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(CONFIDENTIAL FR)

August 20, 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

August 20, 1971.

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) Security markets have responded strongly to the President's announcement of new domestic and international economic measures. Prices of both equities and fixed-income securities bounded upward on the basis of new hopes for stronger economic recovery and more effective control of inflation and the balance of payments problem; and, related to the latter, expectations that monetary policy might be less restrictive than anticipated earlier. Yields on Treasury coupon issues have declined by 50 to 70 basis points; corporate bond yields have dropped by around 80 basis points; and municipal yields have fallen by about 50 basis points.

(2) Treasury bill yields have also declined sharply on balance over the past week, as persistent large Desk purchases for foreign official accounts--and more recently for System Account--have tended to pre-empt scarce market supplies of bills at a time when dealers have also been trying to add to depleted positions. Currently, bill yields are 60 to 80 basis points below their levels of a week ago, with the 3-month issue bid at 4.65 per cent, compared with 5.15 per cent on August 13 and 5.46 per cent at the time of the last Committee meeting. In private short-term credit markets, rate declines have thus far been less pronounced--ranging generally from 1/8 to 1/4 of a percentage point.

(3) The declines in bond yields and Treasury bill rates following the President's message occurred against a background of relatively taut money market conditions. In the period immediately following the July 27 Committee meeting, when the outcome of the Treasury's August refinancing operations was still unknown, the Desk sought to maintain fairly steady money market conditions as characterized by a Federal funds rate of about 5-1/2 per cent or slightly less. Early in August, it became clear that ^{the} refinancing operations would turn out successfully, and market conditions in general tended to strengthen. With growth in the monetary aggregates remaining substantial, the Desk became a more reluctant supplier of reserves, and the Federal funds rate has since averaged around 5-5/8 per cent, even though other short-term rates declined following the President's address. In the face of foreign exchange market uncertainties, banks have generally pursued rather cautious reserve management policies, particularly on the Friday preceding the Camp David meetings when member bank borrowings bulged to nearly \$1.7 billion. Borrowings dropped off following the President's speech, but nevertheless, averaged \$1.2 billion in the statement week ending August 18. Net borrowed reserves for that week ran to an average of nearly \$900 million. Over the earlier weeks of the inter-meeting period, member bank borrowing ranged from \$550 to \$750 million, and net borrowed reserves from about \$300 to \$550 million.

(4) The narrowly defined money supply increased substantially in July, although at a pace somewhat below the 12 per cent annual rate indicated in the July 27 path (as shown in the table below). On the basis

of incomplete data the average level in August is about/as projected, but the annual growth rate is somewhat above path because of the shortfall in July. Growth in the other monetary aggregates in July and apparently also in August was reasonably close to expectations, although the credit proxy edged somewhat above path in both months and M₂ did the same in August.

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

	M ₁		M ₂		Adjusted Proxy	
	July 27 Path <u>1/</u>	Actuals or Current Estimate:	July 27 Path <u>1/</u>	Actuals or Current Estimate	July 27 Path <u>1/</u>	Actuals or Current Estimate
A. Annual Rates of Growth, per cent						
<u>Month</u>						
July	12.0	10.6	8.0	7.4	6.5	7.6
August <u>2/</u>	6.0	7.5	6.5	8.0	11.0	11.5
B. Actual levels, billions of \$						
<u>Month</u>						
July	227.9	227.6	454.5	454.2	347.6	347.9
August <u>2/</u>	229.0	229.0	457.0	457.2	350.8	351.3
<u>Week ending</u>						
July 28	227.6	227.0	454.2	454.0	347.7	348.5
Aug. 4	228.2	226.7	455.2	454.2	348.9	348.0
Aug. 11	229.1	228.7	456.5	456.4	349.8	348.5
Aug. 18p	228.9	229.2	456.7	457.4	350.8	350.9

1/ Consistent with the directive the Committee adopted at the July 27 meeting, and close to the alternative A path in the blue book prepared for that meeting.

2/ Data are preliminary for week of 18th and projected thereafter.

p-- Preliminary.

(5) The need for reserves in July turned out to be even less than indicated in the last blue book. Although growth of reserves in August appears to be somewhat more rapid than the sharp increase projected, July and August taken together show average reserve growth about on track with staff estimates. The 17 per cent annual growth rate for total reserves in August reflected mainly sharply increased Government deposits--arising from central bank purchases of special Treasury certificates--along with some further growth of private demand deposits. With average member bank borrowings leveling off at about the level to which they had risen in July, nonborrowed reserves appear to be growing in August at about the same rate as total reserves.

Reserve Aggregates
(Daily averages in millions of dollars, seasonally adjusted)

<u>Month</u>	<u>Total</u>		<u>Nonborrowed</u>		<u>Required</u>	
	<u>Bluebook Path 1/</u>	<u>Actual</u>	<u>Bluebook Path 1/</u>	<u>Actual</u>	<u>Bluebook Path 1/</u>	<u>Actual</u>
July	31,339	31,266	30,445	30,466	31,161	31,094
August <u>pe/</u>	31,693	31,715	30,825	30,890	31,486	31,508
Annual Rate of Increase (July over June) [~]	3.0	0.2	-14.0	-13.1	4.5	1.9
Annual Rate of Increase (August over July)	13.5	17.0	15.0	16.5	12.5	16.0
<u>Week ending</u>						
August 4	31,634	31,813	30,744	31,058	31,424	31,357
August 11	31,624	31,469	30,824	31,976	31,443	31,489
August 18 <u>p/</u>	31,786	31,826	30,876	30,636	31,531	31,507

1/ Path in July 27 FOMC path.
pe--Partially estimated.
p --Preliminary.

(6) The following table summarizes developments in the major financial aggregates for selected recent periods:

	4th and 1st Qtrs. combined (March over Sept.)	Second Quarter (June over March)	August over June
Total Reserves	8.9	6.6	8.8
Nonborrowed Reserves	10.3	5.3	1.7
<u>Concepts of Money</u>			
M ₁ (Currency plus demand deposits <u>1/</u>)	6.2	11.3	9.0
M ₂ (M ₁ plus time deposits at commercial banks other than large CD's)	13.7	12.6	7.7
M ₃ (M ₂ plus deposits at thrift institutions)	14.6	14.7	n.a.
<u>Bank Credit</u>			
Total member bank deposits (Bank credit proxy adj.)	9.7	6.5	9.7
Loans and investments of commercial banks <u>2/</u>	10.5	7.4	n.a.
<u>Short-term market paper</u> (Actual \$ change in billions)			
Large CD's	\$ 6.1	\$ 0.7	\$1.4
Bank-related commercial paper N.S.A.	- 2.9	0.0	n.a.
Nonbank commercial paper	- 0.4	- 0.9	n.a.

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

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

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

(7) The President's new economic program seems likely to have the effect of reducing rates of growth in the aggregates/ at given levels of interest rates. First, as the program strengthens confidence in economic and financial prospects, the drop-off we had been anticipating earlier from the apparently very high recent liquidity demands for money should be accentuated. Second, the program should moderate inflationary expectations and reduce the inflation premiums built into current levels of interest rates. Third, our projections indicate that the program will result in slightly smaller increases of nominal GNP over the third and fourth quarters due to an abrupt slowing in the rate of price increase,

which implies that the transactions demand for money should also be somewhat lower than otherwise. Finally, insofar as the program is viewed by the market as reducing the need for further firming of monetary policy, expectations of upward pressure on interest rates should be lessened.

(8) While the direction of these effects seems clear, their magnitude is impossible to quantify with any precision. In addition, in the very short run these effects may be masked by transitory increases in cash holdings arising from greater investor activity in domestic securities markets and from current disturbances in foreign exchange markets. As a result, the problems of forming judgments regarding appropriate growth rates for the monetary and credit aggregates and of estimating probable relations among growth rates in such aggregates and money market conditions are even

more difficult than usual. Under such circumstances one option the Committee may wish to consider is a neutralist approach in monetary policy for the time being, in order to rock the financial boat as little as possible until the Committee can make a fuller evaluation of the responses to the new program.

