Prefatory Note

The attached document represents the most complete and accurate version available based on original copies culled from the files of the FOMC Secretariat at the Board of Governors of the Federal Reserve System. This electronic document was created through a comprehensive digitization process which included identifying the best-preserved paper copies, scanning those copies,[1] and then making the scanned versions text-searchable.[2] Though a stringent quality assurance process was employed, some imperfections may remain.

Please note that some material may have been redacted from this document if that material was received on a confidential basis. Redacted material is indicated by occasional gaps in the text or by gray boxes around non-text content. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

---

[1] In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).

[2] A two-step process was used. An advanced optical character recognition computer program (OCR) first created electronic text from the document image. Where the OCR results were inconclusive, staff checked and corrected the text as necessary. Please note that the numbers and text in charts and tables were not reliably recognized by the OCR process and were not checked or corrected by staff.

Content last modified 6/05/2009.

CONFIDENTIAL (FR) August 8, 1969.

MONEY MARKET AND RESERVE RELATIONSHIPS

Recent developments

(1) Major deposit and reserve aggregates contracted significantly further in July, and interest rates remained generally at high levels. Most recently, however, both short- and long-term rates have turned down, as signs of more moderate credit demands have developed in some sectors and market opinion that the peak in yields may have passed has strengthened somewhat. Final action on the income surtax--at least for the calendar 1969 segment--contributed to this changed expectation. Also, markets were generally strengthened by the Treasury's decision to follow a conservative approach in its August refinancing. Yields on longer-term debt securities have declined 1/8 - 1/4 of a percentage point from their recent highs; and short-term rates--apart from day-to-day money rates--are generally down 1/8 - 1/2 of a percentage point from theirs.

(2) The 3-month Treasury bill rate rose to a peak of around 7.20 per cent in the immediate aftermath of the Treasury's July tax-bill financing. Since then, it has declined, and in the first week of August fluctuated around 7 per cent. Demands for Treasury bills have been quite strong. Reinvestment of funds released through retirement of the maturing CCC special certificates has recently contributed to these demands, along with stepped-up cash flows to the auto companies during the early part of the model change-over period. With market anticipations of somewhat lower

rates tending to strengthen, the 7.82 per cent yield set by the Treasury on the single (18 month) note offered in the August refinancing proved to be highly attractive.

(3) In the latter part of July, the tendency for rates in securities markets to edge down was abetted by a coincident easing of day-to-day money market rates. In the two weeks following the last Committee meeting, the effective rate on Federal funds averaged around 8-1/4 per cent, substantially below the 9 to 9-1/4 per cent average for the three preceding statement weeks. This moderation of pressures on Federal funds reflected a skewing of reserve distribution in favor of banks at money centers. At New York City banks, in particular, the basic reserve deficit dropped to a very low average level. Since the end of July, however, day-to-day money rates have tightened, raising the average effective rate on Federal funds to more than 9-1/2 per cent; and in recent days trading has frequently been at 10 per cent or above. The reasons behind this firming are not entirely clear. It is possible that recent Federal Reserve regulatory actions and administrative pressures on repetitive borrowers at the discount window may have increased demand for Federal funds at a time when country bank reserve positions have come under increased pressure as a result of widespread deposit losses.

(4) Net borrowed reserves of member banks in the last 3 statement weeks have averaged about $1.0 billion, little changed from the preceding 3-week period. Average member bank borrowings from the Federal Reserve dropped slightly to $1.2 billion in the latest period. But borrowings by country banks have risen by about $100 million between the two periods to an average of about $660 million, as monetary restraint has spread more widely.

(5) The recent declines in security market rates occurred despite a sharp further contraction of commercial bank deposits during July. This shrinkage continued to center on large time CD's, which dropped by $1.8 billion. But attrition also persisted in other time and savings deposits, as the still high market rates continued to stimulate further savings withdrawals during the post-interest crediting period. Reflecting in part transfers out of U.S. Government deposits, the money supply rose at a 6 per cent annual rate in July, after correcting for the bias introduced by the deduction of cash items associated with the increasing volume of Euro-dollar transactions. The upward adjustment for July was around 2-1/2 percentage points. In the second quarter, the money supply growth rate has been revised upward by 2 percentage points to a 4-1/2 per cent annual rate. Upward revisions in the rate of change of total member bank deposits will be much less marked because of the larger total amount of such deposits.

(6) Reflecting the heavy time deposit contraction of July, total member bank deposits are estimated to have declined at a 21.5 per cent annual rate, substantially more than was projected four weeks ago. Similarly, total reserves declined during July at a nearly 30 per cent annual rate. Adjustment of the deposit data for Euro-dollar borrowings from foreign branches lessened the decline in the adjusted proxy to a 13.5 per cent annual rate. This compares with a decline of 5 - 8 per cent projected in the last Blue Book.

(7) With Euro-dollar borrowings thur offsetting only a part of the further shrinkage in bank deposits, major money market banks continued to move aggressively to attract funds from other non-deposit sources. It is estimates these non-deposit sources in July rose by

about the equivalent of 4 - 5 percentage points on the proxy, or somewhat more than earlier anticipated. This includes borrowings by head offices of banks through repurchase agreements and through funds obtained outside the U.S. (other than from branches), and by affiliates through issuance of commercial paper.

(8) The following table summarizes the changes in major deposit and reserve aggregates for the last half of 1968 and thus far in 1969.

	July '68- Dec. '68	Jan. '69- Mar. '69	Apr. '69- June '69	July
Total reserves	9.8	0.1	1.2	-23.5
Nonborrowed reserves	9.9	-2.9	-4.7	-20.2
Bank credit, as indicated by:				
Proxy	12.8	-2.8	-2.2	-19.3
Proxy plus Euro-dollars	13.0	0.1	1.8	-11.8
Total loans and investments (as of last Wednesday of month)	15.0	2.3	3.7	1.5 1/
Money supply	6.1	2.7	4.5	6.1
Time and savings deposits	17.1	-6.5	-3.6	-21.1
Savings accounts at thrift institutions	6.4	6.1	3.9	0.5

NOTE: Dates are inclusive. Data corrected for bias introduced by deduction of cash items associated with the increasing volume of Euro-dollar transactions.

1/ This figure excludes transitory one day increase in outstanding bank credit on the last Wednesday of July from $1.2 billion in outstanding System matched-sale purchase transactions.

Prospective developments

(9) After taking account of the relatively wide range of fluctuation in the Federal funds rate over the past four weeks, maintenance of prevailing firm conditions in the money market may be considered to entail a Federal funds rate averaging around 9 per cent, member bank borrowings in a \$1 - \$1-1/2 billion range, and net borrowed reserves around \$1 billion. However, the relationships that actually develop between the Federal funds rate and marginal reserve measures (as well as between these and credit conditions more generally) will depend in part on how banks adjust to the new Federal Reserve regulations as they become effective. In view of the highly concentrated impact of these regulations on a relatively few banks, it seems likely that these banks will increase their demands on the Federal funds market, and also at times the discount window. The redefinition of instruments to be classed as deposits subject to reserves to include bills payable and London drafts has already become effective. The exemption for loans sold under repurchase agreements from Regulations Q and D will be phasing out. Final action has not yet been taken on Euro-dollar reserve requirements and the proposed more restricted definition of Federal funds transactions.

(10) The redefinition of deposits to include such items as bills payable and London checks is expected to increase required reserves in the week ending August 20 by about \$450 million. This redefinition has probably contributed to the recent lessening of pressure on short-term Euro-dollar rates. With respect to repurchase agreements, all

outstanding agreements written after July 25 will become subject to Regulations Q and D on August 28. It is not expected that there will be much if any of the newly written RP's outstanding after late August (and thus no significant increase in required reserves). However that may be, banks' behavior toward alternative sources of funds and their own loans and investments is probably already in the process of change in view of the prospective decline in RP's against loans as a continuing source of funds; about $1.3 billion of such RP's sold to nonbanks were outstanding toward the end of July and will run off over time, tending to reduce bank credit by an equivalent amount. Moreover, the proposed changes with respect to Euro-dollars and Federal funds, while not yet effective, may have already begun to have a marginal impact on bank attitudes.

(11) If money market conditions are not to be allowed to tighten, one would expect open market operations to accommodate the increase in required reserves generated by these recent regulatory changes. Even if reserves are provided in full, however, there will still be some reduction of commercial bank liquidity (even assuming that the level of bank deposits is unaffected by the increased cost of funds to banks) as banks in effect exchange earning assets with the Federal Reserve for the needed reserves. In light of this, and taking into account the erosion of RP's as a source of funds, it might be necessary to supply reserves in a slightly higher than a one-for-one ratio if increased tensions in bank financing positions are to be avoided.

(12) Apart from technical operations to accommodate required reserves, it is not clear how active System open market operations will have to be if the Federal funds rate is to be below the 9-1/2 - 10-1/2 per cent range of recent days. In part, this will depend on the extent to which individual banks become more willing to borrow from the discount window in adjusting to new regulations. Any such increase in borrowing, however, should only be temporary, assuming continued normal operation of the window, and would likely be accompanied by strong demands for Federal funds. Under the circumstances, if over-all credit conditions are not to become more restrictive, it is probable that some moderation in the recent downward pressure on total and nonborrowed reserves will be needed. And, assuming banks do not become fundamentally more able or willing to borrow at the discount window, it may well be that net borrowed reserves and member bank borrowings will have to be toward the low end of the ranges specified in paragraph (9) for the over-all constellation of money market conditions to remain about unchanged on balance.

(13) Against the background of the money market conditions and factora affecting them described in the preceding paragraphs, the 3-month bill rate may continue in a 6-3/4 - 7-1/4 per cent range over the next four weeks. Some upward pressure on the bill rate may be generated by bank adjustments to the new regulations, by further offerings of Federal Agency issues, and by the expected Treasury cash offering in late August. But System operations, as noted earlier, may

offset some of these pressures. As to the cash offering, it is expected to be quite moderate in size (perhaps around $1-1/2 - $2 billion) and in the Treasury bill area. A basic factor influencing bill rates, as well as longer-term rates, over the next few weeks will be the state of market expectations. If tentative recent attitudes to the effect that market interest rates are beginning to turn down become stronger, it is likely that dealers will be willing to build up positions and thereby provide some downward impetus to interest rates. These attitudes, however, will be importantly influenced by dealer financing costs, which have recently risen, as well as by the fundamental economic outlook.

(14) Given continuance of the current relatively high structure of market interest rates and taut lending conditions at banks, the recent pattern of sluggish loan growth at banks is likely to continue. In part, this would appear to reflect supply constraints. But it may also be a harbinger of cyclical reductions in demand, assuming that business corporations have about passed through the recent phase of rapid expansion in capital outlays.

and
(15) With both demand/supply factors holding down loan growth, demand deposits are likely to contract in a 3 - 6 per cent, annual rate, range in August. The money stock will probably decline in a 2 - 5 per cent, annual rate range as currency in circulation

continues to grow.[1/] U.S. Government deposits are also expected to decline somewhat on average.

(16) Market interest rates will continue to exert a strong pull on CD's and other time and savings deposits at banks. Consumer-type time deposits are not expected to show any very significant recovery from the large July net outflow. And attrition of CD's in August is likely to continue given present ceiling rates, although slowing to about $1 billion as amounts maturing are reduced.

(17) Member bank deposits will continue to decline relatively sharply in August, though the decline should be considerably less than that of July, and total reserves outstanding will also be reduced. The decline in total member bank deposits may be in a 10 - 13 per cent, annual rate, range. Euro-dollar borrowings through branches are not expected to show much buoyancy, and may add about a percentage point or so to member bank deposits in the absence of any major change in the supply of funds abroad. The behavior of nondeposit sources of funds is quite conjectural. Some, such as loan RP's, are likely to be contracting fairly sharply as the month progresses. But issuance of commercial paper by affiliates of banks is likely to continue, with the rapidity of the increase depending in part on the intensity and incidence of credit demands. All in all, however, we do not believe that the total of non-deposit sources will rise as rapidly in August as in July.

1/ Figures projected for August for the money stock, total member bank deposits, and reserve aggregates take into account revisions resulting from the redefinition of deposits.

A Policy Alternative

(18) If the Committee wishes to consider somewhat less restrictive money market conditions as a policy alternative, such conditions might include a Federal funds rate fluctuating around 8-1/2 per cent, member bank borrowings ranging between $900 million and $1.1 billion, and net borrowed reserves in a range $100 - $200 million lower. The persistence of such money market conditions may be expected to tilt market expectations toward further anticipation of lower interest rates in the future. And as dealers and others become more willing to position securities, both short- and long-term interest rates are likely to decline. But given the extent to which banks will have to adjust to new regulatory provisions, the decline in short-term interest rates may be of relatively modest proportions. Still, the 3-month bill rate may move down into a 6-1/2 - 6-7/8 per cent range.

(19) The market interest rate movement anticipated with a modest easing of money market conditions is not likely to proceed to the point where time deposits at banks become significantly more competitive under existing Regulation Q ceilings. Thus CD attrition in August is not likely to slow more than noted earlier. And there is little reason to expect a significant growth pattern to develop in other time deposits. Nor is the money supply likely to show appreciably greater strength. The additional reserves provided through nonborrowed reserves to attain the alternative money market conditions are likely to be partly absorbed by reduced member bank borrowing, with a resulting

relatively small net effect on total reserves or on deposits--perhaps, say, a percentage point or so.

(20) To have a significant effect on deposits would probably require a change in Regulation Q ceilings and/or some further easing of money market conditions over time. As the market became more certain of the course of monetary policy, individual banks would be encouraged to re-enter the securities market, thus tending to generate new deposit balances at declining market interest rates. Time deposits would become more competitive. The demand for money should also tend to increase as interest rates go down, but this effect might well be outweighed by a weakening in transactions demand for cash if growth in GNP slows further as expected.

NOTE: The attached tables and charts have not been corrected for the bias introduced by the deduction of cash items associated with the increased volume of Euro-dollar transactions. The necessary data to do so was only available at the last minute and revised figures were incorporated in the text.

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, S A				
	Free Reserves (In millions of dollars for weeks ending in)	Borrowings	Federal Funds Rate 1/	3-month Treasury Bill	U S Government (20 yr)	Corporate New Issues (Aaa) 2/	Municipal (Aaa)	Nonborrowed Reserves (In millions of dollars)	Total Reserves	Bank Credit Proxy (In billions of dollars)	Money Supply	Time Deposits 3/
1968--June	- 386	727	6 07	5 52	5 40	6 65	4 21	+ 251	+ 182	+ 1.5	+ 1.3	+ 0.6
July	- 192	523	6.02	5.31	5 29	6.51*	4.12	+ 271	+ 142	+ 2.1	+ 2.0	+ 2.2
August	- 240	577	6.03	5 23	5 22	6 15	4.00	+ 475	+ 484	+ 5.0	+ 0.9	+ 3.4
September	- 146	492	5.78	5.19	5 28	6.27	4.23	+ 150	+ 63	+ 2.0	- 0.8	+ 2.8
October	- 192	458	5 92	5 35	5 44	6.47	4.21	+ 185	+ 172	+ 3.0	+ 0.7	+ 2.9
November	- 255	541	5.81	5 45	5 56	6.61	4.33	+ 6	+ 158	+ 2.7	+ 1.7	+ 2.4
December	- 327	743	6 02	5 96	5 88	6 79	4 50	+ 95	+ 254	+ 3.1	+ 1.2	+ 2.4
1969--January	- 491	715	6.30	6 14	5.99	6.92	4.58	+ 69	+ 140	- 1.5 **	+ 0.6	- 1.8
February	- 580	836	6.64	6 12	6.11	6.91*	4.74	- 143	- 108	- 0 3	+ 0 1	- 1 5
March	- 635	837	6 79	6 02	6.22	7.37	4.97	- 194	- 100	2.5	+ 0.2	--
April	- 844	1,031	7.41	6 11	6.03	7.17	5.00	- 224	- 151	+ 1 3	+ 1.7	- 0.2
May	-1 116	1,359	8 67	6.04	6.11	7.22	5.19	+ 53	+ 378	- 0.6	- 0.5	- 0.7
June	-1,078	1,355	8 90	6.44	6.28	7.58	5.58	- 260	- 256	- 3.3	--	- 0.9
July p	-1,069	1,312	8 61	7.00	6.27	7.63	5.60	- 582	683	- 5.1	+ 0.6	- 3.5
1969--June 4	-1 152	1,521	9.20	6.16	6.40	7.52	5.55	- 106	+ 86	- 1.4	- 0.8	- 0.4
11	- 812	1,260	9.13	6.50	6.32	7.75	5 60	+ 137	- 74	+ 0.1	+ 0.8	+ 0.1
18	-1 216	1,315	8.54	6.65	6.22	7.66*	5.60	- 517	- 507	- 1.2	+ 0.7	- 0.5
25	-1,132	1,323	8.34	6.48	6.27	7.50*	5 55	- 11	- 126	- 1.7	- 0.2	- 0.5
July 2	-1,138	1,634	9 00	6 38	6.27	7.63	5.55	- 105	+ 396	- 0.9	+ 1.2	- 0.3
9	- 891	1,020	9.07	6.93	6.34	7.68*	5.52	- 88	- 717	- 1.3	+ 0 3	- 1 1
16	-1,103	1,279	9.23	6.98	6 25	7.52	5.52	- 54	+ 31	- 3.1	- 0.7	- 0.6
23 p	-1,001	1,355	8.50	7.08	6.25	7.58	5.62	- 241	- 8	+ 1.8	- 0.1	- 0.7
30 p	-1 166	1,273	8 05	7 12	6 26	7 75	5.78	380	- [illegible]82	- 0.6	- 0.1	0.2
Aug 6 p	- 923	1 093	9 57	6.99	6.21	7.57*	5.70	(B R E A K I N S E R I E S . . . . . .)				- 0.7
	Averages							Annual rates of increase 4/				
Year 1968	- 210	548	5.58	5 36	5.45	6.47	4.20	+ 5.6	+ 7 1	+ 8 6	+ 6.5	+11.3
Second Half 1968	- 218	529	5.77	5.42	5.44	6.50	4.22	+ 9.9	+ 9.8	+12.8	+ 6 1	+17.1
First Half 1969	- 779	1,034	7.45	6 17	6.12	7.20	4.99	- 5.2	- 0 7	- 4.5	+ 2.2	- 5.0
Recent variation in growth												
7/3/68 - 12/18/68	- 203	516	5.90	5.34	5.40	6.47	4.21	+ 9.9	+11.8	+14.1	+ 3.4	+18.1
12/18/68 -8/6/69	- 815	1,072	7.60	6.29	6.14	7 27	5 23	-10.4#	- 7.1#	- 6.8#	+ 2.2#	- 7.5#

p - Preliminary   S A. - Seasonally adjusted.

1/ Average of total number of days in period.
2/ Includes issues carrying 5-year and 10-year call protection, * - issues carry a 10-year call protection.
3/ Time deposits adjusted at all commercial banks.
4/ Base is change for month preceding specified period or in case of weekly periods, the first week shown

** - Reflects $400 million reduction in member bank deposits resulting from withdrawal of a large country bank from System membership. Percentage annual rates are adjusted to eliminate this break in series

- Annual rates are for 12/18/68 - 7/30/69.

August 8, 1969.

Chart 1

MEMBER BANK RESERVES

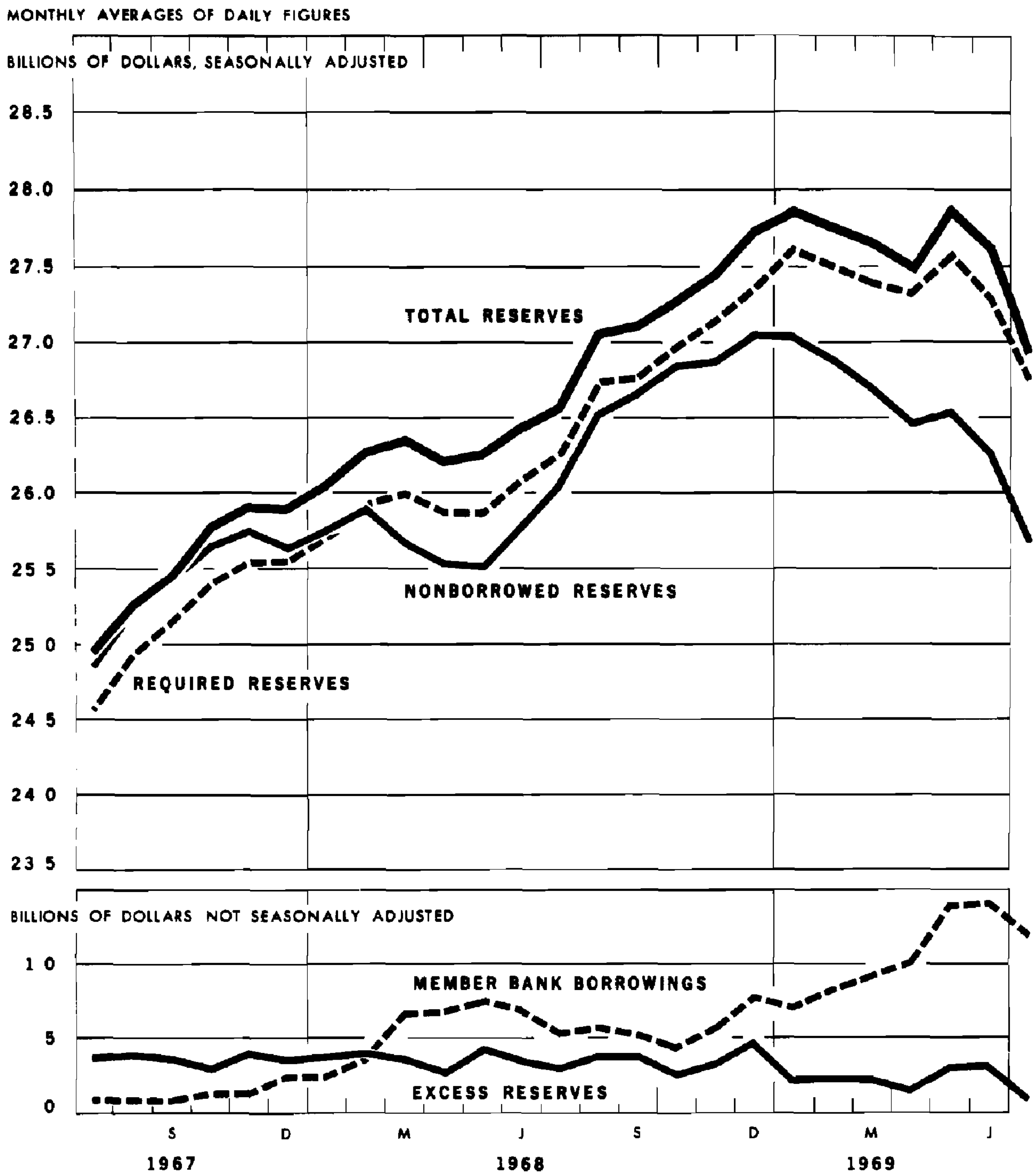

Chart 2

MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

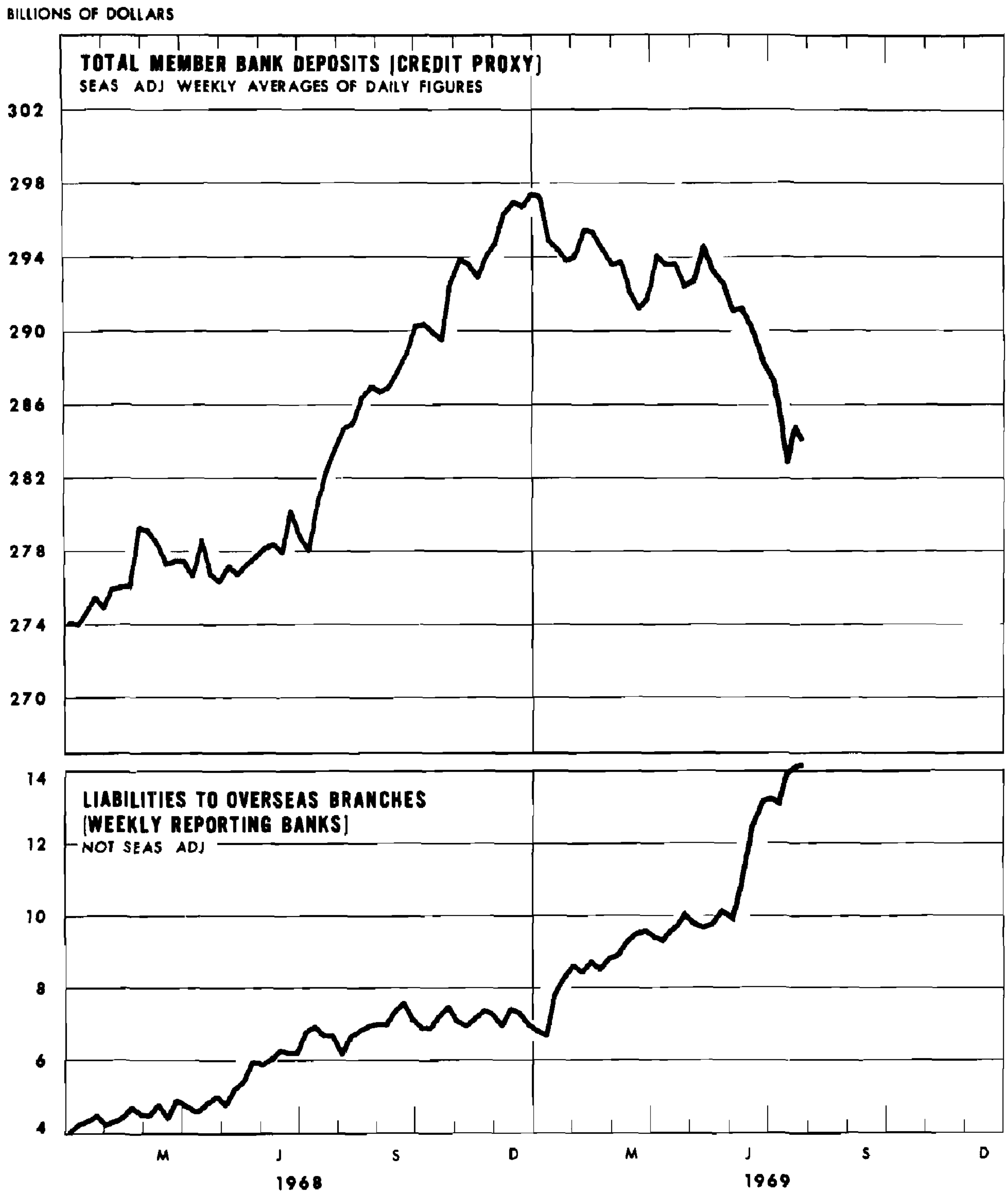

Chart 3

MONEY SUPPLY AND BANK DEPOSITS

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

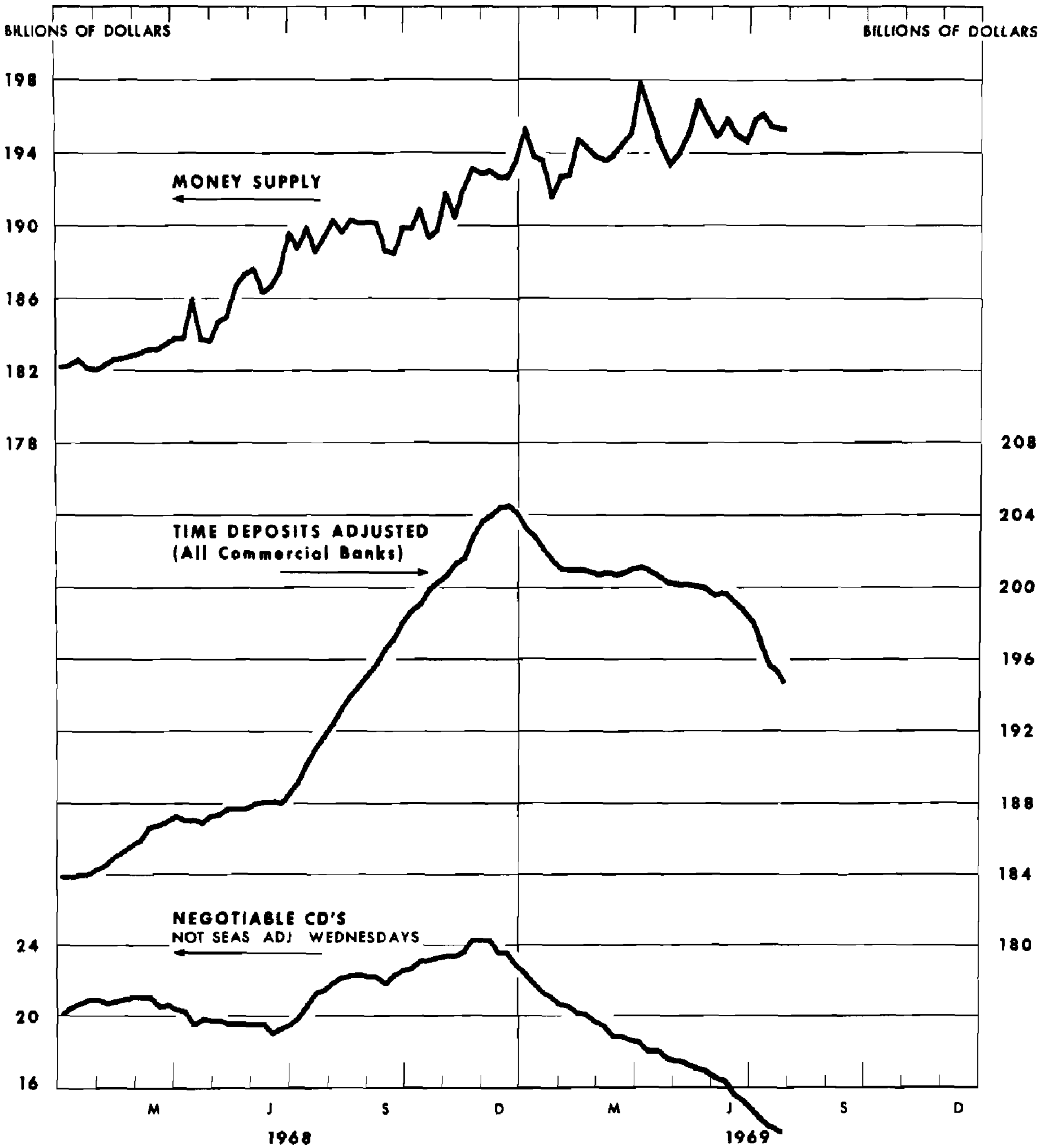

Chart 4

DEMAND DEPOSITS AND CURRENCY

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

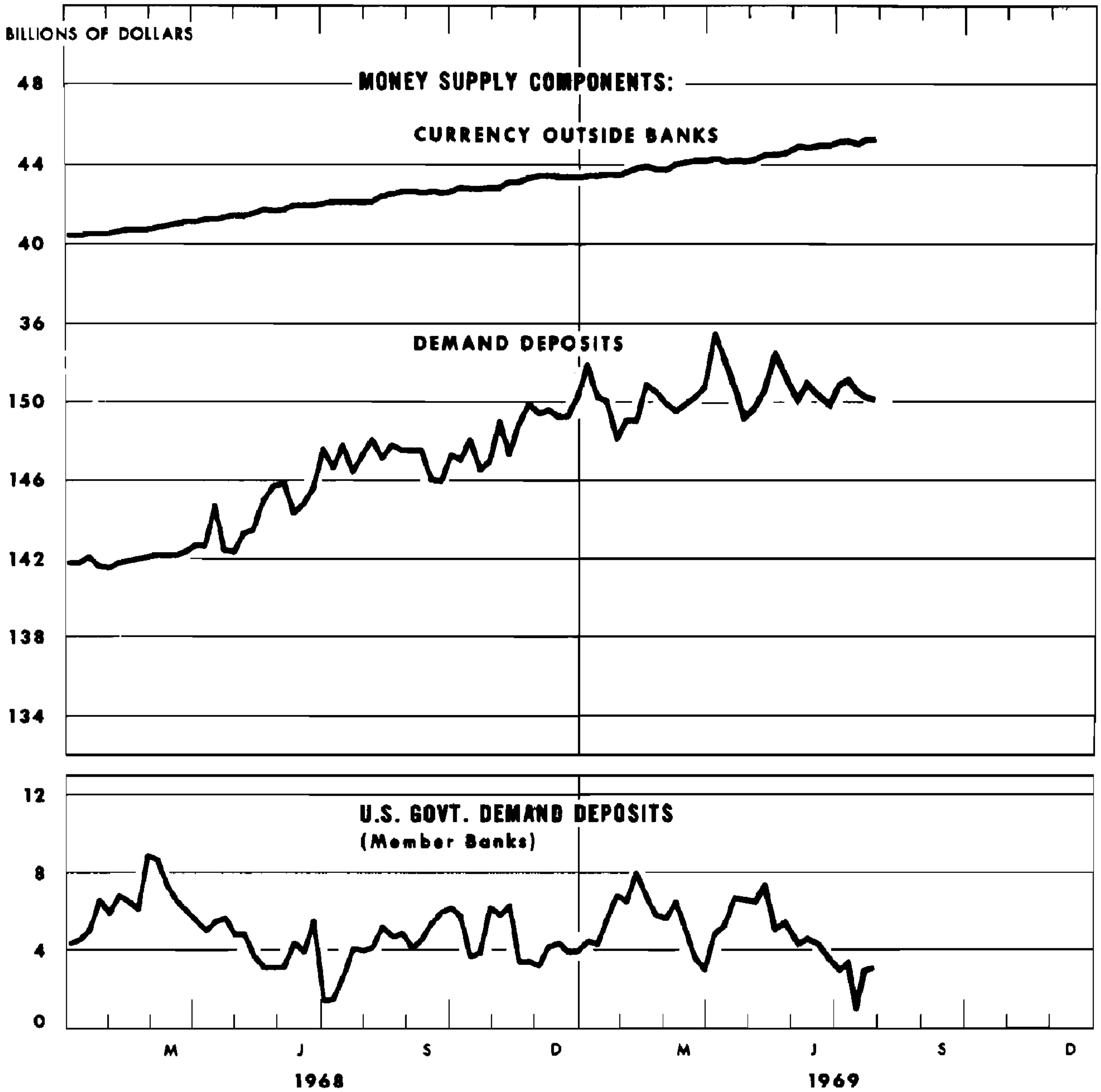

Table 1

MARGINAL RESERVE MEASURES

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

Period	Free reserves	Excess reserves	Member Banks Borrowings				
			Total	Reserve City			Country
				Major banks		Other	
				8 N.Y.	Outside N.Y.		
Monthly (reserves weeks ending in):							
1968--April	- 341	348	689	56	262	148	223
May	- 374	354	728	65	155	186	322
June	- 386	341	727	72	168	141	346
July	- 192	331	523	13	140	102	268
August	- 240	337	577	195	65	101	215
September	- 146	346	492	125	158	73	136
October	- 192	267	458	81	88	117	172
November	- 255	286	541	65	171	93	212
December	- 270	330	600	134	223	66	177
1969--January	- 477	359	836	131	302	149	253
February	- 580	256	836	62	255	215	304
March	- 635	202	837	58	233	254	293
April	- 844	187	1,031	85	411	260	275
May	-1,116	243	1,359	123	346	397	493
June	-1,078	277	1,355	57	459	288	550
July p	-1,069	243	1,312	89	248	365	609
1969--May 7	-1,120	483	1,603	146	462	489	506
14	- 910	261	1,171	121	260	385	405
21	-1,242	116	1,358	165	378	360	455
28	-1,190	113	1,303	59	284	353	607
June 4	-1,152	369	1,521	43	552	289	637
11	- 812	448	1,260	86	375	300	501
18	-1,216	99	1,315	--	465	283	569
25 p	-1,132	191	1,323	97	449	276	492
July 2 p	-1,138	496	1,634	125	416	395	697
9 p	- 891	129	1,020	--	162	333	523
16 p	-1,103	176	1,279	88	302	391	497
23 p	-1,001	354	1,355	86	213	393	663
30 p	-1,166	107	1,273	146	148	313	666
Aug. 6 p	- 923	170	1,093	18	181	251	641

p - Preliminary.

Table 2

AGGREGATE RESERVES AND MONETARY VARIABLES
Retrospective Changes, Seasonally Adjusted
(In per cent, annual rates based on monthly averages of daily figures)

Period	Reserve Aggregates			Monetary Variables					
					Money Supply				
	Total Reserves	Nonborrowed Reserves	Required Reserves	Total Member Bank Deposits	Total	Currency	Private Demand Deposits	Commercial bank time deposits adjusted	Credit Proxy (Incl. Euro-dollar borrowings)
Annually									
1967	+10.0	+11.5	+10.2	+11.7	+6.4	+5.5	+6.7	+16.1	+11.6
1968	+7.1	+5.2	+7.1	+8.6	+6.5	+7.4	+6.2	+11.3	+9.5
Quarterly:									
1st Quarter 1968	+7.5	+0.7	+7.1	+7.0	+4.6	+6.9	+3.7	+7.0	+7.4
2nd Quarter 1968	+1.0	+1.7	+1.4	+1.2	+8.7	+8.8	+9.0	+3.2	+3.5
3rd Quarter 1968	+10.4	+13.9	+10.4	+13.1	+4.5	+6.7	+3.6	+17.9	+14.0
4th Quarter 1968	+8.6	+4.3	+8.8	+12.2	+7.6	+6.6	+7.9	+15.7	+11.7
1st Quarter 1969	-1.0	-4.0	+0.6	-5.4	+3.9	+7.4	+0.5	-6.5	-2.4
2nd Quarter 1969	-0.4	-6.5	-1.5	-3.6	+2.5	+6.3	+1.3	-3.6	--
Monthly:									
1968--April	-7.3	-7.3	-5.6	-4.7	+5.9	+8.8	+6.8	+2.6	-3.8
May	+2.2	+0.6	-0.6	+1.7	+11.7	+5.8	+12.6	+3.2	+5.1
June	+8.3	+11.8	+10.4	+6.5	+8.4	+11.5	+7.5	+3.8	+9.3
July	+6.4	+12.6	+8.3	+9.0	+12.8	+5.7	+14.9	+14.0	+10.1
August	+21.9	+21.9	+21.4	+21.4	+5.7	+11.4	+3.3	+21.4	+22.1
September	+2.8	+6.8	+1.4	+8.4	-5.0	+2.8	-7.3	+17.3	+9.4
October	+7.6	+8.3	+9.6	+12.5	+4.4	+2.8	+5.7	+17.7	+11.8
November	+6.9	+0.3	+7.5	+11.1	+10.7	+11.2	+10.6	+14.4	+11.3
December	+11.1	+4.2	+9.2	+12.7	+7.5	+5.6	+7.3	+14.3	+11.6
1969--January	+6.1	+3.1	+11.3	-4.9	+3.7	+5.5	+4.0	-10.6	-2.0
February	-4.7	-6.4	-4.6	-1.2	+0.6	+8.3	-1.6	-8.9	+2.0
March	-4.3	-8.7	-4.7	-10.2	+1.2	+8.2	-0.8	--	-7.1
April	-6.6	-10.1	-3.1	+5.3	+10.5	--	+13.6	-1.2	+6.0
May	+16.5	+2.4	+10.8	-2.5	-3.1	+10.9	-6.3	-4.2	-1.6
June	-11.0	-11.8	-12.1	-13.5	--	+8.1	-3.2	-5.4	-4.4
July p	-29.7	-26.6	-24.0	-21.5	+3.7	+5.3	+2.4	-21.1	-13.5

p - Preliminary.

Table 3

AGGREGATE RESERVES AND MONETARY VARIABLES
Seasonally Adjusted

(Based on monthly averages of daily figures)

Period	Reserve Aggregates			Member Bank Deposits Supported by Required Reserves				Money Supply			Commercial bank time deposits adjusted 4/	Credit Proxy (Incl Euro dollar borrowings)
	Total reserves	Nonborrowed reserves	Required reserves	Total member bank deposit	Time deposits	Private demand deposits 1/	U S Gov't demand deposits	Total	Currency 2/	Private demand deposits 3/		
	(In millions of dollars)			(In billions of dollars)								
Monthly												
1968--Jan.	26,064	25,748	25,704	274 7	149.9	119.4	5.4	182 3	40 6	141 7	184 1	279 0
Feb.	26,273	25,884	25,910	277.0	150.2	119.7	7 1	182 7	40 7	141.9	185 2	281 5
Mar	26 363	25,667	25,990	278.0	151.2	120 1	6 7	183 4	41 1	142.2	186 7	282 6
Apr	26,202	25,510	25,868	276 9	151 3	120.4	5.2	184 3	41 4	143 0	187 1	281 7
May	26,250	25,523	25,856	277.3	151.5	122.1	3 7	186 1	41 6	144 5	187 6	282 9
June	26,432	25,774	26,080	278 8	151.8	123 2	3 9	187.4	42.0	145.4	188 2	285 1
July	26,574	26,045	26,261	280.9	153 8	124.3	2.7	189.4	42.2	147 2	190 4	287 5
Aug.	27,058	26 520	26,729	285.9	156.5	124.6	4.8	190 3	42 6	147.6	193 8	292.8
Sept.	27,121	26,670	26,761	287.9	158.9	123.6	5 3	189.5	42.7	146.7	196.6	295 1
Oct.	27,293	26,855	26,974	290.9	161.5	124 5	5.0	190.2	42.8	147.4	199 5	298 0
Nov	27,451	26,861	27,142	293.6	163.5	125.4	4.7	191.9	43 2	148 7	201.9	300.8
Dec.	27,705	26,956	27,350	296.7	165.8	126.7	4 2	193 1	43.4	149.6	204 3	303.7
1969--Jan.	27,845	27,025	27,608	295.1	163.2	126.6	5.3	193 7	43 6	150.1	202 5	303.0
Feb.	27,737	26,882	27,502	294.8	161.0	127 2	6 7	193.8	43.9	149 9	201 0	303 5
Mar	27,637	26,688	27,394	292.3	160.5	126 9	4.8	194.0	44.2	149 8	201 0	301.7
Apr	27,486	26,464	27,324	293.6	160 1	127.6	5.8	195 7	44 2	151 5	200.8	303.2
May	27,864	26,517	27,571	293.0	159.3	127 8	5 5	195 2	44 6	150 7	200.1	302.8
June	27,608	26,257	27,294	289.7	158 1	127 5	4.0	195 2	44 9	150 3	199 2	301.7
July p	26,835	25,675	26,748	284.5	155 0	127 0	2.5	195.8	45.1	150.6	195.7	298 3

1/ Private demand deposits include demand deposits of individuals, partnerships, and corporations and net interbank deposits
2/ Includes currency outside the Treasury, the Federal Reserve, and the vaults of all commercial banks
3/ Includes (1) demand deposits at [illegible] commercial banks [illegible] 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
4/ Excludes interbank and U S Government time deposits
p - Preliminary

Table 4
AGGREGATE RESERVES AND MONETARY VARIABLES
Seasonally Adjusted
(Based on weekly averages of daily figures)

Period	Reserve Aggregates			Member Bank Deposits Supported by Required Reserves				Money Supply			Commercial bank time deposits adjusted 4/	Credit Proxy (Incl Euro dollar borrowings
	Total reserves	Nonborrowed reserves	Required reserves	Total member bank deposits	Time deposits	Private demand deposits 1/	U S Gov't demand deposits	Total	Currency 2/	Private demand deposits 3/		
	(In millions of dollars)			(In billions of dollars)								
Weekly:												
1969--Jan 1	28,096	27,176	27,620	297.4	165.5	127.9	4.0	193.7	43.4	150.3	204.1	304.1
8	27,778	27,070	27,536	297.2	164.4	128.2	4.5	195.4	43.5	151.9	203.3	303.9
15	28,027	27,289	27,802	294.9	163.9	126.7	4.3	193.8	43.5	150.2	202.8	302.8
22	27,910	27,103	27,697	294.4	162.8	126.0	5.6	193.6	43.6	150.0	202.1	302.7
29	27,682	26,671	27,454	293.8	162.1	124.9	6.8	191.6	43.5	148.1	201.5	302.4
Feb 5	27,666	26,837	27,407	294.1	161.4	126.2	6.5	192.8	43.7	149.1	201.0	302.5
12	27,593	26,844	27,412	295.5	161.1	126.3	8.0	192.9	43.9	149.0	201.0	304.2
19	27,707	26,638	27,439	295.3	160.8	127.7	6.8	194.8	44.0	150.9	201.0	303.8
26	27,913	27,157	27,684	294.4	160.6	128.0	5.8	194.3	43.8	150.5	200.9	303.2
Mar. 5	27,919	27,035	27,637	293.6	160.4	127.6	5.6	193.8	43.8	149.9	200.7	302.6
12	27,710	26,785	27,410	293.8	160.6	126.7	6.5	193.6	44.1	149.5	200.9	303.1
19	27,461	26,660	27,366	292.1	160.5	126.6	5.1	194.0	44.2	149.9	200.7	301.6
26	27,611	26,600	27,353	291.2	160.7	126.9	3.6	194.6	44.3	150.3	200.9	300.8
Apr 2	27,535	26,345	27,226	291.8	160.7	128.1	3.0	195.2	44.3	150.8	201.1	301.2
9	27,264	26,287	27,084	294.1	160.6	128.7	4.9	197.9	44.4	153.5	201.2	303.4
16	27,271	26,519	27,196	293.6	160.2	128.1	5.3	196.4	44.2	152.1	200.9	303.2
23	27,710	26,595	27,560	293.7	160.1	126.9	6.7	194.6	44.3	150.3	200.6	303.5
30	27,683	26,490	27,483	292.4	159.8	126.0	6.6	193.4	44.2	149.2	200.3	302.4
May 7	28,119	26,666	27,611	292.7	159.6	126.6	6.5	194.0	44.3	149.7	200.2	302.4
14	27,758	26,576	27,484	294.6	159.4	127.8	7.3	195.1	44.5	150.6	200.2	304.3
21	27,657	26,266	27,481	293.2	159.3	128.8	5.1	196.8	44.5	152.3	200.1	302.9
28	27,878	26,579	27,750	292.5	159.1	128.1	5.3	195.8	44.6	151.2	200.0	302.7
June 4	27,964	26,473	27,470	291.1	158.8	128.0	4.3	195.0	44.9	150.1	199.6	301.1
11	27,890	26,610	27,382	291.2	158.7	127.9	4.6	195.8	44.8	150.9	199.7	302.3
18	27,383	26,093	27,248	290.1	158.2	127.6	4.3	195.1	44.9	150.3	199.2	302.6
25	27,291	26,118	27,231	288.3	157.6	127.2	3.5	194.7	44.9	149.9	198.7	301.5
July 2	27,687	26,013	27,181	287.4	157.0	127.4	3.0	195.9	45.1	150.9	198.4	300.6
9	26,970	25,925	26,926	286.0	156.1	126.6	3.3	196.2	45.1	149.9	197.3	299.1
16	27,001	25,803	26,925	282.9	155.4	127.0	1.0	195.5	45.0	151.1	196.1	296.9
23 p	27,053	25,623	26,686	284.8	155.0	127.1	3.0	195.4	45.2	150.5	195.7	298.9
30 p	26,471	25,243	26,339	284.1	154.6	126.9	3.1	195.3	45.2	150.2	195.1	298.3

1/ Private demand deposits include demand deposits of individuals, partnerships, and corporations and net interbank deposits
2/ Includes currency outside the Treasury, the Federal Reserve, and the vaults of all commercial banks
3/ 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.
4/ Excludes interbank and U S Government time deposits

p - Preliminary

Table 5

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: Total holdings	U.S. Government securities: Bills 1/	U.S. Government securities: Other	U.S. Government securities: Repurchase agreement	Federal Agency Securities	Bankers' acceptances	Member banks borrowings
Year:								
1967 (12/28/66 - 12/27/67)	+4,718	+5,009	+4,433 (--)	+1 153	- 577	- 19	- 69	- 203
1968 (12/27/67 - 12/26/68)	+3,757	+3,298	+2,143 (--)	+1 176	- 21	- 3	- 52	+ 514
Weekly:								
1969--Apr 2	+ 357	+ 103	+ 51 (--)	--	+ 52	+ 10	+ 13	+ 231
9	- 113	+ 146*	+ 57 (- 7)	--	- 7	9	- 2	- 248
16	- 380	- 143*	- 559 (- 533)	-	- 211	- 15	- 34	- 188
23	+ 773	+ 319*	+ 819 (+ 460)	--	+ 223	+ 20	+ 58	+ 376
30	+ 347	+ 284	+ 280 (+ 80)	--	+ 4	+ 56	+ 24	- 17
May 7	+ 794	+ 345	+ 41 (--)	--	+ 304	25	- 11	+ 485
14	- 293	+ 118	+ 66 (- 156)	--	+ 52	+ 18	+ 3	- 432
21	+ 149	- 39	+ 190 (+ 156)	+ 27	- 256	+ 9	8	+ 187
28	+ 259	+ 307	+ 243 (--)	+ 96	- 32	+ 21	- 14	- 55
June 4	+ 439	+ 308	+ 351 (--)	+ 73	- 116	50	- 37	+ 218
11	- 35	+ 256	+ 284 (- 71)	--	28	- 20	- 10	- 261
18	- 18	- 33	+ 118 (- 309)	--	151	- 29	11	+ 55
25	- 168	- 174	- 174 (+ 191)	--	--	--	- 2	+ 8
July 2	+ 679	+ 297	+ 180 (+ 189)	--	+ 117	+ 53	+ 18	+ 311
9	- 247	+ 401	+ 332 (- 121)	+ 67	+ 2	- 29	5	- 614
16	+ 261	+ 30	+ 122 (+ 121)	--	92	- 15	- 13	+ 259
23 p	- 335	- 408	- 404 (- 146)	--	- 4	- 4	-	+ 77
30 p	- 376	- 287	- 264 (- 95)	--	- 23	- 5	- 2	82
Aug 6 p	+ 561	+ 672	+ 241 (+ 241)	--	+ 431	+ 48	+ 21	- 180

1/ Figures in parenthesis reflect reserve effect of match sale-purchase agreement
* - Includes effect of changes in special certificates of $+96 million of the week of April 9, $+627 million of the week of April 16, and $ 723 million of the week of April 23.
p - Preliminary

Table 6

MAJOR SOURCES AND USES OF RESERVES
Retrospective and Prospective Changes
(Dollar amounts in millions, based on weekly averages of daily figures)

Period	Federal Reserve credit (excl float) 1/	Gold stock	Currency outside banks	Treasury operations	Float	Foreign deposits and gold loans	Other nonmember deposits and F R accounts	= Change in total reserves	= Bank use of reserves: Required reserves	Bank use of reserves: Excess reserves
	Factors affecting supply of reserves (Sign indicates effect on reserves)									
Year										
1967 (12/28/66-12/27/67)	+4,718	- 725	-2,305	- 85	- 389	- 7	+ 316	+1,522	+1,517	+ 5
1968 (12/27/67-12/25/68)	+3,757	-2,067	-3,221	+ 928	+1,309	- 67	+ 869	+1,508	+1,563	- 55
Weekly										
1969--Apr. 2	+ 357	--	+ 54	+ 50	- 272	+ 25	- 97	+ 121	+ 80	+ 41
9	- 113	--	- 93	+ 119	+ 231	- 15	- 270	- 144	- 60	- 84
16	- 380	--	- 186	+ 380	+ 44	+ 29	+ 130	+ 17	+ 98	- 81
23	+ 773	--	- 166	- 427	+ 660	+ 5	+ 119	+ 964	+ 936	+ 28
30	+ 347	--	+ 602	- 194	- 741	+ 2	+ 61	+ 77	+ 164	- 87
May 7	+ 794	--	- 99	+ 16	- 18	- 40	- 100	+ 553	+ 155	+ 398
14	- 293	--	- 270	- 42	- 120	+ 32	+ 288	- 404	- 182	- 222
21	+ 149	--	- 450	+ 141	+ 295	- 4	- 167	- 34	+ 111	- 145
28	+ 259	--	+ 155	+ 128	- 350	+ 8	- 242	- 43	- 40	- 3
June 4	+ 439	--	- 348	- 108	+ 220	+ 18	- 306	- 86	- 342	+ 256
11	- 35	--	- 51	- 217	+ 119	+ 3	- 20	- 199	- 278	+ 79
18	- 18	--	- 419	- 354	+ 123	--	+ 261	- 408	- 59	- 349
25	- 168	--	+ 115	- 179	+ 172	- 7	- 1	- 70	- 162	+ 92
July 2	+ 679	--	+ 3	+ 221	- 262	19	- 84	+ 534	+ 229	+ 305
9	- 247	--	- 344	+ 23	+ 382	- 48	- 89	- 324	+ 43	- 367
16	+ 261	--	- 136	- 65	- 122	+ 48	+ 113	+ 99	+ 52	+ 47
23 p	- 335	--	- 159	- 87	+ 437	- 9	+ 31	- 123	- 301	+ 178
30 p	- 376	--	+ 713	- 6	- 935	+ 14	+ 4	- 587	- 340	- 247
Aug. 6 p	+ 561	--	- 210	+ 318	- 33	- 30	- 207	+ 401	+ 338	+ 63
PROJECTED 2/										
1969--Aug. 13	- 50	--	- 235	- 100	+ 75	- 10	+ 65	- 255	- 255	--
20	+ 425	--	- 305	- 25	+ 300	--	+ 15	+ 410	+ 410 3/	--
27	- 160	--	+ 195	--	- 200	--	- 30	- 195	- 195	--
Sept. 3	- 75	--	+ 35	--	- 100	--	--	- 140	- 140	--
10	- 90	--	- 145	--	+ 100	--	--	- 135	- 135	--

1/ For retrospective details, see Table 5.
2/ See reverse side for explanation.
3/ Reflects increase in required reserves due to change in Regulation D, effective July 31.
p - Preliminary.

Explanation of Projections in Table 6

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 $1.0 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: $-0.7 billion, August 1; $-0.5 billion, August 15; $2.0 billion, August 27.