

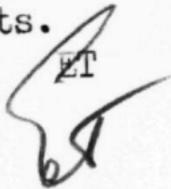
TO: Gov. Eccles

5/20/68

FROM \_\_\_\_\_

REMARKS:

Herewith a draft of a letter to the President. Fraser has checked the statements and says they are correct. He says the long bonds are down just under 3 points.

ET  


CHAIRMAN'S OFFICE

May 17, 1940.

My dear Mr. President:

It occurred to me that you would be interested to know how well the bond market has withstood the shock of the past week's events and that you would find it reassuring from the standpoint of such additional financing as may be necessary because of increased defense needs.

At no time has there been any disorder in the market. The Open Market Committee has found it necessary to purchase only \$9.5 millions of Government securities, whereas in the comparable period after last September 1, some \$300 millions were purchased to steady the market. The decline in long term Governments has averaged slightly less than 3 points, while short term issues have declined much less. Buyers have been in the market right along, so that at no time has there been a situation in which there was any substantial volume of offerings with no takers.

I think the comparative stability of the market has been due not only to the Reserve System's assurances that it stood ready to exert its influence towards steadying the market and to the experience of those investors who sold out last September only to discover that they were unable to buy back at lower prices, as they had hoped, but mainly to the fact that the volume of uninvested funds and of excess reserves of the banking system is so vast that the market can be depended upon to absorb virtually any conceivable amount of Government securities that it may be necessary to offer in the future.

Respectfully yours,

M. S. Eccles,  
Chairman.

The Honorable  
The President of the United States,  
The White House.

ET:b