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MONEY MARKET AND RESERVE RELATIONSHIPS

Recent developments

(1) The relatively firm conditions prevailing in money and short-term credit markets around the time of the last Committee meeting were generally maintained in the ensuing four week period dominated by "even keel." With money markets firm, international financial markets in flux, and with a large volume of new demands on the credit markets from Federal and private sectors, most long- and short-term interest rates rose further over the period.

(2) The 3-month Treasury bill rate, however, did not show any sustained upward movement since the last Committee meeting. In fact, as of the close of business Friday, the 3-month bill was yielding around 5.42 per cent, down a few basis points from its level four weeks earlier. Over that interval, the bill fluctuated in a fairly narrow range, generally in the upper half of the 5.25-5.60 per cent range specified in the previous Blue Book. Longer-term bill rates, however, rose about 10 basis points over the interval, as did certain other short-term market rates, such as yields on certificates of deposits and bankers' acceptances. Offering rates by banks for CD's in the 3-month area generally moved up to the 6 per cent Regulation Q ceiling rate, and some banks are reported to be offering the 6-1/4 per cent ceiling for six-month money. The one leading bank whose prime loan rate was relatively low moved that rate up to 6-1/4 per cent.

(3) The disparate movement of the 3-month bill rate relative to other short-term rates reflected in part the development of a shortage

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 4/	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	Money Supply	Time Deposits 2/	
1957--Oct.	212	141	3.88	4.55	5.36	6.08**	3.88	+299	+335	+ 2.4	+ 1.1	+ 1.2	
Nov.	225	124	4.12	4.72	5.66	6.50	3.99	+122	+154	+ 2.1	+ 0.8	+ 1.4	
Dec.	143	185	4.51	4.96	5.59	6.51	4.15	-294	-122	+ 0.2	+ 0.3	+ 1.5	
1968--Jan.	142	275	4.60	5.00	5.39	6.22**	4.06	+345	+347	+ 1.5	+ 1.0	+ 0.6	
Feb.	21	368	4.72	4.98	5.38	6.25**	4.01	+208	+265	+ 2.3	+ 0.4	+ 1.1	
Mar.	-312	649	5.05	5.17	5.59	6.57**	4.28	-266	+ 47	+ 1.0	+ 0.7	+ 1.5	
Apr.	-341	689	5.76	5.38	5.46	6.50**	4.13	-197	-189	- 1.1	+ 0.9	+ 0.4	
May	-374	728	6.12	5.66	5.55	6.64	4.28	+ 46	+ 88	+ 0.4	+ 1.8	+ 0.5	
June	-386	727	6.07	5.52	5.40	6.65	4.26	+137	+105	+ 1.5	+ 1.3	+ 0.6	
July	-192	523	6.02	5.31	5.29	6.50**	4.12	+304	+107	+ 2.1	+ 2.0	+ 2.2	
Aug. p	-240	577	6.03	5.23	5.22	6.16	4.00	+493	+508	+ 5.0	+ 0.9	+ 1.1	
Sept. p	-146	492	5.78	5.19	5.28	6.27	4.23	+ 29	- 36	+ 2.0	- 0.8	+ 2.0	
Oct. p	-197	459	5.92	5.35	5.44	6.47	4.21	+264	+215	+ 3.0	+ 0.8	+ 3.0	
Nov. p e	-233	519	n.a.	n.a.	n.a.	n.a.	n.a.	+ 14	+133	+ 2.6	+ 1.6	+ 2.0	
1968--Oct. 23 p	-345	337	5.84	5.37	5.44	6.57	4.21			- 0.4	- 1.6	+ 0.9	
30 p	-163	497	5.91	5.46	5.46	6.50	4.25			+ 3.5	+ 0.8	+ 0.6	
Nov. 6 p	-209	391	6.07	5.49	5.46	6.43	4.25			+ 0.9	+ 1.7	+ 0.2	
13 p	-192	675	6.00	5.44	5.50	6.54	4.35			- 0.3	- 1.2	+ 0.6	
20 p	-368	511	5.45	5.43	5.56	6.64	n.a.			--	+ 2.4	+ 0.2	
			Averages						Annual rates of increase 3/				
Year 1967	195	173	4.22	4.29	5.01	5.77	3.74	+11.5	+ 9.9	+11.9	+ 6.4	+16.1	
Second Half 1967	238	123	4.03	4.51	5.31	6.10	3.91	+ 7.2	+ 8.7	+10.6	+ 6.0	+12.6	
First Half 1968	-201	567	5.39	5.29	5.46	6.47	4.16	+ 2.2	+ 5.3	+ 4.0	+ 6.6	+ 5.0	
<u>Recent variations in growth</u>													
Nov. 29-Feb. 28	106	276	4.64	4.90	5.46	6.30	4.08			+ 9.1	+ 4.0	+ 6	
Feb. 28-Jun. 12	-360	695	5.45	5.43	5.51	6.58	4.23			- 1.1	+ 6.6	+ 4	
Jun. 12-Nov. 20	-212	532	5.94	5.28	5.34	6.44	4.16			+12.3	+ 8.1	+16.2	

1/ Includes issues carrying 5-year and 10-year call protection, ** - issues carry a 10-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.

p - Preliminary. n.a. Not available. e - Estimated.

4/ Average of total number of days in period.

November 22, 1968.

in the trading supply of such bills in the face of heavy demand from foreign and other sources. Net purchases of bills in the market by foreign accounts (through the agency of the System) have totalled around \$850 million since the beginning of November, mostly in the short-term area. The increased spread of longer-term over short-term bill rates also appeared to reflect general market uncertainties, including a view that evolving credit conditions were on the tight side as compared with earlier anticipations. However, the Treasury's recently announced offering of only \$2 billion in June tax bills--at the lower end of the range expected in the market--helped to moderate pressures affecting longer-term bills.

(4) During the first three weeks since the last meeting of the Committee the Federal funds rate mostly tended to be around 6 per cent or above, as compared with a neighborhood of $5\frac{7}{8}$ - 6 per cent in October. In recent days, however, the funds market has eased sharply, reflecting in the main reserve gluts around the end of the statement week just past, when float turned out to be unexpectedly high, when banks accumulated reserves in excess of need early in the week, and when foreign funds became temporarily more available in the Federal funds market. Rates on new loans to dealers were firm at $6\frac{3}{8}$ per cent or above for the bulk of the period since the previous FOMC meeting.

(5) In the four statement weeks ending November 20, member bank excess reserves have averaged \$286 million, somewhat higher than in the previous four weeks, while member bank borrowings have averaged \$519 million, also somewhat higher than earlier. Net borrowed reserves during the past four statement weeks have been in a \$150-350 million range.

