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[1] In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).

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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

August 18, 2000

MONETARY POLICY ALTERNATIVES

Recent Developments

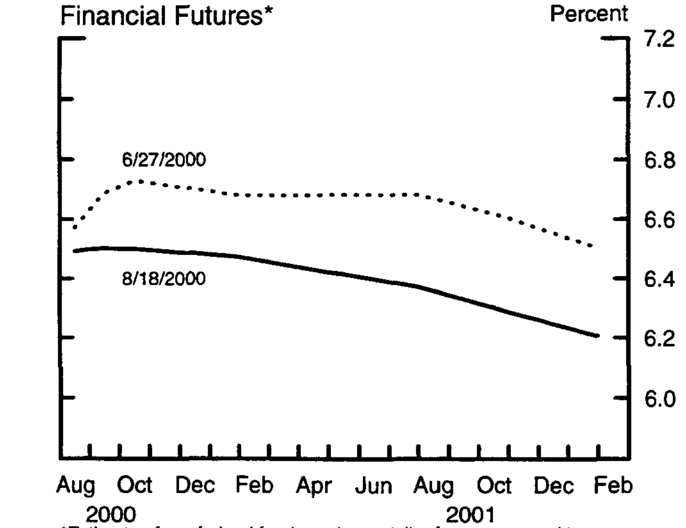
(1) The FOMC's decision at its June meeting to leave the target federal funds rate unchanged and to retain a statement judging the balance of risks as weighted toward inflation came as little surprise to market participants.[1] However, investors interpreted the announcement of the FOMC's decision and the Chairman's monetary policy testimony as emphasizing signs of a moderation in the growth of economic activity. Against that backdrop, economic data releases over the intermeeting period were viewed on net as confirming that demand growth was slowing to a sustainable pace and price pressures would remain damped, and investors marked down their expected level of the funds rate next year by about 25 basis points (chart 1). Futures markets have priced in virtually no chance of a tightening at the August meeting and little change in the federal funds rate over the next year.

(2) The downward revision over the intermeeting period in investors' expectations for the path of the target funds rate contributed to a modest easing in domestic financial

[1] The federal funds rate averaged close to 6-1/2 percent over the intermeeting period. On July 5, the Desk announced new guidelines for its management of the System portfolio. The new procedures cap SOMA participation at each Treasury auction at a maximum percentage of the total amount issued, with the percentages declining as the maturity of securities being auctioned increases. The same schedule of percentage caps was established to guide SOMA secondary market purchases of securities. As a result of the auction caps, the Desk redeemed $10.4 billion of bills and $367 million of coupons over the intermeeting period. The Desk's outright purchases included $1.9 billion of bills, of which $93 million were bought directly from foreign accounts, and $9.8 billion of coupons, with the coupon purchases tilted toward shorter maturities, consistent with the new guidelines.

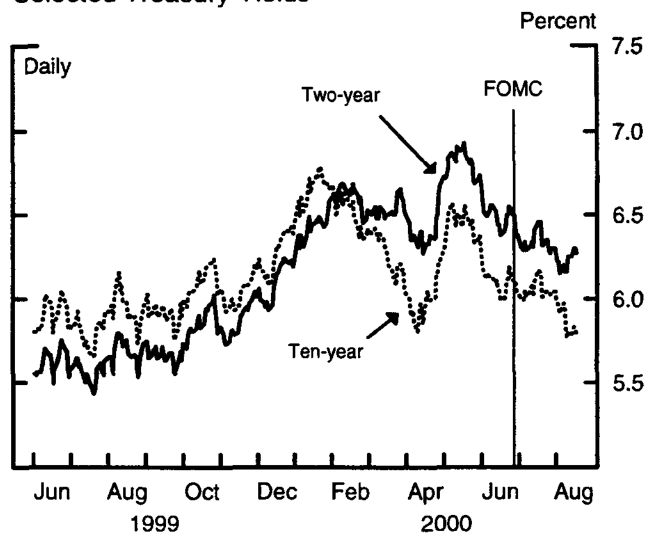
Chart 1
Financial Market Indicators

Expected Federal Funds Rates Estimated from Financial Futures*

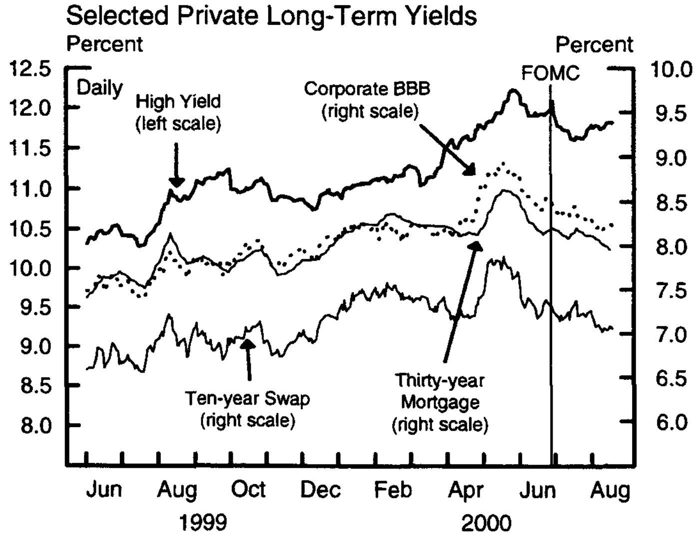


*Estimates from federal funds and eurodollar futures rates with an allowance for term premia and other adjustments.

