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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 19, 1993

MONETARY POLICY ALTERNATIVES

Recent Developments [1]

(1) The degree of reserve pressure was left unchanged over the intermeeting period. The intended level of the federal funds rate remained at 3 percent and the allowance for adjustment and seasonal borrowing at $50 million. The federal funds rate has averaged 3.03 percent since the early February FOMC meeting, and borrowing has averaged slightly above its allowance. Short-term market interest rates were little changed over the intermeeting period.

(2) Bond markets, however, rallied strongly over much of the period. Prospects for significant reductions in the federal budget deficit in coming years and the consequences for aggregate demand appeared to be the most important influence sparking the rally. Demands for Treasury notes and bonds also were boosted by municipal defeasance activity and assessments of heightened prepayment risk on mortgage-backed securities. Toward the end of the period, however, upturns in inflation readings prompted some backup in yields, but renewed rate declines most recently have erased much of this backup. On balance, most intermediate- and long-term yields have fallen 40 to 50 basis points over the period. Rate spreads on mortgage-backed securities and fixed-rate mortgages over comparable Treasuries have widened some; nevertheless, mortgage rates reached their lowest levels in two decades. The drop in interest rates buoyed stock prices: Most major indexes rose 1 to 3 percent, although the NASDAQ index declined somewhat on net, reflecting concerns about future changes in government policy toward certain industries, including health-care firms.

1. Financial market quotations in this bluebook reflect data available through noon, March 19.

(3) The dollar's foreign exchange value on a weighted-average basis declined about 1-1/4 percent on balance over the intermeeting period. During much of the period, the dollar generally rose against European currencies, amid signs of weakening activity and easier current and prospective monetary policy stances in those countries. But the dollar declined against the mark and other European currencies following the Bundesbank's cut in its discount rate on March 18 that embodied less easing than was apparently expected by market participants. On balance, the dollar fell 1/2 percent against the mark over the period. German short-term rates dropped 70 basis points, while the long-term rate moved down 40 basis points. Interest rates elsewhere in Europe also decreased. The dollar depreciated 7-1/2 percent against the yen, as market attention focused on Japan's growing trade surplus. In Japan, short-term rates and the bellwether bond yield declined about 20 basis points during the intermeeting period.

(4) The broad monetary aggregates continued to contract in February. M2 dropped at a 4 percent rate. Its M1 component fell slightly last month, continuing its deceleration from the double-digit pace that prevailed over much of 1992.[2] The nontransaction component of M2 again contracted rapidly. Owing mainly to strong flows into institution-only money funds, the decline in M3 slowed last month, and, at a 2-1/2 percent rate, was more moderate than that in M2. The

2. In February, total reserves and the monetary base expanded at 5-1/2 and 8-1/2 percent rates, respectively. These figures incorporate revised seasonal factors and are confidential until their publication, which is scheduled for March 25.

available data for the first half of March show a less rapid outflow from M2 but a stepped-up runoff of M3 compared with February. From January to mid-March, the broader aggregates, especially M2, were appreciably weaker than anticipated at the time of the last bluebook. As of mid-March, the broad aggregates were well below their target cones and only a little above the lower edges of their parallel bands.

(5) Much of the recent weakness in the monetary aggregates appears to be due to temporary factors. Some weakness in M2 associated with seasonal adjustment distortions and a decline in deposit balances associated with a fall in prepayments of mortgage-backed securities was foreseen in the last bluebook.[3] In the event, prepayments plunged more rapidly than earlier projected. But not all of the shortfall of M2 from expectations is accounted for by larger-than-anticipated temporary factors. Thus, even abstracting from temporary depressants, M2 appears to be fundamentally weaker than foreseen earlier, with underlying growth from January to mid-March, while positive, quite modest. Of the 8-1/2 percent growth rate in M2 velocity that seems to be in train this quarter, no more than 1-1/2 percentage points can plausibly be attributed to these temporary factors. Evidently, some of the other persisting influences that have been boosting velocity in recent years have intensified. Relatively attractive returns on capital market instruments likely have prompted households to divert more funds from deposits into bond and stock mutual fund shares, which have posted record inflows in recent months. Bank credit expansion has slowed noticeably this year, and banks also have continued to tap

3. The staff's standard seasonal adjustment procedures have attributed strong monetary growth in February in both 1991 and 1992 to evolving seasonal patterns rather than recognizing the stimulative effects of previous declines in short-term interest rates that resulted from easings of monetary policy around the year-end in 1990 and 1991.

markets for subordinated debt and equity, further depressing their needs for deposit funding. Both M2 and M3 have borne the imprint of these developments, as interest rates on retail deposits have dropped further in recent weeks and as large time deposits have continued to run off. Moreover, the leveling out of short-term interest rates since last September, as the stance of monetary policy has held steady, has meant that earlier policy-induced stimulus to growth of the broader aggregates has ended.

(6) Overall private debt growth appears to be expanding around or a bit faster than its pace over the last few months of 1992. Businesses have drawn heavily on credit markets, as the rally in bond prices set off another surge of corporate issuance, although the proceeds were largely used to repay business loans at banks and commercial paper, both of which have declined a little on balance so far this year. State and local governments have taken advantage of favorable market conditions by selling a hefty volume of bonds, with an enlarged proportion of the offerings earmarked to refund debt. Households seem to have increased their willingness to take on debt in recent months: Consumer installment credit rose in January for the fifth straight month and, in February, bank consumer loans adjusted for securitization rose at nearly a 9 percent annual rate. Total domestic nonfinancial debt is estimated to have grown at about a 4-1/2 percent rate from the fourth quarter through February, leaving this aggregate around the lower bound of its 1993 monitoring range.

