

Prefatory Note

The attached document represents the most complete and accurate version available based on original copies culled from the files of the FOMC Secretariat at the Board of Governors of the Federal Reserve System. This electronic document was created through a comprehensive digitization process which included identifying the best-preserved paper copies, scanning those copies,¹ and then making the scanned versions text-searchable.² Though a stringent quality assurance process was employed, some imperfections may remain.

Please note that some material may have been redacted from this document if that material was received on a confidential basis. Redacted material is indicated by occasional gaps in the text or by gray boxes around non-text content. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

¹ In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).

² A two-step process was used. An advanced optical character recognition computer program (OCR) first created electronic text from the document image. Where the OCR results were inconclusive, staff checked and corrected the text as necessary. Please note that the numbers and text in charts and tables were not reliably recognized by the OCR process and were not checked or corrected by staff.

(CONFIDENTIAL FR)

May 7, 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

May 7, 1971

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) Since the last meeting of the Committee interest rates in domestic securities markets have risen very sharply, with advances ranging to three quarters of a percentage point or more on some long- as well as some short-term instruments. As their short-term borrowing costs rose, major banks raised the prime rate from 5-1/4 to 5-1/2 per cent. The steepness of the general advance in market rates appears to be largely attributable to changed market expectations about the outlook for interest rates and monetary policy; banks, for instance, have become less active buyers of securities. This shift in psychology was prompted initially by a combination of firmer money market conditions and better business news, and was strongly reinforced by deepening market uncertainties arising from the foreign exchange crisis.

(2) The rate on the 3-month Treasury bill has been an exception to the general uptrend of rates. Heavy bill demands from foreign central banks and domestic investors seeking liquidity have substantially depleted dealers' bill positions, particularly in shorter maturities. As a result, while the 3-month rate has fluctuated widely over the inter-meeting period, reaching a peak level of more than 4 per cent, most recently it has declined to about 3.78 per cent, close to the level prevailing at the time of the last meeting. However, the 6-month and 1-year bills are around 40 and 75 basis points, respectively, above their levels at that time.

(3) Over the four-statement-week period since the last meeting, the Federal funds rate has averaged about 4-1/4 per cent, the upper end of the range specified by the Committee. Since this was 35 basis points above the average for the preceding four statement weeks, it was widely interpreted as evidence of a shift in monetary policy, initiated partly for balance-of-payments reasons and partly to slow the growth of the money supply. In the Treasury financing week ending May 5, market uncertainties about monetary policy were intensified by the crisis psychology created by foreign developments. In this atmosphere the Federal funds rate rose temporarily to levels as high as 4-7/8 per cent and averaged 4.41 per cent. In the latter part of that statement week, and early in the current week, some banks appeared to be bidding aggressively for Federal funds in anticipation of drains from funds flowing abroad. In addition, the funds rate was affected by a large temporary demand for funds from a key money center bank which apparently substantially miscalculated its weekly reserve position.

(4) The Desk moved actively to supply reserves during the Treasury financing week and early in the current week, in an effort to move the Federal funds rate back to the 4-1/4 per cent target. As a result, the net reserve position of all member banks showed average net free reserves of \$202 million for the week ending May 5. Over the preceding three weeks the average net reserve position had been close to zero and member bank borrowing had averaged about \$140 million. While both of these latter averages were significantly less deep than had been specified, the bulk of the difference reflected a considerable drop in the special borrowing by the bank that has been a necessitous borrower.

(5) With securities markets generally unsettled, the Treasury elected to limit the new issues in its May refunding to two relatively short maturities--one, a new 15-month, 5 per cent note; and the other, an outstanding 3-1/2 year, 5-3/4 per cent note (reopened at a discount to yield 5.88 per cent). While books on the refunding were still open, rumors of possible revaluations triggered massive speculative dollar flows into some foreign currencies; this ultimately forced the withdrawal of central banks from foreign exchange markets in several countries. Uncertainties regarding this crisis and its implications for domestic interest rates created generally weak conditions in domestic securities markets and led to major concern about the success of the Treasury refunding. In this environment Treasury trust accounts made support purchases of nearly \$600 million of U.S. Government securities, and the Federal Reserve purchased \$1.3 billion of securities, net,--mainly through repurchase agreements--in the week ending May 5. The results of the Treasury refunding turned out better than might have been expected, with redemption of public holdings kept to about 30 per cent of the \$5.8 billion of maturing issues.

(6) Immediately following the last meeting of the FOMC the Federal funds target was moved up to the upper part of the 3-3/4--4-1/4 per cent range specified by the Committee. Thereafter as new data suggested that the money supply aggregates were running well in excess of their bluebook paths, the funds rate target was moved up to 4-1/4 per cent. With data for April nearly complete, however, the monetary aggregates now show a mixed performance relative to their bluebook paths. The narrowly defined money supply (M_1) grew faster than targeted, as the table shows. But the broader money supply (M_2) ran about in line with, and the adjusted credit proxy fell substantially behind their respective growth targets.

April Growth Rates in Key Monetary Aggregates
(Per cent annual rates of changes)

	<u>Desired at Previous FOMC Meeting</u>	<u>Actual 1/</u>
M ₁	8.0	10.9
M ₂	12.5	12.9
Adjusted Proxy	11.5	5.6

1/ Because March levels of M₁ and M₂ were revised upward after the last bluebook the comparison between actual rates of change and projected bluebook rates somewhat understates the extent of the overshoot. For M₁ the degree of understatement is about 2 percentage points.

(7) The overshoot of M₁ relative to the bluebook path was greatest in the first week of the month, as the following table shows. Thereafter, the level of M₁ receded and by month-end was slightly below the bluebook path.^{1/} The overshoot of M₂ relative to target was much smaller than for M₁ because the unexpectedly large bulge in private demand deposits early in the month was largely offset by a slowing of the increase in time and savings deposits other than large CD's. Some deceleration in such deposits was expected from the record first quarter rate, but the actual slowing exceeded expectations as the pace of reintermediation at banks apparently dropped off.

1/ This pattern of change was similar to the one in the equivalent period of 1970--even though a postal strike and an air traffic controllers slowdown were also at work last year--suggesting that the existing seasonal adjustment factor for April may be missing a new pattern of money supply change. This may reflect the temporary repatriation of liquid corporate balances held abroad to comply with end-of-quarter OFDI regulations.

Cut-backs in the use of non-deposit sources of funds were also larger than projected, and large negotiable CD's failed to grow by even the rather modest amount projected. With both time and savings deposits and non-deposit sources of funds performing less strongly than forecast, growth of the adjusted credit proxy was well below the projection and relatively small.

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

	<u>M₁</u>		<u>M₂</u>		<u>Adjusted Credit Proxy</u>	
	<u>Bluebook Path</u>	<u>Actuals</u>	<u>Bluebook Path</u>	<u>Actuals</u>	<u>Bluebook Path</u>	<u>Actuals</u>
<u>Month</u>						
March		219.4		437.6		340.2
April	220.5	221.4	441.8	442.3	343.3	341.8
<u>Week ending</u>						
April 7	220.6	223.1	441.0	443.6	342.4	341.6
14	221.5	222.6	442.5	443.3	343.3	343.0
21	219.4	220.3	441.1	441.2	343.7	342.7
28	220.8	219.6	443.0	441.2	343.6	340.2
May 5	220.6	221.2	443.6	443.6	343.3	342.3

(8) The table on the next page summarizes more fully seasonally adjusted annual rates of change in major financial aggregates for selected periods.

	Fourth Quarter (Dec. over Sept.)	First Quarter (Mar. over Dec.)	Six Months (Mar. over Sept.)	April over March
Total Reserves	6.6	11.0	8.9	1.8
Nonborrowed Reserves	9.4	11.0	10.3	10.3
<u>Concepts of Money</u>				
M ₁ (Currency plus demand deposits <u>1/</u>)	3.4	8.9	6.2	10.9
M ₂ (M ₁ plus time deposits at commercial banks other than large CD's)	9.2	17.8	13.7	12.9
M ₃ (M ₂ plus deposits at thrift institutions)	9.6	19.0	14.5	16.1
<u>Bank Credit</u>				
Total member bank deposits (Bank credit proxy adj.)	8.3	10.9	9.7	5.6
Loans and investments of commercial banks <u>2/</u>	6.1	13.8	10.0	- 2.1
<u>Short-term market paper</u> (actual \$ change in billions)				
Large CD's	\$ 4.3	\$ 1.9	\$ 6.1	\$ 0.5
Bank-related commercial paper N.S.A.	- 2.3	- 0.7	- 2.9	- 0.2 ^{3/}
Nonbank commercial paper	1.5	- 1.9	- 0.4	- 1.4 ^{3/}

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

2/ Based on month-end figures. Includes loans sold to affiliates and branches.

