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Content last modified 6/05/2009.

February 14, 1975

STRICTLY CONFIDENTIAL (FR) Class I FOMC

MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the Staff

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

STRICTLY CONFIDENTIAL (FR)
Class I - FOMC

February 14, 1975

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) M_1 contracted at an annual rate of about 9½ per cent in January, and, with recent data suggesting only modest growth in February, a net contraction in M_1 during the two-month target period now seems likely, as the table shows. Flows into time deposits other than money market CD's have been generally well sustained, but, with M_1 weak,

Growth of Monetary Aggregates and RPD's in January-February Period 1/

Reserve and Monetary Aggregates (Growth at SAAR in per cent)	Range of Tolerance	Latest Estimates	
M_1	3½--6½	-2.3	
M_2	7 --10	4.7	
RPD	6¼--9¼	4.6	
MEMO:		Ave. for statement week ending	
Federal Funds rate (per cent per annum)	6¼--7¼ 2/	Jan. 22	7.17
		29	6.99
		Feb. 5	6.46
		12	6.28

1/ These figures do not incorporate the regular quarterly benchmark revision of monetary aggregates that will be published this coming Thursday. Revisions in the series (based in large part on the October call report) were relatively minor; the December level for M_1 was raised by about $500 million and the rate of growth for M_1 in 1974 was raised from 4.6 to 4.7 per cent. All tables on subsequent pages of this report (with the exception of Tables 1 and 2 following the charts) are based on the new series. The new and old series are compared in appendix table V.

2/ The range shown reflects the reduction in the lower limit from 6½ per cent on February 6.

M_2 appears to be growing at only about a 4½ per cent annual rate in the January-February target period--also well below the lower end of the Committee's range of tolerance. In the face of continued weak loan demands, banks have reduced their reliance on non-deposit sources of funds since year-end and have not pressed aggressively to issue large CD's. As a result, the bank credit proxy is expected to show very little growth during the January-February period.

(2) Immediately after the January FOMC meeting, the Account Manager began providing reserves with a view to achieving an average Federal funds rate around 7 per cent. When incoming data showed the monetary aggregates expanding at annual rates below the lower ends of the Committee's ranges of tolerance, however, the Desk moved to ease money market conditions. As a result, by the statement week ending February 5, the prevailing funds rate had declined to about 6½ per cent, the lower limit of the range of tolerance agreed upon at the January meeting. On February 5, the Committee concurred in the Chairman's recommendation to reduce the lower limit of the funds rate constraint to 6¼ per cent, and in the statement week just ended the average rate was 6.28 per cent, As the funds rate dropped, member banks reduced borrowings from the discount window further to near minimal levels; in the first two weeks of February such borrowing averaged about $95 million--more than half of which was special, longer-run borrowing--as compared with an average of around $400 million in January.

(3) The further decline in the Federal funds rate, and the February 3 reduction in the discount rate to 6¾ per cent, have contributed to sharp reductions in other short-term interest rates as well. These declines have ranged generally from 50 to 100 basis points since the last Committee meeting. Rates on private short-term instruments have registered the largest changes and are now 200-300 basis points below their year end levels. The 3-month Treasury bill has traded most recently around 5.45 per cent. Although the rate on prime business loans at leading banks has also been reduced during the inter-meeting period, the level now prevailing at most key banks is 8¾ or 9 per cent; this is high relative to the 6-3/8 per cent rate on 90-119 day commercial paper.

(4) The large inter-meeting declines in short-term rates have contributed to a strong rally in long-term securities markets. As a result, yields on corporate and municipal bonds are now 40-60 basis points below their mid-January levels. In the market for longer-term Treasury issues, yields have also moved lower, notwithstanding the Treasury's enlargement of its February refinancing to raise new money and the very heavy volume of Federal deficit financing forecast for the weeks and months ahead by the new Federal Budget. The new note and bond issues offered in the Treasury refinancing were all well received and have most recently traded at premiums as much as 1 point above the average prices at which they were initially auctioned.

(5) Savings flows to non-bank thrift institutions--like those to banks--have displayed significant growth in January. However, with mortgage demands remaining weak, these expanded flows have been used for the most part to repay debt and rebuild liquid asset holdings. The

growth in savings flows, along with the continued modest volume of new mortgage demands and the general decline in other interest rates, has resulted in further reductions of some 40 basis points in conventional mortgage rates since the turn of the year.

(6) The table on the following page shows (in percentage annual rates of change) selected monetary and financing flows over various recent time periods. Appendix table III compares money supply growth rates computed on a quarterly-average basis with those computed on a last-month-of-quarter basis. Projected figures on the two bases are shown in Appendix table IV for the alternatives presented in the next section.

	Calendar Year	Past Twelve Months	Past Six Months	Past Three Months	Past Month
	1974	Jan.'75 over Jan.'74	Jan.'75 over July '74	Jan.'75 over Oct.'74	Jan.'75 over Dec.'74
Total reserves	8.6	6.6	4.2	8.2	10.0
Nonborrowed reserves	10.6	8.7	21.6	24.7	20.9
Reserves available to support private nonbank deposits	8.8	8.5	3.7	1.6	1.4
Concepts of Money (Revised Series)					
M_1 (currency plus demand deposits) 1/	4.7	4.1	1.1	-.1	-9.3
M_2 (M_1 plus time deposits at commercial banks other than large CD's)	7.4	7.0	5.4	5.1	2.9
M_3 (M_2 plus deposits at thrift institutions)	6.7	6.6	5.6	6.4	5.4
Bank Credit					
Total member bank deposits (bank credit proxy adj.)	10.2	9.4	4.5	5.5	3.6
Loans and investments of commercial banks 2/	8.3	7.5	.1	-.2	8.2
Short-term Market Paper					
(Monthly average change in billions)					
Large CD's	2.2	2.2	1.6	2.2	2.6
Nonbank commercial paper	.4	.3	.4	.2	-.6

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

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

NOTE: All items are based on average of daily figures, except for data on total loans and investments of commercial banks, commercial paper, and thrift institutions--which are derived from either end-of-month or last Wednesday-of-month figures. Growth rates for reserve measures in this and subsequent tables are adjusted to remove the effect of discontinuities from breaks in the series when reserve requirements are changed.

Prospective developments

(7) Alternative policy specifications are summarized below for Committee consideration (with more detailed data shown in the table on p. 6a).

	Alt. A	Alt. B	Alt. C	Alt. D
Range of tolerance for Feb.-March				
M_1	6-8	5½-6½	5-7	4½-6½
M_2	7½-9½	6½-8½	6-8	5½-7½
RPD	1¼-3¼	¼-2¼	-½--1½	-1¼-.¾
Federal funds rate (inter-meeting range)	4-5	4¾-5¾	5½-6½	6-7
Longer-run growth rates 1/				
M_1				
June'74-June'75	7½	6¾	6½	6
Dec.'74-June'75	6	4½	3½	2¾
Dec.'74-Sept.'75	8	6	5	4¼
M_2				
June'74-June'75	7½	6¾	6½	6
Dec.'74-June'75	9¼	7½	6¾	6¼
Dec.'74-Sept.'75	10¾	8½	7¾	7

1/ Figures shown assume staff GNP projection for first three quarters of 1975, and Federal funds rate behavior as described in the paragraphs below.

