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## MONEY MARKET AND RESERVE RELATIONSHIPS

Recent developments

(1) Shortly after the last Committee meeting, market expectations turned sharply in favor of a general decline in interest rates. As a consequence, professional and retail demands for securities pushed long-term rates markedly lower. Yields on long-term U.S. Government bonds declined by as much as 50 basis points over a two week period, while corporate and State and local yields dropped around 26 basis points. In recent days, however, the bond market rally has faded, and yields have backed up somewhat. Private short-term market rates have moved lower, by as much as three-eighths of a percentage point, since the last meeting of the Committee. In the case of commercial paper, this decline occurred despite a marked increase in the issuance of bank-related commercial paper.

(2) Despite two Treasury tax-anticipation bill auctions totaling \$5 billion--one on October 8 and one on October 23--Treasury bill rates generally showed little change on balance over the last three weeks. The market was in a fairly strong technical position as a result of earlier foreign official bill purchases, and was readily able to absorb the new Treasury offerings. The foreign purchases were subsequently reversed in part, as some speculators in German marks cashed in their gains, but the bill market was partly sheltered from the impact as the

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, S.A.				
	Free Reserves (In million of dollars for week ending in)	Borrowings	Federal Fund Rate %	3-month Treasury bill	U.S. (Government) (20 yr)	Corporate (New Issue) (A1)	Municipal (A1)	Nonborrowed Reserves (In millions of dollars)	Total Reserves	Bank Credit Proxy (In billions of dollars)	Money Supply	Time Deposits 3/
1968--September	- 116	492	5.78	5.19	5.28	6.27	4.23	+183	+ 98	+ 2.1	+ 0.4	+ 2.6
October	- 192	558	5.92	5.35	5.44	6.47	4.21	+206	+193	+ 3.2	+ 0.4	+ 3.0
November	- 255	541	5.81	5.45	5.56	6.61	4.33	+ 29	+181	+ 2.8	+ 1.8	+ 2.7
December	- 327	753	6.02	5.96	5.88	6.79	4.50	+120	+588	+ 3.2	+ 1.2	+ 2.8
1969--January	- 491	715	6.30	6.14	5.99	6.92	4.58	+103	+175	- 1.2 *	+ 1.0	- 1.7
February	- 580	836	6.64	6.12	6.11	6.91	4.74	-112	- 79	- 0.3	+ 0.5	- 0.8
March	- 635	837	6.79	6.02	6.22	7.17	4.97	-182	- 88	- 2.5	+ 0.5	- 0.1
April	- 844	1,031	7.41	6.11	6.03	7.17	5.00	-270	-197	+ 1.2	+ 1.3	--
May	-1,116	1,359	8.67	6.04	6.11	7.22	5.19	+134	+460	- 0.3	+ 0.2	- 0.6
June	-1,078	1,355	8.90	6.44	6.28	7.58	5.58	-183	-179	- 2.5	+ 0.7	- 0.9
July	-1,045	1,311	8.61	7.00	6.27	7.63	5.60	-430	-526	- 4.6	+ 0.3	- 3.1
August	- 997	1,211	9.19	6.98	6.22	7.65	5.74	- 64	-132	- 2.7	- 0.2	- 3.2
September p	- 71	1,026	9.15	7.09	6.55	7.98	5.83	+172	+ 3	+ 0.4	--	- 0.4
October (proj)	-1,015	1,191	n.a.	n.a.	n.a.	7.90	5.80	-190	- 15	- 1.9	+ 0.4	- 0.6
1969--Aug 6	- 839	1,090	9.57	6.99	6.21	7.57	5.70	+484	+340	- 0.9	--	- 1.1
13	- 996	1,329	9.18	7.04	6.19	7.53	5.73	-102	+ 47	- 0.3	--	- 0.7
20	-1,162	1,221	8.79	6.86	6.20	7.61	5.73	-394	-387	- 1.5	+ 0.4	- 0.5
27	- 992	1,204	8.82	7.04	6.24	7.82	5.80	+344	+282	+ 0.7	- 0.6	- 0.5
Sept 3	- 818	1,240	9.57	7.01	6.35	7.90**	5.80	- 87	- 46	+ 0.7	+ 0.6	+ 0.1
10	- 349	740	8.57	7.09	6.45	8.02**	5.85	+515	- 62	- 2.1	- 0.2	- 0.1
17	- 886	1,018	9.07	7.11	6.49	8.04	5.85	-321	+ 45	+ 3.4	+ 0.3	+ 0.3
24	- 901	1,105	9.61	7.13	6.60	8.13	5.82	-165	-134	- 2.1	- 1.3	- 0.2
Oct 1	-1,116	1,436	9.11	7.07	6.76	8.22	5.83	+163	+481	- 0.8	--	+ 0.3
8 p	- 873	964	9.43	7.00	6.65	8.10	5.80	-116	-532	- 0.4	+ 1.4	- 0.4
15 p	-1,175	1,348	9.68	7.02	6.46	7.95	5.75	-317	+ 30	- 1.7	- 1.0	- 0.1
22 p	- 895	1,015	8.75	6.94	6.29	7.82	5.80	+590	+331	+ 2.7	+ 1.7	- 0.5
<u>Averages</u>												
Year 1968	- 210	548	5.58	5.36	5.45	6.47	4.20	+ 6.0	+ 7.9	+ 9.0	+ 7.2	+11.5
Second Half 1968	- 218	529	5.77	5.42	5.44	6.50	4.22	+10.2	+10.7	+13.4	+ 7.0	+17.3
First Half 1969	- 779	1,034	7.45	6.17	6.12	7.20	4.99	- 3.7	+ 0.7	- 3.5	+ 4.3	- 4.0
<u>Recent variation in growth</u>												
7/3/68 - 12/18/68	- 203	516	5.90	5.34	5.40	6.47	4.21	+11.0	+12.9	+14.8	+ 5.9	+18.6
12/18/68 - 10/1/69	- 839	1,091	7.98	6.47	6.27	7.46	5.25	- 4.9	- 3.4	- 5.3	+ 3.4	- 6.8

1/ Average of total number of days in period

2/ Includes issues carrying 5-year and 10-year call protection, \* - issues carry a 10-year call protection.

3/ Time deposits adjusted at all commercial banks

4/ Base is change for month preceding specified period or in case of weekly periods, the first week shown

\*\* - Reflects \$400 million reduction in member bank deposits resulting from withdrawal of a large country bank from System membership. Percentage annual rates are adjusted to eliminate this break in series.

p - Preliminary

S.A. - Seasonally adjusted.

System purchased a substantial volume of these bills, and also made some market purchases, for reserve supplying purposes. The 3-month bill was most recently bid at around 7 per cent, near the lower end of the range specified in the last blue book and about the same as its level at the time of the last meeting.

(3) In the previous blue book, total member bank deposits in October were projected to decline in a 5 - 8 per cent annual rate range. At present, on the basis of two weeks of preliminary and one week of partial data for the month, we estimate the decline to be in the slightly deeper range of 7 - 9 per cent. Euro-dollars and other non-deposit sources of funds appear to be offsetting about 1-1/2 percentage points of the decline in member bank deposits. A week ago, staff estimates of the proxy had suggested an even weaker performance for October. As a result the proviso clause of the directive was marginally in effect in the statement week ending October 22.

