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June 25, 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) June 25, 1982
CLASS I - FOMC

MONETARY POLICY ALTERNATIVES

Recent developments

(1) Though showing only a very slight rise on balance over the last two months, M1 grew over the March-to-June period at a 4 percent annual rate, somewhat above the Committee's 3 percent short-run objective. From the fourth quarter of 1981 to June, M1 is estimated to have increased at a 6.3 percent annual rate, almost 1 percentage point above the upper end of its 1982 range. Following a surge in late 1981 and early 1982, growth in the OCD component has slowed markedly on balance over the last few months, roughly in line with expectations built into the intermeeting M1 path; this slowing suggests some abatement in precautionary demands for funds.

(2) M2 growth at an 8.7 percent annual rate over March-June also was somewhat above the Committee's second-quarter path, reflecting stronger than expected expansion of its nontransaction component as well as the overshoot in M1. From the fourth quarter of 1981 to June, M2 is estimated to have increased at a 9.3 percent annual rate, just above its longer-run range. The strength in M2 growth, accompanied by a substantial decline in its income velocity, suggests that enhanced liquidity demands affected this aggregate, as well as M1, over the first half of the year. In June, however, M2 growth slowed substantially.

(3) Bank credit growth is estimated to have slowed markedly in June, after growing at about a 9 percent annual rate over the preceding two months. Business loan growth appears to have remained fairly rapid. Bank issuance of large CDs accelerated sharply in the past two months, sustaining growth in M3--which by June was just above the Committee's

KEY MONETARY POLICY AGGREGATES
(Seasonally adjusted, annual rates of growth)

	1982				1981 Q4 to	
	April	May	June pe	March to June	1982:Q2 pe	1982:June pe
Money and Credit Aggregates						
M1	10.7	-2.1	3.5	4.0	7.1	6.3
M2	10.0	10.5	5.4	8.7	9.6	9.3
(Nontransaction component)	9.7	14.5	6.1	10.2	10.4	10.3
M3	11.9	10.7	8.2	10.3	9.7	9.7
Bank credit	9.3	8.6	4.4	7.4	9.5 3/	7.8 3/
Reserve Measures 1/						
Nonborrowed reserves 2/	0.5	16.0	0.8	5.8	2.7	3.1
Total reserves	2.7	4.4	2.0	3.0	5.2	4.8
Monetary base	9.2	9.0	6.4	8.3	7.6	7.6
Memo: (millions of dollars)						
Adjustment borrowing	1323	941	983			
Excess reserves	274	361	292			

n.a.--not available. pe--partly estimated.
1. Growth rates of reserve measures are adjusted to remove the effects of discontinuties resulting from phased changes in reserve ratios under the Monetary Control Act.
2. Nonborrowed reserves include special borrowing and other extended credit from the Federal Reserve.
3. Measured from December-January average base.

1982 range. Businesses have continued to tap the commercial paper market for sizable volumes of new funds. Bond issuance on domestic markets in May rose to its highest level since last fall, before subsiding more recently as bond yields moved higher.

(4) Total reserves expanded at about a 3¼ percent average annual rate in May and June; with nonborrowed reserves growing at an 8½ percent rate over the two months, borrowing at the discount window fell about $340 million from the April level. Throughout the intermeeting period borrowing has remained above the initial level of $800 million specified by the Committee, averaging $950 million for the six weeks. Borrowing in excess of the initial level early in the period partly reflected increased needs for borrowed reserves resulting from unexpected shortfalls in reserve factors late in the week as well as apparent difficulties of some large individual institutions in gauging reserve positions.1/ Most recently, nonborrowed paths have implied borrowing around $1 billion, as money growth above Committee objectives has boosted the demand for total reserves relative to the path for nonborrowed reserves.

(5) The federal funds rate has averaged around 14¼ percent during the two most recent full statement weeks,2/ compared with the 14½ percent area prevailing at the time of the May FOMC meeting. At the same time, however, other interest rates have risen about ½ to 1½ percentage points over the intermeeting period. Publication of money stock increases in early June, along with expectations of a further rise in July, affected market sentiment, as did the approach of a period of heavy Treasury financing demands and indications that economic activity was no longer

1/ Reserve paths and intermeeting adjustments are shown in Appendix I.
2/ Trading in the past couple of days has been in the 14¾-15 percent range, possibly reflecting cautious reserve management as the mid-year statement date approaches.

declining. Difficulties associated with the failure of Drysdale Government Securities in mid-May and the problems of Comark in early June appear not to have affected the attainment of reserve objectives by the System. However, these episodes have fostered a heightened awareness of differences in credit risk throughout the securities markets, and some changes in quality spreads. Some smaller dealers have had to pay a higher premium for funds.

