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[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.

Monetary Policy Alternatives

Prepared for the Federal Open Market Committee
by the Staff of the Board of Governors of the Federal Reserve System

Strictly Confidential (F.R.)
Class II -- FOMC

November 9, 2000

MONETARY POLICY ALTERNATIVES

Recent Developments

(1) Incoming evidence on slower economic growth, wide swings in and uncertainty about the price of oil on world markets, and mixed news on corporate earnings triggered volatility in financial markets over the intermeeting period and raised concerns about risk.[1] Equity prices have varied over an especially wide range, responding to earnings reports and warnings as well as to uncertainties about the election outcome (chart 1). On balance, the most comprehensive equity price indexes are down about 3-1/2 percent, though the Nasdaq has dropped a bit over 10 percent. Increasing investor concern about corporate performance led to substantial increases in yields on lower-rated investment-grade and junk bonds–about 25 and 90 basis points, respectively. The firming of credit conditions in capital markets has been accompanied by widespread further tightening of bank lending standards and terms, as reported on the early November survey of senior loan officers. However, yields on high-grade corporate debt, as well as swaps, were about unchanged over the intermeeting period. Nominal Treasury coupon yields edged down even though, as gauged by indexed securities, inflation compensation increased a bit at short- and intermediate-

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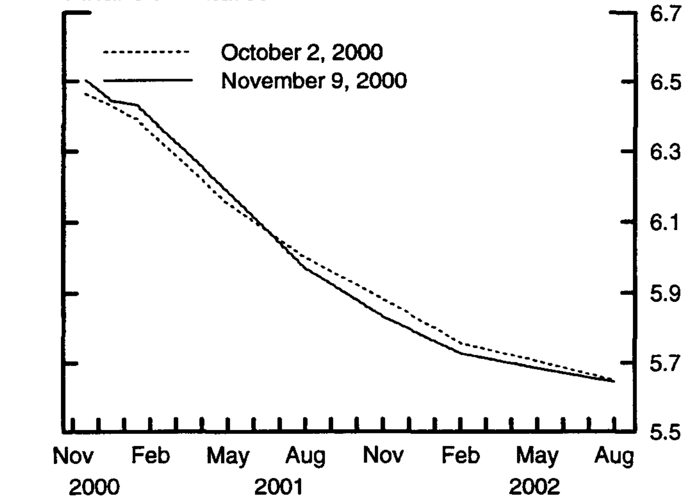
1. The effective federal funds rate remained close to the 6-1/2 percent target over the intermeeting period. The Desk redeemed $4.5 billion of securities, mostly Treasury bills, to avoid exceeding its per-issue limits on holdings. It offset the effects of these redemptions on the System's outright holdings of securities and accommodated seasonal demands for currency growth by purchasing $4.4 billion of Treasury securities in the market and $884 million of Treasury bills from foreign customers and by increasing the volume of outstanding twenty-eight-day RPs by $3.1 billion, to $13 billion.

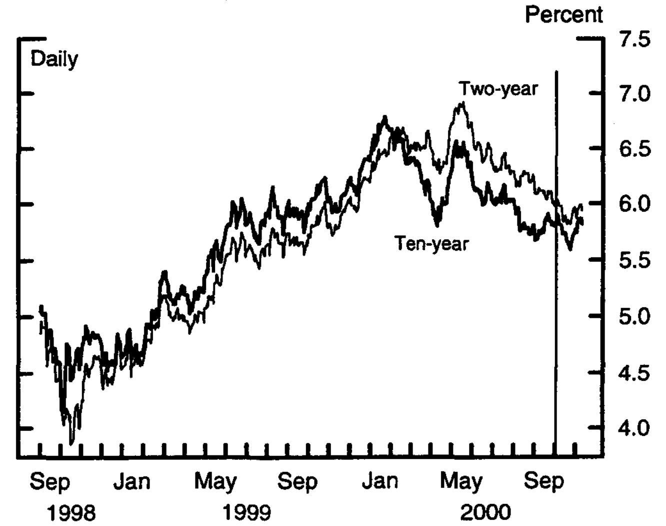
Chart 1
Financial Market Indicators

Expected Federal Funds Rates Estimated from Financial Futures*



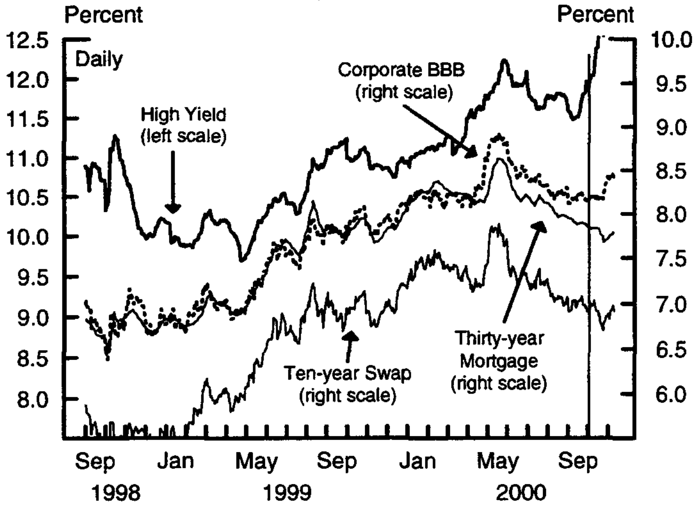
*Estimates from federal funds and eurodollar futures rates with an allowance for term premia and other adjustments.

