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Strictly Confidential (FR) Class I FOMC

MONETARY POLICY ALTERNATIVES

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

STRICTLY CONFIDENTIAL
CLASS I - FOMC

June 24, 1988

MONETARY POLICY ALTERNATIVES

Recent Developments

(1) In accordance with the Committee's decision at its May 17 meeting, the allowance for adjustment plus seasonal borrowing was raised from $400 million to $500 million about a week following the meeting. Actual borrowing averaged $530 million in the first two maintenance periods. In the current maintenance period, with the federal funds rate running a little above expectations even as long-term debt and equity markets were rallying, the borrowing assumption was raised $50 million, rather than allowing the provision of reserves under the previous specification to push the federal funds rate lower. This action was taken against the backdrop of a directive indicating greater readiness to tighten than to ease and of economic indicators that suggested a continuing risk of inflation pressures. Over the first eight days of the current maintenance period, adjustment plus seasonal borrowing has averaged around $490 million. Seasonal borrowing has increased a little more than usual in recent months, and is currently running around $320 million; overall, the relationship between the sum of seasonal and adjustment borrowing and the federal funds rate does not appear to have changed appreciably from earlier this year.

(2) Responding to the further increases in reserve pressures, the federal funds rate moved up from around 7 percent at the time of the May FOMC meeting to the 7-1/2 percent area most recently. Other money market interest rates increased by around 1/4 to 3/8 of a percentage point over

the intermeeting period. Despite the rise in short-term rates, substantial increases in commodity prices, and evidence of stronger economies and tighter monetary policies in some key foreign industrial countries, bond yields fell about 1/4 of a percentage point over the intermeeting period, and stock prices rose, with broad stock price indexes up from 4 to 8 percent. Apparently, demands for longer-term instruments were buoyed by improved prospects for the dollar and by signs of some moderation in the economic expansion towards a more sustainable pace, together with perceptions that U.S. monetary policy was being tightened in a timely manner.

(3) The dollar rose about 5-1/4 percent on a weighted average basis over the intermeeting period, with 3-1/4 percent of that occurring in the last few days. It moved higher in response to the better-than-expected U.S. trade figures both for March, released on the day of the last FOMC meeting, and for April, released in mid-June. These data apparently led market participants to revise their expectations about the pace of U.S. external adjustment. Indications of a tighter Federal Reserve stance also contributed to the dollar's firmness over the period, helping to offset the effects of monetary tightening in a number of foreign countries, including Germany, Canada, and the United Kingdom. The firming trend has gathered momentum in recent days, as convictions about a brighter outlook for the dollar seem to have become more firmly entrenched.

MONETARY, CREDIT, AND RESERVE AGGREGATES
(Seasonally adjusted annual rates of growth)

	April	May	June[pe]	March to June[pe]	QIV '87 to June[pe]
Money and credit aggregates					
M1	11.2	-.2	7.0	6.0	4.9
M2	9.9	4.7	5.9	6.9	7.2
M3	7.1	4.2	6.9	6.1	7.0
Domestic nonfinancial debt	8.4	8.1	--	8.2[1]	8.5[2]
Bank credit	11.4	13.0	--	12.2[1]	8.1[2]
Reserve measures[3]					
Nonborrowed reserves[4]	10.4	-2.2	-.6	2.5	3.3
Total reserves	12.3	-.2	.3	4.2	3.8
Monetary base	11.4	5.1	5.8	7.4	7.7
Memo: (Millions of dollars)					
Adjustment plus seasonal borrowing	370	471	518	--	--
Excess reserves	859	1028	839	--	--

pe--preliminary estimate based on partial data through June 20.
1. March to May.
2. 1987:Q4 to May.
3. Reserve estimates incorporate assumptions of $550 million of adjustment plus seasonal borrowing and $950 million of excess reserves during the second half of June.
4. Includes "other extended credit" from the Federal Reserve.

NOTES: Monthly reserve measures, including excess reserves and borrowing, are calculated by prorating averages for two-week reserve maintenance periods that overlap months. Reserve data incorporate adjustments for discontinuities associated with changes in reserve requirements.

(4) Expansion of the monetary aggregates slowed substantially in May, mainly reflecting the runoff of tax-related balances. Based on partial data through June 20, growth of the aggregates appears to have rebounded in June. Still, expansion of M2 at 6 percent in June is slower than earlier in the year, as demands are evidently being restrained somewhat by the rise in opportunity costs that has resulted from the increase in short-term market interest rates. M2 is estimated to have increased at a 7 percent rate over the March-to-June period, in line with the Committee's specification of 6 to 7 percent for the broader aggregates. Growth of M3 over the March-to-June period is estimated at 6 percent. The moderate growth of this aggregate in the face of fairly rapid expansion of bank credit reflected heavier reliance on nondeposit sources--especially borrowings from foreign branches--to fund credit growth.

(5) M1 was about unchanged in May following its April bulge, but its growth appears to have snapped back to around a 7 percent rate in June. OCDs, along with other liquid deposits, have remained surprisingly strong given a steeper deposit yield curve, perhaps reflecting uncertainty about the future course of interest rates; in addition, demand deposits have rebounded following a decline in May. In June, M1 is estimated to be 5 percent at an annual rate above its fourth-quarter level. Growth in required reserves has generally tracked expansion of M1. Expansion in total reserves from March to June at about a 4-1/4 percent annual rate was held down to an extent by declining excess reserves. The monetary base

increased at a 7-1/2 percent rate over that period, about a percentage point slower than over the first three months of the year, as both currency and reserves grew less rapidly.

(6) M2 and M3 are estimated to have expanded at 7-1/4 and 7 percent annual rates, respectively, from their fourth-quarter bases through June, leaving these aggregates in the upper halves of their annual ranges. Expansion of M2 has been supported this year by fairly strong growth of income. The pickup in this aggregate relative to its growth over 1987 stems in part from the turnaround in market interest rates and opportunity costs from October through February. In addition, special factors may have accounted for some of the relatively rapid M2 growth, at least judging by the overshoot of money growth relative to the money demand models. M2 holders apparently found equity investments less attractive in the aftermath of the stock market collapse--as evidenced by very weak sales of mutual funds--and also lower incentives to shift savings to IRAs before the April tax date depressed flows into these accounts. With respect to M3, while credit at banks and thrifts expanded over the first half of 1988 at about the same pace as last year, it was financed to a greater extent by liabilities included in the aggregates. In particular, inflows to banks from their foreign branches dropped off sharply compared with 1987.

(7) Overall, domestic nonfinancial sector debt expanded at an 8-1/2 percent annual rate from the fourth quarter through May, leaving this measure just below the middle of its annual range. In recent months, business credit demands appear to have picked up appreciably, reflecting continuing strong equity retirements, as well as a large shortfall of

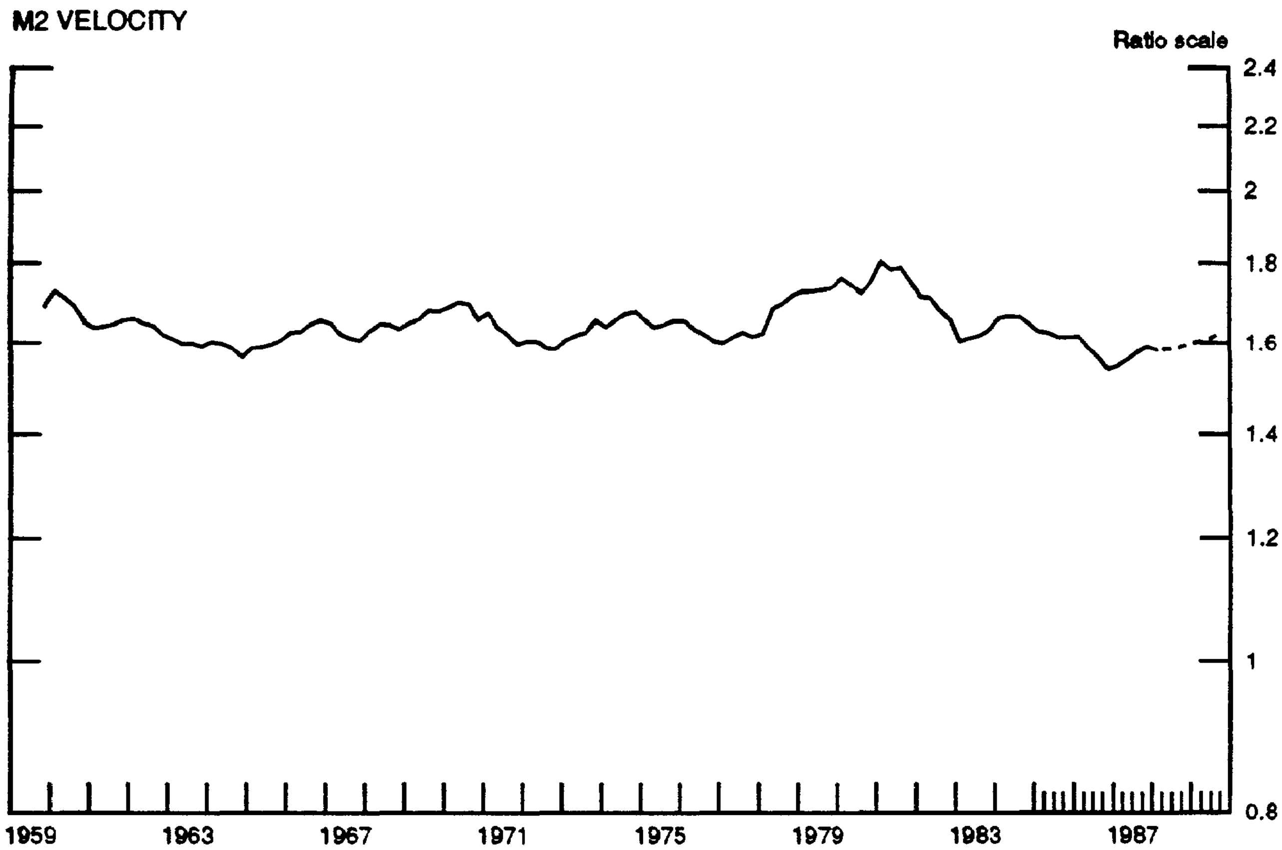
internal funds relative to capital spending. In addition to rapid business loan expansion, which appears to have extended into June, corporate bond issuance has strengthened since the drop in bond yields. Household borrowing is estimated to have been maintained at about the first quarter pace, a shade below that of 1987. Borrowing by the federal government was light over most of the second quarter, but the Treasury has increased the gross sizes of coupon issues in mid-June in order to begin funding a much higher third quarter deficit.

