A meeting of the Federal Open Market Committee was held on Friday, July 25, 1958, at 11:00 a.m. This was a telephone conference meeting and each individual was in Washington except as otherwise indicated in parentheses 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. 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. Molony, Special Assistant to the Board of Governors
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)

Mr. Larkin reported that the Government securities market was steady this morning. The intermediate-term issues drifted somewhat yesterday but there was no tendency for prices to move sharply and the downward drift did not build up significantly. Today, that downward drift had been stopped and the market had a generally steady tone. Where prices had changed, they were slightly higher and trading was light. Treasury bills were demonstrating further strength, and bill holdings of reporting dealers showed a short position of $25 million. Thus, there was quite a scarcity of bills in the market as measured by dealers' inventories. Total dealer holdings of Government securities showed a drop roughly the same as the drop in holdings of bills, so dealer positions were quite low in comparison with the total positions of $2.5 billion that the dealers had late in June.

Mr. Larkin continued with a more detailed report on the market, as summarized in a memorandum from Mr. Thomas dated today, a copy of which has been placed in the files of the Committee.

Included in Mr. Larkin's report were the New York Bank's estimates of net free reserves. For the statement week which began yesterday the average of free reserves was placed at $457 million, and for the week ending August 6 the figure was placed at $1,175 million, without any allowance for run-off of Treasury bills from the System Account during that week or for any Treasury financing. The projections of the Board's staff, as stated by Mr. Thomas, were substantially higher, with an estimated average of $530 million for the week ending next Wednesday and an estimate of $1,375 for the week ending August 6. The latter estimate assumed a Treasury financing on August 4. Basically, the difference in the estimates of the New York Bank and the Board's staff reflected a variance in the estimates of required reserves.

In terms of approach, Mr. Larkin said that the Account Management did not contemplate market transactions today. The Bank had received a small foreign order for Treasury bills and it was expected that this order of $5 million would be made available from the System Account.

Following a further discussion of market developments, it was agreed that there would be no further meeting of the Federal Open Market Committee until the meeting in Washington on Tuesday, July 29, unless in the meantime circumstances arose of such a nature as to cause the Manager of the System Account to request that a meeting be held.

The meeting adjourned.

Winfield W. Riefler

Secretary