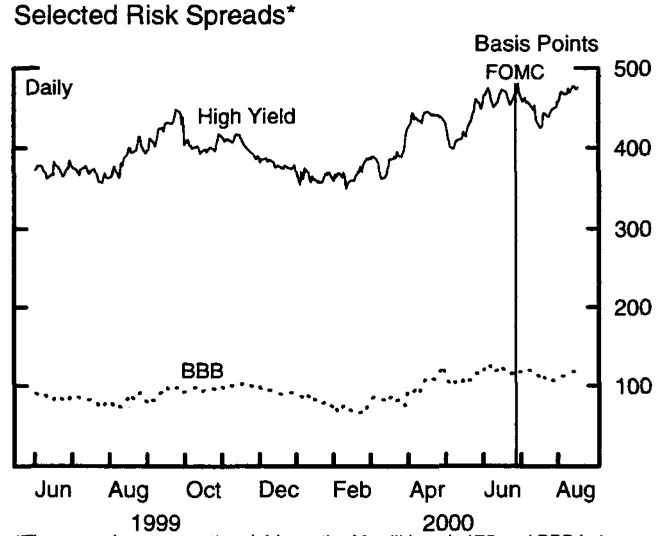
Selected Treasury Yields



Selected Private Long-Term Yields

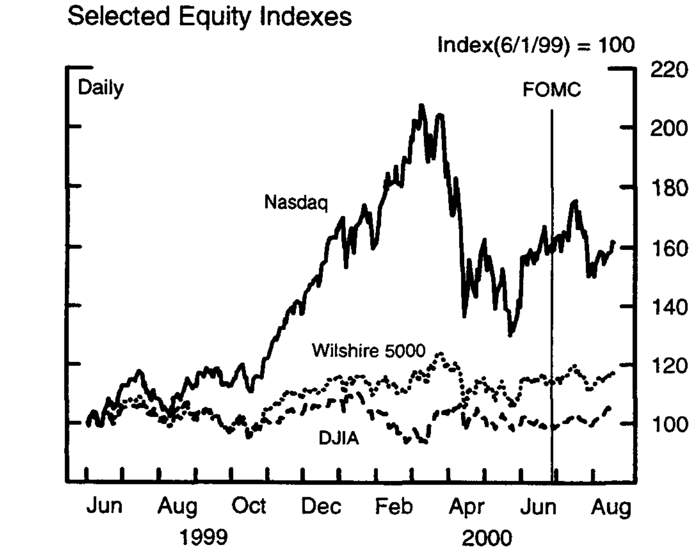


Selected Risk Spreads*

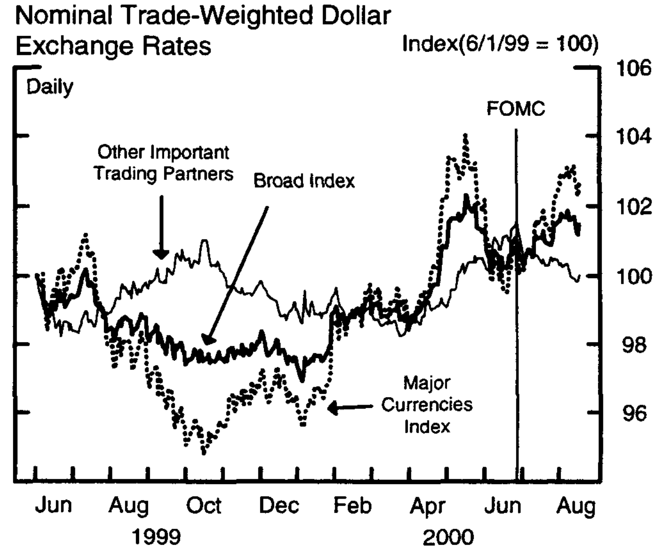


*The spreads compare the yields on the Merrill Lynch 175 and BBB indexes with the ten-year swap rate.

Selected Equity Indexes



Nominal Trade-Weighted Dollar Exchange Rates



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conditions, on net. Nominal Treasury coupon yields dropped 20 to 30 basis points, while the ten-year Treasury inflation-indexed yield shed about 5 basis points. The narrowing spread of nominal over real Treasury yields suggests some decline in inflation compensation, though survey measures of long-term inflation expectations were little changed. Corporate bond yields also fell, but generally not by as much as Treasuries. The resulting slight widening in spreads did not seem to reflect an increased reluctance to bear risk. Investors purchased sizable offerings of new private bonds, including longer-term issues and lower-tier credits, as well as both seasoned and initial public offerings of equities. Still, looking over a somewhat longer period, investors do seem to have become more cautious: Risk spreads for lower-rated firms are at fairly high levels historically and are a good bit wider now than they were earlier this year; similarly, banks have reported tightening their terms and standards on business loans throughout the year. With interest rates down over the most recent intermeeting period, broad stock price indexes rose 1-1/2 to 3 percent.