(4) The performance of deposit components thus far this month, and also currency, has differed from earlier expectations, though most of the deposit variation has been mutually offsetting. U. S. Government deposits are declining considerably more than previously expected, but private demand deposits are stronger by about an equivalent amount and now appear likely to rise somewhat on average during the month, in contrast to a slight decline projected earlier. Reflecting the somewhat stronger private demand deposit performance, as well as greater growth of currency the money supply for October is now

estimated to increase in a 1 - 4 per cent annual rate range. Total time and savings deposits have been running slightly weaker than anticipated, with the October average rate of decline now estimated in a 2 - 5 per cent annual rate range. All of the weakness relative to projections was in time deposits other than large CD's.

(5) Net borrowed reserves at member banks during the past three statement weeks have fluctuated in a fairly wide \$875 million to \$1.2 billion range, and average borrowings in the \$950 million to \$1.4 billion range. The Federal funds rate also showed considerable fluctuation with the weekly average effective rate varying between 8-3/4 and 9-5/8 per cent. Money market conditions were influenced not only by the marginal implementation of the proviso clause, but also by the wide variations in the day-to-day needs for funds among major banks-- arising in part, of course, from the Treasury's financing operations. For example, the basic reserve deficit of the major banks in New York (borrowings from the Federal Reserve and net Federal funds purchases less excess reserves) fluctuated between \$650 million and \$1.8 billion, while the deficit of the 38 major banks outside New York varied from about \$2.7 billion to about \$4 billion.

(6) The following table summarizes annual rates of change in major deposit and reserve aggregates during recent periods.

	<u>July '68-</u> <u>Dec. '68</u>	<u>Jan. '69-</u> <u>June '69</u>	<u>July '68-</u> <u>Sept. '69</u>	<u>Oct. '69<sup>p/</sup></u>
Total reserves	10.9	0.7	- 9.3	-10.0
Nonborrowed reserves	11.0	-3.7	- 4.8	-14.5
Bank credit, as indicated by:				
Total member bank deposits (Bank credit proxy)	13.4	-3.5	- 9.4	- 8.0
Proxy plus Euro-dollars	13.5	-0.2	- 6.2	- 8.0
Proxy plus Euro-dollars and other nondeposit sources	n.a.	n.a.	- 4.3	- 6.5
Total loans and investments (as of last Wednesday of month)	15.0	3.0	- 0.5	0.5
Money supply	7.0	4.3	0.2	2.5
Time and savings deposits	17.3	-4.0	-13.3	- 3.5
Savings accounts at non-bank thrift institutions	6.4	5.0	2.0	n.a.

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Note: Dates are inclusive.  
p/ Partly projected.

Prospective developments

(7) For the second paragraph of the current economic policy directive, the Committee might wish to consider language along the following lines (alternative A):

"To implement this policy, System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining the prevailing firm conditions in money and short-term credit

markets; provided, however, that operations shall be modified if bank credit appears to be deviating significantly from current projections. This language is the same as that of the directive issued on October 7, 1969.

(8) Prevailing firm conditions in the money and short-term credit markets might be taken to encompass ranges for the Federal funds rate of about 8-1/2--9-1/2 per cent, for member bank borrowings of \$1--1-1/2 billion, and for net borrowed reserves of \$900 million to \$1.2 billion--in each case, the approximate ranges prevailing since the last meeting of the Committee. It should be noted that money market conditions in the last statement week were toward the easier end of the ranges, with the proviso marginally in effect.

(9) Given the conditions specified in paragraph (8), the 3-month bill rate seems likely to fluctuate in a 6-3/4--7-1/4 per cent range. Market distribution of the most recent bill financing and probable further foreign bill sales will be putting upward pressure on the bill rate, but System reserve supplying operations--estimated at around \$800 million over the next four weeks--and the current strong technical condition of the short bill market will work toward offsetting these upward rate pressures.

(10) The recent \$3 billion tax bill financing will be paid for on October 29, thus giving a sizable boost to the average level of U.S. Government deposits in November and to total member bank deposits. The latter are expected to grow on average at an annual rate in a 5 - 8 per cent range in November, supported by a 4 - 7 per cent annual rate

of growth in nonborrowed and total reserves. Combining the member bank deposit growth expected in November with the 7 - 9 per cent rate of decline now estimated for October would result in little net change on average for member bank deposits over the two month period. Outstanding total member bank deposits also are expected to show little net change on average in December, as the anticipated November bulge of Government deposits fades.

(11) Continued sizable inventory accumulation by business, in conjunction with diminishing profits and reduced liquid asset positions, may lead to takedowns of loan commitments at banks sufficient to keep outstanding business loans growing in November at a somewhat faster pace than in the third quarter. Given the pick-up of business loan demands, and with individual banks viewing the increase in U.S. Government deposits as temporary, outstanding funds obtained from non-deposit sources may increase over the next month; any such increase would be accounted for mainly by further growth of commercial paper issued by bank affiliates. The expected increase of all nondeposit sources, including Euro-dollars, would be the equivalent of adding about 1 - 2 percentage points at an annual rate to total member bank deposits. Thus, the bank credit proxy adjusted to include Euro-dollars and other non-deposit sources is projected to rise on average in November in 6 - 10 per cent annual rate range.

(12) Time and savings deposits at banks are likely to decline in a 4 - 7 per cent annual rate range in November, largely because of continued weakness in the trend of consumer-type time deposits and in large CD's issued to domestic business and individuals. Since mid-September time deposits of foreign official accounts at U.S. banks have risen about \$675 million. Most of this represents a one-time switching of BIS funds to U.S. banks. Head offices of U.S. banks can now offer slightly higher yields on foreign official time deposits than their branches offer on Euro-dollars, reflecting the somewhat lower reserve requirement on head office time deposits as compared with marginal deposits (above the base) obtained through foreign branches. As a result, there may be some continued increase in foreign official time deposits at head offices.

(13) The money supply is expected to show little net change, on average, in November. Part of the October rise in the average may have reflected greatly enlarged activity in financial markets, particularly stock markets, during the last two weeks. The November projection assumes a more normal level of activity.

(14) As noted in paragraph (1), sharp declines in bond yields during the past few weeks strongly reflected market expectations. With constraints on supplies of funds at most major types of financial institutions expected to persist, it seems likely that interest rates will move upward again unless /strong additional evidence as to a weakening of the economy, peace in Viet-Nam, or a shift in monetary policy.

Indeed, in the last few days, long-term rates have risen, particularly in the municipal bond market.

Policy alternative

(15) If the Committee should decide to move toward somewhat less firm money market conditions, it might wish to consider directive language along the following lines (alternative B):

"To implement this policy, System open market operations until the next meeting of the Committee shall be conducted with a view to achieving slightly less firm conditions in money and short-term credit markets; provided, however, that operations shall be modified if bank credit appears to be deviating significantly from current projections.

