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March 14, 1975

MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

March 14, 1975

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) M_1 expanded at an annual rate of about 7 per cent in February, and recent data suggest a roughly similar growth rate for March. For the two-month target period, M_1 thus appears to be growing at a rate in the upper half of the Committee's range of tolerance, as shown in the table. Growth of M_2 for the February-March period appears to be running at an annual rate of about 9 per cent or $\frac{1}{2}$ percentage point above the upper limit of its range of tolerance, as time deposits other than money market CD's expanded more rapidly than expected in February. Recent growth of both M_1 and M_2 may have been bolstered to some extent by unusually large Federal income tax refunds in February.

Growth of Monetary Aggregates and RPD's
in February-March Period

<u>Reserve and Monetary Aggregates (Growth at SAAR in per cent)</u>	<u>Range of Tolerance</u>	<u>Latest Estimates</u>
M_1	$5\frac{1}{2}-7\frac{1}{2}$	7.0
M_2	$6\frac{1}{2}-8\frac{1}{2}$	9.2
RPD	$\frac{1}{2}-2\frac{1}{2}$	-2.1
<u>Memo:</u>		
Federal funds rate (per cent per annum)	$5\frac{1}{2}-6\frac{1}{2}$	<u>Avg. for statement week ending</u>
		Feb. 19 6.29
		26 6.15
		Mar. 5 5.88
		12 5.44

(2) Continued weak loan demand, together with the more rapid growth of demand and other time deposits, permitted banks to reduce reliance on nondeposit sources of funds and to let CD's run off. As a result, the bank credit proxy is now expected to show a slight contraction, on average, over the February-March period.

(3) During the inter-meeting period, the Account Manager sought reserve conditions that would be consistent with a gradual easing of the Federal funds rate to around $5\frac{1}{2}$ per cent, the mid-point of the $5\frac{1}{2}$ - $6\frac{1}{2}$ per cent range agreed upon by the Committee at the February meeting. The Account Manager's task was complicated, however, by the unexpectedly large volume of nonborrowed reserves being released by pre-tax-date attrition in the Treasury's cash balance at Reserve banks. The balance dropped from about $\$3\frac{3}{4}$ billion in late February to an overdraft position of more than \$1 billion last Wednesday. In the most recent statement week, the drop in the balance exceeded expectations. As a result, despite \$4.6 billion of matched sale-purchase transactions arranged by the Desk on Tuesday and Wednesday, the average Federal funds rate fell to just under 4 per cent on the final day of the statement week, reducing the weekly average to only 5.44 per cent. Because of repeated Desk actions to absorb reserves thus far in March, and market awareness of reserve management problems arising from the squeeze on Treasury cash prior to mid-March tax receipts, this latest drop in the funds rate has not been generally interpreted as a signal of further policy easing.

(4) Short-term market interest rates have shown mixed changes since the February FOMC meeting. While private short-term rates have dropped on balance by about 25 basis points--in response to the further decline of the Federal funds rate--Treasury bill yields have risen 10-20 basis points, with the 3-month issue trading most recently around 5.40 per cent. The general slowing of declines in short-term rates has been attributable in large measure to market expectations that the recent pick-up in growth of the monetary aggregates may constrain further declines in the funds rate. The continuing weakness in loan demand and relatively low level of short-term rates has, nevertheless, induced most large banks to reduce their prime lending rates to 8 per cent, and several banks have moved to $7\frac{3}{4}$ per cent--the lowest level since June 1973.

(5) Bond yields have backed up as much as 40 basis points during the inter-meeting period, reflecting the continued heavy volume of new issues, and the apparent loss of downward momentum in short-term rates. While yields on new corporate bonds resisted the general advance for a time, most recently they too have shown substantial upward adjustments. A special factor influencing municipal yields in the period was increased investor caution emanating from the continuing financing problems of New York City and the special difficulties of the New York State Urban Development Corporation. Treasury yields were affected by the Treasury's February 24 announcement of financing plans that involved about \$7 billion of new money to be raised by mid-April through five separate auctions of coupon issues. Although the volume of money to be raised came as no great surprise to the market, the exclusive focus on coupon issues was not anticipated. The first two auctions--involving \$1 $\frac{1}{2}$ billion of 6-year 8-month notes, and \$1 $\frac{1}{2}$ billion of 14-month notes--have just been completed and

attracted good bidding interest. As a result, yields on longer-term Treasury issues have recently stabilized.

(6) Savings inflows to nonbank thrift institutions showed additional strength in February, as market rates declined and Federal income tax refunds exceeded usual proportions. The thrift institutions have used these improved flows largely to rebuild liquidity and pay down borrowings. However, conditions in mortgage markets have recently shown further improvement; non-rate terms on mortgages reportedly have eased somewhat, and average rates on conventional mortgages at selected S&L's edged down to about 9 per cent in early March--20 basis points below early February and roughly 100 basis points below last fall's peak.

(7) The table on the following page shows (in percentage annual rates of changes) 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 Feb. '75 over Feb. '74	Past Six Months Feb. '75 over Aug. '74	Past Three Months Feb. '75 over Nov. '74	Past Month Feb. '75 over Jan. '74
	1974				
Total reserves	8.6	6.1	-.3	-1.3	-27.0
Nonborrowed reserves	10.8	9.6	19.8	11.7	-18.8
Reserves available to support private nonbank deposits	8.9	7.5	.6	--	-6.4
<u>Concepts of Money</u>					
M ₁ (currency plus demand deposits) <u>1/</u>	4.7	4.0	2.3	.1	7.2
M ₂ (M ₁ plus time deposits at commercial banks other than large CD's)	7.4	6.9	6.3	5.3	9.9
M ₃ (M ₂ plus deposits at thrift institutions)	6.7	6.7	6.7	7.1	10.4
M ₄ (M ₃ plus credit union shares and CD's)	9.1	8.7	7.9	9.2	8.9
M' ₂ (M ₂ plus CD's)	10.8	9.9	8.0	8.5	7.4
<u>Bank Credit</u>					
Total member bank deposits (bank credit proxy adj.)	10.2	9.1	3.4	3.7	--
Loans and investments of commercial banks <u>2/</u>	8.3	6.3	-1.3	-.6	3.0
<u>Short-term Market Paper</u>					
(Monthly average change in billions)					
Large CD's	2.2	2.0	1.4	2.2	-.7
Nonbank commercial paper	.4	.3	.4	.3	-.1

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

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

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
Range of tolerance for March-April			
M ₁	5-7	4½-6½	4-6
M ₂	8-10	7½-9½	7-9
RPD	3½-5½	2½-4½	1½-3½
Federal funds rate (inter-meeting range)	4½-5½	5½-6½	6-7
Longer-run growth rates ^{1/}			
M ₁			
Dec. '74-June '75	4½	4	3½
Dec. '74-Sept. '75	6	5½	4½
Feb. - Sept.	8	7	6
M ₂			
Dec. '74-June '75	9	8½	7½
Dec. '74-Sept. '75	10½	9	7½
Feb. - Sept.	11	9½	8

^{1/} Figures shown assume staff GNP projections through the third quarter, and Federal funds rate behavior as described in the paragraphs below.

