



Week ending: May 14, 1980

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The 3 percent surcharge on the basic discount rate of 13 percent — a surcharge that applied only to banks with deposits in excess of \$500 million — was rescinded May 7, 1980. This surcharge, which was applicable only when a member bank borrowed during two successive statement weeks or in more than four weeks during a calendar quarter, effectively reduced the differential between the federal funds rate and the discount rate during April. In the past, movements in this differential tended to influence member bank borrowing. For example, the average spread between the federal funds rate and the discount rate during March was 419 basis points, and member bank borrowing averaged \$2.8 billion. During April, when the 3 percent surcharge was in effect, the average differential was 161 basis points, and member bank borrowing fell to an average of \$2.4 billion.

After reaching a peak of 19.39 percent in the week ending April 2, the federal funds rate as well as other short-term interest rates declined sharply. More specifically, the federal funds rate fell about 850 basis points to a level of 10.86 percent in the most recent week. This dramatic decline in the federal funds rate has resulted in a negative federal funds rate/discount rate differential during the past two weeks. For instance, during the week ending May 14, the spread between the federal funds rate and the discount rate was a negative 214 basis points. This negative differential represents the first time that the federal funds rate has been below the prevailing discount rate in about three years — since the week of May 13, 1977.

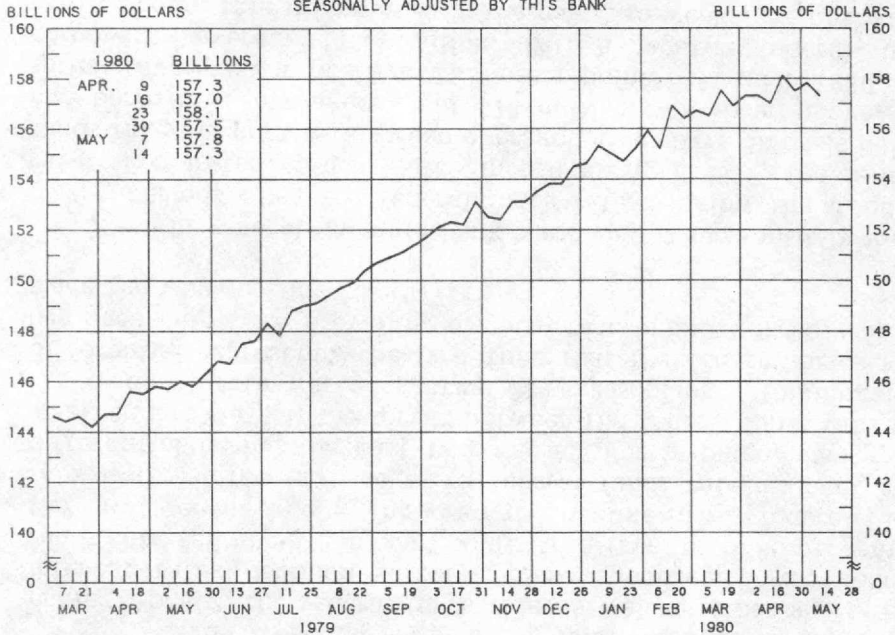
In general, member bank borrowing is substantially lower during periods when the federal funds rate is below the discount rate. For instance, during the month of April 1977, the federal funds rate/discount rate spread averaged a negative 52 basis points and borrowings averaged about \$73 million. As noted above, the spread averaged a positive 161 basis points in April 1980 and borrowings averaged \$2.4 billion. With a negative federal funds rate/discount rate differential in the past two weeks, member bank borrowing has declined to about \$1 billion.

Prepared by Federal Reserve Bank of St. Louis

Released: May 16, 1980

ADJUSTED MONETARY BASE

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED BY THIS BANK



LATEST DATA PLOTTED WEEK ENDING: MAY 14, 1980

THE ADJUSTED MONETARY BASE CONSISTS OF: (1) MEMBER BANK RESERVES AT THE FEDERAL RESERVE BANKS, (2) CURRENCY IN CIRCULATION (CURRENCY HELD BY THE PUBLIC AND IN THE VAULTS OF COMMERCIAL BANKS), AND (3) AN ADJUSTMENT FOR RESERVE REQUIREMENT RATIO CHANGES. THE MAJOR SOURCE OF THE ADJUSTED MONETARY BASE IS FEDERAL RESERVE CREDIT. DATA ARE COMPUTED BY THIS BANK. A DETAILED DESCRIPTION OF THE ADJUSTED MONETARY BASE IS AVAILABLE FROM THIS BANK.

