

RESEARCH LIBRARY

Federal Reserve Bank

of St. Louis

U.S. Financial Data

SEP 29 1986

September 25, 1986

The spreads between interest rates on municipal bonds and other long-term securities have narrowed substantially in recent months (see table on back page). Over the five months following March of this year, the rate spreads between municipal bonds and two of these long-term instruments—corporate Aaa bonds and long-term Treasury securities—averaged about 145 and 45 basis points, respectively. These spreads were considerably larger in the five months before March, averaging about 200 and 155 basis points, respectively.

Changes in these interest rate spreads typically result from changes in risk assessments, anticipated tax changes and other factors that affect the supply of or the demand for specific types of long-term debt securities. The decline in the municipal rate spreads described above coincided with the renewed legislative efforts to enact major tax changes starting in March. Two prospective tax changes that would tend to reduce the demand for municipal bonds relative to other long-term securities are the sizable reductions in marginal tax rates and the elimination of federal tax exemptions for certain types of municipal bonds.

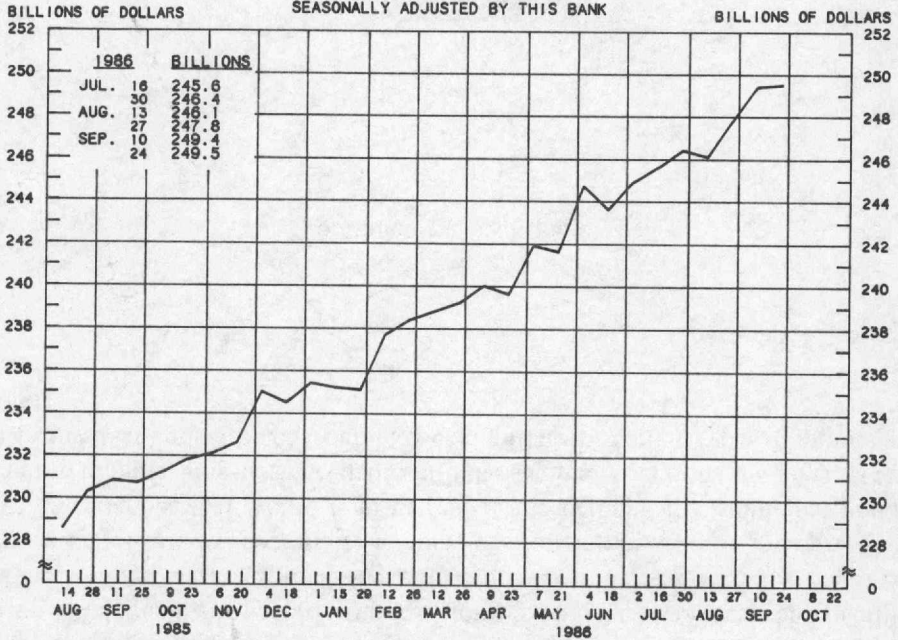
—Courtenay C. Stone

(continued on back page)



Views expressed do not necessarily reflect official positions of the Federal Reserve System.

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



LATEST PLOTTED RESERVE MAINTENANCE PERIOD ENDING: SEPTEMBER 24, 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.

