Prefatory Note

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

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

CONFIDENTIAL (FR) December 12, 1969.

MONEY MARKET AND RESERVE RELATIONSHIPS

Recent developments

(1) With few exceptions, interest rates throughout short- and long-term credit markets have risen further since the last meeting of the Committee. Reflecting a rise in dealer bill positions, a sustained high cost of dealer financing, and expectations that tax-date and year-end pressures may be larger-than-usual this year, the 3-month Treasury bill rate moved well above the 7-1/2 per cent top of the range projected in the last Blue Book. It reached a peak of 7.91 per cent on December 10, about 40 basis points above its level two meetings ago.

(2) In the previous inter-meeting period, the upsurge in the 3-month bill rate had been accompanied by even sharper increases in yields on other bill maturities and by sizable advances in other short-term credit market rates as well. Since the last meeting, however, the 3-month bill has risen more in yield than other short-term instruments, bringing it more in line with other short-term rates. For example, the 6-month bill rate rose by only about 15 basis points to a high of 8.02 per cent from its already advanced level at the time of the last meeting. Most recently there was some improvement in the bill market, and the 3-month and 6-month bills were quoted 7.81 and 7.84 per cent, respectively on December 12. Long-term interest rates have moved higher on balance,

FINANCIAL MARKET RELATIONSHIPS IN PERSPECTIVE

(Monthly averages and, where available, weekly averages of daily figures)

Period	Money Market Indicators: Free Reserves (In millions of dollars for weeks ending in)	Borrowings	Federal Funds Rate 1/	3-month Treasury Bill	Bond Yields: U.S. Government (20 yr.)	Corporate New Issues (Aaa) 2/	Municipal (Aaa)	Flow of Reserves, Bank Credit and Money, S.A.: Nonborrowed Reserves (In millions of dollars)	Total Reserves	Bank Credit Proxy (In billions of dollars)	Money Supply	Time Deposits 3/
1968--September	- 146	492	5.78	5.19	5.28	6.27	4.23	+185	+ 98	+ 2.1	+ 0.4	+ 2.6
October	- 192	458	5.92	5.35	5.44	6.47	4.21	+206	+193	+ 3.2	+ 0.4	+ 3.0
November	- 255	541	5.81	5.45	5.56	6.61	4.33	+ 29	+181	+ 2.8	+ 1.8	+ 2.7
December	- 327	743	6.02	5.96	5.88	6.79	4.50	+120	+279	+ 3.2	+ 1.2	+ 2.8
1969--January	- 491	715	6.30	6.14	5.99	6.92	4.58	+103	+175	- 1.2**	+ 1.0	- 1.7
February	- 580	836	6.64	6.12	6.11	6.91*	4.74	-112	- 79	- 0.3	+ 0.5	- 0.8
March	- 635	837	6.79	6.02	6.22	7.37	4.97	-182	- 88	- 2.5	+ 0.5	- 0.1
April	- 844	1,031	7.41	6.11	6.03	7.17	5.00	-270	-197	+ 1.2	+ 1.3	--
May	-1,116	1,359	8.67	6.04	6.11	7.22	5.19	+134	+460	- 0.3	+ 0.2	- 0.6
June	-1,078	1,355	8.90	6.44	6.28	7.58	5.58	-183	-179	- 2.5	+ 0.7	- 0.9
July	-1,045	1,311	8.61	7.00	6.27	7.63	5.60	-430	-526	- 4.6	+ 0.3	- 3.1
August	- 997	1,211	9.19	6.98	6.22	7.65	5.74	- 61	-129	- 2.7	- 0.3	- 3.2
September	- 744	1,026	9.15	7.09	6.55	7.98	5.83	+169	+ 1	+ 0.4	--	- 0.4
October	-1,006	1,189	8 71	7.00	6.50	7.89	5.80	-173	- 48	- 2.2	+ 0.1	- 0.6
November p	- 985	1,213	8.85	7.24	6.74	8.32	5.88	+314	+416	+ 2.6	+ 0.6	- 0.1
1969--Aug 6	- 839	1,090	9.57	6.99	6.21	7.57*	5.70	+484	+340	- 0.9	--	- 1.1
13	- 996	1,329	9.18	7.04	6.19	7.53	5.73	-102	+ 47	- 0.3	--	- 0.7
20	-1,162	1,221	8.79	6.86	6.20	7.61	5.73	-394	-387	- 1.5	+ 0.4	- 0.5
27	- 992	1,204	8.82	7.04	6.24	7.82	5.80	+344	+282	+ 0.7	- 0.6	- 0.5
Sept. 3	- 838	1,240	9.57	7.01	6.35	7.90*	5.80	- 65	- 24	+ 0.7	+ 0.6	+ 0.1
10	- 349	740	8.57	7.09	6.45	8.02*	5.85	+493	- 84	- 2.1	- 0.2	- 0.1
17	- 886	1,018	9.07	7.11	6.49	8.04	5.85	-323	+ 45	+ 3.4	+ 0.3	+ 0.3
24	- 901	1,105	9.61	7.13	6.60	8.13	5.82	-165	-134	- 2.1	- 1.3	- 0.2
Oct 1	-1 116	1,436	9.11	7.07	6.76	8.22	5.83	+163	+481	- 0.8	--	+ 0.3
8	- 828	964	9.43	7.00	6.65	8.10	5.80	- 71	-484	- 0.5	+ 1.3	- 0.4
15	-1,129	1,347	9.68	7.02	6.46	7.95	5.75	-316	+ 27	- 1.8	- 0.9	- 0.3
22	- 857	1,015	8 68	6.94	6.29	7.82	5.80	+54[illegible]	+287	+ 2.2	+ 1.2	- 0.3
29	-1,099	1,179	8 39	7.00	6 50	7 87	5.84	-531	-309	- 0.7	- 1.4	+ 0.1
Nov 5	-1,031	1,328	9.07	7 01	6 59	8.13	5 75	+370	+417	+ 2.6	+ 0.2	- 0.1
12	- 873	1,244	9.32	7 14	6.66	8 27*	5 78	- 20	- 90	- 0.1	+ 1.0	- 0.2
19 p	- 929	1,072	8 79	7.16	6.78	8.44	5.95	+483	+380	- 0.1	+ 0.5	+ 0.2
26 p	-1,105	1,207	8.32	7.44	6.83	8.67	6.05	-308	- 84	+ 0.5	- 0.2	+ 0.3
Dec. 3 p	-1,027	1,193	8.91	7.55	6.84	8.85	6.34	+ 39	- 55	+ 0.9	- 0.8	+ 0.3
10 p	- 983	1,199	8.75	7.75	6.80	8.70	6.48	+ 87	+232	- 1.4	- 0.8	- 0.1
Averages								**Annual rates of increase 4/**				
Year 1968	- 210	548	5.58	5.36	5.45	6.47	4.20	+ 6.0	+ 7.9	+ 9.0	+ 7.2	+11.5
Second Half 1968	- 218	529	5.77	5.42	5.44	6.50	4.22	+10.2	+10.7	+13.4	+ 7.0	+17.3
First Half 1969	- 779	1,034	7.45	6.17	6.12	7.20	4.99	- 3.7	+ 0.7	- 3.5	+ 4.3	- 4.0
Recent variation in growth												
7/3/68 - 12/18/68	- 203	516	5.90	5.34	5.40	6.47	4.21	+11.0	+12.9	+14.8	+ 5.9	+18.6
12/18/68 - 12/10/69	- 859	1,106	8.10	6.58	6.28	7.58	5.36	- 3.7	- 1.2	- 4.1	+ 1.9	- 5.6

1/ Average of total number of days in period. p - Preliminary S.A. - Seasonally adjusted.

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.

December 12, 1969.

although in the corporate bond sector a recent rally has pushed rates down from the record levels reached in the first week of December.

(3) During the past two statement weeks, the weekly average effective rate on Federal funds was between 8-3/4 and 9 per cent, or about the same as in November. Net borrowed reserves averaged $1 billion and member bank borrowings $1.2 billion, also little changed from November. Dealer loan rates increased somewhat in early December, however, as dealer bill positions and financing demands rose and the basic reserve deficit of major reporting banks in New York began to deepen by somewhat more than seasonal proportions.

(4) Along with the general rise in interest rates since the last meeting of the Committee, the money supply has been weaker than previously projected, as indicated by figures for private demand deposits in the last statement week of November and in the first two weeks of December. Money supply growth in November is now estimated at about a 3-1/2 per cent annual rate, slightly below the bottom of the range of the previous Blue Book. And the December projection, as will be noted in the section on prospective developments, has also been revised in a weaker direction.

(5) Total time and savings deposits in November showed a slight decline, on average, about as projected, and total member bank deposits rose at around an 11 per cent annual rate--also about as expected--due to the very large increase in U.S. Government deposits. Supporting deposit growth, total reserves rose at about a 9 per cent annual rate and nonborrowed reserves at a 5 per cent rate, as member bank borrowings rose seasonally adjusted from October to November. Nondeposit sources of funds in November added about 2-1/2 percentage points to total member bank deposits.

(6) The following table summarizes annual rates of change in major deposit, reserve, and credit aggregates for 1968 and to date in 1969:

	Year 1968	Jan. '69-June '69	July '69-Sept. '69	Oct.-Nov. '69
Total reserves	7.8	0.7	-9.3	-1.3
Nonborrowed reserves	6.0	-3.7	-4.8	-6.4
Money supply	7.2	4.3	0.0	2.1
Time and savings deposits	11.5	-4.0	-13.3	-2.2
Savings accounts at non-bank thrift institutions	6.3	5.0	2.1	1.5
Member bank deposits and related sources of funds				
Total member bank deposits (bank credit proxy)	9.0	-3.5	-9.4	0.8
Proxy plus Euro-dollars	9.8	-0.2	-6.2	0.6
Proxy plus Euro-dollars and other nondeposit sources	n.a.	n.a.	-4.3	3.0
Commercial bank credit (month end)				
Total loans and investments of all commercial banks	11.0	4.1	-0.8	4.8
L&I plus loans sold outright to affiliates and foreign branches	n.a.	n.a.	0.8	6.3

Note: Dates are inclusive. 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. All additions to the total member bank deposit series and the last Wednesday total loans and investments series are seasonally unadjusted numbers, since data have not been available for a long enough time to make seasonal adjustments.

Prospective developments

(7) For the second paragraph of the current economic policy directive, the Committee may wish to consider the following wording (Alternative A):

> "To implement this policy, System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining the prevailing firm conditions in THE money ~~and short term credit~~ markets; provided, however, that operations shall be modified if bank credit appears to be deviating significantly from current projections or if UNUSUAL LIQUIDITY pressures SHOULD DEVELOP." ~~arise in connection with possible bank regulatory changes.~~

(8) The specification of prevailing firm conditions in the money market as they pertain to the Federal funds rate and marginal reserve measures could be the same as in the previous Blue Book--a Federal funds rate in an 8-1/2 - 9-1/2 per cent range, member bank borrowings $1 - $1-1/2 billion, and net borrowed reserves $900 million - $1.2 billion. Some allowance may have to be made within the period, however, to accommodate a seasonal tendency for banks to hold higher excess reserves in connection with year-end churning.

(9) The prevailing 3-month Treasury bill rate, as noted earlier, has moved well above previous specifications. Over the next four weeks, given the money market conditions noted, the bill rate may

fluctuate in a 7-1/2 - 8 per cent range. A number of factors might exert upward pressure on the 3-month bill rate. Corporate tax payments are of record proportions for mid-December and both corporate and bank liquidity are strained; dealer bill positions are on the high side going into the tax period; and if prevailing net borrowed reserves were to be maintained, the System might have to absorb about $800 million of reserves in the statement week ending December 24 largely in consequence of a seasonal bulge in float. In addition, the market is likely to be anticipating large outflows of savings from banks and thrift institutions over year-end (with some of the funds going into intermediate- and longer-term bonds); as a result Federal agencies and thrift institutions may have to sell sizable amounts of Treasury bills and other short-term assets into the market. Thus, there is a possibility that unusual liquidity pressures could develop in the next few weeks.

(10) It is possible, on the other hand, that the bill market has already been discounting some of these pressures. For this and other reasons the bill rate could move back to or even below the lower end of the range specified above during the latter part of the interval before the January 13 meeting, although such a change cannot be predicted with certainty. In the first half of January seasonal pressures abate, and in late December and early January, the System is likely to be a net supplier of reserves. In addition, Board staff projections suggest that the Treasury may not need to raise new cash in January, as it typically

has done in past years. Because of the possibility of a bill rate decline, the reference to "other short-term credit markets" in the proposed directive language has been deleted on the assumption the Committee would wish to avoid any implication that the Manager should resist a tendency for the bill rate to recede from its current high prevailing level.

(11) Total time and savings deposits are projected to rise in a 3 - 6 per cent, annual rate, range in December. In part, this rise reflects continued net inflows of foreign official time deposits, which are assumed to continue rising at about $100 million a week. In addition, time deposits other than large CD's appeared to become less weak in the last week of November and thus far in December--with outstandings showing moderate net increases after rough seasonal adjustment. Finally, the steady attrition of large CD's of domestic holders has reduced their relative weight in total time and saving deposits and brought amounts maturing in December to the point where the actual decline in December is unlikely to reach usual seasonal proportions. A crude adjustment for the inappropriateness of established seasonal factors on total time and saving deposits, given current low levels of outstanding CD's, suggests that growth in time and savings deposits in December might be overstated by one to two percentage points, implying compensating adjustments throughout other months of the year. In January, total time and savings deposits are projected to decline at a 2 - 5 per cent rate/partly because the seasonal rebuilding of domestic CD's

achieved in past Januaries cannot occur in the current environment of very high market interest rates. The staff has assumed that net outflows of domestic time deposits other than large CD's following the end-of-year interest-crediting will be larger than after September but not quite as large as following the mid-year interest-crediting period, given the outflow of interest-sensitive money that has already occurred.

(12) The money supply in December is projected to decline in a 3 - 6 per cent, annual rate, range and little net growth is expected in January. At current high interest rates, demand for cash balances appears to be reduced, and the slower growth currently estimated and in near-term prospect for GNP is consistent with a moderation in transactions demand for money. On the other hand, year-end window dressing by domestic non-financial corporations seeking to conform to Commerce regulations on direct foreign investment might lead to a temporary inflow of funds and a bulge in year-end demand deposits similar to the one that occurred last year. Such a development would tend temporarily to strengthen money supply performance at year-end and in early January, as also might shifts of savingsfrom institutions to the market. U.S. Government demand deposits seem likely to decline moderately on average in December and to recover to about the same degree in January, assuming that savings outflows from S&L's in January are not so severe as to force the FHLB to make use of its direct borrowing line at the Treasury.

(13) Total member bank deposits in December are projected to show little net change, on average, but then to decline in a 1-4 per cent range in January. Commercial paper issued by bank-related affiliates is expected to continue growing at about the recent $100 million per week rate, assuming no change in the current pending status of the Board's proposed regulation. Euro-dollar takings are likely to decline somewhat between now and year-end, if past seasonal patterns are followed. However, business loan demands are likely to be relatively strong this month--in view of the tax payments and continued inventory accumulation--and banks may bid somewhat more aggressively for Euro-dollar funds, perhaps reducing the extent of the seasonal decline in the last half of December. All in all, in December nondeposit sources may add about a percentage point to the change in total member bank deposits, followed by a somewhat larger addition in January, although the increase could be mainly the result of a seasonal recovery in Euro-dollars.

(14) Given the continued constraints on banks, changes in long-term interest rates are most likely to reflect expectational factors and changes in credit market demands. A temporary seasonal abatement in demands will develop between now and year-end, and heavy buying of bonds by retail customers could well push interest rates down, but the January calendar of corporate and municipal issues appears unusually large. The magnitude and persistence of any declines in long-term interest rates would appear to depend on the volume of

fund transfers out of equities, short-term market instruments, and thrift institutions, as well as on the willingness of institutional investors with regular inflows of funds to bid actively to lock-up high yields. Such buying will depend in part on expectational forces, which would be strongly affected by economic news.

(15) If current projections for December are realized, the annual rates of increase for key aggregates in the fourth quarter would be as follows (using the midpoint of the December projections):

	Annual Rates (in percentage points)
Total reserves	2.0
Nonborrowed reserves	-2.0
Money supply	0.0
Time and savings deposits	0.0
Total member bank deposits	0.5
Total member bank deposits plus nondeposit sources	2.0

Policy alternative

(16) If the Committee should decide to move toward slightly less firm money market conditions, it might wish to consider the following second paragraph for the directive (Alternative B):

> 'To implement this policy, System open market operations until the next meeting of the Committee shall be conducted with a view to ~~maintaining the prevailing~~-ACHIEVING SLIGHTLY LESS firm conditions in THE money ~~and short-term credit~~ markets; provided, however, that operations shall be modified if bank credit appears to be deviating significantly from current projections or if UNUSUAL LIQUIDITY pressures SHOULD DEVELOP ~~arise in connection with possible bank regulatory changes,~~

(17) The slightly less firm money market conditions might involve Federal funds most frequently around 8-1/2 per cent, member bank borrowings around $1 billion or a little less, and net borrowed reserves fluctuating around $800 million. With some change in market expectations developing under these conditions, the 3-month bill rate might move rather rapidly down into a 7 - 7-1/2 per cent range, and some downward adjustment in long-term interest might be expected as well.

(18) Monetary aggregates probably would be affected only in a minor way over the near-term by the change in market conditions specified above, unless there is a sharp shift in market expectations. Any significant upward impact on the aggregates probably would require a more extended easing of money market conditions than the one specified, especially when ceiling rates on deposits are so far below the market and bank investment policies have become so cautious.

Chart 1

MEMBER BANK RESERVES

MONTHLY AVERAGES OF DAILY FIGURES

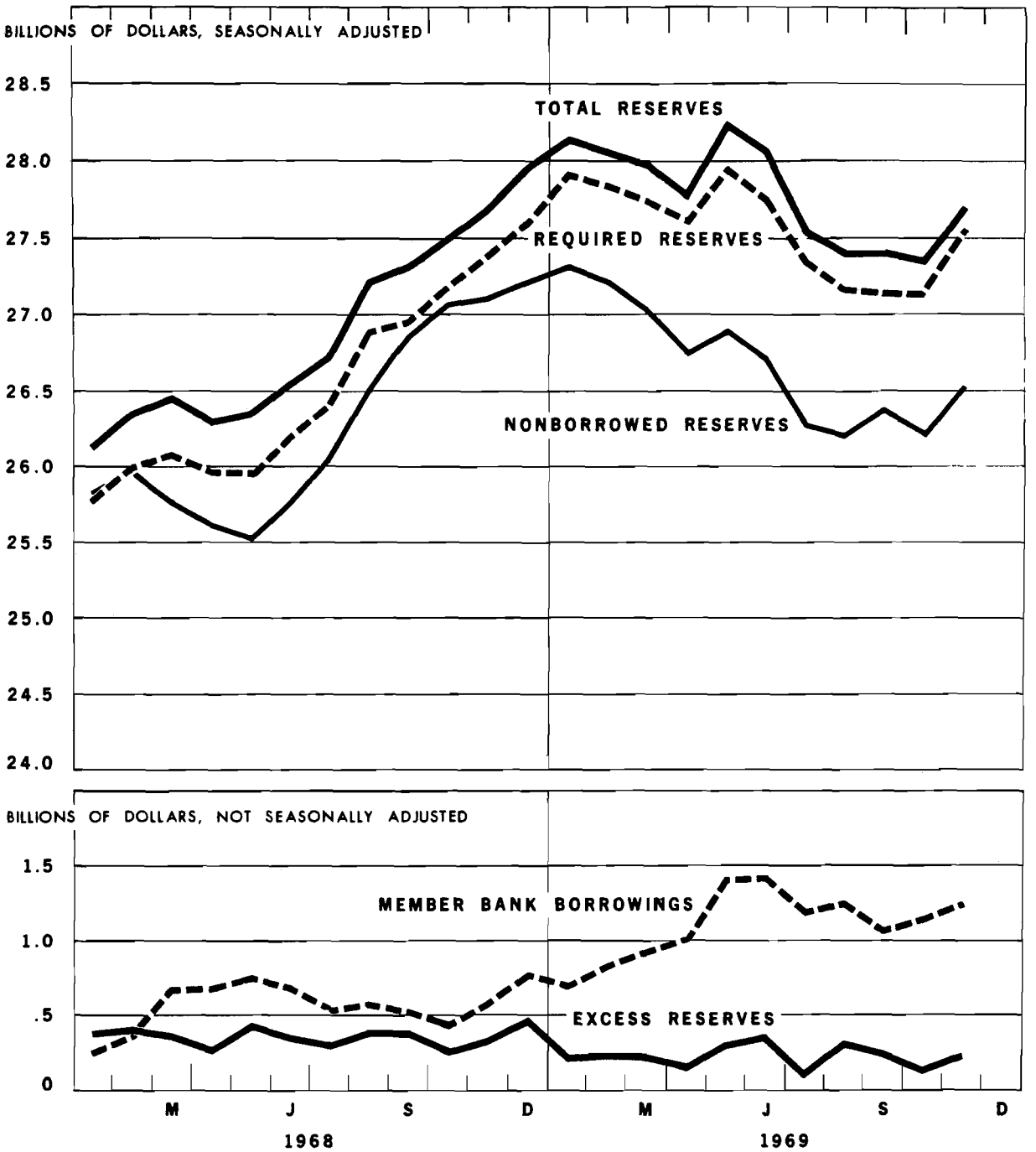

Chart 2

MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

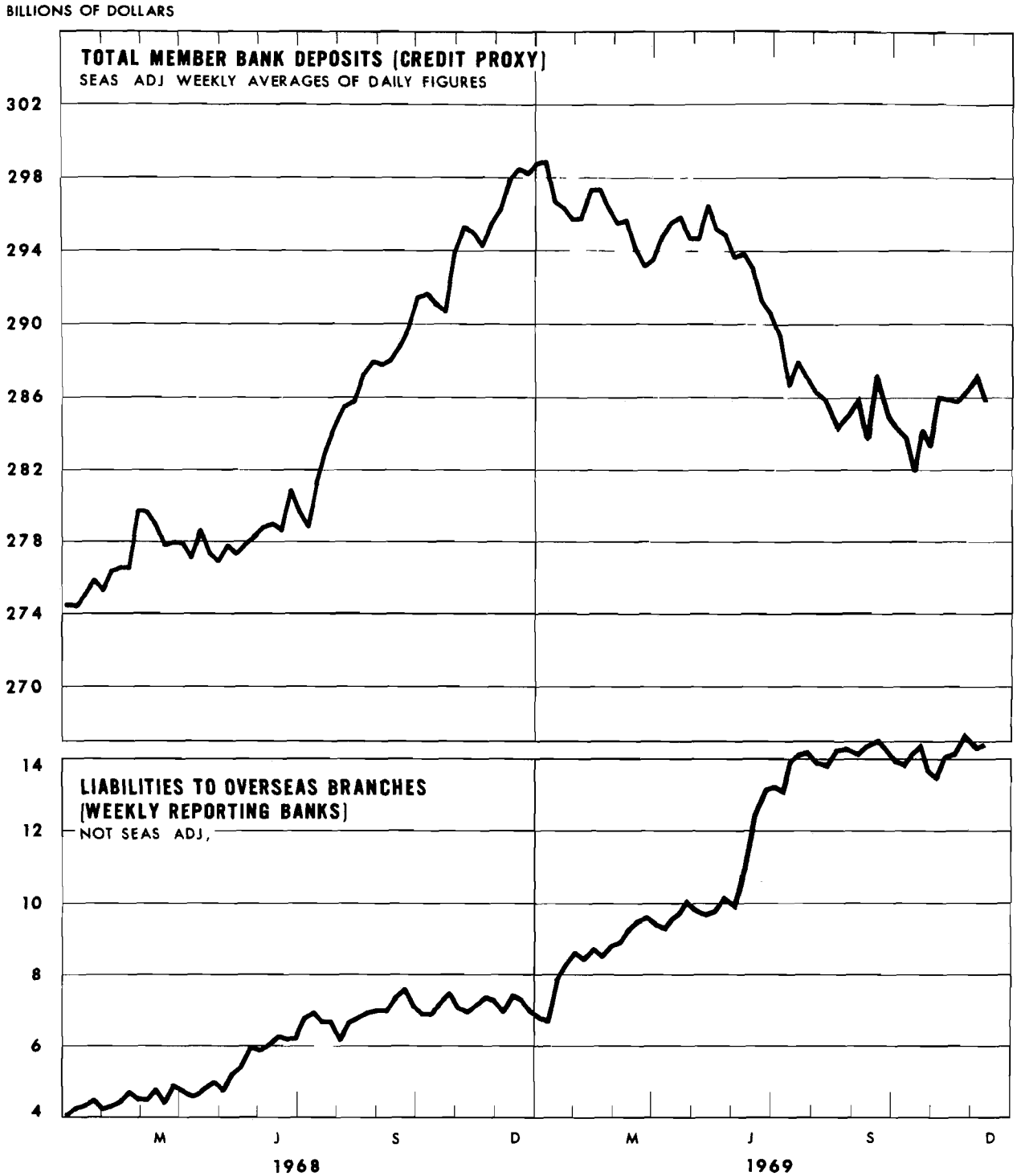

Chart 3

MONEY SUPPLY AND BANK DEPOSITS

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

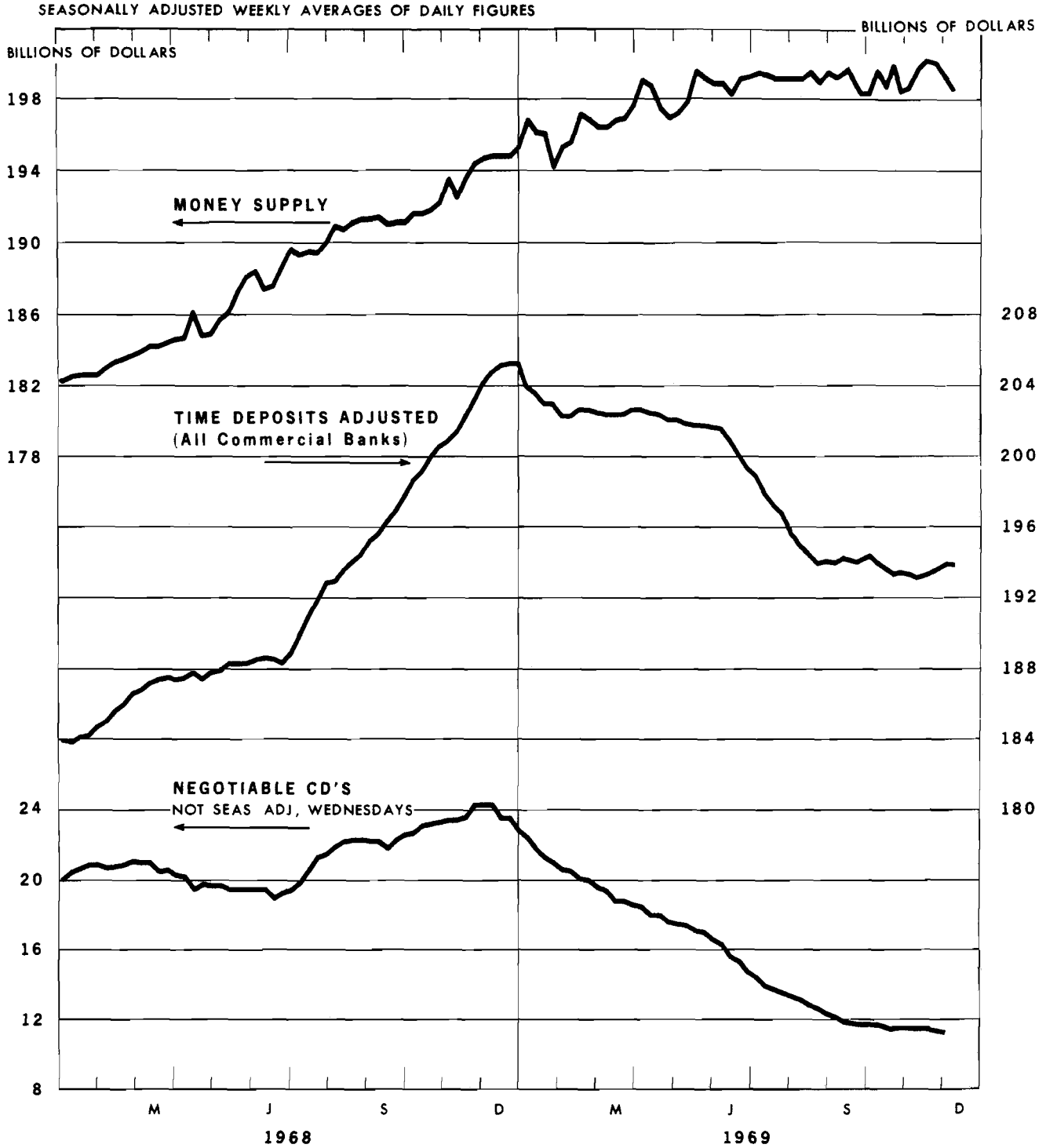

Chart 4

DEMAND DEPOSITS AND CURRENCY

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

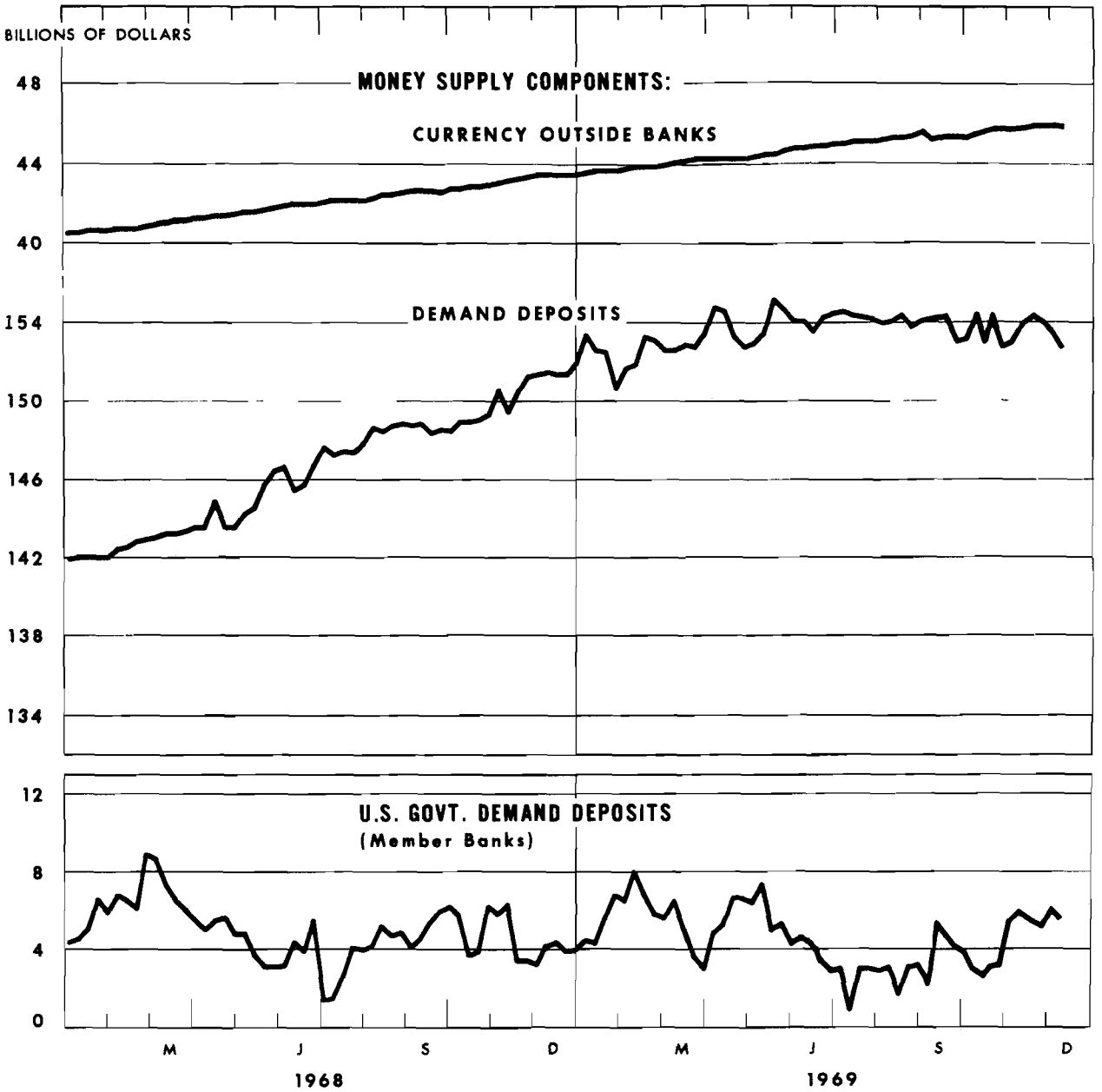

Table 1

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

Period	Free reserves	Excess reserves	Member Banks Borrowings				
			Total	Reserve City			Countr
				Major banks		Other	
				8 N.Y.	Outside N.Y.		
Monthly (reserves weeks ending in):							
1968--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	- 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
1969--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	-1,162	59	1,221	136	267	194	624
27	- 992	212	1,204	53	196	322	633
Sept. 3	- 838	402	1,240	57	286	233	664
10	- 349	391	740	64	39	172	465
17	- 886	132	1,018	128	331	136	423
24	- 901	204	1,105	83	306	328	388
Oct. 1	-1,116	320	1,436	95	531	257	553
8	- 828	139	967	170	112	267	418
15	-1,129	218	1,347	210	396	302	439
22	- 857	158	1,015	--	275	344	396
29	-1,099	80	1,179	53	322	293	511
Nov. 5	-1,032	296	1,328	121	422	295	490
12	- 873	371	1,244	350	296	190	408
19 p	- 929	143	1,072	--	390	262	420
26 p	-1,105	102	1,207	8	438	258	503
Dec. 3 p	-1,027	166	1,193	266	307	239	381
10 p	- 983	216	1,199	293	264	263	379

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					
					Money Supply				
	Total Reserves	Nonborrowed Reserves	Required Reserves	Total Member Bank Deposits	Total	Currency	Private Demand Deposits	Commercial bank time deposits adjusted	Credit Proxy (Incl. Euro-dollar borrowings)
Annually									
1967	+10.3	+11.7	+10.5	+11.8	+ 6.6	+ 5.5	+ 7.0	+15.9	+11.7
1968	+ 7.8	+ 6.0	+ 7.9	+ 9.0	+ 7.2	+ 7.4	+ 7.1	+11.5	+ 9.8
Quarterly									
1st Quarter 1968	+ 7.9	+ 1.1	+ 7.5	+ 7.3	+ 5.5	+ 6.9	+ 5.4	+ 7.6	+ 7.6
2nd Quarter 1968	+ 1.5	+ 2.1	+ 1.8	+ 1.4	+ 8.7	+ 7.8	+ 8.7	+ 3.0	+ 3.7
3rd Quarter 1968	+11.5	+15.0	+11.5	+13.6	+ 6.8	+ 7.6	+ 6.8	+16.5	+14.7
4th Quarter 1968	+ 9.6	+ 5.3	+ 9.8	+12.7	+ 7.1	+ 6.6	+ 7.0	+17.3	+11.9
1st Quarter 1969	+ 0.1	- 2.8	+ 1.7	- 4.8	+ 4.1	+ 6.5	+ 3.4	- 5.1	- 1.8
2nd Quarter 1969	+ 1.2	- 4.7	+ 0.2	- 2.2	+ 4.5	+ 6.3	+ 3.9	- 3.0	+ 1.4
3rd Quarter 1969	- 9.3	- 4.8	- 8.6	- 9.4	--	+ 3.6	- 1.3	-13.3	- 6.2
Monthly:									
1968--April	- 6.9	- 6.9	- 5.2	- 5.2	+ 5.9	+ 5.8	+ 5.0	+ 3.2	- 4.7
May	+ 2.5	+ 0.9	- 0.6	+ 2.2	+11.0	+ 8.7	+12.5	+ 3.2	+ 6.0
June	+ 8.8	+12.3	+11.3	+ 7.3	+ 9.0	+ 8.7	+ 8.3	+ 2.6	+ 9.7
July	+ 7.6	+13.8	+ 9.4	+ 9.4	+ 8.9	+ 5.7	+ 9.8	+15.9	+10.5
August	+22.4	+22.4	+22.3	+22.2	+ 8.9	+ 8.6	+ 8.9	+17.0	+22.5
September	+ 4.3	+ 8.3	+ 2.6	+ 8.8	+ 2.5	+ 8.5	+ 1.6	+16.1	+10.6
October	+ 8.5	+ 9.2	+10.4	+13.3	+ 2.5	+ 2.8	+ 2.4	+18.3	+12.1
November	+ 7.9	+ 1.3	+ 8.4	+11.5	+11.3	+11.2	+11.3	+16.2	+11.6
December	+12.1	+ 5.3	+10.2	+13.0	+ 7.4	+ 5.6	+ 7.2	+16.6	+11.5
1969--January	+ 7.5	+ 4.5	+12.7	- 3.2	+ 6.2	+ 2.8	+ 7.1	-10.0	- 0.8
February	- 3.4	- 4.9	- 3.0	- 1.2	+ 3.1	+ 8.3	+ 1.6	- 4.7	+ 2.0
March	- 3.8	- 8.0	- 4.4	-10.1	+ 3.1	+ 8.2	+ 1.6	- 0.6	- 6.7
April	- 8.5	-12.0	- 5.0	+ 4.9	+ 7.9	+ 2.7	+10.2	--	+ 5.5
May	+19.9	+ 6.0	+14.3	- 1.2	+ 1.2	+ 8.1	- 1.6	- 3.6	--
June	- 7.6	- 8.2	- 8.6	-10.2	+ 4.2	+ 8.1	+ 3.1	- 5.4	- 1.2
July	-22.5	-19.3	-17.6	-18.9	+ 1.8	+ 5.4	+ 1.6	-18.5	-11.4
August	- 5.6	- 2.8	- 7.6	-11.3	- 1.8	+ 8.0	- 4.7	-19.4	- 9.5
September	--	+ 7.7	- 0.8	+ 1.7	--	- 2.6	- 0.8	- 2.5	+ 2.4
October	-11.7	-17.9	-10.4	- 9.2	+ 0.6	+10.6	- 0.8	- 3.7	-10.0
November p	- 9.1	+ 4.9	+ 9.3	+11.0	+ 3.6	+ 5.3	+ 2.3	- 0.6	+11.3

p - Preliminary.

Table 3

AGGREGATE RESERVES AND MONETARY VARIABLES
Seasonally Adjusted

(Based on monthly averages of daily figures)

Period	Reserve Aggregates 5/			Member Bank Deposits Supported by Required Reserves				Money Supply			Commercial bank time deposits adjusted 4/	Credit Proxy (Incl. Eur 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/		
	(In millions of dollars)			(In billions of dollars)								
Monthly:												
1968--January	26,134	25,818	25,774	275.1	149.9	119.7	5.4	182.6	40.6	142.0	184.1	279.4
February	26,352	25,961	25,989	277.4	150.2	120.1	7.1	183.3	40.7	142.6	185.8	281.9
March	26,451	25,755	26,078	278.5	151.2	120.6	6.7	184.2	41.1	143.2	187.2	283.2
April	26,298	25,606	25,964	277.3	151.3	120.8	5.2	185.1	41.3	143.8	187.7	282.1
May	26,353	25,626	25,952	277.8	151.5	122.7	3.7	186.8	41.6	145.3	188.2	283.5
June	26,547	25,889	26,196	279.5	151.8	123.8	3.9	188.2	41.9	146.3	188.6	285.8
July	26,715	26,186	26,402	281.7	153.8	125.2	2.7	189.6	42.1	147.5	191.1	288.3
August	27,213	26,675	26,893	286.9	156.5	125.6	4.8	191.0	42.4	148.6	193.8	293.7
September	27,311	26,860	26,951	289.0	158.9	124.8	5.3	191.4	42.7	148.8	196.4	296.3
October	27,504	27,066	27,185	292.2	161.5	125.7	5.0	191.8	42.8	149.1	199.4	299.3
November	27,685	27,095	27,376	295.0	163.5	126.8	4.7	193.6	43.2	150.5	202.1	302.2
December	27,964	27,215	27,609	298.2	165.8	128.2	4.2	194.8	43.4	151.4	204.9	305.1
1969--January	28,139	27,318	27,902	297.0	163.2	128.4	5.4	195.8	43.5	152.3	203.2	304.8
February	28,060	27,206	27,832	296.7	161.0	129.1	6.7	196.3	43.8	152.5	202.4	305.3
March	27,972	27,024	27,729	294.2	160.5	128.9	4.8	196.8	44.1	152.7	202.3	303.6
April	27,775	26,754	27,614	295.4	160.1	129.4	5.9	198.1	44.2	154.0	202.3	305.0
May	28,235	26,888	27,942	295.1	159.3	130.0	5.9	198.3	44.5	153.8	201.7	305.0
June	28,056	26,705	27,742	292.6	158.1	130.5	4.0	199.0	44.8	154.2	200.8	304.7
July	27,530	26,275	27,334	288.0	155.1	130.5	2.4	199.3	45.0	154.4	197.7	301.8
August	27,401	26,214	27,161	285.3	152.5	129.9	2.9	199.0	45.3	153.8	194.5	299.4
September	27,402	26,383	27,144	285.7	152.1	129.2	4.4	199.0	45.2	153.7	194.1	300.0
October	27,354	26,210	27,129	283.5	151.5	128.9	3.1	199.1	45.6	153.6	193.5	297.5
November p	27,770	26,524	27,549	286.1	151.1	129.5	5.5	199.7	45.8	153.9	193.4	300.3

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.
5/ Includes increases in required reserves due to changes in Regulations M and D of approximately $400 million since October 16, 1969.

Table 4

AGGREGATE RESERVES AND MONETARY VARIABLES
Seasonally Adjusted

Period		Reserve Aggregates 5/			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)								
Apr.	2	27,879	26,689	27,570	293.6	160.7	130.0	3.0	197.6	44.2	153.4	202.6	303.0
	9	27,611	26,634	27,431	294.9	160.6	129.5	4.9	199.0	44.2	154.7	202.6	304.2
	16	27,590	26,838	27,515	295.6	160.2	130.0	5.3	198.7	44.2	154.5	202.4	305.1
	23	27,848	26,733	27,698	295.9	160.1	129.1	6.8	197.4	44.2	153.2	202.3	305.7
	30	28 023	26,830	27,823	294.7	159.8	128.3	6.6	196.9	44.2	152.7	202.0	304.7
May	7	28,501	27,048	27,993	294.7	159.6	128.7	6.4	197.2	44.3	152.9	202.0	304.5
	14	28 162	26,980	27,888	296.5	159.4	129.8	7.3	197.8	44.4	153.4	201.8	306.2
	21	28,020	26,629	27,844	295.2	159.3	131.0	5.0	199.5	44.4	155.1	201.7	305.0
	28	28,219	26,920	28,091	294.9	159.1	130.6	5.3	199.1	44.6	154.6	201.7	305.1
June	4	28,320	26,829	27,826	293.7	158.8	130.6	4.3	198.8	44.7	154.0	201.6	303.6
	11	28,308	27,028	27,800	293.9	158.7	130.6	4.6	198.8	44.7	154.0	201.5	304.9
	18	27 833	26,543	27,698	293.1	158.2	130.6	4.3	198.2	44.8	153.5	200.9	305.6
	25	27 761	26,588	27,701	291.3	157.6	130.3	3.4	199.1	44.8	154.2	200.1	304.5
July	2	28,217	26,543	27,711	290.6	157.0	130.7	2.9	199.2	44.9	154.3	199.3	303.8
	9	27,506	26,461	27,462	289.4	156.1	130.2	3.0	199.4	44.9	154.5	198.8	302.5
	16	27,568	26,370	27,492	286.7	155.3	130.5	.9	199.3	45.0	154.3	197.9	300.7
	23	27,703	26,274	27,307	288.0	154.6	130.5	3.0	199.1	45.0	154.2	197.2	302.2
	30	27,151	25,927	26,980	287.1	154.1	130.0	3.0	199.1	45.0	154.1	196.7	301.3
Aug.	6	27,491	26,411	27,258	286.2	153.4	129.9	2.9	199.1	45.1	153.9	195.6	300.2
	13	27,538	26,309	27,216	285.9	152.9	129.9	3.1	199.1	45.2	154.0	194.9	299.8
	20	27,151	25,915	27,164	284.4	152.4	130.3	1.7	199.5	45.2	154.3	194.4	298.6
	27	27,433	26,259	27,135	285.1	152.1	129.9	3.1	198.9	45.3	153.6	193.9	299.4
Sept	3	27,409	26,194	26,957	285.8	151.9	130.7	3.2	199.5	45.5	154.0	194.0	300.0
	10	27 325	26,687	27,059	283.7	151.9	129.7	2.2	199.3	45.1	154.2	193.9	298.1
	17	27,370	26,364	27,238	287.1	152.0	129.8	5.2	199.6	45.3	154.3	194.2	301.6
	24	27,236	26,199	26,982	285.0	152.2	128.6	4.1	198.3	45.3	153.0	194.0	299.2
Oct.	1	27,717	26,362	27,417	284.2	152.3	128.1	3.8	198.3	45.2	153.1	194.3	298.2
	8	27,233	26,291	27,044	283.7	151.9	128.8	3.0	199.6	45.4	154.3	193.9	297.5
	15	27,260	25,975	27,059	281.9	151.4	127.8	2.7	198.7	45.6	153.0	193.6	296.1
	22	27,547	26 520	27,263	284.1	151.3	129.7	3.1	199.9	45.7	154.3	193.3	298.5
	29	27,238	27,939	27,041	283.4	151.2	129.1	3.2	198.5	45.7	152.8	193.4	297.1
Nov	5	27,655	26,359	27,360	2 6.0	151.3	129.3	5 5	198.7	45 7	153.0	193.3	299.5
	12	27,565	26 339	27,354	285.9	151 0	129.0	5.9	199.7	45.8	153.9	193.1	299.9
	19 p	27 945	26,822	27,732	285 8	151.0	129.2	5 5	200.2	45.9	154.3	193.3	299.9
	26 p	27,861	26,514	27,637	286.3	151.2	129.9	5.2	200.0	45.9	154.0	193.6	301.0
Dec	3 p	27 806	26,553	27,650	287.2	151.3	129.8	6.1	199.2	45.9	153.4	193.9	301.5
	10 p	28,038	26,640	27,698	285.8	151.6	128.6	5.6	198.4	45.8	152.7	193.8	300.2

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
5/ Includes increases in required reserves due to changes in Regulations M and D of approximately $400 million since October 16, 1969.

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: Total holdings	U.S. Government securities: Bills 1/	U.S. Government securities: Other	U.S. Government securities: Repurchase agreements	Federal Agency Securities	Bankers' acceptances	Member banks borrowings
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	- 198	- 45	+ 355 (+ 10)	--	- 400	- 27	- 18	- 108
27	+ 86	+ 96	+ 61 (+ 37)	--	+ 35	+ 4	+ 3	- 17
Sept. 3	+ 273	+ 218	+ 155 (+ 51)	--	+ 63	+ 14	+ 5	+ 36
10	-1,434	- 900*	-1,276 (- 632)	--	- 131	- 22	- 12	- 500
17	- 400	- 686*	- 890 (+ 531)	--	+ 50	+ 4	+ 4	+ 278
24	+ 728	+ 633*	+1,254 (+ 101)	--	+ 40	+ 8	--	+ 87
Oct 1	+ 622	+ 298	+ 87 (--)	--	+ 211	- 3	- 4	+ 331
8	- 151	+ 217	+ 88 (--)	+ 129	--	+ 68	+ 33	- 469
15	+ 895	+ 548	+ 536 (--)	--	+ 12	- 34	+ 1	+ 380
22	- 383	- 33	+ 172 (- 430)	--	- 205	+ 1	- 19	- 332
29	- 184	- 289	+ 181 (+ 137)	--	- 108	- 44	- 15	+ 164
Nov 5	+1,224	+1,049	+ 788 (+ 293)	--	+ 261	+ 18	+ 8	+ 149
12	+ 297	+ 391	+ 585 (--)	--	- 194	- 8	- 2	- 84
19 p	+ 563	+ 748	+ 788 (--)	+ 27	- 67	- 10	- 3	- 172
26 p	+ 304	+ 164	+ 128 (- 53)	+ 36	--	--	+ 5	+ 135
Dec. 3 p	+ 563	+ 561	+ 402 (--)	--	+ 159	+ 9	+ 7	- 14
10 p	+ 203	+ 175	+ 172 (+ 53)	--	+ 3	+ 10	+ 12	+ 6

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, $-723 million of the week of April 23, $+507 million of the week of September 10, $_154 million of the week of September 17, and $-661 million of the week of September 24

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: 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	= Change in total reserves	= Bank use of 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
Weekly:										
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	- 198	--	- 417	+ 259	+ 395	+ 8	+ 153	+ 199	+ 473	- 274
27	+ 86	--	+ 289	- 153	- 459	- 4	- 9	- 250	- 403	+ 153
Sept. 3	+ 273	--	- 145	+ 39	- 85	- 9	- 31	+ 41	- 149	+ 190
10	-1,434	--	+ 54	+ 860	+ 378	+ 27	+ 106	- 9	+ 2	- 11
17	- 400	--	- 98	- 18	+ 147	- 2	+ 246	- 127	+ 132	- 259
24	+ 728	--	+ 222	-1,125	+ 199	- 11	+ 104	+ 117	+ 45	+ 72
Oct. 1	+ 622	--	+ 269	+ 64	- 638	+ 11	+ 138	+ 469	+ 353	+ 116
8	- 151	--	- 233	+ 222	+ 137	- 11	- 206	- 247	- 66	- 181
15	+ 895	--	- 416	- 198	- 158	+ 18	+ 78	+ 226	+ 147	+ 79
22	- 383	--	- 416	+ 174	+ 871	- 1	- 7	+ 235	+ 295 3/	- 60
29	- 184	--	+ 453	+ 8	- 655	--	- 64	- 442	- 364	- 78
Nov. 5	+1,224	--	- 52	- 174	- 207	- 19	- 283	+ 489	+ 273	+ 216
12	+ 297	--	- 337	- 34	+ 143	- 1	- 4	+ 64	- 11	+ 75
19 p	+ 563	--	- 553	+ 94	+ 569	- 10	- 419	+ 240	+ 468	- 228
26 p	+ 304	--	- 191	+ 67	- 180	+ 25	- 424	- 399	- 358	- 41
Dec. 3 p	+ 563	--	- 92	- 3	- 187	- 1	- 137	+ 144	+ 80	+ 64
10 p	+ 203	--	- 134	- 136	+ 106	- 15	- 25	- 2	- 52	+ 50
PROJECTED 2/										
1969--Dec. 17	- 515	--	- 215	+ 200	+ 600	+ 15	+ 345	+ 430	+ 430	--
24	- 795	--	- 205	- 20	+ 600	--	+ 150	- 270	- 270	--
31	+ 295	--	+ 345	--	- 150	--	--	+ 490	+ 490	--
1970--Jan. 7	+ 460	--	+ 395	--	- 295	--	--	+ 560	+ 560	--
14	- 185	--	+ 525	--	- 450	--	+ 115	+ 5	+ 5	--

1/ For retrospective details, see Table 5.
2/ See reverse side for explanation.
3/ Includes increases in required reserves due to changes in Regulations M and D of approximately $400 million since October 15, 1969.
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 $1.9 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: $-0.7 billion, December 15; $-1.1 billion, December 22; and $100 million addition to weekly bill auctions over the remainder of the year.