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MONEY MARKET AND RESERVE RELATIONSHIPS

Recent developments

The past four weeks were marked first by a sharp upward movement of long-term bond yields and a tightening of short-term markets, and then later in the period by a return to easier money market conditions and some downward re-adjustment in long-term rates. Expectational as well as supply-demand factors had an important bearing on the rate movements. Concern about the viability of prevailing interest rate levels developed early in the period as many market observers concluded that monetary policy had stopped trending toward ease, as a large and continuing build-up in bond issues came to market, and as security dealers made efforts to lighten inventories. In consequence, the yield on new high grade corporate issues rose from a little over 5 per cent at the time of the last FOMC meeting to around 5.50 per cent, while outstanding 20 year U.S. Government bonds rose from 4.50 to 4.70 per cent.

Toward the end of February, bearish bond market expectations were moderated by Treasury trust account purchases of coupon issues for debt limit purposes and by System open market operations, leading to the development of a Federal funds rate fluctuating below 5 per cent, with trading most frequently in a 4-1/2 - 4-3/4 per cent range. And

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	Money Supply	Time Deposits ^{2/}	
	(Seasonally Adjusted)												
1966--Feb.	-117	474	4.58	4.65	4.71	4.96	3.48	+ 58	+ 78	+ 0.7	+ 0.2	+ 0.7	
Mar.	-210	545	4.64	4.58	4.72	5.09	3.55	- 88	+ 57	+ 1.1	+ 0.9	+ 1.0	
Apr.	-277	638	4.64	4.61	4.65	5.03	3.46	+206	+256	+ 3.1	+ 1.6	+ 1.9	
May	-339	653	4.83	4.63	4.69	5.16	3.53	+ 1	+ 6	+ 1.0	- 0.7	+ 1.6	
June	-352	722	5.13	4.50	4.73	5.35	3.60	- 16*	+ 3*	+ 0.9*	+ 0.9	+ 1.5*	
July	-359	439	5.18	4.78	4.84	5.48	3.77	+135*	+224*	+ 2.1*	- 1.5	+ 1.9*	
Aug.	-374	740	5.45	4.95	4.95	5.64	3.91	-302	-400	- 0.7	--	+ 1.4	
Sept.	-390	765	5.30	5.36	4.94	5.82	3.93	+ 5	+129	- 0.1	+ 0.9	+ 0.4	
Oct.	-425	766	5.46	5.33	4.83	5.70	3.82	-134	-195	- 0.7	- 0.9	- 0.3	
Nov.	-235	605	5.75	5.31	4.88	5.71	3.78	+108	- 35	- 1.1	- 0.4	+ 0.1	
Dec.	-196	529	5.39	4.96	4.76	5.73	3.79	+ 21	+ 21	+ 0.9	+ 1.1	+ 1.2	
1967--Jan. p	- 64	476	4.87	4.72	4.51	5.43	3.74	+489	+327	+ 3.3	- 0.6	+ 2.4	
Feb. p	+ 37	366	4.99	4.56	4.61	5.18	3.62	+360	+273	+ 3.0	+ 0.9	+ 2.7	
1967--Feb. 1p	+149	176	4.20	4.55	4.48	--	3.55			+ 1.0	- 0.1	+ 1.0	
8p	- 37	353	5.00	4.51	4.52	5.09	3.54			+ 1.2	+ 0.5	+ 0.5	
15p	- 40	456	5.13	4.58	4.60	5.16	3.67			- 0.1	+ 0.6	+ 0.6	
22p	+ 76	477	5.19	4.61	4.67	5.20	3.70			+ 0.3	+ 1.9	+ 0.5	
Mar. 1p	+ 4	167	4.65	4.56	4.70	5.46	3.53			+ 0.1	- 0.3	+ 0.2	
					Averages					Annual rates of increase ^{3/}			
Year 1966	-283	672	5.06	4.85	4.77	5.41	3.67	+ 0.8*	+ 1.2*	+ 3.7*	+ 1.9	+ 8.4*	
First Half 1966	-228	581	4.69	4.59	4.67	5.12	3.51	+ 3.0*	+ 4.6*	+ 7.1*	+ 4.7	+10.3*	
Second Half 1966	-338	763	5.39	5.12	4.87	5.74	3.83	- 1.5*	- 2.2*	+ 0.3*	- 0.9	+ 6.1*	
<u>Recent variations in growth</u>													
July 6-Aug. 10	-345	738	5.32	4.81	4.85	5.55	3.80			- 4.2	-13.4	+12.7	
Aug. 10-Nov. 16	-320	638	5.46	5.27	4.91	5.78	3.87			- 2.7	+ 0.4	+ 1.4	
Nov. 16-Mar. 1	- 88	448	5.13	4.82	4.66	5.42	3.61			+11.1	+ 5.7	+15.1	

^{1/} From January 1966 to date, issues carry a 5-year call protection.

^{2/} Time deposits adjusted at all commercial banks.

^{3/} Base is average for month preceding specified period or in case of weekly periods, the first week shown.

* - Changes have been adjusted for redefinition of time deposits effective June 9, 1966.

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a more bullish market psychology materialized with the announcement of a reduction in reserve requirements on savings deposits and on the first \$5 million of time deposits. Government bond yields appear to have retraced about half their previous rise, but the response in the corporate market has been more sluggish.

As open market operations attempted to moderate rising interest rates in February, nonborrowed reserves rose by an 18.5 per cent annual rate on average. Banks used part of these funds to reduce borrowings from the Federal Reserve. Required reserves did grow rapidly, however, and supported a 15 per cent rate of expansion in total member bank deposits (the bank credit proxy), with most of the rise occurring early in the month. Inclusion of repayments of member bank borrowings from abroad would reduce the bank credit proxy expansion to about 13-14 per cent on average last month.

Despite the rapid aggregate reserve expansion and even with the net reserve position of banks averaging just about zero during the four weeks ending March 1, the money market remained relatively taut for much of the period. Member bank borrowings from the Federal Reserve averaged \$360 million. Federal funds traded at an average rate of around 5-1/8 per cent until the last few days. The vicissitudes of the Federal funds market were reflected in the 3-month bill rate. It rose to a peak of 4.64 per cent on February 23, and then dropped to 4.54 per cent on February 28. Following the reserve requirement reduction announcement, the rate fell to a new 1967 low of below 4.40 per cent.

