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(CONFIDENTIAL FR)

September 14, 1973

MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the Staff

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) RPD's now appear to be growing around the mid-point of the Committee's August-September range of tolerance, but M₁ appears to be well below and M₂ is near the bottom of their respective ranges, as the table shows. In August the narrowly defined money supply experienced a small contraction instead of expanding slightly as projected, and growth of M₂ at a 6-1/2 per cent annual rate was also substantially short of expectations. The smaller shortfall from target for M₂ as compared with M₁ reflects the continuing expansion in consumer-type time deposits, particu-

Growth of Monetary Aggregates and RPD
in August-September Target Period

<u>Reserve and Monetary Aggregates</u> (Growth at SAAR in per cent)	<u>Ranges of Tolerance</u>	<u>Latest Estimates</u>
RPD	11--13	12.2
M ₁	1--4	- 0.7
M ₂	6-3/4--9-3/4	6.7
<u>Memo:</u>		<u>Statement week ave.</u>
Fed funds rate (per cent per annum)	10--11	9/12 10.74

larly the 4-year wild card accounts. The fact that RPD's are growing around the mid-point of their range of tolerance, even though the money supply aggregates are low, stems from the Committee's decision to reduce (by two per centage points) the whole range of tolerance for RPD's relative to that shown in the Bluebook for alternative B, while dropping (by just one per centage point) only the low ends of the ranges for M₁ and M₂.

(2) Early in the intermeeting period RPD's and the money supply aggregates all appeared to be expanding at annual rates close to or above the upper limits of the Committee's August-September ranges of tolerance. By the end of August, although growth of M_1 and M_2 appeared to be slipping to annual rates close to or below the low ends of their ranges, RPD's continued to grow at a rate near the top of theirs. In view of the emphasis on RPD's at the last meeting, the Account Manager adopted a reserve supplying strategy early in the period under which the Federal funds rate was expected to move up toward the top of the Committee's 10-11 per cent rate range. Later, however, RPD growth moved down into the Committee's range of tolerance, and the monetary aggregates weakened further. Accordingly, the Desk did not continue to press for progressively firmer conditions of reserve availability. The Federal funds rate has averaged around 10-3/4 per cent since late August.

(3) Yields on intermediate and long-term securities trended downward during most of the intermeeting period, substantially extending the market rally begun before the last meeting, as market participants began to believe that the maximum degree of monetary restraint had been reached. Declines ranged to around 30 basis points on both municipal and Treasury issues, and to about 35 basis points on new corporate bonds. A further increase in the prime rate to 9-3/4 per cent on August 27, had little dampening impact on this downtrend. At the same time, the general market improvement facilitated sale of a \$2 billion Treasury note on August 24 and of a sizable volume of new Federal agency issues during late August and early

September. Most recently, however, the bond market rally has ended, and some yields have risen, as the money market continued taut and the Board took action on September 7 raising marginal reserve requirements on large CD's. In the last two days, a number of banks raised the prime rate to 10 per cent.

(4) In contrast to bond yields, rates on home mortgages continued to rise during the intermeeting period. The increase in FNMA auction yields amounted to 32 basis points. Continued upward pressure on mortgage rates is hardly surprising in view of the large further attrition in savings accounts at non-bank thrift institutions during August, and the resulting continuing low volume of new mortgage commitments.

(5) Currently, most short rates are close to or at new highs. The only short rates that showed significant declines within the intermeeting period were those on Treasury bills and Federal agency securities, and even these declines proved to be temporary. The 90-day Treasury bill rate, for example, dropped below 8.50 per cent shortly after the last meeting, then rose to a new high of more than 9 per cent and most recently has traded around 8.80 per cent. Over the full intermeeting period, private short-term rates have posted further advances ranging generally from 1/8 to 1/4 of a percentage point.

(6) The table on the next page shows (in percentage annual rates of change) selected monetary and financial flows over various recent time periods.

	Past 3 Calendar Years	Past 12 Months	Past 6 Months	Past 3 Months	Past Month
	Dec. '73 over Dec. '69	Aug. '73 over Aug. '72	Aug. '73 over Feb. '73	Aug. '73 over May '73	Aug. '73 over July '73
Total reserves	8.4	8.6	8.9	7.5	-4.8
Nonborrowed reserves	8.8	4.0	9.2	12.7	-30.0
Reserves available to support private non- bank deposits	9.0	11.4	13.0	14.8	8.6
<u>Concepts of Money</u>					
M ₁ (currency plus demand deposits) <u>1/</u>	7.5	6.2	5.7	5.4	-1.4
M ₂ (M ₁ plus time deposits at commercial banks other than large CD's)	11.3	8.3	7.6	7.4	6.6
M ₃ (M ₂ plus deposits at thrift institu- tions)	12.8	9.4	7.5	6.7	4.0
<u>Bank Credit</u>					
Total member bank deposits (bank credit proxy adj.)	10.7	13.4	14.0	12.5	17.0
Loans and investments of commercial banks <u>2/</u>	12.4	18.1	13.5	11.7	20.2
<u>Short-term market paper</u> (Monthly ave. change in billions)					
Large CD's	.9	2.3	3.0	1.8	2.5
Nonbank commercial paper	0.1	0.0	0.1	0.6	1.3

1/ Other than interbank and U.S. Government.

2/ Based on month-end figures. Includes loans sold to affiliates and branches.

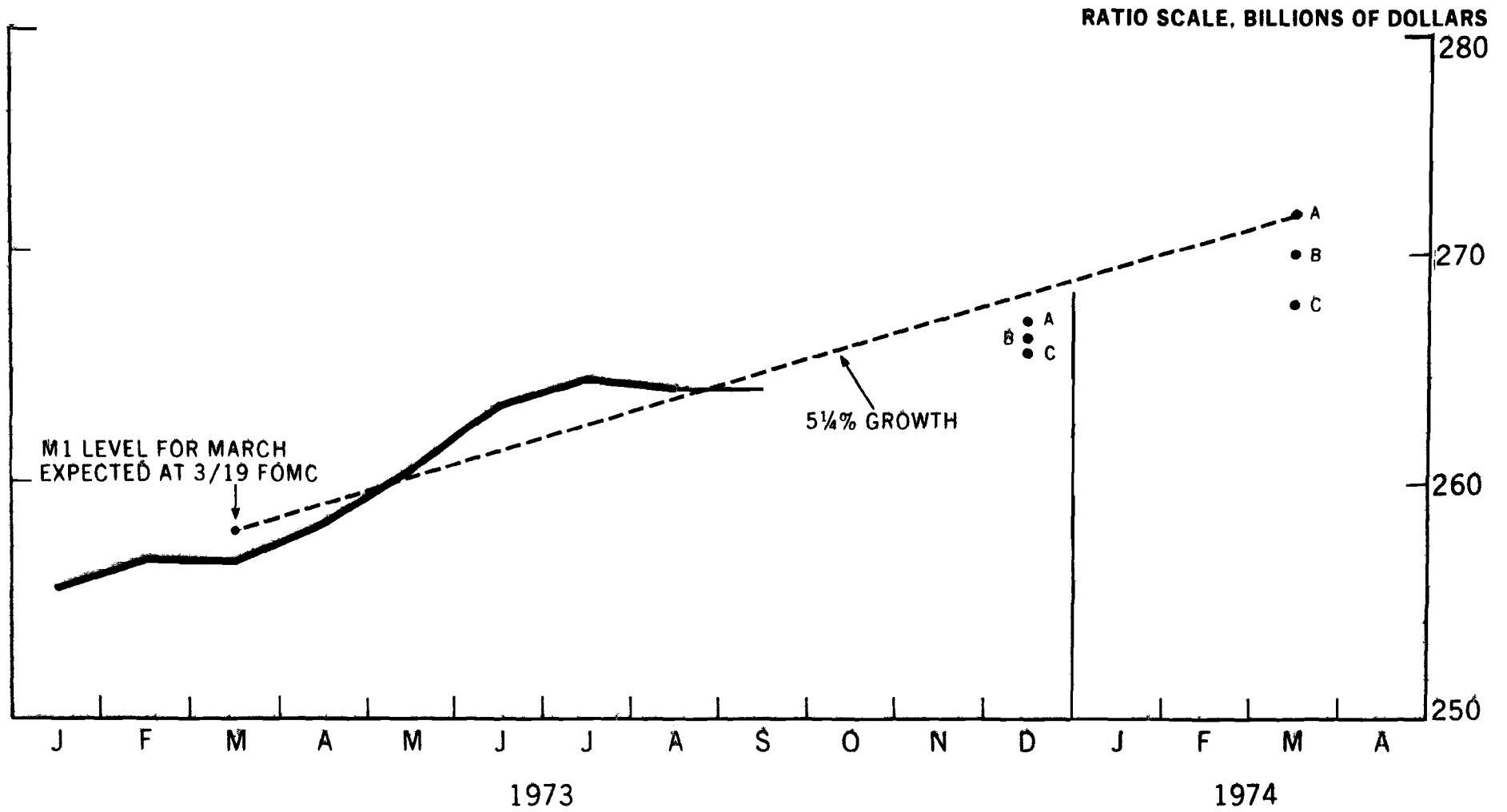
NOTE: All items are based on averages of daily figures, except for data on total loans and investments of commercial banks, commercial paper, and thrift institutions--which are derived from either end-of-month or last-Wednesday-of-month figures. Growth rates for reserve measures in this and subsequent tables are adjusted to remove the effect of discontinuities from breaks in the series when reserve requirements are changed.

