

MAY 31 1984

U.S. Financial Data

May 24, 1984

The relationship between the money supply (M1) and interest rates is typically thought to be inverse; that is, a deceleration in money growth produces a rise in interest rates. This relationship appears to have surfaced in recent data. Since about mid-February, the growth rate of M1 has slowed considerably (see page 3) while interest rates have increased (see pages 6 and 7). This inverse relationship appears from time to time, but seems to be a very short-run phenomenon not observed in money and interest rate data that spans longer time periods.

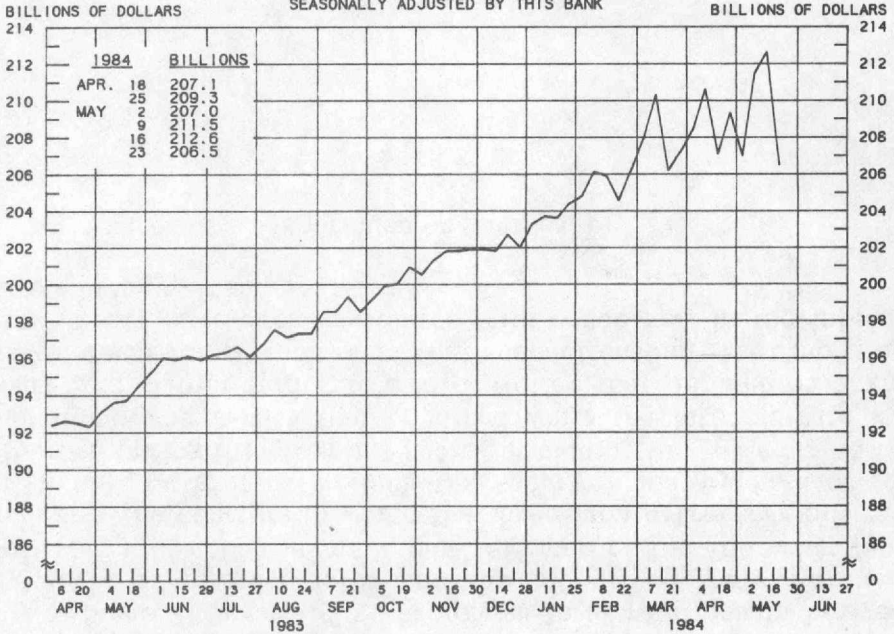
Since at least 1980, the longer-term relationship between the level of interest rates and the M1 growth rate has been positive rather than inverse. The left side of the following table indicates the quarters in which the three-month Treasury bill rate hit a high or low, as well as the specific monthly high or low recorded during the quarter. The right side of the table shows the monetary growth rate that occurred while the interest rate was rising to a high or falling to a low. Notice that, in each case, this longer-term data indicates that reductions in the monetary growth rate have been associated with reductions in the interest rate and vice versa.

(continued on back page)



ADJUSTED MONETARY BASE

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED BY THIS BANK



LATEST DATA PLOTTED WEEK ENDING: MAY 23, 1984

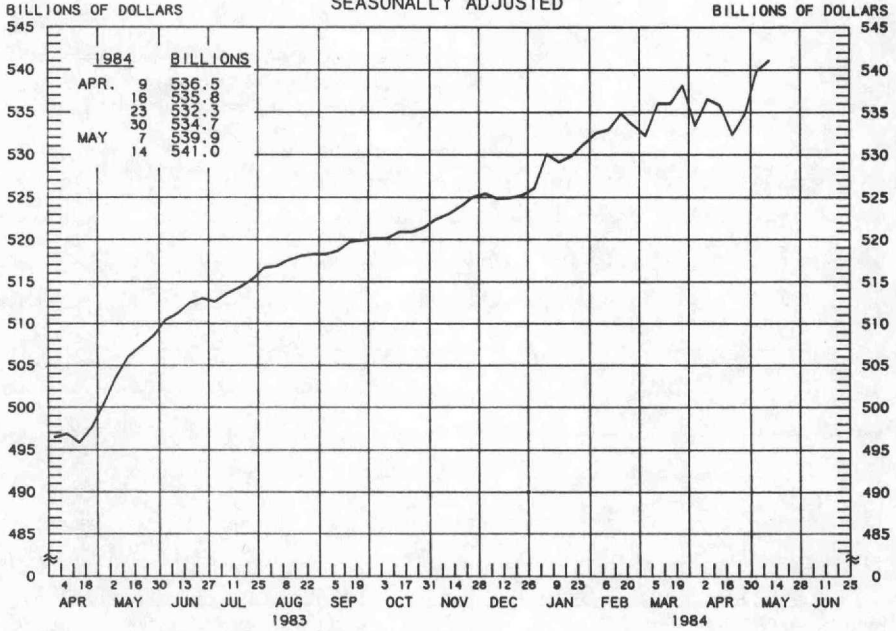
THE ADJUSTED MONETARY BASE CONSISTS OF: (1) RESERVE ACCOUNTS OF FINANCIAL INSTITUTIONS AT FEDERAL RESERVE BANKS, (2) CURRENCY IN CIRCULATION (CURRENCY HELD BY THE PUBLIC AND IN THE VAULTS OF ALL DEPOSITORY INSTITUTIONS), AND (3) AN ADJUSTMENT FOR RESERVE REQUIREMENT RATIO CHANGES. THE MAJOR SOURCE OF 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.

