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January 10, 1969.

MONEY MARKET AND RESERVE RELATIONSHIPS

Recent Developments

(1) Since the last Committee meeting, most yields in money and credit markets have moved markedly higher, with short-term rates generally up 25 to 50 basis points. The yield increases reflected the interaction of monetary policy moves, seasonal strains in short-term markets here and abroad, and shifts in market attitudes. The announcement of the discount rate increase, the accompanying tighter open market posture, the maintenance of Regulation Q ceilings, and two successive jumps in the prime loan rate all served to convince market participants that credit expansion was likely to be curtailed.

(2) Under the circumstances, the 3-month Treasury bill rate rose sharply to a peak of around 6.29 per cent on December 24. However, bill market pressures subsequently moderated, and the 3-month bill closed on January 10 at 6.11 per cent. In the past several days, there has been sizable demand for bills from, among others, State and local governments and corporations--including investors who are switching funds out of CD's. The recent Treasury announcement of a \$1-3/4 billion June tax bill to be auctioned January 14 and paid January 20 through 100 per cent tax and loan credit was taken in stride by the market.

(3) The effective Federal funds rate fluctuated widely since the last Committee meeting, reflecting in part money market churning related to the aftermath of large mid-December tax payments and to year-end window-dressing activities. In general, the Federal

funds rate was most frequently in a 6-1/4 - 6-5/8 per cent band, although an effective rate of 6-7/8 per cent, with trading as high as 7-1/8 per cent, was reported on the Friday preceding the year-end statement date. New loan rates to dealers reported in New York have largely followed the pattern of the Federal funds rate and have often been in a 6-3/4 - 7 per cent range, although even higher rates have been posted at times when reserve pressures have been particularly severe.

(4) Member bank borrowings averaged about \$815 million during the most recent four statement weeks, compared with \$515 million in the preceding four weeks. The sharp rise in average borrowing over the past four statement weeks includes the exceptionally high borrowing levels in the week ending December 25 and particularly in the week ending January 1. In the latter week borrowing reached a 16 year high of \$1.3 billion, influenced by year-end statement date maneuvering, large CD run-offs at the end of the month, and a sharp mainly seasonal drop in Euro-dollar availabilities. But much of the additional borrowing was offset by large accumulations of excess reserves, and average net borrowed reserves deepened by only around \$90 million from the preceding four week period to around \$380 million.

(5) Given existing Regulation Q ceilings, banks have been unable to avoid substantial attrition of maturing large denomination CD's and there is also some evidence of diminished net inflows of consumer-type time and savings deposits. Thus, a pronounced slowing in bank credit expansion is developing. However, the bank credit proxy in December still showed an average annual rate of expansion of around

13 per cent; about 1-1/2 points would be subtracted when allowance is made for the reductions in the level of the banks' Euro-dollar borrowing. Growth in the money supply and in time deposits took place at rates of around 6 and 14-1/2 per cent, respectively, in December on average.

(6) The CD run-off in December as a whole now appears to have been about \$1.5 billion, or about \$600 million more than seasonal. The CD attrition in December and, from early signs, the further attrition in January have been concentrated at large money market banks. But partial data covering the interest-crediting period suggest more widespread slackening in net inflows of consumer-type time and savings deposits.

(7) The following table summarizes the rates of change in major reserve and deposit aggregates since late 1967. The recent policy actions will begin to show most of their impact on the magnitudes in data for January, as indicated in the succeeding paragraphs.

	<u>Dec. '67- June '68</u>	<u>July '68- Dec. '68</u>
Total reserves	3.7	9.0
Nonborrowed reserves	-0.1	8.1
Bank credit, as measured by:		
Proxy	3.7	12.9
Proxy plus Euro-dollars	4.7	13.0
Money supply	6.1	6.0
Time and savings deposits	5.8	17.1
Savings accounts at thrift institutions	6.1	6.4 ^{1/}

NOTE: Dates are inclusive.

^{1/} July '68 - Nov. '68. For S&L's, the December annual rate of increase is estimated at 4.6 per cent.

Prospective Developments

(8) The specification of money and short-term market conditions over the coming three weeks is complicated by the combination of a heightened market sensitivity to indicators construed as reflecting policy, potentially very large CD run-off at banks, and a fairly sizable Treasury refunding operation in prospect possibly in combination with additional cash borrowing. The Treasury's recent announcement of additional June tax bills still leaves \$1-1/2 - \$2 billion or so of new money to be raised before early March. This may be raised in connection with, or around the time of, the mid-February refunding of \$5.4 billion of publicly-held maturing issues; the refunding will be announced around the end of January. Finally, market conditions generally will be influenced, of course, by the forthcoming budgetary estimates in the Budget Document, and especially the handling of the surtax.

(9) Money market conditions will also be affected by the extent to which banks attempt to moderate or postpone further loan and portfolio adjustments by short-term borrowing at the discount window or in the Federal funds and Euro-dollar markets, and by the extent to which dealers are willing to take positions in the forthcoming financings. On balance, it appears likely that money market conditions consistent with a market appraisal of an unchanged stance for open market operations might involve a Federal funds rate frequently around 6-3/8 - 6-1/2 per cent, member bank borrowings in a \$550-\$800 million range, and net borrowed reserves of \$250 to \$600 million.

