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MONEY MARKET AND RESERVE RELATIONSHIPS

Recent developments

A marginal reduction in market pressures has developed since the last meeting of the Committee in the wake of fiscal legislation and of open market operations. In the market for day-to-day money, the effective Federal funds rate has centered around 5 per cent, as compared with 6-1/8 per cent during the 3 weeks prior to the previous Committee meeting, and dealer loan rates have also eased fractionally. The rate charged on System RP's to dealers was reduced from the 5-3/4 per cent rate prevailing since late April to 5-5/8 per cent.

The reserve position of banks also has been under less pressure in recent weeks. After averaging about \$735 million in the last two statement weeks of June, member bank borrowings declined to an average of around \$450 million in the first two statement weeks ending in July, as major banks accelerated their borrowing from the Euro-dollar market and as the basic reserve deficit of principal money market banks improved seasonally. Net borrowed reserves fluctuated between \$100 and \$300 million in the past two weeks; country banks first reduced and then increased excess reserves, though the average level was lower than usual for this time of year.

Yields on nearly all maturities in the U.S. Government securities market are about 20 basis points below levels prevailing on June 18, with the 3-month bill most recently around 5-3/8 per cent. However, other short-term rates have declined less and some not at all;

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--June	257	88	3.97	3.53	4.99	5.79	3.80	+108	+153	+ 2.2	+ 1.6	+ 2.5
July	311	132	3.78	4.20	5.01	5.78	3.86	+297	+237	+ 2.9	+ 1.8	+ 2.2
Aug.	270	86	3.88	4.26	5.12	3.86**	3.78	+307	+285	+ 3.7	+ 1.1	+ 2.4
Sept.	252	82	3.99	4.42	5.16	5.85**	3.81	+135	+159	+ 2.3	+ 0.2	+ 2.2
Oct.	212	141	3.87	4.55	5.36	6.08	3.88	+299	+335	+ 2.4	+ 1.1	+ 1.2
Nov.	225	124	4.14	4.72	5.66	6.50	3.99	+122	+154	+ 2.1	+ 0.8	+ 1.4
Dec.	143	185	4.49	4.96	5.59	6.51	4.15	-294	-122	+ 0.2	+ 0.3	+ 1.5
1968--Jan.	142	275	4.60	5.00	5.39	6.24**	4.06	+345	+347	+ 1.5	+ 1.0	+ 0.6
Feb.	21	368	4.68	4.98	5.38	5.29**	4.01	+208	+265	+ 2.3	+ 0.4	+ 1.1
Mar.	-312	649	5.02	5.17	5.59	6.56**	4.28	-266	+ 47	+ 1.0	+ 0.7	+ 1.5
Apr.	-341	689	5.74	5.38	5.46	6.52**	4.13	-197	-189	- 1.0	+ 1.0	+ 0.4
May p	-378	728	6.10	5.66	5.55	6.66	4.28	+ 45	+ 87	+ 0.4	+ 1.8	+ 0.5
June p	-385	727	6.09	5.52	5.40	6.66	4.21	+125	+ 93	+ 1.4	+ 1.1	+ 0.5
1968--June 12 p	-355	678	6.20	5.69	5.45	6.61	4.25			+ 0.1	- 1.4	+ 0.2
19 p	-403	665	6.22	5.59	5.40	6.67	4.15			- 0.4	+ 0.6	- 0.1
26 p	-241	807	6.05	5.30	5.34	6.78	4.18			+ 2.3	+ 1.0	- 0.1
July 3 p	-308	493	5.82	5.33	5.35	--	4.18			- 1.5	+ 1.5	+ 0.6
10 p	- 92	411	6.03	5.36	5.33	6.56	4.18			- 0.8	- 0.5	+ 0.6
	<u>Averages</u>							<u>Annual rates of increase ^{3/}</u>				
Year 1967	195	173	4.19	4.29	5.01	5.77	3.74	+11.5	+ 9.9	+11.9	+ 6.4	+16.1
Second Half 1967	238	123	4.02	4.51	5.31	6.10	3.91	+ 7.2	+ 8.7	+10.6	+ 6.0	+12.6
First Half 1968	-204	567	5.37	5.29	5.46	6.25	4.16	+ 2.1	+ 5.2	+ 4.0	+ 6.5	+ 5.0
<u>Recent variations in growth</u>												
Mar. 29-Jun. 28	245	110	4.00	3.66	4.83	5.63	3.68			+20.4	+ 6.7	+17.7
Jun. 28-Nov. 29	254	112	3.96	4.41	5.25	5.96	3.86			+12.7	+ 6.6	+13.4
Nov. 29-Jul. 10	-158	512	5.27	5.24	5.44	5.69	4.16			+ 2.9	+ 6.9	+ 5.5

^{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/} Revised series.

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for example, yields on commercial and finance company paper remain unchanged from their mid-June levels. These yields are typically less sensitive to expectations than yields on Treasury securities, and tend to move more in relation to current flows of funds. Yields in private long-term capital markets showed little change for most of the period since the last Committee meeting, but corporate bond yields declined in the past two days, triggered by the good market reception accorded the key Jersey Standard bond issue. Municipal yields, too, declined in recent days.

In the days immediately following the last Committee meeting, bill rates were pushed sharply lower, as a combined result of several factors; demands for bills by holders of maturing June tax bills which had not been turned in for taxes, unusually large System bill purchases to offset the reserve effects of international developments, and initial reactions to the passage of the fiscal package. While all bill rates declined, the 3-month bill fell most sharply, dropping 40 basis points to 4.20 per cent bid on June 21, below the lower end of the range anticipated in the last Blue Book. The 3-month bill rate dropped low relative to other short-term rates largely because of a technical shortage of such bills for trading; the rate rebounded to around the mid 5.30's within two days. Other bill yields, which had not declined quite as much, did not rebound like the 3-month bill.

Bank credit expanded at a 6 per cent annual rate in June, the upper end of the range anticipated in the last Blue Book. As bill rates declined, banks were able to rebuild CD's substantially after the mid-June tax date. Over the month of June, outstanding CD's declined only

\$250 million, which is about half the seasonal decline. Banks reduced offering rates on maturities of 6-months or longer to around 6-1/8 per cent. Rates on 3-month maturities remain at their ceilings.

