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**(CONFIDENTIAL FR)**

February 5, 1971.

# **MONETARY AGGREGATES AND MONEY MARKET CONDITIONS**

**Prepared for the Federal Open Market Committee**

**By the Staff**

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**

MONETARY AGGREGATES AND  
MONEY MARKET CONDITIONS

Recent developments

(1) Late January data are still partially estimated, but there appear to have been sizable shortfalls from the expected growth path for the narrowly defined money supply ( $M_1$ ) in the last two weeks of the month, as shown in the table on the following page. It now appears that growth of the money stock for all of January was at about a 3 per cent annual rate, below the 5-1/2 per cent rate projected at the time of the last Committee meeting. In contrast to the shortfall in  $M_1$ , more broadly defined money supply ( $M_2$ ) increased somewhat more than expected in January, as time and savings deposits other than large CD's grew more rapidly in January than in December. The bank credit proxy grew in January nearly as rapidly as expected at the last meeting.

(2) The sluggish January growth in the money supply occurred despite efforts of the Trading Desk to achieve a faster rate of growth by fostering easier money market conditions. For most of the period since the last FOMC meeting, the daily effective Federal funds rate was in a 3-7/8--4-1/4 per cent range, with heavy U.S. Government security dealer positions built up in consequence of the refunding exerting some upward pressure on the funds market. In the weeks immediately following the last Committee meeting the Desk was aiming at a Federal funds rate around 4-1/4 per cent, somewhat below the most typical rate prevailing

Recent Paths of Key Monetary Aggregates  
(Seasonally adjusted, billions of dollars)

	<u>Narrowly Defined</u> <u>Money Supply (M<sub>1</sub>)</u>		<u>Broader Based</u> <sup>1/</sup> <u>Money Supply (M<sub>2</sub>)</u>		<u>Adjusted Credit Proxy</u>	
	<u>Indicated at</u> <u>Last Meeting<sup>2/</sup></u>	<u>Actual</u> <u>Results</u>	<u>Indicated at</u> <u>Last Meeting<sup>2/</sup></u>	<u>Actual</u> <u>Results</u>	<u>Indicated at</u> <u>Last Meeting<sup>2/</sup></u>	<u>Actual</u> <u>Results</u>
<u>Month</u>						
December 1970	214.7	214.6	419.0	419.0	331.1	331.2
January 1971	215.7	215.1	422.7	423.4	334.5	334.2
<u>Week ending</u>						
Jan. 6	214.1	215.4	420.0	422.2	331.5	333.3
13	215.4	215.3	421.8	422.2	332.6	332.5
20	216.1	215.0	423.4	423.3	334.4	334.0
27	216.4	214.6	424.1	424.1	337.0	335.4
Feb. 3	217.3	216.1	425.5	427.4	337.9	335.9
	<u>% Annual Rates of Change</u>		<u>% Annual Rates of Change</u>		<u>% Annual Rates of Change</u>	
Fourth Quarter, 1970	3.6	3.4 <sup>3/</sup>	9.2	9.2	8.1	8.3
January over December	5.5	2.8	10.5	12.6	12.5	10.9 <sup>4/</sup>

<sup>1/</sup> M<sub>1</sub> plus bank time and savings deposits other than large CD's.

<sup>2/</sup> Alternative B path of previous Bluebook.

<sup>3/</sup> 3.8 per cent annual rate for fourth quarter average over third quarter average.

<sup>4/</sup> Adjustment to correct for the effect on bank credit of Ex-Im Euro-dollar issue would raise this to 11-1/2 per cent.

before the meeting. When the large shortfall of  $M_1$  below path for the week of January 20 was finally confirmed (around January 28), the Federal funds target was lowered to 4 per cent or a shade lower, and most recently, with  $M_1$  data for the final week of January also coming in low, the target was lowered to 3-3/4 per cent. In the latest two statement weeks, net borrowed reserves averaged around \$30 million and borrowing at the Federal Reserve \$320 million. This compares with \$310 and \$375 million, respectively, for the preceding two statement weeks.

(3) The lower Federal funds rate in January, along with the further cuts in the discount rate and in the commercial bank prime rate, strengthened market expectations of further rate declines. In consequence, seasonally enlarged flows of funds to banks and other financial institutions were invested aggressively, and both short- and long-term market interest rates dropped sharply. The 3-month Treasury bill, for example, was most recently bid at around 4 per cent, about 65 basis points below its level at the time of the meeting. Long-term rates are about 35-70 basis points below levels at the time of the last meeting, after taking account of the back-up in such yields over the past week.

(4) In the generally strong market environment, the Treasury's quarterly financing operation, which included a pre-refunding of \$13.5 billion of November 1971 and February 1972 maturities, was highly successful. A total of \$10.8 billion of the \$19.5 billion of publicly held eligible issues were exchanged, with \$5.2 billion going into the new 4-1/2 year, 5-7/8 per cent note and \$5.6 billion into the 7-year, 6-1/4 per cent issue. Attrition on the \$6.0 billion of February and March 1971

maturities totalled only \$1.1 billion, or 18 per cent, despite the absence of a short-term anchor issue in the refinancing. Most recently, dealer positions in coupon issues maturing in more than a year totaled \$1.7 billion, although dealers have reported fairly good progress in distributing their awards of about \$1.1 billion of new issues.

(5) The following table summarizes seasonally adjusted annual rates of change in major financial aggregates for selected periods.

	1970 (Dec. over Dec.)	Third Quarter (Sept. over June)	Fourth Quarter Dec. over Sept.	Jan. 1971 over Dec. 1970
Total Reserves	6.4	19.1	6.6	12.2
Nonborrowed Reserves	9.5	24.4	9.4	9.0
<u>Concepts of Money</u>				
M <sub>1</sub> (Currency plus demand deposits <u>1/</u> )	5.4	6.1	3.4	2.8
M <sub>2</sub> (M <sub>1</sub> plus time deposits at commercial banks other than large CD's)	8.2	11.0	9.2	12.6
M <sub>3</sub> (M <sub>2</sub> plus deposits at thrift institutions)	8.0	10.7	9.7	15.5
<u>Bank Credit</u>				
Total member bank deposits (Bank credit proxy adj.)	8.3	17.2	8.3	10.9
Loans and investments of commercial banks <u>2/</u>	7.4	13.9	6.1	13.8
<u>Short-term market paper</u> (actual \$ change)				
Large CD's	\$14.8	\$ 8.5	\$ 4.3	\$ 1.1
Bank-related commercial paper N.S.A.	- 1.9	- 3.0	- 2.3	- 0.3
Nonbank commercial paper	2.1	- 1.2	1.5	- 0.1 <sub>e</sub>

1/ Other than interbank and U.S. Government.

2/ Based on month-end figures. Includes loans sold to affiliate and branches.  
e --Estimated.

N.S.A.--Not seasonally adjusted.

NOTE: All items are based on averages of daily figures, except for data on total loans and investments of commercial banks, commercial paper and thrift institutions--which are either end-of-month or last Wednesday of month figures.

Prospective developments

(6) The further shortfall of  $M_1$  in January relative to FOMC expectations indicates that a greatly accelerated rate of growth in  $M_1$  will be required in February and March if the FOMC still wishes to attain the March average level of the money stock that was targeted at the previous two FOMC meetings. With January behind us, there is obviously less time to make up a shortfall, and as a result a considerable amount of reserves would have to be supplied over a relatively short period, with a consequent sharp easing effect on money market conditions. A more gradual make-up of recent shortfalls would require a less rapid provision of reserves and less of an easing of money markets. Two alternatives for making up the shortfall in  $M_1$  are indicated below in an effort to clarify policy alternatives for the Committee. A third alternative, which assumes no change from the money market conditions most recently prevailing and involves no deliberate further effort to make up for past shortfalls in  $M_1$ , is presented at a later point.

