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(CONFIDENTIAL FR)

March 16, 1973

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) M_1 now appears to be growing at an annual rate within the Committee's February-March range of tolerance, as shown in the table. Growth of M_2 is near the high end of its February-March target range. RPD is growing above the upper limit of its range, chiefly because heavy loan demands have led banks to expand large CD's much more rapidly than anticipated. The combination of very rapid acceleration in CD growth and the maintenance of Treasury tax and loan balances at unexpectedly high levels (as a result of foreign central bank purchases of special Treasury certificates) has ballooned growth in the credit proxy to an estimated February-March annual rate of 18 per cent, far in excess of what was indicated at the last Committee meeting.

Growth of Monetary Aggregates and RPD
in February-March Period
(SAAR in Percentage Points)

	<u>Ranges of Tolerance</u>	<u>Current Estimates</u>
RPD	-2-1/2 to +2-1/2	5
M_1	3 to 8	6
M_2	2 to 7	6-1/2
<u>Memo:</u> Federal funds	6 to 7	7.13 (Week ending March 14)

(2) Early in the inter-meeting period, incoming data suggested that RPD and M_2 were both running above their February-March ranges of tolerance; by the end of February, M_1 also seemed to be moving to the upper limit of its range. In these circumstances, since the Federal funds rate had already been averaging around the 6-3/4 per cent maximum contemplated at the mid-February meeting, the Committee members concurred in the Manager's recommendation of March 1 that the upper limit be raised to 7 per cent to provide a little more elbow room for open market operations in case of need. This permitted the Manager to restrain somewhat further the provision of nonborrowed reserves. At the same time the pressure of loan demand on commercial banks caused spirited bidding for funds. Despite resistance by the Desk, the funds rate tended to persist above 7 per cent, and in the most recent statement week averaged 7.13 per cent. Over the full inter-meeting period, the funds rate has risen about 55 basis points, on top of the roughly 150 basis points rise that occurred during the preceding three months.

(3) Rate increases on short-term market instruments have generally matched or exceeded the rise in the Federal funds rate since the last meeting, although the spread of the funds rate over the 3-month bill rate remains relatively wide. Rates on large CD's with maturities just under 90 days have advanced as much as 100 basis points during the inter-meeting period; Treasury bill rates are up 75-100 basis points--with the 3-month issue most recently bid close to 6.20 per cent; and even the interest rates on commercial paper--the issuance of which has been reduced

by borrower shifts to the alternative use of bank credit--have risen 75-85 basis points. The Federal Reserve discount rate was raised one-half per cent to 5-1/2 per cent, effective February 26, and a rise in the bank prime rate from 6 to 6-1/4 per cent occurred at about the same time. Market rate increases in recent days have been fueled partly by expectations that a further discount rate hike is impending.

(4) In markets for longer maturity securities, upward pressures on yields have been relatively less intense than in short markets, with advances ranging generally from 10 to 30 basis points. Special factors have tended to limit the extent of the rise on corporate, U. S. Treasury, and Federal agency securities; in the case of corporates, the calendar of new utility and industrial bond offerings has been unusually light, while in the case of Treasury coupon and Federal agency issues a foreign central bank--shifting out of bills--has been a persistent large buyer. Municipal bond yields, on the other hand, have been under increasing pressure from sizable current offerings and a large forward calendar as well as from a falling off in bank portfolio acquisitions.

(5) The table on the following page shows (in percentage annual rate of change) selected monetary and financial flows over various time periods. The slowing of growth in M_1 and M_2 over the first two months of 1973 has helped offset the surge in December 1972. Over the 3 months ending in February, M_1 has grown at a 6.3 per cent annual rate and M_2 at an 8.2 per cent rate. Growth rates over the past 6 months are slightly higher, and over the past 12 months are higher still.

