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July 2, 1981

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# **MONETARY AGGREGATES AND MONEY MARKET CONDITIONS**

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Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

July 2, 1981

MONETARY AGGREGATES AND  
MONEY MARKET CONDITIONS

Recent Developments

(1) M1-B, adjusted for shifting into NOW accounts, contracted at about a  $7\frac{3}{4}$  percent annual rate on average in May and June.<sup>1/</sup> This aggregate fell well short of the April-to-June growth path set by the Committee at its May meeting (of 3 percent or lower) and also of the original target for the March-to-June period set in March at  $5\frac{1}{2}$  percent or somewhat less. The weakness in transactions balances extended to NOW accounts, which declined slightly on balance over the last two months. With sustained moderate expansion of its nontransactions component, M2 grew at a  $4\frac{3}{4}$  percent rate on average in May and June and at a  $7\frac{3}{4}$  percent annual rate from March to June, also below paths set for this aggregate. Brisk expansion of large CDs, especially at commercial banks, maintained M3 growth at about a  $9\frac{3}{4}$  percent average annual rate in May and June.

Growth in Monetary Aggregates  
(Seasonally adjusted annual rates)

	<u>May</u>	<u>June</u>	<u>April to June</u>	<u>March to June</u>
M1-B (shift adjusted)	-5.1	-10.5	-7.8	0.4
M2	4.1	5.2	4.7	7.7
M3	9.1	10.1	9.7	10.1

(2) Bank credit increased at an  $11\frac{3}{4}$  percent annual rate in May. Growth in business loans accelerated, but only to an 8 percent annual rate (net of acceptances); many firms satisfied their short-term credit

<sup>1/</sup> All data on monetary aggregates in this Bluebook reflect benchmark revisions, as described in Appendix I.

needs by selling commercial paper as the prime rate lagged the downward movement in market yields. In June, credit expansion at large weekly reporting banks evidently was rapid, but partial data for smaller banks suggest that total bank credit may have increased at only half the May pace.

(3) Total reserves contracted in June, following a substantial rise in May, and over the past three months increased at only about a 3½ percent annual rate. Nonborrowed reserves showed only a slight increase last month, after declining considerably in the previous two months. Over the second quarter nonborrowed reserves declined by about a 7½ percent annual rate. For the first half of the year nonborrowed and total reserves showed little net change, while the monetary base expanded at a relatively low 5½ percent annual rate.

Growth of Reserve Aggregates  
(Seasonally adjusted annual rates)

	<u>April</u>	<u>May</u>	<u>June</u>	<u>March to June</u>	<u>Dec. to June</u>
Nonborrowed reserves	-10.4	-14.6	3.4	-7.2	-0.7
Total reserves	0.0	12.6	-2.4	3.4	1.1
Monetary base	7.3	9.8	1.4	6.2	5.6

Memo: (\$ millions, n.s.a.)

Average level of:

Discount window borrowing	1,338	2,228	2,038
Excess reserves	144	263	331

(4) Given the Committee's decision that, in light of the April surge in the monetary aggregates, some shortfall from its 3 percent April-June growth target for M1-B would be acceptable, the initial operating

path for nonborrowed reserves was lowered in the first part of the intermeeting period as this aggregate weakened.<sup>1/</sup> Borrowing consequently remained around \$2 billion or above, and federal funds generally traded in an 18½ to 19½ percent range. By mid-June, M1-B had weakened considerably, and in a telephone consultation, the Committee indicated that, consistent with the directive, the emerging weakness should be allowed to show through in reduced borrowing at the discount window. M1-B subsequently exhibited greater weakness, but borrowing demand at first remained surprisingly strong and it was not until the last few days of June that borrowing fell noticeably. The federal funds rate nonetheless averaged about 18¾ percent in the most recent statement week.

(5) Despite the firmness of the federal funds rate, most other short-term market interest rates have declined ¾ to 1¾ percentage points, on net, since the May FOMC meeting. Indications of weakness in the money stock and of reduced inflationary pressures encouraged market participants in the view that rates might have reached a cyclical peak, but this bullish attitude has more recently been held with less conviction. The Treasury paid down, net, about \$3½ billion of regular weekly and monthly bills and \$4 billion of cash management bills over the intermeeting period, but foreign official institutions sold around \$4½ billion of Treasury bills over this span largely to finance exchange market intervention activity.

(6) Yields on most long-term securities trended downward through much of the intermeeting period, but have firmed noticeably in

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<sup>1/</sup> Appendix II indicates the adjustments made to reserve paths during the intermeeting period.

recent days. Corporate bond yields are still about  $\frac{3}{4}$  point lower than at the time of the last Committee meeting, but yields on longer-term Treasury coupon issues are up slightly. Interest rates in the primary mortgage market have remained close to their peaks; S&Ls remain cautious lenders, given their weak deposit flows, negative operating margins, and concerns about liquidity.

(7) The dollar has appreciated almost 4 percent, on a trade-weighted basis, since the May FOMC meeting. The dollar reached its highest level since mid-1976 in the first week of June, moving higher against all major foreign currencies despite a decline of U.S. interest rates relative to foreign rates (which generally rose). The sources of the dollar's strength in the first part of the intermeeting period included political developments in Europe and, in the case of the pound, the softness of international oil prices. The dollar fluctuated after early June, as dollar interest rates first fell further and then rebounded while foreign rates changed little.

(8) The table on the next page shows seasonally adjusted annual rates of change, in percent, for selected monetary and financial flows over various periods.

	1978 <sup>1/</sup>	1979 <sup>1/</sup>	1980 <sup>1/</sup>	June '81 over Mar. '81	June '81 over Apr. '81
Nonborrowed reserves	6.3	0.3	7.8	-7.2	-5.6
Total reserves	6.2	2.6	7.1	3.4	5.1
Monetary base	9.1	7.8	8.8	6.2	5.6
<u>Concepts of Money</u>					
M-1A (Currency plus demand deposits) <sup>2/</sup>	7.4	4.9	5.0	-0.2 <sup>5/</sup> (-4.5)	-9.0 <sup>5/</sup> (-8.0)
M-1B (M-1A plus other checkable deposits)	8.2	7.5	7.3	0.4 <sup>5/</sup> (2.1)	-7.8 <sup>5/</sup> (-7.9)
M-2 (M-1B plus small time and savings deposits, money market mutual fund shares and overnight RPs and Eurodollars)	8.3	8.8	9.6	7.7	4.7
M-3 (M-2 plus large time deposits and term RPs)	11.2	9.7	10.2	10.1	9.7
<u>Bank Credit</u>					
Loan and investments of all commercial banks <sup>3/</sup>	13.4	12.6	8.0	7.1	8.4
<u>Managed Liabilities of Banks</u> (Monthly average change in billions)					
Large time deposits	4.2	1.3	3.1	7.2	3.1
Net borrowing from own foreign branches	0.7	1.8	-1.7	0.6	1.0
Other borrowings <sup>4/</sup>	1.8	0.7	1.6	0.5	0.5

<sup>1/</sup> QIV to QIV.

<sup>2/</sup> Other than interbank and U.S. Government.

<sup>3/</sup> Includes loans sold to affiliates and branches.

<sup>4/</sup> Primarily federal funds purchases and securities sold under agreements to repurchase.

<sup>5/</sup> Adjusted for nationwide NOW accounts. Numbers in parentheses are observed changes unadjusted for shifts.

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.

The Money and Credit Targets for 1981

(9) Under the Humphrey-Hawkins Act, the Federal Reserve must report to the Congress by July 20 its updated objectives for money and credit growth in 1981 and its preliminary views about the appropriate objectives for calendar year 1982. This section of the Bluebook focuses on the aggregates for 1981, while the next section discusses longer-run strategy. The table below summarizes the growth of the monetary aggregates and bank credit over the first half of this year. As may be seen from the middle column of the table, the M1 measures at midyear stand below the lower boundaries of their ranges, while M2 is at, and M3 above, the upper limits of their respective ranges.

