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MONEY MARKET AND RESERVE RELATIONSHIPS

Recent developments

Key monetary variables have behaved in disparate ways since the last meeting of the Committee--some in line with expectations, some at the outer edge of expectations, and some unexpectedly. During the last three statement weeks in January, the Federal funds rate averaged a shade above 4-5/8 per cent, member bank borrowings averaged \$233 million, and new dealer loan rates were around 4-3/4--4-7/8 per cent--all well within anticipated ranges and indicative of firmer money market conditions associated in part with the rise in reserve requirements effective mid-January. Consistent with these conditions, net free reserves were noticeably lower than in the weeks before the previous meeting, and averaged \$35 million over the period, near the lower end of the anticipated zero to \$100 million range. This average included a net borrowed reserve figure of \$70 million published for the statement week ended January 17, when country bank excess reserves dropped very sharply from the previous week's seasonally high level (which is not included in the average above).

On the other hand, Treasury bill rates (except for the 1-month bill) have generally ranged down to and in the past week below the low end of the 4.90 - 5.20 per cent range of expectations expressed in the preceding Blue Book, as investment demand for bills proved large, as the worst market fears about a crunch in the weeks around year-end were not realized, and as dealers became more willing to position bills. The

FINANCIAL MARKET RELATIONSHIPS IN PERSPECTIVE

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

Period	Money Market Indicators				Bond Yields			Flow of Reserves, Bank Credit and Money				
	Free Reserves (In millions of dollars)	Borrowings	Federal Funds Rate	3-month Treasury Bill	U.S. Gov't. (20 yr.)	Corporate New Issues (Aaa) ^{1/}	Municipal (Aaa)	Non-borrowed Reserves (In millions of dollars)	Total Reserves	Bank Credit Proxy (In billions of dollars)	Money Supply (In billions of dollars)	Time Deposits ^{2/} (In billions of dollars)
	(Seasonally Adjusted)											
1967--Jan.	- 59	476	4.87	4.72	4.51	5.43	3.50	+475	+359	+ 3.3	- 0.1	+ 2.2
Feb.	42	366	4.99	4.56	4.61	5.18	3.38	+325	+218	+ 3.3	+ 1.2	+ 2.6
Mar.	172	196	4.50	4.26	4.56	5.31	3.47	+555	+415	+ 3.0	+ 1.6	+ 2.6
Apr.	199	150	4.03	3.84	4.64	5.38	3.50	+ 92	+ 49	+ 2.1	- 0.3	+ 2.0
May	275	94	3.94	3.60	4.90	5.62	3.71	+ 96	- 8	+ 1.2	+ 1.6	+ 1.9
June	257	88	3.97	3.53	4.99	5.79	3.80	+ 95	+164	+ 2.0	+ 1.7	+ 2.5
July	311	132	3.78	4.20	5.01	5.78	3.86	+307	+223	+ 3.2	+ 1.7	+ 2.2
Aug.	270	86	3.88	4.26	5.12	5.86**	3.78	+291	+269	+ 3.7	+ 1.2	+ 2.5
Sept.	252	82	3.99	4.42	5.16	5.85**	3.81	+ 96	+193	+ 2.3	+ 0.1	+ 1.7
Oct.	212	141	3.87	4.55	5.36	6.08	3.88	+250	+311	+ 2.7	+ 1.1	+ 2.0
Nov.	225	124	4.14	4.72	5.66	6.50	3.99	+223	+157	+ 1.9	+ 0.9	+ 1.7
Dec.	148	185	4.49	4.96	5.59	6.51	4.15	-296	-149	- 0.1	+ 0.3	+ 1.3
1968--Jan. p 4/	132	275	4.61	4.99	5.39	6.22	4.06	+458	+488	+ 2.0	+ 1.2	- 0.3
1968--Jan. 3	159	495	4.56	5.01	5.53	6.32	4.15			+ 1.2	+ 1.3	- 0.3
10 p	405	180	4.58	5.01	5.34	6.18	4.08			- 0.2	- 0.7	+ 0.2
17 p	-70	224	4.65	5.03	5.35	6.16	4.03			+ 1.4	+ 1.2	+ 0.1
24 p	126	233	4.68	5.03	5.45	6.27	3.98			+ 0.5	- 1.2	- 0.1
31 p	44	241	4.58	4.87	5.39	6.16	3.90			- 0.9	- 0.3	+ 0.4
	<u>Averages</u>							<u>Annual rates of increase</u> ^{3/}				
Year 1967	195	173	4.19	4.29	5.01	5.77	3.74	+11.5	+ 9.8	+11.6	+ 6.5	+15.8
First Half 1967	153	222	4.36	4.07	4.70	5.45	3.56	+15.0	+10.7	+12.1	+ 6.8	+17.3
Second Half 1967	236	123	4.02	4.51	5.31	6.10	3.91	+ 7.4	+ 8.5	+10.5	+ 6.0	+13.1
<u>Recent variations in growth</u>												
Mar. 29-June 28	245	110	4.00	3.66	4.83	5.63	3.68			+18.8	+ 6.9	+14.3
Jun. 28-Nov. 29	254	112	3.96	4.41	5.25	5.96	3.86			+12.5	+ 6.3	+14.1
Nov. 29-Jan. 31	139	235	4.45	4.97	5.49	6.29	4.11			+ 4.0	+ 3.2	+ 2.2

^{1/} Includes issues carrying 5-year and 10-year call protection; ** issues carry a 5-year call protection.

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

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

^{4/} January reserve aggregate changes have been adjusted for change in reserve requirements held against net demand deposits effective at mid-month, January 1968.

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yield on the 3-month bill was quoted 4.86 per cent bid at the close on Friday. The 6-month bill also declined further, and has at times been quoted just below 5 per cent.

Along with the decline in bill rates, yields on other money market paper dropped, and major banks reduced their offering rates on CD's maturing in less than 6 months to levels below the 5-1/2 per cent ceiling that had come to prevail on all maturities in the weeks around year-end. The sharpest rate declines were for shortest-term CD's, as banks preferred to lengthen CD maturities in anticipation of spring loan demands. Interacting with such interest rate declines in the U.S., Euro-dollar rates also declined--with the 3-month Euro-dollars recently quoted below pre-devaluation levels--even though U.S. banks increased their takings in that market during most of January by what would appear to be somewhat more than seasonal amounts.