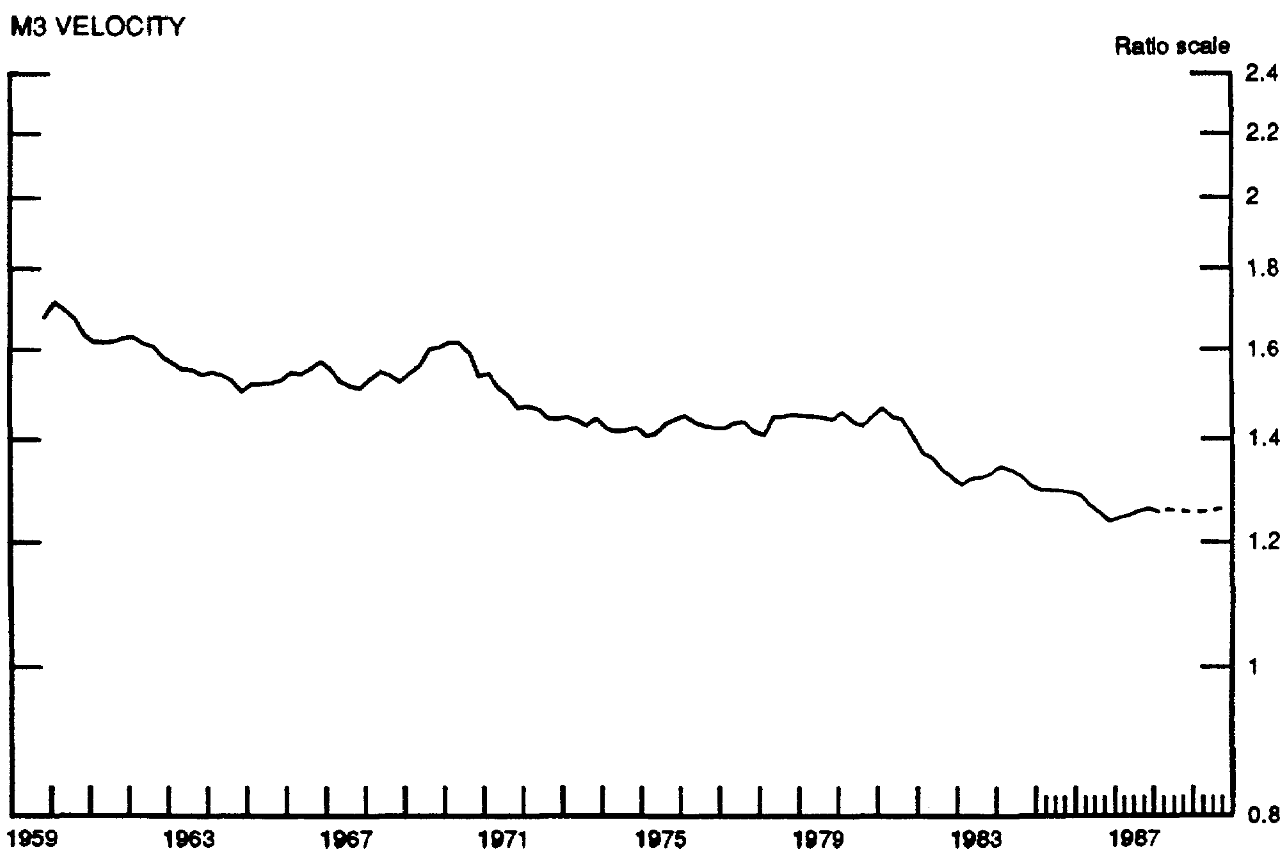
Long-run Ranges

(8) For 1988, the aggregates are expected to grow well within their existing ranges. Under the staff greenbook forecast, M2 and M3 would be around the midpoint and in the upper portion of their 4 to 8 percent ranges, respectively, and debt in the middle of its 7 to 11 percent range. In that forecast, the growth of M2 is projected to slow substantially in the second half of the year from its pace of 7-1/4 percent through June. This moderation primarily results from the effects of higher interest rates and opportunity costs on money demand. Opportunity costs have already risen in recent months and this increase is expected to be augmented under the staff forecast by a further upward movement in market interest rates. As a consequence, velocity is expected to increase at about a 1 percent annual rate over the second half of the year after falling at almost that rate in the first half. (Actual and projected velocities of the aggregates are illustrated in the charts on the following pages.) With nominal GNP projected to expand at a 6-1/2 percent annual rate in the second half of the year, M2 growth would be around 5 percent over this period, bringing growth for the year down close to 6 percent. Were this rate of expansion of the economy to be achieved without further increases in rates, growth in M2 for the year would probably be only about 1/4 percentage point higher.

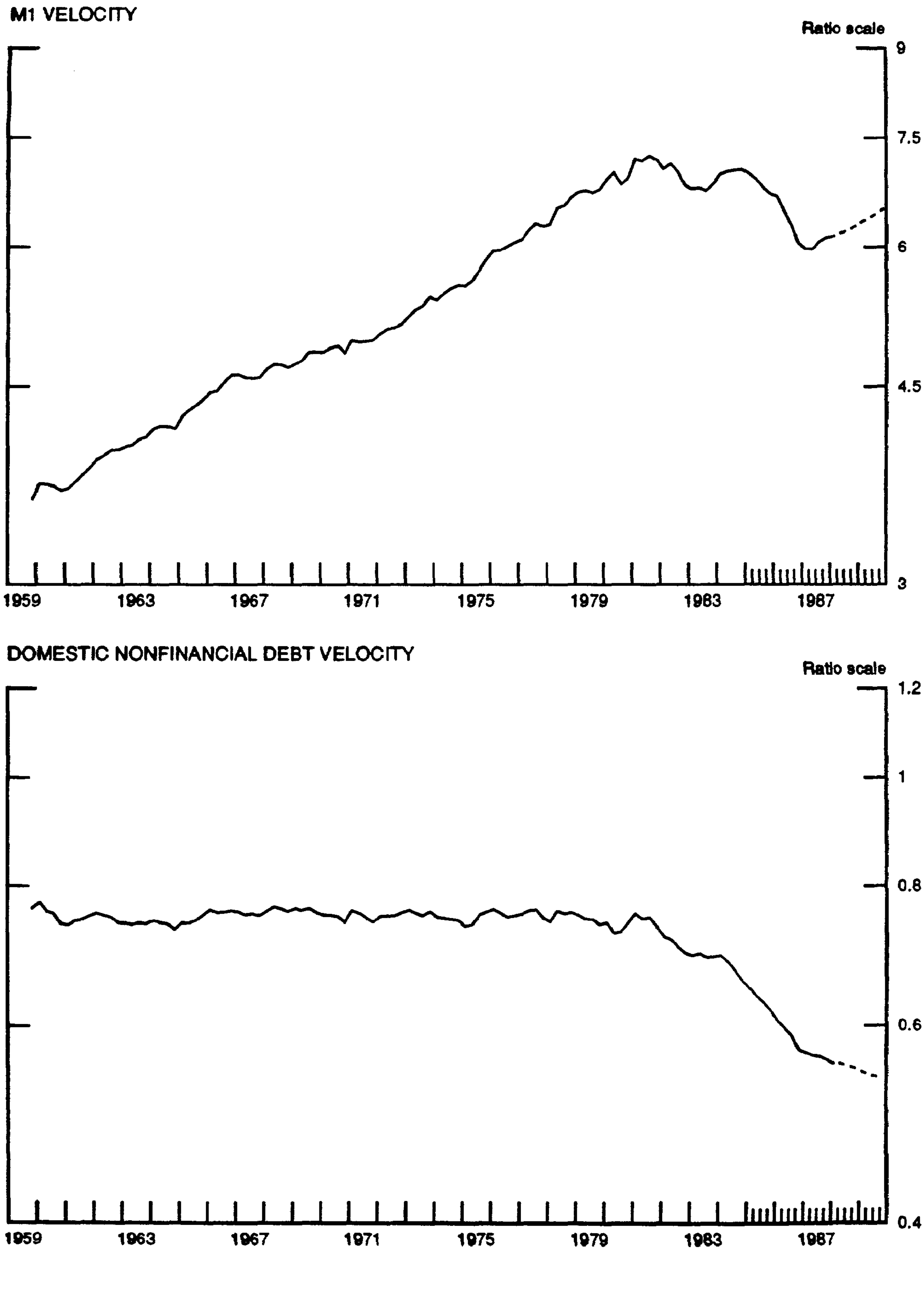
(9) With respect to M3 and debt, the staff is projecting about the same growth in the second half of the year as in the first. For M3 this implies expansion of 7-1/4 percent in 1988, in the upper half of its range, and for debt 8-1/2 percent, just below the midpoint of its monitoring range. Although equity retirements are projected to slow in the

Actual and Projected Velocity of M2 and M3





Actual and Projected Velocity of M1 and Debt



second half of the year, debt growth is still expected to exceed the pace of GNP by 2 percentage points as a widening corporate financing gap boosts credit market borrowing. The share of bank and thrift credit in this total is not expected to change much in the second half of the year from the first. Rising long-term interest rates will continue to encourage borrowers to finance through short-term or floating-rate obligations--including ARM mortgages and business loans--which typically are held by depository institutions. Given the slowing of core deposits, banks and thrifts will have to rely more on managed liabilities, including those in M3. These expectations for M2 and M3 presume that the problems of individual distressed depository institutions do not spread in such a way as to disrupt the overall availability and terms of credit at depository institutions and their access to regular sources of funds.

