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November 9, 1989

Strictly Confidential (FR) Class I FOMC

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 9, 1989

MONETARY POLICY ALTERNATIVES

Recent Developments

(1) In light of information suggesting added risk of a pronounced weakening in the economic expansion, pressures on reserve markets were eased in two separate steps during the intermeeting period.[1] The federal funds rate, which was a bit above 9 percent at the time of the October meeting, is currently around 8-1/2 percent. The borrowing objective was reduced in stages from $550 million at the time of the last FOMC meeting to $250 million, reflecting declines totaling $100 million to effect the easing of policy and $200 million to take account of trends in seasonal borrowing. (Seasonal credit has continued to drop steeply, from $430 million immediately preceding the FOMC meeting to $160 million in the first week of the current maintenance period.) Borrowing was boosted over the long Columbus Day weekend and ran above its allowance for the first maintenance period. Since then, however, borrowing has generally come in below the reduced path allowances, and is running at $185 million through the first week of this maintenance period.

(2) The easing of policy--only a portion of which had been anticipated by the market--and evidence of a sluggish economy caused market participants to mark down their expectations of interest rates for some time into the future. Thus, not only did most short-term rates

1. In addition, the Trading Desk took an accommodative approach to supplying reserves in the days immediately after the steep drop in stock prices on October 13, as financial markets remained skittish and volatile for a time.

decline roughly in line with the 1/2 point drop in the federal funds rate, but rates on one-year Treasury bills and Treasury notes fell by similar amounts; bond yields dropped somewhat less. Disruptions to bill auctions and pressures arising from substantial incoming supplies of cash-management bills limited the declines in short-term Treasury bill rates: for example, rates on 3-month Treasury bills are about unchanged over the intermeeting period. Rates on fixed-rate mortgages in both primary and secondary markets fell about in line with Treasury bond yields.

(3) The generally rising prices elsewhere in financial markets were not apparent in the equity and junk bond sectors. Amid growing indications of a softer economy and declining corporate profits, as well as difficulties of previously restructured firms, investors began questioning the earnings and cash-flow projections underpinning highly leveraged financing and equity valuation. Evidence that financing for share buyouts would be less readily available helped to precipitate a sharp decline in stock prices on October 13, just days after stock price indexes set new highs. An initial, partial recovery of stock prices was subsequently reversed, leaving most averages more than 5 percent lower over the intermeeting period. In the junk bond market, lower quality issues suffered the deepest losses, and average spreads versus Treasury yields widened further from the record levels seen in September.

(4) The weighted average value of the dollar in terms of other G-10 currencies declined about 1-1/4 percent over the intermeeting period. The dollar was generally buoyant early in the period, despite

and a round of official interest rate

increases in Europe. The dollar reached its high on October 11, the day the Bank of Japan raised its discount rate. Following the October 13 stock market drop, the dollar moved lower. Market expectations of further interest rate hikes abroad, along with additional easing by the Federal Reserve, contributed to this softness. The continued volatility of stock prices and more general concerns about financial fragility may have helped push gold prices to their highest levels since midsummer.

. Desk sales totaled $1.2 billion against marks and yen, all in the first ten days of the period.

(5) Growth of all three monetary aggregates picked up in October. M2 expanded at an 8 percent rate last month, above the 6-1/2 percent growth rate specified by the Committee for the September-to-December period, as M1 growth jumped to a 10 percent rate. A surge in demand deposits early in October--perhaps as compensating balances adjusted to earlier rate declines--contributed to the unanticipated strength. Growth of the retail-type components of M2 slowed from their average pace in August and September, consistent with waning effects of earlier declines in interest rates. Money market mutual funds reportedly benefited somewhat from shifts out of junk bond funds, but their growth for the month was in line with past experience based on movements in relative interest rates, suggesting that the unusual shifts did not add a great deal to overall M2 growth. Since the fourth quarter of last year, M2 has increased at a 4-1/4 percent rate and stands in the lower half of its 1989 target range.

(6) M3 expanded at a 4-1/4 percent rate in October, well above the pace of the preceding two months, and close to the Committee's expected growth rate of 4-1/2 percent from September to December. Bank credit expansion strengthened substantially in October. Although a portion of this was financed by M2 deposit transfers from failed thrifts arranged by RTC, banks also turned to issuance of large CDs, boosting M3 growth. Asset runoffs at capital-deficient thrifts and associated declines in RPs and large CDs seem to have depressed M3 growth about as much as they had in August and September.

(7) Partial data suggest that nonfinancial debt grew at around an 8 percent rate in October, about maintaining the pace of the third quarter and keeping this aggregate in the middle of its monitoring range. Business debt growth apparently picked up last month, despite a dropoff in equity retirements. Lower yields sparked a strengthening of corporate bond issuance, while shorter-term business borrowing was little changed, as a falloff in commercial paper issuance about offset faster C&I lending by banks. In the household sector, data on consumer credit indicated no growth in September, but this weakness may reflect difficulties in seasonal adjustment; consumer lending by banks, adjusted for securitization, expanded at about a 10 percent rate in both September and October. Real estate lending at commercial banks slowed a little in October from the brisk pace of September, but issuance of pass-through securities by federal agencies remained robust.

MONEY, CREDIT, AND RESERVE AGGREGATES
(Seasonally adjusted annual rates of growth)

	August	September	October[pe]	QIV'88 to October[pe]
Money and credit aggregates				
M1	0.8	5.7	10	0
M2	7.2	7.5	8	4-1/4
M3	2.2	0.9	4-1/4	3-3/4
Domestic nonfinancial debt	9.5	8.4	8	8-1/4
Bank credit	7.7	6.2	14-1/2	7-1/2
Reserve measures				
Nonborrowed reserves[1]	0.2	8.9	11-1/2	-2-1/4
Total reserves	1.1	9.6	8-1/2	-2
Monetary base	1.3	7.4	3	3-1/4
Memo: (Millions of dollars)				
Adjustment plus seasonal borrowing	633	671	534	--
Excess reserves	885	938	1031	--

pe - preliminary estimate.
1. Includes "other extended credit" from the Federal Reserve.
NOTE: Monthly reserve measures, including excess reserves and borrowing, are calculated by prorating averages for two-week reserve maintenance periods that overlap months.