3/ March 1971 over February 1971.

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

(9) Although recent foreign exchange market developments heighten all the usual uncertainties in assessing the future, the relationships among money market conditions and monetary aggregates that have evolved since the last meeting of the Committee strongly suggest that the FOMC's desires expressed at the last Committee meeting with respect to aggregates for the second quarter will not be achieved under prevailing money market conditions. Given such money market conditions, the table on the next page compares the Committee's desires for the aggregates with current expectations. (The paths shown as "desired" take the June levels for the aggregates indicated in the previous Blue Book under alternative C as targets. The annual rates of change for April and the second quarter differ in many cases from those shown in the previous Blue Book because the March levels for the aggregates have been revised since the last Committee meeting. For example the March level of M_1 was revised up by \$400 million to \$219.4 billion. Thus the level of \$222.4 billion for M_1 in June represented a 6 per cent annual rate of growth over the second quarter at the time of the last Committee meeting, but it now represents a 5-1/2 per cent rate of growth.)

(10) As indicated in the table, the current expectation for growth in M_1 over the second quarter, given a 4-1/4 per cent funds rate, is 9 per cent, well above Committee desires. This partly reflects the more rapid growth that already has occurred in April. But May-June growth--at about a 7-1/2 per cent annual rate--is also expected to be more rapid than earlier

Previously Desired and Currently Expected
 Paths of Key Monetary Aggregates (at 4-1/4% Fed Funds Rate)
 (Seasonally adjusted, billions of dollars)

	<u>M₁</u>		<u>M₂</u>	
	<u>Desired at previous FOMC meeting</u>	<u>Current Expectation</u>	<u>Desired at previous FOMC meeting</u>	<u>Current Expectation</u>
March		219.4		437.6
April	220.5	221.4	441.8	442.3
May	221.9	223.0	445.5	445.6
June	222.4	224.2	448.0	448.4

Per Cent Annual Rates of Growth

March	11.6	11.6	18.9	18.9
April	6.0	10.9	11.5	12.9
May	7.5	8.5	10.0	9.0
June	2.5	6.5	6.5	7.5
1st Q. 1971	8.9	8.9	17.7	17.8
2nd Q. 1971	5.5	9.0	9.5	10.0

Adjusted Credit Proxy

Total Reserves

	<u>Adjusted Credit Proxy</u>		<u>Total Reserves</u>	
	<u>Desired at previous FOMC meeting</u>	<u>Current Expectation</u>	<u>Desired at previous FOMC meeting</u>	<u>Current Expectation</u>
March		340.2		30.7
April	343.3	341.8	30.8	30.8
May	343.8	341.8	31.2	31.3
June	345.2	344.2	31.0	31.1

Per Cent Annual Rates of Growth

March	8.9	8.9	9.2	9.2
April	10.9	5.6	2.5	1.8
May	1.5	--	14.0	18.5
June	5.0	8.5	- 6.5	- 5.5
1st Q. 1971	10.9	10.9	11.0	11.0
2nd Q. 1971	6.0	4.5	3.5	5.0

desired by the Committee. The relatively rapid growth expected for May-June reflects in the main the lagged effect of earlier interest rate declines as well as further upward revision made in light of the unexpected strength in April.

(11) The future behavior of money supply and U.S. Government deposits is, of course, subject to considerable uncertainty in view of foreign exchange market conditions. We have assumed that about \$2-1/2--\$3 billion dollars taken in by foreign central banks in recent days will be invested for at least a few weeks in Treasury special issues, with proceeds flowing into Treasury deposits. This could be associated to some extent with a temporary reduction in money growth from what it otherwise would be. On the other hand, money growth could be temporarily stimulated if further sizable reserve supplying operations were to be required in the event, for instance, that the foreign exchange situation is not unwound in such a way as to calm domestic credit market nervousness.

(12) While M_1 growth seems likely to be more rapid than desired in the second quarter, given a 4-1/4 per cent Federal funds rate, growth in M_2 may turn out quite close to the previously desired path and growth in the adjusted credit proxy may be considerably less than desired. Given recent experience, we are projecting a somewhat greater slowing in net inflows of time deposits other than large CD's than we had earlier; and this offsets, in its effect on M_2 , the greater than desired growth in M_1 . As a result, the current expectation for about a 10 per cent M_2 growth rate in the second quarter is about the same as that earlier indicated as being acceptable to the Committee.

(13) The projected second quarter slowing in growth of time deposits other than large CD's also tends to restrain growth in the adjusted credit proxy. Growth in the proxy is also dampened by the sharp drop in nondeposit sources of funds and by relatively weak behavior of large CD's. There would seem to be little need for aggressive bidding for CD money, at least between now and mid-year, given the comfortable liquidity positions of banks and expectations of only moderate business loan growth.

(14) Diverse movements developing in the aggregates, unresolved (as of this writing) exchange market uncertainties, and the recent weakness in bond markets present the Committee with many potentially conflicting objectives. To clarify policy possibilities in view of these conflicts, three distinct policy alternatives--with sharply differing specifications--are presented on the following pages: Alternative A aims at stabilizing credit market conditions; Alternative C aims at pursuit of the Committee's previously expressed desires with respect to M_1 growth; and Alternative B aims at a "standard-sized" FOMC tightening of operational targets in the interest of moderating the growth of the aggregates somewhat. Aggregate specifications monthly for these alternatives through the third quarter are shown in the table on the following page.^{1/} Alternative A there represents a continuation for the aggregates of the column "current expectations" shown in the table on page 8. Alternative C represents a continuation from that table of what was desired for

^{1/} Weekly paths between now and the next meeting of the Committee are appended.

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

	<u>M₁</u>			<u>M₂</u>		
	<u>Alt. A.</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1971						
April	221.4	221.4	221.4	442.3	442.3	442.3
May	223.0	223.0	222.9	445.6	445.5	445.4
June	224.2	224.1	222.4	448.4	447.9	446.0
July	226.1	225.8	223.5	452.1	451.3	448.7
August	228.0	227.5	225.0	455.6	454.4	451.4
September	229.0	228.3	225.7	458.2	456.6	453.6

Per Cent Annual Rates of Growth

April	10.9	10.9	10.9	12.9	12.9	12.9
May	8.5	8.5	8.0	9.0	8.5	8.5
June	6.5	6.0	-2.5	7.5	6.5	1.5
July	10.0	9.0	6.0	10.0	9.0	7.5
August	10.0	9.0	8.0	9.5	8.0	7.0
September	5.5	4.0	3.5	7.0	6.0	5.5
2nd Q. 1971	9.0	8.5	5.5	10.0	9.5	7.5
3rd Q. 1971	8.5	7.5	6.0	9.0	8.0	6.5

Adjusted Credit Proxy

Total Reserves

	<u>Adjusted Credit Proxy</u>			<u>Total Reserves</u>		
	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1971						
April	341.8	341.8	341.8	30.8	30.8	30.8
May	341.8	341.8	341.8	31.3	31.3	31.3
June	344.2	344.1	342.5	31.1	31.1	31.1
July	344.5	344.3	342.1	31.3	31.2	31.1
August	347.7	347.3	345.2	31.6	31.5	31.3
September	350.9	350.4	348.0	31.8	31.7	31.4

Per Cent Annual Rates of Growth

April	5.6	5.6	5.6	1.8	1.8	1.8
May	--	--	--	18.5	18.5	18.5
June	8.5	8.0	2.5	-5.5	-6.0	-7.0
July	1.0	0.5	-1.5	7.0	5.0	3.0
August	11.0	10.5	11.0	12.5	10.5	9.5
September	11.0	10.5	9.5	5.0	4.5	4.0
2nd Q. 1971	4.5	4.5	2.5	5.0	5.0	4.5
3rd Q. 1971	8.0	7.5	6.5	8.0	6.5	5.5

M_1 at the previous FOMC meeting together with needed modifications of other aggregates for the sake of consistency, given the recent changes that have evolved in relationships among the various aggregates.

Alternative B takes a middle course. The text table below shows money market conditions believed consistent with these alternatives.

