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COMMODITY & CURRENCY COMMENTS

A run on the New York Thruway's toll booths

Oct. 4th, 1978

The writer had an historical opportunity to witness Gresham's Law in operation while returning from a U.S. holiday. At various points along the New York Thruway, Canadian dollars were being exchanged at 10% discount from the U.S. dollar, a bargain that could not easily be passed up. Imagine the surprise of the toll booth operator when she was handed a C$100 bill to pay for a miserly $2.75 fee !

Back in November 1976, just as the CD$ was taking its first plunge from par, we stated : " ... we strongly disagree with those members of the press and other academic thinkers that believe with necessity of depreciating the external value of the CD$. Since the end of World War II, many countries have tried to devalue 'once and for all' & discovered that such a course of action was highly detrimental to their balance of trade (contrary to conventional wisdom) & highly inflationary. " In October 1977 we repeated our views stating that " the trade balance has & will not improve from the devaluation either in the short run (the J curve) or in the long run (more inflation)..."

Cumulative trade figure to date vindicate our position. Despite a substantially lower average value for the CD$ in the Jan-Apr.'78 period vs. the comparable 1977 period, the trade surplus is merely $ 170 million higher, hardly a worthwhile price to pay for grand larceny (for indeed that is what every devaluation is all about !)

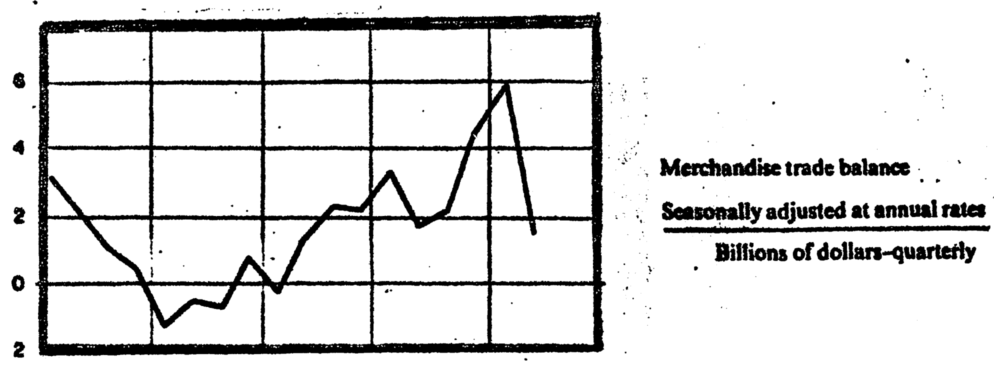
The accompanying charts demonstrate graphically that trade balances bear little or no correlation to exchange rates. The early 1975 - early 1977 trade improvement came despite a strongly appreciating CD$. Furthermore, by mid-'78, despite a massive 14-17% devaluation, the merchandising trade balance was running at an annual surplus lower than early 1977. In remarks made to the Swiss-Canadian Chamber of Commerce on Sept. 21st, R. W. Lawson, Senior Deputy Governor of the Bank of Canada stated that " ... the unexpectedly weak trade figures naturally raised the question of whether Canada's competitive position in international trade was not much weaker than had been supposed, & the exchange market reacted accordingly. I myself have no doubt that when it becomes possible to assess these figures in perspective they will be found to have been quite misleading as indicators of Canada's competitive position... ". We now wonder whether the Hon. Deputy Governor is on the Bank of Canada's monthly mailing list.

In our opinion, the steady improvement in Canada's merchandising trade surplus for the early 1975-early 1977 period can be attributed almost entirely to the relative sluggishness of the Canadian economy vis a vis the U.S. This situation is now changing. Further trade surplus deterioration is then a foregone conclusion.

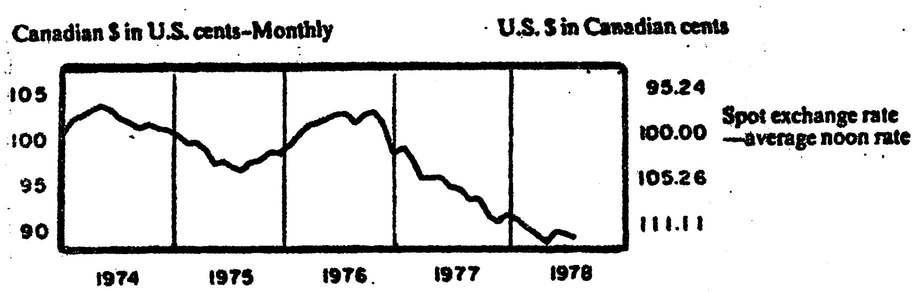
What can or should Canada do now ? As we pointed out in earlier Comments (particularly in a paper antitled Canada: a monetarist interpretation & forecast, March '78), Canada's malaise originates with the enourmous size of its Federal deficit &, most importantly, the method used to finance it. The Bank of Canada, in the recent past, has monetized a substantial portion of these deficits thus causing monetary aggregates to grow at a highly inflationary pace. To that effect, we recommended that the government raise its financing requirements by either : a) paying an attractive domestic rate, or b) borrow funds externally. Ottawa seems to have chosen the latter course and, in our opinion, it is a valid procedure. The problem, however, lies in the size of the deficit, which may easily exceed $12 billion & which, in all probability, will necessitate a good deal of monetization. Furthermore, the CSB campaign does not, at the present time, look promising adding further woes to the government borrowing requirements.

Given the present degree of intervention & Ottawa's desire to utilize external borrowings as a domestic fund raising method, we believe that pegging the CD at a particular level would serve the country's best long term interest. Too much psychological & economic damage has already been caused by the recent slide with nothing substantial to show for it. The initial peg should be undertaken at present market levels, perhaps just after a good-sized rally & preferably in the 85-87¢ range. A wide upper intervention point should be chosen (even as much as 2.5 - 3.0 percentage points) so as to make destabilizing speculation dear. This move should be coupled with a substantial increase in the Bank Rate and an immediate across-the-board cut in the present budget of at least $ 1 bln.

Cover all short position at market. A good-sized technical rally is in the offing.



