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(CONFIDENTIAL FR)

December 15, 1972

MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the Staff

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) The money supply aggregates now appear to be growing at annual rates about 1-1/2 and 1 percentage points in excess of the Committee's November-December ranges of tolerance, as shown in the table below. However, during most of the interval, growth rates appeared to be running at or only slightly above their acceptable ranges. During November, growth in M₁ was at about a 6-1/2 per cent annual rate--nearly double the low October rate. While growth in M₂ was at about the same rate as in October, it too was at a faster pace than desired.^{1/} It is possible that the recent strength in the money supply partly reflects

Growth in Money and Credit Aggregates and RPD
During November-December Period
(SAAR in Percentage Points)

	Ranges of Tolerance	Current Estimates
RPD	6-10	13
M ₁	4-7	8-1/2
M ₂	5-8	9

MEMO:

Federal funds 4.75--5.50 5,29 Week ending December 13
1/ More detail on recent changes in the reserve and monetary aggregates is provided by Tables 1 and 2 attached at the end of the Blue Book and in Appendix 1.

technical problems of measurement and seasonal adjustments flowing from the change in Regulation J, although our adjustments made for the effects of this change appear to us to be reasonably accurate. The most likely explanation of the overshoot would seem to be that money growth is again beginning to respond in a more nearly usual relationship to the rapid rate of economic expansion.

(2) Intermeeting estimates of the growth in RPD's during the November-December target period have been substantially above the Committee's 6-10 per cent range of tolerance, with the most recent estimate close to a 13 per cent annual rate. However, about 3 percentage points of this overshoot reflects an increase in the reserve multiplier, as deposit growth has been greater than anticipated at large banks subject to high marginal reserve requirements and less than anticipated at smaller banks (including our estimates for non-member banks). The recent regulatory changes have made the multiplier unusually difficult to predict.

(3) As evidence developed that the monetary aggregates were tending to run near the top or above the Committee's ranges of tolerance, the Desk provided RPD's more reluctantly. As a result, member bank borrowing rose substantially over the intermeeting period, and bank bidding for Federal funds intensified. From the 5 per cent level prevailing at the time of the last Committee meeting, the average Federal funds rate rose in successive statement weeks to 5.03, 5.17, and 5.29 per cent. Most recently, funds have traded around 5-1/2 per cent, the upper limit of the Committee's range of tolerance.

(4) The advance in the Federal funds rate was accompanied by rate increases ranging generally from 10 to 30 basis points in short-term markets and from 5 to 20 basis points in longer-term markets. The rate on the 3-month Treasury bill reached a high of around 5.10 per cent in the most recent auction held today--roughly 30 basis points above the level prevailing at the time of the last meeting. The Treasury has just announced the offering of a \$2 billion, 2-year, 5-7/8 per cent note to be auctioned December 20 and paid for December 28. In addition, it revealed plans to offer \$500-\$750 million of 20-30 year bonds in early January.

(5) The table on the following page compares recent changes in the money and credit aggregates (at seasonally adjusted annual rates) with those for selected earlier periods.

	Most Recent two Calendar Years	Past Year	Past 6 Months	Past 3 Months	Past Month
	Dec. '71 over Dec. '69	Nov. '72 over Nov. '71	Nov. '72 over May '72	Nov. '72 over Aug. '72	Nov. '72 over Oct. '72
Total Reserves	6.9	10.1	7.8	8.8	11.5
Nonborrowed Reserves	9.0	9.6	4.5	5.4	9.3
Reserves available to support private non- bank deposits	8.3	9.1	9.2	10.1	13.7
<u>Concepts of Money</u>					
M ₁ (currency plus demand deposits) ^{1/}	6.0	7.0	6.9	5.2	6.4
M ₂ (M ₁ plus time deposits at commercial banks other than large CD's)	13.0	10.3	9.1	7.9	7.6
M ₃ (M ₂ plus deposits at thrift institutions)	11.0	12.6	11.2	10.0	9.1
<u>Bank Credit</u>					
Total member bank deposits (bank credit proxy adj.)	9.3	11.7	9.7	10.4	11.8
Loans and investments of commercial banks ^{2/}	10.2	14.4	12.8	14.8	20.6
<u>Short-term market paper</u> (Actual \$ change in billions)					
Large CD's	22.4	9.1	5.0	2.0	0.6
Nonbank commercial paper	0.3	2.3	-0.1	0.8	-0.4

^{1/} Other than interbank and U. S. Government.

^{2/} Based on month-end figures. Includes loans sold to affiliates and branches.

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 either end-of-month or last Wednesday of month figures.

Prospective developments

(6) Three alternative sets of relationships among monetary aggregates and money market conditions (with figures for aggregates representing seasonally adjusted annual rates of growth) are shown in summary form below for FOMC consideration. More detailed monthly and quarterly figures are shown in the table on the following page.

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
Longer-run targets for aggregates (represented by average growth rates for first half of 1973) <u>1/</u>			
M ₁	7%	6%	5%
M ₂	7-1/2	7	5-1/2
Credit Proxy	7	6-1/2	5
RPD	7-1/2	7	5
Associated range for December '72-January '73			
Nonborrowed RPD	10-14	6-1/2--10-1/2	2-6
RPD	8-1/2--12-1/2	8-12	7-11
M ₁	7-1/2--10-1/2	7-10	6-9
M ₂	8-11	7-1/2--10-1/2	7-10
Federal funds rate	4-7/8--5-1/2	5-1/8--5-7/8	5-3/8--6-1/4

1/ Rounded to nearest 1/2 per cent.

Alternative Longer-Run Targets
for Key Monetary Aggregates

	<u>M₁</u>			<u>M₂</u>			<u>Adjusted Credit Proxy</u>		
	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1972 Dec.	245.7	245.7	245.6	512.5	512.5	512.4	401.1	401.1	401.0
1973 Jan.	247.2	247.1	246.8	516.2	515.9	515.4	403.2	403.0	402.5
March	250.3	250.1	249.3	522.7	522.4	520.5	406.8	406.7	405.1
June	254.4	253.5	251.8	532.1	530.8	526.5	415.4	414.7	411.7
<u>Quarters</u>				<u>Rates of Growth</u>					
1972 4th Q.	7.0	7.0	6.5	8.5	8.5	8.5	8.5	8.5	8.5
1973 1st Q.	7.5	7.0	6.0	8.0	7.5	6.5	5.5	5.5	4.0
2nd Q.	6.5	5.5	4.0	7.0	6.5	4.5	8.5	8.0	6.5
<u>Months</u>									
1972 Dec.	10.5	10.5	10.0	10.0	10.0	10.0	5.0	5.0	5.0
1973 Jan.	7.5	7.0	5.5	8.5	8.0	7.0	6.5	5.5	4.5
		<u>Total Reserves</u>				<u>RPD</u>			
		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	
1972 Dec.		31,248	31,243	31,240		28,790	28,785	28,782	
1973 Jan.		31,181	31,151	31,089		29,037	29,008	29,947	
March		31,176	31,133	30,986		29,370	29,328	29,182	
June		32,150	33,049	31,797		29,884	29,799	29,547	
<u>Quarters</u>					<u>Rates of Growth</u>				
1972 4th Q.		13.0	13.0	13.0		9.5	9.5	9.5	
1973 1st Q.		-1.0	-1.5	-3.5		8.0	7.5	5.5	
2nd Q.		12.5	12.0	10.5		7.0	6.5	5.0	
Months: Dec. 1972		12.0	11.5	11.5		12.0	12.0	11.5	
Jan. 1973		-2.5	-3.5	-6.0		10.5	9.5	7.0	

(7) The December-January ranges of tolerance for the aggregates range above the associated longer-run targets. Accordingly, the Committee may wish to specify that shortfalls of some dimension should not be taken as indicating a need to provide reserves more actively to ease money market conditions. The 2-month ranges are high mainly because of the substantial increase of the monetary aggregates that seems already in train for December; the January growth rates for M_1 are indicated to be closer to longer-run targets. Also, in both December and January the \$5.4 billion of revenue sharing payments may have a transitory effect in increasing growth in M_1 for any given level of interest rates.

(8) The three alternatives shown for longer-run targets include annual rates of growth in M_1 for the first half of 1973 of 7, 6, and 5 per cent. This is the same range of targets as presented to the FOMC at its previous meeting. At that meeting, the Committee adopted a longer-run target path for the aggregates (for the fourth quarter of '72 and first quarter of '73 combined) as indexed by M_1 growth of 6 per cent. Recent figures, as noted earlier, have indicated that M_1 growth is strong relative to Committee desires. We expect that growth in M_1 for the fourth quarter of 1972 will be about 7 per cent, give or take 1/2 of one percentage point.

