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May 14, 1982

Strictly Confidential (FR) Class I FOMC

# MONETARY POLICY ALTERNATIVES

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

STRICTLY CONFIDENTIAL (FR) May 14, 1982
CLASS I - FOMC

## MONETARY POLICY ALTERNATIVES

### Recent developments

(1) M1 growth in April on average was at a relatively substantial 11¾ percent annual rate, but weakness in late April and early May brought the level of this aggregate below the path consistent with the Committee's 3 percent (annual rate) growth objective for the March to June period. The NOW account component of M1 declined in late April, mainly reflecting collection of mid-April tax payments, and has shown little net change thus far in May. Given its recent weakness, M1 has moved down somewhat more rapidly than targeted toward the upper end of the FOMC's longer-run range.

(2) M2 has been running close to the FOMC's March-to-June path in April and early May as variations in its M1 component have been about offset by compensating changes in its nontransactions component. Thus, it is approaching the long-run path about as planned.

(3) Bank credit growth in April continued at an 8¾ percent annual rate, as lending to businesses slowed somewhat further while acquisitions of Treasury securities picked up. Virtually all of the business loan expansion last month was at large banks; data for early May suggest a strengthening of loan growth at such banks. Business borrowing from other sources also has moderated in April, with issuance of commercial paper slowing substantially and offerings of new stocks and bonds remaining sluggish.

KEY MONETARY POLICY AGGREGATES
(Seasonally adjusted annual rate of growth)

| | 1982 | | | | 1981 QIV to | |
|---|---|---|---|---|---|---|
| | Jan. | Feb. | March | April | 1982 QI | April 1982 |
| Money and Credit Aggregates | | | | | | |
| M1 | 21.0 | -3.5 | 2.4 | 11.8 | 10.4 | 8.7 |
| M2 | 12.2 | 4.3 | 11.2 | 9.8 | 9.7 | 9.7 |
| (Nontransactions component) | 9.4 | 6.9 | 13.9 | 9.3 | 9.5 | 10.3 |
| M3 | 8.9 | 5.8 | 11.3 | 11.4 | 8.6 | 9.5 |
| Bank Credit 1/ | 10.5 | 12.5 | 8.5 | 8.8 | 9.8 | 9.7 |
| Reserve Measures 2/ | | | | | | |
| Nonborrowed Reserves 3/ | -2.5 | -17.6 | 14.4 | 0.6 | 0.3 | 1.0 |
| Total Reserves | 22.2 | -10.2 | 4.7 | 2.8 | 8.3 | 5.5 |
| Monetary Base | 11.6 | 3.4 | 4.1 | 9.5 | 8.0 | 7.5 |
| Memo: (Millions of Dollars) | | | | | | |
| Adjustment Borrowing 4/ | 1,321 | 1,557 | 1,248 | 1,323 | -- | -- |
| Excess Reserves | 418 | 304 | 361 | 280 | -- | -- |

1/ Adjusted for shifts of assets from U.S. offices to IBFs and shifts of assets to commercial banks that took place because of mutual savings bank-commercial bank mergers.
2/ Growth rates of reserve measures are adjusted to remove the effects of discontinuities resulting from phased changes in reserve ratios under the Monetary Control Act.
3/ Nonborrowed reserves include special borrowing and other extended credit from the Federal Reserve.
4/ Includes seasonal borrowing.

(4) Total reserves expanded at a modest 2-3/4 percent seasonally adjusted annual rate in April.[1] Virtually all of the increase in total reserves was provided through the discount window. As M1 accelerated above target levels in the first part of April, the demand for total reserves rose, and adjustment (including seasonal) borrowing increased above the $1,150 million level assumed for initial construction of the reserve paths.[2] During the first four weeks of the intermeeting period such borrowing averaged about $1,330 million. However, with the monetary aggregates beginning to weaken in late April, the demand for reserves has dropped, and banks most recently have borrowed close to $1 billion from the discount window on average.

(5) The recent easing in bank reserve positions was not immediately reflected in a corresponding drop of the funds rate. Until today's drop into the 14¼ to 14½ percent area, the funds rate had been trading around 15¼ percent on average in the first part of May, little different from its trading area at the time of the last meeting. Other short-term rates, however, tended to decline somewhat through the intermeeting period as market participants assumed the funds rate would drop in the future with an expected reversal in the April bulge in money growth, especially in view of indications of continuing weak economic performance. Short-term interest rates have fallen by ½ to 1¼ percentage points since the March FOMC meeting, and long-term rates have declined similarly. It is doubtful that recent developments in the Congress on the budget, in view of the general uncertainties surrounding

1/ The substantial differential between the rates of growth in total reserves and M1 in April reflects the impact of lagged reserve accounting, a reduction in the average reserve ratio on transactions accounts, and also a drop in excess reserves.
2/ Reserve paths and intermeeting adjustments are shown in Appendix I.

the process, have had an appreciable effect on recent market rate movements.

(6) After rising further following the last FOMC meeting, the dollar declined sharply in the exchange markets, mainly reflecting some easing of U.S. interest rates and a belief in foreign exchange markets that U.S. interest rates would recede further. Over the entire period since the FOMC meeting, the dollar is off about 4 percent on a weighted average basis.

