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Strictly Confidential (FR) Class I FOMC October 2, 1981

MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

STRICTLY CONFIDENTIAL (FR)
CLASS I - FOMC

October 2, 1981

MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Recent developments

(1) Growth of M1-B (adjusted for shifts into NOW accounts) accelerated to almost a 7 percent annual rate in August, but then contracted in September. Over the June to September short-term target period growth was at about a 1¾ percent annual rate, well below the Committee's objective for that interval. As shown in the last column of the table on the next page, growth in adjusted M-1B for the year to date is just a little over 1 percent at an annual rate, well below the lower limit of the Committee's 3½ to 6 percent longer-run range.

(2) Growth of M2 over the June to September period was at a 9 percent annual rate, holding growth for the year to date at the upper end of the FOMC's longer-run range. The nontransaction component of M2 in August and September showed considerable strength, led by continued large inflows into money market mutual funds.

(3) In interpreting the third quarter behavior of M2, it should be noted that its growth was restrained by diversion of M2 balances to retail RPs issued by depository institutions, in part to compete with MMMFs but mainly to attract customer funds in anticipation of the October 1 issuance of All Saver Certificates (ASCs).[1/] These RPs were not included in M2 when it was redefined in early 1980 because they were not of any importance at that time. Inclusion of all such RPs in M2 would raise its

1/ An August 31 Federal Reserve survey indicated that on that date depository institutions had $11.1 billion of retail RPs outstanding--$6.3 billion at S&Ls, $1.3 billion at mutual savings banks, and $3.5 billion at commercial banks. Staff estimates based on sample data suggest such RPs rose a further $4 billion by the end of September.

Key Monetary Policy Aggregates
(Seasonally adjusted annual rates of growth)

	July	August	Sept. p/	Sept. '81 p/ over June '81	Sept. '81 p/ over QIV '80
Money and Credit Aggregates					
M1-B (shift adjusted)	2.6	6.9	-4.0	1.8	1.1
M2	7.4	12.1	7.3	9.0	9.0
M2 plus retail RPs 1/	9.2	14.4	9.3	11.1	9.8
M3	8.7	13.9	8.6	10.5	11.4
Bank Credit	5.7	10.3	7.3	7.8	8.5
Reserve Measures 2/					
Nonborrowed Reserves 3/	19.8	17.2	21.6	19.9	7.2
Total Reserves	7.9	8.6	21.9	12.9	6.2
Monetary Base	8.2	5.1	3.8	5.7	5.4
Memo: Adjustment Borrowing (million of dollars)	1,676	1,339	1,159	--	--

1/ The quantity of retail RPs are staff estimates based on an August 31, 1981 universe survey, and partial FRB and FHLBB samples.
2/ Growth rates for reserve measures are adjusted to remove the effects of discontinuities for breaks in the series as reserve ratios go through phased changes under the Monetary Control Act. In addition, reserve data for QIV '80 have been adjusted to remove the distorting effects of the reduction in week-end reserve avoidance activities that occurred in late 1980.
3/ Nonborrowed reserves included special borrowing and extended credit from the Federal Reserve.
p/ Preliminary.

Memorandum: FOMC Targets
(percent increase)

	Longer-run (QIV '80 - QIV '81)
M1-B (shift adjusted)	3-1/2 to 6
M2	6 to 9
M3	6-1/2 to 9-1/2
Bank Credit	6 to 9

growth from June to September by about 2 percentage points. If adjusted to include retail RPs, growth of M2 would be about ¾ of a percentage point above the longer-run target range.

(4) Nonborrowed reserves expanded at a 20 percent annual rate over the third quarter. Total reserves expanded substantially less, though, as adjustment borrowing from the discount window declined, reflecting the weakening in required reserves against transaction balances. In the most recent statement week, adjustment borrowing averaged a little over $1 billion, some $350 million below the level assumed in constructing the reserve paths after the last meeting. Growth in the monetary base was considerably less rapid than expansion in total reserves, as expansion of currency slowed to an unusually low 4 percent annual rate over the past three months.[1/]

(5) The federal funds rate, which had averaged around 19 percent in July and around 18¼ percent at the time of the August meeting, recently has traded in a 14½ to 16½ percent range as pressure in the reserves market eased.[2/] In response, most other short-term market rates have declined 1 to 2½ percentage points. The bank prime rate was reduced by 1 percentage point to 19½ percent, and the Federal Reserve reduced by 1 percentage point to 3 percent the surcharge rate for large, frequent borrowers at the discount window.

1/ See Appendix I for adjustments made to the reserves path during the intermeeting period.

2/ Trading took place at somewhat higher rates on the first two days of same day CHIPS settlement, as institutions initially managed reserves more cautiously in adjusting to the new system.

(6) Despite the easing in the money market, bond yields have increased on balance since the last meeting by 50 to over 100 basis points. The advance in long-term yields reflected in large part market concerns about federal deficits in fiscal 1982 and beyond. The Treasury raised over \$8 billion of new money in September to build up its cash balance to help meet the large fourth-quarter combined (unified and off-budget) deficit of around \$50 billion, and it has recently held or announced auctions to raise another \$5 billion of cash through 20- and 7-year issues.

(7) Since its peak in early August, just prior to the last FOMC meeting, the dollar has declined on balance by about 7½ percent. Lower short-term interest rates in the United States contributed to the dollar's net decline, but the market also reacted to the prospective improvement in Germany's current account and a weakening in that of the United States.

