

Prefatory Note

The attached document represents the most complete and accurate version available based on original copies culled from the files of the FOMC Secretariat at the Board of Governors of the Federal Reserve System. This electronic document was created through a comprehensive digitization process which included identifying the best-preserved paper copies, scanning those copies,¹ and then making the scanned versions text-searchable.² Though a stringent quality assurance process was employed, some imperfections may remain.

Please note that some material may have been redacted from this document if that material was received on a confidential basis. Redacted material is indicated by occasional gaps in the text or by gray boxes around non-text content. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

¹ In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).

² A two-step process was used. An advanced optical character recognition computer program (OCR) first created electronic text from the document image. Where the OCR results were inconclusive, staff checked and corrected the text as necessary. Please note that the numbers and text in charts and tables were not reliably recognized by the OCR process and were not checked or corrected by staff.

June 14, 1968.

MONEY MARKET AND RESERVE RELATIONSHIPS

Recent developments

Yields in debt markets--which had already begun to recede from their extreme May highs at the time of the last Committee meeting--dropped substantially further in late May and early June when optimism about passage of the pending tax bill was revived. Overall declines from the May highs ranged to about 20 basis points on municipal, new corporate, and U.S. Government bonds, and to nearly 40 basis points on longer maturities of Treasury bills. Since then, as market participants have awaited final confirmation of their general optimism on the tax bill, yields in most debt markets have levelled off, showing little change on balance.

The downswing in bill rates carried the yield on 3-month bills to the lower end of the 5.65 -- 6.00 per cent range projected in the last Blue Book, but rates on other short-term debt instruments, such as commercial and finance company paper, have remained at or relatively closer to their recent peaks. While the movement of bill rates to the lower part of the range in part reflects the more optimistic outlook for tax action, it also reflects the less taut atmosphere in day-to-day money markets that has prevailed since the latter part of May.

In the latter part of May and early June, Federal funds rates have most frequently been in a 6 -- 6-1/4 per cent area, and at times under 6 per cent, while rates on new loans to dealers posted by New York banks were frequently 6-1/4 -- 6-1/2 per cent--as compared with

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 ^{4/}				
	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/}
	(Seasonally Adjusted)											
1967--May	275	94	3.94	3.60	4.90	5.62	3.71	+ 99	+ 42	+ 1.5	+ 1.9	+ 2.0
June	257	88	3.97	3.53	4.99	5.79	3.80	+108	+153	+ 2.2	+ 1.6	+ 2.5
July	311	132	3.78	4.20	5.01	5.78	3.86	+297	+237	+ 2.9	+ 1.8	+ 2.2
Aug.	270	86	3.88	4.26	5.12	3.86**	3.78	+307	+285	+ 3.7	+ 1.1	+ 2.4
Sept.	252	82	3.99	4.42	5.16	5.85**	3.81	+135	+159	+ 2.3	+ 0.2	+ 2.2
Oct.	212	141	3.87	4.55	5.36	6.08	3.88	+299	+335	+ 2.4	+ 1.1	+ 1.2
Nov.	225	124	4.14	4.72	5.66	6.50	3.99	+122	+154	+ 2.1	+ 0.8	+ 1.4
Dec.	143	185	4.49	4.96	5.59	6.51	4.15	-294	-122	+ 0.2	+ 0.3	+ ' -
1968--Jan.	142	275	4.60	5.00	5.39	6.24**	4.06	+345	+347	+ 1.5	+ 1.0	+ 0.6
Feb.	21	368	4.68	4.98	5.38	5.29**	4.01	+208	+265	+ 2.3	+ 0.4	+ 1.1
Mar.	-312	649	5.02	5.17	5.59	6.56**	4.28	-266	+ 47	+ 1.0	+ 0.7	+ 1.5
Apr.	-341	689	5.74	5.38	5.46	6.52**	4.13	-197	-189	- 1.0	+ 1.0	+ 0.4
May p	-380	728	6.09	5.66	5.55	6.66**	4.28	+ 40	+ 82	+ 0.3	+ 1.7	+ 0.5
1968--May 15 p	-314	712	6.38	5.58	5.50	6.63	4.25			- 0.6	+ 0.3	+ 0.2
22 p	-355	669	5.95	5.84	5.63	6.83	4.35			+ 0.8	+ 1.8	+ 0.1
29 p	-394	764	5.98	5.73	5.60	6.68	4.42			+ 0.3	+ 0.6	- 0.1
Jun. 5 p	-542	759	5.88	5.66	5.46	6.62	4.25			+ 0.5	+ 0.1	+ 0.3
12 p	-403	678	6.20	5.69	5.45	6.61	4.25			+ 0.1	- 1.0	+ 0.2
	A v e r a g e s							Annual rates of increase ^{3/}				
Year 1967	195	173	4.19	4.29	5.01	5.77	3.74	+11.5	+ 9.9	+11.9	+ 6.4	+16.1
First Half 1967	153	222	4.36	4.07	4.70	5.45	3.56	+15.2	+10.6	+12.2	+ 6.6	+18.3
Second Half 1967	238	123	4.02	4.51	5.31	6.10	3.91	+ 7.2	+ 8.7	+10.6	+ 6.0	+12.6
<u>Recent variations in growth</u>												
Mar. 29-Jun. 28	245	110	4.00	3.66	4.83	5.63	3.68			+20.4	+ 6.7	+17.7
Jun. 28-Nov. 29	254	112	3.96	4.41	5.25	5.96	3.86			+12.7	+ 6.6	+13.4
Nov. 29-Jun. 12	-145	500	5.14	5.21	5.50	5.81	4.15			+ 3.5	+ 5.6	+ 5.3

^{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/} Revised series.

p - Preliminary.

June 14, 1968.

6-1/8 -- 6-1/2 per cent for funds rates and 6-5/8 -- 6-7/8 per cent for dealer loan rates in the brief period of extreme tightness in the early part of May. The day-to-day money market has been less tight partly because the very large increase in Euro-dollar borrowings enabled major money market banks to maintain a more comfortable basic reserve position. In addition, the expectational impact on bill rates of restored market confidence as to fiscal legislation reduced banks' concern about an inordinately large CD run-off.

Bank credit, as indicated by the proxy, has shown more strength than projected at the time of the last meeting of the Committee. The May bank credit proxy has been revised upward slightly to a 1-1/2 per cent annual rate of growth, and, as will be indicated in the prospective section, the June rate of expansion is now expected to be larger than May (and also larger than earlier projected).

Loan demands on banks have strengthened after the mid-April to mid-May lull, while at the same time banks sold somewhat less of the securities obtained in the mid-May Treasury financing than originally anticipated. In financing loans and securities, banks have been able to obtain somewhat more time deposits than expected. And for individual banks, the increased availability of Euro-dollars and more moderate decline in U.S. Government demand balances were also factors providing more funds, net. At the same time, the banking system as a whole appears to have economized on excess reserves in recent weeks in the process of expanding bank credit.

