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September 12, 1980

Strictly Confidential (FR) Class I FOMC

MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

September 12, 1980

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) Growth of the narrow monetary aggregates accelerated sharply to record rates in August and thus far in the third quarter is well above the targets established by the Committee for the June to September period, as shown in the first three columns of the table below. Nonetheless, these monetary aggregates are within the Committee's target ranges for the whole year 1980--with growth of M-1A in the lower half and of M-1B in the upper half, as shown in the last two columns of the table. M-2 is also running above the Committee's three-month path, but unlike the narrow aggregates, growth for the year to date is above the Committee's longer-run range.

<u>Monetary</u> <u>Aggregates</u>	<u>July</u>	<u>August</u>	<u>Target Growth</u> <u>for June</u> <u>to September</u> <u>(3 months)</u>	<u>Growth from</u> <u>QIV '79 to</u> <u>Aug. '80</u>	<u>Target</u> <u>Range for</u> <u>1980</u>
M-1A	7.8	19.6	6½	4.2	3½ to 6
M-1B	11.1	21.9	9	6.0	4 to 6½
M-2	17.7	14.2	12	9.7	6 to 9
M-3	13.4	13.6	--	9.1	6½ to 9½
Memo: Bank Credit	7.6	17.1	--	5.3	6 to 9

(2) Early in the intermeeting period, when evidence of the record increase in M-1A and M-1B for the first week of August first became available, it became clear that the growth of the narrow monetary aggregates would probably exceed the Committee's short-term objectives by a substantial amount and that total reserves would be running well above path as required reserves strengthened. Adherence to the nonborrowed reserve path over the intermeeting period led to a rising level of adjustment borrowing—from the \$75 million initially assumed to a peak weekly average level of almost \$1.2 billion before falling back to about \$535 million in the most recent statement week. In recognition of the strength in total reserves, the nonborrowed reserve path was reduced late in the period. ^{1/}

Growth in Reserve Aggregates (SAAR)

	<u>QII</u>	<u>July</u>	<u>August</u>
Nonborrowed reserves	7.6	2.3	8.5
Nonborrowed reserves plus special borrowing	12.8	0.7	8.1
Total reserves	1.0	2.7	16.3
Monetary base	5.2	8.4	15.0
Memo: (\$ millions)			
Average level of member bank adjustment borrowings	750	142	417
Average level of special borrowings	534	253	241

(3) The federal funds market firmed significantly following the August Committee meeting, with the rate increasing from around 8½ to 9 percent at the time of the last meeting to the 10½ to 10¾ percent area

^{1/} See Appendix I for the pattern of reserve targets established over the intermeeting period.

in early September and to the 10½ to 11 percent zone most recently. Other short-term interest rates rose over the period as well, responding not only to the tighter funds market and the stronger money growth, but also to further indications of an improving economic outlook and the disappointing performance of measures of inflation. Rates fluctuated widely around the rising trend, reflecting changing market expectations about the duration of the bulge in monetary growth and the System's response to it. On balance, Treasury bill rates and yields on private short-term paper are now 1½ to 1½ percentage points higher than at the time of the August meeting and 3 to 3-¾ percentage points above their early summer lows. The bank prime rate was raised from 11 to 12½ percent during the intermeeting period as banks' costs of funds rose.

(4) Bond yields rose by ½ to ½ of a percentage point after the August Committee meeting, while mortgage rates rose by about ¾ of a percentage point. As long-term markets tightened, debt offerings by corporations and State and local governments were reduced somewhat, although remaining quite large. Treasury coupon issues have been limited to offerings in regular note cycles since the mid-quarter financing.

(5) Bank credit expansion picked up to a 17 percent annual rate in August, the most rapid expansion since early in the first quarter. Banks continued to acquire securities at the rapid pace of other recent months, and lending by banks increased substantially last month. Loans to business firms in particular showed renewed strength as increases in bank loan rates lagged those of short-term market alternatives and as corporations relied less on capital markets. Nonfinancial firms paid down outstanding commercial paper in August, in sharp contrast to the strong growth of outstanding paper in the first half of the year.

(6) Despite the substantial rise in short-term interest rates, the dollar has declined somewhat in foreign exchange markets on a weighted average basis since the August FOMC meeting. Although market participants also are beginning to show concern that the U.S. recession may be ending with little lasting effect on the rate of inflation, most of the intermeeting decline in the value of the dollar reflected the strength of the yen and sterling against all currencies.

(7) The table on the next page shows seasonally adjusted annual rates of change, in percents, for selected monetary and financial flows over various time periods.

	1978 ^{1/}	1979 ^{1/}	QII '80 over QIV '79	Past Three Months Aug. '80 over May '80	Past Month Aug. '80 over July '80
Unborrowed reserves	6.7	0.7	5.5	9.9	8.5
Federal reserves	6.6	2.9	2.7	6.1	16.3
Monetary base	9.2	7.7	6.5	10.1	15.0
<u>Accepts of Money</u>					
1A (Currency plus demand deposits) ^{2/}	7.4	5.0	0.4	13.1	19.6
1B (M-1A plus other checkable deposits)	8.2	7.6	1.8	16.1	21.9
2 (M-1B plus small time and savings deposits, money market mutual fund shares and overnight RP's and Eurodollars)	8.4	8.9	6.4	16.9	14.2
3 (M-2 plus large time deposits and term RP's)	11.3	9.8	6.8	13.6	13.6
<u>Bank Credit</u>					
Loans and investment of all commercial banks ^{3/}	13.5	12.3	4.5	7.3	17.1
<u>Managed Liabilities of Banks</u> (Monthly average change in billions)					
Large time deposits	4.3	1.2	1.6	-2.9	0.3
Eurodollars	0.6	1.8	-2.2	-4.8	-1.8
Other borrowings ^{4/}	1.3	1.0	1.4	2.0	0.0
<u>Nonbank</u>					
Nonbank commercial paper	0.3	0.9	2.2	0.7	-1.5