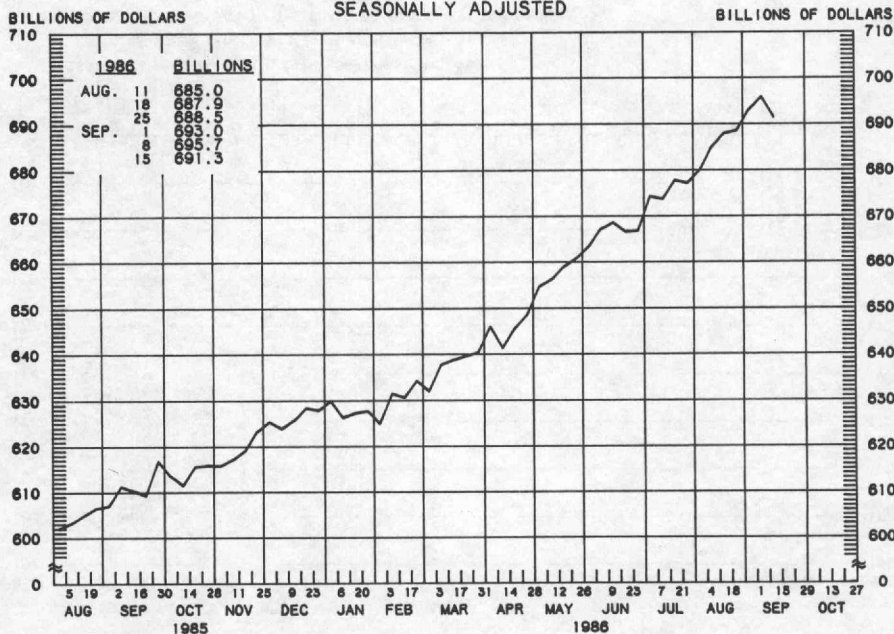
ADJUSTED MONETARY BASE
 COMPOUNDED ANNUAL RATES OF CHANGE,
 AVERAGE OF TWO MAINTENANCE PERIODS ENDING:

	9/25/85	12/18/85	2/26/86	3/26/86	4/23/86	5/21/86	6/18/86	7/30/86
TO THE AVERAGE OF TWO MAINTENANCE PERIODS ENDING:								
2/26/86	7.6							
3/26/86	7.2	6.8						
4/23/86	6.9	6.3	4.7					
5/21/86	7.4	7.2	6.9	7.9				
6/18/86	8.0	8.2	8.6	9.8	12.5			
7/30/86	7.8	7.9	8.0	8.7	9.9	9.4		
8/27/86	7.6	7.6	7.6	8.1	8.9	8.2	6.1	
9/24/86	8.1	8.2	8.4	9.0	9.8	9.5	8.3	9.6

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

MONEY STOCK (M1)

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: SEPTEMBER 15, 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:

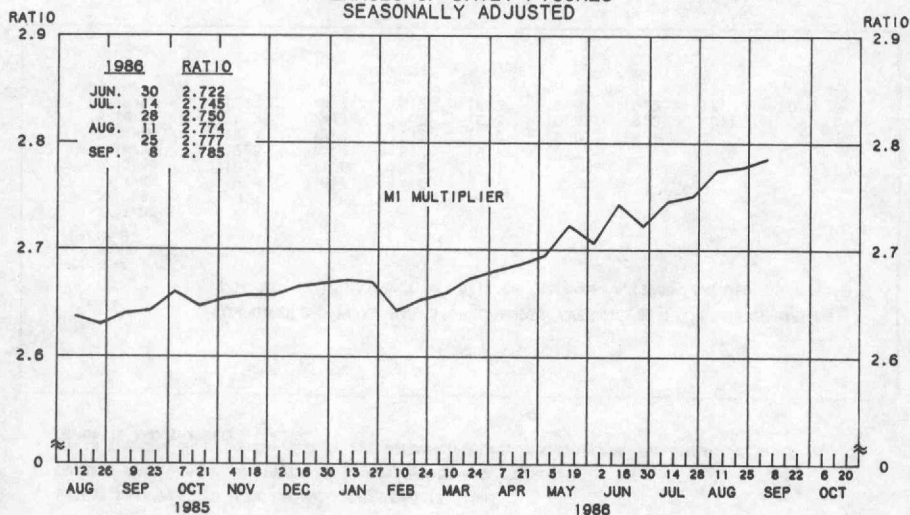
9/16/85 12/16/85 2/17/86 3/17/86 4/14/86 5/12/86 6/16/86 7/14/86

TO THE AVERAGE
OF FOUR WEEKS
ENDING:

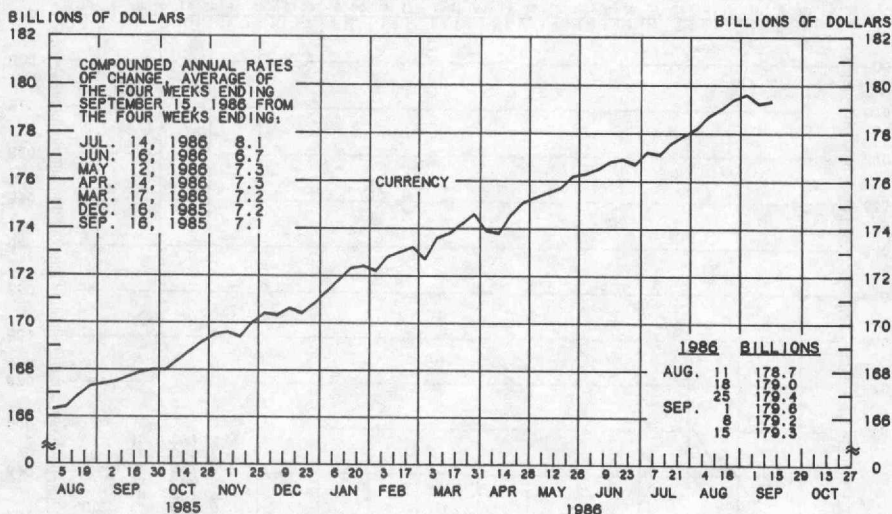
2/17/86	7.9							
3/17/86	9.1	7.4						
4/14/86	9.6	8.7	14.5					
5/12/86	10.9	11.0	16.6	17.1				
6/16/86	12.5	13.4	18.7	19.7	22.7			
7/14/86	12.4	13.1	17.2	17.6	19.0	18.1		
8/18/86	13.2	14.1	17.9	18.3	19.4	19.0	16.3	
9/15/86	13.7	14.7	18.2	18.5	19.5	19.2	17.4	20.3

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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: SEPTEMBER 8, 1986



LATEST DATA PLOTTED WEEK ENDING: SEPTEMBER 15, 1986

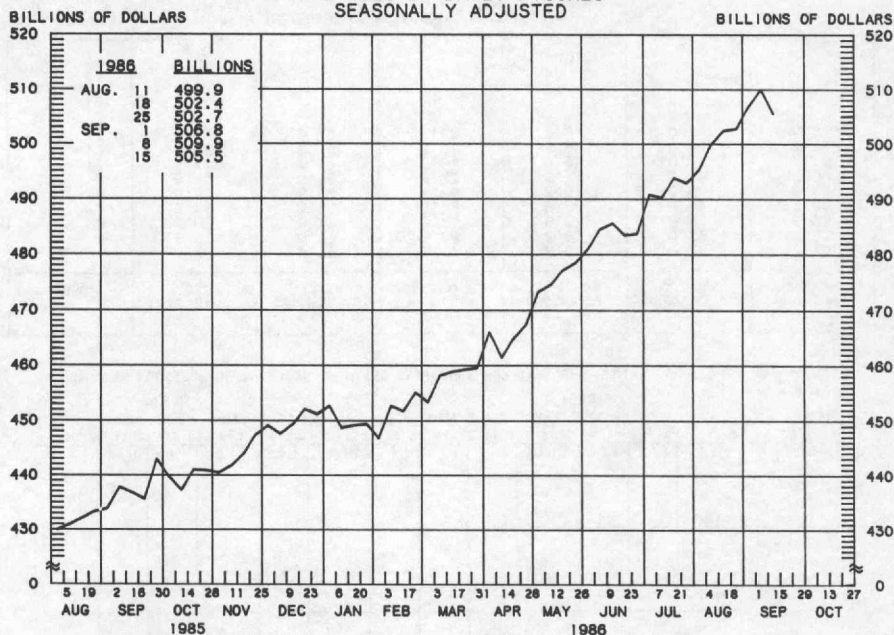
1/ RATIO OF MONEY STOCK (M1) TO ADJUSTED MONETARY BASE

