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MONEY MARKET AND RESERVE RELATIONSHIPS

Recent developments

Since the April 18 announcement of the increase in the discount rate (to 5-1/2 per cent) and in Regulation Q ceilings on large denomination negotiable CD's, and in light of the Committee's move toward firmer monetary conditions at the subsequent FOMC meeting, both short- and long-term market yields have risen moderately on balance, and the prime rate has risen 1/2 point. Aside from temporary declines at the end of the double settlement week, Federal funds rates have traded around 6 per cent in recent sessions. The 3- and 6-month bill rates have increased by around 15-20 basis points to 5.50 and 5.65 per cent, respectively. Net borrowed reserves of \$536 million were published for the statement week containing the discount rate change, partly reflecting very low excess reserve holdings of country banks in the second half of their reserve periods; this figure compares with average net borrowed reserves of \$268 million for the preceding three weeks.

Bill rates have shown only moderate increases thus far since the discount rate hike largely because of sizable bill demands. Among these were demands for reinvestment of the proceeds of the \$2.3 billion of tax anticipations bills which were not turned in for taxes, and large seasonal demands from public funds.

Prior to the move to even greater monetary restraint associated with the discount rate increase, short-term rates had moved gradually

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 Re-serves	Bank Credit Proxy (In billions of dollars)	Money Supply	Time Deposits ^{2/} (In billions of dollars)
	(Seasonally Adjusted)											
1--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	+ 1.0	- 0.2
Feb. ^{4/}	21	368	4.68	4.98	5.38	6.29**	4.01	+177	+236	+ 2.3	--	+ 1.3
Mar. ^{4/} p	-312	649	5.02	5.17	5.59	6.56**	4.28	-255	+ 55	+ 1.0	+ 0.9	+ 1.7
1968--Apr. ³ p	-366	696	5.63	5.17	5.54	6.58	4.18			- 0.2	+ 0.5	+ 0.1
10 p	-193	646	5.66	5.28	5.41	6.41	4.08			- 0.9	- 0.2	+ 0.1
17 p	-244	763	5.70	5.39	5.41	6.42	4.08			+ 2.1	+ 2.9	- 0.1
24 p	-536	651	5.58	5.47	5.51	6.66	4.18			- 1.9	- 1.8	- 0.5
	<u>A v e r a g e s</u>							<u>Annual rates of increase ^{3/}</u>				
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-Apr. 24	- 59	427	4.90	5.07	5.48	5.53	3.94			+ 3.4	+ 5.6	+ 4.4

^{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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higher in response to the early April firming of open market policy. In the early part of April the 3-month bill rate rose by around 15 basis points to almost 5.35 per cent. Dealer financing costs rose markedly in this period, partly as a result of the sharp rise in the basic reserve deficit of New York money market banks as the tax period approached. Also, one key money market bank seemed to shift its longer-run money position policy to become more of a borrower in the funds market and less ready a supplier of funds to dealers.

In adjustment to the Treasury bill rates and dealer financing costs, repurchase agreements made by the Management in the period April 3-18 were made at 5-1/8 per cent, 1/8 above the then prevailing discount rate. In addition, an earlier scarcity of bills, which had pushed rates sharply lower toward the end of March, was mitigated through moderate net sales of bills by the Desk for foreign accounts, net bill sales of \$335 million by the System in the first half of the month, and an announcement by the Treasury of \$100 million cash additions to the weekly 6-month bill auction through mid-year. Thus, of the 30 basis point rise in the 3-month bill rate since the April 2 FOMC meeting, about half occurred before the discount rate hike and about half afterwards. Other short-term rates showed mixed changes in the earlier part of April and have generally risen 10 - 20 basis points on balance since the discount rate hike.

The progressively tighter conditions in short-term markets put banks at an increasing competitive disadvantage in bidding for CD

money before the Q-ceiling changes. As a result, there were large run-offs of CD's during April, amounting to over \$1 billion by around mid-month. The new CD ceiling rates led to a somewhat larger than usual increase in outstanding CD's in the week following the tax date, although a large proportion of these sales apparently were for purposes of resale into the market; there are no strong indications as yet of a widespread bank aggressiveness in seeking new CD funds. For the most part, posted CD rates beyond the 30-59 day area have remained somewhat below the new ceilings, but there are reports that active issuance of 3-month CD's at the 6 per cent ceiling rate. Also in the course of April there was a slackening in inflows of consumer-type time and savings deposits, especially at large banks.

A sizable portion of the April CD maturities occurred around the tax date and contributed to heavy bank sales of Treasury bills and to the sharp run-up of bill rates at that point. Banks were experiencing increasing loan demand pressure in the first half of the month as well, though there was apparently some abatement of such demands after the tax period.

