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MONEY MARKET AND RESERVE RELATIONSHIPS

Recent Developments

(1) Long-term interest rates, as well as yields on short-term instruments, continued to climb higher in the latter half of November and in the first part of December. In early December, upward pressure on rates was provided by normal seasonal factors, by the increase in the prime loan rate at major banks to 6-1/2 per cent, by some reversal of earlier foreign bill purchases, and by an unexpectedly sharp drop in the Treasury balance at the Federal Reserve (with \$92 million borrowing by the Treasury for one day on December 10) which led to offsetting open market sales by the System. Expectations of a tightening of monetary policy, including a possible discount rate increase, also tended to exert upward pressure on interest rates.

(2) The 3-month Treasury bill rate--which had been around 5.45 per cent at the time of the last meeting--quickly moved through the 5.60 per cent upper end of the range specified in the last Blue Book and was most recently quoted around 5.90 per cent. Longer rates, on both Government and corporate securities, have risen around 20 basis points.

(3) In contrast to developments in the credit markets generally, the market for day-to-day money was relatively comfortable throughout most of the period with the effective Federal funds rate averaging around 5-3/4 per cent. Net borrowed reserves have ranged widely between \$75 and \$450 million during the past three statement weeks. Borrowings have

## 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 (In millions of dollars)	Borrowings	Federal Funds Rate	3-month Treasury Bill	U.S. Gov't. (20 yr.)	Corporate New Issues (Aaa) 1/	Municipal (Aaa)	Non-borrowed Reserves (In millions of dollars)	Total Reserves	Bank Credit Proxy	Money Supply	Time Deposits 2/	
1967--Oct.	212	141	3.88	4.55	5.36	6.98*	3.88	+299	+335	+ 2.4	+ 1.1	+ 1.2	
Nov.	225	124	4.12	4.72	5.66	6.50	3.99	+122	+154	+ 2.1	+ 0.8	+ 1.4	
Dec.	143	185	4.51	4.96	5.59	6.51	4.15	-294	-122	+ 0.2	+ 0.3	+ 1.5	
1968--Jan.	142	275	4.60	5.00	5.39	6.22**	4.06	+345	+347	+ 1.5	+ 1.0	+ 0.6	
Feb.	21	368	4.72	4.98	5.38	6.25**	4.01	+208	+265	+ 2.3	+ 0.4	+ 1.1	
Mar.	-312	649	5.05	5.17	5.59	6.57**	4.28	-266	+ 47	+ 1.0	+ 0.7	+ 1.5	
Apr.	-341	689	5.76	5.38	5.46	6.50**	4.13	-197	-189	- 1.1	+ 0.9	+ 0.4	
May	-374	728	6.12	5.66	5.55	6.64	4.28	+ 46	+ 88	+ 0.4	+ 1.8	+ 0.5	
June	-386	727	6.07	5.52	5.40	6.65	4.26	+137	+105	+ 1.5	+ 1.3	+ 0.7	
July	-192	523	6.02	5.31	5.29	6.50**	4.12	+394	+107	+ 2.1	+ 2.0	+ 2.1	
August	-240	577	6.03	5.23	5.22	6.16	4.00	+493	+508	+ 5.0	+ 0.9	+ 3.4	
Sept.	-146	492	5.78	5.19	5.28	6.27	4.23	+ 29	- 36	+ 2.0	- 0.8	+ 2.8	
Oct.	-191	458	5.92	5.35	5.44	6.47	4.21	+264	+215	+ 3.0	+ 0.7	+ 2.9	
Nov. p	-294	540	5.81	5.45	5.56	6.57	4.33	+ 51	+118	+ 2.8	+ 1.8	+ 2.4	
1968--Nov. 6	-200	392	6.07	5.49	5.46	6.43	4.25			+ 1.3	+ 2.0	+ 0.4	
13	-192	675	6.00	5.44	5.50	6.54	4.35			- 0.3	- 1.3	+ 0.6	
20 p	-329	511	5.45	5.43	5.56	6.64	4.35			- 0.7	+ 1.6	+ 0.3	
27 p	-455	582	5.73	5.44	5.62	6.68	4.35			+ 1.2	+ 1.1	+ 1.2	
Dec. 4 p	- 75	532	5.71	5.62	5.74	6.81	4.40			+ 0.8	- 0.3	+ 0.8	
11 p	-443	435	5.82	5.75	5.76	6.92	4.45			+ 1.5	- 0.3	+ 0.4	
			Averages						Annual rates of increase 3/				
Year 1967	195	173	4.22	4.29	5.01	5.77	3.74	+11.5	+ 9.9	+11.9	+ 6.4	+16.1	
Second Half 1967	238	123	4.03	4.51	5.31	6.10	3.91	+ 7.2	+ 8.7	+10.6	+ 6.0	+12.6	
First Half 1968	-201	567	5.39	5.29	5.46	6.47	4.16	+ 2.2	+ 5.3	+ 4.0	+ 6.6	+ 5.0	
<u>Recent variations in growth</u>													
Nov. 29-Feb. 28	106	276	4.64	4.90	5.46	6.30	4.08			+ 9.1	+ 4.0	+ 6.1	
Feb. 28-Jun. 12	-360	695	5.45	5.43	5.51	6.58	4.23			- 1.1	+ 6.6	+ 4.5	
Jun. 12-Dec. 11	-222	530	5.92	5.32	5.38	6.48	4.19			+12.9	+13.9	+17.0	

1/ Includes issues carrying 5-year and 10-year call protection, \*\* - issues carry a 10-year call protection.

2/ Time deposits adjusted at all commercial banks.

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

4/ Average of total number of days in period.

p - Preliminary. n.a. - Not available.

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fluctuated much more narrowly, averaging \$515 million, little changed from recent experience.

(4) The relative ease in the Federal funds market reflected in part the improved basic reserve position of the major New York banks. Their basic reserve deficiency averaged only around \$570 million during the last three statement weeks, as compared with an average of about \$1.2 billion since August. This sharp drop in the basic deficit of the major money market banks was partly seasonal, as banks prepared for mid-December pressures. But it more importantly reflected an apparent shift in bank reserve management policies. With expectations of higher interest rates becoming more prevalent, major banks reduced their dependence on very short-term borrowings, and in some cases sought longer-term CD funds; at the same time they became more willing lenders in the day-to-day money market, with dealer financing costs for new money reduced to around 6 per cent, or a bit above.

(5) Primarily because of the banks' success in attracting CD funds at the end of November, time deposit growth in that month is estimated to have been at a 14-1/2 per cent annual rate on average, 2-1/2 percentage points above the estimate given in the last Blue Book. And, consequently, expansion of the bank credit proxy in November was also adjusted upward to 11-1/2 per cent per annum on average. The late-November strength in time deposit growth and in the bank credit proxy in part carried over into early December and contributed to an upward revision in the proxy projection for December to a level just above the top of the 5-8 per cent range presented in the previous Blue Book.<sup>1/</sup>

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<sup>1/</sup> This range included an assumption that Euro-dollar borrowing would add 1/2 percentage point.

