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MONEY MARKET AND RESERVE RELATIONSHIPS

Recent developments

Since the last meeting of the FOMC, there has been a marked further reduction in short-term rates, with declines of around 35 basis points in bill rates, sizable drops in rates on CD's, and declines of 40 - 50 basis points on Federal Agency issues and bankers' acceptances. The Federal funds rate moved generally into a $4\frac{1}{2}$ - $4\frac{3}{4}$ per cent range, as compared with 5 - $5\frac{1}{8}$ per cent in February. And new dealer loan rates during March were most often in a 5 - $5\frac{1}{2}$ per cent range at New York banks and $4\frac{3}{4}$ - 5 per cent from sources outside New York.

These rate declines have been partly encouraged by market expectations of a discount rate decrease, but they also importantly reflect the further easing of bank reserve conditions during the past month when nonborrowed reserves expanded by a more than 25 per cent annual rate.

The rapid expansion in reserves in March, the easing of money market conditions, and the expectations that monetary policy would ease further, have also contributed to declines in long-term rates. But the extremely heavy calendar of new corporate and other issues has limited the declines. As a result, unlike short-term rates, yields on corporate, state and local government, and long-term

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)											
1966--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.	- 60	476	4.87	4.72	4.51	5.43**	3.74	+492	+331	+3.3	-0.7	+2.4
Feb. p	+ 35	366	4.99	4.56	4.61	5.18**	3.62	+355	+268	+3.1	+0.9	+2.7
Mar. p	+222	200	--	--	--	5.33**	3.48	+522	+433	+3.1	+2.1	+2.1
1967--Mar. 1 p	- 52	167	4.65	4.56	4.70	5.45**	3.53			+0.3	-0.8	+0.2
8 p	+165	202	4.70	4.38	4.60	5.31**	3.48			+0.6	+0.7	+0.7
15 p	+214	173	4.55	4.33	4.55	5.40**	3.48			+1.3	+1.1	+0.7
22 p	+264	302	4.70	4.18	4.53	5.33**	3.46			+2.3	-0.3	+0.3
29 p	+235	135	4.15	4.17	4.57	5.21**	3.46			+0.1	+0.2	+0.3
					<u>Averages</u>			<u>Annual rates of increase ^{3/}</u>				
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. 29	- 26	397	5.06	4.74	4.66	5.39**	3.58			+13.3	+ 6.3	+15.4

^{1/} Issues carry a 5-year call protection; ** includes issues carrying 5-year and 10-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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March 31, 1967.

U.S. Government securities remain above their earlier lows reached in the late January-mid-February period.

A large part of the rapid rise in nonborrowed reserves was absorbed by an increase in excess reserves and a reduction in borrowings. Excess reserves rose to an average of about \$425 million during the past four statement weeks from \$345 million during the previous four weeks, reflecting in part the initial bank response to the recent reserve requirement reduction. At the same time, member bank borrowings from the Federal Reserve declined from \$365 million to \$205 million. In consequence, net free reserves averaged \$220 million during the past four statement weeks, up sharply from a net borrowed reserve average of around \$20 million during the previous four weeks.

Required reserves, however, did grow substantially in March and total member bank deposits (the bank credit proxy) expanded at about a 15 per cent annual rate. Borrowings by banks abroad through their foreign branches appear to have shown little change on balance in March. Over the four month December-March period, nonborrowed reserves rose at an 18.5 per cent annual rate, the bank credit proxy at 12.5 per cent (about 11.5 per cent after allowing for the decline in foreign borrowings earlier in the quarter), and the end-of-month series on total loans and investments of banks at an estimated 11.5 per cent annual rate.

The rapid rate of bank credit growth reflects in part return flows of funds into time deposits as the decline in market rates permitted

banks to reverse the disintermediation of last summer and fall. Time and savings deposits expanded at about a 15 per cent annual rate in March, and at about a 16 per cent rate over the past four months. The March increase was sparked by a resurgence of growth in pass-book savings. Growth in outstanding negotiable CD's has moderated substantially since early in the year.

The substantial growth in nonborrowed reserves that has been necessary to ease money markets has also led to considerable expansion in private demand deposits and in the money supply. Money supply rose at a 15 per cent annual rate in March, and the rise over the past four months was at a 6 per cent rate. In part, consumers may be rebuilding both demand and savings deposits because of uncertainties about the economic outlook. Business demand deposit holdings may also have risen in part in order to prepare for large tax payments to be made in the near future.