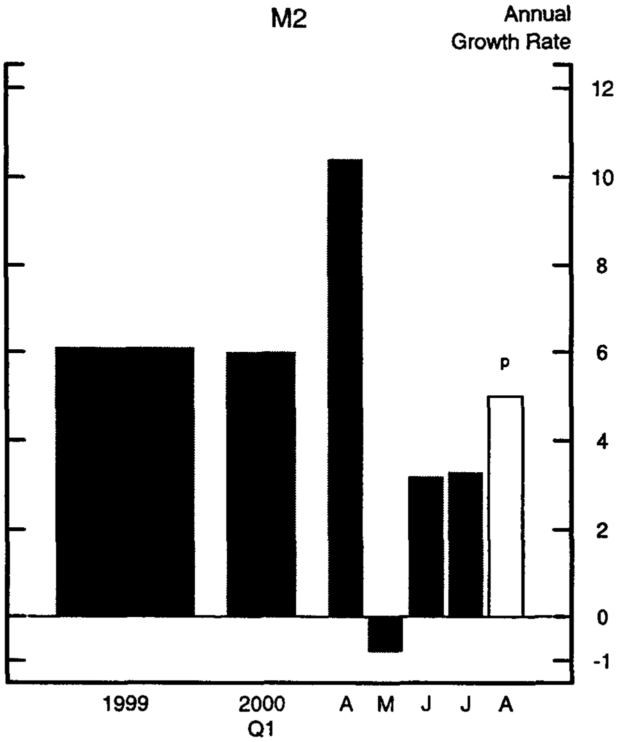
(3) The dollar firmed on balance in foreign exchange markets, even though interest-rate differentials moved against assets denominated in dollars relative to those denominated in the currencies of other industrial countries. Within the major currency index, the dollar appreciated about 2-3/4 percent against the yen and 4 percent against the euro. The Bank of Japan raised its policy rate 25 basis points on August 11 in the face of objections from the rest of the government, ending the zero-interest-rate policy that had prevailed for about eighteen months. This move mostly brought forward tightening that had

already been embedded in market prices, and intermediate- and longer-term Japanese yields changed little, on balance, over the intermeeting period. Japanese equity prices rallied after the policy tightening, but still declined about 6 percent over the past eight weeks, perhaps reacting to a rising level of bankruptcies, including that of a prominent retailer. The European Central Bank has kept policy on hold in recent months, but officials have been hinting broadly that more tightening is in store given the vigor in spending along with the uptick in inflation and weakness in the euro. Still, longer-term yields are down 5 to 10 basis points across Europe, and equity prices have posted mixed changes. There was no intervention by U.S. monetary authorities over the intermeeting period.

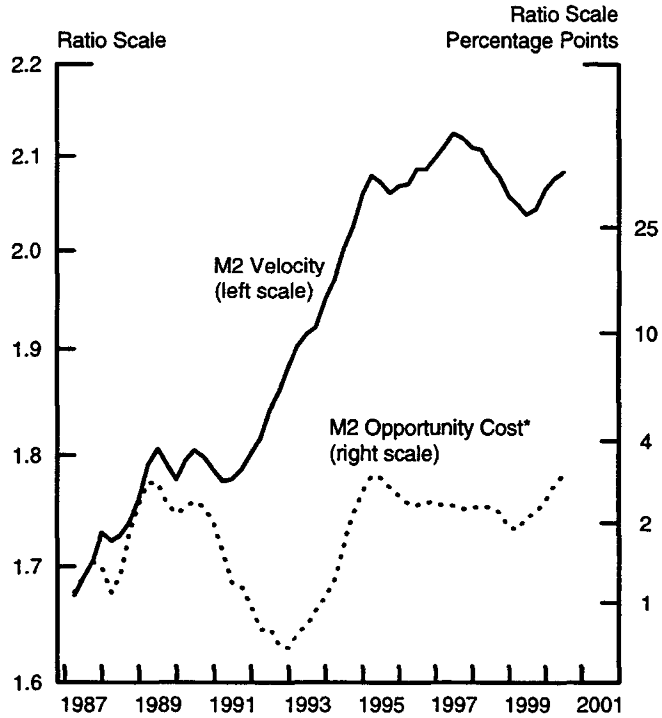
. The exchange value of the dollar depreciated a little on net against the currencies of other important trading partners, paced by a substantial rise in the exchange value of the Mexican peso. Prospects brightened in Mexico on the promise of a peaceful transition of power following the opposition party's victory in the presidential election along with strength in economic data and higher oil prices. Emerging market bond spreads narrowed further, with the Mexican spread shedding 75 basis points.

(4) The moderation in the growth of private spending in the second quarter and the tightening in financial conditions through May did not seem to affect the pace of borrowing materially this spring. Growth of domestic nonfinancial sector debt in the second quarter is estimated at a 5-1/4 percent rate, only a touch below that in the first quarter. The

