

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date February 8, 1949

To Gov. Eccles

Subject: \_\_\_\_\_

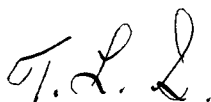
From Mr. T. L. Smith

Tentative estimates of open market transactions (excluding redemptions) in the two month period, December 1948 and January 1949, are shown in the attached table. The material supplements that in the recent memorandum to you dated February 3.

Although the turnabout in the market occurred in early November when prices of bank-eligible bonds rose appreciably, December and January are the only recent months in which the Federal Reserve has sold bonds net.

The Federal Reserve has sold longer term issues both to commercial banks and other investors. The purchases of longer term bonds by other investors were made partly on the basis of sales of shorter term securities to commercial banks. On balance Federal Reserve net sales to both bank and nonbank investors drained 800 million dollars of reserves and net purchases by nonbank investors drew down bank deposits by about 200 million dollars.

Attachment



ESTIMATED MARKET TRANSACTIONS  
DECEMBER 1948 AND JANUARY 1949

(In billions of dollars)

	Federal Reserve & Federal agencies	Com'l banks	Other	Effect on reserves	Effect on money supply (excluding Treas- ury deposits)
Net purchases (+) or sales (-) of securities due or callable:					
Within 5 years	-.1	+.4	-.3	-.1	+.3
After 5 years:					
Bank-eligible	-.4	+.2	+.2	-.4	-.2
Bank-restricted	-.3	*	+.3	-.3	-.3
Total	-.8	+.6	+.2	-.8	-.2

\* Less than 50 million dollars.

GOVERNMENT FINANCE SECTION, BOARD OF GOVERNORS

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