Bank sales of Treasury securities to meet CD maturities and loan demand have tended to hold down the credit proxy. For April bank credit on average is estimated to decline at about a 3-1/2 per cent annual rate, and time and savings deposits to rise at only a 1/2 of one per cent annual rate. Private demand deposits, on the other hand, expanded at around a 14 per cent annual rate in April, considerably higher

than in March, mainly reflecting large net transfers from U.S. Government deposits. With currency also continuing to grow rapidly, the money supply in April bulged sharply.

The behavior of the key monetary variables over the past five months since monetary policy shifted toward restraint is shown below, (at annual rates of increase).

	May '67- Nov. '67	Dec. '67- Apr. '68
Total reserves	9.6	4.6
Nonborrowed reserves	10.0	-1.2
Bank credit proxy	11.3	3.7
Money supply	8.4	5.6
Time and savings deposits at banks	14.7	5.5
Savings accounts at thrift institutions	9.1	6.1 ^{1/}

NOTE: Dates are inclusive.

1/ Dec. '67 through March '68.

Prospective developments

The possibilities of a tax increase, the status of peace negotiations, and uncertainties as to the specifics of a Treasury financing are among the factors which make any projection of a constellation of money market conditions in the period ahead especially subject to unexpected variations. As best can be gauged at this point, the maintenance of prevailing firmer conditions in the money market during

the next four weeks may involve a Federal funds rate fluctuating around 6 per cent, member bank borrowings around \$750 million and net borrowed reserves in a \$350-\$500 million range. Both borrowing and net borrowed reserves might possibly be deeper depending in part on the extent of reserve pressure that develops at central money market banks and on the inclination of banks to borrow from the discount window rather than in the funds market. Persistence of this degree of tautness in such money market indicators may serve to drive the 3-month bill rate up in a 5-1/2 -- 5-3/4 per cent range, partly because of the associated high dealer financing costs (with costs of new money in New York often 6-1/2 per cent or a little above) and also because of the effect on attitudes of market participants who may not have yet fully appreciated the extent of monetary tightness that is in train.

If it were not for the possible effect on bill rates of a sustained taut monetary policy, the 3-month bill rate over the next few weeks might show little, if any, tendency to rise further. The ending of mid-April tax period pressures has begun to ease the reserve position of central money market banks, and if past behavior is any guide, the position of such banks is likely to be relatively comfortable in May. Moreover, large bill sales by dealers to the public during the past several days have depleted the trading supply of bills going into a period when System open market operations are likely to be on the buy side at least over the next two weeks. Finally, the weekly additions to the 3-month bill auction are scheduled to come to an end.

The forthcoming mid-May Treasury financing is expected to have relatively little impact on bill rates, unless the whole financing were to be concentrated in a 15-18 month issue. Market expectations are that the Treasury will probably seek to avoid the sizable attrition that might accompany a "rights" exchange for the \$4 billion of publicly held maturing issues. Rather, a cash exchange is anticipated, possibly with both a short- and intermediate-term offering, with the Treasury perhaps raising some new cash if market conditions are appropriate. A cash exchange has in the past generally been associated with somewhat less bill demand from holders of maturing issues than has a "rights" exchange, in which the appearance of "rights" value on the maturing issue has made it attractive for holders of the issue to sell it and often to reinvest the proceeds in the bill market.

A bill rate even at the upper end of the projected range will enable banks to compete fairly effectively for CD funds if they choose. But banks are not expected to be overly aggressive in seeking longer-term CD funds at near ceiling rates unless loan demands are exceptionally strong or unless they become more convinced that the outlook is for considerably higher interest rates in the months ahead--which is a possible development if the recent revived hopes for a tax increase again fade away. The staff expectation is that banks will add somewhat to outstanding negotiable CD's in May, as they make an effort to begin recovering from the approximately \$1.5 billion run-off between the mid-March and mid-April tax periods. Net additions to outstanding CD's may be in the order of \$300 - \$600 million over the month, or just slightly more than seasonal.

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This relatively conservative estimate of CD offerings is also based partly on the expectation that immediate bank needs for funds are not likely to be extremely large. Business loan demands on banks during coming weeks are expected to slacken somewhat from their very rapid mid-March to mid-April pace. There may be some pick-up in bank credit demands, however, in connection with the mid-May refunding, as dealers and other temporary holders seek financing. It is not expected that banks, in terms of their longer-run portfolio choices, will be able, or willing, to do much more than roll over the maturing mid-May issues.

Given these prospective credit demands, and with the Treasury assumed to raise only about \$400 million of new cash through over-allotments in the mid-May refunding, outstanding bank credit is likely to show little change in the course of May, and, on average, move only in a +2 to -2 per cent annual rate range. Bank credit would, of course, show a larger increase if the Treasury raised more new cash than assumed around mid-May, and particularly so if tax and loan crediting were granted on the cash portion.

Assuming the bulk of the Treasury's cash financing is accomplished in June, bank credit might grow at a 4-6 per cent annual rate; loan demands are also likely to be stronger, and banks may begin to press CD offerings more strongly on the market. If the mid-points of these ranges are realized, bank credit expansion (as measured by the proxy) would be at about a 4 per cent annual rate over the first half of the year.