(10) For **1989**, the table below gives three possible alternatives for tentative long-run ranges for growth in M2, M3, and nonfinancial debt from the fourth quarter of 1988 to the fourth quarter of 1989. Alternative I would carry over the specifications of the current ranges. Alternative II would lower the ranges by 1/2 percentage point, while alternative III would reduce the M2 range by another 1/2 percentage point, given that any additional monetary restraint would have a greater impact on growth of this aggregate than on the other two. All the suggested alternatives would retain for 1989 the wider 4 point range adopted for 1988 at the February meeting. The aggregates are not likely to be any less interest sensitive next year or their demand properties known with any greater confidence than they were thought to be last February. An unusual degree

of uncertainty about the economic outlook in February also was an important element in the decision to widen the ranges; judgement as to whether the prospects for 1989 were clearer, thus permitting narrower ranges, might be easier to make next February.

Alternative 1989 Ranges

	Alt. I (Current Ranges)	Alt. II	Alt. III
M2	4 to 8	3-1/2 to 7-1/2	3 to 7
M3	4 to 8	3-1/2 to 7-1/2	3-1/2 to 7-1/2
Debt	7 to 11	6-1/2 to 10-1/2	6-1/2 to 10-1/2

(11) The monetary policy restraint embodied in the greenbook forecast is likely to involve a significant slowing of money growth next year. In this forecast, given the underlying strength in demands on the economy, a rise in interest rates of more than a percentage point from the middle of 1988 to the middle of 1989 may be required to contain nominal income growth to 6 percent next year. This combination of rising interest rates and resulting moderate income growth is expected to be consistent with M2 growth of 4 percent, or perhaps even a little lower.[1] The implied increase in velocity would be 2 percent or so, as shown in the chart following page 7.

(12) M3 growth also is projected to slow in 1989 under the staff forecast, though, at 5-1/2 percent, to remain well above that of M2.

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1. The staff's econometric models of money demand suggest that M2 growth on the order of 3 to 4 percent would be consistent with the combination of interest rates and income in the staff forecast.

Velocity of M3 would be about unchanged (see chart). The decline in M3 growth would accompany an overall slowing in the growth of nonfinancial debt to a little over 8 percent. The moderation in debt growth is prompted by slower expansion of demand by domestic borrowers, and a drop-off in equity retirement as interest rates rise. Of the debt growth projected, the proportion that is intermediated may decline a little, producing a greater deceleration in M3 than in debt. With long-term interest rates projected to level off next year, borrowers may find bonds and fixed-rate mortgages more attractive. In addition, banks and thrifts will continue under pressure from capital requirements, prompting further efforts to repackage and sell assets. However, our projections of M3 do not allow for a major shift of bank activities--such as government securities trading--and associated funding to nonbank subsidiaries of holding companies as a result of court, Congressional, or Federal Reserve regulatory actions.

(13) Of the long-run ranges, alternative III would be most appropriate if the risks were seen to be on the side of demands outpacing productive capacity, threatening progress toward price stability. This is the assessment implicit in the staff GNP forecast, and the degree of monetary restraint needed in that forecast to damp domestic demand and check inflationary pressures would seem to require some reduction in the lower bound of the M2 range. Even with the one-point decrease under this alternative, M2 would be expected to be in the lower half of its range given the staff forecast. M3 and debt would be in the middle of their alternative III ranges. The upper bounds of the reduced ranges of this alternative allow some scope for less restraint and lower interest rates

if the economy turns out to be weaker than anticipated, but relative to the other ranges would provide for fairly prompt resistance to unexpected strength in the economy. On balance, the alternative III ranges would seem to imply an intention that nominal income decelerate in 1989, thus underscoring a commitment of policy to work toward gradually slowing inflation rates in 1989 and beyond.

(14) The larger reduction in the M2 range than in the M3 and debt ranges under alternative III recognizes the greater interest sensitivity of M2, and hence the need to have it decelerate more markedly should substantial restraint be appropriate. A higher range for M3 than M2 also is consistent with a tendency for more rapid growth of the broader aggregate over time--a tendency that frequently has been reflected in higher FOMC ranges for M3 than for M2. (A history of long-run ranges--and outcomes as they appeared at the time the results were reported to Congress--is given in first table following the directive.) Alternative II would reduce the M2 range by only 1/2 percentage point, thereby retaining the current equality of M2 and M3 ranges. Alternative II further reduces the ranges toward those more consistent with price stability, and it allows for restraint on demand should that be needed. But there is some greater risk than under alternative III that, should demands on the economy prove strong, the lower end of the M2 range would not be consistent with the degree of restraint the Committee might want to consider.

(15) Alternative I would be more appropriate if the risks to the economy and inflation were seen as more balanced than underlying the staff forecast. This might involve a judgment that there was a good chance that the policy tightening that has already occurred along with developing

cyclical forces, such as the unsustainable pace of inventory accumulation, were already pointing to growth in income at an acceptable pace next year, without further monetary restraint. In these circumstances, M2 would be expected to grow more in line with nominal GNP as the damping effects of recent rate increases subside. On balance, M2 growth of around 5-1/2 percent in 1989 might be associated with nominal GNP growth on the order of that in the staff forecast with no further change in interest rates. This alternative would allow for even faster M2 growth and an appreciable pickup from 1988 should an easier policy be needed to support the economy. Such an outcome might be associated, for example, with a tighter fiscal policy than markets now anticipate, resulting from credible actions this fall to meet Gramm-Rudman targets or a major new initiative on the budget deficit early in 1989. This alternative might also be preferred if the Committee saw a higher path for income as desirable. More rapid GNP expansion might be needed to keep unemployment from rising from current levels, and would be consistent with no uptick in underlying inflation rates if current labor market conditions were seen as consistent with an absence of feed-through into wages of price level adjustments associated with imports or farm commodities.

Short-run Policy Alternatives

(16) The policy alternatives presented below include the current degree of pressure on reserve positions along with somewhat greater and slightly lesser restraint. Alternative B would continue to specify adjustment plus seasonal borrowing at the discount window of $550 million. Alternative C would specify a borrowing level of $750 million. Under alternative A, borrowing is assumed to decline only $100 million, to $450 million, reversing the most recent increase and part of the tightening early in the period. Federal funds are expected to trade in a range around 7-1/2 percent or a little below under alternative B and would move up toward the 8 percent area under alternative C and down to 7-1/4 percent or a bit below under alternative A.

(17) The table below gives June-to-September growth of the monetary aggregates anticipated under the three alternatives.[2] Under all the alternatives, M1 and M2 would slow somewhat from their pace over the first half of the year as the recent rise in opportunity costs takes hold. However, M2 and M3 would remain in the upper halves of their annual ranges through September. (More detailed data are shown on the table and charts on the following pages.)

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2. Growth rates presented in the table are measured from a June base. Estimates of the monetary aggregates for June are a little less certain than is typical at the mid-year Committee meeting owing to the earlier time of the meeting this year.

	Alt. A	Alt. B	Alt. C
Growth from June to September			
M2	6-1/4	5-1/2	4
M3	7-1/4	7	6-1/2
M1	4-1/2	3-1/2	1-1/2
Associated federal funds rate range	5 to 9	5 to 9	6 to 10

(18) Market rates appear to have incorporated the recent firming of policy, which would be retained under alternative B, and most rates should remain near current levels over the near term. However, the prime rate may be raised in response to recent increases in funding costs. And, the Treasury bill rate could move up toward 6-3/4 percent, a more typical alignment with the funds rate, as the Treasury resumes net issuance of bills to cover larger financing needs. Over time, yields on long-term bonds and mortgages could retrace some of their recent declines should incoming data fail to show any significant easing of price pressures. A back-up in yields would be reinforced if the dollar came under some downward pressure, for example, because incoming data suggested a less rapid pace of reduction in external imbalances.