ADJUSTED MONETARY BASE

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

5/16/79 8/15/79 10/17/79 11/14/79 12/12/79 1/16/80 2/13/80 3/12/80

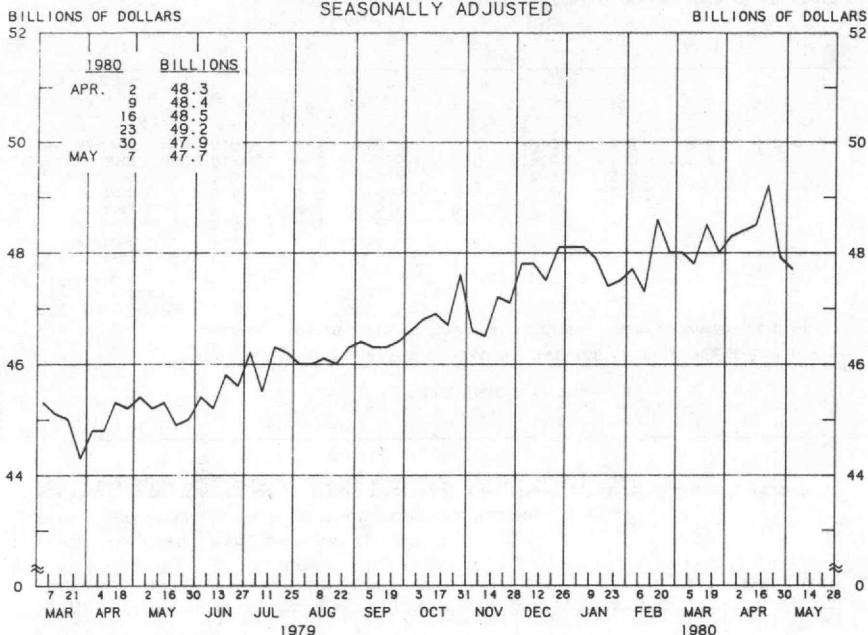
TO THE AVERAGE
OF FOUR WEEKS
ENDING:

10/17/79	10.2							
11/14/79	9.5	9.1						
12/12/79	9.2	8.6	6.6					
1/16/80	9.4	9.1	8.1	9.0				
2/13/80	8.8	8.2	7.0	7.3	7.4			
3/12/80	9.0	8.6	7.8	8.2	8.6	7.4		
4/16/80	8.4	7.9	7.0	7.1	7.1	5.8	6.9	
5/14/80	8.2	7.6	6.7	6.8	6.8	5.6	6.3	4.1

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

ADJUSTED BANK RESERVES ^{1/}

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: MAY 7, 1980

^{1/} ADJUSTED MONETARY BASE LESS CURRENCY HELD BY THE NONBANK PUBLIC (MEMBER BANK RESERVES AT FEDERAL RESERVE BANKS (+) CURRENCY HELD BY COMMERCIAL BANKS).

ADJUSTED BANK RESERVES

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

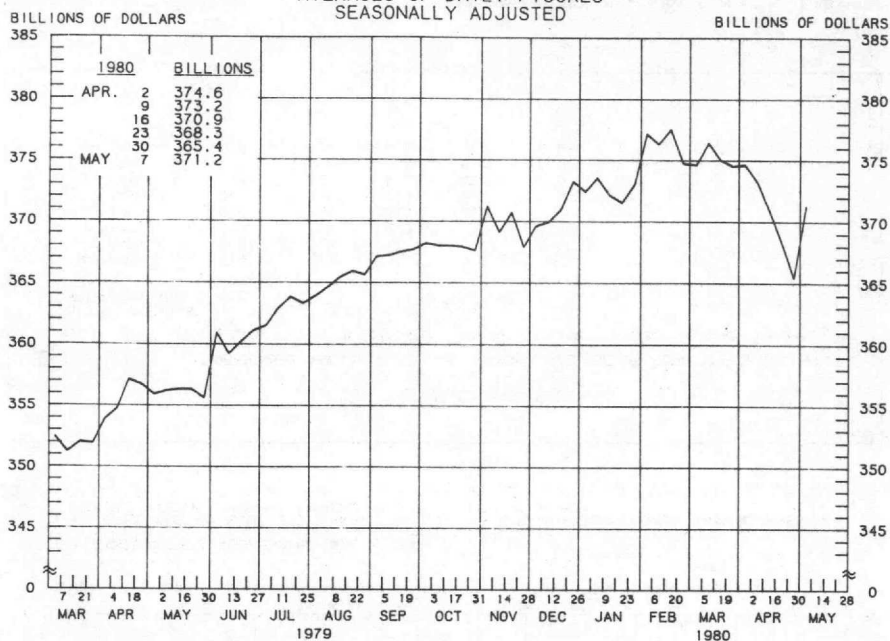
5/9/79 8/8/79 10/10/79 11/7/79 12/5/79 1/9/80 2/6/80 3/5/80