Prospective developments

Money market relationships with no policy shift. Credit markets during the coming month are likely to be affected by sizable, though temporary, demands for short-term credit to help finance large accelerated April tax payments; by a continued relatively heavy bond market calendar; by the need for investors to make payments on the even heavier volume of issues of recent weeks; by the ending of initial bank adjustments to the March reductions in reserve requirements; and by fluctuations in market expectations concerning Federal

Reserve policy actions. Against this near-term background, as best can now be projected, a continuation of prevailing conditions of ease in the money market, assuming no change in the discount rate, would likely require a continued liberal provision of reserve funds if the Federal funds rate were to remain in a $4\frac{1}{2}$ - $4\frac{3}{4}$ per cent range and the 3-month bill rate in a 4.00 - 4.20 per cent range.

The April tax date will tend to exert upward pressure on money market rates. Toward the end of April and in early May, however, normal seasonal demands for bills could be augmented if the Treasury undertakes an attractive rights financing in connection with its regular May refunding (which will be announced in late April and books will be open in early May).

A Federal funds rate generally in a $4\frac{1}{2}$ - $4\frac{3}{4}$ per cent range would probably keep dealer loan rates by and large at 5 per cent or above in New York, so that marginal dealer borrowing costs would also be high enough to make the cost of carry an important factor reducing dealer willingness to hold relatively large bill positions. Such dealer borrowing costs might also be subject to pressure if the basic reserve deficiency of major money market banks enlarges around mid-April as it did last year when tax-related needs for funds were substantially less than this year. Thus, given these possibilities, it may take a Federal funds rate around $4\frac{1}{2}$ per cent, and often shading lower, to keep money market rates and conditions as comfortable over-all as in recent weeks.

Maintenance of prevailing conditions of ease in the money market may still entail a net free reserve position for member banks as high as the recent \$200 - \$300 million range, especially around the period of peak tax date pressures. There appears to be some scope for a decline in excess reserves over the period ahead, since, as indicated earlier, banks built up excess reserves somewhat as part of their initial response to the recent reserve requirement reduction. However, wide swings in marginal reserve measures are probable in the coming weeks in view of the likelihood of sharp shifts in reserve distribution between money market and other banks during April.

Bank credit, deposits and long-term rates with no policy shift. The reserves provided to maintain the market conditions noted in the preceding paragraphs and in light of expected large credit demands over the tax period would probably support bank credit growth in a 10 - 13 per cent annual rate range (as measured on a daily average basis by the proxy). Time and savings deposits are expected to rise further, but the rate of growth--in a 10 - 13 per cent range--is likely to be slower than the exceptional pace of recent months. Consumer-type time deposits and passbook savings are likely to show continued relatively sizable growth unless consumer spending picks up, but it is assumed that net expansion in outstanding CD's will be moderate. Large banks may prefer to finance temporary tax-related loan demands through day-to-day borrowing in the Federal funds market or even from abroad, rather than in the CD market where

they are committed to the funds at somewhat longer term and with relatively little difference in cost.

Although the heavy volume of tax payments in prospect in April is expected to boost bank loan demands, some factors may operate to limit the extent of loan rise. For example, recent capital market financing may be used to a substantial extent to reduce indebtedness to banks. Such loan repayments, in conjunction with a large expected growth in U.S. Government deposits as corporate and personal income tax payments are made, probably will reduce private holdings of demand deposits somewhat. Such holdings are projected to decline in a 2 - 5 per cent (annual rate) range in April. With currency continuing to rise, however, the money supply is expected to remain about unchanged.

While staff projections of loan growth in April are large and, of course, could be exceeded in actual event, there is the possibility that loan growth could be less rapid than expected, either because we have underestimated loan repayments out of capital market proceeds or because the inventory adjustment gathers momentum. Under these conditions, demand deposits could decline even more. In addition banks might reduce their demands for borrowings, including funds from abroad, and also cut back their demand for time deposits further. But the full force of such developments limiting bank credit expansion is not likely to show up until later in the spring.

March 31, 1967.

Should expectations of a lower discount rate be disappointed, even the sizable bank reserve and credit expansion that is presently the staff's maximum likelihood projection--given maintenance of prevailing money market conditions--may not be sufficient to forestall some back-up in long-term market rates in April. While the odds would appear to favor continued small declines in long-term rates because of the moderation in the new issue calendar from the record March volume, dealer holdings of municipal issues have been building up and recent new corporate issues appear to have been priced somewhat ahead of the market in anticipation of a further monetary policy easing action.