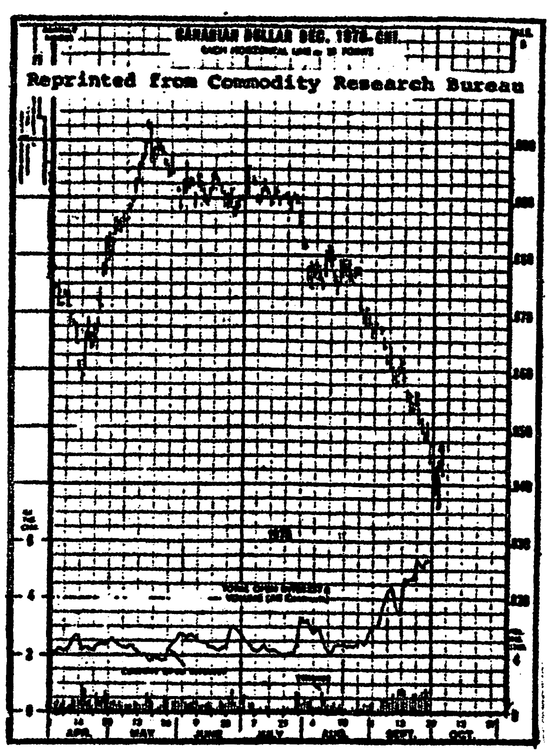
Spot : 84.55
Dec. 78: 84.66
Mar. 79: 84.70
June 79: 84.60



(Bank of Canada Review)

Canadian Statistics

	JUN. 78	JUL. 78	AUG. 78	AUG. 77
BALANCE OF TRADE (MLN $)				
JAN-AUG.'77: +1,674				
JAN-AUG.'78: +1,854	+38	-123 R	+168	+298
GENERAL BANK LOANS**	11.06	11.41	11.60	17.16
MONEY SUPPLY **				
M1	8.51	10.29	11.36	8.90
M1B	7.87	9.08	10.95	7.97
M2	9.41	10.06	11.13	13.93
M3	12.43	12.92	14.70	15.01
CURRENCY PLUS ALL DEPOSIT LIABILITIES**	12.37	12.91	13.82	13.71
INT'L RESERVES(BLN U.S.)	4.7	4.58	4.2	4.84
C.P.I.(ALL ITEMS)**	9.23	9.83	9.42	8.33
FOOD PRICE INDEX**	17.92	20.12	17.84	10.19
UNEMPLOYMENT RATE S.A.	8.6	8.4	8.5	8.2
N.S.A.	8.0	8.0	7.7	7.5



EURO DEPOSIT %	1978 SEP. 8	SEP. 15	SEP.22	SEP.29	1977 SEP.28
1 MO.	9 1/16	9 1/16	9 1/8	9 3/8	6 15/16
3 MO.	9 3/8	9 3/8	9 3/8	9 11/16	7 3/16
6 MO.	9 9/16	9 3/4	9 11/16	9 13/16	7 5/16
12 MO.	9 11/16	9 3/4	9 11/16	9 11/16	7 7/16

OPEN INTEREST(SEP.29): 5,531 AVERAGE VOLUME (SEP.78): 1,242
CONTRACT SIZE : CD 100,000.00 (APPROX. U.S.$ 84,000.00)
MINIMUM FLUCTUATION : .00010 ($10.00)
DAILY LIMIT (NORMAL) : .00750 ($750.00)
MARGIN REQUIRED : US $2,500.00 COMMISSIONS : $60.00
TRADING HOURS : 8:45 AM - 1:10 PM (CHICAGO TIME)
DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER

** YEAR-OVER-YEAR % CHANGE

British Pound

Spot: 198.10 Dec.78: 196.80 Mar. 79: 195.40
June 79:193.80 Sep.79: 192.00

	JUN. 78	JUL. 78	AUG. 78	AUG. 77
BALANCE OF TRADE (MLN STG)				
JAN-AUG.'77: -1,749				
JAN-AUG.'78: - 784	-106	-132 R	+ 58	+141
BALANCE OF PAYMENTS(MLN STG)				
JAN-AUG.'77: - 554				
JAN-AUG.'78: + 22	+ 14	- 57 R	+133	+340
RESERVES (BLN U.S.$)	16.54	16.73	16.40	14.85
RETAIL PRICE INDEX **	7.41	7.78	7.95	16.52
RETAIL SALES INDEX **	5.01	4.1 R	4.29	-1.56
W.P.I. **	9.07	8.62	7.13	19.87
UNEMPLOYMENT RATE	5.7	5.8	6.8	6.8

EURO DEPOSIT %	1978				1977
	SEP. 8	SEP.15	SEP. 22	SEP.29	SEP.28
1 MO.	11 5/8	11 3/4	12.	12 7/8	6 1/2
3 MO.	11 5/8	11 7/8	11 7/8	13.	7.
6 MO.	11 3/4	12 1/8	12 1/4	13 1/4	7 1/2
12 MO.	12 1/2	12 1/8	12 1/4	13.	7 7/16

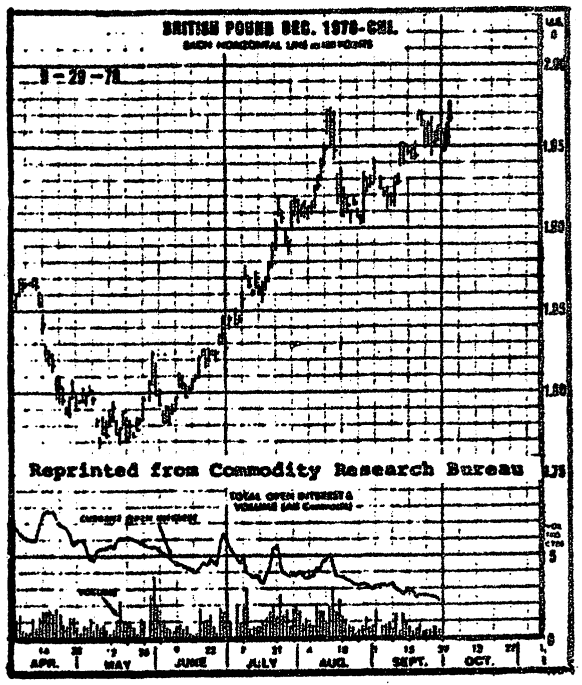
OPEN INTEREST(SEP.29/78):2,237 AVERAGE VOLUME(SEP.78): 732
CONTRACT SIZE : BP 25,000.00 (APPROX. U.S. $ 48,750.00)
MINIMUM FLUCTUATION : .00050 ($12.50)
DAILY LIMIT (NORMAL) : .05000 ($1,250.00)
MARGIN REQUIRED : US $2,500.00 COMMISSIONS : $60.00
TRADING HOURS : 8:45 AM - 1:10 PM (CHICAGO TIME)
DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER

** YEAR-OVER-YEAR % CHANGE

U.K. ECONOMIC INDICATORS:

	OIL BALANCE MLN STG	M1 %*	M3 %*	DCE MLN STG
1977				
2ND QTR	-745	24.8	14.9	+769
3RD QTR	-602	28.0	10.4	+365
4TH QTR	-657	23.2	12.6	+698
1978				
1ST QTR	-646	24.3	23.8	+1,791
2ND QTR	-420	8.5	15.7	+2,869
APRIL	-149	18.7	24.3	+1,432
MAY	-155	13.1	17.2	+1,128
JUNE	-116	8.5	15.7	+315
JULY	-229	9.3	9.5	+114
AUGUST	-103	5.5	1.5	-276

* THREE MONTHS' GROWTH AT ANNUAL RATE.
(FINANCIAL TIMES)



The strongly decelerating course of M3 & DCE were barely enough to offset the continued disappointment in the trade surplus & the growing signs of labor unrest.

Sterling has begun to ease vis a vis the DM and we now feel that speculative funds should be moved over entirely to the DM. Commercial hedgers may still retain nearby long Sterling positions. If and when the U.S. dollar improves, Sterling will be among the first currencies to depreciate.

