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Strictly Confidential (FR) Class I FOMC

November 2, 1984

MONETARY POLICY ALTERNATIVES

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

STRICTLY CONFIDENTIAL (FR)
CLASS I - FOMC

November 2, 1984

MONETARY POLICY ALTERNATIVES

Recent developments

(1) Preliminary data for October indicate that M1 declined last month at an annual rate of around 6-1/2 percent, following growth in September that turned out to be 4-3/4 percent (or about 2 percentage points less than expected at the time of the previous FOMC meeting). The estimated level of M1 in October was well below the growth path adopted at the last FOMC meeting for the September-December period and in the lower half of its longer-run target range. Both demand deposits and other checkable deposits were drawn down last month, while currency continued to grow at a slower pace than in the first half of the year.

(2) The nontransactions component of M2 grew a bit faster in October than the advanced September pace, boosted particularly by strengthened inflows to MMDAs and money market funds, whose yields lagged declines in short-term market rates. But with the drop in M1, growth of M2 for October is estimated to have been around 6 percent, somewhat below the Committee's three-month objective of 7-1/2 percent. M3 growth, on the other hand, appears to have picked up in October to a 10-1/2 percent annual rate, somewhat above the Committee's short-run path. CD issuance strengthened considerably in October, as the runoff at the thrift subsidiary of FCA stopped and as banks stepped up sales of CDs in part to offset declining Treasury deposits; in addition, institution-only money market funds expanded by a very substantial amount.

KEY MONETARY POLICY AGGREGATES
(Seasonally adjusted annual rates of growth)

	Aug.	Sept.	Oct.pe	QIV to Oct. pe
Money and Credit Aggregates				
M1	2.0	4.8	-6.6	4.7
M2	4.8	8.1	5.9	6.8
M3	4.9	7.9	10.5	9.3
Domestic nonfinancial debt	14.0	11.2	--	--
Bank credit	8.2	6.9	--	--
Reserve Measures[1]				
Nonborrowed reserves[2]	2.9	-3.0	-16.0	4.4
Total reserves	4.6	-8.9	-13.2	4.6
Monetary base	7.6	-.3	2.9	7.1
Memo: (Millions of dollars)				
Adjustment and seasonal borrowing	974	783	849	--
Excess reserves	683	622	629[3]	--

1. Growth rates of reserve measures are adjusted to remove the effects of discontinuities resulting from phased changes in reserve ratios under the Monetary Control Act.
2. Includes "other extended credit" from the Federal Reserve.
3. Average through October 24 reserve maintenance period.
pe--preliminary estimate.
Note: Monthly reserve measures, including excess reserves and borrowing, are calculated by prorating averages for 2-week reserve maintenance periods that overlap months.

(3) Expansion of the debt of private domestic sectors moderated further in September to an estimated annual rate of 11-1/2 percent, and with borrowing by the federal sector temporarily slowing at the same time, growth in total nonfinancial debt fell to 11-1/4 percent from over 13 percent in the previous two months. At banks, a slackening in the pace of consumer lending and slower growth in business borrowing, as merger financing dropped off and declines in bond yields encouraged greater reliance on long-term finance, contributed to a moderation in credit growth. Partial data for October suggest some additional slowing in bank credit, but with bond issuance by business and state and local governments strengthening considerably further and Treasury borrowing rebounding, total credit growth probably was at least as rapid as in September.

(4) Total reserves fell at about a 13 percent annual rate in October, reflecting a decline in required reserves mainly in response to the weakness in transactions deposits in October and the runoff of CDs in September. Nonborrowed reserves plus extended credit also declined sharply. Use of the discount window was especially heavy early in each of the two maintenance periods ending in October, particularly by large banks, which appear to have become more willing to borrow after the increasingly cautious approach that had developed since last spring. Adjustment plus seasonal borrowing averaged $762 million over the four Wednesday-ending weeks since the last Committee meeting. A level of borrowing of $700 million most recently has been assumed in constructing the reserve paths.

(5) The greater willingness of banks to use discount window credit, market expectations of monetary easing as M1 weakened, and a drop in other short-term rates contributed to a decline in the federal funds

rate from around 11 percent just before the October FOMC meeting to the neighborhood of 10 percent most recently; funds traded below that level on a number of days in the latter part of October. Rates on Treasury bills have dropped about 120 basis points and on short-term private instruments by 125 to 150 basis points during the intermeeting period, bringing the 3-month bank CD rate to about 9-1/2 percent; most major banks reduced their prime rates to 12 percent late in October. Treasury and corporate bond yields have declined by about 80 basis points, responding as well to the apparently improved outlook for inflation from the weakness in oil prices and to information suggesting a more moderate pace of economic activity.

(6) Exchange market conditions were fairly volatile over the period since the last Committee meeting. The dollar has dropped about 2-1/2 percent on balance, after first rising to a new record high in mid-October. The Desk intervened on one day in the period, selling $95 million.

