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STRICTLY CONFIDENTIAL (FR) CLASS I FOMC

MAY 12, 2000

MONETARY POLICY ALTERNATIVES

PREPARED FOR THE FEDERAL OPEN MARKET COMMITTEE
BY THE STAFF OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Strictly Confidential (F.R.)
Class II -- FOMC

May 12, 2000

MONETARY POLICY ALTERNATIVES

Recent Developments

(1) The announcement of the Committee's decision at its March 21 meeting to raise the intended level of the federal funds rate 1/4 percentage point, to 6 percent, and of its view that the risks remained weighted toward heightened inflation pressures had been widely anticipated and had little impact on financial markets.[1] Later that week, interest rates rose following the release of the minutes of the February meeting: The support that a few Committee members had expressed for a 50 basis point policy firming led some market participants to mark up their expectations of policy tightening going forward. Subsequently, investors seemed to reassess equity valuations, particularly those of more speculative technology shares, whose prices had run up substantially over the previous several months. As share prices tumbled over the first half of April, market participants concluded that less monetary policy firming might be needed to slow the economy to a sustainable pace, and interest rates on higher-quality corporate securities and swap contracts fell for a time. These

[1] The federal funds rate has averaged 6.02 percent over the intermeeting period. Reserve management was complicated in late April and early May by uncertainty about the Treasury's balance at the Federal Reserve related primarily to the size and timing of individual nonwithheld tax payments. In the event, these payments were about $28 billion above last year's level and were unusually late flowing into the Treasury's coffers. Despite some sizable reserve misses, the daily effective federal funds rate generally has remained close to its target level. To address permanent reserve needs, the Desk has bought $7 billion of Treasury bills and coupon securities outright in the market and maintained a sizable book of long-term RPs by replacing some maturing agreements with five twenty-eight-day RPs. The bill pass on April 11, the first conducted since December 1997, elicited little market reaction.

rate declines were more than reversed later in the period as stock prices appeared to be leveling out and incoming data suggested both that aggregate demand had continued to grow more rapidly than potential supply and that wage and price developments were becoming more worrisome.

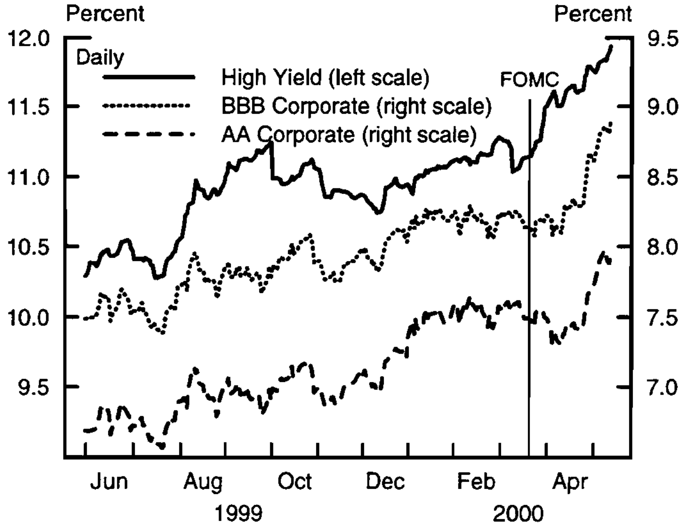
(2) Currently, market participants are certain of at least a 25 basis point move at this meeting, and futures market prices incorporate about a two-thirds chance of a 50 basis point move. On average, investors appear to expect that the federal funds rate will reach more than 7 percent next year--around 1/2 percentage point higher than was anticipated just before the March meeting (chart 1). Reflecting these changed expectations, yields on most private money market instruments, high-quality corporate bonds, and swap contracts generally have increased around 1/2 percentage point since the last FOMC meeting, while rates on junk bonds have risen more than 3/4 percentage point.[2] Yields on Treasury securities have moved up less than those on private instruments across the maturity spectrum in part because unexpectedly large tax payments raised market participants' estimates of future paydowns of Treasury debt.[3] In addition, some investors have responded to the

[2] Yields on government-sponsored-enterprise debt have moved up about 65 basis points over the intermeeting period, boosted by increased uncertainty among investors about the extent of their government backing. In part, these concerns were sparked by testimony of Treasury Undersecretary Gensler that, among other things, endorsed a Congressional proposal to eliminate the GSEs' lines of credit with the Treasury and suggested that commercial bank holdings of GSE debt should be subject to the same limits that apply to corporate obligations.

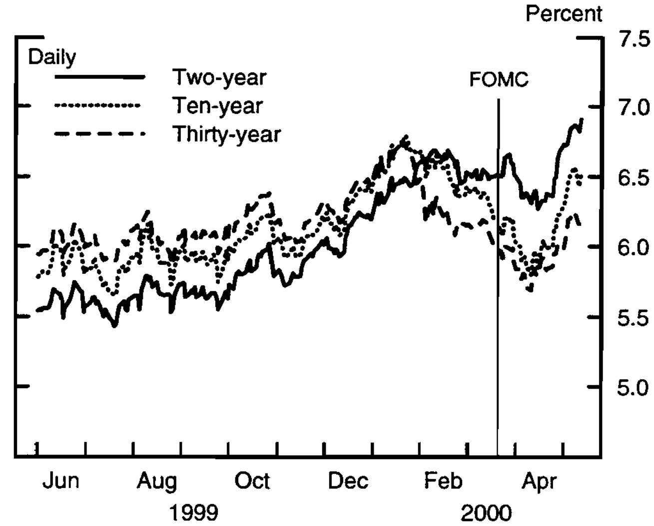
[3] The Treasury's midquarter refunding announcement mentioned actual or likely reductions in issuance of one-, two-, and five-year securities.

