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April 18, 1980

Strictly Confidential (FR) Class I FOMC

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# MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

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Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

April 18, 1980

MONETARY AGGREGATES AND  
MONEY MARKET CONDITIONS

Recent Developments

(1) Following strong growth in February, M-1A and M-1B contracted in March and data for early April suggest that these aggregates are likely to decline further this month. As shown in the fourth column of the table, M-1A and M-1B are now expected to decline over the two-month February to April period, at rates of  $3\frac{3}{4}$  and  $2\frac{1}{2}$  percent, respectively. Thus, these aggregates have been running quite low relative to the targeted growth rates based on the Committee's decision at the March FOMC meeting. M-2 also has been running weak relative to target recently, reflecting mainly the contraction in the narrow measures of the money stock. Growth in MMMF's slowed earlier in March and then declined absolutely following the imposition of special deposit requirements on March 14, but this has been offset by greater strength in small time deposits.

Monetary Aggregates	Targets		Actual (incl. April projection)			
	Dec. to June	Feb. to April Segment	Dec. to April	Feb. to April	March	April (proj.)
M-1A	$4\frac{1}{2}$	3.0	2.0	-3.8	-3.5	-4.2
M-1B	5	3.7	2.8	-2.4	-2.1	-2.8
M-2	$7\frac{3}{4}$	7.0	6.1	3.5	3.4	3.5
M-3	--	--	7.0	3.7	4.1	3.3

(2) In constructing the nonborrowed reserve path following the March FOMC meeting, borrowing was assumed to be \$2-3/4 billion. However, early in the intermeeting period it seemed clear that the newly instituted surcharge was exerting a significant constraint on the demand for borrowing for reserve adjustment purposes relative to initial expectations. As a result, a substantial upward adjustment was made to the nonborrowed reserve path; this adjustment amounted to \$600 million, viewed--because of the uncertainties involved--as the center of a \$450 to \$750 million range. This, together with certain adjustments for multiplier shifts, raised the targeted rate of growth for nonborrowed reserves over the February to April period to a range centered on 4.9 percent, at an annual rate, as shown in the middle column of the table below.

Reserve Targets for the February to April Period  
and Actual Growth  
(Seasonally Adjusted Percent Annual Rates)

	Original Path for February-April Period (As of March FOMC meeting)	Path Reflecting Adjustments During Inter- Meeting Period	Actual Growth February to First Three Weeks of April
Nonborrowed Reserves	-6.7	4.9	-6.3 (0.6)
Total Reserves	8.8	11.6	4.3
Monetary Base	8.6	10.1	5.1

(3) In the event, nonborrowed reserves declined from February to the average for the three weeks ending April 16 by 6-1/4 percent at an annual rate, but this decline in nonborrowed reserves reflected a rise in emergency-type borrowing by one large member bank (to a level of \$420 million

on average during the first three weeks of April). Emergency-type borrowing is considered to be similar to nonborrowed reserves because the bank is not subject to normal administrative pressure to repay the borrowing in the short-run. Thus, adjusting for such borrowing, nonborrowed reserves rose by 0.6 percent at an annual rate over the period, as shown in the parenthesis in the last column of the table, a bit below path.<sup>1/</sup> With the aggregates expanding below targeted rates, and required reserves therefore considerably weaker than expected, the seasonally adjusted growth in total reserves fell substantially below its path.

(4) As the demand for reserves weakened relative to nonborrowed path levels, the funds rate declined in the course of the intermeeting period, with most trading in the 18 to 18-1/2 percent area in recent days. In the early weeks of the intermeeting period, the federal funds market had tightened considerably further, and the funds rate exceeded 19 percent in late March and early April. Pressures on the funds market in part appeared to reflect efforts of banks to avoid borrowing at the discount window in light of their changed perception of administrative pressure following adoption of the surcharge and the Special Credit Restraint Program announced on March 14. Member bank borrowing other than emergency-type borrowing averaged about \$1.9 billion in the first three statement

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<sup>1/</sup> See Appendix I for paths and adjustments during intermeeting period on a not seasonally adjusted basis.

weeks of April. Such borrowing subject to the surcharge averaged less than \$100 million over the period.

(5) Short-term financial markets continued to exhibit considerable volatility over the intermeeting period, as market participants reacted to the announcement of the Administration's anti-inflation package, unexpected Treasury financings, weakening economic indicators, the initial sharp increase in the federal funds rate, and the most recent decline in that rate. In the last few days, market expectations have shifted dramatically in reflection of weak economic statistics, and both short- and long-term interest rates extended their decline which had begun earlier in the month. On balance, most short-term rates are 1 to 3 percentage points lower than at the time of the last meeting. Commercial banks raised their prime rate from 18-1/2 percent in mid-March to 20 percent in early April before reducing it to 19-1/2 percent more recently. Bond yields are now 1 to 1-1/2 percentage points below their levels at the time of the last meeting. Mortgage rates at S&Ls have leveled off, but at a record 16.35 percent are up nearly 1 percentage point since mid-March.

(6) Business lending by banks slowed sharply in March from the rapid pace set in January and February, and growth of other categories of bank lending and investing also moderated. Data for large banks for early April do not suggest any strengthening of loan growth. Total loans and investments at banks expanded at only a 3-1/2 percent annual rate in March. Lending by thrift institutions may also have slowed in March, as thrift deposit flows remained weak. Borrowing from the Home Loan Banks by S&Ls surged to a record \$3.6 billion in March and has continued to rise

rapidly in the early weeks of April. Life insurance companies have sharply reduced their commitment activity in bond and mortgage markets as policy loans and diminished inflows from pension funds have severely curtailed cash flows.

(7) The dollar's exchange value has changed little on balance since the last FOMC meeting, with a large appreciation followed by a sharp decline. By early April the trade-weighted value of the dollar was 3-1/2 percent above its level at the time of the last Committee meeting and 11-3/4 percent above its January low. In the second week of April, a change in market expectations about the near-term course of U.S. interest rates led to a sharp decline in the international value of the dollar.

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(8) The table on the next page shows seasonally adjusted annual rates of change, in percent, for selected monetary and financial flows over various time periods.

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1/ U.S. intervention sales of marks were split equally between the System and the Treasury, while much smaller sales of Swiss francs and French francs were entirely for System account, with the latter financed by swap drawings on the Bank of France.

	1977 <sup>1/</sup>	1978 <sup>1/</sup>	1979 <sup>1/</sup>	QI '80 over QIV '79	Mar. '80 over Dec. '79	Past Month Mar. '80 over Feb. '80
Nonborrowed reserves	3.5	5.6	2.7	4.3	-11.2	-26.9
Total reserves	4.9	6.3	4.1	5.1	1.7	6.7
Monetary base	8.3	9.0	7.6	7.8	7.8	7.2
<u>Concepts of Money</u>						
M-1A (Currency plus demand deposits) <sup>2/</sup>	7.7	7.1	5.7	5.5	4.1	-3.5
M-1B (M-1A plus other checkable deposits)	8.1	8.2	7.7	6.0	4.6	-2.1
M-2 (M-1B plus small time and savings deposits, money market mutual fund shares and overnight RP's and Eurodollars)	10.9	8.2	8.8	7.4	7.0	3.4
(M-2 plus large time deposits and term RP's)	12.4	11.1	9.3	8.4	8.3	4.1
<u>Bank Credit</u>						
Loans and investment of all commercial banks <sup>3/</sup>	10.9	13.6	11.5	9.5	11.8	3.5
<u>Managed Liabilities of Banks</u> (Monthly average change in billions)						
Large time deposits	2.0	4.3	1.4	2.0	3.2	2.5
Eurodollars	-0.4	0.6	1.9	-0.6	1.9	4.1
Other borrowings <sup>4/</sup>	1.0	1.3	1.0	1.1	2.0	-3.2
<u>Memo</u>						
Nonbank commercial paper	0.2	0.3	0.9	1.5	1.9	2.2

<sup>1/</sup> December to December.

