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August 8, 1980

# 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

August 8, 1980

MONETARY AGGREGATES AND  
MONEY MARKET CONDITIONS

Recent developments

(1) Growth of the key monetary aggregates was somewhat slower in July than in June, but nonetheless the pace of expansion of M-1B and especially M-2 exceeded the Committee's minimum targeted rates for the third quarter as a whole. M-1A still remains somewhat below its range for the QIV '79 to QIV '80 period, but M-1B is now at the lower end and M-2 near the upper end of their respective longer-run ranges. (See charts following page 9.) The gap between the growth rates of M-1A and M-1B remained wide in July, reflecting the continued strength of ATS accounts. The rapid growth of ATS balances may have been related to the surge in passbook savings generally, as well as to marketing efforts by banks to place themselves in better competitive position for the introduction of nationwide NOW accounts. The nontransactional component of M-2 maintained the advanced pace of other recent months, as money market mutual funds and overnight RPs, along with savings deposits, continued to expand sharply. Small time deposits, however, declined slightly in July. With large CDs continuing to run off, growth in M-3 once again fell well short of that in M-2.

<u>Monetary</u> <u>Aggregates</u>	<u>July</u>	<u>Minimum Target</u> <u>Growth for</u> <u>June-September</u>
M-1A	7.4	7
M-1B	10.7	8
M-2	17.0	8
M-3	11.4	--
Memo: Bank credit	6.4	--

(2) At its July meeting, the Committee again indicated that monetary expansion moderately in excess of its minimum targets should be accommodated by an increase in reserve paths. Such adjustments were made in the early part of the intermeeting period as money growth slightly exceeded the targets. After mid-July, however, as projections for both M-1B and M-2 placed them well above the Committee's targets, the reserve paths were not adjusted further to accommodate the additional demand for reserves.<sup>1/</sup> With the demand for reserves augmented by exceptionally high excess reserves, adjustment borrowings increased to an average of about \$450 million in late July and early August from about \$80 million in the first two weeks of the intermeeting period. As shown in the table below, both total and nonborrowed reserves grew only modestly in July, despite the continued rapid growth of the monetary aggregates. Not only did large denomination time deposits continue to decline, thereby releasing reserves to support growth in other deposits, but, in addition, a substantial proportion of the growth of the monetary aggregates was in nonreservable components. The relative strength of the monetary base reflected the comparatively rapid growth of currency.

Growth in Reserve Aggregates (SAAR)

	<u>QII</u>	<u>June</u>	<u>July</u>
Nonborrowed reserves	7.8	19.1	2.7
Nonborrowed reserves plus special borrowings	6.0	5.6	1.1
Total reserves	1.2	-0.5	3.2
Monetary base	5.3	6.6	8.9
Memo: (\$ millions)			
Average level of member bank adjustment borrowing	750	72	142
Average level of special borrowings	534	307	253

<sup>1/</sup> See Appendix I for the pattern of reserve targets established over the intermeeting period.

(3) The federal funds market eased slightly following the July Committee meeting, with daily effective rates falling mainly in a range of  $8\frac{1}{2}$  to 9 percent compared to 9 to  $9\frac{1}{2}$  percent in the weeks just prior to the meeting. However, given the somewhat less accommodative provision of nonborrowed reserves by the System against a backdrop of an unusually large demand for excess reserves, the market tightened in late July and early August, and funds traded on some days in excess of the 10 percent discount rate established on July 25. With the demand for excess reserves apparently subsiding, federal funds have traded most recently in a range of  $8\frac{3}{4}$  to a little over 9 percent.

(4) Short-term yields generally fluctuated narrowly until late July when they came under substantial upward pressure in response to the firming of the funds market and to changes in expectations prompted by incoming monetary and economic data. Short-term rates are now roughly  $\frac{1}{2}$  to  $\frac{3}{4}$  of a percentage point above their levels at the time of the last meeting and 1 to  $2\frac{1}{2}$  percentage points above their June lows. The bank prime rate moved against this trend, dropping from  $11\frac{1}{2}$  to 11 percent and to  $10\frac{3}{4}$  at a few large banks. These latter institutions moved back to 11 percent in early August when market rates firmed.

(5) Bond yields also have risen about  $\frac{1}{2}$  to  $\frac{3}{4}$  percentage point since early July and are roughly  $1\frac{1}{2}$  percentage point above their June lows. The rise in these yields apparently reflected, in addition to the tightening of the money markets and changing expectations, the continued heavy demands placed on capital markets by private and governmental borrowers. Public offerings of corporate bonds in July were just below the record second-quarter pace, as corporations continued to lengthen the maturity of their liabilities. Long-term offerings by State and local governments remained

sizable, and net coupon offerings by the Treasury have grown with the deepening deficit. In its largest mid-quarter financing operation since 1976, the Treasury offered \$8½ billion of securities, raising \$3½ billion of new cash.