(9) None of the paths presented indicates a first quarter growth rate for M_1 consistent with a 6 per cent average growth rate for the fourth and first quarters combined. To achieve that objective the required first quarter growth would have to be at around a 5 per cent annual rate. The staff believes that efforts to obtain such a growth rate would lead to a

very sharp rise in the funds rate during the winter, followed by a drop in the funds rate during the spring unless the Committee were willing to tolerate considerably slower growth rates in the aggregates as the year progressed.

(10) Of the alternatives presented, alternative C--which encompasses a 5 per cent M_1 target for the first half of 1973--does involve a slowing of M_1 growth that eventually compensates for recent overshoots. Because of factors affecting money demand, the slowing of M_1 growth is indicated to be most marked in the second quarter. In that period, money demand is expected to be moderated by disappearance of the transitory upward effect on M_1 of unusually large tax refunds in late winter and early spring. In addition, demand for money would be reduced, with a lag, by the substantial rise of interest rates indicated for that alternative. It is thought that attainment of the alternative C aggregate targets would be accompanied by a rise in the Federal funds rate to around 6 per cent over the next few weeks, with perhaps some modest further increase developing later in the winter.

(11) Alternative B encompasses a 6 per cent M_1 growth rate over the first half of 1973, while alternative A involves a 7 per cent rate. The 6 per cent target appears consistent with little further change in money market conditions, but the higher target would seem to involve some easing. In any event, money demand is likely to be weaker in the second quarter than the first, partly because of the effect of the tax refunds noted in the previous paragraph. In addition, under alternative B, Treasury bill and other short-term market rates are likely to rise a bit over the first quarter, even given prevailing money market conditions, and thereby work to retard money demand later.

(12) Over the next few weeks, because the market has not yet adjusted to a 5-1/2 per cent Federal funds rate, persistence of the rate around that level could lead to a rise in the 3-month bill to around 5-1/4 per cent. However, bill purchases by the public in recent days, partly related to revenue sharing, have improved the technical position of the bill market and may moderate very near-term rate adjustments. A movement of the Federal funds rate above 5-1/2 per cent--as would be contemplated under alternative C and is possible under alternative B--would set off larger short-term market rate adjustments. Questions about the discount rate would become more pressing. And if the funds rate were to penetrate the 6 per cent level, the accompanying rise in short-term market rates could bring into question the sustainability of ceiling rates on consumer-type time deposits as net inflows of such deposits decelerated markedly.

(13) Long-term interest rates may show only little, if any, increase under alternative B in view of the moderate size of long-term credit demands. The more substantial rise in short rates anticipated under alternative C, however, probably would exert considerable pressure on longer-term markets. This would be expected on anticipatory grounds alone, but would be reinforced as unfavorable rate relationships put savings inflows to banks and other institutions increasingly under downward pressure.

Proposed directives

(14) Presented below are three alternative formulations for the operational paragraph of the directive, which might be taken to correspond to the similarly lettered policy alternatives discussed in the preceding section. In all three alternatives a reference to Treasury financing operations is proposed in light of the forthcoming auction of \$2 billion in notes and the announced plans for a 20-30 year bond offering in early January. Deletion of the reference to bank regulatory changes is suggested on the grounds that banks have adjusted to the new regulations. For alternatives B and C, a reference to credit market developments is suggested should the Committee wish to take account of the possible reaction to a further rise in the funds rate while the market is still adjusting to the rise that has already occurred.

Alternative A

To implement this policy, while taking account of TREASURY FINANCING OPERATIONS ~~the-effects-of-recent-bank-regulatory-changes~~, the Committee seeks to achieve bank reserve and money market conditions that will support ~~more-moderate~~ growth in monetary aggregates over the months ahead ~~than-recorded-in-the-third-quarter~~ AT ABOUT THE RATES THAT APPEAR INDICATED FOR THE SECOND HALF OF THIS YEAR.

Alternative B

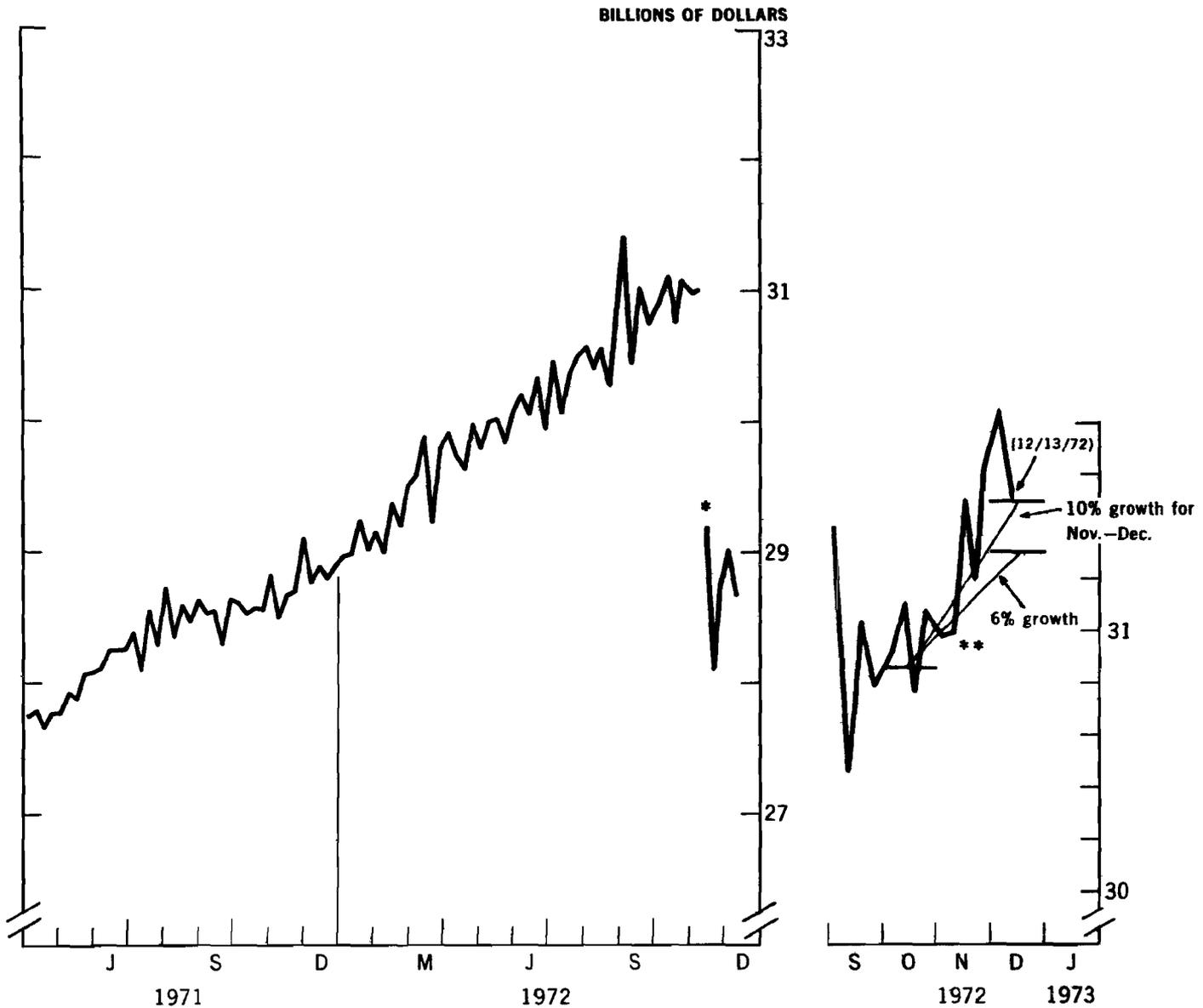
To implement this policy, while taking account of TREASURY FINANCING OPERATIONS ~~the-effects-of-recent-bank-regulatory-changes~~

AND POSSIBLE CREDIT MARKET DEVELOPMENTS, the Committee seeks to achieve bank reserve and money market conditions that will support more moderate growth in monetary aggregates over the months ahead ~~than recorded in the third quarter.~~

Alternative C

To implement this policy, while taking account of TREASURY FINANCING OPERATIONS ~~the effects of recent bank regulatory changes~~ AND POSSIBLE CREDIT MARKET DEVELOPMENTS, the Committee seeks to achieve bank reserve and money market conditions that will support ~~more moderate~~ SLOWER growth in monetary aggregates over the months ahead ~~than recorded in the third quarter~~ APPEARS INDICATED FOR THE SECOND HALF OF THIS YEAR.