<u>Prospective developments</u>

(8) The table below presents three alternative approaches to the monetary aggregates for the fourth quarter of 1981. Implied growth rates for the QIV '80 to QIV '81 longer-run policy period for each of these alternatives are also shown. Possible ranges for the intermeeting federal funds rate are indicated in the last line of the table. (More detailed data on these and other aggregates may be found on the following two pages, and charts indicating the relationship of the alternative three-month targets to the Committee's existing longer-run ranges for 1981 may be found on the next three pages.)

	Alt. A	Alt. B	Alt. C
Growth from September to December			
M-1B	12	9	6
M2	12½	11	10
Implied growth from QIV '80 to QIV '81			
M1-B	3	2½	2
M2	10	9¾	9½
Federal funds rate range	9 to 15	11 to 17	13 to 18

(9) Alternative A is designed to achieve a rapid enough expansion of M1-B over the next three months so that it would reach the lower limit of the FOMC's 3½ to 6 percent longer-run target range by December. This approach would probably lead to growth in M2 (and also M3) for the year well above target. Alternative C is designed to bring M2 closer to its target for the year, with the projected small overshoot accounted for mainly by shifts of funds out of non-M2 assets into ASCs; such an approach would

Alternative Levels and Growth Rates for Key Monetary Aggregates

	M1-A			M1-B		
	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1981--August	392.7	392.7	392.7	422.3	422.3	422.3
September	391.0	391.0	391.0	420.9	420.9	420.9
October	394.1	393.4	392.8	424.3	423.6	423.0
November	398.4	396.3	394.6	428.9	426.8	425.1
December	402.9	399.8	396.4	433.7	430.6	427.2
Growth Rates						
Monthly						
1981--September	-5.2	-5.2	-5.2	-4.0	-4.0	-4.0
	(-8.0)	(-8.0)	(-8.0)	(-2.8)	(-2.8)	(-2.8)
October	9.5	7.4	5.5	9.7	7.7	6.0
	(10.7)	(8.3)	(6.3)	(9.4)	(7.5)	(5.8)
November	13.1	8.8	5.5	13.0	9.1	6.0
	(9.6)	(5.0)	(1.3)	(14.3)	(10.5)	(7.5)
December	13.6	10.6	5.5	13.4	10.7	5.9
	(13.1)	(9.9)	(4.3)	(14.4)	(11.8)	(7.1)
September '81 - December '81	12.2	9.0	5.5	12.2	9.2	6.0
	(11.2)	(7.8)	(4.0)	(12.9)	(10.0)	(6.8)
Quarterly Average						
1981--QII	5.1	5.1	5.1	5.3	5.3	5.3
QIII	-1.5	-1.5	-1.5	-0.7	-0.7	-0.7
QIV	7.3	5.2	3.3	7.6	5.7	3.9
1980 QIV - 1981 QIV	2.3	1.7	1.3	2.9	2.4	1.9

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)

	M2			M3		
	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1981--August	1777.9	1777.9	1777.9	2118.3	2118.3	2118.3
September	1788.7	1788.7	1788.7	2133.5	2133.5	2133.5
October	1811.5	1810.0	1808.0	2159.5	2158.0	2156.0
November	1830.0	1826.0	1821.0	2175.7	2173.3	2171.0
December	1844.6	1839.0	1833.4	2189.6	2186.5	2183.4
Growth Rates						
Monthly						
1981--September	7.3	7.3	7.3	8.6	8.6	8.6
October	15.3	14.3	12.9	14.6	13.8	12.7
November	12.3	10.6	8.6	9.0	8.5	8.3
December	9.6	8.5	8.2	7.7	7.3	6.9
September '81 - December '81	12.5	11.2	10.0	10.5	9.9	9.4
Quarterly Average						
1981--QII	10.6	10.6	10.6	10.6	10.6	10.6
QIII	7.3	7.3	7.3	10.4	10.4	10.4
QIV	12.0	11.1	10.2	11.3	10.8	10.4
1980 QIV - 1981 QIV	9.9	9.7	9.4	11.6	11.5	11.4

