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May 17, 1985

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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 17, 1985

MONETARY POLICY ALTERNATIVES

Recent Developments

(1) Growth of M1 in April was around 6 percent, but data for early May suggest somewhat stronger growth this month, bringing M1 a little above the 6 percent annual rate path adopted by the Committee at its last meeting. Flows associated with refunds and final payments around the April tax date appear to have had little net impact on recent M1 growth. Refunds probably added to growth in April and perhaps in early May, as the Treasury greatly accelerated processing, but larger-than-expected tax payments reflected in a corresponding rise in the Treasury's cash balance may have had an offsetting effect.

(2) In contrast to M1, growth in the broad aggregates has been running well below the FOMC's March-to-June paths of 7 and 8 percent for M2 and M3. In April, these aggregates showed little net change, and data for early May suggest only a modest rebound. Weakness in the broad aggregates stemmed in large part from managed liabilities. The substantial rise in the Treasury's balances at banks along with a sizable liquidation of inventories of Treasury securities at large banks in April reduced the need to raise funds in the market. In addition, it is possible that larger-than-usual nonwithheld tax payments out of MMDAs and MMMFs may have held down growth in the broad aggregates to a degree. Finally, strong inflows to IRA and Keogh accounts--excluded from monetary measures--may also have retarded growth of M2 and M3 in April by a small amount.

(3) Domestic nonfinancial debt is estimated to have increased at an 11-3/4 percent annual rate in April, the same as its March pace,

KEY MONETARY AGGREGATES
(Seasonally adjusted annual rates of growth)

	Mar.	Apr.	QIV to QI	QIV to Apr.
<u>Money and Credit Aggregates</u>				
M1	5.7	6.1	10.6	9.3
M2	3.8	-0.8	12.0	8.3
M3	5.6	0.7	10.7	7.9
Domestic nonfinancial debt	11.8	11.8	13.3	12.9
Bank credit	11.4	4.4	9.9	9.3
<u>Reserve Measures¹</u>				
Nonborrowed reserves ²	4.5	13.2	25.0	19.6
Total reserves	5.9	10.6	21.2	17.2
Monetary base	5.4	4.9	8.7	7.8
Memo: (Millions of dollars)				
Adjustment and seasonal borrowing	534	455	--	--
Excess reserves	766	746	--	--

NOTE: Monthly reserve measures, including excess reserves and borrowing, are calculated by prorating averages for two-week reserve maintenance periods that overlap months.

1. 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.

2. Includes "other extended credit" from the Federal Reserve.

as lower nonfederal borrowing offset a pick-up in federal government debt expansion. Still, growth in this aggregate from the fourth quarter of 1984 remains somewhat above the 12 percent upper limit of its monitoring range. Business borrowing has moderated a little so far this year, but with merger-related debt issuance running close to the average pace of 1984, it remains sizable. Household demands for funds, especially for consumer installment credit, also have remained quite strong.

(4) The nonborrowed reserve path for the intermeeting period initially was constructed assuming \$400 million of adjustment plus seasonal borrowing at the discount window. In late April, however, the borrowing assumption was raised to \$450 million as special situation borrowing by a number of thrift institutions increased. Over the three complete reserve maintenance periods (ending May 8) following the last Committee meeting, adjustment plus seasonal borrowing averaged about \$475 million, with excess reserves averaging somewhat higher than expected. Excluding special situation borrowing by thrifts, the borrowing average was around \$380 million. Seasonal borrowing has also been somewhat stronger than might have been expected, given the prevailing configuration of the discount and money market rates, perhaps reflecting the liberalized provisions of the regular seasonal program as well as liquidity pressures at small banks. Thus far in the current maintenance period adjustment plus seasonal borrowing has averaged \$830 million, boosted by a substantial further increase in special situation borrowing by thrifts as well as borrowing by large banks faced with unexpected funds needs late in the day. On May 16, special thrift borrowing totaled \$496 million (of which \$22 million are now being reported as extended credit).

(5) The federal funds rate has declined about 1/4 percentage point since the previous FOMC meeting, with the rate averaging a shade over 8-1/8 percent during the past two weeks. Other market interest rates declined by about 3/4 to 1-1/4 percentage points, prior to announcement of the reduction in the discount rate from 8 to 7-1/2 percent late Friday.^{1/} The sizable drop in market rates reflected in part abatement of previously held expectations that Federal Reserve policy might take a firmer turn and, as the intermeeting period progressed, a perception that some slight easing might be under way or at least in prospect as the federal funds rate declined somewhat. Markets were also affected by incoming evidence indicating that the economy was not strengthening significantly from the weak first quarter, by slowing in growth of the monetary aggregates, and by the agreement in the Senate on reducing federal budget deficits. The exchange value of the dollar depreciated, on balance, by 5 percent since the last FOMC meeting in volatile markets;

The failures of two small government securities dealers and the problems of privately-insured Maryland thrifts during the intermeeting period appear to have had little systemic impact on domestic credit or foreign exchange markets; although no general "flight to quality" appears to have emerged, there seems to be some added caution in attitudes toward RPs of smaller dealers.

