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MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

February 2, 1979

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) M-1 is estimated to have declined at a 5 per cent annual rate in January, and at a $1\frac{1}{2}$ per cent annual rate over the December-January period, considerably below the range specified by the FOMC at its December meeting,^{1/} as demand deposits have weakened much more than anticipated. Over the two months, shifting of funds from demand deposits into Automatic Transfer Service (ATS) savings accounts and NOW accounts in New York State reduced M-1 growth by about 3 percentage points. In addition to the impact of ATS and NOW's, and the usual lagged effect of higher interest rates, demand deposits may be declining as a result of greatly increased public awareness of options for holding precautionary and transactions balances in various interest-bearing forms in the wake of recent publicity associated with ATS and similar accounts.^{2/}

^{1/} These figures do not incorporate the benchmark revisions based on recently available June 1978 Call Report data for nonmember banks; the revised aggregates will be published on February 8. As shown in Appendix III, the benchmark revision was negligible for M-1; however, the benchmark revision increased M-2 growth by 0.5 per cent, with most of the increase occurring in the second half of the year. The revision in the aggregates for the June benchmark will also incorporate revised seasonal factors. All tables on subsequent pages of the Bluebook (with the exception of the first two tables following the appendices) are based on the revised series.

^{2/} In December and January, for example, money market funds--both open- and closed-end--increased by about \$2.5 billion per month on average, following average increases of about \$950 million a month in the preceding two months.

Comparison of FOMC Policy Ranges for
December-January
to Latest Staff Estimates

	<u>Ranges</u>	<u>Latest Estimates</u>
M-1	2 to 6	-1.5
M-2	5 to 9½	0.1
Federal funds rate (per cent per annum)	9½ to 10½	Avg. for statement <u>week ending</u>
		Dec. 27 10.25
		Jan. 3 10.59
		10 9.97
		17 10.05
		24 10.05
		31 10.12

(2) M-2 is estimated to have shown virtually no growth over December and January, and it, too, was much weaker than the low end of the range set by the FOMC in December. Growth in the interest-bearing component of M-2 slowed over the past two months, with outstanding deposits subject to fixed rate ceilings actually declining in continuing adjustment to higher market rates. Net inflows of deposits to savings and loan associations in December-January were only a shade below the October-November pace, as these institutions continued aggressively to offer money market certificates (MMC's). Deposit inflows to mutual savings banks were at a considerably reduced pace over the past two months.

(3) With the total inflows of funds to deposit accounts subject to interest rate ceilings remaining weak in December and January, banks issued additional large time deposits--some of which are included in M-2--and probably increased their RP's with nonbank

investors. Growth in bank credit slowed to only a 1 per cent annual rate in December, following rapid expansion in the two preceding months, but partial data for large banks suggest that growth in bank credit has picked up in January.

(4) Following the December FOMC meeting, the Account Management immediately raised its Federal funds rate objective from 9-7/8 per cent to 10 per cent or a bit higher. Funds generally traded at rates significantly above this level in the latter part of December and early January, however, as the Desk encountered difficulties in supplying reserves because of a shortage of readily available collateral. On December 29 and on January 12, the FOMC decided that, despite the relatively weak growth of the aggregates, the Desk should continue to seek a funds rate of 10 per cent or a bit higher, and the funds rate has remained around this level since early January.

(5) With the funds rate of about 10 per cent, reserves of the banking system changed little on balance over the December-January period. Nonborrowed reserves contracted at about a 1½ per cent annual rate, and total reserves increased at a 2½ per cent rate; over the first three quarters of 1978, when deposit growth had been strong, these aggregates had grown at 7 to 8 per cent annual rates. Member bank borrowings rose from \$700 million in November to about \$1 billion in January, as the spread of the funds rate over the discount rate widened slightly. With growth of currency remaining strong, the monetary base continued to rise about a 9 per cent annual rate

over the past two months on average, but the rate of growth diminished in January.

(6) After coming under renewed selling pressure in the last half of December, the foreign exchange value of the dollar steadied in early January, and has risen considerably in recent days. In early February, the weighted average dollar exchange rate was about $8\frac{1}{2}$ per cent above its late October level and more than 2 per cent above its level at the time of the December FOMC meeting.

. Toward the end of the period, the United States purchased \$2 billion equivalent of foreign currencies, net, virtually all of which was used to repay swap debt.

(7) While interest rates rose somewhat further in the weeks immediately following the December FOMC meeting, these increases have been generally more than offset by declines in January. Interest rates on short-term private obligations, in particular, have fallen considerably on balance since the December meeting--generally about 40 to 50 basis points.^{1/} Mortgage yields have edged up slightly,

^{1/} The largest declines in short-term yields were those on CD's which, despite large offerings of these instruments, fell 60 basis points in the primary market since the December FOMC meeting. CD rates had increased sharply just before the meeting and the recent declines bring them into more characteristic alignment with other short-term rates. With their costs of funds falling, two large banks have lowered their prime lending rate $1/4$ of a point to 11.50 per cent.

but bond yields have dropped 10 to 20 basis points. The decline in market interest rates reflected market perceptions of a reduced likelihood of a further tightening of monetary policy in light of the recent performance of the dollar in exchange markets, the slow growth of the monetary aggregates, and the recent modest growth of total business credit demands. An exception to the general pattern of declining market rates has been the behavior of yields on short-dated (3 months or less) Treasury bills, which have changed little on balance since the December meeting. These yields did not decline in association with falling private rates owing to large Federal Reserve sales of bills, the continuation of larger Treasury auctions of 3-month bills since November, and, after mid-January, a shift by foreign official institutions from purchases to sales of bills.

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

	1976 & 1977 Average	1978	Past Twelve Months Jan.'79 over Jan.'78	Past Six Months Jan.'79 over June '78	Past Three Months Jan.'79 over Oct.'78	Past Months Jan.'79 over Dec.'78
Nonborrowed reserves	1.9	6.9	3.8	3.6	3.7	-3.7
Total reserves	3.0	6.9	5.0	2.0	0.9	0.3
Monetary base	7.5	9.2	8.6	8.5	8.1	8.3
<u>Concepts of Money</u>						
M-1 (Currency plus demand deposits) <u>1/</u>	6.9	7.3	5.3	3.1	-1.8	-5.0
M-1+ (M-1 plus savings deposits at commercial banks, NOW accounts at banks and thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks).	11.0	5.3	3.3	1.0	-4.6	-7.6
M-2 (M-1 plus time deposits at commercial banks other than large CD's)	10.4	8.5	7.3	6.3	2.1	-1.1
M-3 (M-2 plus deposits at thrift institutions)	12.2	9.4	8.7	8.4	5.4	3.7
M-4 (M-2 plus CD's)	8.6	10.5	9.4	8.4	6.9	3.8
M-5 (M-3 plus CD's)	11.0	10.5	9.9	9.6	8.1	6.3
<u>Bank Credit</u>						
Loans and investments of all commercial banks <u>2/</u>						
Month-end basis	9.7	11.3	10.9 ^{3/}	7.3 ^{4/}	5.9 ^{5/}	n.a.
Monthly average	9.5	11.4	11.1 ^{3/}	8.7 ^{4/}	7.4 ^{5/}	n.a.
<u>Short-term Market Paper</u> (Monthly average change in billions)						
Large CD's	-0.5	1.9	2.1	2.1	4.0	4.0
Nonbank commercial paper	0.2	1.2	1.2 ^{3/}	1.7 ^{4/}	2.3 ^{5/}	n.a.

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

2/ Includes loans sold to affiliates and branches.

3/ Dec. '78 over Dec. '77. 4/ Dec. '78 over June '78. 5/ Dec. '78 over Sept. '78.

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 Wednesday statement date 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: long-run

(9) Alternative longer-run growth ranges for the monetary aggregates and bank credit over the one-year QIV '78 to QIV '79 period are shown in the table below for Committee consideration.

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Current Range</u>
M-1	2½ to 5½	1½ to 4½	½ to 3½	2 to 6
M-2	5 to 7½	4½ to 7	4 to 6½	6½ to 9
M-3	6½ to 9	6 to 8½	5½ to 8	7½ to 10
Bank Credit	8 to 11	7½ to 10½	7 to 10	8½ to 11½

(10) Alternative B is based on the FOMC's current expectation that M-1 growth over the QIII '78 to QIII '79 period would be around the upper limit of a 4 to 6½ per cent range in the absence of new transactions accounts, such as ATS. At its October meeting, the Committee expected that M-1 growth over the longer-run would be in a 2 to 6 per cent range, which allows for a potential downward effect on M-1 from ATS of 1/2 to 4-1/2 percentage points. On the basis of experience gained with ATS and NOW accounts in New York since that time, the staff believes that it is now reasonable to assume that growth in such accounts will reduce M-1 growth over the QIV'78 to QIV '79 period from what it otherwise would have been by 3 to 3-1/2 percentage points. ^{1/} Given that assumption, alternative B proposes a 1-1/2 to 4-1/2 per cent range for M-1; this range assumes--unlike recent M-1 ranges--that the more likely growth of M-1 is at the mid-point rather than near

^{1/} Including a small allowance for introduction of POA accounts at S&L's this spring.

the upper end.^{1/} The range is narrower than that adopted in October but remains a little wider than earlier M-1 ranges to reflect some continued uncertainty about ATS effects. Alternatives A and C are more and less expansive, respectively. Proposed ranges for the broader aggregates have been lowered, for reasons discussed in paragraphs (13) and (14) below.

(11) Expansion of nominal GNP over the longer-run policy period, while projected to moderate, is still expected to be around 10 per cent, and M-1 growth is likely to resume as the public brings its cash balances back into line with growing transactions needs. However, the staff expects that the demand for M-1 will not be so strong over the year, on average, as to require a significant change in the prevailing Federal funds rate if M-1 growth at the midpoint of the alternative B range is to be achieved over the year 1979. With nominal GNP projected to expand more rapidly in the first half of 1979 than in the second, short-term rates could edge higher over the next few months and then recede later in the year. Alternative C, on the other hand, would probably involve an increase in the funds rate from current levels to nearly 11 per cent in the course of the year. By contrast, alternative A would imply a reduction in the funds rate, reaching year-end levels about $\frac{1}{2}$ of a percentage point below the current level. The staff projection of the quarterly pattern of the funds rate for each alternative is shown in Appendix I.

^{1/} A return to this more usual interpretation of the M-1 range may be a desirable simplification as reporting under the Humphrey-Hawkins Act is initiated. The 3 per cent midpoint of this range, plus allowance for a 3 to 3½ per cent effect on M-1 from ATS and similar accounts, yields the 6½ per cent rate of growth that has been the FOMC's basic assumption.

(12) The specifications imply further rapid increase in the velocity of M-1, even abstracting from ATS effects, as shown in Appendix II. The recent weakness in M-1 at a time of strong economic growth is considerably larger than can be explained by standard econometric specifications of the relationship between interest rates and money demand and by the shift of demand balances to ATS and NOW accounts. The shortfall in money demand apparently reflects a wider adoption and more intensive use of techniques to economize on cash, induced in part by the sustained high interest rate levels, and the staff has assumed that a downward shift in money demand is likely to continue over 1979. The shift is projected to reduce M-1 growth (and thus increase V-1) by about 2 percentage points over the longer-run policy period.

(13) Under alternative B, M-2 growth for the year ahead is expected to be in a $4\frac{1}{2}$ to 7 per cent range and M-3 growth in a 6 to $8\frac{1}{2}$ per cent range, $2\frac{1}{2}$ percentage points lower, respectively, than their current longer-run ranges for the QIII '78 to QIII '79 period. This reduction reflects the slower rate of growth in the time and savings deposit component of these two aggregates that is now expected on average over the course of the year, given recent experience. The public has been diverting larger amounts of funds than expected from deposits subject to fixed ceiling rates to market instruments. Our projections assume a pick-up in growth of such deposits, but not to the pace earlier expected. Growth of the

broader monetary aggregates is, of course, slower under alternative C and more rapid under alternative A.

(14) The range for bank credit growth for alternative B has been reduced to $7\frac{1}{2}$ to $10\frac{1}{2}$ per cent--1 percentage point lower than its current range, reflecting the slowing of economic activity, the sustained higher level of interest rates, and the cumulative reduction in bank liquidity. To sustain such credit growth in the face of slower inflows of demand and consumer-type time and savings deposits, banks would have to rely increasingly on large negotiable time deposits, nondeposit borrowings, including Eurodollars, and to reduce further their holdings of liquid assets. Thrifts are also likely to have to rely on FHLB and other borrowings, as well as reductions in their liquidity position, to fund their mortgage lending.