(6) Current estimates of the bank credit proxy for November show a $10\frac{1}{2}$ per cent annual rate of increase on average. Euro-dollar borrowings may add about $\frac{1}{2}$ percentage point to the proxy on average. With one week still to go in the month, the bank credit estimate is, of course,

subject to change in either direction by a percentage point or two. In the course of November, week-by-week estimates of the credit proxy varied throughout the 9-12 per cent average annual rate range projected for the last Committee meeting, as there were wide fluctuations in reported weekly deposit figures. It should be noted, however, that after mid-month the range originally projected had to be adjusted to 8-11 per cent because the earlier assumption as to timing of the Treasury tax bill financing was not borne out; in the previous Blue Book the financing had been assumed for payment on November 27, whereas it has now been announced for payment on December 2 (in the amount of \$2 billion).

(7) Growth in bank credit in November was accompanied by only about a 1 per cent annual rate of expansion in nonborrowed reserves on current estimates. With the cost of reserve funds in the Federal funds and Euro-dollar markets generally higher than in the previous month, banks--to sustain credit expansion--increased their borrowings from the Federal Reserve more than seasonally, and they also appear to have economized further on excess reserves after adjusting for past seasonal patterns. (The increase in excess reserves noted in paragraph (5) would represent a less than seasonal rise.)

(8) The reception of the Treasury's November refunding operation turned out to generate somewhat more total attrition than assumed by the staff; about 25 per cent of the November maturities and 50 per cent of the December maturities were not exchanged. But the interest in the re-opened 5-3/4 per cent 6-year note was greater than many in the market had anticipated, with public subscriptions reaching \$1.3 billion. Dealers took around \$250 million, net, of this issue into position, and sold out about one-third by payment date. Their total

position in securities maturing in more than 5 years was around \$630 million on Thursday, November 21, or about \$100 million higher than such positions on October 29, just before books were closed on the mid-November refunding. Dealers appear to have rather mixed attitudes toward these positions; on balance they are not pressing them actively onto the market at this time.

(9) Time deposit growth in November is estimated at a 12 per cent annual rate, in line with earlier projections. However, growth in the money supply, estimated at a 10 per cent annual rate, is slightly in excess of earlier projections, mainly because of an unanticipated bulge in currency in circulation.

(10) Comparative average annual rates of change for major deposit and reserve aggregates are shown below.

	<u>May '67-</u> <u>Nov. '67</u>	<u>Dec. '67-</u> <u>June '68</u>	<u>July '68-</u> <u>Nov. '68^P</u>
Total reserves	9.8	3.7	8.6
Nonborrowed reserves	9.9	-0.1	10.5
Bank credit, as measured by:			
Proxy	11.5	3.7	12.7
Proxy plus Euro-dollars	12.3	4.7	13.1
Money supply	8.4	6.1	5.8
Time and savings deposits	14.2	5.8	17.1
Savings accounts at thrift institutions	9.0	6.1	6.4 ^{1/}

NOTE: Dates are inclusive
p--preliminary estimates
1/ July-October only.

Prospective Developments.

(11) Prevailing money market conditions might be taken to encompass a Federal funds rate fluctuating in the neighborhood of 5-7/8--6 per cent, member bank borrowings averaging in a \$400-\$600 million range, and net borrowed reserves fluctuating widely, probably in a \$100-\$400 million area. These specifications assume banks may be somewhat more willing to borrow at a given Federal funds rate than they were in most of November, as they move into the December period of traditional seasonal pressures. Maintenance of the above money market conditions between now and the next meeting of the Committee on December 17 may be associated with some moderate further upward pressures on short-term interest rates, and with a slower growth in bank credit (as measured by the proxy on a daily average basis for the month.)

(12) Under these money market conditions, it would appear that the 3-month Treasury bill rate may be expected to be in a 5.30-5.60 per cent range between now and mid-December. However, the bill rate could be pushed to or even somewhat beyond either end of this range depending on the way in which international exchange market uncertainties are resolved (unknown by Friday 6:30 p.m.). Effects will stem both from shifts in market attitudes and also from the extent and timing of foreign purchases or sales of Treasury bills, as well as use of swap facilities.

(13) Apart from international influences, there will be seasonal upward pressures on the bill rate that might be accentuated by enlarged corporate tax payments around mid-December. It is also possible that the Treasury may have to maintain a relatively low cash balance at the Federal Reserve until mid-December tax payments begin coming in, with the result that commensurately less Federal Reserve open market purchases would be made. On the other hand, these interest rate pressures may be offset to some extent because the market is likely soon to begin focusing on the probability that the Treasury will be able to repay some debt in the first half of next year.

(14) In projecting a slowing of bank credit growth in December-- to a 5-8 per cent, annual rate, range^{1/}--the staff has assumed that CD attrition will be around \$800 million, or no more than seasonal proportions. This projection assumes that the 3-month bill rate begins to decline in

^{1/} As noted earlier, the staff estimates for November are based on partial data. If final numbers for November turn out to be significantly lower (or higher), then the present projection for December's annual rate of growth would have to be commensurately higher (or lower) for the average December level herein projected to be achieved. Euro-dollar borrowings would add 1/2 percentage point to the projection, assuming little change in such borrowings from their current level.

the latter part of December from a seasonal peak. It presumes that maintenance of a Federal funds rate consistently in a 5-7/8--6 per cent area will encourage the market in the view that any upward movement of bill rates that may develop is likely to be temporary and that, therefore, banks will be able to count on a relatively normal recovery from mid-December CD attrition. If the 3-month bill rate were to reach or exceed the upper end of the range cited, it might become extremely difficult for banks, except for a few prime banks, to avoid more than seasonal attrition of outstanding CD's. There is somewhat more scope under the Regulation Q ceilings for banks to issue longer-term CD's, but the availability of such funds will probably be limited, particularly for seasonal reasons, next month.

(15) As of the end of October, CD's maturing in December totalled \$5.4 billion, of which about \$1 billion matured on the tax date. It is difficult to tell how much banks will have added to these liabilities by the end of November, although a comparison of market rates with Q ceiling rates would suggest that they would have sold relatively little more of December maturities. Assuming no substantial build-up in December CD maturities over the last few weeks, the attrition rate of around 15 per cent which we have assumed is not likely to require banks to undertake significant liquidity adjustments that would immediately alter lending attitudes, although banks are likely to add to portfolio investments at a reduced pace.

(16) Growth in time and savings deposits other than negotiable CD's is likely to slow down further in December, given the higher level

of market interest rates that has emerged and an anticipated moderation in the growth of personal income. Taking into account both CD's and other time and savings deposits, the total of banks' time deposits may be expected to rise in an 8-11 per cent, annual rate, range in December. Money supply growth next month may be in a 6-9 per cent, annual rate, range, reflecting for the most part a relatively sharp drop in U.S. Government deposits during the month, given the small size of the new tax bill financing and the substantial cash redemptions of the mid-December Treasury bond maturities that were not exchanged in November.

(17) Over the near-term, some further upward pressure on long-term interest rates remains possible. It would appear that banks would have to be considerably less active purchasers of securities, particularly of State and local Government obligations. And, while dealers have made progress in distributing the most recent longer-term Treasury note, their total positions in the over 5 year area (including the fairly sizable unsold balances from the August refunding) remain fairly large. In addition, a relatively large calendar of corporate bond issues may be developing for January, although this may have been discounted by the recent sharp rise of long-term interest rates.