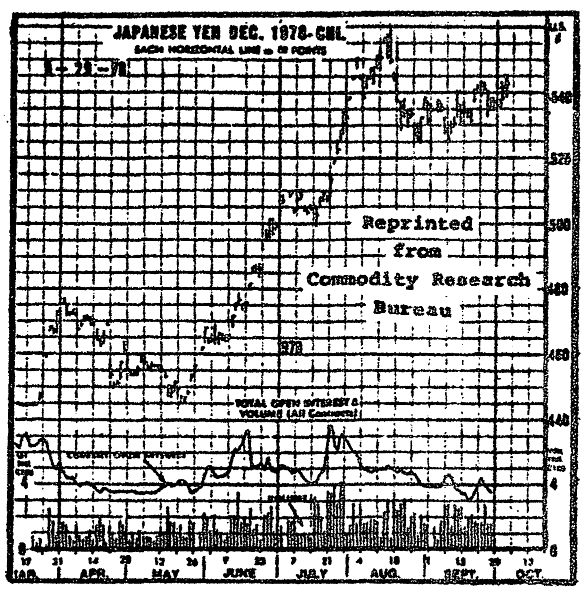
Japanese Yen

Spot : 53.47
Dec. 78 : 54.27
Mar. 79 : 55.19

	JUN. 78	JUL. 78	AUG. 78	AUG. 77
BALANCE OF TRADE (MLN U.S.$)				
JAN-AUG.'77: + 9,833				
JAN-AUG.'78: +17,070	2,950	2,700	1,990	1,140
BALANCE OF PAYMENTS (MLN U.S.$)				
JAN-AUG.'77: +3,219				
JAN-AUG.'78: +6,841	576	853	346	292
MONEY SUPPLY ** M1	+11.3	+11.3	N/A	6.1
RESERVES (MLN U.S.$)	27,331	29,370	N/A	17,770
C.P.I. **	3.5	4.15	4.23	8.55
W.P.I. **	-2.23	-2.65	-3.65	0.78
UNEMPLOYMENT RATE	2.4	2.34	2.34	1.90

OPEN INTEREST(SEP.29): 3,288 AVERAGE VOLUME(SEP/78):1,799
CONTRACT SIZE : YEN 12,500,000.00 (APPROX.US$67,500.00)
MINIMUM FLUCTUATION : .0000010($12.50)
DAILY LIMIT (NORMAL) : .000100 ($1250.00)
MARGIN REQUIRED : US $4,000.00 COMMISSIONS : $60.00
TRADING HOURS : 8:45 AM - 1:10 PM (CHICAGO TIME)
DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER

** YEAR-OVER-YEAR % CHANGE



Excellent control of monetary aggregates, continued competitiveness in the international sector and a relatively subdued domestic sector make the Yen an excellent bet for further appreciation.

Remain long.

Deutsche Mark & Swiss Franc

Closing the gap.

The accompanying charts depict in some detail the incredible widening of the DM/SF ratio. After reaching 78%, the Swiss National Bank was galvanized into action with the cooperation of the Bundesbank & the Federal Reserve prompting some heavy liquidation of Swiss Franc long positions. The "Swissie" is acting as a focal point in a lever pulling up all intervened EEC currencies.

A ludicrous situation : The Bundesbank sells DM & buys U.S. to support the latter but sells SF & buys DM to contain the DM/SF gap. The intervention in the DM is in effect cancelled out.

Remain long Dec.'78 DM with stops at 51.50; switch SF into DM.

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A note on GOLD -

Money supply figures for both Germany & Switzerland are moving well out of control as a result of heavy intervention & will present an inflationary headache in the not-far-distant future. With this strong possibility in mind, long term investors should begin replacing all currency long positions with gold - the only money not likely to depreciate.

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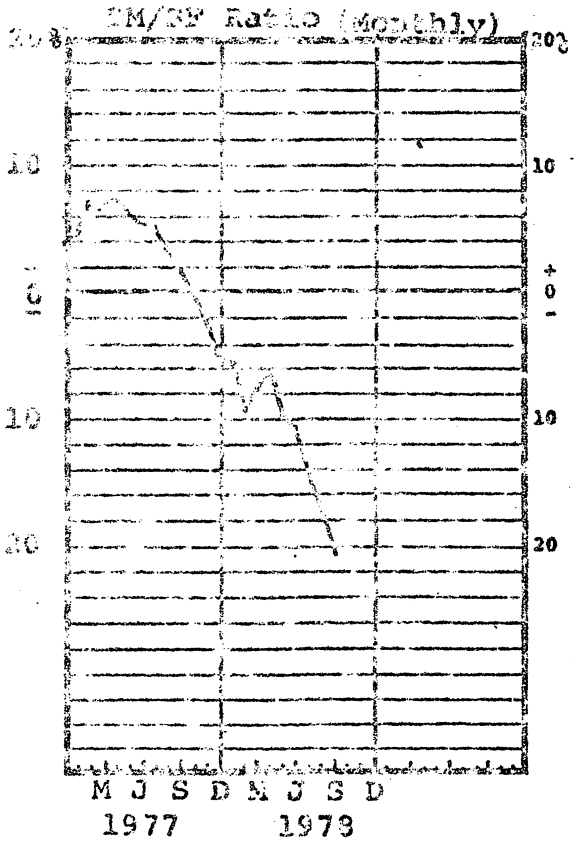
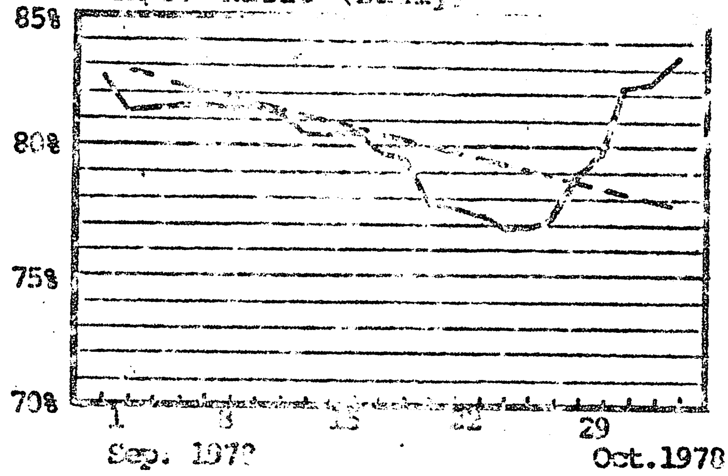
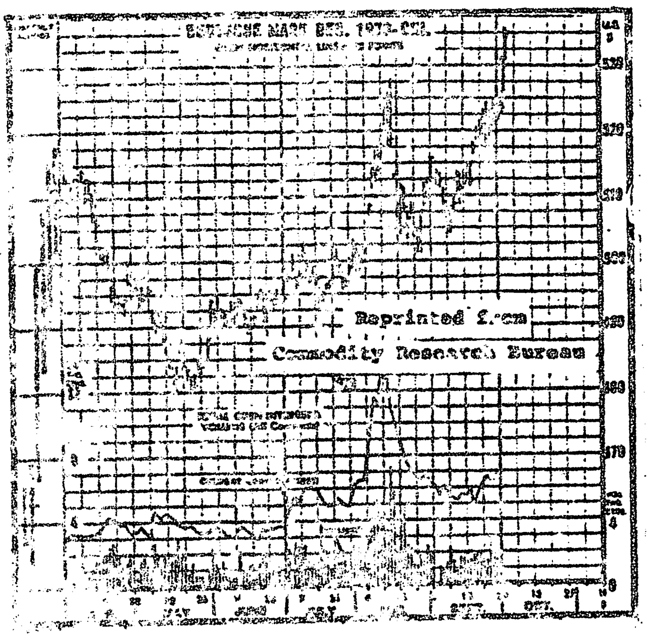
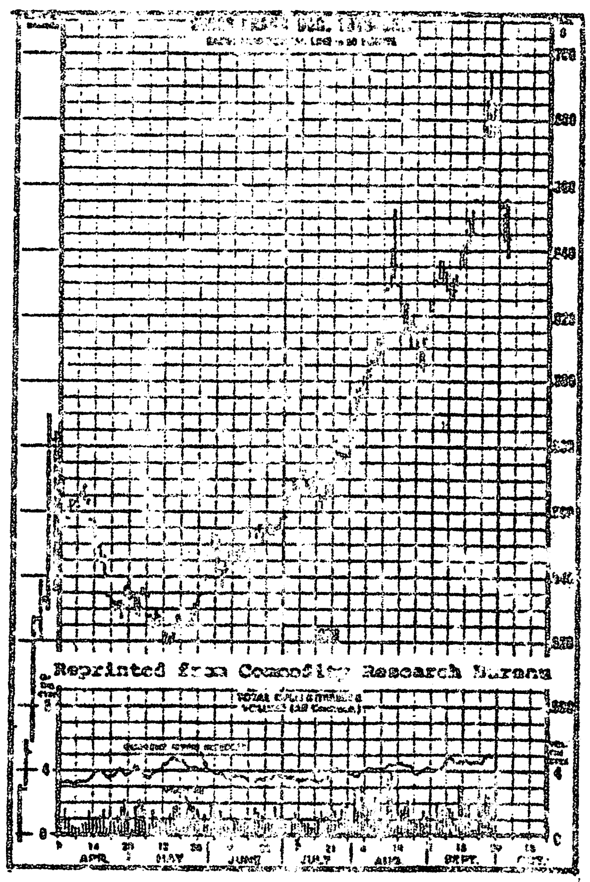
DM/SF Ratio (Monthly)