Selected Treasury Yields



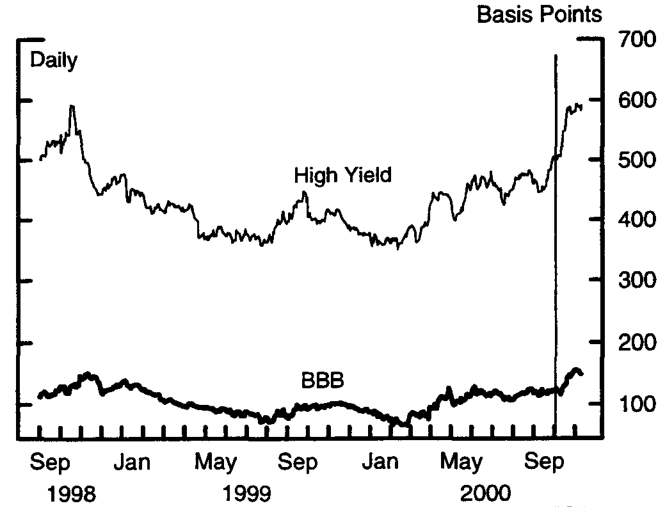
Vertical line indicates last FOMC date.

Selected Private Long-Term Yields



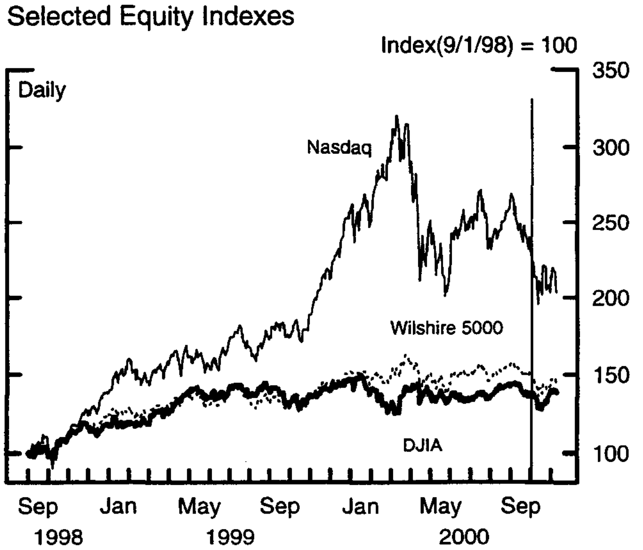
Vertical line indicates last FOMC date.

Selected Risk Spreads*



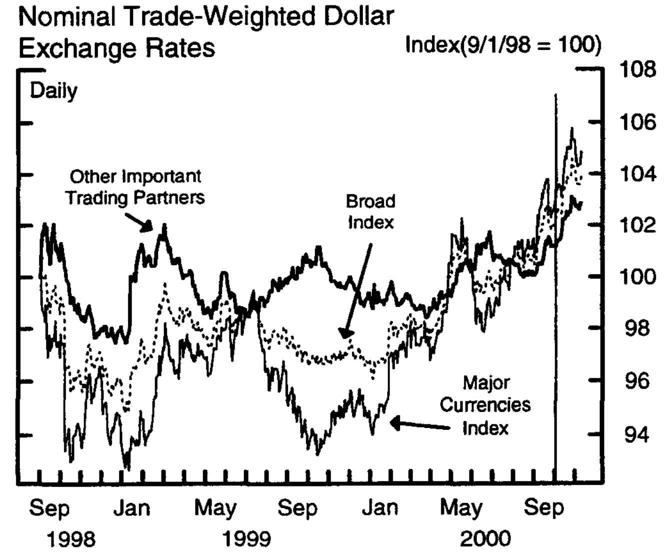
*The spreads compare the yields on the Merrill Lynch 175 and BBB indexes with the ten-year swap rate. Vertical line indicates last FOMC date.

Selected Equity Indexes



Vertical line indicates last FOMC date.

Nominal Trade-Weighted Dollar Exchange Rates



Vertical line indicates last FOMC date.