(18) Policy alternative. If the Committee wishes to intensify the degree of monetary restraint at this time, it may wish to consider a constellation of money market conditions including a Federal funds rate fluctuating around 6-1/8 per cent, member bank borrowings in a \$550-\$700 million range, and net borrowed reserves of \$300-\$500 million. In view of the relatively firm money and short-term credit market conditions of recent weeks, and given anticipations of seasonal tightness by market participants, these money market variables would probably have to be rather

consistently toward the tight ends of the indicated ranges for the market to become aware of a shift in policy over the next three weeks.

(19) As the market absorbs the impact of a consistently tighter funds market and higher level of borrowings, there may be greater upward effects on longer-term bill rates and on bond yields than on the 3-month bill. The relatively small dealer holdings of short bills may tend to limit the rise in the 3-month bill rate. Longer-term bill rates are likely to be affected by banks' efforts to nail down whatever CD funds prove available in the maturity area beyond three months. Even so, banks could become uncertain about their ability to recoup December CD attrition, and would likely cut back participation in the municipal and U.S. Government securities markets fairly sharply. They are also likely to increase demands on the Euro-dollar market. Assuming existing ceiling rates, CD attrition in December might be in the order of \$1--\$1-1/4 billion--depending in part on the speed of adjustment of bill and other short-term market rates to the change in policy stance--and bank credit growth might slow to a 3-6 per cent annual rate.

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	As expected at conclusion of each week's open market operations
Monthly (reserves weeks ending in):					
1967--September	334	82	252		
October	353	141	212		
November	349	124	225		
December	333	185	148		
1968--January	417	275	142		
February	389	368	21		
March	337	649	-312		
April	348	689	-341		
May	354	728	-374		
June	341	727	-386		
July	331	523	-192		
August	337	577	-240		
September	346	492	-146		
October p	262	459	-197		
November p e	286	519	-233		
Weekly:					
1968--July					
3	182	493	-311	-406	-419
10	433	412	21	- 93	- 96
17	274	470	-196	-284	-312
24	410	639	-229	-307	-315
31	358	602	-244	-288	-319
Aug.					
7	342	737	-395	-381	-353
14	314	576	-262	-306	-292
21	514	619	-105	-109	- 53
28	179	374	-195	-234	-247
Sept.					
4	255	454	-199	-239	-196
11	556	634	- 78	-108	-141
18	374	404	- 30	- 93	-148
25	197	474	-277	-323	-347
Oct.					
2	385	541	-156	-191	-230
9	225	403	-178	-245	-214
16	373	516	-143	-177	-141
23 p	- 8	337	-345	-368	-337
30 p	334	497	-163	-196	-230
Nov.					
6 p	182	391	-209	-240	-170
13 p	483	675	-192	-259	-202
20 p	143	511	-368	-368	-347

p - Preliminary e - Estimated.

TABLE A-2

AGGREGATE RESERVES AND RELATED MEASURES

Retrospective Changes, Seasonally Adjusted

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

	R e s e r v e A g g r e g a t e s				M o n e t a r y V a r i a b l e s			
	Total Reserves	Nonborrowed Reserves	Required reserves		Total Member Bank Deposits (credit) <u>1/</u>	Time Deposits (comm. banks)	Money Supply	
			Total	Against Demand Deposits			Total	Private Demand Deposits
Annually:								
1966	+ 1.3	+ 0.8	+ 1.5	- 0.2	+ 3.8	+ 8.7	+ 2.2	+ 1.2
1967 <u>2/</u>	+ 9.9	+11.5	+10.2	+ 7.0	+11.7	+16.1	+ 6.4	+ 6.7
Monthly:								
1967--Jan.	+11.8	+14.9	+15.2	+10.2	+13.4	+15.3	+12.3	+14.9
Aug.	+14.0	+15.2	+13.7	+18.7	+16.9	+16.5	+ 7.4	+ 8.7
Sept.	+ 7.7	+ 6.6	+12.0	+ 5.7	+10.4	+14.9	+ 1.3	--
Oct.	+16.2	+14.5	+16.4	+13.5	+10.7	+ 8.0	+ 7.4	+ 6.9
Nov.	+ 7.4	+ 5.9	+ 6.6	+ 8.3	+ 9.3	+ 9.3	+ 5.3	+ 6.8
Dec.	- 5.8	-14.0	- 1.6	-10.5	+ 1.3	+ 9.9	+ 2.0	- 0.9
1968--Jan.	+16.6	+16.7	+11.4	+15.3	+ 6.6	+ 3.9	+ 6.6	+ 6.8
Feb.	+12.5	+ 9.9	+11.4	+19.2	+10.0	+ 7.2	+ 2.6	+ 1.7
Mar.	+ 2.2	-12.6	+ 0.6	+ 0.1	+ 4.3	+ 9.7	+ 4.6	+ 2.5
Apr.	- 8.8	- 9.4	- 6.0	-11.1	- 4.7	+ 2.6	+ 5.9	+ 6.8
May	+ 4.1	+ 2.2	- 1.9	+ 1.5	+ 1.7	+ 3.2	+11.7	+12.6
June	+ 4.9	+ 6.6	+ 9.6	+12.2	+ 6.5	+ 3.8	+ 8.4	+ 7.5
July	+ 5.0	+14.5	+ 7.7	+ 0.1	+ 9.0	+14.0	+12.8	+14.9
Aug. p	+23.5	+23.3	+21.2	+21.8	+21.4	+21.4	+ 5.7	+ 3.3
Sept. p	- 1.6	+ 1.3	+ 4.8	- 3.5	+ 8.4	+17.3	- 5.0	- 7.3
Oct. p	+ 9.8	+12.2	+ 8.5	+ 3.8	+12.5	+17.7	+ 5.1	+ 6.5
Nov. p e	+ 6.0	+ 0.6	+ 8.8	+ 8.2	+10.7	+12.0	+10.1	+ 8.9

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.

p - Preliminary. e - Estimated.