^{1/} QIV to QIV.
^{2/} Other than interbank and U.S. Government.
^{3/} Includes loans sold to affiliates and branches.
^{4/} Primarily federal funds purchases and securities sold under agreements to repurchase.
NOTE: All items are based on averages of daily figures except for data on total loans and investment of commercial banks, commercial paper, and thrift institutions--which are derived from either end-of-month or Wednesday statement data figures. Growth rates for reserve measures in this and subsequent tables are adjusted to remove the effect of discontinuities from breaks in the series when reserve requirements are changed.

Prospective developments

(8) Shown below are alternative sets of monetary aggregate targets for the four-month August to December period, and associated federal funds rate ranges for the intermeeting period. The relationship of the August to December targets to the Committee's longer-run ranges is depicted in the charts following page 8. (Detailed data for these aggregates are contained in the tables on pp. 7 and 8.)

	<u>Alt. A</u>	<u>Alt. B</u>
<u>Growth from August to December in:</u>		
M-1A	5-1/4	3-1/4
M-1B	7-1/2	5-3/4
M-2	9	8-1/2
Intermeeting range for funds rate	8 to 14	9 to 14

(9) Monetary growth rates for the final four months of the year proposed under these alternatives represent a substantial deceleration from the summer pace. A considerable slowing in money growth appears in train for September, a not unusual development after a month of exceptionally rapid increase, reinforced by the lagged effect on money demand of the considerable rise in short-term interest rates that has occurred since June. However, money demand is expected to be relatively strong over the last three months of the year, as transactions needs rise in reflection of the 11 percent annual rate of increase projected for nominal GNP. Under these circumstances, to restrain money growth between now and year-end to the pace specified by either alternative A or B would appear to imply a further rise of interest rates--with the rise under alternative B larger and occurring sooner.