(7) The table below summarizes two alternative paths for making up the  $M_1$  shortfall. The first column--called alternative A--makes up the shortfall by March and continues with a 6 per cent rate of growth in the second quarter. The second column, alternative B, shows a path which does not make up the shortfall by March; in other words, this alternative does not retain as a target the March average level of  $M_1$  set at the previous two FOMC meetings. It does assume, however, that growth in  $M_1$  would be greater than 6 per cent in the second quarter as the shortfalls of the fourth quarter and January are made up over a longer period. The particular path

would reach the same average level in June for  $M_1$  as indicated for alternative A. And the growth rate over the 9 months from September 1970 to June 1971 would be just under 6 per cent. In either case the growth rates for the second quarter and the June level could, of course, be greater if the Committee should decide that a trend growth rate of more than 6 per cent is desirable for the longer run.

	<u>Alternative A</u>	<u>Alternative B</u>
End of Quarter Level (Mo. Ave.) (Billions of \$)		
December	214.6	214.6
March	218.8	218.3
June	222.1	222.1
Quarterly Growth Rate (Per cent annual rate)		
1st Qtr. (March over Dec.)	$8\frac{1}{2}$	7
2nd Qtr. (June over March)	6	7

<sup>1/</sup> This growth rate is 8 per cent, rather than the 7-1/2 per cent of the last FOMC meeting, because of a small downward revision in the December average level of the money supply. Thus, starting from a somewhat lower base, a somewhat higher growth rate is required to attain the previous desired March level.

(8) The table on the next page shows monthly levels and growth rates for all of the monetary aggregates that are believed to be consistent with the  $M_1$  quarterly pattern shown for alternatives A and B in paragraph (7).

(9) To achieve either alternative A or B, an easing of the money market appears to be required between now and the next meeting of the Committee, for reasons indicated in paragraph (6). The alternative A pattern of growth in monetary aggregates--which contemplates about a

Alternative Paths of Key Monetary Aggregates--Monthly and Quarterly  
(Seasonally adjusted, billions of dollars)

	<u>Concepts of Money</u>				<u>Adj. Credit Proxy</u>		<u>Total Reserves</u>	
	<u>M1</u>		<u>M2</u>		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. A</u>	<u>Alt. B</u>
	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. A</u>	<u>Alt. B</u>				
1970								
December	214.6	214.6	419.0	419.0	331.2	331.2	29.9	29.9
1971								
January	215.1	215.1	423.4	423.4	334.2	334.2	30.2	30.2
February	217.0	216.8	430.7	430.5	336.9	336.7	30.6	30.6
March	218.8	218.3	436.1	435.6	341.5	340.7	30.9	30.8
June	222.1	222.1	451.3	451.3	352.3	351.1	31.4	31.2
	Per Cent Annual Rates of Growth							
January	2.8	2.8	12.6	12.6	10.9	10.9	12.2	12.2
February	10.5	9.5	20.5	20.0	9.5	9.0	14.5	14.5
March	10.0	8.5	15.0	14.0	16.5	14.5	10.5	8.0
1st Q 1971	8.0	7.0	16.5	16.0	12.5	11.5	12.5	11.5
2nd Q 1971	6.0	7.0	14.0	14.5	12.5	12.0	8.5	5.5

10 per cent annual rate of growth in  $M_1$  for February and March together --may entail a much lower Federal funds rate, perhaps ranging around 2-1/2 per cent, with the 3-month bill rate dropping to around 3 per cent. And the net free reserve position of member banks is likely to average \$150 million or a little more, as excess reserves build up, given the low interest rates. It would be anticipated, however, that by early spring, the Federal funds rate would have to rise rather sharply--to around 4-1/2 --5 per cent, with a concurrent snapback in bill rates--as reserves are provided less generously in order to move down to the assumed longer-run growth rate, typified in alternative A by a 6 per cent growth in  $M_1$  for the second quarter.

(10) Since the alternative B pattern of growth in monetary aggregates involves a somewhat less rapid February--March annual growth rate for  $M_1$  of 9 per cent, attainment of this rate would seem to involve a smaller reduction in the Federal funds rate than under alternative A--perhaps a funds rate in a 3--3-1/2 per cent range--and a net free reserve position of \$50-\$150 million. The accompanying drop in the 3-month Treasury bill rate might be into a 3-1/4--3-3/4 per cent range. Because of the more gradual approach to making up the shortfall in  $M_1$  under alternative B, a sizable later snapback in money market rates would not be expected. Still, in early spring the Federal funds rate and the bill rate might be somewhat above the upper end of these ranges as reserves are adjusted to bring growth in  $M_1$  onto a 7 per cent growth path for the second quarter as a whole.

(11) The weekly paths for the monetary aggregates that would be consistent with the monthly patterns for alternatives A and B between now and the next meeting are shown in the table on the next page.

(12) The rate of inflow of time deposits other than large CD's is expected to slacken later in February and March, following the unusually rapid growth of the previous two months. A number of banks have adjusted downward interest rates offered on consumer-type time and savings accounts. This tendency is likely to become more widespread, especially under alternative A, and may serve, along with an increase of consumer spending as projected in the Green Book, to moderate savings inflows. However, given the very rapid growth in time and savings deposits other than large CD's that has already occurred and taking account of the expected increase in  $M_1$ , the rate of growth in  $M_2$  ( $M_1$  plus time and savings deposits other than large CD's) is expected to be a very sizable 16-1/2 per cent annual rate in the first quarter. Under alternative B, the rate of growth in  $M_2$  would be expected to be only slightly less rapid than under alternative A. These estimates of  $M_2$  behavior in the future are highly problematical because of uncertainties about the timing and extent of bank cuts in offering rates on consumer-type accounts and the effect of this on savers in a period of declining market interest rates.

(13) Growth in the adjusted credit proxy (rates of growth are shown for alternatives A and B in the table on p. 8) will be influenced by continued more moderate growth in large negotiable CD's following the sharp expansion of earlier months. Banks have dropped offering rates sharply, and the spread of CD rates over bill rates has narrowed. A pick-up in business loan demand might make banks more willing borrowers through CD's, but bank

Alternative Weekly Paths of Key Monetary Aggregates  
(Seasonally adjusted, billions of dollars)

		<u>Concepts of Money</u>				<u>Adj. Credit Proxy</u>		<u>Total Reserves</u>	
		<u>M<sub>1</sub></u>		<u>M<sub>2</sub></u>					
		<u>Alt.A</u>	<u>Alt.B</u>	<u>Alt.A</u>	<u>Alt.B</u>	<u>Alt.A</u>	<u>Alt.B</u>	<u>Alt.A</u>	<u>Alt.B</u>
1971									
January	27 <sub>p</sub>	214.6	214.6	424.1	424.1	335.4	335.4	30.2	30.2
February	3 <sub>e</sub>	216.1	216.1	427.4	427.4	335.9	335.9	30.3	30.3
	10	216.4	216.4	428.9	428.9	336.2	336.2	30.5	30.5
	17	217.3	217.2	430.8	430.7	336.5	336.4	30.7	30.7
	24	217.3	217.0	431.8	431.5	337.9	337.5	30.6	30.6
March	3	217.5	217.1	433.1	432.7	337.3	336.8	30.8	30.8
	10	218.5	218.0	437.7	434.2	339.3	338.6	30.8	30.7

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p -- Preliminary

e -- Estimated from partial data.

liquidity is substantial enough so that they could easily accommodate borrowers by diverting funds from securities. Bank-related commercial paper is expected to continue running off at about the recent \$50-\$100 million per week rate. We have assumed only minor further declines in Euro-dollar borrowings.

