

A meeting of the Federal Open Market Committee was held on Thursday, July 24, 1958, at 11:00 a.m. This was a telephone conference meeting and each individual was in Washington except as otherwise indicated in parentheses after his name in the following list of those participating:

PRESENT: Mr. Martin, Chairman
Mr. Hayes, Vice Chairman (New York)
Mr. Balderston
Mr. Fulton (Cleveland)
Mr. Irons (Dallas)
Mr. Leach (Richmond)
Mr. Mangels (San Francisco)
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. Szymczak
Mr. Vardaman

Mr. Treiber, Alternate Member of the Federal
Open Market Committee (New York)

Mr. Riefler, Secretary
Mr. Thurston, Assistant Secretary
Mr. Solomon, Assistant General Counsel
Mr. Thomas, Economist
Mr. Young, Associate Economist
Mr. Rouse, Manager, System Open Market
Account (New York)
Mr. Kenyon, Assistant Secretary, Board of
Governors
Mr. Koch, Associate Adviser, Division of
Research and Statistics, Board of
Governors
Mr. Keir, Acting Chief, Government Finance
Section, Division of Research and
Statistics, Board of Governors
Messrs. Larkin and Marsh, Assistant Vice
Presidents, Federal Reserve Bank of
New York (New York)
Mr. Stone, Manager, Securities Department,
Federal Reserve Bank of New York (New York)

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Mr. Larkin reported that the Treasury list was steady this morning. The longer maturities had risen a 32d or two, while the intermediate-term issues were just about where they closed last night. Several million dollars of the 1-5/8 per cent certificates had been offered, which was probably a testing of the Federal Reserve, but nothing had been done for the System Account thus far today. Market conditions, at least so far today, suggested that approach.

Mr. Larkin stated that as yet no precise information was available as to how the exchange had gone. According to the latest information, \$6 billion was not accounted for, but there was no available breakdown of that figure.

After a more detailed account of the market, as summarized in a memorandum from Mr. Thomas under today's date, a copy of which had been placed in the files of the Committee, Mr. Larkin said that if the Government securities market continued to perform as it had thus far today, the Account Management planned to do nothing. In the event that the market should drift downward, the general approach which was developed yesterday would apply. In the event that the market should begin to fall away sharply, the Management would have in mind touching it up.

In reply to a question by Chairman Martin, Mr. Larkin verified that no purchases had been made today, since the market

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was reasonably steady. Thus far, yesterday's slight downdrift had not continued, although there appeared to be an undertone of uncertainty.

Chairman Martin stated that some of the Committee members in Washington were wondering whether, since nothing had happened, the System operation should be treated as a syndicate that had been closed, letting the market take care of itself until it reached a substantially lower level.

Mr. Larkin said that basically there was agreement in New York with that approach, and that the question was one of how to get to that lower level. Some dealers had expressed the view this morning that there should be at least nominal interest on the part of the System today so that the market would not feel that it was abandoned. Those comments could be taken for what they were worth.

Chairman Martin said that the System's operations over the last couple of days could be regarded as tantamount to a syndicate operation. It might be desirable, if disorder should break out in the market, to reconvene the Committee and review the situation rather than just to continue to touch up the market here and there. He realized, of course, that there was still a lot of bearish sentiment in the market.

Mr. Larkin stated that Mr. Rouse wanted to point out that there was still a delicate international situation, which constituted

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an important background influence.

The Chairman commented that the international situation, however, was no worse than it had been, following which Mr. Hayes said that he and Mr. Rouse agreed that in the absence of a disorderly market the System should stay out. Chairman Martin then commented that the market might steady out, but that in any event the market would probably go to a lower level at some point.

Mr. Hayes said that it is always rather hard to evaluate a disorderly market situation. Conceivably, the Committee might be confronted with one and it should be prepared.

Chairman Martin stated that another telephone meeting tomorrow morning would be planned unless, in the meantime, the Manager of the Account should suggest another meeting.

Mr. Larkin stated that the Trading Room had advised of an availability of securities in the past 20 minutes. Although this was not showing up in any downward movement of prices, the supply of offerings seemed to be building up. It was not huge but there was a movement in the direction of greater offers, which might result in lower prices. It remained to be seen how much lower and how fast the movement would go.

Since Mr. Larkin had mentioned the 3-1/2 per cent bonds of 1990 in his comments, Chairman Martin made the remark that the 3-1/2s were below par last week. Mr. Larkin said that the Desk had in fact

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bought some of them below par. Then they moved almost to 101, following which they backed down. Yesterday some were purchased at 100-1/2.

Chairman Martin said he had merely intended to make the point that it would not be unusual to have a testing of the old lows.

Mr. Larkin said that the approach would be to watch the market carefully and, if there were any unusual developments such as to suggest disorderliness, to get in touch with the Chairman.

Mr. Fulton stated that such a program was satisfactory to him and that he favored getting out of the market as quickly as possible. Messrs. Leach, Irons, and Mangels expressed agreement.

Chairman Martin confirmed, in reply to a question, that the approach would contemplate staying out of the market and just watching closely.

Thereupon, it was agreed unanimously to terminate the authority granted to the Federal Reserve Bank of New York on July 18, 1958, to purchase for the System Open Market Account in the open market, without limitation, Government securities in addition to short-term Government securities. This agreement was reached with the understanding that, if conditions in the market should seem to require it, another meeting of the Federal Open Market Committee would be called to consider what, if any, further action should be taken.

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With regard to the statement in the text accompanying the weekly statement of condition of the Federal Reserve Banks, to be issued later today, concerning System operations in the market, Mr. Hayes said that the proposed statement just received by telephone from the Board's offices (which made a full disclosure of operations) was regarded as entirely satisfactory at the New York Bank. However, a slight change in wording, which he described, was suggested in the interest of clarification. It was indicated by Chairman Martin that the suggestion was agreeable to Washington.

In reply to a question, Chairman Martin said he had informed Under Secretary of the Treasury Baird of the statement concerning System operations proposed to be included in the text accompanying the weekly condition statement.

The meeting then adjourned.


Secretary