Money and Credit Growth in the First Half of 1981  
(Seasonally adjusted annual rates, percent)

	<u>80-IV to 81-II</u>	<u>80-IV to June</u>	<u>1981 Target</u>
M1-A (shift adjusted)	1.5	-0.1	3 to 5½
M1-B (shift adjusted)	2.2	0.6	3½ to 6
M2	9.7	9.0	6 to 9
M3	11.6	11.5	6½ to 9½
Bank Credit	8.7	8.5	6 to 9

(10) It was anticipated when the Committee set its target for 1981 in February that the broader monetary aggregates might tend to grow at rates around the upper ends of their ranges if narrow money grew at its midpoint rate. Thus the divergence in the first half between growth of M1-B and of M2 is somewhat larger than the staff projected would be the case for the year. This divergence mainly reflects lower than



expected growth in M1. Given the stronger increase in GNP for the first half than was projected last February, the slower M1 growth was accompanied by an unusually rapid two-quarter rise in its velocity--on the order of 10 percent at an annual rate. There appears to have been a pronounced downward shift in the public's demand for transactions balances in the early part of the year, perhaps associated with the stimulus to more intense cash management provided by extraordinarily high interest rates and the introduction of NOW accounts nationwide. The standard formulation of money demand behavior in the Board's quarterly econometric model suggests that, given actual GNP and interest rates, the velocity of M1-B should have grown around 5 percentage points (annual rate) slower in the first half. The  $2\frac{1}{2}$  percent, annual rate, increase in the velocity of M2 in the first half was also somewhat faster than anticipated for the year.

(11) The behavior of the aggregates relative to target in the first half of this year raises the question of possible adjustments of the current ranges for 1981. The table below presents what we believe to be internally consistent alternative sets of growth rates for monetary aggregates and bank credit over the year ending in the fourth quarter of this year. In alternative 1, M1-B is assumed to grow at the  $4\frac{3}{4}$  percent midpoint rate of the Committee's present long-run target range; in alternative 2, M1-B is assumed to grow by  $3\frac{1}{2}$  percent, equal to the lower bound of the existing 1981 range. As may be seen, attainment of  $4\frac{3}{4}$  percent M1-B growth is projected to involve M2 and M3 growth above the upper ends of the present target ranges for those aggregates, while  $3\frac{1}{2}$  percent growth of M1-B is thought consistent with lower growth rates of the broader monetary aggregates (just within the present range for M2 and just above for M3).

Projected Growth of Money and Credit in 1981,  
Given Alternative M1-B Assumptions  
(percent)

	<u>Alt. 1</u>	<u>Alt. 2</u>	<u>Existing Target for 80-IV to 81-IV</u>
M1-B (shift adjusted)	4½	3½	3½ to 6
M2	9½	8½	6 to 9
M3	10½	9½	6½ to 9½
Bank Credit	8½	8½	6 to 9

(12) Alternative 1 is the basis for the staff's Greenbook forecast, which shows nominal GNP growing at a 9 percent annual rate over the next two quarters. The staff also has assumed that there will not be a further downward shift in the demand for M1-B over the remainder of the year. Given those assumptions, market interest rates appear likely to be a bit higher on average in the next six months than they were in the quarter just ended.<sup>1/</sup> Under the more restrictive monetary assumption of alternative 2, short-term interest rates would be under more upward pressure, and nominal GNP growth would be reduced somewhat in the second half. There also would be substantially greater risk of financial dislocations. The economic and financial outlook under either alternative 1 or alternative 2 is, it should be stressed, quite sensitive to the assumption about M1-B demand. Should something like the downward shift of money demand over the first half be continued, alternative 1--or perhaps even alternative 2--could be associated with declining short-term

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<sup>1/</sup> Interest rates thought consistent with alternatives 1 and 2 may be found in Appendix III.

rates and noticeably stronger growth of nominal GNP and the broader monetary aggregates.<sup>1/</sup>

(13) The July Humphrey-Hawkins report will provide an occasion also for updating the projection of actual (i.e., not shift-adjusted) M1-A and M1-B growth for 1981. Given the behavior of other checkable deposits since April, a question can be raised about whether the shift to new NOW accounts may be near completion. The staff believes that at this time the over-all evidence does not justify a conclusion that the shift is over, but is consistent with a considerably slower movement into NOW accounts in the second half of the year than in the first. Thus far this year OCDs have increased by nearly \$40 billion,<sup>2/</sup> and we have assumed a further increase of \$10 billion over the remainder of the year. Recent evidence on the proportions of new OCDs coming from various sources suggests that the percentage coming from demand deposits should be assumed to remain in the 70 to 75 percent area; in February it had been assumed that the proportion would fall to two-thirds. These assumptions would mean that actual M1-B would grow by 3 percentage points more than shift-adjusted M1-B.

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<sup>1/</sup> The staff's monetary aggregate projections for future months assume that growth of small time and savings deposits will be bolstered by the DIDC's June 25 decisions to remove the cap for ceiling rates on small time deposits maturing in 2½ to 4 years and to remove ceilings entirely on such deposits maturing in 4 years or more, all effective August 1. It has been assumed that there will be a small net positive effect on M2. But the response of the public and the institutions to these decisions--not to mention legal issues that may be raised--represents an element of considerable uncertainty in the outlook, and will remain so for a few months. It also should be noted that the staff has not built the proposed tax-exempt savings certificate (under the "All Savers Act" bill) into its projection. This instrument would further enhance M2 growth.

<sup>2/</sup> Excluding the estimated trend increase of OCDs existing in December 1980.

The present range for actual M1-B of 6 to  $8\frac{1}{2}$  percent assumes a  $2\frac{1}{2}$  percentage point impact. A  $\frac{1}{2}$  point higher actual range would technically be justified if our assumptions about the second half of this year are correct.<sup>1/</sup>

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<sup>1/</sup> A larger adjustment would be entailed for actual M1-A. The present actual range is  $-4\frac{1}{2}$  to -2 percent. On current assumptions about OCD growth and proportions coming out of demand deposits, this range might be lowered by 2 percentage points.

Preliminary Target Ranges for 1982

(14) As background for preliminary assessment of the ranges for money and credit growth in 1982, the table on the next page presents economic projections for a few different sequences of monetary growth. Estimates of the differential impact of the various monetary strategies rely heavily, though not entirely, on the Board's quarterly econometric model. All the projections require certain caveats--in particular, they largely reflect the average behavioral relationships of the past and do not allow for marked short-run "supply-side" effects of the prospective fiscal initiatives, for radical changes in inflationary expectations based on alterations of monetary policy, or for the impact on markets or psychology from extraordinary financial dislocations. Moreover, all of the projections implicitly assume a significant degree of continuing "downward drift" in the public's demand for M1-B, as currently defined--roughly 2 to 3 percentage points per year, measured with the standard quarterly model.

(15) The first longer-run strategy for money growth shown in the table is the basis for the Greenbook forecast through 1982. It assumes achievement of the midpoint of this year's M1-B range (shift adjusted), and assumes further  $\frac{1}{2}$  point reductions in 1982 and 1983. Strategy 2 assumes that M1-B growth this year is held to the low end of the current range (which still involves an acceleration of growth over the second half of this year to a  $4\frac{3}{4}$  percent annual rate), and that growth in the next two years is the same as in strategy 1 (but of course involving lower levels of money throughout the period). Strategy 3 is the most restrictive, and assumes growth in M1-B at the lower end

Economic Implications of Alternative  
Money Growth Strategies

	<u>1981</u>	<u>1982</u>	<u>1983</u>
Adjusted M-1B (Percent Change, Q4 to Q4)			
Strategy 1	4.75	4.25	3.75
Strategy 2	3.5	4.25	3.75
Strategy 3	3.5	3.0	2.5
Real GNP (Percent Change, Q4 to Q4)			
1	2.5	1.2	1.6
2	2.2	.6	1.6
3	2.2	.0	0.7
Implicit Deflator (Percent Change, Q4 to Q4)			
1	8.1	7.0	6.0
2	8.0	6.8	5.7
3	8.0	6.5	5.2
Unemployment Rate (Q4)			
1	7.8	8.3	8.8
2	7.9	8.9	9.5
3	7.9	9.2	10.5

of the current range for 1981 and further decelerations of  $\frac{1}{2}$  point per year from that. All these strategies entail substantial declines in the rate of inflation, but at a cost within the projection period of a considerable rise in the unemployment rate. Progress toward price stability could come more rapidly if such restrictive monetary strategies themselves led to a substantial reduction in inflationary expectations, but it is an open question whether expectations can be reduced more quickly without even greater weakness in output, at least for a time, than has been projected.

