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MONEY MARKET AND RESERVE RELATIONSHIPS

Recent developments

In March, following the further move toward restraint in open market policy and the midmonth rise in the Federal Reserve discount rate from $4\frac{1}{2}$ per cent to 5 per cent, money market conditions became tighter, longer-term interest rates rose, and the rate of bank credit expansion moderated further. The average effective rate on Federal funds during the past two statement weeks was about $5\frac{1}{2}$ per cent, with trading frequently at $5\text{-}3/8$ -- $5\text{-}1/2$ per cent; over this period, net borrowed reserves averaged \$370 million, and member bank borrowings \$660 million.

The 3-month bill rate momentarily reached a peak of 5.45 per cent on Thursday March 14, at the height of the gold crisis and at a time when some market participants had come to expect a discount rate hike of more than $1/2$ percentage point. Subsequent to the announcement that evening of a $1/2$ percentage point rise in the discount rate and following the accord affecting the gold market, the 3-month bill rate declined. The bill was most recently quoted around 5.15 per cent, about 15 basis points above its level just before the March 5 meeting of the Committee.

The relatively moderate reaction of bill rates thus far to the recent monetary policy moves has been partly seasonal, reflecting, among other factors, recent and prospective re-investment demand from holders of maturing March and April tax bills not turned in for taxes. Bill rates were also influenced by the continuing demand for liquidity

FINANCIAL MARKET RELATIONSHIPS IN PERSPECTIVE

(Monthly averages and, where available, weekly averages of daily figures)

Period	Money Market Indicators				Bond Yields			Flow of Reserves, Bank Credit and Money				
	Free Reserves (In millions of dollars)	Borrowings	Federal Funds Rate	3-month Treasury Bill	U.S. Gov't. (20 yr.)	Corporate New Issues (Aaa) ^{1/}	Municipal (Aaa)	Non-borrowed Reserves (In millions of dollars)	Total Reserves	Bank Credit Proxy (In billions of dollars)	Money Supply (In billions of dollars)	Time Deposits ^{2/} (In billions of dollars)
	(Seasonally Adjusted)											
1967--Feb.	42	366	4.99	4.56	4.61	5.18	3.38	+325	+218	+ 3.3	+ 1.2	+ 2.6
Mar.	172	196	4.50	4.26	4.56	5.31	3.47	+555	+415	+ 3.0	+ 1.6	+ 2.6
Apr.	199	150	4.03	3.84	4.64	5.38	3.50	+ 92	+ 49	+ 2.1	- 0.3	+ 2.0
May	275	94	3.94	3.60	4.90	5.62	3.71	+ 96	- 8	+ 1.2	+ 1.6	+ 1.9
June	257	88	3.97	3.53	4.99	5.79	3.80	+ 95	+164	+ 2.0	+ 1.7	+ 2.5
July	311	132	3.78	4.20	5.01	5.78	3.86	+307	+223	+ 3.2	+ 1.7	+ 2.2
Aug.	270	86	3.88	4.26	5.12	3.86**	3.78	+291	+269	+ 3.7	+ 1.2	+ 2.5
Sept.	252	82	3.99	4.42	5.16	5.85**	3.81	+ 96	+193	+ 2.3	+ 0.1	+ 1.7
Oct.	212	141	3.87	4.55	5.36	6.08	3.88	+250	+311	+ 2.7	+ 1.1	+ 2.0
Nov.	225	124	4.14	4.72	5.66	6.50	3.99	+223	+157	+ 1.9	+ 0.9	+ 1.7
Dec.	148	185	4.49	4.96	5.59	6.51	4.15	-292	-145	- 0.1	+ 0.3	+ 1.3
1968--Jan. ^{4/}	142	275	4.60	5.00	5.39	6.24	4.06	+340	+389	+ 1.8	+ 0.9	- 0.2
Feb. p ^{4/}	21	368	4.68	4.97	5.38	6.25	4.06	+177	+236	+ 2.3	+ 0.1	+ 1.3
1968--Mar. 6 p	-174	500	4.85	5.01	5.42	--	4.27			+ 0.5	+ 1.5	+ 0.2
13 p	-311	779	4.50	5.13	5.62	6.43	4.28			- 1.2	- 0.3	+ 0.5
20 p	-327	733	5.12	5.33	5.66	6.50	4.20			+ 0.9	- 0.5	+ 0.4
27 p	-410	582	5.35	5.16	5.62	6.64**	4.28			- 0.2	+ 0.4	- 0.1
	Averages							Annual rates of increase ^{3/}				
Year 1967	195	173	4.19	4.29	5.01	5.77	3.74	+11.5	+ 9.8	+11.6	+ 6.5	+15.8
First Half 1967	153	222	4.36	4.07	4.70	5.45	3.56	+15.0	+10.7	+12.1	+ 6.8	+17.3
Second Half 1967	238	123	4.02	4.51	5.31	6.10	3.91	+ 7.4	+ 8.5	+10.5	+ 6.0	+13.1
<u>Recent variations in growth</u>												
Mar. 29-June 28	245	110	4.00	3.66	4.83	5.63	3.68			+18.8	+ 6.9	+14.3
June 28-Nov. 29	254	112	3.96	4.41	5.25	5.96	3.86			+12.5	+ 6.3	+14.1
Nov. 29-Mar. 27	10	363	4.68	5.02	5.48	6.33	4.11			+ 4.8	+ 3.5	+ 5.8

^{1/} Includes issues carrying 5-year and 10-year call protection; ** issues carry a 5-year call protection.

^{2/} Time deposits adjusted at all commercial banks.

^{3/} Base is change for month preceding specified period or in case of weekly periods, the first week shown.

^{4/} Reserve aggregate changes have been adjusted for change in reserve requirements held against net demand deposits effective at mid-month, January 1968.

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instruments in view of the variety of uncertainties afflicting international exchange and domestic security markets, and by the absence of strong loan demands on banks that might have forced even more aggressive solicitation of CD funds.

The supply of bills available for trading in the market became quite small during the past two statement weeks. At the same time, the System was confronted with an unexpectedly large need to provide reserves because of gold outflows that drained \$1.4 billion from reserves during the three statement weeks ending March 27. System net bill purchases in this period, however, amounted to only \$440 million (mostly from foreign accounts). In the week ending March 27 some reserve needs were accommodated through purchases of coupon issues in order to avoid accentuating downward bill rate pressures, and a substantial amount of reserves were also supplied by a decline in the Treasury balance at Federal Reserve Banks.

System and Treasury operations served to offset only part of the reserve draining effect of gold outflows. In March, nonborrowed reserves declined by about 9 per cent, annual rate. There was only a small increase in total reserves during March, at a 3 per cent annual rate, and this increase was due entirely to an increased use of the discount window by member banks.

Although bill rates in the second half of March retreated from their peak levels, other short-term rates moved up somewhat further, on balance, following the discount rate increase. In particular, new dealer loan rates in New York moved generally into a 5-3/8 -- 5-5/8 per

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cent range, and the relatively high cost to dealers of financing positions served to keep bill rates from declining even more. Other short-term rates--such as on bankers' acceptances, finance company paper, Federal Agency issues, and CD's--have moved up about 25 to 35 basis points on balance since the March 5 meeting of the Committee. Many short-term rates are currently around previous peaks reached near year-end, with very short rates at these peaks or somewhat higher (except for 3-month finance company paper), and yields in the 6-month to 1-year area somewhat lower.