<sup>2/</sup> Other than interbank and U.S. Government.

<sup>3/</sup> Includes loans sold to affiliates and branches.

<sup>4/</sup> Primarily federal funds purchases and securities sold under agreements to repurchase.

NOTE: All items are based on averages of daily figures, except for data on total loans and statements of commercial banks, commercial paper, and thrift institutions--which are derived 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 and Short-term Targets

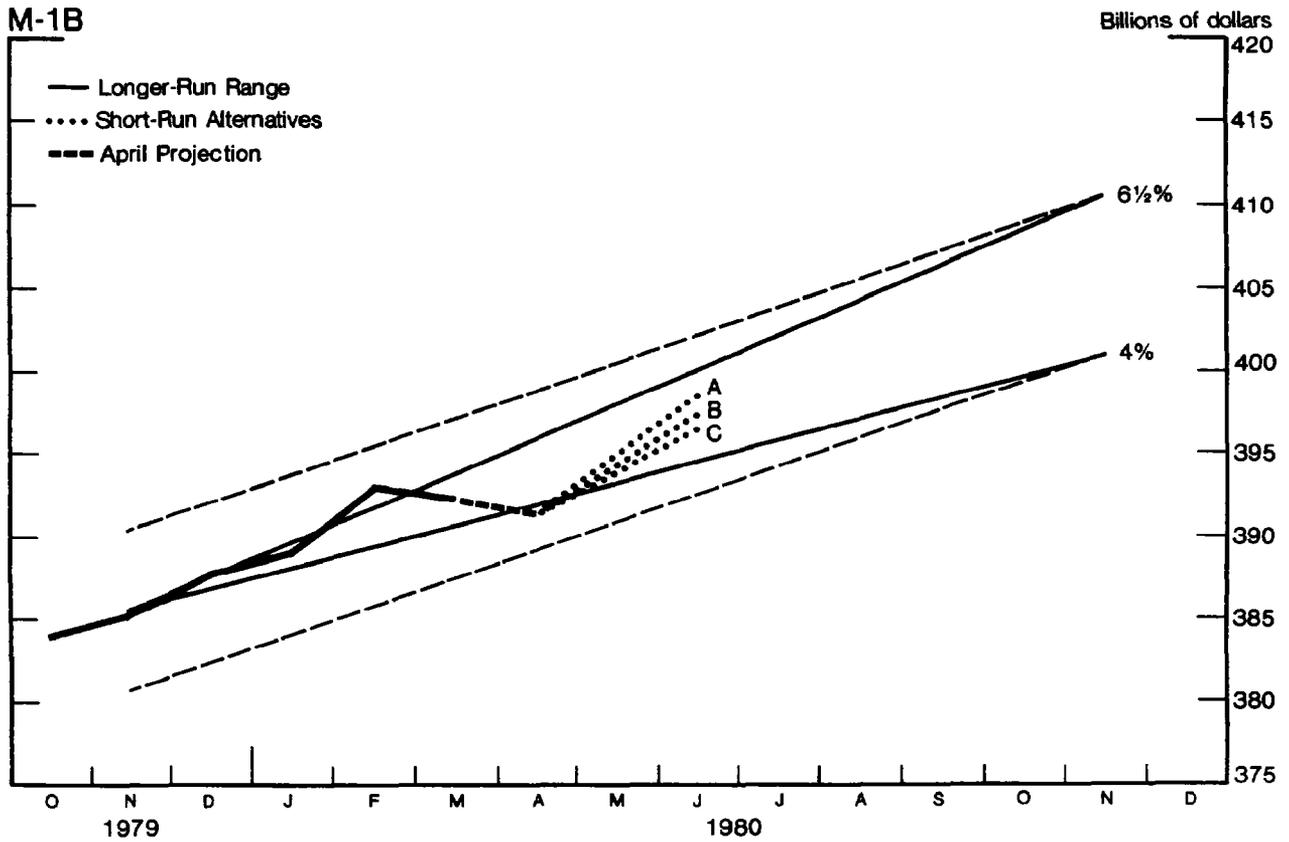
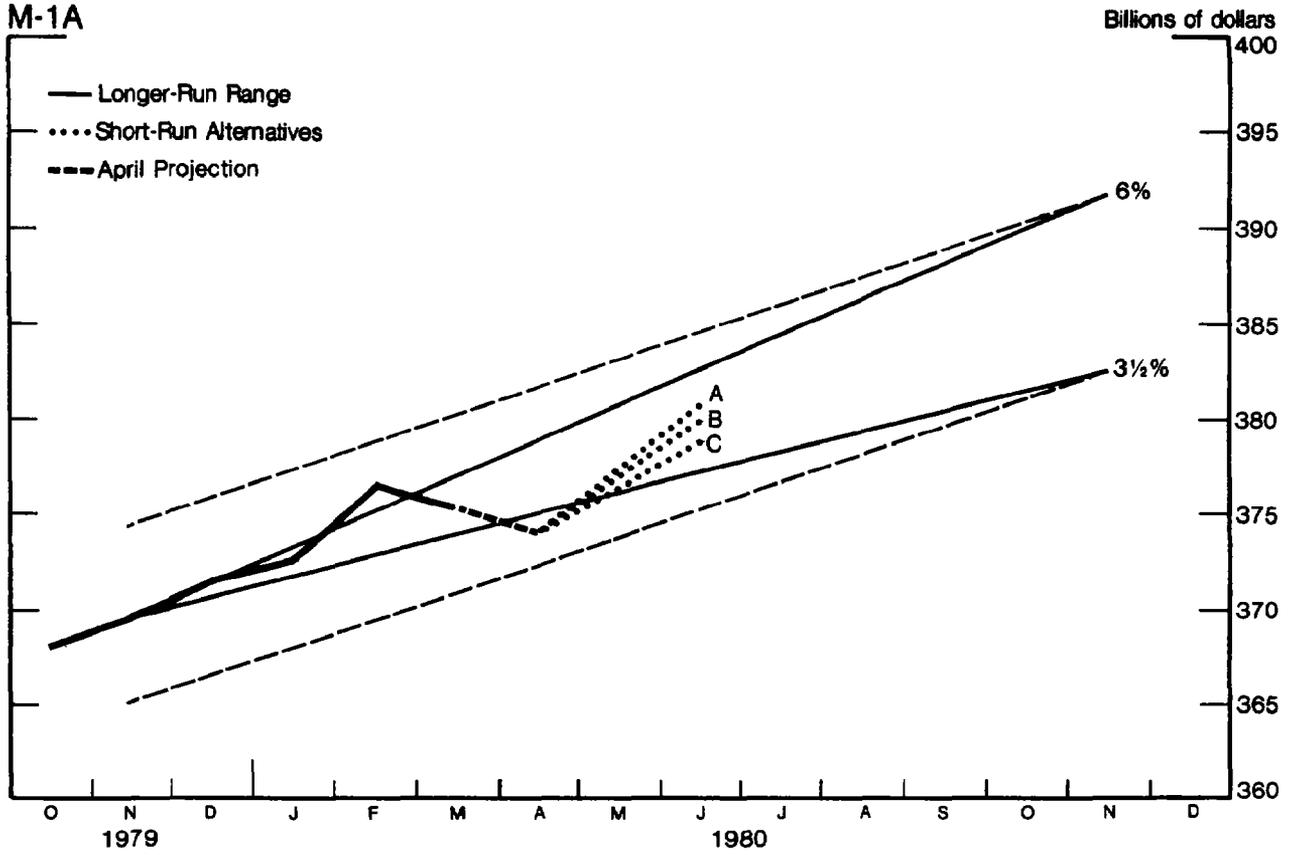
(9) Shown below for Committee consideration are three alternative targets for the monetary aggregates over the December to June interval, along with implied growth rates for the March to June period. Also shown are intermeeting federal funds rate ranges, with the funds rate range currently in effect shown under alternative B. (More detailed and longer-range specifications are shown on the tables on pages 8 and 9.)