(14) The preceding discussion has indicated that the money market would probably have to be eased significantly further in order to make up for recent shortfalls in  $M_1$ . The Committee, however, may wish to consider a policy of stabilizing the money market at around recently prevailing conditions, given the sizable growth in  $M_2$  and the adjusted credit proxy and the recent sharp drop in interest rates. Prevailing money market conditions can be taken to include a Federal funds rate around 3-3/4--4 per cent, which would reflect the most recent objectives of the Trading Desk; the 3-month bill rate might be in a 3-3/4--4-1/4 per cent range. Assuming such conditions are maintained, monetary aggregates for the remainder of the first quarter and for the second quarter, as well as weekly paths, are shown in the accompanying table.

(15) With a policy of keeping to prevailing money market conditions, termed alternative C,  $M_1$  growth in the first quarter would be at a 6 per cent annual rate and no pick-up from this rate would be anticipated in the second quarter. Thus, if the staff is correct in this projection, the shortfalls in  $M_1$  growth for the fourth quarter and January would not be recovered. A relatively rapid  $M_1$  growth would, however, be expected in February and March as the effects of recent

Paths of Key Monetary Aggregates--  
 Monthly and Quarterly (Alternative C)  
 (Seasonally adjusted, billions of dollars)

	<u>Concepts of Money</u>		<u>Adj. Credit</u>	<u>Total</u>
	<u>M<sub>1</sub></u>	<u>M<sub>2</sub></u>	<u>Proxy</u>	<u>Reserves</u>
1970				
December	214.6	419.0	331.2	29.9
1971				
January	215.1	423.4	334.2	30.2
February	216.7	430.4	336.6	30.6
March	217.9	435.2	340.1	30.8
June	221.1	450.3	349.1	31.0
Per Cent Annual Rates of Growth				
January	2.8	12.6	10.9	12.2
February	9.0	20.0	8.5	14.5
March	6.5	13.5	12.5	6.5
1st Q 1971	6.0	15.5	10.5	11.0
2nd Q 1971	6.0	14.0	10.5	3.5

Paths of Key Monetary Aggregates--  
 Weekly (Alternative C)

1971					
January	27 <sup>p</sup>	214.6	424.1	335.4	30.2
February	3 <sup>e</sup>	216.1	427.4	335.9	30.3
	10	216.4	428.9	336.2	30.5
	17	217.1	430.6	336.3	30.7
	24	216.8	431.3	337.3	30.6
March	3	216.9	432.5	336.5	30.8
	10	217.8	434.0	338.2	30.7

p -- Preliminary

e -- Estimated from partial data.

interest rate declines gradually have an impact on demand for money and on the assumption that the staff projection of a rapid GNP growth in the first quarter materializes.

(16) With the money market unchanged from recent easier conditions, long-term interest rates may show some further declines, on balance, over the coming weeks, as the sizable corporate and municipal calendar and the overhang of new Treasury financing issues is worked off. If money market conditions ease further--as would appear to be necessary under alternatives A and B--long-term yields could be expected to decline more sharply as banks make further aggressive efforts to attract corporate borrowers and as investors react in anticipating further rate declines.

Possible directive language

(17) This section presents possible language for the second paragraph of the directive for the three alternative policy courses discussed above.

(18) Alternative A. As noted earlier, this alternative is proposed for possible use if the Committee decides that the shortfall in January from the path associated with its earlier first-quarter target growth rate (which in itself allowed for a make-up of the shortfall that occurred in the fourth quarter) is to be made up in the remaining part of the first quarter.

"To implement this policy, the Committee seeks to promote  
accommodative conditions in credit markets; GREATER GROWTH IN

THE NARROWLY DEFINED MONEY STOCK, MAKING UP THE SHORTFALL FROM THE DESIRED GROWTH PATH THAT HAS DEVELOPED: and moderate CONTINUED SUBSTANTIAL expansion in OTHER monetary and credit aggregates. System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining bank reserves and money market conditions consistent with those objectives, ~~taking account of the forthcoming Treasury financing.~~"

The indicated language with respect to the aggregates (i.e., the reference to the "narrowly defined money stock," followed by a separate reference to "the other monetary and credit aggregates") is suggested to make clear (1) that it is with respect to  $M_1$  that a shortfall is to be made up, and (2) that the Committee is also taking account of the behavior of key monetary aggregates other than  $M_1$ .

(19) Alternative B. This alternative is proposed for possible use if the Committee decides that past shortfalls are to be made up over a period extending through the second quarter, and that the target for growth of  $M_1$  in the first and second quarters should be set at 7 per cent. The Committee might choose such an approach in order to avoid the type of "whipsawing" of money market conditions that paragraph (9) suggests would be required to achieve annual rates of growth for  $M_1$  of 8 per cent in the first quarter and 6 per cent in the second quarter.

"To implement this policy, the Committee seeks to promote accommodative conditions in credit markets, GREATER GROWTH IN THE NARROWLY DEFINED MONEY STOCK, AND moderate CONTINUED RAPID expansion

in OTHER monetary and credit aggregates. System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining bank reserves and money market conditions consistent with those objectives, ~~-taking account-of-the-forthcoming-Treasury-financing.~~"

As will be noted, the language of alternative B differs from that of alternative A only in the omission of the clause (following the reference to the narrowly defined money stock) reading "making up the shortfall from the desired growth path that has developed." Such a clause might be considered unnecessary in this alternative in light of the extended period over which the shortfall is to be made up.

(20) Alternative C. As will be noted, this alternative is similar to the second paragraph of the directive issued by the Committee on December 15, 1970. It is suggested for possible use if the Committee decides not to seek to make up past shortfalls in  $M_1$  even over the more extended time period, if doing so would require the degree of easing in money market conditions suggested by the analysis in paragraphs (9) and (10) above.

"To implement this policy, ~~the-Committee-seeks-to-promote accommodative-conditions-in-credit-markets-and-moderate-expansion-in monetary-and-credit-aggregates.~~ System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining PREVAILING bank-reserves-and-money market conditions, ~~consistent-with-these-objectives,-taking-account-of-the forthcoming-Treasury-financing~~ PROVIDED THAT MONETARY AND CREDIT

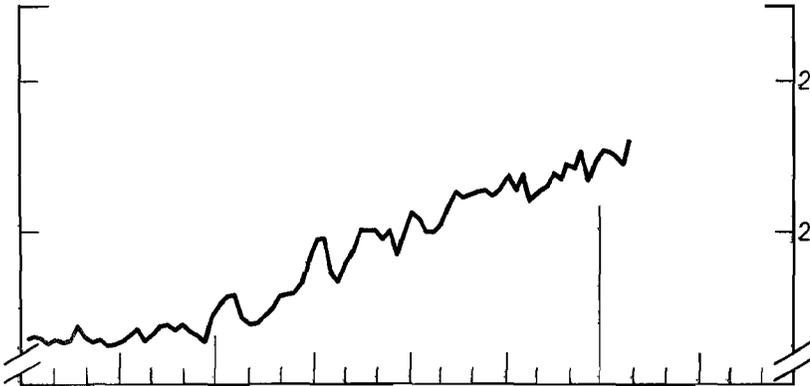
AGGREGATES APPEAR TO BE EXPANDING AT LEAST AS FAST AS PROJECTED."

The Committee may wish to have the proviso clause interpreted in terms of the projections of  $M_1$  (or of  $M_1$ ,  $M_2$ , and the bank credit proxy) shown in the table on p. 13, based on the assumption of a continuation of prevailing money market conditions. The proviso clause--like that in the December directive--is formulated in a manner that would permit growth in the aggregates at rates higher than projected, but would call for easing of money market conditions to make up any shortfalls from projections associated with this alternative.