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The anticipated moderate recovery in CD's is likely to lead to growth in time and savings deposits during May in a 5 - 7 per cent annual rate range, with inflows of consumer time and savings deposits remaining sluggish given the existing structure of market interest rates. Money supply growth in May is expected to drop off from April, though to remain relatively rapid, at around an 8 - 10 per cent annual rate. The net new cash expected to be raised by the Treasury in May will not be sufficient to forestall a further sizable decline in the Treasury's cash balance (seasonally adjusted), and this will result in further shifting of funds from U.S. Government to private demand deposits. The quite rapid growth in currency of the past two months is projected to slow down; the staff does not yet have any very convincing explanation for the surge in currency growth, and, similarly, no strong reason to assume the growth will continue.

The constrained growth in bank credit in May, and also in June when compared with other periods of Treasury cash borrowing, is likely to contribute to additional upward pressures on longer-term interest rates, barring a tax increase or the psychological impact of a break-through in Vietnam peace negotiations. There is no evidence yet of large-scale anticipatory capital market borrowing by corporations and state and local governments, but there are signs of a growing calendar in both markets that will tend to add to market pressures in a period when the Treasury will be marketing coupon issues and possibly a PC.

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	As expected at conclusion of each week's open market operations
Monthly (reserves weeks ending in):					
1967--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	389	368	21		
March p	337	649	-312		
April p	354	689	-335		
<u>Weekly:</u>					
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	379	405	- 26	- 44	- 57
28	313	442	-129	-143	-148
Mar. 6	316	500	-184	-151	-155
13	458	779	-321	-309	-320
20	414	733	-319	-332	-289
27	161	582	-421	-410	-407
Apr. 3 p	330	696	-366	-328	-340
10 p	453	646	-193	-173	-198
17 p	519	763	-244	-230	-220
24 p	115	651	-536	-536	-557

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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	+17.8	+ 7.9	- 1.3	+ 6.6	+ 6.8
Feb. ^{3/}	+11.3	+10.2	+ 8.3	+16.3	+10.0	+ 8.4	--	- 0.8
Mar. p ^{3/}	+ 2.6	-12.3	+ 1.7	+ 0.3	+ 4.3	+11.0	+ 5.9	+ 4.2
Apr. p ^{3/}	+ 2.5	- 4.5	- 3.5	- 6.0	- 3.5	+ 0.5	+13.0	+14.5

^{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.

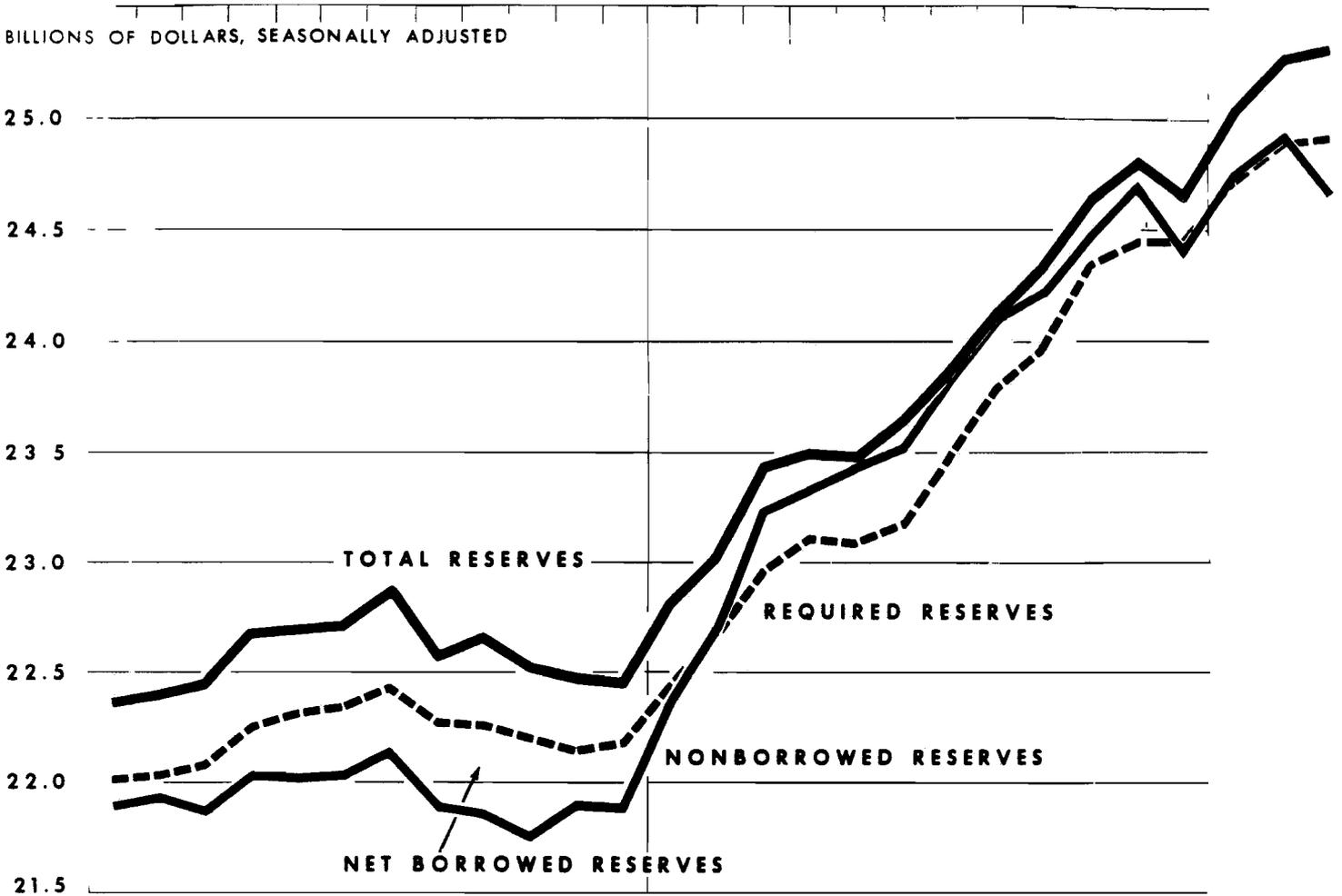
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Chart 1