TO THE AVERAGE
OF FOUR WEEKS
ENDING:

10/10/79	6.4							
11/7/79	7.6	8.0						
12/5/79	7.4	7.5	10.2					
1/9/80	9.0	10.0	13.5	12.9				
2/6/80	6.8	6.6	7.4	5.2	5.0			
3/5/80	7.3	7.3	8.2	6.7	7.0	0.0		
4/9/80	7.2	7.2	7.9	6.7	6.9	2.5	8.8	
5/7/80	6.6	6.4	6.8	5.6	5.6	1.9	6.0	3.7

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MONEY STOCK (M1A) AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: MAY 7, 1980

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

M1A CONSISTS OF CURRENCY AND COIN PLUS COMMERCIAL BANK DEMAND DEPOSITS HELD BY THE NONBANK PUBLIC EXCLUDING THOSE HELD BY FOREIGN BANKS AND OFFICIAL INSTITUTIONS.

MONEY STOCK (M1A)

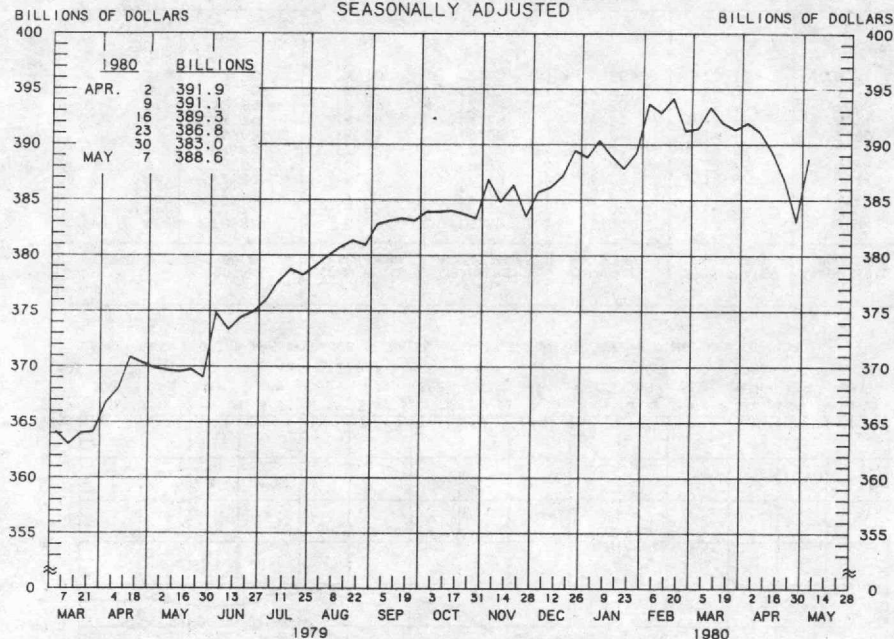
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

TO THE AVERAGE
OF FOUR WEEKS
ENDING:

	5/9/79	8/8/79	10/10/79	11/7/79	12/5/79	1/9/80	2/6/80	3/5/80
10/10/79	7.7							
11/ 7/79	7.0	5.4						
12/ 5/79	6.3	4.6	2.5					
1/ 9/80	6.7	5.7	5.1	6.1				
2/ 6/80	6.4	5.3	4.6	5.2	6.6			
3/ 5/80	6.6	5.7	5.4	6.0	7.2	5.9		
4/ 9/80	5.4	4.3	3.5	3.6	4.0	1.9	1.4	
5/ 7/80	3.5	1.9	0.5	0.2	-0.2	-2.8	-4.6	-10.0

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

MONEY STOCK (M1B)
 AVERAGES OF DAILY FIGURES
 SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: MAY 7, 1980

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

M1B CONSISTS OF M1A PLUS OTHER CHECKABLE DEPOSITS AT ALL DEPOSITARY INSTITUTIONS.