(6) The rise in U.S. interest rates has contributed to the 7¼ increase in the weighted average value of the dollar since the May FOMC meeting. A secondary factor in the strength of the dollar has been its attractiveness as a safe-haven currency in the context of intensified hostilities in the Middle East. On Saturday, June 12, the European Monetary System realigned its currency band, devaluing the French franc and the lira and revaluing the mark and the guilder. When trading resumed on the Monday following the realignment, exchange markets were judged to be disorderly and the United States intervened for the first time since March 1981, purchasing $21 million equivalent of marks and $9 million equivalent of yen.

Longer-run targets

(7) Two options that seem reasonable under current circumstances in reconsidering the monetary aggregate targets for 1982 are retention of the present ranges (shown as alternative A below) or adoption of somewhat higher ranges (shown as alternative B).[1/] The desirability of higher ranges depends in part on whether it is thought that the strong demands for liquidity of the first half of the year--reflected in declines in velocity of both M1 and M2--are likely to abate. It also depends, of course, on the degree of monetary restraint the Committee deems appropriate under current economic circumstances and on assessment of the expectational impact on interest rates and the economy of announced changes, if any, in target ranges.

	Alt. A	Alt. B
M1	2½ to 5½	2½ to 6
M2	6 to 9	6½ to 9½
M3	6½ to 9½	6½ to 10

(8) Whether the Committee retains its current longer-run ranges, or raises them modestly as in alternative B, a marked slowing in growth of M1 would be required from the first-half pace of a little over 7 percent at an annual rate (as measured from QIV '81 to QII '82). If the Committee were to aim at 5 percent growth for the year, expansion in the second half would have to slow to around a 2¾ percent annual rate. Second-half growth could

1/ Somewhat the same effect as raising the ranges could be obtained in the case of M1 by rebasing on the lower limit of last year's growth ranges rather than basing on the actual outcome, which would effectively raise the range by 1 percentage point. This had been discussed by the Committee last February. Whatever the advantages and disadvantages at that time, there is an added disadvantage now because the considerable time that has elapsed since the base period tends to make raising issues in connection with the base seem a bit strained.

be about 4¾ percent at an annual rate if the Committee were to accept a 6 percent growth for the year.

(9) It is believed that the degree of slowing in M1 growth implied by retention of the current longer-run target ranges is generally consistent with the staff's forecast of a moderate pickup in economic activity in the second half of this year, assuming growth in M1 over the year near the upper limit of its long-run range. Growth in M2 and M3 would be expected to be around the upper end of their ranges. An acceleration in the velocity of monetary aggregates is expected in the second half of the year--in the case of M1 to the 4½ to 5½ percent range. Apart from the positive impact of renewed economic confidence and reduced demands for precautionary balances on velocity growth, more intensive use of cash balances could emerge if there is a spread of sweep accounts or shifts out of cash into the kinds of highly liquid time deposit accounts that are being considered by DIDC at its forthcoming meeting. On the other hand, continued unusual demands for liquidity could damp the expected rebound in velocity, and make it less likely that a significant upturn in economic activity would occur in the context of money growth within the bounds of the existing target ranges.

(10) Factors relevant to the setting of tentative targets for 1983 include expectations about the impact on money demand of changes in financial structure and technology, progress in curbing wage-price pressures, and the continued need to encourage economic recovery. Uncertainties about the impact of financial innovation and public attitudes toward money and other liquid assets argue for maintaining relatively wide ranges for targets, such as the present 3 percentage points. Continuing

progress toward price stability suggests that these ranges might be reduced next year, but slower growth in money next year can also be accomplished, of course, within the present ranges.

(11) A reduction in 1983 of the upper and lower limits of the ranges for M1, M2, and M3 from their current levels by ½ percentage point would be consistent with the staff's GNP projection for that year--if actual growth in the aggregate were permitted to be near the upper limits of the ranges. The table on the following page summarizes implications for economic activity of various monetary policy strategies, as indexed by growth rates for M1. Strategy 1 underlies the staff's judgmental GNP projection, which is based on growth of M1 at a 5 percent rate in 1982, with growth declining by ½ point in each succeeding year. The alternative projections are derived from differences calculated by the quarterly econometric model.