<u>Prospective developments</u>

(7) The table below gives two alternative specifications for growth in the monetary aggregates over the period from September to December, along with associated federal funds rate ranges. (More detailed data, including implied growth for the QIV 1983-to-QIV 1984 period and for October through December, can be found on the table and charts on the following pages.) Given the substantial weakness of M1 in October, both alternatives contemplate growth in this aggregate over the three-month September-to-December period well below the short-run objective specified by the Committee at its last meeting, but growth of M2 and M3 would be expected to be near their short-run objectives. Alternative A involves an initial easing in bank reserve positions, while no substantial change is contemplated by alternative B. No alternative that would initially tighten bank reserve positions is presented in view of the size of recent shortfalls in M1 and M2, with both aggregates now in the lower halves of their ranges for 1984.

	Alt. A	Alt. B	MEMO: Current FOMC specifications
Growth from September to December			
M1	3-1/2	2-1/2	6
M2	7-1/2	7	7-1/2
M3	9-1/2	9-1/4	9
Federal funds rate range	7 to 11	8 to 12	8 to 12

(8) Under alternative B, M1 is expected to grow fairly rapidly over the last two months of the quarter—at about a 7 percent annual rate. Some of the unusual factors that depressed M1 in October—such as the possible pull of relatively high-yielding MMDA accounts on funds that

Alternative Levels and Growth Rates for Key Monetary Aggregates

	M1		M2		M3	
Monthly Levels	Alt. A	Alt. B	Alt. A	Alt. B	Alt. A	Alt. B
1984--July	545.8	545.8	2281.8	2281.8	2860.4	2860.4
August	546.7	546.7	2290.9	2290.9	2872.0	2872.0
September	548.9	548.9	2306.4	2306.4	2891.0	2891.0
October	545.9	545.9	2317.7	2317.7	2916.3	2916.3
November	549.4	549.1	2333.2	2332.1	2937.7	2937.3
December	553.7	552.3	2349.6	2346.6	2960.0	2958.3
Growth Rates Monthly						
1984--July	-1.3	-1.3	5.1	5.1	8.8	8.8
August	2.0	2.0	4.8	4.8	4.9	4.9
September	4.8	4.8	8.1	8.1	7.9	7.9
October	-6.6	-6.6	5.9	5.9	10.5	10.5
November	7.7	7.0	8.0	7.5	8.8	8.6
December	9.4	7.0	8.4	7.5	9.1	8.6
1984 June to Sept.	1.8	1.8	6.0	6.0	7.2	7.2
1984 Sept. to Dec.	3.5	2.5	7.5	7.0	9.5	9.3
1984 Oct. to Dec.	8.6	7.1	8.3	7.5	9.0	8.6
Growth Rates Quarterly Average						
1984--Q1	7.2	7.2	6.9	6.9	8.9	8.9
Q2	6.2	6.2	6.9	6.9	10.3	10.3
Q3	4.5	4.5	6.2	6.2	8.2	8.2
Q4	1.9	1.5	7.1	6.8	8.8	8.7
Memo:						
'83 Q4 to Sept.'84	5.8	5.8	6.8	6.8	9.1	9.1
'83 Q4 to Oct. '84	4.7	4.7	6.8	6.8	9.3	9.3
'83 Q4 to '84 Q4	5.0	4.9	6.9	6.9	9.4	9.3