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
Growth rates for December to June, SAAR			
M-1A	5	4½	4
M-1B	5½	5	4½
M-2	7	6¾	6½
Implied growth rates from March to June, SAAR			
M-1A	5.9	4.9	3.8
M-1B	6.3	5.2	4.3
M-2	6.9	6.3	5.9
Intermeeting federal funds rate range, percent	12 to 19	13 to 20	14 to 20

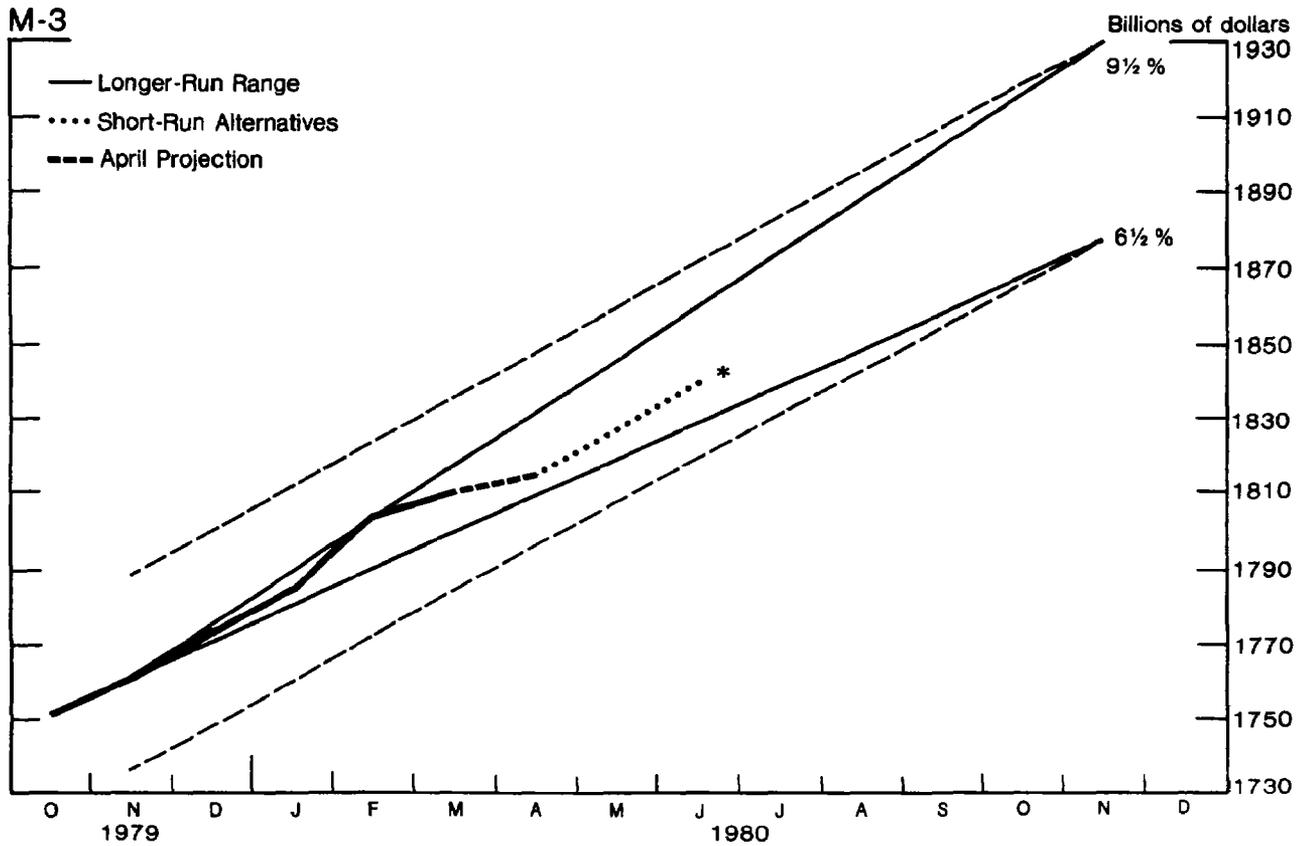
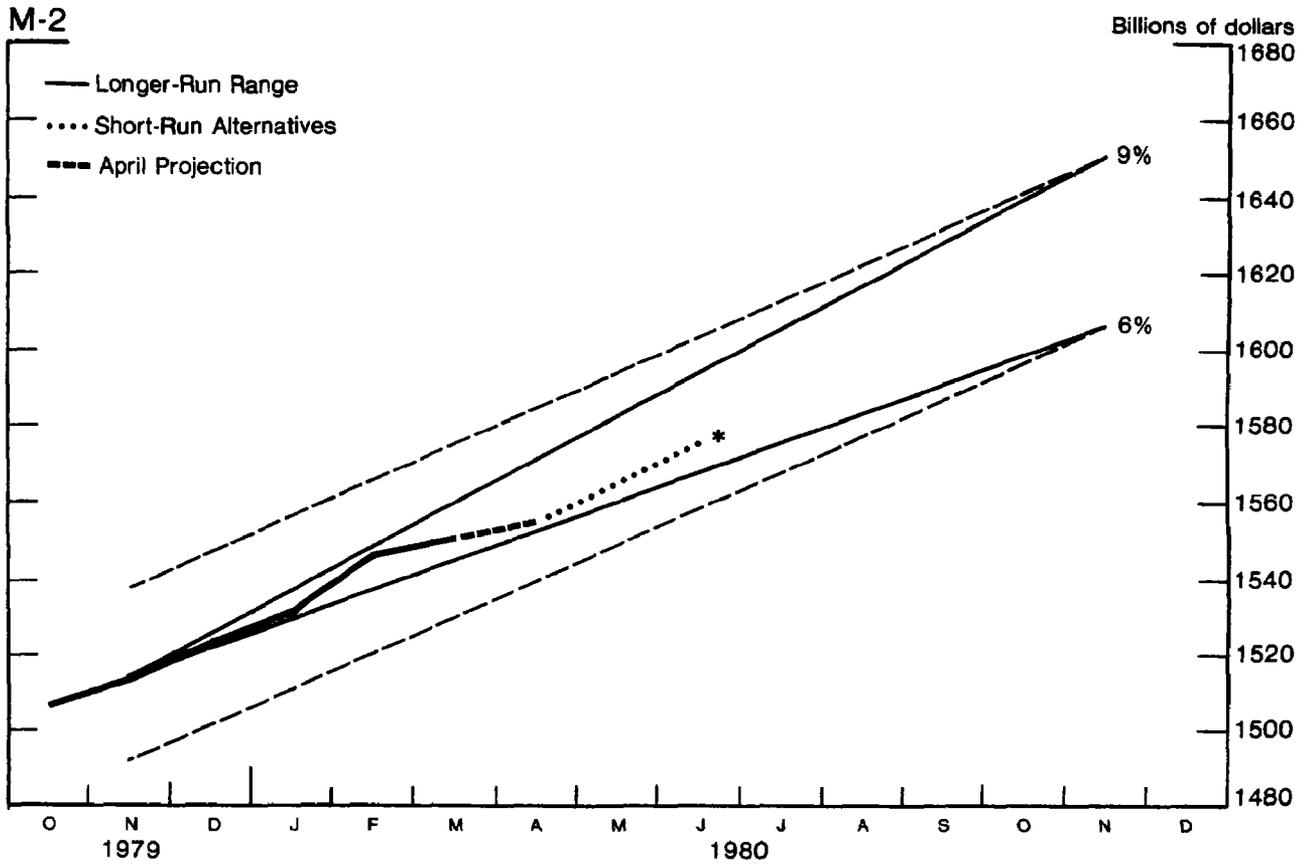
(10) Alternative B retains the December to June target rates of growth for M-1A and M-1B adopted by the Committee in March. As shown in Chart 1 on the next page, such growth would achieve levels of M-1A and M-1B by June that are on the midpoint paths of the Committee's longer-run QIV '79 to QIV '80 target ranges for these aggregates. As indicated in the table on page 8, if the staff's April estimate proves correct,

