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MONETARY AGGREGATES AND
MONEY MARKET CONDITIONSRecent developments

(1) Deposit data now available for all of November indicate that growth in the narrowly-defined money supply was substantially stronger in the month than indicated either by the estimate based on partial data shown in the greenbook or by the preliminary week-by-week figures available to the Trading Desk in late November and early December. According to the latest estimates, the money supply grew at a 4-1/2 per cent annual rate in November, and its level was above the monthly figure consistent with a 4 per cent growth rate for the fourth quarter. The final money supply figure for October, while showing very little growth on average for the month, was also a bit above the initial estimate available at the last Committee meeting. A factor contributing to the larger-than-expected money supply growth recently may have been a bulge in transactions demand stemming from enlarged bond and stock market activity.

(2) The bank credit proxy in November also ran a little above earlier projections, and the gap widened in early December. In addition to private demand deposits, U.S. Government deposits are larger than expected, reflecting sales of special securities to foreign official holders. Banks have continued to substitute time deposits for commercial paper and, until very recently, for Euro-dollars. Since the Board's December 1 announcement of regulatory actions affecting the opportunity

cost of obtaining such funds, Euro-dollar borrowings have increased somewhat, although some of the increase may be seasonal.

(3) The following table shows recent developments in the money supply and the adjusted credit proxy.

Recent Paths of Key Monetary Aggregates
(Seasonally adjusted, billions of dollars)

	<u>Money Supply</u>		<u>Adjusted Credit Proxy</u>	
	<u>Indicated at Last Meeting</u> ^{1/}	<u>Actual Results</u>	<u>Indicated at Last Meeting</u> ^{1/}	<u>Actual Results</u>
<u>1970</u>				
<u>Month</u>				
September	212.8	212.8	324.5	324.5
October	212.9	213.0	324.7	324.8
November	213.5	213.8	326.3	326.9
<u>Week ending</u>				
November 11	212.5	213.2	326.3	326.0
18	213.9	213.9	326.3	326.7
25	213.9	213.8	326.5	327.8
December 2	214.4	214.5	326.2	328.3
9	214.3	214.9	327.8	331.0
	<u>% Annual Rates of Change</u>		<u>% Annual Rates of Change</u>	
Third Quarter (Sept. over June)	6.1	6.1 ^{2/}	17.2	17.2
October over Sept.	0.6	1.1	0.7	1.1
November over October	3.5	4.5	6.0	7.8

^{1/} Alternative A path of previous Blue Book, levels and rates of growth for the money supply have been converted to a revised basis.

^{2/} 5.2 per cent annual rate for third quarter average over second quarter average.

(4) During the period since the mid-November Committee meeting, the Federal funds rate was moved down into a 5--5-1/2 per cent range, in the interest of promoting desired growth in the money supply. Most recently, Federal funds have been trading at the lower end of the indicated range, occasionally even dipping below, despite sizable Desk reserve absorbing operations. Member bank borrowings averaged \$370 million in the past two statement weeks, not much above minimal levels, and about \$60 million below the October-November average. Net borrowed reserves averaged around \$100 million in the past two statement weeks, about \$130 million below the October-November average.

(5) The downtrend of market interest rates, begun earlier in the quarter, was sharply extended during the inter-meeting period, with yield declines in some short-term markets ranging to as much as another 3/4 of a percentage point, and those in long-term markets generally 1/2 to 5/8 percentage point. Further reductions in the prime rate and the discount rate, continued weakness in the economy, and anticipations of still further easing of monetary policy contributed to these declines. In the Treasury bill market, the key 3-month issue was most recently quoted around 4.85 per cent, about 40 basis points below its level at the time of the Committee meeting. The decline in long-term market yields occurred despite the very heavy calendars of new corporate and municipal bond offerings. Desk buying of nearly \$300 million of Treasury coupon issues over the period contributed marginally to the declines in long-term rates.

(6) The following table summarizes seasonally adjusted annual rates of change in major financial aggregates for selected periods.

	Past Year (Nov. over Nov.)	First Half of 1970 (June over December)	Third Quarter (Sept. over June)	Past Two Months (Nov. over Sept.)
Total Reserves	5.1	-0.2	19.2	- 0.6
Nonborrowed Reserves	8.3	1.9	24.4	0.9
Money Supply	5.1	5.9	6.1	2.8
Large CD's (dollar amount) ^{1/}	\$12.8	\$1.7	\$8.7	\$2.2
Other time and savings deposits	10.0	5.7	15.5	13.1
Savings accounts at nonbank thrift institutions	6.1 ^{2/}	4.3	10.0	10.8 ^{3/}
<u>Member bank deposits and related sources of funds</u>				
Total member bank deposits (Bank credit proxy)	9.9	3.3	24.1	12.1
Proxy plus Euro-dollars and other nondeposit sources	7.0	3.5	17.2	4.4
<u>Commercial bank credit (month end)</u>				
Total loans and investments	6.5	2.5	17.0	5.1
L&I plus loans sold outright to affiliates and foreign branches	6.2	4.5	13.9	3.1
<u>Nonbank commercial paper</u>	4.7	14.2	-17.7	3.5

NOTE: All items are averages of daily figures (with "other nondeposit sources" based on an average for the month of Wednesday data), except the commercial bank credit series, which are based on total outstanding on last Wednesday of month, and the nonbank commercial paper and thrift institutions series, which are end-of-month data. All additions to the total member bank deposit series are seasonally unadjusted numbers, since data have not been available for a long enough time to make seasonal adjustments.