Chart 1

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Actual and Targeted M1

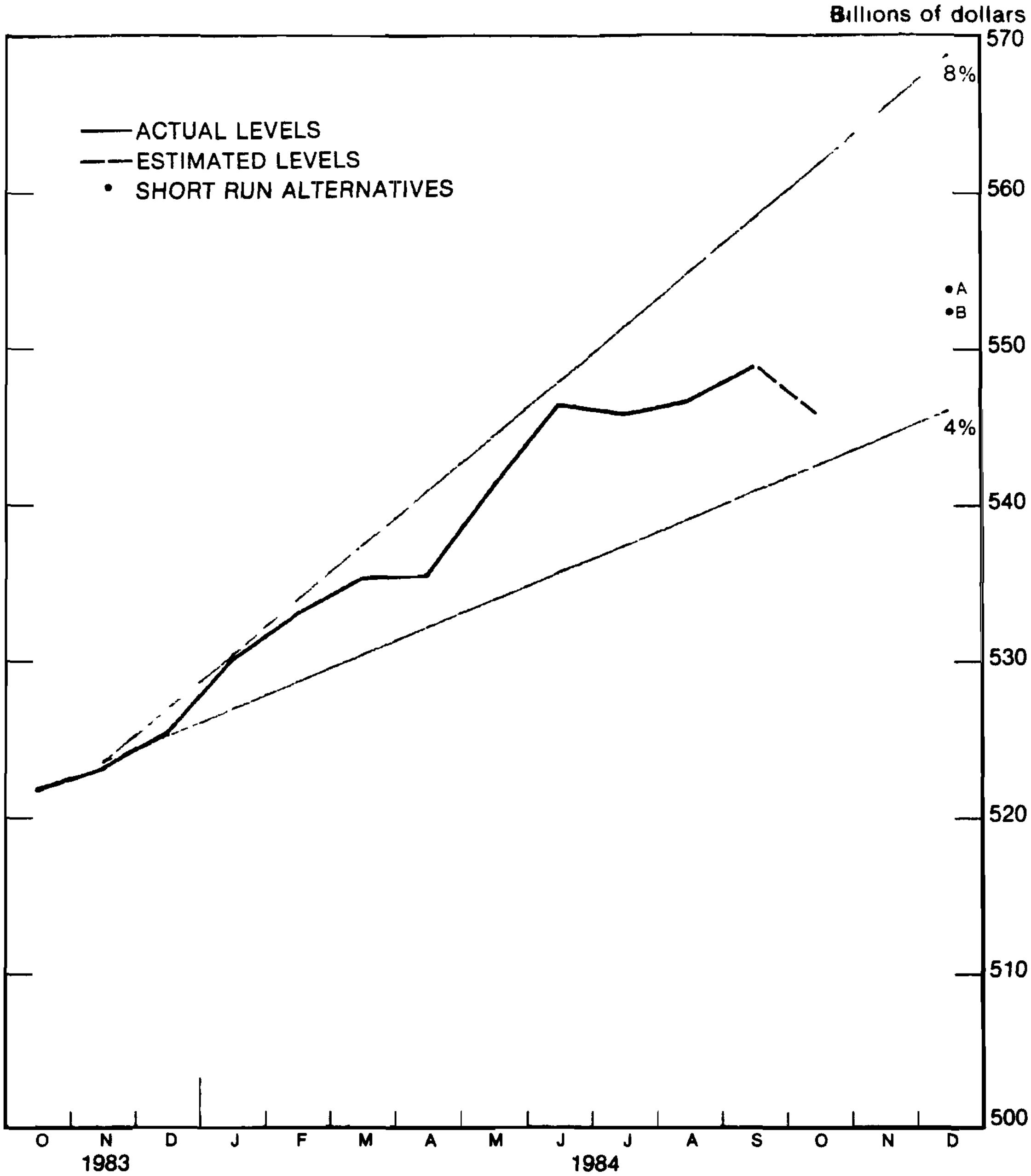

Chart 2

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Actual and Targeted M2

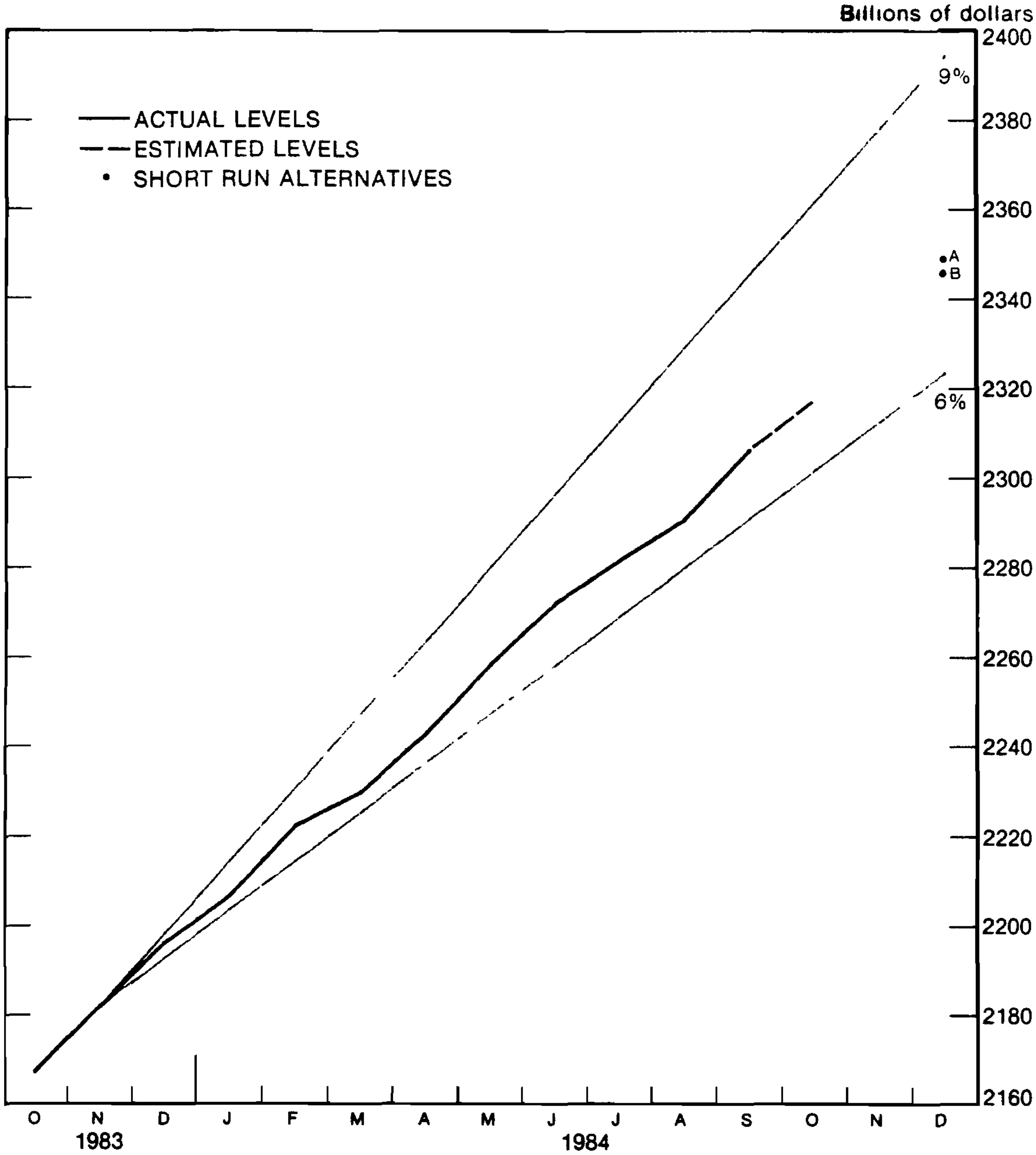

Chart 3

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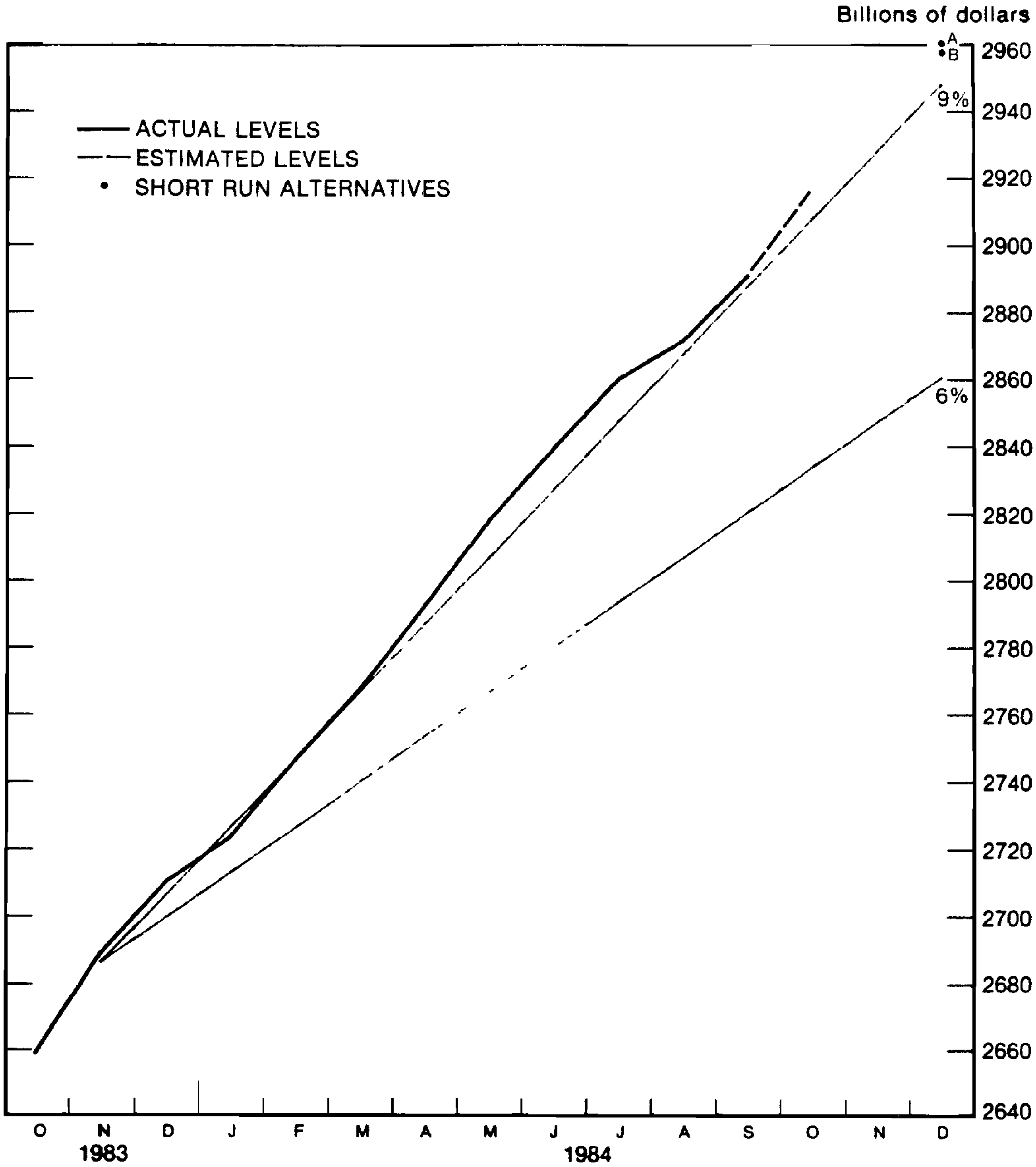
CLASS II FOMC

Actual and Targeted M3



might have otherwise gone into transactions balances and possible shifts out of cash into longer-term market instruments as expectations of declining rates became more widespread--are expected to abate. Moreover, demand for this aggregate will be boosted over coming months by increases in nominal income and spending and by the usual lagged effects of the sizable declines in short-term interest rates since early September. The expected pickup in M1 growth in November and December would yield only about a 2-1/2 percent annual growth rate over the last three months of the year and only 1-1/2 percent on a quarterly average basis. For the year as a whole (QIV to QIV), M1 growth would be around 5 percent.

(9) Assuming GNP grows as projected in the Green Book for the fourth quarter, the velocity of M1 would rise by about 5-3/4 percent at an annual rate in that period. Such a relatively rapid rise in velocity appears unusual, looking back over previous experience for periods when interest rates have dropped. In part, it reflects the shifts out of cash that have already occurred. But still, such a large implied velocity growth does raise questions about whether the actual outcome might instead involve more money growth and/or less GNP expansion, given the interest rates contemplated in this alternative.

