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May 20, 1983

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MONETARY POLICY ALTERNATIVES

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

May 20, 1983

MONETARY POLICY ALTERNATIVES

Recent developments

(1) In April M2 grew slowly--at about a 3 percent annual rate--held down in part by enlarged shifts to IRA and Keogh accounts in advance of the April tax date. M2 growth is picking up in May, but expansion to date appears still to be falling short of a pace consistent with the 9 percent rate from March to June expected by the Committee. Growth in MMDAs has slowed further in recent weeks--though not quite to the rate expected at the time of previous FOMC meetings--and appears to have added about 1½ percentage points or so to M2 growth in April and May. M3 behavior generally has paralleled that of M2--with growth relatively slow in April and picking up, though less sharply, in May--and its expansion for the quarter to date seems to be below the 8 percent annual rate indicated by the Committee for the second quarter.

(2) M1 declined at a 3 percent annual rate in April; however, data for early May indicate a very sharp rebound in growth of this aggregate. The uneven pattern of growth may be attributable in some part to problems with seasonal factors, but examination of seasonally unadjusted data for early May suggest unusual strength in the month in any event. For April and May combined, M1 growth appears as if it may be running about 4 percentage points above the 6 to 7 percent annual rate of growth from March to June that the FOMC thought was consistent with its expectations for the broader aggregates.

(3) Debt of domestic nonfinancial sectors is estimated on the basis of preliminary data to have grown at about a 9½ percent annual rate in April, about the same as the rate of advance from December to March. The

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

	1983					Estimated Growth to May	
	Jan.	Feb.	Mar.	Apr.	May Proj. ^{1/}	From Mar.	From base for longer-run ranges ^{2/}
<u>Money and Credit Aggregates</u>							
M1	9.8	22.4	15.9	-3.1	24.2	10.5	13.8
M2	29.8	24.0	11.1	3.1	10.0	6.4	7.5
M3	12.0	13.3	8.2	4.5	7.3	5.7	8.6
Domestic Nonfinancial Debt	8.6	9.6	9.5	9.4	--	--	9.4 ^{3/}
Bank Credit	12.8	7.6	11.2	8.7	--	--	9.7 ^{3/}
<u>Reserve Measures^{4/}</u>							
Nonborrowed reserves ^{5/}	-17.5	8.8	14.7	5.2	5.6	5.4	4.6
Total reserves	-19.5	6.6	19.7	8.8	-2.2	3.3	4.2
Monetary base	4.7	11.4	15.0	6.9	10.5	8.7	9.7
Memo: (Millions of dollars)							
Adjustment and seasonal borrowing	372	304	474	598	398 ^{6/}	--	--
Excess reserves	548	435	433	477	470 ^{6/}	--	--

^{1/} Projections based on data available through May 18.

^{2/} The base for M1, M3, and reserves is QIV '82, for M2 is February-March 1983, and for the domestic nonfinancial debt December '82.

^{3/} Through April only.

^{4/} 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.

^{5/} Includes special borrowing and other extended credit from the Federal Reserve.

^{6/} For first three statement weeks ending in May.

latest estimate places this debt measure a bit below the midpoint of the FOMC's $8\frac{1}{2}$ to $11\frac{1}{2}$ percent annual range. In addition to continued heavy borrowing by the federal government, tax-exempt financing and mortgage formation have been strong so far this year and consumer installment borrowing has picked up as well. Nonfinancial businesses also have issued a substantial volume of long-term debt, but this has been partly offset by weakness in short-term business borrowing in the commercial paper market and at banks. Total bank credit growth in April was at an $8\frac{3}{4}$ percent annual rate, somewhat below the first quarter pace; business loans declined in April and at large banks have remained weak in early May, but banks have continued to acquire large amounts of Treasury securities.

(4) After the abatement of statement date pressures at the end of the first quarter, restraint on bank reserve positions has been associated with a federal funds rate generally in an $8\frac{1}{2}$ to $8\frac{3}{4}$ percent area. The level of borrowing since the last meeting has averaged higher than the \$250 million set for reserve path purposes at the last Committee meeting, mainly because of distortions around the end-of-quarter statement date and special influences in two other weeks. Excess reserves have continued to be volatile and to run relatively high on average. With demand for required reserves slowing in lagged response to a weakness in transactions deposits over much of March and through April, growth in the various aggregate reserve measures has slowed in April and May relative to the previous two months. The growth rate of the monetary base has, however, accelerated in May along with renewed strengthening of currency growth.

(5) Since the last Committee meeting, short-term rates have declined $\frac{1}{2}$ to $\frac{1}{2}$ of a percentage point, while bond rates have shown mixed

changes. Rates had fallen considerably in the first few weeks of the intermeeting period, as the market reacted to weak money supply figures in April and to renewed expectations of a discount rate cut in the not-too-distant future. However, most recently rates have backed up, as strong incoming economic data and signs of renewed rapid growth in M1 caused hopes for a near-term discount rate cut to fade. Spurred by lower interest rates and improved prospects for economic growth, stock prices reached new record levels in May, although most recently they have eased off with the backup in interest rates.

(6) The dollar is essentially unchanged on a weighted average basis since the March FOMC meeting, despite the modest decline in U.S. short-term interest rates relative to a weighted average of foreign rates. The dollar depreciated substantially against sterling and by a lesser amount against the yen, but these declines were offset by an increase against the mark and other EMS currencies.

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Long-term targets

(7) In establishing its long-term growth ranges for the aggregates for 1983, the Committee indicated that the ranges for M1 and M2 would be "reviewed in the spring and altered, if appropriate, in the light of evidence at that time." Economic issues with respect to M1 would appear to involve mainly whether its velocity--or, expressed otherwise, the demand for money--is becoming more predictable and consistent with past history. A principal issue raised by the Committee's targeting procedure for M2 would appear to revolve around whether the bulk of shifts associated with introduction of MMDAs is indeed behind us, as was expected in establishing both the February-March base and the 7 to 10 percent range covering the period from that base to QIV '83 (a range that assumed that growth would be boosted over that period by only about 1 percentage point or so at an annual rate from further shifting to MMDAs from non-M2 sources).

