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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 (FR)
Class I - FOMC

May 14, 1993

MONETARY POLICY ALTERNATIVES

Recent developments

(1) The degree of pressure on reserve positions was left unchanged over the intermeeting period. Federal funds generally traded in the 3 percent area, despite the complications to Desk reserve management posed by shortfalls in individual nonwithheld taxes, which showed through to the Treasury balance, and by revisions to forecasts of required reserves. The allowance for adjustment plus seasonal borrowing was raised $50 million in two steps to $100 million, reflecting an increase in seasonal credit. After spiking at the March quarter-end, borrowing returned to around its allowance, before moving noticeably above it in the last complete maintenance period.

(2) Short-term interest rates were narrowly mixed on balance over the intermeeting period, while most longer-term market rates increased 10 to 20 basis points. Early in the period, long rates backed up sharply as data on hourly earnings and commodity prices sparked inflation fears. These yields subsequently declined as signs of more favorable price behavior and a much slower pace of economic expansion more than countered increasing doubts about the prospects for additional fiscal restraint.[1] Late in the intermeeting period, bond rates again moved higher in response to unfavorable inflation readings. On the other hand, the interest rate on thirty-year fixed-rate mortgages has fallen 15 basis points since the March meeting; its latest quote is only

1. Security prices were little affected by the Treasury's announcement in early May of its plans to shorten average debt maturities. Although some cutback in bond issuance had been anticipated, the announced reduction was larger than most participants appear to have expected; on the other hand, with the semi-annual auction of the thirty-year bond starting in August and raised to about $11 billion, the near-term supply of bonds will be heavier than had been expected.

a bit above its recent 20-year low. Quality spreads for most other private rates were little changed, but they improved somewhat for speculative-grade issues. Stock prices were mixed over the period. Bank stocks dropped substantially, reflecting in part market perceptions that net interest margins could narrow, especially in the absence of a pickup in loan demands.

(3) The dollar's weighted average exchange value declined by almost 3 percent, on balance, over the intermeeting period, reflecting a variety of factors, including a less optimistic view regarding the prospects for U.S. economic expansion. The dollar has dropped more than 4 percent on balance against the yen. A variety of statements by officials in Japan and the United States fostered some market confusion for a time and contributed to a strengthening of the yen. But a little of the weaker tone of the dollar has dissipated since April 27, when the Desk bought $200 million against yen for the accounts of the System and the ESF in an effort to calm the market before the G-7 meeting on April 29, and key U.S. officials publicly clarified their position. The Bank of Japan purchased nearly $7 billion for its own account in April and early May. Japanese short-term rates were little changed. Other short-term interest rates continued to move lower, with three-month German rates falling nearly 50 basis points; French rates fell dramatically (over 300 basis points) with the passing of devaluation fears after the French election. Long-term interest rates rose in Japan, the United Kingdom, and Canada, were little changed in Germany, and generally declined elsewhere. The price of gold rose 10-1/2 percent; reported reasons for the increase include inflation concerns in the United States, rising demand from China and elsewhere in Asia, and supply developments in Russia and South Africa.

(4) Over March and April, M2 fell at a 1/2 percent rate compared with the 1-1/2 percent rate of growth that was projected in the last bluebook, while M3 was unchanged, about as anticipated.[2] Identifiable temporary factors accounted for most of the shortfall from the M2 forecast. Rather than washing out over March and April as foreseen in the last bluebook, these factors represented a depressant. In particular, individual nonwithheld tax payments in April came in well below last year's level, rather than well above it, as had been expected.[3] Hence, M2 was restrained by a slower buildup of liquid deposits in April than implied by typical seasonal patterns. Abstracting from temporary factors, the modest underlying growth of M2 over March and April was only a bit below earlier expectations. Continued shifting to capital market instruments doubtless held back underlying monetary expansion. Inflows to bond and stock mutual funds were at a near-record pace in March and reportedly were heavy in April.

(5) Broad money has surged in the two weeks ended May 10--M2 by $35 billion and M3 by $30 billion based on preliminary data--to levels well above those embodied in the March bluebook.[4] The burst in liquid deposits in early May in part reflected unusually small drawdowns to pay taxes. In addition, a resurgence in mortgage refinancing activity, which had begun to boost the aggregates in April, evidently

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2. Over March and April, M1 grew at a 5-3/4 percent rate, somewhat below the March bluebook projection. With total reserves advancing at a 3 percent rate and currency at a 9-1/4 percent pace, the monetary base continued to expand at an 8-1/4 percent rate over the two months.

3. A boost to April M2 growth had been expected because households were thought likely to build up balances to pay unusually high nonwithheld taxes. A spike in tax payments in January was thought to presage another surge in April, resulting from shifts in bonus payments and other income into 1992. In fact, nonwithheld payments were unusually low in April, as a tightening of penalties for insufficient estimated tax payments apparently resulted in a greater shift of payments from April to January than earlier estimated.

4. M1 accounted for $25 billion of these increases, also moving above its bluebook projection.

intensified in early May. But these factors can explain only some of the surge. Underlying M2, which had been flat on balance from the fourth quarter through April, thus seems to have strengthened in early May to a level higher than anticipated in the last bluebook, despite weaker-than-expected nominal GDP in the second quarter. Although it is possible that the build-up is primarily noise, the burst also could signify a waning of the forces that have contributed to the weakness in underlying M2 relative to nominal spending in recent quarters. Even with this early May surge, though, M2 has grown at only a 1/4 percent annual rate from the fourth quarter of 1992 through the week of May 10, while M3 still has fallen, leaving both aggregates below their target cones but above their lower parallel bands. (See charts.)

(6) Bank credit growth picked up to a 5-1/4 percent rate over March and April, reflecting acquisitions of securities. After declining further in March, bank lending edged higher in April. Business loans, however, continued to fall rapidly in April, about offsetting stepped-up offerings of commercial paper by nonfinancial firms. Larger nonfinancial firms continued to draw on proceeds of brisk equity and debt issuance to pay down loans. Business loans at small banks posted a third month of gains in April. The May Senior Loan Officer Survey showed some further relaxation of price and non-price terms for business loans, as well as a modest easing of standards, including the first signs of easier standards for large firms.

(7) The overall net borrowing of nonfinancial businesses has remained sluggish, owing to limited capital outlays relative to internal funds and heavy net equity issuance. Enhanced incentives to use credit cards for transactions may have contributed to a pickup in growth of consumer installment credit through March and a sharp rise in consumer