The tautness of the Federal funds market over the first three weeks of February partly reflected the development of somewhat larger basic reserve deficiencies at major New York City banks than is usual for this time of year. At the same time, funds supplied to the Federal funds market turned out to be smaller than in recent months. Banks were holding on to larger amounts of excess reserves in the middle weeks of February, and the volume of Federal funds transactions reported through the New York market declined from the over \$5 billion daily average of the past few months to \$4.4 billion during the three weeks ending February 22.

The willingness of large banks to pay up for Federal funds appears consistent with the reduced interest that these banks showed in selling negotiable CD's last month, especially those maturing in 2 months or more. With bank issuing rates reduced, the net increase in outstanding CD's declined to around \$600 million (measured from the week ending February 1 to an estimate for the week ending March 1). Gross CD sales declined to \$4.8 billion in February from \$7.4 billion in January. It would appear that banks early in February may have come to prefer to borrow at short-term, including day to day in the Federal funds market, in the expectation at that time that market interest rates were going to decline further or simply because credit demands were not burgeoning. In any event, this behavior tended to put upward pressure on the Federal funds rate, which in turn, as it persisted, contributed to the fading of declining rate expectations.

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The growth rate of time deposits was 20 per cent on average in February, but the rate of growth dropped considerably as the month progressed and banks became less active in the CD market. Private demand deposits and the money supply also rose in February on average--at annual rates of 6.2 per cent and 6.4 per cent respectively--and the increases were sharper from month-end to month-end. Private deposit expansion reflected the active buying by banks of U.S. Government and State and local government securities during the month. U.S. Government deposits showed little net change on average during the month.

Looking at bank deposits and bank credit from the perspective of the past three months (December-February), the daily average series for total member bank deposits has risen at an annual rate of 11.8 per cent (and 10.5 per cent after inclusion of borrowing from abroad). At the same time, the end of month series for outstanding credit of all commercial banks has risen by a 10.8 per cent annual rate (on the basis of preliminary estimates).

Most of this expansion has been based on time deposits, of course. In terms of relative shares, time and savings deposits account for 75 per cent of total member bank deposit growth during the 3-month period. Using a rough and ready seasonal adjustment, negotiable CD's accounted for 35 per cent of such total deposit growth. Private demand deposits account for about 10 per cent of the growth, and U.S. Government deposits 15 per cent.

Prospective developments

The easier conditions in the money market that have recently prevailed (excluding the unusually easy conditions related specifically to the end of a double reserve settlement period) can be characterized as including a Federal funds rate in the 4-1/2 - 5 per cent range, but averaging a little below 4-3/4 per cent, and a 3-month Treasury bill rate in a 4.30 - 4.50 per cent range. The difficulties in specifying consistent money market relationships are compounded by the uncertain effects of the reserve requirement reduction. The reserves released will be widely distributed throughout the country, and, in particular, will affect a great many smaller banks who may be sluggish in utilizing the funds. Thus, over the next few weeks it is probable that a fairly substantial level of net free reserves (possibly rising into the \$100-\$200 million range) will at times be needed in order to maintain the more comfortable over-all money market conditions that have developed.

Factors that would tend to tighten the money market in the weeks ahead include: (a) the auction of \$2.7 billion of June tax bills on March 7 (with only 50 per cent tax and loan credit); (b) the CD maturities and loan demand associated with March dividend and tax dates; (c) the reduction in the usual seasonal System bill purchases in the open market in view of the reserve requirement reduction and of the expected temporary decline in the Treasury's balance at the Federal Reserve (and perhaps direct borrowing by the

Treasury) prior to mid-March; and (d) the possibility that part of the expected \$600-\$900 million of publicly offered FNMA PC's may be in the relatively short-term area. However, over the coming period as a whole, bill demand from the public is likely to be fairly strong, including re-investment of proceeds from large capital market issues, and will provide an offset to such upward market pressures.

Money market pressures are most likely to develop in connection with the March tax date. The corporate income tax payments themselves in March, at an estimated \$6.8 billion, are slightly lower than last year, but they are funded to a relatively lesser extent by maturing tax bills; however, the regular weekly bill matures the day after the tax date and the proceeds may be used by some corporations to finance tax payments. CD's maturing on the tax date, at \$760 million this year, are little changed from last year. It might also be noted that corporations will not have to remit withheld individual income taxes on the corporate tax date this year, but will make these payments in two instalments on March 5 and March 20. Thus, one might not expect the tax date, taken alone, to be associated with exceptional money market pressure, but normal seasonal stresses may be augmented by other factors noted in the previous paragraph, and in particular by the market's need to absorb the new tax bills.

With respect to long-term market rates, it appears likely that they will not back up significantly over the period ahead in view of the recent abatement of bearish expectations about the course of bond prices. But the very large March corporate and State and local government calendar, plus the longer-term portion of the PC's, will probably tend to forestall any very significant rate declines--unless investors and borrowers come strongly to expect further market easing because of additional monetary policy actions and/or mounting signs of economic weakness.

On the bank credit and deposit side, the easier money market conditions that have developed appear consistent with a 6-8 per cent increase in the bank credit proxy during March on average. This reflects mainly a continuation of the slower pattern of time deposit growth, especially of CD's. For the month on average time deposits are expected to rise by 8-10 per cent. While banks have the potential for increasing their outstanding CD's sharply, they no longer appear so interested, given the rebuilding they have already accomplished and the uncertain outlook for loan demands, especially beyond the coming March and April tax dates.

The current bank credit projection, which we believe consistent with developments in the real economy projected in the green book, assumes that business loan growth at banks will be moderate in March and that banks will not repeat the unusually rapid February restocking of security portfolios. However, the June tax bill

which will be paid for on March 13, will have an expansive effect on bank credit in the latter part of the month. Partly for that reason the bank credit proxy is projected to expand at a 10-12 per cent annual rate from the beginning to the end of the month, as compared with about a 7.5 per cent annual rate from the beginning to the end of February.

The money supply is expected to rise sharply in March at a 9-11 per cent annual rate on average, mainly reflecting the sharp increases of late February which carry over to affect the March average. Payments for the tax bill (with 50 per cent coming directly from the public) are likely to hold down growth later in March. And from the end of February to the end of March, little net change in money supply is projected. U.S. Government deposits are expected to decline slightly on average in March, but will build up after mid-month.