Prospective developments: short-run

(15) Three alternative short-run specifications for the monetary aggregates and the Federal funds rate are presented below for Committee consideration. Alternative I calls for a reduction in the Federal funds rate by $\frac{1}{2}$ percentage point from the current level; such a decline over the intermeeting period would be most consistent with the alternative A longer-run range. Alternative II calls for no change in the current $9\frac{3}{4}$ to $10\frac{1}{2}$ per cent funds rate range, with a midpoint near the present Desk objective. This alternative would be consistent with both the alternative B and C longer-run ranges. Alternative III, which calls for increases in the funds rate to around the midpoint of a $10\frac{1}{4}$ to 11 per cent range, is most

consistent with longer-run alternative C. (More detailed and longer-run data are shown in tables on pages 12 and 13).

	<u>Alt. I</u>	<u>Alt. II</u>	<u>Alt. III</u>
Ranges for Feb.-Mar. ^{1/}			
M-1	5 to 10	4½ to 9½	4 to 9
M-2	5½ to 9½	5 to 9	4½ to 8½
Federal funds rate (Intermeeting period)	9¼ to 10	9¾ to 10½	10¼ to 11

(16) In considering short-run alternatives, the FOMC may wish to take into account the growth rates for the aggregates from the estimated January levels that would be required to reach levels in March and June that are implied by the longer-run ranges. The table on page 14 provides such information for longer-run alternative B.^{2/} As shown by the middle column of the table, M-1 would have to grow at a 8-1/4 per cent annual rate from January--and M-2 by a 10-1/4 per cent annual rate--to reach the level in March that is implied by growth along the midpoint path of the longer-run QIV '78 - QIV '79 range. Growth for M-1 would have to be about 3 percentage points lower to reach the low end of the alternative B range of growth, and 3 points higher to reach the upper end. Over the five months from January to June, M-1 would have to expand at a 5 per cent annual rate and M-2 at a 7½ per cent annual rate to reach midpoint paths.

^{1/} Ranges for the forthcoming short-run policy period expressed as three-month growth ranges are shown in Appendix V for comparison purposes.

^{2/} Similar information for alternatives A and C are shown in Appendix VI.

Alternative Levels and Growth Rates for Key Monetary Aggregates

		<u>M-1^{1/}</u>			<u>M-2</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>
1979	January	360.0	360.0	360.0	875.5	875.5	875.5
	February	361.9	361.8	361.7	880.2	880.0	879.7
	March	364.5	364.2	363.9	886.0	885.3	884.7
1978	QIV	361.4	361.4	361.4	873.8	873.8	873.8
1979	QI	362.1	362.0	361.9	880.6	880.3	880.0
	QII	368.0	367.0	366.1	896.6	894.9	893.5
	QIII	371.8	369.4	367.3	912.4	908.6	905.6
	QIV	374.7	372.2	368.6	929.7	924.2	919.1

Growth Rates

Monthly:

1979	February	6.3	6.0	5.7	6.4	6.2	5.8
	March	8.6	8.0	7.3	7.9	7.2	6.8

Quarterly Average:

1979	QI	0.8	0.7	0.6	3.1	3.0	2.8
	QII	6.5	5.5	4.6	7.3	6.6	6.1
	QIII	4.1	2.6	1.3	7.0	6.1	5.4
	QIV	4.2	3.0	1.4	7.6	6.9	6.0

Semi-Annual:

QIV '78-QII '79	3.7	3.1	2.6	5.2	4.8	4.5
QII '79-QIV '79	4.2	2.8	1.4	7.4	6.5	5.7

Annual:

QIV '78-QIV '79	4.0	3.0	2.0	6.4	5.8	5.2
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^{1/} The staff has assumed that over the longer-run policy period from QIV '78 to QIV '79 M-1 growth will be reduced 3 to 3½ percentage points by ATS. In projecting GNP, monetary aggregates, and interest rates the staff has carried forward the assumption in most recent Bluebooks that M-1, in the absence of ATS, would increase at a 6½ per cent annual rate over the longer-run. Thus, the observed growth of M-1 is expected to be 3 per cent over the QIV '78 to QIV '79 period.

Alternative Levels and Growth Rates for Key Monetary Aggregates (cont'd)

		<u>M-3</u>			<u>Bank Credit^{1/}</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>
1979	January	1505.5	1505.5	1505.5	n.a.	n.a.	n.a.
	February	1515.5	1515.0	1514.5	n.a.	n.a.	n.a.
	March	1526.2	1525.0	1523.6	n.a.	n.a.	n.a.
1978	QIV	1493.5	1493.5	1493.5	967.2	967.2	967.2
1979	QI	1515.7	1515.2	1514.5	988.0	987.8	987.5
	QII	1547.0	1543.5	1540.4	1010.5	1009.7	1008.9
	QIII	1578.2	1570.8	1564.6	1034.0	1032.4	1030.8
	QIV	1611.4	1600.5	1590.7	1057.1	1055.2	1053.3

Growth Rates

Monthly:

1979	February	8.0	7.6	7.2	n.a.	n.a.	n.a.
	March	8.5	7.9	7.2	n.a.	n.a.	n.a.

Quarterly Average:

1979	QI	5.9	5.8	5.6	8.6	8.5	8.4
	QII	8.3	7.5	6.8	9.1	8.9	8.7
	QIII	8.1	7.1	6.3	9.3	9.0	8.7
	QIV	8.4	7.6	6.7	8.9	8.8	8.7

Semi-Annual:

QIV '78-QII '79	7.2	6.7	6.3	9.0	8.8	8.6
QII '79--QIV '79	8.3	7.4	6.5	9.2	9.0	8.8

Annual:

QIV '78-QIV '79	7.9	7.2	6.5	9.3	9.1	8.9
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^{1/} January 1979 bank credit data are not available, therefore, monthly bank credit estimates are not available.

Growth Rates from January Levels Required
to Achieve Levels Implied by Alternative B
Longer-run Ranges
(Per cent annual rate)

<u>Achieve Level by:</u>	<u>Low End of Range</u>	<u>Midpoint of Range</u>	<u>High End of Range</u>
<u>M-1</u>			
March 1979	5.3	8.3	11.3
June 1979	3.1	5.1	7.3
Quarter IV '79 ^{1/}	2.3	4.1	5.9
<u>M-2</u>			
March 1979	7.8	10.2	12.8
June 1979	5.8	7.6	9.3
Quarter IV '79 ^{1/}	5.2	6.6	8.2

(17) The staff believes that if the 13-1/4 per cent annual rate of growth of nominal GNP projected for the current quarter develops, it will call forth a substantial increase in M-1 in February-March. Under alternative II, M-1 is projected to increase in a range centered on a 7 per cent annual rate, which would put M-1 just below the midpoint of the alternative B long-run path by March. Even such a resurgence in growth would bring the growth rate of M-1 for the first quarter (quarterly average basis) to only a 3/4 per cent annual rate, and would imply another substantial increase in V-1, at about a 12 per cent annual rate, as shown in Appendix II.^{2/}

(18) Under alternative II, M-2 is expected to expand at a 5 to 9 per cent annual rate range in February-March, considerably

^{1/} This, of course, represents the end-point of the long-run policy period.

^{2/} Adjusted for the retarding effects of ATS on M-1, the velocity increase would be 8½ per cent annual rate.

more rapidly than in the previous three months, but growth at the 7 per cent midpoint would be a little less than needed to bring M-2 up to the low end of the range specified under alternative B. The acceleration of this aggregate reflects the expected strengthening of both M-1 and the interest-bearing component of M-2, with much of the strength in the latter likely to result from a slowing of recent unusually rapid savings account withdrawals.

(19) At thrift institutions, the rate of deposit inflows may edge off from the recent pace. Sizable net issuance of 6-month money market certificates (MMC's) is expected, as in recent months, to account for all of the growth of S&L and MSB deposits, as these certificates continue to be marketed rather aggressively in response to relatively strong demand for mortgage loans and in order to compete with both other depository institutions and alternative financial instruments paying high market rates of interest. With some moderation in total thrift deposit inflows, and a continuing shift in the deposit mix at thrifts toward high cost MMC's, mortgage markets conditions are expected to tighten somewhat further in the intermeeting period.

(20) If Federal funds continue to trade at a rate of 10 per cent or slightly higher over the intermeeting period, as contemplated under alternative II, other short-term rates are also likely to remain about unchanged, as recent market rate declines appear to reflect full adjustment to the weak growth of the aggregates. Business

short-term credit demands may strengthen a bit in coming weeks, and the Treasury is expected to offer a sizable block of cash management bills in early March. But these short-term demands are likely to be accommodated without significant upward pressure on rates unless a resurgence in growth of the monetary aggregates causes adjustments in market expectations about the future course of monetary policy.

(21) Yields on longer-term securities would also be expected to remain at about current levels over the intermeeting period under alternative II. Security offerings by corporations, state and local governments, and the U.S. Treasury are expected to be moderate. In its mid-February refunding, the Treasury has announced that it intends to auction \$2½ billion and \$2 billion of 8 and 29½ year securities, respectively, in order to rollover maturing debt and raise about \$1.25 billion of new money. Following this operation, the Treasury can raise the additional \$10 billion of new cash needed by the end of the quarter through sale of cash management bills and routine offerings of short- and intermediate-term notes.

(22) The foreign exchange value of the dollar over coming weeks may be sustained, under money market conditions implied by alternative II, as banks obtain more funds from abroad to meet relatively strong credit demands in a period of modest growth in domestic deposits. The relatively high interest rates in the U.S. and recent evidence of strength in the dollar may also encourage investment in the dollar-denominated assets by private market participants. Of course, the behavior of the dollar on exchange markets will also depend

on a number of other factors, including future developments in the Middle East.

(23) Under alternative III, the Federal funds rate would be expected to rise to the midpoint of a 10½ to 11 per cent range. Growth in M-1 would likely be in a 4 to 9 per cent and M-2 in 4½ to 8½ per cent annual rate range, respectively. A tightening action at this time is likely to come as a surprise to the market in light of the recent weakness in the aggregates. As a result, market participants might conclude that a further tightening could follow and thus a comparatively sharp increase in short-term interest rates could occur. The higher level of money market rates would further encourage outflows of deposits subject to fixed rate ceilings, induce even more aggressive offerings of MMC's and large denomination time deposits, and foster a firming of bank lending terms--with the prime rate moving up to record levels of over 12 per cent. The dollar would tend to move higher in foreign exchange markets. In bond markets, interest rates would rise, but both the moderate volume of new security offerings and strengthened market expectations that inflation will be curbed would tend to limit such movements. In the mortgage market, however, rates would likely move significantly higher in response to reduced deposit inflows at thrifts and the further rise in the cost of their MMC's.

(24) Alternative I involves a decline in the funds rate over the intermeeting period to the midpoint of a 9½ to 10 per cent range. In response to the reduction of the System's funds rate

target, short-term rates would decline further, and a sizable short-term rally is likely to develop in bond markets, as investors come to believe that interest rates may have peaked. At the same time, the decline in interest rates--if not accompanied by indications of weakening economic activity--may lead to a significant drop in the foreign exchange value of the dollar if market participants become more concerned about the outlook for inflation in this country.

Directive language

(25) Given immediately below are suggested operational paragraphs for the directive in the customary form. (An alternative formulation with money market emphasis is shown in paragraph (26)).

In the short run, the Committee seeks to achieve bank reserve and money market conditions that are broadly consistent with the longer-run ranges for monetary aggregates cited above, while giving due regard to the program for supporting the foreign exchange value of the dollar, to developing conditions in domestic financial markets, and to uncertainties associated with the introduction of ATS. Early in the period before the next regular meeting, System open market operations are to be directed at attaining a weekly average Federal funds rate

- (I) slightly below the current level.
- (II) AT ABOUT THE CURRENT LEVEL.
- (III) slightly above the current level.