June 14, 1968.

With the central money market tending to ease somewhat, and banks economizing on excess reserves, net borrowed reserves during the past two statement weeks deepened to an average of about \$470 million, about \$100 million deeper than in May on average. Member bank borrowings averaged \$720 million during the past two weeks, about the same as in May. Since mid-May net borrowed reserves have ranged between a low of \$355 million and a high of \$540 million, with the high number occurring in the week ending June 5, the second half of a double-settlement period.

The table below shows the behavior of key monetary variables (as annual rates of increase) during the same periods as shown in the previous Blue Book. Changes in the data reflect the recent experience noted above and also minor revisions in current and back data because of new seasonal factors.

	<u>May '67-</u> <u>Nov. '67</u>	<u>Dec. '67-</u> <u>May '68</u>	<u>Dec. '67-</u> <u>Mar. '68</u>	<u>Apr. '68-</u> <u>May '68</u>
Total reserves	9.5	3.4	6.4	-2.5
Nonborrowed reserves	9.9	-1.3	-0.1	-3.7
Bank credit, as measured by:				
Proxy	11.5	3.2	5.6	-1.5
Proxy plus Euro-dollars	12.3	4.0	5.6	0.6
Money supply	8.4	5.6	4.0	8.8
Time and savings deposits	14.2	6.2	7.7	2.9
Savings accounts at thrift institutions	9.1	5.9 ^{1/}	6.1	5.5 ^{1/}

NOTE: Dates are inclusive

^{1/} Figures included for S&L's in May are preliminary

Prospective developments

With the Congressional decision on fiscal legislation almost at hand, with the dividend and interest crediting period for savings institutions near, and with international financial conditions remaining uncertain, the constellations of money market conditions and monetary variables consistent with alternative monetary policies over the period ahead are even more unpredictable than usual. They will depend in large part on events outside the immediate sphere of monetary policy or of prevailing domestic economic conditions.

The course of these events is likely to impinge on demands for bank credit and money, bank behavior with respect to portfolios and time deposits, and movements of Treasury bill rates as well as long-term interest rates in various market sectors. Favorable developments, in the sense of enactment of fiscal legislation and the avoidance of international financial crises, are likely to lead to tendencies for long- and also, in some degree, short-term interest rates to decline and to a greater willingness by banks to purchase securities in the market. Unfavorable developments are likely to be accompanied by a sharp rise in interest rates on a broad front, further withdrawal of banks from securities markets, and a further tightening of mortgage credit conditions as both banks and nonbank savings institutions find themselves severely strapped for funds and with prospects for an easing of conditions dim.

The progress of fiscal legislation will also affect demands in the market for day-to-day money and demands by banks for borrowings

June 14, 1968.

from the Federal Reserve and the Euro-dollar market. Passage of the tax increase would tend to tranquilize banks' fears about the availability of deposit and reserve funds in the weeks ahead, although immediate needs for short-term credit are likely to be substantial. On the other hand, a disappointment on the tax front may lead to an immediate and also very intense scramble for short-term funds. Variations in the demands for day-to-day money would lead to differential effects on interest rates more broadly viewed and on monetary aggregates, with the net impact depending on whether or to what extent the System attempts to maintain current money market conditions between now and the next meeting of the Committee.

Current money market conditions would appear to encompass a Federal funds rate generally in a 6 -- 6-1/4 per cent range, net borrowed reserves in a \$300 - \$450 million range, and member bank borrowings averaging around \$650 - \$700 million. Pressures in the aftermath of the mid-June tax date, any difficulties banks might have in rolling over their very large Euro-dollar holdings, and corporate need to pay \$1 billion of additional taxes within a short span of time after the tax bill is enacted are all factors that would put pressure on the central money market and hence may require net borrowed reserves more toward the shallow end of the range if the Federal funds rate is not to rise over the period ahead.

Given this set of day-to-day financing costs and pressure on bank reserve positions, the 3-month bill rate can be expected to fluctuate within a 5-1/2 -- 5-7/8 per cent range. The effect on

investor and dealer expectations of a favorable decision on taxes could accentuate any near-term tendency for bill rates to decline and moderate any upward pressure that might develop later. In the days immediately ahead, the bill rate could move toward the lower end of the range in reflection of reinvestment demand from holders of maturing June tax bills not turned in for taxes; in addition, the System is likely to be a sizable buyer for seasonal reasons and also to offset the reserve impact of swap repayments. But the odds suggest upward pressure on bill rates later as the Treasury markets bills to meet its cash need early in July, as businesses seek short-term funds to make tax payments, and as investors tend to lengthen portfolios.

The money and short-term market conditions noted above would appear consistent with expansion in the bank credit proxy in a 3 - 6 per cent, annual rate, range in June, and about 3 percentage points would be added for Euro-dollar borrowings. Time and savings deposits in June are expected to rise in a 4 - 6 per cent annual rate range as banks' experience with consumer time and savings deposits and CD's have been more favorable than anticipated. CD run-offs are now projected to be around \$600 million, or only a little more than seasonal. The money supply in June is expected to rise in an 8 - 10 per cent, annual rate, range, close to previous projections. Continued declines in U.S. Government deposits appear to be contributing to expansion in private demand deposits, but in addition business loan expansion thus far this month appears to be developing strongly, with consequent growth in private cash balances for transactions purposes.

Assuming passage of the tax increase and with the Treasury raising \$4 billion of new cash in July, largely early in the month through tax anticipation bills, growth of the bank credit proxy in that month might be in a 1 to 4 per cent annual rate range. This projection assumes maintenance of the current constellation of day-to-day money rates and net reserve position of banks. Whether the proxy is toward the lower or upper end of the range will depend in large part on expectational reactions affecting market interest rates and the ability, or willingness, of banks to secure deposits. If banks are in a position, or willing, to obtain deposits they will not have to liquidate securities now in portfolio or rapidly sell securities obtained during the projected financing in order to accommodate expected relatively strong loan demands.

With or without a tax increase, demand deposits are not likely to be a significant source of funds to banks in July as Government and private deposits show complicated but generally offsetting movements on average. U.S. Government deposits are expected to decline further, on average (seasonally adjusted), but to rise in the course of the month from the exceptionally low end of June level. With large Federal expenditures continuing to create sizable transfers to private deposits, the money supply is likely to show a continued vigorous expansion on average for the month, but during the course of the month money growth should slow considerably.

Growth in time deposits in July will depend greatly on the course of short-term rates and the ability of banks to obtain CD's.

June 14, 1968.

