

JUL 14 1986

July 10, 1986

The money multiplier shows how many dollars of the money stock (M1) are supported by each dollar of the adjusted monetary base. Over the first half of 1986, the multiplier grew at an annual rate of 4.9 percent, up from 3.7 percent over 1985. Two factors that influence the size of the multiplier are the distribution of the public's asset holdings between currency and checkable deposits (the k-ratio) and between time deposits and checkable deposits (the t-ratio). A reduction in currency holdings relative to checkable deposits increases the multiplier because it increases the proportion of reserves in the monetary base, which can then be used to support multiple dollars of checkable deposits. A reduction in time deposits relative to checkable deposits raises the multiplier by increasing the proportion of reserves that can be used to support checkable deposits.

The table below shows that recent increases in the money multiplier have been associated with sharp reductions in both the k- and t-ratios, as checkable deposits have increased relative to currency and time deposits. Indeed, the more rapid growth of the multiplier thus far in 1986 can be attributed to more rapid rates of decline in both of these ratios than occurred during 1985.

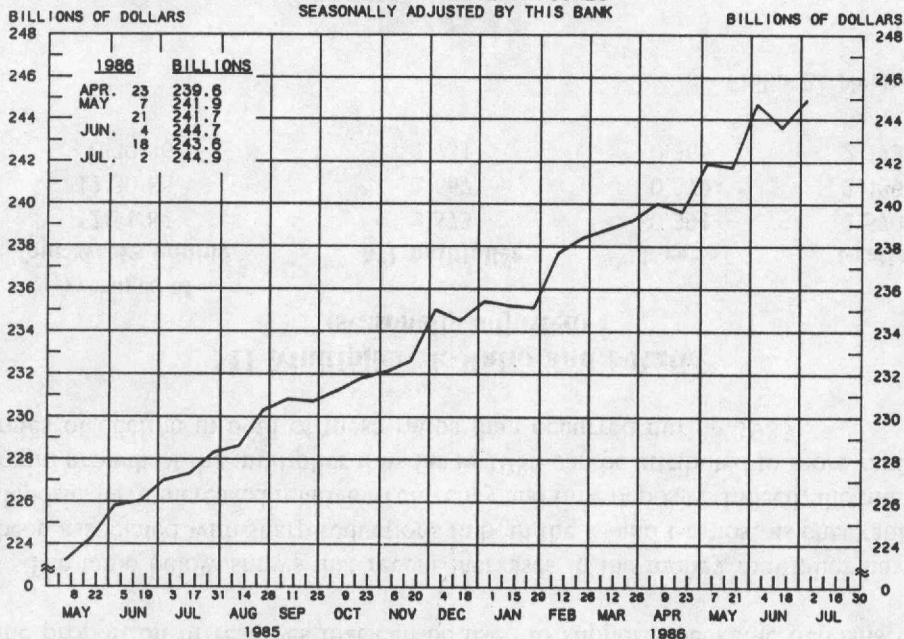
M1 Multiplier, k-Ratio and t-Ratio (seasonally adjusted)

| Averages of four weeks ending | M1 multiplier | k-ratio | t-ratio |
|----------------------------------|---------------|---------|---------|
| 12/31/84 | 2.573 | 0.391 | 2.570 |
| 12/30/85 | 2.667 | 0.379 | 2.489 |
| 6/30/86 | 2.731 | 0.365 | 2.373 |

