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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).

[2] A two-step process was used. An advanced optimal character recognition computer program (OCR) first created electronic text from the document image. Where the OCR results were inconclusive, staff checked and corrected the text as necessary. Please note that the numbers and text in charts and tables were not reliably recognized by the OCR process and were not checked or corrected by staff.

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

September 29, 2000

MONETARY POLICY ALTERNATIVES

Recent Developments

(1) Financial conditions have registered mixed changes over the intermeeting period.[1] Most short- and intermediate-term interest rates have declined as many as 30 basis points, but most long-term yields have been about unchanged to 15 basis points higher, major equity price indexes have shed 2½ to 7 percent, and the dollar has appreciated 1¼ percent against a broad basket of foreign currencies (chart 1). Market participants' expectations about the near-term course of interest rates have been revised down in light of the Committee's statement following its August meeting, which was read as indicating that the Federal Reserve was more confident that the growth rates of aggregate demand and supply were coming into better alignment, and subsequent data releases, which tended to support the view that the economic expansion had slowed. Judging from futures market quotes, investors have lowered their expected path for the federal funds rate over the second half of 2001 by about ¼ percentage point and now place higher odds on the next policy action being an easing rather than a tightening. The contrary movement of a number of long-term yields seemed to owe in part to increased uncertainty associated with volatility in oil prices and to heavy corporate bond issuance. Heightened skepticism about the political will to preserve projected budget surpluses also pushed up bond yields, particularly in the

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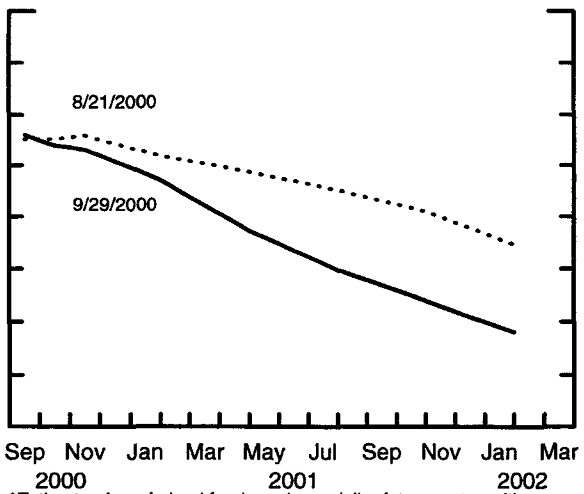
[1] The effective federal funds rate averaged close to the 6½ percent target over the intermeeting period. The Desk redeemed \$4.9 billion of securities, mostly Treasury bills, to avoid exceeding its per-issue limits on holdings. It purchased \$6.2 billion of Treasury coupon issues in the market and \$669 million of Treasury bills from foreign customers. The volume of outstanding long-term RPs was unchanged at \$9.9 billion.