Chart 2
Money and Credit Aggregates

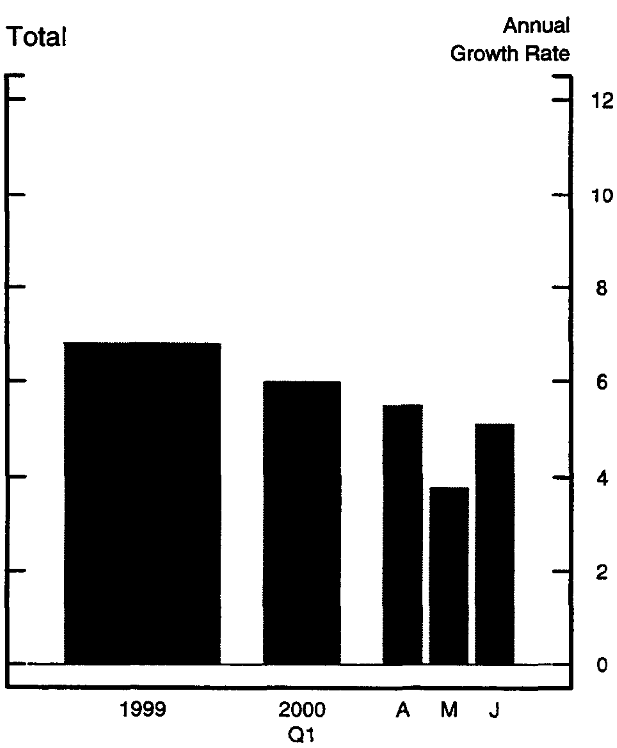


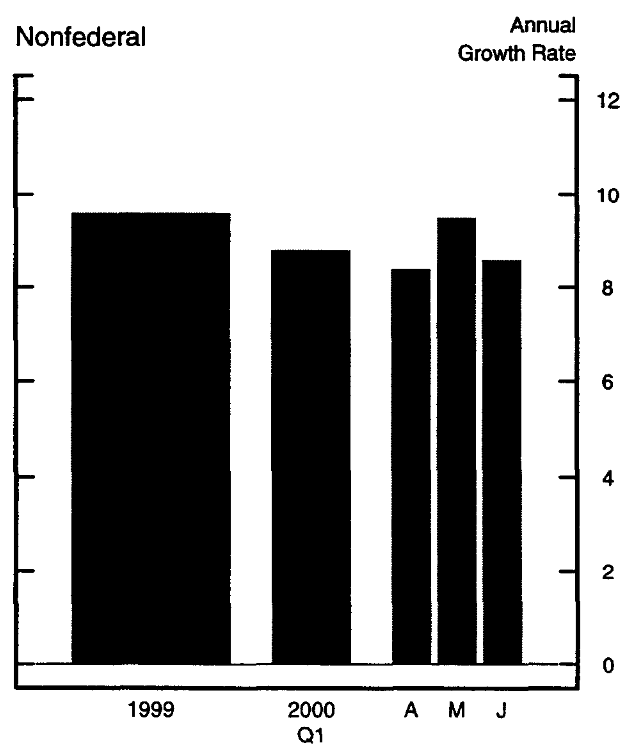
p - Projected based on partial data.



* Two-quarter moving average.

Debt of Domestic Nonfinancial Sectors





MARA:DS

slight slowdown was entirely accounted for by a faster paydown of federal debt; private borrowing remained quite brisk. In the household sector, growth of mortgage debt and consumer credit was robust. Borrowing by nonfinancial corporations was boosted by continued strong investment spending and an upturn in cash-financed mergers and acquisitions. Partial data for July and early August from banks and securities markets suggest the pace of household and business borrowing may have moderated somewhat more recently, in part reflecting a reduced amount of equity retirements.

(5) The growth of M2 has slowed on average in recent months. M2 expanded at a 3-1/4 percent rate in June and July; partial data for August suggest some pickup in growth this month, but only to about a 5 percent pace. The stepdown in monetary expansion most likely reflects the widening opportunity costs of holding assets in M2 stemming from recent policy tightenings and perhaps also the slowdown in consumption growth. On average over the past three months, M2 has been running about in line with the pace that would be expected from our standard monthly M2 demand model, given actual interest rates and Greenbook estimates and projections of income. M3 accelerated in July, advancing at a 9 percent clip, and partial data suggest growth at about that rate in August. In large part, the spurt in M3 growth has been propelled by inflows to institutional money funds.

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

	May	June	July	Dec. 1999 to July[1]
Money and Credit Aggregates				
M2	-0.8	3.2	3.3	5.0
M3	3.6	6.7	9.1	7.7
Domestic nonfinancial debt	3.8	5.1	n.a.	5.4
Federal	-18.6	-9.0	n.a.	-7.6
Nonfederal	9.5	8.6	n.a.	8.9
Bank credit	16.0	6.6	8.4	10.2
Adjusted[2]	13.8	9.0	8.4	10.5
Memo:				
Monetary base[3]	2.7	2.8	3.3	-4.1
Adjusted for sweeps	3.2	3.2	3.8	-3.2

1. For nonfinancial debt and its components, December 1999 to June.
2. Adjusted to remove the effects of mark-to-market accounting rules (FIN 39 and FASB 115).
3. Adjusted for discontinuities associated with changes in reserve requirements.

Short-Run Policy Alternatives

(6) The staff's forecasts of the growth rates of structural labor productivity and potential GDP through 2001 have been raised noticeably. As a consequence, though the projected expansion of actual GDP also has been boosted, the unemployment rate edges up to a slightly higher level than in the last forecast. The higher unemployment rate and the damping effects of faster productivity growth on unit labor costs trim the pickup in core inflation relative to the previous forecast. Still, as in the last Greenbook, conditions are such that inflation is poised to continue to rise beyond the forecast horizon, and the staff has retained its assumption that the federal funds rate will be increased 3/4 percentage point by the end of 2001. However, the staff now assumes that these policy actions will be deferred until next year, when inflation prospects become more evident. As policy begins to firm and market participants come to realize that the build-up of inflationary pressures will require considerable additional tightening, private bond and mortgage rates are anticipated to rise by an amount roughly comparable to the assumed rise in the funds rate, and equity prices are expected to stay around current levels. In contrast to the June Greenbook, the staff projection for real GDP growth for 2001 is somewhat above the central tendency of Committee members' projections reported to the Congress last month. Nonetheless, with the staff now also forecasting faster growth of potential output, its projections of the unemployment rate and total PCE inflation for next year remain consistent with the Committee members' central tendencies.