—Philip A. Nuetzel



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



LATEST PLOTTED RESERVE MAINTENANCE PERIOD ENDING: JULY 2, 1986

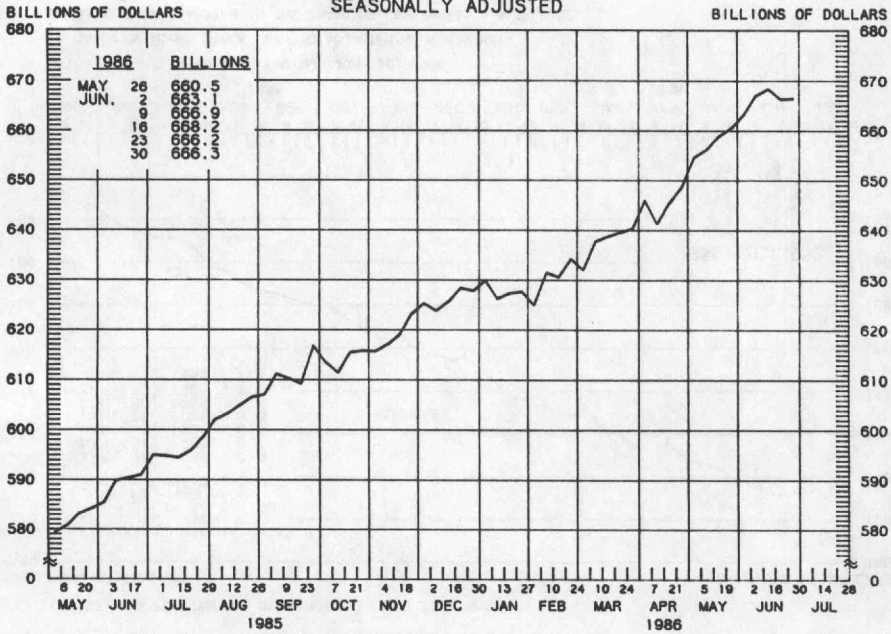
THE ADJUSTED MONETARY BASE IS THE SUM OF RESERVE ACCOUNTS OF FINANCIAL INSTITUTIONS AT FEDERAL RESERVE BANKS, CURRENCY IN CIRCULATION (CURRENCY HELD BY THE PUBLIC AND IN THE VAULTS OF ALL DEPOSITORY INSTITUTIONS) AND AN ADJUSTMENT FOR RESERVE REQUIREMENT RATIO CHANGES. THE MAJOR SOURCE OF THE ADJUSTED 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 TWO MAINTENANCE PERIODS ENDING: | | | | | | | | |
| | 7/3/85 | 10/9/85 | 12/4/85 | 1/1/86 | 1/29/86 | 2/26/86 | 3/26/86 | 5/7/86 |
| TO THE AVERAGE OF TWO MAINTENANCE PERIODS ENDING: | | | | | | | | |
| 12/ 4/85 | 7.8 | | | | | | | |
| 1/ 1/86 | 7.6 | 7.7 | | | | | | |
| 1/29/86 | 6.8 | 6.0 | 4.0 | | | | | |
| 2/26/86 | 7.9 | 8.2 | 8.2 | 8.9 | | | | |
| 3/26/86 | 7.6 | 7.7 | 7.4 | 7.6 | 11.0 | | | |
| 5/ 7/86 | 7.5 | 7.5 | 7.2 | 7.3 | 9.1 | 6.0 | | |
| 6/ 4/86 | 8.0 | 8.2 | 8.2 | 8.4 | 10.1 | 8.2 | 9.5 | |
| 7/ 2/86 | 7.9 | 8.0 | 7.9 | 8.1 | 9.4 | 7.7 | 8.5 | 9.8 |

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

MONEY STOCK (M1)
AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: JUNE 30, 1986

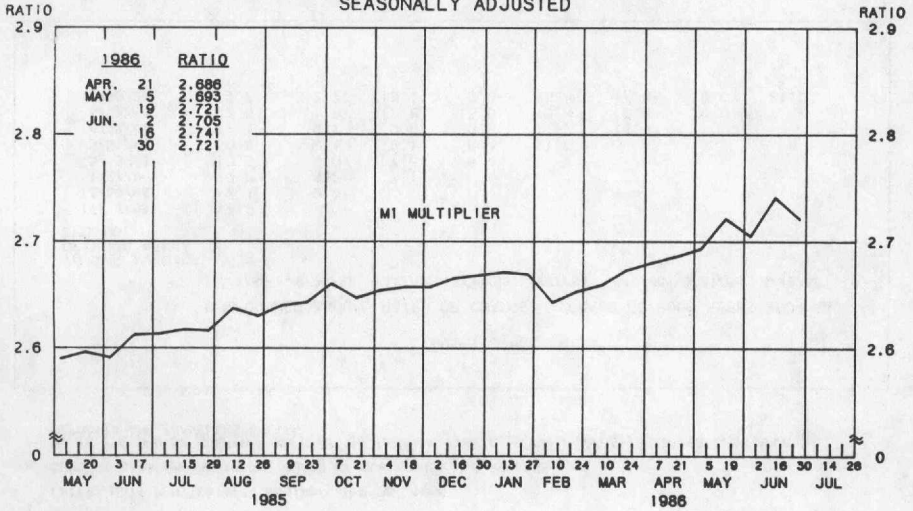
CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

M1 IS THE SUM OF CURRENCY HELD BY THE NONBANK PUBLIC, DEMAND DEPOSITS, OTHER CHECKABLE DEPOSITS AND TRAVELERS CHECKS.

