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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

March 27, 1992

MONETARY POLICY ALTERNATIVES

Recent Developments

(1) The Federal Reserve's stance in the reserves market remained unchanged over the intermeeting period.[1] In the three complete maintenance periods since the February FOMC meeting, the federal funds rate averaged 4 percent, and funds have continued to trade mostly at or a little below that level in the current maintenance period. The allowance for adjustment plus seasonal borrowing was raised $25 million to $100 million immediately after the FOMC meeting to reflect an expected rise in seasonal credit and has since remained unchanged. Borrowing averaged only $67 million in the three complete maintenance periods and is running at $73 million in the current period; adjustment credit has remained unusually low and seasonal borrowing--subject to a less attractive rate under the new market-based rate program implemented this year--has increased relatively little.

(2) Despite the stable federal funds rate, most market interest rates rose from 20 to 60 basis points over the intermeeting period, as spending picked up and expectations took hold that a solid economic expansion was underway.[2] Perhaps reflecting the changed cyclical outlook, the most pronounced increases occurred at intermediate maturities, with the three-year Treasury note rate moving around 60 basis points higher versus a 20 basis point rise in the thirty-year bond yield. Currently the yield on thirty-year bonds is about one-half percentage point above its low in early January, though it remains about

1. On February 18, the Board announced a reduction in the reserve requirement on transaction deposits from 12 to 10 percent, to take effect April 2. This action was designed to free up funds for lending and to strengthen the financial condition of banks, thereby improving their access to capital markets and putting them in a better position to extend credit.

2. Discussions of interest rates, exchange rates, and stock prices are based on data available through noon, March 27.

one-half percentage point below its peak in June and July of 1991. The interest rate on conventional fixed-rate mortgages is now 80 basis points above its trough in early January, having increased by 35 basis points to about 9 percent over the intermeeting period. Yields on corporate bonds rated A and above rose in tandem with Treasuries, preserving their narrow spreads, but bond rates for many lesser-rated borrowers, whose prospects apparently were seen to be especially improved by the stronger economic outlook, were unchanged or even fell somewhat. Spreads on bank debentures also narrowed, and indexes of bank stocks rose 2 to 3 percent, with only a very small boost from the announcement of the reserve requirement cut, while most broad stock price indexes were down between 2 and 4 percent.

(3) Since the last Committee meeting, the dollar has appreciated about 3-1/2 percent on a weighted-average basis, primarily in response to the indications of a more buoyant economy in the United States. In addition, economic activity in several foreign countries showed signs of falling short of expectations. Economic weakness in Japan reinforced expectations of a discount rate cut and, along with further political and financial scandals, contributed to a 5-1/2 percent drop in the yen against the dollar. Japanese short-term interest rates declined 25 basis points, while long-term rates were down about 15 basis points. German short-term rates, on the other hand, rose 20 basis points and long-term rates 15 basis points on balance as money growth remained robust and inflation concerns intensified, despite faltering economic activity.

. On two occasions, the Desk sold small amounts of dollars against yen in cooperation with Japanese monetary authorities. Of the total amount of $150 million, $125 million was for Treasury account and $25 million for System account.

(4) The broad monetary aggregates accelerated sharply in February, but M2 is estimated to have flattened and M3 to have contracted somewhat in March. From December to March, M2 and M3 grew at 4-1/4 percent and 2 percent rates, respectively, compared with the 3 and 1-1/2 percent rates expected at the last FOMC meeting. The pickup in growth from the fourth quarter to the first likely owed in part to the strengthening of income and spending. In addition, declines in market interest rates in late 1991 also provided some impetus to money growth, although that impetus probably was partly offset by increases in opportunity costs associated with the recent backup in market rates. Also contributing to faster money growth, especially in February, were accelerated individual tax refunds resulting from increased electronic filings and a surge in refinancings of securitized mortgage loans.[3] The deceleration of M2 in March likely reflects diminished effects of these special factors and the widening opportunity costs. Runoffs of money funds, occasioned by the rise in short-term market interest rates, also weakened the broad aggregates in March. Although M2 picked up in the first quarter and ran above the path expected at the last meeting, its growth is still appreciably below the pace predicted on the basis of historical relationships with income and short-term interest rates. Velocity is estimated to have been about flat in the first quarter, compared with a 2 percent decline predicted by the standard staff model.

3. Prepayments on mortgages that have been securitized typically are held in demand deposits for 15 to 45 days prior to disbursement to holders of mortgage-backed securities, in accordance with the provisions of GNMA and FNMA contracts. Data on GNMA prepayments are not yet available for February, but estimates based on the experience of FNMA securities suggest that overall prepayment activity may have boosted M2 growth a percentage point or less last month. The effect of accelerated refunds likely was of roughly similar magnitude.

A number of factors likely account for this continuing shift in M2 demand, including sizable outflows to bond and stock mutual funds, which remained quite strong into March, and preferences for financing spending by drawing down financial assets rather than taking on new debt.

(5) Liquid components continued to provide the major impetus to money growth over February and March, in part reflecting still narrow opportunity costs relative to short-term market rates and to returns on small time deposits. Demand deposits have been particularly strong, expanding at a 35 percent rate over February and March. A Senior Financial Officer Survey of large banks in March indicated that the recent bulge in demand deposits was attributable mainly to the effects of lower interest rates, operating through increased compensating balance requirements and reduced incentives to economize on these deposits by shifting funds to other instruments. A number of respondents also cited increased activity in financial markets and higher balances held by mortgage servicers (likely because of the surge in refinancings). The bulge in demand deposits helped to boost M1 growth to a 19-1/4 percent rate from December to March.[4]

(6) Bank credit has grown little in February and March. Bank acquisitions of government securities continued to run below the pace of late last year, perhaps owing to a reassessment of the repayment risk associated with CMOs in light of the recent heavy volume of mortgage refinancings. At the same time, bank real estate loans have increased on balance, perhaps as the backup in rates encouraged them to hold rather than to securitize loans whose market value had declined. Nonetheless, total bank loans have declined over recent months, held down by

4. The increased strength in transaction deposits and required reserves lifted the growth of total reserves to a 26-1/4 percent rate over December to March. Currency expanded at a 7-1/2 percent rate and the monetary base at a 10-1/4 percent rate over the three months.

falling business and consumer loans. The dropoff in business loans does not seem to result from any further tightening of lending terms; indeed, the February Survey of Terms of Bank Lending indicated that the spread of business lending rates over market rates has narrowed and the January Bank Lending Practices Survey suggested little change in credit standards for such loans. The latter survey also showed a bit more willingness to provide consumer credit; the drop in consumer loans partly reflected continuing securitization of such credit.