	<u>Fed Funds Rate</u>	<u>Member Bank Borrowings</u>	M_1 <u>2nd Qtr</u>	<u>3rd Qtr</u>
Alternative A	4-1/4	100-200	9%	8-1/2%
Alternative B	4-3/4	250-350	8-1/2%	7-1/2%
Alternative C	6--8	450-700	5-1/2%	6%

(15) Under alternative A, with a funds rate around 4-1/4 per cent, M_1 is expected to continue growing relatively rapidly through the third quarter, although slowing somewhat on balance from the very rapid pace of recent months. The growth rate in M_2 is expected to moderate further to a 9 per cent annual rate by the third quarter. On the other hand, following a sluggish performance in the spring, the adjusted credit proxy may grow more rapidly on balance in June and the third quarter as nondeposit sources of funds stop running off and as modest CD growth is resumed. For the second quarter, growth in the proxy may be at only a 4-1/2 per cent rate, followed by about an 8 per cent growth rate in the third quarter.

(16) Between now and the next meeting of the Committee, the 3-month bill rate under alternative A may be in a 3-3/4--4-1/4 per cent range. The rate could temporarily come under downward pressure over the

very near-term in view of the relatively small market supply of short bills in a period when customer demands for bills may be sizable, including demands from investors who chose to redeem the mid-May Treasury maturities and from some foreign official accounts who do not place dollars in special Treasury issues. However, in late May the Treasury will be raising a substantial amount of new cash probably in the bill area, with the amount depending on how long foreign funds remain invested in special issues and on whether the Treasury offers another Euro-dollar certificate abroad. With the Federal funds rate returning to around 4-1/4 per cent, bond market pressures are likely to moderate, assuming a reasonable resolution of current exchange market uncertainties. The current Treasury refunding will be settled on May 17; dealer positions in the new issues are very light, as the Treasury has undertaken sizable buying of when-issued securities.

(17) Alternative B--which assumes a funds rate centering on 4-3/4 per cent--leads to a somewhat slower growth in monetary aggregates over time. The growth rate in M_1 slows gradually; it is still likely to be growing at around an 8-1/2 per cent annual rate on average in May, but in subsequent months through the summer the growth rate may move down to around 7 per cent on average. Growth in M_2 may be affected somewhat sooner by the higher funds rate, and over time the growth rate may diminish by about a percentage point relative to alternative A. Only a minor slowing in the credit proxy is projected, as CD growth may be sustained, if not enhanced, as tighter money market conditions lead to anticipatory borrowing by banks.

(18) The 3-month bill rate would be likely to rise under alternative B, perhaps to around 4-1/2 per cent, or somewhat higher if expectations of an upward adjustment in the discount rate should develop. Should expectations of a discount rate move become pervasive, it may also tend to keep bond yields under upward pressure. Apart from the effects of such expectations, the recent run-up in bond yields has anticipated a good part of the firming in day-to-day money rates of the magnitude contemplated in this alternative.

(19) Alternative C presents the staff's best estimate as of this moment of the money market conditions required to rapidly move M_1 back to the growth path previously desired by the Committee for the second quarter, and assuming M_1 growth at a 6 per cent rate in the third quarter. A wide and high range of 6 to 8 per cent for the funds rate is presented, partly to allow for the sharp increase in interest rates that might be required to dampen money demand over a short period of time. For instance in May and June, growth in M_1 would have to be reduced to a 2-1/2 per cent annual rate under this alternative. The higher interest rates likely to be associated with this M_1 behavior would have a considerable dampening effect on growth in time deposits other than large CD's, and growth in M_2 would be further constrained, with about a 7-1/2 per cent rate expected for the second quarter. Growth in the credit proxy would likely be quite small. Even though banks are assumed to bid more aggressively for large CD's and perhaps non-deposit funds as growth in demand deposits and consumer-type time deposits diminish, bank credit would be expected to rise by only a 2-1/2 per cent annual rate over the second quarter under this alternative.

(20) Should money market conditions tighten as much as indicated for this alternative between now and the next meeting of the Committee, both short- and long-term rates would likely rise very dramatically, and questions would be raised about the prospects for continued growth in consumer-type time and savings deposits under current interest rate ceilings. The current discount rate would obviously be far out of line with the market conditions associated with this policy alternative.

Possible directive language

(21) This section presents possible language for the second paragraph of the directive for the three alternative policy courses discussed above. All three alternatives include a reference to the current Treasury financing (for which the payment date is May 17) and to uncertainties in foreign exchange markets. In addition, all three alternatives retain the language of the present directive relating to purchases of coupon issues.

(22) Alternative A. This language is proposed for possible use if the Committee decides to call for maintenance of prevailing money market conditions, subject to a proviso clause.

~~"To implement this policy, while-taking-account-of the-Treasury-financing-the-terms-of-which-are-to-be announced-late-in-the-month;~~ System open market operations until the next meeting of the Committee shall be conducted with a view to ~~attaining-temporarily-some minor-firming-in~~ MAINTAINING PREVAILING money market conditions, while continuing to meet some part of reserve needs through purchases of coupon issues in the interest of promoting accommodative conditions in

long-term credit markets; provided that SOMEWHAT FIRMER money market conditions shall be SOUGHT modified if it appears that the monetary and credit aggregates are deviating significantly EXCEEDING from the growth paths EXPECTED desired, TAKING ACCOUNT OF THE CURRENT TREASURY FINANCING AND UNCERTAINTIES IN FOREIGN EXCHANGE MARKETS."

If the Committee adopts this alternative, it may wish to consider the money market conditions noted for alternative A in paragraph (14) as a description of "prevailing" conditions, and for purposes of the proviso clause to adopt the aggregate growth paths discussed earlier in connection with alternative A as the "expected" paths. Use of the word "expected" rather than "desired" is suggested in connection with these growth paths since the rates shown for M_1 are well above those the Committee has previously indicated that it desired. Also, a one-way proviso clause (guarding against significant excesses but not shortfalls) is suggested, on the assumption that the Committee would not want market conditions to be eased on the coming period if the aggregates should fall short of the indicated paths. A directive with this general structure-- putting primary emphasis on money market conditions rather than the aggregates--can, of course, be used in connection with specifications other than those shown for alternative A, with suitable language changes.

(23) Alternative B. This language is proposed for possible use if the Committee decides (a) to formulate its primary instruction in terms of desired growth rates for the monetary and credit aggregates

(subject to the constraints that might be imposed by the Treasury financing and foreign exchange market uncertainties), and (b) to adopt as targets the growth rates (including an 8-1/2 per cent second-quarter rise in M_1) discussed earlier in connection with alternative B.

"To implement this policy, THE COMMITTEE SEEKS TO MODERATE GROWTH IN MONETARY AND CREDIT AGGREGATES OVER THE MONTHS AHEAD, while taking account of the CURRENT Treasury financing ~~the-terms-of-which-are-to-be~~ ~~announced-late-in-the-month,~~ AND UNCERTAINTIES IN FOREIGN EXCHANGE MARKETS. System open market operations until the next meeting of the Committee shall be conducted with a view to ~~attaining-temporarily-some-minor-firming~~ in MAINTAINING BANK RESERVES AND money market conditions CONSISTENT WITH THOSE OBJECTIVES, while continuing to meet some part of reserve needs through purchases of coupon issues in the interest of promoting accommodative conditions in long-term credit markets; ~~provided-that-money-market~~ ~~conditions-shall-be-modified-if-it-appears-that-the-monetary~~ ~~and-credit-aggregates-are-deviating-significantly-from~~ ~~the-growth-paths-desired."~~

The phrase "to moderate growth in monetary and credit aggregates over the months ahead" is suggested as a summary description of the objectives for the aggregates because the paths anticipated for both M_1 and M_2 involve some gradual slowing on average in coming months.

(24) Alternative C. This language is proposed for possible use if the Committee decides to adopt as targets the growth rates (including a 5-1/2 per cent second quarter rise in M_1) discussed earlier in connection with alternative C.