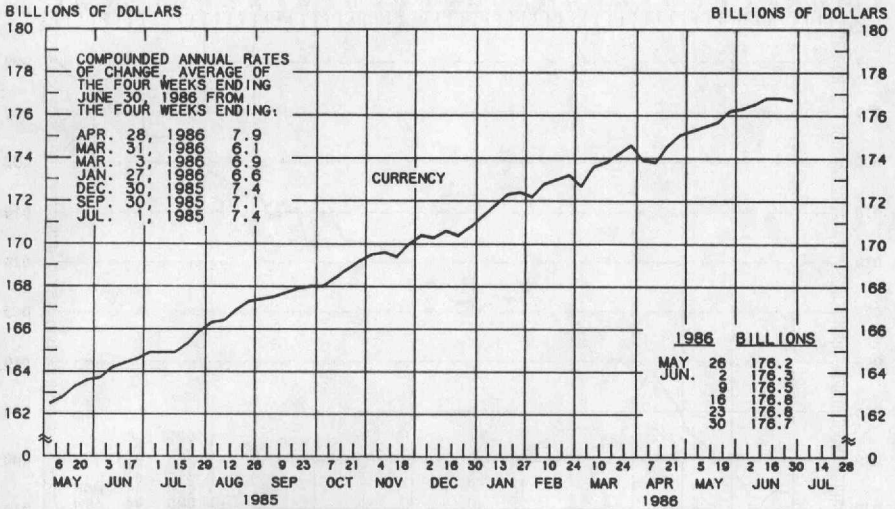
| MONEY STOCK (M1) | | | | | | | | | |
|--|--------|---------|---------|----------|---------|--------|---------|---------|--|
| COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING: | | | | | | | | | |
| TO THE AVERAGE OF FOUR WEEKS ENDING: | 7/1/85 | 9/30/85 | 12/2/85 | 12/30/85 | 1/27/86 | 3/3/86 | 3/31/86 | 4/28/86 | |
| 12/ 2/85 | 12.2 | | | | | | | | |
| 12/30/85 | 12.1 | 9.9 | | | | | | | |
| 1/27/86 | 10.8 | 8.2 | 7.1 | | | | | | |
| 3/ 3/86 | 10.3 | 8.0 | 7.3 | 5.4 | | | | | |
| 3/31/86 | 10.8 | 9.1 | 9.1 | 8.4 | 11.0 | | | | |
| 4/28/86 | 11.1 | 9.7 | 9.9 | 9.5 | 11.7 | 14.4 | | | |
| 6/ 2/86 | 12.5 | 11.8 | 12.8 | 13.0 | 15.4 | 18.6 | 20.0 | | |
| 6/30/86 | 12.7 | 12.2 | 13.1 | 13.3 | 15.4 | 17.8 | 18.6 | 21.0 | |

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



LATEST DATA PLOTTED TWO WEEKS ENDING: JUNE 30, 1986



LATEST DATA PLOTTED WEEK ENDING: JUNE 30, 1986

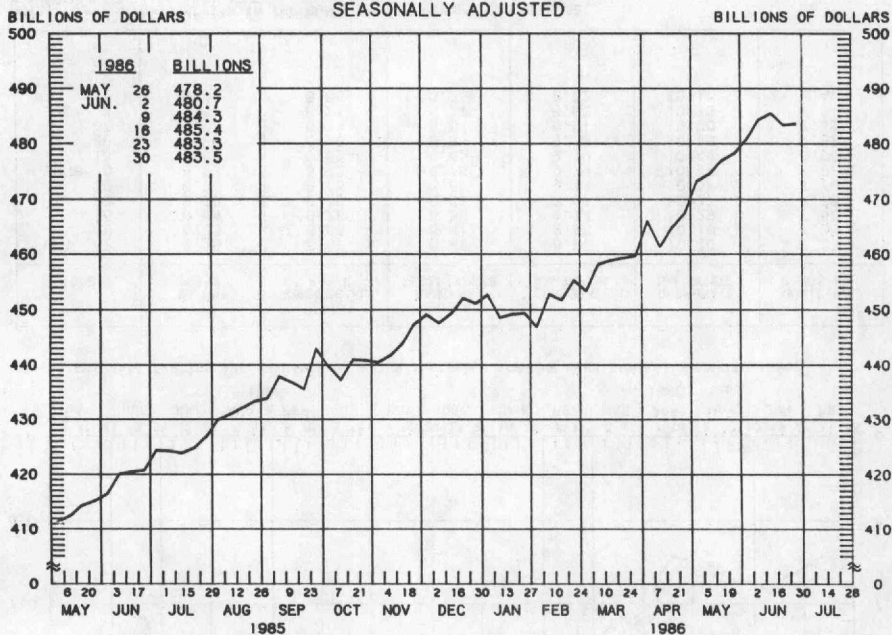
1/ RATIO OF MONEY STOCK (M1) TO ADJUSTED MONETARY BASE

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

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

TOTAL CHECKABLE DEPOSITS

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: JUNE 30, 1986

TOTAL CHECKABLE DEPOSITS IS THE SUM OF DEMAND DEPOSITS AND OTHER CHECKABLE DEPOSITS AT ALL DEPOSITORY INSTITUTIONS.