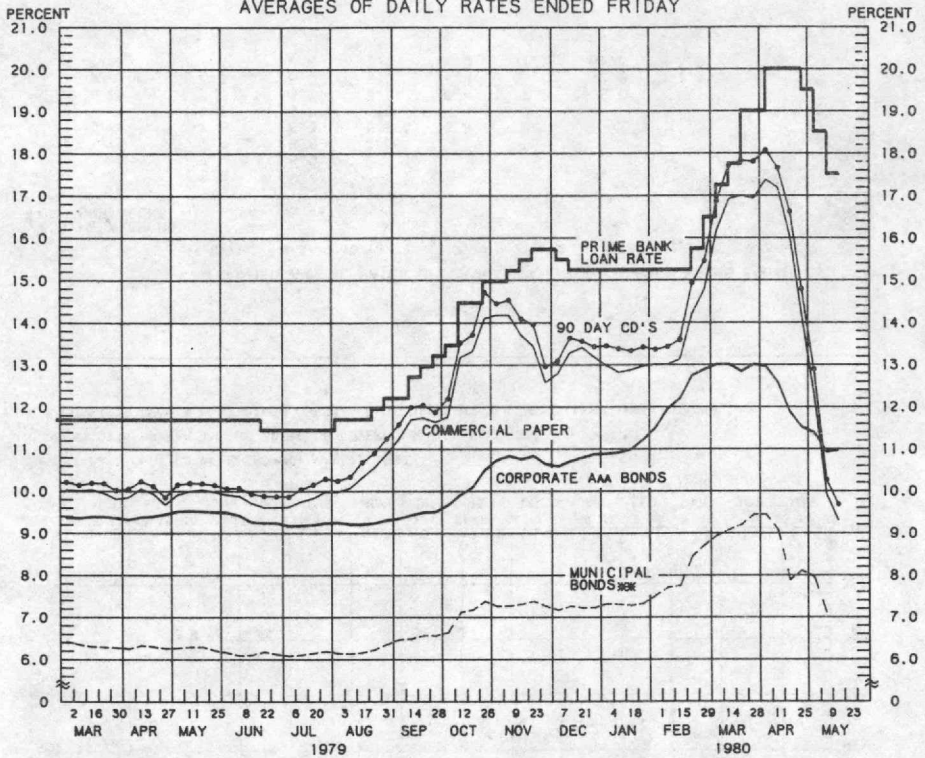
MONEY STOCK (M1B)

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

TO THE AVERAGE OF FOUR WEEKS ENDING:	5/9/79	8/8/79	10/10/79	11/7/79	12/5/79	1/9/80	2/6/80	3/5/80
10/10/79	8.8							
11/ 7/79	7.9	5.9						
12/ 5/79	7.1	5.0	2.6					
1/ 9/80	7.6	6.3	5.6	6.8				
2/ 6/80	7.2	5.8	5.1	5.7	7.4			
3/ 5/80	7.3	6.2	5.8	6.4	7.8	6.0		
4/ 9/80	6.3	5.0	4.2	4.4	5.0	2.8	2.5	
5/ 7/80	4.5	2.8	1.5	1.3	1.1	-1.6	-3.0	-7.8

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YIELDS ON SELECTED SECURITIES AVERAGES OF DAILY RATES ENDED FRIDAY



LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: MAY 16, 1980

1980	90 DAY CD'S	PRIME COMMERCIAL PAPER	PRIME BANKERS' ACCEPTANCES	CORPORATE AAA BONDS	CORPORATE BAA BONDS	MUNICIPAL BONDS
MAR. 7	16.87	16.17	16.59	13.00	14.27	8.94
14	17.71	16.92	17.24	13.00	14.35	9.08
21	17.82	17.00	17.22	12.83	14.45	9.20
28	17.80	16.93	17.29	13.00	14.67	9.44
APR. 4	18.07	17.37	17.51	12.95	14.75	9.44
11	17.65	17.19	17.12	12.57	14.56	9.07
18	16.62	16.03	16.06	11.87	14.11	7.89
25	14.79	14.19	14.39	11.51	13.86	8.11
MAY 2	12.89	12.31	12.46	11.38	13.68	7.96
9	10.26	9.92	10.02	10.92	13.20	7.11
16 *	9.68	9.30	9.53	10.96	13.10	N.A.
23						
30						

* AVERAGES OF RATES AVAILABLE.