(7) Recent data on spending, productivity, and labor costs could well be seen by the Committee as on balance supporting a decision to leave the federal funds rate target unchanged at 6-1/2 percent, as in **alternative B**. Signs of an appreciable moderation in aggregate demand growth no longer seem to be just "tentative and preliminary," and unit labor costs point toward little near-term pressure on inflation. Indeed, the growth of aggregate demand may have already slowed enough to keep the unemployment rate from falling, even before the effects on the economy of previous policy firmings and the flattening in equity prices have fully played out. The conviction that aggregate demand is now growing in line with the expansion of potential output would be strengthened if the Committee found plausible the staff's upward revision to the rate of increase in productivity. However, even if the current level of resource utilization holds for a time, whether that level will ultimately prove sustainable remains an open question. In the meantime, with costs contained and long-term inflation expectations stable or even drifting a bit lower, the Committee might expect to incur little economic cost by awaiting more information to help answer that question.

(8) Although the odds that pressures on resources will not intensify may seem better balanced now than they did eight weeks ago, the Committee may still see the risks as tilted toward an unacceptable inflation outcome, given the persisting strength in elements of aggregate demand, the low unemployment rate, and the somewhat elevated current rate of core inflation. The choice of alternative B, accompanied by a sentence conveying a balance

of risks weighted in an inflationary direction, would accord with the expectations of market participants. No significant immediate response would be forthcoming in financial markets. Under the staff forecast, economic data over the intermeeting period are likely to continue to indicate moderate demand growth and contained inflation and thus should have little net effect on market prices.

(9) The 25 basis point increase in the targeted funds rate of **alternative C** would seem appropriate if the inflation forecasted by the staff were seen as likely and unacceptable. It might be viewed as unacceptable in part because the already prevailing core CPI inflation rate of 2-1/2 percent in the Greenbook may be judged to be inconsistent with the Federal Reserve's longer-run objective of effective price stability. Even if the Committee were willing to tolerate such a rate of price increase for a while, inflation is headed higher in the staff forecast in that the economy already has overshot the levels of output and employment that are sustainable in the longer run. In such circumstances, delaying needed policy firming could allow inflationary pressures to build, eventually requiring a more disruptive policy tightening and economic slowdown to achieve the same long-run inflation outcome. Aside from the current level of resource utilization, the Committee may see significant upside risks to inflation. Oil prices have remained stubbornly high, and the decline projected by the staff may not materialize, eliminating a source of prospective price restraint and perhaps inducing a ratcheting-up of inflation expectations. In addition, the restraint on aggregate demand put in place by the Committee's prior tightenings has been offset to some extent by the recent

rally in capital markets, and prospective increases in productivity growth may boost wealth and expected earnings even more than they have already, especially if real interest rates lie below the higher marginal product of capital.

(10) The choice of alternative C would surprise market participants, raising questions about the path for monetary policy going forward. Market participants might wonder whether the Committee has read incoming data as more worrisome than they themselves have or whether the Committee was intent on attaining a lower inflation objective than investors previously perceived. The resulting upward adjustment to participants' impression of the degree of future monetary policy restraint that is likely to be implemented would be especially pronounced if the Committee retained a balance-of-risks sentence emphasizing inflationary concerns. Bond rates, particularly in real terms, could be expected to rise along with short-term yields, the dollar would probably appreciate further, and stock prices would adjust downward. Conversely, a switch to a sentence conveying a balanced set of risks would foster a much greater sense of certainty in markets that the peak in short-term rates had been reached. In this case, the immediate price response in financial markets would be tempered, apart from an upward adjustment of short-term rates of around 1/4 percentage point.

(11) With no change in the funds rate over the rest of the year in the staff forecast, the growth of the debt of domestic nonfinancial sectors is projected to slow to a 4-1/2 percent annual rate over the June-to-December period after its 5-1/2 percent pace over the

first six months of the year. The deceleration owes to a slowdown of nonfederal debt growth to a 7-1/2 percent rate from 9 percent from December to June. Both a moderation in the growth of nominal spending on consumer durables and fixed investment in the second half of the year and a slowing in equity retirements lead to some abatement of private-sector borrowing. The paydown of federal debt is foreseen as continuing at a similar pace over the last six months of the year, as the federal budget remains in surplus. In the staff forecast, M2 is expected to grow at a 4-3/4 percent annual rate over the five-month period from July to December, a step-up from the pace of the last three months as the effects of previous increases in market interest rates wane.

Directive and Balance of Risks Language

(12) Presented below for the members' consideration is draft wording for (1) the directive and (2) the "balance of risks" sentence to be included in the press release issued after the meeting (not part of the directive).

(1) Directive Wording

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee in the immediate future seeks conditions in reserve markets consistent with maintaining/INCREASING/DECREASING the federal funds rate at/TO an average of around ___~~6-1/2~~ percent.

(2) "Balance of Risks" Sentence

Against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the Committee believes that the risks are [balanced with respect to prospects for both goals] [weighted mainly toward conditions that may generate heightened inflation pressures] [weighted mainly toward conditions that may generate economic weakness] in the foreseeable future.