DM/SF Ratio (Daily)







DM & SF

DEUTSCHE MARK

	JUN 78	JUL. 78	AUG. 78	AUG. 77
BALANCE OF TRADE (MLN MARKS)				
JAN-AUG.'77: +22,640				
JAN-AUG.'78: +23,770	3,960	1,700 R	3,120	2,520
BALANCE OF PAYMENTS (MLN MARKS)				
CURRENT ACCT.				
JAN-AUG.'77: +1,300				
JAN-AUG.'78: +5,300	2,200	-2,000R	+19 r	-1,430
MONEY SUPPLY ** M3	20.80	9.82	20.60	8.96
W.P.I.**	-1.1	UNCH	+0.1	-1.2
COST OF LIVING INDEX**	2.45	2.59	2.38	3.89
UNEMPLOYMENT RATE	3.9	4.1	4.0	4.3

EURO DEPOSIT %	1978 SEP. 8	SEP.15	SEP.22	SEP.29	1977 SEP.28
1 MO.	3 1/2	3 9/16	3 1/2	3 1/2	3 15/16
3 MO.	3 9/16	3 5/8	3 1/2	3 11/16	3 15/16
6 MO.	3 3/4	3 13/16	3 3/4	3 3/4	4 1/16
12 MO.	3 15/16	3 15/16	3 7/8	3 13/16	4 3/16

Spot : 52.72
Dec. 78: 53.42
Mar. 79: 54.31
June 79: 55.15
Sep. 79: 55.70

WEEKLY RESERVES
NET MONETARY
(BLN MARKS) 92.6 (3/9) 92.0 (7/9) 93.1 (14/9) 84.9

OPEN INTEREST(SEP.29/78): 6,840 AVERAGE VOLUME(SEP/78) :1,651
CONTRACT SIZE : DM 125,000.00 (APPROX. U.S.$65,500.00)
MINIMUM FLUCTUATION : .00010 ($12.50)
DAILY LIMIT (NORMAL) : .01000 ($1,250.00)
MARGIN REQUIRED : US $4,000.00 COMMISSIONS : $60.00
TRADING HOURS : 8:45 AM - 1:10 PM (CHICAGO TIME)
DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER

FEDERAL BALANCE (BLN MARKS)	JAN-AUG 1978	JAN-AUG 1977
FEDERAL FINANCING BALANCE	-24.2	-20.7
SPENDING	122.8	110.3
INCOME	98.6	89.6

** YEAR-OVER-YEAR % CHANGE

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SWISS FRANCS

	JUN. 78	JUL. 78	AUG. 78	AUG. 77
BALANCE OF TRADE (MLN SFR)				
JAN-AUG.'77: -1,460.				
JAN-AUG.'78: - 946	- 111 R	+ 38 R	-158	-615
MONEY SUPPLY	15.9	13.80	N/A	N/A
W.P.I.**	-3.56	-3.64	-3.53	-0.7
UNEMPLOYMENT RATE	0.4	0.3	0.3	0.3

Spot : 63.30
Dec. 78 : 64.44
Mar. 79 : 66.00
June 79 : 67.72
Sep. 79 : 69.05
Dec. 79 : 70.70

