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MONEY MARKET AND RESERVE RELATIONSHIPS

Recent developments

Money market conditions have become somewhat tauter since the last meeting of the Committee. However, credit market psychology has been successively buoyed by first the balance of payments program and then, more importantly, by rumors relating to peace negotiations; and as a result bill yields have recently declined and prices in bond markets have risen rather sharply.

Nonborrowed reserves declined in December, on average, after seasonal adjustment, and as a result member banks have become more active at the discount window and the Federal funds rate has risen to around 4-5/8 per cent on average. Borrowings rose to \$185 million in the week ending December 20, and then reached particularly high levels during the past two statement weeks, when they averaged \$420 million. But such a high level was occasioned by a skewed distribution of and wide swings in reserve funds that resulted in high excess reserves during the Christmas holiday week and over the year-end. These swings were accompanied by wide variations in the Federal funds rate, which touched 5 per cent on the day before the year end statement date.

Free reserves during the past three statement weeks have averaged \$80 million, fluctuating between \$50 and \$115 million. During the first half of December and in earlier months of the fourth quarter such reserves had averaged over \$200 million.

The somewhat increased pressure on the banking system from open market operations was supplemented by the announcement in late December

FINANCIAL MARKET RELATIONSHIPS IN PERSPECTIVE

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

Period	Money Market Indicators				Bond Yields			Flow of Reserves, Bank Credit and Money				
	Free Reserves (In millions of dollars)	Borrowings	Federal Funds Rate	3-month Treasury Bill	U.S. Gov't. (20 yr)	Corporate New Issues (Aaa) ^{1/}	Municipal (Aaa)	Non-borrowed Reserves (In millions of dollars)	Total Reserves	Bank Credit Proxy (In billions of dollars)	Money Supply (In billions of dollars)	Time Deposits ^{2/}
	(Seasonally Adjusted)											
1966--Dec.	-196	529	5.39	4.96	4.76	5.73	3.79	- 13	- 16	+ 0.4	+ 0.3	+ 1.3
1967--Jan.	- 59	476	4.87	4.72	4.51	5.43	3.50	+475	+359	+ 3.3	- 0.1	+ 2.2
Feb.	42	366	4.99	4.56	4.61	5.18	3.38	+325	+218	+ 3.3	+ 1.2	+ 2.6
Mar.	172	196	4.50	4.26	4.56	5.31	3.47	+555	+415	+ 3.0	+ 1.6	+ 2.6
Apr.	199	150	4.03	3.84	4.64	5.38	3.50	+ 92	+ 49	+ 2.1	- 0.3	+ 2.0
May	275	94	3.94	3.60	4.90	5.62	3.71	+ 96	- 8	+ 1.2	+ 1.6	+ 1.9
June	257	88	3.97	3.53	4.99	5.79	3.80	+ 95	+164	+ 2.0	+ 1.7	+ 1.9
July	311	132	3.78	4.20	5.01	5.78	3.86	+307	+223	+ 3.2	+ 1.7	+ 2.2
Aug.	270	86	3.88	4.26	5.12	5.86**	3.78	+291	+269	+ 3.7	+ 1.2	+ 2.5
Sept.	252	82	3.99	4.42	5.16	5.85**	3.81	+ 96	+193	+ 2.3	+ 0.1	+ 1.7
Oct.	212	141	3.87	4.55	5.36	6.08	3.88	+250	+311	+ 2.7	+ 1.0	+ 1.9
Nov.	223	124	4.14	4.72	5.66	6.50	3.99	+221	+155	+ 1.9	+ 1.1	+ 1.8
Dec. p	149	185	4.49	4.96	5.59	6.51	4.15	-287	-151	- 0.1	+ 0.2	+ 1.3
1967--Nov. 29 p	255	119	4.47	4.88	5.63	6.49	4.03			- 0.6	- 0.1	+ 0.2
Dec. 6 p	210	87	4.30	4.95	5.64	6.55**	4.15			+ 0.7	+ 0.3	+ 0.6
13 p	214	121	4.53	4.91	5.62	6.42**	4.15			- 0.8	- 0.5	+ 0.4
20 p	59	185	4.48	4.99	5.57	--	4.15			- 0.5	- 0.1	- 0.2
27 p	113	345	4.63	4.94	5.55	--	4.15			+ 0.5	+ 1.2	- 0.4
1968--Jan. 3 p	71	495	4.56	5.01	5.53	6.32	n.a.			+ 1.6	+ 1.3	- 0.1
	<u>Averages</u>				<u>Annual rates of increase^{3/}</u>							
Year 1967 p	195	173	4.20	4.30	5.01	5.77	3.74	+11.5	+ 9.8	+11.7	+ 6.5	+15.8
First Half 1967	153	222	4.38	4.09	4.70	5.45	3.56	+15.0	+10.7	+12.1	+ 6.8	+17.3
Second Half 1967p	236	123	4.02	4.52	5.32	6.10	3.91	+ 7.5	+ 8.5	+10.6	+ 6.0	+13.1
<u>Recent variations in growth</u>												
Mar. 29-June 28	245	110	4.00	3.66	4.83	5.63	3.68			+18.8	+ 6.9	+14.3
Jun. 28-Aug. 16	280	123	3.85	4.17	5.05	5.83	3.82			+19.4	+11.8	+18.4
Aug. 16-Jan. 3	214	123	4.10	4.64	5.41	6.15	p/3.95			+ 8.3	+ 5.9	+ 9.3

^{1/} Includes issues carrying 5-year and 10-year call protection; ** issues carry a 5-year call protection.

^{2/} Time deposits adjusted at all commercial banks.

^{3/} Base is change for month preceding specified period or in case of weekly periods, the first week shown.

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of a 1/2 percentage point increase in reserves required against demand deposits over \$5 million. The new requirement was made effective in the statement weeks beginning January 11 and 18 for reserve city and country banks respectively.

Reaction in short- and long-term credit markets to the recent policy moves has been relatively mild. The 3-month bill rate rose about 1/8 of a percentage point to over 5 per cent following the last FOMC meeting and in the wake of the announced increase in reserve requirements. During the past two days, however, rumors of peace negotiations led to a decline in the yield, which was quoted 4.96 per cent bid at the close of business Friday. Longer-term bill rates have dropped below levels at the time of the previous meeting.

As noted earlier, credit markets responded favorably to the new balance of payments program, interpreting it as reducing the need for intensification of monetary restraint. Not only did longer-term bills become somewhat more attractive, relatively, but there was also a rise in bond prices, followed by another boost in the wake of peace rumors. Earlier, bond markets had shown virtually no reaction to November-December monetary policy moves, partly because of the technical position of the market and of the lull during the holiday season in new issues coming to market. But also it appears that a shift toward monetary restraint, at least a mild one, had already been largely discounted by market participants; and some increased investor interest in bonds is reappearing at current rate levels.