(9) Of the three alternatives presented, alternative A most closely approximates the longer-run growth rates that accompanied the specifications chosen by the Committee at its last meeting. It includes growth in M₁ at a 6 per cent annual rate over the first nine months of the year. This implies, as is shown, an 8 per cent annual rate of growth over the

Alternative Longer-Run Growth Rates for Key Monetary Aggregates

		<u>M₁</u>			<u>M₂</u>			<u>M₃</u>		
		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1975	Feb.	283.9	283.9	283.9	621.1	621.1	621.1	967.9	967.9	967.9
	Mar.	285.6	285.5	285.4	625.7	625.6	625.5	976.8	976.7	976.5
	Apr.	286.7	286.5	286.3	630.3	629.9	629.5	986.3	985.8	985.0
	June	290.5	289.9	289.2	642.2	640.3	638.1	1007.6	1005.1	1001.4
	Sept.	297.3	295.7	293.9	661.3	656.3	650.0	1039.2	1032.6	1022.8
<u>Growth Rates</u>										
1975	1st Q.	1.8	1.7	1.5	7.4	7.4	7.3	9.1	9.1	9.1
	2nd Q.	6.9	6.2	5.3	10.5	9.4	8.1	12.6	11.6	10.2
	3rd Q.	9.4	8.0	6.5	11.9	10.0	7.5	12.5	10.9	8.5
	Feb.-Sept.	8.1	7.1	6.0	11.1	9.7	8.0	12.6	11.5	9.7
	Mar.	7.2	6.8	6.3	9.9	8.7	8.5	11.0	10.9	10.7
	Apr.	4.6	4.2	3.8	8.9	8.2	7.7	11.7	11.2	10.4
		<u>M₄</u>			<u>M₂</u>			<u>Credit Proxy</u>		
		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1975	Feb.	1088.2	1088.2	1088.2	713.3	713.3	713.3	495.8	495.8	495.8
	Mar.	1093.8	1093.7	1093.5	714.3	714.2	714.1	495.3	495.2	495.2
	Apr.	1102.8	1102.3	1101.8	718.2	717.8	717.7	498.6	498.4	498.4
	June	1123.9	1121.4	1119.1	729.3	727.4	726.3	506.5	505.0	504.4
	Sept.	1157.3	1149.8	1143.0	749.3	743.4	740.1	523.2	518.1	516.1
<u>Growth Rates</u>										
1975	1st Q.	7.8	7.8	7.7	5.5	5.4	5.4	0.8	0.7	0.7
	2nd Q.	11.0	10.1	9.4	8.4	7.4	6.8	9.0	7.9	7.4
	3rd Q.	11.9	10.1	8.5	11.0	8.8	7.6	13.2	10.4	9.3
	Feb.-Sept.	10.9	9.7	8.6	8.7	7.2	6.4	9.5	7.7	7.0
	Mar.	6.2	6.1	5.8	1.7	1.5	1.3	-1.2	-1.5	-1.5
	Apr.	9.9	9.4	9.1	6.6	6.0	6.0	8.0	7.8	7.8

forthcoming 7 month period from February to September. Growth rates in the other monetary aggregates are somewhat larger than the earlier specifications because of shifting relationships among the various forms of liquid assets.

(10) Under alternative A, a further decline in the Federal funds rate to around 5 per cent--the mid-point of the $4\frac{1}{2}$ - $5\frac{1}{2}$ per cent range shown--would be anticipated over the next few weeks. This reflects staff expectations of continued near-term weakness in economic activity and in the transactions demand for money during the second quarter. Thereafter, without any further decline in the Federal funds rate, the sharp rebound in economic activity projected for the third quarter is expected to lead to a rapid rate of growth in M_1 during the summer--large enough to bring growth for the first nine months of the year up to a 6 per cent annual rate. Given the rapid summer growth needed to attain a 6 per cent rate over the nine month period, the funds rate and other interest rates would likely need to rise fairly sharply in the late summer and fall if the Committee wishes to maintain M_1 growth in the period after September at around the 6 per cent annual rate.

(11) Consumer-type time and savings deposits at banks and thrift institutions would also be likely to expand somewhat more rapidly than in recent months under alternative A, given the further decline in market interest rates that is assumed. Meanwhile, banks may continue to let large CD's run-off, at least until around mid-year, reflecting the weakness in private credit demands, cautious bank management attitudes, and the increased availability of demand deposits as well as other time deposits. As a result, broader monetary aggregates excluding large

CD's (M_2 and M_3) would be expected to show more rapid growth over the next few months than their counterparts including large CD's (M_2' and M_4 , respectively).

(12) Alternative B shows the pattern of monetary aggregates that would be associated with little change in money market conditions from those recently prevailing. The Federal funds rate range centers on $5\frac{3}{4}$ per cent. Growth rates in key monetary aggregates would, of course, be slower than under alternative A--as indexed by a 7 per cent annual growth rate in M_1 over the seven month February-September period and a $5\frac{1}{4}$ per cent growth rate over the first nine months of the year.

(13) Market interest rates probably would rise somewhat over the weeks ahead under alternative B. The Treasury will continue to raise sizable amounts of new cash, including continued cash additions to weekly bill auctions, and dealer positions in Treasury issues are relatively high. Moreover, the calendar of new corporate and municipal issues remains exceptionally large. Stabilization of the funds rate around $5\frac{3}{4}$ per cent would likely be taken by the market as evidence that the Federal Reserve was no longer seeking actively to ease credit markets. Thus, unless the economy turned out to be considerably weaker than currently projected, the weight of Treasury and corporate long-term credit demands would tend to exert upward pressure on market rates.

(14) Upward interest rate pressures would nonetheless be limited by maintenance of the funds rate at the $5\frac{3}{4}$ per cent level. That rate is still below rates on short-term market instruments other than Treasury bills. With upward rate pressures limited, inflows of consumer-type time and savings deposits to banks and thrift institutions would probably be well maintained. Thus, mortgage market conditions would

continue to ease, and bank prime loan rates might drop a little further, particularly since most banks are still at 8 per cent or above.

(15) Alternative C indicates growth paths for the monetary aggregates intended to be consistent with some tightening of money market conditions over the weeks ahead. A rise in the funds rate back above 6 per cent--as is contemplated in this alternative--would very likely initiate a sharp upward adjustment in yields on Treasury securities and a turn-around, though perhaps less marked, in other market rates. Upward rate pressures might be fairly severe for a time in corporate and municipal bond markets, in view of the large volume of new issues currently overhanging the market and the possibility that investors would hold back pending clarification of Federal Reserve intentions. With market interest rates rising, the rate of growth in consumer-type time and savings deposits at banks and thrift institutions would begin to diminish. And with the change in prospects for savings inflows, mortgage market conditions would not be likely to ease much, if any, further.