(6) Bank credit is estimated to have expanded at a 6½ percent rate in July, following three months of decline, as holdings of securities increased sharply and total loans stopped declining. Business loans increased marginally, and real estate loans rose moderately; however, consumer loans probably fell again. Given the strength of core deposits and limited credit expansion, banks reduced slightly further their managed liabilities.

(7) Domestic chartered banks continued in July to advance funds to their foreign branches; from April to July net advances by these institutions totaled about \$13 billion. About \$3 billion of these funds were used by foreign branches of member banks to finance lending to nonbank U.S. residents in the last three months; the level of such loans had been virtually unchanged for some time. At the same time, the interest rate spread in favor of Eurodollar deposits narrowed, contributing to a cessation of acquisitions by U.S. residents of such claims.

(8) The dollar was fairly stable on exchange markets over most of July. However, during the last week of the month, the rise in U.S. interest rates--coupled with further indications of an easing in foreign rates--sharply increased demand for the dollar. Relatively favorable U.S. trade figures for June also contributed to the dollar's strength. The dollar's rise since the July FOMC meeting amounted to 2 percent on a weighted-average basis, and by larger amounts against the mark, yen, and Swiss franc.

(9) 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 <sup>1/</sup>	1979 <sup>1/</sup>	QII '80 over QIV '79	Past Three Months July '80 over Apr. '80	Past Month July '80 over June '80
Nonborrowed reserves	6.7	0.7	5.6	22.0	2.7
Total reserves	6.6	2.9	2.8	0.1	3.2
Monetary base	9.2	7.7	6.5	7.8	8.9
<u>Concepts of Money</u>					
M-1A (Currency plus demand deposits) <sup>2/</sup>	7.4	5.0	0.4	6.5	7.4
M-1B (M-1A plus other checkable deposits)	8.2	7.6	1.8	8.1	10.7
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	6.4	15.0	17.0
M-3 (M-2 plus large time deposits and term RP's)	11.3	9.8	6.9	11.2	11.5
<u>Bank Credit</u>					
Loans and investment of all commercial banks <sup>3/</sup>	13.5	12.3	4.5	-0.8	6.5
<u>Managed Liabilities of Banks</u> (Monthly average change in billions)					
Large time deposits	4.3	1.2	1.6	-2.4	-3.9
Eurodollars	0.6	1.8	-2.2	-4.9	-3.0
Other borrowings <sup>4/</sup>	1.3	0.9	0.9	0.6	3.2
<u>Memo</u>					
Nonbank commercial paper	0.3	0.9	2.2	2.4	0.6

<sup>1/</sup> QIV to QIV.

<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 investments of commercial banks, commercial paper, and thrift institutions--which are derived from either end-of-month or Wednesday statement date figures. Growth rates for reserve measures in this and subsequent tables are adjusted to remove the effect of discontinuities from breaks in the series when reserve requirements are changed.

Prospective developments

(10) Shown below, and depicted in the charts on the following pages, are two alternative sets of targets for the monetary aggregates for the current June to September policy period. The lower panel of the table shows the implied growth rates of the aggregates from July to September. Also indicated is a range for the federal funds rate over the intermeeting period that it is believed would accommodate either of these growth patterns. (Detailed data for these alternatives are contained in the tables on pp. 8 and 9.)

	<u>Alt. A</u>	<u>Alt. B</u>
	<u>June to September</u>	
M-1A	7	6
M-1B	9-1/4	8-1/4
M-2	12	11-1/2
	<u>Implied:</u>	
	<u>July to September</u>	
M-1A	6-3/4	5-1/4
M-1B	8-1/2	6-3/4
M-2	9-1/4	8-3/4
Intermeeting range for funds rate	8½ to 14	8½ to 14

(11) Alternative A is indexed to the 7 percent growth rate of M-1A for June to September that the Committee established at its last meeting, while alternative B is a more restrictive specification formulated in light of the tendency for M-2 to run high relative to its long-range target. Both alternatives call for slower growth in M-1B and M-2 over the next two months than has occurred in the last two. Even so, under either alternative, expansion of these aggregates over the third quarter would exceed the 8 percent minimum growth rates targeted