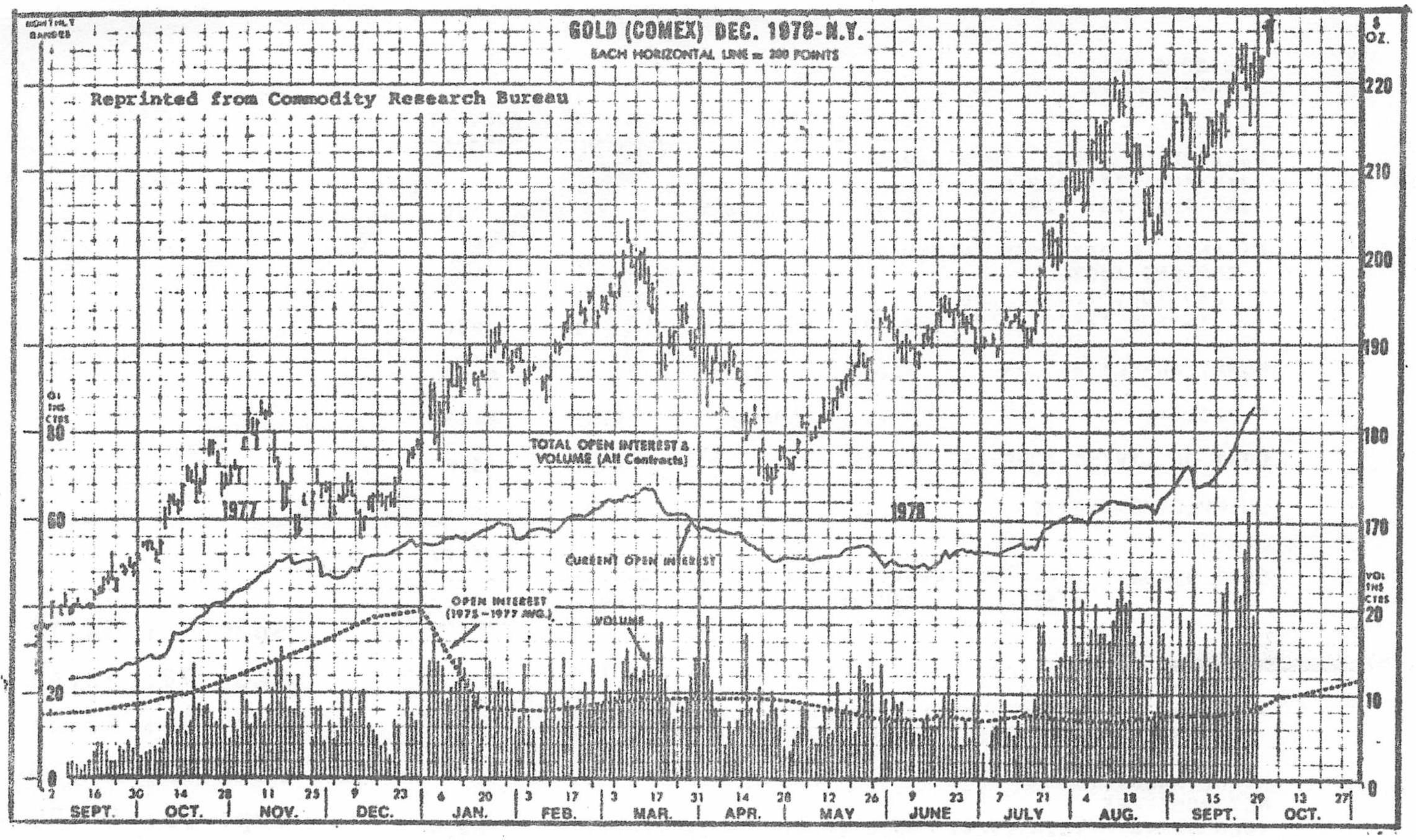
EURO DEPOSIT %	1978 SEP. 8	SEP.15	SEP.22	SEP.29	1977 SEP.28
1 MO.	1/2	5/8	7/16	11/16	2.
3 MO.	5/8	3/4	9/16	1 1/16	2 5/16
6 MO.	1 1/8	1 1/8	1 1/8	1 3/16	2 13/16
12 MO.	1 1/4	1 1/4	1 3/16	1 5/16	3 3/16

WEEKLY RESERVES

(MLN SFR) 20,580 20,540 20,810 23,020 14,750

OPEN INTEREST(SEP.29): 4,698 AVERAGE VOLUME(SEP/78) : 1,687
CONTRACT SIZE : SF 125,000.00 (APPROX. U.S.$81,000.00)
MINIMUM FLUCTUATION : .00010 ($12.50)
DAILY LIMIT (NORMAL) : .01000 ($1,250.00)
MARGIN REQUIRED : US $4,000.00 COMMISSIONS : $60.00
TRADING HOURS : 8:45 AM - 1:10 PM (CHICAGO TIME)
DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER

** YEAR-OVER-YEAR % CHANGE



French Franc

	JUN. 78	JUL. 78	AUG. 78	AUG. 77
BALANCE OF TRADE (MLN FFR) JAN-AUG.'77: -10,931 JAN-AUG '78: + 555	+459	+905	-1,060	-1,850
INT'L RESERVES(MLN US)	11,583	12,475	N/A	9,951
NET CHANGE OF FOREIGN EXCHANGE ASSETS **	12.62	17.89	18.77	19.59
RETAIL PRICE INDEX**	8.99	9.34	9.40	9.92

EURO DEPOSIT %	1978 SEP. 8	SEP. 15	SEP. 22	SEP.29	1977 SEP.28
1 MO.	8	7 3/4	7 7/8	.....	8 7/8
3 MO.	8 5/8	8 5/8	8 7/8	10 5/8	9 1/4
6 MO.	9 1/2	9 1/2	9 5/8	10 5/8	10 3/8
12 MO.	10 1/4	10.	10 1/8	10 3/4	10 3/8
WEEKLY RESERVES GOLD & CONV. CURRENCY (MLN FFR)	115,230	115,234	115,770	N/A	94,422

OPEN INTEREST (SEP.29): 75 AVERAGE VOLUME (SEP/78): 10
CONTRACT SIZE : FR 250,000.00 (APPROX. U.S.$57,500.00)
MINIMUM FLUCTUATION : .00005 ($12.50)
DAILY LIMIT (NORMAL) : .0050 ($1,250.00)
MARGIN REQUIRED : US $5,000.00 COMMISSIONS : $60.00
TRADING HOURS : 8:45 AM - 1:10 PM (CHICAGO TIME)
DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER

** YEAR-OVER-YEAR % CHANGE

Spot : 23.30
Dec. 78 : 23.33
Mar. 79 : 22.97

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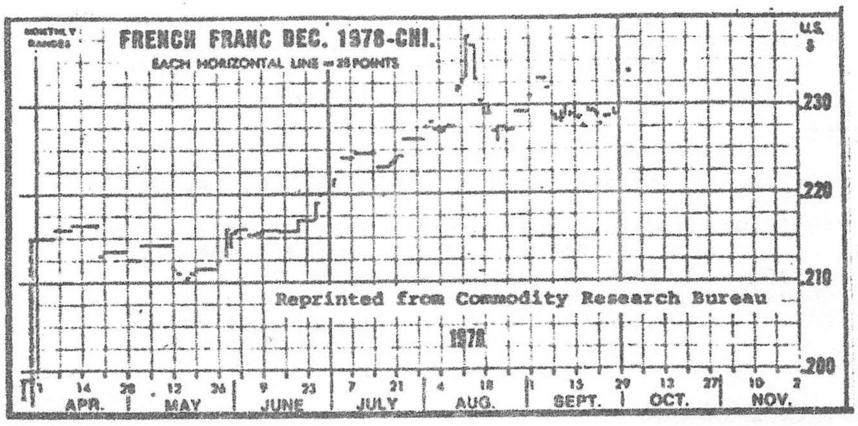
Retain long positions;

Place stops at 22.750 basis Dec. '78.