Alternative near-term targets

(7) The upper panel of the following table shows three alternative targets for M1 and M2 for the second quarter. The middle panel indicates the implied two-month April-to-June targets for each alternative, given the April growth rates that have already occurred, and the last row of the table shows associated intermeeting federal funds rate ranges. More detailed and longer-run data for the alternatives are shown in the table and charts on the following pages, and the quarterly interest rate path underlying the staff's GNP projection for the balance of 1982 is contained in Appendix II.

| | Alt. A | Alt. B | Alt. C |
|---|---|---|---|
| Growth from March to June | | | |
| M1 | 4½ | 3 | 1½ |
| M2 | 8½ | 8 | 7½ |
| Implied growth from April to June | | | |
| M1 | ¾ | -1¼ | -3½ |
| M2 | 7¾ | 7 | 6¼ |
| Federal funds rate range | 10 to 14 | 11 to 15 | 12 to 16 |

(8) Alternative B represents the Committee's current March-to-June target of 3 percent (annual rate) growth of M1 and of 8 percent for M2; the M1 target implies a contraction at about a 1 percent annual rate in the remaining two months of the quarter, while M2 would expand at about a 7 percent annual rate. By June, M1 would still be a bit above the upper end of its long-run range, but M2 would be about at the upper

## Alternative Levels and Growth Rates for Key Monetary Aggregates

| | M1 | | | M2 | | | M3 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Alt. A | Alt. B | Alt. C | Alt. A | Alt. B | Alt. C | Alt. A | Alt. B | Alt. C |
| 1982--January | 448.6 | 448.6 | 448.6 | 1840.9 | 1840.9 | 1840.9 | 2204.0 | 2204.0 | 2204.0 |
| February | 447.3 | 447.3 | 447.3 | 1847.5 | 1847.5 | 1847.5 | 2214.6 | 2214.6 | 2214.6 |
| March | 448.2 | 448.2 | 448.2 | 1864.8 | 1864.8 | 1864.8 | 2235.5 | 2235.5 | 2235.5 |
| April | 452.6 | 452.6 | 452.6 | 1880.0 | 1880.0 | 1880.0 | 2256.8 | 2256.8 | 2256.8 |
| May | 450.3 | 450.0 | 449.6 | 1891.2 | 1890.4 | 1889.9 | 2269.4 | 2268.6 | 2268.1 |
| June | 453.2 | 451.6 | 449.9 | 1904.0 | 1901.5 | 1899.5 | 2285.2 | 2282.7 | 2280.7 |
| **Growth Rates Monthly** | | | | | | | | | |
| 1982--January | 21.0 | 21.0 | 21.0 | 12.2 | 12.2 | 12.2 | 8.9 | 8.9 | 8.9 |
| February | -3.5 | -3.5 | -3.5 | 4.3 | 4.3 | 4.3 | 5.8 | 5.8 | 5.8 |
| March | 2.4 | 2.4 | 2.4 | 11.2 | 11.2 | 11.2 | 11.3 | 11.3 | 11.3 |
| April | 11.8 | 11.8 | 11.8 | 9.8 | 9.8 | 9.8 | 11.4 | 11.4 | 11.4 |
| May | -6.0 | -6.9 | -7.9 | 7.1 | 6.6 | 6.3 | 6.7 | 6.3 | 6.0 |
| June | 7.7 | 4.3 | 0.8 | 8.1 | 7.0 | 6.1 | 8.3 | 7.5 | 6.7 |
| March '82-June '82 | 4.5 | 3.0 | 1.5 | 8.4 | 7.9 | 7.4 | 8.9 | 8.4 | 8.1 |
| April '82-June '82 | 0.8 | -1.3 | -3.6 | 7.7 | 6.9 | 6.2 | 7.6 | 6.9 | 6.4 |
| **Growth Rates Quarterly** | | | | | | | | | |
| 1982--QI | 10.4 | 10.4 | 10.4 | 9.7 | 9.7 | 9.7 | 8.6 | 8.6 | 8.6 |
| QII | 3.6 | 3.0 | 2.4 | 8.8 | 8.5 | 8.3 | 9.5 | 9.3 | 9.1 |
| **Memo:** | | | | | | | | | |
| Growth QIV '81 to June '82 | 6.5 | 5.8 | 5.2 | 9.2 | 9.0 | 8.8 | 9.0 | 8.8 | 8.7 |