(8) The specifications in the preceding paragraph assume not only that staff GNP projections for the first three quarters of the year are realized but also that a more normal relationship is re-established between the transactions demand for money, narrowly defined, and

Alternative Longer-Run Growth Rates for Key Monetary Aggregates

		M_1 Alt. A	M_1 Alt. B	M_1 Alt. C	M_1 Alt. D	M_2 Alt. A	M_2 Alt. B	M_2 Alt. C	M_2 Alt. D	M_3 Alt. A	M_3 Alt. B	M_3 Alt. C	M_3 Alt. D
1975	Jan.	282.1	282.1	282.1	282.1	615.8	615.8	615.8	615.8	959.4	959.4	959.4	959.4
	Feb.	283.5	283.4	283.4	283.3	619.5	619.4	619.2	619.1	966.0	965.8	965.7	965.6
	Mar.	285.4	285.1	284.9	284.7	624.6	623.5	623.0	622.6	974.6	973.5	972.7	972.2
	June	293.0	290.5	289.4	288.3	642.6	637.6	635.2	633.3	1005.7	999.3	995.5	992.5
	Sept.	301.6	297.0	295.3	293.4	664.1	653.9	649.9	646.4	1040.4	1027.3	1020.5	1015.1
							Growth Rates						
1975	1st Q.	1.5	1.1	0.8	0.6	6.7	6.0	5.7	5.4	8.2	7.7	7.4	7.2
	2nd Q.	10.7	7.6	6.3	5.1	11.5	9.0	7.8	6.9	12.8	10.6	9.4	8.4
	3rd Q.	11.7	9.0	8.2	7.1	13.4	10.2	9.3	8.3	13.8	11.2	10.0	9.1
	Feb.	6.0	5.5	5.5	5.1	7.2	7.0	6.6	6.4	8.3	8.0	7.9	7.8
	Mar.	8.0	7.2	6.4	5.9	9.9	7.9	7.4	6.8	10.7	9.6	8.6	8.2

		Credit Proxy Alt. A	Credit Proxy Alt. B	Credit Proxy Alt. C	Credit Proxy Alt. D	M_2^1 1/ Alt. A	M_2^1 Alt. B	M_2^1 Alt. C	M_2^1 Alt. D
1975	Jan.	495.8	495.8	495.8	495.8	708.7	708.7	708.7	708.7
	Feb.	495.6	495.5	495.4	495.3	712.8	712.7	712.5	712.4
	Mar.	499.5	498.8	498.3	498.0	718.5	717.3	716.8	716.2
	June	513.5	510.3	508.4	506.7	738.1	732.9	730.3	727.9
	Sept.	530.6	524.1	521.0	517.8	761.3	750.7	746.4	742.1
					Growth Rates				
1975	1st Q.	4.2	3.6	3.2	3.0	7.9	7.2	6.9	6.6
	2nd Q.	11.2	9.2	8.1	7.0	10.9	8.7	7.5	6.5
	3rd Q.	13.3	10.8	9.9	8.8	12.8	9.7	8.8	7.8
	Feb.	-0.5	-0.7	-1.0	-1.2	6.9	6.8	6.4	6.3
	Mar.	9.4	8.0	7.0	6.5	9.6	7.7	7.2	6.4

1/ M_2^1 is defined as M_2 plus CD's.

nominal GNP. In particular a rebound in money demand is anticipated for the weeks immediately ahead following the unusually large contraction of recent weeks--an expectation that is supported in some degree by the early February data. Thus, M_1 growth is expected to be fairly substantial under any of the alternatives in the February-March period.

(9) Of the alternatives shown, alternative A encompasses the 6 per cent annual growth rate for M_1 specified by the Committee at its last meeting in its longer-run targets for the first half of '75. This alternative also shows a 9¼ per cent growth rate for M_2, slightly higher than the rate specified by the Committee last time. The projected relationship between M_1 and M_2 is changed because a further decline in market interest rates is now assumed to be necessary if the indicated M_1 growth rate is to be attained by mid-year, and that should result in larger inflows of consumer-type time and savings deposits.

(10) Given the January shortfall in M_1 and the sharply weaker economy now projected by the staff for the first and second quarters of this year, we would expect it to be necessary for the Federal funds rate to decline to around the middle of a 4-5 per cent range between now and mid-March if the growth in the aggregates as shown under alternative A were to be attained. Some further decline in the funds rate might be needed by early spring.

(11) So steep a drop in interest rates would have a very substantial cumulative impact on the demand for money, narrowly and broadly defined. By the second quarter, the staff would expect M_1 growth, for example, to be at about a 10 per cent annual rate, and to accelerate further in the third quarter when a sharp recovery in GNP is projected.

Thus, over the first nine months of the year, this alternative implies an 8 per cent annual rate of growth in M_1. If the Committee should wish to get back on the 6 per cent growth trend after mid-year, a sharp rise in interest rates would be necessary during the late spring and summer.

(12) The specifications of alternative B involve attainment of a 6 per cent rate of growth in M_1 by September, rather than by mid-year. With the target horizon stretched out, interest rates are likely to decline more moderately over the near-term, and the later upward movement is likely to be more delayed and probably less sharp. The annual growth rate for M_1 over the first half of this year under this alternative would be around 4½ per cent, while M_2 would expand at about a 7½ per cent rate.

(13) Alternative B contemplates a further decline in the Federal funds rate over the next few weeks to about the middle of a 4¾-5¾ per cent range. Further significant declines in the funds rate in the spring may not prove necessary, assuming that GNP is no weaker than projected for the first half of this year and that the sharp expansion in economic activity projected for the third quarter develops.

(14) Private short-term credit demands are expected to remain weak into early spring, but the Treasury is likely to borrow an additional $15-$18 billion of new cash between now and mid-April. The provision of bank reserves and easing of money market conditions needed to sustain growth in the monetary aggregates, as specified in alternative B, should, at least over the near-term, permit the new Treasury debt to be absorbed at declining interest rates, though the reductions may be modest. The

3-month bill rate could drop by about ½ percentage point to around 5 per cent between now and the next Committee meeting. Given the shift in borrowing demands from private sectors to the Treasury, private short-term rates may decline more. Longer-term rates may show rather modest further declines, however, since corporate and state and local government demands on bond markets are expected to remain sizable.

(15) Alternative C contemplates a smaller reduction in the funds rate than alternative B and hence a less rapid growth in the monetary aggregates between now and the end of summer. Under this alternative, M_1 is indicated to expand at an annual rate of about 5 per cent over the first nine months of the year. By the time the year is over, M_1 may have grown at near a 6 per cent rate under this alternative if economic activity in the second half of the year turns out to be as strong as projected in the Green Book.

(16) Under alternative C, the funds rate would be expected to decline to around 6 per cent--the mid-point of the range shown in paragraph (7)--or a little below, between now and the next Committee meeting. Such a decline is probably not much more than the market has already discounted. As a result, interest rates may decline little further over the next few weeks under this alternative. Moreover, the weight of Treasury financings could place upward pressure on the rate structure rather soon.

(17) Under alternative D, which involves money market conditions in the neighborhood of those prevailing on average in the period since the last meeting, M_1 would grow at a rate of about 4 per cent over the first nine months of the year. If the funds rate was around the 6½ per cent mid-point of the range shown for that alternative, market rates would probably rise--possibly sharply in the Treasury market--in the weeks immediately ahead. Net inflows of savings to thrift institutions would not be likely to strengthen from their recent pace, and might slacken somewhat--which would tend to limit the extent of recovery in housing. In general, prospective market developments under this alternative may have implications for the projected pattern of economic recovery in the second half of the year.