"To implement this policy, THE COMMITTEE SEEKS TO PROMOTE MODERATE GROWTH IN MONETARY AND CREDIT AGGREGATES, while taking account of the CURRENT Treasury financing ~~the terms of which are to be announced late in the month,~~ AND UNCERTAINTIES IN FOREIGN EXCHANGE MARKETS. System open market operations until the next meeting of the Committee shall be conducted with a view to ~~attaining temporarily some minor firming in~~ MAINTAINING BANK RESERVES AND money market conditions CONSISTENT WITH THOSE OBJECTIVES, while continuing to meet some part of reserve needs through purchases of coupon issues in the interest of promoting accommodative conditions in long-term credit markets; ~~provided that money market conditions shall be modified if it appears that the monetary and credit aggregates are deviating significantly from the growth paths desired.~~"

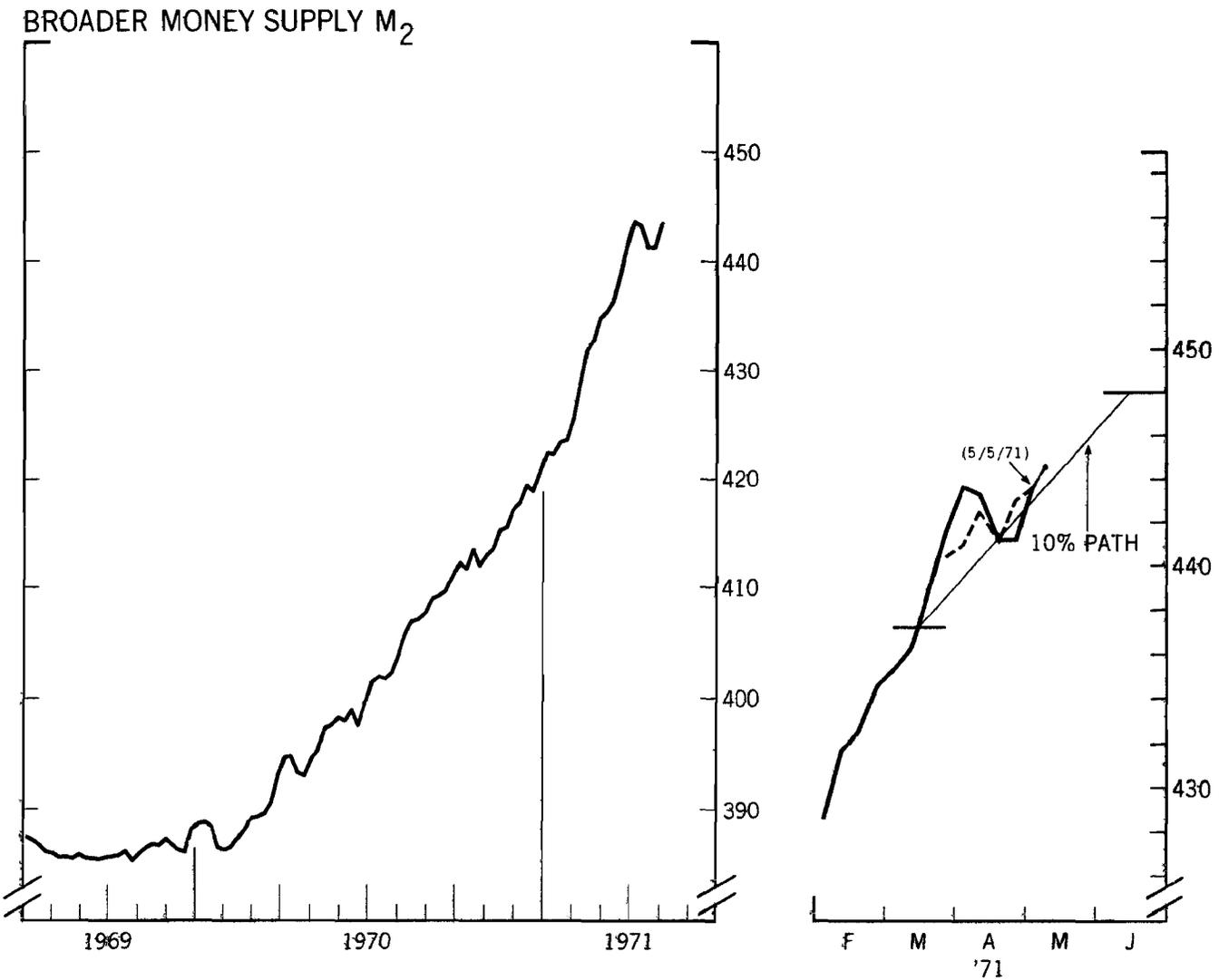
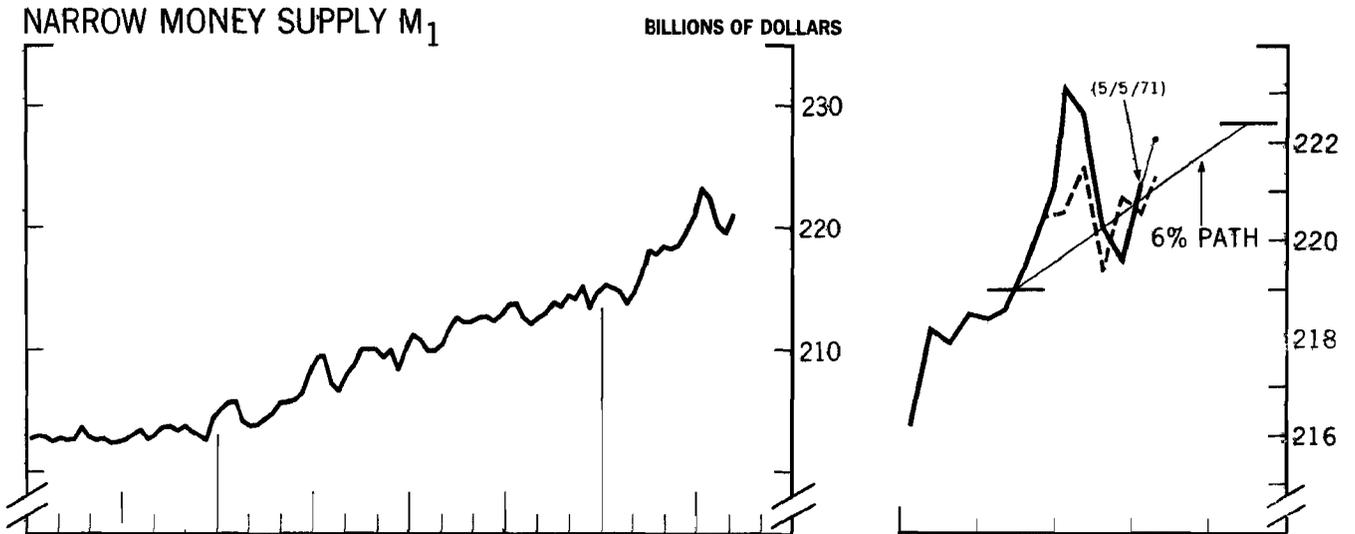
This language differs from that shown under alternative B only in that it describes the objective for the aggregates as that of seeking "to promote moderate growth" (rather than "seeking" to moderate growth) and it omits

the phrase "over the months ahead." This formulation is suggested since the growth paths associated with this alternative involve a sufficient slowing of the aggregates to bring growth in M_1 down to the pace previously desired by the Committee within the present quarter.

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

		<u>M₁</u>			<u>M₂</u>		
		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1971							
April	28	219.6	219.6	219.6	441.2	441.2	441.2
May	5	221.2	221.2	221.2	443.6	443.6	443.6
	12	222.1	222.1	222.1	444.5	444.5	444.5
	19	224.4	224.4	224.3	446.9	446.8	446.7
	26	224.1	224.1	224.0	447.0	446.8	446.7
June	2	222.6	222.5	222.1	446.2	445.8	445.3
	9	222.9	222.8	222.3	446.6	446.1	445.4
		<u>Adjusted Credit Proxy</u>			<u>Total Reserves</u>		
		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1971							
April	28	340.2	340.2	340.2	30.9	30.9	30.9
May	5	342.3	342.3	342.3	31.4	31.4	31.4
	12	343.0	343.0	343.0	31.0	31.0	31.0
	19	342.1	342.1	342.0	31.4	31.4	31.4
	26	340.3	340.3	340.2	31.3	31.3	31.3
June	2	341.1	341.0	340.6	31.2	31.2	31.2
	9	345.5	345.4	344.9	30.8	30.8	30.8