^{1/} Following the announcement and on thin, late hour trading, Treasury note and bond prices rose by about 3/4 to a full point and bill rates dropped around 5 to 10 basis points.

Prospective developments

(6) The table below gives three alternative specifications for growth in the monetary aggregates over the March-to-June period, along with the growth rates for this period chosen by the Committee at its March meeting and the growth implied by each alternative for the two-month April-to-June period. It also shows ranges for the federal funds rate associated with each alternative. (More detailed data can be found on the charts and table on the following pages).

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>March FOMC Paths</u>
Growth from March to June				
M1	7	6-1/2	6	6
M2	4-1/2	4	3-1/2	7
M3	5-1/2	5-1/4	5	8
Implied growth from April to June				
M1	7-1/2	6-3/4	6	6 <u>1/</u>
M2	7	6-1/2	5-3/4	11 <u>1/</u>
M3	8	7-1/2	7	11-1/2 <u>1/</u>
Associated federal funds rate range	5 to 9	5-1/2 to 9-1/2	6 to 10	6 to 10

(7) The specifications of alternative B involve slightly faster M1 growth over the three-month March-to-June period than adopted at the last Committee meeting, but much slower growth in the broader

1/ Average growth in May and June, given actual growth in April, needed to hit March FOMC paths.

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
Monthly Levels									
1985--January	562.7	562.7	562.7	2398.9	2398.9	2398.9	3020.6	3020.6	3020.6
February	569.4	569.4	569.4	2420.9	2420.9	2420.9	3041.6	3041.6	3041.6
March	572.1	572.1	572.1	2428.6	2428.6	2428.6	3055.7	3055.7	3055.7
April	575.0	575.0	575.0	2427.0	2427.0	2427.0	3057.5	3057.5	3057.5
May	578.6	578.5	578.4	2437.2	2437.0	2436.8	3071.5	3071.5	3071.5
June	582.1	581.4	580.7	2455.9	2452.9	2449.9	3097.7	3095.4	3093.1
Growth Rates									
Monthly									
1985--January	9.0	9.0	9.0	13.7	13.7	13.7	10.2	10.2	10.2
February	14.3	14.3	14.3	11.0	11.0	11.0	8.3	8.3	8.3
March	5.7	5.7	5.7	3.8	3.8	3.8	5.6	5.6	5.6
April	6.1	6.1	6.1	-0.8	-0.8	-0.8	0.7	0.7	0.7
May	7.5	7.3	7.1	5.0	4.9	4.8	5.5	5.5	5.5
June	7.3	6.0	4.8	9.2	7.8	6.5	10.2	9.3	8.4
Growth Rates									
1985--Q1	10.6	10.6	10.6	12.0	12.0	12.0	10.7	10.7	10.7
Q2	7.4	7.2	7.0	4.0	3.8	3.6	4.8	4.7	4.6
1985 March to June	7.0	6.5	6.0	4.5	4.0	3.5	5.5	5.2	4.9
1985 April to June	7.4	6.7	5.9	7.1	6.4	5.7	7.9	7.4	7.0
Q4 84 to Apr. 85	9.3	9.3	9.3	8.3	8.3	8.3	7.9	7.9	7.9
Q4 84 to June 85	8.9	8.6	8.4	8.0	7.8	7.6	8.0	7.8	7.7