Prospective developments

(7) Given the recent weakness in money supply and the continued high level of interest rates, it now appears that the long-run target path for M_1 initially adopted by the Committee last March and reaffirmed at recent meetings cannot be attained by the end of this year without an abrupt and very large decline in interest rates. If current money market conditions are maintained over the next several months, the staff would expect M_1 growth in the fourth quarter to be around 2-1/2 per cent at an annual rate. Such a growth rate would lead to a level of M_1 that is some \$2.5 billion below the December level implicit in the 5-1/4 per cent long-run path line adopted by the Committee. This path, extended to March 1974, is shown in the chart on the following page.

(8) The assumption of unchanged money market conditions is incorporated in the specifications presented here as alternative C. This alternative includes a growth rate for M_1 over the fourth and first quarters combined of about 3 per cent. The levels of M_1 that would be reached in the final months of each of these quarters under this alternative are shown on the chart by the dots labelled "C". As will be noted from the chart, the shortfall from path would be expected to widen further in the first quarter. Specifications for this and other alternatives are summarized in the following table and spelled out more fully in the table on page 6a.

MONEY SUPPLY AND LONGER RUN TARGET PATH



	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C.</u>
Targets (4th & 1st qtrs. combined)			
M ₁	6	4-1/2	3
M ₂	8	6	4-1/4
Credit proxy	7-1/2	6-1/2	5
Associated ranges for September-October 1973			
RPD	15-1/2--17-1/2	15--17	14-1/2--16-1/2
M ₁	1/2--2-1/2	0--2	-1/2--1-1/2
M ₂	6--8	5--7	4-1/2--6-1/2
Federal funds rate range (inter-meeting period)	-8-1/2--11	9-1/4--11	10--11

(9) Alternative A specifications include a 6-month growth rate for M₁ of 6 per cent, the rate required to reach the longer-run 5-1/4 per cent path by March. This pattern is illustrated by the dots labelled "A" on the chart. To compensate for the cumulative restraining impact on money supply of recent high interest rates, this alternative implies a decline in the Federal funds rate, with an initial drop over the next few weeks to a level possibly as low as 8-1/2--9 per cent. Given the lagged relationship between money demand and interest rates, the longer that shortfalls in monetary aggregates continue, the sharper the decline in interest rates that would be needed to bring the aggregates back on path within any specific period. Accordingly, significant delays in permitting greater reserve availability would increase the risk

Alternative Longer-Run Targets for Key Monetary Aggregates

		<u>M₁</u>			<u>M₂</u>			<u>M₃</u>		
		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1973	Aug.	264.0	264.0	264.0	550.6	550.6	550.6	862.7	862.7	862.7
	Sept.	264.0	264.0	264.0	553.8	553.8	553.7	869.2	869.2	869.1
	Oct.	264.7	264.5	264.3	556.9	556.2	555.9	873.1	872.1	871.6
	Dec.	267.0	266.3	265.7	563.5	561.4	559.9	885.1	880.7	877.6
1974	Mar.	272.0	270.0	267.8	575.7	570.7	565.4	905.4	894.8	885.5
Quarters:		<u>Rates of Growth</u>								
1973	3rd Q.	1.2	1.2	1.2	6.2	6.2	6.2	4.6	4.6	4.5
	4th Q.	4.5	3.5	2.6	7.0	5.5	4.5	7.3	5.3	3.9
1974	1st Q.	7.5	5.6	3.2	8.7	6.6	3.9	9.2	6.4	3.6
Months:										
	Sept.	-	-	-	7.0	7.0	6.8	9.0	9.0	8.9
	Oct.	3.2	2.3	1.4	6.7	5.2	4.8	5.4	4.0	3.5
		<u>Adjusted Credit Proxy</u>			<u>Total Reserves</u>			<u>RPD</u>		
		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1973	Aug.	443.9	443.9	443.9	33,905	33,905	33,905	31,967	31,967	31,967
	Sept.	447.3	447.3	447.3	34,174	34,174	34,174	32,371	32,371	32,371
	Oct.	451.2	451.0	450.9	35,450	35,419	35,383	33,286	33,255	33,219
	Dec.	455.9	455.1	454.6	35,992	35,945	35,905	33,750	33,711	33,671
	Mar.	464.2	461.7	458.7	36,264	36,086	35,862	34,425	34,247	34,024
Quarters:		<u>Rates of Growth</u>								
1973	3rd Q.	11.8	11.8	11.8	10.6	10.6	10.6	14.4	14.4	14.4
	4th Q.	7.7	7.0	6.5	15.7	15.1	14.6	11.1	10.6	10.1
1974	1st Q.	7.3	5.8	3.6	3.0	1.6	- 0.5	8.0	6.4	4.2
Months:										
	Sept.	9.2	9.2	9.2	9.5	9.5	9.5	15.2	15.2	15.2
	Oct.	10.5	9.9	9.7	29.7	28.6	27.4	18.0	16.8	15.5

that a return to the 5-1/4 per cent path by the end of the first quarter would require easing to a degree that might lead to a subsequent unduly sharp expansion in money.

(10) Alternative B falls in between A and C in terms of growth in the aggregates. It also implies a smaller drop in interest rates than does alternative A. The 6-month growth rate for M_1 under this alternative is around 4-1/2 per cent at an annual rate. Thus, like C, it would represent a path that falls short of the Committee's previous long-run target, but of course the shortfall is less.

(11) The short-run September-October growth rate in RPD's is very large under these alternatives, ranging around 16 per cent at an annual rate. About half of this rapid growth rate is attributable to expected behavior of CD's and non-deposit sources of funds (including about 3-1/2 percentage points that reflect the impact of the two marginal reserve actions). Only about 2 percentage points of the growth reflects expected expansion in private demand deposits, as only a slight increase is indicated for M_1 in September-October, while 4-1/2 percentage points are accounted for by expansion in time and savings deposits other than large CD's.

If the Committee were to decide to permit money market conditions to ease significantly over the next few weeks--e.g. a Fed funds rate below 10-1/2 per cent and clearly moving down--market expectations would be strongly influenced. A substantial decline in short-term interest rates would probably be set in motion. And long-term rates would also drop, though perhaps not as much as short rates, in view of the still wide spread of

short- over long-rates and given the downward adjustment that has already taken place in long rates in recent weeks. If, on the other hand, money market conditions remained about unchanged from those recently prevailing, short-term rates could be expected to advance somewhat further as seasonal pressures build up during the fall. Long-term rates would probably also regain part of their recent declines.

(13) Given the money market conditions of alternative C--indicated by a Federal funds rate in a 10 to 11 per cent range--growth in consumer-type time and savings deposits at banks would be expected to slow noticeably as the realignment of consumer financial asset holdings to the new rate structure tapers. M_2 under alternative C may be expected to rise at about a 5-1/2 per cent annual rate in the September-October period. The market interest rates decline envisaged under alternative A and B would lead to greater growth in consumer-type time deposits than under C and hence to somewhat greater growth in M_2 . Nonbank thrift institutions are expected to remain under pressure in the months ahead, assuming no change in money market conditions, but the pressures would moderate a little once the most interest-sensitive depositors have shifted out. The position of thrift institutions would ease, of course, as market interest rates decline under alternatives A and B.

(14) Business loan demand at banks is expected to continue relatively strong over the months ahead, accompanied by bank demand for money market funds. However, bank issuance of CD's should be tempered by the new marginal reserve requirement, although some bank demand will shift toward Euro-dollars and inter-bank loans. And bank credit growth is expected to moderate over the coming months from the exceptionally rapid August pace.

Proposed directive language

(15) Presented below are three alternative formulations for the operational paragraph of the directive, which are intended to correspond to the similarly lettered policy alternatives discussed in the preceding section. For all three alternatives it is proposed to delete the word "immediately" from the phrase "over the months immediately ahead" to avoid any implication that the Committee seeks to achieve the aggregate growth rates described within a very few months. As will be noted, alternatives A and C refer to growth rates in the aggregates "thus far this year." For the period through August, these are as follows: M_1 , 5 per cent; M_2 , 7-1/2 per cent; and the bank credit proxy, 14 per cent.

Alternative A

To implement this policy, while taking account of international and domestic financial market developments ~~and the forthcoming Treasury financing~~, the Committee seeks to achieve bank reserve and money market conditions consistent with SOMEWHAT MORE RAPID ~~slower~~ growth in monetary aggregates over the months ~~immediately~~ ahead than has occurred on average thus far this year.