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

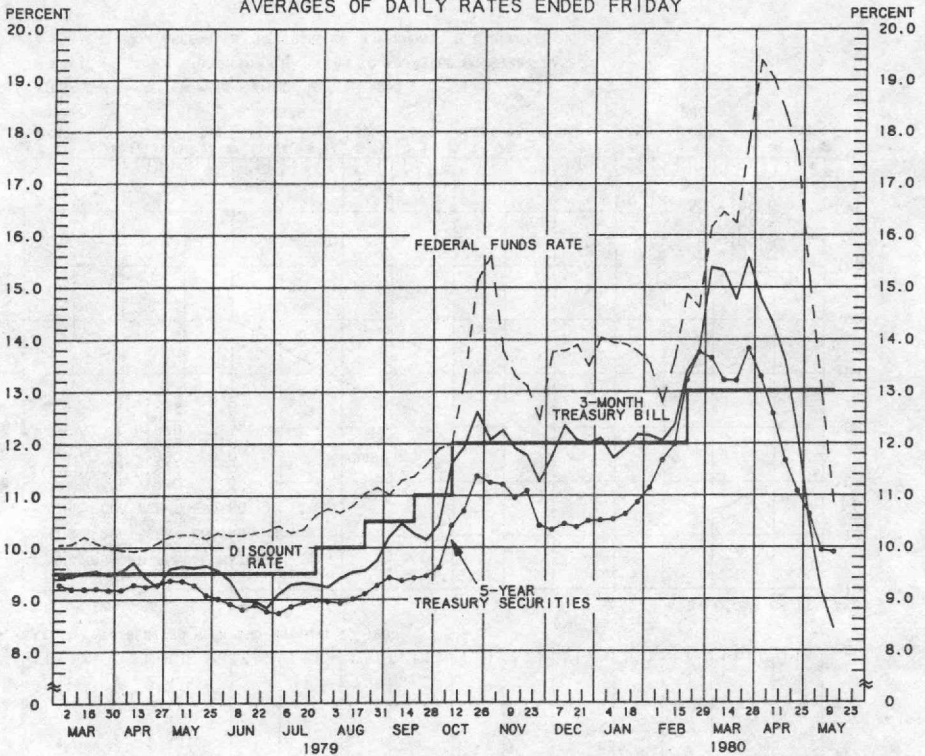
*** DATA ARE 4-MONTH COMMERCIAL PAPER RATES.

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: MAY 16, 1980

1980	FEDERAL FUNDS ^{***}	3-MONTH TREASURY BILL	6-MONTH TREASURY BILL ^{***}	1-YEAR TREASURY BILL	5-YEAR TREASURY SECURITIES	LONG-TERM TREASURY SECURITIES
MAR. 7	16.17	15.37	14.79	13.94	13.65	12.41
14	16.45	15.32	14.96	13.92	13.22	12.11
21	16.24	14.76	14.95	13.89	13.21	12.06
28	17.78	15.55	15.70	14.39	13.83	12.47
APR. 4	19.39	14.78	14.80	13.90	13.29	12.20
11	19.04	14.30	14.23	13.11	12.57	11.61
18	18.35	13.57	13.55	11.97	11.67	10.95
25	17.56	12.18	11.89	10.80	11.08	10.74
MAY 2	15.12	10.47	10.79	9.99	10.63	10.51
9	12.96	9.14	9.49	9.00	9.94	9.94
16 [*]	10.86	8.43	8.78	8.65	9.90	10.18
23						
30						

^{*} 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.

