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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

## MONETARY POLICY ALTERNATIVES

## Recent Developments

(1) After essentially no growth in January, Ml subsequently accelerated, expanding at annual rates of $7-1 / 4$ percent in February and an estimated 14-1/2 percent in March. As a result, Ml grew from November to March above its 7 percent short-rum objective--leaving this aggregate somewhat over the upper bound of its 3 to 8 percent long-run target cone. Given the staff's first-quarter GNP forecast, Ml velocity is estimated to have declined at around a 1-3/4 percent annual rate this quarter, compared with its drop of 6 percent over all of 1985. Expansion in M2 also picked up in February and March, but on balance growth was quite modest and the aggregate remained below both the Comittee's short-run path and long-run cone. Growth of M3, meanwhile, remained moderate throughout the quarter, with the aggregate essentially on the Committee's short-run path and ending the quarter around the middle of its long-run range.
(2) The recent strength of Ml reflected mainly a sharp acceleration in demand deposits following their runoff in Jamary. OCDs so far in 1986 have grown at about the relatively substantial pace of the last few months of 1985. Available information continues to suggest that the January deregulation of NOW accounts has had little overall impact on M1, with depositories to date generally not posting more liberal contract terms on these accounts. M2 growth was held down by sluggishness in its nontransactions component through most of the quarter. Inflows to retail deposits again appear to have been depressed by household investments in bond and stock mutual funds; in the early months of the year, bond and stock funds

KEY MONETARY AGGREGATES
(Seasonally adjusted annual rates of growth)

|  | Jan. | Feb. | Mar.p | Nov. to Mar. P | $\begin{gathered} \text { QIV' }^{2} 85 \\ \text { to } \\ \text { Mar.p } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Money and credit aggregates |  |  |  |  |  |
| M1 | 1.1 | 7.3 | 14.6 | 9.0 | 8.9 |
| M2 | 1.4 | 3.6 | 8.0 | 5.0 | 4.9 |
| M3 | 8.2 | 6.1 | 7.6 | 7.3 | 7.2 |
| Domestic nonfinancial debt | 17.9 | 10.1P | 9.3 | 15.0 | 14.5 |
| Bank credit | 15.3 | 4.3 | 10.0 | 11.7 | 11.6 |
| Reserve measures |  |  |  |  |  |
| Nonborrowed reserves ${ }^{1}$ | 19.6 | 8.9 | 20.0 | 20.9 | 18.2 |
| Total reserves | 4.8 | 11.9 | 15.9 | 13.8 | 13.6 |
| Monetary base | 8.9 | 7.6 | 9.1 | 8.6 | 8.7 |
| Memo: (Millions of dollars) |  |  |  |  |  |
| Adjustment and seasonal borrowing | 273 | 391 | 243 | - | - |
| Excess reserves | 1111 | 1096 | 879 | -- | -- |

Note: Monthly reserves measures, including excess reserves and borrowing, are calculated by prorating averages for 2 -week reserve maintenance periods that overlap months. Data incorporate adjustments for discontinuities associated with implementation of the Monetary Control Act and other regulatory changes to reserve requirements.

1. Includes "other extended credit" from the Federal Reserve. p--preliminary.
continued to increase at about the elevated 50 percent annual rate that has prevailed since the spring of last year. Within the non-M2 cormponent of M3, large time deposits decelerated over the past two months; while there was a sharp pickup at thrifts, outstanding CDs at commercial banks declined a little.
(3) The expansion in total debt of domestic nonfinancial sectors slowed appreciably over the first quarter following its extraordinary growth late last year. Tax-exempt borrowing was virtually nil, on net, and federal government borrowing dropped off as the Treasury drew down its cash balance to meet a substantial portion of the first-quarter deficit. Although businesses borrowed unusually heavily in long-term bond markets, much of this borrowing substituted for shorter-term sources of credit such as bank loans and commercial paper or served to refund existing long-term debt; on a net basis, credit market borrowing by businesses slowed as the financing gap remained moderate and merger activity abated. Equity issuance, spurred by soaring stock prices, also lessened business needs for borrowed funds. Falling interest rates stimulated mortgage activity, including refinancings, as interest rates in this market reached the lowest level in seven and a half years.
(4) Total and nonborrowed reserves grew at about a 14 percent annual rate on average in February and March, mirroring the strength in transactions deposits. Throughout the intermeeting period the nonborrowed reserves path was constructed on the assumption of $\$ 300$ million of adjustment plus seasonal borrowing. The allowance for excess reserves was raised to $\$ 900$ million about midway through the period in view of the recent high levels of excess reserves; in part, this might reflect needs for larger balances related to an expanded volume of clearings associated
with very heavy financial transactions. In the three complete maintenance periods since the last FOMC meeting borrowing averaged $\$ 353$ million.
(5) The federal funds rate remained mainly between 7-3/4 and 8 percent during the first half of the intermeeting period, but fell to around 7-3/8 percent following the reduction in the discount rate to 7 percent on March 7. Other short-term market rates have declined about 50 to 80 basis points since the last FOMC meeting and the prime rate was reduced from 9-1/2 to 9 percent. Long-term rates have dropped more sharply, reacting to further weakness in oil prices, against a backdrop of mixed economic news and declines in some aggregate price indexes. Corporate and Treasury bond yields have dropped 100 to 150 basis points, while rates for fixedrate mortgages have declined around 75 basis points. Broad stock price indexes surged over the intermeeting period, increasing about 10 percent.
(6) The trade-weighted average value of the dollar, though firming somewhat in recent days, dropped about 2 percent further on balance since the last FOMC, bringing its total decline since the September G-5 meeting to about 15 percent. It is now nearly 30 percent below its February 1985 peak. During the intermeeting period the dollar reached a postwar low against the yen, prampting
statements of concern and hints of action by Japanese officials. These developments contributed to the recent more general appreciation in the dollar.