Chart 1

MEMBER BANK RESERVES

MONTHLY AVERAGES OF DAILY FIGURES

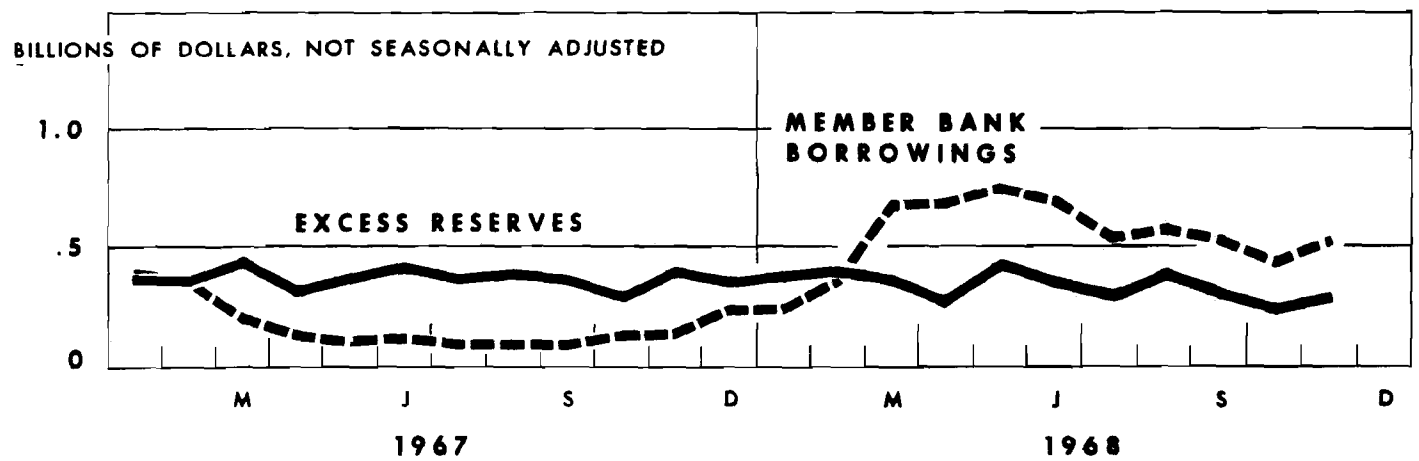
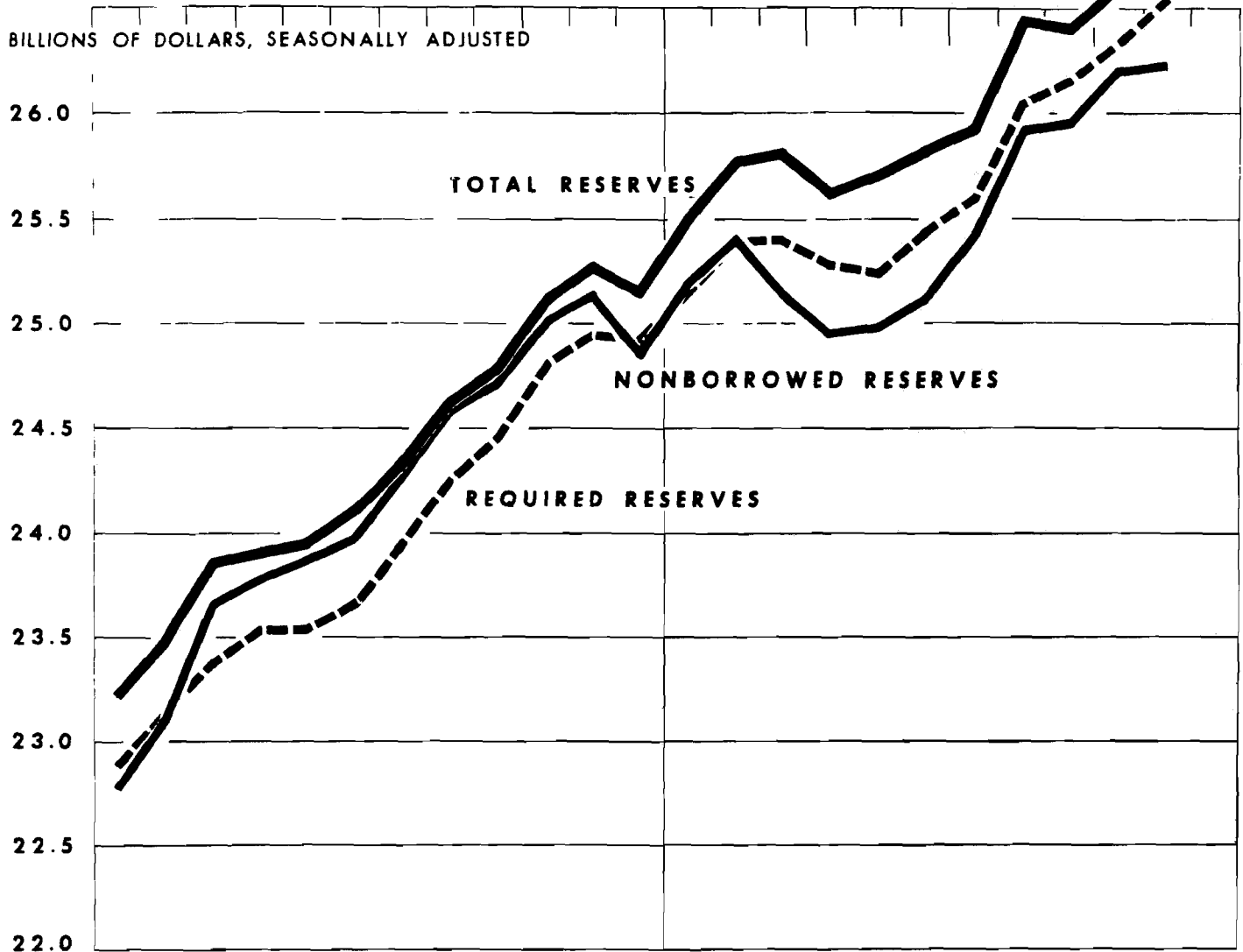


