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MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

February 24, 1978

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent Developments

(1) M-1 increased at a 7-1/4 per cent annual rate in January, but it appears to be declining at a 1/2 per cent rate in February. Thus, growth over January and February combined is projected at around a 3-1/2 per cent annual rate, in the lower half of the FOMC's range. M-2 appears to be expanding at a 6-1/2 per cent annual rate over the January-February period, close to the mid-point of its range. Renewed expansion in savings and small denomination time deposits at banks and a continued rise in large denomination time deposits included in M-2 helped to maintain growth in this aggregate in January.^{1/} At thrift institutions, on the other hand,

Growth in Monetary Aggregates
over January-February Period
(SAAR in per cent)

	<u>Range</u>	<u>Latest Estimates</u>
M-1	2-1/2 to 7-1/2	3.4
M-2	5 to 9	6.6
Memo: Federal funds rate (per cent per annum)	6-1/2 to 7	<u>Average for statement week ending</u>
		Jan. 18 6.78
		25 6.72
		Feb. 1 6.80
		8 6.75
		15 6.76
		22 6.78

^{1/} Much of the January growth in savings and small denomination time deposits at banks occurred early in the month, and appears to reflect inadequate seasonal adjustment for interest crediting. After early January, such flows were considerably weaker.

deposit inflows slowed further in January and seem to be continuing at a reduced pace in February. Over January and February, nonborrowed reserves are expected to increase at a 17 per cent annual rate, largely reflecting the surge in demand deposits around the turn of the year and a rise in excess reserves possibly associated with difficulties in reserve management due to severe weather.

(2) With incoming data indicating that the monetary aggregates were growing at rates well within the Committee's ranges, the Account Management has continued to seek a Federal funds rate of around $6\frac{3}{4}$ per cent since the January FOMC meeting. Under these circumstances, short-term interest rates generally have changed little on balance since mid-January despite relatively strong short-term credit demands. The Treasury has begun to raise new cash in its weekly auctions of 3- and 6-month bills, and short-term borrowing by businesses continued sizable in recent weeks. Bank loans to businesses accelerated substantially in January and early February, more than offsetting a decline in commercial paper issuance by nonfinancial corporations.

(4) In long-term credit markets, public bond offerings by corporations over the intermeeting period were modest, and rates on corporate bonds have changed little on balance since mid-January. At the same time, municipal bond yields have fallen somewhat, as demands for tax-exempt securities have continued to be quite strong. Mortgage interest rates in both primary and secondary markets, on the other hand, have edged upward further, reflecting pressures on fund availability resulting from the slowing of deposit inflows to thrift institutions.

(5) Yields on Treasury coupon securities also have risen slightly since mid-January. Both the Treasury and Federally-sponsored agencies have been substantial net borrowers over this period. The Federal Home Loan Bank System, for example, raised \$1.4 billion of new cash in conjunction with its February refinancing, to meet a growing demand for advances from member institutions. The Treasury borrowed about \$6 billion of cash through regular issues of 2- and 4-year notes since the last FOMC meeting, and obtained an additional \$2 billion in its regular mid-quarter refunding of \$5 billion of maturing issues.^{1/} Noncompetitive tenders in the refunding auctions came to \$2½ billion, about \$1 billion above the total in the November refunding. In the weeks following the auctions, the new issues have traded below their average auction prices.

(6) The table on the following page shows (in terms of percentage annual rates of change) related monetary and financial flows over various time periods.

^{1/} In that refinancing, the Treasury sold \$2½ billion of 39-month notes at an average yield of 7.59 per cent, \$3 billion of 7-year, 8 per cent notes at an average yield of 7.88 per cent, and \$1½ billion of reopened 27-year 8½ per cent bonds at an average yield of 8.23 per cent.

	1976 & 1977 Average	Past Twelve Months Jan. '78 over Jan. '77	Past Six Months Jan. '78 over July '77	Past Three Months Jan. '78 over Oct. '77	Past Month Jan. '78 over Dec. '77
Nonborrowed reserves	1.5	4.9	7.9	21.0	25.9
Total reserves	2.1	6.1	8.7	11.1	22.6
Monetary Base	7.6	8.8	10.0	11.1	16.0
<u>Concepts of Money</u>					
M-1 (Currency plus demand deposits) <u>1/</u>	6.7	7.5	6.5	4.4	7.2
M-2 (M-1 plus time deposits at commercial banks other than large CD's)	10.2	8.8	7.3	6.2	8.2
M-3 (M-2 plus deposits at thrift institutions)	12.2	10.7	10.0	7.6	7.9
M-4 (M-2 plus CD's)	8.7	9.8	9.9	10.3	9.7
M-5 (M-3 plus CD's)	11.1	11.2	11.5	10.1	8.7
<u>Bank Credit</u>					
Loans and investments of all commercial banks <u>2/</u>					
Month-end basis	9.5	11.1	9.0	7.8	12.1
Average of Wednesdays	9.3	10.9	10.1	10.1	15.6
<u>Short-term Market Paper</u> (Monthly average change in billions)					
Large CD's	-0.3	1.1	2.3	3.3	1.6
Nonbank commercial paper	0.2	0.1	0.0	-0.2	-0.9

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

2/ Includes loans sold to affiliates and branches.

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 derived from either end-of-month or Wednesday statement date 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) Shown below for Committee consideration are three alternative longer-run growth ranges for the monetary aggregates over the QIV '77-QIV '78 period, along with the ranges currently in place.

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Current</u>
M-1	4 to 7	4 to 6½	4 to 6	4 to 6½
M-2	7 to 9½	6½ to 9	6 to 8½	6½ to 9
M-3	7½ to 10	7 to 9½	6½ to 9	8 to 10½
Bank credit	8 to 11	7½ to 10½	7 to 10	7 to 10

(8) Alternative B continues the ranges for M-1 and M-2 that were adopted by the Committee in October for the QIII '77-QIII '78 period. Alternatives A and C represent, respectively, somewhat more and somewhat less expansive policy alternatives. Under all three alternatives, the M-3 growth range is projected to be lower than the current range for this aggregate. Since around year end, net inflows of deposits to thrift institutions have persisted at a rate considerably lower than previously anticipated, and, as a result, the staff has reduced its projections of such inflows over the year ahead.

(9) Each of the alternatives presupposes an upward adjustment in deposit ceiling rates at banks and thrift institutions of 50 basis points on small-denomination time deposits; the adjustments in ceiling rates are assumed to occur in April under alternative C, in May under B, and in June under A. Without such adjustments, the increase in

market rates thought necessary to restrain M-1 growth to the mid-point of the indicated ranges would lead to growth in M-2 and M-3 near the lower ends of the ranges shown.^{1/}

(10) The table below provides perspective on the relationship among growth rates proposed for the QIV '77 to QIV '78 period and the implied growth rates for more extended periods ending in QIV '78.^{2/} It shows, for instance, that growth in M-1 at around the 5½ per cent mid-point of the proposed alternative B range would lead to a 5.6 per cent annual rate of expansion over the 15-month period starting with QIII '77 and to a 6.3 per cent annual rate of growth over the 18-month period beginning with QII '77--in both cases within the current FOMC range but above the mid-point. The higher growth rates over these longer periods reflect the sizable overshoot in M-1 growth in the third quarter of last year and the more moderate overshoot in the fourth quarter. M-1 growth at around the 5 per cent mid-point of the proposed alternative C range would nearly compensate for the slight fourth quarter overshoot but not for the larger third quarter overshoot.

^{1/} Appendix III shows projections of the interest-bearing components of M-2 and M-3, as well as for the aggregates themselves, with and without an adjustment in ceiling rates.

^{2/} Implied growth rates for even more extended periods are included in the growth triangles in Appendix IV.

Growth Rates in Monetary Aggregates Assuming
Growth over QIV '77 - QIV '78 Period
at Mid-Point of Ranges for Alternatives
(Annual rate, compounded quarterly)

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
<u>Period</u>		<u>M-1</u>	
QIV '77 to QIV '78	5.5	5.2	5.0
QIII '77 to QIV '78	5.8	5.6	5.4
QII '77 to QIV '78	6.4	6.3	6.1
Memo: QIII '77 to QIII '78	5.8	5.7	5.5
		<u>M-2</u>	
QIV '77 to QIV '78	8.2	7.7	7.2
QIII '77 to QIV '78	8.2	7.8	7.3
QII '77 to QIV '78	8.6	8.2	7.9
Memo: QIII '77 to QIII '78	8.0	7.8	7.5

(11) Shorter-run specifications for monetary aggregates and the Federal funds rate believed consistent with the longer-run alternatives are summarized below for Committee consideration. (More detailed, and longer-term, data are shown in the tables on pp. 8 and 9.)

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
Ranges for Feb.-March			
M-1	1½ to 6½	1 to 6	½ to 5½
M-2	5 to 9	4½ to 8½	4 to 8
Federal funds rate			
(Intermeeting period)	6 to 6½	6½ to 7	7 to 7½

Alternative Levels and Growth Rates for Key Monetary Aggregates

		<u>M-1</u>			<u>M-2</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>
1978	January	337.4	337.4	337.4	812.0	812.0	812.0
	February	337.3	337.3	337.3	815.4	815.4	815.4
	March	339.6	339.3	339.1	821.3	820.8	820.3
1977	QIV	334.1	334.1	334.1	802.9	802.9	802.9
1978	QI	338.1	338.0	337.9	816.2	816.1	815.9
	QII	343.1	342.9	342.6	832.5	832.4	832.5
	QIII	347.6	347.1	346.6	850.9	849.5	847.0
	QIV	352.4	351.6	350.9	869.1	865.1	861.0
<u>Growth Rates</u>							
<u>Monthly:</u>							
1978	February	-0.4	-0.4	-0.4	5.0	5.0	5.0
	March	8.2	7.1	6.4	8.7	7.9	7.2
<u>Quarterly Average:</u>							
1978	QI	4.8	4.7	4.5	6.6	6.6	6.5
	QII	5.9	5.8	5.6	8.0	8.0	8.1
	QIII	5.2	4.9	4.7	8.8	8.2	7.0
	QIV	5.5	5.2	5.0	8.6	7.3	6.6
<u>Semi-Annual:</u>							
	QIV '77-QII '78	5.4	5.3	5.1	7.4	7.3	7.4
	QII '78-QIV '78	5.4	5.1	4.8	8.8	7.9	6.8
<u>Annual:</u>							
	QIV '77-QIV '78	5.5	5.2	5.0	8.2	7.7	7.2

Alternative Levels and Growth Rates for Key Monetary Aggregates (cont'd)

		<u>M-3</u>			<u>Bank Credit</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>
1978	January	1383.0	1383.0	1383.0	879.9	879.9	879.9
	February	1389.2	1389.2	1389.2	888.0	888.0	888.0
	March	1398.9	1398.1	1397.3	894.1	893.9	893.7
1977	QIV	1365.6	1365.6	1365.6	865.0	865.0	865.0
1978	QI	1390.4	1390.1	1389.8	887.8	887.3	886.8
	QII	1418.4	1417.4	1416.6	909.8	908.4	907.0
	QIII	1450.7	1447.5	1442.2	929.0	926.5	924.0
	QIV	1483.8	1475.9	1467.2	945.8	942.7	940.0
<u>Growth Rates</u>							
<u>Monthly:</u>							
1978	February	5.4	5.4	5.4	11.0	11.0	11.0
	March	8.4	7.7	7.0	8.2	8.0	7.7
<u>Quarterly Average:</u>							
1978	QI	7.3	7.2	7.1	10.5	10.3	10.1
	QII	8.1	7.9	7.7	9.9	9.5	9.1
	QIII	9.1	8.5	7.2	8.4	8.0	7.5
	QIV	9.1	7.8	6.9	7.2	7.0	6.9
<u>Semi-Annual:</u>							
	QIV '77-QII '78	7.7	7.6	7.5	10.4	10.0	9.7
	QII '78-QIV '78	9.2	8.3	7.1	7.9	7.6	7.3
<u>Annual:</u>							
	QIV '77-QIV '78	8.7	8.1	7.4	9.3	9.0	8.7

(12) A Federal funds rate centered on the recently prevailing level of 6-3/4 per cent, as contemplated under alternative B, is likely to be associated with M-1 growth over February-March in a 1 to 6 per cent annual rate range. The February weakness in M-1, following several months of strong growth, is thought by the staff to be transitory. Money growth in March is expected to rebound to a little over a 7 per cent annual rate--mainly because of the increase in transactions demands associated with the projected strengthening of economic activity following the recent weather-induced slowdown. The expected rebound in M-1 also reflects in some degree projections indicating that the volume of tax refunds to individuals will be large relative to other recent years.