Proposed directive

(18) Presented below are four alternative formulations for the operational paragraph of the directive, which are intended to correspond to the similarly lettered policy alternatives discussed in the preceding section. In all four alternatives, it is proposed to delete the reference to Treasury financing--because the quarterly financing announced on January 22 has been completed--and the Board's action on reserve requirements.

Alternative A

To implement this policy, while taking account of ~~the forthcoming-Treasury-financing,~~ developments in domestic and international financial markets, ~~and-the-Board's-action-on reserve-requirements,~~ the Committee seeks to achieve bank reserve and money market conditions consistent with more rapid growth in monetary aggregates over the months ahead than has occurred in recent months.

Alternative B

To implement this policy, while taking account of ~~the forthcoming-Treasury-financing,~~ developments in domestic and international financial markets, ~~and-the-Board's-action-on reserve-requirements,~~ the Committee seeks to achieve bank reserve and money market conditions consistent with SOMEWHAT more rapid growth in monetary aggregates over the months ahead than has occurred in recent months.

Alternative C

To implement this policy, while taking account of ~~the forthcoming Treasury financing;~~ developments in domestic and international financial markets, ~~and the Board's action on reserve requirements;~~ the Committee seeks to achieve bank reserve and money market conditions consistent with ~~more rapid~~ MODERATE growth in monetary aggregates over the months ahead ~~than has occurred in recent months.~~

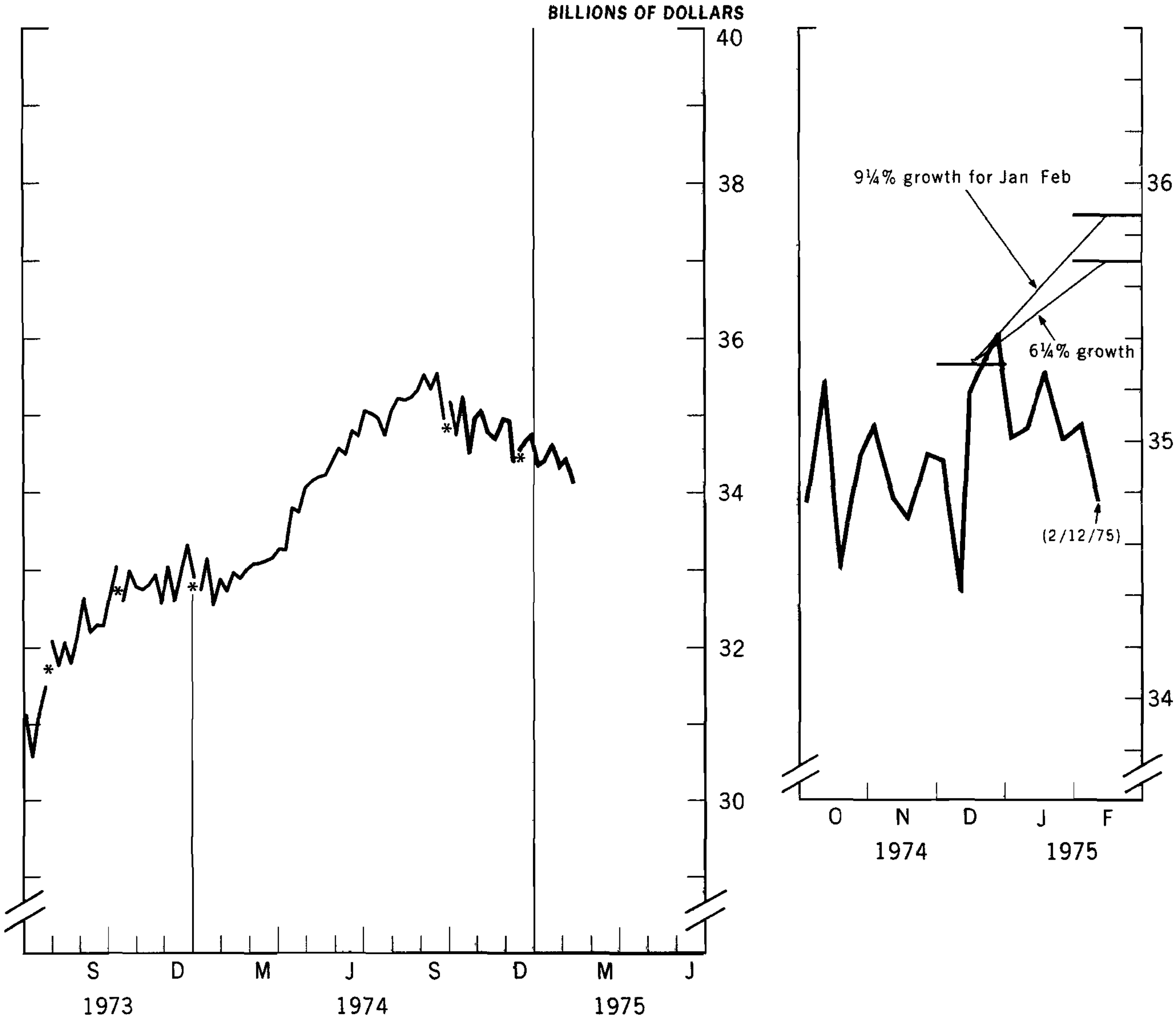
Alternative D

To implement this policy, while taking account of ~~the forthcoming Treasury financing;~~ developments in domestic and international financial markets, ~~and the Board's action on reserve requirements;~~ the Committee seeks to achieve bank reserve and money market conditions consistent with ~~more rapid~~ MODEST growth in monetary aggregates over the months ahead ~~than has occurred in recent months.~~