(16) The slightly less firm money market conditions to be sought might involve a Federal funds rate averaging around 8-1/4 to 8-1/2 per cent, member bank borrowings around \$1 billion or a little less, and net borrowed reserves fluctuating around \$800 million. Such a move, as it becomes evident to the market, could tend to moderate or even reverse the developing tendency of recent days for some interest rates to rise. The 3-month bill rate would probably move down in a 6-1/2 -- 7 per cent range. But the impact of so small a change in money market conditions on monetary aggregates would likely be minor over the near-term, unless resulting market exuberance should carry interest rates sharply down, and the bill rate were permitted to fall well below the range specified. Assuming the bill rate remains within the range, however, we would not expect the November aggregates to be more than a

percentage point or two stronger than projected under alternative A of the directive.

(17) Even a slight easing of money market conditions would probably lead over time to expectations of further easing and encourage banks to add more to loans and investments than otherwise, financing them at very short-term in the Federal funds, Euro-dollar, and commercial paper markets. In these circumstances, as the Federal Reserve provided the reserves to keep the Federal funds rate down, demand deposits would also tend to become somewhat stronger than otherwise. Thus, relative to the alternative A projections, bank credit and deposit expansion, might show a more noticeable strengthening in December than in November.

Chart 1

# MEMBER BANK RESERVES

MONTHLY AVERAGES OF DAILY FIGURES

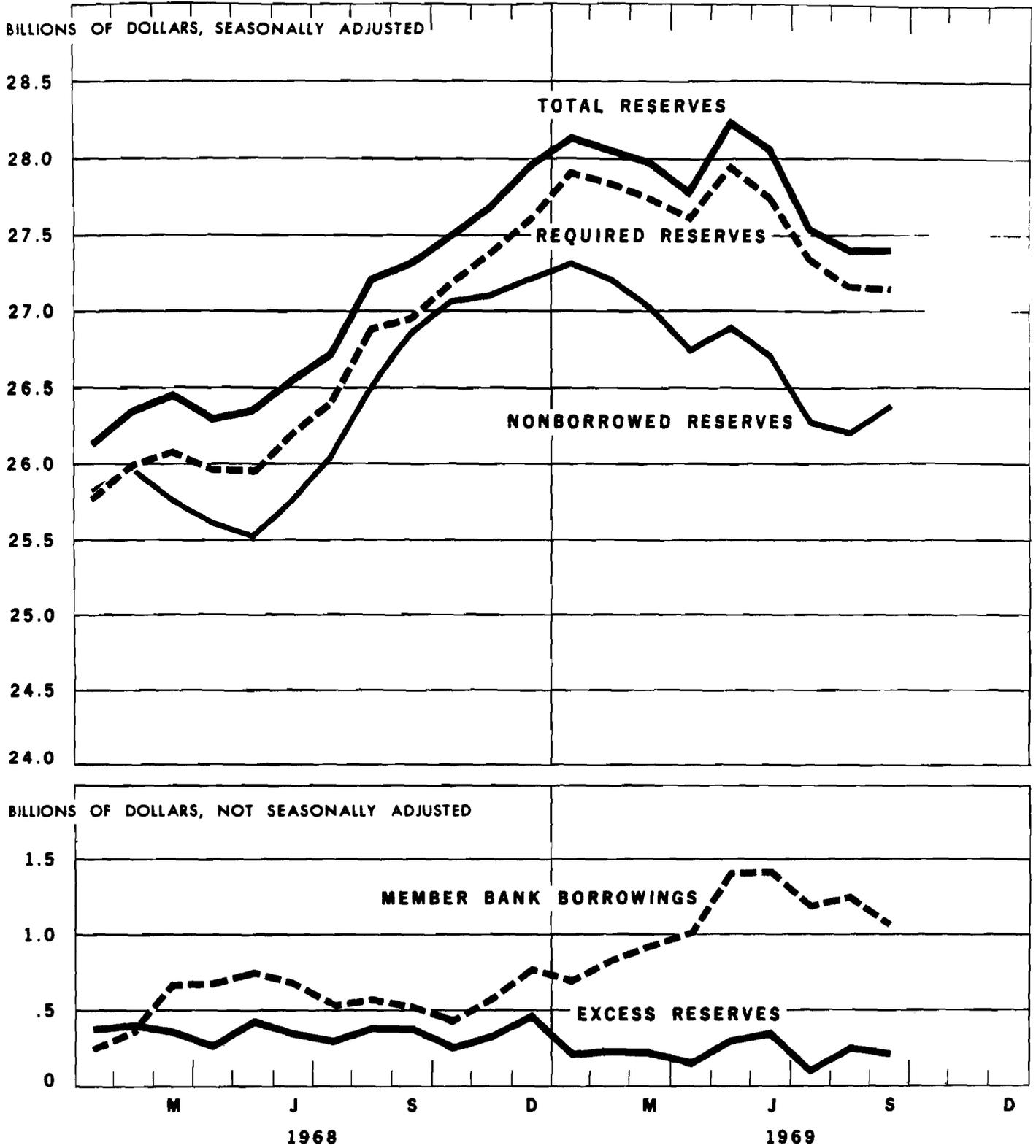


Chart 2

# MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

BILLIONS OF DOLLARS

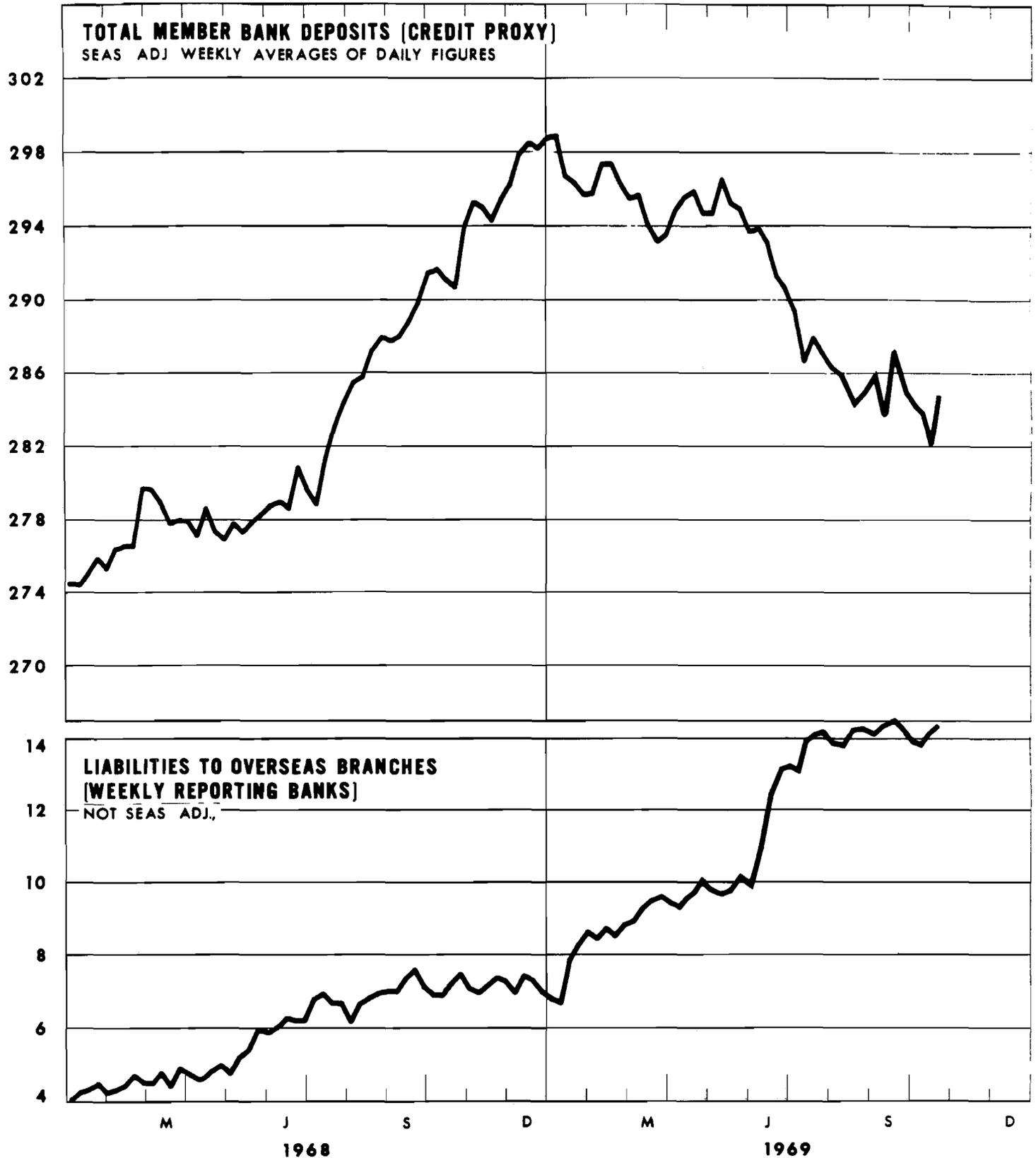


Chart 3

# MONEY SUPPLY AND BANK DEPOSITS

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

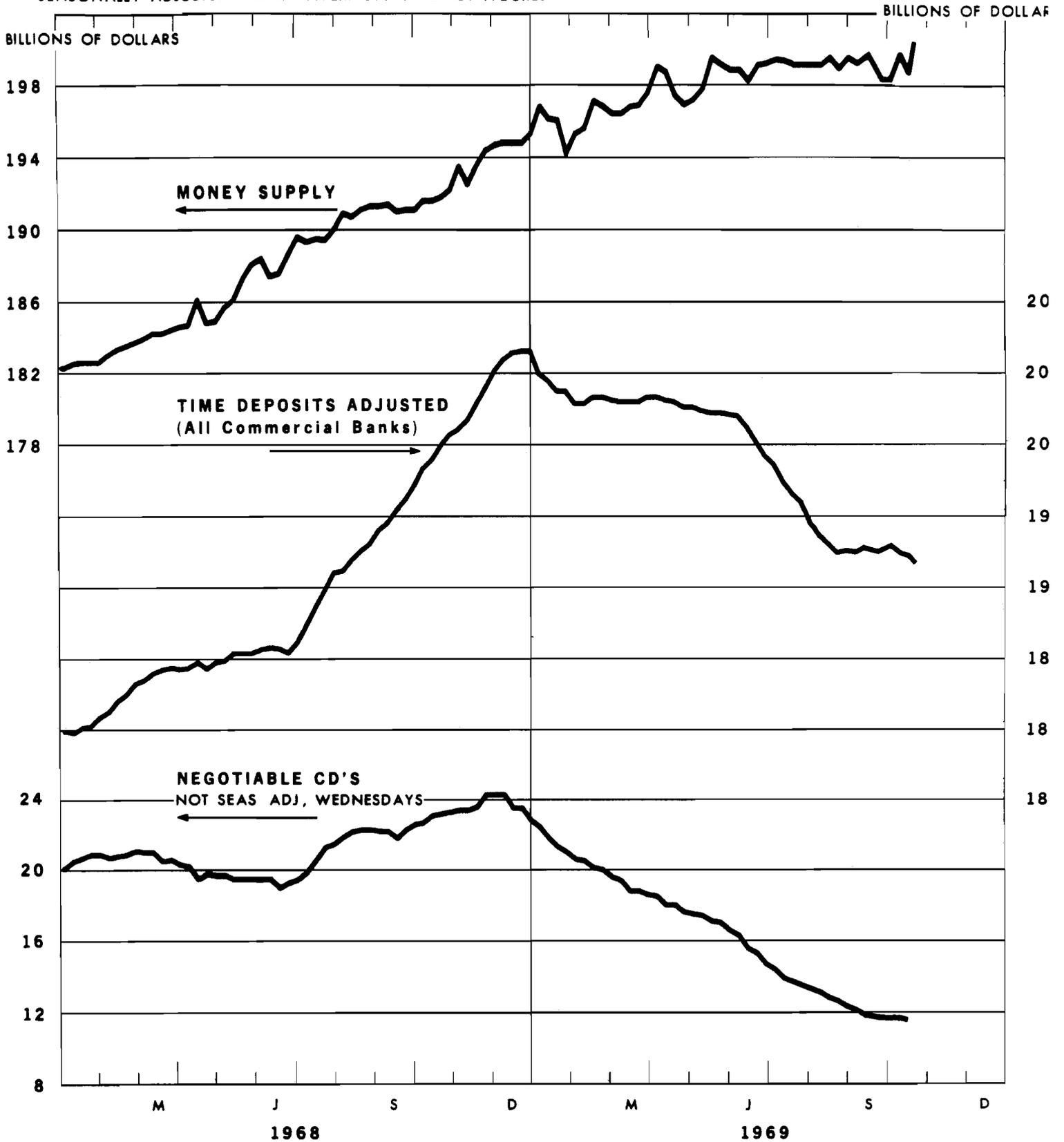


Chart 4

# DEMAND DEPOSITS AND CURRENCY

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

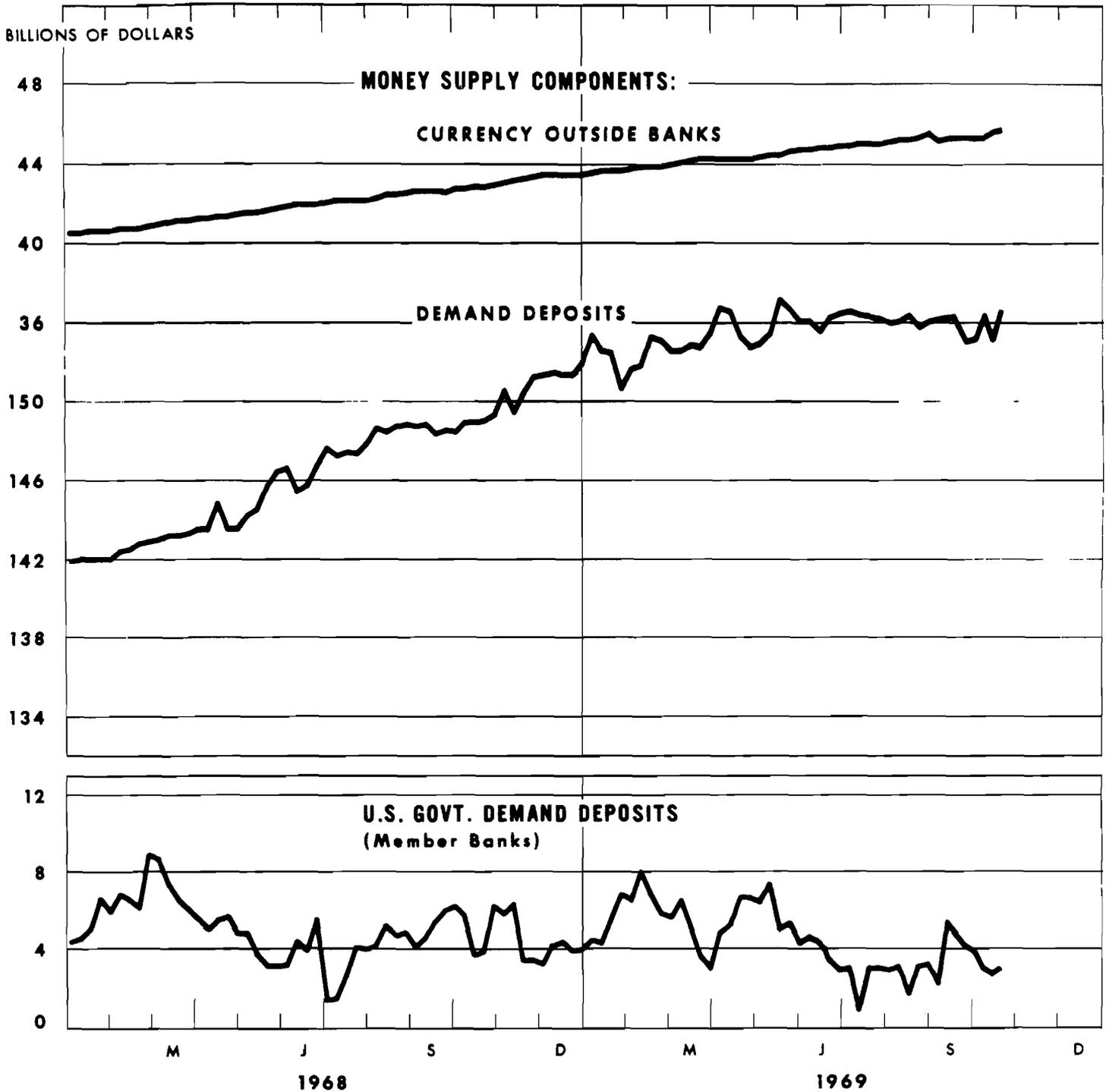


Table 1

## MARGINAL RESERVE MEASURES

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

Period	Free reserves	Excess reserves	Member Banks Borrowings				Country
			Total	Reserve City		Other	
				8 N.Y.	Outside N.Y.		
Monthly (reserves weeks ending in):							
1968--September	- 146	346	492	125	158	73	136
October	- 192	267	458	81	88	117	172