TOTAL CHECKABLE DEPOSITS

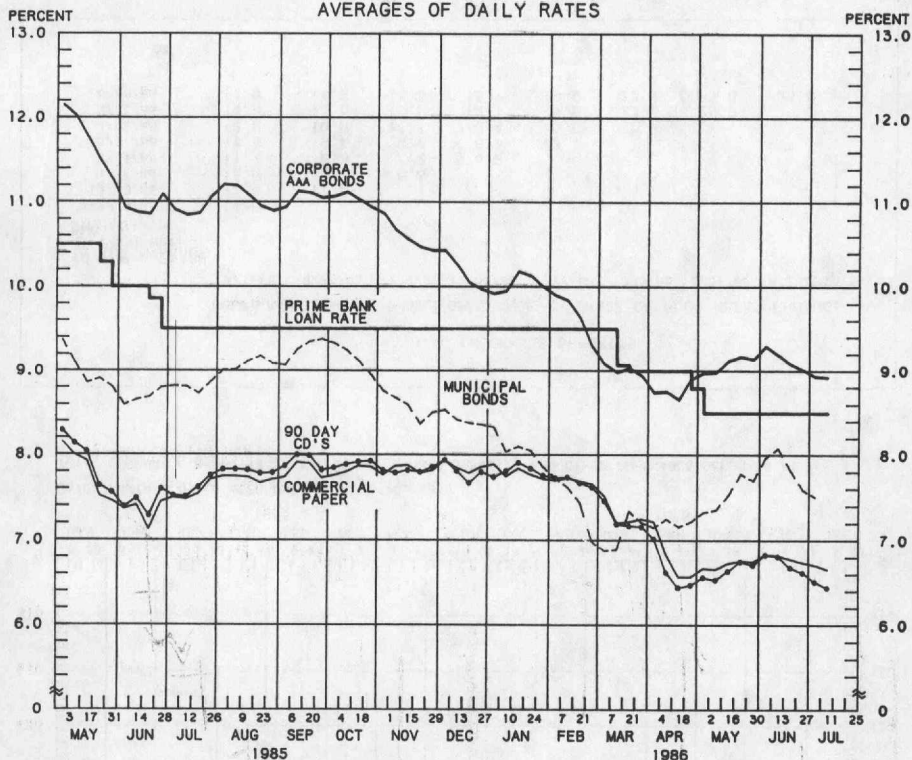
COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

| | 7/1/85 | 9/30/85 | 12/2/85 | 12/30/85 | 1/27/86 | 3/3/86 | 3/31/86 | 4/28/86 |
|--------------------------------------|--------|---------|---------|----------|---------|--------|---------|---------|
| TO THE AVERAGE OF FOUR WEEKS ENDING: | | | | | | | | |
| 12/ 2/85 | 14.0 | | | | | | | |
| 12/30/85 | 14.0 | 11.2 | | | | | | |
| 1/27/86 | 12.0 | 8.4 | 6.8 | | | | | |
| 3/ 3/86 | 11.4 | 8.3 | 7.2 | 4.2 | | | | |
| 3/31/86 | 12.0 | 9.7 | 9.6 | 8.1 | 12.1 | | | |
| 4/28/86 | 12.6 | 10.8 | 11.1 | 10.4 | 13.9 | 17.9 | | |
| 6/ 2/86 | 14.5 | 13.6 | 15.0 | 15.1 | 18.8 | 23.3 | 26.0 | |
| 6/30/86 | 14.9 | 14.2 | 15.5 | 15.7 | 18.9 | 22.4 | 23.8 | 26.5 |

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

YIELDS ON SELECTED SECURITIES

AVERAGES OF DAILY RATES



| 1986 | 90 DAY CD'S | 30-DAY COMMERCIAL PAPER | 90-DAY BANKERS* ACCEPTANCES | CORPORATE AAA BONDS | CORPORATE BAA BONDS | MUNICIPAL BONDS ** |
|--------|----------------|-------------------------------|-----------------------------------|------------------------|------------------------|-----------------------|
| MAY 2 | 6.56 | 6.67 | 6.47 | 8.97 | 10.20 | 7.33 |
| 19 | 6.53 | 6.66 | 6.41 | 8.98 | 10.16 | 7.36 |
| 23 | 6.64 | 6.73 | 6.59 | 9.12 | 10.29 | 7.53 |
| 30 | 6.75 | 6.76 | 6.65 | 9.17 | 10.37 | 7.78 |
| JUNE 6 | 6.71 | 6.75 | 6.63 | 9.14 | 10.37 | 7.70 |
| 13 | 6.83 | 6.83 | 6.76 | 9.29 | 10.47 | 7.97 |
| 20 | 6.81 | 6.82 | 6.65 | 9.19 | 10.43 | 8.08 |
| 27 | 6.68 | 6.78 | 6.55 | 9.08 | 10.29 | 7.82 |
| JULY 4 | 6.62 | 6.74 | 6.54 | 9.01 | 10.20 | 7.59 |
| 11 * | 6.51 | 6.71 | 6.39 | 8.93 | 10.15 | 7.51 |
| 18 | 6.44 | 6.66 | 6.35 | 8.92 | 10.16 | N.A. |
| 25 | | | | | | |