(10) The pickup in M1 growth is expected to lead to more rapid expansion in M2 over the balance of the quarter. For the quarter as a whole, M2 should grow about in line with nominal GNP, bringing its growth for the year to around 7 percent, somewhat below the mid-point of its longer-term range. M3 is expected to increase in November and December at somewhat less than its October pace, in part as yields on institution-only money funds adjust to market rates; growth for the year would be a bit above the upper end of the Committee's longer-run range. Outstanding CDs at banks

are expected to grow at a moderate rate over the balance of the year, with expansion restrained in part by efforts of a number of larger banks to manage their balance sheets more conservatively in the wake of the summer's banking difficulties and issuance of proposed new capital guidelines.

(11) Credit is projected to expand more slowly in the fourth quarter than in the third, owing entirely to a drop-off in private borrowing, while federal government borrowing is expected to be substantially stronger in the current quarter than during the summer. Business borrowing for mergers and the like is expected to continue to decline, and needs for credit to fund outlays may edge lower from the third quarter pace as inventory accumulation slows. In the household sector mortgage takedowns should continue to slow, as housing expenditures weaken a little further in reflection of the increase in interest rates earlier this year. Consumer credit will probably continue to expand at a pace well below the extraordinary rate of earlier this year.

(12) The aggregate specifications of alternative B are thought to involve pressures on bank reserve positions indexed by discount window borrowing of around $700 million. This is expected to be associated with a federal funds rate averaging around 10 percent, given the apparent considerable diminution in banks' reluctance to borrow over recent weeks and also assuming that the "frictional" level of borrowing is, at $300 to $400 million, somewhat higher than usual. Such an assumption for "frictional" borrowing appears consistent with the recent sustained level of seasonal borrowing at an unusually large $300 million. After declining sharply in October, nonborrowed and total reserves would be expected to

expand at annual rates of around 9 and 6 percent, respectively, over the last two months of the year.

(13) Interest rates are not likely to change substantially under this alternative, although they could back up somewhat from current levels, given apparent expectations in the market of a further easing in pressures on bank reserve positions. The 3-month bill rate may be in a 8-7/8 to 9-3/8 percent range, probably moving into the upper part of that range if funds trade persistently around 10 percent. Long-term markets, too, remain sensitive to expectations about the near-term stance of monetary policy, as well as to incoming data on inflation and economic activity. The pressure of credit demands on longer-term markets may moderate, though, as the effects of the previous relatively steep declines in rates on corporate and state and local issuance wear off.

(14) Alternative A contemplates a more expansive reserve posture that would encourage more rapid growth in M1 and M2. Growth of M1 over the last two months of the year would be anticipated to be around 8-1/2 percent, encouraged by growth of nonborrowed reserves at a 15 percent annual rate. Over the three-month September-to-December period, M1 would expand at a 3-1/2 percent annual rate and M2 at a 7-1/2 percent rate—still below objectives set at the last meeting for M1 but on target for M2. Growth of M3 may turn out to be somewhat further above the currently specified 3-month growth rate, as an additional easing of market conditions encourages credit expansion.

(15) The behavior of monetary aggregates and aggregate reserves under alternative A is expected to be consistent with borrowing at the discount window of around $400 million, near the currently estimated "frictional" level. The federal funds rate would decline to close

to the 9 percent discount rate, probably just above it. Other interest rates, both short- and long-term, would decline sharply, with the 3-month Treasury bill rate falling to the 8-1/4 to 8-3/4 percent area; the dollar would probably decline substantially further on exchange markets. Expectations of a discount rate cut would become widespread. In credit markets, bond issuance would be enlarged, and mortgage commitments and borrowing could begin to pick up in late fall and winter in response to the lower rates and the greater willingness of thrifts to supply credit aggressively as their financial condition improved. The decline in rates in November and December would tend to boost money demand in 1985 both through its direct effect on opportunity costs and indirectly by fostering somewhat faster growth of income and credit demands than currently projected. This would increase the odds of some backup in rates in the first part of next year in the process of restraining money growth to around the midpoints of the Committee's tentative long-run ranges for 1985.

Directive language

(16) Two alternative operational paragraphs for the directive are given below. Alternative I represents the current paragraph, with updating modifications (shown in the usual way). This approach involves a potential drawback that, based on the staff's current estimates of relationships, the directive would specify an M1 growth for the fourth quarter that is well below the previously adopted target. That drawback might be avoided by showing M1 as a range, possibly encompassing the previous decision. A second possibility would be to show a growth rate for M1 near that of the earlier decision--which, however, would tilt the directive toward ease over the intermeeting period (if staff estimates are near correct). The language under alternative II partially restructures the existing directive as another approach to resolving the difficulties.

ALTERNATIVE I

In the implementation of policy in the short run, the Committee seeks to DECREASE SOMEWHAT (alt. A) /maintain (alt. B) EXISTING PRESSURES ~~the lesser degree of restraint~~ on reserve positions ~~sought in recent weeks~~. This action is expected to be consistent with growth of M1, M2, and M3 at annual rates of around ~~6~~ __, ~~7-1/2~~, __ and 9 __ percent during the period from September to December. ~~A somewhat further lessening of~~ LESSER restraint on reserve positions would be acceptable in the event of significantly slower growth in the monetary aggregates, evaluated in relation to the strength of the business expansion and inflationary pressures, domestic and international financial market conditions, and the rate of credit growth. Conversely, greater restraint might be acceptable in the event of substantially more rapid monetary growth and indications of significant strengthening of economic activity and inflationary pressures. 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 ~~8-to-12~~ __ TO __ percent.