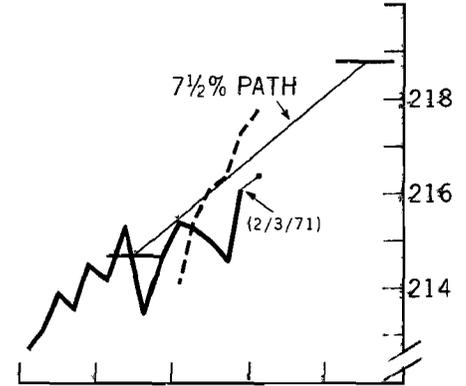
# MONETARY AGGREGATES

MONEY SUPPLY Revised Series

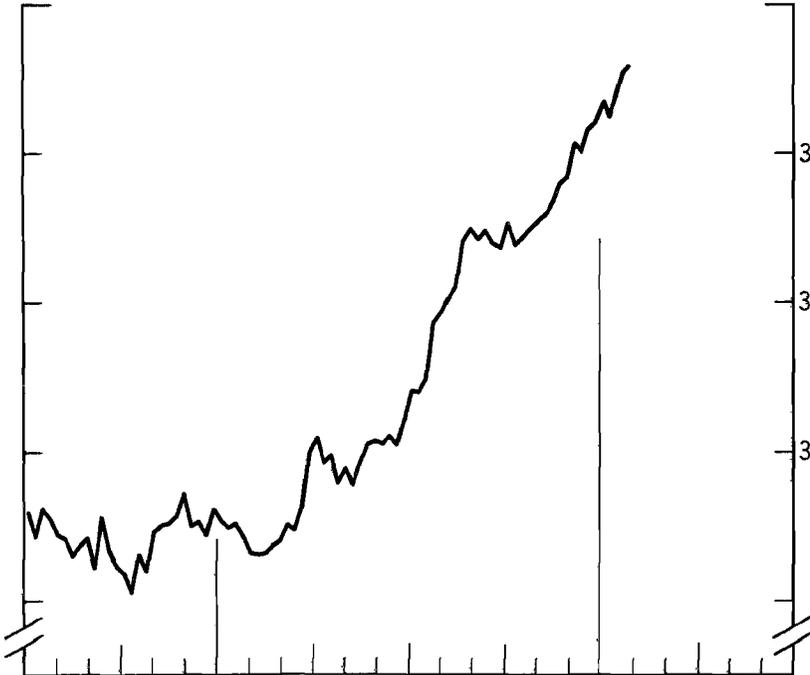
BILLIONS OF DOLLARS



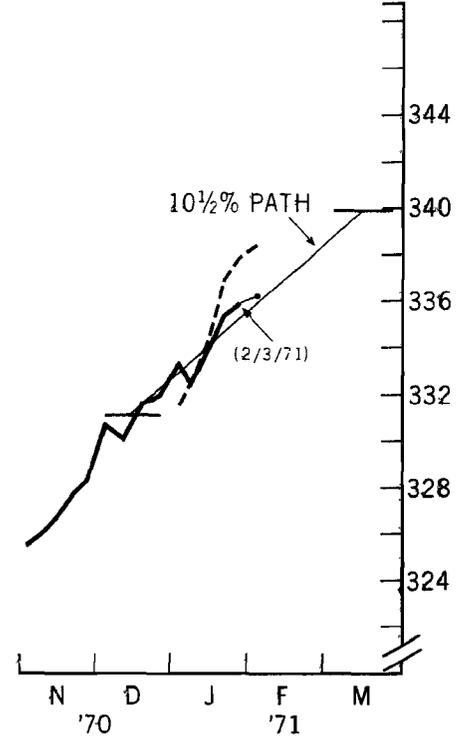
MONEY SUPPLY



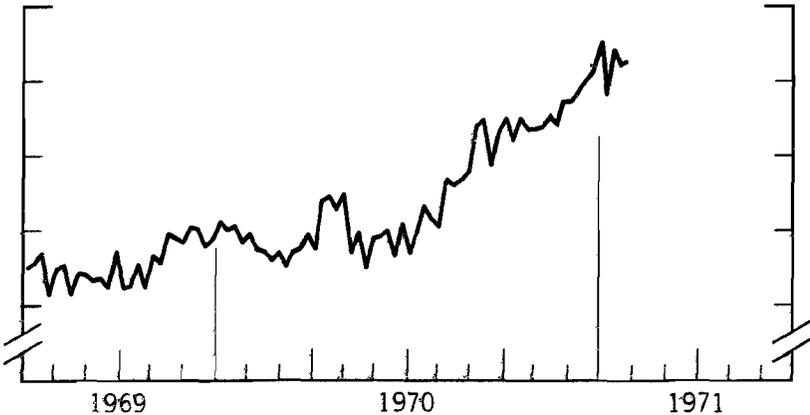
ADJUSTED CREDIT PROXY



ADJ. CREDIT PROXY



TOTAL RESERVES



- Actual
- Currently Projected
- - - Wkly., Indicated at FOMC Meeting (1/12/71) Consistent with 7 1/2% Money Supply Growth in First Quarter
- /— Longer Run Path