## Policy alternatives

(7) The table below gives three alternative specifications for growth in the monetary aggregates from March to June, along with associated federal funds rate ranges. More detailed data, including growth rates implied by each alternative from the fourth-quarter base of the Conmittee's long-run ranges to June, can be found on the table and charts on the following pages.

Growth from
Alt. A Alt. B Alt. C

March to June

| M1 | 9 | $7-1 / 2$ | 6 |
| :--- | :--- | :--- | :--- |
| M2 | 8 | 7 | 6 |
| M3 | $7-1 / 4$ | $6-1 / 2$ | $5-3 / 4$ |
|  |  |  |  |
| ated federal | 5 to 9 | $5-1 / 2$ to | 6 to 10 |
| rate range |  | $9-1 / 2$ |  |

(8) Under alternative $B$, which assumes maintenance of about the current degree of pressure on bank reserve positions as indexed by $\$ 300$ million in borrowing, Ml would be expected to grow at about a $7-1 / 2$ percent annual rate from March to June. This would leave it a little above the upper end of its 3 to 8 percent longer-run range in June. M2 growth at 7 percent over the three months would lift this aggregate to around the lower end of its long-run range. M3 would be somewhat below the midpoint of its range.
(9) With reserve conditions unchanged under alternative $B$, federal funds would be expected generally to trade in the $7-1 / 4$ to $7-3 / 8$ percent area. Other interest rates may change little, although same reversal of recent declines cannot be ruled out, and on foreign exchange markets the dollar may remain around current levels for a time. To some degree, a further easing in monetary policy over coming months may be built into the