ALTERNATIVE II

In the implementation of policy in the short-run, the Committee seeks to decrease somewhat (alt. A) /maintain (alt. B) existing pressures on reserve positions. This action is expected to be consistent with growth of M1 at around __ percent at an annual rate over the last two months of the year; more rapid growth would be acceptable in view of the substantial decline of M1 in October which brought that aggregate into the bottom half of its long-run range. Growth of M2 and M3 is expected to be generally consistent with the 7-1/2 and 9 percent growth paths for the September-to-December period set at the last Committee meeting. Lesser restraint on reserve positions would be acceptable in the event of significantly slower growth in the monetary aggregates, evaluated in relation to the strength of the business expansion and inflationary pressures, domestic and international financial market conditions, and the rate of credit growth. Conversely, greater restraint might be acceptable in the event of substantially more rapid monetary growth and indications of significant strengthening of economic activity and inflationary pressures. 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 ~~8 to 12~~ ___ TO ___ percent.

Selected Interest Rates

Percent

November 5, 1984

Period	Short-Term								Long-Term							
	federal funds	Treasury bills secondary market			CDs secondary market 3-month	comm paper 1-month	money market mutual fund	bank prime loan	U.S. government constant maturity yields			corporate A utility recently offered	muni-cipal Bond Buyer	home mortgages		
		3-month	6-month	1-year					3-year	10-year	30-year			conven-tional at S&Ls	FHA/VA ceiling	FNMA 1-year ARM
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1983--High	10.21	9.49	9.64	9.79	9.93	9.85	8.79	11.50	11.57	12.14	12.11	13.42	10.56	13.89	13.50	12.50
Low	8.42	7.63	7.72	7.82	8.15	8.01	7.71	10.50	9.40	10.18	10.32	11.64	9.21	12.55	11.50	10.49
1984--High	11.77	10.65	10.76	11.09	11.71	11.35	10.72	13.00	13.44	13.84	13.81	15.30	11.44	14.68	14.00	13.70
Low	9.41	8.84	8.94	9.01	9.35	9.16	8.70	11.00	10.87	11.62	11.69	12.83	9.86	13.19	12.50	11.25
1983--Oct.	9.48	8.64	8.83	8.98	9.18	9.03	8.67	11.00	10.87	11.54	11.58	12.89	10.14	13.54	13.00	11.40
Nov.	9.34	8.76	8.93	9.08	9.36	9.10	8.55	11.00	10.96	11.69	11.75	13.14	10.22	13.44	12.50	11.40
Dec.	9.47	9.00	9.17	9.24	9.69	9.56	8.69	11.00	11.13	11.83	11.88	13.29	10.40	13.42	12.50	11.56
1984--Jan.	9.56	8.90	9.02	9.07	9.42	9.23	8.80	11.00	10.93	11.67	11.75	12.99	10.03	13.37	12.50	11.45
Feb.	9.59	9.09	9.18	9.20	9.54	9.35	8.72	11.00	11.05	11.84	11.95	13.05	10.00	13.23	12.50	11.38
Mar.	9.91	9.52	9.66	9.67	10.08	9.81	8.91	11.21	11.59	12.32	12.38	13.63	10.37	13.39	12.70	11.91
Apr.	10.29	9.69	9.84	9.95	10.41	10.17	9.29	11.93	11.98	12.63	12.65	13.96	10.26	13.65	13.00	12.30
May	10.32	9.83	10.31	10.57	11.11	10.38	9.52	12.39	12.75	13.41	13.43	14.79	10.88	13.94	13.94	12.83
June	11.06	9.87	10.51	10.93	11.34	10.82	9.92	12.60	13.18	13.56	13.44	15.00	11.07	14.42	14.00	13.45
July	11.23	10.12	10.52	10.89	11.56	11.06	10.30	13.00	13.08	13.36	13.21	14.93	10.84	14.67	14.00	13.59
Aug.	11.64	10.47	10.61	10.71	11.47	11.19	10.58	13.00	12.50	12.72	12.54	14.12	10.40	14.47	13.70	13.27
Sept.	11.30	10.37	10.47	10.51	11.29	11.11	10.62	12.97	12.34	12.52	12.29	13.86	10.54	14.35	13.50	13.15
Oct.	9.99	9.74	9.87	9.93	10.38	10.05	10.20p	12.58	11.85	12.16	11.98	13.52p	10.77	14.13	13.38	12.58
1984--Aug. 1	11.53	10.34	10.60	10.73	11.38	10.99	10.44	13.00	12.72	12.92	12.89	14.10	10.39	14.68	14.00	13.35
8	11.59	10.49	10.63	10.72	11.41	11.06	10.55	13.00	12.48	12.69	12.65	14.08	10.29	14.54	14.00	13.25
15	11.63	10.36	10.53	10.64	11.43	11.15	10.55	13.00	12.44	12.69	12.51	14.16	10.47	14.39	13.50	13.25
22	11.77	10.37	10.54	10.65	11.51	11.26	10.62	13.00	12.45	12.67	12.43	14.13	10.38	14.36	13.50	13.20
29	11.50	10.58	10.68	10.78	11.50	11.27	10.60	13.00	12.54	12.76	12.53	14.15	10.45	14.38	13.50	13.30
September 5	11.68	10.65	10.76	10.85	11.57	11.35	10.66	13.00	12.65	12.86	12.56	14.01	10.56	14.42	13.50	13.45
12	11.52	10.47	10.60	10.66	11.49	11.31	10.68	13.00	12.46	12.64	12.39	13.70	10.47	14.43	13.50	13.25
19	11.46	10.33	10.41	10.42	11.32	11.18	10.72	13.00	12.21	12.37	12.17	13.76	10.47	14.29	13.50	13.00
26	10.73	10.26	10.34	10.38	11.09	10.86	10.51	13.00	12.26	12.45	12.24	13.84	10.65	14.26	13.50	12.90
October 3	11.20	10.21	10.32	10.36	10.99	10.76	10.49	12.75	12.26	12.48	12.29	13.81	10.88	14.18	13.50	12.90
10	10.01	10.11	10.22	10.26	10.89	10.55	10.35	12.75	12.16	12.41	12.22	13.70	10.93	14.19	13.50	12.75
17	10.22	9.93	10.05	10.08	10.61	10.25	10.19	12.71	12.00	12.31	12.13	13.29	10.71	14.10	13.50	12.60
24	9.45	9.49	9.56	9.64	10.00	9.63	10.16	12.50	11.56	11.89	11.71	13.24	10.54	14.05	13.00	12.20
31	9.73	9.20	9.43	9.53	9.72	9.41	9.82	12.29	11.46	11.86	11.69	13.06p	10.62	13.85	13.00	11.90
Daily--Oct. 26	9.59	9.34	9.58	9.67	9.77	9.33	--	12.50	11.59	11.99	11.78	--	--	--	--	--
Nov. 1	10.26	9.01	9.20	9.33	9.53	9.51	--	12.00	11.18	11.66	11.53	--	--	--	--	--
2	10.15p	9.00	9.23	9.32	9.55	9.50	--	12.00	11.21p	11.67p	11.55p	--	--	--	--	--

