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MONEY MARKET AND RESERVE RELATIONSHIPS

Recent developments

(1) Since the last meeting of the Committee, yields on money and short-term credit market instruments, and movements in reserve and deposit aggregates, have generally been in line with staff projections. The bank credit proxy rose by a 9 per cent annual rate on average in September (10 per cent after including Euro-dollar borrowings), while the 3-month bill rate fluctuated in about a 5.10--6.30 per cent range. After reaching a peak shortly before mid-month, the bill rate declined to the bottom of the range as the System returned to the buying side of the market and seasonal pressures associated with the tax date passed. Most recently, the 3-month bill has been trading around 5.20 per cent, affected in part by the fact that such bills now carry the relatively less popular January dates.

(2) Other short-term rates have declined slightly since the last meeting of the Committee, while long-term rates have fluctuated in a relatively narrow range. The reduction in prime loan rates--with most banks reducing the rate by only 1/4 point to 6-1/4 per cent--had little effect on market rates. In the past few days some upward pressure on market interest rates has developed, as market sentiment about the economic outlook shifted somewhat and as dealers became more eager to reduce security inventories.

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--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 | + 1.5 |
| 1968--Jan. | 142 | 275 | 4.60 | 5.00 | 5.39 | 6.22** | 4.06 | +345 | +347 | + 1.5 | + 1.0 | + 0.6 |
| Feb. | 21 | 368 | 4.68 | 4.98 | 5.38 | 6.25** | 4.01 | +208 | +265 | + 2.3 | + 0.4 | + 1.1 |
| Mar. | -312 | 649 | 5.02 | 5.17 | 5.59 | 6.57** | 4.28 | -266 | + 47 | + 1.0 | + 0.7 | + 1.5 |
| Apr. | -341 | 689 | 5.74 | 5.38 | 5.46 | 6.50** | 4.13 | -197 | -189 | - 1.0 | + 0.9 | + 0.4 |
| May | -374 | 728 | 6.10 | 5.66 | 5.55 | 6.64 | 4.28 | + 46 | + 88 | + 0.4 | + 1.8 | + 0.5 |
| June | -386 | 727 | 6.09 | 5.52 | 5.40 | 6.65 | 4.26 | +137 | +105 | + 1.5 | + 1.3 | + 0.6 |
| July | -192 | 523 | 6.03 | 5.31 | 5.29 | 6.50** | 4.12 | +304 | +107 | + 2.1 | + 2.0 | + 2.2 |
| Aug. p | -240 | 577 | 6.03 | 5.23 | 5.22 | 6.16 | 4.00 | +493 | +508 | + 5.0 | + 0.8 | + 3.4 |
| Sept. p | -160 | 492 | 5.76 | 5.19 | 5.28 | 6.27 | 4.23 | + 29 | - 36 | + 2.1 | - 1.0 | + 2.9 |
| 1968--Sept. 4 p | -182 | 454 | 5.84 | 5.19 | 5.23 | 6.40 | 4.25 | | | - 0.3 | + 0.1 | + 0.6 |
| 11 p | - 96 | 634 | 5.78 | 5.26 | 5.29 | 6.33 | 4.25 | | | + 0.3 | - 0.1 | + 0.6 |
| 18 p | - 58 | 405 | 5.65 | 5.22 | 5.28 | 6.24 | 4.21 | | | + 0.9 | - 1.5 | + 1.1 |
| 25 p | -303 | 475 | 5.72 | 5.15 | 5.27 | 6.26 | 4.20 | | | + 1.0 | - 0.1 | + 0.5 |
| Oct. 2 p | -191 | 540 | 5.90 | 5.28 | 5.31 | 6.31 | 4.14 | | | + 1.8 | + 1.0 | + 0.7 |
| | Averages | | | | 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 |
| 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 |
| First Half 1968 | -201 | 567 | 5.37 | 5.29 | 5.46 | 6.47 | 4.16 | + 2.2 | + 5.3 | + 4.0 | + 6.6 | + 5.0 |
| <u>Recent variations in growth</u> | | | | | | | | | | | | |
| Nov. 29-Feb. 28 | 106 | 276 | 4.59 | 4.90 | 5.46 | 6.30 | 4.08 | | | + 9.1 | + 4.0 | + 6.1 |
| Feb. 28-Jun. 12 | -360 | 695 | 5.66 | 5.43 | 5.51 | 6.58 | 4.23 | | | - 1.1 | + 6.6 | + 4.5 |
| Jun. 12-Oct. 2 | -211 | 556 | 5.97 | 5.23 | 5.28 | 6.39 | 4.12 | | | +14.4 | + 5.6 | +17.3 |

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

p - Preliminary. n.a. Not available.

October 4, 1968.

(3) Money market conditions since the last meeting of the Committee have been influenced by changes in reserve distribution, partly related to the emergence and subsidence of pressures around the tax date; by banks' initial adaptations to the new reserve settlement regulations; and by a decline in Euro-dollar borrowings in the latter part of September. The Federal funds rate has averaged near 5-3/4 per cent although fluctuating fairly widely around this level, with most trading at 6 per cent during the past statement week. Rates on new loans to dealers posted by major money market banks have fluctuated around 6-1/4 per cent, and have been relatively more on the high side in recent days.

(4) Member bank borrowings averaged around \$475 million over the past three statement weeks, as compared with \$520 million in the preceding four. At the same time, excess reserves in the past three weeks declined relative to the preceding four weeks to an average level of \$290 million, as banks adapted to the new reserve provisions.