Further ease through open market operations alone. To achieve some easing of monetary policy without a discount rate reduction is likely to require an increase in net reserve availability to a \$300 - \$350 million range. This could be consistent with a Federal funds rate in a 4 - 4½ per cent range and with increased chances that growth in the monetary aggregates will be closer to or above the upper ends of the ranges indicated earlier. Credit market reactions to such a move are not entirely predictable, however, with some market participants becoming even more convinced that a sizable discount rate cut was imminent and with others perhaps becoming more doubtful. An easing policy carried out only through open market operations might be construed as indicating that the System may foresee the need for reversing monetary policy in the near future and therefore is reluctant

to lower the discount rate; this would tend to limit interest rate declines associated with further ease in open market operations. The 3-month bill rate could fluctuate widely over the near-term under the circumstances as expectations with respect to discount rate change wax and wane.

Further ease with discount rate cuts. A 1/4 point decline in the discount rate to $4\frac{1}{2}$ per cent would tend essentially to do little more than confirm current levels of security yields. It would become more likely that the Federal funds rate would move below $4\frac{1}{2}$ per cent, assuming free reserves in their recent range. It would also serve to lower dealer lending rates somewhat, and thereby take some potential upward pressure off bill rates in the longer run. Over the short-run, though, the 3-month bill rate may rebound from its very recent 4 per cent level, and perhaps fluctuate in a 3.90 to 4.15 per cent range over the next four weeks. If accomplished soon, a small discount rate cut could also smooth market adjustments around the mid-April tax date. The expansion in reserve and monetary aggregates could very well remain within the ranges earlier indicated for an unchanged monetary policy since borrowers and banks have to a great extent already built in a discount rate reduction of at least this size into their decisions.

If the discount rate were cut to 4 per cent, the market effects are likely to be more noticeable. The 3-month bill rate might fall into a 3.60 - 4.00 per cent range, as Federal funds and

dealer loan rates declined roughly in line with the discount rate and as the market assumed that supportive open market operations would be forthcoming. Bank lending and time deposit rates--including not only rates on CD's but also on consumer-type time deposits--might tend to move further downwards, especially after the tax period has passed. And such rate movements, or anticipations of them, are likely to reduce long-term market rates somewhat further, to reduce interest rates offered by nonbank depository institutions, and to encourage additional declines in mortgage rates and easing in mortgage terms.

Growth in bank credit with the discount rate at 4 per cent could be a few percentage points more rapid than the 10 - 13 per cent range earlier indicated. This would be particularly the case if banks permitted CD rates to lag behind the decline in bill rates--taking the opportunity to obtain additional CD money. Downward adjustments in bank lending terms would also tend to increase bank credit growth as capital market financing became relatively less attractive. But it is conjectural whether such adjustments would come soon enough to affect April. In any event, a $\frac{1}{2}$ point decline in the discount rate would probably require a follow through over the weeks ahead in the form of somewhat larger free reserve positions, in order to attain the full extent of easing in market conditions likely to be set in motion by the discount rate action.

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--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	417	476	- 59		
February p	400	366	+ 34		
March p	422	200	+222		
Weekly:					
1967--Jan. 4	395	565	-170	-188	-175
11	628	585	+ 43	+ 67	+ 61
18	127	217	- 90	- 39	- 53
25	516	538	- 22	- 47	- 62
Feb. 1	340	176	+164	+154*	- 50
8	289	353	- 64	- 45	- 91
15	418	456	- 38	- 7	+ 2
22 p	553	477	+ 76	+101	+117
Mar. 1 p	115	167	- 52	+ 4	- 17
8 p	367	202	+165	+165	+216
15 p	387	173	+214	+204	+217
22 p	566	302	+264	+277	+290
29 p	370	135	+235	+235	+253

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)

Period	Reserve Aggregates				Monetary Variables			
	Total Reserves	Nonborrowed Reserves	Required reserves		Total Member Bank Deposits (credit) ^{1/}	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:								
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 ^{2/}	+ 0.2	- 0.8	+ 1.6	+ 1.3	+ 4.4	+11.8	+ 6.3	+ 7.2
July ^{2/}	+11.4	+ 7.1	+ 8.4	+ 2.9	+10.3	+14.8	-10.5	-16.2
August ^{2/}	-20.2	-15.8	-14.8	-16.9	- 3.4	+10.7	--	- 0.9
September ^{2/}	+ 6.6	- 0.3	- 0.2	- 3.2	- 0.5	+ 3.0	+ 6.4	+ 7.3
October ^{2/}	-10.0	- 7.1	- 1.1	- 2.0	- 2.9	- 2.3	- 6.3	- 8.1
November ^{2/}	- 1.8	+ 5.7	- 7.6	- 8.2	- 5.4	+ 0.8	- 2.8	- 4.6
December ^{2/}	+ 1.1	+ 1.1	+ 4.9	- 1.6	+ 3.9	+ 9.1	+ 7.8	+ 8.2
1967--January ^{2/}	+17.1	+26.0	+13.5	+12.7	+16.1	+18.1	- 4.9	- 9.1
February ^{2/p}	+13.6	+18.4	+14.2	+ 9.3	+15.0	+20.0	+ 6.4	+ 5.5
March ^{2/ p}	+21.8	+26.7	+14.9	+14.8	+14.8	+15.3	+14.8	+17.3

^{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, and reduction in reserve requirements in March, 1967.