(16) Turning to the behavior of M_1 in the March-April period, expansion is indicated to be in a $4\frac{1}{2}$ - $6\frac{1}{2}$ per cent range, given prevailing money market conditions (typified by a $5\frac{3}{4}$ per cent funds rate) as called for by alternative B. Near-term growth, of course, would be somewhat more rapid under the easier money market conditions of alternative A and somewhat less rapid under the tighter conditions of alternative C. Money growth rates, in general, are expected to accelerate by early summer when tax rebates are added to the public's cash and time deposit holdings (assuming prompt passage of a tax reduction bill). And, as noted earlier, transactions demands for cash balances are likely to intensify in summer as

GNP strengthens. We would expect that the acceleration in money growth would be relatively modest under alternative C, however, since rising interest rates would be working to restrain money demand.

Proposed directive

(17) Presented below are three 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.

Alternative A

To implement this policy, while taking account of developments in domestic and international financial markets, the Committee seeks to achieve bank reserve and money market conditions consistent with SUBSTANTIALLY more rapid growth in monetary aggregates over the months ahead than has occurred in recent months.

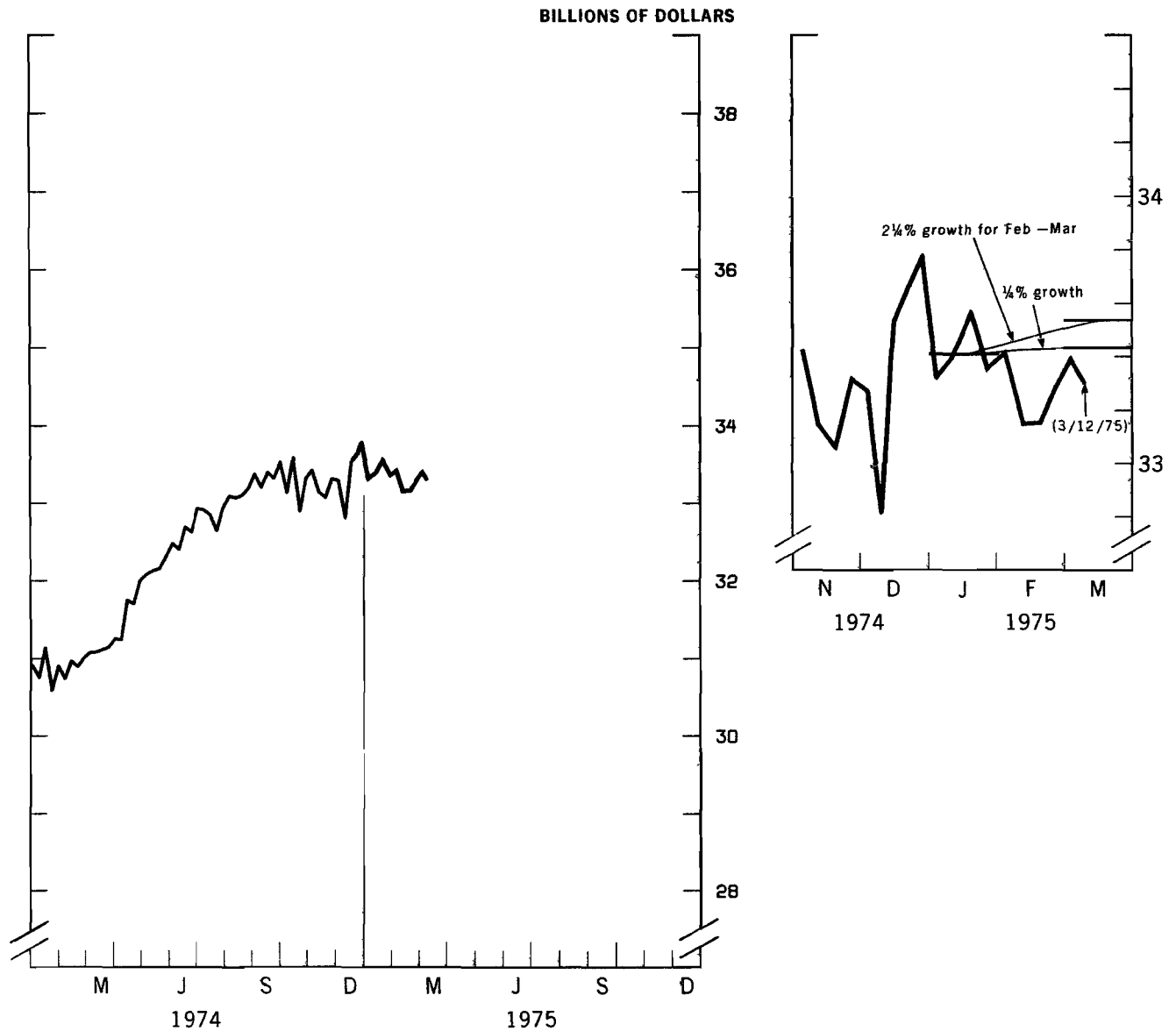
Alternative B

To implement this policy, while taking account of developments in domestic and international financial markets, 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 C

To implement this policy, while taking account of developments in domestic and international financial markets, 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.

RESERVES AVAILABLE TO SUPPORT PRIVATE NONBANK DEPOSITS

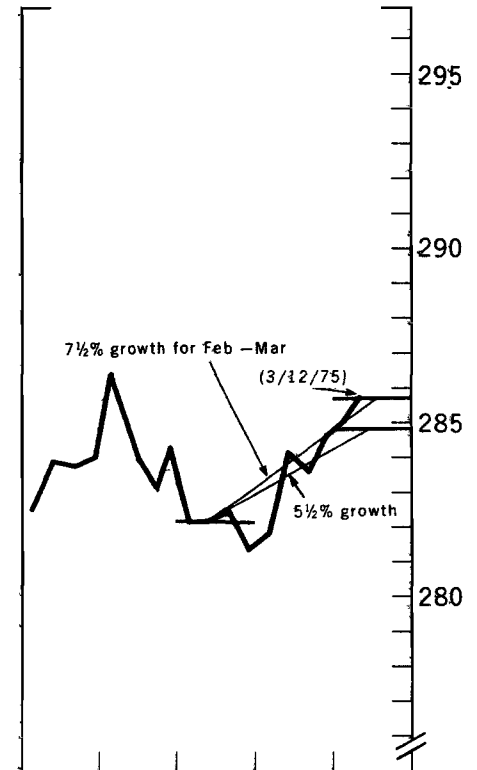
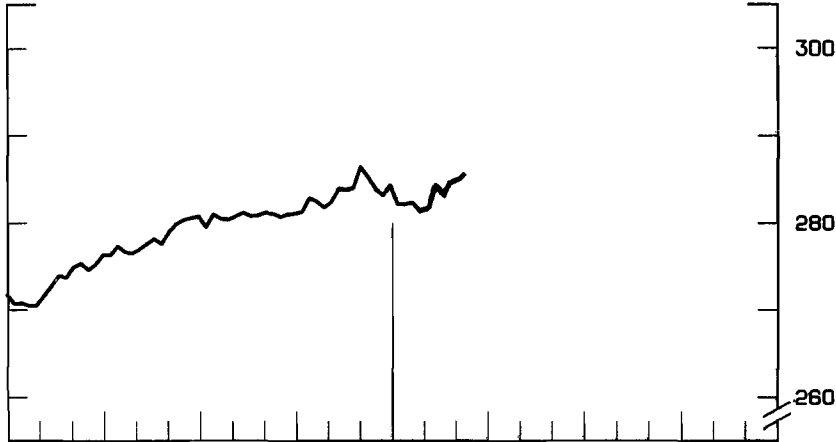


