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Strictly Confidential (FR) Class I FOMC April 13, 1979

MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

STRICTLY CONFIDENTIAL (FR)
CLASS I - FOMC

April 13, 1979

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) M-1 grew in March at a ¾ per cent annual rate, but data for early April suggest an acceleration in growth. For the March-April period, M-1 is expected to increase at a 3¾ per cent annual rate, just below the low end of the range adopted by the FOMC. On the other hand, M-2 over the two months appears to be growing at around the midpoint of the range adopted by the FOMC. Recent growth of the interest-bearing component of this aggregate has been associated with a marked slowing of outflows of savings deposits and continued rapid expansion in Money Market Certificates (MMCs). At S&L's and MSB's, combined deposit growth remained at about the 9½ per cent rate of the preceding four months.

Comparison of FOMC Policy Ranges for
March-April
to Latest Staff Estimates

	Ranges	Latest Estimates	
M-1	4 to 8	3.7	
M-2	3½ to 7½	5.5	
Federal funds rate (per cent per annum)	10 or a bit higher	Avg. for statement week ending	
		March 21	10.09
		28	10.00
		April 4	9.95
		11	9.93

(2) Growth of commercial bank credit decelerated sharply to a 3 per cent annual rate in March, as real estate and business lending expanded at much reduced rates. With loan expansion weakening and inflows to deposits subject to ceilings improving, managed liabilities rose by less than one-third of the $7½ billion average increase during

the first two months of the year. Banks permitted outstanding CD's to decline in March, while continuing to rely on Eurodollars and RP's to supplement their loanable funds.

(3) The Manager of the System Open Market Account has continued to aim for a weekly average Federal funds rate of 10 per cent or a bit higher. In early April, projections for the monetary aggregates indicated growth of M-1 at the bottom of its range over the March-April period and of M-2 at slightly below the midpoint of its range. On April 6, the FOMC concurred in the Chairman's view that projections at that time were not sufficiently weak to call for a change in the System's funds rate objective.

(4) Despite the modest strengthening of the monetary aggregates, required reserves are expected to decline at a 3½ per cent annual rate over the March-April period, reflecting the fact that deposit growth was mostly at nonmember banks and that reserves were released by a decline in outstanding negotiable CD's. Both nonborrowed and total reserves also are expected to decline--by annual rates of 1½ and 3 per cent, respectively. With currency expected to grow at a 9 per cent annual rate over the March-April period, however, the monetary base is expected to expand at a 5 per cent rate, continuing this year's much reduced rate of expansion.

(5) Short-term interest rates have fluctuated fairly widely since the March FOMC meeting, and on balance have risen somewhat. Rates on short-dated Treasury bills increased 15 to 20 basis points as foreign official accounts sold more than $5 billion of Treasury bills in late March and early April. CD and long maturity bill rates, in contrast,

declined considerably in late March but have risen more recently, and are now 10 to 25 basis points above their levels at the time of the Committee meeting. The fluctuations of short-term interest rates appeared to be associated with shifts in market opinion on the likely response of monetary policy to incoming data on the economy. Bond and primary mortgage market yields have edged up since the March FOMC meeting.

(6) The dollar has shown considerable strength in the exchange markets since the last FOMC meeting. The dollar's weighted average exchange value rose by more than 1 per cent at a time when there were also sales of .

$2¾ billion by the United States. Since the first of the year, foreign official holdings of Treasury securities have contracted by over $15 billion.

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

	1977 & 1978 Average	Past Twelve Months Mar. '79 over Mar. '78	Past Six Months Mar. '79 over Sept. '78	Past Three Months Mar. '79 over Dec. '78	Past Month Mar. '79 over Feb. '79
Nonborrowed reserves	4.9	1.5	-1.7	-5.7	1.4
Total reserves	6.0	3.2	-2.0	-4.4	1.9
Monetary base	8.7	7.8	5.8	4.3	4.6
Concepts of Money					
M-1 (Currency plus demand deposits)1/	7.6	4.6	-1.2	-2.8	0.7
M-1+ (M-1 plus savings deposits at commercial banks, NOW accounts at banks and thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks)	7.3	2.1	-3.8	-5.7	-1.7
M-2 (M-1 plus time deposits at commercial banks other than large CD's)	9.2	6.9	3.1	1.6	3.6
M-3 (M-2 plus deposits at thrift institutions)	10.6	8.4	5.8	4.5	6.0
M-4 (M-2 plus CD's)	10.3	8.3	5.0	2.4	-0.6
M-5 (M-3 plus CD's)	11.1	9.1	6.8	4.8	3.2
Bank Credit					
Loans and investments of all commercial banks 2/					
Month-end basis	11.3	11.1	8.6	11.2	2.9
Monthly average	11.4	10.9	9.7	11.6	3.5
Short-term Market Paper (Monthly average change in billions)					
Large CD's	1.4	1.5	1.8	0.8	-3.1
Nonbank commercial paper	0.3	4.3	0.5	0.4	1.5

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

(8) The table below presents for Committee consideration three alternative specifications for the monetary aggregates and the Federal funds rate for the April-May period. Alternative B would maintain the Federal funds rate at about the 10 per cent level that has prevailed since late last year, while alternatives A and C, respectively, would ease and tighten money market conditions in coming weeks. (More detailed and longer-term data are contained in the tables on pp. 6 and 7.)

