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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

December 18, 1992

MONETARY POLICY ALTERNATIVES

Recent Developments

(1) Reserve conditions have remained unchanged since the last Committee meeting. Because of settlement day pressures, the federal funds rate averaged a little above its expected level of 3 percent and adjustment plus seasonal borrowing a little above its allowance.[1] Rates on Treasury securities registered relatively small mixed changes over the intermeeting period, with bill rates essentially unchanged and bond yields falling.[2] Economic activity was stronger than expected, but the more robust economy along with the tenor of the new Administration's appointments and statements were seen as lowering the odds on outsized fiscal stimulus. The flattening of the Treasury yield curve may have been partly a response to actual and potential shifting of relative supplies; bill auction sizes increased over recent weeks, and there was talk in the incoming Administration of shortening the maturity structure of Treasury debt issues. Long-term forward rates embedded in the Treasury yield curve fell to their lowest levels in nearly three years, and investors also may have been encouraged by discussions of long-term deficit reduction and by prospects for sustained low inflation. Rates rose sharply on one-month private paper as that maturity came to span the year-end. However, expected rates over the year-end holiday weekend have fallen recently, contributing to a drop of 20 to 45 basis points in private short-term rates beyond the one-month maturity. The declines are greatest for bank obligations,

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1. The borrowing allowance was reduced by $25 million to $50 million late in the intermeeting period because of the usual decline in seasonal borrowing.
2. Interest and exchange rates in this bluebook have been updated through noon, December 18.

perhaps reflecting reduced concerns about possible banking problems, partly as bank earnings exceeded expectations. Bank stock prices outperformed broad stock market indexes, which were themselves boosted to record highs by the prospects for a stronger economy and decreases in bond yields. Private long-term rates also dropped 10 to 20 basis points late in the period, except for rates for weaker credits which remained unchanged.

(2) The dollar's weighted-average exchange value has declined slightly on balance since the November FOMC meeting. Foreign short-term interest rates rose while long-term rates declined a few basis points on average over the period. Although new economic data indicated that both the West German and the Japanese economies are in recession, markets seem to have postponed or reduced expectations of near-term monetary easing, owing in part to statements by the central banks of those countries. Small dollar depreciations against the mark, the yen, and several other currencies were about offset by a 15 percent appreciation against the Swedish krona, which was cut loose from its ECU peg after a second round of extremely heavy selling pressures. The pressures then spread episodically to other European currencies, culminating in the floating of the Norwegian krone; tensions within the ERM persisted through the end of the intermeeting period, but at a somewhat reduced intensity.

. The Desk did not intervene in currency markets over the intermeeting period.

(3) Growth rates of M2 and M3 appear likely to come in a little below below their respective 3-1/2 and 1 percent paths specified for September to December at the last FOMC meeting. In November, M2

decelerated to a 3-1/2 percent annual growth rate, and weekly data for the first half of December indicate significant further slowing this month. A deceleration had been expected, owing primarily to the waning effects of special factors.[3] Abstracting from those effects, the underlying growth in M2 was apparently quite weak, and less than expected, despite an upward revision to estimated nominal income growth. M1 growth has slowed especially sharply in recent weeks, accounted for in part by weakness in demand deposits.[4] Some of this deceleration may reflect smaller contributions to growth from mortgage refinancing, and it may be that demand deposits, and NOW accounts as well, were reacting to the runup in short-term interest rates over October and November. The nontransactions component of M2 continued to decline. Small time deposits again fell substantially, with a portion of the funds apparently captured by savings deposits, which expanded rapidly. M3 accelerated to a 1-3/4 percent growth rate in November, as the runoff of large time deposits and institutional money funds slowed substantially. Branches and agencies of foreign banks increased CD issuance, perhaps anticipating year-end needs, but appear likely to rely more heavily on borrowing from overseas offices as the year end approaches. Early December data indicate a likely decline in M3 for this month.

3. The effects of the boost to NOW accounts from a reclassification of large time deposits ended in November. Mortgage refinancings and associated effects on deposits were expected to add nearly 1 percentage point less to growth in November and December than in October. It now appears that the contribution of mortgage refinancing to growth has dropped off faster than we had projected, but from a much higher level in October.

4. Reflecting the deceleration of transaction deposits, growth of required and total reserves slowed to the still rapid rates of about 22 and 21 percent, respectively, in November. Primarily because of a lower rate of currency growth, the monetary base grew at an 8-3/4 percent rate for the month.

(4) M2 and M3 should finish the year about 1/4 and 1/2 percentage point, respectively, below the lower bounds of their target ranges. The velocity of M2 is projected to rise 3-1/4 percent this year, including a 5-1/4 percent (annual rate) increase in the third quarter--despite further declines in market rates and the influence of special factors, such as mortgage refinancing, that boosted money and held down velocity. Banks and thrifts, rebuilding capital positions, promptly reduced deposit rates as short-term market rates fell, and a steepening yield curve as well as the stickiness of bank loan rates induced shifts out of M2 deposits. The experimental staff M2 model, which employs a variety of rates affecting household portfolio choices and shows a rise in overall opportunity costs this year, predicts a 3 percent increase in velocity. M3 velocity has been boosted in part by greatly increased reliance by banks and thrifts on capital and other nondeposit sources of funds not included in M3.

(5) Domestic nonfinancial debt posted a paltry 2-3/4 percent growth rate in October owing to a temporary dropoff in federal borrowing, before picking up in November. Although borrowing by nonfederal sectors appears to be strengthening a little, some of the recent pickup may have been the result of efforts to fund year-end needs in advance. At banks, business loans expanded at a more robust 5-1/4 percent pace in November. While part of this increase reflected a shift from the commercial paper market by one large firm that was downgraded, commercial paper still posted a strong gain in November. Corporations not only obtained early funding of year-end positions but reduced their reliance on long-term debt markets after the backup in bond yields in October and November. Overall, business borrowing seems to be increasing slightly, after decreasing in the second and third quarters. While

equity issuance also has declined, the recent stock market rally has led to a buildup of the new issue calendar. Bank loans to consumers remained weak in November, even after adjusting for securitizations, and although revolving credit posted a third monthly gain in October, total consumer credit, including noninstallment loans, turned down after being flat or rising slightly the previous several months. Real estate loans at banks grew modestly again in November. Residential mortgage growth had not kept pace with indicators of housing activity through the third quarter, but some boost may be expected in the fourth quarter with the record level of refinancings and rising home sales with concomitant opportunities for increasing mortgage sizes. Since October, however, a steep decline is evident in indexes of new mortgage applications for home purchases and especially for refinancing. Overall, the debt aggregate appears likely to finish the year at about the 4-1/2 percent lower bound of its monitoring range, with federal debt up 10-3/4 percent and nonfederal 2-1/2 percent. Debt-to-income ratios have fallen slightly for both households and business; debt-service burdens have declined much more substantially as obligations are rolled over at prevailing lower interest rates.