RPD series has been adjusted to remove discontinuities associated with changes in reserve requirement ratios

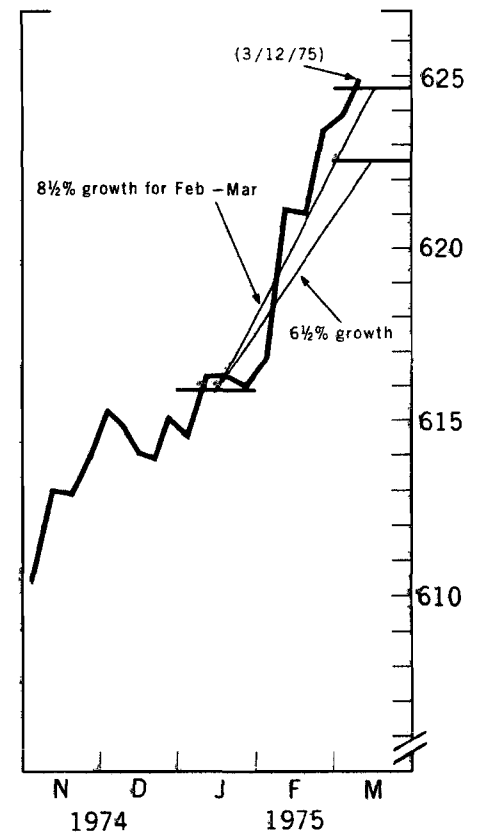
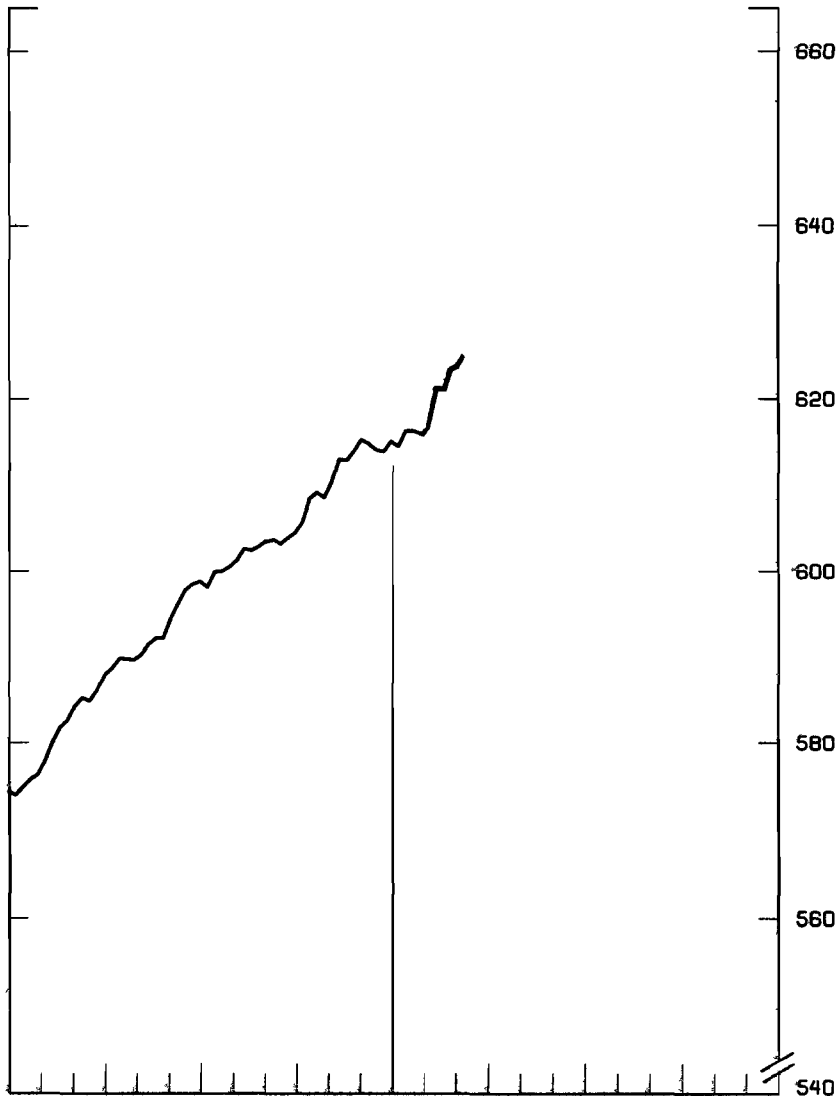
MONETARY AGGREGATES