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

	Jan.	Feb.	QIV to Feb.
Money and credit aggregates			
M1	7.7	-.5	6.1
M2	-3.1	-4.1	-2.2
M3	-7.1	-2.4	-3.9
Domestic nonfinancial debt[1]	3.2	4.2p	4.5
Federal	2.9	5.3p	7.5
Nonfederal	3.3	3.8p	3.4
Bank credit	-1.6	2.0	1.0
Reserve measures			
Nonborrowed reserves[2]	6.0	8.3	10.0
Total reserves	6.9	5.6	9.4
Monetary base	8.3	8.6	9.1
Memo: (Millions of dollars)			
Adjustment plus seasonal borrowing	164	45	--
Excess reserves	1260	1114	--

p--preliminary estimates.
1. Debt figures for February are preliminary.
2. Includes "other extended credit" from the Federal Reserve.

NOTE: Data on reserves and the monetary base reflect new seasonal factors and are confidential until their publication, which is scheduled for March 25. 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

(7) Three policy 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 plus seasonal borrowing initially remaining at $50 million. The allowance probably will need to be revised upward over the intermeeting period when demands for seasonal credit strengthen during the spring. Under alternative A, the federal funds rate would decline to the 2-1/2 percent area. This alternative could be implemented through a 1/2 percentage point drop in the discount rate, holding the initial borrowing allowance at the same level as in alternative B, or by lowering the initial borrowing allowance to $25 million and leaving the discount rate unchanged. Alternative C, involving a rise in the federal funds rate to 3-1/2 percent, could be implemented through a boost in the initial borrowing allowance to $75 million.

(8) Market participants are expecting neither tightening nor easing in the stance of monetary policy for some time. They appear to anticipate that the recent runup in inflation will subside in large part. The gains in stock prices and sustained narrow quality spreads suggest that investors now also believe that the bond market rally, together with the economy's existing forward momentum, will keep the contractionary effects of the deficit-reduction package from derailing the economic expansion. Thus, under alternative B, short-term interest rates would stay around current levels. Intermediate- and long-term rates will remain sensitive to news on the fiscal front and corresponding implications for the economy, as well as reports bearing on the inflation outlook. Bond rates could edge lower should incoming news on prices confirm the extent of moderation in inflation embodied in the

staff economic forecast. The dollar would be expected to fluctuate around current levels under alternative B, but could firm somewhat if rate declines in Europe prove to be faster and larger than now expected.

(9) The easing of policy under alternative A would surprise market participants and would lead to a decline in short-term rates, including the prime rate, commensurate with the 1/2 percentage point drop in the federal funds rate. In such circumstances, bankers might be more encouraged to ease lending standards and nonprice terms on business loans. Rate declines at longer maturities would be muted should market participants see the easing in the absence of weak economic data as risking a sustained resurgence of inflation. Conversely, the tightening of policy under alternative C, which also would come as a surprise to market participants, would induce a rise in short-term rates comparable to the hike in the federal funds rate. The increase in intermediate- and long-term rates would be lessened to the degree it were seen as a timely measure to hold inflation in check. To the extent that market participants saw dimmer prospects for economic activity, risk premiums incorporated in yields on private obligations would increase. The exchange value of the dollar would move in the same direction as domestic interest rates under either alternative.

(11) Monetary growth rates for the February-to-June period thought to be consistent with the three alternatives are shown in the table below. Despite both stronger nominal income expansion and lower longer-term interest rates than expected previously, in all three alternatives growth rates of M2 and M3 over this period are roughly 1 percentage point below those in the previous bluebook. These revisions primarily reflect the weaker-than-expected underlying monetary growth to date and the prospect that the various influences causing a

rechanneling of credit flows away from depositories will remain intense, even if abating some from their extraordinary strength so far this year.

	ff 2½ Alt. A	3 Alt. B	3½ Alt. C
Growth from February to June			
M2	3	2-1/2	2
M3	1-1/4	1	3/4
M1	11	9-3/4	8-1/2
Implied growth from 1992:Q4 to June			
M2	3/4	1/2	1/4
M3	-1	-1	-1-1/4
M1	9	8-1/4	7-1/2

(12) Under alternative B, M2 is expected to resume growth over the February-to-June period. The projected 2-1/2 percent average rate implies growth of 1-3/4 percent for the second quarter. With nominal GDP in the staff forecast decelerating to a 5-1/2 percent pace, growth in M2 velocity would slow to a 3-1/2 percent annual rate in the second quarter. Slower velocity growth partly results from the positive effects on M2 of the turnaround of the temporary factors related to seasonal adjustment and prepayments of mortgage-backed securities. Their impact, which represents a diminishing drag on M2 growth in March as a whole, acts as a stimulant to growth in the subsequent months, reflecting a reversal of the effects of seasonal distortions and a resurgence in prepayments.[4] On balance, these factors raise money growth perceptibly over the February-to-June period. Much of the pickup in M2 comes from its M1 component, which would expand at a 10 percent annual

4. Still another factor, related to depressed individual refunds and elevated individual nonwithheld tax payments, is expected to restrain M2 growth in March and May and boost it in April and June, but to have a negligible effect over the February-to-June period as a whole.