Alternative Levels and Growth Rates for Key Monetary Aggregates

|  |  | M1 |  |  | M2 |  |  | M3 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Alt. A | Alt. B | A1t. C | Alt. A | Alt. B | Alt. C | Alt. A | Alt. B | Alt. C |
|  | Levels in billions |  |  |  |  |  |  |  |  |  |
|  | 1986-January | 627.1 | 627.1 | 627.1 | 2568.4 | 2568.4 | 2568.4 | 3222.1 | 3222.1 | 3222.1 |
|  | February | 630.9 | 630.9 | 630.9 | 2576.1 | 2576.1 | 2576.1 | 3238.6 | 3238.6 | 3238.6 |
|  | March | 638.6 | 638.6 | 638.6 | 2593.2 | 2593.2 | 2593.2 | 3259.0 | 3259.0 | 3259.0 |
|  | April | 643.1 | 642.8 | 642.5 | 2610.1 | 2609.2 | 2608.3 | 3278.8 | 3278.0 | 3277.2 |
|  | May | 647.4 | 646.5 | 645.6 | 2627.1 | 2624.2 | 2621.3 | 3298.5 | 3295.8 | 3293.0 |
|  | June | 653.0 | 650.6 | 648.2 | 2645.1 | 2638.6 | 2632.1 | 3317.7 | 3312.0 | 3306.3 |
|  | Monthly Growth Rates |  |  |  |  |  |  |  |  |  |
|  | 1986-January | 1.1 | 1.1 | 1.1 | 1.4 | 1.4 | 1.4 | 8.2 | 8.2 | 8.2 |
|  | February | 7.3 | 7.3 | 7.3 | 3.6 | 3.6 | 3.6 | 6.1 | 6.1 | 6.1 |
|  | March | 14.6 | 14.6 | 14.6 | 8.0 | 8.0 | 8.0 | 7.6 | 7.6 | 7.6 |
| $!$ | April | 8.5 | 7.9 | 7.3 | 7.8 | 7.4 | 7.0 | 7.3 | 7.0 | 6.7 |
|  | May | 8.0 | 6.9 | 5.8 | 7.8 | 6.9 | 6.0 | 7.2 | 6.5 | 5.8 |
|  | June | 10.4 | 7.6 | 4.8 | 8.2 | 6.6 | 4.9 | 7.0 | 5.9 | 4.8 |
|  | Quarterly Ave. Growth Rates |  |  |  |  |  |  |  |  |  |
|  | 1985-Q2 | 10.5 | 10.5 | 10.5 | 6.3 | 6.3 | 6.3 | 5.5 | 5.5 | 5.5 |
|  | Q3 | 14.5 | 14.5 | 14.5 | 9.5 | 9.5 | 9.5 | 7.7 | 7.7 | 7.7 |
|  | Q4 | 10.6 | 10.6 | 10.6 | 6.0 | 6.0 | 6.0 | 6.4 | 6.4 | 6.4 |
|  | 1986-Q1 | 7.7 | 7.7 | 7.7 | 4.3 | 4.3 | 4.3 | 7.2 | 7.2 | 7.2 |
|  | Q2 | 9.9 | 9.1 | 8.4 | 7.5 | 6.9 | 6.4 | 7.2 | 6.8 | 6.5 |
|  | Nov. 85 to Mar. 86 | 9.0 | 9.0 | 9.0 | 5.0 | 5.0 | 5.0 | 7.3 | 7.3 | 7.3 |
|  | Dec. 85 to Mar. 86 | 7.7 | 7.7 | 7.7 | 4.3 | 4.3 | 4.3 | 7.3 | 7.3 | 7.3 |
|  | Feb. 86 to June 86 | 10.5 | 9.4 | 8.2 | 8.0 | 7.3 | 6.5 | 7.3 | 6.8 | 6.3 |
|  | Mar. 86 to June 86 | 9.0 | 7.5 | 6.0 | 8.0 | 7.0 | 6.0 | 7.2 | 6.5 | 5.8 |
|  | Q4 85 to Mar. 86 | 8.9 | 8.9 | 8.9 | 4.9 | 4.9 | 4.9 | 7.2 | 7.2 | 7.2 |
|  | Q4 85 to June 86 | 9.1 | 8.4 | 7.7 | 6.3 | 5.9 | 5.4 | 7.3 | 7.0 | 6.7 |
|  | 1986 Target Ranges: |  | 3 to 8 |  |  | 6 to 9 |  |  | 6 to 9 |  |

Chart 1
ACTUAL AND TARGETED M1


Chart 2
ACTUAL AND TARGETED M2


Chert 3
ACTUAL AND TARGETED M3


existing interest rate structure. Thus, should the market come to view such an easing as unlikely, the 3 -month bill rate could back up into the $6-1 / 2$ to $6-3 / 4$ percent area. Bond yields may come under upward pressure as well, though they are likely to continue to be influenced importantly by movements in oil prices. On the supply side of the bond market, offerings are expected to remain relatively heavy. Though corporate issuance may ease back from recent record levels reached in response to the decline in rates so far this year, Treasury bond issuance will pick up now that the Congressional ceiling on high coupon bonds has been lifted.
(10) Ml growth in the March to June period under this alternative is expected to remain at about the same rate on average as over the first three months of the year. The transactions demand for Ml is projected to slacken, given the slowing in naninal GNP growth expected by the staff in the second quarter and probably also a drop-off in the heavy volume of financial transactions that accompanied the surge in stock and bond prices of recent months. On the other hand, demands for MI are likely to be boosted somewhat over the next few months by the recent declines in short-term interest rates. The accompanying flattening of the yield curve, by working to reduce offering rates on small time deposits, would also seem to add to demands for interest-bearing Ml balances. 1 on a quarterly average basis, Ml would be expected to expand at a 9 percent annual rate in the second quarter under alternative $B$, implying a drop in velocity at around a 4 percent annual rate, given the staff GNP forecast.