The tightening of monetary policy and rise in short-term rates have made it more expensive and more difficult for banks to roll over maturing CD's and have helped retard growth in bank credit. Over the course of March, outstanding CD's declined by an estimated \$550 million, and banks were forced to pay the 5½ per cent ceiling rate for 30-60 day maturities. Net inflows of consumer-type time and savings deposits were somewhat larger than in the previous two months, however, and total time and savings deposits rose at an annual rate of 10½ per cent. The money supply rose by a 4½ per cent annual rate in March, with currency growth accounting for over half of the increase, and with a relatively small increase in private deposits partly reflecting a reduction in U.S. Government deposits on average in the month. Over the past four months, time and savings deposits and the money supply have risen at annual rates of 6½ per cent and 3½ per cent respectively, well below the pace of May-November 1967; and experience at nonbank savings institutions has been similar.

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The sharp decline in the annual rate of growth of the bank credit proxy, from 10 per cent in February to 4 per cent in March, reflects for the most part the absence of Treasury cash financings during the past month. Overall, since the initiation of a more restrictive monetary policy late last year, the annual rate of growth of the bank credit proxy has dropped to a 5½ per cent annual rate (measured over the 4 months December '67 - March '68 inclusive).

The behavior of key monetary variables over the past four months, in comparison with the previous seven months, is shown below:

	<u>May '67-</u> <u>Nov. '67</u>	<u>Dec. '67-</u> <u>Mar. '68</u>
Total reserves	9.6	6.3
Nonborrowed reserves	10.0	0.3
Bank credit proxy	11.3	5.4
Money supply	8.4	3.3
Time and savings deposits at banks	14.7	6.5
Savings accounts at thrift institutions	8.6	5.5 ^{1/}

NOTE: Dates are inclusive.
1/ Dec. '67 through Feb. '68.

With investors cautious, bank credit expansion under continuing restraint, and costs to banks of borrowed funds increasing, there has been a noticeable rise recently in long-term interest rates. A recent Aaa-rated utility issue has been marketed at 6.67 per cent (with 5-year call protection), up about 40 basis points from a month ago, and municipal

yields have risen further. Yield increases have been intensified by exchange market uncertainties and continued doubts about the likelihood of effective fiscal action--factors which have led many investors to stay short and have brought a few new borrowers into the bond market.

Prospective developments

Even with a pick-up in business loan demand around the mid-April tax period projected, outstanding bank credit in April is likely to show little change on average in the absence of Treasury cash financings. The average annual rate of change in the bank credit proxy is projected to be within a range of -2 to +2 per cent, given prevailing money market conditions. However the proxy is expected to rise from the last week in March to the last week in April. In view of this rise in bank credit over the course of April (part of which is expected to be repaid in May), and with the Treasury assumed to raise around \$2 billion of cash in connection with the mid-May refunding, bank credit on average in May would rise. The annual growth rate may be only in a 2 - 5 per cent range, assuming money market conditions about as stringent as currently prevailing.

As best prevailing money market conditions can be defined in view of the still evolving reactions of major banks and dealers to the recent monetary policy moves and to the still unsettled atmosphere surrounding exchange markets and fiscal policy, such conditions may be taken to include the following: net borrowed reserves in a \$250 - \$400 million range, the Federal funds rate most frequently in a 5-3/8 -- 5-1/2 per cent range, new dealer loan rates in New York generally

5-1/2 -- 5-3/4 per cent, and the 3-month Treasury bill rate 5-1/8 -- 5-3/8 per cent.

Relationships among the various money market variables could well continue shifting about during the next few weeks depending on how banks choose to adjust their money positions. For example, major banks ordinarily run a sizable basic reserve deficit around mid-April, and this could, at least temporarily, put further upward pressure on the Federal funds rate, dealer loan rates, and hence the Treasury bill rate. If these money market indicators show signs of firming, net borrowed reserves might be allowed to move more toward the shallow end of the projected range. On the other hand, it is not at all clear that major banks will want to run a large basic deficit this year, or if they do, it is not clear what their attitude toward use of the discount window will be; if banks decide to resort more to the window, pressure on the Federal funds market could be relatively moderate.

Our projection of bank credit for April assumes that banks are significantly affected by a diversion to market instruments of negotiable time CD funds and also to some extent consumer time and saving deposits. Attrition in outstanding negotiable time certificates of deposit is projected to be in the order of \$750 million to \$1 billion, of which about half represents seasonal contraction. Bill rates at the lower end of the range--which could result from continued liquidity demands and seasonal downward rate pressures--may provide enough leeway for banks to make a better showing than this. But any rise in bill rates into the upper half of the range would cause considerable concern among

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bankers for the Regulation Q ceiling, especially as it pertains to large CD's and especially on the part of non-prime banks. All things considered, total time and savings deposits in April are expected to rise in only a 2 - 5 per cent annual rate, range, showing a considerable drop-off from the month before.

Growth in the money supply may spurt to a 7 - 9 per cent, annual rate, range on average in April, largely in consequence of a sharp further drop from the March average to the April average in U.S. Government deposits. The inflow of tax receipts will result in some build-up in Government deposits after midmonth, but the Treasury will have to borrow cash in the market some time before the mid-June tax date and in preparation for the large deficit that normally develops in July. As a result, a large amount of Treasury cash borrowing can be expected in the not too distant future, with the mid-May refunding presenting a convenient opportunity for raising some cash, and with further cash borrowing needed in June and July, some of which could be in the form of additional bill issues.

Given existing pressures on banks and the money market, long-term interest rates may tend to remain around current advanced levels, unless effective fiscal action suddenly emerges or prospects for peace negotiations improve. In the absence of any move on the fiscal front, the market may begin to react to prospects of large Treasury financings, and if at the same time business loan demands do begin to show a sustained surge, longer-term interest rates could show a sharp further rise.

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Policy alternative. If the Committee should wish to achieve more restrictive monetary conditions during the coming period, it may want to consider adjusting open market operations with a view to attaining the following ranges of money market variables: net borrowed reserves, \$400 - \$500 million; the Federal funds rate most frequently trading 5-1/2 -- 5-3/4 per cent and occasionally higher; new dealer loan rates in New York, 5-3/4 -- 6 per cent; and member bank borrowings, \$650 - \$850 million. The 3-month bill rate under these conditions is likely to move into and toward the upper end of a 5-1/4 -- 5-1/2 per cent range, partly as expectations of a further discount rate increase begin to take hold in markets.

Under the circumstances, the question of Regulation Q ceilings will become of immediate and urgent concern to banks. Without any rise in such ceilings, interest rates could rise sharply further as market participants expect banks to withdraw more or less completely from the municipal market and sense that corporate borrowers may have to move back into the bond markets. The development of pressures in long-term markets, in conjunction with the further diversion of saving flows away from financial institutions, would also likely be accompanied by intensification of short-term market pressures as banks, nonbank institutions and Federal Home Loan Banks reduce their liquidity in order to sustain outstanding loan commitments.

Without a rise in the Regulation Q ceiling, and with the foregoing money market conditions, bank credit in April is likely to decline in a 1 to 4 per cent annual rate range, as banks liquidate

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securities further in light of greater CD run-offs. The end-of-quarter reinvestment period will generally be over before the full impact of the tighter monetary conditions is felt in markets, but there is likely to be some little further slowing of inflows of consumer-type deposits as market yields rise in the course of the month.