MEMBER BANK RESERVES

MONTHLY AVERAGES OF DAILY FIGURES

BILLIONS OF DOLLARS, SEASONALLY ADJUSTED



BILLIONS OF DOLLARS

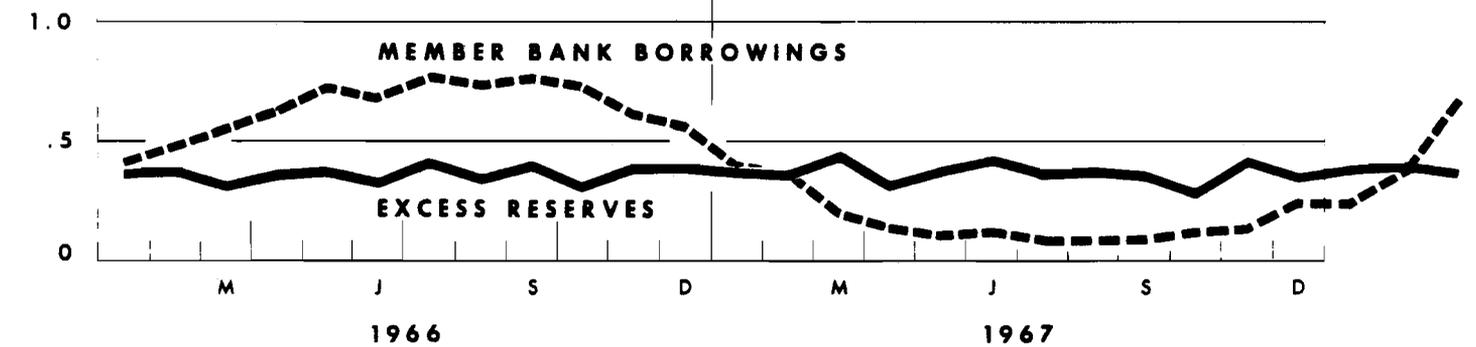


