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(CONFIDENTIAL FR)

February 8, 1973

MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the Staff

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

CONFIDENTIAL (FR) February 8, 1973

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) RPD and the money supply aggregates all appear to be growing at slower than expected annual rates during the January-February target period--well below the upper limits of the Committee's ranges of tollerance--as shown in the table below:

Growth of Monetary Aggregates and RPD
In January-February Period
(SAAR in percentage points)

	Ranges of Tolerance	Current Estimates
RPD	4-1/2--10-1/2	7.0
M_1	3 --7-1/2	4.0
M_2	4 --9	6.5
Memo:		
Federal funds rate	5-3/4--6-3/8	6.35 (week ending 1/31) 6.21 (week ending 2/7)

(2) The narrowly defined money supply showed no growth on average in January, partly reflecting a drop in State and local government deposits following a contra-seasonal rise in December when revenue sharing payments first began. It does not appear that dollar outflows abroad had much effect on recent M_1 behavior. Large outflows began only in early February, and the fragmentary data available for

the first week of that month give no evidence of sizable shifts directly out of cash into foreign assets. When the erratic December-January movements in M_1 are averaged together, they show an annual growth rate for the two months combined of about 6-1/2 per cent, about the same as the average rate for the past six months.

(3) In the discussion at the last Committee meeting, it was noted that the upper limits of the ranges of tolerance adopted for growth rates in RPD and monetary aggregates were below those most likely to be associated with the then prevailing Federal funds rate of 5-5/8--5-3/4 per cent. In addition, the Committee recognized that any Desk action to slow growth in the aggregates would need to take place in the early part of the inter-meeting period, so that resulting upward adjustments in short-term rates would be largely completed before the January 31 announcement of terms on the Treasury refinancing. Finally, the Committee indicated a willingness to tolerate substantially slower expansion in RPD and the monetary aggregates if growth rates at given interest levels fell short of expectations. Given these guidelines, the Desk acted early in the inter-meeting period to tighten up on the provision of reserves through open market operations.

(4) The tightening effects of Desk action were quickly reflected in the Federal funds rate which advanced to a little over 6 per cent in the statement week immediately following the meeting, and then into a 6-1/4--6-3/8 per cent range over the two succeeding weeks. After the start of the "even-keel" period, Desk reserve strategy was to

achieve relative stability in money market conditions, with the Federal funds rate continuing to range generally between 6-1/4 and 6-3/8 per cent. Since the last meeting of the Committee, member bank borrowings have averaged about $1.2 billion.

(5) The terms of the Treasury refinancing were initially well received, but between the announcement date and opening of books the market atmosphere surrounding the operation deteriorated. This seems to have been due partly to an initial assumption by market participants that the Federal funds rate and dealer financing costs would stabilize during the "even-keel" period at levels below those which actually developed. Also, with the dollar under attack in foreign exchange markets, and rumors of a general rise in the bank prime rate, market expectations of future interest rate advances strengthened significantly (apart from expectation of a temporary decline in the bill rate as a result of foreign official demand for bills). Attrition in the rights exchange for new 3-1/2 year notes amounted to just under 50 per cent of public holdings of maturing issues. And in the cash auction, market professionals received an unexpectedly large 70 per cent of the new 6-3/4 year note. Most recently, the tone of the Treasury coupon market has improved and the new issues have risen in price.

(6) The Treasury bill market has been greatly strengthened by the heavy speculative outflows of dollars. Foreign central banks receiving dollars have made, or are about to make, sizable acquisitions

of Treasury debt, partly in the bill market but mainly from the Treasury in the form of special non-marketable certificates. In fact, foreign purchases of special Treasury certificates appear large enough to cover all of the Treasury's prospective March need for cash. This abrupt turn-around in the bill market outlook has been strongly reflected in bill yields. For example, the rate on 3-month bills, which had earlier reached a high around 5-3/4 per cent--some 50 basis points above the level prevailing at the last meeting--has most recently retraced most of this advance and is currently trading around 5.45 per cent.

(7) Rates on other short-term market instruments have shown only little tendency to decline with the down-turn in bill yields. Advances in such markets since the last meeting generally range to about 40 basis points. In capital markets, however, demands for funds have remained on the moderate side since the last meeting, and increases in yields have been limited in most cases to about 15 basis points. The roll-back of the prime rate increase at three banks in response to CID inquiries, and the abandonment of its rate formula by the last of the "floating" banks, helped to moderate upward rate pressures in these markets.

(8) The table on the following page compares recent changes in money and credit aggregates (seasonally adjusted annual rates) with those for selected earlier periods.

	Average for 1970 and 1971	Year 1972	Past 6 Months	Past 2 Months	Past Month
	Dec. '71 over Dec. '69	Dec. '72 over Dec. '71	Jan. '73 over July '72	Jan. '73 over Nov. '72	Jan. '73 over Dec. '72
Total reserves	6.8	10.6	13.7	22.8	36.0
Nonborrowed reserves	9.3	7.1	6.3	8.7	31.6
Reserves available to support private non-bank deposits	8.2	9.7	12.9	14.4	23.1
Concepts of Money					
M_1 (currency plus demand deposits) 1/	6.5	8.3	6.3	6.6	0.0
M_2 (M_1 plus time deposits at commercial banks other than large CD's)	10.4	10.8	9.3	9.5	6.6
M_3 (M_2 plus deposits at thrift institutions)	11.3	12.9	11.3	10.9	9.5
Bank Credit					
Total member bank deposits (bank credit proxy adj.)	9.2	11.6	10.8	11.0	8.6
Loans and investments of commercial banks 2/	10.2	14.0	15.7	14.6	18.3
Short-term market paper (Actual $ change in billions)					
Large CD's	22.1	10.1	6.1	3.1	1.2
Nonbank commercial paper	0.3	2.4	0.4 3/	1.5 3/	1.1 3/

1/ Other than interbank and U.S. Government.
2/ Based on month-end figures. Includes loans sold to affiliates and branches.
3/ Latest data December 1972.
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) Transaction demands for money will be expanding in the first half of 1973, given the projected rise in nominal GNP of almost 11 per cent. However, the recent sharp further advance of short-term market interest rates will likely be acting to retard demand for money between now and mid-year. Thus, the financial relationships tabulated in the next paragraph for Committee consideration suggest that the longer-run target path that encompasses a 5--6 per cent annual rate of growth for M_1 might be attained with little change from current money market conditions (alternative B). Moving down into a 4--5 per cent growth rate range for M_1 would likely involve a tightening of the money market over the next few weeks (alternative C), and moving up to a 6--7 per cent rate would probably entail an easing (alternative A).

(10) The three alternatives are presented below in summary form (with figures for aggregates representing seasonally adjusted annual rates of growth). More detailed monthly and quarterly figures are shown in the table on page 7.

	Alt. A	Alt. B	Alt. C
Longer-run targets (represented by growth rates for first half of 1973)			
M_1	6--7	5--6	4--5
M_2	7--8	6--7	5--6
Credit Proxy	8--9	7--8	6--7
RPD	8--9	7--8	6--7
Associated ranges for Feb.-Mar. 1973			
Nonborrowed RPD	3-1/2--5-1/2	-4-1/2 to -2-1/2	-10 to -8
RPD	3--5	1-1/2--3-1/2	1/2--2-1/2
M_1	8--10	7--9	6--8
M_2	7-1/2--9-1/2	6-1/2--8-1/2	5--7
Federal funds rate	5-1/2--6-1/4	5-7/8--6-5/8	6-1/8--6-7/8