RESERVES AVAILABLE TO SUPPORT PRIVATE NONBANK DEPOSITS

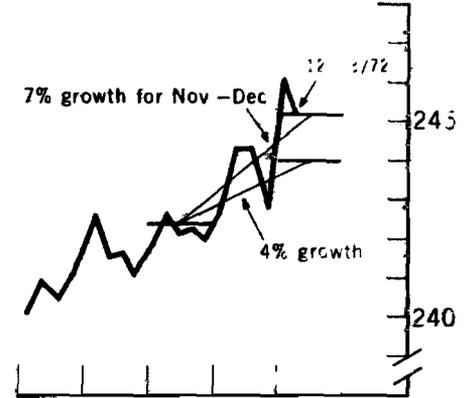
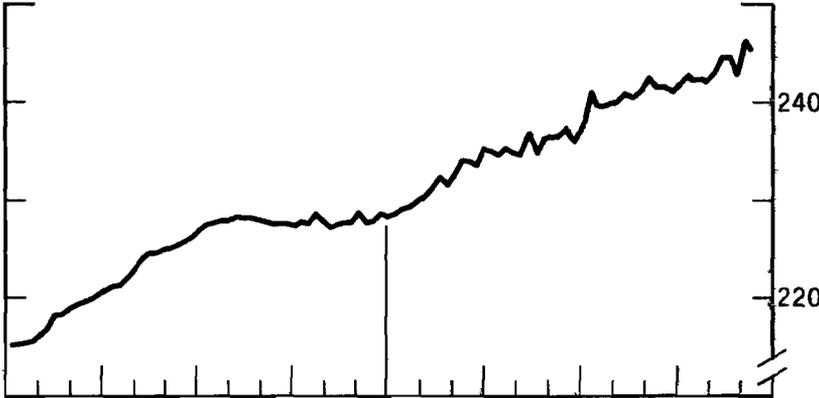


*Break in Series; Actual Level of RPD After Reduction in Reserve Requirements Effective November 9, 1972.
**RPD Adjusted to Remove Discontinuity Introduced by Reduction in Reserve Requirements

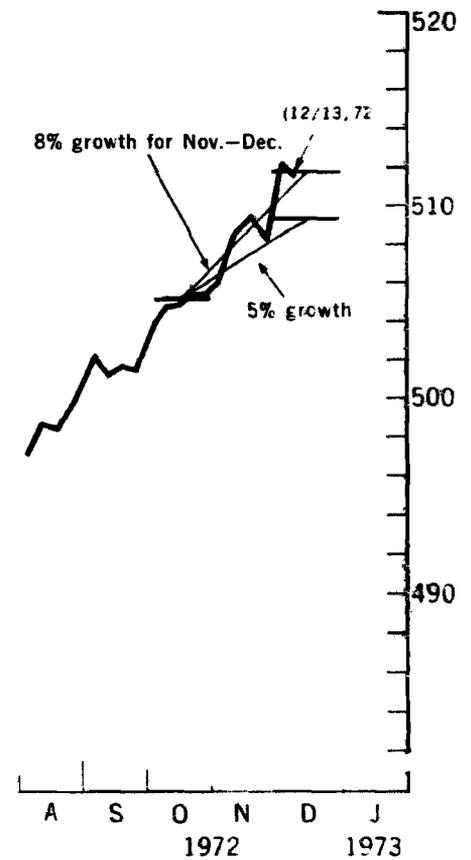
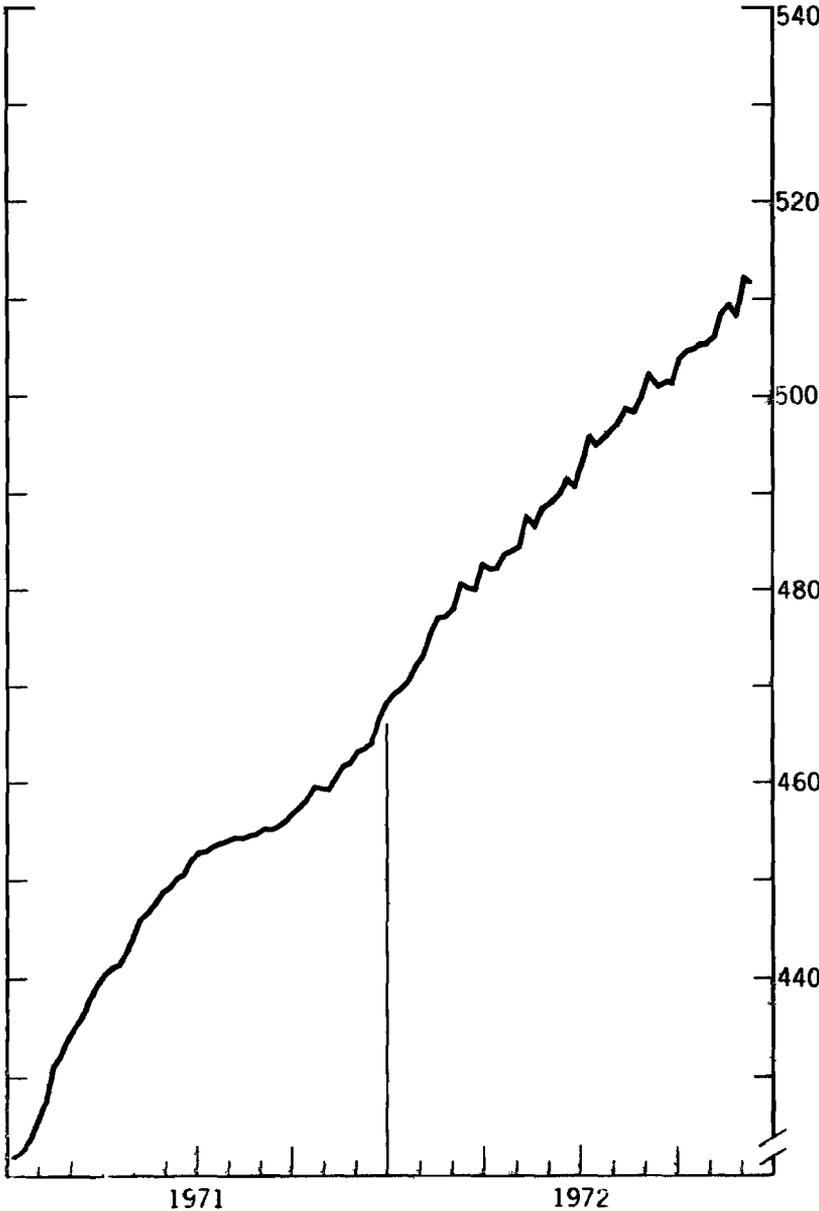
MONETARY AGGREGATES