(10) The 3-month bill rate consistent with these conditions may be in a 6 to 6-1/4 per cent range, assuming a CD run-off of the order magnitude specified in paragraph (12) below. The technical position of the bill market is good, with dealer bill holdings relatively low, particularly shorter maturities. Thus, there is a possibility that the 3-month bill rate could drop below 6 per cent for "scarcity" reasons, especially if there should be sizable liquidity demands, including demands from investors temporarily out of the stock market or switching from CD's. However, the supply of new bills being offered by the Treasury will tend to replenish dealer total holdings of bills as banks quickly sell off the newly offered tax bills; and the System is likely to be a net seller to the market in the latter part of January.

(11) Dealer holdings of coupon issues are also down, as they managed a further net reduction of around \$280 million in such issues maturing in over a year (the great bulk in the 5-10 year area) during the past month of rising interest rates. Thus, the dealer market is in a fairly good position to participate in the forthcoming financings, but the ability and willingness of banks to acquire and hold U.S. Government securities is quite limited, given current Regulation Q ceilings. As a result, one might expect some upward interest rate pressures in the process of distributing securities to holders largely outside the banking system. However, the prospects of large net debt repayment in the spring--estimated at around \$10-1/2 billion over the four months March through June (mainly maturing tax bills)--should at least moderate upward interest rate pressures, and could even lead to some interest rate decline, particularly in the bill market as time goes on.

(12) Largely because of continued and contra-seasonal CD attrition likely under present interest rate relationships, expansion in the bank credit proxy in January may drop into a 0 to 3 per cent, annual rate, range, given the money and short-term market conditions and (10) noted above in paragraphs (9) and no change in Regulation Q ceilings.^{1/} If the 3-month bill rate were to move close to the lower end of its projected range--for expectational or other reasons--bank credit would be more likely to rise at around, or somewhat above, the upper end of the range projected for it, since banks might be able to moderate CD attrition. Assuming, however, a bill rate averaging near the middle of the 6 - 6-1/4 per cent range, the staff has projected a decline in outstanding CD's of around \$1-1/4 to \$1-1/2 billion for January. This would be about the same actual decline as in December, but, because outstanding CD's normally rise in January (and decline in December), it would be much more of a decline seasonally adjusted than in the previous month.

(13) Net inflows of consumer-type time and savings deposits at banks are likely to be on the weak side in January, as consumers also take advantage of high market yields. This taken together with the expected CD attrition is likely to lead to some decline in the average level of outstanding time and savings deposits in January--perhaps by a 1 to 4 per cent annual rate.

^{1/} Euro-dollar borrowings usually rise slightly over the course of January, for seasonal reasons, and CD attrition is likely to put further pressure on that market. In the first week of January, Euro-dollar borrowings of major banks rose sharply, reversing all of recent declines; such borrowings would add 2 percentage points or so to the proxy if they remained near current levels.

(14) The money supply, enigmatically, is expected to rise rather sharply in January, on average, possibly in a 7 - 10 per cent, annual rate range. A very substantial expansion in money supply developed at the end of December and in early January, and this acts to augment the average for the month of January, even though substantial declines in outstanding cash balances are projected over the remainder of the month. No obvious explanation is at hand for the very recent money supply growth, although it is possible that large transfers around year-end--e.g., corporate payments to pension funds, repatriation of liquid funds from abroad, and churning associated with switches from CD's to market securities--may have led to some temporary accumulations of cash in a period of uncertainty.

(15) There is very little reason at this point to expect any significantly stronger bank credit performance in February than in January. The further Treasury financing may enhance credit demands on banks. But banks' ability to expand resources to accommodate Treasury and other demands is likely to remain constrained under existing Regulation Q ceilings. While there is a possibility that short-term market rates could decline somewhat in the course of February--perhaps after the financing period--further CD attrition at banks still appears a likely outcome for the month as a whole. Moreover, private demand deposits may well decline rather substantially for the month, on average, as the various new Treasury issues are sold off to the nonbank public.

(16) The outlook presented in this Blue Book is, in a sense, sanguine in that a severe crunch on the banking system and credit markets is not forecast. The basic reason for this is a presumption that the market will be expecting a slowing in business activity, and that private demands for credit will be relatively moderate. However, it is possible that as a substantial CD run-off continues through January and into February banks may become less and less willing to hold onto the State and local government issues bought last year and to continue making real estate loans in size. It is also possible that savings withdrawals from nonbank institutions could be greater than industry expectations. Under these circumstances, debt markets could become severely strained at a time when a large Treasury refunding is in process. And the odds on such a development would be enhanced if business developments do not show signs of an economic slowing and moderation of inflationary pressures.

