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CONFIDENTIAL (FR) July 11, 1969.

MONEY MARKET AND RESERVE RELATIONSHIPS

Recent Developments

(1) Short-term market interest rates rose further on balance in the latter part of June and early July, as the squeeze on bank liquidity continued, as sizable Government and corporate demands on short-term credit markets loomed, and as final Congressional action on the surtax extension was delayed. Long-term corporate and municipal yields edged temporarily lower in the latter half of June as some investor interest in corporates developed and as the volume of tax-exempt issues slackened. But the yield declines in the corporate market were erased in large part in early July, reflecting the large corporate issue calendar in coming weeks. In general upward rate pressure was more pronounced in short-term than in long-term markets, possibly indicating some abatement in expectations of further sizable future interest rate increases. In this connection it might be noted that stock prices have dropped considerably further in recent days. And a vigorous rally developed in U.S. Government bond markets just before the week-end.

(2) With dealers reluctant to maintain more than minimal positions, Treasury bill rates fluctuated widely in response to seasonal bill demands and to prospects for increased supplies of bills and Agency issues. The Treasury auctioned $3-1/2 billion of tax bills on July 9 and 11. And the Federal Home Loan Bank Board announced that on July 15 it would offer $900 million of new issues to raise $500 million of new cash. The 3-month Treasury bill rate fluctuated in a range of 6.07

to 7.04 per cent since the last Committee meeting, and was most recently bid at around 6.90 per cent, 40 basis points above its level at the time of the meeting. With respect to private short-term interest rates, yields on 4 - 6 month commercial paper rose by about 25 basis points over the period to 8-3/4 per cent, or a cost of 8-7/8 per cent to the issuer.

(3) Although the wide range of variation in day-to-day money rates in recent weeks makes generalization difficult, it would appear that conditions were little changed from those prevailing in late May and the first three weeks of June. Federal funds traded mostly in an 8-1/2 -- 9-1/4 per cent range over the past three statement weeks, a range of fluctuation similar to that of the weeks just preceding. And for all member banks, average borrowings from the Federal Reserve were $1.3 billion, also little changed from the preceding few weeks. Net borrowed reserves fluctuated in a $1 --$1.2 billion range.

(4) Total member bank deposits declined at about a 13 per cent annual rate on average in June. Private demand deposits, and the money supply, were weaker than expected earlier, in part reflecting the absence of any growth in business loans over the month. Total time and savings deposits are estimated to have declined on average at a 5-1/2 per cent annual rate, paced by a further $1-3/4 billion drop in CD's. But banks did increase their Euro-dollar borrowings sharply over the month, and the bank credit proxy adjusted to include such borrowings declined on average at a 3.2 per cent annual rate, in line with staff expectations. Weekly reports on other nondeposit sources of funds indicate a rise of about $925 million from the last Wednesday of May

to the last Wednesday of June. In the absence of such data for the earlier weeks in May, it obviously is impossible to calculate the rise in terms equivalent to the proxy series. However, it probably would not be unreasonable to guess that the average June level exceeded an average May level by an amount equivalent to about 3 - 4 percentage points in the proxy series.

(5) The following table summarizes the changes in major deposit and reserve aggregates for the last half of 1968 and the first two quarters of 1969.

	July '68- Dec. '68	Jan. '69- Mar. '69	Apr. - June '69
Total reserves	9.8	-1.3	-0.6
Nonborrowed reserves	9.9	-5.0	-6.7
Bank credit, as indicated by:			
Proxy	12.8	-5.4	-3.4
Proxy plus Euro-dollars	13.0	-2.4	-0.3
Total loans and investments (as of last Wednesday of month)	15.0	2.3	3.7
Money supply	6.1	1.9	2.9
Time and savings deposits	17.1	-6.5	-3.6
Savings accounts at thrift institutions	6.4	6.1	3.6

NOTE: Dates are inclusive.