Alternative Levels and Growth Rates for Key Monetary Aggregates

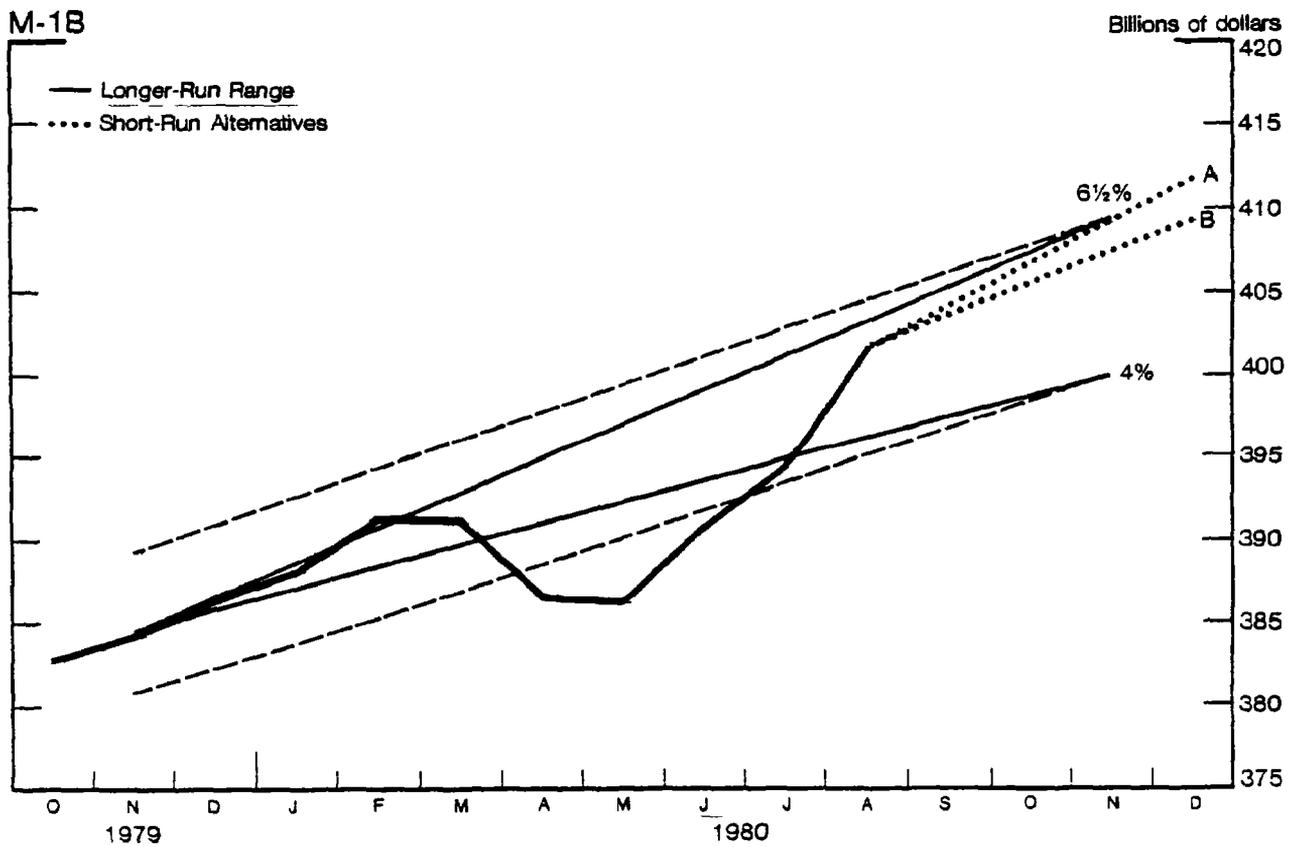
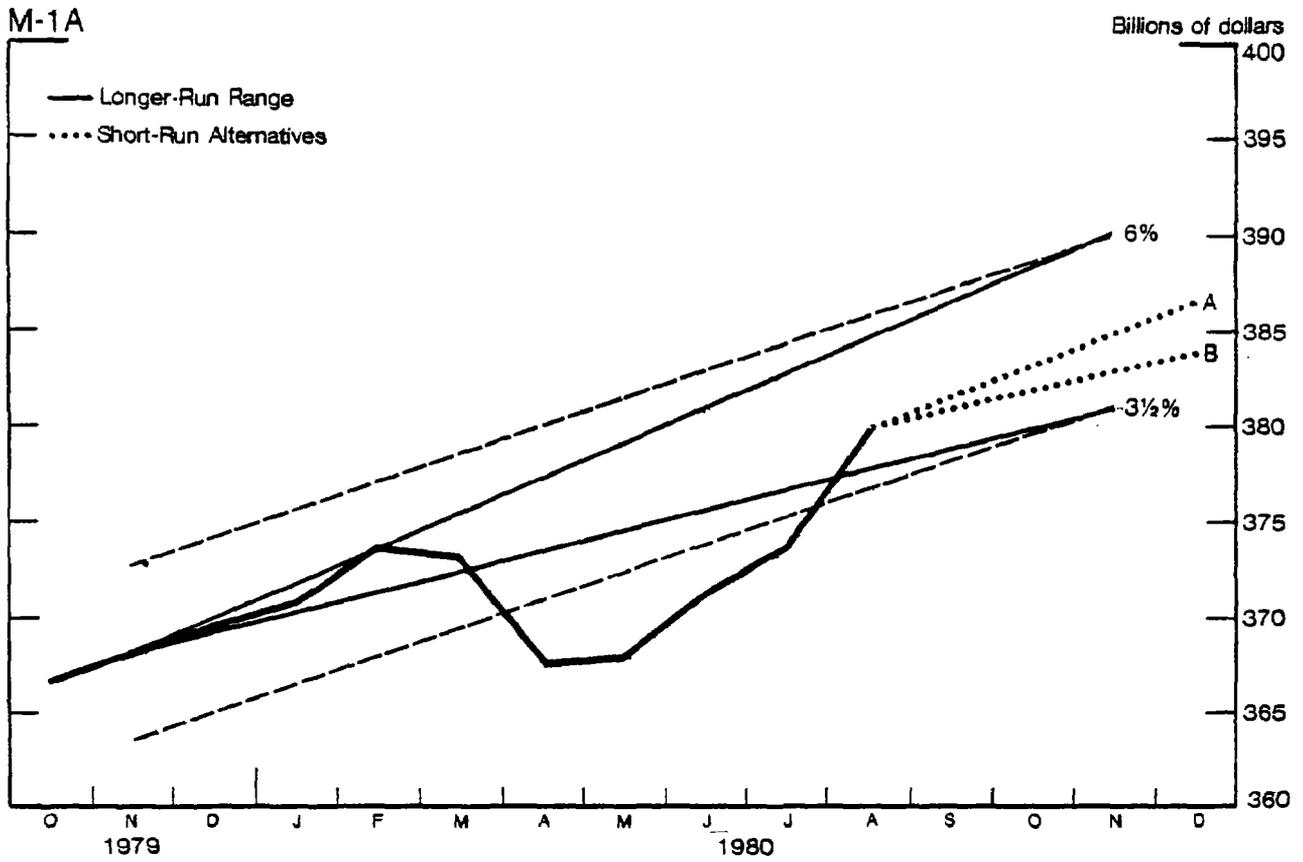
	<u>M-1A</u>		<u>M-1B</u>	
	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. A</u>	<u>Alt. B</u>
1980--August	379.8	379.8	401.7	401.7
September	380.3	380.2	403.2	403.1
October	382.7	382.0	406.3	405.6
<u>Growth Rates</u>				
<u>Monthly</u>				
1980 September	1.6	1.3	4.5	4.2
October	7.6	5.7	9.2	7.4
August '80 - December '80	5.3	3.2	7.6	5.7
<u>Quarterly Average</u>				
1980--QI	4-3/4	4-3/4	6	6
QII	-4	-4	-2-1/2	12-1/4
QIII	9-3/4	9-3/4	12-1/4	12-1/4
QIV	7-1/4	5-1/2	9-1/2	7-3/4
1979 QIV to 1980 QII	0.4	0.4	1.8	1.8
1980 QII to 1980 QIV	8-1/2	7-3/4	11	10-1/4
1979 QIV to 1980 QIV	4-1/2	4	6-1/2	6

Alternative Levels and Growth Rates for Key Monetary Aggregates (cont'd)

