

June 6, 1962

MEMORANDUM

TO: Honorable Walter W. Heller

FROM: William L. Cary
Chairman

SUBJECT: Study of the market during the period of May 28, 1962

You have indicated that the President is interested in seeing a study of market conditions on May 28 and thereabouts, particularly who were the persons buying and the persons selling and other relevant material. You have also suggested that it might be wise to have several different approaches: (1) a quick survey and (2) a long-range study.

As to (2): I can report that we already were planning a study of what happened in the two months of decline through May 25, as well as the sharp decline in the week of May 28, but the kind of intensive work we plan to do will require two or three months. It is not enough to get the data, for example, from the New York Stock Exchange. Institutions will have to be canvassed and discussions will be necessary with a number of firms and banks to find out the actual situation with respect to margin account liquidations, bank borrowing, and other matters. Recognizing that putting this kind of data together will take substantial time, we would hope to have available a full report by the Special Study of the Securities Markets (including an analysis of stock transactions during other periods in 1961 and 1962).

As to (1): The above plan, of course, does not satisfy the expressed desire for a quick survey. Normally, we are not geared to do this kind of a job. Indeed, Congress and the Bureau of the Budget have always sharply curtailed our facilities for conducting general economic research.

If this is the personal wish of the President, however, we shall take the responsibility for working with the New York Stock Exchange and trying to get a preliminary survey within the next few weeks. The New York Stock Exchange yesterday reported that it proposes to make a survey for the three days, May 28, 29 and 31, which will provide as good data as we could obtain and about as promptly. To supplement their study in the most useful fashion and to get a more rounded picture, we shall undertake the following additional steps, which we would hope to complete, roughly, by the end of next week.

- I. With respect to members' transactions
 - A. Obtain from New York Stock Exchange aggregate changes of positions of members, i.e., specialists, floor traders, members' off floor and odd-lot dealers, during period from November 1, 1961 to June 1, 1962.
 - B. Obtain from NYSE specialists' daily opening and closing positions in approximately 50 active stocks during the period from May 21, 1962 to June 1, 1962.
 - C. Obtain through NYSE daily floor trades in the 50 stocks during the period from May 21, 1962 to June 1, 1962.

- II. With respect to mutual funds' transactions
 - A. Obtain copy of the Investment Company Institute survey of investment company portfolio transactions and of sales and redemptions of shares on May 28 and 29, 1962 (and any other days for which available).
 - B. Request ICI to make similar survey of mutual fund portfolio transactions and of sales and redemptions for the following periods: monthly November 1961 through March 1962 and weekly April 1, 1962 through the week ending May 25, 1962.

On the basis of this data correlated with the New York Stock Exchange Survey, there ought to be reasonably reliable information available for the President within a few weeks time.

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To produce anything on a shorter term basis in a few days we could only canvass leaders in the business and a few of the major firms and come out with something on which neither you nor the President could rely.

Respectfully submitted,