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

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TOTAL CHECKABLE DEPOSITS

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: SEPTEMBER 15, 1986

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

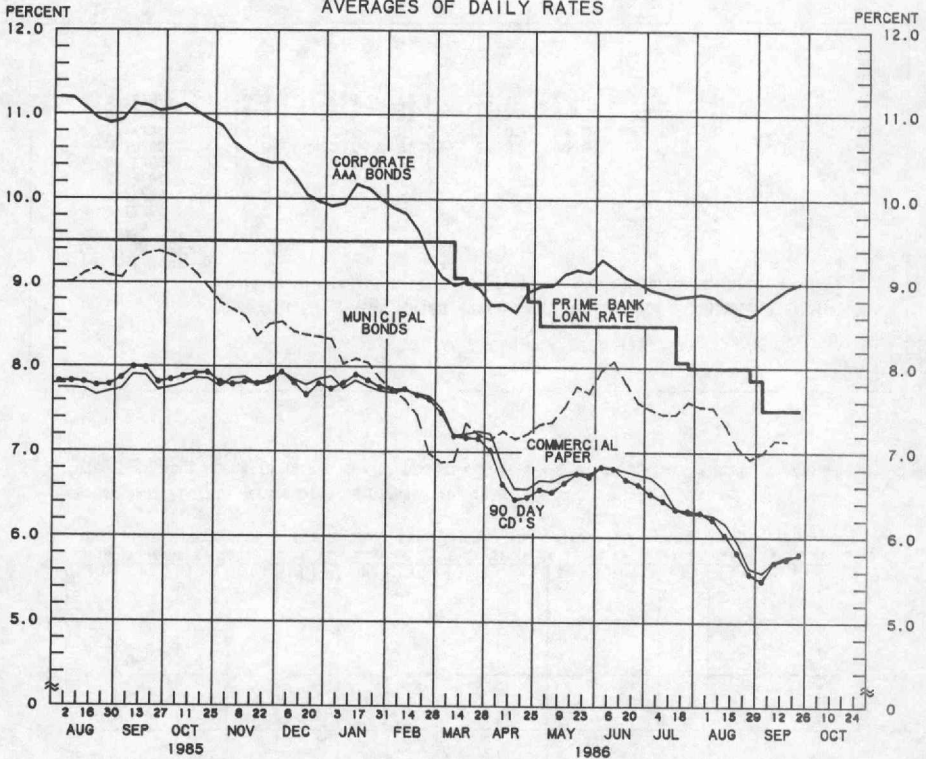
TOTAL CHECKABLE DEPOSITS

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

TO THE AVERAGE OF FOUR WEEKS ENDING:	9/16/85	12/16/85	2/17/86	3/17/86	4/14/86	5/12/86	6/16/86	7/14/86
2/17/86	8.2							
3/17/86	9.8	7.3						
4/14/86	10.6	9.3	17.7					
5/12/86	12.4	12.4	20.6	21.2				
6/16/86	14.6	15.7	23.5	24.8	29.0			
7/14/86	14.5	15.4	21.5	22.0	24.0	22.8		
8/18/86	15.6	16.8	22.2	22.7	24.3	23.6	19.8	
9/15/86	16.3	17.6	22.6	23.1	24.4	23.9	21.3	25.0

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YIELDS ON SELECTED SECURITIES AVERAGES OF DAILY RATES



LATEST DATA PLOTTED ARE AVERAGES OF RATES AVAILABLE FOR THE WEEK ENDING: SEPTEMBER 26, 1986.

1986	90 DAY CD'S	30-DAY COMMERCIAL PAPER	90-DAY BANKERS' ACCEPTANCES*	CORPORATE AAA BONDS	CORPORATE BAA BONDS	MUNICIPAL BONDS †‡§
AUG. 1	6.29	6.28	6.17	8.88	10.28	7.54
8	6.21	6.26	6.08	8.85	10.29	7.53
15	6.03	6.17	5.94	8.74	10.26	7.33
22	5.82	5.95	5.72	8.66	10.12	7.06
29	5.57	5.64	5.46	8.62	10.04	6.93
SEP. 5	5.49	5.59	5.43	8.74	10.08	7.00
12	5.71	5.72	5.64	8.85	10.21	7.15
19	5.75	5.78	5.66	8.95	10.24	7.14
26 *	5.81	5.79	5.68	9.01	10.28	N.A.
OCT. 3						
10						
17						
24						
31						