(8) The staff has employed a variety of econometric tests, including experimentation with new money demand models, in an effort to evaluate the recent behavior of M1, particularly since late 1981--as is explained in some detail in the paper circulated with this blue book. In brief, the results suggest that there has been a noticeable increase in the responsiveness of M1 to changes in open market yields, with the implication that in a period of declining short-term interest rates M1 could be expected to grow more rapidly than had previously been the case (given income)--as, of course, took place in the latter part of 1982 and early 1983. The apparent increase in interest sensitivity of M1 recently seems to be associated at least in part with the growing importance over the

last couple of years of fixed ceiling-rate NOW accounts--which have both savings and transaction characteristics--as a component of M1.

(9) Thus, the most recent staff research supports the view that the strong growth of M1 in late 1982 and early 1983 can be explained in large measure by lagged responses to the decline in short-term market rates that began last summer. That lagged effect is virtually dissipated by now, and, assuming little further change in short-term interest rates, demand for M1 over the balance of the year would therefore depend mainly on its responsiveness (for both transaction and savings purposes) to income growth. Our present estimates suggest that M1 growth over the balance of the year, given projected GNP, would slow markedly from its pace over the first five months of the year, but that the odds are fairly high that the slowing will still leave M1 by year-end somewhat above the upper end of its present longer-run range.

(10) A number of uncertainties make such a conclusion no more than tentative at this point, however--and indeed make it likely that assessment of M1 behavior may be little further advanced by July, when the FOMC's full-scale mid-year review of monetary and credit aggregates is scheduled. First, experience with nationwide NOW accounts has been limited, so that estimates of interest- and income-elasticities should be construed as having a wider-than-usual margin of error around them. Moreover, they may be distorted by inability to allow precisely for one-time transitional effects on money demand from the public's and depository institutions' responses to availability of new instruments. Second, the apparent higher interest-elasticity of recent years may, in any event, be in process of reversing. As super-NOWs become more prevalent, and over the longer term as regular NOWs are deregulated, deposit rates will move more closely in

line with market rates, thereby likely reducing the response of money-holders to changes in market rates. Thus, it would seem that, while the period of sharp decline in the income velocity of M1 may be behind us, the behavior of M1 velocity over the balance of the year still is subject to considerable uncertainty--as it also may well be over longer periods.

(11) With regard to the longer-run range for M2, the recent behavior of MMDAs is consistent with the assumption used in setting the range that the bulk of shifts from non-M2 sources into M2 would be completed by March. The average weekly growth in MMDAs declined from \$33 billion in January to \$17 billion in February and \$8 billion in March. Growth since the end of March has averaged less than \$4 billion per week. Some further deceleration from this pace can in all likelihood be expected, and thus we would see little reason to alter the earlier assumption about the modest impact of MMDA growth on M2 over the long-run target period. Moreover, since March, growth in the nontransactions component of M2 as a whole has been generally moderate, even after rough allowance for shifts in April out of M2 deposits into IRA-Keogh accounts. In general, there is little in the statistical evidence to date to suggest that the longer-run M2 range needs modification--though M2 is currently running lower relative to the range than had earlier been expected in part because of large shifts into IRA-Keogh accounts.

Policy alternatives for the short run

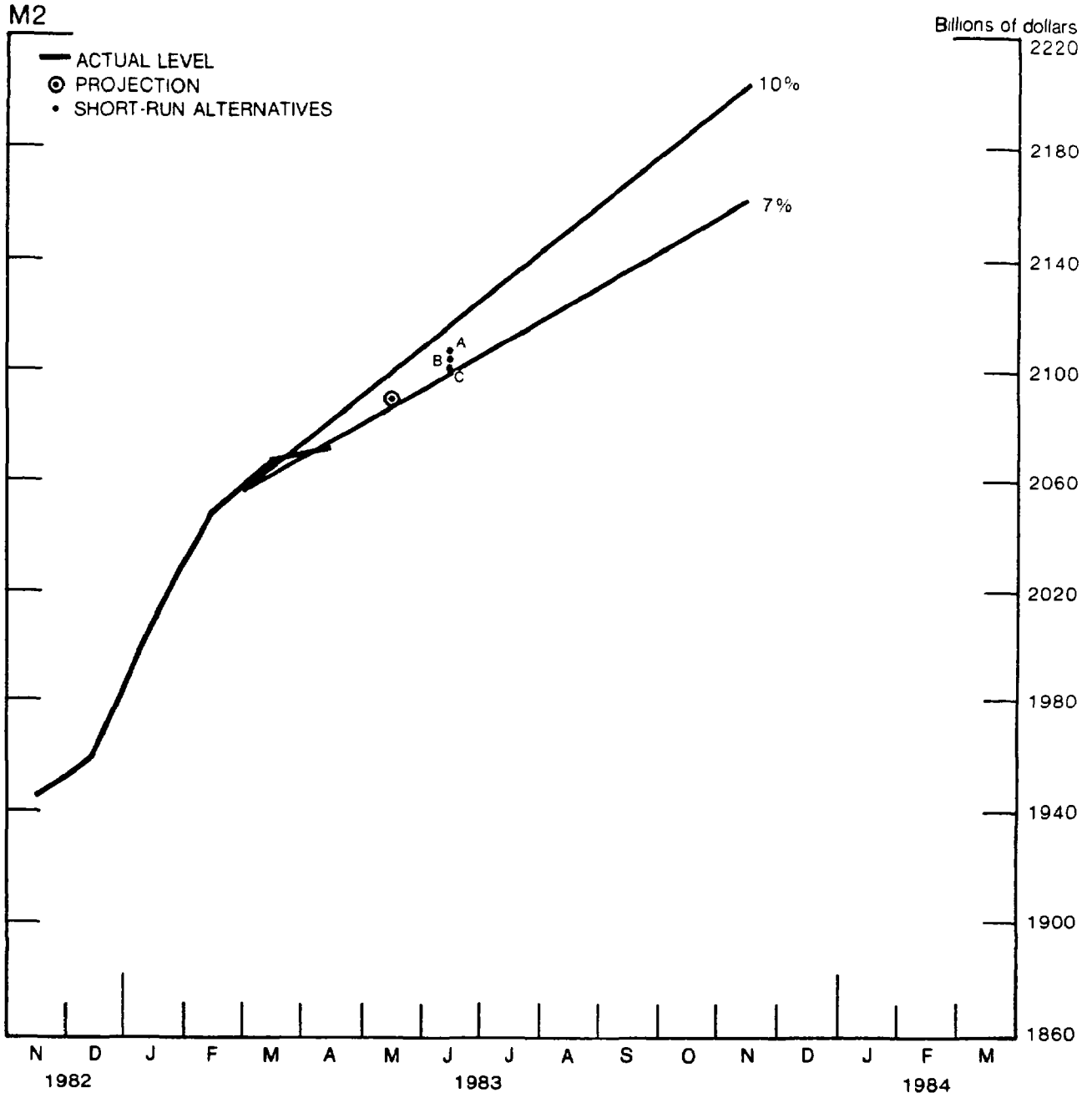
(12) The table below shows, in the top two panels, alternative specifications for the monetary aggregates and the federal funds rate for the upcoming intermeeting period. The third panel indicates the implied growth from March to June of these alternatives. (More detailed data for the alternatives, including their relation to the longer-run ranges, are shown in the charts and table on the following pages. The quarterly interest rate path consistent with the staff's GNP projection is shown in Appendix I).