(16) Alternative sets of 1982 monetary growth ranges are shown in the table below for Committee consideration. Alternative I calls for a 1982 range for M1-B that is  $\frac{1}{2}$  point lower than the current 1981 range, and alternative II calls for a range that is 1 point lower.<sup>1/</sup> The growth rates presented for M1-B can be considered as shift-adjusted, or, if the shift to NOW accounts is close to completion by the end of this year, as representing ranges for growth in actual M1-B. Alternatives I and II retain  $2\frac{1}{2}$  point ranges for M1-B growth. A third alternative is presented with a 3-point range for M1-B growth should the Committee wish to widen the range to take account of uncertainties in the behavior of this variable related to, among other things, the significant changes in its composition. The range shown under alternative III-- $2\frac{1}{2}$  to  $5\frac{1}{2}$  percent--reduces the upper limit of the present 1981 range by  $\frac{1}{2}$  point and the lower limit by 1 point. A 3-point range of 3 to 6 percent for M1-B would have the disadvantages of an upper limit that does not show a reduction from 1981 and of involving

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<sup>1/</sup> No ranges have been presented for M1-A on the thought that the Committee may wish to consider dropping that aggregate next year.

less restraint on growth of the broader aggregates than any of the alternatives presented.

Projected Consistent Ranges for Money and  
Credit Aggregates in 1982

	<u>Alt. I</u>	<u>Alt. II</u>	<u>Alt. III</u>	<u>Present Range for 1981</u>
M1-B	3 to 5½	2½ to 5	2½ to 5½	3½ to 6
M2	7 to 10	6½ to 9½	6½ to 9½	6 to 9
M3	7 to 10	6½ to 9½	6½ to 9½	6½ to 9½
Bank Credit	7 to 10	6½ to 9½	6½ to 9½	6 to 9

(17) Proposed ranges for 1982 for the broader aggregates are centered on the staff's point estimates of growth rates consistent with attainment of the midpoints of the associated M1-B ranges. Thus, these ranges are equal to, or higher, than ranges for 1981. However, if the Committee wished to continue indicating that growth in the broader aggregates would be in the upper part of their ranges, it could retain the present ranges for M2 and M3, or possibly lower them by ½ point; for M2, however, such a lowering seems more feasible under tighter alternatives II and III.



Short-run Targets for the Monetary Aggregates

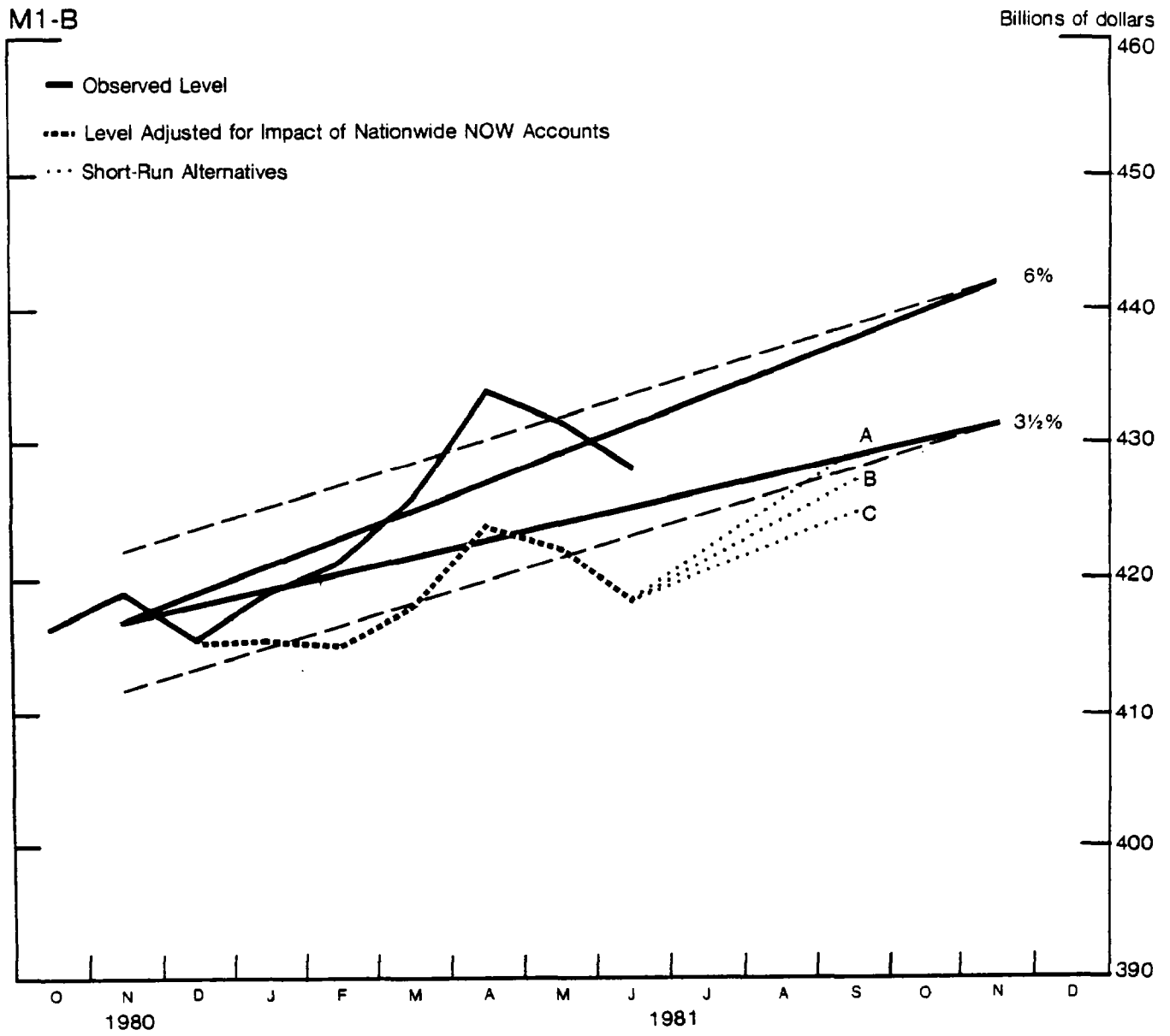
(17) The table below provides three alternative short-run targets for the monetary aggregates. These have been formulated in terms of growth rates from June to September. Possible intermeeting ranges for the federal funds rate also are provided. More detailed data on these and other aggregates may be found on pages 16 and 17, and charts indicating the relationship of the alternative targets to the Committee's existing ranges for 1981 may be found on the next two pages.

Alternative Short-run Targets for the Monetary Aggregates  
(Growth from June to September, in percent, SAAR)

