

FEDERAL RESERVE BANK
OF NEW YORK

333-6-1

CONFIDENTIAL

June 16, 1927.

My dear Governor Crissinger:

Referring to my letter of June 9 in regard to transactions in the open market there has been some change in the position due to the unexpectedly large overdraft of the Treasury in connection with June 15 transactions which leads me to write you further as to the position of the money market and as to prospective purchases by the Open Market Investment Committee. ✓

We had calculated, with such information as we usually have, that the amount of the overdraft would be, in round figures, \$180,000,000. It turned out to be \$240,000,000, the disbursements for the Treasury's account being larger than the preliminary estimates. Against this large disbursement pending tax collections we distributed \$104,000,000 of participations to various member banks, leaving the net amount of funds put into the market as a result of Treasury transactions \$136,000,000. This means, of course, that there must be withdrawn from the money market between now and early next week not only the \$136,000,000 which will repay the government's temporary certificate of indebtedness (net) but also possibly \$30,000,000 more to restore the government's working balance in the Reserve banks. In other words, on top of borrowings from us aggregating between \$25,000,000 and \$50,000,000 at the present time, the market will lose, say \$165,000,000, and we anticipate that the borrowing in all forms at this bank next week for a time may exceed \$200,000,000, and this, of course, will be in the week prior to the double holiday when we have to meet quite a heavy demand for currency, a demand on the part of those who practice window dressing at semi-annual periods, as well as a demand arising from the very heavy July 1 interest and dividend disbursements.

One hundred million dollars of the securities now held in the open market

see ans 6/23/27

account were purchased to offset the loss of that amount of gold earmarked for foreign account as described in my letter of June 9, so we have only realized about \$15,000,000 of the increase in the account which was contemplated when the committee and the Board discussed the matter at the May meeting. So that, to realize fully the aims we had in mind at that time, we might still purchase an additional \$100,000,000 between now and August 1.

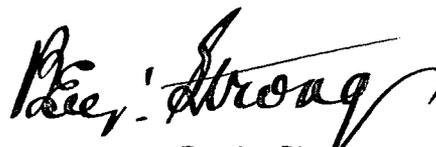
Having in mind, however, the size of the Stock Exchange loan account and the expressions of views contained in your letter of May 13, our directors to-day, after a full discussion, took the view which is held by the officers of the bank that it might be well to defer further purchases until possibly after the first of July, even though in the meantime money rates might advance somewhat in the general money market.

This was the recommendation of the officers of the bank after full discussion of the situation, and we thought we should bring it immediately to the attention of the Board. We are, however, prepared to act promptly in making further purchases in case money market conditions indicate the need for it.

I hope you will be good enough to bring this letter to the attention of the Board as it somewhat elaborates the report contained in my letter of June 9.

I beg to remain,

Very truly yours,



Benj. Strong
Governor

Hon. D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

BS/RAH

See Minutes
AT BOARD MEETING
JUN 17 1927