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MONEY MARKET AND RESERVE RELATIONSHIPS

Recent developments

All debt markets tightened sharply in the period since the last meeting of the Committee, with interest rates in the U.S. Government, municipal, and corporate bond markets rising 15-40 basis points, and short-term rates on Treasury bills, bankers' acceptances, and commercial and finance company paper 30-40 basis points. The rise in long-term rates was especially sharp, as compared with normal movements in such yields; these rates had in recent months lagged more than usually behind the rise in short rates. In the short-term market, the 3-month bill reached a peak of 5.92 per cent (and the 6-month bill 6.08 per cent), while bankers' acceptances and finance company paper was yielding rates of 6 -- 6-1/4 per cent in the 3- and 6-month areas. Most recently, short-term market rates have eased somewhat, with the 3-month bill rate dropping to 5.75 per cent.

The rise of interest rates to new peaks in good part reflected market disappointment at the further delay in Congressional consideration of the fiscal package, and dimming of hopes for the eventual passage of the legislation; similarly, new flickers of hope for fiscal action have led to some rate declines in the last few days. The net increase in interest rates since the last meeting of the Committee also reflected the tightening of conditions in money markets that resulted from the mid-April discount rate increase and the subsequent restraint in provision of reserves through open market operations. Both the expectational shift and the cumulative impact of monetary restraint came

FINANCIAL MARKET RELATIONSHIPS IN PERSPECTIVE

(Monthly averages and, where available, weekly averages of daily figures)

Period	Money Market Indicators				Bond Yields			Flow of Reserves, Bank Credit and Money				
	Free Reserves (In millions of dollars)	Borrowings	Federal Funds Rate	3-month Treasury Bill	U.S. Gov't. (20 yr)	Corporate New Issues (Aaa) ^{1/}	Municipal (Aaa)	Non-borrowed Reserves (In millions of dollars)	Total Reserves	Bank Credit Proxy (In billions of dollars)	Money Supply (In billions of dollars)	Time Deposits ^{2/} (In billions of dollars)
	(Seasonally Adjusted)											
1967--Apr.	199	150	4.03	3.84	4.64	5.38	3.50	+ 92	+ 49	+ 2.1	- 0.3	+ 2.0
May	275	94	3.94	3.60	4.90	5.62	3.71	+ 96	- 8	+ 1.2	+ 1.6	+ 1.9
June	257	88	3.97	3.53	4.99	5.79	3.80	+ 95	+164	+ 2.0	+ 1.7	+ 2.5
July	311	132	3.78	4.20	5.01	5.78	3.86	+307	+223	+ 3.2	+ 1.7	+ 2.2
Aug.	270	86	3.88	4.26	5.12	3.86**	3.78	+291	+269	+ 3.7	+ 1.2	+ 2.5
Sept.	252	82	3.99	4.42	5.16	5.85**	3.81	+ 96	+193	+ 2.3	+ 0.1	+ 1.7
Oct.	212	141	3.87	4.55	5.36	6.08	3.88	+250	+311	+ 2.7	+ 1.1	+ 2.0
Nov.	225	124	4.14	4.72	5.66	6.50	3.99	+223	+157	+ 1.9	+ 0.9	+ 1.7
Dec.	148	185	4.49	4.96	5.59	6.51	4.15	-292	-145	- 0.1	+ 0.3	+ 1
1968--Jan. 4/	142	275	4.60	5.00	5.39	6.24**	4.06	+240	+389	+ 1.8	+ 1.0	- 0.2
Feb. 4/	21	368	4.68	4.98	5.38	5.29**	4.01	+189	+248	+ 2.3	--	+ 1.3
Mar. 4/	-312	649	5.02	5.17	5.59	6.56**	4.28	-268	+ 46	+ 1.0	+ 0.9	+ 1.7
Apr. 4/ p	-341	689	5.74	5.38	5.46	6.52	4.13	-210	-177	- 1.0	+ 1.3	+ 0.2
1968--May 1 p	-407	674	6.20	5.50	5.49	6.63**	4.20			- 0.4	- 0.5	+ 0.4
8 p	-411	823	6.00	5.50	5.50	6.64**	4.16			+ 0.7	+ 1.5	--
15 p	-314	712	6.38	5.58	5.50	6.62**	4.25			- 0.7	+ 0.1	+ 0.2
22 p	-390	669	5.99	5.84	5.63	6.84**	4.35			+ 0.7	+ 1.8	- 0.4
	<u>Averages</u>							<u>Annual rates of increase</u> ^{3/}				
Year 1967	195	173	4.19	4.29	5.01	5.77	3.74	+11.5	+ 9.8	+11.6	+ 6.5	+15.8
First Half 1967	153	222	4.36	4.07	4.70	5.45	3.56	+15.0	+10.7	+12.1	+ 6.8	+17.3
Second Half 1967	238	123	4.02	4.51	5.31	6.10	3.91	+ 7.4	+ 8.5	+10.5	+ 6.0	+13.1
<u>Recent variations in growth</u>												
Mar. 29-June 28	245	110	4.00	3.66	4.83	5.63	3.68			+18.8	+ 6.9	+14..
Jun. 28-Nov. 29	254	112	3.96	4.41	5.25	5.96	3.86			+12.5	+ 6.3	+14.1
Nov. 29-May 22	-109	472	5.07	5.16	5.49	5.71	4.14			+ 3.2	+ 6.7	+ 4.1

^{1/} Includes issues carrying 5-year and 10-year call protection, **issues carry a 5-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/} Reserve aggregate changes have been adjusted for change in reserve requirements held against net demand deposits effective at mid-month, January 1968.

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together to affect markets at a time when intermediate- and long-term markets particularly were in a weak technical position--with a sizable volume of corporate issues in syndicate or foreseeable, with dealer holdings of State and local government securities building up, and with the Treasury coupon market in process of absorbing the mid-May combined cash and exchange offering (which raised \$2 billion of new cash).

Thus far in May (and also in the last three business days in April) Federal funds have traded most frequently in a 6-1/8 -- 6-1/2 per cent range, well above the April range of 5-1/2 -- 5-3/4 per cent. And new loan rates to dealers posted by major money market banks moved generally into a 6-5/8 -- 6-7/8 per cent range from a 6 -- 6-1/4 per cent range the month before. In the last few days both Federal funds and dealer loan rates have run a little below their earlier peaks, partly because large Euro-dollar borrowings by major money market banks eased the reserve position of such banks.

This substantial a tightening of the market for one-day money occurred with relatively little further deepening in banks' net borrowed reserve positions. Member bank borrowing during the four statement weeks ending May 22 have averaged \$720 million and net borrowed reserves \$380 million, only slightly larger than the averages of \$690 million and \$340 million, respectively, in the previous four weeks.