To encourage a continued downward trend in interest rates, a further easing of money market conditions would appear to be required. This could involve a Federal funds rate fluctuating around the discount rate and a level of net free reserves perhaps as high as \$200-\$300 million, depending on bank reactions to the reserve requirement reduction. This would undoubtedly keep the bill rate below the present discount rate, perhaps in a 4.15-4.40 per cent range. Under such conditions, expectations could develop that would

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contribute to downward yield movement throughout the market structure. But it would still be unlikely that corporate rates would move the entire way back to or through their late January early February lows.

In a period such as that ahead, it is very difficult to gauge the likely bank credit expansion consistent with easing market rates. Reportedly, there is still substantial business financing demand for such activities as restructuring financial positions, financing take-overs, providing for spring tax payments and other needs not directly linked to current GNP spending. Some of the recent bulge in capital market financing has been for such purposes--perhaps a substantial part--and some of these demands might move back to banks if bank reserve pressures were eased further and bank rates reduced. To accommodate these demands and also the financing of expenditures directly generating industrial activity and employment might result in substantial reserve provision and bank credit expansion, associated with further interest rate declines. Under these circumstances, bank credit expansion might be at an annual rate of 10 per cent or more. On the other hand, if loan demands were weak--either because widespread business inventory adjustments are in process or because earlier backlogs of pending loans are worked off--~~bank~~ credit expansion might tend to fall short of these expectations unless banks continued to expand security holdings sharply further.

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):					
1966--January	380	431	- 51		
February	357	474	-117		
March	335	545	-210		
April	361	638	-277		
May	315	653	-339		
June	370	722	-352		
July	380	739	-359		
August	366	740	-374		
September	375	765	-390		
October	341	766	-425		
November	370	605	-235		
December	333	529	-196		
1967--January p	412	476	- 64		
February p	403	366	+ 37		
Weekly:					
1966--Nov. 2	279	594	-315	-301	-302
9	378	646	-268	-249	-224
16	547	711	-164	-227	-244
23	184	439	-255	-261	-236
30	460	636	-176	-207	-221
Dec. 7	181	449	-268	-245	-194
14	510	647	-137	-152	-143
21	204	472	-268	-264	-248
28	437	548	-111	-112	- 39
1967--Jan. 4	395	565	-170	-188	-175
11	627	585	+ 42	+ 67	+ 61
18	125	217	- 92	- 39	- 53
25 p	500	538	- 38	- 47	- 62
Feb. 1 p	330	176	+154	+154*	- 50
8 p	316	353	- 37	- 45	- 91
15 p	416	456	- 40	- 7	+ 2
22 p	553	477	+ 76	+101	+117
Mar. 1 p	171	167	+ 4	+ 4	- 17

p - Preliminary

* - Reflects end of week statistical adjustments increasing F.R. float due to snow storms in the midwest.

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				Monetary Variables			
	Total Reserves	Nonborrowed Reserves	Required reserves		Total Member Bank Deposits (credit) <u>1/</u>	Time Deposits (comm. banks)	Money Supply	
			Total	Against Demand Deposits			Total	Private Demand Deposits
Annually:								
1965	+ 5.3	+ 4.3	+ 5.3	+ 2.3	+ 9.1	+16.0	+ 4.7	+ 4.4
1966	+ 1.2	+ 0.8	+ 1.5	- 0.2	+ 3.7	+ 8.4	+ 1.9	+ 0.9
Monthly:								
1965--September	- 1.2	- 3.9	- 2.2	- 6.8	+ 3.6	+13.7	+ 8.1	+ 9.1
October	+ 3.7	+ 7.3	+ 9.7	+ 5.1	+12.5	+17.8	+ 8.0	+ 7.5
November	+ 0.6	+ 5.0	- 2.0	- 3.9	+ 5.1	+15.0	+ 2.9	+ 1.9
December	+13.8	+ 9.8	+13.7	+ 8.2	+ 9.7	+11.5	+11.6	+13.0
1966--January	+ 6.7	+ 9.5	+ 6.9	+11.3	+ 8.1	+ 7.4	+ 5.7	+ 4.6
February	+ 4.0	+ 3.1	+ 2.9	+ 3.8	+ 3.5	+ 5.7	+ 1.4	--
March	+ 2.9	- 4.6	+ 2.7	+ 4.0	+ 5.5	+ 8.1	+ 7.8	+ 8.2
April	+13.2	+10.9	+11.9	+11.7	+15.5	+15.3	+11.3	+12.7
May	+ 0.3	+ 0.1	+ 2.1	- 4.8	+ 4.9	+12.7	- 4.9	- 7.2
June <u>2/</u>	+ 0.2	- 0.8	+ 1.6	+ 1.3	+ 4.4	+11.8	+ 6.3	+ 7.2
July <u>2/</u>	+11.4	+ 7.1	+ 8.4	+ 2.9	+10.3	+14.8	-10.5	-16.2
August <u>2/</u>	-20.2	-15.8	-14.8	-16.9	- 3.4	+10.7	--	- 0.9
September <u>2/</u>	+ 6.6	- 0.3	- 0.2	- 3.2	- 0.5	+ 3.0	+ 6.4	+ 7.3
October <u>2/</u>	-10.0	- 7.1	- 1.1	- 2.0	- 2.9	- 2.3	- 6.3	- 8.1
November <u>2/</u>	- 1.8	+ 5.7	- 7.6	- 8.6	- 5.4	+ 0.8	- 2.8	- 4.6
December <u>2/</u>	+ 1.1	+ 1.1	+ 4.9	- 1.3	+ 3.9	+ 9.1	+ 7.8	+ 8.7
1967--January <u>2/</u> p	+16.9	+25.9	+13.5	+13.0	+16.1	+18.1	- 4.2	- 8.2
February <u>2/</u> p	+13.9	+18.6	+14.1	+ 8.5	+15.0	+20.0	+ 6.4	+ 6.2

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. Changes in reserves have been adjusted for increases in reserve requirements in July and September, 1966.