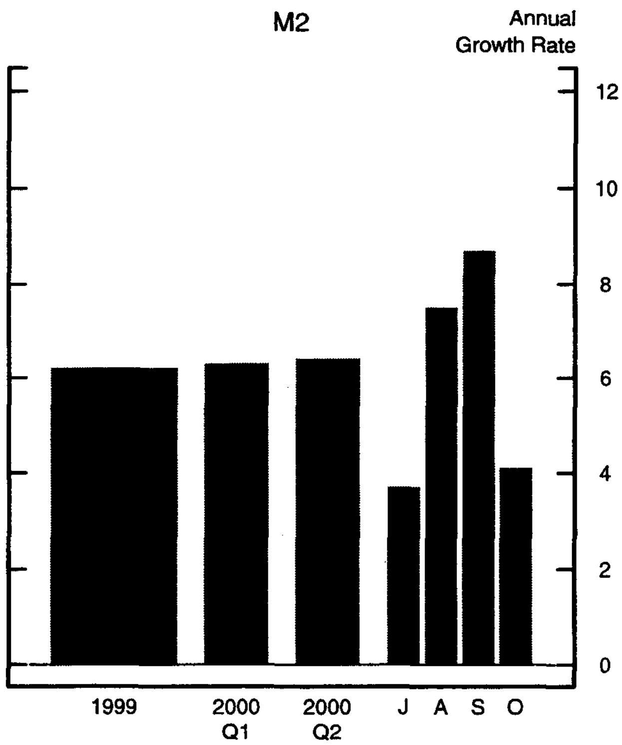
MFMA:TAS

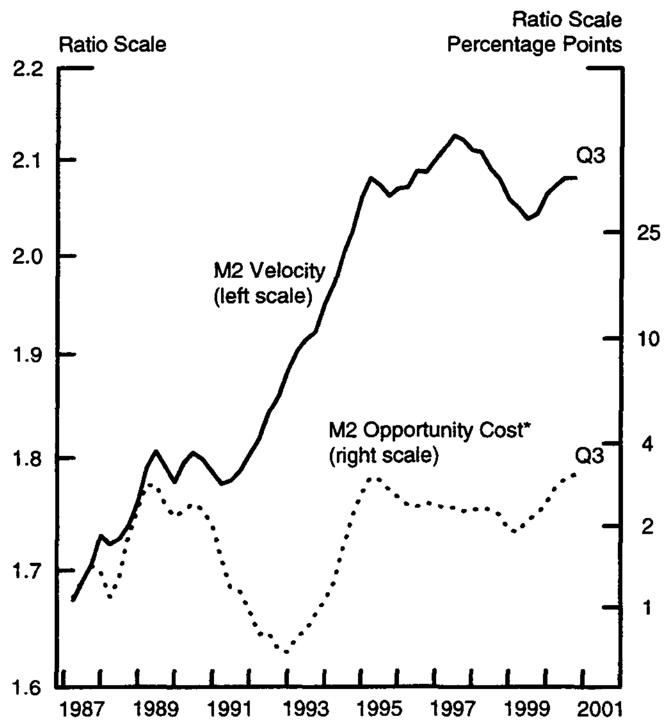
maturities. Market expectations for the path of future policy show little net change since the October meeting and continue to incorporate policy easing during the first half of next year.

(2) The more stringent lending standards and terms at banks and the steep rise in financing costs for lower-rated borrowers in bond markets apparently contributed to a considerable weakening in the growth of credit to nonfinancial businesses in October, though moderating demands for credit in a slowing economy likely also accounted for some of the falloff (chart 2). Gross bond issuance by both investment- and speculative-grade firms dropped off sharply last month, while commercial paper edged down and bank loans remained flat. To some extent, firms may only have been postponing issuance because of turbulent market conditions, and in recent weeks business borrowing has revived. In the household sector, consumer debt growth slowed substantially in September, and data from banks suggest the more subdued pace continued in October. Residential mortgage growth, by contrast, seems to have remained relatively strong, supported by lower mortgage rates. Federal debt has continued to contract at a rapid clip.

(3) Expansion in the monetary aggregates also slowed in October, with M2 growth falling to a 4 percent annual rate. The slowdown in M2 followed two months of strong expansion, however, and smoothing through the monthly fluctuations, M2 has advanced at about a 6 percent rate since June. This pace is a little stronger than would be expected given the estimated increase in spending and the lagged effects of earlier monetary tightenings. M3 growth also slipped in October, to a 4-1/4 percent rate, in part reflecting weakness in bank credit. Bank loans in all major categories grew more slowly—or not at

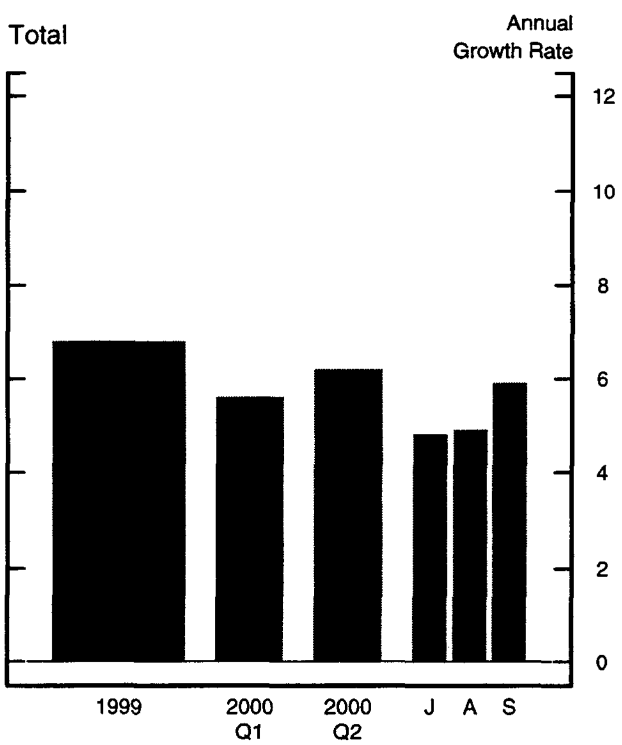
Chart 2
Money and Credit Aggregates

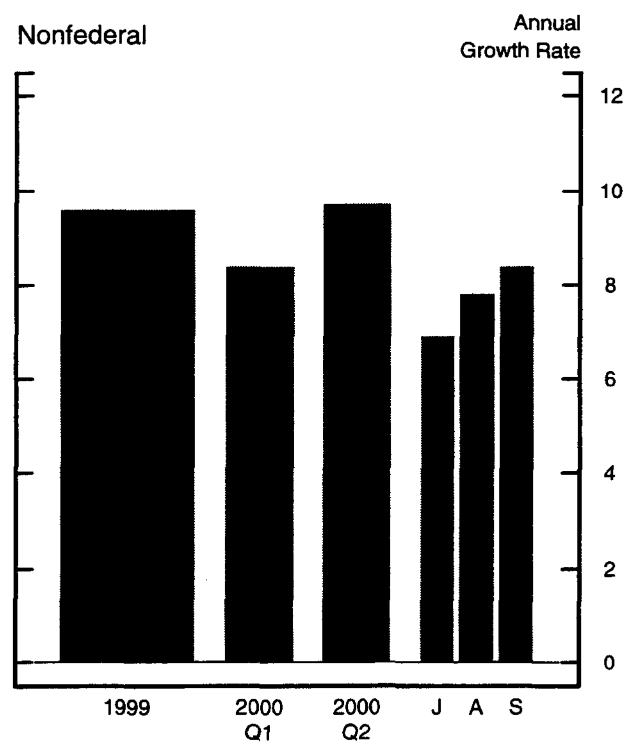




* Two-quarter moving average.

Debt of Domestic Nonfinancial Sectors





MARA:JW

all–and banks reduced their holdings of securities. The growth rate of M3 has averaged nearly 8 percent since June.

