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## MONEY MARKET AND RESERVE RELATIONSHIPS

Recent developments

Since the last meeting of the Committee on November 22, there has been a modest easing of day-to-day money market conditions and a more marked decline in longer-term bill rates. The 3-month bill rate has moved down into a 5.10 - 5.20 per cent range and the 6-month rate to around 5.25 per cent; Federal funds have traded at an average effective rate of slightly below 5-1/2 per cent; net borrowed reserves of member banks have averaged \$221 million during the two full statement weeks in the interval; and borrowings have averaged \$542 million. Dealer loan rates in New York have usually been in a 6 - 6-1/2 per cent range, and financing has been generally available out of town at rates in a 5-1/4 - 5-3/4 per cent range.

This configuration of money market elements represents a substantial easing from the rather tight conditions that had developed in the first half of November when the 3-month bill had risen to 5.45 per cent, Federal funds were often trading at around 6 per cent, and member bank borrowings from the System were ranging between \$600 and \$700 million on average. But the day-to-day conditions at the time of the last Committee meeting were already considerably easier--when, to illustrate, the 3-month bill was about 5-1/4 per cent, and Federal funds were trading near 5-1/2 per cent. Longer-term money market rates, however, were still relatively high at that time--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        |                |                   |              |                             |
|------------------------------------|---|------------|--------------------|-----------------------|----------------------|--|-----------------|--|----------------|-------------------|--------------|-----------------------------|
|                                    | Free Reserves<br>(In millions of dollars) | Borrowings | Federal Funds Rate | 3-month Treasury Bill | U.S. Gov't. (20 yr.) | Corporate New Issues (Aaa) <sup>1/</sup> | Municipal (Aaa) | Non-borrowed Reserves (In millions of dollars) | Total Reserves | Bank Credit Proxy | Money Supply | Time Deposits <sup>2/</sup> |
| 1965--Nov.                         | - 77                                      | 418        | 4.09               | 4.08                  | 4.40                 | 4.72                                     | 3.34            | + 93   | + 11           | + 1.1             | + 0.4        | + 1.8                       |
| Dec.                               | - 22                                      | 452        | 4.28               | 4.37                  | 4.50                 | 4.85                                     | 3.39            | +182   | +262           | + 1.8             | + 1.6        | + 1.4                       |
| 1966--Jan.                         | - 51                                      | 431        | 4.32               | 4.58                  | 4.52                 | 4.81                                     | 3.40            | +173   | +129           | + 1.6             | + 0.8        | + 0.9                       |
| Feb.                               | -117                                      | 474        | 4.58               | 4.65                  | 4.71                 | 4.96                                     | 3.48            | + 58   | + 78           | + 0.7             | + 0.2        | + 0.7                       |
| Mar.                               | -210                                      | 545        | 4.64               | 4.58                  | 4.72                 | 5.09                                     | 3.55            | - 88   | + 57           | + 1.1             | + 0.9        | + 1.0                       |
| Apr.                               | -277                                      | 638        | 4.64               | 4.61                  | 4.65                 | 5.03                                     | 3.46            | +206   | +256           | + 3.1             | + 1.6        | + 1.9                       |
| May                                | -339                                      | 653        | 4.83               | 4.63                  | 4.69                 | 5.16                                     | 3.53            | + 1  | + 6            | + 1.0             | - 0.7        | + 1.6                       |
| June                               | -352                                      | 722        | 5.13               | 4.50                  | 4.73                 | 5.35                                     | 3.60            | - 16*  | + 3*           | + 0.9*            | + 0.9        | + 1.5*                      |
| July                               | -359                                      | 739        | 5.18               | 4.78                  | 4.84                 | 5.48                                     | 3.77            | +135*  | +224*          | + 2.1*            | - 1.5        | + 1.9*                      |
| Aug.                               | -374                                      | 740        | 5.45               | 4.95                  | 4.95                 | 5.64                                     | 3.91            | -302   | -400           | - 0.7             | --           | + 1.4                       |
| Sept.                              | -390                                      | 765        | 5.30               | 5.36                  | 4.94                 | 5.82                                     | 3.93            | + 5  | +129           | - 0.1             | + 0.9        | + 0.4                       |
| Oct.                               | -425                                      | 766        | 5.46               | 5.33                  | 4.83                 | 5.77                                     | 3.82            | -134   | -195           | - 0.7             | - 0.9        | - 0.3                       |
| Nov. p                             | -243                                      | 605        | 5.75               | 5.31                  | 4.88                 | 5.72                                     | 3.78            | +101   | - 42           | - 1.1             | - 0.4        | + 0.1                       |
| Nov. 2                             | -315                                      | 594        | 5.90               | 5.25                  | 4.78                 | 5.61                                     | 3.72            |  |                | - 0.1             | --           | + 0.1                       |
| 9                                  | -268                                      | 646        | 5.81               | 5.36                  | 4.84                 | --                                       | 3.72            |  |                | - 0.3             | - 0.1        | - 0.1                       |
| 16 p                               | -162                                      | 711        | 5.94               | 5.43                  | 4.90                 | 5.85                                     | 3.81            |  |                | - 1.3             | + 0.1        | + 0.1                       |
| 23 p                               | -272                                      | 439        | 5.50               | 5.28                  | 4.90                 | --                                       | 3.87            |  |                | - 1.4             | + 0.5        | + 0.1                       |
| 30 p                               | -198                                      | 636        | 5.60               | 5.20                  | 4.89                 | 5.86                                     | 3.89            |  |                | + 0.3             | --           | --                          |
| Dec. 7 p                           | -245                                      | 449        | 5.30               | 5.16                  | 4.87                 | 5.77                                     | 3.84            |  |                | + 1.3             | + 0.7        | --                          |
| Year 1965                          | - 90                                      | 467        | 4.05               | 3.95                  | 4.27                 | 4.69                                     | 3.16            | + 4.3  | + 5.3          | + 9.1             | + 4.7        | +16.0                       |
| First Half 1966                    | -228                                      | 576        | 4.69               | 4.59                  | 4.67                 | 5.12                                     | 3.51            | + 3.0  | + 4.6          | + 7.1*            | + 4.7        | +10.3*                      |
| <u>Recent variations in growth</u> |   |            |                    |                       |                      |  |                 |  |                |                   |              |                             |
| May 11-July 6                      | -365                                      | 719        | 5.05               | 4.56                  | 4.72                 | 5.32                                     | 3.61            |  |                | + 8.8*            | + 2.3        | +12.8*                      |
| July 6-Aug. 10                     | -345                                      | 738        | 5.32               | 4.81                  | 4.85                 | 5.55                                     | 3.80            |  |                | - 4.2             | -13.4        | +12.7                       |
| Aug. 10-Dec. 7                     | -343                                      | 690        | 5.48               | 5.27                  | 4.90                 | 5.80                                     | 3.87            |  |                | - 2.1             | + 2.5        | + 1.4                       |

<sup>1/</sup> From January 1966 to date, issues carry a 5-year call protection.

<sup>2/</sup> Time deposits adjusted at all commercial banks.

<sup>3/</sup> Base is average for month preceding specified period or in the case of weekly periods, the first week shown.

\* - Changes have been adjusted for redefinition of time deposits effective June 9, 1966.

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December 9, 1966.

6 month bill rate was around 5-1/2 per cent--and they have shown the most easing since then (including a decline in yields on Federal agency issues).

The somewhat easier money market conditions of recent weeks were accompanied by an expansion in certain monetary aggregates, though by a little less than was implicit in the projections in the last Blue Book. The money supply has been growing since mid-November, with growth apparently in part accounted for by a reduction in U.S. Government deposits (after rough allowance for shifting seasonal patterns in tax receipts). Commercial banks have also had a less unfavorable experience with respect to CD's as the decline in bill rates made CD's more competitive.

Even with these recent developments, however, the bank credit proxy (total member bank deposits) decreased at a 5.4 per cent annual rate for the month of November as a whole. Money supply also declined about 2 per cent on average in November, as compared with a slight increase expected by the staff at the time of the last FOMC meeting. There was an increase in nonborrowed reserves in November, but total and required reserves declined further as member banks reduced outstanding borrowings at the Federal Reserve by about \$160 million on average between October and November.

After rising sharply in early November, bank borrowings in the Euro-dollar market were reduced as the month progressed, but again rose markedly in early December. The average November level

of such borrowings was substantially above October, and after allowance for them, the bank credit proxy in November would have shown a smaller decline -- about 3 per cent.