(9) Two broad policy approaches are described below which probably define the limits within which most would consider a neutralist policy to fall. Both, as it happens, might be characterized--in their own contexts--as policies calling for minimum change. The first specifies the maintenance of current money market conditions, a course which the staff believes would imply some weakening after August in the growth rates of the aggregates from those associated with the policy accepted at the last meeting. The second would specify maintenance/growth in M_1 at the rate consistent with the directive adopted at the last meeting, a course which in our view would require an easing of money market conditions. The specifications given for the second alternative (B) might also be employed with directive language presented in a later section under the label of alternative C. As noted in that section, C differs from B with respect to operating techniques rather than objectives. Specifically, under C the Desk would place main emphasis on bank reserves rather than on money market conditions in making operating decisions.

(10) The text table that follows specifies: (1) the growth path for M_1 thought to be consistent with the unchanged Federal funds rate assumption of alternative A; and (2) the funds rate thought to be needed to achieve the 6 per cent annual growth rate in M_1 (for the third and

fourth quarters combined) that was associated with the directive adopted at the last meeting.^{1/} The table on the next page shows the paths for all of the monetary aggregates under the two alternatives.

	<u>Alternative A</u>	<u>Alternative B</u>
Federal funds rate	5-3/8--5-3/4%	4-1/2--5%
Member bank borrowings	\$700-\$900 million	\$450-\$650 million
3-month bill rate	4-3/4--5-1/2%	4--4-3/4%
Growth in M ₁ (SAAR)		
August	7-1/2%	7-1/2%
September	5%	7%
3rd Quarter	8%	8-1/2%
4th Quarter	3%	4%
Second half	5-1/2%	6%

(11) Staff projections in the last blue book--slightly modified to take into account the 5-3/8-5-3/4 per cent range for the funds rate approved at the July 27 meeting--indicated that M₁ would grow at an annual rate averaging around 7 per cent for August and September and around 4 per cent for the fourth quarter. Now, however, it seems more likely that a funds rate at the mid-point of that range would lead to M₁ growth at about a 5.0 per cent rate in September and only a 3.0 per cent rate in the fourth quarter. To achieve M₁ growth rates previously specified for the third

^{1/} Weekly paths are appended on page 19.

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

	M_1		M_2	
	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. A</u>	<u>Alt. B</u>
<u>1971</u>				
August	229.0	229.0	456.9	456.9
September	230.0	230.3	459.3	459.7
December	231.7	232.5	465.7	467.9

Per Cent Annual Rates of Growth

August	7.5	7.5	7.0	7.0
September	5.0	7.0	6.5	7.5
3rd Q. 1971	8.0	8.5	7.0	7.5
4th Q. 1971	3.0	4.0	5.5	7.0

Adjusted Credit Proxy

Total Reserves

	<u>Adjusted Credit Proxy</u>		<u>Total Reserves</u>	
	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. A</u>	<u>Alt. B</u>
<u>1971</u>				
August	351.3	351.3	31.7	31.7
September	352.4	352.6	32.2	32.2
December	358.8	359.7	32.8	32.9

Per Cent Annual Rates of Growth

August	12.0	12.0	17.0	17.0
September	4.0	4.5	17.0	18.0
3rd Q. 1971	8.0	8.0	11.5	11.5
4th Q. 1971	7.5	8.0	7.5	9.0

and fourth quarters--which averaged a little over 6 per cent--a reduction of the funds rate target into a 4-1/2--5 per cent range would seem to be needed.

(12) As explained in the last blue book, the expectation that money supply growth will taper off in the fourth quarter rests essentially on two propositions: first, that liquidity demands will abate as economic recovery helps to restore consumer confidence, and second that the lagged effects of cumulative interest rate advances since last spring will continue to make the high cost of holding cash more and more evident. Although interest rates have recently turned down, past experience suggests that, even if these declines are significantly extended, their effects on money demands may not provide much offset to the cumulative effects of earlier rate advances for some time. The smaller growth now expected in money supply for the fourth quarter compared to the projection in the last blue book is attributable chiefly to the already-noted possibilities for reduced money demand stemming from the President's program.

(13) To the extent money demands are cut back--either because curtailed price advances slow the growth of nominal GNP or because of a reduction in liquidity demands--the growth rate in M_1 needed to support the expansion in economic activity previously expected is, of course, also smaller. For this reason, if the staff presumptions about the possible effects of the President's program are correct, the 8 per cent annual growth rate for M_1 suggested for the last half of the year in the recent chart show would be more than sufficient to support the rate/ ^{of} economic expansion envisaged in that presentation. However, given the current highly uncertain status of

financial and economic relationships, it is difficult to be sure what rate of growth in M_1 is appropriate or how much confidence one can place in projections based largely on past experience.

(14) Under alternative A, rates of growth in the other monetary aggregates are projected to slow significantly after August. The degree of expected slackening is considerably smaller than for M_1 , however, reflecting both the probability of somewhat stronger bank credit demands and increased success in competing for consumer-type deposits in an environment of lower market interest rates. Also Government deposits are assumed to remain at higher than normal levels, as the Treasury hedges against the possibility of a sudden cash-in of special Treasury certificates by foreign central banks. Under alternative A banks would probably have to press more actively to obtain CD funds than under alternative B in order to offset the slower growth in demand accounts. Under alternative B, growth rates for both M_2 and the credit proxy show little change from the third to fourth quarters on the assumption that the lower interest rates realized under / ^{that} alternative would be associated with a greater improvement in time deposit performance.

(15) Holding the Federal funds rate close to the recently prevailing rate would be likely to act as a brake on further declines in other interest rates. In short-term markets, the heavy foreign central bank demands which have so strongly intensified recent downward pressures on Treasury bill rates should soon abate. In these circumstances, a reversal in bill rates can be expected, and that reversal could be particularly sharp if the Federal

funds rate is held unchanged and dealer financing costs therefore remain relatively high. Such a development would tend to be reflected in interest rate expectations in longer-term markets as well, where underlying supply-demand relationships might otherwise maintain downward pressure on rates.

(16) While the market probably has already discounted some reduction in the Federal funds rate, sizable downward movement--say, to the lower end of the range specified in alternative B--would undoubtedly be interpreted by the market as a significant policy move. This would encourage further yield declines in both short- and long-term markets. It is possible that such a move could carry rates to unsustainably low levels, but, on the other hand, it is still unclear whether the decline in market yields to date has fully discounted the changed outlook on inflation.

(17) Alternative C, as noted earlier, differs from B only with respect to the indicated operating techniques. This alternative is provided in the event the FOMC may wish to move in the direction recommended by the Committee on the Directive. If the public appetite for demand as against time deposits proves different from that assumed in the alternative B specifications, for example, the Committee might nevertheless wish to provide only the quantity of reserves consistent with those projections. In that event, the market would have to adjust for any resultant reserve excess or deficiency. This would imply the possibility of significantly larger and changes in money market conditions, however, /the Committee may wish to set outside limits of acceptable variation in the Federal funds rate--perhaps

a band of plus or minus one percentage point around the 4-3/4 per cent midpoint of the funds rate range specified under alternative B.

(18) If the Committee adopts alternative C it may want to instruct the Manager to make his operating decisions on the basis of available evidence regarding the relationship between the actual supply of reserves and the supply considered to be best calculated to promote growth in the monetary and credit aggregates at the desired rates. In addition, the Manager might be given leeway to adjust the target paths for total and non-borrowed reserves to take account of deviations in U.S. Government deposits in deposit and/distribution between reserve city and country banks from original projections. The Manager might also be advised that in making day-to-day operating decisions he should refer particularly to information on non-borrowed reserves, but should also take into account data on member bank borrowings for what they indicate about both the behavior of total reserves and the degree of tension in the banking system. Similarly, he might be instructed to use information on the cost of reserves--as reflected primarily in the Federal funds rate--as a supplementary and early indicator of the effective supply of reserves in the market.

(19) Shown in the table below are monthly and weekly aggregates reserve paths consistent with alternative C. The indicated percentage growth rates for reserves are far above those projected for M_1 and M_2 chiefly because of the use of reserves to support sharply increased levels of certain types of deposits (mainly Government deposits) not included in M_1 and M_2 .