Chart 1
Financial Market Indicators

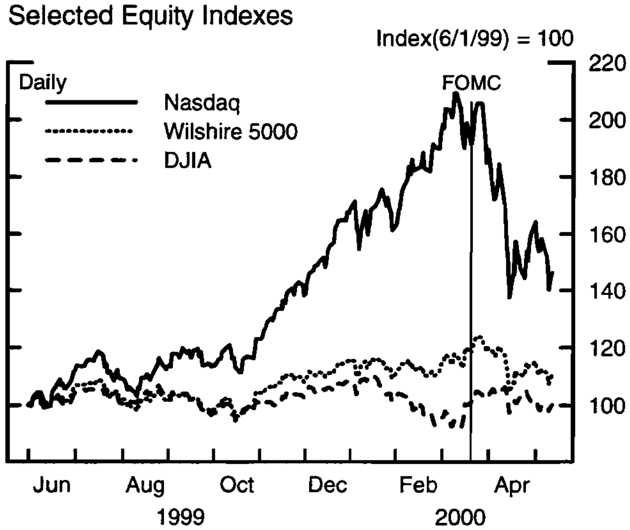
Selected Private Long-Term Yields



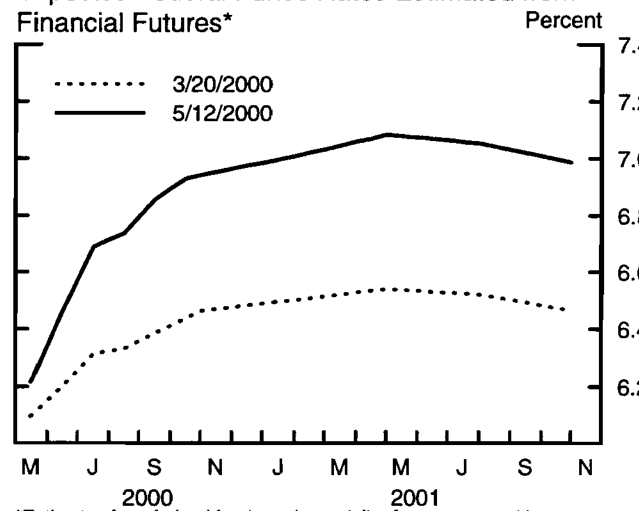
Selected Treasury Yields



Selected Equity Indexes

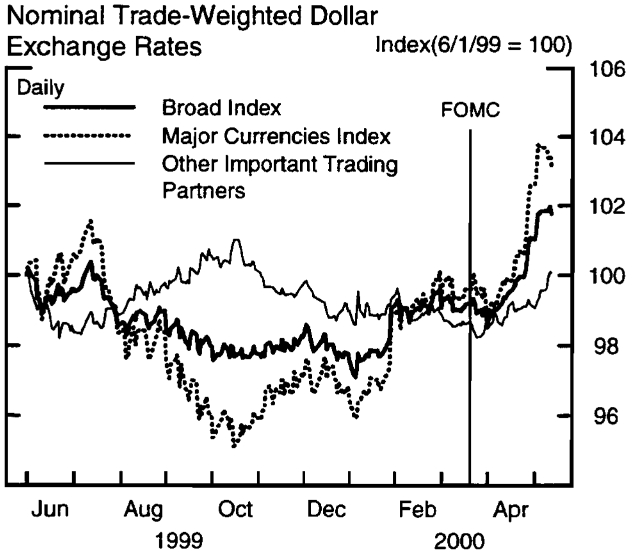


Expected Federal Funds Rates Estimated from Financial Futures*

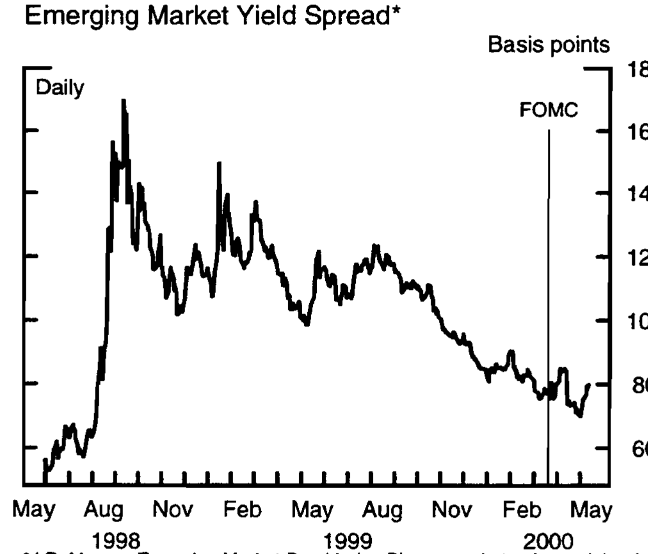


*Estimates from federal funds and eurodollar futures rates with an allowance for term premia and other adjustments.

Nominal Trade-Weighted Dollar Exchange Rates



Emerging Market Yield Spread*



*J.P. Morgan Emerging Market Bond Index Plus, a market-value-weighted average of spreads on dollar-denominated instruments over comparable Treasuries for sixteen emerging market countries.

MFMA:ECA

volatility and weakness in stock prices by increasing their demand for the safety and relative liquidity of Treasuries. The Wilshire 5000 has fallen 6-1/2 percent over the period. Technology stocks have been particularly hard hit, with the Nasdaq dropping 23-1/2 percent in volatile trading.

(3) Many foreign central banks tightened monetary policy early in the intermeeting period in light of mounting concerns about inflation pressures, which, for some, were made more pressing by the depreciations of their currencies against the dollar. Policy rates were hiked 1/4 percentage point by the European Central Bank and the Bank of Canada, among others, and longer-term yields have risen 15 to 30 basis points, on net, in most of the foreign industrial world. Japan was, once again, the chief exception, with bond yields having shed about 10 basis points. While spending there has appeared to be on the rebound, bond yields have dipped as market participants have come to expect that the Bank of Japan will continue its zero-interest-rate policy for a longer period. The large rise in U.S. long-term rates relative to most foreign rates, associated with the apparently more vigorous expansion here than abroad, no doubt has supported the foreign exchange value of the dollar against a wide range of currencies. But the 3-1/2 percent increase, on net, in the dollar's value against major currencies has appeared to outstrip what could be explained by fundamentals. Within that average, the dollar's 6-1/2 percent rise against the euro has been the most spectacular and surprising. Exchange markets have reacted negatively both to the welter of comments from European officials about the emphasis to be placed on the value of the euro and to the growing perception that broader reforms in Europe have been

lagging. The bulk of the 2 percent appreciation of the dollar against the yen has come after the beginning of April, reflecting in part widening interest rate differentials.[4] Equity prices in foreign industrial countries have been about flat to down 13 percent. Yield spreads on emerging market debt have widened on balance, and the dollar has gained 1-1/2 percent relative to the currencies of other important trading partners.