Alternative Levels and Growth Rates for Key Monetary Aggregates

	M-1A		M-1B	
	Alt. A	Alt. B	Alt. A	Alt. B
1980--June	371.3	371.3	390.9	390.9
July	373.6	373.6	394.4	394.4
August	375.7	375.4	397.4	397.1
September	377.8	376.9	399.9	398.9
<u>Growth Rates</u>				
<u>Monthly</u>				
1980 August	6.7	5.8	9.1	8.2
September	6.7	4.8	7.5	5.4
June '80 - September '80	7.0	6.0	9.2	8.2
<u>Quarterly Average</u>				
1980--QI	4-3/4	4-3/4	6	6
QII	-4	-4	-2½	-2¼
QIII	7½	7	9-3/4	9¼
QIV	7	5½	8-3/4	7¼
1979 QIV to 1980 QII	4	4	1.8	1.8
1980 QII to 1980 QIV	7¼	6¼	9¼	8¼
1979 QIV to 1980 QIV	4	3½	5½	5

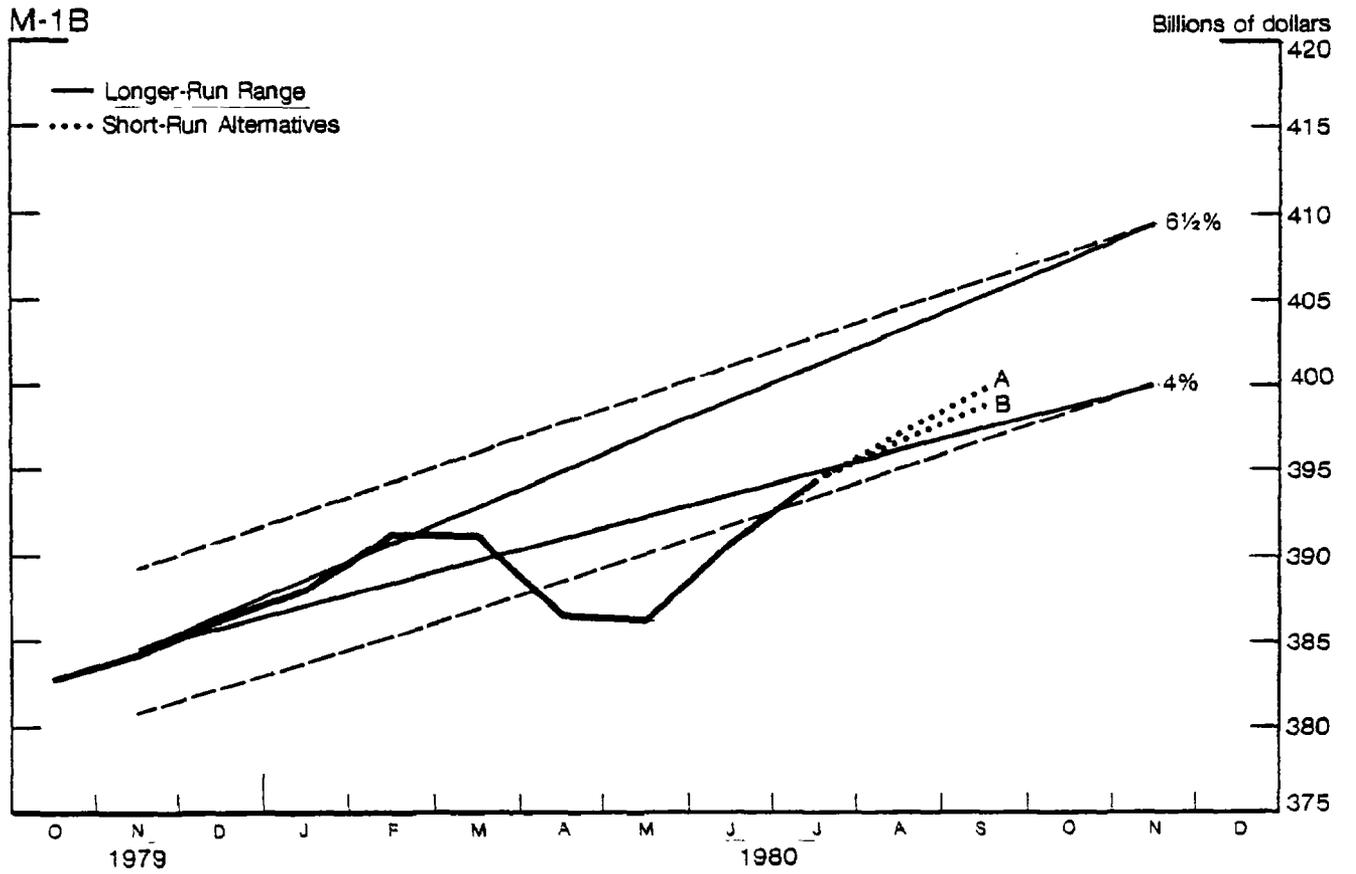
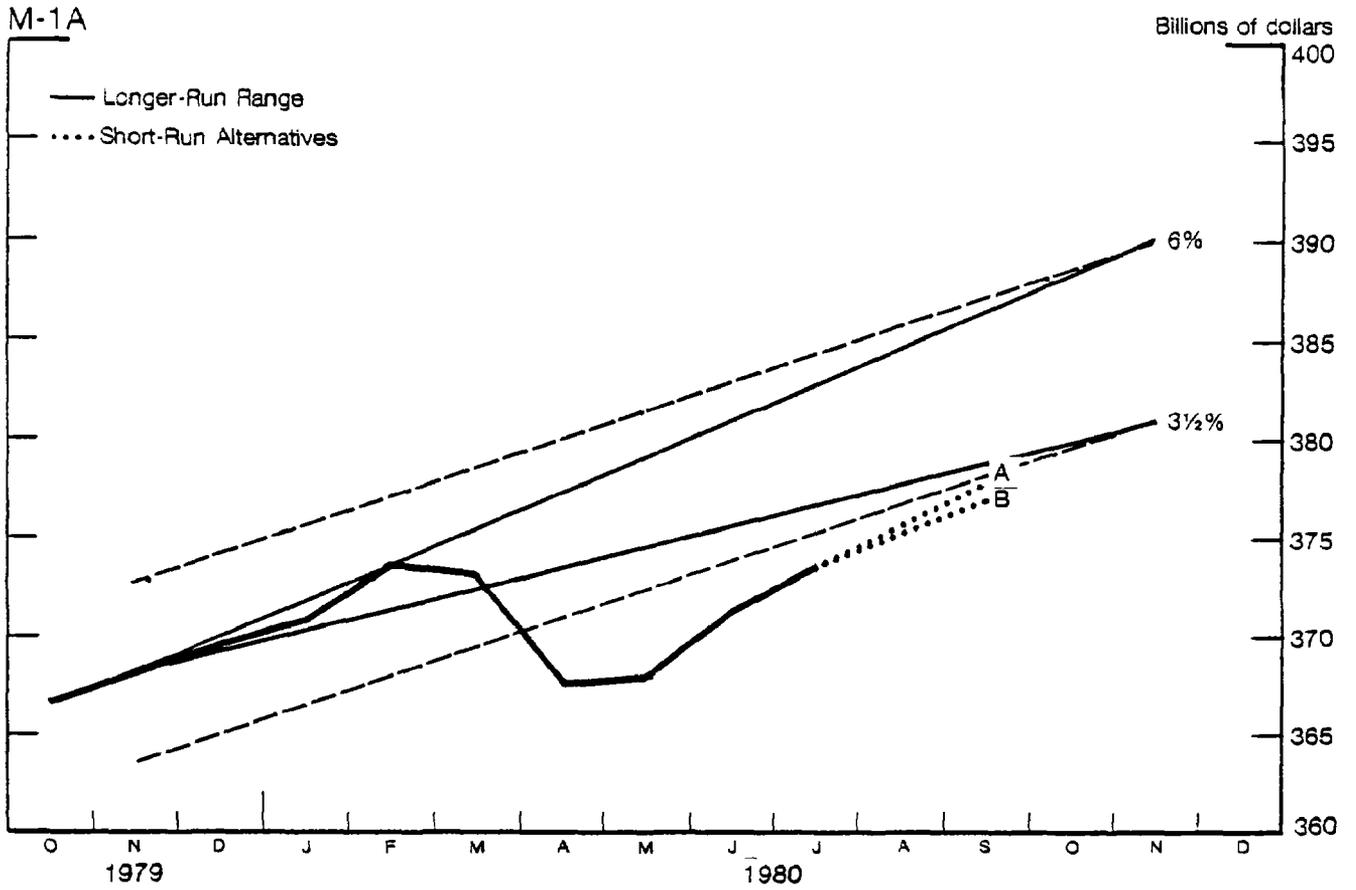
Alternative Levels and Growth Rates for Key Monetary Aggregates (cont'd)

	<u>M-2</u>		<u>M-3</u>	
	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. A</u>	<u>Alt. B</u>
1980--June	1585.6	1585.6	1844.4	1844.4
July	1608.1	1608.1	1862.0	1862.0
August	1621.4	1621.0	1870.8	1870.5
September	1632.7	1631.4	1880.7	1879.6
<u>Growth Rates</u>				
<u>Monthly</u>				
1980--August	9.9	9.6	5.7	5.5
September	8.4	7.7	6.4	5.8
June '80 - September '80	11.9	11.6	7.9	7.6
<u>Quarterly Average</u>				
1980--QI	7½	7½	7-3/4	7-3/4
QII	5½	5½	5-3/4	5-3/4
QIII	14	14	9-3/4	9½
QIV	8½	7½	8	7-3/4
1979 QIV to 1980 QII	6.4	6.4	6.9	6.9
1980 QII to 1980 QIV	12	11½	9	8-3/4
1979 QIV to 1980 QIV	9½	9	8	8