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

	Sept.	Oct.	Nov.	QIV'91 to Nov.[1]
Money and credit aggregates				
M1	19.1	22.7	13.9	14.5
M2	3.7	5.2	3.5	2.3
M3	1.8	0.4	1.8	0.6
Domestic nonfinancial debt	3.3	2.7	6.2	4.6
Federal	5.0	-1.3	10.5	10.5
Nonfederal	2.7	4.1	4.6	2.7
Bank credit	6.7	4.8	4.8	4.0
Reserve measures				
Nonborrowed reserves[2]	23.7	45.6	22.0	20.8
Total reserves	24.4	42.0	21.0	20.6
Monetary base	16.7	14.3	8.8	10.4
Memo: (Millions of dollars)				
Adjustment plus seasonal borrowing	287	143	104	--
Excess reserves	994	1074	1051	--

1. Data for November debt measures are partly projected.
2. 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

(6) Three alternatives are presented below for consideration by the Committee. Under alternative B, federal funds would continue to trade around 3 percent, in association with the allowance for adjustment and seasonal borrowing remaining at $50 million. (Seasonal borrowing ordinarily would be expected to edge down in January, but with such borrowing already at a very low level of about $20 million, little change is likely over the intermeeting period.) Alternative A incorporates a 1/2 percentage point reduction in the federal funds rate. Such a reduction could be accomplished through open market operations--by lowering the borrowing allowance by $25 million--pushing the federal funds rate below the discount rate. The lower funds rate also could be achieved by reducing the discount rate by 1/2 percentage point and leaving the borrowing allowance unchanged. The latter approach would be in line with the Committee's usual procedure, as it would not involve moving the intended federal funds rate below the discount rate. The 1/2 percentage point increase in the federal funds rate of alternative C could be implemented by raising the borrowing allowance by $25 million.

(7) In view of the stronger tone of economic data in recent weeks, market participants seem to be anticipating a firming in the stance of monetary policy some time next year, but likely not between now and the early February FOMC meeting. With an unchanged federal funds rate under alternative B, other private short-term rates will decline over the intermeeting period as remaining year-end pressures unwind. Apart from year-end effects, rates along the maturity spectrum might tend to drift lower should developments unfold as in the staff forecast; in these circumstances, expectations of substantial policy

tightening in 1993 are likely to fade, albeit slowly, as inflation remains subdued and the pace of expansion stays moderate. Intermediate- and longer-term rates may be importantly influenced by new proposals on fiscal policy. Markets apparently are anticipating some modest fiscal stimulus, but there is considerable uncertainty about the size of any short-term package and the scope and credibility of proposals for longer-term deficit reduction. Interest rates could also be affected by discussions of other policy measures apparently being considered by the new Administration, which also have not been assumed in the staff forecast. For example, efforts to increase bank lending by relaxing regulations, intended to ease the cost and availability of credit to borrowers dependent on banks, might boost some market interest rates if such a relaxation were seen as having a significant impact on spending and as shifting bank portfolios toward loans and away from government securities. Proposals to put greater emphasis on shorter maturities in Treasury debt management, while motivated primarily by possible saving in federal interest expense, may flatten the yield curve a little.

(8) The 1/2 percentage point decline in the federal funds rate under alternative A would be passed through fully to other short-term interest rates. The three-month Treasury bill rate would drop into the 2-3/4 percent area, or a bit below, and the prime rate would be reduced to 5-1/2 percent. Market expectations about the trajectory of interest rates over the next few months would be marked down, but anticipations that the easing move might need to be reversed before much time had passed--especially in the context of possible fiscal stimulus--would limit declines in longer-term rates. The foreign exchange value of the dollar could drop noticeably, although in present circumstances, foreign

central banks might ease their own policies somewhat sooner than they are likely to otherwise, muting the dollar's decline.

(9) Although many market participants have come to the view that monetary policy easing has run its course for the current economic cycle, none appears to expect a tightening to be implemented in the near term, as in alternative C. Consequently, short-term Treasury rates would jump by the full 50 basis point increase in the federal funds rate. Private rates could increase a bit more, as market participants built in higher risk premiums in response to the greater odds that the economic expansion could slow. The increase in long-term yields, however, would be held down by the enhanced credibility of the Federal Reserve's price stability objective, and the yield curve should flatten somewhat. The foreign exchange value of the dollar would likely rise considerably.

(10) Projected growth of the monetary aggregates under the three alternatives for the interval from November to March is shown in the table below. (Additional data appear in the detailed table and charts on the following pages.) Growth of M2 and M3 in coming months is expected to remain damped relative to that of nominal income under all of the alternatives. The forces that have been restraining money demand over the past two years should abate only a little in the near term. With the yield curve steep and the cost of consumer credit high relative to deposit rates, households are likely to steer funds into capital market instruments, such as bond and stock mutual funds, and to use deposit balances to reduce debt burdens further. Credit flows will continue to be diverted from the depository sector. Nonfinancial businesses, while showing a renewed interest in shorter-term credit as inventory financing needs rise, are expected to continue to rely heavily

on the capital markets in view of the attractive levels of bond rates and stock prices. Restraints on banks' supply of credit are expected to ease, but only gradually, in response to improvements in the financial condition of banks and as the outlook for the economy brightens. With their balance sheets highly liquid, banks are likely to remain unaggressive in bidding for retail deposits and managed liabilities. Overall demands for credit by nonfederal sectors are expected to remain damped relative to income. Federal borrowing, however, should remain brisk. Under any of the alternatives, overall nonfinancial debt is expected to expand at about a 5-1/2 percent rate from the fourth quarter through March, in the lower half of its provisional 4-1/2 to 8-1/2 percent monitoring range, and below the pace of nominal GDP.