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

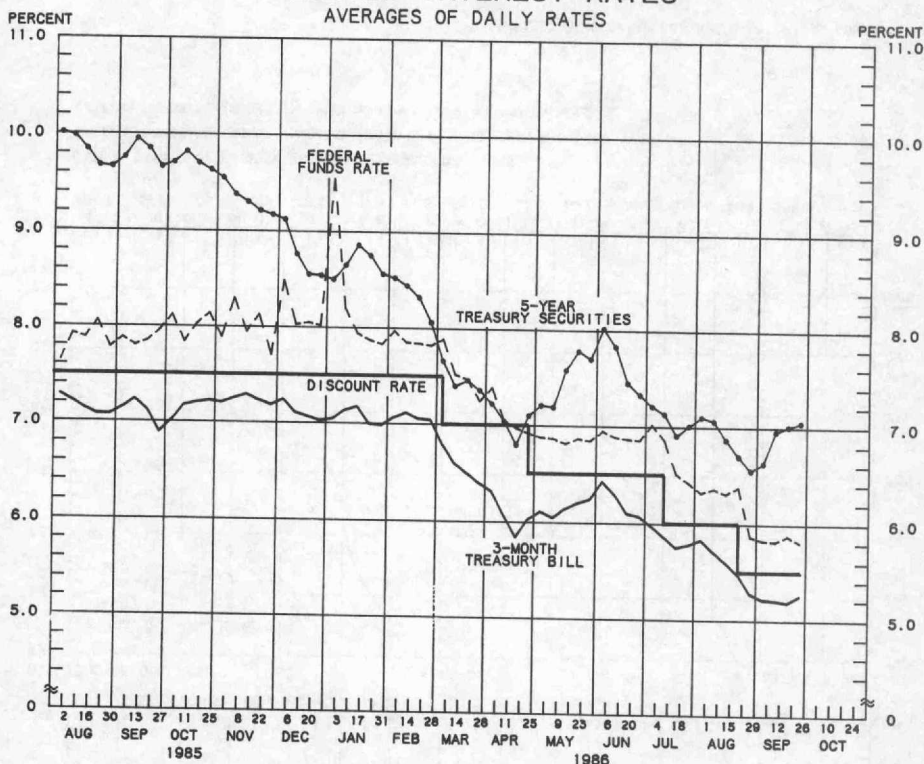
* AVERAGES OF RATES AVAILABLE

† 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

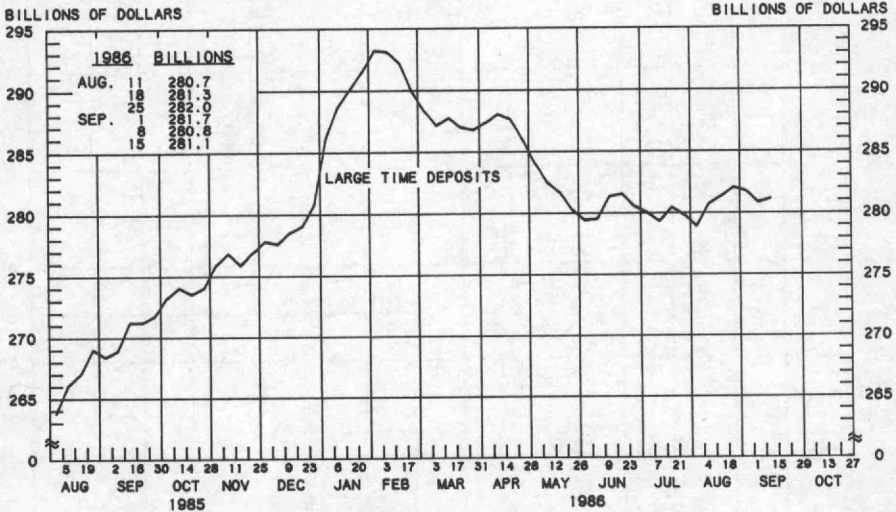
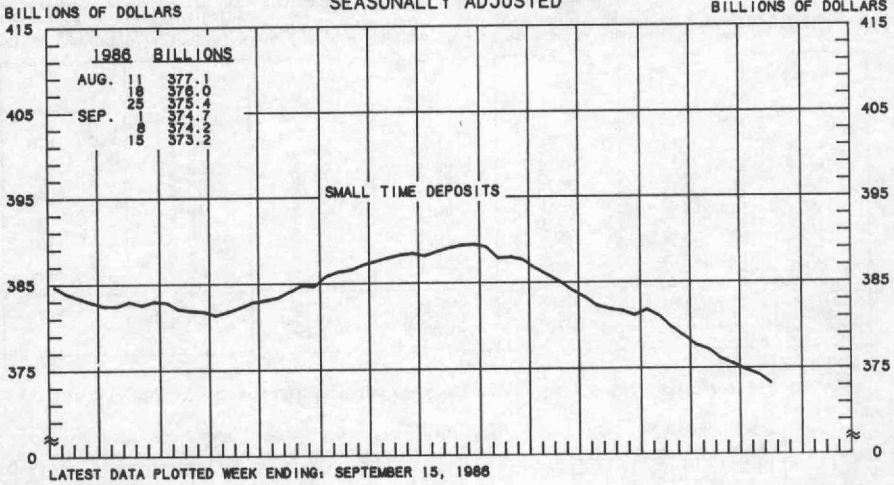