	Alt. A	Alt. B	Alt. C
Ranges for April-May			
M-1	3½ to 7½	3 to 7	2½ to 6½
M-2	5 to 9	4½ to 8½	4 to 8
Federal funds rate (Intermeeting period)	9¼ to 10	9¾ to 10½	10¼ to 11

(9) As noted in the last Bluebook, the staff is assuming that the downward shift of money demand that became apparent late last year will not last as long or be as large as that which began in late 1974. Thus, we have projected some strengthening of M-1 growth for the policy period immediately ahead. Under alternative B, with the funds rate remaining at the prevailing level of about 10 per cent, we expect M-1 to increase over the April-May period in a 3 to 7 per cent annual rate range. For the second quarter as a whole, staff projections call for M-1 expansion under alternative B at about a 3¼ per cent annual rate, following the 2½ per cent rate of decline in the first quarter. With nominal GNP expected to expand at an 11¼ per cent annual rate, the implied growth of V-1 in the second quarter, as shown in the Appendix, would be around a 7½ per cent annual rate, as compared with a 13 per cent rate in the first

Alternative Levels and Growth Rates for Key Monetary Aggregates

	M-1[1/]			M-2		
	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1979 March	359.0	359.0	359.0	879.7	879.7	879.7
April	361.1	361.0	360.9	885.5	885.2	884.9
May	362.3	362.0	361.7	889.7	889.0	888.3
1978 QIV	361.4	361.4	361.4	873.8	873.8	873.8
1979 QI	359.2	359.2	359.2	877.4	877.4	877.4
QII	362.5	362.2	361.9	890.0	889.4	888.7
QIII	368.4	368.1	367.8	906.5	905.8	905.1
QIV	373.7	373.7	373.7	923.6	923.5	923.4
Growth Rates Monthly:						
1979 April	7.0	6.7	6.4	7.9	7.5	7.1
May	4.0	3.3	2.7	5.7	5.2	4.6
Quarterly Average:						
1979 QI	-2.4	-2.4	-2.4	1.6	1.6	1.6
QII	3.7	3.3	3.0	5.7	5.5	5.2
QIII	6.5	6.5	6.5	7.4	7.4	7.4
QIV	5.8	6.1	6.4	7.5	7.8	8.1
Semi-Annual:						
QIV '78-QII '79	0.6	0.4	0.3	3.7	3.6	3.4
QII '79-QIV '79	6.2	6.4	6.5	7.6	7.7	7.8
Annual:						
QIV '78-QIV '79	3.4	3.4	3.4	5.7	5.7	5.7

1/ The staff has assumed that over the longer-run policy period from QIV '78 to QIV '79 M-1 growth will be reduced by about 2½ percentage points by ATS.

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

	M-3			Bank Credit		
	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1979 March	1517.5	1517.5	1517.5	999.4	999.4	999.4
April	1527.7	1527.3	1526.9	1006.1	1006.1	1006.1
May	1535.9	1534.7	1533.6	1012.9	1012.6	1012.4
1978 QIV	1493.3	1493.3	1493.3	967.4	967.4	967.4
1979 QI	1510.5	1510.5	1510.5	993.1	993.1	993.1
QII	1536.1	1535.1	1534.1	1013.3	1012.8	1012.3
QIII	1563.5	1562.1	1560.7	1035.8	1035.1	1033.6
QIV	1590.9	1590.6	1590.4	1060.3	1058.4	1056.1
Growth Rates Monthly:						
1979 April	8.1	7.7	7.4	8.0	8.0	8.0
May	6.4	5.8	5.3	8.1	7.8	7.5
Quarterly Average:						
1979 QI	4.6	4.6	4.6	10.6	10.6	10.6
QII	6.8	6.5	6.2	8.1	7.9	7.7
QIII	7.1	7.0	6.9	8.9	8.8	8.4
QIV	7.0	7.3	7.6	9.5	9.0	8.7
Semi-Annual:						
QIV '78-QII '79	5.7	5.6	5.5	9.5	9.4	9.3
QII '79-QIV '79	7.1	7.2	7.3	9.3	9.0	8.7
Annual:						
QIV '78-QIV '79	6.5	6.5	6.5	9.6	9.4	9.2

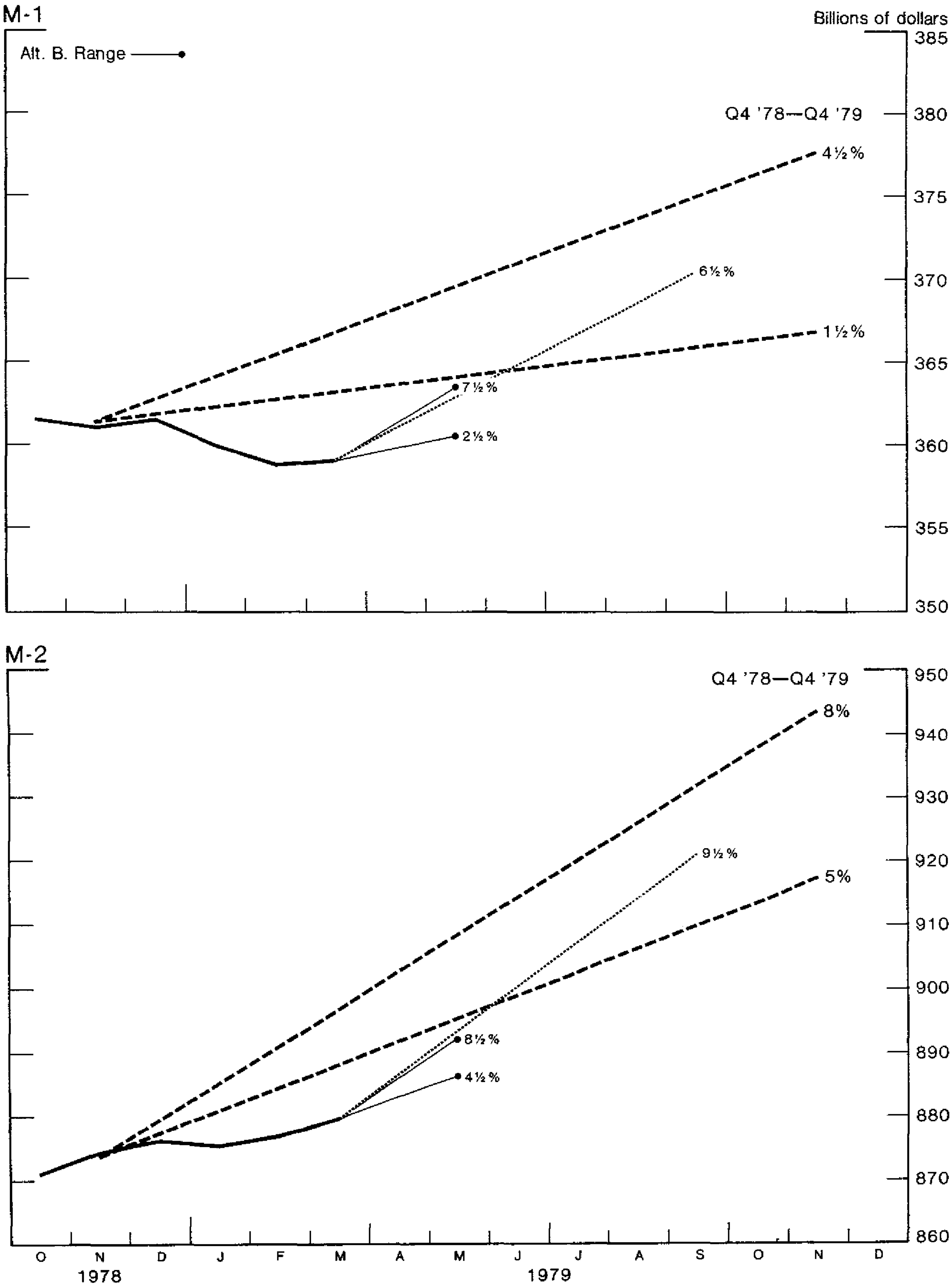
quarter. About 2 to 2½ percentage points of the projected second quarter increase in V-1 reflects the prospective continued shift of demand deposits to ATS and NOW accounts. The remaining increase in velocity is still quite large and assumes a continued downward drift of money demand, though at a sharply decelerated pace.