(6) The unanticipated strength of the bank credit proxy led to activation of the proviso clause in the directive. However, the sharp rise in Treasury bill rates, under the influence of the factors noted in paragraph (1), limited the flexibility of the Desk in exerting further pressure on Federal funds and dealer loan rates, and on member bank reserve positions. The Desk did undertake sizable operations to offset day-to-day tendencies toward money market ease, generated by banks' increased desire to maintain a liquid position. This was mostly accomplished through matched sale-purchase transactions, the volume of which totalled almost \$3 billion over the past two statement weeks, with a daily average amount outstanding of \$280 million.

(7) The money supply is now estimated to have increased at an 11-1/2 per cent annual rate on average in November. Business loan demand was exceptionally strong, and in the latter half of the month a sharp drop in U.S. Government deposits contributed importantly to growth in private demand deposits.

(8) The following table summarizes the growth in a number of reserve and deposit aggregates for the most recent period and selected past periods:

	<u>May 67-</u> <u>Nov. '67</u>	<u>Dec. '67-</u> <u>June '68</u>	<u>July '68-</u> <u>Nov. '68</u>
Total reserves	9.8	3.7	8.3
Nonborrowed reserves	9.9	-0.1	9.7
Bank credit, as measured by:			
Proxy	11.5	3.7	12.8
Proxy plus Euro-dollars	12.3	4.7	13.3
Money supply	8.4	6.1	5.9
Time and savings deposits	14.2	5.8	17.5
Savings accounts at thrift institutions	9.0	6.1	6.4 <sup>1/</sup>

NOTE: Dates are inclusive.

<sup>1/</sup> July '68 - Oct. '68.

### Prospective Developments

(9) With mid-December seasonal pressures about to ebb and with an abatement in the corporate new issue volume over the holiday period, there should be a tendency for interest rates to stabilize and, indeed, for bill rates to back off from recent highs, assuming no change in monetary policy. Treasury bill rates often tend to drift down in the latter part of December and early January, with declines somewhat more marked in the absence of net cash financings by the Treasury. (No Treasury cash financing has been assumed for next month, although an additional small cash borrowing in the market, probably through bills, might be required, as an alternative to borrowing from the System around mid-January.)

(10) The constellation of short-term and money market rates is likely to be brought into greater harmony in the next few weeks since upward pressure should develop on the Federal funds rate, which has recently been low relative to bill rates. The upward pressure would result from the usual seasonal enlargement of major banks' basic reserve deficiency, and from banks' increased willingness to borrow Federal funds, rather than sell relatively high-yielding Treasury bills, in adjusting to expected CD run-offs. Under these circumstances, maintaining the prevailing complex of money and short-term credit market conditions would appear to be consistent with a Federal funds rate back at around 6 per cent, and a Treasury bill rate edging down in a 5.60-5.90 per cent range. Market concerns over the possibilities of a rise in the Federal Reserve discount rate would tend to limit downward interest rate movements, as dealers become more unwilling to hold securities. Member bank borrowings averaging in a range of \$450-650 million and net borrowed reserves of about \$150-450 million would be consistent with these credit market conditions.

(11) With bill rates in the range specified above, we would expect December CD run-off to total \$1 to \$1-1/4 billion, as compared with a normal seasonal decline of around \$800 million. Such a greater than seasonal CD attrition in December, and continued contra-seasonal losses in January, would put the bank credit proxy in December in an 8-11 per cent, annual rate, range and a 4-7 per cent range in January. Thus, for the two months together, we would expect a growth rate in the proxy averaging 6-9 per cent, at an annual rate. (Euro-dollar borrowings might add slightly to this range on average if unchanged from current levels; but such borrowings have typically declined seasonally in the latter half of December and risen in January.)

(12) Given the projected CD attrition, time deposit growth is projected to be in a 15-18 per cent, annual rate, range in December, dropping back to 8-11 per cent in January. The latter month will be particularly affected by the carry-over effect of the CD attrition expected in the latter half of December as well as by some likely further CD run-off during the month itself. Moreover, the relatively high level of market yields is also likely to lead to some slowing in net inflows of consumer-type time and savings deposits.

(13) Growth in the money supply is likely to be considerably slower in December--in a 3-6 per cent annual rate range--and may taper further in January. Demand deposit growth is expected to be moderate, with interest rates remaining on the high side and assuming a step-down in demands for business loans.

(14) Policy alternative. If the Committee decides to seek firmer credit conditions, it might wish to consider a complex including a Federal funds rate around 6-1/8--6-1/4 per cent, member bank borrowings in a \$550-\$750 million range, and net borrowed reserves \$250-550 million. Under such conditions, the 3-month bill rate might move in a 5.75-6.10 per cent band. A rise in bill rates from current levels would tend to be limited by seasonal demands for bills as well as by efforts of investors to stay short in a period of developing credit market tightness. Announcement effects from the use of other monetary policy instruments at this time might tend to intensify upward interest rate pressures, although it would appear that the market may have already more than discounted an increase of 1/4 percentage point in the discount rate taken by itself.



(15) A move toward restraint initiated promptly after the December 17 Committee meeting would likely lead to greater CD attrition in December and in January than assumed in paragraph (11). As long as the 3-month bill rate remains somewhat above the bottom of the projected range given in paragraph (14), it is likely that the investment yield on Treasury bills along the whole maturity spectrum would be at least at Regulation Q ceiling levels, and in many cases would be above such levels. In an effort to replace CD's, banks would turn more and more to the Euro-dollars market. Individual banks would also increase demands in the Federal funds market and at the discount window.

(16) While Euro-dollars and the discount window may enable banks as a group to postpone, or make less drastic, portfolio adjustments, at some point they will have to cut back on expansion in earning assets. Initially, security markets, particularly the municipal market, will probably take the main burden of such adjustments, followed by reduced lending in mortgage and other sectors. In this process, the bank credit proxy is likely to show slower growth. Only a little slowing may become evident in December, with the principal effects likely to be in January and thereafter. Growth in the bank credit proxy could be in a 2 to 5 per cent range, on average, in January, or possibly lower as banks make sales of securities that had been postponed to the new year for tax purposes. Euro-dollar borrowings would provide some leeway, but the likely amount is difficult to gauge since it will depend in part on reactions of foreign monetary authorities.