Chart 1

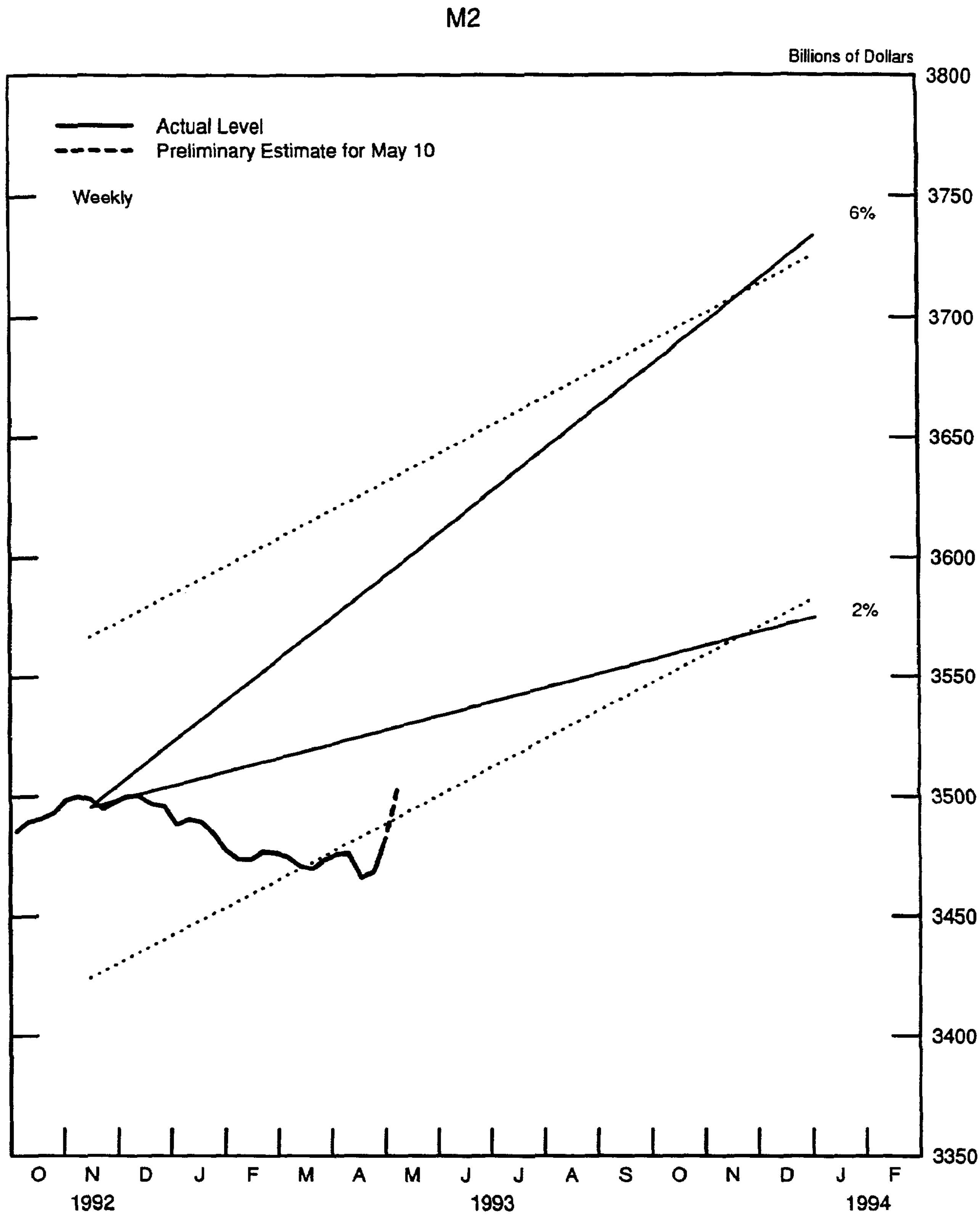
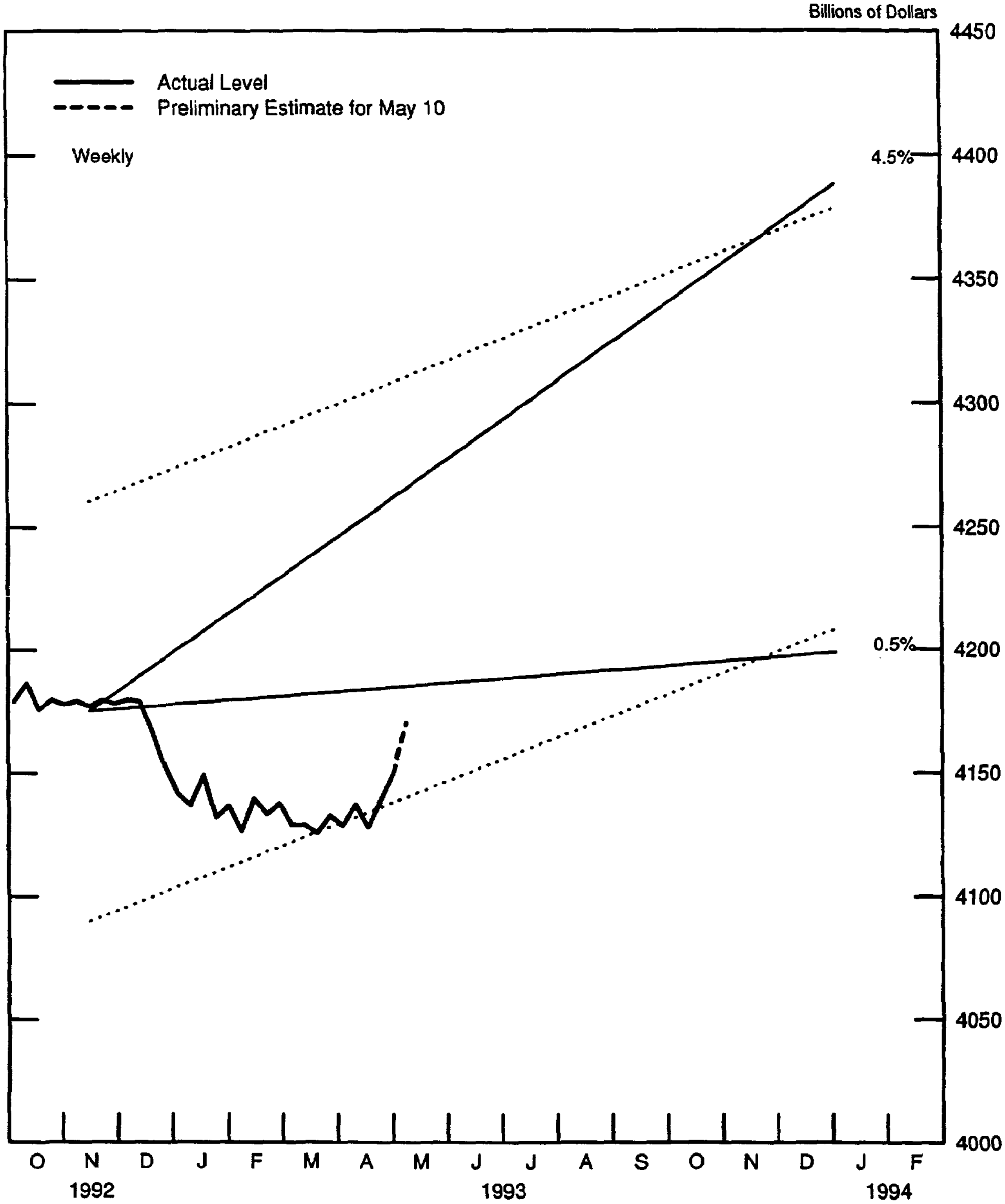

M2
Billions of Dollars
Actual Level
Preliminary Estimate for May 10
Weekly
6%
2%
3800
3750
3700
3650
3600
3550
3500
3450
3400
3350
O
N
D
J
F
M
A
M
J
J
A
S
O
N
D
J
F
1992
1993
1994