Chart 1
ACTUAL AND TARGETED M1

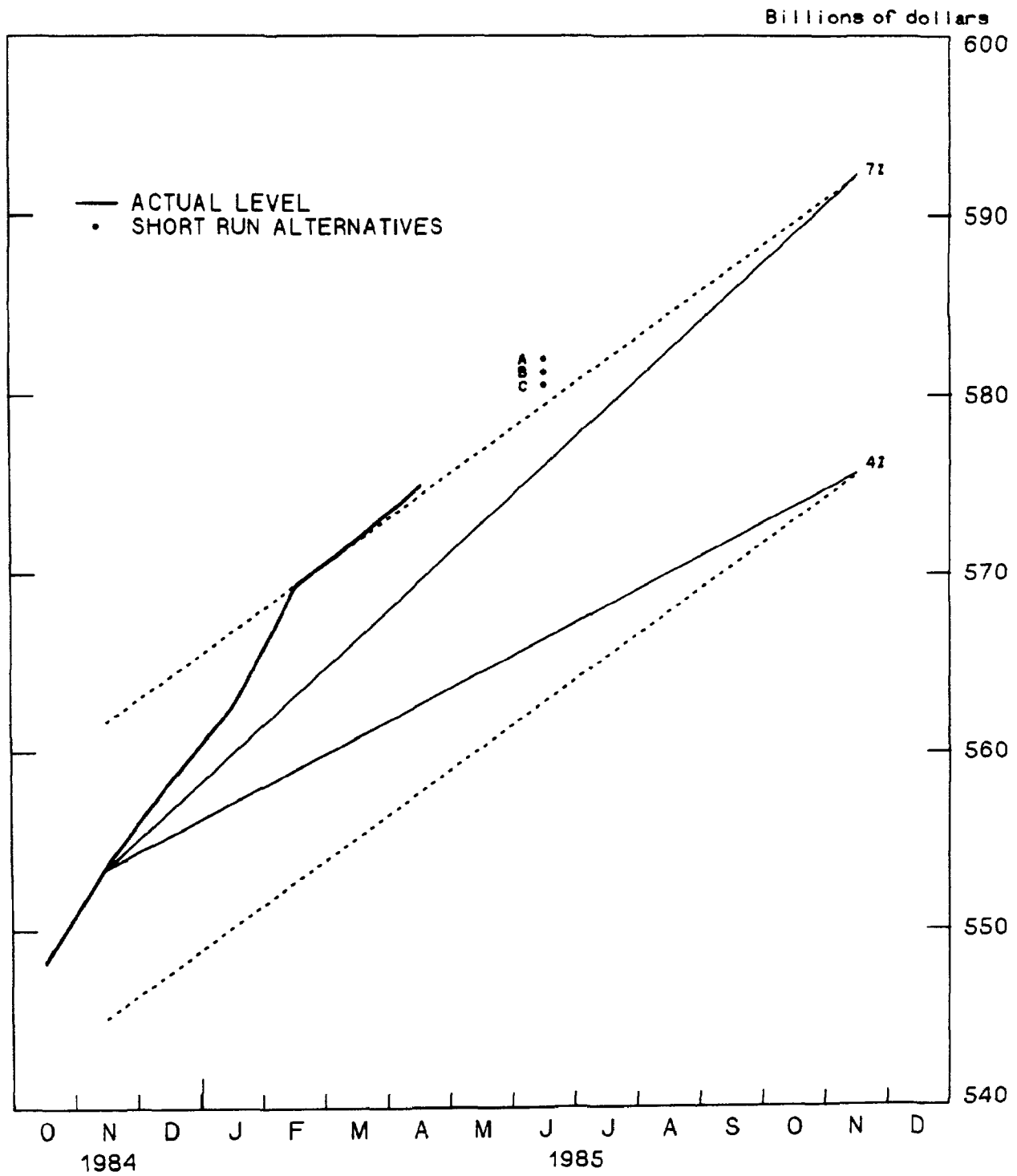


Chart 2
ACTUAL AND TARGETED M2

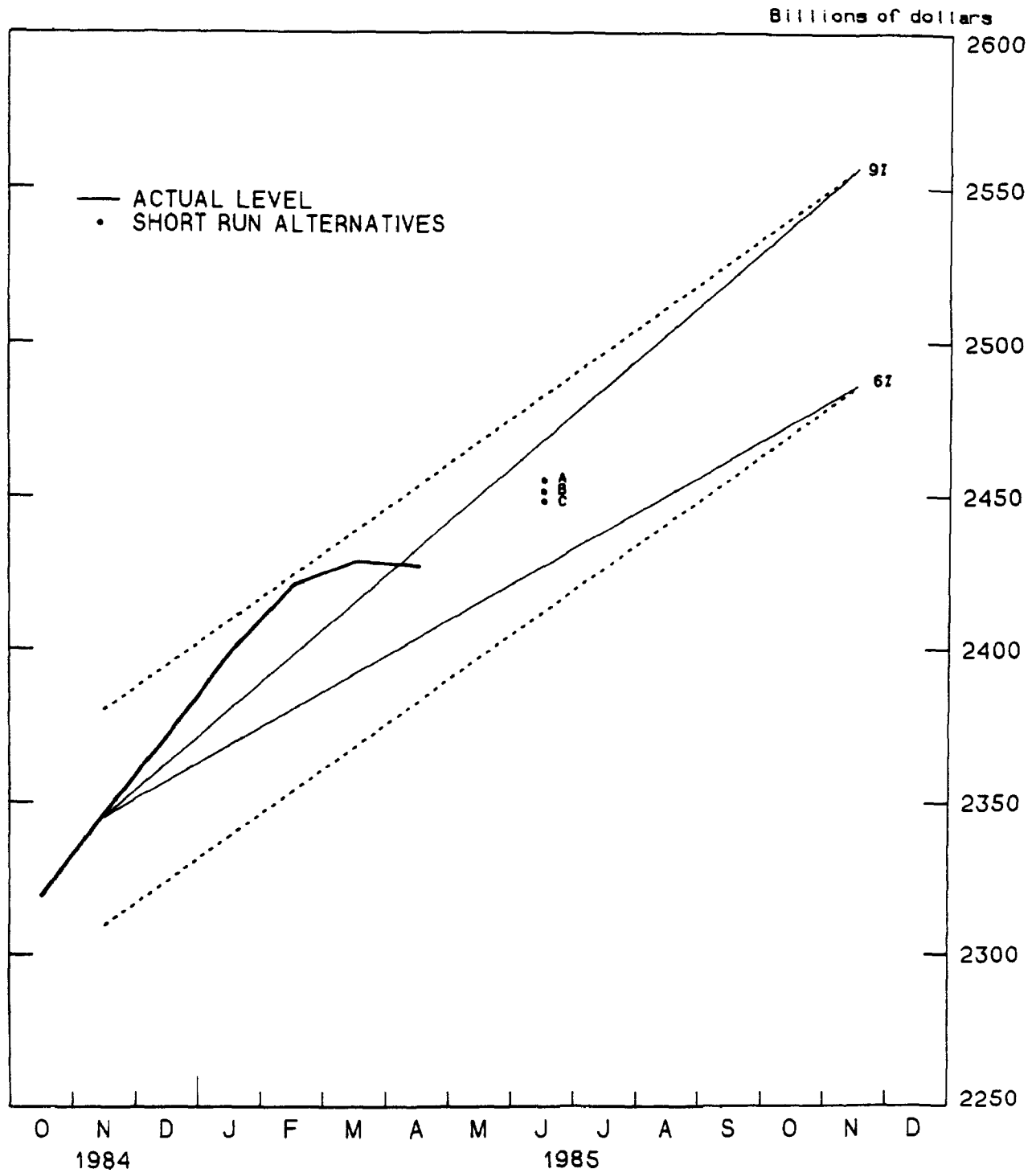
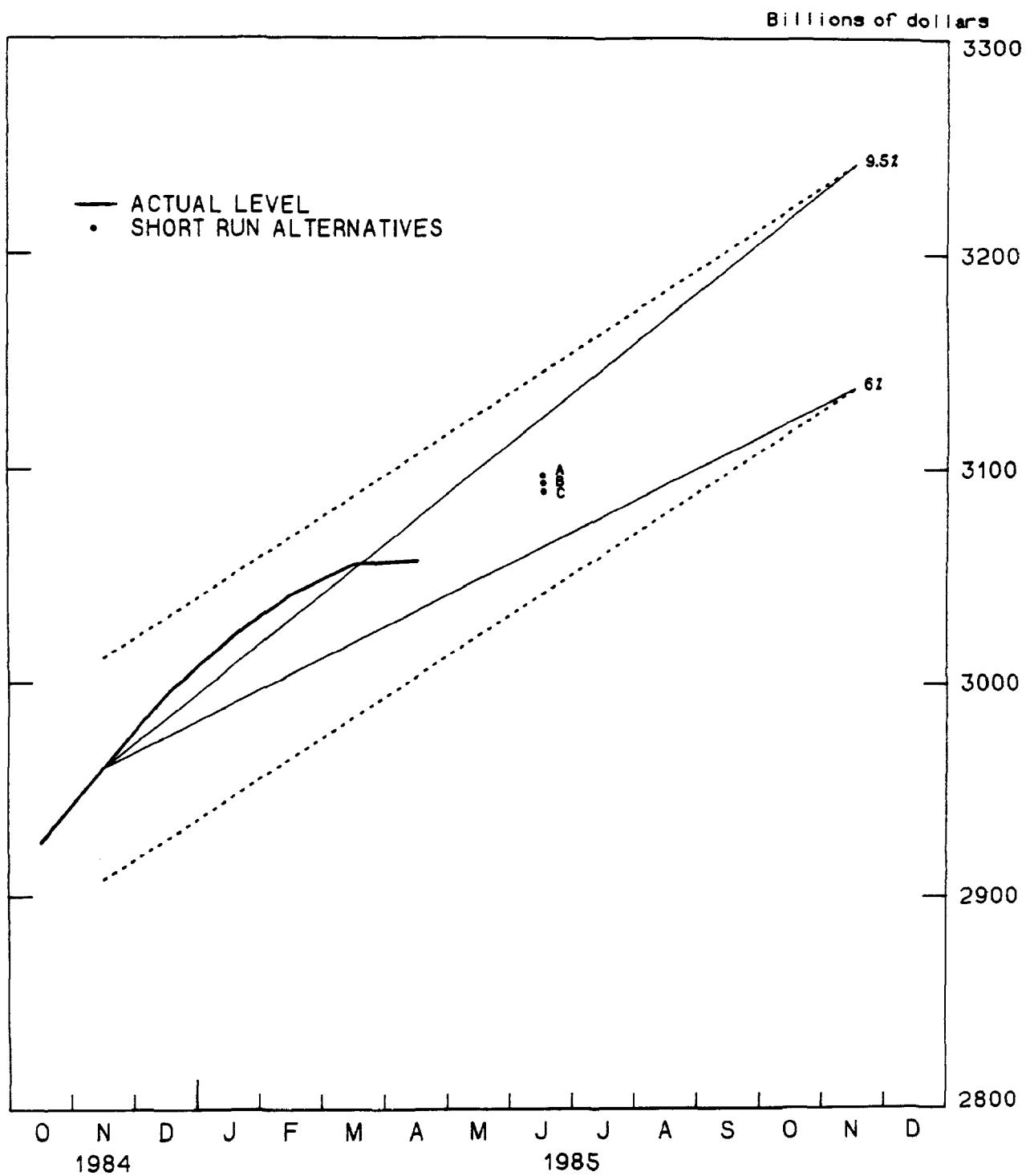


Chart 3
ACTUAL AND TARGETED M3



aggregates, given their weak performance in April. This behavior of the aggregates is expected to be consistent with seasonal plus adjustment borrowing at the discount window of \$300 to \$350 million, assuming that borrowing by privately-insured thrift institutions experiencing persistent liquidity difficulties is in effect extended credit. Total reserves might increase at a 6 percent annual rate over May and June under alternative B, with nonborrowed reserves (including extended credit) increasing at 8 percent rate.