Growth Rates from March Required to Achieve Levels
Implied by FOMC Longer-run Ranges
for M-1 and M-2

	Low End of Range	Midpoint of Range	High End of Range
Achieve level by:			
		M-1	
May 1979 (in 2 mos.)	8.5	13.0	17.5
September 1979 (in 6 mos.)	3.8	6.4	8.9
QIV '79 (end-point of longer-run range)	3.3	5.5	7.8
		M-2	
May 1979 (in 2 mos.)	10.8	15.3	19.8
September 1979 (in 6 mos.)	6.9	9.4	11.9
QIV '79 (end-point of longer-run range)	6.4	8.7	10.9

(10) As shown in the table above and in the chart on page 9 M-1 and M-2 under alternative B, would be unlikely by May to reach levels implied by the lower ends of their longer-run ranges. This is also true for alternatives A and C. The shortfall of growth in these aggregates since late last year requires that M-1 would have to expand at about an 8½ per cent annual rate from March, and M-2 at an 11 per cent rate, to reach levels by May that are on the low end paths of the longer-run QIV '78 to QIV '79 ranges. Over a period as long as six months (March to September) the

Growth Ranges and Actual M-1 and M-2



shortfall could be made up, and the level implied by the midpoint path of the longer-run ranges could be achieved, by M-1 growth at a 6½ per cent annual rate and M-2 growth at a 9½ per cent rate. Unless the downward shift in money demand continues to be very strong, or the economy weakens much more than projected, the staff believes that M-1 is likely to move into the Committee's longer-run range by late summer, given the current Federal funds rate.

(11) Under alternative B, M-2 is expected to accelerate into a 4½ to 8½ per cent annual rate range in April-May. This reflects the expected strengthening of M-1, as well as continuation of the recent pick-up in growth of the interest-bearing component of M-2. The decline in outstanding savings deposits appears to be abating. And banks are expected to continue to be more active in the MMC market, as seems to be the case since the mid-March elimination of the rate ceiling differential on these deposits. Thrift institutions' deposit inflows, on the other hand, are expected to moderate in the months ahead, largely reflecting the mid-March regulatory actions.[1/] Thus, their commitment activity is likely to remain limited over the near term, and in order to finance mortgage takedowns thrifts will likely reduce their liquidity and continue to borrow. Primary mortgage rates may continue to edge upward as deposit inflows to thrift institutions diminish.

(12) Financial markets in the weeks ahead may be subject to some of the same conflicting pressures as in recent weeks--continued high

1/ Our projections have not taken into account any offsetting boost to deposit flows that might result from changes in deposit rate ceilings that have been proposed for public comment.

inflation, a strengthened dollar, and increased uncertainty about the future course of economic activity. In such an environment, even stability in the funds rate, as contemplated under alternative B, could be associated with relatively wide fluctuations in interest rates arising from changing expectations. Apart from expectational factors, underlying demand-supply forces appear in reasonable balance. A large paydown of Treasury cash management bills in the latter part of April may exert downward pressures on very short-term interest rates, but this could be offset by continued sales of bills by foreign official institutions should the dollar continue strong.

(13) Despite a seasonal budgetary surplus, the Treasury's marketable coupon borrowing in the current quarter is expected to be moderately higher than in the first quarter as the Treasury builds up its cash balance and finances redemptions of nonmarketable issues by foreign accounts. On April 25, the Treasury will announce terms on its mid-May refunding--a routine operation to refund only $1.7 billion of maturing publicly held debt and probably also to raise about $2 to 3 billion of new cash. Borrowing by Federally-sponsored credit agencies this quarter is projected to recede from the high levels of the first quarter, and the slate of new corporate security offerings likely will remain moderate.

(14) Alternative C contemplates a rise in the Federal funds rate to the midpoint of a 10¼ to 11 per cent range. Growth in M-1 and M-2 would likely be in an annual rate range of 2½ to 6½ and 4 to 8 per cent, respectively. Short-term interest rates probably would increase in line with the rise in the funds rate. It is less clear what might happen to long-term rates. They may rise some in sympathy with the increase in

short rates. But it is equally likely that they may show little net change, or perhaps even decline some, if the market comes to believe that interest rates may peak sooner than otherwise.