Chart 2

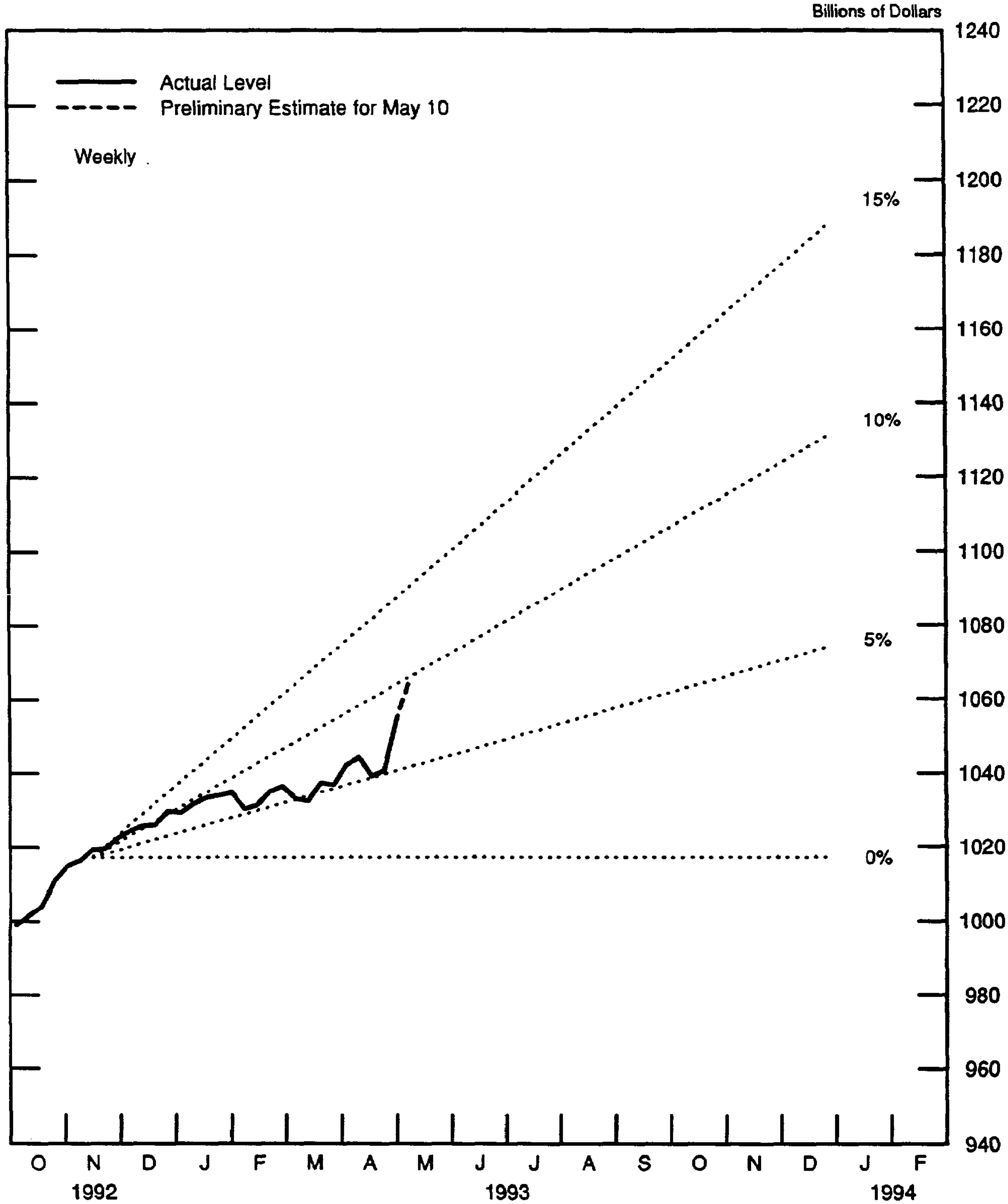
M3



Billions of Dollars
Actual Level
Preliminary Estimate for May 10
Weekly
4.5%
0.5%
4450
4400
4350
4300
4250
4200
4150
4100
4050
4000
O
N
D
J
F
M
A
M
J
J
A
S
O
N
D
J
F
1992
1993
1994

Chart 3

M1



Billions of Dollars
Actual Level
Preliminary Estimate for May 10
Weekly
15%
10%
5%
0%
1240
1220
1200
1180
1160
1140
1120
1100
1080
1060
1040
1020
1000
980
960
940
O
N
D
J
F
M
A
M
J
J
A
S
O
N
D
J
F
1992
1993
1994

loans at banks in April. State and local governments in April continued to issue an exceptional volume of debt, mainly for refundings. Total nonfederal debt growth, at a 3-3/4 percent rate in March, about matched its growth from the fourth quarter to that month. Federal debt growth has risen in recent months on a seasonally adjusted basis, reflecting lower tax receipts this year. Total domestic nonfinancial debt is estimated to have expanded at a 6-1/2 percent rate in March, bringing growth from the fourth quarter through March to a 5 percent rate--a little above the lower bound of its monitoring range for 1993.

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

	Mar.	Apr.	QIV to April[1]
Money and credit aggregates			
M1	2.7	9.0	6.1
M2	-1.0	0.1	-1.6
M3	-1.7	1.9	-2.3
Domestic nonfinancial debt	6.6	--	5.2
Federal	14.9	--	10.0
Nonfederal	3.7	--	3.5
Bank credit	5.4	5.0	3.0
Reserve measures			
Nonborrowed reserves[2]	4.3	1.2	--
Total reserves	5.3	0.8	--
Monetary base	8.9	7.5	--
Memo: (Millions of dollars)			
Adjustment plus seasonal borrowing	91	73	--
Excess reserves	1213	1101	--

1. QIV to March for debt aggregates.
2. Includes "other extended credit" from the Federal Reserve.

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

<u>Policy alternatives</u>

(8) Three policy alternatives are presented below for consideration by the Committee. Under alternative B, federal funds would continue to trade around 3 percent, in association with the allowance for adjustment and seasonal borrowing initially being maintained at its current level of $100 million.[5] Under alternative A, the federal funds rate would be reduced to 2-1/2 percent. This reduction could be achieved either by lowering the initial borrowing allowance by $25 million or by reducing the discount rate 1/2 percentage point while leaving the allowance unchanged at $100 million. Federal funds would trade in the neighborhood of 3-1/2 percent under alternative C, in association with an initial borrowing allowance of $125 million.

(9) In light of recent price reports, market participants now generally seem to expect that the next change in the stance of monetary policy is somewhat more likely to be toward tightening than toward ease, but few appear to anticipate any move immediately after the May FOMC meeting. Thus, market interest rates are unlikely to react to the implementation of alternative B. The odds are that bond yields will retrace at least some of their recent back-up if--as anticipated in the greenbook forecast--the news on inflationary pressures proves more favorable. The ongoing budget debates and the prospective announcement of the Administration's health reform plan suggest that the volatility associated with an uncertain fiscal outlook may persist. Shorter-term rates could rise some with the approach of larger auction volumes of bills and shorter-term notes. The value of the dollar on foreign

5. Further increases in the allowance for borrowing likely will be needed over the intermeeting period to account for expected growth in the demand for seasonal credit during the late spring.

exchange markets probably would remain around current levels under alternative B.

(10) The 1/2 percentage point reduction in the federal funds rate under alternative A would surprise market participants and should show through almost completely to other short-term interest rates. The three-month bill rate would fall to around 2-1/2 percent, and the prime rate probably would be reduced to 5-1/2 percent. With the economy likely to exhibit a bit more strength than otherwise over the intermediate run as a result of the easing, banks may feel a little more confident about the ability of borrowers to repay loans. As a result, banks might further ease other terms and standards on lending. Risk premiums in short- and long-term market interest rates, already historically narrow, would probably remain around their current levels. Any initial decline in longer-term yields could be limited by concerns that the easier monetary policy stance indicated more emphasis on supporting the economic expansion and less emphasis on containing inflation, particularly against the backdrop of the recent disappointing wage and price behavior and uncertainty regarding the outcome of the fiscal policy debate. Absent corresponding actions abroad to ease monetary policy, downward pressure on the foreign exchange value of the dollar would resume.

(11) Market participants also would be surprised by the policy tightening under alternative C at this FOMC meeting. Bond yields may well increase, but with the rise probably tempered by the sense that the Federal Reserve was moving promptly to head off a resurgence of inflation. Bill rates likely would jump by nearly the increase of 50 basis points in the federal funds rate, and private money market rates could rise a bit more, reflecting widening risk premiums. Banks would likely

boost the prime rate by 1/2 percentage point. Bank stock prices, which have benefited from wide spreads between short-term deposit rates and rates on longer-term assets, likely would extend their recent declines. Overall stock price indexes probably would drop as well, and the resulting capital losses on bonds and stocks could restrain inflows to long-term mutual funds, at least temporarily. The dollar would strengthen on foreign exchange markets.

	Alt. A	Alt. B	Alt. C
Growth from April to June			
M2	6	5-3/4	5-1/2
M3	4-1/4	4	3-3/4
M1	18-1/2	18	17-1/2
Growth from April to September			
M2	4	3-1/2	3
M3	2-1/2	2-1/4	2
M1	12-3/4	12	11-1/4

(12) The table above presents monetary growth rates over May and June thought consistent with these three alternatives; projections for the April-to-September period also are shown, assuming the money market conditions of the three alternatives are maintained over the summer. (More detailed data are presented in the table and charts on the following pages.) Under all the alternatives, M2 would be just a bit above its fourth-quarter level at midyear and would strengthen only marginally further by September, thus staying noticeably below its 2 to 6 percent annual range. From its fourth-quarter base, M3 is projected to show a contraction through June but little change by September under all the alternatives, hence also remaining below its 1/2 to 4-1/2 percent range.