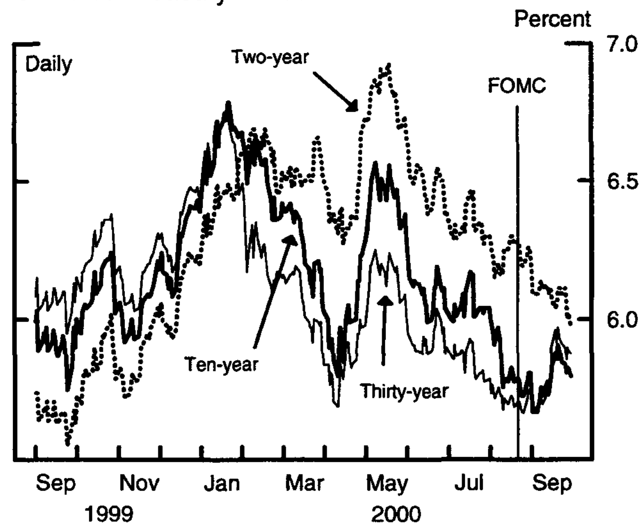
Chart 1
Financial Market Indicators

Expected Federal Funds Rates Estimated from Financial Futures*

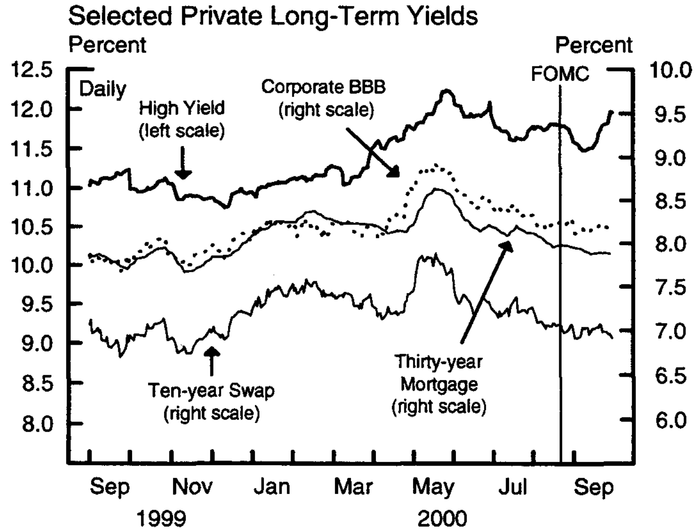


*Estimates from federal funds and eurodollar futures rates with an allowance for term premia and other adjustments.

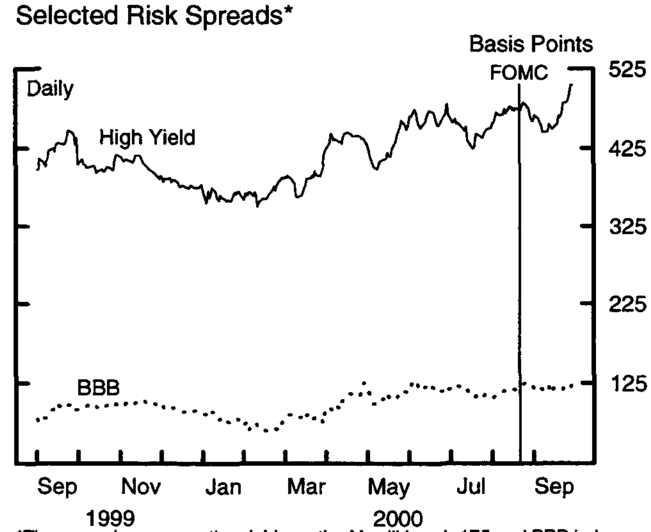
Selected Treasury Yields



Selected Private Long-Term Yields

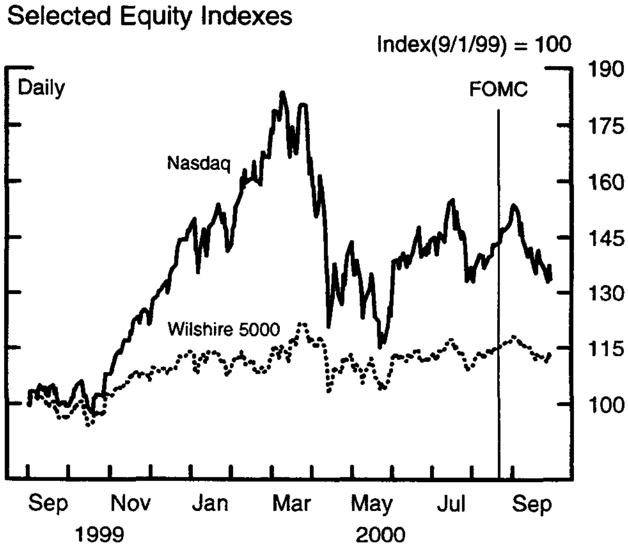


Selected Risk Spreads*

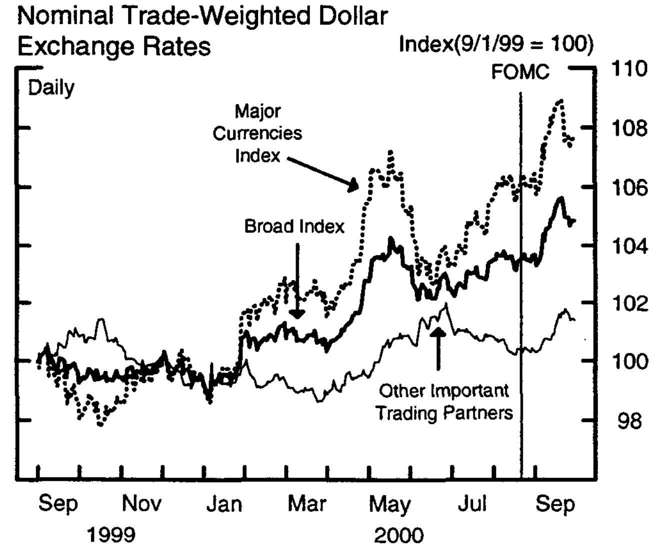


*The spreads compare the yields on the Merrill Lynch 175 and BBB indexes with the ten-year swap rate.