The money supply in June rose at about a 7 per cent annual rate, a shade below the range of expectations. U.S. Government deposits showed a very small increase during the month.

The behavior of key monetary variables (as annual rates of increase) is shown for longer time periods in the table below.

	<u>May '67- Nov. '67</u>	<u>Dec. '67- June '68</u>	<u>Dec. '67- Mar. '68</u>	<u>Apr. '68- June '68</u>
Total reserves	9.5	3.6	6.4	-0.1
Nonborrowed reserves	9.9	-0.2	-0.1	-0.4
Bank credit, as measured by:				
Proxy	11.5	3.6	5.6	1.0
Proxy plus Euro-dollars	12.3	4.7	5.6	3.4
Money supply	8.4	5.9	4.0	8.3
Time and savings deposits	14.2	5.7	7.7	3.0
Savings accounts at thrift institutions	9.1	6.1	6.1	5.9 ^{1/}

NOTE: Dates are inclusive

^{1/} Figures included for S&L's and mutual savings banks in June are preliminary.

Prospective developments

Bank credit and deposit growth in July and August together will be strongly influenced by the need to supply reserves to the banking system to help finance \$7.5 billion of Treasury cash needs (including the \$4 billion of tax bills already marketed in July), as well as private demands associated with the tax legislation. If currently prevailing money market conditions--as specified below--are to be maintained under these circumstances, total reserves would have to grow at a 7 - 9 per cent annual rate, on average, during the two months. But nonborrowed reserves are likely to grow more rapidly, reflecting a tendency for member banks to borrow less from the Federal Reserve with market interest rates having moved lower relative to the discount rate. Most of the increase in the reserve aggregates will be reflected in the August figure, but much of the expansion will be underway in the latter half of July and carry through to August.

Outstanding bank credit in July, as measured on a daily average basis by the proxy, is expected to be about 1 - 4 per cent (annual rate) above the average amount outstanding in June. The trend of growth in the course of the month is expected to be rising, as banks position or finance the March and April tax bills sold by the Treasury with 100 per cent tax and loan credit (for payment July 11) and as banks help finance the \$1 billion or so of additional tax payments to be made by corporations in mid-July in connection with the new tax law. In August, the bank credit proxy may rise in a 10 - 12 per cent annual rate range, on average--assuming the Treasury raises another \$3 billion of new cash during the

month, a substantial part of which possibly will be at the time of the mid-August refunding. For the two months taken together, the bank credit proxy may be expected to rise in a 6 - 8 per cent, annual rate, range.

It is too early to have a very precise idea of Treasury financing plans for August, however. Apart from the need to raise new cash, the Treasury will have to roll over \$3.7 billion of publicly held securities maturing in mid-August. It is possible that all of the financing need (apart from continued cash additions to the weekly bill auctions) could be satisfied through a combination of relatively short- and longer-term notes; however, depending on the market outlook and other factors, some of the cash could be raised through a PC, and/or through additional tax bills. The specific nature and timing of the financing(s) will, of course, affect the credit proxy measure.

Euro-dollar borrowings may add about 2 percentage points to the above bank credit figures in July, but it is not expected that such borrowings will be sufficient to add significantly to bank credit growth in August. It is even possible that liabilities of U.S. banks in the Euro-dollar market will decline by August, if confidence is restored in the franc and sterling and if domestic funds remain somewhat more readily obtainable.

This bank reserve and credit outlook for the weeks immediately ahead assumes that the Federal funds rate remains around 6 per cent, but is not infrequently below that rate; that net borrowed reserves are generally in a \$200 - \$350 million range; that member bank borrowings are in a \$500 - \$600 million area (as borrowings remain below their May-June average, but rise from recent seasonally low levels); and

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that the 3-month bill rate is most frequently in a 5.30 -- 5.55 per cent range. Bill rates would not be expected to decline much from recent levels; and they might rise, because the pressure on bank reserve positions implicit in the specifications above would probably be sufficient to keep dealer financing costs fairly high, with 6-1/8 -- 6-3/8 per cent the most frequent charge for new money in New York.

Dealer bill positions in the longer bill area have built up substantially in recent days as dealers have bought from banks a fairly sizable proportion of the new tax bills. Dealers have been willing buyers in the expectation that monetary conditions would probably ease in the weeks ahead. But continued relatively high financing costs are likely to erode dealer willingness to position bills unless private demand for bills is unusually strong. Mainly for seasonal reasons, the System is not expected to be a very large net buyer in the market between now and the next meeting of the Committee, in contrast to its large net purchases of securities over the past few weeks. The System is likely to have to absorb a moderate amount of reserves during the next two weeks, and will return to the buying side of the market in late July and early August; but foreign operations may be a factor continuing to complicate domestic open market operations.

With bill rates remaining around or somewhat above recent levels, banks would be able to add to outstanding negotiable CD's. Under these conditions, we expect such CD's outstanding to rise by around \$1 billion in July, which would be about twice the seasonal increase. Such a pace of expansion may not be sustained in August, however,

partly because banks might bid less aggressively if loan demands diminish after the July tax borrowing has passed.

Consumer-type time and savings deposits are expected to recover in July and August from their sharply reduced growth rate of the second quarter. But their rate of expansion is expected to remain moderate, mainly because the combination of prevailing money market conditions and further Treasury financings are likely to inhibit declines in both short- and long-term market interest rates. The tax increase may also absorb some funds that would otherwise flow into savings accounts. Over-all, total time and savings deposits of banks may rise in a 7 - 10 per cent annual rate range in July, and about the same in August.

The money supply in July is expected to expand in a 8 - 10 per cent, annual rate, range. This high average rate of expansion for the month in large part reflects the accelerated growth in private demand deposits during the three statement weeks ending July 3, a period when U.S. Government deposits were declining sharply. Money supply growth is expected to slow sharply in the latter part of July and in August, when Treasury cash balances are expected to rise substantially on balance. For August the money supply may show little change on average.

While deposit growth is likely to pick up in the weeks ahead, such growth may not be sufficient to enable banks to rebuild very much liquidity or to adopt easier lending terms. Banks may be expected to become somewhat more active in longer-term markets. However, in view of the Treasury financing in prospect, significant declines in long-term

rates might not develop until current large corporate bond market demands moderate, or if signs of weaker business activity become more evident to the market.