(17) Longer-term interest rates are likely to rise even further under these conditions, at least over the short-run. The constraint on bank credit growth may lead to some acceleration of

corporate borrowing in capital markets, as businesses attempt to hold on to, or build up, liquidity for financing future expenditures in a period of credit tightness. The strength and duration of any rise in long-term rates, however, will depend in part on how market participants evaluate the likely success of monetary moves in stemming inflation and inflationary psychology, and on the rapidity with which State and local governments and home builders reduce their demands in view of the lessened availability of funds from both banks and other financial intermediaries.

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
<b>Monthly (reserves weeks ending in):</b>					
1967--November	349	124	225		
December	333	185	148		
1968--January	417	275	142		
February	389	368	21		
March	337	649	-312		
April	348	689	-341		
May	354	728	-374		
June	341	727	-386		
July	331	523	-192		
August	337	577	-240		
September	346	492	-146		
October p	267	458	-191		
November p e	246	540	-294		
<b>Weekly:</b>					
1968--Sept.					
4	255	454	-199	-239	-196
11	556	634	- 78	-108	-141
18	374	404	- 30	- 93	-148
25	197	474	-277	-323	-347
Oct.					
2	385	541	-156	-191	-230
9	225	403	-178	-245	-214
16	373	516	-143	-177	-141
23	- 1	337	-336	-368	-337
30	352	495	-143	-196	-230
Nov.					
6	192	392	-200	-240	-170
13 p	483	675	-192	-259	-202
20 p	182	511	-329	-368	-347
27 p	127	582	-455	-471	-469
Dec.					
4 p	457	532	- 75	-114	-203
11 p	- 8	435	-443	-443	-446

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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>								
1966	+ 1.3	+ 0.8	+ 1.5	- 0.2	+ 3.8 (+ 4.5)	+ 8.7	+ 2.2	+ 1.2
1967 <u>2/</u>	+ 9.9	+11.5	+10.2	+ 7.0	+11.7 (+11.5)	+16.1	+ 6.4	+ 6.7
<b>Monthly:</b>								
1967--July	+11.8	+14.9	+15.2	+10.2	+13.4 (+14.6)	+15.3	+12.3	+14.9
Aug.	+14.0	+15.2	+13.7	+18.7	+16.9 (+19.0)	+16.5	+ 7.4	+ 8.7
Sept.	+ 7.7	+ 6.6	+12.0	+ 5.7	+10.4 (+10.2)	+14.9	+ 1.3	--
Oct.	+16.2	+14.5	+16.4	+13.5	+10.7 (+12.3)	+ 8.0	+ 7.4	+ 6.9
Nov.	+ 7.4	+ 5.9	+ 6.6	+ 8.3	+ 9.3 (+10.5)	+ 9.3	+ 5.3	+ 6.8
Dec.	- 5.8	-14.0	- 1.6	-10.5	+ 1.3 ( -- )	+ 9.9	+ 2.0	- 0.9
1968--Jan.	+16.6	+16.7	+11.4	+15.3	+ 6.6 (+ 6.5)	+ 3.9	+ 6.6	+ 6.8
Feb.	+12.5	+ 9.9	+11.4	+19.2	+10.0 (+10.8)	+ 7.2	+ 2.6	+ 1.7
Mar.	+ 2.2	-12.6	+ 0.6	+ 0.1	+ 4.3 (+ 4.7)	+ 9.7	+ 4.6	+ 2.5
Apr.	- 8.8	- 9.4	- 6.0	-11.1	- 4.7 (- 3.8)	+ 2.6	+ 5.9	+ 6.8
May	+ 4.1	+ 2.2	- 1.9	+ 1.5	+ 1.7 (+ 5.1)	+ 3.2	+11.7	+12.6
June	+ 4.9	+ 6.6	+ 9.6	+12.2	+ 6.5 (+ 9.3)	+ 3.8	+ 8.4	+ 7.5
July	+ 5.0	+14.5	+ 7.7	+ 0.1	+ 9.0 (+10.1)	+14.0	+12.8	+14.9
Aug. p	+23.5	+23.3	+21.2	+21.8	+21.4 (+22.1)	+21.4	+ 5.7	+ 3.3
Sept. p	- 1.6	+ 1.3	+ 4.8	- 3.5	+ 8.4 (+ 9.4)	+17.3	- 5.0	- 7.
Oct. p	+ 9.8	+12.2	+ 8.5	+ 4.1	+12.5 (+11.8)	+17.7	+ 4.4	+ 5.
Nov. p	+ 5.3	- 2.3	+ 8.2	+ 7.5	+11.6 (+11.7)	+14.4	+11.4	+11.4

1/ Includes all deposits subject to reserve requirements. Movements in this aggregate correspond closely with movements in total member bank credit on a daily average basis. Figures in parenthesis include Euro-dollar borrowings.

2/ Changes in reserves, total deposits and time deposits have been adjusted for redefinition of time deposits effective June 9, 1966.