(15) Alternative A calls for a decline in the funds rate over the intermeeting period to the midpoint of a 9¾ to 10 per cent range. Growth in M-1 and M-2 would likely be in annual rate ranges of 3½ to 7½ and 5 to 9 per cent, respectively. An easing action might tend to reinforce views that a considerable weakening in economic activity is in prospect. As a result, short-term interest rates could decline sharply. Bond yields would be expected to decline in the short-run, as investors might feel that interest rates had peaked. However, such strength could be short-lived because many market participants would question the System's resolve to restrain inflationary pressures. Reflecting this latter concern, the dollar probably would lose strength in exchange markets.

(16) The staff would expect that maintenance of the Federal funds rate at about 10 per cent over the remainder of the year would be consistent with M-1 growth for the QIV '78 to QIV '79 policy period at about the midpoint of the Committee's 1½ to 4½ per cent range.[1/] A near-term increase in the funds rate, as under alternative C, likely would necessitate some decline of interest rates in the second half of the year in order to induce strength in the aggregates as the rate of growth of nominal GNP decelerates further. Under alternative A, however,

1/ On the basis of recent evidence, the staff has lowered somewhat its assumption regarding the impact of ATS shifts on M-1 growth, and now believes that such shifts will reduce M-1 by about 2½ percentage points over the QIV '78 to QI '79 period. In addition to ATS effects, we have assumed a downward shift of money demand for the entire year of 2½ percentage points, most of which has already occurred, as indicated by the Board's quarterly econometric model.

we would expect interest rates to rise later in the year to offset the stimulative effect on the aggregates of the near-term easing of money market conditions, if M-1 growth over the longer-run policy period is to be near the midpoint of its 1½ to 4½ per cent range.

Directive language

(17) Given below are suggested operational paragraphs for the directive in the customary form. Alternative language consistent with the short-run specifications of the alternatives discussed in the preceding section is shown for the Committee's objective for the Federal funds rate early in the period. At a later point, alternative language is also provided for placing main emphasis either on monetary aggregates or on money market conditions. The specifications adopted last month are shown in strike-through form.

In the short run, the Committee seeks to achieve bank reserve and money market conditions that are broadly consistent with the longer-run ranges for monetary aggregates cited above, while giving due regard to the program for supporting the foreign exchange value of the dollar and to developing conditions in domestic financial markets. Early in the period before the next regular meeting, System open market operations are to be directed at maintaining the (or ATTAINING A) weekly average Federal funds rate

(A) SLIGHTLY BELOW THE CURRENT LEVEL.
(B) at about the current level,
(C) SLIGHTLY ABOVE THE CURRENT LEVEL.

Subsequently, operations shall be directed at maintaining the weekly average Federal funds rate within the range of ~~9¾-to-10½~~ ____ TO ____ per cent. In deciding on the specific objective for the Federal funds rate the Manager shall be guided mainly by the relationship between the latest estimates of annual rates of growth in the ~~March-April~~ APRIL-MAY period of M-1 and M-2 and the following ranges of tolerance: ~~4-to-8~~ ____ TO ____ per cent for M-1 and

~~3½-to-7½~~ ____ TO ____ per cent for M-2. If, with approximately equal weight given to M-1 and M-2, their rates of growth appear to be

Monetary aggregates emphasis

significantly above or below the midpoints

Money market emphasis

CLOSE TO OR BEYOND THE UPPER OR LOWER LIMITS

of the indicated ranges, the objective for the funds rate is to be raised or lowered in an orderly fashion within its range.

If the rates of growth in the aggregates appear to be above the upper limit or below the lower limit of the indicated ranges at a time when the objective for the funds rate has already been moved to the corresponding limit of its range, the Manager will promptly notify the Chairman, who will then decide whether the situation calls for supplementary instructions from the Committee.

Appendix

Implied Velocity Growth Rates

	Alt. A		Alt. B		Alt. C	
V-1 (GNP/M-1)						
1978--III	1.2		1.2		1.2	
IV	10.2	(9.1)	10.2	(9.1)	10.2	(9.1)
1979--I	12.9	(10.1)	12.9	(10.1)	12.9	(10.1)
II	7.1	(4.6)	7.5	(5.0)	7.8	(5.3)
III	1.8	(-0.5)	1.8	(-0.6)	1.8	(-0.6)
IV	3.6	(1.3)	3.3	(1.0)	2.9	(0.7)
V-2 (GNP/M-2)						
1978--III	-0.6		-0.6		-0.6	
IV	6.9		6.9		6.9	
1979--I	8.7		8.7		8.7	
II	5.1		5.3		5.6	
III	0.9		1.1		1.1	
IV	1.8		1.5		1.2	

Note: Figures in parentheses reflect V-1 without ATS.