Alternative Longer-Run Targets for Key Monetary Aggregates

		M_1			M_2			Adjusted Credit Proxy		
		Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1972 Dec.		255.5	255.5	255.5	525.1	525.1	525.1	406.4	406.4	406.4
1973 Jan.		255.5	255.5	255.5	528.0	528.0	528.0	409.3	409.3	409.3
Feb.		257.3	257.2	257.1	531.2	531.0	530.8	413.5	413.3	413.2
Mar.		259.3	258.9	258.5	535.7	534.4	533.4	414.4	413.7	413.0
June		263.9	262.3	261.1	545.7	542.6	539.1	422.8	421.2	419.3
					Rates of Growth					
Quarters: 1973	1st. Q	6.0	5.5	4.5	8.0	7.0	6.5	8.0	7.0	6.5
	2nd. Q	7.0	5.5	4.0	7.5	6.0	4.5	8.0	7.5	6.0
Months:										
Feb.		8.5	8.0	7.5	7.5	7.0	6.5	12.5	11.5	11.5
Mar.		9.5	8.0	6.5	10.0	7.5	6.0	2.5	1.0	-0.5

		Total Reserves			RPD		
		Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1972 Dec.		31,309	31,309	31,309	28,862	28,862	28,862
Jan.		32,249	32,249	32,249	29,418	29,418	29,418
Feb.		31,697	31,678	31,659	29,214	29,195	29,176
Mar.		31,791	31,717	31,647	29,624	29,551	29,481
June		32,104	31,885	31,684	30,150	29,935	29,738
				Rates of Growth			
Quarters: 1973	1st. Q	6.0	5.0	4.5	10.5	9.5	8.5
	2nd. Q	4.0	2.0	0.5	7.0	5.0	3.5
Months:							
Feb.		-20.5	-21.0	-22.0	-8.5	-9.0	-10.0
Mar.		3.5	1.5	- 0.5	17.0	14.5	12.5

(11) The Federal funds rate range shown for alternative B represents a range around the prevailing 6-1/4--6-3/8 per cent. The range for alternative C is meant to indicate, however, that the staff would expect the funds rate to move up from prevailing levels to close to the top of the range shown between now and the next Committee meeting, as reserve growth is constrained. Consequently, in alternative A, a movement of the funds rate down through the range shown would be anticipated.

(12) Growth in M_1 in February-March is shown at a 7--9 per cent annual rate in alternative B and at close to those rates in the other alternatives. These growth rates are more rapid than the longer-run targets. Given prevailing interest rates, money balances are expected to pick up temporarily in February and March partly because of larger than normal payments of tax refunds. With the bulge in M_1 growth in the period ahead, and taking account of the January weakness, expansion in the first quarter would be around 5--6 per cent. In the second quarter, as the refunds are phased out, continuation of an M_1 growth rate in this range seems likely at around current money market conditions, given the restrictive effect on money demand still being exerted by relatively high interest rates.

(13) At the moment the 3-month bill is moving well below its normal relationship to other market rates because of foreign official demand for Treasury securities generated by large dollar outflow. Given the prevailing Federal funds rate range, the 3-month Treasury bill rate would be likely to move back to around 5-3/4 per cent as and when market purchases by foreign official institutions come to an end. A bill rate around 5-3/4 per cent would still be low relative to the funds rate, reflecting the

concentration of demand in the Treasury area resulting from the international flows. The dollar outflows, while difficult to trace as to their source, probably came out of investments in domestic securities generally or bank loan proceeds, but there may also have been some temporary drawdown of existing cash balances. To the extent there is smaller volume of funds seeking investment in private short-term markets, short-term rates in those markets may continue under some upward pressures, particularly as further strong business loan demands on banks lead to aggressive bidding for CD funds.

(14) Between now and the next Committee meeting, it is possible that the Treasury may not have to raise any net new cash, assuming they sell about $4-1/2 billion of special non-marketable securities to foreign official recipients of the recent dollar outflow. The mid-February refunding will be in the process of distribution during the period, but even-keel considerations should be minimal since the settlement date is on February 15, shortly after the Committee meeting. If the recent improved market atmosphere continues, distribution of the long note may be readily accomplished.

(15) A tightening of the money market, such as might accompany alternative C, would probably lead to substantial upward adjustments in both short- and long-term interest rates. Under these circumstances the viability of the current discount rate and of CID efforts to defer increases in the prime loan rate would come more clearly into question. And there could be some acceleration of capital market borrowing, as

corporations attempted to safeguard themselves against higher rates later or more stringent institutional borrowing conditions. Mortgage market conditions would also tend to tighten as interest rates reached the zone where a significant diversion of savings flows from banks and other savings institutions became increasingly probable.

(16) The analysis of the preceding paragraphs has assumed that the dollar exchange crisis will soon abate. However, should it continue, or intensify, there is the possibility that domestic psychology would be affected as investors and businesses become increasingly uncertain about how monetary policy will be adjusted and as to the nature of possible changes in trade restrictions and exchange rate structure. Under those circumstances a sizable increase in domestic demands for liquidity, including possible cash balances, could develop on precautionary grounds. Depending on the particular problems at the time, policy may wish to consider accommodating such an increased precautionary demand rather than permitting the sharp rise in the Federal funds rate that could develop if the reserves necessary to support enlarged liquidity demands were not being supplied.

Proposed directive

(17) Presented below are three alternative formulations for the operational paragraph of the directive, which might be taken to correspond to the similarly lettered policy alternatives discussed in the preceding section. In all three alternatives, it is proposed to delete the reference to Treasury financing because the current financing will be substantially completed by the date of the Committee's meeting. Retention of the reference to credit market developments is proposed only for alternative C, the only alternative that contemplates a significant tightening of the money market. A reference to international developments is suggested for the three alternatives because of the possibility that exchange market speculation, if continued, could have disturbing effects on market psychology generally, alter cash and liquidity demands, and/or distort the interest rate structure.

Alternative A

To implement this policy, while taking account of ~~the forthcoming Treasury financing and possible credit market~~ INTERNATIONAL developments, the Committee seeks to achieve bank reserve and money market conditions that will support ~~slower~~ growth in monetary aggregates over the months ahead ~~than occurred in the second half of last year~~ AT ABOUT THE AVERAGE RATES OF THE PAST 6 MONTHS.

Alternative B

To implement this policy, while taking account of ~~the forthcoming Treasury financing and possible credit market~~ INTERNATIONAL developments, the Committee seeks to achieve bank reserve and money market conditions that will support ~~slower~~ MODERATE growth in monetary aggregates over the months ahead ~~than occurred-in-the-second-half-of-last-year.~~