Selected Equity Indexes



Nominal Trade-Weighted Dollar Exchange Rates



MFMA:JNS

Treasury market where some of the scarcity premiums at ten- and thirty-year maturities appeared to unwind. Meanwhile, equity prices have been depressed by a larger-than-usual number of warnings about corporate earnings and revenues.

(2) The foreign exchange value of the dollar has appreciated 1½ percent on net against a basket of major currencies over the intermeeting period; a gain of around 2 percent against the euro was offset only partially by a ½ percent depreciation against the Japanese yen. European interest rates changed little relative to U.S. interest rates, even though the European Central Bank firmed policy ¼ percentage point on August 31. Still, over most of the period, the dollar steadily gained ground on the euro, reportedly supported by capital flows favoring U.S. assets and conflicting statements from European officials regarding their attitude toward a weak euro. The slide in the euro over the intermeeting period cumulated to about 5½ percent by September 20, but it was rolled back some on September 22 by intervention in the exchange market that day, initiated by the ECB and joined by the U.S. monetary authorities and the central banks of Japan, the United Kingdom, and Canada.

. Purchases of euros against dollars aggregated to with the U.S. share of that totaling $1.3 billion, split evenly between the Federal Reserve and the Treasury. This action was the only U.S. intervention in foreign exchange markets over the intermeeting period;

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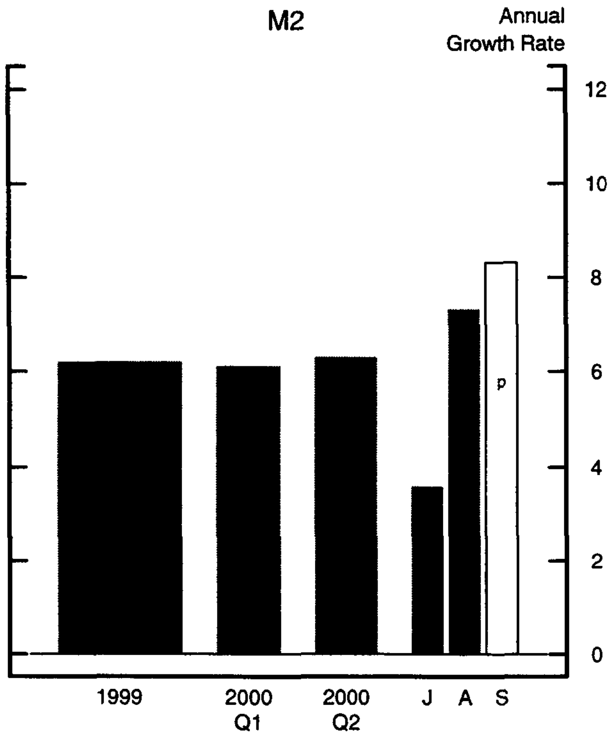
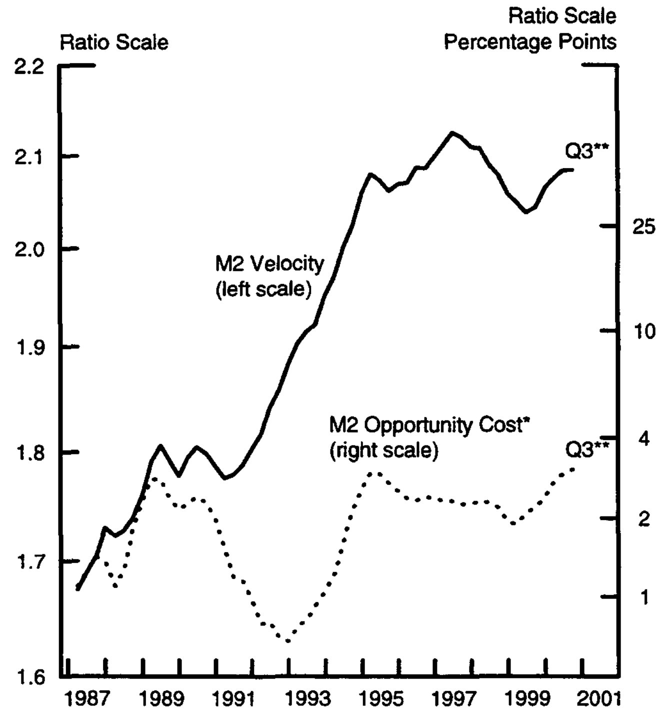
(3) The exchange value of the dollar also has posted widespread gains against the currencies of other important trading partners, pulling the dollar's nominal value against a basket of those currencies up about 1 percent over the intermeeting period. In general, uncertainties associated with the effects of movements in oil prices on global economic growth have appeared partly responsible for a weakening of emerging market asset prices. Asian stock prices were also hurt by heightened investor concerns about progress in business and financial restructuring. Yield spreads on emerging market debt have widened in recent weeks, reversing a narrowing early in the intermeeting period.