The rise in the discount rate to 5-1/2 per cent in mid-April, and subsequent expectations of further tightening of monetary policy, were

factors pressing Federal funds and dealer loan rates further upwards, as banks sought to hold down current borrowing at the discount window. But in addition, the continued sharply reduced net inflows of time and savings deposits, particularly at large banks, increasingly placed a premium on banks' borrowing from other sources, principally the Federal funds and Euro-dollar markets, and contributed to the rise in yields in such markets. And dealer financing demands related to the mid-May refunding were another factor exerting pressure on the money market. With higher money market rates prevailing, the System charged a rate of 5-3/4 per cent (1/4 per cent above the discount rate) on its repurchase agreements, and made substantial use of this instrument in meeting reserve needs during the period. The tightness of the central money market contributed to the sharp rise in Treasury bill rates that developed once bill trading positions of dealers increased and expectations of the likelihood of a tax increase became more pessimistic.

The increased level of market interest rates has continued to hold back net inflows of time and savings deposits to banks, and such deposits in May are estimated to rise at only about a 1/2 per cent annual rate. The growth rate in time and savings deposits is lower than anticipated at the previous Committee meeting largely because banks, as it turned out, did not add to outstanding CD's over the month. Part of the explanation for this is that most banks were not particularly aggressive bidders for what funds were available when there was leeway under the new Regulation Q ceiling rates after they were first announced. Later, short-term interest rates rose so rapidly

that banks suddenly found their ability to compete on a rate basis virtually gone.

With U.S. Government demand deposits continuing to decline in May, the money supply appears to be rising at about a 9 per cent annual rate. The decline in U.S. Government deposits did not turn out to be as large as earlier projected, however, because the Treasury raised about \$1.3 billion more cash at mid-May than assumed (after allowing for the \$300 million that was spent by Treasury investment accounts to help reduce the overhang of new issues in dealer positions following the further delay in tax action).

The bank credit proxy in May is estimated to rise at about a 1/2 per cent annual rate. This growth rate, after allowance is made for the larger-than-assumed Treasury financing, is at the bottom end of the range projected at the time of the previous meeting. The additional financing added about 2-1/2 percentage points to the growth rate of the proxy, which had been projected -2 to +2 per cent range absent the additional financing. After including also the sharp rise in Euro-dollar borrowings by banks during the month--over \$1 billion in the last three statement weeks--the adjusted credit proxy would show a 3 per cent annual rate of growth.

On balance, during the past two months (April and May), there has been no bank credit growth, as measured by the proxy on a daily average basis, even after allowing for funds from non-deposit sources. The sharp rise in market interest rates during this period has reduced the growth rate in time and savings deposits to fractional proportions. The growth in money supply over the past two months has

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matched the decline in U.S. Government deposits almost dollar for dollar. The behavior of key monetary variables over the past two months, in comparison with earlier periods, is shown in the table below (all figures being annual rates of increase).

	May '67- Nov. '67	Dec. '67- May '68	Dec. '67- March '68	Apr. '68- May '68
Total reserves	9.6	2.3	6.5	-5.9
Nonborrowed reserves	10.0	-2.2	0.4	-6.0
Bank credit, as measured by:				
Proxy	11.3	3.0	5.5	-1.9
Proxy plus Euro-dollars	12.1	3.8	5.7	- <u>2</u> / ^{2/}
Money supply	8.4	5.4	3.6	8.8
Time and savings deposits	14.7	4.8	6.7	1.0
Savings accounts at thrift institutions	9.1	5.7 ^{1/}	6.1	4.0 ^{3/}

NOTE: Dates are inclusive.

^{1/} Dec. '67-April '68.

^{2/} The last Wednesday of month series on total loans and investments appears to diverge sharply from the proxy series, adjusted for Euro-dollars, in the recent period, at least insofar as can be judged by the data for April, when the Wednesday series shows a substantial increase. (Data are insufficient to make a reasonable estimate for May). Divergent seasonal factors are most of the explanation for April. In addition, of course, the last Wednesday series is often subject to sharp changes resulting from special circumstances that affect single day figures. It is the staff's view that the "proxy plus Euro-dollar" measure is probably the best indicator of recent bank credit movements because its seasonals appear more accurately to take account of the recent tax speed-ups and also because it is less subject to the vagaries of day-to-day bank reserve position management and adjustments.

^{3/} April only.

Prospective developments

Two financial threats on the horizon are (a) that banks will experience a sharply larger than seasonal attrition of outstanding CD's in June, and (b) that other savings institutions as well as banks will experience large withdrawals of funds from time and savings accounts in the late June-early July reinvestment period. Whether and to what degree these threats materialize will depend importantly on the progress of fiscal legislation. In the absence of a tax increase and if the worst market expectations are realized with respect to disintermediation, there would likely be a further substantial tightening in bank lending terms to business customers, sharp further cut-backs in mortgage lending, and perhaps liquidity crises affecting selected institutions.

Of the two threats, that of a CD run-off threat is more likely to arise between now and the next meeting of the Committee on June 18. Bill rates are higher relative to ceiling rates now than they were in early April. That is, rate relationships alone--with a bill rate structure currently anchored around a 5.75 per cent 3-month rate--provide banks with practically no leeway to attract funds, not even with the minimum leeway in the very short-term area such as exist in the earlier period. It is, of course, likely that long-term customer relationships will enable banks to roll-over some CD's. At the moment, the staff's best guess is that attrition could run anywhere from around 20 to 40 per cent of maturing CD's, depending chiefly on the course of market interest rates.

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We do not have the end of May CD maturity survey, which would provide definite figures on the amount of CD's maturing in June, but the survey taken at the end of April indicated \$4.3 billion of maturities in June (with \$1.1 billion maturing on the dividend and tax dates). Assuming only a few sales into June in the ensuing month, total June maturities would be about \$1 billion less than banks were faced with in April, when nearly \$1.1 billion of CD's ran off before the Regulation Q revision on April 19. On the basis of present information, the staff would estimate a further decline of outstanding CD's in June of somewhat over \$1 billion if the 3-month bill rate were more toward the lower end of a 5.65 -- 6.00 per cent range.

Where within this range the bill rate is most likely to be will depend in large part on market expectations as to the course of monetary policy and of debt management. Prospects for fiscal restraint are, of course, critical to the market's evaluation of the direction of monetary policy and of market interest rates. If fiscal restraint begins to appear more likely the bill rate could readily move toward, or possibly below, the lower end of the range in the next few weeks.

The following constellation of money market conditions may be consistent with a continuing taut situation in credit markets, but one perhaps somewhat less tense than developed at the peak of market pressures in the recent period of adverse expectations. Such money market conditions would encompass a Federal funds rate in a 6 -- 6-1/4 per cent range, net borrowed reserves in a \$300 - \$450 million range, and member

bank borrowings averaging around \$650 - \$700 million. The more conditions are toward the lower end of these ranges, the more likely is it that the bill rate will be in the lower half of the range. As was the case at times during the past few weeks, however, markets are likely to be so sensitive in the period ahead to various international and domestic developments that the various money market indicators, taken together or individually, may be subject to abrupt and unprojected movements.