Chart 1

### Actual and Targeted M-1A and M-1B



### Actual and Targeted M-2 and M-3



\*Note: A, B, and C alternatives are indistinguishable on these scales.

Alternative Levels and Growth Rates for Key Monetary Aggregates

	<u>M-1A</u>			<u>M-1B</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>
1980--March	375.3	375.3	375.3	392.2	392.2	392.2
April	374.0	374.0	374.0	391.3	391.3	391.3
May	377.4	377.0	376.5	394.8	394.3	393.8
June	380.8	379.9	378.9	398.4	397.3	396.4
<u>Growth Rates</u>						
<u>Monthly</u>						
1980--April	-4.2	-4.2	-4.2	-2.8	-2.8	-2.8
May	10.9	9.6	8.0	10.7	9.2	7.7
June	10.8	9.2	7.6	10.9	9.1	7.9
Dec. '79 - Mar. '80	4.1	4.1	4.1	4.6	4.6	4.6
Mar. '80 - June '80	5.9	4.9	3.8	6.3	5.2	4.3
Dec. '79 - June '80	5.0	4.5	4.0	5.5	5.0	4.5
<u>Quarterly Average</u>						
1980--QI	5-1/2	5-1/2	5-1/2	6	6	6
QII	2-3/4	2-1/4	1-3/4	3-1/2	3	2-1/2
QIII	5-1/2	5-3/4	6	6	6-1/4	6-1/2
QIV	4-3/4	5	5-1/4	5-1/4	5-1/2	5-3/4
<u>Annual</u>						
1979 QIV to 1980 QIV	4-3/4	4-3/4	4-3/4	5-1/4	5-1/4	5-1/4

	<u>M-2</u>			<u>M-3</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>
1980--March	1550.9	1550.9	1550.9	1810.2	1810.2	1810.2
April	1555.4	1555.4	1555.4	1815.2	1815.2	1815.2
May	1566.9	1565.8	1564.7	1827.1	1826.6	1826.1
June	1577.5	1575.3	1573.7	1841.0	1840.0	1839.0

Growth Rates  
Monthly

1980--April	3.5	3.5	3.5	3.3	3.3	3.3
May	8.9	8.0	7.2	7.9	7.5	7.2
June	8.1	7.3	6.9	9.1	8.8	8.5
Dec. '79 - Mar. '80	7.0	7.0	7.0	8.3	8.3	8.3
Mar. '80 - June '80	6.9	6.3	5.9	6.8	6.6	6.4
Dec. '79 - June '80	7.0	6.7	6.5	7.6	7.5	7.4

Quarterly Average

1980--QI	7-1/2	7-1/2	7-1/2	8-1/2	8-1/2	8-1/2
QII	6	5-3/4	5-1/2	6-1/4	6	6
QIII	7	7	7	7-1/4	7-1/4	7
QIV	7-1/4	7-1/2	7-3/4	7-3/4	8	8-1/4

Annual

1979 QIV to 1980 QIV	7	7	7	7-1/2	7-1/2	7-1/2
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NOTE: The following annual rates of growth in bank credit for the year and for the quarters are expected under alternative B: year 1980, 7; QI, 9-1/2; QII, 6-1/2; QIII, 6-1/4; QIV, 5-1/2. Only minor variations in growth rates would be expected under the other alternatives. For the December to June period, bank credit growth under alternative B would be 9-1/2 percent.

May-June growth in these aggregates would have to accelerate to about a  $9\frac{1}{2}$  percent annual rate to attain the June target level. Such growth over a two-month span is relatively strong historically, but not without precedent for this volatile series. Even though real GNP is expected to decline significantly this quarter, the rate of increase in nominal GNP is still projected at over an 8 percent annual rate, suggesting a need for appreciable growth in transactions balances.<sup>1/</sup> However, given the restraining effects on money demanded of past increases in interest rates, and with real economic activity apparently slowing significantly, the May-June increases in M-1A and M-1B required under alternative B may lead to a decline in the federal funds rate to the 16 to 17 percent area, or perhaps even lower, over the intermeeting period.

(11) The specifications for alternative B call for a  $6\frac{3}{4}$  percent rate of growth of M-2 for the December-June period, and a  $6\frac{1}{2}$  percent rate from March to June. Such growth would leave this aggregate in June below the midpoint of its longer-run range, as shown in Chart 2. The December-June growth is about 1 percentage point below that adopted by the Committee in March, as the expected continued sluggishness of money market mutual funds is not fully offset by stronger deposit flows.

(12) Bank credit growth under any of the alternatives is likely to pick up over the next few months from the low March pace, although a return to the elevated January-February rates is unlikely in light of the Board's guidelines for bank loan expansion and the projected weakening of

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<sup>1/</sup> If M-1A and M-1B increase at a  $9\frac{1}{2}$  percent in May-June, following the projected April declines, the average second-quarter increase in these aggregates would be only  $2\frac{1}{2}$  and 3 percent, respectively; the implied increase in velocity would be quite large--almost 6 percent.

economic activity. With the marginal reserve requirement on managed liabilities also discouraging bank credit expansion, bank issuance of large time deposits and other open market liabilities is expected to be somewhat lower than in the first quarter. M-3 growth under alternative B is projected at a  $6\frac{1}{2}$  percent annual rate over the March-June span, considerably slower than in the first three months of the year.