NOTE Weekly data for columns 1 through 11 are statement week averages. Data in column 7 are taken from Donoghue's Money Fund Report. Columns 12 and 13 are 1-day quotes for Friday and Thursday, respectively, following the end of the statement week. Column 13 is the *Bond Buyer* revenue index. Column 14 is an average of contract interest rates on new commitments for conventional first mortgages with 80 percent loan-to-value ratios at a sample of savings and loan associations on the Friday following the end of the statement week. After November 30, 1983, column 15 refers only to VA-guaranteed loans. Column 16 is the initial gross yield posted by FNMA, on the Friday following the end of the statement week, in its purchase program for adjustable rate home mortgages having rate and payment adjustments once a year.

FR1367(4/84)

Security Dealer Positions

Millions of dollars

November 5, 1984

Period	Net[1] Total	Cash Positions: Treasury bills	Cash Positions: Treasury coupons under 1 year	Cash Positions: Treasury coupons over 1 year	Cash Positions: federal agency	Cash Positions: private short-term	Forward and Futures Positions: Treasury bills	Forward and Futures Positions: Treasury coupons under 1 year	Forward and Futures Positions: Treasury coupons over 1 year	Forward and Futures Positions: federal agency	Forward and Futures Positions: private short-term
1983--High	20,858	13,273	1,579	8,778	12,088	17,005	1,654	14	1,516	-907	-4,411
Low	-296	-3,461	-687	-3,148	4,013	8,839	-11,307	-95	-3,270	-8,001	-9,564
1984--High	21,963	13,695	1,296	3,069	17,495	18,737	8,272	22	3,368	-7,223	5
Low	5,107	-8,251	-1,038	-5,664	11,086	11,263	-13,048	-327	-933	-10,622	12,475
1983--Oct.	14,672	9,694	609	3,390	10,255	14,242	-9,132	-12	-1,667	-5,909	-6,798
Nov.	15,981	10,762	934	325	9,451	15,302	-7,993	-2	-1,022	-5,445	-6,331
Dec.	18,172	8,653	1,165	-831	11,568	15,449	-5,549	-2	669	-7,354	-5,596
1984--Jan.	12,472	10,815	1,083	667	11,398	12,788	-10,846	-15	-116	-7,474	-5,829
Feb.	9,287	9,658	949	-1,547	12,532	13,349	-8,774	-38	23	-8,192	-8,673
Mar.	15,936	4,619	811	-2,626	16,151	12,764	-1,026	-10	1,042	-9,552	-6,236
Apr.	14,408	2,929	-32	-1,643	16,649	13,065	-2,140	-13	476	-9,422	-5,462
May	14,159	-7,105	-291	-1,754	16,849	12,525	5,511	-10	345	-9,676	-2,236
June	16,484	-2,631	-596	-3,248	15,996	14,457	2,207	-21	1,448	-9,937	-1,191
July	12,374	-2,362	-604	-3,393	16,040	14,751	-2,516	-89	2,797	-9,650	-2,599
Aug.	11,542	4,555	-89	-1,186	16,098	15,556	-7,312	-240	2,536	-9,073	-9,304
Sept.	17,984	10,316	310	626	14,063	17,699	-9,772	-122	2,157	-8,332	-8,960
Oct.	21,965*	11,688*	102*	2,628*	13,146*	16,312*	-9,880*	-72	2,049*	-8,800*	-5,208*
1984--Aug. 1	14,424	**	-275	-1,331	15,791	14,673	-3,131	-147	3,368	-9,071	-5,454
8	15,156	2,776	18	-2,758	17,338	15,526	-2,847	-174	2,875	-9,858	-7,739
15	12,612	4,537	-101	153	15,841	15,466	-8,498	-225	2,045	-8,407	-8,201
22	7,605	5,258	-252	-1,423	14,497	15,556	-9,858	-264	1,910	-8,483	-9,337
29	10,099	5,282	-42	-948	16,423	15,503	-8,350	-327	3,107	-9,265	-11,273
Sept. 5	13,790	8,322	173	-210	16,627	16,684	-8,669	-209	2,575	-9,334	-13,295
12	13,384	9,780	490	-262	16,037	17,345	-10,117	-202	2,156	-9,332	-13,312
19	18,379	11,025	481	-1,044	14,014	18,737	-9,891	-77	2,381	-8,044	-9,203
26	21,963	10,052	80	3,069	12,247	17,443	-9,881	-75	2,160	-7,610	-5,522
Oct. 3	23,495	12,944	-36	853	11,688	17,206	-8,698	-58	1,540	-8,124	-3,821
10	21,068*	11,504*	23*	740*	12,816*	15,192*	-8,668*	-54*	2,151*	-9,478*	-3,158*
17	20,030*	11,962*	-38*	943*	13,130*	15,666*	-10,371*	-77*	2,277*	-9,071*	-4,385*
24	20,701*	10,281*	136*	4,268*	13,647*	16,335*	-11,336*	-77*	2,941*	-8,473*	-7,021*
31	24,283*	11,725*	382*	5,605*	13,640*	17,147*	-9,748*	-88*	1,064*	-8,498*	-6,946*