The odds would tilt somewhat further toward moderation of upward bill rate pressures between now and the next meeting of the Committee if the Treasury holds off from raising cash in June in anticipation of its large July-August need (estimated at as much as \$9 billion without a tax increase, and \$7.5 billion with an increase). However, if sizable additional Treasury bill offerings were to be announced in the next few weeks, it is not at all clear that even the lower end of the ranges for money market variables specified above would keep bill and other short-term rates from rising significantly further absent signs of positive action on a tax increase. And any further rise in short-term rates is likely to encourage additional long-term interest rate increases, as banks come under more and more pressure to continue tightening loan policies and to withdraw from the municipal market and also to accelerate their net liquidation of U.S. Government securities.

The strong loan demands on banks expected in June, partly because of tax payments, will tend to force banks out of securities

markets in any event. And if these demands develop in very large size, many money market banks would become less willing lenders to dealers in an effort to preserve their loanable funds for good corporate customers. Thus, strong loan demands could lead to a wider than usual spread of dealer loan rates over the Federal funds rate and to strong upward pressure on bill rates.

Given all the conflicting possibilities inherent in the near-term outlook, the staff's maximum likelihood projection for the credit proxy in June is for a decline in a 1 to 4 per cent annual rate range. The mid-point of this range assumes a CD run-off of somewhat over \$1 billion during the month, or a decline of about \$600 million more than seasonal. It appears unlikely that enough additional Euro-dollars can be obtained by banks, at interest rates they may be willing to countenance, to raise the proxy by more than two or three percentage points. The very large Treasury cash financing needs in July and August will impose a heavy underwriting burden on the banking system. But given maintenance of current interest rate relationships, any bank credit expansion is likely to be quite modest since banks may sell off of the next issues quite quickly.

With the CD assumption, noted above time and savings deposits of banks in June are expected to show virtually no growth, or to decline slightly. There is no reason to expect consumer-type time and savings deposits to show any more strength than in the preceding two months, and they could be even weaker, given the higher level of market interest rates that has developed recently.

The money supply in June is expected to continue rising in a 7 - 9 per cent annual rate range, about the same as in the last two months as the Treasury balance continues to decline sharply (assuming no large cash financing in June). Strong loan demands over the tax period may also be a factor tending to keep money growth up. Businesses may be unwilling to draw down existing cash balances, or other liquidity instruments to any very great extent, in view of the uncertain future state of credit conditions. Investors may also tend to keep funds idle in cash for short periods as they assess the credit outlook.

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	As expected at conclusion of each week's open market operations
Monthly (reserves weeks ending in):					
1967--April	349	150	199		
May	369	94	275		
June	345	88	257		
July	449	132	317		
August	356	86	270		
September	334	82	252		
October	353	141	212		
November	349	124	225		
December	333	185	148		
1968--January	417	275	142		
February	389	368	21		
March	337	649	-312		
April p	348	689	-341		
Weekly:					
1968--Jan. 3	653	495	158	71	45
10	564	180	384	398	363
17	157	224	- 67	- 55	- 28
24	376	233	143	133	73
31	336	241	95	44	35
Feb. 7	375	241	134	85	88
14	488	384	104	75	89
21	379	405	- 26	- 44	- 57
28	313	442	-129	-143	-148
Mar. 6	316	500	-184	-151	-155
13	458	779	-321	-309	-320
20	414	733	-319	-332	-289
27	161	582	-421	-410	-407
Apr. 3	331	696	-365	-328	-340
10	406	646	-240	-173	-198
17	527	763	-236	-230	-220
24	126	651	-525	-536	-557
May 1 p	267	674	-407	-390	-408
8 p	412	823	-411	-428	-377
15 p	398	712	-314	-308	-307
22 p	279	669	-390	-390	-378

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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 ^{2/}				Monetary Variables			
	Total Reserves	Nonborrowed Reserves	Required reserves		Total Member Bank Deposits (credit) ^{1/2/}	Time Deposits (comm. banks) ^{2/}	Money Supply	
			Total	Against Demand Deposits			Total	Private Demand Deposits
Annually:								
1966	+ 1.2	+ 0.8	+ 1.4	+ 0.9	+ 3.7	+ 8.8	+ 2.2	+ 1.2
1967	+ 9.8	+11.5	+10.2	+ 7.0	+11.6	+15.8	+ 6.5	+ 6.8
Monthly:								
1967--Jan.	+19.2	+26.0	+14.4	+14.0	+16.1	+16.5	- 0.7	- 2.7
Feb.	+11.5	+17.4	+12.0	+11.6	+15.9	+19.3	+ 8.5	+ 9.1
Mar.	+21.6	+29.4	+15.3	+ 9.8	+14.3	+19.0	+11.2	+12.7
Apr.	+ 2.5	+ 4.7	+ 8.1	+ 5.0	+ 9.9	+14.4	- 2.8	- 5.4
May	- 0.4	+ 4.9	- 1.2	- 2.1	+ 5.6	+13.5	+12.5	+15.3
June	+ 8.4	+ 4.9	+ 4.8	- 2.8	+ 8.8	+17.5	+11.7	+13.3
July	+11.3	+15.2	+16.0	+15.8	+15.2	+15.2	+11.6	+14.0
Aug.	+13.5	+14.7	+15.6	+14.4	+16.9	+17.1	+ 8.1	+10.4
Sept.	+ 9.6	+ 4.8	+ 9.0	+ 7.2	+10.3	+11.4	+ 0.7	- 0.9
Oct.	+15.3	+12.4	+18.0	+16.1	+12.0	+13.3	+ 7.4	+ 6.9
Nov.	+ 7.6	+10.9	+ 5.5	+ 2.8	+ 7.9	+11.2	+ 6.0	+ 7.7
Dec.	- 7.0	-14.2	- 0.3	-10.2	- 0.4	+ 8.5	+ 2.0	- 0.9
1968--Jan. ^{3/}	+18.9	+16.7	+13.8	+17.8	+ 7.9	- 1.3	+ 6.6	+ 6.8
Feb. ^{3/}	+11.9	+ 9.2	+ 8.3	+16.3	+10.0	+ 8.4	--	- 0.8
Mar. ^{3/}	+ 2.2	-12.9	+ 1.8	+ 0.3	+ 4.3	+11.0	+ 5.9	+ 4.2
Apr. p ^{3/}	- 8.4	-10.2	- 5.8	- 8.3	- 4.3	+ 1.3	+ 8.5	+ 8.4

^{1/} Includes all deposits subject to reserve requirements. Movements in this aggregate correspond closely with movements in total member bank credit.

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

^{3/} Reserve aggregate changes have been adjusted for change in reserve requirements held against net demand deposits effective at mid-month, January 1968.