(13) The February-March growth rate of M-1 shown under alternative B implies a first quarter expansion of about 4-3/4 per cent, annual rate, well within the Committee's 4 to 6-1/2 per cent longer-run range. However, the staff anticipates that further increases in market interest rates will be required in order to constrain M-1 growth over the one-year QIV '77 - QIV '78 period to the mid-point of that range. Even though the staff has reduced its projection of economic growth this year, nominal GNP is still expected to increase at an 11-1/4 per cent rate over the QIV '77 - QIV '78 period, leading to relatively strong money demand. In addition, the restraining impact on money demand from the relatively sharp 1-3/4 percentage point increase in short-term interest rates that took place between the spring and fall of last year will be exhausted relatively soon; since October short-rates have risen only about another

1/4 percentage point. Even assuming some further moderate downward shift in money demand relative to income, the Federal funds rate would probably have to begin rising again in April and reach 8 per cent by fall in order to constrain M-1 growth for the QIV '77-QIV '78 period to the mid-point of the 4 to 6-1/2 per cent alternative B range.^{1/}

(14) Growth in M-2 over the February-March period is likely to be in a 4-1/2 to 8-1/2 per cent annual rate range under alternative B. With market yields above the ceiling rates on savings deposits and all maturities of small denomination time deposits at commercial banks, inflows of such deposits are likely to remain modest in February-March. However, growth in large denomination time deposits included in M-2 are expected to continue to offset slow growth of deposits subject to Regulation Q ceiling as banks aggressively seek funds to finance credit demands.

(15) At thrift institutions the relatively attractive yields available in the market for shorter-term investments have slowed total deposit inflows so far in 1978, although ceiling rates on the longest-term deposits are still somewhat above those on market instruments. With no further increase in short-term interest rates, growth in deposits at thrift institutions can be expected to remain modest in the near-term. Consequently, S&L's are likely to limit their new commitment activity and also--in financing takedowns of their record level of outstanding commitments--to reduce their own liquidity and further increase borrowing

^{1/} See Appendix I. The implied increases in the velocity of M-1 and M-2 over 1978 are shown in Appendix II.

from FHL Banks. Although thrift deposit inflows are expected to rise from their depressed first quarter pace if ceiling rates are raised in the spring (as we are assuming), inflows will probably remain considerably below the strong pace of expansion of 1977.

(16) With the Federal funds rate remaining near its present 6-3/4 per cent level, as envisioned under alternative B, interest rates generally are likely to fluctuate within a relatively narrow range over the intermeeting period. A little upward rate pressure might develop in short-term credit markets; the Treasury is expected to raise \$10 billion of new money in the bill market prior to the March and April tax dates, and depository institutions are likely to continue liquidating shorter-term Treasury issues to meet loan demands. However, intermediate- and long-term market rates might decline a bit in the weeks immediately ahead. Treasury demands in these maturity ranges are not likely to be unusually large. In addition, the pace of new offerings by corporations and State and local governments is expected to remain moderate, while the institutional demand for bonds is likely to continue to be quite strong. Both primary and secondary mortgage rates will probably continue to be under upward pressure, given the slowing of deposit growth at the thrift institutions.

(17) Over the longer-run both short- and long-term interest rates are likely to rise. Given the strength that is projected in economic activity, rate pressures may become evident in spring and summer as a result of expanding private credit demands and Federal Reserve efforts

to restrain money growth. Further increases in short- and intermediate-term rates will be accompanied by reduced liquid asset holdings of depository institutions, by increased commercial bank offerings of large denomination time deposits, and by stepped up borrowing demands of Federal housing agencies. The increases in short- and intermediate-term rates will probably be transmitted to some extent to long-term markets. However, as in 1977, such increases will be limited by the continued high cash flows of insurance companies and pension funds.

(18) Under alternative C the Federal funds rate would rise over the intermeeting period to the mid-point of a 7 to 7-1/2 per cent range, and the February-March annual rate of growth of M-1 and M-2 would likely be in 1/2 to 5-1/2 and 4 to 8 per cent annual rate ranges, respectively. The 3-month Treasury bill rate would probably rise to about 7 per cent by mid-March, with commensurate adjustments in other short rates. Member bank borrowings could be expected to rise sharply once again, increasing pressures for a discount rate increase. At the same time, the rise in short-term interest rates associated with this alternative would tend to strengthen the dollar on international exchange markets.

(19) The tightening of money market conditions contemplated under alternative C would further slow the net inflow of deposits subject to rate ceilings in the weeks immediately ahead and thus would increase the need for an adjustment in deposit ceiling rates. Lending policies of banks and thrift institutions would become more restrictive. There would be increased pressure on Government support programs in the

mortgage area. The Home Loan Bank System would be expected to turn more and more to the market to raise cash to support advances to savings and loan associations, and mortgage bankers would increase takedowns of existing FNMA commitments while also aggressively seeking new commitments. In such an environment, the increase in short-term rates would probably be rather promptly transmitted to the intermediate- and long-term sectors of the market, where Government security dealers still have a long position of moderate size in Treasury coupon issues.

(20) The near-term increase in interest rates under alternative C would work toward a reduction in growth of the aggregates over the longer run. However, given the projected strength of money demand, a further increase in interest rates would be required in order to limit M-1 expansion to the mid-point of the 4 to 6 per cent alternative C range over the QIV '77-QIV '78 period. The staff would expect the funds rate under this alternative to average 7-3/4 per cent in the second quarter and to rise to 8-1/4 per cent by fall.

(21) Alternative A involves a reduction in the Federal funds rate over the intermeeting period to the 6-1/2 per cent mid-point of a 6 to 6-1/2 per cent range. Such an action would be accompanied by a reversal of the early January rise in short-term interest rates. Long-term rates, on the other hand, might not retrace all of their recent increases if, as appears likely at the moment, market participants concluded that the decline in short-term rates was likely to be temporary. Meanwhile, the dollar would probably tend to soften in international exchange markets.

(22) The approach of alternative A appears most consistent with a monetary policy that encourages more rapid growth in the monetary aggregates over the longer-run than under either alternatives B or C. Nevertheless, given the strength projected for economic activity, the near-term decline in the funds rate under A would probably soon have to be reversed to restrain growth in the aggregates to rates consistent with the mid-points of longer-run ranges for alternative A. The funds rate would have to begin rising again in the second quarter and might reach a high for the year of about 7-3/4 per cent by fall.

Directive language

(23) Given below are alternatives for the operational paragraphs of the directive. The first formulation places main emphasis on near-term rates of growth in monetary aggregates. The second formulation, like the directive adopted at the last meeting, places main emphasis on money market conditions; it shows--in strike-through form--the specifications adopted at the last meeting. As suggested below, the particular language needed in the opening lines of the money market formulation would depend on the specific conditions sought; the three alternatives shown--calling, respectively, for somewhat easier, prevailing, and somewhat firmer money market conditions--are intended to be associated with the specifications discussed in the preceding section under alternatives A, B, and C.

"Monetary Aggregates" Formulation

The Committee seeks to encourage near-term rates of growth in M-1 and M-2 on a path believed to be reasonably consistent with the longer-run ranges for monetary aggregates cited in the preceding paragraph. Specifically, at present, it expects the annual growth rates over the February-March period to be within the ranges of ____ to ____ per cent for M-1 and ____ to ____ per cent for M-2. In the judgment of the Committee such growth rates are likely to be associated with a weekly-average Federal funds rate of about ____ per cent. If, giving approximately equal weight to M-1 and M-2, it appears that growth rates over

the 2-month period will deviate significantly from the mid-points of the indicated ranges, the operational objective for the Federal funds rate shall be modified in an orderly fashion within a range for ____ to ____ per cent. In the conduct of day-to-day operations, account shall be taken of emerging financial market conditions, including the unsettled conditions in foreign exchange markets.

If it appears during the period before the next meeting that the operating constraints specified above are proving to be significantly inconsistent, the Manager is promptly to notify the Chairman who will then decide whether the situation calls for supplementary instructions from the Committee.

"Money Market" Formulation

At this time, the Committee seeks to maintain about the prevailing money market conditions (OR TO ACHIEVE SOMEWHAT EASIER OR SOMEWHAT FIRMER MONEY MARKET CONDITIONS) during the period immediately ahead, provided that monetary aggregates appear to be growing at approximately the rates currently expected, which are believed to be on a path reasonably consistent with the longer-run ranges for monetary aggregates cited in the preceding paragraph. Specifically, the Committee seeks to maintain the weekly-average Federal funds rate at about ~~the-current-level~~ ____ per cent, so long as M-1 and M-2 appear to be growing over the ~~January-February~~ FEBRUARY-MARCH period at annual rates within

ranges of ~~2½-7½~~ ____ TO ____ per cent and ~~5-9~~ ____ TO ____ per cent, respectively. If giving approximately equal weight to M-1 and M-2, it appears that growth rates over the 2-month period are approaching or moving beyond the limits of the indicated ranges, the operational objective for the weekly-average Federal funds rate shall be modified in an orderly fashion within a range of ~~6½-7~~ ____ TO ____ per cent. In the conduct of day-to-day operations, account shall be taken of emerging financial market conditions, including the unsettled conditions in foreign exchange markets.

If it appears during the period before the next meeting that the operating constraints specified above are proving to be significantly inconsistent, the Manager is promptly to notify the Chairman who will then decide whether the situation calls for supplementary instructions from the Committee.

Appendix I

Projected Federal Funds Rate

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1978--QI	6-5/8	6½	6-7/8
QII	7¼	7½	7¾
QIII	7-5/8	7-7/8	8-1/8
QIV	7¾	8	8½

Appendix II

Implied Velocity Growth Rates

<u>V_1 (GNP/M_1)</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1978 I	6.5	6.5	6.6
II	4.7	4.8	4.8
III	4.9	5.0	5.0
IV	6.0	6.1	6.0
<u>V_2 (GNP/M_2)</u>			
1978 I	4.6	4.6	4.7
II	2.6	2.6	2.1
III	1.4	1.8	2.7
IV	3.0	3.8	4.5

Appendix III

The following table compares M-2 and M-3 growth patterns (and their respective interest-bearing components) with and without a one-half percentage point increase in the ceiling rate on small denomination time deposits.^{1/} All data in the table are per cent changes at seasonally adjusted annual rates.