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									
1993 January	3488.2	3488.2	3488.2	4142.6	4142.6	4142.6	1033.2	1033.2	1033.2
February	3476.2	3476.2	3476.2	4134.5	4134.5	4134.5	1032.8	1032.8	1032.8
March	3475.0	3474.8	3474.5	4128.5	4128.3	4128.1	1033.6	1033.4	1033.2
April	3487.5	3485.5	3483.6	4137.8	4136.2	4134.7	1047.7	1046.4	1045.1
May	3496.8	3492.7	3488.8	4142.6	4139.7	4136.6	1057.6	1054.6	1051.6
June	3511.1	3505.0	3498.9	4151.9	4147.9	4143.6	1071.1	1066.3	1061.5
Monthly Growth Rates									
1993 January	-3.1	-3.1	-3.1	-7.1	-7.1	-7.1	7.7	7.7	7.7
February	-4.1	-4.1	-4.1	-2.4	-2.4	-2.4	-0.5	-0.5	-0.5
March	-0.4	-0.5	-0.6	-1.8	-1.8	-1.8	0.9	0.7	0.5
April	4.3	3.7	3.1	2.7	2.3	1.9	16.4	15.1	13.8
May	3.2	2.5	1.8	1.4	1.0	0.6	11.4	9.4	7.4
June	4.9	4.2	3.5	2.7	2.4	2.1	15.3	13.3	11.3
Quarterly Ave. Growth Rates									
1992 Q1	3.2	3.2	3.2	1.9	1.9	1.9	15.5	15.5	15.5
Q2	0.3	0.3	0.3	-0.6	-0.6	-0.6	10.5	10.5	10.5
Q3	0.8	0.8	0.8	0.1	0.1	0.1	11.7	11.7	11.7
Q4	2.7	2.7	2.7	-0.2	-0.2	-0.2	16.8	16.8	16.8
1993 Q1	-1.8	-1.8	-1.8	-3.8	-3.8	-3.8	6.3	6.3	6.2
Q2	2.1	1.7	1.2	0.9	0.6	0.3	9.9	8.8	7.6
Sep 92 to Dec 92	2.0	2.0	2.0	-1.5	-1.5	-1.5	14.7	14.7	14.7
Dec 92 to Mar 93	-2.5	-2.6	-2.6	-3.7	-3.7	-3.7	2.7	2.7	2.6
Mar 93 to Jun 93	4.1	3.5	2.8	2.3	1.9	1.5	14.5	12.7	10.9
Feb 93 to Jun 93	3.0	2.5	2.0	1.3	1.0	0.7	11.1	9.7	8.4
Q4 91 to Q4 92	1.8	1.8	1.8	0.3	0.3	0.3	14.3	14.3	14.3
Q4 92 to Jan 93	-1.3	-1.3	-1.3	-4.7	-4.7	-4.7	9.4	9.4	9.4
Q4 92 to Feb 93	-2.2	-2.2	-2.2	-3.9	-3.9	-3.9	6.1	6.1	6.1
Q4 92 to Mar 93	-1.8	-1.8	-1.8	-3.4	-3.4	-3.4	4.8	4.8	4.7
Q4 92 to Jun 93	0.8	0.5	0.2	-1.0	-1.1	-1.3	9.1	8.3	7.5
1993 Target Ranges:		2.0 to 6.0			0.5 to 4.5				