The behavior of the various reserve and monetary aggregates considered in conjunction with the easing of money market conditions in recent weeks is consistent with the hypothesis that demands for bank credit have been less strong, whether deterred by reported tight lending standards or by less confident business prospects. Business loan increases at banks were relatively moderate in early fall, and slowed further in November (although a part of the recent slowing may have reflected the speed-up into earlier months of corporate payments to the Treasury of withheld income taxes). With loan increases smaller, and given current administrative restrictions at the discount window, banks have been willing to use some fraction of available funds to strengthen their liquidity positions by reducing their borrowings from the System. There have also been some reports of renewed bank interest in acquiring municipal securities. Still, the easing of money market conditions that has taken place has not yet had much impact on reserve and bank credit growth.

#### Prospective developments

Assuming money market rates continuing about unchanged from those prevailing currently (see first paragraph on page one), the outlook for December suggests that bank credit is not likely to show much, if any, expansion on average. The annual rate of change

in the bank credit proxy is likely to be within two percentage points of zero, plus or minus, with aggregate reserves projected as correspondingly weak.

The money supply is likely to increase, but projections of the amount are clouded by the intermixture of usual mid-December and year-end money market churning with rather special Treasury financing patterns and general economic and Federal budgetary uncertainties. A reasonable guess at present would put money expansion at a 5-10 per cent annual rate in December, reflecting a further shift out of U.S. Government deposits. This range allows for a bulge in borrowing from banks by businesses, finance companies, and Government security dealers related in part to December tax period pressures and for some further run-offs in CD's.

Individual banks' expectations as to December CD experience are diverse, with estimates for attrition at individual large money market banks ranging up to about one-third of maturities. The staff has assumed a run-off in a \$700 million - \$1 billion range during the month, given the record volume maturities in the month (\$5.5 billion), present rate relationships, and the usual sluggish reflow of private funds into money market instruments after the tax date. Total time and savings deposits at all commercial banks are likely to rise at a 2-3 per cent annual rate in December, reflecting projected continued growth of other time deposits.

With respect to the impact of rate relationships on CD's, it should be pointed out that investors have recently exhibited an increased preference for extending maturities, as indicated in the bill market by the relatively narrow spread that has emerged between 3- and 6-month bills. As a result, bank CD experience may be relatively more influenced in the period ahead by rates on longer-term bills, especially those maturing around the March, April and June tax dates. At the moment, the investment yield on a 6-month bill is just under 5-1/2 per cent, while a 3-month bill yields about 25 basis points less.

Upward bill rate pressures could develop between now and year-end. For one thing, System outright buying of bills in the market has been reduced by the provision of reserves through reduction in the Treasury balance at the Federal Reserve, through sales of special certificates to the Treasury, and through foreign drawings on System swaps to supply funds to the Euro-dollar market. This, in conjunction with aggressive dealer bidding in recent Treasury bill financings, has contributed to unusually large dealer bill inventories, especially of longer-term bills. These bills may weigh heavily on the market going into the dividend and tax period unless financing continues to be readily available. Yet another factor tending to add to market pressures in the period ahead may be increased bank demand for Federal funds to replace any Euro-dollars lost as a result of foreign year-end window dressing operations. In view of prospective year-end

money market churning, the level of net borrowed reserves consistent with steady money market conditions may fluctuate widely in the weeks ahead, and sometimes may have to be close to zero if current money market rates are to be maintained in the face of peak seasonal pressures.

If the Committee wished to encourage somewhat easier market conditions, however, this would appear to require net reserves over the next four weeks consistently ranging around zero. Such a net reserve position might be consistent with a 3-month bill rate moving close to, and possibly below, 5 per cent and with a Federal funds rate also moving down toward 5 per cent. Such a rate structure might not fully emerge until early next year when normal seasonal pressures abate.

Even if bill and other money market rates are thus reduced by System action in the period ahead, this is not likely to generate any prompt and substantial bank credit expansion because banks are likely to be inclined to reduce their short-term borrowings further. A modest rate of bank credit expansion, however, might be expected as time passes since banks may be able to terminate net CD run-offs and subsequently begin to add to outstandings. An easing of bank liquidity positions would increase their willingness to add to security portfolios and to accommodate loan demands. This, in turn, would contribute to a better market for municipal and Federal



Government security issues (including participation certificates) and probably to some renewed expansion of the money stock.

On the other hand, if loan demands do not hold up and business activity is weaker than expected, banks might begin to lower CD rates in line with reductions in bill rates, and transaction demand for money may fall off. In such a situation, the rate levels specified above would not be low enough to stimulate much of a bank credit and money expansion.