Chart 1

Actual and Targeted M1-B

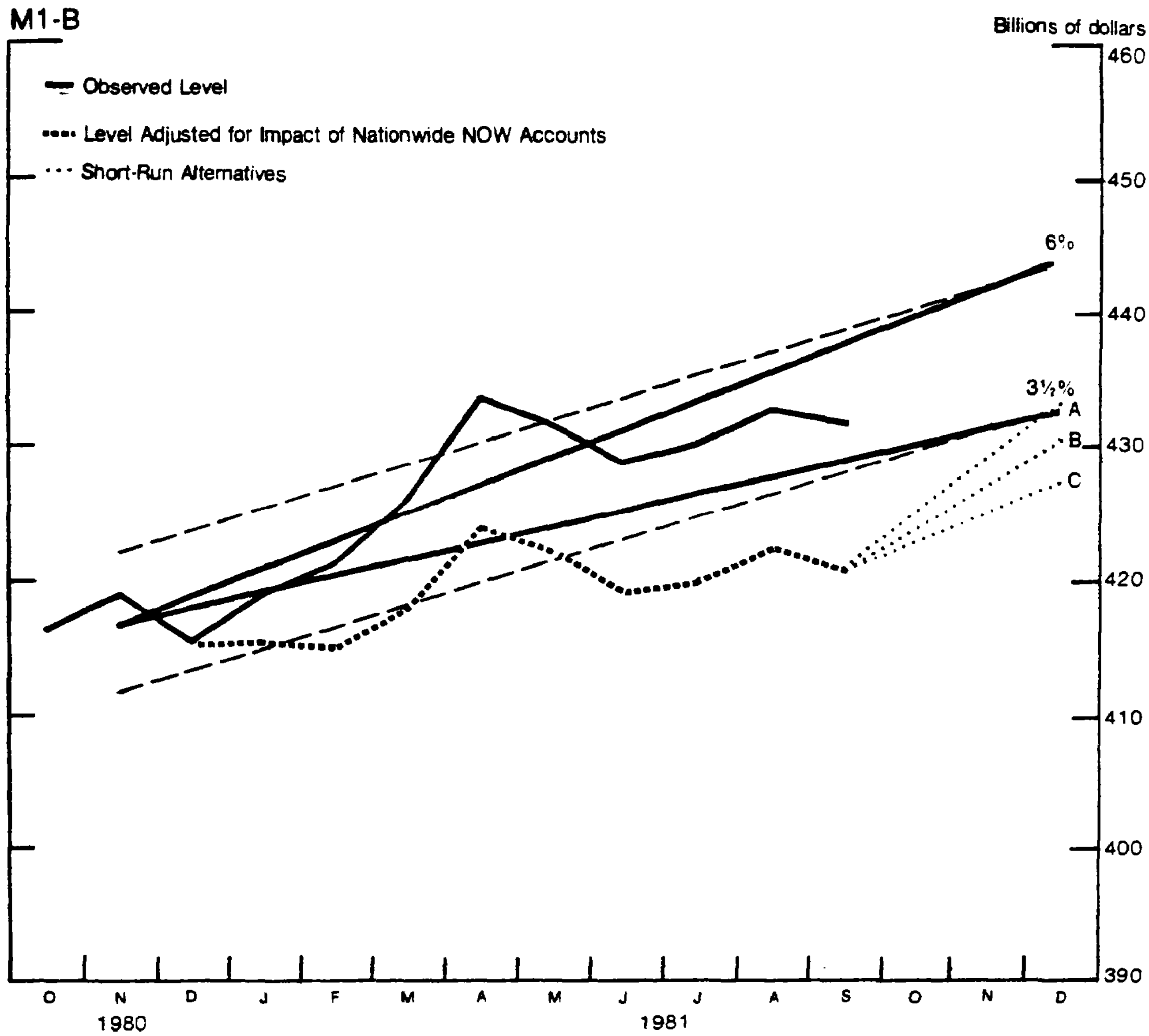