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

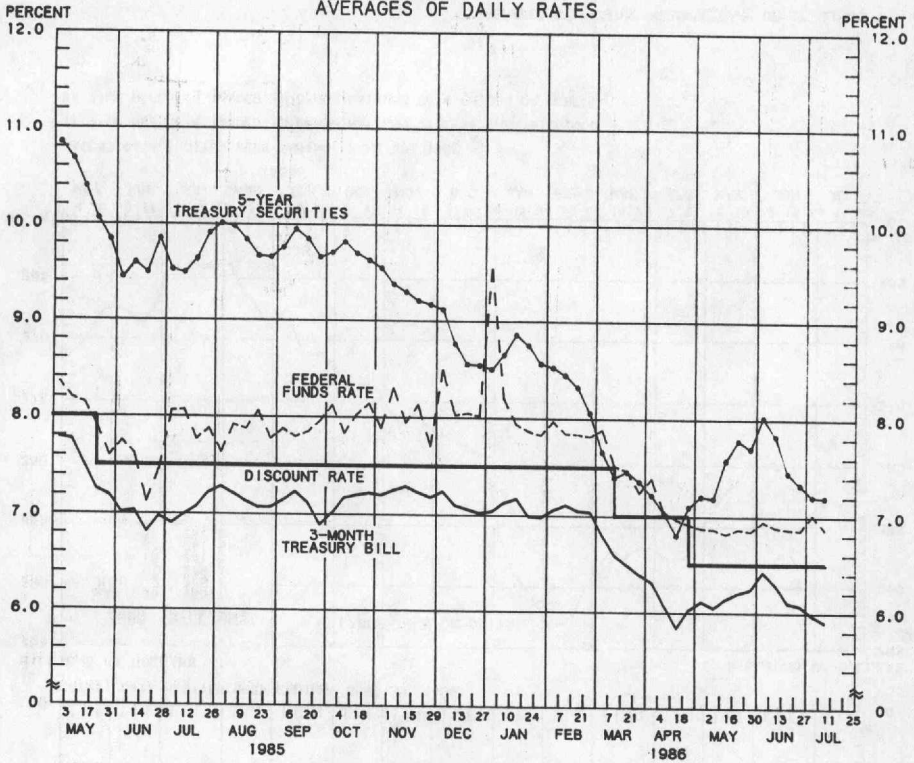
* AVERAGES OF RATES AVAILABLE

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

N.A. - NOT AVAILABLE

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SELECTED INTEREST RATES AVERAGES OF DAILY RATES



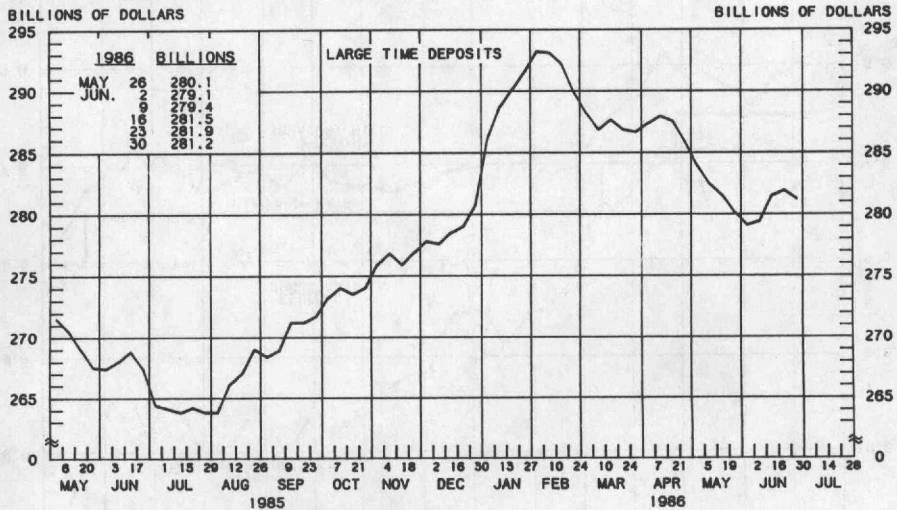
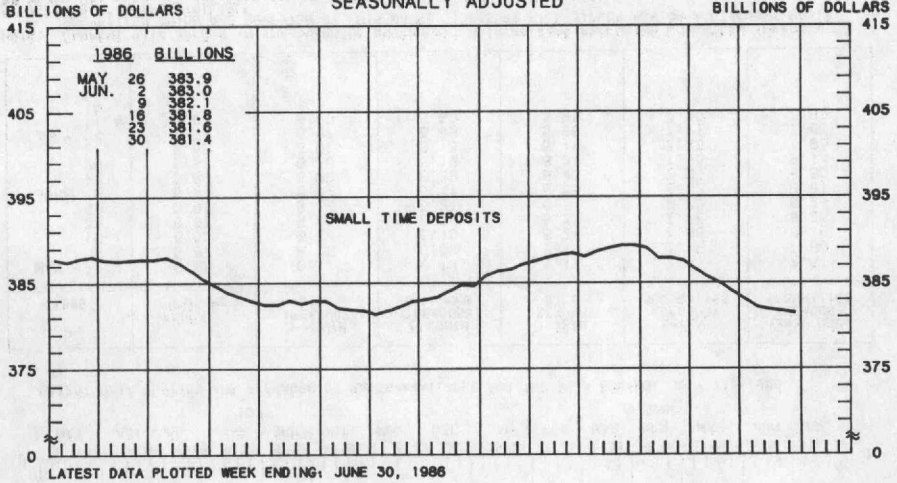
LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: JULY 11, 1986.