Alternative Growth Rates for Key Monetary and Credit Aggregates

	M2		M3		M2	M3	Debt
	Alt. B	Alt. C	Alt. B	Alt. C	Greenbook Forecast*		
Monthly Growth Rates							
Jun-2000	3.2	3.2	6.7	6.7	3.2	6.7	5.1
Jul-2000	3.3	3.3	9.1	9.1	3.3	9.1	5.1
Aug-2000	5.0	5.0	8.4	8.4	5.0	8.4	3.9
Sep-2000	4.5	4.1	6.3	6.1	4.5	6.3	4.7
Oct-2000	4.5	3.7	6.0	5.6	4.5	6.0	5.8
Nov-2000	4.8	4.0	6.0	5.6	4.8	6.0	4.0
Dec-2000	5.0	4.3	6.0	5.7	5.0	6.0	3.1
Quarterly Averages							
1999 Q4	5.1	5.1	10.1	10.1	5.1	10.1	6.4
2000 Q1	6.0	6.0	10.5	10.5	6.0	10.5	6.0
2000 Q2	6.1	6.1	7.8	7.8	6.1	7.8	5.3
2000 Q3	3.4	3.3	7.5	7.5	3.4	7.5	4.7
2000 Q4	4.7	4.1	6.4	6.1	4.7	6.4	4.7
Growth Rate							
From To							
1999 Q4 Jul-2000	5.2	5.2	8.9	8.9	5.2	8.9	5.5
Dec-1999 Jul-2000	5.0	5.0	7.7	7.7	5.0	7.7	5.4
Jul-2000 Dec-2000	4.8	4.3	6.6	6.3	4.8	6.6	4.3
1998 Q4 1999 Q4	6.1	6.1	7.5	7.5	6.1	7.5	6.8
1999 Q4 2000 Q4	5.1	5.0	8.3	8.2	5.1	8.3	5.3

*This forecast is consistent with nominal GDP and interest rates in the Greenbook forecast.

SELECTED INTEREST RATES
(percent)

August 21, 2000

	Short-term: Federal funds	Short-term: Treasury bills secondary market 3-month	Treasury bills secondary market 6-month	Treasury bills secondary market 1-year	CDs secondary market 3-month	Comm. paper 1-month	Long-term: U.S. government constant maturity yields 2-year	U.S. government constant maturity yields 5-year	U.S. government constant maturity yields 10-year	U.S. government constant maturity yields 30-year	Indexed yields 5-year	Indexed yields 10-year	Moody's Baa	Municipal Bond Buyer	Conventional home mortgages primary market Fixed-rate	Conventional home mortgages primary market ARM
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
99 -- High	5.59	5.54	5.82	5.96	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	4.32	4.46	4.49	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	6.75	6.27	6.46	6.33	6.80	6.58	6.89	6.76	6.77	6.73	4.09	4.39	9.02	6.35	8.64	7.32
-- Low	5.05	5.41	5.67	6.03	5.93	5.54	6.19	6.04	5.80	5.71	3.63	3.96	8.22	5.76	7.96	6.56
Monthly																
Aug 99	5.07	4.86	5.08	5.18	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	4.81	5.09	5.24	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	5.00	5.19	5.41	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	5.22	5.43	5.54	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	5.35	5.68	5.83	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	5.47	5.75	6.10	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	5.72	5.99	6.21	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	5.86	6.11	6.21	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	5.82	6.07	6.12	6.28	6.02	6.40	6.26	5.99	5.85	3.67	3.98	8.40	6.01	8.15	6.80
May 00	6.27	5.96	6.38	6.25	6.71	6.40	6.81	6.69	6.44	6.15	3.94	4.14	8.90	6.23	8.52	7.07
Jun 00	6.53	5.85	6.23	6.17	6.73	6.53	6.48	6.30	6.10	5.93	3.98	4.08	8.48	6.05	8.29	7.24
Jul 00	6.54	6.13	6.27	6.07	6.67	6.49	6.34	6.18	6.05	5.85	3.86	4.02	8.35	5.89	8.15	7.28
Weekly																
Jun 16 00	6.52	5.84	6.23	6.14	6.72	6.52	6.45	6.27	6.06	5.91	3.97	4.07	8.42	6.01	8.22	7.21
Jun 23 00	6.49	5.82	6.19	6.15	6.71	6.54	6.48	6.29	6.09	5.95	3.97	4.07	8.45	5.99	8.14	7.22
Jun 30 00	6.62	5.83	6.22	6.12	6.73	6.58	6.44	6.25	6.08	5.94	3.96	4.08	8.48	5.98	8.22	7.26
Jul 7 00	6.75	5.99	6.20	6.06	6.69	6.52	6.31	6.13	6.01	5.88	3.91	4.02	8.40	5.95	8.16	7.27
Jul 14 00	6.45	6.14	6.26	6.08	6.66	6.49	6.34	6.18	6.06	5.87	3.93	4.03	8.36	5.87	8.09	7.22
Jul 21 00	6.51	6.16	6.30	6.09	6.67	6.49	6.40	6.24	6.10	5.87	3.84	4.02	8.35	5.89	8.21	7.32
Jul 28 00	6.49	6.19	6.29	6.04	6.66	6.47	6.31	6.16	6.04	5.80	3.81	4.00	8.29	5.85	8.13	7.29
Aug 4 00	6.48	6.23	6.35	6.08	6.66	6.49	6.23	6.09	5.98	5.75	3.72	3.98	8.27	5.85	8.12	7.28
Aug 11 00	6.47	6.26	6.32	6.16	6.61	6.47	6.19	6.04	5.85	5.72	3.70	3.98	8.24	5.82	8.04	7.28
Aug 18 00	6.52	6.27	6.35	6.20	6.61	6.47	6.28	6.11	5.80	5.71	3.74	4.01	--	5.76	7.96	7.21
Daily																
Aug 2 00	6.42	6.25	6.35	6.11	6.67	6.50	6.23	6.09	5.98	5.77	3.72	3.98	8.28	--	--	--
Aug 3 00	6.45	6.23	6.34	6.10	6.65	6.48	6.22	6.07	5.95	5.74	3.71	3.98	8.26	--	--	--
Aug 4 00	6.44	6.23	6.31	6.07	6.64	6.48	6.15	6.02	5.91	5.72	3.67	3.97	8.24	--	--	--
Aug 7 00	6.46	6.23	6.32	6.11	6.62	6.47	6.20	6.07	5.97	5.76	3.69	3.97	8.26	--	--	--
Aug 8 00	6.44	6.26	6.32	6.12	6.61	6.47	6.16	6.03	5.93	5.73	3.72	3.99	8.24	--	--	--
Aug 9 00	6.48	6.25	6.32	6.17	6.61	6.49	6.18	6.03	5.81	5.73	3.71	3.99	8.25	--	--	--
Aug 10 00	6.52	6.25	6.30	6.17	6.60	6.46	6.16	6.00	5.76	5.68	3.69	3.99	8.23	--	--	--
Aug 11 00	6.50	6.29	6.34	6.23	6.61	6.46	6.25	6.07	5.79	5.72	3.71	3.98	8.24	--	--	--
Aug 14 00	6.58	6.27	6.34	6.20	6.61	6.46	6.25	6.07	5.78	5.70	3.73	3.99	8.23	--	--	--
Aug 15 00	6.63	6.28	6.37	6.21	6.61	6.49	6.28	6.11	5.81	5.72	3.74	4.01	8.24	--	--	--
Aug 16 00	6.48	6.27	6.35	6.21	6.61	6.47	6.30	6.13	5.83	5.73	3.73	4.01	8.25	--	--	--
Aug 17 00	6.47	6.27	6.35	6.20	6.61	6.47	6.30	6.13	5.81	5.72	3.74	4.02	8.27	--	--	--
Aug 18 00	6.45 p	6.27	6.32	6.17	6.61	--	6.27	6.09	5.78	5.69	3.74	4.02	--	--	--	--