(7) Along with bank lending, total credit growth appears to have remained quite weak, despite the pickup in spending. Growth in the debt of domestic nonfinancial sectors is estimated to have increased at an average rate of only 3 percent over January and February, restrained by an anemic 2 percent average rate of growth for the debt of nonfederal borrowers. Business funding needs have been quite modest as inventories have declined and corporations have found it attractive to issue high volumes of equity to reduce reliance on debt. Gross issuance of corporate bonds, which remained strong in February and March, included sizable refinancing of callable debt. Households seem to be taking on larger volumes of mortgage debt to finance home purchases. In addition, households may be increasing primary mortgage indebtedness in the process of refinancing existing mortgages, although reports suggest they are using the extra cash to repay home equity and consumer credit. Nonetheless, consumer credit probably increased slightly over the first two months of the year, after dropping through much of 1991.

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

	Jan.	Feb.	Mar.[p]	Dec. to Mar.[p]	QIV'91 to Mar.[p]
Money and credit aggregates					
M1	16.2	27.0	13.8	19.3	17.3
M2	3.2	9.4	.3	4.3	4.1
M3	1.4	7.0	-2.8	1.9	1.8
Domestic nonfinancial debt	2.4	3.3	--	--	--
Bank credit	3.2	.5	1.8	3.5	3.0
Reserve measures					
Nonborrowed reserves[1]	12.8	48.9	18.4	27.2	26.5
Total reserves	13.7	45.3	18.6	26.3	25.8
Monetary base	9.1	16.4	5.0	10.3	9.7
Memo: (Millions of dollars)					
Adjustment plus seasonal borrowing	233	75	82	--	--
Excess reserves	1003	1065	762	--	--

p - 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. Reserve data incorporate adjustments for discontinuities associated with changes in reserve requirements.

Policy Alternatives

(8) Three policy alternatives are presented below for consideration by the Committee. Under alternative B, federal funds would continue to trade around 4 percent in association with an initial borrowing allowance of $100 million. Over the intermeeting period, the borrowing allowance likely would need to be increased to accommodate a rise in demands for seasonal credit, but probably by less than in previous years owing to the less attractive rate on such credit under the new program. Under alternative A, the federal funds rate would decline to the 3-1/2 percent area in conjunction with a reduction in the initial borrowing allowance to $75 million.[5] In contrast, the funds rate would return to 4-1/2 percent and the initial borrowing allowance would increase to $125 million under alternative C. Under any of the alternatives, the staff anticipates little difficulty in bank reserve management from the cut in reserve requirements effective in early April, and as a result there is unlikely to be much additional funds market volatility. Part of the initial reduction in required reserve balances, estimated at $8-1/2 billion, will be offset by the seasonal upsurge in required reserves on transaction deposits; but even after this bulge abates, the total of required reserves plus required clearing balances should be above the level needed for clearing purposes.[6]

5. The difference in the borrowing assumptions between alternatives B and alternatives A and C has been narrowed from $50 to $25 million. This modification has been made to take into account the advent of the market-based rate for seasonal credit, which likely renders such credit unresponsive to changes in federal funds rates, and also the damped response of adjustment credit to variations in the spread between the federal funds rate and discount rate observed over the last year.

6. To date, only a few banks have increased their required clearing balances or communicated their intention to do so to offset the drop in required reserve balances.

(9) Markets appear to anticipate no change in policy over the intermeeting period, and thus interest rates should remain close to current levels under alternative B. Nevertheless, there could be a downward bias to rate movements over coming months. Information on the economy consistent with the greenbook forecast may be somewhat more mixed than recent releases, and with aggregate price measures damped and money growth slower, expectations of future inflation and the likelihood of monetary tightening later in the year could be revised down. Any tendency toward rate declines might be reinforced if the market became convinced that a fiscal stimulus package had been definitively ruled out. Under these circumstances, the dollar could reverse some of its recent gains.

(10) The steepening yield curve for maturities out to two years and the pattern of futures market quotations suggest some firming of expectations that policy will tighten beginning later in the year. In this context, the unexpected easing of money market conditions of alternative A might cause a market reassessment of the intentions of the Federal Reserve, leading to a significant downward revision in the expected course of short-term interest rates for the next year or so. Short-term rates would fall by about the 1/2 percentage point drop in the funds rate, and some intermediate-term rates might drop quite substantially as well. Effects on expected rates at longer horizons are more difficult to judge. In the absence of a worsening in the economic outlook, the easing might be interpreted as expansionary--and potentially inflationary--and short-term rates would be expected to rebound ultimately to even higher levels than market participants now anticipate; in this event, bond yields might drop relatively little, if at all. If the policy ease came to be seen as needed to counter threats to

the expansion, however, arising perhaps from recent upward movements in long-term interest rates and exchange rates, the action could be viewed as promising lower short-term rates for a considerable period, and bond rates would move down appreciably. In either case, the dollar would fall.

(11) The tightening of policy under alternative C would lead to about a 50 basis point rise in money market rates, which likely would be passed through fully to the prime rate. Long-term rates also would rise and the dollar would firm, especially if the Federal Reserve's action were taken as confirming views that a robust expansion was well established with inflationary potential. On the other hand, to the extent that market participants saw the early move as improving prospects for disinflation or that the action would be reversed quickly because it risked undermining an acceptable economic recovery, effects on bond yields would be limited.

(12) Absent an easing of reserve conditions, expansion in M2 and M3 is expected to be slower over the second quarter than over the first. Projections for money growth over the March-to-June period under all three alternatives are given in the table below and on the table and charts on the following pages. Under the unchanged reserve conditions of alternative B, M2 growth is projected to moderate to a 3-1/2 percent rate from March to June, leaving this aggregate below the midpoint of its annual range. Although more rapid income growth would tend to boost demands for M2 at the relatively stable interest rates of this alternative, the lagged effects of the rise in market interest rates over the past few months will be restraining money growth relative to income. In addition, a number of the special factors boosting money growth in the

	Alt. A	Alt. B	Alt. C
Growth from March to June			
M2	4-1/2	3-1/2	2-1/2
M3	2	1-1/2	1
M1	13	11	9
Implied growth from 1991:Q4 to June			
M2	4-1/4	4	3-1/2
M3	2	1-3/4	1-1/2
M1	15-3/4	15	14

first quarter will no longer be at work, and in some cases their effects will be reversing.[7] One such factor is the shifting of tax refunds into February from later months. Another involves mortgage refinancing; such activity already may have leveled out with depressing effects on growth of demand deposits, and refinancing could well decline subsequently in response to the rise in mortgage rates, causing currently swollen demand deposit accounts of mortgage servicers to be drawn down. The slowdown in M2 over the March-to-June period would be concentrated in the M1 component, which still is expected to expand at a 11 percent rate.[8] Given that opportunity costs on its more liquid

7. Projections of money growth are especially uncertain at this time of year owing to the massive payment flows associated with the April 15 tax date. Changes in nonwithheld tax payments this year are projected to be well within the experience of recent years. Thus, we are assuming that these flows are captured by existing seasonal factors.