Chart 1a

# MEMBER BANK RESERVES

SEASONALLY ADJUSTED MONTHLY AVERAGES OF DAILY FIGURES

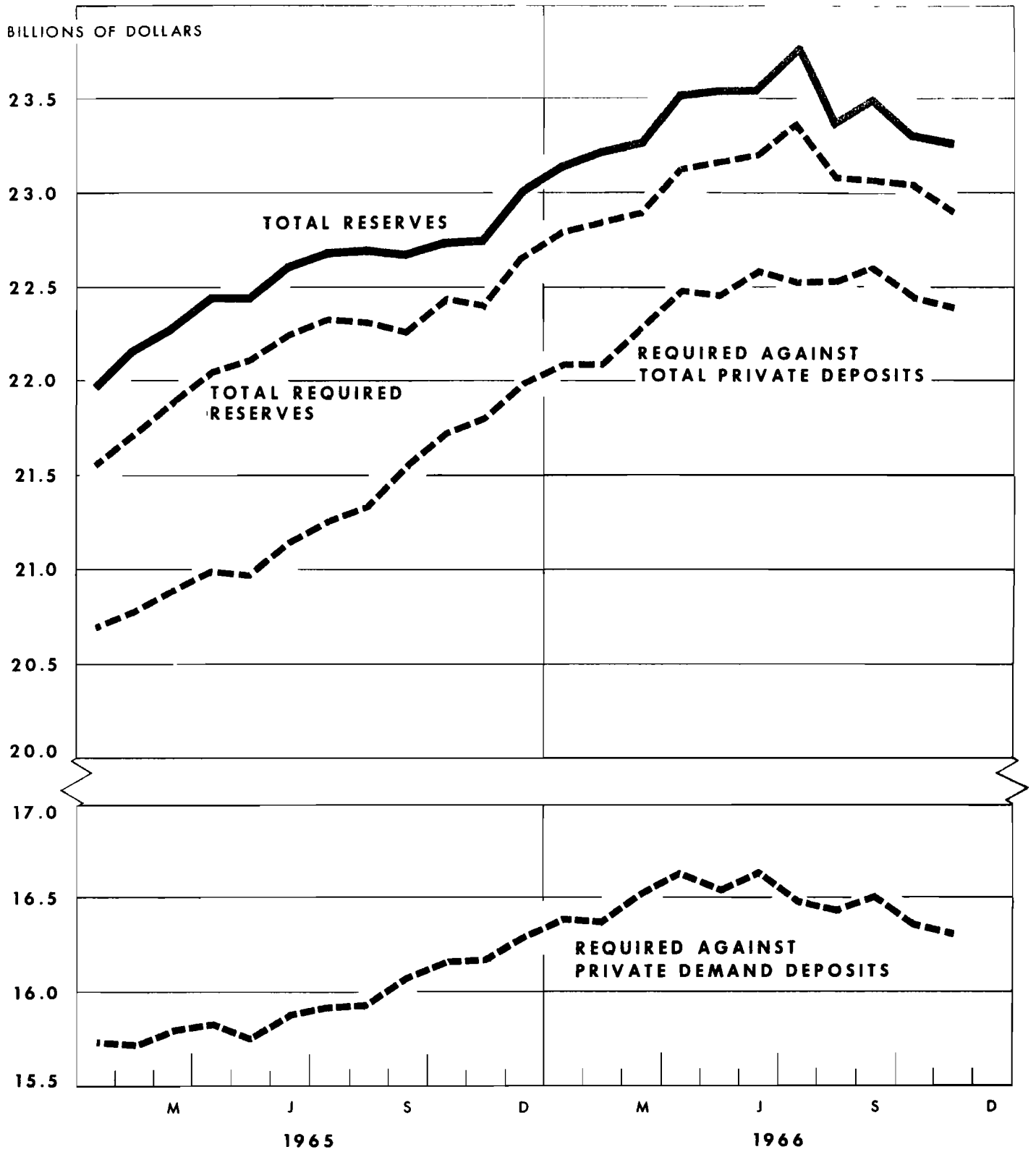


Chart 1b

# MEMBER BANK RESERVES

MONTHLY AVERAGES OF DAILY FIGURES

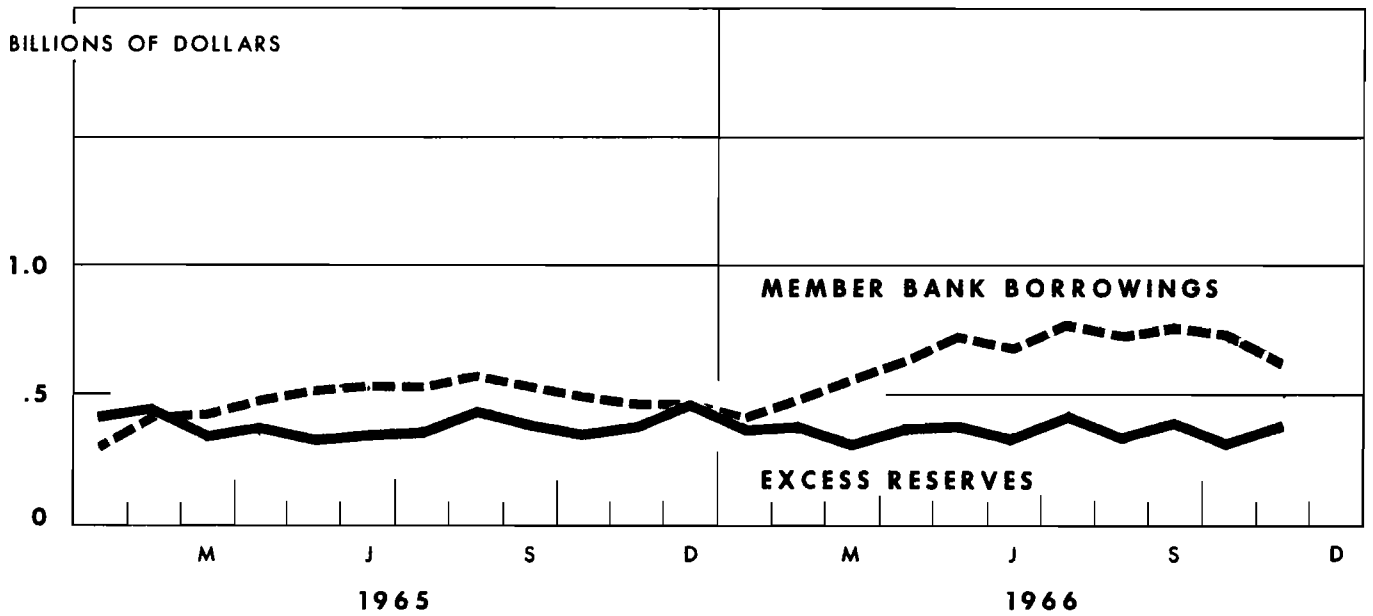
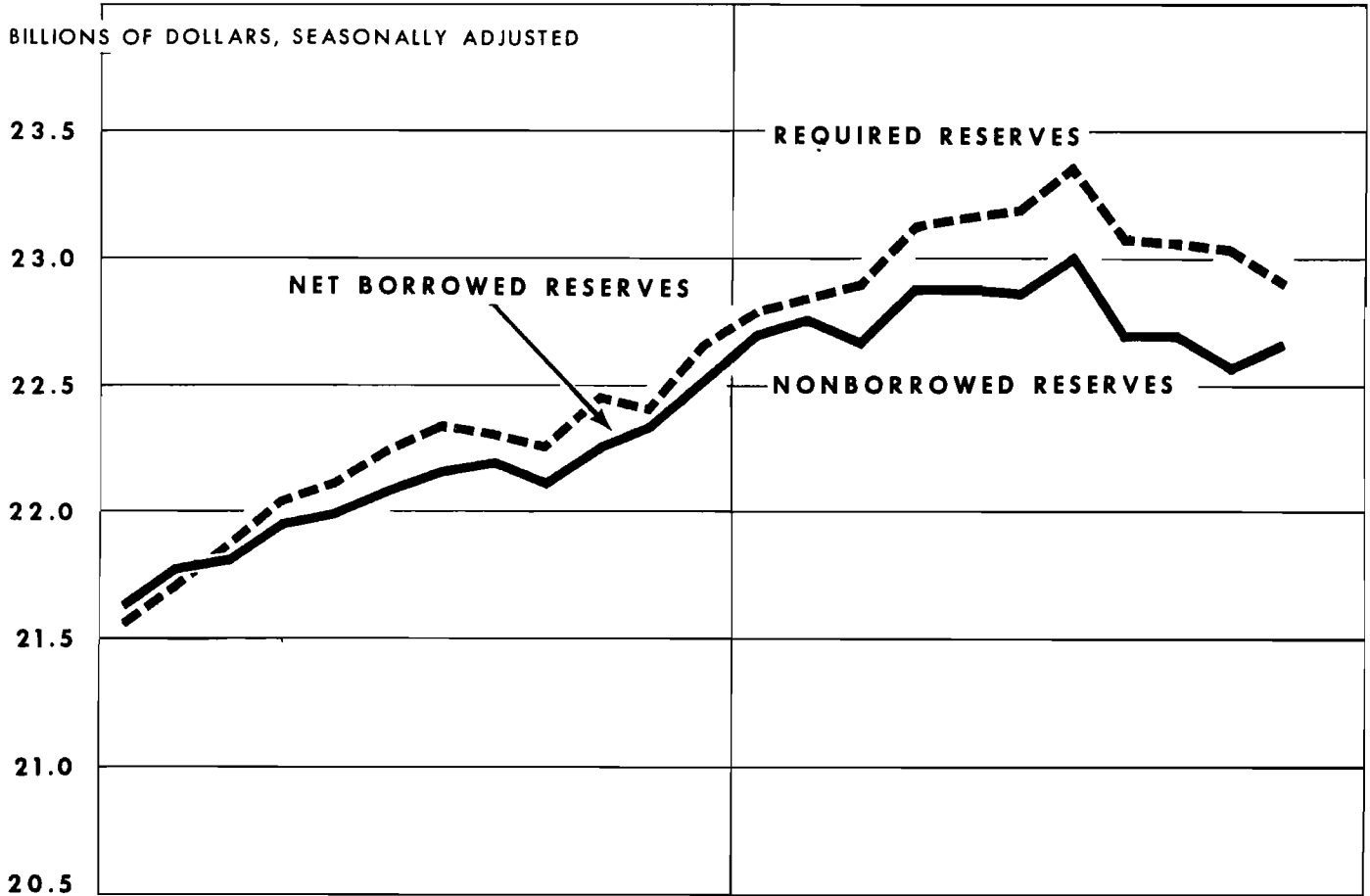
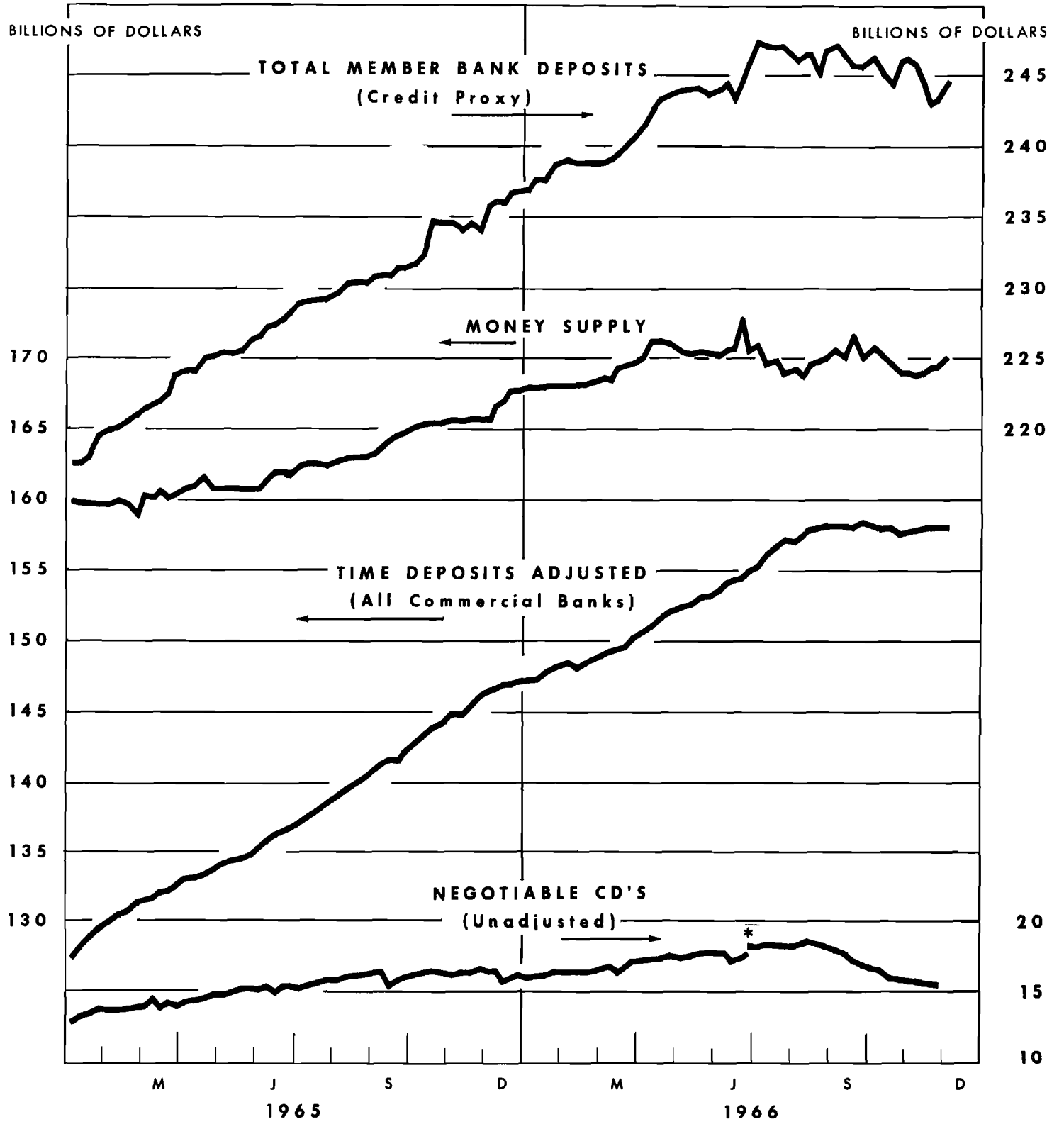