While the rise in shortest-term bill yields and rates on other money market paper, such as bankers' acceptances, was relatively modest,

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these rates were approaching critical levels in relation to the 5-1/2 per cent ceiling rate on large negotiable CD's. In December the run-off in CD's was around \$770 million, or about 13 per cent of the total maturing during the month. The relatively high level of market interest rates also made other time and savings deposits of banks less attractive. As a result, total time and savings deposits of banks increased by an 8-1/2 per cent annual rate in December, the slowest monthly increase for the year.

While growth in time deposits slowed, outstanding demand deposits at banks declined rather sharply. The bulk of the decline was in U.S. Government deposits, but private demand deposits also dropped slightly as banks liquidated a considerable amount of U.S. Government securities in accommodating enlarged business loan demands. The money supply, which had increased more or less steadily from spring to early November, showed only a slight increase on average during December as an accelerated growth in currency offset the decline in private demand deposits.

The decline in demand deposits in December was sufficient to offset the restrained growth in time deposits, and the bank credit proxy showed no change for the month on average. Moreover, allowance for the reduction in head office liabilities to foreign branches would make for a 1 percentage point decline in the proxy.^{1/}

^{1/} We do not have seasonally adjusted figures for such Euro-dollar borrowings in view of the limited observations so far available, but it would appear that a good part of the decline in borrowings abroad last month was seasonal.

Percentage increases in certain key monetary variables for the 1965-67 period are shown below.

	By half years						Annual		
	1965		1966		1967		1965	1966	1967
	I	II	I	II	I	II			
Total reserves	7.0	3.2	4.7	-2.3	10.7	8.5	5.2	1.2	9.8
Nonborrowed reserves	4.5	3.9	2.8	-1.3	15.0	7.5	4.2	0.8	11.5
Bank credit proxy	10.2	7.6	7.1	0.3	12.1	10.6	9.1	3.7	11.7
Time and savings dpts.	15.2	15.7	10.8	6.5	17.3	13.1	16.0	8.8	15.8
Money supply	3.0	6.3	4.6	-0.2	6.8	6.0	4.7	2.2	6.5

Prospective developments

Maintenance of the money market conditions that have evolved in conjunction with open market policy and the announced reserve requirement increase during recent weeks would appear to involve free reserves in a zero to \$100 million range; member bank borrowings generally in a \$150 - \$300 million range; the Federal funds rate generally above the discount rate and most frequently in a 4-5/8--4-3/4 per cent area; and a 3-month Treasury bill rate in a 4.90 - 5.25 per cent range. Prospects with respect to the Euro-dollar market are uncertain in view of questions as to the timing and extent of impact of the U.S. balance of payments program. But if Euro-dollars become more costly and if the December attrition in Euro-dollar funds obtained by banks continues, these banks are likely to become more aggressive in Federal funds and CD markets, pushing yields up in these areas toward the top of the above ranges.

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The banks may also become more willing borrowers at the discount window, which would tend to push borrowings toward the upper end of the range specified.

The above set of money market conditions is likely to be associated in January with a resumption of growth in total and nonborrowed reserves, and in bank credit expansion perhaps to a 6-10 per cent, annual rate, range as measured by the proxy. The principal factor contributing to so sizable a rebound in bank credit will be the reserves supplied to support bank underwriting of the \$2.5 billion tax bills recently announced by the Treasury for payment on January 15 through full crediting to tax and loan accounts. As banks distribute these bills during the second half of the month, this will contribute to a lower bank credit expansion as measured from the end of December to the end of January. A tendency for bill rates to rise under the weight of tax bill distribution may be moderated somewhat both by current relatively light dealer positions and by the fact that the System will be using the reserve requirement increase rather than bill sales to help mop up \$550 million of seasonally redundant reserves in January.

A somewhat wider range than usual for the projection of the proxy has been given in view of the many uncertainties surrounding bank credit, generated not only by the state of the Euro-dollar market but also by the narrowing of the margin between domestic market interest rates and the ceiling rate on time deposits at banks. If the addition to bill supply or very large business loan demands should drive the bill rate to near the upper end of its projected range, it is likely that banks'

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ability to compete for CD's would be so limited as to result in a further net decline in outstanding CD's. If, on the other hand, the bill rate were to stay near the middle of the range, banks probably would be able at least to replace all of the \$5.9 billion of CD's maturing in January if they so wished.

Total time and savings deposits are expected to rise in only a 2 - 6 per cent annual rate range during January. Not only are CD's expected to provide little push to the total, but the net inflow of other time and savings deposits is likely to be no more than the reduced December pace, and may slow further.

U.S. Government deposits are expected to rise by about \$1.5 billion on average in January, largely because of the cash financing. Private demand deposits, and the money stock, will probably show little change on average in the month. There has apparently been a moderation since early November in the enlarged public demand for money that had been evident throughout the first 10 months of last year. Money holdings of consumers and, to a degree, of corporations rose in reflection of increased liquidity demands following the earlier period of strong monetary restraint. Recently, with liquidity positions improving, and given high level of interest rates, demands for precautionary balances have apparently been reduced.

The projected bank credit expansion could be accompanied by some withdrawal of banks from the municipal and Agency markets. This will depend in large part on the strength of business loan demands. Such demands were very large in December, only partly explainable by a

number of special circumstances. Loan growth in January is likely to be at a slower pace than in the previous month, but may remain fairly sizable as inventory accumulation and reduced capital market financing by industrial corporations lead to more activation of bank credit lines and loan commitments.

While industrial corporations appear to be reducing their use of capital markets, the calendar of new corporate issues will be fairly large as a result of scheduled offerings by utilities. State and local government offerings could build up again to near recent rates, unless increased financing costs trigger further cancellations. And bond markets will have to absorb \$800 million of FNMA PC's just announced. The total volume of issues, while sizable, appears to be somewhat more moderate than in 1967. It could be marketed with relatively little rise in interest rates, even with reduced bank interest in longer-term markets, so long as expectations of an even tighter monetary policy and reduced availabilities of loan funds at banks do not become widespread.

Policy alternative. Should the Committee wish to move further in a restraining direction, it may consider a net reserve position for banks fluctuating around zero (between, say, plus \$50 million and minus \$50 million), a rise in borrowings to consistently in a \$250 - \$350 million range, and a Federal funds rate averaging around 4-3/4 per cent, with occasional trades at 5 per cent. Such conditions will probably raise new dealer loan rates in New York from their recent 4-3/4--4-7/8

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per cent range to 5 per cent or better. And as a result, bill rates, especially short-term rates, are likely to adjust upwards. The cost of carry to dealers will be increased, and at current bill yields in the 3-month area the carry might be negative. Moreover, such a policy move will tend to revive market uncertainties about how far monetary restraint will go, and may make banks anxious to obtain whatever CD funds they can while they can. As more and more banks offer 5-1/2 per cent for 30-day money, the resulting upward pressures on bill rates might move the 3-month bill into a 5.20--5.40 per cent range.