Table 1

Money and Credit Aggregate Measures

Period	Bank Reserves[1/]			Bank Credit	Money Stock Measures							
	Total	Non-borrowed	Monetary Base	Total Loans and Invest-ments	M-1	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	12
	(PER CENT ANNUAL RATES OF GROWTH)											
1976	0.6	0.8	6.7	8.0	5.8	12.6	10.9	12.7	7.1	10.2	9.9	9.9
1977	5.3	3.0	8.3	11.3	7.9	9.3	9.8	11.7	10.1	11.7	11.5	11.6
1978	6.6	6.7	9.1	11.3	7.3	5.3	8.5	9.4	10.5	10.5	10.3	11.5
SEMI-ANNUALLY:[2/]												
2ND HALF 1977	6.9	3.0	9.2	10.7	8.1	7.5	9.1	11.1	10.3	11.8	12.0	12.0
1ST HALF 1978	7.6	7.6	8.8	12.7	8.0	6.2	7.7	8.3	10.6	10.0	10.1	11.5
2ND HALF 1978	5.5	5.6	9.0	9.4	6.3	4.2	8.9	10.0	9.8	10.5	10.0	10.9
QUARTERLY:												
2ND QTR. 1978	10.4	2.7	9.0	17.0	10.8	8.6	9.7	9.4	11.2	10.3	10.2	11.2
3RD QTR. 1978	6.2	6.7	9.8	8.7	9.8	7.5	11.2	11.6	11.0	11.4	10.9	10.8
4TH QTR. 1978	0.5	2.4	7.3	5.9	0.4	-2.0	4.7	7.0	7.6	8.7	8.9	11.3
1ST QTR. 1979	-4.4	-5.7	4.3	11.2	-2.8	-5.7	1.6	4.5	2.4	4.8	5.1	5.9
QUARTERLY-AV:												
2ND QTR. 1978	6.2	0.6	7.6	14.9	9.2	7.2	8.4	8.4	10.6	9.8	9.8	10.9
3RD QTR. 1978	8.6	6.6	9.3	10.8	8.1	6.0	9.9	10.4	10.1	10.5	9.8	10.0
4TH QTR. 1978	2.3	4.6	8.4	7.7	4.4	2.4	7.7	9.3	9.4	10.2	10.0	11.4
1ST QTR. 1979	-2.9	-3.3	5.7	10.2	-2.4	-5.4	1.6	4.6	4.3	6.1	7.1	8.5
MONTHLY:												
1978--MAR.	-5.2	-2.9	3.1	7.9	2.8	2.3	4.7	6.4	7.6	8.1	7.6	8.9
APR.	8.3	1.3	7.8	19.9	16.4	12.1	11.2	9.9	13.0	11.0	11.0	12.2
MAY	11.0	-8.9	10.5	16.6	9.7	8.4	9.2	8.6	11.9	10.4	10.6	11.6
JUNE	11.6	15.6	8.6	13.7	6.2	5.2	8.5	9.4	8.3	9.2	8.8	9.7
JULY	14.8	8.5	10.6	11.0	6.8	2.9	8.7	9.6	9.6	10.1	8.3	8.6
AUG.	-5.0	0.2	5.2	5.1	8.5	7.0	11.6	11.5	10.0	10.5	9.9	9.4
SEPT.	8.6	11.3	13.4	9.7	13.8	12.3	13.0	13.4	13.1	13.4	14.3	14.1
OCT.	5.1	-1.2	8.0	9.8	1.7	0.6	6.5	8.8	6.0	8.4	7.1	8.9
NOV.	-3.6	13.4	5.7	6.7	-2.0	-5.1	4.7	6.7	12.6	11.5	9.8	12.6
DEC.	-0.1	-4.9	7.9	1.1	1.7	-1.6	2.7	5.5	4.0	6.1	9.7	12.0
1979--JAN.	6.0	2.2	8.6	19.0	-5.3	-8.4	-1.2	2.8	3.7	5.5	7.3	8.6
FEB.	-20.9	-20.6	-0.4	11.3	-3.7	-7.0	2.3	4.7	4.1	5.7	4.7	5.1
MAR. P	1.9	1.4	4.6	2.9	0.7	-1.7	3.6	6.0	-0.6	3.2	3.4	4.0

1/ BASED ON DATA ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS.
2/ BASED ON QUARTERLY AVERAGE DATA.
P - PRELIMINARY

Table 2

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 Invest-ments	M-1	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	12
ANNUALLY:												
1976	37,013	36,960	120,572	788.9	313.8	517.2	740.6	1235.6	803.0	1298.0	1436.1	1483.8
1977	38,923	38,354	130,640	875.5	338.7	560.6	809.4	1374.3	883.1	1448.0	1601.8	1658.1
1978	41,271	40,403	142,381	971.1	361.5	586.4	876.3	1500.6	972.9	1597.3	1766.5	1850.8
MONTHLY:												
1978--MAR.	39,570	39,242	133,480	898.6	343.2	566.4	822.6	1400.3	904.0	1481.7	1639.9	1704.9
APR.	39,843	39,286	134,350	913.5	347.9	572.1	830.3	1411.9	913.8	1495.3	1655.0	1722.2
MAY	40,208	38,996	135,525	926.1	350.7	576.1	836.7	1422.0	922.9	1508.2	1669.6	1738.8
JUNE	40,597	39,503	136,494	936.7	352.5	578.6	842.6	1433.1	929.3	1519.8	1681.9	1752.8
JULY	41,099	39,782	137,699	945.3	354.5	580.0	848.7	1444.6	936.7	1532.6	1693.5	1765.3
AUG.	40,928	39,788	138,290	949.3	357.0	583.4	856.9	1458.4	944.5	1546.0	1707.5	1779.2
SEPT.	41,223	40,163	139,840	957.0	361.1	589.4	866.2	1474.7	954.8	1563.2	1727.9	1800.1
OCT.	41,399	40,122	140,778	964.8	361.6	589.7	870.9	1485.5	959.6	1574.1	1738.1	1813.5
NOV.	41,274	40,570	141,450	970.2	361.0	587.2	874.3	1493.8	969.7	1589.2	1752.3	1832.5
DEC.	41,271	40,403	142,381	971.1	361.5	586.4	876.3	1500.6	972.9	1597.3	1766.5	1850.8
1979--JAN.	41,478	40,476	143,399	986.5	359.9	582.3	875.4	1504.1	975.9	1604.6	1777.2	1864.1
FEB.	40,754	39,781	143,347	995.8	358.8	578.9	877.1	1510.0	979.2	1612.2	1784.1	1872.0
MAR.P	40,817	39,826	143,898	998.2	359.0	578.1	879.7	1517.5	978.7	1616.5	1789.2	1878.2
WEEKLY:												
1979-FEB. 14	40,699	39,645	142,991		360.3	580.5	878.7		980.5			
21	41,029	40,091	143,500		358.3	578.3	876.9		979.3			
28	40,126	39,043	143,038		356.4	576.3	876.0		978.4			
MAR. 7	41,288	40,261	144,436		360.2	580.0	879.7		981.0			
14	40,742	39,860	143,586		358.8	578.3	879.1		979.2			
21	40,949	39,925	143,972		359.7	578.6	879.7		978.5			
28P	40,295	39,213	143,578		358.9	577.3	880.8		977.8			
APR. 4P	40,802	39,934	144,457		359.4	578.0	882.4		978.7			
11P	40,178	39,550	143,562									