NOTE: Weekly data for columns 1 through 13 are week-ending averages. Columns 2 through 4 are on a coupon equivalent basis. 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:JWR

Strictly Confidential (FR)-
Class II FOMC

August 21, 2000

Money and Debt Aggregates

Seasonally adjusted

Period	Money stock measures					Domestic nonfinancial debt		
	M1	M2	nontransactions components: In M2	nontransactions components: In M3 only	M3	U. S. government[1]	other[1]	total[1]
	1	2	3	4	5	6	7	8
Annual growth rates (%):								
Annually (Q4 to Q4)								
1997	-1.2	5.7	8.4	19.9	8.9	0.8	7.0	5.4
1998	2.2	8.5	10.8	18.3	10.9	-1.1	9.5	6.9
1999	1.8	6.1	7.6	11.3	7.5	-2.5	9.6	6.8
Quarterly (average)								
1999-Q3	-1.8	5.3	7.6	4.0	5.0	-0.3	8.0	6.2
Q4	4.8	5.1	5.3	23.7	10.1	-4.3	9.4	6.4
2000-Q1	0.5	6.0	7.8	22.4	10.5	-4.4	8.8	6.0
Q2	-1.4	6.1	8.5	11.9	7.8	-7.6	8.7	5.3
Monthly								
1999-July	-0.7	5.8	7.9	1.3	4.6	1.4	7.1	5.9
Aug.	-0.9	4.7	6.4	0.3	3.5	1.0	8.6	6.9
Sep.	-2.8	5.1	7.7	5.2	5.2	-4.2	10.6	7.4
Oct.	5.7	4.4	4.1	24.2	9.7	-5.8	9.7	6.3
Nov.	8.9	5.3	4.1	41.0	14.9	-7.6	8.1	4.8
Dec.	14.5	7.3	5.0	43.8	17.3	0.9	8.6	7.0
2000-Jan.	-3.7	6.2	9.3	13.4	8.2	-4.4	9.1	6.3
Feb.	-14.6	3.1	8.6	3.8	3.3	-12.1	8.9	4.6
Mar.	7.1	9.5	10.2	23.5	13.4	3.1	7.9	6.9
Apr.	4.7	10.4	12.1	3.8	8.5	-5.5	8.4	5.5
May	-11.8	-0.8	2.6	14.7	3.6	-18.6	9.5	3.8
June	-2.9	3.2	5.0	15.3	6.7	-9.0	8.6	5.1
July p	0.9	3.3	4.0	23.4	9.1			
Levels ($billions):								
Monthly								
2000-Mar.	1112.3	4728.3	3615.9	1883.9	6612.2	3618.8	14020.6	17639.4
Apr.	1116.7	4769.2	3652.5	1889.8	6659.0	3602.3	14118.3	17720.6
May	1105.7	4766.0	3660.4	1912.9	6679.0	3546.5	14230.5	17777.0
June	1103.0	4778.8	3675.8	1937.3	6716.1	3520.0	14332.5	17852.5
July p	1103.8	4791.9	3688.0	1975.0	6766.9			
Weekly								
2000-July 3	1124.6	4788.7	3664.1	1954.4	6743.1			
10	1099.5	4786.7	3687.2	1954.7	6741.5			
17	1096.7	4792.3	3695.6	1982.9	6775.2			
24	1103.9	4796.3	3692.4	1982.2	6778.5			
31p	1107.5	4795.2	3687.7	1990.3	6785.4			
Aug. 7p	1088.6	4810.5	3721.8	1995.9	6806.4			