^{1/} Actual dollar change over the period in billions.

^{2/} October 1969 to October 1970.

^{3/} September to October 1970.

Prospective developments

(7) Given recent developments, and with a Federal funds rate generally in a 5--5-1/4 per cent range, it appears that the money supply may grow at around a 9 per cent annual rate in December, and at about a 5 per cent annual rate for the fourth quarter. As to the adjusted bank credit proxy, it may be expected to expand at about a 17 per cent annual rate this month, and by around 8-1/2 per cent over the fourth quarter. The more rapid growth of the credit proxy in December, as compared with October-November, reflects not only greater expansion in private demand deposits but also larger inflows of U.S. Government and time deposits. Banks have issued a sizable amount of large CD's in recent weeks, in part to acquire securities at a time of declining interest rate expectations and partly in anticipation of seasonal CD run-offs in the latter part of December.

(8) Against the background of a 5 per cent growth rate for money supply over the fourth quarter, the table on the following page shows three alternative growth paths for money, bank credit, and total reserves for the first quarter. Alternative A involves a 5 per cent money growth rate; alternative B, 6 per cent; and alternative C, 7 per cent. The last section of the text (paragraphs 14 through 19) discusses possible directive language for various policy courses.

(9) The bank credit proxy figures shown in the table assume, for alternatives A and B, no further decline in Euro-dollar borrowings from recent levels. This neutral assumption seems to be about the best we can make, given uncertainties as to the ultimate pattern of bank

Alternative Paths of Key Monetary Aggregates--Monthly and Quarterly

	Money Supply			Adj. Credit Proxy			Total Reserves		
	<u>Alt.A</u>	<u>Alt.B</u>	<u>Alt.C</u>	<u>Alt.A</u>	<u>Alt.B</u>	<u>Alt.C</u>	<u>Alt.A</u>	<u>Alt.B</u>	<u>Alt.C</u>
1970									
November	213.8	213.8	213.8	326.9	326.9	326.9	28.7	28.7	28.7
December	215.4	215.5	215.5	331.5	331.6	331.6	29.2	29.2	29.2
1971									
January	216.7	216.9	217.1	333.9	334.6	334.7	29.5	29.6	29.6
February	217.5	217.9	218.3	335.7	337.3	337.6	29.4	29.5	29.6
March	218.2	218.8	219.4	338.2	340.4	340.9	29.5	29.7	29.8
	Per cent Annual Rates of Growth								
December	9.0	9.5	9.5	17.0	17.5	17.5	18.5	18.5	18.5
January	7.0	8.0	9.0	8.5	11.0	11.0	15.0	16.5	17.0
February	4.5	5.5	6.5	6.5	9.5	10.5	- 5.0	- 3.0	- 1.0
March	4.0	5.0	6.0	9.0	11.0	11.5	5.5	7.5	9.5
4th Q 1970	5.0	5.0	5.0	8.5	9.0	9.0	5.5	5.5	5.5
1st Q 1971	5.0	6.0	7.0	8.0	10.5	11.0	5.0	7.0	8.5

response to recent Board actions and as to the likely changes in the recent substantial differentials in costs of Euro-dollars as against domestic funds. Even under these alternatives, it should be recognized that a resumption of decline in Euro-dollar borrowings is a real possibility. Under alternative C, declining market interest rates would very likely encourage some further shift away from Euro-dollar borrowings absent additional Board action. Outstanding bank-related commercial paper is expected to continue declining, though at a slower pace. In general, growth in time and savings deposits other than large CD's may be dampened as post-strike auto sales tend to impinge on the personal saving rate. Under alternative A, such growth is projected to be a little less in the first quarter than in the fourth, but under alternatives B and C, time deposits are assumed to grow somewhat more rapidly because market interest rates would be relatively lower. Bank interest in large CD's is likely to be fairly strong, as they continue to want to acquire market securities and as business loan demand picks up.

(10) The range of money market conditions, as typified by the Federal funds rate, that would be expected to be consistent over the next few weeks with the various paths for the aggregates are summarized below.

	<u>Federal funds rate</u>	<u>Annual rates of increase in money supply</u>	
		<u>4th Qtr.</u>	<u>1st Qtr.</u>
Alternative A	5--5-1/2	5%	5%
B	4-5/8--5-1/8	5%	6%
C	4-1/4--4-3/4	5%	7%

Weekly figures for the aggregates between now and the next FOMC meeting consistent with these paths are shown in the table on page 9.

(11) In the case of alternative A, the Federal funds range is wide enough to allow for some tightening from recent levels. This may be required to limit money growth in the first quarter to 5 per cent should the Greenbook projection of a 10-1/2 per cent annual rate of growth in nominal GNP in the first quarter be realized. Since the last meeting of the Committee, the demand for money has proven to be somewhat stronger, at given Federal funds rates, than the staff anticipated. This greater demand may have been temporary, however, resulting from a sudden surge in financial market transactions, as noted earlier. Because of uncertainties as to the source of recent money demand and as to transactions needs associated with such a large bulge in prospective GNP growth, a fairly wide Federal funds rate range is also shown for alternatives B and C. If demand for money at given Federal funds rates continues to be greater than anticipated--as a result of financial transactions or the need to finance a temporary large post-strike bulge in GNP--the Committee may be faced with the possibility of either permitting the Federal funds rate to rise above the ranges shown in paragraph (10) for any particular alternative chosen, or permitting, at least temporarily, a higher money growth rate than contemplated.