(8) The federal funds rate will probably trade around 7-3/4 percent, given the current 7-1/2 percent discount rate. Although the discount rate cut was partly anticipated, market interest rates generally are likely to settle somewhat below recent levels, with the 3-month Treasury bill probably trading mostly around 7-1/4 percent. The exchange rate may also decline somewhat, although some foreign authorities might take advantage of the opportunity to allow their domestic interest rates to decrease further.

(9) The decline in interest rates over the past several weeks will be tending to boost money demand in May and June, and M1 under this alternative is expected to increase at a 6-1/2 percent rate over the March-to-June period, despite some weakening in projected nominal GNP growth for the second quarter. On a quarterly-average basis, M1 would increase at a 7-1/4 percent rate in the second quarter, which implies a second consecutive quarterly decline in velocity, although at a somewhat slower rate than in the first quarter; such a decline is roughly consistent with model results. By June, M1 under alternative B would be about \$1-3/4 billion (or 0.3 percent) above the upper parallel line of the band drawn from the fourth quarter end points of the 4 to 7 percent range

for 1985, with growth from QIV '84 to June at around an 8-1/2 percent annual rate.

(10) Growth of M2 and M3 under alternative B would be expected to pick up in May and June to a 6-1/2 to 7-1/2 percent annual rate on average. Much of the pick-up would be expected in RPs and the other managed liability components of the broader aggregates, partly as Treasury deposits at banks drop after late May. Core deposits in the nontransactions M2 are likely to expand more rapidly than the 6 percent pace of April, and net inflows to MMMFs are likely to pick up, given the usual lagged adjustments in changes in returns on these instruments relative to declines in market rates.

(11) The debt of nonfinancial sectors is expected to increase in the second quarter at a little under its pace of the first quarter, and for the first half of 1985 would be right around the 12 percent upper limit of the FOMC's monitoring range. Growth in U.S. government debt, seasonally adjusted, will be a little larger in the second quarter than in the first, although most of the Treasury's cash requirements for the current quarter have already been met following the mid-quarter refunding. Credit raised by businesses is projected to increase slightly in the second quarter. Underlying needs for funds are being held down by relatively restrained inventory accumulation, but borrowing totals continue to be swelled by financing for mergers and stock repurchases; over the first half of the year unusual issuance of debt for such purposes is estimated to account for around 1-1/4 percentage points of total debt expansion of domestic nonfinancial sectors. Mortgage borrowing is expected to continue at about the first-quarter pace, but consumer credit growth likely will moderate somewhat as spending on consumer durables increases more slowly.

(12) As compared with alternative B, alternative C involves tighter reserve conditions thought more likely to be consistent with constraining M1 growth to the 6 percent path for March to June chosen by the Committee at its last meeting. Expansion at this rate would leave M1 quite close to, though still a bit above, the upper limit of its band. This alternative, which contemplates M1 growth of a little under 5 percent in June, would be expected to entail adjustment plus seasonal borrowing, excluding that by thrifts in special situations, of around \$450-\$500 million. The pick-up in growth of the broader aggregates would be somewhat less rapid under this alternative, with M2 and M3 expanding in a 5-3/4 to 7 percent range over May and June.

(13) The federal funds rate would probably remain around 8 to 8-1/4 percent under this alternative. As such a rate persisted, counter to market expectations given the cut in the discount rate, other interest rates would rise appreciably from recent levels, retracing a good part of the decreases since the last FOMC meeting. The dollar would probably rise on foreign exchange markets.

(14) Alternative A contemplates lesser restraint on reserve conditions than B. Borrowing would be expected to drop to around minimum levels--perhaps around \$200 to \$250 million--and the federal funds rate to fall to somewhat under the current 7-1/2 percent discount rate. Growth of M1 from March to June would be expected to be around 7 percent, bringing this aggregate to a level about 1/2 percent above the upper parallel band. The further drop of interest rates expected under this alternative could lead to substantial inflows into deposits and money funds, and growth in M2 and M3 over May and June would probably pick up into a 7 to 8 percent range. Interest rates and exchange rates would decline further, with the three-month bill rate probably falling to near 7 percent.

Directive language

(15) Draft language for the operational paragraph, with alternatives, is shown below with suggested deletions from the current directive indicated in strike-through form and proposed additions in caps. As in the past, it is assumed that the "degree of pressure on reserve positions" is indexed primarily by the level of borrowing at the discount window, excluding borrowing classified as extended credit. In the proposed directive it is also assumed that the "degree of pressure on reserve positions" excludes any special situation borrowing at thrifts that has not yet been classified as extended credit. On that basis, alternative B is suggested as consistent with maintaining the existing degree of pressure on reserve positions, although the associated funds rate is likely to be lower than during the past several weeks owing to the cut in the discount rate.