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
Monthly (reserves weeks ending in):					
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	286	541	-255		
December p	302	600	-298		
Weekly:					
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	-338	-368	-337
30	352	495	-143	-196	-230
Nov. 6	192	392	-200	-240	-170
13	537	675	-138	-259	-202
20	229	513	-284	-368	-347
27	185	583	-398	-471	-469
Dec. 4	457	532	- 75	-114	-203
11 p	24	435	-411	-443	-446
18 p	340	574	-234	-274	-256
25 p	388	859	-471	-525	-369
1969--Jan. 1 p	862	1,318	-456	-488	-473
8 p	134	499	-365	-365	-349

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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) ^{1/}	Time Deposits (comm. banks)	Money Supply	
			Total	Against Demand Deposits			Total	Private Demand Deposits
Annually:								
1967	+ 9.9	+11.5	+10.2	+ 7.0	+11.7 (+11.5)	+16.1	+ 6.4	+ 6.7
1968	+ 7.2	+ 5.2	+ 7.1	+ 6.3	+ 8.6 (+ 9.4)	+11.3	+ 6.5	+ 6.2
Monthly:								
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.	+23.5	+23.3	+21.2	+21.8	+21.4 (+22.1)	+21.4	+ 5.7	+ 3.3
Sept.	- 1.6	+ 1.3	+ 4.8	- 3.5	+ 8.4 (+ 9.4)	+17.3	- 5.0	- 7.3
Oct.	+ 9.8	+12.2	+ 8.5	+ 4.1	+12.5 (+11.8)	+17.7	+ 4.4	+ 5.7
Nov. p	+ 5.3	- 2.3	+ 8.2	+ 7.5	+11.1 (+11.3)	+14.4	+11.4	+10.6
Dec. p	+11.1	- 1.0	+ 7.3	+ 7.8	+13.1 (+11.6)	+14.3	+ 6.2	+ 7.3

^{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.

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Chart 1

MEMBER BANK RESERVES

MONTHLY AVERAGES OF DAILY FIGURES

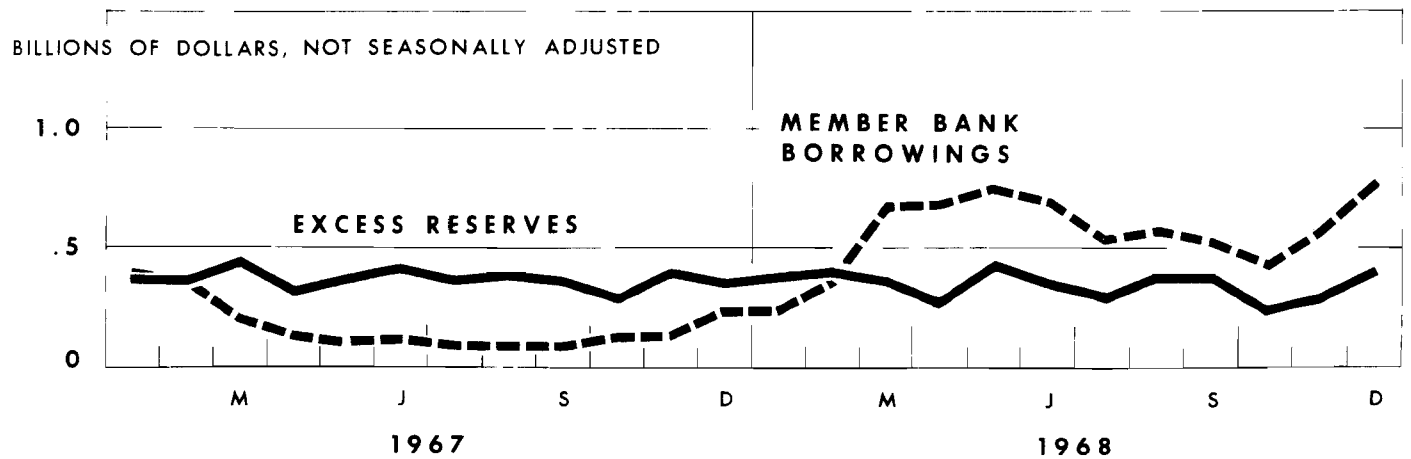
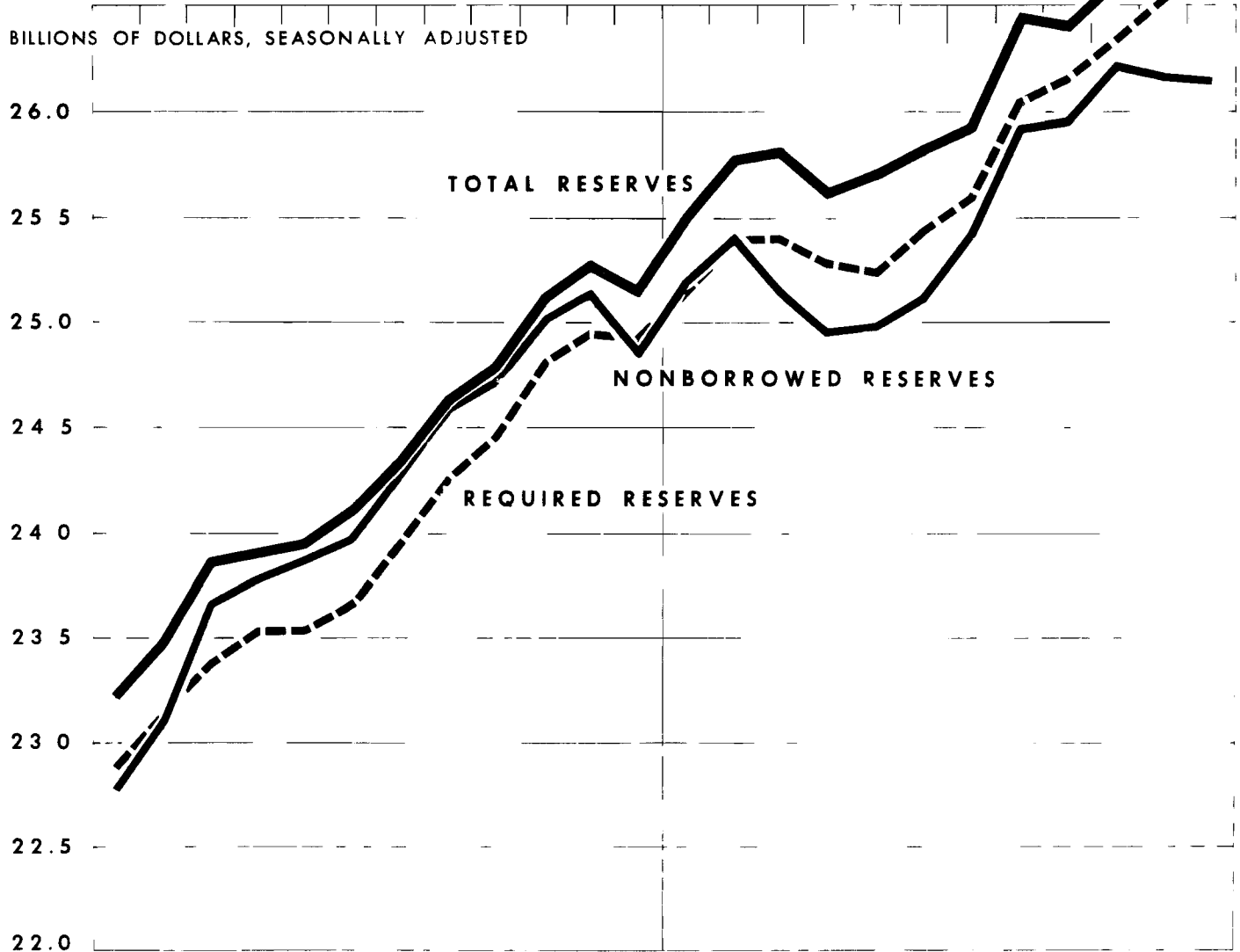


Chart 2

MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

BILLIONS OF DOLLARS

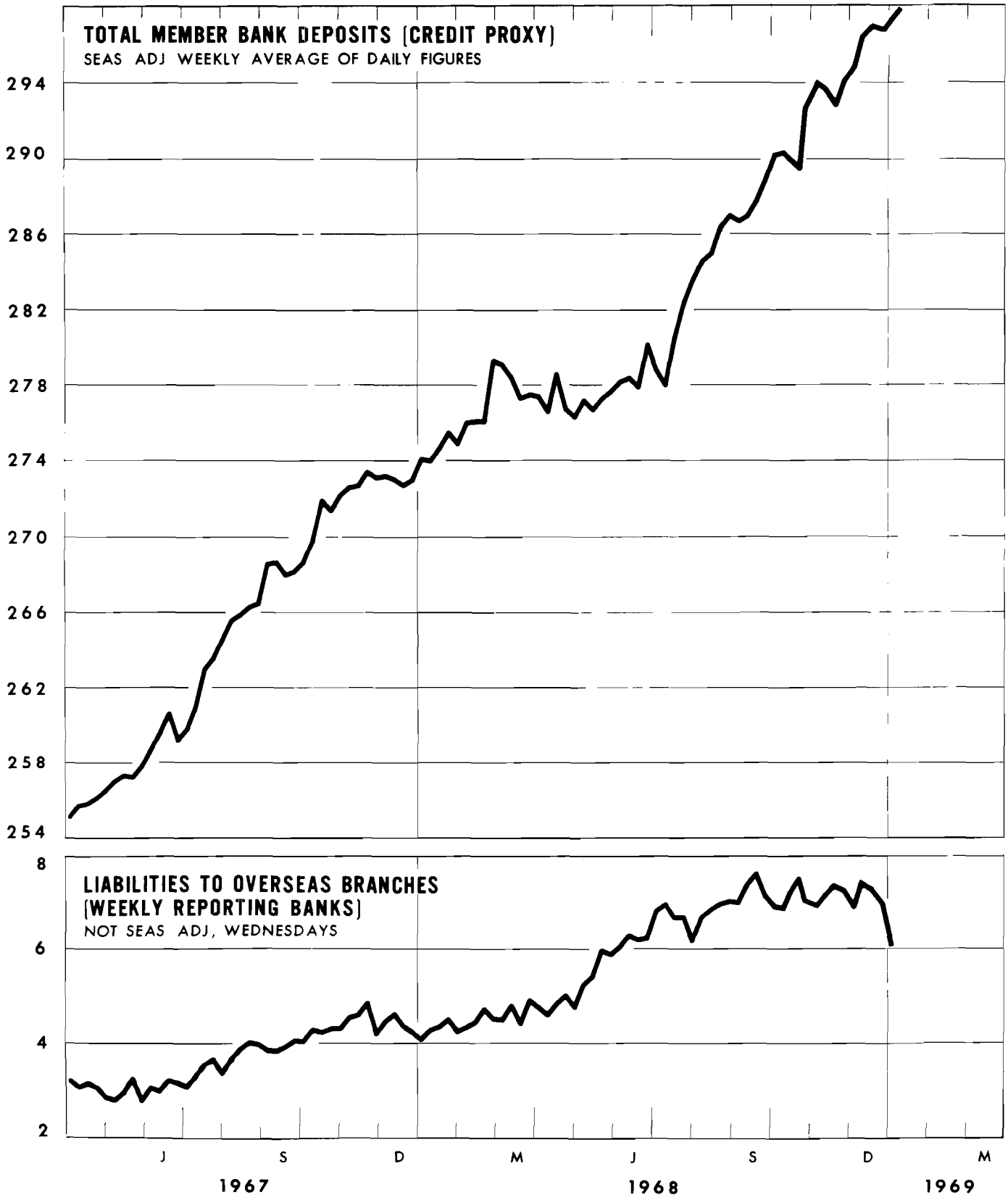


Chart 3

MONEY SUPPLY AND BANK DEPOSITS

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

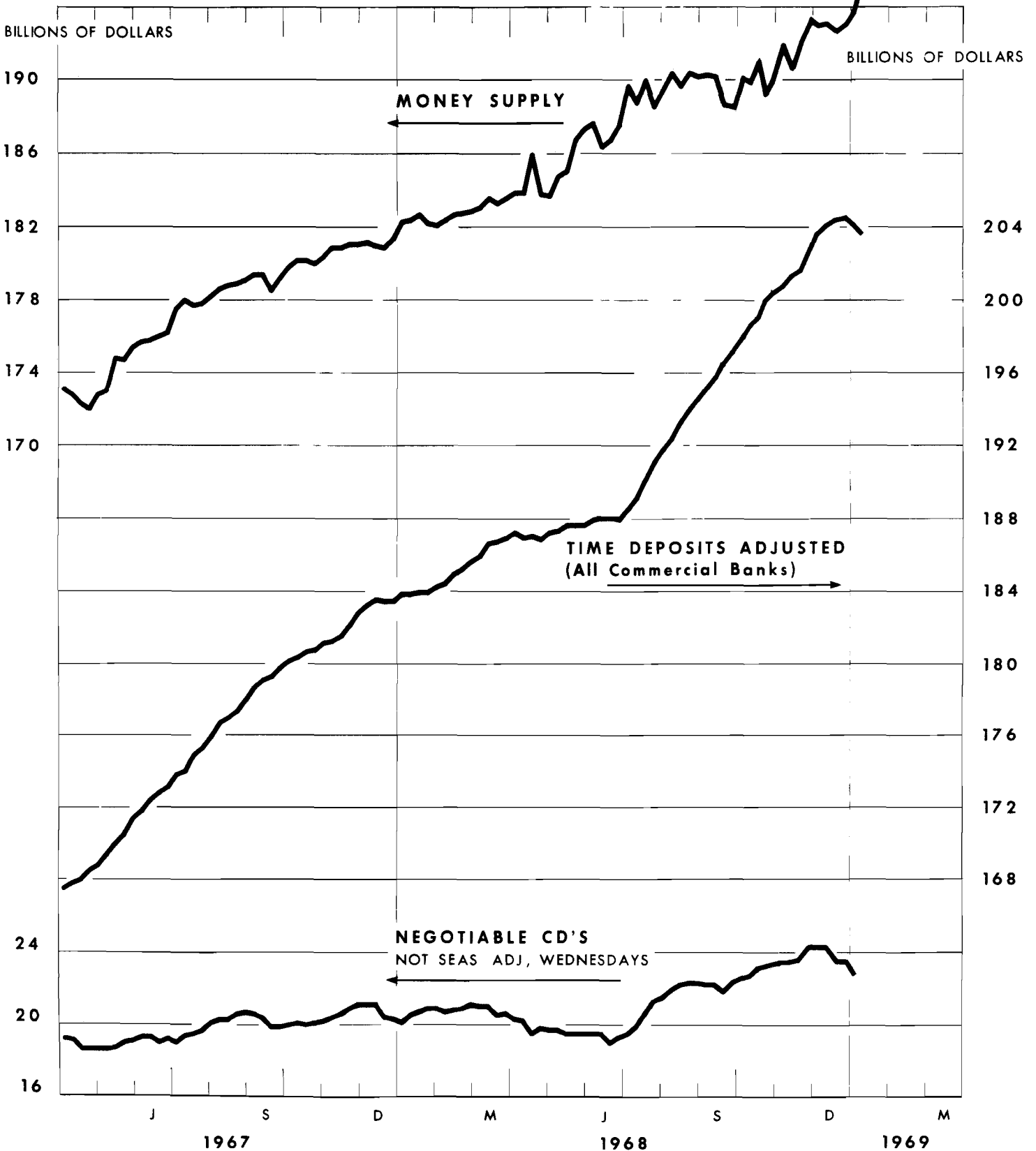


Chart 4

DEMAND DEPOSITS AND CURRENCY

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

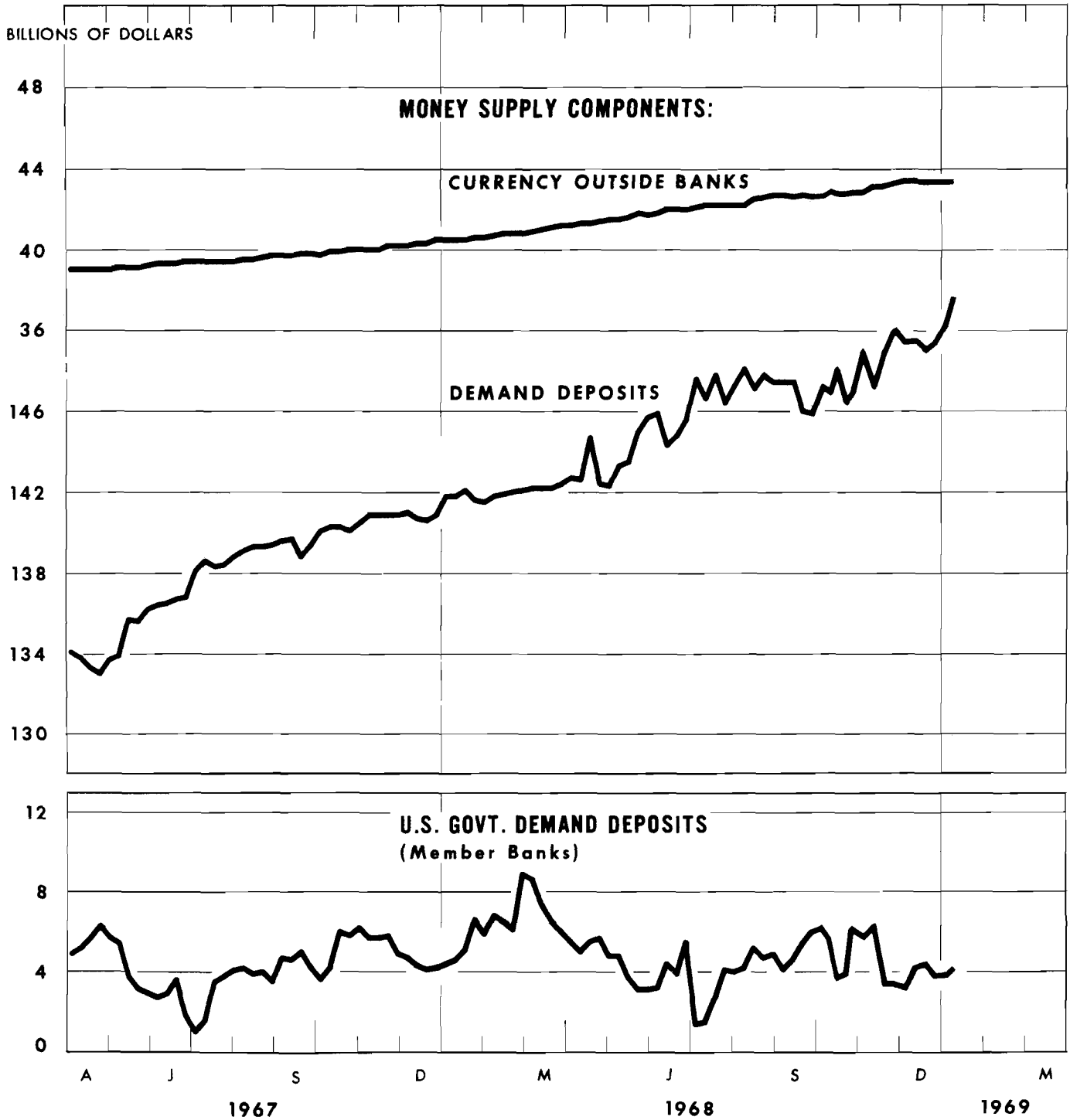


Table B-1

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 in total reserves	= Bank use of reserves	
	Federal Reserve credit (excl. float) 1/	Gold stock	Currency outside banks	Technical factors net 2/		Required reserves 3/	Excess reserves
Year:							
1967 (12/28/66 - 12/27/67)	+4,718	- 725	-2,305	- 165	+1,522	+1,517	+ 5
1968 (12/27/67 - 12/25/68) 5/	+3,757	-2,067	-3,221	+3,039	+1,508	+1,563	- 55
Year-to-date:							
(12/27/67 - 1/10/68)	+ 40	- 451	+ 679	- 45	+ 224	+ 102	+ 122
(12/25/68 - 1/8/69)	+ 761	--	+ 458	- 486	+ 733	+ 986	- 253
Weekly:							
1968--Nov. 6	- 116	--	- 188	- 63	- 366	- 206	- 160
13	+ 664	--	- 367	+ 419	+ 716	+ 371	+ 345
20	- 424	--	- 580	+ 897	- 110	+ 198	- 308
27	- 489	--	- 58	+ 179	- 366	- 322	- 44
Dec. 4	+ 284	--	- 229	+ 190	+ 246	- 26	+ 272
11 p	- 910	--	- 199	+ 705	- 399	+ 34	- 433
18 p	- 258	--	- 282	+1,160	+ 621	+ 305	+ 316
25 p	+ 450	--	- 185	- 130	+ 133	+ 86	+ 47
1969--Jan. 1 p	+1,228	--	+ 84	- 213	+1,100	+ 625	+ 475
8 p	- 467	--	+ 374	- 273	- 367	+ 361	- 728
PROJECTED 4/							
1969--Jan. 15	+ 65	--	+1,015	- 395	+ 555	+ 555	--
22	- 400	--	- 150	+ 260	- 290	- 290	--
29	- 65	--	+ 270	- 600	- 395	- 395	--
Feb. 5	+ 240	--	- 55	- 300	- 115	- 115	--
12	- 15	--	- 100	+ 80	- 35	- 35	--

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.

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
Year:							
1967 (12/28/66 - 12/27/67) <u>1/</u>	+1,517	+ 261	+1,256	+ 59	+ 6	+1,023	+ 168
1968 (12/27/67 - 12/25/68) <u>1/</u>	+1,563	- 558	+2,121	- 382	+ 25	+1,647	+ 831
Year-to-date:							
(12/27/67 - 1/10/68)	+ 102	- 348	- 450	+ 239	+ 62	+ 178	- 29
(12/25/68 - 1/8/69)	+ 986	+ 473	- 345	+ 334	- 6	+ 182	+ 3
Weekly:							
1968--Nov.							
6	- 206	+ 39	- 245	- 48	- 7	- 233	+ 43
13	+ 371	+ 212	+ 159	+ 27	--	+ 105	+ 27
20	+ 198	- 159	+ 357	+ 148	- 6	+ 200	+ 15
27	- 322	- 101	- 221	+ 2	- 13	- 235	+ 25
Dec. 4 p	- 26	- 227	+ 201	- 64	- 18	+ 254	+ 29
11 p	+ 34	+ 87	- 53	- 115	- 13	+ 22	+ 53
18 p	+ 305	- 85	+ 390	+ 288	- 6	+ 74	+ 34
25 p	+ 86	- 24	+ 110	+ 113	- 7	- 29	+ 33
1969--Jan.							
1 p	+ 625	+ 196	+ 429	+ 332	--	+ 91	+ 6
8 p	+ 361	+ 277	+ 84	+ 2	- 6	+ 91	- 3
PROJECTED							
1969--Jan.							
15	+ 555	- 175	+ 730	+ 480	+ 25	+ 245	- 20
22	- 290	- 130	- 160	- 175	+ 20	+ 20	- 25
29	- 395	- 255	- 140	- 85	+ 15	- 50	- 20
Feb. 5	- 115	+ 225	- 340	- 290	+ 20	- 55	- 15
12	- 35	+ 360	- 395	- 305	+ 20	- 100	- 10

1/ Reflects reserve requirement changes in March 1967 and January 1968.

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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
ACTUAL		(Sign indicates effect on reserves)			
<u>Year:</u>					
1967 (12/28/66 - 12/27/67)	- 165	- 85	- 389	- 7	+ 316
1968 (12/27/67 - 12/25/68)	+3,039	+ 928	+1,309	- 67	+ 869
<u>Year-to-date:</u>					
(12/27/67 - 1/10/68)	- 45	- 327	- 54	- 11	+ 347
(12/25/68 - 1/8/69)	- 486	- 138	- 351	--	+ 3
<u>Weekly:</u>					
1968--Nov.					
6	- 63	+ 30	- 58	+ 12	- 47
13	+ 419	+ 63	+ 371	- 17	+ 2
20	+ 897	+ 426	+ 647	- 23	- 153
27	+ 179	- 32	- 398	- 64	+ 673
Dec.					
4 p	+ 190	+ 68	- 23	- 6	+ 151
11 p	+ 705	+ 415	+ 346	- 8	- 48
18 p	+1,160	+ 125	+ 755	- 1	+ 281
25 p	- 130	- 391	+ 339	+ 17	- 95
1969--Jan.					
1 p	- 213	- 119	+ 24	+ 2	- 120
8 p	- 273	- 19	- 375	- 2	+ 123
PROJECTED					
1969--Jan.					
15	- 395	+ 5	- 400	+ 10	- 10
22	+ 260	+ 70	+ 175	--	+ 15
29	- 600	--	- 600	--	--
Feb.					
5	- 300	--	- 300	--	--
12	+ 80	--	+ 80	--	--

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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			
Year:								
1967 (12/28/66 - 12/27/67)	+4,718	+5,009	+4,433	+1,153	- 577	- 19	- 69	- 203
1968 (12/27/67 - 12/25/68)	+3,757	+3,298	+2,143	+1,176	- 21	- 3	- 52	+ 514
Year-to-date:								
(12/27/67 - 1/10/68)	+ 40	+ 253	+ 260	--	- 7	- 7	- 41	- 165
(12/25/68 - 1/8/69)	+ 761	+1,086	+ 974	--	+ 112	+ 12	+ 23	- 360
Weekly:								
1968--Oct. 2	+1,121	+1,048	+ 889	+ 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	+ 268	+ 120	- 113	--	+ 7	- 7	- 3	+ 158
Nov. 6	- 116	- 20	- 51	--	+ 31	+ 7	--	- 103
13	+ 664	+ 345	+ 261	--	+ 84	+ 6	+ 30	+ 283
20	- 424	- 225	- 53	--	- 172	- 13	- 24	- 162
27	- 489	- 557	- 557	--	--	--	- 1	+ 71
Dec. 4	+ 284	+ 335	+ 307	--	+ 28	+ 1	- 2	- 50
11	- 910	- 812*	- 797	--	- 28	- 1	--	- 97
18	- 258	- 396*	- 722	--	--	--	- 1	+ 139
25	+ 450	+ 156*	+ 435	--	+ 60	+ 4	+ 5	+ 285
1969--Jan. 1	+1,228	+ 742	+ 576	--	+ 166	+ 7	+ 20	+ 459
8	- 467	+ 344	+ 398	--	- 54	+ 5	+ 3	- 819

* - Includes effect of change in special certificates of \$13 million of the week of December 11, 1968, +\$326 million of the week of December 18, 1968, and -\$339 million of the week of December 25, 1968.

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.	26,610	26,211	26,344	25,528	18,746
Nov. p	26,728	26,160	26,525	25,759	18,893
Dec. p	26,976	26,139	26,686	26,068	19,106

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) ^{1/}	Time deposits	Private demand deposits ^{2/}	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 ^{3/}	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.	285.9	156.5	124.6	4.8
Sept.	287.9	158.9	123.6	5.3
Oct.	290.9	161.5	124.5	5.0
Nov.	293.6	163.5	125.4	4.7
Dec. p	293.8	165.8	126.9	4.1

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	230.6	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	293.6	163.0	124.2	6.3
20	292.9	163.6	125.9	3.4
27	294.1	164.7	126.1	3.4
Dec. 4	294.8	165.3	126.3	3.2
11 p	296.4	165.9	126.3	4.2
18 p	296.9	166.1	126.4	4.4
25 p	296.7	166.1	126.9	3.7
1969--Jan. 1 p	297.3	165.5	128.0	3.8
8 p	297.8	164.9	128.7	4.2

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.	190.3	42.6	147.6	193.8
Sept.	189.5	42.7	146.7	196.6
Oct.	190.2	42.8	147.4	199.5
Nov.	192.0	43.2	148.7	201.9
Dec. p	193.0	43.4	149.6	204.3

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 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	190.6	43.2	147.3	201.4
20	192.2	43.2	149.0	201.7
27	193.3	43.4	149.9	202.9
Dec.				
4	193.0	43.5	149.5	203.7
11 p	193.1	43.5	149.6	204.1
18 p	192.7	43.4	149.2	204.4
25 p	193.1	43.4	149.6	204.6
1969--Jan.				
1 p	193.7	43.4	150.3	204.1
8 p	195.2	43.4	151.8	203.7

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.

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 4/	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--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	+ 0.6	
July	-192	523	6.02	5.31	5.29	6.50*	4.12	+304	+107	+ 2.1	+ 2.0	+ 2.2	
Aug.	-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.	-192	458	5.92	5.35	5.44	6.47	4.21	+264	+215	+ 3.0	+ 0.7	+ 2.9	
Nov. p	-255	541	5.81	5.45	5.56	6.57	4.33	- 51	+118	+ 2.7	+ 1.8	+ 2.4	
Dec. p	-298	600	6.05	5.96	5.88	6.79	4.50	- 21	+248	+ 3.2	+ 1.0	+ 2.4	
1968--Dec. 4	- 75	532	5.71	5.62	5.74	6.81	4.40			+ 0.8	- 0.3	+ 0.8	
11 p	-411	435	5.82	5.75	5.76	6.92	4.40			+ 1.5	+ 0.1	+ 0.4	
18 p	-234	574	6.00	5.93	5.83	6.86	4.57			+ 0.5	- 0.4	+ 0.3	
25 p	-471	859	6.21	6.21	6.04	--	4.57			- 0.2	+ 0.4	+ 0.2	
1969--Jan. 1 p	-456	1,318	5.95	6.21	6.02	--	4.57			+ 0.6	+ 0.6	- 0.5	
8 p	-365	499	6.43	6.18	5.99	6.90	4.58			+ 0.5	+ 1.5	- 0.4	
			Averages										
Year 1968	-210	548	5.58	5.36	5.45	6.47	4.20	+ 5.2	+ 7.2	+ 8.6	+ 6.5	+11.3	
First Half 1968	-201	567	5.39	5.29	5.46	6.47	4.16	+ 2.2	+ 5.3	+ 4.1	+ 6.7	+ 5.1	
Second Half 1968	-218	529	5.77	5.42	5.44	6.50	4.22	+ 8.1	+ 9.0	+12.9	+ 6.0	+17.1	
<u>Recent variation in growth</u>													
11/29/67-7/3/68	-159	515	5.25	5.24	5.48	6.47	4.15			+ 3.5	+ 8.0	+ 5.2	
7/3/68-12/18/68	-203	516	5.90	5.34	5.40	6.47	4.21			+14.1	+ 3.4	+18.1	
12/18/68-1/8/69	-431	892	6.15	6.13	5.97	6.88	4.57			+ 5.3	+22.5	- 5.9	

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.

January 10, 1969.