NARROW MONEY SUPPLY M1

BILLIONS OF DOLLARS



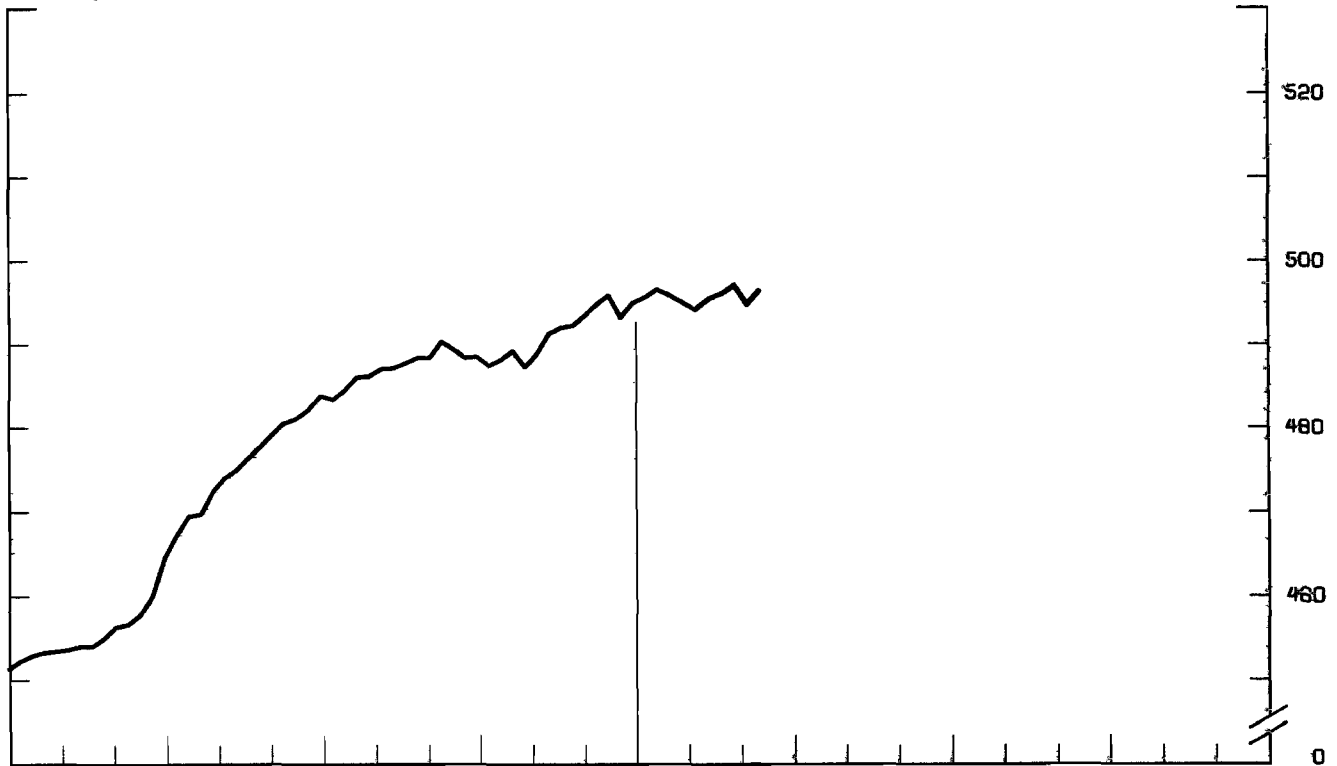
BROADER MONEY SUPPLY M2



MONETARY AGGREGATES

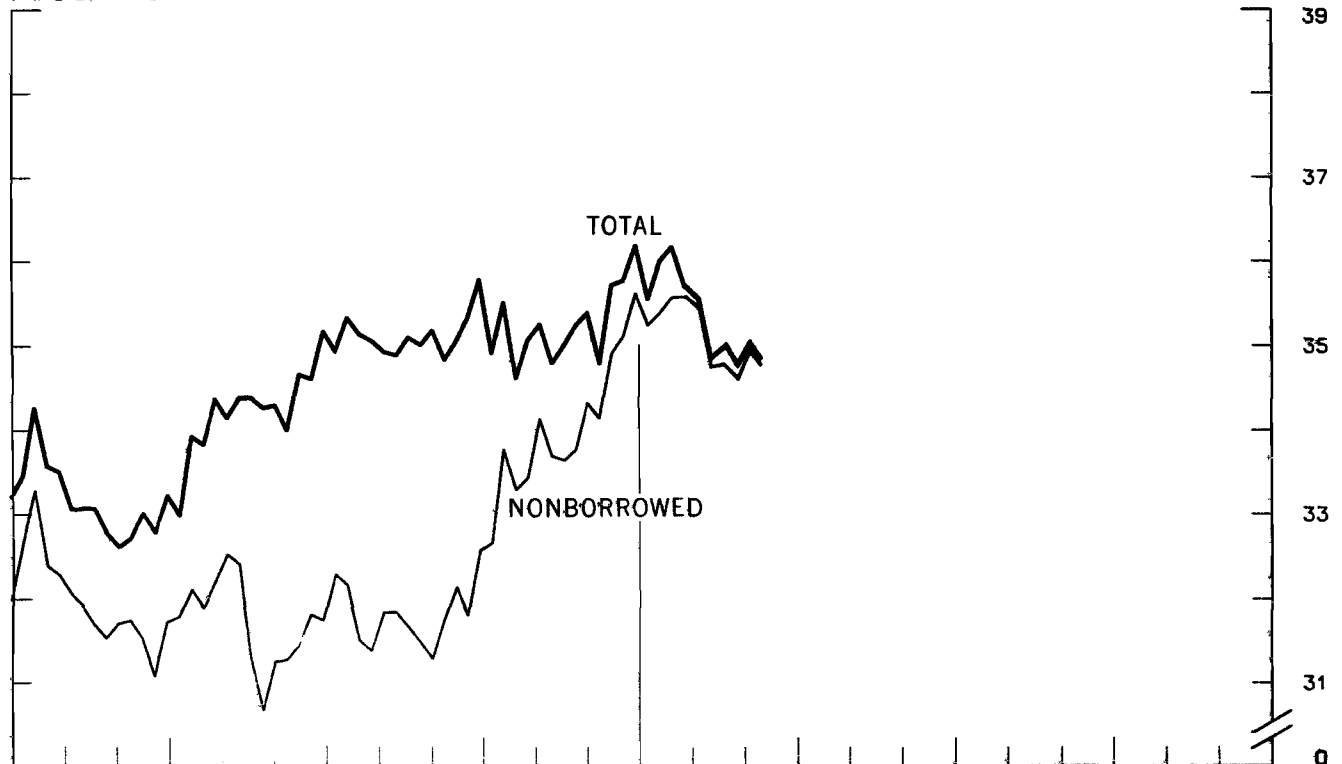
ADJUSTED CREDIT PROXY

BILLIONS OF DOLLARS



RESERVES

BILLIONS OF DOLLARS



1974

1975

Total and nonborrowed reserve series have been adjusted to remove discontinuities associated with changes in reserve requirement ratios