Total and Nonborrowed Reserve Paths--alternative C
(Daily averages in millions of dollars, seasonally adjusted)

	<u>Total Reserves</u>	<u>Nonborrowed Reserves</u>
August	31,715	30,890
September	32,187	31,690
December	32,895	32,180

Per Cent Annual Rates of Growth

August	17.0	16.5
September	18.0	31.0
3rd Q. 1971	11.5	11.5
4th Q. 1971	9.0	6.0

Weekly Paths

		<u>Total Reserves</u>		<u>Nonborrowed Reserves</u>	
		<u>Seasonally Adjusted ^{1/}</u>	<u>Not Seasonally Adjusted</u>	<u>Seasonally Adjusted ^{1/}</u>	<u>Not Seasonally Adjusted</u>
August	25	31,604	30,270	30,739	29,720
September	1	31,929	30,466	30,137	29,916
	8	32,478	30,940	32,007	30,390
	15	32,226	30,817	31,707	30,267
	22	31,955	30,721	31,530	30,171

^{1/} The level of this series also reflects step adjustments made in the past to avoid discontinuities because of reserve requirement changes.

(20) Total reserves for both August and September would be expected to increase at around a 17.0 per cent annual rate of growth. In the fourth quarter the rate of increase would be reduced to about half the August-September rate. Nonborrowed reserves after declining sharply in July--reflecting the over \$300 million increase in member bank borrowings--are expected to track very closely to total reserves on the assumption that borrowings will show no appreciable further increase on average in August. In September, however, borrowings are projected to average sharply lower than in August, so that nonborrowed reserves would have to increase at a very rapid pace if targeted rates of growth in M_1 and M_2 are to be achieved. If the decline in borrowings needed to achieve the alternative B paths is somewhat overstated, the growth in nonborrowed reserve could be commensurately smaller.

Possible directive language

(21) This section presents three possible alternatives for the second paragraph of the directive corresponding to the approaches to policy and operating techniques outlined in paragraph (9) above.

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

~~"To implement this policy, taking account of the current Treasury financing and of developments in capital markets; the Committee seeks to achieve more moderate growth in monetary aggregates over the months ahead; System open market operations until the next meeting of the Committee shall be conducted with a view to MAINTAINING ABOUT THE PREVAILING achieving bank reserve and money market conditions; consistent with these objectives PROVIDED THAT MONEY MARKET CONDITIONS SHALL BE MODIFIED IF IT APPEARS THAT THE MONETARY AND CREDIT AGGREGATES ARE DEVIATING SIGNIFICANTLY FROM THE GROWTH PATHS EXPECTED."~~

If the Committee adopts this alternative, it may wish to consider the money market conditions noted for alternative A in paragraph (10) as a description of "prevailing" conditions, and for purposes of the proviso clause to adopt the growth paths for the monetary and credit aggregates discussed earlier in connection with alternative A as the "expected" paths. The proviso clause has been formulated in two-way terms--guarding against shortfalls as well as excesses relative to the expected paths--on the assumption that

the Committee would not want to see the aggregates grow at less than the indicated rates, which for the months beyond August are below those associated with the directive the Committee adopted at its preceding meeting. If the Committee favors a money market orientation for its primary instruction but would prefer to see the aggregates grow at rates somewhat above those projected under unchanged money market conditions, it might modify the alternative A language to call for operations with a view to "attaining somewhat less firm money market conditions" and associate with the revised language the money market and aggregate specifications described above in connection with alternative B.

(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 in the monetary and credit aggregates, and (b) to adopt as targets growth rates similar to those associated with the directive adopted at the previous meeting, as discussed above in connection with alternative B.

~~"To implement this policy, taking-account-of-the-current Treasury-financing-and-of-developments-in-capital-markets;~~ the Committee seeks to PROMOTE ~~achieve-more~~ moderate growth in monetary AND CREDIT aggregates over the months ahead. System open market operations until the next meeting of the Committee shall be conducted with a view to achieving bank reserve and money market conditions consistent with THAT ~~these~~ objectives."

If the Committee favors an aggregate orientation for its primary instruction but would prefer to see the aggregates grow at rates somewhat below those discussed in connection with this alternative, it could adopt the language of alternative B (or C) but associate with such language the growth rates discussed in connection with alternative A.

(24) Alternative C. This language is proposed for possible use if the Committee decides to seek the objectives discussed above in connection with alternative B, but would prefer to have the Desk shift emphasis from money market conditions to bank reserves in implementing policy.

~~"To implement this policy, taking account of the current Treasury financing and of developments in capital markets,~~ the Committee seeks to PROMOTE ~~achieve more~~ moderate growth in monetary AND CREDIT aggregates over the months ahead. System open market operations until the next meeting of the Committee shall be conducted with a view to achieving bank reserve and ~~money market~~ conditions consistent with THAT ~~these~~ objectives; PROVIDED, HOWEVER, THAT OPERATIONS SHALL BE MODIFIED IF NECESSARY TO AVOID EXCESSIVE FLUCTUATIONS IN MONEY MARKET CONDITIONS."