8. The cut in the reserve requirement on transaction deposits is expected to have little net effect on M1. Banks may bid slightly more aggressively for NOW accounts, but compensating balance requirements, which are usually calculated to incorporate the cost of reserve requirements, will be lower.

The continued strength in transaction components results in projected growth over March to June in required and total reserves at rates of 13-1/2 and 14-3/4 percent, respectively, after adjusting for the effects of the change in reserve requirements. The monetary base would expand at a 7-1/2 percent rate.

Alternative Levels and Growth Rates for Key Monetary Aggregates

	M2			M3			M1		
	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
Levels in billions									
1992 January	3448.5	3448.5	3448.5	4177.1	4177.1	4177.1	910.3	910.3	910.3
February	3475.6	3475.6	3475.6	4201.5	4201.5	4201.5	930.8	930.8	930.8
March	3476.5	3476.5	3476.5	4191.7	4191.7	4191.7	941.5	941.5	941.5
April	3488.1	3486.6	3485.1	4196.2	4195.2	4194.2	950.9	950.1	949.3
May	3501.2	3496.8	3492.4	4203.9	4201.1	4198.3	961.2	958.8	956.4
June	3515.8	3507.0	3498.2	4213.4	4208.1	4202.8	972.4	967.6	962.8
Monthly Growth Rates									
1992 January	3.2	3.2	3.2	1.4	1.4	1.4	16.2	16.2	16.2
February	9.4	9.4	9.4	7.0	7.0	7.0	27.0	27.0	27.0
March	0.3	0.3	0.3	-2.8	-2.8	-2.8	13.8	13.8	13.8
April	4.0	3.5	3.0	1.3	1.0	0.7	12.0	11.0	10.0
May	4.5	3.5	2.5	2.2	1.7	1.2	13.0	11.0	9.0
June	5.0	3.5	2.0	2.7	2.0	1.3	14.0	11.0	8.0
Quarterly Ave. Growth Rates									
1991 Q1	3.7	3.7	3.7	3.4	3.4	3.4	5.2	5.2	5.2
Q2	4.4	4.4	4.4	1.8	1.8	1.8	7.4	7.4	7.4
Q3	0.6	0.6	0.6	-1.3	-1.3	-1.3	7.5	7.5	7.5
Q4	2.3	2.3	2.3	1.0	1.0	1.0	11.1	11.1	11.1
1992 Q1	4.4	4.4	4.4	2.3	2.3	2.3	16.8	16.8	16.8
Q2	4.0	3.5	2.9	1.4	1.1	0.8	14.7	13.5	12.4
Sep 91 to Dec 91	3.3	3.3	3.3	1.9	1.9	1.9	12.0	12.0	12.0
Dec 91 to Mar 92	4.3	4.3	4.3	1.9	1.9	1.9	19.3	19.3	19.3
Mar 92 to Jun 92	4.5	3.5	2.5	2.1	1.6	1.1	13.1	11.1	9.1
Q4 90 to Q4 91	2.8	2.8	2.8	1.2	1.2	1.2	8.0	8.0	8.0
Q4 91 to Q2 92	3.9	3.9	3.7	1.8	1.7	1.5	16.0	15.4	14.8
Q4 91 to Mar 92	4.1	4.1	4.1	1.8	1.8	1.8	17.3	17.3	17.3
Q4 91 to June 92	4.3	3.9	3.4	1.9	1.7	1.5	15.8	14.9	14.0
1992 Target Ranges:		2.5 to 6.5			1.0 to 5.0				