CHART 1

CONFIDENTIAL (FR)
CLASS II—FOMC
2/14/75

RESERVES AVAILABLE TO SUPPORT PRIVATE NONBANK DEPOSITS



*Break In Series Due To Changes In Reserve Requirements

MONETARY AGGREGATES

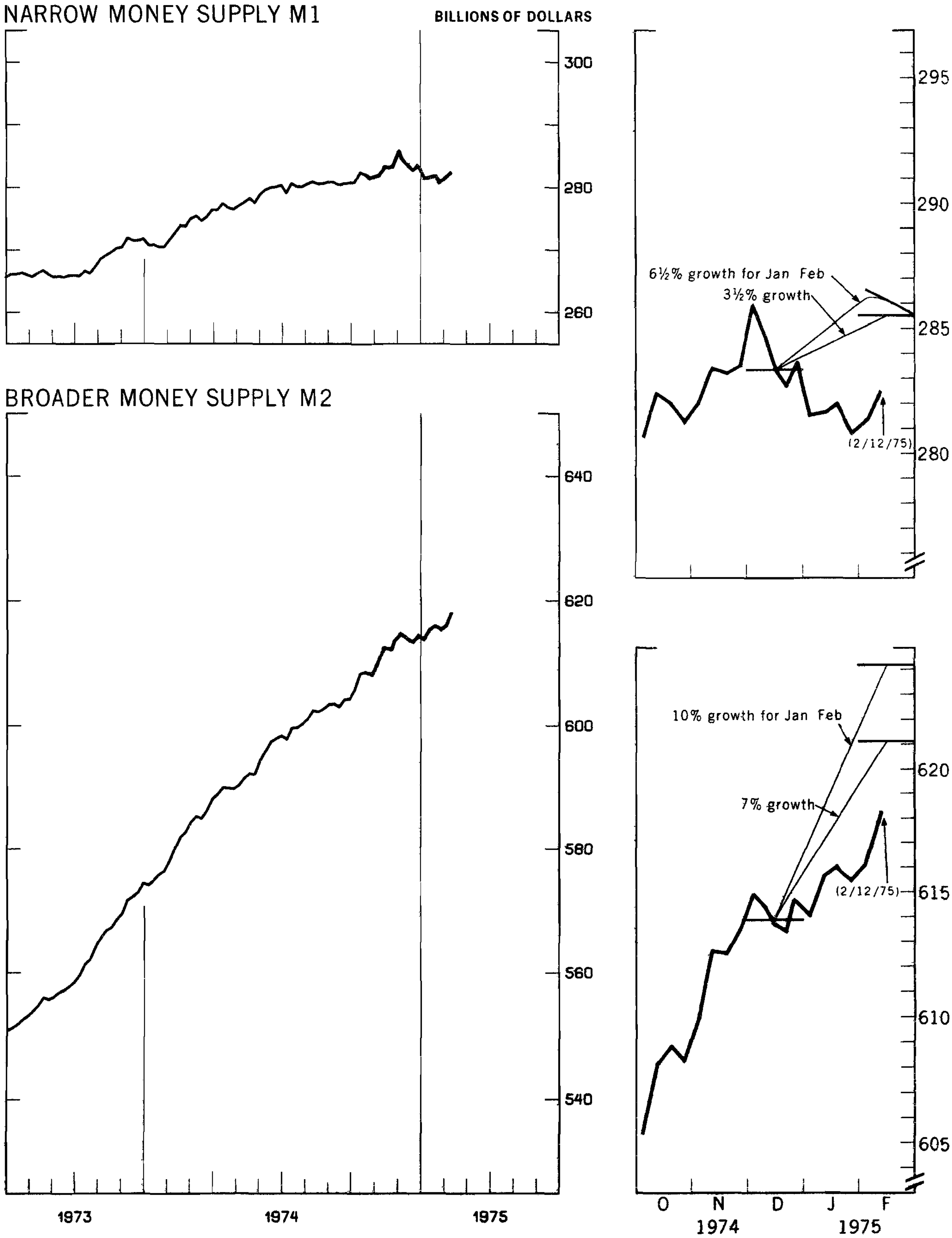
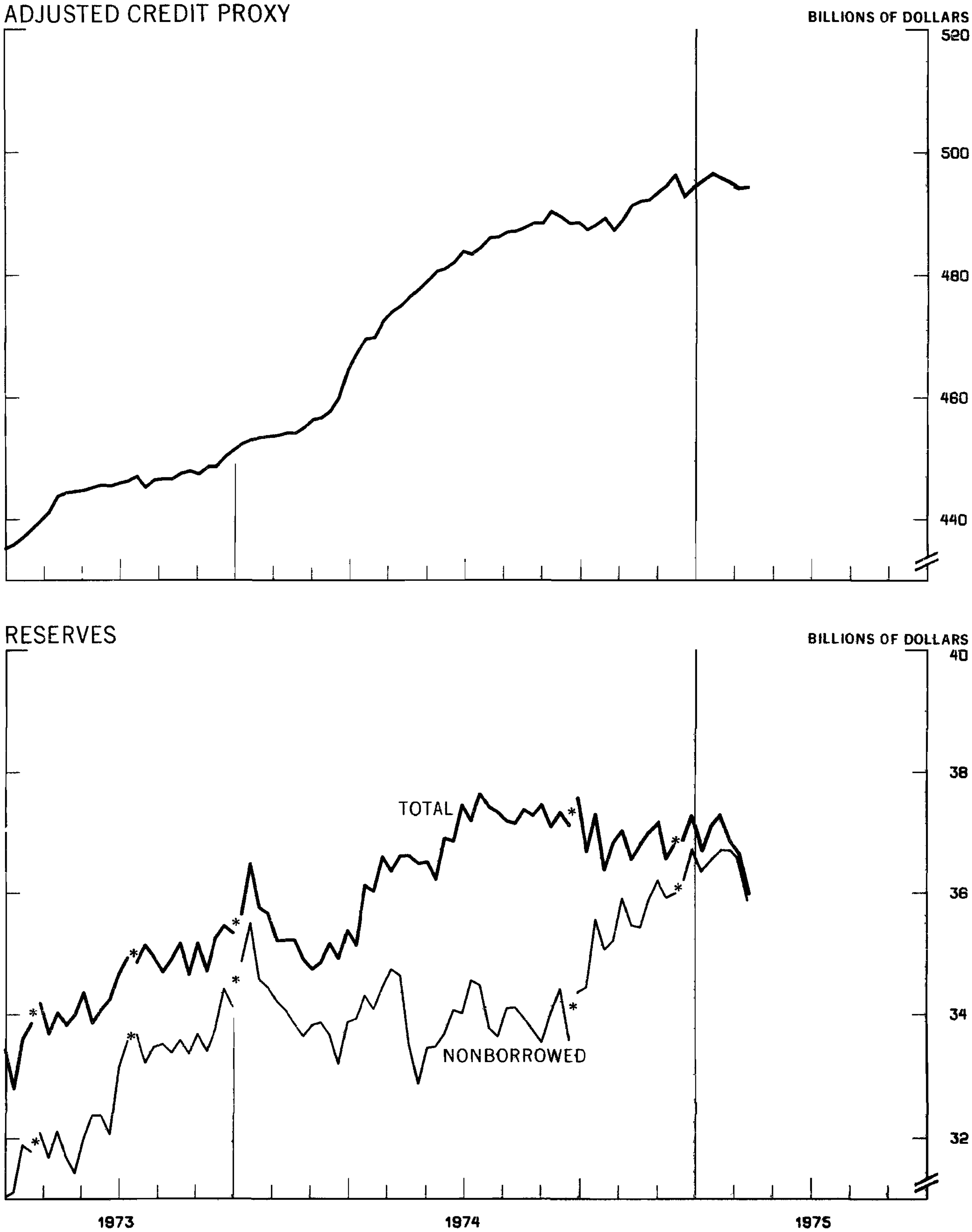