	Past 3 Calendar Years	Past 12 Months	Past 6 Months	Past 3 Months	Past Months
	Dec. '72 over Dec. '69	Feb. '73 over Feb. '72	Feb. '72 over Aug. '72	Feb. '73 over Nov. '72	Feb. '73 over Jan. '73
Total reserves	8.4	10.2	8.8	8.2	-21.9
Nonborrowed reserves	8.8	4.4	-0.3	-6.8	-41.0
Reserves available to support private non- bank deposits	9.0	9.6	10.4	8.1	- 4.6
<u>Concepts of Money</u>					
M ₁ (currency plus demand deposits) ^{1/}	7.5	7.4	6.5	6.3	6.1
M ₂ (M ₁ plus time deposits at commercial banks other than large CD's)	11.3	9.6	8.7	8.2	5.9
M ₃ (M ₂ plus deposits at thrift institu- tions)	12.8	11.8	10.8	10.2	8.5
<u>Bank Credit</u>					
Total member bank deposits (bank credit proxy adj.)	10.7	12.3	12.0	12.8	16.4
Loans and investments of commercial banks ^{2/}	12.4	15.3	16.3	17.3	21.9
<u>Short-term market paper</u> (Actual \$ change in billions)					
Large CD's	32.3	15.1	9.7	7.6	4.4
Nonbank commercial paper	3.1	1.7	2.3	1.5	- 1.5

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

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

NOTE: All items are based on averages of daily figures, except for data on total loans and investments of commercial banks, commercial paper, and thrift institutions--which are either end-of-month or last-Wednesday-of-month figures.

Prospective developments

(6) Presented below in summary form (with figures for aggregates representing seasonally adjusted annual rates of change) are March-April ranges for monetary aggregates and money market conditions associated with three alternative longer-run targets.^{1/} The longer-run targets are indexed by growth rates for M₁ of 7, 5-1/2, and 4 per cent over the next two quarters for alternatives A, B, and C, respectively. These policy options tie in with the economic analysis of longer-run alternatives to be presented for FOMC consideration at the forthcoming meeting. For purposes of the Blue Book discussion, Regulation Q ceilings are assumed to remain unchanged.

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
Longer-run targets (represented by growth rates for 2nd and 3rd quarters of 1973)			
M ₁	7	5-1/2	4
M ₂	9	6	4
Credit Proxy	10-1/2	9	8
RPD	9-1/2	8	6-1/2
Associated ranges for March-April 1973			
Nonborrowed RPD	23-25	12-14	4-6
RPD	15-1/2--17-1/2	14-1/2--16-1/2	13-1/2--15-1/2
M ₁	6-8	5-1/2--7-1/2	5-7
M ₂	8-10	7-9	6-8
Federal funds rate	5-3/4--7	6-1/2--7-1/2	7--8-1/4

^{1/} More detailed monthly and quarterly figures are shown in the table on page 6a.

(7) Given the cumulative impact of monetary restraint, the staff believes that growth in the monetary aggregates at the rates shown for alternative B would involve little further change in money market conditions. Growth in M_1 for the March-April period is indicated at 5-1/2--7-1/2 per cent in this alternative, ranging a little above the longer-run target. This is due primarily to the assumed effect of larger-than-usual income tax refunds this year, which will also bolster time and savings deposits. RPD growth in the March-April period consistent with these aggregates is projected to be relatively large, however, partly because it reflects a further sharp increase in large CD's, and also because of the effects of lagged reserve accounting.

(8) Assuming adoption of the somewhat larger growth rates for the aggregates as a longer-run target under alternative A, money market conditions would be likely to ease down through the range shown for that option over the next few weeks. On the other hand, an effort to secure a slowing in rates of growth in the monetary aggregates of the dimensions shown under alternative C would be likely to entail a further rise in the Federal funds rate from current levels. The pattern for this alternative shown in the detailed table on p. 6a assumes that the funds rate would rise to near the upper end of the 7--8-1/4 per cent range before the next Committee meeting. If the Committee wished to undertake a more gradual tightening--for example, constraining the rise in the funds rate to around 8 per cent over a two-month period--the staff would still expect a significant slowing in growth of the aggregates over time. The slowing, however, would probably be somewhat delayed with M_1 expected to expand at a 5 per cent annual rate in the second quarter and 4 per cent in the third.