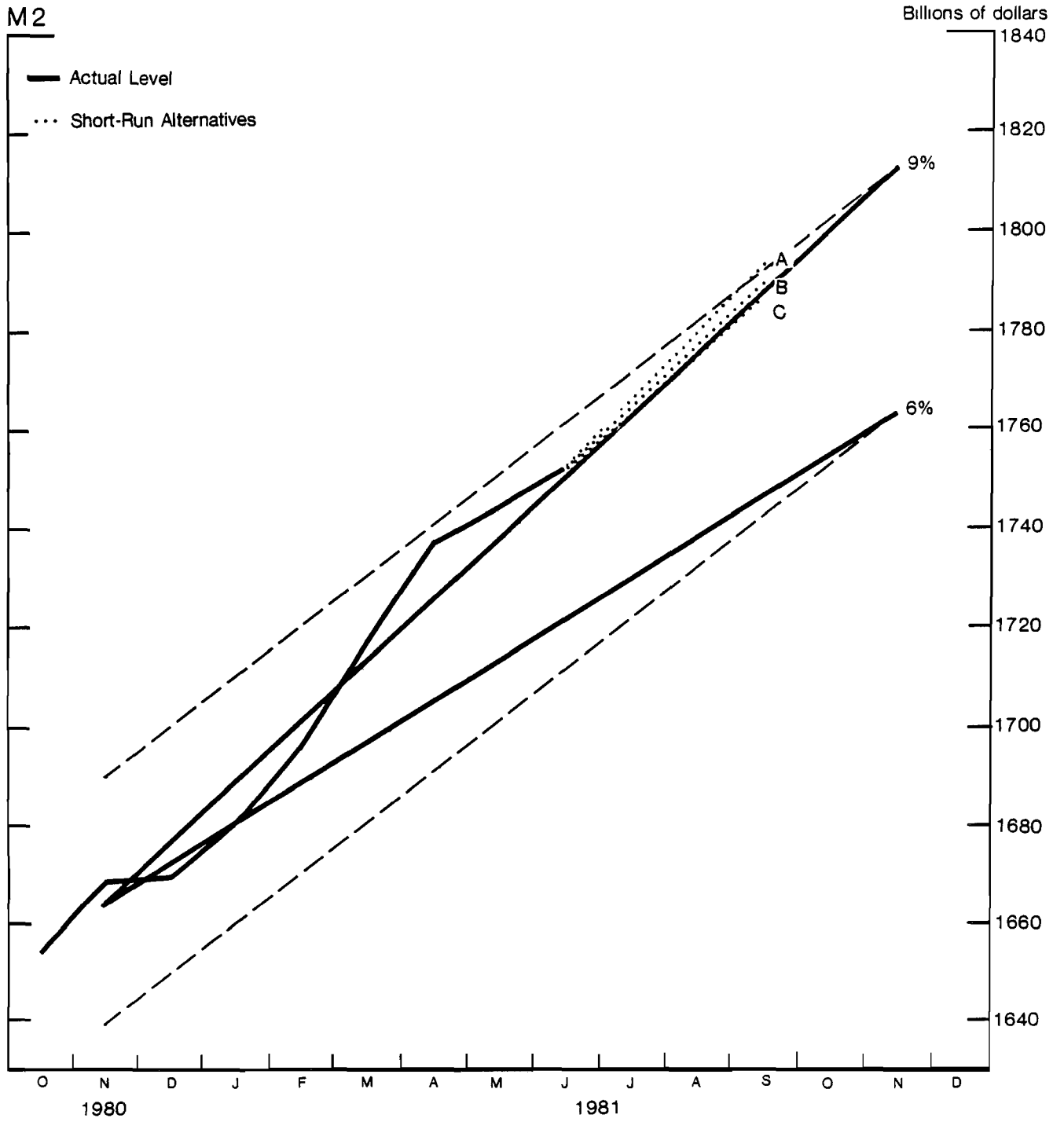
	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
M1-B	10½	8½	6½
M2	9½	8½	8
Federal funds range	14 to 20	16 to 22	18 to 24

(18) Alternative A was designed to return M1-B to the lower end of its longer-run range by September. This requires a 10½ percent annual rate of growth, which would, if continued, result in a fourth-quarter average level in line with the midpoint of the 1981 range. Assuming a fairly smooth month-by-month trajectory, the quarterly average growth of M1-B under alternative A would be 4 percent at an annual rate, as compared to a projected third-quarter growth of nominal GNP of about 7½ percent. M2 would be expected to accelerate from the relatively slow growth rates of the past two months, reflecting not only the faster growth of M1-B but also some strengthening of the nontransactions component. To achieve the specified monetary growth, total reserves might have to expand at a 13 percent annual rate from June to August.

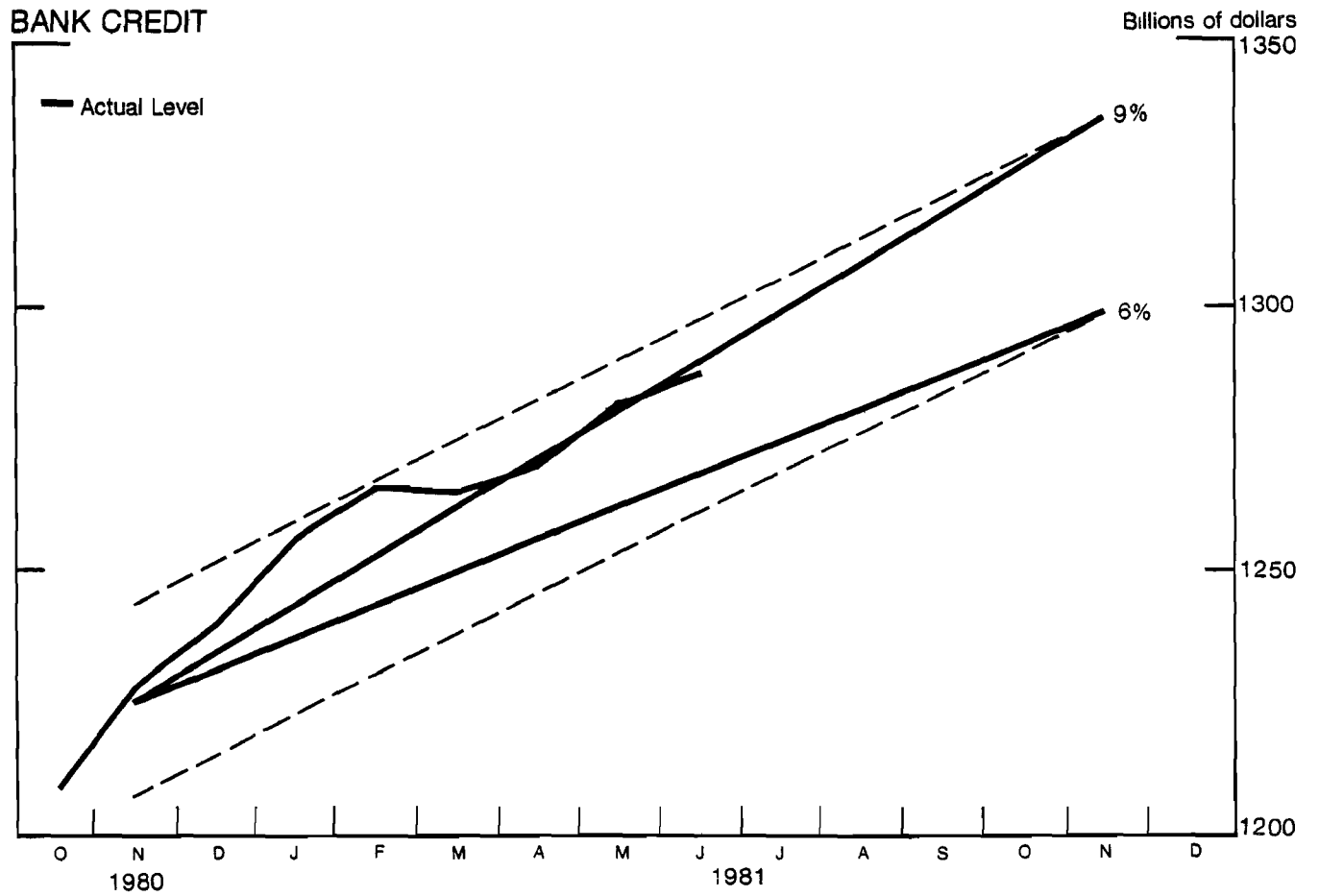
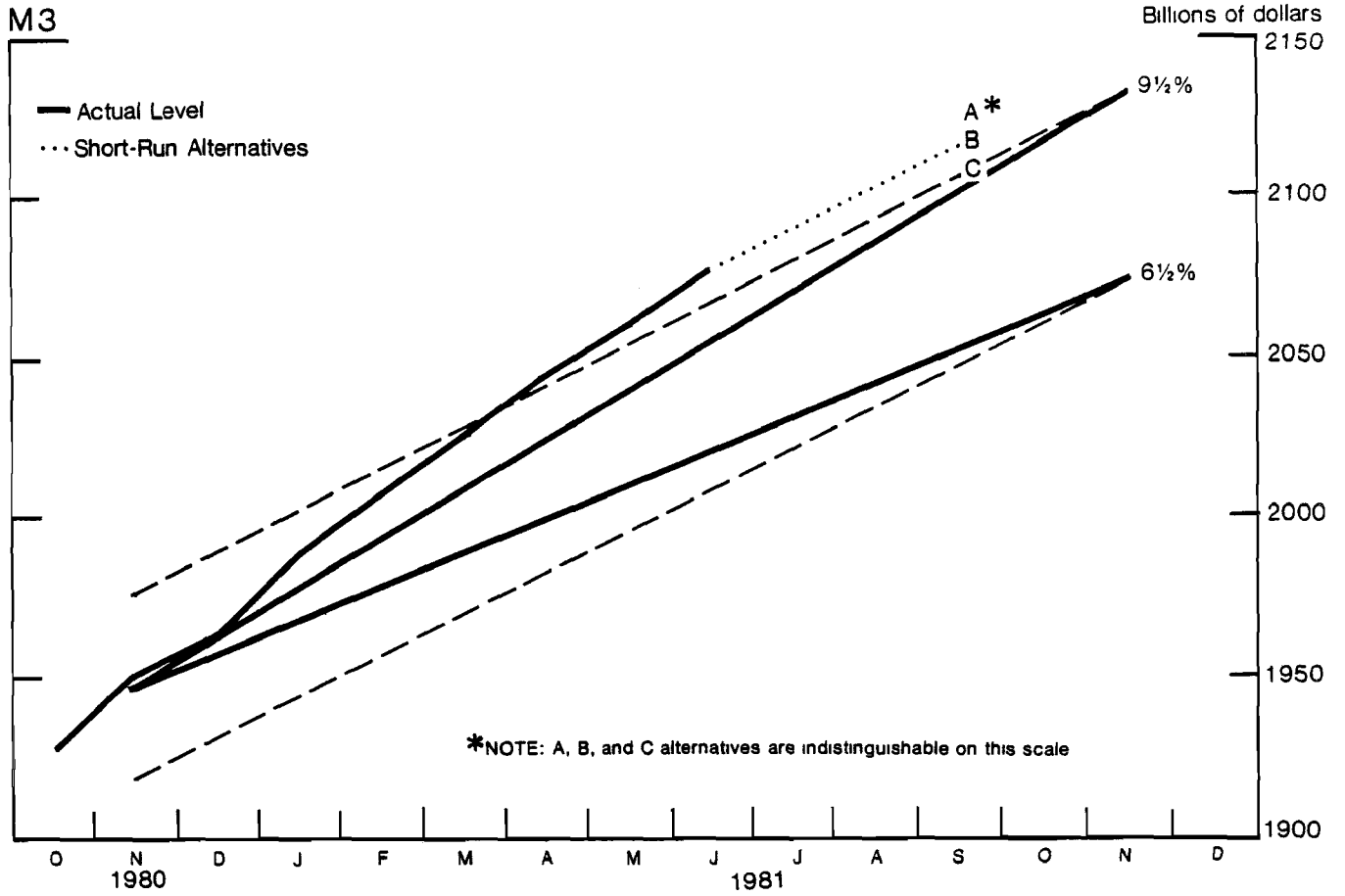
### Actual and Targeted M1-B