	<u>Without a change in ceiling rate</u>			<u>With a change in ceiling rate^{1/}</u>		
	<u>A</u>	<u>B</u>	<u>C</u>	<u>A</u>	<u>B</u>	<u>C</u>
				<u>Interest-bearing Component of M-2</u>		
1978--I	7.9	7.9	7.9	7.9	7.9	7.9
II	8.8	8.4	7.9	9.4	9.5	10.0
III	9.0	8.9	8.1	11.4	10.5	8.6
IV	9.2	8.7	8.1	10.6	8.8	7.8
QIV '77 to QIV '78	9.1	8.7	8.2	10.2	9.5	8.8
				<u>M-2</u>		
1978--I	6.6	6.6	6.5	6.6	6.6	6.5
II	7.2	6.9	6.7	8.0	8.0	8.1
III	7.2	7.1	7.2	8.8	8.2	7.0
IV	7.4	7.1	7.3	8.6	7.3	6.6
QIV '77 to QIV '78	7.3	7.2	7.1	8.2	7.7	7.2
				<u>Thrift Deposits</u>		
1978--I	8.1	8.0	8.0	8.1	8.0	8.0
II	7.3	6.5	6.3	8.3	7.6	7.0
III	6.7	6.0	5.8	9.4	9.0	7.7
IV	6.8	6.0	5.9	9.9	8.6	7.4
QIV '77 to QIV '78	7.6	6.9	6.7	9.2	8.5	7.7
				<u>M-3</u>		
1978--I	7.3	7.2	7.1	7.3	7.2	7.1
II	7.4	6.8	6.5	8.1	7.9	7.7
III	7.2	6.8	6.6	9.1	8.5	7.2
IV	7.3	6.8	6.8	9.1	7.8	6.9
QIV '77 to QIV '78	7.5	7.1	6.9	8.7	8.1	7.4

^{1/} The staff has assumed that the deposit ceiling rate is increased in June under Alternative A, May under B, and April under C.

Appendix Table IV-1

MONEY STOCK--M-1
 (Annual rates of growth, compounded quarterly)^{1/}

Ending Period	Base Period		<u>75II</u>	<u>75III</u>	<u>75IV</u>	<u>76I</u>	<u>76II</u>	<u>76III</u>	<u>76IV</u>	<u>77I</u>	<u>77II</u>	<u>77III</u>	<u>77IV</u>
	<u>74IV</u>	<u>75I</u>											
1975 I	0.7												
II	3.9	7.1											
III	5.0	7.2	7.3										
IV	4.4	5.6	4.9	2.5									
1976 I	4.1	4.9	4.2	2.7	2.9								
II	4.8	5.6	5.3	4.6	5.6	8.5							
III	4.7	5.4	5.1	4.5	5.2	6.4	4.4						
IV	5.0	5.6	5.4	5.0	5.6	6.5	5.6	6.7					
1977 I	4.9	5.4	5.2	4.9	5.3	6.0	5.1	5.5	4.3				
II	4.3	5.8	5.6	5.4	5.9	6.5	6.0	6.5	6.5	8.7			
III	5.7	6.2	6.1	5.9	6.4	7.0	6.7	7.3	7.5	9.2	9.7		
IV	5.8	6.3	6.2	6.0	6.5	7.0	6.8	7.3	7.4	8.4	8.3	7.0	
	* * * * *												
1978 IV													
Alt. A	5.7	6.0	6.0	5.9	6.2	6.5	6.3	6.5	6.5	6.7	6.4	5.8	5.5
Alt. B	5.6	6.0	5.9	5.8	6.1	6.4	6.2	6.4	6.3	6.6	6.3	5.6	5.2
Alt. C	5.6	5.9	5.8	5.7	6.0	6.3	6.1	6.3	6.2	6.5	6.1	5.4	5.0

^{1/} Based on quarterly average data.

Appendix Table IV-2

MONEY STOCK--M-2
 (Annual rates of growth, compounded quarterly)^{1/}

Ending Period	Base Period												
	<u>74IV</u>	<u>75I</u>	<u>75II</u>	<u>75III</u>	<u>75IV</u>	<u>76I</u>	<u>76II</u>	<u>76III</u>	<u>76IV</u>	<u>77I</u>	<u>77II</u>	<u>77III</u>	<u>77IV</u>
1975 I	5.8												
II	8.1	10.4											
III	8.9	10.4	10.5										
IV	8.3	9.2	8.5	6.6									
1976 I	8.7	9.4	9.1	8.4	10.2								
II	9.1	9.7	9.6	9.3	10.6	10.9							
III	9.1	9.7	9.5	9.3	10.2	10.2	9.4						
IV	9.6	10.2	10.1	10.0	10.9	11.1	11.2	13.1					
1977 I	9.7	10.2	10.1	10.1	10.8	10.9	10.9	11.7	10.3				
II	9.7	10.1	10.1	10.0	10.6	10.7	10.6	11.0	9.9	9.5			
III	9.8	10.2	10.1	10.1	10.6	10.7	10.6	10.9	10.2	10.1	10.7		
IV	9.6	9.9	9.9	9.8	10.2	10.2	10.1	10.3	9.6	9.2	9.2	7.8	

* * * * *

1978 IV													
Alt. A	9.3	9.5	9.4	9.3	9.6	9.5	9.4	9.4	8.9	8.7	8.6	8.2	8.2
Alt. B	9.1	9.4	9.3	9.2	9.4	9.3	9.2	9.1	8.7	8.4	8.2	7.8	7.7
Alt. C	9.0	9.2	9.1	9.0	9.2	9.1	9.0	8.9	8.4	8.1	7.9	7.3	7.2

^{1/} Based on quarterly average data.

Appendix Table IV-3

MONEY STOCK--M-3
(Annual rates of growth, compounded quarterly)^{1/}

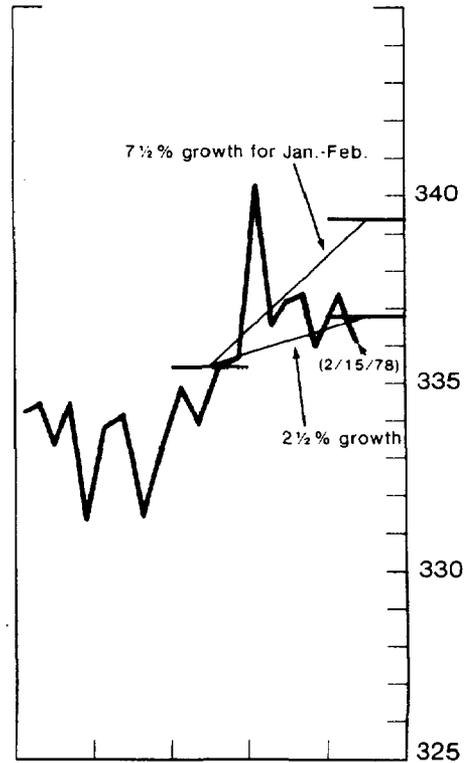
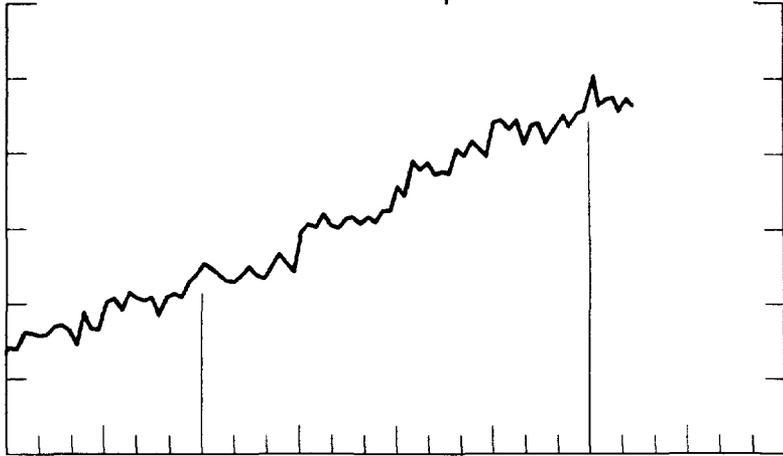
Ending Period	Base Period		<u>75II</u>	<u>75III</u>	<u>75IV</u>	<u>76I</u>	<u>76II</u>	<u>76III</u>	<u>76IV</u>	<u>77I</u>	<u>77II</u>	<u>77III</u>	<u>77IV</u>
	<u>74IV</u>	<u>75I</u>											
1975 I	8.0												
II	10.4	13.0											
III	11.5	13.3	13.7										
IV	11.1	12.2	11.8	9.9									
1976 I	11.3	12.1	11.8	10.9	11.9								
II	11.4	12.2	12.0	11.4	12.1	12.3							
III	11.5	12.1	11.9	11.5	12.0	12.1	11.9						
IV	12.0	12.5	12.5	12.2	12.8	13.1	13.5	15.2					
1977 I	11.9	12.5	12.4	12.2	12.6	12.8	12.9	13.5	11.8				
II	11.8	12.2	12.1	11.9	12.2	12.3	12.3	12.5	11.1	10.4			
III	11.9	12.3	12.2	12.0	12.3	12.4	12.4	12.6	11.7	11.7	13.0		
IV	11.8	12.2	12.1	11.9	12.2	12.2	12.2	12.3	11.6	11.5	12.1	11.2	
1978 IV													
Alt. A	11.0	11.2	11.1	10.9	11.0	10.9	10.8	10.7	10.1	9.9	9.8	9.2	8.7
Alt. B	10.9	11.1	10.9	10.7	10.8	10.7	10.5	10.4	9.8	9.5	9.4	8.7	8.1
Alt. C	10.7	10.9	10.8	10.5	10.6	10.5	10.3	10.1	9.5	9.2	9.0	8.2	7.4

^{1/} Based on quarterly average data.