# INTEREST BEARING SOURCES OF BANK FUNDS

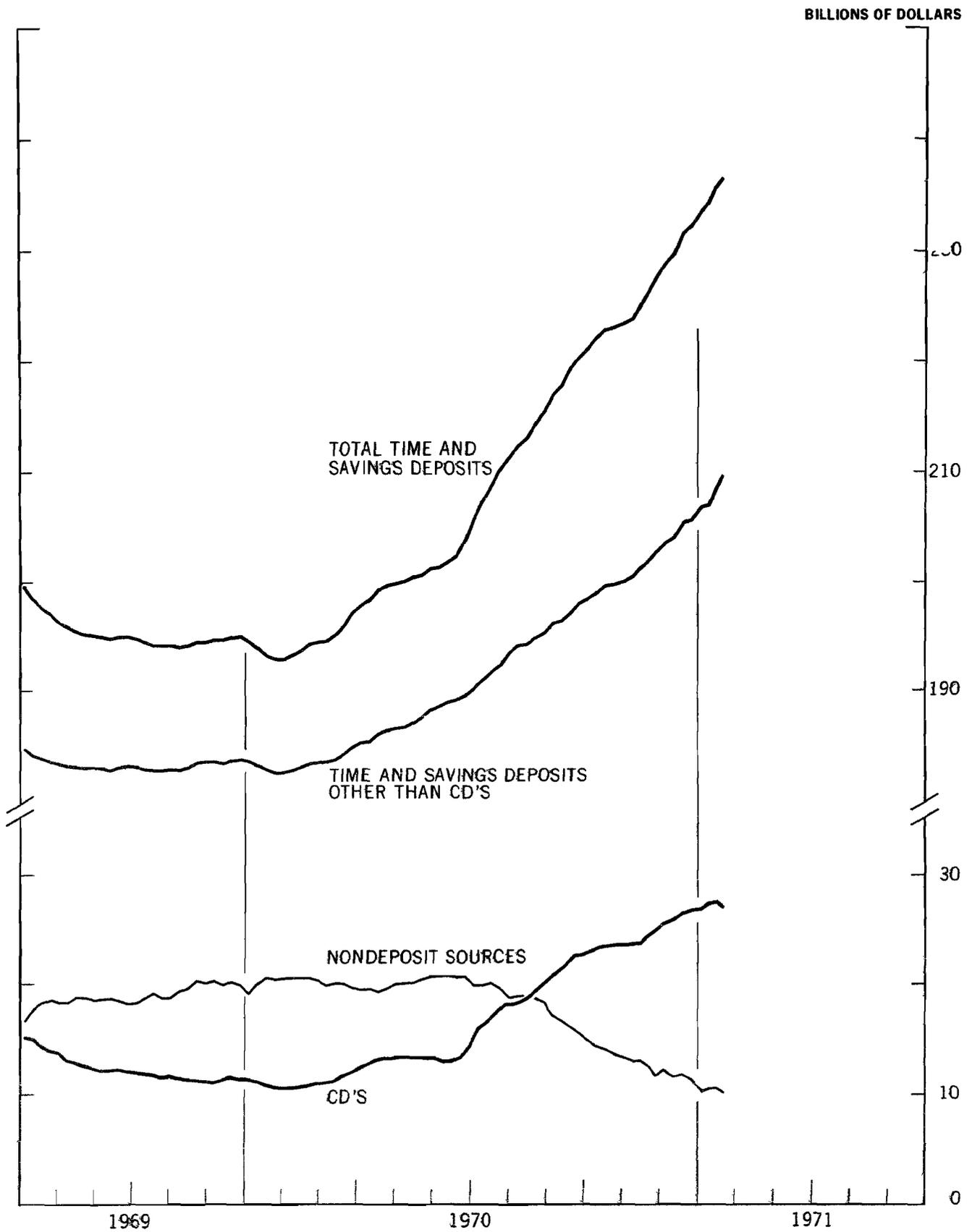
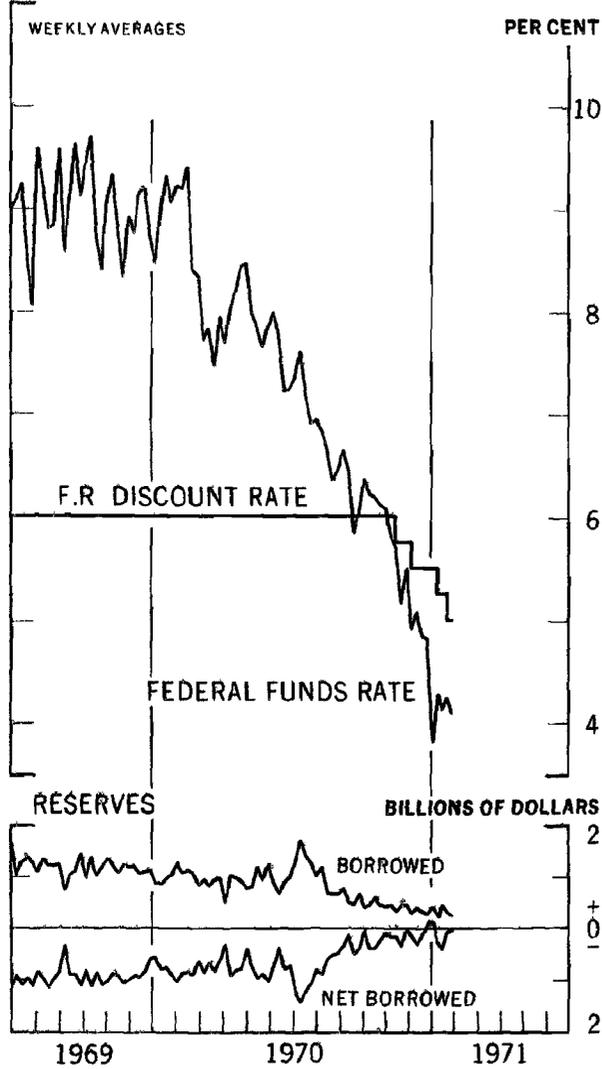


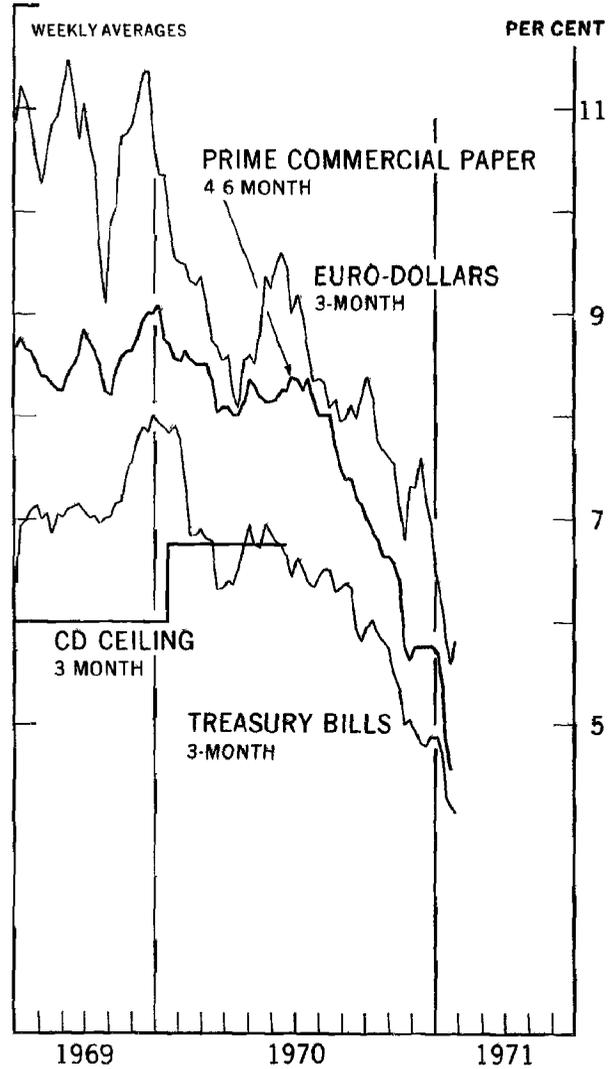
CHART 3

# MONEY MARKET CONDITIONS AND INTEREST RATES

## MONEY MARKET CONDITIONS



## INTEREST RATES Short-term



## INTEREST RATES Long-term

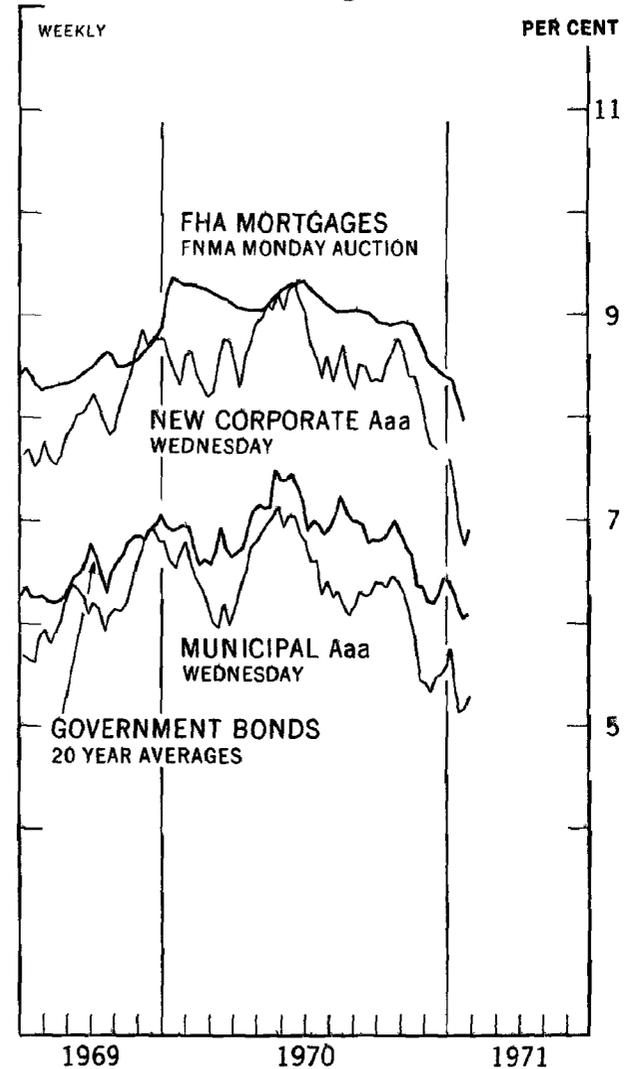


Table 1  
**PATHS OF KEY MONETARY AGGREGATES**  
SEASONALLY ADJUSTED

STRICTLY CONFIDENTIAL (FR)