The equilibrium relationship that emerges between CD flows, CD rates, and bill rates is nevertheless likely to include a net decline in outstanding CD's during January, and a consequent retardation in bank credit expansion. The portfolio adjustments required of banks will intensify the upward interest pressures in long-term markets that may be generated by any psychological effects on lenders and borrowers of negative free reserves and the more frequent appearance of 5 per cent Federal funds trading.

Such upward interest rate pressures could be partially offset by a further movement of funds by individuals and others into marketable obligations at the expense of time and savings accounts in banks and other savings institutions. Such shifts would, of course, drain funds, relatively, from the mortgage market. The net result of all these movements might be a general modest rise in long-term rates, but perhaps with the largest increase in mortgage rates (or in tightening of mortgage terms).

Table A-1

MARGINAL RESERVE MEASURES

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

Period	Excess reserves	Member banks borrowings	Free reserves		
			As revised to date		As first published each week
Monthly (reserves weeks ending in):					
1966--December	333	529	-196		
1967--January	417	476	- 59		
February	408	366	42		
March	368	196	172		
April	349	150	199		
May	369	94	275		
June	345	88	257		
July	449	132	317		
August	356	86	270		
September	334	82	252		
October	353	141	212		
November	347	124	223		
December p	334	185	149		
<u>Weekly:</u>					
1967--Sept. 6	332	79	253	288	219
13	386	70	316	275	293
20	408	106	302	336	350
27	211	74	137	185	217
Oct. 4	413	144	269	298	271
11	249	145	104	151	186
18	561	216	345	378	379
25	190	58	132	164	106
Nov. 1	291	80	211	295	312
8	330	132	198	262	233
15	518	162	356	348	375
22	221	127	94	92	131
29 p	274	119	255	204	240
Dec. 6 p	297	87	210	228	257
13 p	335	121	214	187	216
20 p	244	185	59	47	56
27 p	458	345	113	100	110
Jan. 3 p	566	495	71	71	45

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TABLE A-2

AGGREGATE RESERVES AND RELATED MEASURES

Retrospective Changes, Seasonally Adjusted
(In per cent, annual rates based on monthly averages of daily figures)

	Reserve Aggregates				Monetary Variables			
	Total Reserves	Nonborrowed Reserves	Required reserves		Total Member Bank Deposits (credit) ^{1/} / _{2/}	Time Deposits (comm. banks) ^{2/}	Money Supply	
			Total	Against Demand Deposits			Total	Private Demand Deposits
Annually:								
1965	+ 5.2	+ 4.2	+ 5.1	+ 2.3	+ 9.1	+16.0	+ 4.7	+ 4.3
1966	+ 1.2	+ 0.8	+ 1.4	+ 0.9	+ 3.7	+ 8.8	+ 2.2	+ 1.2
Monthly:								
1966--Jul.	+ 8.1	+ 6.0	+ 4.9	+ 5.9	+ 9.3	+16.3	- 4.9	- 8.1
Aug.	-15.2	-13.0	- 8.4	-11.5	- 1.0	+ 9.2	+ 1.4	+ 0.9
Sept.	+ 4.5	- 2.0	- 1.0	- 4.5	- 0.5	+ 3.8	+ 2.8	+ 1.8
Oct.	- 6.9	- 6.4	- 3.0	- 7.2	- 4.4	+ 1.5	- 2.8	- 4.5
Nov.	- 3.1	+ 8.3	- 3.1	- 0.5	- 3.4	- 2.3	--	- 0.9
Dec.	- 0.9	- 0.7	+ 1.8	- 6.7	+ 2.0	+ 9.8	+ 2.1	+ 0.9
1967--Jan.	+19.2	+26.0	+14.4	+14.0	+16.1	+16.5	- 0.7	- 2.7
Feb.	+11.5	+17.4	+12.0	+11.6	+15.9	+19.3	+ 8.5	+ 9.1
Mar.	+21.6	+29.4	+15.3	+ 9.8	+14.3	+19.0	+11.2	+12.7
Apr.	+ 2.5	+ 4.7	+ 8.1	+ 5.0	+ 9.9	+14.4	- 2.8	- 5.4
May	- 0.4	+ 4.9	- 1.2	- 2.1	+ 5.6	+13.5	+12.5	+15.3
June	+ 8.4	+ 4.9	+ 4.8	- 2.8	+ 8.8	+17.5	+11.7	+13.3
Jul.	+11.3	+15.2	+16.0	+15.8	+15.2	+15.2	+11.6	+14.0
Aug.	+13.5	+14.7	+15.6	+14.4	+16.9	+17.1	+ 8.1	+10.4
Sept.	+ 9.6	+ 4.8	+ 9.0	+ 7.1	+10.3	+11.4	+ 0.7	- 0.9
Oct.	+15.3	+12.4	+18.0	+16.0	+11.6	+12.7	+ 6.7	+ 6.9
Nov.	+ 7.5	+10.8	+ 5.5	+ 3.4	+ 8.4	+11.9	+ 7.3	+ 8.6
Dec. p	- 6.1	-14.0	- 0.2	-10.6	--	+ 8.5	+ 1.3	- 1.7

^{1/} Includes all deposits subject to reserve requirements. Movements in this aggregate correspond closely with movements in total member bank credit.

^{2/} Changes in reserves, total deposits and time deposits have been adjusted for redefinition of time deposits effective June 9, 1966.