1986	FEDERAL FUNDS RATE	3-MONTH TREASURY BILL	6-MONTH TREASURY BILL	1-YEAR TREASURY BILL	5-YEAR TREASURY SECURITIES	LONG-TERM TREASURY SECURITIES
AUG. 1	6.32	5.83	5.89	5.91	7.10	8.09
8	6.36	5.71	5.73	5.81	7.05	8.01
15	6.31	5.60	5.60	5.67	6.87	7.73
22	6.38	5.48	5.65	5.52	6.70	7.61
29	5.87	5.27	5.35	5.36	6.55	7.80
SEP. 5	5.83	5.21	5.17	5.35	6.63	7.80
12	5.82	5.20	5.35	5.46	6.96	8.11
19	5.88	5.18	5.34	5.48	7.01	8.24
26 *	5.81	5.25	5.39	5.48	7.05	8.24
OCT. 3						
10						
17						
24						
31						

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



LATEST DATA PLOTTED WEEK ENDING: SEPTEMBER 15, 1986

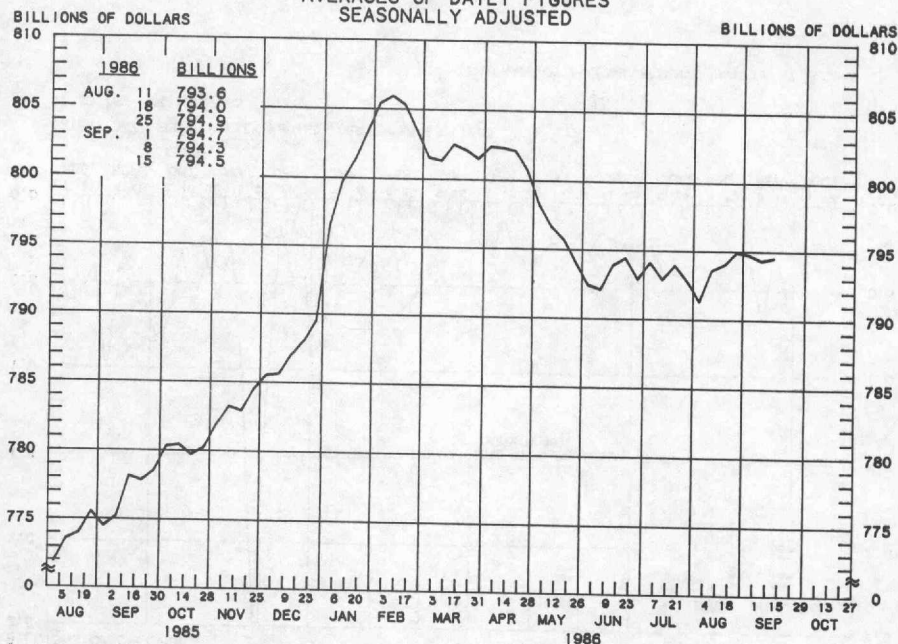
1/ TIME DEPOSITS ISSUED IN DENOMINATIONS OF LESS THAN \$100,000