Chart 2

MEMBER BANK DEPOSITS AND LIABILITIES TO OVERSEAS BRANCHES

BILLIONS OF DOLLARS

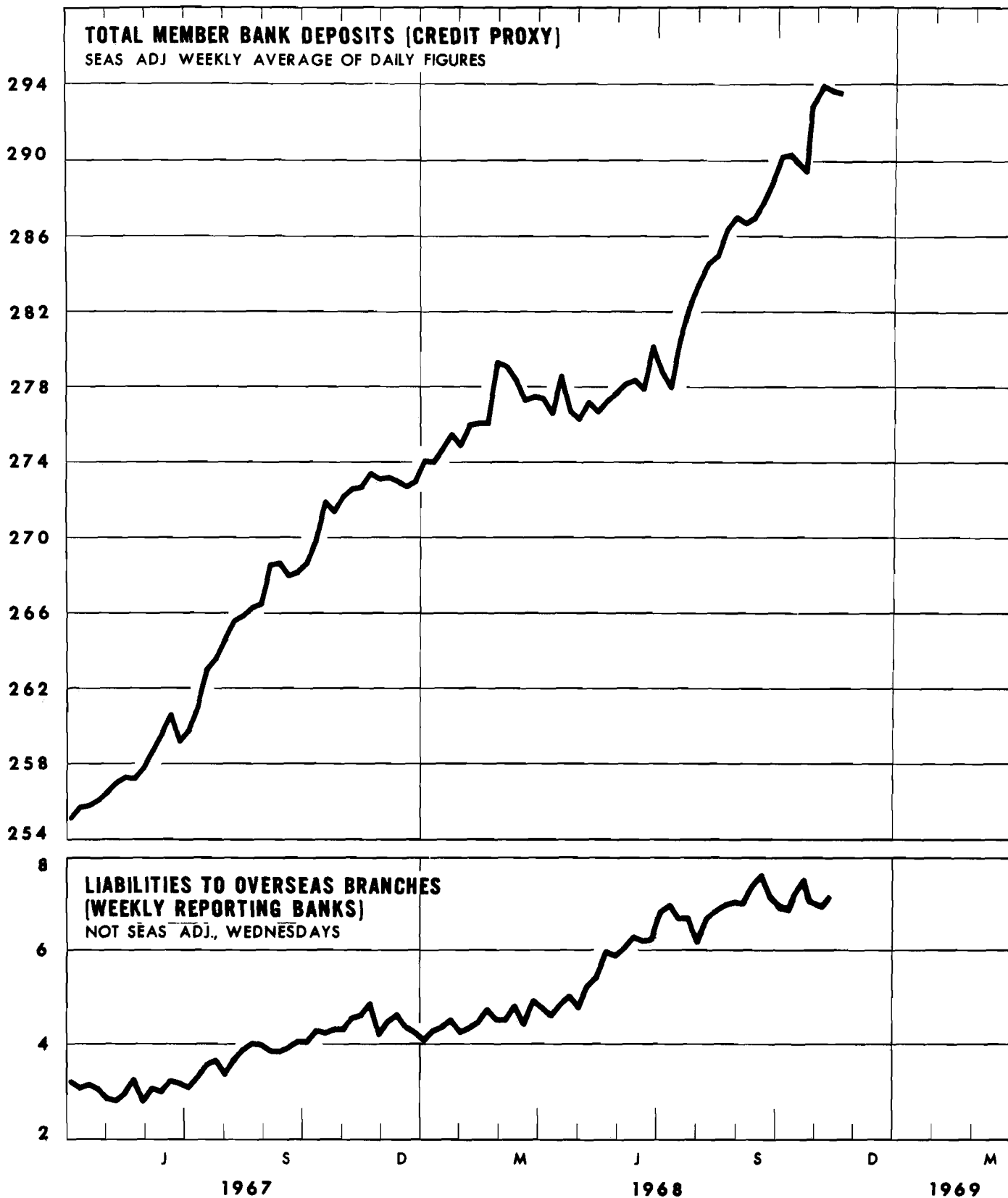


Chart 3

MONEY SUPPLY AND BANK DEPOSITS

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

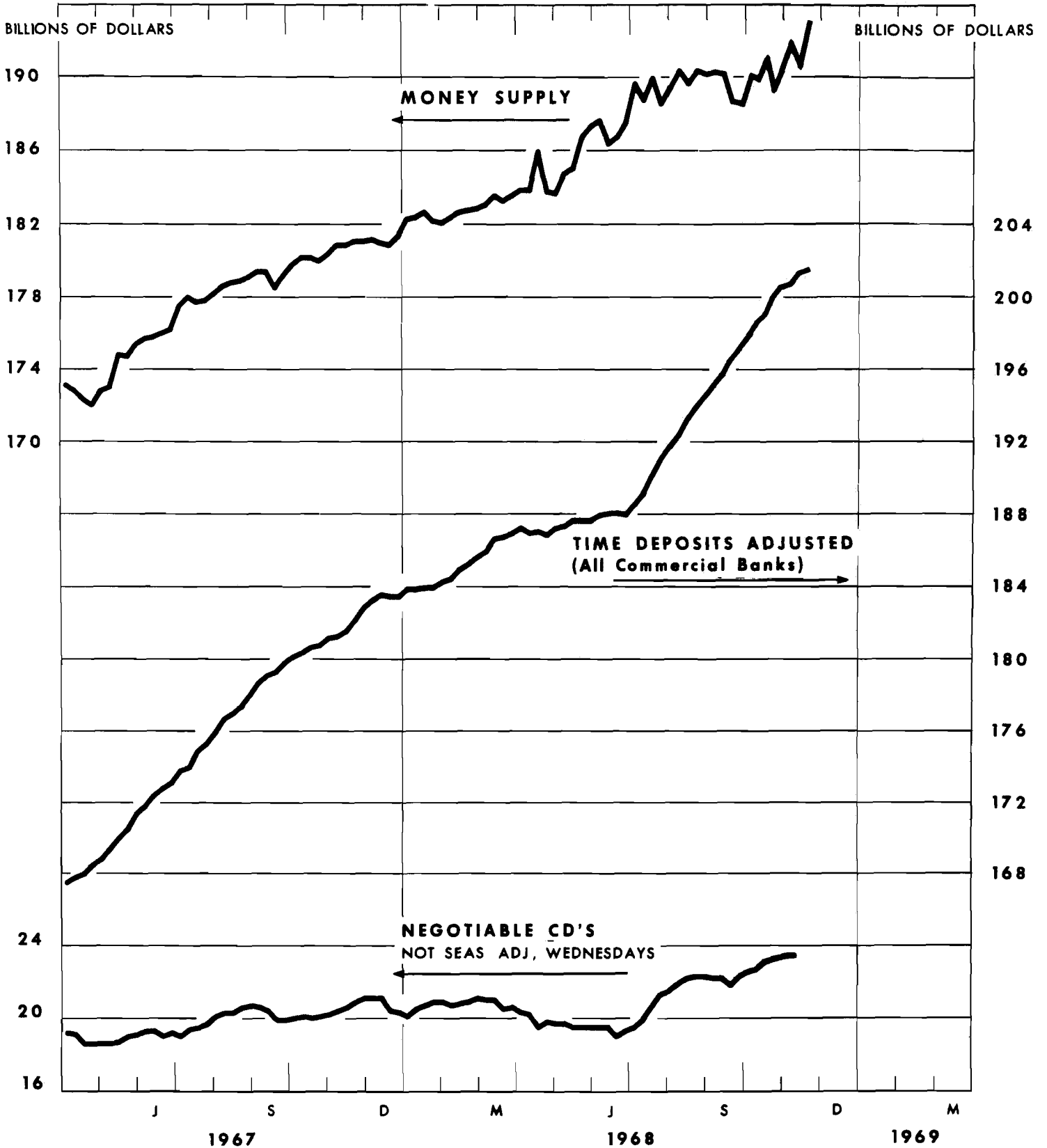


Chart 4

DEMAND DEPOSITS AND CURRENCY

SEASONALLY ADJUSTED WEEKLY AVERAGES OF DAILY FIGURES

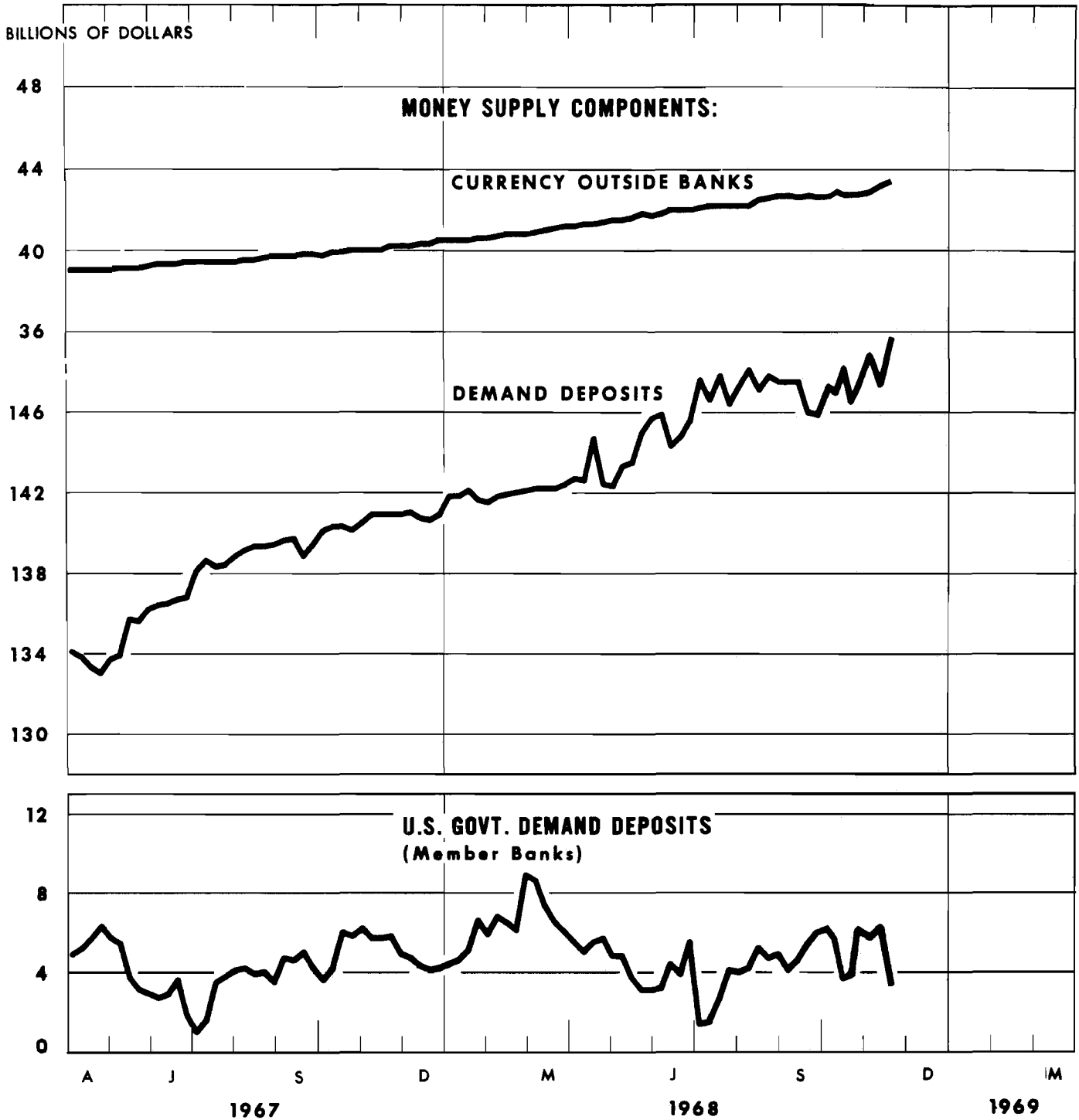


Table B-1

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
<u>Year:</u>							
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	-2,305	- 165	+1,522	+1,517	+ 5
<u>Year-to-date:</u>							
(12/28/66 - 11/22/67)	+3,339	- 253	-1,265	-1 365	+ 457	+ 673	- 216
(12/27/67 - 11/20/68) 5/	+4,678	-2,067	-2,266	+ 854	+1,198	+1,497	- 299
<u>Weekly:</u>							
1968--Oct. 2	+1 121	--	+ 189	- 777	+ 532	+ 344	+ 1 ^r
9	+ 31	--	- 149	+ 225	+ 108	+ 268	- 16 ^o
16	+ 599	--	- 288	+ 168	+ +80	+ 332	+ 148
23 p	- 433	--	- 344	+ 274	- 506	- 125	- 381
30 p	+ 270	--	+ 482	- 519	+ 234	- 108	+ 342
Nov. 6 p	- 119	--	- 199	- 40	- 356	- 204	- 152
13 p	+ 665	--	- 356	+ 396	+ 704	+ 403	+ 301
20 p	- 426	--	- 584	+ 84 ^o	- 166	+ 174	- 340
<u>PROJECTED</u>							
1968--Nov. 27	- 340	--	- 15	+ 20	- 335	- 335	--
Dec. 4	+ 165	--	- 120	+ 50	+ 95	+ 15	--
11	- 95	--	- 190	+ 155	- 130	- 130	--