November	- 255	286	541	65	171	93	212
December	- 270	330	600	134	223	66	177
1969--January	- 477	359	836	131	302	149	253
February	- 580	256	836	62	255	215	304
March	- 635	202	837	58	233	254	293
April	- 844	187	1,031	85	411	260	275
May	-1,116	243	1,359	123	346	397	493
June	-1,078	277	1,355	57	459	288	550
July	-1,045	266	1,311	89	250	364	608
August	-1,997	214	1,211	81	253	256	621
September	- 776	260	1,026	83	236	222	485
1969--July 2	-1,138	496	1,634	125	416	396	697
9	- 891	129	1,020	--	165	334	521
16	-1,103	176	1,279	88	302	390	499
23	- 972	382	1,354	86	214	393	661
30	-1,123	146	1,269	146	152	308	663
Aug. 6	- 839	251	1,090	18	183	251	638
13	- 996	333	1,329	118	365	256	589
20	-1,162	59	1,221	136	267	194	624
27	- 992	212	1,204	53	196	322	633
Sept. 3	- 838	402	1,240	57	286	233	664
10	- 349	391	740	64	39	172	465
17	- 886	132	1,018	128	331	136	423
24	- 901	204	1,105	83	306	328	388
Oct. 1	-1,116	320	1,436	95	531	257	553
8 p	- 873	91	964	170	113	267	414
15 p	-1,175	174	1,348	211	397	301	439
22 p	- 895	120	1,015	--	275	344	396

p - Preliminary.

Table 2  
 AGGREGATE RESERVES AND MONETARY VARIABLES  
 Retrospective Changes, Seasonally Adjusted  
 (In per cent, annual rates based on monthly averages of daily figures)