(5) With banks economizing on excess reserves and with reserves released by a shift in the deposit mix from demand to time deposits, total reserves of banks declined slightly, on average, in September. Total demand deposits at banks declined last month as a small rise in U.S. Government deposits was more than offset by a marked decline in private demand deposits. The money supply fell by about 6 per cent, at an annual rate, on average. On a weekly basis, the last substantial increase in the money supply occurred in late June and the early days of July, and related partly to the large cash

redemption of June tax bills. Since that time, the money supply has fluctuated in a narrow band and shown virtually no change on balance.

(6) Time deposits in September grew at an 18 per cent annual rate, on average, a slightly lower rate than August. The decline in outstanding bank CD's in September was less than seasonal, even though banks reduced CD offering rates on most maturities. Other time and savings deposits continued to increase at around their fairly rapid August pace.

(7) Comparative average annual rates of change for the major reserves and deposit aggregates are shown below for several recent periods.

| | May '67- Nov. '67 | Dec. '67- June '68 | July '68 Sept. '68 | Sept. '68 |
|--|----------------------|-----------------------|-----------------------|-----------|
| Total reserves | 9.8 | 3.7 | 9.0 | - 1.6 |
| Nonborrowed reserves | 9.9 | -0.1 | 13.2 | 1.3 |
| Bank credit, as measured by: | | | | |
| Proxy | 11.5 | 3.7 | 13.2 | 8.8 |
| Proxy plus Euro-dollars | 12.3 | 4.7 | 14.3 | 10.2 |
| Money supply | 8.4 | 5.8 | 3.8 | - 6.3 |
| Time and savings deposits | 14.2 | 5.8 | 18.1 | 18.0 |
| Savings accounts at thrift institutions | 9.1 | 6.2 | 5.6 ^{1/} | n.a. |

NOTE: Dates are inclusive.
p--preliminary
^{1/} July and August only.

Prospective developments

(8) Assuming a policy which permits member bank borrowings to remain in a \$400 - \$600 million range, the Federal funds rate in the coming three weeks is likely to center around 5-7/8 per cent. Any significant reduction in the continued exceptionally deep basic reserve deficit of major banks--either because Euro-dollars become more available or simply because banks become less inclined to borrow short--would tend to ease conditions in the funds market. Working in the other direction would be increased financing demands associated with the expected \$3.5 billion Treasury tax bill financing, probably to be paid for in the latter half of October.

(9) The 3-month bill rate over the coming period may fluctuate in a 5.10--5.40 per cent range. The System's own operations are not expected to be a significant net influence on the market, in contrast to recent weeks when large-scale System buying helped to reduce dealer inventories in both the bill and coupon areas. Since the last Committee meeting dealer positions in all maturities have declined about \$900 million (from September 10 to October 1), with total bill positions down about \$500 million and coupon issues maturing in more than 5 years down almost \$300 million.

(10) Some additional demand for bills may be forthcoming in the near future from auto companies and from state and local governments utilizing the proceeds of capital market issues. However, the supply of

bills will be substantially increased by the expected Treasury tax bill financing. To the extent that the mid-November refunding--to be announced about a week before the next FOMC meeting--may result in very little debt lengthening, this too could exert marginal upward pressure in short-term market sectors.

(11) With banks expected to underwrite the Treasury tax bill financing, the bank credit proxy in October may rise in a 10-13 per cent, annual rate, range. The Treasury financing (including related financing of dealers) accounts for about 4-1/2 percentage points of the projected rise. (If Euro-dollar borrowings remain at the early October level--which is \$700 million below the mid-September peak--the combination of the proxy plus Euro-dollars would be reduced by about 1-1/2 percentage points on average in October).

(12) Such a continued relatively strong pace of total bank credit expansion reflects not only Government financing but also persisting large inflows of time and savings deposits. Only a moderate slowing in the pace of expansion of interest-bearing deposits is projected for October--to a 13-16 per cent annual rate range. However, there is some likelihood that the extent of bank intermediation in the saving process could diminish, as thrift institutions, whose inflows appear to be lagging relatively, begin to compete more actively. In addition, bank credit growth might fall short of projections if both banks and other active market participants adopt more pessimistic attitudes toward future declines of interest rates, and become less willing long-term

investors and short-term borrowers. Business loan growth is expected to be on the moderate side. Assuming such business loan growth and no sharp turn-around in bank attitudes toward future interest rates, outstanding CD's are expected to rise in a \$500-\$750 million range, about twice seasonal growth.

(13) The money supply is not expected to show any very rapid growth in the period ahead. In October, money growth may possibly be in a 1-4 per cent, annual rate, range for the month on average, mainly as a result of currency growth.

(14) Looking ahead to November, bank credit growth is likely to be slower than in October. Unlike most previous Novembers, the Treasury may not have to raise very much new cash during the month--having anticipated their November cash need in October. Moreover, a further slowing in time deposit expansion appears likely, as income growth remains on the moderate side and as some funds that would otherwise go into time deposits are attracted by the newly issued tax bills (with secondary market distribution occurring in very late October and early November) and by coupon issues offered in the November refunding.

(15) The combination of Treasury financing, a continued large volume of new municipal issues, and possibly more widespread investor uncertainties as to the future course of interest rates and inflation all suggest the possibility of upward pressure on the interest rate structure in the weeks ahead, probably of moderate dimensions.

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--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 | 354 | 728 | -374 | | | |
| June | 341 | 727 | -386 | | | |
| July | 331 | 523 | -192 | | | |
| August p | 337 | 577 | -240 | | | |
| September p | 332 | 492 | -160 | | | |
| <u>Weekly:</u> | | | | | | |
| 1968--July | | | | | | |
| 3 | 182 | 493 | -311 | -406 | -419 | |
| 10 | 433 | 412 | 21 | - 93 | - 96 | |
| 17 | 274 | 470 | -196 | -284 | -312 | |
| 24 | 410 | 639 | -229 | -307 | -315 | |
| 31 | 358 | 602 | -244 | -288 | -319 | |
| Aug. 7 | 342 | 737 | -395 | -381 | -353 | |
| 14 | 314 | 576 | -262 | -306 | -292 | |
| 21 | 514 | 619 | -105 | -109 | - 53 | |
| 28 | 179 | 374 | -195 | -234 | -247 | |
| Sept. 4 p | 272 | 454 | -182 | -239 | -196 | |
| 11 p | 538 | 634 | - 96 | -108 | -141 | |
| 18 p | 347 | 405 | - 58 | - 93 | -148 | |
| 25 p | 172 | 475 | -303 | -323 | -347 | |
| Oct. 2 p | 349 | 540 | -191 | -191 | -230 | |

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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) <u>1/</u> | Time Deposits (comm. banks) | Money Supply | |
| | | | Total | Against Demand Deposits | | | Total | Private Demand Deposits |
| Annually: | | | | | | | | |
| 1966 | + 1.3 | + 0.8 | + 1.5 | - 0.2 | + 3.8 | + 8.7 | + 2.2 | + 1.2 |
| 1967 <u>2/</u> | + 9.9 | +11.5 | +10.2 | + 7.0 | +11.7 | +16.1 | + 6.4 | + 6.7 |
| Monthly: | | | | | | | | |
| 1967--July | +11.8 | +14.9 | +15.2 | +10.2 | +13.4 | +15.3 | +12.3 | +14.9 |
| Aug. | +14.0 | +15.2 | +13.7 | +18.7 | +16.9 | +16.5 | + 7.4 | + 8.7 |
| Sept. | + 7.7 | + 6.6 | +12.0 | + 5.7 | +10.4 | +14.9 | + 1.3 | -- |
| Oct. | +16.2 | +14.5 | +16.4 | +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 | + 0.1 | + 4.3 | + 9.7 | + 4.6 | + 2.5 |
| Apr. | - 8.8 | - 9.4 | - 6.0 | -11.1 | - 4.7 | + 2.6 | + 5.9 | + 6.8 |
| May | + 4.1 | + 2.2 | - 1.9 | + 1.5 | + 1.7 | + 3.2 | +11.7 | +12.6 |
| June | + 4.9 | + 6.6 | + 9.6 | +12.2 | + 6.5 | + 3.8 | + 8.4 | + 7.5 |
| July | + 5.0 | +14.5 | + 7.7 | + 0.1 | + 9.0 | +14.0 | +12.8 | +14.9 |
| Aug. p | +23.5 | +23.3 | +21.2 | +21.8 | +21.4 | +21.4 | + 5.1 | + 4.1 |
| Sept. p | - 1.6 | + 1.3 | + 4.8 | - 3.1 | + 8.8 | +18.0 | - 6.3 | - 8.9 |

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.

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Chart 1

MEMBER BANK RESERVES

MONTHLY AVERAGES OF DAILY FIGURES

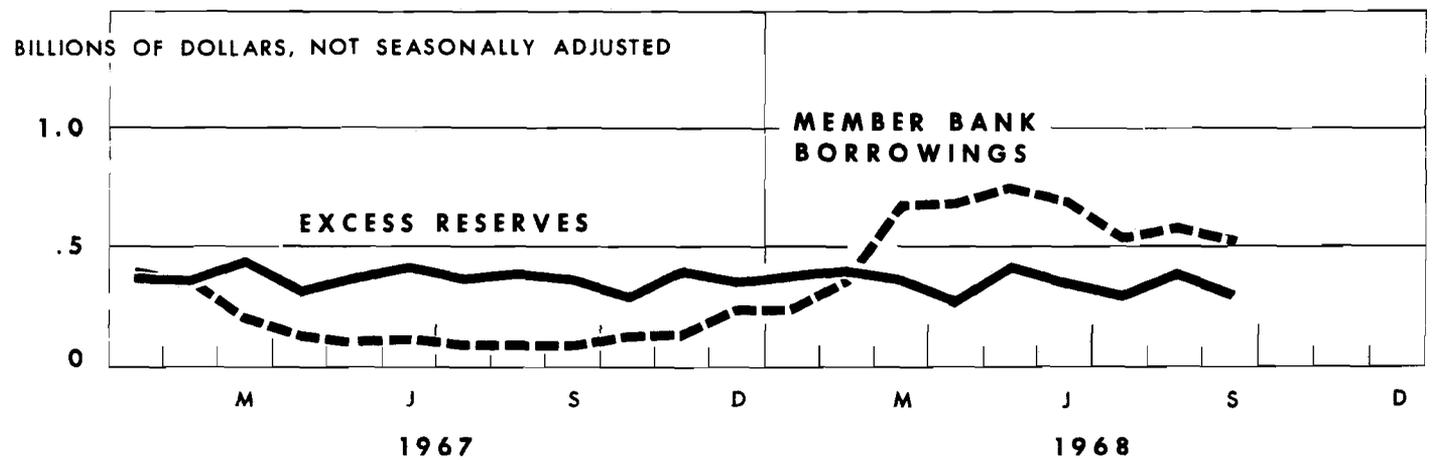
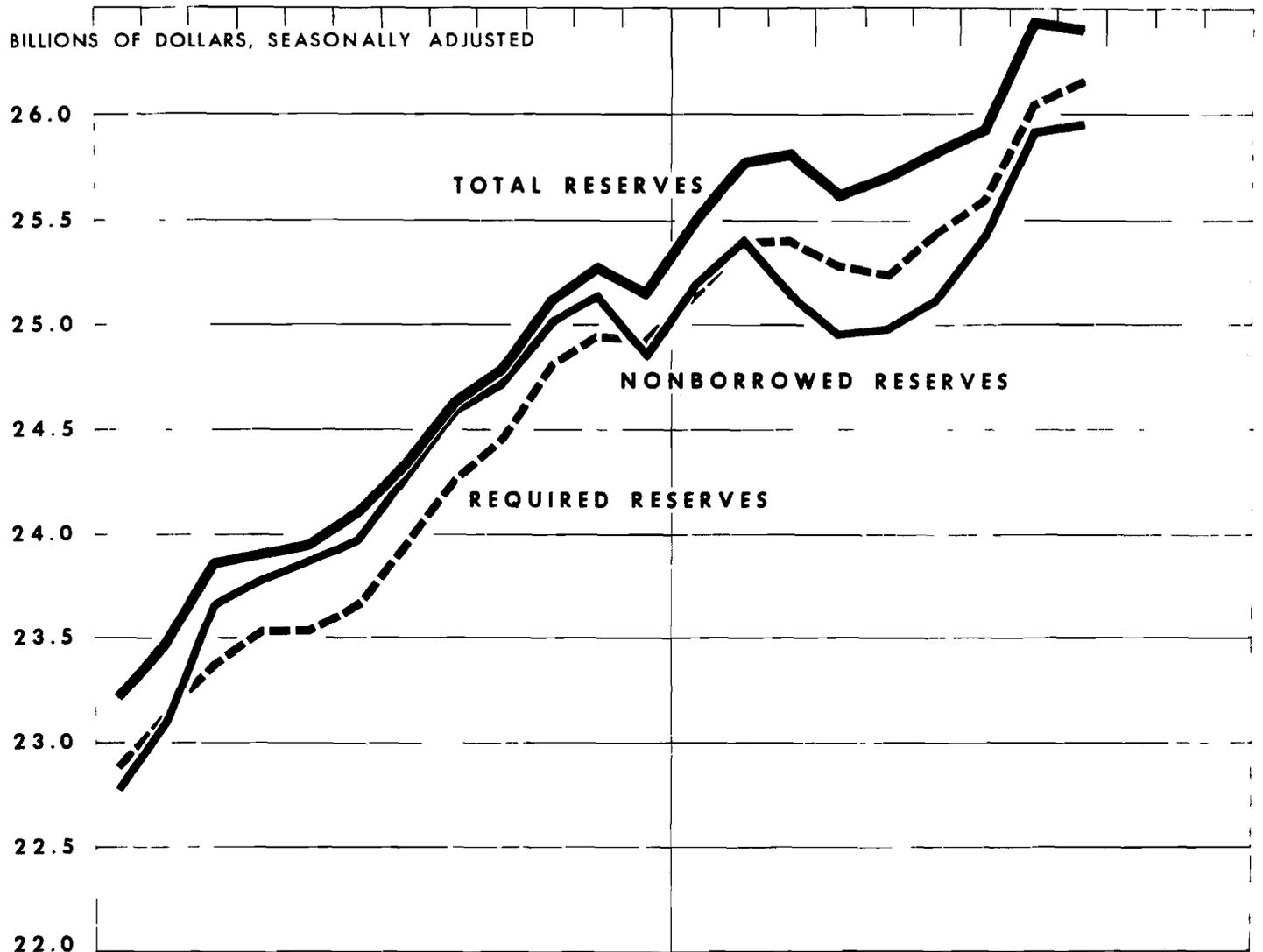


Chart 2

MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

BILLIONS OF DOLLARS

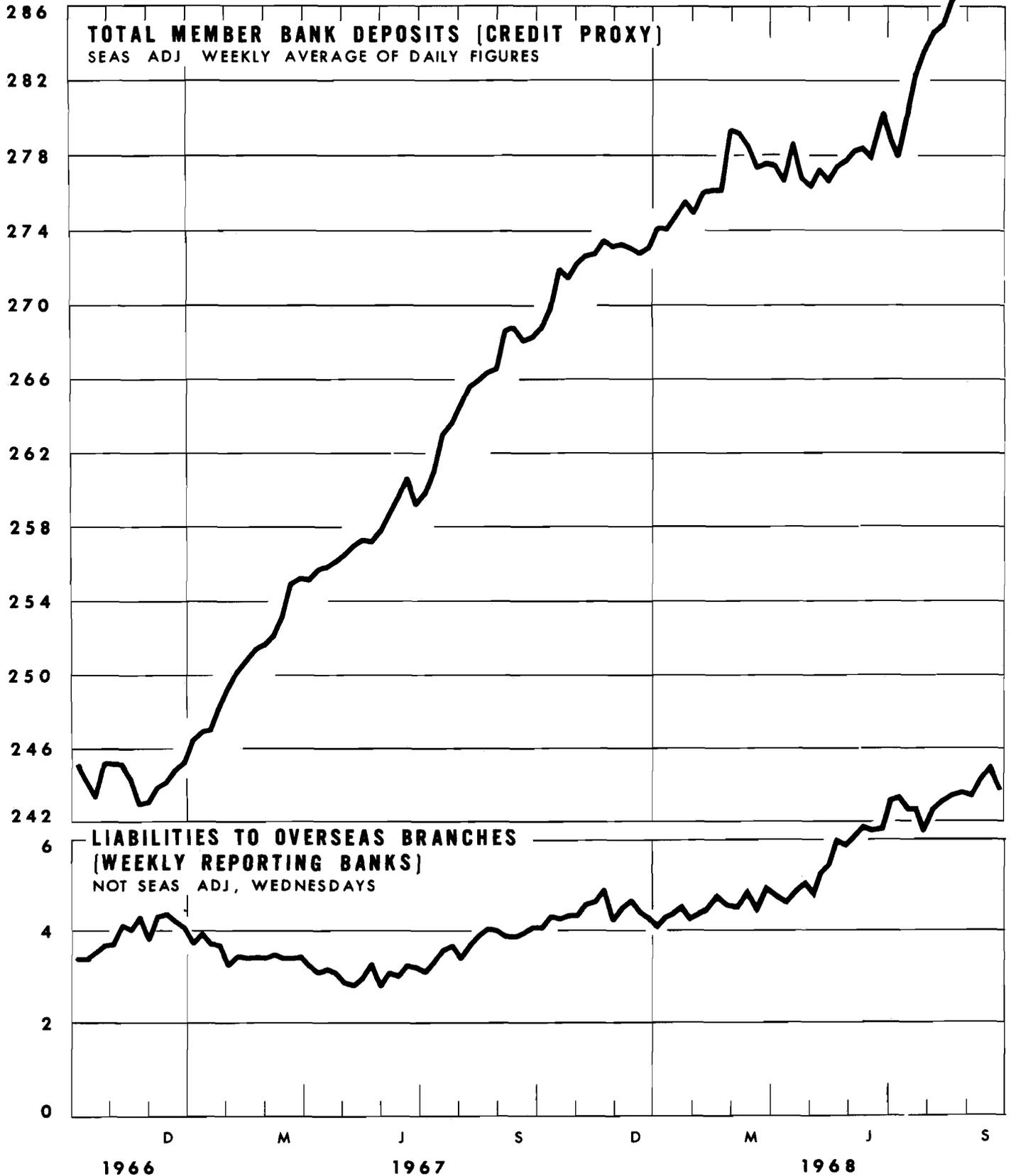


Chart 3

MONEY SUPPLY AND BANK DEPOSITS

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

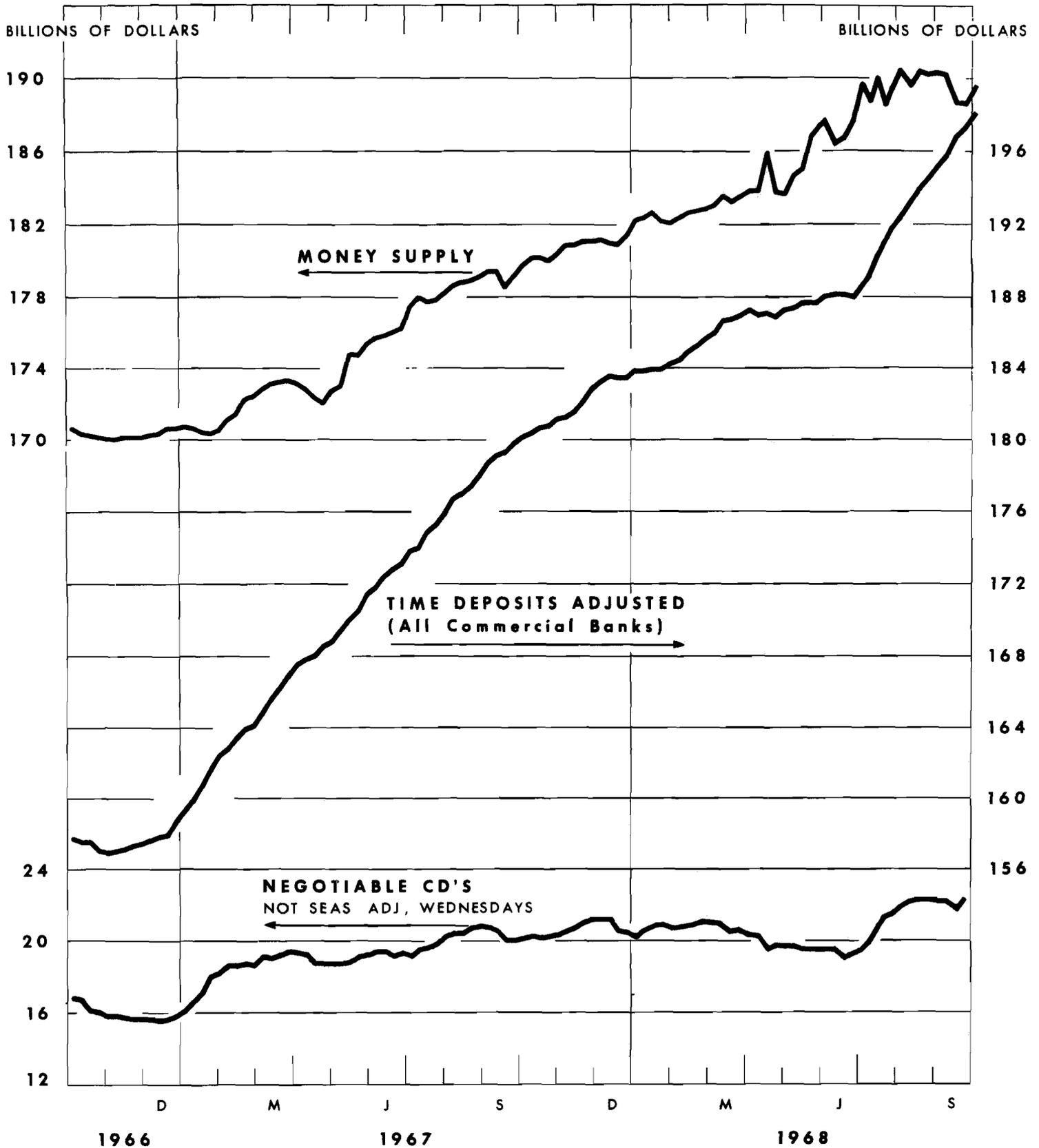


Chart 4

DEMAND DEPOSITS AND CURRENCY

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

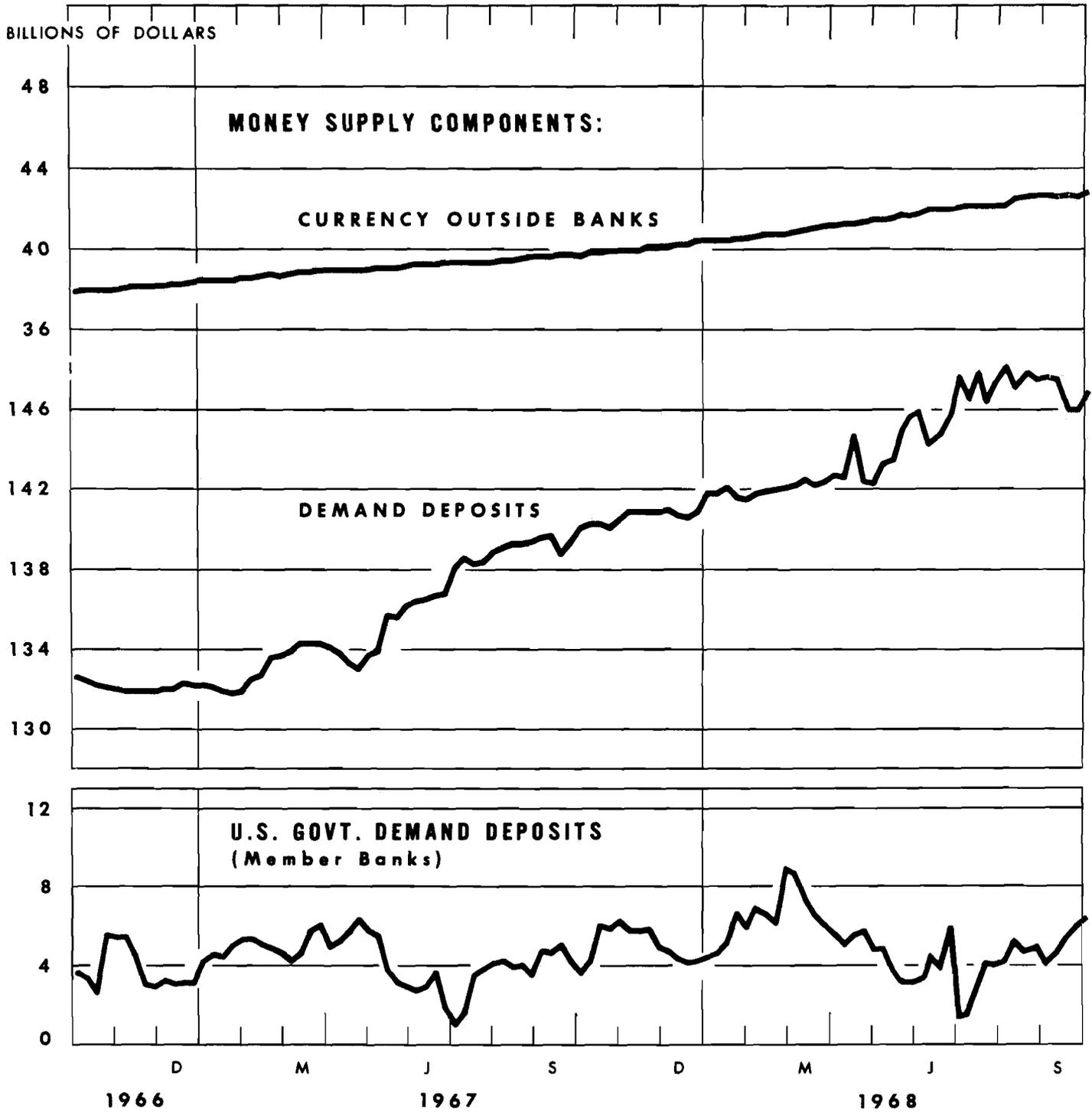


Table B-1

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 - 10/4/67) | +2,600 | - 153 | - 293 | -1,675 | + 477 | + 501 | - 24 |
| (12/27/67 - 10/2/68) 5/ | +4,090 | -2,067 | - 804 | - 557 | + 662 | + 755 | - 93 |
| Weekly: | | | | | | | |
| 1968--Aug. 7 | + 490 | -- | - 537 | + 89 | + 41 | + 57 | - 16 |
| 14 | - 135 | -- | - 354 | + 152 | - 337 | - 309 | - 28 |
| 21 | + 294 | -- | + 123 | - 79 | + 337 | + 137 | + 200 |
| 28 | - 385 | -- | + 225 | - 279 | - 436 | - 101 | - 335 |
| Sept. 4 p | + 390 | -- | - 358 | + 50 | + 80 | - 13 | + 93 |
| 11 p | - 454 | -- | - 286 | +1,064 | + 325 | + 59 | + 266 |
| 18 p | - 941 | -- | + 143 | + 547 | - 250 | - 59 | - 191 |
| 25 p | + 283 | -- | + 217 | - 616 | - 116 | + 59 | - 175 |
| Oct. 2 p | +1,119 | -- | + 206 | - 805 | + 519 | + 342 | + 177 |
| | PROJECTED | | | | | | |
| 1968--Oct. 9 | + 415 | -- | - 165 | + 30 | + 280 | + 280 | -- |
| 16 | + 350 | -- | - 280 | + 220 | + 290 | + 290 | -- |
| 23 | - 350 | -- | - 210 | + 465 | - 95 | - 95 | -- |
| 30 | - 135 | -- | + 390 | - 400 | - 145 | - 145 | -- |
| Nov. 6 | + 265 | -- | - 80 | - 200 | - 15 | - 15 | -- |

1/ For retrospective details see 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 Jan. 18, 1978.