NARROW MONEY SUPPLY M1

BILLIONS OF DOLLARS



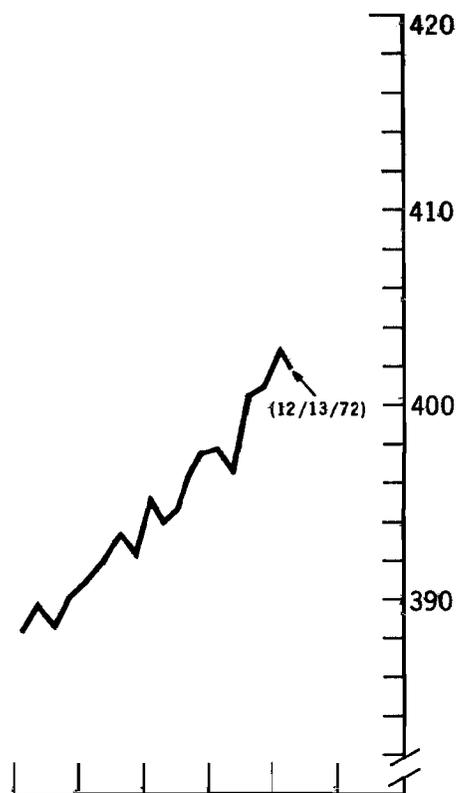
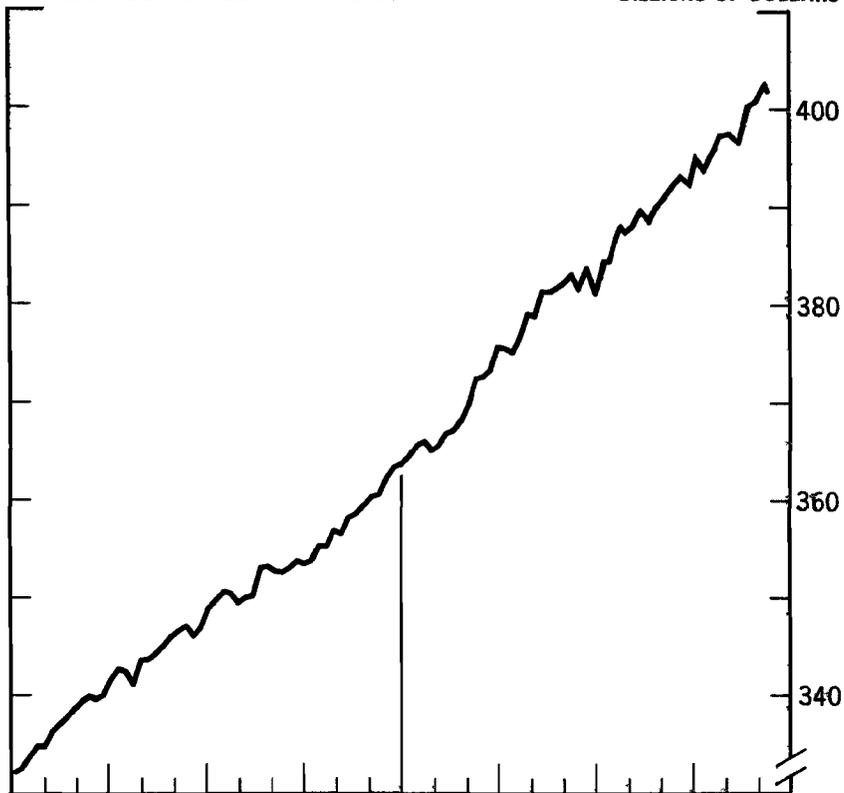
BROADER MONEY SUPPLY M2



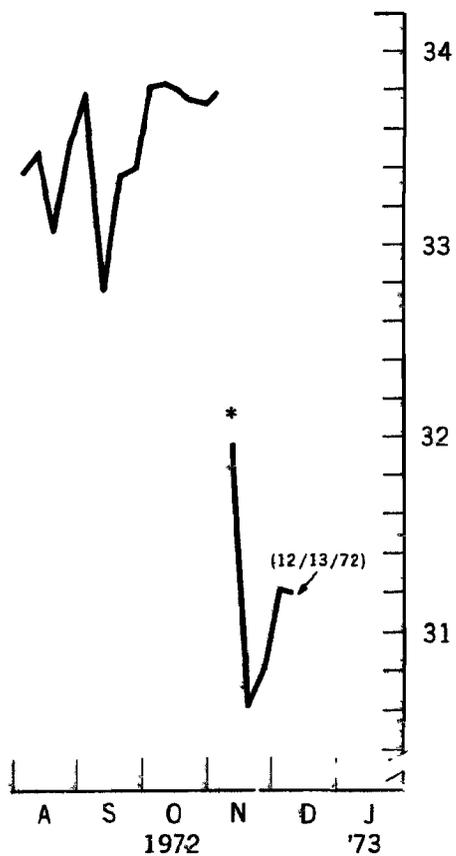
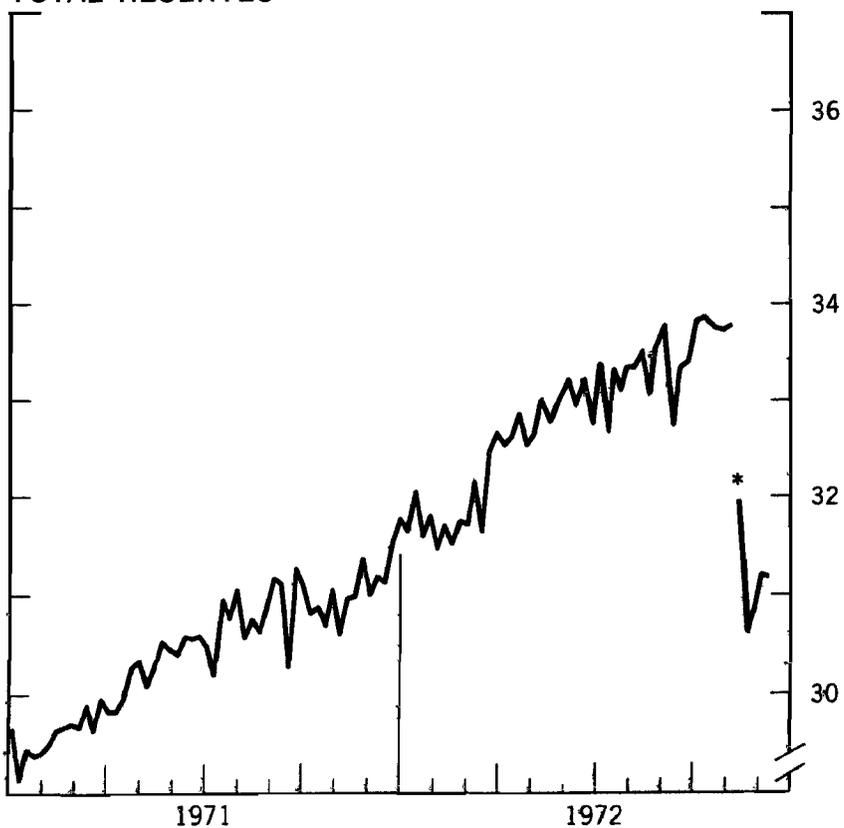
MONETARY AGGREGATES

ADJUSTED CREDIT PROXY

BILLIONS OF DOLLARS



TOTAL RESERVES



*Break in Series, Actual Level of Total Reserves After Reduction in Reserve Requirements Effective November 9, 1972