(4) Growth of debt of the domestic nonfinancial sectors slowed to a $4\frac{3}{4}$ percent pace on balance in July and August, about $1\frac{1}{2}$ percentage points less than in the second quarter (chart 2). This slowing was more than accounted for by a downshift in private borrowing, which was only partly offset by a less rapid paydown of federal government debt. Nonetheless, both household and business borrowing appear to have remained brisk, in part reflecting continued strong expenditures on consumer durables and business capital. Improved conditions in long-term debt markets over most of the third quarter prompted corporations to rely less on borrowing in short-term funding markets and households to shift mortgage borrowing toward fixed-rate instruments. Lenders continued to become a bit more selective about higher-risk borrowers. According to the August Survey of Terms of Business Lending, spreads charged on large loans having above-average risk were snugged some between May and August. In the bond market, credit risk spreads for junk bonds have risen appreciably in recent months.

Chart 2
Money and Credit Aggregates

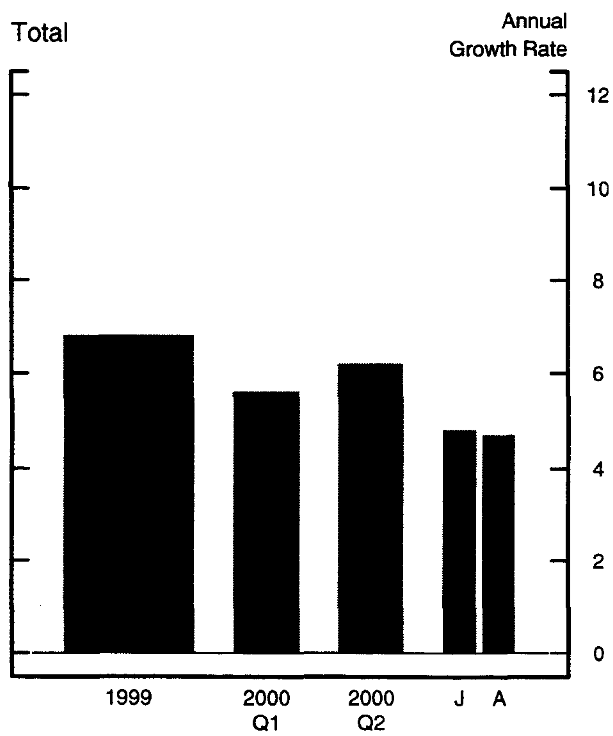


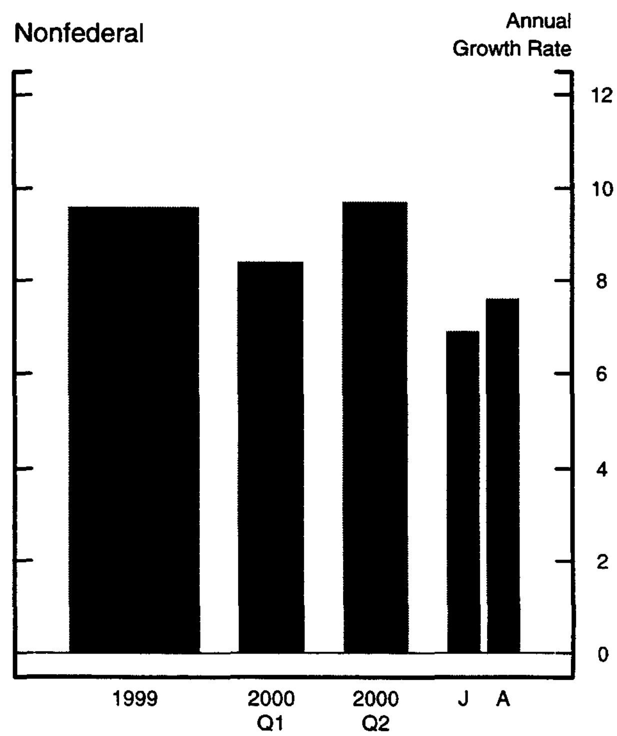
p - Projected based on partial data.



* Two-quarter moving average.
** Q3 data are staff estimates.