(4) A small net appreciation of the dollar also contributed to the firming of financial conditions. The foreign exchange value of the dollar rose noticeably through much of October, but over the past two weeks the dollar has given up about one-half of those gains. On net, the dollar increased 1-3/4 percent against an index of major currencies, appreciating 2-3/4 percent against the euro, 3 percent against the British pound, and 2-1/4 percent against the Canadian dollar, while depreciating 1-1/4 percent against the Japanese yen. The euro's value in terms of the dollar touched a new low in late October, about 6 percent below that at the start of the month, even though the European Central Bank (ECB) firmed its target policy rates 1/4 percentage point on October 5. A welter of statements on policy by European officials and a perception that prospects for growth in the United States remained stronger than those in Europe apparently weakened the euro. But perceptions about relative economic growth seemed to shift a little after the release of weaker-than-expected third-quarter U.S. GDP, and the euro has since rallied.

.[2]

2. U.S. monetary authorities did not intervene over the intermeeting period.

(5) Concerns about a few emerging market economies have cropped up in recent weeks and, interacting with heightened sensitivity to risk more generally, appear mostly responsible for the 1-3/4 percent appreciation of the dollar vis-a-vis an index of the currencies of other important trading partners. Yield spreads on Argentinian dollar-denominated securities widened 3-1/2 percentage points, on net, as doubts surfaced about the government's ability to roll over its substantial maturing obligations. Other Latin American economies appeared caught in the wake of investors' worries about Argentina, with the dollar appreciating 2-1/2 percent and 6-1/4 percent, respectively, against the Mexican peso and the Brazilian *real*. Social unrest in Indonesia and an apparent unraveling of the presidential administration in the Phillippines depressed the currencies of those countries and added to the risk premium on their foreign debt.

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

	Aug. 2000	Sep. 2000	Oct. 2000	Dec. 1999 to Oct. 2000[1]
Money and Credit Aggregates				
M2	7.5	8.7	4.1	5.9
M3	9.8	8.4	4.2	8.2
Domestic nonfinancial debt	4.9	5.9	n.a.	5.6
Federal	-7.1	-4.6	n.a.	-6.7
Nonfederal	7.8	8.4	n.a.	8.9
Bank credit	10.4	11.7	-6.0	9.2
Adjusted[2]	9.5	8.2	-5.7	8.9
Memo:				
Monetary base[3]	0.6	3.0	3.2	-2.1
Adjusted for sweeps	1.6	3.7	3.7	-1.3

1. For nonfinancial debt and its components, December 1999 to September 2000.
2. Adjusted to remove the effects of mark-to-market accounting rules (FIN 39 and FASB 115).
3. Adjusted for discontinuities associated with changes in reserve requirements.

Policy Alternatives

(6) The tightening of financial conditions over the intermeeting period, along with the slightly weaker cast to incoming data on spending, has led the staff to trim its forecast for aggregate demand. Further firming of monetary policy is now assumed to be deferred until 2002 and to cumulate to only a half percentage point by the second half of that year, a notch less than in the last forecast. Because investment spending accounts for much of the downward revision in aggregate demand, the staff also has marked down a touch the growth of structural productivity, which now is seen as leveling out by 2002. On balance, aggregate demand is again projected to grow noticeably below potential output, importantly reflecting the restraining effects on consumption growth of a flat path for equity prices. The unemployment rate is anticipated to move up gradually to around 4-1/2 percent by the end of 2002, remaining a little below its estimated sustainable level. Core inflation continues to edge higher, as the effects of pressures on resources and the forecasted slide in the dollar more than offset the feed-through to core prices of a projected decline in energy prices.

(7) Aggregate demand now has slowed more convincingly to a pace below that of its potential, and, in the staff view, the unemployment rate seems more likely to rise than to fall over coming quarters. If the Committee shares that assessment, it may see financial conditions as probably already tight enough, at least for a time, to limit any further step-up in core inflation and may select **alternative B**, which keeps the federal funds rate unchanged. Indeed, if the Committee views the data on unit costs and prices of the last few years as indicating that the sustainable rate of unemployment is below that in the staff forecast, it

might judge the present stance of policy as adequate to cap underlying inflation at the current rate, not just to limit the rise. In addition, the Committee might be concerned that the deterioration in financial markets witnessed over the past few months might be more likely to continue than to be reversed, suggesting greater downside than upside risks to aggregate demand. To be sure, oil prices, whose rise seems to explain a recent boost in near-term inflation expectations, could remain high and pose an inflationary threat. But long-term inflation expectations have been stable, and the staff and the futures markets expect a good deal of the runup in energy prices to be reversed.

(8) Given that labor markets are about as taut as they were at the time of the last meeting and oil prices remain quite elevated, the Committee may still assess the balance of risks to be weighted toward *heightened inflation pressures*. However, the Committee, like the staff, may see economic growth as likely to fall short of the growth rate of its potential by a little more than was anticipated at the time of the last meeting. In light of its other objective of achieving sustainable economic growth, the Committee may now view the risk of "economic weakness"–that is, growth in output below that of its potential–as about offsetting the risk of higher inflation. If so, the Committee could select a statement of *balanced risks* at this meeting despite an assessment that resource use is currently above sustainable levels and inflation is possibly moving up a bit over the near term.

(9) Markets expect no adjustment in the funds rate at this meeting, but participants appear to have somewhat diverse views about the Committee's choice of the balance of risks. Thus, their reaction to the choice of alternative B will depend largely on

that balance assessment. Anecdotal reports suggest that most investors still anticipate a statement of continued imbalance toward inflation risks, but a growing number do not and market prices have built in a policy easing by early next year. In these circumstances, the retention of an imbalance toward inflation risks at this meeting would induce market participants to push back the timing of policy easings, causing bond and stock prices to decline modestly. But prices would likely be bid up somewhat if balanced risks were chosen because participants would see this choice as raising the possibility of a near-term reduction in the target funds rate.