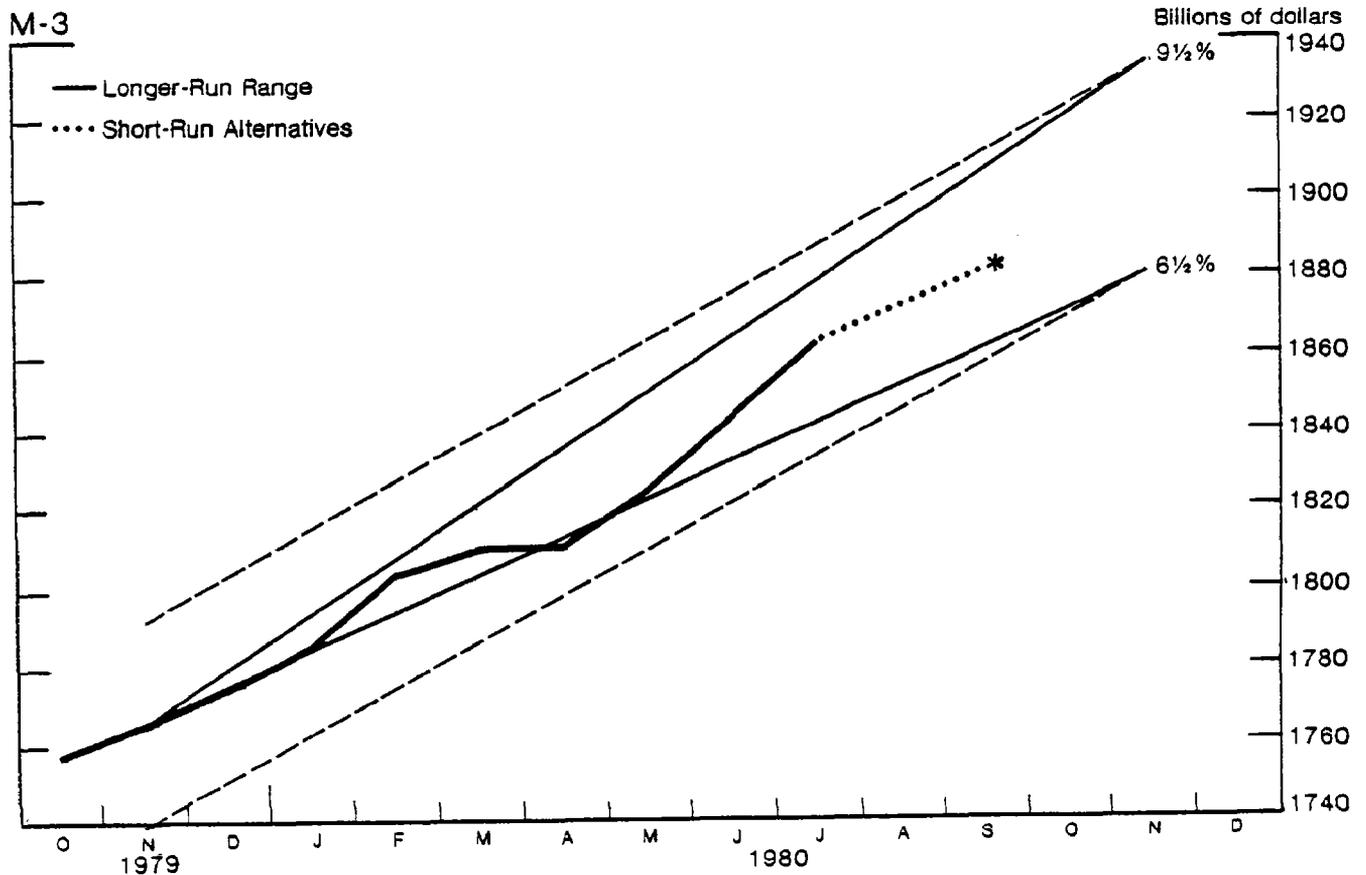
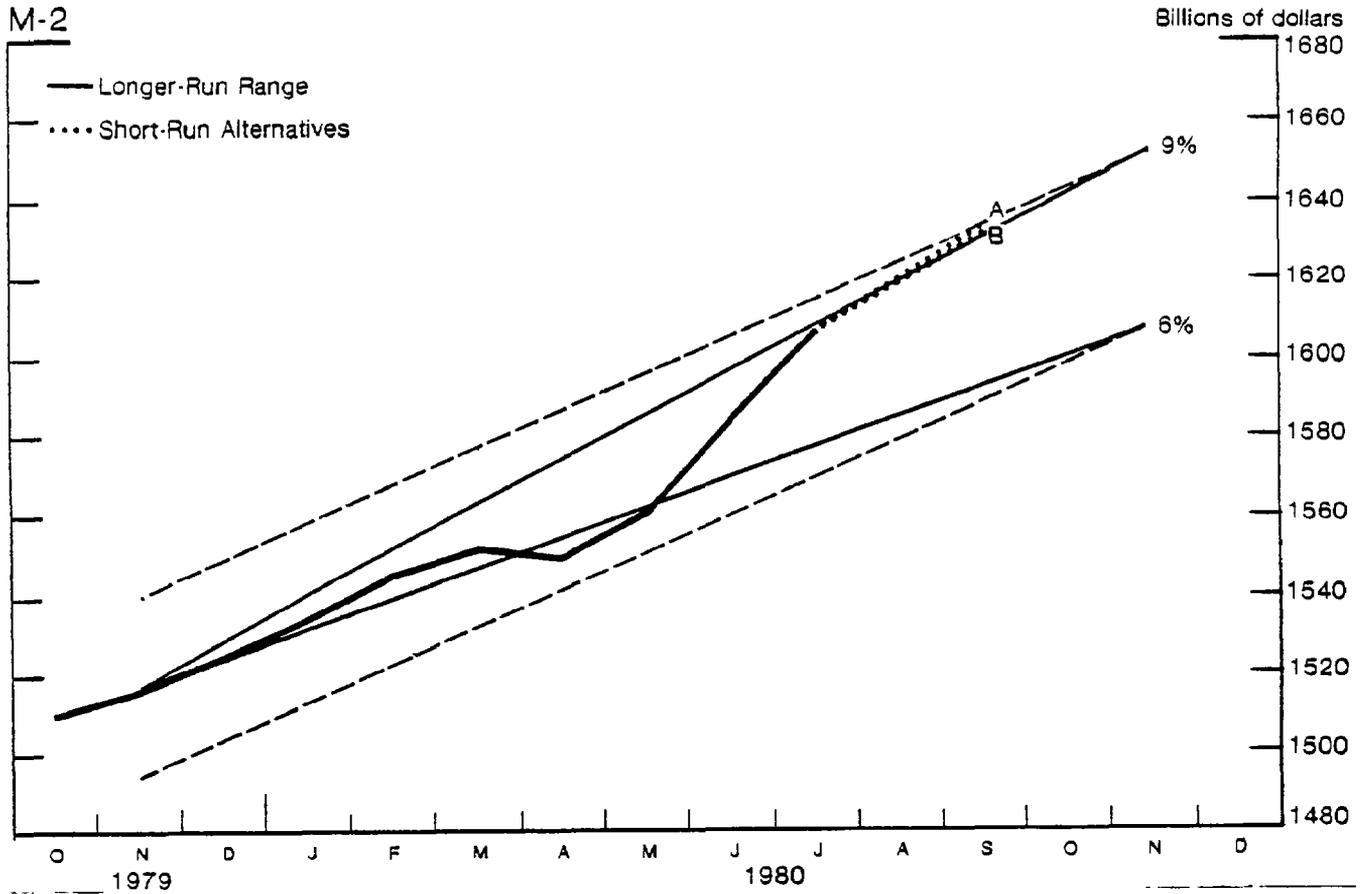
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NOTE: The following annual rates of growth in bank credit for the year and for the quarters are expected under alternative A: year 1980, 5½; QI, 9½; QII, -½; QIII, 3½; QIV 8½. Only minor variations in growth rates would be expected under alternative B.