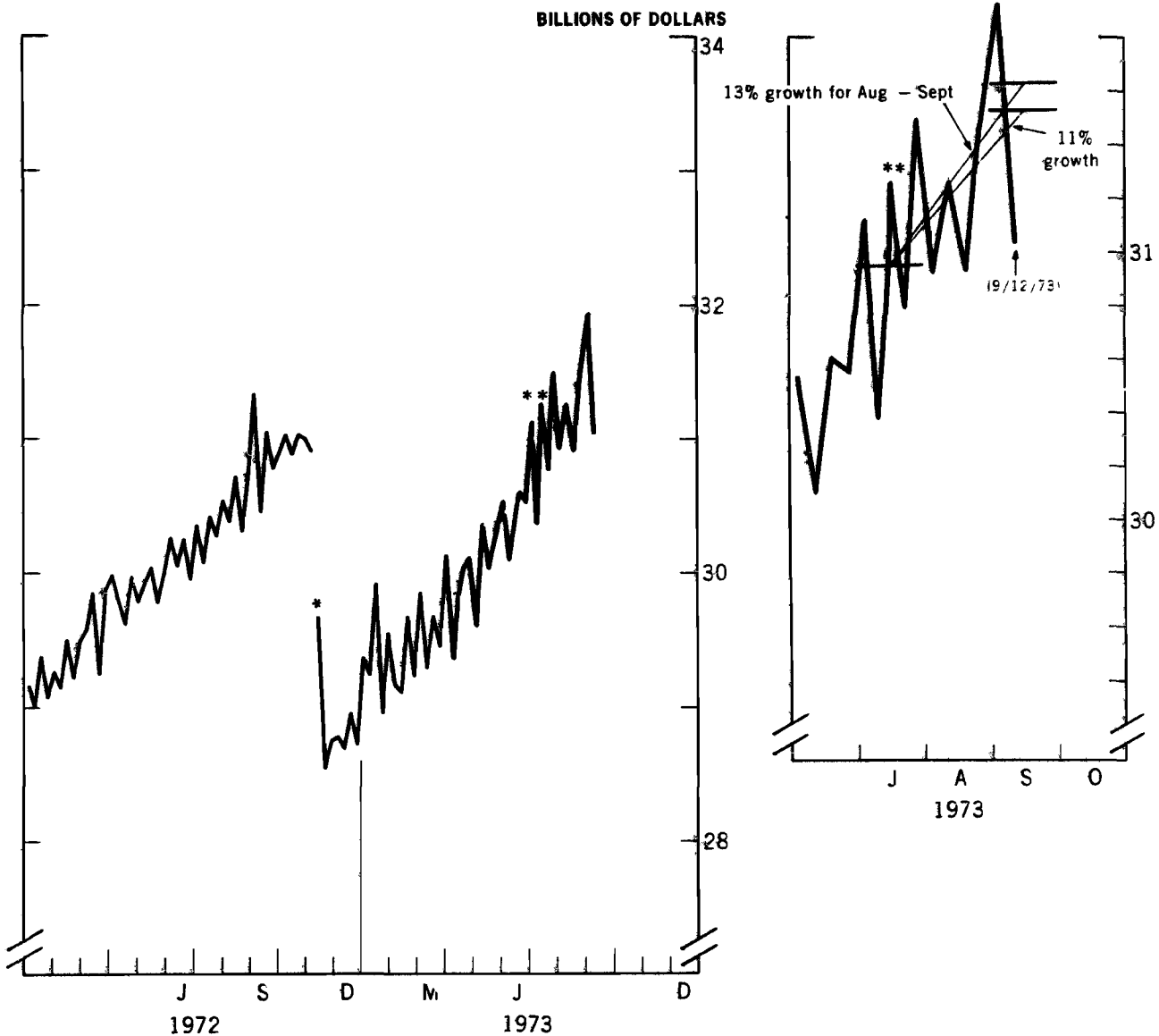
Alternative B

To implement this policy, while taking account of international and domestic financial market developments and the forthcoming Treasury financing, the Committee seeks to achieve bank reserve and money market conditions consistent with slower MODERATE growth in monetary aggregates over the months immediately ahead than has occurred on average thus far this year.

Alternative C

To implement this policy, while taking account of international and domestic financial market developments and the forthcoming Treasury financing, the Committee seeks to achieve bank reserve and money market conditions consistent with slower growth in monetary aggregates over the months immediately ahead than has occurred on average thus far this year.

RESERVES AVAILABLE TO SUPPORT PRIVATE NONBANK DEPOSITS



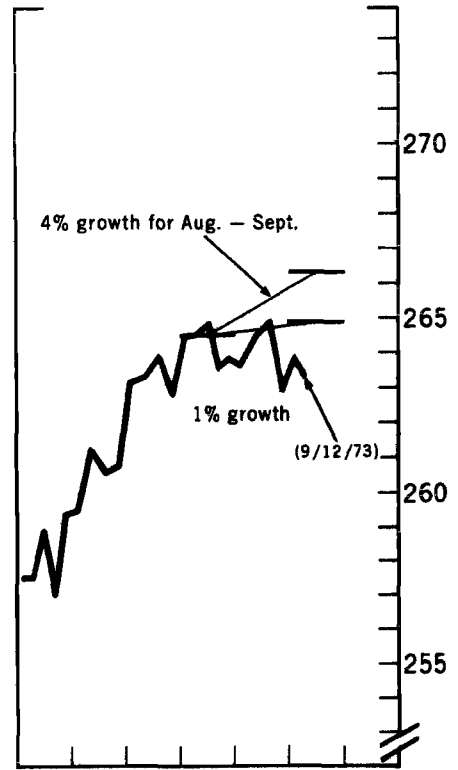
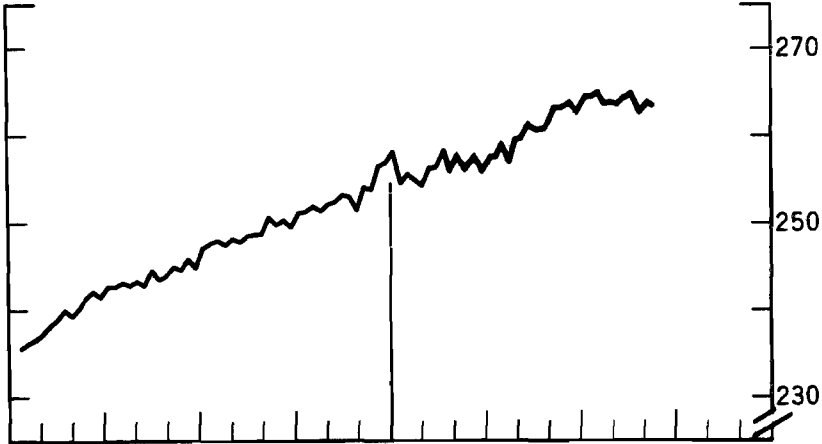
* Break in Series, Actual Level of RPD After Reduction in Reserve Requirements Effective November 9, 1972

** RPD Adjusted to Remove Discontinuity Introduced by Increase in Reserve Requirements Effective July 19, 1973

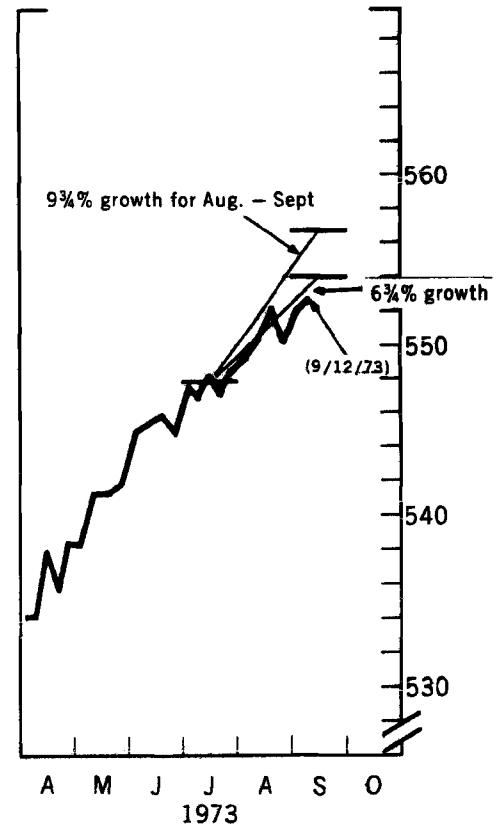
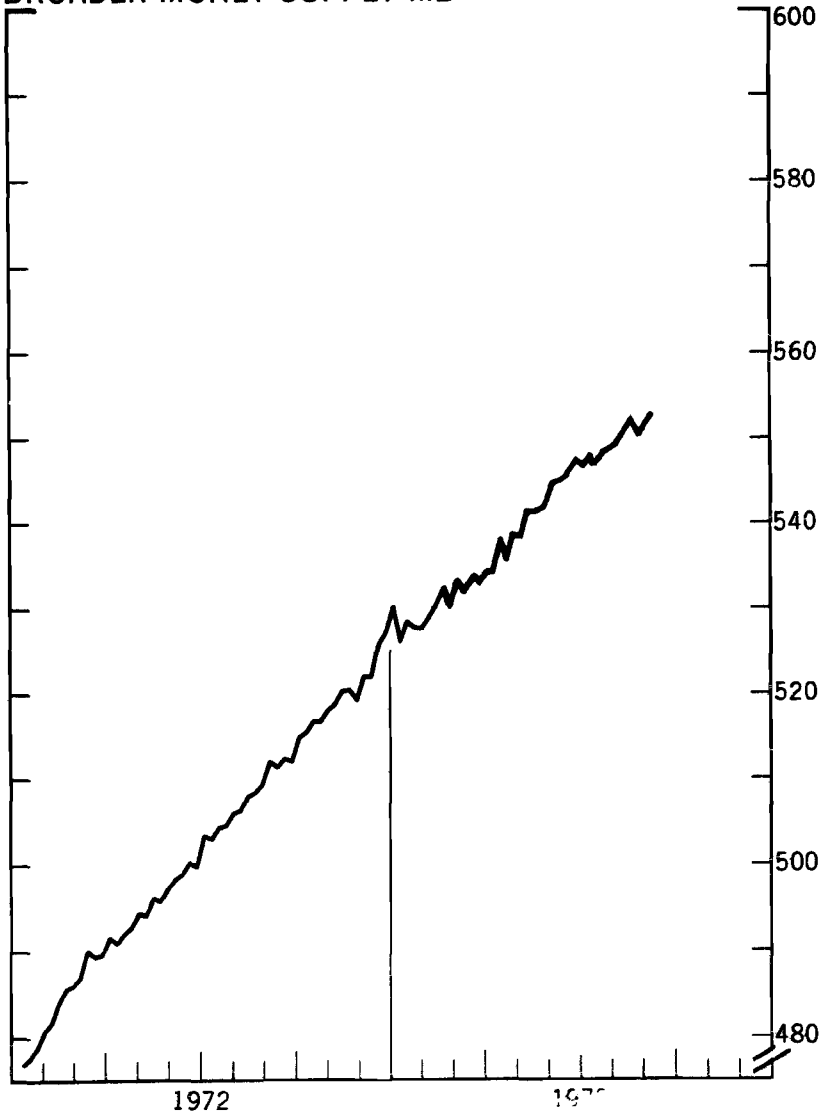
MONETARY AGGREGATES