Period	Reserve Aggregates			Monetary Variables					
	Total Reserves	Nonborrowed Reserves	Required Reserves	Total Member Bank Deposits	Money Supply			Commercial bank time deposits adjusted	Credit Proxy (Incl. Euro-dollar borrowings)
					Total	Currency	Private Demand Deposits		
<u>Annually</u>									
1967	+10.3	+11.7	+10.5	+11.8	+ 6.6	+ 5.5	+ 7.0	+15.9	+11.7
1968	+ 7.8	+ 6.0	+ 7.9	+ 9.0	+ 7.2	+ 7.4	+ 7.1	+11.5	+ 9.8
<u>Quarterly</u>									
1st Quarter 1968	+ 7.9	+ 1.1	+ 7.5	+ 7.3	+ 5.5	+ 6.9	+ 5.4	+ 7.6	+ 7.6
2nd Quarter 1968	+ 1.5	+ 2.1	+ 1.8	+ 1.4	+ 8.7	+ 7.8	+ 8.7	+ 3.0	+ 3.7
3rd Quarter 1968	+11.5	+15.0	+11.5	+13.6	+ 6.8	+ 7.6	+ 6.8	+16.5	+14.7
4th Quarter 1968	+ 9.6	+ 5.3	+ 9.8	+12.7	+ 7.1	+ 6.6	+ 7.0	+17.3	+11.9
1st Quarter 1969	+ 0.1	- 2.8	+ 1.7	- 4.8	+ 4.1	+ 6.5	+ 3.4	- 5.1	- 1.8
2nd Quarter 1969	+ 1.2	- 4.7	+ 0.2	- 2.2	+ 4.5	+ 6.3	+ 3.9	- 3.0	+ 1.4
3rd Quarter 1969	- 9.3	- 4.8	- 8.6	- 9.4	+ 0.2	+ 3.6	- 1.0	-13.3	- 6.2
<u>Monthly:</u>									
1968--April	- 6.9	- 6.9	- 5.2	- 5.2	+ 5.9	+ 5.8	+ 5.0	+ 3.2	- 4.7
May	+ 2.5	+ 0.9	- 0.6	+ 2.2	+11.0	+ 8.7	+12.5	+ 3.2	+ 6.0
June	+ 8.8	+12.3	+11.3	+ 7.3	+ 9.0	+ 8.7	+ 8.3	+ 2.6	+ 9.7
July	+ 7.6	+13.8	+ 9.4	+ 9.4	+ 8.9	+ 5.7	+ 9.8	+15.9	+10.5
August	+22.4	+22.4	+22.3	+22.2	+ 8.9	+ 8.6	+ 8.9	+17.0	+22.5
September	+ 4.3	+ 8.3	+ 2.6	+ 8.8	+ 2.5	+ 8.5	+ 1.6	+16.1	+10.6
October	+ 8.5	+ 9.2	+10.4	+13.3	+ 2.5	+ 2.8	+ 2.4	+18.3	+12.1
November	+ 7.9	+ 1.3	+ 8.4	+11.5	+11.3	+11.2	+11.3	+16.2	+11.6
December	+12.1	+ 5.3	+10.2	+13.0	+ 7.4	+ 5.6	+ 7.2	+16.6	+11.5
1969--January	+ 7.5	+ 4.5	+12.7	- 3.2	+ 6.2	+ 2.8	+ 7.1	-10.0	- 0.8
February	- 3.4	- 4.9	- 3.0	- 1.2	+ 3.1	+ 8.3	+ 1.6	- 4.7	+ 2.0
March	- 3.8	- 8.0	- 4.4	-10.1	+ 3.1	+ 8.2	+ 1.6	- 0.6	- 6.7
April	- 8.5	-12.0	- 5.0	+ 4.9	+ 7.9	+ 2.7	+10.2	--	+ 5.5
May	+19.9	+ 6.0	+14.3	- 1.2	+ 1.2	+ 8.1	- 1.6	- 3.6	--
June	- 7.6	- 8.2	- 8.6	-10.2	+ 4.2	+ 8.1	+ 3.1	- 5.4	- 1.2
July	-22.5	-19.3	-17.6	-18.9	+ 1.8	+ 5.4	+ 1.6	-18.5	-11.4
August	- 5.8	- 2.9	- 7.6	-11.3	- 1.2	+ 8.0	- 4.7	-19.4	- 9.5
September	+ 0.1	+ 7.9	- 0.8	+ 1.7	--	- 2.6	--	- 2.5	+ 2.4
October (proj.)	-10.0	-14.5	- 7.5	- 8.0	+ 2.5	+10.5	+ 1.0	- 3.5	- 8.0

p - Preliminary.

Table 3  
AGGREGATE RESERVES AND MONETARY VARIABLES  
Seasonally Adjusted

(Based on monthly averages of daily figures)

Period	Reserve Aggregates			Member Bank Deposits Supported by Required Reserves				Money Supply			Commercial bank time deposits adjusted 4/	Credit Proxy (Incl. Euro dollar borrowings)
	Total reserves	Nonborrowed reserves	Required reserves	Total member bank deposits	Time deposits	Private demand deposits 1/	U.S. Gov't demand deposits	Total	Currency 2/	Private demand deposits 3/		
	(In millions of dollars)			(In billions of dollars)								
<b>Monthly:</b>												
1968--January	26,134	25,818	25,774	275.1	149.9	119.7	5.4	182.6	40.6	142.0	184.1	279.4
February	26,352	25,961	25,989	277.4	150.2	120.1	7.1	183.3	40.7	142.6	185.8	281.9
March	26,451	25,755	26,078	278.5	151.2	120.6	6.7	184.2	41.1	143.2	187.2	283.2
April	26,298	25,606	25,964	277.3	151.3	120.8	5.2	185.1	41.3	143.8	187.7	282.1
May	26,353	25,626	25,952	277.8	151.5	122.7	3.7	186.8	41.6	145.3	188.2	283.5
June	26,547	25,889	26,196	279.5	151.8	123.8	3.9	188.2	41.9	146.3	188.6	285.8
July	26,715	26,186	26,402	281.7	153.8	125.2	2.7	189.6	42.1	147.5	191.1	288.3
August	27,213	26,675	26,893	286.9	156.5	125.6	4.8	191.0	42.4	148.6	193.8	293.7
September	27,311	26,860	26,951	289.0	158.9	124.8	5.3	191.4	42.7	148.8	196.4	296.3
October	27,504	27,066	27,185	292.2	161.5	125.7	5.0	191.8	42.8	149.1	199.4	299.3
November	27,685	27,095	27,376	295.0	163.5	126.8	4.7	193.6	43.2	150.5	202.1	302.2
December	27,964	27,215	27,609	298.2	165.8	128.2	4.2	194.8	43.4	151.4	204.9	305.1
1969--January	28,139	27,318	27,902	297.0	163.2	128.4	5.4	195.8	43.5	152.3	203.2	304.8
February	28,060	27,206	27,832	296.7	161.0	129.1	6.7	196.3	43.8	152.5	202.4	305.3
March	27,972	27,024	27,729	294.2	160.5	128.9	4.8	196.8	44.1	152.7	202.3	303.6
April	27,775	26,754	27,614	295.4	160.1	129.4	5.9	198.1	44.2	154.0	202.3	305.0
May	28,235	26,888	27,942	295.1	159.3	130.0	5.9	198.3	44.5	153.8	201.7	305.0
June	28,056	26,705	27,742	292.6	158.1	130.5	4.0	199.0	44.8	154.2	200.8	304.7
July	27,530	26,275	27,334	288.0	155.1	130.5	2.4	199.3	45.0	154.4	197.7	301.8
August	27,398	26,211	27,161	285.3	152.5	129.9	2.9	199.1	45.3	153.8	194.5	299.4
September	27,401	26,383	27,144	285.7	152.1	129.2	4.4	199.1	45.2	153.8	194.1	300.0
October p	27,386	26,274	27,192	283.8	151.5	129.1	3.1	199.5	45.6	153.9	193.5	298.0

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

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

3/ 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.