Consumer-type time and savings deposits are not likely to add significantly to the availability of funds even if short-term rates decline moderately since over-all interest rate levels would still be relatively high in the critical late June-early July period, and since consumers are likely to reduce their savings rate somewhat in the wake of a tax increase. If the 3-month bill rate should move into the upper half of the range noted above, and other short-term rates should remain close to recent levels, run-offs of CD's might be fairly substantial given current Regulation Q ceilings.

Developments under alternative policy assumptions. Bill rates may well tend to decline for a time, for seasonal reasons and following affirmative tax action. But part of this decline--if it occurs--may be in anticipation of monetary policy changes. Under such conditions, for the bill rate to hold at a significantly lower level--say, in a 5-3/8 -- 5-5/8 per cent range--would probably require a reduction in the Federal funds rate to below 6 per cent and also an associated reduction in pressures on banks' net reserve positions (with net borrowed reserves at times as low as \$200 million). If the Committee adopted a directive thus permitting day-to-day money market rates to decline in accommodation of reductions in other market interest rates, the resulting less restrictive over-all money and credit market conditions should lead to increased willingness on the part of banks to expand credit. Bank credit expansion in July would likely be toward the upper end of the range indicated above, or larger, depending in part on how eager banks are to recapture CD funds and on the availability of such funds in view of expected sizable business and Treasury needs for credit.

June 14, 1968.

As noted earlier, it is possible that market pressures might be such as to prevent or limit a prompt response in short-term market rates following affirmative tax actions. Given this possibility, the Committee might wish to adopt a policy to lead market rates down, which would be implemented by Desk action to lower the Federal funds rate to below 6 per cent, say, initially around 5-3/4 per cent, with an associated reduction in net borrowed reserves to a \$200 to \$300 million range. Prompt System initiative in achieving such money market conditions would provide greater assurance (than in the preceding alternative) that bill rates would adjust down in the 5-3/8 -- 5-5/8 per cent range, or perhaps a bit lower depending on the strength of expectational forces.

Table A-1

MARGINAL RESERVE MEASURES

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

Period	Excess reserves	Member banks borrowings	Free reserves		
	As revised to date			As first published each week	As expected at conclusion of each week's open market operations
Monthly (reserves weeks ending in):					
1967--May	369	94	275		
June	345	88	257		
July	449	132	317		
August	356	86	270		
September	334	82	252		
October	353	141	212		
November	349	124	225		
December	333	185	148		
1968--January	417	275	142		
February	389	368	21		
March	337	649	-312		
April	348	689	-341		
May p	348	728	-380		
Weekly:					
1968--Jan. 3	653	495	158	71	45
10	564	180	384	398	363
17	157	224	-67	-55	-28
24	376	233	143	133	73
31	336	241	95	44	35
Feb. 7	375	241	134	85	88
14	488	384	104	75	89
21	379	405	-26	-44	-57
28	313	442	-129	-143	-148
Mar. 6	316	500	-184	-151	-155
13	458	779	-321	-309	-320
20	414	733	-319	-332	-289
27	161	582	-421	-410	-407
Apr. 3	331	696	-355	-328	-340
10	406	646	-240	-173	-198
17	527	763	-236	-230	-220
24	126	651	-525	-536	-557
May 1	276	674	-398	-390	-408
8	381	823	-442	-428	-377
15 p	398	712	-314	-308	-307
22 p	314	669	-355	-390	-378
29 p	370	764	-394	-445	-438
Jun. 5 p	217	759	-542	-590	-592
12 p	275	678	-403	-403	-392

p - Preliminary.

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/}	Time Deposits (comm. banks)	Money Supply	
			Total	Against Demand Deposits			Total	Private Demand Deposits
Annually:	(S E R I E S R E V I S E D)				(S E A S O N A L F A C T O R S R E V I S E D)			
1966 ^{2/}	+ 1.3	+ 0.8	+ 1.5	- 0.2	+ 3.8	+ 8.7	+ 2.2	+ 1.2
1967	+ 9.9	+11.5	+10.2	+ 7.0	+11.9	+16.1	+ 6.4	+ 6.7
Monthly:								
1967--Jan.	+16.9	+26.1	+14.6	+10.1	+15.2	+22.0	- 0.7	- 2.7
Feb.	+13.1	+17.8	+13.6	+15.7	+16.0	+18.6	+10.6	+10.9
Mar.	+20.3	+29.1	+12.9	+ 9.8	+14.3	+17.6	+ 9.8	+11.7
Apr.	+ 2.1	+ 5.4	+ 7.5	- 0.3	+ 8.5	+15.9	- 4.9	- 7.1
May	+ 2.1	+ 5.0	+ 0.1	- 0.9	+ 6.6	+14.3	+18.2	+16.2
June	+ 7.7	+ 5.4	+ 6.6	+ 1.2	+10.7	+17.6	+11.0	+12.4
July	+11.8	+14.9	+15.2	+10.2	+13.4	+15.3	+12.3	+14.9
Aug.	+14.0	+15.2	+15.0	+18.7	+16.9	+16.5	+ 7.4	+ 8.7
Sept.	+ 7.7	+ 6.6	+ 9.5	+ 5.7	+10.4	+14.9	+ 1.3	--
Oct.	+16.2	+14.5	+17.6	+13.5	+10.7	+ 8.0	+ 7.4	+ 6.9
Nov.	+ 7.4	+ 5.9	+ 6.6	+ 8.3	+ 9.3	+ 9.3	+ 5.3	+ 6.8
Dec.	- 5.8	-14.0	- 1.6	-10.5	+ 1.3	+ 9.9	+ 2.0	- 0.9
1968--Jan.	+16.6	+16.7	+11.4	+15.3	+ 6.6	+ 3.9	+ 6.6	+ 6.8
Feb.	+12.5	+ 9.9	+11.4	+19.2	+10.0	+ 7.2	+ 2.6	+ 1.7
Mar.	+ 2.2	-12.6	+ 0.6	+ 0.2	+ 4.3	+ 9.7	+ 4.6	+ 2.5
Apr.	- 8.8	- 9.4	- 6.0	-11.1	- 4.7	+ 2.6	+ 6.5	+ 6.8
May p	+ 3.8	+ 2.0	- 1.8	+ 1.5	+ 1.7	+ 3.2	+11.1	+12.6

^{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.

p - Preliminary.

Chart 1

MEMBER BANK RESERVES

MONTHLY AVERAGES OF DAILY FIGURES

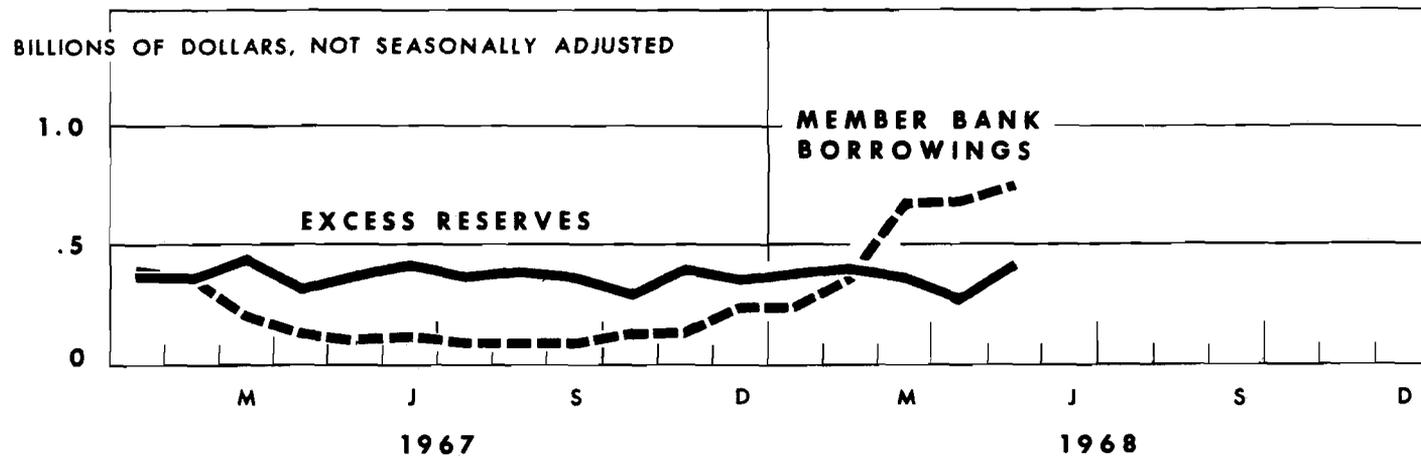
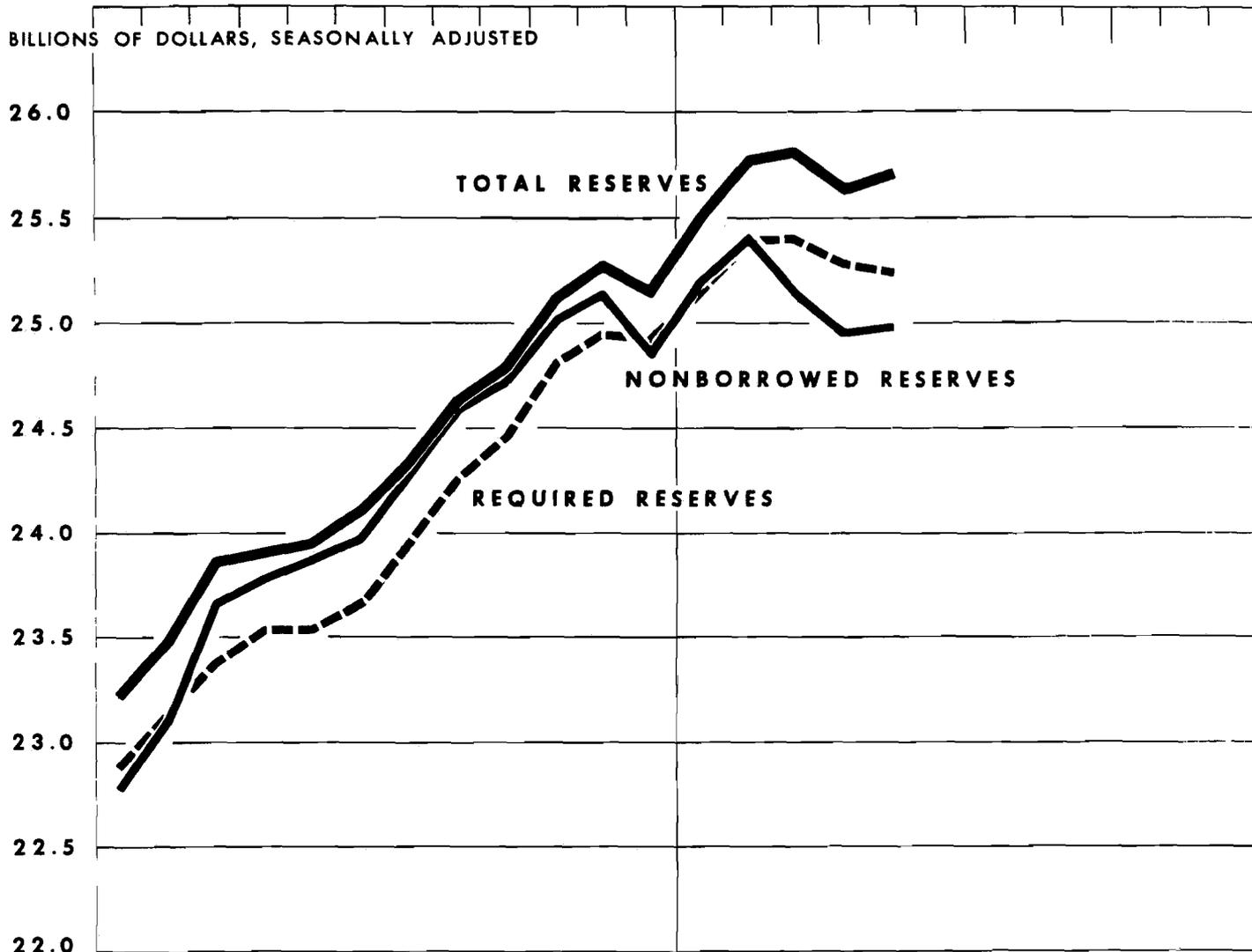


Chart 2

MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

BILLIONS OF DOLLARS

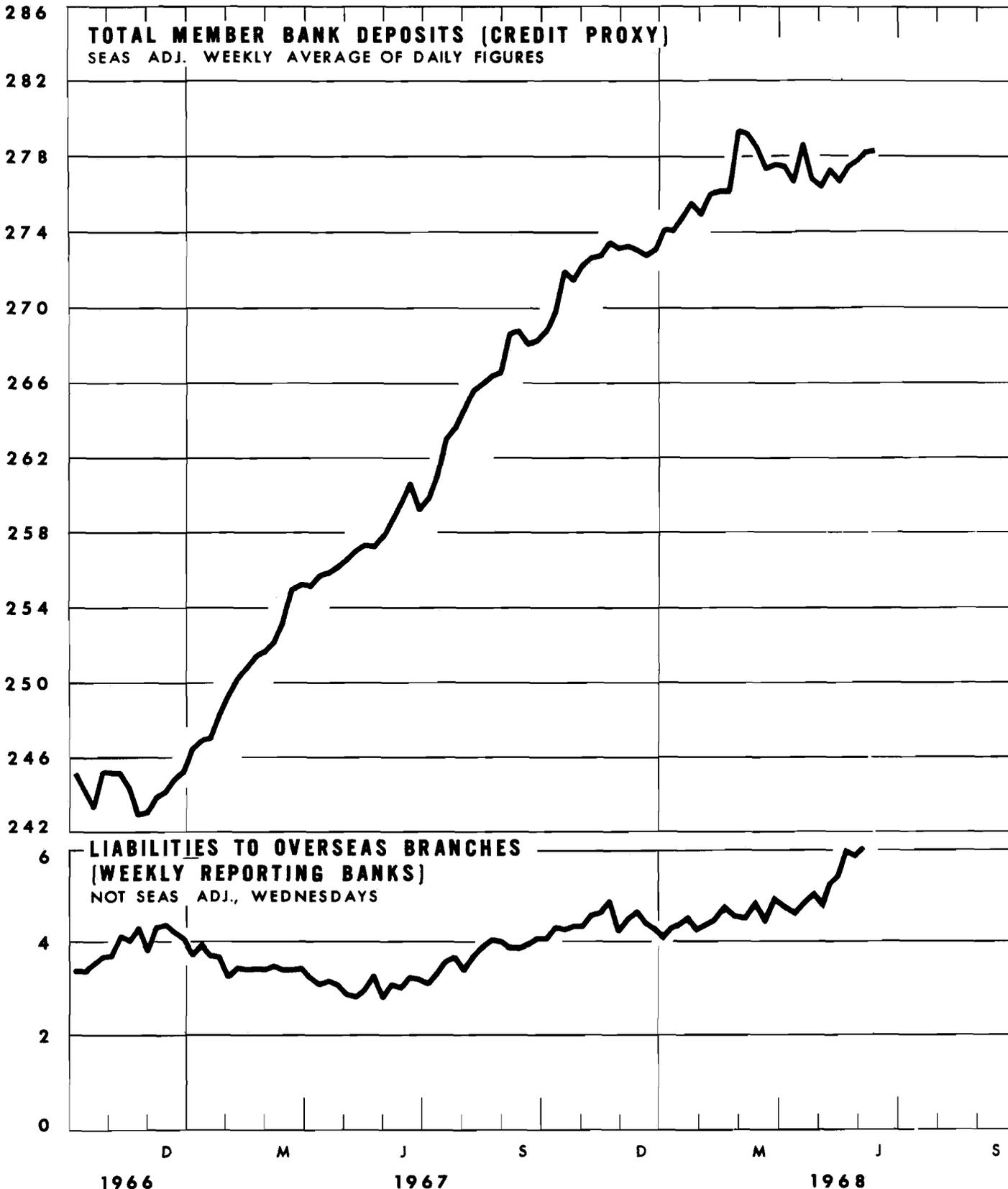


Chart 3

MONEY SUPPLY AND BANK DEPOSITS

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

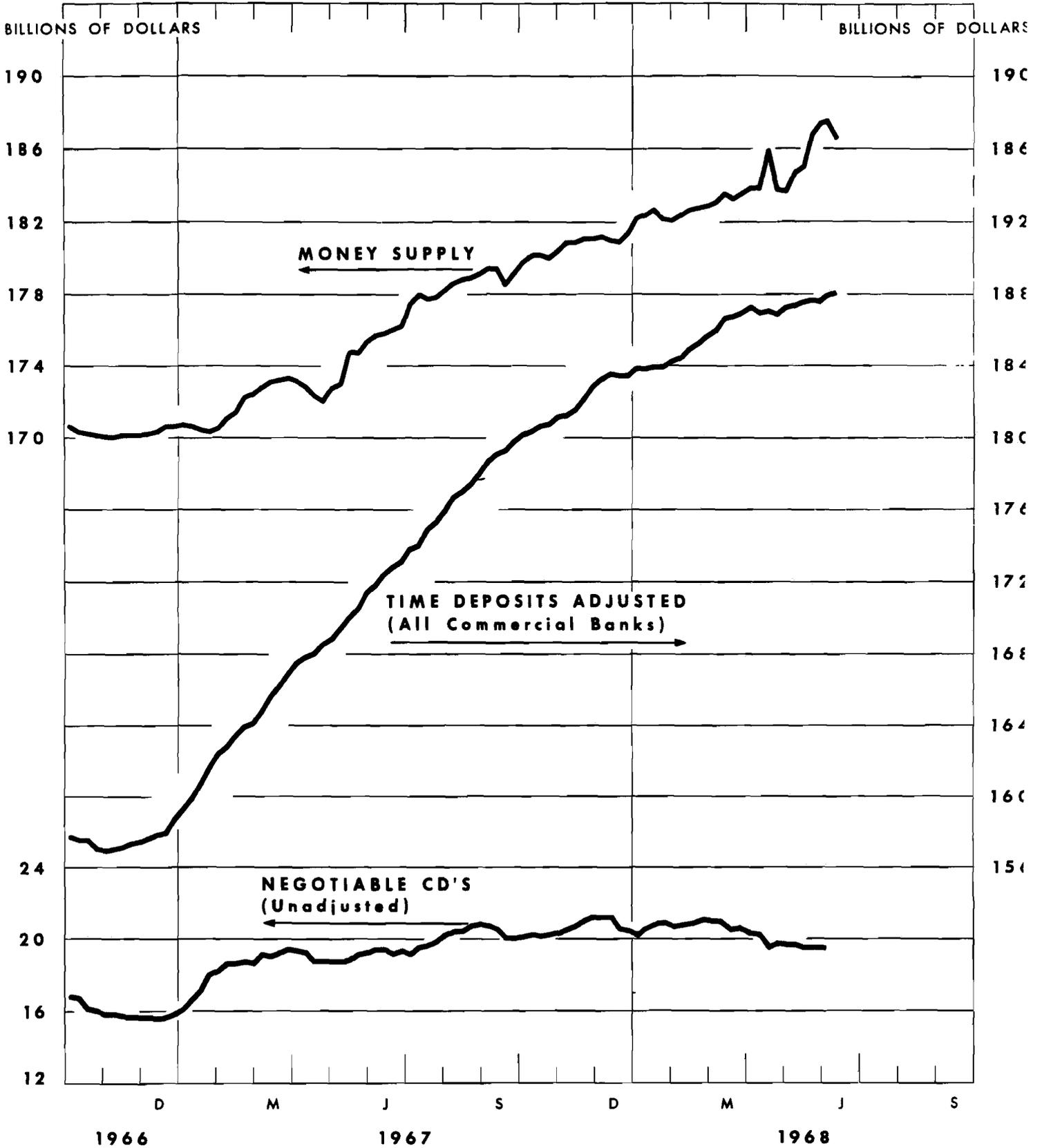


Chart 4

DEMAND DEPOSITS AND CURRENCY

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

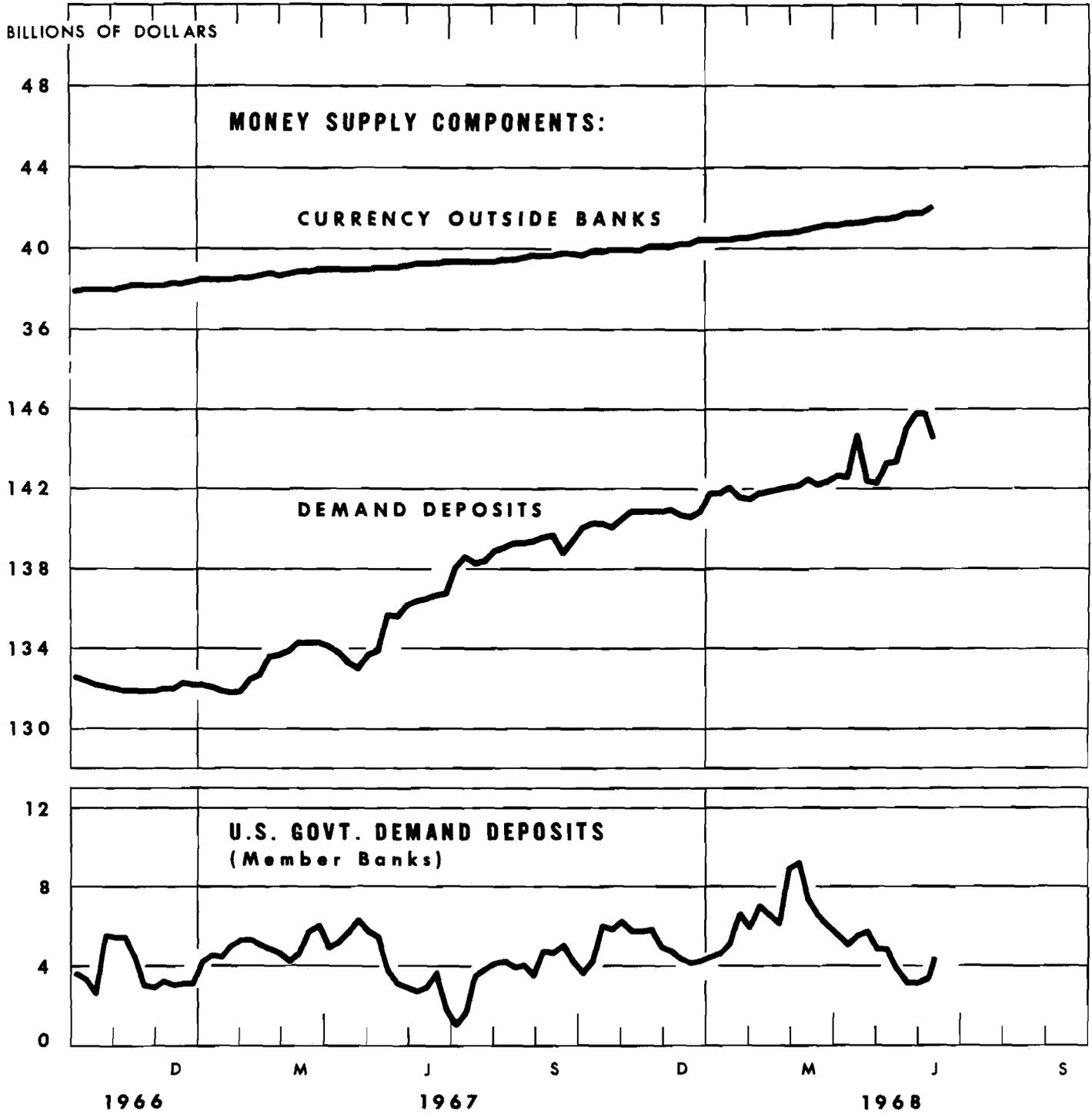


Table B-1

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 - 6/14/67)	+1,034	- 51	+ 16	-1,949	- 952	- 870	- 82
(12/27/67 - 6/12/68) 5/	+2,257	-2,067	- 444	- 66	- 320	- 153	- 167
Weekly:							
1968--May 1	+ 347	--	+ 112	- 442	+ 15	- 135	+ 150
8	+ 568	--	- 679	+ 291	+ 180	+ 75	+ 105
15 p	- 238	--	- 8	- 82	- 325	- 342	+ 17
22 p-	- 23	- 14	+ 36	+ 9	+ 4	+ 88	- 84
29 p	+ 121	- 86	+ 113	- 221	- 72	- 128	+ 56
June 5 p	+ 23	- 2	- 472	+ 486	+ 34	+ 187	- 153
12 p	+ 222	- 15	- 381	+ 201	+ 28	- 30	+ 58
PROJECTED 4/							
1968--June 19	- 135	--	+ 185	+ 170	+ 220	+ 220	--
26	+ 65	--	+ 150	- 155	+ 60	+ 60	--
July 3	+ 545	--	- 315	- 250	- 20	- 20	--
10	+ 495	--	- 620	+ 100	- 25	- 25	--
17	- 385	--	+ 250	+ 340	+ 205	+ 205	--
24	- 375	--	+ 260	+ 85	- 30	- 30	--
31	+ 315	--	+ 100	- 500	- 85	- 85	--

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.

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 \$50 million per week.
3. Projected effects of Treasury operations, included in "technical factors," reflect scheduled and assumed calls in current two weeks and thereafter, maintenance of Treasury balances with Federal Reserve at \$1.0 billion.
4. Projected changes in required reserves assume the existing net reserve position of banks and the structure of interest rates in the market, as well as the current economic outlook. On the basis of these assumptions of projections reflect expected movements in bank credit and money in the period ahead, including the effects of such elements as the public's loan demand, repayments of previous loans, bank's investment preferences and willingness to supply loans, bank's desires and abilities to obtain time and savings deposits, and the Government's financing needs. The projections thus encompass normal seasonal developments, temporary bursts of loan demand and expected associated repayments not currently reflected by the seasonals, and whatever cyclical and growth demands for money and credit are expected in the projection period. Assumed Treasury financing operations include: \$0.1 billion increase in the weekly Treasury bill auction through July 31; \$0.5 billion, June 19; \$3.6 billion, July 8.

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
Year:							
1966 (12/29/65 - 12/28/66)	+1,111	- 87	+1,198	- 14	- 4	- 5	+1,221 <u>1/</u>
1967 (12/28/66 - 12/27/67)	+1,517	+ 261	+1,256	+ 59	+ 6	+1,023	+ 168 <u>1/</u>
Year-to-date:							
(12/28/66 - 6/14/67)	- 880	- 412	- 468	- 910	+ 104	+ 604	- 306
(12/27/67 - 6/12/68) <u>2/</u>	- 153	- 418	+ 265	- 512	+ 220	+ 572	- 15
Weekly:							
May 1	- 135	+ 91	- 226	- 273	--	+ 19	+ 28
8	+ 75	+ 226	- 151	- 271	--	+ 123	- 3
15 p	- 342	- 225	- 117	- 143	+ 7	+ 13	+ 6
22 p	+ 88	+ 125	- 37	- 255	--	+ 220	- 2
29 p	- 128	- 77	- 51	- 114	+ 6	+ 71	- 14
June 5 p	+ 187	- 182	+ 369	+ 319	- 6	+ 49	+ 7
12 p	- 30	- 89	+ 59	+ 244	- 7	- 190	+ 12
PROJECTED							
1968--June 19	+ 220	- 55	+ 275	+ 155	- 15	+ 120	+ 15
26	+ 60	+ 455	- 395	- 290	- 10	- 105	+ 10
July 3	- 20	- 410	+ 390	+ 145	+ 15	+ 225	+ 5
10	- 25	- 5	- 20	- 10	- 10	+ 15	-
17	+ 205	+ 120	+ 85	+ 45	--	+ 30	+ 10
24	- 30	+ 235	- 265	- 175	--	- 105	+ 15
31	- 85	- 95	+ 10	+ 30	+ 10	- 45	+ 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.

p - Preliminary.

Table B-3

TECHNICAL FACTORS AFFECTING RESERVES

Retrospective and Prospective Changes

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

Period	Technical factors (net)	Treasury operations	Float	Foreign deposits and gold loans	Other nonmember deposits and F. R. accounts
ACTUAL					
(Sign indicates effect on reserves)					
<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 - 6/14/67)	-1,949	- 7	-1,397	+ 37	- 582
(12/27/67 - 6/12/68)	- 66	+ 265	- 820	+ 6	+ 483
<u>Weekly:</u>					
1968--May 1	- 442	- 32	- 380	- 34	+ 4
8	+ 291	+ 149	+ 6	+ 45	+ 91
15 p	- 82	- 120	+ 26	+ 15	- 3
22 p	+ 9	- 123	+ 368	- 13	- 223
29 p	- 221	+ 156	- 360	- 20	+ 3
June 5 p	+ 486	+ 305	+ 39	- 144	+ 286
12 p	+ 201	- 36	+ 28	+ 152	+ 57
PROJECTED					
1968--June 19	+ 170	- 140	+ 225	--	+ 85
26	- 155	--	- 150	--	- 5
July 3	- 250	--	- 250	--	--
10	+ 100	--	+ 100	--	--
17	+ 340	--	+ 250	--	+ 90
24	+ 85	--	+ 20	--	+ 65
31	- 500	--	- 500	--	--

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			
Year:								
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
Year-to-date:								
(12/28/66 - 6/14/67)	+1,034	+1,675	+1,792	+ 541	- 658	- 26	- 110	- 505
(12/27/67 - 6/12/68)	+2,257	+1,940	+1,116	+ 644	+ 180	+ 22	- 38	+ 333
Weekly:								
1968--Mar. 6	+ 410	+ 344	+ 200	+ 95	+ 49	+ 9	- 1	+ 58
13	+ 479	+ 199	+ 94	+ 53	+ 52	+ 2	- 1	+ 279
20	+ 516	+ 573	+ 631	+ 43	- 101	- 11	--	- 46
27	- 323	- 219	- 246	+ 27	--	--	+ 47	- 151
Apr. 3	+ 332	+ 177	- 132	+ 145	+ 164	+ 45	- 4	+ 114
10	+ 280	+ 346	+ 234	+ 82	+ 30	- 36	+ 20	- 50
17	+ 134	+ 68	+ 1	+ 1	+ 66	- 2	- 49	+ 117
24	- 418	- 285	- 54	+ 29	- 260	- 7	- 14	- 112
May 1	+ 347	+ 306	+ 176	--	+ 130	+ 5	+ 13	+ 23
8	+ 568	+ 369	+ 97	--	+ 272	+ 10	+ 40	+ 149
15	- 238	- 89	- 131	--	+ 42	- 7	- 31	- 111
22	- 23	+ 33	+ 333	--	- 300	- 5	- 8	- 43
29	+ 121	+ 43	+ 117	+ 70	- 144	- 3	- 14	+ 95
June 5	+ 23	+ 30	+ 30	--	--	--	- 2	- 5
12	+ 222	+ 251	- 10	--	+ 261	+ 29	+ 23	- 81

Chart Reference Table C-1

TOTAL, NONBORROWED AND REQUIRED RESERVES

Seasonally Adjusted

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

(SERIES REVISED)

Period	Total reserves	Nonborrowed reserves	Required reserves		
			Total	Against private deposits	
				Total	Demand
1966--Jan.	22,785	22,325	22,456	21,936	16,822
Feb.	22,857	22,376	22,507	21,996	16,877
Mar.	22,888	22,331	22,512	22,115	16,957
Apr.	23,118	22,490	22,714	22,283	17,043
May	23,192	22,486	22,773	22,331	17,030
June <u>1/</u>	23,149	22,472	22,780	22,361	17,043
July	23,293	22,552	22,864	22,344	16,963
Aug.	23,029	22,336	22,710	22,320	16,908
Sept.	23,065	22,319	22,689	22,349	16,922
Oct.	22,954	22,243	22,629	22,229	16,827
Nov.	22,915	22,303	22,593	22,198	16,810
Dec.	22,895	22,286	22,600	22,262	16,825
1967--Jan.	23,217	22,770	22,875	22,298	16,774
Feb.	23,471	23,107	23,134	22,559	16,959
Mar.	23,869	23,668	23,383	22,785	17,101
Apr.	23,910	23,775	23,529	22,779	17,015
May	23,952	23,874	23,531	23,071	17,244
June	24,105	23,982	23,660	23,387	17,472
July	24,342	24,279	23,960	23,578	17,582
Aug.	24,627	24,586	24,259	23,776	17,701
Sept.	24,786	24,721	24,452	23,850	17,704
Oct.	25,121	25,020	24,810	23,995	17,805
Nov.	25,275	25,142	24,947	24,122	17,879
Dec.	25,153	24,848	24,914	24,157	17,860
1968--Jan.	25,500	25,193	25,151	24,270	17,974
Feb.	25,765	25,401	25,389	24,333	18,025
Mar.	25,812	25,135	25,402	24,429	18,080
Apr.	25,623	24,938	25,276	24,491	18,136
May <u>p/</u>	25,705	24,978	25,238	24,752	18,390

p - Preliminary.

1/ Break in series due to redefinition of time deposits effective June 9, 1966, which reduced required reserves by \$34 million.