(4) Growth of M2 in April increased from its already strong March pace, as households evidently built up liquid balances to meet a higher-than-usual level of nonwithheld tax payments (chart 2). After tax payments cleared, the surge in M2 reversed, and consequently M2 growth is expected to slow appreciably in May. Averaging growth in April and that projected for May, M2 is estimated to be advancing at around a 5-1/2 percent annual rate, about the same as over the previous two quarters. This virtually unchanged pace of expansion is occurring in the face of higher market interest rates that have reduced the attractiveness of M2 assets and most likely reflects continued substantial gains in income.[5] In addition, the weakness and volatility of stock prices may have led some investors to increase their holdings of the safe, liquid assets in M2. In contrast to the acceleration in M2, M3 growth slowed considerably in April following a robust advance in

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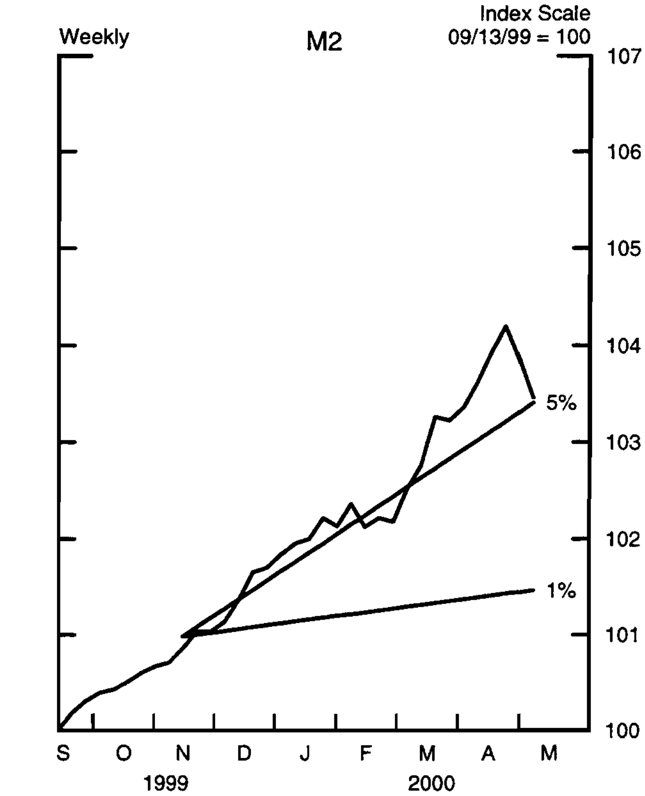
[4] Japanese authorities intervened with a large purchase of dollars during the interregnum in early April that followed Prime Minister Obuchi's stroke.

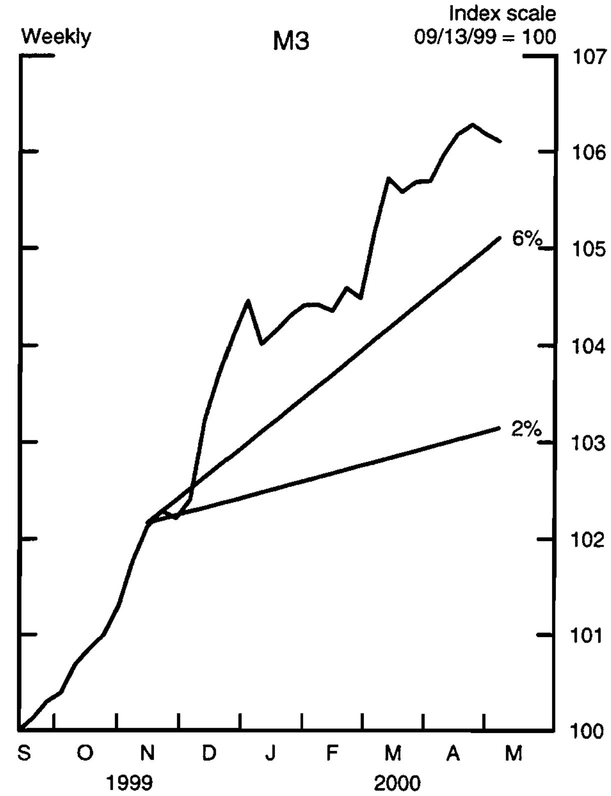
. U.S. monetary authorities have not intervened.

[5] In the first quarter, the staff estimates that M2 velocity rose at a 1-3/4 percent annual rate--the third consecutive quarterly increase, coinciding with the current period of policy tightening.

Chart 2
Monetary Aggregates



Note: Final observation based on partial data for 05/08/00.



