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July 3, 1980

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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

July 3, 1980

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) The narrow monetary aggregates, M-1A and M-1B, expanded in May-June at annual rates marginally above the minimum target growth rates set by the Committee for the period. Continued weakness in May was offset by a considerable resurgence of growth in June. However, as shown in the last two columns of the table below, in the first half of the year both of these aggregates have grown at rates significantly below the lower end of the Committee's longer-run ranges for the QIV '79 to QIV '80 period. The Committee's longer-run targets imply that ATS/NOW accounts would add about $\frac{1}{2}$ percentage point to M-1B growth relative to M-1A; so far in 1980 relatively faster growth of interest-bearing transactions accounts has added close to $1\frac{1}{2}$ percentage points to M-1B.

Monetary Aggregates	May	June	May-June		Actual QIV '79 to QII '80	Target QIV '79 to QIV '80
			Actual	Minimum Target Growth		
M-1A	0.7	13.7	7.2	$7\frac{1}{2}$	0.5	$3\frac{1}{2}$ to 6
M-1B	-1.2	16.8	7.8	8.0	1.9	4 to $6\frac{1}{2}$
M-2	8.8	17.3	13.1	8.0	6.3	6 to 9
M-3	8.7	12.4	10.6	--	6.7	$6\frac{1}{2}$ to $9\frac{1}{2}$
Memo: Bank Credit	-6.1	-3.8	-5.0	--	4.5	6 to 9

(2) M-2 increased in May and accelerated sharply in June, expanding well above the Committee's minimum target rate for the two month period. With market interest rates declining and the public apparently placing a greater premium on liquidity, in the face of uncertainty about the economic outlook, MMMFs resumed their strong growth and savings deposit registered a reduced outflow in May and a significant inflow in June for the first time in almost a year. Inflows of small-denomination time deposits weakened over the two months as a large part of the sharply stronger growth in the 30-month variable-ceiling certificate was offset by the first net decline in MMCs since their introduction in mid-1978. M-3 expanded less rapidly than M-2, as banks continued to reduce their reliance on managed liabilities, partly because of continued weakness in bank loan demand. Over the first half of the year, M-2 and M-3 expanded at just above the lower bound of the Committee's longer-run ranges, but bank credit grew at a rate considerably below the Committee's targets for the year.

(3) The Desk has fostered more ample availability of non-borrowed reserves to member banks since the Committee meeting in May to encourage and support growth of the monetary aggregates. Adjustment borrowing at Federal Reserve Banks was reduced to less than \$100 million throughout most of June. Total reserves declined slightly, however, over the past two months, largely because required reserves were reduced by the substantial drop in recent weeks of large time deposits of

member banks and by deposit shifts that reduced the average required reserve ratio for other time deposits and demand deposits.^{1/}

<u>Bank reserves</u>	1979				
	<u>Second half</u>	<u>QI</u>	<u>QII</u>	<u>May</u>	<u>June</u>
Nonborrowed reserves	7.0	3.6	8.1	41.4	17.0
Total reserves	8.9	4.4	2.0	-0.9	-1.0
Monetary base	9.6	7.6	5.4	7.7	6.9
Memo: Average level of member bank adjustment borrow- ing (\$ millions)	1,501	1,891	750	275	72

(4) Conditions in the money market continued to ease following the May Committee meeting, as the Desk moved toward more plentiful provision of nonborrowed reserves. Around the time of the meeting, the federal funds rate was generally about 11 percent, but subsequently funds began trading at substantially lower levels. In the two weeks ending June 25 the federal funds rate averaged around 9 percent, but most recently the funds rate has averaged 9½ to 9¾ percent. The discount rate was lowered in two steps from 13 to 11 percent over the intermeeting period in recognition of the easing in money markets.

^{1/} This blue book does not contain an appendix comparing reserve paths set following the May FOMC meeting and actual results. At that time the Committee indicated that an overshoot of money growth above its minimum targets should be accommodated by a commensurate increase in reserve paths. Thus, when projected reserves became stronger than the original path, as happened in the intermeeting period, the projections of reserves became the targets. For instance, the original target for total reserves for the last three weeks of the intermeeting period was \$43,377 million (after adjustment for changes in the multiplier), whereas actual total reserves for the period were \$43,293 million. For the first four weeks of the intermeeting period, actual reserves at \$43,549 million were just about equal to the original target of \$43,554 million.

(5) The decline in other short-term market rates that began in late March continued following the May Committee meeting, and by mid-June these rates had declined another $1\frac{1}{2}$ to 2 percentage points. However, more recently private yields and Treasury bill rates have backed up substantially. Market participants reportedly have become more cautious in their expectations for further easing by the Federal Reserve, particularly as stronger growth of the monetary aggregates became evident in the published weekly figures. On balance, bill rates and private short-term rates are about $\frac{1}{2}$ to 1 percentage point lower than their levels at the time of the May Committee meeting. Over the intermeeting period, the bank prime rate was lowered $4\frac{1}{2}$ to 5 percentage points to $11\frac{1}{2}$ and 12 percent, but it still remains far out of line with borrowing costs in the money market for prime-rated firms.

(6) The rally in long-term debt markets also lost much of its force in recent weeks. Treasury bond yields had declined a further one percentage point by mid-June before backing up 30 to 40 basis points more recently. The corporate bond market, digesting a record volume of issues brought to market as yields fell, experienced a similar pattern of rate movements as market sentiment changed. With their deposit outlook stronger and other long-term rates declining, the average commitment rate on mortgages at S&Ls declined from over 14 percent in late May to $12\text{-}3/8$ percent most recently.

(7) In foreign exchange markets, the dollar is down 3 percent on a weighted average basis from its level at the time of the last Committee meeting. Most of this decline occurred shortly after the May meeting, as U.S. interest rates fell further and the credit control program

was eased. When U.S. interest rates turned steady to firmer in the following weeks, the dollar steadied and traded in generally very quiet markets. In the intermeeting period, the United States purchased \$1½ billion to support the dollar mainly with DM,

(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.

	1978 ^{1/}	1979 ^{1/}	QII '80 over QIV '79	Past Three Months June '80 over Mar. '80	Past Month June '80 over May '80
Nonborrowed reserves	6.9	0.9	5.9	25.0	17.0
Total reserves	6.8	2.9	3.2	0.8	-1.0
Monetary base	9.2	7.6	6.6	5.5	6.9
<u>Concepts of Money</u>					
M-1A (Currency plus demand deposits) ^{2/}	7.4	5.0	0.5	-1.2	13.7
M-1B (M-1A plus other checkable deposits)	8.2	7.6	1.9	0.4	16.8
M-2 (M-1B plus small time and savings deposits, money market mutual fund shares and overnight RP's and Eurodollars)	8.4	8.9	6.3	8.1	17.3
M-3 (M-2 plus large time deposits and term RP's)	11.3	9.8	6.7	7.2	12.4
<u>Bank Credit</u>					
Loans and investment of all commercial banks ^{3/}	13.5	12.3	4.5	-4.7	-3.8
<u>Managed Liabilities of Banks</u> (Monthly average change in billions)					
Large time deposits	4.2	1.6	2.0	-0.1	-5.1
Eurodollars	0.6	2.1	-1.8	-6.1	-8.5
Other borrowings ^{4/}	1.4	1.2	0.8	-2.0	-2.5
<u>Memo</u>					
Nonbank commercial paper	0.3	0.9	2.1	2.2	2.0

^{1/} QIV to QIV.