(13) Growth in the aggregates at the rates specified under alternative B implies an annual rate of growth from March to June of the monetary base and of total reserves of about  $4\frac{1}{2}$  and  $7\frac{1}{2}$  percent, respectively. On the assumption that member bank borrowings average around  $\$1\frac{1}{2}$  billion over the next few weeks and then decline to about  $\$1\frac{1}{2}$  billion by mid-year, nonborrowed reserves would increase at about a 20 percent annual rate over the March-June period.<sup>1/</sup> We have not made any special assumption about the level of borrowing under the new temporary seasonal credit program. Such borrowing as it develops would be considered to be economically equivalent to nonborrowed reserves and therefore the nonborrowed reserve path would be automatically adjusted to offset fluctuations in such credit.

(14) Market participants appear already to have discounted some near-term decline in the funds rate associated with a cyclical turn in the economy. If the funds rate did drop to the 16 to 17 percent area, however, some further declines in short-term rates might occur, probably accompanied by further weakening of the dollar on exchange markets, unless foreign central banks also eased their own monetary policies. Recent declines in longer-term market rates, however, have been so sharp relative to short rates

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<sup>1/</sup> This assumes continuous emergency-type borrowing by one bank of \$400 million or so, and a level of adjustment credit borrowing of about \$1.4 billion over the next four weeks, declining to \$800-900 million by mid-year. If the emergency-type borrowing declines, the rate of growth of nonborrowed reserves would be even larger than the 20 percent indicated.

that they probably would not drop any further. Actual behavior of longer-term rates will depend in part on offerings in the Treasury's mid-May refunding--when they will be replacing \$1.7 billion of maturing coupon issues and probably will raise a certain amount of new cash--as well as the eagerness of corporations to take advantage of the lower bond rates. Mortgage rates in any event are likely to edge off from their recent peaks in view of the sharp recent drop in bond yields and the likelihood that thrifts will find it a little easier to attract deposits.

(15) Alternative C calls for one-half percentage point less growth in M-1A and M-1B, at an annual rate, over the December to June period relative to alternative B. This would imply growth in M-1A over the two months of May and June of about  $7\frac{3}{4}$  percent, or more than  $1\frac{1}{2}$  percentage points less than alternative B. The funds rate would probably be in the area of 18 percent in the weeks ahead, or perhaps a little lower. Shorter-term market rates are likely to back up a bit under this alternative, as market participants become more doubtful about the timing and amplitude of a cyclical downturn in rates. However, any tendency for longer-term market rates to rebound from their recent lower levels might be limited if the relatively tight monetary policy stance is construed as increasing the odds of controlling inflation and/or intensifying the recession. The dollar probably would not weaken further on foreign exchange markets and might strengthen a bit.

(16) As shown in the charts, alternative C implies that all of the monetary aggregates would be below their midpoint paths by June. In order to achieve the midpoint of the longer-run aggregates growth ranges for all of 1980, the Committee would therefore have to adopt a policy in the second half of the year designed to accelerate money growth somewhat.

Such a policy would add to the downward interest rate pressures likely to occur in any event in reflection of the sharp reduction in real GNP that the staff is projecting. The staff anticipates, for example, a federal funds rate of around 13 to 14 percent for late 1980 under alternative B, and this rate would have to be lower under alternative C.

(17) Alternative C would probably require growth in total reserves at about a 4 percent annual rate. Assuming an initial level of borrowings of around \$2 billion, gradually declining over the quarter to \$1½ to \$1¼ billion, nonborrowed reserves would expand at about a 16 percent annual rate from March to June. This alternative, however, is more likely to induce borrowing under the new temporary seasonal credit program, thereby requiring a downward adjustment in the nonborrowed reserves path.

(18) Alternative A calls for more rapid growth in the monetary aggregates than B and C, and entails almost an 11 percent annual rate of increase in M-1A over the next two months. As indicated in the charts, M-1A and M-1B would be somewhat above their long-run midpoint paths by June, implying less rapid growth of the narrow money stock (and higher interest rates) in the second half of 1980 than the other two alternatives.

(19) To achieve alternative A targets, total reserves might have to expand at an annual rate of 5½ percent in the March to June period. Assuming member bank borrowings of around \$1½ billion in the next few weeks, and gradually declining over the quarter to \$1 to \$1¼ billion, nonborrowed reserves would rise by a 22½ percent annual rate. Such growth of reserves probably would be associated with a fairly substantial drop in the federal funds rate in the intermeeting period, perhaps into the lower half of the 12 to 19 percent range suggested for this alternative.

(20) Alternative A would be accompanied by further declines in short-term market rates as market participants became more firmly convinced that the System would not be putting a floor under interest rates. However, questions may well be raised in markets about the consistency of a sharp further drop in rates with last month's anti-inflation program, and these concerns would tend to limit rate declines in longer-term markets. Nonetheless, conventional home mortgage rates would probably retrace a large part of the sharp run-up of the last 60 days, as the further decline in short-term rates strengthens thrift deposit inflows this quarter.

Directive language

(21) Given below are suggested operational paragraphs for the directive consistent with the form of the directive adopted at the March meeting. The language continues to call for expansion of reserve aggregates at a pace consistent with the desired rates of monetary growth over the first half of 1980, provided that the federal funds rate on a weekly average basis remains within a specified range. The specifications adopted at the March meeting are shown in strike-through form.

In the short run, the Committee seeks expansion of reserve aggregates consistent with growth over the first half of 1980 at an annual rate of  $4\frac{1}{2}$  \_\_\_ percent for M-1A and 5 \_\_\_ percent for M-1B, ~~or-somewhat-less;~~ provided that in the period before the next regular meeting the weekly average federal funds rate remains within a range of ~~13-to-20~~ \_\_\_ TO \_\_\_ percent. The Committee believes that, TO BE consistent with this short-run policy, M-2 should grow at an annual rate of about  $7\frac{1}{2}$  \_\_\_ percent over the first half and ~~expansion-of~~ THAT bank credit should ~~slow~~ GROW in the months ahead ~~to~~ AT a pace compatible with growth over the year as a whole within the range agreed upon.

If it appears during the period before the next meeting that the constraint on the federal funds rate is inconsistent with the objective for the expansion of reserves, the Manager for Domestic Operations is promptly to notify the Chairman who will then decide whether the situation calls for supplementary instructions from the Committee.

Appendix I

Comparison of Actual Level of Reserves to Their Paths  
(Millions of dollars, not seasonally adjusted)

	March 26 to April 23 (Inclusive) <sup>1/</sup>
<b>Total Reserves</b>	
Original path	44,571
Adjustments	+200 <sup>2/</sup>
Adjusted path	44,771
Actual	44,339
Deviation of actual from adjusted path	-432
<b>Excess Reserves</b>	
Original path	250
Adjustments	0
Adjusted path	250
Actual	253
Deviation of actual from adjusted path	+3
<b>Required Reserves</b>	
Original path	44,321
Implied adjustments	+200
Implied required reserves path	44,521
Actual	44,086
Deviation of actual from implied path	-435
<b>Nonborrowed Reserves</b>	
Original path	41,821
Adjustments	+350 <sup>3/</sup>
Adjusted path	42,171
Actual	42,082
Deviation of actual from adjusted path	-89
<b>Member Bank Borrowings</b>	
Original path	2,750
Adjustments	-150
Adjusted path	2,600
Actual	2,257
Deviation of actual from adjusted path	-343

- <sup>1/</sup> Week of April 23 is estimated and assumes the following: excess reserves of \$250 million, borrowing of \$1.7 billion and nonborrowed reserves of \$43,791 million.
- <sup>2/</sup> Reflects upward adjustment in the total reserves path in view of higher than expected growth of non-M-2 deposits absorbing reserves.
- <sup>3/</sup> Net adjustment, reflecting the 200 million upward adjustment to total reserves, a \$600 million upward adjustment (center of \$450 million to \$750 million range) in nonborrowed reserves to reflect weaker than expected demand for borrowing, and \$450 million downward adjustment to nonborrowed reserves path assumed to be the amount of emergency-type borrowing by one large member bank.