CHART 3 2/14/75

MONETARY AGGREGATES



* Break In Series Due To Changes In Reserve Requirements

CHART 4

MONEY MARKET CONDITIONS AND INTEREST RATES

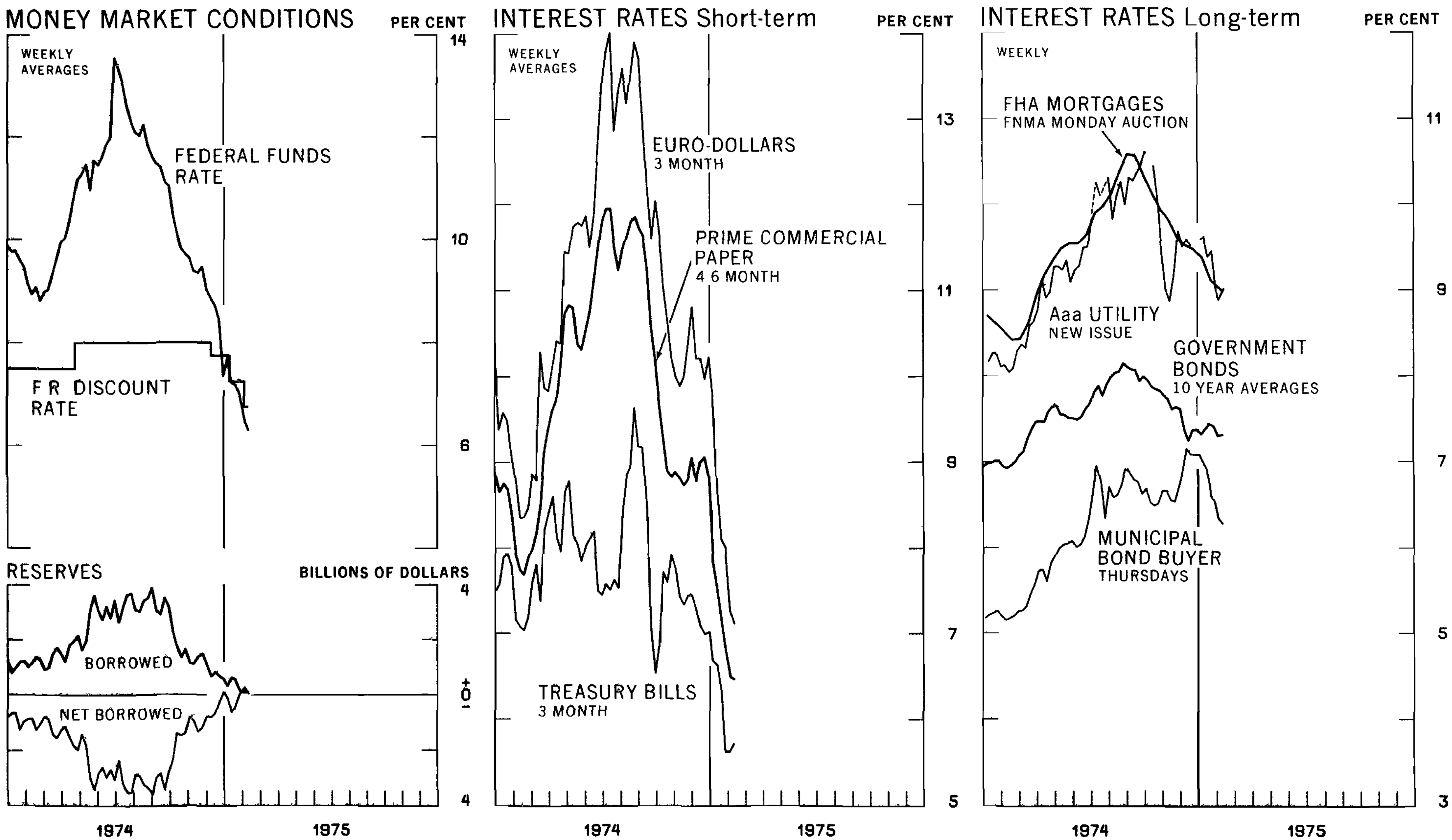


TABLE 1

CONFIDENTIAL (FR)
CLASS II - FOMC
FEBRUARY 14, 1975

BANK RESERVES
(ACTUAL AND CURRENT PROJECTIONS)

PERIOD	RESERVES AVAILABLE FOR PRIVATE NONBANK DEPOSITS		AGGREGATE RESERVES		REQUIRED RESERVES			
			SEASONALLY ADJUSTED					
	SEAS ADJ	NON SEAS ADJ	TOTAL RESERVES	NONBORROWED RESERVES	PRIVATE DEMAND	OTHER TIME DEP	CD'S AND NON DEP	GOV'T AND INTERBANK
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MONTHLY LEVELS-$MILLIONS								
1974--NOV.	34,868	34,675	36,874	35,622	20,496	9,200	4,967	2,007
DEC.	34,634	34,648	36,906	36,179	20,507	9,108	4,761	2,272
1975--JAN.	34,444	35,465	36,966	36,567	20,184	9,113	4,970	2,522
FEB.	(34,110)	(34,105)	(35,563)	(35,466)	(19,891)	(9,069)	(4,927)	(1,452)
ANNUAL RATES OF CHANGE								
QUARTERLY:								
1974--1ST QTR.	5.7		1.3	1.2	0.4			
2ND QTR.	19.1		20.1	0.8	2.2			
3RD QTR.	9.1		8.2	5.6	0.1			
4TH QTR.	0.7		4.2	34.4	5.4			
MONTHLY:								
1974--NOV.	-3.0		-1.6	17.6	2.8			
DEC.	6.4		16.0	34.3	8.5			
1975--JAN.	1.4		10.0	20.9	-14.7			
FEB.	(7.9)		(-25.7)	(-16.1)	(15.9)			
JAN.-FEB.	(4.6)		(-7.8)	(2.4)	(0.4)			
WEEKLY LEVELS-$MILLIONS								
JAN. 1	34,758	35,410	37,279	36,718	20,306	9,061	4,814	2,521
8	34,347	35,083	36,677	36,365	20,129	9,102	4,937	2,330
15	34,414	35,672	37,141	36,533	20,352	9,080	4,995	2,726
22	34,618	35,903	37,273	36,679	20,243	9,126	5,006	2,654
29	34,359	35,325	36,815	36,672	20,048	9,146	4,981	2,456
FEB. 5	34,417	35,058	36,666	36,569	19,994	9,124	4,918	2,249
12	34,121	34,050	35,972	35,882	20,030	9,062	4,924	1,851

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS. AT THE FOMC MEETING OF JAN. 21, 1975 THE COMMITTEE AGREED ON A RPD RANGE OF 6.25 TO 9.25 PERCENT FOR THE JANUARY-FEBRUARY PERIOD.

TABLE 2

CONFIDENTIAL (FR)
CLASS II - FOMC

FEBRUARY 14, 1975

MONETARY AGGREGATES
(ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED)

PERIOD	MONEY SUPPLY NARROW (M1)	MONEY SUPPLY BROAD (M2)	ADJUSTED CREDIT PROXY	U.S. GOVT. DEPOSITS	TIME AND SAVINGS DEPOSITS TOTAL	OTHER THAN CD S	CD S	NONDEPOSIT SOURCES OF FUNDS
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MONTHLY LEVELS-$BILLIONS								
1974--NOV.	283.3	612.6	491.2	4.6	414.9	329.3	85.5	7.6
DEC.	283.8	613.9	494.3	1.9	420.4	330.1	90.3	8.4
1975--JAN.	281.6	615.4	495.8	0.7	426.8	333.8	92.9	7.6
FEB.	(282.7)	(618.7)	(495.0)	(0.2)	(429.3)	(336.0)	(93.3)	(6.5)
PERCENT ANNUAL GROWTH								
QUARTERLY								
1974--1ST QTR.	5.5	9.3	8.2		15.1	12.8	26.3	
2ND QTR.	6.5	7.7	20.4		21.3	8.6	78.2	
3RD QTR.	1.6	4.6	6.6		9.2	7.3	17.2	
4TH QTR.	4.3	6.8	4.3		12.6	9.0	25.9	
MONTHLY								
1974--NOV.	6.8	9.5			7.6	11.8	-9.7	
DEC.	2.1	2.5	7.6		15.9	2.9	67.4	
1975--JAN.	-9.3	2.9	3.6		18.3	13.4	34.6	
FEB.	(4.7)	(6.4)	(-1.9)		(7.0)	(7.9)	(5.2)	
JAN.-FEB.	(-2.3)	(4.7)	(0.8)		(12.7)	(10.7)	(19.9)	
WEEKLY LEVELS-$BILLIONS								
JAN. 1	283.7	614.7	494.9	0.0	424.0	331.0	93.1	8.2
8	281.5	614.0	495.6	0.1	425.8	332.5	93.3	8.1
15	281.6	615.7	496.5	1.9	427.0	334.1	92.9	7.4
22	282.0	616.0	495.9	1.6	426.7	334.1	92.7	7.6
29	280.9	615.6	495.1	0.1	427.6	334.7	92.8	7.3
FEB. 5 P	281.4	616.1	494.3	0.1	427.9	334.8	93.1	6.8
12 PE	282.5	618.3	494.5	0.2	429.0	335.8	93.2	6.5

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.