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

1 Cash plus forward plus futures positions in Treasury, federal agency, and private short-term securities

* Strictly confidential

**Less than $500,000.00

STRICTLY CONFIDENTIAL (FR)
CLASS II-FOMC

Net Changes in System Holdings of Securities[1]

Millions of dollars, not seasonally adjusted

November 5, 1984

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		
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	298	29	24	668	2,035	2,462
1981	5,337	294	1,702	393	379	2,768	133	360	--	--	494	8,491	684
1982	5,698	312	1,794	388	307	2,803	--	--	--	--	--	8,312	1,461
1983	13,068	484	1,896	890	383	3,653	--	--	--	--	--	16,342	-5,445
1983--QTR. II	5,116	173	595	326	108	1,203	--	--	--	--	--	6,208	-793
III	4,617	156	481	215	124	975	--	--	--	--	--	5,439	9,412
IV	4,738	155	820	349	151	1,474	--	--	--	--	--	6,120	-10,739
1984--QTR. I	-1,168	--	--	-300	--	-300	--	--	--	--	--	-1,555	-286
II	491	198	808	200	277	1,484	--	--	--	--	--	1,918	70
III	-424	600	--	--	--	600	--	--	--	--	--	169	1,982
1984 May	-3,593	--	--	--	--	--	--	--	--	--	--	-3,633	-3,643
June	801	--	--	--	--	--	--	--	--	--	--	786	-3,572
July	-1,497	--	--	--	--	--	--	--	--	--	--	-1,499	-656
Aug.	-2,104	--	--	--	--	--	--	--	--	--	--	-2,110	4,951
Sept.	3,178	600	--	--	--	--	--	--	--	--	--	3,777	-2,312
Oct.	2,993	-300	300	--	--	--	--	--	--	--	--	-3,007	-3,805
1984--AUG. 1	-1,346	--	--	--	--	--	--	--	--	--	--	-1,351	2,530
8	-1,194	--	--	--	--	--	--	--	--	--	--	-1,194	502
15	-272	--	--	--	--	--	--	--	--	--	--	-272	-5,699
22	-125	--	--	--	--	--	--	--	--	--	--	-125	5,828
29	-700	--	--	--	--	--	--	--	--	--	--	-700	-638
SEPT. 5	1,950	--	--	--	--	--	--	--	--	--	--	1,950	114
12	589	--	--	--	--	--	--	--	--	--	--	588	2,228
19	328	--	--	--	--	--	--	--	--	--	--	328	2,915
26	569	600	--	--	--	600	--	--	--	--	--	1,169	-4,573
OCT. 3	-431	-300	--	--	--	-300	--	--	--	--	--	-731	-608
10	-1,078	--	--	--	--	--	--	--	--	--	--	-1,087	-3,925
17	-1,146	--	--	--	--	--	--	--	--	--	--	-1,151	4,133
24	-615	--	--	--	--	--	--	--	--	--	--	-615	-1,926
31	207	--	300	--	--	300	--	--	--	--	--	507	-165
LEVEL-NOV. 1	67.0	18.7	33.7	14.8	19.4	86.5	2.5	4.4	1.2	.4	8.5	162.0	3,727

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 (+)