NARROW MONEY SUPPLY M1

BILLIONS OF DOLLARS



BROADER MONEY SUPPLY M2

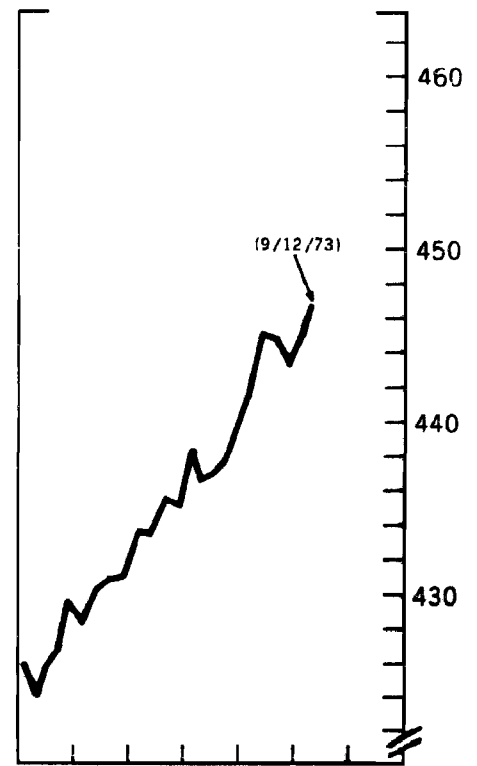
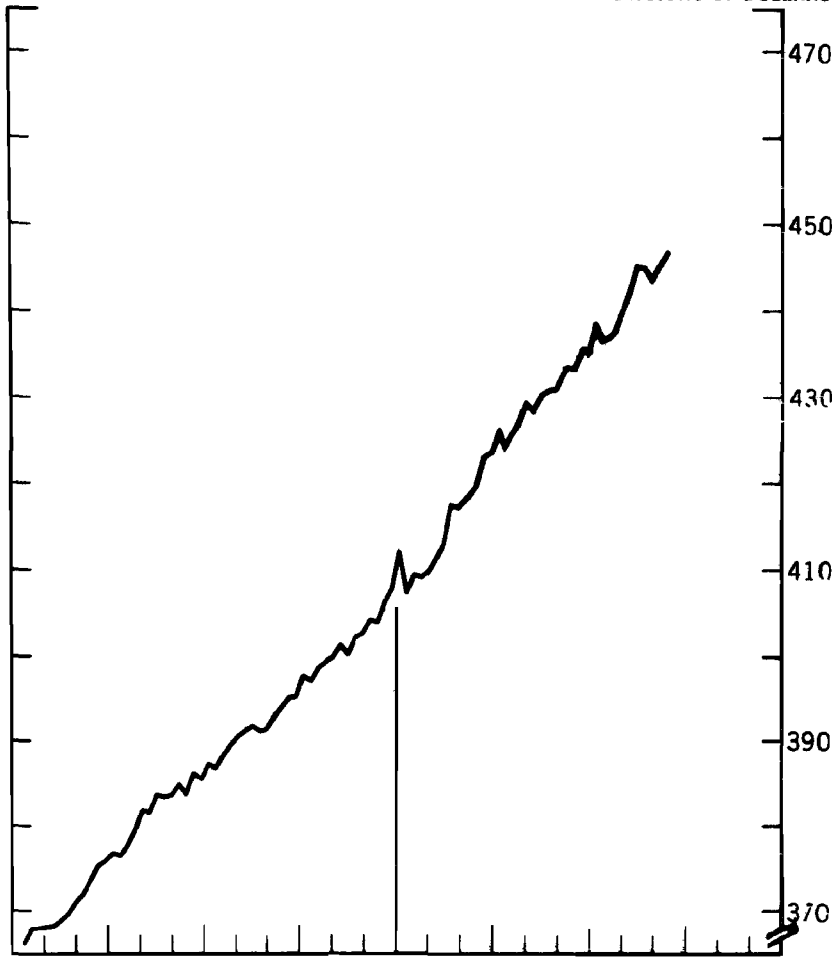


A M J J A S O
1973

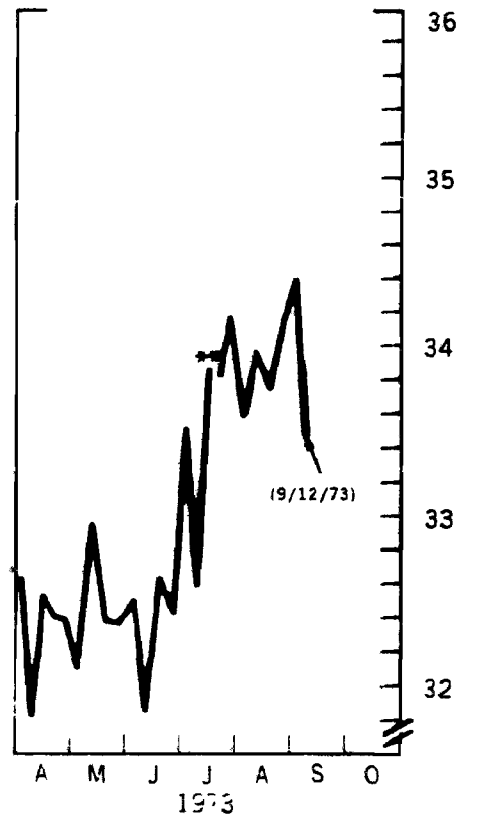
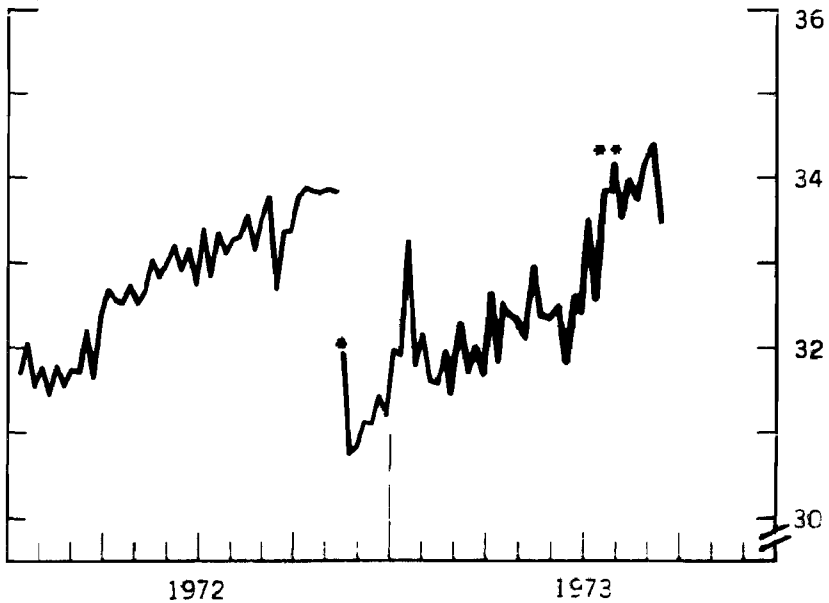
MONETARY AGGREGATES

ADJUSTED CREDIT PROXY

BILLIONS OF DOLLARS



TOTAL RESERVES



* Break in series, Actual Level of Total Reserves After Reduction in Reserve Requirements Effective November 9 1972
 ** Break in series, Actual Level of Total Reserves After Increase in Reserve Requirements Effective July 19 1973