18	- 605	--	- 290	+1,125	+ 230	+ 230	--
25	+1,035	--	- 290	- 545	+ 200	+ 200	--

1/ For retrospective details, see B-4.

p - Preliminary.

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 1978.

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
<u>Year:</u>							
1966 (12/29/65 - 12/28/66)	+1,111	- 87	+1,198	- 14	- 4	- 5	+1,221 <u>1/</u>
1967 (12/28/66 - 12/27/67)	+1,517	+ 261	+1,256	+ 59	+ 6	+1,023	+ 168 <u>1/</u>
<u>Year-to-date:</u>							
(12/28/66 - 11/22/67)	+ 673	+ 60	+ 613	- 529	+ 6	+ 997	+ 139
(12/27/67 - 11/20/68) <u>2/</u>	+1 497	- 208	+1,705	- 111	+ 170	+1,077	+ 569
<u>Weekly:</u>							
1968--Oct. 2	+ 344	+ 228	+ 116	+ 188	--	- 74	+
9	+ 268	+ 487	- 219	- 239	+ 8	- 7	+ 27
16	+ 332	- 35	+ 367	+ 176	+ 4	+ 162	+ 29
23 p	- 125	- 150	+ 25	+ 35	- 4	- 50	+ 32
30 p	- 108	- 307	+ 199	+ 15	--	+ 157	+ 23
Nov. 6 p	- 204	+ 38	- 242	- 48	- 8	- 230	+ 40
13 p	+ 403	+ 213	+ 190	+ 27	- 13	+ 136	+ 27
20 p	+ 174	- 159	+ 333	+ 148	- 17	+ 176	+ 17
<u>PROJECTED</u>							
1968--Nov. 27	- 335	- 100	- 235	--	- 15	- 245	+ 25
Dec. 4	+ 95	- 240	+ 335	- 65	- 15	+ 395	+ 20
11	- 130	+ 175	+ 305	- 115	- 15	+ 425	+ 10
18	+ 230	- 125	+ 355	+ 290	--	+ 55	+ 10
25	+ 200	+ 85	+ 115	+ 115	- 10	--	+

1/ Reflects reserve requirement changes in July, September 1966, and March 1967.