Chart 1

ACTUAL AND TARGETED M2

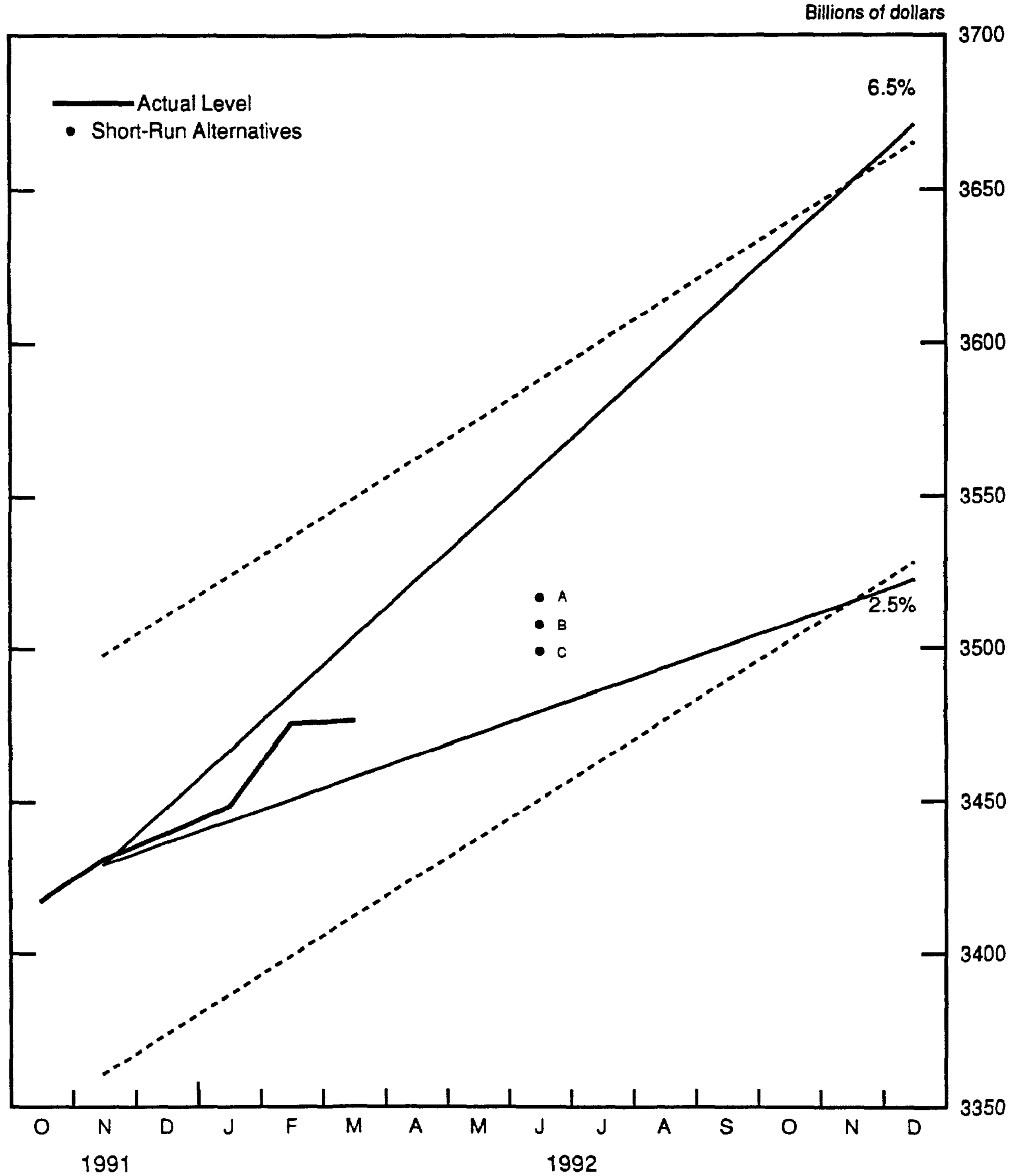


Chart 2

ACTUAL AND TARGETED M3

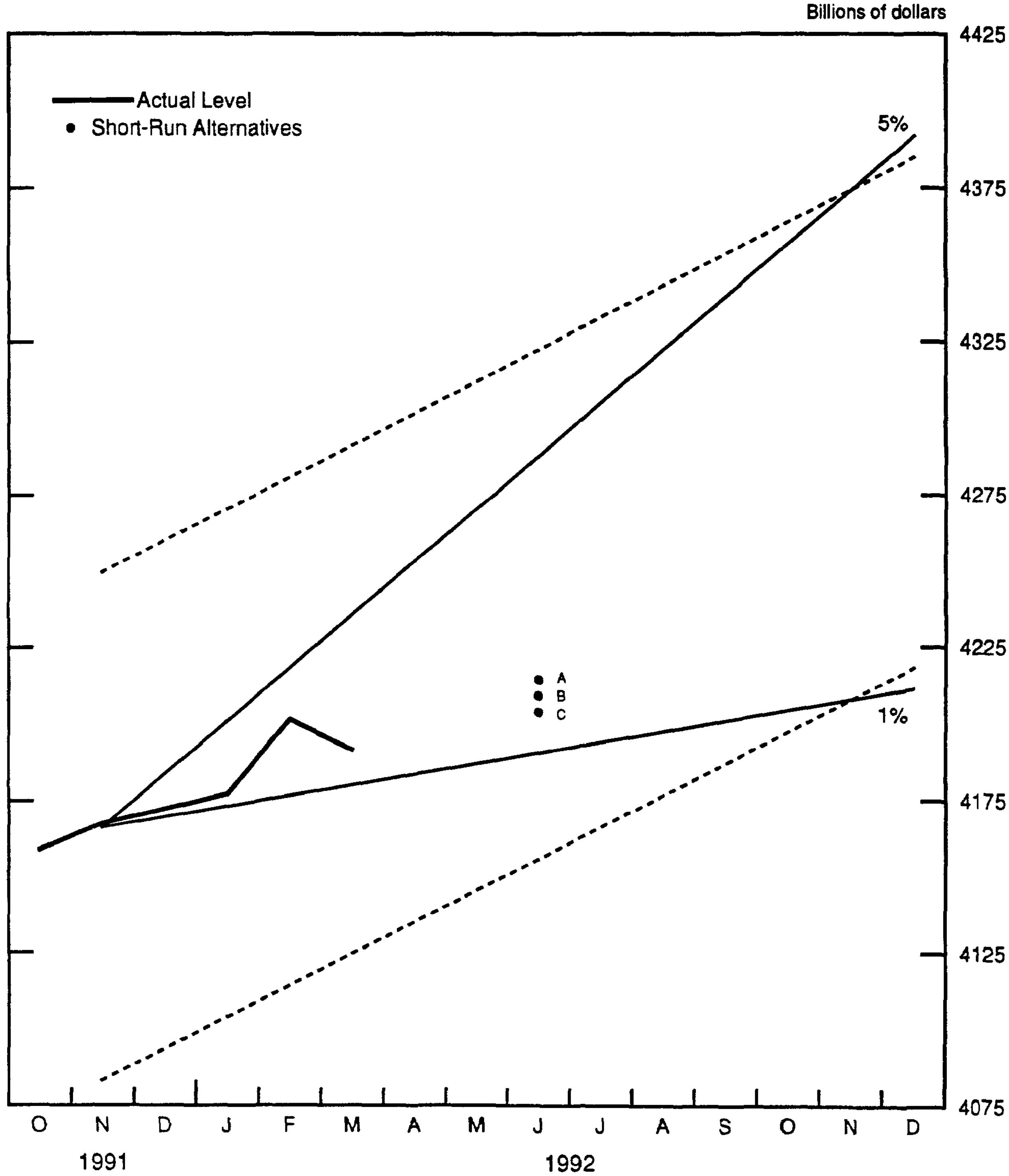
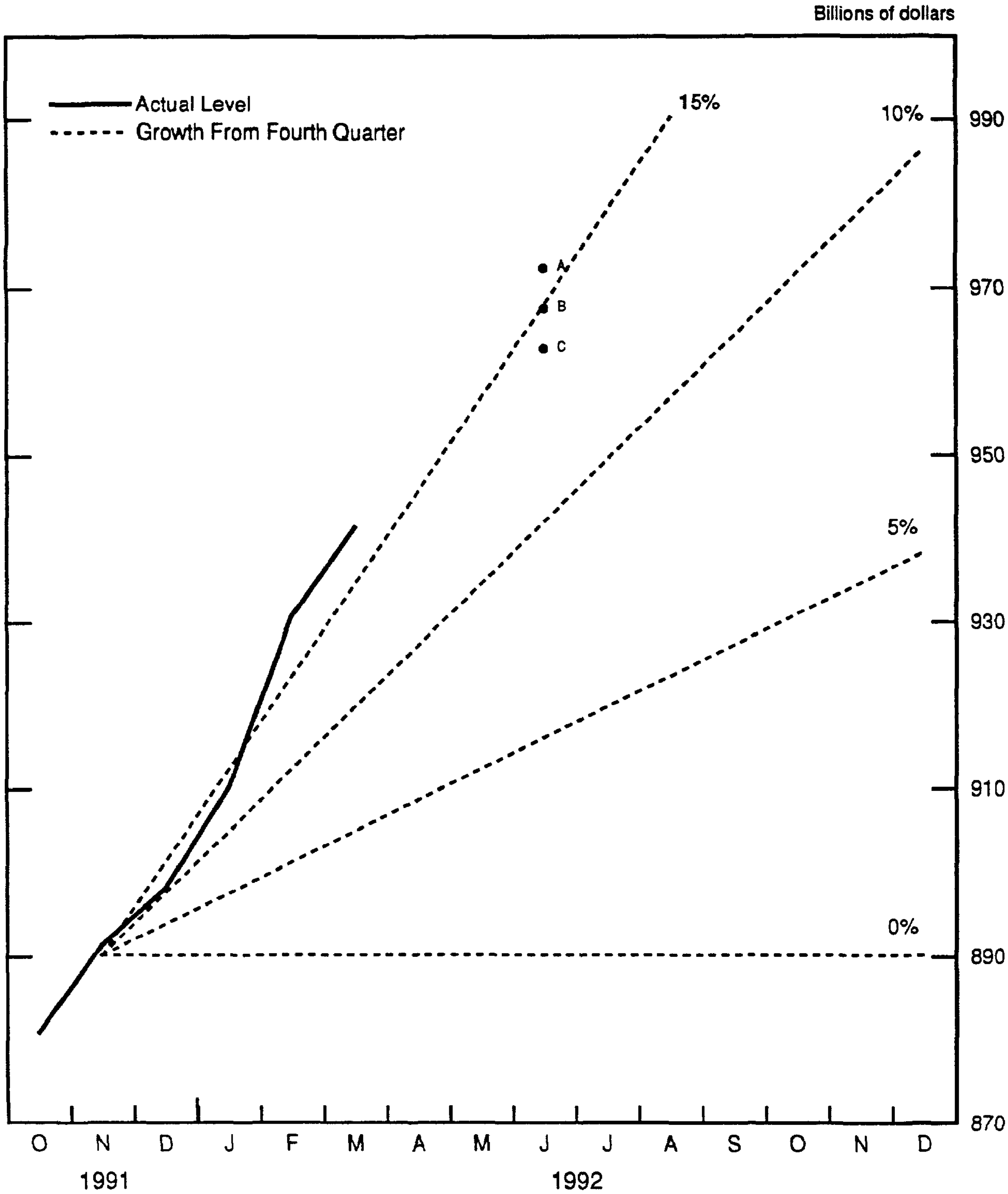