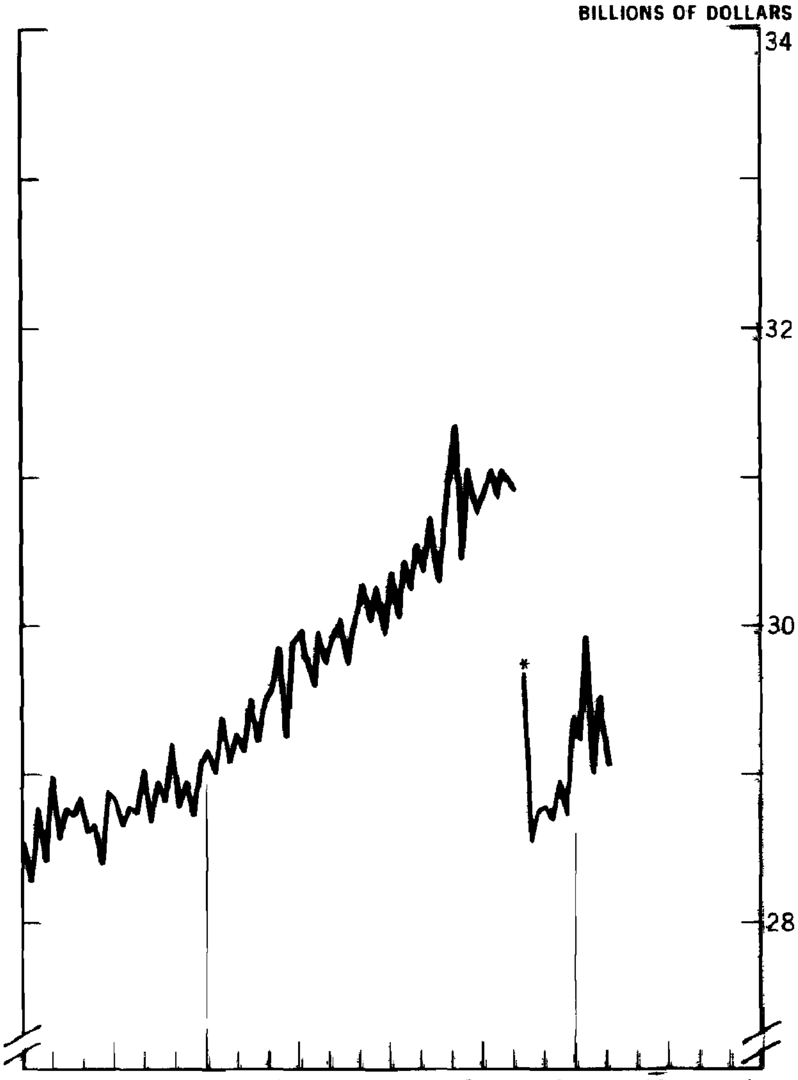
Alternative C

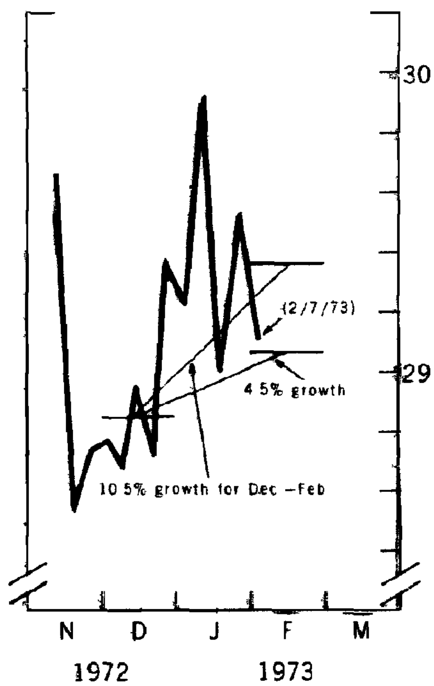
To implement this policy, while taking account of ~~the forthcoming-Treasury-financing-and~~ possible DOMESTIC credit market AND INTERNATIONAL DEVELOPMENTS, the Committee seeks to achieve bank reserve and money market conditions that will support SOMEWHAT slower growth in monetary aggregates over the months ahead than occurred ~~in-the-second-half-of last-year~~ ON AVERAGE IN THE PAST 6 MONTHS.

CHART 1

STRICTLY CONFIDENTIAL FR,
2/9/73

RESERVES AVAILABLE TO SUPPORT PRIVATE NONBANK DEPOSITS





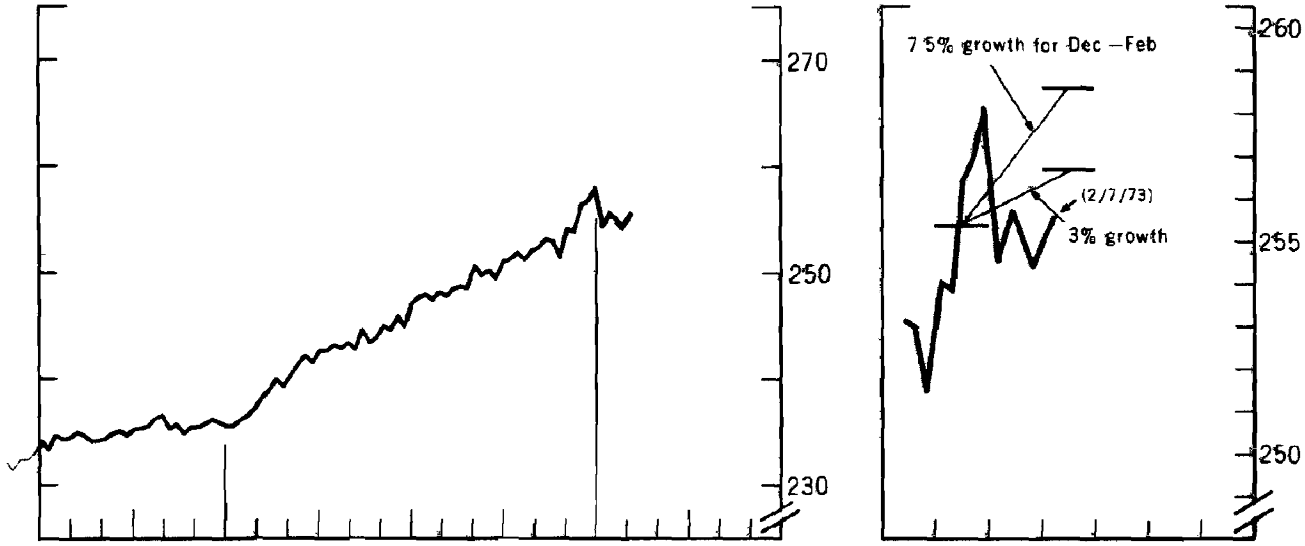
*Break in Series Actual Level of RPD After Reduction in Reserve Requirements Effective November 9, 1972