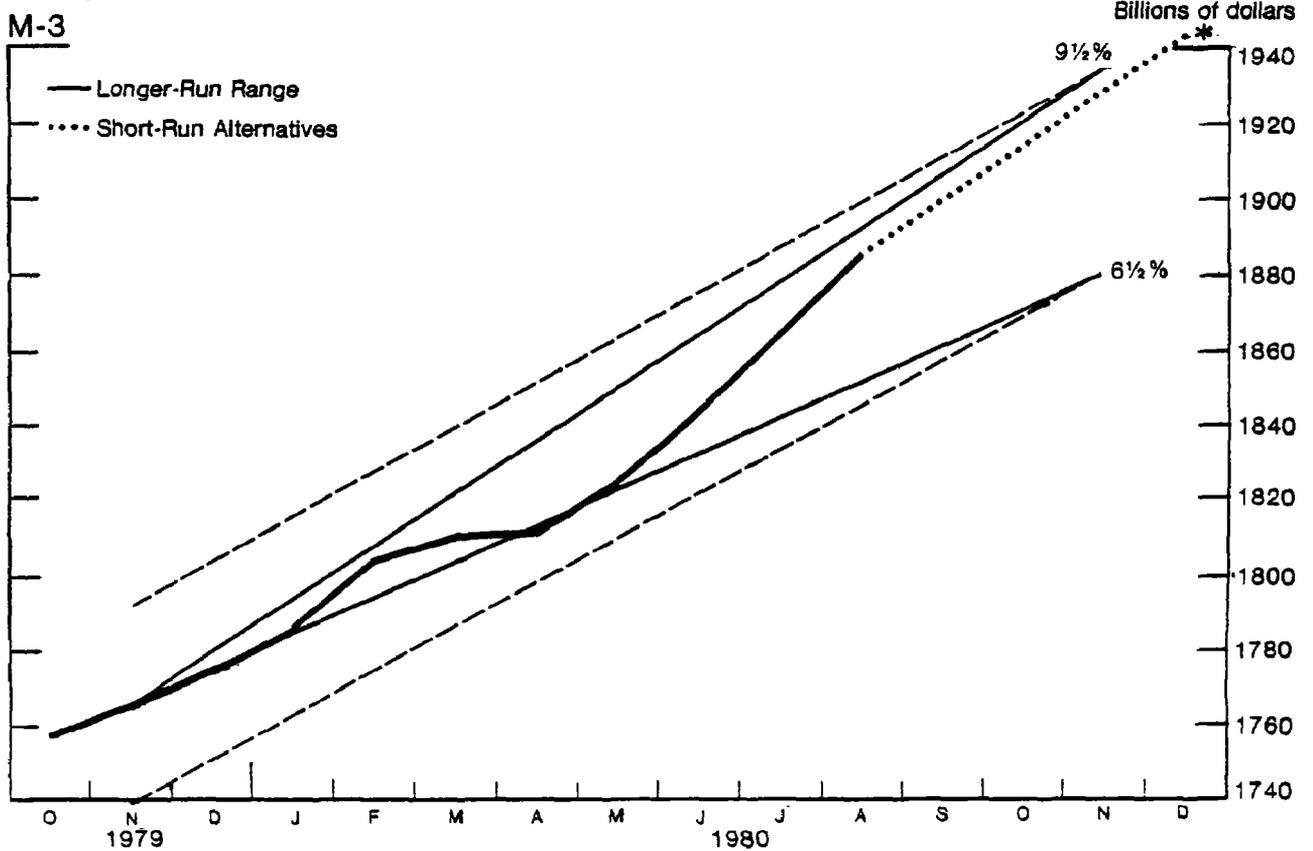
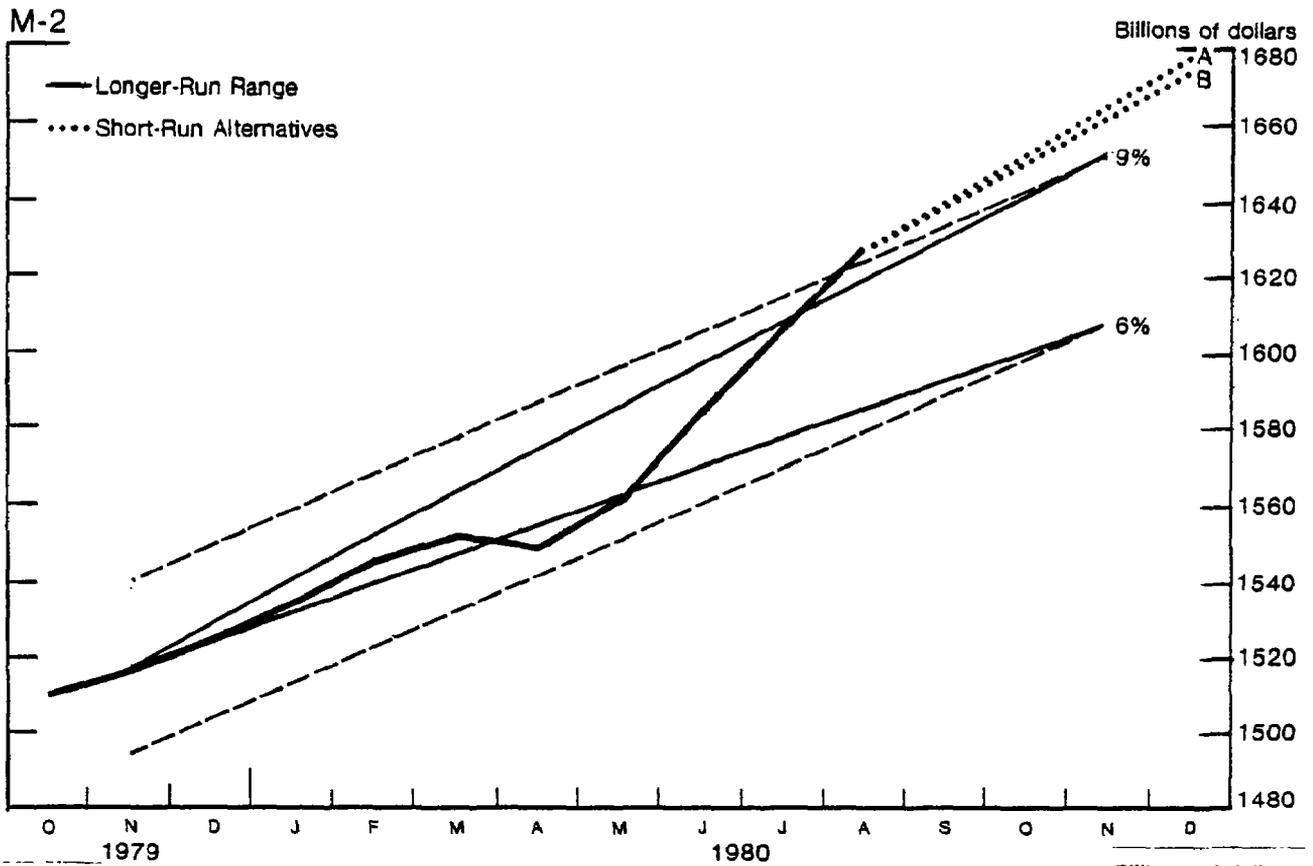
	<u>M-2</u>		<u>M-3</u>	
	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. A</u>	<u>Alt. B</u>
1980--August	1628.1	1628.1	1886.3	1886.3
September	1635.3	1635.2	1896.6	1896.5
October	1648.2	1647.2	1909.3	1908.8
<u>Growth Rates</u>				
<u>Monthly</u>				
1980--September	5.3	5.2	6.6	6.5
October	9.5	8.8	8.0	7.8
August '80 - December '80	9.2	8.5	9.0	8.7
<u>Quarterly Average</u>				
1980--QI	7-1/4	7-1/4	7-3/4	7-3/4
QII	5-1/2	5-1/2	5-3/4	5-3/4
QIII	15	15	12-1/4	12-1/2
QIV	9-3/4	9	9-1/2	9
1979 QIV to 1980 QII	6.4	6.4	6.8	6.8
1980 QII to 1980 QIV	12-1/2	12-1/4	11	11
1970 QIV to 1980 QIV	9-1/2	9-1/2	9	9