	Alt. A	Alt. B	Alt. C
Growth from November to March			
M2	2	1-1/2	1
M3	1/4	0	-1/4
M1	7-1/2	5-3/4	4
Implied growth from 1992:Q4 to March			
M2	2-1/2	1-3/4	1-1/4
M3	1/2	1/4	0
M1	8-1/4	6-3/4	5

(11) The 1-1/2 percent M2 growth projected for the November-to-March period under the unchanged money market conditions of alternative B represents a considerable slowing from the pace of recent months. This projected deceleration largely reflects the reversal of the net

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 October	3497.1	3497.1	3497.1	4183.8	4183.8	4183.8	1007.3	1007.3	1007.3
November	3507.2	3507.2	3507.2	4190.1	4190.1	4190.1	1019.0	1019.0	1019.0
December	3507.7	3507.1	3506.5	4181.2	4180.9	4180.6	1021.8	1021.0	1020.2
1993 January	3514.5	3512.1	3509.7	4184.1	4183.0	4181.9	1029.3	1027.0	1024.7
February	3522.3	3517.9	3513.5	4188.2	4185.7	4183.2	1036.7	1032.7	1028.7
March	3531.5	3524.7	3517.9	4193.0	4189.5	4186.0	1044.2	1038.3	1032.4
Monthly Growth Rates									
1992 October	5.2	5.2	5.2	0.4	0.4	0.4	22.7	22.7	22.7
November	3.5	3.5	3.5	1.8	1.8	1.8	13.9	13.9	13.9
December	0.2	0.0	-0.2	-2.5	-2.6	-2.7	3.3	2.4	1.5
1993 January	2.3	1.7	1.1	0.8	0.6	0.4	8.9	7.1	5.3
February	2.7	2.0	1.3	1.2	0.8	0.4	8.6	6.7	4.7
March	3.1	2.3	1.5	1.4	1.1	0.8	8.7	6.5	4.3
Quarterly Ave. Growth Rates									
1992 Q1	4.2	4.2	4.2	2.2	2.2	2.2	16.4	16.4	16.4
Q2	0.4	0.4	0.4	-1.3	-1.3	-1.3	9.8	9.8	9.8
Q3	0.2	0.2	0.2	-0.1	-0.1	-0.1	10.3	10.3	10.3
Q4	3.7	3.7	3.7	1.1	1.1	1.1	17.2	17.1	17.0
1993 Q1	2.1	1.6	1.2	0.3	0.1	-0.1	8.2	6.7	5.2
Sep 92 to Dec 92	3.0	2.9	2.8	-0.1	-0.1	-0.2	13.4	13.1	12.8
Dec 92 to Mar 93	2.7	2.0	1.3	1.1	0.8	0.5	8.8	6.8	4.8
Nov 92 to Mar 93	2.1	1.5	0.9	0.2	0.0	-0.3	7.4	5.7	3.9
Q4 91 to Q4 92	2.2	2.2	2.2	0.5	0.5	0.5	14.1	14.1	14.1
Q4 91 to Nov 92	2.3	2.3	2.3	0.6	0.6	0.6	14.5	14.5	14.5
Q4 91 to Dec 92	2.1	2.1	2.1	0.3	0.3	0.3	13.6	13.6	13.5
Q4 92 to Jan 93	1.8	1.4	1.0	-0.1	-0.3	-0.4	7.9	6.7	5.5
Q4 92 to Feb 93	2.1	1.6	1.1	0.3	0.1	-0.2	8.1	6.7	5.2
Q4 92 to Mar 93	2.4	1.8	1.2	0.6	0.3	0.1	8.3	6.7	5.0
Tentative 1993 Target Ranges:	2.5 to 6.5			1.0 to 5.0					