Contrary to expectations, the decline in bill rates did not lead to a rebound in growth of banks' time and savings deposits. The bulge in demand for business and security loans at banks in late 1967 and early 1968 appeared temporary to banks, and they made relatively little effort--as indicated by the sharp decline in CD rates--to compete for the sizable pool of short-term funds seeking investment that appeared in recent weeks. Nevertheless, outstanding CD's did rise by about \$600 million in January, recovering about three-fourths of their December decline. On the other hand, consumer-type time deposits at banks were quite a bit weaker than staff expectations.

On average in January, total time and savings deposits declined slightly, still reflecting in good part the sharp drop in outstanding CD's that materialized during the latter half of December. From the end of December to the end of January, total time and savings deposits rose at a reduced 4 per cent annual rate.

The absence of aggressive bank competition for time deposits reflected abatement of loan demands after early January and also perhaps the fact that private demand deposits did not decline in the course of the month as rapidly as would have been expected on seasonal grounds. Contributing to the maintenance of private demand deposits was a smaller than projected build-up in the Treasury cash balance over the month, mainly because tax receipts were lower than originally allowed for in our projections.

For the month of January on average, the money supply rose at an 8 per cent annual rate, contrary to earlier staff expectations for only a minor change. However, the money supply did show a sharp decline late in the month, and from the week ending December 27 to the last week of January there was little net change in the level of cash balances.

In sum, a peculiar pattern of deposit flows within the months of December and January resulted in changes in the monthly averages quite different from those projected in the last Blue Book. The data from month-end to month-end, however, appear to indicate an unfolding pattern more in line with what might logically have been expected on the basis of the public's incentives to hold particular financial assets.

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Despite the unexpected shifts in the composition of deposit growth in January, total deposits and bank credit rose, on average, about in line with anticipations. Following a slight decline in December, the bank credit proxy increased at a little less than a 9 per cent annual rate, over half of which appears to reflect the \$2.5 billion tax bill financing at mid-month. The rise in Euro-dollar borrowings abroad by banks would add less than 1/2 percentage point to that rate.

The announcement on Wednesday of two Treasury financings--a refunding and pre-refunding for settlement on February 15 involving \$12 billion of eligible publicly held issues, and a cash offering of \$4 billion expected to be paid for on February 20 or 21--seemed well received by the market. In the pre-refunding, holders of outstanding issues are being offered a 5-3/4 per cent 7-year note. In the cash offering, a 15-month note will be offered, to be priced on February 8. Bill rates adjusted somewhat further downwards in wake of this announcement, as the market anticipated some added demand for bills from sellers of the "rights".

The offering of a 7-year note was followed by only minor yield increases in the intermediate- and long-term sectors of the U.S. Government securities market, where interest rates had already risen somewhat from their mid-January lows. In corporate and municipal bond markets, yields have shown little change in recent weeks, although aggressively priced new issues have moved slowly over the past several days.

Looking back over the interval since the last meeting of the Committee, it appears that the atmosphere in short- and long-term markets has become somewhat more relaxed than was anticipated, even though most of the key flow and rate variables averaged within the ranges specified. Our analysis in the previous Blue Book probably did not make sufficient allowance for such a development for two reasons.

The first relates to disintermediation prospects and liquidity pressures on banks. The staff assumed that disintermediation around the interest-crediting period would be less severe than the market and banks had feared. In the event, it was less severe, and loan demands were not so large as to unduly absorb bank liquidity. But the analysis in the previous Blue Book did not anticipate the shift toward more optimistic market attitudes that developed when their worst fears were not realized.

The second reason relates to the Euro-dollar market. It had been expected that the new balance of payments program might tend to put upward pressure on Euro-dollar rates, with some feedback on our short-term rate structure. But, as it turned out, both our bill rates and Euro-dollar rates declined.

Prospective developments

With Treasury financings remaining a major expansionary influence on bank credit demands, the bank credit proxy is expected to rise in a 7 - 10 per cent annual rate range in February, little different from the January pace. This projection assumes that money market conditions

will be about as have prevailed on average since the preceding meeting of the Committee--namely, member bank borrowings in a \$200 - \$300 million range; the Federal funds rate in a 4-5/8--4-3/4 per cent range; new dealer loan rates in New York frequently 4-7/8--5 per cent; and net free reserves averaging in a zero to \$100 million range, but becoming negative at times. Under these conditions, the 3-month bill rate may be in a 4-3/4--5-1/8 per cent range.

Upward pressures on these money market variables might develop out of heavy financing demands in connection with current and anticipated Treasury financings, or as a result of less conservative management of money positions by major banks than has been apparent during recent weeks. During the last half of January major New York banks worked into a basic reserve surplus--considerably more comfortable than usual--in a period when country banks were adjusting to the new higher reserve requirement. A more usual basic reserve deficit might be expected to develop at major banks in February, which would put upward pressure particularly on the Federal funds and dealer loan rates. Such pressures, as they persisted, could be communicated to the bill market, given currently relatively high dealer bill positions and also large dealer finance needs partly connected with current Treasury financing operations.

Bill rates normally show some seasonal decline at this time, and reinvestment demands coming out of the large Treasury refunding may add to downward pressures. However, bill yields would be likely to move

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up significantly from current levels if there were a shift in sentiment by market participants, who now generally seem to believe that they overestimated the extent of private credit demands and of the tightening effects of Federal Reserve actions.

Another factor that would tend to exert upward pressure on bill rates would be a greater desire on the part of banks to attract CD funds. This, in turn, would appear to depend on the appearance of substantially stronger business loan demands. We have projected a further growth in outstanding CD's similar to January's, on the assumption that business loan growth does not show any marked upsurge but remains above the proportions of last fall in view of the greater business need to finance inventories.

The sharp shift in deposit mix in January is not expected to persist in February. A large part of the demand deposit expansion in late December and early January was reversed in the latest two weeks, perhaps related in part to lagged asset adjustments by deposit holders in a period of some uncertainty as to the impact of such developments as the new balance of payments program and prospects for the mix of fiscal and monetary policies. On the other hand, with December-January interest-crediting period passed, and with short-term interest rates somewhat lower relative to CD ceiling rates, time and savings deposits are expected to show more strength than they did last month.

Over-all, one might expect the money supply to show little change on average in February, and quite possibly decline somewhat, but time and savings deposits might rise at a 7 - 9 per cent annual

rate. U.S. Government deposits are expected to rise rather sharply during the month, but with the greatest increase, of course, at the time of the cash financing after mid-month.

Interest rates in intermediate- and long-term markets may tend to drift upwards from current levels as the new Treasury 7-year note is distributed. Part of the issue will undoubtedly be taken into positions of dealers, whose current net position in "rights" less "when issued" sales is \$400 million. As a result dealer holdings of securities maturing in more than 5 years will shift markedly from their current net short position to a net long position. This should make the market more vulnerable to any adverse news, or to any continued sluggishness in sales of new corporate and municipal issues. The volume of such issues is not expected to pick up from its recent pace, but the supply of investment funds may taper off at current yield levels. Investment demand in January was probably enlarged by accumulations of funds for securities held over from the lull in new issues in December, and by rumors of peace negotiations.

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
Monthly (reserves weeks ending in):						
1967--January	417	476	- 59			
February	408	366	42			
March	368	196	172			
April	349	150	199			
May	369	94	275			
June	345	88	257			
July	449	132	317			
August	356	86	270			
September	334	82	252			
October	353	141	212			
November	349	124	225			
December	333	185	148			
1968--January p	407	275	132			
Weekly:						
1967--Oct. 4	413	144	269	298	271	
11	249	145	104	151	186	
18	561	216	345	378	379	
25	190	58	132	164	106	
Nov. 1	291	80	211	295	312	
8	330	132	198	262	233	
15	518	162	356	348	375	
22	221	127	94	92	131	
29	384	119	265	204	240	
Dec. 6	288	87	201	228	257	
13	333	121	214	187	216	
20	267	185	82	47	56	
27	442	345	97	100	110	
1968--Jan. 3	654	495	159	71	45	
10 p	585	180	405	398	363	
17 p	154	224	-70	-55	-28	
24 p	359	233	126	133	73	
31 p	285	241	44	44	35	

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TABLE A-2

AGGREGATE RESERVES AND RELATED MEASURES

Retrospective Changes, Seasonally Adjusted
(In per cent, annual rates based on monthly averages of daily figures)

	Reserve Aggregates				Monetary Variables			
	Total Reserves	Nonborrowed Reserves	Required reserves		Total Member Bank Deposits (credit) _{1/ 2/}	Time Deposits (comm. banks) _{2/}	Money Supply	
			Total	Against Demand Deposits			Total	Private Demand Deposits
Annually:								
1966	+ 1.2	+ 0.8	+ 1.4	+ 0.9	+ 3.7	+ 8.8	+ 2.2	+ 1.2
1967	+ 9.8	+11.5	+10.2	+ 7.0	+11.6	+15.8	+ 6.5	+ 6.8
Monthly:								
1966--Sept.	+ 4.5	- 2.0	- 1.0	- 4.5	- 0.5	+ 3.8	+ 2.8	+ 1.8
Oct.	- 6.9	- 6.4	- 3.0	- 7.2	- 4.4	+ 1.5	- 2.8	- 4.5
Nov.	- 3.1	+ 8.3	- 3.1	- 0.5	- 3.4	- 2.3	--	- 0.9
Dec.	- 0.9	- 0.7	+ 1.8	- 6.7	+ 2.0	+ 9.8	+ 2.1	+ 0.9
1967--Jan.	+19.2	+26.0	+14.4	+14.0	+16.1	+16.5	- 0.7	- 2.7
Feb.	+11.5	+17.4	+12.0	+11.6	+15.9	+19.3	+ 8.5	+ 9.1
Mar.	+21.6	+29.4	+15.3	+ 9.8	+14.3	+19.0	+11.2	+12.7
Apr.	+ 2.5	+ 4.7	+ 8.1	+ 5.0	+ 9.9	+14.4	- 2.8	- 5.4
May	- 0.4	+ 4.9	- 1.2	- 2.1	+ 5.6	+13.5	+12.5	+15.3
June	+ 8.4	+ 4.9	+ 4.8	- 2.8	+ 8.8	+17.5	+11.7	+13.3
July	+11.3	+15.2	+16.0	+15.8	+15.2	+15.2	+11.6	+14.0
Aug.	+13.5	+14.7	+15.6	+14.4	+16.9	+17.1	+ 8.1	+10.4
Sept.	+ 9.6	+ 4.8	+ 9.0	+ 7.2	+10.3	+11.4	+ 0.7	- 0.9
Oct.	+15.3	+12.4	+18.0	+16.1	+12.0	+13.3	+ 7.4	+ 6.9
Nov.	+ 7.6	+10.9	+ 5.5	+ 2.8	+ 7.9	+11.2	+ 6.0	+ 7.7
Dec.	- 7.2	-12.8	- 0.3	-10.2	- 0.4	+ 8.5	+ 2.0	- 0.9
1968--Jan. p <u>3/</u>	+24.7	+22.5	+17.6	+19.8	+ 8.8	- 1.9	+ 7.9	+ 9.4

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

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

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

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Chart 1

MEMBER BANK RESERVES

MONTHLY AVERAGES OF DAILY FIGURES

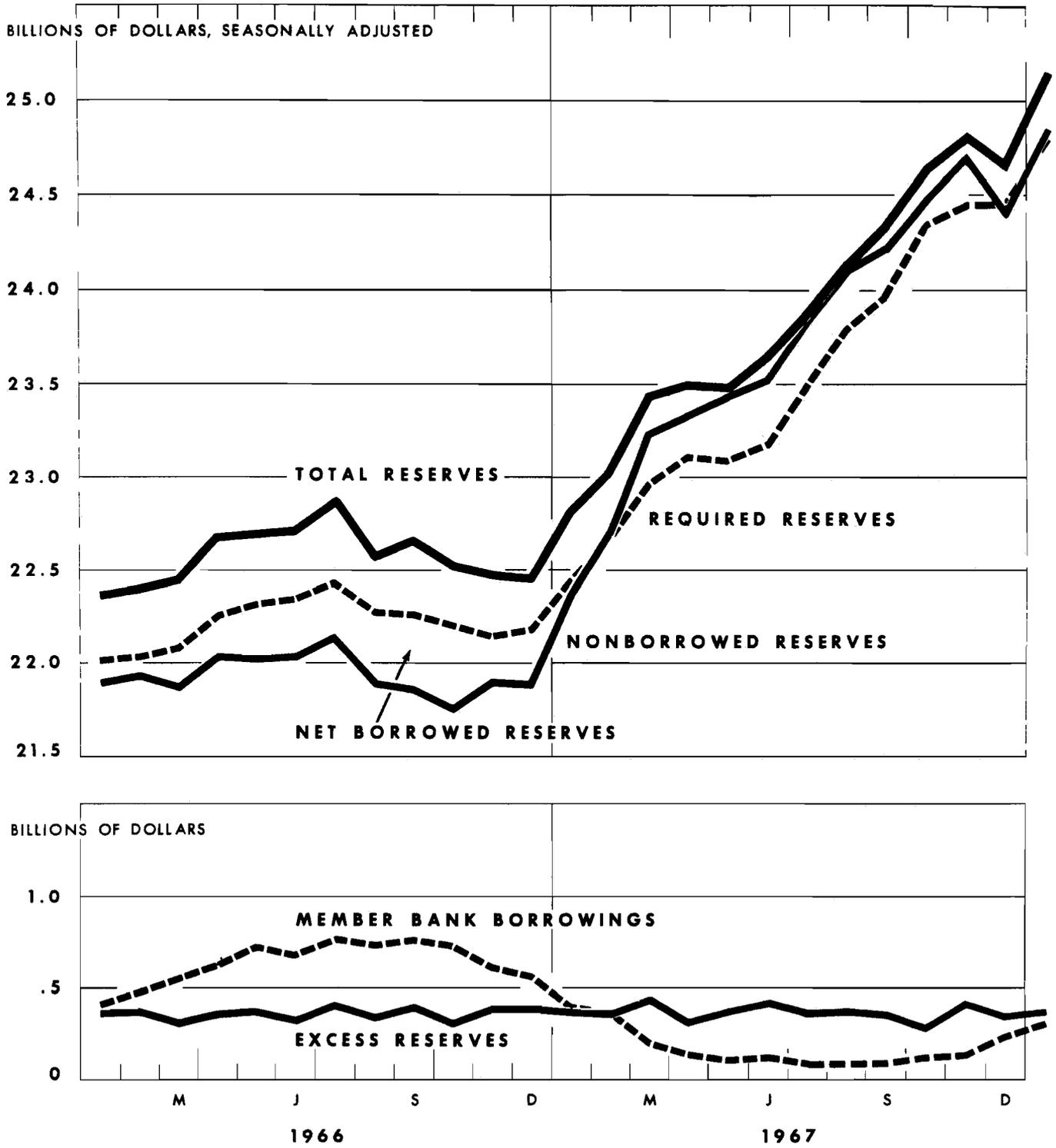


Chart 2

MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

BILLIONS OF DOLLARS

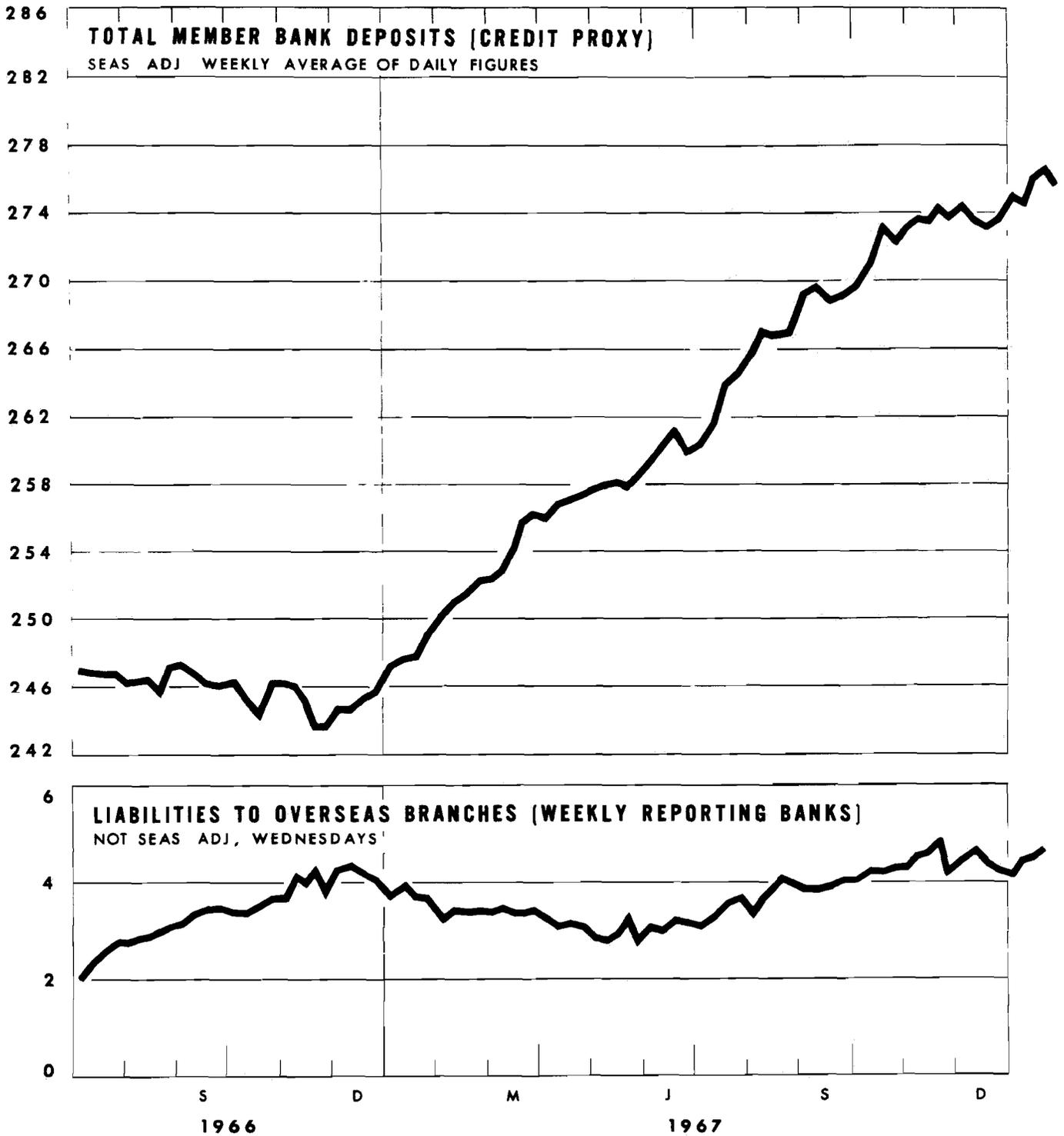
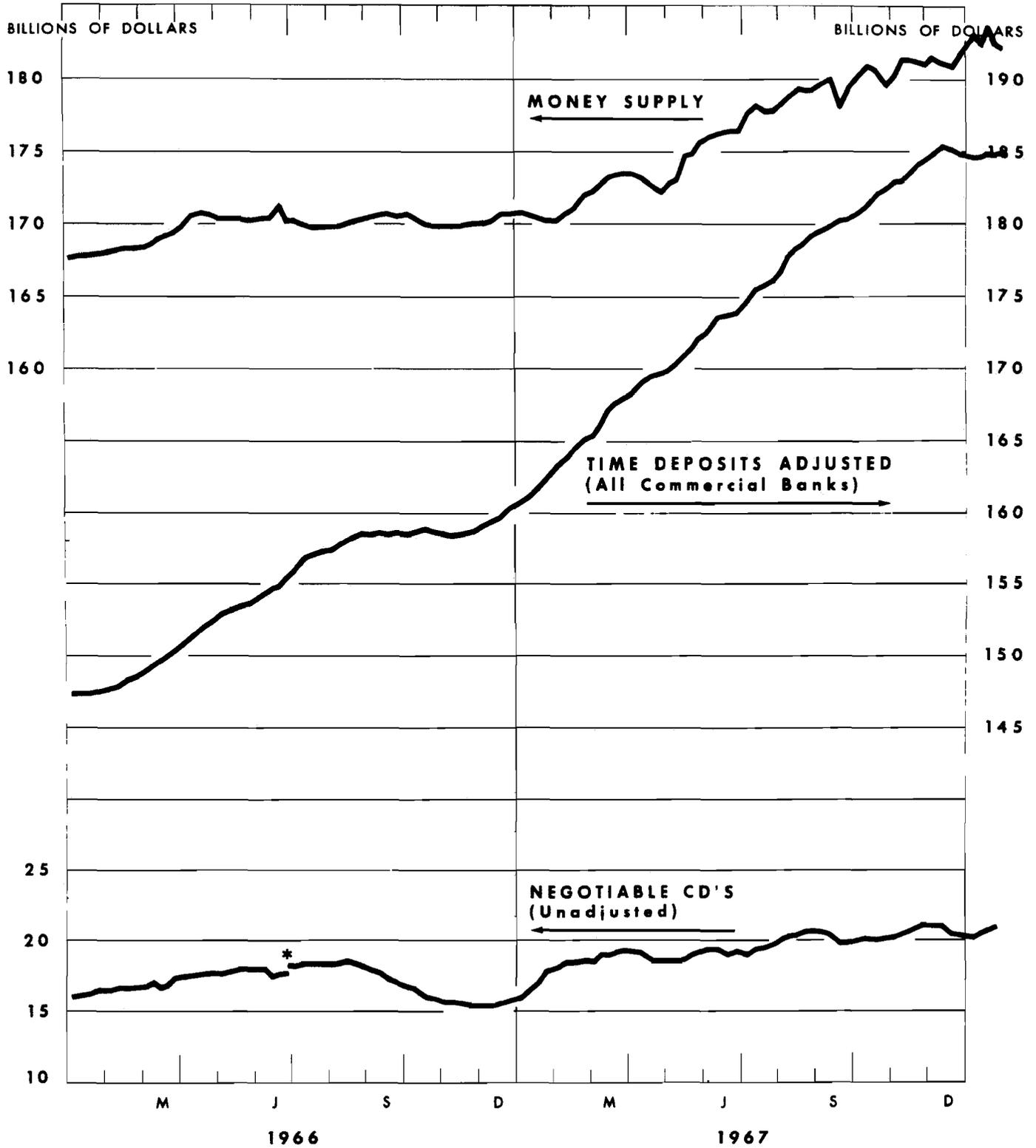


Chart 3

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

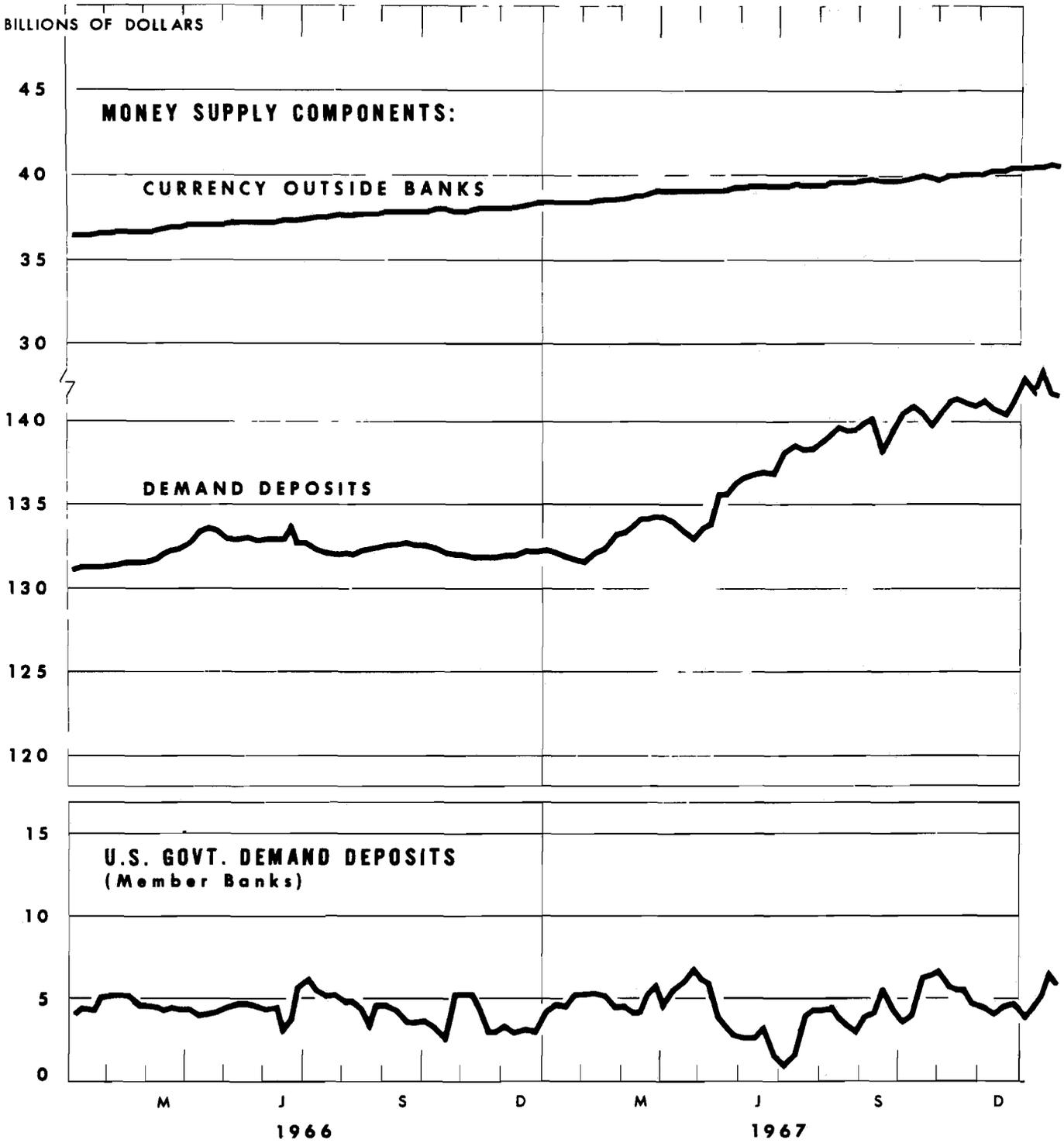


Table B-1

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
Year:							
1966 (12/29/65 - 12/28/66)	+3,149	-627	-2,243	+805	+1,085	+1,111	- 26
1967 (12/28/66 - 12/27/67)	+4,718	-725	-2,305	-165	+1,522	+1,517	+ 5
Year-to-date:							
(12/28/66 - 2/1/67)	- 730	0	+1,493	-1,019	- 256	- 159	- 97
(12/27/67 - 1/31/68)	- 95	-451	+1,735	-1,212	- 23	+ 134	-157
Weekly:							
1968--Jan. 3	+ 554	-452	+ 658	--	+ 761	+ 549	+212
10 p	- 514	+ 1	+ 34	- 45	- 524	- 455	- 69
17 p <u>5/</u>	- 380	+ 1	+ 381	-353	- 352	+ 79	-431
24 p <u>5/</u>	+ 404	- 2	+ 278	-328	+ 352	+ 147	+205
31 p	- 159	+ 1	+ 384	-486	- 260	- 186	- 74
PROJECTED 4/							
1968--Feb. 7	+ 160	--	- 400	+295	+ 55	+ 55	--
14	+ 45	--	- 200	- 25	- 260	- 260	--
21	- 495	--	+ 245	+115	- 135	- 135	--
28	+ 455	--	+ 150	-150	+ 455	+ 455	--
Mar. 6	+ 350	--	- 340	- 50	- 40	- 40	--
13	- 125	--	+ 55	- 60	- 130	- 130	--
20	- 160	--	- 60	+350	+ 130	+ 130	--

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

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2/ For factors included, see Table B-3.

3/ For required reserves by type of deposits, see Table B-2.

4/ See reverse side for explanation.

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

Explanation of Projections in Table B-1

1. Changes in Federal Reserve credit indicate reserves needed to offset projected changes in required reserves and factors affecting the supply of reserves.
2. Projected changes in currency outside banks reflect seasonal movements plus an allowance for growth of about \$40 million per week.
3. Projected effects of Treasury operations, included in "technical factors," reflect scheduled and assumed calls in current two weeks and thereafter, maintenance of Treasury balances with Federal Reserve at \$1.0 billion.
4. Projected changes in required reserves assume the existing net reserve position of banks and the structure of interest rates in the market, as well as the current economic outlook. On the basis of these assumptions the projections reflect expected movements in bank credit and money in the period ahead, including the effects of such elements as the public's loan demand, repayments of previous loans, bank's investment preferences and willingness to supply loans, bank's desires and abilities to obtain time and savings deposits, and the Government's financing needs. The projections thus encompass normal seasonal developments, temporary bursts of loan demand and expected associated repayments not currently reflected by the seasonals, and whatever cyclical and growth demands for money and credit are expected in the projection period. Assumed Treasury financing operations include: \$-0.4 billion, February 15; \$4.0 billion, February 20; \$0.1 billion, February 29; \$0.1 billion, March 7; \$0.1 billion March 14.

Table B-2

CHANGES IN REQUIRED RESERVE COMPONENTS

Retrospective and Prospective Seasonal and Nonseasonal Changes
(Dollar amounts in millions, based on weekly averages of daily figures)