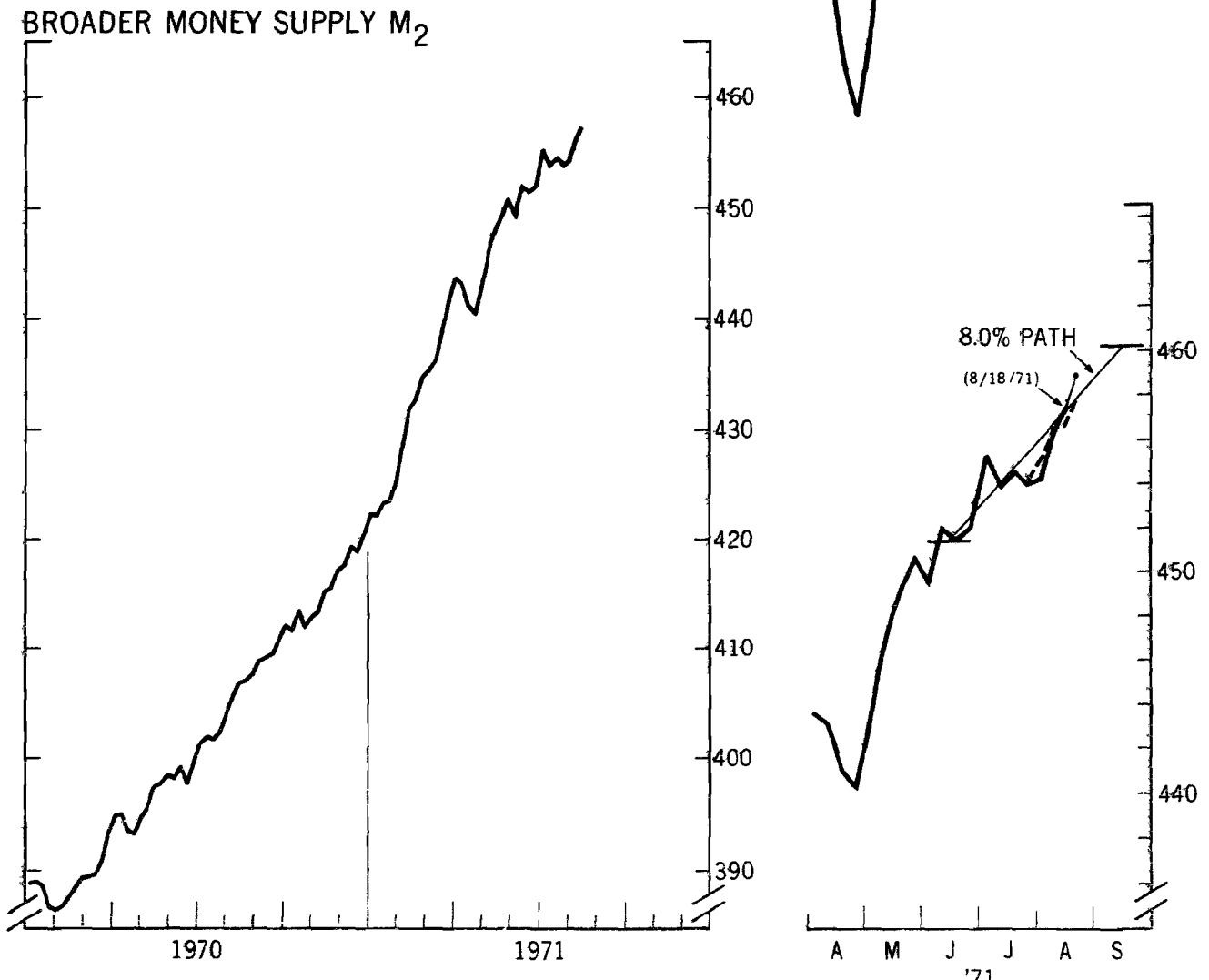
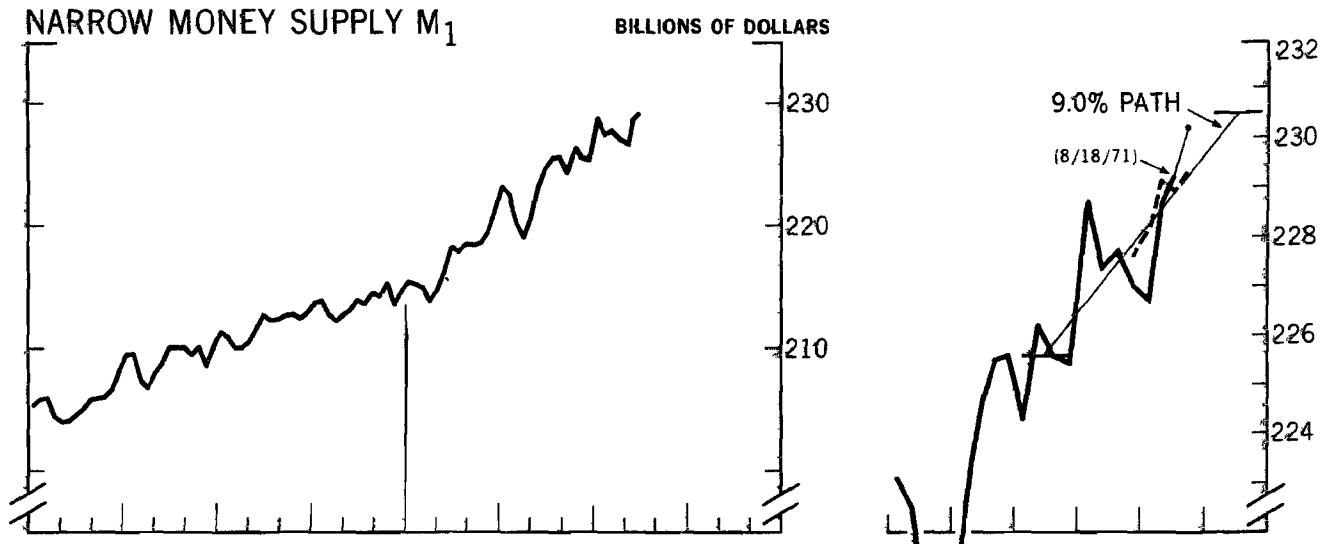
A proviso clause designed to guard against excessive fluctuation in money market conditions is suggested in this alternative for reasons discussed in paragraph (17). As will be noted, the primary instructions of this alternative differs from the language of alternative B only in the deletion of the words "and money market" from the phrase "with a view to achieving bank reserve and money market conditions."

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

		<u>M₁</u>		<u>M₂</u>		<u>Credit Proxy</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>
August	25	230.2	230.2	459.0	459.0	354.5	354.5
September	1	229.3	229.3	458.1	458.1	353.4	353.4
	9	229.0	229.0	458.0	458.0	353.3	353.3
	15	228.8	228.9	458.0	458.2	352.6	352.8
	22	231.4	231.6	460.8	461.1	352.7	353.0

		<u>Credit Proxy</u>		<u>Total Reserves</u>	
		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. A</u>	<u>Alt. B</u>
August	25	354.5	354.5	31.6	31.6
September	1	353.4	353.4	31.9	31.9
	8	353.3	353.3	32.5	32.5
	15	352.6	352.8	32.2	32.2
	22	352.7	353.0	31.9	32.2

MONETARY AGGREGATES

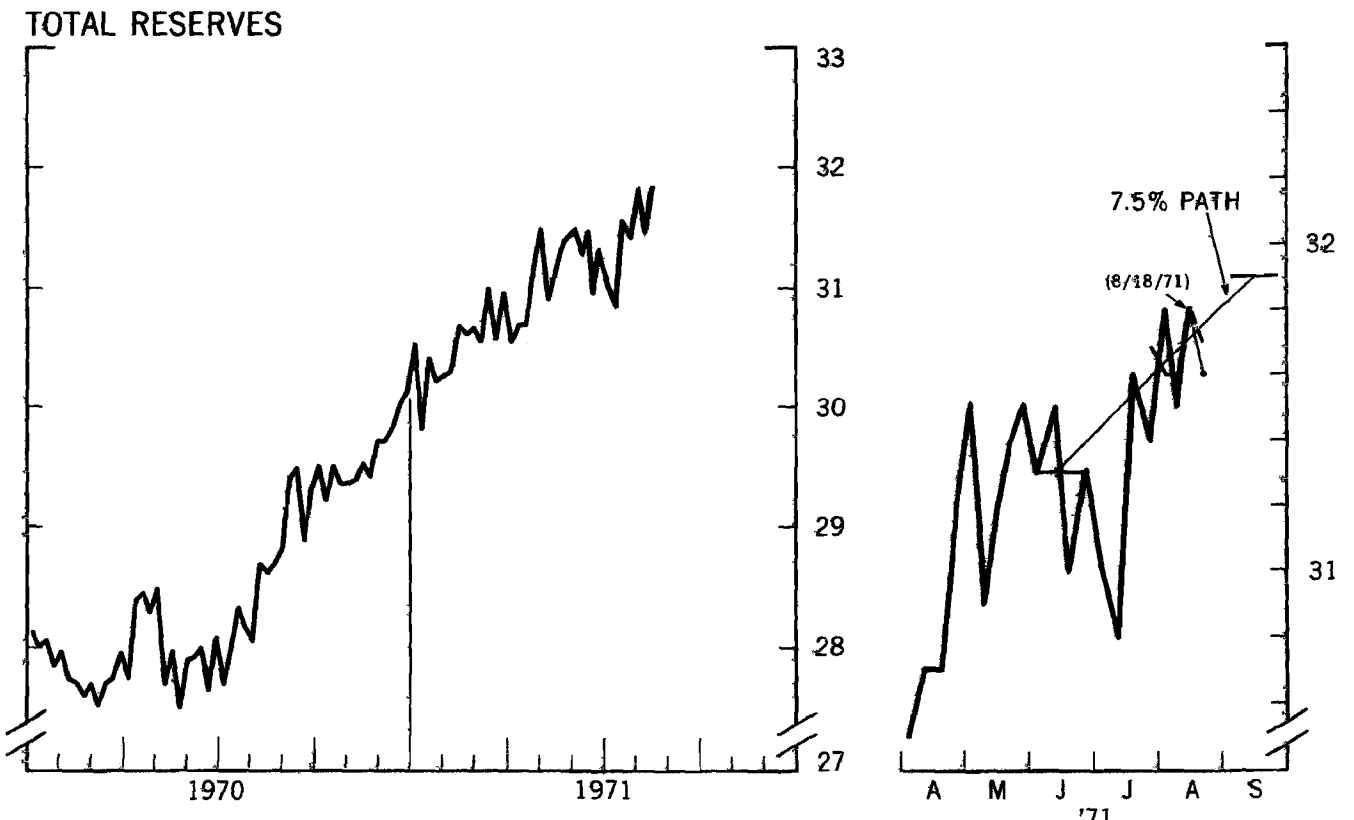
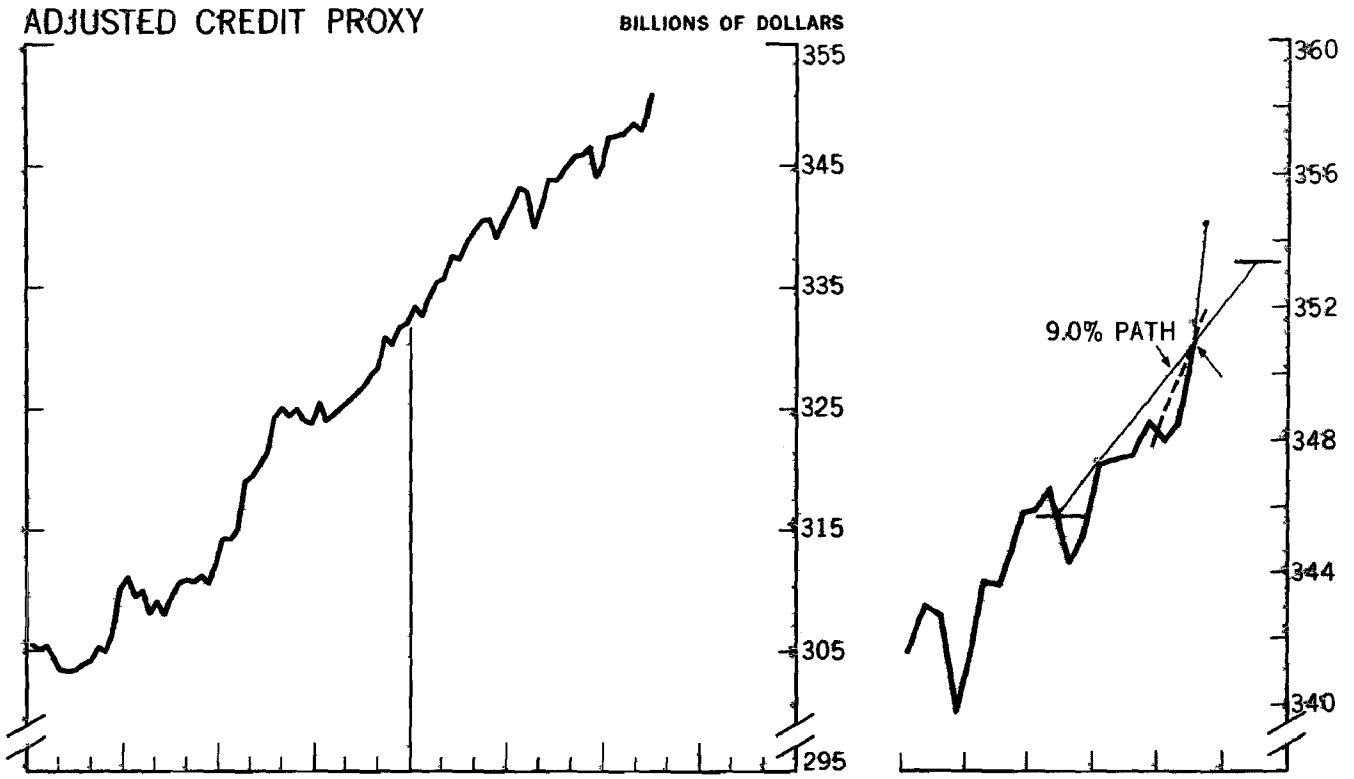