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Chart 1

# MEMBER BANK RESERVES

MONTHLY AVERAGES OF DAILY FIGURES

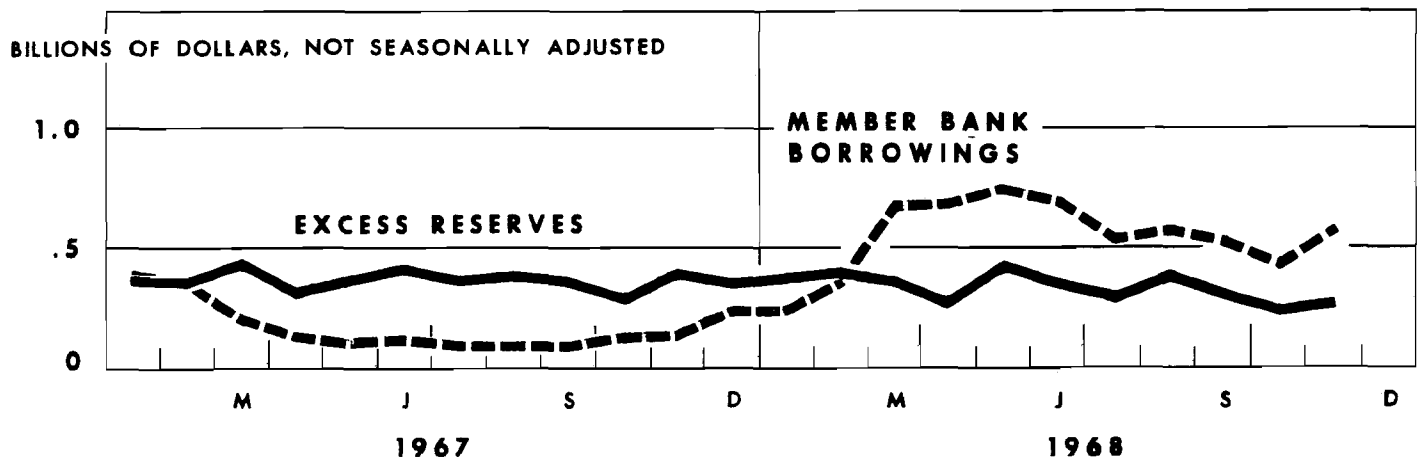
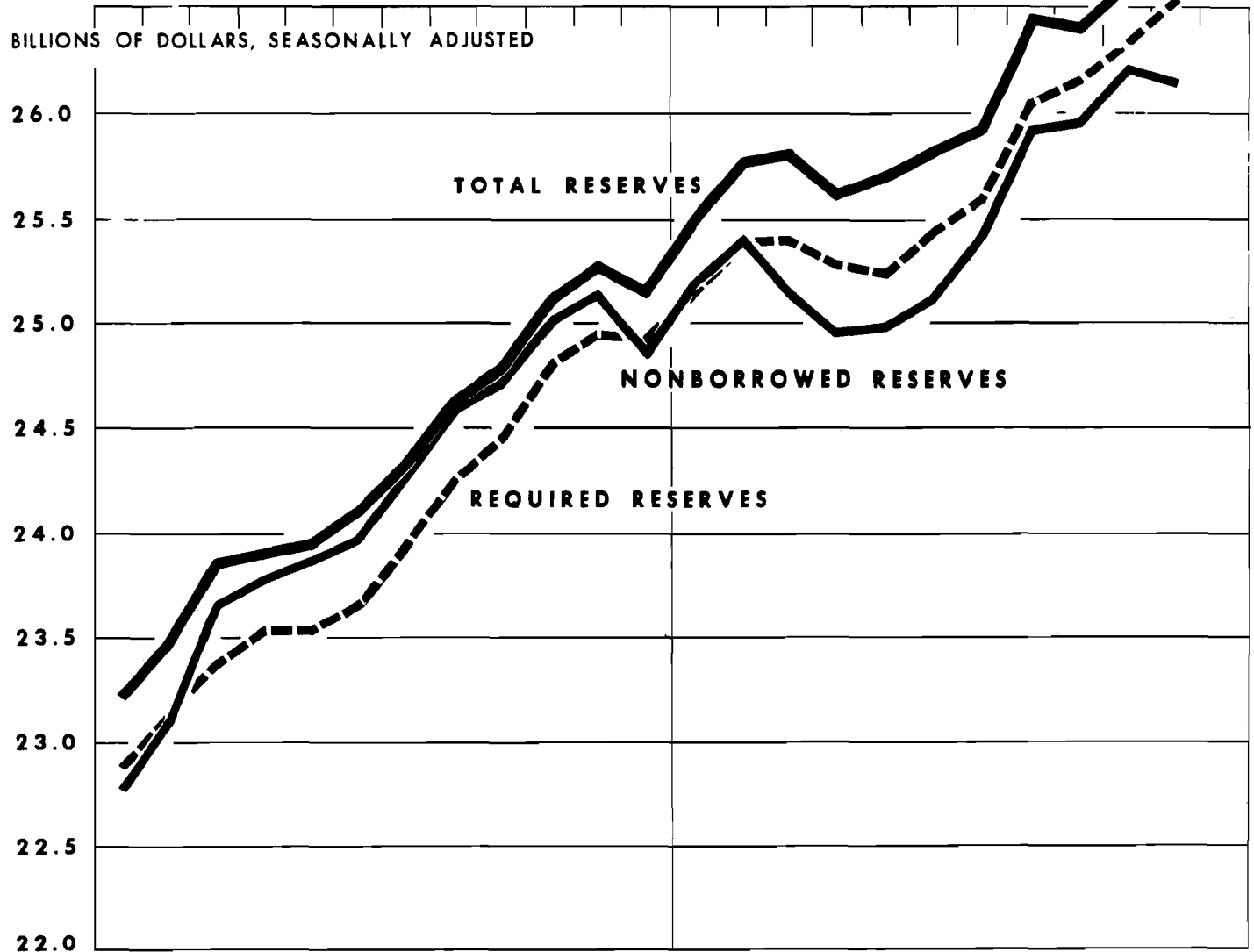