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
Growth from April to June			
M2	9½	9	8½
M3	7	6½	6
M1	15½	14½	13½
Federal funds rate range	5 to 9	6 to 10	7 to 11
Implied March to June growth			
M2	7½	7	6¾
M3	6½	5¾	5½
M1	9½	8½	8

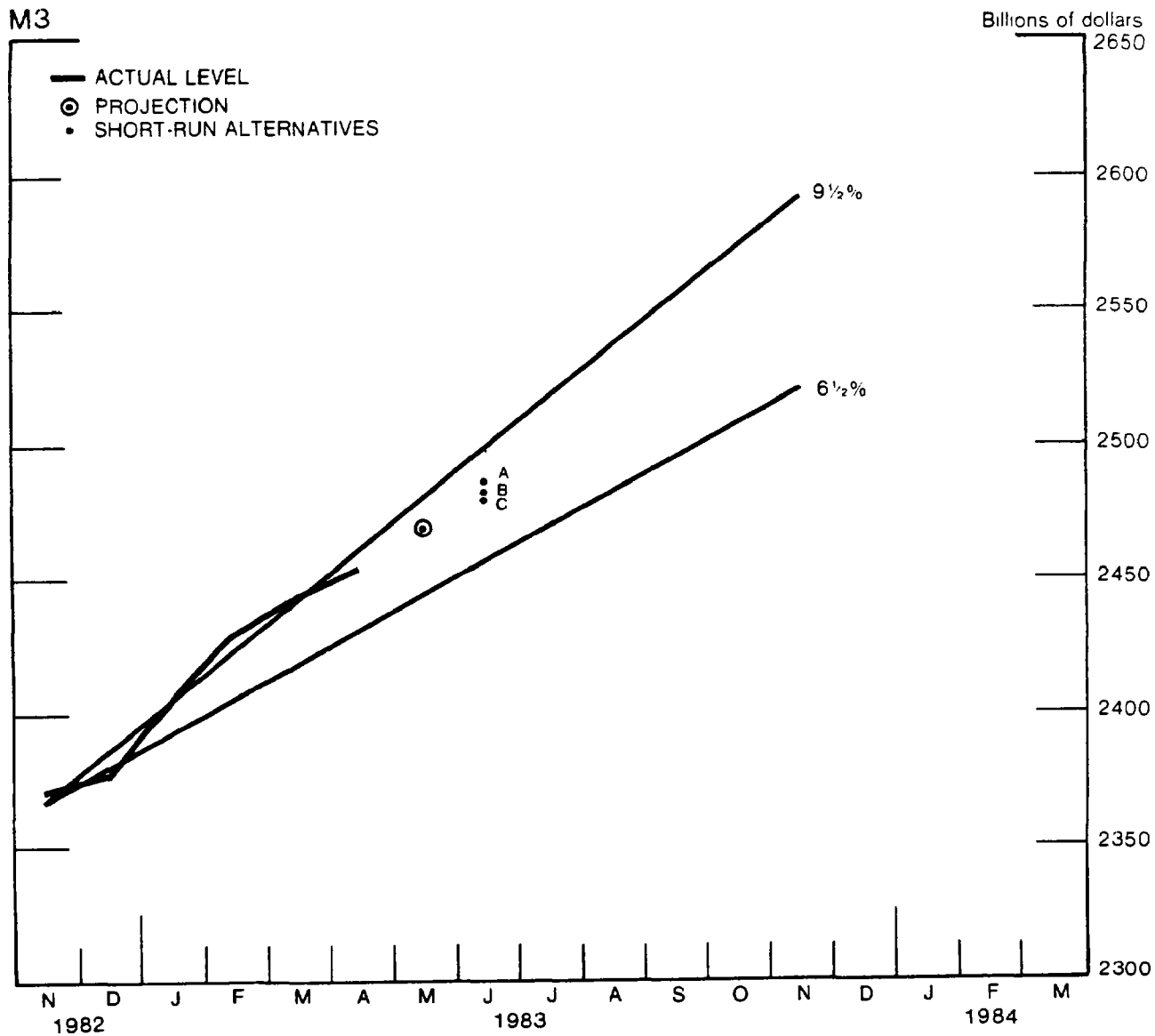
(13) As may be seen from the lower panel of the table, all of the alternatives indicate that M2 and M3 over the second quarter would run below the annual growth rates of 9 and 8 percent, respectively, expected by the Committee at its previous meeting. It should be pointed out, though, that about one-half percentage point of the weakness of M2 and M3 growth over the second quarter relative to earlier March-to-June expectations may be attributed to unexpectedly large shifts of funds into IRA-Keogh accounts in April prior to the tax date. There are only small differences in growth rates shown among the alternatives because of the limited time remaining