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Chart 1

MEMBER BANK RESERVES

MONTHLY AVERAGES OF DAILY FIGURES

BILLIONS OF DOLLARS, SEASONALLY ADJUSTED

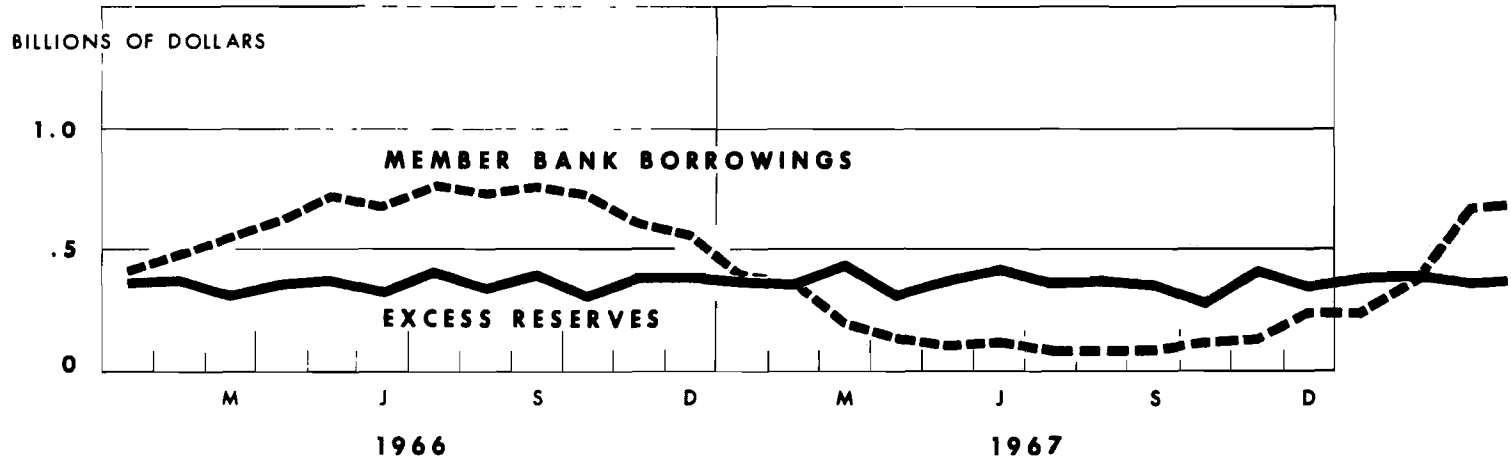
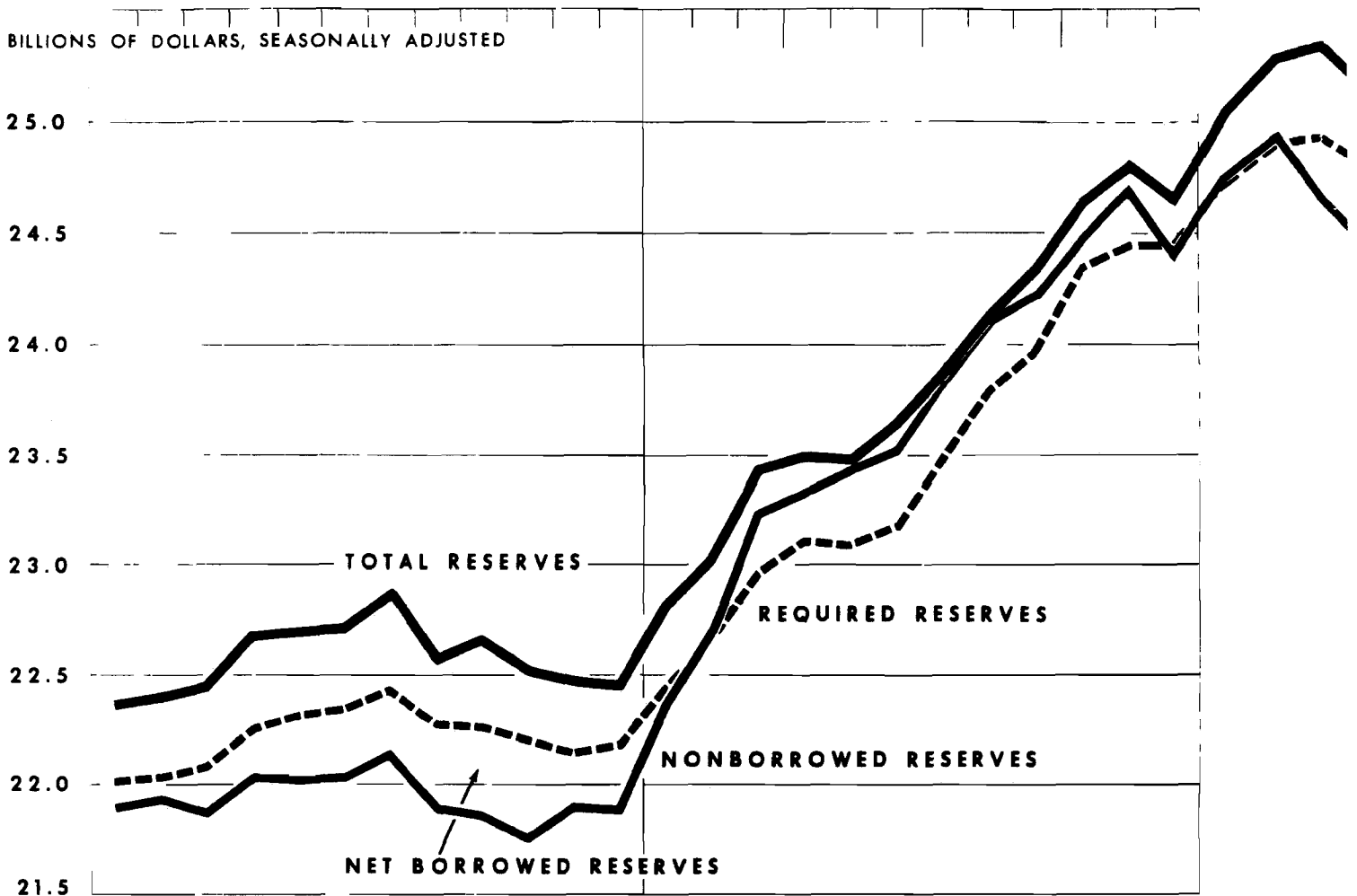