CHART 2

STRICTLY CONFIDENTIAL (FR)
2/9/73

MONETARY AGGREGATES

NARROW MONEY SUPPLY M1 BILLIONS OF DOLLARS



BROADER MONEY SUPPLY M2

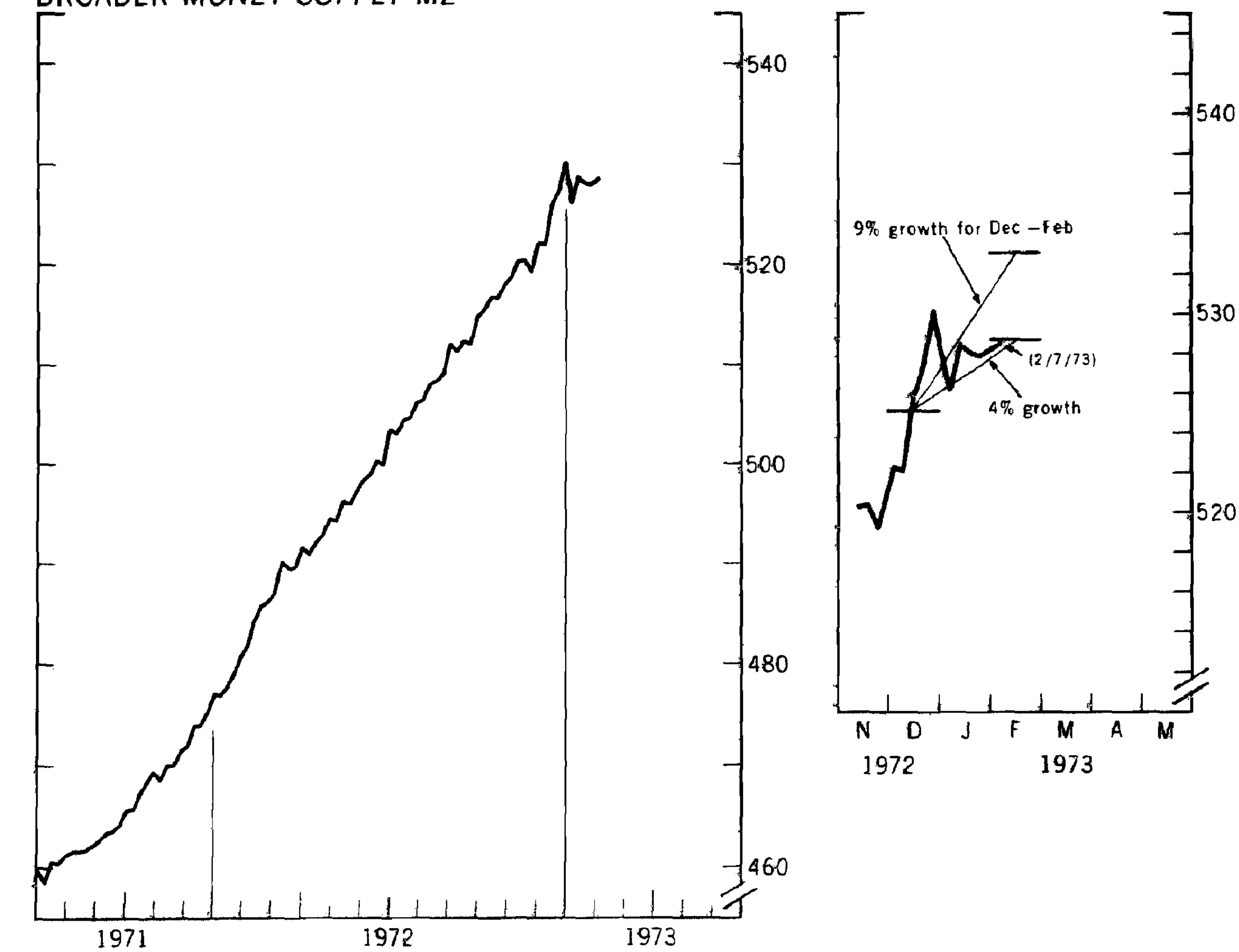
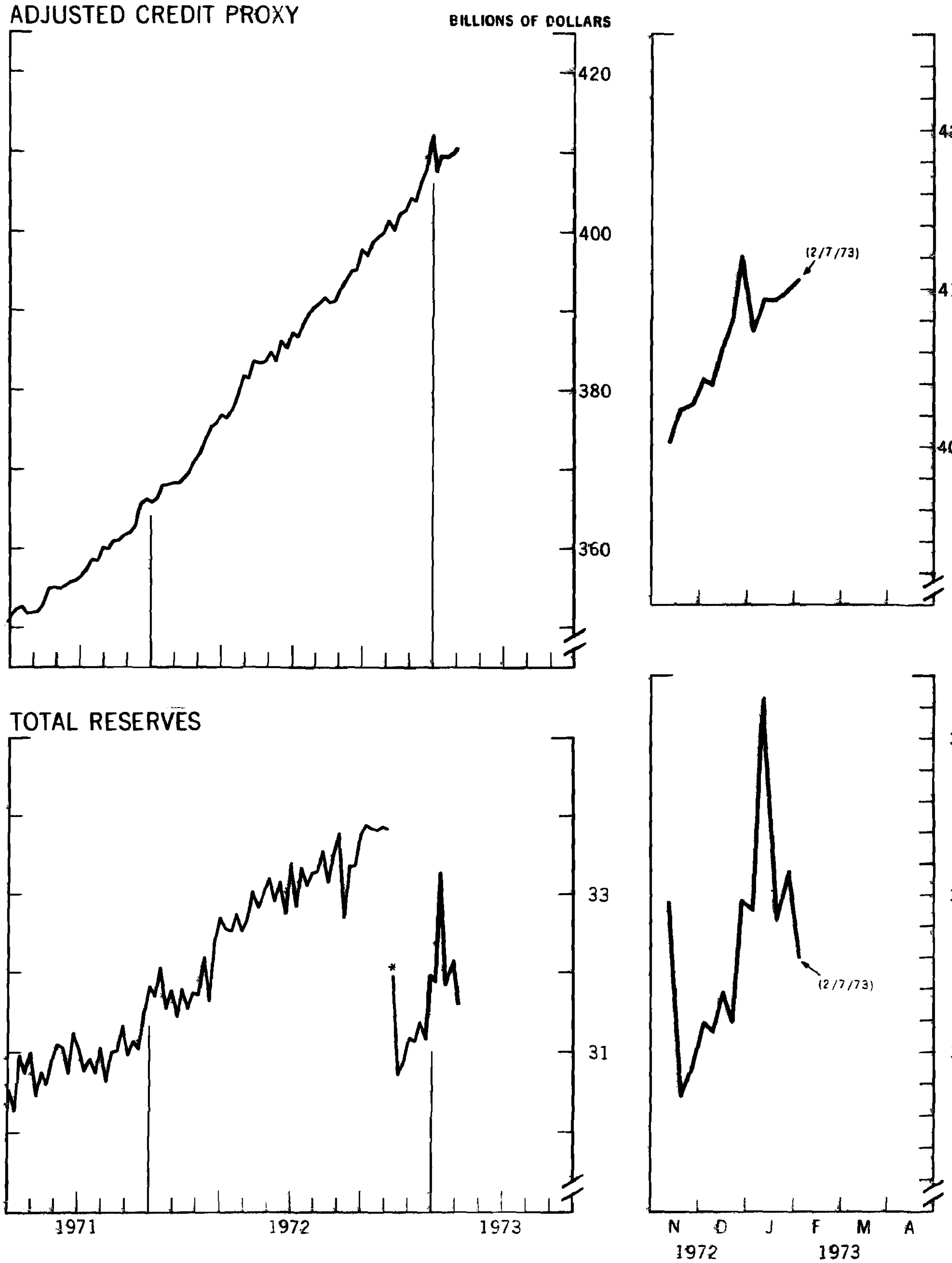


CHART 3

STRICTLY CONFIDENTIAL (FR)
2/9/73

MONETARY AGGREGATES



* Break in series Actual Level of Total Reserves After Reduction in Reserve Requirements Effective November 9, 1972