Chart 2

MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

BILLIONS OF DOLLARS

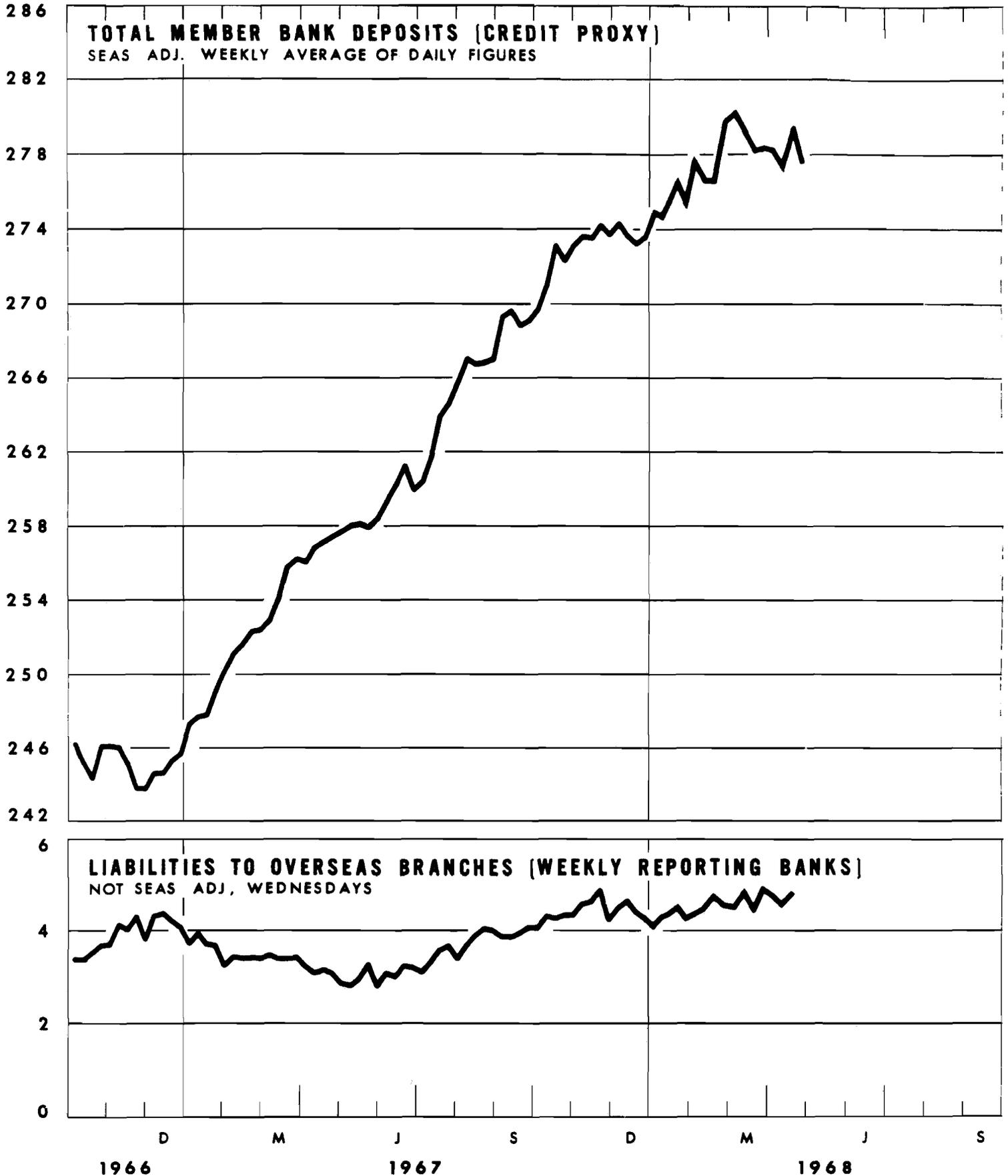


Chart 3