Subsequently, operations shall be directed at maintaining the weekly average Federal funds rate within the range of ~~9½-to-10½~~ ____ TO ____ per cent. In deciding on the specific objective for the Federal funds rate the Manager shall be guided mainly by the relationship between the latest estimates of annual rates of growth in the ~~December-January~~ FEBRUARY-MARCH period of M-1 and M-2 and the following ranges of tolerance--~~2-to-6~~ ____ TO ____ per cent for M-1 and ~~5-to-9~~ ____ TO ____ per cent for M-2. ~~if, giving approximately equal weight to M-1 and M-2, their rates of growth appear to be significantly above the~~

~~midpoints-of-the-indicated-ranges;-the-objective-for-the-funds-rate shall-be-raised-in-an-orderly-fashion-within-its-range;-if-their rates-of-growth-appear-to-be-approaching-the-lower-limits-of-the indicated-ranges;-the-funds-rate-shall-be-lowered-in-an-orderly fashion-within-its-range.~~

IF, WITH APPROXIMATELY EQUAL WEIGHT GIVEN TO M-1 AND M-2, THEIR RATES OF GROWTH APPEAR TO BE

Monetary aggregates emphasis

SIGNIFICANTLY ABOVE OR BELOW THE MIDPOINTS

Money market emphasis

CLOSE TO OR BEYOND THE UPPER OR LOWER LIMITS OF THE INDICATED RANGES, THE OBJECTIVE FOR THE FUNDS RATE IS TO BE RAISED OR LOWERED IN AN ORDERLY FASHION WITHIN ITS RANGE.

If the rates of growth in the aggregates appear to be falling ~~outside-the-limits~~ ABOVE THE UPPER LIMIT OR BELOW THE LOWER LIMIT of the indicated ranges at a time when the objective for the funds rate has already been moved to the corresponding limit of its range, the Manager will promptly notify the Chairman, who will then decide whether the situation calls for supplementary instructions from the Committee.

(26) In view of uncertainties about interpretation of the aggregates, presented below is an alternative formulation of the operational paragraphs with primary emphasis on money market conditions. The role of the aggregates in this formulation is through a proviso clause, which permits the funds rate to move up if growth of the

aggregates is excessively strong.

In the short run, the Committee seeks to achieve bank reserve and money market conditions that are broadly consistent with the longer-run ranges for monetary aggregates cited above, while giving due regard to the program for supporting the foreign exchange value of the dollar, to developing conditions in domestic financial markets, and to uncertainties associated with the introduction of ATS. In the period before the next regular meeting, System open market operations are to be directed at attaining a weekly average Federal funds rate (A) at about the current level of (B) slightly above the current level, provided that over the February-March period the annual rates of growth of M-1 and M-2, given approximately equal weight, appear to be no higher than ____ per cent and ____ per cent, respectively. If growth of M-1 and M-2 for the 2-month period appears to be in excess of the indicated limits, the objective for the Federal funds rate is to be raised in an orderly fashion up to a maximum of ____ per cent.

If the rates of growth in the aggregates appear to be falling above the indicated limits at a time when the objective for the funds rate has already been moved to its limit, the Manager will promptly notify the Chairman, who will then decide whether the situation calls for supplementary instructions from the Committee.