(12) Strategy 2 projects the possible outcome of a modest increase in the target range for money this year, while returning to the strategy 1 assumptions for M1 growth in the next years. This approach tends to have a positive effect on economic activity this year, but it leads to a somewhat higher inflation rate over time and the probability of a noticeable rebound of interest rates in 1983 after a drop in the latter part of this year. This interest rate rebound contributes to a slowing in growth of economic activity in the latter part of the projection period. Strategy 4 contemplates an increase in money growth this year and also more growth than under strategy 2 during the next two years. Economic activity would tend to be stronger over the three projection years, but the rate of price inflation, after falling for a while, begins to accelerate in 1984. The rate of inflation could, of course, pick up

Economic Projections Associated with Alternative Long-run Monetary Growth Strategies

	1982	1983	1984
Nominal GNP (Δ%, Q4/Q4)			
1. 5 - 4½ - 4[1/] (judgmental)	5.8	7.5	6.5
2. 6 - 4½ - 4[1/]	6.6	7.8	6.7
3. 5 - 3½ - 3[1/]	5.8	6.6	5.4
4. 6 - 5½ - 5[1/]	6.6	8.8	7.9
Real GNP (Δ%,Q4/Q4)			
1.	.6	3.0	2.3
2.	1.3	3.2	2.0
3.	.6	2.2	1.6
4.	1.3	4.0	2.8
Implicit Deflator (Δ%, Q4/Q4)			
1.	5.3	4.3	4.1
2.	5.3	4.5	4.6
3.	5.3	4.2	3.8
4.	5.3	4.6	5.0
Unemployment Rate (Q4)			
1.	9.5	9.1	8.7
2.	9.3	8.6	8.2
3.	9.5	9.4	9.4
4.	9.3	8.3	7.4
Treasury Bill Rate (Q4)			
1.	11.8	12.5	11.7
2.	10.6	12.3	12.0
3.	11.8	13.7	12.6
4.	10.6	11.3	11.3

1/ This array of figures represents assumptions about growth in M1 for the years 1982, 1983, and 1984, respectively, measuring growth on a QIV to QIV basis. Additional information on the interest rates believed consistent with strategy 1--the Greenbook forecast for 1982-83--may be found in Appendix II.

earlier, with economic activity weaker, should such a monetary course itself have adverse effects on inflationary expectations. Strategy 3, which contemplates a more rapid deceleration in money growth over the next two years following 5 percent growth this year, produces the most rapid progress toward price stability but at the cost of stronger pressures on short-term interest rate and reduced real growth. With all of the monetary strategies, short-term interest rates remain relatively high in real terms. This evolves out of the continued strength in nominal income and associated money demand relative to money supply targets, with nominal income sustained by stimulative fiscal policy of the Federal Government whose credit demands are generally insensitive to interest rates.

Alternative short-run targets

(13) The table below presents three alternative sets of monetary targets for the third quarter, plus associated ranges for the federal funds rate during the intermeeting period. More detailed data for the alternatives are shown in the table on page 11.

	Alt. A	Alt. B	Alt. C
Growth from June to September			
M1	5½	4	2½
M2	8½	7¾	7
Federal funds rate range	10 to 15	11 to 16	12 to 17

(14) Under alternative A, M1 over the next three months would grow at a rate matching that of the upper bound of the Committee's current longer-run range. Because such a trajectory would mean that there would be no narrowing of the existing absolute gap relative to the top of the range, alternative A might be viewed as especially consistent with a decision to raise the 1982 range or to tolerate a small overshoot. Under alternative B, M1 would expand at a rate that, if sustained, would result in growth for the year at about the 5½ percent upper bound of the longer-run range, while alternative C contemplates growth in M1 which would move the aggregate to just within this year's range by September. Under all alternatives, the level of M2 by September would be around its upper limit--a bit above in the case of alternative A and somewhat below in the case of alternative C. (See charts on the next two pages).

(15) Under any of the alternatives, growth of M1 in July probably will be relatively strong owing in part to special factors. The introduction of lower income tax withholding schedules tends to boost M1 balances for a while since spending or investing patterns generally take some time