CHART 4

MONEY MARKET CONDITIONS AND INTEREST RATES

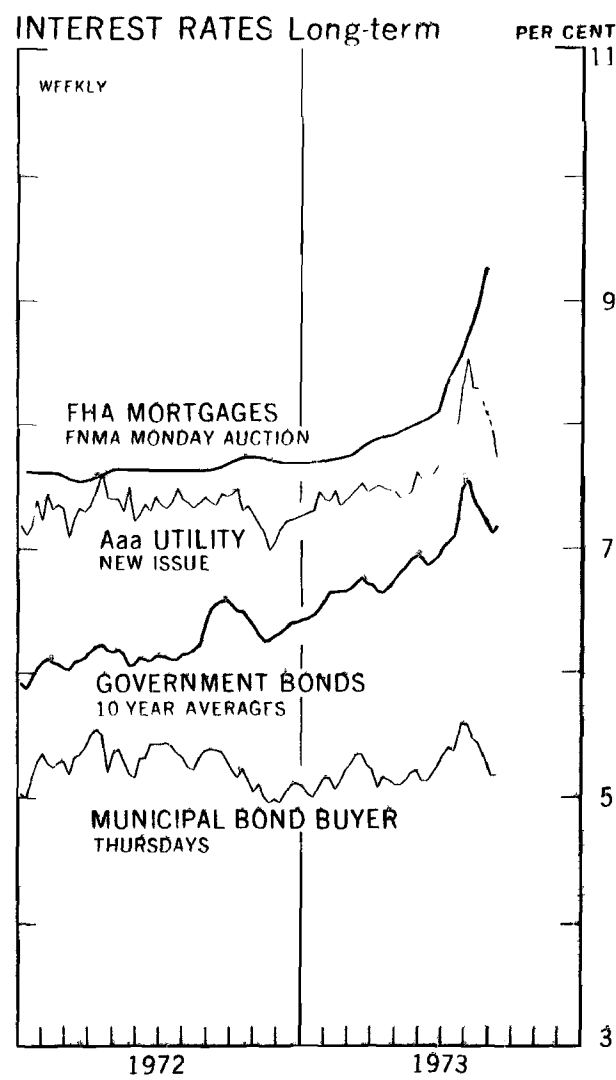
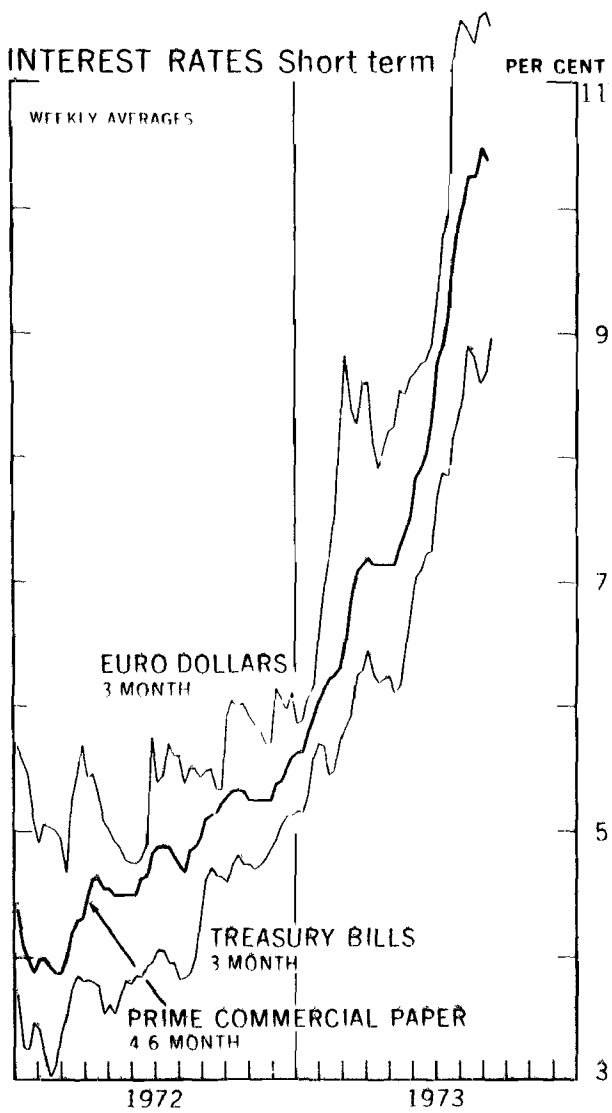
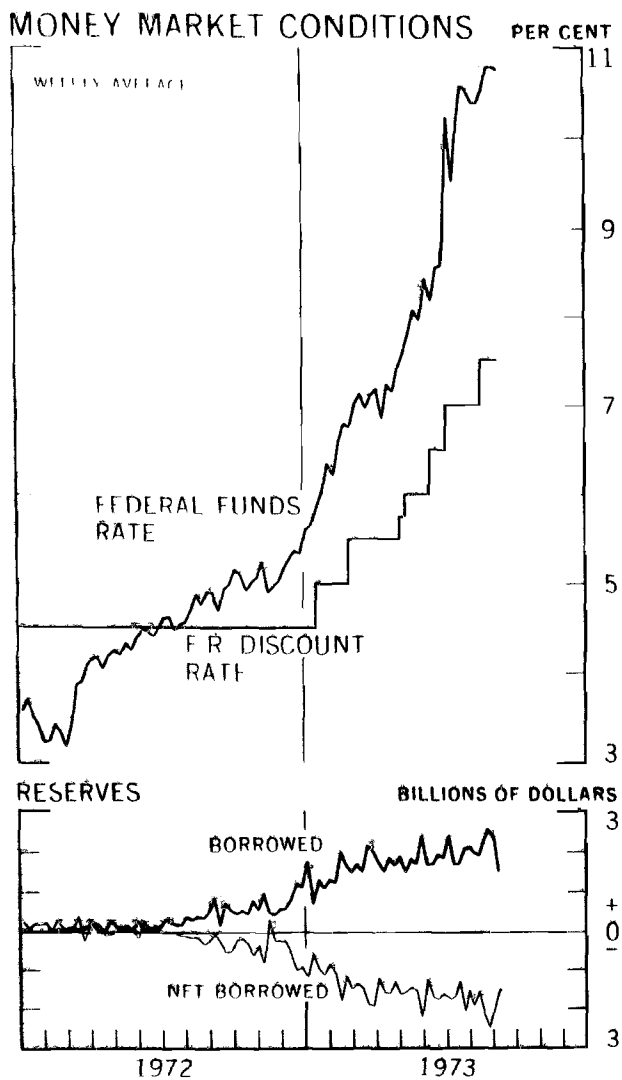


TABLE 1

STRICTLY CONFIDENTIAL

BANK RESERVES
(ACTUAL AND CURRENT PROJECTIONS)

SEPTEMBER 14, 1973

PERIOD	RESERVES AVAILABLE FOR PRIVATE NONBANK DEPOSITS		AGGREGATE RESERVES		REQUIRED RESERVES			
	SEAS ADJ	NON SEAS ADJ	TOTAL RESERVES	NONPROPORTIONAL RESERVES	SEASONALLY ADJUSTED			
					PRIVATE DEMAND	OTHER TIME DEP	CD'S AND NON DEP	GOV'T AND INTERBANK
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MONTHLY LEVELS--\$MILLIONS								
1973--JUNE	30,511	30,174	32,460	30,800	19,126	7,898	3,239	1,949
JULY	31,324	31,142	33,569	32,332	19,701	7,907	3,448	2,245
AUG.	(31,967)	(31,679)	(33,905)	(32,003)	(19,964)	(8,027)	(3,806)	(1,937)
SEPT.	(32,375)	(32,159)	(34,178)	(32,562)	(19,930)	(8,195)	(4,062)	(1,803)
ANNUAL RATES OF CHANGE								
QUARTERLY:								
1973--1ST QTR.	10.5		8.8	-7.1	2.9	7.7	90.2	
2ND QTR.	12.0		5.8	17.3	2.2	9.9	85.4	
3RD QTR.	(14.5)		(10.7)	(11.8)	(0.9)	(15.0)	(101.6)	
MONTHLY:								
1973--JUNE	16.6		0.6	24.0	10.1	8.6	46.2	
JULY	18.6		26.9	44.9	14.7	1.4	77.4	
AUG.	(8.6)		(-4.8)	(-30.0)	(-9.7)	(18.2)	(124.6)	
SEPT.	(15.3)		(9.7)	(21.0)	(-2.0)	(25.1)	(80.7)	
AUG.--SEPT.	(12.2)		(2.5)	(-4.5)	(-5.9)	(21.9)	(106.8)	
WEEKLY LEVELS--\$MILLIONS								
JULY 4	31,113	30,965	33,501	32,126	19,324	7,896	3,256	2,388
11	30,387	30,147	32,578	31,647	19,294	7,892	3,338	2,195
18	31,350	31,100	33,849	32,853	19,420	7,926	3,477	2,499
25	31,567	31,492	33,808	32,311	20,157	7,891	3,524	2,241
AUG. 1	32,248	32,062	34,164	32,578	20,224	7,929	3,580	1,915
8	31,696	31,420	33,577	31,709	20,032	7,941	3,676	1,882
15	32,010	31,718	33,961	32,264	19,955	8,011	3,733	1,951
22	31,695	31,488	33,743	31,829	19,834	8,049	3,840	2,048
29	32,223	31,856	34,164	31,786	19,986	8,095	3,946	1,941
SEPT. 5	32,690	32,315	34,385	32,824	20,014	8,151	4,028	1,695
12	31,796	31,532	33,452	32,189	19,734	8,152	4,068	1,656

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS. ANNUAL RATES OF GROWTH HAVE BEEN ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS EFFECTIVE JULY 19, 1973.
1/ AT THE FOMC MEETING AUGUST 21, 1973 THE COMMITTEE AGREED ON A RPD RANGE OF 11 TO 13 PER CENT.