RECENT DATA ARE PRELIMINARY

ADJUSTED MONETARY BASE										
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:										
TO THE AVERAGE OF FOUR WEEKS ENDING:	5/25/83	8/24/83	10/26/83	11/23/83	12/21/83	1/25/84	2/22/84	3/21/84		
10/26/83	7.9									
11/23/83	8.1	8.8								
12/21/83	7.6	7.8	7.0							
1/25/84	7.6	8.1	7.8	7.1						
2/22/84	8.1	8.5	8.5	8.2	9.8					
3/21/84	8.8	9.4	9.8	9.9	11.6	13.1				
4/25/84	8.5	8.9	9.1	9.0	10.0	10.4	10.3			
5/23/84	8.1	8.3	8.3	8.1	8.7	8.6	8.0	4.8		

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

MONEY STOCK (M1)
AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: MAY 14, 1984

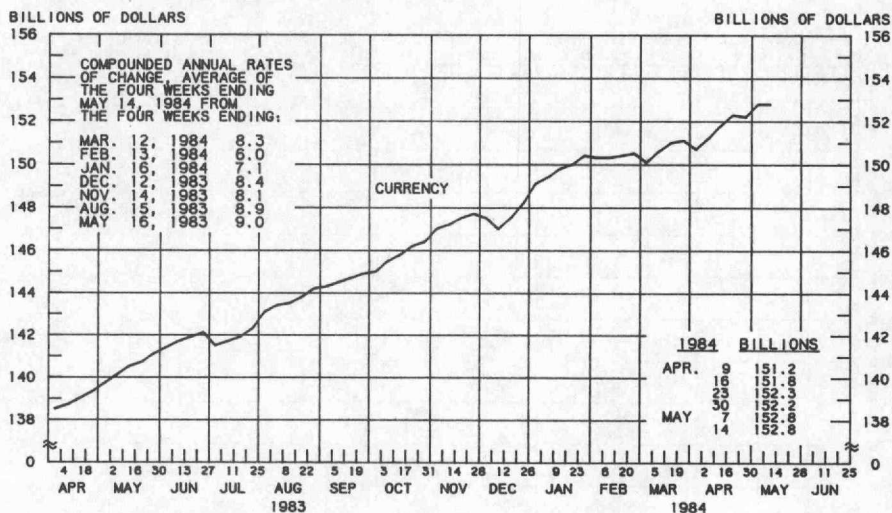
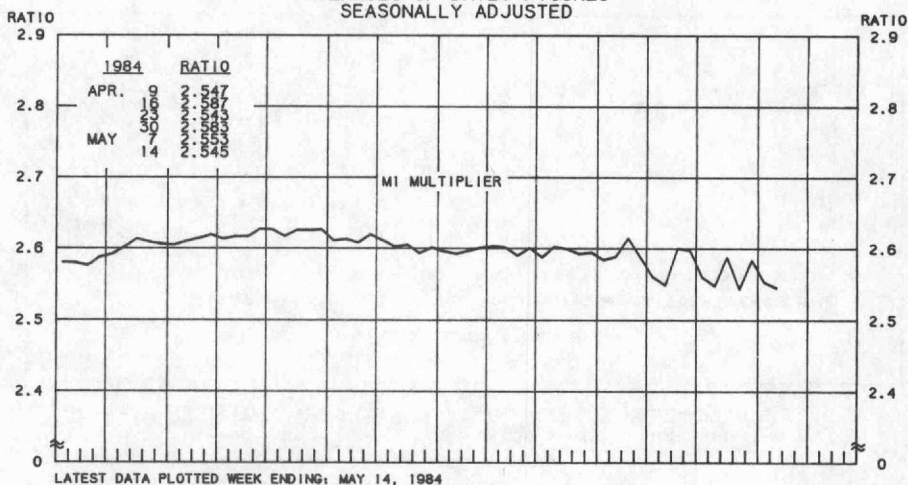
CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