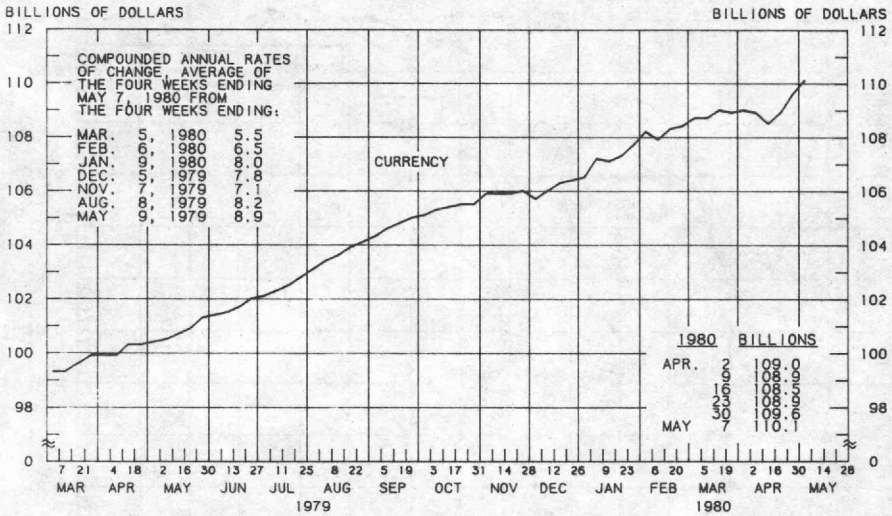
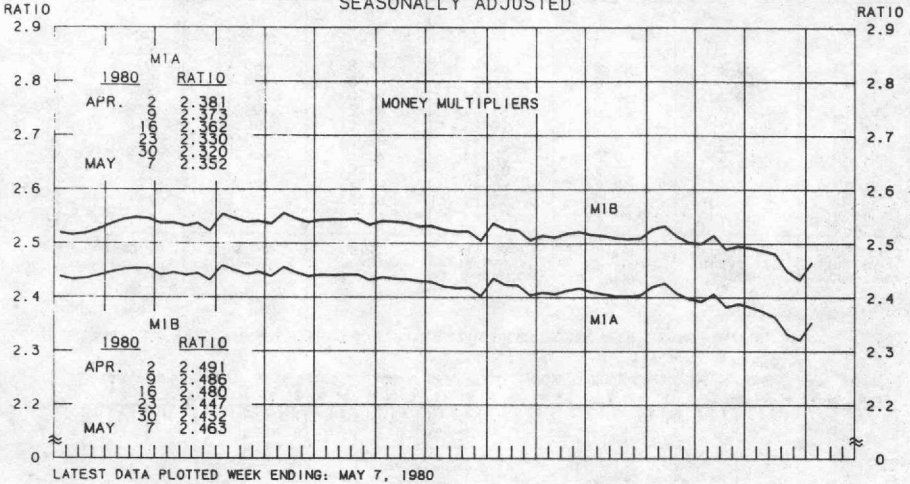
^{***} NEW ISSUE RATE

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

TREASURY BILL YIELDS ON DISCOUNT BASIS.

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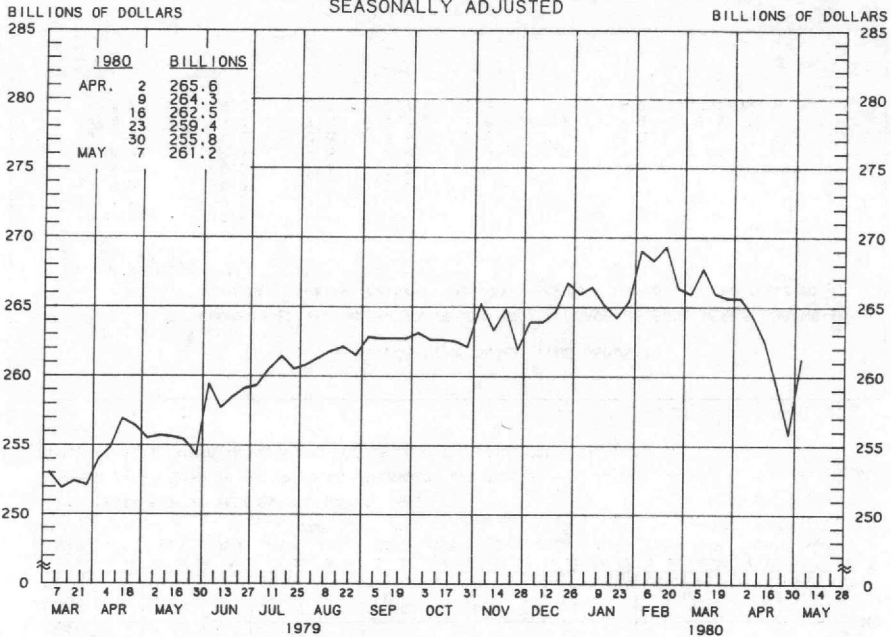
MULTIPLIERS ^{1/} CURRENCY OF MONEY STOCK MEASURES ^{2/} AVERAGES OF DAILY FIGURES SEASONALLY ADJUSTED