Chart 2

# MONEY SUPPLY AND BANK DEPOSITS

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES



\* CHANGE IN SERIES

Chart 3

# DEMAND DEPOSITS AND CURRENCY

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

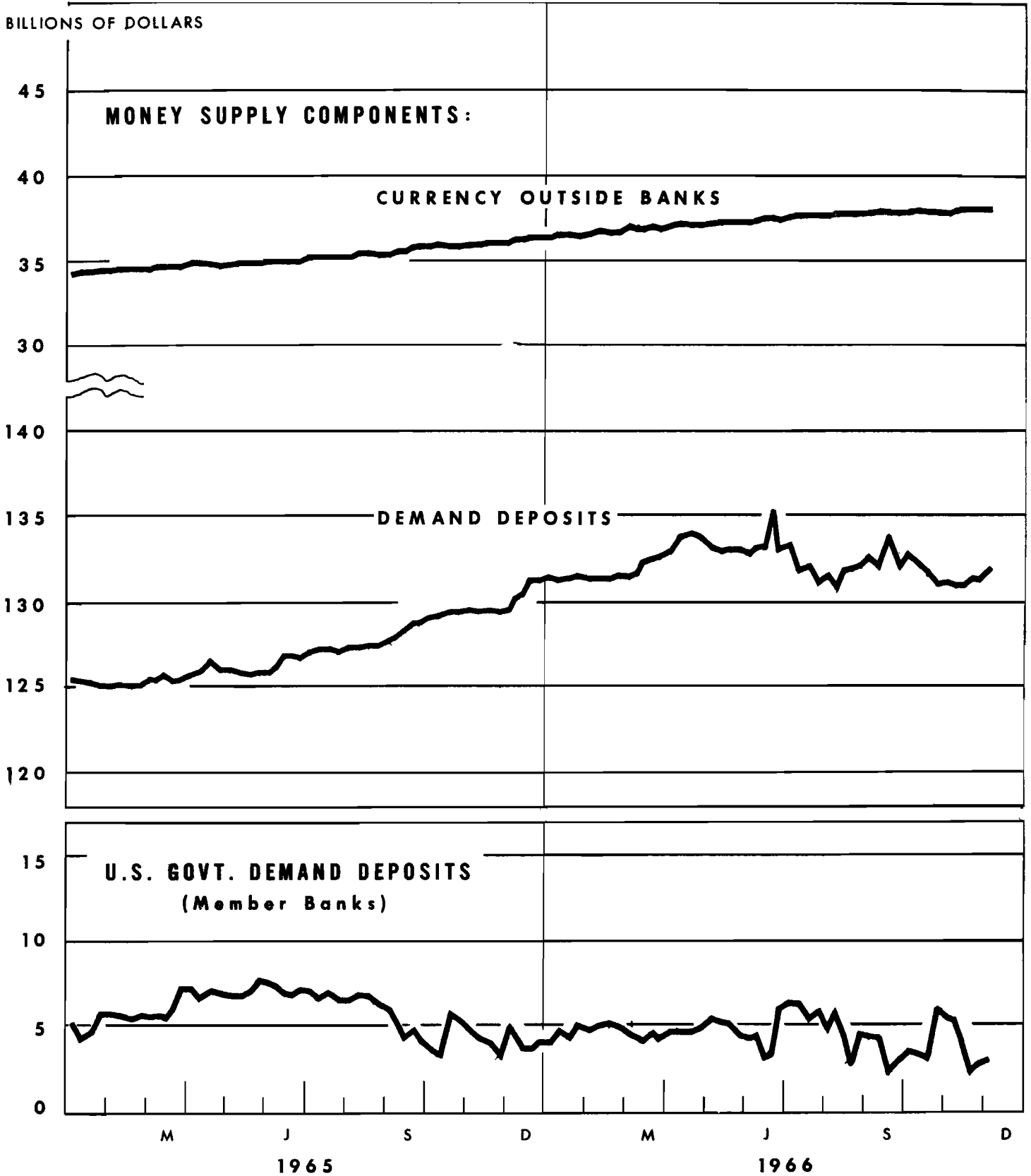


Table A-1

## MARGINAL RESERVE MEASURES

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

| Period                                     | Excess reserves    | Member banks borrowings | Free reserves |                              |   |
|--|--------------------|-------------------------|---------------|------------------------------|---|
|  | As revised to date |                         |               | As first published each week | As expected at conclusion of each week's open market operations |
| <b>Monthly (reserves weeks ending in):</b> |                    |                         |               |                              |   |
| 1965--November                             | 341                | 418                     | - 77          |                              |   |
| December                                   | 430                | 452                     | - 22          |                              |   |
| 1966--January                              | 380                | 431                     | - 51          |                              |   |
| February                                   | 357                | 474                     | -117          |                              |   |
| March                                      | 335                | 545                     | -210          |                              |   |
| April                                      | 361                | 638                     | -277          |                              |   |
| May  | 315                | 653                     | -339          |                              |   |
| June                                       | 370                | 722                     | -352          |                              |   |
| July                                       | 380                | 739                     | -359          |                              |   |
| August                                     | 366                | 740                     | -374          |                              |   |
| September                                  | 375                | 765                     | -390          |                              |   |
| October                                    | 341                | 766                     | -425          |                              |   |
| November p                                 | 362                | 605                     | -243          |                              |   |
| <b>Weekly:</b>                             |                    |                         |               |                              |   |
| 1966--Aug. 3                               | 353                | 778                     | -425          | -427                         | -427  |
| 10   | 461                | 782                     | -321          | -383                         | -417  |
| 17   | 277                | 730                     | -453          | -466                         | -487  |
| 24   | 374                | 719                     | -345          | -442                         | -482  |
| 31   | 364                | 691                     | -327          | -422                         | -447  |
| Sept. 7                                    | 337                | 749                     | -412          | -419                         | -440  |
| 14   | 504                | 888                     | -384          | -410                         | -439  |
| 21   | 592                | 771                     | -179          | -198                         | -206  |
| 28   | 67                 | 650                     | -583          | -568                         | -542  |
| Oct. 5                                     | 314                | 828                     | -514          | -439                         | -439  |
| 12   | 413                | 928                     | -515          | -511                         | -489  |
| 19   | 489                | 790                     | -301          | -297                         | -308  |
| 26   | 147                | 518                     | -371          | -366                         | -376  |
| Nov. 2                                     | 279                | 594                     | -315          | -301                         | -302  |
| 9  | 378                | 646                     | -268          | -249                         | -224  |
| 16 p                                       | 549                | 711                     | -162          | -227                         | -244  |
| 23 p                                       | 167                | 439                     | -272          | -261                         | -236  |
| 30 p                                       | 438                | 636                     | -198          | -207                         | -221  |
| Dec. 7 p                                   | 204                | 449                     | -245          | -245                         | -194  |