P - PRELIMINARY
PE - PARTIALLY ESTIMATED

CONFIDENTIAL (FR)

CLASS II - FOMC

FEBRUARY 14, 1975

TABLE 3

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

	Open Market Operations 1/					Daily Average Reserve Effects 2/			Δ in reserve categories		Δ Target
	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											
1974 -- July	898	125	726	-3,760	-2,011	1,601	309	-901	465	544	375
Aug.	862	--	235	2,225	3,322	141	39	-464	-450	166	180
Sept.	-594	176	191	549	322	-32	-60	99	-67	74	375
Oct.	-1,727	--	--	-243	-1,970	-633	-1,494	1,990	177	-314	315
Nov.	1,217	212	331	981	2,739	327	-507	201	-183	204	395
Dec.	729	280	360	-976	393	2,963	-583	-2,376	66	-62	450
1975 -- Jan.	-1,102	421	-14	1,082	388	-636					965
Feb.											-670
Mar.											
Weekly											
1974 -- Dec. 4	554	--	--	-5,269	-4,715	532	-411	371	114	378	
11	56	--	--	3,987	4,043	-243	-425	--	54	-722	
18	313	--	360	1,091	1,764	432	170	-133	63	406	
25	399	280	--	757	1,436	2,612	-156	-2,373	-172	255	
1975 -- Jan. 1	-85	--	--	-3,323	-3,409	-103	-101	947	293	450	
8	-309	--	-14	-3,069	-3,393	-1,918	-249	1,934p	84p	-317p	
15	-371	406	--	2,492	2,526	-863	296	1,467p	311p	589p	
22	-156	--	--	4,601	4,445	664	-14	-577p	-158p	231p	
29	12	--	--	-3,119	-3,107	314	-451	-822p	-381p	-578p	
Feb. 5	-299	--	-38	-2,271	-2,608	-689	-46	420p	-66p	-249p	
12	-1,091	--	--	3,612	2,521	-1,899	-7	937p	60p	-1,029p	
19											
26											

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 for 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 F.R. accounts.
5/ Reserves to support private nonbank deposits. Target change for Jan. and Feb. reflects the target adopted at the Jan. 21, 1975 FOMC meeting. Target change for previous months reflects the bluebook patterns that are consistent with target ranges that were adopted during the month.

TABLE 4

SECURITY DEALER POSITIONS AND BANK POSITIONS

Millions of dollars

Period	U.S. Govt. Security Dealer Positions		Dealer Positions		Member Bank Reserve Positions				
					Excess** Reserves	Borrowing at FRB**		Basic Reserve Deficit	
	Bills	Coupon Issues	Corporate Bonds	Municipal Bonds		Total	Seasonal	8 New York	38 Others
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1973 -- High	3,796	1,299	197	384	631	2,561	163	-5,243	-10,661
Low	897	-301	0	36	-240	688	3	-1,831	- 4,048
1974 -- High	3,678	2,203	253	384	628	3,906	176	-7,870	-12,826
Low	-289	-309	0	27	-168	647	13	-2,447	- 6,046
1974 -- Jan.	3,102	540	114	254	162	1,051	18	-4,753	-10,893
Feb.	2,436	1,619	120	263	184	1,162	17	-5,262	-10,769
Mar.	1,986	583	68	239	134	1,314	32	-5,030	-11,058
Apr.	1,435	99	39	78	182	1,736	40	-3,952	-11,603
May	408	85	142	83	178	2,590	102	-3,171	- 9,091
June	580	9	66	124	204	3,020	134	-4,445	- 9,920
July	457	-214	14	79	162	3,075	149	-3,522	- 9,555
Aug.	1,758	398	33	108	197	3,337	164	-4,231	- 9,224
Sept.	2,309	552	23	85	180	3,282	139	-4,235	- 8,250
Oct.	2,174	654	25	166	197	1,813	117	-4,602	- 8,689
Nov.	2,900	1,608	83	268	205	1,252	67	-6,322	- 9,715
Dec.	2,985	1,836	175	149	258	727	32	-5,960	-10,169
1975 -- Jan.	*2,501	*2,050	97	79	175p	398p	14p	-5,378	- 9,744
1974 -- Dec. 4	2,975	1,630	171	167	283	1,070	51	-5,400	- 9,889
11	2,965	1,678	175	167	-159	648	34	-7,245	-10,614
18	3,678	1,714	178	140	217	818	30	-6,704	-10,525
25	2,942	1,680	177	122	429	662	29	-5,243	-10,129
1975 -- Jan. 1	2,234	2,507	163	117	577	561	22	-4,771	- 9,016
8	2,487	2,845	14	75	178p	312p	19p	-5,218	-10,332
15	3,351	2,036	174	88	-13p	608p	13p	-5,633	-10,677
22	*1,586	*1,619	130	66	243p	594p	12p	-5,853	- 9,616
29	*2,308	*1,615	6	48	185p	143p	10p	-4,713	- 8,504
Feb. 5	*2,739	*2,178	0	105	380p	97p	11p	-5,628p	- 8,663p
12	*3,555	*1,863	80p	142p	102p	90p	10p	-7,235p	- 9,310p
19									
26									

NOTE: 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.

* STRICTLY CONFIDENTIAL ** Monthly averages for excess reserves and borrowings are weighted averages of statement week figures.

TABLE 5

SELECTED INTEREST RATES
Per Cent

Period	Short-Term						Long-Term				
	Federal Funds	Treasury Bills		90-119 Day Commercial Paper	CD's New Issue-NYC		Aaa Utility		Municipal Bond Buyer	U.S. Government (10-yr. Constant Maturity)	FNMA Auction Yields
		90-Day	1-year		60-89 Day	90-119 Day	New Issue	Recently Offered			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1973--High	10.84	8.95	8.43	10.50	10.50	10.75	8.52	8.30	5.59	7.54	9.37
Low	5.61	5.15	5.42	5.63	5.38	5.50	7.29	7.26	4.99	6.42	7.69
1974--High	13.55	9.63	9.54	12.25	12.25	12.00	10.61	10.52	7.15	8.14	10.59
Low	8.45	6.53	6.39	7.88	8.00	7.88	8.05	8.14	5.16	6.93	8.43
1974--Jan.	9.65	7.77	7.01	8.86	9.05	8.83	8.21	8.21	5.22	6.99	8.71
Feb.	8.97	7.12	6.51	8.00	8.09	7.97	8.12	8.23	5.20	6.96	8.48
Mar.	9.35	7.97	7.34	8.64	8.69	8.56	8.46	8.44	5.41	7.21	8.53
Apr.	10.51	8.33	8.08	9.92	9.81	9.78	8.99	8.95	5.73	7.51	9.07
May	11.31	8.23	8.21	10.82	10.83	10.90	9.24	9.13	6.02	7.58	9.41
June	11.93	7.90	8.16	11.18	11.06	10.88	9.38	9.40	6.13	7.54	9.54
July	12.92	7.55	8.04	11.93	11.83	11.83	10.20	10.04	6.68	7.81	9.84
Aug.	12.01	8.96	8.88	11.79	11.69	11.91	10.07	10.19	6.69	8.04	10.25
Sept.	11.34	8.06	8.52	11.36	11.19	11.38	10.38	10.30	6.76	8.04	10.58
Oct.	10.06	7.46	7.59	9.55	9.35	9.33	10.16	10.23	6.57	7.90	10.22
Nov.	9.45	7.47	7.29	8.95	8.78	8.72	9.21	9.34	6.61	7.68	9.87
Dec.	8.53	7.15	6.79	9.18	9.00	8.84	9.53	9.56	7.05	7.40	9.53
1975--Jan.	7.13	6.26	6.27	7.39	7.43	7.45	9.36p	9.45p	6.82	7.39	9.25
1974--Dec. 4	9.02	7.45	7.20	9.22	9.25	9.13	9.50	9.39	6.89	7.61	9.61
11	8.86	7.28	6.95	9.00	8.88	8.75	9.59	9.57	7.15	7.37	--
18	8.72	7.08	6.63	9.13	8.88	8.75	9.51	9.59	7.08	7.24	9.52
25	8.45	6.99	6.61	9.25	9.00	8.75	--	9.64	7.08	7.37	--
1975--Jan. 1	7.35	7.02	6.69	9.34	9.00	9.00	--	9.67	7.08	7.37	9.47
8	7.70	6.68	6.56	8.43	7.88	7.75	9.62	9.45	6.99	7.32	--
15	7.22	6.63	6.44	7.73	7.25	7.38	9.38	9.55	6.90	7.38	9.37
22	7.17	6.32	6.33	7.18	6.75	6.63	9.45	9.47	6.59	7.44	--
29	6.99	5.62	5.91	6.55	6.25	6.50	9.00	9.21	6.54	7.41	9.12
1974--Feb. 5	6.46	5.62	5.65	6.60	6.00	6.25	8.89	9.12	6.34	7.31	--
12	6.28	5.72	5.58	6.38	6.00	6.25	9.02p	9.16p	6.27	7.32p	8.98
19											
26											
Daily--Feb. 6	6.21	5.60	5.45	6.38	--	--	--	--	--	7.28	--
13	6.31p	5.62	5.60	6.38	--	--	--	--	--	n.a.	--