— Actual
—•— Currently Projected

--- Wkly Path, Indicated
at FOMC Meeting (7/27/71),

— Longer Run Path

MONETARY AGGREGATES



Actual
 Wkly. Path, Indicated at FOMC Meeting (7/27/71)
 Longer Run Path

INTEREST BEARING SOURCES OF BANK FUNDS

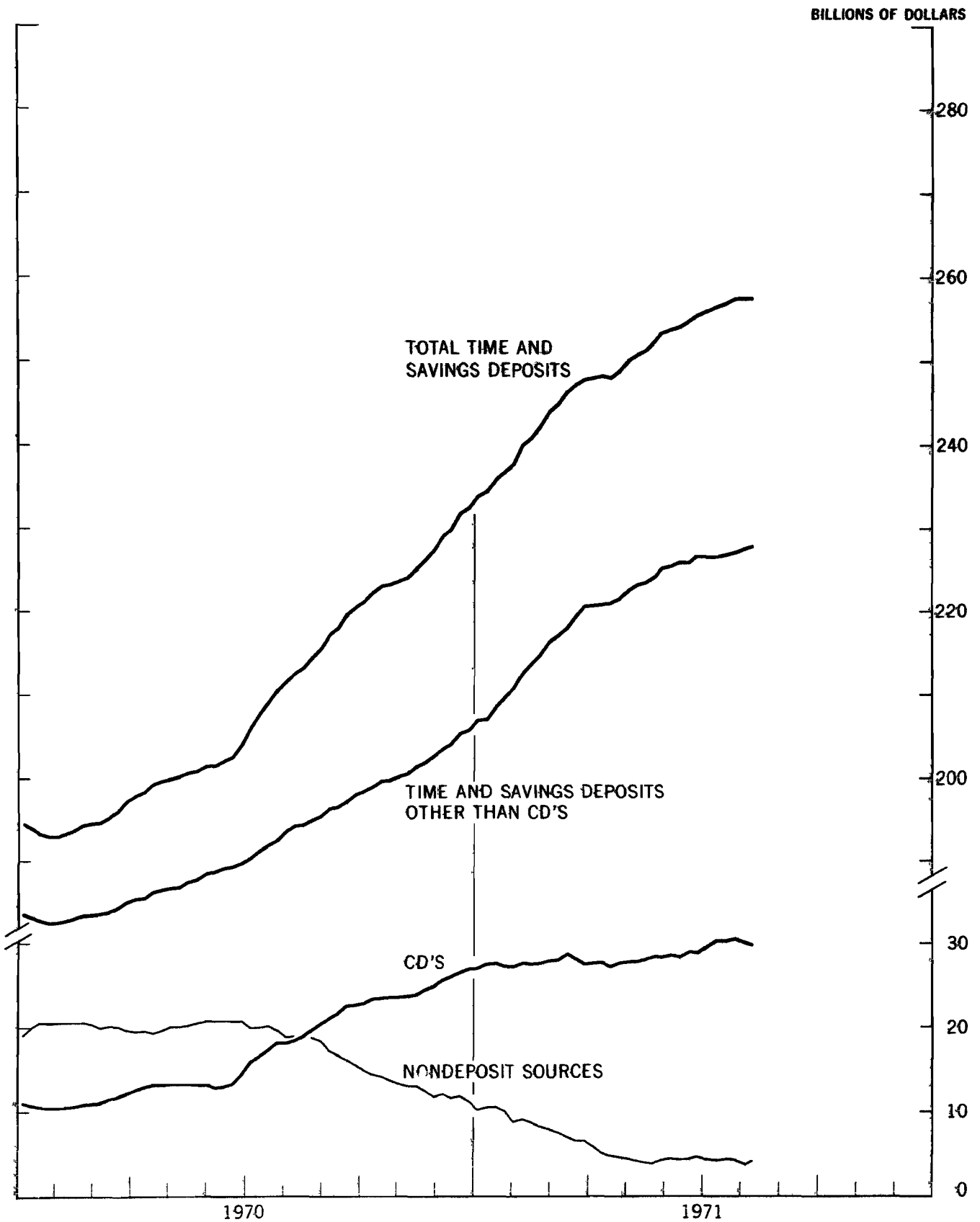
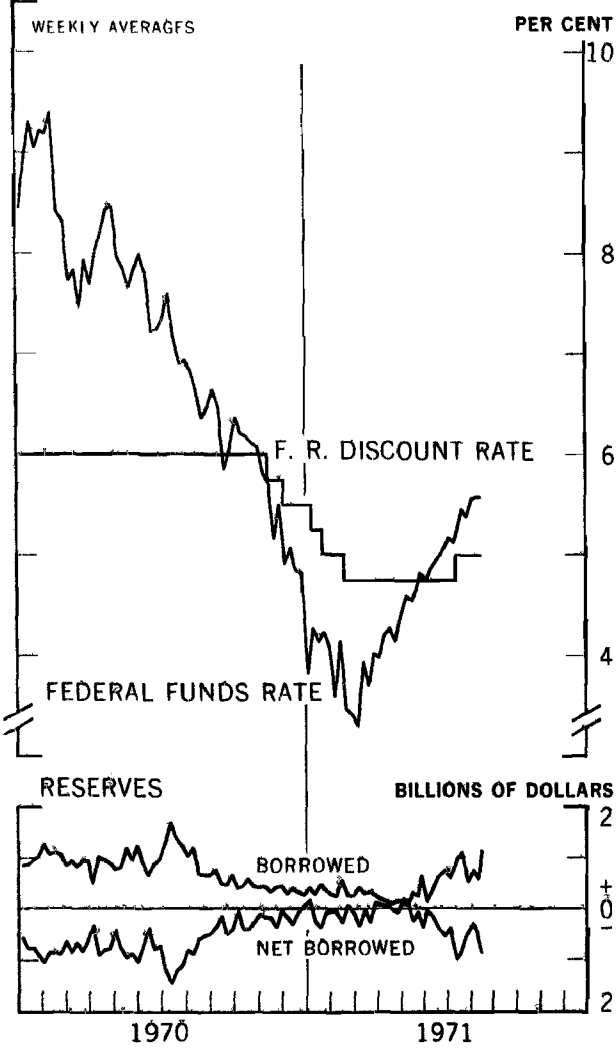