4/ Excludes interbank and U.S. Government time deposits

AGGREGATE RESERVES AND MONETARY VARIABLES  
Seasonally Adjusted

Period	RESERVE AGGREGATES			Member Bank Deposits Supported by Required Reserves				Money Supply			Commercial bank time deposits adjusted 4/	Credit Proxy (Incl. Euro dollar borrowings)
	Total reserves	Nonborrowed reserves	Required reserves	Total member bank deposits	Time deposits	Private demand deposits 1/	U.S. Gov't demand deposits	Total	Currency 2/	Private demand deposits 3/		
Weekly*	(In millions of dollars)			(In billions of dollars)								
1969-- Jan. 1	28,359	27,419	27,883	298.8	165.5	129.3	4.1	195.3	43.4	151.9	205.2	305.6
8	28,041	27,333	27,799	298.9	164.4	129.9	4.6	196.8	43.5	153.3	203.9	305.6
15	28,290	27,552	28,065	296.7	163.9	128.5	4.3	196.1	43.6	152.5	203.5	299.8
22	28,223	27,416	28,010	296.3	162.8	127.9	5.6	196.0	43.6	152.4	202.9	304.6
29	28,009	26,998	27,781	295.7	162.1	126.8	6.9	194.2	43.6	150.6	202.9	304.3
Feb. 5	27,999	27,170	27,740	295.8	161.4	128.0	6.5	195.3	43.7	151.6	202.2	304.3
12	27,929	27,180	27,748	297.4	161.1	128.2	8.0	195.6	43.8	151.8	202.2	306.0
19	27,986	26,917	27,748	297.4	160.8	129.8	6.8	197.1	43.8	153.2	202.6	305.9
26	28,246	27,490	28,017	296.3	160.6	129.9	5.7	196.8	43.8	153.0	202.6	305.1
Mar. 5	28,285	27,401	28,003	295.5	160.4	129.5	5.6	196.4	43.9	152.5	202.4	304.4
12	28,034	27,109	27,734	295.7	160.6	128.6	6.5	196.4	44.0	152.5	202.3	305.0
19	27,781	27,000	27,686	294.1	160.5	128.5	5.1	196.8	44.1	152.8	202.3	303.6
26	27,942	26,931	27,684	293.2	160.7	129.0	3.6	196.9	44.2	152.7	202.3	302.8
Apr. 2	27,879	26,689	27,570	293.6	160.7	130.0	3.0	197.6	44.2	153.4	202.6	303.0
9	27,611	26,634	27,431	294.9	160.6	129.5	4.9	199.0	44.2	154.7	202.6	304.2
16	27,590	26,838	27,515	295.6	160.2	130.0	5.3	198.7	44.2	154.5	202.4	305.1
23	27,848	26,733	27,698	295.9	160.1	129.1	6.8	197.4	44.2	153.2	202.3	305.7
30	28,023	26,830	27,823	294.7	159.8	128.3	6.6	196.9	44.2	152.7	202.0	304.7
May 7	28,501	27,048	27,993	294.7	159.6	128.7	6.4	197.2	44.3	152.9	202.0	304.5
14	28,162	26,980	27,888	296.5	159.4	129.8	7.3	197.8	44.4	153.4	201.8	306.2
21	28,020	26,629	27,844	295.2	159.3	131.0	5.0	199.5	44.4	155.1	201.7	305.0
28	28,219	26,920	28,091	294.9	159.1	130.6	5.3	199.1	44.6	154.6	201.7	305.1
June 4	28,320	26,829	27,826	293.7	158.8	130.6	4.3	198.8	44.7	154.0	201.6	303.6
11	28,308	27,028	27,800	293.9	158.7	130.6	4.6	198.8	44.7	154.0	201.5	304.9
18	27,833	26,543	27,698	293.1	158.2	130.6	4.3	198.2	44.8	153.5	200.9	305.6
25	27,761	26,588	27,701	291.3	157.6	130.3	3.4	199.1	44.8	154.2	200.1	304.5
July 2	28,217	26,543	27,711	290.6	157.0	130.7	2.9	199.2	44.9	154.4	199.3	303.8
9	27,506	26,461	27,462	289.4	156.1	130.2	3.0	199.4	44.9	154.5	198.8	302.5
16	27,568	26,370	27,492	286.7	155.3	130.5	.9	199.3	45.0	154.3	197.9	300.7
23	27,703	26,274	27,307	288.0	154.6	130.5	3.0	199.1	45.0	154.2	197.2	302.2
30	27,151	25,927	26,980	287.1	154.1	130.0	3.0	199.1	45.0	154.1	196.7	301.3
Aug. 6	27,491	26,411	27,258	286.2	153.4	129.9	2.9	199.1	45.1	153.9	195.6	300.2
13	27,538	26,309	27,216	285.9	152.9	129.9	3.1	199.1	45.2	154.0	194.9	299.8
20	27,151	25,915	27,164	284.4	152.4	130.3	1.7	199.5	45.2	154.3	194.4	298.6
27	27,433	26,259	27,135	285.1	152.1	129.9	3.1	198.9	45.3	153.7	193.9	299.4
Sept. 3	27,409	26,194	26,957	285.8	151.9	130.7	3.2	199.5	45.5	154.0	194.0	300.0
10	27,325	26,687	27,059	283.7	151.9	129.7	2.2	199.3	45.1	154.2	193.9	298.1
17	27,370	26,364	27,238	287.1	152.0	129.8	5.2	199.6	45.3	154.3	194.2	301.6
24	27,236	26,199	26,982	285.0	152.2	128.6	4.1	198.3	45.3	153.0	194.0	299.2
Oct. 1	27,717	26,362	27,417	284.2	152.3	128.1	3.8	198.3	45.2	153.1	194.3	298.2
8 p	27,185	26,246	27,044	283.8	152.0	128.9	3.0	199.7	45.3	154.3	193.9	297.7
15 p	27,215	25,929	27,059	282.1	151.6	127.9	2.7	198.7	45.6	153.1	193.8	296.3
22 p	27,546	26,519	27,300	284.8	151.4	130.4	3.0	200.4	45.7	154.6	193.3	299.1

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

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

3/ 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.

4/ Excludes interbank and U.S. Government time deposits.

Table 5  
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 1/	Other	Repurchase agreements			
<b>Year:</b>								
1967 (12/28/66 - 12/27/67)	+4,718	+5,009	+4,433 ( -- )	+1,153	- 577	- 19	- 69	- 203
1968 (12/27/67 - 12/26/68)	+3,757	+3,298	+2,143 ( -- )	+1,176	- 21	- 3	- 52	+ 514
<b>By:</b>								
Jan-Apr.								
2	+ 357	+ 103	+ 51 ( -- )	--	+ 52	+ 10	+ 13	+ 231
9	- 113	+ 146*	+ 57 (- 7)	--	- 7	- 9	- 2	- 248
16	- 380	- 143*	- 559 (- 533)	--	- 211	- 15	- 34	- 188
23	+ 773	+ 319*	+ 819 (+ 460)	--	+ 223	+ 20	+ 58	+ 376
30	+ 347	+ 284	+ 280 (+ 80)	--	+ 4	+ 56	+ 24	- 17
May								
7	+ 794	+ 345	+ 41 ( -- )	--	+ 304	- 25	- 11	+ 485
14	- 293	+ 118	+ 66 (- 156)	--	+ 52	+ 18	+ 3	- 432
21	+ 149	- 39	+ 190 (+ 156)	+ 27	- 256	+ 9	- 8	+ 187
28	+ 259	+ 307	+ 243 ( -- )	+ 96	- 32	+ 21	- 14	- 55
June								
4	+ 439	+ 308	+ 351 ( -- )	+ 73	- 116	- 50	- 37	+ 218
11	- 35	+ 256	+ 284 (- 71)	--	- 28	- 20	- 10	- 261
18	- 18	- 33	+ 118 (- 309)	--	- 151	- 29	- 11	+ 55
25	- 168	- 174	- 174 (+ 191)	--	--	--	- 2	+ 8
July								
2	+ 679	+ 297	+ 180 (+ 189)	--	+ 117	+ 53	+ 18	+ 311
9	- 247	+ 401	+ 332 (- 121)	+ 67	+ 2	- 29	- 5	- 614
16	+ 261	+ 30	+ 122 (+ 121)	--	- 92	- 15	- 13	+ 259
23	- 337	- 408	- 404 (- 146)	--	- 4	- 4	--	+ 75
30	- 379	- 287	- 264 (- 95)	--	- 23	- 5	- 2	- 85
Aug.								
6	+ 562	+ 672	+ 241 (+ 241)	--	+ 431	+ 48	+ 21	- 179
13	+ 153	- 69	- 71 (- 98)	--	+ 2	- 17	--	+ 239
20	- 198	- 45	+ 355 (+ 10)	--	- 400	- 27	- 18	- 108
27	+ 86	+ 96	+ 61 (+ 37)	--	+ 35	+ 4	+ 3	- 17
Sept.								
3	+ 273	+ 218	+ 155 (+ 51)	--	+ 63	+ 14	+ 5	+ 36
10	-1,434	900*	-1,276 (- 632)	--	- 131	- 22	- 12	- 500
17	- 400	- 686*	- 890 (+ 531)	--	+ 50	+ 4	+ 4	+ 278
24	+ 728	+ 633*	+1,254 (+ 101)	--	+ 40	+ 8	--	+ 87
Oct.								
1	+ 622	+ 296	+ 87 ( -- )	--	+ 211	- 3	- 4	+ 331
8 p	- 154	+ 217	+ 88 ( -- )	+ 129	--	+ 68	+ 33	- 472
15 p	+ 899	+ 548	+ 536 ( -- )	--	+ 12	- 34	+ 1	+ 384
22 p	- 384	- 33	+ 172 (- 430)	--	- 205	+ 1	- 19	- 333