Chart 1

ACTUAL AND TARGETED M2

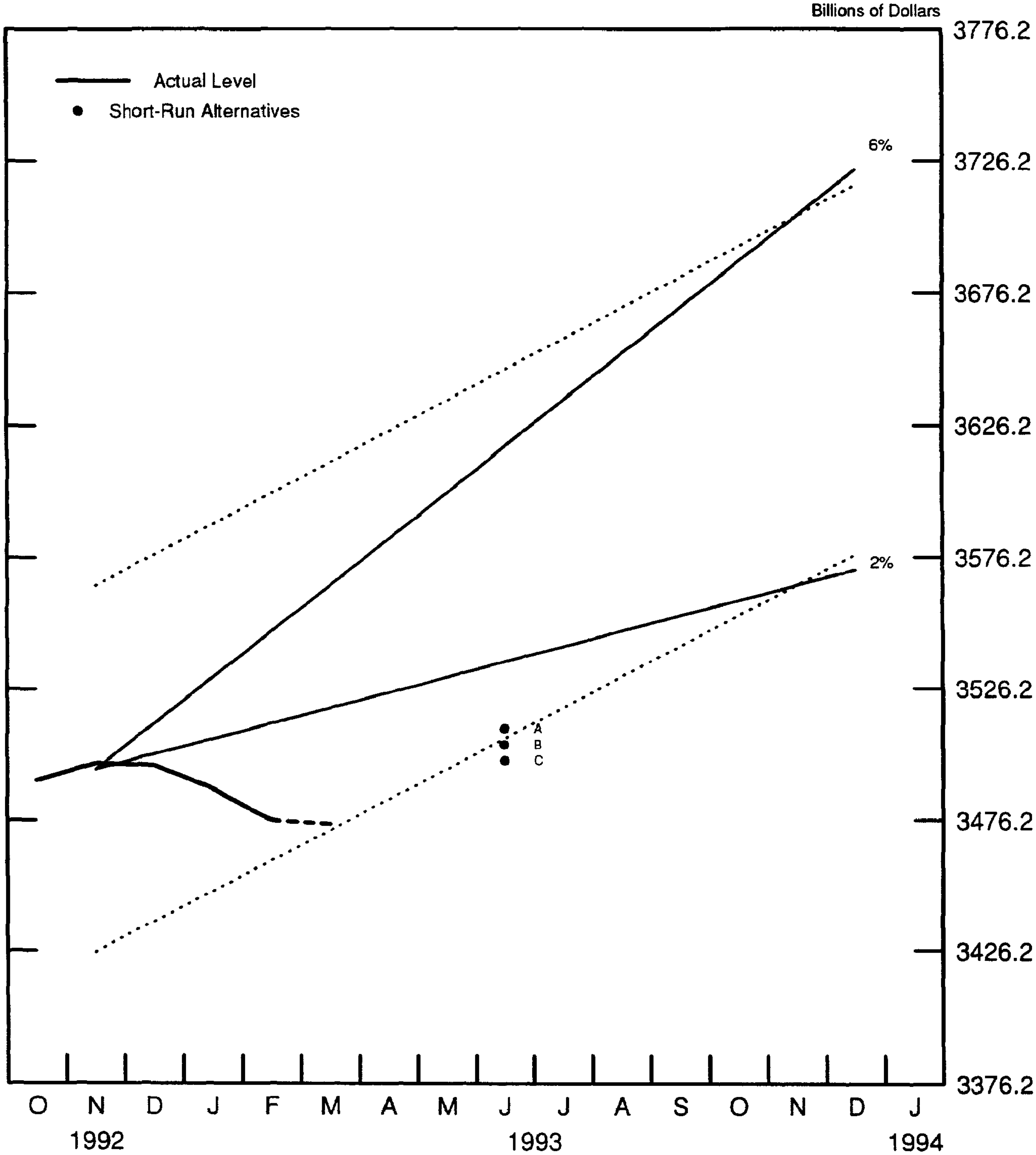


Chart 2

ACTUAL AND TARGETED M3

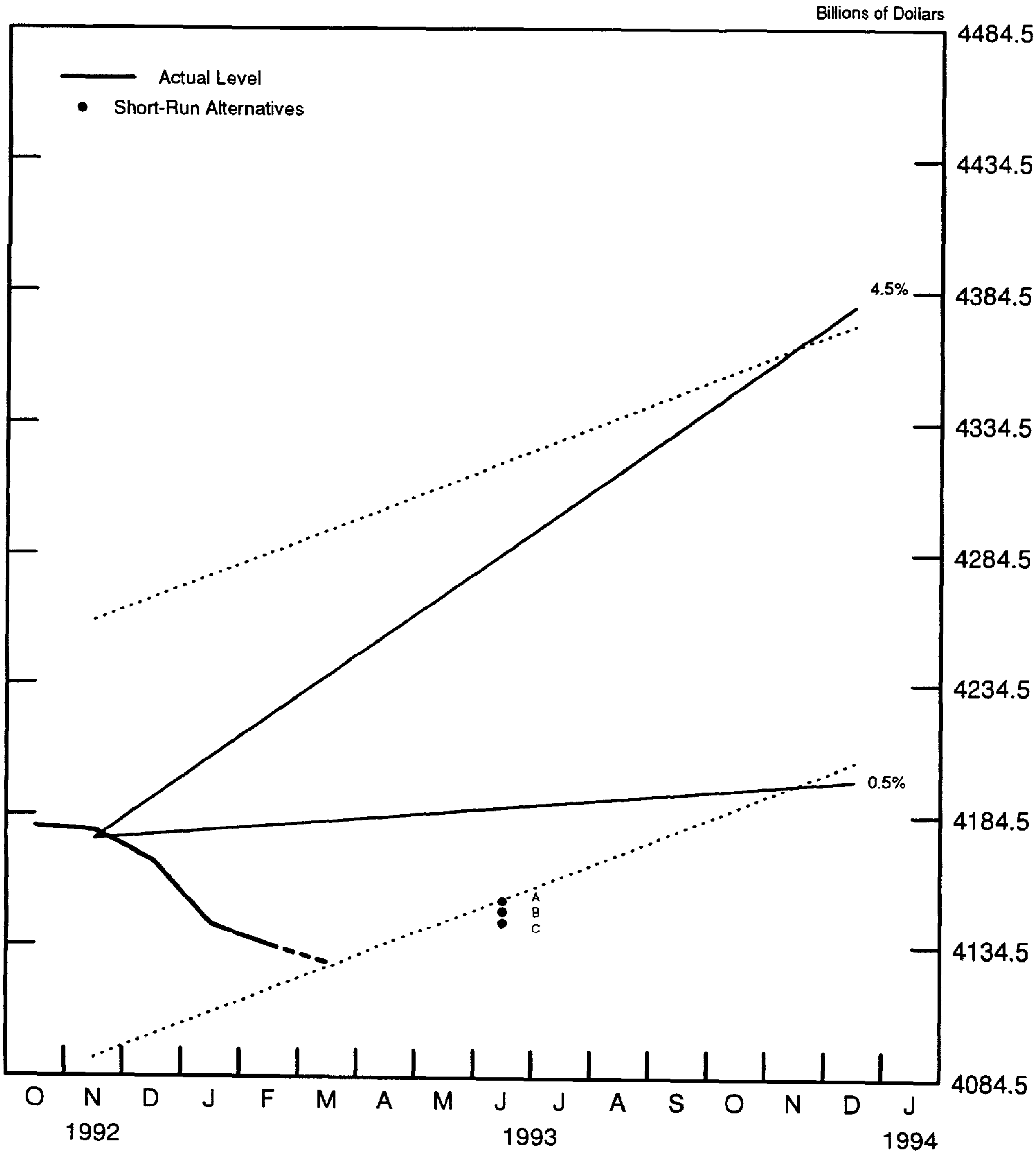
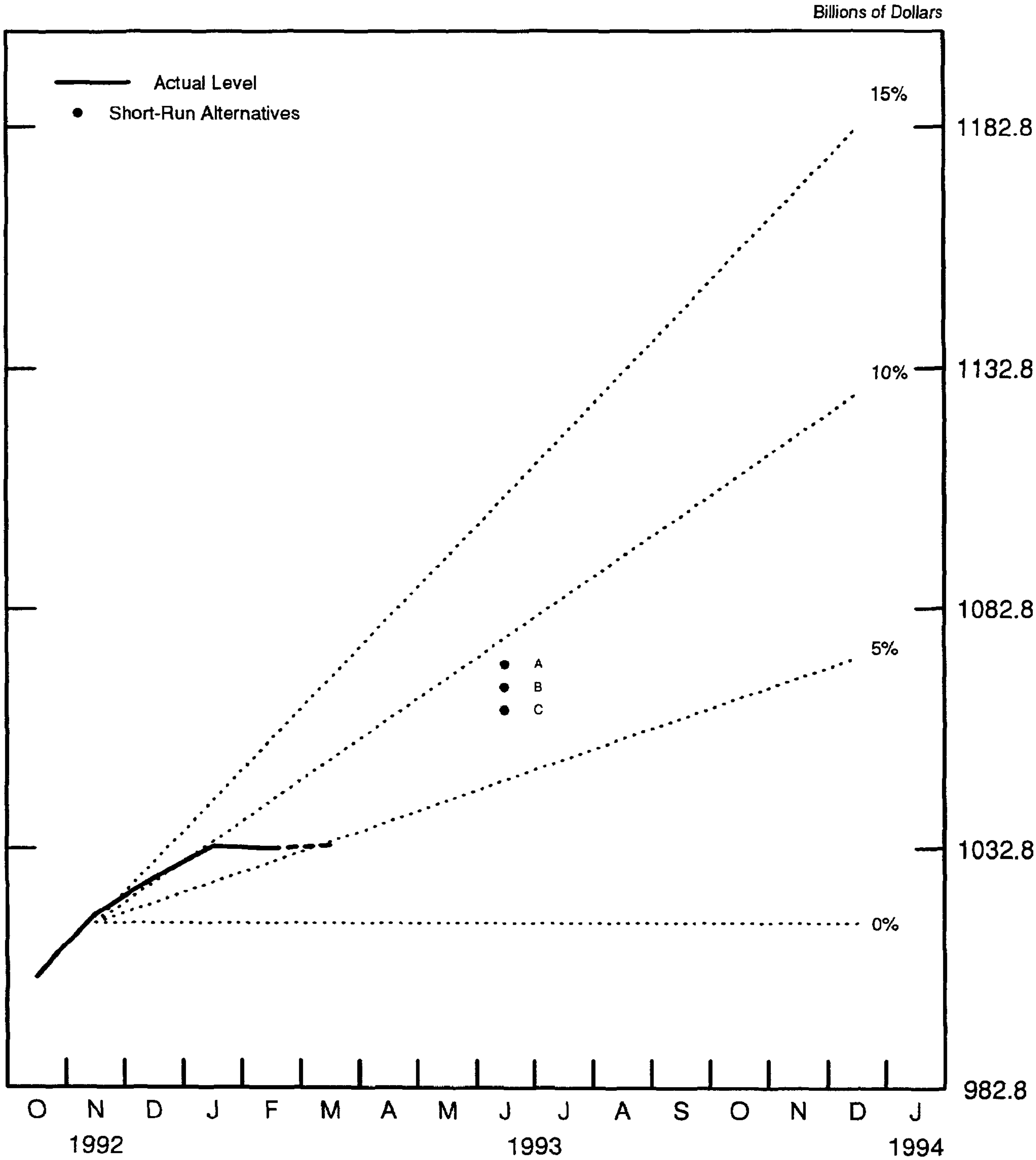