CHART 4

MONEY MARKET CONDITIONS AND INTEREST RATES

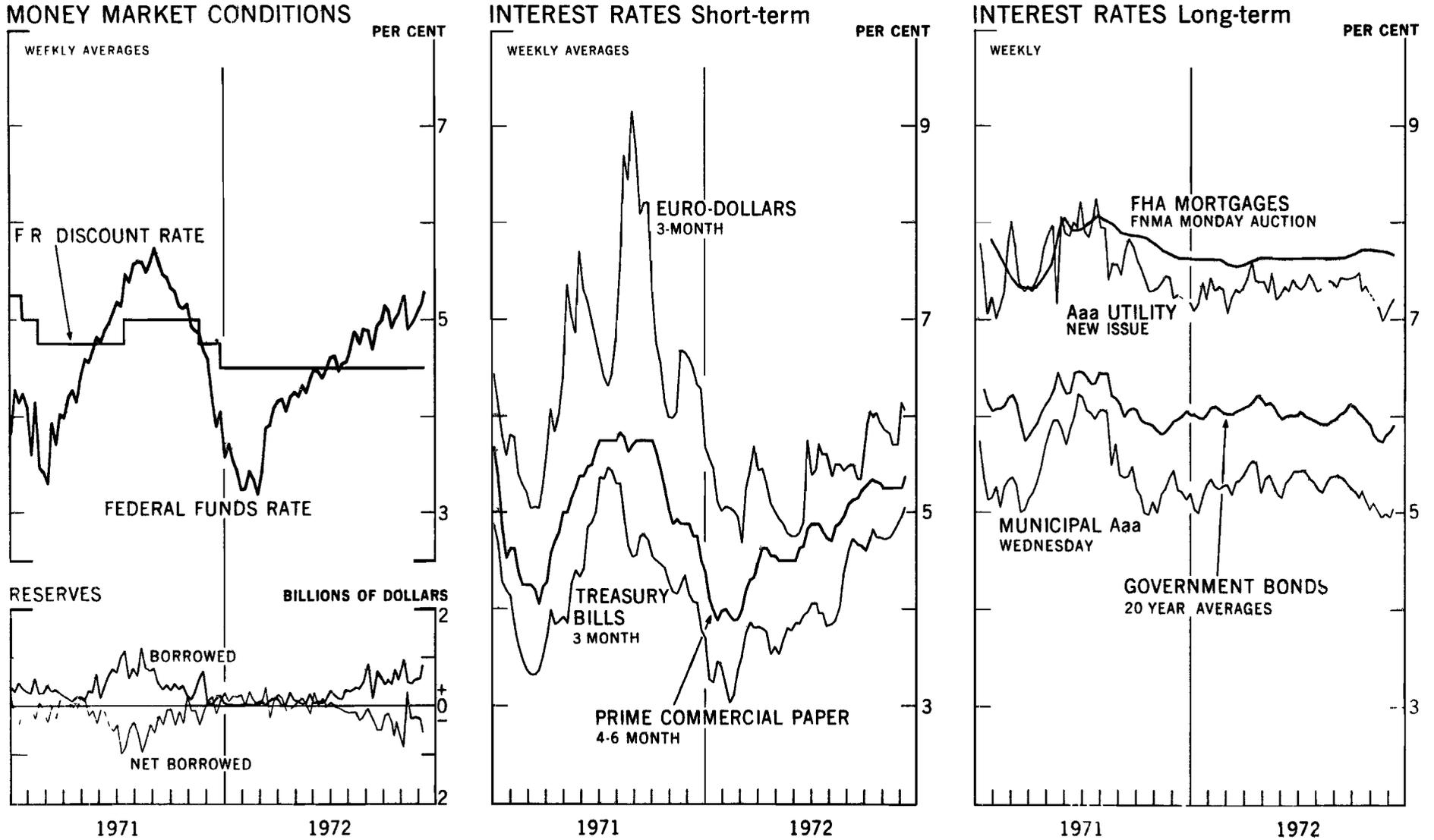


Table 1
Bank Reserves

STRICTLY CONFIDENTIAL (PR)

December 15, 1972

Period	Reserves Available for Private Nonbank Deposits		Aggregate Reserves		Required Reserves		U.S. Gov't. and Interbank
	Seasonally Adjusted	Not Seasonally Adjusted	Total Reserves	Nonborrowed Reserves	Seasonally Adjusted		
	Actual and Projected	Actual and Projected			Private Demand	Time and Nondeposits	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
1972--July	30,365	30,166	33,138	32,924	21,052	9,136	2,774
Aug.	30,555	30,253	33,382	33,016	21,131	9,249	2,826
Sept.	30,903	30,615	33,360	32,802	21,306	9,408	2,457
Oct.	30,975	30,844	33,788	33,205	21,248	9,491	2,813
Nov.	29,313	29,372	31,843	31,191	19,396	9,572	2,530
Dec.	(28,785)	(29,074)	(31,243)	(30,511)	(18,866)	(9,708)	(2,458)
Annual Rates of Change							
1971--4th Qtr.	4.8		2.2	6.8	0.5	16.4	
1972--1st Qtr.	10.8		10.1	11.0	6.8	18.0	
2nd Qtr.	7.1		12.8	13.0	4.0	14.2	
3rd Qtr.	10.0		3.6	-2.0	8.3	15.4	
4th Qtr.	(9.5)		(12.5)	(12.0)	(8.0)	(11.5)	
1972--July	8.6		2.9	-1.6	10.2	10.2	
Aug.	7.5		8.8	3.4	4.5	14.8	
Sept.	13.7		-0.8	-7.8	9.9	20.6	
Oct.	2.8		15.4	14.7	-3.3	10.6	
Nov.	13.7		11.5	9.3	9.0	10.2	
Dec.	(12.0)		(11.5)	(9.0)	(17.0)	(17.0)	
Nov.-Dec. 1/	(13.0)		(11.5)	(9.0)	(13.0)	(13.5)	
Weekly:							
1972--Aug. 2	30,570	30,373	33,340	33,014	21,149	9,176	2,770
9	30,434	30,075	33,368	33,124	21,118	9,217	2,934
16	30,563	30,421	33,481	33,125	21,066	9,244	2,917
23	30,278	30,027	33,090	32,750	21,048	9,253	2,812
30	30,822	30,368	33,544	33,043	21,264	9,293	2,722
Sept. 6	31,397	30,869	33,775	32,938	21,285	9,331	2,378
13	30,457	30,104	32,765	32,617	21,277	9,412	2,308
20	31,025	30,763	33,370	32,586	21,414	9,417	2,345
27	30,794	30,644	33,398	32,815	21,249	9,445	2,604
Oct. 4	30,925	30,890	33,806	33,379	21,293	9,443	2,882
11	31,099	30,661	33,828	33,276	21,230	9,461	2,728
18	30,772	30,891	33,802	33,388	21,241	9,505	3,029
25	31,076	30,771	33,764	32,837	21,258	9,492	2,688
Nov. 1	30,984	31,056	33,741	33,141	21,236	9,539	2,757
8	30,991	30,870	33,788	32,742	21,320	9,555	2,796
15	29,203	29,512	31,966	31,474	18,998	9,554	2,763
22	28,118	28,136	30,630	30,147	18,247	9,576	2,512
29	28,763	28,820	30,807	30,202	18,826	9,598	2,044
Dec. 6	28,878	28,748	31,208	30,579	18,913	9,656	2,329
13	28,664	28,767	31,200	30,291	18,774	9,673	2,536

NOTE: Data shown in parentheses are current projections.

1/ At the FOMC meeting November 21, 1972 the Committee agreed on an RPD range of 6 to 10 per cent.

Table 2
 Monetary Aggregates
 (Actual and current projections, seasonally adjusted)

STRICTLY CONFIDENTIAL (FR)

December 15, 1972

Period	Narrow Money Supply (M ₁)	Broad Money Supply (M ₂)	Adjusted Credit Proxy	U.S. Govt. Deposits	Total Time and Savings	Time deposits other than CD's	Negotiable CD's	Nondeposit Sources of Funds
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Monthly Pattern in Billions of Dollars								
1972--July	239.4	495.0	386.3	5.3	293.7	255.6	38.1	3.9
Aug.	240.5	498.3	389.3	4.6	297.1	257.7	39.3	4.2
Sept.	241.6	501.8	392.6	5.3	300.5	260.2	40.3	4.1
Oct.	242.3	505.0	395.5	6.1	303.4	262.7	40.7	4.3
Nov.	243.6	508.2	399.4	7.8	305.9	264.6	41.3	4.3
Dec.	(245.7)	(512.5)	(401.1)	(5.3)	(310.0)	(266.8)	(43.2)	(4.4)
Annual Percentage Rates of Change--Quarterly and Monthly								
1971--4th Qtr.	1.1	8.0	9.7		15.9	14.7		
1972--1st Qtr.	9.3	13.3	11.3		14.8	17.1		
2nd Qtr.	5.3	8.6	11.1		15.7	11.8		
3rd Qtr.	8.5	9.3	10.7		13.2	10.1		
4th Qtr.	(7.0)	(8.5)	(8.5)		(12.5)	(10.0)		
1972--July	14.2	11.3	12.2		11.6	8.5		
Aug.	5.5	8.0	9.3		13.9	9.9		
Sept.	5.5	8.4	10.2		13.7	11.6		
Oct.	3.5	7.7	8.9		11.6	11.5		
Nov.	6.4	7.6	11.8		9.9	8.7		
Dec.	(10.5)	(10.0)	(5.0)		(16.0)	(10.0)		
Nov.-Dec.	(8.5)	(9.0)	(8.5)		(13.0)	(9.5)		
Weekly Pattern in Billions of Dollars								
1972--Aug. 2	239.7	496.2	387.5	5.3	295.1	256.5	38.6	4.1
9	240.1	497.1	388.2	6.0	295.6	257.0	38.6	4.1
16	240.9	498.6	389.8	5.6	296.5	257.7	38.8	4.1
23	240.5	498.3	388.7	3.1	297.6	257.8	39.7	4.4
30	241.2	499.8	390.1	3.4	298.9	258.5	40.4	4.1
Sept. 6	242.6	502.2	390.9	4.4	299.4	259.6	39.7	4.0
13	241.5	501.2	391.9	4.9	300.1	259.8	40.4	4.1
20	241.6	501.6	393.2	5.9	300.3	259.9	40.3	4.1
27	241.1	501.5	392.4	4.7	301.2	260.4	40.8	4.2
Oct. 4	241.8	504.0	395.1	6.7	302.6	262.2	40.4	4.2
11	242.7	504.8	394.0	5.2	302.6	262.1	40.5	4.1
18	242.2	504.9	394.6	5.2	303.8	262.7	41.0	4.2
25	242.3	505.4	396.3	6.0	304.1	263.0	41.0	4.5
Nov. 1	242.1	505.4	397.5	7.2	303.9	263.4	40.6	4.6
8	242.7	506.0	397.7	8.0	304.4	263.3	41.1	4.0
15	244.3	508.5	396.6	5.5	305.1	264.3	40.8	4.3
22	244.3	509.4	400.4	7.0	306.7	265.1	41.6	4.4
29 p	242.8	508.3	400.9	8.8	307.3	265.5	41.8	4.4
Dec. 6 p	246.1	512.2	402.8	7.8	308.4	266.0	42.3	4.3
13 pe	245.2	511.6	401.9	7.4	309.4	266.4	43.1	4.4

NOTES: Data shown in parentheses are current projections. Annual rates of change other than those for the past are rounded to nearest half per cent. pe - Partially estimated.

