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CONFIDENTIAL (FR)

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

July 24, 1964.

## SUPPLEMENTAL NOTES

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### The Domestic Economy

Seasonally adjusted retail sales in July, on the basis of data through July 18, appear to be up moderately from their record May-June level. Durable goods sales, boosted by gains at automotive and furniture and appliance outlets, appear to be rising from the reduced June level. With strong gains reported at apparel, gasoline, and general merchandise outlets, total nondurable sales are maintaining their steady upward pace.

### The Domestic Financial Situation

Total credit at weekly reporting banks after showing tax period and early posttax period changes similar to other recent years declined much more than usual in the week of July 15. Although total loans showed a moderate rise, holdings of U.S. Government securities declined sharply, presumably in response to depressed yields on Treasury bills and on coupon issues eligible in the advance refunding.

Yields on corporate and municipal bonds have remained generally steady this week, and most new issues have been favorably received. Rejection of the bid on the \$100 million State of California bond offering was purely for technical reasons related to state law. Although the average yield on Moody's Aaa municipal bonds rose 2 basis points to 3.09 per cent, the Bond Buyer series on mixed quality issues declined 2 basis points. Also, despite the sizable volume of this week's new offerings, dealers' inventories of unsold municipal securities rose very little.

Common stock prices, as measured by Standard and Poor's composite index of 500 stocks, established a record peak of 84.01 on July 17, but have since edged lower, closing at 83.48 on July 23.

#### International Developments

U.S. banks have reported outstanding short-term claims on foreigners were up by \$330 million in June, much more than in earlier months this year. Preliminary information suggest there was a step-up in the net outflow on bank loans and acceptance credits to foreigners (which had been moderate in March-May), and also some continued outflow of liquid funds for short-term investment. There was a net increase of only \$13 million in June in long-term banking claims on foreigners, bringing the total net outflow for the second quarter to \$70 million. The U.S. payments deficit on regular transactions in June was \$141 million.