Chart 3

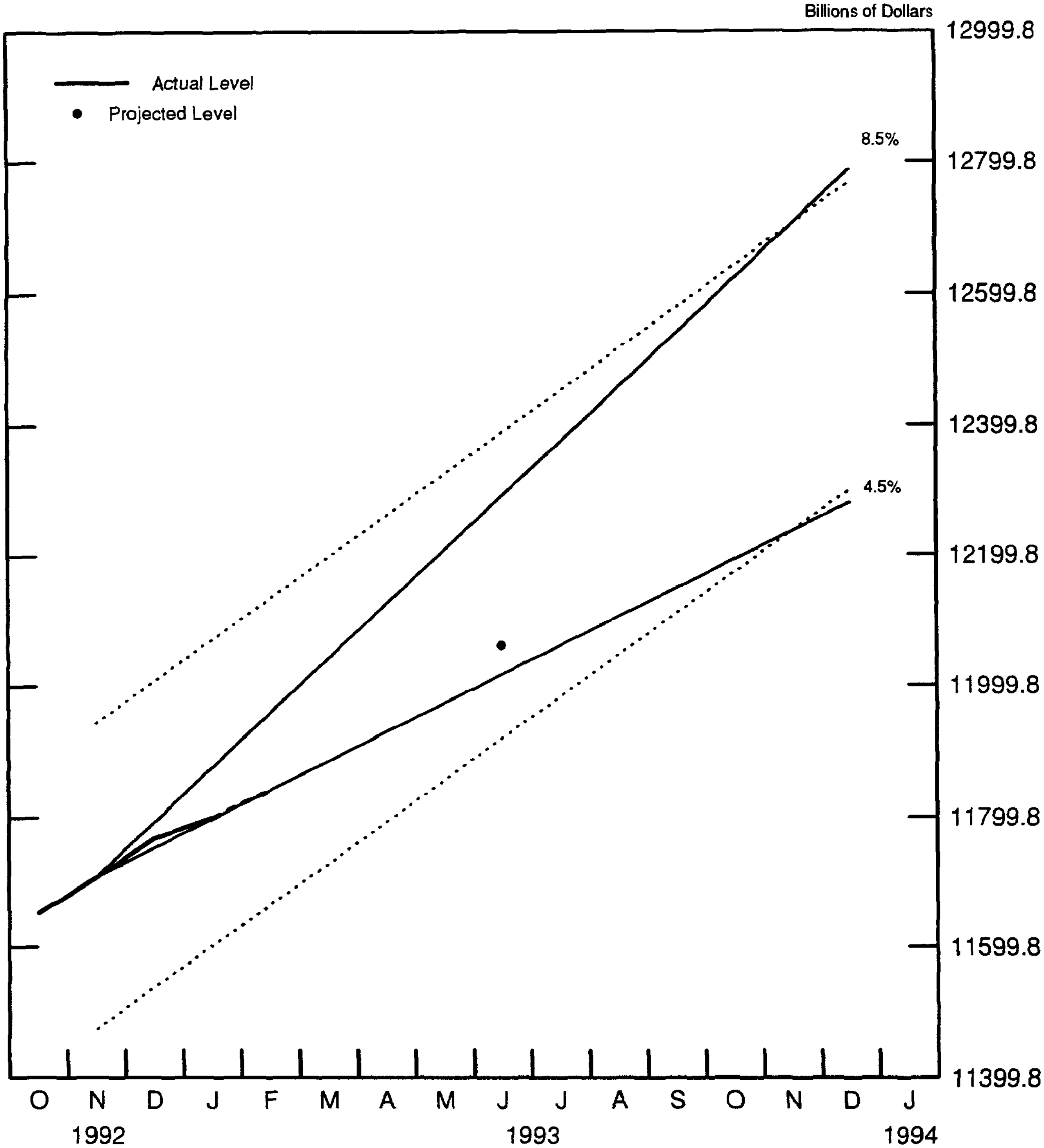
M1



Billions of Dollars
Actual Level
Short-Run Alternatives
15%
10%
5%
0%
A
B
C
1182.8
1132.8
1082.8
1032.8
982.8
O
N
D
J
F
M
A
M
J
J
A
S
O
N
D
J
1992
1993
1994

Chart 4

DEBT


Billions of Dollars
Actual Level
Projected Level
8.5%
4.5%
12999.8
12799.8
12599.8
12399.8
12199.8
11999.8
11799.8
11599.8
11399.8
O N D J F M A M J J A S O N D J
1992
1993
1994

rate from February to June.[5] Outflows to bond funds from money market mutual funds and nontransactions retail deposits are seen as moderating over time if bond yields stabilize around current reduced levels and as portfolio adjustments become more complete. The pickup in M2 would still be limited by further downward adjustments of deposit rates. By June, growth in M2 from its fourth-quarter base would be only 1/2 percent at an annual rate.

