED WEEK ENDING: FEBRUARY 7, 1979  
 CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

DEMAND DEPOSIT COMPONENT OF MONEY STOCK									
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:									
	2/8/78	5/10/78	7/5/78	8/9/78	9/6/78	10/4/78	11/8/78	12/6/78	
TO THE AVERAGE OF FOUR WEEKS ENDING:									
7/ 5/78	8.1								
8/ 9/78	7.3	5.7							
9/ 6/78	7.7	6.9	6.8						
10/ 4/78	8.4	8.2	8.9	12.3					
11/ 8/78	6.8	5.8	5.3	5.9	3.8				
12/ 6/78	5.6	4.2	3.2	3.1	0.8	-4.5			
1/10/79	4.9	3.4	2.4	2.1	0.2	-3.3	-3.2		
2/ 7/79	3.2	1.4	0.0	-0.7	-2.7	-6.0	-6.9	-7.4	

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

**CURRENCY COMPONENT  
OF MONEY STOCK**  
AVERAGES OF DAILY FIGURES  
SEASONALLY ADJUSTED



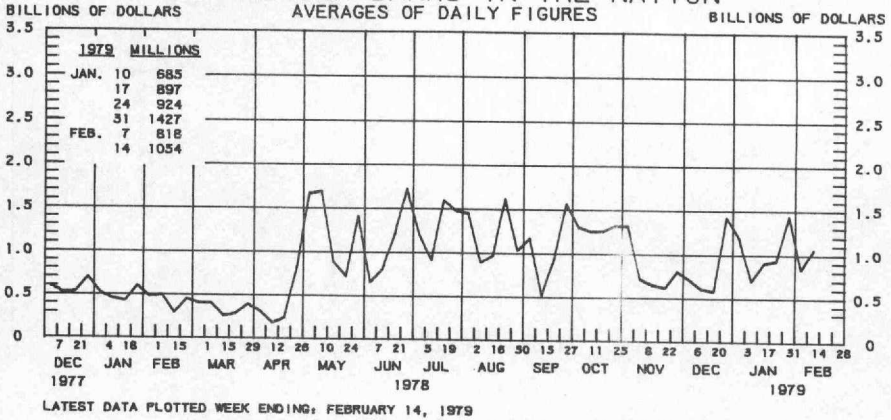
**CURRENCY**

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

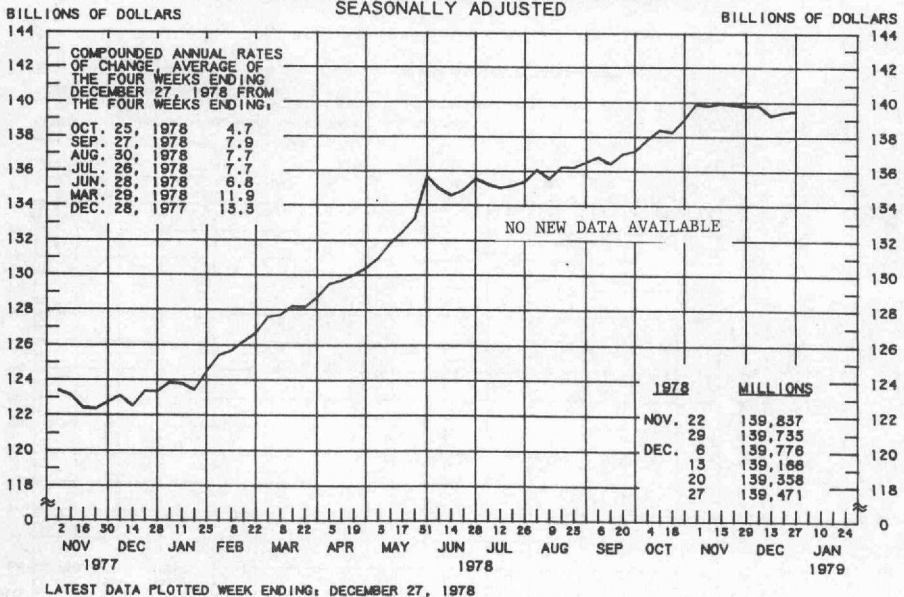
TO THE AVERAGE OF FOUR WEEKS ENDING:	2/8/78	5/10/78	7/5/78	8/9/78	9/6/78	10/4/78	11/8/78	12/6/78
7/ 5/78	8.5							
8/ 9/78	8.4	8.1						
9/ 6/78	9.1	9.3	10.4					
10/ 4/78	9.7	10.3	11.7	14.0				
11/ 8/78	9.6	10.1	11.0	12.1	11.5			
12/ 6/78	9.6	10.0	10.8	11.6	11.0	9.4		
1/10/79	9.7	10.1	10.6	11.2	10.8	9.7	10.0	
2/ 7/79	9.8	10.2	10.7	11.2	10.8	10.0	10.4	10.6

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## BORROWINGS FROM FEDERAL RESERVE BANKS ALL MEMBER BANKS IN THE NATION

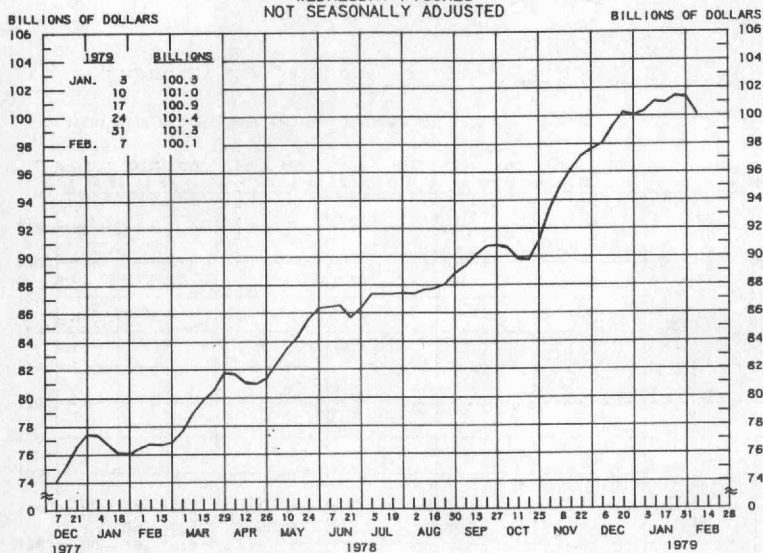


## BUSINESS LOANS (COMMERCIAL AND INDUSTRIAL) WEEKLY REPORTING LARGE COMMERCIAL BANKS SEASONALLY ADJUSTED



PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

**CERTIFICATES OF DEPOSIT  
LARGE COMMERCIAL BANKS  
WEDNESDAY FIGURES  
NOT SEASONALLY ADJUSTED**



LATEST DATA PLOTTED WEEK ENDING: FEBRUARY 7, 1979

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