^{2/} Other than interbank and U.S. Government.

^{3/} Includes loans sold to affiliates and branches.

^{4/} 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 investments of commercial banks, commercial paper, and thrift institutions—which are derived from either end-of-month or Wednesday statement data 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.

Longer-run targets and strategy

(9) At this meeting the Committee will be reconsidering its growth ranges for the monetary aggregates for 1980 and coming to a preliminary view about ranges for 1981, as is required under the Humphrey-Hawkins Act. As noted in paragraphs 1 and 2 of the preceding section, thus far this year expansion in narrow money measures has been well below the lower limit of the growth ranges for the QIV '79 to QIV '80 period established in February, while growth in broader measures has been just above the bottoms of their ranges. Partly for this reason, the staff has assumed that the practical alternatives before the Committee are retention of the present ranges or some lowering of them. In addition, announcement of a higher range may well have an adverse impact on inflationary expectations, since interest rates have declined so sharply over the past few months and since a higher range would appear inconsistent with an intention gradually to curtail money growth.

(10) Given the behavior of monetary aggregates in the first half of 1980, the need for adjustment in the present longer-run ranges depends, among other things, on an assessment of factors affecting the public's demand for narrow money and the relationship between the narrow and broader money measures. M-1 growth in the second quarter of 1980 was much slower than would have been predicted by either our quarterly or monthly econometric models, given actual income growth and interest rates. This raises the question of whether there has been once again a downward shift in the level of the money demand function, perhaps as a response to the unusually high level of interest rates in the first quarter, or whether the public will

find that it is short of cash relative to nominal income and will seek to rebuild balances. The staff has assumed that the public will make some effort to enlarge depleted cash balances in the second half of the year, partly because we believe that some of the decline in cash balances may have been a transitory result of the large short-term debt repayments that followed the March credit control program. If that assumption proves to be correct, the demand for money in the second half of the year should be stronger than in the first half, even with the projected weakness in nominal GNP. Thus, the considerable acceleration in growth of narrow money in the second half of the year needed to bring M-1A to the lower limit of, or even within, its present range may well be feasible. However, we would expect M-1B to grow at a still stronger pace over the year in view of the recent evidence that the public has shown a greater preference for interest-bearing transactions accounts over demand deposits than the staff earlier anticipated. We would now project M-1B to grow about 1-1/4 percentage points faster for the year than M-1A, rather than the 1/2 percentage point projected in February.

(11) As noted above, growth in the broader aggregates has been running strong relative to both M-1A and M-1B. Not only have money market funds again been growing rapidly, but also the contraction in savings deposits has been reversed. Furthermore, the recent upward adjustment in ceiling rates on variable ceiling certificates has strengthened the attractiveness of these instruments. While a slowing in growth of money market fund shares from the recent exceptionally rapid pace should be expected, it still appears probable that growth in the nontransactions interest-

bearing component of M-2 in the second half of the year will be relatively rapid. Thus, in the staff's judgment it seems likely that M-2 will tend to grow more rapidly relative to M-1A than had been assumed when the longer-run ranges were originally set in February. On the other hand, M-3 growth may be a bit weaker as modest demands for bank loans reduce banks' need to issue large CDs.

(12) The table below shows, for Committee consideration, two alternative sets of longer-run ranges for 1980. Alternative I is the current longer-run ranges. But to take account of changing relationships among M-1A and M-1B, we have assumed that an unchanged objective for the narrow money aggregates over the year 1980 would mean growth in M-1A at about a 4-1/2 percent rate from QIV '79 to QIV '80--which would be a little below the midpoint of the Committee's present range--and growth in M-1B at around 5-3/4 percent--somewhat above the midpoint of its current range. Consistent growth in M-2 appears likely to be somewhat above, and expansion of M-3 somewhat below, the midpoints of their ranges; bank credit growth is likely to be below the lower end of its present 6 to 9 percent range. Alternative II reflects a lowering of the ranges for M-1A and M-1B, as well as bank credit, but retains the present ranges for M-2 and M-3 in view of their performance thus far this year.

	<u>Alt. I</u>	<u>Alt. II</u>
M-1A	3½ to 6	3 to 5½
M-1B	4 to 6½	3½ to 6
M-2	6 to 9	6 to 9
M-3	6½ to 9½	6½ to 9½
Bank Credit	6 to 9	4½ to 7½

(13) To assist the Committee in evaluating the proposed ranges for 1980 and in forming a preliminary view about monetary growth targets in 1981, specific alternative assumptions for money growth in 1980 and the subsequent two years, with their implications for economic activity, prices, and interest rates, are presented in the table on page 11.

Strategy 1 in that table continues growth in narrow money measures at the same rate in 1981 and 1982, as in 1980—that is, at a rate of about 4½ percent for M-1A and 5-3/4 percent for M-1B. Of course, the ranges for M-1A and M-1B may have to be adjusted next year for the introduction of nationwide NOW accounts.^{1/} In addition, the staff's analysis suggests that, even with the same effective M-1A growth as in 1980, M-2 and M-3 may grow near the upper limits of the current year's ranges, or possibly above them, as income flows and credit demands strengthen. To provide the Committee with a basis for assessing a monetary policy that calls for

^{1/} The Monetary Control Act of 1980 authorizes nationwide NOW accounts effective at the beginning of 1981. Shifts out of demand deposits will lower measured M-1A growth, and shifts out of savings or other deposits will strengthen measured M-1B growth while leaving M-2 and M-3 essentially unchanged. Preliminary estimates of quantitative effects on the aggregates are contained in Appendix I. Such shifts are estimated to lower measured M-1A growth by 1 to 5 percentage points in 1981 and to raise measured M-1B growth by ½ to 2½ percentage points. However, for clarity in presentation, monetary policy assumptions in the Bluebook are based on monetary growth rates that abstract from the impact of deposit shifts because of nationwide NOW accounts.

Economic Implications of Alternative Long-run
Policy Strategies

	<u>1980</u>	<u>1981</u>	<u>1982</u>
Nominal GNP (% change, Q4/Q4)			
Strategy 1	5.1	11.4	9.1
Strategy 2	5.1	11.0	7.9
Strategy 3	4.8	9.9	6.9
Strategy 4	5.1	10.0	8.3
Real GNP (% change, Q4/Q4)			
Strategy 1	-4.0	2.5	2.2
Strategy 2	-4.0	2.1	1.1
Strategy 3	-4.2	1.1	0.3
Strategy 4	-4.0	1.1	2.1
Implicit GNP Deflator (% change, Q4/Q4)			
Strategy 1	9.5	8.7	6.8
Strategy 2	9.5	8.7	6.7
Strategy 3	9.4	8.6	6.6
Strategy 4	9.5	8.7	6.0
Unemployment Rate (%, Q4 Level)			
Strategy 1	8.9	8.7	8.5
Strategy 2	8.9	8.8	9.0
Strategy 3	9.0	9.3	10.1
Strategy 4	8.9	9.3	9.3
Federal funds rate (%, Q4 Level)			
Strategy 1	10.1	13.5	12.0
Strategy 2	10.1	14.9	14.2
Strategy 3	13.5	16.7	14.1
Strategy 4	10.1	11.6	9.5
M-1A Velocity (% change, Q4/Q4)			
Strategy 1	0.5	6.7	4.4
Strategy 2	0.5	6.7	4.2
Strategy 3	1.5	6.2	3.3
Strategy 4	0.5	5.1	3.4