Chart 1

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## Actual and Targeted M1

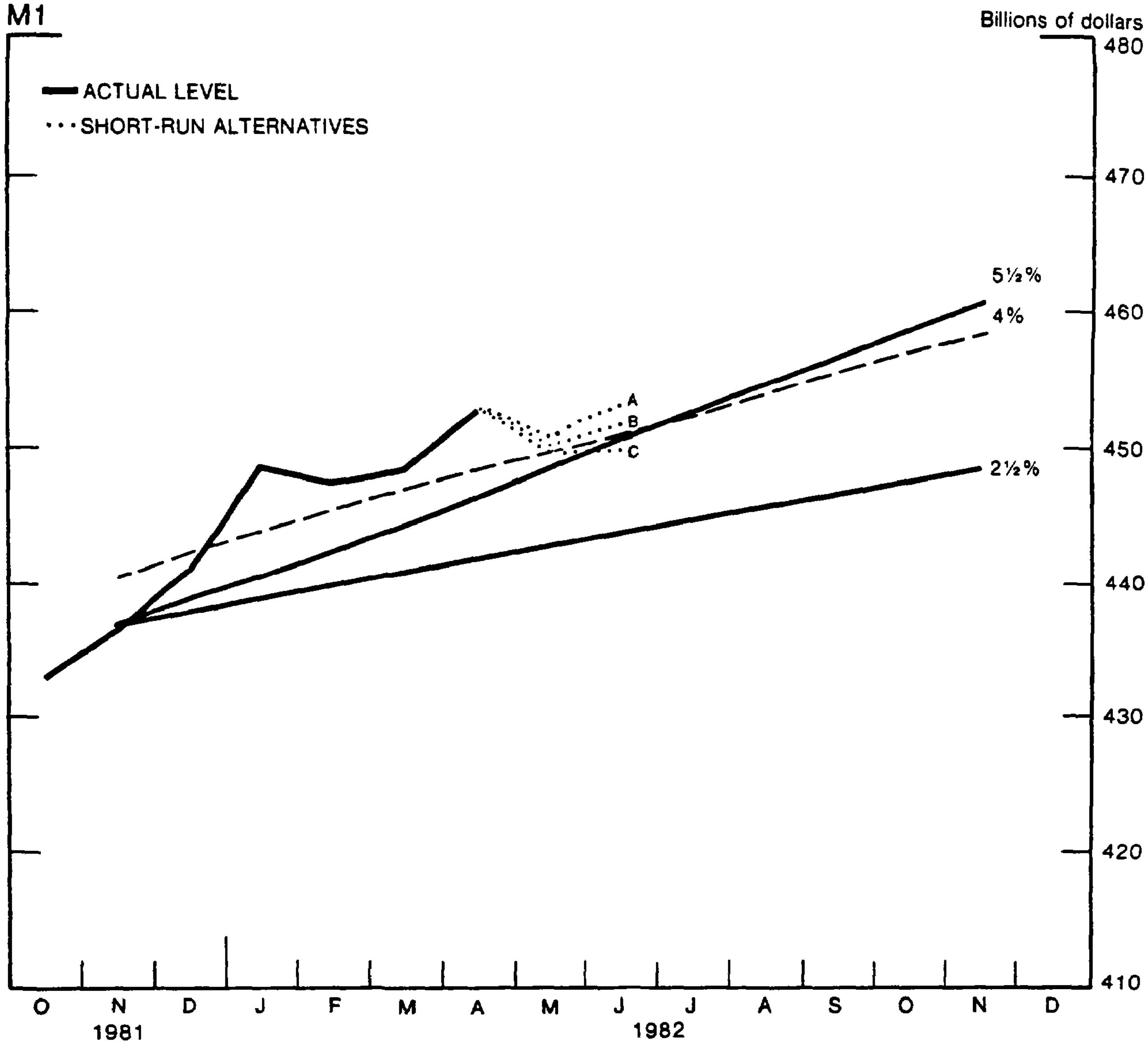
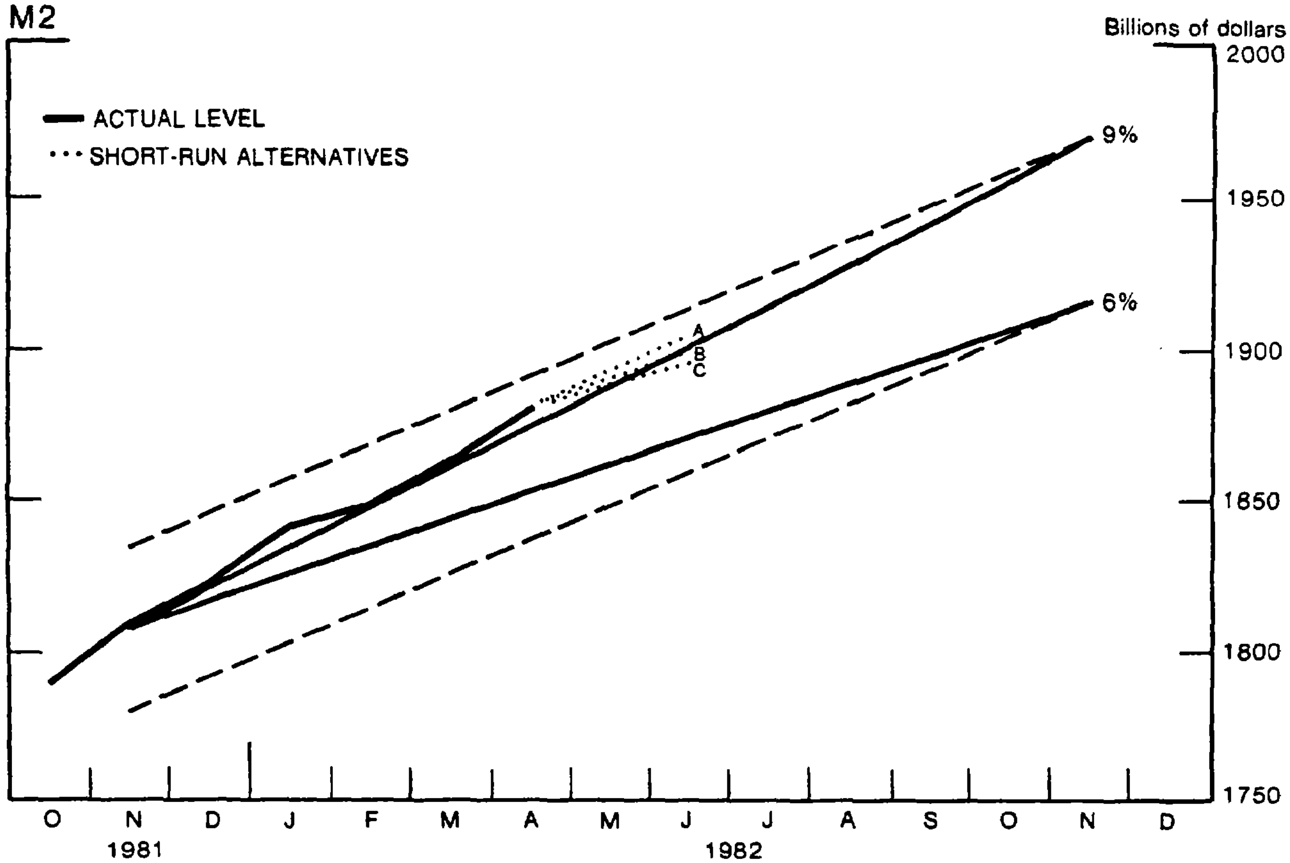
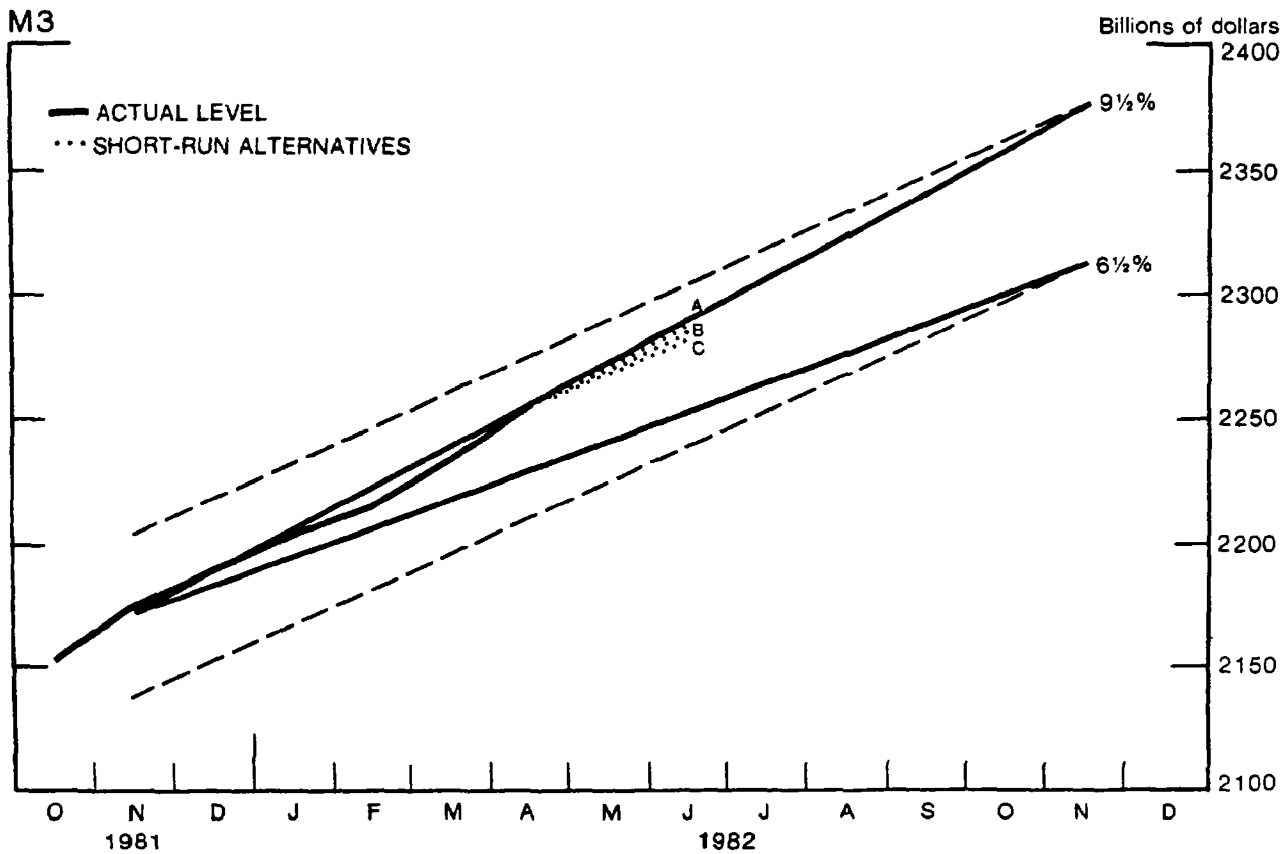