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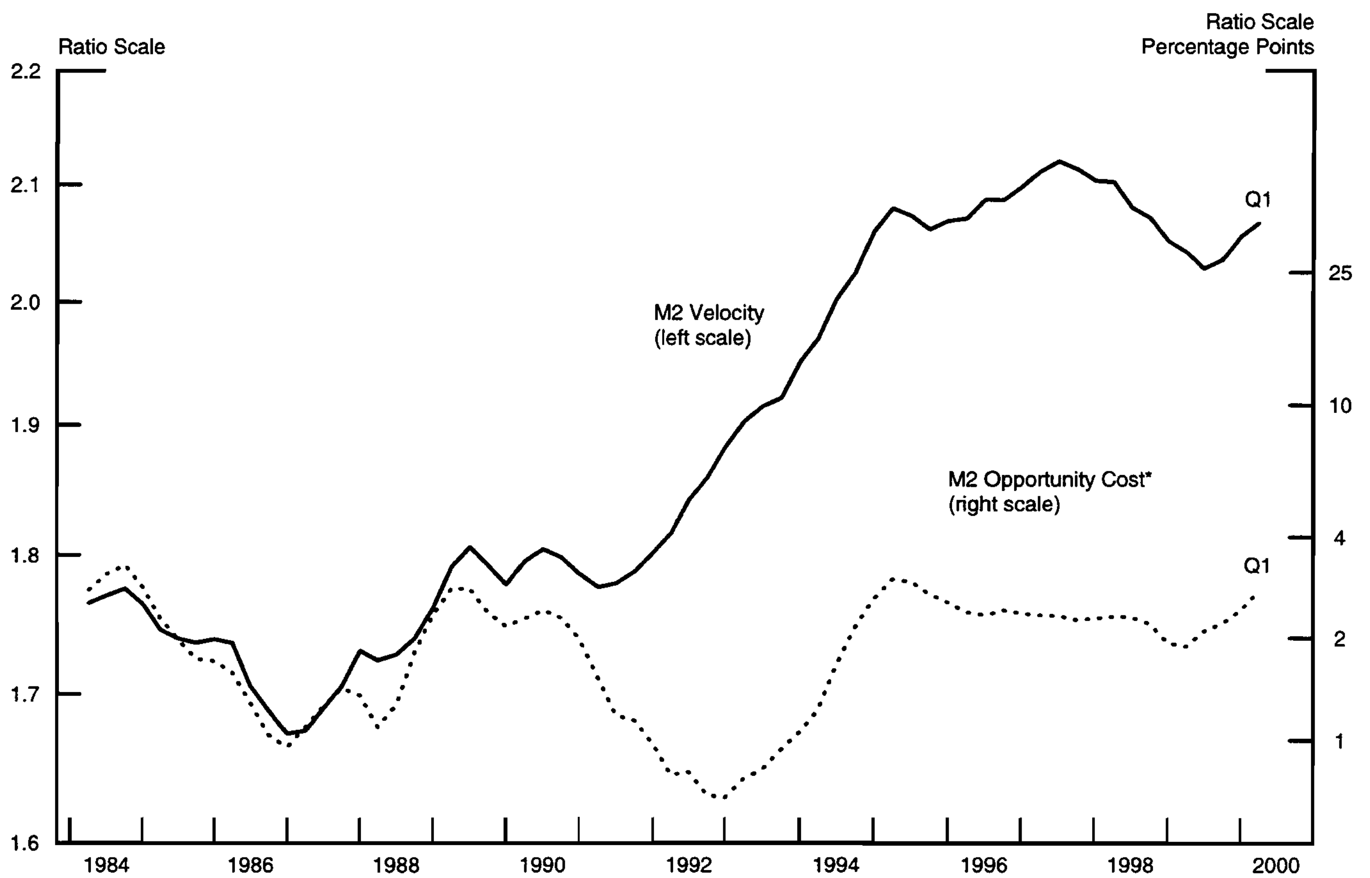

* Two-quarter moving average.

mara:rj

March. Institutional money funds slumped in the wake of the March tightening as their yields temporarily lagged the upward move in market rates. The RP and Eurodollar components of M3 also declined in April, but strong growth in retail and large time deposits and bulging Treasury tax and loan note balances at banks were sufficient to fund the considerable expansion of bank credit. With M2 slowing considerably in May, M3 is likely to decelerate further: Estimated growth for April and May taken together is about 5 percent, well below its average pace over the last two quarters.[6]

(5) The nonfederal component of domestic nonfinancial debt is estimated to have continued to expand vigorously in recent months. This measure grew at a 9 percent rate over the first three months of the year, and partial data suggest a similar rise in April. The strength of home sales and of spending on consumer durables have continued to boost residential mortgage debt and consumer debt of households substantially. Business borrowing also has been heavy, reflecting rapid investment spending. As the bond and equity markets have become less receptive over the intermeeting period, businesses have shifted their funding toward commercial paper and bank loans, despite a further tightening of standards and terms on business loans at many banks. Robust tax receipts have trimmed the borrowing needs of state and local governments, and municipal bond issuance also has been restrained by higher interest rates, which have discouraged advance refunding. The burgeoning federal surplus has allowed the Treasury to pay down a considerable volume of

[6] From September 1999 through May 2000, a period over which century-date-change and tax effects largely net out, M2 and M3 are expected to advance at annual rates of 5-3/4 percent and 9-1/2 percent, respectively.

debt, limiting the growth in total domestic nonfinancial debt to about a 6-1/4 percent pace from December to March.

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

	Feb.	Mar.	Apr.	1999:Q4 to Apr.[2]
Money and Credit Aggregates				
M1	-16.5	6.3	4.2	0.9
Adjusted for sweeps	-8.9	7.5	7.3	3.4
M2	2.4	8.9	10.0	6.9
M3	3.0	12.3	6.3	9.3
Domestic nonfinancial debt	5.0	7.2	n.a.	6.2
Federal	-12.1	3.1	n.a.	-3.8
Nonfederal	9.5	8.3	n.a.	8.9
Bank credit	8.8	9.3	10.7	10.6
Adjusted[1]	8.4	8.9	12.1	11.1
Reserve Measures				
Nonborrowed reserves	-39.2	-35.2	14.1	-1.8
Total reserves	-46.3	-33.0	17.8	-1.6
Adjusted for sweeps	-18.3	-12.2	17.1	4.3
Monetary base	-37.9	-5.2	6.8	0.3
Adjusted for sweeps	-34.8	-4.2	7.4	0.9
Memo: (millions of dollars)				
Adjustment plus seasonal plus SLF borrowing	108	179	304	--
Excess reserves	1117	1226	1165	--

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.

1. Adjusted to remove the effects of mark-to-market accounting rules (FIN 39 and FASB 115).
2. For nonfinancial debt and its components, 1999:Q4 to March.