1/ RATIO OF MONEY STOCK (MIA) OR (MIB) TO ADJUSTED MONETARY BASE
2/ CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

DEMAND DEPOSIT COMPONENT OF MONEY STOCK (M1A)

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: MAY 7, 1980

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

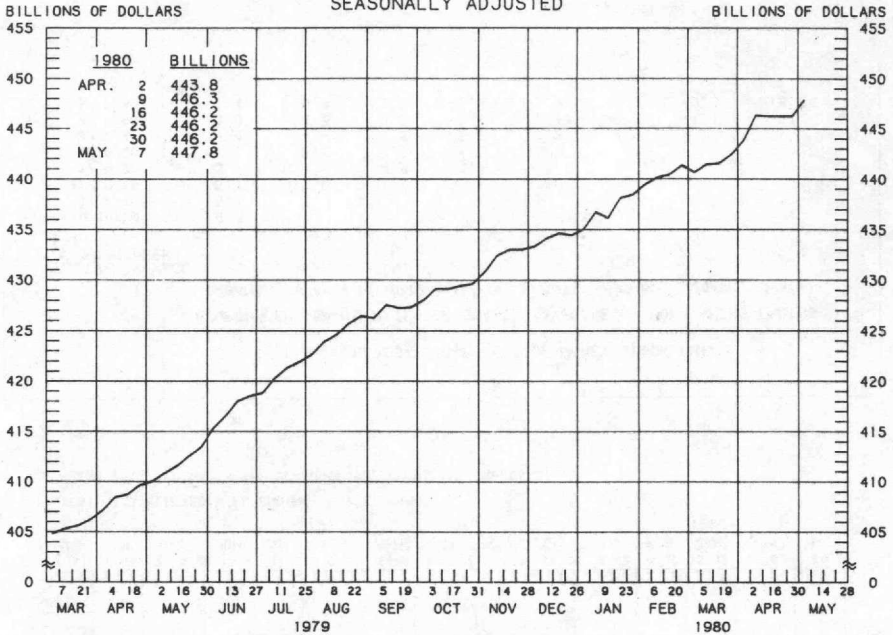
DEMAND DEPOSIT COMPONENT OF MONEY STOCK (M1A)

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

	5/9/79	8/8/79	10/10/79	11/7/79	12/5/79	1/9/80	2/6/80	3/5/80
TO THE AVERAGE OF FOUR WEEKS ENDING:								
10/10/79	6.3							
11/ 7/79	5.5	3.3						
12/ 5/79	5.1	3.0	1.7					
1/ 9/80	5.7	4.5	4.8	6.3				
2/ 6/80	5.1	3.8	3.7	4.3	5.4			
3/ 5/80	5.4	4.4	4.5	5.2	6.2	4.0		
4/ 9/80	3.9	2.5	2.0	2.1	2.1	-0.8	-1.1	
5/ 7/80	1.4	-0.7	-2.0	-2.6	-3.4	-7.0	-9.0	-15.7

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SAVINGS PLUS SMALL TIME DEPOSITS
ALL COMMERCIAL BANKS
AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: MAY 7, 1980

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

TIME DEPOSITS ISSUED IN DENOMINATIONS OF LESS THAN \$100,000.