M1 CONSISTS OF CURRENCY HELD BY THE NONBANK PUBLIC PLUS COMMERCIAL BANK DEMAND DEPOSITS HELD BY THE NONBANK PUBLIC (EXCLUDING THOSE HELD BY FOREIGN BANKS AND OFFICIAL INSTITUTIONS) AND OTHER CHECKABLE DEPOSITS OF ALL DEPOSITORY INSTITUTIONS PLUS TRAVELERS' CHECKS.

MONEY STOCK (M1)									
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:									
	5/16/83	8/15/83	10/17/83	11/14/83	12/12/83	1/16/84	2/13/84	3/12/84	
TO THE AVERAGE OF FOUR WEEKS ENDING:									
10/17/83	8.9								
11/14/83	8.1	4.2							
12/12/83	8.0	5.0	5.8						
1/16/84	7.7	5.2	5.7	6.5					
2/13/84	8.0	5.9	6.8	7.6	7.7				
3/12/84	7.8	6.0	6.7	7.3	7.3	8.3			
4/16/84	7.4	5.7	6.1	6.5	6.3	6.5	4.9		
5/14/84	7.0	5.3	5.6	5.9	5.6	5.6	4.1	3.2	

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MONEY MULTIPLIER ^{1/}
CURRENCY COMPONENT OF MONEY STOCK ^{2/}
 AVERAGES OF DAILY FIGURES
 SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: MAY 14, 1984

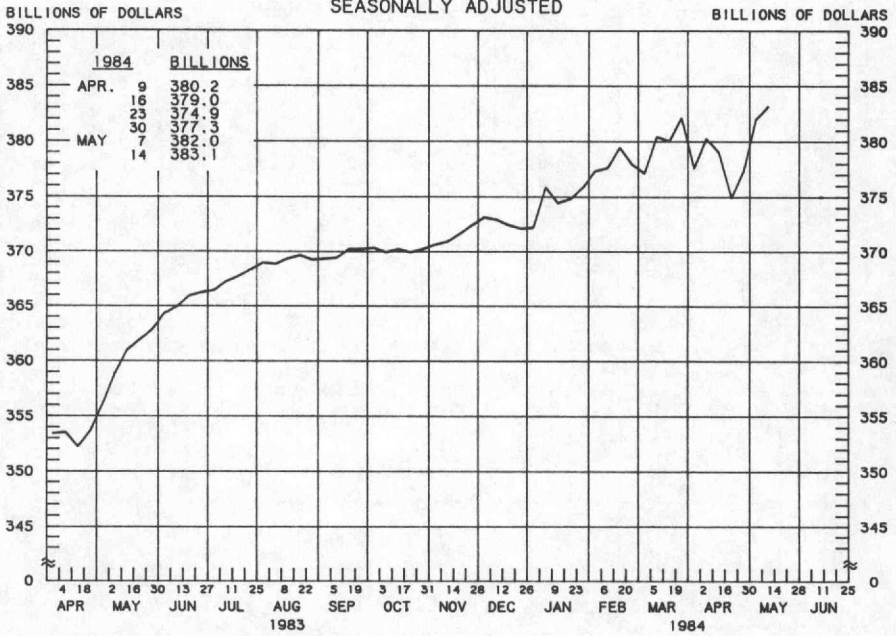
1/ RATIO OF MONEY STOCK (M1) TO ADJUSTED MONETARY BASE

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

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TOTAL CHECKABLE DEPOSITS \downarrow