NOTE: The following annual rates of growth in bank credit for the year and for the quarters are expected under alternative A: year 1980, 5-3/4; QI, 9-1/2; QII, -1/2; QIII, 5-3/4; QIV, 8. Only minor variations in growth rates would be expected under alternative B.

Actual and Targeted M-1A and M-1B



Actual and Targeted M-2 and M-3



* Note: A. and B. alternatives are indistinguishable on this scale.

(10) Under alternative A, the expansion in M-1A over the balance of the year at a 5-1/4 percent annual rate would produce growth over the one-year QIV '79 to QIV '80 policy period of 4-1/2 percent, just below the midpoint of the Committee's 3-1/2 to 6 percent range. The gap between growth in M-1B and M-1A over the balance of the year is expected to be considerably wider than the 1/2 point implicit in the Committee's longer-run targets, though narrower than the experience of summer when growth in NOW and ATS accounts accelerated in response to the same factors leading to a resurgence of savings deposits. From August to December, M-1B under alternative A is expected to expand at a 7-1/2 percent annual rate, leading to growth for the year at the upper limit of its range.

(11) Growth in M-2 under alternative A is projected to slow to a 9 percent annual rate over the balance of the year, a rate that would keep growth for the year above the upper end of the Committee's longer-run range. The expected slowing over the next few months mainly reflects reduced growth in the narrow money aggregates, but the increase in the nontransactions component of M-2 also is expected to be less rapid than in the summer. Growth in savings deposits has already slowed, and money market funds have actually been declining. The latter are expected to resume growing over the months ahead, as recent increases in market interest rates augment the average yield on their portfolio, but not at the very rapid pace of late spring and early summer.

(12) To achieve the growth in the aggregates specified under alternative A, total reserves would have to expand at about a 6 percent annual rate from August to December, and, given the near-term pattern of growth, by about a 7 percent annual rate from August to October. Assuming adjustment borrowing of around \$600 million--close to the average of recent

weeks but below the level expected for the current statement week--the nonborrowed reserve path would call for growth at little over a 4 percent annual rate from August to October, with the federal funds rate probably around 10-1/2--10-3/4 percent.

(13) Short-term interest rates are not expected to rise significantly further over the next few weeks under alternative A. Indeed, some temporary drop in short rates could occur as bank reserve positions under this alternative may be less taut than market participants currently expect. But business borrowing demand is expected to remain relatively large as the economy strengthens. The recent tilt in the distribution of borrowing toward short- from long-term markets could persist but the continuing need to restructure balance sheets is expected to keep long-term borrowing sizable over the months ahead. With short-rates remaining relatively high and the economy apparently strengthening, there appears to be little scope for declines in bond or mortgage rates. Indeed, mortgage rates could drift up a bit more under alternative A, in part reflecting the recent run-up in the cost of deposits.

(14) Alternative B calls for about 2 percentage points less growth in M-1A and M-1B than alternative A over the last four months of the year. For the one year QIV '79-QIV '80 period, growth in M-1A would be 4 percent and M-1B 6 percent, in the lower and upper halves of their respective ranges. M-2 growth would also be slower under this alternative, but by considerably less than the narrow aggregates, as the restraining effect of rising market interest rates is blunted by upward adjustments in yields on interest-bearing deposits and other assets in M-2. Over the QIV '79-QIV '80 period, M-2 growth would remain above the Committee's upper limit under this alternative.