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> | | | | | | | | |
| 56 (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> |
| <u>Year-to-date:</u> | | | | | | | | |
| (12/28/66 - 10/4/67) | + 501 | + 119 | + 382 | - 719 | + 59 | +1,025 | + 17 | |
| (12/27/67 - 10/2/68) <u>2/</u> | + 755 | - 298 | +1,053 | - 225 | + 170 | + 565 | + 543 | |
| <u>Weekly:</u> | | | | | | | | |
| 1968--Aug. 7 | + 57 | - 73 | + 130 | + 19 | + 6 | + 85 | + 20 | |
| 14 | - 309 | - 122 | - 187 | - 15 | + 13 | - 217 | + 32 | |
| 21 | + 137 | + 143 | - 6 | - 192 | - 13 | + 154 | + 45 | |
| 28 | - 101 | - 8 | - 93 | - 67 | - 6 | - 52 | + 32 | |
| Sept. 4 p | - 13 | - 227 | + 214 | + 159 | - 6 | + 25 | + 36 | |
| 11 p | + 59 | - 113 | + 172 | + 295 | - 13 | - 117 | + 7 | |
| 18 p | - 59 | + 113 | - 172 | - 295 | + 13 | + 117 | - 7 | |
| 25 p | + 59 | - 113 | + 172 | + 295 | - 13 | - 117 | + 7 | |
| Oct. 2 p | + 342 | + 225 | + 117 | + 188 | - 25 | - 72 | + 26 | |
| | PROJECTED | | | | | | | |
| 1968--Oct. 9 | + 280 | + 485 | - 205 | - 240 | -- | + 7 | + 28 | |
| 16 | + 290 | - 15 | + 305 | + 145 | -- | + 145 | + 15 | |
| 23 | - 95 | - 105 | + 10 | + 50 | + 5 | - 60 | + 15 | |
| 30 | - 145 | - 270 | + 125 | + 30 | + 5 | - 75 | + 15 | |
| Nov. 6 | - 15 | + 40 | - 55 | -- | - 5 | - 65 | + 15 | |

1/ Reflects reserve requirement changes in July, September 1966 and March 1967.

2/ Includes increase in reserve requirements of \$360 million effective January 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 - 10/4/67) | -1,675 | - 357 | -1,282 | + 18 | - 54 |
| (12/27/67 - 10/2/68) | - 557 | + 79 | - 610 | + 5 | - 31 |
| <u>Weekly:</u> | | | | | |
| 1968--Aug. 7 | + 89 | + 198 | + 18 | - 51 | - 76 |
| 14 | + 152 | + 88 | - 9 | + 8 | + 65 |
| 21 | - 79 | - 64 | + 346 | + 12 | - 373 |
| 28 | - 279 | - 80 | - 261 | + 48 | + 14 |
| Sept. 4 | + 50 | + 150 | - 22 | - 15 | - 63 |
| 11 | +1,064 | + 801 | + 205 | + 6 | + 52 |
| 18 | + 547 | - 62 | + 270 | + 6 | + 333 |
| 25 | - 616 | - 659 | + 17 | + 5 | + 21 |
| Oct. 2 p | - 805 | - 330 | - 413 | - 22 | - 40 |
| PROJECTED | | | | | |
| 1968--Oct. 9 | + 30 | + 135 | - 100 | - 5 | -- |
| 16 | + 220 | + 70 | + 50 | + 10 | + 90 |
| 23 | + 465 | -- | + 350 | -- | + 115 |
| 30 | - 400 | -- | - 400 | -- | -- |
| Nov. 6 | - 200 | -- | - 200 | -- | -- |

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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 - 10/4/67) | +2,600 | +3,055 | +2,759 | + 954 | - 658 | - 26 | - 25 | - 404 |
| (12/27/67 - 10/2/68) | +4,090 | +3,962 | +2,956 | +1,024 | - 18 | - 6 | - 61 | + 195 |
| <u>Weekly:</u> | | | | | | | | |
| 1968--July 3 | - 122 | + 274 | + 263 | + 157 | - 146 | - 66 | - 16 | - 314 |
| 10 | - 52 | + 61 | - 27 | + 13 | + 75 | + 4 | - 36 | - 81 |
| 17 | - 220 | - 284 | - 313 | -- | + 29 | - 4 | + 10 | + 58 |
| 24 | + 60 | - 90 | + 14 | -- | - 104 | -- | - 19 | + 169 |
| 31 | + 226 | + 214 | + 180 | -- | + 34 | -- | + 49 | - 37 |
| Aug. 7 | + 490 | + 352 | + 76 | -- | + 276 | + 13 | - 10 | + 135 |
| 14 | - 135 | + 35 | + 52 | -- | - 17 | -- | - 9 | - 161 |
| 21 | + 294 | + 280 | + 392 | -- | - 112 | - 10 | - 19 | + 43 |
| 28 | - 385 | - 122 | + 59 | -- | - 181 | - 3 | - 15 | - 245 |
| Sept. 4 | + 390 | + 312 | + 241 | + 71 | -- | -- | - 2 | + 80 |
| 11 | - 454 | - 634 | - 659 | + 12 | + 13 | -- | -- | + 180 |
| 18 | - 941 | - 711 | - 698 | -- | - 13 | -- | - 1 | - 229 |
| 25 | + 283 | + 214 | + 214 | -- | -- | -- | - 1 | + 70 |
| Oct. 2 | +1,119 | +1,048 | + 889 | + 96 | + 63 | + 1 | + 5 | + 65 |

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 |
| 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 | 24,431 | 18,082 |
| Apr. | 25,623 | 24,938 | 25,276 | 24,487 | 18,133 |
| May | 25,711 | 24,984 | 25,236 | 24,751 | 18,387 |
| June | 25,816 | 25,121 | 25,438 | 24,925 | 18,550 |
| July | 25,923 | 25,425 | 25,601 | 25,188 | 18,727 |
| Aug. p | 26,431 | 25,918 | 26,053 | 25,338 | 18,764 |
| Sept. p | 26,395 | 25,947 | 26,158 | 25,309 | 18,632 |

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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)

| 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 | 4.0 |
| 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 | 277.3 | 151.5 | 122.1 | 3.7 |
| June | 278.8 | 151.8 | 123.2 | 3.9 |
| July | 280.9 | 153.8 | 124.3 | 2.7 |
| Aug. ^b | 285.9 | 156.5 | 124.6 | 4.8 |
| Sept. ^p | 288.0 | 159.0 | 123.7 | 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/} 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)

| Week ending: | Total member bank deposits (credit) ^{1/} | Time deposits | Private demand deposits ^{2/} | U. S. Gov't. demand deposits |
|--------------|---|------------------|---|------------------------------------|
| 1968--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 | 276.7 | 151.6 | 121.3 | 3.7 |
| 22 | 277.3 | 151.6 | 122.7 | 3.1 |
| 29 | 277.7 | 151.4 | 123.3 | 3.1 |
| June 5 | 278.2 | 151.6 | 123.4 | 3.2 |
| 12 | 278.4 | 151.8 | 122.2 | 4.4 |
| 19 | 277.9 | 151.8 | 122.2 | 3.9 |
| 26 | 280.2 | 151.7 | 123.0 | 5.5 |
| July 3 | 278.8 | 152.2 | 125.2 | 1.4 |
| 10 | 278.0 | 152.7 | 123.8 | 1.5 |
| 17 | 280.6 | 153.6 | 124.4 | 2.7 |
| 24 | 282.4 | 154.4 | 123.9 | 4.1 |
| 31 | 283.6 | 155.1 | 124.5 | 4.0 |
| Aug. 7 | 284.6 | 155.3 | 125.0 | 4.2 |
| 14 | 285.0 | 156.0 | 123.9 | 5.2 |
| 21 | 286.4 | 156.8 | 124.9 | 4.7 |
| 28 | 287.0 | 157.4 | 124.7 | 4.9 |
| Sept 4 | 286.7 | 157.9 | 124.7 | 4.1 |
| 11 | 287.0 | 158.3 | 124.1 | 4.6 |
| 18 p | 287.9 | 159.1 | 123.5 | 5.4 |
| 25 p | 288.9 | 159.6 | 123.4 | 6.0 |
| Oct. 2 p | 290.7 | 160.2 | 124.1 | 6.4 |

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^{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.

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 |
|----------------|--------------|--------------------|-----------------------------------|------------------------|
| 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. | 184.3 | 41.4 | 143.0 | 187.1 |
| May | 186.1 | 41.6 | 144.5 | 187.6 |
| June | 187.4 | 42.0 | 145.4 | 188.2 |
| July | 189.4 | 42.2 | 147.2 | 190.4 |
| Aug. p | 190.2 | 42.6 | 147.7 | 193.8 |
| Sept. p | 189.2 | 42.7 | 146.6 | 196.7 |

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 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.

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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 |
|--------------|--------------|--------------------|-----------------------------------|------------------------|
| 1968--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 | 185.1 | 41.6 | 143.5 | 187.7 |
| 22 | 186.8 | 41.8 | 145.0 | 187.7 |
| 29 | 187.4 | 41.7 | 145.7 | 187.7 |
| June 5 | 187.7 | 41.8 | 145.9 | 188.0 |
| 12 | 186.4 | 42.0 | 144.3 | 188.1 |
| 19 | 186.8 | 42.0 | 144.8 | 188.1 |
| 26 | 187.6 | 42.0 | 145.6 | 188.0 |
| July 3 | 189.7 | 42.1 | 147.6 | 188.6 |
| 10 | 188.8 | 42.2 | 146.6 | 189.2 |
| 17 | 190.0 | 42.2 | 147.8 | 190.2 |
| 24 | 188.6 | 42.2 | 146.4 | 191.1 |
| 31 | 189.5 | 42.2 | 147.3 | 191.8 |
| Aug. 7 | 190.4 | 42.2 | 148.1 | 192.4 |
| 14 | 189.7 | 42.5 | 147.1 | 193.3 |
| 21 | 190.4 | 42.6 | 147.8 | 194.0 |
| 28 | 190.2 | 42.7 | 147.5 | 194.6 |
| Sept. 4 | 190.3 | 42.7 | 147.6 | 195.2 |
| 11 | 190.2 | 42.6 | 147.5 | 195.8 |
| 18 p | 188.7 | 42.7 | 146.0 | 196.9 |
| 25 p | 188.6 | 42.6 | 146.0 | 197.4 |
| Oct. 2 p | 189.6 | 42.8 | 146.9 | 198.1 |

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.

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October 7, 1968

Correction to blue book for October 4, 1968:

Paragraph (1), second sentence, final clause should read: "...while the 3-month bill rate fluctuated in about a 5.10--5.30 per cent range."