TABLE 2

STRICTLY CONFIDENTIAL

MONETARY AGGREGATES
(ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED)

SEPTEMBER 14, 1973

PERIOD	MONEY SUPPLY		ADJUSTED CREDIT PROXY	U.S. GOVT. DEPOSITS	TIME AND SAVINGS DEPOSITS			NONDEPOSIT SOURCES OF FUNDS
	NARROW (M1)	BROAD (M2)			TOTAL	OTHER THAN CD'S	CD'S	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MONTHLY LEVELS--\$BILLIONS								
1973--JUNE	263.7	545.3	434.5	5.1	344.1	282.0	62.0	5.6
JULY	264.3	547.6	437.7	3.4	347.7	283.3	64.5	6.5
AUG.	(264.0)	(550.6)	(443.9)	(4.2)	(353.6)	(286.6)	(67.0)	(7.1)
SEPT.	(264.0)	(553.7)	(447.3)	(5.2)	(356.9)	(289.8)	(67.2)	(7.1)
PERCENT ANNUAL GROWTH								
QUARTERLY								
1973--1ST QTR.	1.7	5.7	15.0		23.1	9.5		
2ND QTR.	10.3	9.5	12.2		16.0	8.7		
3RD QTR.	(1.2)	(6.2)	(11.8)		(14.9)	(11.1)		
MONTHLY								
1973--JUNE	12.4	10.4	11.1		8.1	8.1		
JULY	5.0	5.1	8.8		12.6	5.5		
AUG.	(-1.4)	(6.6)	(17.0)		(20.4)	(14.0)		
SEPT.	(0.0)	(6.8)	(9.2)		(11.2)	(13.4)		
AUG.--SEPT.	(-0.7)	(6.7)	(13.2)		(15.9)	(13.8)		
WEEKLY LEVELS--\$BILLIONS								
JULY 4	264.5	547.4	438.3	5.4	346.1	283.0	63.1	5.9
11	264.5	546.8	436.7	3.1	346.3	282.4	63.9	6.3
18	264.8	548.0	437.0	2.5	347.6	283.2	64.4	6.5
25	263.6	547.0	437.7	3.3	348.7	283.4	65.4	6.8
AUG. 1	263.8	548.4	439.4	3.5	350.2	284.6	65.5	6.8
8	263.6	549.1	441.5	4.4	351.7	285.5	66.2	6.5
15	264.4	550.3	445.1	4.6	353.2	285.9	67.3	7.3
22	264.9	552.1	444.9	4.2	354.6	287.2	67.4	7.2
29 P	262.9	550.2	443.2	3.4	354.9	287.2	67.6	7.5
SEPT 5 P	263.8	552.0	445.1	4.4	355.3	288.2	67.1	7.2
12 PE	263.3	552.7	446.8	5.5	356.5	289.4	67.1	7.0

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.

P - PRELIMINARY
PE - PARTIALLY ESTIMATED

SEPTEMBER 14, 1973

Table 3
RESERVE EFFECTS OF
OPEN MARKET OPERATIONS AND OTHER RESERVE FACTORS
(Millions of dollars, not seasonally adjusted)

Period	Open Market Operations 1/					Daily Average Reserve Effect 2/			Δ in reserve categories		Δ Target
	Bills & Accept. (1)	Coupon Issues (2)	Agency Issues (3)	RP's 3/ Net (4)	Total (5)	Open Market Operations (6)	Δ Member Bank Borrowing (7)	Other 4/ Factors (8)	res. res. against U.S.G. and interb. (9)	available res. 5/ (6)+(7)+(8)-(9) (10)	available reserves 5/ (11)
<u>Monthly</u>											
1973 -- Feb	659	196	-18	-193	644	146	428	-1,794	-109	-1,111	-1,140
Mar.	1,109	--	-14	542	1,636	1,689	265	-1,723	156	75	-40
Apr.	1,332	207	-19	-414	1,106	1,323	-137	-884	-74	376	505
May	-506	--	-21	-942	-1,470	1,437	66	-1,392	45	66	200
June	649	228	209	--	1,085	-1,450	1	1,084	-470	105	175
July	1,073	27	168	1,148	2,416	2,090	263	-850	318	1,185	795
Aug.	-753	--	-20	-143	-915						680
Sept.											415
Oct											
<u>Weekly</u>											
1973 -- July 4	464	228	--	2,699	3,390	1,937	554	-1,387	618	486	
11	380	27	--	-5,499	-5,093	-793	-722	694	-3	-818	
18	-432	--	--	3,629	3,193	750	40	926	263	953	
25	21	--	168	-656	-466	-22	361	-235	-288	392	
Aug 1	788	--	--	952	1,740	674	14	-464	-346	570	
8	-198	--	--	-4,165	-4,363	-1,019	-89	512	46	-642	
15	-515	351*	--	-59	-223	-931	-92	1,395	74	298	
22	-473	-351*	--	3,406	2,582	394	219	-840	3	-230	
29	253	--	-17	-918	-682	487p*	425p	-694p	-150p	368p	
Sept. 5	-228	--	-5	158	-75	530p*	-196p	-8p	-133p	459p	
12	-417	169*	-26	-619	-893	-2,683p*	-875p	2,833p	53p	-778p	
19											
26											

1/ Represents change in System's portfolio from end-of-period to end-of-period; includes redemptions in regular bill auctions.

2/ Represents change in daily average level from preceding period.

3/ Includes matched sale-purchase transactions as well as RP's.

4/ Sum of changes in vault cash, currency in circulation, Treasury operations, F R. float, gold and foreign accounts, and other FR accounts.

5/ Reserves to support private nonbank deposits. Target change for August and September reflects the target adopted at the August 21, 1973 FOMC meeting. Target change for previous months reflects the bluebook patterns that are consistent with target ranges that were adopted during the month.

*Includes effect of special certificate (i.e., borrowing by Treasury from FR).

SEPTEMBER 14, 1973

Table 4
SECURITY DEALER POSITIONS AND BANK RESERVES
Millions of dollars

Period	U.S. Govt. Security Dealer Positions		Dealer Positions		Member Bank Reserve Positions				
	Bills	Coupon Issues	Corporate Bonds	Municipal Bonds	Excess** Reserves	Borrowings at FRB**		Basic Reserve Deficit	
	(1)	(2)	(3)	(4)	(5)	Total (6)	Seasonal (7)	8 New York (8)	38 Other (9)
1972 -- High	4,291	1,585	235	383	796	1,223		-5,635	-5,720
Low	1,916	-93	0	40	-133	12		-1,638	-1,910
1973 -- High	3,718	1,125	175	244	631	2,558		-5,243	-7,267
Low	897	-96	0	36	-86	688		-1,831	-4,048
1972 -- Aug.	2,643	692	114	176	255	438		-3,913	-2,801
Sept.	4,099	170	53	174	162	514		-3,835	-4,024
Oct.	2,887	207	105	132	247	574		-3,637	-4,044
Nov.	3,096	1,039	84	191	314	606		-4,561	-3,622
Dec.	3,510	953	58	291	219	1,049		-4,977	-4,958
1973 -- Jan	3,407	720	27	177	289	1,161		-4,550	-5,469
Feb	2,132	562	77	123	207	1,594		-4,187	-5,436
Mar	2,490	-50	24	125	177	1,825		-4,273	-5,847
Apr	2,457	106	12	60	255	1,688	3	-3,293	-6,577
May	1,894	421	66	151	161	1,843	30	-3,019	-5,872
June	2,281	562	33	120	234	1,851	75	-3,507	-6,443
July	1,425	265	24	139	285	1,953	155	-2,460	-6,106
Aug			0	70	177p	2,165p	163p	-2,689	-4,940
1973 -- July 4	2,013	391	0	134	631	2,402	111	-2,771	-6,137
11	1,382	373	77	129	-20	1,680	117	-2,860	-7,267
18	1,472	328	10	144	461	1,720	117	-2,202	-6,651
25	1,362	234	10	148	34	2,081	128	-2,374	-5,176
Aug. 1	1,193	58	0	86	499	2,095	141	-2,262	-4,725
8	897	112	0	53	74	2,006	158	-2,315	-5,372
15	2,060	-18	0	59	316	1,914	148	-2,673	-5,941
22			0	75	42	2,133	163	-3,559	-4,736
29			0	79	145p	2,558p	185p	-2,681	-4,048
Sept. 5			15	36	502p	2,362p	168p	-2,060p	-4,188p
12			0p	52p	7p	1,487p	145p	-3,572p	-6,181p
19									
26									

Notes: Government Security dealer trading positions are on a commitment basis. Trading positions, which exclude Treasury bills financed by repurchase agreements maturing in 16 days or more, are indicators of dealer holdings available for sale over the near-term. Other security dealer positions are debt issues still in syndicate, excluding trading positions. The basic reserve deficit is excess reserves less borrowing at Federal Reserve less net Federal funds purchases. Weekly data are daily averages for statement weeks, except for corporate and municipal issues in syndicate which are Friday figures.

**Beginning with January 1973, monthly averages for excess reserves and borrowings are weighted averages of statement week figures.