Chart 1

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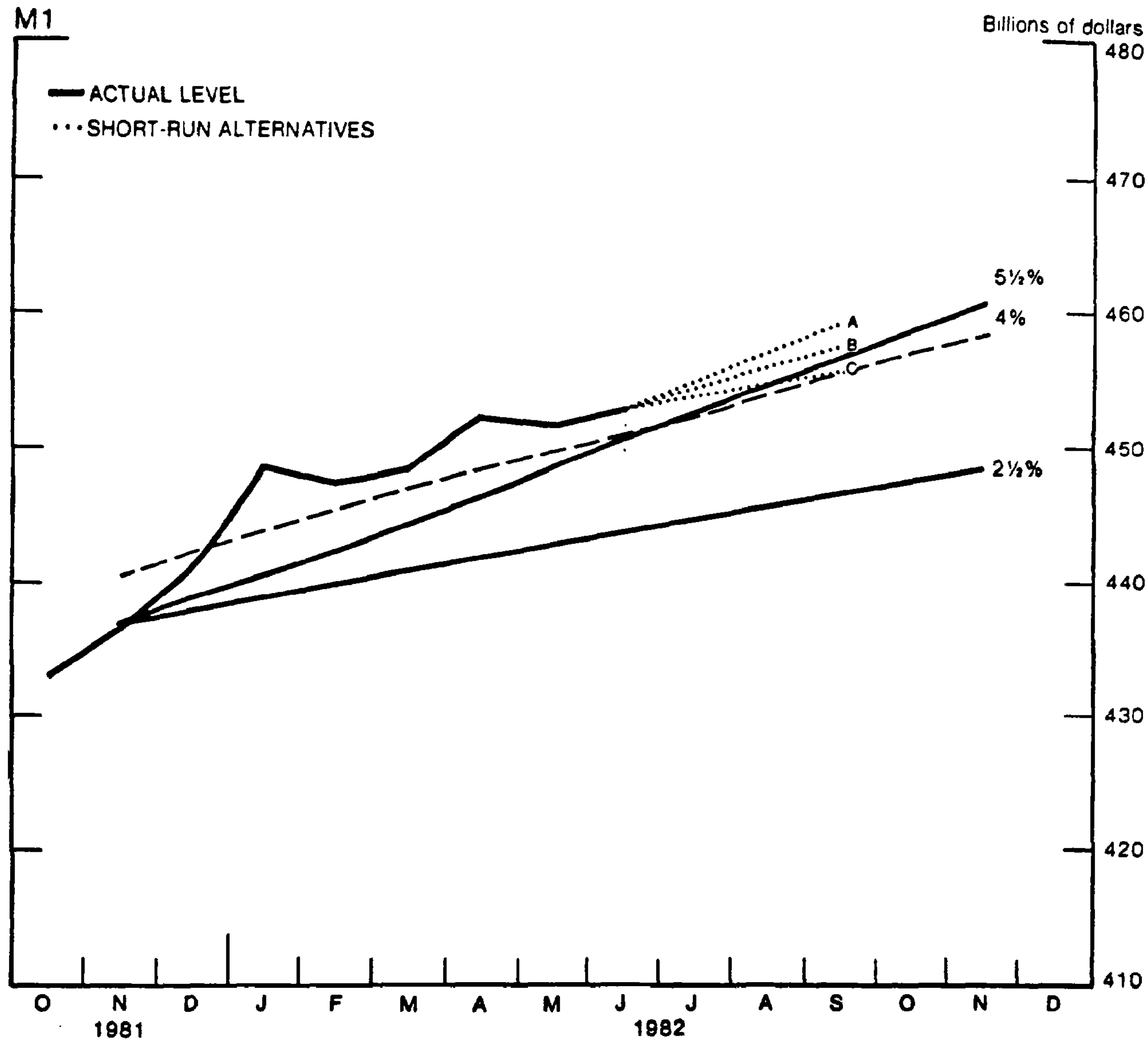
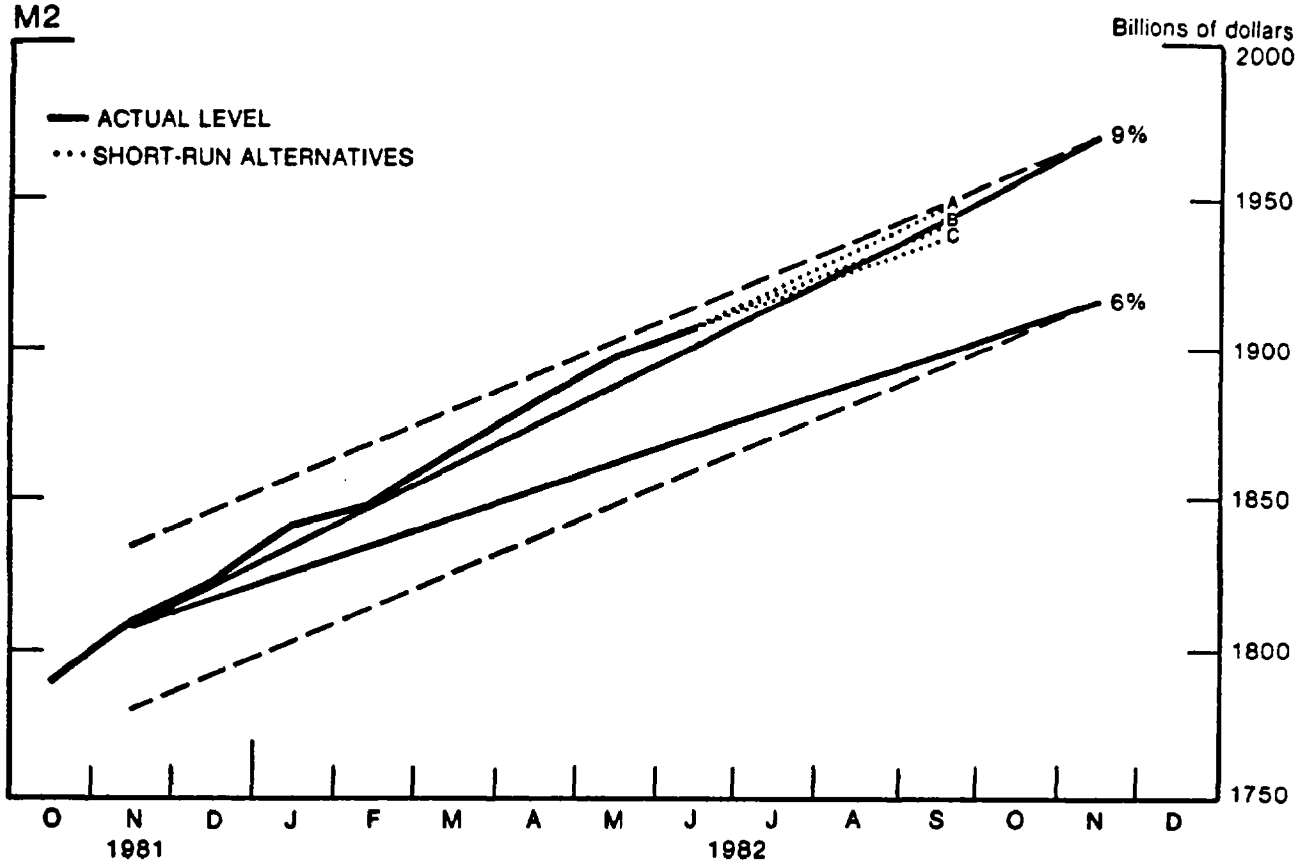
Actual and Targeted M1