(10) If the Committee judges that core inflation probably will trend higher, as in the staff forecast, and finds the likely degree of economic weakness to be less of a concern, then it might want to act promptly to resist the acceleration in prices by tightening policy 25 basis points, as in **alternative C**. The need for action might seem particularly pressing if core inflation were viewed as having already moved above the range consistent with effective price stability in the long run. Moreover, the Committee may see a good chance that the trajectory of prices may be steeper than in the staff forecast. In that forecast, underlying inflation rises as productivity growth levels out and labor compensation continues to accelerate, reflecting in part the catch-up of real wages to previous increases in productivity. With the labor market quite taut and real wages having been held down recently by the effects of higher energy prices on overall inflation, the pressures for faster nominal wage increases might intensify more than the staff envisions. Any increase in inflation expectations would accelerate that process. In that regard, the recent rise in near-term

inflation expectations underscores the risk that longer-term inflation expectations may not remain anchored should oil prices fail to retreat.

(11) With no policy action expected at this meeting and the next move of the FOMC seen to be an easing early next year, markets would probably sell off sharply on announcement of a policy tightening, especially if the Committee retained a statement of risks weighted toward higher inflation. The stock market could fall substantially, and risk spreads likely would widen further as market participants become more concerned about credit quality, with higher interest rates and weaker growth expected to add to debt repayment problems. The likely rise in the dollar could be damped by the drop in the stock market, but less so should the weakness spread to foreign equity markets. These financial market effects would be tempered if the Committee were to adopt a statement that risks were now balanced, which would presumably be interpreted as indicating that further tightening was not likely any time soon.

(12) If the Committee believes that economic growth likely will remain below that of its potential at the current funds rate, along the lines of the staff forecast, but thinks that the existing level of resource use may be sustainable, then it might choose the 25 basis point easing of **alternative A** in order to forestall an unnecessary rise in the unemployment rate. The argument for this policy choice would be stronger if the Committee put significant weight on the possibility that aggregate demand would prove weaker than in the staff forecast. Such an eventuality could occur if softer economic performance leads to further

deterioration of financial conditions and more cautious spending behavior by households and businesses.

(13) While money market futures embed the expectation of policy easing at some point, market participants do not anticipate such action at this meeting, in part because after its previous meeting the Committee stated that it continued to view the risks as weighted toward higher inflation. Adoption of alternative A, therefore, would trigger a rally in bond and stock markets, though the extent would depend on the accompanying statement of the balance of risks. If the Committee announced that it believes the risks to be in balance, investors could well interpret the easing as mostly bringing forward in time policy actions they had already anticipated, attenuating price gains. If the Committee instead announced a view that risks are weighted toward economic weakness, the rally in the Treasury market would be more vigorous as investors came to expect a larger cumulative policy easing. The Federal Reserve's evident concerns about a slowing economy and deteriorating financial conditions might lead investors to become more worried about repayment prospects, causing risk spreads to widen some. However, the Committee's willingness to act would likely reassure market participants that downside risks would be limited.

(14) Under the staff forecast, the debt of domestic nonfinancial sectors is projected to decelerate to a 4-3/4 percent pace through March of next year, nearly a percentage point below the growth rate of nominal GDP. Federal surpluses are expected to result in continued substantial paydowns of Treasury debt. Growth of nonfederal debt is projected to moderate but remain above that of nominal spending. Business borrowing picks up after the

pause in October, but with credit conditions likely to remain more restrictive and investment growth continuing to be less robust, to a pace well below that of earlier this year. Borrowing by households also is likely to be more restrained, reflecting sluggish spending on durables.

(15) From October through March, M2 is projected to moderate to a 5-1/4 percent pace; the effect on money demand of the slowing in nominal income growth is partly offset by a narrowing of opportunity costs as deposit interest rates catch up to previous increases in short-term market interest rates. After a sluggish performance in October, M3 growth is projected to rebound with a resumption of bank credit expansion, but bank lending and M3 are both projected to grow less rapidly in the months ahead than over the first three quarters of this year.

Directive and Balance-of-Risks Language

(16) Presented below for the members' consideration is draft wording for (1) the directive and (2) the balance-of-risks sentence to be included in the press release issued after the meeting.

(1) Directive Wording

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee in the immediate future seeks conditions in reserve markets consistent with maintaining/INCREASING/DECREASING the federal funds rate at/TO an average of around ___ ~~6-1/2~~ percent.

(2) Balance-of-Risks Sentence

Against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the Committee believes that the risks [ARE BALANCED WITH RESPECT TO PROSPECTS FOR BOTH GOALS] [continue to be weighted mainly toward conditions that may generate heightened inflation pressures] [ARE WEIGHTED MAINLY TOWARD CONDITIONS THAT MAY GENERATE ECONOMIC WEAKNESS] in the foreseeable future.