(19) Under alternative B, the widening of opportunity costs over the spring would continue to exert a restraining influence on M2 and M1 in the months ahead. Growth in M2 would be expected to average 5-1/2 percent over the June-to-September period. Growth of the more liquid components should be most subdued, reflecting very sluggish adjustment of their offering rates, while small time deposits, whose rates adjust rather promptly, would

Alternative Levels and Growth Rates for Key Monetary Aggregates

	M2			M3			M1		
	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
Levels in billions									
1988 April	2991.9	2991.9	2991.9	3766.7	3766.7	3766.7	770.2	770.2	770.2
May	3003.7	3003.7	3003.7	3780.0	3780.0	3780.0	770.1	770.1	770.1
June	3018.4	3018.4	3018.4	3801.7	3801.7	3801.7	774.6	774.6	774.6
July	3034.7	3033.5	3031.0	3824.4	3823.9	3823.0	777.3	776.9	776.1
August	3050.7	3047.6	3041.4	3847.5	3846.2	3843.7	780.1	779.0	776.8
September	3065.8	3060.3	3049.2	3871.2	3868.6	3863.4	783.1	781.1	777.2
Monthly Growth Rates									
1988 April	9.9	9.9	9.9	7.1	7.1	7.1	11.2	11.2	11.2
May	4.7	4.7	4.7	4.2	4.2	4.2	-0.2	-0.2	-0.2
June	5.9	5.9	5.9	6.9	6.9	6.9	7.0	7.0	7.0
July	6.5	6.0	5.0	7.2	7.0	6.7	4.2	3.6	2.3
August	6.3	5.6	4.1	7.3	7.0	6.5	4.3	3.2	1.1
September	5.9	5.0	3.1	7.4	7.0	6.2	4.6	3.2	0.6
Quarterly Ave. Growth Rates									
1987 Q3	2.8	2.8	2.8	4.5	4.5	4.5	0.8	0.8	0.8
Q4	3.9	3.9	3.9	5.4	5.4	5.4	3.9	3.9	3.9
1988 Q1	6.7	6.7	6.7	7.0	7.0	7.0	3.9	3.9	3.9
Q2	7.9	7.9	7.9	7.1	7.1	7.1	5.8	5.8	5.8
Q3	6.1	5.6	4.8	6.9	6.7	6.4	4.4	3.8	2.6
Mar. 88 to June 88	6.9	6.9	6.9	6.1	6.1	6.1	6.0	6.0	6.0
May 88 to Sept. 88	6.2	5.7	4.5	7.2	7.0	6.6	5.1	4.3	2.8
June 88 to Sept. 88	6.3	5.5	4.1	7.3	7.0	6.5	4.4	3.4	1.4
Q4 87 to Q2 88	7.4	7.4	7.4	7.1	7.1	7.1	4.9	4.9	4.9
Q4 87 to June 88	7.2	7.2	7.2	7.0	7.0	7.0	4.9	4.9	4.9
Q4 87 to Sept. 88	7.0	6.7	6.3	7.2	7.1	6.9	4.8	4.4	3.8
1988 Target Ranges:		4.0 to 8.0			4.0 to 8.0				