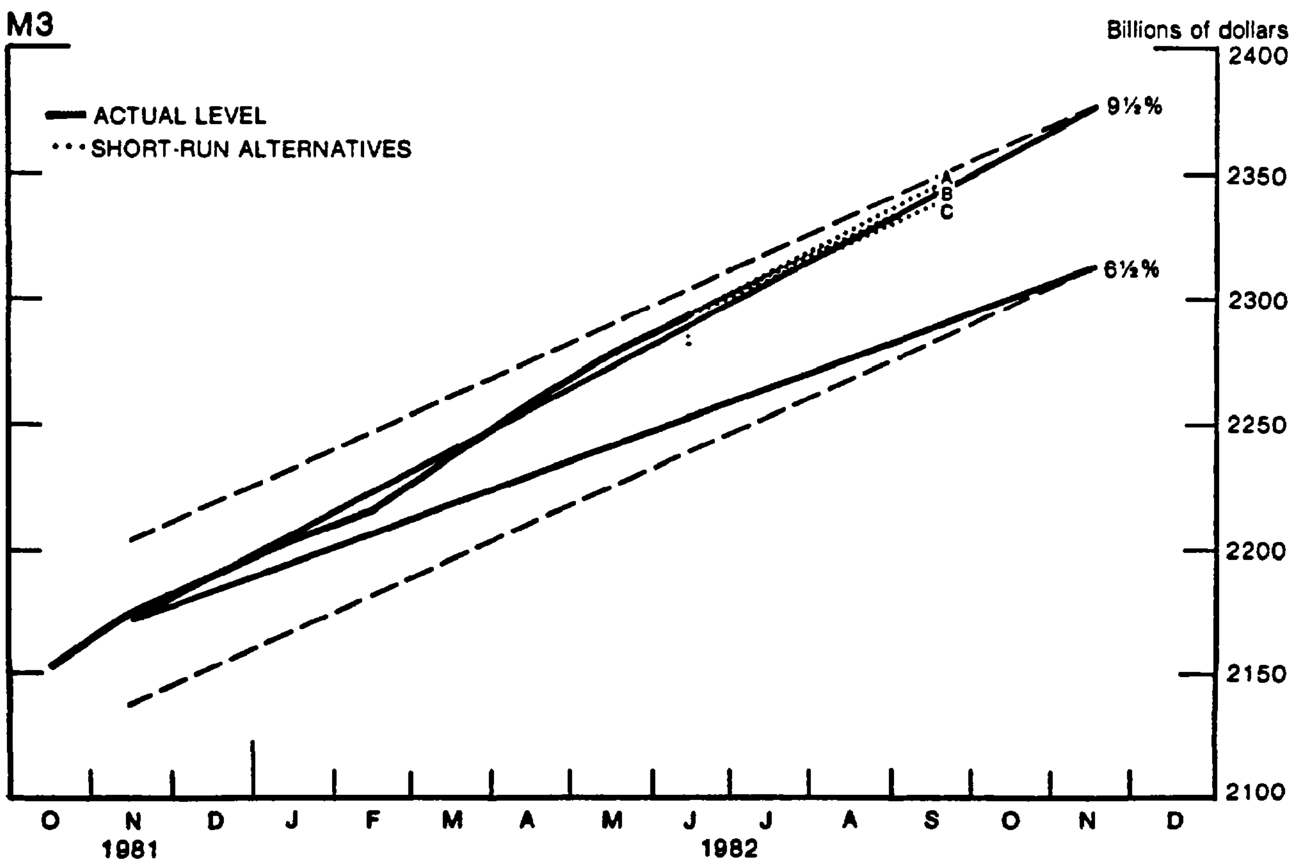


Note: June level is partly estimated.