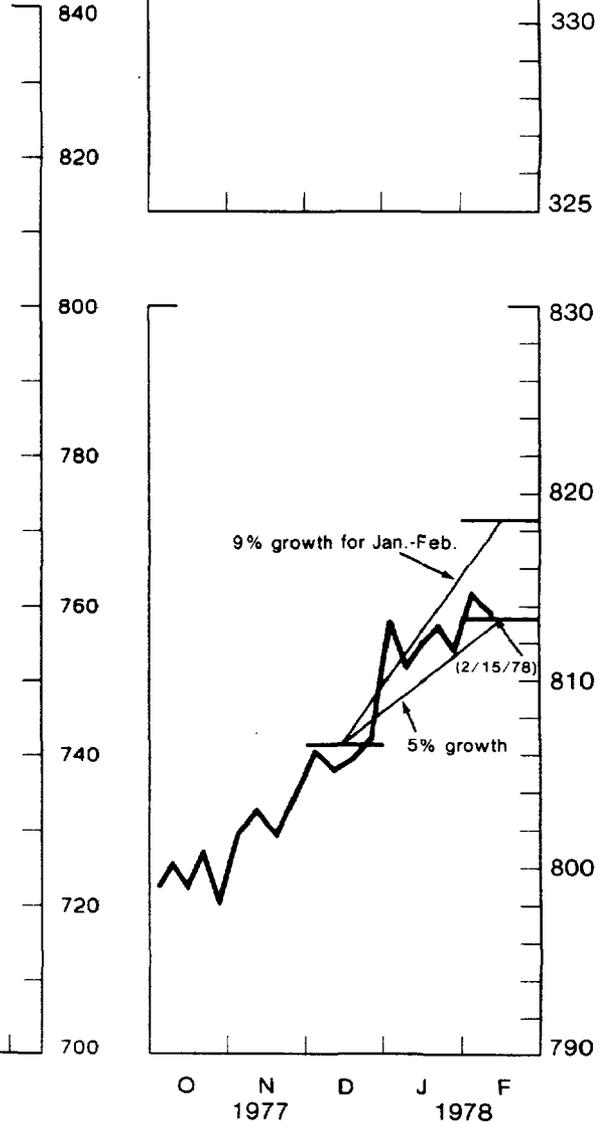
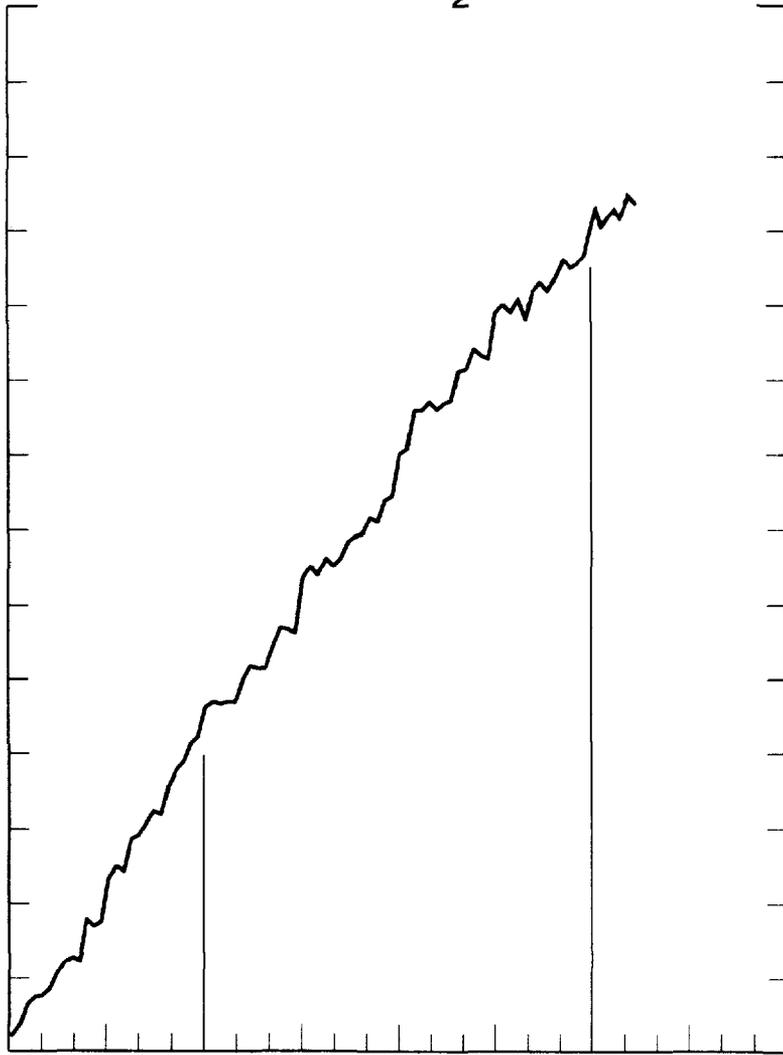
MONETARY AGGREGATES