Chart 2

MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

BILLIONS OF DOLLARS

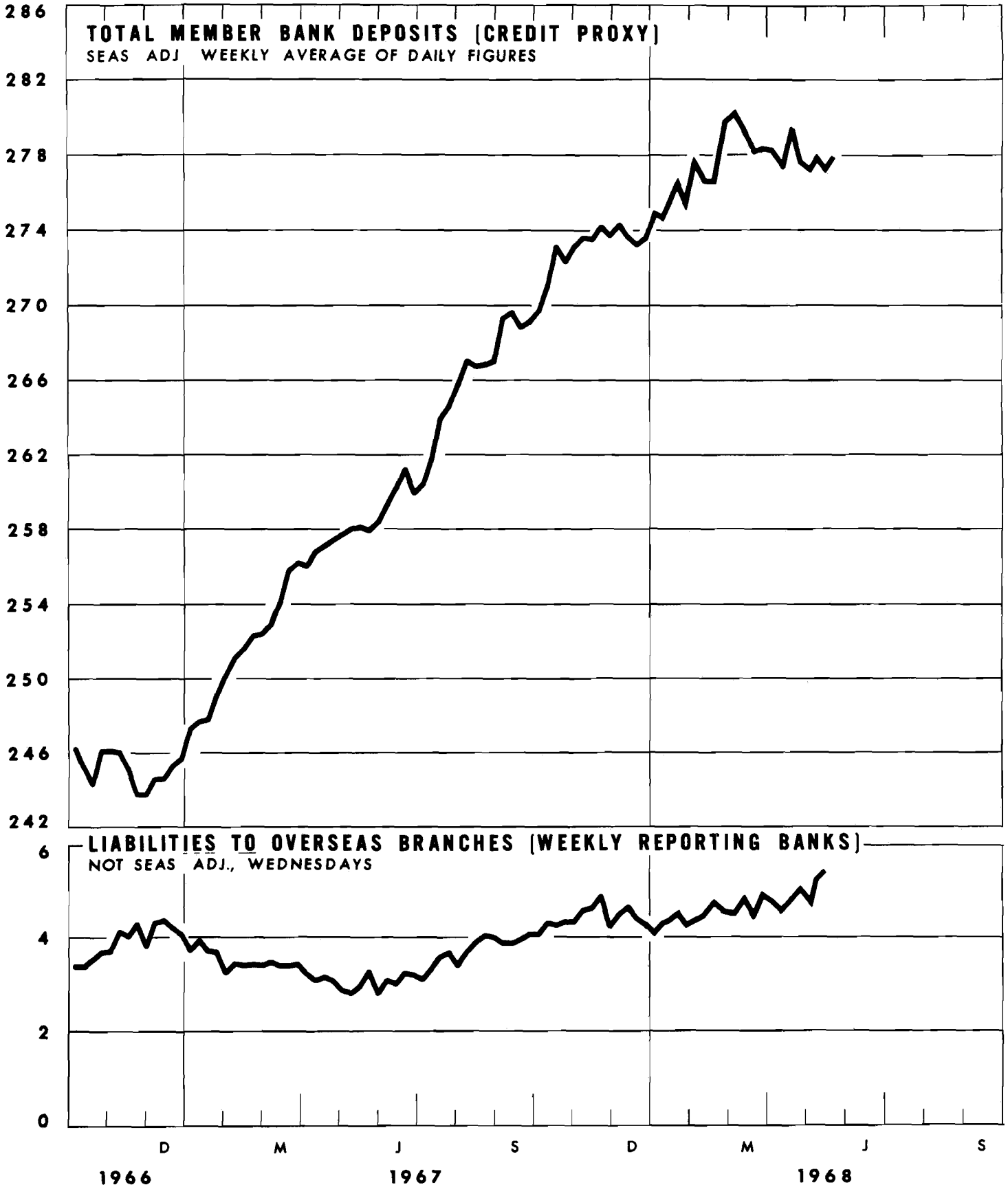


Chart 3

MONEY SUPPLY AND BANK DEPOSITS

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

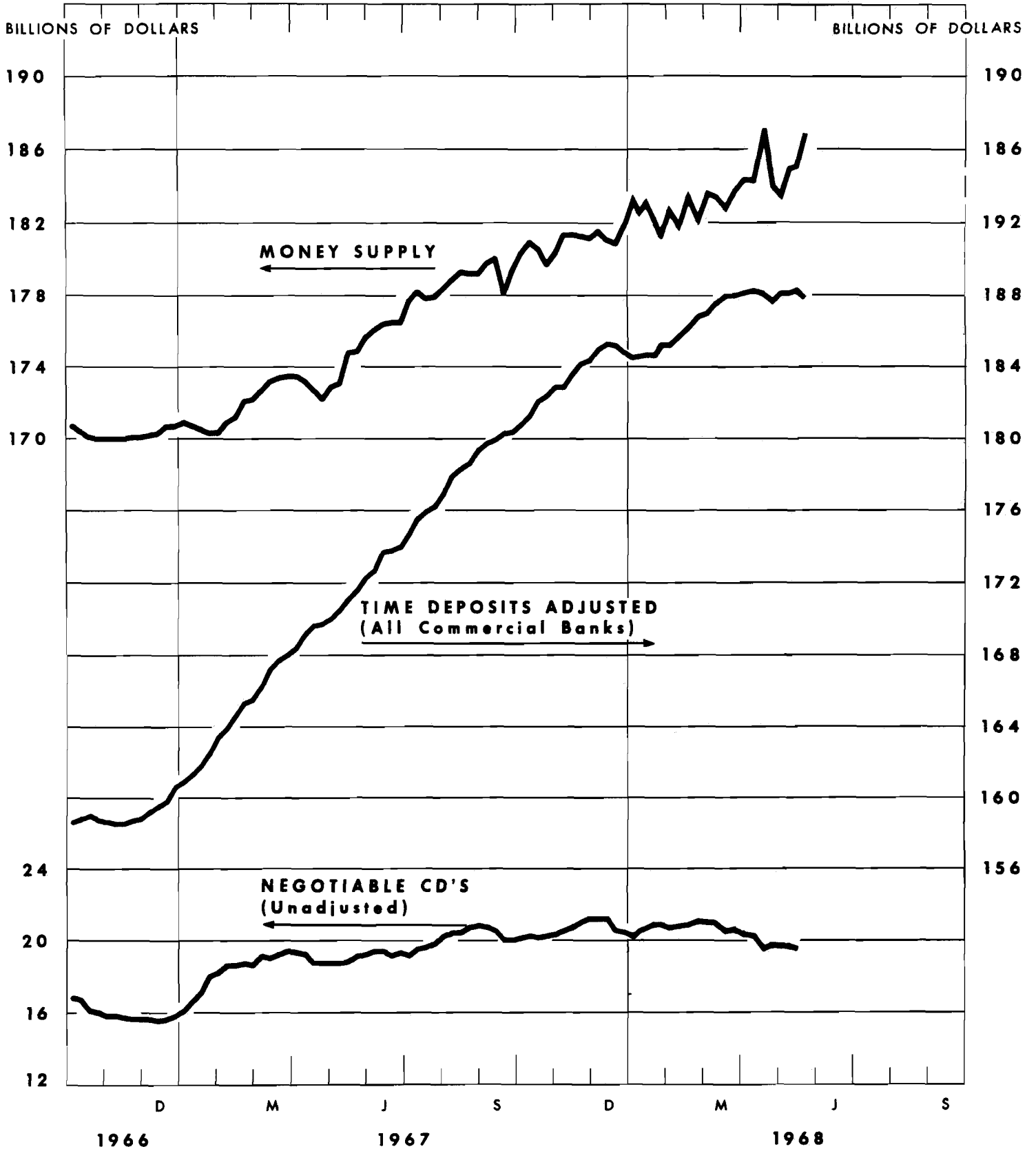


Chart 4

DEMAND DEPOSITS AND CURRENCY

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

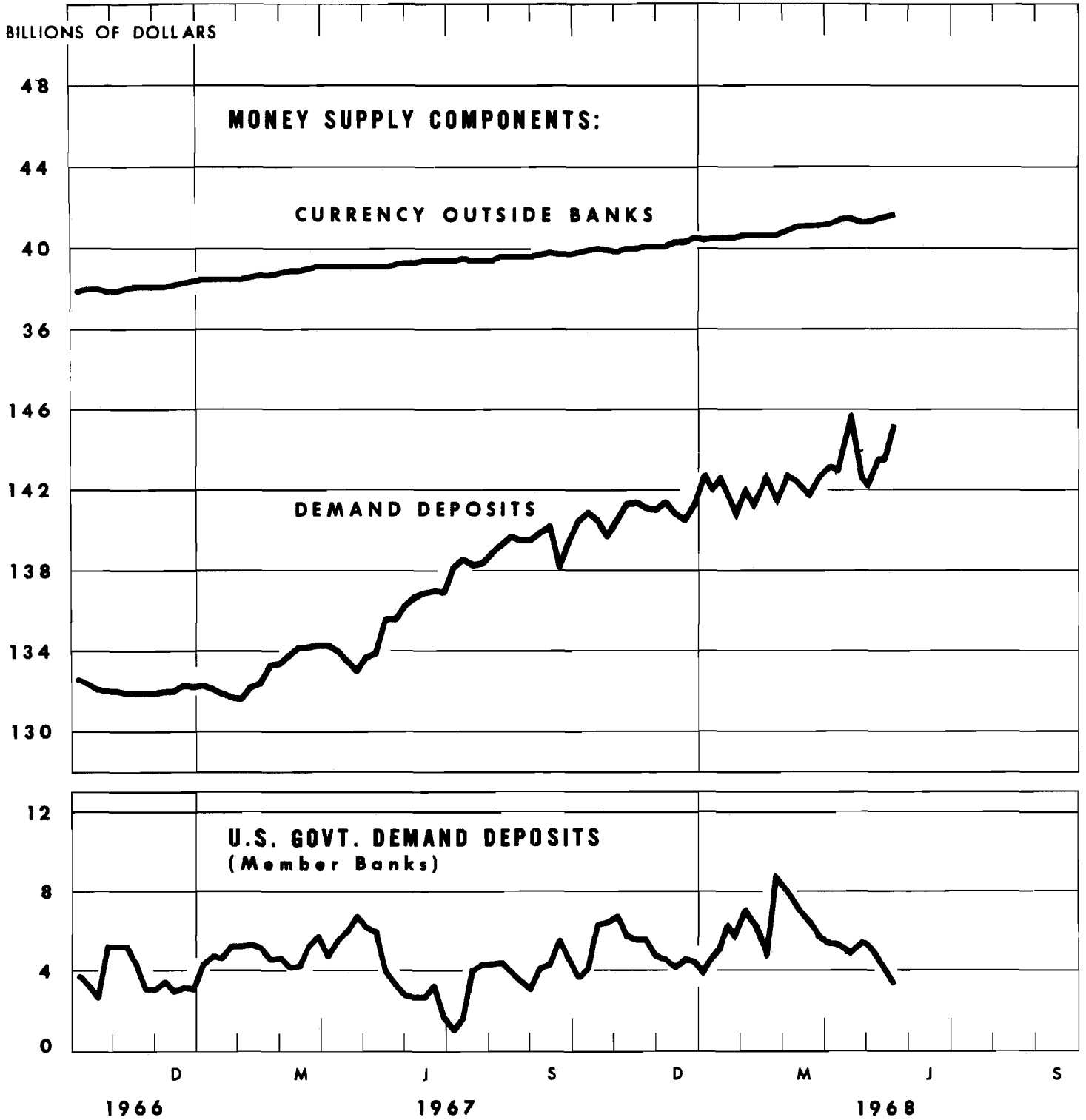


Table B-1

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:							
1966 (12/29/65 - 12/28/66)	+3,149	- 627	-2,243	+ 805	+1,085	+1,111	- 26
1967 (12/28/66 - 12/27/67)	+4,718	- 725	-2,305	- 165	+1,522	+1,517	+ 5
Year-to-date:							
(12/28/66 - 5/24/67)	+1,005	- 50	+ 611	-2,649	-1,084	- 974	- 110
(12/27/67 - 5/22/68) 5/	+1,891	-1,964	+ 317	- 577	- 335	- 172	- 163
Weekly:							
1968--Apr. 3	+ 332	--	- 236	+ 40	+ 137	- 33	+ 170
10	+ 280	--	- 579	+ 271	- 29	- 104	+ 75
17	+ 134	--	+ 81	+ 441	+ 656	+ 535	+ 121
24	- 418	--	+ 447	- 617	- 587	- 186	- 401
May 1 p	+ 347	--	+ 108	- 442	+ 11	- 130	+ 141
8 p	+ 568	--	- 656	+ 291	+ 203	+ 58	+ 145
15 p	- 238	--	+ 27	- 82	- 344	- 330	- 14
22 p	- 23	- 14	+ 57	- 36	- 21	+ 98	- 119
	PROJECTED 4/						
1968--May 29	+ 95	- 85	+ 75	- 185	- 100	- 100	--
June 5	+ 425	--	- 475	+ 35	- 15	- 15	--
12	+ 170	--	- 260	+ 75	- 15	- 15	--
19	- 355	--	+ 160	+ 480	+ 285	+ 285	--
26	- 100	--	+ 180	- 25	+ 55	+ 55	--
July 3	+ 520	--	- 375	- 200	- 55	- 55	--
10	+ 900	--	- 650	+ 100	+ 350	+ 350	--

1/ For retrospective details see Table 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 January 18, 1968.

Explanation of Projections in Table B-1

1. Changes in Federal Reserve credit indicate reserves needed to offset projected changes in required reserves and factors affecting the supply of reserves.
2. Projected changes in currency outside banks reflect seasonal movements plus an allowance for growth of about \$40 million per week.