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: MAY 14, 1984

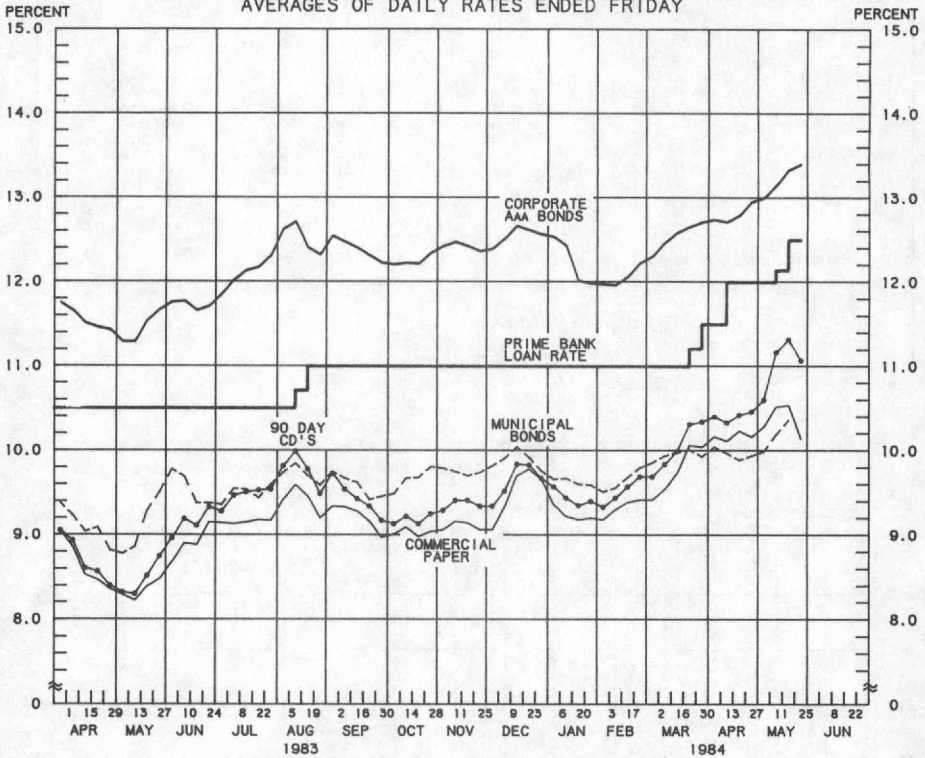
1/ DEMAND DEPOSITS PLUS OTHER CHECKABLE DEPOSITS AT ALL DEPOSITORY INSTITUTIONS

TOTAL CHECKABLE DEPOSITS								
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:								
	5/16/83	8/15/83	10/17/83	11/14/83	12/12/83	1/16/84	2/13/84	3/12/84
TO THE AVERAGE OF FOUR WEEKS ENDING:								
10/17/83	8.7							
11/14/83	7.4	1.7						
12/12/83	7.4	3.1	4.1					
1/16/84	6.8	3.1	3.7	5.1				
2/13/84	7.2	4.2	5.2	6.6	6.2			
3/12/84	7.3	4.7	5.8	7.0	6.8	9.2		
4/16/84	6.8	4.4	5.2	6.0	5.7	6.7	5.2	
5/14/84	6.1	3.8	4.3	4.9	4.4	4.7	3.1	0.9

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YIELDS ON SELECTED SECURITIES

AVERAGES OF DAILY RATES ENDED FRIDAY



1984	90 DAY CD'S	30-DAY COMMERCIAL PAPER	90-DAY BANKERS' ACCEPTANCES	CORPORATE AAA BONDS	CORPORATE BAA BONDS	MUNICIPAL BONDS **
APR. 6	10.40	10.16	10.23	12.74	14.21	10.04
13	10.33	10.11	10.21	12.71	14.22	9.97
20	10.42	10.23	10.31	12.79	14.37	9.89
27	10.46	10.16	10.29	12.95	14.41	9.94
MAY 4	10.60	10.28	10.42	13.00	14.46	9.99
11	11.17	10.52	10.98	13.15	14.61	10.19
18	11.32	10.54	11.07	13.33	14.75	10.36
25 *	11.07	10.14	10.88	13.40	14.86	N.A.
JUNE 1						
8						
15						
22						
29						