DECEMBER 15, 1972

Table 3
RESERVE EFFECTS OF
OPEN MARKET OPERATIONS AND OTHER RESERVE FACTORS
(Millions of dollars, not seasonally adjusted)

	Open Market Operations 1/					Daily Average Reserve Effect 2/			In reserve categories		ΔTarget
	Bills & Accept.	Coupon Issues	Agency Issues	RP's Net 3/	Total	Open Market Operations	ΔMember Bank Borrowing	Other 4/	req. res. against U.S.G. and interb.	available res. 5/ (6)+(7)+(8)-(9)	available reserves 5/ (11)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Monthly											
1972 - June	748	110	127	-1,205	-221	201	-25	-449	-315	42	15
July	-543	--	-26	--	-570	463	108	- 89	145	337	360
Aug.	-906	116	- 3	816	22	-238	237	135	-60	194	100
Sept.	-158	--	-35	-816	-1,009	-1,617	76	1,370	-403	232	405
Oct.	111	116	-22	--	205	1,124	59	-378	485	320	335
Nov.	-548	-51	157	--	-442	-226p	32p	-1,766p	-477p	-1,483p	-760
Dec.											-255
1973 - Jan											
Weekly											
Oct. 4	221	--	-20	2,155	2,357	993	-114	-201	432	246	
11	444	116	--	-1,380	-819	337	99	-457	208	-229	
18	-119	--	--	-638	-757	-428	-101	917	158	230	
25	-238	--	- 2	1,989	1,749	-186	331	-688	-423	-120	
Nov. 1	- 75	--	- 9	-1,028	-1,111	117	-210	242	-136	285	
8	- 3	--	--	1,084	1,081	600	404	-1,014	176	-186	
15	- 26	-51	--	-3,311	-3,389	-599	-465	-498	-204	-1,358	
22	-415	--	166	2,259	2,010	-307	-75	-1,211	-217	-1,376	
29	-105	--	--	-694	-799	-219	153p	272p	-478p	684p	
Dec. 6	229	--	--	193	422	671p	15p	-471p	319p	-104p	
13	288	--	-14	1,939	2,213	-428p	220p	287p	60p	19p	
20											
27											

1/ Represents change in System's portfolio from end-of-period to end-of-period; includes redemptions in regular bill auctions.

2/ Represents change in daily average level from preceding period.

3/ Includes matched sale-purchase transactions as well as RP's.

4/ Sum of changes in vault cash, currency in circulation, Treasury operations, F.R. float, gold and foreign accounts, and other FR accounts.

5/ Reserves to support private nonbank deposits. Target change for November and December reflects the mid-point of the target range adopted at the November 21, 1972 FOMC meeting. Target change for previous months reflects the bluebook patterns that are consistent with the mid-points of target ranges that were adopted during the month.

DECEMBER 15, 1972

Table 4
SECURITY DEALER POSITIONS AND BANK RESERVES
Millions of Dollars

Period	U.S. Govt. Security Dealer Positions		Other Security Dealer Positions		Member Bank Reserve Positions				
	Bills	Coupon Issues	Corporate Bonds	Municipal Bonds	Excess Reserves	Borrowings at FRB	Net Free Reserves	Basic Reserve Deficit	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	8 New York	38 Other
1971 -- High	4,733	2,834	337	556	590	1,180	202	-4,714	-5,499
Low	1,350	343	0	30	-61	84	-988	-1,545	-2,569
1972 -- High	4,291	1,585	235	365	796	959	380	-5,635	-4,833
Low	1,916	-93	0	40	-133	12	-835	-1,638	-1,910
1971 -- Nov.	2,417	2,462	201	328	263	407	-144	-3,056	-4,063
Dec.	2,544	1,761	170	251	165	107	50	-2,791	-4,375
1972 -- Jan.	3,004	1,416	135	206	173	20	153	-2,667	-4,192
Feb.	2,408	1,176	149	136	124	33	91	-3,203	-3,072
Mar.	3,489	604	101	185	249	99	150	-3,208	-3,522
Apr.	2,612	274	46	99	136	109	27	-3,026	-3,299
May	2,792	675	123	134	104	119	-15	-2,625	-2,652
June	2,694	205	87	260	204	94	110	-2,828	-2,864
July	2,262	97	142	166	147	202	-55	-2,945	-2,603
Aug.	2,643	692	114	176	255	438	-183	-3,913	-2,801
Sept.	4,099	170	53	174	162	514	-352	-3,835	-4,024
Oct.	2,887	207	105	132	247	574	-347	-3,637	-4,044
Nov	*3,096	*1,039	84	191	418p	606p	-188p	-4,561	-3,622
1972 -- Oct. 4	3,507	170	51	51	230	436	-206	-3,248	-3,354
11	2,904	60	59	166	358	535	-177	-4,292	-4,822
18	2,452	197	145	193	109	434	-313	-4,319	-4,445
25	2,734	282	235	149	150	765	-615	-2,900	-3,858
Nov. 1	3,114	328	0	173	205	555	-350	-3,272	-3,225
8	2,520	1,095	31	254	124	959	-835	-4,475	-3,676
15	2,531	1,117	36	126	786	494	292	-4,902	-3,707
22	*3,116	*1,079	121	136	189	419	-230	-4,727	-3,281
29	*4,158	*1,001	174	249	354p	572p	-218p	-4,329	-3,709
Dec. 6	*3,899	* 938	85	322	310p	587p	-277p	-4,284p	-4,497p
13	*3,564	* 975	75p	365p	243p	807p	-564p	-5,635p	-4,707p
20									
27									

Notes: Government Security dealer trading positions are on a commitment basis. Trading positions, which exclude Treasury bills financed by repurchase agreements maturing in 16 days or more, are indicators of dealer holdings available for sale over the near-term. Other security dealer positions are debt issues still 'n syndicate, excluding trading positions. The basic reserve deficit is excess reserves less borrowing at Federal Reserve less net Federal funds purchases. Weekly data are daily averages for statement weeks, except for corporate and municipal issues in syndicate which are Friday figures.