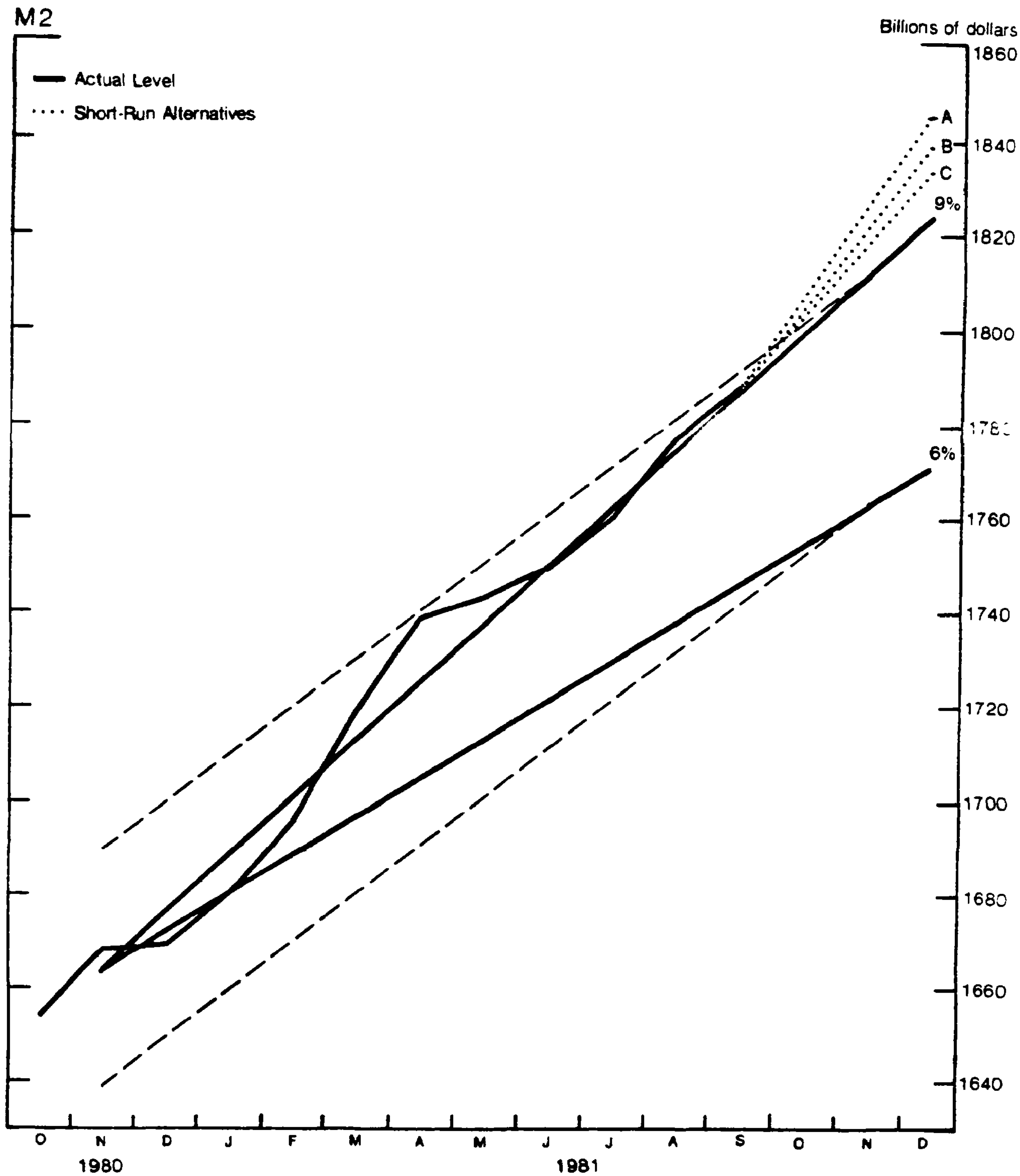
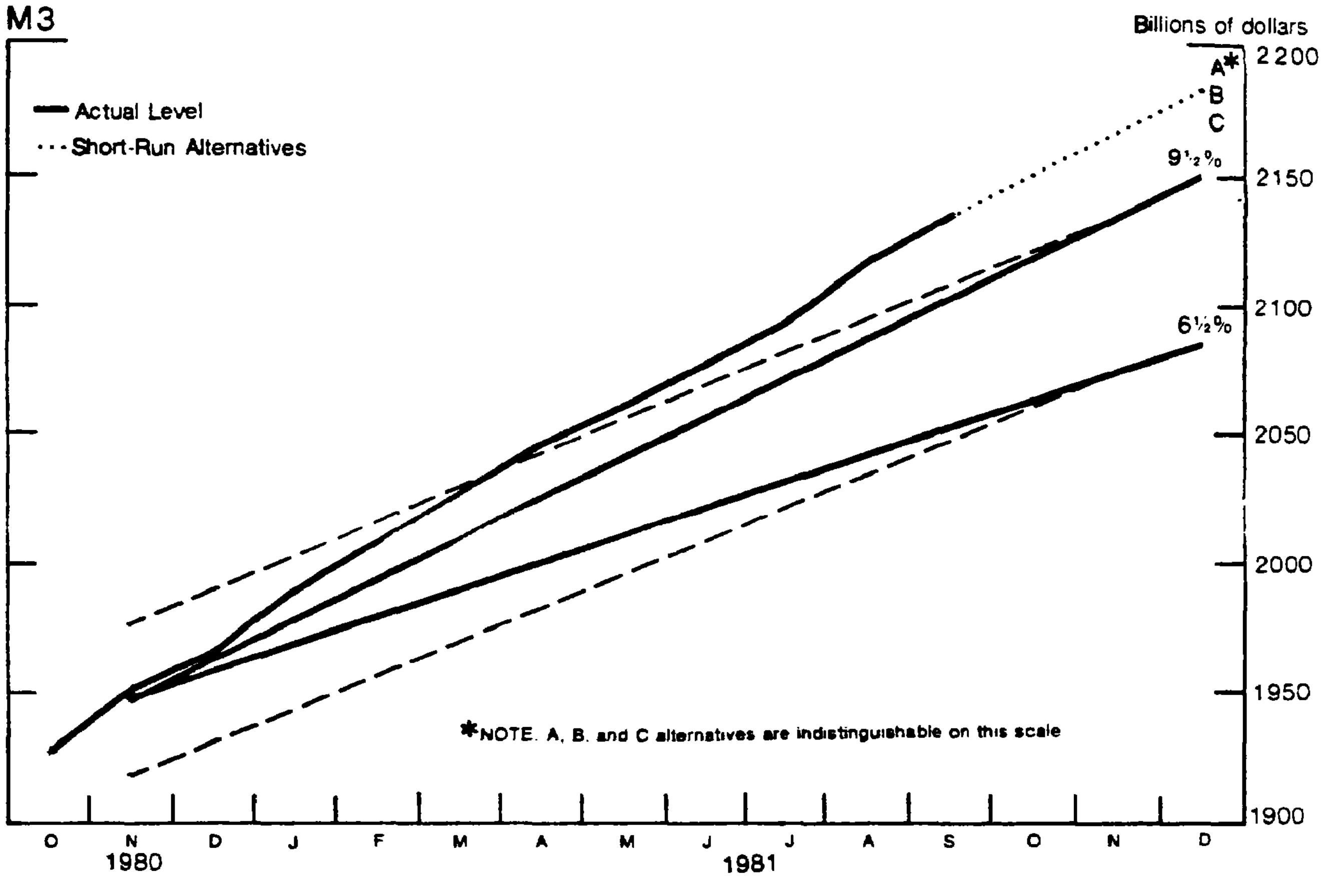