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Chart 1

MEMBER BANK RESERVES

MONTHLY AVERAGES OF DAILY FIGURES

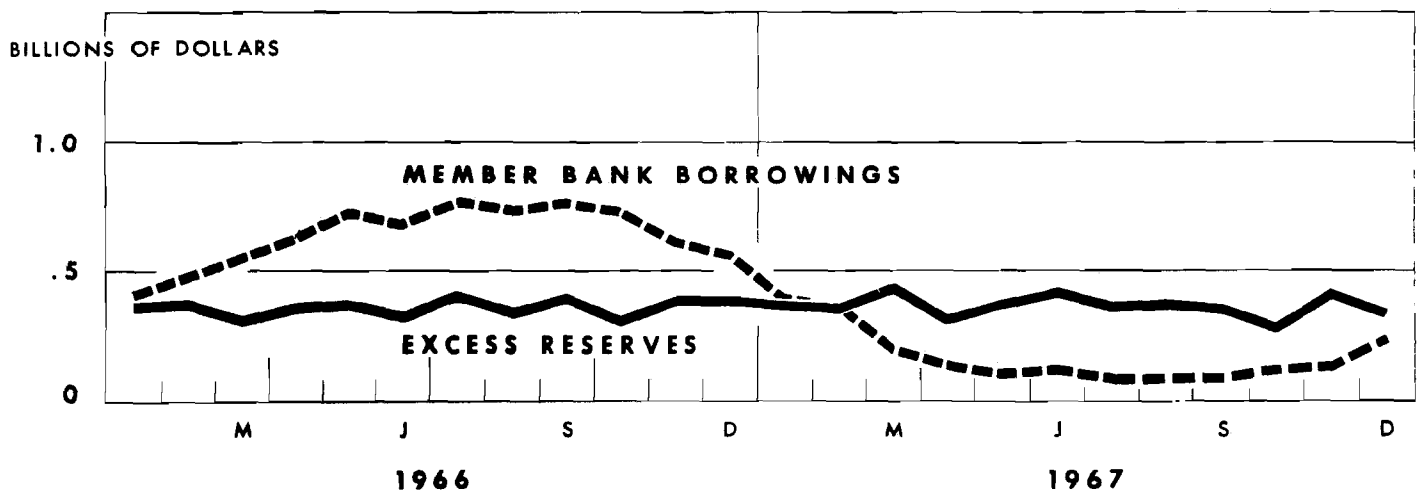
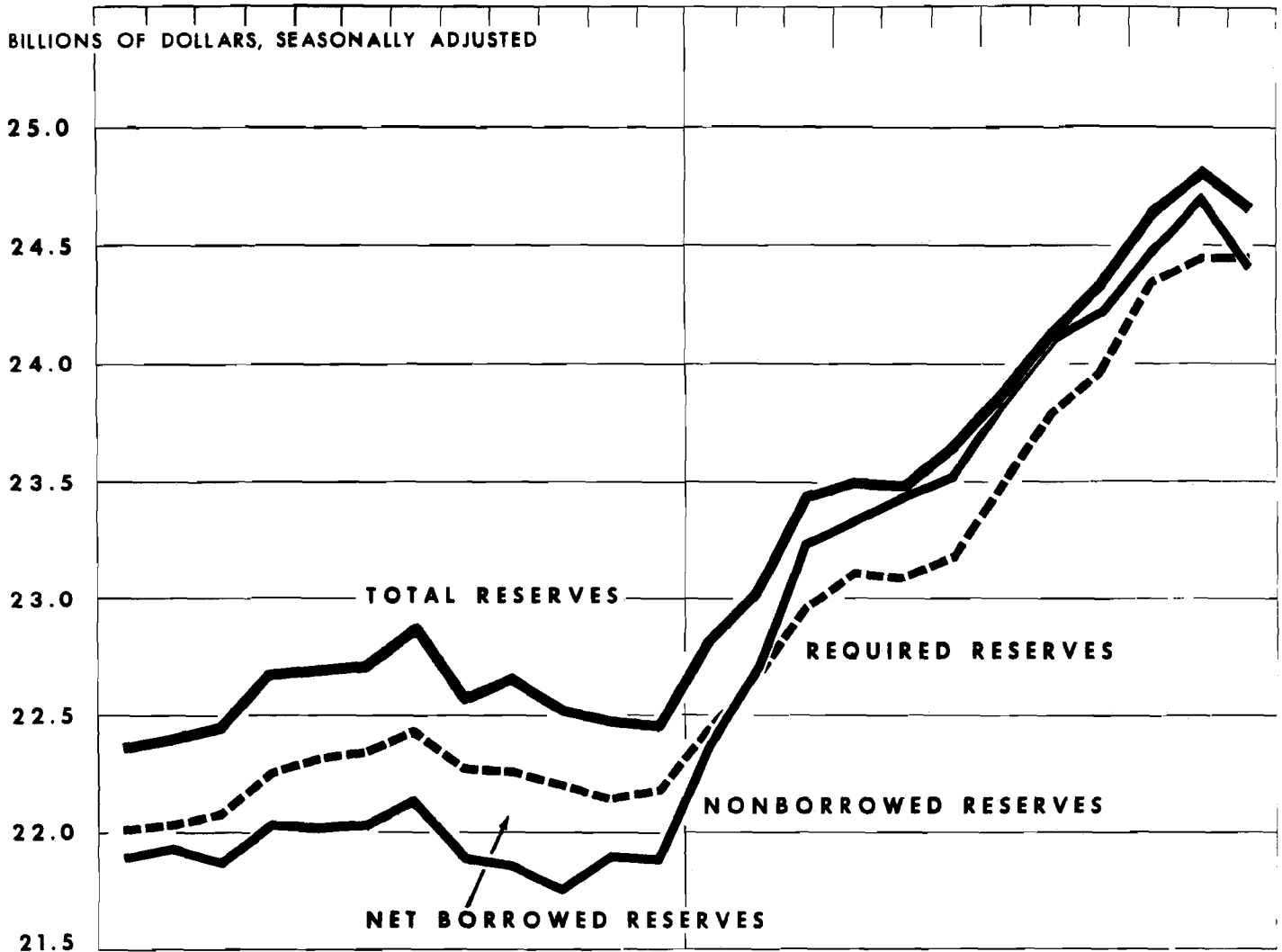