Chart 1

Recently Established M-1 Growth Ranges and Actual M-1

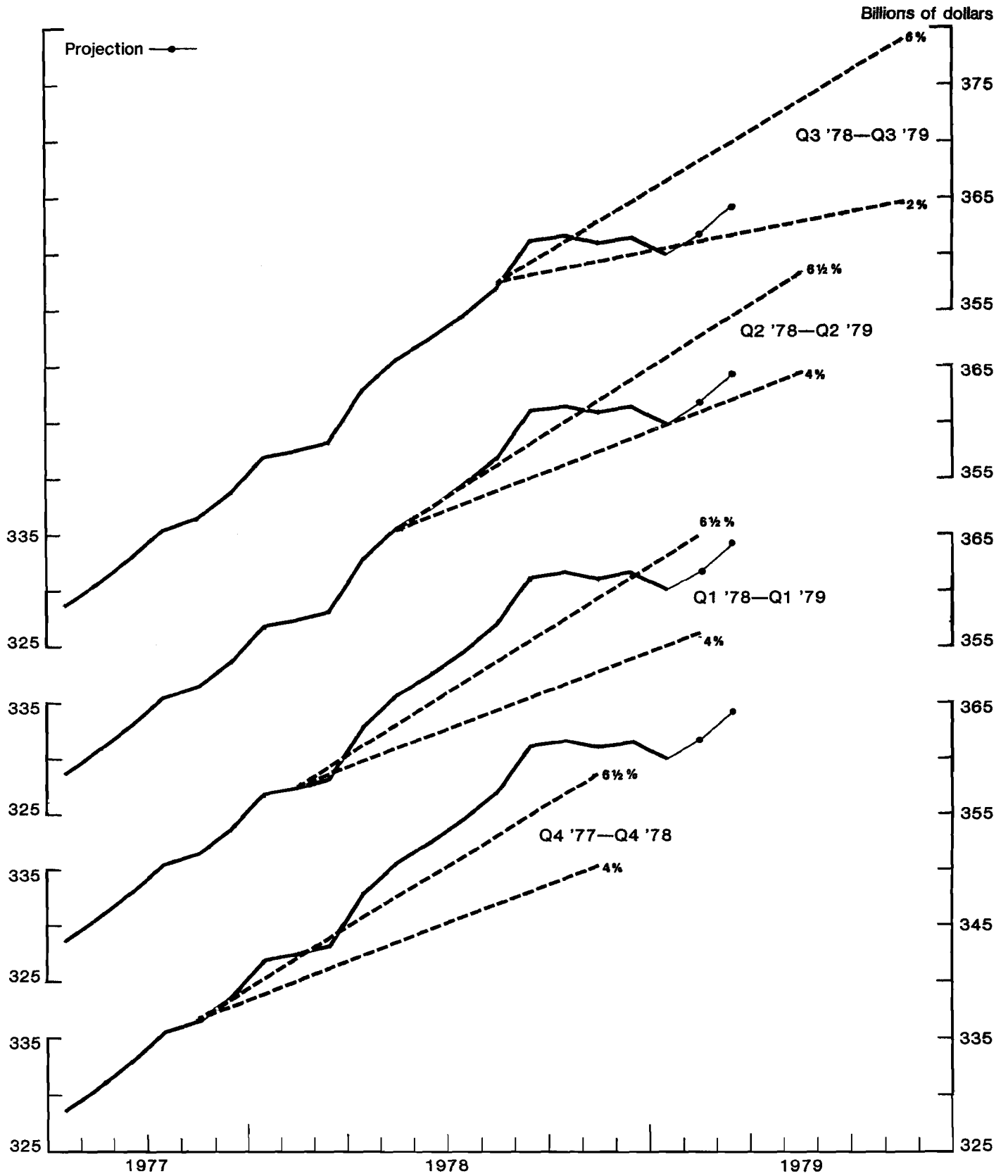


Chart 2

Recently Established M-2 Growth Ranges and Actual M-2

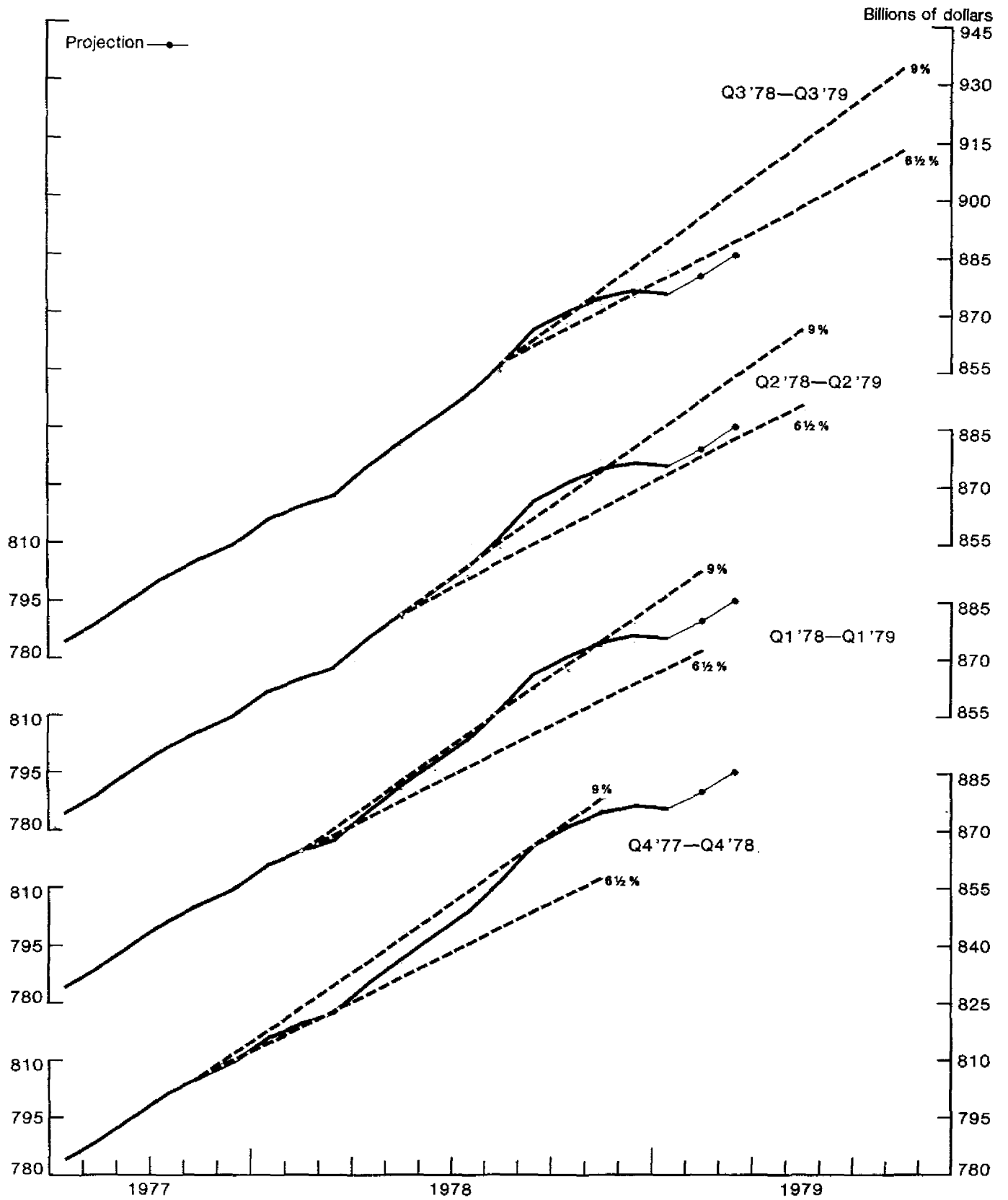


Chart 3

Recently Established M-3 Growth Ranges And Actual M-3

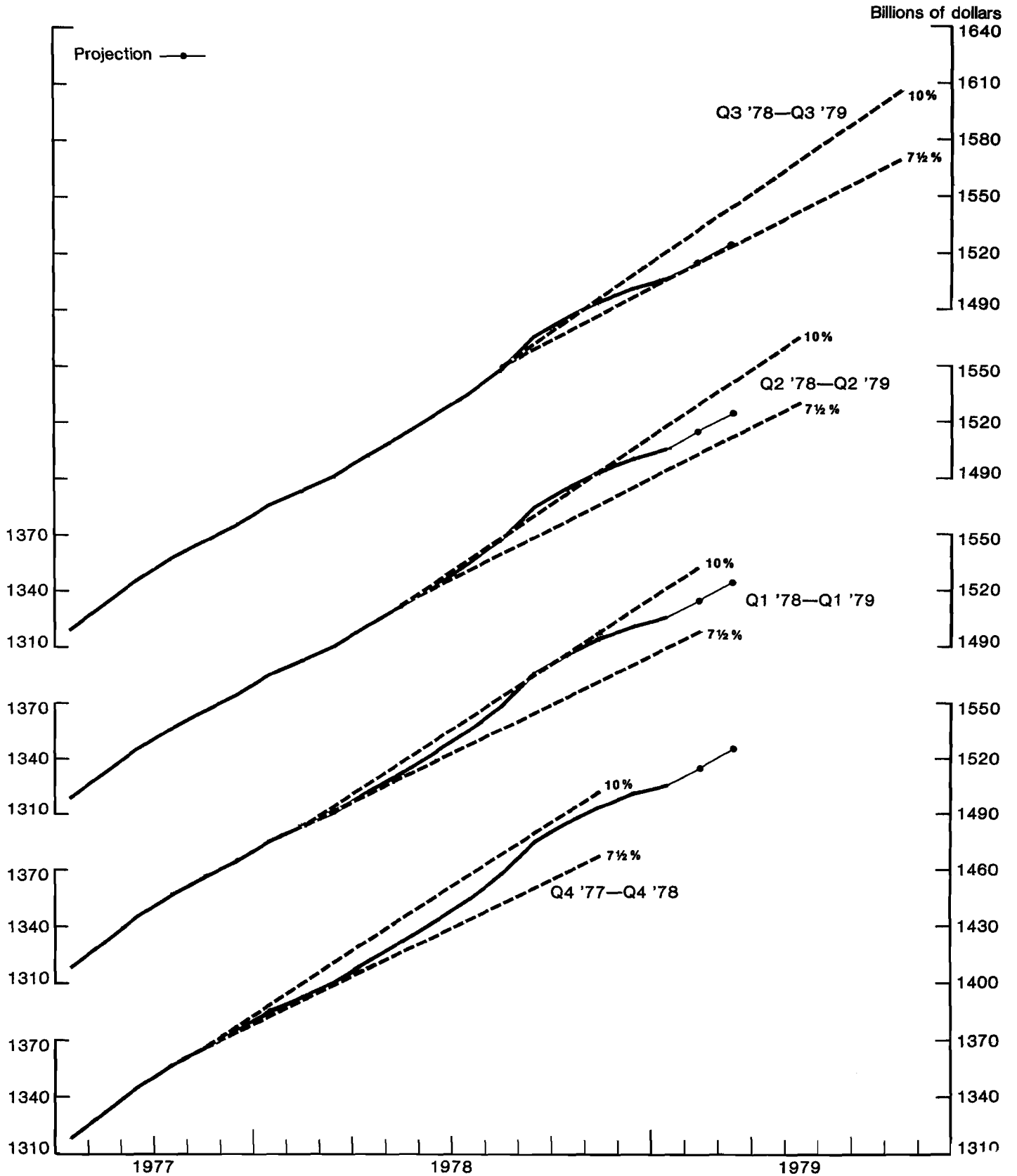
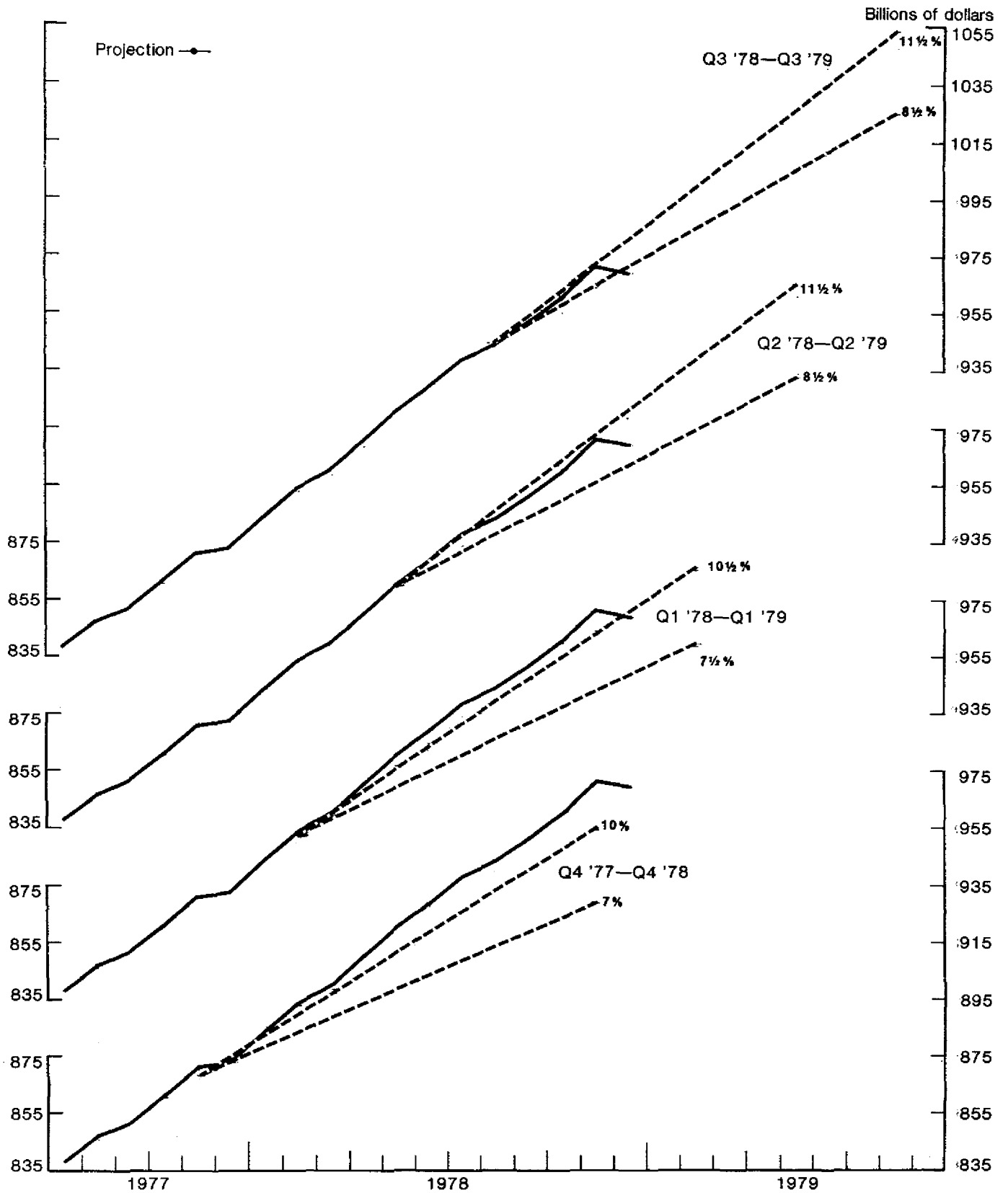


Chart 4

Recently Established Bank Credit Growth Ranges and Actual Bank Credit



APPENDIX I

Projected Federal Funds Rate

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1979--QI	9-5/8 to 10-1/8	10 to 10-1/2	10-1/4 to 10-3/4
QII	9-1/4 to 10	10 to 10-3/4	10-1/4 to 11
QIII	8-7/8 to 9-7/8	9-3/4 to 10-3/4	10-3/8 to 11-3/8
QIV	8-7/8 to 9-7/8	9-1/2 to 10-1/2	10-3/8 to 11-3/8

APPENDIX II

Implied Velocity Growth Rates

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
<u>V-1 (GNP/M-1)</u>			
1978--III	1.2	1.2	1.2
IV	9.5 (8.5)	9.5 (8.5)	9.5 (8.5)
1979--I	12.2 (8.7)	12.0 (8.6)	12.1 (8.6)
II	3.6 (0.0)	3.9 (0.3)	4.4 (0.8)
III	4.8 (1.6)	5.3 (2.1)	5.8 (2.5)
IV	5.7 (3.2)	5.6 (3.0)	6.1 (3.4)
<u>V-2 (GNP/M-2)</u>			
1978--III	-0.6	-0.6	-0.6
IV	6.1	6.1	6.1
1979--I	9.8	9.6	9.8
II	2.8	2.9	2.9
III	2.0	1.7	1.7
IV	2.3	1.8	1.4

Note: Figures in parentheses reflect V-1 without ATS.

APPENDIX III

Revisions in the Monetary Aggregates

Benchmark adjustments for domestic nonmember banks and revised seasonal factors have been incorporated into the money stock series and related data. The benchmark adjustments are based on the June 1978 call report and go back to March 1978. Seasonal factors have been revised to incorporate an additional year of data and adjustments resulting from the Board staff's annual review of these factors. Growth rates for the revised M-1 and M-2 in 1978 are 7.3 and 8.5 per cent, respectively. M-1 growth was about unchanged for the year, but M-2 growth was raised $\frac{1}{2}$ percentage point. The impact of benchmark and seasonal factor changes on monthly, quarterly, and annual M-1 and M-2 growth rates for 1978 are shown in Tables III-1 and III-2.

The benchmark adjustments are based on data for the universe of domestic nonmember banks for June 1978. The adjustments added \$100 million to the level of M-1 in June 1978 and about the same amount at the end of 1978. The level of M-2 was raised by \$2.0 billion in June 1978 and by \$4.4 billion at the end of the year. As shown in column 4 of Tables III-1 and III-2, the benchmark adjustment had minimal impact on M-1 growth but added 0.5 percentage point to M-2 (QIV'77 to QIV'78).

Impacts of seasonal factor revisions, shown in the last column of Tables III-1 and III-2, were minor. April M-1 growth was lowered about 3-1/4 percentage points and November growth was raised by about the same amount. Impacts on M-2 growth rates were generally about one-third the effect on M-1.

Table III-1

Comparison of Old and Revised M-1 Growth Rates
(Per cent annual rate)

<u>Year</u>	<u>Old Series</u>	<u>Revised Series</u>	<u>Difference</u>	<u>Difference due to:</u> ^{2/}	
				<u>Benchmark</u>	<u>Seasonal Factors</u>
1978 ^{1/}	7.2	7.3	0.1	0.1	0
<u>Quarters</u>					
1978 QI	6.2	6.6	0.4	0	0.4
QII	9.9	9.2	-0.7	0.2	-0.9
QIII	7.6	8.1	0.5	0.2	0.3
QIV	4.5	4.4	-0.1	0	-0.1
<u>Months</u>					
1978 Jan	11.3	11.3	0	0	0
Feb	0.4	1.8	1.4	0	1.4
Mar	3.9	2.8	-1.1	0	-1.1
Apr	19.6	16.4	-3.2	0	-3.2
May	7.2	9.7	2.5	0.7	1.8
June	7.5	6.2	-1.3	-0.3	-1.0
July	4.8	6.8	2.0	0.6	1.4
Aug	8.5	8.5	0	-0.4	0.4
Sept	14.1	13.8	-0.3	-0.3	0
Oct	3.7	1.7	-2.0	0.3	-2.3
Nov	-4.6	-2.0	2.6	-0.4	3.0
Dec	2.0	0.7	-0.3	0	-0.3
1979 Jan	-5.0	-5.0	0	0	0

^{1/} QIV 1977 average to QIV 1978 average.

^{2/} In percentage points.

Table III-2

Comparison of Old and Revised M-2 Growth Rates
(Per cent annual rates)

<u>Year</u>	<u>Old Series</u>	<u>Revised Series</u>	<u>Difference</u>	<u>Difference due to:</u> ^{2/}	
				<u>Benchmark</u>	<u>Seasonal Factors</u>
1978 ^{1/}	8.0	8.5	0.5	0.5	0
<u>Quarters</u>					
1978 QI	6.9	7.0	0.1	0	0.1
QII	7.9	8.4	0.5	0.6	-0.1
QIII	8.9	9.9	1.0	0.9	0.1
QIV	7.5	7.7	0.3	0.4	-0.1
<u>Months</u>					
1978 Jan	9.5	9.8	0.3	0	0.3
Feb	4.7	5.0	0.3	0	0.3
Mar	5.1	4.7	-0.4	0	-0.4
Apr	11.2	11.2	0	0.6	-0.6
May	7.1	9.2	2.1	1.3	0.8
June	7.8	8.5	0.7	1.0	-0.3
July	8.0	8.7	0.7	1.1	-0.4
Aug	10.4	11.6	1.2	0.2	1.0
Sept	12.5	13.0	0.5	0.5	0
Oct	7.0	6.5	-0.5	0.3	-0.8
Nov	4.3	4.7	0.4	0.5	-0.1
Dec	1.5	2.2	0.7	0.6	0.1
1979 Jan	-1.8	-1.1	0.7	0.4	0.3

^{1/} QIV 1977 average to QIV 1978 average.

^{2/} In percentage points.