February 5, 1971

Period	Adjusted Credit Proxy		Money Supply		U.S. Government Demand Deposits		Time Deposits		Nondeposit Sources of Funds		Total Reserves	
	1 Path as of	2 Current Proj	3 Path as of	4 Current Proj.	5 Path as of	6 Current Proj	7 Path as of	8 Current Proj	9 Path as of	10 Current Proj	11 Path as of	12 Current Proj.
	Jan. 12		Jan. 12		Jan. 12		Jan. 12		Jan. 12		Jan. 12	
<b>Monthly Pattern in Billions of Dollars</b>												
1970: Sept.	324.5	324.5	212.8	212.8	6.2	6.2	218.5	218.5	16.5	16.5	29.2	29.2
Oct.	324.8	324.8	213.0	213.0	5.2	5.2	222.2	222.2	14.2	14.2	29.4	29.4
Nov.	326.7	326.7	213.5	213.5	6.0	6.0	225.0	225.0	12.7	12.7	29.5	29.5
Dec.	331.1	331.2	214.7	214.6	6.1	6.2	230.3	230.4	11.6	11.6	29.9	29.9
1971: Jan. p	334.5	334.2	215.7	215.1	6.4	6.7	234.6	235.4	10.7	10.1	30.3	30.2
Feb. (proj.)	337.9	336.6	217.5	216.7	6.7	6.9	239.3	240.6	10.6	8.5	30.7	30.6
Mar. (proj.)	339.9	340.1	218.8	217.9	4.7	6.8	242.2	244.4	10.6	8.1	30.7	30.8
<b>Annual Percentage Rates of Change--Quarterly and Monthly</b>												
1970: 1st Qtr.	0.5	0.5	5.9	5.9			1.4	1.4			-2.9	-2.9
2nd Qtr.	6.5	6.5	5.8	5.8			14.1	14.3			2.6	2.6
3rd Qtr.	17.2	17.2	6.1	6.1			32.2	32.2			19.2	19.1
4th Qtr.	8.1	8.3	3.6	3.4			21.6	21.8			6.6	6.7
1971: 1st Qtr. (proj.)	10.5	10.5	7.5	6.0			20.5	24.5			7.5	11.0
1970: Sept.	9.7	9.7	5.7	5.7			29.8	29.8			27.5	27.5
Oct.	1.1	1.1	1.1	1.1			20.3	20.3			-1.9	-1.9
Nov.	7.8	7.0	2.8	2.8			15.1	15.1			3.6	3.6
Dec.	16.2	16.5	6.7	6.2			28.3	28.8			18.0	18.4
1971: Jan. p	12.5	10.9	5.5	2.8			22.5	26.0			15.5	12.2
Feb. (proj.)	12.0	8.5	10.0	9.0			24.0	26.5			14.5	14.5
Mar. (proj.)	7.0	12.5	7.0	6.5			14.5	19.0			-0.5	6.5
<b>Weekly Pattern in Billions of Dollars</b>												
1970: Dec. 2	328.3	328.3	214.5	214.5	5.3	5.3	227.2	227.2	11.7	11.7	29.7	29.7
9	330.7	330.7	214.2	214.2	7.1	7.1	228.8	228.8	12.1	12.1	29.7	29.7
16	330.1	330.1	215.3	215.3	5.6	5.6	229.7	229.7	11.6	11.6	29.8	29.8
23	331.4	331.6	213.6	213.5	7.6	7.6	231.6	231.6	11.8	11.8	30.1	30.0
30	331.7	332.0	214.8	214.7	6.0	6.0	232.1	232.3	11.2	11.2	30.0	30.1
1971: Jan. 6	331.5	333.3	214.1	215.4	5.1	5.3	232.8	233.6	10.2	10.2	30.5	30.5
13	332.6	332.5	215.4	215.3	5.1	5.3	233.6	234.2	10.7	10.5	30.0	29.8
20	334.4	334.0	216.1	215.0	6.0	6.0	234.9	235.7	10.9	10.5	30.3	30.4
27	337.0	335.4	216.4	214.6	8.7	8.1	235.7	236.5	10.8	10.0	30.3	30.2
Feb. 3 pe	337.9	335.9	217.3	216.1	8.2	8.4	236.7	238.1	10.7	8.8	30.4	30.3
10	338.4	336.2	217.8	216.4	8.3	7.8	238.5	239.5	10.6	8.6	30.6	30.5

**NOTES:** Annual rates of change other than those for the past are rounded to the nearest half per cent.  
pe -- partially estimated.  
p - preliminary.

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# Table 2 AGGREGATE RESERVES AND MONETARY VARIABLES

CONFIDENTIAL (FR)

February 5, 1971

RETROSPECTIVE CHANGES, SEASONALLY ADJUSTED  
(Annual rates in per cent)

Period	Reserve Aggregates		Monetary Variables					Addenda		
	1 Total Reserves	2 Nonborrowed Reserves	3 Total Member Bank Deposits	4 Adjusted Credit Proxy	Money Supply			8 Time Deposits Adjusted	9 Thrift Instit. Deposits	10 Nonbank Commercial Paper
					5 Total	6 Currency	7 Private Demand Deposits			
<b>Annually</b>										
1968	+ 7.8	+ 6.0	+ 9.0	n.a.	+ 7.8	+ 7.4	+ 7.9	+11.1	+ 6.3	n.a.
1969	- 1.6	- 3.0	- 4.0	n.a.	+ 3.1	+ 6.0	+ 2.4	- 5.0	+ 3.4	n.a.
1970	+ 6.4	+ 9.5	+11.8	+ 8.3	+ 5.4	+ 6.3	+ 5.1	+18.4	+ 7.6	+7.3
<b>Semi-annually</b>										
1st Half 1969	+ 0.7	- 3.7	- 3.5	n.a.	+ 5.1	+ 6.5	+ 4.7	- 3.5	+ 4.8	n.a.
2nd Half 1969	- 3.9	- 2.4	- 4.6	- 1.2	+ 1.2	+ 5.4	+ 0.1	- 6.6	+ 1.9	+28.3
1st Half 1970	- 0.2	+ 1.9	+ 3.3	+ 3.5	+ 5.9	+ 7.8	+ 5.3	+ 7.8	+ 4.3	+12.8
2nd Half 1970	+13.0	+17.1	+20.0	+12.9	+ 4.8	+ 4.6	+ 4.7	+27.9	+10.6	+1.7
<b>Quarterly</b>										
3rd Qtr. 1969	- 9.3	- 4.8	- 9.4	- 4.3	+ 0.8	+ 4.5	--	-12.7	+ 2.3	+31.6
4th Qtr. 1969	+ 1.4	- 0.1	+ 0.1	+ 2.0	+ 1.6	+ 6.2	+ 0.3	- 0.4	+ 1.4	+23.2
1st Qtr. 1970	- 2.9	- 0.4	+ 0.6	+ 0.5	+ 5.9	+ 6.1	+ 5.3	+ 1.4	+ 1.7	+17.8
2nd Qtr. 1970	+ 2.6	+ 4.1	+ 6.0	+ 6.5	+ 5.8	+ 9.4	+ 5.3	+14.1	+ 6.9	+7.5
3rd Qtr. 1970	+19.1	+24.4	+24.1	+17.2	+ 6.1	+ 3.3	+ 6.7	+32.2	+10.0	-16.2
4th Qtr. 1970	+ 6.6	+ 9.4	+15.1	+ 8.3	+ 3.4	+ 5.8	+ 2.7	+21.8	+11.0	+20.4
<b>Monthly</b>										
1969: Dec.	+ 6.3	+12.1	--	+ 0.8	+ 0.6	+ 2.6	+ 0.8	+ 3.7	+ 1.9	+27.4
1970: Jan.	+ 3.1	+ 7.2	- 4.2	- 3.5	+ 9.4	+ 5.2	+ 9.9	- 8.0	- 4.2	+12.6
Feb.	-12.0	-15.6	- 8.0	- 5.5	- 4.1	+ 5.2	- 6.8	+ 1.2	+ 2.8	+26.2
March	--	+ 7.5	+14.0	+10.7	+12.3	+ 7.8	+12.9	+11.2	+ 6.6	+13.8
April	+21.3	+25.4	+16.8	+13.7	+ 9.9	+10.3	+10.5	+19.7	+ 8.1	+34.4
May	-13.9	-19.0	- 4.5	- 1.2	+ 5.2	+15.3	+ 3.0	+10.9	+ 5.3	+18.9
June	+ 0.5	+ 6.2	+ 5.8	+ 7.0	+ 2.3	+ 2.5	+ 2.2	+11.4	+ 7.0	-30.0
July	+ 6.0	-16.1	+22.7	+18.1	+ 5.7	+ 7.5	+ 4.4	+35.6	+13.3	-87.5
Aug.	+23.3	+48.8	+29.2	+23.2	+ 6.8	+ 2.5	+ 8.9	+28.8	+ 6.1	-7.2
Sept.	+27.5	+40.1	+19.0	+ 9.7	+ 5.7	--	+ 6.6	+29.8	+10.5	+49.6
Oct.	- 1.9	--	+10.1	+ 1.1	+ 1.1	+ 7.5	- 0.7	+20.3	+10.5	+32.3
Nov.	+ 3.6	+ 4.4	+13.1	+ 7.0	+ 2.8	+ 4.9	+ 2.2	+15.1	+ 9.2	-28.7
Dec.	+18.4	+22.8	+21.4	+16.5	+ 6.2	+ 4.9	+ 6.6	+28.8	+12.0	+58.0