Policy Alternatives

(8) Two alternatives are presented below for Committee consideration. In alternative B, federal funds would continue to trade around 8-1/2 percent, a level expected to be associated with adjustment plus seasonal borrowing of $200 million. In alternative A, a federal funds rate around 8 percent would be accompanied by a borrowing assumption of $100 million. The $100 million difference between the alternatives' borrowing assumptions still seems appropriate in light of the reduced sensitivity of borrowing as it nears frictional levels. Both borrowing levels embody a downward technical adjustment of $50 million from the current $250 million allowance in recognition of recent and anticipated further seasonal declines in seasonal borrowing. Continuing uncertainty about borrowing behavior, however, still appears to justify flexibility in the Desk's approach to the borrowing objective.

(9) Market interest rates generally are expected to remain around current levels under the unchanged reserve market conditions of alternative B. The structure of market interest rates appears to embody another slight easing of monetary policy, but most probably not until late this year or early next year. In addition, impressions of a sluggish economy, consistent with data flows likely under the staff forecast, may continue to foster expectations of future policy easing, even if federal funds rates remain near 8-1/2 percent. Unlike most other rates, those on short-term Treasury bills may drop once the large supply of cash management bills is absorbed into portfolios, with the 3-month bill rate moving down toward 7-1/2 percent. The exchange value of the dollar could exhibit

little net change over the intermeeting period under alternative B, though any policy tightening abroad may tend to exert downward pressure on the dollar.

(10) The 1/2 percentage point reduction in the federal funds rate under alternative A would come sooner and be larger than market participants are now expecting. Rates on other short-term instruments would decline by nearly the same amount, with the 3-month bill rate dropping ultimately toward the 7 percent area. In response to the further narrowing of differentials between U.S. and foreign interest rates, the exchange value of the dollar could be expected to adjust downward. Bond yields probably would decline noticeably under alternative A; market participants may interpret an immediate further easing as suggesting a more aggressive policy posture by the Federal Reserve, and perhaps an assessment of substantial underlying weakening in the economy. However, should incoming data show the economy continuing to advance at its recent pace over coming months, in the context of a weaker dollar, the cumulative effect of past easing measures and alternative A over a short time might be viewed as setting the stage for a subsequent strengthening of the economy, raising questions about prospects for prices.

(11) Anticipated growth of the monetary aggregates under the two alternatives is shown in the table below. (More detailed data appear in the table and charts on the following pages.) Under either alternative, M2 and M3 are projected to finish the year within their annual ranges, with M2 near the midpoint of its range and M3 somewhat above the lower bound of its range.

	Alt. A	Alt. B
Growth from September to December		
M2	8	7-1/2
M3	4-3/4	4-1/2
M1	8	7-1/2
Implied growth from Q4'88 to Q4'89		
M2	4-1/2	4-1/2
M3	3-3/4	3-3/4
M1	1/2	1/2
Associated federal funds rate range	6 to 10	7 to 11

(12) Even under the unchanged interest rates of alternative B, M2 growth would remain close to last month's brisk pace, buoyed by recent declines in market interest rates and opportunity costs. Under this alternative, M2 is expected to expand at a 7-1/4 percent average annual rate in November and December; growth from September to December and on a fourth-quarter average basis would be 7-1/2 percent. This combines with the staff's nominal GNP projection of 5 percent for the quarter to imply a 2-1/2 percent rate of decline in M2 velocity, roughly consistent with model-based forecasts incorporating the recent reductions in opportunity costs. M1 is projected to slow to a 6-1/4 percent rate in the last two months of the year from the elevated pace of October.[2] Representing a partial offset, however, inflows to nontransaction retail deposits are seen as strengthening somewhat this month and next, as the effects of the recent policy easings take hold.

2. This projection includes a strengthening in demand deposits in December, reflecting an expected need to adjust compensating balances upward before closing the books on 1989, as a consequence of interest rate declines this quarter. Such year-end adjustments have occurred in several recent years.

Alternative Levels and Growth Rates for Key Monetary Aggregates

	M2		M3		M1	
	Alt. A	Alt. B	Alt. A	Alt. B	Alt. A	Alt. B
Levels in billions						
1989 July	3117.6	3117.6	4003.3	4003.3	777.2	777.2
August	3136.4	3136.4	4010.6	4010.6	777.7	777.7
September	3156.0	3156.0	4013.5	4013.5	781.4	781.4
October	3176.9	3176.9	4027.7	4027.7	787.9	787.9
November	3198.1	3197.0	4044.1	4043.5	791.9	791.5
December	3219.3	3215.6	4061.3	4059.3	797.1	796.1
Monthly Growth Rates						
1989 July	11.5	11.5	9.0	9.0	10.7	10.7
August	7.2	7.2	2.2	2.2	0.8	0.8
September	7.5	7.5	0.9	0.9	5.7	5.7
October	7.9	7.9	4.2	4.2	10.0	10.0
November	8.0	7.6	4.9	4.7	6.1	5.5
December	8.0	7.0	5.1	4.7	7.9	7.0
Quarterly Ave. Growth Rates						
1988 Q4	3.6	3.6	4.8	4.8	2.3	2.3
1989 Q1	1.8	1.8	3.7	3.7	-0.4	-0.4
Q2	1.2	1.2	2.9	2.9	-5.6	-5.6
Q3	7.3	7.3	4.7	4.7	1.7	1.7
Q4	7.8	7.6	3.5	3.4	6.9	6.7
Sept 89 to Dec. 89	8.0	7.5	4.8	4.6	8.0	7.5
Oct. 89 to Dec. 89	8.0	7.3	5.0	4.7	7.0	6.3
Q4 88 to Q3 89	3.5	3.5	3.8	3.8	-1.5	-1.5
Q4 88 to Q4 89	4.6	4.6	3.8	3.8	0.6	0.6
Q4 88 to Sept 89	3.9	3.9	3.6	3.6	-0.9	-0.9
Q4 88 to Oct. 89	4.3	4.3	3.7	3.7	0.1	0.1
Q4 88 to Dec. 89	4.9	4.8	3.9	3.8	1.1	1.0
1989 Target Ranges:	3.0 to 7.0		3.5 to 7.5			