3. Projected effects of Treasury operations, included in "technical factors," reflect scheduled and assumed calls in current two weeks and thereafter, maintenance of Treasury balances with Federal Reserve at \$1.0 billion.
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 of 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, bank's investment preferences and willingness to supply loans, bank's 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 loan 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, May 31; \$0.1 billion increase in the weekly Treasury bill auction through June 27; \$4.0 billion, July 3.

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	
<u>Year:</u>								
1966 (12/29/65 - 12/28/66)	+1,111	- 87	+1,198	- 14	- 4	- 5	+1,221 ^{1/}	
1967 (12/28/66 - 12/27/67)	+1,517	+ 261	+1,256	+ 59	+ 6	+1,023	+ 168 ^{1/}	
<u>Year-to-date:</u>								
(12/28/66 - 5/24/67)	- 974	+ 158	-1,132	-1,340	+ 104	+ 449	- 345	
(12/27/67 - 5/22/68) <u>2/</u>	- 172	- 74	- 98	-1,321	+ 101	+1,021	+ 101	
<u>Weekly:</u>								
1968--Apr. 3	- 33	- 233	+ 200	+ 145	+ 5	+ 56	- 6	
10	- 104	- 208	+ 104	+ 221	- 5	- 112	--	
17	+ 535	- 122	+ 657	+ 248	- 11	+ 419	+ 1	
24	- 186	+ 300	- 486	- 131	--	- 333	- 22	
May 1 p	- 130	+ 97	- 227	- 161	+ 6	- 94	+ 22	
8 p	+ 58	+ 217	- 159	- 308	--	+ 152	- 3	
15 p	- 330	- 218	- 112	- 74	+ 5	- 51	+ 8	
22 p	+ 98	+ 117	- 19	- 279	+ 5	+ 267	- 12	
	<u>PROJECTED</u>							
1968--May 29	- 100	+ 35	- 135	- 100	--	- 30	- 5	
June 5	- 15	- 250	+ 235	+ 190	- 5	+ 45	+ 5	
12	- 15	- 260	+ 245	+ 250	- 10	--	+ 5	
19	+ 285	- 60	+ 345	+ 285	- 10	+ 75	- 5	
26	+ 55	+ 515	- 460	- 325	- 5	- 120	- 10	
July 3	- 55	- 335	+ 280	+ 105	+ 10	+ 165	--	
10	+ 350	+ 445	- 95	--	+ 5	- 90	- 10	

1/ Reflects reserves requirements changes in July, September 1966, and March 1967.