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TABLE A-2

## AGGREGATE RESERVES AND RELATED MEASURES

Retrospective Changes, Seasonally Adjusted  
(In per cent, annual rates based on monthly averages of daily figures)

|                     | Reserve Aggregates |                      |                   |                         | Monetary Variables                            |                             |              |                         |
|---------------------|--------------------|----------------------|-------------------|-------------------------|---|-----------------------------|--------------|-------------------------|
|                     | Total Reserves     | Nonborrowed Reserves | Required reserves |                         | Total Member Bank Deposits (credit) <u>1/</u> | Time Deposits (comm. banks) | Money Supply |                         |
|                     |                    |                      | Total             | Against Demand Deposits |   |                             | Total        | Private Demand Deposits |
| <b>Annually:</b>    |                    |                      |                   |                         |   |                             |              |                         |
| 1964                | + 4.2              | + 4.6                | + 4.9             | + 3.1                   | + 7.5   | +12.8                       | + 4.3        | + 4.0                   |
| 1965                | + 5.3              | + 4.3                | + 5.3             | + 2.3                   | + 9.1   | +16.0                       | + 4.7        | + 4.4                   |
| <b>Monthly:</b>     |                    |                      |                   |                         |   |                             |              |                         |
| 1965--July          | + 3.7              | + 4.1                | + 4.8             | - 2.0                   | + 7.4   | +15.0                       | + 5.2        | + 4.7                   |
| August              | + 0.4              | + 1.5                | - 1.8             | - 4.0                   | + 6.8   | +18.3                       | + 4.4        | + 2.8                   |
| September           | - 1.2              | - 3.9                | - 2.2             | - 6.8                   | + 3.6   | +13.7                       | + 8.1        | + 9.4                   |
| October             | + 3.7              | + 7.3                | + 9.7             | + 5.1                   | +12.5   | +17.8                       | + 8.0        | + 7.5                   |
| November            | + 0.6              | + 5.0                | - 2.0             | - 3.9                   | + 5.1   | +15.0                       | + 2.9        | + 1.9                   |
| December            | +13.8              | + 9.8                | +13.7             | + 8.2                   | + 9.7   | +11.5                       | +11.6        | +13.0                   |
| 1966--January       | + 6.7              | + 9.5                | + 6.9             | +11.3                   | + 8.1   | + 7.4                       | + 5.7        | + 4.6                   |
| February            | + 4.0              | + 3.1                | + 2.9             | + 3.8                   | + 3.5   | + 5.7                       | + 1.4        | --                      |
| March               | + 2.9              | - 4.6                | + 2.7             | + 4.0                   | + 5.5   | + 8.1                       | + 7.8        | + 8.2                   |
| April               | +13.2              | +10.9                | +11.9             | +11.7                   | +15.5   | +15.3                       | +11.3        | +12.7                   |
| May                 | + 0.3              | + 0.1                | + 2.1             | - 4.8                   | + 4.9   | +12.7                       | - 4.9        | - 7.2                   |
| June <u>2/</u>      | + 0.2              | - 0.8                | + 1.6             | + 1.3                   | + 4.4   | +11.8                       | + 6.3        | + 7.2                   |
| July <u>2/</u>      | +11.4              | + 7.1                | + 8.4             | + 2.5                   | +10.3   | +14.8                       | -10.5        | -16.2                   |
| August <u>2/</u>    | -20.2              | -15.8                | -14.8             | -16.9                   | - 3.4   | +10.7                       | --           | - 0.9                   |
| September <u>2/</u> | + 6.6              | - 0.3                | - 0.2             | - 3.0                   | --  | + 3.0                       | + 6.4        | + 7.3                   |
| October <u>2/</u>   | -10.0              | - 7.1                | - 1.1             | - 2.1                   | - 3.4   | - 2.3                       | - 6.3        | - 8.1                   |
| November <u>2/p</u> | - 2.2              | + 5.4                | - 7.7             | - 8.3                   | - 5.4   | + 0.8                       | - 2.8        | - 4.6                   |

1/ Includes all deposits subject to reserve requirements. Movements in this aggregate correspond closely with movements in total member bank credit.

2/ Changes in reserves, total deposits, and time deposits have been adjusted for redefinition of time deposits effective June 9. Changes in reserves have been adjusted for increases in reserve requirements in July and September.

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Table B-1

## MAJOR SOURCES AND USES OF RESERVES

Retrospective and Prospective  
(Dollar amounts in millions, based on weekly averages of daily figures)

| Period                     | Factors affecting supply of reserves          |               |                              |                                | = Change<br>in<br>total<br>reserves | = Bank use of reserves     |                    |
|----------------------------|---|---------------|------------------------------|--------------------------------|-------------------------------------|----------------------------|--------------------|
|                            | Federal Reserve<br>credit (excl.<br>float) 1/ | Gold<br>stock | Currency<br>outside<br>banks | Technical<br>factors<br>net 2/ |                                     | Required<br>reserves<br>3/ | Excess<br>reserves |
| <u>ACTUAL</u>              |   |               |                              |                                |                                     |                            |                    |
| <u>Year:</u>               |   |               |                              |                                |                                     |                            |                    |
| 1964 (1/1/64 - 12/30/64)   | +3,127  | -125          | -2,281                       | -185                           | +534                                | +766                       | -232               |
| 1965 (12/30/64 - 12/29/65) | +4,035  | -1,602        | -2,143                       | +798                           | +1,089                              | +1,188                     | - 99               |
| <u>Year-to-date:</u>       |   |               |                              |                                |                                     |                            |                    |
| (12/30/64 - 12/8/65)       | +4,129  | -1,579        | -2,017                       | -190                           | +344                                | +451                       | -107               |
| (12/29/65 - 12/7/66)       | +2,843  | -628          | -1,791                       | -299                           | +123                                | +382                       | -259               |
| <u>Weekly:</u>             |   |               |                              |                                |                                     |                            |                    |
| 1966--Nov. 2               | + 304   | + 1           | + 14                         | -204                           | +113                                | - 19                       | +132               |
| 9                          | + 509   | + 1           | - 677                        | +141                           | - 25                                | -124                       | + 99               |
| 16 p                       | + 5   | + 1           | - 87                         | + 82                           | - 2                                 | -173                       | +171               |
| 23 p                       | - 699   | - 2           | - 75                         | +339                           | -435                                | - 53                       | -382               |
| 30 p                       | + 775   | - 27          | - 17                         | -439                           | +291                                | + 20                       | +271               |
| Dec. 7 p                   | + 97  | - 72          | - 283                        | +252                           | - 6                                 | +228                       | -234               |
| <u>PROJECTED 4/</u>        |   |               |                              |                                |                                     |                            |                    |
| Dec. 14                    | - 665   | --            | - 110                        | +825                           | + 50                                | + 50                       | --                 |
| 21                         | - 420   | --            | - 50                         | +955                           | +485                                | +485                       | --                 |
| 28                         | + 520   | --            | - 160                        | -370                           | - 10                                | - 10                       | --                 |
| Jan. 4                     | - 20  | --            | + 555                        | -225                           | +310                                | +310                       | --                 |
| 11                         | + 30  | --            | - 40                         | -290                           | -300                                | -300                       | --                 |
| 18                         | - 715   | --            | + 420                        | + 50                           | -245                                | -245                       | --                 |
| 25                         | - 165   | --            | + 245                        | -225                           | -145                                | -145                       | --                 |
| Feb. 1                     | + 175   | --            | + 200                        | -400                           | - 25                                | - 25                       | --                 |
| 8                          | + 315   | --            | - 315                        | -100                           | -100                                | -100                       | --                 |
| 15                         | - 230   | --            | + 95                         | - 40                           | -175                                | -175                       | --                 |

1/ For retrospective details, see Table B-4.

2/ For factors included, see Table B-3.

3/ For required reserves by type of deposits, see Table B-2.