Chart 2

MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

BILLIONS OF DOLLARS

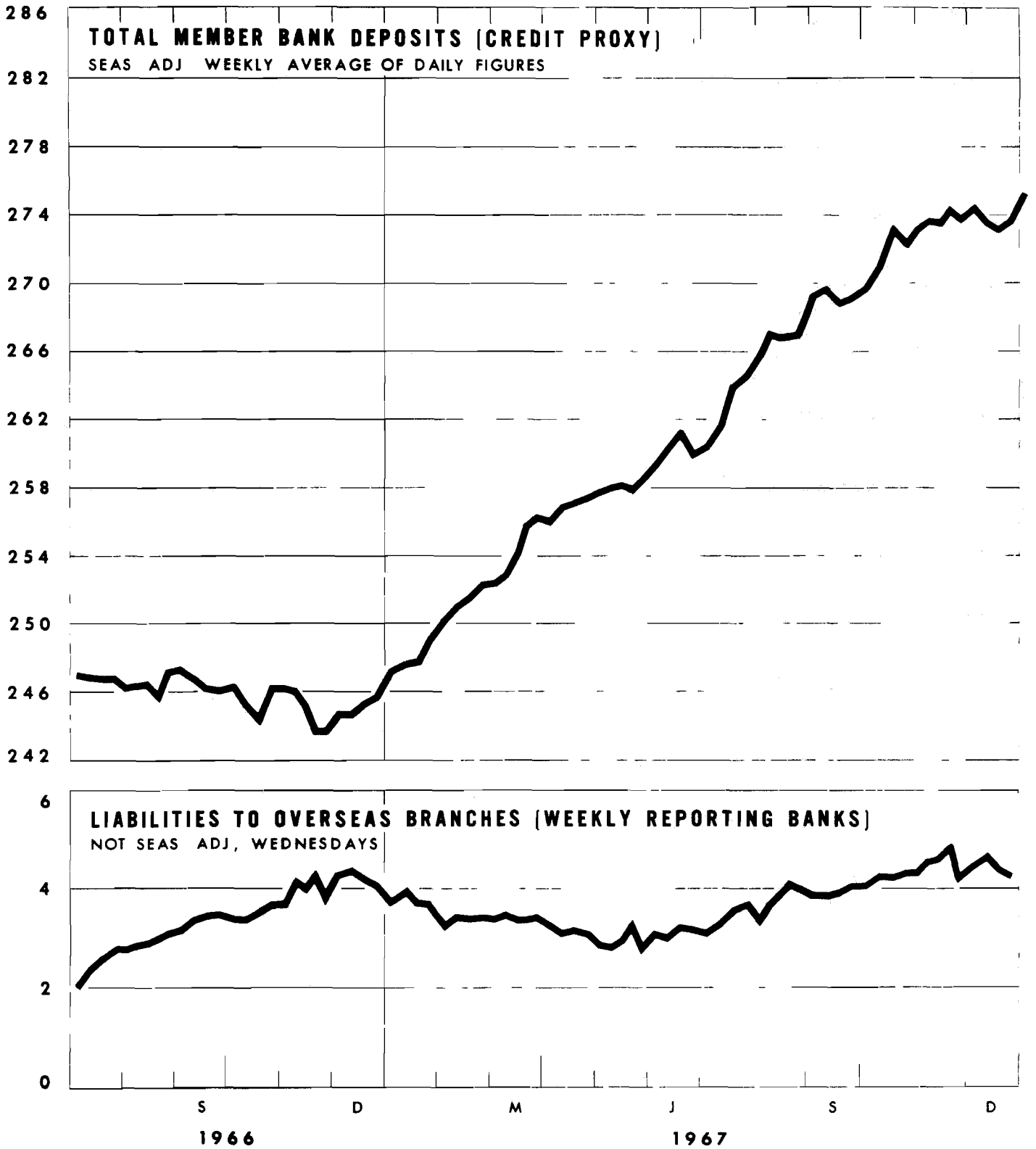
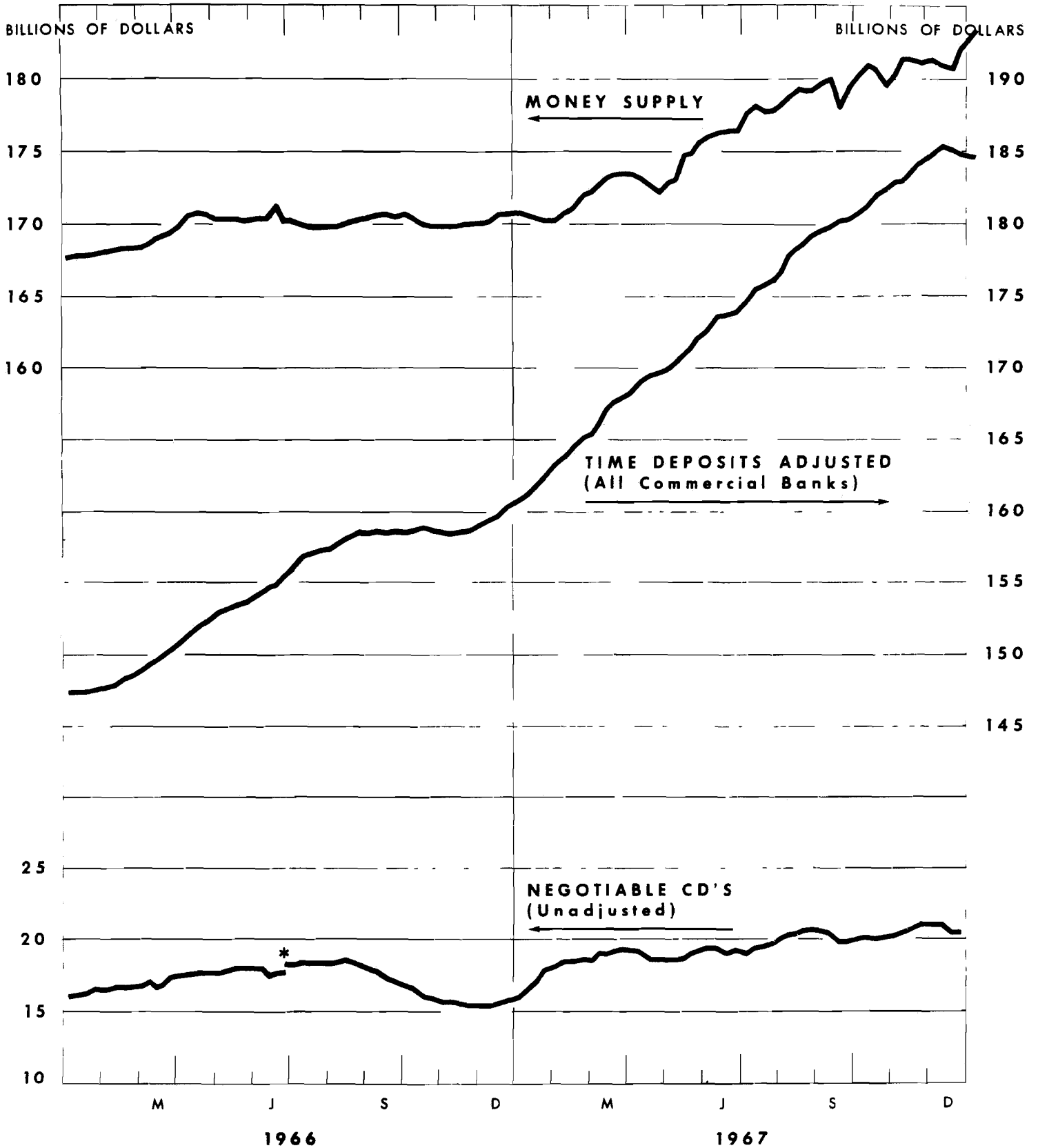