(15) The specifications for alternative B would require total reserve growth from August to October at a little more than a 6 percent annual rate. Assuming adjustment borrowings of about \$800 million, nonborrowed reserves would expand at about a 1/2 percent annual rate. Given this reserve path, the funds rate would probably be 11 percent or a little higher, and other short-term rates might edge up from current levels. Mortgage rates would probably rise noticeably further, as thrift institutions become increasingly concerned about the cost and availability of deposits. The dollar might take on a stronger tone in foreign exchange markets.

Directive language

(16) Given below are suggested operational paragraphs for the directive consistent with the form of the directive adopted at the August meeting. The language calls for expansion of reserve aggregates at a pace consistent with the desired rate of monetary growth over the last four months of the year, provided that the weekly average federal funds rate remains within a specified range. The specifications adopted at the August meeting are shown in strike-through form.

In the short run, the Committee seeks expansion of reserve aggregates consistent with growth of M-1A, M-1B, and M-2 over the ~~third-quarter-of-1980~~ AUGUST TO DECEMBER PERIOD at annual rates of about ~~6½~~ ___ percent, 9 ___ percent, and ~~12~~ ___ percent respectively, provided that in the period before the next regular meeting the weekly average federal funds rate remains within a range of 8 ___ to ~~14~~ ___ percent.

If it appears during the period before the next meeting that the constraint on the federal funds rate is inconsistent with the objective for the expansion of reserves, the Manager for Domestic Operations is promptly to notify the Chairman, who will then decide whether the situation calls for supplementary instructions from the Committee.

APPENDIX I

Table 1

RESERVE TARGETS AND RELATED MEASURES
FOR 5-WEEKS ENDED SEPTEMBER 17
(\$ millions, not seasonally adjusted)

	Targets for 5-Week Averages		Projections for 5-week Averages			
	Total Reserves (1)	Non- borrowed Reserves (2)	Total Reserves (3)	Required Reserves (4)	Excess Reserves (5)	Adjustment Borrowing (3)-(2)
<u>As of</u>						
August 15	40,111	40,036	40,239	40,009	230	203
22	40,111	40,036	40,393	40,134	259	357
29	40,261 ^{2/}	40,186 ^{2/}	40,623	40,389	235	437
Sept. 5	40,311 ^{3/}	40,086 ^{4/}	40,596	40,305	291	510
12	40,311	40,086	40,691	40,396	295	605

1/ Includes special borrowings.

2/ Reflects \$150 million adjustment for multiplier changes.

3/ Reflects \$200 million adjustment for multiplier changes.

4/ In addition to the adjustment noted in footnote 4, also reflects a \$150 million downward adjustment because total reserves have been running steadily above target.

TABLE I
SELECTED INTEREST RATES
(Percent)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC

	Short-term							Long-term								
	Federal Funds	Treasury Bills			CDS Secondary Market	Comm. Paper 3-mo	Bank Prime Rate	U.S. Govt. Constant Maturity Yields			Corp.-Aaa Utility		Muni- cipal Bond Buyer	Home Mortgages		
		Market		Auction				3-yr	10-yr	30-yr	New Issue	Recently Offered		Primary Conv.	Secondary FNMA Auc.	market GNMA Sec.
		3-mo	1-yr	6-mo	(8)	(9)	(10)						(11)			
1979--High	15.61	12.60	11.89	12.65	14.53	14.26	15.75	11.68	10.87	10.42	11.50	11.45	7.38	12.90	13.29	11.77
Low	9.93	8.85	8.64	8.87	9.84	9.66	11.50	8.76	8.79	8.82	9.40	9.39	6.08	10.38	10.42	9.51
1980--High	19.39	15.61	14.39	15.70	18.04	17.60	20.00	14.29	13.33	12.73	14.22	14.12	9.44	16.35	15.93	14.17
Low	8.68	6.49	7.18	6.66	8.17	7.97	11.00	8.61	9.51	9.54	10.53	10.79	7.11	12.18	12.28	10.73
1979--Aug.	10.94	9.52	9.16	9.45	10.71	10.43	11.91	9.14	9.03	8.98	9.48	9.49	6.20	11.09	10.67	9.90
Sept.	11.43	10.26	9.89	10.13	11.89	11.63	12.90	9.69	9.33	9.17	9.93	9.87	6.52	11.30	11.09	10.31
Oct.	13.77	11.70	11.23	11.34	13.66	13.23	14.39	10.95	10.30	9.85	10.97	10.91	7.08	11.64	12.52	11.25
Nov.	13.18	11.79	11.22	11.86	13.90	13.57	15.55	11.18	10.65	10.30	11.42	11.36	7.30	12.83	12.75	11.57
Dec.	13.78	12.04	10.92	11.85	13.43	13.24	15.30	10.71	10.39	10.12	11.25	11.33	7.22	12.90	12.49	11.35
1980--Jan.	13.82	12.00	10.96	11.85	13.39	13.04	15.25	10.88	10.80	10.60	11.73	11.77	7.35	12.88	12.91	11.94
Feb.	14.13	12.86	12.46	12.72	14.30	13.78	15.63	12.84	12.41	12.13	13.57	13.35	8.16	13.03	14.49	13.16
Mar.	17.19	15.20	14.03	15.10	17.57	16.81	18.31	14.05	12.75	12.34	14.00	13.90	9.17	15.28	15.64	13.79
Apr.	17.61	13.20	11.97	13.62	16.14	15.78	19.77	12.02	11.47	11.40	12.90	12.91	8.63	16.33	14.61	12.64
May	10.98	8.58	8.66	9.15	9.79	9.49	16.57	9.44	10.18	10.36	11.53	11.64	7.59	14.26	12.88	11.30
June	9.47	7.07	7.54	7.22	8.49	8.27	12.63	8.92	9.78	9.81	10.96	11.00	7.63	12.71	12.35	11.07
July	9.03	8.06	8.00	8.10	8.65	8.41	11.48	9.27	10.25	10.24	11.60	11.41	8.13	12.19	12.66	11.53
Aug.	9.61	9.13	9.39	9.44	9.91	9.57	11.12	10.63	11.10	11.00	12.32	12.31	8.67	12.56	13.92	12.34
1980--July 2	9.41	7.82	7.84	8.10	8.59	8.30	12.00	9.17	10.06	10.02	11.50	11.18	7.88	12.18	--	11.42
9	9.26	8.02	7.82	8.11	8.65	8.37	11.79	9.07	10.11	10.11	11.48	11.26	7.95	12.23	12.53	11.42
16	8.98	8.02	7.98	8.11	8.72	8.41	11.50	9.23	10.21	10.22	11.54	11.33	8.03	12.18	--	11.58
23	8.68	7.90	7.89	7.91	8.55	8.37	11.50	9.16	10.17	10.16	11.64	11.44	8.19	12.18	12.78	11.45
30	8.98	8.19	8.18	8.28	8.61	8.42	11.07	9.46	10.41	10.38	11.92	12.00	8.59	12.25	--	11.67
Aug. 6	9.60	8.65	8.62	8.87	9.33	9.01	11.00	9.92	10.74	10.73	12.03	12.10	8.61	12.25	13.58	11.99
13	8.85	8.60	8.81	8.89	9.33	8.96	11.00	10.07	10.90	10.91	12.36	12.27	8.53	12.55	--	12.41
20	9.35	8.96	9.41	9.77	9.82	9.54	11.00	10.67	11.07	11.01	12.48	12.36	8.68	12.80	14.26	12.46
27	10.03	9.81	10.16	10.25	10.49	10.15	11.25	11.34	11.38	11.17	12.62	12.68	8.85	12.95	--	12.48
Sept. 3	10.47	9.97	10.08	10.25	10.93	10.61	11.50	11.28	11.46	11.18	12.34	12.42	8.78	13.03	14.41	12.57
10	10.22	9.92	9.97	10.23	10.76	10.40	11.71	11.00	11.20	11.06	12.60p	12.47p	8.82	n.a.	--	12.59
17																
24																
Daily Sept. 4	10.05	9.75	9.77	--	10.53	10.06	11.50	10.86	11.16	11.02	--	--	--	--	--	--
11	10.47	10.14	10.24	--	10.85	10.67	12.00	11.27	11.32	11.15	--	--	--	--	--	--