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Table 5
SELECTED INTEREST RATES
Per cent

Period	Short-term						Long-term				
	Federal funds	Treasury bills		90-119 day Commercial Paper	CD's New issue-NYC		Aaa Utility		Municipal Bond Buyer	U.S. Government (10-yr. Constant maturity)	FNMA Auction Yields
		90-day	1-year		60-89 day	90-119 day	New Issue	Recently offered			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
1972 -- High	5.38	5.13	5.52	5.50	5.38	5.50	7.60	7.46	5.54	6.58	7.72
Low	3.18	3.03	3.60	3.75	3.13	3.50	6.99	7.12	4.96	5.87	7.54
1973 -- High	10.79	8.95	8.43	10.50	10.50	10.75	8.52	8.30	5.59	7.54	9.27
Low	5.61	5.15	5.42	5.63	5.38	5.50	7.29	7.26	5.00	6.42	7.69
1972 -- Aug.	4.80	4.02	4.90	4.75	4.65	4.78	7.37	7.34	5.30	6.21	7.63
Sept.	4.87	4.66	5.44	5.07	4.88	5.00	7.40	7.42	5.36	6.55	7.65
Oct.	5.04	4.74	5.39	5.21	5.00	5.19	7.38	7.38	5.19	6.48	7.72
Nov.	5.06	4.78	5.20	5.18	5.20	5.13	7.09	7.18	5.02	6.28	7.71
Dec.	5.33	5.07	5.28	5.40	5.19	5.38	7.15	7.18	5.05	6.36	7.68
1973 -- Jan.	5.94	5.41	5.58	5.76	5.63	5.75	7.38	7.35	5.05	6.46	7.69
Feb.	6.58	5.60	5.93	6.17	6.16	6.28	7.40	7.41	5.13	6.64	7.72
Mar.	7.09	6.09	6.53	6.76	6.78	6.75	7.49	7.51	5.29	6.71	7.78
Apr.	7.12	6.26	6.51	7.13	7.04	6.75	7.48	7.48	5.15	6.67	7.89
May	7.84	6.36	6.63	7.26	7.44	7.41	7.51	7.50	5.15	6.85	7.98
June	8.49	7.19	7.05	8.00	7.98	8.13	7.64	7.64	5.18	6.90	8.07
July	10.40	8.01	7.97	9.26	9.09	9.19	8.01	7.97	5.40	7.13	8.46
Aug.	10.50	8.67	8.32	10.26	10.25	10.40	8.36	8.22	5.48	7.40	8.83
1973 -- July 4	10.21	7.69	7.62	8.56	8.63	8.75	--	7.80	5.34	7.02	--
11	9.52	7.87	7.65	8.88	9.00	9.00	7.92	7.85	5.40	7.05	8.38
18	10.22	7.85	7.75	9.10	9.13	9.25	7.92	7.94	5.37	7.09	--
25	10.58	8.14	8.24	9.58	9.63	9.75	8.03	8.12	5.48	7.24	8.54
Aug. 1	10.57	8.28	8.43	9.85	9.88	10.00	8.31	8.28	5.59	7.48	--
8	10.39	8.48	8.41	10.08	10.13	10.25	8.52	8.30	5.58	7.54	8.71
15	10.39	8.89	8.41	10.25	10.38	10.50	8.30	8.16	5.47	7.41	--
22	10.52	8.81	8.27	10.25	10.38	10.50	8.29	8.21	5.44	7.33	8.95
29	10.79	8.59	8.20	10.43	10.50	10.75	--	8.24	5.34	7.26	--
Sept. 5	10.79	8.69	8.22	10.50	10.50	10.75	7.94	8.02	5.18	7.13	9.27
12	10.74	8.95	8.33	10.50	10.50	10.75	7.74p	8.02p	5.18	7.18p	--
19											
26											

Notes: Weekly data for columns 1 to 4 are statement week averages of daily data. Columns 5 and 6 are one-day Wednesday quotes. For columns 7, 8 and 10 the weekly date is the mid-point of the calendar week over which data are averaged. Column 9 is a one-day quote for Thursday following the end of the statement week. Column 11 gives FNMA auction data for the Monday preceding the end of the statement week. The FNMA auction yield is the average yield in the bi-weekly auction for short-term forward commitments for Government underwritten mortgages.

Appendix Table I
RESERVES AND MONETARY VARIABLES

CONFIDENTIAL (FR)

September 14, 1973

Period	Reserves			Money Stock Measures			Bank Credit Measures		Other							
	Total (1)	Nonborrowed (2)	Available to Support Pvt. Deposits (3)	M ₁ (4)	M ₂ (5)	M ₃ (6)	Adjusted Credit Proxy (7)	Total Loans and Investments (8)	Total Time (9)	Time Other than CD's (10)	Thrift Institution Deposits 1/ (11)	CD's (12)	Nondeposit Funds (13)	U.S. Gov't. Demand (14)		
													(Per Cent Annual Rates of Growth)		(Dollar Change in Billions)	
Annually:																
1968	+7.5	+5.3	+8.1	+7.8	+9.3	+8.3	+9.5	+11.0	+11.5	+11.2	+ 6.3	+2.9	+2.6	-0.6		
1969	-1.1	-2.8	-1.7	+3.6	+2.6	+2.9	+0.4	+3.9	-4.8	+1.4	+ 3.6	-12.4	+13.0	+0.5		
1970	+6.1	+9.6	+8.6	+6.0	+8.4	+8.0	+6.2	+8.1	+17.9	+11.1	+ 7.1	+14.4	-8.4	+1.1		
1971	+7.2	+8.1	+7.2	+6.6	+11.4	+13.5	+9.4	+11.3	+18.2	+16.7	+17.4	+7.7	-7.6	-0.3		
1972	+10.6	+7.1	+9.7	+8.3	+10.8	+13.0	+11.6	+14.6	+15.5	+13.3	+17.0	+10.1	+0.4	+0.4		
Semi-Annually:																
1st Half 1971	+9.7	+9.6	+10.7	+10.1	+14.9	+16.4	+10.1	+11.5	+21.6	+20.0	+19.3	+4.3	-7.1	-1.4		
2nd Half 1971	+4.4	+6.3	+3.4	+3.0	+7.4	+9.8	+8.4	+10.6	+13.4	+12.1	+14.3	+3.4	-0.4	+1.1		
1st Half 1972	+11.7	+12.1	+8.6	+7.7	+10.8	+13.0	+11.4	+12.8	+15.4	+13.7	+17.3	+4.4	-0.3	--		
2nd Half 1972	+9.0	+2.0	+10.4	+8.5	+10.3	+12.1	+11.1	+15.5	+14.5	+12.1	+15.4	+5.7	+0.6	+0.4		
1st Half 1973	+7.4	+4.9	+11.4	+6.0	+7.7	+9.1	+13.8	+14.3	+20.0	+9.2	+11.6	+18.9	+1.2	-1.4		
Quarterly:																
3rd Qtr 1971	+6.5	+6.6	+3.2	+4.1	+6.0	+8.9	+6.7	+9.7	+9.8	+8.0	+14.5	+1.7	-0.4	+1.1		
4th Qtr 1971	+2.3	+6.0	+3.6	+1.9	+8.7	+10.5	+9.8	+11.1	+16.6	+15.9	+13.5	+1.8	--	--		
1st Qtr. 1972	+10.4	+10.7	+10.4	+9.2	+12.7	+14.9	+11.0	+15.7	+15.4	+16.1	+19.1	+0.8	-0.3	-0.4		
2nd Qtr. 1972	+12.6	+13.1	+6.6	+6.1	+8.5	+10.7	+11.5	+9.5	+14.8	+10.8	+14.7	+3.7	--	+0.5		
3rd Qtr. 1972	+3.6	-0.8	+9.9	+8.2	+10.3	+12.4	+9.8	+13.9	+14.0	+12.3	+16.2	+2.4	+0.4	-1.1		
4th Qtr. 1972	+14.2	+4.8	+10.6	+8.6	+10.2	+11.5	+12.1	+16.4	+14.4	+11.6	+13.9	+3.3	+0.3	+1.4		
1st Qtr. 1973	+8.8	-7.1	+10.5	+1.7	+5.7	+8.6	+15.0	+19.4	+23.1	+9.5	+13.6	+11.7	+0.5	+0.9		
2nd Qtr. 1973	+5.8	+17.3	+12.0	+10.3	+9.5	+9.4	+12.2	+9.8	+16.0	+8.7	+ 9.3	+7.1	+0.7	-2.4		
1972:																
Jan.	+21.8	+26.7	+11.0	+1.0	+10.4	+13.2	+9.2	+14.2	+17.7	+19.2	+18.9	+0.1	-0.1	+0.2		
Feb.	-5.2	-5.7	+6.5	+14.7	+15.1	+16.8	+7.2	+12.4	+16.2	+15.4	+20.0	+0.6	-0.3	-1.7		
Mar.	+14.5	+11.0	+13.4	+11.5	+12.4	+14.2	+16.2	+19.9	+11.6	+13.2	+17.4	+0.1	+0.1	+1.1		
Apr.	+22.1	+21.7	+6.8	+8.0	+7.9	+10.7	+12.2	+5.4	+12.8	+7.8	+15.8	+1.5	-0.2	+1.1		
May	+8.8	+9.4	+3.9	+4.0	+8.3	+10.1	+15.6	+20.0	+18.2	+13.0	+13.4	+1.5	+0.2	+0.7		
June	+6.4	+8.0	+9.0	+6.4	+9.2	+11.1	+6.6	+2.3	+12.9	+11.4	+14.5	+0.7	--	-1.3		
July	+5.2	+2.9	+6.9	+12.7	+12.5	+13.9	+10.0	+9.0	+13.6	+12.3	+17.0	+0.8	+0.1	-1.0		
Aug.	+7.6	+0.7	+9.7	+4.4	+9.3	+11.6	+9.6	+17.9	+15.9	+14.0	+15.5	+0.8	+0.3	-0.7		
Sept.	-1.9	-6.1	+12.9	+7.2	+8.7	+11.2	+9.5	+14.4	+12.0	+10.2	+15.7	+0.8	-0.1	+0.6		
Oct.	+18.2	+15.5	+3.2	+7.2	+10.1	+12.0	+11.9	+10.7	+11.5	+12.8	+15.5	+0.2	+0.2	+1.2		
Nov.	+11.4	+9.8	+20.8	+5.2	+7.9	+ 9.8	+10.5	+21.2	+14.2	+10.4	+13.2	+1.2	--	+0.6		
Dec.	+12.5	-10.9	+7.7	+13.3	+12.2	+12.4	+13.4	+16.7	+17.1	+11.2	+12.7	+1.9	+0.1	-0.4		
1973:																
Jan.	+35.8	+31.3	+22.8	-0.5	+6.4	+9.8	+8.3	+15.4	+15.7	+12.9	+15.8	+1.2	+0.1	+0.6		
Feb.	-22.1	-41.3	-4.7	+6.1	+5.9	+9.0	+16.4	+20.3	+21.6	+5.7	+14.4	+4.5	--	+0.1		
Mar.	+13.3	+10.5	+13.4	-0.5	+4.7	+6.9	+19.7	+18.7	+30.9	+9.6	+10.2	+6.1	+0.4	+0.3		
Apr.	+12.3	+26.1	+9.6	+7.5	+8.1	+8.4	+13.1	+6.4	+21.0	+8.7	+ 9.4	+3.8	+0.2	-1.7		
May	+4.4	+1.1	+9.4	+10.7	+9.8	+9.1	+12.1	+19.0	+18.2	+9.1	+ 7.8	+3.1	+0.3	-1.2		
June	+0.6	+24.0	+16.6	+12.4	+10.4	+10.4	+11.1	+3.8	+8.1	+8.1	+10.4	+0.3	+0.2	+0.5		
July	+26.9	+44.9	+18.6	+5.0	+5.1	+5.6	+ 8.8	+10.8	+12.6	+5.5	+ 6.5	+2.4	+0.9	-1.7		
Aug.p	+4.8	-30.0	+8.6	-1.4	+6.6	+4.0	+17.0	+20.2	+20.4	+14.0	- 0.4	+2.5	+0.6	+0.8		