1. Ml is not expected to be affected by limits on daylight overdrafts that went into effect on March 27. Only a small number of institutions are constrained by the initial caps. Moreover, results of a survey of large institutions indicate that, in adapting to the new regulation, banks are not looking to higher demand deposits but are emphasizing other approaches, such as restructuring federal funds transactions and adjusting the timing of payments.
(11) M2 under alternative B would be expected to increase considerably more rapidly fram March to June than its relatively sluggish rate of growth in the first quarter, partly as shifts to bond and stock investment vehicles moderate as portfolio adjustments to the recent surge in securities prices abate. ${ }^{1}$ The continued moderate M3 growth under this alternative presumes that bank credit growth will remain relatively subdued.
(12) The debt of domestic nonfinancial sectors is likely to grow over the second quarter at around the much reduced pace of the first quarter, although the level of debt in June would still be somewhat above the upper limit of the FOMC's monitoring range. Federal borrowing is projected to be larger on a seasonally adjusted basis in the spring than in winter, when a sharp drop in the Treasury cash balance had financed a substantial portion of the deficit. Municipal security issuance also is likely to pick up a bit from the early months of the year. On the other hand, households, while apt to maintain a relatively steady pace of fixed-rate mortgage borrowing in response to recent rate declines, are expected to ease demands for consumer credit in light of their already heavy debt burden. Businesses will continue to focus on longer-term markets as sources of funds, but overall net borrowing should be kept subdued by a continued modest financing gap and diminishing merger and acquisition activity.
2. The final phase-out of savings deposit rate ceilings on April 1 is not expected to have a perceptible impact on money growth, given the wide variety of deregulated accounts already available and the likelihood that funds shifted into newly deregulated accounts will come predaminantly from other M2 camponents.
(13) Alternative A encampasses some easing of reserve conditions, with discount window borrowing dropping to minimum levels of $\$ 100$ to $\$ 150$ million, and the federal funds rate averaging around, or a little below, the 7 percent discount rate. While some monetary easing may be anticipated in the current structure of market rates, those interest rates probably would decline further under this approach, partly on more widespread expectations of another reduction in the discount rate. Depending on the pervasiveness of such expectations, the 3 -month Treasury bill rate may fluctuate around a 6 to $6-1 / 4$ percent area. Long-term rates are not likely to decline by more than short-term rates, and probably by less, assuming no further change in inflation expectations. The dollar would probably again come under downward pressure, particularly if other leading central banks did not also ease monetary conditions.
(14) Ml growth would be expected to strengthen under alternative A to around 9 percent over March to June, moving this aggregate further above the upper end of its long-run range, though within its parallel band. Even more rapid growth could occur, given the very narrow spread that could develop between rates on market instruments, MMDAs and time deposits and those on NOW accounts-especially if institutions are reluctant to reduce the latter in the fluid competitive environment following full deregulation. Strong demands for money may well continue later in the year partly in lagged response to the rate declines associated with this alternative. Under those circumstances, and particularly if transactionsrelated demands were also on the strong side, greater restraint on reserve positions and an increase in interest rates might be needed at some point later in the year if Ml were to be constrained within its longer-run range for 1986.
(15) Under alternative $A$, the stronger growth of M2--bolstered by inflows fram market instruments mainly into MMMFs and MMDAs-would move this aggregate up into its longer-run range by June. The acceleration of M3 would probably be less. Bank credit growth through the second quarter would be further restrained by softness in business loans as corporations rely more heavily on bond financing in response to a further drop in long-term rates.
(16) Alternative $C$ entails a firming of reserve conditions characterized by discount window borrowing rising to around $\$ 500$ million. The federal funds rate would probably move up to the $7-3 / 4$ to 8 percent area. Such a tightening is not anticipated by market participants, and substantial upward rate movements would probably occur. The 3-month bill rate would rise to above 7 percent. Long-term rates would also back up considerably for a time, but upward pressures should abate as corporate bond issuance drops off and as incoming data continue to suggest low inflation. The foreign exchange value of the dollar would tend to firm over the short run.
(17) MI growth under the money market and reserve conditions of alternative $C$ would be expected to slow over the March to June period, bringing this aggregate to within its long-run range by June. However, M2 would remain noticeably below the lower end of its long-run range, though within its parallel band. Moreover, if growth of M2 within its longer-run range for the year is to be attained, the higher level of rates is likely to prove unsustainable, particularly if it worked to restrain econamic expansion significantly.

## Directive language

(18) Draft language for the operational paragraph, with the usual alternatives, is shown below with suggested deletions from the current directive indicated in strike-through form and proposed additions in caps. The proposed format follows that used at the December and February meetings in highlighting the uncertainties surrounding the behavior of Ml. With regard to the issue of intermeeting adjustments in the degree of reserve pressure, the draft retains the symmetrical language of the last directive. An asymmetric approach could of course be indicated by insertion of "might" or "would" as appropriate.