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									
1993 March	3472.4	3472.4	3472.4	4128.9	4128.9	4128.9	1035.4	1035.4	1035.4
April	3472.8	3472.8	3472.8	4135.6	4135.6	4135.6	1043.2	1043.2	1043.2
May	3496.0	3495.7	3495.4	4158.7	4158.0	4157.7	1064.8	1064.6	1064.3
June	3507.6	3505.9	3503.8	4164.2	4162.2	4160.8	1075.5	1074.7	1073.7
July	3520.6	3517.0	3513.0	4175.0	4171.2	4168.1	1085.8	1083.9	1082.1
August	3526.0	3520.8	3515.2	4177.8	4172.6	4168.1	1092.1	1089.3	1086.8
September	3530.9	3524.6	3518.0	4180.2	4174.0	4168.4	1098.2	1094.8	1091.8
Monthly Growth Rates									
1993 March	-1.0	-1.0	-1.0	-1.7	-1.7	-1.7	2.7	2.7	2.7
April	0.1	0.1	0.1	1.9	1.9	1.9	9.0	9.0	9.0
May	8.0	7.9	7.8	6.7	6.5	6.4	24.8	24.6	24.3
June	4.0	3.5	2.9	1.6	1.2	0.9	12.1	11.4	10.6
July	4.5	3.8	3.2	3.1	2.6	2.1	11.5	10.3	9.4
August	1.9	1.3	0.8	0.8	0.4	0.0	7.0	6.0	5.3
September	1.7	1.3	1.0	0.7	0.4	0.1	6.8	6.0	5.5
Quarterly Ave. Growth Rates									
1992 Q4	2.7	2.7	2.7	-0.2	-0.2	-0.2	16.8	16.8	16.8
1993 Q1	-2.0	-2.0	-2.0	-3.8	-3.8	-3.8	6.6	6.6	6.6
Q2	1.6	1.5	1.4	1.7	1.7	1.6	10.5	10.4	10.3
Q3	3.9	3.4	2.8	2.4	2.0	1.6	11.6	10.8	10.0
Mar 93 to Jun 93	4.1	3.9	3.6	3.4	3.2	3.1	15.5	15.2	14.8
Apr 93 to Jun 93	6.0	5.7	5.4	4.2	3.9	3.7	18.6	18.1	17.6
Apr 93 to Sep 93	4.0	3.6	3.1	2.6	2.2	1.9	12.7	11.9	11.2
Jun 93 to Sep 93	2.7	2.1	1.6	1.5	1.1	0.7	8.5	7.5	6.7
Q4 92 to Q2 93	-0.2	-0.2	-0.3	-1.1	-1.1	-1.1	8.6	8.6	8.5
Q4 92 to Q3 93	1.2	1.0	0.8	0.1	-0.1	-0.2	9.8	9.5	9.1
Q4 92 to Apr 93	-1.6	-1.6	-1.6	-2.3	-2.3	-2.3	6.1	6.1	6.1
Q4 92 to Jun 93	0.6	0.5	0.4	-0.4	-0.5	-0.6	9.8	9.7	9.5
Q4 92 to Sep 93	1.2	1.0	0.8	0.2	0.0	-0.2	9.6	9.2	8.8
1993 Target Ranges:		2.0 to 6.0			0.5 to 4.5				