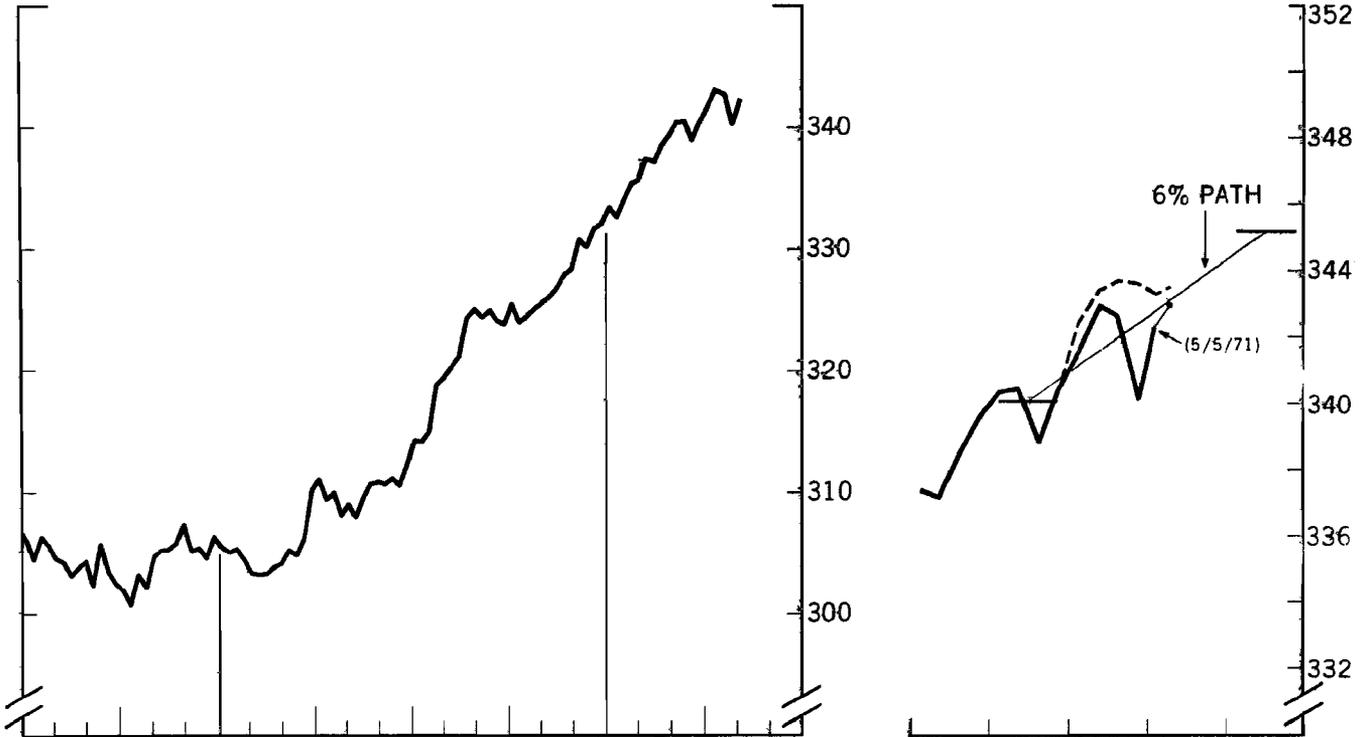
MONETARY AGGREGATES



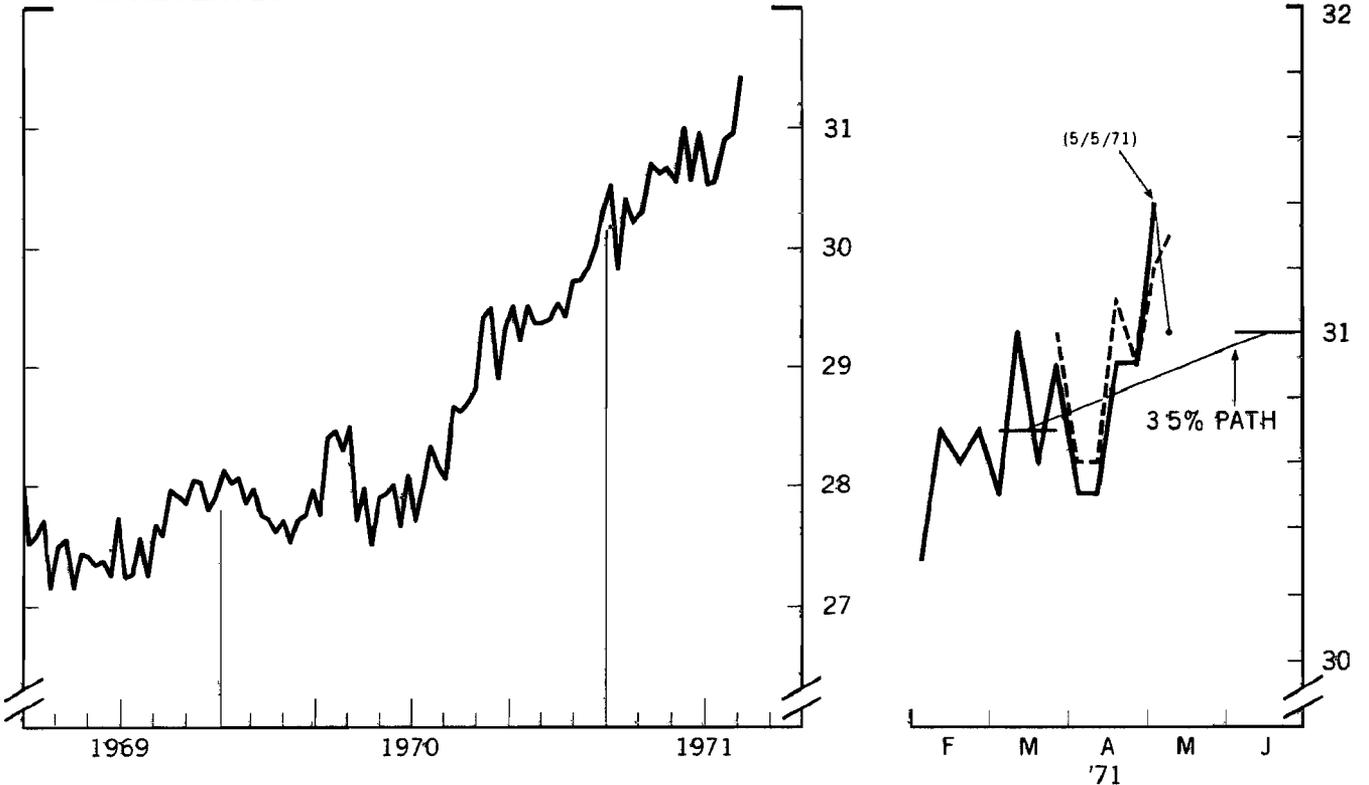
MONETARY AGGREGATES

ADJUSTED CREDIT PROXY

BILLIONS OF DOLLARS



TOTAL RESERVES



— Actual
— Currently Projected

--- Wkly Path, Indicated
at FOMC Meeting (4/6/71)