### Actual and Targeted M2



### M3 and Bank Credit



Alternative Levels and Growth Rates for Key Monetary Aggregates

	<u>M1-A</u>			<u>M1-B</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>
1981--May	393.3	393.3	393.3	422.1	422.1	422.1
June	389.4	389.4	389.4	418.4	418.4	418.4
July	393.0	392.3	391.8	422.3	421.6	421.1
August	396.2	394.8	393.6	425.8	424.4	423.2
September	399.4	397.2	395.1	429.3	427.1	425.0
<u>Growth Rates</u>						
<u>Monthly</u>						
1981--June	-11.9	-11.9	-11.9	-10.5	-10.5	-10.5
	(-10.5)	(-10.5)	(-10.5)	(-9.7)	(-9.7)	(-9.7)
July	11.1	9.0	7.4	11.2	9.2	7.7
	(6.0)	(3.7)	(2.0)	(13.2)	(11.2)	(9.8)
August	9.8	7.6	5.5	10.0	8.0	6.0
	(5.0)	(2.7)	(0.3)	(11.6)	(9.7)	(7.8)
September	9.7	7.3	4.6	9.9	7.6	5.1
	(5.3)	(2.6)	(-0.3)	(11.0)	(8.8)	(6.4)
June '81 - September '81	10.3	8.0	5.9	10.4	8.3	6.3
	(5.4)	(3.0)	(0.7)	(12.1)	(10.0)	(8.0)
June '81 - August '81	10.5	8.3	6.5	10.5	8.3	6.3
	(5.5)	(3.2)	(1.2)	(12.5)	(10.5)	(8.8)
<u>Quarterly Average</u>						
1981--QII	4.8	4.8	4.8	5.1	5.1	5.1
QIII	3.6	2.1	0.8	4.1	2.8	1.5

NOTE: Growth rates shown in parentheses are for the observed levels of the aggregates.

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

	<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>
1981--May	1743.7	1743.7	1743.7	2059.8	2059.8	2059.8
June	1751.3	1751.3	1751.3	2077.2	2077.2	2077.2
July	1765.5	1763.5	1762.1	2092.8	2090.8	2089.4
August	1779.3	1776.0	1774.2	2108.1	2104.8	2101.9
September	1792.7	1789.0	1785.4	2122.9	2119.2	2115.6
<u>Growth Rates</u>						
<u>Monthly</u>						
1981--June	5.2	5.2	5.2	10.1	10.1	10.1
July	9.7	8.4	7.4	9.0	7.9	7.0
August	9.4	8.5	8.2	8.8	8.0	7.2
September	9.0	8.8	7.6	8.4	8.2	7.8
June '81 - September '81	9.5	8.6	7.8	8.8	8.1	7.4
June '81 - August '81	9.6	8.5	7.8	8.9	8.0	7.1
<u>Quarterly Average</u>						
1981--QII	10.8	10.8	10.8	10.6	10.6	10.6
QIII	8.0	7.3	6.8	8.8	8.3	7.8

(19) Whether so rapid a growth in total reserves would entail a drop in interest rates from current levels of course depends on the demand for money. If money demand were to be quite weak relative to GNP, as has been the case for much of this year, substantial downward pressures on interest rates would probably develop. They also would if economic activity were to become even weaker than in the second quarter. If, however, as the staff currently projects, real GNP does not decline, and the demand for money behaves in a relatively "normal" fashion, a considerable rebound in M1-B growth could occur with little, if any, downward pressure on interest rates. Under those conditions the federal funds rate over the next few weeks might center around the 17 to 18 percent area, and borrowing at the discount window be in a \$1½ to \$1¾ billion range.

(20) With the funds rate in the 17 to 18 percent area, other market rates would probably tend to decline from recent levels. However, if the relatively rapid monthly money growth specified in this alternative actually developed, the extent of any decline in other rates might be limited by the expectational consequences of the rapid money growth. Moreover, interest rates will be influenced by relatively sizable credit demands in the months ahead. The Treasury is expected to sell about \$15 billion, net, of marketable debt in the third quarter, and borrowing will be much larger in the fourth. Business credit demands are expected to expand, as internally generated funds do not keep pace with capital outlays.

(21) Under alternative B, M1-B would grow at a rate that would leave it below the lower end of the FOMC's 1981 range until November. If this growth rate were continued through year-end, it would result in growth for the year just marginally above the low end of the 3½ to

6 percent range for M1-B. The resulting combination of lower GNP and higher interest rates would tend to hold M2 growth down. Growth of total reserves of about  $10\frac{1}{2}$  percent, at an annual rate, from June to August, would be consistent with the alternative B monetary target. Given the present discount window structure, borrowing likely would run \$2 billion or a bit more.

(22) The federal funds rate probably would be around the 19 to 20 percent area during the intermeeting period under alternative B. Other interest rates would probably rise from recent levels, perhaps substantially as the market is disappointed in its expectations that the funds rate would decline gradually as the summer progresses. The 3-month Treasury bill yield might approach, and possibly exceed, 16 percent. Business demands on commercial banks could surge for a time, partly in response to higher bond market yields, possibly requiring heavy CD issuance and/or Eurodollar borrowing.

(23) Alternative C calls for more constraint on reserve growth over the next three months than alternative B--with total reserves growing at an 8 percent annual rate--should the Committee wish, for example, to take an approach that provided greater assurance that broader aggregates would come within current longer-run ranges. This alternative involves M1-B growth at a  $6\frac{1}{2}$  percent annual rate over the next three months, which would leave this aggregate still well below its present longer-run range by September. Sizable upward pressure on interest rates over the period ahead is likely to be generated under this approach, with the funds rate moving above 20 percent and borrowing at the discount window probably moving over  $\$2\frac{1}{2}$  billion. The dollar likely would rise rather substantially on foreign exchange markets, possibly reaching levels that would generate



considerable intervention by foreign countries and related sales of U.S. Government securities. The financial market pressures associated with this alternative might not be long sustained, though, as high financing costs and added strains on key financial intermediaries lead to a marked near-term weakening in aggregate demand.