Actual and Targeted M2

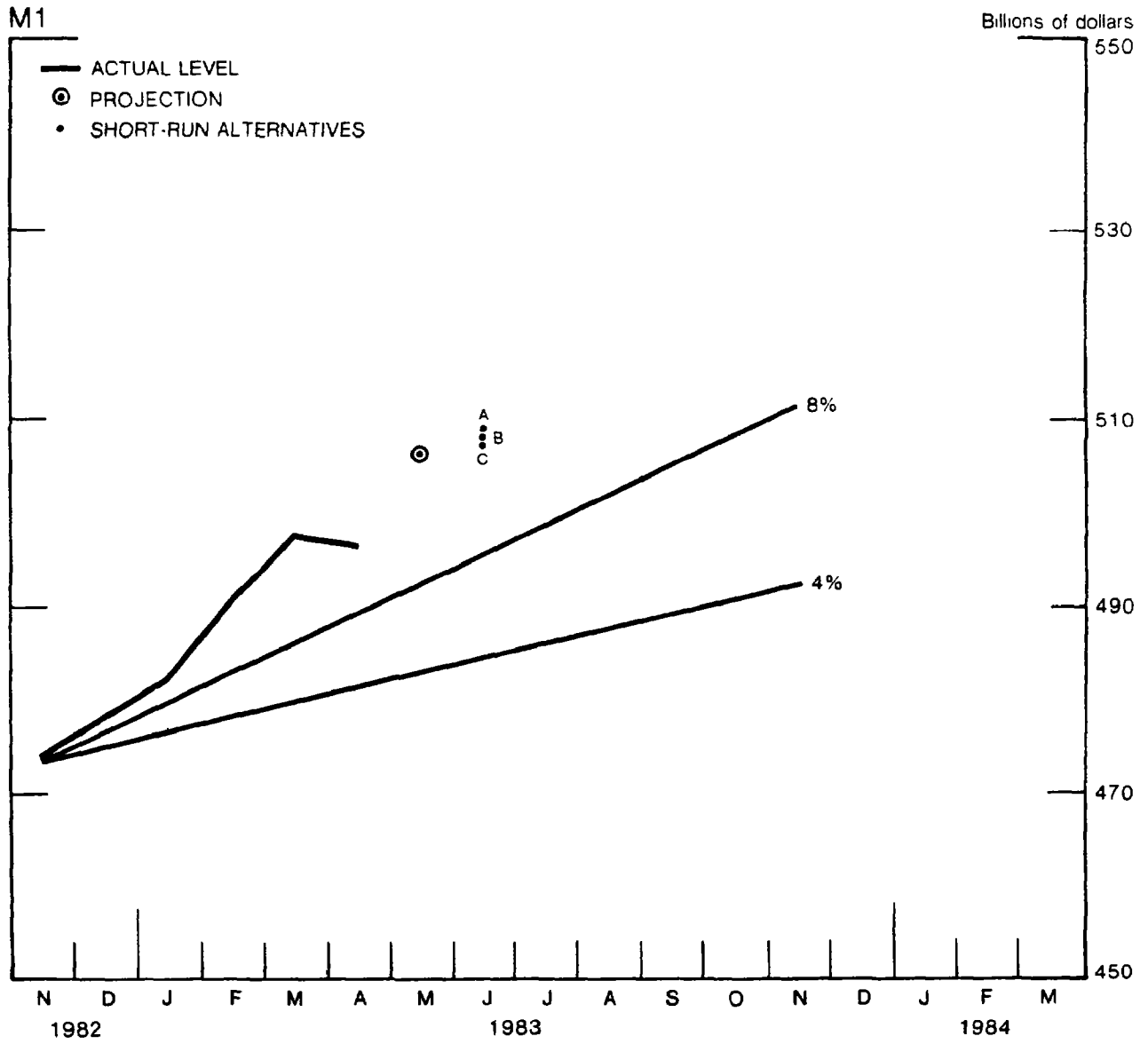
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Actual and Targeted M3