Chart 2

Actual and Targeted M2 and M3





Note: June levels are partly estimated.

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--April	452.3	452.3	452.3	1880.7	1880.7	1880.7	2257.9	2257.9	2257.9
May	451.5	451.5	451.5	1897.1	1897.1	1897.1	2278.1	2278.1	2278.1
June	452.8	452.8	452.8	1905.7	1905.7	1905.7	2293.6	2293.6	2293.6
July	456.6	456.2	455.8	1921.0	1920.3	1919.7	2313.1	2312.4	2311.8
August	457.2	456.2	455.2	1934.3	1932.3	1930.3	2330.4	2328.4	2326.4
September	459.0	457.3	455.6	1945.7	1942.2	1938.6	2344.2	2340.6	2337.1
Growth Rates Monthly									
1982--April	10.7	10.7	10.7	10.0	10.0	10.0	11.9	11.9	11.9
May	-2.1	-2.1	-2.1	10.5	10.5	10.5	10.7	10.7	10.7
June	3.5	3.5	3.5	5.4	5.4	5.4	8.2	8.2	8.2
July	10.1	9.0	8.0	9.6	9.2	8.8	10.2	9.8	9.5
August	1.6	0.0	-1.6	8.3	7.5	6.6	9.0	8.3	7.6
September	4.7	2.9	1.1	7.1	6.1	5.2	7.1	6.3	5.5
June-September	5.5	4.0	2.5	8.4	7.7	6.9	8.8	8.2	7.6
Growth Rates Quarterly Average									
1982--Q1	10.4	10.4	10.4	9.8	9.8	9.8	8.7	8.7	8.7
Q2	3.7	3.7	3.7	9.3	9.3	9.3	10.5	10.5	10.5
Q3	4.8	3.9	2.9	8.3	7.8	7.4	9.3	8.9	8.5
Memo:									
Growth Q4 '81 to September '82	6.1	5.7	5.2	9.2	8.9	8.7	9.6	9.4	9.2

to adjust to changes in disposable income. Growth in July is also likely to be increased in some small degree by enlarged social security benefits stemming from this year's COLA which will be paid out just prior to the long July 4th holiday weekend.

(16) The growth of M1 at a 4 percent pace specified in alternative B for the whole June-September period is not expected to be accompanied by upward interest rate pressures despite the anticipated strengthening in nominal GNP. It seems likely that transaction demands for cash in the third quarter will be satisfied in part by liquidity built up earlier this year. The federal funds rate might be at or somewhat below the 14¼ percent level of recent statement weeks, trading generally in a 13½-14¼ percent range. At the current 12 percent discount rate, adjustment borrowing from the discount window likely would be in the $800 million to $1 billion area. With expansion in total reserves at a 5 percent annual rate over the quarter, a nonborrowed reserve path calling for growth at a slightly faster rate would be implied.

(17) Other short-term rates might decline some under this alternative, with the 3-month bill rate moving back toward 12½ percent or somewhat lower. Bond yields might also decline a little, but any breakout from the rate range of the past few months probably would require in addition more favorable fiscal policy developments or indications that economic recovery, and associated private capital demands, will be weaker than now generally anticipated. However, Treasury borrowing in the third quarter is currently estimated by the staff at about $50 billion, considerably higher than announced to date by the government and possibly more than generally anticipated in the market. Barring a large decline in longer-term rates, corporate bond issues are likely to remain limited.

Business borrowing at banks and in short-term markets may taper off, but, if so, is likely to be replaced by a reduced accumulation of liquid assets, following the apparent second quarter surge. Household borrowing is likely to remain restrained, owing to the deterrent effects of high real interest rates and lender caution.

(18) Alternative A, which targets faster growth in M1 than alternative B, could well produce a fairly substantial decline in money market rates. An increase in total reserves on the order of 6¼ percent from June to September would be consistent with the 5½ percent growth rate specified for M1 during the quarter. The federal funds rate likely would decline to a zone somewhat above the present discount rate, with adjustment borrowing falling into the \$300 to \$500 million range. Assuming borrowing were to average about \$400 million, growth of nonborrowed reserves would be 12 percent.