NOTE: Weekly data for colums 1 to 4 are statement week averages o daily data. Columns 5 and 6 are one-day Wednesday quotes. For columns 7, 8, and 10 the weekly date is the mid-point of the calendar week over which data are averaged. Column 9 is a one-day quote for Thursday following the end of the statement week. Column 11 gives FNMA auction data for the Monday preceeding the end of the statement week. The FNMA auction yield is the average yield in bi-weekly auction for short-term forward commitments for Government underwritten mortgages.

Appendix Table 1

February 14, 1975

RESERVES AND MONETARY VARIABLES

Period	RESERVES			MONEY STOCK MEASURES			BANK CREDIT MEASURES		OTHER					
	Total	Non-borrowed	Available to Support Private Deposits	M_1	M_2	M_3	Adjusted Credit Proxy	Total Loans and Invest-ments	Total Time	Time Other Than CD's	Thrift Insti-tution 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
	(Per cent annual rates of growth)											(Dollar change in billions)		
Annually:														
1972	10.6	7.7	10.0	8.7	11.1	13.1	11.3	14.6	15.7	13.5	16.7	10.4	-0.6	-0.2
1973	7.8	7.2	9.3	6.1	8.8	8.7	10.4	13.5	16.2	11.4	8.5	19.9	2.3	-1.7
1974	7.1	9.1	7.2	4.7	7.4	6.7	10.2	8.3	15.3	9.7	5.6	26.5	1.8	-2.0
Semi-annually:														
1st Half 1973	6.4	1.4	9.8	7.4	9.1	9.5	13.5	16.6	19.8	10.6	10.4	16.7	0.7	0.8
2nd Half 1973	8.9	13.1	7.8	4.7	8.3	7.5	6.8	9.6	11.4	11.6	6.3	3.2	1.6	-2.5
1st Half 1974	10.6	1.0	12.4	6.3	8.7	7.7	14.5	15.0	18.6	10.9	5.9	17.5	1.8	1.4
2nd Half 1974	6.2	20.3	4.9	3.1	5.8	5.5	5.4	1.4	11.0	8.1	5.1	9.0	--	-3.4
Quarterly:														
1st Qtr. 1974	1.3	1.2	5.7	5.5	9.3	8.8	8.2	17.5	15.1	12.8	7.9	4.2	0.9	-0.7
2nd Qtr. 1974	20.1	0.8	19.1	7.0	7.9	6.6	20.4	12.0	21.3	8.8	3.9	13.3	0.9	2.1
3rd Qtr. 1974	8.2	5.6	9.1	1.6	4.5	4.0	6.6	5.6	9.1	7.1	3.1	3.5	0.2	1.0
4th Qtr. 1974	4.2	34.4	0.7	4.6	7.0	6.9	4.3	-2.8	12.6	9.0	6.9	5.5	-0.2	-4.4
Monthly:														
1974--Jan.	32.6	42.6	5.9	-2.7	6.9	7.2	12.3	16.5	21.4	15.6	7.8	2.6	-0.1	1.2
Feb.	-23.6	-29.2	2.9	9.7	11.1	9.5	2.9	17.0	16.2	12.6	6.3	1.8	0.4	-2.9
Mar.	-4.7	-9.2	8.2	9.2	9.7	9.4	9.2	18.4	7.3	9.7	9.6	-0.2	0.6	1.0
Apr.	31.1	17.2	19.1	6.1	8.0	7.3	29.6	17.9	26.6	9.3	5.8	5.9	0.6	1.4
May	21.2	-7.7	21.5	4.3	4.5	3.4	16.9	12.1	18.0	5.0	1.5	4.6	0.7	1.0
June	7.1	-7.1	15.7	10.4	11.2	8.8	13.6	5.7	18.0	11.8	4.3	2.8	-0.4	-0.3
July	21.7	13.1	8.6	2.1	5.2	4.9	9.2	16.0	13.3	7.9	4.7	2.3	0.8	-1.1
Aug.	-4.3	-5.9	10.8	0.9	5.0	3.9	6.4	9.4	7.1	8.6	1.8	0.2	-0.2	2.0
Sept.	7.1	9.7	7.8	1.7	3.2	3.1	3.9	-8.6	6.8	4.5	2.9	1.0	-0.4	0.1
Oct.	-1.8	49.6	-1.3	4.7	8.5	7.2	--	--	13.5	11.9	4.3	1.4	-0.7	-2.6
Nov.	-1.6	17.6	-3.0	6.8	9.7	8.5	5.2	4.5	7.6	12.2	7.1	-0.7	-0.3	0.9
Dec.	16.0	34.3	6.4	2.1	2.5	5.0	7.6	-12.8	16.2	2.9	9.2	4.8	0.8	-2.7
1975--Jan. p	10.0	20.9	1.4	-9.3	2.9	5.4	3.6	8.2	18.0	13.5	9.9	2.6	-0.8	-1.2

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

1/ Growth rates are based on estimated monthly average levels derived by averaging end of current month and end of previous month reported data.

p - Preliminary.