Debt of Domestic Nonfinancial Sectors





MARA:SF

(5) M2 growth rebounded considerably in August and September from surprisingly weak growth in June and July. This stronger expansion might in part reflect the vigor of consumer spending of late. Growth on average for the third quarter held at a pace well below that of the first half of the year. This slower growth is about in line with projections from the staff's money demand model and in part reflects the lagged effects of wider opportunity costs over the first half of 2000. M3 growth has continued to be brisk in recent months, although it was a bit slower in the third quarter than over the first half of the year.

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

	July	Aug.	Sep.	Dec. 1999 to Sep.[1]
Money and Credit Aggregates				
M2	3.6	7.3	8.3	5.9
M3	9.4	10.3	7.8	8.3
Domestic nonfinancial debt	4.8	4.7	n.a.	5.5
Federal	-3.7	-7.3	n.a.	-7.0
Nonfederal	6.9	7.6	n.a.	8.9
Bank credit	8.5	9.6	9.7	10.5
Adjusted[2]	9.0	8.7	6.0	10.1
Memo:				
Monetary base[3]	3.7	0.4	2.5	-2.8
Adjusted for sweeps	4.3	1.3	3.0	-1.9

1. For nonfinancial debt and its components, December 1999 to August.
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.

Policy Alternatives

(6) In the staff forecast, the growth rate of aggregate demand is projected to remain below that of potential GDP through 2002, but core inflation still is seen to be on a slight upward trajectory. This relatively moderate pace of demand growth reflects the lagged effects of previous monetary tightening actions, the influence of some additional firming steps assumed for late 2001 and 2002, and a falling wealth-to-income ratio stemming from a flat stock market. Restraint from these sources is only partly offset by a projected decline in the foreign exchange value of the dollar. Although the unemployment rate edges up to 4½ percent by the end of 2002, the path of resource utilization is foreseen to be inconsistent with stable underlying inflation. Core PCE prices are projected to accelerate about ½ percentage point through 2002 from their pace over the past twelve months. The projected path of oil prices is about $2 per barrel above that in the August forecast. The higher track for energy prices boosts slightly the forecast for total PCE inflation in 2000 relative to the August Greenbook, bringing the increase to 2½ percent; the rate falls back to 2 percent later in the projection as energy prices decline.

(7) While the Committee may find the pickup in core inflation in the staff forecast to be worrisome, it may still favor keeping the stance of monetary policy unchanged at this meeting, as under **alternative B**. The uptrend to core inflation in that outlook is gradual and far from certain to come to pass. Based on incoming data, the Committee might now be even more confident that aggregate demand growth has slowed significantly, likely to below the growth of potential supply. Moreover, with the slippage in equity prices over the

intermeeting period, the prospects have improved that pressures on resources will not intensify and could even begin to ebb. Higher energy prices would pose a threat to longer-term price performance if they became embedded in inflation expectations or in wage demands, as workers attempt to preserve purchasing power. However, oil prices have fallen from their peaks, and, to date, longer-term inflation expectations have not shown a tendency to move higher. Moreover, the risks stemming from oil market developments are not all in one direction. In particular, higher oil prices could restrain aggregate demand beyond the effects of transferring income to foreign oil producers if they induced an erosion of consumer confidence or a substantial selloff in equities in light of the reduced economic efficiency of the existing stock of capital. Market participants, taking into account oil prices along with other incoming information since the last FOMC meeting, have marked down the expected path of the federal funds rate for the next few years. In these circumstances, the Committee may see little to be lost by waiting to obtain more information on trends in output and inflation.

(8) Market prices incorporate the expectation that the target federal funds rate and the balance-of-risks sentence will be left unchanged at this meeting. Consequently, implementation of alternative B, along with the retention of the statement that the Committee regarded the balance of risks as weighted toward increased inflationary pressures, should have little effect on financial markets. The Committee might well see the revised outlook for oil prices, coming at a time when it was already concerned about potential price pressures from the unusually low unemployment rate, as reinforcing a judgment that the

balance of risks is weighted toward higher inflation. However, the Committee may now believe that growth of aggregate demand is not likely to exceed that of potential output, that current levels of resource utilization are sustainable, and that oil prices probably will not leave a lasting imprint on inflation. If so, it could consider issuing a statement that indicated balanced risks to achieving its goals for price stability and sustainable economic growth. In this case, bond and equity markets would likely rally, as investors marked up the odds on an easing trend in monetary policy over coming months, and the value of the dollar on foreign exchange markets would probably edge lower.