4/ See reserve side for explanation of projections.

p - Preliminary.



Table B-2

## CHANGES IN REQUIRED RESERVE COMPONENTS

Retrospective and Prospective Seasonal and Nonseasonal Changes  
(Dollar amounts in millions, based on weekly averages of daily figures)

| Period                     | Total<br>required<br>reserves | Supporting<br>U. S. Gov't.<br>demand<br>deposits | Supporting private deposits |                  |      |                                |                  |
|----------------------------|-------------------------------|--|-----------------------------|------------------|------|--------------------------------|------------------|
|                            |                               |  | Total                       | Seasonal changes |      | Other than<br>seasonal changes |                  |
|                            |                               |  |                             | Demand           | Time | Demand                         | Time             |
| <u>ACTUAL</u>              |                               |  |                             |                  |      |                                |                  |
| <u>Year:</u>               |                               |  |                             |                  |      |                                |                  |
| 1964 (1/1/64 - 12/30/64)   | +766                          | + 13   | +753                        | -222             | - 12 | +511                           | +476             |
| 1965 (12/30/64 - 12/29/65) | +1,188                        | - 89   | +1,277                      | +115             | - 4  | +499                           | +667             |
| <u>Year-to-date:</u>       |                               |  |                             |                  |      |                                |                  |
| (12/30/64 - 12/8/65)       | +444                          | -249   | +693                        | -301             | - 5  | +347                           | +652             |
| (12/29/65 - 12/7/66)       | +382                          | -369   | +751                        | -444             | + 5  | + 51                           | +1,139 <u>1/</u> |
| <u>Weekly:</u>             |                               |  |                             |                  |      |                                |                  |
| 1966--Nov. 2               | - 19                          | -119   | +100                        | + 84             | - 15 | + 22                           | + 9              |
| 9                          | -124                          | - 20   | -104                        | - 46             | - 4  | - 42                           | - 12             |
| 16 p                       | -173                          | -196   | + 23                        | + 57             | - 11 | - 17                           | - 6              |
| 23 p                       | - 53                          | + 9  | - 62                        | -105             | - 15 | + 57                           | + 1              |
| 30 p                       | + 20                          | + 51   | - 31                        | - 19             | + 5  | - 9                            | - 8              |
| Dec. 7 p                   | +228                          | - 50   | +278                        | +132             | + 2  | +131                           | + 13             |
| <u>PROJECTED</u>           |                               |  |                             |                  |      |                                |                  |
| Dec. 14                    | + 50                          | -150   | +200                        | +295             | - 5  | - 90                           | --               |
| 21                         | +485                          | + 85   | +400                        | +310             | - 15 | +115                           | - 10             |
| 28                         | - 10                          | +240   | -250                        | -175             | + 5  | - 80                           | --               |
| Jan. 4                     | +310                          | - 75   | +385                        | +335             | + 25 | + 25                           | --               |
| 11                         | -300                          | -190   | -110                        | -140             | + 15 | + 10                           | + 5              |
| 18                         | -245                          | -145   | -100                        | -115             | + 15 | - 5                            | + 5              |
| 25                         | -145                          | +100   | -245                        | -230             | + 10 | - 30                           | + 5              |
| Feb. 1                     | - 25                          | + 25   | - 50                        | - 80             | + 10 | + 15                           | + 5              |
| 8                          | -100                          | + 95   | -195                        | -190             | + 10 | - 15                           | --               |
| 15                         | -175                          | - 40   | -135                        | -160             | + 5  | + 20                           | --               |

1/ Reflects reserve requirement changes in July and September.

p - Preliminary.

Table B-3

## TECHNICAL FACTORS AFFECTING RESERVES

## Retrospective and Prospective Changes

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

| Period                     | Technical factors (net) | Treasury operations                 | Float  | Foreign deposits and gold loans | Other nonmember deposits and F. R. accounts |
|----------------------------|-------------------------|-------------------------------------|--------|---------------------------------|---|
| <u>ACTUAL</u>              |                         | (Sign indicates effect on reserves) |        |                                 |   |
| <u>Year:</u>               |                         |                                     |        |                                 |   |
| 1964 (1/1/64 - 12/30/64)   | -185                    | -476                                | +132   | - 37                            | +196  |
| 1965 (12/30/64 - 12/29/65) | +798                    | +294                                | -171   | + 77                            | +598  |
| <u>Year-to-date:</u>       |                         |                                     |        |                                 |   |
| (12/30/64 - 12/8/65)       | -190                    | +275                                | -1,024 | + 71                            | +488  |
| (12/29/65 - 12/7/66)       | -299                    | +531                                | -699   | - 36                            | - 95  |
| <u>Weekly:</u>             |                         |                                     |        |                                 |   |
| 1966--Nov. 2               | -204                    | +112                                | -273   | - 28                            | - 15  |
| 9                          | +141                    | + 78                                | +120   | - 7                             | - 50  |
| 16                         | + 82                    | + 48                                | + 61   | + 32                            | - 59  |
| 23                         | +339                    | + 13                                | +499   | - 17                            | -156  |
| 30                         | -439                    | +154                                | -548   | - 16                            | - 29  |
| Dec. 7                     | +252                    | +115                                | +112   | - 1                             | + 26  |
| <u>PROJECTED</u>           |                         |                                     |        |                                 |   |
| Dec. 14                    | +825                    | +405                                | +200   | - 5                             | +225  |
| 21                         | +955                    | + 40                                | +855   | + 25                            | + 35  |
| 28                         | -370                    | -500                                | +130   | --                              | --  |
| Jan. 4                     | -225                    | --                                  | -265   | --                              | + 40  |
| 11                         | -290                    | --                                  | -385   | --                              | + 95  |
| 18                         | + 50                    | --                                  | + 50   | --                              | --  |
| 25                         | -225                    | --                                  | -225   | --                              | --  |
| Feb. 1                     | -400                    | --                                  | -400   | --                              | --  |
| 8                          | -100                    | --                                  | -100   | --                              | --  |
| 15                         | - 40                    | --                                  | - 60   | --                              | + 20  |

Table B-4

## 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  | Other  | Repurchase agreements |                           |                      |                         |
| <u>Year:</u>               |  |                             |        |        |                       |                           |                      |                         |
| 1964 (1/1/64 - 12/30/64)   | +3,127                                     | +3,281                      | +1,985 | +1,022 | +274                  | --                        | -100                 | - 54                    |
| 1965 (12/30/64 - 12/29/65) | +4,035                                     | +3,916                      | +3,145 | + 916  | -145                  | --                        | + 77                 | + 42                    |
| <u>Year-to-date:</u>       |  |                             |        |        |                       |                           |                      |                         |
| (12/30/64 - 12/8/65)       | +4,129                                     | +4,078                      | +3,425 | + 916  | -263                  | --                        | + 77                 | - 26                    |
| (12/29/65 - 12/7/66)       | +2,843                                     | +2,931                      | +2,242 | + 439  | +250                  | + 9                       | --                   | - 97                    |
| <u>Weekly:</u>             |  |                             |        |        |                       |                           |                      |                         |
| 1966--Sept. 7              | + 438                                      | + 380                       | + 380  | --     | --                    | --                        | --                   | + 58                    |
| 14                         | + 96                                       | - 41                        | - 82   | --     | + 41                  | --                        | - 2                  | +139                    |
| 21                         | - 526                                      | - 411                       | - 370  | --     | - 41                  | --                        | + 2                  | -117                    |
| 28                         | - 155                                      | - 32                        | - 32   | --     | --                    | --                        | - 2                  | -121                    |
| Oct. 5                     | + 692                                      | + 506                       | + 496  | --     | + 10                  | --                        | + 8                  | +178                    |
| 12                         | - 110                                      | - 30                        | - 20   | --     | - 10                  | --                        | + 40                 | +100                    |
| 19                         | - 630                                      | - 448                       | - 448  | --     | --                    | --                        | - 44                 | -138                    |
| 26                         | + 20                                       | + 273                       | + 194  | --     | + 79                  | --                        | + 19                 | -272                    |
| Nov. 2                     | + 304                                      | + 225                       | + 243  | --     | - 18                  | --                        | + 3                  | + 76                    |
| 9                          | + 509                                      | + 455                       | + 323  | --     | +132                  | --                        | + 2                  | + 52                    |
| 16                         | + 5  | - 59                        | - 16   | --     | - 43                  | --                        | - 1                  | + 65                    |
| 23                         | - 699                                      | - 438                       | - 306  | --     | -132                  | --                        | + 11                 | -272                    |
| 30                         | + 775                                      | + 550                       | + 212  | --     | +338                  | --                        | + 28                 | +197                    |
| Dec. 7                     | + 97                                       | + 256                       | + 141  | --     | +115                  | + 9                       | + 19                 | -187                    |