(12) Between now and the next Committee meeting (mid-January), the 3-month Treasury bill rate may move through intervals of both downward and upward pressure, in response to a succession of seasonal and post auto-strike influences. Consequently, the yield

Alternative Weekly Paths of Key Monetary Aggregates

		Money Supply			Adj. Credit Proxy			Total Reserves		
		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1970										
December	9	214.9	214.9	214.9	331.0	331.0	331.0	28.9	28.9	28.9
	16	215.5	215.5	215.5	330.2	330.2	330.2	29.2	29.2	29.2
	23	215.3	215.4	215.4	332.5	332.7	332.7	29.3	29.3	29.3
	30	216.3	216.4	216.5	332.9	333.2	333.3	29.2	29.2	29.2
1971										
January	6	215.5	215.6	215.7	333.6	334.0	334.0	29.7	29.7	29.7
	13	216.3	216.5	216.7	332.7	333.3	333.4	29.6	29.6	29.6
	20	216.9	217.2	217.4	333.0	333.8	333.9	29.6	29.6	29.6

may fluctuate in a 4-1/2--5 per cent range, assuming the Federal funds rate stays around 5--5-1/8 per cent and the net reserve position of banks is mostly on the negative side, with borrowings at minimal levels (apart from necessitous borrowing of two banks). If the Federal funds rate were to move above this range--for example, in order to restrain money supply growth--an appreciable rise in the 3-month bill rate might develop; the bill rate might move back up to around 5-1/4 per cent, and the downward tendency of other interest rates might well be reversed. If, on the other hand, the Federal funds rate were to be persistently below 5 per cent, the bill rate might move toward the lower end of, or even below, the range shown, particularly in view of the absence of a Treasury cash financing in January. A declining bill rate would likely be accompanied by some downdrift in other short-term rates, although yield spreads of other short rates over the bill rate have narrowed since early November. Any further downdrift in short rates would intensify pressures for a further reduction in the prime rate.

(13) Long-term interest rates may move downward somewhat further even in the absence of short-term rate declines, reflecting a seasonal pick-up in long-term fund flows after year-end and some moderation in the supply of securities coming to market. There will be the usual lull in new corporate and municipal issues between now and the turn of the year; although sizable offerings seem likely in January, the volume in prospect appears to be somewhat below recent months. Agency offerings are likely to diminish further in view of the greater availability of credit at private financial institutions.

The next Treasury financing--its mid-February refunding--will not be announced until January 20, shortly after the mid-January FOMC meeting. No significant amounts of new cash are likely to be raised by the Treasury until around the time of this refunding and then again in March. Under the circumstances, if short-term interest rates do show a sustained downward tendency in the period immediately ahead, a considerable rally in bond markets may again develop.

Possible directive language

(14) This section presents possible language for the second paragraph of the directive for the three alternative policy courses discussed above, as well as a fourth possibility involving renewal of the present directive language.

(15) Alternative A. This alternative is proposed for possible use if the Committee decides upon a 5 per cent target growth rate for the money supply in the first quarter:

To implement this policy, the Committee seeks to promote ~~some-easing-of-conditions-in-credit-markets-and~~ moderate growth in money and attendant bank credit expansion over the months ahead;~~with-alleviance-for-temporary-shifts-in-money-and-credit demands-related-to-the-auto-strike.~~ System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining bank reserves and money market conditions consistent with those objectives.

Deletion of the phrase "some easing of conditions in credit markets" is proposed in light of the analysis in paragraphs (10) and (11) above suggesting that some rise in the Federal funds rate might be required as the quarter progresses to keep the money supply growth rate from exceeding 5 per cent. While some rise in the Federal funds rate would not necessarily be inconsistent with continued declines in long-term rates, particularly if over-all credit demands slacken, it is assumed that the Committee would not want to indicate that it was seeking "to promote" some easing of credit market conditions under a policy course that contemplates the possibility of some firming of money market conditions.

(16) As indicated, it is also proposed to delete the clause "with allowance for temporary shifts in money and credit demands related to the auto strike." This clause had been included in the previous directive to reflect the Committee's willingness, for reasons related to the auto strike, to accept money growth rates in the fourth and first quarters that were, respectively, below and above its longer-run target rate. At present, however, if the Committee adopts this alternative its target for the first quarter presumably will not exceed its target for the longer run. (For the same reason, deletion of the clause in question is proposed in the two following alternatives also.)

(17) Alternative B. This alternative is proposed for possible use if the Committee decides to set its target for money at the 6 per cent rate indicated by the revised data to have prevailed in the three quarters before the auto strike:

To implement this policy, the Committee seeks to promote some easing of conditions in credit markets and moderate growth in money and-attendant-bank-credit-expansion over the months ahead AT ABOUT THE AVERAGE RATE PREVAILING IN THE FIRST THREE QUARTERS OF 1970, with ATTENDANT BANK CREDIT EXPANSION allowance for-temporary-shifts-in-money-and-credit-demands-related-to-the auto-strike. System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining bank reserves and money market conditions consistent with those objectives.

(18) Alternative C. This alternative is suggested for possible use if the Committee decides to step up its target growth rate for money to 7 per cent:

To implement this policy, the Committee seeks to promote some easing of conditions in credit markets and moderate SOMEWHAT MORE RAPID growth in money and-attendant-bank-credit expansion over the months ahead THAN PREVAILED IN THE FIRST THREE QUARTERS OF 1970, with ATTENDANT BANK CREDIT EXPANSION allowance-for-temporary-shifts-in-money-and-credit-demands related-to-the-auto-strike. System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining bank reserves and money market conditions consistent with those objectives.

Deletion of the word "some" from the statement that "the Committee seeks to promote some easing of conditions in credit markets" is

suggested because of the greater degree of credit market easing likely to ensue under this policy course.

(19) Alternative D. There remains the possibility that, in light of the expected first-quarter surge in nominal GNP in the aftermath of the auto strike, the Committee may wish to accept a temporarily higher money growth rate during the first quarter than it would contemplate at this time for the longer run. To articulate such a policy, the Committee could decide simply to renew the second paragraph of the existing directive without change:

To implement this policy, the Committee seeks to promote some easing of conditions in credit markets and moderate growth in money and attendant bank credit expansion over the months ahead, with allowance for temporary shifts in money and credit demands related to the auto strike. System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining bank reserves and money market conditions consistent with those objectives.

If the Committee adopts this alternative it could instruct the Manager to maintain essentially prevailing money market conditions--as typified by a Federal funds rate of 5 to 5-1/4 per cent--so long as the money supply in the weeks ahead appears to be on a path consistent with growth in the first quarter at an annual rate in a range between, say, 5 and 7 per cent.

Table 1
PATHS OF KEY MONETARY AGGREGATES
SEASONALLY ADJUSTED

STRICTLY CONFIDENTIAL (FR)
DECEMBER 11, 1970

Period	Adjusted Credit Proxy		Money Supply		U.S. Government Demand Deposits		Time Deposits		Nondeposit Sources of Funds		Total Reserves	
	¹ Path as of Nov. 17	² Current Proj.	³ Path as of Nov. 17	⁴ Current Proj.	⁵ Path as of Nov. 17	⁶ Current Proj.	⁷ Path as of Nov. 17	⁸ Current Proj.	⁹ Path as of Nov. 17	¹⁰ Current Proj.	¹¹ Path as of Nov. 17	¹² Current Proj.
Monthly Pattern in Billions of Dollars												
1970- June	311.1	311.1	209.6	209.6	4.8	4.8	202.2	202.2	20.7	20.7	27.9	27.9
July	315.8	315.8	210.6	210.6	4.4	4.4	208.2	208.2	19.8	19.8	28.0	28.0
Aug.	321.9	321.9	211.8	211.8	6.4	6.4	213.2	213.2	18.8	18.8	28.6	28.6
Sept.	324.5	324.5	212.8	212.8	6.2	6.2	218.5	218.5	16.5	16.5	29.2	29.2
Oct.	324.7	324.8	212.9	213.0	5.2	5.2	221.8	222.2	14.2	14.2	29.4	29.4
Nov. p	326.3	326.9	213.5	213.8	5.6	6.0	224.7	225.0	12.8	12.7	29.6	29.5
Dec. (proj.)	328.1	331.5	214.9	215.4	4.8	6.2	227.7	229.6	12.2	11.9	29.8	30.0
Annual Percentage Rates of Change--Quarterly and Monthly												
1970- 1st Qtr.	0.5	0.5	+5.9	+5.9			+1.4	+1.4			-2.9	-2.9
2nd Qtr.	6.5	6.5	+5.8	+5.8			+14.1	+14.1			2.6	2.6
3rd Qtr.	17.2	17.2	+6.1	+6.1			+32.2	+32.2			19.2	19.2
4th Qtr.	4.5	8.3	+4.0	+5.0			+17.0	+20.5			6.0	9.0
June	7.0	7.0	+2.3	+2.3			+11.4	+11.4			0.5	0.5
July	18.1	18.1	+5.7	+5.7			+35.6	+35.6			6.0	6.0
Aug.	23.2	23.2	+6.8	+6.8			+28.8	+28.8			23.3	23.3
Sept.	9.7	9.7	+5.7	+5.7			+29.8	+29.8			27.5	27.5
Oct.	0.7	1.1	+0.6	+1.1			+18.1	+20.3			-3.8	-3.6
Nov. p	6.0	7.8	+3.5	+4.5			+15.5	+15.1			11.5	4.0
Dec. (proj.)	6.5	17.0	+8.0	+9.0			+16.0	+24.3			10.5	21.0
Weekly Pattern in Billions of Dollars												
1970- Oct. 14	323.9	323.9	212.6	212.9	4.7	4.7	222.0	222.0	14.4	14.4	29.2	29.2
21	324.4	324.4	213.9	213.9	4.1	4.1	222.8	222.8	14.1	14.1	29.5	29.5
28	324.9	325.0	212.3	212.2	6.2	6.2	223.0	223.0	13.6	13.6	29.3	29.4
Nov. 4	325.5	325.5	212.7	212.7	6.3	6.2	223.0	223.4	13.3	13.2	29.3	29.4
11	326.3	326.0	212.5	213.2	6.9	6.3	224.1	223.8	12.9	13.0	29.4	29.4
18	326.3	326.7	213.9	213.9	5.4	5.8	224.7	224.9	12.9	13.0	29.6	29.5
25 p	326.5	327.8	213.9	213.8	5.5	6.3	225.4	226.1	12.7	12.4	29.8	29.4
Dec. 2 p	326.2	328.3	214.4	214.5	3.5	5.3	226.1	227.1	12.5	11.7	29.7	29.7
9 p	327.8	331.0	214.3	214.9	5.7	7.1	226.9	228.4	12.3	12.0	29.8	29.7
16 (proj.)	327.6	330.3	214.6	215.5	4.6	5.5	227.4	229.1	12.2	12.0	29.7	30.0

NOTES: Annual rates of change other than those for the past are rounded to the nearest half per cent. Money supply path "as of November 17" has been adjusted to reflect the adjustments to the money supply series published November 27, 1970.

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Table 2

CONFIDENTIAL (FR)

AGGREGATE RESERVES AND MONETARY VARIABLES

DECEMBER 11, 1970

RETROSPECTIVE CHANGES, SEASONALLY ADJUSTED

(In per cent, annual rates based on monthly averages of daily figures)

Period	Reserve Aggregates		Monetary Variables					Addenda		
	1 Total Reserves	2 Nonborrowed Reserves	3 Total Member Bank Deposits	4 Adjusted Credit Proxy	5 Money Supply			8 Time Deposits Adjusted	9 Thrift Instit. Deposits	10 Nonbank Commercial Paper
					5 Total	6 Currency	7 Private Demand Deposits			
<u>Annually</u>										
1968	+ 7.8	+ 6.0	+ 9.0	n.a.	+ 7.8	+ 7.4	+ 7.9	+11.1	+ 6.3	n.a.
1969	- 1.6	- 3.0	- 4.0	n.a.	+ 3.1	+ 6.0	+ 2.4	- 5.0	+ 3.4	n.a.
<u>Semi-annually</u>										
1st Half 1969	+ 0.7	- 3.7	- 3.5	n.a.	+ 5.1	+ 6.5	+ 4.7	- 3.5	+ 4.8	n.a.
2nd Half 1969	- 3.9	- 2.4	- 4.6	- 1.2	+ 1.2	+ 5.4	+ 0.1	- 6.6	+ 1.9	+27.6
1st Half 1970	- 0.2	+ 1.9	+ 3.3	+ 3.5	+ 5.9	+ 7.8	+ 5.3	+ 7.8	+ 4.3	+14.0
<u>Quarterly</u>										
3rd Qtr. 1969	- 9.3	- 4.8	- 9.4	- 4.3	+ 0.8	+ 4.5	--	-12.7	+ 2.3	+31.0
4th Qtr. 1969	+ 1.4	- 0.1	+ 0.1	+ 2.0	+ 1.6	+ 6.2	+ 0.3	- 0.4	+ 1.4	+22.4
1st Qtr. 1970	- 2.9	- 0.4	+ 0.6	+ 0.5	+ 5.9	+ 6.1	+ 5.3	+ 1.4	+ 1.7	+13.2
2nd Qtr. 1970	+ 2.6	+ 4.1	+ 6.0	+ 6.5	+ 5.8	+ 9.4	+ 5.3	+14.1	+ 6.9	+14.3
3rd Qtr. 1970	+19.2	+24.4	+24.1	+17.2	+ 6.1	+ 3.3	+ 6.7	+32.2	+10.0	-17.7
<u>Monthly</u>										
1969 Sept.	--	+ 7.7	+ 1.7	+ 1.6	+ 1.2	+ 2.7	+ 1.5	- 3.7	+ 3.7	+40.7
Oct.	-11.7	-17.9	- 9.2	- 7.9	+ 2.4	+ 7.9	--	- 3.7	- 0.7	+20.0
Nov.	+ 9.7	+ 5.5	+ 9.7	+13.1	+ 1.8	+ 7.9	--	- 1.2	+ 3.0	+11.7
Dec.	+ 6.3	+12.1	--	+ 0.8	+ 0.6	+ 2.6	+ 0.8	+ 3.7	+ 1.9	+34.2
1970 Jan.	+ 3.1	+ 7.2	- 4.2	3.5	+ 9.4	+ 5.2	+ 9.9	- 8.0	- 4.2	+ 3.6
Feb.	-12.0	-15.6	- 8.0	- 5.5	- 4.1	+ 5.2	- 6.8	+ 1.2	+ 2.8	+35.7
Mar.	--	+ 7.5	+14.0	+10.7	+12.3	+ 7.8	+12.9	+11.2	+ 6.6	+ 0.4
Apr.	+21.3	+25.4	+16.8	+13.7	+ 9.9	+10.3	+10.5	+19.7	+ 8.1	+71.3
May	-13.9	-19.0	- 4.5	- 1.2	+ 5.2	+15.3	+ 3.0	+10.9	+ 5.3	+10.7
June	+ 0.5	+ 6.2	+ 5.8	+ 7.0	+ 2.3	+ 2.5	+ 2.2	+11.4	+ 7.0	-37.3
July	+ 6.0	-16.1	+22.7	+18.1	+ 5.7	+ 7.5	+ 4.4	+35.6	+13.3	-88.4
Aug.	+23.3	+48.8	+29.2	+23.2	+ 6.8	+ 2.5	+ 8.9	+28.8	+ 6.1	-14.1
Sept.	+27.5	+40.1	+19.0	+ 9.7	+ 5.7	--	+ 6.6	+29.8	+10.5	+53.1
Oct.	- 3.6	- 0.5	+10.1	+ 1.1	+ 1.1	+ 7.5	- 0.7	+20.3	+10.8	+31.6
Nov. (p)	+ 4.0	+ 4.7	+13.9	+ 7.8	+ 4.5	+ 2.5	+ 4.4	+15.1	n.a.	- 6.3

NOTE: Aggregate reserve series have been adjusted to eliminate changes in percentage reserve requirements against deposits, but reserve requirements on Euro-dollar borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970.

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Table 3
AGGREGATE RESERVES AND MONETARY VARIABLES

CONFIDENTIAL (FR)

DECEMBER 11, 1970

SEASONALLY ADJUSTED
(Based on averages of daily figures)

Period	Aggregate Reserves			Member Bank Deposits		Money Supply			Commercial Bank Time Deposits			12 Adjusted Credit Proxy	13 Addendum Nonbank Comm Paper	
	1 Total	2 Non- borrowed	3 Required	4 Total	5 U. S. Govt Demand	6 Total	7 Currency	8 Private Demand Deposits	9 Total	10 CD's	11 Other			
	(In millions of dollars)			(In billions of dollars)										
1969· Jan	28,139	27,318	27,902	297.0	5.4	198.1	43.6	154.5	203.7	21.8	181.9			
Feb	28,060	27,206	27,832	296.7	6.7	199.3	43.8	155.5	203.2	20.2	182.9			
Mar	27,972	27,024	27,729	294.2	4.8	200.1	44.1	156.0	202.5	18.9	183.6			
Apr	27,775	26,754	27,614	295.4	5.9	201.0	44.2	156.8	202.1	18.2	184.0			
May	28,235	26,888	27,942	295.1	5.9	201.6	44.5	157.1	201.7	17.4	184.3	n.a.	n.a.	
June	28,056	26,705	27,742	292.6	4.0	202.4	44.8	157.6	201.2	15.8	185.4	307.5	25.5	
July	27,530	26,275	27,334	288.0	2.4	203.1	45.0	158.1	198.1	14.1	184.0	305.7	26.1	
Aug	27,401	26,214	27,161	285.3	2.9	202.6	45.2	157.4	195.4	12.5	182.9	303.8	26.6	
Sept	27,402	26,383	27,144	285.7	4.4	202.9	45.3	157.6	194.8	12.0	182.8	304.2	27.5	
Oct	27,354	26,210	27,129	283.5	3.1	203.2	45.6	157.6	194.2	11.5	182.6	302.2	27.9	
Nov	27,783	26,538	27,548	285.8	5.6	203.5	45.9	157.6	194.0	11.1	182.9	305.5	28.2	
Dec	27,928	26,806	27,707	285.8	4.9	203.6	46.0	157.7	194.6	11.2	183.4	305.7	29.0	
1970· Jan	28,001	26,966	27,823	284.8	5.3	205.2	46.2	159.0	193.3	10.6	182.7	304.8	29.1	
Feb	27,722	26,615	27,523	282.9	5.6	204.5	46.4	158.1	193.5	10.6	182.9	303.4	30.0	
Mar	27,723	26,782	27,536	286.2	5.9	206.6	46.7	159.8	195.3	11.5	183.8	306.1	30.0	
Apr	28,216	27,350	28,046	290.2	5.2	208.3	47.1	161.2	198.5	12.9	185.6	309.6	31.8	
May	27,890	26,916	27,692	289.1	3.0	209.2	47.7	161.6	200.3	13.2	187.1	309.3	32.0	
June	27,902	27,056	27,713	290.5	4.8	209.6	47.8	161.9	202.2	13.2	189.0	311.1	31.0	
July	28,041	26,694	27,896	296.0	4.4	210.6	48.1	162.5	208.2	16.9	191.3	315.8	28.8	
Aug	28,585	27,780	28,408	303.2	6.4	211.8	48.2	163.7	213.2	19.0	194.2	321.9	28.4	
Sept	29,240	28,708	29,024	308.0	6.2	212.8	48.2	164.6	218.5	21.7	196.8	324.5	29.7	
Oct	29,385	28,928	29,134	310.6	5.2	213.0	48.5	164.5	222.2	23.2	199.1	324.8	30.5	
Nov. (p)	29,482	29,041	29,234	314.2	6.0	213.8	48.6	165.1	225.0	23.9	201.1	326.9	29.5	
1970 Oct. 7	29,497	29,142	29,155	310.6	5.4	213.7	48.4	165.4	221.0	22.7	198.3	325.4	30.0	
14	29,205	28,803	29,138	309.5	4.7	212.7	48.5	164.2	222.0	23.2	198.8	323.9	30.2	
21	29,496	29,930	29,250	310.2	4.1	213.9	48.6	165.3	222.8	23.3	199.5	324.4	31.0	
28	29,353	28,820	29,021	311.4	6.2	212.2	48.5	163.7	223.0	23.4	199.6	325.0	31.1	
Nov 4	29,361	28,970	29,045	312.3	6.2	212.7	48.6	164.1	223.4	23.4	200.0	325.5	30.4	
11	29,394	28,957	29,237	313.0	6.3	213.2	48.6	164.5	223.8	23.5	200.3	326.0	31.0	
18	29,516	29,167	29,302	313.7	5.8	213.9	48.7	165.2	224.9	23.7	201.2	326.7	31.2	
25 p	29,437	28,852	29,204	315.4	6.3	213.8	48.6	165.2	226.1	24.3	201.7	327.8	31.2	
Dec. 2 p	29,718	29,304	29,330	316.6	5.3	214.5	48.6	165.9	227.1	24.7	202.4	328.3	30.9	

NOTES: Aggregate reserve series have been adjusted to eliminate changes in percentage reserve requirements against deposits, but reserve requirements on Euro-dollar borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970.

Adjusted credit proxy includes mainly total member bank deposits subject to reserve requirements, bank-related commercial paper, and Euro-dollar borrowings of U.S. banks. Weekly data are daily averages for statement weeks. Monthly data are daily averages except for nonbank commercial paper figures which are for last day of month.

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Table 4
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	
				8 N.Y.	Outside N.Y.		
Monthly (reserves weeks ending in):							
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	- 997	214	1,211	81	253	256	621
September	- 744	282	1,026	83	236	222	485
October	- 995	195	1,190	106	327	293	464
November	- 975	238	1,213	120	387	250	456
December	- 849	278	1,127	268	310	220	329
1970--January	- 759	169	928	148	287	232	261
February	- 916	210	1,126	106	317	289	414
March	- 751	129	880	90	225	287	278
April	- 687	178	865	227	331	119	188
May	- 765	159	924	165	241	228	290
June	- 736	171	907	140	289	217	261
July	-1,134	183	1,317	218	460	348	291
August	- 706	175	881	143	278	273	187
September	- 374	235	609	101	115	274	119
October	- 271	196	467	12	40	312	103
November p	- 190	218	408	42	17	293	56
1970--July 1	- 718	273	991	93	260	304	333
8	-1,219	75	1,294	360	412	283	240
15	-1,451	230	1,681	467	569	371	274
22	-1,201	185	1,386	139	531	395	321
29	-1,078	153	1,231	29	528	388	286
Aug. 5	- 822	188	1,010	114	362	303	231
12	- 854	290	1,174	382	362	300	130
19	- 589	92	681	21	243	229	188
26	- 522	138	660	56	144	262	198
Sept. 2	- 482	178	660	79	181	221	179
9	- 348	415	763	160	143	343	117
16	- 144	356	500	89	93	224	94
23	- 507	-47	460	75	77	259	49
30	- 389	272	661	103	79	324	155
Oct. 7	- 46	352	398	--	4	305	89
14	- 409	41	450	21	46	310	73
21	- 388	200	588	16	97	342	133
28	- 242	196	433	11	13	292	117
Nov 4	- 105	318	423	11	15	311	86
11	- 163	282	445	69	29	282	65
18	- 166	164	370	0	1	295	34
25 p	- 327	108	435	86	22	287	40
Dec. 2 p	- 60	394	454	86	22	301	45
9 p	- 153	138	291	--	--	264	27

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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:								
1968 (12/27/67 - 12/25/68)	+3,757	+3,298	+2,143 (--)	+1,176	- 21	- 3	- 52	+ 514
1969 (12/25/68 - 12/31/69)	+5,539	+5,192	+4,279 (--)	+ 707	+ 206	+ 67	+ 35	+ 245
Weekly:								
1970--								
July 1	+ 544	+ 445	+ 445 (+ 145)	--	--	--	- 5	+ 104
8	+ 231	- 73	- 73 (--)	--	--	--	+ 1	+ 303
15	+1,181	+ 632	-- (--)	--	+ 632	+ 99	+ 63	+ 387
22	- 185	+ 194	+ 638 (- 29)	--	- 444	- 61	- 23	- 295
29	- 460	- 230	- 42 (- 42)	--	- 188	- 38	- 37	- 155
Aug. 5	+ 362	+ 540	+ 293 (+ 71)	--	+ 247	+ 33	+ 10	- 221
12	+ 591	+ 462	+ 266 (--)	--	+ 196	- 28	- 7	+ 164
19	+ 231	+ 653	+ 644 (--)	--	+ 9	+ 45	+ 26	- 493
26	- 343	- 243	+ 209 (--)	--	- 452	- 50	- 29	- 201
Sept. 2	+ 189	+ 164	+ 31 (--)	--	+ 133	+ 13	+ 12	--
9	+ 473	+ 316	+ 193 (--)	--	+ 123	+ 37	+ 17	+ 103
16	- 248	+ 14	- 236 (- 90)	--	+ 250	- 12	+ 13	- 263
23	- 982	- 864	- 358 (- 256)	--	- 506	- 38	- 40	- 40
30	+ 689	+ 418	+ 222 (+ 346)	--	+ 196	+ 49	+ 21	+ 201
Oct. 7	- 482	- 183	- 165 (--)	--	- 18	- 25	- 11	- 263
14	- 5	- 56	-- (--)	--	- 56	+ 4	- 5	+ 52
21	+ 224	+ 67	- 16 (--)	--	+ 83	+ 16	+ 5	+ 136
28	- 479	- 268	- 63 (--)	--	- 205	- 44	- 14	- 153
Nov. 4	+ 692	+ 610	+ 241 (- 214)	--	+ 369	+ 63	+ 29	- 10
11	- 48	- 75	- 94 (--)	--	+ 19	- 6	+ 11	+ 22
18	+ 671	+ 711	+ 509 (- 150)	--	+ 202	+ 62	+ 13	- 115
25 p	- 142	- 93	+ 407 (--)	--	- 500	- 107	- 47	+ 105
Dec. 2 p	+ 986	+ 853	+ 516 (- 144)	--	+ 337	+ 73	+ 41	+ 19
9 p	- 301	- 145	+ 32 (- 100)	--	- 177	- 30	+ 37	- 163