Policy alternative. Open market operations oriented toward attaining somewhat easier money market conditions would probably encourage some further reductions in bill rates, a downward movement in the more sluggish short-term rates, and declines in long-term interest rates. Such easier conditions could entail a Federal Funds rate around 5-3/4 per cent, a net reserve position of banks in a 0 to minus \$200 million range, and member bank borrowings in a \$350 - \$500 million range.

The 3-month bill rate would likely be in a 5-1/8 -- 5-3/8 per cent range under these circumstances. And expectations of a discount rate decrease might be generated in the market as the spread of the discount rate above the bill rate widens. Such expectations might discourage some borrowing over the short-run in capital markets, and encourage some investors to move funds into the market, thus exerting downward pressures on longer-term interest rates.

With a lower over-all interest rate level, it is possible that bank credit expansion will be somewhat more rapid than under currently prevailing money market conditions. Interest rates are unlikely to fall enough to stimulate business loan demand, which would be held down by the expected cut-back in inventory building. But banks may become more eager to rebuild their portfolio positions in order to capture the available relatively high yields. Over-all, under the easing policy alternative specified, one might expect a bank credit growth in a 7-9 per cent annual rate range for July and August together.

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--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	337	649	-312		
April	348	689	-341		
May p	350	728	-378		
June p	342	727	-385		
<u>Weekly:</u>					
1968--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	331	696	-365	-328	-340
10	406	646	-240	-173	-198
17	527	763	-236	-230	-220
24	126	651	-525	-536	-557
May 1	276	674	-398	-390	-408
8	381	823	-442	-428	-377
15	400	712	-312	-308	-307
22	322	669	-347	-390	-378
29 p	370	764	-394	-445	-438
June 5 p	217	759	-542	-590	-592
12 p	323	678	-355	-403	-392
19 p	261	664	-403	-445	-375
26 p	566	807	-241	-289	-337
July 3 p	185	493	-308	-406	-419
10 p	319	412	-93	-93	-96

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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				Monetary Variables			
	Total Reserves	Nonborrowed Reserves	Required reserves		Total Member Bank Deposits (credit) ^{1/}	Time Deposits (comm. banks)	Money Supply	
Total			Against Demand Deposits	Total			Private Demand Deposits	
Annually:								
1966 ^{2/}	+ 1.3	+ 0.8	+ 1.5	- 0.2	+ 3.8	+ 8.7	+ 2.2	+ 1.2
1967	+ 9.9	+11.5	+10.2	+ 7.0	+11.9	+16.1	+ 6.4	+ 6.7
Monthly:								
1967--Jan.	+16.9	+26.1	+14.6	+10.1	+15.2	+22.0	- 0.7	- 2.7
Feb.	+13.1	+17.8	+13.6	+15.7	+16.0	+18.6	+10.6	+10.9
Mar.	+20.3	+29.1	+12.9	+ 9.8	+14.3	+17.6	+ 9.8	+11.7
Apr.	+ 2.1	+ 5.4	+ 7.5	- 0.3	+ 8.5	+15.9	- 4.9	- 7.1
May	+ 2.1	+ 5.0	+ 0.1	- 0.9	+ 6.6	+14.3	+13.2	+16.2
June	+ 7.7	+ 5.4	+ 6.6	+ 1.2	+10.7	+17.6	+11.0	+12.4
July	+11.8	+14.9	+15.2	+10.2	+13.4	+15.3	+12.3	+14.9
Aug.	+14.0	+15.2	+15.0	+18.7	+16.9	+16.5	+ 7.4	+ 8.7
Sept.	+ 7.7	+ 6.6	+ 9.5	+ 5.7	+10.4	+14.9	+ 1.3	--
Oct.	+16.2	+14.5	+17.6	+13.5	+10.7	+ 8.0	+ 7.4	+ 6.9
Nov.	+ 7.4	+ 5.9	+ 6.6	+ 8.3	+ 9.3	+ 9.3	+ 5.3	+ 6.8
Dec.	- 5.8	-14.0	- 1.6	-10.5	+ 1.3	+ 9.9	+ 2.0	- 0.9
1968--Jan.	+16.6	+16.7	+11.4	+15.3	+ 6.6	+ 3.9	+ 6.6	+ 6.8
Feb.	+12.5	+ 9.9	+11.4	+19.2	+10.0	+ 7.2	+ 2.6	+ 1.7
Mar.	+ 2.2	-12.6	+ 0.6	+ 0.2	+ 4.3	+ 9.7	+ 4.6	+ 2.5
Apr.	- 8.8	- 9.4	- 6.0	-11.1	- 4.7	+ 2.6	+ 6.5	+ 6.8
May p	+ 4.1	+ 2.2	- 1.8	+ 1.7	+ 1.7	+ 3.2	+11.7	+12.6
June p	+ 4.3	+ 6.0	+ 9.2	+11.1	+ 6.1	+ 3.2	+ 7.1	+ 6.6

^{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.