TABLE 1  
SELECTED INTEREST RATES  
(percent)

STRICTLY CONFIDENTIAL (FR)  
CLASS II - FOMC  
APRIL 18, 1980

	Short-term							Long-term								
	Federal funds	Treasury Bills			CDs Secondary Market 3-mo	Comm. Paper 3-mo	Bank Prime Rate	U.S. Govt. Constant Maturity Yields			Corp.-Aaa Utility		Municipal Bond Buyer	Home Mortgages		
		Market		Auction				3-yr	10-yr	30-yr	New Issue	Recently Offered		Primary Conv.	FNMA Auc.	GNMA Sec.
		3-mo	1-yr	6-mo												
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
1979--High	15.61	12.60	11.89	12.65	14.53	14.26	15.75	11.68	10.87	10.42	11.50	11.45	7.38	12.90	13.29	11.77
Low	9.93	8.85	8.64	8.87	9.84	9.66	11.50	8.76	8.79	8.82	9.40	9.39	6.08	10.38	10.42	9.51
1980--High	19.39	15.61	14.39	15.70	18.04	17.61	20.00	14.29	13.33	12.73	14.22	14.12	9.44	16.35	15.93	14.17
Low	12.80	11.75	10.76	11.78	13.35	12.95	15.25	10.70	10.43	10.17	11.51	11.42	7.28	12.85	12.70	11.39
1979--Mar.	10.09	9.48	9.38	9.46	10.13	9.90	11.75	9.38	9.12	9.03	9.62	9.62	6.33	10.43	10.43	9.70
Apr.	10.01	9.46	9.28	9.50	10.06	9.85	11.75	9.43	9.18	9.09	9.70	9.74	6.29	10.50	10.59	9.78
May	10.24	9.61	9.27	9.53	10.16	9.95	11.75	9.42	9.25	9.19	9.83	9.84	6.25	10.69	10.84	9.89
June	10.29	9.06	8.81	9.06	9.95	9.76	11.65	8.95	8.91	8.92	9.50	9.50	6.13	11.04	10.77	9.75
July	10.47	9.24	8.87	9.19	10.11	9.87	11.54	8.94	8.95	8.93	9.58	9.53	6.13	11.09	10.66	9.77
Aug.	10.94	9.52	9.16	9.45	10.71	10.43	11.91	9.14	9.03	8.98	9.48	9.49	6.20	11.09	10.67	9.90
Sept.	11.43	10.26	9.89	10.13	11.89	11.63	12.90	9.69	9.33	9.17	9.93	9.87	6.52	11.30	11.09	10.31
Oct.	13.77	11.70	11.23	11.34	13.66	13.23	14.39	10.95	10.30	9.85	10.97	10.91	7.08	11.64	12.52	11.25
Nov.	13.18	11.79	11.22	11.86	13.90	13.57	15.55	11.18	10.65	10.30	11.42	11.36	7.30	12.83	12.75	11.57
Dec.	13.78	12.04	10.92	11.85	13.43	13.24	15.30	10.71	10.39	10.12	11.25	11.33	7.22	12.90	12.49	11.35
1980--Jan.	13.82	12.00	10.96	11.85	13.39	13.04	15.25	10.88	10.80	10.60	11.73	11.77	7.35	12.88	12.91	11.94
Feb.	14.13	12.86	12.46	12.72	14.30	13.78	15.63	12.84	12.41	12.13	13.57	13.35	8.16	13.03	14.49	13.16
Mar.	17.19	15.20	14.03	15.10	17.57	16.81	18.31	14.05	12.75	12.34	14.00	13.90	9.17	15.28	15.64	13.79
1980--Feb. 6	12.80	12.09	11.41	11.99	13.41	13.07	15.25	11.64	11.49	11.41	12.96	12.80	7.71	12.85	13.76	12.53
13	13.64	12.10	11.62	12.26	13.44	13.07	15.25	11.88	11.85	11.80	13.27	13.17	7.75	12.88	--	12.74
20	14.87	12.93	12.50	13.01	14.23	13.64	15.39	12.83	12.47	12.30	13.92	14.11	8.46	12.98	15.21	13.72
27	14.62	13.63	13.46	13.63	15.30	14.60	16.11	14.08	13.33	12.73	14.11	13.83	8.72	13.59	--	13.65
Mar. 5	16.17	14.62	13.69	14.79	15.97	15.34	16.84	14.03	12.87	12.32	13.98	13.94	8.94	14.00	15.26	13.58
12	16.45	15.51	13.98	14.96	17.60	17.01	17.68	14.07	12.73	12.38	13.95	13.72	9.08	15.40	--	13.57
19	16.24	14.80	13.83	14.95	18.04	17.10	18.46	13.78	12.47	12.11	13.85	13.80	9.20	15.70	15.73	13.84
26	17.78	15.61	14.39	15.70	17.63	16.81	19.00	14.29	12.93	12.48	14.22	14.12	9.44	16.03	--	14.17
Apr. 2	19.39	14.80	14.01	14.80	17.97	17.22	19.50	13.84	12.73	12.36	13.98	13.93	9.44	16.35	15.93	13.78
9	19.04	14.54	13.39	14.23	17.88	17.61	20.00	13.11	12.23	11.95	13.28	13.30	9.07	16.35	--	13.40
16	18.35	13.89	12.50	13.55	17.13	16.88	20.00	12.31	11.59	11.43	12.70p	12.53p	7.89	n.a.	15.18	12.96
23																
30																
Daily--Apr. 10	19.53	14.30	13.11	--	17.47	17.31	20.00	12.99	12.06	11.74	--	--	--	--	--	--
17	18.35p	13.50	11.96	--	16.00	15.79	20.00	11.66p	11.03p	11.00p	--	--	--	--	--	--

NOTE: Weekly data for columns 1, 2, 3, and 5 through 10 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. For column 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 percent 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 a 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.