— Longer Run Path

INTEREST BEARING SOURCES OF BANK FUNDS

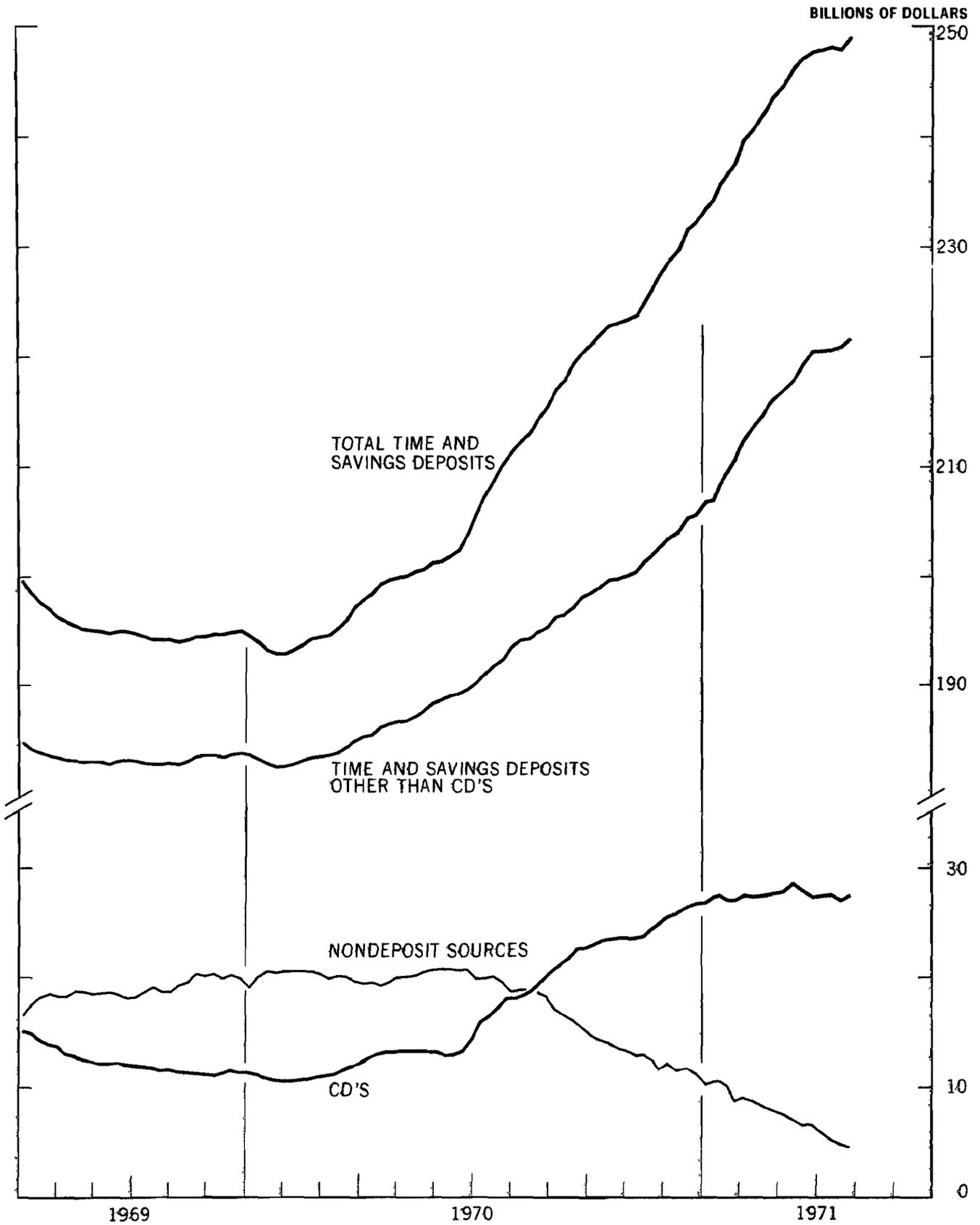
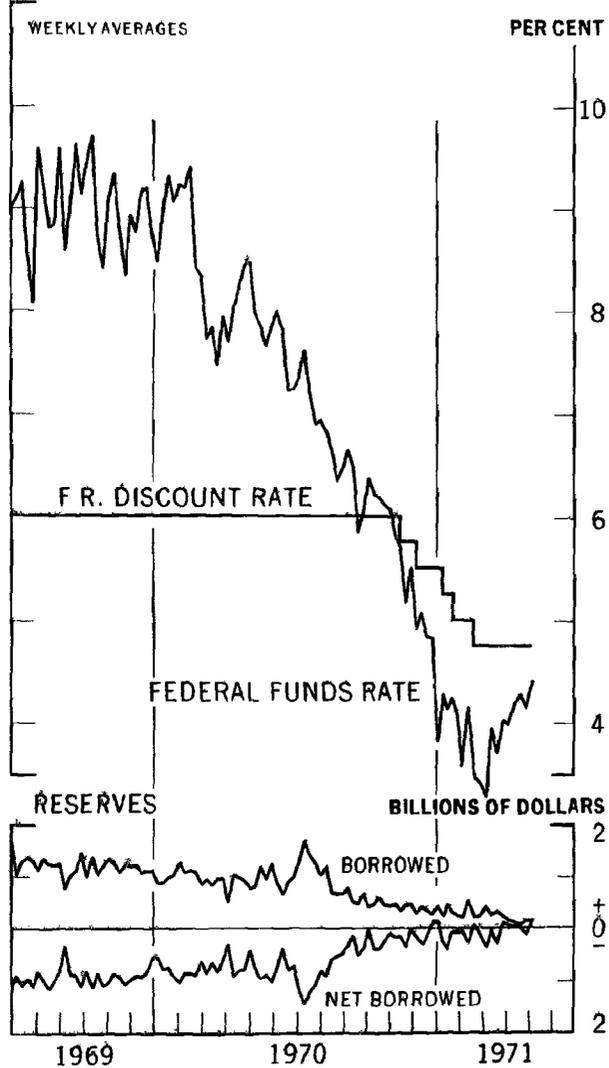


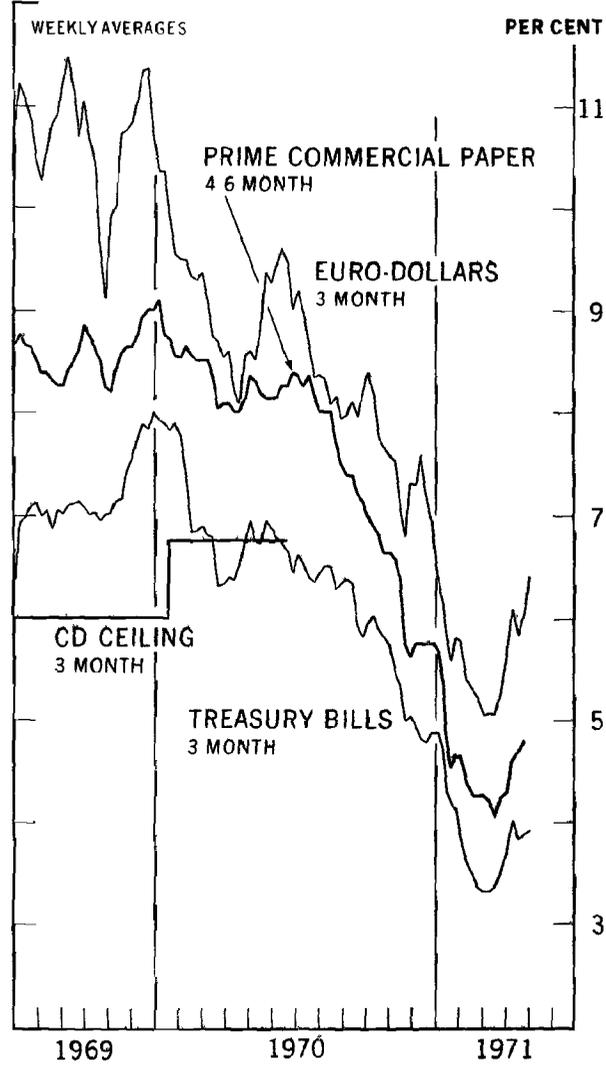
CHART 3

MONEY MARKET CONDITIONS AND INTEREST RATES

MONEY MARKET CONDITIONS



INTEREST RATES Short-term



INTEREST RATES Long-term

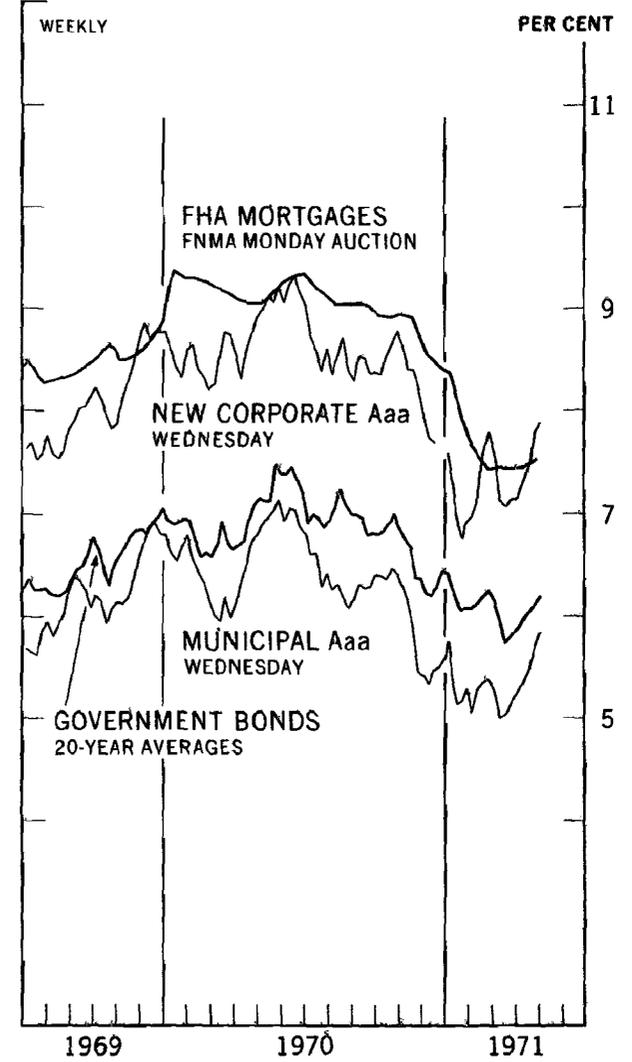


Table 1
PATHS OF KEY MONETARY AGGREGATES

STRICTLY CONFIDENTIAL (FR)