Policy Alternatives

(6) In view of indications that the March Greenbook underestimated trends in both aggregate demand and core inflation, the current staff forecast assumes a somewhat steeper path of policy firming, with the intended federal funds rate reaching 7-1/4 percent by the end of the year and holding at that level through 2001. This trajectory for the funds rate, which also is a bit higher than currently built into asset prices, is expected to be associated with slightly larger increases in longer-term private yields than in the last forecast, contributing to a lackluster performance of broad stock prices indexes and restraining the effect of wealth on spending. The value of the dollar on foreign exchange markets is forecast to depreciate at about the same pace as was projected in the last Greenbook, albeit from the elevated base established in recent weeks. Although financial conditions are expected to be a bit tighter, on balance, inflationary pressures are more intense than last projected. The unemployment rate is slightly lower than in the March forecast, remaining a bit below 4 percent until late next year, as the forecasted gradual slowing in output growth still leaves the path of real GDP higher than in the previous forecast. This rate of resource use is expected to induce an acceleration of core prices over the forecast period that is a little larger than in the last projection, with inflation in core PCE prices gradually moving up to a 2-1/2 percent rate by the end of 2001. Overall inflation, as measured by the total PCE index, is projected to finish next year at a 2-1/4 percent pace, up from 2 percent in the last forecast.

(7) At its March meeting, the FOMC indicated that the balance of risks was weighted toward higher inflation. During the intermeeting period, inflation pressures have intensified, judging by the strength in incoming data on output, employment, and prices. Accordingly, the issue addressed in this bluebook is not whether to tighten the stance of monetary policy but by how much. Two basic alternatives are presented for consideration by the Committee: Alternative C, under which the target federal funds rate would be raised 25 basis points, and alternative D, under which it would be increased 50 basis points.

(8) Even if the Committee's assessment of the outlook is such that a substantial firming of policy ultimately will be necessary to prevent underlying inflation from rising, it still may favor a continued gradual approach, as under **alternative C.** Signs of an actual acceleration in prices are quite recent, and the Committee may require further evidence that inflation is on the upswing before firming policy more aggressively. While some measures of labor compensation gains recently have shown signs of strengthening, this development may be largely a lagged response to previous increases in productivity growth rather than a signal of heightened inflation pressures. Moreover, the elevated uncertainty about the economy's sustainable level of resource utilization and rate of output growth--which contributes to the sense that forecasts of inflation are less reliable--might justify continuing the incremental approach to policy firming. Continued gradualism would afford the Federal Reserve more time to assess the responsiveness of the economy and inflation to the cumulative change in the stance of monetary policy, thereby limiting the risk of possible over-tightening. And, to the extent that market participants extrapolate the gradual approach to policy tightening into

the future, expectations of further policy restraint will remain embedded in the structure of market interest rates, still bringing forward in time the effects on spending of future policy firming.

(9) The 25 basis point move of alternative C would be somewhat smaller than is incorporated in financial market prices. Even if the Committee also announces that the balance of risks remains skewed toward higher inflation, short rates still would decline, as market participants marked down their expected near-term path for the funds rate target. Longer-term yields also might edge down if market participants concluded that the Federal Reserve would be pursuing a more gradual approach than they had anticipated, and this strategy was not viewed as enhancing inflation risks. On the latter score, market participants might infer from the small size of the policy move that inflationary pressures are a little less intense than they had thought; such a response would, of course, be more plausible if the CPI data to be released the morning of the meeting turn out to be benign. Equity prices could rally, while the value of the dollar on foreign exchange markets might change little. But it cannot be ruled out that financial market participants would adopt a more skeptical interpretation of limited Federal Reserve action. If a sense that the Committee had fallen behind the curve of requisite policy firming became prevalent, which would be made more likely by a disquieting CPI release, longer-term rates could back up, equity prices weaken, and the dollar come under downward pressure.

(10) If the Committee were persuaded by recent data that the financial conditions produced by continuing its gradual approach would be insufficient to keep underlying

inflation contained, it might well support the 50 basis point increase in the intended federal funds rate of **alternative D**. Further gradual moves might be seen as likely allowing aggregate demand to grow more rapidly than potential supply for long enough to induce an intensification of pressures on resources that would noticeably boost underlying inflation. Given the current tautness of labor markets, recent evidence that real GDP growth is outpacing the expansion of its potential by even more than projected earlier strengthens the case for steepening the trajectory for the intended federal funds rate. If the level of output already has substantially overshot its potential and an acceleration of the underlying trends in wages and prices is in train, a 50 basis point move at this meeting would be especially appropriate. Such an increase in nominal interest rates would be more likely to contain inflation expectations going forward and thereby diminish slightly the amount of cumulative tightening ultimately needed to keep inflation in check.

(11) The reaction of asset prices to the adoption of alternative D would probably depend on the Committee's decision about the balance of risks. If the policy move were accompanied by a statement that the balance of risks remains tilted toward higher inflation, short-term rates would likely increase slightly as market participants revise up a bit their expectations for the path of the funds rate. These elevated expectations would tend to boost the yields on longer-term private instruments a little as well, and equity prices might weaken some. The increase in rates on Treasury securities, however, could be more limited if demands for safety and liquidity were to increase in an environment of more aggressive policy tightening.

(12) If alternative D instead were accompanied by a statement that the risks were now seen as balanced, the market reaction would be more difficult to predict. On average, investors appear currently to expect another 100 basis points or so of monetary policy tightening over the next twelve months, rather than just the 50 basis points at this meeting embodied in alternative D. Most would infer from such a balance-of-risks statement that monetary policy would be on hold for a while. Some investors might conclude that inflation pressures were not as strong as they had previously thought and that the peak in short-term rates could well have been reached, while others might be concerned that the Federal Reserve had misgauged the situation and eventually was likely to need to firm policy much further, particularly given the possibility that subsequent policy adjustment would be too slow in the near term. On net, longer-term interest rates probably would increase a bit less, initially, than if the Committee indicated that the balance of risks was skewed toward higher inflation. If developments over the following weeks were to unfold along the lines of the staff forecast, most market participants likely would conclude that additional policy firming was needed. Longer-term yields would then tend to rise further, reflecting increases both in real rates and in inflation expectations.