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



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



\* Note: A, and B alternatives are indistinguishable on this scale.

by the Committee in July, and the September level of M-2 would be above the upper end of that aggregate's 6 to 9 percent QIV '79 to QIV '80 growth range. The specifications of both alternatives embody an assumption that the recent rise in market interest rates will contribute to a slowing of the extraordinarily rapid growth of ATS balances and regular passbook savings that has occurred in recent months. Growth of MMMF shares is also expected to moderate further as these yields appear less attractive relative to those on other investments. The slower savings deposit and MMMF growth is expected to be partly offset by a pick-up in small time deposit expansion as MMC yields rise and as growth in the 30-month SSCs continues strong. These projections imply that the gaps between the growth rates of M-1A and M-1B, on the one hand, and M-1B and M-2, on the other, will narrow substantially from what has occurred in the past two months.

(12) Under alternative A, given the demand for transactions balances implied by the staff's stronger economic projection for the current quarter, money market interest rates are likely to remain at the higher levels attained recently. Aggregate credit demands may pick up, especially in the household sector. The runoff in consumer installment debt likely will slow, while the demand for home mortgages probably will strengthen somewhat. Borrowing by the Treasury and state and local governments will remain quite large. In the business sector, although total borrowing probably will rise in coming weeks, a significant portion of the increase will reflect a rebuilding of liquidity positions.

(13) To achieve the growth in the aggregates specified under alternative A, total reserves would have to expand at about a 5½ percent annual rate from July to September. Assuming a level of member bank borrowing (excluding special borrowings) of about \$100 million, nonborrowed

reserves would expand at about a 6-1/4 percent annual rate. With member bank borrowings at such minimal levels, the federal funds rate would be expected to fluctuate around the current 10 percent discount rate.

(14) Alternative B calls for a slower expansion in the aggregates--with growth of M-1A below the minimum targets adopted by the Committee last month--in order to counter the tendency for M-2 growth to exceed the Committee's longer-run range. To achieve the alternative B targets, growth in total reserves at about a 5 percent annual rate would be required. With adjustment borrowings assumed to be about \$200 million, nonborrowed reserves would expand at a 4-1/4 percent annual rate. At the current discount rate, these specifications suggest that the federal funds rate would move toward the 11 percent area in the intermeeting period. Interest rates would be expected to rise throughout the maturity spectrum. The bank prime rate almost certainly would be increased, and home mortgage rates, already under upward pressure from recent increases in other interest rates, probably also would rise significantly--especially in light of the greater concerns about deposit flows that would develop among lenders. The recent strength of the dollar in foreign exchange markets probably would continue, moderated by U.S. official purchases of foreign currencies to repay swap debt.

(15) A simple extrapolation of the June to September target for M-1A under alternative A would yield a 4 percent growth of this aggregate for the QIV '79 to QIV '80 period. Alternative B could be viewed as consistent with M-1A growth over the longer period of 3½ percent--the lower bound of the Committee's long-run range. In either case, interest rates at year-end would be expected by the staff to be significantly higher than current levels, given our GNP projection. Even with such an increase

in rates, M-2 growth for the QIV '79 to QIV '80 period is likely to be near or above the upper end of its 6 to 9 percent long-run growth range.

Directive language

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

In the short run, the Committee seeks expansion of reserve aggregates consistent with growth of M-1A, M-1B, and M-2 over the third quarter of 1980 at annual rates of about 7 \_\_\_ percent, 8 \_\_\_ percent, and 8 \_\_\_ 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.

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

Reserve Targets and Related Reserve Measures for 5-Week  
 Period Ending August 13  
 (\$ millions, not seasonally adjusted)

	Targets for 5-week Average		Projections for 5-week Average			
	Total Reserves (1)	Nonborrowed reserves <sup>1/</sup> (2)	Total Reserves (3)	Required Reserves (4)	Excess Reserves (5)	Borrowings (3)-(2)
As of:						
July 11	41,602	41,527	41,602	41,384	218	75
July 18	41,535 <sup>2/</sup>	41,460 <sup>2/</sup>	41,535	41,273	262	75
July 25	41,505	41,430	41,538	41,335	203	108
Aug. 1	41,455	41,380	41,512	41,240	272	132
Aug. 8	41,480	41,405	41,640	41,196	444	235

<sup>1/</sup> Includes special borrowings.

<sup>2/</sup> In line with the decision of the FOMC, the targets as of July 18 reflected projections of reserves needed to accommodate greater expansion in deposits and money. This greater expansion was believed achievable with fewer reserves than were specified in the targets set on July 11 because of multiplier shifts. The reserve targets set on July 18 were retained in subsequent weeks, except for adjustments to reflect multiplier shifts.

TABLE 1  
SELECTED INTEREST RATES  
(Percent)