Chart 4

ACTUAL AND TARGETED M2

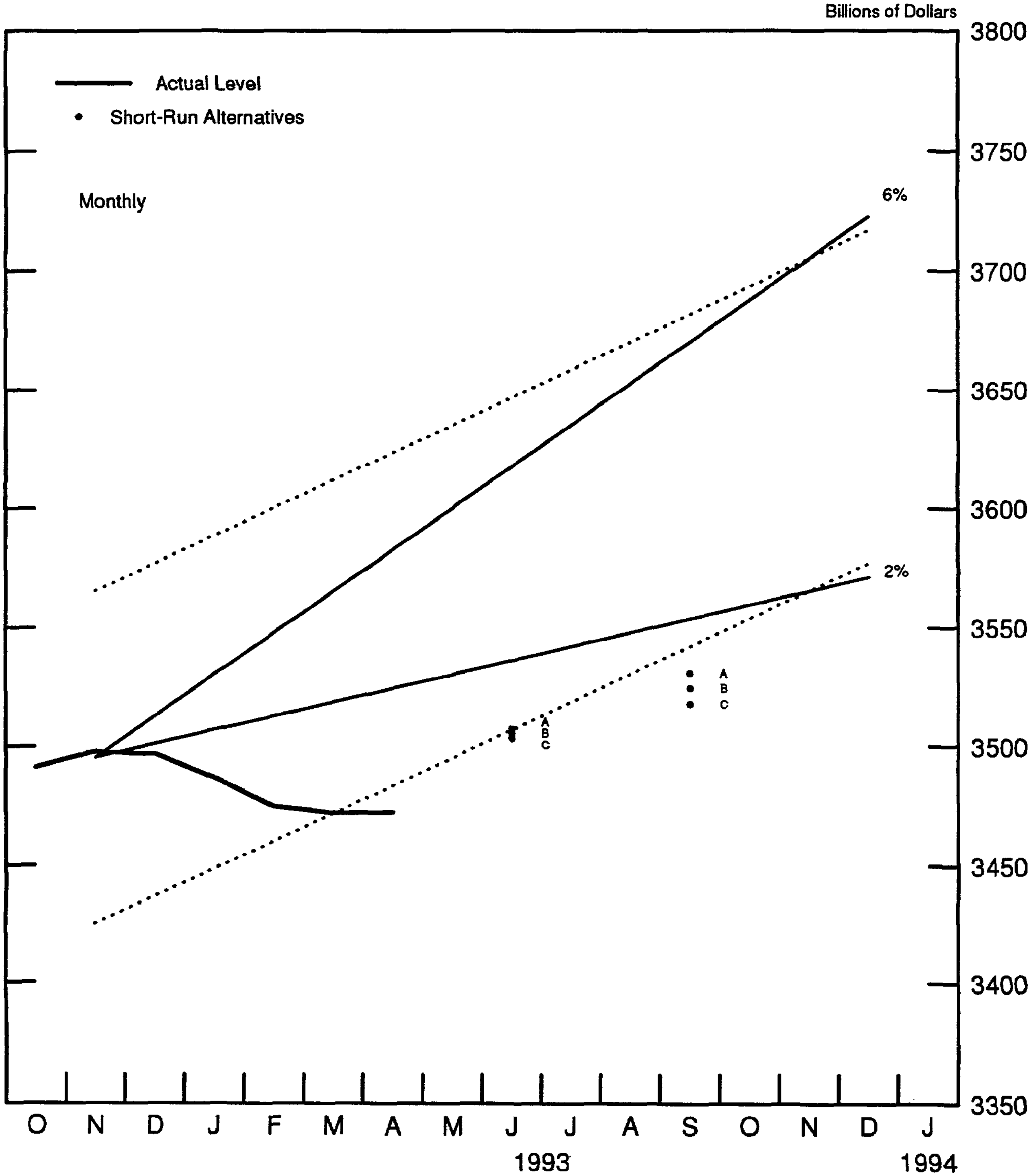


Chart 5

ACTUAL AND TARGETED M3

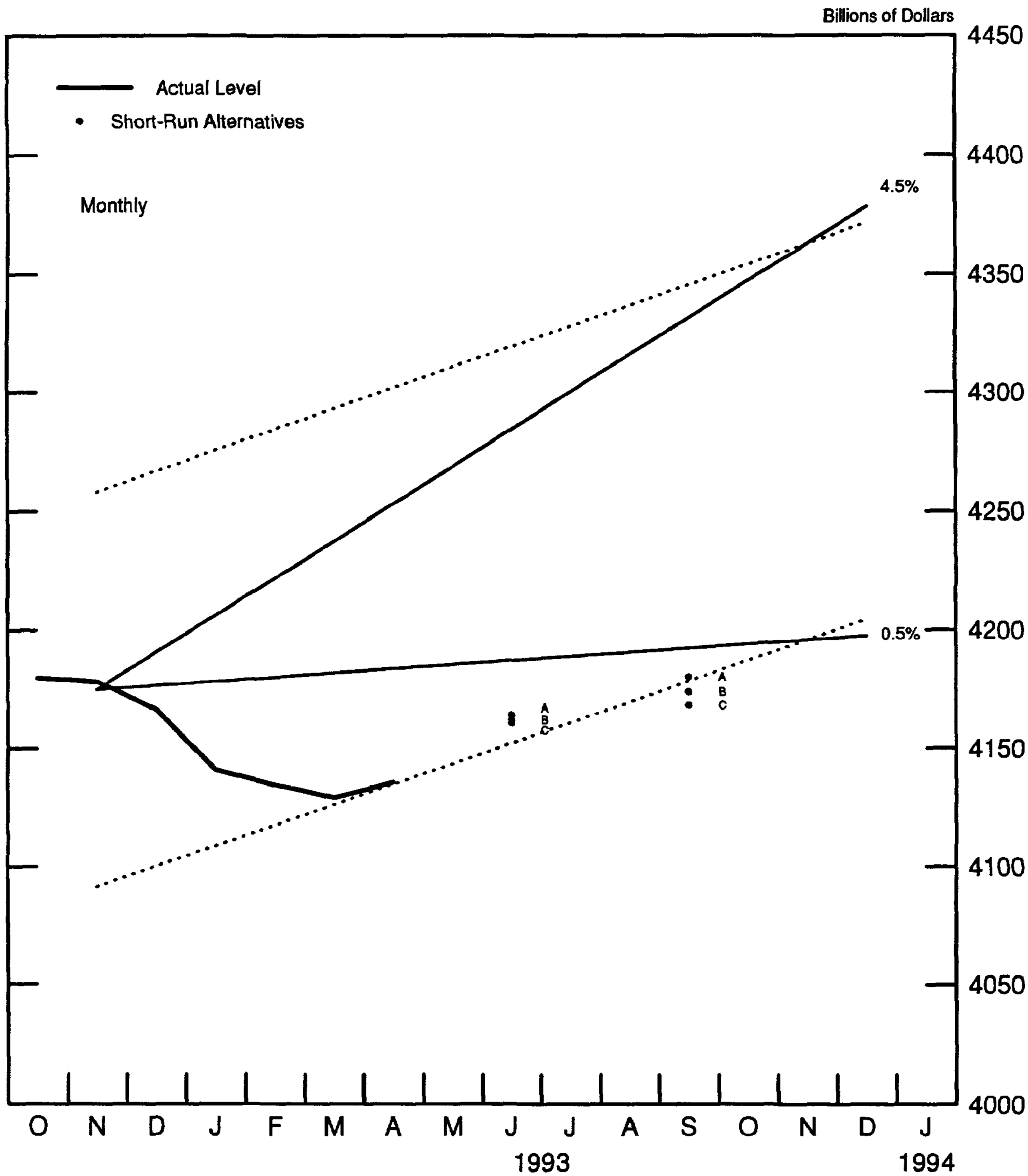


Chart 6

M1

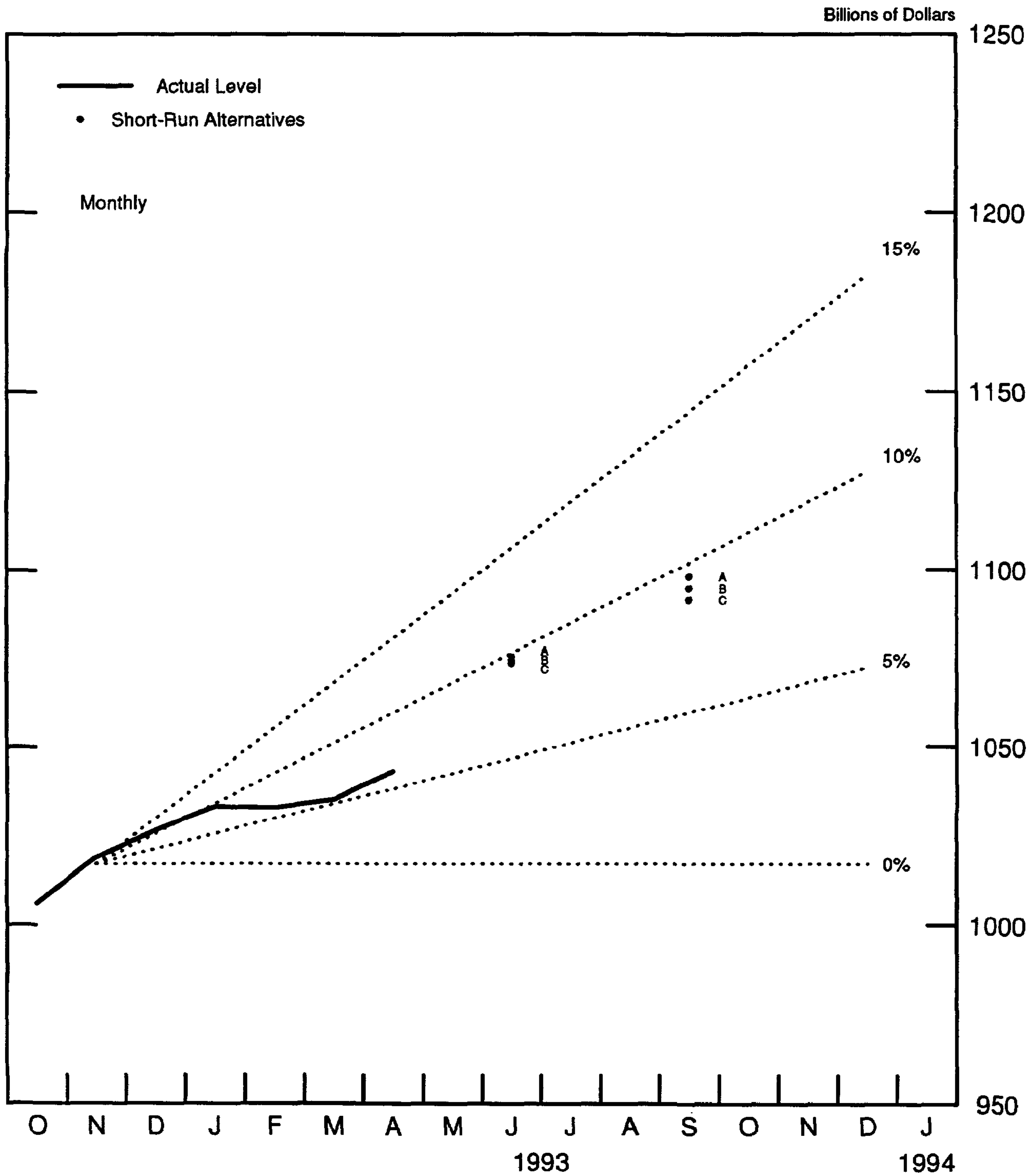
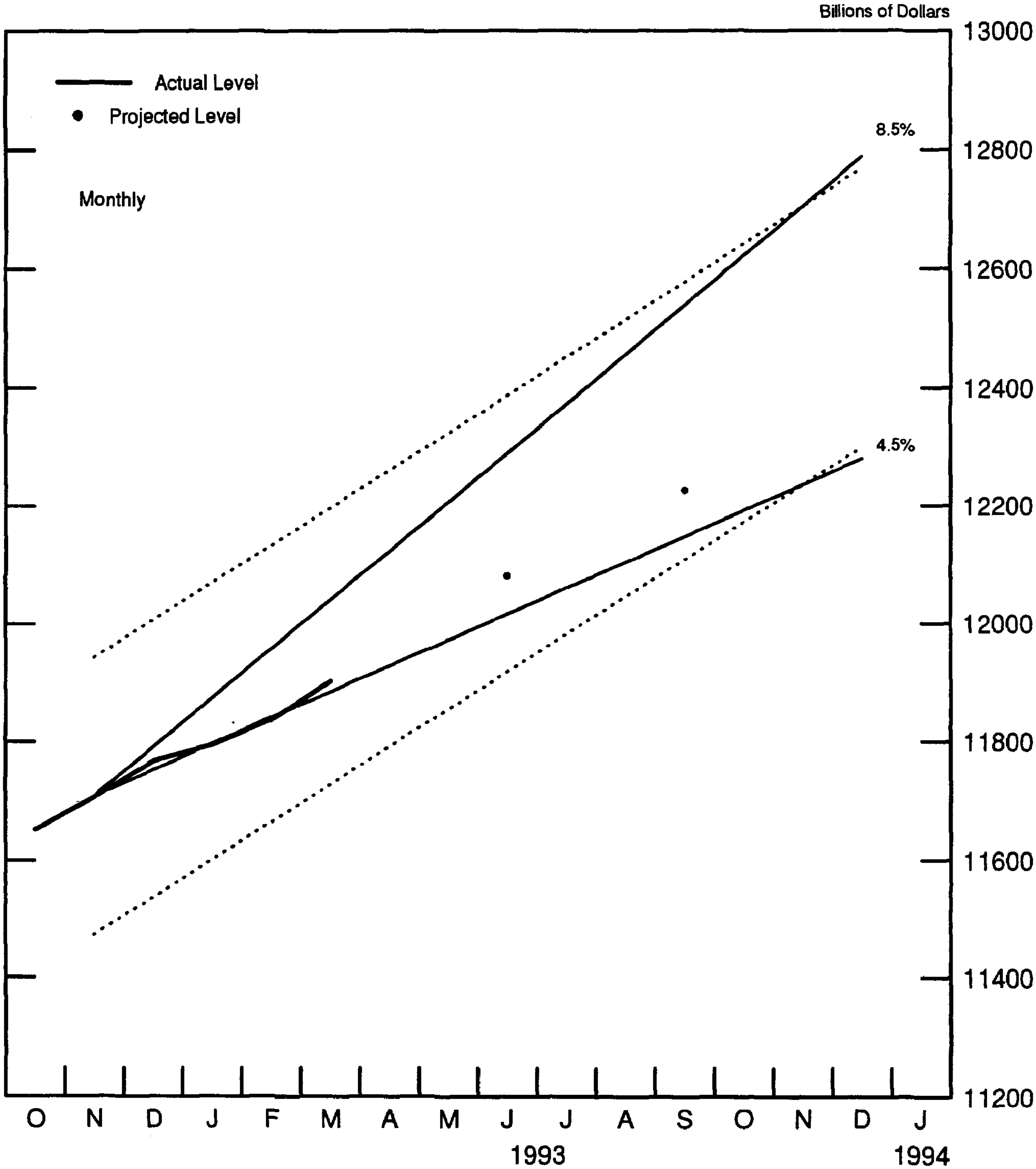