Prospective Developments

(6) Maintenance of prevailing money market conditions would appear to encompass a Federal funds rate averaging around 8-3/4 -- 9 per cent, member bank borrowings in a $1 -- $1-1/2 billion range, and net borrowed reserves of around $1 billion or a little more. The 3-month bill rate is likely to continue to gyrate--but in a higher 6-3/4 -- 7-1/2 per cent range. The cost of carrying bills may tend to maintain the rate generally above 7 per cent, given slack seasonal demands and a rising supply of bills and competing instruments. Expectations, as they influence dealer willingness to take positions, will be an important factor affecting bill rate movements, with current very low positions providing scope for dealers to accumulate bills. Long-term rates, too, will be strongly influenced by expectations; while near-term demands on the capital market appear relatively strong, their upward impact on interest rates could be moderated, and perhaps reversed, by a bearish stock market and economic outlook or by hopeful peace developments.

(7) On balance, the System will probably absorb reserves during the last half of July and provide reserves in the first half of August. The reserve projections do not include allowance for any reserves that may be required if the regulation eliminating from cash items amounts generated by Euro-dollar transactions is implemented. Presumably, these reserves would be supplied through additional open market operations unless the intention in issuing the regulation were to tighten domestic monetary conditions further. But individual bank adjustments might still result in some temporary money market churning.

(8) With the 3-month bill rate so high, there is little prospect for any let-up in CD attrition over the next few eeks. It is now expected that outstanding CD's in July will decline by about \$1-1/2 -- \$1-3/4 billion, which, after allowing for seasonals, would be a larger run-off than in June. With respect to other time and savings deposits, banks (as well as thrift institutions) apparently experienced substantial net outflows around the interest-crediting period. And while these outflows should abate after the first several days of July, at current market yield levels no sizable inflow of other time and savings deposits is expected through mid-August. Thus, total time and savings deposits in July are expected to decline more rapidly then in June--in a 12 - 15 per cent, annual rate, range.

(9) The money supply in July may rise in a 3 - 6 per cent, annual rate, range. U.S. Government deposits are projected to decline sharply, but private demand deposits are not expected to show a commensurate rise, as corporations and others quickly economize on cash balances, given the tight position of banks and of corporations themselves.

(10) With banks stiffening loan terms and lending standards, and also unable to provide any significant support to securities markets, outstanding bank credit is expected to drop, on average, in July. Total reserves and member bank deposits are likely to decline sharply--in a 12 - 15 per cent, annual rate, range for the latter--but in order to accommodate some domestic customers banks will probably rely on the Euro-dollar market, even given the marginal reserve requirement proposal,

and other nondeposit sources. Assuming some further growth in Euro-dollars from current advanced levels, the bank credit proxy adjusted to include Euro-dollars is expected to decline in a 5 - 8 per cent, annual rate, range. There is little reason to believe that nondeposit sources of funds will rise less rapidly than in June, given the continuing pressure on bank deposits; on the other hand, the incoming data are not suggestive of an accelerating trend.

(11) In August, total member bank deposits may decline only slightly further. Pressure may be eased by a little pick-up in consumer-type time deposits and by a noticeably smaller amount of maturing CD's. Credit demands on banks in August may also be affected by dealer and bank support of the Treasury mid-August refunding. This refunding will be announced in late July, and will involve at least $3.2 billion of publicly-held issues. In addition, the Treasury is expected to raise $1-1/2 billion of new cash in late August.