Bracketed alternative language with respect to the aggregates is suggested for consideration in view of the substantial shortfall in growth of the broader aggregates from expectations at the time of the March meeting.

OPERATIONAL PARAGRAPH

In the implementation of policy for the immediate future, taking account of the progress against inflation, uncertainties in the business outlook, and the exchange value of the dollar, the Committee seeks to REDUCE SOMEWHAT (Alt. A)/maintain (Alt. B)/INCREASE SOMEWHAT (Alt. C)/the existing degree of pressure on reserve positions. This action is expected to be consistent with growth in M1, M2, and M3 at annual rates of around 6, 7, and 8 ____, ____, AND ____ percent,

respectively, during the period from March to June. [Alternative: This action is expected to be consistent with growth in M1, ~~M2-and~~ M3 at AN annual ~~rates~~ RATE of around ~~6,-7,-and-8~~ ___ percent, ~~respectively,~~ during the period from March to June. M2 AND M3, AFTER SHOWING LITTLE CHANGE IN APRIL, ARE EXPECTED TO GROW AT ANNUAL RATES OF ___ AND ___ PERCENT, RESPECTIVELY, OVER MAY AND JUNE ON AVERAGE.] Somewhat lesser reserve restraint might (WOULD) be acceptable in the event of substantially slower growth of the monetary aggregates while somewhat greater restraint might (WOULD) be acceptable in the event of substantially higher growth. In either case such a change would be considered in the context of appraisals of the strength of the business expansion, progress against inflation, and conditions in domestic credit and foreign exchange markets. 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~~ ___ TO ___ percent.

Selected Interest Rates

Percent

May 20, 1985

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 A utility recently offered	municipal Bond Buyer	home mortgages		
		3-month	6-month	1-year					3-year	10-year	30-year			conventional at S&Ls	FHA/VA ceiling	S&L 1-year ARM
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
1984--High Low	11.77 7.95	10.65 7.71	10.76 8.01	11.09 8.39	11.71 8.24	11.35 8.04	10.72 8.38	13.00 11.00	13.44 10.39	13.84 11.30	13.81 11.36	15.30 12.70	11.44 9.86	14.68 13.14	14.00 12.50	12.31 10.81
	8.75 7.69	8.65 7.64	9.03 7.81	9.21 8.00	9.13 8.08	8.83 7.89	8.31 7.77	10.75 10.50	11.19 9.89	11.95 11.01	11.89 11.18	13.23 12.24	10.31 9.34	13.29 12.90	13.00 12.50	11.14 10.59
1984--Apr. May June	10.29 10.32 11.06	9.69 9.83 9.87	9.84 10.31 10.51	9.95 10.57 10.93	10.41 11.11 11.34	10.17 10.38 10.82	9.29 9.52 9.92	11.93 12.39 12.60	11.98 12.75 13.18	12.63 13.41 13.56	12.65 13.43 13.44	13.96 14.79 15.00	10.26 10.88 11.07	13.65 13.94 14.42	13.00 13.94 14.00	11.16 11.35 11.67
	11.23 11.64 11.30	10.12 10.47 10.37	10.52 10.61 10.47	10.89 10.71 10.51	11.56 11.47 11.29	11.06 11.19 11.11	10.30 10.58 10.62	13.00 13.00 12.97	13.08 12.50 12.34	13.36 12.72 12.52	13.21 12.54 12.29	14.93 14.12 13.86	10.84 10.40 10.54	14.67 14.47 14.35	14.00 13.70 13.50	12.20 12.14 12.00
Oct. Nov. Dec.	9.99 9.43 8.38	9.74 8.61 8.06	9.87 8.81 8.28	9.93 9.01 8.60	10.38 9.18 8.60	10.05 9.01 8.39	10.16 9.34 8.55	12.58 11.77 11.06	11.85 10.90 10.56	12.16 11.57 11.50	11.98 11.56 11.52	13.52 12.98 12.88	10.77 10.69 10.40	14.13 13.64 13.18	13.38 12.75 12.50	11.96 11.54 11.01
	8.35 8.50 8.58	7.76 8.27 8.52	8.00 8.39 8.90	8.33 8.56 9.06	8.14 8.69 9.02	7.99 8.46 8.74	8.00 7.80 7.97	10.61 10.50 10.50	10.43 10.55 11.05	11.38 11.51 11.86	11.45 11.47 11.81	12.78 12.76 13.17	9.96 10.07 10.23	13.08 12.92 13.17	12.50 12.50 12.63	10.84 10.63 10.92
Apr.	8.27	7.95	8.23	8.44	9.02	8.31	7.98p	10.50	10.49	11.43	11.47	12.75	9.85	13.20	12.75	10.83
1985--Feb. 6 13 20 27	8.59 8.44 8.57 8.40	8.14 8.21 8.20 8.40	8.25 8.30 8.29 8.57	8.46 8.49 8.46 8.71	8.44 8.64 8.65 8.86	8.34 8.42 8.48 8.49	7.79 7.78 7.83 7.81	10.50 10.50 10.50 10.50	10.42 10.43 10.39 10.76	11.30 11.40 11.39 11.75	11.31 11.31 11.37 11.71	12.68 12.60 12.95 13.18	9.96 9.98 10.09 10.24	12.91 12.90 12.94 13.02	12.50 12.50 12.50 12.50	10.64 10.59 10.69 10.83
	8.63 8.52 8.75 8.38	8.65 8.60 8.54 8.41	8.92 8.92 9.03 8.83	9.04 9.05 9.21 9.01	9.12 9.06 9.13 8.86	8.74 8.73 8.83 8.64	7.82 7.91 7.99 8.03	10.50 10.50 10.50 10.50	11.08 11.03 11.19 11.02	11.90 11.81 11.95 11.83	11.87 11.78 11.89 11.78	13.14 13.23 13.22 13.06	10.25 10.25 10.24 10.19	13.10 13.20 13.24 13.29	12.50 12.50 12.50 13.00	10.68 10.87 10.97 11.14
	8.68 8.45 8.46 7.69	8.18 8.11 7.98 7.74	8.57 8.53 8.20 7.95	8.79 8.73 8.39 8.17	8.80 8.75 8.55 8.20	8.68 8.57 8.40 7.99	8.06 8.03 8.08 7.92	10.50 10.50 10.50 10.50	10.82 10.79 10.42 10.21	11.70 11.69 11.35 11.18	11.68 11.67 11.36 11.28	12.98 12.71 12.53 12.65	10.09 9.83 9.64 9.82	13.27 13.23 13.16 13.12	13.00 13.00 12.50 12.50	10.97 10.83 10.80 10.72
	8.35 8.19 8.14	7.82 7.76 7.64	8.07 7.94 7.81	8.29 8.13 8.00	8.27 8.19 8.11	8.11 8.06 7.98	7.83 7.82 7.77	10.50 10.50 10.50	10.37 10.16 9.89	11.37 11.22 11.01	11.45 11.33 11.18	12.56 12.49 12.24	9.73 9.56 9.34	13.07 13.02 12.94	12.50 12.50 12.50	10.66 10.61 10.59
Daily--May 10 16 17	8.18 8.24 8.01p	7.73 7.37 7.40	7.88 7.56 7.59	8.05 7.78 7.84	8.12 8.00 7.95	8.01 7.90 7.87	-- -- --	10.50 10.50 10.50	9.95 9.62 9.64p	11.04 10.81 10.84p	11.20 11.02 11.05p	-- -- --	-- -- --	-- -- --	-- -- --	-- -- --