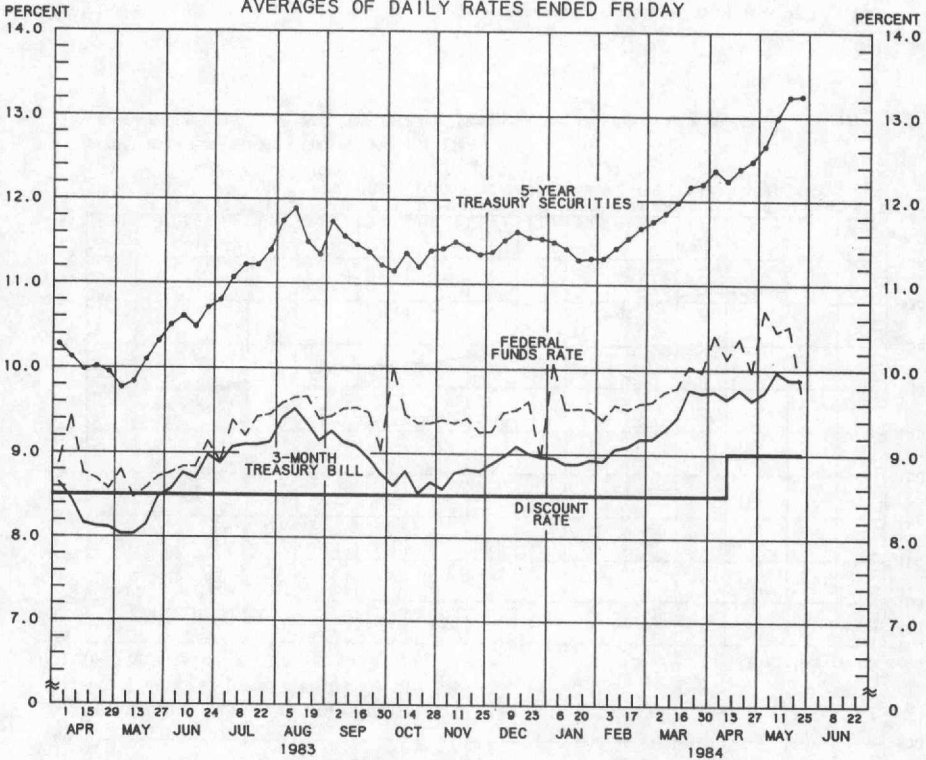
* AVERAGES OF RATES AVAILABLE.

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

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: MAY 25, 1984

1984	FEDERAL FUNDS <small>***</small>	3-MONTH TREASURY BILL	6-MONTH TREASURY BILL <small>***</small>	1-YEAR TREASURY BILL	5-YEAR TREASURY SECURITIES	LONG-TERM TREASURY SECURITIES
APR. 6	10.41	9.74	9.83	9.96	12.36	12.53
13	10.13	9.65	9.82	9.82	12.24	12.45
20	10.37	9.76	9.92	9.98	12.38	12.62
27	9.98	9.64	9.74	10.00	12.47	12.69
MAY 4	10.70	9.73	9.88	10.18	12.65	12.85
11	10.46	9.97	10.27	10.46	12.99	13.16
18	10.52	9.88	10.40	10.59	13.24	13.42
25 * JUNE 1	9.75	9.88	10.38	10.67	13.25	13.39
8						
15						
22						
29						

* AVERAGES OF RATES AVAILABLE.

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

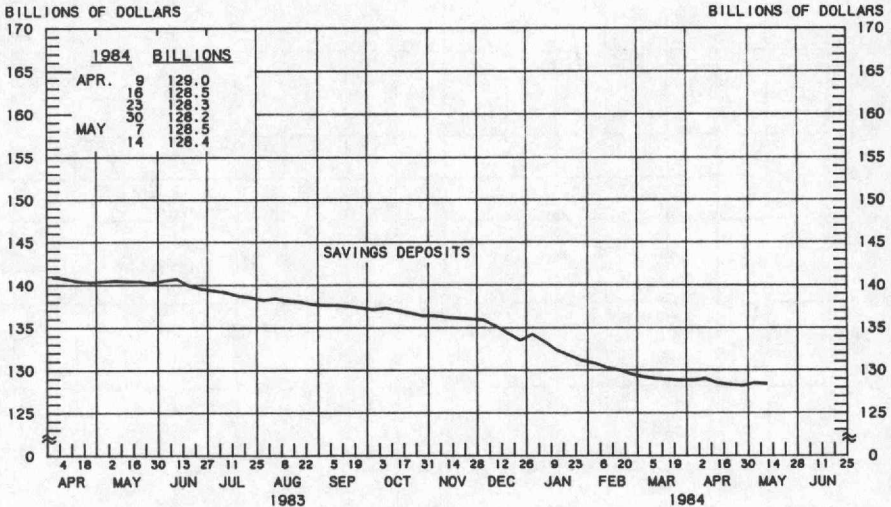
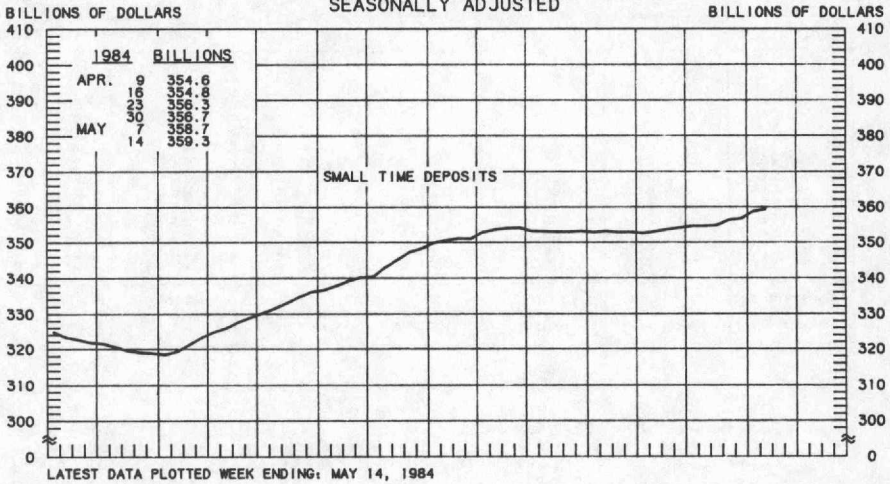
*** CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H. 15 RELEASE.