Chart 1

ACTUAL AND TARGETED M2

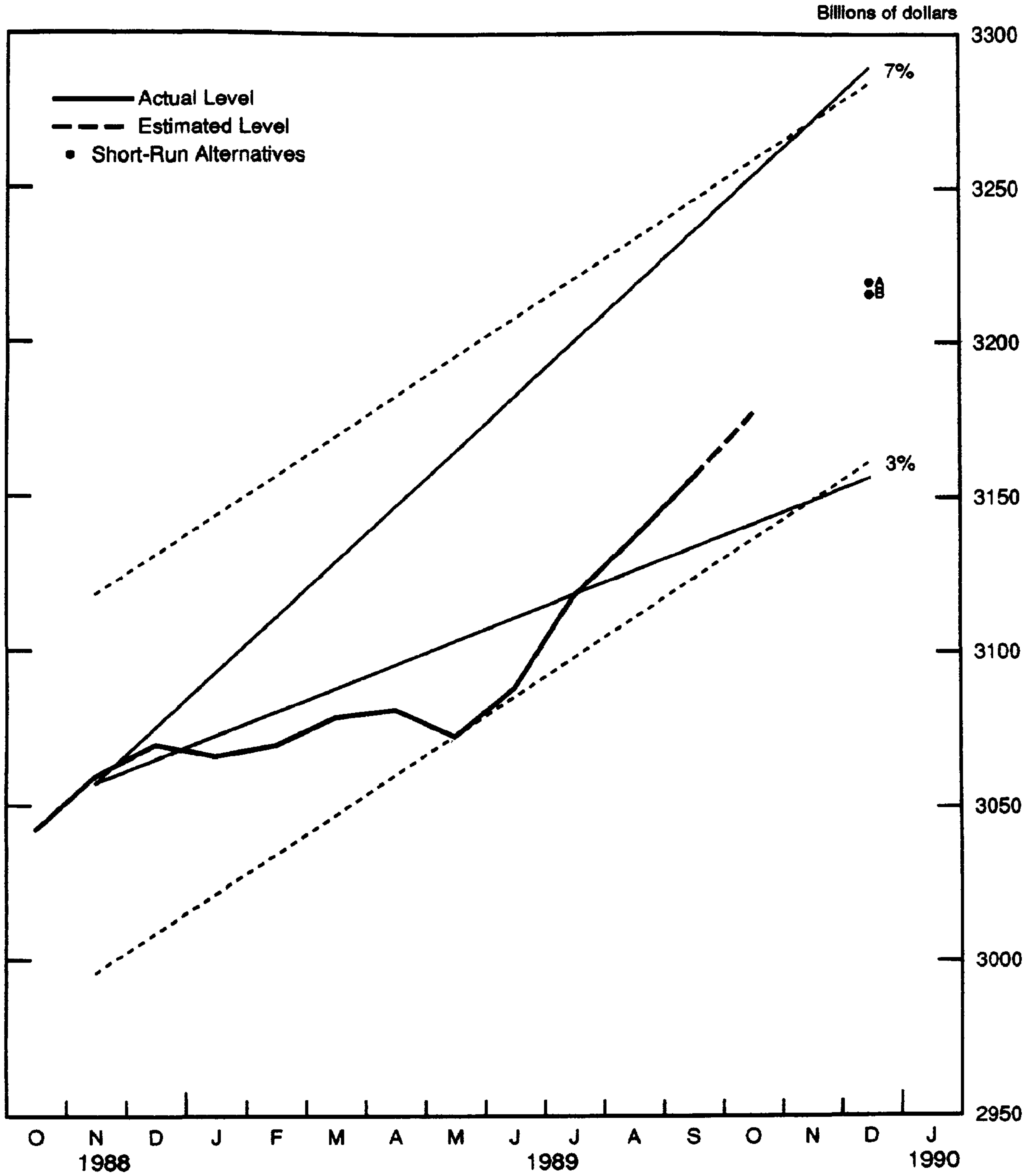


Chart 2