NOTE: Weekly data for columns 1 through 11 are statement week averages. Data in column 7 are taken from Donoghue's 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 the Bond Buyer revenue index. Column 15 is an average of contract interest rates on new commitments for conventional first mortgages with 80 percent loan-to-value

ratios at a sample of savings and loan associations on the Friday following the end of the statement week. After November 30, 1983, column 15 refers only to VA guaranteed loans. Column 16 is the average initial contract rate on new commitments for one year ARMs at those institutions offering both fixed- and adjustable-rate mortgages with the same number of discount points.

FR 1367 (4/85)

Security Dealer Positions Millions of dollars

May 20, 1985

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		
1984--High	32,155	15,653	1,296	6,854	19,525	21,046	8,272	131	3,381	-7,223	-4
Low	5,107	-8,251	-1,038	-5,664	11,086	11,263	-14,456	-327	-986	-10,679	-13,053
1985--High	51,514	14,672	2,068	6,479	21,007	21,623	3,823	19	6,177	-6,190	6,988
Low	19,336	9,601	-390	-6,653	16,693	14,603	-14,946	-128	-373	-8,817	-14,566
1984--Apr.	14,408	2,929	-32	-1,643	16,649	13,065	-2,140	-13	476	-9,422	-5,462
May	14,163	-7,105	-291	-1,754	16,849	12,525	5,511	-10	347	-9,676	-2,233
June	16,483	-2,631	-596	-3,248	15,999	14,457	2,207	-21	1,448	-9,937	-1,195
July	12,355	-2,382	-604	-3,391	16,040	14,751	-2,528	-89	2,800	-9,650	-2,592
Aug.	11,499	4,542	-89	-1,184	16,098	15,556	-7,312	-240	2,504	-9,073	-9,304
Sept.	17,976	10,316	310	623	14,063	17,695	-9,771	-122	2,156	-8,334	-8,960
Oct.	21,955	11,649	116	2,649	13,168	16,285	-9,867	-72	2,154	-8,815	-5,312
Nov.	19,094	9,748	-487	5,087	16,106	17,950	-8,549	-76	533	-9,229	-11,991
Dec.	26,220	13,841	-416	4,762	18,470	19,180	-11,718	59	-389	-8,313	-9,256
1985--Jan.	24,042	11,634	-110	2,467	19,417	19,977	-13,318	-31	702	-7,033	-9,662
Feb.	32,974	12,456	851	227	19,612	19,445	-3,648	-12	2,494	-8,164	-10,287
Mar.	48,422	13,979	1,316	-4,338	19,337	16,214	841	-52	4,677	-8,351	4,799
Apr.	36,702*	11,559*	1,203*	-4,534*	18,048*	17,566*	-2,950*	10*	5,583*	-7,843*	-1,939*
1985--Feb. 13	24,458	10,534	713	32	20,007	19,633	-6,835	-27	2,938	-8,164	-14,372
20	31,030	12,792	851	202	18,846	19,533	-3,082	-11	2,225	-8,243	-12,084
27	45,148	13,495	1,132	1,114	18,813	18,439	1,557	-7	2,649	-8,255	-3,790
Mar. 6	53,514	14,198	2,068	-1,803	20,223	18,532	3,823	19	3,632	-8,817	1,638
13	51,956	14,672	1,749	-4,972	20,412	16,182	2,773	-6	4,397	-8,750	5,498
20	44,690	13,809	1,157	-6,653	19,390	14,603	2,046	-25	4,401	-8,285	4,246
27	46,433	14,342	625	-4,467	18,456	15,718	-3,026	-128	5,779	-7,853	6,998
Apr. 3	39,084	11,723	858	-1,988	16,693	16,817	-4,819	-75	5,200	-8,005	2,680
10	34,889	10,255	705	-4,252	17,372	16,350	-3,772	-14	5,532	-8,539	1,251
17	37,605	13,109	1,019	-4,602	18,862	16,536	-2,927	3	6,177	-7,910	-2,663
24	35,876*	12,198*	1,648*	-5,840*	18,671*	18,679*	-2,993*	10*	5,678*	-7,411*	-4,765*
May 1	38,156*	9,513*	1,545*	-4,626*	18,028*	19,493*	115*	67*	5,380*	-7,347*	-4,012*
8	37,971*	11,392*	1,266*	-4,671*	19,243*	19,984*	-2,752*	104*	6,690*	-7,394*	-5,891*
15	26,842*	9,973*	1,195*	-946*	19,514*	18,306*	-7,404*	108*	6,943*	-7,903*	-12,944*