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Chart 1

MEMBER BANK RESERVES

MONTHLY AVERAGES OF DAILY FIGURES

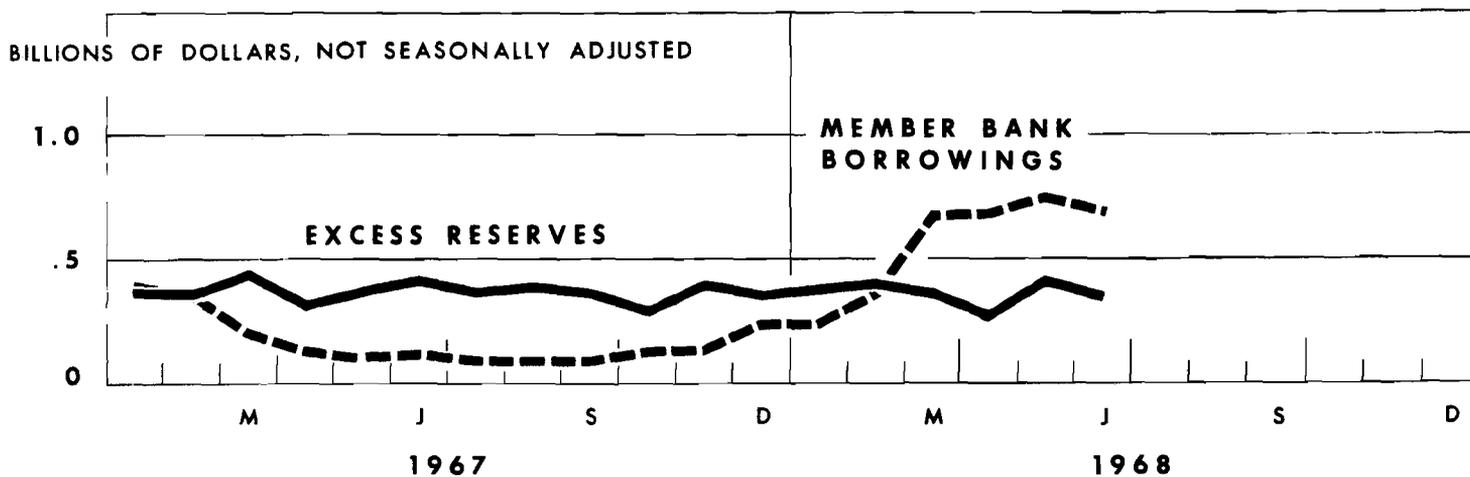
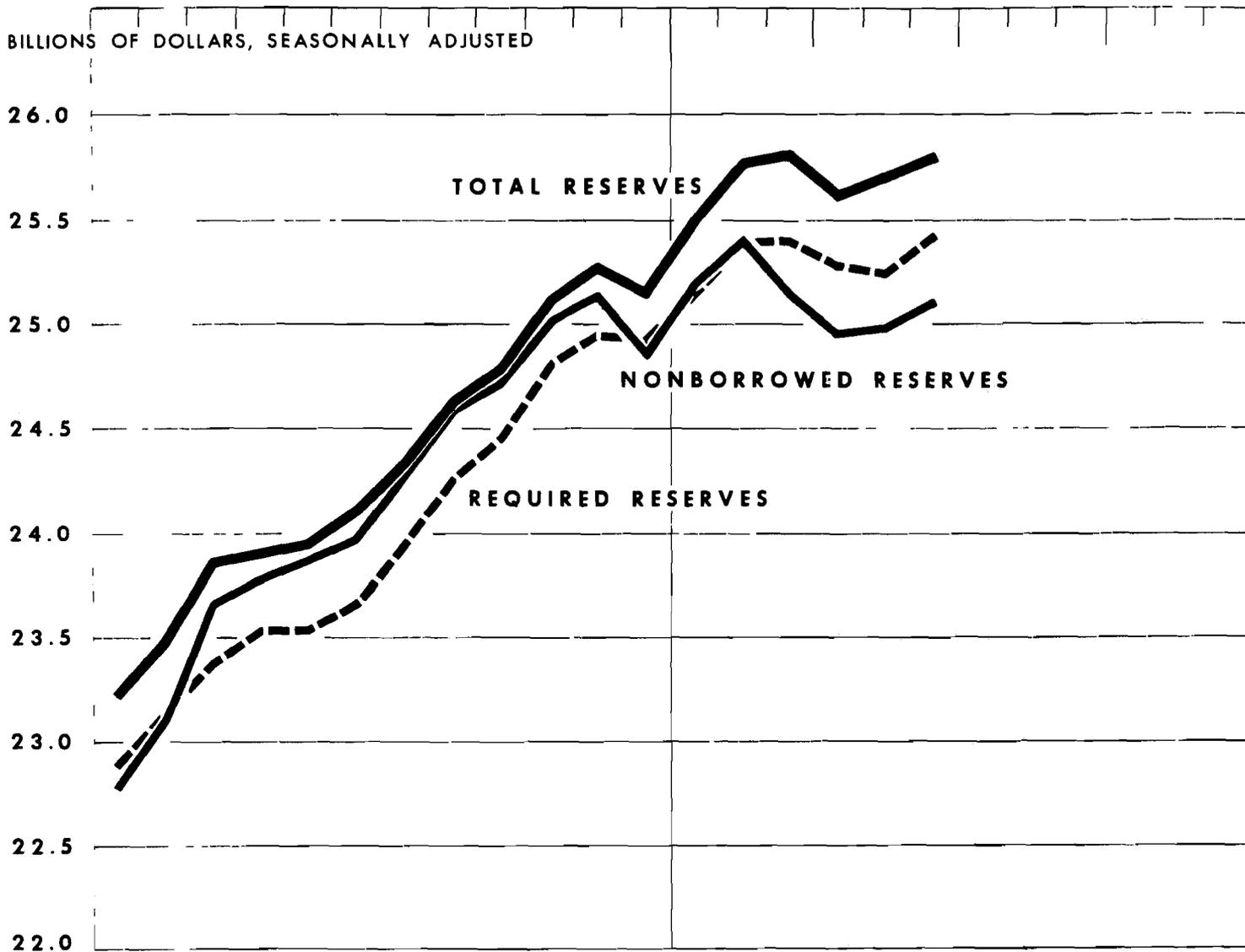