OPERATIONAL PARAGRAPH

In the irmlementation of policy for the immediate future, the Committee seeks to DECREASE 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 M2 and M3 over the period from March TO JUNE at annual rates of about 6 $\qquad$ percent and 7 $\qquad$ percent, respectively: while the behavior of MI continues to be subject to unusual uncertainty, growth at an annual rate of about 7 $\qquad$ percent over the period is anticipated. Somewhat greater reserve restraint or somewhat lesser reserve restraint might be acceptable depending on behavior of the aggregates, the strength of the business expansion, developments in foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. The Chairman may call for Committee consultation if it appears to the
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Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 6-te-10 __ TO percent.

| Period | Short-term |  |  |  |  |  |  |  | Long-Torm |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | foderal funds | Traenury bills secondary markot |  |  |  | comm. paper 1.month | monay market mutual fund | bank <br> prime <br> loan | U.S. oovernment constant maturity yields |  |  | corporate A utlity recently offered | municipal Bond Buyer | conventional home mortgages |  |  |
|  |  |  |  |  | secondary market |  |  |  |  |  |  | primary market |  |
|  |  | 3 -month | 6-month | 7.year |  |  |  |  | 3 -yoar | 10-year | 30-year |  |  | Hxed.rate | flxed-rate | ARM |
|  | 1 | 2 | 3 | 4 |  | 5 | 6 | 7 | 8 | 9 | 10 |  | 11 | 12 | 13 | 14 | 15 | 18 |
| 1985--High | 8.98 | 8.65 | 9.03 | 9.21 | 9.13 | 8.83 | 8.31 | 10.75 | 11.19 | 11.95 | 11.89 | 13.23 | 10.31 | 13.57 | 13.29 | 11.14 |
| Low | 7.13 | 6.77 | 6.92 | 7.06 | 7.34 | 7.22 | 7.00 | 9.50 | 8.24 | 9.07 | 9.34 | 10.62 | 8.85 | 10.52 | 11.09 | 9.17 |
| 1986--High | 9.55 | 7.21 | 7.30 | 7.35 | 7.94 | 7.91 | 7.22 | 9.50 | 8.60 | 9.38 | 9.52 | 10.83 | 8.72 | 10.97 | 10.99 | 9.09 |
| Low | 7.25 | 6.41 | 6.47 | 6.52 | 7.16 | 7.22 | 6.85 | 9.00 | 7.24 | 7.72 | 7.91 | 9.29 | 7.55 | 9.74 | 10.01 | 8.58 |
| 1985--Peb. | 8.50 | 8.27 | 8.39 | 8.56 | 8.69 | 8.46 | 7.80 | 10.50 | 10.55 | 11.51 | 11.47 | 12.76 | 10.07 | 13.05 | 12.92 | 10.63 |
| Mar. | 8.58 | 8.52 | 8.90 | 9.06 | 9.02 | 8.74 | 7.97 | 10.50 | 11.05 | 11.86 | 11.81 | 13.17 | 10.23 | 13.48 | 13.17 | 10.90 |
| Apr | 8.27 | 7.95 | 8.23 | 8.44 | 8.49 | 8.31 | 7.97 | 10.50 | 10.49 | 11.43 | 11.47 | 12.75 | 9.85 | 13.07 | 13.20 | 10.83 |
| May | 7.97 | 7.48 | 7.65 | 7.85 | 7.92 | 7.80 | 7.71 | 10.31 | 9.75 | 10.85 | 11.05 | 12.25 | 9.46 | 12.65 | 12.91 | 10.55 |
| June | 7.53 | 6.95 | 7.09 | 7.27 | 7.44 | 7.34 | 7.21 | 9.78 | 9.05 | 10.16 | 10.45 | 11.60 | 9.18 | 11.88 | 12.22 | 9.89 |
| July | 7.88 | 7.08 | 7.20 | 7.31 | 7.64 | 7.58 | 7.03 | 9.50 | 9.18 | 10.31 | 10.50 | 11.64 | 9.20 | 11.94 | 12.03 | 9.68 |
| Aug. | 7.90 | 7.14 | 7.32 | 7.48 | 7.81 | 7.73 | 7.08 | 9.50 | 9.31 | 10.33 | 10.56 | 11.76 | 9.44 | 12.04 | 12.19 | 9.52 |