Appendix Table IV-1

MONEY STOCK--M-1
(Annual rates of growth, compounded quarterly)^{1/}

Ending Period	Base Period																
	<u>74IV</u>	<u>75I</u>	<u>75II</u>	<u>75III</u>	<u>75IV</u>	<u>76I</u>	<u>76II</u>	<u>76III</u>	<u>76IV</u>	<u>77I</u>	<u>77II</u>	<u>77III</u>	<u>77IV</u>	<u>78I</u>	<u>78II</u>	<u>78III</u>	<u>78IV</u>
1975 I	2.0																
II	3.9	5.9															
III	5.1	6.7	7.4														
IV	4.6	5.4	5.2	3.0													
1976 I	4.6	5.3	5.0	3.9	4.7												
II	4.9	5.5	5.4	4.8	5.6	6.6											
III	4.8	5.3	5.2	4.6	5.1	5.4	4.2										
IV	5.2	5.6	5.6	5.2	5.8	6.1	5.9	7.7									
1977 I	5.4	5.9	5.9	5.6	6.1	6.5	6.5	7.7	7.6								
II	5.7	6.1	6.1	5.9	6.4	6.7	6.8	7.6	7.6	7.6							
III	6.0	6.4	6.4	6.3	6.7	7.1	7.2	8.0	8.1	8.3	8.9						
IV	6.1	6.5	6.5	6.4	6.9	7.2	7.3	7.9	8.0	8.1	8.3	7.6					
1978 I	6.1	6.5	6.6	6.5	6.8	7.1	7.2	7.7	7.7	7.7	7.8	7.2	6.8				
II	6.4	6.7	6.8	6.7	7.1	7.4	7.5	8.0	8.0	8.1	8.2	8.0	8.2	9.6			
III	6.5	6.8	6.9	6.9	7.2	7.5	7.6	8.0	8.1	8.1	8.2	8.1	8.2	9.0	8.4		
IV	6.4	6.7	6.7	6.7	7.0	7.2	7.3	7.6	7.6	7.6	7.6	7.3	7.3	7.4	6.4	4.4	
	* * * * *																
1979 IV																	
Alt. A	5.9	6.1	6.1	6.0	6.2	6.3	6.3	6.5	6.4	6.3	6.1	5.8	5.6	5.4	4.8	4.1	4.0
Alt. B	5.7	5.9	5.9	5.8	6.0	6.1	6.0	6.2	6.0	5.9	5.7	5.4	5.1	4.9	4.1	3.3	3.0
Alt. C	5.5	5.7	5.7	5.6	5.7	5.8	5.7	5.9	5.7	5.5	5.3	4.9	4.6	4.3	3.4	2.5	2.0

^{1/} Based on quarterly average data.

Appendix Table IV-2

MONEY STOCK--M-2
 (Annual rates of growth, compounded quarterly)^{1/}

Ending Period	Base Period																
	<u>74IV</u>	<u>75I</u>	<u>75II</u>	<u>75III</u>	<u>75IV</u>	<u>76I</u>	<u>76II</u>	<u>76III</u>	<u>76IV</u>	<u>77I</u>	<u>77II</u>	<u>77III</u>	<u>77IV</u>	<u>78I</u>	<u>78II</u>	<u>78III</u>	<u>78IV</u>
1975 I	6.6																
II	8.2	9.8															
III	8.9	10.1	10.4														
IV	8.4	9.1	8.7	6.9													
1976 I	8.9	9.5	9.4	8.9	11.0												
II	9.2	9.7	9.7	9.4	10.6	10.3											
III	9.2	9.6	9.6	9.3	10.2	9.8	9.2										
IV	9.7	10.1	10.2	10.1	10.9	10.9	11.2	13.2									
1977 I	9.9	10.3	10.3	10.3	11.0	11.0	11.2	12.3	11.4								
II	9.8	10.2	10.2	10.2	10.7	10.7	10.8	11.3	10.4	9.3							
III	9.9	10.2	10.2	10.2	10.7	10.6	10.7	11.1	10.4	9.9	10.5						
IV	9.7	10.0	10.0	10.0	10.4	10.3	10.3	10.5	9.8	9.3	9.3	8.1					
1978 I	9.5	9.8	9.8	9.7	10.0	9.9	9.8	9.9	9.3	8.8	8.6	7.6	7.1				
II	9.5	9.7	9.7	9.6	9.9	9.7	9.7	9.7	9.2	8.7	8.6	8.0	7.9	8.7			
III	9.5	9.7	9.7	9.7	9.9	9.8	9.7	9.8	9.3	9.0	8.9	8.6	8.7	9.5	10.3		
IV	9.4	9.6	9.6	9.5	9.7	9.6	9.6	9.6	9.2	8.9	8.8	8.4	8.5	9.0	9.1	7.9	
	* * * * *																
1979 III																	
Alt. A	8.8	8.9	8.9	8.8	8.9	8.8	8.6	8.6	8.2	8.0	7.8	7.5	7.4	7.5	7.3	6.7	6.4
Alt. B	8.7	8.8	8.7	8.6	8.7	8.6	8.5	8.4	8.0	7.7	7.6	7.2	7.1	7.1	6.9	6.2	5.8
Alt. C	8.6	8.7	8.6	8.5	8.6	8.4	8.3	8.2	7.8	7.5	7.3	7.0	6.8	6.8	6.5	5.7	5.2

^{1/} Based on quarterly average data.

Appendix Table IV-3
MONEY STOCK--M-3
(Annual rates of growth, compounded quarterly)^{1/}

Ending Period	Base Period																
	<u>74IV</u>	<u>75I</u>	<u>75II</u>	<u>75III</u>	<u>75IV</u>	<u>76I</u>	<u>76II</u>	<u>76III</u>	<u>76IV</u>	<u>77I</u>	<u>77II</u>	<u>77III</u>	<u>77IV</u>	<u>78I</u>	<u>78II</u>	<u>78III</u>	<u>78IV</u>
1975 I	8.5																
II	10.7	13.0															
III	11.6	13.2	13.5														
IV	11.1	12.0	11.6	9.7													
1976 I	11.4	12.2	11.9	11.2	12.6												
II	11.6	12.2	12.0	11.6	12.5	12.4											
III	11.6	12.1	11.9	11.5	12.1	11.9	11.4										
IV	11.9	12.4	12.3	12.1	12.7	12.8	13.0	14.5									
1977 I	12.1	12.5	12.4	12.3	12.8	12.8	13.0	13.8	13.0								
II	11.9	12.3	12.2	12.1	12.5	12.4	12.5	12.8	12.0	10.9							
III	12.0	12.3	12.3	12.1	12.5	12.4	12.4	12.7	12.1	11.7	12.4						
IV	11.9	12.2	12.1	11.9	12.2	12.2	12.1	12.3	11.7	11.3	11.4	10.5					
1978 I	11.6	11.8	11.7	11.6	11.8	11.7	11.6	11.6	11.0	10.5	10.4	9.4	8.3				
II	11.4	11.6	11.5	11.3	11.5	11.3	11.2	11.2	10.6	10.2	10.0	9.2	8.5	8.7			
III	11.3	11.5	11.4	11.3	11.4	11.3	11.2	11.1	10.6	10.3	10.1	9.6	9.3	9.8	10.8		
IV	11.2	11.4	11.3	11.1	11.3	11.1	11.0	11.0	10.5	10.2	10.1	9.6	9.4	9.7	10.3	9.7	
	* * * * *																
1979 III																	
Alt. A	10.6	10.7	10.5	10.4	10.4	10.3	10.1	10.0	9.6	9.3	9.2	8.8	8.6	8.7	8.7	8.3	7.9
Alt. B	10.4	10.5	10.4	10.2	10.2	10.1	9.9	9.8	9.4	9.1	8.9	8.5	8.3	8.3	8.2	7.7	7.2
Alt. C	10.3	10.4	10.2	10.0	10.1	9.9	9.7	9.6	9.2	8.8	8.6	8.2	7.9	7.9	7.7	7.1	6.5

^{1/} Based on quarterly average data.

APPENDIX V

Alternative Short-Run Growth Rates and Federal
Fund Rate Ranges

The table below shows growth rate ranges for M-1 and M-2 expressed as the growth from the average of the three-months ending in December to the average of the three-month ending in March. These ranges are based on the same staff projections of February and March as appear in the present two month ranges shown in paragraph 15 of the text. This three month averaging process--which, as explained in Appendix IV of the December Bluebook, changes the growth rates, narrows the ranges, and reduces the difference in growth rates between alternatives--was proposed for consideration by the Subcommittee on the Directive in its December 13, 1978, memorandum to the FOMC.

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
Ranges for average of three-months ending in March over three months ending in December			
M-1	-1/4 to 1-3/4	-1/4 to 1-3/4	-1/2 to 1-1/2
M-2	2-1/4 to 3-3/4	2-1/4 to 3-3/4	2 to 3-1/2
Federal funds rate (Intermeeting period)	9-1/4 to 10	9-3/4 to 10-1/2	10-1/4 to 11

APPENDIX VI

Growth Rates from January Levels Required to
Achieve Longer-run Targets
Alternatives A and C
(Per cent annual rate)

<u>Achieve Target by:</u>	<u>Alt. A</u>		
	<u>Low End of Range</u>	<u>Mid-Point of Range</u>	<u>High End of Range</u>
	<u>M-1</u>		
March 1979	7.3	10.3	13.3
June 1979	4.5	6.5	8.7
QIV 1979	3.5	5.3	7.1
	<u>M-2</u>		
March 1979	8.8	11.3	13.8
June 1979	6.5	8.3	10.0
QIV 1979	5.8	7.3	8.7
	<u>Alt. C</u>		
<u>Achieve Target by:</u>	<u>Low End of Range</u>	<u>Mid-Point of Range</u>	<u>High End of Range</u>
	<u>M-1</u>		
March 1979	3.3	6.3	9.3
June 1979	1.7	3.7	5.9
QIV 1979	1.1	2.9	4.7
	<u>M-2</u>		
March 1979	6.9	9.3	11.8
June 1979	5.1	6.9	8.6
QIV 1979	4.6	6.1	7.6

Table 1
MONETARY AGGREGATES

CONFIDENTIAL (FR)
CLASS II-FOMC
FEB. 2, 1979

ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED

Period	Money Supply		Total U.S. Govt. Deposits 1/	Time & Savings Deposits				CD's	Nondeposit Sources of Funds 2/	
	Narrow (M1)	Broad (M2)		Total	Other Than CD's					
					Total	Savings	Other			
	1	2	3	4	5	6	7	8	9	
MONTHLY LEVELS--\$BIL										
1978--OCT.	362.0	867.4	21.2	593.6	505.4	223.9	281.5	88.2	74.9	
NOV.	360.6	870.5	21.7	605.3	509.9	221.8	288.0	95.4	73.0	
DEC.	361.2	872.0	17.1	607.9	510.9	220.7	290.6	97.0	76.8	
1979--JAN.	(359.7)	(870.7)	(13.9)	(612.1)	(511.0)	(218.3)	(292.7)	(101.1)		
% ANNUAL GROWTH										
QUARTERLY										
1978--2ND QTR.	11.5	8.8		9.1	6.8	1.3	11.4	22.9		
3RD QTR.	9.2	10.4		10.6	11.3	4.5	17.0	6.5		
4TH QTR.	0.3	4.5		12.3	7.4	-7.1	19.0	40.4		
QUARTERLY--AV										
1978--2ND QTR.	9.9	7.9		10.1	6.4	1.6	10.5	32.8		
3RD QTR.	7.6	8.9		9.5	10.0	1.3	17.3	7.5		
4TH QTR.	4.5	7.5		12.5	9.6	-0.9	18.1	28.4		
MONTHLY										
1978--OCT.	3.7	7.0		7.9	9.1	-1.6	17.7	1.4		
NOV.	-4.6	4.3		23.7	10.7	-11.3	27.7	98.0		
DEC.	2.0	2.1		5.2	2.4	-8.7	10.8	20.1		
1979--JAN.	(-5.0)	(-1.8)		(8.3)	(0.2)	(-10.4)	(8.7)	(50.7)		
DEC.-JAN.	(-1.5)	(0.1)		(6.7)	(1.3)	(-9.5)	(9.8)	(35.8)		
WEEKLY LEVELS--\$BIL										
1978--DEC.	6	360.7	871.8	17.0	607.4	511.2	220.8	290.3	96.3	77.0
13	360.9	871.8	19.8	607.9	510.8	220.7	290.1	97.1	77.7	
20	361.2	871.6	19.3	608.1	510.4	220.1	290.3	97.7	76.9	
27	360.6	871.1	19.3	607.2	510.5	220.0	290.5	96.7	75.6	
1979--JAN.	3	362.4	873.3	17.4	608.4	510.8	219.8	291.0	97.6	
10 P	359.8	870.2	13.2	609.8	510.4	219.5	290.9	99.4		
17 P	360.7	872.0	13.4	612.1	511.3	218.3	292.9	100.8		
24 P	357.6	869.1	14.1	613.9	511.6	217.7	293.9	102.3		

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS. P - PRELIMINARY
 1/ INCLUDES TREASURY DEMAND DEPOSITS AT COMMERCIAL BANKS AND FEDERAL RESERVE BANKS AND TREASURY NOTE BALANCES.
 2/ INCLUDES BORROWINGS FROM OTHER THAN COMMERCIAL BANKS IN THE FORM OF FEDERAL FUNDS PURCHASED, SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE, AND OTHER LIABILITIES FOR BORROWED MONEY, PLUS GROSS LIABILITIES TO OWN FOREIGN BRANCHES (EURODOLLAR BORROWINGS), LOANS SOLD TO AFFILIATES, LOAN RPS, AND OTHER MINOR ITEMS.