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

p - Preliminary.

Table B-3

TECHNICAL FACTORS AFFECTING RESERVES

Retrospective and Prospective Changes

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

Period	Technical factors (net)	Treasury operations	Float	Foreign deposits and gold loans	Other nonmember deposits and F. R. accounts
ACTUAL		(Sign indicates effect on reserves)			
Year:					
1966 (12/29/65 - 12/28/66)	+ 805	+ 673	+ 64	- 30	+ 98
1967 (12/28/66 - 12/27/67)	- 165	- 85	- 389	- 7	+ 316
Year-to-date:					
(12/28/66 - 5/24/67)	-2,649	- 645	-1,245	+ 47	- 806
(12/27/67 - 5/22/68)	- 577	- 160	- 572	+ 18	+ 137
Weekly:					
1968--Apr. 3	+ 40	+ 308	- 85	+ 23	- 206
10	+ 271	+ 22	+ 188	+ 14	+ 47
17	+ 441	+ 94	+ 167	+ 20	+ 160
24	- 617	- 616	+ 37	- 12	- 26
May 1	- 442	- 32	- 380	- 34	+ 4
8	+ 291	+ 149	+ 6	+ 45	+ 91
15	- 82	- 120	+ 26	+ 15	- 3
22	- 36	- 123	+ 323	- 13	- 223
PROJECTED					
1968--May 29	- 185	+ 145	- 350	--	+ 20
June 5	+ 35	+ 85	- 50	--	--
12	+ 75	--	+ 50	--	+ 25
19	+ 480	--	+ 350	--	+ 130
26	- 25	--	- 20	--	- 5
July 3	- 200	--	- 200	--	--
10	+ 100	--	+ 100	--	--

p - Preliminary.

Table B-4

SOURCE OF FEDERAL RESERVE CREDIT

Retrospective Changes

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

Period	Total Federal Reserve credit (Excl. float)	U.S. Government securities				Federal Agency Securities	Bankers' acceptances	Member banks borrowings
		Total holdings	Bills	Other	Repurchase agreements			
<u>ar:</u>								
1966 (12/29/65 - 12/28/66)	+3,149	+3,069	+2,158	+ 474	+ 437	+ 26	+ 52	+ 2
1967 (12/28/66 - 12/27/67)	+4,718	+5,009	+4,433	+1,153	- 577	- 19	- 69	- 203
<u>Year-to-date:</u>								
(12/28/66 - 5/24/67)	+1,005	+1,609	+1,948	+ 319	- 658	- 26	- 80	- 498
(12/27/67 - 5/22/68)	+1,891	+1,616	+ 979	+ 574	+ 63	- 4	- 45	+ 324
<u>Weekly:</u>								
1968--Mar. 6	+ 410	+ 344	+ 200	+ 95	+ 49	+ 9	- 1	+ 58
13	+ 479	+ 199	+ 94	+ 53	+ 52	+ 2	- 1	+ 279
20	+ 516	+ 573	+ 631	+ 43	- 101	- 11	--	- 46
27	- 323	- 219	- 246	+ 27	--	--	+ 47	- 151
Apr. 3	+ 332	+ 177	- 132	+ 145	+ 164	+ 45	- 4	+ 114
10	+ 280	+ 346	+ 234	+ 82	+ 30	- 36	+ 20	- 50
17	+ 134	+ 68	+ 1	+ 1	+ 66	- 2	- 49	+ 117
24	- 418	- 285	- 54	+ 29	- 260	- 7	- 14	- 112
May 1	+ 347	+ 306	+ 176	--	+ 130	+ 5	+ 13	+ 23
8	+ 568	+ 369	+ 97	--	+ 272	+ 10	+ 40	+ 149
15	- 238	- 89	- 131	--	+ 42	- 7	- 31	- 111
22	- 23	+ 33	+ 333	--	- 300	- 5	- 8	- 43

Chart Reference Table C-1

TOTAL, NONBORROWED AND REQUIRED RESERVES ^{1/}

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
1965--Jul.	21,857	21,356	21,488	20,626	15,921
Aug.	21,923	21,417	21,533	20,719	15,943
Sept.	21,869	21,318	21,494	20,904	16,065
Oct.	21,986	21,533	21,645	21,073	16,147
Nov.	21,976	21,589	21,671	21,170	16,196
Dec.	22,186	21,722	21,861	21,285	16,266
1966--Jan.	22,358	21,899	22,007	21,411	16,375
Feb.	22,401	21,943	22,028	21,464	16,413
Mar.	22,452	21,873	22,077	21,600	16,506
Apr.	22,679	22,027	22,252	21,771	16,605
May	22,703	22,020	22,308	21,782	16,562
June	22,707	22,030	22,339	21,883	16,606
Jul.	22,861	22,140	22,431	21,841	16,512
Aug.	22,571	21,900	22,274	21,842	16,473
Sept.	22,655	21,864	22,256	21,860	16,475
Oct.	22,524	21,748	22,200	21,741	16,365
Nov.	22,465	21,898	22,142	21,716	16,364
Dec.	22,449	21,885	22,175	21,772	16,378
1967--Jan.	22,808	22,360	22,442	21,803	16,328
Feb.	23,026	22,685	22,666	22,044	16,478
Mar.	23,441	23,240	22,955	22,297	16,647
Apr.	23,490	23,332	23,110	22,293	16,578
May	23,482	23,428	23,086	22,559	16,786
June	23,646	23,523	23,178	22,890	17,024
Jul.	23,869	23,830	23,488	23,049	17,115
Aug.	24,138	24,121	23,794	23,275	17,246
Sept.	24,331	24,217	23,972	23,330	17,237
Oct.	24,642	24,467	24,332	23,453	17,316
Nov.	24,799	24,690	24,444	23,605	17,404
Dec.	24,654	24,398	24,437	23,628	17,386
1968 -- Jan. ^{2/}	25,043	24,738	24,718	23,753	17,512
Feb. ^{2/}	25,291	24,927	24,889	23,796	17,530
Mar. ^{2/}	25,337	24,659	24,927	23,906	17,600
Apr. p ^{2/}	25,160	24,449	24,806	23,969	17,670

p - Preliminary.

- ^{1/} Reserves have been adjusted for redefinition of time deposits effective June 9, 1966.
^{2/} Reserve aggregates have been adjusted for change in reserve requirements held against net demand deposits effective at mid-month, January 1968.