Chart 1

MEMBER BANK RESERVES

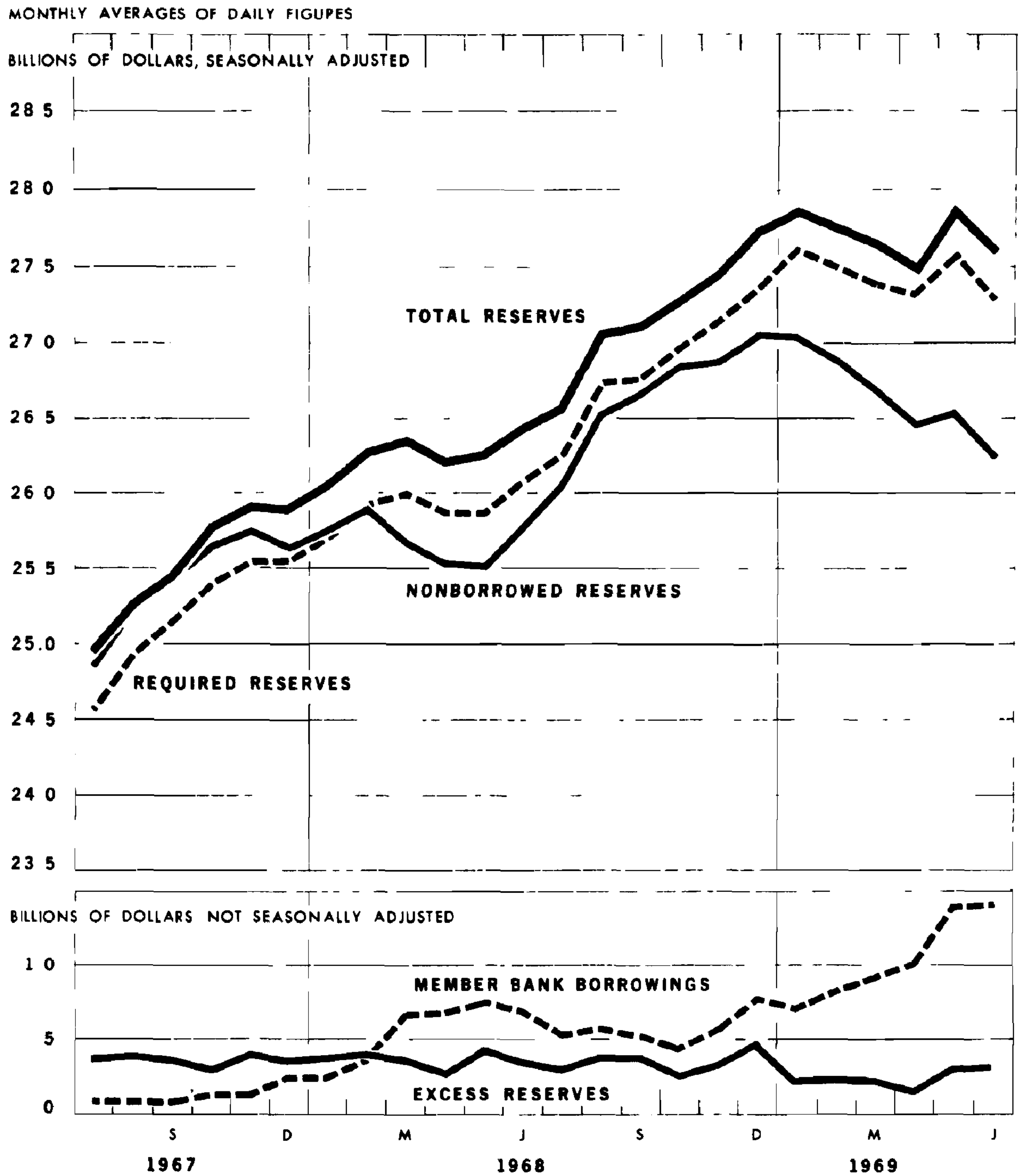


Chart 2

MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

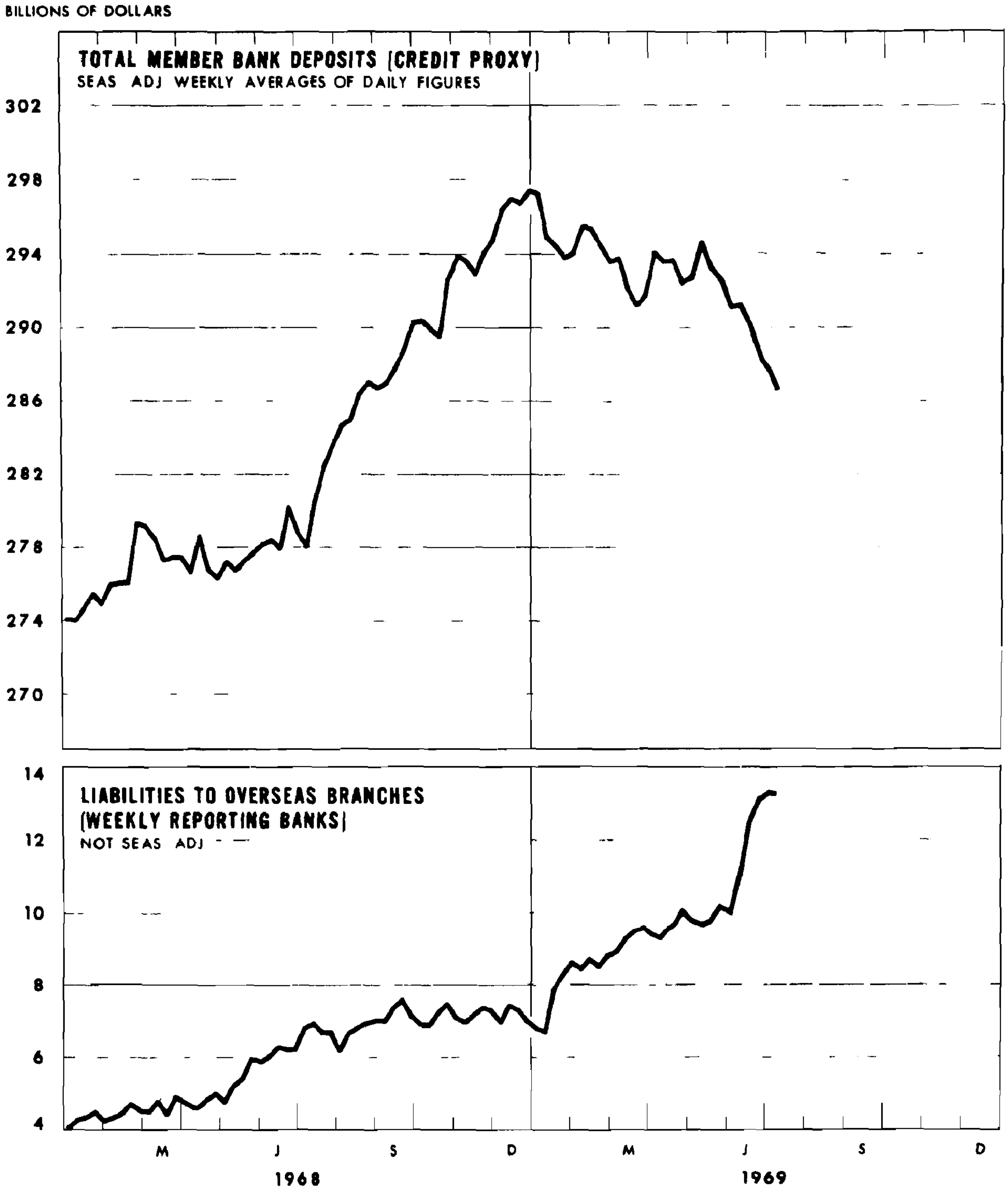