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.

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

* Strictly confidential

Net Changes in System Holdings of Securities¹

Millions of dollars, not seasonally adjusted

STRICTLY CONFIDENTIAL (FR)
CLASS II-FOMC

May 20, 1985

Period	Treasury bills net change ²	Treasury coupons net purchases ³					Federal agencies net purchases ⁴					Net change outright holdings totals ⁵	Net RPs ⁶
		within 1-year	1-5	5-10	over 10	total	within 1-year	1-5	5-10	over 10	total		
1980	-3,052	912	2,138	703	811	4,564	217	298	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
1983	13,068	484	1,896	890	383	3,653	--	--	--	--	--	16,342	-5,445
1984	3,779	826	1,938	236	441	3,440	--	--	--	--	--	6,964	1,450
1983--QTR. IV	4,738	155	820	349	151	1,474	--	--	--	--	--	6,120	-10,739
1984--QTR. I	-1,168	--	--	-300	--	-300	--	--	--	--	--	-1,555	-286
II	491	198	808	200	277	1,484	--	--	--	--	--	1,918	70
III	-424	600	--	--	--	600	--	--	--	--	--	169	1,982
IV	4,880	28	1,130	335	164	1,657	--	--	--	--	--	6,432	-316
1985--QTR. I	-2,044	961	465	-100	--	1,326	--	--	--	--	--	-735	462
1984--Nov.	4,463	146	830	335	164	1,475	--	--	--	--	--	5,848	3,612
Dec.	3,410	182	--	--	--	182	--	--	--	--	--	3,591	-123
1985--Jan.	-4,268	--	--	-100	--	-100	--	--	--	--	--	-4,368	-2,315
Feb.	2,362	--	--	--	--	--	--	--	--	--	--	2,345	3,095
Mar.	-138	961	465	--	--	1,426	--	--	--	--	--	1,289	-318
1985--Feb. 13	-374	--	--	--	--	--	--	--	--	--	--	-392	2,464
20	341	--	--	--	--	--	--	--	--	--	--	341	383
27	2,128	--	--	--	--	--	--	--	--	--	--	2,128	-5,003
Mar. 6	801	961	465	--	--	1,426	--	--	--	--	--	2,227	2,507
13	-1,054	--	--	--	--	--	--	--	--	--	--	-1,054	974
20	--	--	--	--	--	--	--	--	--	--	--	--	-1,287
27	60	--	--	--	--	--	--	--	--	--	--	60	241
Apr. 3	422	--	--	--	--	--	--	--	--	--	--	422	-751
10	1,883	--	--	--	--	--	--	--	--	--	--	1,883	1,684
17	2,691	245	846	108	96	1,295	--	--	--	--	--	3,985	-1,954
24	1,388	--	--	--	--	--	--	--	--	--	--	1,387	891
May 1	--	--	--	--	--	--	--	--	--	--	--	--	10,500
8	--	--	--	--	--	--	--	--	--	--	--	--	-7,202
15	-880	--	--	--	--	--	--	--	--	--	--	-888	-4,922
LEVEL--May 16	73.6	17.6	37.1	15.3	20.8	90.8	2.6	4.1	1.2	.4	8.4	176.8	-4.1

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 (+).