Chart 1

ACTUAL AND TARGETED M2

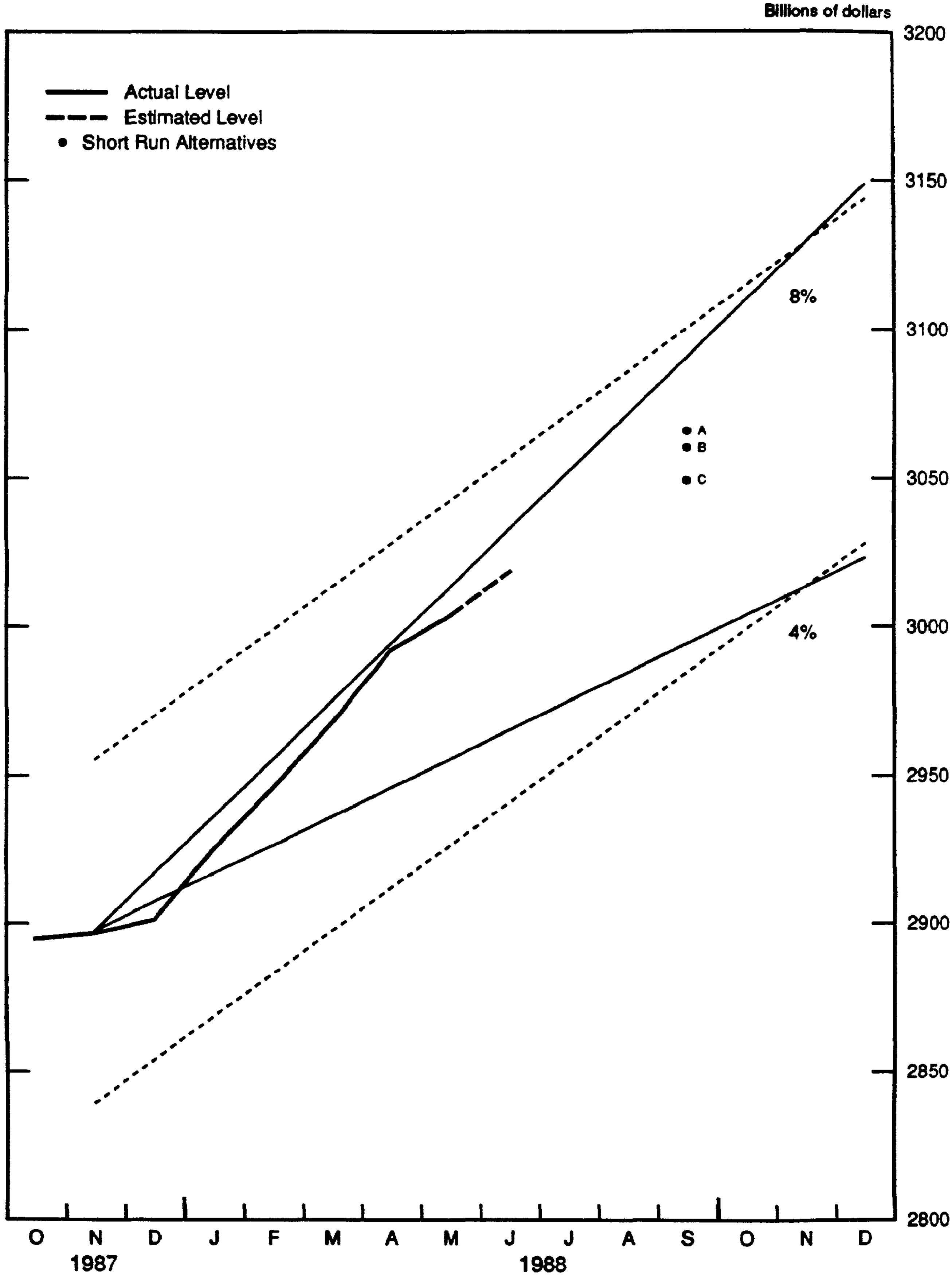


Chart 2

ACTUAL AND TARGETED M3

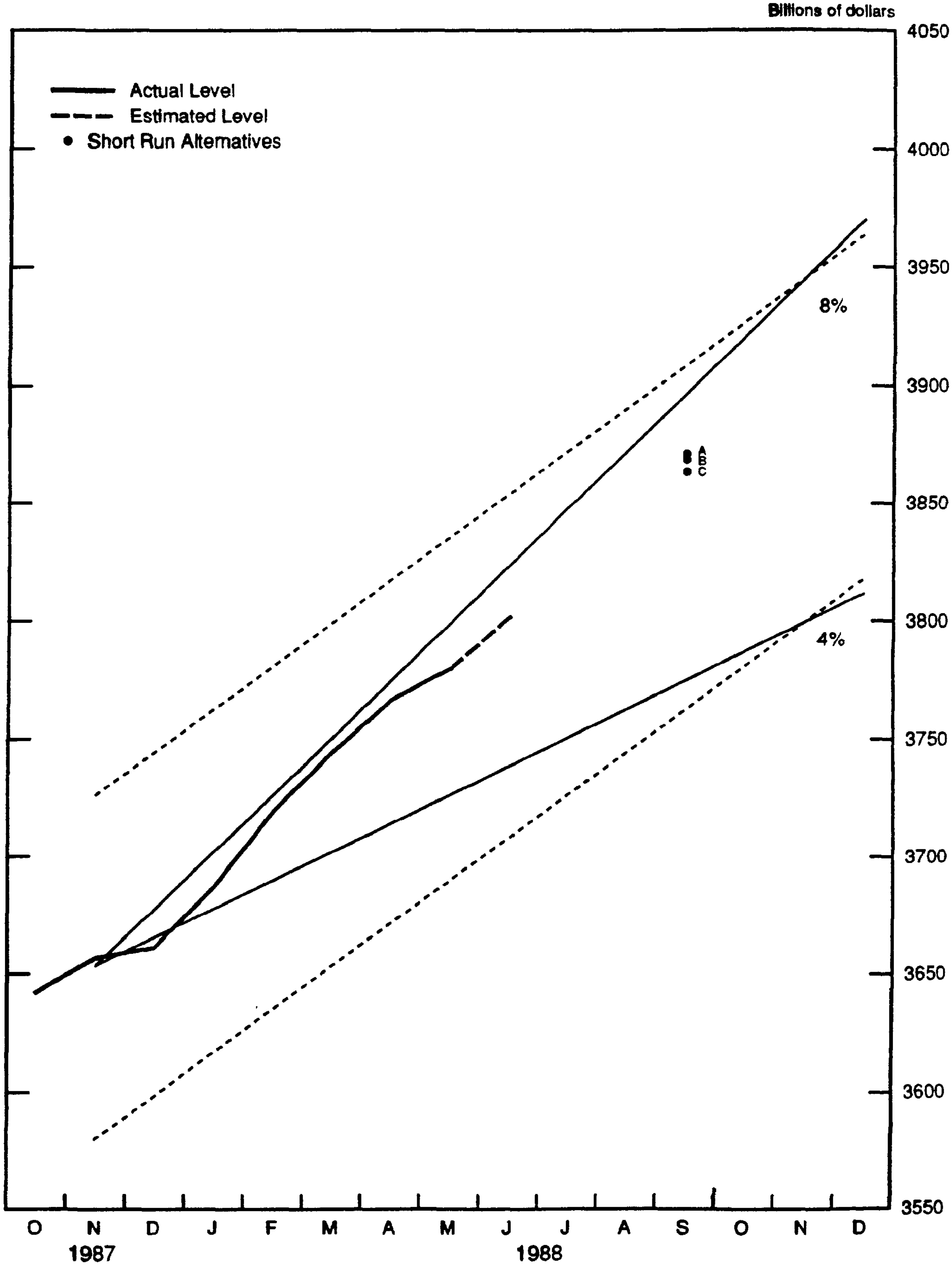


Chart 3

M1

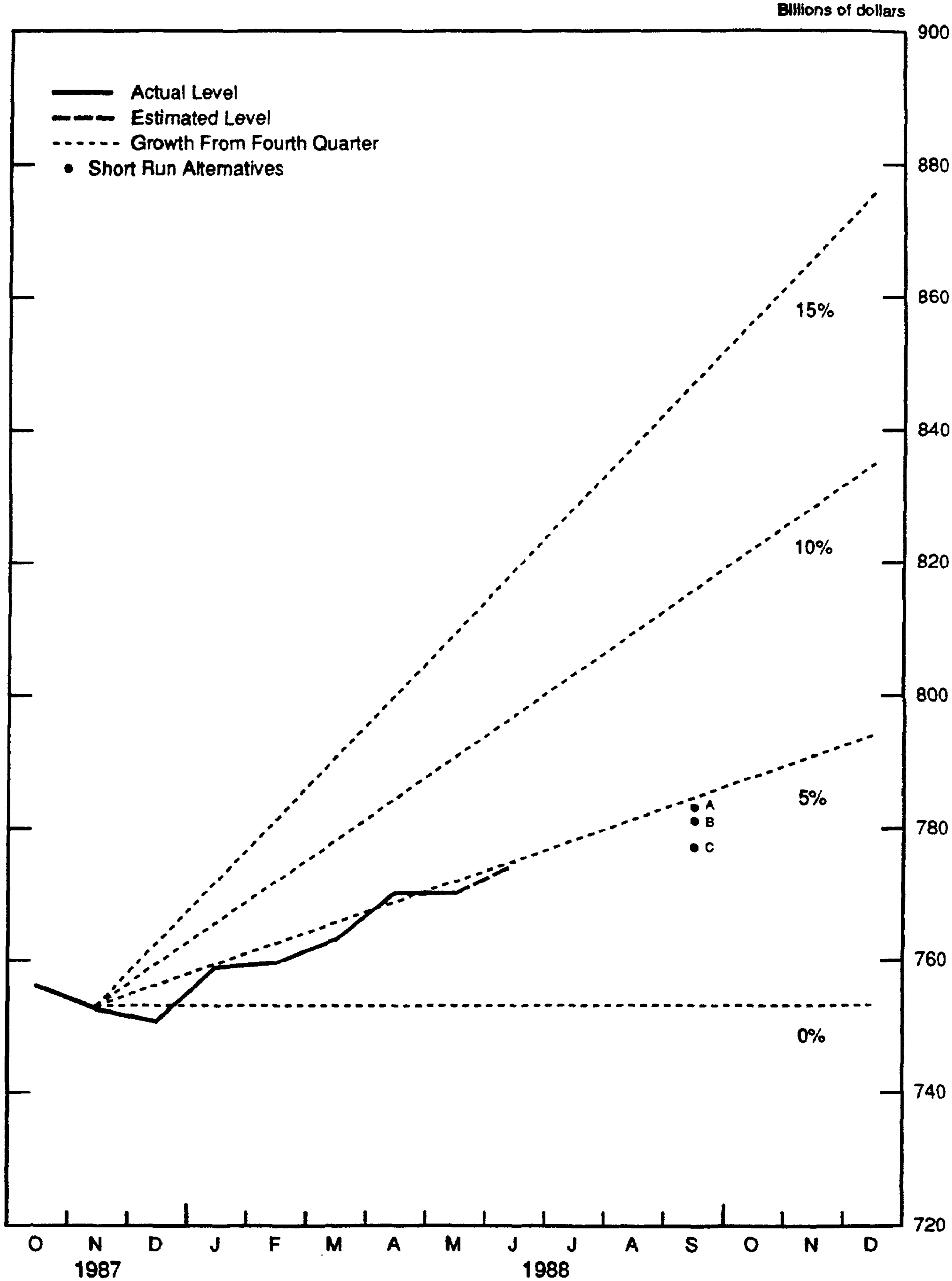
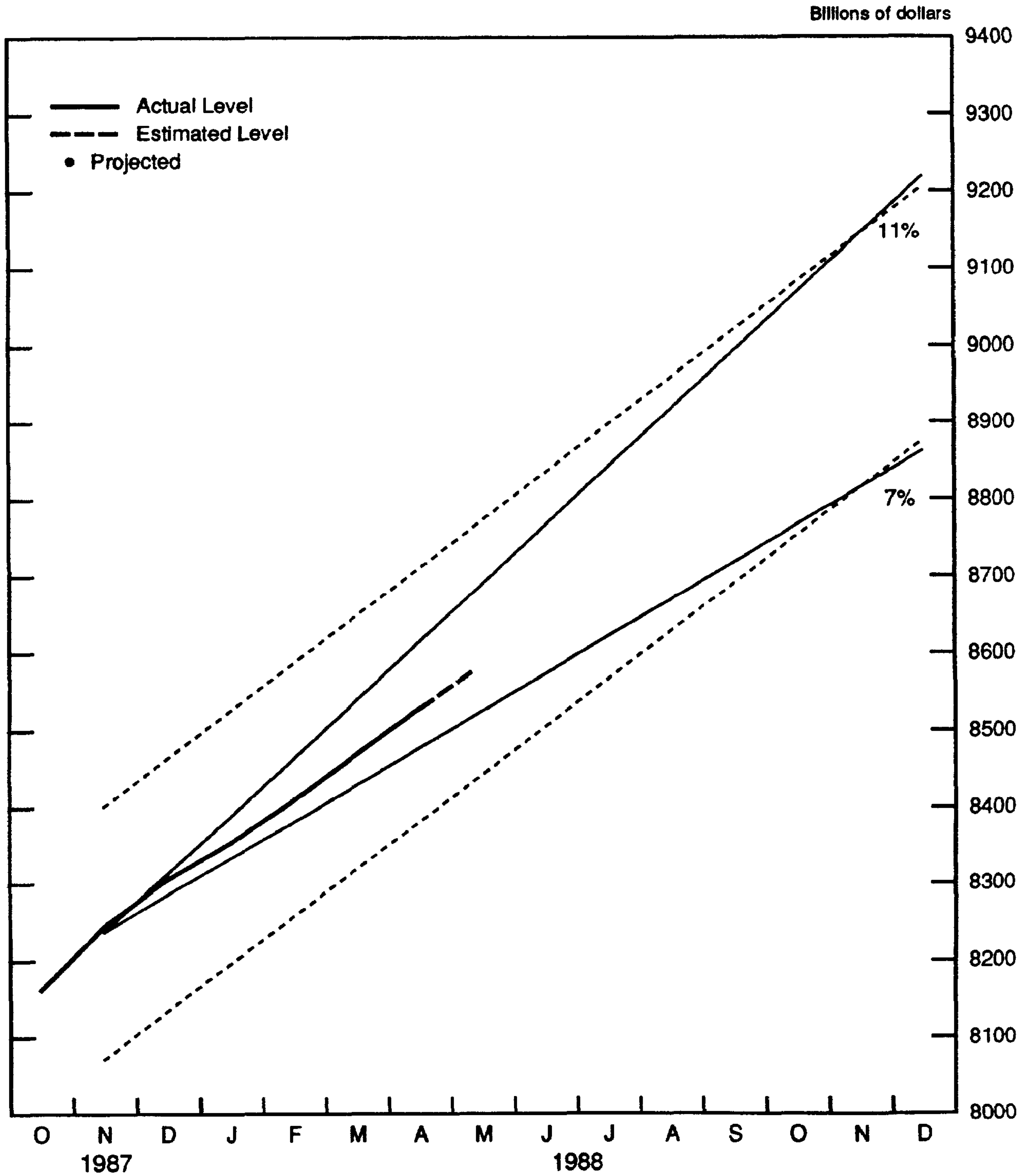

Billions of dollars
Actual Level
Estimated Level
Growth From Fourth Quarter
Short Run Alternatives
900
880
860
840
820
800
780
760
740
720
15%
10%
5%
0%
A
B
C
O
N
D
J
F
M
A
M
J
J
A
S
O
N
D
1987
1988

Chart 4

DEBT


Billions of dollars
Actual Level
Estimated Level
Projected
11%
7%
9400
9300
9200
9100
9000
8900
8800
8700
8600
8500
8400
8300
8200
8100
8000
O N D J F M A M J J A S O N D
1987
1988

strengthen a bit following their recent lull. In reflection of this pattern, M1 would slow to only a 3-1/2 percent pace under this alternative.

(20) M3, under alternative B, is expected to pick up a little over June to September from the pace of recent months as outflows from money funds abate with the stable interest rates assumed under this alternative. Credit demands on banks and thrifts and their issuance of managed liabilities should remain strong. Corporate merger activity is projected to decline appreciably, but business credit demands are expected to slow only a bit, remaining focused on bank loans and short-term paper, as external financing needs rise further. Household borrowing should remain moderate, but Treasury financing will strengthen in the coming months along with the deficit, leading to a pickup in federal debt growth. Total nonfinancial debt is expected to expand at around an 8 percent annual rate over the June-to-September period, about in line with that of the second quarter, placing this aggregate 8-1/2 percent above its fourth-quarter 1987 base.

(21) The market does not appear to be anticipating an immediate further monetary tightening as contemplated in alternative C. Thus, the half-point increase in the funds rate under this alternative would prompt other private short-term rates to move up by a similar amount. In view of still higher funding costs, a boost in the prime rate of at least 1/2 percentage point would seem much more likely. The Treasury bill rate would rise to 7 percent or above. Such a firming in policy, at a time of market concern about resource constraints and inflationary pressures, would tend to assuage some inflation worries and any rise in bond rates could be quite small. Recent

firmness of the dollar could be sustained for a time unless foreign authorities took this opportunity to tighten their policies substantially.