Note: Strategy 1 represents a 4-1/2% M-1A growth in each year; Strategy 2 represents 4-1/2% M-1A growth in 1980, 4% in 1981, 3-1/2% in 1982; Strategy 3 represents 3-1/2% M-1A growth in each year. In each of these three strategies a tax cut of \$25-to \$30 billion is assumed to occur in early 1981. Strategy 4 represents strategy 1 without such a tax cut.

a gradual reduction in money growth rates, strategy 2 employs the monetary assumptions of the first strategy for 1980, but then assumes that growth in M-1A is reduced to 4 percent in 1981 and 3½ percent in 1982. Strategy 3 examines the implications of lowering growth in M-1A to 3½ percent in 1980 and maintaining that rate over the next two years. All these strategies assume a tax cut of \$25 to \$30 billion that takes effect in early 1981. Strategy 4 excludes a tax cut and assumes money growth as in strategy 1.

(14) Strategy 1--which is consistent with the basic staff green 'book projection--suggests a quite modest economic recovery beginning next year and continuing into 1982. The rate of price increase decelerates next year, and more markedly in 1982, while the unemployment rate edges down from a high of near 9 percent at the end of 1980 to 8.5 percent two years later. Policy strategies 2 and 3 imply a slower economic recovery, and a slightly improved price performance. The deceleration in price increases from these strategies becomes more evident after 1982 in view of the rather long lags between money growth and prices that characterize most econometric models, including the Board's quarterly model. Strategies 2 and 3 could, however, yield a more significant deceleration in price increases earlier if expectations of participants in labor and product markets have become more sensitized to the ultimate implications of monetary restraint. It should be emphasized that implicit in all of these projections is a large increase in the income velocity of M-1A in 1981--indeed, the largest annual rise since 1955 (in the case of strategies 1 through 3). This reflects our assumption that there will be continued weakness in money demand relative to historical experience. Should this assumption prove wrong, upward interest rate pressures may be stronger

than projected, serving to reduce nominal GNP growth below projections-- with some beneficial impact on prices but with probably the greatest impact in the short-run on real activity.

Shorter-run targets

(15) Shown below, and depicted on the charts on the following pages, are three alternative targets for the monetary aggregates over the next several months, together with suggested federal funds rate ranges for the intermeeting period. Growth rates shown are for the three-month period from June to September. (Detailed data for these alternatives are contained in the tables on pp. 14 and 15.)

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
M-1A	10½	8½	6
M-1B	11½	9½	7
M-2	10	8½	7-3/4
Intermeeting range for funds rate	7½ to 13	8½ to 14	9 to 14½

(16) Alternatives A and B are consistent with longer-run alternative I and are indexed by M-1A growth of 4½ percent from QIV '79 to QIV '80. Alternative A assumes that such a 4½ percent growth line is reached relatively soon--by September; it therefore would also assume a slowdown in M-1A growth to 4½ percent after September. Alternative B targets a more gradual rebound in M-1A from the first half pace. It assumes an 8½ percent M-1A growth rate for June-September which, if continued through December, will yield growth of 4½ percent over the year. Alternative C is based on a slower long-run growth of M-1A of 3½ percent from QIV '79 to QIV '80, which would be more consistent with longer-run

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--June	372.0	372.0	372.0	391.6	391.6	391.6
July	375.2	374.7	374.5	395.0	394.5	394.3
August	378.6	377.1	376.0	399.0	397.5	396.4
September	381.9	379.6	377.5	402.9	400.6	398.5
<u>Growth Rates</u>						
<u>Monthly</u>						
1980--July	10.3	8.7	8.1	10.4	8.9	8.3
August	10.9	7.7	4.8	12.2	9.1	6.4
September	10.5	8.0	4.8	11.7	9.4	6.4
June '80 - September '80	10.6	8.2	5.9	11.5	9.2	7.0
<u>Quarterly Average</u>						
1980--QI	4-3/4	4-3/4	4-3/4	6	6	6
QII	-3-3/4	-3-3/4	-3-3/4	-2-1/4	-2-1/4	-2-1/4
QIII	10-1/4	8-3/4	7-1/2	11-1/4	9-3/4	8-1/2
QIV	6-1/4	8	5-1/4	7-1/2	9-1/4	6-3/4
1979 QIV to 1980 QII	0.5	0.5	0.5	1.9	1.9	1.9
1980 QII to 1980 QIV	8-1/2	8-1/2	6-1/2	9-1/2	9-1/2	7-3/4
1979 QIV to 1980 QIV	4-1/2	4-1/2	3-1/2	5-3/4	5-3/4	4-3/4

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

	M-2			M-3		
	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1980--June	1584.0	1584.0	1584.0	1842.4	1842.4	1842.4
July	1596.8	1595.8	1594.8	1852.1	1851.3	1850.5
August	1610.5	1606.6	1604.8	1866.2	1863.2	1861.7
Sept.	1624.0	1618.1	1614.7	1878.4	1873.9	1871.3

Growth Rates

Monthly

1980--July	9.7	8.9	8.2	6.3	5.8	5.3
August	10.3	8.1	7.5	9.1	7.7	7.3
Sept.	10.1	8.6	7.4	7.8	6.9	6.2

June '80-Sept. '80	10.1	8.6	7.8	7.8	6.8	6.3
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Quarterly Average

1980--QI	7	7	7	7-3/4	7-3/4	7-3/4
QII	5-1/2	5-1/2	5-1/2	5-1/2	5-1/2	5-1/2
QIII	11-1/2	10-3/4	10	8-3/4	8-1/4	7-3/4
QIV	8-1/2	8-1/2	6-1/2	6-3/4	6-3/4	6