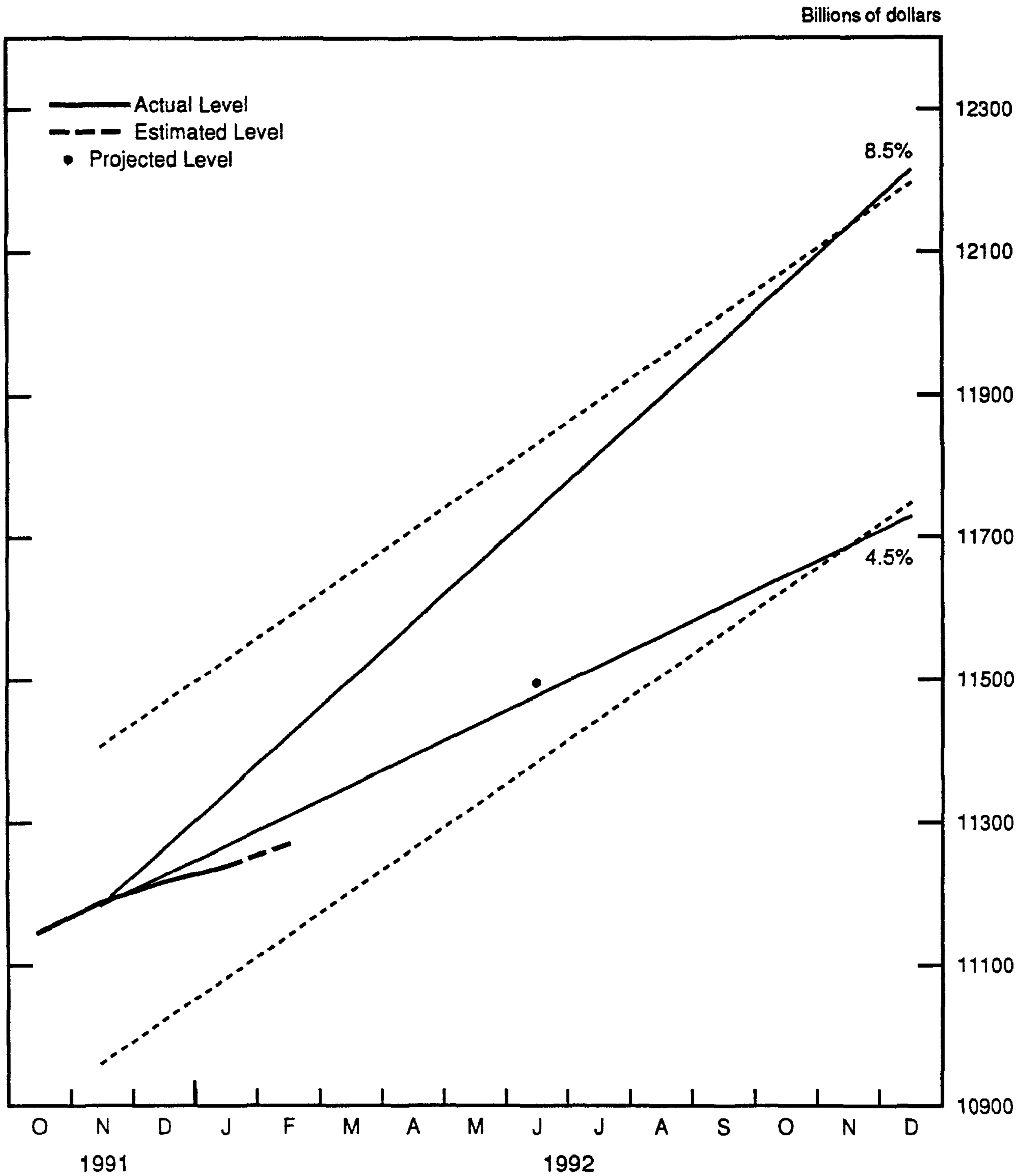
Chart 3
M1



Billions of dollars
Actual Level
Growth From Fourth Quarter
15%
10%
5%
0%
A
B
C
990
970
950
930
910
890
870
O
N
D
J
F
M
A
M
J
J
A
S
O
N
D
1991
1992

Chart 4

DEBT



Billions of dollars
Actual Level
Estimated Level
Projected Level
8.5%
4.5%
12300
12100
11900
11700
11500
11300
11100
10900
O
N
D
J
F
M
A
M
J
J
A
S
O
N
D
1991
1992

components remain favorable, inflows to nontransaction M2 are expected to continue to be concentrated in savings deposits (including MMDAs), while sizable outflows from retail time deposits persist.

