

A meeting of the Federal Open Market Committee was held on Friday, August 1, 1958, at 11:00 a.m. This was a telephone conference meeting and each individual was in Washington except as otherwise indicated in parentheses in the following list of those participating:

PRESENT: Mr. Balderston, presiding
Mr. Irons (Dallas)
Mr. Leach (Richmond)
Mr. Mangels (San Francisco)
Mr. Mills
Mr. Robertson
Mr. Treiber, Alternate for Mr. Hayes (New York)

Mr. Riefler, Secretary
Mr. Thurston, Assistant Secretary
Mr. Solomon, Assistant General Counsel
Mr. Young, Associate Economist
Mr. Rouse, Manager, System Open Market Account (New York)
Mr. Molony, Special Assistant to the Board of Governors
Mr. Kenyon, Assistant Secretary, Board of Governors
Mr. Koch, Associate Adviser, Division of Research and Statistics, Board of Governors
Mr. Keir, Acting Chief, Government Finance Section, Division of Research and Statistics, Board of Governors
Mr. Marsh, Assistant Vice President, Federal Reserve Bank of New York (New York)
Messrs. Gaines and Stone, Managers, Securities Department, Federal Reserve Bank of New York (New York)

Mr. Marsh reported that there was a very quiet situation in the Government securities market. Prices were a shade lower on some of the issues, but there was no follow through to the movement. Neither was there any particular reaction to the Treasury's announcement of a 59

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per cent allotment on the new issue of tax anticipation certificates, an announcement which could have been somewhat disturbing since some banks no doubt got more of the certificates than they had expected. However, the announcement apparently was taken in stride and the Account Management did not expect to hear much more of the matter.

Mr. Marsh said that nothing of significance was developing in the other securities markets, which were quite firm. The money market was again easy, and it might be expected that the money market would continue easy in view of the money that it would get from the System purchases of when-issued certificates for delivery today. For that reason the basic deficit in reserves that the New York City banks showed last night should be reversed and there should be no tightness at all in the money market. Yesterday's figure of net borrowed reserves of \$116 million reflected sales of \$228.5 million of bills out of the System Account for cash delivery yesterday. The New York Bank's projection for today was net free reserves of \$878 million. For the week ending Wednesday, August 6, the projection showed average free reserves of about \$617 million, and the following statement week it was expected that average free reserves would fall to about \$260 million. The Treasury balance last night was \$617 million, and the balance was expected to remain

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around the \$600 million level until next Tuesday when it would drop closer to the normal \$500 million level. Previously, it had been expected that the balance would stay around the \$700 million level, since the Treasury had indicated a willingness to keep it there, but at any rate it now looked as though the balance would remain in the neighborhood of \$600 million until next Tuesday at least.

Mr. Marsh stated that the program for today is to sell Treasury bills. The bill market was in good shape and it should be possible to sell some more bills from the Account. At the moment the thinking was in terms of starting out with sales of \$100 or \$125 million, with further action depending on the demand. The dealers' position in bills Wednesday night was \$199 million, and \$77 million higher last night. Since sales from the System Account totaled \$253 million yesterday, including \$228.5 million for cash delivery and the remainder for regular delivery, the dealers sold a substantial amount of bills yesterday. Therefore, the Management of the Account would have no qualms about selling some more today.

Messrs. Robertson and Balderston stated that they were very much in favor of continuing to sell bills. Mr. Irons stated that he would like to sell as many as the market would take, and Messrs. Mangels and Leach expressed agreement.

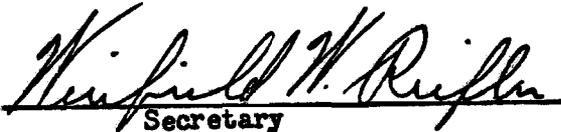
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Mr. Marsh said that there was agreement at the New York Bank with those comments and that, if there were no further questions, the Desk would go to work on the bill sales.

It was stated that there would be no telephone conference meeting of the Committee Monday morning in the absence of unexpected market developments.

The meeting then adjourned.


Secretary