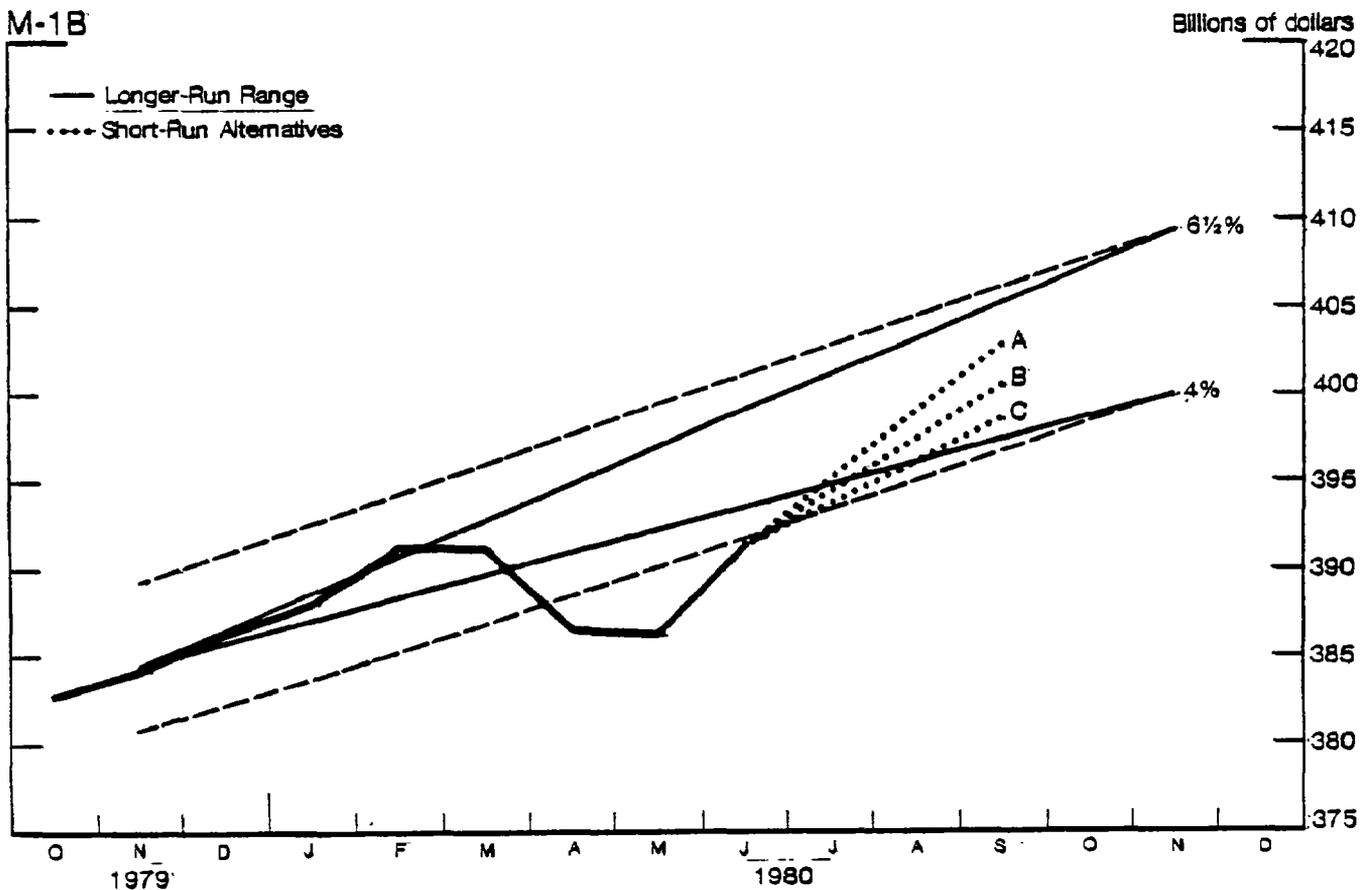
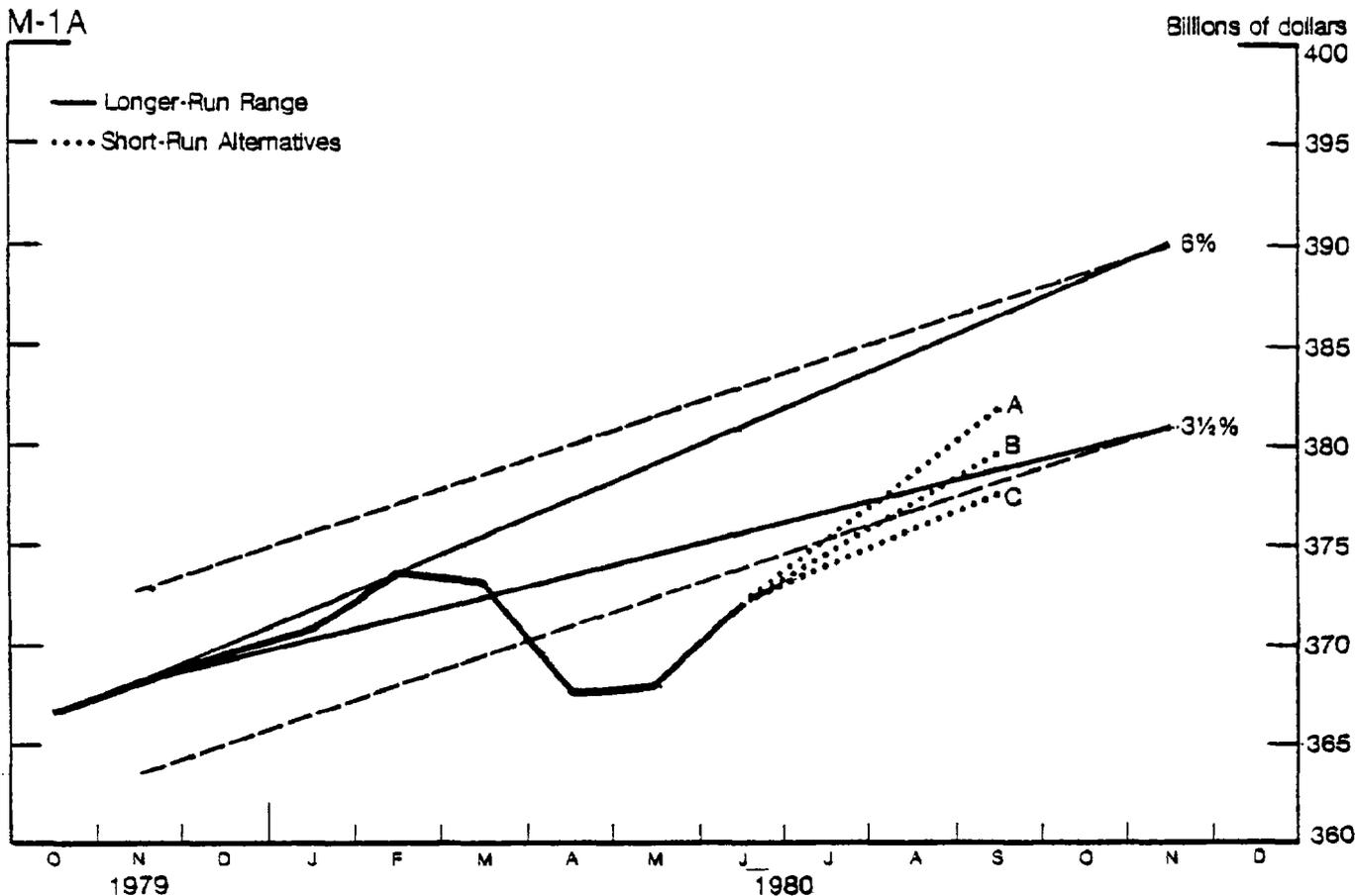
1979 QIV to 1980 QII	6.3	6.3	6.3	6.7	6.7	6.7
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1980 QII to 1980 QIV	10-1/4	9-3/4	8-1/2	7.8	7-1/2	7.0
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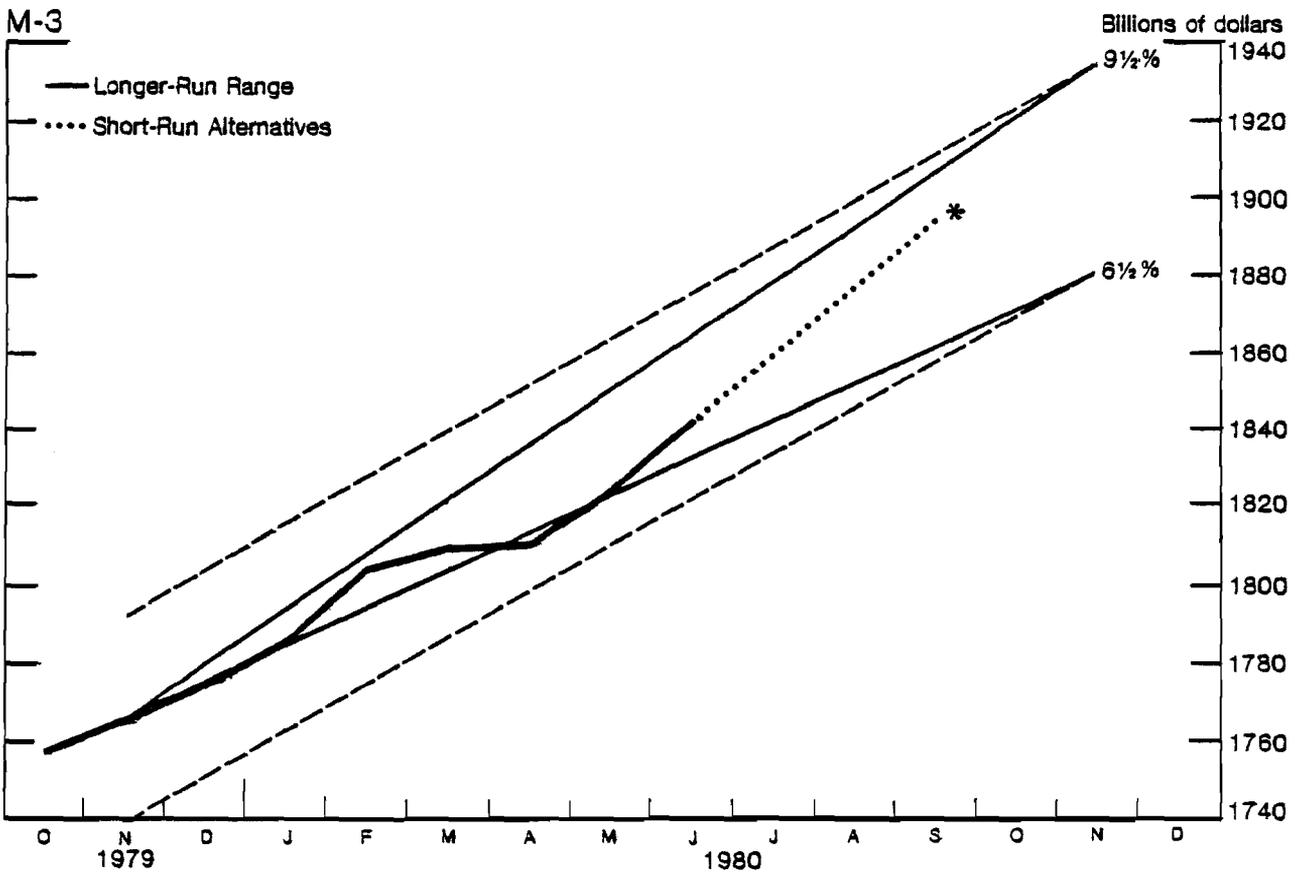
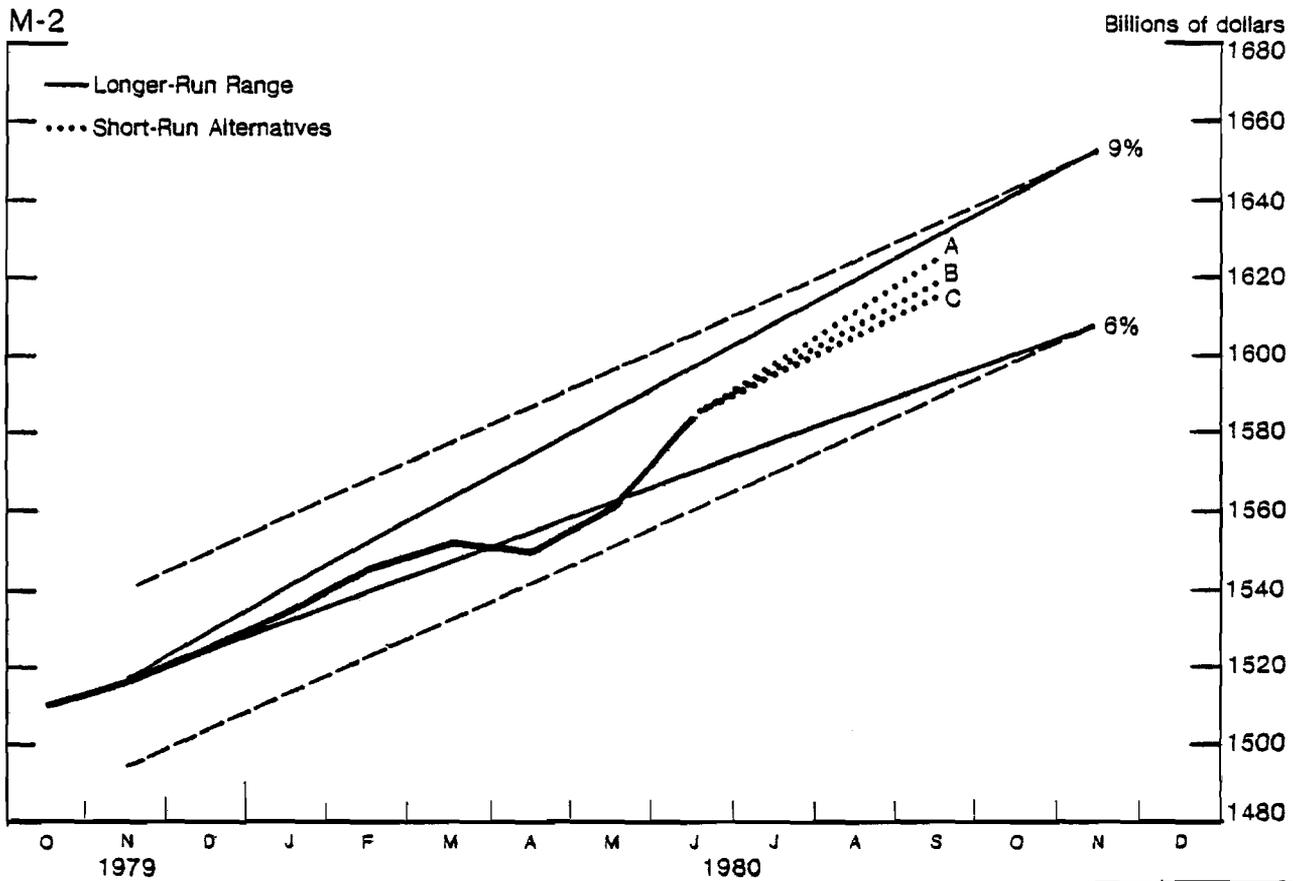
1979 QIV to 1980 QIV	8-1/2	8-1/4	7-1/2	7-1/2	7-1/4	7
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NOTE: The following annual rates of growth in bank credit for the year and for the quarters are expected under alternative B: year 1980, 4-3/4; QI, 9-1/2; QII, -1/2; QIII, 2; QIV, 7-1/2. Only minor variations in growth rates would be expected under the other alternatives.