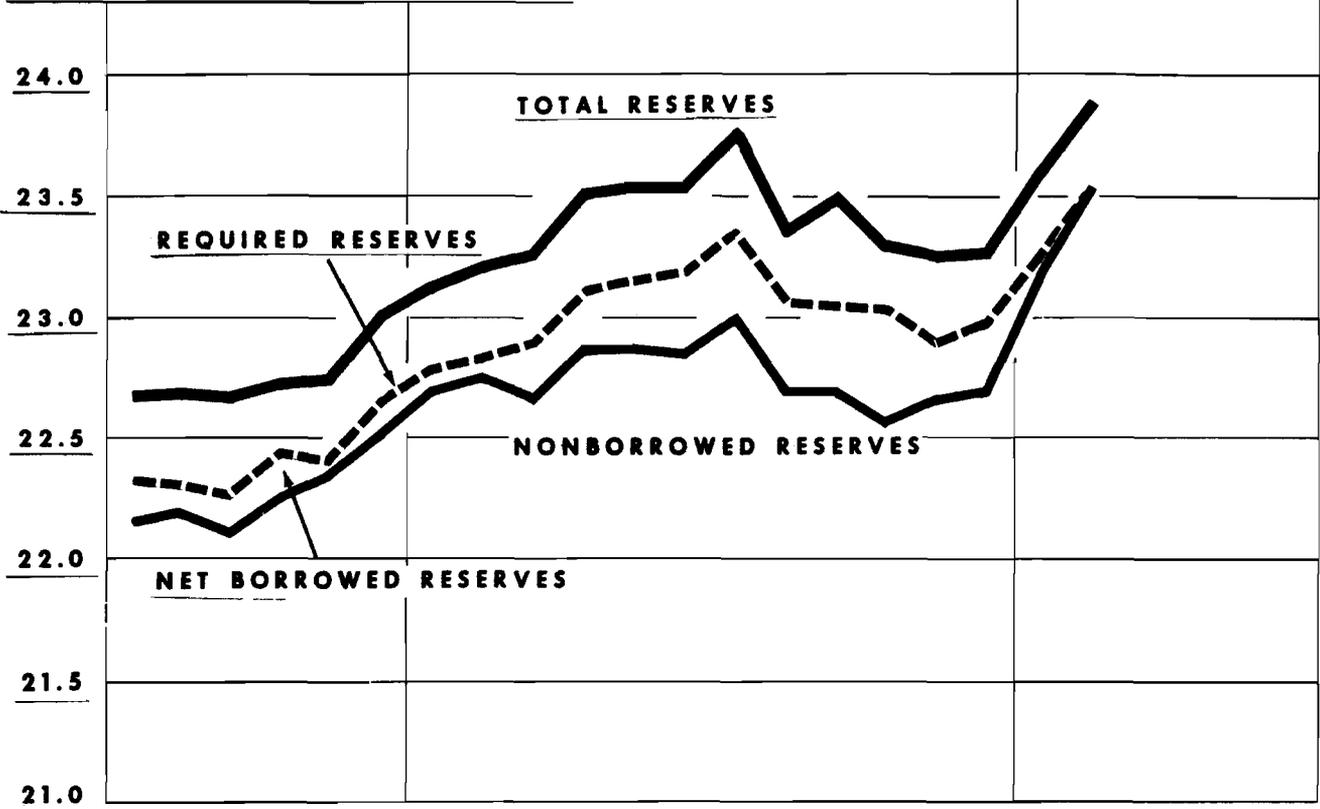
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Chart 1