MONEY SUPPLY AND BANK DEPOSITS

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

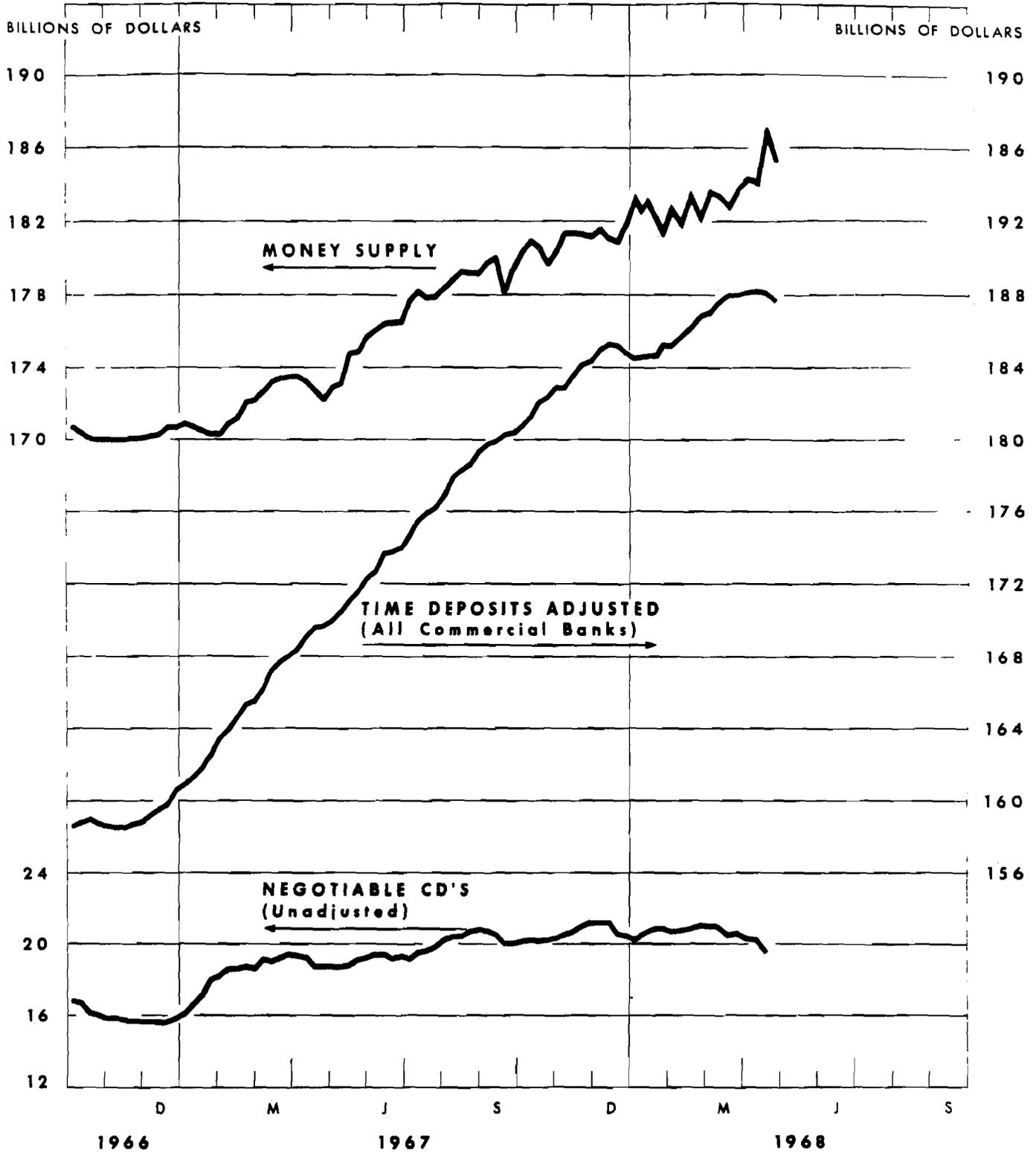
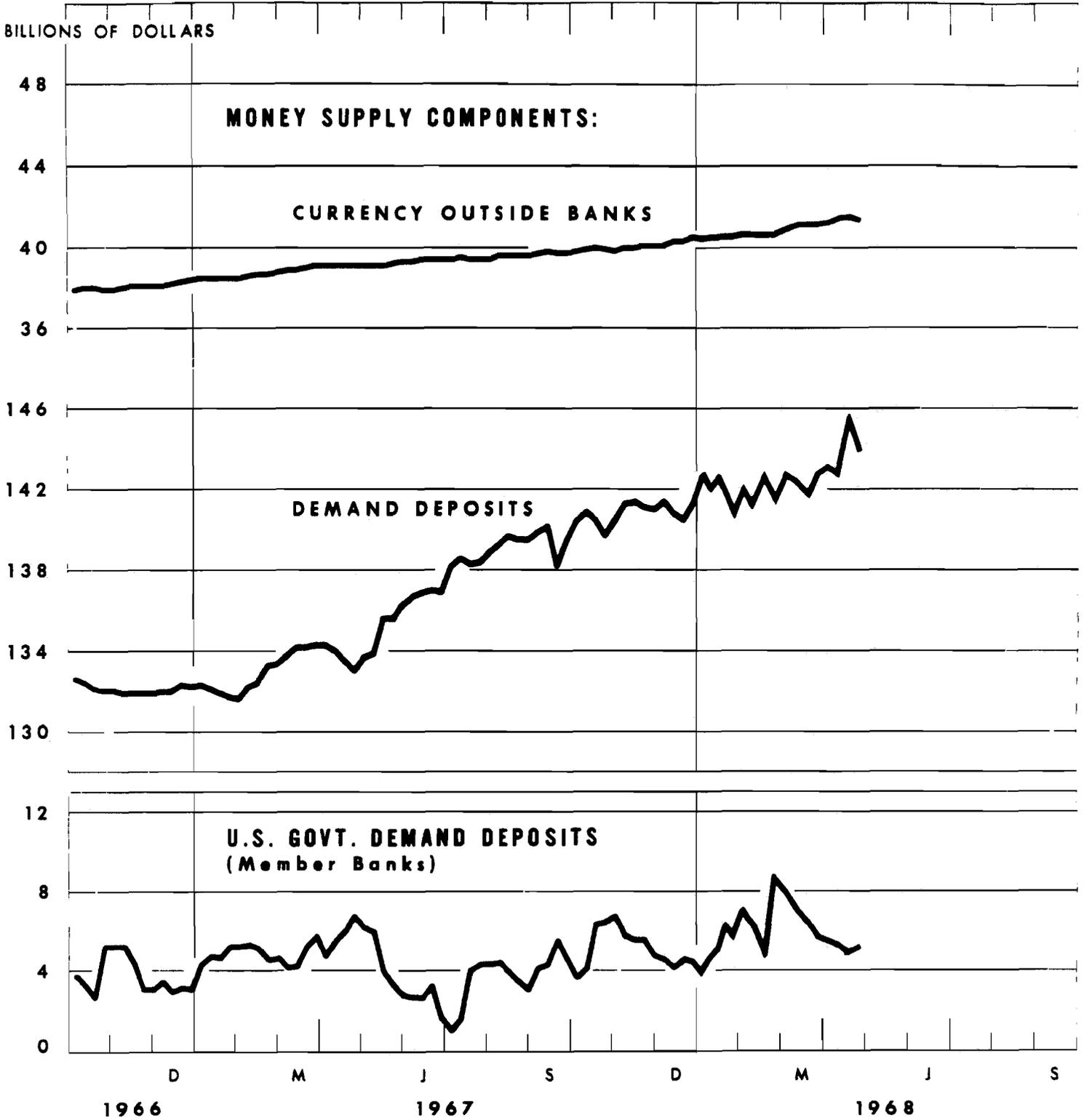