CHART 4

MONEY MARKET CONDITIONS AND INTEREST RATES

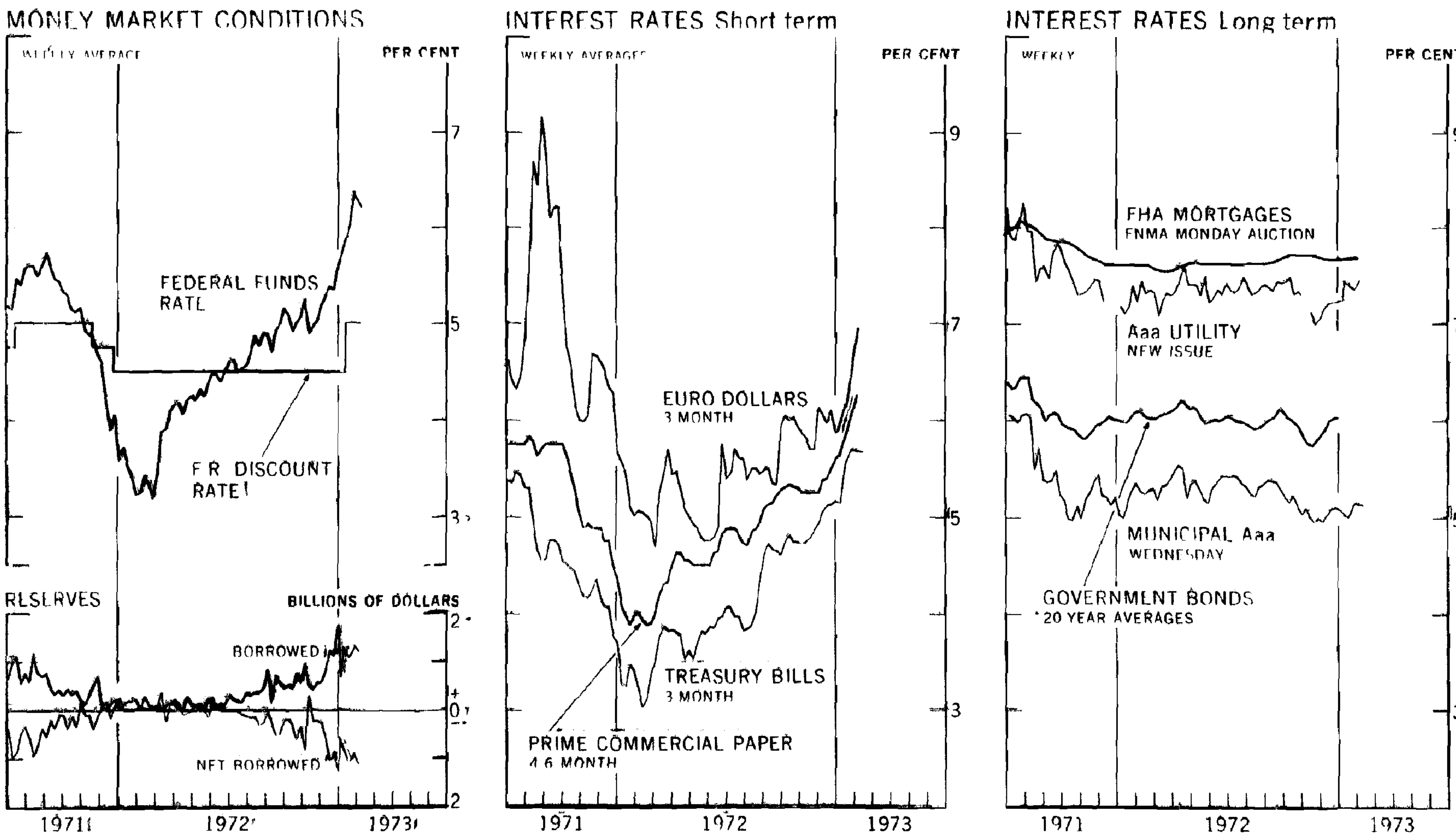


Table 1

STRICTLY CONFIDENTIAL (FR)

Bank Reserves

February 9, 1973

Period	Reserves Available for Private Nonbank Deposits: Seasonally Adjusted, Actual and Projected	Reserves Available for Private Nonbank Deposits: Not Seasonally Adjusted, Actual and Projected	Aggregate Reserves (Seasonally Adjusted): Total Reserves	Aggregate Reserves (Seasonally Adjusted): Nonborrowed Reserves	Required Reserves (Seasonally Adjusted): Private Demand	Required Reserves (Seasonally Adjusted): Time and Nondeposits	Required Reserves (Seasonally Adjusted): U.S. Gov't. and Interbank
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1972--Sept.	30,890	30,609	33,327	32,870	21,289	9,411	2,438
Oct.	30,973	30,830	33,832	33,295	21,263	9,473	2,859
Nov.	29,496	29,529	31,883	31,297	19,553	9,600	2,387
Dec.	28,862	29,211	31,309	30,063	18,883	9,739	2,447
1973--Jan.	29,418	30,391	32,249	30,855	19,248	9,900	2,832
Feb.	(29,195)	(29,268)	(31,678)	(30,268)	(18,985)	(10,031)	(2,484)
Annual Rates of Change							
1972--1st Qtr.	10.4		10.4	10.7	6.6	16.9	
2nd Qtr.	6.6		12.6	13.1	3.6	13.6	
3rd Qtr.	9.0		3.6	-0.8	7.8	16.1	
4th Qtr.	10.6		14.2	4.8	8.3	13.9	
1973--1st Qtr.	(9.5)		(5.0)	(0.5)	(6.5)	(16.5)	
1972--Sept.	12.9		-1.9	-6.1	8.8	20.6	
Oct.	3.2		18.2	15.5	-1.5	7.9	
Nov.	20.8		11.4	9.8	17.2	16.1	
Dec.	7.7		12.5	-10.9	9.2	17.4	
1973--Jan.	23.1		36.0	31.6	23.2	19.8	
Feb.	(-9.0)		(-21.0)	(-23.0)	(-16.5)	(16.0)	
Jan.-Feb.	(7.0)		(7.0)	(4.0)	(3.0)	(18.0)	
Weekly:							
1972--Nov. 1	30,999	31,044	33,856	33,301	21,269	9,521	2,857
8	30,910	30,879	33,825	32,570	21,241	9,552	2,915
15	29,665	29,860	31,950	31,347	19,442	9,572	2,285
22	28,546	28,463	30,748	30,372	18,621	9,630	2,203
29	28,750	28,805	30,836	30,448	18,777	9,647	2,086
Dec. 6	28,780	28,784	31,123	30,466	18,754	9,689	2,343
13	28,691	28,808	31,094	29,707	18,756	9,717	2,403
20	28,953	29,214	31,428	29,893	18,949	9,722	2,475
27	28,726	29,358	31,194	30,181	18,857	9,772	2,468
1973--Jan. 3	29,367	30,292	31,959	29,886	19,230	9,826	2,592
10	29,241	30,034	31,898	31,007	19,293	9,883	2,657
17	29,915	30,044	33,245	31,720	19,482	9,912	3,330
24	29,007	30,154	31,829	30,577	19,084	9,901	2,822
31	29,530	30,376	32,150	30,567	19,139	9,933	2,621
Feb. 7	29,106	29,529	31,586	30,263	19,008	9,969	2,480

NOTE: Data shown in parentheses are current projections.

1/ At the FOMC meeting January 16, 1973 the Committee agreed on an RPD range of 4-1/2 to 10-1/2 per cent.

Table 2

STRICTLY CONFIDENTIAL (FR)

Monetary Aggregates
(Actual and current projections, seasonally adjusted)

February 9, 1973

Period	Narrow Money Supply (M_1)	Broad Money Supply (M_2)	Adjusted Credit Proxy	U.S. Govt. Deposits	Total Time and Savings	Time deposits other than CD's	Negotiable CD's	Nondeposit Sources of Funds
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Monthly Pattern in Billions of Dollars							
1972--Sept.	250.1	512.1	394.5	5.1	301.9	262.0	39.8	4.1
Oct.	251.6	516.4	398.4	6.3	304.8	264.8	40.0	4.3
Nov.	252.7	519.8	401.9	6.9	308.4	267.1	41.2	4.3
Dec.	255.5	525.1	406.4	6.5	312.8	269.6	43.2	4.4
1973--Jan.	255.5	528.0	409.3	7.1	317.0	272.6	44.4	4.5
Feb.	(257.2)	(531.0)	(413.3)	(6.6)	(321.1)	(273.7)	(47.3)	(4.6)
	Annual Percentage Rates of Change--Quarterly and Monthly							
1972--1st Qtr.	9.2	12.7	11.0		15.4	16.1		
2nd Qtr.	6.1	8.5	11.5		14.8	10.8		
3rd Qtr.	8.2	10.3	9.8		14.0	12.3		
4th Qtr.	8.6	10.2	12.1		14.4	11.6		
1973--1st Qtr.	(5.5)	(7.0)	(7.0)		(14.5)	(9.0)		
1972--Sept.	7.2	8.7	9.5		12.0	10.2		
Oct.	7.2	10.1	11.9		11.5	12.8		
Nov.	5.2	7.9	10.5		14.2	10.4		
Dec.	13.3	12.2	13.4		17.1	11.2		
1973--Jan.	--	6.6	8.6		16.1	13.4		
Feb.	(8.0)	(7.0)	(11.5)		(15.5)	(5.0)		
Jan.-Feb.	(4.0)	(6.5)	(10.0)		(16.0)	(9.0)		
	Weekly Pattern in Billions of Dollars							
1972--Nov. 1	252.1	518.0	399.9	5.9	306.0	265.9	40.1	4.6
8	252.4	518.7	401.4	7.4	307.4	266.3	41.0	4.0
15	253.2	520.3	400.2	6.1	307.9	267.1	40.8	4.3
22	253.0	520.4	402.3	6.7	308.8	267.4	41.4	4.4
29	251.5	519.2	402.7	7.3	309.6	267.8	41.8	4.4
Dec. 6	254.1	522.1	404.2	7.5	310.0	268.0	42.0	4.4
13	253.9	522.0	403.9	6.2	311.2	268.2	43.0	4.2
20	256.5	525.9	406.3	5.9	312.8	269.4	43.4	4.4
27	256.9	527.3	407.9	6.1	314.3	270.4	43.9	4.6
1973--Jan. 3	258.2	530.2	412.0	8.6	315.5	272.0	43.5	4.4
10	254.6	526.2	407.4	7.2	315.6	271.6	44.0	4.1
17	255.7	528.5	409.4	6.8	316.7	272.8	43.9	4.6
24 p	255.1	528.0	409.3	6.9	317.5	272.9	44.5	4.7
31 p	254.4	527.9	409.8	6.7	319.0	273.4	45.5	4.7
Feb. 7 pe	255.6	528.5	410.6	5.7	320.1	272.9	47.2	4.4