(9) The FOMC instead might choose the 25 basis point increase in the federal funds rate of **alternative C**. Core inflation has risen and may already be above rates that Committee members find acceptable over the long run. Moreover, although underlying trends in aggregate demand apparently have slowed, the current and projected levels of resource utilization may imply, based on historical experience, a likelihood that core inflation will continue to increase, as in the staff forecast. Furthermore, the Committee may see upside risks to inflation even relative to that forecast. While the staff has trimmed the amount of fiscal restraint in the outlook, recent news might be read as suggesting a distinct possibility of even greater erosion in federal budget surpluses. In addition, if oil prices do not fall as in the staff forecast and futures market quotes, short-term inflation expectations may deteriorate further, which, absent monetary policy firming, would reduce the real federal funds rate. In simulations of staff econometric models, such as that shown in the international section of Part I of the Greenbook, holding the nominal funds rate along the

baseline path in the face of an upward shock to oil prices sets in motion a process of ever-rising core inflation relative to the baseline outcome as lower real interest rates boost output relative to potential.

(10) The market reaction to implementation of alternative C would likely be sharp. With investors expecting no change in the stance of monetary policy at this meeting and apparently anticipating that the next move will be toward easing, short-term interest rates would probably jump by at least the 25 basis point increase in the federal funds rate. Especially if the announcement indicated that the Committee continued to see the balance of risks as weighted toward higher inflation, capital markets could sell off significantly, as market participants adjusted prices to incorporate expectations of a higher path for short-term interest rates. Any decline in inflation expectations would probably offset only part of the effect on nominal bond yields of the higher real rates brought about by the tightening. The value of the dollar on foreign exchange markets would firm against most currencies. An announcement of balanced risks would likely be seen by market participants as a signal that the Committee believed that this phase of policy tightening had been completed. In this case, the response to a 25 basis point tightening at this meeting would be muted.

(11) Under the interest rate assumptions of the Greenbook, the average growth of domestic nonfinancial sector debt over the next several quarters is forecast to be a bit below the 5½ percent rate of the first three quarters of 2000. In the household sector, the rate of borrowing is projected to remain fairly brisk, although it ebbs gradually, in line with a slowing pace of residential investment and moderating growth of expenditures on consumer

durables. With profit growth tailing off, business borrowing stays relatively rapid to finance strong merger activity and robust capital spending. As debt-service burdens rise in the household and business sectors, terms and conditions available to weaker borrowers are likely to firm a bit further. Despite the projected relaxation of fiscal discipline, federal debt remains on a downward trajectory over the projection period.

(12) M2 growth is projected to move lower in coming months, to an average of around 5¾ percent through next March, from its unusually elevated rates of the past couple of months. Nonetheless, the expansion of this aggregate runs at a higher rate than on average over the third quarter, as the influence of past monetary tightenings begins to wane. M3 growth from September to March is projected to drop back to about a 6¾ percent annual. For 2000 as a whole, M2 and M3 are forecast to expand 6 and 9 percent, respectively, compared with the 6¾ percent increase projected for nominal GDP.

Directive and Balance-of-Risks Language

(13) 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.

(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 ___~~6½~~ 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							
Sep-2000	8.3	7.9	7.8	7.6	8.3	7.8	5.7
Oct-2000	6.2	5.4	6.9	6.5	6.2	6.9	6.0
Nov-2000	5.6	4.8	6.5	6.1	5.6	6.5	4.8
Dec-2000	5.5	4.8	6.6	6.3	5.5	6.6	4.9
Jan-2001	5.6	4.9	6.5	6.2	5.6	6.5	2.6
Feb-2001	5.6	4.9	6.9	6.6	5.6	6.9	5.4
Mar-2001	5.7	5.0	7.1	6.8	5.7	7.1	8.1
Quarterly Averages							
2000 Q1	6.1	6.1	10.8	10.8	6.1	10.8	5.6
2000 Q2	6.3	6.3	8.0	8.0	6.3	8.0	6.2
2000 Q3	4.5	4.5	8.4	8.4	4.5	8.4	5.1
2000 Q4	6.6	6.1	7.4	7.1	6.6	7.4	5.4
2001 Q1	5.6	4.9	6.7	6.4	5.6	6.7	4.6
Growth Rate							
From To							
Dec-1999 Sep-2000	5.9	5.9	8.3	8.3	5.9	8.3	5.6
Sep-2000 Mar-2001	5.8	5.0	6.8	6.5	5.8	6.8	5.4
1999 Q4 Sep-2000	6.0	6.0	9.2	9.2	6.0	9.2	5.7
1998 Q4 1999 Q4	6.2	6.2	7.7	7.7	6.2	7.7	6.8
1999 Q4 2000 Q4	6.0	5.9	8.9	8.9	6.0	8.9	5.7
1999 Q4 Aug-2000	5.7	5.7	9.4	9.4	5.7	9.4	5.7