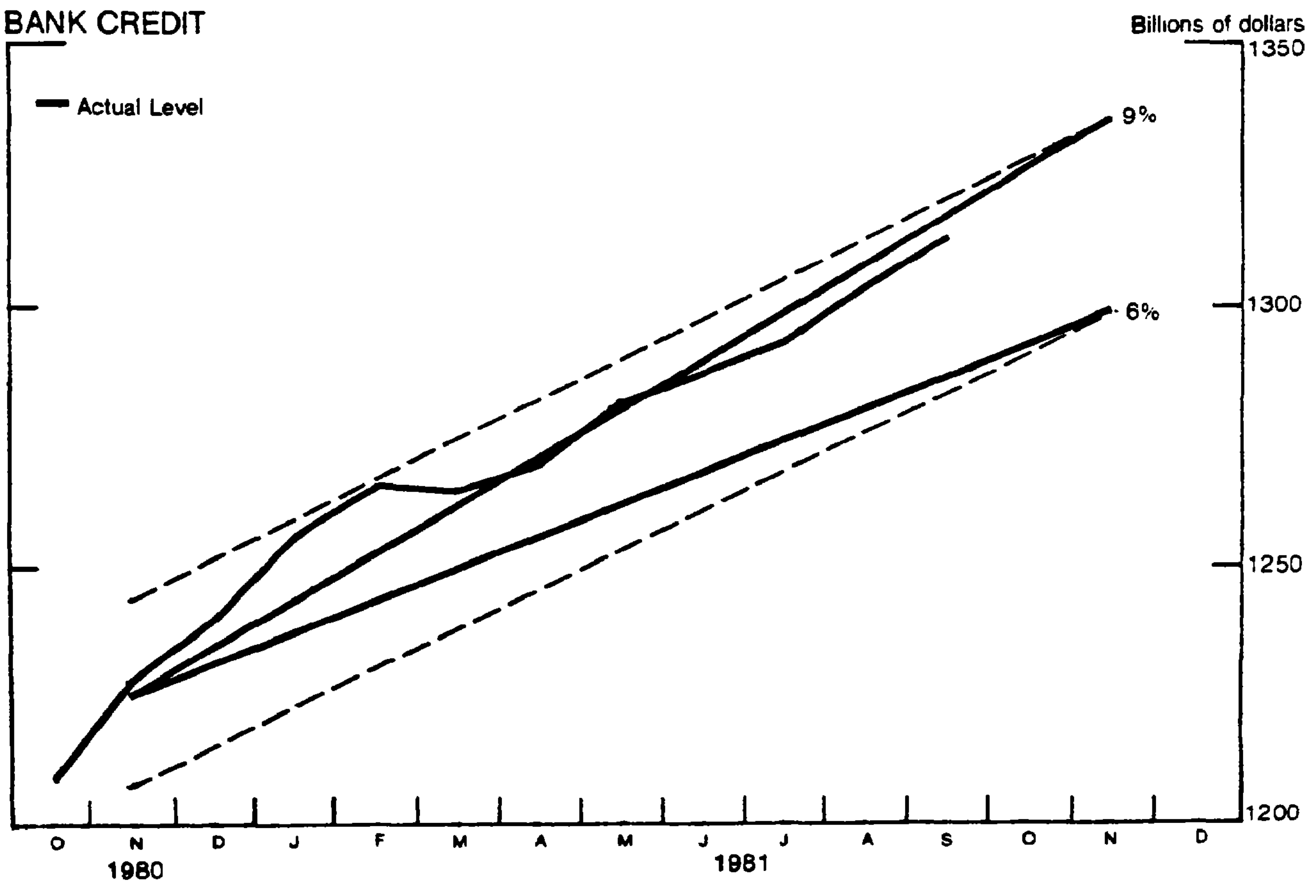
Chart 2

Actual and Targeted M2



M 3 and Bank Credit





leave M1-B for the year well below the lower end of its range. Alternative B falls midway between the two approaches.[1/]

(10) Under the specifications of alternative C we would expect growth in M1-B at a 6 percent annual rate over the September to December period to be consistent with maintaining M2 relatively near to the upper limit of its longer-run target range. The staff does not expect this alternative to involve further downward pressures on short-term interest rates, given the 7 percent increase in nominal GNP projected for the fourth quarter and assuming less rapid downward shift in demand for M1-B (relative to income and interest rates) than occurred earlier this year.[2/]

(11) Over the next few weeks, the federal funds rate under this alternative may fluctuate for the most part in the area of 15 to 16 percent. Other short-term rates are not likely to drop further under

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1/ In developing these alternatives it was assumed that about $80 billion would shift into ASCs during the fourth quarter out of $125 billion projected to shift over the life of the instrument. Of this amount, it was further assumed that about $15 billion will represent funds that are not currently in M2 (with about three-fourths representing funds currently in retail RPs). A shift to ASCs from non-M2 sources of that amount would raise M2 growth by about 3 percentage points at an annual rate for the fourth quarter, and about ¾ of a percentage point for the year 1981. It is probable, however, that such a calculation over-estimates the impact of ASCs on M2. To the extent that retail RPs represent funds that would have otherwise been in M2, shifts from them to ASCs in the fourth quarter only offset the downward distortions to M2 from their growth in earlier quarters. If it is assumed, at one extreme, that all retail RPs reflect funds diverted from M2-type accounts, then the impact of ASCs on M2 for the year 1981 would only be about ¼ of a percent. It is probably best to assume a range of impact from ¼ to ¾ of a percent.

2/ Over the first three quarters of 1981, the downward shift in demand for adjusted M1-B according to the Board's quarterly model was equivalent to about 6 percentage points at an annual rate.

such circumstances, and they could edge higher. Business net demands on financial markets are expected to remain sizable as profits continue to be squeezed, and to focus, as in the recent past, on short-term markets. About half of the Treasury's large cash need between now and year end is expected to be raised in the bill market.

(12) Total reserves would need to expand at a 3 percent annual rate over the last three months of the year if the monetary specifications of alternative C are to be achieved. Adjustment borrowing at the discount window would probably vary between $900 million and $1.2 billion, given the current structure of discount rates and a federal funds rate in the area of 15 to 16 percent. Nonborrowed reserves would be targeted to expand at a 4 percent annual rate over the last three months of the year.