1/ Figures in parenthesis reflect reserve effect of match sale-purchase agreement.

\* - Includes effect of changes in special certificates of \$+96 million of the week of April 9, \$+627 million of the week of April 16, \$-723 million of the week of April 23, \$+507 million of the week of September 10, \$+154 million of the week of September 17, and \$-661 million of the week of September 24.

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Table 6

MAJOR SOURCES AND USES OF RESERVES  
Retrospective and Prospective Changes  
(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)	gold stock	Currency outstanding banks	Treasury operations	Float	Foreign deposits and gold loans	Other nonmember deposits and F.R. accounts		Required reserves	Excess reserves
(Sign indicates effect on reserves)										
Year										
1967 (12/28/66-12/27/67)	+4,718	- 725	-2,305	- 85	- 389	- 7	+ 316	+1,522	+1,517	+ 5
1968 (12/27/67-12/25/68)	+3,757	-2,067	-3,221	+ 928	+1,309	- 67	+ 869	+1,508	+1,563	- 55
Weekly:										
1969--April										
2	+ 357	--	+ 54	+ 50	- 272	+ 25	- 97	+ 121	+ 80	+ 41
9	- 113	--	- 93	+ 119	+ 231	- 15	- 270	- 144	- 60	- 84
16	- 380	--	- 186	+ 380	+ 44	+ 29	+ 130	+ 17	+ 98	- 81
23	+ 773	--	- 166	- 427	+ 660	+ 5	+ 119	+ 964	+ 936	+ 28
30	+ 347	--	+ 602	- 194	- 741	+ 2	+ 61	+ 77	+ 164	- 87
May										
7	+ 794	--	- 99	+ 16	- 18	- 40	- 100	+ 553	+ 155	+ 398
14	- 293	--	- 270	- 42	- 120	+ 32	+ 288	- 404	- 182	- 222
21	+ 149	--	- 450	+ 141	+ 295	- 4	- 167	- 34	+ 111	- 145
28	+ 259	--	+ 155	+ 128	- 350	+ 8	- 242	- 43	- 40	- 3
June										
4	+ 439	--	- 348	- 108	+ 220	+ 18	- 306	- 86	- 342	+ 256
11	- 35	--	- 51	- 217	+ 119	+ 3	- 20	- 199	- 278	+ 79
18	- 18	--	- 419	- 354	+ 123	--	+ 261	- 408	- 59	- 349
25	- 168	--	+ 115	- 179	+ 172	- 7	- 1	- 70	- 162	+ 92
July										
2	+ 679	--	+ 3	+ 221	- 262	- 19	- 84	+ 534	+ 229	+ 305
9	- 247	--	- 344	+ 23	+ 382	- 48	- 89	- 324	+ 43	- 367
16	+ 261	--	- 136	- 65	- 122	+ 48	+ 113	+ 99	+ 52	+ 47
23	- 337	--	- 174	- 87	+ 465	- 9	+ 31	- 111	- 317	+ 206
30	- 379	--	+ 719	- 6	- 920	+ 14	+ 4	- 570	- 334	- 236
Aug.										
6	+ 562	--	- 201	+ 318	+ 3	- 30	- 207	+ 448	+ 343	+ 105
13	+ 153	--	- 180	- 147	+ 19	+ 10	+ 63	- 82	- 164	+ 82
20	- 198	--	- 417	+ 259	+ 395	+ 8	+ 153	+ 199	+ 473	- 274
27	+ 86	--	+ 289	- 153	- 459	- 4	- 9	- 250	- 403	+ 153
Sept.										
3	+ 273	--	- 145	+ 39	- 85	- 9	- 31	+ 41	- 149	+ 190
10	-1,434	--	+ 54	+ 860	+ 378	+ 27	+ 106	- 9	+ 2	- 11
17	- 400	--	- 98	- 18	+ 147	- 2	+ 246	- 127	+ 132	- 259
24	+ 728	--	+ 222	-1,125	+ 199	- 11	+ 104	+ 117	+ 45	+ 72
Oct.										
1	+ 622	--	+ 270	+ 64	- 638	+ 11	+ 138	+ 469	+ 353	+ 116
8 p	- 154	--	- 225	+ 222	+ 122	- 11	- 206	- 254	- 25	- 229
15 p	+ 899	--	- 414	- 198	- 163	+ 18	+ 78	+ 220	+ 137	+ 82
22 p <u>3/</u>	- 384	--	- 410	+ 174	+ 832	- 1	- 7	+ 205	+ 259	- 54
PROJECTED <u>2/</u>										
1969--Oct.										
29	- 140	--	+ 430	- 55	- 575	--	- 30	- 370	- 370	--
Nov.										
5	+ 520	--	- 130	- 20	- 200	--	--	+ 170	+ 170	--
12	- 45	--	- 280	--	+ 200	--	+ 35	- 90	- 90	--
19	+ 465	--	- 515	--	+ 400	--	- 65	+ 285	+ 285	--
26	- 230	--	- 110	--	+ 135	--	--	- 205	- 205	--

1/ For retrospective details, see Table 5.

2/ See reverse side for explanation.

3/ Includes \$415 million increase in required reserves due to changes in Regulations M and D, effective October 16, 1969.

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## Explanation of Projections in Table 6

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 maintenance of Treasury balances with Federal Reserve at \$1.0 billion, thereafter.
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, banks' investment preferences and willingness to supply loans, banks' 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 loans 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: \$3.0 billion, October 29; \$1.5 billion, December 3; and \$100 million addition to weekly auctions beginning November 6 over the remainder of the year.