Chart 4

DEMAND DEPOSITS AND CURRENCY

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES



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:							
.6 (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 - 4/26/67)	+ 690	- 51	+ 989	-2,408	- 780	- 589	- 191
(12/27/67 - 4/24/68) 5/	+1,237	-1,950	+ 868	- 314	- 158	+ 169	- 327
Weekly:							
1968--Mar. 6	+ 410	--	- 412	+ 164	+ 161	+ 158	+ 3
13	+ 479	- 274	- 313	- 144	- 249	- 391	+ 142
20	+ 516	- 737	+ 76	+ 272	+ 124	+ 168	- 44
27	- 323	- 388	+ 199	+ 164	- 346	- 93	- 253
Apr. 3 p	+ 332	--	- 236	+ 40	+ 137	- 32	+ 169
10 p	+ 280	--	- 544	+ 271	+ 5	- 118	+ 123
17 p	+ 134	--	+ 29	+ 441	+ 605	+ 539	+ 66
24 p	- 418	--	+ 497	- 623	- 544	- 140	- 404
PROJECTED 4/							
1968--May 1	+ 305	--	+ 25	- 345	- 15	- 15	--
8	+ 555	--	- 655	+ 40	- 60	- 60	--
15	- 210	--	+ 25	+ 45	- 140	- 140	--
22	- 330	--	+ 100	- 30	- 260	- 260	--
29	+ 230	--	+ 105	- 350	- 15	- 15	--
Jun. 5	+ 435	--	- 450	- 50	- 65	- 65	--
12	+ 325	--	- 240	+ 50	+ 135	+ 135	--

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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.

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
<u>Year:</u>							
.6 (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
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(12/27/67 - 4/24/68) 5/	+1,237	-1,950	+ 868	- 314	- 158	+ 169	- 327
<u>Weekly:</u>							
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13	+ 479	- 274	- 313	- 144	- 249	- 391	+ 142
20	+ 516	- 737	+ 76	+ 272	+ 124	+ 168	- 44
27	- 323	- 388	+ 199	+ 164	- 346	- 93	- 253
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24 p	- 418	--	+ 497	- 623	- 544	- 140	- 404
	<u>PROJECTED</u> 4/						
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8	+ 555	--	- 655	+ 40	- 60	- 60	--
15	- 210	--	+ 25	+ 45	- 140	- 140	--
22	- 330	--	+ 100	- 30	- 260	- 260	--
29	+ 230	--	+ 105	- 350	- 15	- 15	--
Jun. 5	+ 435	--	- 450	- 50	- 65	- 65	--
12	+ 325	--	- 240	+ 50	+ 135	+ 135	--

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p - Preliminary.

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(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)												
1--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	+ 1.0	- 0.2	
Feb. ^{4/}	21	368	4.68	4.98	5.38	6.29**	4.01	+177	+236	+ 2.3	--	+ 1.3	
Mar. ^{4/} p	-312	649	5.02	5.17	5.59	6.56**	4.28	-255	+ 55	+ 1.0	+ 0.9	+ 1.7	
1968--Apr. ³ p	-366	696	5.63	5.17	5.54	6.58	4.18			- 0.2	+ 0.5	+ 0.1	
10 p	-193	646	5.66	5.28	5.41	6.41	4.08			- 0.9	- 0.2	+ 0.1	
17 p	-244	763	5.70	5.39	5.41	6.42	4.08			+ 2.1	+ 2.9	- 0.1	
24 p	-536	651	5.58	5.47	5.51	6.66	4.18			- 1.9	- 1.8	- 0.5	
			<u>A v e r a g e s</u>							<u>Annual rates of increase ^{3/}</u>			
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-Apr. 24	- 59	427	4.90	5.07	5.48	5.53	3.94			+ 3.4	+ 5.6	+ 4.4	

^{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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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 of 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: \$0.2 billion increase in the weekly and monthly Treasury bill auctions through June 5; \$0.4 billion, May 15; \$2.0 billion, June 7.