While time and savings deposits are likely to show only limited, if any, growth, it is possible that demand deposits could expand somewhat more. Anticipatory borrowing at banks and in the market might lead to more demand deposit growth as the proceeds from these loans and security offerings--some of which may have come out of time accounts--are at least temporarily added to demand balances.

Table A-1

MARGINAL RESERVE MEASURES

(Dollar amounts in millions, based on period averages of daily figures)

Period	Excess reserves	Member banks borrowings	Free reserves		
			As revised to date		As first published each week
Monthly (reserves weeks ending in):					
1967--March	368	196	172		
April	349	150	199		
May	369	94	275		
June	345	88	257		
July	449	132	317		
August	356	86	270		
September	334	82	252		
October	353	141	212		
November	349	124	225		
December	333	185	148		
1968--January	417	275	142		
February p	389	368	21		
March p	343	649	-306		
Weekly:					
1967--Nov. 1	291	80	211	295	312
8	330	132	198	262	233
15	518	162	356	348	375
22	221	127	94	92	131
29	384	119	265	204	240
Dec. 6	288	87	201	228	257
13	333	121	214	187	216
20	267	185	82	47	56
27	442	345	97	100	110
1968--Jan. 3	653	495	158	71	45
10	564	180	384	398	363
17	157	224	-67	-55	-28
24	376	233	143	133	73
31	336	241	95	44	35
Feb. 7	375	241	134	85	88
14	488	384	104	75	89
21	362	405	-43	-44	-57
28	306	442	-136	-143	-148
Mar. 6 p	326	500	-174	-151	-155
13 p	468	779	-311	-309	-320
20 p	406	733	-327	-332	-289
27 p	172	582	-410	-410	-407

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TABLE A-2

AGGREGATE RESERVES AND RELATED MEASURES

Retrospective Changes, Seasonally Adjusted
(In per cent, annual rates based on monthly averages of daily figures)

	Reserve Aggregates ^{2/}				Monetary Variables			
	Total Reserves	Nonborrowed Reserves	Required reserves		Total Member Bank Deposits (credit) ^{1/2/}	Time Deposits (comm. banks) ^{2/}	Money Supply	
			Total	Against Demand Deposits			Total	Private Demand Deposits
Annually:								
1966	+ 1.2	+ 0.8	+ 1.4	+ 0.9	+ 3.7	+ 8.8	+ 2.2	+ 1.2
1967	+ 9.8	+11.5	+10.2	+ 7.0	+11.6	+15.8	+ 6.5	+ 6.8
Monthly:								
1967--Jan.	+19.2	+26.0	+14.4	+14.0	+16.1	+16.5	- 0.7	- 2.7
Feb.	+11.5	+17.4	+12.0	+11.6	+15.9	+19.3	+ 8.5	+ 9.1
Mar.	+21.6	+29.4	+15.3	+ 9.8	+14.3	+19.0	+11.2	+12.7
Apr.	+ 2.5	+ 4.7	+ 8.1	+ 5.0	+ 9.9	+14.4	- 2.8	- 5.4
May	- 0.4	+ 4.9	- 1.2	- 2.1	+ 5.6	+13.5	+12.5	+15.3
June	+ 8.4	+ 4.9	+ 4.8	- 2.8	+ 8.8	+17.5	+11.7	+13.3
July	+11.3	+15.2	+16.0	+15.8	+15.2	+15.2	+11.6	+14.0
Aug.	+13.5	+14.7	+15.6	+14.4	+16.9	+17.1	+ 8.1	+10.4
Sept.	+ 9.6	+ 4.8	+ 9.0	+ 7.2	+10.3	+11.4	+ 0.7	- 0.9
Oct.	+15.3	+12.4	+18.0	+16.1	+12.0	+13.3	+ 7.4	+ 6.9
Nov.	+ 7.6	+10.9	+ 5.5	+ 2.8	+ 7.9	+11.2	+ 6.0	+ 7.7
Dec.	- 7.0	-14.2	- 0.3	-10.2	- 0.4	+ 8.5	+ 2.0	- 0.9
1968--Jan. ^{3/}	+18.9	+16.7	+13.8	+17.7	+ 7.9	- 1.2	+ 5.9	+ 6.8
Feb. p ^{3/}	+11.3	+10.2	+ 8.3	+16.5	+10.0	+ 8.4	+ 0.6	- 0.8
Mar. p ^{3/}	+ 1.9	-12.0	+ 1.6	- 0.2	+ 4.0	+10.5	+ 4.5	+ 3.5

^{1/} Includes all deposits subject to reserve requirements. Movements in this aggregate correspond closely with movements in total member bank credit.

^{2/} Changes in reserves, total deposits and time deposits have been adjusted for redefinition of time deposits effective June 9, 1966.

^{3/} Reserve aggregate changes have been adjusted for change in reserve requirements held against net demand deposits effective at mid-month, January 1968.