| 1986 | FEDERAL FUNDS %* | 3-MONTH TREASURY BILL | 6-MONTH TREASURY BILL %** | 1-YEAR TREASURY BILL | 5-YEAR TREASURY SECURITIES | LONG-TERM TREASURY SECURITIES |
|--------|------------------|-----------------------|---------------------------|----------------------|----------------------------|-------------------------------|
| MAY 2 | 6.88 | 6.11 | 6.14 | 6.17 | 7.21 | 7.81 |
| 9 | 6.87 | 6.05 | 6.09 | 6.10 | 7.19 | 7.80 |
| 16 | 6.82 | 6.14 | 6.10 | 6.24 | 7.58 | 8.10 |
| 23 | 6.87 | 6.20 | 6.28 | 6.33 | 7.78 | 8.26 |
| 30 | 6.85 | 6.24 | 6.21 | 6.37 | 7.70 | 8.24 |
| JUNE 6 | 6.95 | 6.42 | 6.41 | 6.55 | 8.02 | 8.61 |
| 13 | 6.89 | 6.29 | 6.39 | 6.43 | 7.83 | 8.50 |
| 20 | 6.87 | 6.10 | 6.18 | 6.21 | 7.45 | 8.14 |
| 27 | 6.86 | 6.07 | 6.13 | 6.14 | 7.33 | 7.95 |
| JULY 4 | 7.02 | 5.97 | 5.96 | 5.98 | 7.21 | 7.83 |
| 11* | 6.87 | 5.90 | 5.85 | 5.95 | 7.20 | 7.83 |
| 18 | | | | | | |
| 25 | | | | | | |

NOTE: CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.15 RELEASE EXCLUDING LONG-TERM TREASURY SECURITIES WHICH ARE COMPUTED BY THIS BANK. TREASURY BILL YIELDS ARE ON A DISCOUNT BASIS.
 * AVERAGES OF RATES AVAILABLE
 ** SEVEN-DAY AVERAGES FOR WEEK ENDING TWO DAYS EARLIER THAN DATE SHOWN
 *** AUCTION AVERAGE (DISCOUNT)

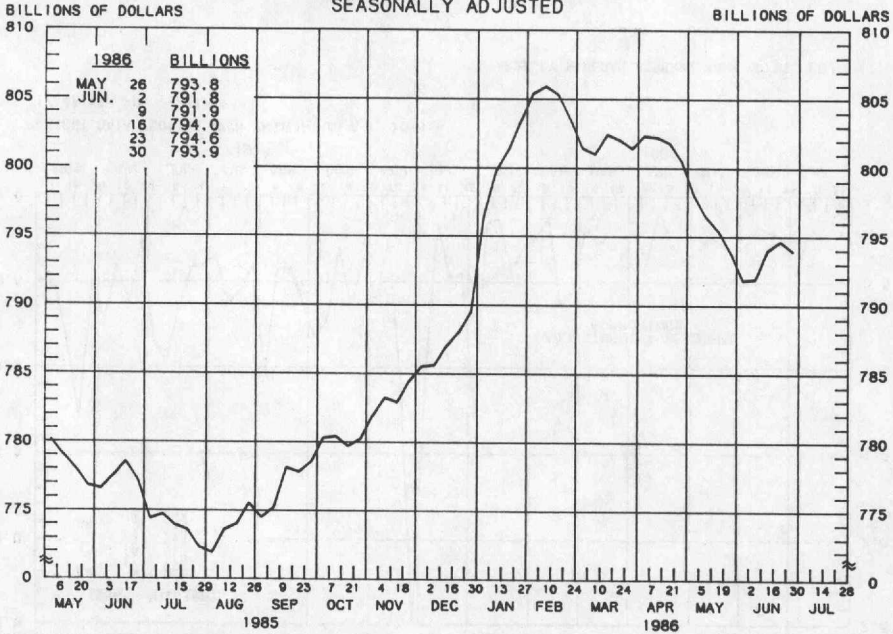
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COMMERCIAL BANK
 SMALL TIME DEPOSITS 1/
 LARGE TIME DEPOSITS 2/
 AVERAGES OF DAILY FIGURES
 SEASONALLY ADJUSTED