| Sept. | 7.92 | 7.10 | 7.27 | 7.51 | 7.93 | 7.83 | 7.10 | 9.50 | 9.37 | 10.37 | 10.61 | 11.87 | 9.61 | 12.11 | 12.19 | 9.52 |
| Oct. | 7.99 | 7.16 | 7.33 | 7.45 | 7.88 | 7.81 | 7.15 | 9.50 | 9.25 | 10.24 | 10.50 | 11.82 | 9.54 | 11.97 | 12.14 | 9.50 |
| Nov. | 8.05 | 7.24 | 7.30 | 7.33 | 7.81 | 7.84 | 7.21 | 9.50 | 8.88 | 9.78 | 10.06 | 11.35 | 9.22 | 11.51 | 11.78 | 9.38 |
| Dec. | 8.28 | 7.10 | 7.14 | 7.16 | 7.80 | 7.87 | 7.23 | 9.50 | 8.40 | 9.26 | 9.54 | 10.93 | 8.96 | 10.83 | 11.26 | 9.19 |
| 1986-Jan. | 8.14 | 7.07 | 7.17 | 7.21 | 7.82 | 7.78 | 7.15 | 9.50 | 8.41 | 9.19 | 9.40 | 10.74 | 8.50 | 10.79 | 10.88 | 9.01 |
| Peb. | 7.86 | 7.06 | 7.11 | 7.11 | 7.69 | 7.70 | $7.11 p$ | 9.50 | 8.10 | 8.70 | 8.93 | 10.21 | 7.99 | 10.45 | 10.71 | 8.93 |
| 1985--Dec. 18 | 8.05 | 7.04 | 7.03 | 1.06 | 7.66 | 7.78 | 7.25 | 9.50 | 8.27 | 9.16 | 9.46 | 10.68 | 8.90 | 10.72 | 11.14 | 9.17 |
| 25 | 8.02 | 7.07 | 7.09 | 7.10 | 7.76 | 7.83 | 7.21 | 9.50 | 8.24 | 9.07 | 9.34 | 10.62 | 8.85 | 10.52 | 11.09 | 9.17 |
| 1986-Jan. 1 | 9.35 | 6.99 | 7.05 | 7.08 | 7.77 | 7.91 | 7.22 | 9.50 | 8.23 | 9.01 | 9.28 | 10.59 | 8.72 | 10.52 | 10.81 | 9.04 |
| 8 | 8.20 | 7.09 | 7.13 | 7.14 | 7.76 | 7.78 | 7.21 | 9.50 | 8.27 | 9.05 | 9.29 | 10.83 | 8.51 | 10.82 | 10.75 | 9.02 |
| 15 | 7.94 | 7.21 | 7.30 | 7.35 | 7.94 | 7.83 | 7.09 | 9.50 | 8.60 | 9.38 | 9.52 | 10.75 | 8.54 | 10.97 | 10.99 | 9.09 |
| 22 | 7.87 | 7.05 | 7.18 | 7.25 | 7.84 | 7.80 | 7.16 | 9.50 | 8.48 | 9.26 | 9.42 | 10.82 | 8.46 | 10.87 | 10.97 | 8.93 |
| 29 | 7.83 | 6.97 | 7.09 | 7.14 | 7.80 | 7.73 | 7.15 | 9.50 | 8.36 | 9.15 | 9.38 | 10.67 | 8.29 | 10.75 | 10.89 | 8.97 |
| Peb. 5 | 7.97 | 7.00 | 7.06 | 7.08 | 7.72 | 7.70 | 7.15 | 9.50 | 8.21 | 9.03 | 9.30 | 10.58 | 8.24 | 10.67 | 10.85 | 8.98 |
| 12 | 7.85 | 7.15 | 7.20 | 7.19 | 7.76 | 7.72 | 7.09 | 9.50 | 8.23 | 9.00 | 9.22 | 10.27 | 8.09 | 10.57 | 10.80 | 9.00 |
| 19 | 7.84 | 7.06 | 7.13 | 7.12 | 7.69 | 7.72 | 7.12 | 9.50 | 8.11 | 8.72 | 8.96 | 10.01 | 7.95 | 10.47 | 10.68 | 8.90 |
| 26 | 7.82 | 7.03 | 7.08 | 7.08 | 7.66 | 7.68 | 7.09 | 9.50 | 8.04 | 8.46 | 8.67 | 9.48 | 7.66 | 10.07 | 10.51 | 8.84 |
| Mar. 5 | 7.89 | 6.94 | 6.91 | 6.88 | 7.56 | 7.62 | 7.11 | 9.50 | 7.66 | 8.06 | 8.22 | 9.56 | 7.57 | 10.02 | 10.20 | 8.67 |
| 12 | 7.32 | 6.62 | 6.60 | 6.62 | 7.26 | 7.28 | 7.06 | 9.07 | 7.31 | 7.83 | 8.04 | 9.37 r | 7.55 | 9.74 | 10.01 | 8.58 |
| 19 | 7.47 | 6.54 | 6.59 | 6.59 | 7.16 | 7.23 | 6.93 | 9.00 | 7.29 | 7.78 | 7.97 | 9.38 | 8.13 | 9.87 | 10.01 | 8.67 |
| 26 | 7.25 | 6.41 | 6.47 | 6.52 | 7.17 | 7.22 | 6.85 | 9.00 | 7.24 | 7.72 | 7.91 | 9.29 | 7.69 | 9.82 | 10.10 | 8.67 |
| Daily-Mar. 21 | 7.17 | 6.41 | 6.49 | 6.54 | 7.17 | 7.19 | - | 9.00 | 7.28 | 7.80 | 7.98 | -- | -- | -- | -- | - |
| 27 | 7.42 | 6.34 | 6.32 | 6.37 | 7.14 | 7.27 | -- | 9.00 | 7.13 | 7.49 | 7.63 | -- | -- | -- | -- | - |
| 28 | M | A |  | R | K |  | s | T | c |  |  | 0 | s |  | E | D |