Chart 3

MONEY SUPPLY AND BANK DEPOSITS

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

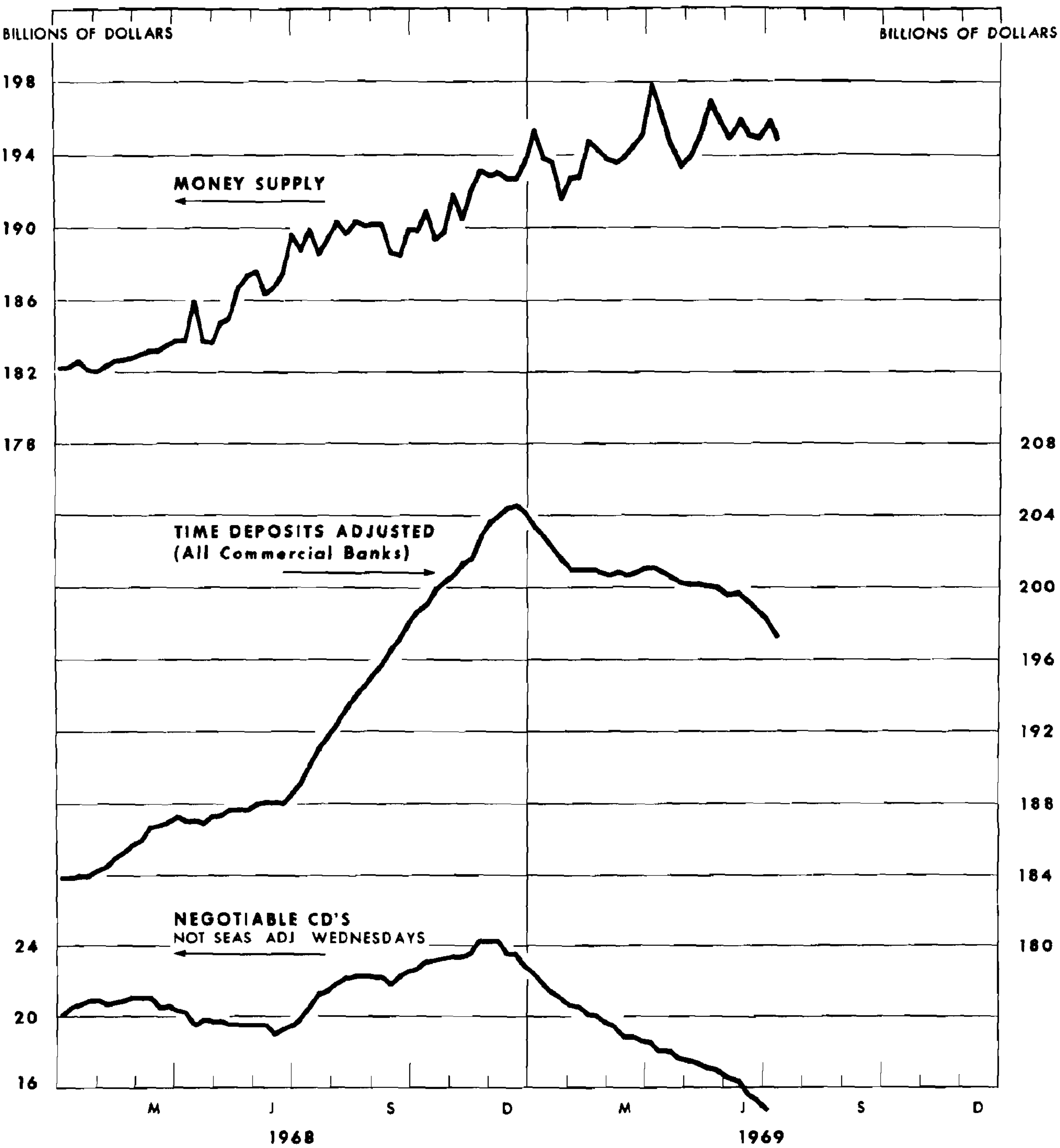
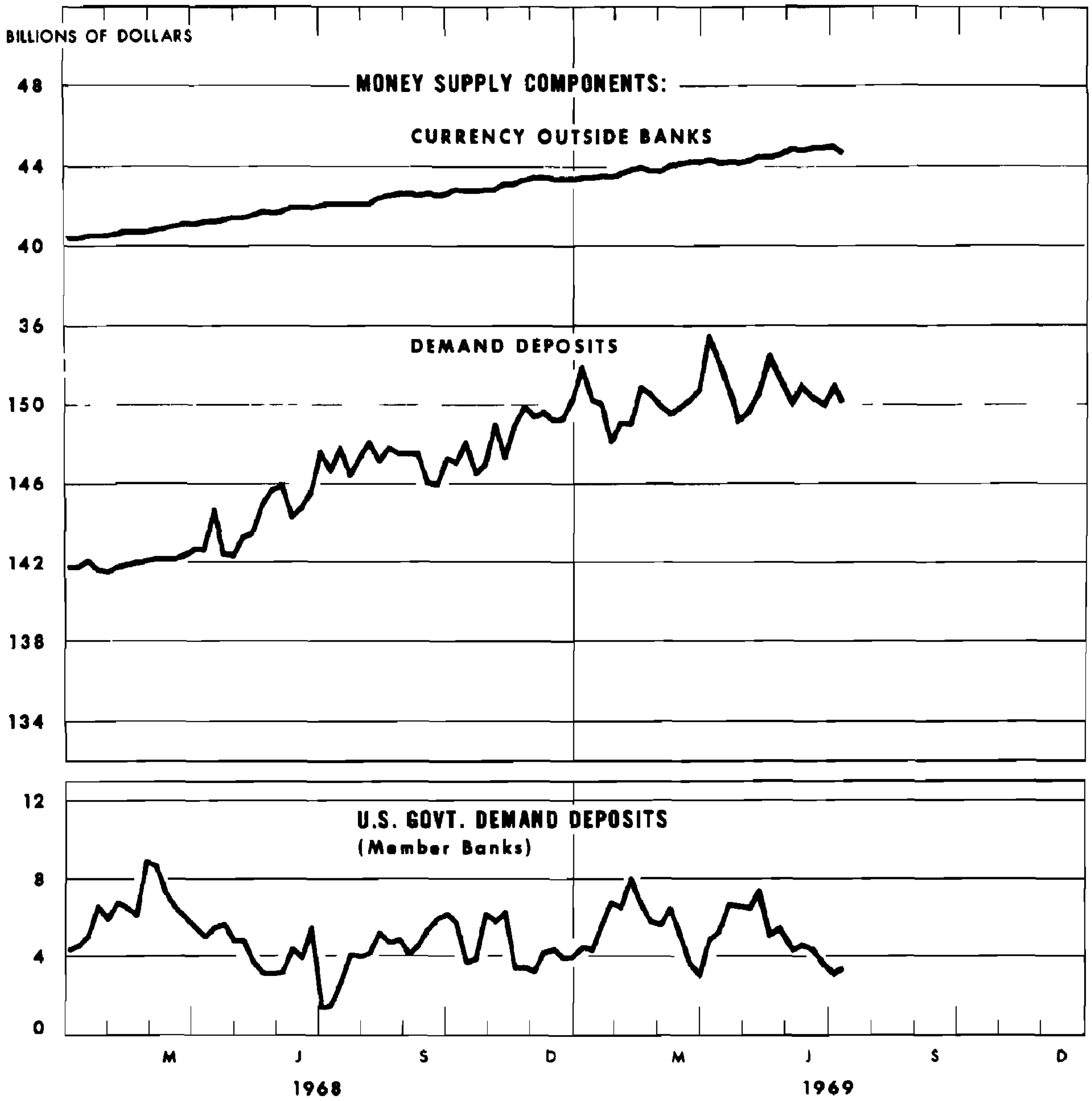