Chart 2

MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

BILLIONS OF DOLLARS

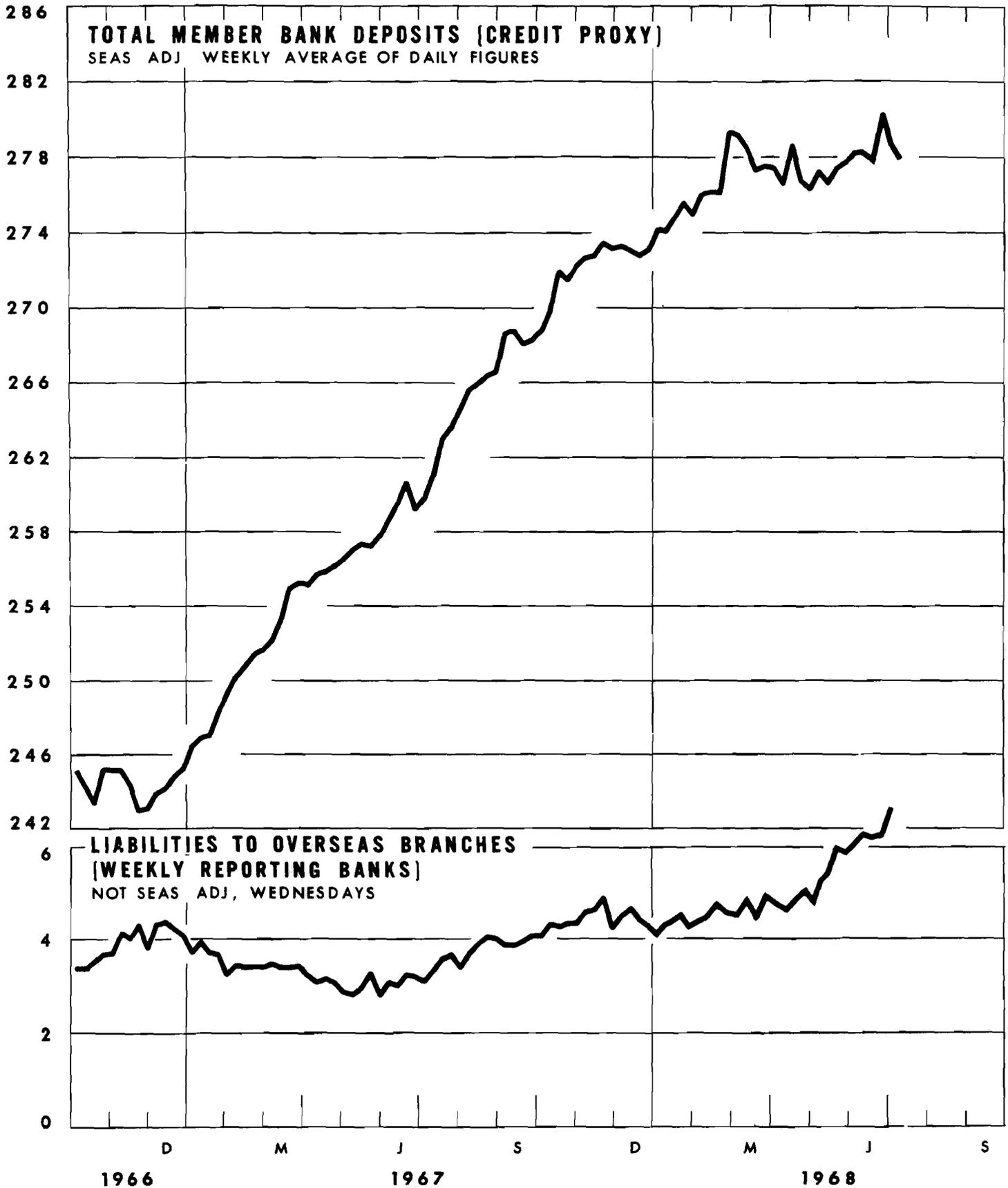


Chart 3

MONEY SUPPLY AND BANK DEPOSITS

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

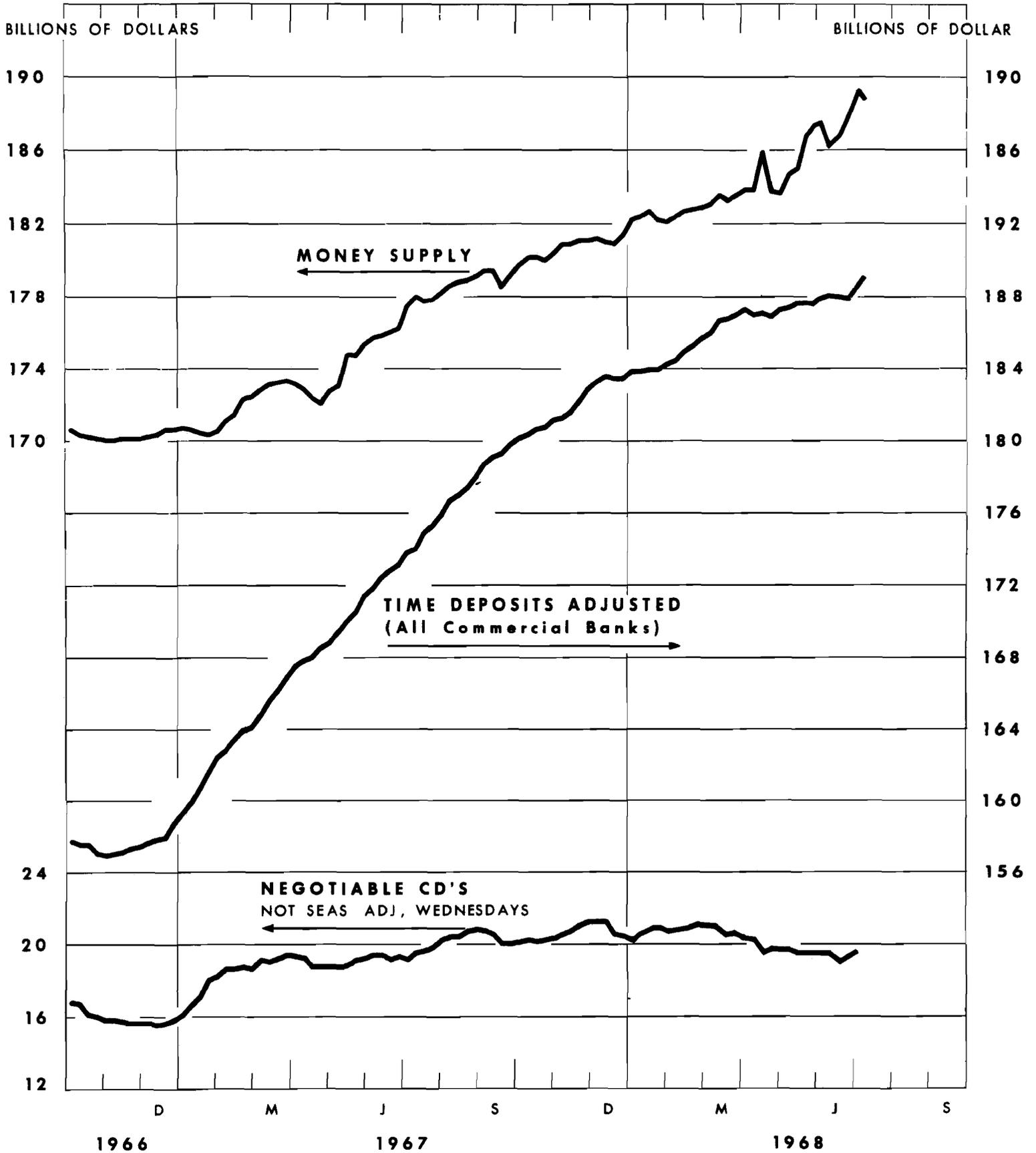


Chart 4

DEMAND DEPOSITS AND CURRENCY

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

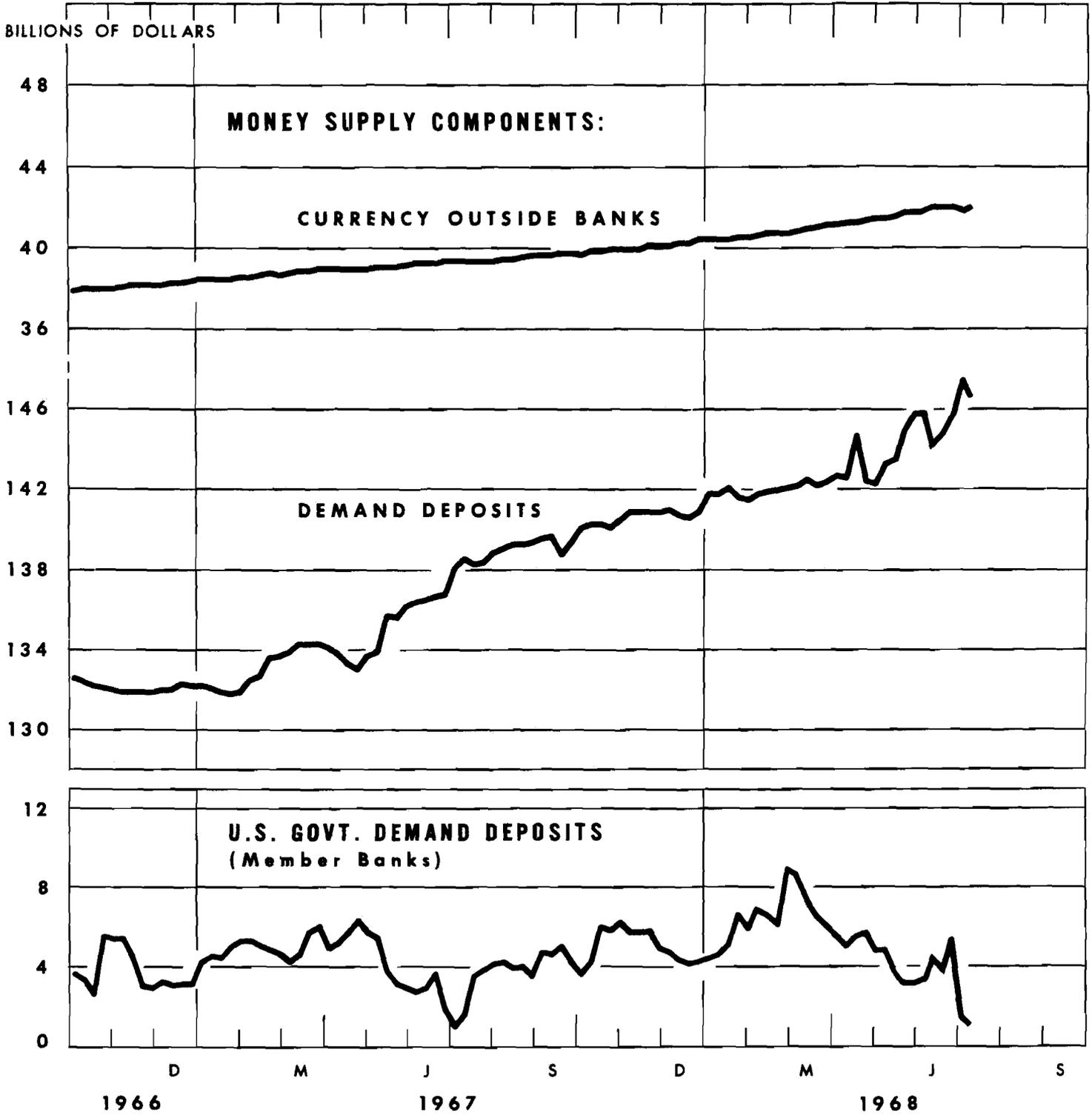


Table B-1

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 - 7/12/67)	+2,708	- 49	- 526	-2,232	- 99	- 305	+ 206
(12/27/67 - 7/10/68) 5/	+3,363	-2,067	-1,043	- 216	+ 37	+ 160	- 123
Weekly:							
1968--June 5 p	+ 23	- 2	- 472	+ 486	+ 34	+ 187	- 153
12 p	+ 222	- 15	- 352	+ 209	+ 65	- 41	+ 106
19 p	+ 58	--	+ 140	- 17	+ 181	+ 243	- 62
26 p	+1,222	--	+ 258	- 864	+ 617	+ 312	+ 305
July 3 p	- 122	--	- 285	+ 38	- 370	+ 11	- 381
10 p	- 52	--	- 741	+ 685	- 108	- 242	+ 134
PROJECTED 4/							
1968--July 17	- 455	--	+ 420	+ 225	+ 190	+ 190	--
24	- 310	--	+ 185	+ 85	- 40	- 40	--
31	+ 325	--	+ 165	- 530	- 40	- 40	--
Aug. 7	+ 610	--	- 470	- 120	+ 20	+ 20	--
14	- 260	--	- 50	+ 165	+ 145	- 145	--

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 \$50 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, 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 Treasury bill auction through August 14; \$4.0 billion, July 11.