(13) The specifications of alternative B call for a more rapid growth in M1-B at around a 9 percent annual rate from September to December, sustained by 6 percent annual rate of growth in total reserves. The federal funds rate under these conditions is likely to decline to around the current 14 percent basic discount rate or just below. Adjustment borrowing at the discount window would move down to minimal levels in the area of $200 to 300 million or so. Nonborrowed reserve growth would be at a 14 percent annual rate over the next three months.

(14) Other short-term rates would decline along with the funds rate, and a substantial rally in bond markets might develop. The possibilities of such a rally, or the length of one, would be limited by the large pent-up corporate and municipal demands for long-term credit that are likely to materialize as credit conditions ease. Declines in mortgage rates are likely to lag drops in other longer-term yields, in part reflecting

continued pressures on thrift institutions only partially relieved by ASCs. It would probably take some time before any significant pick-up in mortgage commitments was evident, given the past volatility of market conditions and the relatively short-term maturity of ASC deposits.

(16) Under alternative A, M1-B growth is targeted to rise at about a 12 percent annual rate from September to December in order to bring this aggregate back to the lower bound of its long-run range by the end of the year. We would expect a substantial drop in short-term rates--with the funds rate dropping into a 10 to 12 percent range on average and 3-month rates moving toward single digit levels--as reserves are expanded to reach this objective. Total reserves would have to rise at a 9 percent annual rate over the quarter, and nonborrowed reserves at about an 18 percent annual rate. A reserve operating path that appears to entail market rates well below the present 14 percent discount rate calls into question the sustainability of that rate, for technical reasons if for no other.1/

1/ A discount rate well above the expected funds rate runs the risk of leading to highly volatile money market conditions. With adjustment borrowing negligible, the level of nonborrowed reserves in the operating path would be effectively equal to the total reserves path. If there were a shortfall in money and in required reserves, maintenance of nonborrowed reserves at path levels would entail adding to banks' excess reserves, with consequent downward, and possibly sharp downward, pressure on the funds rate. In the short-run the funds rate could be driven toward minimal levels. Rates could subsequently rebound sharply as money demand strengthened, perhaps excessively, in response to the very low money market rates. This type of rate volatility would probably be a little more marked under lagged than under contemporaneous reserve accounting, since under the former excess reserves created by Federal Reserve operations in any given week cannot be absorbed by changes in required reserves that week. With a discount rate low relative to money market rates, the nonborrowed reserves path could be set below the total reserve path. As a result, a change in borrowing could absorb shortfalls in required reserves; and, with borrowing less interest inelastic than excess reserves, short-term market rates would vary less for a given nonborrowed reserve path.

(17) M2 under this alternative would probably grow at a 12½ percent annual rate over the next three months. Net inflows of funds to thrift institutions may pick up somewhat, but more importantly, pressures on their earnings would be greatly alleviated. Both mortgage market rates and bond yields are likely to show a substantial drop, calling forth stronger demands for longer-term financing. In exchange markets, the dollar would probably weaken considerably. However, the declines in long-term rates and exchange rates would tend to be moderated in the degree that market participants came to believe that a substantial rebound of short-term rates was in prospect over a reasonably near term. Such a rebound would be expected by the staff early next year in the process of restraining money growth to FOMC's 1982 targets. Such upward interest rate pressures would be intensified as the sharp easing of credit conditions between now and year-end contemplated by alternative A leads to more of a strengthening in economic activity in the first part of next year than is in the current staff projection.

Directive language

(18) Given below is a suggested operational paragraph for the directive. The specifications adopted at the meeting on August 18 are shown in strike-through form.

In the short run the Committee ~~continues to seek~~ SEEKS behavior of reserve aggregates consistent with growth of M-1B from ~~June to~~ September TO DECEMBER at an annual rate of ~~7~~ ___ percent after allowance for the impact of flows into NOW accounts ~~(resulting in growth at an annual rate of about 2 percent from the average in the second quarter to the average in the third quarter)~~, provided that growth of M2 remains around the upper limit of, or moves within, its range for the year. It is recognized that THE BEHAVIOR OF M2 WILL HAVE TO BE EVALUATED IN THE LIGHT OF THE EFFECTS OF RECENT REGULATORY AND LEGISLATIVE CHANGES, PARTICULARLY THE PUBLIC'S RESPONSE TO THE AVAILABILITY OF THE ALL SAVERS CERTIFICATE ~~shifts into NOW accounts will continue to distort measured growth in M1-B to an unpredictable extent, and operational reserve paths will be developed in the light of evaluation of these 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 ~~15 to 21~~ ____ TO ____ percent.

Appendix I

RESERVES TARGETS AND RELATED MEASURES
INTERMEETING PERIOD
(millions of dollars; not seasonally adjusted)

	Targets for 4-week Average		Projection of 4-week Average			
	August 26 to September 16		August 26 to September 16			
	Total Reserves	Nonborrowed Reserves	Total Reserves	Required Reserves	Excess Reserves	Adjustment Borrowing
	(1)	(2)	(3)	(4)	(5)	(6)
As of						
Aug. 18 (FOMC Meeting)	40,796	39,396	40,796	40,571	225	1,400
21	40,668 1/	39,268 1/	40,510	40,285	225	1,242
28	40,683 2/	39,283 2/	40,483	40,260	224	1,200
Sept. 4	40,833 3/	39,433 3/	40,515	40,246	269	1,082
11	40,750 4/	39,350 4/	40,535	40,253	225	1,185
Actual 4-week Average	40,579	39,269	40,579	40,311	268	1,310
	Targets for 3-week Average		Projection of 3-week Average			
	September 23 to October 7		September 23 to October 7			
Sept. 18	41,162	39,762	40,715	40,490	225	953
25	41,140 5/	39,740 5/	40,721	40,528	193	981
Oct. 2	41,226 6/	39,826 6/	40,847	40,515	332	1,021
Actual 3-week Average	n.a. 7/	n.a. 7/	n.a. 7/	40,515	n.a. 7/	n.a. 7/