Chart 2



## Actual and Targeted M2 and M3



end of its range. Alternative A, calling for M1 growth from March to June at a 4½ percent rate, would be consistent with a slower approach of both M1 and M2 toward the upper ends of their ranges. Alternative C calls for more restrictive short-run targets than either A or B, and both aggregates would be within their long-run ranges by June.

(9) Under alternative B, we would expect some further downward drift in short-term rates between now and mid-year. The transactions demand for money is expected to be more moderate than anticipated at the time of the last meeting, with projected growth in nominal GNP in the second quarter revised down to only a 6½ percent annual rate. In addition, we would anticipate the relatively strong precautionary demands of early this year and late 1981 to begin to moderate as economic prospects improve.

(10) The small decline in M1 over May and June called for by alternative B would appear to be consistent with a 6 percent growth in total reserves over the two months. With short-term interest rates expected to decline--indexed by the federal funds rate drifting down to the 13½ percent area--depository institutions might be expected to borrow about $800 million at the current 12 percent discount rate. On that assumption, nonborrowed reserves would expand by 14 percent at an annual rate over the two months.

(11) The 3-month bill rate under this alternative is likely to decline to around the 11½ to 12 percent area. Business credit demands are expected to remain moderate, given the continued inventory liquidation and a scaling down of fixed investment outlays. The prime rate under this

alternative would probably drop from its current 16½ percent level. Reduced private credit demands should leave room for the Treasury's remaining financing needs over the quarter of $8 to $10 billion to be readily met in short- and intermediate-term markets--the required maturity range unless the Congress authorizes additional leeway for the Treasury to issue bonds. Bond yields would probably decline further, with the extent of decline depending in part on the fiscal outlook and in part on the extent to which any short rate declines are viewed as reflecting the beginnings of a longer-run trend toward lower rates as inflation abates. Declines in U.S. short-term interest rates could extend the recent reduction in the foreign exchange value of the dollar from its current relatively high level.

(12) Alternative A, which calls for a 4½ percent annual rate of growth in M1 from March to June, probably would result in appreciable interest rate reductions along the maturity spectrum. While relatively little money growth is implied by this alternative in May and June on average, money demands are expected to be quite weak over the balance of the quarter, given the build-up in money balances through April. The funds rate might move to a level somewhat above the current discount rate, with borrowing dropping to around $500 million. Total reserves would expand over May and June at about an 8 percent annual rate and nonborrowed reserves at a 20 percent rate. Growth in M2 could be expected to be somewhat higher than under alternative B, largely reflecting the stronger

growth in M1 and possibly greater interest in MMCs and MMMFs, both of whose yields lag declines in market rates.

(13) The 3-month bill rate under alternative A would probably drop below the current discount rate, and range around 11 percent. A substantial bond market rally might well ensue, especially if it appeared that Congress was in process of significantly reducing federal budget deficits. A considerable depreciation of the dollar on exchange markets might also take place, although this trend would be limited if foreign monetary authorities took the opportunity to permit their interest rates to decline further. Reduced deposit costs would diminish earnings pressures over time on thrifts, work toward making them more willing mortgage lenders, and contribute to further declines in mortgage rates.

(14) Alternative C, which calls for limiting M1 growth to a 1½ percent rate from March to June, implies an increase in total reserves over the latter period at a 4 percent rate. Assuming adjustment borrowing at around $1.1 billion, nonborrowed reserves would increase at only a 7½ percent rate over the last two months of the quarter. The federal funds rate would probably be around the 14 to 14½ percent area, below its range of recent weeks. Short- and long-term rates would likely show little net change, since some easing in money market conditions has probably been anticipated, and on balance the exchange rate would also change little.