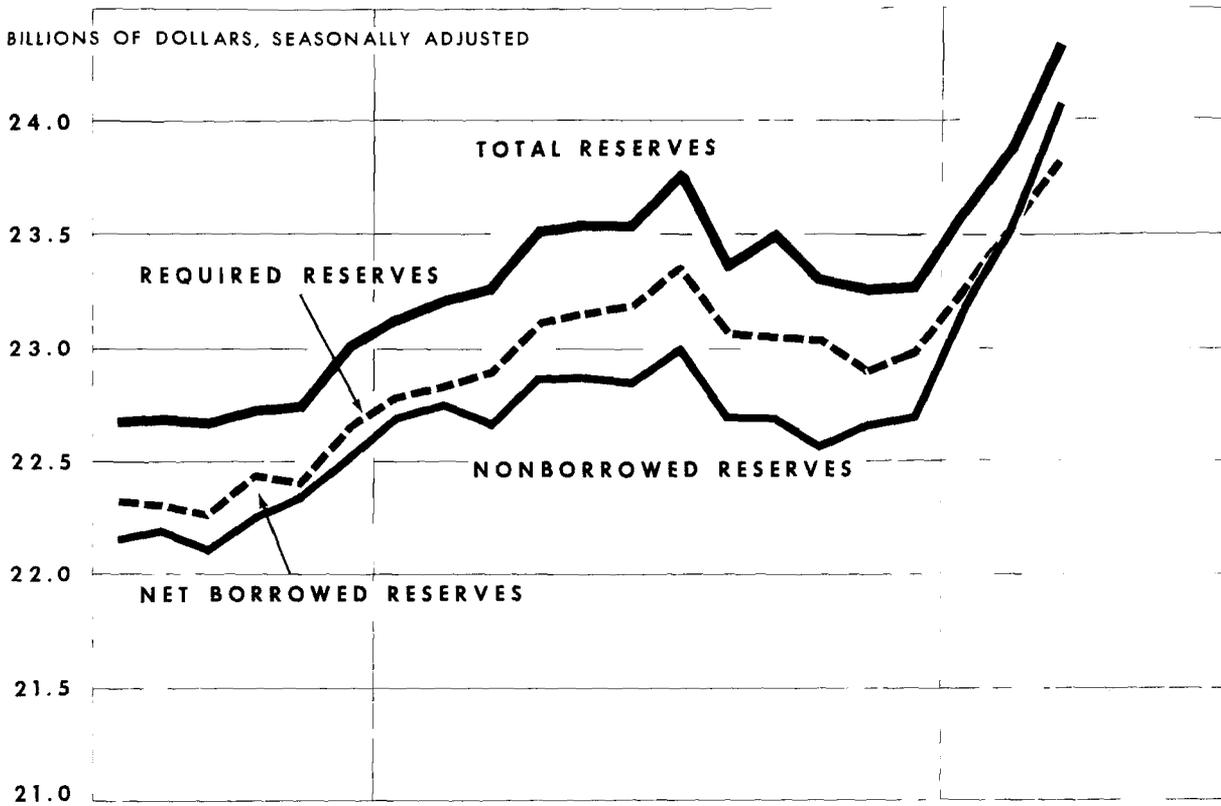
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Chart 1

MEMBER BANK RESERVES

MONTHLY AVERAGES OF DAILY FIGURES

BILLIONS OF DOLLARS, SEASONALLY ADJUSTED



BILLIONS OF DOLLARS

1.5

1.0

.5

0

MEMBER BANK BORROWINGS

EXCESS RESERVES

1965

1966

1967

S

D

M

J

S

D

M

J

Chart 2

MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

BILLIONS OF DOLLARS

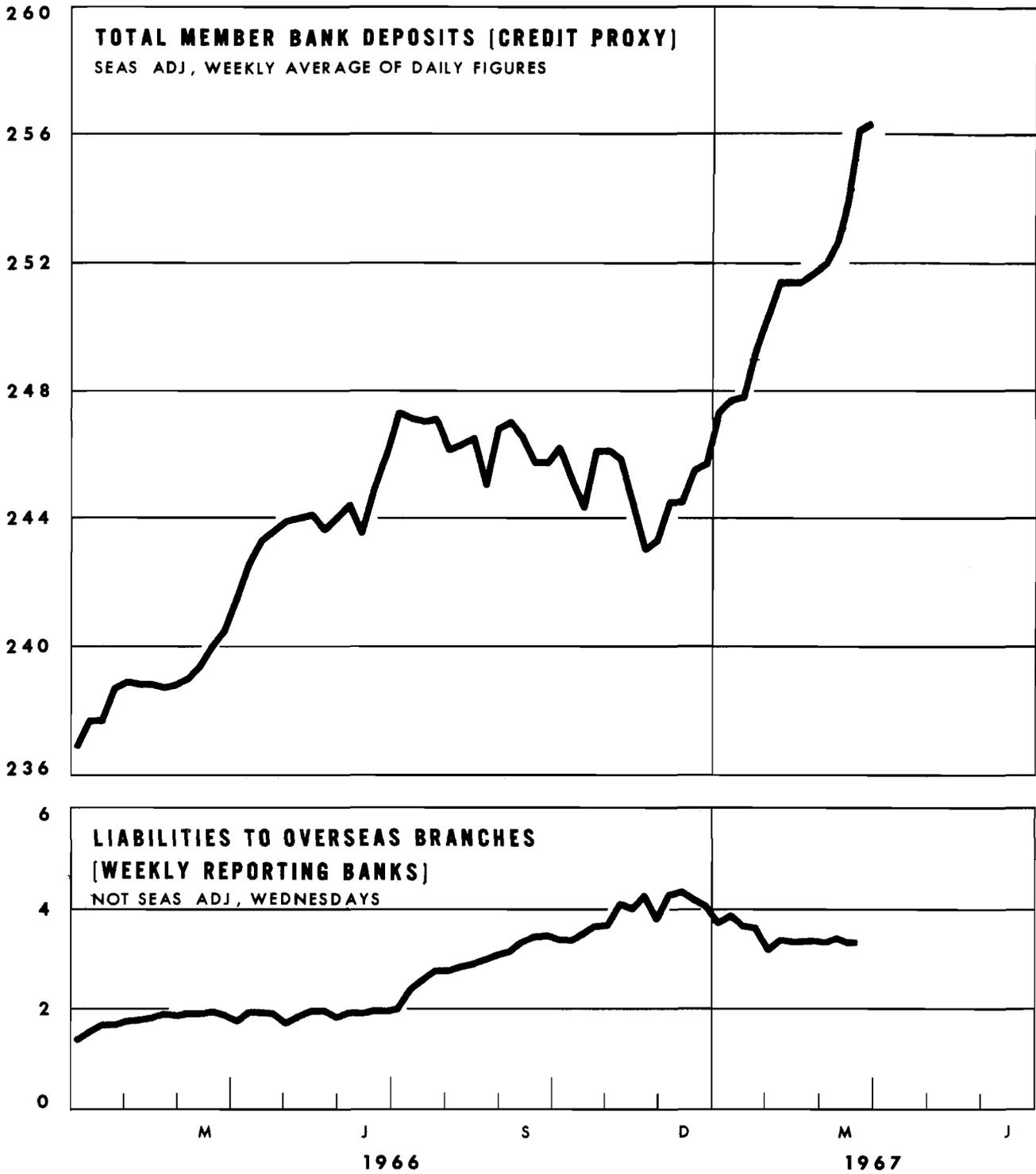
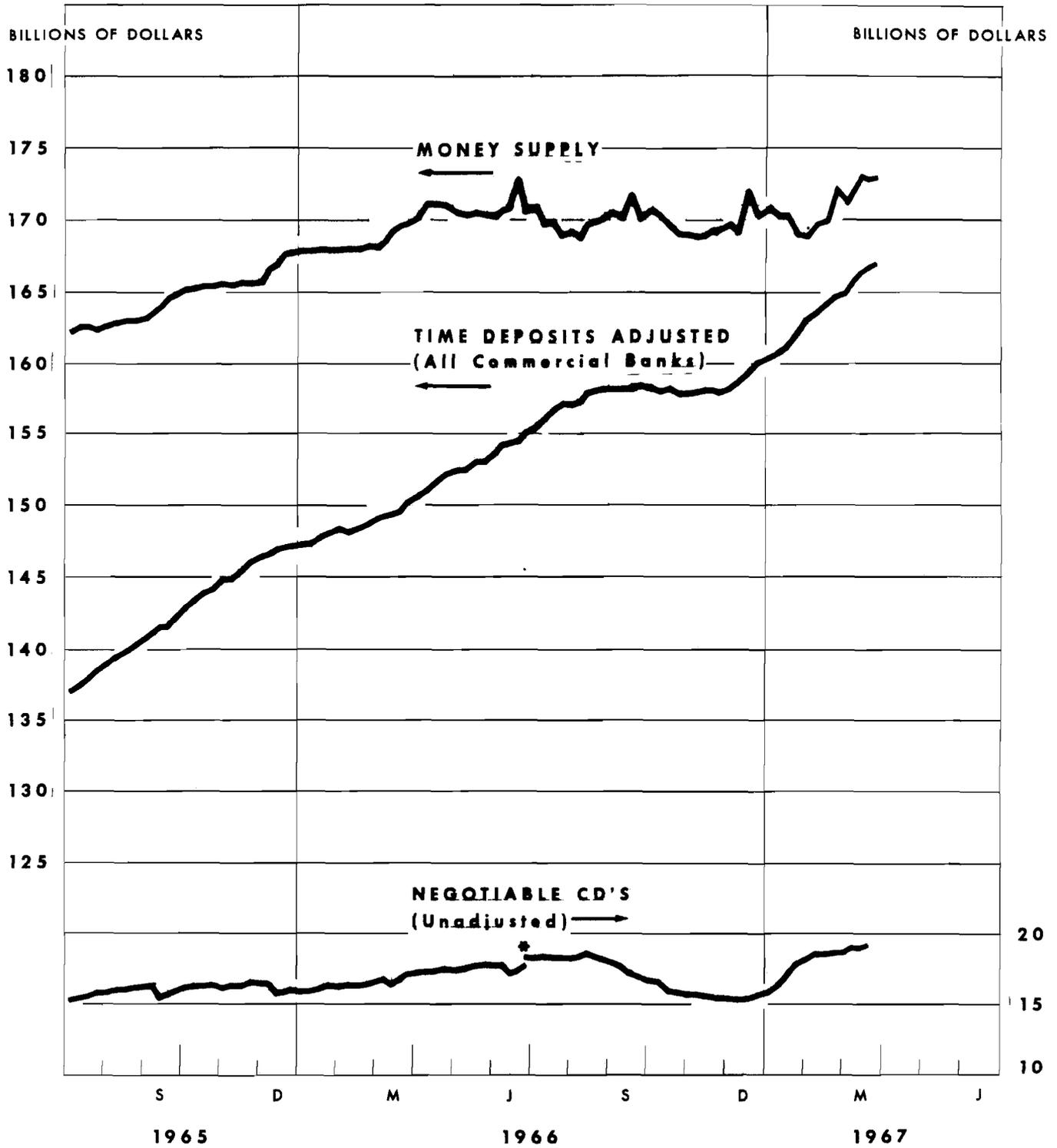