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Chart 1

MEMBER BANK RESERVES

MONTHLY AVERAGES OF DAILY FIGURES

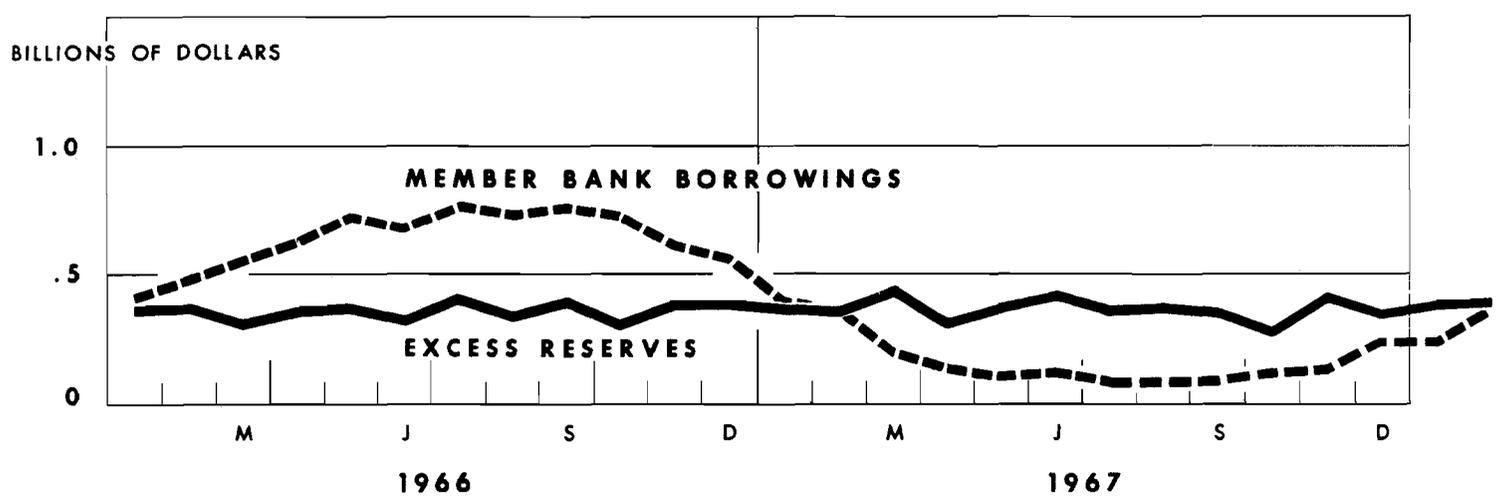
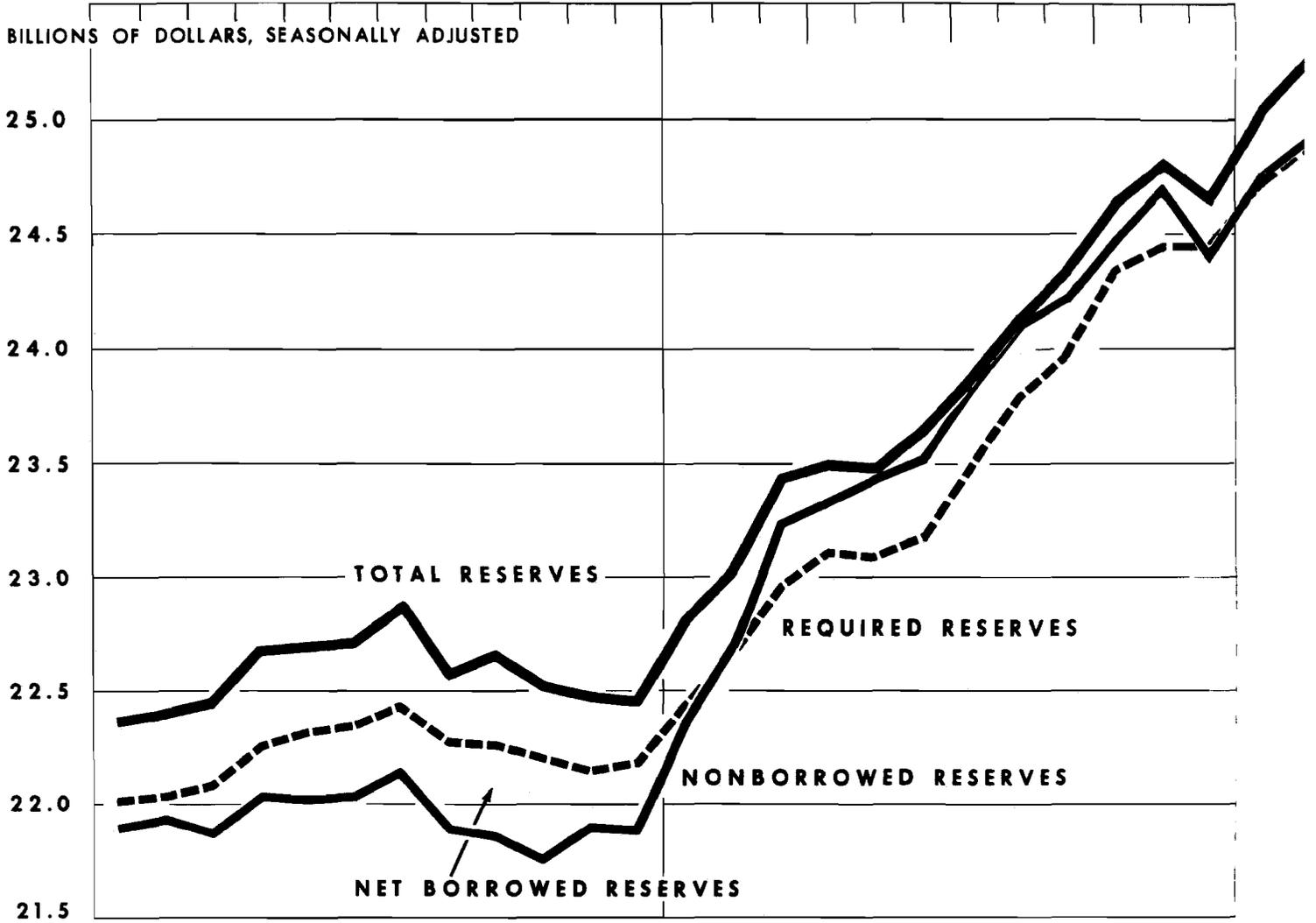