NARROW MONEY SUPPLY M_1

BILLIONS OF DOLLARS



BROADER MONEY SUPPLY M_2



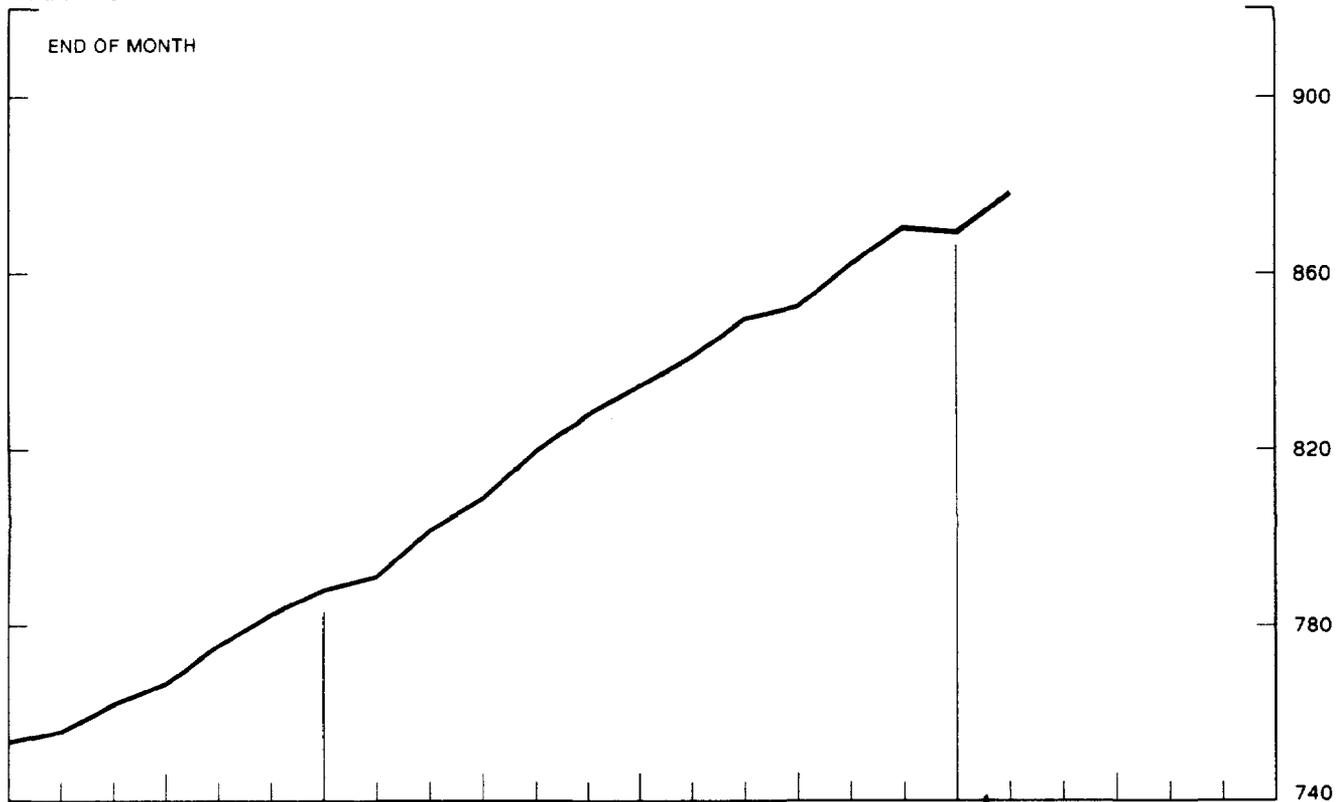
1976

1977

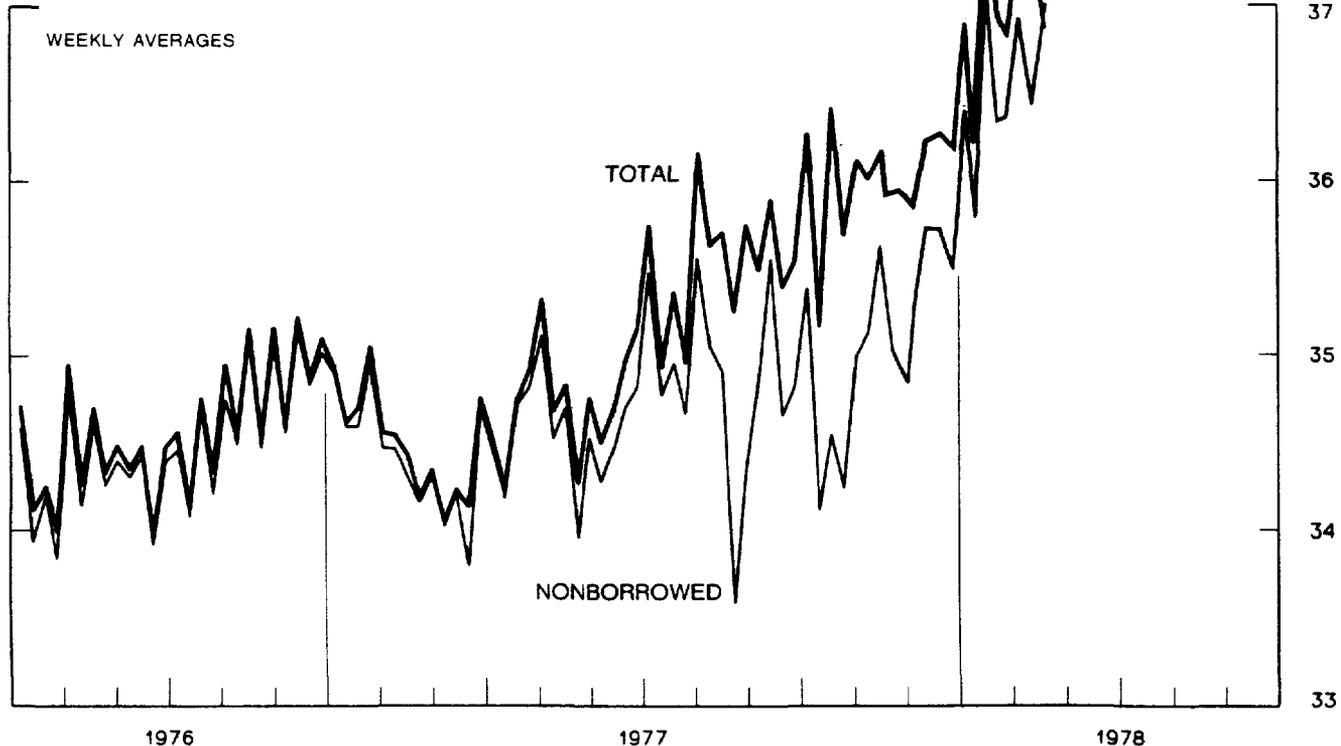
1978

MONETARY AGGREGATES

BANK CREDIT



RESERVES



MONEY MARKET CONDITIONS AND INTEREST RATES

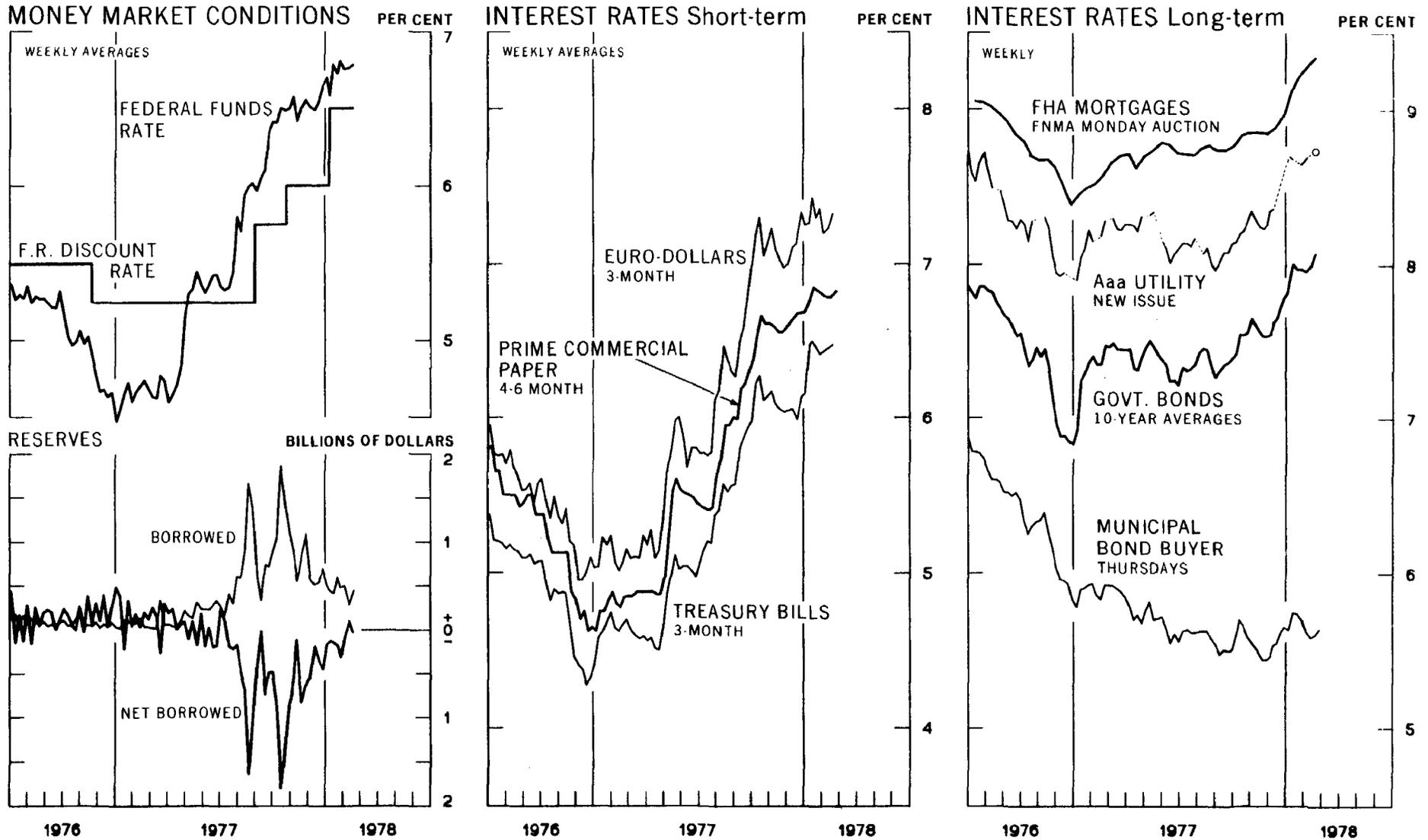


Table 1
MONETARY AGGREGATES

CONFIDENTIAL (FR)
CLASS II-FOMC

ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED

FEB. 24, 1978

Period	Money Supply		Total U.S. Govt. Deposits 1/	Time & Savings Deposits				CD's	Nondeposit Sources of Funds 2/	
	Narrow (M1)	Broad (M2)		Total	Other Than CD's					
					Total	Savings	Other			
	1	2	3	4	5	6	7	8	9	
MONTHLY LEVELS-\$BIL										
1977--NOV.	333.3	802.7	6.7	540.3	469.4	218.3	251.1	70.9	60.0	
DEC.	335.4	806.5	11.4	545.8	471.1	218.3	252.8	74.7	61.6	
1978--JAN.	337.4	812.0	9.7	550.9	474.6	219.4	255.2	76.3	63.8	
FEB.	(337.3)	(815.4)	(7.5)	(557.4)	(478.1)	(219.7)	(258.4)	(79.3)		
% ANNUAL GROWTH										
QUARTERLY										
1977--2ND QTR.	8.2	8.8	-39.3	9.5	9.4	5.1	13.2	10.9		
3RD QTR.	10.6	10.4	23.8	8.5	10.4	9.6	11.1	-4.4		
4TH QTR.	6.1	6.9	26.2	15.2	7.3	0.9	13.1	72.8		
QUARTERLY-AV										
1977--2ND QTR.	8.4	9.2	-18.2	8.3	9.8	8.5	10.8	-1.9		
3RD QTR.	9.3	10.3	15.2	10.0	10.9	6.6	15.0	3.2		
4TH QTR.	6.8	7.6	-51.4	12.9	8.1	4.4	11.2	48.2		
MONTHLY										
1977--NOV.	-1.4	4.7	-419.4	18.3	9.0	-0.5	17.5	81.3		
DEC.	7.6	5.7	641.8	12.2	4.3	0.0	8.1	64.3		
1978--JAN.	7.2	8.2	-178.9	11.2	8.9	6.0	11.4	25.7		
FEB.	(-0.4)	(5.0)	(-272.2)	(14.2)	(8.9)	(1.6)	(15.0)	(47.2)		
JAN.-FEB.	(3.4)	(6.6)	(-205.3)	(12.8)	(8.9)	(3.8)	(13.3)	(36.9)		
WEEKLY LEVELS-\$BIL										
1978--JAN.	4	340.2	813.1	10.4	549.6	472.9	218.5	254.4	76.6	65.4
11		336.6	810.7	10.4	550.1	474.1	220.0	254.1	76.0	65.2
18		337.2	812.0	9.3	550.4	474.8	219.9	254.9	75.7	62.5
25		337.4	812.6	9.3	551.5	475.3	219.9	255.4	76.2	64.4
FEB.	1	336.0	811.7	9.8	553.0	475.7	219.6	256.1	77.3	70.1
8		337.3	814.7	10.0	555.8	477.4	219.7	257.7	78.4	65.0
15		336.1	813.6	7.4	556.6	477.5	219.9	257.6	79.1	

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS. P - PRELIMINARY

1/ INCLUDES TREASURY DEPOSITS AT MEMBER BANKS AND FEDERAL RESERVE BANKS.

2/ INCLUDES BORROWINGS FROM OTHER THAN COMMERCIAL BANKS IN THE FORM OF FEDERAL FUNDS PURCHASED, SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE, AND OTHER LIABILITIES FOR BORROWED MONEY, PLUS GROSS LIABILITIES TO OWN FOREIGN BRANCHES (EURODOLLAR BORROWINGS), LOANS SOLD TO AFFILIATES, LOAN RPS, AND OTHER MINOR ITEMS.

Table I-A
TIME AND SAVINGS DEPOSITS AT ALL COMMERCIAL BANKS
 SEASONALLY ADJUSTED EXCEPT AS NOTED

CONFIDENTIAL (FR)
 CLASS II-FOMC

FEB. 24, 1978

Period	Total Time and Savings	Savings Deposits				Time Deposits			Memo: Large Negotiable CD's
		Total	Individual and Nonprofit	Business (NSA)	Government (NSA)	Total	Large Denomination	Small Denomination	
	1	2	3	4	5	6	7	8	9
OUTSTANDING (\$ BILLIONS)									
1977--MAY	509.2	212.7	196.3	9.9	6.6	296.4	133.5	162.9	62.3
JUNE	514.8	212.7	196.9	9.9	6.0	302.1	137.9	164.2	63.9
JULY	519.5	213.6	198.6	9.9	5.0	305.9	140.8	165.1	62.8
AUG.	522.5	216.2	201.4	10.1	4.8	306.3	141.0	165.3	63.2
SEPT.	525.8	217.6	203.3	10.1	4.4	308.0	142.0	166.0	63.2
OCT.	532.2	218.4	204.2	10.0	4.2	313.9	147.2	166.7	66.4
NOV.	540.3	218.3	204.5	10.1	3.7	322.0	156.6	165.4	70.9
DEC.	545.8	218.3	204.7	10.1	3.6	327.5	161.8	165.7	74.7
1978--JAN.	550.9	219.4	205.8	9.7	3.9	331.5	164.9	166.5	76.3
CHANGES (\$ BILLIONS)									
1977 YEAR	54.7	16.5	17.5	1.6	-2.5	38.2	24.4	13.7	11.4
QUARTERLY AVERAGE:									
1976--IV	14.3	11.8	8.4	1.4	1.9	2.5	-5.6	8.1	-3.1
1977--I	15.1	10.4	7.1	1.2	2.1	4.7	-0.2	4.9	0.3
II	10.4	4.4	4.4	0.7	-0.5	5.9	-1.4	7.3	-0.3
III	12.7	3.5	4.9	0.1	-1.8	9.3	6.4	3.0	0.5
IV	16.8	2.4	3.4	0.1	-0.9	14.4	13.9	0.4	7.6
MONTHLY AVERAGE:									
1977--JULY	4.7	0.9	1.7	0.0	-1.0	3.8	2.9	0.9	-1.1
AUG.	3.0	2.6	2.8	0.2	-0.2	0.4	0.2	0.2	0.4
SEPT.	3.3	1.6	1.9	0.0	-0.4	1.7	1.0	0.7	0.0
OCT.	6.4	0.6	0.9	-0.1	-0.2	5.9	5.2	0.7	3.2
NOV.	8.1	-0.1	0.3	0.1	-0.5	8.1	9.4	-1.3	4.5
DEC.	5.5	0.0	0.2	0.0	-0.1	5.5	5.2	0.3	3.8
1978--JAN.	5.1	1.1	1.1	-0.4	0.3	4.0	3.1	0.8	1.6

NOTE: COLUMNS (1), (2), AND (9) ON THIS TABLE CORRESPOND TO COLUMNS (4), (6), AND (8), RESPECTIVELY, ON TABLE 1--MONETARY AGGREGATES. FIGURES IN COLUMNS (1), (2), AND (6) REFLECT DAILY DATA REPORTED BY MEMBER BANKS, WITH ESTIMATES FOR NONMEMBER BANKS DERIVED FROM DATA REPORTED BY SMALL MEMBER BANKS, BENCHMARKED TO NONMEMBER CALL REPORT FIGURES. SAVINGS DEPOSITS OF BUSINESS AND GOVERNMENTAL UNITS--COLUMNS (4) AND (5)-- AND LARGE DENOMINATION TIME DEPOSITS --COLUMN (7)--REFLECT BREAKDOWNS REPORTED EACH WEDNESDAY BY LARGE COMMERCIAL BANKS BLOWN UP TO REPRESENT DEPOSITS AT ALL COMMERCIAL BANKS ON THE BASIS OF CALL REPORT RELATIONSHIPS.