May 7, 1971

Period	Narrow Money Supply (M ₁) 1/		Broad Money Supply (M ₂) 2/		Adjusted Credit Proxy		Total Reserves	
	1 Path as of April 6	2 Actuals & Current Proj	3 Path as of April 6	4 Actuals & Current Proj	5 Path as of April 6	6 Actuals & Current Proj	7 Path as of April 6	8 Actuals & Current Proj
Monthly Pattern in Billions of Dollars								
1971: Jan.		214.8		423.0		334.1		30.2
Feb.		217.3		430.8		337.7		30.5
Mar.		219.4		437.6		340.2		30.7
Apr.	220.5	221.4	441.8	442.3	343.3	341.8	30.8	30.8
May	221.9	(223.0)	445.5	(445.7)	343.8	(341.8)	31.2	(31.3)
Annual Percentage Rates of Change--Quarterly and Monthly								
1970: 1st Qtr.		5.9		3.4		0.5		-2.9
2nd Qtr.		5.8		8.4		6.5		2.6
3rd Qtr.		6.1		11.0		17.2		19.1
4th Qtr.		3.4		9.2		8.3		6.6
1971: 1st Qtr.		8.9		17.8		10.9		11.0
2nd Qtr.	6.0	(9.0)	10.0	(10.0)	6.0	(4.1)	3.5	(5.0)
1971: Jan.		1.1		11.5		10.5		12.2
Feb.		14.0		22.1		12.9		11.4
Mar.		11.6		18.9		8.9		9.2
Apr.	8.0	10.9	12.5	12.9	11.5	5.6	2.5	1.8
May	7.5	(8.5)	10.0	(9.0)	1.5	(--)	14.0	(18.5)
Weekly Pattern in Billions of Dollars								
1971: Mar. 3		218.5		434.6		339.6		30.7
10		218.4		435.3		340.4		30.5
17		218.6		436.3		340.5		31.0
24		219.5		438.7		338.9		30.6
31	220.5	221.1	440.4	441.5	340.2	340.4	31.0	30.9
Apr. 7	220.6	223.1	441.0	443.6	342.4	341.6	30.6	30.5
14	221.5	222.6	442.5	443.3	343.3	343.0	30.6	30.5
21	219.4	220.3	441.1	441.2	343.7	342.7	31.0	30.9
28	220.8	219.6	443.0	441.2	343.6	340.2	30.9	30.9
May 5 pe	220.6	221.2	443.6	443.6	343.3	342.3	31.2	31.4
12	221.3	(222.1)	444.5	(444.5)	343.5	(343.0)	31.3	(31.0)

NOTES: Annual rates of change other than those for the past are rounded to the nearest half per cent.
Data shown in parenthesis are current projections.
1/ Currency plus private demand deposits.
2/ M₁ plus time deposits other than large CD's.
pe - Partially estimated.

FR712-D
Rev 2/16/71

Table 1-A
PATHS OF KEY MONETARY AGGREGATES

STRICTLY CONFIDENTIAL (FR)

May 7, 1971

Period	U.S. Gov't Deposits		Total Time & Savings Deposits		Time Deposits other than large CD's		Large Negotiable CD's		Nondeposit Sources of Funds	
	1 Path as of April 6	2 Actuals & Current Proj	3 Path as of April 6	4 Actuals & Current Proj	5 Path as of April 6	6 Actuals & Current Proj	7 Path as of April 6	8 Actuals & Current Proj	9 Path as of April 6	10 Actuals & Current Proj
Monthly Pattern in Billions of Dollars										
1971: Jan.		6.7		235.3		208.2		27.1		10.1
Feb.		6.2		240.9		213.5		27.4		8.6
Mar.		4.8		246.1		218.3		27.8		7.0
Apr.	5.2	5.4	249.4	248.3	221.3	221.0	28.1	27.4	6.1	5.1
May	4.0	(3.0)	252.3	(250.5)	223.6	(222.7)	28.7	(27.8)	5.6	(4.5)
Annual Percentage Rates of Change--Quarterly and Monthly										
1970: 1st Qtr.				1.4		0.9				
2nd Qtr.				14.1		11.3				
3rd Qtr.				32.2		16.5				
4th Qtr.				21.8		15.4				
1971: 1st Qtr.				27.3		27.2				
2nd Qtr.			14.0	(10.0)	14.0	(11.0)				
1971: Jan.				25.5		22.3				
Feb.				28.6		30.5				
Mar.				25.9		27.0				
Apr.			16.5	10.7	17.5	14.8				
May			14.0	(10.5)	12.5	(9.0)				
Weekly Pattern in Billions of Dollars										
1971: Mar. 3		5.0		243.7		216.1		27.7		8.0
10		5.9		244.7		216.9		27.8		7.5
17		6.3		246.2		217.8		28.5		7.0
24		3.5		247.1		219.2		27.9		6.6
31	2.6	2.6	247.6	247.7	219.9	220.4	27.8	27.3	6.6	6.6
Apr. 7	4.3	3.3	248.1	247.9	220.3	220.5	27.8	27.4	6.6	5.9
14	4.7	5.3	248.9	248.1	221.0	220.6	27.9	27.5	6.4	5.1
21	6.6	7.8	249.7	247.9	221.7	220.9	28.0	27.0	5.9	4.8
28	5.2	5.4	250.4	249.0	222.2	221.6	28.2	27.4	5.8	4.6
May 5	5.5	4.8	251.4	250.1	223.0	222.3	28.4	27.7	5.8	4.5
12	4.5	(5.2)	251.7	(250.2)	223.2	(222.4)	28.5	(27.8)	5.8	(4.5)

NOTES: Annual rates of change other than those for the past are rounded to the nearest half per cent.
Data shown in parenthesis are current projections.
pe - Partially estimated.

FR 712-K
Rev 2/16/71

Table 2
AGGREGATE RESERVES AND MONETARY VARIABLES
 RETROSPECTIVE CHANGES, SEASONALLY ADJUSTED
 (Annual rates in per cent)

CONFIDENTIAL (FR)
 May 7, 1971

Period	Reserve Aggregates ¹		Monetary Variables					Addenda		
	1 Total Reserves	2 Nonborrowed Reserves	3 Total Member Bank Deposits	4 Adjusted Credit Proxy	5 Money Supply			8 Time Deposits Adjusted	9 Thrift Instit. Deposits	10 Nonbank Commercial Paper
					6 Total	7 Currency	Private Demand Deposits			
Annually										
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	+ 7.8	+ 7.3
Semi-annually										
1st Half 1969	+ 0.7	- 3.7	- 3.5	n.a.	+ 5.1	+ 6.5	+ 4.7	- 3.5	+ 5.3	n.a.
2nd Half 1969	- 3.9	- 2.4	- 4.6	- 1.2	+ 1.2	+ 5.4	+ 0.1	- 6.6	+ 1.6	+28.3
1st Half 1970	- 0.2	+ 1.9	+ 3.3	+ 3.5	+ 5.9	+ 7.8	+ 5.3	+ 7.8	+ 4.7	+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
Quarterly										
1st Qtr. 1970	- 2.9	- 0.4	+ 0.6	+ 0.5	+ 5.9	+ 6.1	+ 5.3	+ 1.4	+ 2.5	+17.8
2nd Qtr. 1970	+ 2.6	+ 4.1	+ 6.0	+ 6.5	+ 5.8	+ 9.4	+ 5.3	+14.1	+ 7.0	+ 7.5
3rd Qtr. 1970	+19.1	+24.4	+24.1	+17.2	+ 6.1	+ 3.3	+ 6.7	+32.2	+ 9.3	-16.2
4th Qtr. 1970	+ 6.6	+ 9.4	+15.1	+ 8.3	+ 3.4	+ 5.8	+ 2.7	+ 21.8	+11.5	+20.4
1st Qtr. 1971	+11.0	+11.0	+17.0	+10.9	+ 8.9	+ 9.0	+ 8.9	+27.3	+23.2	-24.7
Monthly										
1969: Dec.	+ 6.3	+12.1	--	+ 0.8	+ 0.6	+ 2.6	+ 0.8	+ 3.7	+ 1.3	+27.4
1970: Jan.	+ 3.1	+ 7.2	- 4.2	- 3.5	+ 9.4	+ 5.2	+ 9.9	- 8.0	- 2.5	+12.6
Feb.	-12.0	-15.6	- 8.0	- 5.5	- 4.1	+ 5.2	- 6.8	+ 1.2	+ 3.1	+26.2
Mar.	--	+ 7.5	+14.0	+10.7	+12.3	+ 7.8	+12.9	+11.2	+ 6.7	+13.8
Apr.	+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	+ 7.3	-30.0
July	+ 6.0	-16.1	+22.7	+18.1	+ 5.7	+ 7.5	+ 4.4	+35.6	+11.9	-87.5
Aug.	+23.3	+48.8	+29.2	+23.2	+ 6.8	+ 2.5	+ 8.9	+28.8	+ 5.9	- 7.2
Sept.	+27.5	+40.1	+19.0	+ 9.7	+ 5.7	--	+ 6.6	+29.8	+10.0	+49.6
Oct.	- 1.9	--	+10.1	+ 1.1	+ 1.1	+ 7.5	- 0.7	+20.3	+10.6	+32.4
Nov.	+ 3.6	+ 4.4	+13.1	+ 7.0	+ 2.8	+ 4.9	+ 2.2	+15.1	+ 9.4	-28.7
Dec.	+18.4	+22.8	+21.4	+16.5	+ 6.2	+ 4.9	+ 6.6	+28.8	+14.2	+58.1
1971: Jan.	+12.2	+ 8.8	+16.1	+10.5	+ 1.1	+ 7.4	- 1.4	+25.5	+24.9	- 9.0
Feb.	+11.4	+15.1	+19.3	+12.9	+14.0	+ 9.8	+16.0	+28.6	+18.5	-10.9
Mar.	+ 9.2	+ 8.8	+14.9	+ 8.9	+11.6	+ 9.7	+12.2	+25.9	+24.8	-55.2