TABLE 2  
NET CHANGES IN SYSTEM HOLDINGS OF SECURITIES<sup>1/</sup>  
(Millions of dollars, not seasonally adjusted)

STRICTLY CONFIDENTIAL (FR)  
CLASS II - FOMC  
APRIL 18, 1980

	Treasury Bills Net Change <sup>2/</sup>	Treasury Coupons Net Purchases <sup>3/</sup>					Federal Agencies Net Purchases <sup>4/</sup>					Net Change Outright Holdings Total <sup>5/</sup>	Net RPs <sup>6/</sup>
		Within 1 year	1 - 5	5 - 10	Over 10	Total	Within 1 year	1 - 5	5 - 10	Over 10	Total		
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
1979	6,243	603	3,456	523	454	5,035	131	317	5	--	454	10,290	-2,597
1979--Qtr. I	-3,750	48	426	134	93	700	-170	-229	--	--	-399	-882 <sup>7/</sup>	680
II	465	42	640	--	--	682	110	258	2	--	371	-1,795 <sup>8/</sup>	2,542
III	5,363	395	1,289	309	310	2,302	191	288	3	--	482	8,129 <sup>9/</sup>	-2,019
IV	4,164	118	1,101	81	51	1,351	--	--	--	--	--	4,839 <sup>2/</sup>	-3,801
1980--Qtr. I	-2,945	292	355	107	81	836	--	--	--	--	--	-2,114	362
1979--Oct.	-219	28	703	--	--	731	--	--	--	--	--	-159 <sup>9/</sup>	-2,499
Nov.	2,297	--	--	--	--	--	--	--	--	--	--	2,297	2,078
Dec.	2,086	90	398	81	51	620	--	--	--	--	--	2,701	-3,380
1980--Jan.	-2,512	--	--	--	--	--	--	--	--	--	--	-2,512	166
Feb.	-1,803	--	--	--	--	--	--	--	--	--	--	-1,803	900
Mar.	1,370	292	355	107	81	836	--	--	--	--	--	2,201	-705
1980--Feb. 6	--	--	--	--	--	--	--	--	--	--	--	--	-629
13	-150	--	--	--	--	--	--	--	--	--	--	-150	6,848
20	-100	--	--	--	--	--	--	--	--	--	--	-100	1,502
27	-1,553	--	--	--	--	--	--	--	--	--	--	-1,553	-6,094
Mar. 5	--	--	--	--	--	--	--	--	--	--	--	--	1,141
12	194	--	--	--	--	--	--	--	--	--	--	190	-3,258
19	959	42	255	107	81	486	--	--	--	--	--	1,445	-14
26	106	250	100	--	--	350	--	--	--	--	--	456	5,566
Apr. 2	110	--	--	--	--	--	--	--	--	--	--	110	-4,138
9	540	--	--	--	--	--	217	398	29	24	668	1,208	-1,782
16	645	109	373	62	64	607	--	--	--	--	--	1,249	3,202
23													
30													
LEVEL--Apr. 16	48.3	17.8	29.5	12.0	13.2	72.5	2.1	4.8	1.3	0.7	8.9	129.7	-3.8

(in billions)

<sup>1/</sup> Change from end-of-period to end-of-period.

<sup>2/</sup> Outright transactions in market and with foreign accounts, and redemption (-) in bill auctions.

<sup>3/</sup> 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.

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

<sup>5/</sup> 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.

<sup>6/</sup> Includes changes in both RPs (+) and matched sale-purchase transactions (-).

<sup>7/</sup> The Treasury sold \$2,600 million of special certificates to the Federal Reserve on March 31, 1979 and redeemed the last of them on April 4, 1979.

<sup>8/</sup> \$640 million of 2-year notes were exchanged for a like amount of cash management bills on April 3, 1979. On April 9, 1979, the bills were exchanged for new 2-year notes.

<sup>9/</sup> On October 1, 1979, \$668 million of maturing 2- and 4-year notes were exchanged for a like amount of short-term bills, because the note auctions were delayed. On October 9 and 10, the bills were exchanged for new 2- and 4-year notes, respectively.

TABLE 3  
SECURITY DEALER POSITIONS AND BANK POSITIONS  
(Millions of dollars)

STRICTLY CONFIDENTIAL (FR)  
CLASS II - FOMC  
APRIL 18, 1980

	U.S. Govt. Security Dealer Positions		Underwriting Syndicate Positions		Member Bank Reserve Positions		
	Bills	Coupon Issues	Corporate Bonds	Municipal Bonds	Excess** Reserves	Borrowing at FRB**	
						Total	Seasonal
1979--High	8,091	902	283	404	726	2,960	207
Low	138	-2,569	0	53	-122	628	93
1980--High	*7,731	*233	80	157	600p	3,439p	177p
Low	1,972	-1,482	0	32	-228p	732p	61p
1979--Mar.	2,247	-576	8	172	158	991	119
Apr.	4,326	-365	57	191	177	918	134
May	3,987	166	31	186	141	1,765	174
June	6,930	-277	70	277	221	1,418	192
July	3,161	-658	66	280	211	1,171	182
Aug.	996	-179	32	299	222	1,085	179
Sept.	2,392	-1,608	142	52	191	1,340	174
Oct.	2,289	-1,576	75	152	264	2,023	155
Nov.	4,427	-514	17	106	244	1,911	140
Dec.	5,760	-1,901	34	164	398	1,473p	81p
1980--Jan.	4,380	-944	42	117	350p	1,240p	74p
Feb.	2,937	-212	3	87	199p	1,654p	95p
Mar.	*2,964	*-659	37	59	258p	2,824p	151p
1980--Feb. 6	5,009	-881	0	120	556p	759p	73p
13	3,311	105	10	110	-171p	1,236p	91p
20	2,173	-426	0	80	600p	2,194p	100p
27	2,325	158	0	39	-228p	2,057p	109p
Mar. 5	2,697	-290	63	32	510p	2,508p	114p
12	3,744	-983	50	35	139p	3,439p	139p
19	1,972	-1,131	31	122	223p	3,001p	155p
26	*2,510	*-392	5	45	132p	2,660p	177p
Apr. 2	*4,833	*38	75	38	398p	2,262p	165p
9	*7,731	*233	0	39	199p	2,386p	159p
16	*8,904	*-92	5p	112p	287p	2,276p	140p
23							
30							

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. 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 4

CONFIDENTIAL (FR)