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

Table 3

COMPONENTS OF MONEY STOCK AND RELATED MEASURES

Period	Currency	Demand Deposits	Time and Savings Deposits: Total	Time and Savings Deposits: Other Than CD's: Total	Time and Savings Deposits: Other Than CD's: Savings	Time and Savings Deposits: Other Than CD's: Other	Time and Savings Deposits: CD's	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/
	1	2	3	4	5	6	7	8	9	10	11	12
	(Per cent annual rates of growth)											
ANNUALLY: 2/												
1976	9.5	4.6	8.1	15.0	25.0	7.5	-23.3	15.4	17.8	6.9	7.1	12.1
1977	9.3	7.4	11.4	11.2	11.1	11.4	12.8	14.0	19.5	6.6	12.6	13.5
1978	10.0	6.3	12.5	9.4	1.8	16.1	32.8	10.2	15.0	5.5	10.8	46.5
SEMI-ANNUALLY: 2/												
2ND HALF 1977	10.0	7.3	11.7	9.8	6.4	12.9	25.6	13.6	20.1	6.5	22.9	12.5
1ST HALF 1978	9.3	7.6	12.2	7.6	2.9	11.7	42.6	8.5	17.0	6.0	14.8	53.1
2ND HALF 1978	10.2	4.9	12.0	10.8	0.7	19.3	19.0	11.5	12.0	4.8	6.3	31.5
QUARTERLY:												
2ND QTR. 1978	7.9	11.9	11.4	8.9	4.7	12.5	25.5	8.3	14.0	5.7	13.9	36.3
3RD QTR. 1978	11.7	9.1	11.7	12.2	3.6	19.5	8.3	12.1	13.5	4.6	8.2	7.3
4TH QTR. 1978	9.7	-2.7	11.9	7.7	-6.2	18.9	36.6	10.7	7.7	4.0	17.9	67.0
1ST QTR. 1979	7.8	-6.8	5.4	4.6	-10.3	15.8	9.9	9.5	0.0	0.5	14.9	22.3
QUARTERLY-AV:												
2ND QTR. 1978	8.0	9.7	11.5	7.9	3.8	11.4	33.5	7.8	15.9	5.7	12.5	42.2
3RD QTR. 1978	9.6	7.6	11.3	11.1	2.3	18.5	12.2	10.9	13.7	5.1	1.9	16.2
4TH QTR. 1978	10.6	2.1	12.4	10.2	-0.9	19.2	25.0	11.8	10.1	4.5	10.6	45.1
1ST QTR. 1979	9.1	-6.6	8.4	4.4	-10.2	15.9	29.9	9.6	0.8	1.5	31.0	39.5
MONTHLY:												
1978--MAR.	6.7	1.0	10.6	6.0	1.6	9.8	39.5	7.8	20.0	6.2	0.0	46.0
APR.	7.9	19.5	10.9	7.8	4.3	10.7	28.0	7.5	14.8	6.2	16.4	40.6
MAY	9.2	10.3	13.4	8.7	6.0	11.0	40.3	7.2	12.2	4.6	19.1	37.5
JUNE	6.5	5.6	9.6	10.1	3.8	15.5	7.0	10.1	14.5	6.1	5.8	27.7
JULY	9.1	6.0	11.2	9.8	-3.8	21.6	18.0	11.1	11.9	6.1	-21.6	13.5
AUG.	9.0	7.8	10.9	14.1	4.8	21.2	-5.5	11.2	11.8	3.0	4.4	0.0
SEPT.	16.6	13.2	12.7	12.5	9.7	14.8	12.3	13.5	16.3	4.5	42.4	8.4
OCT.	7.6	-0.5	8.5	10.0	-1.6	19.3	1.4	12.5	9.2	4.5	-14.1	51.5
NOV.	10.0	-6.3	21.9	9.4	-9.6	24.5	92.1	9.8	4.6	4.5	-17.2	79.7
DEC.	11.2	-1.4	5.1	3.5	-7.5	12.0	15.1	9.5	9.1	3.0	87.1	59.8
1979--JAN.	8.6	-10.9	9.0	1.6	-13.0	12.7	48.4	9.7	-4.5	1.5	43.3	37.0
FEB.	8.6	-8.3	8.6	6.5	-12.0	20.3	19.1	9.6	-6.8	-1.5	-7.8	13.8
MAR. P	6.1	-1.4	-1.4	5.6	-6.1	14.0	-36.4	8.9	11.4	1.5	9.2	15.0

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.
P - PRELIMINARY.