TABLE 2
BANK RESERVES
ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED

FEB. 24, 1978

Period	BANK RESERVES			REQUIRED RESERVES				
	Total Reserves	Nonborrowed Reserves	Monetary Base	Total Required	Private Demand	Total Time Deposits	Gov't. and Interbank	
	1	2	3	4	5	6	7	
MONTHLY LEVELS--\$MILLIONS								
1977--NOV.	36,009	35,147	126,953	35,758	21,437	12,646	1,675	
DEC.	36,207	35,637	127,911	36,017	21,454	12,854	1,709	
1978--JAN.	36,889	36,405	129,612	36,623	21,742	13,038	1,843	
FEB.	(37,072)	(36,652)	(130,312)	(36,691)	(21,885)	(13,072)	(1,734)	
PERCENT ANNUAL GROWTH								
QUARTERLY								
1977--2ND QTR.	6.5	4.6	6.2	7.3	3.9	6.1		
3RD QTR.	8.8	4.6	10.2	8.1	13.2	2.6		
4TH QTR.	6.5	7.3	8.8	6.8	3.3	15.0		
QUARTERLY-AV								
1977--2ND QTR.	3.0	1.9	7.2	3.5	3.0	4.0		
3RD QTR.	9.0	3.4	9.6	8.6	10.2	6.3		
4TH QTR.	5.6	2.9	8.7	5.8	4.9	8.6		
MONTHLY								
1977--NOV.	3.7	19.3	8.0	2.4	3.0	18.3		
DEC.	6.6	16.7	9.1	8.7	1.0	19.7		
1978--JAN.	22.6	25.9	16.0	20.2	16.1	17.2		
FEB.	(6.0)	(8.1)	(6.5)	(2.2)	(7.9)	(3.1)		
JAN.-FEB.	(14.3)	(17.1)	(11.3)	(11.2)	(12.1)	(10.2)		
WEEKLY LEVELS--\$MILLIONS								
1978--JAN.	4	36,892	36,386	129,354	36,605	21,587	12,975	2,043
11		36,220	35,778	128,516	35,915	21,400	13,039	1,476
18		37,562	37,144	130,209	37,301	22,039	13,099	2,163
25		36,934	36,342	129,987	36,619	21,798	13,036	1,785
FEB.	1	36,833	36,363	129,928	36,675	21,834	13,011	1,830
8		37,420	36,925	130,239	36,999	22,108	13,025	1,866
15		37,296	37,014	130,385	36,926	22,160	13,054	1,712
22		36,679	36,427	130,310	36,468	21,520	13,114	1,834

NOTE: RESERVE SERIES HAVE BEEN ADJUSTED TO REMOVE DISCONTINUITIES ASSOCIATED WITH CHANGES IN RESERVE REQUIREMENT RATIO.
DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.

TABLE 3
NET CHANGES IN SYSTEM HOLDINGS OF SECURITIES^{1/}
(\$ million, not seasonally adjusted)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
FEBRUARY 24, 1978

	Treasury Bills Net Change 2/	Treasury Coupons Net Purchases 3/					Federal Agencies Net Purchases 4/					Net Change Outright Holdings Total 5/	Net RP's 6/
		Within 1 year	1 - 5	5 - 10	Over 10	Total	Within 1 year	1 - 5	5 - 10	Over 10	Total		
1972	-490	87	789	539	167	1,582	46	592	253	168	1,059	1,631	-1,358
1973	7,232	207	579	500	129	1,415	120	400	244	101	864	9,273	-46
1974	1,280	320	797	434	196	1,747	439	1,665	659	318	3,082	6,303	-154
1975	-468	337	3,284	1,510	1,070	6,202	191	824	460	138	1,613	7,267	1,272
1976	863	472	3,025	1,048	642	5,187	105	469	203	114	891	6,227	3,607
1977	4,361	517	2,833	758	553	4,660	--	792	428	213	1,433	10,035	-2,892
1976--Qtr. IV	-886	77	794	232	192	1,294	--	41	37	36	115	436	304
1977--Qtr. I	1,164	192	997	325	165	1,680	--	--	--	--	--	2,738	-4,771
Qtr. II	2,126	109	526	171	152	959	--	406	251	68	726	3,666	4,175
Qtr. III	886	116	681	96	128	1,021	--	--	--	--	--	4,273	-2,331
Qtr. IV	186	99	628	166	108	1,001	--	386	177	145	707	-643	34
1977--Aug.	636	--	--	--	--	--	--	--	--	--	--	552	-1,353
Sept.	1,385	116	681	96	128	1,021	--	--	--	--	--	4,881	1,883
Oct.	-1,877	--	--	--	--	--	--	--	--	--	--	-4,380	-6,530
Nov.	-736	--	--	--	--	--	--	--	--	--	--	-736	2,996
Dec.	2,798	93	628	166	108	1,001	--	386	177	145	707	4,474	3,568
1978--Jan.	-627	56	311	89	100	556	--	--	--	--	--	-71	-7,149
1977--Dec. 7	585	--	--	--	--	--	--	--	--	--	--	585	1,317
14	351	--	--	--	--	--	--	--	--	--	--	327	-4,553
21	425	99	628	166	108	1,001	--	--	--	--	--	1,425	6,709
28	1,438	--	--	--	--	--	--	386	177	145	707	2,145	3,099
1978--Jan. 4	--	--	--	--	--	--	--	--	--	--	--	-9	-4,526
11	-347	--	--	--	--	--	--	--	--	--	--	-347	-7,893
18	696	--	--	--	--	--	--	--	--	--	--	696	5,232
25	-116	56	311	89	100	556	--	--	--	--	--	440	-2,239
Feb. 1	-860	--	--	--	--	--	--	--	--	--	--	-882	5,009
8	-275	--	--	--	--	--	--	--	--	--	--	-275	-5,745
15	-1,358	--	--	--	--	--	--	--	--	--	--	-1,358	4,629
22	-200	--	--	--	--	--	--	--	--	--	--	-200	2,408
LEVEL--Feb. 22 (in billions)	40.5	13.6	29.1	9.6	7.6	59.9	1.3	4.2	1.6	.9	8.0	108.4	1.8

1/ Change from end-of-period to end-of-period.

2/ Outright transactions in market and with foreign accounts, and redemptions (-) in bill auctions.

3/ Outright transactions in market and with foreign accounts, and short-term notes acquired in exchange for maturing bills. Excludes redemptions, maturity shifts, rollovers of maturing coupon issues, and direct Treasury borrowing from the System.

4/ Outright transactions in market and with foreign accounts only. Excludes redemptions and maturity shifts.

5/ In addition to net purchases of securities, also reflects changes in System holdings of bankers' acceptances, direct Treasury borrowings from the System, and redemptions (-) of Agency and Treasury coupon issues.

6/ Includes changes in both RP's (+) and matched sale-purchase transactions (-).

TABLE 4
SECURITY DEALER POSITIONS AND BANK POSITIONS
(millions of dollars)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
FEBRUARY 24, 1978

	U.S. Govt. Security Dealer Positions		Underwriting Syndicate Positions		Excess** Reserves	Member Bank Reserve Positions			
	Bills	Coupon Issues	Corporate Bonds	Municipal Bonds		Borrowing at FRB**		Basic Reserve Deficit**	
						Total	Seasonal	8 New York	38 Others
1976--High	8,896	3,046	334	343	655	242	34	-8,161	-12,744
Low	3,668	175	0	34	-180	24	8	-2,367	-6,908
1977--High	7,234	3,017	295	487	513	1,861	131	-9,151	-13,975
Low	1,729	-1,445	0	116	-111	20	8	-4,234	-8,206
1977--Jan.	6,406	2,320	82	202	265	68	10	-6,421	-11,504
Feb.	4,450	1,650	72	226	198	72	12	-5,604	-11,503
Mar.	4,906	972	103	162	214	103	13	-5,661	-10,912
Apr.	4,567	696	101	173	192	73	14	-6,586	-11,409
May	3,072	123	20	228	213	206	30	-5,693	-10,175
June	4,752	206	142	217	154	262	54	-5,341	-10,332
July	3,899	-309	143	209	275	323	60	-6,391	-11,012
Aug.	2,533	-933	71	199	200	1,084	102	-5,581	-11,452
Sept.	4,812	-313	128	230	209	626	112	-7,333	-11,120
Oct.	4,142	-360	83	186	210	1,305	112	-6,480	-11,511
Nov.	3,617	610	36	210	251	863	83	-6,971	-11,825
Dec.	4,257	804	195	367	193	570	55	-7,403	-11,350
1978--Jan.	4,127	327	56	293	268	484	32	-6,047	-12,299
1977--Dec. 7	3,397	1,026	160	281	15	583	70	-7,424	-12,292
14	5,059	447	283	420	313	509	56	-9,151	-11,736
21	4,877	256	121	487	145	527	53	-7,185	-12,335
28	4,023	1,375	116	428	245	686	53	-6,165	-10,246
1978--Jan. 4	4,416	1,247	0	316	287	506	30	-6,675	-8,533
11	5,625	369	39	284	313	440	26	-7,699	-13,055
18	3,565	-221	72	273	261	418	25	-6,352	-13,938
25	3,167	365	58	297	315	592	34	-5,496	-12,729
Feb. 1	*3,599	*674	7	154	158	470	44	-3,993	-11,516
8	*3,842	*2,043	35	151	421p	495p	48p	-5,056	-13,137
15	*4,128	*1,264	0	251	370p	282p	48p	-4,784p	-14,286p
22	*3,185	*968	20p	225p	416p	442p	53p	-5,697p	-12,455p

NOTE: Government security dealer trading positions are on a commitment basis. Trading positions, which exclude Treasury securities financed by repurchase agreements maturing in 16 days or more, are indicators of dealer holdings available for sale over the near-term. Underwriting syndicate positions consist of 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)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
FEBRUARY 24, 1978