(22) The boost in opportunity costs under alternative C would reduce monetary growth substantially below the pace of recent months. M2 would slow to 4 percent over the June-to-September period, with inflows to its liquid components being most affected. M1 would edge up at a 1-1/2 percent annual rate as demand deposits declined and inflows to OCDs slowed to a trickle. By September, M2 would be only a little above the midpoint of its annual range and M1 would be 3-3/4 percent at an annual rate above its fourth-quarter level. Credit demands on banks and thrifts would be damped only a bit and these institutions would respond to smaller inflows to core deposits by stepping up their issuance of managed liabilities. M3 should grow at a 6-1/2 percent rate from June to September under this alternative and drift down only slightly within its annual range.

(23) The reversal of part of the recent tightening, as envisioned under alternative A, would result in some edging down of short-term rates, especially on private securities, perhaps heading off any increase in the prime rate. The dollar probably would reverse some of its recent strength. The extent and persistence of any downward movement in the dollar and the effect of an easing in policy on bond yields would depend partly on whether such an action raised questions about the Federal Reserve's policy intentions. M2 would slow relatively little under these conditions, leaving this aggregate on a trajectory that would tend to keep it noticeably above the midpoint of its annual range, while M3 would move up in its range.

Directive language

(24) Presented below for Committee consideration is draft directive language relating to the ranges for 1988 and for 1989, and to the operating paragraph for the intermeeting period.

> The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability over time, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives, the Committee REAFFIRMED at ~~its~~ THIS meeting THE RANGES IT HAD ~~in February~~ established IN FEBRUARY FOR growth ~~ranges~~ of 4 to 8 percent for both M2 and M3, measured from the fourth quarter of 1987 to the fourth quarter of 1988. [IN FURTHERANCE OF THESE OBJECTIVES, THE COMMITTEE AT THIS MEETING RAISED/LOWERED THE RANGES IT HAD ESTABLISHED IN FEBRUARY FOR GROWTH OF M2 AND M3 TO RATES OF ___ PERCENT, MEASURED FROM THE FOURTH QUARTER OF 1987 TO THE FOURTH QUARTER OF 1988.] The monitoring range for growth in total domestic nonfinancial debt was ALSO MAINTAINED ~~set~~ at 7 to 11 percent (CHANGED TO __ TO __ PERCENT) for the year.
>
> FOR 1989, THE COMMITTEE AGREED ON TENTATIVE RANGES FOR MONETARY GROWTH, MEASURED FROM THE FOURTH QUARTER OF 1988 TO THE FOURTH QUARTER OF 1989, OF __ TO __ PERCENT

FOR M2 AND __ TO __ PERCENT FOR M3. THE COMMITTEE PROVISIONALLY SET THE ASSOCIATED MONITORING RANGE FOR GROWTH IN TOTAL DOMESTIC NONFINANCIAL DEBT AT __ TO PERCENT.

With respect to M1, the Committee REAFFIRMED ITS DECISION ~~decided~~ in February not to establish a specific target for 1988 AND ALSO DECIDED NOT TO SET A TENTATIVE RANGE FOR 1989. The behavior of this aggregate in relation to economic activity and prices ~~has become very sensitive to changes in interest rates, among other factors, as evidenced by sharp swings in its velocity in recent years. Consequently, the appropriateness of changes in M1 this year~~ will continue to be evaluated in the light of the behavior of its velocity, developments in the economy and financial markets, and the nature of emerging price pressures.

OPERATIONAL PARAGRAPH

In the ~~initial~~ implementation of policy FOR THE IMMEDIATE FUTURE, the Committee seeks to DECREASE SLIGHTLY (Alt. A)/maintain (Alt. B)/INCREASE SOMEWHAT (SLIGHTLY) (Alt. C) the existing degree of pressure on reserve positions. Taking account of conditions in financial markets, the strength of the business expansion, indications of inflationary pressures, developments in foreign exchange markets, and the behavior of the monetary aggregates, ~~the Committee expects that a slight increase in the degree of pressure on reserve positions would be appropriate in the weeks ahead. Depending on further developments in these factors,~~ somewhat (SLIGHTLY) greater reserve restraint would (MIGHT) or (SOMEWHAT) slightly lesser reserve restraint (WOULD) might ~~also~~ be acceptable ~~later~~ in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth in M2 and M3 over the period from ~~March through~~ June THROUGH SEPTEMBER at annual rates of about __ AND __ 6 ~~to~~ 7 percent, RESPECTIVELY. The Chairman may call for Committee consultation if it appears to the 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 __ TO __ 5 ~~to~~ 9 percent.

ADOPTED LONGER-RUN GROWTH RATE RANGES FOR THE MONETARY AND CREDIT AGGREGATES
(percent annual rates; numbers in parentheses are actual growth rates as reported at end of policy period in February Monetary Policy Report to Congress)

	M1	M2	M3	Bank Credit or Domestic Non-financial Debt[1]
QIV 1978 - QIV 1979[2]	3 - 6 (5.5)	5 - 8 (8.3)	6 - 9 (8.1)	7.5 - 10.5 (12.2)
QIV 1979 - QIV 1980[3]	1 - 4	5 - 8	6.5 - 9.5	7 - 10
QIV 1979 - QIV 1980	4 - 6.5 (7.3)[4,5]	6 - 9 (9.8)	6.5 - 9.5 (9.9)	6 - 9 (7.9)
QIV 1980 - QIV 1981	3.5 - 6 (2.3)[4,6]	6 - 9 (9.4)	6.5 - 9.5 (11.4)	6 - 9 (8.8)[7]
QIV 1981 - QIV 1982	2.5 - 5.5 (8.5)[4]	6 - 9 (9.2)	6.5 - 9.5 (10.1)	6 - 9[8] (7.1)[7]
QIV 1982 - QIV 1983	5 - 9[9] (7.2)	7 - 10[10] (8.3)	6.5 - 9.5 (9.7)	8.5 - 11.5 (10.5)
QIV 1983 - QIV 1984	4 - 8 (5.2)	6 - 9 (7.7)	6 - 9 (10.5)	8 - 11 (13.4)
QIV 1984 - QIV 1985	3 - 8[11] (12.7)	6 - 9 (8.6)	6 - 9.5 (7.4)	9 - 12 (13.5)
QIV 1985 - QIV 1986[12]	3 - 8 (15.2)	6 - 9 (8.9)	6 - 9 (8.8)	8 - 11 (12.9)
QIV 1986 - QIV 1987	n.s (6.2)[13]	5.5 - 8.5 (4.0)	5.5 - 8.5 (5.4)	8 - 11 (9.6)
QIV 1987 - QIV 1988	n.s	4 - 8	4 - 8	7 - 11

n.s--not specified.

1. Targets are for bank credit until 1983; from 1983 onward targets are for domestic nonfinancial sector debt.

2. At the February 1979 meeting the FOMC adopted a QIV'78 to QIV'79 range for M1 of 1-1/2 to 4-1/2 percent. This range anticipated that shifting to ATS and NOW accounts in New York State would slow M1 growth by 3 percentage points. At the October meeting it was noted that ATS/NOW shifts would reduce M1 by no more than 1-1/2 percentage points. Thus, the longer-run range for M1 was modified to 3-6 percent.

3. Adopted on a preliminary basis at the July 1979 meeting. In February 1980, the monetary aggregates on which these targets were based were redefined and new target ranges adopted.

4. The figures shown reflect targeted and actual growth of M1-B in 1980 and shift-adjusted M1-B in 1981. M1-B was relabeled M1 in Janauary 1982. The targeted growth for M1-A was 3-1/2 to 6 percent in 1980 (actual growth was 5.0 percent); in 1981 targeted growth for shift-adjusted M1-A was 3 to 5-1/2 percent (actual growth was 1.3 percent).

5. When these ranges were set, shifts into other checkable deposits in 1980 were expected to have only a limited effect on growth of M1-A and M1-B. As the year progressed, however, banks offered other checkable deposits more actively, and more funds than expected were directed to these accounts. Such shifts are estimated to have decreased M1-A growth and increased M1-B growth each by at least 1/2 percentage point more than had been anticipated.

6. Adjusted for the effects of shifts out of demand deposits and savings deposits into other checkable deposits. At the February FOMC meeting, the target ranges for observed M1-A and M1-B in 1981 on an unadjusted basis, expected to be consistent with the adjusted ranges, were -4-1/2 to -2 and 6 to 8-1/2 percent, respectively. Actual M1-B growth (not shift adjusted) was 5.0 percent.

7. Adjusted for shifts of assets from domestic banking offices to International Banking Facilities.

(Footnotes are continued on next page)

8. Range for bank credit is annualized growth from the December 1981-January 1982 average level through the fourth quarter of 1982.
9. Base period, adopted at the July 1983 FOMC meeting, is QII'83. At the February 1983 meeting, the FOMC had adopted a QIV'82 to QIV'83 target range for M1 of 4 to 8 percent.
10. Base period is the February-March 1983 average.
11. Base period, adopted at the July 1985 FOMC meeting, is QII'85. At the February 1985 meeting the FOMC had adopted a QIV'84 to QIV'85 target range for M1 of 4 to 7 percent.
12. Actual reported rates in the February 1987 Monetary Policy Report to Congress.
13. No range for M1 was specified at the February FOMC meeting because of uncertainties about its underlying relationship to the behavior of the economy and its sensitivity to economic and financial circumstances.