Chart 3

MONEY SUPPLY AND BANK DEPOSITS

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES



* CHANGE IN SERIES

Chart 4

DEMAND DEPOSITS AND CURRENCY

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

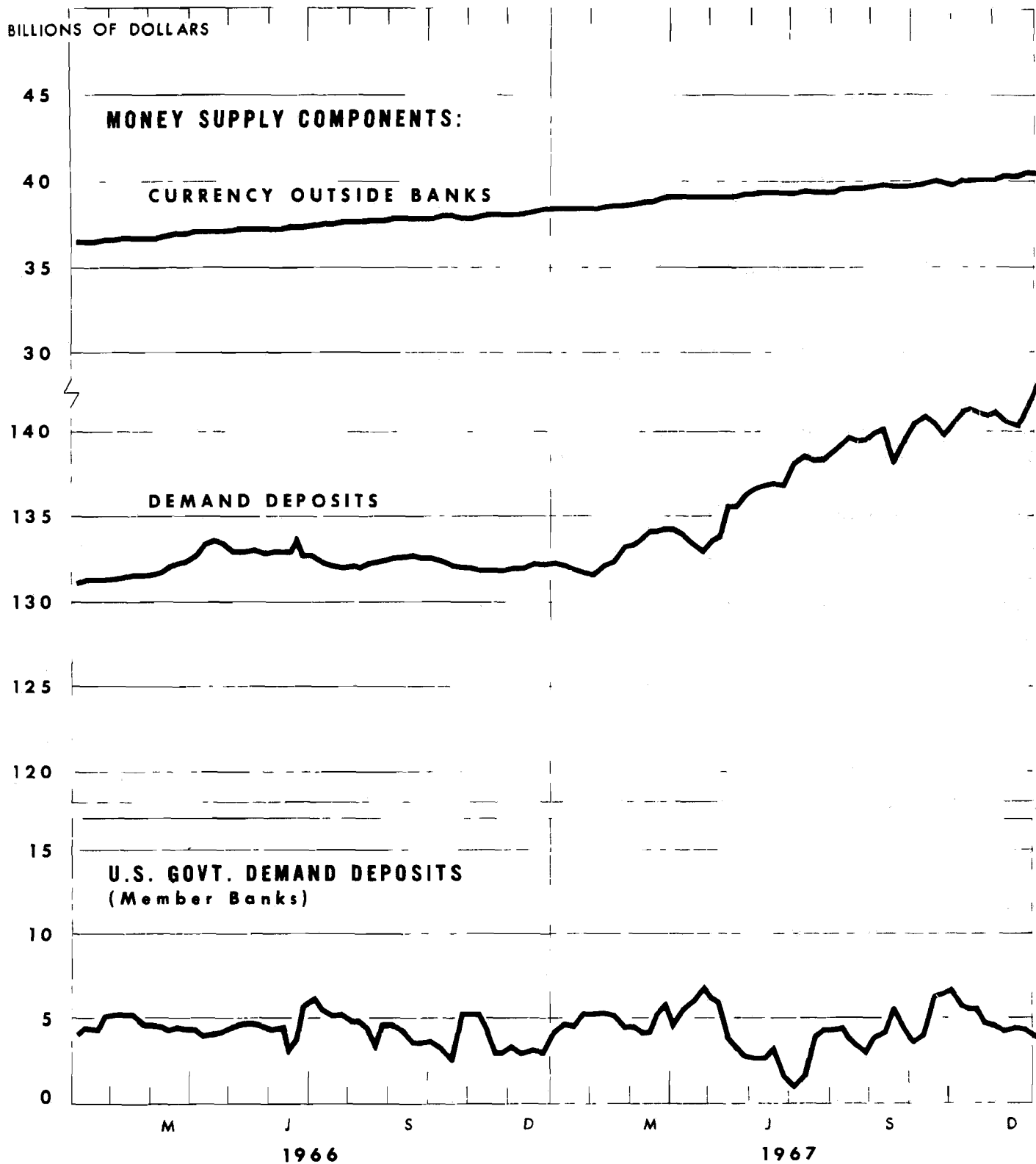


Table B-1

MAJOR SOURCES AND USES OF RESERVES

Retrospective and Prospective
(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 stock	Currency outside banks	Technical factors net 2/		Required reserves 3/	Excess reserves
Year:							
1966 (12/29/65 - 12/28/66)	+3,149	-627	-2,243	+805	+1,085	+1,111	- 26
1967 (12/28/66 - 12/27/67)	+4,718	-725	-2,292	-165	+1,536	+1,515	+ 21
Year-to-date:							
(12/28/66 - 1/4/67)	+ 319	--	+ 475	-294	+ 497	+ 539	- 42
(12/27/67 - 1/3/68)	+ 554	-452	+ 600	- 63	+ 639	+ 531	+108
Weekly:							
1967--Dec. 6 p	+ 495	-137	- 247	+ 97	+ 208	+ 285	- 77
13 p	+ 53	-339	- 338	+479	- 146	- 184	+ 38
20 p	- 154	--	- 38	+677	+ 485	+ 576	- 91
27 p	+ 433	+ 2	- 378	+449	+ 507	+ 293	+214
1968--Jan. 3 p	+ 554	-452	+ 600	- 63	+ 639	+ 531	+108
PROJECTED 4/							
1968--Jan. 10	- 195	--	- 70	-180	- 445	- 445	--
17 5/	- 160	--	+ 360	-165	+ 35	+ 35	--
24 5/	- 15	--	+ 175	+ 20	+ 180	+ 180	--
31	+ 120	--	+ 255	-420	- 45	- 45	--
Feb. 7	+ 535	--	- 420	-150	- 35	- 35	--
14	- 280	--	+ 50	--	- 230	- 230	--
21	- 285	--	+ 110	+ 15	- 160	- 160	--

1/ For retrospective details, see Table B-4.

2/ For factors included, see Table B-3.

3/ For required reserves by type of deposits, see Table B-2.

4/ See reverse side for explanation.

5/ Includes increase in reserve requirements of \$360 million effective Jan. 11, 1968, and \$190 million effective January 18, 1968.

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Table B-2

CHANGES IN REQUIRED RESERVE COMPONENTS

Retrospective and Prospective Seasonal and Nonseasonal Changes
(Dollar amounts in millions, based on weekly averages of daily figures)

Period	Total required reserves	Supporting U. S. Gov't. demand deposits	Supporting private deposits					
			Total	Seasonal changes		Other than seasonal changes		
				Demand	Time	Demand	Time	
Year:								
1966 (12/29/65 - 12/28/66)	+1,111	- 87	+1,198	- 14	- 4	- 5	+1,221 ^{1/}	
1967 (12/28/66 - 12/27/67)	+1,515	+228	+1,287	+ 59	+ 6	+1,054	+ 168 ^{1/}	
Year-to-date:								
(12/28/66 - 1/4/67)	+ 539	- 34	+ 573	+334	+ 24	+195	+ 20	
(12/27/67 - 1/3/68)	+ 531	-218	+ 749	+380	+ 21	+348	--	
Weekly:								
1967--Dec. 6 p	+ 285	- 37	+ 322	+206	- 5	+111	+ 10	
13 p	- 184	-215	+ 31	+132	--	-120	+ 19	
20 p	+ 276	+206	+ 370	+395	- 6	- 19	--	
27 p	+ 293	+305	- 12	-102	+ 6	+102	- 18	
1968--Jan. 3 p	+ 531	-218	+ 749	+380	+ 21	+348	--	
	PROJECTED							
1968--Jan. 10	- 445	- 65	- 380	-160	+ 10	-240	+ 10	
17 <u>2/</u>	+ 35	-165	+ 200	-145	+ 20	+315	+ 10	
24 <u>2/</u>	+ 180	+450	- 270	-340	+ 5	+ 55	+ 1 ⁰	
31	- 45	+100	- 145	-105	+ 5	- 60	+	
Feb. 7	- 35	+ 65	- 100	- 90	+ 10	- 30	+ 10	
14	- 165	- 60	- 105	-105	+ 5	- 15	+ 10	
21	- 65	--	- 65	-220	- 5	+150	+ 10	

^{1/} Reflects reserves requirements changes in July, September 1966, and March 1967.

^{2/} Includes increase in reserve requirements of \$360 million effective Jan. 11, 1968, and \$190 million effective January 18, 1968.