(24) Even under alternatives A or B, the earnings problems of thrift institutions would remain intense, although they obviously would be greatest with the higher interest rates implied by alternative C. The liberalization of deposit rate ceilings tentatively set by the DIDC to take effect in August should bolster thrift deposit flows; the degree is impossible to anticipate with any precision at this point, especially because there will be unconstrained bank-thrift competition in the 4-year-and-over time deposit category. But earnings pressures on the thrifts would be at best relieved only a little, and concerns that liquidity difficulties may emerge as a result of such pressures will encourage the thrifts to maintain cautious mortgage lending postures.

Directive Language

(24) Given below is a suggested operational paragraph for the directive consistent with the form of the directives adopted at recent meetings. The specifications adopted at the meeting on May 18 are shown in strike-through form.

In the short run the Committee seeks behavior of reserve aggregates consistent with ~~a-substantial-deceleration-of~~ growth in M-1B from ~~April-to~~ June to SEPTEMBER AT an annual rate of 3 \_\_\_ percent ~~or-lower~~, after allowance for the impact of flows into NOW accounts, and with growth in M-2 at an annual rate of about 6 \_\_\_ percent. ~~The-shortfall-in-growth-of-M-1B-from-the-two-month-rate-specified-above-would-be-acceptable;-in-light-of-the-rapid-growth-in-April-and-the-objective-adopted-by-the-Committee-on-March-31-for-grwoth-from-March-to-June-at-an-annual-rate-of-5½-percent-or-somewhat-less;~~ It is recognized that shifts into NOW accounts will continue to distort measured growth in M-1B to an unpredictable extent, and operational reserve paths will be developed in the light of evaluation of those distortions. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that pursuit of the monetary objectives and related reserve paths during the period before the next meeting is likely to be associated with a federal funds rate persistently outside a range of ~~16-to-22~~ \_\_\_ TO \_\_\_ percent.

## APPENDIX I

Measures of the money stock have been benchmarked to incorporate the June, September and December 1980 call reports and certain deposits data collected as a result of the Monetary Control Act of 1980. In addition, the inclusion of travelers checks of nonbank issuers has raised the levels of M1-A and the broader aggregates but has had minimal effects on their growth rates.

Daily deposits data reported since November 1980 for foreign-related institutions--U. S. branches and agencies of foreign banks and Edge Act Corporations--and for other checkable deposits (OCD) at thrift institutions with total deposits greater than \$15 million as of December 1979 have been incorporated. New deposits data of institutions with total deposits between \$2 and \$15 million--that began reporting such data for one week each quarter in January 1981 but staggered in such a way that one-third of all such institutions reports each month--also have been incorporated. Daily deposits data of nonmember commercial banks with deposits greater than \$15 million had been incorporated at the time of the last benchmark in January 1981.

As shown in Table 1, the largest revisions to growth in M-1A and M1-B were for early 1981. M1-A growth was lowered in January and February of this year and raised in April, mainly reflecting new reports of quarterly reporting banks. Growth in M1-B also was lowered in January and February, as an upward revision in OCD at quarterly reporting institutions did not offset the downward revision to demand deposits at these institutions and NOW accounts at S&Ls; expansion in M1-B was raised in April, reflecting strengthened demand deposits and OCD at quarterly reporting banks and OCD at thrifts. The pattern of revisions to growth rates for shift-adjusted

M1-B is similar to that of M1-B. Growth in shift-adjusted M1-B in the first quarter of 1981 was lowered by nearly 2 percentage points, to minus 3/4 percent at an annual rate. Benchmark revisions to M2 growth in 1981 have been relatively small. Growth in M3, shown in Table 3, was raised in late 1980 and the first five months of 1981, primarily reflecting new daily deposits data on large time deposits at foreign-related institutions.

TABLE 1

COMPARISON OF OLD AND REVISED M1-A AND M1-B GROWTH RATES  
(seasonally adjusted at annual rates)

	M1-A			M1-B		
	Old	Revised	Difference (2) - (1)	Old	Revised	Difference (5) - (4)
	(1)	(2)	(3)	(4)	(5)	(6)
<u>Monthly:</u>						
1980--Jan.	5.5	5.5	-	6.8	6.8	-
Feb.	8.7	9.0	.3	12.7	12.8	.1
Mar.	- 2.9	- 2.2	1.7	- 1.2	- 0.6	.6
Apr.	-20.3	-20.4	- .1	-16.8	-17.2	- .4
May	1.3	1.0	- .3	1.2	0.9	- .3
June	12.4	10.4	- 2.0	12.7	11.0	- 1.7
July	9.7	9.6	- .1	13.5	13.4	- .1
Aug.	18.3	19.8	1.5	21.5	22.8	1.3
Sept.	10.4	11.3	.9	13.4	14.5	1.1
Oct.	11.3	11.5	.2	13.6	13.1	- .5
Nov.	5.6	3.7	- 1.9	9.0	8.1	- .9
Dec.	-11.7	-11.0	.7	- 9.8	-10.0	- .2
1981--Jan.	-34.7	-39.0	- 4.3	13.7	10.4	- 3.3
Feb.	-21.5	-25.3	- 3.8	8.7	5.7	- 3.0
Mar.	- 5.2	- 4.6	- .6	11.2	13.1	1.9
Apr.	0.3	2.6	2.3	18.7	22.3	3.6
May	- 4.6	- 5.6	- 1.0	- 5.0	- 6.1	- 1.1
<u>Quarterly</u>						
<u>Average:</u>						
1979 - IV	4.2	4.0	- .2	4.7	4.6	- .1
1980 - I	5.2	5.2	-	6.8	6.8	-
II	- 4.8	- 4.9	- .1	- 2.9	- 3.0	- .1
III	11.5	11.3	- .2	13.9	13.9	-
IV	8.0	8.2	.2	10.9	10.8	- .1
1981 - I	-18.6	-20.8	- 2.2	6.6	4.9	- 1.7
<u>Annual:</u>						
QIV79-QIV80	5.0	5.0	-	7.3	7.3	-

TABLE 2

COMPARISON OF OLD AND REVISED M1-B SHIFT-ADJUSTED AND M-2 GROWTH RATES  
(seasonally adjusted at annual rates)

	M1-B			M-2		
	Shift-adjusted			Old	Revised	Difference
	Old	Revised	Difference			
	(1)	(2)	(3)	(4)	(5)	(6)
			(2) - (1)			(5) - (4)
<u>Monthly:</u>						
1980--Jan.				10.9	10.6	- .3
Feb.				12.3	11.5	- .8
Mar.				4.5	4.8	- .3
Apr.				- 4.2	- 4.6	- .4
May				11.6	11.3	- .3
June				16.4	16.1	- .3
July				19.3	18.6	- .7
Aug.				14.6	14.4	- .2
Sept.				8.5	8.4	- .1
Oct.				6.8	6.6	- .2
Nov.				9.8	10.5	.7
Dec.				1.2	0.6	- .6
1981--Jan.	3.2	- 0.3	- 3.5	9.3	8.2	- 1.1
Feb.	1.5	- 1.4	- 2.9	9.8	10.6	.8
Mar.	7.3	8.7	1.4	15.6	16.1	.5
Apr.	13.9	16.9	3.0	12.7	13.5	.8
May	- 4.0	- 5.1	- 1.1	4.1	4.1	-
<u>Quarterly</u>						
<u>Average:</u>						
1979 - IV				6.1	6.1	-
1980 - I				8.9	8.7	- .2
II				5.4	5.1	- .3
III				15.7	15.4	- .3
IV				8.1	8.1	-
1981 - I	1.1	- 0.8	- 1.9	8.4	8.2	- .2
<u>Annual:</u>						
QIV79-QIV80	-	-	-	9.9	9.6	- .3

TABLE 3

COMPARISON OF OLD AND REVISED M-3 GROWTH RATES  
(seasonally adjusted annual rates)

	M-3		
	Old	Revised	Difference (2) - (1)
	(1)	(2)	(3)
<u>Monthly:</u>			
1980--Jan.	11.1	11.1	-
Feb.	13.6	13.1	- .5
Mar.	4.6	5.0	.4
Apr.	- 1.2	- 1.1	.1
May	10.6	10.5	- .1
June	13.3	12.5	- .8
July	13.7	13.6	- .1
Aug.	14.5	15.2	.7
Sept.	8.8	9.6	.8
Oct.	9.0	9.8	.8
Nov.	13.1	14.4	1.3
Dec.	6.9	7.9	1.0
1981--Jan.	16.2	15.2	- 1.0
Feb.	10.8	11.8	1.0
Mar.	9.6	10.8	1.2
Apr.	9.8	10.9	1.1
May	8.3	9.1	.8
<u>Quarterly</u>			
<u>Average:</u>			
1979 - IV	8.0	7.9	- .1
1980 - I	9.1	9.1	-
II	6.0	6.0	-
III	13.1	13.1	-
IV	10.3	11.3	1.0
1981 - I	12.0	12.4	.4
<u>Annual:</u>			
QIV79-QIV80	10.0	10.2	.2