Actual and Targeted M1



Alternative Levels and Growth Rates for Key Monetary Aggregates

	<u>M2</u>			<u>M3</u>			<u>M1</u>		
	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1983--January	2008.1	2008.1	2008.1	2401.4	2401.4	2401.4	482.1	482.1	482.1
February	2048.2	2048.2	2048.2	2428.1	2428.1	2428.1	491.1	491.1	491.1
March	2067.2	2067.2	2067.2	2444.6	2444.6	2444.6	497.6	497.6	497.6
April	2072.6	2072.6	2072.6	2453.7	2453.7	2453.7	496.3	496.3	496.3
May	2089.9	2089.9	2089.9	2468.6	2468.6	2468.6	506.3	506.3	506.3
June	2105.4	2103.7	2102.0	2482.3	2480.3	2478.2	509.1	508.3	507.5
<u>Growth Rates</u>									
<u>Monthly</u>									
1983--January	29.8	29.8	29.8	12.0	12.0	12.0	9.8	9.8	9.8
February	24.0	24.0	24.0	13.3	13.3	13.3	22.4	22.4	22.4
March	11.1	11.1	11.1	8.2	8.2	8.2	15.9	15.9	15.9
April	3.1	3.1	3.1	4.5	4.5	4.5	-3.1	-3.1	-3.1
May	10.0	10.0	10.0	7.3	7.3	7.3	24.2	24.2	24.2
June	9.0	7.9	6.9	6.7	5.7	4.7	6.6	4.7	2.8
March to June	7.4	7.1	6.7	6.2	5.8	5.5	9.2	8.6	8.0
April to June	9.5	9.0	8.5	7.0	6.5	6.0	15.5	14.5	13.5
<u>Growth Rates</u>									
<u>Quarterly Average</u>									
1982--Q1	8.7	8.7	8.7	8.6	8.6	8.6	10.5	10.5	10.5
Q2	7.0	7.0	7.0	8.5	8.5	8.5	3.2	3.2	3.2
Q3	10.9	10.9	10.9	12.5	12.5	12.5	6.1	6.1	6.1
Q4	9.3	9.3	9.3	9.5	9.5	9.5	13.1	13.1	13.1
1983--Q1	19.8	19.8	19.8	9.8	9.8	9.8	14.1	14.1	14.1
Q2	9.4	9.3	9.2	7.2	7.1	6.9	11.1	10.9	10.7

in the second quarter, the relatively low interest-elasticity of the broad aggregates, and the comparatively modest interest rate differences assumed across the alternatives. With regard to M1, the alternatives indicate a more rapid growth in that aggregate over the second quarter than the 6 to 7 percent anticipated earlier, given the unexpected surge in May.

(14) While estimates of the relationship between the aggregates and bank reserve positions are subject to considerable uncertainty, the money supply specifications of alternative B are expected to be consistent with little change in the current degree of restraint on bank reserve positions--that is, with borrowing at the discount window fluctuating around \$250 million, associated with a federal funds rate generally just above the current $8\frac{1}{2}$ percent discount rate. Nonborrowed reserves in June would be expected to expand at about a 9 percent annual rate, and total reserves by about 6 percent.

(15) Under alternative B, there is little reason to believe that interest rates in general would change much from current levels, given the recent back-up in interest rates. The 3-month Treasury bill rate would probably trade in the vicinity of $8\frac{1}{2}$ percent. The bond market is likely to remain able to absorb a large supply of corporate, tax exempt, and Treasury offerings at around present rate levels, although those rates could come under upward pressure should signs of more vigorous economic recovery emerge, particularly if doubts intensified about prospects for fiscal restraint. After edging down recently mortgage rates may tend to stabilize. The total debt of domestic nonfinancial sectors is expected to increase at about a 9 to $9\frac{1}{2}$ percent annual rate over the second quarter--

little different from the first--as federal government credit demands remain large and private credit demands stay moderate.

(16) The staff does not expect the bulge in M1 growth in May to presage continued rapid growth in double digits in June or the months beyond. Both our (refurbished) quarterly and monthly money demand models would project expansion in a 6 to 7 percent annual rate area at around current interest rates, given projected GNP. M1 growth in June seems likely to be in that area, or perhaps lower considering the unwinding of special influences that may be inflating growth in May--such as seasonal adjustment problems and possible effects from an unusually sharp decline in the Treasury balance after the first week of May. Given the moderate June growth expected under alternative B, M1 on a quarterly average basis would expand at about an 11 percent annual rate, which would imply a 2 percent decline in its income velocity--a much smaller decline than in the first quarter but still in sharp contrast to the increases that have usually been registered in the early stages of business cycle upturns.

(17) M2 growth under alternative B is anticipated to be around a 9 percent annual rate over May and June on average. Growth in the non-transactions component of that aggregate is expected to pick up, after having been depressed in April by IRA-Keogh transfers. Growth in M3 is likely to be held down by CD run-offs at banks, as loan demand--particularly from businesses--remains soft, and by declines in the assets of institution-only money market funds, though at a slower pace than in recent months.

(18) Alternative A envisions an easing in bank reserve positions that would help move the broader aggregates more in the direction of the short-run path expected at the last Committee meeting, but at the same time

would probably cause M1 to move even further above the Committee's previously held expectations for the second quarter. The alternative envisions a drop in borrowing to near minimal levels--perhaps \$100 million, which would bring the federal funds rate down to around 8 percent. A similar easing of money market conditions could be attained with a drop in the discount rate to 8 percent, and borrowing to about \$200 million.

(19) The approach of alternative A, particularly if it also involved a cut in the discount rate, could lead to fairly sizable declines in short-term interest rates, partly because it would tend to confirm that the Committee was discounting the recent behavior of M1. A 3-month bill rate around $7\frac{1}{2}$ - $7\frac{3}{4}$ percent might be anticipated, and the prime loan rate should come down another notch. A moderate decline in long-term rates is also probable. There is a possibility, though, of some adverse effect on long-run inflation expectations, given the recent strong economic and monetary data--which would have a negative impact on bond markets. In foreign exchange markets, a drop in short rates here would help reverse the rise in the dollar of recent days, but it is doubtful that the dollar would drop very substantially, given the continuing attractiveness of dollar assets and the probability of some easing action by foreign central banks.

(20) Over the longer run, looking toward the year as a whole, alternative A would, with greater probability, involve M1 growth above the FOMC's longer-run range, unless interest rates moved up again in the second half of the year. M2 growth would be raised for the year, but the direct effect of lower market rates on demand for M2 may be quite modest given the relatively low interest-elasticity of that aggregate. Whether M2 growth would be strongly affected, with some risk of overshooting the

present long-run range, would depend mainly on the degree of upward impact on GNP growth (relative to our current forecast of 8 percent at an annual rate over the second half) of some easing in interest rates now. Since the contemplated interest rate declines are small, a substantial impact on spending would seem to be contingent on whether the easing engendered a significant improvement in business and consumer confidence.