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
<u>Year:</u>							
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/}
<u>Year-to-date:</u>							
(12/28/66 - 4/26/67)	- 589	+ 111	- 700	- 423	+ 95	+ 50	- 422
(12/27/67 - 4/24/68) <u>2/</u>	+ 169	- 322	+ 491	- 499	+ 85	+ 820	+ 85
<u>Weekly:</u>							
1968--Mar. 6	+ 158	- 173	+ 331	+ 131	+ 5	+ 192	+ 3
13	- 391	- 368	- 23	+ 59	+ 11	- 106	+ 13
20	+ 168	+ 71	+ 97	+ 146	- 11	- 37	- 1
27	- 93	+ 92	- 185	- 306	+ 11	+ 116	- 6
Apr. 3 p	- 32	- 223	+ 191	+ 145	+ 5	+ 47	- 6
10 p	- 118	- 212	+ 94	+ 221	- 5	- 122	--
17 p	+ 539	- 126	+ 655	+ 248	- 10	+ 427	+ 1
24 p	- 140	+ 263	- 403	- 131	--	- 249	- 23
	PROJECTED						
1968--May 1	- 15	+ 85	- 100	- 160	+ 5	+ 40	+ 15
8	- 60	+ 205	- 265	- 310	--	+ 30	+ 15
15	- 140	- 140	--	- 75	+ 5	+ 60	+ 10
22	- 260	- 20	- 240	- 280	+ 5	+ 25	+ 10
29	- 15	+ 35	- 50	- 100	--	+ 40	+ 10
Jun. 5	- 65	- 325	+ 260	+ 175	- 5	+ 80	+ 10
12	+ 135	- 70	+ 205	+ 175	- 10	+ 30	+ 10

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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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
<u>ACTUAL</u>		(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 - 4/26/67)	-2,408	- 670	-1,284	+ 49	- 503
(12/27/67 - 4/24/68)	- 314	- 34	- 553	+ 5	+ 268
<u>Weekly:</u>					
1968--Mar. 6	+ 164	+ 49	+ 173	- 4	- 54
13	- 144	+ 8	- 256	+ 37	+ 67
20	+ 272	+ 6	+ 195	- 37	+ 108
27	+ 164	+ 309	- 134	- 39	+ 28
Apr. 3 p	+ 40	+ 308	- 85	+ 23	- 206
10 p	+ 271	+ 22	+ 188	+ 14	+ 47
17 p	+ 441	+ 94	+ 167	+ 20	+ 160
24 p	- 623	- 616	+ 31	- 12	- 26
<u>PROJECTED</u>					
1968--May 1	- 345	- 60	- 300	- 5	+ 20
8	+ 40	+ 90	- 50	--	--
15	+ 45	--	+ 50	--	- 5
22	- 30	--	+ 300	--	- 330
29	- 350	--	- 350	--	--
Jun. 5	- 50	--	- 50	--	--
12	+ 50	--	+ 50	--	--

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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			
Year:								
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
Year-to-date:								
(12/28/66 - 4/26/67)	+ 690	+1,218	+1,618	+ 217	- 617	- 23	- 55	- 450
(12/27/67 - 4/24/68)	+1,237	+ 997	+ 504	+ 574	- 81	- 7	- 59	+ 306
Weekly:								
1968--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
Apr. 3	+ 332	+ 177	- 132	+ 145	+ 164	+ 45	- 4	+ 114
10	+ 280	+ 346	+ 234	+ 82	+ 30	- 36	+ 20	- 50
17	+ 134	+ 68	+ 1	+ 1	+ 66	- 2	- 49	+ 117
24	- 418	- 285	- 54	+ 29	- 260	- 7	- 14	- 112

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	23,753	17,512
Feb. <u>2/</u>	25,279	24,915	24,889	23,796	17,530
Mar. p <u>2/</u>	25,334	24,660	24,924	23,904	17,599
Apr. p <u>2/</u>	25,279	24,563	24,850	24,108	17,721

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.	277.8	151.3	119.6	6.9
Mar. p	278.8	152.3	120.0	6.5
Apr. p	278.0	152.1	120.9	5.0

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 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--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	280.2	152.0	120.3	8.0
13	279.2	152.3	119.9	7.1
20	278.2	152.5	119.4	6.4
27	278.3	152.3	120.4	5.7
Apr. 3 p	278.2	152.3	120.5	5.5
10 p	277.3	152.3	119.7	5.3
17 p	279.4	152.3	122.2	4.9
24 p	277.5	151.7	120.6	5.2

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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.	182.5	40.5	141.9	184.8
Feb.	182.5	40.7	141.8	186.1
Mar. p	183.4	41.1	142.3	187.8
Apr. p	185.4	41.4	144.0	187.9

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--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	183.6	40.9	142.7	187.0
13	183.4	41.1	142.3	187.6
20	182.8	41.1	141.7	188.0
27	183.8	41.1	142.6	188.0
Apr. 3 p	184.3	41.2	143.1	188.1
10 p	184.1	41.4	142.7	188.2
17 p	187.0	41.5	145.5	188.1
24 p	185.2	41.3	143.9	187.6

- 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.