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>
1973	Feb.	256.7	256.7	256.7	530.5	530.5	530.5	414.8	414.8	414.8
	Mar.	257.9	257.9	257.8	533.9	533.8	533.7	421.6	421.6	421.5
	Apr.	259.7	259.5	259.3	538.3	537.4	536.8	423.8	423.3	422.9
	May	261.1	260.6	260.1	542.1	539.8	538.3	425.8	424.9	423.8
	June	262.2	261.4	260.8	545.4	541.9	539.4	431.6	430.4	428.7
	Sept.	267.1	265.0	263.1	558.1	549.2	543.9	443.6	440.8	438.3
		<u>Rates of Growth</u>								
Quarters: 1973	1st. Q.	4.0	4.0	3.5	6.5	6.5	6.5	15.0	15.0	15.0
	2nd. Q.	6.5	5.5	4.5	8.5	6.0	4.5	9.5	8.5	7.0
	3rd. Q.	7.5	5.5	3.5	9.5	5.5	3.5	11.0	9.5	9.0
Months:										
	Mar.	5.5	5.5	5.0	7.5	7.5	7.0	19.5	19.5	19.5
	Apr.	8.5	7.5	7.0	10.0	8.0	7.0	6.5	5.0	4.0
		<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>			
1973	Feb.	31,654	31,654	31,654	29,299	29,299	29,299			
	Mar.	31,988	31,980	31,978	29,653	29,645	29,643			
	Apr.	32,215	32,163	32,119	30,111	30,060	30,017			
	May	32,261	32,183	32,090	30,259	30,183	30,091			
	June	32,096	31,978	31,831	30,450	30,337	30,191			
	Sept.	32,726	32,511	32,290	31,080	30,860	30,640			
					<u>Rates of Growth</u>					
Quarters: 1973	1st. Q.	8.5	8.5	8.5	11.0	11.0	11.0			
	2nd. Q.	1.5	--	-2.0	11.0	9.5	7.5			
	3rd. Q.	8.0	6.5	6.0	8.5	7.0	6.0			
Months:										
	Mar.	12.5	12.5	12.5	14.5	14.0	14.0			
	Apr.	8.5	7.0	5.5	18.5	17.0	15.0			

(9) Even assuming little change in the Federal funds rate from current levels, the 3-month bill rate is likely to continue to rise over the next few weeks, perhaps moving up in a 6-1/4--6-1/2 per cent range. In addition to the continued pull on the bill rate from a funds rate of around 7 per cent, the Desk is likely to be a sizable seller of bills during the first half of April because of an expected substantial decline in the Treasury balance at the Fed prior to mid-April tax collections. The Treasury balance at the Fed has recently risen to an exceptionally large \$4 billion as the bulk of the recent outflows of funds to abroad was reinvested by official institutions in Treasury specials. If a sizable reflow of these funds should develop, upward interest rate pressures in the Treasury bill market would be particularly strong, assuming that foreign central banks dispose of Treasury issues as demand for dollars increases, and the bill rate could well rise above the indicated range.

(10) Short-term rates outside the Treasury bill area appear to have already adjusted more fully than short-term bills to prevailing money market conditions, but nevertheless some of these rates could rise somewhat further. Rates on negotiable CD's maturing in over 90 days offered by large banks are apparently at or near ceilings. With these banks crowding CD borrowing even more into the short-term area, short-term CD rates are likely to rise. As costs of bank funds rise, there will be further pressure on bank lending rates and policies. With pressure continuing on the short-term rate structure, long-term rates

are likely to increase further as investors become more reluctant to make long-term commitments at current rates and as borrowers begin to seek to nail down funds in the bond market.

(11) A tightening of the money market from currently prevailing conditions would lead to rather substantial further upward adjustments in short- and long-term interest rates. For instance, if the funds rate were in a 7-1/2--8 per cent range, we would expect increases of about 1/2--3/4 percentage point in short-term market rates (other than longer-term CD's which are at ceiling rates), and sizable accompanying rises in long-term rates.

(12) Upward pressures on short- and long-term interest rates partly reflect the necessity for banks and other savings institutions to adjust to a significant slowing in the rate of inflow of consumer-type time and savings deposits. Such a slowing would be expected under alternative B, and would be even more marked under alternative C; however, this does not allow for any change in Regulation Q ceilings on consumer-type time and savings deposits. Banks and other institutions would have to adjust to smaller inflows by adopting more stringent commitment policies, reducing liquidity, and reducing their participation in bond markets. In addition, large banks would remain aggressive issuers of CD's, and savings and loan associations would begin borrowing actively from Federal Home Loan Banks.

Proposed directives

(13) 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. The reference to credit markets is proposed for elimination only in alternative A, the only alternative that contemplates a significant easing of the money market. In view of uncertainties as to how the current international exchange crisis will be unwound, a reference to international developments is suggested for all three alternatives.

Alternative A

To implement this policy, while taking account of possible-domestic-credit-market-and international developments, the Committee seeks to achieve bank reserve and money market conditions that will support somewhat-slower growth in monetary aggregates over the months ahead than occurred-on AT ABOUT THE average RATES OF in the past 12 months.