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Table B-3

TECHNICAL FACTORS AFFECTING RESERVES

Retrospective and Prospective Changes

(Dollar amounts in millions, based on weekly averages of daily figures)

Period	Technical factors (net)	Treasury operations	Float	Foreign deposits and gold loans	Other nonmember deposits and F. R. accounts
<u>ACTUAL</u>		(Sign indicates effect on reserves)			
<u>Year:</u>					
1966 (12/29/65 - 12/28/66)	+805	+673	+ 64	- 30	+ 98
1967 (12/28/66 - 12/27/67)	-165	- 85	-389	- 7	+316
<u>Year-to-date:</u>					
(12/28/66 - 1/4/67)	-294	- 27	-284	- 23	+ 40
(12/27/67 - 1/3/68)	- 63	-229	-116	+ 3	+279
<u>Weekly:</u>					
1967--Dec. 6	+ 97	+267	+107	+ 15	-292
13	+479	+516	- 3	+ 20	- 54
20	+677	- 54	+503	- 16	+244
27	+449	+182	+233	+ 6	+ 28
1968--Jan. 3	- 63	-229	-116	+ 3	+279
<u>PROJECTED</u>					
1968--Jan. 10	-180	- 20	-220	--	+ 60
17	-165	- 25	-140	--	--
24	+ 20	--	+ 20	--	--
31	-420	--	-420	--	--
Feb. 7	-150	--	-150	--	--
14	--	--	- 70	--	+ 70
21	+ 15	--	+300	--	-285

Table B-4

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	Other	Repurchase agreements			
<u>Year:</u>								
1966 (12/29/65 - 12/28/66)	+3,149	+3,069	+2,158	+ 474	+437	+ 26	+ 52	+ 2
1967 (12/28/66 - 12/27/67)	+4,718	+5,009	+4,433	+1,153	-577	- 19	- 69	-203
<u>Year-to-date:</u>								
(12/28/66 - 1/4/67)	+ 319	+ 282	+ 434	--	-152	+ 1	+ 19	+ 17
(12/27/67 - 1/3/68)	+ 554	+ 328	+ 195	--	+133	+ 33	+ 43	+150
<u>Weekly:</u>								
1967--Dec. 6	+ 495	+ 497	+ 223	+ 149	+125	+ 9	+ 21	- 32
13	+ 53	- 38	+ 134	--	-172	- 11	+ 68	+ 34
20	- 154	- 145	- 145	--	--	--	- 73	+ 64
27	+ 433	+ 222	+ 141	--	+ 81	+ 7	+ 44	+160
Jan. 3	+ 554	+ 328	+ 195	--	+133	+ 33	+ 43	+150

Chart Reference Table C-1

TOTAL, NONBORROWED AND REQUIRED RESERVES 1/

Seasonally Adjusted

(Dollar amounts in millions, based on monthly averages of daily figures)

Period	Total reserves	Nonborrowed reserves	Required reserves		
			Total	Against private deposits	
				Total	Demand
1965--Jul.	21,857	21,356	21,488	20,626	15,921
Aug.	21,923	21,417	21,533	20,719	15,943
Sept.	21,869	21,318	21,494	20,904	16,065
Oct.	21,986	21,533	21,645	21,073	16,147
Nov.	21,976	21,589	21,671	21,170	16,196
Dec.	22,186	21,722	21,861	21,285	16,266
1966--Jan.	22,358	21,899	22,007	21,411	16,375
Feb.	22,401	21,943	22,028	21,464	16,413
Mar.	22,452	21,873	22,077	21,600	16,506
Apr.	22,679	22,027	22,252	21,771	16,605
May	22,703	22,020	22,308	21,782	16,562
June	22,707	22,030	22,339	21,883	16,606
Jul.	22,861	22,140	22,431	21,841	16,512
Aug.	22,571	21,900	22,274	21,842	16,473
Sept.	22,655	21,864	22,256	21,860	16,475
Oct.	22,524	21,748	22,200	21,741	16,365
Nov.	22,465	21,898	22,142	21,716	16,364
Dec.	22,449	21,885	22,175	21,772	16,378
1967--Jan.	22,808	22,360	22,442	21,803	16,328
Feb.	23,026	22,685	22,666	22,044	16,478
Mar.	23,441	23,240	22,955	22,297	16,647
Apr.	23,490	23,332	23,110	22,293	16,578
May	23,482	23,428	23,086	22,559	16,786
June	23,646	23,523	23,178	22,890	17,024
Jul.	23,869	23,830	23,488	23,049	17,115
Aug.	24,138	24,121	23,794	23,275	17,246
Sept.	24,331	24,217	23,972	23,329	17,236
Oct.	24,642	24,467	24,332	23,450	17,313
Nov.	24,797	24,688	24,443	23,612	17,411
Dec. p	24,646	24,401	24,439	23,637	17,394

p - Preliminary.

1/ Reserves have been adjusted for redefinition of time deposits effective June 9, 1966.

Table C-2

DEPOSITS SUPPORTED BY REQUIRED RESERVES AT ALL MEMBER BANKS

Seasonally adjusted

(Dollar amounts in billions, based on monthly averages of daily figures)

Monthly	Total member bank deposits (credit) ^{1/} _{2/}	Time deposits _{2/}	Private demand deposits ^{3/}	U.S. Gov't. demand deposits
1965--Jul.	229.1	113.6	108.6	6.8
Aug.	230.4	115.4	108.8	6.3
Sept.	231.4	116.9	109.6	4.9
Oct.	233.5	119.0	110.1	4.4
Nov.	234.8	120.2	110.5	4.1
Dec.	236.4	121.2	111.0	4.2
1966--Jan.	238.0	121.7	111.7	4.7
Feb.	239.0	122.0	112.0	5.0
Mar.	239.8	123.0	112.6	4.2
Apr.	242.2	124.8	113.3	4.1
May	243.9	126.1	113.0	4.8
June	244.8	127.5	113.3	4.0
Jul.	246.7	128.7	112.6	5.3
Aug.	246.5	129.7	112.4	4.4
Sept.	246.4	130.1	112.4	3.9
Oct.	245.5	129.9	111.6	4.0
Nov.	244.8	129.3	111.6	4.0
Dec.	245.2	130.3	111.7	3.2
1967--Jan.	248.5	132.2	111.4	4.9
Feb.	251.8	134.4	112.4	5.0
Mar.	254.8	136.5	113.6	4.8
Apr.	256.9	138.0	113.1	5.8
May	258.1	139.4	114.5	4.1
June	260.0	141.7	116.1	2.2
Jul.	263.3	143.3	116.7	3.2
Aug.	267.0	145.6	117.6	3.7
Sept.	269.3	147.2	117.6	4.5
Oct.	271.9	148.2	118.1	5.6
Nov.	273.8	149.8	118.8	5.3
Dec. p	273.8	149.9	118.6	4.3

^{1/} Includes all deposits subject to reserve requirements--i.e., the total of time, private demand, and U.S. Government demand deposits. Movements in this aggregate correspond closely with movements in total member bank credit.