Table 4

COMPONENTS OF MONEY STOCK AND RELATED MEASURES

APR. 13, 1979

Period	Currency	Demand Deposits	Time and Savings Deposits: Total	Other Than CD's: Total	Other Than CD's: Savings	Other Than CD's: Other	CD's	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/
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
ANNUALLY:														
1976	80.8	233.0	489.2	426.7	202.1	224.7	62.4	456.1	38.9	71.9	66.2	47.7	51.0	11.4
1977	88.6	250.1	544.4	470.7	219.7	251.0	73.7	518.3	46.6	76.6	77.2	56.3	62.0	11.7
1978	97.5	264.1	611.4	514.8	222.0	292.8	96.6	571.2	53.1	80.6	88.7	84.3	77.0	15.4
MONTHLY:														
1978--MAR.	90.7	252.5	560.8	479.4	220.9	258.5	81.5	529.0	48.7	77.8	80.4	65.0	65.4	9.3
APR.	91.3	256.6	565.9	482.5	221.7	260.8	83.4	532.3	49.3	78.2	81.5	67.2	65.7	10.2
MAY	92.0	258.8	572.2	486.0	222.8	263.2	86.2	535.5	49.8	78.5	82.8	69.3	66.2	8.3
JUNE	92.5	260.0	576.8	490.1	223.5	266.6	86.7	540.0	50.4	78.9	83.2	70.9	66.4	13.4
JULY	93.2	261.3	582.2	494.1	222.8	271.4	88.0	545.0	50.9	79.3	81.7	71.7	66.7	14.7
AUG.	93.9	263.0	587.5	499.9	223.7	276.2	87.6	550.1	51.4	79.5	82.0	71.7	68.8	16.9
SEPT.	95.2	265.9	593.7	505.1	225.5	279.6	88.5	556.3	52.1	79.8	84.9	72.2	69.8	16.8
OCT.	95.8	265.8	597.9	509.3	225.2	284.1	88.6	562.1	52.5	80.1	83.9	75.3	74.9	20.1
NOV.	96.6	264.4	608.8	513.3	223.4	289.9	95.4	566.7	52.7	80.4	82.7	80.3	73.0	21.0
DEC.	97.5	264.1	611.4	514.8	222.0	292.8	96.6	571.2	53.1	80.6	88.7	84.3	77.0	15.4
1979--JAN.	98.2	261.7	616.0	515.5	219.6	295.9	100.5	575.8	52.9	80.7	91.9	86.9	81.7	14.8
FEB.	98.9	259.9	620.4	518.3	217.4	300.9	102.1	580.4	52.6	80.6	91.3	87.9	84.6	10.2
MAR. P	99.4	259.6	619.7	520.7	216.3	304.4	99.0	584.7	53.1	80.7	92.0	89.0	90.4	9.5
WEEKLY:														
1979-FEB. 7	98.9	261.2	618.6	516.8	217.6	299.2	101.8						82.9	11.8
14	98.6	261.7	620.2	518.4	217.5	300.9	101.8						87.3	9.7
21	98.8	259.5	621.0	518.6	217.3	301.4	102.4						86.0	9.4
28	99.1	257.3	622.0	519.6	217.1	302.4	102.4						82.5	9.4
MAR. 7	99.5	260.7	620.8	519.5	216.9	302.5	101.3						86.4	10.4
14	99.1	259.7	620.5	520.3	216.7	303.6	100.2						95.1	7.2
21	99.4	260.3	618.8	520.0	216.2	303.8	98.8						94.4	10.9
28P	99.6	259.3	618.9	521.8	215.6	306.3	97.0						85.6	9.5
APR. 4P	99.9	259.5	619.3	523.0	215.8	307.2	96.3							7.9

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 DEMAND DEPOSITS AT COMMERCIAL BANKS AND FEDERAL RESERVE BANKS AND TREASURY NOTE BALANCES.
P - PRELIMINARY

TABLE 5
SELECTED INTEREST RATES
(per cent)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
APRIL 13, 1979

	Short-Term							Long-Term								
	Federal Funds	Treasury Bills			CD's New Issue-NYC	Comm. Paper 90-119 Day	Bank Prime Rate	U.S. Govt. Constant Maturity Yields			Corp.-Aaa Utility		Muni-cipal Bond Buyer	Home Mortgages		
		Market		Auction										Primary Conv.	Secondary Market	
		3-mo	1-yr	6-mo	90-Day			3-yr	7-yr	20-yr	New Issue	Recently Offered			FNMA Auc.	GNMA Sec.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1978--High	10.25	9.30	9.62	9.58	10.65	10.52	11.57	9.59	9.22	9.00	9.30	9.54	6.67	10.38	10.60	9.68
Low	6.58	6.16	6.55	6.42	6.65	6.68	7.75	7.40	7.72	8.01	8.61	8.48	5.58	8.98	9.13	8.43
1979--High	10.59	9.64	9.68	9.57	10.46	10.57	11.75	9.60	9.23	9.12	9.68	9.67	6.58	10.48	10.73	9.75
Low	9.93	9.23	9.29	9.31	9.75	9.76	11.75	9.15	8.93	8.89	9.42	9.40	6.22	10.38	10.42	9.54
1978--Mar.	6.79	6.29	6.82	6.64	6.73	6.75	8.00	7.70	7.95	8.21	8.71	8.67	5.61	9.20	9.35	8.60
Apr.	6.89	6.29	6.96	6.70	6.84	6.82	8.00	7.85	8.06	8.32	8.90	8.85	5.80	9.36	9.44	8.71
May	7.36	6.41	7.28	7.02	7.20	7.06	8.27	8.07	8.25	8.44	8.95	8.98	6.03	9.57	9.66	8.90
June	7.60	6.73	7.53	7.20	7.66	7.59	8.63	8.30	8.40	8.53	9.09	9.07	6.22	9.70	9.91	9.05
July	7.81	7.01	7.79	7.47	8.00	7.85	9.00	8.54	8.55	8.69	9.14	9.18	6.28	9.74	10.01	9.15
Aug.	8.04	7.08	7.73	7.36	7.86	7.83	9.01	8.33	8.38	8.45	8.82	8.91	6.12	9.79	9.81	8.97
Sept.	8.45	7.85	8.01	7.95	8.34	8.39	9.41	8.41	8.42	8.47	8.86	8.86	6.09	9.76	9.79	9.04
Oct.	8.96	7.99	8.45	8.49	9.12	8.98	9.94	8.62	8.64	8.69	9.17	9.13	6.13	9.86	10.03	9.25
Nov.	9.76	8.64	9.20	9.20	10.15	10.14	10.94	9.04	8.80	8.75	9.27	9.27	6.19	10.11	10.30	9.39
Dec.	10.03	9.08	9.44	9.40	10.44	10.37	11.55	9.33	9.03	8.90	9.28	9.41	6.51	10.35	10.50	9.38
1979--Jan.	10.07	9.35	9.54	9.50	10.20	10.25	11.75	9.50	9.14	8.98	9.54	9.51	6.47	10.39	10.70	9.67
Feb.	10.06	9.32	9.39	9.35	9.81	9.95	11.75	9.29	9.11	9.03	9.53	9.56	6.31	10.41	10.54	9.67
Mar.	10.09	9.48	9.38	9.46	9.86	9.90	11.75	9.38	9.15	9.08	9.62p	9.62p	6.33	10.43	10.43	9.70
1979--Feb. 7	10.06	9.23	9.29	9.31	9.76	9.94	11.75	9.20	9.05	9.00	9.42	9.51	6.31	10.43	10.61	9.54
14	10.15	9.28	9.36	9.34	9.77	9.96	11.75	9.28	9.12	9.04	--	9.55	6.33	10.40	--	9.66
21	9.97	9.34	9.40	9.37	9.76	9.96	11.75	9.39	9.21	9.09	9.59	9.63	6.38	10.40	10.47	9.71
28	10.06	9.45	9.52	9.50	9.96	9.96	11.75	9.45	9.22	9.12	9.64	9.67	6.42	10.43	--	9.75
Mar. 7	10.07	9.41	9.43	9.42	9.88	9.96	11.75	9.39	9.13	9.08	9.61	9.60	6.35	10.40	10.43	9.69
14	10.21	9.50	9.42	9.46	9.89	9.97	11.75	9.39	9.16	9.07	--	9.65	6.30	10.40	--	9.70
21	10.09	9.52	9.40	9.48	9.85	9.95	11.75	9.38	9.15	9.08	9.64	9.63	6.29	10.45	10.42	9.72
28	10.00	9.51	9.31	9.44	9.82	9.81	11.75	9.33	9.13	9.05	9.60	9.59	6.28	10.45	--	9.69
Apr. 4	9.95	9.48	9.30	9.50	9.75	9.76	11.75	9.34	9.12	9.05	9.59	9.61	6.25	10.48	10.44	9.72
11	9.93	9.64	9.31	9.57	9.83	9.97	11.75	9.47p	9.23p	9.10p	9.68p	9.67p	6.33	n.a.	--	9.72
18																
25																
Daily--Apr. 5	10.00	9.49	9.17	--	--	9.88	11.75	9.32	9.09	9.02	--	--	--	--	--	--
12	10.00p	9.69	9.37	--	--	10.10	11.75	9.50p	9.25p	9.12p	--	--	--	--	--	--