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 <u>1/</u>	
1967 (12/28/66 - 12/27/67)	+1,517	+ 261	+1,256	+ 59	+ 6	+1,023	+ 168 <u>1/</u>	
Year-to-date:								
(12/28/66 - 7/12/67)	- 305	- 74	- 231	- 909	+ 81	+ 800	- 203	
(12/27/67 - 7/10/68) <u>2/</u>	+ 160	- 443	+ 603	- 508	+ 208	+ 895	+ 8	
Weekly:								
1968--June 5 p	+ 187	- 182	+ 369	+ 319	- 6	+ 49	+ 7	
12 p	- 41	- 85	+ 44	+ 244	- 7	- 203	+ 10	
19 p	+ 243	+ 81	+ 162	+ 157	- 12	+ 23	- 6	
26 p	+ 312	+ 480	- 168	- 288	- 7	+ 138	- 11	
July 3 p	+ 11	- 481	+ 492	+ 146	+ 13	+ 312	+ 21	
10 p	- 242	- 109	- 133	- 11	- 6	- 137	+ 21	
	PROJECTED							
1968--July 17	+ 190	+ 145	+ 45	+ 45	--	- 10	+ 10	
24	- 40	+ 245	- 285	- 175	--	- 120	+ 10	
31	- 40	- 40	--	+ 30	+ 5	- 45	+ 10	
Aug. 7	+ 20	- 105	+ 125	+ 20	+ 5	+ 90	+ 10	
14	- 145	- 125	- 20	- 15	+ 15	- 30	+ 10	

1/ Reflects reserve requirement changes in July, September 1966, and March 1967.

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

p - Preliminary.

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
<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 - 7/12/67)	-2,232	- 696	-1,073	+ 14	- 477
(12/27/67 - 7/10/68)	- 216	+ 162	- 423	- 18	+ 63
<u>Weekly:</u>					
1968--June 5 p	+ 486	+ 305	+ 39	- 144	+ 286
12 p	+ 209	- 36	+ 36	+ 152	+ 57
19 p	- 17	- 206	+ 236	+ 11	- 58
26 p	- 864	- 16	- 75	- 15	- 758
July 3 p	+ 38	- 140	+ 94	- 24	+ 108
10 p	+ 685	+ 259	+ 134	+ 4	+ 288
<u>PROJECTED</u>					
1968--July 17	+ 225	- 120	- 20	+ 30	+ 335
24	+ 85	+ 30	+ 40	--	+ 15
31	- 530	--	- 530	--	--
Aug. 7	- 120	--	- 120	--	--
14	+ 165	--	+ 75	--	+ 90

p - Preliminary.

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 - 7/12/67)	+2,708	+3,232	+3,062	+ 776	- 606	- 21	- 24	- 479
(12/27/67 - 7/10/68)	+3,363	+3,348	+2,509	+ 845	- 6	- 3	- 49	+ 67
<u>Weekly:</u>								
1968--May								
1	+ 347	+ 306	+ 176	--	+ 130	+ 5	+ 13	+ 23
8	+ 568	+ 369	+ 97	--	+ 272	+ 10	+ 40	+ 149
15	- 238	- 89	- 131	--	+ 42	- 7	- 31	- 111
22	- 23	+ 33	+ 333	--	- 300	- 5	- 8	- 43
29	+ 121	+ 43	+ 117	+ 70	- 144	- 3	- 14	+ 95
June								
5	+ 23	+ 30	+ 30	--	--	--	- 2	- 5
12	+ 222	+ 251	- 10	--	+ 261	+ 29	+ 23	- 81
19	+ 58	+ 88	+ 241	--	- 153	- 14	- 2	- 14
26	+1,222	+ 985	+ 916	+ 31	+ 38	+ 51	+ 43	+ 143
July								
3	- 122	+ 274	+ 263	+ 157	- 146	- 66	- 16	- 314
10	- 52	+ 61	- 27	+ 13	+ 75	+ 4	- 36	- 81

Chart Reference Table C-1

TOTAL, NONBORROWED AND REQUIRED RESERVES

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
1966--Jan.	22,785	22,325	22,456	21,936	16,822
Feb.	22,857	22,376	22,507	21,996	16,877
Mar.	22,888	22,331	22,512	22,115	16,957
Apr.	23,118	22,490	22,714	22,283	17,043
May	23,192	22,486	22,773	22,331	17,030
June <u>1/</u>	23,149	22,472	22,780	22,361	17,043
July	23,293	22,552	22,864	22,344	16,963
Aug.	23,029	22,336	22,710	22,320	16,908
Sept.	23,065	22,319	22,689	22,349	16,922
Oct.	22,954	22,243	22,629	22,229	16,827
Nov.	22,915	22,303	22,593	22,198	16,810
Dec.	22,895	22,286	22,600	22,262	16,825
1967--Jan.	23,217	22,770	22,875	22,298	16,774
Feb.	23,471	23,107	23,134	22,559	16,959
Mar.	23,869	23,668	23,383	22,785	17,101
Apr.	23,910	23,775	23,529	22,779	17,015
May	23,952	23,874	23,531	23,071	17,244
June	24,105	23,982	23,660	23,387	17,472
July	24,342	24,279	23,960	23,578	17,582
Aug.	24,627	24,586	24,259	23,776	17,701
Sept.	24,786	24,721	24,452	23,850	17,704
Oct.	25,121	25,020	24,810	23,995	17,805
Nov.	25,275	25,142	24,947	24,122	17,879
Dec.	25,153	24,848	24,914	24,157	17,860
1968--Jan.	25,500	25,193	25,151	24,270	17,974
Feb.	25,765	25,401	25,389	24,333	18,025
Mar.	25,812	25,135	25,402	24,429	18,080
Apr.	25,623	24,938	25,276	24,491	18,136
May <u>p/</u>	25,710	24,983	25,238	24,752	18,389
June <u>p/</u>	25,803	25,108	25,432	24,911	18,538

p - Preliminary.

1/ Break in series due to redefinition of time deposits effective June 9, 1966, which reduced required reserves by \$34 million.