Chart 1

ACTUAL AND TARGETED M2

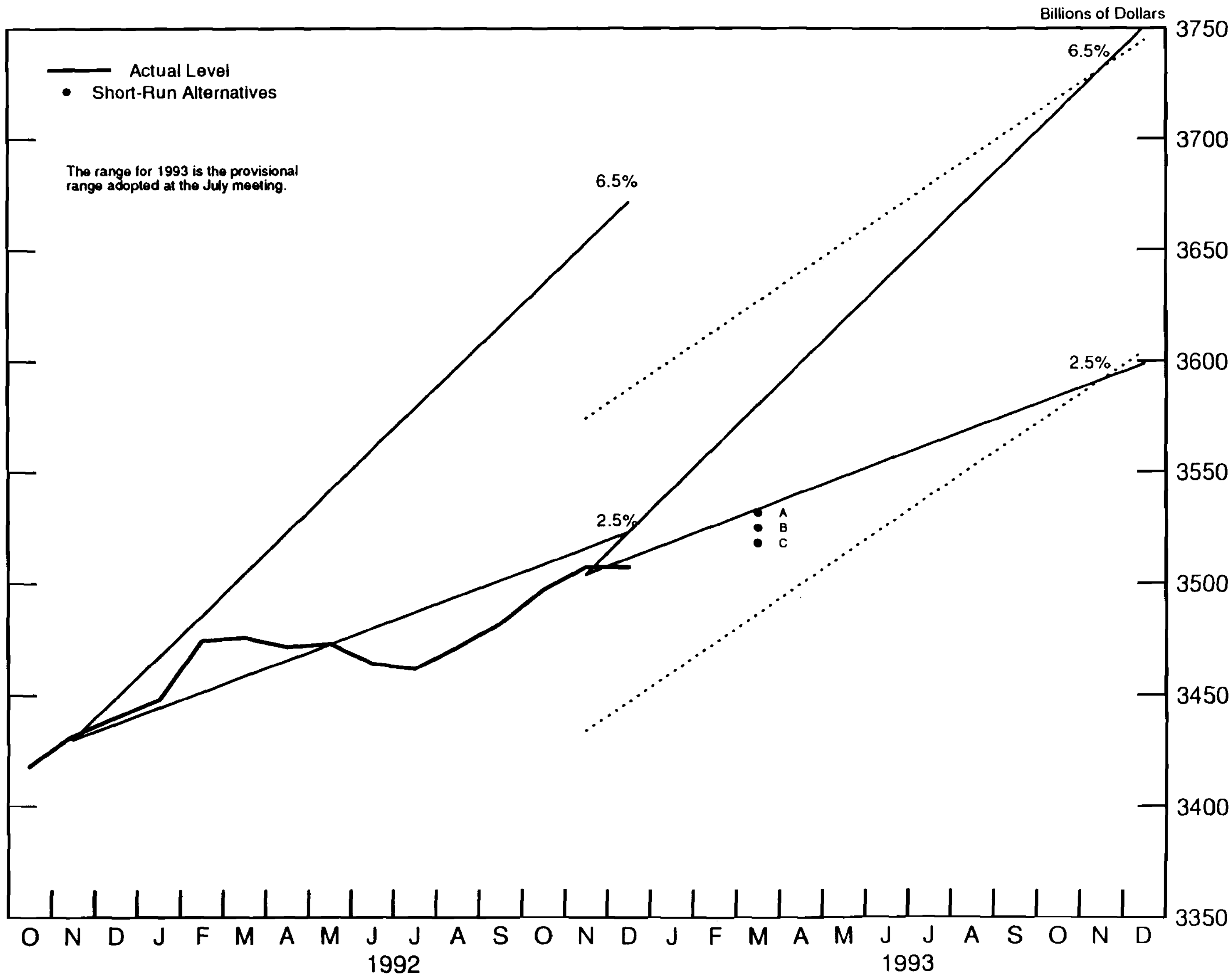


Chart 2