Chart 2

MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

BILLIONS OF DOLLARS

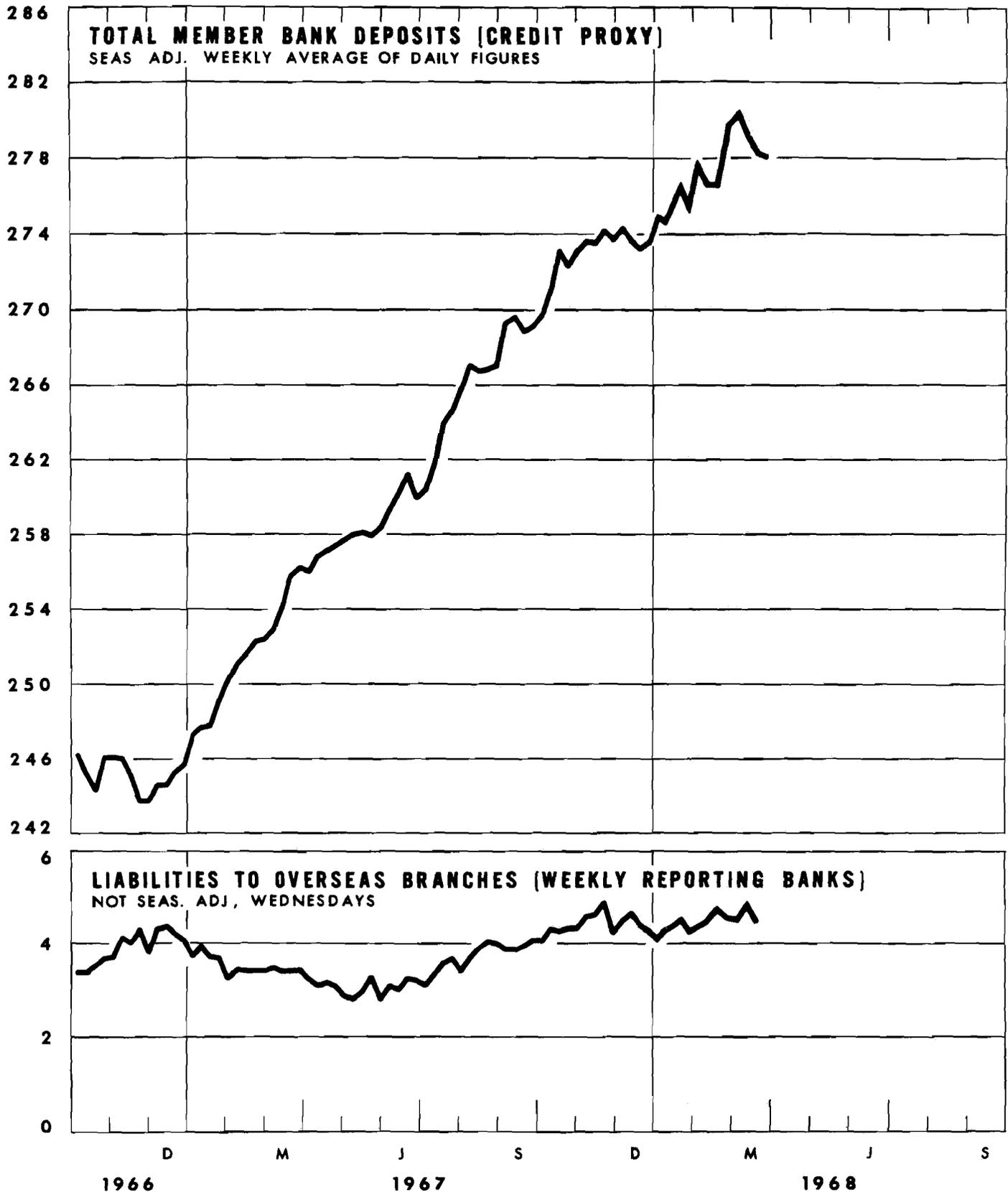


Chart 3

MONEY SUPPLY AND BANK DEPOSITS

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

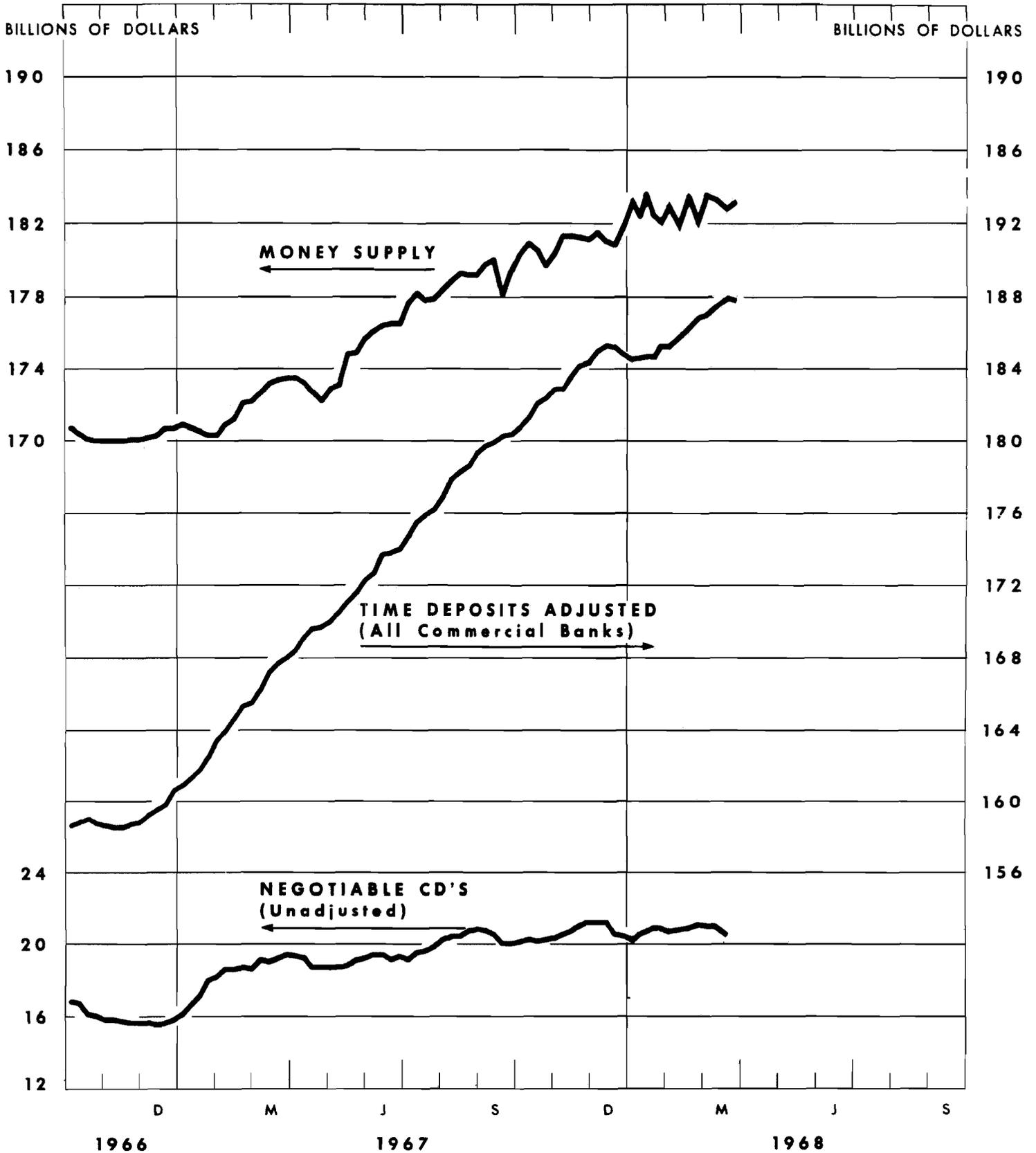


Chart 4

DEMAND DEPOSITS AND CURRENCY

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

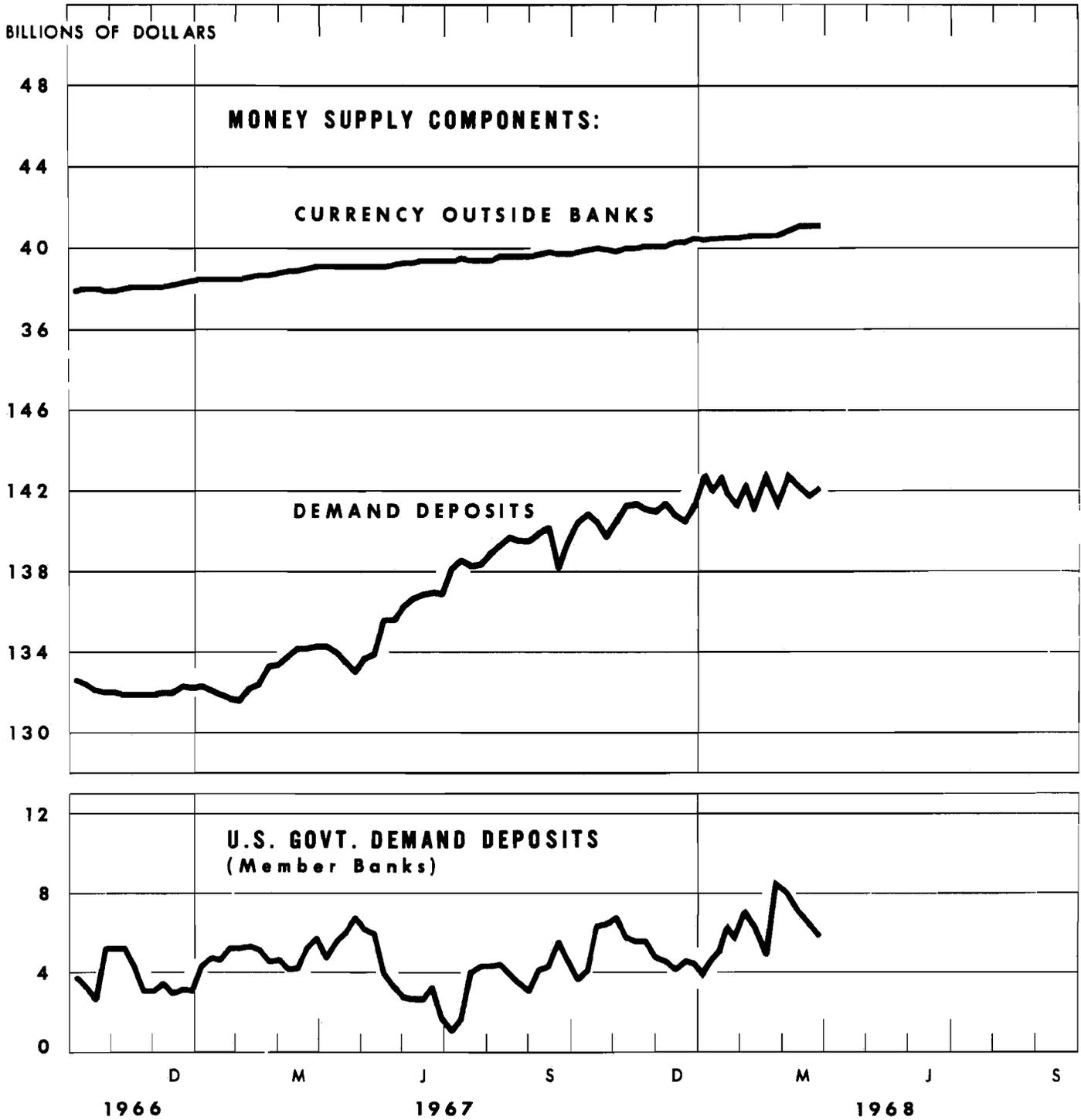


Table B-1

MAJOR SOURCES AND USES OF RESERVES

Retrospective and Prospective
(Dollar amounts in millions, based on weekly averages of daily figures)