*STRICTLY CONFIDENTIAL

DECEMBER 15, 1972

Table 5
SELECTED INTEREST RATES
Per Cent

Periods	Short-term					Long-term			
	Federal Funds	Treasury bills		90-119 day Commercial Paper	90-119 day CD's Prime-NYC	New Issue Aaa Utility*	Municipal Bond Buyer	U.S. Gov't. (10-Yr. Constant Maturity)	FNMA Auction Yields
		90-day	1-year						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1971 -- High	5.73	5.47	5.94	5.88	5.75	8.26	6.23	6.89	8.07
Low	3.29	3.32	3.53	4.00	3.63	7.02	4.97	5.42	7.32
1972 -- High	5.29	5.05	5.52	5.28	5.25	7.60	5.54	6.58	7.72
Low	3.18	3.03	3.60	3.75	3.50	6.99	4.96	5.87	7.54
1971 -- Nov.	4.91	4.22	4.49	4.85	4.78	7.38	5.20	5.81	7.71
Dec.	4.14	4.01	4.40	4.66	4.58	7.28	5.21	5.93	7.62
1972 -- Jan.	3.50	3.38	3.82	4.03	3.81	7.21	5.12	5.95	7.61
Feb.	3.29	3.20	4.06	3.81	3.53	7.34	5.29	6.08	7.61
Mar.	3.83	3.73	4.43	4.10	3.98	7.24	5.31	6.07	7.55
Apr.	4.17	3.71	4.65	4.55	4.47	7.45	5.43	6.19	7.58
May	4.27	3.69	4.46	4.45	4.33	7.38	5.31	6.13	7.63
June	4.46	3.91	4.71	4.60	4.50	7.32	5.34	6.11	7.62
July	4.55	3.98	4.90	4.83	4.75	7.38	5.41	6.11	7.62
Aug.	4.80	4.02	4.90	4.75	4.78	7.37	5.30	6.21	7.63
Sept.	4.87	4.66	5.44	5.07	5.00	7.40	5.36	6.55	7.64
Oct.	5.04	4.74	5.39	5.21	5.19	7.38	5.19	6.48	7.71
Nov.	5.06	4.78	5.20	5.18	5.13	7.09	5.02	6.28	7.70
1972 -- Oct. 4	5.15	4.60	5.48	5.13	5.13	7.44	5.22	6.53	7.69
11	5.09	4.74	5.41	5.25	5.13	7.48	5.16	6.49	--
18	4.91	4.81	5.40	5.25	5.25	7.30	5.23	6.48	7.72
25	5.01	4.74	5.35	5.25	5.25	7.34	5.13	6.43	--
Nov. 1	5.06	4.74	5.34	5.15	5.13	7.27	5.04	6.37	7.72
8	5.25	4.71	5.17	5.13	5.13	--	5.10	6.29	--
15	4.89	4.74	5.18	5.13	5.13	7.12	5.01	6.25	7.71
22	4.97	4.79	5.17	5.23	5.13	6.99	4.96	6.26	--
29	5.03	4.87	5.26	5.25	5.13	7.05	4.99	6.29	7.69
Dec. 6	5.17	4.94	5.25	5.28r	5.25	7.15	4.96	6.31	--
13	5.29	5.05	5.27	5.28	5.25	7.21p	5.03	6.34p	7.67
20									
27									

Notes: Weekly data for columns 1 to 4 are statement week averages of daily data. Column 5 is a one-day Wednesday quote. For columns 6 and 8 the weekly data is the mid-point of the calendar week over which data are averaged. Column 7 is a one-day quote for the Thursday following the end of the statement week. Column 9 gives FNMA auction data for the Monday preceding the end of the statement week. The FNMA auction yield is the implicit yield in weekly or bi-weekly auction for short-term forward commitments for Government underwritten mortgages.

*New series--Corporate New Issues Aaa series discontinued.

Appendix Table I
RESERVES AND MONETARY VARIABLES

CONFIDENTIAL (FR)

December 15, 1972

Period	Reserves			Money Stock Measures			Bank Credit Measures		Other						
	Total (1)	Nonborrowed (2)	Available to Support Pvt. Deposits (3)	M ₁ (4)	M ₂ (5)	M ₃ (6)	Adjusted Credit Proxy (7)	Total Loans and Investments (8)	Total Time (9)	Time Other than CD's (10)	Thrift Institution Deposits (11)	CD's (12)	Nondeposit Funds (13)	U.S. Gov't. Demand (14)	
<u>Annually:</u>				(Per Cent Annual Rates of Growth)						(Dollar Change in Billions)					
1968	+7.6	+5.6	+8.6	+7.8	+9.3	+8.3	+9.7	+11.0	+11.3	+11.1	+6.4	+2.8	+2.6	-0.1	
1969	-1.2	-2.7	-2.7	+3.2	+2.3	+2.8	+0.6	+3.9	-4.9	+1.4	+3.4	-12.6	+13.0	+0.3	
1970	+6.0	+9.2	+8.1	+5.4	+8.1	+7.8	+8.3	+8.1	+17.9	+11.0	+7.7	+14.5	-8.4	+1.1	
1971	+7.3	+8.0	+7.8	+6.2	+11.1	+13.3	+9.5	+11.3	+17.9	+16.2	+17.5	+7.9	-7.6	-0.3	
<u>Semi-Annually:</u>															
1st Half 1970	+0.4	+3.0	+5.2	+5.6	+5.8	+5.0	+4.8	+5.2	+8.4	+6.0	+4.7	+2.6	+0.7	+0.4	
2nd Half 1970	+11.6	+15.2	+10.6	+5.2	+10.1	+10.3	+11.4	+10.8	+26.3	+15.6	+10.6	+11.9	-9.1	+0.7	
1st Half 1971	+9.6	+9.3	+10.9	+10.0	+15.5	+17.0	+9.7	+11.5	+22.3	+21.2	+20.1	+3.9	-7.1	-2.1	
2nd Half 1971	+4.7	+6.5	+4.6	+2.4	+6.3	+8.8	+8.8	+10.6	+12.2	+10.1	+13.5	+4.1	-0.4	+1.8	
1st Half 1972	+11.6	+12.1	+9.0	+7.4	+11.1	+13.4	+11.3	+12.8	+15.6	+14.7	+17.9	+3.7	-0.3	-0.8	
<u>Quarterly:</u>															
1st Qtr. 1971	+8.9	+9.5	+10.8	+9.1	+18.1	+18.9	+10.9	+12.3	+28.8	+27.5	+21.9	+2.6	-4.6	-2.4	
2nd Qtr. 1971	+10.0	+9.0	+10.6	+10.6	+12.4	+14.4	+8.4	+10.3	+14.7	+14.0	+17.3	+1.3	-2.6	+0.3	
3rd Qtr. 1971	+7.2	+6.0	+4.3	+3.7	+4.4	+7.8	+7.6	+9.7	+8.2	+5.3	+13.7	+2.3	-0.4	+2.3	
4th Qtr. 1971	+2.2	+6.8	+4.8	+1.1	+8.0	+9.6	+9.7	+11.1	+15.9	+14.7	+12.8	+1.8	--	-0.4	
1st Qtr. 1972	+10.1	+11.0	+10.8	+9.3	+13.3	+15.5	+11.3	+15.7	+14.8	+17.1	+20.5	-0.1	-0.3	-0.1	
2nd Qtr. 1972	+12.8	+13.0	+7.1	+5.3	+8.6	+10.8	+11.1	+9.5	+15.7	+11.8	+14.5	+3.7	--	-0.8	
3rd Qtr. 1972	+3.6	-2.0	+10.0	+8.5	+9.3	+11.6	+10.7	+13.6	+13.2	+10.1	+15.7	+3.2	+0.3	--	
1971: July	+4.4	-7.6	+6.8	+10.1	+7.5	+10.5	+10.7	+6.2	+9.4	+4.8	+16.7	+1.1	-0.2	+0.8	
Aug.	+4.1	+2.8	+6.9	+3.2	+2.9	+6.6	+4.1	+11.9	+4.2	+3.2	+10.3	+0.4	-0.4	+0.6	
Sept.	+12.9	+22.9	-0.8	-2.1	+2.9	+6.2	+7.9	+10.9	+10.7	+7.9	+13.8	+0.8	+0.1	+0.9	
Oct.	-7.4	-2.8	+3.6	+0.5	+7.1	+9.1	+4.8	+11.9	+17.1	+13.7	+13.0	+1.1	+0.8	-1.9	
Nov.	+3.4	+2.0	+5.9	--	+6.5	+8.7	+11.2	+6.2	+9.1	+13.0	+11.4	-0.5	+0.5	+0.7	
Dec.	+10.7	+21.4	+4.8	+2.6	+10.2	+11.0	+13.1	+14.9	+20.8	+17.0	+13.7	+1.2	-1.3	+0.8	
1972: Jan.	+20.2	+23.1	+9.2	+3.2	+13.4	+15.4	+9.9	+14.2	+20.0	+24.4	+23.9	-0.2	-0.1	+0.1	
Feb.	-5.9	-3.6	+7.4	+12.6	+14.3	+16.7	+5.9	+12.4	+16.2	+15.4	+17.6	+0.6	-0.3	-2.6	
Mar.	+15.8	+13.3	+15.6	+11.9	+11.6	+13.8	+17.7	+19.9	+7.8	+10.8	+19.0	-0.4	+0.1	+2.4	
Apr.	+22.9	+22.2	+7.0	+7.7	+7.2	+10.9	+13.5	+5.4	+12.4	+7.8	+15.8	+1.3	-0.2	+1.3	
May	+6.9	+7.5	+6.2	+2.6	+7.7	+9.7	+14.7	+20.0	+17.8	+12.6	+10.6	+1.6	+0.2	--	
June	+8.4	+8.8	+7.9	+5.6	+10.6	+11.5	+4.7	+2.3	+16.3	+14.8	+16.6	+0.8	--	-2.1	
July	+2.9	-1.6	+8.6	+14.2	+11.3	+13.5	+12.2	+10.2	+11.6	+8.5	+18.3	+1.0	+0.1	--	
Aug.	+8.8	+3.4	+7.5	+5.5	+8.0	+10.7	+9.3	+18.3	+13.9	+9.9	+12.3	+1.2	+0.3	-0.7	
Sept.	-0.8	-7.8	+13.7	+5.5	+8.4	+10.4	+10.2	+11.9	+13.7	+11.6	+15.8	+1.0	-0.1	+0.7	
Oct.	+15.4	+14.7	+2.8	+3.5	+7.7	+10.4	+8.9	+11.4	+11.6	+11.5	+13.5	+0.4	+0.2	+0.7	
Nov. p	+11.5	+9.3	+13.7	+6.4	+7.6	+9.1	+11.8	+20.6	+9.9	+8.7	+10.4	+0.6	--	+1.7	

NOTE: Reserve requirements on Eurodollar borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970.