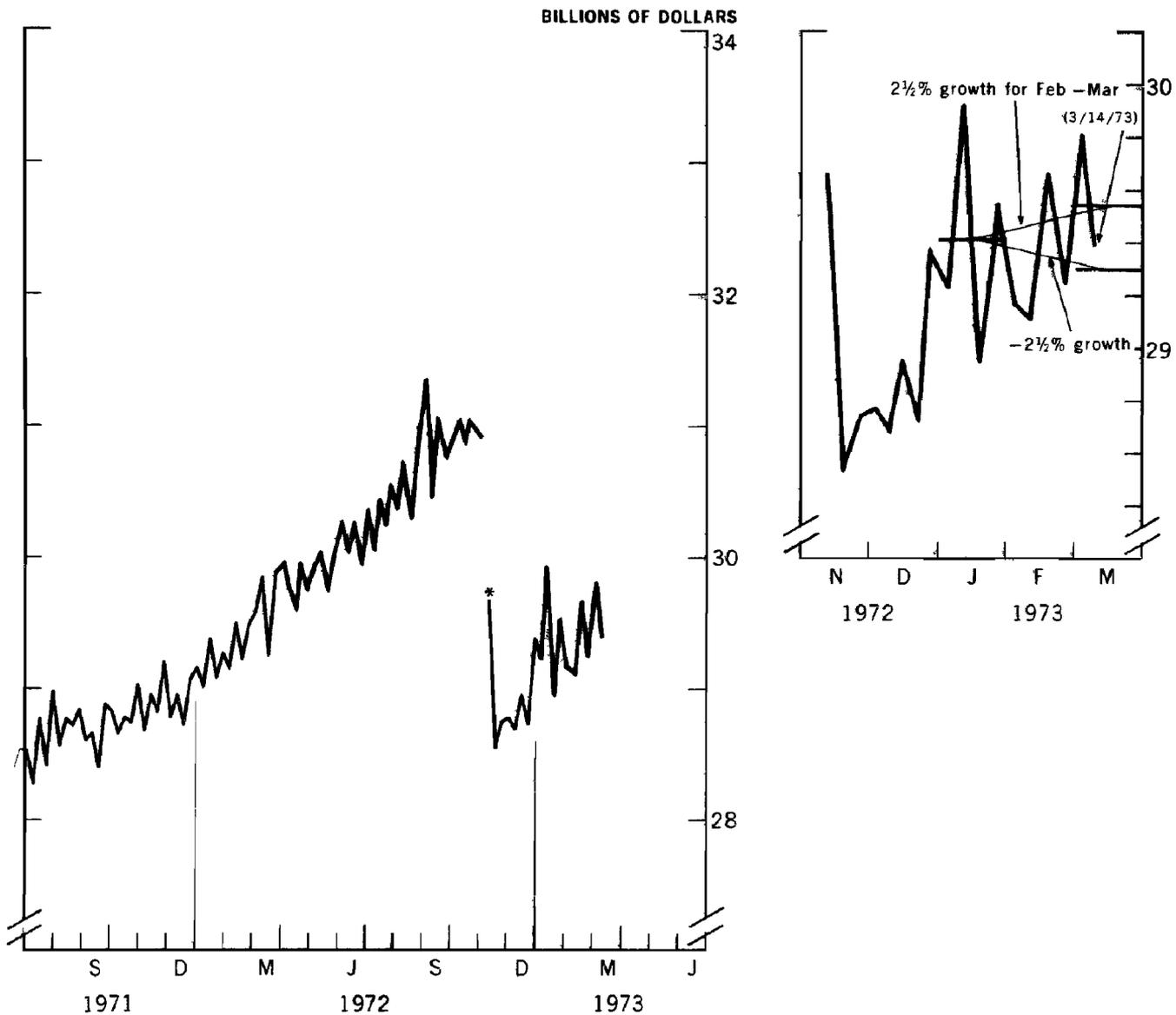
Alternative B

To implement this policy, while taking account of possible domestic credit market and international developments, the Committee seeks to achieve bank reserve and money market conditions that will support somewhat slower growth in monetary aggregates over the months ahead than occurred on average in the past 6 months.

Alternative C

To implement this policy, while taking account of possible domestic credit market and international developments, the Committee seeks to achieve bank reserve and money market conditions that will support somewhat SUBSTANTIALLY slower growth in monetary aggregates over the months ahead than occurred on average in the past 6 months.