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

p preliminary
pe preliminary estimate

August 18, 2000

Changes in System Holdings of Securities [1]
(Millions of dollars, not seasonally adjusted)

Strictly Confidential
Class II FOMC

	Treasury Bills			Treasury Coupons						Federal Agency	Net change total outright holdings [4]	Net RPs [5]		
	Net Purchases [2]	Redemptions (-)	Net Change	Net Purchases [3] < 1	1-5	5-10	Over 10	Redemptions (-)	Net Change	Redemptions (-)		Short-Term [6]	Long-Term [7]	Net Change
1997	9,147	---	9,147	5,549	20,080	3,449	5,897	1,996	32,979	1,540	40,586	2,393	---	2,393
1998	3,550	2,000	1,550	6,297	12,901	2,294	4,884	2,676	23,699	322	24,902	-7,242	463	-6,779
1999	---	---	---	11,895	19,731	4,303	9,428	1,429	43,928	157	43,771	2,035	8,347	10,382
1999 QII	---	---	---	3,978	8,751	2,594	3,152	726	17,749	52	17,697	-23	-2,103	-2 126
QIII	---	---	---	2,341	1,272	447	1,075	41	5,094	21	5,073	-34	1,487	1,453
QIV	---	---	---	2,414	4,528	581	2,182	170	9,535	57	9,478	553	29,921	30 474
2000 QI	---	198	-198	---	900	1,298	1,399	390	3,207	31	2,978	-1,886	-8,174	-10 060
QII	2,294	7,263	-4,969	2,039	3,319	930	1,679	568	7,398	10	2,419	-445	-9,709	-10,154
1999 Dec	---	---	---	1,450	3,514	581	1,257	---	6,802	---	6,802	3,001	26,082	29 083
2000 Jan	---	---	---	---	160	809	1,069	390	1,648	6	1,642	-6,055	-12,915	-18,970
Feb	---	---	---	---	---	---	---	---	---	25	-25	4,604	-29,095	-24,490
Mar	---	198	-198	---	740	489	330	---	1,559	---	1,361	-3,635	3,250	-385
Apr	2,294	779	1,515	---	1,723	930	---	568	2,085	10	3,590	-490	46	-443
May	---	2,297	-2,297	164	890	---	528	---	1,582	---	-715	3,184	4,445	-1,262
Jun	---	4,188	-4,188	1,875	706	---	1,151	---	3,732	---	-456	-3,827	3,013	-814
Jul	1,825	4,902	-3,077	1,284	2,259	---	500	367	3,676	---	599	-250	389	139
2000 May 24	---	---	---	---	---	---	---	---	---	---	---	-5,851	1,886	-3,964
May 31	---	2,297	-2,297	164	890	---	---	---	1,054	---	-1,243	7,884	2,557	10,442
Jun 7	---	---	---	---	---	---	---	---	---	---	---	-5,996	1,366	-4,629
Jun 14	---	---	---	---	---	---	599	---	599	---	599	-812	-105	917
Jun 21	---	---	---	1,055	---	---	552	---	1,607	---	1,607	-237	101	-136
Jun 28	---	2,109	-2,109	820	706	---	---	---	1,526	---	-584	1,089	14	1,104
Jul 5	---	2,079	-2,079	---	---	---	---	---	---	---	-2,079	5,100	2,009	7,109
Jul 12	---	---	---	---	738	---	---	---	738	---	738	-5,545	22	-5,523
Jul 19	---	---	---	---	1,521	---	500	---	2,021	---	2,021	-2,759	-1,994	-4 753
Jul 26	1,825	3,517	-1,692	1,284	---	---	---	---	1,284	---	-408	1,484	20	1 504
Aug 2	---	1,385	-1,385	---	---	601	170	367	405	---	-980	867	-2 017	1,151
Aug 9	---	---	---	1,398	1,081	---	468	---	2,947	---	2,947	-647	-2,034	-2,681
Aug 16	93	---	93	---	1,427	651	---	---	2,078	---	2,171	-1,652	15	-1 637
2000 Aug 17	---	3,376	-3,376	---	---	---	---	---	---	---	-3,376	3,973	-20	3,953
Aug 18	---	---	---	---	---	---	---	---	---	---	---	-4,675	---	-4,675
Intermeeting Period Jun 27-Aug 18	1,918	10,357	-8,439	2,683	5,472	1,253	1,138	367	10,179	---	1,739	-4,879	-3,975	-8,854
Memo LEVEL (bil $) Aug 18			204 2	67 5	131 3	52 4	70 5		321 7	0 1	526 0	-16 9	10 0	-6 9

1 Change from end-of-period to end-of-period
2 Outright purchases less outright sales (in market and with foreign accounts)
3 Outright purchases less outright sales (in market and with foreign accounts) Includes short-term notes acquired in exchange for maturing bills Excludes maturity shifts and rollovers of maturing issues
4 Includes redemptions (-) of Treasury and agency securities
5 RPs outstanding less matched sale-purchases
6 Original maturity of 15 days or less
7 Original maturity of 16 to 90 days

MRA KRM