(21) Alternative C, which contemplates an increase in the federal funds rate to the 9 to 9½ percent area, would imply a level of adjustment borrowing between \$500 and \$700 million at the current discount rate. With an increasing amount of reserve demands met at the discount window, non-borrowed reserves over the next month would decline at an annual rate of around 2 percent. The 3-month bill rate would probably rise into the 8½ to 9 percent area, and the prime rate would come under upward pressure. Bond rates, too, would rise, perhaps sharply initially, but subsequent investor willingness to acquire long-term assets in light of improved inflationary expectations would tend to blunt such increases.

(22) This alternative would be consistent with an effort to ensure that M1 growth moves back closer to the Committee's longer-run target. At the same time, though, the higher interest rates involved would work to restrain M2 growth. The direct impact on M2 of the interest rates themselves would be relatively minor in the short run. The principal constraint on growth of M2 and broader aggregates generally is more likely to come as the year progresses from any slower expansion in income that might emerge from the higher interest rates associated with the alternative.

Directive language

(23) Given below are two suggested operational paragraphs for the directive. Alternative I is the current directive, with quantitative specifications adopted at the previous meeting shown in strike-through form and with a possible language deletion shown in brackets. Given the likelihood that the earlier specifications are not reasonably attainable, the Committee may wish to consider either changing the specifications in the current directive or adopting a somewhat different approach suggested by alternative II. That alternative does not provide numerical specifications, though the possibility of including them for the broader aggregates is indicated in bracketed language.

Alternative I

For the short run, the Committee seeks to maintain generally the existing degree of restraint on reserve positions, anticipating that would be consistent with a slowing from March to June in growth of M2 and M3 to annual rates of about 9 ___ and 8 ___ percent, respectively. The Committee expects that M1 growth at an annual rate of about 6 ___ to 7 ___ percent would be consistent with its objectives for the broader aggregates. [Lesser restraint would be acceptable in the context of more pronounced slowing of growth in the monetary aggregates relative to the paths implied by the long-term ranges (taking account of the distortions relating to the introduction of new accounts), or indications of a weakening in the the pace of economic recovery.] 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 6 ___ to 10 ___ percent.

Alternative II

For the short-run, the Committee seeks to (maintain generally/increase/decrease) the existing degree of reserve restraint, anticipating that growth rates of M2 and M3 over May and June will accelerate from their reduced April pace [to annual rates of ___ and ___ percent, respectively] while remaining in conformance with their longer-run ranges. Consistent with these objectives, the Committee anticipates that M1 would remain above its longer-run range, but that its growth would be substantially reduced in the period immediately ahead. 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 6 ___ to 10 ___ percent.

Appendix I

Interest Rates Consistent
With the Greenbook
GNP Projection
(quarterly averages, percent)

	<u>Federal Funds</u>	<u>3-month Treasury Bill</u>	<u>Aaa Utility</u>	<u>Fixed rate Mortgage Commitment</u>
1983--Q1 (Actual)	8.65	8.11	11.89	13.03
Q2	8-5/8	8-1/8	11-3/8	12-5/8
Q3	8-5/8	8-1/8	11-3/8	12-1/2
Q4	8-5/8	8-1/8	11-1/4	12-3/8
1984--Q1	8-1/2	8	11	12-1/4
Q2	8-1/4	7-3/4	10-7/8	12-1/8
Q3	8-1/4	7-3/4	10-7/8	12
Q4	8-1/4	7-3/4	10-7/8	11-7/8

APPENDIX II

Reserves Measures
(Millions of dollars, weekly averages, not seasonally adjusted)

Week (Date of projection in parentheses)	Projections of Reserves Demanded			Assumed Borrowed Reserves ¹	Implied Nonborrowed Reserves ²	First Published Actual Reserves (current figures in parentheses)		
	Required Reserves	Excess Reserves	Total Reserves			Nonborrowed Reserves	Excess Reserves	Borrowed Reserves ¹
Apr. 6 (Apr. 1)	37,317	600	37,917	1,250 ³	36,667	36,652 (36,499)	774 (632)	1,439 (1,429)
Apr. 13 (Apr. 8)	37,180	400	37,580	250	37,330	37,561 (37,506)	613 (563)	232 (222)
Apr. 20 (Apr. 15)	39,173	300	39,473	250	39,223	39,079 (39,137)	166 (219)	260 (252)
Apr. 27 (Apr. 22)	38,619	350	38,969	250	38,719	38,295 (38,393)	363 (459)	687 (678)
May 4 (Apr. 29)	38,944	450	39,394	250	39,144	39,130 (39,115)	621 (606)	435 (435)
May 11 (May 6)	37,568	400	37,968	250	37,718	37,701 (37,800)	336 (435)	203 (203)
May 18 (May 13)	37,764	300	38,064	250	37,814	37,577	368	555
May 25 (May 20)	37,569	350	37,919	250	37,669	--	--	--