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

Table 3

RESERVE EFFECTS OF
OPEN MARKET OPERATIONS AND OTHER RESERVE FACTORS
(Millions of dollars, not seasonally adjusted)

	Open Market Operations 1/					Daily Average Reserve Effect 2/			Δ in reserve categories		ΔTarget
	Bills & Accept.	Coupon Issues	Agency Issues	RP's Net 3/	Total	Open Market Operations	Δ Member Bank Borrowing	Other 4/ Factors	req. res. against U.S.G. and interb.	available res. 5/ (6)+(7)+(8)-(9)	available reserves 5/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Monthly											
1972 -- Aug.	-906	116	- 3	816	22	-238	237	135	-54	188	100
Sept.	-158	--	-35	-816	-1,009	-1,617	76	1,370	-395	224	405
Oct.	111	116	-22	--	205	1,124	59	-378	493	312	335
Nov.	-548	-51	157	--	-442	-226	32	-1,835	-651	-1,378	-1,520
Dec.	450	-135	134	147	596	- 25	443	-839p	-78	-343	-300
1973 -- Jan.	1,336	--	--	862	2,197	1,109	117	338p	278p	1,286p	995
Feb.											-715
Mar.											
Weekly											
Dec. 6	229	--	--	193	422	671	17	-407	302	-21	
13	288	--	-14	1,939	2,213	-428	216	271	35	24	
20	- 42	-135	--	-1,325	-1,502	507	416	-583	-66	406	
27	-294	--	149	-1,772	-1,918	-790	-103	926	-111	144	
Jan. 3	514	--	--	3,680	4,194	1,135	633	-605	229	934	
10	152	--	--	-2,375	-2,223	-150	-1,063	1,115	160	-258	
17	109	--	--	729	838	341	610	552	493	1010	
24	156	--	--	860	1,016	141p	-203p	-1,398p	-570p	-890p	
31	676	--	--	-581	95	884p	216p	-1,101p	-223p	222p	
Feb. 7	-561	--	--	-2,493	-3,055	-1,020p	- 80p	364p	111p	-847p	
14											
21											
28											

1/ Represents change in System's portfolio from end-of-period to end-of-period; includes redemptions in regular bill auctions.
2/ Represents change in daily average level from preceding period.
3/ Includes matched sale-purchase transactions as well as RP's.
4/ Sum of changes in vault cash, currency in circulation, Treasury operations, F.R. float, gold and foreign accounts, and other FR accounts.
5/ Reserves to support private nonbank deposits. Target change for January and February reflects the mid-point of the target range adopted at the January 16, 1973 FOMC meeting. Target change for previous months reflects the bluebook patterns that are consistent with the mid-points of target ranges that were adopted during the month.

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Table 4

SECURITY DEALER POSITIONS AND BANK RESERVES
Millions of Dollars

Period	U.S. Govt. Security Dealer Positions		Other Security Dealer Positions		Member Bank Reserve Positions				
	Bills	Coupon Issues	Corporate Bonds	Municipal Bonds	Excess Reserves	Borrowings at FRB	Net Free Reserves	Basic Reserve Deficit	
								8 New York	38 other
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1971 -- High	4,733	2,834	337	556	590	1,180	202	-4,714	-5,499
Low	1,350	343	0	30	- 61	84	-988	-1,545	-2,569
1972 -- High	4,291	1,585	235	383	796	1,223	380	-5,635	-5,720
Low	1,916	- 93	0	40	-133	12	-1,070	-1,638	-1,910
1972 -- Jan.	3,004	1,416	135	206	173	20	153	-2,667	-4,192
Feb.	2,408	1,176	149	136	124	33	91	-3,203	-3,072
Mar.	3,489	604	101	185	249	99	150	-3,208	-3,522
Apr.	2,612	274	46	99	136	109	27	-3,026	-3,299
May	2,792	675	123	134	104	119	-15	-2,625	-2,652
June	2,694	205	87	260	204	94	110	-2,828	-2,864
July	2,262	97	142	166	147	202	-55	-2,945	-2,603
Aug.	2,643	692	114	176	255	438	-183	-3,913	-2,801
Sept.	4,099	170	53	174	162	514	-352	-3,835	-4,024
Oct.	2,887	207	105	132	247	574	-327	-3,637	-4,044
Nov.	3,096	1,039	84	191	314	606	-292	-4,561	-3,622
Dec.	3,510	953	58	291	200p	1,050p	-850p	-4,977	-4,958
1973 -- Jan.	*3,407	* 720	27	177				-4,541p	-5,459p
Feb.									
1972 -- Dec. 6	3,899	938	85	322	336	589	-253	-4,233	-4,415
13	3,564	975	108	383	244	805	-561	-5,602	-4,647
20	3,114	849	19	260	206	1,221	-1,015	-4,899	-5,476
27	3,520	1,107	19	197	189	1,118	- 929	-4,781	-5,445
1973 -- Jan. 3	3,718	871	19	142	560	1,751	-1,191	-4,957	-5,116
10	3,212	843	37	150	126	688	-562	-5,189	-5,923
17	*3,606	* 652	16	193	341	1,298	- 957	-5,243	-6,044
24	*3,527	* 687	35	224**	15p	1,095p	-1,080p	-4,480	-5,599
31	*3,118	* 659	21	157	434p	1,311p	-877p	-3,286p	-4,793p
Feb. 7	*2,293	* 642	35p	120p	113p	1,231p	-1,118p	-3,783p	-5,512p
14									
21									
28									

Notes: Government Security dealer trading positions are on a commitment basis. Trading positions, which exclude Treasury bills financed by repurchase agreements maturing in 16 days or more, are indicators of dealer holdings available for sale over the near-term. Other security dealer positions are debt issues still in syndicate, excluding trading positions. The basic reserve deficit is excess reserves less borrowing at Federal Reserve less net Federal funds purchases. Weekly data are daily averages for statement weeks, except for corporate and municipal issues in syndicate which are Friday figures.

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** Includes $132 million of Washington Metropolitan Transit Authority bonds.

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Table 5
SELECTED INTEREST RATES

Per cent

Periods	Short-term					Long-term			
	Federal Funds	Treasury bills		90-119 day Commercial Paper	90-119 day CD's Prime-NYC	New Issue Aaa Utility	Municipal Bond Buyer	U.S. Gov't. (10-Yr. Constant Maturity)	FNMA Auction Yields
		90-day	1-year						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1971 -- High	5.73	5.47	5.94	5.88	5.75	8.26	6.23	6.89	8.07
Low	3.29	3.32	3.53	4.00	3.63	7.02	4.97	5.42	7.32
1972 -- High	5.38	5.13	5.52	5.50	5.50	7.60	5.54	6.58	7.72
Low	3.18	3.03	3.60	3.75	3.50	6.99	4.96	5.87	7.54
1972 -- Jan.	3.50	3.38	3.82	4.03	3.81	7.21	5.12	5.95	7.61
Feb.	3.29	3.20	4.06	3.81	3.53	7.34	5.29	6.08	7.61
Mar.	3.83	3.73	4.43	4.10	3.98	7.24	5.31	6.07	7.55
Apr.	4.17	3.71	4.65	4.55	4.47	7.45	5.43	6.19	7.58
May	4.27	3.69	4.46	4.45	4.33	7.38	5.31	6.13	7.63
June	4.46	3.91	4.71	4.60	4.50	7.32	5.34	6.11	7.62
July	4.55	3.98	4.90	4.83	4.75	7.38	5.41	6.11	7.62
Aug.	4.80	4.02	4.90	4.75	4.78	7.37	5.30	6.21	7.63
Sept.	4.87	4.66	5.44	5.07	5.00	7.40	5.36	6.55	7.64
Oct.	5.04	4.74	5.39	5.21	5.19	7.38	5.19	6.48	7.71
Nov.	5.06	4.78	5.20	5.18	5.13	7.09	5.02	6.28	7.70
Dec.	5.33	5.07	5.28	5.40	5.38	7.15	5.05	6.36	7.67
1973 -- Jan.	5.94	5.41	5.58	5.76	5.75	7.38	5.05	6.47	7.68
Feb.									
1972 -- Dec. 6	5.17	4.94	5.25	5.28	5.25	7.15	4.96	6.31	--
13	5.29	5.05	5.27	5.28	5.25	7.21	5.03	6.35	7.67
20	5.38	5.12	5.21	5.45	5.38	--	5.10	6.40	--
27	5.34	5.13	5.31	5.50	5.50	--	5.11	6.40	7.67
1973 -- Jan. 3	5.61	5.16	5.45	5.63	5.50	--	5.08	6.42	--
10	5.66	5.15	5.42	5.63	5.63	7.29	5.03	6.43	7.68
17	5.86	5.29	5.50	5.70	5.75	7.45	5.00	6.46	--
24	6.03	5.58	5.58	5.85	5.88	7.40	5.08	6.50	7.68
31	6.35	5.70	5.87	5.93	6.00	7.36	5.16	6.57r	--
Feb. 7	6.21	5.68	5.96	6.13	6.25	7.46	5.16	6.64p	7.69
14									
21									
28									

