

REC'D IN RECORDS SECTION

JUN 13 1960

CONFIDENTIAL--(F.R.)

To Members of the Federal Open Market  
Committee and Federal Reserve Bank  
Presidents Not Presently Serving  
on the Committee

June 10, 1960

From Robert G. Rouse

Subject: System Open Market  
Account Transactions in  
July 15, 1960 Quarterly  
Treasury Bills

There is attached another review of open market operations in July 15 Treasury bills. As you can see, operations in that issue of bills in the interval since the last Committee meeting have been quite small and did not include any swaps.

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To Members of the Federal Open Market  
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From John J. Larkin

Subject: System Open Market  
Account Transactions in  
July 15, 1960 Quarterly  
Treasury Bills

Since the last meeting of the Federal Open Market Committee on May 24, only \$6.4 million Treasury bills due July 15, 1960 have been purchased for the System Open Market Account. These were all purchased on an outright basis since open market operations were directed toward supplying reserves. No additional July 15 bills appeared in the market, other than in those instances described below, so there were no opportunities to consider swaps. The above transactions brought aggregate purchases under the current authorization to buy \$150 million July 15 bills, either outright or on swaps, to \$97.9 million of which \$49.9 million have been outright and \$48 million on swaps against other bills. As of June 10, total System holdings of July 15 bills amounted to \$111.3 million.

There was a general market scarcity of many issues of Treasury bills throughout the period since the last meeting of the Committee. This was particularly true of the July 15 bills. In addition, selling of this issue by foreign accounts was light, in contrast with the sale of several large blocks by a foreign account in mid-May. On only one occasion was this particular maturity included in the sales undertaken by foreign accounts.

The first purchase of July 15 bills during the current period was made on May 26. On that day, the System conducted a "go around" to purchase Treasury bills. Only \$2 million July 15 bills, offered at a rate of 2.70 per cent, were included in total dealer offerings of \$233 million. The composite dealer quotation at the time was 2.80 per cent bid - 2.70 per cent offered. Since the \$2 million July 15 bills were priced in accordance with the prevailing market, they were included in the System's purchases.

Other market purchases of Treasury bills were made for System Account on May 27 and May 31, but dealer offerings did not include any of the July 15 maturity on either occasion. On June 2, however, when the System was again seeking offerings from dealers, \$1 million of the July 15 bills were available at a rate of 2.36 per cent and \$0.4 million at 2.57 per cent. With the composite quotation at 2.60-2.40 per cent, the offering at 2.36 per cent appeared to be overpriced and hence was rejected, but the \$0.4 million offering at 2.57 per cent was accepted.

The next purchase, made on June 6, was from a foreign account. On that day Treasury bills to be sold for foreign accounts were purchased by the System Account in order to avoid absorbing reserves through undertaking the sales in the market. This selling included \$3 million July 15 bills, and these were taken into the System Account at a rate of 2.18 per cent, at which rate they could have been sold in the market.

The final purchase was made on June 8, when the System was again making modest purchases of bills in the market to supply reserves. Offerings included \$1 million of the July 15 bills at 2.08 per cent. This price was on the market and the offering was accepted.

As the above chronology indicates, the purchases of July 15 Treasury bills were made at steadily declining rates. This was consistent with the general pattern of Treasury bill rates over the period. Rates on all maturities declined almost steadily, with the sharpest adjustments occurring in those bills maturing in June and July. Those shorter bill maturities were trading below 2.00 per cent by the end of the period.