Billions of Dollars
Actual Level
Short-Run Alternatives
Monthly
15%
10%
5%
0%
A
B
C
A
B
C
1250
1200
1150
1100
1050
1000
950
O
N
D
J
F
M
A
M
J
J
A
S
O
N
D
J
1993
1994

Chart 7

DEBT



Billions of Dollars
Actual Level
Projected Level
Monthly
8.5%
4.5%
13000
12800
12600
12400
12200
12000
11800
11600
11400
11200
O N D J F M A M J J A S O N D J
1993
1994

(13) Under alternative B, M2 is projected to increase at about a 5-3/4 percent average rate over May and June, a considerable pickup from recent months.[6] Some of the strength in May, and to a lesser extent in June, reflects reversals of previous temporary depressants involving tax effects, the late-winter lull in mortgage refinancing activity, and seasonal-adjustment distortions.[7] Apart from effects of these temporary factors, underlying M2 probably will exhibit a speed-up over the two months, owing to an abatement of the more fundamental influences that had boosted its velocity to a 5-3/4 percent growth rate over the previous two quarters. Quarterly average growth of M2 for the second quarter is projected at about a 1-1/2 percent rate, with temporary factors having little net impact. Thus, with nominal GDP expected to rise at about a 4-1/4 percent rate, M2 velocity would increase at only about a 2-1/2 percent pace. If the money market conditions of this alternative were maintained over the summer, M2 growth would be expected to move up still nearer to that of nominal GDP in the third quarter.

(14) M3 under alternative B is seen as accelerating to about a 4 percent rate over May and June. This speedup would stem solely from the pickup in M2, as managed liabilities in M3, including large time deposits, should resume running off over the two months. Bank credit expansion is expected to remain moderate, with loan growth quite weak,

6. M1 is projected to rise at an 18 percent annual rate from April to June. The expansion in M1 deposits should show through in rapid growth in required reserves, and total reserves would be expected to expand at a 19-1/4 percent annual rate from April to June. With currency growth anticipated at 11 percent over the two months, the monetary base would rise at an 11-1/4 percent pace.

7. This year's seasonal adjustment factors for February and March appear to be elevated artificially by the influence of System easing actions around year-end 1990 and 1991 rather than evolving seasonal patterns.

and the balance sheets of thrift institutions are anticipated to continue to contract. While inflows of core deposits are projected to meet most of the added funding needs of banks and S&Ls, banks are likely to obtain some funding from abroad and from other nondeposit sources, in part to avoid higher deposit insurance premiums. Looking further ahead, moderate average growth of M3 during the third quarter would be expected to accompany retention of the specifications of alternative B over that period.

(15) Households and businesses are expected to stay cautious in using credit in coming months. In the household sector, mortgage refinancing activity is likely to remain brisk. Overall mortgage debt, however, is expected to expand at about its first-quarter pace, as cash-out refinancing activity continues to be limited and home purchases rise only gradually. Growth of consumer credit is projected to remain moderate, despite heavy promotion of credit cards with rebates and other incentives. Given still-favorable conditions in longer-term markets under alternative B, issuance of corporate bonds and stocks should remain relatively heavy. With the shortfall of internal funds relative to capital expenditures remaining small, businesses are likely to continue to use the proceeds of securities issuance to pay down higher-cost bonds and bank loans. Treasury borrowing should pick up in coming months to finance a widening deficit, with more issuance in the shorter end of the market, reflecting the recent shift in debt management policy. Domestic nonfinancial debt would be expected to move further above the lower edge of its 4-1/2 to 8-1/2 percent monitoring range through June.

(16) The lower interest rates of alternative A would be expected to provide some added lift to growth of the monetary aggregates.

Banks and thrifts, while continuing to price their deposits unaggressively, likely would not immediately match the downward movement in market rates. Yields on money market mutual funds, likewise, would lag the decline in market rates. The lower opportunity costs of deposits and money funds relative to short-term market rates should provide a small boost to the aggregates, even though attractive yields would continue to induce heavy inflows into bond and stock mutual funds. M2 growth over May and June would come in at about a 6 percent rate, with much of the additional strength resulting from its M1 component. M3 would expand at a 4-1/4 percent rate. Despite the more rapid growth, both of the broad monetary aggregates would remain well below their annual ranges in June. M2 growth is projected to post a 2-3/4 percent pace from June to September, bringing the rate of expansion for the April to September period to 4 percent. Even with the lower interest rates and consequent economic stimulus of this alternative later in the year, M2 would be unlikely to reach the lower end of its annual range by the fourth quarter.

(17) Under alternative C, the higher money market interest rates and opportunity costs would restrain the monetary aggregates. The restraint on the aggregates could be limited to the degree that capital losses on bond and stock funds prompt investors to shift back into deposits, but on balance the tighter monetary stance should act to slow monetary growth. M2 would expand at only a 5-1/2 percent rate over May and June, and M3 at a 3-3/4 percent pace. The moderate upward trajectory of M2 expected under unchanged interest rates later in the year would be trimmed, with growth from June to September likely at only a 1-1/2 percent rate; and M2 would finish the year well below its target range. Maintenance of the money market conditions of alternative C probably would induce M3 to contract on the year.

Directive language

(19) Presented below is draft wording for the operational paragraph that includes the usual options and updating.

OPERATIONAL PARAGRAPH

In the implementation of policy for the immediate future, the Committee seeks to DECREASE SOMEWHAT/maintain/INCREASE SOMEWHAT the existing degree of pressure on reserve positions. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly (SOMEWHAT) greater reserve restraint (WOULD/MIGHT) or slightly (SOMEWHAT) lesser reserve restraint would (MIGHT) be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with APPRECIABLE ~~a resumption of moderate~~ growth in the broader monetary aggregates over the second quarter.

May 17, 1993

SELECTED INTEREST RATES
(percent)