1. Includes adjustment and seasonal borrowings.

2. Includes extended credit borrowings.

3. Reflects special conditions related to the quarter-end statement date.

Selected Interest Rates

May 23, 1983

Percent

Period	Short-Term								Long-Term							
	federal funds	Treasury bills secondary market			CDs secondary market 3-month	comm. paper 1-month	money market mutual fund	bank prime loan	U.S. government constant maturity yields			corporate Aaa utility recently offered	municipal Bond Buyer	home mortgages		
		3-month	6-month	1-year					3-year	10-year	30-year			conventional at S & Ls	FHAVA ceiling	GNMA security
		1	2	3					4	5	6					
1982--High	15.61	14.41	14.23	13.51	15.84	15.56	13.89	16.86	15.01	14.81	14.63	16.34	13.44	17.66	16.50	15.56
Low	8.69	7.43	7.84	8.12	8.53	8.19	8.09	11.50	9.81	10.46	10.42	11.75	9.25	13.57	12.00	12.41
1983--High	10.21	8.61	8.64	8.58	9.04	9.04	8.34	11.50	10.09	10.97	11.11	12.26	9.74	13.46	12.00	12.24
Low	8.42	7.63	7.72	7.82	8.15	8.02	7.71	10.50	9.40	10.18	10.32	11.03	8.78	12.59	11.50	11.53
1982--Apr.	14.94	12.70	12.80	12.50	14.44	14.38	13.74	16.50	14.18	13.87	13.37	15.44	12.59	16.89	15.50	15.40
May	14.45	12.09	12.16	11.98	13.80	13.79	13.49	16.50	13.77	13.62	13.24	15.24	11.95	16.68	15.50	15.30
June	14.15	12.47	12.70	12.57	14.46	13.95	13.07	16.50	14.48	14.30	13.92	15.84	12.45	16.70	15.50	15.84
July	12.59	11.35	11.88	11.90	13.44	12.62	12.86	16.26	14.00	13.95	13.55	15.61	12.28	16.82	15.50	15.56
Aug.	10.12	8.68	9.88	10.37	10.61	9.50	11.02	14.39	12.62	13.06	12.77	14.47	11.23	16.27	15.13	14.51
Sept.	10.31	7.92	9.37	9.92	10.66	9.96	9.73	13.50	12.03	12.34	12.07	13.57	10.66	15.43	13.80	13.57
Oct.	9.71	7.71	8.29	8.63	9.51	9.08	9.16	12.52	10.62	10.91	11.17	12.34	9.69	14.61	12.75	12.83
Nov.	9.20	8.07	8.34	8.44	8.95	8.66	8.54	11.85	9.98	10.55	10.54	11.88	10.06	13.83	12.25	12.66
Dec.	8.05	7.94	8.16	8.23	8.66	8.53	8.22	11.50	9.88	10.54	10.54	11.91	9.96	13.62	12.00	12.60
1983--Jan.	8.68	7.86	7.93	8.01	8.36	8.19	7.96	11.16	9.64	10.46	10.63	11.84	9.50	13.25	12.00	12.06
Feb.	8.51	8.11	8.23	8.28	8.54	8.30	7.79	10.98	9.91	10.72	10.88	12.09	9.58	13.04	12.00	11.94
Mar.	8.77	8.35	8.37	8.36	8.69	8.56	7.77	10.50	9.84	10.51	10.63	11.74	9.20	12.80	12.00	11.87
Apr.	8.80	8.21	8.30	8.29	8.63	8.58	n.a.	10.50	9.76	10.40	10.48	11.50	9.05	12.78	12.00	11.76
1983--Mar. 2	8.44	7.93	7.96	7.99	8.26	8.11	7.76	10.79	9.53	10.29	10.51	11.65	9.04	12.74	12.00	11.71
9	8.59	8.14	8.13	8.14	8.42	8.36	7.71	10.50	9.63	10.39	10.56	11.76	9.22	12.79	12.00	11.82
16	8.57	8.26	8.28	8.30	8.60	8.45	7.77	10.50	9.80	10.52	10.78	11.77	9.19	12.81	12.00	11.88
23	8.75	8.47	8.52	8.51	8.84	8.62	7.76	10.50	9.98	10.59	10.69	11.74	9.15	12.86	12.00	11.87
30	8.88	8.61	8.64	8.58	8.99	8.86	7.84	10.50	10.06	10.61	10.67	11.79	9.38	12.82	12.00	11.89
Apr. 6	9.43	8.55	8.59	8.53	9.04	9.04	8.04	10.50	9.96	10.55	10.61	11.63	9.23	12.82	12.00	11.92
13	8.76	8.25	8.33	8.32	8.70	8.61	7.96	10.50	9.78	10.45	10.50	11.39	9.04	12.79	12.00	11.75
20	8.70	8.12	8.24	8.27	8.58	8.49	7.93	10.50	9.72	10.34	10.41	11.50	9.09	12.75	12.00	11.65
27	8.58	8.14	8.23	8.24	8.48	8.39	7.91	10.50	9.76	10.38	10.49	11.34	8.82	12.73	12.00	11.72
May 4	8.80	8.06	8.06	8.05	8.35	8.33	7.91	10.50	9.52	10.24	10.37	11.03	8.78	12.71	12.00	11.64
11	8.48	8.03	8.02	8.01	8.31	8.22	7.86	10.50	9.41	10.18	10.32	11.18	8.86	12.59	11.50	11.53
18	8.59	8.09	8.13	8.15	8.41	8.32	7.81	10.50	9.57	10.33	10.50	11.46p	9.29	n.a.	11.50	11.65
25																
Daily-- May 13	8.39	8.02	8.04	8.04	8.32	8.25	--	10.50	9.45	10.22	10.37	--	--	--	--	--
19	8.75	8.14	8.25	8.28	8.53	8.39	--	10.50	9.74	10.49	10.67	--	--	--	--	--
20	8.73p	8.18	8.28	8.33	8.59	8.41	--	10.50	9.81p	10.53p	10.69p	--	--	--	--	--

NOTE: Weekly data for columns 1 through 11 are statement week averages. Data in column 7 are taken from Donoghue 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. 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 FHAVA mortgages carrying the coupon rate 50 basis points below the current FHAVA ceiling.