n.a. -- not available.

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)
May 7, 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: 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	195.3	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
1971: Jan.	30,229	29,801	30,029	323.9	6.7	214.8	49.2	165.5	235.3	27.1	208.2	334.1	31.0
Feb.	30,515	30,176	30,255	329.1	6.2	217.3	49.6	167.7	240.9	27.4	213.5	337.7	30.7
March	30,748	30,398	30,534	333.2	4.8	219.4	50.0	169.4	246.1	27.8	218.3	340.2	29.3
1971: March													
3	30,655	30,252	30,335	331.6	5.0	218.5	49.8	168.7	243.7	27.7	216.1	339.6	30.9
10	30,539	30,068	30,427	332.9	5.9	218.4	49.8	168.5	244.7	27.8	216.9	340.4	31.2
17	30,991	30,661	30,681	333.5	6.3	218.6	50.0	168.5	246.2	28.5	217.8	340.5	31.1
24	30,557	30,237	30,564	332.3	3.5	219.5	50.0	169.4	247.1	27.9	219.2	338.9	31.1
31	30,946	30,689	30,550	333.7	2.6	221.1	50.1	171.0	247.7	27.3	220.4	340.4	29.5
April													
7	30,508	30,311	30,246	335.7	3.3	223.1	50.4	172.7	247.9	27.4	220.5	341.6	29.8
14	30,534	30,413	30,406	337.9	5.3	222.6	50.6	172.1	248.1	27.5	220.6	343.0	29.7
21 p	30,888	30,749	30,677	337.9	7.8	220.3	50.5	169.8	247.9	27.0	220.9	342.7	30.2
28 p	30,934	30,857	30,977	335.6	5.4	219.6	50.5	169.1	249.0	27.4	221.6	340.2	30.0

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.

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			
				Major banks		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	294	57
December	- 84	264	348	36	16	265	30
1971--January	- 140	238	378	45	36	262	35
February	- 71	264	335	29	30	248	29
March	- 120	192	312	41	17	238	16
April p	24	176	152	15	7	120	10
1970--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	60	250	26
13	- 245	32	277	--	--	249	28
20	- 380	92	472	82	63	284	43
27	- 72	282	354	26	20	266	42
Feb. 3	- 46	237	283	--	--	253	30
10	- 42	205	247	--	--	229	18
17	- 264	297	561	114	121	280	46
24	67	317	250	--	--	228	22
Mar. 3	- 88	170	258	--	1	241	16
10	- 339	82	421	108	51	249	13
17	- 25	265	290	46	--	231	13
24	- 265	68	333	52	15	251	15
31	119	376	257	--	18	217	22
Apr. 7	80	277	197	--	--	184	13
14	58	208	150	17	--	127	6
21 p	51	136	85	--	1	79	5
28 p	- 95	82	177	42	29	91	15
May 5 p	202	377	175	45	36	66	28

p - Partially estimated.

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			
Year:								
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
1970--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	+ 428 (+ 97)	+ 109	+ 185	+ 51	+ 28	+ 137
13	- 534	- 308	+ 19 (+ 46)	--	- 327	- 59	- 37	- 150
20	+ 64	- 153	- 236 (- 159)	--	+ 83	+ 13	+ 9	+ 195
27	- 204	- 81	- 65 (+ 85)	--	- 16	--	- 5	- 118
Feb.								
3	+ 8	+ 61	- 26 (+ 74)	--	+ 87	+ 6	+ 12	- 71
10	- 236	- 171	- 61 (- 412)	--	- 110	- 16	- 13	- 36
17	+1,523	+1,082	+ 333 (+ 412)	+ 106	+ 643	+ 85	+ 42	+ 314
24	- 928	- 518	- 218 (- 367)	+ 209	- 509	- 68	- 31	- 311
Mar.								
3	+ 279	+ 286	+ 120 (+ 367)	+ 207	- 41	- 9	- 6	+ 8
10	- 275	- 414	- 407 (- 204)	+ 97	- 104	- 7	- 17	+ 163
17	+ 761	+ 736	+ 64 (+ 204)	+ 68	+ 604	+ 90	+ 66	- 131
24	- 516	- 432	+ 60 (- 107)	+ 62	- 554	- 90	- 37	+ 43
31	+ 502	+ 530	+ 5 (+ 107)	+ 153	+ 372	+ 36	+ 12	- 76
Apr.								
7	+ 155	+ 145	+ 4 (- 82)	+ 124	+ 17	+ 47	+ 23	- 60
14	+ 255	- 86	+ 128 (+ 12)	+ 84	- 298	- 68	- 54	- 47
21 p	+ 349	+ 423	+ 360 (+ 70)	+ 113	- 50	- 11	+ 2	- 65
28 p	+ 54	- 43	+ 30 (--)	--	- 73	- 7	+ 12	+ 92
May								
5 p	+ 771	+ 712	+ 384 (--)	--	+ 328	+ 50	+ 11	- 2

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)										
Year										
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	-
1970--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	+ 8	- 50	+ 768	+ 657	+ 111
13	- 534	--	+ 601	- 63	- 673	- 4	+ 305	- 369	+ 144	- 513
20	+ 64	--	+ 450	+ 108	+ 191	--	- 26	+ 787	+ 727	+ 60
27	- 204	--	+ 544	- 275	- 889	- 1	- 34	- 857	-1,047	+ 190
Feb										
3	+ 8	--	+ 3	+ 289	- 402	+ 16	- 130	- 213	- 168	- 45
10	- 236	--	- 237	- 256	+ 542	- 4	- 7	- 199	- 167	- 32
17	+1,523	--	- 587	- 50	+ 533	- 10	+ 97	+ 442	+ 350	+ 92
24	- 928	--	- 102	+ 418	+ 844	+ 2	- 515	- 286	- 306	+ 20
Mar.										
3	+ 279	--	+ 220	- 99	- 752	+ 17	- 40	- 374	- 227	- 147
10	- 275	--	+ 92	- 105	+ 185	+ 2	- 37	- 138	- 50	- 88
17	+ 761	--	- 635	+ 508	- 357	- 5	+ 280	+ 551	+ 368	+ 183
24	- 516	--	- 180	- 186	+ 304	+ 20	+ 85	- 473	- 276	- 197
31	+ 506	--	+ 435	- 60	- 371	- 41	- 9	+ 458	+ 150	+ 308
Apr.										
7	+ 155	--	- 257	- 243	+ 235	+ 14	- 173	- 270	- 171	- 99
14	- 255	--	- 483	+ 249	+ 241	- 14	+ 217	- 45	+ 24	- 69
21 p	+ 349	--	- 400	- 131	+ 336	+ 21	+ 187	+ 362	+ 434	- 72
28 p	+ 54	--	+ 590	- 384	- 30	+ 1	- 23	+ 209	+ 263	- 54
May										
5 p	+ 771	--	+ 114	+ 307	- 503	- 14	- 72	+ 602	+ 307	+ 295

1/ For retrospective details, see Table 5.

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

p - Preliminary.