MEMBER BANK RESERVES

MONTHLY AVERAGES OF DAILY FIGURES

BILLIONS OF DOLLARS, SEASONALLY ADJUSTED



BILLIONS OF DOLLARS

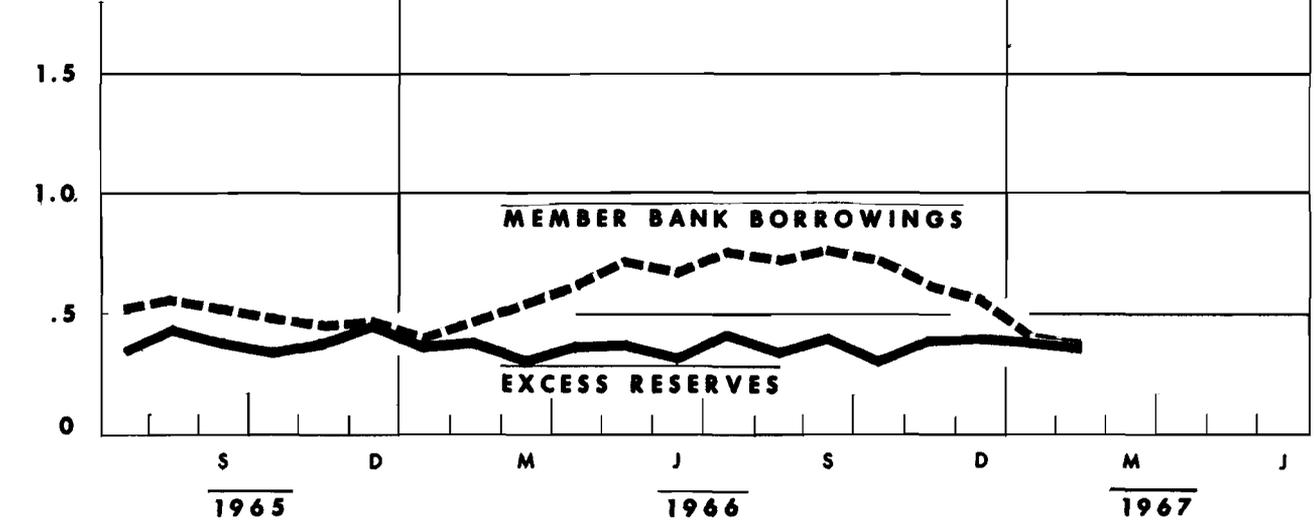


Chart 2

MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

BILLIONS OF DOLLARS

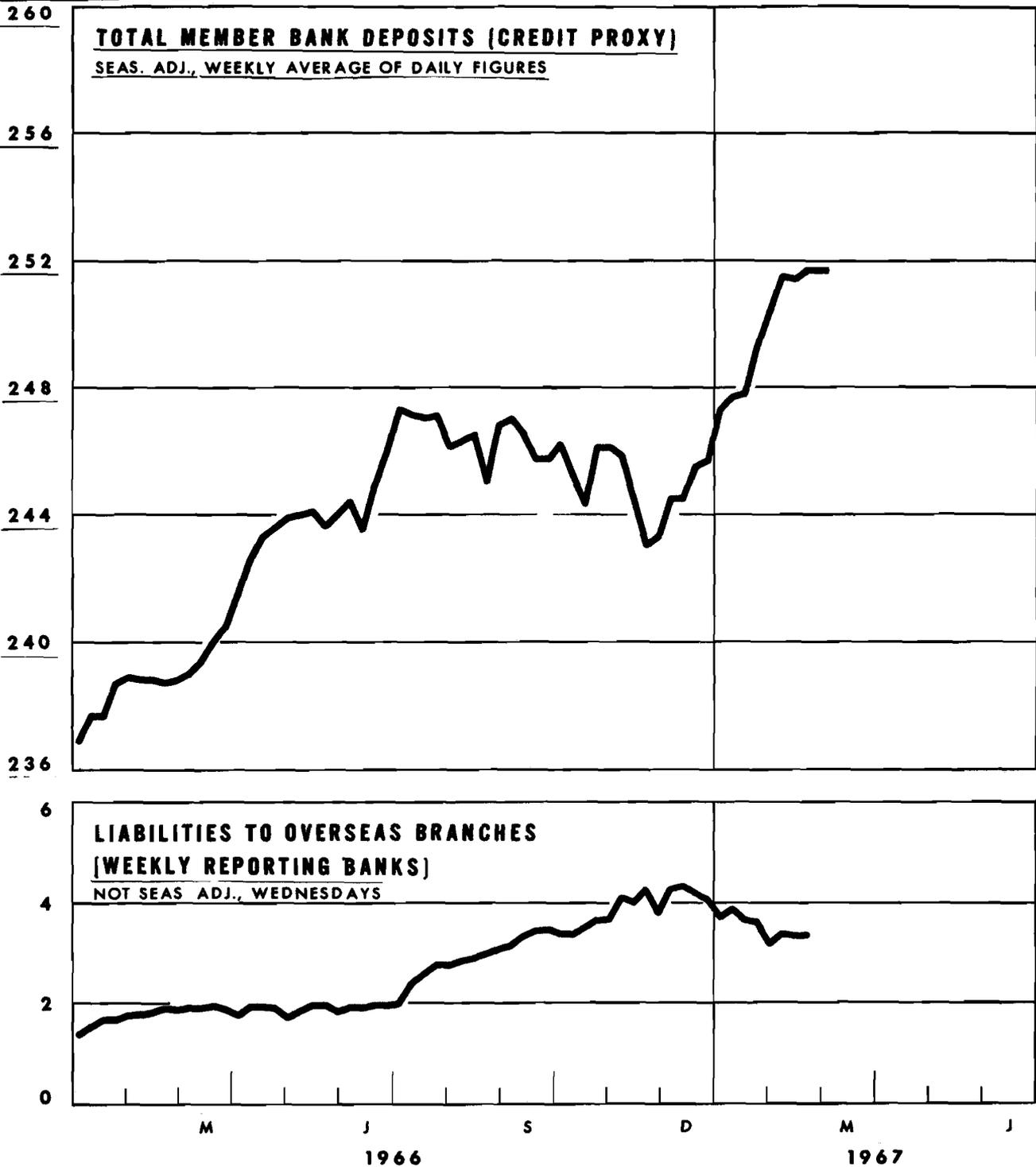
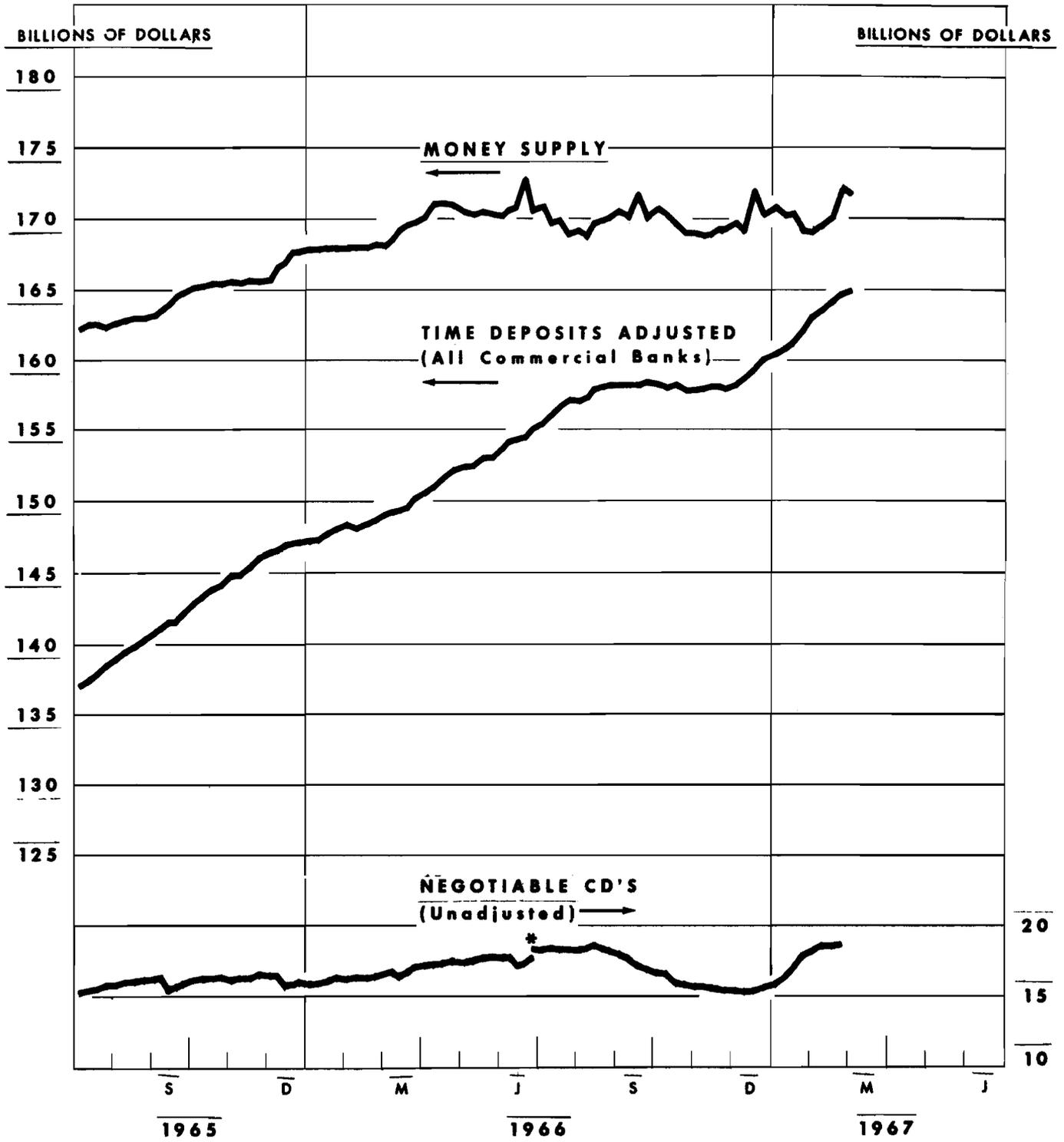