Chart 3.

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

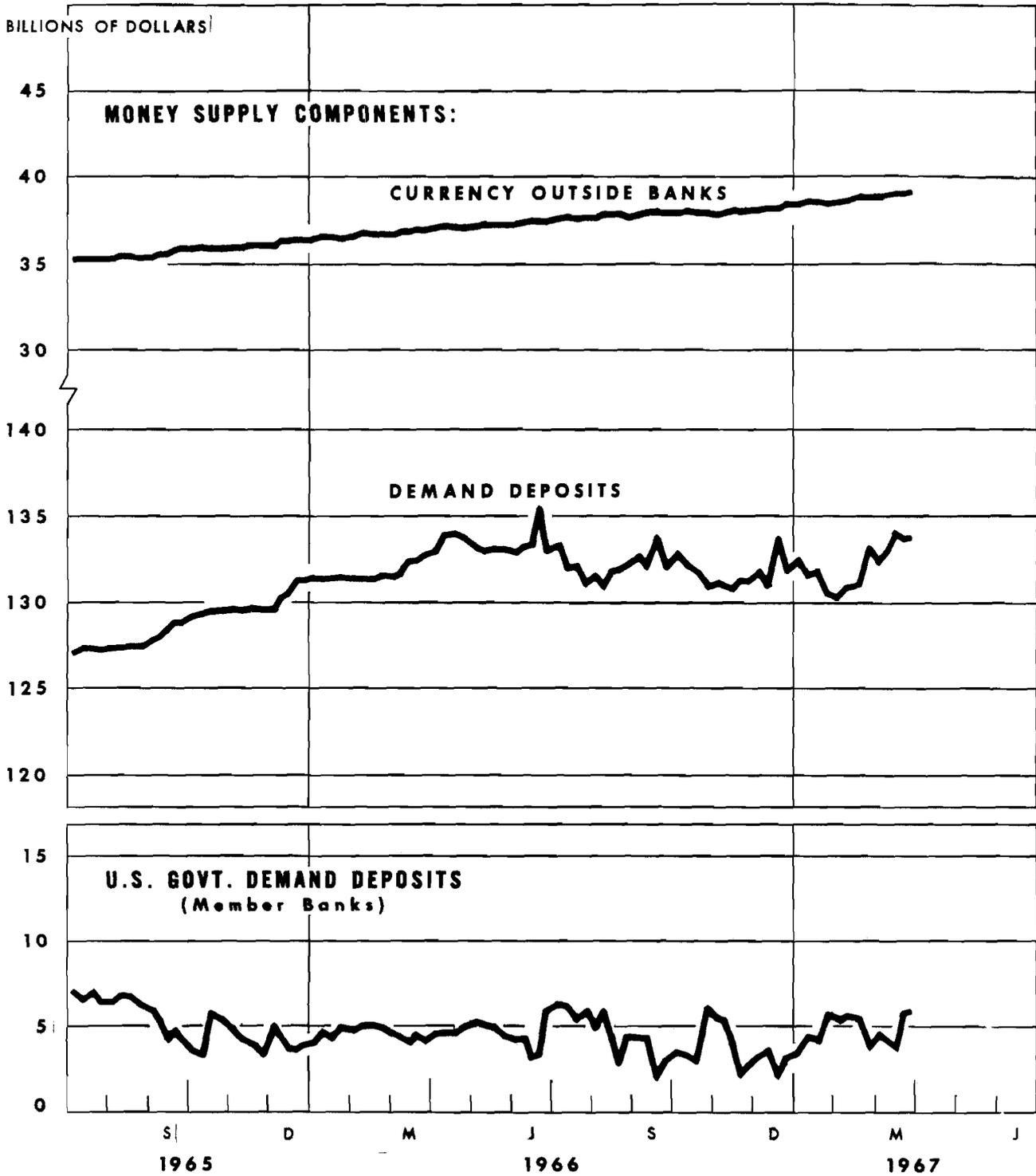


Table B-1

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 - 3/30/66)	- 375	- 154	+ 854	+1,228	- 904	- 729	-175
(12/28/66 - 3/29/67)	+ 221	- 51	+ 967	-1,997	- 862	- 795	- 67
<u>Weekly:</u>							
1967--Mar. 1 p	- 449	- 36	+ 169	- 96	- 413	+ 25	-438
8 p	+ 391	+ 1	- 468	- 100	- 176	- 428 ^{5/}	+252
15 p	- 92	- 2	+ 32	+ 147	+ 83	+ 63	+ 20
22 p	+ 284	+ 1	- 12	+ 130	+ 404	+ 225 ^{5/}	+179
29 p	- 190	--	+ 155	- 354	- 389	- 193	-196
<u>PROJECTED</u>							
	4/						
Apr. 5	+ 200	--	- 135	- 190	- 125	- 100	- 25
12	+ 120	--	- 305	+ 280	+ 95	+ 105	- 10
19	+ 260	--	+ 235	+ 390	+ 885	+ 190	+695
26	- 50	--	+ 275	- 50	+ 175	+ 100	+ 75
May 3	- 160	--	- 35	- 160	- 355	+ 30	-385
10	- 110	--	- 575	- 110	- 795	- 75	-720
17	+ 200	--	+ 30	+ 145	+ 375	- 105	+480
24	+ 90	--	+ 120	- 125	+ 85	- 145	+230
31	- 350	--	- 200	- 350	- 900	- 130	-770