(13) Under the Greenbook forecast, the expansion of domestic nonfinancial sector debt is expected to edge a bit lower in coming months. Borrowing by households should moderate somewhat from the torrid pace of the first quarter, as the growth of consumer outlays drops back a little and residential expenditures rise only modestly. Similarly, borrowing in the business sector is projected to be trimmed, with growth of investment

spending declining slightly, although business debt issuance should remain strong given the widening financing gap. Business borrowers likely would continue to find credit market conditions not especially hospitable. Investors probably will remain somewhat selective in purchasing bonds, continuing to place a high value on quality and liquidity. Also, in an environment of rising interest rates and slowing economic growth, banks probably will further firm terms and standards on loans to businesses. In the government sector, credit demands should remain relatively slack. Net debt issuance by state and local governments is likely to be held down by strong tax receipts and by the payoff of obligations that previously had been advance-refunded. Continued federal surpluses will permit further reductions in Treasury debt, in part through buybacks. From March through September, domestic nonfinancial sector debt is projected to expand at about a 4-3/4 percent annual rate.

(14) In the staff forecast, the higher money market rates associated with the tightening of monetary policy and the expected slowing in nominal income growth should restrain demands for monetary assets in coming months. M2 expansion for the April-to-September period is projected at a 3-3/4 percent rate. With slower growth of M2 and bank credit, the expansion of M3 is expected to edge down to a 5-3/4 percent pace from April through September.

Alternative Growth Rates for Key Monetary and Credit Aggregates

	M2		M3		M2	M3	Debt
	Alt. C	Alt. D	Alt. C	Alt. D	Staff Forecasts		
Monthly Growth Rates							
Mar-2000	8.9	8.9	12.3	12.3	8.9	12.3	7.2
Apr-2000	10.0	10.0	6.3	6.3	10.0	6.3	6.0
May-2000	0.9	0.7	4.0	3.9	0.8	3.9	3.7
Jun-2000	5.1	4.5	6.6	6.3	4.7	6.4	3.6
Jul-2000	5.4	4.6	6.6	6.2	4.4	6.1	4.3
Aug-2000	6.0	5.2	6.8	6.4	4.4	6.0	5.6
Sep-2000	6.3	5.7	6.7	6.5	4.4	5.8	5.4
Quarterly Averages							
1999 Q3	5.2	5.2	4.9	4.9	5.2	4.9	6.2
1999 Q4	5.0	5.0	9.8	9.8	5.0	9.8	6.3
2000 Q1	5.7	5.7	10.2	10.2	5.7	10.2	2.0
2000 Q2	6.4	6.3	6.8	6.8	6.3	6.8	9.5
2000 Q3	5.1	4.4	6.4	6.1	4.1	5.9	4.5
Growth Rate							
From To							
Sep-1999 Mar-2000	5.7	5.7	10.9	10.9	5.7	10.9	5.7
Dec-1999 Jun-2000	5.6	5.5	6.8	6.7	5.5	6.8	5.5
Apr-2000 Sep-2000	4.8	4.2	6.2	5.9	3.8	5.7	3.8
1998 Q4 Sep-1999	6.2	6.2	6.3	6.3	6.2	6.3	6.2
1999 Q4 Apr-2000	6.9	6.9	9.3	9.3	6.9	9.3	6.9
1997 Q4 1998 Q4	8.5	8.5	10.9	10.9	8.5	10.9	8.5
1998 Q4 1999 Q3	6.3	6.3	6.5	6.5	6.3	6.5	6.3
1998 Q4 1999 Q4	6.1	6.1	7.4	7.4	6.1	7.4	6.1
1999 Q4 Mar-2000	6.0	6.0	10.0	10.0	6.0	10.0	6.0
1999 Q4 Sep-2000	5.9	5.6	7.9	7.7	5.4	7.6	5.4
2000 Annual Ranges:	1 to 5		2 to 6				3 to 7

SELECTED INTEREST RATES
(percent)