Chart 3

MONEY SUPPLY AND BANK DEPOSITS

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES



*CHANGE IN SERIES

Chart 4

DEMAND DEPOSITS AND CURRENCY

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

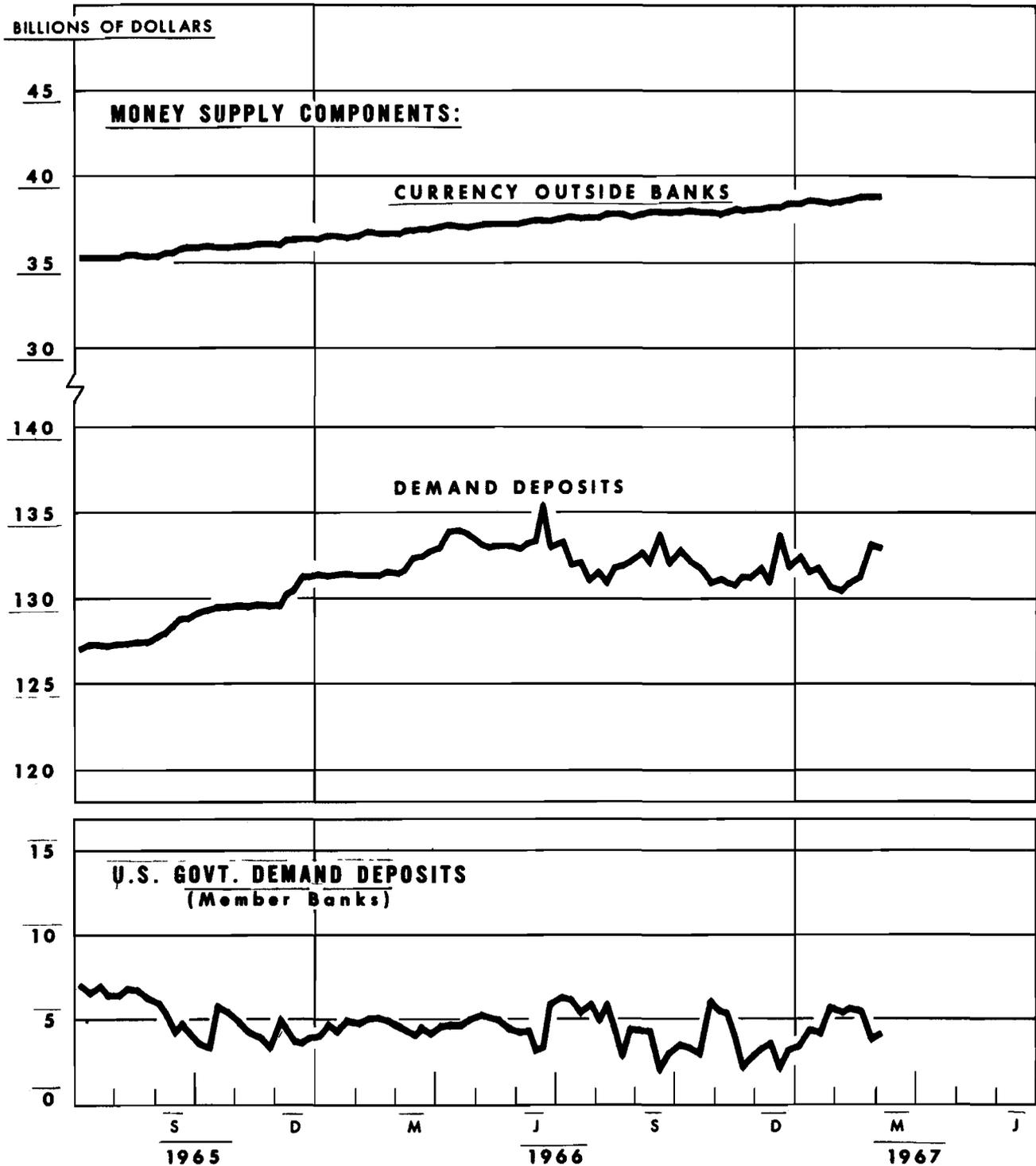


Table B-1

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
<u>ACTUAL</u>							
<u>Year:</u>							
1965 (12/30/64 - 12/29/65)	+4,035	-1,602	-2,143	+798	+1,089	+1,188	- 99
1966 (12/29/65 - 12/28/66)	+3,149	- 627	-2,243	+805	+1,085	+1,111	- 26
<u>Year-to-date:</u>							
(12/29/65 - 3/2/66)	- 375	- 154	+ 854	-1,228	- 904	- 729	-175
(12/28/66 - 3/1/67)	- 172	- 51	+1,277	-1,820	- 767	- 501	-266
<u>Weekly:</u>							
1967--Feb. 1	- 606	+ 1	+ 191	+ 330	- 84	+ 91	-175
8 p	+ 663	--	- 487	- 202	- 28	- 19	- 9
15 p	+ 215	--	- 39	- 332	- 156	- 256	+100
22 p	+ 129	- 15	+ 128	- 171	+ 73	- 64	+137
Mar. 1 p	- 449	- 36	+ 186	- 96	- 396	- 14	-382
<u>PROJECTED 4/</u>							
Mar. 8	- 310	--	- 125	- 65	- 500	- 500 5/	--
15	- 270	--	- 170	+ 435	- 5	- 5	--
22	+ 180	--	+ 15	- 150	+ 45	+ 45 5/	--
29	+ 85	--	+ 30	- 280	- 165	- 165	--
Apr. 5	+ 245	--	- 50	- 140	+ 55	+ 55	--
12	+ 50	--	- 200	+ 140	- 10	- 10	--
19	- 155	--	- 40	+ 390	+ 195	+ 195	--
26	- 125	--	+ 190	- 50	+ 15	+ 15	--

1/ For retrospective details. see Table B-4.

p - Preliminary.

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 of projections.

5/ Includes effect of reduction of reserve requirements \$425 million on savings deposits and time deposits under \$5 million -- effective March 3, and March 16, 1967.