(15) The staff is projecting an appreciable expansion in GNP in the second half of the year under the impetus of the mid-year tax cut and an end to the current inventory liquidation. Underlying this projection is the assumption that a marked acceleration of the growth of nominal GNP to about a 9½ percent annual rate can be financed by relatively modest growth of narrow money--keeping M1 growth within the upper portion of its longer-run range--without upward interest rate pressures in the second half. Under alternative B, for example, growth in M1 in the second half of the year of 3 to 4¾ percent, as shown in the table below, would be consistent with growth for the year at the upper limit or just below. The implied velocity expansion, with no rise of interest rates, depends not only on increased willingness to draw on previously accumulated liquidity to finance spending but also on a downward impact on money demand from the continued spread of financial innovations, such as sweep accounts. Alternative A would provide less room for growth of M1 in the second half of the year, assuming the present longer-run target range is retained. Alternative C, of course, provides the most scope for monetary expansion in the second half, but has a slightly greater risk of delaying the onset of economic recovery.

| | March to June Growth Rate of M1 | Growth Rate in Second Half of 1982 to Obtain QIV '81 to QIV '82 M1 Expansion at: Top of Range (5-1/2%) | Midpoint of Upper Half of Range (4-3/4%) | Middle of the Range (4%) |
|---|---|---|---|---|
| Alt. A | 4-1/2 | 4 | 2-1/4 | 1/2 |
| Alt. B | 3 | 4-3/4 | 3 | 1-1/2 |
| Alt. C | 1-1/2 | 5-3/4 | 4 | 2-1/4 |

Directive language

(16) The Committee could simply reaffirm the directive adopted at the previous meeting, since the behavior of the aggregates has not been far off track and since many of the same problems of interpretation of aggregate behavior remain. That directive is shown below. The language would be most consistent with alternative B, although it also could be adapted to alternatives A and C. If the Committee adopted alternative B, it might wish to note that it has reaffirmed objectives adopted at the last meeting (with possible language shown in brackets).

> In the short run [,reaffirming its decision at the previous meeting,] the Committee seeks behavior of reserve aggregates consistent with growth of M1 and M2 from March to June at annual rates of about 3 __ percent and 8 __ percent respectively. The Committee also noted that deviations from these targets should be evaluated in light of the probability that M2 would be less affected over the period than M1 by deposit shifts related to the tax date and by changes in the relative importance of NOW accounts as a savings vehicle. Some shortfall in growth of M1, consistent with progress toward the upper part of the range for the year as a whole, would be acceptable in the context of appreciably reduced pressures in the money market and relative strength of other aggregates. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that pursuit of the monetary objectives and related reserve paths during the period before the next meeting is likely to be associated with a federal funds rate persistently outside a range of ~~12-to-16~~ ___ TO ___ percent.

APPENDIX I

RESERVE TARGETS AND RELATED MEASURES
INTERMEETING PERIOD
(Millions of dollars; not seasonally adjusted)

| Date Reserves Path Constructed | Reserve Targets for Intermeeting Sub-Period (average for sub-period): Total Reserves (1) | Nonborrowed Reserves (2) | Projection of Reserves Demanded (average for sub-period): Total Reserves (3) | Required Reserves (4) | Excess Reserves (5) | Implied Adjustment Borrowing: Average for Sub-Period (6) | For Remaining Statement Weeks of Intermeeting Period[1] (7) |
|---|---|---|---|---|---|---|---|
| | 4-Week Sub-Period: April 7 to April 28 | | | | | | |
| April 2 | 39,536 | 38,386 | 39,536 | 39,236 | 300 | 1,150 | 1,150 |
| 9 | 39,449[2] | 38,299[2] | 39,537 | 39,230 | 307 | 1,238 | 1,250 |
| 16 | 39,414[3] | 38,301[3/4] | 39,582 | 39,284 | 298 | 1,281 | 1,411 |
| 23 | 39,334[5] | 38,221[5] | 39,498 | 39,230 | 268 | 1,277 | 1,394 |
| Actual 4-week Average | 39,493 | 38,221 | 39,493 | 39,225 | 268 | 1,326 | — |
| | 3-Week Sub-Period: May 5 to May 19 | | | | | | |
| April 30 | 39,702[6] | 38,552[6] | 39,679 | 39,379 | 300 | 1,127 | 1,127 |
| May 7 | 39,702 | 38,552 | 39,658 | 39,306 | 352 | 1,106 | 1,016 |
| 14 | 39,821[7] | 38,700[7/8] | 39,786 | 39,436 | 351 | 1,086 | 1,044 |

1. Represents borrowing in remaining statement weeks (as intermeeting sub-period progresses) implied by each weekly updating of the sub-period average nonborrowed reserves path. The movement in implied borrowing represents deviations in total reserves from target as well as any compensation for misses in nonborrowed reserves from target in earlier weeks of the intermeeting sub-period.
2. Total and nonborrowed reserves paths adjusted downward by $87 million due to changes affecting the reserves multiplier.
3. Total and nonborrowed reserves paths adjusted downward by $35 million due to changes affecting the reserves multiplier.
4. Nonborrowed reserves path adjusted upward by $37 million to offset the reduced demand for borrowing in the week of April 14.
5. Total and nonborrowed reserves paths adjusted downward by $80 million due to changes affecting the reserves multiplier.
6. Total and nonborrowed reserves paths adjusted downward by $213 million due to changes affecting the reserves multiplier.
7. Total and nonborrowed reserves paths adjusted upward by $119 million due to changes affecting the reserves multiplier.
8. Nonborrowed reserves path adjusted upward by $29 million to offset the reduced demand for borrowing in the week of May 12.