ACTUAL AND TARGETED M3

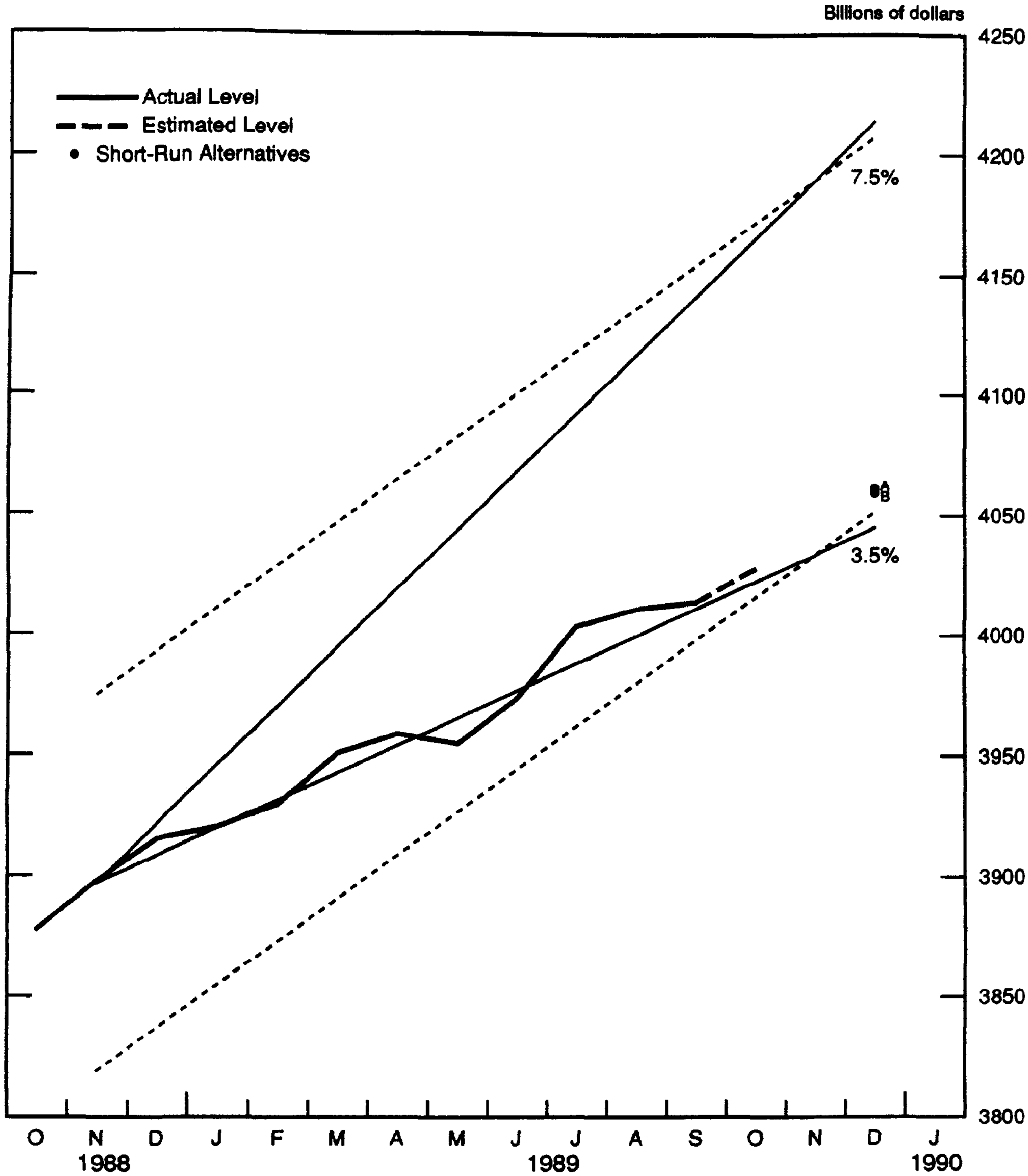
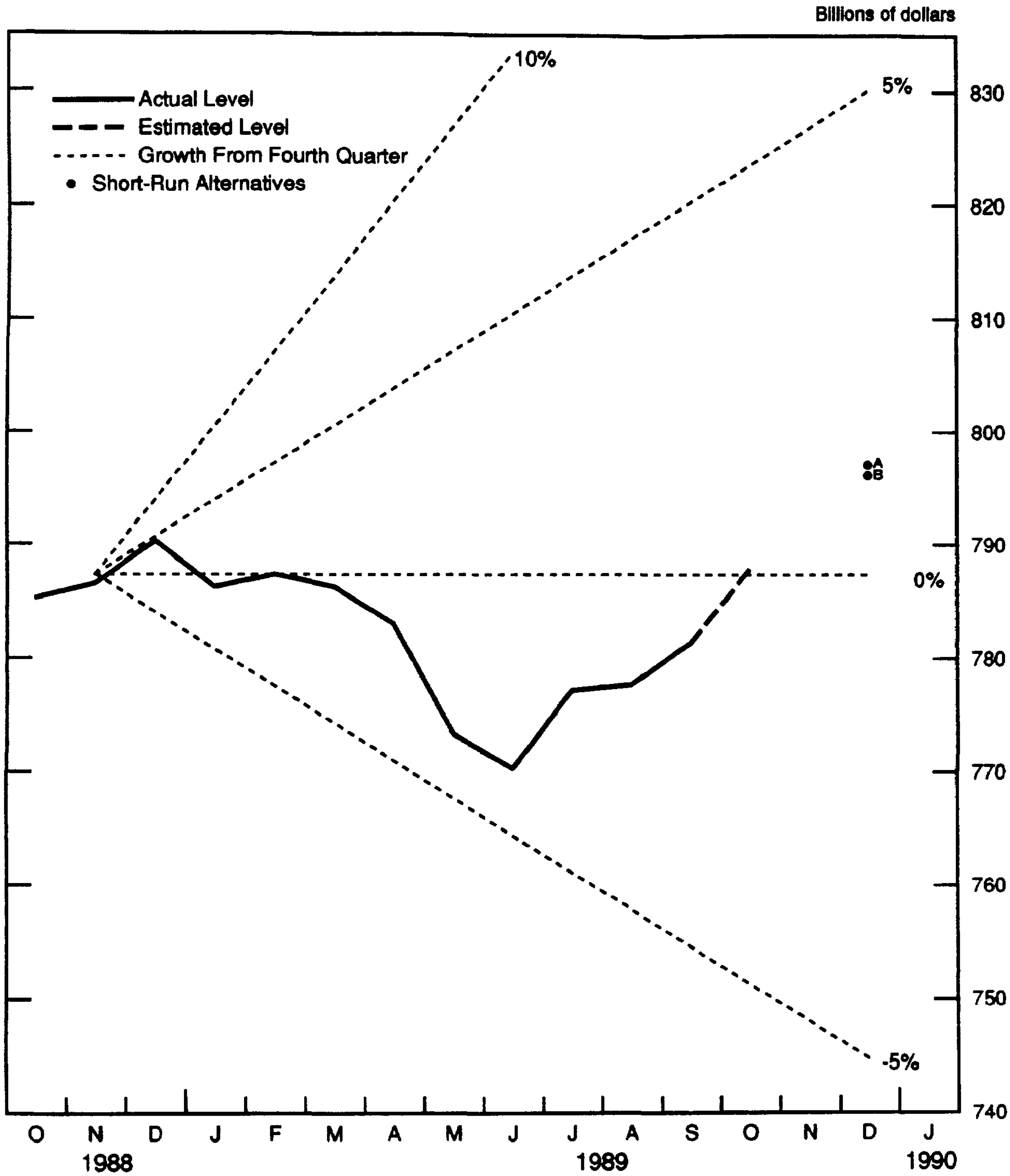