p - Preliminary.
NOTE: Reserve requirements on Eurodollar borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970.

1/ Growth rates are based on estimated monthly average levels derived by averaging end of current month and end of previous month reported data.

Appendix Table II
RESERVES AND MONETARY VARIABLES
(Seasonally adjusted, billions of dollars)

CONFIDENTIAL (FR)
September 14, 1973

Period	RESERVES			MONEY STOCK MEASURES				BANK CREDIT MEASURES			OTHER				
	Total (1)	Non- borrowed (2)	Available to Support Pvt. Deposits (3)	M ₁		M ₂ (6)	M ₃ (7)	Adjusted Credit Proxy (8)	Total Loans and Investments (9)	Total Time (10)	Time Other than CD's (11)	Thrift Institution Deposits ^{1/} (12)	CD's (13)	Non- Deposits Funds (14)	U.S. Gov't Demand (15)
				Total (4)	Pvt. Dep. (5)										
ANNUALLY:															
Dec. 1969	27,959	26,699	25,339	208.8	162.7	392.3	594.0	307.7	406.0	194.4	183.5	201.7	10.9	20.0	5.3
Dec. 1970	29,121	28,727	26,975	221.3	172.2	425.2	641.3	332.9	438.9	229.2	203.9	216.1	25.3	11.6	6.5
Dec. 1971	31,209	31,060	28,907	236.0	183.4	473.8	727.7	364.3	488.6	270.9	237.9	253.8	33.0	4.0	6.1
MONTHLY:															
1972--July	33,171	33,018	30,317	247.7	193.1	504.5	784.0	388.3	523.7	295.0	256.8	279.6	38.3	3.9	5.2
Aug.	33,381	33,038	30,562	248.6	193.8	508.4	791.6	391.4	521.5	298.9	259.8	283.2	39.1	4.2	4.5
Sept.	33,327	32,870	30,890	250.1	194.8	512.1	799.0	394.5	537.9	301.9	262.0	286.9	39.8	4.1	5.1
Oct.	33,832	33,295	30,973	251.6	195.9	516.4	807.0	398.4	542.7	304.8	264.8	290.6	40.0	4.3	6.3
Nov.	31,883	31,297	29,496	252.7	196.5	519.8	813.6	401.9	552.3	308.4	267.1	293.8	41.2	4.3	6.9
Dec.	31,309	30,063	28,862	255.5	198.7	525.1	822.0	406.4	560.0	312.8	269.6	296.9	43.2	4.4	6.5
1973--Jan.	32,242	30,848	29,411	255.4	198.4	527.9	828.7	409.2	567.2	316.9	272.5	300.8	44.4	4.5	7.1
Feb.	31,649	29,787	29,296	256.7	199.3	530.5	834.9	414.8	576.8	322.6	273.8	304.4	48.8	4.5	7.2
Mar.	31,999	29,526	29,622	256.6	198.7	532.6	839.7	421.6	585.8	330.9	276.0	307.0	54.9	4.9	7.5
Apr.	32,326	30,167	29,860	258.2	199.5	536.2	845.6	426.2	588.9	336.7	278.0	309.4	58.7	5.1	5.8
May	32,445	30,195	30,095	260.5	201.6	540.6	852.0	430.5	598.2	341.8	280.1	311.4	61.7	5.4	4.6
June	32,460	30,800	30,511	263.2	203.9	545.3	859.4	434.5	600.1	344.1	282.0	314.1	62.0	5.6	5.1
July	33,569	32,332	31,324	264.3	204.9	547.6	863.4	437.7	605.5	347.7	283.3	315.8	64.5	6.5	3.4
Aug. p	33,905	32,003	31,967	264.0	204.3	550.6	866.3	443.9	615.7	353.6	286.6	315.7	67.0	7.1	4.2
WEEKLY:															
1973--July 4	33,501	32,126	31,113	264.5	205.0	547.4		438.3		346.1	283.0		63.1	5.9	5.4
11	32,578	31,647	30,383	264.5	205.0	546.8		436.7		346.3	282.4		63.9	6.3	3.1
18	33,849	32,853	31,350	264.8	205.3	548.0		437.0		347.6	283.2		64.4	6.5	2.5
25	33,808	32,311	31,567	263.6	204.2	547.0		437.7		348.7	283.4		65.4	6.8	3.3
Aug. 1	34,164	32,578	32,248	263.8	204.5	548.4		439.4		350.2	284.6		65.5	6.8	3.5
8	33,577	31,709	31,696	263.6	203.7	549.1		441.5		351.7	285.5		66.2	6.5	4.4
15	33,961	32,264	32,010	264.4	204.8	550.3		445.1		353.2	285.9		67.3	7.3	4.6
22	33,743	31,829	31,695	264.9	205.2	552.1		444.9		354.6	287.2		67.4	7.2	4.2
29 p	34,164	31,786	32,223	262.9	203.3	550.2		443.2		354.9	287.2		67.6	7.5	3.4
Sept. 5 p	34,385	32,824	32,690	263.8	203.8	552.0		445.1		355.3	288.2		67.1	7.2	4.4

p - Preliminary

NOTE: Reserve requirements on Eurodollar borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970. Adjusted credit proxy includes mainly total member bank deposits subject to reserve requirements, bank-related commercial paper, and Eurodollar borrowings of U.S. banks. Weekly data are daily averages for statement weeks. Monthly data are daily averages except for nonbank commercial paper figures which are for last day of month. Weekly data are not available for M₂, total loans and investments and thrift institution deposits.

^{1/} Estimated monthly average levels derived by averaging end of current month and end of previous month reported data.

APPENDIX TABLE III

Growth Rate in Money Supply
(Per cent change at an annual rate)

		<u>M₁</u>		<u>M₂</u>		<u>M₃</u>	
		<u>M</u>	<u>Q</u>	<u>M</u>	<u>Q</u>	<u>M</u>	<u>Q</u>
1971	I	8.9	6.3	17.1	13.7	18.0	14.8
	II	11.1	11.2	12.1	14.8	14.1	16.3
	III	4.1	7.1	6.0	8.2	8.9	10.6
	IV	1.9	2.2	8.7	7.4	10.4	9.6
1972	I	9.2	5.3	12.7	11.1	14.9	13.2
	II	6.1	8.4	8.5	10.0	10.7	12.1
	III	8.2	8.0	10.3	10.3	12.3	12.2
	IV	8.6	7.1	10.2	9.5	11.4	11.4
1973	I	1.7	4.7	5.7	7.7	8.8	10.0
	II	10.3	6.9	9.5	7.8	9.4	8.5

M = Annual rates of growth calculated from average levels in the final months of the quarters.

Q = Annual rates calculated from average levels in all three months of the quarters.