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 this scale.

alternative II. Under alternative C, M-1A growth would be 6 percent from June to September, and growth would need to continue at that rate in the fourth quarter.

(17) Of the three short-run alternatives, alternative B would probably have the least effect on market rates of interest over the forthcoming intermeeting period. Even under this alternative, however, there might be some further upward pressure on interest rates if the market comes to feel that monetary policy will have to begin restraining money growth or that fiscal policy will be turning more expansionary. In any event, Treasury borrowing needs appear rather substantial over the months ahead. Mortgage rates are likely to decline only a bit further, particularly if short rates stabilize or back up some and thrift institutions become concerned about the cost and magnitude of future deposit inflows. Looking toward the fall of the year, it appears more likely that interest rates would be under some upward pressure, as nominal GNP growth--and accompanying money and credit demands--accelerates. If, however, the public's transactions demand for money remains on the low side relative to GNP, upward interest rate pressures could be quite minimal.

(18) The specifications of alternative B call for a considerable slowing in M-2 from its May-June pace. MMMF growth, while remaining large, is expected to slacken from its recent exceptionally rapid rate as previous market yield declines are reflected in returns posted by the funds. Not all of this slowdown is expected to be reflected in gains for the depository institutions, although the 30-month small saver certificate is projected to grow strongly. With domestic bank loan demands remaining weak, CD and Eurodollar borrowing will continue to decline, and there will probably be

further advances from U.S. banks to their foreign branches in response to relatively strong credit demands in Eurodollar markets.

(19) To achieve the growth in the aggregates specified under alternative B, total reserves would have to expand at about an $8\frac{1}{2}$ percent annual rate from June to September. Assuming a level of member bank borrowings (excluding special borrowings) of about \$50 to \$100 million, nonborrowed reserves would expand at about an 8 percent annual rate.

(20) Alternative A, which is designed to hit the $4\frac{1}{2}$ percent path for M-1A by September, calls for a $10\frac{1}{2}$ percent rate of growth of that aggregate from June to September, followed by a sharp slowing to $4\frac{1}{2}$ percent in the September to December period. Reserve supplying operations to achieve this target would call for growth in both total and nonborrowed reserves at about a $10\frac{1}{2}$ percent annual rate in the next three months. It is anticipated that money market rates would decline under this alternative over the next few weeks, with the federal funds rate moving towards the $7\frac{1}{2}$ percent lower end of its proposed range and the 3-month bill rate moving back into the 6 to 7 percent range. Such a decline in rates would bring increased pressure on banks and thrift institutions to cut their lending rates and would very likely cause a further erosion in the exchange value of the dollar unless accompanied by drops in interest rates abroad. A significant decline in short rates is likely to lead to some sympathetic response in capital markets as well. However, the substantial volume of oncoming issues from both the private and public sectors, as well as investor concerns about inflation, would tend to limit declines in bond yields. Staff projections suggest that short-term rates would have to rise sharply by late summer or early fall to lower growth in the aggregates if the midpoints of the longer-run targets for the year are to be achieved.

(21) Alternative C contemplates a 6 percent rate of growth in M-1A from June to September and continuation of that rate for the balance of the year in order to achieve a $3\frac{1}{2}$ percent growth in that aggregate from QIV '79 to QIV '80. Total reserves would have to expand at a $6\frac{1}{2}$ percent rate. Assuming member bank adjustment borrowings of about \$200 million during the forthcoming intermeeting period--given the current discount rate--nonborrowed reserves would increase at a $5\frac{1}{2}$ percent rate. These reserve specifications suggest that the funds rate would increase to around the midpoint of the 9 to 14 percent range suggested for this alternative. And an even higher funds rate would be likely to emerge by the fourth quarter. The policy stance of alternative C would intensify the recent weakness in money and capital markets, and interest rates would be expected to rise throughout the maturity spectrum. These interest rate developments would probably lead to a strengthening of the dollar in foreign exchange markets.

Directive language

(22) Given below are suggested operational paragraphs for the directive consistent with the form of recent directives, except for the one adopted in May. The language calls for expansion of reserve aggregates at a pace consistent with the desired rates of monetary growth over the third quarter of 1980, provided that the federal funds rate on a weekly average basis remains within a specified range. The range for the federal funds rate adopted at the May meeting is shown in strike-through form.

In the short run, the Committee seeks expansion of reserve aggregates consistent with growth of M-1A, and M-1B, ~~and M-2 at rates high enough to promote achievement of the Committee's objectives for monetary growth over the year~~ OVER THE THIRD QUARTER OF 1980 AT ANNUAL RATES OF ____ PERCENT AND ____ PERCENT RESPECTIVELY, provided that in the period before the next regular meeting the weekly average federal funds rate remains within a range of ~~8 1/2~~ to ~~14~~ ____ TO ____ percent. THE COMMITTEE BELIEVES THAT, CONSISTENT WITH THIS SHORT-RUN POLICY, M-2 SHOULD GROW AT AN ANNUAL RATE OF ABOUT ____ PERCENT OVER THE THIRD QUARTER.

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

Estimated Impact of Nationwide NOW Accounts on the Monetary
Aggregates in 1981

The Depository Institutions Deregulation and Monetary Control Act of 1980 extends NOW account authority nationwide to all depository institutions except credit unions as of December 31, 1980.^{1/} In addition, it makes permanent the authority of insured commercial banks and mutual savings banks to offer ATS accounts and of federally insured credit unions to offer share drafts.^{2/} As the public adjusts to these new circumstances, growth in M-1A will be slowed by shifts from household demand deposits to other checkable deposits (OCDs), while growth in M-1B will be enlarged by shifts of funds from savings deposits and other liquid assets to OCDs.^{3/} No significant impact is expected on M-2 because it includes virtually all of the funds likely to shift to NOW or ATS accounts.

Table I-1 shows the estimated distribution of household transaction deposits between demand deposits and OCDs. In the bottom line it may be seen that roughly 30 percent of the estimated \$19 billion of household

1/ NOWs have been authorized for all depository institutions except credit unions in Massachusetts and New Hampshire since January 1, 1974, in the other four New England states since February 27, 1976, in New York since November 10, 1978, and in New Jersey since December 28, 1979. NOWs may be held only by individuals and nonprofit organizations.

2/ ATS were authorized nationwide at banks and thrifts on November 1, 1978 and share drafts first became available at federal credit unions on October 1, 1974. ATS may be held only by individuals, and share drafts only by credit union members.

3/ Because ceiling interest rates on NOWs are likely to be below those on other savings deposits, it may seem implausible that a substantial amount of savings-type balances would shift to NOWs. However, in New England--where the ceiling rates on savings deposits exceed those on NOWs (at commercial banks these two ceiling rates were equal until July 1979)--more than one-fifth of existing NOWs have no draft activity, suggesting that the funds in such accounts were diverted from savings or other liquid assets. Shifts are also likely to occur to meet the generally higher minimum balances requirements associated with NOWs compared to demand deposits. Overall, staff estimates indicate that roughly one-third of NOW balances were diverted from other than demand deposit accounts.