1/ Total and nonborrowed reserves paths adjusted downward by $128 million due to multiplier changes.
2/ Total and nonborrowed reserves paths adjusted upward by $15 million due to multiplier changes.
3/ Total and nonborrowed reserves paths adjusted upward by $150 million due to multiplier changes.
4/ Total and nonborrowed reserves paths adjusted downward by $83 million due to multiplier changes.
5/ Total and nonborrowed reserves paths adjusted downward by $22 million due to multiplier changes.
6/ Total and nonborrowed reserves paths adjusted upward by $86 million due to multiplier changes.
7/ Not available at time Bluebook was prepared.

Table 1

Selected Interest Rates

Percent

October 5, 1981

Period	Short Term: Federal funds	Short Term: Treasury bills, market, 3-month	Short Term: Treasury bills, market, 1 year	Short Term: Treasury bills, auction, 6-month	Short Term: CDs secondary market 3 month	Short Term: comm paper 3-month	Short Term: bank prime rate	Long-Term: U S government constant maturity yields, 3-year	Long-Term: U S government constant maturity yields, 10-year	Long-Term: U S government constant maturity yields, 30-year	Long-Term: corporate Aaa utility, new issue	Long-Term: corporate Aaa utility, recently offered	Long-Term: municipal Bond Buyer	Long-Term: home mortgages, primary conv	Long-Term: home mortgages, secondary market, FNMA auction	Long-Term: home mortgages, secondary market, GNMA security
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1980--High	19.83	16.73	14.[illegible]3	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	15.05	15.85	18.70	18.04	20.64	16.54	15.65	15.03	17.62	17.52	13.21	18.36	19.23	17.46
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--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
July	19.04	14.95	13.91	14.40	17.76	17.00	20.39	15.15	14.28	13.59	16.30	15.73	11.14	16.83	16.65	15.76
Aug.	17.82	15.51	14.70	15.55	17.96	17.23	20.50	16.00	14.94	14.17	--	16.82	12.26	17.29	17.63	16.67
Sept.	15.87	14.70	14.53	15.06	16.84	16.09	20.08	16.22	15.32	14.67	17.17	17.26	12.92	18.16	18.99	17.06
1981--July 1	18.84	14.25	13.23	13.62	17.00	16.28	20.00	14.48	13.79	13.23	--	14.94	10.85	16.64	--	15.33
8	19.93	14.68	13.51	14.05	17.52	16.80	20.07	14.71	13.98	13.35	--	15.04	10.97	16.79	16.43	15.95
15	18.76	14.74	13.58	14.23	17.64	16.89	20.50	14.82	14.05	13.38	15.72	15.67	11.09	16.74	--	15.56
22	19.05	15.17	14.15	15.32	17.[illegible]0	17.16	20.50	15.39	14.41	13.68	16.41	16.05	11.34	16.88	16.87	16.17
29	18.54	15.23	14.24	14.79	13.01	17.21	20.50	15.48	14.51	13.77	16.73	16.55	11.44	17.11	--	15.96
Aug. 5	18.25	15.21	14.47	15.57	17.94	17.22	20.50	15.83	14.84	14.10	--	16.68	11.63	17.13	17.27	16.55
12	18.29	15.23	14.46	15.12	17.91	17.23	20.50	15.64	14.67	13.89	--	16.63	11.94	17.27	--	16.04
19	18.19	15.61	14.67	15.64	18.01	17.36	20.50	15.92	14.73	13.93	--	16.80	12.49	17.26	17.24	16.21
26	17.41	15.70	14.89	15.85	18.07	17.22	20.50	16.25	15.17	14.40	--	17.15	12.97	17.48	--	17.28
Sept.2	16.89	15.57	14.98	15.65	17.77	16.97	20.50	16.41	15.37	14.65	17.55	17.50	13.10	17.79	18.37	17.26
9	16.50	15.55	15.05	15.80	17.78	16.97	20.50	16.54	15.53	14.85	17.62	17.52	13.21	18.22	--	17.41
16	16.09	14.52	14.41	14.66	16.98	16.29	20.36	16.15	15.15	14.51	16.87	16.92	12.79	18.27	18.74	17.05
23	15.33	14.32	14.07	14.13	16.17	15.44	19.86	15.82	14.98	14.30	16.79	17.1[illegible]	12.57	18.36	--	16.33
30	15.00	14.23	14.48	14.93	16.19	15.46	19.50	16.34	15.65	15.03	--	17.75p	12.93	n.a.	19.23	17.46
Daily--Sept. 25	14.39	14.30	14.50	--	16.04	15.29	19.50	16.37	15.68	15.08	--	--	--	--	--	--
Oct. 1	16.96	14.57	14.63	--	16.71	15.89	19.50	16.40	15.75	15.14	--	--	--	--	--	--
2	16.80p	14.65	14.39	--	16.80	16.15	19.50	16.10p	15.43p	14.80p	--	--	--	--	--	--

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 con tract 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, figures exclude graduated payment mortgages GNMA yields are average net yields to investors on mortgage backed securities for immediate delivery, assuming prepayment in 12 year on pools of 30 year FHA/VA mortgages carrying the coupon rate 50 basis points below the current FHA/VA ceiling

