

REC'D IN RECORD SECTION

CONFIDENTIAL--(F.R.)

To Members of the Federal Open Market
Committee and Federal Reserve Bank
Presidents Not Presently Serving
on the Committee

July 1, 1960

From Robert G. Rouse

Subject: System Open Market
Account Transactions in
July 15, 1960 Quarterly
Treasury Bills

There is attached a memorandum covering System Account transactions
in July 15, 1960 Treasury bills undertaken since the last meeting of the
Committee.

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To Members of the Federal Open Market
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From John J. Larkin

Subject: System Open Market
 Account Transactions in
 July 15, 1960 Quarterly
 Treasury Bills

Since the last meeting of the Federal Open Market Committee on June 14, purchases of \$36.8 million Treasury bills due July 15, 1960 were made for the Account. Total purchases under the Committee's authorization to buy \$150 million July 15 bills now total \$134.7 million, and as of July 1, System Account holdings of the issue aggregate \$148.1 million. Of the \$36.8 million July 15 bills purchased since the last meeting, \$27.7 million were acquired (from a foreign account) against sales of other Treasury bills in the market.

The first purchase of July 15 bills in the period was on Wednesday, June 15, when a foreign account order to sell \$5 million of that issue was received. These bills were purchased for the System Account at the current market rate of 1.90 per cent. Since the reserve situation did not call for any release of reserves--the Account was in fact absorbing reserves at the time through sales of bills both in the market and to foreign accounts--the reserve effect of this purchase was offset by sales in the market of an equivalent amount of July 14 bills, an issue that was in demand. These bills were sold at 1.80 per cent, the best of the competitive bids obtained from eight dealers (the range of bids was from 1.80 to 2.10 per cent).

On the following day, Thursday, June 16, another order was received from the same foreign account to sell an additional \$22.7 million of the July 15 Treasury bills. The Account purchased these bills also, and since it was still not consistent with reserve objectives to supply funds, offsetting sales of other Treasury bills were made in the market. The July 15 bills were purchased at a rate of 1.90 per cent, which represented the best bid rate in the market. Against this purchase, \$12.0 million June 30 Treasury bills were sold in the market at rates ranging from 1.75-1.82 per cent, and \$10.7 million July 14 bills were sold at rates from 1.82-1.90 per cent. These bill maturities were in demand.

No further offerings of July 15 bills were received, either from foreign accounts or by market sources, until Tuesday, June 28. On this occasion the Trading Desk was endeavoring to fill a substantial foreign account order to purchase short Treasury bill maturities, which were quite scarce. In the course of these efforts, one dealer presented an offering of \$8 million July 15 bills, which issue did not fit the needs of the foreign account concerned. Since the rate of 1.50 per cent was within the existing composite quotation, and since no other dealers had offered the issue, the Account purchased the \$8 million bills on an outright basis. No offsetting or swap transactions were deemed necessary on that occasion, since the System was supplying reserves on that day through purchases of bills from foreign accounts.

On Wednesday, June 29, the System was continuing to supply reserves both through outright purchases in the market and by buying bills directly from foreign accounts. No July 15 bills were offered by the market on that day but among the bills offered for sale by foreign accounts were \$1.1 million of that issue. The Account purchased these bills at a rate of 1.30 per cent, close to the offered side of the composite quotation of 1.50-1.25 per cent which prevailed at the time.

Two other unsolicited offerings of the July 15 issue were made to the Desk in the course of routine operations, \$5 million on Wednesday, June 29, at 1.25 per cent and \$1 million on Thursday, June 30, at 1.15 per cent. It was decided in each case not to respond at these low rate levels, particularly since System holdings of the July 15 issue had already reached \$148.1 million.