ACTUAL AND TARGETED M3

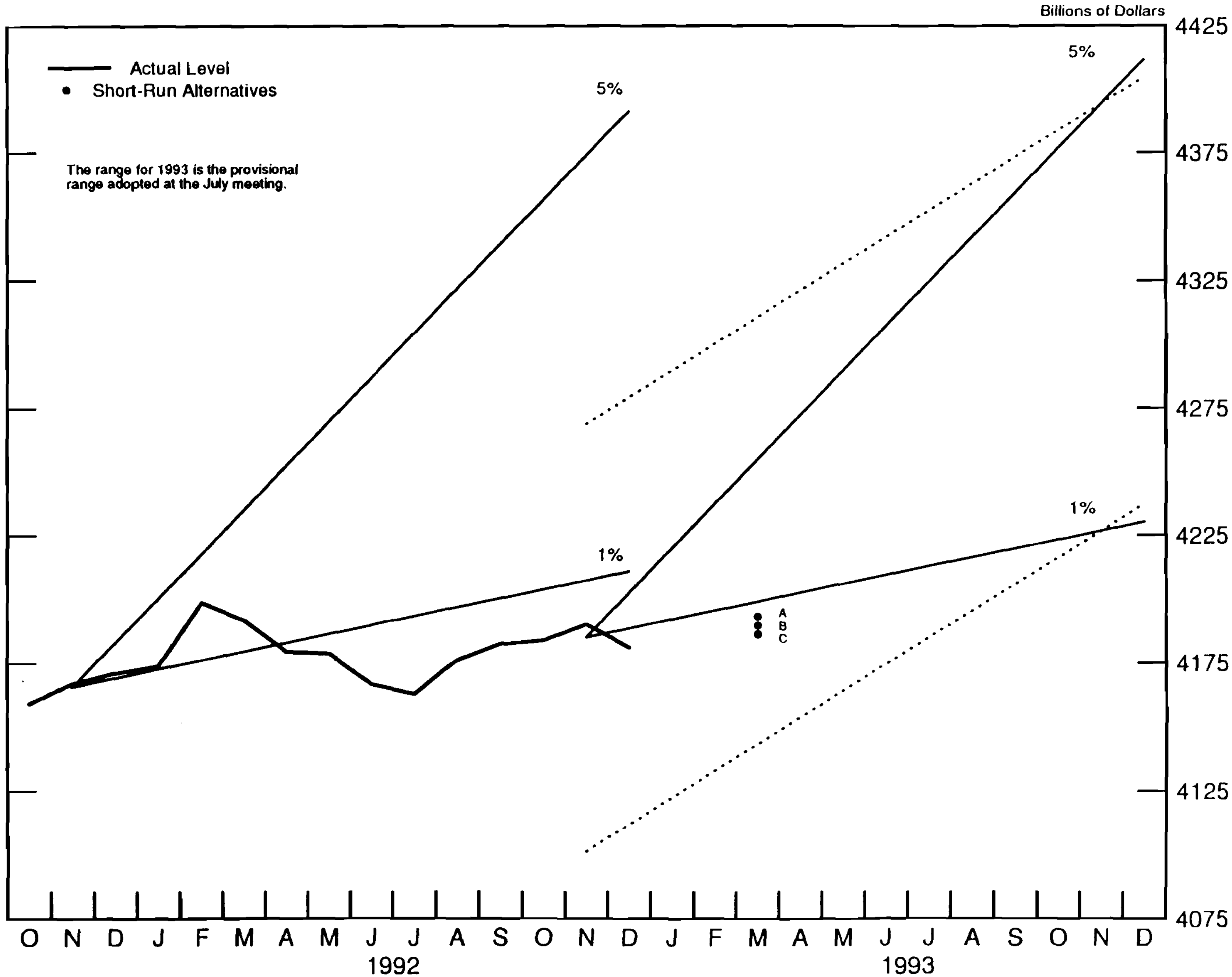
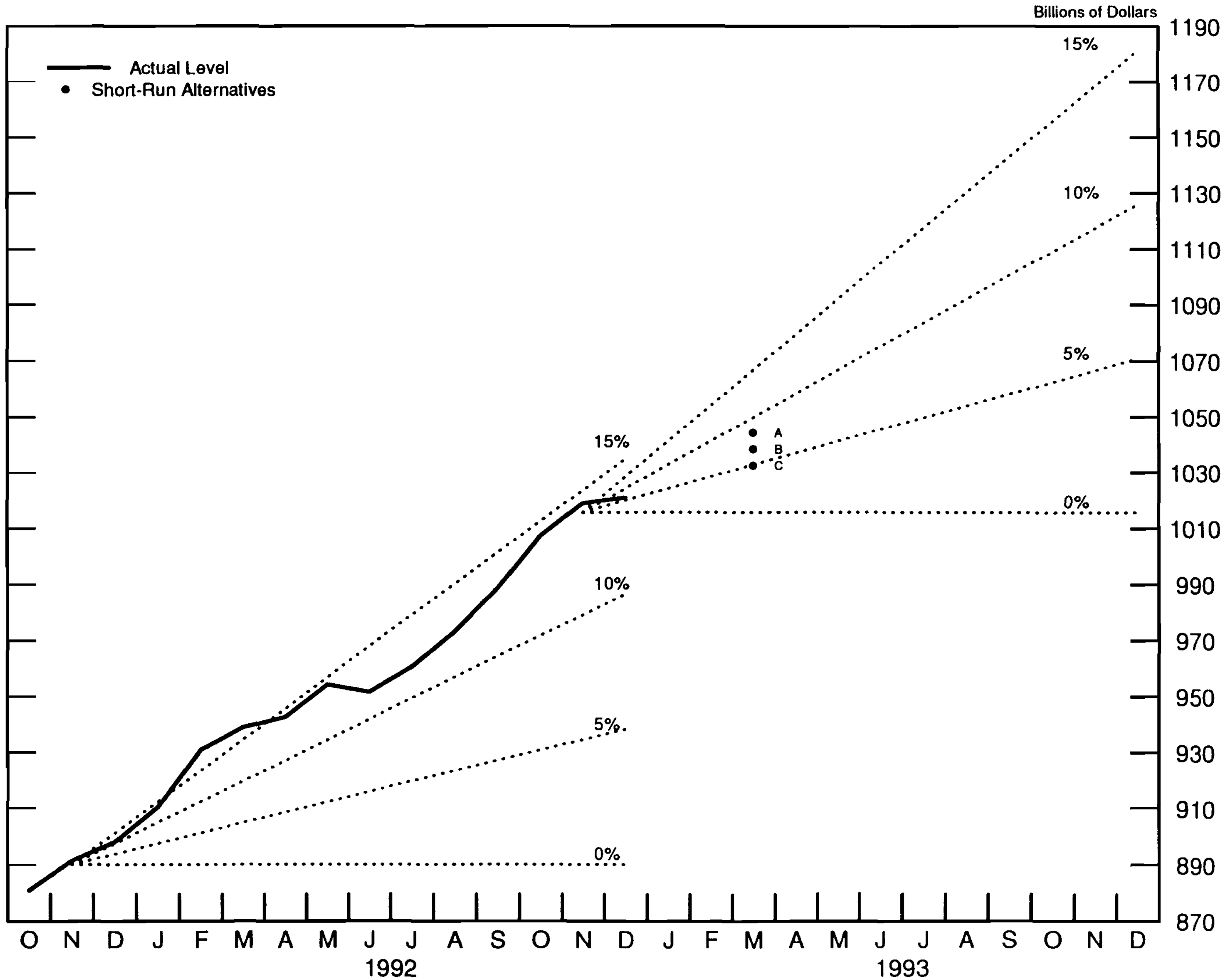