MONEY MARKET CONDITIONS AND INTEREST RATES

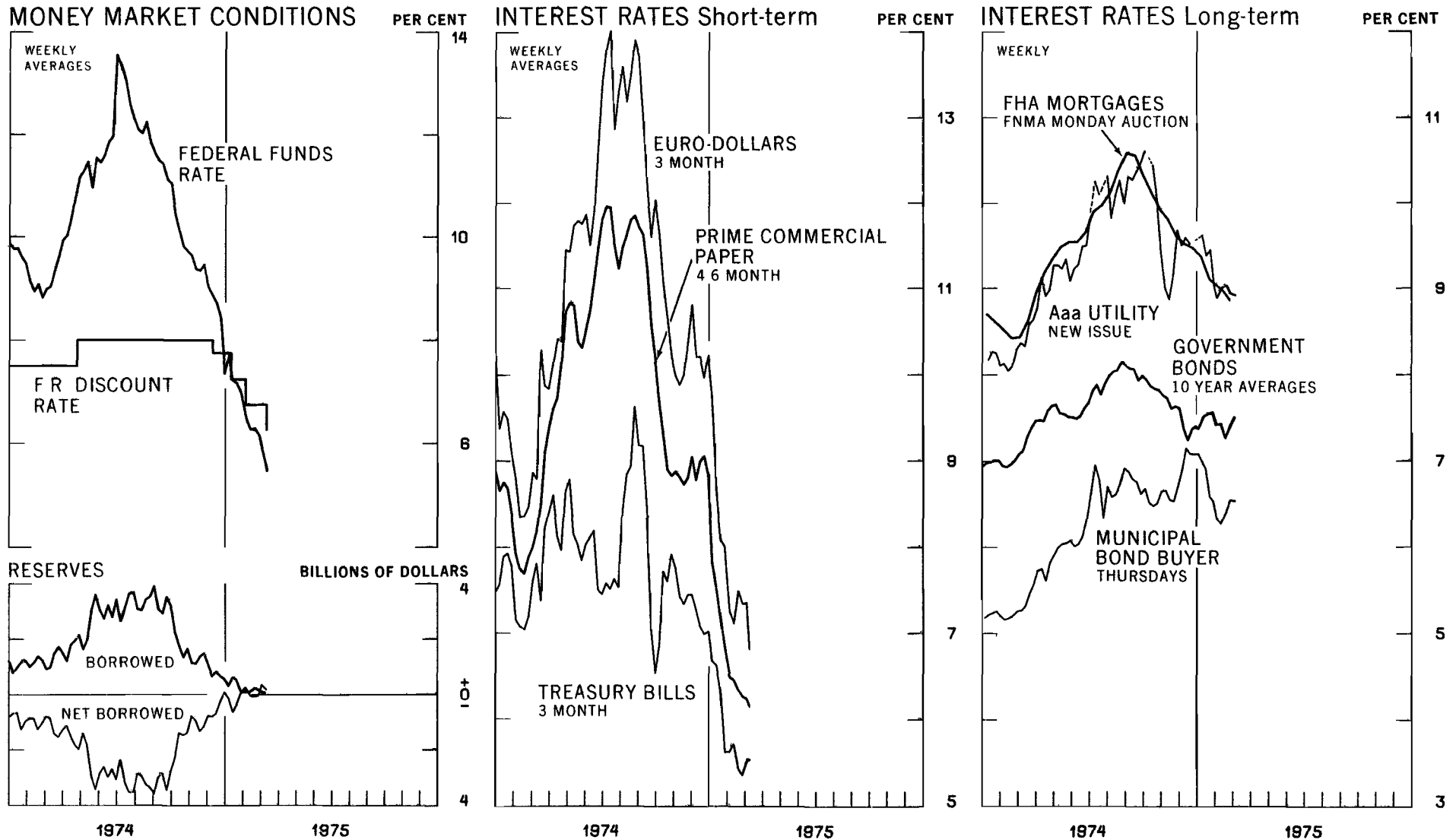


TABLE 1

CONFIDENTIAL (FR)
CLASS II - FOMCBANK RESERVES
(ACTUAL AND CURRENT PROJECTIONS)

MARCH 14, 1975

	RESERVES AVAILABLE FOR PRIVATE NONBANK DEPOSITS		AGGREGATE RESERVES		REQUIRED RESERVES			
					SEASONALLY ADJUSTED			
	SA	NSA	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--DEC.	33,423	33,631	35,584	34,857	19,440	9,039	4,675	2,173
1975--JAN.	33,423	34,415	35,820	35,421	19,199	9,113	4,970	2,391
FEB.	33,245	33,239	35,015	34,867	19,108	9,027	4,912	1,768
MAR.	(33,306)	(33,046)	(34,962)	(34,888)	(19,191)	(9,100)	(4,749)	(1,656)
PERCENT ANNUAL GROWTH								
QUARTERLY								
1974--2ND QTR.	19.1		20.5	-0.1	2.2	9.7		
3RD QTR.	9.1		8.3	5.6	0.0	11.0		
4TH QTR.	0.8		3.6	35.9	5.3	6.5		
1974--1ST QTR.	(-1.4)		(-7.0)	(0.4)	(-5.1)	(2.7)		
MONTHLY								
1974--DEC.	6.6		15.6	34.7	8.3	5.2		
1975--JAN.	0.0		8.0	19.4	-14.9	9.8		
FEB.	-6.4		-27.0	-18.8	-5.7	-11.3		
MAR.	(2.2)		(-1.8)	(0.7)	(5.2)	(9.7)		
FEB.-MAR.	(-2.1)		(-14.4)	(-9.0)	(-0.3)	(-0.9)		
WEEKLY LEVELS--\$MILLIONS								
JAN. 15	33,395	34,616	36,003	35,394	19,360	9,083	4,596	2,606
22	33,569	34,816	36,123	35,529	19,259	9,126	5,003	2,550
29	33,358	34,296	35,616	35,474	19,067	9,147	4,980	2,248
FEB. 5	33,413	34,035	35,541	35,443	19,008	9,101	4,915	2,121
12	33,135	33,066	34,859	34,769	19,112	9,050	4,918	1,721
19	33,151	33,132	35,014	34,785	19,129	8,945	4,919	1,863
26	33,286	32,987	34,790	34,610	19,157	9,032	4,920	1,504
MAR. 5	33,393	33,109	35,031	34,961	19,106	9,035	4,824	1,639
12	33,298	32,773	34,643	34,781	19,177	9,090	4,769	1,544

NOTE: RESERVE SERIES HAVE BEEN ADJUSTED TO REMOVE DISCONTINUITIES ASSOCIATED WITH CHANGES IN RESERVE REQUIREMENT RATIO. DATA SHOWN IN PARANTHESES ARE CURRENT PROJECTIONS. AT THE FOMC MEETING OF FEBRUARY 19, 1975 THE COMMITTEE AGREED ON A RPD RANGE OF .025 TO 2.25 PERCENT FOR THE FEBRUARY-MARCH PERIOD.

TABLE 2

CONFIDENTIAL (FR)
CLASS II - FOMCMONETARY AGGREGATES
(ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED)

MARCH 14, 1975

PERIOD	MONEY SUPPLY		ADJUSTED CREDIT PROXY	U.S. GOVT. DEPOSITS	TIME AND SAVINGS DEPOSITS			NONDEPOSIT SOURCES OF FUNDS
	NARROW (M1)	BROAD (M2)			TOTAL	OTHER THAN CD'S	CD'S	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MONTHLY LEVELS--\$BILLIONS								
1974--DEC.	284.3	614.3	494.3	1.9	420.3	330.0	90.3	8.4
1975--JAN.	282.2	616.0	495.8	0.7	426.7	333.8	92.9	7.6
FEB.	283.9	621.1	495.8	0.6	429.4	337.2	92.2	6.5
MAR.	(285.5)	(625.4)	(495.2)	(0.5)	(428.7)	(339.9)	(88.8)	(6.3)
PERCENT ANNUAL GROWTH								
QUARTERLY								
1974--2ND QTR.	7.0	7.9	20.4		21.3	6.8	78.2	
3RD QTR.	1.6	4.5	6.7		9.1	7.1	17.2	
4TH QTR.	4.6	7.0	4.2		12.6	9.0	25.9	
1975--1ST QTR.	(1.7)	(7.2)	(0.7)		(8.0)	(12.0)	(-6.6)	
MONTHLY								
1974--DEC.	2.1	2.5	7.6		16.2	2.9	67.4	
1975--JAN.	-8.9	3.3	3.6		18.3	13.8	34.6	
FEB.	7.2	9.9	0.0		7.6	12.2	-9.0	
MAR.	(6.6)	(8.3)	(-1.5)		(-2.0)	(9.6)	(-44.3)	
FEB.-MAR.	(7.6)	(9.2)	(-0.7)		(2.8)	(11.0)	(-26.5)	
WEEKLY LEVELS--\$BILLIONS								
JAN. 15	282.2	616.3	496.6	1.9	427.0	334.0	92.9	7.4
22	282.4	616.3	495.9	1.6	426.7	334.0	92.7	7.6
29	281.4	616.0	495.0	0.1	427.4	334.6	92.8	7.3
FEB. 5	281.8	616.8	494.3	0.1	427.9	335.0	93.0	6.7
12	284.2	621.2	495.5	0.1	430.0	337.1	92.9	6.4
19	283.6	621.0	496.0	0.8	429.8	337.4	92.3	6.5
26	284.7	623.4	497.2	1.3	430.1	338.7	91.3	6.5
MAR. 5 P	285.1	623.9	494.8	0.9	428.9	338.7	90.2	6.1
12 PE	285.6	624.9	496.3	1.6	428.1	339.1	88.5	6.4