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

p - Preliminary.

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	+ 573	+ 64	- 30	+ 98
1967 (12/28/66 - 12/27/67)	- 165	- 85	- 389	- 7	+ 316
<u>Year-to-date:</u>					
(12/28/66 - 11/22/67)	-1,365	+ 474	-1,000	- 5	+ 114
(12/27/67 - 11/20/68)	+ 854	+ 743	+ 209	- 5	- 93
<u>Weekly:</u>					
1968--Oct.					
2	- 777	- 330	- 385	- 22	- 40
9	+ 225	+ 143	+ 124	- 11	- 31
16	+ 168	+ 103	+ 53	+ 24	- 12
23 p	+ 274	- 50	+ 161	+ 1	+ 162
30 p	- 519	- 51	- 489	+ 4	+ 17
Nov.					
6 p	- 40	+ 30	- 35	+ 12	- 47
13 p	+ 396	+ 63	+ 348	- 17	+ 2
20 p	+ 846	+ 426	+ 596	- 23	- 153
<u>PROJECTED</u>					
1968--Nov.					
27	+ 20	- 75	- 500	- 50	+ 645
Dec.					
4	+ 50	+ 185	- 250	--	+ 115
11	+ 155	+ 85	+ 70	--	--
18	+1,125	+ 345	+ 585	--	+ 195
25	- 545	- 930	+ 400	--	- 15

p -Preliminary.

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			
Year:								
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
Year-to-date:								
(12/28/66 - 11/22/67)	+3,339	+3,913	+3,482	+ 967	- 536	- 23	- 130	- 421
(12/27/67 - 11/20/68)	+4,678	+4,572	+3,477	+1,176	- 81	- 7	- 53	- 166
Weekly:								
1968--Aug.								
7	+ 490	+ 352	+ 76	--	+ 276	+ 13	- 10	+ 135
14	- 135	+ 35	+ 52	--	- 17	--	- 9	- 161
21	+ 294	+ 280	+ 392	--	- 112	- 10	- 19	+ 43
28	- 385	- 122	+ 59	--	- 181	- 3	- 15	- 245
Sept.								
4	+ 390	+ 312	+ 241	+ 71	--	--	- 2	+ 80
11	- 454	- 634	- 659	+ 12	+ 13	--	--	+ 180
18	- 942	- 711	- 698	--	- 13	--	- 1	- 230
25	+ 283	+ 214	+ 214	--	--	--	- 1	+ 70
Oct.								
2	+1,121	+1,048	+ 899	+ 96	+ 63	+ 1	+ 5	+ 67
9	+ 31	+ 171	+ 82	+ 152	- 63	- 1	- 1	- 138
16	+ 599	+ 430	+ 334	--	+ 96	+ 3	+ 53	+ 113
23	- 433	- 211	- 165	--	- 46	+ 4	- 47	- 179
30	+ 270	+ 120	- 113	--	+ 7	- 7	- 3	+ 160
Nov.								
6	- 119	- 20	- 51	--	+ 31	+ 7	--	- 106
13	+ 665	+ 345	+ 261	--	+ 84	+ 6	+ 30	+ 284
20	- 426	- 225	- 53	--	- 172	- 13	- 24	- 164

art Reference Table C-1

TOTAL, NONBORROWED AND REQUIRED RESERVES

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
1966--Jan.	22,785	22,325	22,456	21,936	16,822
Feb.	22,857	22,376	22,507	21,996	16,877
Mar.	22,888	22,331	22,512	22,115	16,957
Apr.	23,118	22,490	22,714	22,283	17,043
May	23,192	22,486	22,773	22,331	17,030
June <u>1/</u>	23,149	22,472	22,780	22,361	17,043
July	23,293	22,552	22,864	22,344	16,963
Aug.	23,029	22,336	22,687	22,320	16,908
Sept.	23,065	22,319	22,712	22,349	16,922
Oct.	22,954	22,243	22,629	22,229	16,827
Nov.	22,915	22,303	22,593	22,198	16,810
Dec.	22,895	22,286	22,600	22,262	16,825
1967--Jan.	23,217	22,770	22,875	22,298	16,774
Feb.	23,471	23,107	23,134	22,559	16,959
Mar.	23,869	23,668	23,383	22,785	17,101
Apr.	23,910	23,775	23,529	22,779	17,015
May	23,952	23,874	23,531	23,071	17,244
June	24,105	23,982	23,660	23,387	17,472
July	24,342	24,279	23,960	23,578	17,582
Aug.	24,627	24,586	24,234	23,776	17,701
Sept.	24,786	24,721	24,476	23,850	17,704
Oct.	25,121	25,020	24,810	23,995	17,805
Nov.	25,275	25,142	24,947	24,122	17,879
Dec.	25,153	24,848	24,914	24,157	17,860
1968--Jan.	25,500	25,193	25,151	24,270	17,974
Feb.	25,765	25,401	25,389	24,333	18,025
Mar.	25,812	25,135	25,402	24,431	18,082
Apr.	25,623	24,938	25,276	24,487	18,133
May	25,711	24,984	25,236	24,751	18,387
June	25,816	25,121	25,438	24,925	18,550
July	25,923	25,425	25,601	25,188	18,727
Aug.	26,431	25,918	26,053	25,340	18,765
Sept.	26,395	25,947	26,158	25,294	18,621
Oct. p	26,610	26,211	26,344	25,528	18,746
Nov. p e	26,743	26,225	26,537	25,739	18,883

p - Preliminary. e - Estimated.

1/ Break in series due to redefinition of time deposits effective June 9, 1966, which reduced required reserves by \$34 million.

Table C-2

DEPOSITS SUPPORTED b. REQUIRED RESERVES AT ALL MEMBER BANKS

Seasonally Adjusted

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

Period	Total member bank deposits (credit) ^{1/}	Time deposits	Private demand deposits ^{2/}	U.S. Gov't. demand deposits
1966--Jan.	238.0	121.8	111.7	4.5
Feb.	239.0	121.9	112.1	5.0
Mar.	239.8	122.8	112.6	4.4
Apr.	241.9	124.8	113.2	4.0
May	243.9	126.2	113.1	4.6
June ^{3/}	244.4	126.6	113.2	4.6
July	245.8	128.1	112.6	5.1
Aug.	245.6	128.8	112.3	4.5
Sept.	245.5	129.2	112.4	4.0
Oct.	244.4	128.6	111.7	4.0
Nov.	244.0	128.3	111.6	4.1
Dec.	244.6	129.4	111.7	3.5
1967--Jan.	247.7	131.5	111.4	4.8
Feb.	251.0	133.3	112.6	5.1
Mar.	254.0	135.3	113.6	5.1
Apr.	255.8	137.2	113.0	5.6
May	257.2	138.7	114.5	4.0
June	259.5	140.8	116.0	2.6
July	262.4	142.8	116.7	2.9
Aug.	266.1	144.6	117.5	4.0
Sept.	268.4	146.3	117.6	4.5
Oct.	270.3	147.4	118.2	5.2
Nov.	272.9	148.6	118.7	5.6
Dec.	273.2	149.9	118.6	4.6
1968--Jan.	274.7	149.9	119.4	5.4
Feb.	277.0	150.2	119.7	7.1
Mar.	278.0	151.2	120.1	6.7
Apr.	276.9	151.3	120.4	5.2
May	277.3	151.5	122.1	3.7
June	278.8	151.8	123.2	3.9
July	280.9	153.8	124.3	2.7
Aug. ^p	285.9	156.5	124.6	4.8
Sept. ^p	288.0	158.9	123.6	5.3
Oct. ^p	290.9	161.5	124.5	4.9
Nov. ^{p e}	293.5	163.2	125.4	4.9

p - Preliminary. e - Estimated.