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

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 and spec. dr. rights	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)										
Year:										
1968 (12/27/67-12/25/68)	+3,757	-2,067	-3,221	+ 928	+1,309	- 67	+ 869	+1,508	+1,563	- 55
1969 (12/25/68-12/31/69)	+5,539	--	-2,676	- 813	+ 241	+ 54	- 898	+1,448	+1,340	+ 108
Weekly:										
1970--Apr. 1	+ 179	--	+ 92	- 51	+ 219	- 51	- 54	+ 334	+ 91	+ 243
8	- 720	--	- 11	+ 128	+ 582	+ 24	- 100	- 97	+ 72	- 169
15	+ 947	--	- 231	+ 218	- 554	+ 78	+ 98	+ 554	+ 621	- 68
22	- 222	--	- 304	- 194	+ 658	--	+ 174	+ 110	+ 54	+ 56
29	- 17	--	+ 397	- 211	- 409	+ 28	- 32	- 246	- 199	- 47
May 6	+1,047	--	- 201	- 109	- 79	- 34	- 163	+ 461	+ 222	+ 239
13	+ 131	--	- 405	- 191	- 152	- 55	- 174	- 842	- 520	- 322
20	+ 512	--	- 423	+ 307	+ 264	+ 44	- 354	+ 350	+ 164	+ 186
27	- 664	--	+ 302	+ 176	- 346	+ 84	- 312	- 764	- 594	- 170
June 3	+ 639	--	- 143	+ 55	- 63	- 15	- 192	+ 282	+ 131	+ 151
10	- 213	--	- 135	+ 431	- 182	- 11	- 33	- 144	- 85	- 59
17	+ 224	--	- 447	- 169	+ 348	- 12	+ 290	+ 234	+ 102	+ 132
24	- 449	--	- 77	- 162	+ 230	- 50	+ 79	- 430	- 245	- 185
July 1	+ 544	--	+ 360	+ 99	- 543	+ 44	+ 44	+ 550	+ 365	+ 185
8	+ 231	--	- 365	- 179	+ 574	- 23	- 213	+ 24	+ 222	- 198
15	+1,181	--	- 313	+ 109	- 521	- 39	- 40	+ 375	+ 220	+ 155
22	- 185	--	- 465	+ 145	+ 503	+ 37	+ 113	+ 151	+ 196	- 45
29	- 460	--	+ 943	- 25	- 605	- 35	- 7	- 190	- 158	- 32
Aug. 5	+ 362	--	- 125	+ 9	- 166	- 17	- 105	- 41	- 76	+ 35
12	+ 591	--	- 177	+ 73	- 13	+ 18	- 45	+ 446	+ 354	+ 92
19	+ 231	--	- 401	- 161	+ 259	- 22	+ 21	- 73	+ 115	- 188
26	- 343	--	+ 233	+ 120	- 169	- 26	- 152	- 338	- 384	+ 46
Sept. 2	+ 189	--	+ 196	+ 15	- 217	+ 20	- 14	+ 193	+ 153	+ 40
9	+ 473	--	- 170	- 78	+ 379	+ 4	- 45	+ 561	+ 324	+ 237
16	- 248	--	- 205	+ 154	+ 183	+ 6	+ 100	- 10	+ 49	- 59
23	- 982	--	- 124	- 124	+ 552	- 15	+ 169	- 527	- 124	- 403
30	+ 689	--	+ 861	+ 35	- 833	- 210	+ 95	+ 640	+ 321	+ 319
Oct. 7	- 482	--	- 260	+ 214	+ 20	- 10	+ 271	- 248	- 328	+ 80
14	- 5	--	- 329	- 163	+ 174	- 4	+ 1	- 322	- 11	- 311
21	+ 224	--	- 549	- 63	+ 576	+ 9	+ 230	+ 426	+ 278	+ 148
28	- 479	--	+ 432	- 71	- 311	- 15	+ 1	- 443	- 445	+ 2
Nov. 4	+ 692	--	+ 46	+ 146	- 382	- 24	- 271	+ 205	+ 78	+ 127
11	- 48	--	- 353	+ 81	+ 482	- 1	- 86	+ 73	+ 109	- 36
18	+ 671	--	- 545	+ 88	- 210	+ 17	+ 16	+ 38	+ 156	- 118
25 p	- 142	--	- 291	+ 153	+ 298	+ 18	- 397	- 360	- 304	- 161
Dec. 2 p	+ 986	--	- 6	+ 34	- 359	+ 5	- 187	+ 473	+ 168	+ 305
9 p	- 301	--	- 81	+ 103	+ 161	- 8	- 39	- 166	+ 109	- 275

1/ For retrospective details, see Table 5.

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