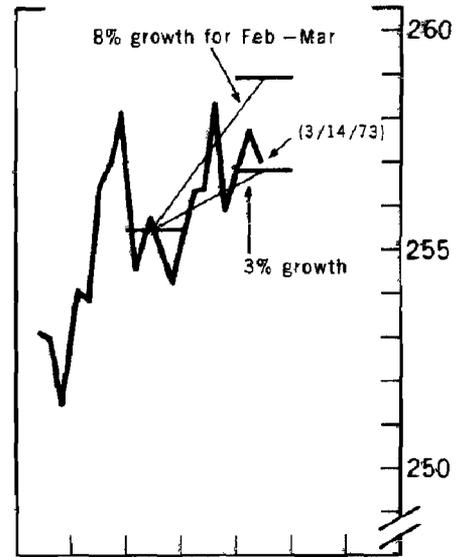
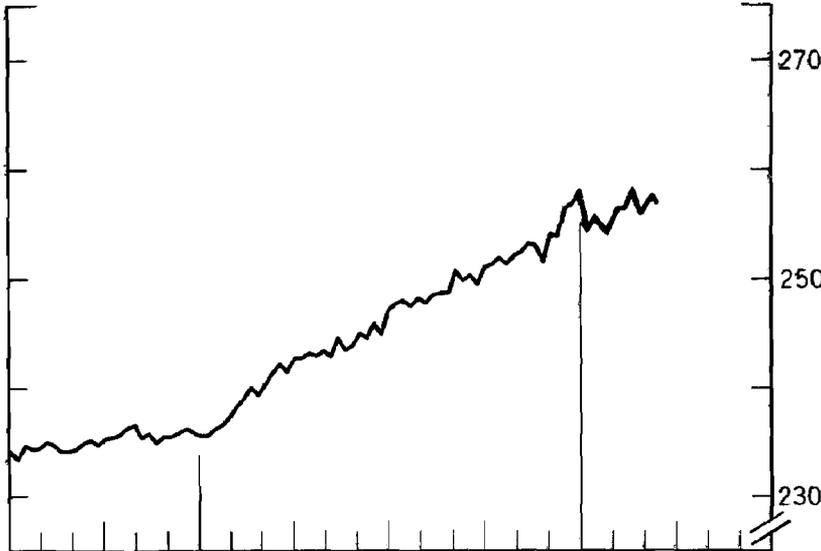
RESERVES AVAILABLE TO SUPPORT PRIVATE NONBANK DEPOSITS