Alternative Growth Rates for Key Monetary and Credit Aggregates

	M2			M3			M2	M3	Debt
	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C	Greenbook Forecast*		
Monthly Growth Rates									
Jul-2000	3.7	3.7	3.7	8.8	8.8	8.8	3.7	8.8	4.8
Aug-2000	7.5	7.5	7.5	9.8	9.8	9.8	7.5	9.8	4.9
Sep-2000	8.7	8.7	8.7	8.4	8.4	8.4	8.7	8.4	5.9
Oct-2000	4.1	4.1	4.1	4.2	4.2	4.2	4.1	4.2	3.8
Nov-2000	5.2	5.0	4.8	6.5	6.4	6.3	5.0	6.4	4.1
Dec-2000	5.6	5.0	4.4	6.8	6.5	6.2	5.0	6.5	4.8
Jan-2001	6.1	5.3	4.5	6.9	6.5	6.1	5.3	6.5	3.0
Feb-2001	6.0	5.3	4.5	6.9	6.5	6.2	5.3	6.5	5.9
Mar-2001	5.9	5.3	4.7	6.7	6.5	6.2	5.3	6.5	6.9
Quarterly Averages									
1999 Q4	5.3	5.3	5.3	10.5	10.5	10.5	5.3	10.5	6.3
2000 Q1	6.3	6.3	6.3	11.3	11.3	11.3	6.3	11.3	5.6
2000 Q2	6.4	6.4	6.4	8.6	8.6	8.6	6.4	8.6	6.2
2000 Q3	4.7	4.7	4.7	8.3	8.3	8.3	4.7	8.3	5.2
2000 Q4	5.9	5.8	5.7	6.6	6.5	6.5	5.8	6.5	4.6
2001 Q1	5.9	5.2	4.6	6.8	6.5	6.2	5.2	6.5	4.6
Growth Rate									
From To									
Dec-1999 Oct-2000	5.9	5.9	5.9	8.2	8.2	8.2	5.9	8.2	5.5
Oct-2000 Mar-2001	5.8	5.2	4.6	6.8	6.5	6.3	5.2	6.5	5.0
1998 Q4 1999 Q4	6.2	6.2	6.2	7.7	7.7	7.7	6.2	7.7	6.8
1999 Q4 2000 Q4	6.0	5.9	5.9	9.0	8.9	8.9	5.9	8.9	5.5
1999 Q4 Oct-2000	6.0	6.0	6.0	9.1	9.1	9.1	6.0	9.1	5.6

* This forecast is consistent with nominal GDP and interest rates in the Greenbook forecast.

SELECTED INTEREST RATES
(percent)

	Short-term						Long-term									
	Federal funds	Treasury bills secondary market			CDs secondary market	Comm. paper	U.S. government constant maturity yields				Indexed yields		Moody's Baa	Municipal Bond Buyer	Conventional home mortgages primary market	
		3-month	6-month	1-year	3-month	1-month	2-year	5-year	10-year	30-year	5-year	10-year			Fixed-rate	ARM
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
99 -- High	5.59	5.54	5.82	5.96	6.16	6.33	6.23	6.33	6.41	6.46	4.03	4.33	8.44	6.23	8.15	6.64
-- Low	4.42	4.32	4.46	4.49	4.86	4.76	4.59	4.56	4.67	5.12	3.61	3.76	7.24	5.17	6.74	5.56
00 -- High	6.75	6.41	6.46	6.33	6.80	6.58	6.89	6.76	6.77	6.73	4.09	4.39	9.02	6.35	8.64	7.37
-- Low	5.05	5.41	5.67	5.96	5.93	5.54	5.85	5.70	5.66	5.69	3.44	3.83	8.22	5.71	7.68	6.56
Monthly																
Nov 99	5.42	5.22	5.43	5.54	6.00	5.37	5.86	5.97	6.03	6.15	3.87	4.10	8.15	6.10	7.74	6.36
Dec 99	5.30	5.35	5.68	5.83	6.05	5.97	6.10	6.19	6.28	6.35	3.99	4.25	8.19	6.18	7.91	6.53
Jan 00	5.45	5.47	5.75	6.10	5.95	5.59	6.44	6.58	6.66	6.63	4.06	4.36	8.33	6.31	8.21	6.61
Feb 00	5.73	5.72	5.99	6.21	6.01	5.76	6.61	6.68	6.52	6.23	4.05	4.28	8.29	6.29	8.33	6.72
Mar 00	5.85	5.86	6.11	6.21	6.14	5.93	6.53	6.50	6.26	6.05	3.86	4.15	8.37	6.15	8.24	6.72
Apr 00	6.02	5.82	6.07	6.12	6.28	6.02	6.40	6.26	5.99	5.85	3.67	3.98	8.40	6.01	8.15	6.80
May 00	6.27	5.96	6.38	6.25	6.71	6.40	6.81	6.69	6.44	6.15	3.94	4.14	8.90	6.23	8.52	7.07
Jun 00	6.53	5.85	6.23	6.17	6.73	6.53	6.48	6.30	6.10	5.93	3.98	4.08	8.48	6.05	8.29	7.24
Jul 00	6.54	6.13	6.27	6.07	6.67	6.49	6.34	6.18	6.05	5.85	3.86	4.02	8.35	5.89	8.15	7.28
Aug 00	6.50	6.27	6.35	6.18	6.61	6.47	6.23	6.06	5.83	5.72	3.73	3.99	8.26	5.78	8.03	7.29
Sep 00	6.52	6.17	6.25	6.13	6.60	6.48	6.08	5.93	5.80	5.83	3.69	3.97	8.35	5.78	7.91	7.27
Oct 00	6.51	6.28	6.31	6.03	6.67	6.48	5.91	5.78	5.74	5.80	3.51	3.89	8.34	5.81	7.80	7.23
Weekly																
Sep 8 00	6.54	6.20	6.29	6.20	6.59	6.47	6.11	5.95	5.73	5.70	3.72	3.97	8.25	5.71	7.94	7.33
Sep 15 00	6.50	6.12	6.21	6.15	6.59	6.48	6.10	5.95	5.78	5.79	3.69	3.97	8.35	5.74	7.88	7.26
Sep 22 00	6.49	6.16	6.22	6.09	6.58	6.48	6.08	5.95	5.88	5.94	3.68	3.98	8.44	5.81	7.90	7.27
Sep 29 00	6.53	6.20	6.27	6.09	6.63	6.49	6.04	5.90	5.82	5.89	3.65	3.97	8.35	5.85	7.88	7.21
Oct 6 00	6.55	6.23	6.32	6.07	6.70	6.48	6.00	5.90	5.86	5.92	3.63	3.97	8.39	5.85	7.83	7.21
Oct 13 00	6.46	6.21	6.27	5.99	6.68	6.47	5.90	5.79	5.76	5.82	3.55	3.94	8.37	5.83	7.84	7.23
Oct 20 00	6.50	6.29	6.28	5.96	6.66	6.47	5.85	5.70	5.68	5.77	3.45	3.87	8.33	5.79	7.83	7.25
Oct 27 00	6.51	6.36	6.35	6.05	6.65	6.47	5.88	5.73	5.66	5.72	3.44	3.83	8.29	5.75	7.68	7.22
Nov 3 00	6.55	6.37	6.37	6.17	6.66	6.50	5.92	5.82	5.76	5.80	3.44	3.84	8.31	5.73	7.73	7.12
Nov 10 00	--	6.41	6.38	6.21	6.66	6.47	5.98	5.84	5.86	5.88	3.46	3.87	--	--	7.79	7.23
Daily																
Oct 24 00	6.49	6.35	6.34	5.99	6.66	6.47	5.86	5.70	5.63	5.71	3.41	3.82	8.29	--	--	--
Oct 25 00	6.53	6.39	6.36	6.05	6.64	6.48	5.87	5.74	5.67	5.75	3.47	3.84	8.32	--	--	--
Oct 26 00	6.53	6.36	6.36	6.08	6.65	6.48	5.90	5.75	5.69	5.74	3.45	3.83	8.29	--	--	--
Oct 27 00	6.51	6.35	6.38	6.15	6.65	6.47	5.94	5.79	5.72	5.74	3.43	3.82	8.30	--	--	--
Oct 30 00	6.59	6.37	6.39	6.17	6.68	6.50	5.97	5.83	5.74	5.76	3.47	3.84	8.30	--	--	--
Oct 31 00	6.59	6.37	6.36	6.17	6.67	6.51	5.94	5.83	5.77	5.79	3.43	3.84	8.33	--	--	--
Nov 1 00	6.61	6.37	6.35	6.16	6.66	6.50	5.88	5.79	5.74	5.78	3.43	3.83	8.31	--	--	--
Nov 2 00	6.54	6.37	6.36	6.15	6.65	6.49	5.87	5.78	5.74	5.79	3.43	3.83	8.28	--	--	--
Nov 3 00	6.48	6.38	6.38	6.18	6.64	6.48	5.94	5.86	5.83	5.86	3.45	3.85	8.35	--	--	--
Nov 6 00	6.49	6.42	6.40	6.21	6.65	6.48	5.99	5.91	5.87	5.89	3.45	3.87	8.37	--	--	--
Nov 7 00	6.48	6.42	6.38	6.21	6.66	6.47	5.99	5.84	5.87	5.90	3.47	3.89	8.37	--	--	--
Nov 8 00	6.51	6.41	6.38	6.21	6.66	6.47	5.99	5.83	5.87	5.89	3.47	3.87	8.35	--	--	--
Nov 9 00	6.52 p	6.40	6.37	6.19	6.65	--	5.94	5.76	5.82	5.85	3.45	3.86	--	--	--	--