**** 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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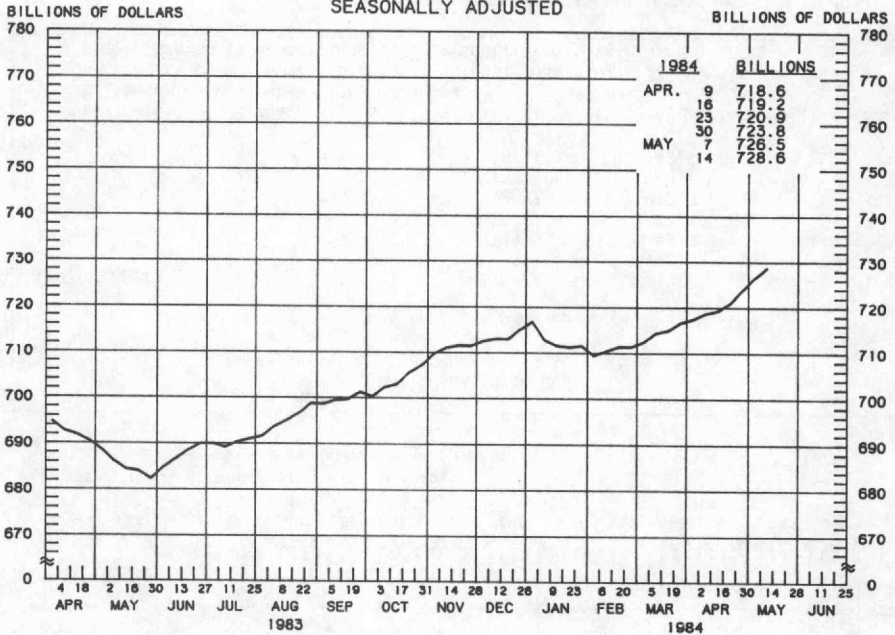
SMALL TIME DEPOSITS ↓
COMMERCIAL BANK SAVINGS DEPOSITS
AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



1/ COMMERCIAL BANK TIME DEPOSITS ISSUED IN DENOMINATIONS OF LESS THAN \$100,000.

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



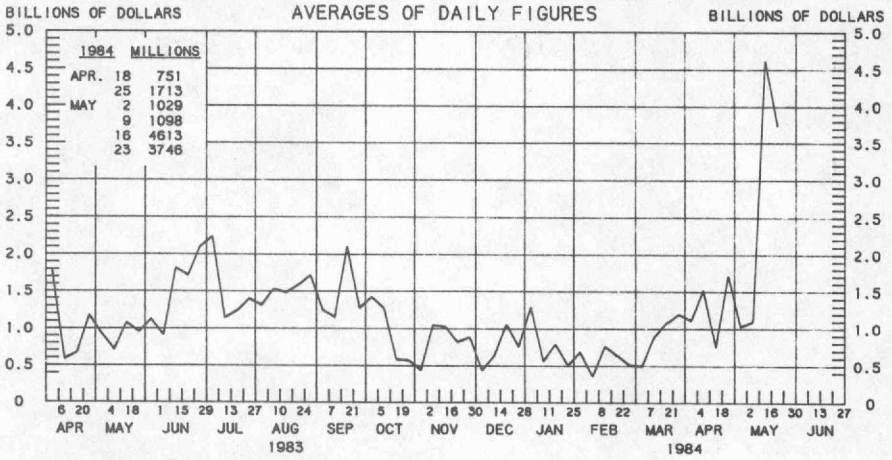
LATEST DATA PLOTTED WEEK ENDING: MAY 14, 1984