STRICTLY CONFIDENTIAL (FR)  
CLASS II - FOMC

	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		Muni- cipal Bond Buyer	Home Mortgages		
		Market		Auction				3-yr	10-yr	30-yr	New Issue	Recently Offered		Primary Conv.	Secondary Market	
		3-mo	1-yr	6-mo											FNMA Auc.	GNMA Sec.
(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	8.68	6.49	7.18	6.66	8.17	7.97	11.00	8.61	9.51	9.54	10.53	10.79	7.11	12.18	12.28	10.73
1979--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	10.96	11.00	7.63	12.71	12.35	11.07r
July	9.03	8.06	8.00	8.10	8.65	8.41	11.48	9.27	10.25	10.24	11.60	11.41	8.13	12.19	12.66	11.60
1980--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	11.50	11.18	7.88	12.18	--	11.42
9	9.26	8.02	7.82	8.11	8.65	8.37	11.79	9.07	10.11	10.11	11.48	11.26	7.95	12.23	12.53	11.42
16	8.98	8.02	7.98	8.11	8.72	8.41	11.50	9.23	10.21	10.22	11.54	11.33	8.03	12.18	--	11.61
23	8.68	7.90	7.89	7.91	8.55	8.37	11.50	9.16	10.17	10.16	11.65	11.44	8.19	12.18	12.78	11.66
30	8.98	8.19	8.18	8.28	8.61	8.42	11.07r	9.46	10.41	10.38	11.92	12.00	8.59	12.25	--	11.71
Aug. 6	9.60	8.65	8.62	8.87	9.33	9.01	11.00	9.92	10.74	10.73	12.01p	12.10p	8.61	n.a.	13.58	12.34
13																
20																
27																
Daily--July 31	9.93	8.62	8.63	--	8.90	8.65	11.00r	9.95	10.76	10.80	--	--	--	--	--	--
Aug. 7	8.86	8.38	8.55	--	9.16	8.76	11.00	9.86	10.71	10.68	--	--	--	--	--	--

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 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. The FNMA auction yield is the average yield in a bi-weekly auction for short-term forward commitments for government underwritten mortgages; beginning July 7, 1980, figures exclude graduated payment 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

	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. II	465	42	640	--	--	682	110	258	2	--	371	-1,795 <sup>7/</sup>	2,542
III	5,363	395	1,289	309	310	2,302	191	288	3	--	482	8,129 <sup>8/</sup>	-2,019
IV	4,164	118	1,101	81	51	1,351	--	--	--	--	--	4,839 <sup>8/</sup>	-3,801
1980--Qtr. I	-2,945	292 <sup>9/</sup>	355 <sup>9/</sup>	107	81	836	--	--	--	--	--	-2,114	362
II	3,249	110 <sup>9/</sup>	1,516 <sup>9/</sup>	359	410	2,395	217	398	29	24	668	6,307	2,373
1980--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 <sup>9/</sup>	405 <sup>9/</sup>	133	216	909	--	--	--	--	--	1,515	4,655
June	322	-153 <sup>9/</sup>	738 <sup>9/</sup>	164	129	878	--	--	--	--	--	1,198	-1,271
July	-3,214	--	--	--	--	--	--	--	--	--	--	-3,216	-1,307
1980--June 4	51	-274 <sup>9/</sup>	274 <sup>9/</sup>	--	--	--	--	--	--	--	--	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	--	--	--	--	--	--	--	--	--	--	--	--	-2,660
16	-530	--	--	--	--	--	--	--	--	--	--	-532	3,908
23	-530	--	--	--	--	--	--	--	--	--	--	-530	2,152
30	-1,366	--	--	--	--	--	--	--	--	--	--	-1,366	-4,476
Aug. 6	-789	--	--	--	--	--	--	--	--	--	--	-789	-9,456
13													
20													
27													
LEVEL--Aug. 6 (in billions)	47.1	13.1	33.4	13.6	14.1	74.3	2.2	4.7	1.3	0.7	8.9	130.3	-12.1

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

<sup>2/</sup> Outright transactions in market and with foreign accounts, and redemptions (-) 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 redemption, 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 the 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> \$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>8/</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

	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	1,080p	3,439	177
Low	1,972	-1,482	0	32	-228p	215p	5p
1979--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	1,473	81
1980--Jan.	4,380	-944	42	117	251	1,241	74
Feb.	2,937	-212	3	87	211	1,655	97
Mar.	2,964	-659	37	59	204	2,823	151
Apr.	7,838	167	48	89	261p	2,456p	156p
May	4,008	1,372	69	138	181p	1,018p	63p
June	3,724	1,429	112	264	214p	379p	11p
July	*4,581	*634	154	310	367p	395p	6p
1980--June 4	4,599	1,506	15	178	468p	459p	21p
11	4,788	2,216	0	226	90p	401p	13p
18	3,489	1,170	299	184	164p	396p	11p
25	3,376	902	132	466	202p	318p	8p
July 2	2,321	858	70	349	271p	348p	5p
9	3,103	843	288	342	506p	215p	5p
16	3,691	213	98	237	340p	332p	5p
23	*5,853	*63	160	312	-16p	354p	7p
30	*5,630	*1,404	188	253	564p	629p	7p
Aug. 6	*5,332	* 849	90p	147	1,080p	828p	7p
13							
20							
27							

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.