Chart 2

# MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

BILLIONS OF DOLLARS

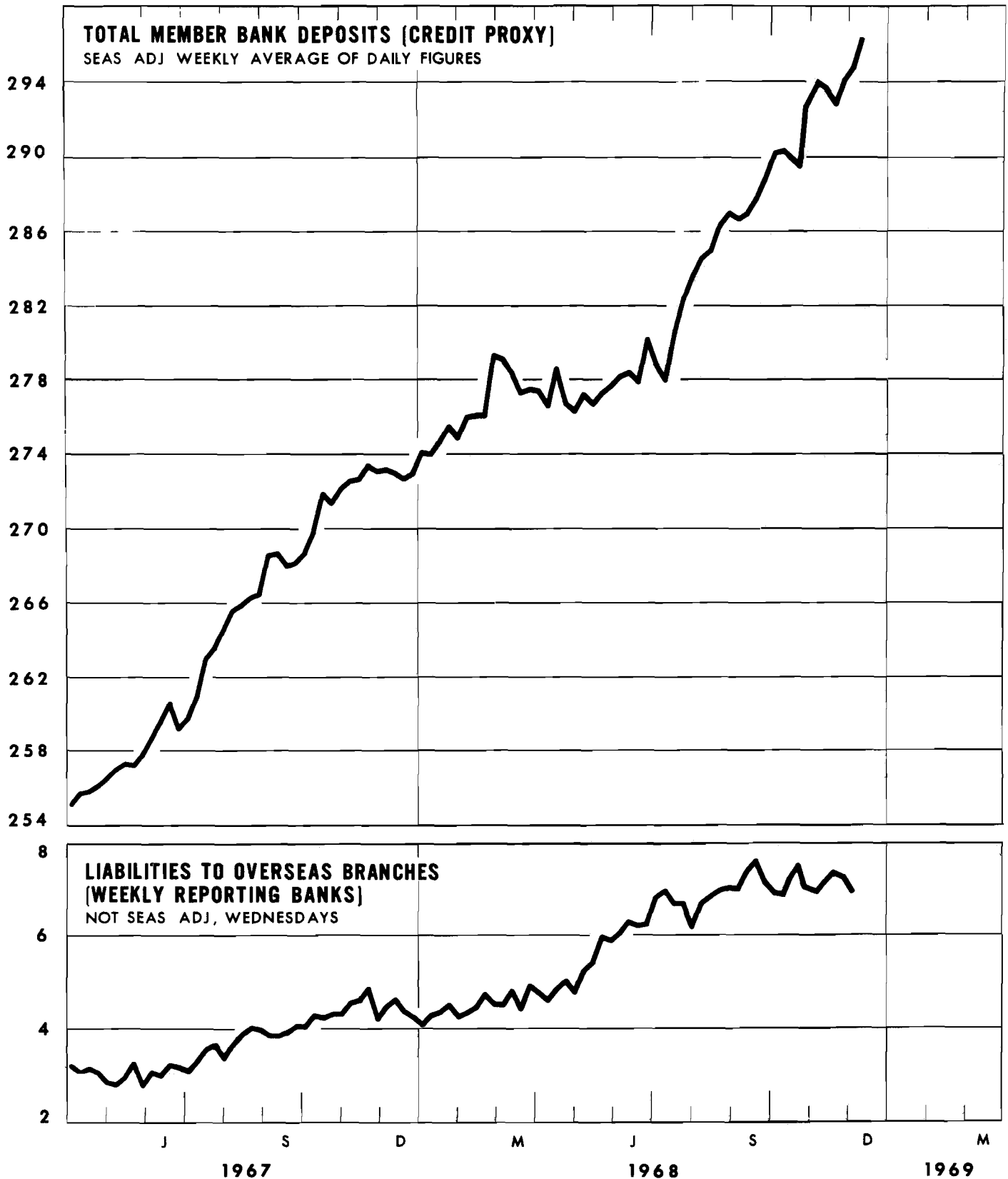


Chart 3

# MONEY SUPPLY AND BANK DEPOSITS

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

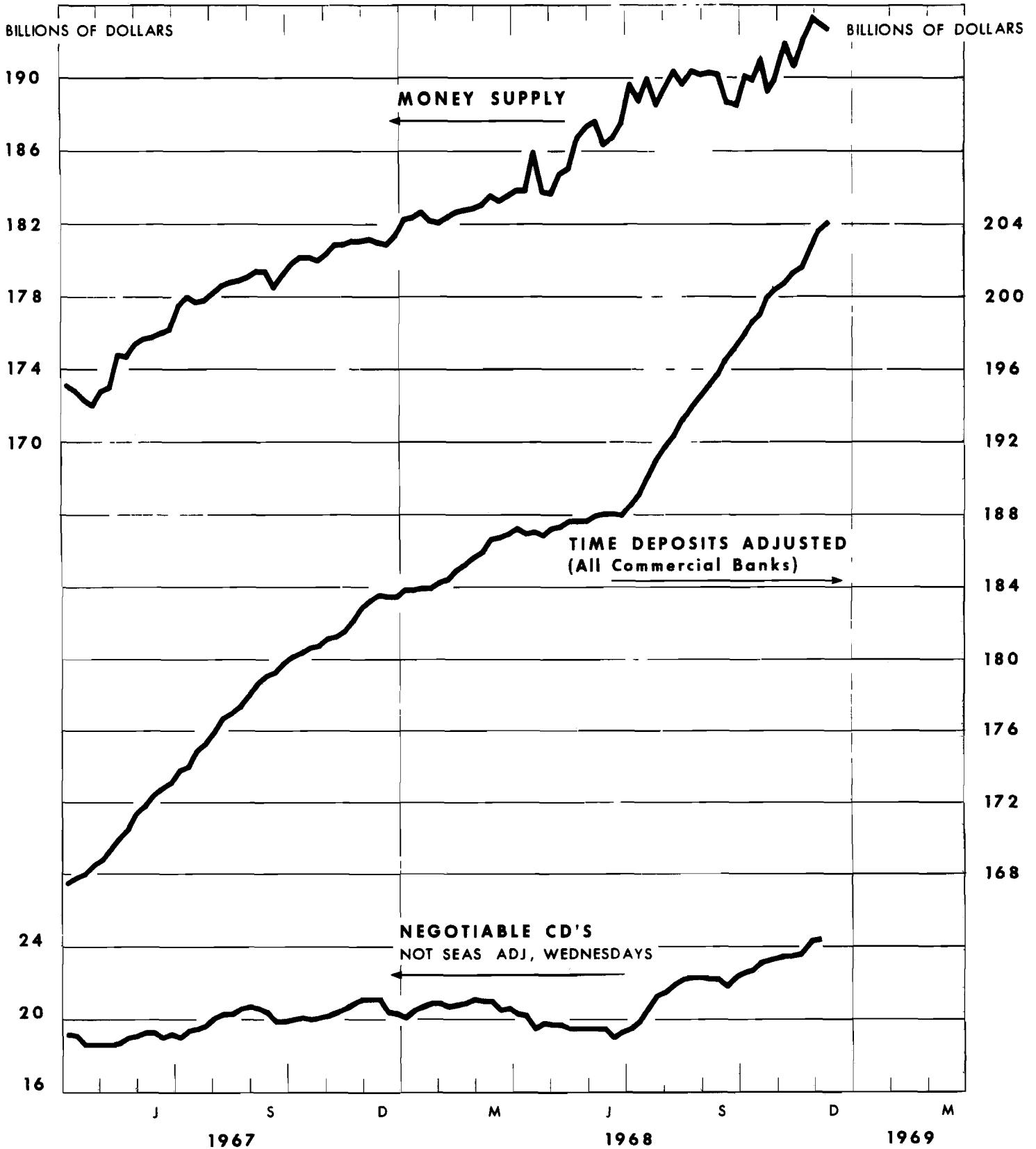


Chart 4

# DEMAND DEPOSITS AND CURRENCY

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

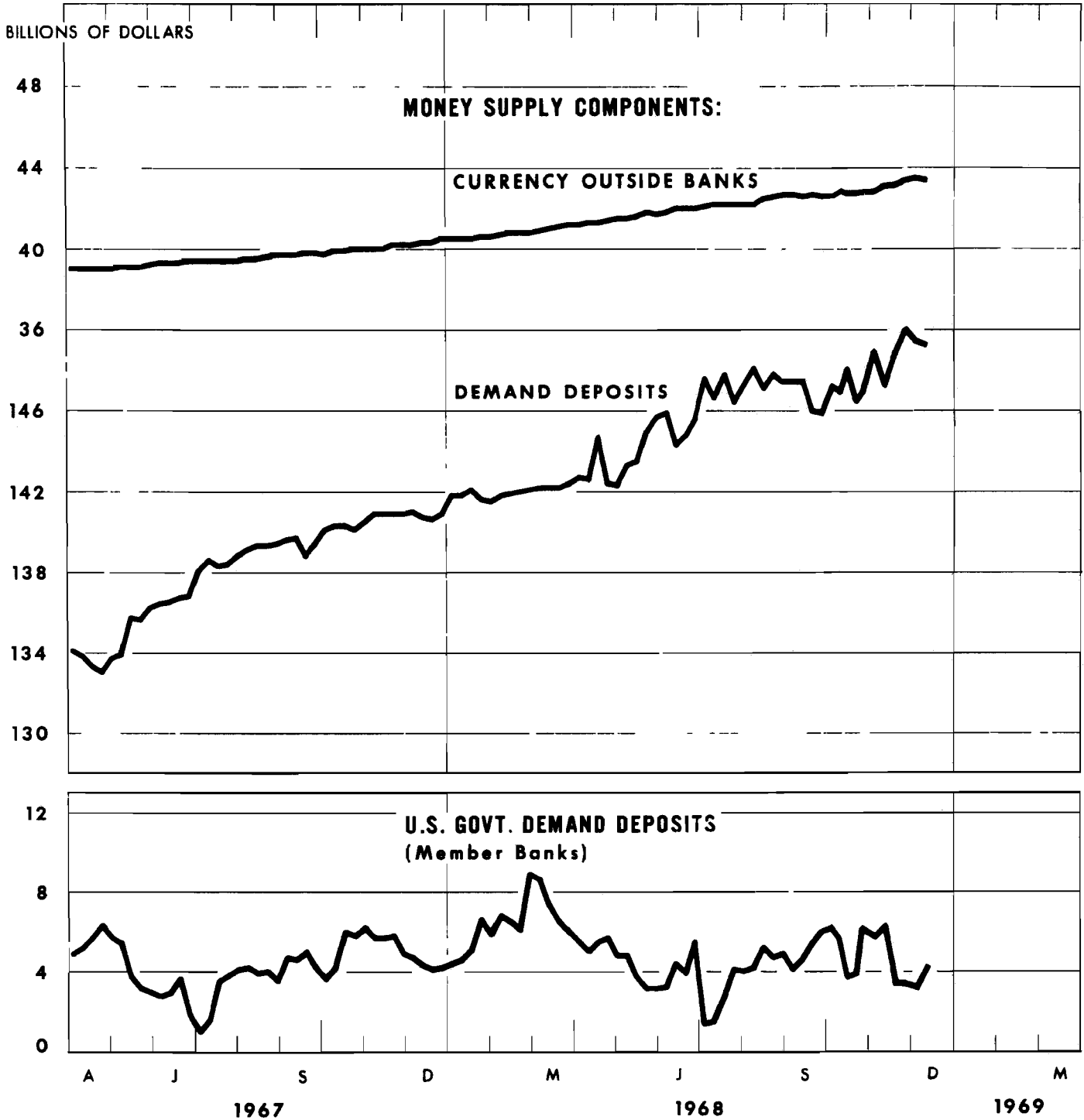




Table B-1

## 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	= Bank use of reserves	
	Federal Reserve credit (excl. float) 1/	Gold stock	Currency outside banks	Technical factors net 2/	in total reserves	Required reserves 3/	Excess reserves
<u>Year:</u>							
1966 (12/29/65 - 12/28/66)	+3,149	- 627	-2,243	+ 805	+1,085	+1,111	- 26
1967 (12/28/66 - 12/27/67)	+4,718	- 725	-2,305	- 165	+1,522	+1,517	+ 5
<u>Year-to-date:</u>							
(12/28/66 - 12/13/67)	+4,439	- 727	-1,876	-1,291	+ 544	+ 646	- 102
(12/27/67 - 12/11/68) 5/	+3,552	-2,067	-2,754	+1,991	+ 722	+1,172	- 450
<u>Weekly:</u>							
1968--Nov. 6 p	- 119	--	- 199	- 48	- 366	- 206	- 160
13 p	+ 665	--	- 356	+ 388	+ 697	+ 406	+ 291
20 p	- 426	--	- 584	+ 883	- 127	+ 174	- 301
27 p	- 487	--	- 79	+ 167	- 399	- 336	- 55
Dec. 4 p	+ 284	--	- 215	+ 238	+ 307	- 23	+ 330
11 p	- 923	--	+ 199	+ 293	- 431	+ 34	- 465
<b>PROJECTED</b>							
1968--Dec. 18	- 870	--	- 240	+1,415	+ 305	+ 305	--
25	+ 835	--	- 140	- 625	+ 70	+ 70	--
Jan. 1	+ 360	--	+ 290	- 220	+ 430	+ 430	--
8	+ 50	--	+ 310	- 90	+ 270	+ 270	--
15	- 100	--	+ 730	- 270	+ 360	+ 360	--

1/ For retrospective details, see B-4.

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

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