^{2/} Deposits have been adjusted for redefinition of time deposits effective June 9, 1967.

^{3/} Private demand deposits include demand deposits of individual, partnerships and corporations and net interbank balances.

TABLE C-2a

DEPOSITS SUPPORTED BY REQUIRED RESERVES AT ALL MEMBER BANKS

Seasonally adjusted

(Dollar amounts in billions, based on weekly averages of daily figures)

Week ending:	Total member bank deposits (credit) 1/ 2/	Time deposits 2/	Private demand deposits 3/	U. S. Gov't. demand deposits
1967--June 7	259.3	140.9	115.9	2.6
14	260.2	141.6	116.1	2.6
21	261.2	141.8	116.2	3.2
28	259.9	142.1	116.2	1.6
Jul. 5	260.4	142.5	116.9	1.0
12	261.7	142.9	117.2	1.6
19	263.9	143.4	116.6	4.0
26	264.6	143.7	116.6	4.3
Aug. 2	265.8	144.4	117.2	4.3
9	267.0	145.0	117.5	4.4
16	266.7	145.4	117.4	3.9
23	266.8	145.8	117.6	3.4
30	267.0	146.5	117.6	3.0
Sept. 6	269.3	146.9	118.3	4.1
13	269.6	147.0	118.3	4.3
20	268.8	147.2	116.1	5.5
27	269.1	147.3	117.4	4.5
Oct. 4	269.7	147.6	118.6	3.6
11	271.0	148.0	118.9	4.1
18	273.1	148.4	118.4	6.3
25	272.3	148.4	117.6	6.4
Nov. 1	273.1	148.9	117.6	6.7
8	273.6	149.0	118.9	5.7
15	273.5	149.6	118.5	5.5
22	274.2	150.1	118.7	5.5
29 p	273.7	150.4	118.6	4.7
Dec. 6 p	274.3	150.6	119.1	4.6
13 p	273.6	151.0	118.4	4.2
20 p	273.1	150.7	117.9	4.5
27 p	273.6	150.7	118.5	4.4
1968--Jan. 3 p	275.2	150.7	120.8	3.8

p - Preliminary.

1/ Includes all deposits subject to reserve requirements--i.e., the total of time, private demand, and U.S. Government demand deposits. Movements in this aggregate correspond closely with movements in total member bank credit.

2/ Deposits have been adjusted for redefinition of time deposits effective June 9, 1966.

3/ Private demand deposits include demand deposits of individuals, partnerships and corporations and net interbank balances.

TABLE C-3
MONEY SUPPLY AND TIME DEPOSITS AT ALL COMMERCIAL BANKS
Seasonally adjusted
(Dollar amounts in billions, based
on monthly averages of daily figures)

Monthly	Money Supply	Currency <u>1/</u>	Private Demand Deposits <u>2/</u>	Time Deposits Adjusted <u>3/</u>
1965--Jul.	162.4	35.3	127.2	137.9
Aug.	163.2	35.5	127.8	139.8
Sept.	164.0	35.7	128.4	141.6
Oct.	165.2	36.0	129.3	143.8
Nov.	165.7	36.1	129.6	145.5
Dec.	166.8	36.3	130.5	146.9
1966--Jan.	167.9	36.6	131.4	147.5
Feb.	168.3	36.7	131.6	148.3
March	169.2	36.9	132.3	149.8
Apr.	170.5	37.1	133.4	151.8
May	170.2	37.3	132.9	153.4
June	170.6	37.4	133.2	154.8
Jul.	169.9	37.7	132.3	156.9
Aug.	170.1	37.8	132.4	158.1
Sept.	170.5	37.9	132.6	158.6
Oct.	170.1	38.0	132.1	158.8
Nov.	170.1	38.1	132.0	158.5
Dec.	170.4	38.3	132.1	159.8
1967--Jan.	170.3	38.5	131.8	162.0
Feb.	171.5	38.7	132.8	164.6
Mar.	173.1	38.9	134.2	167.2
Apr.	172.7	39.1	133.6	169.2
May	174.5	39.2	135.3	171.1
June	176.2	39.3	136.8	173.6
Jul.	177.9	39.5	138.4	175.8
Aug.	179.1	39.6	139.6	178.3
Sept.	179.2	39.8	139.5	180.0
Oct.	180.2	39.9	140.3	181.9
Nov.	181.3	40.0	141.3	183.7
Dec. p	181.5	40.3	141.1	185.0

- 1/ Includes currency outside the Treasury, the Federal Reserve, and the vaults of all commercial banks.
- 2/ 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.
- 3/ Deposits have been adjusted for redefinition of time deposits effective June 9, 1966.
- p - Preliminary.

TABLE C-3a
MONEY SUPPLY AND TIME DEPOSITS AT ALL COMMERCIAL BANKS
Seasonally Adjusted
(Dollar amounts in billions, based
on weekly averages of daily figures)

Week Ending	Money Supply	Currency <u>1/</u>	Private Demand Deposits <u>2/</u>	Time Deposits adjusted <u>3/</u>
1967--June 7	176.0	39.3	136.7	172.6
14	176.3	39.4	136.9	173.6
21	176.4	39.4	137.0	173.7
28	176.4	39.4	136.9	173.9
July 5	177.6	39.4	138.2	174.6
12	178.1	39.5	138.6	175.4
19	177.7	39.4	138.3	175.8
26	177.8	39.4	138.4	176.1
Aug. 2	178.3	39.4	138.9	176.8
9	178.8	39.6	139.3	177.8
16	179.2	39.6	139.7	178.2
23	179.1	39.6	139.5	178.5
30	179.1	39.6	139.5	179.2
Sept. 6	179.7	39.7	139.9	179.6
13	180.0	39.8	140.2	179.8
20	178.0	39.7	138.2	180.2
27	179.3	39.7	139.5	180.3
Oct. 4	180.3	39.8	140.5	180.7
11	180.9	39.9	140.9	181.2
18	180.5	40.0	140.5	182.0
25	179.6	39.9	139.7	182.3
Nov. 1	180.3	39.8	140.5	182.8
8	181.3	40.0	141.3	182.8
15	181.3	40.0	141.4	183.5
22	181.2	40.1	141.1	184.1
29 p	181.1	40.1	141.0	184.3
Dec. 6 p	181.4	40.1	141.3	184.9
13 p	180.9	40.3	140.6	185.3
20 p	180.8	40.3	140.4	185.1
27 p	182.0	40.5	141.5	184.7
1968--Jan. 3 p	183.3	40.4	142.9	184.6

1/ Includes currency outside the Treasury, the Federal Reserve, and the vaults of all commercial banks.

2/ 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 of Federal Reserve Banks.

3/ Deposits have been adjusted for redefinition of time deposits effective June 9, 1966.

p - Preliminary.