NOTE: Weekly data for columns 1 through 13 are week-ending averages. Columns 2 through 4 are on a coupon equivalent basis. As of September 1997, data in column 6 are interpolated from data on certain commercial paper trades settled by the Depository Trust Company; prior to that, they reflect an average of offering rates placed by several leading dealers. Column 14 is the Bond Buyer revenue index, which is a 1-day quote for Thursday. 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

MFMA:JWR

Strictly Confidential (FR)-
Class II FOMC

November 13, 2000

Money and Debt Aggregates

Seasonally adjusted

Period	Money stock measures					Domestic nonfinancial debt		
	M1	M2	nontransactions components: In M2	nontransactions components: In M3 only	M3	U. S. government[1]	other[1]	total[1]
	1	2	3	4	5	6	7	8
Annual growth rates(%):								
Annually (Q4 to Q4)								
1997	-1.2	5.7	8.4	19.9	8.9	0.8	7.0	5.4
1998	2.2	8.5	10.8	18.3	10.9	-1.1	9.6	6.9
1999	1.8	6.2	7.7	11.7	7.7	-2.5	9.6	6.8
Quarterly(average)								
1999-Q4	4.8	5.3	5.5	24.8	10.5	-4.4	9.3	6.3
2000-Q1	0.0	6.3	8.3	24.3	11.3	-4.8	8.4	5.6
Q2	-1.3	6.4	8.8	13.9	8.6	-7.5	9.7	6.2
Q3	-2.7	4.7	6.9	17.1	8.3			
Monthly								
1999-Oct.	5.7	4.6	4.3	25.4	10.2	-5.9	9.1	5.9
Nov.	8.9	5.6	4.6	41.7	15.4	-8.1	8.3	4.8
Dec.	14.5	7.6	5.5	45.4	18.1	0.4	9.0	7.2
2000-Jan.	-4.3	6.5	9.9	14.9	8.9	-4.8	7.8	5.2
Feb.	-15.4	3.3	9.2	6.5	4.2	-12.4	8.2	3.9
Mar.	6.4	9.7	10.7	26.1	14.3	2.8	9.0	7.7
Apr.	5.1	10.7	12.4	6.0	9.4	-5.4	9.9	6.7
May	-10.9	-0.5	2.8	14.9	3.9	-18.1	11.0	5.1
June	-1.7	3.8	5.4	17.4	7.7	-8.4	9.0	5.6
July	1.1	3.7	4.5	21.2	8.8	-3.7	6.9	4.8
Aug.	-3.5	7.5	10.8	15.2	9.8	-7.1	7.8	4.9
Sep.	-6.4	8.7	13.2	7.7	8.4			
Oct. pe	3	4	4	5	4			
Levels ($billions):								
Monthly								
2000-May	1105.0	4776.3	3671.4	1937.8	6714.1	3546.0	14248.8	17794.9
June	1103.4	4791.4	3688.0	1965.9	6757.3	3521.2	14356.0	17877.3
July	1104.4	4806.1	3701.7	2000.7	6806.8	3510.4	14438.0	17948.4
Aug.	1101.2	4836.2	3735.0	2026.1	6862.3	3489.5	14532.4	18021.9
Sep.	1095.3	4871.4	3776.1	2039.1	6910.5			
Weekly								
2000-Sep. 4	1106.4	4855.7	3749.3	2030.0	6885.7			
11	1088.7	4860.1	3771.4	2030.9	6891.0			
18	1090.6	4878.4	3787.8	2047.3	6925.7			
25	1094.5	4873.7	3779.2	2043.2	6916.9			
Oct. 2	1108.7	4888.0	3779.2	2040.0	6928.0			
9	1085.3	4883.4	3798.1	2036.3	6919.7			
16	1094.4	4894.3	3799.9	2050.6	6944.8			
23p	1103.0	4891.6	3788.6	2053.8	6945.3			
30p	1110.4	4882.5	3772.1	2047.8	6930.3			