4/ See reverse side for explanation.

5/ Includes increase in reserve requirements of \$360 million effective Jan. 11, 1968 and \$190 million effective Jan. 18, 1968.

### Explanation of Projections in Table B-1

1. Changes in Federal Reserve credit indicate reserves needed to offset projected changes in required reserves and factors affecting the supply of reserves.
2. Projected changes in currency outside banks reflect seasonal movements plus an allowance for growth of about \$50 million per week.
3. Projected effects of Treasury operations, included in "technical factors," reflect scheduled and assumed calls in current two weeks and maintenance of Treasury balances with Federal Reserve at \$0.5 billion, thereafter.
4. Projected changes in required reserves assume the existing net reserve position of banks and the structure of interest rates in the market, as well as the current economic outlook. On the basis of these assumptions, projections reflect expected movements in bank credit and money in the period ahead, including the effects of such elements as the public's loan demand, repayments of previous loans, banks' investment preferences and willingness to supply loans, banks' desires and abilities to obtain time and savings deposits, and the Government's financing needs. The projections thus encompass normal seasonal developments, temporary bursts of loans demand and expected associated repayments not currently reflected by the seasonals, and whatever cyclical and growth demands for money and credit are expected in the projection period. Assumed Treasury financing operations include: \$-0.8 billion, December 18.