May 15, 2000

	Short-term						Long-term									
	Federal funds	Treasury bills secondary market			CDs secondary market	Comm. paper	U.S. government constant maturity yields				Indexed yields		Moody's Baa	Municipal Bond Buyer	Conventional home mortgages primary market	
		3-month	6-month	1-year	3-month	1-month	2-year	5-year	10-year	30-year	5-year	10-year			Fixed-rate	ARM
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
99 -- High	5.59	5.38	5.56	5.62	6.16	6.33	6.23	6.33	6.41	6.46	4.03	4.33	8.44	6.23	8.15	6.64
-- Low	4.42	4.20	4.30	4.29	4.86	4.76	4.59	4.56	4.67	5.12	3.61	3.76	7.24	5.17	6.74	5.56
00 -- High	6.08	5.94	6.15	6.01	6.69	6.36	6.86	6.76	6.77	6.73	4.09	4.39	8.74	6.35	8.52	6.96
-- Low	5.05	5.26	5.43	5.68	5.93	5.54	6.34	6.18	5.89	5.78	3.63	3.96	8.22	5.98	8.12	6.56
Monthly																
May 99	4.74	4.50	4.56	4.60	4.92	4.79	5.25	5.44	5.54	5.81	3.65	3.85	7.72	5.37	7.15	5.72
Jun 99	4.76	4.57	4.82	4.82	5.13	4.95	5.62	5.81	5.90	6.04	3.78	3.94	8.02	5.53	7.55	5.91
Jul 99	4.99	4.55	4.58	4.75	5.24	5.06	5.55	5.68	5.79	5.98	3.94	4.01	7.95	5.61	7.63	5.99
Aug 99	5.07	4.72	4.87	4.91	5.41	5.18	5.68	5.84	5.94	6.07	3.96	4.03	8.15	5.81	7.94	6.18
Sep 99	5.22	4.68	4.88	4.96	5.50	5.28	5.66	5.80	5.92	6.07	3.89	4.05	8.20	5.92	7.82	6.20
Oct 99	5.20	4.86	4.98	5.12	6.13	5.28	5.86	6.03	6.11	6.26	3.85	4.12	8.38	6.12	7.85	6.27
Nov 99	5.42	5.07	5.20	5.24	6.00	5.37	5.86	5.97	6.03	6.15	3.87	4.10	8.15	6.10	7.74	6.36
Dec 99	5.30	5.20	5.44	5.51	6.05	5.97	6.10	6.19	6.28	6.35	3.99	4.25	8.19	6.18	7.91	6.53
Jan 00	5.45	5.32	5.50	5.75	5.95	5.59	6.44	6.58	6.66	6.63	4.06	4.36	8.33	6.31	8.21	6.61
Feb 00	5.73	5.55	5.72	5.84	6.01	5.76	6.61	6.68	6.52	6.23	4.05	4.28	8.29	6.29	8.33	6.72
Mar 00	5.85	5.69	5.85	5.86	6.14	5.93	6.53	6.50	6.26	6.05	3.86	4.15	8.37	6.15	8.24	6.72
Apr 00	6.02	5.66	5.81	5.80	6.28	6.02	6.40	6.26	5.99	5.85	3.67	3.98	8.40	6.01	8.15	6.80
Weekly																
Mar 10 00	5.74	5.67	5.82	5.83	6.07	5.83	6.51	6.60	6.39	6.17	3.93	4.21	8.38	6.20	8.23	6.68
Mar 17 00	5.79	5.71	5.86	5.84	6.13	5.93	6.50	6.50	6.28	6.08	3.85	4.17	8.45	6.16	8.24	6.68
Mar 24 00	5.88	5.74	5.88	5.88	6.19	6.01	6.54	6.44	6.14	5.97	3.82	4.12	8.31	6.08	8.23	6.78
Mar 31 00	6.04	5.71	5.90	5.93	6.24	6.04	6.57	6.42	6.13	5.94	3.77	4.05	8.34	6.03	8.23	6.76
Apr 7 00	6.08	5.70	5.85	5.83	6.23	6.01	6.38	6.20	5.92	5.79	3.68	3.98	8.30	5.98	8.20	6.79
Apr 14 00	5.99	5.67	5.82	5.80	6.24	6.00	6.35	6.18	5.89	5.78	3.68	4.00	8.35	5.98	8.12	6.86
Apr 21 00	6.03	5.65	5.76	5.75	6.27	6.01	6.34	6.24	6.01	5.88	3.63	3.96	8.45	6.00	8.16	6.76
Apr 28 00	5.98	5.62	5.79	5.82	6.36	6.06	6.53	6.42	6.15	5.95	3.67	3.97	8.51	6.07	8.13	6.77
May 5 00	6.05	5.74	5.96	5.89	6.57	6.24	6.76	6.66	6.40	6.10	3.72	3.99	8.74	6.15	8.28	6.90
May 12 00	5.99	5.94	6.15	6.01	6.69	6.36	6.86	6.74	6.50	6.20	3.93	4.14	--	6.23	8.52	6.96
Daily																
Apr 26 00	6.00	5.59	5.77	5.82	6.35	6.04	6.50	6.40	6.14	5.95	3.67	3.98	8.51	--	--	--
Apr 27 00	6.00	5.59	5.80	5.83	6.38	6.09	6.63	6.51	6.23	6.00	3.67	3.97	8.57	--	--	--
Apr 28 00	6.06	5.66	5.86	5.86	6.48	6.12	6.68	6.56	6.23	5.97	3.71	3.96	8.57	--	--	--
May 1 00	6.17	5.67	5.89	5.90	6.50	6.17	6.73	6.59	6.29	5.98	3.70	3.96	8.59	--	--	--
May 2 00	6.05	5.75	5.95	5.89	6.53	6.22	6.72	6.60	6.32	6.03	3.71	3.97	8.64	--	--	--
May 3 00	6.05	5.74	5.96	5.87	6.57	6.24	6.73	6.66	6.40	6.11	3.68	3.97	8.74	--	--	--
May 4 00	6.05	5.73	5.95	5.85	6.61	6.28	6.77	6.70	6.46	6.19	3.71	3.99	8.84	--	--	--
May 5 00	5.94	5.79	6.03	5.93	6.63	6.28	6.84	6.77	6.51	6.20	3.82	4.07	8.87	--	--	--
May 8 00	6.01	5.87	6.13	6.01	6.67	6.34	6.87	6.83	6.57	6.25	3.86	4.09	8.92	--	--	--
May 9 00	5.92	5.96	6.13	6.00	6.69	6.36	6.86	6.75	6.53	6.22	3.91	4.13	8.89	--	--	--
May 10 00	5.95	5.96	6.13	5.99	6.70	6.37	6.84	6.69	6.47	6.18	3.92	4.13	8.88	--	--	--
May 11 00	6.05	5.96	6.15	6.00	6.68	6.37	6.82	6.67	6.43	6.16	3.95	4.15	8.92	--	--	--
May 12 00	6.09 p	5.96	6.23	6.07	6.71	--	6.91	6.76	6.51	6.20	4.02	4.20	--	--	--	--

NOTE: Weekly data for columns 1 through 13 are week-ending averages. As of September 1997, data in column 6 are interpolated from data on certain commercial paper trades settled by the Depository Trust Company; prior to that, they reflect an average of offering rates placed by several leading dealers. Column 14 is the Bond Buyer revenue index, which is a 1-day quote for Thursday. Column 15 is the average contract rate on new commitments for fixed-rate mortgages (FRMs) with 80 percent loan-to-value ratios at major institutional lenders. Column 16 is the average initial contract rate on new commitments for 1-year, adjustable-rate mortgages (ARMs) at major institutional lenders offering both FRMs and ARMs with the same number of discount points.