Oct. 4th, 1978

Mexican Peso

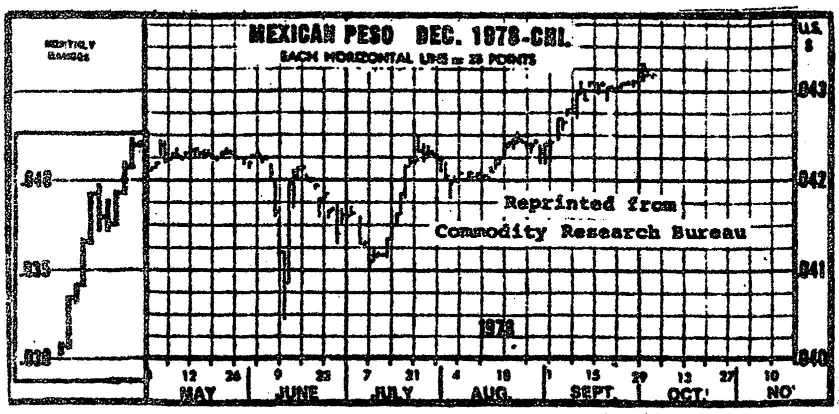
Forward Discounts - Compounded Annual Rates

	Dec. 78	Mar. 79	June 79	Sep. 79	Dec. 79	Mar. 80
Spot	9.24	9.28	9.04	8.62	8.09	7.96
Dec. 78		9.59	9.24	8.74	8.13	8.02
Mar. 79			9.32	8.72	8.02	8.00
Jun. 79				8.51	7.72	7.91
Sep. 79					7.23	7.93
Dec. 79						8.97

	1977				1978	
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.
Balance of Payments Current Account (Mln U.S.$)	-125.4	-260.9	n/a	-712.9	- 49.6 r	-586.9

Balance of Trade(Mln U.S.)	April 78	May 78	June 78	June 77
Jan-June 1977: -271.9 Jan-June 1978: -629.8 Total deficit for 1977: $1,394.6	-120.4	-91.7	-242.6	-102.5

	1977				1978			
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	Apr.	May	Jun.
Reserve Money ** (Bank of Mexico)	-10.25	12.25	20.51	57.13	63.51	49.27	48.13	...
Currency Outside Banks **	49.02	39.86	23.83	11.47	...	...	...	...
Money Supply **	30.40	26.16	23.36	...	...	...	...	...
Money Supply S.A.**	30.40	26.16	23.48	...	...	...	...	...
Demand Deposits **	16.68	18.02	...	...	...	...	...	...
Int'l Reserves (Mln U.S.$)	1,422	1,439	1,654	1,723	1,766	1,798	...	...
Fund Postion: (Mln U.S.$) Net Draw/Net Funds Sales(-)	593	597	595	621	518	514	511	396
W.P.I. **	45.69	50.48	48.50	24.45	17.52	15.93	16.31	16.74
C.P.I. **	25.63	27.29	30.00	22.61	18.52	17.74	17.58	17.15
Industrial Prod. **	-3.09	+3.15	5.32	9.20	8.47	...	...	...
Exports Cotton **	104.5	36.26	16.4	-37.04	46.04	-51.15	...	...
Sugar **	20.56	24.17	-8.33	357.89	-72.87	22.22	...	...
Coffee **	241.47	112.74	105.35	-33.01	-40.37	-97.55	...	...
Shrimps**	204.02	230.00	79.40	-21.53	-25.25	-45.75	...	...
Gov't Finance Deficit (-)	-5,387	-9,123	-10,780	-29,971	-20,263	...	...	...
Revenue	42,841	49,148	48,008	53,544	52,547	...	...	...
Expenditure	48,228	58,271	58,788	83,513	72,837	...	...	...



OPEN INTEREST (SEP.29):2,178 AVERAGE VOLUME (SEP/78):783
CONTRACT SIZE : MP1,000,000.00(APPROX. U.S.$42,000.00)
MINIMUM FLUCTUATION : .00001 ($10.00)
DAILY LIMIT (NORMAL) : .00150 ($1,500.00)
MARGIN REQUIRED : US $6,000.00 COMMISSIONS : $60.00
TRADING HOURS : 8:45 AM - 1:10 PM (CHICAGO TIME)
DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER

** YEAR-OVER-YEAR % CHANGE

Spot	: 43.80
Dec. 78	: 43.15
Mar. 79	: 42.15
June 79	: 41.20
Sep. 79	: 40.35
Dec. 79	: 39.64
Mar. 80	: 38.78

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Finance Minister, David Ibarra Munoz, projected Mexico's 1978 trade deficit at around $2.4 billion up from last year's $1.7 billion but below the 1976 deficit of $3 bln. The widening of the deficit takes place despite current exports about 425,000 barrels of oil per day and is a result of an agricultural trade deficit, chiefly corn & wheat. In our opinion, this deterioration will continue. The 'oil miracle' will not make good years of economic abuse & mismanagement at the farm level.

Monetary & fiscal policies are now highly expansive (see accompanying statistics) and are threatening to launch the country into an uncontrolled (and profitless) boom.

Remain Short.

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INTEREST RATES FUTURES * Very Bearish

A substantial slowing down of Federal Reserve Credit, the Monetary Base, Total Reserves & non-borrowed Reserves has taken place since early August, a move that coincided with & brought about a one percentage point increase in Federal Funds. The money market has observed this tightening in the movement of its yield curve : 1-year TBs yield now 11 basis points less than 6-month TBs, whereas in early August the long dated Bill yielded a full 30 basis points more than the short-dated instrument.

In the interim, our short positions in GNMA & TB futures have benefited handsomely, although it should be noted that for the particular June '78 GNMA position, a 92.04 protective stop was operative for one day & may have disturbed some of our readers. This anomaly was itself a function of the flattening yield curve which pushed up deferred deliveries vis a vis nearby positions.

Remain firmly short looking for substantially lower levels.

As of Oct. 3, 1978

	TB Yield	GNMA Yield	BONDS Yield
Oct. 78	...	9.234	...
Nov.	...	9.244	...
Dec.	8.28	9.254	8.708
Mar. 79	8.46	9.278	8.708
June	8.55	9.292	8.715
Sep.	8.64	9.312	8.715
Dec.	8.72	9.317	8.715
Mar. 80	8.78	9.346	8.715
June	8.83	9.356	8.715
Sep.	8.91	9.356	8.715
Dec.	...	9.375	8.715
Mar. 81	...	9.385	8.715
June	...	9.400	8.715

GNMA (Oct.4th,1978)

Dec. 78 : 90 25/32
Mar. 79 : 90 21/32
June 79 : 90 19/32
Sep. 79 : 90 16/32
Dec. 79 : 90 14/32
Mar. 80 : 90 10/32
June 80 : 90 06/32

TB

Dec. 78 : 91.69
Mar. 79 : 91.53
June 79 : 91.41
Sep. 79 : 91.34
Dec. 79 : 91.29
Mar. 80 : 91.24
June 80 : 91.17