Appendix II

Interest Rates Assumed in the Greenbook
GNP Projection

(Quarterly averages, percent)

| 1982 | Federal funds | 3-month Treasury bills | Recently offered Aaa Utility Bond | Fixed Rate Mortgage Commitment |
|---|---|---|---|---|
| Q1 | 14.2 | 12.8 | 15.7 | 17.4 |
| Q2 | 14 | 12¼ | 15 | 16¾ |
| Q3 | 12½ | 11¼ | 14½ | 16½ |
| Q4 | 12½ | 11¼ | 14½ | 16¼ |

Table 1

May 17, 1982

# Selected Interest Rates

Percent

| Period | Short-Term | | | | | | | | Long-Term | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | federal funds | Treasury bills secondary market | | Treasury bills auction | CDs secondary market | comm. paper | money market mutual fund | bank prime loan | U.S. government constant maturity yields | | | corporate Aaa utility recently offered | muni-cipal Bond Buyer | home mortages primary conv. | home mortages secondary market FNMA auction | home mortages secondary market GNMA security |
| | | 3-month | 1-year | 6-month | 3-month | 3-month | | | 3-year | 10-year | 30-year | | | | | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 1981--High | 20.06 | 16.72 | 15.05 | 15.85 | 18.70 | 18.04 | 17.32 | 20.64 | 16.54 | 15.65 | 15.03 | 17.72 | 13.30 | 18.63 | 19.23 | 17.46 |
| Low | 12.04 | 10.20 | 10.64 | 10.70 | 11.51 | 11.26 | 11.84 | 15.75 | 12.55 | 12.27 | 11.81 | 13.98 | 9.49 | 14.80 | 14.84 | 13.18 |
| 1982--High | 15.61 | 14.41 | 13.51 | 14.36 | 15.84 | 15.39 | 13.89 | 16.86 | 15.01 | 14.81 | 14.63 | 16.34 | 13.44 | 17.66 | 18.04 | 16.56 |
| Low | 12.42 | 11.46 | 12.05 | 12.06 | 12.94 | 12.59 | 11.77 | 15.75 | 13.70 | 13.51 | 13.13 | 15.11 | 11.82 | 16.78 | 16.27 | 15.17 |
| 1981--Apr. | 15.72 | 13.69 | 12.79 | 13.43 | 15.08 | 14.56 | 14.10 | 17.15 | 14.09 | 13.68 | 13.20 | 15.48 | 10.62 | 15.58 | 16.54 | 14.59 |
| May | 18.52 | 16.30 | 14.29 | 15.33 | 18.27 | 17.56 | 15.56 | 19.61 | 15.08 | 14.10 | 13.60 | 15.48 | 10.79 | 16.40 | 16.93 | 15.31 |
| June | 19.10 | 14.73 | 13.22 | 13.95 | 16.90 | 16.32 | 16.92 | 20.03 | 14.29 | 13.47 | 12.96 | 14.81 | 10.67 | 16.70 | 16.17 | 15.02 |
| July | 19.04 | 14.95 | 13.91 | 14.40 | 17.76 | 17.00 | 17.04 | 20.39 | 15.15 | 14.28 | 13.59 | 15.73 | 11.14 | 16.83 | 16.65 | 15.76 |
| Aug. | 17.82 | 15.51 | 14.70 | 15.55 | 17.96 | 17.23 | 17.17 | 20.50 | 16.00 | 14.94 | 14.17 | 16.82 | 12.26 | 17.29 | 17.63 | 16.67 |
| Sept. | 15.87 | 14.70 | 14.53 | 15.06 | 16.84 | 16.09 | 16.55 | 20.08 | 16.22 | 15.32 | 14.67 | 17.33 | 12.92 | 18.16 | 18.99 | 17.06 |
| Oct. | 15.08 | 13.54 | 13.62 | 14.01 | 15.39 | 14.85 | 15.32 | 18.45 | 15.50 | 15.15 | 14.68 | 17.24 | 12.83 | 18.45 | 18.13 | 16.61 |
| Nov. | 13.31 | 10.86 | 11.20 | 11.53 | 12.48 | 12.16 | 14.33 | 16.84 | 13.11 | 13.39 | 13.35 | 15.49 | 11.89 | 17.83 | 16.64 | 15.10 |
| Dec. | 12.37 | 10.85 | 11.57 | 11.47 | 12.49 | 12.12 | 12.09 | 15.75 | 13.66 | 13.72 | 13.45 | 15.18 | 12.90 | 16.92 | 16.92 | 15.51 |
| 1982--Jan. | 13.22 | 12.28 | 12.77 | 12.93 | 13.51 | 13.09 | 12.01 | 15.75 | 14.64 | 14.59 | 14.22 | 15.88 | 13.28 | 17.40 | 17.80 | 16.19 |
| Feb. | 14.78 | 13.48 | 13.11 | 13.71 | 15.00 | 14.53 | 13.11 | 16.56 | 14.73 | 14.43 | 14.22 | 15.97 | 12.97 | 17.60 | 18.00 | 16.21 |
| Mar. | 14.68 | 12.68 | 12.47 | 12.62 | 14.21 | 13.80 | 13.49 | 16.50 | 14.13 | 13.86 | 13.53 | 15.19 | 12.82 | 17.16 | 17.29 | 15.54 |
| Apr. | 14.94 | 12.70 | 12.50 | 12.86 | 14.44 | 14.06 | n.a. | 16.50 | 14.18 | 13.87 | 13.37 | 15.44 | 12.59 | 16.89 | -- | 15.40 |
| 1982--Mar. 3 | 14.07 | 12.32 | 12.48 | 12.79 | 14.04 | 13.63 | 13.29 | 16.50 | 14.17 | 13.84 | 13.60 | 15.31 | 12.53 | 17.29 | 17.16 | 15.47 |
| 10 | 14.35 | 12.25 | 12.11 | 12.06 | 13.77 | 13.43 | 13.45 | 16.50 | 13.78 | 13.66 | 13.42 | 15.15 | 12.71 | 17.19 | -- | 15.40 |
| 17 | 14.89 | 12.77 | 12.56 | 12.96 | 14.31 | 13.90 | 13.52 | 16.50 | 14.19 | 13.93 | 13.59 | 15.14 | 12.99 | 17.12 | 17.26 | 15.64 |
| 24 | 14.48 | 12.75 | 12.51 | 12.67 | 14.23 | 13.79 | 13.51 | 16.50 | 14.15 | 13.83 | 13.46 | 15.11 | 13.04 | 17.04 | -- | 15.37 |
| 31 | 14.99 | 13.17 | 12.73 | 13.24 | 14.58 | 14.12 | 13.48 | 16.50 | 14.43 | 14.09 | 13.68 | 15.25 | 13.13 | 16.95 | 17.46 | 15.83 |
| Apr. 7 | 15.15 | 13.17 | 12.69 | 12.80 | 14.55 | 14.18 | 13.70 | 16.50 | 14.38 | 14.14 | 13.67 | 15.65 | 12.99 | 16.91 | -- | 15.72 |
| 14 | 14.68 | 12.85 | 12.59 | 12.90 | 14.58 | 14.21 | 13.73 | 16.50 | 14.24 | 13.90 | 13.38 | 15.39 | 12.54 | 16.93 | -- | 15.41 |
| 21 | 15.01 | 12.53 | 12.49 | 12.72 | 14.53 | 14.17 | 13.89 | 16.50 | 14.13 | 13.74 | 13.21 | 15.27 | 12.29 | 16.86 | -- | 15.23 |
| 28 | 14.72 | 12.42 | 12.32 | 12.64 | 14.20 | 13.77 | 13.64 | 16.50 | 14.05 | 13.71 | 13.20 | 15.55 | 11.97 | 16.81 | -- | 15.22 |
| May 5 | 15.53 | 12.57 | 12.39 | 12.78 | 14.31 | 13.90 | 13.59 | 16.50 | 14.06 | 13.87 | 13.39 | 15.29r | 12.04 | 16.78 | -- | 15.59 |
| 12 | 14.97 | 12.32 | 12.05 | 12.24 | 13.82 | 13.51 | 13.75 | 16.50 | 13.70 | 13.51 | 13.13 | 15.38p | 11.82 | n.a. | 16.27 | 15.17 |
| 19 | | | | | | | | | | | | | | | | |
| 26 | | | | | | | | | | | | | | | | |
| Daily--May 7 | 14.90 | 12.25 | 11.93 | -- | 13.75 | 13.54 | -- | 16.50 | 13.68 | 13.48 | 13.08 | -- | -- | -- | -- | -- |
| 13 | 14.89 | 12.50 | 12.30 | -- | 13.87 | 13.50 | -- | 16.50 | 13.82 | 13.62 | 13.25 | -- | -- | -- | -- | -- |
| 14 | 14.35p | 12.36 | 12.05 | -- | 13.90 | 13.52 | -- | 16.50 | 13.72p | 13.45p | 13.16p | -- | -- | -- | -- | -- |