Notes: Weekly data for columns 1 to 4 are statement week averages of daily data. Column 5 is a one-day Wendesday quote. For columns 6 and 8 the weekly data is the mid-point of the calendar week over which data are averaged. Column 7 is a one-day quote for the Thursday following the end of the statement week. Column 9 gives FNMA auction data for the Monday preceding the end of the statement week. The FNMA auction yield is the implicit yield in weekly or bi-weekly auction for short-term forward commitments for Government underwritten mortgages.

Appendix Table I

CONFIDENTIAL (FR)

RESERVES AND MONETARY VARIABLES

February 9, 1973

Period	Reserves: Total	Reserves: Nonborrowed	Reserves: Available to Support Pvt. Deposits	Money Stock Measures: M_1	Money Stock Measures: M_2	Money Stock Measures: M_3	Bank Credit Measures: Adjusted Credit Proxy	Bank Credit Measures: Total Loans and Investments	Other: Total Time	Other: Time Other than CD's	Other: Thrift Institution Deposits	Other: CD's	Other: Nondeposit Funds	Other: U.S. Gov't. Demand
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
				(Per Cent Annual Rates of Growth)								(Dollar Change in Billions)		
Annually:														
1968	+7.5	+5.3	+8.1	+7.8	+9.3	+8.3	+9.5	+11.0	+11.5	+11.2	+6.4	+2.9	+2.6	-0.6
1969	-1.1	-2.8	-1.7	+3.6	+2.6	+2.9	+0.4	+3.9	-4.8	+1.4	+3.5	-12.4	+13.0	+0.5
1970	+6.1	+9.6	+8.6	+6.0	+8.4	+8.0	+8.2	+8.1	+17.9	+11.1	+7.7	+14.4	-8.4	+1.1
1971	+7.2	+8.1	+7.2	+6.6	+11.4	+13.5	+9.4	+11.3	+18.2	+16.7	+17.5	+7.7	-7.6	-0.3
1972	+10.6	+7.1	+9.7	+8.3	+10.8	+12.9	+11.6	+14.0	+15.5	+13.3	+16.7	+10.1	+0.4	+0.4
Semi-Annually:														
1st Half 1970	+0.5	+4.3	+5.0	+6.1	+5.7	+4.8	+5.0	+5.2	+7.7	+5.1	+3.5	+2.8	+7.2	+1.0
2nd Half 1970	+11.5	+14.6	+11.8	+5.7	+10.8	+10.9	+11.1	+10.8	+27.0	+16.7	+11.8	+11.6	-9.1	+0.1
1st Half 1971	+9.7	+9.6	+10.7	+10.1	+14.9	+16.4	+10.1	+11.5	+21.6	+20.0	+19.6	+4.3	-7.1	-1.4
2nd Half 1971	+4.4	+6.3	+3.4	+3.0	+7.4	+9.8	+8.4	+10.6	+13.4	+12.1	+14.0	+3.4	-0.4	+1.1
1st Half 1972	+11.7	+12.1	+8.6	+7.7	+10.8	+13.0	+11.4	+12.8	+15.4	+13.7	+17.3	+4.4	-0.3	--
2nd Half 1972	+9.0	+2.0	+10.4	+8.5	+10.3	+12.1	+11.1	+14.2	+14.5	+12.1	+14.8	+5.7	+0.6	+0.4
Quarterly:														
1st Qtr. 1971	+9.0	+8.9	+10.1	+8.9	+17.1	+18.0	+10.8	+12.3	+28.4	+26.1	+21.1	+3.0	-4.6	-2.6
2nd Qtr. 1971	+10.2	+10.1	+11.1	+11.1	+12.1	+14.1	+9.1	+10.3	+13.7	+13.1	+17.1	+1.3	-2.6	+1.2
3rd Qtr. 1971	+6.5	+6.6	+3.2	+4.1	+6.0	+8.9	+6.7	+9.7	+9.8	+8.0	+14.2	+1.7	-0.4	+1.1
4th Qtr. 1971	+2.3	+6.0	+3.6	+1.9	+8.7	+10.5	+9.8	+11.1	+16.6	+15.9	+13.3	+1.8	--	--
1st Qtr. 1972	+10.4	+10.7	+10.4	+9.2	+12.7	+14.9	+11.0	+15.7	+15.4	+16.1	+19.7	+0.8	-0.3	-0.4
2nd Qtr. 1972	+12.6	+13.1	+6.6	+6.1	+8.5	+10.7	+11.5	+9.5	+14.8	+10.8	+14.3	+3.7	--	+0.5
3rd Qtr. 1972	+3.6	-0.8	+9.9	+8.2	+10.3	+12.3	+9.8	+13.6	+14.0	+12.3	+16.2	+2.4	+0.4	-1.1
4th Qtr. 1972	+14.2	+4.8	+10.6	+8.6	+10.2	+11.5	+12.1	+14.4	+14.4	+11.6	+13.0	+3.3	+0.3	+1.4
1971: July	+4.6	-0.1	+5.1	+8.3	+8.4	+10.9	+8.2	+6.2	+11.3	+8.6	+15.1	+0.8	-0.2	--
Aug.	+2.2	-4.7	+8.7	+2.6	+5.0	+8.1	+4.8	+11.9	+7.5	+8.0	+12.9	+0.1	-0.4	+0.6
Sept.	+12.5	+24.6	-4.3	+1.5	+4.7	+7.7	+7.1	+10.9	+10.2	+7.4	+14.3	+0.7	+0.1	+0.5
Oct.	-5.5	-2.4	+5.7	+4.1	+9.3	+11.0	+7.4	+11.9	+17.1	+14.7	+14.2	+0.8	+0.8	-1.2
Nov.	+4.0	+3.3	+5.3	-0.5	+7.7	+9.6	+10.1	+6.2	+13.2	+16.1	+12.5	-0.1	+0.5	-0.2
Dec.	+8.4	+17.2	-0.3	+2.0	+8.9	+10.6	+11.6	+14.9	+18.9	+16.4	+12.8	+1.0	-1.3	+1.4
1972: Jan.	+21.8	+26.7	+11.0	+1.0	+10.4	+13.2	+9.2	+14.2	+17.7	+19.2	+23.3	+0.1	-0.1	+0.2
Feb.	-5.2	-5.7	+6.5	+14.7	+15.1	+16.8	+7.2	+12.4	+16.2	+15.4	+16.6	+0.6	-0.3	-1.7
Mar.	+14.5	+11.0	+13.4	+11.5	+12.4	+14.2	+16.2	+19.9	+11.6	+13.2	+18.2	+0.1	+0.1	+1.1
Apr.	+22.1	+21.7	+6.8	+8.0	+7.9	+10.7	+12.2	+5.4	+12.8	+7.8	+13.4	+1.5	-0.2	+1.1
May	+8.8	+9.4	+3.9	+4.0	+8.3	+10.1	+15.6	+20.0	+18.2	+13.0	+12.6	+1.5	+0.2	+0.7
June	+6.4	+8.0	+9.0	+6.4	+9.2	+11.1	+6.6	+2.3	+12.9	+11.4	+16.4	+0.7	--	-1.3
July	+5.2	+2.9	+6.9	+12.7	+12.5	+13.8	+10.0	+10.2	+13.6	+12.3	+16.7	+0.8	+0.1	-1.0
Aug.	+7.6	+0.7	+9.7	+4.4	+9.3	+11.6	+9.6	+18.3	+15.9	+14.0	+14.9	+0.8	+0.3	-0.7
Sept.	-1.9	-6.1	+12.9	+7.2	+8.7	+11.2	+9.5	+11.9	+12.0	+10.2	+16.3	+0.8	-0.1	+0.6
Oct.	+18.2	+15.5	+3.2	+7.2	+10.1	+12.0	+11.9	+11.4	+11.5	+12.8	+14.5	+0.2	+0.2	+1.2
Nov.	+11.4	+9.8	+20.8	+5.2	+7.9	+9.8	+10.5	+20.6	+14.2	+10.4	+12.1	+1.2	--	+0.6
Dec.	+12.5	-10.9	+7.7	+13.3	+12.2	+12.2	+13.4	+10.7	+17.1	+11.2	+11.9	+1.9	+0.1	-0.4
1973: Jan. p	+36.0	+31.6	+23.1	--	+6.6	+9.5	+8.6	+18.3	+16.1	+13.4	+17.2	+1.2	+0.1	+0.5