SELECTED INTEREST RATES
(percent)

	Short-Term								Long-Term							
		Treasury bills secondary market							U.S. Gov't. constant maturity yields					conventional home mortgages		
														sec mkt	primary market	
	federal funds	3 month	6 month	12 month	cds sec mkt 3-month	comm. paper 1-month	money market mutual fund	bank prime loan	3-year	10-year	30-year	corp. A utility rec off	muni. Bond Buyer	fixed-rate	fixed-rate	ARM
87--High	7.62	6.84	7.36	7.64	8.49	8.12	6.70	9.25	9.29	9.96	9.97	11.50	9.59	11.98	11.58	8.45
Low	5.95	5.24	5.36	5.40	5.83	5.88	5.28	7.50	6.37	7.03	7.34	8.79	6.92	8.97	9.03	7.47
88--High	7.54	6.44	6.82	7.11	7.53	7.41	6.79	9.00	8.41	9.21	9.33	10.73	8.34	10.86	10.58	7.90
Low	6.38	5.61	5.81	6.15	6.58	6.50	6.03	8.50	7.33	8.16	8.40	9.63	7.76	9.98	9.84	7.49
Monthly																
JUN 87	6.73	5.67	5.99	6.35	6.94	6.86	6.01	8.25	7.82	8.40	8.57	10.05	8.13	10.38	10.54	7.93
JUL 87	6.58	5.69	5.76	6.24	6.70	6.57	6.02	8.25	7.74	8.45	8.64	10.17	8.09	10.20	10.28	7.81
AUG 87	6.73	6.04	6.15	6.54	6.75	6.62	6.00	8.25	8.03	8.76	8.97	10.37	8.11	10.39	10.33	7.76
SEP 87	7.22	6.40	6.64	7.11	7.37	7.26	6.22	8.70	8.67	9.42	9.59	10.84	8.61	11.01	10.89	7.95
OCT 87	7.29	6.13	6.69	7.05	8.02	7.38	6.57	9.07	8.75	9.52	9.61	11.07	9.06	11.42	11.26	8.25
NOV 87	6.69	5.69	6.19	6.50	7.24	6.77	6.45	8.78	7.99	8.86	8.95	10.39	8.39	10.73	10.65	8.00
DEC 87	6.77	5.77	6.36	6.69	7.66	7.76	6.57	8.75	8.13	8.99	9.12	10.42	8.43	10.82	10.65	7.96
JAN 88	6.83	5.81	6.25	6.52	6.92	6.76	6.57	8.75	7.87	8.67	8.83	10.05	8.11	10.43	10.43	7.85
FEB 88	6.58	5.66	5.93	6.21	6.60	6.55	6.22	8.51	7.38	8.21	8.43	9.75	7.83	10.02	9.89	7.61
MAR 88	6.58	5.70	5.91	6.28	6.63	6.57	6.04	8.50	7.50	8.37	8.63	9.91	8.08	10.12	9.93	7.52
APR 88	6.87	5.91	6.21	6.56	6.92	6.80	6.09	8.50	7.83	8.72	8.95	10.23	8.22	10.44	10.20	7.58
MAY 88	7.09	6.26	6.56	6.90	7.24	7.07	6.20	8.84	8.24	9.09	9.23	10.61	8.30	10.73	10.46	7.71
Weekly																
MAR 2 88	6.60	5.61	5.81	6.19	6.58	6.54	6.10	8.50	7.33	8.17	8.41	9.78	7.80	10.08	9.85	7.53
MAR 9 88	6.51	5.70	5.90	6.26	6.61	6.53	6.04	8.50	7.42	8.27	8.52	9.83	8.02	10.11	9.96	7.53
MAR 16 88	6.61	5.68	5.82	6.25	6.62	6.56	6.05	8.50	7.44	8.32	8.58	9.98	8.09	10.06	9.92	7.49
MAR 23 88	6.51	5.72	5.88	6.28	6.62	6.56	6.03	8.50	7.52	8.42	8.70	10.01	8.27	10.22	9.99	7.52
MAR 30 88	6.62	5.74	6.03	6.36	6.66	6.61	6.03	8.50	7.65	8.54	8.79	10.09	8.23	10.36	10.05	7.53
APR 6 88	6.82	5.90	6.16	6.51	6.78	6.69	6.04	8.50	7.78	8.63	8.87	10.02	8.15	10.36	10.19	7.56
APR 13 88	6.81	5.98	6.16	6.50	6.85	6.76	6.09	8.50	7.71	8.57	8.79	10.26	8.21	10.45	10.19	7.59
APR 20 88	6.93	5.82	6.18	6.56	6.97	6.82	6.09	8.50	7.86	8.77	9.01	10.37	8.27	10.49	10.30	7.61
APR 27 88	6.85	5.86	6.24	6.57	6.99	6.84	6.14	8.50	7.88	8.80	9.04	10.46	8.25	10.55	10.28	7.60
MAY 4 88	6.82	6.06	6.39	6.70	7.05	6.89	6.13	8.50	8.00	8.89	9.13	10.56	8.27	10.68	10.32	7.63
MAY 11 88	7.02	6.28	6.48	6.83	7.17	6.98	6.14	8.57	8.17	9.02	9.18	10.51	8.26	10.58	10.40	7.66
MAY 18 88	7.04	6.22	6.48	6.85	7.24	7.08	6.27	9.00	8.20	9.07	9.19	10.73	8.34	10.79	10.52	7.79
MAY 25 88	7.14	6.26	6.65	7.00	7.28	7.08	6.28	9.00	8.34	9.21	9.33	10.70	8.32	10.86	10.58	7.77
JUN 1 88	7.41	6.44	6.82	7.11	7.47	7.34	6.37	9.00	8.41	9.17	9.27	10.43	8.21	10.73	10.58	7.90
JUN 8 88	7.37	6.44	6.71	7.01	7.46	7.36	6.41	9.00	8.25	8.99	9.09	10.46	8.15	10.57	10.51	7.88
JUN 15 88	7.43	6.40	6.61	6.89	7.43	7.34	6.50	9.00	8.11	8.84	8.95	10.47	8.10	10.65	10.35	7.79
JUN 22 88	7.54	6.42	6.74	7.02	7.53	7.41	6.56	9.00	8.27	8.97	9.05	10.36	8.10	10.53	10.40	7.83
Daily																
JUN 17 88	7.54	6.37	6.70	7.03	7.50	7.38	..	9.00	8.30	9.02	9.12	..	..	..	..	..
JUN 23 88	7.55	6.52	6.76	6.99	7.53	7.41	..	9.00	8.22	8.88	8.90	..	..	..	..	..
JUN 24 88	7.58p	6.51	6.75	6.98	7.53	7.44	..	9.00	8.21p	8.84p	8.87p	..	..	..	..	..

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, 13 and 14 are 1-day quotes for Friday, Thursday or Friday, respectively, following the end of the statement week. Column 13 is the Bond Buyer revenue index. Column 14 is the FNMA purchase yield, plus loan servicing fee, on 30-day mandatory delivery commitments. Column 15 is the average contract rate on new commitments for fixed-rate mortgages(FRMs) with 80 percent loan-to-value ratios at a sample of savings and loans. Column 16 is the average initial contract rate on new commitments for 1-year, adjustable-rate mortgages(ARMs) at S&Ls offering both FRMs and ARMs with the same number of discount points.

Strictly Confidential (FR)-
Class II FOMC

Money and Credit Aggregate Measures

Seasonally adjusted

JUNE 27, 1988

Period	Money stock measures and liquid assets						Bank credit	Domestic nonfinancial debt[2]		
	M1	M2	nontransactions components		M3	L	total loans and investments[1]	U.S. government[2]	other[2]	total[2]
			in M2	in M3 only						
	1	2	3	4	5	6	7	8	9	10
PERCENT ANNUAL GROWTH:										
ANNUALLY (QIV TO QIV)										
1985	12.0	8.9	7.9	3.4	7.7	8.5	10.2	15.2	12.7	13.3
1986	15.6	9.4	7.4	8.1	9.1	8.3	9.9	14.7	12.8	13.3
1987	6.2	4.0	3.3	10.8	5.4	5.2	7.8	9.0	9.8	9.6
QUARTERLY AVERAGE										
2ND QTR. 1987	6.6	2.7	1.3	12.7	4.6	4.1	8.2	8.9	8.5	8.6
3RD QTR. 1987	0.8	2.8	3.6	11.0	4.5	4.3	6.2	5.8	8.5	7.9
4TH QTR. 1987	3.9	3.9	3.9	11.3	5.4	5.8	5.5	7.6	10.8	10.1
1ST QTR. 1988	3.9	6.7	7.7	7.9	7.0	6.9	5.1	9.3	8.2	8.4
MONTHLY										
1987--MAY	2.9	0.7	0.0	21.7	4.9	8.0	7.8	8.2	10.5	10.0
JUNE	-7.1	1.1	3.9	22.1	5.3	4.2	6.3	7.4	9.2	8.8
JULY	2.4	2.7	2.8	1.8	2.5	0.8	2.5	1.8	7.7	6.3
AUG.	4.7	4.7	4.9	10.7	6.0	6.4	9.7	8.7	7.2	7.6
SEPT.	1.6	4.8	5.8	5.9	5.0	7.2	8.6	6.5	10.1	9.2
OCT.	14.0	5.7	2.8	12.5	7.1	8.1	6.0	4.1	12.3	10.3
NOV.	-5.6	0.8	3.1	20.6	4.8	3.2	2.6	13.0	11.8	12.1
DEC.	-3.0	1.9	3.6	-0.2	1.4	0.4	-1.0	8.3	9.0	8.8
1988--JAN.	12.9	9.9	8.8	2.7	8.4	10.5	6.1	5.3	7.6	7.0
FEB.	1.1	8.6	11.2	18.6	10.7	9.0	9.3	11.1	7.1	8.0
MAR.	5.5	8.8	9.9	5.4	8.1	7.8	7.9	15.2	6.5	8.5
APR	11.2	9.9	9.4	-3.4	7.1	11.6	11.4	7.1	8.8	8.4
MAY P	-0.2	4.7	6.4	2.5	4.2		13.0	2.7	9.7	8.1
MONTHLY LEVELS ($BILLIONS)										
1987--DEC.	750.8	2901.1	2150.3	760.0	3661.1	4325.4	2230.6	1954.7	6350.4	8305.1
1988--JAN.	758.9	2925.0	2166.1	761.7	3686.7	4363.2	2242.4	1963.3	6390.6	8353.8
FEB.	759.6	2946.0	2186.4	773.5	3719.5	4396.1	2259.8	1981.5	6428.2	8409.8
MAR.	763.1	2967.5	2204.4	777.0	3744.5	4424.5	2274.8	2006.6	6462.9	8469.5
APR.	770.2	2991.9	2221.7	774.8	3766.7	4467.3	2297.7	2018.5	6510.2	8528.7
MAY P	770.1	3003.7	2233.6	776.4	3780.0		2322.5	2023.1	6563.0	8586.1
WEEKLY LEVELS ($BILLIONS)										
1988-MAY 2	776.3	2995.6	2219.3	776.4	3772.0					
9	769.7	2998.1	2228.5	778.6	3776.7					
16	768.1	3000.4	2232.3	775.3	3775.8					
23	769.2	3006.5	2237.3	775.9	3782.4					
30	771.1	3009.8	2238.7	775.5	3785.3					
JUNE 6 P	773.9	3017.7	2243.8	778.0	3795.7					
13 P	771.8	3012.9	2241.1	781.0	3793.9					