NOTE Weekly data for columns 1, 2, 3, and 5 through 11 are statement week averages. 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 Data in column 7 are taken from Donoghues Money Fund Report 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, 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[1]

Millions of dollars, not seasonally adjusted

| Period | 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 | | |
| 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 |
| 1980 | -3,052 | 912 | 2,138 | 703 | 811 | 4,564 | 217 | 398 | 29 | 24 | 668 | 2,035 | 2,462 |
| 1981 | 5,337 | 294 | 1,702 | 393 | 379 | 2,768 | 133 | 360 | -- | -- | 494 | 8,491 | 684 |
| 1981--Qtr. I | -2,514 | -23 | -- | -- | -- | -23 | -- | -- | -- | -- | -- | -2,555 | -1,694 |
| II | 2,135 | 115 | 469 | 164 | 89 | 836 | -- | -- | -- | -- | -- | 2,944 | -1,352 |
| III | 2,912 | 122 | 607 | 64 | 182 | 976 | -- | -- | -- | -- | -- | 3,855 | 424 |
| IV | 2,803 | 80 | 626 | 165 | 108 | 979 | 133 | 360 | -- | -- | 494 | 4,247 | 3,305 |
| 1982--Qtr. I | -4,329 | 20 | 50 | -- | -- | 70 | -- | -- | -- | -- | -- | -4,371 | -999 |
| 1981--Nov. | 1,750 | -- | 100 | -- | -- | 100 | 133 | 360 | -- | -- | 494 | 2,333 | 2,747 |
| Dec. | 2,170 | 80 | 526 | 165 | 108 | 879 | -- | -- | -- | -- | -- | 3,045 | 767 |
| 1982--Jan. | -3,356 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -3,424 | 900 |
| Feb. | 148 | 20 | 50 | -- | -- | 70 | -- | -- | -- | -- | -- | 191 | -3,770 |
| Mar. | -1,121 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -1,134 | 1,871 |
| Apr. | 4,149 | 132 | 570 | 81 | 52 | 835 | -- | -- | -- | -- | -- | 4,979 | 4,877 |
| 1982--Mar. 3 | -547 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -552 | 2,084 |
| 10 | -1,074 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -1,087 | -1,967 |
| 17 | 92 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 92 | 2,265 |
| 24 | 99 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 99 | -1,795 |
| 31 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 753 |
| Apr. 7 | 450 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 450 | -6,184 |
| 14 | 690 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 685 | 2,715 |
| 21 | 2,322 | 15 | 15 | -- | -- | 30 | -- | -- | -- | -- | -- | 2,352 | 4,781 |
| 28 | 687 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 687 | -740 |
| May 5 | -219 | 117 | 555 | 81 | 52 | 805 | -- | -- | -- | -- | -- | 586 | -2,264 |
| 12 | -700 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -700 | 1,313 |
| 19 | | | | | | | | | | | | | |
| 26 | | | | | | | | | | | | | |
| LEVEL--May 12 | 51.2 | 15.6 | 36.7 | 10.3 | 16.8 | 79.3 | 2.3 | 5.3 | 0.9 | 0.5 | 9.0 | 139.5 | -0.7 |

1 Change from end-of-period to end-of-period.
2 Outright transactions in market and with foreign accounts, and redemptions (—) in bill auctions.
3 Outright transactions in market and with foreign accounts, and short-term notes acquired in exchange for maturing bills. Excludes redemptions, maturity shifts, rollovers of maturing coupon issues, and direct Treasury borrowing from the System.
4 Outright transactions in market and with foreign accounts only. Excludes redemptions and maturity shifts
5 In addition to the net purchases of securities, also reflects changes in System holdings of bankers' acceptances, direct Treasury borrowing from the System and redemptions (—) of agency and Treasury coupon issues.
6 Includes changes in RPs (+), matched sale-purchase transactions (—), and matched purchase-sale transactions (+).