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 required reserves	Supporting U. S. Gov't. demand deposits	Supporting private deposits				
			Total	Seasonal changes		Other than seasonal changes	
				Demand	Time	Demand	Time
<b>Year:</b>							
1966 (12/29/65 - 12/28/66)	+1,111	- 87	+1,198	- 14	- 4	- 5	+1,221 <sup>1/</sup>
1967 (12/28/66 - 12/27/67)	+1,517	+ 261	+1,256	+ 59	+ 6	+1,023	+ 168 <sup>1/</sup>
<b>Year-to-date:</b>							
(12/28/66 - 12/13/67)	+ 649	- 292	+ 941	- 234	+ 6	+ 983	+ 186
(12/27/67 - 12/11/68) <sup>2/</sup>	+1,172	- 450	+1,622	- 288	+ 126	+1,108	+ 676
<b>Weekly:</b>							
1968--Oct. 2	+ 344	+ 228	+ 116	+ 188	--	- 74	+ 27
9	+ 268	+ 487	- 219	- 239	+ 8	- 7	+ 27
16	+ 332	- 35	+ 367	+ 176	+ 4	+ 162	+ 29
23	- 125	- 150	+ 25	+ 35	- 4	- 50	+ 32
30	- 108	- 307	+ 199	+ 15	--	+ 157	+ 23
Nov. 6	- 204	+ 38	- 242	- 48	- 7	- 230	+ 43
13	+ 403	+ 213	+ 190	+ 27	--	+ 136	+ 27
20 p	+ 174	- 159	+ 333	+ 148	- 6	+ 176	+ 15
27 p	- 336	- 101	- 235	+ 2	- 13	- 249	+ 25
Dec. 4 p	- 23	- 227	+ 204	- 64	- 18	+ 257	+ 29
11 p	+ 34	+ 86	- 52	- 115	- 13	+ 23	+ 53
<b>PROJECTED</b>							
1968--Dec. 18	+ 305	- 85	+ 390	+ 290	- 5	+ 75	+ 30
25	+ 70	- 5	+ 75	- 115	- 5	+ 165	+ 30
1969--Jan. 1	+ 430	+ 60	+ 370	+ 330	--	+ 25	+ 15
8	+ 270	+ 285	- 15	--	- 5	- 20	+ 10
15	+ 360	- 120	+ 480	+ 480	+ 25	- 40	+ 15

<sup>1/</sup> Reflects reserve requirement changes in July, September 1966, and March 1967.

<sup>2/</sup> Includes increase in reserve requirements of \$360 million effective January 11, 1968 and \$190 million effective January 18, 1968.

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>					
1966 (12/28/65 - 12/28/66)	+ 805	+ 573	+ 64	- 30	+ 98
1967 (12/28/66 - 12/27/67)	- 165	- 85	- 389	- 7	+ 316
<u>Year-to-date:</u>					
(12/28/66 - 12/13/67)	-1,291	- 213	-1,125	+ 3	+ 44
(12/27/67 - 12/11/68)	+1,991	+1,194	+ 197	- 83	+ 683
<u>Weekly:</u>					
1968--Nov. 6	- 40	+ 30	- 35	+ 12	- 47
13	+ 396	+ 63	+ 348	- 17	+ 2
20 p	+ 886	+ 426	+ 596	- 23	- 153
27 p	+ 167	- 32	- 410	- 64	+ 673
Dec. 4 p	+ 243	+ 68	+ 30	- 6	- 151
11 p	+ 674	+ 415	+ 315	- 8	- 48
<u>PROJECTED</u>					
1968--Dec. 18	+1,415	+ 640	+ 500	--	+ 275
25	- 625	- 955	+ 400	--	- 70
1969--Jan. 1	- 220	--	- 220	--	--
8	- 90	--	- 300	--	+ 210
15	- 270	--	- 270	--	--

p - Preliminary.

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>								
1966 (12/29/65 - 12/28/66)	+3,149	+3,069	+2,158	+ 474	+ 437	+ 26	+ 52	+ 2
1967 (12/28/66 - 12/27/67)	+4,718	+5,009	+4,433	+1,153	- 577	- 19	- 69	- 203
<u>Year-to-date:</u>								
(12/28/66 - 11/22/67)	+4,439	+4,932	+4,437	+1,153	- 658	- 26	- 40	- 427
(12/27/67 - 12/11/68)	+3,552	+3,522	+2,430	+1,176	- 81	- 7	- 56	+ 90
<u>Weekly:</u>								
1968--Oct. 2	+1,121	+1,048	+ 899	+ 96	+ 63	+ 1	+ 5	+ 67
9	+ 31	+ 171	+ 82	+ 152	- 63	- 1	- 1	- 138
16	+ 599	+ 430	+ 334	--	+ 96	+ 3	+ 53	+ 113
23	- 433	- 211	- 165	--	- 46	+ 4	- 47	- 179
30	+ 270	+ 120	- 113	--	+ 7	- 7	- 3	+ 160
Nov. 6	- 119	- 20	- 51	--	+ 31	+ 7	--	- 106
13	+ 665	+ 345	+ 261	--	+ 84	+ 6	+ 30	+ 284
20	- 426	- 225	- 53	--	- 172	- 13	- 24	- 164
27	- 487	- 557	- 557	--	--	--	- 1	+ 71
Dec. 4	+ 284	+ 335	+ 307	--	+ 28	+ 1	- 2	- 50
11	-923	- 825	- 797	--	- 28	- 1	--	- 97

\* - Includes effect of change in special certificates of +\$72 million of the week of December 14, 1966, and -\$72 million of the week of December 21, 1966.

## 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
1966--Jan.	22,785	22,325	22,456	21,936	16,822
Feb.	22,857	22,376	22,507	21,996	16,877
Mar.	22,888	22,331	22,512	22,115	16,957
Apr.	23,118	22,490	22,714	22,283	17,043
May	23,192	22,486	22,773	22,331	17,030
June <u>1/</u>	23,149	22,472	22,780	22,361	17,043
July	23,293	22,552	22,864	22,344	16,963
Aug.	23,029	22,336	22,687	22,320	16,908
Sept.	23,065	22,319	22,712	22,349	16,922
Oct.	22,954	22,243	22,629	22,229	16,827
Nov.	22,915	22,303	22,593	22,198	16,810
Dec.	22,895	22,286	22,600	22,262	16,825
1967--Jan.	23,217	22,770	22,875	22,298	16,774
Feb.	23,471	23,107	23,134	22,559	16,959
Mar.	23,869	23,668	23,383	22,785	17,101
Apr.	23,910	23,775	23,529	22,779	17,015
May	23,952	23,874	23,531	23,071	17,244
June	24,105	23,982	23,660	23,387	17,472
July	24,342	24,279	23,960	23,578	17,582
Aug.	24,627	24,586	24,234	23,776	17,701
Sept.	24,786	24,721	24,476	23,850	17,704
Oct.	25,121	25,020	24,810	23,995	17,805
Nov.	25,275	25,142	24,947	24,122	17,879
Dec.	25,153	24,848	24,914	24,157	17,860
1968--Jan.	25,500	25,193	25,151	24,270	17,974
Feb.	25,765	25,401	25,389	24,333	18,025
Mar.	25,812	25,135	25,402	24,431	18,082
Apr.	25,623	24,938	25,276	24,487	18,133
May	25,711	24,984	25,236	24,751	18,387
June	25,816	25,121	25,438	24,925	18,550
July	25,923	25,425	25,601	25,188	18,727
Aug.	26,431	25,918	26,053	25,340	18,765
Sept.	26,395	25,947	26,158	25,294	18,621
Oct. p	26,610	26,211	26,344	25,528	18,746
Nov. p	26,728	26,160	26,525	25,764	18,898

p - Preliminary.

1/ Break in series due to redefinition of time deposits effective June 9, 1966, which reduced required reserves by \$34 million.