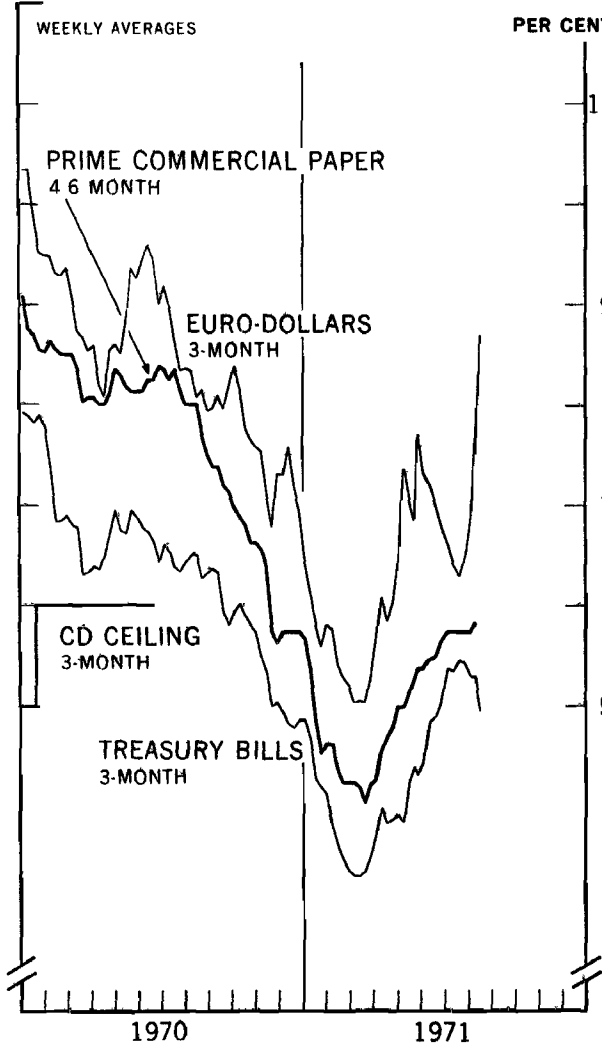
CHART 3

MONEY MARKET CONDITIONS AND INTEREST RATES

MONEY MARKET CONDITIONS



INTEREST RATE Short-term



INTEREST RATES Long-term

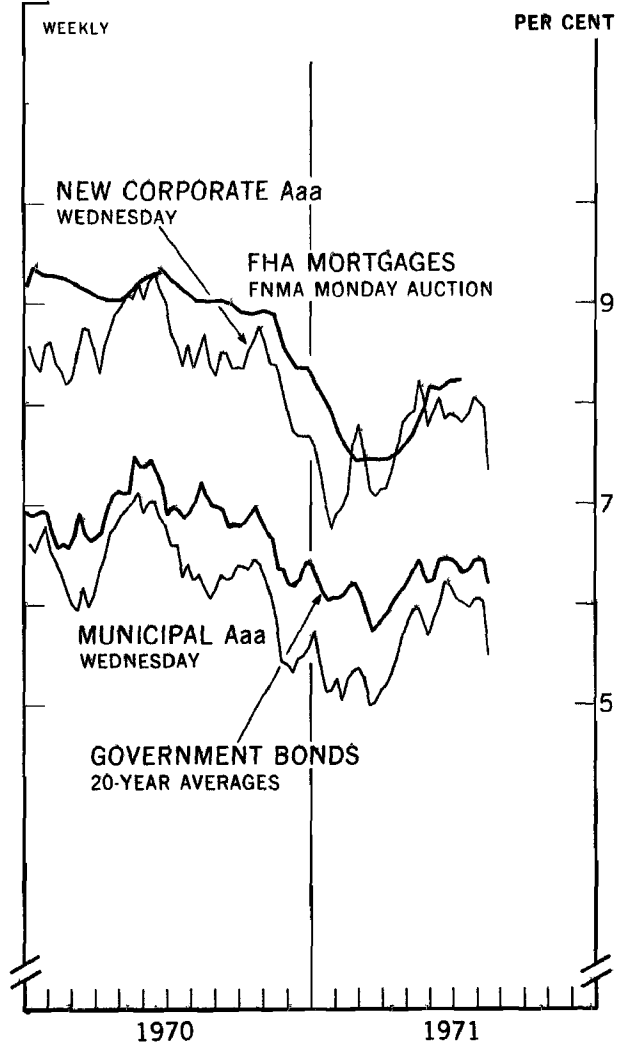


Table 1
PATHS OF KEY MONETARY AGGREGATES

STRICTLY CONFIDENTIAL (FR)

August 20, 1971

Period	Narrow Money Supply (M ₁) 1/		Broad Money Supply (M ₂) 2/		Adjusted Credit Proxy		Total Reserves	
	1 Path as of July 27	2 Actuals & Current Proj	3 Path as of July 27	4 Actuals & Current Proj	5 Path as of July 27	6 Actuals & Current Proj	7 Path as of July 27	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.	221.1		442.0		341.7		30.8
	May	223.9		447.3		343.8		31.3
	June	225.6		451.4		345.7		31.3
	July	227.9	454.5	454.2	347.6	347.9	31.3	31.3
	Aug.	229.0	457.0	(457.2)	350.8	(351.3)	31.7	(31.7)
Annual Percentage Rates of Change--Quarterly and Monthly								
1971	1st Qtr.	8.9		17.8		10.9		11.0
	2nd Qtr.	11.3		12.6		6.5		6.6
	3rd Qtr.	9.0	8.0	(7.0)	9.0	(8.0)	7.5	(11.5)
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.	9.3		12.1		5.3		2.7
	May	15.2		14.4		7.4		17.0
	June	9.1		11.0		6.6		0.2
	July	12.0	8.0	7.4	6.5	7.6	3.0	0.3
	Aug.	6.0	6.5	(8.0)	11.0	(11.5)	13.5	(17.0)
Weekly Pattern in Billions of Dollars								
1971	June 30	225.4		452.0		345.1		31.3
	July 7	228.7		455.2		347.3		31.0
	14	227.4		453.9		347.5		30.8
	21	227.7		454.5		347.6		31.6
	28	227.6	454.2	454.0	347.7	348.5	31.7	31.4
	Aug. 4	228.2	455.2	454.2	348.9	348.0	31.6	31.8
	11	229.1	456.5	456.4	349.8	348.5	31.6	31.5
	18 pe	228.9	456.7	457.4	350.8	348.9	31.8	31.8
	25	229.3	457.8	(458.9)	351.9	(354.5)	31.7	(31.6)

NOTES Annual rates of change other than those for the past are rounded to the nearest half per cent. pe--Partially estimated.

Data shown in parenthesis are current projections.

1/ Currency plus private demand deposits.

2/ M₁ plus time deposits other than large CD's.

