

stantial amount of longer term coupon securities in its open market operations. The net result has been to supply longer term funds to the market in the only way the Federal Reserve can; but the sporadic timing of these purchases has undermined their effect upon market confidence and vitiated the stabilizing influence that they might have had on the bond market.

It now appears that the flood of corporate and tax-exempt bond issues during the last half of 1967 may be as large as during the first half. The corporate bond calendar for July already totals \$1.5 billion and for August is in excess of \$1 billion. Both months could and probably will be larger than those indicated amounts as new issues are announced. Meanwhile, my contacts with corporate officials suggest that a very large backlog of potential new issues exists and that these issues will be registered and brought to market in a steady stream through the balance of this year and into 1968. It is not possible to be absolutely sure of the timing, but it seems reasonably sure that at least \$4 to \$4½ billion of public issues will come to market in the third quarter and perhaps \$3 to \$3½ billion in the fourth quarter. These estimates suggest a total of public bond offerings of some \$15 billion in 1967, which compares with last year's record \$8 billion. The total of publicly and privately placed issues in 1967 could well reach \$21 billion, which compares with a record \$15.6 billion in 1966. There also is little reason to expect the supply of new tax-exempt bonds to decline. Sales of State and local bonds for new capital purposes might average something more than \$1 billion per month, for a 1967 total of \$13 to \$14 billion, which compares with last year's record \$11.2 billion.

The outlook for commercial bank credit expansion is not at all clear. During the first 5 months of this year commercial banks added to their loans and investments by about \$7½ billion, of which some \$6 billion represented purchases of "other" securities, principally tax-exempt bonds. If this rate of expansion in earning assets were to continue through the balance of the year, allowing for a seasonally more rapid increase in loans during the last half, total loans and investments in commercial banks would increase by approximately \$28 to \$30 billion, equally divided between loans and investments. It does not seem likely that this rate of expansion will, in fact, be attained.

If one could logically extrapolate the seasonally adjusted deposit growth during the first 5 months of 1967 to an annual total, the growth in bank resources would easily support a \$28 to \$30 billion growth in bank assets. Time deposits would grow by \$28 billion and demand deposits by \$8 billion; but such an extrapolation would be an illogical use of statistics. Approximately \$3.5 billion of the \$14 billion growth in time and savings deposits thus far this year has been in negotiable certificates of deposit at the larger banks, and it does not seem likely after last year's experience with negotiable certificates that the banks will continue to add to the total at this rate. In fact, most of the growth in large certificates of deposit was achieved in the first 2 months of 1967, as banks replaced funds that had been drained off last fall, and the total of such certificates outstanding has been relatively flat since the end of February. Of the remaining \$10.5 billion growth in time and savings deposits, much the larger part has been in savings certificates, which reflects the recapturing of