NOTE: Reserve requirements on Eurodollar borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970.

Appendix Table II

CONFIDENTIAL (FR)

RESERVES AND MONETARY VARIABLES
(Seasonally adjusted, billions of dollars)

February 9, 1973

	Reserves			Money Stock Measures				Bank Credit Measures			Other				
				M_1											
Period	Total	Non-borrowed	Available to Support Pvt. Deposits	Total	Pvt. Dep.	M_2	M_3	Adjusted Credit Proxy	Total Loans and Investments	Total Time	Time Other than CD's	Thrift Institution Deposits	CD's	Non-Deposit Funds	U.S. Gov't. Demand
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Annually:															
Dec. 1968	27,219	26,416	24,791	201.6	158.2	382.5	577.2	306.6	390.6	204.2	180.9	194.7	23.3	7.0	4.9
Dec. 1969	27,959	26,699	25,339	208.8	162.7	392.3	594.0	307.7	406.0	194.4	183.5	201.7	10.9	20.0	5.3
Dec. 1970	29,121	28,727	26,975	221.3	172.2	425.2	641.3	332.9	438.9	229.2	203.9	216.1	25.3	11.6	6.5
Monthly:															
1971--July	30,654	30,103	28,544	234.1	182.6	460.0	700.1	352.1	466.5	256.3	225.9	240.1	30.4	4.3	5.1
Aug.	30,710	29,986	28,752	234.6	182.9	461.9	704.8	353.5	471.1	257.9	227.4	242.8	30.5	3.9	5.7
Sept.	31,031	30,600	28,649	234.9	183.0	463.7	709.3	355.6	475.4	260.1	228.8	245.6	31.3	4.1	6.2
Oct.	30,889	30,539	28,786	235.7	183.5	467.3	715.8	357.8	480.1	263.8	231.6	248.5	32.1	4.8	5.0
Nov.	30,992	30,622	28,914	235.6	183.3	470.3	721.5	360.8	482.6	266.7	234.7	251.3	32.1	5.4	4.8
Dec.	31,209	31,060	28,907	236.0	183.4	473.8	727.7	364.3	488.6	270.9	237.9	253.8	33.0	4.0	6.1
1972--Jan.	31,776	31,751	29,172	236.2	183.3	477.9	735.7	367.1	494.4	274.9	241.7	257.8	33.2	4.0	6.3
Feb.	31,639	31,601	29,329	239.1	185.8	483.9	746.0	369.3	499.5	278.6	244.8	262.1	33.7	3.6	4.6
Mar.	32,021	31,891	29,656	241.4	187.7	488.9	754.8	374.3	507.8	281.3	247.5	265.9	33.8	3.7	5.7
Apr.	32,612	32,467	29,824	243.0	189.1	492.1	761.5	378.1	510.1	284.3	249.1	269.4	35.2	3.5	6.8
May	32,852	32,720	29,920	243.8	189.6	495.5	767.9	383.0	518.6	288.6	251.8	272.4	36.8	3.7	7.5
June	33,027	32,938	30,144	245.1	190.7	499.3	775.0	385.1	519.8	291.7	254.2	275.7	37.5	3.8	6.2
July	33,171	33,018	30,317	247.7	193.1	504.5	783.9	388.3	524.2	295.0	256.8	279.5	38.3	3.9	5.2
Aug.	33,381	33,038	30,562	248.6	193.8	508.4	791.5	391.4	532.2	298.9	259.8	283.1	39.1	4.2	4.5
Sept.	33,327	32,870	30,890	250.1	194.8	512.1	798.9	394.5	537.5	301.9	262.0	286.8	39.8	4.1	5.1
Oct.	33,832	33,295	30,973	251.6	195.9	516.4	806.9	398.4	542.6	304.8	264.8	290.5	40.0	4.3	6.3
Nov.	31,883	31,297	29,496	252.7	196.5	519.8	813.5	401.9	551.9	308.4	267.1	293.7	41.2	4.3	6.9
Dec.	31,309	30,063	28,862	255.5	198.7	525.1	821.8	406.4	556.8	312.8	269.6	296.7	43.2	4.4	6.5
1973--Jan.p	32,249	30,855	29,418	255.5	198.4	528.0	828.3	409.3	565.3	317.0	272.6	300.2	44.4	4.5	7.1
Weekly:															
1972--Nov. 1	33,856	33,301	30,999	252.1	196.7	518.0		399.9		306.0	265.9		40.1	4.6	5.9
8	33,825	32,570	30,910	252.4	196.2	518.7		401.4		307.4	266.3		41.0	4.0	7.4
15	31,950	31,347	29,665	253.2	197.1	520.3		400.2		307.9	267.1		40.8	4.3	6.1
22	30,748	30,372	28,546	253.0	196.6	520.4		402.3		308.8	267.4		41.4	4.4	6.7
29	30,836	30,448	28,750	251.5	195.4	519.2		402.7		309.6	267.8		41.8	4.4	7.3
Dec. 6	31,123	30,466	28,780	254.1	197.7	522.1		404.2		310.0	268.0		42.0	4.4	7.5
13	31,094	29,707	28,691	253.9	197.2	522.0		403.9		311.2	268.2		43.0	4.2	6.2
20	31,428	29,893	28,953	256.5	199.7	525.9		406.3		312.8	269.4		43.4	4.4	5.9
27	31,194	30,181	28,726	256.9	199.7	527.3		407.9		314.3	270.4		43.9	4.6	6.1
Jan. 3	31,959	29,886	29,367	258.2	200.8	530.2		412.0		315.5	272.0		43.5	4.4	8.6
10	31,898	31,007	29,241	254.6	197.4	526.2		407.4		315.6	271.6		44.0	4.1	7.2
17	33,245	31,720	29,915	255.7	198.7	528.5		409.4		316.7	272.8		43.9	4.6	6.8
24 p	31,829	30,577	29,007	255.1	198.1	528.0		409.3		317.5	272.9		44.5	4.7	6.9
31 p	31,150	30,567	29,530	254.4	197.7	527.9		409.8		319.0	273.4		45.5	4.7	6.7

NOTE: 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. Weekly data are not available for M_3, total loans and investments and thrift institution deposits.

p = Preliminary.