(13) As a consequence of rising opportunity costs and waning effects of special factors, M2 velocity is projected to increase significantly in the second quarter--at about a 2 percent annual rate under alternative B. The modest deceleration of M2 embodied in this alternative is expected to be consistent with the greenbook forecast of a continued pickup in the economy. With credit flows concentrated in longer-term markets, depositories will remain fairly unaggressive bidders for deposits, and households will continue to direct savings to capital market instruments. In these circumstances, the staff is forecasting a 1-1/2 percent increase in M2 velocity over the four quarters of 1992 under the greenbook forecast, the same change in velocity as was forecast in February. For the year, M2 now would be expected to increase around 4 percent, a little faster than projected in February in line with stronger projected nominal GDP.

(14) Growth in M3 under alternative B would moderate slightly to a 1-1/2 percent pace over the March-to-June period. In addition to weaker M2 growth, M3 money funds should be about unchanged over the second quarter under conditions of stable money market rates. On the other hand, deposit inflows at banks might firm as their asset growth strengthens a bit. With improving capital positions and better access to funding markets, banks might become a little more willing to hold the loans that they originate, rather than sell them. Demands for commercial and industrial loans are likely to strengthen a little, as inventory liquidation abates. Nonetheless, businesses are expected to continue to concentrate much of their financing in bond and equity markets

as they repair balance sheets. Net mortgage borrowing by households is expected to rise, accompanying the recovery in housing activity, with the bulk of these funds coming from the open market through mortgage securities. Indebtedness of the nonfederal sectors should grow a little faster over the March-to-June period, but, at only a 3 percent annual rate of expansion, will remain quite anemic. Federal debt, in contrast, will accelerate noticeably, boosting overall debt growth to a 6 percent pace over the second quarter and lifting the debt aggregate to within its 1992 monitoring range at quarter-end.

(15) Under the lower interest rates of alternative A, M2 is expected to grow at a 4-1/2 percent rate over the March-to-June period, keeping this aggregate around the midpoint of its 1992 target range. The decline in market rates would boost inflows to M1 accounts and money market mutual funds, although the still-lower return on retail balances in M2 relative to those seen on capital market instruments would again encourage some M2 holders to divert balances to the bond and equity markets. M3 would continue to grow at a 2 percent rate over the March-to-June period, remaining noticeably above the lower end of its range.

(16) M2 growth would slacken to a 2-1/2 percent rate over the March-to-June period under alternative C, bringing this aggregate appreciably below the midpoint of its annual range. Much of the slowing would be in its M1 component. In the context of a somewhat more uncertain outlook for the recovery, bankers might remain highly cautious lenders and continue to hold their balance sheets in check; sluggish bank credit growth and likely runoffs of M3 money funds would imply M3 growth of only 1 percent at an annual rate over the March-to-June period.

<u>Directive Language</u>

(17) Draft language for the operational paragraph, including the usual options and updating, is presented below:

<u>OPERATIONAL PARAGRAPH</u>

In the implementation of policy for the immediate future, the Committee seeks to DECREASE SOMEWHAT/maintain/ INCREASE SOMEWHAT the existing degree of pressure on reserve positions. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly (SOMEWHAT) greater reserve restraint (WOULD) might or slightly (SOMEWHAT) lesser reserve restraint would (MIGHT) 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 ~~December through~~ March THROUGH JUNE at annual rates of about ___ AND ___ ~~3 and 1-1/2~~ percent, respectively.

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
91 – High	7.46	6.46	6.49	6.43	7.75	8.49	7.37	9.93	7.47	8.35	8.52	9.96	7.40	9.97	9.75	7.78
– Low	4.22	3.84	3.93	4.01	4.25	4.88	4.53	7.07	5.24	6.96	7.58	8.49	6.76	8.38	8.35	6.02
92 – High	4.20	4.05	4.22	4.51	4.32	5.02	4.51	6.50	6.32	7.65	8.04	8.99	6.87	9.22	9.03	6.22
– Low	3.87	3.76	3.82	3.89	3.94	4.00	3.72	6.50	5.11	6.79	7.44	8.46	6.53	8.36	8.23	5.78
Monthly																
Mar 91	6.12	5.90	5.92	6.00	6.45	6.48	6.12	9.00	7.35	8.11	8.29	9.58	7.32	9.81	9.50	7.47
Apr 91	5.91	5.65	5.71	5.85	6.06	6.08	5.89	9.00	7.23	8.04	8.21	9.46	7.24	9.75	9.49	7.38
May 91	5.78	5.46	5.61	5.76	5.91	5.91	5.60	8.50	7.12	8.07	8.27	9.45	7.13	9.73	9.47	7.22
Jun 91	5.90	5.57	5.75	5.96	6.07	6.06	5.49	8.50	7.39	8.28	8.47	9.53	7.30	9.93	9.62	7.24
Jul 91	5.82	5.58	5.70	5.91	5.98	5.98	5.46	8.50	7.38	8.27	8.45	9.55	7.18	9.79	9.57	7.23
Aug 91	5.66	5.33	5.39	5.45	5.65	5.72	5.38	8.50	6.80	7.90	8.14	9.25	7.05	9.44	9.24	7.08
Sep 91	5.45	5.21	5.25	5.26	5.47	5.57	5.24	8.20	6.50	7.65	7.95	9.05	6.97	9.18	9.01	6.87
Oct 91	5.21	4.99	5.04	5.04	5.33	5.29	5.03	8.00	6.23	7.53	7.93	9.02	6.89	9.04	8.86	6.71
Nov 91	4.81	4.56	4.61	4.64	4.94	4.95	4.82	7.58	5.90	7.42	7.92	8.95	6.89	8.86	8.71	6.42
Dec 91	4.43	4.07	4.10	4.17	4.47	4.98	4.61	7.21	5.39	7.09	7.70	8.68	6.87	8.56	8.50	6.19
Jan 92	4.03	3.80	3.87	3.95	4.05	4.11	4.18	6.50	5.40	7.03	7.58	8.57	6.67	8.65	8.43	5.89
Feb 92	4.06	3.84	3.93	4.08	4.07	4.11	3.84	6.50	5.72	7.34	7.85	8.79	6.83	8.92	8.76	5.88
Weekly																
Dec 11 91	4.54	4.21	4.21	4.27	4.57	5.00	4.63	7.50	5.52	7.22	7.80	8.76	6.90	8.67	8.53	6.23
Dec 18 91	4.49	4.13	4.17	4.21	4.45	4.90	4.59	7.50	5.44	7.20	7.77	8.57	6.84	8.47	8.49	6.21
Dec 25 91	4.22	3.84	3.93	4.01	4.25	4.88	4.53	7.07	5.24	6.96	7.58	8.49	6.76	8.38	8.35	6.02
Jan 1 92	4.19	3.86	3.88	3.95	4.32	5.02	4.51	6.50	5.14	6.79	7.47	8.46	6.68	8.39	8.24	5.94
Jan 8 92	4.19	3.80	3.83	3.89	4.02	4.19	4.40	6.50	5.11	6.80	7.44	8.49	6.53	8.36	8.23	5.79
Jan 15 92	4.01	3.81	3.86	3.95	4.03	4.07	4.19	6.50	5.32	6.93	7.50	8.58	6.66	8.67	8.45	5.89
Jan 22 92	3.87	3.77	3.86	3.94	4.07	4.09	4.14	6.50	5.43	7.09	7.61	8.67	6.70	8.83	8.56	5.90
Jan 29 92	4.01	3.82	3.90	4.00	4.07	4.08	3.99	6.50	5.61	7.22	7.71	8.72	6.76	8.98	8.68	5.93
Feb 5 92	4.17	3.84	3.91	4.01	4.06	4.09	3.92	6.50	5.67	7.30	7.78	8.71	6.79	8.74	8.67	5.87
Feb 12 92	3.93	3.76	3.82	3.94	3.94	4.00	3.85	6.50	5.53	7.23	7.78	8.85	6.85	9.04	8.73	5.78
Feb 19 92	4.20	3.81	3.92	4.10	4.07	4.13	3.78	6.50	5.76	7.43	7.93	8.87	6.85	9.02	8.82	5.92
Feb 26 92	3.96	3.93	4.04	4.21	4.18	4.18	3.78	6.50	5.89	7.42	7.92	8.72	6.82	8.89	8.83	5.93
Mar 4 92	4.08	3.99	4.07	4.22	4.16	4.23	3.75	6.50	5.89	7.37	7.88	8.86	6.82	9.10	8.85	5.99
Mar 11 92	3.95	4.02	4.14	4.37	4.24	4.27	3.72	6.50	6.05	7.47	7.92	8.99	6.86	9.19	8.88	6.04
Mar 18 92	4.04	4.05	4.22	4.51	4.30	4.32	3.72	6.50	6.32	7.65	8.04	8.98	6.87	9.22	9.03	6.22
Mar 25 92	3.94	4.05	4.21	4.45	4.27	4.29	3.73	6.50	6.30	7.58	7.99	–	6.87	–	–	–
Daily																
Mar 24 92	3.86	4.05	4.19	4.42	4.28	4.29	–	6.50	6.26	7.53	7.94	–	–	–	–	–
Mar 25 92	3.95	4.01	4.16	4.38	4.22	4.25	–	6.50	6.22	7.53	7.94	–	–	–	–	–
Mar 26 92	4.07	4.01	4.15	4.36	4.18	4.23	–	6.50	6.23	7.57	7.99	–	–	–	–	–