Chart 3

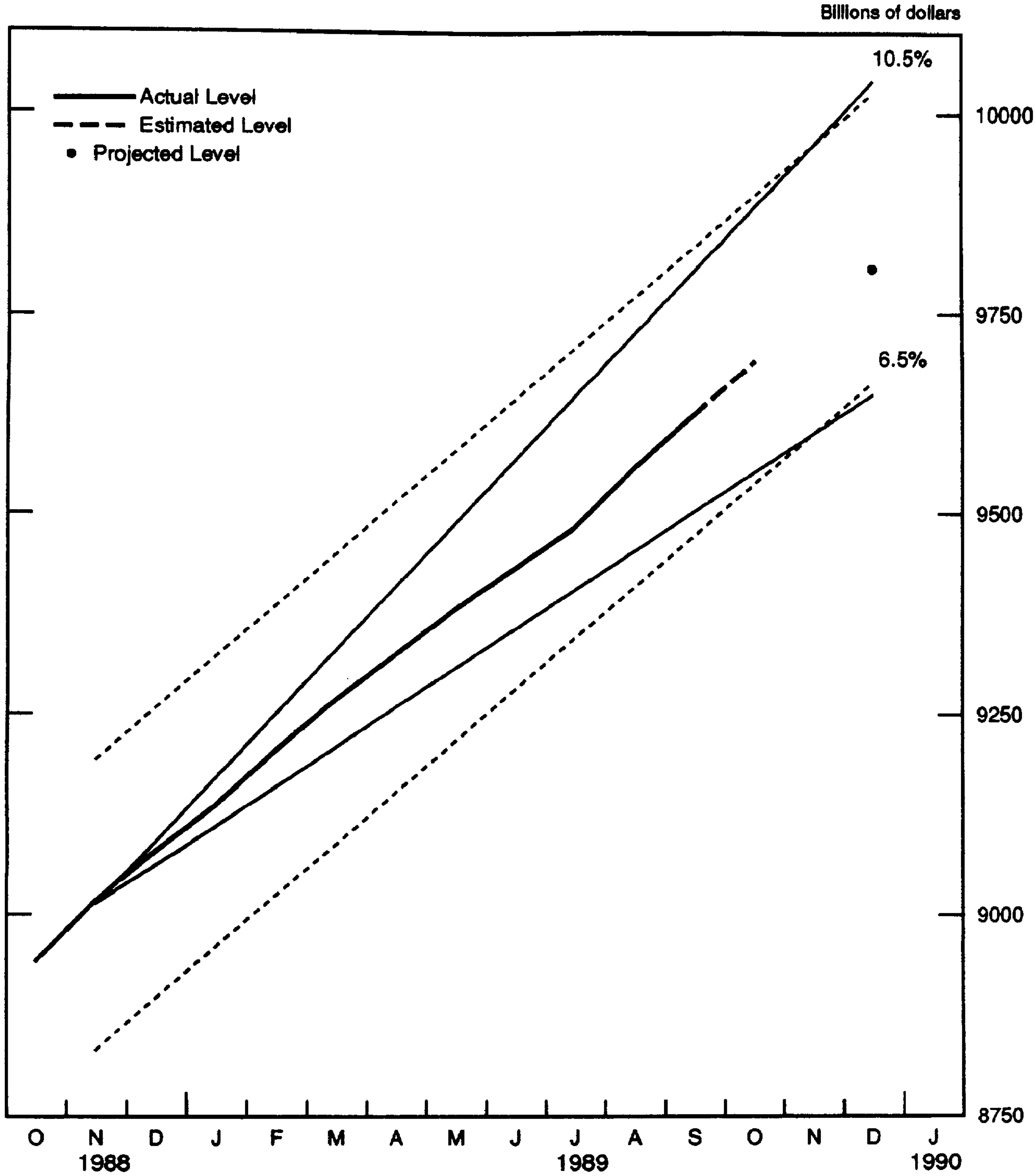
M1



Billions of dollars
Actual Level
Estimated Level
Growth From Fourth Quarter
Short-Run Alternatives
10%
5%
0%
-5%
A
B
830
820
810
800
790
780
770
760
750
740
O N D J F M A M J J A S O N D J
1988
1989
1990

Chart 4

DEBT



Billions of dollars
Actual Level
Estimated Level
Projected Level
10.5%
6.5%
10000
9750
9500
9250
9000
8750
O
N
D
J
F
M
A
M
J
J
A
S
O
N
D
J
1988
1989
1990

(13) M3 growth under alternative B will continue to be damped by the ongoing shedding of assets by undercapitalized S&Ls and by funds supplied through RTC resolutions. However, M3 is expected to grow in November and December a bit faster than in October, leaving expansion over the last three months of the year at a 4-1/2 percent rate. The pace of decline in S&L assets is expected to wane a little over the next two months from the extremely rapid pace of the last few months, and RTC resolutions should slow after the fiscal year-end spurt. As a consequence, outflows of large time deposits and term RPs at thrifts should abate somewhat. Commercial bank credit is likely to slow but expansion of managed liabilities will be maintained, in part to compensate for reduced RTC funds of thrift deposit transfers. Growth of domestic nonfinancial debt is expected to moderate to around 7 percent over the rest of the year, owing mainly to a slowing of federal government debt. This would leave the debt aggregate in the fourth quarter 8-1/4 percent above its year-earlier level, close to the midpoint of its monitoring range.

(14) Under alternative A, growth of M2 and M3 through December would be boosted slightly by the associated decline in market interest rates and easing of lending conditions. September-to-December M2 and M3 growth would rise to 8 and 4-3/4 percent rates, respectively.

(15) The recent easing, which would be maintained under alternative B, and any additional easing under alternative A, would have important effects on money growth in the first quarter of next year. Under alternative B, M2 would expand around the 7 percent upper limit of its

tentative range in the early months of 1990. Alternative A likely would yield M2 growth noticeably above the upper end of the tentative growth cone, though well within the parallel lines. Under either alternative, M3 would grow in the lower half of the 3-1/2 to 7-1/2 tentative range for this aggregate.

Directive Language

(16) Draft language for the operational paragraph, including the standard options and updating, is shown below.

OPERATIONAL PARAGRAPH

In the implementation of policy for the immediate future, the Committee seeks to DECREASE SOMEWHAT(SLIGHTLY)/ maintain/ INCREASE SOMEWHAT (SLIGHTLY) the existing degree of pressure on reserve positions. Taking account of progress toward price stability, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets, slightly (SOMEWHAT) greater reserve restraint might (WOULD) or slightly (SOMEWHAT) lesser reserve restraint (MIGHT) would be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth of M2 and M3 over the period from September through December at annual rates of about ___ ~~6-1/2~~ and ___ ~~4-1/2~~ percent, respectively. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of __ TO __ ~~7 to 11~~ percent.