Table I-1

ESTIMATED DISTRIBUTION OF
HOUSEHOLD TRANSACTION BALANCES
FIRST QUARTER 1980

(Quarterly averages, billions of dollars except as noted)

	<u>Household deposit items</u>	<u>8 states with NOW authority</u>	<u>42 states without NOW authority</u>	<u>All States</u>
(1)	Demand deposits	13.5	85.7	99.2
(2)	Other checkable deposits (OCD) ^{1/}	8.1	8.6	16.7
(3)	Estimated amount shifted from demand deposits ^{2/}	5.6	5.9	11.5
(4)	Estimated amount shifted from other liquid assets ^{2/}	2.5	2.7	5.2
(5)	Total in M-1B, (1) + (2)	21.6	94.3	115.9
(6)	Total "transaction" balances (1) + (3)	19.1	91.6	110.7
(7)	(2) ÷ (5), in percent	37.5	9.1	14.4
(8)	(3) ÷ (6), in percent	29.3	6.4	10.4

^{1/} NOWs, ATS, share drafts and demand deposits at mutual savings banks.

^{2/} An estimated two-thirds of NOW, ATS, and CUSDs were converted from demand deposits and one-third were diverted from other liquid assets.

transaction balances in the 8 northeastern states where NOW accounts already exists have shifted to OCDs, while about 6-1/2 percent of the \$92 billion of household transaction accounts in the rest of the nation have so shifted. It is the \$86 billion of personal transaction deposits still held in demand deposits in the 42 states not currently having NOWs that are likely to be most affected by the new legislation.

Some inferences about the amount of demand deposits in the 42 states likely to be converted to NOWs may be drawn from the earlier experience with NOW and ATS accounts. (Table I-2.) In Massachusetts and New Hampshire, less than 10 percent of household demand deposits are estimated to have shifted to NOWs by the end of the first year during which all institutions in those states could offer these instruments; about half of such shifts had occurred during the previous 1-1/2 years when only state-chartered MSBs could offer NOWs. The slow transition in these states reflected the novelty of the NOW concept as well as the uncertainty about their future status. In 1976, when NOWs were first authorized in the four other New England states, the growing awareness and acceptance of NOWs resulted in much faster adjustment, and about 20 percent of household demand deposits shifted in the first year. Similarly, in New York, about 20 percent of household demand deposits shifted to NOWs during the first year. Finally, the ATS experience in the rest of the nation indicates a rather slow transition, reminiscent of the experience in the original two NOW states. After the first year, only about 5 percent of consumer demand deposits had shifted to ATS accounts. As in the original two NOW states, the slow response to ATS likely reflected in part

Table I-2

ESTIMATED PERCENT OF HOUSEHOLD
DEMAND DEPOSITS SHIFTED TO NOW-ATS ONE
YEAR AFTER AUTHORIZATION

<u>States where authorized</u>	<u>Type of account authorized</u>	<u>Date of authorization</u>	<u>Percent of demand deposits shifted to new accounts after 1 year</u>
Massachusetts and New Hampshire	NOWS	January 1974	9-1/2
Connecticut, Maine, Rhode Island, and Vermont	NOWs	March 1976	20
New York	NOWs and ATS	November 1978	20
Rest of nation <u>1/</u>	ATS	November 1978	5-1/4

1/ Includes New Jersey.

uncertainty about the future status of the new accounts.^{1/} In addition, the sluggish growth of ATS may reflect the absence so far of strong inter-institutional competition for interest-bearing transaction accounts, since S&Ls have generally not been authorized to offer ATS accounts.

The varied NOW and ATS experience suggests a fairly wide range for the possible proportion of demand deposits shifting to NOWs in 1981. Projections of consumer demand deposits indicate that, in the absence of nationwide NOWs, household demand deposits in the 42 states would have grown to an estimated \$93-1/2 billion by the end of 1981.^{2/} If the adjustment is relatively fast, a diversion to NOWs of 20 percent, or \$18-3/4 billion, of these household demand deposits may occur during 1981. On the other hand, if it is relatively slow the shifts may be only about 5 percent, or \$4½ billion. These figures translate into reduction of M-1A growth of from 1 to 5 percentage points in 1981 (see Table I-3).

Roughly one-third of existing NOW deposits are estimated to have been diverted from assets other than demand deposits. Thus, adding a \$2-1/4 billion shift from savings and other liquid assets to the low estimate of \$4-1/2 billion from demand deposits produces a \$6-3/4 total growth in NOWs during 1981. Similarly, adding \$9-1/2 billion to the high estimate of \$18-3/4 billion from demand deposits yields \$28-1/4 billion in total NOW growth. These figures imply an estimated boost to M-1B growth ranging from 1/2 to 2-1/2 percentage points during 1981.

^{1/} ATS accounts at commercial banks grew to over \$6 billion during the first half year they were offered. Then, in April 1979 a court ruling set aside regulations authorizing ATS accounts, and placed their ultimate status in doubt until the Monetary Control Act was passed; during the 10 month interim, ATS grew by only around \$2 billion.

^{2/} This figure assumes 6 percent growth in consumer transaction deposits in 1980 and 1981 and is consistent with the growth in OCDs implied by Alternative B and Strategy 1 in this Bluebook, i.e., a 6 percent growth in consumer transactions deposits is consistent with a 4-1/2 percent growth in M-1A.

Table I-3

ESTIMATED IMPACT OF THE AUTHORIZATION
OF NATIONWIDE NOWS
ON GROWTH OF M-1A AND M-1B IN
1981
(in percent)

	<u>Reduction in M-1A</u>	<u>Boost in M-1B</u>	<u>Memo: Growth in NOWs outside the Northeast during 1981</u>
Low estimate	1	1/2	\$6-3/4 billion
High estimate	5	2-1/2	\$28-1/4 billion
Midpoint estimate	3	1-1/2	\$17-1/2 billion

The width of these ranges reflects the high degree of uncertainty regarding the speed of adjustment to nationwide NOWs in light of the diversity of experience with NOW and ATS accounts. Several factors argue for expecting a rate of growth in the vicinity of the lower bound:

- (1) At yearend 1979, one-third of commercial banks, holding an estimated 70 percent of household demand deposits, already offered NOW or ATS accounts. Since NOW and ATS accounts are close substitutes from the viewpoints of both offering institutions and depositors, the nationwide NOW authority does not seem to be the sort of innovation that should cause massive shifts of funds.
- (2) Thrift competition is not as intense in most parts of the country as in the states currently permitting NOW accounts, and therefore banks in the 42 states may be less aggressive in merchandising NOWs than were institutions in New England.
- (3) Money market mutual funds--which are still growing in public acceptance--may divert some of the more interest-sensitive funds from NOWs.

On the other hand, there are bases for arguing for a relatively fast rate of conversion:

- (1) Recent high market interest rates have heightened consumer awareness of the value of interest-bearing transaction deposits, thus increasing the marketability of NOWs. Moreover, from the point of view of depository institutions, relatively high market interest rates during 1981 might increase incentives to market NOW accounts more aggressively in an effort to retain or attract funds.
- (2) The Monetary Control Act has removed uncertainty regarding the future status of interest-bearing household transaction accounts--which could well stimulate faster growth of ATS over the remainder of 1980, as well as in 1981, especially if banks attempt to late take an early lead in the competition for OCDs.
- (3) While NOW and ATS accounts are functionally equivalent, the simplicity of the NOW account concept likely may make it easier to market than ATS.

- (4) NOWs afford most S&Ls nationwide their first opportunity to compete in the household transaction deposit market, and there are reports that these institutions are preparing to market NOWs aggressively.