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 - 3/30/66)							
(12/28/66 - 3/29/67)	- 788	+242	-1,030	-1,000	+118	+351	- 499
<u>Weekly:</u>							
1967--Mar. 1 p	+ 25	+ 27	- 2	+ 37	+ 10	- 55	+ 6
8 p	- 428	-120	- 308	+ 19	+ 9	+ 50	- 386 <u>2/</u>
15 p	+ 63	-159	+ 222	+ 61	+ 5	+125	+ 31
22 p	+ 225	+307	- 82	+ 264	--	+ 71	- 417 <u>2/</u>
29 p	- 193	+235	- 428	- 418	+ 9	- 29	+ 10
<u>PROJECTED</u>							
Apr. 5	- 100	-270	+ 170	+ 165	+ 5	- 15	+ 15
12	+ 105	-115	+ 220	+ 215	- 10	--	+ 15
19	+ 190	- 95	+ 285	+ 345	- 15	- 60	+ 15
26	+ 100	+255	- 155	- 150	- 5	- 15	+ 15
May 3	+ 30	+180	- 150	- 195	--	+ 30	+ 15
10	- 75	+145	- 220	- 275	--	+ 45	+ 10
17	- 105	- 30	- 75	- 180	+ 5	+ 90	+ 10
24	- 145	- 35	- 110	- 270	+ 5	+145	+ 10
31	- 130	-165	+ 35	- 20	--	+ 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 - 3/30/66)	-1,228	+157	- 972	- 2	-411
(12/28/66 - 3/29/67)	-1,997	-238	-1,200	+ 9	-568
<u>Weekly:</u>					
1967--Mar. 1	- 96	+119	- 179	+ 1	- 37
8	- 100	+124	- 123	- 5	- 96
15	+ 147	+211	- 88	- 3	+ 27
22	+ 130	-349	+ 393	- 2	+ 88
29	- 354	- 71	- 281	+ 3	- 5
<u>PROJECTED</u>					
1967--Apr. 5	- 190	+ 10	- 200	+ 5	- 5
12	+ 280	+140	+ 120	--	+ 20
19	+ 390	--	+ 260	--	+130
26	- 50	--	- 50	--	--
May 3	- 160	--	- 160	--	--
10	- 110	--	- 110	--	--
17	+ 145	--	+ 200	--	- 55
24	- 125	--	+ 90	--	-215
31	- 350	--	- 350	--	--

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>Year:</u>								
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
<u>Year-to-date:</u>								
(12/29/65 - 3/30/66)	- 375	- 347	- 257	+131	-221	--	+ 10	- 38
(12/28/66 - 3/29/67)	+ 221	+ 732	+1,165	+101	-534	- 20	- 78	-413
<u>Weekly:</u>								
1967--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
8	+ 391	+ 368	+ 313	+ 21	+ 34	- 5	- 7	+ 35
15	- 92	+ 16*	- 177	+ 29	+100	- 3	- 76	- 29
22	+ 284	+ 158*	+ 250	--	- 28	- 4	+ 1	+129
29	- 190	- 53	+ 100	+ 51	-204	- 5	+ 35	-167

* - Includes effect of change in special certificates of +\$64 million in the week of March 15, 1967 and -\$64 million in the week of March 22, 1967.

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 <u>1/</u>	23,614	23,187	23,248	22,525	16,317
February p <u>1/</u>	23,882	23,542	23,523	22,737	16,427
March p <u>1/</u>	24,315	24,064	23,816	23,043	16,656

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>	248.5	132.4	111.4	4.8
Feb. <u>3/</u> p	251.6	134.6	112.1	4.9
Mar. <u>3/</u> p	254.7	136.2	113.7	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/} ^{2/}	Time deposits ^{2/}	Private demand deposits ^{3/}	U. S. Gov't. demand deposits
1966--Nov. 2	246.1	129.5	111.2	5.4
9	245.8	129.3	111.1	5.3
16	244.5 r	129.3	111.2 r	4.0
23	243.0	129.3	111.5 r	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
25	249.2	132.9	110.5	5.8
Feb. 1	250.3	133.7	111.1	5.5
8	251.4	134.0	111.7	5.7
15	251.4	134.5	111.5	5.5
22 p	251.7	134.8	113.1	3.8
Mar. 1 p	252.0	134.9	112.7	4.4
8 p	252.6	135.6	112.9	4.1
15 p	253.9	136.2	113.8	3.9
22 p	256.1	136.4	113.9	5.8
29 p	256.3	136.7	113.7	5.9

p - Preliminary. r - revised.

^{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 on 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
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/</u>	169.6	38.5	131.1	161.6
February <u>3/</u> p	170.5	38.8	131.7	164.3
March <u>3/</u> p	172.6	39.0	133.6	166.4

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 monthly averages of daily figures)

Week Ending	Money Supply	Currency <u>1/</u>	Private Demand Deposits <u>2/</u>	Time Deposits adjusted <u>3/</u>
1966--Nov. 2	168.9	37.8	131.1	157.8
9	168.8	38.0	130.9	157.9
16	169.0 r	38.1	130.9 r	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
25	168.9	38.4	130.5	162.2
Feb. 1	168.7	38.5	130.2	163.1
8	169.6	38.7	130.9	163.5
15	169.9	38.8	131.1	164.2
22p	172.0	38.8	133.2	164.7
Mar. 1 p	171.2	38.8	132.4	164.9
8 p	171.9	38.9	133.0	165.6
15 p	173.0	39.0	134.0	166.3
22 p	172.7	39.0	133.7	166.6
29 p	172.9	39.1	133.8	166.9

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.

p - Preliminary

r - Revised