November 13, 1989

SELECTED INTEREST RATES

(percent)

	Short-Term								Long-Term							
	federal funds	Treasury bills secondary market			CDs secondary market	comm paper	money market mutual fund	bank prime loan	U.S. government constant maturity yields			corporate A utility recently offered	municipal Bond Buyer	conventional home mortgages		
														secondary market	primary market	
		3-month	6-month	1-year	3-month	1-month			3-year	10-year	30-year			fixed-rate	fixed-rate	ARM
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
88 -- High	8.87	8.16	8.26	8.40	9.33	9.41	8.18	10.50	9.16	9.36	9.42	10.73	8.34	11.33	10.81	8.54
Low	6.38	5.61	5.81	6.15	6.58	6.50	6.03	8.50	7.33	8.16	8.40	9.63	7.64	9.98	9.84	7.49
89 -- High	9.95	9.04	9.07	8.96	10.23	9.98	9.19	11.50	9.77	9.46	9.26	10.47	7.95	11.73	11.22	9.41
Low	8.69	7.54	7.44	7.16	8.43	8.55	8.07	10.50	7.60	7.82	7.91	9.29	7.19	9.92	9.68	8.53
Monthly																
Nov 88	8.35	7.76	7.86	7.87	8.78	8.38	7.64	10.05	8.72	8.96	9.02	10.12	7.80	10.56	10.27	8.15
Dec 88	8.76	8.07	8.22	8.32	9.25	9.31	8.00	10.50	9.11	9.11	9.01	10.08	7.88	10.98	10.61	8.39
Jan 89	9.12	8.27	8.36	8.37	9.20	9.03	8.33	10.50	9.20	9.09	8.93	10.09	7.63	10.97	10.73	8.55
Feb 89	9.36	8.53	8.55	8.55	9.51	9.29	8.79	10.93	9.32	9.17	9.01	10.25	7.72	11.03	10.65	8.65
Mar 89	9.85	8.82	8.85	8.82	10.09	9.88	8.89	11.50	9.61	9.36	9.17	10.37	7.85	11.47	11.03	9.09
Apr 89	9.84	8.65	8.65	8.64	9.94	9.77	9.14	11.50	9.40	9.18	9.03	10.33	7.73	11.32	11.05	9.40
May 89	9.81	8.43	8.41	8.31	9.59	9.57	9.13	11.50	8.98	8.86	8.83	10.09	7.51	10.90	10.77	9.30
Jun 89	9.53	8.15	7.93	7.84	9.20	9.34	8.96	11.07	8.37	8.28	8.27	9.65	7.35	10.39	10.20	9.03
Jul 89	9.24	7.88	7.61	7.36	8.76	8.95	8.72	10.98	7.83	8.02	8.08	9.54	7.28	10.11	9.88	8.74
Aug 89	8.99	7.90	7.74	7.61	8.64	8.79	8.32	10.50	8.13	8.11	8.12	9.55	7.36	10.38	9.99	8.65
Sep 89	9.02	7.75	7.74	7.65	8.78	8.87	8.25	10.50	8.25	8.19	8.15	9.55	7.52	10.44	10.13	8.71
Oct 89	8.84	7.64	7.62	7.45	8.60	8.66	8.21	10.50	8.02	8.01	8.00	9.39	7.48	10.19	9.95	8.62
Weekly																
Aug 2 89	8.95	7.76	7.44	7.16	8.43	8.64	8.47	10.79	7.60	7.82	7.92	9.54	7.19	10.23	9.68	8.60
Aug 9 89	8.98	7.86	7.62	7.46	8.50	8.70	8.32	10.50	7.92	7.98	8.05	9.56	7.31	10.36	9.96	8.62
Aug 16 89	9.04	7.97	7.74	7.66	8.68	8.84	8.32	10.50	8.15	8.14	8.15	9.55	7.39	10.47	10.09	8.69
Aug 23 89	9.01	7.94	7.90	7.78	8.77	8.85	8.31	10.50	8.30	8.21	8.19	9.58	7.47	10.47	10.21	8.69
Aug 30 89	8.96	7.93	7.87	7.75	8.76	8.86	8.29	10.50	8.35	8.24	8.20	9.58	7.46	10.48	10.22	8.74
Sep 6 89	8.96	7.86	7.80	7.69	8.80	8.88	8.23	10.50	8.33	8.20	8.15	9.55	7.43	10.43	10.17	8.71
Sep 13 89	8.96	7.70	7.69	7.59	8.75	8.86	8.26	10.50	8.19	8.15	8.10	9.49	7.45	10.30	10.05	8.68
Sep 20 89	9.05	7.64	7.62	7.53	8.70	8.82	8.25	10.50	8.11	8.11	8.11	9.56	7.59	10.42	10.03	8.70
Sep 27 89	9.02	7.80	7.80	7.72	8.83	8.89	8.25	10.50	8.35	8.27	8.24	9.60	7.59	10.57	10.16	8.70
Oct 4 89	9.18	7.85	7.89	7.83	8.93	8.94	8.27	10.50	8.42	8.27	8.21	9.40	7.50	10.21	10.11	8.72
Oct 11 89	8.93	7.67	7.69	7.58	8.74	8.79	8.25	10.50	8.14	8.07	8.04	9.33	7.46	10.24	9.95	8.60
Oct 18 89	8.76	7.54	7.54	7.35	8.48	8.56	8.20	10.50	7.92	7.98	7.98	9.37	7.47	10.16	9.92	8.58
Oct 25 89	8.72	7.55	7.52	7.30	8.50	8.55	8.13	10.50	7.89	7.92	7.93	9.39	7.47	10.13	9.82	8.58
Nov 1 89	8.80	7.73	7.55	7.32	8.50	8.60	8.11	10.50	7.90	7.91	7.92	9.29	7.47	10.15	9.82	8.55
Nov 8 89	8.69	7.78	7.60	7.37	8.54	8.61	8.07	10.50	7.94	7.92	7.91	9.27	7.47	..	..	..
Daily																
Nov 3 89	8.74	7.84	7.68	7.46	8.58	8.64	..	10.50	8.02	7.96	7.92	..	..	..	..	..
Nov 9 89	8.40	7.70	7.58	7.30	8.39	8.43	..	10.50	7.87	7.90	7.91	..	..	..	..	..
Nov 10 89		..	..	..	..	..	..		..	..	..	..	..	..	..	..