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.

P - PRELIMINARY
PE - PARTIALLY ESTIMATED

MARCH 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. (1)	Coupon Issues (2)	Agency Issues (3)	RP's Net 3/ (4)	Total (5)	Open Market Operations (6)	Δ Member Bank Borrowing (7)	Other 4/ Factors (8)	req. res. against U.S.G. and interb. (9)	available res. 5/ (6)+(7)+(8)-(9) (10)	available reserves 5/ (11)
<u>Monthly</u>											
1974--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	-2,395	66	-81	450
1975--Jan.	-1,102	421	-14	1,082	388	-636	-313	1,500	257	294	965
Feb.	-1,015	316	295	714	309	-1,241	-243	-599	-394	-1689	-670
Mar.											-495
April											
<u>Weekly</u>											
1975--Jan. 1	-85	--	--	-3,323	-3,409	-103	-101	947	294	449	
8	-309	--	-14	-3,069	-3,393	-1,918	-249	1,891	93	-369	
15	-371	406	--	2,492	2,526	-863	296	1,462	295	600	
22	-156	--	--	4,601	4,445	664	-14	-592	-141	199	
29	12	--	--	-3,119	-3,107	314	-452	-887	-490	-535	
Feb. 5	-299	--	-38	-2,271	-2,608	-689	-44	467	10	-276	
12	-1,091	--	--	3,612	2,521	-1,899	-7	961	42	-987	
19	-298	--	--	-2,186	-2,484	471	138	-1,520p	4p	-915p	
26	384	316	-43	2,496	3,152	1,144	-48	-1,623p	-338p	-189p	
1975--Mar. 5	19	--	376	-4,202	-3,807	193	-110	108p	68p	123p	
12	-289	1,042*	-2	-3,417	-2,666**	-3,025**	-9	2,721p	27p	-340p	
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 Feb. and Mar. reflects the target adopted at the Feb. 19, 1975 FOMC meeting. Target change for previous months reflects the bluebook patterns that are consistent with target ranges that were adopted during the month.

* Special certificate (Direct Treasury borrowing from F.R.). ** Reflects special certificate purchase.

MARCH 14, 1975

TABLE 4

SECURITY DEALER POSITIONS AND BANK POSITIONS
(Millions of dollars)

Period	U.S. Govt. Security Dealer Positions		Dealer Positions		Member Bank Reserve Positions				
	Bills	Coupon Issues	Corporate Bonds	Municipal Bonds	Excess** Reserves	Borrowing at FRB**		Basic Reserve Deficit	
	(1)	(2)	(3)	(4)	(5)	Total	Seasonal	8 New York	38 Others
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--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	103	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	147	398	14	-5,378	- 9,744
Feb.	*3,329	*2,121	144	166	216p	147p	11p	-6,318	- 9,533
1975--Jan. 1	2,234	2,507	163	117	577	561	22	-4,771	- 9,016
8	2,487	2,845	14	75	137	311	19	-5,218	-10,332
15	3,351	2,036	174	88	-42	609	13	-5,633	-10,677
22	1,586	1,619	130	66	186	594	12	-5,853	- 9,616
29	2,308	1,615	6	48	174	142	10	-4,713	- 8,504
Feb. 5	2,739	2,178	0	105	395	98	11	-5,652	- 8,653
12	3,555	1,863	59	203	59	90	10	-7,138	- 9,074
19	*3,644	*1,699	128	192	158	229	12	-6,439	-10,184
26	*3,335	*2,607	244	165	177p	180p	11p	-5,866	- 9,961
Mar. 5	*3,146	*2,249	266	117	428p	70p	9p	-5,720p	- 9,271p
12	*3,215	*2,159	399p	150p	258p	61p	7p	-7,466p	-11,376p
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 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

MARCH 14, 1975

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--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	7.43*	9.53
1975--Jan.	7.13	6.26	6.27	7.39	7.43	7.45	9.36	9.45	6.82	7.50*	9.25
Feb.	6.24	5.50	5.56	6.36	6.00	6.25	8.97	9.09	6.39	7.39*	8.93
1975--Jan. 1	7.35	7.02	6.69	9.34	9.00	9.00	--	9.67	7.08	7.41*	9.47
8	7.70	6.68	6.56	8.43	7.88	7.75	9.62	9.45	6.99	7.38*	--
15	7.22	6.63	6.44	7.73	7.25	7.38	9.38	9.55	6.90	7.51*	9.37
22	7.17	6.32	6.33	7.18	6.75	6.63	9.45	9.47	6.59	7.57*	--
29	6.99	5.62	5.91	6.55	6.25	6.50	9.00	9.21	6.54	7.58*	9.12
Feb. 5	6.46	5.62	5.65	6.60	6.00	6.25	8.89	9.12	6.34	7.42*	--
12	6.28	5.72	5.58	6.38	6.00	6.25	9.02	9.10	6.27	7.42*	8.98
19	6.29	5.42	5.46	6.38	6.00	6.25	9.04	9.08	6.40	7.27*	--
26	6.15	5.35	5.59	6.25	6.00	6.25	8.94	9.06	6.55	7.44*	8.87
Mar. 5	5.88	5.54	5.70	6.25	6.00	6.13	8.91	9.17	6.54	7.50*	--
12	5.44	5.53	5.64	6.18	5.88	6.13	9.27p	9.33p	6.65	7.58p*	8.78
19											
26											
Daily--Mar. 6	5.70	5.53	5.63	6.25	--	--	--	--	--	7.49*	--
13	5.48p	5.40	5.58	6.00	--	--	--	--	--	n.a.	--

NOTE: Weekly data for columns 1 to 4 are statement week averages of 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.

* The Treasury has revised its procedure for computing the constant maturity yields. Data have been revised back through December 1974 and result in an average increase of about 8 basis points in the level of the 10 year yield.