Chart Reference Table C-1

TOTAL, NONBORROWED AND REQUIRED RESERVES

Seasonally Adjusted

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

| Period               | Total reserves | Nonborrowed reserves | Required reserves |                          |        |
|----------------------|----------------|----------------------|-------------------|--------------------------|--------|
|                      |                |                      | Total             | Against private deposits |        |
|                      |                |                      |                   | Total                    | Demand |
| 1964--January        | 20,964         | 20,673               | 20,542            | 19,679                   | 15,295 |
| February             | 20,996         | 20,711               | 20,601            | 19,748                   | 15,321 |
| March                | 21,179         | 20,875               | 20,754            | 19,796                   | 15,344 |
| April                | 21,209         | 20,931               | 20,783            | 19,855                   | 15,364 |
| May                  | 21,105         | 20,911               | 20,765            | 19,910                   | 15,371 |
| June                 | 21,385         | 21,135               | 20,972            | 19,993                   | 15,409 |
| July                 | 21,436         | 21,150               | 21,015            | 20,118                   | 15,495 |
| August               | 21,551         | 21,256               | 21,172            | 20,247                   | 15,575 |
| September            | 21,776         | 21,422               | 21,333            | 20,387                   | 15,665 |
| October              | 21,739         | 21,409               | 21,346            | 20,486                   | 15,709 |
| November             | 21,872         | 21,487               | 21,499            | 20,547                   | 15,713 |
| December             | 21,843         | 21,585               | 21,526            | 20,634                   | 15,746 |
| 1965--January        | 21,960         | 21,625               | 21,563            | 20,702                   | 15,730 |
| February             | 22,157         | 21,771               | 21,713            | 20,765                   | 15,717 |
| March                | 22,279         | 21,814               | 21,868            | 20,881                   | 15,789 |
| April                | 22,449         | 21,953               | 22,036            | 20,985                   | 15,831 |
| May                  | 22,436         | 21,994               | 22,109            | 20,962                   | 15,750 |
| June                 | 22,612         | 22,082               | 22,243            | 21,138                   | 15,877 |
| July                 | 22,682         | 22,158               | 22,332            | 21,247                   | 15,912 |
| August               | 22,689         | 22,186               | 22,299            | 21,331                   | 15,916 |
| September            | 22,667         | 22,114               | 22,259            | 21,553                   | 16,071 |
| October              | 22,737         | 22,248               | 22,439            | 21,720                   | 16,151 |
| November             | 22,748         | 22,341               | 22,402            | 21,803                   | 16,168 |
| December             | 23,010         | 22,523               | 22,657            | 21,970                   | 16,285 |
| 1966--January        | 23,139         | 22,701               | 22,788            | 22,075                   | 16,364 |
| February             | 23,217         | 22,759               | 22,844            | 22,084                   | 16,356 |
| March                | 23,274         | 22,671               | 22,896            | 22,269                   | 16,510 |
| April                | 23,530         | 22,877               | 23,123            | 22,477                   | 16,625 |
| May                  | 23,536         | 22,878               | 23,163            | 22,453                   | 16,534 |
| June <u>1/</u>       | 23,539         | 22,862               | 23,193            | 22,582                   | 16,626 |
| July <u>1/</u>       | 23,763         | 22,997               | 23,355            | 22,511                   | 16,468 |
| August <u>1/</u>     | 23,363         | 22,695               | 23,067            | 22,517                   | 16,428 |
| September <u>1/</u>  | 23,492         | 22,700               | 23,064            | 22,598                   | 16,498 |
| October <u>1/</u>    | 23,297         | 22,566               | 23,042            | 22,430                   | 16,353 |
| November p <u>1/</u> | 23,255         | 22,667               | 22,895            | 22,385                   | 16,321 |

p - Preliminary.

1/ Reserves have been adjusted for redefinition of time deposits effective June 9.

Table C-2

## DEPOSITS SUPPORTED BY REQUIRED RESERVES AT ALL MEMBER BANKS

Seasonally Adjusted

(Dollar amounts in billions, based on monthly averages of daily figures)

| Monthly          | Total member bank deposits (credit) <u>1/</u> | Time deposits | Private demand deposits <u>2/</u> | U.S. Gov't. demand deposits |
|------------------|---|---------------|-----------------------------------|-----------------------------|
| 1964--January    | 202.8   | 93.5          | 104.4                             | 4.9                         |
| February         | 203.8   | 94.4          | 104.6                             | 4.8                         |
| March            | 205.1   | 94.9          | 104.7                             | 5.4                         |
| April            | 206.0   | 95.8          | 104.9                             | 5.3                         |
| May              | 206.6   | 96.8          | 104.9                             | 4.9                         |
| June             | 208.7   | 97.7          | 105.2                             | 5.8                         |
| July             | 209.3   | 98.6          | 105.8                             | 5.0                         |
| August           | 211.3   | 99.6          | 106.3                             | 5.4                         |
| September        | 213.1   | 100.8         | 106.9                             | 5.5                         |
| October          | 214.1   | 101.9         | 107.2                             | 5.0                         |
| November         | 216.1   | 103.1         | 107.3                             | 5.7                         |
| December         | 216.7   | 104.2         | 107.5                             | 5.0                         |
| 1965--January    | 218.4   | 106.0         | 107.4                             | 5.0                         |
| February         | 220.4   | 107.6         | 107.3                             | 5.5                         |
| March            | 222.5   | 108.6         | 107.8                             | 6.1                         |
| April            | 224.6   | 109.9         | 108.1                             | 6.7                         |
| May              | 225.8   | 111.1         | 107.5                             | 7.2                         |
| June             | 227.7   | 112.2         | 108.4                             | 7.1                         |
| July             | 229.1   | 113.8         | 108.6                             | 6.7                         |
| August           | 230.4   | 115.5         | 108.6                             | 6.3                         |
| September        | 231.1   | 116.9         | 109.7                             | 4.6                         |
| October          | 233.5   | 118.7         | 110.2                             | 4.5                         |
| November         | 234.5   | 120.2         | 110.4                             | 4.0                         |
| December         | 236.4   | 121.2         | 111.2                             | 4.0                         |
| 1966--January    | 238.0   | 121.8         | 111.7                             | 4.5                         |
| February         | 238.7   | 122.1         | 111.6                             | 5.0                         |
| March            | 239.8   | 122.8         | 112.7                             | 4.3                         |
| April            | 242.9   | 124.8         | 113.5                             | 4.7                         |
| May              | 243.9   | 126.2         | 112.9                             | 4.8                         |
| June <u>3/</u>   | 244.8   | 127.0         | 113.5                             | 4.3                         |
| July <u>3/</u>   | 246.9   | 128.8         | 112.4                             | 5.6                         |
| August <u>3/</u> | 246.2   | 129.8         | 112.1                             | 4.2                         |
| Sept. <u>3/</u>  | 246.2   | 130.1         | 112.6                             | 3.5                         |
| Oct. <u>3/</u>   | 245.5   | 129.6         | 111.6                             | 4.3                         |
| Nov. <u>3/</u> p | 244.4   | 129.3         | 111.4                             | 3.7                         |

1/ Includes all deposits subject to reserve requirements--i.e., the total of time, private demand, and U.S. Government demand deposits. Movements in this aggregate correspond closely with movements in total member bank credit.

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

3/ Deposits have been adjusted for redefinition of time deposits effective June 9, 1966.

p - Preliminary.