1/ ANNUAL RATES FOR BANK CREDIT ARE ADJUSTED FOR A TRANSFER OF LOANS FROM CONTINENTAL ILLINOIS NATIONAL BANK TO THE FDIC BEGINNING SEPTEMBER 26, 1984.

2/ DEBT DATA ARE ON A MONTHLY AVERAGE BASIS, DERIVED BY AVERAGING END-OF-MONTH LEVELS OF ADJACENT MONTHS, AND HAVE BEEN ADJUSTED TO REMOVE DISCONTINUITIES.

P-PRELIMINARY

Components of Money Stock and Related Measures

Billions of dollars, seasonally adjusted unless otherwise noted

JUNE 27, 1988

Period	Currency	Demand deposits	Other checkable deposits	Overnight RPs and Eurodollars NSA	MMDAs NSA	Savings deposits	Small denomination time deposits[1]	Money market mutual funds, NSA: general purpose, and broker/dealer[2]	Money market mutual funds, NSA: institutions only	Large denomination time deposits[3]	Term RPs NSA	Term Eurodollars NSA	Savings bonds	Short-term Treasury securities	Commercial paper	Bankers acceptances
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
ANNUALLY (4TH QTR):																
1985	166.9	263.5	176.8	67.2	509.9	299.9	877.1	176.8	64.1	433.9	62.7	77.6	78.9	292.3	201.6	43.2
1986	179.3	294.6	228.6	78.0	569.2	362.2	858.9	207.6	84.7	441.5	82.2	81.0	89.7	283.8	228.5	37.8
1987	194.9	291.7	259.7	81.2	528.9	415.4	899.4	219.7	87.2	479.2	106.8	92.2	99.4	267.7	255.2	45.1
MONTHLY																
1987-MAY	187.0	298.9	253.9	76.2	558.6	409.5	845.9	209.9	82.1	454.0	102.5	86.8	95.9	261.6	253.7	42.1
JUNE	187.8	293.3	254.3	74.9	555.1	413.1	852.1	210.6	81.7	458.6	107.4	87.8	96.6	259.6	252.8	43.1
JULY	189.0	292.3	255.6	75.7	549.4	415.5	859.1	210.6	83.8	460.2	107.0	84.4	97.5	254.8	251.8	43.4
AUG.	190.2	292.1	257.2	79.8	545.0	417.8	865.9	213.1	84.0	462.4	107.4	90.2	98.1	258.9	251.8	43.5
SEPT.	191.4	290.5	258.6	83.4	540.5	418.6	872.1	216.3	81.3	465.3	109.1	94.4	98.4	263.7	256.6	44.3
OCT.	193.1	295.9	260.3	86.0	533.9	417.0	883.3	218.2	82.5	472.3	106.1	92.9	98.8	273.0	254.2	44.5
NOV.	195.0	291.3	259.5	79.7	527.7	415.0	901.7	219.7	89.5	480.5	108.7	92.8	99.3	270.6	252.5	45.0
DEC.	196.5	288.0	259.3	78.0	525.2	414.3	913.1	221.1	89.6	484.7	105.5	90.8	100.2	259.5	258.9	45.7
1988-JAN.	198.4	289.9	263.4	82.8	524.0	414.3	924.6	225.0	94.4	482.8	106.0	85.3	101.4	262.5	269.0	43.5
FEB.	199.3	287.8	265.2	78.1	522.5	416.2	941.5	231.0	98.7	489.7	109.9	85.2	102.6	259.2	274.1	40.9
MAR.	200.9	287.9	267.1	74.8	524.6	419.8	953.5	234.9	97.4	491.4	107.3	89.5	103.5	255.5	280.3	40.6
APR.	202.5	290.1	270.3	76.8	523.1	422.8	964.8	236.1	91.9	492.6	108.1	88.5	104.6	266.7	288.2	41.2
MAY P	203.6	287.3	271.9	81.6	519.5	425.3	971.8	232.7	90.0	496.5	111.2	89.5				

1/ INCLUDES RETAIL REPURCHASE AGREEMENTS. ALL IRA AND KEOGH ACCOUNTS AT COMMERCIAL BANKS AND THRIFT INSTITUTIONS ARE SUBTRACTED FROM SMALL TIME DEPOSITS.
2/ EXCLUDES IRA AND KEOGH ACCOUNTS.
3/ NET OF LARGE DENOMINATION TIME DEPOSITS HELD BY MONEY MARKET MUTUAL FUNDS AND THRIFT INSTITUTIONS.
P—PRELIMINARY

June 27, 1988

STRICTLY CONFIDENTIAL (FR)
CLASS II--FOMC

Net Changes in System Holdings of Securities[1]

Millions of dollars, not seasonally adjusted

Period	Treasury bills			Treasury coupons						Federal agencies redemptions (–)	Net change outright holdings total[4]	Net RPs[5]
	Net purchases[2]	Redemptions (–)	Net change	Net purchases[3]				Redemptions (–)	Net change			
				within 1-year	1–5	5–10	over 10					
1982	8,698	3,000	5,698	312	1,797	388	307	--	2,803	189	8,312	1,461
1983	15,468	2,400	13,068	484	1,896	890	383	87	3,566	292	16,342	-5,445
1984	11,479	7,700	3,779	826	1,938	236	441	--	3,440	256	6,964	1,450
1985	18,096	3,500	14,596	1,349	2,185	358	293	--	4,185	162	18,619	3,001
1986	20,099	1,000	19,099	190	893	236	158	--	1,476	398	20,178	10,033
1987	12,933	9,029	3,905	3,358	9,779	2,441	1,858	70	17,366	276	20,994	-11,033
1987--Q1	-1,914	800	-2,714	--	-252	--	--	--	-252	110	-3,076	-14,254
Q2	5,823	--	5,823	1,767	5,036	1,226	920	--	8,948	37	14,735	2,121
Q3	4,690	8,229	-3,539	143	2,356	619	493	--	3,610	59	12	-1,433
Q4	4,334	--	4,334	1,449	2,639	596	445	70	5,059	70	9,323	2,533
1988--Q1	319	2,200	-1,881	--	-800	-175	--	--	-975	155	-3,011	-3,514
1987--Oct.	795	--	795	300	--	--	--	--	300	56	1,039	7,493
Nov.	3,388	--	3,388	670	50	--	--	70	650	1	4,038	-3,331
Dec.	150	--	150	479	2,589	596	445	--	4,109	13	4,246	-1,629
1988--Jan.	-49	600	-649	--	--	--	--	--	--	131	-780	-4,807
Feb.	-192	1,600	-1,792	--	-800	-175	--	--	-975	21	-2,788	1,247
Mar.	560	--	560	--	--	--	--	--	--	3	557	45
Apr.	423	--	423	1,092	3,661	1,017	966	--	6,737	-120	7,040	9,111
May	--	--	--	--	--	--	--	--	--	11	-11	-10,575
Apr. 6	515	--	515	--	--	--	--	--	--	--	515	5,776
13	248	--	248	622	1,944	596	518	--	3,680	20	3,909	-4,972
20	41	--	41	--	--	--	--	--	--	100	-59	5,917
27	120	--	120	470	1,717	421	449	--	3,057	--	3,177	-4,191
May 4	--	--	--	--	--	--	--	--	--	--	--	-3,522
11	--	--	--	--	--	--	--	--	--	--	--	7,529
18	--	--	--	--	--	--	--	--	--	11	-11	-10,380
25	--	--	--	--	--	--	--	--	--	--	--	-3,761
June 1	--	--	--	--	--	--	--	--	--	--	--	7,614
8	--	--	--	--	--	--	--	--	--	--	--	2,462
15	--	--	--	--	--	--	--	--	--	--	--	1,403
22	--	--	--	--	--	--	--	--	--	--	--	-3,034
Memo: LEVEL (bil.$)[6] June 22	--	--	111.0	21.5	53.5	15.4	26.5	--	117.0	--	235.3	-4.3

1. Change from end-of-period to end-of-period.
2. Outright transactions in market and with foreign accounts.
3. Outright transactions in market and with foreign accounts, and short-term notes acquired in exhange for maturing bills. Excludes maturity shifts and rollovers of maturing coupon issues.
4. Reflects net change and redemptions (–) of Treasury and agency securities.
5. Includes changes in RPs (+), matched sale-purchase transactions (–), and matched purchase sale transactions (+).
6. The levels of agency issues were as follows:

within 1-year	1–5	5–10	over 10	total
2.7	3.2	1.1	.2	7.3