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

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

COMMERCIAL BANK TOTAL TIME DEPOSITS

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: SEPTEMBER 15, 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:

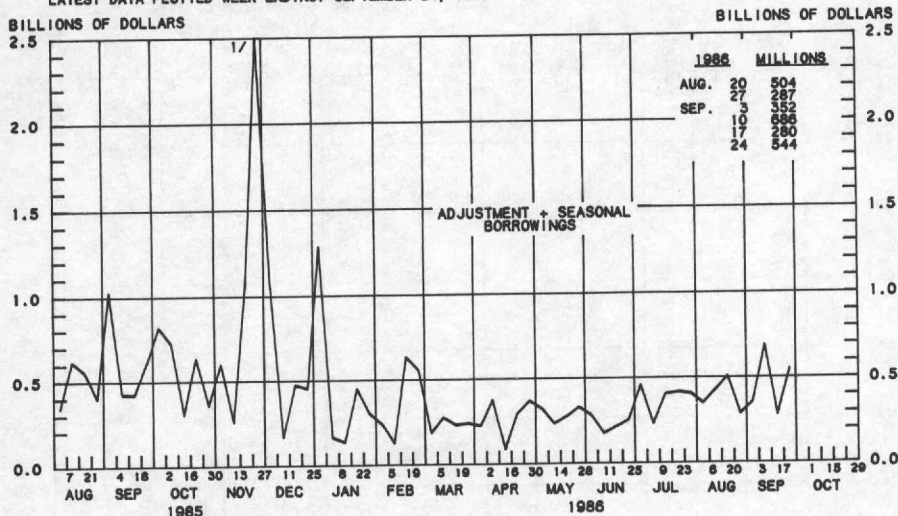
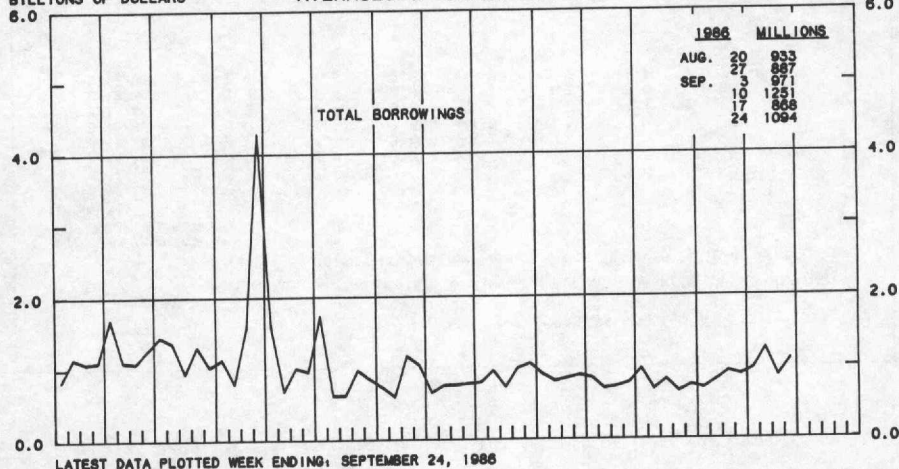
TO THE AVERAGE
OF FOUR WEEKS
ENDING:

	9/16/85	12/16/85	2/17/86	3/17/86	4/14/86	5/12/86	6/16/86	7/14/86
2/17/86	9.1							
3/17/86	6.9	8.7						
4/14/86	5.9	6.5	-2.3					
5/12/86	4.7	4.4	-3.0	-2.2				
6/16/86	3.0	1.9	-4.5	-4.5	-6.3			
7/14/86	2.8	1.7	-3.5	-3.2	-4.2	-4.1		
8/18/86	2.4	1.4	-3.0	-2.7	-3.3	-3.0	-0.1	
9/15/86	2.4	1.5	-2.2	-1.9	-2.2	-1.7	0.8	0.7