	Short-Term								Long-Term							
	federal funds	Treasury bills secondary market			CDs secondary market	comm. paper	money market mutual fund	bank prime loan	U.S. government constant maturity yields			corporate A-utility recently offered	municipal Bond Buyer	conventional home mortgages		
														secondary market	primary market	
		3-month	6-month	1-year	3-month	1-month			3-year	10-year	30-year			fixed-rate	fixed-rate	ARM
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
92 -- High	4.20	4.05	4.22	4.51	4.32	5.02	4.51	6.50	6.32	7.65	8.07	8.99	6.87	9.22	9.03	6.22
-- Low	2.86	2.69	2.82	2.91	3.07	3.17	2.74	6.00	4.24	6.30	7.29	8.06	6.12	7.86	7.84	4.97
93 -- High	3.24	3.09	3.26	3.43	3.28	3.39	2.92	6.00	5.06	6.73	7.46	8.28	6.44	8.30	8.14	5.36
-- Low	2.87	2.82	2.94	3.07	3.06	3.07	2.59	6.00	4.24	5.87	6.74	7.47	5.69	7.43	7.38	4.63
Monthly																
May 92	3.82	3.63	3.75	3.99	3.82	3.87	3.52	6.50	5.81	7.39	7.89	8.70	6.73	8.85	8.67	6.00
Jun 92	3.76	3.66	3.77	3.98	3.86	3.91	3.45	6.50	5.60	7.26	7.84	8.62	6.66	8.66	8.51	5.87
Jul 92	3.25	3.21	3.28	3.45	3.37	3.43	3.25	6.02	4.91	6.84	7.60	8.38	6.32	8.25	8.13	5.51
Aug 92	3.30	3.13	3.21	3.33	3.31	3.38	3.07	6.00	4.72	6.59	7.39	8.16	6.31	8.04	7.98	5.27
Sep 92	3.22	2.91	2.96	3.06	3.13	3.25	2.91	6.00	4.42	6.42	7.34	8.11	6.40	7.98	7.92	5.11
Oct 92	3.10	2.86	3.04	3.17	3.26	3.22	2.79	6.00	4.64	6.59	7.53	8.40	6.59	8.25	8.09	5.06
Nov 92	3.09	3.13	3.34	3.52	3.58	3.25	2.83	6.00	5.14	6.87	7.61	8.51	6.56	8.48	8.31	5.26
Dec 92	2.92	3.22	3.36	3.55	3.48	3.71	2.82	6.00	5.21	6.77	7.44	8.27	6.43	8.34	8.22	5.45
Jan 93	3.02	3.00	3.14	3.35	3.19	3.21	2.83	6.00	4.93	6.60	7.34	8.13	6.40	8.16	8.02	5.23
Feb 93	3.03	2.93	3.07	3.25	3.12	3.14	2.72	6.00	4.58	6.26	7.09	7.80	6.12	7.78	7.68	4.98
Mar 93	3.07	2.95	3.05	3.20	3.11	3.15	2.66	6.00	4.40	5.98	6.82	7.61	5.85	7.70	7.50	4.79
Apr 93	2.96	2.87	2.97	3.11	3.09	3.13	2.65	6.00	4.30	5.97	6.85	7.66	5.99	7.59	7.47	4.71
Weekly																
Jan 27 93	2.94	2.95	3.08	3.28	3.15	3.15	2.77	6.00	4.84	6.53	7.27	7.95	6.36	8.01	7.86	5.06
Feb 3 93	3.15	2.92	3.09	3.25	3.14	3.15	2.74	6.00	4.73	6.42	7.23	7.88	6.29	7.88	7.80	5.06
Feb 10 93	2.92	2.92	3.09	3.30	3.13	3.15	2.73	6.00	4.68	6.38	7.20	7.85	6.22	7.88	7.75	5.04
Feb 17 93	3.06	2.92	3.08	3.29	3.12	3.17	2.71	6.00	4.65	6.34	7.13	7.73	6.06	7.71	7.65	4.95
Feb 24 93	2.91	2.93	3.03	3.17	3.09	3.12	2.69	6.00	4.41	6.07	6.94	7.63	5.89	7.66	7.53	4.85
Mar 3 93	3.24	2.95	3.04	3.17	3.11	3.12	2.71	6.00	4.32	5.97	6.85	7.47	5.69	7.69	7.44	4.79
Mar 10 93	3.02	2.98	3.08	3.23	3.12	3.14	2.67	6.00	4.38	5.89	6.74	7.62	5.83	7.68	7.47	4.78
Mar 17 93	3.04	2.98	3.09	3.25	3.12	3.17	2.66	6.00	4.52	6.06	6.85	7.58	5.90	7.61	7.57	4.82
Mar 24 93	2.93	2.94	3.04	3.17	3.10	3.14	2.65	6.00	4.36	5.94	6.80	7.73	5.99	7.80	7.50	4.75
Mar 31 93	3.18	2.92	3.02	3.17	3.12	3.18	2.66	6.00	4.42	6.04	6.90	7.86	6.07	7.74	7.53	4.75
Apr 7 93	3.11	2.91	3.00	3.17	3.12	3.16	2.67	6.00	4.42	6.10	7.00	7.64	6.06	7.63	7.57	4.81
Apr 14 93	2.93	2.87	2.99	3.10	3.09	3.15	2.64	6.00	4.27	5.93	6.80	7.55	5.91	7.57	7.45	4.70
Apr 21 93	2.91	2.82	2.94	3.07	3.09	3.12	2.63	6.00	4.24	5.87	6.75	7.59	5.95	7.43	7.38	4.64
Apr 28 93	2.87	2.88	2.96	3.09	3.07	3.10	2.61	6.00	4.27	5.95	6.84	7.76	5.98	7.56	7.43	4.67
May 5 93	2.98	2.89	2.97	3.12	3.07	3.09	2.62	6.00	4.26	5.97	6.86	7.67	5.88	7.51	7.42	4.66
May 12 93	2.90	2.88	2.98	3.11	3.06	3.07	2.59	6.00	4.25	5.91	6.83	7.74	5.90	7.65	7.42	4.63
Daily																
May 7 93	2.83	2.87	2.97	3.11	3.05	3.07	--	6.00	4.25	5.92	6.85	--	--	--	--	--
May 13 93	2.97	2.93	3.02	3.17	3.07	3.10	--	6.00	4.35	6.02	6.96	--	--	--	--	--
May 14 93	2.94p	2.96	3.06	3.20	3.12	3.11	--	6.00	4.38	6.03	6.95	--	--	--	--	--

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 major institutional lenders. Column 16 is the average initial contract rate on new commitments for 1-year, adjustable-rate mortgages (ARMs) at major institutional lenders offering both FRMs and ARMs with the same number of discount points.

p - preliminary data

Strictly Confidential (FR)·
Class II FOMC

Money and Credit Aggregate Measures

Seasonally adjusted

MAY. 17, 1993

Period	Money stock measures and liquid assets						Bank credit	Domestic nonfinancial debt[1]		
	M1	M2	nontransactions components in M2	nontransactions components in M3 only	M3	L	total loans and investments[1]	U.S. government[2]	other[2]	total[2]
	1	2	3	4	5	6	7	8	9	10
ANN. GROWTH RATES (%) :										
ANNUALLY (Q4 TO Q4)										
1990	4.3	4.0	3.9	-6.5	1.8	2.0	5.6	10.3	5.9	6.9
1991	8.0	2.8	1.1	-6.2	1.1	0.3	3.5	11.0	2.2	4.3
1992	14.3	1.8	-2.6	-6.6	0.3	1.4	3.7	10.7	3.0	4.9
QUARTERLY AVERAGE										
1992-2nd QTR.	10.6	0.3	-3.4	-4.9	-0.6	1.3	3.3	14.4	2.8	5.7
1992-3rd QTR.	11.6	0.8	-3.2	-3.5	0.1	1.1	3.5	10.7	2.9	4.9
1992-4th QTR.	16.8	2.7	-2.8	-14.4	-0.2	2.0	4.1	6.0	3.8	4.4
1993-1st QTR.	6.6	-2.0	-5.5	-13.4	-3.8	-1.9	1.0	8.7	3.2	4.6
MONTHLY										
1992-APR.	7.8	-1.0	-4.3	-6.7	-2.0	-0.2	5.2	15.0	2.7	5.8
MAY	14.0	0.9	-4.0	-1.3	0.5	0.5	0.5	13.0	2.4	5.0
JUNE	0.5	-1.9	-2.8	-7.2	-2.8	0.9	3.1	14.6	2.4	5.5
JULY	13.5	0.5	-4.4	-4.4	-0.3	-0.6	1.7	9.9	2.8	4.6
AUG.	15.2	3.0	-1.6	1.5	2.8	3.2	6.5	9.5	3.3	4.9
SEP.	18.0	2.7	-3.2	-6.1	1.2	2.7	6.3	5.0	3.9	4.2
OCT.	19.1	3.9	-2.3	-24.4	-0.9	1.2	3.3	-1.1	4.2	2.8
NOV.	15.7	2.3	-3.2	-13.9	-0.4	3.2	2.7	10.5	4.0	5.7
DEC.	8.8	-0.3	-4.1	-19.2	-3.4	-0.9	2.1	16.3	2.7	6.2
1993-JAN.	7.8	-3.4	-8.1	-28.0	-7.3	-5.1	-2.0	2.9	2.7	2.7
FEB.	-0.2	-4.0	-5.6	9.9	-1.8	-1.5	1.5	5.3	3.9	4.3
MAR.	2.7	-1.0	-2.5	-5.1	-1.7	0.2	5.4	15.0	3.7	6.6
APR. p	9.0	0.1	-3.7	11.5	1.9		5.0			
LEVELS ($BILLIONS) :										
MONTHLY										
1992-DEC.	1026.6	3497.0	2470.3	669.5	4166.4	5052.0	2938.8	3068.8	8699.4	11768.2
1993-JAN.	1033.3	3487.0	2453.7	653.9	4140.9	5030.4	2933.8	3076.3	8718.8	11795.1
FEB.	1033.1	3475.3	2442.2	659.3	4134.6	5024.0	2937.5	3090.0	8747.1	11837.1
MAR.	1035.4	3472.4	2437.1	656.5	4128.9	5025.0	2950.6	3128.5	8774.2	11902.6
APR. p	1043.2	3472.8	2429.6	662.8	4135.6		2962.8			
WEEKLY										
1993-APR. 5	1042.1	3476.0	2433.9	652.8	4128.7					
12	1044.2	3476.1	2431.9	660.8	4137.0					
19	1039.1	3466.2	2427.2	661.7	4127.9					
26 p	1040.7	3468.8	2428.0	670.4	4139.2					
MAY 3 p	1055.1	3482.4	2427.3	667.4	4149.8					