NOTE: Weekly data for columns 1, 2, 3, and 5 through 10 are statement week averages of daily data. Weekly data in column 4 are average rates set in the auction of 6-month bills that will be issued on the Thursday following the end of the statement week. For column 11, the weekly date is the mid-point of the calendar week over which data are averaged. Columns 12 and 13 are 1-day quotes for Friday and Thursday, respectively, following the end of the statement week. Column 14 is an average of contract interest rates on commitments for conventional first mortgages with 80 percent loan-to-value ratios made by a sample of insured savings and loan associations on the Friday following the end of the statement week. The FNMA auction yield is the average yield in a bi-weekly auction for short-term forward commitments for government underwritten mortgages; beginning July 7, 1980, figures exclude graduated payment mortgages. GNMA yields are average net yields to investors on mortgage-backed securities for immediate delivery, assuming prepayment in 12 years on pools of 30-year FIA/VA mortgages carrying the coupon rate 50 basis points below the current FIA/VA ceiling.

TABLE 2
NET CHANGES IN SYSTEM HOLDINGS OF SECURITIES^{1/}
(Millions of dollars, not seasonally adjusted)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC

	Treasury Bills Net Change <u>2/</u>	Treasury Coupons Net Purchases <u>3/</u>					Federal Agencies Net Purchases <u>4/</u>					Net Change Outright Holdings Total <u>5/</u>	Net RPs <u>6/</u>
		Within 1 year	1 - 5	5 - 10	Over 10	Total	Within 1 year	1 - 5	5 - 10	Over 10	Total		
1975	-468	337	3,284	1,510	1,070	6,202	191	824	460	138	1,613	7,267	1,272
1976	863	472	3,025	1,048	642	5,187	105	469	203	114	891	6,227	3,607
1977	4,361	517	2,833	758	553	4,660	--	792	428	213	1,433	10,035	-2,892
1978	870	1,184	4,188	1,526	1,063	7,962	-47	45	104	24	127	8,724	-1,774
1979	6,243	603	3,456	523	454	5,035	131	317	5	--	454	10,290	-2,597
1979--Qtr.													
II	465	42	640	--	--	682	110	258	2	--	371	-1,795 ^{7/}	2,542
III	5,363	395	1,289	309	310	2,302	191	288	3	--	482	8,129 ^{8/}	-2,019
IV	4,164	118	1,101	81	51	1,351	--	--	--	--	--	4,839 ^{8/}	-3,801
1980--Qtr.													
I	-2,945	292 ^{9/}	355 ^{9/}	107	81	836	--	--	--	--	--	-2,114	362
II	3,249	110 ^{9/}	1,516 ^{9/}	359	410	2,395	217	398	29	24	668	6,307	2,373
1980--Mar.	1,370	292	355	107	81	836	--	--	--	--	--	2,201	-705
Apr.	2,321	109	373	62	64	607	217	398	29	24	668	3,594	-1,012
May	606	155 ^{9/}	405 ^{9/}	133	216	909	--	--	--	--	--	1,515	4,655
June	322	-153 ^{9/}	738 ^{9/}	164	129	878	--	--	--	--	--	1,198	-1,271
July	-3,214	--	--	--	--	--	--	--	--	--	--	-3,216	-1,307
Aug.	-47	137	541	236	320	1,234	--	--	--	--	--	1,187	-985
1980--July													
2	75	--	--	--	--	--	--	--	--	--	--	75	3,162
9	--	--	--	--	--	--	--	--	--	--	--	--	-2,660
16	-530	--	--	--	--	--	--	--	--	--	--	-532	3,908
23	-530	--	--	--	--	--	--	--	--	--	--	-530	2,152
30	-1,366	--	--	--	--	--	--	--	--	--	--	-1,366	-4,476
Aug. 6	-789	--	--	--	--	--	--	--	--	--	--	-789	-9,456
13	--	--	--	--	--	--	--	--	--	--	--	--	5,482
20	--	137	541	236	320	1,234	--	--	--	--	--	1,234	4,652
27	-47	--	--	--	--	--	--	--	--	--	--	-47	-1,963
Sept. 3	--	--	--	--	--	--	--	--	--	--	--	--	-1,929
10	-237	--	--	--	--	--	--	--	--	--	--	-328	1,200
17													
24													
LEVEL--Sept. 10	46.9	11.5	36.0	13.1	14.8	75.5	2.0	4.8	1.2	0.7	8.8	131.1	-4.6