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.

Money and Credit Aggregate Measures

Seasonally adjusted

MAR. 30, 1992

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)										
1989	0.6	4.8	6.2	-0.9	3.6	4.8	7.5	7.3	8.4	8.2
1990	4.2	4.0	3.9	-7.2	1.7	1.8	5.5	10.3	6.1	7.0
1991	8.0	2.8	1.1	-5.5	1.2	0.5	3.4	11.2	2.4	4.5
QUARTERLY AVERAGE										
1991-2nd QTR.	7.4	4.4	3.4	-9.7	1.8	-1.9	2.9	6.8	3.4	4.2
1991-3rd QTR.	7.5	0.7	-1.6	-9.8	-1.3	0.7	1.8	13.9	1.9	4.7
1991-4th QTR.	11.1	2.3	-0.7	-4.9	1.0	0.2	5.7	12.2	1.7	4.3
1992-1st QTR. pe	16¼	4½	0	-7½	2¼					
MONTHLY										
1991-MAR.	8.8	6.2	5.4	-17.9	1.6	-1.1	5.5	6.6	3.2	4.0
APR.	0.6	2.7	3.3	-7.7	0.7	-6.3	1.6	-1.9	3.7	2.4
MAY	11.7	4.0	1.5	-14.1	0.6	-4.7	0.8	11.8	3.9	5.8
JUNE	9.0	2.2	-0.1	-14.1	-0.8	6.8	3.8	16.0	2.5	5.6
JULY	3.8	-1.5	-3.3	-9.5	-3.0	1.2	0.5	12.3	1.4	4.0
AUG.	9.1	0.7	-2.1	-4.5	-0.2	-1.5	0.9	15.3	1.2	4.5
SEP.	7.6	0.7	-1.7	-9.5	-1.2	-2.6	4.8	12.3	1.5	4.1
OCT.	12.2	2.1	-1.4	0.5	1.8	0.9	6.8	13.1	1.7	4.5
NOV.	14.3	4.8	1.5	-8.3	2.5	3.1	7.1	10.8	2.4	4.5
DEC.	9.2	2.9	0.7	-5.7	1.4	-0.4	6.1	7.7	1.5	3.0
1992-JAN.	16.2	3.2	-1.4	-7.0	1.4	-1.0	3.2	5.9	1.2	2.4
FEB.	27.0	9.4	3.2	-4.4	7.0		0.5			
MAR. pe	14	0	-5	-18	-3					
LEVELS ($BILLIONS) :										
MONTHLY										
1991-OCT.	880.9	3417.4	2536.5	741.5	4159.0	4977.8	2805.1	2723.8	8422.5	11146.3
NOV.	891.4	3431.1	2539.7	736.4	4167.5	4990.8	2821.6	2748.3	8439.6	11187.9
DEC.	898.2	3439.3	2541.1	732.9	4172.2	4989.2	2836.0	2766.0	8450.3	11216.2
1992-JAN.	910.3	3448.5	2538.1	728.6	4177.1	4984.9	2843.5	2779.7	8459.1	11238.7
FEB.	930.8	3475.6	2544.8	725.9	4201.5		2844.6			
WEEKLY										
1992-FEB. 3	921.1	3462.6	2541.4	729.8	4192.3					
10	927.1	3473.4	2546.3	723.6	4197.1					
17	931.4	3478.0	2546.6	738.1	4216.1					
24	934.2	3477.5	2543.4	714.7	4192.2					
MAR. 2	935.0	3478.7	2543.7	725.6	4204.3					
9 p	939.6	3482.5	2542.9	718.1	4200.6					
16 p	943.4	3478.2	2534.8	718.6	4196.7					

