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MONEY MARKET AND RESERVE RELATIONSHIPS

Recent Developments

(1) Since the last meeting of the Committee, long-term interest rates have risen to new highs. The sharpest increase--about 50 basis points--was in yields on State and local government securities; other long-term securities rose 15 to 40 basis points. The rise of interest rates reflected further substantial reduction in bank holdings of State and local government securities and uncertainties as to the future tax status of such securities, heavy actual and expected borrowings by Federal Agencies as other sources of housing finance were constricted, and--in view of continuing inflationary pressures and the likelihood of continued monetary restraint--an erosion of market convictions that interest rates were on their way down in the near-term. In the short-term market, the 3-month Treasury bill rate has fluctuated within recent ranges; the outstanding bill peaked at 7.16 per cent in late August, following auctioning of a \$2.1 billion Treasury strip of short maturing bills, but has most recently traded around 7.05 per cent.

(2) The Federal funds market experienced considerable churning in August and early September, as, among other things, banks adjusted to changes in System reserve regulations. The most frequent effective Federal funds rate since the last meeting has been 9-3/4 per

cent. But the average effective rate was about 9 per cent, as the Federal funds rate dropped off rather sharply on a number of days when major banks found themselves with excess reserves. During the four statement weeks ending September 3, net borrowed reserves at all member banks and member bank borrowings averaged \$1 billion and \$1-1/4 billion, respectively, little changed from the preceding four week period. With respect to reserve aggregates, nonborrowed and total reserves declined in August by about 4 per cent and 6-1/2 per cent, respectively.

(3) The bank credit proxy, adjusted to reflect Euro-dollar borrowings, is now estimated to have declined at about a 10 per cent annual rate on average in August, in line with projections in the last Blue Book. Funds obtained from nondeposit sources other than Euro-dollars are estimated to have declined somewhat in the course of August as the run-off of loan Rp's in response to the System's new regulation more than offset a further rise in outstanding commercial paper issued by bank affiliates. On average for the month, however, nondeposit sources other than Euro-dollars would still add about 2 percentage points to the proxy estimate of bank credit in August, compared with about 5 percentage points in July when the proxy plus Euro-dollars had declined at an 11 per cent annual rate.

(4) CD run-off in August is estimated at around \$850 million, and the average annual rate of decline in total time and savings deposits is estimated at about 15-1/2 per cent for the month. The money supply in August declined at a 5-1/2 per cent annual rate, or at the weak end of earlier projections.

(5) The following table summarizes annual rates of change in major deposit and reserve aggregates for the latter half of 1968 and thus far in 1969.

	<u>July '68-</u> <u>Dec. '68</u>	<u>Jan. '69-</u> <u>June '69</u>	<u>July '69-</u> <u>Aug. '69</u>
Total reserves	10.9	-0.7	-14.5
Nonborrowed reserves	11.0	-3.7	-11.6
Bank credit, as indicated by:			
Proxy	13.4	-3.5	-14.7
Proxy plus Euro-dollars	13.5	--	-10.4
Total loans and investments (as of last Wednesday of month)	15.0	3.0	--
Money supply	6.8	3.8	0.3
Time and savings deposits	16.1	-5.0	-17.8
Savings accounts at thrift institutions	6.4	4.9	- 0.2 ^{1/}

1/ July 1969.

Prospective developments

(6) An unchanged constellation of money market conditions may be considered to include a Federal funds rate averaging around 9 per cent, member bank borrowings in a \$1 - \$1-1/2 billion range, and net borrowed reserves around \$1 billion. Under these conditions, the 3-month bill rate may fluctuate in a 6-3/4 - 7-1/4 per cent range, about the same range as in recent experience. The System will be a net seller

of bills until around mid-month, partly to offset expected direct Treasury borrowing from the Federal Reserve. During this period the market will also be affected by the need to provide short-term finance in connection with corporate dividend and tax dates. After mid-month, the System will return to the buy side of the market. In that period, downward pressure on the bill rate might also be exerted by reinvestment demand for bills if the Treasury offers a 'rights' exchange for the \$5-3/4 billion of publicly held coupon issues maturing on October 1.

(7) The Treasury is expected to announce terms of the exchange on September 17, and the market anticipates that a security in the intermediate-term area may be included as an option. The relatively sizable Treasury refunding together with prospective Federal agency issues, the recent build-up in the corporate calendar, and continued inability of banks to purchase municipals suggest that upward pressures on longer-term interest rates may continue. Sizable investment demand at the current advanced level of interest rates could emerge, however, if there were developing expectations of a cooling in the economy.

(8) Financing of the recent Treasury bill strip, paid for on August 25, and prospective demands on banks in connection with the mid-September tax period and Alaskan oil lease payments are likely to be reflected in some expansion of total member bank deposits and bank credit, on average, in September and only a moderate decline in reserve aggregates. Total and nonborrowed reserves might decline in a 3 - 7 per

cent, annual rate, range during the month on average. The decline reflects the lagged effects on required reserves of reductions in outstanding total member bank deposits in the first three weeks of August.^{1/}

(9) Total member bank deposits in September are expected to rise in a 2 - 5 per cent annual rate range, on average, with the increase accounted for by a sharp rise in U.S. Government deposits. Because of transfers to U.S. Government deposits, private demand deposits are expected to contract further in September. However, the already reduced liquidity of corporations suggests that they will have to rely importantly on new loans from banks to finance larger than seasonal tax payments. Thus, the decline in private demand deposits is expected to be only about half of the rise in U.S. Government deposits. On balance, the outstanding money supply may contract in a 4 - 7 per cent, annual rate, range in September.

(10) Total time and savings deposits at banks may decline in a 0 - 3 per cent, annual rate, range in September. Outstanding CD's are expected to decline by about \$1 billion in September, or somewhat more than seasonally, given the continuing unfavorable interest

^{1/} Adjusted to be on a consistent timing basis with deposits, the reserve aggregates would show increases of around 1 - 3 per cent in September.

rate structure. However, on a seasonally adjusted basis, the September decline in CD's appears likely to be smaller than in August since, because of interest rate relationships, corporations have not built up September CD maturities to anything like the extent they usually do to meet tax payments. Relative to maturities the attrition is expected to be at least as large as in other recent months. Consumer-type time deposits are expected to continue weak, but not as weak as in July and the first half of August, if experience with recent intra-quarterly patterns is any guide.

(11) The net change in Euro-dollar borrowings and other nondeposit sources of funds to banks may not, on balance, significantly alter the September projection of the proxy series. The marginal reserve requirement on Euro-dollars affects such borrowings beginning with the current statement week, but banks will not have to put up the reserves until the week beginning October 16. The effect of such reserve requirements on bank behavior remains to be seen, but we are assuming only a small further growth in Euro-dollars. With respect to other nondeposit sources, loan Rp's will continue to decline because of the recent regulatory change; on the other hand, commercial paper issued by bank affiliates probably will continue to increase but seems unlikely to compensate fully for the reversal of trend in loan Rp's.

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, S.A.				
	Free Reserves (In millions of dollars for weeks ending in)	Borrowings	Federal Funds Rate 1/	3-month Treasury Bill	U.S. Government (20 yr.)	Corporate New Issues (Aaa) 2/	Municipal (Aaa)	Nonborrowed Reserves (In millions of dollars)	Total Reserves (In billions of dollars)	Bank Credit Proxy (In billions of dollars)	Money Supply (In billions of dollars)	Time Deposits 3/
1968--August	- 240	577	6.03	5.23	5.22	6.15	4.00	+ 489	+ 498	+ 5.2	+ 1.0	+ 3.4
September	- 146	492	5.78	5.19	5.28	6.27	4.23	+ 185	+ 98	+ 2.1	- 0.6	+ 2.8
October	- 192	458	5.92	5.35	5.44	6.47	4.21	+ 206	+ 193	+ 3.2	+ 0.9	+ 2.9
November	- 255	541	5.81	5.45	5.56	6.61	4.33	+ 29	+ 181	+ 2.8	+ 1.8	+ 2.4
December	- 327	743	6.02	5.96	5.88	6.79	4.50	+ 120	+ 279	+ 3.2	+ 1.2	+ 2.4
1969--January	- 491	715	6.30	6.14	5.99	6.92	4.58	+ 103	+ 175	- 1.2**	+ 0.9	- 1.8
February	- 580	836	6.64	6.12	6.11	6.91*	4.74	- 112	- 79	- 0.3	+ 0.3	- 1.5
March	- 635	837	6.79	6.02	6.22	7.37	4.97	- 182	- 88	- 2.5	+ 0.2	--
April	- 844	1,031	7.41	6.11	6.03	7.17	5.00	- 270	- 197	+ 1.2	+ 1.6	- 0.2
May	-1,116	1,359	8.67	6.04	6.11	7.22	5.19	+ 134	+ 460	- 0.3	- 0.1	- 0.7
June	-1,078	1,355	8.90	6.44	6.28	7.58	5.58	- 183	- 179	- 2.5	+ 0.8	- 0.9
July	-1,045	1,311	8.61	7.00	6.27	7.63	5.60	- 430	- 526	- 4.5	+ 1.0	- 3.4
August p	-1,011	1,210	9.19	6.98	6.22	7.65	5.74	- 85	- 153	- 2.8	- 0.9	- 2.5
1969--July 2	-1,138	1,634	9.00	6.38	6.27	7.63	5.55	- 45	+ 456	- 0.7	+ 1.3	- 0.7
9	- 891	1,020	9.07	6.93	6.34	7.68*	5.52	- 82	- 711	- 1.2	+ 0.6	- 1.1
16	-1,103	1,279	9.23	6.98	6.25	7.52	5.52	- 91	+ 62	- 2.7	- 0.8	- 0.9
23	- 972	1,354	8.50	7.08	6.25	7.58	5.62	- 96	+ 135	+ 1.3	- 0.3	- 0.7
30	-1,123	1,269	8.05	7.12	6.26	7.75	5.78	- 347	- 552	- 0.9	- 0.7	- 0.6
Aug. 6	- 839	1,090	9.57	6.99	6.21	7.57*	5.70	+ 484	+ 340	- 0.9	+ 0.4	- 0.7
13	- 996	1,329	9.18	7.04	6.19	7.53	5.73	- 102	+ 47	- 0.3	+ 0.2	- 0.5
20 p	-1,183	1,221	8.79	6.86	6.20	7.61	5.73	- 415	- 408	- 1.6	+ 0.2	- 0.3
27 p	-1,026	1,201	8.82	7.04	6.24	7.82	5.80	+ 331	+ 266	+ 0.8	- 0.9	- 0.3
Sept. 3 p	- 917	1,239	9.57	7.02	6.35	7.90	5.80	- 117	- 74	+ 0.8	+ 0.4	+ 0.2
				<u>Averages</u>					<u>Annual rates of increase 4/</u>			
Year 1968	- 210	548	5.58	5.36	5.45	6.47	4.20	+ 6.4	+ 7.9	+ 9.0	+ 7.0	+11.3
Second Half 1968	- 218	529	5.77	5.42	5.44	6.50	4.22	+11.0	+10.9	+13.4	+ 6.8	+17.1
First Half 1969	- 779	1,034	7.45	6.17	6.12	7.20	4.99	- 3.7	+ 0.7	- 3.5	+ 3.8	- 5.0
<u>Recent variation in growth</u>												
7/3/68 - 12/18/68	- 203	516	5.90	5.34	5.40	6.47	4.21	+11.0	+12.9	+14.8	+ 4.3	+18.1
12/18/68 - 9/3/69	- 834	1,091	7.66	6.36	6.15	7.33	5.15	- 5.8	- 3.2	- 5.8	+ 3.0	- 7.8

p - Preliminary. S.A. - Seasonally adjusted.

- 1/ Average of total number of days in period.
 2/ Includes issues carrying 5-year and 10-year call protection, * - issues carry a 10-year call protection.
 3/ Time deposits adjusted at all commercial banks.
 4/ Base is change for month preceding specified period or in case of weekly periods, the first week shown.

** - Reflects \$400 million reduction in member bank deposits resulting from withdrawal of a large country bank from System membership. Percentage annual rates are adjusted to eliminate this break in series.

Chart 1

MEMBER BANK RESERVES

MONTHLY AVERAGES OF DAILY FIGURES

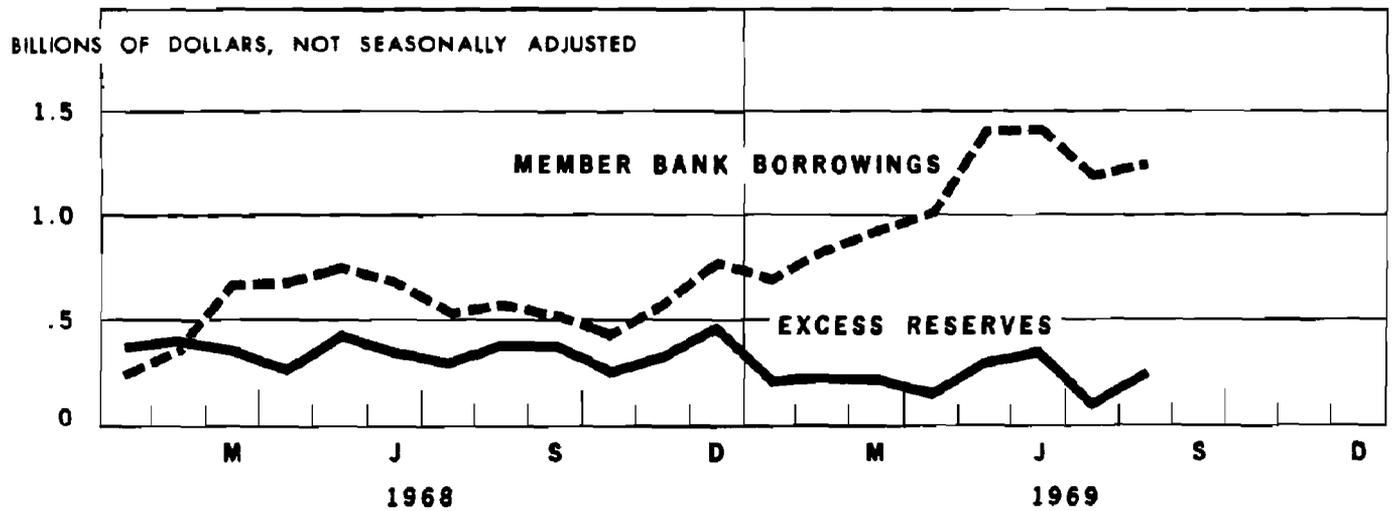
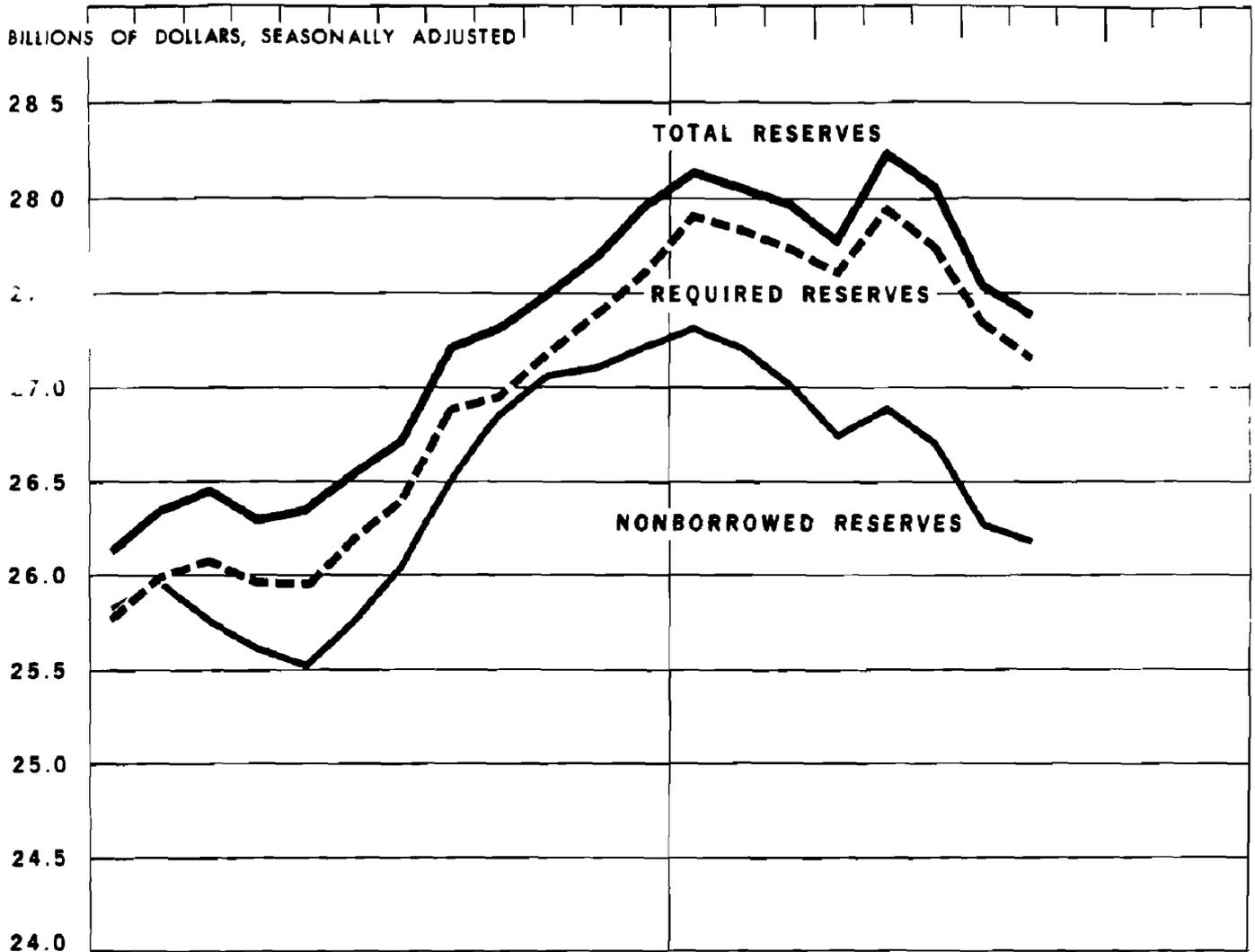


Chart 2

MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

BILLIONS OF DOLLARS

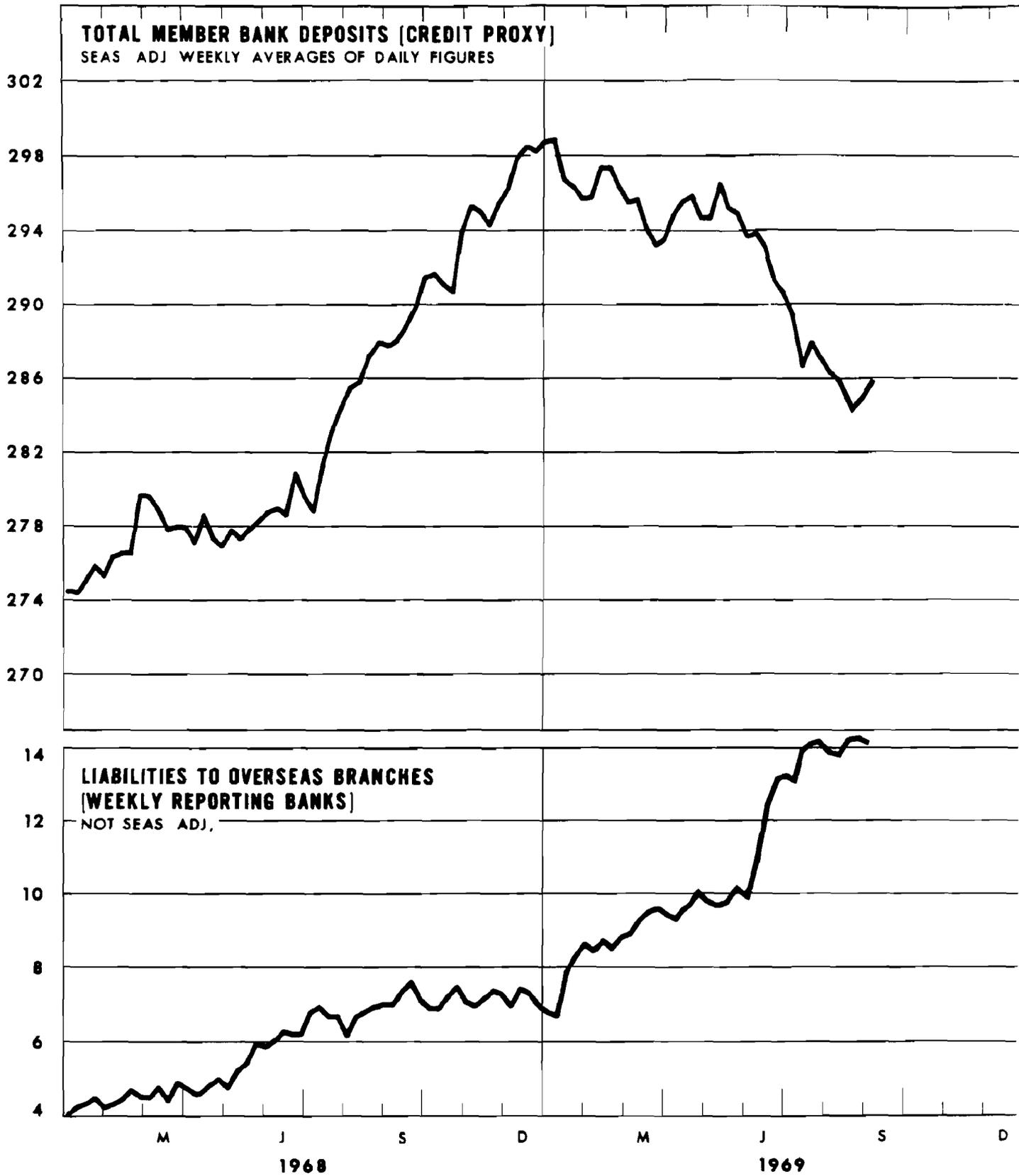


Table 1

MARGINAL RESERVE MEASURES

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

Period	Free reserves	Excess reserves	Member Banks Borrowings				Country
			Total	Reserve City		Other	
				Major banks			
				8 N.Y.	Outside N.Y.		
Monthly (reserves weeks ending in):							
1968--April	- 341	348	689	56	262	148	223
May	- 374	354	728	65	155	186	322
June	- 386	341	727	72	168	141	346
July	- 192	331	523	13	140	102	268
August	- 240	337	577	195	65	101	215
September	- 146	346	492	125	158	73	136
October	- 192	267	458	81	88	117	172
November	- 255	286	541	65	171	93	212
December	- 270	330	600	134	223	66	177
1969--January	- 477	359	836	131	302	149	253
February	- 580	256	836	62	255	215	304
March	- 635	202	837	58	233	254	293
April	- 844	187	1,031	85	411	260	275
May	-1,116	243	1,359	123	346	397	493
June	-1,078	277	1,355	57	459	288	550
July	-1,045	266	1,311	89	250	364	608
August p	-1,011	199	1,210	81	253	257	619
1969--May 7	-1,120	483	1,603	146	462	488	507
14	- 910	261	1,171	121	260	385	405
21	-1,242	116	1,358	164	378	361	455
28	-1,190	113	1,303	59	284	353	607
June 4	-1,152	369	1,521	43	552	289	637
11	- 812	448	1,260	86	371	302	501
18	-1,216	99	1,315	--	465	281	569
25	-1,132	191	1,323	97	460	273	492
July 2	-1,138	496	1,634	125	416	396	697
9	- 891	129	1,020	--	165	334	521
16	-1,103	176	1,279	88	302	390	499
23	- 972	382	1,354	86	214	393	661
30	-1,123	146	1,269	146	152	308	663
Aug. 6	- 839	251	1,090	18	183	251	638
13	- 996	333	1,329	118	365	256	589
20 p	-1,187	38	1,221	136	267	194	624
27 p	-1,026	175	1,201	52	196	326	627
Sept. 3 p	- 917	322	1,239	57	286	234	662

p - Preliminary.

Table 2
 AGGREGATE RESERVES AND MONETARY VARIABLES
 Retrospective Changes, Seasonally Adjusted
 (In per cent, annual rates based on monthly averages of daily figures)

Period	Reserve Aggregates			Monetary Variables					
	Total Reserves	Nonborrowed Reserves	Required Reserves	Total Member Bank Deposits	Money Supply			Commercial bank time deposits adjusted	Credit Proxy (Incl. Euro-dollar borrowings)
					Total	Currency	Private Demand Deposits		
Annually									
1967	+10.3	+11.6	+10.5	+11.8	+ 6.6	+ 5.5	+ 7.0	+16.1	+11.7
1968	+ 7.8	+ 6.0	+ 7.9	+ 9.0	+ 7.0	+ 7.4	+ 6.9	+11.3	+ 9.8
Quarterly									
1st Quarter 1968	+ 7.9	+ 1.1	+ 7.5	+ 7.3	+ 4.8	+ 6.9	+ 4.2	+ 7.0	+ 7.6
2nd Quarter 1968	+ 1.5	+ 2.1	+ 1.8	+ 1.4	+ 9.1	+ 8.8	+ 9.0	+ 3.2	+ 3.7
3rd Quarter 1968	+11.5	+15.0	+11.5	+13.6	+ 5.3	+ 6.7	+ 5.2	+17.9	+14.7
4th Quarter 1968	+ 9.6	+ 5.3	+ 9.8	+12.7	+ 8.2	+ 6.6	+ 8.7	+15.7	+12.3
1st Quarter 1969	+ 0.1	+ 2.8	+ 1.7	- 4.8	+ 2.9	+ 7.4	+ 1.6	- 6.5	- 1.4
2nd Quarter 1969	+ 1.2	+ 4.7	+ .2	- 2.2	+ 4.7	+ 6.3	+ 4.2	- 3.6	+ 1.4
Monthly:									
1968--April	- 6.9	- 6.9	- 5.2	- 3.2	+ 5.2	+ 8.8	+ 5.0	+ 2.6	+ 0.4
May	+ 2.5	+ 0.9	- 0.6	+ 2.2	+13.0	+ 5.8	+13.4	+ 3.2	+ 6.0
June	+ 8.8	+12.3	+11.3	+ 7.3	+ 9.0	+11.5	+ 8.3	+ 3.8	+ 9.7
July	+ 7.6	+13.8	+ 9.4	+ 9.4	+ 3.4	+ 5.7	+16.4	+14.0	+10.5
August	+22.4	+22.4	+22.3	+22.2	+ 6.3	+11.4	+ 4.9	+21.4	+22.5
September	+ 4.3	+ 8.3	+ 2.6	+ 8.8	- 3.8	+ 2.8	- 5.7	+17.3	+10.6
October	+ 8.5	+ 9.2	+10.4	+13.3	+ 5.7	+ 2.8	+ 6.5	+17.7	+12.1
November	+ 7.9	+ 1.3	+ 8.4	+11.5	+11.3	+11.2	+11.3	+14.4	+11.6
December	+12.1	+ 5.3	+10.2	+13.0	+ 7.4	+ 5.6	+ 8.0	+14.3	+12.7
1969--January	+ 7.5	+ 4.5	+12.7	- 4.8	+ 5.6	+ 5.5	+ 6.4	-10.6	- 2.4
February	- 3.4	- 4.9	- 3.0	- 1.2	+ 1.8	+ 8.3	- 0.8	- 8.9	+ 2.0
March	- 3.8	- 8.0	- 4.4	-10.1	+ 1.2	+ 8.2	- 0.8	--	- 6.7
April	- 8.5	-12.0	- 5.0	+ 4.9	+ 9.8	--	+12.7	- 1.2	+ 5.5
May	+19.9	+ 6.0	+14.3	- 1.2	- .6	+10.9	- 3.1	- 4.2	--
June	- 7.6	- 8.2	- 8.6	-10.2	+ 4.9	+ 8.1	+ 3.1	- 5.4	- 1.2
July	-22.5	-19.3	-17.6	-18.5	+ 6.1	+ 5.3	+ 6.3	-20.5	-11.0
August p	- 6.7	- 3.9	- 7.6	-11.7	- 5.4	+ 5.3	- 8.6	-15.3	- 9.9

p - Preliminary.

Table 3
AGGREGATE RESERVES AND MONETARY VARIABLES
Seasonally Adjusted

(Based on monthly averages of daily figures)

Period	Reserve Aggregates			Member Bank Deposits Supported by Required Reserves				Money Supply			Commercial bank time deposits adjusted 4/	Credit Proxy (Incl Euro dollar borrowings)
	Total reserves	Nonborrowed reserves	Required reserves	Total member bank deposits	Time deposits	Private demand deposits 1/	U.S. Gov't. demand deposits	Total	Currency 2/	Private demand deposits 3/		
Monthly	(In millions of dollars)			(In billions of dollars)								
1968--January	26,134	25,818	25,774	275.1	149.9	119.7	5.4	182.7	40.6	142.1	184.1	279.4
February	26,352	25,961	25,989	277.4	150.2	120.1	7.1	183.1	40.7	142.4	185.2	281.9
March	26,451	25,755	26,078	278.5	151.2	120.6	6.7	183.9	41.1	142.8	186.7	283.2
April	26,298	25,606	25,964	277.3	151.3	120.8	5.2	184.7	41.4	143.4	187.1	282.1
May	26,353	25,626	25,952	277.8	151.5	122.7	3.7	186.7	41.6	145.0	187.6	283.5
June	26,547	25,889	26,196	279.5	151.8	123.8	3.9	188.1	42.0	146.0	188.2	285.8
July	26,715	26,186	26,402	281.7	153.8	125.2	2.7	190.2	42.2	148.0	190.4	288.3
August	27,213	26,675	26,893	286.9	156.5	125.6	4.8	191.2	42.6	148.6	193.8	293.7
September	27,311	26,860	26,951	289.0	158.9	124.8	5.3	190.6	42.7	147.9	196.6	296.3
October	27,504	27,066	27,185	292.2	161.5	125.7	5.0	191.5	42.8	148.7	199.5	299.3
November	27,685	27,095	27,376	295.0	163.5	127.0	4.7	193.3	43.2	150.1	201.9	302.2
December	27,964	27,215	27,609	298.2	165.6	128.2	4.2	194.5	43.4	151.1	204.3	305.4
1969--January	28,139	27,318	27,902	297.0	163.2	128.4	5.4	195.4	43.6	151.9	202.5	304.8
February	28,060	27,206	27,832	296.7	161.0	129.1	6.7	195.7	43.9	151.8	201.0	305.3
March	27,972	27,024	27,729	294.2	160.5	128.9	4.8	195.9	44.2	151.7	201.0	303.6
April	27,775	26,754	27,614	295.4	160.1	129.4	5.9	197.5	44.2	153.3	200.8	305.0
May	28,235	26,888	27,942	295.1	159.3	130.0	5.9	197.4	44.6	152.9	200.1	305.0
June	28,056	26,705	27,742	292.6	158.1	130.5	4.0	198.2	44.9	153.3	199.2	304.7
July	27,530	26,275	27,334	288.1	155.1	130.6	2.4	199.2	45.1	154.1	195.8	301.9
August p	27,377	26,190	27,160	285.3	152.5	129.9	2.9	198.3	45.3	153.0	193.3	299.4

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

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

3/ 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.

4/ Excludes interbank and U.S. Government time deposits

Table 4
AGGREGATE RESERVES AND MONETARY VARIABLES
Seasonally Adjusted

Period	Reserve Assets			Member Bank Deposits Supported by Required Reserves				Money Supply			Commercial bank time deposits adjusted 4/	Credit Proxy (Incl Euro dollar borrowings)
	Total reserves	Nonborrowed reserves	Required reserves	Total (member bank) deposits	Time deposits	Private demand deposits 1/	U.S. Gov't. demand deposits	Total	Currency 2/	Private demand deposits 3/		
Weekly:	(In millions of dollars)			(In billions of dollars)								
1969--Jan. 1	28,359	27,439	27,883	298.8	165.5	129.3	4.1	195.1	43.4	151.8	204.1	305.6
8	28,041	27,333	27,799	298.9	164.4	129.9	4.6	197.1	43.5	153.6	203.3	305.6
15	28,290	27,552	28,065	296.7	163.9	128.5	4.3	195.5	43.5	152.0	202.8	299.8
22	28,223	27,416	28,010	296.3	162.8	127.9	5.6	195.4	43.6	151.8	202.1	304.6
29	28,009	26,998	27,781	295.7	162.1	126.8	6.9	193.5	43.5	150.0	201.5	304.3
Feb. 5	27,999	27,170	27,740	295.8	161.4	128.0	6.5	194.5	43.7	150.8	201.0	304.3
12	27,929	27,180	27,748	297.4	161.1	128.2	8.0	194.8	43.9	150.9	201.0	306.0
19	27,986	26,917	27,748	297.4	160.8	129.8	6.8	196.9	44.0	153.0	201.0	305.9
26	28,246	27,490	28,017	296.3	160.6	129.9	5.7	196.2	43.8	152.4	200.9	305.1
Mar. 5	28,285	27,401	28,003	295.5	160.4	129.5	5.6	195.6	43.8	151.8	200.7	304.4
12	28,034	27,109	27,734	295.7	160.6	128.6	6.5	195.5	44.1	151.4	200.9	305.0
19	27,781	27,000	27,686	294.1	160.5	128.5	5.1	196.0	44.2	151.8	200.7	303.6
26	27,942	26,931	27,684	293.2	160.7	129.0	3.6	196.6	44.3	152.3	200.9	302.8
Apr. 2	27,879	26,689	27,570	293.6	160.7	130.0	3.0	197.0	44.3	152.7	201.1	303.0
9	27,611	26,634	27,431	294.9	160.6	129.5	4.9	198.7	44.4	154.3	201.2	304.2
16	27,590	26,838	27,515	295.6	160.2	130.0	5.3	198.3	44.2	154.0	200.9	305.1
23	27,848	26,733	27,698	295.9	160.1	129.1	6.8	196.8	44.3	152.5	200.6	305.7
30	28,023	26,830	27,823	294.7	159.8	128.3	6.6	195.7	44.2	151.5	200.3	304.7
May 7	28,501	27,048	27,993	294.7	159.6	128.7	6.4	196.1	44.3	151.8	200.2	304.5
14	28,162	26,980	27,888	296.5	159.4	129.8	7.3	197.1	44.5	152.6	200.2	306.2
21	28,020	26,629	27,844	295.2	159.3	131.0	5.0	198.9	44.5	154.4	200.1	305.0
28	28,219	26,920	28,091	294.9	159.1	130.6	5.3	198.2	44.6	153.6	200.0	305.1
June 4	28,320	26,829	27,826	293.7	158.8	130.6	4.3	197.6	44.9	152.7	199.6	303.6
11	28,308	27,028	27,800	293.9	158.7	130.6	4.6	198.5	44.8	153.7	199.7	304.9
18	27,833	26,543	27,698	293.1	158.2	130.6	4.3	198.2	44.9	153.3	199.3	305.6
25	27,761	26,588	27,701	291.3	157.6	130.3	3.4	197.9	44.9	153.0	198.7	304.5
July 2	28,217	26,543	27,711	290.6	157.0	130.7	2.9	199.2	45.1	154.1	198.0	303.8
9	27,506	26,461	27,462	289.4	156.1	130.2	3.0	199.8	45.1	154.7	196.9	302.5
16	27,568	26,370	27,492	286.7	155.3	130.5	.9	199.0	45.0	154.0	196.0	300.7
23	27,703	26,274	27,307	288.0	154.6	130.5	3.0	198.7	45.2	153.5	195.3	302.2
30	27,151	25,927	26,980	287.1	154.1	130.0	3.0	198.0	45.1	152.9	194.7	301.3
Aug. 6	27,491	26,411	27,258	286.2	153.4	129.9	2.9	198.4	45.2	153.2	194.0	300.2
13	27,538	26,309	27,216	285.9	152.9	129.9	3.1	198.6	45.3	153.4	193.5	299.8
20	27,130	25,894	27,164	284.3	152.4	130.2	1.7	198.8	45.3	153.6	193.2	298.5
27	27,396	26,225	27,135	285.1	152.1	130.0	3.1	197.9	45.4	152.5	192.9	299.4
Sept. 3	27,322	26,108	26,950	285.9	152.1	130.1	3.7	198.3	45.6	152.7	193.1	300.1

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

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

3/ 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.

4/ Excludes interbank and U S Government time deposits

Table 5
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 1/	Other	Repurchase agreements			
Year:								
1967 (12/28/66 - 12/27/67)	+4,718	+5,009	+4,433 (--)	+1,153	- 577	- 19	- 69	- 203
1968 (12/27/67 - 12/26/68)	+3,757	+3,298	+2,143 (--)	+1,176	- 21	- 3	- 52	+ 514
Weekly:								
1969--Apr. 2	+ 357	+ 103	+ 51 (--)	--	+ 52	+ 10	+ 13	+ 231
9	- 113	+ 146*	+ 57 (- 7)	--	- 7	- 9	- 2	- 248
16	- 380	- 143*	- 559 (- 533)	--	- 211	- 15	- 34	- 188
23	+ 773	+ 319*	+ 819 (+ 460)	--	+ 223	+ 20	+ 58	+ 376
30	+ 347	+ 284	+ 280 (+ 80)	--	+ 4	+ 56	+ 24	- 17
May 7	+ 794	+ 345	+ 41 (--)	--	+ 304	- 25	- 11	+ 485
14	- 293	+ 118	+ 66 (- 156)	--	+ 52	+ 18	+ 3	- 432
21	+ 149	- 39	+ 190 (+ 156)	+ 27	- 256	+ 9	- 8	+ 187
28	+ 259	+ 307	+ 243 (--)	+ 96	- 32	+ 21	- 14	- 55
June 4	+ 439	+ 308	+ 351 (--)	+ 73	- 116	- 50	- 37	+ 218
11	- 35	+ 256	+ 284 (- 71)	--	- 28	- 20	- 10	- 261
18	- 18	- 33	+ 118 (- 309)	--	- 151	- 29	- 11	+ 55
25	- 168	- 174	- 174 (+ 191)	--	--	--	- 2	+ 8
July 2	+ 679	+ 297	+ 180 (+ 189)	--	+ 117	+ 53	+ 18	+ 311
9	- 247	+ 401	+ 332 (- 121)	+ 67	+ 2	- 29	- 5	- 614
16	+ 261	+ 30	+ 122 (+ 121)	--	- 92	- 15	- 13	+ 259
23	- 337	- 408	- 404 (- 146)	--	- 4	- 4	--	+ 75
30	- 379	- 287	- 264 (- 95)	--	- 23	- 5	- 2	- 85
Aug. 6	+ 562	+ 672	+ 241 (+ 241)	--	+ 431	+ 48	+ 21	- 179
13	+ 153	- 69	- 71 (- 98)	--	+ 2	- 17	--	+ 239
20 p	- 198	- 45	+ 355 (+ 10)	--	- 400	- 27	- 18	- 108
27 p	+ 83	+ 96	+ 61 (+ 37)	--	+ 35	+ 4	+ 3	- 20
Sept. 3 p	+ 275	+ 218	+ 155 (+ 51)	--	+ 63	+ 14	+ 5	+ 38

1/ Figures in parenthesis reflect reserve effect of match sale-purchase agreement.

* - Includes effect of changes in special certificates of \$+96 million of the week of April 9, \$+627 million of the week of April 16, and \$-723 million of the week of April 23.

p - Preliminary.

MAJOR SOURCES AND USES OF RESERVES
Retrospective and Prospective Changes
(Dollar amounts in millions, based on weekly averages of daily figures)

Period	Factors affecting supply of reserves							= Change	= Bank use of reserves	
	Federal Reserve credit (excl. float) 1/	(old stock)	Currency outside banks	Treasury operations	Float	Foreign deposits and gold loans	Other nonmember deposits and F.R. accounts	in total reserves	Required reserves	Excess reserves
	(Sign indicates effect on reserves)									
Year										
1967 (12/28/66-12/27/67)	+4,718	- 725	-2,305	- 85	- 389	- 7	+ 316	+1,522	+1,517	+ 5
1968 (12/27/67-12/25/68)	+3,757	-2,067	-3,221	+ 928	+1,309	- 67	+ 869	+1,508	+1,563	- 55
July										
1969--April										
2	+ 357	--	+ 54	+ 50	- 272	+ 25	- 97	+ 121	+ 80	+ 41
9	- 113	--	- 93	+ 119	+ 231	- 15	- 270	- 144	- 60	- 84
16	- 380	--	- 186	+ 380	+ 44	+ 29	+ 130	+ 17	+ 98	- 81
23	+ 773	--	- 166	- 427	+ 660	+ 5	+ 119	+ 964	+ 936	+ 28
30	+ 347	--	+ 602	- 194	- 741	+ 2	+ 61	+ 77	+ 164	- 87
May										
7	+ 794	--	- 99	+ 16	- 18	- 40	- 100	+ 553	+ 155	+ 398
14	- 293	--	- 270	- 42	- 120	+ 32	+ 288	- 404	- 182	- 222
21	+ 149	--	- 450	+ 141	+ 295	- 4	- 167	- 34	+ 111	- 145
28	+ 259	--	+ 155	+ 128	- 350	+ 8	- 242	- 43	- 40	- 3
June										
4	+ 439	--	- 348	- 108	+ 220	+ 18	- 306	- 86	- 342	+ 256
11	- 35	--	- 51	- 217	+ 119	+ 3	- 20	- 199	- 278	+ 79
18	- 18	--	- 419	- 354	+ 123	--	+ 261	- 408	- 59	- 349
25	- 168	--	+ 115	- 179	+ 172	- 7	- 1	- 70	- 162	+ 92
July										
2	+ 679	--	+ 3	+ 221	- 262	- 19	- 84	+ 534	+ 229	+ 305
9	- 247	--	- 344	+ 23	+ 382	- 48	- 89	- 324	+ 43	- 367
16	+ 261	--	- 136	- 65	- 122	+ 48	+ 113	+ 99	+ 52	+ 47
23	- 337	--	- 174	- 87	+ 465	- 9	+ 31	- 111	- 317	+ 206
30	- 379	--	+ 719	- 6	- 920	+ 14	+ 4	- 570	- 334	- 236
Aug.										
6	+ 562	--	- 201	+ 318	+ 3	- 30	- 207	+ 448	+ 343	+ 105
13	+ 153	--	- 180	- 147	+ 19	+ 10	+ 63	- 82	- 164	+ 82
20 p	- 198	--	- 413	+ 259	+ 379	+ 8	+ 153	+ 187	+ 482	- 295
27 p	+ 83	--	+ 288	- 153	- 468	- 4	- 9	- 262	- 399	+ 137
Sept.										
3 p	+ 275	--	- 151	+ 39	- 140	- 9	- 31	- 16	- 163	+ 147
	PROJECTED 2/									
1969--Sept										
10	-1,345	--	- 70	+1,050	+ 300	+ 5	+ 70	+ 10	+ 10	--
17	- 570	--	- 220	+ 420	+ 200	+ 5	+ 200	+ 35	+ 35	--
24	+1,315	--	+ 95	-1,600	+ 200	--	+ 35	+ 45	+ 45	--
Oct.										
1	+ 260	--	+ 380	--	- 400	--	--	+ 240	+ 240	--
8	+ 455	--	- 280	--	- 75	--	--	+ 100	+ 100	--