T. Bonds

Dec. 78 : 93.02
Mar. 79 : 93.02
June 79 : 93.04
Sep. 79 : 93.03
Dec. 79 : 93.04
Mar. 80 : 93.03
June 80 : 93.02

MEMBER BANK DEPOSITS - SUBJECT TO RESERVE REQUIREMENTS

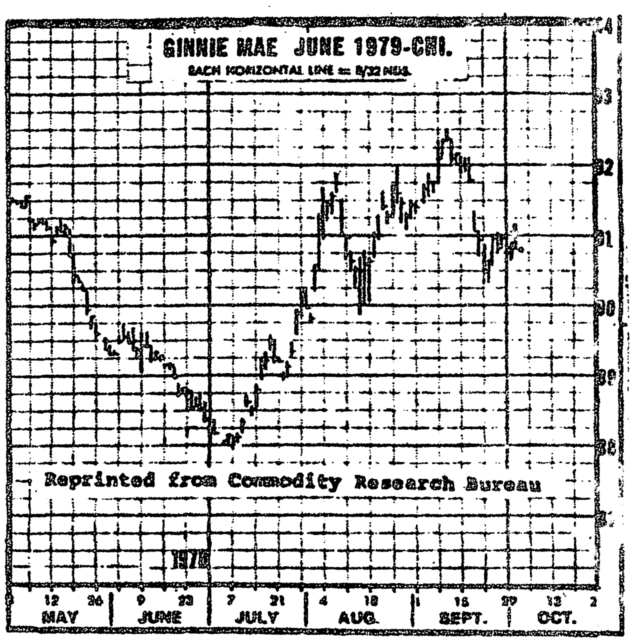
DATE	3 MO. *	6 MO. *	12 MO.**
JAN. 78	12.90	10.69	8.11
FEB. 78	9.84	10.16	8.28
MAR. 78	9.45	10.80	8.50
APR. 78	7.42	10.13	8.74
MAY 78	10.27	10.06	9.8
JUN. 78	9.6	9.53	9.61
JUL. 78	10.05R	8.73R	9.68R
AUG. 78	6.08	8.16	9.25

* ALL PERCENTAGE CHANGES ARE AT SEASONALLY ADJUSTED COMPOUNDED ANNUAL RATES.
** ALL PERCENTAGE CHANGES ARE AT NOT SEASONALLY ADJUSTED ANNUAL RATES.

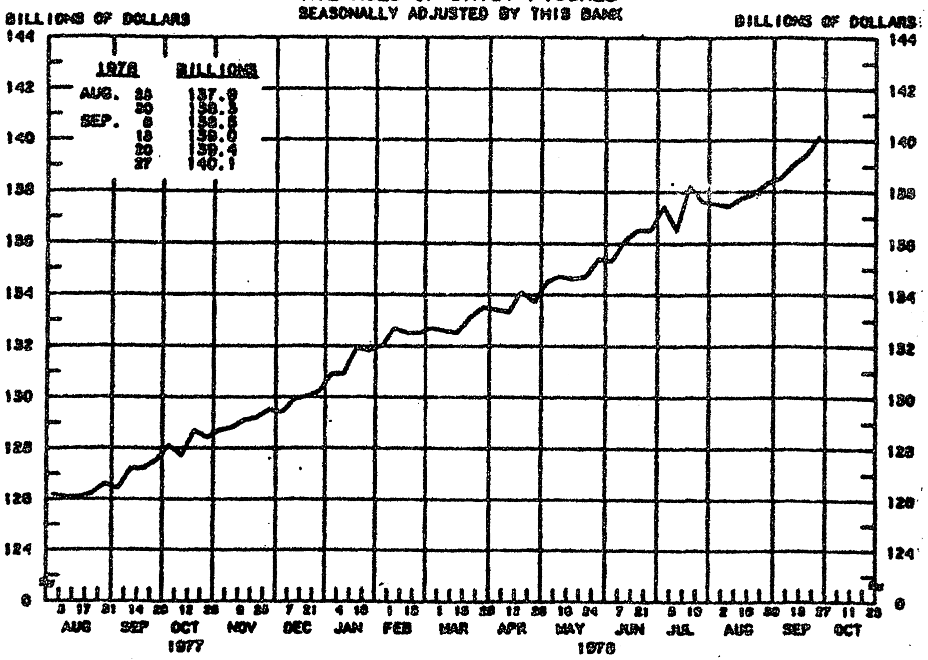
RESERVES AGGREGATES *

	TOTAL RESERVES **			NON-BORROWED RESERVES **		
	13 WKS	26 WKS	52 WKS	13 WKS	26 WKS	52 WKS
JUL.6/78	16.11	10.7	9.1	6.1	7.2	6.4
12	12.8	9.3	8.2	2.3	5.5	5.4
19	14.7	9.8	8.7	3.1	5.2	5.8
26	15.4	9.4	8.9	5.7	5.1	5.6
AUG.2/78						
9	11.8	7.5	8.0	9.5	3.0	5.6
16	8.3	5.8	6.9	9.4	1.9	5.3
23	7.1	5.2	6.7	7.4	0.9	6.0
30	7.3	5.5	7.0	7.4	1.6	7.2
SEP.6	9.1	7.1	7.4	6.1	2.7	7.4
13	6.9	7.6	7.4	5.0	3.8	7.2
20	5.0	8.0	7.2	6.3	4.9	7.0

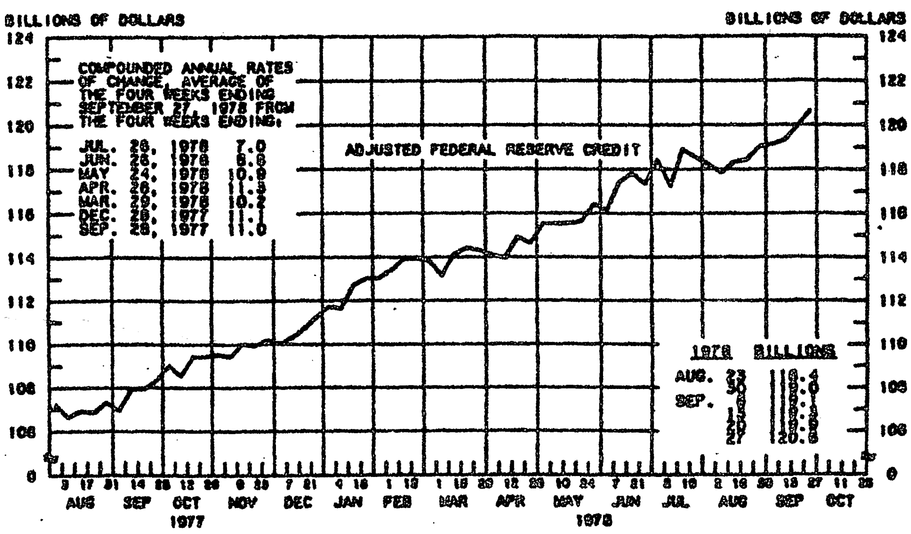
* ALL PERCENTAGE CHANGES ARE AT SEASONALLY ADJUSTED ANNUAL RATES. NOT COMPOUNDED.
** AVERAGE OF 4 WEEKS ENDED FROM 4 WEEKS AVERAGE...