Appendix Table 1
RESERVES AND MONETARY VARIABLES

March 14, 1975

Period	RESERVES ^{1/}			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 Investments	Total Time	Time Other Than CD's	Thrift Institution Deposits ^{2/}	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	10.9	7.7	10.2	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	9.2	6.1	8.8	8.7	10.4	13.5	16.2	11.4	8.5	19.9	2.3	-1.7
1974	8.6	10.8	8.9	4.7	7.4	6.7	10.2	8.3	15.3	9.7	5.5	26.5	1.8	-2.0
Semi-annually:														
1st Half 1973	6.4	1.2	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	8.8	13.2	8.2	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	10.9	0.5	12.6	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	5.9	21.0	4.9	3.1	5.8	5.5	5.4	1.4	11.0	8.1	5.0	9.0	--	-3.4
Quarterly:														
1st Qtr. 1974	1.3	1.1	5.8	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	20.5	-0.1	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	8.3	5.6	9.1	1.6	4.5	4.0	6.7	5.6	9.1	7.1	3.1	3.5	0.2	1.0
4th Qtr. 1974	3.6	35.9	0.8	4.6	7.0	6.9	4.2	-2.8	12.6	9.0	6.8	5.5	-0.2	-4.4
Monthly:														
1974--Jan.	32.9	43.6	6.5	-2.7	6.9	7.2	12.3	16.5	21.4	15.6	7.8	2.6	-0.1	1.2
Feb.	-23.7	-29.6	2.7	9.7	11.1	9.5	2.9	17.0	16.2	12.6	6.3	1.8	0.4	-2.9
Mar.	-4.6	-9.4	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.	31.3	16.6	19.2	6.1	8.0	7.3	29.6	17.9	26.6	9.3	5.8	5.9	0.6	1.4
May	21.8	-9.1	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	7.5	-7.6	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	12.5	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.	-3.9	-5.6	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.	7.0	9.8	7.8	1.7	3.2	3.1	4.2	-8.6	6.8	4.5	2.9	1.0	-0.4	0.1
Oct.	-3.1	51.7	-1.5	4.7	8.5	7.2	-0.2	--	13.5	11.9	4.3	1.4	-0.7	-2.6
Nov.	-1.7	18.3	-2.8	6.8	9.7	8.5	5.2	4.5	7.6	12.2	7.1	-0.7	-0.3	0.9
Dec.	15.6	34.7	6.6	2.1	2.5	4.9	7.6	-12.8	16.2	2.9	8.9	4.8	0.8	-2.7
1975--Jan.	8.0	19.4	0.0	-8.9	3.3	5.8	3.6	8.2	18.3	13.8	10.2	2.6	-0.8	-1.2
Feb.p	-27.0	-18.8	-6.4	7.2	9.9	10.4	--	3.0	7.6	12.2	11.2	-0.7	-1.1	-0.1

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/} Based on data adjusted for changes in reserve requirements.

^{2/} 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.

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		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
				Total	Pvt Dep										
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Annually															
Dec. 1972	28,931	28,609	26,727	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	31,714	30,037	29,601	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.	33,660	32,609	30,850	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.	32,996	31,805	30,920	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.	32,870	31,556	31,131	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.	33,728	31,992	31,628	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	34,340	31,750	32,194	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	34,556	31,550	32,616	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	35,180	31,879	32,850	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.	35,066	31,730	33,145	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.	35,270	31,988	33,360	281.1	215.3	603.8	938.8	489.2	692.3	407.5	322.7	335.0	84.8	8.6	6.3
Oct.	35,179	33,366	33,318	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.	35,128	33,876	33,241	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.	35,584	34,857	33,423	284.3	216.6	614.3	955.0	494.1	686.0	420.3	330.0	340.7	90.3	8.4	1.9
1975--Jan.	35,820	35,421	33,423	282.2	214.1	616.0	959.6	495.8	690.7	426.7	333.8	343.6	92.9	7.6	0.7
Feb. p	35,015	34,867	33,245	283.9	215.3	621.1	967.9	495.8	692.4	429.4	337.2	346.8	92.2	6.5	0.6
Weekly:															
1975--Jan. 1	36,193	35,632	33,778	284.3	216.5	615.1	--	494.9	--	423.9	330.8	--	93.1	8.2	--
8	35,563	35,252	33,324	282.2	214.3	614.5	--	495.6	--	425.7	332.4	--	93.3	8.1	--
15	36,003	35,394	33,395	282.2	214.1	616.3	--	496.6	--	427.0	334.0	--	92.9	7.4	1.9
22	36,123	35,529	33,569	282.4	214.1	616.3	--	495.9	--	426.7	334.0	--	92.7	7.6	1.6
29	35,616	35,474	33,358	281.4	213.0	616.0	--	495.0	--	427.4	334.6	--	92.8	7.3	0.1
Feb. 5	35,541	35,443	33,413	281.8	213.6	616.8	--	494.3	--	427.9	335.0	--	93.0	6.7	0.1
12	34,859	34,769	33,135	284.2	215.6	621.2	--	495.5	--	430.0	337.1	--	92.9	6.4	0.1
19p	35,014	34,785	33,151	283.6	214.8	621.0	--	496.0	--	429.8	337.4	--	92.3	6.5	0.8
26p	34,790	34,610	33,286	284.7	215.9	623.4	--	497.2	--	430.1	338.7	--	91.3	6.5	1.3
Mar. 5p	35,031	34,961	33,393	285.1	216.3	623.9	--	494.8	--	428.9	338.7	--	90.2	6.1	0.9

NOTES: 1/ Estimated monthly average levels derived by averaging end of current month and end of previous month reported 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 M₃ 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)

		<u>M₁</u>		<u>M₂</u>		<u>M₃</u>	
		<u>M</u>	<u>Q</u>	<u>M</u>	<u>Q</u>	<u>M</u>	<u>Q</u>
1973	I	3.4	6.8	7.3	9.1	8.5	10.2
	II	11.3	7.3	10.6	8.6	10.3	8.9
	III	0.6	5.5	5.6	7.8	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	6.6	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

		<u>M₁</u>		<u>M₂</u>		<u>M₃</u>	
		<u>M</u>	<u>Q</u>	<u>M</u>	<u>Q</u>	<u>M</u>	<u>Q</u>
		<u>Alt. A</u>					
1975	I	1.8	0.7	7.4	6.0	9.1	7.5
	II	6.9	6.6	10.5	9.8	12.6	11.9
	III	9.4	9.0	11.9	11.9	12.5	11.8
		<u>Alt. B</u>					
1975	I	1.7	0.7	7.4	6.0	9.1	7.5
	II	6.2	6.1	9.4	9.1	11.6	11.3
	III	8.0	7.8	10.0	10.1	10.9	11.3
		<u>Alt. C</u>					
1975	I	1.5	0.6	7.3	6.0	9.1	7.5
	II	5.3	5.5	8.1	8.3	10.2	10.5
	III	6.5	6.5	7.5	7.8	8.5	9.1

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

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