1/ For retrospective details, see Table 5.

2/ See reverse side for explanation.

3/ Reflects increase in required reserves due to change in Regulation D, effective July 31.

p - Preliminary.

Table 6

MAJOR SOURCES AND USES OF RESERVES
Retrospective and Prospective Changes
(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	Treasury operations	Float	Foreign deposits and gold loans	Other nonmember deposits and F R accounts		Required reserves	Excess reserves
	(Sign indicates effect on reserves)									
<u>Year</u> 1967 (12/28/66-12/27/67)	+4,718	- 725	-2,305	- 85	- 389	- 7	+ 316	+1,522	+1,517	+ 5
1968 (12/27/67-12/25/68)	+3,757	-2,067	-3,221	+ 928	+1,309	- 67	+ 869	+1,508	+1,563	- 55
<u>July</u>										
1969--April										
2	+ 357	--	+ 54	+ 50	- 272	+ 25	- 97	+ 121	+ 80	+ 41
9	- 113	--	- 93	+ 119	+ 231	- 15	- 270	- 144	- 60	- 84
16	- 380	--	- 186	+ 380	+ 44	+ 29	+ 130	+ 17	+ 98	- 81
23	+ 773	--	- 166	+ 427	+ 660	+ 5	+ 119	+ 964	+ 936	+ 28
30	+ 347	--	+ 602	- 194	- 741	+ 2	+ 61	+ 77	+ 164	+ 87
May										
7	+ 794	--	- 99	+ 16	- 18	- 40	- 100	+ 553	+ 155	+ 398
14	- 293	--	- 270	- 42	- 120	+ 32	+ 288	- 404	- 182	- 222
21	+ 149	--	- 450	+ 141	+ 295	- 4	- 167	- 34	+ 111	- 145
28	+ 259	--	+ 155	+ 128	- 350	+ 8	- 242	- 43	- 40	- 3
June										
4	+ 439	--	- 348	- 108	+ 220	+ 18	- 306	- 86	- 342	+ 256
11	- 35	--	- 51	- 217	+ 119	+ 3	- 20	- 199	- 278	+ 79
18	- 18	--	- 419	- 354	+ 123	--	+ 261	- 408	- 59	- 349
25	- 168	--	+ 115	- 179	+ 172	- 7	- 1	- 70	- 162	+ 92
July										
2	+ 679	--	+ 3	+ 221	- 262	- 19	- 84	+ 534	+ 229	+ 305
9	- 247	--	- 344	+ 23	+ 382	- 48	- 89	- 324	+ 43	- 367
16	+ 261	--	- 136	- 65	- 122	+ 48	+ 113	+ 99	+ 52	+ 47
23	- 337	--	- 174	- 87	+ 465	- 9	+ 31	- 111	- 317	+ 206
30	- 379	--	+ 719	- 6	- 920	+ 14	+ 4	- 570	- 334	- 236
Aug.										
6	+ 562	--	- 201	+ 318	+ 3	- 30	- 207	+ 448	+ 343	+ 105
13	+ 153	--	- 180	- 147	+ 19	+ 10	+ 63	- 82	- 164	+ 82
20 p	- 198	--	- 413	+ 259	+ 379	+ 8	+ 153	+ 187	+ 482	- 295
27 p	+ 83	--	+ 288	- 153	- 468	- 4	- 9	- 262	- 399	+ 137
Sept.										
3 p	+ 275	--	- 151	+ 39	- 140	- 9	- 31	- 16	- 163	+ 147
1969--Sept.										
10	-1,345	--	- 70	+1,050	+ 300	+ 5	+ 70	+ 10	+ 10	--
17	- 570	--	- 220	+ 420	+ 200	+ 5	+ 200	+ 35	+ 35	--
24	+1,315	--	+ 95	-1,600	+ 200	--	+ 35	+ 45	+ 45	--
Oct.										
1	+ 260	--	+ 380	--	- 400	--	--	+ 240	+ 240	--
8	+ 455	--	- 280	--	- 75	--	--	+ 100	+ 100	--

1/ For retrospective details, see Table 5.

2/ See reverse side for explanation.

3/ Reflects increase in required reserves due to change in Regulation D, effective July 31.

p - Preliminary.

Explanation of Projections in Table 6

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 maintenance of Treasury balances with Federal Reserve at \$1.0 billion, thereafter.
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, 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, banks' investment preferences and willingness to supply loans, banks' 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 loans 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: \$-1.4 billion, October 1.