(19) The easing of the funds market likely to occur under this alternative should result in a substantial lowering of market rates generally. The 3-month Treasury bill rate probably would fall to around the 11-11½ percent area and the decline in bank costs of funds would likely push the prime rate down. Mortgage rates would again begin declining, encouraging moderately stronger loan demand in that sector. Lagging yields on money market funds would tend to strengthen M2 and M3 a bit in the short run as more aggressive money managers shift away from market instruments. In exchange markets, the dollar likely would probably decline substantially; this tendency could be limited to a degree, however, if foreign central banks responded by seeking an easing of their domestic interest rates.

(20) Alternative C sets the most restrictive monetary target, with M1 growth during the third quarter specified at only 2½ percent.

It seems likely that the more restrained reserve provision consistent with such growth would place further pressure on the money markets, with the federal funds rate moving to 15 percent or a bit higher over the inter-meeting periods. Borrowing at the discount window would rise to the vicinity of \$1½ billion, and nonborrowed reserves would drop at a 1½ percent annual rate over the quarter.

(21) The firming in the funds market expected under alternative C should be accompanied by moderately higher market rates generally but with the likelihood that commercial paper and CD rates may rise more rapidly than Treasury bill rates as concerns about spreading financial problems are exacerbated. The 3-month bill rate may be in a 13 to 13½ percent range, and 3-month CD rates could move above 16 percent. Financial pressures would inhibit the upturn in aggregate demand. The bank prime rate likely would rise, as would primary mortgage rates. The dollar probably would come under further substantial upward pressure in exchange markets.

Directive language

(22) Given below is a suggested operational paragraph for the directive. The specifications adopted at the meeting on May 18 are shown in strike-through form.

In the short run, the Committee seeks behavior of reserve aggregates consistent with growth of M1 and M2 from ~~March to~~ June TO SEPTEMBER 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 changes in the relative importance of NOW accounts as a savings vehicle.~~ 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 ~~10 to 15~~ ___ 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 Period Average		Projection of Reserves Demanded for Period Average			Implied Adjustment Borrowing	
	Total Reserves	Non-borrowed Reserves	Total Reserves	Required Reserves	Excess Reserves	Period Average	For Remaining Statement Weeks 1/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	6-Week Period: May 26 to June 30						
May 21	39,401	38,601	39,401	39,101	300	800	800
28	39,385 2/	38,570 2/3/	39,409	39,120	289	839	828
June 4	39,355 4/	38,525 4/5/	39,368	39,049	319	843	812
11	39,428 6/	38,567 6/7/	39,478	39,164	314	911	821
18	39,373 8/	38,512 8/	39,487	39,193	293	975	1014
25	39,373	38,513 9/	39,472	39,161	311	959	1014

1/ Represents borrowing in remaining statement weeks (as intermeeting period progresses) implied by each weekly updating of the 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 period.

2/ Total and nonborrowed reserves paths adjusted downward by $16 million due to changes affecting the reserves multiplier.

3/ Nonborrowed reserves path adjusted downward by $15 million to offset the increased demand for borrowing in the week of May 26.

4/ Total and nonborrowed reserves paths adjusted downward by $30 million due to changes affecting the reserves multiplier.

5/ Nonborrowed reserves path adjusted downward by $15 million to offset the increased demand for borrowing in the week of June 2.

6/ Total and nonborrowed reserves paths adjusted upward by $73 million due to changes affecting the reserves multiplier.

7/ Nonborrowed reserves path adjusted downward by $31 million to offset the increased demand for borrowing in the week of June 9.

8/ Total and nonborrowed reserves paths adjusted downward by $55 million due to changes affecting the reserves multiplier.

9/ Adjustment of reserves paths for available estimates of multiplier changes would have led to a sharp increase in the implied borrowing level just prior to FOMC meeting. To avoid such an increase in the implied level of borrowing, the nonborrowed reserves path was left essentially unchanged.

Appendix II

Interest Rate Assumptions
Underlying the Greenbook
GNP Forecast

(Quarterly average, percent)

	Federal funds	3-month Treasury bills	Recently Offered Corporate Bond	Fixed Rate Mortgage Commitment
1982--Q1	14.23	12.81	15.68	17.39
Q2	14½	12-3/8	15½	16¾
Q3	13¾	12¼	15½	16-5/8
Q4	13½	11¾	15	16½
1983--Q1	13½	11¾	15	16½
Q2	13¾	12	15	16½
Q3	14	12¼	15	16½
Q4	14½	12½	15	16½

NOTE: M1 is assumed to grow 5 percent in 1982 and 4½ percent in 1983.