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

SELECTED INTEREST RATES
(percent)

October 2, 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	5.54	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	6.31	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	7.37
-- Low	5.05	5.41	5.67	6.03	5.93	5.54	6.04	5.90	5.73	5.69	3.63	3.96	8.22	5.71	7.88	6.56
Monthly																
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
Aug 00	6.50	6.27	6.35	6.18	6.61	6.47	6.23	6.06	5.83	5.72	3.73	3.99	8.26	5.78	8.03	7.29
Weekly																
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	6.51	6.27	6.35	6.20	6.61	6.47	6.28	6.11	5.80	5.71	3.74	4.01	8.25	5.76	7.96	7.21
Aug 25 00	6.48	6.29	6.36	6.19	6.60	6.47	6.23	6.04	5.75	5.69	3.74	3.99	8.25	5.73	7.99	7.37
Sep 1 00	6.55	6.31	6.37	6.23	6.59	6.48	6.20	6.02	5.76	5.71	3.76	3.98	8.27	5.72	7.96	7.27
Sep 8 00	6.54	6.20	6.29	6.20	6.59	6.47	6.11	5.95	5.73	5.70	3.72	3.97	8.25	5.71	7.94	7.33
Sep 15 00	6.50	6.12	6.21	6.15	6.59	6.48	6.10	5.95	5.78	5.79	3.69	3.97	8.35	5.74	7.88	7.26
Sep 22 00	6.49	6.16	6.22	6.09	6.58	6.48	6.08	5.95	5.88	5.94	3.68	3.98	8.44	5.81	7.90	7.27
Sep 29 00	6.54	6.20	6.27	6.09	6.63	6.50	6.04	5.90	5.82	5.89	3.65	3.97	--	5.85	7.88	7.21
Daily																
Sep 13 00	6.47	6.09	6.19	6.12	6.59	6.47	6.09	5.94	5.74	5.73	3.67	3.95	8.32	--	--	--
Sep 14 00	6.50	6.14	6.20	6.13	6.59	6.48	6.11	5.96	5.79	5.81	3.67	3.97	8.37	--	--	--
Sep 15 00	6.55	6.14	6.20	6.11	6.59	6.50	6.07	5.93	5.84	5.90	3.69	3.99	8.44	--	--	--
Sep 18 00	6.44	6.14	6.20	6.07	6.58	6.48	6.04	5.93	5.88	5.96	3.69	3.99	8.49	--	--	--
Sep 19 00	6.40	6.17	6.22	6.09	6.57	6.48	6.05	5.93	5.86	5.92	3.67	3.99	8.43	--	--	--
Sep 20 00	6.50	6.16	6.23	6.10	6.58	6.47	6.11	5.98	5.91	5.97	3.67	3.98	8.46	--	--	--
Sep 21 00	6.53	6.16	6.23	6.09	6.58	6.49	6.11	5.96	5.88	5.93	3.69	3.98	8.43	--	--	--
Sep 22 00	6.48	6.16	6.24	6.08	6.57	6.49	6.09	5.93	5.85	5.92	3.68	3.97	8.40	--	--	--
Sep 25 00	6.54	6.16	6.25	6.09	6.58	6.48	6.11	5.94	5.84	5.90	3.69	3.98	8.37	--	--	--
Sep 26 00	6.50	6.18	6.24	6.08	6.58	6.49	6.07	5.90	5.81	5.86	3.68	3.97	8.33	--	--	--
Sep 27 00	6.50	6.20	6.28	6.08	6.59	6.49	6.00	5.89	5.83	5.90	3.62	3.97	8.37	--	--	--
Sep 28 00	6.59	6.25	6.30	6.10	6.71	6.52	6.02	5.90	5.82	5.89	3.62	3.97	8.32	--	--	--
Sep 29 00	6.68 p	6.23	6.28	6.08	6.70	--	5.98	5.85	5.80	5.88	3.62	3.96	--	--	--	--