	Short-Term						Long-Term									
	Federal Funds (1)	Treasury Bills		CD's New Issue-NYC 90-Day (4)	Comm. Paper 90-119 Day (5)	Bank Prime Rate (6)	U.S. Govt.-Constant Maturity Yields			Corp.-Aaa Utility		Municipal Bond Buyer (12)	Home Mortgages			
		90-Day (2)	1-Year (3)				3-yr (7)	7-yr (8)	20-yr (9)	New Issue (10)	Recently Offered (11)		Primary Conv. (13)	Secondary FNMA Auc (14)	Market GNMA Sec. (15)	
1976--High	5.58	5.53	6.32	5.75	5.90	7.25	7.52	7.89	8.17	8.95	8.94	7.13	9.10	9.20	8.45	
Low	4.63	4.27	4.62	4.50	4.63	6.25	5.65	6.33	7.23	7.93	7.84	5.83	8.70	8.39	7.57	
1977--High	6.65	6.27	6.62	6.70	6.66	7.75	7.39	7.70	7.99	8.36	8.48	5.93	9.00	8.98	8.39	
Low	4.47	4.41	4.67	4.50	4.63	6.25	5.83	6.59	7.26	7.90	7.95	5.45	8.65	8.46	7.56	
1977--Jan.	4.61	4.62	5.00	4.68	4.72	6.25	6.22	6.92	7.48	8.08	8.09	5.87	8.72	8.48	7.83	
Feb.	4.68	4.67	5.16	4.70	4.76	6.25	6.44	7.16	7.64	8.22	8.19	5.89	8.67	8.55	7.98	
Mar.	4.69	4.60	5.19	4.72	4.75	6.25	6.47	7.20	7.73	8.25	8.29	5.89	8.69	8.68	8.06	
Apr.	4.73	4.54	5.10	4.67	4.75	6.25	6.32	7.11	7.67	8.26	8.22	5.73	8.75	8.67	7.96	
May	5.35	4.96	5.43	5.16	5.26	6.41	6.55	7.26	7.74	8.33	8.31	5.75	8.83	8.74	8.04	
June	5.39	5.02	5.41	5.35	5.42	6.75	6.39	7.05	7.64	8.08	8.12	5.62	8.86	8.75	7.95	
July	5.42	5.19	5.57	5.28	5.38	6.75	6.51	7.12	7.60	8.15	8.12	5.63	8.95	8.72	7.96	
Aug.	5.90	5.49	5.97	5.78	5.75	6.83	6.79	7.24	7.64	8.04	8.05	5.62	8.94	8.76	8.03	
Sept.	6.14	5.81	6.13	6.01	6.09	7.13	6.84	7.21	7.57	8.07	8.07	5.51	8.90	8.74	8.02	
Oct.	6.47	6.16	6.52	6.53	6.51	7.52	7.19	7.44	7.71	8.23	8.22	5.64	8.92	8.82	8.16	
Nov.	6.51	6.10	6.52	6.56	6.54	7.75	7.22	7.46	7.76	8.28	8.25	5.49	8.92	8.86	8.19	
Dec.	6.56	6.07	6.52	6.65	6.61	7.75	7.30	7.59	7.87	8.34	8.38	5.57	8.96	8.94	8.27	
1978--Jan.	6.70	6.44	6.80	6.82	6.75	7.93	7.61	7.86	8.14	8.68	8.60	5.71	9.02	9.17	8.56	
1977--Dec.	7	6.51	6.05	6.50	6.55	6.54	7.75	7.27	7.54	7.81	8.35	8.34	5.54	8.95	--	8.23
14	6.49	6.06	6.51	6.70	6.60	7.75	7.27	7.56	7.84	8.36	8.38	5.55	8.95	8.89	8.24	
21	6.54	5.99	6.49	6.70	6.64	7.75	7.33	7.63	7.92	--	8.41	5.62	8.95	--	8.29	
28	6.65	6.14	6.58	6.65	6.66	7.75	7.39	7.70	7.99	--	8.48	5.66	9.00	8.98	8.39	
1978--Jan.	4	6.69	6.16	6.55	6.65	6.68	7.75	7.40	7.72	8.01	--	8.48	5.64	9.00	--	8.43
11	6.58	6.48	6.81	6.87	6.69	7.82	7.71	7.93	8.18	8.70	8.65	5.75	9.03	9.13	8.54	
18	6.78	6.50	6.87	6.87	6.80	8.00	7.66	7.89	8.16	8.68	8.65	5.74	8.98	--	8.60	
25	6.72	6.46	6.83	6.88	6.79	8.00	7.65	7.89	8.17	--	8.62	5.70	9.05	9.21	8.59	
Feb.	1	6.80	6.42	6.80	6.81	6.76	8.00	7.58	7.85	8.17	8.65	8.60	5.63	9.13	--	8.62
8	6.75	6.44	6.83	6.75	6.76	8.00	7.62	7.91	8.20	8.69	8.64	5.59	9.15	9.27	8.62	
15	6.76	6.46	6.86	6.75	6.76	8.00	7.71	7.99	8.25	--	8.68	5.61	9.15	--	8.65	
22	6.78	6.48	6.91	6.75	6.78	8.00	7.74p	8.00p	8.25p	8.73p	8.71p	5.65	n.a.	9.35	8.68	
Daily--Feb.	16	6.83	6.51	6.94	--	6.76	8.00	7.74	8.01	8.27	--	--	--	--	--	
23	6.75p	6.43	6.88	--	6.77	8.00	7.74p	8.00p	8.24p	--	--	--	--	--	--	

NOTE: Weekly data for columns 1, 2, 3, 5, and 6 are statement week averages of daily data. Data in column 4 are 1-day Wednesday quotes. For columns 7 through 10, the weekly date is the mid-point of the calendar week over which data are averaged. Columns 11 and 12 are 1-day quotes for Friday and Thursday, respectively, following the end of the statement week. Column 13 is an average of contract interest rates on commitments for conventional first mortgages with 80 per cent loan-to-value ratios made by a sample of insured savings and loan associations on the Friday following the end of the statement week. Column 14 gives FNMA auction data for Monday preceding the end of the statement week. Column 15 is a 1-day quote for Monday preceding 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. GNMA yields are average net yields to investors on mortgage-backed securities for immediate delivery, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the coupon rate 50 basis points below the current FHA/VA ceiling.

Appendix Table 1-A
MONEY AND CREDIT AGGREGATE MEASURES

Period	Bank Reserves ^{1/}			Bank Credit	Money Stock Measures						
	Total	Non-borrowed	Monetary Base	Total Loans and Investments	M ₁	M ₂	M ₃	M ₄	M ₅	M ₆	M ₇
	1	2	3	4	5	6	7	8	9	10	11
ANNUALLY: ^{2/}	(PER CENT ANNUAL RATES OF GROWTH)										
1975	-0.2	3.2	5.9	3.9	4.4	8.3	11.1	6.5	9.7	10.5	10.1
1976	1.0	1.2	6.9	8.0	5.6	10.9	12.8	7.1	10.3	10.0	10.2
1977	5.2	2.7	8.3	10.9	7.4	9.6	11.6	9.8	11.7	11.3	11.4
SEMI-ANNUALLY: ^{2/}											
2ND HALF 1976	3.6	3.7	6.8	8.9	5.5	10.9	13.1	8.0	11.1	10.3	10.4
1ST HALF 1977	2.9	2.3	7.0	11.6	6.4	9.7	10.8	9.0	10.3	10.2	10.4
2ND HALF 1977	7.4	3.2	9.2	9.7	8.2	9.0	11.7	10.2	12.4	11.9	11.7
QUARTERLY:											
1ST QTR. 1977	-1.8	-2.4	5.1	10.6	3.8	8.5	10.0	7.3	9.2	10.1	10.5
2ND QTR. 1977	6.5	4.6	8.2	12.6	8.2	8.8	9.9	9.1	10.0	9.7	9.9
3RD QTR. 1977	8.8	4.6	10.2	8.6	10.6	10.4	13.4	9.3	12.6	11.9	11.7
4TH QTR. 1977	6.5	7.3	8.8	8.3	6.1	6.9	9.2	11.7	12.1	11.7	11.5
QUARTERLY-AV:											
1ST QTR. 1977	2.7	2.6	6.8	9.5	4.2	9.9	11.3	9.3	10.9	10.7	10.8
2ND QTR. 1977	3.0	1.9	7.2	13.3	8.4	9.2	10.0	8.5	9.4	9.5	9.8
3RD QTR. 1977	9.0	3.4	9.6	9.8	9.3	10.3	12.4	9.7	11.9	11.4	11.3
4TH QTR. 1977	5.6	2.9	8.7	9.3	6.8	7.6	10.8	10.5	12.5	12.0	11.8
MONTHLY:											
1977--JAN.	10.9	10.4	10.6	4.7	5.4	9.7	11.4	8.7	10.8	10.9	11.0
FEB.	-13.1	-13.3	-0.2	15.9	0.8	7.1	8.9	7.0	8.7	11.4	11.7
MAR.	-3.1	-4.3	5.0	10.9	5.4	8.6	9.4	6.2	8.0	7.8	8.5
APR.	13.0	14.1	11.8	15.7	19.4	13.5	12.4	11.7	11.3	10.6	10.8
MAY	1.5	-3.1	6.2	12.0	0.7	4.7	7.3	5.4	7.6	7.7	7.9
JUNE	4.8	2.9	6.4	9.6	4.5	8.1	9.8	10.0	10.8	10.5	10.6
JULY	16.9	14.9	14.2	9.5	18.3	16.6	16.1	13.6	14.3	13.3	13.0
AUG.	9.8	-15.4	8.1	12.3	5.9	6.4	11.5	6.5	11.2	10.8	10.6
SEPT.	-0.5	14.6	8.2	3.8	7.3	7.9	12.3	7.5	11.7	11.4	11.2
OCT.	9.1	-14.1	9.3	13.5	12.0	10.1	12.5	13.6	14.7	14.0	13.8
NOV.	3.7	19.3	8.0	11.8	-1.4	4.7	7.5	10.5	11.0	10.7	10.5
DEC.	6.6	16.7	9.1	-0.7	7.6	5.7	7.4	10.6	10.3	10.0	9.9
1978--JAN.	22.6	25.9	16.0	12.1	7.2	8.2	7.9	9.7	8.7	8.6	8.5

1/ BASED ON DATA ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS.

2/ BASED ON QUARTERLY AVERAGE DATA.

P - PRELIMINARY

MONEY AND CREDIT AGGREGATE MEASURES

SEASONALLY ADJUSTED, BILLIONS OF DOLLARS

Period	Bank Reserves ^{1/}			Bank Credit	Money Stock Measures						
	Total	Non-borrowed	Monetary Base	Total Loans and Investments	M ₁	M ₂	M ₃	M ₄	M ₅	M ₆	M ₇
	1	2	3	4	5	6	7	8	9	10	11
ANNUALLY:											
1975	34,015	33,885	110,394	725.5	294.8	664.3	1092.6	746.5	1174.7	1308.3	1351.1
1976	34,465	34,412	118,054	788.2	312.4	740.3	1237.1	803.5	1300.3	1439.1	1488.8
1977	36,207	35,637	127,911	870.0	335.4	806.5	1374.0	881.2	1448.8	1601.8	1657.7
MONTHLY:											
1977--JAN.	34,778	34,710	119,100	791.3	313.8	746.3	1248.9	809.3	1312.0	1452.2	1502.4
FEB.	34,397	34,326	119,077	801.8	314.0	750.7	1258.2	814.0	1321.5	1466.0	1517.1
MAR.	34,308	34,204	119,572	809.1	315.4	756.1	1268.1	818.2	1330.3	1475.5	1527.8
APR.	34,680	34,606	120,749	819.7	320.5	764.6	1281.2	826.2	1342.8	1488.5	1541.6
MAY	34,723	34,517	121,376	827.9	320.7	767.6	1289.0	829.9	1351.3	1498.1	1551.8
JUNE	34,862	34,599	122,027	834.5	321.9	772.8	1299.5	836.8	1363.5	1511.2	1565.5
JULY	35,352	35,029	123,468	841.1	326.8	783.5	1316.9	846.3	1379.8	1528.0	1582.4
AUG.	35,641	34,580	124,297	849.7	328.4	787.7	1329.5	850.9	1392.7	1541.7	1596.4
SEPT.	35,627	35,001	125,144	852.4	330.4	792.9	1343.1	856.2	1406.3	1556.3	1611.3
OCT.	35,897	34,591	126,109	862.0	333.7	799.6	1357.1	865.9	1423.5	1574.5	1629.8
NOV.	36,009	35,147	126,953	870.5	333.3	802.7	1365.6	873.5	1436.5	1588.5	1644.1
DEC.	36,207	35,637	127,911	870.0	335.4	806.5	1374.0	881.2	1448.8	1601.8	1657.7
1978--JAN.	36,889	36,405	129,612	878.6	337.4	812.0	1383.0	888.3	1459.3	1613.3	1669.5
WEEKLY:											
1977--DEC.	21	36,258	35,731	128,035	335.4	805.8		881.0			
	28	36,189	35,503	128,282	335.7	806.9		882.9			
1978--JAN.	4	36,892	36,386	129,354	340.2	813.1		889.8			
	11	36,220	35,778	128,516	336.6	810.7		886.8			
	18	37,562	37,144	130,209	337.2	812.0		887.6			
	25	36,934	36,342	129,987	337.4	812.8		889.0			
FEB.	1	36,833	36,363	129,928	336.0	811.7		888.9			
	8P	37,420	36,925	130,239	337.3	814.7		893.1			
	15P	37,296	37,014	130,385	336.1	813.6		892.7			

NOTES: WEEKLY DATA ARE DAILY AVERAGES FOR STATEMENT WEEKS. MONTHLY DATA ARE DAILY AVERAGES. WEEKLY DATA ARE NOT AVAILABLE FOR M₃, M₅, M₆, M₇, TOTAL LOANS AND INVESTMENTS AND THRIFT INSTITUTION DEPOSITS.