(in billions)

^{1/} Change from end-of-period to end-of-period.

^{2/} Outright transactions in market and with foreign accounts, and redemptions (-) in bill auctions.

^{3/} Outright transactions in market and with foreign accounts, and short-term notes acquired in exchange for maturing bills. Excludes redemption, maturity shifts, rollovers of maturing coupon issues, and direct Treasury borrowing from the System.

^{4/} Outright transactions in market and with foreign accounts only. Excludes redemptions and maturity shifts.

^{5/} In addition to the net purchases of securities, also reflects changes in System holdings of bankers' acceptances, direct Treasury borrowings from the System and redemptions (-) of agency and Treasury coupon issues.

^{6/} Includes changes in both RPs (+) and matched sale-purchase transactions (-).

^{7/} \$640 million of 2-year notes were exchanged for a like amount of cash management bills on April 3, 1979. On April 9, 1979, the bills were exchanged for new 2-year notes.

^{8/} On October 1, 1979, \$668 million of maturing 2- and 4-year notes were exchanged for a like amount of short-term bills, because the note auctions were delayed. On October 9 and 10, the bills were exchanged for new 2- and 4-year notes, respectively.

^{9/} Maturing 2-year notes were exchanged on June 2 for special 2-day bills. At their maturity the bills were exchanged for new 2-year notes.

TABLE 3
SECURITY DEALER POSITIONS AND BANK POSITIONS
(Millions of dollars)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC

	U.S. Govt. Security Dealer Positions		Underwriting Syndicate Positions		Member Bank Reserve Positions				
	Bills	Coupon Issues	Corporate Bonds	Municipal Bonds	Excess** Reserves	Borrowing at FRB**			
						Total	Seasonal	Special*	Adjustment
1979--High	8,091	902	283	404	726	2,960	207		2,866
Low	138	-2,569	0	53	-122	628	93		510
1980--High	8,838	2,263	299	466	1,080p	3,439	177	816	3,298
Low	1,972	-1,482	0	32	-228p	215p	5p	193	12
1979--Aug.	996	-179	32	299	222	1,085	179		.906
Sept.	2,392	-1,608	142	52	191	1,340	174		1,167
Oct.	2,289	-1,576	75	152	272	2,023	155		1,863
Nov.	4,427	-514	17	106	244	1,911	140		1,763
Dec.	5,760	-1,901	34	164	441	1,473	81		1,390
1980--Jan.	4,380	-944	42	117	251	1,241	74		1,167
Feb.	2,937	-212	3	87	211	1,644	97		1,558
Mar.	2,964	-659	37	59	204	2,823	151	99	2,573
Apr.	7,838	167	48	89	204	2,455	155	552	1,748
May	4,008	1,372	69	138	190	1,018	63	743	212
June	3,724	1,429	112	264	223p	379p	12p	307p	61p
July	4,581	634	154	310	281p	395p	6p	253p	136p
Aug.	*5,108	*798	91	153	333p	658p	9p	241p	408p
1980--July 2	2,321	858	70	349	271p	348	5p	274p	69p
9	3,103	843	288	342	506p	215p	5p	198p	12p
16	3,691	213	98	237	340p	332p	5p	211p	116p
23	5,853	63	160	312	-16p	354p	7p	309p	38p
30	5,630	1,140	188	253	239p	629p	7p	286p	336p
Aug. 6	5,332	849	65	147	688p	828p	7p	258p	563p
13	5,278	2,263	158	134	89p	390p	6p	273p	111p
20	*6,304	*229	15	134	335p	344p	6p	261p	77p
27	*4,264	*41	28	96	89p	700p	10p	201p	489p
Sept. 3	*4,274	*170	3	89	489p	1,348p	20p	198p	1,130p
10	*3,988	*-279	5p	150	338p	594	14p	57p	523p
17									
24									

NOTE: Government security dealer trading positions are on a commitment basis. Trading positions, which exclude Treasury securities financed by repurchase agreements maturing in 16 days or more, are indicators of dealer holdings available for sale over the near-term. Underwriting syndicate positions consist of issues still in syndicate, excluding trading positions. Weekly data are daily averages for statement weeks, except for corporate and municipal issues in syndicate, which are Friday figures.

* Strictly Confidential.

** Monthly averages for excess reserves and borrowings are weighted averages of statement week figures.