Table C-2

DEPOSITS SUPPORTED BY REQUIRED RESERVES AT ALL MEMBER BANKS

Seasonally Adjusted

(Dollar amounts in billions based on monthly averages of daily figures)

Period	Total member bank deposits (credit) <u>1/2/</u>	Time deposits <u>2/</u>	Private demand deposits <u>3/</u>	U.S. Gov't. demand deposits
1966--Jan.	238.0	121.7	111.7	4.7
Feb.	239.0	122.0	112.0	5.0
Mar.	239.8	123.0	112.6	4.2
Apr.	242.2	124.8	113.3	4.1
May	243.9	126.1	113.0	4.8
June	244.8	127.5	113.3	4.0
Jul.	246.7	128.7	112.6	5.3
Aug.	246.5	129.7	112.4	4.4
Sept.	246.4	130.1	112.4	3.9
Oct.	245.5	129.9	111.6	4.0
Nov.	244.8	129.3	111.6	4.0
Dec.	245.2	130.3	111.7	3.2
1967--Jan	248.5	132.2	111.4	4.9
Feb.	251.8	134.4	112.4	4.0
Mar.	254.8	136.5	113.6	4.8
Apr.	256.9	138.0	113.1	5.8
May	258.1	139.4	114.5	4.1
June	260.0	141.7	116.1	2.2
Jul.	263.3	143.3	116.7	3.2
Aug.	267.0	145.6	117.6	3.7
Sept.	269.3	147.2	117.6	4.5
Oct.	272.0	148.2	118.1	5.6
Nov.	273.8	149.8	118.7	5.3
Dec.	273.7	150.8	118.6	4.4
1968--Jan.	275.5	150.7	119.4	5.3
Feb.	277.8	151.3	119.6	6.9
Mar.	278.8	152.3	120.1	6.4
Apr. p	277.8	152.1	120.5	5.1

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/ Deposits have been adjusted for redefinition of time deposits effective June 9, 1966.

3/ Private demand deposits include demand deposits of individual, partnerships and corporations and net interbank balances.

TABLE C-2a

DEPOSITS SUPPORTED BY REQUIRED RESERVES AT ALL MEMBER BANKS

Seasonally adjusted

(Dollar amounts in billions, based on weekly averages of daily figures)

Week ending:	Total member bank deposits (credit) ^{1/2/}	Time deposits ^{2/}	Private demand deposits ^{3/}	U. S. Gov't. demand deposits
1967--Dec. 6	274.3	150.6	119.1	4.5
13	273.6	150.9	118.5	4.1
20	273.2	150.8	117.9	4.5
27	273.6	150.7	118.3	4.4
1968--Jan. 3	274.9	150.5	120.4	3.9
10	274.7	150.6	119.6	4.5
17	275.5	150.6	119.9	5.0
24	276.4	150.7	119.3	6.4
31	275.4	151.1	118.5	5.8
Feb. 7	277.6	150.8	119.8	7.0
14	276.6	151.2	119.1	6.3
21	276.6	151.6	120.2	4.9
28	279.8	151.9	119.2	8.7
Mar. 6	280.2	152.0	120.3	8.0
13	279.2	152.3	119.9	7.1
20	278.2	152.5	119.4	6.4
27	278.3	152.3	120.4	5.7
Apr. 3	278.2	152.3	120.5	5.4
10	277.4	152.3	119.8	5.3
17	279.4	152.3	122.3	4.9
24	277.6	151.8	120.3	5.4
May 1 p	277.2	152.2	119.7	5.3
8 p	277.9	152.1	121.0	4.8
15 p	277.2	152.2	121.0	4.0
22 p	277.9	151.9	122.7	3.3

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^{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/} Deposits have been adjusted for redefinition of time deposits effective June 9, 1966.

^{3/} Private demand deposits include demand deposits of 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 <u>3/</u>
1966--Jan.	167.9	36.6	131.4	147.5
Feb.	168.3	36.7	131.6	148.3
Mar.	169.2	36.9	132.3	149.8
Apr.	170.5	37.1	133.4	151.8
May	170.2	37.3	132.9	153.4
June	170.6	37.4	133.2	154.8
Jul.	169.9	37.7	132.3	156.9
Aug.	170.1	37.8	132.4	158.1
Sept.	170.5	37.9	132.6	158.6
Oct.	170.1	38.0	132.1	158.8
Nov.	170.1	38.1	132.0	158.5
Dec.	170.4	38.3	132.1	159.8
1967--Jan.	170.3	38.5	131.8	162.0
Feb.	171.5	38.7	132.8	164.6
Mar.	173.1	38.9	134.2	167.2
Apr.	172.7	39.1	133.6	169.2
May	174.5	39.2	135.3	171.1
June	176.2	39.3	136.8	173.6
Jul.	177.9	39.5	138.4	175.8
Aug.	179.1	39.6	139.6	178.3
Sept.	179.2	39.8	139.5	180.0
Oct.	180.3	39.9	140.3	182.0
Nov.	181.2	40.0	141.2	183.7
Dec.	181.5	40.4	141.1	185.0
1968--Jan.	182.5	40.5	141.9	184.8
Feb.	182.5	40.7	141.8	186.1
Mar.	183.4	41.1	142.3	187.8
Apr. p	184.7	41.4	143.3	188.0

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 of Federal Reserve float; and (2) foreign demand balances at Federal Reserve Banks.

3/ Deposits have been adjusted for redefinition of time deposits effective June 9, 1966.
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 <u>3/</u>
1967--Dec. 6	181.5	40.1	141.4	184.9
13	181.0	40.3	140.8	185.2
20	180.8	40.3	140.5	185.1
27	181.8	40.5	141.3	184.7
1968--Jan. 3	183.1	40.4	142.7	184.4
10	182.5	40.5	142.0	184.6
17	183.1	40.5	142.6	184.7
24	182.1	40.6	141.6	184.7
31	181.3	40.5	140.8	185.2
Feb. 7	182.7	40.7	142.0	185.2
14	181.9	40.7	141.1	185.7
21	183.4	40.7	142.6	186.2
28	182.1	40.7	141.4	186.8
Mar. 6	183.6	40.9	142.7	187.0
13	183.4	41.1	142.3	187.6
20	182.8	41.1	141.7	188.0
27	183.8	41.1	142.6	188.0
Apr. 3	184.4	41.2	143.2	188.1
10	184.3	41.4	142.9	188.3
17	187.1	41.5	145.6	188.1
24	184.0	41.3	142.6	187.7
May 1 p	183.5	41.3	142.2	188.1
8 p	185.0	41.5	143.5	188.1
15 p	185.1	41.6	143.5	188.3
22 p	186.9	41.7	145.2	187.9

1/ Includes currency outside the Treasury, the Federal Reserve and the vaults of all commercial banks.

2/ Includes (1) demand deposits at all commercial banks, other than those due to domestic commercial banks and the U.S. Government, less cash items in process of collection and Federal Reserve float; and (2) foreign demand balances of Federal Reserve Banks.

3/ Deposits have been adjusted for redefinition of time deposits effective June 9, 1966.
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