(13) Even though M3 is seen as expanding at a 1 percent rate over the February-to-June period, it still would be well below its fourth-quarter base in June. The resumption in M3 expansion would partly reflect some anticipated pickup in bank credit. In the months ahead, banks may become a little more willing to extend business credit--including loans to smaller firms--and, given their more comfortable capital positions, to retain, rather than securitize and sell, assets. Improved balance sheet structures also imply less need for banks to rely on capital markets to raise funds, an important substitute for M3 funding recently. Even though some businesses are expected to acquire additional financing from banks, others are likely to continue to rely on bond markets, in some cases paying down bank loans and short-term paper. Overall business borrowing is expected to strengthen with increases in capital spending and moderation in equity financing. Household borrowing will be bolstered by improving housing activity--as suggested by the stronger level of mortgage applications recently--and further advances in outlays for consumer durables. Nonfederal debt is expected to grow at about a 4 percent pace from February to June, up a little from growth in recent months. Federal debt expansion, while

5. With currency growing at a 9-1/2 percent rate from February to June and total reserves at 8 percent, the monetary base is projected to rise at a 9-1/4 percent rate.

gyrating from month to month, will remain brisk over the second quarter to finance large deficits.[6] Total debt of domestic nonfinancial sectors is projected to grow at a 5-1/2 percent annual rate from February to June. Such growth would place this aggregate in June 5-1/4 percent at an annual rate above its fourth-quarter base and about 3/4 percentage point above the lower bound of its monitoring range.

(14) Under alternative A, M2 would strengthen to a 3 percent rate over the February-to-June period. This speed-up in M2 growth, coming mainly from its M1 component, would owe to smaller opportunity costs, as deposit rate adjustments lag behind the decline in market rates. Although M2 in June would still be below the lower bound of its annual growth cone, it would be on a trajectory to reach the vicinity of the lower bound by year-end, partly because spending would begin to strengthen later in the year in response to the policy easing. M3 would grow at a 1-1/4 percent pace over February to June under alternative A, but would remain below its fourth-quarter base even by June. Under alternative C, M2 would expand at a 2 percent rate over the February-to-June period, as wider opportunity costs would discourage inflows to more liquid deposits, especially M1 balances. M2 likely would not move above the level of its fourth-quarter base until June, and with slower spending growth later in the year, this aggregate probably would increase only marginally over the year as a whole. M3 would expand at only a 3/4 percent rate from February to June.

6. Absent Congressional action to raise the $4.145 trillion debt ceiling, the staff forecasts that the Treasury could run out of cash in early April. However, the staff anticipates that the Congress will raise, at least temporarily, the debt ceiling before that time, in accordance with the Treasury's recent request.

Directive language

(15) Presented below is draft wording for the operational paragraph that includes the usual options and updating. Two versions are shown for the sentence on the growth of M2 and M3. The first would return to the specification of numerical growth rate expectations, as was the Committee's practice prior to the February meeting; the other would retain the approach at the February meeting of not stating explicit monetary growth expectations but rather relying on a qualitative characterization.

OPERATIONAL PARAGRAPH

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 ~~little change in~~ M2 and M3 AT ANNUAL RATES OF ABOUT ___ AND ___ PERCENT RESPECTIVELY over the period from ~~January to March~~ FEBRUARY TO JUNE.

Alternative Monetary Growth Sentence

The contemplated reserve conditions are expected to be consistent with a resumption of moderate growth in the broader monetary aggregates over the second quarter.

SELECTED INTEREST RATES
(percent)