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

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	9.6	6.9
1999	1.8	6.2	7.7	11.8	7.7	-2.5	9.6	6.8
Quarterly(average)								
1999-Q4	4.8	5.2	5.3	25.2	10.5	-4.4	9.3	6.3
2000-Q1	0.0	6.1	8.0	23.2	10.8	-4.8	8.4	5.6
Q2	-1.3	6.3	8.6	12.2	8.0	-7.5	9.7	6.2
Q3 pe	-2½	4½	6¼	18	8½			
Monthly								
1999-Sep.	-2.8	5.2	7.7	6.1	5.4	-3.8	10.8	7.6
Oct.	5.7	4.5	4.1	25.7	10.1	-5.9	9.1	5.9
Nov.	8.9	5.4	4.2	42.4	15.4	-8.1	8.3	4.8
Dec.	14.5	7.4	5.2	45.9	18.1	0.4	9.0	7.2
2000-Jan.	-4.3	6.2	9.5	13.8	8.4	-4.8	7.8	5.2
Feb.	-15.4	3.1	8.9	3.9	3.3	-12.4	8.2	3.9
Mar.	6.4	9.4	10.4	23.5	13.4	2.8	9.0	7.7
Apr.	5.1	10.6	12.2	4.4	8.8	-5.4	9.9	6.7
May	-10.9	-0.5	2.7	14.1	3.6	-18.1	11.0	5.1
June	-1.7	3.8	5.4	16.5	7.4	-8.4	9.0	5.5
July	1.3	3.6	4.3	23.5	9.4	-3.7	6.9	4.8
Aug.	-3.4	7.3	10.6	17.5	10.3			
Sep. pe	-6	8	13	7	8			
Levels ($billions):								
Monthly								
2000-Apr.	1115.1	4770.8	3655.7	1903.8	6674.6	3600.2	14119.3	17719.6
May	1105.0	4768.8	3663.9	1926.1	6694.9	3546.0	14249.1	17795.1
June	1103.4	4783.8	3680.4	1952.6	6736.4	3521.2	14356.1	17877.4
July	1104.6	4798.2	3693.5	1990.9	6789.1	3510.2	14438.8	17948.9
Aug.	1101.5	4827.5	3726.0	2019.9	6847.3			
Weekly								
2000-Aug. 7	1088.9	4816.2	3727.3	2011.9	6828.1			
14	1090.8	4812.2	3721.4	2023.6	6835.8			
21	1105.5	4832.5	3727.0	2024.0	6856.5			
28	1113.1	4838.8	3725.6	2017.9	6856.7			
Sep. 4	1106.8	4846.4	3739.7	2023.6	6870.0			
11p	1089.3	4850.8	3761.5	2023.7	6874.5			
18p	1091.5	4869.2	3777.6	2038.7	6907.9			

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

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

Strictly Confidential
Class II FOMC

September 29, 2000

	Treasury Bills			Treasury Coupons						Federal Agency	Net change total	Net RPs [5]		
	Net Purchases [2]	Redemptions (-)	Net Change	Net Purchases [3] < 1	1-5	5-10	Over 10	Redemptions (-)	Net Change	Redemptions (-)	outright holdings [4]	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	2,496	---	2,496
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	104	-9,709	-9,605
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	1,175	46	1,221
May	---	2,297	-2,297	164	890	---	528	---	1,582	---	-715	1,519	-4,445	-2,926
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
Aug	531	3,438	-2,907	2,770	2,508	1,956	727	887	7,074	---	4,167	-663	-4,380	-5,043
2000 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	693	---	---	2,120	---	2,213	-1,652	15	-1,637
Aug 23	58	3,376	-3,318	---	---	661	89	---	750	---	-2,568	3,843	-51	3,792
Aug 30	130	62	69	1,372	---	---	---	---	1,372	---	1,441	-1,852	-49	-1,901
Sep 6	256	---	256	---	---	---	499	887	-388	---	-132	6,138	24	6,162
Sep 13	17	---	17	---	898	---	---	---	898	10	905	-6,541	-36	-6,577
Sep 20	39	3,709	-3,670	716	837	448	48	---	2,049	---	-1,622	5,102	-26	5,076
Sep 27	109	---	109	---	650	---	---	---	650	---	759	-4,713	31	-4,683
2000 Sep 28	5	189	-184	---	---	---	---	---	---	---	-184	-271	---	-271
Sep 29	55	---	55	---	---	---	---	---	---	---	55	3,700	---	3,700
Intermeeting Period														
Aug 22-Sep 29	669	3,959	-3,290	2,088	2,385	1,109	636	887	5,330	10	2,030	1,161	15	1,176
Memo: LEVEL (bil. $)														
Sep 29			200.9	70.4	132.0	53.5	71.2		327.1	0.1	528.0	-9.1	9.9	0.8

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:DHS