## Appendix 11

Reserve Targets and Related Measures  
Intermeeting Period  
(\$ millions, not seasonally adjusted)

<u>As of</u>	Targets for 4-week Average May 27 to June 17		Projection of 4-week Average May 27 to June 17			
	Total Reserves (1)	Non- borrowed Reserves (2)	Total Reserves (3)	Required Reserves (4)	Excess Reserves (5)	Adjustment Borrowing (3)-(2)
May 18 (FOMC Meeting)	40,011	37,911	40,011	39,786	225	2,100
May 22	40,011	37,911	40,011	39,786	225	2,100
May 29	40,098 <sup>1/</sup>	37,792 <sup>1/</sup>	40,104	39,821	283	2,312
June 5	40,204 <sup>2/</sup>	37,898 <sup>2/</sup>	40,141	39,823	318	2,243
June 12	40,137 <sup>3/</sup>	37,831 <sup>3/</sup>	40,078	39,788	290	2,247
Actual 4-week Average	40,069	38,824	40,069	39,788	281	2,245
<u>As of</u>	Targets for 3-week Average June 24 to July 8		Projection of 3-week Average June 24 to July 8			
June 17 (FOMC consul- tation)	40,643 <sup>4/</sup>	38,843 <sup>4/</sup>	40,643	40,418	225	1,800
June 19	40,643	38,843	40,464	40,239	225	1,621
June 26	40,808 <sup>5/</sup>	38,840 <sup>5/</sup>	40,674	40,374	300	1,834
July 2	<sup>6/</sup>	<sup>6/</sup>	<sup>6/</sup>	40,377	<sup>6/</sup>	<sup>6/</sup>

<sup>1/</sup> Total and nonborrowed reserve paths adjusted upward by \$87 million reflecting an upward adjustment of \$200 million due to multiplier changes and a downward adjustment of \$113 million to accommodate weakness in M1-B growth. Nonborrowed reserves path was adjusted downward by an additional \$206 million to prevent the unexpectedly large borrowings in the week of May 27 from distorting the nonborrowed reserves path in subsequent weeks.

<sup>2/</sup> Total and nonborrowed reserves paths adjusted upward by \$106 million reflecting an upward adjustment of \$149 million due to multiplier changes and a \$43 million downward adjustment to accommodate weakness in M1-B growth.

<sup>3/</sup> Total and nonborrowed reserves paths adjusted downward by \$67 million reflecting a \$24 million downward adjustment to accommodate weakness in M1-B growth and another \$43 million downward adjustment to smooth transition to next reserve subperiod.

<sup>4/</sup> Target paths consistent with FOMC conference call on June 17.

<sup>5/</sup> Total and nonborrowed reserves paths adjusted upward by \$165 million to reflect benchmark revisions. At the same time, nonborrowed reserves path was adjusted downward by an offsetting \$168 million to prevent unexpectedly large borrowings in the week of June 24 from distorting the nonborrowed reserves path in subsequent weeks.

<sup>6/</sup> Not available at time blue book was prepared.



Appendix III

Federal Funds Rates Consistent with  
Alternative 1981 Growth Rates of M1-B  
(Quarterly averages, percent)

	<u>M1-B Growth, 1980-Q4 to 1981-Q4</u>	
	<u>4½%</u>	<u>3½%</u>
1981--Q1 (Actual)	16.6	16.6
Q2 (Actual)	17.8	17.8
Q3	17.5	19.5
Q4	18.5	21

Table 1  
SELECTED INTEREST RATES  
(Percent)

STRICTLY CONFIDENTIAL (FR)  
CLASS II - FOMC  
July 6, 1981

Period	Federal funds	Short-Term						Long-Term								
		Treasury Bills			Secondary Market	Comm. Paper	Bank Prime Rate	U.S. Govt. Constant Maturity Yields			Corp. Aaa Utility		Municipal Bond Buyer	Home Mortgages		
		Market	Auction					3-yr.	10-yr.	30-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)	
1980--High	19.83	16.73	14.39	15.70	20.58	19.74	21.50	14.29	13.36	12.91	14.51	15.03	10.56	16.35	15.93	14.17
Low	8.68	6.49	7.18	6.66	8.17	7.97	11.00	8.61	9.51	9.54	10.53	10.79	7.11	12.18	12.28	10.73
1981--High	20.06	16.72	14.65	15.68	18.70	18.04	20.64	15.36	14.38	13.88	16.12	16.26	10.94	16.80	17.21	15.46
Low	13.48	12.64	11.83	12.08	13.47	12.87	17.00	12.55	12.27	11.81	14.05	13.98	9.49	14.80	14.84	13.18
1980--June	9.47	7.07	7.54	7.22	8.49	8.27	12.63	8.92	9.78	9.81	10.96	11.00	7.63	12.71	12.35	11.07
July	9.03	8.06	8.00	8.10	8.65	8.41	11.48	9.27	10.25	10.24	11.60	11.41	8.12	12.19	12.66	11.53
Aug.	9.61	9.13	9.39	9.44	9.91	9.57	11.12	10.63	11.10	11.00	12.32	12.31	8.67	12.56	13.92	12.34
Sept.	10.87	10.27	10.48	10.55	11.29	10.97	12.23	11.57	11.51	11.34	12.74	12.72	8.94	13.20	14.77	12.84
Oct.	12.81	11.61	11.30	11.57	12.94	12.52	13.79	12.01	11.75	11.59	13.18	13.13	9.11	13.79	14.95	12.91
Nov.	15.85	13.73	12.66	13.61	15.68	15.18	16.06	13.31	12.68	12.37	13.85	13.91	9.56	14.21	15.53	13.55
Dec.	18.90	15.49	13.23	14.77	18.65	18.07	20.35	13.65	12.84	12.40	14.51	14.38	10.11	14.79	15.21	13.62
1981--Jan.	19.08	15.02	12.62	13.88	17.19	16.58	20.16	13.01	12.57	12.14	14.12	14.17	9.66	14.90	14.87	13.55
Feb.	15.93	14.79	12.99	14.13	16.14	15.49	19.43	13.65	13.19	12.80	14.90	14.58	10.10	15.13	15.24	14.13
Mar.	14.70	13.36	12.28	12.98	14.43	13.94	18.05	13.51	13.12	12.69	14.71	14.41	10.16	15.40	15.74	14.18
Apr.	15.72	13.69	12.79	13.43	15.08	14.56	17.15	14.09	13.68	13.20	15.68	15.48	10.62	15.58	16.54	14.59
May	18.52	16.30	14.29	15.33	18.27	17.56	19.61	15.08	14.10	13.60	15.81	15.48	10.79	16.40	16.93	15.31
June	19.10	14.73	13.22	13.95	16.90	16.32	20.03	14.29	13.47	12.96	14.76	14.81	10.67	16.70	16.17	15.02
1981--May 6	18.91	15.73	14.03	15.10	17.44	16.84	18.43	15.10	14.38	13.86	15.94	15.62	10.90	16.12	--	15.46
13	18.21	16.72	14.65	15.53	18.70	18.04	19.21	15.36	14.37	13.88	15.80	15.63	10.83	16.64	17.21	15.37
20	18.89	16.51	14.42	15.03	18.56	17.80	19.64	15.09	14.01	13.49	15.54	15.29	10.73	16.63	--	15.16
27	18.71	16.41	14.26	15.68	18.28	17.52	20.43	14.93	13.81	13.35	--	14.97	10.64	16.80	16.65	15.23
June 3	18.40	15.46	13.44	14.49	17.25	16.63	20.43	14.39	13.53	13.09	14.93	15.03	10.59	16.76	--	14.97
10	19.33	15.30	13.31	14.00	17.13	16.68	20.00	14.26	13.42	12.95	15.01	14.74	10.63	16.69	16.17	14.96
17	19.10	14.16	12.96	13.36	16.35	15.86	20.00	14.04	13.21	12.72	14.35	14.59	10.73	16.71	--	14.75
24	19.20	14.69	13.27	13.94	17.03	16.24	20.00	14.40	13.54	12.97	--	14.80	10.74	16.62	16.17	15.09
July 1	18.84	14.25	13.23	13.62	17.00	16.28	20.00	14.48	13.79	13.23	--	14.94p	10.85	n.a.	--	15.33
8																
15																
22																
29																
Daily--June 26	18.39	14.13	13.12	--	17.16	16.40	20.00	14.39	13.69	13.14	--	--	--	--	--	--
July 2	20.50p	14.48	13.44	--	17.68	16.77	20.00	14.70p	13.96p	13.35p	--	--	--	--	--	--

NOTE: Weekly data for columns 1, 2, 3, and 5 through 10 are statement week averages of daily data. Weekly data in column 4 are average rates set in the auction of 6-month bills that will be issued on the Thursday following the end of the statement week. For column 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 percent loan-to-value ratios made by a sample of insured savings and loan associations on the Friday following the end of the statement week. The FNMA auction yield is the average yield in a bi-weekly auction for short-term forward commitments for government underwritten mortgages; beginning July 7, 1980, figures exclude graduated payment 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.