Table 1
Selected Interest Rates
Percent

June 28, 1982

Period	Short-Term								Long-Term							
	federal funds	Treasury bills			CDs secondary market 3-month	comm. paper 3-month	money market mutual fund	bank prime loan	U.S. government constant maturity yields			corporate Aaa utility recently offered	muni-cipal Bond Buyer	home mortgages		
		secondary market		auction										primary conv.	secondary market	
		3-month	1-year	6-month					3-year	10-year	30-year				FNMA auction	GNMA security
	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	11.66	11.59	12.94	12.59	11.77	15.75	13.70	13.51	13.13	15.11	11.82	16.63	16.27	15.17
1981—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	13.74	16.50	14.18	13.87	13.37	15.44	12.59	16.89	—	15.40
May	14.45	12.09	11.98	12.22	13.80	13.42	13.49	16.50	13.77	13.62	13.24	15.24	11.95	16.68	16.27	15.30
June																
1982—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	15.29	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	15.31	11.82	16.63	16.27	15.17
19	14.67	12.27	12.07	12.19	13.92	13.49	13.65	16.50	13.78	13.58	13.25	15.17	11.96	16.67	—	15.26
26	13.70	11.53	11.66	11.68	13.49	13.09	13.29	16.50	13.66	13.59	13.20	15.20	11.99	16.63	—	15.18
June 2	13.43	11.79	11.86	11.59	13.52	13.11	12.94	16.50	13.86	13.81	13.50	15.39	12.13	16.65	—	15.57
9	13.60	12.13	12.17	12.12	13.81	13.37	13.02	16.50	14.03	13.96	13.70	15.59r	12.40	16.70	—	15.58
16	14.24	12.20	12.39	12.50	14.10	13.67	13.05	16.50	14.29	14.13	13.80	16.11	12.63	16.71	—	15.85
23	14.17	12.70	12.94	13.03	15.00	14.40	13.01	16.50	14.89	14.63	14.18	16.20p	12.62	n.a.	17.22	16.14
30																
Daily—June 18	14.11	12.73	13.00	—	15.05	14.48	—	16.50	14.87	14.62	14.19	—	—	—	—	—
24	14.71	12.99	13.03	—	15.12	14.46	—	16.50	14.98	14.71	14.20	—	—	—	—	—
25	14.95p	13.19	13.12	—	15.42	14.81	—	16.50	14.94p	14.76p	14.25p	—	—	—	—	—

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

June 28, 1982

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
II													
1981--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
May	-324	—	—	—	—	—	—	—	—	—	—	-325	-6,290
June													
1982--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	315	—	—	—	—	—	—	—	—	—	—	315	2,493
26	280	—	—	—	—	—	—	—	—	—	—	280	-4,168
June 2	—	—	—	—	—	—	—	—	—	—	—	—	5,071
9	386	—	—	—	—	—	—	—	—	—	—	386	-5,140
16	1,123	—	—	—	—	—	—	—	—	—	—	1,117	598
23	50	—	—	—	—	—	—	—	—	—	—	50	168
30													
LEVEL--June 23	53.4	14.2	37.6	10.7	16.8	79.3	2.2	5.3	0.9	0.5	9.0	141.7	-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 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 (+).

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Table 3

Security Dealer Positions and Bank Positions

Millions of dollars

June 28, 1982

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	9,335	7,916	-11,097	-4,739	186	237	622	1,547	232	324	1,908
Low	800	1,413	-1,795	-2,578	0	38	0	555	53	179	950
1981--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	-6,123	-3,116	0	52	418	1,245	75	197	1,518
Feb.	4,557	5,322	-7,726	-3,173	8	97	304	1,426	131	232	1,790
Mar.	6,594	5,653	-6,757	-2,909	106	104	361	1,073	158	308	1,556
Apr.	7,718	4,846	-5,555	-3,393	23	76	274	1,156	167	245	1,568
May	7,201	6,682	-10,114	-4,680	84	179	361	.706	235	176	1,117
June											
Apr. 7	9,318	5,393	-1,795	-2,578	0	38	272	1,035	166	279	1,480
14	8,061	4,677	-2,929	-2,894	0	69	318	947	154	234	1,335
21	8,202	4,277	-6,602	-3,546	0	76	171	1,246	159	248	1,653
28	6,008	5,177	-9,152	-4,144	70	117	285	1,419	177	227	1,823
May 5	6,220	4,596	-8,449	-3,969	27	122	444	1,080	205	214	1,499
12	6,533	7,337	-10,371	-4,739	76	237	264	707	218	192	1,117
19	7,916	5,945	-11,097	-4,692	147	180	440	555	232	179	966
26	8,477	7,916	-9,997	-4,348	114	181	99	626	258	162	1,046
June 2	6,327 **	7,156 **	-10,205 **	-4,111 **	38	188	672p	656p	260p	132p	1,048p
9	8,609 **	5,148 **	-6,290 **	-2,998 **	0	111	170p	974p	217p	115p	1,306p
16	9,335**	3,865**	-6,181**	-2,758**	42	128	220p	606p	221p	104p	931p
23	5,946**	3,527**	-5,275**	-2,489**	0	n.a.	281p	666p	253p	96p	1,015p
30											

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