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, 13 and 14 are 1-day quotes for Friday, Thursday or Friday, respectively, following the end of the statement week. Column 13 is the Bond Buyer revenue index. Column 14 is the FNMA purchase yield, plus loan servicing fee, on 30-day mandatory delivery commitments. Column 15 is the average contract rate on new commitments for fixed-rate mortgages (FRMs) with 80 percent loan-to-value ratios at major institutional lenders. Column 16 is the average initial contract rate on new commitments for 1-year adjustable-rate mortgages (ARMs) at major institutional lenders offering both FRMs and ARMs with the same number of discount points.

p -- preliminary data

Strictly Confidential (FR)-
Class II FOMC

Money and Credit Aggregate Measures

Seasonally adjusted

NOV. 13, 1989

Period	Money stock measures and liquid assets						Bank credit	Domestic nonfinancial debt[1]		
	M1	M2	nontransactions components in M2	nontransactions components in M3 only	M3	L	total loans and investments	U.S. government[1]	other[1]	total[1]
	1	2	3	4	5	6	7	8	9	10
ANN. GROWTH RATES (%):										
ANNUALLY (Q4 TO Q4)										
1986	15.6	9.3	7.3	8.2	9.1	8.3	9.7	14.6	12.7	13.2
1987	6.4	4.2	3.5	11.8	5.7	5.5	7.9	9.0	10.2	9.9
1988	4.3	5.2	5.5	10.2	6.3	7.1	7.6	8.0	9.6	9.2
QUARTERLY AVERAGE										
1988-4th QTR.	2.3	3.6	4.1	9.3	4.8	5.5	6.1	7.6	9.2	8.8
1989-1st QTR.	-0.4	1.8	2.6	10.6	3.7	5.0	6.2	7.7	8.6	8.4
1989-2nd QTR.	-5.6	1.2	3.5	9.1	2.9	4.7	6.2	6.9	7.8	7.6
1989-3rd QTR.	1.7	7.3	9.2	-4.3	4.7		7.7	5.4	8.1	7.5
MONTHLY										
1988-OCT.	2.6	2.9	2.9	13.9	5.3	5.5	9.9	4.9	9.2	8.2
NOV.	1.8	6.7	8.5	4.5	6.3	6.8	5.1	7.8	10.7	10.0
DEC.	5.6	4.0	3.4	10.3	5.3	9.5	3.5	8.8	8.3	8.4
1989-JAN.	-6.1	-1.4	0.1	12.1	1.5	1.1	2.8	4.7	8.3	7.5
FEB.	1.7	1.4	1.3	8.0	2.8	3.4	14.4	9.0	9.0	9.0
MAR.	-1.7	3.5	5.4	17.2	6.5	9.0	6.4	11.7	6.9	8.0
APR.	-4.9	0.9	2.9	7.7	2.4	6.5	2.9	5.6	7.7	7.2
MAY	-15.0	-3.3	0.6	6.3	-1.2	-1.0	7.5	4.3	8.3	7.3
JUNE	-4.7	6.2	9.8	3.9	5.7	3.3	5.0	4.3	7.2	6.5
JULY	10.7	11.5	11.8	0.3	9.0	8.9	10.0	0.1	8.4	6.5
AUG.	0.8	7.2	9.4	-15.4	2.2	5.1	7.7	11.0	9.0	9.5
SEP.	5.7	7.5	8.1	-23.2	0.9		6.2	12.8	7.0	8.4
OCT. pe	10	8	7	-9	4		15			
LEVELS ($BILLIONS):										
MONTHLY										
1989-MAY	773.3	3072.2	2298.9	882.6	3954.8	4746.1	2486.3	2176.5	7204.3	9380.8
JUNE	770.3	3088.0	2317.7	885.5	3973.5	4759.1	2496.8	2184.3	7247.3	9431.6
JULY	777.2	3117.6	2340.4	885.7	4003.3	4794.4	2518.1	2184.5	7297.8	9482.3
AUG.	777.7	3136.4	2358.7	874.3	4010.6	4814.8	2534.4	2204.6	7352.5	9557.1
SEP.	781.4	3156.0	2374.6	857.4	4013.5		2544.1	2228.1	7395.6	9623.7
WEEKLY										
1989-SEP. 4	774.4	3141.6	2367.2	867.8	4009.4					
11	782.6	3154.5	2371.9	866.1	4020.6					
18	780.3	3157.8	2377.5	861.9	4019.6					
25	782.3	3159.4	2377.1	849.3	4008.6					
OCT. 2	789.0	3165.5	2376.6	842.5	4008.1					
9	786.8	3171.4	2384.6	845.7	4017.1					
16	788.8	3178.8	2389.9	852.3	4031.1					
23 p	788.8	3178.0	2389.2	855.9	4033.9					
30 p	786.6	3181.1	2394.5	852.1	4033.2					

1. Debt data are on a monthly average basis, derived by averaging end-of-month levels of adjacent months, and have been adjusted to remove discontinuities.
p-preliminary
pe-preliminary estimate

Strictly Confidential (FR)-
Class II FOMC

Components of Money Stock and Related Measures

seasonally adjusted unless otherwise noted

NOV. 13, 1989

Period	Currency	Demand deposits	Other checkable deposits	Overnight RPs and Eurodollars NSA[1]	MMDAs NSA	Savings deposits	Small denomination time deposits[2]	Money market mutual funds, NSA: general purpose and broker/dealer[3]	Money market mutual funds, NSA: institutions only	Large denomination time deposits[4]	Term RPs NSA[1]	Term Eurodollars NSA[1]	Savings bonds	Short-term Treasury securities	Commercial paper[1]	Bankers acceptances
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
LEVELS ($BILLIONS):																
ANNUALLY (4TH QTR.)																
1986	179.4	294.5	229.1	77.9	569.1	361.8	859.5	207.6	84.7	440.8	82.6	81.0	89.8	280.5	229.8	37.5
1987	194.9	292.0	260.8	81.3	529.9	416.7	900.8	219.7	87.2	481.6	110.0	92.2	99.6	263.0	257.0	44.6
1988	210.7	288.4	280.9	76.7	505.6	430.8	1017.6	236.0	86.5	534.7	126.0	102.5	108.7	268.4	323.9	40.8
MONTHLY																
1988-SEP.	208.6	288.8	279.0	77.3	511.4	430.5	998.7	231.0	83.7	526.7	122.8	102.8	107.9	268.8	308.8	41.7
OCT.	209.7	288.9	279.4	76.0	507.5	429.2	1009.7	231.3	84.6	532.0	125.4	100.2	108.4	269.3	312.3	41.3
NOV.	210.5	287.7	281.0	75.7	506.7	431.8	1017.8	237.4	87.4	534.4	128.4	101.6	108.7	264.5	323.7	40.5
DEC.	211.8	288.6	282.3	78.4	502.7	431.3	1025.2	239.4	87.6	537.8	124.1	105.8	109.1	271.3	335.8	40.6
1989-JAN.	213.4	284.0	281.3	81.8	495.2	427.8	1035.7	241.7	89.3	544.4	125.3	100.7	109.7	270.9	334.9	40.6
FEB.	214.3	284.8	280.9	79.0	485.3	424.6	1048.3	247.2	89.6	551.6	128.5	100.0	110.6	265.2	344.2	39.9
MAR.	215.6	284.3	279.1	77.5	480.3	420.8	1061.0	255.5	87.6	558.8	131.0	105.5	111.5	271.7	349.2	41.2
APR.	215.9	281.4	278.5	74.5	471.3	412.8	1083.1	259.3	87.7	567.7	128.8	101.3	112.3	278.1	359.5	41.4
MAY	216.4	278.2	271.4	73.5	457.0	404.7	1105.8	259.0	91.6	572.1	129.3	100.5	112.9	285.0	352.3	41.1
JUNE	217.4	275.0	270.7	76.0	456.9	402.0	1118.6	265.1	95.1	573.0	129.3	99.3	113.8	279.3	351.4	41.1
JULY	218.0	278.9	273.3	77.5	459.8	401.5	1126.4	274.6	98.2	573.1	125.1	99.7	114.6	283.2	351.3	42.0
AUG.	218.4	277.6	274.5	74.8	465.4	402.3	1131.8	285.5	100.6	569.2	119.7	97.6	115.2	290.8	355.3	42.8
SEP.	219.3	277.4	277.5	72.1	469.1	404.3	1132.2	294.8	99.1	563.3	116.5	92.9				