**NOTE:** Aggregate reserve series have been adjusted to eliminate changes in percentage reserve requirements against deposits, but reserve requirements on Eurodollar borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970. FR 712 - E

Table 3  
**AGGREGATE RESERVES AND MONETARY VARIABLES**  
SEASONALLY ADJUSTED

CONFIDENTIAL (FR)  
February 5, 1971

Period	Aggregate Reserves			Member Bank Deposits		Money Supply			Commercial Bank Time Deposits			12 Adjusted Credit Proxy	13 Addendum Nonbank Comm Paper	
	1 Total	2 Non- borrowed	3 Required	4 Total	5 U.S. Govt. Demand	6 Total	7 Currency	8 Private Demand Deposits	9 Total	10 CD's	11 Other			
	(In millions of dollars)						(In billions of dollars)							
1969: July	27,530	26,275	27,334	288.0	2.4	203.1	45.0	158.1	198.1	14.1	184.0	305.7	26.0	
Aug.	27,401	26,214	27,161	285.3	2.9	202.6	45.2	157.4	195.4	12.5	182.9	303.8	26.5	
Sept.	27,402	26,383	27,144	285.7	4.4	202.8	45.3	157.6	194.8	12.0	182.8	304.2	27.5	
Oct.	27,354	26,210	27,129	283.5	3.1	203.2	45.6	157.6	194.2	11.5	182.6	302.2	28.0	
Nov.	27,783	26,538	27,548	285.8	5.6	203.5	45.9	157.6	194.0	11.1	182.9	305.5	28.4	
Dec.	27,928	26,806	27,707	285.8	4.9	203.6	46.0	157.7	194.6	11.2	183.4	305.7	29.1	
1970: Jan.	28,001	26,966	27,823	284.8	5.3	205.2	46.2	159.0	193.3	10.6	182.7	304.8	29.4	
Feb.	27,722	26,615	27,523	282.9	5.6	204.5	46.4	158.1	193.5	10.6	182.9	303.4	30.0	
March	27,723	26,782	27,536	286.2	5.9	206.6	46.7	159.8	195.8	11.5	183.8	306.1	30.4	
April	28,216	27,350	28,046	290.2	5.2	208.3	47.1	161.2	198.5	12.9	185.6	309.6	31.2	
May	27,890	26,916	27,692	289.1	3.0	209.2	47.7	161.6	200.3	13.2	187.1	309.3	31.7	
June	27,902	27,056	27,713	290.5	4.8	209.6	47.8	161.9	202.2	13.2	189.0	311.1	30.9	
July	28,041	26,694	27,896	296.0	4.4	210.6	48.1	162.5	208.2	16.9	191.3	315.8	28.7	
Aug.	28,585	27,780	28,408	303.2	6.4	211.8	48.2	163.7	213.2	19.0	194.2	321.9	28.5	
Sept.	29,240	28,708	29,024	308.0	6.2	212.8	48.2	164.6	218.5	21.7	196.8	324.5	29.7	
Oct.	29,385	28,928	29,134	310.6	5.2	213.0	48.5	164.5	222.2	23.2	199.1	324.8	30.5	
Nov.	29,474	29,033	29,233	314.0	6.0	213.5	48.7	164.8	225.0	23.9	201.1	326.7	29.7	
Dec.	29,925	29,584	29,703	319.6	6.2	214.6	48.9	165.7	230.4	26.0	204.4	331.2	31.2	
1970: Dec. 2	29,714	29,299	29,322	316.6	5.3	214.5	48.6	165.9	227.2	24.7	202.5	328.3	30.9	
9	29,719	29,234	29,433	318.6	7.1	214.2	48.9	165.4	228.8	25.4	203.3	330.7	31.0	
16	29,817	29,343	29,732	318.6	5.6	215.3	49.0	166.3	229.7	25.8	203.9	330.1	29.8	
23	30,007	29,671	29,821	319.8	7.6	213.5	49.1	164.4	231.6	26.3	205.2	331.6	29.7	
30	30,133	30,102	29,899	320.8	6.0	214.7	49.0	165.8	232.3	26.7	205.6	332.0	29.4	
Jan. 6	30,524	30,052	29,939	323.1	5.3	215.4	49.2	166.2	233.6	26.8	206.8	333.3	30.5	
13	29,812	29,610	30,005	322.0	5.3	215.3	49.1	166.2	234.2	27.3	206.9	332.5	30.7	
20 p	30,400	29,835	30,306	323.5	6.0	215.0	49.1	165.9	235.7	27.4	208.3	334.0	30.3	
27 p	30,218	29,714	29,873	325.3	8.1	214.6	49.3	165.3	236.5	26.9	209.6	335.4	30.6	

**NOTES:** Aggregate reserve series have been adjusted to eliminate changes in percentage reserve requirements against deposits, but reserve requirements on Euro-dollar borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970. Adjusted credit proxy includes mainly total member bank deposits subject to reserve requirements, bank-related commercial paper, and Euro-dollar borrowings of U.S. banks. Weekly data are daily averages for statement weeks. Monthly data are daily averages except for nonbank commercial paper figures which are for last day of month.