As a preliminary working assumption, the staff believes that the midpoints of the ranges are the most likely estimates for the NOW account effects in 1981, namely a 3 percentage point reduction in M-1A growth and a 1½ percentage point boost in M-1B growth. The staff believes that the ultimate shift to NOW/ATS accounts will be quite large; indeed, after more than six years of NOW accounts at all depository institutions in Massachusetts and New Hampshire, roughly two-thirds of household demand deposits are estimated to have shifted.

TABLE 1
SELECTED INTEREST RATES
(Percent)

STRICTLY CONFIDENTIAL (FR)
CLASS 11 - FOMC
JULY 7, 1980

	Short-term							Long-term								
	Federal funds	Treasury Bills			CDs Secondary Market	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.	Secondary FNMA Auc.	Market 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	17.60	20.00	14.29	13.33	12.73	14.22	14.12	9.44	16.35	15.93	14.17
Low	8.99	6.49	7.18	6.66	8.17	7.97	12.00	8.61	9.51	9.54	10.53	10.79	7.11	12.35	12.28	10.73
1979--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
Apr.	17.61	13.20	11.97	13.62	16.14	15.78	19.77	12.02	11.47	11.40	12.90	12.91	8.63	16.33	14.61	12.64
May	10.98	8.58	8.66	9.15	9.79	9.49	16.57	9.44	10.18	10.36	11.53	11.64	7.59	14.26	12.88	11.30
June	9.47	7.07	7.54	7.22	8.49	8.27	12.63	8.92	9.78	9.81	10.99p	10.99p	7.63	12.71	12.35	11.04
1980--May 7	12.96	9.67	9.32	9.60	11.30	11.07	18.39	9.85	10.15	10.39	11.38	11.55	7.11	14.68	--	11.03
14	10.85	8.52	8.75	8.78	9.81	9.41	17.50	9.45	10.21	10.35	11.43	11.65	7.44	14.15	13.16	11.26
21	10.71	8.58	8.68	8.92	9.72	9.43	16.64	9.44	10.30	10.49	11.50	11.60	7.72	13.38	--	11.78
28	9.46	7.67	7.96	7.75	8.60	8.22	14.79	9.03	10.00	10.19	11.52	11.55	7.73	13.20	12.59	11.12
June 4	10.74	7.71	8.10	8.17	8.88	8.85	14.07	9.31	10.21	10.32	11.45	11.28	7.67	13.06	--	11.52
11	9.68	6.89	7.47	6.94	8.54	8.28	13.14	8.96	9.82	9.87	10.91	10.85	7.53	12.85	12.42	10.89
18	8.99	6.49	7.18	6.66	8.17	7.97	12.36	8.61	9.51	9.54	10.53	10.79	7.55	12.58	--	10.79
25	9.08	7.12	7.49	7.11	8.36	8.08	12.04	8.78	9.63	9.64	10.90	11.08	7.76	12.35	12.28	10.73
July 2	9.41	7.82	7.84	8.10	8.59	8.30	12.00	9.17	10.06	10.02	11.51p	11.17p	7.88	n. a.	--	11.27
9																
16																
23																
30																
Daily--June 26	9.05	7.56	7.70	--	8.37	7.95	12.00	9.04	9.87	9.91	--	--	--	--	--	--
July 3	9.50p	7.81	7.73	--	8.73	8.34	12.00	8.99p	9.99p	9.98p	--	--	--	--	--	--

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 auction 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 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. 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^{1/}
(Millions of dollars, not seasonally adjusted)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
JULY 7, 1980

	Treasury Bills Net Change ^{2/}	Treasury Coupons Net Purchases ^{3/}					Federal Agencies Net Purchases ^{4/}					Net Change Outright Holdings Total ^{5/}	Net RPs ^{6/}
		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 ^{7/}	680
II	465	42	640	--	--	682	110	258	2	--	371	-1,795 ^{8/}	2,542
III	5,363	395	1,289	309	310	2,302	191	288	3	--	482	8,129 ^{9/}	-2,019
IV	4,164	118	1,101	81	51	1,351	--	--	--	--	--	4,839 ^{9/}	-3,801
1980--Qtr. I	-2,945	292	355	107	81	836	--	--	--	--	--	-2,114	362
1980--Jan.	-2,512	--	--	--	--	--	--	--	--	--	--	-2,512	166
Feb.	-1,803	--	--	--	--	--	--	--	--	--	--	-1,803	900
Mar.	1,370	292	355	107	81	836	--	--	--	--	--	2,201	-705
Apr.	2,321	109	373	62	64	607	217	398	29	24	668	3,594	-1,012
May	606	155 ^{10/}	405 ^{10/}	133	216	909	--	--	--	--	--	1,515	4,655
June	322	-153 ^{10/}	738 ^{10/}	164	129	878	--	--	--	--	--	1,198	-1,271
1980--May	--	--	--	--	--	--	--	--	--	--	--	--	-548
7	406	155	267	44	155	621	--	--	--	--	--	1,027	3,150
14	155	--	138	89	61	288	--	--	--	--	--	443	-2,802
21	46	--	--	--	--	--	--	--	--	--	--	46	5,597
28	--	--	--	--	--	--	--	--	--	--	--	--	--
June 4	51	-274 ^{10/}	274 ^{10/}	--	--	--	--	--	--	--	--	51	-3,421
11	96	--	--	--	--	--	--	--	--	--	--	94	-280
18	--	--	--	--	--	--	--	--	--	--	--	--	222
25	100	121	465	164	129	878	--	--	--	--	--	978	-3,545
July 2	75	--	--	--	--	--	--	--	--	--	--	75	3,162
9	--	--	--	--	--	--	--	--	--	--	--	--	--
16	--	--	--	--	--	--	--	--	--	--	--	--	--
23	--	--	--	--	--	--	--	--	--	--	--	--	--
30	--	--	--	--	--	--	--	--	--	--	--	--	--
LEVEL--July 2 (in billions)	50.4	13.9	32.6	13.6	14.1	74.3	2.2	4.7	1.3	0.7	8.9	133.5	-1.6

- ^{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 redemption, 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 RPs (+) and matched sale-purchase transactions (-).
^{7/} 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.
^{8/} \$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.
^{9/} 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.
^{10/} Maturing 2-year notes were exchanged on June 2 for special 2-day bills. At their maturity the bills were exchanged for new 2-year notes.

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

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
JULY 7, 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	8,838	*2,216	299	466	600p	3,439p	177p
Low	1,972	-1,482	0	32	-228p	318	5p
1979--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	398p	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
Apr.	7,838	167	48	89	278p	2,456p	157p
May	4,008	-1,372	69	138	180p	1,018p	63p
June	*3,724	*1,429	112	264	n. a.	n. a.	n. a.
1980--May 7	4,742	910	98	73	301p	1,329p	155p
14	3,937	1,941	58	136	42p	1,021p	47p
21	3,393	1,242	0	156	253p	839p	41p
28	4,041	1,327	173	286	5p	1,123p	29p
June 4	4,599	1,506	15	178	468	459	21p
11	4,788	*2,216	0	226	90	401	15p
18	*3,489	*1,170	299	184	164	396	11p
25	*3,376	*902	132	466	192	318	8p
July 2	*2,045p	*938p	100	349	255p	348p	5p
9							
16							
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.