p - preliminary data

MFMA:IXA

Strictly Confidential (FR)-
Class II FOMC

May 15, 2000

Money and Debt Aggregates

Seasonally adjusted

Period	Money stock measures: M1	Money stock measures: M2	Money stock measures: nontransactions components: In M2	Money stock measures: nontransactions components: In M3 only	Money stock measures: M3	Domestic nonfinancial debt: U. S. government[1]	Domestic nonfinancial debt: other[1]	Domestic nonfinancial debt: total[1]
	1	2	3	4	5	6	7	8
Annual growth rates(%):								
Annually (Q4 to Q4)								
1997	-1.2	5.6	8.4	19.9	8.9	0.8	6.7	5.2
1998	2.2	8.5	10.8	18.3	10.9	-1.1	9.3	6.7
1999	1.8	6.1	7.5	11.1	7.4	-2.5	9.5	6.7
Quarterly(average)								
1999-Q2	2.2	6.0	7.3	5.9	6.0	-2.3	9.7	7.0
Q3	-1.8	5.2	7.5	4.0	4.9	-0.3	8.0	6.2
Q4	4.8	5.0	5.0	23.1	9.8	-4.3	9.3	6.3
2000-Q1	0.5	5.7	7.4	21.9	10.2	-4.4	8.9	6.1
Monthly								
1999-Apr.	6.3	7.3	7.5	6.7	7.1	-1.7	10.2	7.5
May	-5.9	6.1	10.0	7.2	6.4	-5.1	8.2	5.3
June	-1.7	4.8	6.9	9.6	6.0	0.3	7.1	5.6
July	-0.7	5.7	7.8	1.3	4.6	1.4	7.1	5.8
Aug.	-1.0	4.5	6.3	0.3	3.4	1.0	8.6	6.9
Sep.	-2.9	5.0	7.5	5.1	5.0	-4.2	10.5	7.3
Oct.	5.6	4.2	3.8	23.2	9.3	-5.8	9.5	6.2
Nov.	9.0	4.9	3.7	40.5	14.5	-7.6	8.1	4.7
Dec.	15.6	7.3	4.6	42.5	16.9	0.9	8.5	6.9
2000-Jan.	-2.9	6.1	8.9	13.5	8.1	-4.4	9.1	6.3
Feb.	-16.5	2.4	8.3	4.6	3.0	-12.1	9.5	5.0
Mar.	6.3	8.9	9.8	20.9	12.3	3.1	8.3	7.2
Apr. p	4.2	10.0	11.8	-3.0	6.3			
Levels ($billions):								
Monthly								
1999-Dec.	1123.8	4652.2	3528.4	1817.1	6469.3	3659.5	13654.7	17314.2
2000-Jan.	1121.1	4675.7	3554.6	1837.5	6513.2	3646.2	13758.4	17404.6
Feb.	1105.7	4684.9	3579.1	1844.5	6529.4	3609.5	13867.0	17476.4
Mar.	1111.5	4719.8	3608.3	1876.6	6596.4	3618.8	13963.1	17581.9
Apr. p	1115.4	4759.3	3643.9	1871.9	6631.2			
Weekly								
2000-Apr. 3	1130.3	4736.2	3605.9	1868.3	6604.5			
10	1102.7	4747.9	3645.2	1874.2	6622.1			
17	1112.2	4762.5	3650.3	1872.1	6634.6			
24p	1125.3	4774.5	3649.1	1866.7	6641.1			
May 1p	1112.2	4758.5	3646.2	1876.2	6634.7			

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

May 12, 2000

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	Net RPs
	Net purchases[2]	Redemptions (-)	Net change	Net purchases				Redemptions (-)	Net Change			
					1-5	5-10	over 10					
1997	9,147	---	9,147	5,549	20,080	3,449	5,897	1,996	32,979	1,540	40,586	-5,202
1998	3,550	2,000	1,550	6,297	12,901	2,294	4,884	2,676	23,699	322	24,902	-11,981
1999	---	---	---	11,895	19,731	4,303	9,428	1,429	43,928	157	43,771	-1,599
1999 ---Q1	---	---	---	3,163	5,180	681	3,019	492	11,551	27	11,524	-8,004
---Q2	---	---	---	3,978	8,751	2,594	3,152	726	17,749	52	17,697	-10,271
---Q3	---	---	---	2,341	1,272	447	1,075	41	5,094	21	5,073	-8,257
---Q4	---	---	---	2,414	4,528	581	2,182	170	9,535	57	9,478	22,883
2000 ---Q1	---	198	-198	---	900	1,298	1,399	390	3,207	31	2,978	10,437
1999 May	---	---	---	1,421	4,442	1,584	2,890	---	10,337	---	10,337	-10,368
June	---	---	---	880	948	65	---	---	1,893	52	1,841	-12,644
July	---	---	---	951	---	---	---	41	910	10	900	-11,355
August	---	---	---	429	1,272	447	1,075	---	3,223	11	3,212	-10,868
September	---	---	---	960	---	---	---	---	960	---	960	-4,894
October	---	---	---	---	---	---	---	170	-170	50	-220	-30
November	---	---	---	964	1,014	---	925	---	2,903	7	2,896	17,495
December	---	---	---	1,450	3,514	581	1,257	---	6,802	---	6,802	46,578
2000 January	---	---	---	---	160	809	1,069	390	1,648	6	1,642	27,608
February	---	---	---	---	---	---	---	---	---	25	-25	3,118
March	---	198	-198	---	740	489	330	---	1,559	---	1,361	2,733
April	2,294	779	1,515	---	1,723	930	---	568	2,085	10	3,590	2,290
Weekly												
January 19	---	---	---	---	---	---	---	390	-390	---	-390	18,543
26	---	---	---	---	160	809	---	---	969	6	963	9,226
February 2	---	---	---	---	---	---	1,069	---	1,069	---	1,069	2,850
9	---	---	---	---	---	---	---	---	---	---	---	1,460
16	---	---	---	---	---	---	---	---	---	25	-25	3,500
23	---	---	---	---	---	---	---	---	---	---	---	4,437
March 1	---	---	---	---	---	---	---	---	---	---	---	4,023
8	---	---	---	---	---	---	---	---	---	---	---	3,085
15	---	---	---	---	---	---	---	---	---	---	---	3,230
22	---	---	---	---	---	---	---	---	---	---	---	3,461
29	---	---	---	---	740	489	330	---	1,559	---	1,559	251
April 5	---	198	-198	---	---	---	---	---	---	---	-198	3,738
12	2,294	---	2,294	---	1,713	---	---	---	1,713	10	3,997	596
19	---	---	---	---	10	930	---	568	372	---	372	-293
26	---	---	---	---	---	---	---	---	---	---	---	3,291
May 3	---	779	-779	---	---	---	---	---	---	---	-779	9,342
10				---	---	---	---					16,443
Memo: LEVEL (bil. $)												
May 10			217.0	64.5	124.3	52.4	68.1		309.3		524.0	17.2

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 (+) and matched sale-purchase transactions (-).