Chart 3

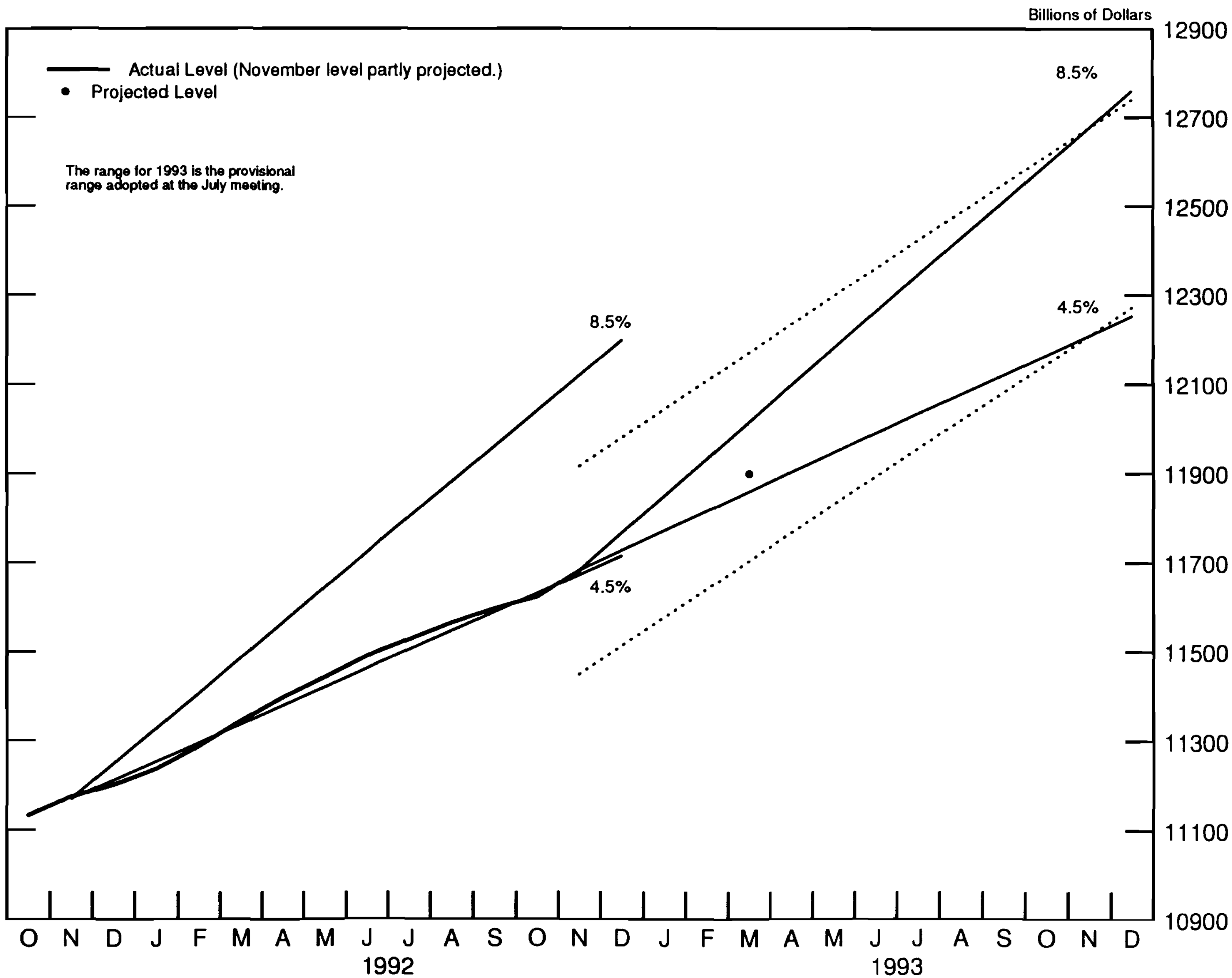
M1



Billions of Dollars
Actual Level
Short-Run Alternatives
15%
10%
5%
0%
15%
10%
5%
0%
A
B
C
1190
1170
1150
1130
1110
1090
1070
1050
1030
1010
990
970
950
930
910
890
870
O N D J F M A M J J A S O N D J F M A M J J A S O N D
1992
1993

Chart 4

DEBT



Billions of Dollars
Actual Level (November level partly projected.)
Projected Level
The range for 1993 is the provisional range adopted at the July meeting.
8.5%
4.5%
8.5%
4.5%
12900
12700
12500
12300
12100
11900
11700
11500
11300
11100
10900
O N D J F M A M J J A S O N D J F M A M J J A S O N D
1992
1993

impact of certain special factors that have boosted M2 recently, including heavy mortgage refinancing activity. The slowing in growth also is due to the additional reductions in rates on liquid deposits, catching up to previous declines in market interest rates.[5] On a quarterly average basis, M2 would grow at only about a 1-1/2 percent rate in the first quarter, well below the staff projection for nominal income growth, and velocity would extend its recent increases--at a projected 4-1/4 percent annual rate. By March, M2 would have expanded at a 1-3/4 percent pace from its fourth-quarter base, leaving the aggregate below its tentative 2-1/2 to 6-1/2 percent range.

(12) M3 is expected to be unchanged on balance over the November-to-March period under the reserve market conditions of alternative B, as a decline that appears to be in train in December offsets sluggish growth over the following three months. Restraint on balance-sheet growth by depository institutions and slack demands for loans at banks and thrifts will continue to stunt the growth of this aggregate. Around year-end, certain bank liabilities, including large time deposits, could decline noticeably, as banks seek to minimize deposit insurance charges and capital requirements, but such maneuvers in themselves should have little effect on growth over the November-to-March period. M3 growth would be about 3/4 percentage point below its tentative 1 to 5 percent target range in March.

(13) The lower interest rates of alternative A would boost M2 growth well into 1993, putting this aggregate near the lower end of the current provisional range by March. This alternative would also improve

5. M1 is projected to grow at a 5-3/4 percent pace from November to March under alternative B. With currency growing at a 7-1/4 percent rate, and total reserves at a 7 percent pace, the monetary base is projected to grow at a 7 percent rate over the period.

the odds that growth of the aggregates in 1993 would be within the provisional target ranges later in the year as the lower interest and exchange rates boosted income relative to the staff forecast. Much of the higher money growth over coming months relative to alternative B would reflect stronger expansion of M1. Compensating balances would increase further, and NOW accounts would rise more quickly. However, depositories are likely again to be fairly prompt in adjusting liquid deposit rates, limiting the impact of the policy easing on the monetary aggregates. Bank credit is unlikely to respond very strongly to lower rates, and additional needs for funds would be met from core deposits. With issuance of managed liabilities weak, growth in M3 would be boosted only slightly as compared with alternative B, and that aggregate would remain below its provisional target range in March.

(14) M2 is projected to expand at only a 1 percent rate from November-to-March under alternative C and M3 would decline at a 1/4 percent rate. M1 growth would be limited to 4 percent over November-to-March by the higher opportunity costs of demand deposits and NOW accounts under this alternative. Losses on capital market instruments as long-term rates rise could limit flows into bond and stock mutual funds, cushioning the restraining effect on M2 and M3. Still, M2 would be just 1-1/4 percent above its fourth-quarter base by March.

<u>Directive Language</u>

(15) Draft language for the operational paragraph, including the usual options and updating, is presented below. No Committee members expressed a desire to discuss the language relating to the factors to be taken into account when considering intermeeting adjustments.

<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 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~~ NOVEMBER through ~~December~~ MARCH at annual rates of about ___ AND ___ ~~3-1/2 and 1~~ percent, respectively.