1. Net of money market mutual fund holdings of these items.
2. Includes retail repurchase agreements. All IRA and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.
3. Excludes IRA and Keogh accounts.
4. Net of large denomination time deposits held by money market mutual funds and thrift institutions.
p-preliminary

November 13, 1989

NET CHANGES IN SYSTEM HOLDINGS OF SECURITIES[1]
Millions of dollars, not seasonally adjusted

STRICTLY CONFIDENTIAL (FR)
CLASS II-FOMC

Period	Treasury bills: Net purchases[2]	Treasury bills: Redemptions (-)	Treasury bills: Net change	Treasury coupons: Net purchases[3]: within 1-year	Treasury coupons: Net purchases[3]: 1-5	Treasury coupons: Net purchases[3]: 5-10	Treasury coupons: Net purchases[3]: over 10	Treasury coupons: Redemptions (-)	Treasury coupons: Net change	Federal agencies redemptions (-)	Net change outright holdings total[4]	Net RPs[5]
1984	11,479	7,700	3,779	826	1,938	236	441	--	3,440	256	6,964	1,450
1985	18,096	3,500	14,596	1,349	2,185	358	293	--	4,185	162	18,619	3,001
1986	20,099	1,000	19,099	190	893	236	158	--	1,476	398	20,178	10,033
1987	12,933	9,029	3,905	3,358	9,779	2,441	1,858	70	17,366	276	20,994	-11,033
1988	7,635	2,200	5,435	2,177	4,686	1,404	1,398	--	15,099	587	14,513	1,557
1988--Q1	319	2,200	-1,881	--	-800	-175	--	--	-975	155	-3,011	-3,514
Q2	423	--	423	1,092	3,661	1,017	966	--	6,737	130	7,030	5,220
Q3	1,795	--	1,795	--	--	--	--	--	--	77	1,717	1,393
Q4	5,098	--	5,098	1,084	1,824	562	432	--	3,903	224	8,776	-1,541
1989--Q1	-3,842	2,200	-6,042	--	-228	-20	--	--	-248	188	-6,477	-5,591
Q2	2,496	2,400	96	172	1,361	287	284		2,104	125	2,075	924
Q3	-6,450	3,200	-9,650	--	-163	-9	--	--	-172	99	-9,921	-893
1989--February	-3,688	1,600	-5,288	--	-225	--	--	--	-225	40	-5,553	2,079
March	--	--	--	--	--	--	--	--	--	--	--	-856
April	3,077	--	3,077	172	1,436	286	284	--	2,179	125	-5,131	14,448
May	-10	1,200	-1,210	--	-75	--	--	--	-75	--	-1,285	-23,527
June	-571	1,200	-1,771	--	--	--	--	--	--	--	-1,771	10,002
July	-5,516	2,400	-7,916	--	-13	-9	--	--	-22	45	-7,983	-5,152
August	-934	800	-1,734	--	-150	--	--	--	-150	--	-1,884	617
September	--	--	--	--	--	--	--	--	--	54	54	3,641
October	-1,414	1,400	-2,814	--	-24	--	--	500	-524	30	-3,368	463
August 9	-150	400	-550	--	--	--	--	--	--	--	-550	1,914
16	-230	400	-630	--	-150	--	--	--	-150	--	-780	-432
23	-403	--	-403	--	--	--	--	--	--	--	-403	40
30	--	--	--	--	--	--	--	--	--	--	--	-2,875
Sept. 6	--	--	--	--	--	--	--	--	--	54	-54	2,793
13	--	--	--	--	--	--	--	--	--	--	--	56
20	--	--	--	--	--	--	--	--	--	--	--	9,045
27	--	--	--	--	--	--	--	--	--	--	--	-6,609
Oct. 4	-151	--	-151	--	--	--	--	500	-500	--	-651	-689
11	-218	600	-818	--	--	--	--	--	--	--	-818	-4,431
18	-640	400	-1,040	--	-24	--	--	--	-24	--	-1,064	4,990
25	-625	400	-1,025	--	--	--	--	--	--	30	-1,055	-6,066
Nov. 1	219	--	219	--	--	--	--	--	--	--	219	5,662
8	3,258	3,530	-272	--	--	--	--	--	--	--	-272	-885
Memo: LEVEL (bil.$)[6] November 8	--	--	99.2	30.9	51.5	13.2	26.5	--	122.1	--	227.8	-4.7

1. Change from end-of-period to end-of-period.
2. Outright transactions in market and with foreign accounts.
3. Outright transactions in market and with foreign accounts, and short-term notes acquired in exchange for maturing bills. Excludes maturity shifts and rollovers of maturing coupon issues.
4. Reflects net change and redemptions (-) of Treasury and agency securities.
5. Includes change in RPs (+), matched sale-purchase transactions (-), and matched purchase sale transactions (+).
6. The levels of agency issues were as follows:

within 1-year	1-5	5-10	over 10	total
2.1	3.2	1.0	0.2	6.5