**Bank Credit**  
**All Commercial Banks**  
 Seasonally adjusted

Period	Total <sup>1/</sup> loans and investments	Investments		Total loans <sup>1/</sup>	Selected loan components					Total loans less loans to foreigners <sup>1/ 2/</sup>
		U.S. Gov't	Others		Business <sup>1/</sup>	Real estate	Consumer	Security	Nonbank financial	
level in billions of dollars										
1978--December	1018.1 <sup>3/5/</sup>	93.4	173.2 <sup>3/</sup>	751.6 <sup>3/5/</sup>	248.5 <sup>4/5/</sup>	210.5 <sup>5/</sup>	164.9	19.4	27.1 <sup>5/</sup>	717.2
1979--August	1106.5	94.1	185.4	827.0	282.6	231.3	178.8	22.9	29.4	788.1
September	1126.5	95.2	187.6	843.7	288.7	234.1	180.2	23.5	29.8	801.0
October	1132.7	95.3	188.8	848.6	291.3	237.1	181.3	20.6	30.9	806.0
November	1132.2	94.3	190.5	847.4	290.9	239.7	182.3	18.4	30.9	808.5
December	1135.3 <sup>6/</sup>	93.8	191.5	850.0	292.3	242.4	182.7	18.3	30.3	812.5
1980--January	1147.4	93.2	193.1	861.1	297.3	245.0	183.7	18.0	30.7	822.4
February	1165.3	94.8	195.2	875.3	302.8	247.7	184.4	17.7	31.1	835.4
March <sup>e</sup>	1168.7r	94.5r	196.0r	878.2r	304.8r	249.6	n.a.	16.8	31.7	837.1r
annual percentage rate of change										
1974--Year	10.3	-8.5	9.0	13.1	19.3	10.6	3.9	-3.0	22.1	12.7
1975--Year	4.3	52.9	4.1	-0.6	-3.8	3.2	2.2	5.5	-15.7	-1.2
1976--Year	7.9	22.5	2.3	7.1	1.3	10.2	10.9	29.6	-9.3	6.6
1977--Year	10.9	-1.1	7.1	14.0	10.5	17.8	18.9	17.7	-2.3	14.3
1978--Year	13.6	-6.1	8.5	18.0	16.3	19.9	19.3	-5.8	5.4	16.9
1979--Year	11.5	0.4	9.6	13.4	17.5	14.9	10.8	-5.7	13.1	13.3
1979--Qtr. 3rd	15.8	1.7	12.1	18.2	22.7	14.7	7.5			16.6
Qtr. 4th	3.4	-5.9	8.3	3.4	6.0	14.2	5.5			6.1
1980--Qtr. 1st <sup>e</sup>	11.8	3.0r	9.4r	13.3r	17.1r	11.9	n.a.			12.1r
1979--March	8.0	9.0	3.4	8.8	12.9	12.8	16.3			8.6
April	13.9	1.3	7.4	17.1	16.9	12.6	15.4			18.4
May	8.8	1.3	6.7	10.2	15.3	11.9	11.0			12.3
June	12.6	8.9	4.6	14.9	16.9	12.9	10.3			13.7
July	13.4	6.3	9.2	15.3	22.4	15.4	6.1			15.2
August	11.6	-15.1	12.4	14.4	18.5	13.6	6.7			14.1
September	21.7	14.0	14.2	24.2	25.9	14.5	9.4			19.7
October	6.6	1.3	7.7	7.0	10.8	15.4	7.3			7.4
November	-0.5	-12.6	10.8	-1.7	-1.6	13.2	6.6			3.8
December	4.1	-6.4	6.3	4.8	8.7	13.5	2.6			7.1
1980--January	12.8	-7.7	10.0	15.7	20.5	12.9	6.6			14.6
February	18.7	20.6	13.1	19.8	22.2	13.2	4.6			19.0
March <sup>e</sup>	3.5r	-3.8r	4.9r	4.0r	7.9r	9.2	n.a.			2.4r

Note: Monthly averages reflect prorated averages of Wednesday data for domestic chartered banks and averages of current and previous month-end data for foreign-related institutions. Loans are adjusted to exclude domestic interbank loans.

e--estimated  
 p--preliminary  
 r--revised

<sup>1/</sup> Adjusted for loans sold to affiliates.

<sup>2/</sup> Loans to foreigners include only loans to foreign business and foreign banks.

<sup>3/</sup> As of December 31, 1978, total loans and investments were reduced by \$0.1 billion. "Other securities" were increased by \$1.5 billion and total loans were reduced by \$1.6 billion largely as the result of reclassifications of certain tax-exempt obligations. Most of the loan reduction was in "other loans" not shown on table.

<sup>4/</sup> As of December 31, 1978, business loans were increased by \$600 million as a result of a \$700 million upward reclassification in loans sold outright offset in part by a \$100 million decline due to balance sheet reclassifications.

<sup>5/</sup> As of January 3, 1979 as the result of reclassifications, total loans and investments and total loans were increased by \$600 million. Business loans were increased by \$400 million and real estate loans by \$500 million. Nonbank financial loans were reduced by \$300 million.

<sup>6/</sup> As of December 1, 1979, loans sold to affiliates and commercial and industrial loans sold were reduced \$800 million and \$700 million respectively, due to corrections of two banks in New York City.

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Appendix Table 1-A

## Bank Reserves, Money and Credit Aggregate Measures

Percent annual rates of growth

Period	Bank reserves <sup>1</sup>			Bank credit	Money stock measures and liquid assets				
	total	nonborrowed	monetary base	total loans and investments	M-1A	M-1B	M-2	M-3	L
	1	2	3	4	5	6	7	8	9
ANNUALLY: 2/									
1977	5.2	2.9	8.2	11.1	7.7	8.1	11.5	12.6	12.6
1978	6.8	6.9	9.2	13.5	7.4	8.2	8.4	11.3	12.3
1979	2.9	0.9	7.6	12.3	5.5	8.0	8.8	9.5	11.5
SEMI-ANNUALLY: 2/									
2ND HALF 1978	4.7	4.9	8.5	13.6	6.4	7.4	8.9	11.1	11.9
1ST HALF 1979	-2.9	-5.1	5.4	12.8	4.0	7.9	8.3	8.4	11.0
2ND HALF 1979	8.9	7.0	9.5	11.2	6.8	7.8	8.9	10.2	10.5
QUARTERLY:									
2ND QTR. 1979	-2.2	-6.5	5.5	11.9	9.5	11.4	11.0	8.9	13.6
3RD QTR. 1979	9.1	10.2	11.2	15.8	8.0	9.5	9.6	11.5	11.7
4TH QTR. 1979	13.9	13.0	7.9	3.4	4.4	4.7	6.5	8.1	6.9
1ST QTR. 1980	1.7	-11.2	7.8	11.8	4.1	4.6	7.0	8.3	
QUARTERLY-AV:									
2ND QTR. 1979	-3.7	-7.5	4.8	11.5	7.8	10.7	10.2	8.8	13.1
3RD QTR. 1979	5.0	6.9	9.3	13.4	8.8	10.1	10.5	10.3	11.7
4TH QTR. 1979	12.6	7.0	9.6	8.7	4.7	5.3	7.2	9.9	9.2
1ST QTR. 1980	5.1	4.3	7.8	9.5	5.5	6.0	7.4	8.4	
MONTHLY:									
1979--MAR.	-3.2	-3.8	4.9	7.9	6.5	10.6	10.7	9.1	14.3
APR.	-2.4	-0.3	4.9	13.9	14.7	19.1	12.5	10.1	13.4
MAY	-0.6	-26.1	5.0	8.8	-0.3	-0.6	6.7	6.0	11.2
JUNE	-3.6	6.9	6.7	12.6	14.2	15.6	13.4	10.5	15.6
JULY	8.0	15.8	9.7	13.4	9.7	11.9	9.8	9.5	8.3
AUG.	9.5	12.4	12.0	11.6	7.3	8.6	10.6	11.6	10.1
SEPT.	9.5	2.1	11.7	21.7	6.9	7.9	8.2	13.2	16.3
OCT.	18.1	-1.6	10.4	6.6	1.6	2.2	6.0	9.4	6.9
NOV.	6.7	10.4	5.6	-0.5	5.2	4.4	5.8	7.4	5.0
DEC.	16.3	30.0	7.6	4.1	6.2	7.5	7.7	7.5	8.6
1980--JAN. P	2.8	9.6	10.3	12.8	3.6	4.0	6.8	7.9	8.4
FEB. P	-4.4	-16.4	5.7	18.7	12.2	12.0	10.7	12.6	13.4
MAR. P	6.7	-26.9	7.2	3.5	-3.5	-2.1	3.4	4.1	

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

2/ BASED ON QUARTERLY AVERAGE DATA.

P INDICATES PRELIMINARY.