- ^{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/} Private demand deposits include demand deposits of individuals, partnerships and corporations and net interbank balances.
- ^{3/} Break in series due to redefinition of time deposits effective June 9, 1966, which reduced total member bank deposits and time deposits by \$850 million.

TABLE C-2a

DEPOSITS SUPPORTED BY REQUIRED RESERVES AT ALL MEMBER BANKS

Seasonally adjusted

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

Week ending:	Total member bank deposits (credit) 1/	Time deposits	Private demand deposits 2/	U. S. Gov't. demand deposits
1968--June 5	278.2	151.6	123.4	3.2
12	278.4	151.8	122.2	4.4
19	277.9	151.8	122.2	3.9
26	280.2	151.7	123.0	5.5
July 3	278.8	152.2	125.2	1.4
10	278.0	152.7	123.8	1.5
17	280.6	153.6	124.4	2.7
24	282.4	154.4	123.9	4.1
31	283.6	155.1	124.5	4.0
Aug. 7	284.7	155.5	125.0	4.2
14	285.0	156.0	123.9	5.2
21	286.4	156.8	124.9	4.7
28	287.0	157.4	124.7	4.9
Sept. 4	286.7	157.9	124.7	4.1
11	287.0	158.3	124.1	4.6
18	287.8	158.9	123.5	5.4
25	288.8	159.4	123.4	6.0
Oct. 2	290.3	160.1	124.0	6.2
9	290.4	160.8	123.9	5.7
16	289.9	161.1	125.1	3.7
23 p	289.5	161.9	123.7	3.9
30 p	292.9	162.3	124.4	6.2
Nov. 6 p	293.9	162.5	125.5	5.8
13 p	293.6	163.0	124.2	6.3
20 p	293.5	163.6	126.6	3.3

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/ Private demand deposits include demand deposits on 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
1966--July	169.9	37.6	132.3	155.9
Aug.	170.0	37.8	132.2	156.9
Sept.	170.5	37.9	132.6	157.7
Oct.	170.2	38.0	132.1	157.3
Nov.	170.2	38.2	132.0	156.9
Dec.	170.4	38.3	132.1	158.1
1967--Jan.	170.3	38.5	131.8	161.0
Feb.	171.8	38.7	133.0	163.5
Mar.	173.2	38.9	134.3	165.9
Apr.	172.5	39.0	133.5	168.1
May	174.4	39.1	135.3	170.1
June	176.0	39.3	136.7	172.6
July	177.8	39.4	138.4	174.8
Aug.	178.9	39.5	139.4	177.2
Sept.	179.1	39.7	139.4	179.4
Oct.	180.2	39.9	140.2	180.6
Nov.	181.0	40.1	141.0	182.0
Dec.	181.3	40.4	140.9	183.5
1968--Jan.	182.3	40.6	141.7	184.1
Feb.	182.7	40.7	141.9	185.2
Mar.	183.4	41.1	142.2	186.7
Apr.	184.3	41.4	143.0	187.1
May	186.1	41.6	144.5	187.6
June	187.4	42.0	145.4	188.2
July	189.4	42.2	147.2	190.4
Aug. p	190.3	42.6	147.6	193.8
Sept. p	189.5	42.7	146.7	196.6
Oct. p	190.3	42.8	147.5	199.6
Nov. p e	191.9	43.2	148.6	201.6

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 at Federal Reserve Banks.

p - Preliminary. e - Estimated.

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
1968--June				
5	187.7	41.8	145.9	188.0
12	186.4	42.0	144.3	188.1
19	186.8	42.0	144.8	188.1
26	187.6	42.0	145.6	188.0
July				
3	189.7	42.1	147.6	188.6
10	188.8	42.2	146.6	189.2
17	190.0	42.2	147.8	190.2
24	188.6	42.2	146.4	191.1
31	189.5	42.2	147.3	191.8
Aug.				
7	190.4	42.2	148.1	192.5
14	189.7	42.5	147.1	193.3
21	190.4	42.6	147.8	194.0
28	190.2	42.7	147.5	194.6
Sept.				
4	190.3	42.7	147.5	195.2
11	190.2	42.6	147.5	195.8
18	188.7	42.7	146.0	196.6
25	188.5	42.6	145.9	197.2
Oct.				
2	190.0	42.7	147.3	198.1
9	189.9	42.9	147.1	198.7
16	191.0	42.8	148.2	199.1
23 p	189.4	42.8	146.6	200.0
30 p	190.2	42.8	147.3	200.6
Nov.				
6 p	191.9	42.9	148.9	200.8
13 p	190.7	43.2	147.4	201.4
20 p	193.1	43.4	149.7	201.6

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.

p - Preliminary.

MONEY MARKET AND RESERVE RELATIONSHIPS

Recent developments

(1) The relatively firm conditions prevailing in money and short-term credit markets around the time of the last Committee meeting were generally maintained in the ensuing four week period dominated by "even keel". With money markets firm, international financial markets in flux, and with a large volume of new demands on the credit markets from Federal and private sectors, most long- and short-term interest rates rose further over the period.

(2) The 3-month Treasury bill rate, however, did not show any sustained upward movement since the last Committee meeting. In fact, as of the close of business Friday, the 3-month bill was yielding around 5.42 per cent, down a few basis points from its level four weeks earlier. Over that interval, the bill fluctuated in a fairly narrow range, generally in the upper half of the 5.25-5.60 per cent range specified in the previous Blue Book. Longer-term bill rates, however, rose about 10 basis points over the interval, as did certain other short-term market rates, such as yields on certificates of deposits and bankers' acceptances. Offering rates by banks for CD's in the 3-month area generally moved up to the 6 per cent Regulation Q ceiling rate, and some banks are reported to be offering the 6-1/4 per cent ceiling for six-month money. The one leading bank whose prime loan rate was relatively low moved that rate up to 6-1/4 per cent.

CONFIDENTIAL (FR)

November 23, 1968

Attached is a corrected page 1 for Money Market and Reserve Relationships, dated November 22, 1968. The last 2 lines shown on the attachment were inadvertently omitted from the copy sent to you earlier.