Appendix Table 2

RESERVES AND MONETARY VARIABLES

SEASONALLY ADJUSTED, BILLIONS OF DOLLARS

Period	RESERVES			MONEY STOCK MEASURES				BANK CREDIT MEASURES		OTHER					
	Total	Non borrowed	Available to Support Pvt Deposits	M_1 Total	M_1 Pvt Dep	M_2	M_3	Adj 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. 1972	31,456	30,406	29,092	255.8	198.9	525.7	823.3	406.4	559.0	313.8	269.9	297.5	43.9	4.3	5.6
Dec. 1973	35,164	33,867	32,965	271.5	209.9	572.2	895.0	448.7	634.6	364.5	300.7	322.8	63.8	6.6	3.9
Monthly:															
1974--Jan.	35,820	34,769	32,824	270.9	208.9	575.5	900.4	453.3	643.3	371.0	304.6	324.9	66.4	6.5	5.1
Feb.	35,115	33,924	32,904	273.1	210.4	580.9	907.5	454.4	652.4	376.0	307.8	326.6	68.2	6.9	2.2
Mar.	34,978	33,664	33,130	275.2	211.9	585.5	914.6	457.9	662.4	378.3	310.3	329.2	68.0	7.5	3.2
Apr.	35,884	34,147	33,658	276.6	212.8	589.4	920.2	469.2	672.3	386.7	312.7	330.8	73.9	8.1	4.6
May	36,519	33,929	34,260	277.6	213.3	591.6	922.8	475.8	679.1	392.5	314.0	331.2	78.5	8.8	5.6
June	36,736	33,729	34,708	280.0	215.4	597.1	929.6	481.2	682.9	398.4	317.1	332.4	81.3	8.4	5.3
July	37,399	34,098	34,958	280.5	215.7	599.7	933.4	484.9	692.0	402.8	319.2	333.7	83.6	9.2	4.2
Aug.	37,266	33,930	35,272	280.7	215.3	602.2	936.4	487.5	697.3	405.2	321.5	334.2	83.8	9.0	6.2
Sept.	37,282	34,000	35,296	281.1	215.3	603.8	938.8	489.1	692.3	407.5	322.7	335.0	84.8	8.6	6.3
Oct.	36,857	35,043	34,889	282.2	215.7	608.1	944.4	488.3	692.3	412.1	325.9	336.2	86.2	7.9	3.7
Nov.	36,874	35,622	34,868	283.8	216.5	613.0	951.1	491.2	693.4	414.7	329.2	338.2	85.5	7.6	4 6
Dec.	36,906	36,179	34,634	284.3	216.6	614.3	955.1	494.3	686.0	420.3	330.0	340.8	90.3	8.4	1.9
1975--Jan. p	36,966	36,567	34,444	282.1	214.1	615.8	959.4	495.8	690.7	426.6	333.7	343.6	92.9	7.6	0.7
Weekly:															
Dec. 4	37,179	36,109	34,919	286.4	218.6	615.3	--	493.5	--	415 5	328.9	--	86.7	7.6	3.6
11	36,565	35,917	34,424	285.2	217.6	614.8	--	494.7	--	418.1	329.6	--	88.5	8.1	3.4
18	36,817	35,999	34,542	283.9	216.1	614.1	--	495.9	--	420.4	330.1	--	90.2	8.9	3.3
25	36,863	36,201	34,666	283.2	215.5	613.9	--	493.1	--	422.4	330.7	--	91.7	8.6	0.3
1975--Jan. 1	37,279	36,718	34,758	284.3	216.5	615.1	--	494.9	--	423.9	330.8	--	93.1	8.2	--
8p	36,677	36,365	34,347	282.0	214.2	614.3	--	495.6	--	425.7	332.3	--	93.3	8.1	0.1
15p	37,141	36,533	34,414	282.1	214.1	616.1	--	496.5	--	426.9	334.0	--	92.9	7.4	1.9
22p	37,273	36,679	34,618	282.5	214.2	616.4	--	495.9	--	426.6	333.9	--	92.7	7.6	1.6
29p	36,815	36,672	34,359	281.4	213.1	616.0	--	495.1	--	427.4	334.6	--	92.8	7.3	0.1
Feb. 5p	36,666	36,569	34,417	282.0	213.8	616.6	--	494.3	--	427.8	334.6	--	93.1	6.8	0.1

NOTES. 1/ Estimated monthly average levels derived by averaging end of current month and end of previous month rep rted data.
Reserve requirements on Eurodollar 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 Eurodollar 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 investment and thrift institution deposits.

p - Preliminary.

Appendix Table III

Growth Rate in Money Supply
(Per cent change at an annual rate)

		M_1		M_2		M_3	
		M	Q	M	Q	M	Q
1973	I	3.4	6.8	7.3	9.1	8.6	10.3
	II	11.3	7.3	10.6	8.6	10.3	8.9
	III	0.6	5.5	5.6	7.7	5.2	7.5
	IV	8.7	5.0	10.8	8.9	9.8	7.9
1974	I	5.5	5.8	9.3	9.6	8.8	9.1
	II	7.0	7.3	7.9	8.3	6.6	7.4
	III	1.6	3.9	4.5	6.2	4.0	5.2
	IV	4.6	3.7	7.0	6.5	6.9	6.0

M = Annual rates of growth calculated from average levels in the final months of the quarters.

Q = Annual rate calculated from average levels in all three months of the quarters.

Appendix Table IV

Growth Rates in Money Supply for Alternatives

		M_1		M_2		M_3	
		M	Q	M	Q	M	Q
				Alt. A			
1975	I	1.5	0.4	6.7	5.4	8.2	7.0
	II	10.7	9.3	11.5	10.5	12.8	11.7
	III	11.7	11.6	13.4	12.8	13.8	13.5
				Alt. B			
1975	I	1.0	0.1	6.0	5.1	7.7	6.7
	II	7.7	7.0	9.0	8.5	10.6	10.0
	III	9.0	8.7	10.2	9.9	11.2	11.1
				Alt. C			
1975	I	0.8	0.1	5.7	4.9	7.4	6.6
	II	6.3	6.0	7.8	7.5	9.4	9.0
	III	8.2	7.8	9.3	8.9	10.0	9.9
				Alt. D			
1975	I	0.6	--	5.4	4.8	7.2	6.5
	II	5.1	4.9	6.9	6.7	8.4	8.2
	III	7.1	6.7	8.3	7.9	9.1	8.9

M = Annual rates of growth calculated from average levels in last months of the quarters.

Q = Annual rates calculated from average levels in all three months of the quarters.

Appendix Table V

Comparison of Old and Revised Money Stock
Growth Rates
(Per Cent Annual Rates of Change)

	M_1 Old	M_1 Revised	M_2 Old	M_2 Revised	M_3 Old	M_3 Revised
Annual:						
1974	4.5	4.7	7.3	7.4	6.7	6.7
Half-year:						
1974 I	6.0	6.3	8.6	8.7	7.6	7.7
II	2.9	3.1	5.8	5.8	5.5	5.5
Quarterly:						
1974 I	5.5	5.5	9.3	9.3	8.8	8.8
II	6.5	7.0	7.7	7.9	6.4	6.6
III	1.6	1.6	4.6	4.5	4.0	4.0
IV	4.3	4.6	6.8	7.0	6.9	6.9
Monthly:						
1974 Jan	-2.7	-2.7	6.9	6.9	7.2	7.2
Feb	9.7	9.7	11.1	11.1	9.3	9.4
Mar	9.2	9.2	9.7	9.7	9.5	9.4
April	6.1	6.1	8.0	8.0	7.3	7.3
May	4.3	4.3	4.3	4.3	3.3	3.4
June	9.1	10.4	10.5	11.2	8.5	8.8
July	2.1	2.1	5.4	5.2	5.0	4.9
Aug	1.3	0.9	5.2	5.0	4.1	3.9
Sept	1.3	1.7	3.2	3.2	2.9	3.1
Oct	3.8	4.7	8.3	8.5	6.9	7.2
Nov	6.8	6.8	9.5	9.7	8.6	8.5
Dec	2.1	2.1	2.5	2.5	4.9	5.0