A meeting of the Federal Open Market Committee was held on Thursday, July 31, 1958, at 11:00 a.m. This was a telephone conference meeting and each individual was in Washington except as otherwise indicated in parentheses in the following list of those participating:

PRESENT: Mr. Balderston, presiding
Mr. Irons (Dallas)
Mr. Leach (Richmond)
Mr. Mangels (San Francisco)
Mr. Mills
Mr. Robertson
Mr. Vardaman
Mr. Treiber, Alternate for Mr. Hayes (New York)

Mr. Riefler, Secretary
Mr. Thurston, Assistant Secretary
Mr. Solomon, Assistant General Counsel
Mr. Thomas, Economist
Mr. Young, Associate Economist
Mr. Rouse, Manager, System Open Market Account (New York)
Mr. Molony, Special Assistant to the Board of Governors
Mr. Kenyon, Assistant Secretary, Board of Governors
Mr. Koch, Associate Adviser, Division of Research and Statistics, Board of Governors
Mr. Keir, Acting Chief, Government Finance Section, Division of Research and Statistics, Board of Governors
Mr. Marsh, Assistant Vice President, Federal Reserve Bank of New York (New York)
Mr. Stone, Manager, Securities Department, Federal Reserve Bank of New York (New York)

Mr. Marsh stated that the Government securities market was looking very much better than it had been. The market was again firm throughout the list this morning. In the longer end, issues showed gains of as much as 1/4 of a point, and there were smaller gains in other parts of the list. The underlying atmosphere seemed to be reasonably favorable to a stable market, and the dealers felt that the market had adjusted to a good trading level. Yesterday saw some fairly good buying, not heavy but enough to give the dealers some encouragement, and they felt that the rate structure had adjusted to the point where buyers should be expected to buy if the market did not "fall out of bed" again. There was still some apprehension about the speculators. The dealers realized that there were still speculative holdings that could come out, but at the moment they were reasonably optimistic. Current bids were 99-10/32 on the 3-1/2s of 1990 and 97-8/32 on the 2-5/8s of 1965, which for the latter was 4 or 5 32ds above last night's close. The short new issues were a little higher and at present stood just below par. The corporate and municipal markets had a steady tone, as they did yesterday.

Mr. Marsh said that the market was now awaiting announcement by the Treasury of the allotment on the new 1-1/2 per cent tax anticipation certificates. Last night the New York Bank heard from the Treasury that subscriptions had reached $5.895 billion, and the Treasury felt that additional subscriptions would bring the total up to about $6 billion. That would mean an allotment just under 60 per cent, and it was Mr. Marsh's view that such an announcement would be received without too much disturbance to the market.

Mr. Marsh then commented briefly on the money market, which remained easy. He said that last night's actual free reserve figure was substantially lower than had been projected because of yesterday's sales of bills from the System Account. Average free reserves for the statement week which ended yesterday were found to be $529 million, which reflected bill sales yesterday for cash in the amount of $118 million. In addition, $5 million of bills were sold for regular delivery. The estimate for free reserves today was $870 million, but in spite of a substantial rise projected for tomorrow it was estimated that the average for the current statement week would be around $800 million. This estimate took into account bill sales already made and a Treasury balance well above $500 million. For today a Treasury balance of $629 million was projected, and for the rest of the statement week a level around $700 million. Thus, the Treasury balance was expected to be of help in mopping up reserves.

Mr. Marsh reported that yesterday's selling of bills in the market was very successful. The dealers bid for over $300 million and, as he had said, the Account sold them about $125 million, practically all for cash. There was a demand for more bills at better prices later in the day, but the Management of the Account decided to let the market rest and to take another look today. No trouble was expected in selling more bills, and that was what the

Account planned to do at the moment, subject to a further look at the market following this meeting. The Account might sell another $125 million for cash or regular delivery.

Mr. Marsh said that dealers' positions in bills went down $56 million yesterday in spite of the sales of bills, so the dealers sold more bills than the System made available.

Mr. Marsh also said that there had been no significant activity in the new tax certificates. Holders were apparently content to hold on, prices were just below par, and it was a very satisfactory situation at the moment.

Mr. Leach said that it looked like a very good day to do some more selling of bills, with prices firm and demand good. He would favor selling a substantial amount.

Messrs. Balderston and Robertson expressed agreement with Mr. Leach's comments.

Mr. Balderston stated that it was proposed to include the following statement in the text accompanying the weekly statement of condition of the Federal Reserve Banks, to be released later today:

> As noted in last week's statement, holdings of U. S. Government securities do not include $1,090 million of the new 1-5/8 per cent Treasury certificates of indebtedness, purchased on a when-issued basis for delivery on August 1.

After a brief discussion, Messrs. Treiber and Rouse indicated that the proposed statement was agreeable to them.

It was stated that another telephone meeting of the Committee would be held tomorrow at 11:00 a.m.

The meeting then adjourned.

Winfield W. Riefler

Secretary