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

MAR. 30, 1992

Period	Currency	Demand deposits	Other checkable deposits	Overnight RPs and Eurodollars NSA[1]	Savings deposits[2]	Small denomination time deposits[3]	Money market mutual funds: general purpose and broker/dealer[4]	Money market mutual funds: Institutions only	Large denomination time deposits[5]	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
LEVELS ($BILLIONS):															
ANNUALLY (4TH QTR.)															
1989	221.2	279.2	282.8	76.2	884.7	1145.3	311.2	106.8	561.3	106.8	78.8	116.8	320.3	349.1	40.3
1990	245.5	277.5	292.7	78.8	919.9	1167.7	346.2	130.1	501.9	93.6	68.0	125.2	331.1	357.4	33.6
1991	266.0	287.0	329.1	72.8	1028.8	1079.1	359.8	173.6	443.1	73.4	61.3	137.0	320.3	337.9	24.4
MONTHLY															
1991-FEB.	254.6	275.9	297.5	70.4	931.0	1169.5	361.0	145.5	499.6	86.7	69.8	127.9	328.8	357.1	34.6
MAR.	256.0	276.9	301.3	69.2	941.7	1165.9	365.0	148.5	492.8	83.5	68.2	129.0	323.5	353.8	32.1
APR.	256.3	276.1	302.5	69.6	953.0	1159.4	366.6	152.9	487.7	82.2	65.2	130.1	307.3	341.6	30.6
MAY	256.6	278.4	307.8	68.5	966.1	1150.9	367.8	155.2	483.5	80.4	62.3	131.3	299.5	327.9	29.1
JUNE	257.6	280.1	311.6	67.9	976.8	1140.6	368.8	155.3	478.3	78.4	61.6	132.4	325.1	333.0	28.1
JULY	259.3	279.3	313.7	64.8	986.1	1129.5	367.9	155.4	471.2	78.8	62.7	133.5	332.7	339.8	28.1
AUG.	261.3	280.1	317.3	67.3	994.1	1120.8	362.4	158.6	465.5	78.4	63.6	134.4	330.4	336.3	27.2
SEP.	262.9	280.6	320.6	66.4	1002.4	1111.0	359.9	162.6	458.5	76.7	61.5	135.2	322.9	337.7	25.8
OCT.	264.8	283.8	324.5	69.5	1015.0	1095.2	359.3	168.2	450.0	75.5	63.0	136.1	321.2	336.2	25.3
NOV.	266.0	287.6	329.7	73.3	1028.7	1079.2	359.5	173.6	442.3	73.7	62.3	137.1	323.7	337.9	24.5
DEC.	267.3	289.5	333.2	75.7	1042.6	1063.0	360.5	179.1	437.1	70.9	58.5	137.9	316.1	339.7	23.3
1992-JAN.	269.4	293.9	338.9	77.4	1061.3	1042.6	360.0	182.4	427.9	70.9	57.3	138.9	310.9	334.8	23.2
FEB.	271.6	305.1	346.0	77.5	1084.2	1019.0	363.7	188.2	421.9	72.0	57.8				

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

p-preliminary

March 27, 1992

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

Period	Treasury bills			Treasury coupons						Federal agencies redemptions (-)	Net change outright holdings total[4]	Net RPs[5]
	Net purchases[2]	Redemptions (-)	Net change	Net purchases[3] within 1 year	1-5	5-10	over 10	Redemptions (-)	Net Change			
1989	1,468	12,730	-11,263	327	946	258	284	500	1,315	442	-10,390	-1,683
1990	17,448	4,400	13,048	425	50	-100	—	—	375	183	13,240	11,128
1991	20,038	1,000	19,038	3,043	6,583	1,280	375	—	11,282	292	25,199	-1,614
1990 —Q1	-3,799	1,400	-5,199	100	100	—	—	—	200	—	-5,000	-4,061
—Q2	10,892	—	10,892	—	150	—	—	—	150	78	10,964	509
—Q3	5,115	—	5,115	—	—	—	—	—	—	70	5,045	-2,124
—Q4	5,241	3,000	2,241	325	-200	-100	—	—	25	35	2,230	16,805
1991 —Q1	2,160	1,000	1,160	800	2,950	400	—	—	4,150	—	5,310	-16,864
—Q2	4,356	—	4,356	900	550	—	—	—	1,450	128	3,172	992
—Q3	7,664	—	7,664	1,165	650	—	—	—	1,815	55	9,419	152
—Q4	5,858	—	5,858	178	2,433	880	375	—	3,867	109	7,299	14,106
1991 March	313	—	313	700	2,950	50	—	—	3,700	—	4,013	-14,793
April	908	—	908	700	550	—	—	—	1,250	91	2,067	1,370
May	3,411	—	3,411	200	—	—	—	—	200	37	1,068	-1,153
June	37	—	37	—	—	—	—	—	—	—	37	775
July	1,359	—	1,359	625	—	—	—	—	625	55	1,929	71
August	5,776	—	5,776	340	—	—	—	—	340	—	6,116	-2,134
September	529	—	529	200	650	—	—	—	850	—	1,374	2,216
October	2,198	—	2,198	—	—	—	—	—	—	14	2,185	6,942
November	2,823	—	2,823	178	2,133	880	375	—	3,567	51	4,022	-8,871
December	837	—	837	—	300	—	—	—	300	45	1,092	16,035
1992 January	-1,628	1,600	-3,228	—	—	—	—	—	—	85	-3,313	-12,874
February	123	—	123	—	—	—	—	—	1,027	—	1,150	-2,010
Weekly												
December 25	—	—	—	—	—	—	—	—	—	—	—	8,250
January 1	—	—	—	—	—	—	—	—	—	45	-45	6,050
8	—	—	—	—	—	—	—	—	—	—	—	-16,195
15	-221	—	-221	—	—	—	—	—	—	34	-255	-1,059
22	-498	400	-898	—	—	—	—	—	—	35	-933	5,150
29	-909	800	-1,709	—	—	—	—	—	—	16	-1,725	-5,495
February 5	—	400	-400	—	—	—	—	—	—	—	-400	-1,098
12	—	—	—	—	—	—	—	—	—	—	—	2,211
19	—	—	—	—	395	—	—	—	395	—	395	11,087
26	123	—	123	—	632	—	—	—	632	—	755	-9,995
March 4	—	—	—	—	—	—	—	—	—	—	—	1,892
11	—	—	—	—	—	—	—	—	—	—	-0	1,165
18	—	—	—	—	625	—	—	—	625	—	625	3,800
25	39	—	39	—	800	—	—	—	800	—	839	-6,138
Memo: LEVEL (bil. $)[6]												
March 25			135.7	34.0	62.5	15.2	24.6		136.3		277.9	-6.1

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 issues.
4. Reflects net change in 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
March 25	2.3	2.8	0.8	0.2	6.1