1. 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

Changes in System Holdings of Securities [1]
(Millions of dollars, not seasonally adjusted)

Strictly Confidential
Class II FOMC

November 9, 2000

	Treasury Bills			Treasury Coupons						Federal Agency Redemptions (-)	Net change total outright holdings [4]	Net RPs [5]		
	Net Purchases [2]	Redemptions (-)	Net Change	Net Purchases [3] < 1	1-5	5-10	Over 10	Redemptions (-)	Net Change			Short-Term [6]	Long-Term [7]	Net Change
1997	9,147	---	9,147	5,549	20,080	3,449	5,897	1,996	32,979	1,540	40,586	2,496	---	2,496
1998	3,550	2,000	1,550	6,297	12,901	2,294	4,884	2,676	23,699	322	24,902	-7,242	463	-6,779
1999	---	---	---	11,895	19,731	4,303	9,428	1,429	43,928	157	43,771	2,035	8,347	10,382
1999 QIII	---	---	---	2,341	1,272	447	1,075	41	5,094	21	5,073	-34	1,487	1,453
QIV	---	---	---	2,414	4,528	581	2,182	170	9,535	57	9,478	553	29,921	30,474
2000 QI	---	198	-198	---	900	1,298	1,399	390	3,207	31	2,978	-1,886	-8,174	-10,060
QII	2,294	7,263	-4,969	2,039	3,319	930	1,679	568	7,398	10	2,419	104	-9,709	-9,605
QIII	2,587	12,238	-9,651	4,770	7,152	2,362	1,774	1,254	14,803	10	5,142	-1,911	-2,025	-3,937
2000 Mar	---	198	-198	---	740	489	330	---	1,559	---	1,361	-3,635	3,250	-385
Apr	2,294	779	1,515	---	1,723	930	---	568	2,085	10	3,590	1,175	46	1,221
May	---	2,297	-2,297	164	890	---	528	---	1,582	---	-715	1,519	-4,445	-2,926
Jun	---	4,188	-4,188	1,875	706	---	1,151	---	3,732	---	-456	-3,827	3,013	-814
Jul	1,825	4,902	-3,077	1,284	2,259	---	500	367	3,676	---	599	-250	389	139
Aug	531	3,438	-2,907	2,770	2,508	1,914	727	887	7,032	---	4,125	-663	-4,380	-5,043
Sep	231	3,898	-3,667	716	2,385	448	547	---	4,095	10	418	2,583	-198	2,386
Oct	779	2,656	-1,877	---	734	---	982	787	929	---	-948	-1,323	64	-1,259
2000 Aug 16	93	---	93	---	1,427	651	---	---	2,078	---	2,171	-1,652	15	-1,637
Aug 23	58	3,376	-3,318	---	---	661	89	---	750	---	-2,568	3,843	-51	3,792
Aug 30	130	62	69	1,372	---	---	---	---	1,372	---	1,441	-1,852	-49	-1,901
Sep 6	256	---	256	---	---	---	499	887	-388	---	-132	6,138	24	6,162
Sep 13	17	---	17	---	898	---	---	---	898	10	905	-6,541	-36	-6,577
Sep 20	39	3,709	-3,670	716	837	448	48	---	2,049	---	-1,622	5,102	-26	5,076
Sep 27	109	---	109	---	650	---	---	---	650	---	759	-4,713	31	-4,683
Oct 4	228	189	39	---	---	---	---	---	---	---	39	2,842	1	2,842
Oct 11	183	---	183	---	---	---	---	---	---	---	183	-3,067	11	-3,055
Oct 18	40	2,656	-2,616	---	---	---	500	---	500	---	-2,116	2,768	62	2,830
Oct 25	204	---	204	---	734	---	---	---	734	---	938	-2,080	29	-2,052
Nov 1	184	---	184	---	---	---	482	787	-305	---	-122	3,562	---	3,562
Nov 8	2,181	---	2,181	---	695	---	---	---	695	---	2,877	-3,419	1,986	-1,433
2000 Nov 9	51	1,021	-971	---	---	---	---	---	---	---	-971	1,159	1,005	2,164
Intermeeting Period Oct 3-Nov 9	2,916	3,678	-762	---	1,429	---	982	787	1,624	---	862	-2,204	3,090	886
Memo: LEVEL (bil. $) Nov 9			200.2	71.6	131.4	53.5	72.1		328.6			-14.7	13.0	-1.7

1. Change from end-of-period to end-of-period.
2. Outright purchases less outright sales (in market and with foreign accounts).
3. Outright purchases less outright sales (in market and with foreign accounts). Includes short-term notes acquired in exchange for maturing bills. Excludes maturity shifts and rollovers of maturing issues.
4. Includes redemptions (-) of Treasury and agency securities.
5. RPs outstanding less matched sale-purchases.
6. Original maturity of 15 days or less.
7. Original maturity of 16 to 90 days.

MRA:DHS