TABLE 2
BANK RESERVES
ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED

FEB. 2, 1979

Period	BANK RESERVES			REQUIRED RESERVES			
	Total Reserves	Nonborrowed Reserves	Monetary Base	Total Required	Private Demand	Total Time Deposits	Gov't. and Interbank
	1	2	3	4	5	6	7
MONTHLY LEVELS-\$MILLIONS							
1978--OCT.	41,434	40,156	140,782	41,261	23,059	16,618	1,584
NOV.	41,251	40,548	141,462	41,018	22,705	16,841	1,472
DEC.	41,512	40,644	142,652	41,280	22,670	17,019	1,590
1979--JAN.	(41,440)	(40,438)	(143,602)	(41,196)	(22,677)	(17,032)	(1,486)
PERCENT ANNUAL GROWTH							
QUARTERLY							
1978--2ND QTR.	11.5	3.7	10.4	11.7	13.1	10.1	
3RD QTR.	4.6	5.0	8.5	4.4	8.3	4.4	
4TH QTR.	3.3	5.3	8.3	2.9	-3.1	6.7	
QUARTERLY-AV							
1978--2ND QTR.	6.6	1.1	8.1	7.2	5.0	11.5	
3RD QTR.	8.2	6.2	9.0	8.2	9.5	6.6	
4TH QTR.	3.1	5.4	8.7	2.8	3.1	4.2	
MONTHLY							
1978--OCT.	7.6	1.3	8.9	8.3	11.2	-8.7	
NOV.	-5.3	11.7	5.8	-7.1	-18.4	16.1	
DEC.	7.6	2.8	10.1	7.7	-1.9	12.7	
1979--JAN.	(-2.1)	(-6.1)	(8.0)	(-2.4)	(0.4)	(0.9)	
DEC.--JAN.	(2.7)	(-1.6)	(9.1)	(2.6)	(-0.7)	(6.8)	
WEEKLY LEVELS-\$MILLIONS							
1978--DEC.							
6	41,557	40,859	142,245	41,230	22,664	17,029	1,537
13	42,069	41,478	142,855	41,917	22,632	16,998	2,288
20	41,379	40,812	142,279	41,142	22,759	17,012	1,370
27	40,679	39,266	142,173	40,734	22,623	17,052	1,058
1979--JAN.							
3	42,162	40,979	144,395	41,436	22,675	16,995	1,766
10	40,539	39,854	142,639	40,611	22,595	16,986	1,030
17	42,164	41,267	144,155	41,702	22,866	16,966	1,869
24	41,134	40,211	143,358	41,129	22,532	17,053	1,545
31	41,614	40,187	143,917	41,238	22,717	17,141	1,381

NOTE: RESERVE SERIES HAVE BEEN ADJUSTED TO REMOVE DISCONTINUITIES ASSOCIATED WITH CHANGES IN RESERVE REQUIREMENT RATIO. DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.

TABLE 3
NET CHANGES IN SYSTEM HOLDINGS OF SECURITIES^{1/}
(\$ million, not seasonally adjusted)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
FEBRUARY 2, 1979

	Treasury Bills Net Change ^{2/}	Treasury Coupons Net Purchases ^{3/}					Federal Agencies Net Purchases ^{4/}					Net Change Outright Holdings Total ^{5/}	Net RP's ^{6/}
		Within 1 year	1 - 5	5 - 10	Over 10	Total	Within 1 year	1 - 5	5 - 10	Over 10	Total		
1972	-490	87	789	539	167	1,582	46	592	253	168	1,059	1,631	-1,358
1973	7,232	207	579	500	129	1,415	120	400	244	101	864	9,273	-46
1974	1,280	320	797	434	196	1,747	439	1,665	659	318	3,082	6,303	-154
1975	-468	337	3,284	1,510	1,070	6,202	191	824	460	138	1,613	7,267	1,272
1976	863	472	3,025	1,048	642	5,187	105	469	203	114	891	6,227	3,607
1977	4,361	517	2,833	758	553	4,660	--	792	428	213	1,433	10,035	-2,892
1977--Qtr. IV	186	99	628	166	108	1,001	--	386	177	145	707	-643	34
1978--Qtr. I	-2,655	345	1,123	459	247	2,175	--	--	--	--	--	-555	-1,133
Qtr. II	5,444	288	1,156	468	334	2,246	46	127	104	24	301	7,930	1,224
Qtr. III	3,152	340	774	349	235	1,697	-92	-81	--	--	-173	4,632	266
Qtr. IV	-5,072	212	1,135	250	247	1,844	--	--	--	--	--	-3,283	-2,130
1978--July	235	--	--	--	--	--	--	--	--	--	--	231	-2,536
Aug.	283	171	424	238	113	947	-92	-81	--	--	-173	1,043	1,701
Sept.	2,635	168	350	110	122	751	--	--	--	--	--	3,358	1,102
Oct.	-170	73	507	87	139	807	--	--	--	--	--	625	-1,594
Nov.	-2,151	139	628	163	108	1,037	--	--	--	--	--	-1,154	-1,265
Dec.	-2,751	--	--	--	--	--	--	--	--	--	--	-2,754	728
1978--Nov. 1	-1,667	--	--	--	--	--	--	--	--	--	--	-1,672	-1,809
8	-2,052	--	--	--	--	--	--	--	--	--	--	-2,052	-6,663
15	-923	--	--	--	--	--	--	--	--	--	--	-923	1,783
22	504	139	628	163	108	1,037	--	--	--	--	--	1,540	2,092
29	716	--	--	--	--	--	--	--	--	--	--	683	2,643
Dec. 6	-245	--	--	--	--	--	--	--	--	--	--	-245	-10,500
13	-653	--	--	--	--	--	--	--	--	--	--	-657	6,851
20	-1,268	--	--	--	--	--	--	--	--	--	--	-1,268	-2,186
27	-305	--	--	--	--	--	--	--	--	--	--	-305	6,552
1979--Jan. 3	-121	--	--	--	--	--	--	--	--	--	--	-125	-6,022
10	-1,141	--	--	--	--	--	--	--	--	--	--	-1,141	-3,234
17	-1,287	--	--	--	--	--	--	--	--	--	--	-1,287	827
24	-1,198	--	--	--	--	--	--	--	--	--	--	-1,204	4,549
31	-512	--	--	--	--	--	-150	-229	--	--	-379	-891	-3,933
LEVEL--Jan. 31 (in billions)	39.5	10.5	31.4	14.7	10.7	67.3	1.7	3.5	1.5	.8	7.5	114.4	-5.6

^{1/} Change from end-of-period to end-of-period.

^{2/} Outright transactions in market and with foreign accounts, and redemptions (-) in bill auctions.

^{3/} Outright transactions in market and with foreign accounts, and short-term notes acquired in exchange for maturing bills. Excludes redemptions, maturity shifts, rollovers of maturing coupon issues, and direct Treasury borrowing from the System.

^{4/} Outright transactions in market and with foreign accounts only. Excludes redemptions and maturity shifts.

^{5/} In addition to net purchases of securities, also reflects changes in System holdings of bankers' acceptances, direct Treasury borrowings from the System, and redemptions (-) of Agency and Treasury coupon issues.

^{6/} Includes changes in both RP's (+) and matched sale-purchase transactions (-).

TABLE 4
SECURITY DEALER POSITIONS AND BANK POSITIONS
(millions of dollars)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
FEBRUARY 2, 1979

	U.S. Govt. Security Dealer Positions		Underwriting Syndicate Positions		Excess** Reserves	Member Bank Reserve Positions			
	Bills	Coupon Issues	Corporate Bonds	Municipal Bonds		Borrowing at FRB**		Basic Reserve Deficit**	
						Total	Seasonal	8 New York	38 Others
1977--High	7,234	3,017	295	487	513	1,861	131	-9,151	-13,975
Low	1,729	-1,445	0	116	-111	20	8	-4,234	-8,206
1978--High	5,625	2,043	215	349	719	1,716	236	-8,224	-14,657
Low	278	-1,076	0	57	-227	172	25	-2,370	-8,273
1977--Dec.	4,257	804	195	367	193	570	55	-7,403	-11,350
1978--Jan.	4,127	327	42	293	268	484	32	-6,047	-12,299
Feb.	3,418	1,492	24	197	243	406	49	-4,980	-12,603
Mar.	2,713	740	96	268	200	328	47	-6,778	-11,060
Apr.	3,183	-183	46	202	149	557	44	-6,196	-12,998
May	1,023	5	25	264	219	1,212	92	-4,038	-11,653
June	2,847	78	35	188	178	1,094	120	-4,514	-12,202
July	1,196	-626	51	159	197	1,317	143	-3,651	-10,204
Aug.	1,994	423	34	176	168	1,139	189	-4,793	-11,089
Sept.	2,571	125	49	95	193	1,060	191	-5,098	-11,357
Oct.	1,495	-309	16	156	177	1,277	233	-4,651	-11,551
Nov.	1,960	462	23	115	214	703	186	-3,448	-13,448
Dec.	1,697	219	51	241	232	868	134	-3,345	-12,533
1978--Nov. 1	1,786	12	3	113	113	1,305	234	-3,843	-10,522
8	1,639	1,032	0	107	386	698	190	-4,221	-12,872
15	1,660	687	10	101	245	633	189	-4,763	-13,128
22	1,462	275	73	121	55	604	183	-2,519	-14,657
29	2,004	135	30	169	153	792	180	-2,370	-13,585
Dec. 6	1,909	-281	64	239	327	698	150	-2,481	-13,235
13	2,480	-83	140	340	152	591	132	-4,099	-13,323
20	2,234	64	0	209	237	568	130	-2,688	-12,567
27	835	1,007	0	174	-55	1,413	131	-3,507	-12,258
1979--Jan. 3	138	544	0	78	726	1,183	122	-4,188	-10,520
10	*2,195	*833	0	151	-72p	685p	93p	-4,182	-13,555
17	*2,913	*441	18	65	462p	897p	105p	-4,341	-12,858
24	*3,463	*451	0	77	5p	924p	105p	-2,622p	-12,648p
31	*3,670	*364	0	115p	372p	1,427p	113p	-2,384p	-11,267p

NOTE: Government security dealer trading positions are on a commitment basis. Trading positions, which exclude Treasury securities financed by repurchase agreements maturing in 16 days or more, are indicators of dealer holdings available for sale over the near-term. Underwriting syndicate positions consist of 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.

† Strictly confidential.

* Monthly averages for excess reserves and borrowings are weighted averages of statement week figures.