1/ TIME DEPOSITS ISSUED IN DENOMINATIONS OF LESS THAN \$100,000
 2/ TIME DEPOSITS ISSUED IN DENOMINATIONS OF \$100,000 OR MORE

**COMMERCIAL BANK
TOTAL TIME DEPOSITS**
AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: JUNE 30, 1986

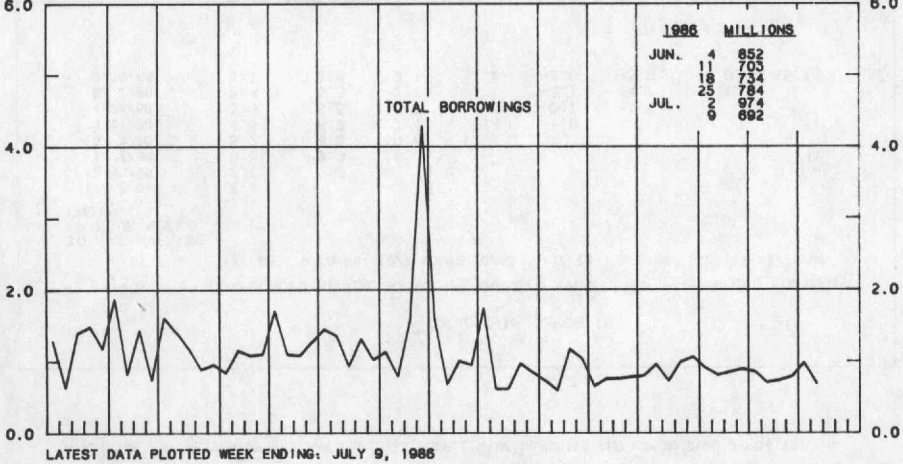
TOTAL TIME IS THE SUM OF SAVINGS DEPOSITS, SMALL TIME DEPOSITS AND LARGE TIME DEPOSITS.

| TOTAL TIME DEPOSITS | | | | | | | | |
|--|--------|---------|---------|----------|---------|--------|---------|---------|
| COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING: | | | | | | | | |
| TO THE AVERAGE OF FOUR WEEKS ENDING: | 7/1/85 | 9/30/85 | 12/2/85 | 12/30/85 | 1/27/86 | 3/3/86 | 3/31/86 | 4/28/86 |
| 12/ 2/85 | 2.2 | | | | | | | |
| 12/30/85 | 2.7 | 5.3 | | | | | | |
| 1/27/86 | 5.3 | 9.3 | 14.3 | | | | | |
| 3/ 3/86 | 5.2 | 8.3 | 10.6 | 12.7 | | | | |
| 3/31/86 | 4.3 | 6.3 | 7.1 | 7.4 | 1.0 | | | |
| 4/28/86 | 3.9 | 5.5 | 5.7 | 5.6 | 0.7 | -1.8 | | |
| 6/ 2/86 | 2.4 | 3.3 | 2.7 | 2.1 | -2.1 | -4.7 | -5.1 | |
| 6/30/86 | 2.1 | 2.8 | 2.1 | 1.6 | -2.0 | -3.9 | -4.0 | -5.7 |