# Table 3
## Security Dealer Positions and Bank Positions
Millions of dollars

| Period | U.S. government securities dealer positions | | | | Underwriting syndicate positions | | Member bank reserve positions | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | cash | | futures and forwards | | corporate bonds | municipal bonds | excess** reserves | borrowing at FRB** | | | |
| | bills | coupons | bills | coupons | | | | adjustment | seasonal | extended (includes special) | total |
| 1981--High | 15,668 | 4,633 | -12,865 | -4,676 | 595 | 268 | 562 | 2,597 | 309 | 464 | 2,912 |
| Low | 540 | 540 | -4,535 | -2,514 | 0 | 11 | -21 | 145 | 30 | * | 317 |
| 1982--High | 9,318 | 6,309 | -8,499 | -4,055 | 186 | 202 | 622 | 1,547 | 200 | 324 | 1,908 |
| Low | 800 | 1,413 | -5,617 | -2,908 | 0 | 38 | 0 | 685 | 53 | 193 | 950 |
| 1981--Apr. | 8,518 | 3,149 | -7,277 | -3,050 | 15 | 194 | 169 | 1,168 | 162 | 8 | 1,338 |
| May | 1,676 | 2,745 | -6,486 | -2,822 | 2 | 110 | 257 | 1,954 | 269 | 6 | 2,228 |
| June | 5,547 | 3,278 | -9,934 | -2,925 | 42 | 192 | 338 | 1,740 | 291 | 7 | 2,037 |
| July | 2,950 | 3,314 | -8,340 | -3,012 | 5 | 153 | 340 | 1,429 | 247 | 3 | 1,679 |
| Aug. | 4,324 | 2,242 | -10,071 | -2,972 | 10 | 65 | 292 | 1,105 | 235 | 80 | 1,420 |
| Sept. | 5,611 | 1,614 | -9,830 | -2,856 | 2 | 55 | 414 | 933 | 222 | 301 | 1,456 |
| Oct. | 4,781 | 1,629 | -8,575 | -3,655 | 29 | 59 | 278 | 591 | 152 | 438 | 1,181 |
| Nov. | 5,037 | 3,821 | -7,120 | -4,307 | 195 | 106 | 344 | 403 | 95 | 165 | 663 |
| Dec. | 2,185 | 2,289 | -5,416 | -4,150 | 21 | 172 | 319 | 433 | 54 | 148 | 636 |
| 1982--Jan. | 3,527 | 4,803 | -6,115 | -3,112 | 0 | 52 | 418 | 1,245 | 75 | 197 | 1,518 |
| Feb. | 4,557 | 5,332 | -7,726 | -3,173 | 8 | 97 | 304 | 1,426 | 131 | 232 | 1,790 |
| Mar. | 6,594 | 5,653 | -6,652 | -3,045 | 106 | 104 | 361 | 1,073 | 175 | 308 | 1,556 |
| Apr. | 8,181** | 4,887** | -4,574** | -3,265** | 23 | 76 | 280p | 1,156p | 167p | 245p | 1,568p |
| Mar. 3 | 5,572 | 6,107 | -8,379 | -2,879 | 0 | 54 | 513 | 1,127 | 147 | 288 | 1,562 |
| 10 | 6,322 | 6,309 | -7,396 | -3,186 | 186 | 202 | 307 | 990 | 151 | 306 | 1,447 |
| 17 | 5,877 | 4,944 | -6,923 | -3,087 | 165 | 86 | 337 | 976 | 187 | 301 | 1,464 |
| 24 | 7,337 | 5,859 | -6,531 | -3,180 | 73 | 72 | 269 | 1,170 | 173 | 311 | 1,654 |
| 31 | 7,406 | 5,262 | -4,630 | -2,782 | 30 | 57 | 466 | 1,132 | 200 | 324 | 1,656 |
| Apr. 7 | 9,318 | 5,393 | -1,795 | -2,712 | 0 | 38 | 272 | 1,035 | 166 | 279 | 1,480 |
| 14 | 8,061 | 4,677 | -3,148 | -3,029 | 0 | 69 | 318 | 947 | 154 | 234 | 1,335 |
| 21 | 8,202** | 4,277** | -6,852** | -3,650** | 0 | 76 | 171 | 1,246 | 159p | 248p | 1,653 |
| 28 | 5,530p** | 5,567p** | -8,679p** | -4,457p** | 70 | 117 | 309p | 1,418p | 177p | 227p | 1,822p |
| May 5 | 6,192p** | 4,446p** | -8,390p** | -3,910p** | 27 | 93 | 456p | 1,081p | 205p | 214p | 1,500p |
| 12 | 6,104p** | 7,395p** | -9,901p** | -4,697p** | n.a. | n.a. | 296p | 710p | 218p | 192p | 1,120p |
| 19 | | | | | | | | | | | |
| 26 | | | | | | | | | | | |

NOTE: Government securities dealer cash positions consist of securities already delivered, commitments to buy (sell) securities on an outright basis for immediate delivery (5 business days or less), and certain "when-issued" securities for delayed delivery (more than 5 business days). Futures and forward positions include all other commitments involving delayed delivery; futures contracts are arranged on organized exchanges. Underwriting syndicate positions consists of issues 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. Monthly averages for excess reserves and borrowing are weighted averages of statement week figures. Monthly data for dealer futures and forwards are end-of-month figures for 1980.

**Strictly confidential