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Table 1-A
PATHS OF KEY MONETARY AGGREGATES

STRICTLY CONFIDENTIAL (FR)

August 20, 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 July 27	² Actuals & Current Proj	³ Path as of July 27	⁴ Actuals & Current Proj	⁵ Path as of July 27	⁶ Actuals & Current Proj.	⁷ Path as of July 27	⁸ Actuals & Current Proj.	⁹ Path as of July 27	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		5.4		248.3		221.0		27.3		5.1
May		4.2		251.4		223.4		27.9		4.1
June		3.9		254.4		225.8		28.6		4.4
July	3.3	3.7	256.8	256.8	226.6	226.6	30.2	30.1	4.2	4.1
Aug	4.3	(6.3)	259.0	(258.2)	228.0	(228.2)	31.0	(30.0)	4.3	(3.7)
Annual Percentage Rates of Change--Quarterly and Monthly										
1971: 1st Qtr.				27.3		27.2				
2nd Qtr				13.5		13.7				
3rd Qtr			10.0	(8.5)	7.0	(6.0)				
1971: Jan.				25.5		22.3				
Feb				28.6		30.5				
Mar				25.9		27.0				
Apr.				10.7		14.8				
May				15.0		13.0				
June				14.3		12.9				
July			11.5	11.3	4.5	4.3				
Aug			10.5	(6.5)	7.5	(8.5)				
Weekly Pattern in Billions of Dollars										
1971: June 30		2.7		255.4		226.6		28.8		4.7
July 7		2.5		256.0		226.5		29.6		4.2
14		2.9		256.6		226.5		30.1		4.1
21		4.0		256.9		226.8		30.1		4.4
28	3.7	4.1	257.1	257.5	226.6	227.0	30.5	30.5	4.3	4.1
Aug. 4	3.7	4.5	257.9	257.5	227.0	227.5	30.9	30.0	4.3	3.7
11	3.8	4.6	258.4	257.5	227.4	227.8	31.0	29.7	4.3	4.1
18 pe	4.3	5.7	258.9	258.2	227.8	228.2	31.1	30.0	4.3	3.6
25	5.0	(8.3)	259.6	(258.9)	228.5	(228.8)	31.1	(30.1)	4.3	(3.6)

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.

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

CONFIDENTIAL (FR)

August 20, 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
					5 Total	6 Currency	7 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 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
1st Half 1971	+ 8.9	+ 8.2	+13.5	+ 8.8	+10.3	+ 9.4	+10.5	+20.8	+20.7	-18.2
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	+11.6	+20.4
1st Qtr. 1971	+11.0	+11.0	+17.0	+10.9	+ 8.9	+ 9.0	+ 8.9	+27.3	+23.3	-24.7
2nd Qtr. 1971	+ 6.6	+ 5.3	+ 9.6	+ 6.5	+11.3	+ 9.6	+11.8	+13.5	+17.2	-12.5
1970:										
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	+14.5	+58.1
1971:										
Jan.	+12.2	+ 8.8	+16.1	+10.5	+ 1.1	+ 7.4	- 1.4	+25.5	+25.1	- 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	+24.9	-55.2
Apr.	+ 2.7	+ 9.7	+12.2	+ 5.3	+ 9.3	+12.0	+ 7.8	+10.7	+21.8	+ 4.4
May	+17.0	+12.4	+11.1	+ 7.4	+15.2	+ 9.5	+17.6	+15.0	+14.2	-15.8
June	+ 0.2	- 6.2	+ 5.3	+ 6.6	+ 9.1	+ 7.1	+ 9.7	+14.3	+14.9	-26.3
July p	0.3	-13.1	+8.8	+7.6	+10.6	+11.7	+10.3	+11.3	+16.1	-32.1

p - Preliminary.

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.

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Table 3
AGGREGATE RESERVES AND MONETARY VARIABLES
SEASONALLY ADJUSTED

CONFIDENTIAL (FR)

August 20, 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)							
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	
Mar.	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	
Apr.	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	184.2	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	28,134	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	
Mar.	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	
Apr.	30,816	30,644	30,611	336.6	5.4	221.1	50.5	170.5	248.3	27.3	221.0	341.7	29.4	
May	31,253	30,961	30,998	339.7	4.2	223.9	50.9	173.0	251.4	27.9	223.4	343.8	29.0	
June	31,257	30,801	31,046	341.2	3.0	225.6	51.2	174.4	254.4	28.6	225.8	345.7	28.3	
July p	31,266	30,465	31,094	343.7	3.7	227.6	51.7	175.9	256.8	30.1	226.6	347.9	27.6	
<u>Week ending:</u>														
1971: July	7	31,032	30,462	30,769	343.2	2.5	228.7	51.8	176.9	29.6	226.5	347.3	28.1	
	14	30,831	29,950	31,026	343.4	2.9	227.4	51.7	175.7	30.1	226.5	347.5	28.3	
	21	31,552	30,346	31,135	343.3	4.0	227.7	51.8	176.0	30.1	226.8	347.6	28.3	
	28	31,414	30,849	31,332	344.4	4.1	227.0	51.7	175.3	30.5	227.0	348.5	28.3	
Aug.	4 p	31,813	31,058	31,357	344.2	4.5	226.7	51.8	174.9	30.0	227.5	348.0	27.9	
	11 p	31,469	30,976	31,489	344.5	4.6	228.7	51.9	176.8	29.7	227.8	348.5	27.8	

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 average except for nonbank commercial paper figures which are for last day of month.

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p - Preliminary.

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	
				Major banks			
				8 N.Y.	Outside N.Y.		
Monthly (reserves weeks ending in):							
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	2	154	152	15	9	119	9
May	6	216	212	78	36	60	38
June	- 303	211	514	103	85	159	167
July p	- 672	158	830	77	223	270	260
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	- 3	81	84	--	1	79	4
28	- 128	48	176	42	34	86	14
May 5	191	365	174	46	40	61	27
12	131	230	99	39	20	22	18
19	- 204	102	306	134	47	74	51
26	- 93	174	267	91	36	84	56
June 2	- 361	285	646	171	100	217	158
9	- 80	73	153	46	27	25	55
16	- 149	254	403	86	4	152	161
23	- 409	210	619	103	161	202	153
30	- 518	232	750	107	132	203	308
July 7	- 384	277	661	--	149	257	255
14	- 986	5	991	252	309	189	241
21	- 839	282	1,121	47	344	397	333
28	- 478	67	545	9	88	236	212
Aug. 4 p	- 294	471	765	43	122	307	293
11 p	- 569	24	593	0	47	328	218
18 p	- 891	289	1,180	338	245	335	262

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	- 884
1971--Jan.								
6	+ 938	+ 722	+ 428 (+ 97)	+ 109	+ 185	+ 51	+ 28	+ 137
13	- 534	- 308	+ 19 (+ 46)	--	- 327	- 59	- 37	- 130
20	+ 64	- 153	- 236 (- 159)	--	+ 83	+ 13	+ 9	+ 195
27	- 204	- 81	- 65 (+ 85)	--	- 16	--	- 5	- 116
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	+ 348	+ 423	+ 360 (+ 70)	+ 113	- 50	- 11	+ 2	- 66
28	+ 54	- 43	+ 30 (--)	--	- 73	- 7	+ 12	+ 92
May								
5	+ 771	+ 712	+ 384 (--)	--	+ 328	+ 50	+ 11	- 2
12	+ 201	+ 272	+ 173 (--)	--	+ 99	- 6	+ 10	- 75
19	+ 503	+ 304	+ 400 (--)	+ 71	- 167	- 4	- 4	+ 207
26	+ 115	+ 144	+ 256 (--)	+ 56	- 168	- 6	+ 16	- 39
June								
2	+ 305	- 57	+ 13 (--)	--	- 70	- 8	- 9	+ 379
9	- 974	- 418 ^{2/}	- 439 (--)	--	- 73	- 27	- 36	- 493
16	+ 202	- 47 ^{2/}	- 463 (- 39)	--	--	--	- 1	+ 250
23	+ 160	- 106 ^{2/}	+ 348 (+ 39)	--	+ 162	+ 23	+ 27	+ 216
30	+1,156	+1,059	+1,151 (--)	+ 27	- 119	- 9	- 25	+ 131
July								
7	+ 362	+ 373	+ 131 (- 57)	+ 35	+ 207	+ 47	+ 31	- 89
14	+ 364	+ 74	+ 208 (- 87)	--	- 134	- 20	- 20	+ 330
21	+ 743	+ 562	+ 25 (+ 144)	--	+ 537	+ 47	+ 4	+ 130
28	- 957	- 359	27 (--)	--	- 586	- 21	- 1	- 576
Aug.								
4 p	+ 336	+ 141	+ 101 (--)	--	+ 40	- 14	- 11	+ 220
11 p	- 205	+ 1	+ 50 (- 70)	--	- 49	- 25	- 9	- 172
18 p	+ 484	- 73	- 25 (+ 70)	+ 109	- 157	- 18	- 12	+ 587