Chart 4

DEMAND DEPOSITS AND CURRENCY

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES



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 p	-1,095	261	1,356	57	459	288	552
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	1,522	43	552	289	638
11	- 812	448	1,260	86	375	300	500
18	-1,241	75	1,315	--	465	283	569
25 p	-1,174	151	1,325	97	449	276	503
July 2 p	-1,166	468	1,634	125	416	395	698
9 p	-1,000	19	1,019	--	162	333	523

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)
<u>Annually</u>									
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
<u>Quarterly</u>:									
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	+ 1.9	+ 7 4	+ 0.5	- 6 5	- 2.4
2nd Quarter 1969p	- 0 6	- 6 7	- 1.5	- 3.4	+ 2.9	+ 6 3	+ 1 9	- 3 6	+ 0 4
<u>Monthly</u>:									
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 p	-11 6	-12 4	-12 1	-13 1	+ 1 2	+ 8.1	- 1 6	- 5 4	- 3 2

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 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)								
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	5.9	195.2	44.6	150.7	200.1	302.8
June p	27,595	26,244	27,294	289.8	158.1	127.7	4.0	195.4	44.9	150.5	199.2	302.0

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 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	27,910	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	26,78[illegible]	27,410	293.8	160.6	126.7	6.5	193.6	44.1	149.5	200.9	303.1
19	27,461	26,680	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 p	27,257	26,082	27,231	288.3	157.6	127.2	3.5	194.9	44.9	150.0	198.7	301.5
July 2 p	27,659	25,985	27,181	287.6	157.1	127.4	3.1	195.8	45.0	150.9	198.1	300.9
9 p	26,931	25,887	26,931	286.6	156.4	126.8	3.4	195.0	44.9	150.1	197.2	299.8

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 agreements	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 p	- 166	- 174	- 174 (+ 191)	--	--	--	- 2	+ 10
July 2 p	+ 677	+ 297	+ 180 (+ 189)	--	+ 117	+ 53	+ 18	+ 309
9 p	- 248	+ 401	+ 332 (- 121)	+ 67	+ 2	- 29	- 5	- 615

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.

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 p	-1 087	1,355	8.90	6 44	6 28	7 58	5.58	- 285	- 280	- 3 1	+ 0.2	- 0.9
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 p	-1 168	1,325	8.34	6.48	6.27	7.50*	5 55	- 11	- 126	- 1 7	- 0.2	- 0.5
July 2 p	-1 166	1,634	9.00	6.38	6.27	7.63	5.55	- 97	+ 402	- 0.8	+ 0.9	- 0.6
9 p	-1 000	1,019	9 07	6.93	6.34	7.68*	5 52	- 98	- 728	- 1.0	- 0.8	- 0.9
	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	- 784	1,034	7 45	6.17	6.12	7.20	4.99	- 5.3	- 0 8	- 4.4	+ 2.4	- 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 - 7/9/69	- 789	1,048	7 43	6.18	6.13	7.22	5.00	- 7.1	- 4.9	- 6.0	+ 2.1	- 6.4

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.

July 11, 1969.

Table 6

MAJOR SOURCES AND USES OF RESERVES
Retrospective and Prospective Changes
(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	Treasury operations	Float	Foreign deposits and gold loans	Other nonmember deposits and F.R. accounts		Required reserves	Excess 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 p	- 166	--	+ 129	- 179	+ 124	- 7	- 1	- 102	- 160	+ 58
July 2 p	+ 677	--	- 17	+ 22[illegible]	- 2[illegible]7	- 19	- 84	+ 538	+ 227	+ 311
9 p	- 248	--	- 342	+ 23	+ 327	- 48	- 89	- 379	+ 70	- 449
PROJECTED 2/										
1969--July 16	- 25	--	- 45	- 30	- 50	+ 40	+ 185	+ 75	+ 75	--
23	- 425	--	--	- 90	+ 150	--	+ 135	- 230	- 230	--
30	- 330	--	+ 485	-	- 350	--	--	- 195	- 195	--
Aug. 6	+ 625	--	- 130	--	- 100	--	--	+ 395	+ 395	--
13	+ 125	--	- 225	--	--	--	+ 70	- 30	- 30	--

1/ For retrospective details, see Table 5.
2/ See reverse side for explanation.
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: $+3.5 billion, July 18; $-0.7 billion, August 1.