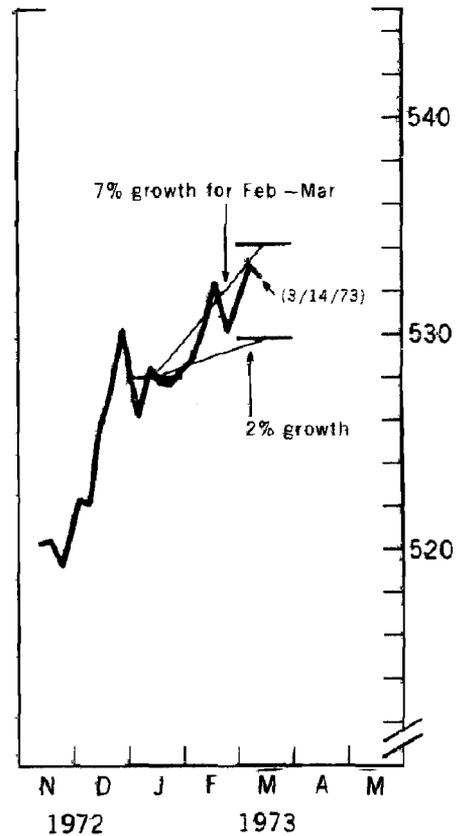
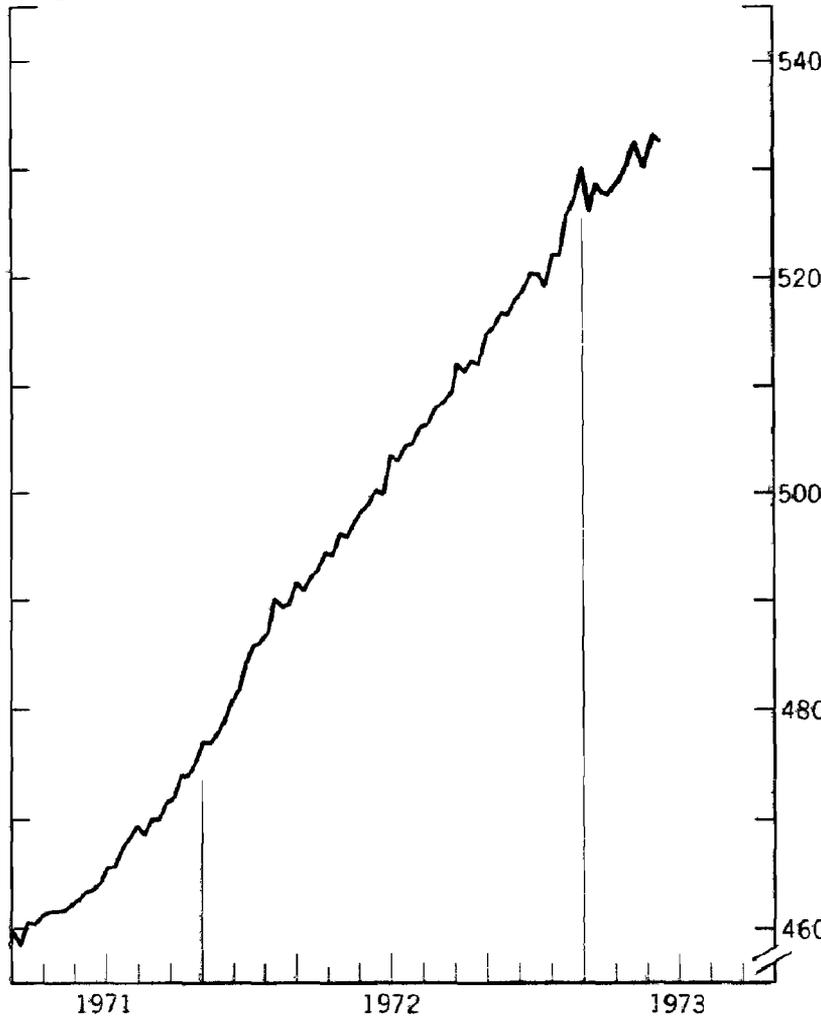
MONETARY AGGREGATES

NARROW MONEY SUPPLY M1

BILLIONS OF DOLLARS



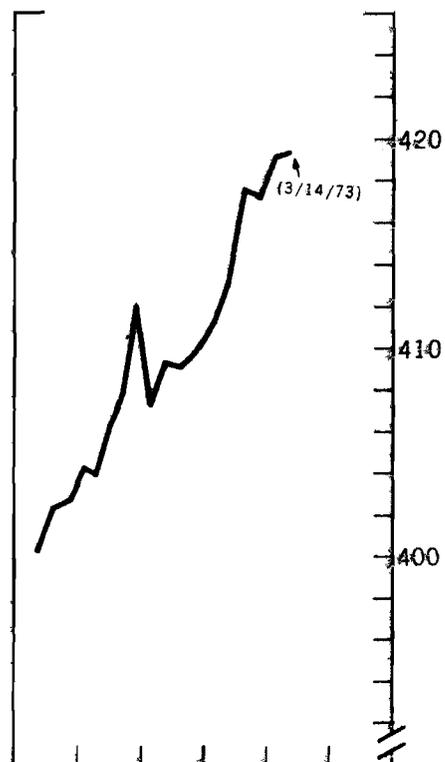
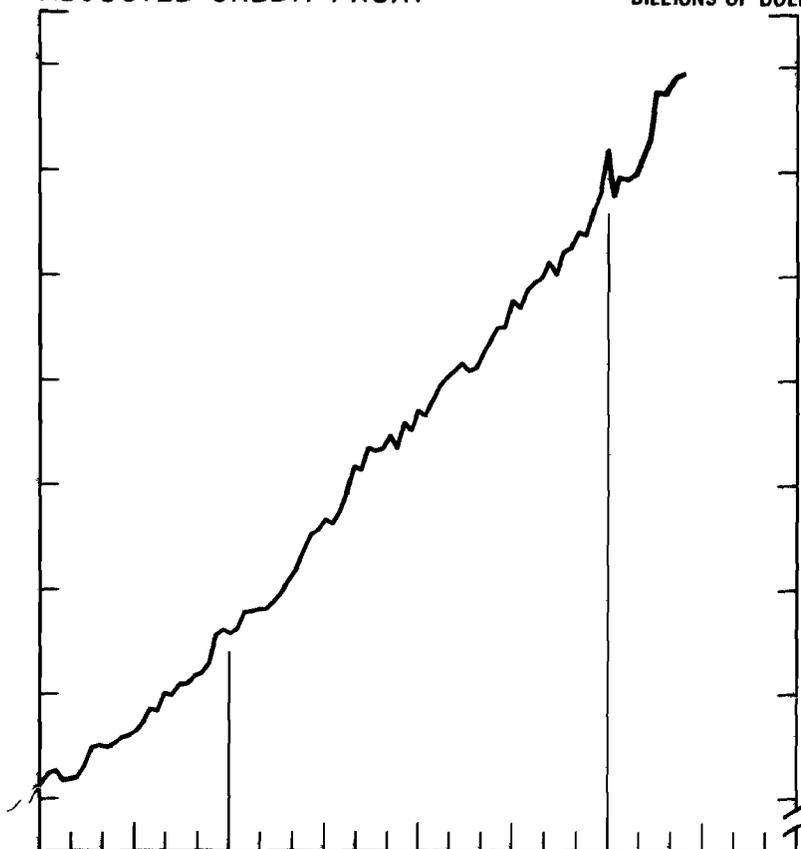
BROADER MONEY SUPPLY M2