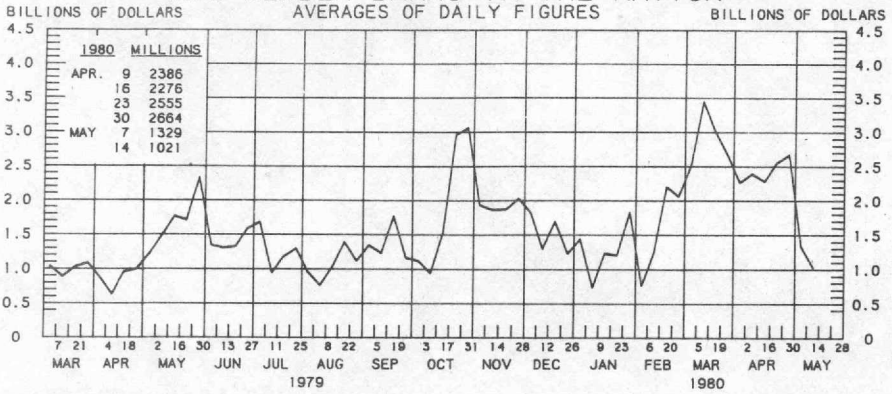
SAVINGS PLUS SMALL TIME DEPOSITS

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

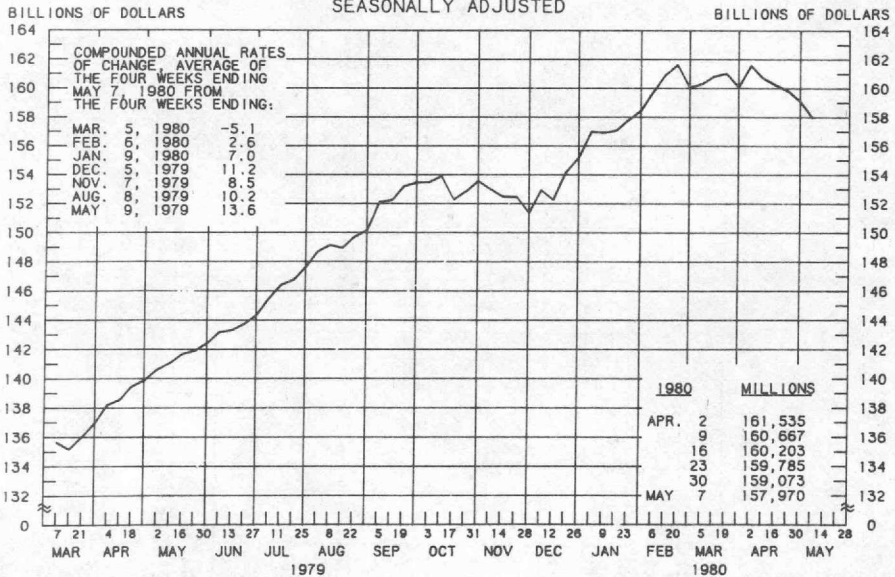
	5/9/79	8/8/79	10/10/79	11/7/79	12/5/79	1/9/80	2/6/80	3/5/80
TO THE AVERAGE OF FOUR WEEKS ENDING:								
10/10/79	10.8							
11/ 7/79	9.9	7.1						
12/ 5/79	10.0	7.8	7.8					
1/ 9/80	9.3	7.3	7.0	7.6				
2/ 6/80	9.3	7.5	7.4	8.0	7.0			
3/ 5/80	9.2	7.6	7.5	8.0	7.3	8.3		
4/ 9/80	8.9	7.5	7.4	7.8	7.2	7.8	7.5	
5/ 7/80	9.0	7.7	7.7	8.0	7.6	8.2	8.1	8.1

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

BORROWINGS FROM FEDERAL RESERVE BANKS ALL MEMBER BANKS IN THE NATION

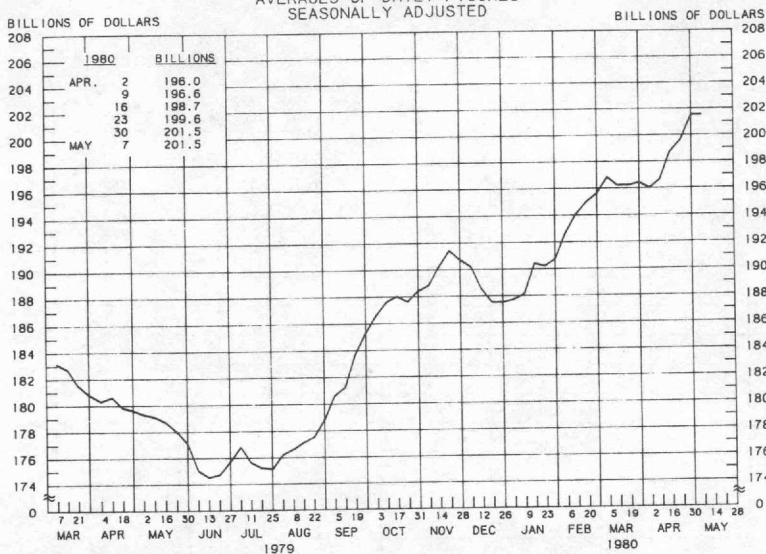


BUSINESS LOANS (COMMERCIAL AND INDUSTRIAL) WEEKLY REPORTING LARGE COMMERCIAL BANKS SEASONALLY ADJUSTED



PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

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



LATEST DATA PLOTTED WEEK ENDING: MAY 7, 1980

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

TIME DEPOSITS ISSUED IN DENOMINATIONS OF \$100,000 OR MORE.

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS