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(CONFIDENTIAL FR)

November 13, 1970.

MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the Staff

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

CONFIDENTIAL (FR) November 13, 1970.

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) The adjusted money supply in October rose only slightly, thus falling considerably short of the 4-1/2 per cent rate of increase expected at the time of the last meeting of the Committee. While spread throughout the banking system, the greater portion of the weakness in the money supply appears to have been at reserve city banks and to be associated with the weakness in demands for short-term credit, perhaps in large part related to the auto strike. As shown in the table in paragraph (3), since mid-October the weekly data have, without exception, run below the path indicated in the last Blue Book; and in the week of November 4 the shortfall amounted to some $1-1/2 billion.

(2) Growth in the adjusted bank credit proxy in October fell even further below expectations than the money supply. Currently the proxy is estimated to have increased at only about a 1/2 of 1 per cent rate over the month, compared with a 7 per cent rate expected at the time of the Committee meeting. In addition to the weakness in private demand deposits, the increase in the proxy was held down by a slightly more rapid pace of runoff of non-deposit sources of funds than allowed for, a slower growth in time deposits than earlier anticipated, and a greater decline in U.S. Government deposits. The October rate of increase in time deposits is estimated at 22 per cent, compared with a projection of 26-1/2 per cent,

reflected some slowing in net inflows of both CD's and other time and savings deposits. Like the weakness in the money supply, this slowing was concentrated at reserve city banks.

(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)

1970 Month		Adjusted Credit Proxy: Indicated at Last Meeting 1/	Adjusted Credit Proxy: Actual Results	Money Supply 2/: Indicated at Last Meeting 1/	Money Supply 2/: Actual Results
September		324.5	324.5	210.8	210.7
October		326.4	324.7	211.6	210.8
Week ending					
October	14	324.4	323.9	210.2	210.0
	21	325.7	324.3	212.4	212.1
	28	329.1	324.9	212.2	209.6
November	4	329.1	325.5	211.4	210.0
	11	329.6	326.3	212.6	210.4
		% Annual Rates of Change		% Annual Rates of Change	
Third Quarter (Sept. over June)		17.2	17.2	5.0	4.8 3/
October over September		7.0	0.7	4.5	0.6

1/ Alternative A path of previous Blue Book.

2/ Estimated money supply levels and per cent annual rates of growth after correction for bias. Data on the published money supply, both target path and actuals, are shown in appendix table 1.

3/ 4.6 per cent annual rate for third quarter average over second quarter average.

(4) In view of the shortfall in monetary growth rates in October, as well as in the fourth quarter, the Desk has encouraged more comfortable money market conditions than those generally prevailing around the time of the October 20 meeting. With the "even keel" constraint lessened after the auction date of the new note, Federal funds began to trade more frequently below 6 per cent and in the last day or two have been trading around the new 5-3/4 per cent discount rate. Net borrowed reserves over the statement weeks since the last meeting have fluctuated in a $120 to $290 million range while average member bank borrowings have remained quite stable around $430 million.

(5) Short-term interest rates have declined markedly since the Committee meeting, particularly in the Treasury bill market where the rate on 3-month issues has dropped about 50 basis points to around 5.45 per cent. The fall in bill rates was influenced by anticipation of a near-term cut in the discount rate and the commercial bank prime rate (both of which subsequently were reduced by 1/4 point), by reinvestment of the proceeds of the heavy recent volume of capital market offerings, and, also, by reduced demands for short-term credit partly as a result of the prolonged auto strike. These same influences have worked to reduce rates on private short-term market instruments as well, and most of these rates are about 25--50 basis points below their levels as of October 20. Bond markets have rallied in the last two weeks, bringing yields somewhat below those prevailing around the time of the last FOMC meeting.

(6) On October 23, the Treasury announced a rights exchange for the $7.7 billion of maturing 5 per cent notes, $6.0 billion of which were publicly held. Holders of the maturing notes were given the option of an exchange into either a 3-1/2-year, 7-1/4 per cent note at par or a 5-3/4-year, reopened 7-1/2 per cent note priced to yield 7.39 per cent. The exchange was very successful with an attrition rate of only 11 per cent, or about $650 million, of the public's holdings. These two new issues were most recently trading at premiums of 1-3/4--2 points. In conjunction with the October 30 announcement of the results of the rights exchange, the Treasury announced a $2.0 billion cash financing in the form of an auction on November 5 of a 6-3/4 per cent, 18-month note, with 50 per cent tax and loan credit allowed for banks. The note auction was very successful, and an average issuing rate of 6.21 per cent resulted, a rate considerably below earlier market expectations.

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

	Past Year (Oct. over October)	First Half of 1970 (June over December)	Third Quarter (Sept. over June)	Most Recent Month (October over September)
Total Reserves	6.5	- 0.2	19.2	-3.8
Nonborrowed Reserves	9.4	1.9	24.4	-0.3
Money Supply, published	3.5	4.0	5.1	-0.6
Money Supply, adjusted	4.3	5.5	4.8	0.6
Large CD's (dollar amount) 1/	$11.7	$ 1.7	$8.7	$1.9
Other time and savings deposits	8.7	5.7	15.5	12.9
Savings account at nonbank thrift institutions	6.0	4.3	10.0	12.9
Member bank deposits and related sources of funds				
Total member bank deposits (Bank credit proxy)	9.6	3.3	24.1	10.1
Proxy plus Euro-dollars and other nondeposit sources	7.4	3.5	17.2	0.7
Commercial bank credit (Month end)				
Total loans and investments	6.6	2.5	17.0	0.8
L&I plus loans sold outright to affiliates and foreign branches	6.4	4.5	13.9	-1.7
Nonbank commercial paper	9.3	14.2	-17.7	32.3

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.

Prospective developments

(8) The recent weakness in demand deposits, and also to a degree in time deposits, suggests that the fourth quarter target growth rate for the money supply of 5 per cent (and the anticipated attendant bank credit growth rate of 9 per cent) are not likely to be attained, even with money market conditions similar to the easier conditions most recently prevailing. The latter might be taken to include a Federal funds rate around the new 5-3/4 per cent discount rate and a net reserve position for banks in a +$50 to -$200 million range. Given these money market conditions, the staff's current projections of likely growth in money supply, bank credit, and total reserves are shown below. As may be seen the money supply over the quarter would be expected to grow at a 3 per cent annual rate, with growth expected to accelerate from the very low recent rates as economic activity picks up in connection with the ending of the auto strike. The adjusted bank credit proxy is expected to grow at only a 3-1/2 per cent annual rate for the quarter, partly as U.S. Government deposits show a substantial decline.

Selected Monetary Aggregates, Monthly
($ billions, seasonally adjusted--% annual rate change in parenthesis)

	Money Supply			
	Published Basis	Adjusted	Adjusted Bank Credit Proxy	Total Reserves
September	206.2 (+1.2)	210.7 (1.1)	324.5 (9.7)	29.2 (27.5)
October	206.1 (-0.6)	210.8 (+0.6)	324.7 (0.7)	29.4 (-3.8)1/
November	206.6 (+3.0)	211.3 (+3.0)	326.2 (5.5)	29.6 (9.5)
December	207.6 (+6.0)	212.3 (+5.5)	327.3 (4.0)	29.7 (8.5)
Fourth quarter (Dec. over Sept.)	(2.5)2/	(3.0)2/	(3.5)	(5.0)1/

1/ There was a break in the total reserve series effective October 1 as a result of the application of reserve requirements to bank-related commercial paper. The rates of change shown here were calculated excluding commercial paper reserves.

2/ 2.5 per cent annual rate for fourth-quarter average over third-quarter average.

With these aggregates and money market conditions, the staff would expect the 3-month bill rate to be in a 5-1/4--5-3/4 per cent range. It is possible that the bill rate could rise in the last few weeks of the year as the result of an expected $2 billion Treasury bill offering for new cash to be announced shortly, of usual seasonal pressures, and of some renewed short-term credit demands following settlement of the auto strike. A back-up in short-term rates, should it develop, would tend to limit, though perhaps not completely halt, further declines in long-term interest rates.

(9) In light of the staff's estimate of the outlook for monetary aggregates noted above for the fourth quarter the Committee may wish to consider a further easing in money market conditions in an effort to move back to its previously desired track. But since it seems likely that some of the recent deposit weakness may have been related to diminished short-term credit and cash working

balance needs as a result of the auto strike, the Committee may also wish to consider settling for a somewhat slower aggregate growth in the fourth quarter than previously desired. This approach might then allow for a counterbalancing growth in the money stock at a rate above 5 per cent in the first quarter when the economy will be doing most of its catching up from strike effects. For example, the Committee may not wish to ease money market conditions, and other interest rates, as much as now seems likely to be required to attain a 5 per cent money stock growth in the fourth quarter, and then have to turn around and tighten money market conditions in the first quarter in order to keep money growth to 5 per cent at a time when transactions demands for cash will likely be accelerating. One alternative would be for the Committee to strive for, say, a 4 per cent money growth rate in the fourth quarter and a compensating 6 per cent rate in the first, thus maintaining the annual rate over the fourth and first quarters together at around 5 per cent.

(10) The following table summarizes relationships between money market conditions, typified for convenience by the Federal funds rate, and rates of increase in monetary aggregates thought at the moment to be consistent for the fourth quarter.

	Annual rates of increase	
Federal funds rate[1/]	Money supply	Bank credit
(a) 5-3/4	3	3-1/2
(b) 5	4	4-1/2
(c) 3-1/2	5	6

1/ Between now and year-end.

Needless to say, these relationships are, at best, approximate, are no doubt subject to considerable error, and should be considered as mid-points of fairly wide ranges. But they are presented so that the Committee might have some basis for expressing its preferences with respect to trade-offs over the near-term between monetary aggregates and money market conditions.

(11) The choice to be made among the range of alternatives summarized in paragraph (10) would appear to depend to an important extent on the trend rate of growth that the Committee desires for money and bank credit over a longer period of time. As earlier noted, if the FOMC wished to remain on a 5 per cent growth trend for money stock, it might accept a slower rate in the fourth quarter and a more rapid rate in the first quarter in the interest of not unduly wrenching money and credit markets. If the FOMC's basic desired path, on the other hand, were to move up to a trend rate of growth that was about 6-7 per cent for money in the fourth and first quarters taken together, the Committee might then wish to be more aggressive with respect to reserve provision in the fourth quarter in order to effect a smooth adjustment to the more rapid money supply growth path. Two broad alternatives are discussed in the next two subsections: one (alternative A) calls for maintaining the target for money growth for the fourth and first quarters taken together at a 5 per cent annual rate; the other (alternative B) calls for a higher average rate of growth over that time span.

Policy alternative A. (12) If the Committee wishes to stay on a 5 per cent growth path for the money supply, but is willing to

permit some shortfall in the fourth quarter which would be made up in the first quarter, it might consider the following language for the second paragraph of the directive:

> "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~~;-taking-account-of-the fortheoming-Treasury-financings~~."

This alternative might be best achieved if the Federal funds rate were permitted to move progressively downward in a 5-3/4 - 5 per cent range over the weeks ahead in the interest of attaining the Committee's longer-run money supply and bank credit objectives. As noted earlier, our estimates would suggest that a 5 per cent funds rate may be required to achieve 4 per cent money growth over the fourth quarter. At such a funds rate, it would be expected that this money growth shortfall might be made up in the first quarter without any very substantial further alteration of money market conditions. But in view of uncertainties about the funds rate-deposit relationship and given the possibility of exaggerated market reactions, it may be prudent to work the funds rate down gradually between now and the next meeting while checking incoming data to determine whether expected relationships are in fact developing.

(13) The table below shows monthly patterns of monetary aggregates consistent with this policy alternative.

Selected Monetary Aggregates, Monthly
($ billion, seasonally adjusted--% annual rates of change in parentheses)

	Adjusted Money Supply	Adjusted Bank Credit Proxy	Total Reserves
September, 1970	210.7 (1.1)	324.5 (9.7)	29.2 (27.5)
October	210.9 (0.6)	324.7 (0.7)	29.4 (-3.8)
November	211.4 (3.0)	326.3 (6.0)	29.6 (11.5)
December, 1970	212.8 (8.0)	328.1 (6.5)	29.8 (10.5)
March, 1971	216.1	334.1	30.3
Fourth quarter (Dec. over Sept.)	(4.0)	(4.5)	(6.0)
First quarter (March over Dec.)	(6.0)	(7.5)	(7.5)

(14) A weekly pattern of monetary aggregates consistent with a 4 per cent money growth rate in the fourth quarter is shown below:

Monetary Aggregates Weekly
($ billion, seas. adj.)

	Money Supply	Bank Credit	Total Reserves
November 11	210.4	326.3	29.4
18	211.8	326.3	29.6
25	211.8	326.5	29.8
December 2	212.3	326.2	29.7
9	212.2	327.8	29.8
16	212.5	327.6	29.7

If it proved necessary to push the Federal funds rate to around the low end of a 5 - 5-3/4 per cent range over the next few weeks, the 3-month Treasury bill rate would be likely to move into a lower range than the 5-1/4 - 5-3/4 per cent specified in paragraph (8). It might well drop to 5 per cent, or below, partly on expectations that the discount rate would soon be reduced again. And longer-term interest rates would tend to decline more rapidly than otherwise as banks continued to acquire securities even as loan demands picked up.

(15) It is most difficult to specify the net reserve position of banks likely to be consistent with a Federal funds rate in the 5 - 5-3/4 per cent range, particularly a rate around the bottom end of the range. Member bank borrowings would likely average in a $300-$400 million range (with the lower end of the range respesenting largely necessitous long-term borrowing from the window by two banks). But it is very unclear as to how banks' demands for excess reserves are likely to change as the Fed funds rate drops further. One would expect that banks would want to hold somewhat more excess reserves as the Fed funds rate declined, but at a rate still as high as 5 per cent the level of excess reserves <u>desired</u> over time may be only $50 - $100 million above recent experience. This would mean that over a period of several weeks sizable net free reserves are not likely to be prevalent. But, with required reserves in a given week fixed by the lagged reserve scheme, the banking system as a whole (with borrowings at minimal levels) would have no way in any particular statement week to dispose of excess reserves

created when open market operations supply nonborrowed reserves in excess of current required reserves in order to encourage bank credit and deposit expansion. Individual banks could, of course, reduce their own excess reserves, and the rapidity and eagerness with which they did so would affect the Federal funds rate. In practice, though, banks may be slow to realize that the System is easing the money market and thus, at least for a while, may be sluggish in selling off excess reserves in the Federal funds market. This could mean that at the beginning of an effort significantly to ease the money market it would take fairly sizable excess reserves in the banking system to lower the Federal funds rate to, say, a 5 per cent average for a statement week. But once indivdual banks realized that it did not pay to be slow in disposing of excess reserves, a lower average level of excess reserves for the banking system would result for any given Fed funds rate.

Policy alternative B. (16) This alternative is presented in the event that the Committee may wish to consider a more aggressive easing in the money market than under alternative A in order to increase the likelihood of moving closer to a 5 per cent money growth rate (and around 6 per cent bank credit) in the fourth quarter, partly as a way station to moving on to a 6 - 7 per cent growth path for money for the fourth and first quarters taken together. Suggested language for such a directive is shown below.

"To implement this policy, the Committee seeks to promote some FURTHER easing of conditions in credit markets and ~~moderate~~

SOMEWHAT GREATER growth in money THAN SOUGHT EARLIER and attendant bank credit expansion over the months ahead. 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~~, taking account of the forthcoming Treasury financings.~~"

(17) To achieve a 5 per cent money growth in the fourth quarter (with the quarter already half over) the staff would expect the Federal funds rate to have to drop well below 5 per cent, and probably also below 4 per cent, as indicated in line (c) of paragraph (10). One might, however, expect that a Federal funds rate in a 4--5 per cent range would prove consistent with a money growth rate somewhere in a 4--5 per cent annual rate range. The weekly patterns of money supply and bank credit in the inter-meeting period consistent with a 5 per cent growth rate in money are shown in the following table:

Monetary Aggregates, Weekly
($ bill., seas. adj.)

	Money Supply	Bank Credit	Total Reserves
November 11	210.4	326.3	29.4
18	211.8	326.4	29.7
25	211.8	326.7	29.9
December 2	212.6	326.7	29.8
9	212.6	328.7	30.0
16	213.2	328.8	29.9

(18) Over this period member bank borrowings would be expected to be at minimal levels (apart from the necessitous borrowing noted earlier) and net free reserves might consistently emerge, although it is very difficult, for reasons noted earlier, to predict how large net free reserves may be. The 3-month Treasury bill rate might drop to around 4-1/2 per cent, at least temporarily, and a very substantial and sustained rally in bond markets would likely be generated. With short-term market rates low, Euro-dollar borrowings of banks would tend to drop significantly further as banks would be willing and able to obtain domestic CD's in volume; moreover, as markedly lower interest rates developed, banks would begin to lengthen CD maturities to lock up relatively low interest cost funds, and short-term Euro-dollars (maturing within thirty days) would become relatively less attractive.

(19) If a 5 per cent growth rate in money supply were attained in the fourth quarter, the Federal funds rate could likely remain in a 4 - 5 per cent range to achieve a 7 - 8 per cent money growth in the first quarter, assuming GNP in nominal terms rises in the first quarter by about the 9 per cent annual rate that is projected. If money growth were less than 5 per cent in the fourth quarter, money market conditions probably would have to be eased somewhat further in the first quarter since it would take a larger than 7 - 8 per cent money growth rate in that quarter to compensate for the shortfall from 5 per cent in the fourth quarter.

(20) The table below shows monthly patterns of monetary aggregates consistent with alternative B.

Selected Monetary Aggregates, Monthly
($ billion, seasonally adjusted--% annual rates of change in parentheses)

	Adjusted Money Supply	Adjusted Bank Credit Proxy	Total Reserves
September, 1970	210.7 (1.1)	324.5 (9.7)	29.2 (27.5)
October	210.8 (0.6)	324.7 (0.7)	29.4 (-3.8)
November	211.4 (3.5)	326.4 (6.5)	29.7 (11.5)
December, 1970	213.4 (11.3)	329.5 (11.5)	30.0 (14.0)
March, 1971	217.1	338.1	30.7
Fourth quarter (Dec. over Sept.)	(5.0)	(6.0)	(7.5)
First quarter (March over Dec.)	(7.0)	(10.5)	(9.5)

CHART 1

STRICTLY CONFIDENTIAL (FR)
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MONETARY AGGREGATES

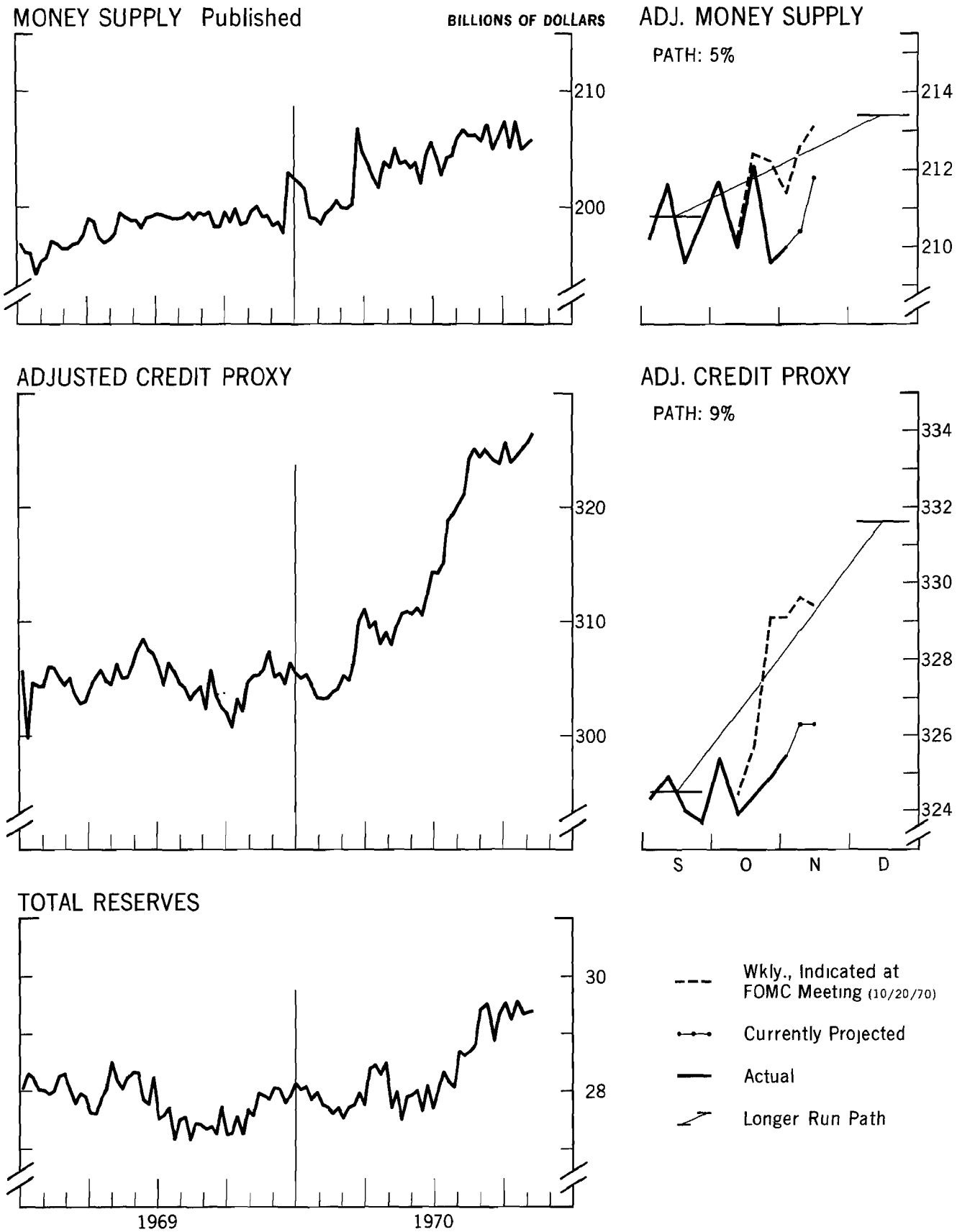


CHART 2

11/13/70

INTEREST BEARING SOURCES OF BANK FUNDS

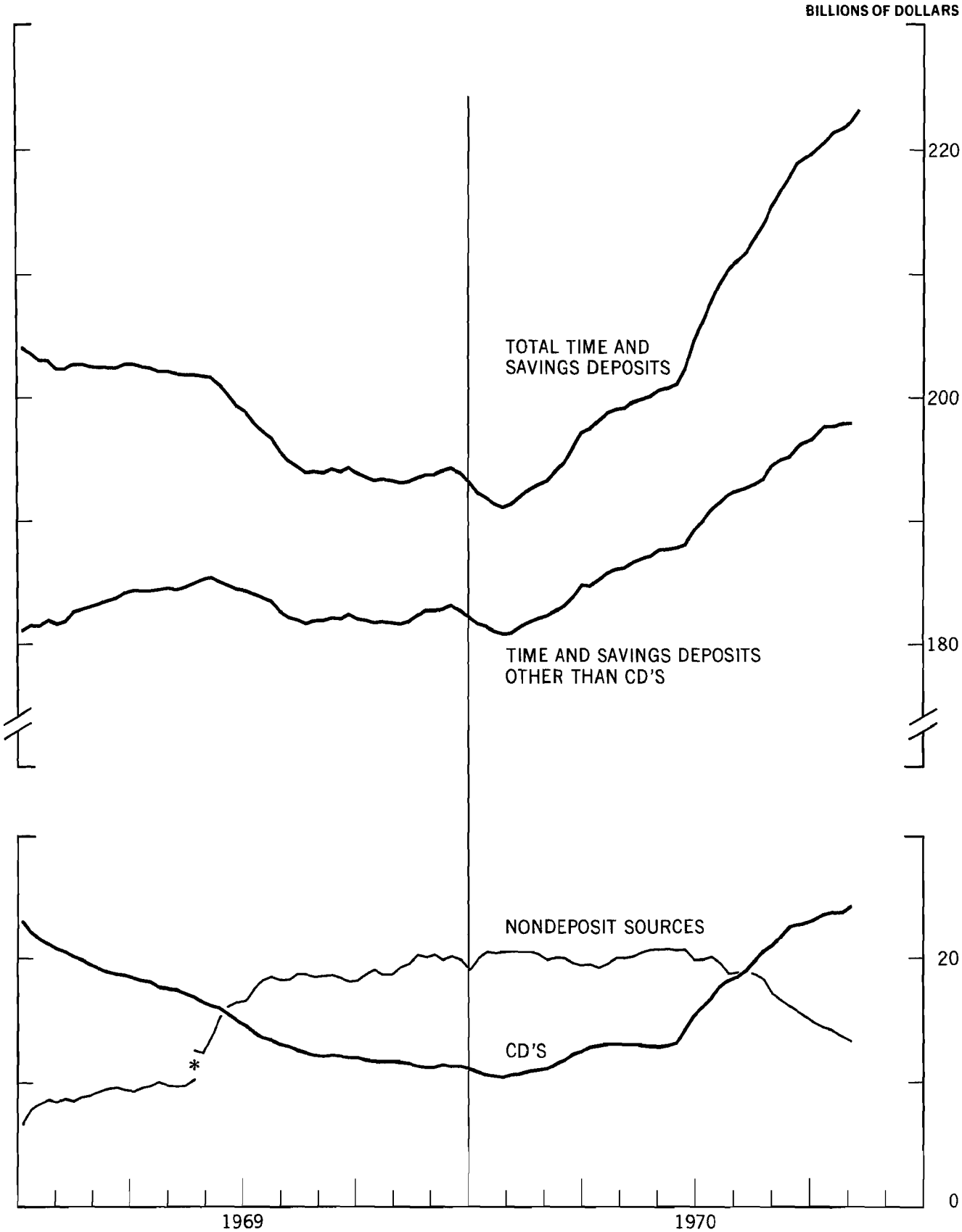
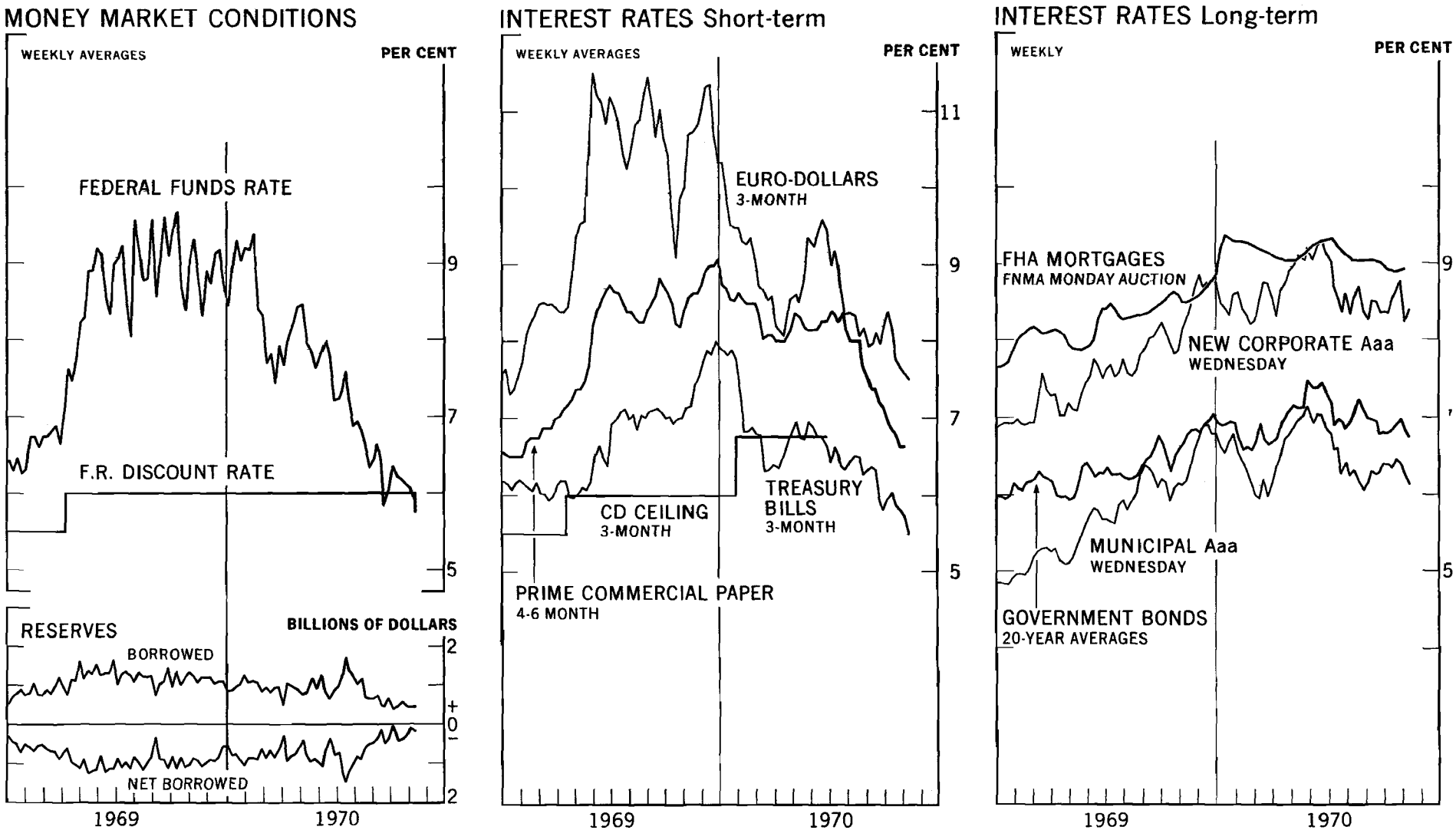


CHART 3

MONEY MARKET CONDITIONS AND INTEREST RATES



STRICTLY CONFIDENTIAL (FR)

NOVEMBER 13, 1970

Table 1

PATHS OF KEY MONETARY AGGREGATES

SEASONALLY ADJUSTED

Period	Adjusted Credit Proxy		Money Supply As Published		Money Supply Adjusted		U.S. Government Demand Deposits		Time Deposits		Total Reserves	
	1 Path as of Oct. 20	2 Current Proj	3 Path as of Oct. 20	4 Current Proj.	5 Path as of Oct. 20	6 Current Proj	7 Path as of Oct. 20	8 Current Proj.	9 Path as of Oct. 20	10 Current Proj.	11 Path as of Oct. 20	12 Current Proj.
Monthly Pattern in Billions of Dollars												
1970: June	311.1	311.1	203.6	203.6	208.2	208.2	4.8	4.8	201.0	201.0	27.9	27.9
July	315.8	315.8	204.3	204.3	209.0	209.0	4.4	4.4	206.9	206.9	28.0	28.0
Aug.	321.9	321.9	206.0	206.0	210.5	210.5	6.4	6.4	211.8	211.8	28.6	28.6
Sept.	324.5	324.5	206.3	206.2	210.8	210.7	6.2	6.2	216.9	217.0	29.2	29.2
Oct. p	326.4	324.7	207.1	206.1	211.6	210.8	5.8	5.2	221.7	221.0	29.1	29.4
Nov. (proj.)	329.4	326.2	208.2	206.6	212.7	211.3	5.9	5.6	225.5	223.9	29.9	29.6
Dec. (proj.)	331.6	327.3			213.4	212.3	5.3	4.8	228.8	226.6	30.0	29.7
Annual Percentage Rates of Change--Quarterly and Monthly												
1970: 1st Qtr.	0.5	0.5	3.8	3.8	4.9	4.9			0.4	0.4	- 2.9	- 2.9
2nd Qtr.	6.5	6.5	4.2	4.2	6.0	6.0			13.8	13.8	2.6	2.6
3rd Qtr.	17.2	17.2	5.3	5.1	5.0	4.8			31.6	31.8	19.1	19.2
4th Qtr.	9.0	3.5	5.0	3.0	5.0	3.0			22.0	17.3	7.5	5.0
June	7.0	7.0	- 1.8	- 1.8	1.2	1.2			8.4	8.4	0.5	0.5
July	18.1	18.1	4.1	4.1	4.6	4.6			35.2	35.2	6.0	6.0
Aug.	23.2	23.2	10.0	10.0	8.6	8.6			28.4	28.4	23.3	23.3
Sept.	9.7	9.7	1.7	1.2	1.7	1.1			28.9	29.5	31.0	27.5
Oct. p	7.0	0.7	4.5	- 0.6	4.5	0.6			26.5	22.1	-16.5	- 3.8
Nov. (proj.)	11.0	5.5	6.0	3.0	6.0	3.0			20.5	15.5	33.5	9.5
Dec. (proj.)	8.5	4.0		6.0	4.0	5.5			17.5	14.5	5.5	8.5
Weekly Pattern in Billions of Dollars												
1970: Oct. 14	324.4	323.9	205.7	205.1	210.2	210.0	4.9	4.7	221.2	220.8	28.4	29.2
21	325.7	324.4	207.9	207.2	212.4	212.1	4.8	4.1	222.1	221.5	29.5	29.5
28	329.1	324.9	207.7	205.0	212.2	209.6	7.5	6.2	223.0	221.8	29.5	29.3
Nov. 4	329.1	325.5	206.9	205.4	211.4	210.0	7.0	6.3	224.0	222.2	29.5	29.3
11	329.6	326.3	208.1	205.8	212.6	210.4	7.0	6.9	224.7	223.3	29.9	29.4
18	329.4	326.3	208.6	207.2	213.1	211.8	6.1	5.4	225.5	223.9	30.0	29.6

NOTES : Annual rates of change other than those for the past are rounded to the nearest half per cent. Money supply adjusted series reflects the preliminary adjustment for certain cash items in the process of collection associated with Euro-dollar transactions. Current projection for weekly and monthly data have been adjusted by a constant amount of $4.9 billion.