Period	Total required reserves	Supporting U. S. Gov't. demand deposits	Supporting private deposits					
			Total	Seasonal changes		Other than seasonal changes		
				Demand	Time	Demand	Time	
<u>Year:</u>								
1966 (12/29/65 - 12/28/66)	+1,111	- 87	+1,198	- 14	- 4	- 5	+1,221 ^{1/}	
1967 (12/28/66 - 12/27/67)	+1,517	+261	+1,256	+ 59	+ 6	+1,023	+ 168 ^{1/}	
<u>Year-to-date:</u>								
(12/28/66 - 2/1/67)	- 159	-100	- 59	-232	+ 71	- 86	+ 188	
(12/27/67 - 1/31/68)	+ 134	-158	+ 292	-368	+ 64	+557	+ 39	
<u>Weekly:</u>								
1968--Jan. 3	+ 549	-230	+ 779	+380	+ 21	+388	-	
10 p	- 455	-115	- 340	-160	+ 11	-202	+ 11	
17 p ^{2/}	+ 79	-189	+ 268	-147	+ 21	+377	+ 17	
24 p ^{2/}	+ 147	+390	- 243	-338	+ 6	+ 82	+ 7	
31 p	- 186	- 14	- 172	-103	+ 5	- 88	+ 14	
	<u>PROJECTED</u>							
1968--Feb. 7	+ 55	+170	- 115	- 90	+ 10	- 45	+ 10	
14	- 260	- 70	- 190	-175	+ 5	- 30	+ 10	
21	- 135	- 25	- 110	-220	- 5	+105	+ 10	
28	+ 455	+605	- 150	- 60	+ 5	-105	+ 10	
Mar. 6	- 40	-205	- 40	+130	+ 5	+ 15	+ 15	
13	- 130	-245	+ 115	+ 60	+ 10	+ 30	+ 15	
20	+ 130	-110	+ 240	+145	- 10	+ 90	+ 15	

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

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

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Table B-3

TECHNICAL FACTORS AFFECTING RESERVES

Retrospective and Prospective Changes

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

Period	Technical factors (net)	Treasury operations	Float	Foreign deposits and gold loans	Other nonmember deposits and F. R. accounts
ACTUAL					
(Sign indicates effect on reserves)					
<u>Year:</u>					
1966 (12/29/65 - 12/28/66)	+805	+673	+ 64	- 30	+ 98
1967 (12/28/66 - 12/27/67)	-165	- 85	-389	- 7	+316
<u>Year-to-date:</u>					
(12/28/66 - 2/1/67)	-1,019	-216	-510	+ 5	-298
(12/27/67 - 1/31/68)	-1,212	-375	-946	- 11	+120
<u>Weekly:</u>					
1968--Jan. 3	--	-229	- 53	+ 3	+279
10 p	- 45	- 98	- 1	- 14	+ 68
17 p	-353	+ 23	-347	+ 5	- 34
24 p	-328	+ 90	-261	+ 7	-164
31 p	-486	-161	-284	- 12	- 29
PROJECTED					
1968--Feb. 7	+295	+145	--	--	+150
14	- 25	- 25	- 70	--	+ 70
21	+115	--	+300	--	-185
28	-150	--	-150	--	--
Mar. 6	- 50	--	- 50	--	--
13	- 60	--	-105	--	+ 45
20	+350	--	+250	--	+100

p - Preliminary.

Table B-4

SOURCE OF FEDERAL RESERVE CREDIT

Retrospective Changes

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

Period	Total Federal Reserve credit (Excl. float)	U.S. Government securities				Federal Agency Securities	Bankers' acceptances	Member banks borrowings
		Total holdings	Bills	Other	Repurchase agreements			
<u>Year:</u>								
1966 (12/29/65 - 12/28/66)	+3,149	+3,069	+2,158	+ 474	+437	+ 26	+ 52	+ 2
1967 (12/28/66 - 12/27/67)	+4,718	+5,009	+4,433	+1,153	-577	- 19	- 69	-203
<u>Year-to-date:</u>								
(12/28/66 - 2/1/67)	- 730	- 223	+ 435	--	-658	- 26	-109	-372
(12/27/67 - 1/31/68)	- 95	+ 40	+ 10	+ 77	- 47	- 7	- 24	-104
<u>Weekly:</u>								
1968--Jan. 3	+ 554	+ 328	+ 195	--	+133	+ 33	+ 43	+150
10	- 514	- 75	+ 65	--	-140	- 40	- 84	-315
17	- 380	- 426	- 409	--	- 17	+ 1	+ 1	+ 44
24	+ 404	+ 348	+ 339	+ 66	- 57	- 1	+ 48	+ 9
31	- 159	- 135	- 180	+ 11	+ 34	--	- 32	+ 8

Chart Reference Table C-1

TOTAL, NONBORROWED AND REQUIRED RESERVES 1/

Seasonally Adjusted

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

Period	Total reserves	Nonborrowed reserves	Required reserves		
			Total	Against private deposits	
				Total	Demand
1965--Jul.	21,857	21,356	21,488	20,626	15,921
Aug.	21,923	21,417	21,533	20,719	15,943
Sept.	21,869	21,318	21,494	20,904	16,065
Oct.	21,986	21,533	21,645	21,073	16,147
Nov.	21,976	21,589	21,671	21,170	16,196
Dec.	22,186	21,722	21,861	21,285	16,266
1966--Jan.	22,358	21,899	22,007	21,411	16,375
Feb.	22,401	21,943	22,028	21,464	16,413
Mar.	22,452	21,873	22,077	21,600	16,506
Apr.	22,679	22,027	22,252	21,771	16,605
May	22,703	22,020	22,308	21,782	16,562
June	22,707	22,030	22,339	21,883	16,606
Jul.	22,861	22,140	22,431	21,841	16,512
Aug.	22,571	21,900	22,274	21,842	16,473
Sept.	22,655	21,864	22,256	21,860	16,475
Oct.	22,524	21,748	22,200	21,741	16,365
Nov.	22,465	21,898	22,142	21,716	16,364
Dec.	22,449	21,885	22,175	21,772	16,378
1967--Jan.	22,808	22,360	22,442	21,803	16,328
Feb.	23,026	22,685	22,666	22,044	16,478
Mar.	23,441	23,240	22,955	22,297	16,647
Apr.	23,490	23,332	23,110	22,293	16,578
May	23,482	23,428	23,086	22,559	16,786
June	23,646	23,523	23,178	22,890	17,024
Jul.	23,869	23,830	23,488	23,049	17,115
Aug.	24,138	24,121	23,794	23,275	17,246
Sept.	24,331	24,217	23,972	23,330	17,237
Oct.	24,642	24,467	24,332	23,453	17,316
Nov.	24,799	24,690	24,444	23,605	17,404
Dec.	24,650	24,394	24,437	23,628	17,386
1968 -- Jan. p <u>2/</u>	25,158	24,852	24,795	23,778	17,539

p - Preliminary.

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

2/ January reserve aggregates have been adjusted for change in reserve requirements held against net demand deposits effective at mid-month, January 1968.

Table C-2

DEPOSITS SUPPORTED BY REQUIRED RESERVES AT ALL MEMBER BANKS

Seasonally Adjusted

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

Period	Total member bank deposits (credit) <u>1/2/</u>	Time deposits _{2/}	Private demand deposits <u>3/</u>	U.S. Gov't. demand deposits
1966--Jan.	238.0	121.7	111.7	4.7
Feb.	239.0	122.0	112.0	5.0
Mar.	239.8	123.0	112.6	4.2
Apr.	242.2	124.8	113.3	4.1
May	243.9	126.1	113.0	4.8
June	244.8	127.5	113.3	4.0
Jul.	246.7	128.7	112.6	5.3
Aug.	246.5	129.7	112.4	4.4
Sept.	246.4	130.1	112.4	3.9
Oct.	245.5	129.9	111.6	4.0
Nov.	244.8	129.3	111.6	4.0
Dec.	245.2	130.3	111.7	3.2
1967--Jan	248.5	132.2	111.4	4.9
Feb.	251.8	134.4	112.4	4.0
Mar.	254.8	136.5	113.6	4.8
Apr.	256.9	138.0	113.1	5.8
May	258.1	139.4	114.5	4.1
June	260.0	141.7	116.1	2.2
Jul.	263.3	143.3	116.7	3.2
Aug.	267.0	145.6	117.6	3.7
Sept.	269.3	147.2	117.6	4.5
Oct.	272.0	148.2	118.1	5.6
Nov.	273.8	149.8	118.7	5.3
Dec.	273.7	150.8	118.6	4.4
1968--Jan. p	275.7	150.7	119.6	5.3

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, 1967.

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

TABLE C-2a

DEPOSITS SUPPORTED BY REQUIRED RESERVES AT ALL MEMBER BANKS

Seasonally adjusted

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

Week ending:	Total member bank deposits (credit) 1/ 2/	Time deposits 2/	Private demand deposits 3/	U. S. Gov't. demand deposits
1967--Sept. 6	269.3	146.9	118.3	4.1
13	269.6	147.0	118.3	4.3
20	268.8	147.2	116.1	5.5
27	269.1	147.3	117.4	4.5
Oct. 4	269.7	147.6	118.6	3.6
11	271.0	148.0	118.9	4.1
18	273.1	148.4	118.4	6.3
25	272.3	148.4	117.6	6.4
Nov. 1	273.1	148.9	117.6	6.7
8	273.6	149.0	118.9	5.7
15	273.5	149.6	118.5	5.5
22	274.2	150.1	118.7	5.5
29	273.7	150.4	118.6	4.7
Dec. 6	274.3	150.6	119.1	4.5
13	273.6	150.9	118.5	4.1
20	273.2	150.8	117.9	4.5
27	273.6	150.7	118.3	4.4
1968--Jan. 3	274.9	150.5	120.4	3.9
10 p	274.6	150.6	119.5	4.5
17 p	276.0	150.6	120.3	5.1
24 p	276.5	150.6	119.4	6.4
31 p	275.6	150.9	118.8	5.8

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

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

TABLE C-3
MONEY SUPPLY AND TIME DEPOSITS AT ALL COMMERCIAL BANKS
 Seasonally adjusted
 (Dollar amounts in billions, based
 on monthly averages of daily figures)

Monthly	Money Supply	Currency <u>1/</u>	Private Demand Deposits <u>2/</u>	Time Deposits Adjusted <u>3/</u>
1966--Jan.	167.9	36.6	131.4	147.5
Feb.	168.3	36.7	131.6	148.3
Mar.	169.2	36.9	132.3	149.8
Apr.	170.5	37.1	133.4	151.8
May	170.2	37.3	132.9	153.4
June	170.6	37.4	133.2	154.8
Jul	169.9	37.7	132.3	156.9
Aug.	170.1	37.8	132.4	158.1
Sept.	170.5	37.9	132.6	158.6
Oct.	170.1	38.0	132.1	158.8
Nov.	170.1	38.1	132.0	158.5
Dec.	170.4	38.3	132.1	159.8
1967--Jan.	170.3	38.5	131.8	162.0
Feb.	171.5	38.7	132.8	164.6
Mar.	173.1	38.9	134.2	167.2
Apr.	172.7	39.1	133.6	169.2
May	174.5	39.2	135.3	171.1
June	176.2	39.3	136.8	173.6
Jul.	177.9	39.5	138.4	175.8
Aug.	179.1	39.6	139.6	178.3
Sept.	179.2	39.8	139.5	180.0
Oct.	180.3	39.9	140.3	182.0
Nov.	181.2	40.0	141.2	183.7
Dec.	181.5	40.3	141.1	185.0
1968--Jan.	182.7	40.5	142.2	184.7

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

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

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

p - Preliminary.

TABLE C-3a
MONEY SUPPLY AND TIME DEPOSITS AT ALL COMMERCIAL BANKS
Seasonally Adjusted
(Dollar amounts in billions, based
on weekly averages of daily figures)

Week Ending	Money Supply	Currency <u>1/</u>	Private Demand Deposits <u>2/</u>	Time Deposits adjusted <u>3/</u>
1967--Sept. 6	179.7	39.7	139.9	179.6
13	180.0	39.8	140.2	179.8
20	178.0	39.7	138.2	180.2
27	179.3	39.7	139.5	180.3
Oct. 4	180.3	39.8	140.5	180.7
11	180.9	39.9	140.9	181.2
18	180.5	40.0	140.5	182.0
25	179.6	39.9	139.7	182.3
Nov. 1	180.3	39.8	140.5	182.8
8	181.3	40.0	141.3	182.8
15	181.3	40.0	141.4	183.5
22	181.2	40.1	141.1	184.1
29	181.1	40.1	141.0	184.3
Dec. 6	181.5	40.1	141.4	184.9
13	181.0	40.3	140.8	185.2
20	180.8	40.3	140.5	185.1
27	181.8	40.5	141.3	184.7
1968--Jan. 3	183.1	40.4	142.7	184.4
10 p	182.4	40.5	141.9	184.6
17 p	183.6	40.5	143.1	184.7
24 p	182.4	40.6	141.8	184.6
31 p	182.1	40.5	141.6	185.0

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

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