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)

Period	Total member bank deposits (credit) <u>1/</u>	Time deposits	Private demand deposits <u>2/</u>	U.S. Gov't. demand deposits
1966--Jan.	238.0	121.8	111.7	4.5
Feb.	239.0	121.9	112.1	5.0
Mar.	239.8	122.8	112.6	4.4
Apr.	241.9	124.8	113.2	4.0
May	243.9	126.2	113.1	4.6
June <u>3/</u>	244.4	126.6	113.2	4.6
July	245.8	128.1	112.6	5.1
Aug.	245.6	128.8	112.3	4.5
Sept.	245.5	129.2	112.4	4.0
Oct.	244.4	128.6	111.7	4.0
Nov.	244.0	128.3	111.6	4.1
Dec.	244.6	129.4	111.7	3.5
1967--Jan.	247.7	131.5	111.4	4.8
Feb.	251.0	133.3	112.6	5.1
Mar.	254.0	135.3	113.6	5.1
Apr.	255.8	137.2	113.0	5.6
May	257.2	138.7	114.5	4.0
June	259.5	140.8	116.0	2.6
July	262.4	142.8	116.7	2.9
Aug.	266.1	144.6	117.5	4.0
Sept.	268.4	146.3	117.6	4.5
Oct.	270.8	147.4	118.2	5.2
Nov.	272.9	148.6	118.7	5.6
Dec.	273.2	149.9	118.6	4.6
1968--Jan.	274.7	149.9	119.4	5.4
Feb.	277.0	150.2	119.7	7.1
Mar.	278.0	151.2	120.1	6.7
Apr.	276.9	151.3	120.4	5.2
May	277.3	151.5	122.1	3.7
June	278.8	151.8	123.2	3.9
July	280.9	153.8	124.3	2.7
Aug. <sup>p</sup>	285.9	156.5	124.6	4.8
Sept. <sup>p</sup>	287.9	158.9	123.6	5.3
Oct. <sup>p</sup>	290.9	161.5	124.5	5.0
Nov. <sup>p</sup>	293.7	163.5	125.5	4.8

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 of individuals, partnerships and corporations and net interbank balances.
- 3/ Break in series due to redefinition of time deposits effective June 9, 1966, which reduced total member bank deposits and time deposits by \$850 million.

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
1968--June 5	278.2	151.6	123.4	3.2
12	278.4	151.8	122.2	4.4
19	277.9	151.8	122.2	3.9
26	280.2	151.7	123.0	5.5
July 3	278.8	152.2	125.2	1.4
10	278.0	152.7	123.8	1.5
17	280.6	153.6	124.4	2.7
24	282.4	154.4	123.9	4.1
31	283.6	155.1	124.5	4.0
Aug. 7	284.7	155.5	125.0	4.2
14	285.0	156.0	123.9	5.2
21	286.4	156.8	124.9	4.7
28	287.0	157.4	124.7	4.9
Sept. 4	286.7	157.9	124.7	4.1
11	287.0	158.3	124.1	4.6
18	287.8	158.9	123.5	5.4
25	288.8	159.4	123.4	6.0
Oct. 2	290.3	160.1	124.0	6.2
9	290.4	160.8	123.9	5.7
16	289.9	161.1	125.1	3.7
23	289.5	161.9	123.7	3.9
30	292.7	162.2	124.3	6.2
Nov. 6	293.9	162.6	125.5	5.8
13 p	293.6	163.0	124.2	6.3
20 p	292.9	163.6	125.9	3.4
27 p	294.1	164.6	126.1	3.4
Dec. 4 p	294.8	165.3	126.3	3.2
11 p	296.3	166.0	126.0	4.3

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.



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
1966--July	169.9	37.6	132.3	155.9
Aug.	170.0	37.8	132.2	156.9
Sept.	170.5	37.9	132.6	157.7
Oct.	170.2	38.0	132.1	157.3
Nov.	170.2	38.2	132.0	156.9
Dec.	170.4	38.3	132.1	158.1
1967--Jan.	170.3	38.5	131.8	161.0
Feb.	171.8	38.7	133.0	163.5
Mar.	173.2	38.9	134.3	165.9
Apr.	172.5	39.0	133.5	168.1
May	174.4	39.1	135.3	170.1
June	176.0	39.3	136.7	172.6
July	177.8	39.4	138.4	174.8
Aug.	178.9	39.5	139.4	177.2
Sept.	179.1	39.7	139.4	179.4
Oct.	180.2	39.9	140.2	180.6
Nov.	181.0	40.1	141.0	182.0
Dec.	181.3	40.4	140.9	183.5
1968--Jan.	182.3	40.6	141.7	184.1
Feb.	182.7	40.7	141.9	185.2
Mar.	183.4	41.1	142.2	186.7
Apr.	184.3	41.4	143.0	187.1
May	186.1	41.6	144.5	187.6
June	187.4	42.0	145.4	188.2
July	189.4	42.2	147.2	190.4
Aug. p	190.3	42.6	147.6	193.8
Sept. p	189.5	42.7	146.7	196.6
Oct. p	190.2	42.8	147.4	199.5
Nov. p	192.0	43.2	148.8	201.9

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.

p - Preliminary.

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

Week Ending	Money Supply	Currency <u>1/</u>	Private Demand Deposits <u>2/</u>	Time Deposits adjusted
1968--June 5	187.7	41.8	145.9	188.0
12	186.4	42.0	144.3	188.1
19	186.8	42.0	144.8	188.1
26	187.6	42.0	145.6	188.0
July 3	189.7	42.1	147.6	188.6
10	188.8	42.2	146.6	189.2
17	190.0	42.2	147.8	190.2
24	188.6	42.2	146.4	191.1
31	189.5	42.2	147.3	191.8
Aug. 7	190.4	42.2	148.1	192.5
14	189.7	42.5	147.1	193.3
21	190.4	42.6	147.8	194.0
28	190.2	42.7	147.5	194.6
Sept. 4	190.3	42.7	147.5	195.2
11	190.2	42.6	147.5	195.8
18	188.7	42.7	146.0	196.6
25	188.5	42.6	145.9	197.2
Oct. 2	190.0	42.7	147.3	198.1
9	189.9	42.9	147.0	198.7
16	191.0	42.8	148.1	199.1
23	189.4	42.8	146.5	200.0
30	189.9	42.9	147.0	200.4
Nov. 6	191.9	42.9	149.0	200.8
13 p	190.6	43.2	147.3	201.4
20 p	192.2	43.2	149.0	201.7
27 p	193.3	43.4	150.0	202.9
Dec. 4 p	193.0	43.5	149.5	203.7
11 p	192.7	43.4	149.3	204.1

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.

p - Preliminary.