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>ACTUAL</u>							
<u>Year:</u>							
1965 (12/30/64 - 12/29/65)	+1,188	- 89	+1,277	+115	- 4	+499	+ 677
1966 (12/29/65 - 12/28/66)	+1,111	- 87	+1,194	- 14	- 4	- 5	+1,221 <u>1/</u>
<u>Year-to-date:</u>							
(12/29/65 - 3/2/66)	-794	- 64	-730	-880	+ 92	+ 38	+ 20
(12/28/66 - 3/1/67)	-494	- 63	-431	-926	+ 95	+136	+264
<u>Weekly:</u>							
1967--Feb. 1 p	+ 91	- 1	+ 92	- 81	+ 3	+120	+ 50
8 p	- 19	+102	-121	-232	+ 10	+ 71	+ 30
15 p	-256	- 83	-173	-130	+ 4	- 67	+ 20
22 p	- 64	+ 36	-100	-369	--	+250	+ 19
Mar. 1 p	- 14	- 15	+ 1	+ 37	+ 10	- 53	+ 7
<u>PROJECTED</u>							
Mar. 8	-405	-200	-205	+ 35	+ 10	+165	-415 <u>2/</u>
15	- 80	- 80	--	+ 60	+ 5	- 75	+ 10
22	+ 45	+315	-270	+220	--	- 75	-415 <u>2/</u>
29	-175	+255	-430	-420	+ 10	- 30	+ 10
Apr. 5	+ 55	-155	+210	+195	+ 5	--	+ 10
12	- 10	-255	+245	+215	- 10	+ 30	+ 10
19	+195	-145	+340	+345	- 15	--	+ 10
26	+ 15	+115	-100	-150	- 5	+45	+ 10

1/ Reflects reserve requirements changes in July and September 1966.

2/ Includes effect of reduction of reserve requirements \$425 million on savings deposits and time deposits under \$5 million -- effective March 2, and March 16, 1967.

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
<u>ACTUAL</u>		(Sign indicates effect on reserves)			
<u>Year:</u>					
1965 (12/30/64 - 12/29/65)	+798	+294	-171	+ 77	+598
1966 (12/29/65 - 12/28/66)	+805	+673	+ 64	- 30	+ 98
<u>Year-to-date:</u>					
(12/29/65 - 3/2/66)	-1,228	+157	-972	- 2	-411
(12/28/66 - 3/1/67)	-1,820	-153	-1,101	+ 16	-582
<u>Weekly:</u>					
1967--Feb. 1	+330	+111	+241	+ 36	- 58
8	-202	+154	-250	+ 6	-100
15	-332	-254	- 97	+ 3	+ 16
22	-171	+ 44	- 65	+ 13	-163
Mar. 1	- 96	+119	-179	+ 1	- 37
<u>PROJECTED</u>					
1967--Mar. 8	- 65	+140	-120	+ 5	- 90
15	+435	+435	- 50	--	+ 50
22	-150	-500	+270	--	+ 80
29	-280	--	-280	--	--
Apr. 5	-140	--	-140	--	--
12	+140	--	+120	--	+ 20
19	+390	--	+260	--	+130
26	- 50	--	- 50	--	--

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			
Year:								
1965 (12/30/64 - 12/29/65)	+4,035	+3,916	+3,145	+916	-145	--	+ 77	+ 42
1966 (12/29/65 - 12/28/66)	+3,149	+3,069	+2,158	+474	+437	+ 26	+ 52	+ 2
Year-to-date:								
(12/29/65 - 3/2/66)	- 375	- 347	- 257	+131	-221	--	+ 10	- 38
(12/28/66 - 3/1/67)	- 172	+ 243	+ 679	--	-436	- 3	- 31	-381
Weekly:								
1966--Dec. 7	+ 97	+ 256	+ 141	--	+115	+ 9	+ 19	-187
14	- 19	- 202*	- 120	--	-154	+ 7	- 22	+198
21	- 231	- 112*	- 69	+ 3	+ 26	+ 7	+ 49	-175
28	+ 556	+ 452	+ 105	+ 32	+315	+ 3	+ 25	+ 76
1967--Jan. 4	+ 319	+ 282	+ 434	--	-152	+ 1	+ 19	+ 17
11	+ 347	+ 345	+ 303	--	+ 42	- 22	+ 4	+ 20
18	-1,073	- 611	- 203	--	-408	- 5	- 89	-368
25	+ 283	+ 3	+ 109	--	-106	--	- 41	+321
Feb. 1	- 606	- 242	- 208	--	- 34	--	- 2	-362
8	+ 663	+ 434	+ 230	--	+204	+ 1	+ 51	+177
15	+ 215	+ 105	+ 59	--	+ 46	+ 6	+ 1	+103
22	+ 129	+ 69	- 143	--	+212	+ 24	+ 15	+ 21
Mar. 1	- 449	- 142	+ 98	--	-240	- 8	+ 11	-310

* - Includes effect of change in special certificates of +\$72 million in the week of December 14, 1966, and -\$72 million in the week of December 21, 1966.

Chart Reference Table C-1

TOTAL, NONBORROWED AND REQUIRED RESERVES

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--January	21,960	21,625	21,563	20,702	15,730
February	22,157	21,771	21,713	20,765	15,717
March	22,279	21,814	21,868	20,881	15,789
April	22,449	21,953	22,036	20,985	15,831
May	22,436	21,994	22,109	20,962	15,750
June	22,612	22,082	22,243	21,138	15,877
July	22,682	22,158	22,332	21,247	15,912
August	22,689	22,186	22,299	21,331	15,916
September	22,667	22,114	22,259	21,553	16,071
October	22,737	22,248	22,439	21,720	16,151
November	22,748	22,341	22,402	21,803	16,168
December	23,010	22,523	22,657	21,970	16,285
1966--January	23,139	22,701	22,788	22,075	16,364
February	23,217	22,759	22,844	22,084	16,356
March	23,274	22,671	22,896	22,269	16,510
April	23,530	22,877	23,123	22,477	16,625
May	23,536	22,878	23,163	22,453	15,534
June <u>1/</u>	23,539	22,862	23,193	22,582	16,626
July <u>1/</u>	23,763	22,997	23,355	22,515	16,472
August <u>1/</u>	23,363	22,695	23,067	22,517	16,428
September <u>1/</u>	23,492	22,700	23,064	22,597	16,497
October <u>1/</u>	23,297	22,566	23,042	22,430	16,352
November <u>1/</u>	23,262	22,674	22,896	22,383	16,321
December <u>1/</u>	23,283	22,695	22,990	22,522	16,411
1967--January p <u>1/</u>	23,610	23,184	23,249	22,531	16,325
February p <u>1/</u>	23,883	23,544	23,523	22,743	16,432

p - Preliminary.