Period	Factors affecting supply of reserves				= Change in total reserves	= Bank use of reserves	
	Federal Reserve credit (excl. float) 1/	Gold stock	Currency outside banks	Technical factors net 2/		Required reserves 3/	Excess reserves
Year:							
1966 (12/29/65 - 12/28/66)	+3,149	- 627	-2,243	+ 805	+1,085	+1,111	- 26
1967 (12/28/66 - 12/27/67)	+4,718	- 725	-2,305	- 165	+1,522	+1,517	+ 5
Year-to-date:							
(12/28/66 - 3/29/67)	+ 221	- 51	+ 993	-1,997	- 836	- 784	- 52
(12/27/67 - 3/27/68) 5/	+ 909	-1,950	+1,145	- 460	- 355	- 85	- 270
Weekly:							
1968--Feb. 7	+ 346	- 29	- 453	+ 387	+ 249	+ 210	+ 39
14	+ 35	- 72	- 76	- 278	- 391	- 504	+ 1
21	- 773	--	+ 167	+ 350	- 255	- 146	- 109
28	+ 314	+ 1	+ 199	- 153	+ 361	+ 427	- 66
Mar. 6 p	+ 410	--	- 395	+ 164	+ 178	+ 165	+ 13
13 p	+ 479	- 274	- 330	- 144	- 266	- 408	+ 142
20 p	+ 516	- 737	+ 69	+ 272	+ 117	+ 179	- 62
27 p	- 323	- 388	+ 229	+ 147	- 333	- 99	- 234
PROJECTED 4/							
1968--Apr. 3	+ 30	--	- 80	+ 50	--	--	--
10	+ 430	--	- 510	+ 175	+ 95	+ 95	--
17	- 380	--	+ 140	+ 435	+ 195	+ 195	--
24	- 30	--	+ 310	- 105	+ 175	+ 175	--
May 1	- 90	--	+ 150	- 150	- 90	- 90	--
8	+ 525	--	- 505	- 50	- 30	- 30	-
15	- 55	--	- 130	+ 45	- 140	- 140	--

1/ For retrospective details see Table B-4.

2/ For factors included, see Table B-3.

3/ For required reserves by type of deposits, see Table B-2.

4/ See reverse side for explanation.

5/ Includes increase in reserve requirements of \$360 million effective Jan. 11, 1968, and \$190 million effective January 18, 1968.

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Explanation of Projections in Table B-1

1. Changes in Federal Reserve credit indicate reserves needed to offset projected changes in required reserves and factors affecting the supply of reserves.
2. Projected changes in currency outside banks reflect seasonal movements plus an allowance for growth of about \$40 million per week.
3. Projected effects of Treasury operations, included in "technical factors," reflect scheduled and assumed calls in current two weeks and thereafter, maintenance of Treasury balances with Federal Reserve at \$1.0 billion.
4. Projected changes in required reserves assume the existing net reserve position of banks and the structure of interest rates in the market, as well as the current economic outlook. On the basis of these assumptions the projections reflect expected movements in bank credit and money in the period ahead, including the effects of such elements as the public's loan demand, repayments of previous loans, bank's investment preferences and willingness to supply loans, bank's desires and abilities to obtain time and savings deposits, and the Government's financing needs. The projections thus encompass normal seasonal developments, temporary bursts of loan demand and expected associated repayments not currently reflected by the seasonals, and whatever cyclical and growth demands for money and credit are expected in the projection period. Assumed Treasury financing operations include: \$0.1 billion increase in the weekly and monthly Treasury bill auctions through May 15; \$ 0.7 billion, April 8; \$ 2.0 billion, May 15.

Table B-2

CHANGES IN REQUIRED RESERVE COMPONENTS

Retrospective and Prospective Seasonal and Nonseasonal Changes
(Dollar amounts in millions, based on weekly averages of daily figures)

Period	Total required reserves	Supporting U. S. Gov't. demand deposits	Supporting private deposits					
			Total	Seasonal changes		Other than seasonal changes		
				Demand	Time	Demand	Time	
Year:								
1966 (12/29/65 - 12/28/66)	+1,111	- 87	+1,198	- 14	- 4	- 5	+1,221 ^{1/}	
1967 (12/28/66 - 12/27/67)	+1,517	+261	+1,256	+ 59	+ 6	+1,023	+ 168 ^{1/}	
Year-to-date:								
(12/28/66 - 3/29/67)	- 784	-202	- 986	-1,000	+118	+390	- 494	
(12/27/67 - 3/27/68) <u>2/</u>	- 85	- 12	- 73	-982	+ 96	+703	+ 11	
Weekly:								
1968--Feb. 7	+ 210	+186	+ 24	-190	+ 11	+208	- 5	
14	- 504	-160	- 344	-175	+ 5	-186	+ 12	
21	- 146	- 96	- 50	-221	- 5	+155	+ 21	
28	+ 427	+587	- 160	- 58	+ 5	-125	+ 18	
Mar. 6 p	+ 165	-172	+ 337	+131	+ 5	+198	+ 3	
13 p	- 408	-361	- 47	+ 59	+ 11	-130	+ 13	
20 p	+ 179	+ 63	+ 116	+146	- 11	- 18	- 1	
27 p	- 99	+104	- 203	-306	+ 11	+101	- 9	
	PROJECTED							
1968--Apr. 3	--	-240	+ 240	+145	+ 10	+ 75	+ 10	
10	+ 95	-175	+ 270	+220	--	+ 45	+ 5	
17	+ 195	- 85	+ 280	+250	- 5	+ 30	+ 5	
24	+ 175	+365	- 190	-130	--	- 60	--	
Mar. 1	- 90	- 70	- 20	-160	--	+135	+ 5	
8	- 30	+195	- 225	-310	--	+ 75	+ 10	
15	- 140	-115	- 25	- 75	+ 5	+ 45	--	

^{1/} Reflects reserves requirements changes in July, September 1966, and March 1967.

^{2/} Includes increase in reserve requirements of \$360 million effective Jan. 11, 1968, and \$190 million effective January 18, 1968.