December 18, 1992

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	6.50	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	8.07	8.99	6.87	9.22	9.03	6.22
-- Low	2.91	2.69	2.82	2.91	3.07	3.17	2.74	6.00	4.24	6.30	7.29	8.06	6.12	7.86	7.84	4.97
Monthly																
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
Mar 92	3.98	4.04	4.18	4.40	4.25	4.28	3.73	6.50	6.18	7.54	7.97	8.91	6.86	9.17	8.94	6.11
Apr 92	3.73	3.75	3.87	4.09	4.00	4.02	3.66	6.50	5.93	7.48	7.96	8.82	6.80	8.98	8.85	6.15
May 92	3.82	3.63	3.75	3.99	3.82	3.87	3.52	6.50	5.81	7.39	7.89	8.70	6.72	8.85	8.67	6.00
Jun 92	3.76	3.66	3.77	3.98	3.86	3.91	3.45	6.50	5.60	7.26	7.84	8.62	6.66	8.66	8.51	5.87
Jul 92	3.25	3.21	3.28	3.45	3.37	3.43	3.25	6.02	4.91	6.84	7.60	8.38	6.32	8.25	8.13	5.51
Aug 92	3.30	3.13	3.21	3.33	3.31	3.38	3.07	6.00	4.72	6.59	7.39	8.16	6.31	8.04	7.98	5.27
Sep 92	3.22	2.91	2.96	3.06	3.13	3.25	2.91	6.00	4.42	6.42	7.34	8.11	6.40	7.98	7.92	5.11
Oct 92	3.10	2.86	3.04	3.17	3.26	3.22	2.79	6.00	4.64	6.59	7.53	8.40	6.59	8.25	8.09	5.06
Nov 92	3.09	3.13	3.34	3.52	3.58	3.25	2.83	6.00	5.14	6.87	7.61	8.51	6.56	8.48	8.31	5.26
Weekly																
Sep 2 92	3.33	3.15	3.23	3.32	3.33	3.40	3.01	6.00	4.68	6.60	7.40	8.08	6.38	7.90	7.94	5.24
Sep 9 92	3.09	2.97	3.01	3.10	3.14	3.24	2.96	6.00	4.41	6.39	7.29	8.06	6.31	7.95	7.84	5.15
Sep 16 92	3.28	2.91	2.93	3.04	3.07	3.17	2.90	6.00	4.38	6.36	7.30	8.10	6.43	8.02	7.89	5.03
Sep 23 92	3.07	2.90	2.94	3.05	3.12	3.23	2.88	6.00	4.45	6.45	7.39	8.17	6.49	8.06	8.02	5.02
Sep 30 92	3.41	2.78	2.86	2.96	3.13	3.30	2.87	6.00	4.34	6.40	7.37	8.16	6.45	7.99	7.93	5.01
Oct 7 92	3.20	2.69	2.82	2.91	3.07	3.17	2.83	6.00	4.24	6.30	7.37	8.37	6.49	8.18	8.01	4.97
Oct 14 92	3.20	2.85	2.96	3.06	3.19	3.19	2.77	6.00	4.48	6.49	7.50	8.42	6.51	8.22	8.06	5.05
Oct 21 92	3.05	2.95	3.11	3.27	3.34	3.26	2.79	6.00	4.76	6.70	7.58	8.55	6.71	8.41	8.23	5.13
Oct 28 92	2.96	2.93	3.18	3.35	3.39	3.26	2.74	6.00	4.93	6.79	7.64	8.52	6.81	8.47	8.21	5.12
Nov 4 92	3.07	2.99	3.21	3.40	3.40	3.25	2.75	6.00	4.99	6.83	7.65	8.65	6.70	8.53	8.29	5.17
Nov 11 92	2.91	3.06	3.26	3.44	3.47	3.26	2.74	6.00	5.07	6.94	7.72	8.49	6.57	8.44	8.32	5.20
Nov 18 92	2.97	3.12	3.34	3.51	3.63	3.28	2.74	6.00	5.12	6.83	7.55	8.40	6.48	8.48	8.32	5.32
Nov 25 92	3.10	3.21	3.41	3.58	3.66	3.22	2.74	6.00	5.19	6.83	7.54	8.48	6.47	8.47	8.29	5.34
Dec 2 92	3.37	3.30	3.47	3.66	3.75	3.46	2.77	6.00	5.38	6.94	7.58	8.35	6.48	8.41	8.34	5.52
Dec 9 92	2.94	3.26	3.37	3.55	3.60	3.88	2.79	6.00	5.22	6.80	7.48	8.27	6.42	8.35	8.23	5.47
Dec 16 92	2.93	3.23	3.39	3.63	3.50	3.78	2.80	6.00	5.26	6.80	7.44	--	--	--	--	--
Daily																
Dec 11 92	2.76	3.25	3.40	3.67	3.52	3.76	--	6.00	5.29	6.80	7.44	--	--	--	--	--
Dec 16 92	3.02	3.21	3.36	3.58	3.43	3.77	--	6.00	5.21	6.77	7.44	--	--	--	--	--
Dec 17 92	3.00	3.20	3.37	3.58	3.39	3.69	--	6.00	5.21	6.77	7.43	--	--	--	--	--

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.

Strictly Confidential (FR)-
Class II FOMC

Money and Credit Aggregate Measures

Seasonally adjusted

DEC. 21, 1992

Period	Money stock measures and liquid assets						Bank credit	Domestic nonfinancial debt[1]		
	M1	M2	nontransactions components		M3	L	total loans and investments[1]	U.S. government[2]	other[2]	total[2]
			in M2	in M3 only						
	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	7.2	8.4	8.1
1990	4.2	4.0	3.9	-7.2	1.7	1.8	5.5	10.3	5.9	6.9
1991	8.0	2.8	1.1	-5.7	1.2	0.5	3.5	11.0	2.3	4.3
QUARTERLY AVERAGE										
1991-4th QTR.	11.0	2.4	-0.6	-5.4	1.0	0.2	6.1	11.5	1.5	3.9
1992-1st QTR.	16.5	4.2	-0.1	-7.4	2.2	1.5	4.5	10.0	2.5	4.3
1992-2nd QTR.	9.8	0.4	-3.0	-9.3	-1.3	0.5	3.3	14.4	2.5	5.4
1992-3rd QTR.	10.3	0.2	-3.6	-1.8	-0.1	1.2	2.6	10.8	1.9	4.2
MONTHLY										
1991-NOV.	14.3	4.8	1.6	-9.6	2.3	3.2	7.4	12.6	1.8	4.4
DEC.	9.0	2.9	0.7	-6.5	1.2	-0.3	6.5	9.8	0.6	2.9
1992-JAN.	16.4	2.7	-2.2	-8.4	0.8	-1.8	4.7	7.7	2.6	3.9
FEB.	27.2	9.3	3.0	-3.0	7.2	6.9	1.2	8.3	4.5	5.4
MAR.	10.3	0.4	-3.2	-13.4	-2.0	2.6	3.5	17.1	2.4	6.0
APR.	4.9	-1.5	-3.8	-14.1	-3.5	-1.7	6.3	15.0	2.4	5.5
MAY	14.6	0.5	-4.7	-3.6	-0.2	-2.4	0.2	13.0	2.0	4.8
JUNE	-3.3	-3.1	-3.0	-5.3	-3.4	2.7	2.5	14.6	1.7	4.9
JULY	11.1	-0.9	-5.4	-2.2	-1.1	-1.8	0.2	10.0	1.7	3.9
AUG.	15.7	3.3	-1.4	6.2	3.8	4.5	5.5	9.7	1.9	3.9
SEP.	19.1	3.7	-2.3	-7.5	1.8	4.4	6.7	5.0	2.7	3.3
OCT.	22.7	5.2	-1.7	-23.6	0.4	1.9	4.8	-1.4	4.1	2.7
NOV. p	13.9	3.5	-0.8	-6.6	1.8		4.8			
LEVELS ($BILLIONS) :										
MONTHLY										
1992-JULY	960.5	3461.6	2501.1	701.3	4162.9	5006.0	2883.9	2968.4	8558.9	11527.2
AUG.	973.1	3471.2	2498.1	704.9	4176.1	5024.6	2897.0	2992.4	8572.3	11564.7
SEP.	988.6	3481.9	2493.3	700.5	4182.4	5043.1	2913.2	3004.8	8591.7	11596.5
OCT.	1007.3	3497.1	2489.8	686.7	4183.8	5051.0	2924.9	3001.4	8621.0	11622.4
NOV. p	1019.0	3507.2	2488.2	682.9	4190.1		2936.6			
WEEKLY										
1992-NOV. 2	1017.0	3508.1	2491.1	683.0	4191.1					
9	1019.0	3514.4	2495.3	679.1	4193.4					
16	1023.2	3513.3	2490.1	679.0	4192.3					
23	1014.5	3497.8	2483.2	689.6	4187.4					
30 p	1020.1	3503.2	2483.1	683.9	4187.1					
DEC. 7 p	1022.5	3509.5	2487.0	677.5	4187.0					