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) ^{1/}	Time deposits	Private demand deposits ^{2/}	U.S. Gov't. demand deposits
1966--Jan.	238.0	121.8	111.7	4.5
Feb.	239.0	121.9	112.1	5.0
Mar.	239.8	122.8	112.6	4.4
Apr.	241.9	124.8	113.2	4.0
May	243.9	126.2	113.1	4.6
June ^{3/}	244.4	126.6	113.2	4.6
July	245.8	128.1	112.6	5.1
Aug.	245.6	128.8	112.3	4.5
Sept.	245.5	129.2	112.4	4.0
Oct.	244.4	128.6	111.7	4.0
Nov.	244.0	128.3	111.6	4.1
Dec.	244.6	129.4	111.7	3.5
1967--Jan.	247.7	131.5	111.4	4.8
Feb.	251.0	133.3	112.6	5.1
Mar.	254.0	135.3	113.6	5.1
Apr.	255.8	137.2	113.0	5.6
May	257.2	138.7	114.5	4.0
June	259.5	140.8	116.0	2.6
July	262.4	142.8	116.7	2.9
Aug.	266.1	144.6	117.5	4.0
Sept.	268.4	146.3	117.6	4.5
Oct.	270.8	147.4	118.2	5.2
Nov.	272.9	148.6	118.7	5.6
Dec.	273.2	149.9	118.6	4.6
1968--Jan.	274.7	149.9	119.4	5.4
Feb.	277.0	150.2	119.7	7.1
Mar.	278.0	151.2	120.1	6.7
Apr.	276.9	151.3	120.4	5.2
May p	277.3	151.5	122.1	3.7
June p	278.7	151.7	123.1	3.9

^{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/} Private demand deposits include demand deposits of individuals, partnerships and corporations and net interbank balances.

^{3/} Break in series due to redefinition of time deposits effective June 9, 1966, which reduced total member bank deposits and time deposits by \$850 million.

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
1968--Jan. 3	274.1	150.1	119.6	4.4
10	274.0	149.9	119.5	4.6
17	274.7	150.1	119.5	5.1
24	275.5	149.8	119.1	6.6
31	274.9	149.9	119.0	5.9
Feb. 7	276.0	149.8	119.3	6.8
14	276.1	150.0	119.6	6.5
21	276.1	150.3	119.8	6.1
28	279.3	150.6	119.8	8.9
Mar. 6	279.1	150.7	119.8	8.6
13	278.4	151.1	120.0	7.3
20	277.3	151.0	119.9	6.5
27	277.5	151.3	120.3	6.0
Apr. 3	277.4	151.6	120.3	5.5
10	276.6	151.5	120.1	5.0
17	278.6	151.4	121.7	5.5
24	276.7	151.0	120.0	5.7
May 1	276.3	151.5	120.0	4.8
8	277.2	151.5	120.9	4.8
15	276.7	151.6	121.3	3.7
22	277.3	151.6	122.7	3.1
29 p	277.7	151.3	123.3	3.1
June 5 p	278.2	151.5	123.4	3.3
12 p	278.3	151.8	122.1	4.4
19 p	277.9	151.8	122.2	3.9
26 p	280.2	151.7	123.0	5.4
July 3 p	278.7	152.1	125.1	1.5
10 p	277.9	152.6	124.2	1.1

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/ Break in series due to redefinition of time deposits effective June 9, 1966, which reduced total member bank deposits and time deposits by \$850 million.

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
1966--Jan.	167.9	36.6	131.4	147.7
Feb.	168.6	36.7	131.9	148.3
Mar.	169.2	36.9	132.3	149.6
Apr.	170.3	37.1	133.2	151.8
May	170.3	37.3	133.0	153.6
June <u>3/</u>	170.5	37.4	133.1	154.1
July	169.9	37.6	132.3	155.9
Aug.	170.0	37.8	132.2	156.9
Sept.	170.5	37.9	132.6	157.7
Oct.	170.2	38.0	132.1	157.3
Nov.	170.2	38.2	132.0	156.9
Dec.	170.4	38.3	132.1	158.1
1967--Jan.	170.3	38.5	131.8	161.0
Feb.	171.8	38.7	133.0	163.5
Mar.	173.2	38.9	134.3	165.9
Apr.	172.5	39.0	133.5	168.1
May	174.4	39.1	135.3	170.1
June	176.0	39.3	136.7	172.6
July	177.8	39.4	138.4	174.8
Aug.	178.9	39.5	139.4	177.2
Sept.	179.1	39.7	139.4	179.4
Oct.	180.2	39.9	140.2	180.6
Nov.	181.0	40.1	141.0	182.0
Dec.	181.3	40.4	140.9	183.5
1968--Jan.	182.3	40.6	141.7	184.1
Feb.	182.7	40.7	141.9	185.2
Mar.	183.4	41.1	142.2	186.7
Apr.	184.4	41.4	143.0	187.1
May p	186.1	41.6	144.5	187.6
June p	187.2	42.0	145.3	188.1

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 at Federal Reserve Banks.

3/ Break in series due to redefinition of time deposits effective June 9, 1966, which reduced time deposits adjusted by \$1,140 million.

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>
1968--Jan. 3	182.3	40.5	141.8	183.9
10	182.4	40.5	141.8	183.9
17	182.7	40.6	142.1	184.0
24	182.2	40.6	141.6	184.0
31	182.1	40.6	141.5	184.3
Feb. 7	182.4	40.7	141.8	184.5
14	182.7	40.8	141.9	185.0
21	182.8	40.8	142.0	185.3
28	182.9	40.8	142.1	185.7
Mar. 6	183.1	40.9	142.2	186.0
13	183.6	41.0	142.5	186.7
20	183.3	41.1	142.2	186.8
27	183.6	41.2	142.4	187.0
Apr. 3	183.9	41.2	142.7	187.3
10	183.9	41.3	142.6	187.0
17	186.0	41.3	144.7	187.1
24	183.8	41.4	142.4	186.9
May 1	183.7	41.5	142.3	187.3
8	184.8	41.5	143.3	187.4
15	185.1	41.6	143.5	187.7
22	186.8	41.8	145.0	187.7
29 p	187.5	41.8	145.8	187.6
June 5 p	187.6	41.8	145.8	187.9
12 p	186.2	42.0	144.2	188.1
19 p	186.8	42.0	144.8	188.0
26 p	187.8	42.0	145.8	187.9
July 3 p	189.3	41.9	147.4	188.5
10 p	188.8	42.1	146.6	189.1

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/ Break in series due to redefinition of time deposits effective June 9, 1966, which reduced time deposits adjusted by \$1,140 million.

p - Preliminary.