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Table B-3

TECHNICAL FACTORS AFFECTING RESERVES

Retrospective and Prospective Changes

(Dollar amounts in millions, based on weekly averages of daily figures)

Period	Technical factors (net)	Treasury operations	Float	Foreign deposits and gold loans	Other nonmember deposits and F. R. accounts
ACTUAL					
(Sign indicates effect on reserves)					
<u>Year:</u>					
1966 (12/29/65 - 12/28/66)	+ 805	+673	+ 64	- 30	+ 98
1967 (12/28/66 - 12/27/67)	- 165	- 85	- 389	- 7	+316
<u>Year-to-date:</u>					
(12/28/66 - 3/29/67)	-1,997	-238	-1,200	+ 9	-568
(12/27/67 - 3/27/68)	- 460	+158	- 871	- 40	+293
<u>Weekly:</u>					
1968--Feb. 7	+ 387	+221	+ 2	+ 19	+145
14	- 278	-141	- 184	+ 5	+ 42
21	+ 350	+ 34	+ 467	- 3	-148
28	- 153	+ 47	- 178	- 7	- 15
Mar. 6 p	+ 164	+ 49	+ 173	- 4	- 54
13 p	- 144	+ 8	- 256	+ 37	+ 67
20 p	+ 272	+ 6	+ 195	- 37	+108
27 p	+ 147	+309	- 151	- 39	+ 28
PROJECTED					
1968--Apr. 3	+ 50	+365	- 200	+ 50	-165
10	+ 175	- 20	+ 50	--	+145
17	+ 435	--	+ 300	--	+135
24	- 105	--	- 150	--	+ 45
May 1	- 150	--	- 150	--	--
8	- 50	--	- 50	--	--
15	+ 45	--	+ 50	--	- 5

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Table B-4

SOURCE OF FEDERAL RESERVE CREDIT

Retrospective Changes

(Dollar amounts in millions of dollars, based on weekly averages of daily figures)

Period	Total Federal Reserve credit (Excl. float)	U.S. Government securities				Federal Agency Securities	Bankers' acceptances	Member banks borrowings
		Total holdings	Bills	Other	Repurchase agreements			
<u>Year:</u>								
1966 (12/29/65-12/28/66)	+3,149	+3,069	+2,158	+ 474	+437	+ 26	+ 52	+ 2
1967 (12/28/66-12/27/67)	+4,718	+5,009	+4,433	+1,153	-577	- 19	- 69	-203
<u>Year-to-date:</u>								
(12/28/66 - 2/29/67)	+ 221	+ 732	+1,165	+ 101	-534	- 20	- 78	-413
(12/27/67 - 3/27/68)	+ 909	+ 691	+ 455	+ 317	- 81	- 7	- 12	+237
<u>Weekly:</u>								
1968--Jan. 3	+ 554	+ 328	+ 195	--	+133	+ 33	+ 43	+150
10	- 514	- 75	+ 65	--	-140	- 40	- 84	-315
17	- 380	- 426	- 409	--	- 17	+ 1	+ 1	+ 44
24	+ 404	+ 348	+ 339	+ 66	- 57	- 1	+ 48	+ 9
31	- 159	- 135	- 180	+ 11	+ 34	--	- 32	+ 8
Feb. 7	+ 346	+ 369	- 11	--	+380	+ 5	- 28	--
14	+ 35	- 133	- 110	--	- 23	- 1	+ 26	+143
21	- 773	- 763	- 372	--	-391	- 4	- 27	+ 21
28	+ 314	+ 281	+ 259	+ 22	--	--	- 4	+ 37
Mar. 6	+ 410	+ 344	+ 200	+ 95	+ 49	+ 9	- 1	+ 58
13	+ 479	+ 199	+ 94	+ 53	+ 52	+ 2	- 1	+279
20	+ 516	+ 573	+ 631	+ 43	-101	- 11	--	- 46
27	- 323	- 219	- 246	+ 27	--	--	+ 47	-151

Chart Reference Table C-1

TOTAL, NONBORROWED AND REQUIRED RESERVES 1/

Seasonally Adjusted

(Dollar amounts in millions, based on monthly averages of daily figures)

Period	Total reserves	Nonborrowed reserves	Required reserves		
			Total	Against private deposits	
				Total	Demand
1965--Jul.	21,857	21,356	21,488	20,626	15,921
Aug.	21,923	21,417	21,533	20,719	15,943
Sept.	21,869	21,318	21,494	20,904	16,065
Oct.	21,986	21,533	21,645	21,073	16,147
Nov.	21,976	21,589	21,671	21,170	16,196
Dec.	22,186	21,722	21,861	21,285	16,266
1966--Jan.	22,358	21,899	22,007	21,411	16,375
Feb.	22,401	21,943	22,028	21,464	16,413
Mar.	22,452	21,873	22,077	21,600	16,506
Apr.	22,679	22,027	22,252	21,771	16,605
May	22,703	22,020	22,308	21,782	16,562
June	22,707	22,030	22,339	21,883	16,606
Jul.	22,861	22,140	22,431	21,841	16,512
Aug.	22,571	21,900	22,274	21,842	16,473
Sept.	22,655	21,864	22,256	21,860	16,475
Oct.	22,524	21,748	22,200	21,741	16,365
Nov.	22,465	21,898	22,142	21,716	16,364
Dec.	22,449	21,885	22,175	21,772	16,378
1967--Jan.	22,808	22,360	22,442	21,803	16,328
Feb.	23,026	22,685	22,666	22,044	16,478
Mar.	23,441	23,240	22,955	22,297	16,647
Apr.	23,490	23,332	23,110	22,293	16,578
May	23,482	23,428	23,086	22,559	16,786
June	23,646	23,523	23,178	22,890	17,024
Jul.	23,869	23,830	23,488	23,049	17,115
Aug.	24,138	24,121	23,794	23,275	17,246
Sept.	24,331	24,217	23,972	23,330	17,237
Oct.	24,642	24,467	24,332	23,453	17,316
Nov.	24,799	24,690	24,444	23,605	17,404
Dec.	24,654	24,398	24,437	23,628	17,386
1968 -- Jan. <u>2/</u>	25,043	24,738	24,718	23,751	17,510
Feb. p <u>2/</u>	25,279	24,915	24,889	23,796	17,531
Mar. p <u>2/</u>	25,320	24,665	24,923	23,902	17,598

p - Preliminary.

- 1/ Reserves have been adjusted for redefinition of time deposits effective June 9, 1966
- 2/ Reserve aggregates have been adjusted for change in reserve requirements held against net demand deposits effective at mid-month, January 1968.

Table C-2

DEPOSITS SUPPORTED BY REQUIRED RESERVES AT ALL MEMBER BANKS

Seasonally Adjusted

(Dollar amounts in billions based on monthly averages of daily figures)

Period	Total member bank deposits (credit) <u>1/2/</u>	Time deposits ₂	Private demand deposits <u>3/</u>	U.S. Gov't. demand deposits
1966--Jan.	238.0	121.7	111.7	4.7
Feb.	239.0	122.0	112.0	5.0
Mar.	239.8	123.0	112.6	4.2
Apr.	242.2	124.8	113.3	4.1
May	243.9	126.1	113.0	4.8
June	244.8	127.5	113.3	4.0
Jul.	246.7	128.7	112.6	5.3
Aug.	246.5	129.7	112.4	4.4
Sept.	246.4	130.1	112.4	3.9
Oct.	245.5	129.9	111.6	4.0
Nov.	244.8	129.3	111.6	4.0
Dec.	245.2	130.3	111.7	3.2
1967--Jan	248.5	132.2	111.4	4.9
Feb.	251.8	134.4	112.4	4.0
Mar.	254.8	136.5	113.6	4.8
Apr.	256.9	138.0	113.1	5.8
May	258.1	139.4	114.5	4.1
June	260.0	141.7	116.1	2.2
Jul.	263.3	143.3	116.7	3.2
Aug.	267.0	145.6	117.6	3.7
Sept.	269.3	147.2	117.6	4.5
Oct.	272.0	148.2	118.1	5.6
Nov.	273.8	149.8	118.7	5.3
Dec.	273.7	150.8	118.6	4.4
1968--Jan.	275.5	150.7	119.4	5.3
Feb. p	277.8	151.3	119.6	6.9
Mar. p	278.7	152.3	120.0	6.4

1/ Includes all deposits subject to reserve requirements--i.e., the total of time, private demand, and U.S. Government demand deposits. Movements in this aggregate correspond closely with movements in total member bank credit.