	Short-Term: federal funds	Short-Term: Treasury bills secondary market 3-month	Short-Term: Treasury bills secondary market 6-month	Short-Term: Treasury bills secondary market 1-year	Short-Term: CDs secondary market 3-month	Short-Term: comm. paper 1-month	Short-Term: money market mutual fund	Short-Term: bank prime loan	Long-Term: U.S. government constant maturity yields 3-year	Long-Term: U.S. government constant maturity yields 10-year	Long-Term: U.S. government constant maturity yields 30-year	Long-Term: corporate A-utility recently offered	Long-Term: municipal Bond Buyer	Long-Term: conventional home mortgages secondary market fixed-rate	Long-Term: conventional home mortgages primary market fixed-rate	Long-Term: conventional home mortgages primary market ARM
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
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	2.86	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
93 -- High	3.24	3.09	3.26	3.43	3.28	3.39	2.92	6.00	5.06	6.73	7.46	8.28	6.44	8.30	8.14	5.36
-- Low	2.91	2.92	3.03	3.17	3.09	3.12	2.66	6.00	4.32	5.89	6.74	7.47	5.69	7.61	7.44	4.78
Monthly																
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
Dec 92	2.92	3.22	3.36	3.55	3.48	3.71	2.82	6.00	5.21	6.77	7.44	8.27	6.43	8.34	8.22	5.45
Jan 93	3.02	3.00	3.14	3.35	3.19	3.21	2.83	6.00	4.93	6.60	7.34	8.13	6.40	8.16	8.02	5.23
Feb 93	3.03	2.93	3.07	3.25	3.12	3.14	2.72	6.00	4.58	6.26	7.09	7.80	6.12	7.78	7.68	4.98
Weekly																
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	8.24	6.45	8.34	8.19	5.44
Dec 23 92	2.94	3.18	3.33	3.52	3.36	3.65	2.83	6.00	5.17	6.71	7.39	8.18	6.41	8.28	8.13	5.38
Dec 30 92	2.86	3.17	3.33	3.47	3.34	3.60	2.86	6.00	5.13	6.70	7.38	8.21	6.40	8.30	8.14	5.36
Jan 6 93	3.03	3.09	3.26	3.43	3.28	3.39	2.92	6.00	5.05	6.64	7.35	8.28	6.44	8.27	8.07	5.28
Jan 13 93	2.98	3.05	3.19	3.42	3.24	3.26	2.83	6.00	5.06	6.73	7.46	8.13	6.41	8.10	8.04	5.25
Jan 20 93	3.10	2.98	3.12	3.33	3.17	3.17	2.77	6.00	4.93	6.61	7.35	8.05	6.40	8.11	8.00	5.20
Jan 27 93	2.94	2.95	3.08	3.28	3.15	3.15	2.77	6.00	4.84	6.53	7.27	7.95	6.36	8.01	7.86	5.06
Feb 3 93	3.15	2.92	3.09	3.25	3.14	3.15	2.74	6.00	4.73	6.42	7.23	7.88	6.29	7.88	7.80	5.06
Feb 10 93	2.92	2.92	3.09	3.30	3.13	3.15	2.73	6.00	4.68	6.38	7.20	7.85	6.22	7.88	7.75	5.04
Feb 17 93	3.06	2.92	3.08	3.29	3.12	3.17	2.71	6.00	4.65	6.34	7.13	7.73	6.06	7.71	7.65	4.95
Feb 24 93	2.91	2.93	3.03	3.17	3.09	3.12	2.69	6.00	4.41	6.07	6.94	7.63	5.89	7.66	7.53	4.85
Mar 3 93	3.24	2.95	3.04	3.17	3.11	3.12	2.71	6.00	4.32	5.97	6.85	7.47	5.69	7.69	7.44	4.79
Mar 10 93	3.02	2.98	3.08	3.23	3.12	3.14	2.67	6.00	4.38	5.89	6.74	7.62	5.83	7.68	7.47	4.78
Mar 17 93	3.04	2.98	3.09	3.25	3.12	3.17	2.66	6.00	4.52	6.06	6.85	--	5.90	7.61	7.57	4.82
Daily																
Mar 12 93	2.93	2.97	3.09	3.26	3.12	3.17	--	6.00	4.56	6.11	6.86	--	--	--	--	--
Mar 17 93	3.58	2.98	3.09	3.23	3.12	3.17	--	6.00	4.44	6.02	6.86	--	--	--	--	--
Mar 18 93	3.03	2.95	3.04	3.17	3.11	3.16	--	6.00	4.35	5.93	6.80	--	--	--	--	--

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

MAR. 22, 1993

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[1]	U.S. government[2]	other[2]	total[2]
	1	2	3	4	5	6	7	8	9	10
ANN. GROWTH RATES (%) :										
ANNUALLY (Q4 TO Q4)										
1990	4.3	4.0	3.9	-6.5	1.8	1.9	5.6	10.3	5.9	6.9
1991	8.0	2.8	1.1	-6.2	1.1	0.3	3.5	11.0	2.2	4.3
1992	14.3	1.8	-2.6	-6.6	0.3	1.4	3.8	10.7	3.0	4.9
QUARTERLY AVERAGE										
1992-1st QTR.	15.5	3.2	-1.1	-4.1	1.9	1.3	3.9	10.0	2.3	4.2
1992-2nd QTR.	10.6	0.3	-3.4	-4.9	-0.6	1.3	3.3	14.4	2.8	5.7
1992-3rd QTR.	11.6	0.8	-3.2	-3.6	0.1	1.1	3.5	10.7	2.9	4.9
1992-4th QTR.	16.8	2.7	-2.8	-14.3	-0.2	2.0	4.2	6.0	3.8	4.4
MONTHLY										
1992-FEB.	19.4	5.8	0.9	0.2	4.8	5.0	4.0	8.3	4.6	5.5
MAR.	11.5	0.0	-4.2	-7.0	-1.2	2.7	3.1	17.1	2.8	6.4
APR.	7.8	-1.0	-4.3	-6.7	-2.0	-0.2	5.2	15.0	2.7	5.8
MAY	14.0	0.9	-4.0	-1.5	0.5	0.4	0.5	13.0	2.4	5.0
JUNE	0.5	-1.9	-2.8	-7.1	-2.8	0.9	3.1	14.6	2.4	5.5
JULY	13.5	0.6	-4.4	-4.6	-0.3	-0.5	1.7	9.9	2.8	4.6
AUG.	15.2	3.0	-1.6	1.7	2.8	3.1	6.5	9.5	3.3	4.9
SEP.	18.0	2.7	-3.3	-6.3	1.2	2.7	6.2	5.0	3.9	4.2
OCT.	19.1	3.9	-2.2	-24.4	-0.9	1.3	3.4	-1.1	4.2	2.8
NOV.	15.7	2.3	-3.2	-13.8	-0.4	3.1	3.0	10.5	4.0	5.7
DEC.	8.8	-0.3	-4.0	-18.7	-3.3	-0.9	2.5	16.3	2.7	6.2
1993-JAN.	7.7	-3.1	-7.6	-27.8	-7.1	-2.4	-1.6	2.9	3.3	3.2
FEB. p	-0.5	-4.1	-5.7	7.3	-2.4		1.9			
LEVELS ($BILLIONS) :										
MONTHLY										
1992-OCT.	1005.9	3491.5	2485.6	688.3	4179.8	5042.1	2926.9	3001.4	8650.8	11652.2
NOV.	1019.1	3498.1	2479.0	680.4	4178.5	5055.0	2934.1	3027.6	8679.9	11707.6
DEC.	1026.6	3497.3	2470.7	669.8	4167.1	5051.3	2940.1	3068.8	8699.4	11768.2
1993-JAN.	1033.2	3488.2	2455.0	654.3	4142.6	5041.1	2936.2	3076.3	8723.5	11799.7
FEB. p	1032.8	3476.2	2443.3	658.3	4134.4		2940.9			
WEEKLY										
1993-FEB. 1	1034.5	3479.5	2445.0	659.0	4138.5					
8	1030.0	3475.2	2445.2	651.9	4127.2					
15	1031.2	3475.0	2443.8	665.7	4140.7					
22	1034.6	3477.5	2442.9	654.7	4132.2					
MAR. 1 p	1036.1	3476.9	2440.8	660.9	4137.8					
8 p	1032.5	3475.0	2442.5	652.1	4127.0					