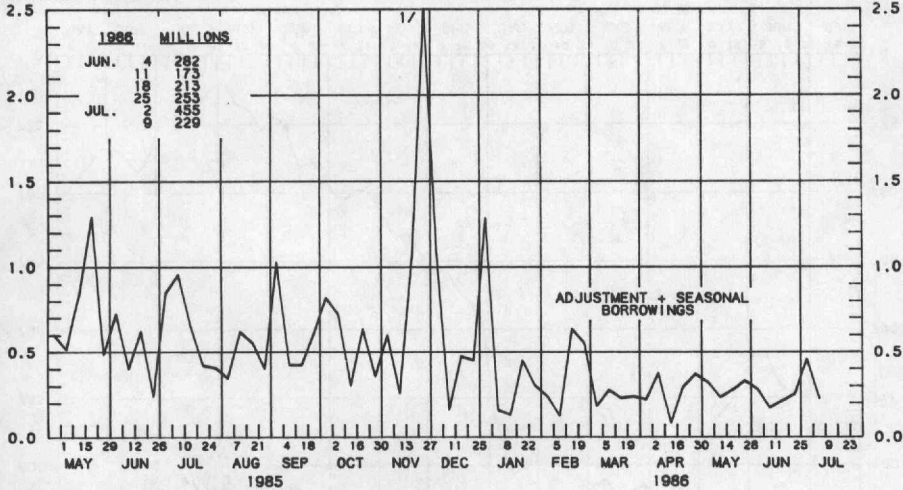
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BORROWINGS FROM FEDERAL RESERVE BANKS

BILLIONS OF DOLLARS AVERAGES OF DAILY FIGURES BILLIONS OF DOLLARS



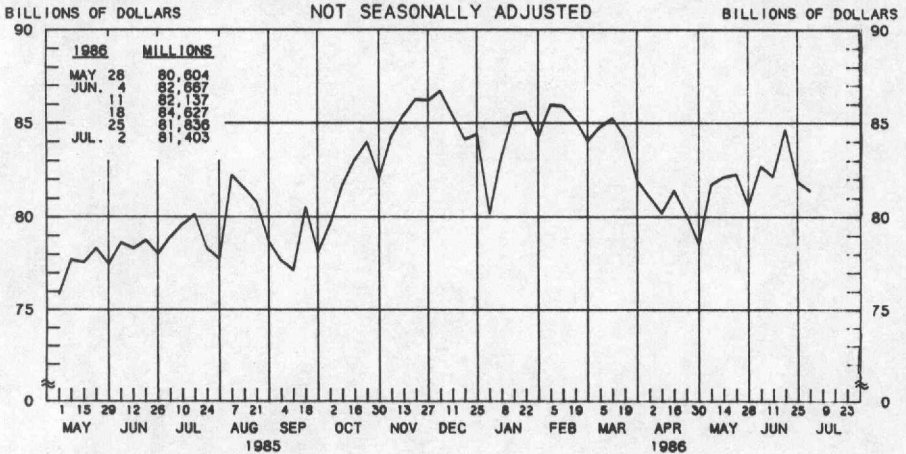
BILLIONS OF DOLLARS BILLIONS OF DOLLARS



1/ 83.787 FOR 11/27/85

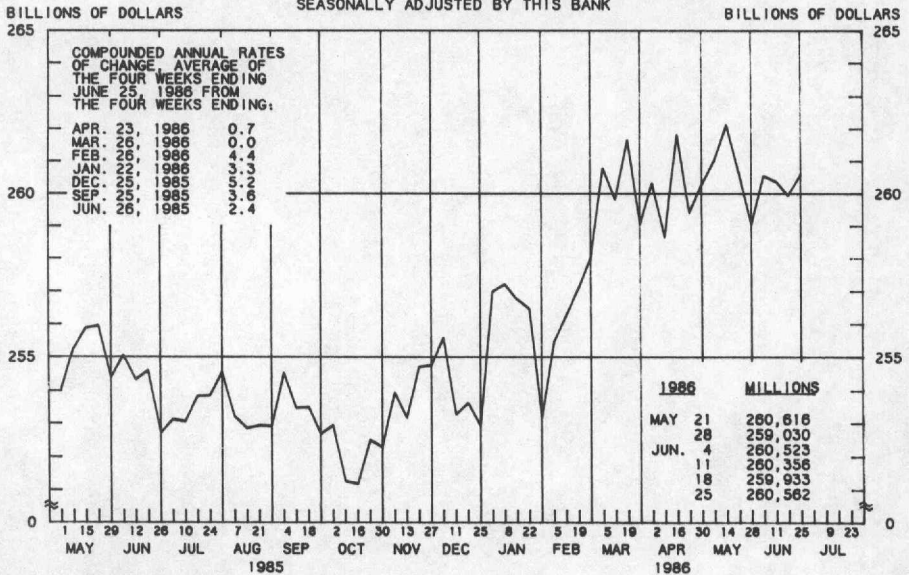
PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

COMMERCIAL PAPER OF NONFINANCIAL COMPANIES



LATEST DATA PLOTTED WEEK ENDING: JULY 2, 1986

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



LATEST DATA PLOTTED WEEK ENDING: JUNE 25, 1986

1/ BUSINESS LOANS INCLUDE BANKERS' ACCEPTANCES AND COMMERCIAL PAPER.

2/ BANKS WITH DOMESTIC ASSETS GREATER THAN \$1.4 BILLION

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS