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CONFIDENTIAL (FR) February 6, 1970.

MONEY MARKET AND RESERVE RELATIONSHIPS

Recent developments

(1) The monetary and banking aggregates moved divergently in January, with current estimates showing the bank credit proxy (adjusted to include nondeposit sources of funds) to have declined on average at a 3.5 per cent annual rate, and the money supply to have grown at a 9 per cent annual rate. The estimate of the proxy is within the range projected in the last blue book, but that for the money supply is well above the blue book projection of little change.

(2) The effective rate on Federal funds ranged generally between 9 and 9-3/8 per cent over the past three statement weeks; member bank borrowings averaged slightly over $1 billion; and net borrowed reserves around $900 million. All of these conditions were somewhat tauter than in the preceding three week period, which had been influenced by year-end churning. The Federal funds rate during the past three weeks tended toward the upper end of the range specified in the blue book, while net borrowed reserves and member bank borrowings were maintained near the low ends of their respective blue book ranges.

(3) The rate on 3-month Treasury bills rose in late January toward the upper end of its specified 7-1/2--8 per cent range, reversing about half of the 25 basis point decline that had developed just prior

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	Borrowings	Federal Funds Rate 1/	3-month Treasury Bill	U S Government (20 yr)	Corporate New Issues (Aaa) 2/	Municipal (Aaa)	Nonborrowed Reserves	Total Reserves	Bank Credit Proxy	Money Supply	Time Deposits 3/
	(In millions of dollars for weeks ending in)							(In millions of dollars)		(In billions of dollars)		
1968--September	- 146	492	5 78	5 19	5 28	6.27	4 23	+185	+ 98	+ 2.1	+ 0 4	+ 2.6
October	- 192	458	5 92	5 35	5.44	6 47	4 21	+206	+193	+ 3.2	+ 0.4	+ 3.0
November	- 255	541	5 81	5 45	5.56	6.61	4.33	+ 29	+181	+ 2.8	+ 1 8	+ 2.7
December	- 327	743	6 02	5 96	5 88	6 79	4 50	+120	+279	+ 3.2	+ 1 2	+ 2.8
1969--January	- 491	715	6 30	6 1[illegible]	5 99	6 92	4 58	+103	+17[illegible]	- 1.2**	+ 1 0	- 1.7
February	- 80	836	6 64	6 12	6 11	6.91	4 74	-112	- 79	- 0.3	+ 0.5	- 0.8
March	- [illegible]	837	6 79	6 02	6.22	7 37	4 97	-182	- 98	- 2.5	+ 0.5	- 0.1
April	- 844	1 031	7 41	6 11	6.03	7.17	5 00	-270	-197	+ 1.2	+ 1.3	--
May	-1 116	1 359	8 67	6 04	6 11	7 22	5 19	+134	+460	- 0.3	+ 0 2	- 0.6
June	-1 078	1 3[illegible]5	8 90	6 44	6 28	7 [illegible]8	5 [illegible]8	-183	-179	- 2.5	+ 0 7	- 0.9
July	-1 0[illegible]	1 311	8 61	7 00	6 27	7 63	5 61	-430	-326	- 4.6	+ 0 [illegible]	- 3.1
August	[illegible]7	1 [illegible]	9 19	6 98	6 [illegible]	7 65*	5 74	- 61	-129	- 2.7	- 0 3	- 3.2
September	- [illegible]	1 0[illegible]6	[illegible]	7 09	[illegible]	7 98*	[illegible]	[illegible]	[illegible]	+ 0.4	--	- 0 4
October	1 0[illegible]	1 183	[illegible] r	7 [illegible]	6 50	7 89	5 80	- 7	[illegible]	- 2 2	+ 0 1	- 0 6
November	[illegible]	1 213	8 8[illegible]	7 2[illegible]	6 7[illegible]	8 32	5 88	[illegible]	[illegible]	[illegible]	[illegible]	- 0.1
December p	- [illegible]	1 126	8 [illegible]7	7.82	6 [illegible]	8 75	6 50	+[illegible]6	[illegible]	- 0.1	+ 0 [illegible]	+ 0 7
1970--January p	- [illegible]	928	[illegible] 98	7 87	6 92	8 [illegible]6	6 38	+146	+ 60	- 0.8	+ 1 5	- 2 0
1969--Aug [illegible]	- [illegible]8	1 030	[illegible] 7	6 9[illegible]	[illegible]	7 [illegible]7	5 70	+[illegible]	+[illegible]	- 0.9	--	- 1.1
1[illegible]	- [illegible]	1 [illegible]	[illegible] 18	7 0[illegible]	6 1[illegible]	7 [illegible]	5 71	-102	+ [illegible]7	- 0.3	--	- 0 7
[illegible]	-1 [illegible]	1 [illegible]	8 7[illegible]	6 8[illegible]	[illegible]	7 61	5 73	-394	-387	- 1.5	+ 0.4	- 0.5
[illegible]7		1 204	8 82	7 0[illegible]	6 74	7 82	5 80	+344	+282	+ 0.7	- 0.6	- 0.5
Sept 3	[illegible]	1 240	[illegible]	7 01	6 35	7 90*	5.80	- 65	- 24	+ 0.7	+ 0.6	+ 0.1
10	[illegible]	7[illegible]0	[illegible] 7	7 09	6 45	8.02*	5 85	+493	- 84	- 2.1	- 0.2	- 0.1
17	- 886	1 318	9 07	7 11	6 49	8.04	5 85	-323	+ [illegible]	+ [illegible].4	+ 0 3	+ 0.3
24	- [illegible]	1 10[illegible]	[illegible] 61	7 13	6 60	8 13	5 82	-165	-134	- 2.1	- 1 3	- 0.2
Oct 1	-1 [illegible]	1 [illegible]	[illegible] 11	7 07	6 76	8 22	5.83	+163	+461	- 0.8	--	+ 0.3
8	[illegible]	[illegible]		7 00	[illegible] 63	8 10	5.80	- 71	-484	- 0 5	+ 1 3	- 0.4
1[illegible]	-1 1[illegible]	1,3[illegible]7	[illegible]68	7 02	6 46	7 95	5 75	-316	+ 27	- 1.8	- 0 9	- 0 3
2[illegible]	[illegible]	1 01[illegible]	[illegible] 68	6 94	[illegible] 29	7 82	5 80	+[illegible]	+237	+ 2 2	+ 1 2	- 0 3
29	1,0[illegible]	1 1[illegible]9	8 39	7 00	6 50	7 87	5 84	-531	-309	- 0 7	- 1.4	+ 0 1
Nov 5	-1,[illegible]	1 [illegible]	[illegible] 07	7 01	6 59	8 13	5 75	+370	+417	+ 2.6	+ 0 2	- 0.1
12		1,2[illegible]	[illegible] 2	7 14	6 66	8 27*	5 78	- 20	- 90	- 0.1	+ 1 0	- 0.2
19	- [illegible]2	1 [illegible]1	8 79	7 16	6 78	8 [illegible]	5 95	+[illegible]	+ 3[illegible]	- [illegible].2	+ [illegible]	+ [illegible]
26	-1 [illegible]2	1 210	8 3[illegible]	7 44	6 83	8 67	6.05	-262	- [illegible]4	- [illegible].2	- 0.9	+ [illegible]
Dec 3	[illegible]	1 [illegible]	8 91	7 [illegible]	6 84	8 [illegible]	6.34	[illegible]	-	+ [illegible]	+ [illegible]	+ [illegible]
10	- 90	1 230	8 [illegible]	7 7[illegible]	6 90	8 70	6 48	+ 53	+202	- 1.[illegible]	- 0.[illegible]	--
17	- [illegible]	1 0[illegible]	[illegible] 14	7 86	6 90	8 76	6 57	+220	- 21	- 0.2	+ 0.3	+ 0 [illegible]
24	- 832	1 036	9 38	7 8[illegible]	6 9[illegible]	--	6 57	-17[illegible]	2[illegible]0	- 1 2	- 0.9	+ 0 2
31 p	- [illegible]	1 104	8 71	8 00	7 04	--	6 [illegible]2	+161	+ 89	+ 1 9	+ [illegible] 1	- 0.4
1970--Jan 7 p	- [illegible]7	[illegible]	8 4[illegible]	7 92	6 93	8.41	6.41	+ [illegible]0	+210	- 0.1	- 0 4	- 0 6
14 p	- 8[illegible]	864	8 96	7 88	6 89	8 41	6 36	- 60	-1[illegible]8	- 1.4	- 0 4	- 1 1
21 p	- 7[illegible]	966	9 30	7 82	6 91	8 32	6 34	+ 3	+148	--	- 0.4	- 0 2
28 p	- 870	1 028	9 0[illegible]	7 89	6 94	8 60	6 19	-338	-201	- 0.8	- 2 5	- 0.5
Feb 4 p	-1 09[illegible]	1 258	9 21	7 77	6 92	8 63	6 28	-178	+ 13	- 1.0	+ 0.1	- 0 9
	Averages							Annual rates of increase 4/				
Year 1969	- 862	1 110	8 22	6 67	6 32	7.62	5.45	- 3 0	- 1.6	- 4.1	+ 2.5	- 5.3
First Half 1969	- 779	1 034	7 46	6 15	6 12	7.20	5.01	- 3.7	+ 0.7	- 3.5	+ 4.3	- 4.0
Second Half 1969	- 941	1 183	8 96	7 19	6 53	8.04	5 89	- 2 4	- 3 9	- 4.7	+ 0.6	- 6.7
Recent variation in growth												
12/18/69-5/21/69	- 690	955	6 97	6 10	6 07	7 09	4 83	- 5.2	+ 0.6	- 2.3	+ 5.7	+ 3.9
5/21/69-2/4/70	- 956	1 184	8 96	7 10	6 51	8.00	5.90	- 2 6	- 2.8	- 5 8	- 0 1	- 7.7

r - Revised. p - Preliminary S A - Seasonally adjusted

1/ Average of total number of days in period
2/ Includes issues [illegible] -year and [illegible]0-year call protection, [illegible] 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 $.00 [illegible] deposits [illegible] from System membership Percentage annual rates are adjusted to eliminate this break in series.

to the last meeting of the Committee. Since early February, however, the 3-month bill rate has dropped sharply again, and most recently was bid at 7.42 per cent (with an equivalent offering yield on an investment basis of 7.60 per cent). Rates on the 6-month and 1 year bills have declined to 7.53 and 7.30 per cent, respectively, on a discount basis (equivalent to investment yields on the offering side of 7.85 and 7.73 per cent). All of these bill rates are well above the new Regulation Q rate ceilings for large denomination CD's of corresponding maturities. Rates on private short-term debt instruments have declined 1/8 to 3/8 of a percentage point since the last Committee meeting, carrying the quote on 6-month commercial paper down to 8.50 per cent.

(4) The general downturn of short-term rates was triggered by strengthened market expectations of a near-term lessening of monetary restraint that followed various Administration statements and publication of the new Federal budget. This changed market attitude occurred at a time when demands for bills were being generated by swaps out of "rights" to the Treasury's Feburary refinancing, and dealers' positions in short-term bills were being depleted. The shift in expectations also contributed to a highly successful Treasury refinancing. Of the $5.9 billion of public holdings of maturing debt involved in the operation, only about 15 per cent were redeemed for cash. This relatively modest attrition reduced the size of the Treasury's estimated remaining need for cash somewhat.

(5) Other bond markets have also been buoyed to some extent from the same expectational factors that have been affecting the U. S. Government securities market. Earlier, however, yields in these other markets had been under substantial upward pressure from the heavy volume of recent offerings, and had reversed a sizable part of the declines that had developed early in January during the period of largest savings withdrawals from depositary institutions. Even in the most recent period, the continuing weight of new issue volume has tended to brake the size of the yield decline.

(6) The larger-than-anticipated average growth in the money supply during January chiefly reflected failure of the sharp year-end money supply bulge to be eroded as rapidly as projected. To some extent this slower-than-anticipated contraction was probably due to the unusual volume of security transactions that continued as funds flowed out of depositary institutions. Despite the unexpectedly large average growth in the money supply, however, the adjusted bank credit proxy remained within its projected range because time and savings deposit outflows at banks were much larger than projected. The blue book forecast for such deposits in January had been for a decline at an annual rate of 3--6 per cent; the actual decline is now estimated at a 12-1/2 per cent annual rate, with the larger attrition entirely accounted for by more rapid run-off of consumer-type accounts. Among the nondeposit sources of funds, sales of commercial paper through affiliates rose sharply in January as several key banks which had not resorted to this source of funds until late 1969 pressed their sales actively. Altogether, growth in these sales amounted to the equivalent of about 3-1/2 percentage points in the adjusted credit proxy. But the effect of this change on the proxy was almost entirely offset by a decline on average in Euro-dollar borrowings from foreign branches.

(7) The following table summarizes the annual rates of growth in major deposit, reserve, and credit aggregates for 1968 and 1969, and, on a preliminary basis, for January 1970:

	Year 1968	Year 1969	July - Sept. '69	Oct.- Dec. '69	January 1970
Total reserves	7.8	-1.6	- 9.3	1.4	2.6
Nonborrowed reserves	6.0	-3.0	- 4.8	-0.1	6.5
Money supply	7.2	2.5	--	1.4	9.0
Time and savings deposits	11.5	-5.3	-13.3	--	-12.4
Savings accounts at non-bank thrift institutions	6.3	3.3	2.1	1.2	- 6.9 1/
Member bank deposits and related sources of funds					
Total member bank deposits (bank credit proxy)	9.0	-4.1	- 9.4	--	- 3.4
Proxy plus Euro-dollars	9.8	-1.7	- 6.2	-0.3	- 6.4
Proxy plus Euro-dollars and other nondeposit sources	n.a.	n.a.	- 4.0	2.1	- 3.1
Commercial bank credit (month end)					
Total loans and investments of all commercial banks	11.0	2.4	- 0.8	2.1	- 9.3
L&I plus loans sold outright to affiliates and foreign branches	n.a.	3.4	0.8	2.3	- 3.6

NOTE: Dates are inclusive. All items are average of daily figures (with "other nondeposit sources" based on an average for the month of Wednesday data), except the commercial bank credit series which are based on total outstanding on last Wednesday of month. All additions to the total member bank deposit series and the last Wednesday total loans and investments series are seasonally unadjusted numbers, since data have not been available for a long enough time to make seasonal adjustments.

1/ For savings and loan associations only; preliminary.

Prospective developments

(8) If the Committee wishes to maintain an unchanged stance with respect to its views as to monetary aggregates and money market conditions, it may wish to consider the following second paragraph for the directive (alternative A):

> To implement this policy, while taking account of the CURRENT ~~forthcoming~~ Treasury refunding, possible bank regulatory changes, and the Committee's desire to see a modest growth in money and bank credit, System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining firm conditions in the money market; provided, however, that operations shall be modified if money and bank credit appear to be deviating significantly from current projections.

(9) Over the next four weeks, firm money market conditions could encompass a Federal funds rate most frequently in an 8-1/2--9-1/2 per cent range, net borrowed reserves generally in a $750 million to a little over $1 billion range, and member bank borrowings around $1 billion, and sometimes a little less. Under these conditions, the 3-month Treasury bill rate is likely to be in a 7-1/4--7-3/4 per cent range. The Treasury may announce a small cash offering, presumably in bills, toward the end of February to cover the seasonal drain on its cash balance during the first half of March, and another similar operation may be needed at the end of March.

(10) Assuming day-to-day money market conditions averaging in the middle of the range noted above--which would be a shade lower than the last three weeks for the Federal funds rate--growth in the money stock is likely to be at about a 3--4 per cent annual rate over the first quarter (measured from the December daily average level to the March daily average level). On the same assumption, the adjusted bank credit proxy appears likely to decline over the quarter in about a 2--4 per cent annual rate range. Thus, our projections would appear to suggest that money market conditions may have to be toward the lower ends of the ranges specified above if modest growth in the aggregates, taken together, is to be achieved.

(11) In terms of monthly average levels, the money stock --following the unexpectedly large rise on average in January--is projected to decline in February and then to rise in March, changing little on balance in the two months. During the course of February, the money stock is likely to begin rising as Government deposits decline. The average level now projected for March is above that projected four weeks ago, in part because of large transactions needs for cash in connection with sizable bond and money market transactions, and a smaller-than-expected Treasury cash financing paid in early March.

(12) The projected decline in the bank credit proxy is based largely on continuation of the recent greater weakness in time and savings deposits, particularly consumer-type deposits. In February, we expect total time and savings deposits to drop in an

8-11 per cent annual rate, range, on average. However, the quarter's decline may come to a halt in late February and March, as holders of claims on depositary institutions tend to defer further withdrawals until after March interest-crediting. The new higher Regulation Q interest rate ceilings have not yet had a discernible effect on time deposit flows, but by March large CD's, particularly for longer maturities, may begin to become marginally competitive.

(13) In view of the recent and expected behavior of time deposits, it would appear to be difficult to bring about even a modest growth in the adjusted bank credit proxy over the first quarter without an immediate drop in the 3-month Treasury bill rate to below 7 per cent. But keeping money market conditions near the low end of the ranges specified in paragraph (9) would be a step in the direction of halting bank credit contraction. The expectational effects on markets could move the bill rate down from current levels toward or possibly even below the 7-1/4 per cent bottom of the range projected above. Assuming commensurate declines throughout the bill yield curve, this would permit banks to sell more longer-term CD's and draw more successfully on customer relationships to hold down the rate of attrition on shorter maturities. Under the circumstances, the decline in the adjusted bank credit proxy might be stemmed, accompanied by only a minor additional increase in the rate of growth in the money stock. Additionally, market expectation of further interest rate declines could, at some stage, stimulate speculative purchases of securities that would further enhance bank credit totals and bank demands for reserves.

(14) Our projections have assumed that banks will continue to issue commercial paper over the next two months, but at a slower pace than in January, when several large banks entered the market for the first time. In addition, if a 10 per cent reserve requirement on such paper is made effective at the end of February, the additional costs would reduce the relative attractiveness of this source of funds. Euro-dollar borrowings through branches are assumed to change little, on balance, in February and March.

(15) Should the Committee wish to move toward somewhat easier conditions in the money market, concomitant with somewhat stronger growth in the banking and deposit aggregates, it might consider the following second paragraph for the directive (alternative B):

> To implement this policy, while taking account of the CURRENT ~~forthcoming~~ Treasury refunding, possible bank regulatory changes, and the Committee's desire to see MODERATE ~~a modest~~ growth in money and bank credit, System open market operations until the next meeting of the Committee shall be conducted with a view to ~~maintaining firm~~ MOVING TOWARD SOMEWHAT EASIER conditions in the money market; provided, however, that operations shall be modified if money and bank credit appear to be deviating significantly from current projections.

(16) Somewhat easier conditions in the money market, consistent with moderate growth in money and bank credit, could encompass

a Federal funds rate in a 7-1/2--8-1/2 per cent range, net borrowed reserves in a \$550 - \$750 million range, and member bank borrowings of around \$750 million. Such an easing in money market conditions would likely be accompanied by a sharp drop in short-term interest rates, partly on expectational grounds, with the 3-month Treasury bill rate, for example, moving to and probably somewhat below 7 per cent.

(17) Under such conditions, banks might be in a position to regain a substantial amount of CD's. Instead of an attrition running at about the \$100-\$300 million per month rate likely under alternative A (depending on the degree of firmness achieved under the specifications of that alternative), we would expect banks at least to maintain outstanding CD's at around the current \$10 billion level. And if the bill rate fell to 6-3/4 per cent or below, banks would probably have considerable opportunity to add to CD's. Indeed, they might well add substantial amounts if loan demand remains strong or if they wish to replenish their liquidity and to start rebuilding investment portfolios at attractive yields. Another alternative for banks would be to move into CD's at the expense of non-deposit sources. On balance, a reasonable guess would be that CD's could rise at a rate of \$500 million per month, or even more.

(18) The effects of easing money market conditions would first become pronounced in the March aggregates, since February is in large part already determined and since it would take some time to effect the degree of easing specified. Assuming that large CD's rise at around \$500 million per month, that consumer-type time and savings show less

weakness, and that banks are somewhat less active in the Euro-dollar and commercial paper markets, the adjusted bank credit proxy in March could rise in a 3 - 6 per cent annual rate range. For the first quarter as a whole, the adjusted credit proxy might show little net change, or a slight growth, with the main thrust of the greater rate of bank credit expansion being seen in the second quarter figures.

(19) The money stock, too, would be likely to show more expansion in March under easier money market conditions, as the public rebuilds its liquidity. For the first quarter the money stock could grow in a 4 - 5 per cent annual rate range, assuming the economy does not weaken more than projected.

(20) Long-term interest rates would decline under this policy alternative, as banks began to re-enter the bond markets and as dealers took larger positions in longer-term U.S. Government and corporate securities in anticipation of more favorable market conditions ahead. Moreover, the volume of corporate bond offerings could abate somewhat, at least in the short-run, as some businesses deferred financing temporarily to await even more favorable market conditions.

Table 1

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

Period	Free reserves	Excess reserves	Member Banks Borrowings				
				Reserve City			
				Major banks			
			Total	8 N.Y.	Outside N.Y.	Other	Country
Monthly (reserves weeks ending in):							
1968--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	-1,045	266	1,311	89	250	364	608
August	- 997	214	1,211	81	253	256	621
September	- 744	282	1,026	83	236	222	485
October	- 995	195	1,190	106	327	293	464
November	- 975	238	1,213	120	387	250	456
December p	- 851	276	1,127	268	310	220	329
1970--January p	- 768	160	928	148	292	227	261
1969--July 2	-1,138	496	1,634	125	416	396	697
9	- 891	129	1,020	--	165	334	521
16	-1,103	176	1,279	88	302	390	499
23	- 972	382	1,354	86	214	393	661
30	-1,123	146	1,269	146	152	308	663
Aug. 6	- 839	251	1,090	18	183	251	638
13	- 996	333	1,329	118	365	256	589
20	-1,162	59	1,221	136	267	194	624
27	- 992	212	1,204	53	196	322	633
Sept 3	- 838	402	1,240	57	286	233	664
10	- 349	391	740	64	39	172	465
17	- 886	132	1,018	128	331	136	42[illegible]
24	- 901	204	1,105	83	306	328	388
Oct. 1	-1,116	320	1,436	95	531	257	553
8	- 828	139	967	170	112	267	418
15	-1,129	218	1,347	210	396	302	439
22	- 857	158	1,015	--	275	344	396
29	-1,099	80	1,179	53	322	293	511
Nov 5	-1,032	296	1,328	121	422	295	490
12	- 873	371	1,244	350	296	18[illegible]	4[illegible]
19	- 925	146	1,071	--	390	260	421
26	-1,072	136	1,210	8	438	260	504
Dec. 3	- 988	203	1,191	266	307	241	379
10	- 903	297	1,200	293	264	264	379
17	- 946	98	1,044	164	296	301	295
24	- 820	274	1,094	296	356	150	292
31 p	- 596	508	1,104	319	334	153	298
1970--Jan. 7 p	- 597	257	854	196	327	87	244
14 p	- 846	18	864	234	281	188	161
21 p	- 760	206	966	75	340	297	254
28 p	- 870	158	1,028	86	218	339	385
Feb 4 p	-1 092	166	1 258	75	389	310	484

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-dols. and nondeposit sources of funds
Annually									
1968	+ 7.8	+ 6.0	+ 7.9	+ 9.0	+ 7.2	+ 7.4	+ 7.1	+11.5	
1969 p	+ 1.6	- 3.0	- 1.2	- 4.1	+ 2.[illegible]	+ 6.0	+ 1.5	- 5.3	
Semi-annually									
1st Half 1969	+ 0.7	- 3.7	+ 1.0	- 3.5	+ 4.3	+ 6.5	+ 3.7	- 4.0	
2nd Half 1969	- 3.9	- 2.4	- 3.3	- 4.7	+ 0.7	+ 5.4	- 0.6	- 6.7	- 3.0
Quarterly									
1st Quarter 1968	+ 7.9	+ 1.1	+ 7.5	+ 7.3	+ 5.5	+ 6.9	+ 5.4	+ 7.6	
2nd Quarter 1968	+ 1.5	+ 2.1	+ 1.8	+ 1.4	+ 8.7	+ 7.8	+ 8.7	+ 3.0	
3rd Quarter 1968	+11.5	+15.0	+11.5	+13.6	+ 6.8	+ 7.6	+ 6.8	+16.5	
4th Quarter 1968	+ 9.6	+ 5.3	+ 9.8	+12.7	+ 7.1	+ 6.6	+ 7.0	+17.3	
1st Quarter 1969	+ 0.1	- 2.8	+ 1.7	- 4.8	+ 4.1	+ 6.5	+ 3.2	- 5.1	
2nd Quarter 1969	+ 1.2	- 4.7	+ 0.2	- 2.2	+ 4.5	+ 6.3	+ 4.2	- 3.0	
3rd Quarter 1969	- 9.3	- 4.8	- 8.6	- 9.4	--	+ 3.6	- 1.3	-13.3	- 4.0
4th Quarter 1969p	+ 1.4	- 0.1	+ 2.0	--	+ 1.4	+ 7.1	--	--	+ 2.1
Monthly:									
1968--April	- 6.9	- 6.9	- 5.2	- 5.2	+ 5.9	+ 5.8	+ 5.0	+ 3.2	
May	+ 2.5	+ 0.9	- 0.6	+ 2.2	+11.0	+ 8.7	+12.5	+ 3.2	
June	+ 8.8	+12.3	+11.3	+ 7.3	+ 9.0	+ 8.7	+ 8.3	+ 2.6	
July	+ 7.6	+13.8	+ 9.4	+ 9.4	+ 8.9	+ 5.7	+ 9.8	+15.9	
August	+22.4	+22.4	+22.3	+22.2	+ 8.9	+ 8.6	+ 8.9	+17.0	
September	+ 4.3	+ 8.3	+ 2.6	+ 8.8	+ 2.5	+ 8.5	+ 1.6	+16.1	
October	+ 8.5	+ 9.2	+10.4	+13.3	+ 2.5	+ 2.8	+ 2.4	+18.3	
November	+ 7.9	+ 1.3	+ 8.4	+11.5	+11.3	+11.2	+11.3	+16.2	
December	+12.1	+ 5.3	+10.2	+13.0	+ 7.4	+ 5.6	+ 7.2	+16.6	
1969--January	+ 7.5	+ 4.5	+12.7	- 3.2	+ 6.2	+ 2.8	+ 7.1	-10.0	
February	- 3.4	- 4.9	- 3.0	- 1.2	+ 3.1	+ 8.3	+ 1.6	- 4.7	
March	- 3.8	- 8.0	- 4.4	-10.1	+ 3.1	+ 8.2	+ 1.6	- 0.6	
April	- 8.5	-12.0	- 5.0	+ 4.9	+ 7.9	+ 2.7	+10.2	--	
May	+19.9	+ 6.0	+14.3	- 1.2	+ 1.2	+ 8.1	- 1.6	- 3.6	- 7.0
June	- 7.6	- 8.2	- 8.6	-10.2	+ 4.2	+ 8.1	+ 3.1	- 5.4	- 7.5
July	-22.5	-19.3	-17.6	-18.9	+ 1.8	+ 5.4	+ 1.6	-18.5	+ 1.6
August	- 5.6	- 2.8	- 7.6	-11.3	- 1.8	+ 8.0	- 4.7	-19.4	- 7.9
September	--	+ 7.7	- 0.8	+ 1.7	--	- 2.6	- 0.8	- 2.5	+12.7
October	-11.7	-17.9	-10.4	- 9.2	+ 0.6	+10.6	- 0.8	- 3.7	+ 1.6
November	+ 9.7	+ 5.5	+ 9.3	+ 9.7	+ 1.2	+ 7.9	- 1.6	- 0.6	- 3.1
December p	+ 6.0	+11.9	+ 6.9	- 0.4	+ 2.4	+ 2.6	+ 2.3	+ 4.3	- 7.1
1970--January p	+ 2.6	+ 6.5	+ 4.7	- 3.4	+ 9.0	--	+10.9	-12.4	- 0.8

p - Preliminary.

Table 3

AGGREGATE RESERVES AND MONETARY VARIABLES
Seasonally Adjusted

(Based on monthly averages of daily figures)

Period	Reserve Aggregates 5/ Total reserves	Nonborrowed reserves	Required reserves	Member Bank Deposits Supported by Required Reserves Total member bank deposits	Time deposits	Private demand deposits 1/	U.S. Gov't. demand deposits	Money Supply Total	Currency 2/	Private demand deposits 3/	Commercial bank time deposits adjusted 4/	Credit Proxy Incl. Euro-dols. and nondeposit sources of funds
	(In millions of dollars)			(In billions of dollars)								
hly·												
--January	26,134	25,818	25,774	275.1	149.9	119.7	5.4	182.6	40.6	142.0	184.1	
February	26,352	25,961	25,989	277.4	150.2	120.1	7.1	183.3	40.7	142.6	185.8	
March	26,451	25,755	26,078	278.5	151.2	120.6	6.7	184.2	41.1	143.2	187.2	
April	26,298	25,606	25,964	277.3	151.3	120.8	5.2	185.1	41.3	143.8	187.7	
May	26,353	25,626	25,952	277.8	151.5	122.7	3.7	186.8	41.6	145.3	188.2	
June	26,547	25,889	26,196	279.5	151.8	123.8	3.9	188.2	41.9	146.3	188.6	
July	26,715	26,186	26,402	281.7	153.8	125.2	2.7	189.6	42.1	147.5	191.1	
August	27,213	26,675	26,893	286.9	156.5	125.6	4.8	191.0	42.4	148.6	193.8	
September	27,311	26,860	26,951	289.0	158.9	124.8	5.3	191.4	42.7	148.8	196.4	
October	27,504	27,066	27,185	292.2	161.5	125.7	5.0	191.8	42.8	149.1	199.4	
November	27,685	27,095	27,376	295.0	163.5	126.8	4.7	193.6	43.2	150.5	202.1	
December	27,964	27,215	27,609	298.2	165.8	128.2	4.2	194.8	43.4	151.4	204.9	
--January	28,139	27,318	27,902	297.0	163.2	128.4	5.4	195.8	43.5	152.3	203.2	
February	28,060	27,206	27,832	296.7	161.0	129.1	6.7	196.3	43.8	152.5	202.4	
March	27,972	27,024	27,729	294.2	160.5	128.9	4.8	196.8	44.1	152.6	202.3	
April	27,775	26,754	27,614	295.4	160.1	129.4	5.9	198.1	44.2	154.0	202.3	
May	28,235	26,888	27,942	295.1	159.3	130.0	5.9	198.3	44.5	153.8	201.7	
June	28,056	26,705	27,742	292.6	158.1	130.5	4.0	199.0	44.8	154.2	200.8	307.5
ly	27,530	26,275	27,334	288.0	155.1	130.5	2.4	199.3	45.0	154.4	197.7	305.7
gust	27,401	26,214	27,161	285.3	152.5	129.9	2.9	199.0	45.3	153.8	194.5	303.8
September	27,402	26,383	27,144	285.7	152.1	129.2	4.4	199.0	45.2	153.7	194.1	304.2
O tober	27,354	26,210	27,129	283.5	151.5	128.9	3.1	199.1	45.6	153.6	193.5	302.2
November	27,783	26,538	27,548	285.8	151.1	129.1	5.6	199.3	45.9	153.4	193.4	305.4
December p	27,923	26,802	27,707	285.7	151.5	129.3	4.9	199.7	46.0	153.7	194.1	305.7
--January p	27,983	26,948	27,816	284.9	149.4	130.2	5.3	201.2	46.0	155.1	192.1	304.9

Private demand deposits include demand deposits of individuals, partnerships, and corporations and net interbank deposits.
Includes currency outside the Treasury, the Federal Reserve, and the vaults of all commercial banks.
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.
Excludes interbank and U.S. Government time deposits.
Includes increases in required reserves due to changes in Regulations M and D of approximately $425 million since October 16, 1969.

Table 4

AGGREGATE RESERVES AND MONETARY VARIABLES

Seasonally Adjusted

Period		Reserve Aggregates: Total reserves	Reserve Aggregates: Nonborrowed reserves	Reserve Aggregates: Required reserves	Member Bank Deposits Supported by Required Reserves: Total member bank deposits	Member Bank Deposits Supported by Required Reserves: Time deposits	Member Bank Deposits Supported by Required Reserves: Private demand deposits 1/	Member Bank Deposits Supported by Required Reserves: U.S. Gov't demand deposits	Money Supply: Total	Money Supply: Currency 2/	Money Supply: Private demand deposits 3/	Commercial bank time deposits adjusted 4/	Credit Proxy incl. Euro-dols and nondeposit sources of funds
		(In millions of dollars)			(In billions of dollars)								
1969--June	4	28,320	26,829	27,826	293.7	158.8	130.6	4.3	196.8	44.7	154.0	201.6	306.1
	11	28,308	27,028	27,800	293.9	158.7	130.6	4.6	198.8	44.7	154.0	201.5	307.6
	18	27,833	26,543	27,698	293.1	158.2	130.6	4.3	198.2	44.8	153.5	200.9	308.4
	25	27,761	26,588	27,701	291.3	157.6	130.3	3.4	199.1	44.8	154.2	200.1	307.5
July	2	28,217	26,543	27,711	290.6	157.0	130.7	2.9	199.2	44.9	154.3	199.3	307.1
	9	27,506	26,461	27,462	289.4	156.1	130.2	3.0	199.4	44.9	154.5	198.8	306.0
	16	27,568	26,370	27,492	286.7	155.3	130.5	.9	199.3	45.0	154.3	197.9	304.4
	23	27,703	26,274	27,307	288.0	154.6	130.5	3.0	199.1	45.0	154.2	197.2	306.3
	30	27,1[illegible]1	25,977	26,980	287.1	154.1	130.0	3.0	199.1	45.0	154.1	196.7	305.6
Aug	6	27,491	26,411	27,258	286.2	153.4	129.9	2.9	199.1	45.1	153.9	195.6	304.5
	13	27,538	26,309	27,216	285.9	152.9	129.9	3.1	199.1	45.2	154.0	194.9	304.2
	20	27,151	2[illegible],915	27,164	284.4	152.4	130.3	1.7	199.5	45.2	154.3	194.4	303.1
	27	27,433	26,259	27,135	285.1	152.1	129.9	3.1	198.9	45.3	153.6	193.9	303.8
Sept	3	27,409	26,194	26,957	285.8	151.9	130.7	3.2	199.5	45.5	154.0	194.0	304.3
	10	[illegible]	26,687	27,059	283.7	151.9	129.7	2.2	199.3	45.1	154.2	193.9	302.3
	17	27,370	26,364	27,238	287.1	152.0	129.8	5.2	199.6	45.3	154.3	194.2	305.7
	24	27,236	26,199	26,982	285.0	152.2	128.6	4.1	198.3	45.3	153.0	194.0	303.4
Oct.	1	27,717	26,362	27,417	284.2	152.3	128.1	3.8	198.3	45.2	153.1	194.3	302.4
	8	27,[illegible]	26,291	27,044	283.7	151.9	128.8	3.0	199.6	45.4	154.3	193.9	301.9
	15	27,260	2[illegible],975	27,059	281.9	151.4	127.8	2.7	198.7	45.6	153.0	193.6	300.7
	22	27,[illegible]47	26,520	27,263	284.1	151.3	129.7	3.1	199.9	45.7	154.3	193.3	303.2
	29	27,239	25,939	27,041	283.4	151.2	129.1	3.2	198.5	45.7	152.8	193.4	302.1
Nov.	5	27,655	26,359	27,360	286.0	151.3	129.3	5.5	198.7	45.7	153.0	193.3	304.7
	12	27,565	26,339	27,354	285.9	151.0	129.0	5.9	199.7	45.8	153.9	193.1	305.2
	19	[illegible]	26,[illegible]29	2[illegible],732	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1[illegible]4.2	[illegible]	305.3
	26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	305.8
Dec.	3	[illegible]	26,[illegible]	2[illegible],646	287.2	[illegible]	[illegible]	6.1	[illegible]	[illegible]	153.3	19[illegible].8	307.3
	10	28,041	26,641	[illegible]	28[illegible].7	[illegible]	[illegible]	[illegible]	[illegible]	46.0	1[illegible]2.4	193.8	305.9
	17	28,020	26,861	27,946	28[illegible].5	151.7	128.5	5.2	198.7	46.1	152.7	194.1	305.4
	24	27,790	26,718	27,576	284.3	151.8	127.6	5.0	197.8	46.2	151.6	194.3	304.5
	31 p	27,878	27,079	27,713	286.2	151.3	131.3	3.7	202.9	45.9	157.0	193.9	306.1
1970--Jan.	7 p	28,088	27,119	27,791	286.3	150.6	131.7	4.6	202.5	45.7	156.8	193.3	305.4
	14 p	27,930	27,059	27,919	284.9	149.7	130.5	4.7	202.1	46.0	156.1	192.2	305.2
	21 p	28,078	27,062	27,924	284.9	149.2	130.3	5.3	201.7	46.1	155.5	192.0	305.4
	28 p	27,877	26,724	27,679	284.1	148.6	128.8	6.7	199.2	46.3	152.9	191.5	304.5
Feb.	4 p	27,890	26,546	27,703	283.1	148.0	129.2	5.8	199.3	46.2	153.1	190.6	303.6

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.

5/ Includes increases in required reserves due to changes in Regulations M and D of approximately $425 million since October 16, 1969.

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: $-0.2 billion, February 16; and $2.5 billion, March 3.