Table Z  
NET CHANGES IN SYSTEM HOLDINGS OF SECURITIES<sup>1/</sup>  
(Millions of dollars, not seasonally adjusted)

STRICTLY CONFIDENTIAL (FR)  
CLASS II - FOMC  
July 6, 1981

Period	Treasury Bills Net Change 2/	Treasury Coupons Net Purchases 3/					Federal Agencies Net Purchases 4/					Net Change Outright Holdings Total 5/	Net RPs 6/
		Within 1-year	1 - 5	5 - 10	Over 10	Total	Within 1-year	1 - 5	5 - 10	Over 10	Total		
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
1978	870	1,184	4,188	1,526	1,063	7,962	-47	45	104	24	127	8,724	-1,774
1979	6,243	603	3,456	523	454	5,035	131	317	5	--	454	10,290	-2,597
1980	-3,052	912	2,138	703	811	4,564	217	398	29	24	668	2,035	2,462
1980--Qtr. II	3,249	110 <sup>7/</sup>	1,156 <sup>7/</sup>	359	410	2,395	217	398	29	24	668	6,307	2,373
III	-3,298	137	541	236	320	1,234	--	--	--	--	--	-2,157	-1,381
IV	-58	100	--	--	--	100	--	--	--	--	--	-1	1,107
1981--Qtr. I	-2,514	-23	--	--	--	-23	--	--	--	--	--	-2,555	-1,694
II	2,135	115	469	164	89	836	--	--	--	--	--	2,944	-1,352
1981--Jan.	-3,764	--	--	--	--	--	--	--	--	--	--	-3,764	-1,696
Feb.	-357	-23	--	--	--	-23	--	--	--	--	--	-382	832
Mar.	1,607	--	--	--	--	--	--	--	--	--	--	1,592	-831
Apr.	1,141	115	469	164	89	836	--	--	--	--	--	1,975	-588
May	790	--	--	--	--	--	--	--	--	--	--	790	-2,166
June	204	--	--	--	--	--	--	--	--	--	--	179	1,502
1981--May 6	--	--	--	--	--	--	--	--	--	--	--	--	-3,225
13	241	--	--	--	--	--	--	--	--	--	--	241	-4,735
20	550	--	--	--	--	--	--	--	--	--	--	550	5,397
27	--	--	--	--	--	--	--	--	--	--	-20	-20	-5,046
June 3	-90	--	--	--	--	--	--	--	--	--	--	-90	4,272
10	295	--	--	--	--	--	--	--	--	--	--	295	-4,921
17	--	--	--	--	--	--	--	--	--	--	--	--	4,597
24	--	--	--	--	--	--	--	--	--	--	--	--	-1,986
July 1	--	--	--	--	--	--	--	--	--	--	--	-13	917
8													
15													
22													
29													
LEVEL--July 1	46.6	13.4	33.9	13.0	15.7	76.4	2.4	4.6	1.0	0.6	8.7	131.7	-2.8

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 the net purchases of securities, also reflects changes in System holdings of bankers' acceptances, direct Treasury borrowing from the System and redemptions (-) of agency and Treasury coupon issues.

6/ Includes changes in RPs (+), matched sale-purchase transactions (-), and matched purchase-sale transactions (+).

7/ Maturing 2-year notes were exchanged on June 2, 1980, for special 2-day bills. At their maturity the bills were exchanged for new 2-year notes.

TABLE 3  
SECURITY DEALER POSITIONS AND BANK POSITIONS  
(Millions of dollars)

STRICTLY CONFIDENTIAL (FR)  
CLASS II - FOMC  
July 6, 1981

	U.S. Govt. Securities Dealer Positions				Underwriting Syndicate Positions		Member Bank Reserve Positions				
							Borrowing at FRB				
	Cash		Futures & Forwards		Corporate Bonds	Municipal Bonds	Excess Reserves	Total	Seasonal	Special	Adjustment
	Bills	Coupons	Bills	Coupons							
1980--High	8,838	2,263			299	466	881	3,438	174	816	3,298
Low	1,972	-1,482			0	22	19	215	5	0	12
1981--High	15,668	4,633	-12,865	-3,599	66	268	741p	2,923	309	214	2,273
Low	1,273	1,105	-5,930	-2,560	0	28	-234p	768	105	0	581
1980--June	3,724	1,429	3,526	-1,880	112	264	203	379	12	307	61
July	4,581	634	2,438	-1,015	154	310	284	395	6	253	136
Aug.	5,108	798	3,081	-1,974	91	153	302	658	9	241	408
Sept.	3,681	-416	414	-1,185	24	171	256	1,311	25	91	1,196
Oct.	2,447	143	-1,556	-1,685	14	114	206	1,310	66	0	1,244
Nov.	3,047	149	-7,068	-2,663	17	57	498	2,059	97	0	1,963
Dec.	4,287	20	-9,812	-2,751	4	70	552	1,690	116	0	1,574
1981--Jan.	9,985	1,584	-11,976	-2,884	8	68	544p	1,395p	120p	48	1,226
Feb.	13,317	1,812	-12,203	-2,798	8	95	183p	1,303p	148p	0	1,156
Mar.	13,579	3,415	-11,561	-3,251	46	124	381p	1,000p	196p	0	804
Apr.	8,518	3,149	-7,277	-3,050	15	194	144	1,338	162	0	1,176
May	1,676	2,745	-6,486	-2,822	2	110	263p	2,228p	269p	0	1,959p
June	6,023p*	3,129p*	-10,079p*	-2,967p*	42	192	331p	2,038p	291p	0	1,746p
May 6	2,070	2,580	-5,930	-2,873	0	83	336	2,471	198	0	2,273
13	1,273	2,845	-6,431	-2,753	10	84	98	1,734	276	0	1,458
20	1,744	2,381	-6,028	-2,760	0	84	204	1,975	271	0	1,704
27	1,635	3,046	-6,758	-2,800	0	172	436	2,923	309	0	2,614
June 3	3,004	3,101	-8,643	-2,838	20	83	245p	1,954p	287p	0	1,667p
10	4,675*	3,105*	-9,022*	-2,897*	66	242	249p	2,207p	277p	0	1,930p
17	8,857*	2,939*	-11,500*	-3,221*	83	243	289p	1,895p	279p	0	1,616p
24	6,425*	3,317*	-10,465*	-2,858*	0	200	364p	2,305p	306p	0	1,999p
July 1	2,458p*	4,082p*	-9,605p*	-2,902p*	3	257	482p	1,735p	306p	0	1,429p
8											
15											
22											
29											

NOTE: Government securities dealer cash positions consist of securities already delivered, commitments to buy (sell) securities on an outright basis for immediate delivery (5 business days or less), and certain "when-issued" securities for delayed delivery (more than 5 business days). Futures and forward positions include all other commitments involving delayed delivery; futures contracts are arranged on organized exchanges. Underwriting syndicate positions consist of issues in syndicate, excluding trading positions.

Weekly data are daily averages for statement weeks, except for corporate and municipal issues in syndicate, which are Friday figures. Monthly averages for excess reserves and borrowing are weighted averages of statement week figures. Monthly data for dealer futures and forwards are end-of-month figures for 1980.

\* Strictly confidential.