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Table 2

AGGREGATE RESERVES AND MONETARY VARIABLES

CONFIDENTIAL (FR)

NOVEMBER 13, 1970

RETROSPECTIVE CHANGES, SEASONALLY ADJUSTED

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

Period	Reserve Aggregates		Monetary Variables						Addenda	
					Money Supply					
	1 Total Reserves	2 Nonborrowed Reserves	3 Total Member Bank Deposits	4 Adjusted Credit Proxy	5 Total	6 Currency	7 Private Demand Deposits	8 Time Deposits Adjusted	9 Thrift Instit. Deposits	10 Nonbank Commercial Paper
Annually										
1968	+ 7.8	+ 6.0	+ 9.0	n.a.	+ 7.2	+ 7.4	+ 7.1	+11.5	+ 6.3	n.a.
1969	- 1.6	- 3.0	- 4.0	n.a.	+ 2.5	+ 5.8	+ 1.5	- 5.3	+ 3.4	n.a.
Semi-annually										
1st Half 1969	+ 0.7	- 3.7	- 3.5	n.a.	+ 4.3	+ 6.5	+ 3.7	- 4.0	+ 4.8	n.a.
2nd Half 1969	- 3.9	- 2.4	- 4.6	- 1.2	+ 0.6	+ 4.9	- 0.6	- 6.7	+ 1.9	+27.6
1st Half 1970	- 0.2	+ 1.9	+ 3.3	+ 3.5	+ 4.0	+ 8.3	+ 2.9	+ 7.1	+ 4.3	+14.0
Quarterly										
3rd Qtr. 1969	- 9.3	- 4.8	- 9.4	- 4.3	--	+ 3.6	- 1.3	-13.3	+ 2.3	+31.0
4th Qtr. 1969	+ 1.4	- 0.1	+ 0.1	+ 2.0	+ 1.2	+ 6.2	--	--	+ 1.4	+22.4
1st Qtr. 1970	- 2.9	- 0.4	+ 0.6	+ 0.5	+ 3.8	+ 7.0	+ 2.9	+ 0.4	+ 1.7	+13.2
2nd Qtr. 1970	+ 2.6	+ 4.1	+ 6.0	+ 6.5	+ 4.2	+ 9.4	+ 2.8	+13.8	+ 6.9	+14.3
3rd Qtr. 1970	+19.2	+24.4	+24.1	+17.2	+ 5.1	+ 3.3	+ 5.4	+31.8	+10.0	-17.7
Monthly										
1969: Sept.	--	+ 7.7	+ 1.7	+ 1.6	--	- 2.6	- 0.8	- 2.5	+ 3.7	+40.7
Oct.	-11.7	-17.9	- 9.2	- 7.9	+ 0.6	+10.6	- 0.8	- 3.7	- 0.7	+20.0
Nov.	+ 9.7	+ 5.5	+ 9.7	+13.1	+ 1.2	+ 7.9	- 1.6	- 0.6	+ 3.0	+11.7
Dec.	+ 6.3	+12.1	--	+ 0.8	+ 1.8	--	+ 2.3	+ 4.3	+ 1.9	+34.2
1970: Jan.	+ 3.1	+ 7.2	- 4.2	- 3.5	+ 9.0	+ 5.2	+10.1	-12.4	- 4.2	+ 3.6
Feb.	-12.0	-15.6	- 8.0	- 5.5	-10.7	+ 7.8	-15.5	- 0.6	+ 2.8	+35.7
Mar.	--	+ 7.5	+14.0	+10.7	+13.2	+ 7.8	+14.1	+14.4	+ 6.6	+ 0.4
Apr.	+21.3	+25.4	+16.8	+13.7	+10.7	+ 7.7	+10.9	+22.2	+ 8.1	+71.3
May	-13.9	-19.0	- 4.5	- 1.2	+ 3.5	+15.3	--	+10.3	+ 5.3	+10.7
June	+ 0.5	+ 6.2	+ 5.8	+ 7.0	- 1.8	+ 5.0	- 2.3	+ 8.4	+ 7.0	-37.3
July	+ 6.0	-16.1	+22.7	+18.1	+ 4.1	+ 7.5	+ 2.3	+35.2	+13.3	-88.4
Aug.	+23.3	+48.8	+29.2	+23.2	+10.0	+ 2.5	+12.3	+28.4	+ 6.1	-14.1
Sept.	+27.5	+40.1	+19.0	+ 9.7	+ 1.2	--	+ 1.5	+29.5	+10.5	+53.0
Oct. p	- 3.8	- 0.3	+10.1	+ 0.7	- 0.6	+ 7.5	- 3.0	+22.1	+ 9.8	+32.3

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)