NOTE: Weekly data for columns 1, 2, 3, 6, and 7 are statement week averages of daily data. Weekly data in column 4 are average rates set in the auctions of 6-month bills that will be issued on the Thursday following the end of the statement week. Data in column 5 are 1-day Wednesday quotes. For columns 8 through 11, the weekly date is the mid-point of the calendar week over which data are averaged. Columns 12 and 13 are 1-day quotes for Friday and Thursday, respectively, following the end of the statement week. Column 14 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 15 gives FNMA auction data for Monday preceding the end of the statement week. Column 16 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.

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
APRIL 13, 1979

TABLE 6
NET CHANGES IN SYSTEM HOLDINGS OF SECURITIES[1]
($ million, not seasonally adjusted)

	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
1978	870	1,184	4,188	1,526	1,063	7,962	-47	45	104	24	127	8,724	-1,774
1978--Qtr. I	-2,655	345	1,123	459	247	2,175	--	--	--	--	--	-555	-1,133
Qtr. II	5,444	288	1,156	468	334	2,246	46	127	104	24	301	7,930	1,224
Qtr. III	3,152	340	774	349	235	1,697	-92	-81	--	--	-173	4,632	266
Qtr. IV	-5,072	212	1,135	250	247	1,844	--	--	--	--	--	-3,283	-2,130
1979--Qtr. I	-3,750	48	426	134	93	700	-170	-229	--	--	-399	-882[7]	680
1978--Oct.	-170	73	507	87	139	807	--	--	--	--	--	625	-1,594
Nov.	-2,151	139	628	163	108	1,037	--	--	--	--	--	-1,154	-1,265
Dec.	-2,751	--	--	--	--	--	--	--	--	--	--	-2,754	728
1979--Jan.	-4,258	--	--	--	--	--	-150	-229	--	--	-379	-4,647	-5,745
Feb.	-628	48	426	134	93	700	-20	--	--	--	-20	52	2,135
Mar.	1,136	--	--	--	--	--	--	--	--	--	--	3,713[7]	4,290
1979--Feb. 7	-500	--	--	--	--	--	-20	--	--	--	-20	-520	4,824
14	--	48	426	64	61	598	--	--	--	--	--	598	1,655
21	--	--	--	70	32	102	--	--	--	--	--	102	-12,126
28	-128	--	--	--	--	--	--	--	--	--	--	-128	7,781
Mar. 7	-255	--	--	--	--	--	--	--	--	--	--	-278	-6,673
14	641	--	--	--	--	--	--	--	--	--	--	641	10,940
21	1,300	--	--	--	--	--	--	--	--	--	--	1,300	-12,298
28	-350	--	--	--	--	--	--	--	--	--	--	-350	7,914
Apr. 4	440	--	--	--	--	--	--	--	--	--	--	-200[8]	-8,683
11	-625	--	640	--	--	640	--	--	--	--	--	15	7,387
18													
25													
LEVEL--Apr. 11 (In billions)	40.1	10.5	34.1	11.9	11.6	68.0	1.6	3.5	1.6	.8	7.5	115.6	-4.9

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 (-).
7/ The Treasury sold $2,600 million of special certificates to the Federal Reserve on March 31 and redeemed the last of them on April 4.
8/ $640 million of 2-year notes were exchanged for a like amount of cash management bills on April 3. On April 9 the bills were exchanged for new 2-year notes.