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)

(SEASONAL FACTORS REVISED)

Period	Total member bank deposits (credit) ^{1/}	Time deposits	Private demand deposits ^{2/}	U.S. Gov't. demand deposits
1966--Jan.	238.0	121.8	111.7	4.5
Feb.	239.0	121.9	112.1	5.0
Mar.	239.8	122.8	112.6	4.4
Apr.	241.9	124.8	113.2	4.0
May	243.9	126.2	113.1	4.6
June ^{3/}	244.4	126.6	113.2	4.6
July	245.8	128.1	112.6	5.1
Aug.	245.6	128.8	112.3	4.5
Sept.	245.5	129.2	112.4	3.7
Oct.	244.4	128.6	111.7	4.0
Nov.	244.0	128.3	111.6	4.1
Dec.	244.6	129.4	111.7	3.5
1967--Jan.	247.7	131.5	111.4	4.8
Feb.	251.0	133.3	112.6	5.1
Mar.	254.0	135.3	113.6	5.1
Apr.	255.8	137.2	113.0	5.6
May	257.2	138.7	114.5	4.0
June	259.5	140.8	116.0	2.6
July	262.4	142.8	116.7	2.9
Aug.	266.1	144.6	117.5	4.0
Sept.	268.4	146.3	117.6	4.5
Oct.	270.8	147.4	118.2	5.2
Nov.	272.9	148.6	118.7	5.6
Dec.	273.2	149.9	118.6	4.6
1968--Jan.	274.7	149.9	119.4	5.4
Feb.	277.0	150.2	119.7	7.1
Mar.	278.0	151.2	120.1	6.7
Apr.	276.9	151.3	120.4	5.2
May p	277.3	151.5	122.1	3.7

^{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/} Break in series due to redefinition of time deposits effective June 9, 1966, which reduced total member bank deposits and time deposits by \$850 million.

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)

(SEASONAL FACTORS REVISED)

Week ending:	Total member bank deposits (credit) ^{1/} ^{2/}	Time deposits ^{2/}	Private demand deposits ^{3/}	U. S. Gov't. demand deposits
1968--Jan. 3	274.1	150.1	119.6	4.4
10	274.0	149.9	119.5	4.6
17	274.7	150.1	119.5	5.1
24	275.5	149.8	119.1	6.6
31	274.9	149.9	119.0	5.9
Feb. 7	276.0	149.8	119.3	6.8
14	276.1	150.0	119.6	6.5
21	276.1	150.3	119.8	6.1
28	279.3	150.6	119.8	8.9
Mar. 6	279.1	150.1	119.8	9.2
13	278.4	151.1	120.0	7.3
20	277.3	151.0	119.9	6.5
27	277.5	151.3	120.3	6.0
Apr. 3	277.4	151.6	120.3	5.5
10	276.6	151.5	120.1	5.0
17	278.6	151.4	121.7	5.5
24	276.7	151.0	120.0	5.7
May 1	276.3	151.5	120.0	4.8
8	277.2	151.5	120.9	4.8
15 p	276.6	151.5	121.3	3.8
22 p	277.4	151.6	122.8	3.1
29 p	277.7	151.3	123.3	3.1
June 5 p	278.2	151.5	123.4	3.3
12 p	278.3	151.8	122.2	4.4

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/} Break in series due to redefinition of time deposits effective June 9, 1966, which reduced total member bank deposits and time deposits by \$850 million.

^{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)

(SEASONAL FACTORS REVISED)

Monthly	Money Supply	Currency <u>1/</u>	Private Demand Deposits <u>2/</u>	Time Deposits Adjusted
1966--Jan.	167.9	36.6	131.4	147.7
Feb.	168.6	36.7	131.9	148.3
Mar.	169.2	36.9	132.3	149.6
Apr.	170.3	37.1	133.2	151.8
May	170.3	37.3	133.0	153.6
June <u>3/</u>	170.5	37.4	133.1	154.1
July	169.9	37.6	132.3	155.9
Aug.	170.0	37.8	132.2	156.9
Sept.	170.5	37.9	132.6	157.7
Oct.	170.2	38.0	132.1	157.3
Nov.	170.2	38.2	132.0	156.9
Dec.	170.4	38.3	132.1	158.1
1967--Jan.	170.3	38.5	131.8	161.0
Feb.	171.8	38.7	133.0	163.5
Mar.	173.2	38.9	134.3	165.9
Apr.	172.5	39.0	133.5	168.1
May	174.4	39.1	135.3	170.1
June	176.0	39.3	136.7	172.6
July	177.8	39.4	138.4	174.8
Aug.	178.9	39.5	139.4	177.2
Sept.	179.1	39.7	139.4	179.4
Oct.	180.2	39.9	140.2	180.6
Nov.	181.0	40.1	141.0	182.0
Dec.	181.3	40.4	140.9	183.5
1968--Jan.	182.3	40.6	141.7	184.1
Feb.	182.7	40.7	141.9	185.2
Mar.	183.4	41.1	142.2	186.7
Apr.	184.4	41.4	143.0	187.1
May p	186.1	41.6	144.5	187.6

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/ Break in series due to redefinition of time deposits effective June 9, 1966, which reduced time deposits adjusted by \$1,140 million.

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)
(SEASONAL FACTORS REVISED)

Week Ending	Money Supply	Currency <u>1/</u>	Private Demand Deposits <u>2/</u>	Time Deposits adjusted <u>3/</u>
1968--Jan. 3	182.3	40.5	141.8	183.9
10	182.4	40.5	141.8	183.9
17	182.7	40.6	142.1	184.0
24	182.2	40.6	141.6	184.0
31	182.1	40.6	141.5	184.3
Feb. 7	182.4	40.7	141.8	184.5
14	182.7	40.8	141.9	185.0
21	182.8	40.8	142.0	185.3
28	182.9	40.8	142.1	185.7
Mar. 6	183.1	40.9	142.2	186.0
13	183.6	41.0	142.5	186.7
20	183.3	41.1	142.2	186.8
27	183.6	41.2	142.4	187.0
Apr. 3	183.9	41.2	142.7	187.3
10	183.9	41.3	142.6	187.0
17	186.0	41.3	144.7	187.1
24	183.8	41.4	142.4	186.9
May 1	183.7	41.5	142.3	187.3
8	184.8	41.5	143.3	187.4
15 p	185.1	41.6	143.4	187.6
22 p	186.9	41.8	145.1	187.7
29 p	187.5	41.8	145.8	187.6
June 5 p	187.6	41.8	145.8	187.9
12 p	186.6	42.1	144.5	188.1

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/ Break in series due to redefinition of time deposits effective June 9, 1966, which reduced time deposits adjusted by \$1,140 million.

p - Preliminary.