TABLE C-2a

## DEPOSITS SUPPORTED BY REQUIRED RESERVES AT ALL MEMBER BANKS

Seasonally adjusted

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

| Week ending:  | Total member bank deposits (credit) 1/ | Time deposits | Private demand deposits 2/ | U. S. Gov't. demand deposits |
|---------------|--|---------------|----------------------------|------------------------------|
| 1966--July 6* | 247.3                                  | 127.9         | 113.0                      | 6.3                          |
| 13*           | 247.1                                  | 128.7         | 112.2                      | 6.2                          |
| 20*           | 247.0                                  | 129.0         | 112.6                      | 5.4                          |
| 27*           | 247.1                                  | 129.2         | 112.1                      | 5.8                          |
| Aug. 3*       | 246.1                                  | 129.2         | 112.1                      | 4.8                          |
| 10*           | 246.3                                  | 129.4         | 111.1                      | 5.7                          |
| 17*           | 246.5                                  | 129.9         | 112.3                      | 4.3                          |
| 24*           | 245.0                                  | 130.1         | 112.1                      | 2.8                          |
| 31*           | 246.8                                  | 130.3         | 112.2                      | 4.4                          |
| Sept. 7*      | 247.0                                  | 130.2         | 112.5                      | 4.3                          |
| 14*           | 246.5                                  | 130.2         | 112.1                      | 4.2                          |
| 21*           | 245.7                                  | 129.8         | 113.7                      | 2.2                          |
| 28*           | 245.7                                  | 130.0         | 112.8                      | 2.9                          |
| Oct. 5*       | 246.2                                  | 129.8         | 112.8                      | 3.5                          |
| 12*           | 245.2                                  | 129.8         | 112.1                      | 3.3                          |
| 19*           | 244.3                                  | 129.8         | 111.5                      | 3.0                          |
| 26*           | 246.1                                  | 129.3         | 111.0                      | 5.9                          |
| Nov. 2*       | 246.1                                  | 129.5         | 111.2                      | 5.4                          |
| 9*            | 245.8                                  | 129.3         | 111.1                      | 5.3                          |
| 16p*          | 244.5                                  | 129.3         | 111.2                      | 4.0                          |
| 23p*          | 243.0                                  | 129.3         | 111.5                      | 2.2                          |
| 30p*          | 243.3                                  | 129.3         | 111.3                      | 2.7                          |
| Dec. 7p*      | 244.6                                  | 129.4         | 112.2                      | 2.9                          |

p - Preliminary.

1/ Includes all deposits subject to reserve requirements--i.e., the total of time, private demand, and U.S. Government demand deposits. Movements in this aggregate correspond closely with movements in total member bank credit.

2/ Private demand deposits include demand deposits on individuals, partnerships and corporations and net interbank balances.

\* - Deposits have been adjusted for redefinition of time deposits effective June 9, 1966.

**TABLE C-3**  
**MONEY SUPPLY AND TIME DEPOSITS AT ALL COMMERCIAL BANKS**

Seasonally adjusted

(Dollar amounts in billions, based  
on monthly averages of daily figures)

| Monthly             | Money Supply | Currency <u>1/</u> | Private Demand Deposits <u>2/</u> | Time Deposits Adjusted |
|---------------------|--------------|--------------------|-----------------------------------|------------------------|
| 1964--October       | 158.8        | 34.0               | 124.8                             | 123.5                  |
| November            | 159.0        | 34.1               | 124.8                             | 125.1                  |
| December            | 159.7        | 34.2               | 125.4                             | 126.6                  |
| 1965--January       | 159.7        | 34.5               | 125.3                             | 128.7                  |
| February            | 159.8        | 34.6               | 125.2                             | 130.7                  |
| March               | 160.3        | 34.7               | 125.6                             | 132.0                  |
| April               | 161.0        | 34.8               | 126.2                             | 133.3                  |
| May                 | 160.7        | 34.9               | 125.8                             | 134.6                  |
| June                | 161.7        | 35.0               | 126.7                             | 136.2                  |
| July                | 162.4        | 35.3               | 127.2                             | 137.9                  |
| August              | 163.0        | 35.5               | 127.5                             | 140.0                  |
| September           | 164.1        | 37.7               | 128.5                             | 141.6                  |
| October             | 165.2        | 36.0               | 129.3                             | 143.7                  |
| November            | 165.6        | 36.1               | 129.5                             | 145.5                  |
| December            | 167.2        | 36.3               | 130.9                             | 146.9                  |
| 1966--January       | 168.0        | 36.6               | 131.4                             | 147.8                  |
| February            | 168.2        | 36.8               | 131.4                             | 148.5                  |
| March               | 169.3        | 36.9               | 132.3                             | 149.5                  |
| April               | 170.9        | 37.2               | 133.7                             | 151.4                  |
| May                 | 170.2        | 37.3               | 132.9                             | 153.0                  |
| June <u>3/</u>      | 171.1        | 37.4               | 133.7                             | 154.5                  |
| July <u>3/</u>      | 169.6        | 37.7               | 131.9                             | 156.4                  |
| August <u>3/</u>    | 169.6        | 37.8               | 131.8                             | 157.8                  |
| September <u>3/</u> | 170.5        | 37.9               | 132.6                             | 158.2                  |
| October <u>3/</u>   | 169.6        | 37.9               | 131.7                             | 157.9                  |
| November <u>3/p</u> | 169.2        | 38.0               | 131.2                             | 158.0                  |

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

2/ 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.

3/ Deposits have been adjusted for redefinition of time deposits effective June 9, 1966.

p - Preliminary.

**TABLE C-3a**  
**MONEY SUPPLY A. TIME DEPOSITS AT ALL COMMERCIAL BANKS**  
**Seasonally Adjusted**  
(Dollar amounts in billions, based  
on monthly averages of daily figures)

| Week Ending  | Money Supply | Currency <u>1/</u> | Private Demand Deposits <u>2/</u> | Time Deposits adjusted |
|--------------|--------------|--------------------|-----------------------------------|------------------------|
| 1966--July 6 | 170.9        | 37.6               | 133.3                             | 155.5*                 |
| 13           | 169.6        | 37.7               | 132.0                             | 156.1*                 |
| 20           | 169.8        | 37.7               | 132.1                             | 156.6*                 |
| 27           | 168.9        | 37.7               | 131.2                             | 157.1*                 |
| Aug. 3       | 169.2        | 37.7               | 131.6                             | 157.0*                 |
| 10           | 168.7        | 37.8               | 130.9                             | 157.4*                 |
| 17           | 169.7        | 37.8               | 131.9                             | 157.9*                 |
| 24           | 169.8        | 37.8               | 132.0                             | 158.0*                 |
| 31           | 170.0        | 37.7               | 132.2                             | 158.2*                 |
| Sept. 7      | 170.5        | 37.8               | 132.6                             | 158.2*                 |
| 14           | 170.1        | 38.0               | 132.1                             | 158.2*                 |
| 21           | 171.7        | 38.0               | 133.7                             | 158.1*                 |
| 28           | 170.0        | 37.9               | 132.1                             | 158.4*                 |
| Oct. 5       | 170.7        | 37.9               | 132.8                             | 158.2*                 |
| 12           | 170.2        | 38.0               | 132.2                             | 158.0*                 |
| 19           | 169.6        | 37.9               | 131.7                             | 158.1*                 |
| 26           | 168.9        | 37.9               | 131.0                             | 157.7*                 |
| Nov. 2       | 168.9        | 37.8               | 131.1                             | 157.8*                 |
| 9            | 168.8        | 38.0               | 130.8                             | 157.9*                 |
| 16 p         | 168.9        | 38.1               | 130.9                             | 158.0*                 |
| 23 p         | 169.4        | 38.1               | 131.4                             | 158.1*                 |
| 30 p         | 169.4        | 38.1               | 131.3                             | 158.1*                 |
| Dec. 7 p     | 170.1        | 38.1               | 132.0                             | 158.3*                 |

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

2/ 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 of Federal Reserve Banks.

\* - Deposits have been adjusted for redefinition of time deposits effective June 9, 1966.

p - Preliminary.



December 13, 1966.

CONFIDENTIAL (FR)

TO: Federal Open Market Committee      SUBJECT: Supplement to  
FROM: The Staff                              Blue Book.

Since the current issue of the blue book, "Money Market and Reserve Relationships" was prepared on Friday afternoon, aggressive professional and investor buying interest in the Government securities market has carried both bond and bill yields appreciably lower. As a result, the first paragraph of the blue book text, which is given as a reference for purposes of interpreting the staff's suggested Alternative A of the current directive, is out of date. To be fully current, the second sentence of that paragraph should describe the 3-month bill rate as moving down into a 5.00-5.15 per cent range rather than a 5.10-5.20 per cent range; and the 6-month bill should be described as being in a 5.10-5.20 per cent range rather than around 5.25 per cent. Such bill rates, being thus at least temporarily lower relative to other money market rates, probably also serve to raise slightly the rate of bank credit expansion that can be expected to ensue from a maintenance of "current money market conditions"; but their influence is not believed to be strong enough to produce a December bank credit expansion much above the range already specified in the blue book.

Committee members may wish to have these market changes in mind in making any references to the blue book in this morning's discussion.