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

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)

Monthly	Total member bank deposits (credit) 1/	Time deposits	Private demand deposits 2/	U.S. Gov't. demand deposits
1965--January	218.4	106.0	107.4	5.0
February	220.4	107.6	107.3	5.5
March	222.5	108.6	107.8	6.1
April	224.6	109.9	108.1	6.7
May	225.8	111.1	107.5	7.2
June	227.7	112.2	108.4	7.1
July	229.1	113.8	108.6	6.7
August	230.4	115.5	108.6	6.3
September	231.1	116.9	109.7	4.6
October	233.5	118.7	110.2	4.5
November	234.5	120.2	110.4	4.0
December	236.4	121.2	111.2	4.0
1966--January	238.0	121.8	111.7	4.5
February	238.7	122.1	111.6	5.0
March	239.8	122.8	112.7	4.3
April	242.9	124.8	113.5	4.7
May	243.9	126.2	112.9	4.8
June <u>3/</u>	244.8	127.0	113.5	4.3
July <u>3/</u>	246.9	128.9	112.4	5.6
August <u>3/</u>	246.2	129.8	112.1	4.2
Sept. <u>3/</u>	246.1	130.1	112.6	3.5
Oct. <u>3/</u>	245.5	129.6	111.6	4.3
Nov. <u>3/</u>	244.4	129.3	111.4	3.7
Dec. <u>3/</u>	245.2	130.3	112.0	2.9
1967--Jan. <u>3/</u> p	248.5	132.3	111.4	4.8
Feb. <u>3/</u> p	251.6	134.6	112.2	4.8

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

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

p - Preliminary.

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/	Time deposits	Private demand deposits 2/	U. S. Gov't. demand deposits
1966--Aug. 3*	246.1	129.2	112.1	4.8
10*	246.3	129.4	111.1	5.7
17*	246.5	129.9	112.3	4.3
24*	245.0	130.1	112.1	2.8
31*	246.8	130.3	112.2	4.4
Sept. 7*	247.0	130.2	112.5	4.3
14*	246.5	130.2	112.1	4.2
21*	245.7	129.8	113.7	2.2
28*	245.7	130.0	112.8	2.9
Oct. 5*	246.2	129.8	112.8	3.5
12*	245.2	129.8	112.1	3.3
19*	244.3	129.8	111.5	3.0
26*	246.1	129.3	111.0	5.9
Nov. 2*	246.1	129.5	111.2	5.4
9*	245.8	129.3	111.1	5.3
16*	244.4	129.3	111.1	4.0
23*	243.0	129.3	111.1	2.2
30*	243.2	129.2	111.3	2.7
Dec. 7*	244.5	129.5	111.9	3.2
14*	244.5	129.8	111.2	3.5
21*	245.5	130.2	113.1	2.2
28*	245.7	131.0	111.5	3.2
1967--Jan. 4*	247.3	131.4	112.6	3.3
11*	247.7	131.7	111.6	4.4
18*	247.8	132.1	111.4	4.3
25p*	249.3	132.9	110.6	5.8
Feb. 1p*	250.3	133.7	111.3	5.4
8p*	251.5	134.1	111.8	5.6
15p*	251.4	134.4	111.5	5.5
22p*	251.7	134.8	113.1	3.8
Mar. 1p*	251.7	134.8	112.7	4.2

p - Preliminary.

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/ Private demand deposits include demand deposits on individuals, partnerships and corporations and net interbank balances.

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

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
1965--January	159.7	34.5	125.3	128.7
February	159.8	34.6	125.2	130.7
March	160.3	34.7	125.6	132.0
April	161.0	34.8	126.2	133.3
May	160.7	34.9	125.8	134.6
June	161.7	35.0	126.7	136.2
July	162.4	35.3	127.2	137.9
August	163.0	35.5	127.5	140.0
September	164.1	35.7	128.5	141.6
October	165.2	36.0	129.3	143.7
November	165.6	36.1	129.5	145.5
December	167.2	36.3	130.9	146.9
1966--January	168.0	36.6	131.4	147.8
February	168.2	36.8	131.4	148.5
March	169.3	36.9	132.3	149.5
April	170.9	37.2	133.7	151.4
May	170.2	37.3	132.9	153.0
June <u>3/</u>	171.1	37.4	133.7	154.5
July <u>3/</u>	169.6	37.7	131.9	156.5
August <u>3/</u>	169.6	37.8	131.8	157.8
September <u>3/</u>	170.5	37.9	132.6	158.2
October <u>3/</u>	169.6	38.0	131.7	157.9
November <u>3/</u>	169.2	38.0	131.2	158.0
December <u>3/</u>	170.3	38.3	132.1	159.2
1967--January <u>3/p</u>	169.7	38.5	131.2	161.6
February <u>3/p</u>	170.6	38.7	131.9	164.3

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 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
1966--Aug. 3	169.2	37.7	131.6	157.0*
10	168.7	37.8	130.9	157.4*
17	169.7	37.8	131.9	157.9*
24	169.8	37.8	132.0	158.0*
31	170.0	37.7	132.2	158.2*
Sept. 7	170.5	37.8	132.6	158.2*
14	170.1	38.0	132.1	158.2*
21	171.7	38.0	133.7	158.1*
28	170.0	37.9	132.1	158.4*
Oct. 5	170.7	37.9	132.8	158.2*
12	170.2	38.0	132.2	158.0*
19	169.6	37.9	131.7	158.1*
26	168.9	37.9	131.0	157.7*
Nov. 2	168.9	37.8	131.1	157.8*
9	168.8	38.0	130.9	157.9*
16	168.9	38.1	130.8	158.0*
23	169.3	38.0	131.3	158.0*
30	169.3	38.1	131.2	157.9*
Dec. 7	169.7	38.1	131.7	158.2*
14	169.1	38.2	130.9	158.6*
21	171.9	38.2	133.7	159.2*
28	170.3	38.4	131.9	160.0*
1967--Jan. 4	170.8	38.4	132.4	160.5*
11	170.2	38.6	131.6	160.9*
18	170.3	38.5	131.8	161.3*
25p	169.1	38.4	130.7	162.1*
Feb. 1p	169.0	38.5	130.5	163.1*
8p	169.5	38.6	130.9	163.6*
15p	170.1	38.8	131.3	164.2*
22p	172.0	38.8	133.2	164.7*
Mar. 1p	171.7	38.8	132.9	164.9*

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.

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

p - Preliminary