Table 2

October 5, 1981

Net Changes in System Holdings of Securities[1]

Millions of dollars, not seasonally adjusted

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. 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
III	2,912	122	607	64	182	976	--	--	--	--	--	3,855	425
1981--Apr.	1,141	115	469	164	89	836	--	--	--	--	--	1,975	-588
May	790	--	--	--	--	--	--	--	--	--	--	790	-2,166
June	204	--	--	--	--	--	--	--	--	--	--	179	1,502
July	1,225	122	607	64	182	976	--	--	--	--	--	2,200	1,768
Aug.	1,379	--	--	--	--	--	--	--	--	--	--	1,379	-843
Sept.	308	--	--	--	--	--	--	--	--	--	--	275	-500
1981--July 1	--	--	--	--	--	--	--	--	--	--	--	-13	917
8	--	--	--	--	--	--	--	--	--	--	--	--	5,241
15	347	122	607	64	182	976	--	--	--	--	--	1,322	-4,104
22	978	--	--	--	--	--	--	--	--	--	--	978	3,894
29	-100	--	--	--	--	--	--	--	--	--	--	-100	-4,105
Aug. 5	--	--	--	--	--	--	--	--	--	--	--	--	-710
12	915	--	--	--	--	--	--	--	--	--	--	915	-898
19	797	--	--	--	--	--	--	--	--	--	--	797	3,021
26	--	--	--	--	--	--	--	--	--	--	--	-85	-3,699
Sept. 2	-604	--	--	--	--	--	--	--	--	--	--	-604	2,692
9	-627	--	--	--	--	--	--	--	--	--	--	-627	282
16	250	--	--	--	--	--	--	--	--	--	--	217	-1,716
23	1,160	--	--	--	--	--	--	--	--	--	--	1,160	474
30	-204	--	--	--	--	--	--	--	--	--	--	-204	-206
LEVEL--Sept. 30	49.5	15.0	34.7	11.5	16.2	77.4	2.4	4.7	1.0	0.6	8.7	135.6	-2.6

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 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 (+).

Table 3

Security Dealer Positions and Bank Positions

Millions of dollars

Period	U S government securities dealer positions				Underwriting syndicate positions		Member bank reserve positions				
	cash		futures and forwards		corporate bonds	municipal bonds	excess ** reserves	borrowing at FRB **			
	bills	coupons	bills	coupons				adjustment	seasonal	Extended (includes special)	total
1980--High	8,838	2,263			299	466	881	3,298	174	816	3,438
Low	1,972	-1,482			0	22	19	12	5	0	215
1981--High	15,668	4,633	-12,865	-3,599	83	268	508	2,597	309	236	2,912
Low	1,273	965**	-5,930	-2,514**	0	19	-95	570	99	*	766
1980--Aug.	5,108	798	3,081	-1,974	91	153	302	408	9	241	658
Sept.	3,681	-416	414	-1,185	24	171	256	1,253	25	33	1,311
Oct.	2,447	143	-1,556	-1,685	14	114	206	1,244	66	*	1,310
Nov.	3,047	149	-7,068	-2,663	17	57	521	1,963	97	*	2,059
Dec.	4,287	20	-9,812	-2,751	6	70	468	1,571	116	3	1,690
1981--Jan.	9,985	1,584	-11,976	-2,884	8	68	310	1,204	120	22	1,395
Feb.	13,317	1,812	-12,203	-2,798	8	95	276	1,135	148	21	1,303
Mar.	13,579	3,415	-11,561	-3,251	46	124	248	789	196	15	1,000
Apr.	8,518	3,149	-7,277	-3,050	15	194	127	1,168	162	8	1,338
May	1,676	2,745	-6,486	-2,822	2	110	175	1,154	269	5	2,228
June	5,547	3,278	-9,934	-2,925	42	192	249	1,139	291	7	2,037
July	2,950	3,314	-8,340	-3,012	5	153	250	1,429	247	3	1,679
Aug.	4,324	2,242	-10,071	-2,972	6	65	202	1,105	235	80	1,420
Sept.	5,611**	1,614**	-9,810**	-2,856**			338p	933p	222p	301p	1,456p
July 1	3,046	3,255	-9,416	-2,799	3	257	345	1,425	306	4	1,735
8	3,224	4,385	-8,462	-3,111	0	120	330	1,622	242	2	1,866
15	3,349	3,380	-7,339	-3,053	15	137	63	1,051	241	3	1,295
22	2,756	2,285	-8,712	-3,089	7	135	309	1,483	244	3	1,730
29	2,732	3,367	-8,528	-2,930	0	115	298	1,717	257	4	1,978
Aug. 5	2,985	2,064	-7,606	-2,794	0	67	206	886	228	4	1,118
12	4,215	2,696	-8,879	-2,828	0	60	322	1,045	223	3	1,271
19	4,711	2,011	-10,997	-2,988	25	68	217	1,167	231	59	1,457
26	5,030	2,126	-11,436	-3,093	0	65	214	1,325	246	155	1,726
Sept. 2	4,453	2,366	-11,278	-3,067	0	65	251	1,011	246	191	1,448
9	6,859**	1,539**	-11,135**	-2,514**	8	19	353	1,132	217	236	1,585
16	7,008**	965**	-10,140**	-2,703**	0	52	253p	857p	205p	287p	1,349p
23	5,944**	2,005**	-9,657**	-3,019**	25	84	278p	891p	230p	325p	1,446p
30	2,689**	1,742**	-8,070**	-3,116**	23	58	494p	828p	231p	387p	1,446p

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 consists 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