Net Changes In System Holdings of Securities¹

Millions of dollars, not seasonally adjusted

May 23, 1983

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		
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
1982	5,698	312	1,794	388	307	2,803	--	--	--	--	--	8,312	1,461
1982--Qtr. I	-4,329	20	50	--	--	70	--	--	--	--	--	-4,371	-999
II	5,585	-68	570	81	52	635	--	--	--	--	--	6,208	-5,375
III	150	71	891	113	123	1,198	--	--	--	--	--	1,295	7,855
IV	4,292	88	485	194	132	900	--	--	--	--	--	5,179	-20
1983--Qtr. I	-1,403	--	--	--	--	--	--	--	--	--	--	-1,425	-3,325
1982--Nov.	2,552	88	485	194	132	900	--	--	--	--	--	3,451	2,145
Dec.	966	--	--	--	--	--	--	--	--	--	--	960	2,737
1983--Jan.	-2,883	--	--	--	--	--	--	--	--	--	--	-2,892	-6,127
Feb.	222	--	--	--	--	--	--	--	--	--	--	216	2,971
Mar.	1,259	--	--	--	--	--	--	--	--	--	--	1,250	-168
Apr.	2,880	--	--	--	--	--	--	--	--	--	--	2,873	2,971
1983--Mar. 2	164	--	--	--	--	--	--	--	--	--	--	163	-1,681
9	498	--	--	--	--	--	--	--	--	--	--	498	-2,611
16	365	--	--	--	--	--	--	--	--	--	--	357	1,045
23	111	--	--	--	--	--	--	--	--	--	--	111	407
30	237	--	--	--	--	--	--	--	--	--	--	237	-2,388
Apr. 6	47	--	--	--	--	--	--	--	--	--	--	47	2,084
13	68	--	--	--	--	--	--	--	--	--	--	61	-1,440
20	2,193	--	--	--	--	--	--	--	--	--	--	2,193	1,288
27	190	--	--	--	--	--	--	--	--	--	--	190	2,390
May 4	430	--	--	--	--	--	--	--	--	--	--	430	-3,579
11	--	--	--	--	--	--	--	--	--	--	--	--	-1,462
18	136	173	595	326	108	1,203	--	--	--	--	--	1,339	3,089
LEVEL--May 18	59.6	20.6	33.0	11.7	17.1	82.4	2.7	4.5	1.2	.5	8.9	150.9	-.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 (+).

Security Dealer Positions

May 23, 1983

Millions of dollars

Period	Net ¹ Total	Cash Positions					Forward and Futures Positions				
		Treasury bills	Treasury coupons		federal agency	private short-term	Treasury bills	Treasury coupons		federal agency	private short-term
			under 1 year	over 1 year				under 1 year	over 1 year		
1982--High	49,437	11,156	772	9,456	6,275	16,658	8,032	36	-687	-526	703
Low	-18,698	-2,699	-747	1,005	1,955	6,758	-11,077	-77	-4,699	-2,715	-7,196
1983--High	20,875	13,273	106	7,108	5,948	15,658	280	7*	-1,490	-1,014*	-5,144
Low	5,223	6,650	-675	372	4,013	9,966	-10,326	-95	-3,225	-3,382	-7,512
1982--Apr.	13,149	7,721	-99	4,945	2,916	10,225	-5,552	-7	-3,392	-1,467	-2,141
May	9,324	7,390	-295	7,008	3,117	11,123	-10,129	-2	-4,350	-1,654	-2,884
June	12,317	7,286	-462	4,253	2,976	11,749	-6,194	3	-2,679	-1,405	-3,210
July	18,722	5,768	-583	4,029	2,872	14,530	-1,403	16	-3,452	-1,195	-1,860
Aug.	23,611	1,330	-632	4,258	3,556	14,698	6,240	-29	-2,794	-1,508	-1,508
Sept.	16,497	275	-534	2,366	4,416	12,787	3,158	-21	-1,286	-2,405	-2,259
Oct.	18,136	1,044	109	2,643	5,251	13,360	5,285	-14	-1,644	-2,405	-5,493
Nov.	17,310	3,653	-593	4,170	5,680	11,821	1,461	-9	-3,219	-2,372	-4,468
Dec.	18,874r	8,732	428	5,654r	5,949r	14,046r	-5,519r	-29	-2,898r	-2,443	-5,046
1983--Jan.	13,506r	9,962r	232r	4,950r	5,125	13,166	-7,782r	-50	-2,766r	2,654f	-6,677r
Feb.	16,675r	10,534	-428	4,087r	4,455	11,477	-3,631r	-70	-1,783r	-2,099r	-5,867r
Mar.	55,887r	9,544	3	1,852r	4,855	12,087	-1,725r	-4	-2,476r	-1,970r	-6,299r
Apr.	8,769*	7,775*	-371*	1,610*	5,278*	11,753*	-7,497*	-9*	-2,480*	-1,458*	-5,832*
1983--Mar. 2	15,812	10,789	-109	6,394	4,013	12,502	-7,254	-37	-2,271r	-1,670	-6,545r
9	20,852r	13,273	106	3,187	5,081	13,154	-2,786	-3	-2,246	-1,894r	-7,020
16	13,324	8,114	22	372	5,394	12,306	-1,633r	-4	-2,510r	-2,717r	-6,020
23	15,888	9,555	-30	740	4,475	11,507	-965r	-2	-2,370	-1,878	-5,144
30	14,161r	7,197	-44	1,742	4,745	11,175	280r	4	-2,587r	-1,563r	-6,788
Apr. 6	10,263	7,063	-350	760	4,937	11,162	-2,276r	-6	-2,804	-1,772	-6,451
13	5,223	6,650	-491	764	5,022	11,391	-7,721r	-5	-2,658	-1,668	-6,057
20	8,384	9,443	-404	1,262	5,659	11,873	-9,266	-9	-2,675	-1,626	-5,843
27	11,015*	8,119*	-298*	2,877*	5,221*	11,649*	-8,111*	-10*	-1,988*	-1,023*	-5,391*
May 4	12,801*	8,256*	-32	3,498*	5,623*	13,896*	-9,420*	-7*	-2,609*	-1,014*	-5,389*
11	9,266*	8,887*	97*	4,869*	5,581*	12,513*	-10,311*	7*	-3,056*	-1,522*	-5,699*
18	6,014*	5,922*	131*	1,949*	6,012*	10,821*	-8,239*	15*	-3,107*	-1,982*	-5,508*
25											

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.

Data for May 18 is calculated from partial weeks data.

1. Cash plus forward plus futures positions in Treasury, federal agency, and private short-term securities.

* Strictly confidential