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

MAR. 22, 1993

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.)															
1990	245.4	277.7	293.1	78.8	919.8	1171.6	348.2	131.5	496.8	93.6	68.0	125.2	329.9	356.2	33.7
1991	265.8	287.0	329.6	73.4	1028.8	1081.0	362.9	175.6	432.3	74.7	60.7	137.0	319.4	336.3	24.4
1992	290.0	338.8	380.2	74.7	1178.9	883.0	344.1	207.5	361.9	80.5	47.0	154.5	330.0	369.5	20.4
MONTHLY															
1992-FEB.	270.8	303.3	344.3	77.9	1080.7	1021.5	362.3	192.0	413.6	72.6	56.1	140.2	320.0	327.3	22.5
MAR.	271.9	308.0	347.5	74.7	1094.3	1004.0	358.0	192.2	407.4	74.3	58.0	141.3	325.1	336.7	22.2
APR.	273.6	310.8	349.0	72.8	1107.5	986.1	354.5	195.9	402.1	74.1	54.9	142.4	325.9	341.0	21.8
MAY	275.1	314.7	354.7	69.4	1119.6	969.6	354.9	202.2	395.9	76.4	52.8	143.5	329.4	336.4	22.0
JUNE	276.6	312.3	355.9	72.3	1126.0	955.7	353.5	206.3	389.3	76.4	51.8	144.6	330.1	348.1	22.0
JULY	279.5	317.5	358.6	72.7	1134.5	941.5	350.4	212.5	382.5	75.1	51.0	145.8	324.9	351.2	21.7
AUG.	282.4	322.5	362.8	76.2	1145.7	926.9	348.9	220.9	378.1	75.7	51.4	147.4	323.1	355.0	21.1
SEP.	286.3	329.0	366.7	73.8	1158.9	912.7	343.9	220.7	373.7	77.5	49.4	149.3	321.3	362.7	20.7
OCT.	288.0	336.0	373.7	75.0	1170.5	896.6	346.3	210.9	367.0	79.5	48.0	151.9	321.9	368.0	20.5
NOV.	289.8	339.5	381.6	75.1	1180.3	881.9	343.7	209.2	361.3	81.3	47.2	154.7	329.3	372.2	20.3
DEC.	292.3	340.9	385.2	73.9	1186.0	870.5	342.3	202.3	357.5	80.6	45.9	156.8	338.8	368.2	20.4
1993-JAN.	294.8	342.0	388.5	72.8	1184.4	861.4	340.0	197.7	350.7	79.8	43.9	158.9	350.6	368.7	20.3
FEB. p	296.9	341.9	386.1	73.2	1182.5	855.2	334.2	201.9	347.3	82.4	46.0				

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 19, 1993

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

Period	Treasury bills: Net purchases[2]	Treasury bills: Redemptions (-)	Treasury bills: Net change	Treasury coupons: Net purchases[3]: within 1 year	Net purchases[3]: 1-5	Net purchases[3]: 5-10	Net purchases[3]: over 10	Treasury coupons: Redemptions (-)	Treasury coupons: Net Change	Federal agencies redemptions (-)	Net change outright holdings total[4]	Net RPs[5]
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
1992	13,086	1,600	11,486	1,096	13,118	2,818	2,333	---	19,365	632	30,219	-13,215
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	285	2,193	597	655	---	3,730	250	7,896	1,137
---Q3	867	---	867	350	3,900	945	731	---	5,927	176	6,617	14,195
---Q4	8,805	---	8,805	461	4,572	1,276	947	---	7,256	121	15,939	-13,912
1992 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	285	1,993	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	350	3,500	750	731	---	5,332	37	5,890	9,739
October	4,072	---	4,072	---	200	---	---	---	200	---	4,272	-19,267
November	1,064	---	1,064	461	4,172	1,176	947	---	6,756	---	7,820	2,425
December	3,669	---	3,669	---	200	100	---	---	300	121	3,848	2,929
1993 January	---	---	---	---	---	---	---	---	---	103	-103	-6,128
February	---	---	---	---	---	---	---	---	---	85	-85	4,788
Weekly												
December 16	3,136	---	3,136	---	---	---	---	---	---	84	3,051	1,353
23	---	---	---	---	---	---	---	---	---	---	---	11,480
30	---	---	---	---	---	---	---	---	---	37	-37	-7,487
January 6	---	---	---	---	---	---	---	---	---	---	---	11,371
13	---	---	---	---	---	---	---	---	---	---	---	-16,595
20	---	---	---	---	---	---	---	---	---	65	-65	10,941
27	---	---	---	---	---	---	---	---	---	38	-38	-10,279
February 3	---	---	---	---	---	---	---	---	---	---	---	6,232
10	---	---	---	---	---	---	---	---	---	50	-50	-9,727
17	---	---	---	---	---	---	---	---	---	---	---	6,075
24	---	---	---	---	---	---	---	---	---	---	---	-228
March 3	---	---	---	---	---	---	---	---	---	35	-35	3,576
10	---	---	---	---	---	---	---	---	---	60	-60	-5,137
17	---	---	---	---	---	---	---	---	---	---	---	-1,152
Memo: LEVEL (bil. $)[6] March 17			150.2	34.3	70.8	19.6	28.1		152.8		308.6	-6.4

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
March 17	1.9	2.4	0.7	0.1	5.1