NOTE: Weekly data for columns 1 through 11 are stalement week averages. Data In column 7 are taken from Donoghua's Money Fund Paport. Columns 12 and 13 are 1 -day quotes for Friday and Thursday, respectively, purchase yleld, plus loan servicing toe on 30-dey mandatory delivery commitments on the Friday tollowing the end of the statement week Column 15 is the averege contrect rate on new commiltments for fixedyate mort-
gaces (FRMs) with 80 percent loan-lo-value ratios at a sample of savings and loans. Column 16 is the everage initial contract rate on new commitments for one-yenr, ad)ustable-rate mortgages (ARMB) at S\& Ls offering both FRMs and ARMs with the same number of discount pointe

MAR. 31. 1986

 BEGIBMIMG SEPTEABRR 26. 1984.
 TO REROTR DISCOITIMUITIRS. P-PRELIAIMABT
PE-PRELIMIMARE ESTIGATE

 GEON SIALL TIBE DEPOSITS.
2 EXCLUDES IRA AND REOGH ACLOURTS
Net ot large denoni mailun time deposits held gy monei hauket hutual fonds and thript Imstitutions. P-PKELImLKABy

Millions of dollars, not seasonsily adjusted

| Period | Treasury bills net change* | Treasury coupons net purchases ${ }^{\text {a }}$ |  |  |  |  | Federal agencies net purchases ${ }^{4}$ |  |  |  |  | Net change outright holdings total ${ }^{1}$ | Net RPs: |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | $\begin{aligned} & \text { within } \\ & \text { 1.yoar } \\ & \hline \end{aligned}$ | 1-5 | 5-10 | over 10 | total | within <br> 1.year | 1-5 | 5-10 | over 10 | total |  |  |
| 1980 | -3,052 | 912 | 2,138 | 703 | 811 | 4,564 | 217 | 398 | 29 | 24 | 668 |  |  |
| 1981 | 5,337 | 294 | 1,702 | 393 | 379 | 2,768 | 133 | 360 | $\underline{ }$ | 24 | 494 | 2,035 | 2,462 684 |
| 1982 | 5,698 | 312 | 1,794 | 388 | 307 | 2,803 | -- | 360 | -- | -- | 494 | 8,312 | 1,461 |
| 1983 | 13,068 | 484 | 1,896 | 890 | 383 | 3,653 | -- | -- | -- | -- | - | 16,342 | 1,461 $-5,445$ |
| 1984 | 3,779 | 826 | 1,938 | 236 | 441 | 3,440 | - | -- | ~- | -- | - | 16,342 6,964 | $1,5,445$ 1,450 |
| . 1985 | 14,596 | 1,349 | 2,185 | 358 | 293 | 4,185 | -- | - | -- | -- | -- | 18,619 | 3,001 |
| 1985--QTR. I | -2,044 | 961 | 465 | -100 | -- | 1,326 | -- | -- | -- | -- | - | -735 | 462 |
| 11 | 7,183 | 245 | 846 | 108 | 96 | 1,295 | -- | -- | -- | -- | _- | 8,409 | -350 |
| III | 4,027 | -- | 6 | 345 | 197 | 1, 12 | -- | -- | -- | _- | -- | 3,962 | -3,446 |
| IV | 5,431 | 143 | 868 | 345 | 197 | 1,552 | -- | -- | -- | -- | -- | 6,983 | 6,336 |
| 1985-Sept. | 1,171 | -- | -- | - | -- | -- | -- | -- | -- | -" | - | 1,171 | -1,578 |
| Oct. | -265 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -265 | -732 |
| Nov. | 1,180 | -73 | 868 | 345 | 197 | 1552 | -- | -- | -- | -- | -- | 1,180 | -718 |
| Dec. | 4,515 | 143 | 868 | 345 | 197 | 1552 | -- | -- | $\sim$ | -- | -- | 6,068 | 7,785 |
| 1986-Jan. | -3, 617 | -- | -- | - | -- | $\cdots$ | - | -- | -- | -- | -- | 61 | 3,466 |