Appendix Table II
RESERVES AND MONETARY VARIABLES
(Seasonally adjusted, billions of dollars)

CONFIDENTIAL (FR)

December 15, 1972

Period	Reserves			Money Stock Measures				Bank Credit Measures			Other				
	Total	Non-borrowed	Available to Support Pvt. Deposits	M ₁		M ₂	M ₃	Adjusted Credit Proxy	Total Loans and Investments	Total Time	Time Other than CD's	Thrift Institution Deposits	CD's	Non-Deposit Funds	U.S. Gov't. Demand
				Total	Pvt. Dep.										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
Annually:															
Dec. 1968	27.249	26.471	24.963	197.4	154.0	378.0	572.6	304.6	390.6	204.2	180.6	194.6	23.6	7.0	5.1
Dec. 1969	27.977	26.829	25.245	203.7	157.7	368.8	588.3	305.4	406.0	194.1	183.2	201.5	11.0	20.0	5.3
Dec. 1970	29.132	28.764	26.747	214.8	165.8	418.2	634.0	330.6	438.9	228.9	203.4	215.8	25.5	11.6	6.4
Monthly:															
1971--															
Jan.	29.390	28.958	26.930	215.3	166.0	423.1	642.2	333.4	443.6	234.4	207.8	219.2	26.6	10.1	5.8
Feb.	29.600	29.240	27.132	217.7	168.0	430.4	653.4	336.7	449.0	240.2	212.7	223.0	27.5	8.6	4.9
Mar.	29.779	29.445	27.470	219.7	169.7	437.1	663.9	339.6	452.4	245.4	217.4	226.8	28.1	7.0	4.0
Apr.	29.991	29.859	27.735	221.2	170.7	441.5	672.5	342.0	455.2	248.1	220.3	231.0	27.8	5.1	5.6
May	30.327	30.106	27.935	223.8	173.0	446.6	681.0	344.5	458.9	251.3	222.8	234.4	28.5	4.1	5.4
June	30.527	30.106	28.199	225.5	174.5	450.6	687.8	346.7	464.1	254.4	225.0	237.2	29.4	4.5	4.3
July	30.639	29.915	28.358	227.4	175.8	453.4	693.8	349.8	466.5	256.4	225.9	240.4	30.4	4.3	5.1
Aug.	30.743	29.985	28.521	228.0	176.3	454.5	697.6	351.0	471.1	257.3	226.5	243.1	30.8	3.9	5.7
Sept.	31.073	30.556	28.503	227.6	175.5	455.6	701.2	353.3	475.4	259.6	228.0	245.6	31.6	4.1	6.6
Oct.	30.882	30.485	28.588	227.7	175.5	458.3	706.5	354.7	480.1	263.3	230.6	248.3	32.7	4.8	4.7
Nov.	30.970	30.535	28.728	227.7	175.5	460.8	711.6	358.0	482.6	265.3	233.1	250.8	32.2	5.4	5.4
Dec.	31.246	31.079	28.844	228.2	175.7	464.7	718.1	361.9	488.6	269.9	236.4	253.4	33.4	4.0	6.2
1972--															
Jan.	31.772	31.678	29.064	228.8	176.0	469.9	727.3	364.9	494.4	274.4	241.2	257.4	33.2	4.0	6.3
Feb.	31.616	31.582	29.244	231.2	178.0	475.5	737.4	366.7	499.5	278.1	244.3	261.8	33.8	3.6	3.7
Mar.	32.032	31.931	29.625	233.5	179.9	480.1	745.9	372.1	507.8	279.9	246.5	265.8	33.4	3.7	6.1
Apr.	32.643	32.525	29.798	235.0	180.9	483.0	752.7	376.3	510.1	282.8	248.1	269.7	34.7	3.5	7.4
May	32.830	32.728	29.951	235.5	181.1	486.1	758.8	380.9	518.6	287.0	250.7	272.6	36.3	3.7	7.4
June	33.059	32.967	30.148	236.6	181.9	490.4	766.1	382.4	519.8	290.9	253.8	275.7	37.1	3.8	5.3
July	33.138	32.924	30.365	239.4	184.5	495.0	774.7	386.3	524.2	293.7	255.6	279.7	38.1	3.9	5.3
Aug.	33.382	33.016	30.555	240.5	185.5	498.3	781.6	389.3	532.2	297.1	257.7	283.3	39.3	4.2	4.6
Sept.	33.360	32.802	30.903	241.6	186.1	501.8	788.4	392.6	537.5	300.5	260.2	286.6	40.3	4.1	5.3
Oct.	33.788	33.205	30.975	242.3	186.5	505.0	795.2	395.5	542.6	303.4	262.7	290.1	40.7	4.3	6.1
Nov. p	31.843	31.191	29.313	243.6	187.3	508.2	801.2	399.4	551.9	305.9	264.6	293.0	41.3	4.3	7.8
Weekly:															
1972--															
Sept. 6	33.775	32.938	31.397	242.6	187.3	502.2	800.0	390.9	550.0	299.4	259.6	297.0	40.0	4.0	4.4
13	32.765	32.617	30.457	241.5	186.0	501.2	800.0	391.9	550.0	300.1	259.8	297.0	40.4	4.1	4.9
20	33.370	32.586	31.025	241.6	186.1	501.6	800.0	393.2	550.0	300.3	259.9	297.0	40.3	4.1	5.9
27	33.398	32.815	30.794	241.1	185.5	501.5	800.0	392.4	550.0	301.2	260.4	297.0	40.8	4.2	4.7
Oct. 4	33.806	33.379	30.925	241.8	186.3	504.0	800.0	395.1	550.0	302.6	262.2	297.0	40.4	4.2	6.7
11	33.828	33.276	31.099	242.7	186.8	504.8	800.0	394.0	550.0	302.6	262.1	297.0	40.5	4.1	5.2
18	33.802	33.388	30.772	242.2	186.3	504.9	800.0	394.6	550.0	303.8	262.7	297.0	41.0	4.2	5.2
25	33.764	32.837	31.076	242.3	186.3	505.4	800.0	396.3	550.0	304.1	263.0	297.0	41.0	4.5	6.0
Nov. 1	33.741	33.141	30.984	242.1	186.2	505.4	800.0	397.5	550.0	303.9	263.4	297.0	40.6	4.6	7.2
8	33.788	32.742	30.991	242.7	186.5	506.0	800.0	397.7	550.0	304.4	263.3	297.0	41.1	4.0	8.0
15	31.966	31.474	29.203	244.3	188.0	508.5	800.0	396.6	550.0	305.1	264.3	297.0	40.8	4.3	5.5
22	30.630	30.147	28.118	244.3	187.8	509.4	800.0	400.4	550.0	306.7	265.1	297.0	41.6	4.4	7.0
29 p	30.807	30.202	28.763	242.8	186.4	508.3	800.0	400.9	550.0	307.3	265.5	297.0	41.8	4.4	7.8
Dec. 6 p	31.208	30.579	28.878	246.1	189.7	512.2	800.0	402.8	550.0	308.4	266.0	297.0	42.3	4.3	7.5

NOTE: Reserve requirements on Euro-dollar borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970. Adjusted credit proxy includes mainly total member bank deposits subject to reserve requirements, bank-related commercial paper, and Euro-dollar borrowings of U.S. banks. Weekly data are daily averages for statement weeks. Monthly data are daily averages except for nonbank commercial paper figures which are for last day of month. Weekly data are not available for M₃, total loans and investments and thrift institution deposits.

p = Preliminary.