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

2/ Includes effect of changes in special certificates of \$ +94 million of the week of June 9, \$ +416 million of the week of June 16, and \$ -510 million of the week of June 23.

p - Preliminary

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	- /
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	+ 279	--	- 257	243	+ 235	+ 14	- 173	- 270	- 171	99
14	- 275	--	- 483	+ 249	+ 241	- 14	+ 217	- 45	+ 24	69
21	+ 348	--	- 414	- 131	+ 301	+ 21	+ 187	+ 313	+ 440	- 127
28	+ 54	--	+ 580	- 384	- 10	+ 1	- 23	+ 219	+ 252	- 33
May										
5	+ 771	--	+ 129	+ 307	- 497	- 14	- 72	+ 623	+ 306	+ 317
12	+ 201	- 171	- 351	- 248	- 211	- 13	+ 99	- 696	- 561	- 135
19	+ 503	- 229	- 465	+ 83	+ 421	+ 5	- 45	+ 278	+ 406	- 128
26	+ 115	--	+ 69	+ 218	- 177	- 25	- 315	- 116	- 188	+ 72
June										
2	+ 305	--	- 80	+ 169	- 327	--	- 33	+ 30	- 81	+ 111
9	- 974	--	- 240	+ 522	+ 291	+ 36	- 28	- 390	- 178	- 212
16	+ 202	--	- 378	+ 398	- 122	+ 1	+ 228	+ 327	+ 146	+ 181
23	+ 160	--	- 125	- 648	+ 291	- 5	+ 33	- 294	- 250	- 44
30	+1,156	--	+ 362	- 776	- 334	- 11	- 28	+ 373	+ 351	+ 22
July										
7	+ 362	--	- 616	- 54	+ 376	- 4	- 43	+ 21	- 24	+ 45
14	+ 364	--	- 483	- 244	+ 217	+ 8	+ 82	- 59	+ 213	- 272
21	+ 743	--	- 358	+ 176	+ 11	- 4	+ 110	+ 678	+ 401	+ 277
28	- 957	--	+ 895	+ 204	- 453	+ 29	- 27	- 309	- 94	- 215
Aug.										
4 p	+ 336	--	- 33	+ 266	- 127	- 37	- 89	+ 315	- 89	+ 404
11 p	- 205	- 86	- 194	- 17	- 70	+ 5	- 29	- 595	- 148	- 447
18 p	+ 484	- 114	- 364	+ 125	+ 205	- 7	- 1	+ 326	+ 61	+ 265

1/ For retrospective details, see Table 5.

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

p - Preliminary.

Table 7

Reconciliation--Money supply and Credit Proxy Adjusted
(Billions of dollars, not seasonally adjusted)

Item	Levels, 1971			Dollar Change	
	March	June	July	2nd Qtr., 1971	June to July, 1971
1. <u>Money supply--M₁</u>	217.4	223.6	225.9	6.2	2.3
2. Plus: Time deposits other than large CD's	218.9	226.1	226.9	7.2	0.8
3. <u>Equals: Money supply--M₂</u>	436.3	449.6	452.7	13.3	3.1
Plus:					
4. U.S. Gov't. deposits at member banks	4.5	4.4	5.7	-0.1	1.3
5. Net domestic commercial bank deposits at member banks	4.3	4.0	4.2	-0.3	0.2
6. Large CD's	28.0	28.4	29.5	0.4	1.1
7. Nondeposit funds <u>1/</u>	7.0	4.4	4.1	-2.6	-0.3
8. Time deposit of U.S. Gov't. and commercial banks	1.9	1.9	1.9	--	--
9. F.R. Float	2.7	2.7	3.0	--	0.3
Less:					
10. Demand deposits at nonmember banks	38.3	39.9	40.5	1.6	0.6
11. Time deposits at nonmember banks	56.5	58.8	59.4	2.3	0.6
12. Currency component of the money supply	49.5	51.1	51.9	1.6	0.8
13. Deposits at Edge Act Corps., agencies and foreign branches	0.8	0.7	0.8	-0.1	0.1
14. Foreign deposits at F.R.	0.4	0.4	0.4	--	--
Equals:					
15. <u>Credit Proxy Adjusted</u>	339.2	344.7	348.2	5.5	3.5

p - Preliminary.

1/ Includes borrowings from banks own foreign branches, commercial paper and other minor item.

NOTE: Sums of levels and changes may not add because of rounding.

Table 7A

Reconciliation--Money Supply and Credit Proxy Adjusted
(Billions of dollars, seasonally adjusted)

Item	Levels, 1971			2nd Qtr. 1971		June to July, 1971	
	March	June	July	Dollar Change	Percentage Change	Dollar Change	Percentage Change
1. <u>Money supply--M₁</u>	219.4	225.6	227.6	6.2	11.3	2.0	10.6
2. Plus: Time deposits other than large CD's	218.3	225.8	226.6	7.5	13.7	0.8	4.3
3. Equals: <u>Money supply-- M₂</u>	437.6	451.4	454.2	13.8	12.6	2.8	7.4
Plus:							
4. U.S. Gov't. deposits at member banks	4.8	3.9	3.7	-0.9		-0.2	
5. Net domestic commercial bank deposits at member banks	4.7	4.3	4.2	-0.4		-0.1	
6. Large CD's	27.8	28.6	30.1	0.8		1.5	
7. Nondeposit funds <u>1/</u>	7.0	4.4	4.1	-2.6		-0.3	
Less:							
8. Currency component of the money supply	50.0	51.2	51.7	1.2		0.5	
9. Deposits at nonmember banks, and other items <u>2/</u>	91.8	95.7	96.7	3.9		1.0	
Equals:							
10. <u>Adjusted Credit Proxy</u>	340.2	345.7	347.9	5.5	6.5	2.2	7.6

1/ Includes borrowings from banks own foreign branches, commercial paper and other minor items.

2/ Other items include money supply type deposits at Edge Act corporations and domestic branches of foreign banks.

NOTE: Sums of levels and changes may not add because of rounding.

p - Preliminary.

Table 8

Reserve Absorbition by Type of Deposit--Selected Periods
(Millions of dollars, seasonally adjusted)

	<u>Dec. 1970- July 1971</u>	<u>Dec. 1970- March 1971</u>	<u>March 1971- July 1971</u>
Change in total reserves	1,341	823	518
Reserves absorbed by:			
Demand deposits adjusted	812	289	523
Interbank deposits	329	213	116
U.S. Government deposits	-387	-219	-168
Time and Savings deposits	810	495	315
Eurodollars and Commercial paper <u>1/</u>	-111	-85	-26
Excess reserves	-51	-9	-42
Adjustment due to lagged accounting	-61	139	-200
Per cent of total reserve change absorbed by:			
Demand deposits adjusted	60.6	35.1	101.0
Interbank deposits	24.5	25.9	22.4
U.S. Government deposits	-28.9	-26.6	-32.4
Time and Savings deposits	60.4	60.2	60.8
Eurodollars and Commercial paper <u>1/</u>	-8.3	-10.3	-5.0
Excess reserves	-3.8	-1.1	-8.1
Adjustment due to lagged accounting	-4.6	16.9	-38.6

1/ Member bank borrowings from own foreign branches subject to Regulation M reserve requirements and commercial paper subject to Regulation D.