| Feb. |  | -- | -- | - | -- | $\cdots$ | -- | -- | - | -- | -- | -3,277 | 198 |
| 1985-Dec. ${ }^{4}$ | 3,699 | 143 | 868 | 345 | 197 |  | - | -- | - | - | - | 3,699 |  |
| 11 | 342 | 143 | 868 | 345 | 197 | 1,552 | - | - | -- | -- | -- | 1,995 | 12,098 $-6,194$ |
| 18 | 170 | -- | - | -- | -- | -- | - | -- | -- | -- | - | 170 | . 607 |
| 25 | 15 | -- | - | -- | -- | -- | - | -- | -- | -- | -- | 15 | -2,548 |
| 1986--Jan. 1 | 216 | - | -- | -- | -- | -- | -- | -- | -- | -- | -- | 216 | 5,075 |
| 8 | -- | -- | - | -- | -- | -- | -- | -- | -- | -- | -- | - | -4,999 |
| 15 | 134 | -- | -- | - | -- | -- | -- | -- | -- | -- | -- | 134 | 3,037 |
| 22 | 152 | -- | $\cdots$ | -- | -- | - | -- | -- | -- | -- | -- | 152 | 4,896 |
| 29 | -- | -- | -- | -- | -- | -* | - | -- | - | -- | -- | -- | -4,768 |
| Peb. 5 | -940 | -- | - | -- | -- | -- | -- | -- | - | $\cdots$ | -- | -940 | -7,440 |
| 12 | -1650 | -- | -- | -- | -- | -- | -- | -- | -- | -_ | -- | -1,650 | 3,646 |
| 19 | -195 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -195 | 119 |
| 26 | -717 | - | -- | -- | -- | -- | - | -- | -- | -- | -- | -717 | 1,576 |
| Mar. 5 | - | -- | - | -- | ** | -- | -- | -- | $\cdots$ | -- | - | -- | -1,308 |
| 12 | - | -- | -- | -- | -- | -- | -- | -- | -- | -- | -_ | -- | 4,809 |
| 19 | $\underline{\sim}$ | -- | -- | -- | -- | -- | -- | - | -- | -- | -- | - | -5,405 |
| 26 | 138 | -- | -- | $\cdots$ | -- | -- | - | -- | -- | -- | -- | 138 | 3,644 |
| Level-Mar. 26 | 81.7 | 22.9 | 32.3 | 15.1 | 22.0 | 92.4 | 2.7 | 3.8 | 1.3 | . 4 | 8.2 | 187.0 | -1.0 |

Change from end-ot-period to end-ot-period.
. Outright transactions in markel and with foreign accounts, and redemptions ( - ) in bili auctions.
. Outright transactions in market and with foreign accounts, and short-term notes acquired in exchange for
5. In addition to the net purchase of securities, also reflects changes in System holdings of bankers' acceptances direct Treasury brrowing from the System and redemptions ( - ) of agency and Treasury coupon issues.
6. Includes changes in $\mathrm{RPs}(+)$, matched sale-purchase transactions $(-)$, and matched purchase sala transactions ( + ). maluring bila. Excludes rede
4. Outright transactions in markel and with forelgn accounts only. Excludes redemptions and maturity shifts.


[^0]:    ${ }^{1}$ In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).
    ${ }^{2}$ A two-step process was used. An advanced optimal character recognition computer program (OCR) first created electronic text from the document image. Where the OCR results were inconclusive, staff checked and corrected the text as necessary. Please note that the numbers and text in charts and tables were not reliably recognized by the OCR process and were not checked or corrected by staff.