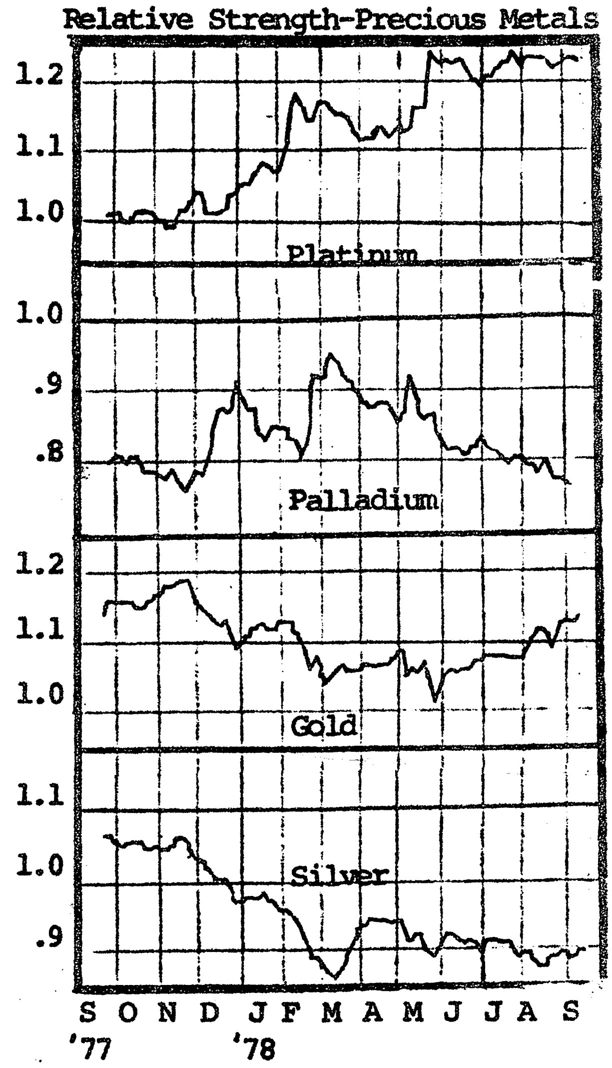
MONETARY BASE
AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED BY THIS BANK



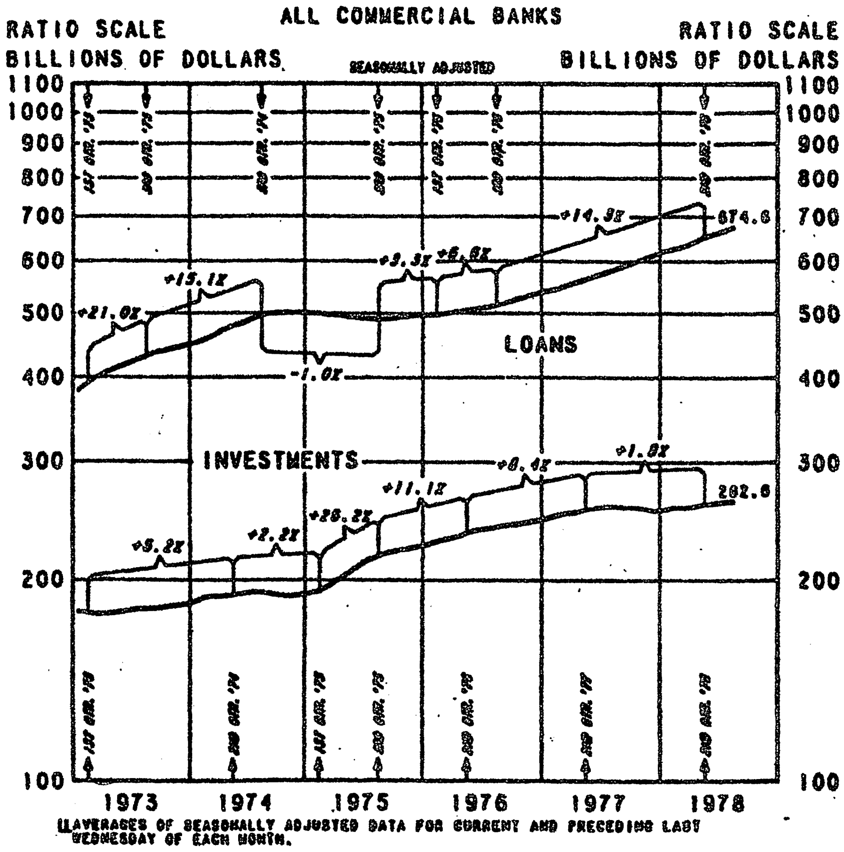
ADJUSTED FEDERAL RESERVE CREDIT
AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



Relative Strength-Precious Metals

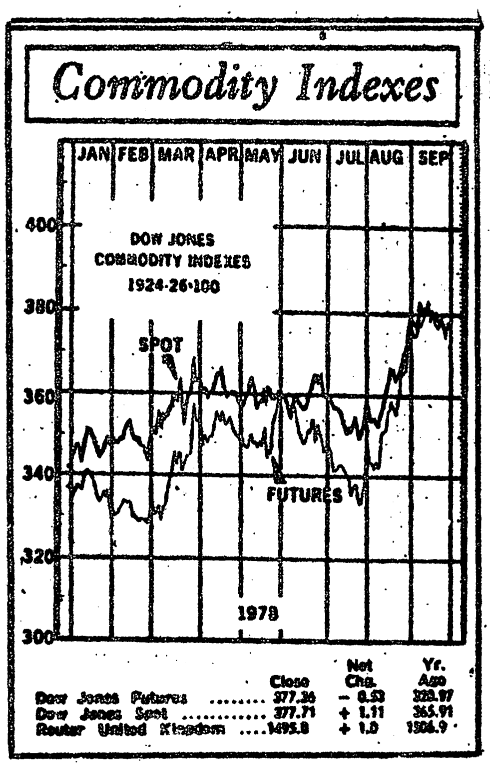


BANK LOANS AND INVESTMENTS [1]
ALL COMMERCIAL BANKS



[1] AVERAGES OF SEASONALLY ADJUSTED DATA FOR CURRENT AND PRECEDING LAST WEDNESDAY OF EACH MONTH.
PERCENTAGES ARE ANNUAL RATES OF CHANGE FOR PERIODS INDICATED.
LATEST DATA PLOTTED: AUGUST

PREPARED BY FEDERAL RESERVE BANK OF ST.LOUIS



Prices rising / Shortages disappearing
(note the closing gap Spot / Futures)
= just a flight from the U.S. Dollar !

F.C.I.

	Sep. 78	Aug. 78	Sep. 77
+ 4.42 from month ago +21.03 from year ago	236	226	195

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All statements made herein, while not guaranteed, are based on information considered reliable and are believed by us to be accurate.

Albert D. Friedberg