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BORROWINGS FROM FEDERAL RESERVE BANKS

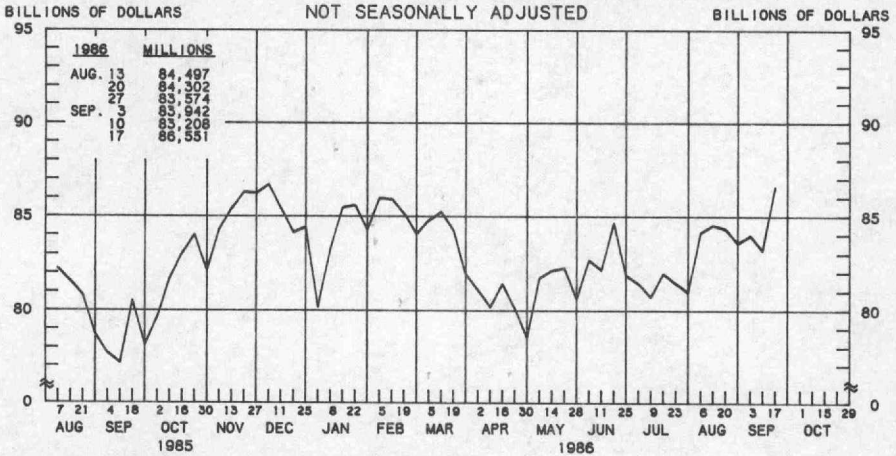
BILLIONS OF DOLLARS AVERAGES OF DAILY FIGURES BILLIONS OF DOLLARS



1/ 93.767 FOR 11/27/85

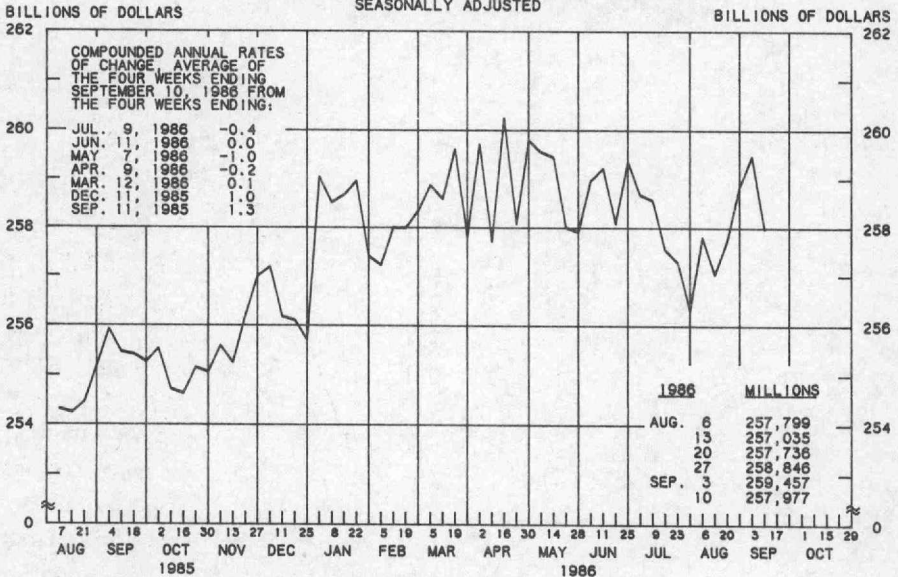
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COMMERCIAL PAPER OF NONFINANCIAL COMPANIES



LATEST DATA PLOTTED WEEK ENDING: SEPTEMBER 17, 1986

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



LATEST DATA PLOTTED WEEK ENDING: SEPTEMBER 10, 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

Basis-Point Spread Between the Municipal Bond Rate and Rates on Selected Securities

Month	Corporate Aaa bonds	Long-term Treasury securities
October 1985	194	158
November 1985	201	164
December 1985	173	125
January 1986	197	151
February 1986	223	168
April 1986	159	43
May 1986	155	53
June 1986	126	41
July 1986	137	38
August 1986	151	54