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Table 4

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

Period	Free reserves	Excess reserves	Member Banks Borrowings				Country
			Total	Reserve City		Other	
				8 N.Y.	Outside N.Y.		
Monthly (reserves weeks ending in):							
1969--July	-1,045	266	1,311	89	250	364	608
August	- 997	214	1,211	81	253	256	621
September	- 744	282	1,026	83	236	222	485
October	- 995	195	1,190	106	327	293	464
November	- '975	238	1,213	120	387	250	456
December	- 849	278	1,127	268	310	220	329
1970--January	- 759	169	928	148	287	232	261
February	- 916	210	1,126	106	317	289	414
March	- 751	129	880	90	225	287	278
April	- 687	178	865	227	331	119	188
May	- 765	159	924	165	241	228	290
June	- 736	171	907	140	289	217	261
July	-1,134	183	1,317	218	460	348	291
August	- 706	175	881	143	278	273	187
September	- 374	235	609	101	115	274	119
October	- 274	193	467	12	40	313	102
November	- 199	210	409	42	17	293	57
December	- 84	264	348	37	16	265	30
1971--January p	- 135	242	377	45	35	263	34
1970--Sept. 2	- 482	178	660	79	181	221	179
9	- 348	415	763	160	143	343	117
16	- 144	356	500	89	93	224	94
23	- 507	-47	460	75	77	258	50
30	- 389	272	661	103	79	325	154
Oct. 7	- 46	352	398	--	4	304	90
14	- 409	41	450	71	46	317	71
21	- 397	189	586	16	97	342	131
28	- 242	191	433	11	13	292	117
Nov. 4	- 105	318	423	11	15	311	86
11	- 163	282	445	69	29	282	65
18	- 166	164	330	--	1	295	34
25	- 360	76	436	86	22	287	41
Dec. 2	- 38	417	455	86	22	300	47
9	- 154	136	290	--	--	263	27
16	- 279	120	399	55	48	268	28
23	- 114	211	325	39	11	250	25
30	- 164	434	270	--	--	245	25
1971--Jan. 6	- 138	545	407	71	55	255	26
13	- 245	32	277	--	--	250	27
20 p	- 375	96	471	82	63	284	42
27 p	- 59	295	354	26	22	264	42
Feb. 3 p	- 1	282	283	--	--	253	30

p - Preliminary.

Table 5

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 1/	Other	Repurchase agreements			
<u>Year:</u>								
1969 (12/25/68 - 12/31/69)	+5,539	+5,192	+4,279 ( -- )	+ 707	+ 206	+ 67	+ 35	+ 245
1970 (12/31/69 - 12/30/70)	+3,351	+4,276	+3,220 (- 143)	+1,180	- 124	- 63	- 28	- 834
<u>Weekly:</u>								
1970--Sept.								
2	+ 189	+ 164	+ 31 ( -- )	--	+ 133	+ 13	+ 12	--
9	+ 473	+ 316	+ 193 ( -- )	--	+ 123	+ 27	+ 17	+ 103
16	- 248	+ 14	- 320 (- 90)	+ 84	+ 250	- 12	+ 13	- 263
23	- 982	- 864	- 372 (- 256)	+ 14	- 506	- 38	- 40	- 40
30	+ 689	+ 418	+ 210 (+ 346)	+ 12	+ 196	+ 49	+ 21	+ 201
Oct.								
7	- 482	- 183	- 238 ( -- )	+ 73	- 18	- 25	- 11	- 263
14	- 5	- 56	-- ( -- )	--	- 56	+ 4	- 5	+ 52
21	+ 224	+ 67	- 16 ( -- )	--	+ 83	+ 16	+ 5	+ 136
28	- 479	- 268	- 63 ( -- )	--	- 205	- 44	- 14	- 153
Nov.								
4	+ 692	+ 610	+ 241 ( -- )	--	+ 369	+ 63	+ 29	- 10
11	- 48	- 75	- 94 (- 214)	--	+ 19	- 6	+ 11	+ 22
18	+ 671	+ 711	+ 509 (+ 214)	--	+ 202	+ 62	+ 13	- 115
25	- 141	- 93	+ 273 (- 150)	+ 134	- 500	- 107	- 47	+ 106
Dec.								
2	+ 986	+ 853	+ 475 (+ 150)	+ 41	+ 337	+ 73	+ 41	+ 19
9	- 303	- 145	- 82 (- 244)	+ 114	- 177	- 30	+ 37	- 165
16	+ 697	+ 586	+ 328 (+ 244)	--	+ 258	+ 24	- 22	+ 109
23	- 122	- 35	+ 134 ( -- )	+ 152	- 321	- 7	- 6	- 74
30	- 143	- 3	- 95 (- 143)	+ 137	- 45	- 64	- 21	- 55
1971--Jan.								
6	+ 938	+ 722	+ 537 (+ 97)	--	+ 185	+ 51	+ 28	+ 137
13	- 534	- 308	+ 19 (+ 46)	--	- 327	- 59	- 37	- 130
20 p	+ 63	- 153	- 236 (- 159)	--	+ 83	+ 13	+ 9	+ 194
27 p	- 203	- 81	- 65 (+ 85)	--	- 16	--	- 5	- 117
Feb.								
3 p	+ 8	+ 61	- 26 (+ 74)	--	+ 87	+ 6	+ 12	- 71

1/ Figures in parenthesis reflect reserve effect of match sale-purchase agreement.

Table 6

MAJOR SOURCES AND USES OF RESERVES  
Retrospective and Prospective Changes  
(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	Treasury operations	Float	Foreign deposits and gold loans	Other nonmember deposits and F.R. accounts		Required reserves	Excess reserves
	( Sign indicates effect on reserves )									
<b>Year:</b>										
1969 (12/25/68 - 12/31/69)	+5,539	--	-2,676	- 813	+ 241	+ 54	- 898	+1,448	+1,340	+ 108
1970 (12/31/69 - 12/30/70)	+3,351	+1,150 2/	-3,122	+ 773	+ 667	+ 1	-1,655	+1,163	+1,257	- 94
<b>Weekly:</b>										
1970--Sept.										
2	+ 189	--	+ 196	+ 15	- 217	+ 20	- 14	+ 193	+ 153	+ 40
9	+ 473	--	- 170	- 78	+ 379	+ 4	- 45	+ 561	+ 324	+ 237
16	- 248	--	- 205	+ 154	+ 183	+ 6	+ 100	- 10	+ 49	- 59
23	- 982	--	- 124	- 124	+ 552	- 15	+ 169	- 527	- 124	- 403
30	+ 689	--	+ 861	+ 35	- 833	- 210	+ 95	+ 640	+ 321	+ 319
Oct.										
7	- 482	--	- 260	+ 214	+ 20	- 10	+ 271	- 248	- 328	+ 80
14	- 5	--	- 329	- 163	+ 174	- 4	+ 1	- 322	- 11	- 311
21	+ 224	--	- 549	- 63	+ 576	+ 9	+ 230	+ 426	+ 278	+ 148
28	- 479	--	+ 432	- 71	- 311	- 15	+ 1	- 443	- 445	+ 2
Nov.										
4	+ 692	--	+ 46	+ 146	- 382	- 24	- 271	+ 205	+ 78	+ 127
11	- 48	--	- 353	+ 81	+ 482	- 1	- 86	+ 73	+ 109	- 36
18	+ 671	--	- 545	+ 88	- 210	+ 17	+ 16	+ 38	+ 156	- 118
25	- 141	--	- 298	+ 153	+ 275	+ 18	- 397	- 390	- 302	- 88
Dec.										
2	+ 986	--	+ 13	+ 34	- 349	+ 5	- 187	+ 502	+ 161	+ 341
9	- 303	--	- 85	+ 103	+ 174	- 8	- 39	- 157	+ 124	- 281
16	+ 697	--	- 263	+ 107	- 85	+ 3	+ 75	+ 320	+ 336	- 16
23	- 122	--	- 688	+ 1	+ 873	- 8	+ 206	+ 260	+ 169	+ 91
30	- 143	--	+ 264	- 376	+ 843	- 19	- 24	+ 545	+ 322	+ 223
1971--Jan.										
6	+ 938	- 385	+ 319	+ 188	- 250	- 377	- 50	+ 768	+ 657	+ 111
13	- 534	--	+ 601	- 63	- 673	- 4	+ 305	- 369	+ 144	- 513
20 p	+ 63	--	+ 456	+ 108	+ 159	--	- 26	+ 761	+ 705	+ 56
27 p	- 203	--	+ 538	- 275	- 827	- 1	- 34	- 801	-1,008	+ 207
Feb.										
3 p	+ 8	--	+ 65	+ 289	- 450	+ 16	- 130	- 199	- 186	- 13

1/ For retrospective details, see Table 5.

2/ Includes \$400 million in special drawing account.

p - Preliminary.