1/ SAVINGS DEPOSITS PLUS SMALL TIME DEPOSITS PLUS LARGE TIME DEPOSITS

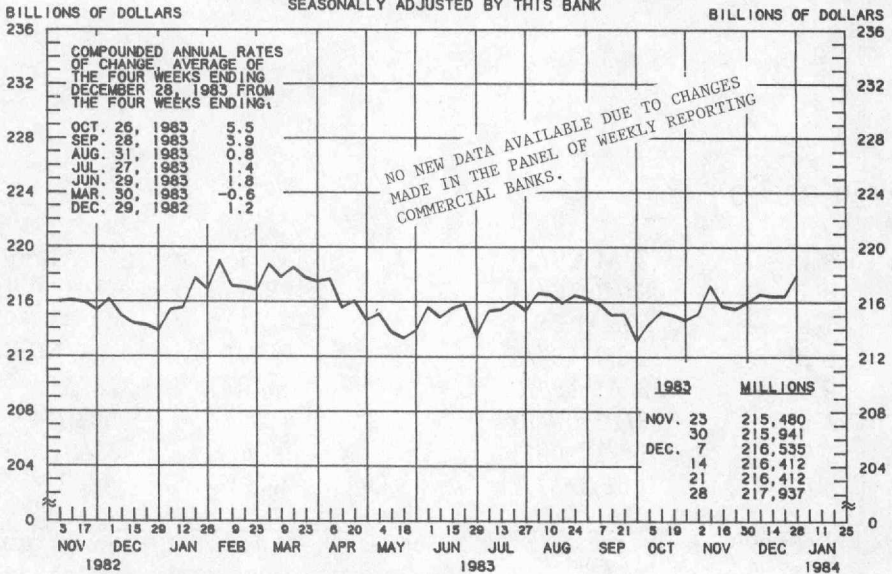
TOTAL TIME DEPOSITS									
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:									
	5/16/83	8/15/83	10/17/83	11/14/83	12/12/83	1/16/84	2/13/84	3/12/84	
TO THE AVERAGE OF FOUR WEEKS ENDING:									
10/17/83	5.0								
11/14/83	6.2	9.2							
12/12/83	6.3	8.7	10.1						
1/16/84	5.8	7.3	7.3	4.7					
2/13/84	4.5	5.2	4.0	1.3	-1.2				
3/12/84	4.4	4.9	3.8	1.7	0.1	-1.5			
4/16/84	4.8	5.4	4.7	3.3	2.4	2.3	6.2		
5/14/84	5.5	6.2	5.9	4.8	4.3	4.8	8.4	10.8	

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BORROWINGS FROM FEDERAL RESERVE BANKS



BUSINESS LOANS^{1/} (COMMERCIAL AND INDUSTRIAL) WEEKLY REPORTING LARGE COMMERCIAL BANKS^{2/} SEASONALLY ADJUSTED BY THIS BANK



1/ BUSINESS LOANS INCLUDE BANKERS' ACCEPTANCES AND COMMERCIAL PAPER.
2/ BANKS WITH DOMESTIC ASSETS OF \$750 MILLION OR MORE

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

The Relationship Between the
Treasury Bill Rate and M1 Growth

<u>Quarter of high (low)</u>	<u>3-month Treasury bill rate</u>	<u>Period</u>	<u>M1 growth rate</u>
High I/80	15.20	I/77-I/80	7.7
Low III/80	8.06	I/80-III/80	5.8
High III/81	15.51	III/80-III/81	6.7
Low IV/81	10.85	III/81-IV/81	4.6
High I/82	13.48	IV/81-I/82	10.7
Low IV/82	7.71	I/82-IV/82	8.1
High III/83	9.34	IV/82-III/83	11.8
Low IV/83	8.64	III/83-IV/83	4.9

-G. J. Santoni