NOVEMBER 13, 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	195.8	43.5	152.3	203.2	22.1	181.1		
Feb.	28,060	27,206	27,832	296.7	6.7	196.3	43.8	152.5	202.4	20.2	182.2		
Mar.	27,972	27,024	27,729	294.2	4.8	196.8	44.1	152.6	202.3	19.0	183.3		
Apr.	27,775	26,754	27,614	295.4	5.9	198.1	44.2	154.0	202.3	18.1	184.2		
May	28,235	26,888	27,942	295.1	5.9	198.3	44.5	153.8	201.7	17.2	184.5	n.a.	n.a.
June	28,056	26,705	27,742	292.6	4.0	199.0	44.8	154.2	200.8	16.0	184.8	307.5	25.5
July	27,530	26,275	27,334	288.0	2.4	199.3	45.0	154.4	197.7	14.0	183.7	305.7	26.1
Aug.	27,401	26,214	27,161	285.3	2.9	199.0	45.3	153.8	194.5	12.7	181.8	303.8	26.6
Sept.	27,402	26,383	27,144	285.7	4.4	199.0	45.2	153.7	194.1	12.7	181.4	304.2	27.5
Oct.	27,354	26,210	27,129	283.5	3.1	199.1	45.6	153.6	193.5	11.8	181.7	302.2	27.9
Nov.	27,783	26,538	27,548	285.8	5.6	199.3	45.9	153.4	193.4	11.4	182.0	305.5	28.2
Dec.	27,928	26,806	27,707	285.8	4.9	199.6	45.9	153.7	194.1	11.2	182.9	305.7	29.0
1970: Jan.	28,001	26,966	27,823	284.8	5.3	201.1	46.1	155.0	192.1	10.7	181.4	304.8	29.1
Feb.	27,722	26,615	27,523	282.9	5.6	199.3	46.4	153.0	192.0	10.5	181.5	303.4	30.0
Mar.	27,723	26,782	27,536	286.2	5.9	201.5	46.7	154.8	194.3	11.2	183.1	306.1	30.0
Apr.	28,216	27,350	28,046	290.2	5.2	203.3	47.0	156.2	197.9	12.7	185.2	309.6	31.8
May	27,890	26,916	27,692	289.1	3.0	203.9	47.6	156.2	199.6	13.0	186.6	309.3	32.0
June	27,902	27,056	27,713	290.5	4.8	203.6	47.8	155.9	201.0	12.9	188.1	311.1	31.0
July	28,041	26,694	27,896	296.0	4.4	204.3	48.1	156.2	206.9	16.0	190.9	315.8	28.8
Aug.	28,585	27,780	28,408	303.2	6.4	206.0	48.2	157.8	211.8	18.8	193.0	321.9	28.4
Sept.	29,240	28,708	29,024	308.0	6.2	206.2	48.2	158.0	217.0	21.6	195.4	324.5	29.7
Oct. p	29,373	28,916	29,134	310.6	5.2	206.1	48.5	157.6	221.0	23.5	197.5	324.7	30.5
1970: Sept. 2	28,801	28,160	28,623	306.8	7.1	206.2	48.1	158.1	213.8	20.4	193.4	325.0	29.5
9	29,402	28,741	29,068	307.1	7.1	205.8	48.4	157.4	215.4	20.9	194.5	324.3	29.7
16	29,482	28,996	29,126	308.3	5.9	207.1	48.3	158.8	216.6	21.5	195.1	324.9	30.1
23	28,878	28,518	28,985	307.9	6.2	205.0	48.3	156.7	217.7	22.5	195.2	324.0	30.4
30	29,322	28,734	29,030	308.2	5.2	206.1	48.1	158.0	218.9	22.7	196.2	323.7	29.3
Oct. 7	29,497	29,142	29,155	310.6	5.4	207.2	48.3	158.9	219.8	23.1	196.7	325.4	30.0
14	29,205	28,803	29,138	309.5	4.7	205.1	48.6	156.5	220.8	23.5	197.2	323.9	30.2
21	29,496	29,930	29,250	310.2	4.1	207.2	48.6	158.7	221.5	23.7	197.7	324.4	31.0
28 p	29,307	28,772	29,022	311.3	6.2	205.0	48.5	156.5	221.8	23.7	198.0	324.9	31.1
Nov. 4 p	29,346	28,955	29,045	312.3	6.3	205.4	48.6	156.8	222.2	24.2	198.0	325.5	30.4

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				
			Total	Reserve City			Country
				Major banks		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 p	- 283	184	467	12	40	312	103
1970--Apr. 1	- 610	339	949	232	264	161	292
8	- 317	179	496	--	269	49	178
15	- 915	102	1,017	322	509	47	139
22	- 811	158	969	517	252	81	119
29	- 783	111	894	63	361	259	211
May 6	- 424	350	774	93	248	220	213
13	- 782	28	810	150	254	202	204
20	- 965	214	1,179	332	310	243	294
27	- 889	44	933	86	150	247	450
June 3	-1,029	195	1,224	269	354	262	339
10	- 721	136	857	195	238	169	255
17	- 390	268	658	--	251	188	219
24	- 799	88	887	97	313	248	229
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	- 894	280	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	332	398	--	4	305	89
14	- 409	41	450	21	46	310	73
21	- 388	200	588	16	97	342	133
28 p	- 291	144	435	11	13	293	118
Nov. 4 p	- 131	292	423	11	15	311	86
11 p	- 178	267	445	69	29	282	65

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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--Apr. 1	+ 179	+ 114	- 111 (+ 71)	--	+ 225	+ 34	+ 18	+ 13
8	- 720	- 222	- 40 (--)	--	+ 182	+ 37	- 8	- 453
15	+ 947	+ 370	+ 156 (--)	--	+ 214	+ 24	+ 32	+ 521
22	+ 222	- 132	+ 2 (--)	--	- 134	- 14	- 28	- 48
29	- 17	+ 36	- 72 (--)	--	+ 108	+ 6	+ 16	- 75
May 6	+1,047	+1,118	+1,154 (--)	--	- 36	+ 43	+ 6	- 120
13	+ 131	+ 195	+ 397 (--)	--	- 202	- 62	- 38	+ 36
20	+ 512	+ 88	- 50 (--)	--	+ 138	+ 36	+ 19	+ 369
27	- 664	- 359	- 221 (--)	--	- 138	- 36	- 23	- 246
June 3	+ 639	+ 326	+ 255 (--)	--	+ 71	+ 22	--	+ 291
10	- 213	+ 158	+ 143 (--)	--	+ 15	- 6	+ 2	- 367
17	+ 224	+ 453	+ 539 (--)	--	- 86	- 16	- 14	- 199
24	- 449	- 678	- 678 (- 145)	--	--	--	--	+ 229
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 p	- 477	- 268	- 63 (--)	--	- 205	- 44	- 14	- 151
Nov. 4 p	+ 690	+ 610	+ 241 (--)	--	+ 369	+ 63	+ 29	- 12
11 p	- 48	- 75	- 94 (- 214)	--	+ 19	- 6	+ 11	+ 22

1/ Figures in parenthesis reflect reserve effect of match sale-purchase agreement.
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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 p	- 477	--	+ 431	- 71	- 351	- 15	+ 1	- 484	- 439	- 45
Nov. 4 p	+ 690	--	+ 47	+ 146	- 359	- 24	- 271	+ 228	+ 69	+ 159
11 p	- 48	--	- 360	+ 81	+ 476	+ 1	- 86	+ 61	+ 97	- 36

1/ For retrospective details, see Table 5.
p - Preliminary