2/ Deposits have been adjusted for redefinition of time deposits effective June 9, 1967.

3/ Private demand deposits include demand deposits of individual, partnerships and corporations and net interbank balances.

TABLE C-2a

DEPOSITS SUPPORTED BY REQUIRED RESERVES AT ALL MEMBER BANKS

Seasonally adjusted

(Dollar amounts in billions based on weekly averages of daily figures)

Week ending:	Total member bank deposits (credit) 1/ 2/	Time deposits 2/	Private demand deposits 3/	U. S. Gov't. demand deposits
1967--Sept. 6	269.3	146.9	118.3	4.1
13	269.6	147.0	118.3	4.3
20	268.8	147.2	116.1	5.5
27	269.1	147.3	117.4	4.5
Oct. 4	269.7	147.6	118.6	3.6
11	271.0	148.0	118.9	4.1
18	273.1	148.4	118.4	6.3
25	272.3	148.4	117.6	6.4
Nov. 1	273.1	148.9	117.6	6.7
8	273.6	149.0	118.9	5.7
15	273.5	149.6	118.5	5.5
22	274.2	150.1	118.7	5.5
29	273.7	150.4	118.6	4.7
Dec. 6	274.3	150.6	119.1	4.5
13	273.6	150.9	118.5	4.1
20	273.2	150.8	117.9	4.5
27	273.6	150.7	118.3	4.4
1968--Jan. 3	274.9	150.5	120.4	3.9
10	274.7	150.6	119.6	4.5
17	275.5	150.6	119.9	5.0
24	276.4	150.7	119.3	6.4
31	275.4	151.1	118.5	5.8
Feb. 7	277.6	150.8	119.8	7.0
14	276.6	151.2	119.1	6.3
21	276.6	151.6	120.2	4.9
28	279.8	151.9	119.2	8.7
Mar. 6 p	280.3	152.0	120.3	8.0
13 p	279.1	152.2	119.8	7.1
20 p	278.2	152.4	119.4	6.4
27 p	278.0	152.2	120.0	5.8

p - Preliminary.

1/ Includes all deposits subject to reserve requirements--i.e., the total of time, private demand, and U.S. Government demand deposits. Movements in this aggregate correspond closely with movements in total member bank credit.

2/ Deposits have been adjusted for redefinition of time deposits effective June 9, 1966.

3/ Private demand deposits include demand deposits of individuals, partnerships and corporations and net interbank balances.

TABLE C-3
MONEY SUPPLY AND TIME DEPOSITS AT ALL COMMERCIAL BANKS

Seasonally adjusted

(Dollar amounts in billions, based
on monthly averages of daily figures)

Monthly	Money Supply	Currency <u>1/</u>	Private Demand Deposits <u>2/</u>	Time Deposits Adjusted <u>3/</u>
1966--Jan.	167.9	36.6	131.4	147.5
Feb.	168.3	36.7	131.6	148.3
Mar.	169.2	36.9	132.3	149.8
Apr.	170.5	37.1	133.4	151.8
May	170.2	37.3	132.9	153.4
June	170.6	37.4	133.2	154.8
Jul	169.9	37.7	132.3	156.9
Aug.	170.1	37.8	132.4	158.1
Sept.	170.5	37.9	132.6	158.6
Oct.	170.1	38.0	132.1	158.8
Nov.	170.1	38.1	132.0	158.5
Dec.	170.4	38.3	132.1	159.8
1967--Jan.	170.3	38.5	131.8	162.0
Feb.	171.5	38.7	132.8	164.6
Mar.	173.1	38.9	134.2	167.2
Apr.	172.7	39.1	133.6	169.2
May	174.5	39.2	135.3	171.1
June	176.2	39.3	136.8	173.6
Jul.	177.9	39.5	138.4	175.8
Aug.	179.1	39.6	139.6	178.3
Sept.	179.2	39.8	139.5	180.0
Oct.	180.3	39.9	140.3	182.0
Nov.	181.2	40.0	141.2	183.7
Dec.	181.5	40.4	141.1	185.0
1968--Jan.	182.4	40.5	141.9	184.8
Feb. p	182.5	40.7	141.8	186.1
Mar. p	183.2	41.1	142.2	187.7

1/ Includes currency outside the Treasury, the Federal Reserve, and the vaults of all commercial banks.

2/ Includes (1) demand deposits at all commercial banks, other than those due to domestic commercial banks and the U.S. Government, less cash items in process of collection of Federal Reserve float; and (2) foreign demand balances at Federal Reserve Banks.

3/ Deposits have been adjusted for redefinition of time deposits effective June 9, 1968.
p - Preliminary.

TABLE C-3a
MONEY SUPPLY AND TIME DEPOSITS AT ALL COMMERCIAL BANKS
Seasonally Adjusted
(Dollar amounts in billions, based
on weekly averages of daily figures)

Week Ending	Money Supply	Currency <u>1/</u>	Private Demand Deposits <u>2/</u>	Time Deposits adjusted <u>3/</u>
1967--Sept. 6	179.7	39.7	139.9	179.6
13	180.0	39.8	140.2	179.8
20	178.0	39.7	138.2	180.2
27	179.3	39.7	139.5	180.3
Oct. 4	180.3	39.8	140.5	180.7
11	180.9	39.9	140.9	181.2
18	180.5	40.0	140.5	182.0
25	179.6	39.9	139.7	182.3
Nov. 1	180.3	39.8	140.5	182.8
8	181.3	40.0	141.3	182.8
15	181.3	40.0	141.4	183.5
22	181.2	40.1	141.1	184.1
29	181.1	40.1	141.0	184.3
Dec. 6	181.5	40.1	141.4	184.9
13	181.0	40.3	140.8	185.2
20	180.8	40.3	140.5	185.1
27	181.8	40.5	141.3	184.7
1968--Jan. 3	183.1	40.4	142.7	184.4
10	182.5	40.5	142.0	184.6
17	183.1	40.5	142.6	184.7
24	182.1	40.6	141.6	184.7
31	181.3	40.5	140.8	185.2
Feb. 7	182.7	40.7	142.0	185.2
14	181.9	40.7	141.1	185.7
21	183.4	40.7	142.6	186.2
28	182.1	40.7	141.4	186.8
Mar. 6 p	183.6	40.9	142.7	187.0
13 p	183.3	41.1	142.2	187.5
20 p	182.8	41.1	141.7	187.9
27 p	183.2	41.1	142.1	187.8

- 1/ Includes currency outside the Treasury, the Federal Reserve, and the vaults of all commercial banks.
- 2/ Includes (1) demand deposits at all commercial banks, other than those due to domestic commercial banks and the U.S. Government, less cash items in process of collection and Federal Reserve float; and (2) foreign demand balances of Federal Reserve Banks.
- 3/ Deposits have been adjusted for redefinition of time deposits effective June 9, 1966.
- p - Preliminary