1. Adjusted for breaks caused by reclassifications.
2. 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

DEC. 21, 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	319.3	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	329.8	357.4	33.6
1991	266.0	287.0	329.1	73.3	1028.8	1079.1	359.8	173.6	443.1	73.0	60.5	137.0	319.6	337.9	24.4
MONTHLY															
1991-NOV.	266.0	287.6	329.7	73.7	1028.7	1079.2	359.5	173.6	442.3	73.3	61.5	137.1	322.9	337.9	24.5
DEC.	267.3	289.5	333.2	76.2	1042.6	1063.0	360.5	179.1	437.1	70.5	57.2	137.9	316.1	339.7	23.3
1992-JAN.	269.4	293.9	339.0	77.6	1061.2	1042.9	358.6	182.4	427.9	70.5	55.3	138.9	310.0	334.8	23.2
FEB.	271.6	305.1	346.3	77.6	1083.9	1019.8	361.7	188.2	420.7	71.7	55.9	140.1	319.9	327.5	22.9
MAR.	271.8	309.6	349.5	74.6	1098.0	1002.8	358.3	185.3	413.0	73.3	57.9	141.2	327.7	337.0	22.2
APR.	273.6	311.2	350.0	72.6	1111.2	985.3	355.9	189.2	405.7	72.5	55.0	142.4	327.6	341.7	21.6
MAY	274.7	315.1	356.4	69.2	1122.4	968.7	356.7	194.8	400.9	73.4	52.8	143.5	328.9	329.4	22.0
JUNE	276.2	311.0	356.7	72.0	1127.0	956.2	355.3	199.7	395.3	73.6	51.8	144.6	333.3	347.1	22.0
JULY	278.9	315.6	358.2	72.4	1134.4	942.4	351.7	207.7	388.5	72.5	50.8	145.9	325.2	350.3	21.7
AUG.	282.3	320.6	362.2	75.8	1145.6	928.0	349.7	217.2	384.6	73.3	50.6	147.5	327.8	352.4	20.9
SEP.	286.4	327.8	366.1	74.2	1159.6	915.2	344.7	217.2	380.0	75.1	47.9	149.5	326.4	364.4	20.4
OCT.	288.4	336.2	374.0	75.0	1171.6	898.8	347.6	205.6	373.2	77.3	47.4	152.0	322.9	370.8	21.6
NOV. p	290.0	339.2	381.2	74.6	1181.6	884.5	348.7	203.5	369.5	79.4	47.8				

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

STRICTLY CONFIDENTIAL (FR)
CLASS II-FOMC

December 18, 1992

NET CHANGES IN SYSTEM HOLDINGS OF SECURITES[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]				Redemptions (-)	Net Change			
				within 1 year	1-5	5-10	over 10					
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	27,726	-1,614
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	5,698	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
1992 ---Q1	-1,000	1,600	-2,600	---	2,452	---	---	---	2,452	85	-233	-14,636
---Q2	4,415	---	4,415	---	2,478	597	655	---	3,730	250	7,896	1,137
---Q3	867	---	867	550	3,725	725	926	---	5,927	176	6,617	14,195
1991 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	---	---	---	1,027	---	1,150	-2,010
March	505	---	505	---	1,425	---	---	---	1,425	---	1,930	248
April	---	---	---	---	---	---	---	---	---	49	-49	345
May	4,110	---	4,110	---	200	---	---	---	200	160	4,149	-1,203
June	306	---	306	---	2,278	597	655	---	3,530	40	3,796	1,996
July	---	---	---	---	---	---	---	---	---	85	-85	-914
August	271	---	271	---	400	---	195	---	595	54	812	5,371
September	595	---	595	550	3,325	725	731	---	5,332	37	5,890	9,739
October	4,072	---	4,072	---	200	---	---	---	200	---	4,272	-19,267
November	1,064	---	1,064	511	4,122	1,176	947	---	6,756	---	7,820	2,425
Weekly												
September 9	300	---	300	550	1,825	725	731	---	3,832	37	4,095	-2,613
16	155	---	155	---	500	---	---	---	500	---	655	-868
23	126	---	126	---	650	---	---	---	650	---	776	8,323
30	---	---	---	---	350	---	---	---	350	---	350	2,312
October 7	---	---	---	---	---	---	---	---	---	---	---	-16,298
14	---	---	---	---	---	---	---	---	---	---	---	10,614
21	---	---	---	---	---	---	---	---	---	---	---	-10,873
28	153	---	153	---	200	---	---	---	200	---	353	987
November 4	3,918	---	3,918	---	---	---	---	---	---	---	3,918	1,522
11	---	---	---	---	250	---	---	---	250	---	250	2,440
18	277	---	277	---	600	---	---	---	600	---	877	-4,792
25	250	---	250	511	3,272	1,176	947	---	5,906	---	6,156	-343
December 2	825	---	825	---	---	---	---	---	---	---	825	-2,101
9	246	---	246	---	200	100	---	---	300	---	546	-1,531
16	3,136	---	3,136	---	---	---	---	---	---	84	3,051	1,281
Memo: LEVEL (bil. $)[6]												
December 16			150.2	36.6	70.0	18.9	27.8		153.3		308.9	-5.4

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
December 16	2.0	2.6	0.7	0.1	5.4