1. Adjusted for breaks caused by reclassifications.
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
pe-preliminary estimate

Strictly Confidential (FR)-
Class II FOMC

Components of Money Stock and Related Measures

seasonally adjusted unless otherwise noted

MAY. 17, 1993

Period	Currency	Demand deposits	Other checkable deposits	Overnight RPs and Eurodollars NSA[1]	Savings deposits[2]	Small denomination time deposits[3]	Money market mutual funds: general purpose and broker/dealer[4]	Money market mutual funds: institutions only	Large denomination time deposits[5]	Term RPs NSA[1]	Term Eurodollars NSA[1]	Savings bonds	Short-term Treasury securities	Commercial paper[1]	Bankers acceptances
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
LEVELS ($BILLIONS):															
ANNUALLY (4TH QTR.)															
1990	245.4	277.7	293.1	78.8	919.8	1171.6	348.2	131.5	496.8	93.6	68.0	125.2	329.9	356.2	36.3
1991	265.8	287.0	329.6	73.4	1028.8	1081.0	362.9	175.6	432.3	74.7	60.7	137.0	319.4	336.3	24.4
1992	290.0	338.8	380.2	74.7	1179.0	882.8	344.1	207.5	361.9	80.5	47.0	154.5	330.6	369.6	20.4
MONTHLY															
1992-APR.	273.6	310.8	349.0	72.8	1107.5	986.1	354.5	195.9	402.1	74.1	54.9	142.4	325.9	341.0	21.8
MAY	275.1	314.7	354.7	69.5	1119.6	969.6	354.9	202.2	395.9	76.4	52.8	143.5	329.4	336.4	22.0
JUNE	276.6	312.3	355.9	72.5	1126.0	955.7	353.5	206.3	389.3	76.4	51.9	144.6	330.1	348.1	22.0
JULY	279.5	317.5	358.6	72.8	1134.5	941.5	350.4	212.5	382.5	75.1	51.1	145.8	324.8	351.2	21.7
AUG.	282.4	322.5	362.8	76.2	1145.7	926.9	348.9	220.9	378.1	75.7	51.4	147.4	322.9	355.7	21.1
SEP.	286.3	329.0	366.7	73.8	1158.9	912.7	343.9	220.7	373.7	77.5	49.4	149.3	321.0	363.4	20.7
OCT.	288.0	336.0	373.7	75.0	1170.5	896.5	346.3	210.9	367.0	79.5	48.1	151.9	321.8	368.0	20.5
NOV.	289.8	339.5	381.6	75.1	1180.4	881.7	343.7	209.2	361.3	81.3	47.2	154.7	330.1	372.4	20.3
DEC.	292.3	340.9	385.2	73.9	1186.0	870.2	342.3	202.3	357.5	80.6	45.6	156.8	340.0	368.4	20.4
1993-JAN.	294.7	341.9	388.6	72.3	1184.3	860.9	339.6	197.7	350.7	79.8	43.5	158.9	347.1	363.0	20.6
FEB.	296.8	341.9	386.4	72.9	1182.3	855.0	333.6	201.9	346.3	82.3	46.2	161.1	350.5	357.8	20.1
MAR.	299.0	342.0	386.4	72.9	1178.8	850.1	333.1	200.9	340.4	86.1	48.5	162.7	349.6	364.7	19.1
APR. p	301.4	347.3	386.4	69.5	1181.4	843.6	331.7	200.4	343.1	88.8	48.3				

1. Net of money market mutual fund holdings of these items.
2. Includes money market deposit accounts.
3. Includes retail repurchase agreements. All IRA and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.
4. Excludes IRA and Keogh accounts.
5. Net of large denomination time deposits held by money market mutual funds and thrift institutions.

p-preliminary

May 14, 1993

STRICTLY CONFIDENTIAL (FR)
CLASS II-FOMC

NET CHANGES IN SYSTEM HOLDINGS OF SECURITES[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] within 1 year	1-5	5-10	over 10	Redemptions (-)	Net Change			
1990	17,448	4,400	13,048	425	50	-100	---	---	375	183	13,240	11,128
1991	20,038	1,000	19,038	3,043	6,583	1,280	375	---	11,282	292	27,726	-1,614
1992	13,086	1,600	11,486	1,096	13,118	2,818	2,333	---	19,365	632	30,219	-13,215
1992 ---Q1	-1,000	1,600	-2,600	---	2,452	---	---	---	2,452	85	-233	-14,636
---Q2	4,415	---	4,415	285	2,193	597	655	---	3,730	250	7,896	1,137
---Q3	867	---	867	350	3,900	945	731	---	5,927	176	6,617	14,195
---Q4	8,805	---	8,805	461	4,572	1,276	947	---	7,256	121	15,939	-13,912
1993 ---Q1	---	---	---	279	1,441	716	705	---	3,141	289	2,851	-461
1992 May	4,110	---	4,110	---	200	---	---	---	200	160	4,149	-1,203
June	306	---	306	285	1,993	597	655	---	3,530	40	3,796	1,996
July	---	---	---	---	---	---	---	---	---	85	-85	-914
August	271	---	271	---	400	195	---	---	595	54	812	5,371
September	595	---	595	350	3,500	750	731	---	5,332	37	5,890	9,739
October	4,072	---	4,072	---	200	---	---	---	200	---	4,272	-19,267
November	1,064	---	1,064	461	4,172	1,176	947	---	6,756	---	7,820	2,425
December	3,669	---	3,669	---	200	100	---	---	300	121	3,848	2,929
1993 January	---	---	---	---	---	---	---	---	---	103	-103	-6,128
February	---	---	---	---	---	---	---	---	---	85	-85	4,788
March	---	---	---	279	1,441	716	705	---	3,141	101	3,039	879
April	121	---	121	244	2,490	1,147	1,110	---	4,990	28	5,083	-5,514
Weekly												
January 20	---	---	---	---	---	---	---	---	---	65	-65	10,941
27	---	---	---	---	---	---	---	---	---	38	-38	-10,279
February 3	---	---	---	---	---	---	---	---	---	---	---	6,232
10	---	---	---	---	---	---	---	---	---	50	-50	-9,727
17	---	---	---	---	---	---	---	---	---	---	---	6,075
24	---	---	---	---	---	---	---	---	---	---	---	-228
March 3	---	---	---	---	---	---	---	---	---	35	-35	3,576
10	---	---	---	---	---	---	---	---	---	60	-60	-5,137
17	---	---	---	---	---	---	---	---	---	---	---	-1,152
24	---	---	---	279	1,441	716	705	---	3,141	---	3,141	-766
31	---	---	---	---	---	---	---	---	---	41	-41	6,344
April 7	---	---	---	---	---	---	---	---	---	---	---	-52
14	---	---	---	---	---	---	---	---	---	28	-28	5,327
21	121	---	121	244	2,490	1,147	1,110	---	4,990	---	5,111	-6,724
28	---	---	---	---	---	---	---	---	---	---	---	-3,968
May 5	---	---	---	---	---	---	---	---	---	---	---	-78
12	---	---	---	---	---	---	---	---	---	---	---	7,936
Memo: LEVEL (bil. $)[6]												
May 12			150.3	181.4	72.9	21.5	29.9		305.7		316.8	-6.1

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 exchange for maturing bills. Excludes maturity shifts and rollovers of maturing issues.
4. Reflects net change in redemptions (-) of Treasury and agency securities.
5. Includes change 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
May 12	2.0	2.3	0.7	0.1	5.1