^{1/} BASED ON DATA ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS. DATA SHOWN IN MILLIONS OF DOLLARS.

P - PRELIMINARY

APPENDIX TABLE 2-A

COMPONENTS OF MONEY STOCK AND RELATED MEASURES

Period	Currency	Demand Deposits	Time and Savings Deposits					Mutual Savings Bank & S&L Shares ^{1/}	Credit Union Shares ^{1/}	Savings Bonds ^{1/}	Short Term U.S. Gov't Securities ^{1/}	Other Private Short-term Assets ^{1/}
			Total	Other Than CD's			CD's					
				Total	Savings	Other						
	1	2	3	4	5	6	7	8	9	10	11	12
(Per cent annual rates of growth)												
ANNUALLY: ^{2/}												
1975	8.8	2.9	8.0	11.7	17.5	7.8	-6.1	15.5	19.4	6.2	33.4	-1.0
1976	9.6	4.3	8.1	15.2	25.0	7.7	-23.5	15.6	17.8	6.9	7.5	19.2
1977	9.5	6.7	11.4	11.1	10.5	11.7	12.9	14.2	20.3	7.0	9.9	12.1
SEMI-ANNUALLY: ^{2/}												
2ND HALF 1976	8.0	4.6	9.7	15.2	19.8	11.3	-21.1	16.2	17.6	7.2	-1.4	15.2
1ST HALF 1977	8.5	5.7	10.5	12.1	15.0	9.5	0.0	12.2	16.1	6.4	12.5	16.5
2ND HALF 1977	10.0	7.5	11.6	9.6	5.6	13.3	25.9	15.2	22.7	7.3	6.8	7.1
QUARTERLY:												
1ST QTR. 1977	8.4	2.2	9.5	11.9	16.3	8.1	-7.0	12.0	16.4	6.1	31.1	20.9
2ND QTR. 1977	8.8	8.2	9.5	9.4	5.1	13.2	10.9	11.2	13.8	6.6	8.3	15.3
3RD QTR. 1977	11.4	10.1	8.5	10.4	9.6	11.1	-4.4	17.3	23.8	7.0	4.9	5.2
4TH QTR. 1977	9.3	4.9	15.2	7.3	0.9	13.1	72.8	11.9	21.6	7.9	8.1	6.5
QUARTERLY-AV:												
1ST QTR. 1977	7.5	3.1	12.5	14.0	21.1	8.0	1.9	13.3	16.7	6.7	11.1	12.9
2ND QTR. 1977	9.3	8.3	8.3	9.8	8.5	10.8	-1.9	10.9	15.0	6.1	13.6	19.5
3RD QTR. 1977	10.0	9.1	10.0	10.9	6.6	15.0	3.2	15.2	19.3	6.5	5.5	7.4
4TH QTR. 1977	9.8	5.8	12.9	8.1	4.4	11.2	48.2	14.6	24.8	8.0	8.1	6.6
MONTHLY:												
1977--JAN.	8.9	4.1	11.0	12.9	23.2	4.2	-3.8	14.2	15.4	6.7	17.9	12.1
FEB.	10.4	-3.1	10.7	11.7	14.6	9.5	3.8	11.4	15.2	6.6	68.9	21.5
MAR.	5.9	5.7	6.7	10.7	10.4	10.5	-20.9	10.0	18.0	5.0	5.0	28.2
APR.	13.1	21.6	6.9	9.5	10.9	8.3	-11.6	10.4	11.8	6.6	3.3	18.4
MAY	7.2	-1.5	8.3	7.6	4.5	10.3	13.6	11.1	11.7	6.5	11.6	15.8
JUNE	5.7	4.6	13.2	10.7	0.0	20.5	30.8	11.8	17.4	6.5	9.9	11.2
JULY	15.7	18.7	11.0	15.4	5.1	24.7	-20.7	15.1	20.0	6.5	0.0	2.2
AUG.	5.6	6.0	6.9	6.8	14.6	0.0	7.6	18.3	19.7	6.4	6.5	6.6
SEPT.	12.6	5.4	7.6	8.6	8.9	8.4	0.0	17.8	30.4	8.0	8.1	6.6
OCT.	9.7	12.8	14.6	8.6	3.3	13.2	60.8	14.9	27.0	7.9	8.1	6.5
NOV.	9.6	-5.4	18.3	9.0	-0.5	17.5	81.3	11.3	18.5	7.9	8.0	6.5
DEC.	8.2	7.3	12.2	4.3	0.0	8.1	64.3	9.1	18.2	7.8	7.9	6.5
1978--JAN.	10.9	5.8	11.2	8.9	6.0	11.4	25.7	6.5	12.8	7.8	7.9	6.4

^{1/} GROWTH RATES ARE BASED ON ESTIMATED MONTHLY AVERAGE LEVELS DERIVED BY AVERAGING END OF CURRENT MONTH AND END OF PREVIOUS MONTH REPORTED DATA.

^{2/} BASED ON QUARTERLY AVERAGE DATA.

APPENDIX TABLE 2-B

FEB. 24, 1978

COMPONENTS OF MONEY STOCK AND RELATED MEASURES

Period	Currency	Demand Deposits	Time and Savings Deposits					Mutual Savings Bank & S&L Shares ^{1/}	Credit Union Shares ^{1/}	Savings Bonds ^{1/}	Short-Term U.S. Gov't Sec ^{1/}	Other Private Short-term Assets ^{1/ 2/}	Non-Deposit Funds ^{3/}	Total Gov't Demand Deposits ^{4/}
			Total	Other Than CD's			CD's							
				Total	Savings	Other								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
ANNUALLY:														
1975	73.7	221.0	451.7	369.6	160.5	209.1	82.1	395.2	33.0	67.3	66.3	42.8	33.7	8.3
1976	80.5	231.9	491.1	427.9	201.8	226.0	63.3	457.8	39.0	71.9	66.9	49.7	51.4	11.2
1977	88.4	247.0	545.8	471.1	218.3	252.8	74.7	520.7	46.9	77.0	76.0	55.9	61.6	11.4
MONTHLY:														
1977--JAN.	81.1	232.7	495.6	432.5	205.7	226.8	63.1	463.2	39.5	72.3	67.9	50.2	49.9	10.0
FEB.	81.8	232.1	500.0	436.7	208.2	228.6	63.3	467.6	40.0	72.7	71.8	51.1	50.3	11.7
MAR.	82.2	233.2	502.8	440.6	210.0	230.6	62.2	471.5	40.6	73.0	72.1	52.3	51.4	11.2
APR.	83.1	237.4	505.7	444.1	211.9	232.2	61.6	475.6	41.0	73.4	72.3	53.1	50.8	10.8
MAY	83.6	237.1	509.2	446.9	212.7	234.2	62.3	480.0	41.4	73.8	73.0	53.8	54.6	10.6
JUNE	84.0	238.0	514.8	450.9	212.7	238.2	63.9	484.7	42.0	74.2	73.6	54.3	53.5	10.1
JULY	85.1	241.7	519.5	456.7	213.6	243.1	62.8	490.8	42.7	74.6	73.6	54.4	53.3	11.6
AUG.	85.5	242.9	522.5	459.3	216.2	243.1	63.2	498.3	43.4	75.0	74.0	54.7	55.6	10.2
SEPT.	86.4	244.0	525.8	462.6	217.8	244.8	63.2	505.7	44.5	75.5	74.5	55.0	57.7	10.7
OCT.	87.1	246.6	532.2	465.9	218.4	247.5	66.4	512.0	45.5	76.0	75.0	55.3	57.4	10.3
NOV.	87.8	245.5	540.3	469.4	218.3	251.1	70.9	516.8	46.2	76.5	75.5	55.6	60.0	6.7
DEC.	88.4	247.0	545.8	471.1	218.3	252.8	74.7	520.7	46.9	77.0	76.0	55.9	61.6	11.4
1978--JAN.	89.2	248.2	550.9	474.6	219.4	255.2	76.3	523.5	47.4	77.5	76.5	56.2	63.8	9.7
WEEKLY:														
1977--DEC.	21	88.5	246.9	545.7	470.4	218.1	252.3	75.2	0.0	0.0	0.0	0.0	59.3	13.7
	28	88.7	246.9	547.3	471.3	218.5	252.7	76.0	0.0	0.0	0.0	0.0	66.4	12.0
1978--JAN.	4	88.7	251.5	549.6	472.9	218.5	254.4	76.6	0.0	0.0	0.0	0.0	65.4	10.4
	11	88.7	247.9	550.1	474.1	220.0	254.1	76.0	0.0	0.0	0.0	0.0	65.2	10.4
	18	89.2	248.0	550.4	474.8	219.9	254.9	75.7	0.0	0.0	0.0	0.0	62.5	9.3
	25	89.6	247.8	551.5	475.3	219.9	255.4	76.2	0.0	0.0	0.0	0.0	64.4	9.3
FEB.	1	89.7	246.3	553.0	475.7	219.6	256.1	77.3	0.0	0.0	0.0	0.0	70.1	9.8
	8P	89.8	247.4	555.8	477.4	219.7	257.7	78.4	0.0	0.0	0.0	0.0	65.0	10.0
	15P	89.9	246.2	556.6	477.5	219.9	257.6	79.1	0.0	0.0	0.0	0.0		7.4

1/ ESTIMATED MONTHLY AVERAGE LEVELS DERIVED BY AVERAGING END OF CURRENT MONTH AND END OF PREVIOUS MONTH REPORTED DATA.

2/ INCLUDES PRIVATE DOMESTIC NONFINANCIAL INVESTORS' HOLDINGS OF COMMERCIAL PAPER, BANKERS ACCEPTANCES, SECURITY RP'S AND MONEY MARKET MUTUAL FUND SHARES.

3/ BORROWINGS BY BANKS FROM OTHER THAN COMMERCIAL BANKS IN THE FORM OF FEDERAL FUNDS PURCHASED, SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE, AND OTHER LIABILITIES FOR BORROWED MONEY, PLUS GROSS LIABILITIES TO OWN FOREIGN BRANCHES (EURODOLLAR BORROWINGS), LOANS SOLD TO AFFILIATES, LOAN RPS, AND OTHER MINOR ITEMS.

4/ INCLUDES TREASURY DEPOSITS AT MEMBER BANKS AND FEDERAL RESERVE BANKS.

P - PRELIMINARY