TABLE 5
SELECTED INTEREST RATES
(per cent)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
FEBRUARY 2, 1979

	Short-Term							Long-Term								
	Federal Funds	Treasury Bills:			CD's New Issue- NYC	Comm. Paper 90-119 Day	Bank Prime Rate	U.S. Govt.-Constant Maturity Yields			Corp.-Aaa Utility		Municipal Bond Buyer	Home Mortgages		
		Market		Auction				90-Day	3-yr	7-yr	20-yr	New Issue		Recently Offered	Primary Conv.	Secondary Market
		3-mo	1-yr	6-mo	FNMA Auc.	GNMA Sec.										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
1977--High	6.65	6.27	6.62	6.51	6.70	6.66	7.75	7.39	7.70	7.99	8.36	8.48	5.93	9.00	8.98	8.39
Low	4.47	4.41	4.67	4.56	4.50	4.63	6.25	5.83	6.59	7.26	7.90	7.95	5.45	8.65	8.46	7.56
1978--High	10.25	9.30	9.62	9.58	10.65	10.52	11.57	9.59	9.22	9.00	9.30	9.54	6.67	10.38	10.60	9.68
Low	6.58	6.16	6.55	6.42	6.65	6.68	7.75	7.40	7.72	8.01	8.61	8.48	5.58	8.98	9.13	8.43
1977--Dec.	6.56	6.07	6.52	6.38	6.65	6.61	7.75	7.30	7.59	7.87	8.34	8.38	5.57	8.96	8.94	8.27
1978--Jan.	6.70	6.44	6.80	6.68	6.82	6.75	7.93	7.61	7.86	8.14	8.68	8.60	5.71	9.02	9.17	8.56
Feb.	6.78	6.45	6.86	6.74	6.77	6.76	8.00	7.67	7.94	8.22	8.69	8.67	5.62	9.15	9.31	8.64
Mar.	6.79	6.29	6.82	6.64	6.73	6.75	8.00	7.70	7.95	8.21	8.71	8.67	5.61	9.20	9.35	8.60
Apr.	6.89	6.29	6.96	6.70	6.84	6.82	8.00	7.85	8.06	8.32	8.90	8.85	5.80	9.36	9.44	8.71
May	7.36	6.41	7.28	7.02	7.20	7.06	8.27	8.07	8.25	8.44	8.95	8.98	6.03	9.57	9.66	8.90
June	7.60	6.73	7.53	7.20	7.66	7.59	8.63	8.30	8.40	8.53	9.09	9.07	6.22	9.70	9.91	9.05
July	7.81	7.01	7.79	7.47	8.00	7.85	9.00	8.54	8.55	8.69	9.14	9.18	6.28	9.74	10.01	9.15
Aug.	8.04	7.08	7.73	7.36	7.86	7.83	9.01	8.33	8.38	8.45	8.82	8.91	6.12	9.79	9.81	8.97
Sept.	8.45	7.85	8.01	7.95	8.34	8.39	9.41	8.41	8.42	8.47	8.86	8.86	6.09	9.76	9.79	9.04
Oct.	8.96	7.99	8.45	8.49	9.12	8.98	9.94	8.62	8.64	8.69	9.17	9.13	6.13	9.86	10.03	9.25
Nov.	9.76	8.64	9.20	9.20	10.15	10.14	10.94	9.04	8.80	8.75	9.27	9.27	6.19	10.11	10.30	9.39
Dec.	10.03	9.08	9.44	9.40	10.44	10.37	11.55	9.33	9.03	8.90	9.28	9.41	6.51	10.35	10.50	9.38
Jan.	10.07	9.35	9.54	9.50	10.20	10.25	11.75	9.50	9.14	8.98	9.54	9.51p	6.47	10.39	10.70	9.67
1978--Nov. 1	9.29	8.35	8.92	8.98	10.00	9.33	10.25	9.12	8.82	8.80	9.25	9.28	6.22	9.90	10.20	9.48
8	9.77	8.85	9.28	9.42	10.00	10.01	10.61	9.10	8.84	8.80	9.30	9.30	6.17	10.05	--	9.39
15	9.68	8.38	9.22	9.29	10.25	10.24	10.75	8.95	8.76	8.72	9.25	9.24	6.11	10.20	10.27	9.40
22	9.68	8.36	9.02	9.00	10.25	10.21	10.96	8.96	8.78	8.72	--	9.25	6.16	10.28	--	9.35
29	9.85	8.98	9.32	9.33	10.25	10.15	11.43	9.16	8.88	8.78	9.27	9.28	6.29	10.30	10.33	9.43
Dec. 6	9.87	8.93	9.29	9.22	10.25	10.25	11.50	9.12	8.86	8.79	9.28	9.31	6.29	10.35	--	9.39
13	9.79	8.90	9.27	9.26	10.38	10.27	11.50	9.19	8.95	8.85	9.29	9.35	6.45	10.35	10.40	9.43
20	9.75	9.14	9.49	9.52	10.65	10.36	11.50	9.52	9.19	9.00	--	9.54	6.67	10.35	--	9.65
27	10.25	9.30	9.62	9.58	10.50	10.52	11.57	9.59	9.22	8.99	--	9.51	6.61	10.38	10.60	9.68
1979--Jan. 3	10.59	9.30	9.68	9.55	10.46	10.57	11.75	9.58	9.21	8.99	--	9.51	6.58	10.38	--	9.72
10	9.97	9.31	9.59	9.44	10.40	10.37	11.75	9.60	9.22	9.01	--	9.55	6.50	10.38	10.67	9.71
17	10.05	9.39	9.62	9.53	10.25	10.31	11.75	9.59	9.21	9.03	9.54	9.57	6.48	10.40	--	9.70
24	10.05	9.38	9.55	9.48	10.12	10.19	11.75	9.42	9.06	8.95	--	9.45	6.30	10.40	10.73	9.67
31	10.12	9.32	9.36	9.38	9.76	10.02	11.75	9.18p	8.95p	8.90p	--	9.41p	6.22	n.a.	--	9.55
Daily--Jan. 25	10.02	9.33	9.41	--	--	10.04	11.75	9.32	8.98	8.90	--	--	--	--	--	--
Feb. 1	10.04p	9.25	9.28	--	--	9.96	11.75	9.12p	8.93p	8.90p	--	--	--	--	--	--

NOTE: Weekly data for columns 1, 2, 3, 6, and 7 are statement week averages of daily data. Weekly data in column 4 are average rates set in the auctions of 6-month bills that will be issued on the Thursday following the end of the statement week. Data in column 5 are 1-day Wednesday quotes. For columns 8 through 11, the weekly date is the mid-point of the calendar week over which data are averaged. Columns 12 and 13 are 1-day quotes for Friday and Thursday, respectively, following the end of the statement week. Column 14 is an average of contract interest rates on commitments for conventional first mortgages with 80 per cent loan-to-value ratios made by a sample of insured savings and loan associations on the Friday following the end of the statement week. Column 15 gives FNMA auction data for Monday preceding the end of the statement week. Column 16 is a 1-day quote for Monday preceding the end of the statement week. The FNMA auction yield is the average yield in bi-weekly auction for short-term forward commitments for Government underwritten mortgages. GNMA yields are average net yields to investors on mortgage-backed securities for immediate delivery, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the coupon rate 50 basis points below the current FHA/VA ceiling.

Appendix Table 1-A

Money and Credit Aggregate Measures

Period	Bank Reserves ^{1/}			Bank Credit	Money Stock Measures							
	Total	Non-borrowed	Monetary Base	Total Loans and Investments	M-1	M-1+	M-2	M-3	M-4	M-5	M-6	M-7
	1	2	3	4	5	6	7	8	9	10	11	12
	(PER CENT ANNUAL RATES OF GROWTH)											
1976	0.6	0.8	6.7	8.0	5.8	12.6	10.9	12.7	7.1	10.2	9.9	9.9
1977	5.3	3.0	8.3	11.3	7.9	9.3	9.8	11.7	10.1	11.7	11.5	11.6
1978	6.9	6.9	9.2	11.3	7.3	5.3	8.5	9.4	10.5	10.5	10.2	11.0
SEMI-ANNUALLY: ^{2/}												
2ND HALF 1977	6.9	3.0	9.3	10.7	8.1	7.5	9.1	11.1	10.3	11.8	12.0	11.9
1ST HALF 1978	7.6	7.6	8.7	12.7	8.0	6.2	7.7	8.3	10.6	10.0	9.9	11.3
2ND HALF 1978	5.9	6.0	9.2	9.4	6.3	4.3	8.9	10.0	9.8	10.5	9.9	10.0
QUARTERLY:												
1ST QTR. 1978	6.6	9.3	8.0	10.4	5.3	4.1	6.5	7.5	9.5	9.3	9.2	10.8
2ND QTR. 1978	10.4	2.7	9.6	17.0	10.8	8.6	9.7	9.4	11.2	10.3	10.1	11.2
3RD QTR. 1978	6.2	6.7	9.6	8.7	9.8	7.5	11.2	11.6	11.0	11.4	11.0	10.9
4TH QTR. 1978	2.7	4.6	8.0	5.9	0.4	-1.8	4.7	7.1	7.6	8.8	7.9	7.9
QUARTERLY-AV:												
1ST QTR. 1978	8.9	14.5	9.7	10.1	6.6	5.0	7.0	8.1	10.2	10.0	10.1	11.5
2ND QTR. 1978	6.2	0.6	7.6	14.9	9.2	7.2	8.4	8.4	10.6	9.8	9.6	10.9
3RD QTR. 1978	8.6	6.6	9.5	10.8	8.1	6.0	9.9	10.4	10.1	10.5	9.7	10.1
4TH QTR. 1978	3.1	5.4	8.6	7.7	4.4	2.5	7.7	9.4	9.4	10.3	9.8	9.7
MONTHLY:												
1977--DEC.	5.6	15.0	9.6	6.3	7.8	5.6	6.3	7.9	9.6	9.9	9.6	11.0
1978--JAN.	18.0	20.9	14.2	14.4	11.3	8.6	9.8	9.8	12.0	11.1	11.8	13.1
FEB.	7.1	9.6	6.2	8.5	1.8	1.5	5.0	6.4	8.6	8.5	8.4	9.9
MAR.	-5.2	-2.9	3.6	7.9	2.8	2.3	4.7	6.3	7.6	8.1	7.4	9.1
APR.	8.3	1.3	7.9	19.9	16.4	12.1	11.2	9.9	13.0	11.1	11.0	12.2
MAY	11.0	-8.9	10.5	16.6	9.7	8.4	9.2	8.8	11.9	10.4	10.4	11.3
JUNE	11.6	15.6	10.1	13.7	6.2	5.2	8.5	9.3	8.3	9.1	8.6	9.7
JULY	14.8	8.5	10.3	11.0	6.8	2.9	8.7	9.6	9.6	10.1	8.3	8.6
AUG.	-5.0	0.2	5.3	5.1	8.5	7.2	11.6	11.5	10.0	10.5	10.1	9.9
SEPT.	8.6	11.3	13.0	9.7	13.8	12.1	13.0	13.4	13.1	13.4	14.3	14.0
OCT.	5.4	-0.9	7.9	9.8	1.7	0.8	6.5	8.9	6.0	8.4	7.6	7.5
NOV.	-3.5	13.5	6.5	6.7	-2.0	-4.9	4.7	6.7	12.6	11.5	9.9	9.9
DEC.	6.1	1.3	9.4	1.1	1.7	-1.4	2.7	5.6	4.1	6.3	6.2	6.2

1/ BASED ON DATA ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS.

2/ BASED ON QUARTERLY AVERAGE DATA.

P - PRELIMINARY

Money and Credit Aggregate Measures

Seasonally Adjusted, Billions of Dollars

Period	Bank Reserves ^{1/}			Bank Credit	Money Stock Measures							
	Total	Non-borrowed	Monetary Base	Total Loans and Investments	M-1	M-1+	M-2	M-3	M-4	M-5	M-6	M-7
	1	2	3	4	5	6	7	8	9	10	11	12
ANNUALLY:												
1976	37,013	36,960	120,670	788.9	313.8	517.2	740.6	1235.6	803.0	1298.0	1436.4	1484.2
1977	38,923	38,354	130,771	875.5	338.7	560.6	809.4	1374.3	883.1	1448.0	1602.2	1658.5
1978	41,497	40,629	142,648	971.1	361.5	586.7	876.3	1500.9	973.0	1597.6	1760.8	1834.2
MONTHLY:												
1977--DEC.	38,923	38,354	130,771	875.5	338.7	560.6	809.4	1374.3	883.1	1448.0	1602.2	1658.5
1978--JAN.	39,507	39,023	132,316	886.0	341.9	564.6	816.0	1385.5	891.9	1461.4	1617.9	1676.6
FEB.	39,741	39,336	132,997	892.3	342.4	565.3	819.4	1392.9	898.3	1471.7	1629.2	1690.5
MAR.	39,570	39,242	133,400	898.6	343.2	566.4	822.6	1400.2	904.0	1481.6	1639.2	1703.3
APR.	39,843	39,286	134,277	913.5	347.9	572.1	830.3	1411.8	913.8	1495.3	1654.2	1720.6
MAY	40,208	38,996	135,450	926.1	350.7	576.1	836.7	1422.1	922.9	1508.3	1668.5	1736.8
JUNE	40,597	39,503	136,594	936.7	352.5	578.6	842.6	1433.1	929.3	1519.8	1680.4	1750.8
JULY	41,099	39,782	137,763	945.3	354.5	580.0	848.7	1444.6	936.7	1532.6	1692.0	1763.3
AUG.	40,928	39,788	138,370	949.3	357.0	583.5	856.9	1458.4	944.5	1546.0	1706.2	1777.8
SEPT.	41,223	40,163	139,865	957.0	361.1	589.4	866.2	1474.7	954.8	1563.2	1726.6	1798.6
OCT.	41,410	40,133	140,781	964.8	361.6	589.8	870.9	1485.6	959.6	1574.2	1737.5	1809.9
NOV.	41,288	40,585	141,542	970.2	361.0	587.4	874.3	1493.9	969.7	1589.3	1751.8	1824.8
DEC.	41,497	40,629	142,648	971.1	361.5	586.7	876.3	1500.9	973.0	1597.6	1760.8	1834.2
WEEKLY:												
1978--DEC.	6	41,506	40,808	142,197	361.3	586.9	875.7		971.9			
	13	42,120	41,529	143,051	361.2	586.7	875.8		972.6			
	20	41,304	40,737	142,255	361.3	586.4	875.9		972.9			
	27	40,789	39,376	142,191	361.1	585.9	875.9		972.4			
1979--JAN.	3	41,969	40,786	144,105	362.4	587.4	878.0		974.6			
	10P	40,675	39,990	142,679	360.6	584.8	875.0		973.8			
	17P	42,143	41,246	144,134	360.9	583.8	876.2		976.7			
	24P	41,282	40,359	143,504	357.9	580.1	873.9		975.8			
	31P	41,727	40,300	144,026								

NOTES: WEEKLY DATA ARE DAILY AVERAGES FOR STATEMENT WEEKS. MONTHLY DATA ARE DAILY AVERAGES. WEEKLY DATA ARE NOT AVAILABLE FOR M3, M5, M6, M7, TOTAL LOANS AND INVESTMENTS AND THRIFT INSTITUTION DEPOSITS.

^{1/} BASED ON DATA ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS. DATA SHOWN IN MILLIONS OF DOLLARS.

P - PRELIMINARY

APPENDIX TABLE 2-A
COMPONENTS OF MONEY STOCK AND RELATED MEASURES

Period	Currency	Demand Deposits	Time and Savings Deposits					Mutual Savings Bank & S&L Shares ^{1/}	Credit Union Shares ^{1/}	Savings Bonds ^{1/}	Short Term U.S. Gov't Securities ^{1/}	Other Private Short-term Assets ^{1/}
			Total	Other Than CD's			CD's					
				Total	Savings	Other						
	1	2	3	4	5	6	7	8	9	10	11	12
(Per cent annual rates of growth)												
ANNUALLY: ^{2/}												
1976	9.5	4.6	8.1	15.0	25.0	7.5	-23.3	15.4	17.8	6.9	7.1	11.9
1977	9.3	7.4	11.4	11.2	11.1	11.4	12.8	14.0	19.5	6.6	12.6	13.4
1978	10.0	6.3	12.5	9.4	1.8	16.1	32.8	10.3	15.3	5.5	7.7	34.4
SEMI-ANNUALLY: ^{2/}												
2ND HALF 1977	10.0	7.3	11.7	9.8	6.4	12.9	25.6	13.6	20.1	6.5	22.3	10.1
1ST HALF 1978	9.3	7.6	12.2	7.6	2.9	11.7	42.6	8.5	17.0	6.3	12.0	51.9
2ND HALF 1978	10.2	4.9	12.0	10.8	0.7	19.3	19.0	11.5	12.4	4.6	3.2	13.5
QUARTERLY:												
1ST QTR. 1978	9.5	3.8	12.1	7.4	2.2	12.0	42.3	8.3	17.2	6.3	11.3	55.4
2ND QTR. 1978	7.9	11.9	11.4	8.9	4.7	12.5	25.5	8.3	15.6	5.7	9.5	39.3
3RD QTR. 1978	11.7	9.1	11.7	12.2	3.6	19.5	8.3	12.1	13.5	4.6	9.3	9.1
4TH QTR. 1978	9.7	-2.7	11.9	7.7	-6.2	18.9	36.6	10.9	7.7	4.0	-4.3	7.8
QUARTERLY-AV:												
1ST QTR. 1978	10.5	5.5	12.5	7.2	2.0	11.7	47.7	8.9	17.4	6.3	16.2	52.3
2ND QTR. 1978	8.0	9.7	11.5	7.9	3.8	11.4	33.5	7.8	15.9	6.2	7.5	45.6
3RD QTR. 1978	9.6	7.6	11.3	11.1	2.3	18.5	12.2	10.9	13.7	4.6	1.0	18.7
4TH QTR. 1978	10.6	2.1	12.4	10.2	-0.9	19.2	25.0	11.8	10.9	4.5	5.4	7.8
MONTHLY:												
1977--DEC.	10.9	6.8	10.7	5.1	1.6	8.2	47.4	9.8	18.3	6.3	7.8	51.1
1978--JAN.	10.8	11.5	12.3	8.7	3.8	12.9	35.8	9.0	15.5	6.3	29.4	51.2
FEB.	10.7	-1.0	12.9	7.3	1.1	12.8	47.4	7.8	17.8	6.2	9.1	55.2
MAR.	6.7	1.0	10.6	6.0	1.6	9.8	39.5	7.8	17.5	6.2	-4.5	52.8
APR.	7.9	19.5	10.9	7.8	4.3	10.7	28.0	7.5	14.8	6.2	13.5	43.1
MAY	9.2	10.3	13.4	8.7	6.0	11.0	40.3	7.2	14.6	6.1	13.4	34.3
JUNE	6.5	5.6	9.6	10.1	3.8	15.5	7.0	10.1	16.9	4.6	1.5	36.9
JULY	9.1	6.0	11.2	9.8	-3.8	21.6	18.0	11.1	9.5	6.1	-23.5	15.3
AUG.	9.0	7.8	10.9	14.1	4.8	21.2	-5.5	11.2	14.1	3.0	9.0	5.0
SEPT.	16.6	13.2	12.7	12.5	9.7	14.8	12.3	13.5	16.3	4.5	43.1	6.7
OCT.	7.6	-0.5	8.5	10.0	-1.6	19.3	1.4	12.5	9.2	4.5	-7.2	8.3
NOV.	10.0	-6.3	21.9	9.4	-9.6	24.5	92.1	10.0	4.6	4.5	-14.4	8.3
DEC.	11.2	-1.4	5.1	3.5	-7.5	12.0	15.1	9.7	9.1	3.0	8.8	6.6

^{1/} GROWTH RATES ARE BASED ON ESTIMATED MONTHLY AVERAGE LEVELS DERIVED BY AVERAGING END OF CURRENT MONTH AND END OF PREVIOUS MONTH REPORTED DATA.

^{2/} BASED ON QUARTERLY AVERAGE DATA.

P - PRELIMINARY.

COMPONENTS OF MONEY STOCK AND RELATED MEASURES

Period	Currency	Demand Deposits	Time and Savings Deposits				Mutual Savings Bank & S&L Shares ^{1/}	Credit Union Shares ^{1/}	Savings Bonds ^{1/}	Short-Term U.S. Gov't Sec ^{1/}	Other Private Short-term Assets ^{1/ 2/}	Non-Deposit Funds ^{3/}	Total Gov't Demand Deposits ^{4/}	
			Total	Other Than CD's										CD's
				Total	Savings	Other								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
ANNUALLY:														
1976	80.8	233.0	489.2	426.7	202.1	224.7	62.4	456.1	39.0	71.9	66.5	47.8	51.0	11.4
1977	88.6	250.1	544.4	470.7	219.7	251.0	73.7	518.3	46.6	76.6	77.6	56.3	62.0	11.7
1978	97.5	264.1	611.4	514.8	222.0	292.8	96.6	571.4	53.2	80.6	82.7	73.4	76.8	15.4
MONTHLY:														
1977--DEC.	88.6	250.1	544.4	470.7	219.7	251.0	73.7	518.3	46.6	76.6	77.6	56.3	62.0	11.7
1978--JAN.	89.4	252.5	550.0	474.1	220.4	253.7	75.9	522.2	47.2	77.0	79.5	58.7	64.9	11.3
FEB.	90.2	252.3	555.9	477.0	220.6	256.4	78.9	525.6	47.9	77.4	80.1	61.4	65.5	8.7
MAR.	90.7	252.5	560.8	479.4	220.9	258.5	81.5	529.0	48.6	77.8	79.8	64.1	65.4	9.3
APR.	91.3	256.6	565.9	482.5	221.7	260.8	83.4	532.3	49.2	78.2	80.7	66.4	65.7	10.2
MAY	92.0	258.8	572.2	486.0	222.8	263.2	86.2	535.5	49.8	78.6	81.6	68.3	66.2	8.3
JUNE	92.5	260.0	576.8	490.1	223.5	266.6	86.7	540.0	50.5	78.9	81.7	70.4	66.4	13.4
JULY	93.2	261.3	582.2	494.1	222.8	271.4	88.0	545.0	50.9	79.3	80.1	71.3	66.7	14.7
AUG.	93.9	263.0	587.5	499.9	223.7	276.2	87.6	550.1	51.5	79.5	80.7	71.6	68.8	16.9
SEPT.	95.2	265.9	593.7	505.1	225.5	279.6	88.5	556.3	52.2	79.8	83.6	72.0	69.8	16.8
OCT.	95.8	265.8	597.9	509.3	225.2	284.1	88.6	562.1	52.6	80.1	83.1	72.5	74.9	20.1
NOV.	96.6	264.4	608.8	513.3	223.4	289.9	95.4	566.8	52.8	80.4	82.1	73.0	73.0	21.0
DEC.	97.5	264.1	611.4	514.8	222.0	292.8	96.6	571.4	53.2	80.6	82.7	73.4	76.8	15.4
WEEKLY:														
1978--NOV. 29	96.8	263.5	610.4	514.2	222.9	291.3	96.2						76.3	21.8
DEC. 6	97.1	264.3	610.6	514.3	222.5	291.9	96.3						77.0	16.6
13	97.2	264.0	611.4	514.6	222.3	292.3	96.8						77.7	12.2
20	97.2	264.2	611.6	514.6	221.9	292.7	97.0						76.9	14.9
27	97.6	263.5	611.3	514.8	221.6	293.3	96.5						75.6	15.8
1979--JAN. 3	97.8	264.6	612.2	515.5	221.7	293.8	96.7							16.9
10P	98.0	262.6	613.3	514.4	221.0	293.4	98.9							13.6
17P	98.0	262.8	615.8	515.3	219.7	295.7	100.5							14.1
24P	98.4	259.6	617.9	515.9	218.9	297.1	102.0							15.0

1/ ESTIMATED MONTHLY AVERAGE LEVELS DERIVED BY AVERAGING END OF CURRENT MONTH AND END OF PREVIOUS MONTH REPORTED DATA.
 2/ INCLUDES PRIVATE DOMESTIC NONFINANCIAL INVESTORS' HOLDINGS OF COMMERCIAL PAPER, BANKERS ACCEPTANCES, SECURITY RP'S AND MONEY MARKET MUTUAL FUND SHARES.

3/ BORROWINGS BY BANKS FROM OTHER THAN COMMERCIAL BANKS IN THE FORM OF FEDERAL FUNDS PURCHASED, SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE, AND OTHER LIABILITIES FOR BORROWED MONEY, PLUS GROSS LIABILITIES TO OWN FOREIGN BRANCHES (EURODOLLAR BORROWINGS), LOANS SOLD TO AFFILIATES, LOAN RPS, AND OTHER MINOR ITEMS.

4/ INCLUDES TREASURY DEMAND DEPOSITS AT COMMERCIAL BANKS AND FEDERAL RESERVE BANKS AND TREASURY NOTE BALANCES.

P - PRELIMINARY