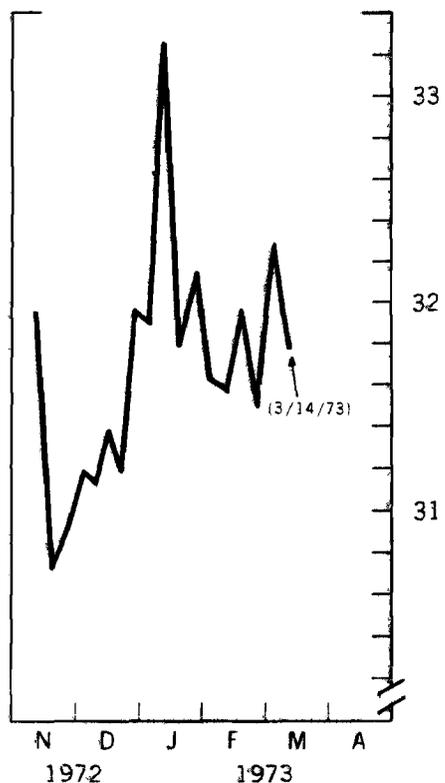
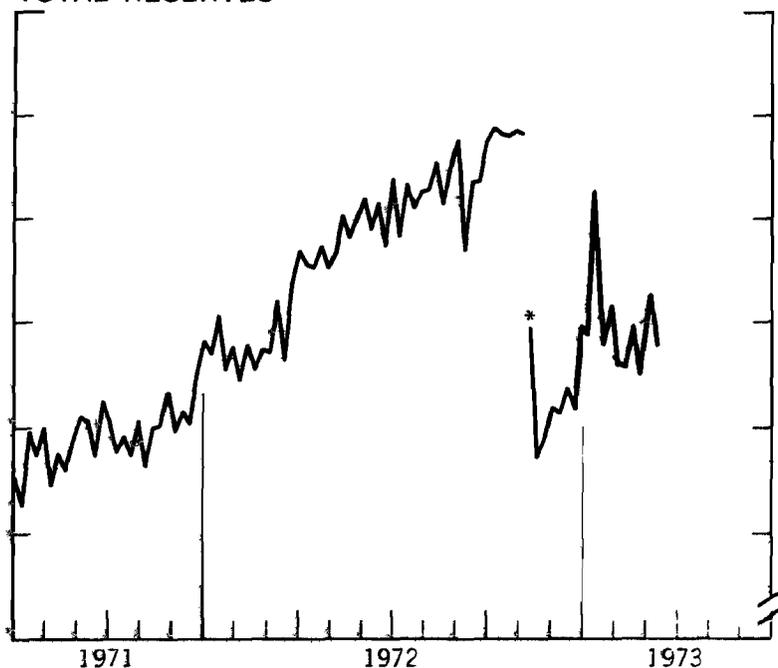
MONETARY AGGREGATES

ADJUSTED CREDIT PROXY

BILLIONS OF DOLLARS



TOTAL RESERVES

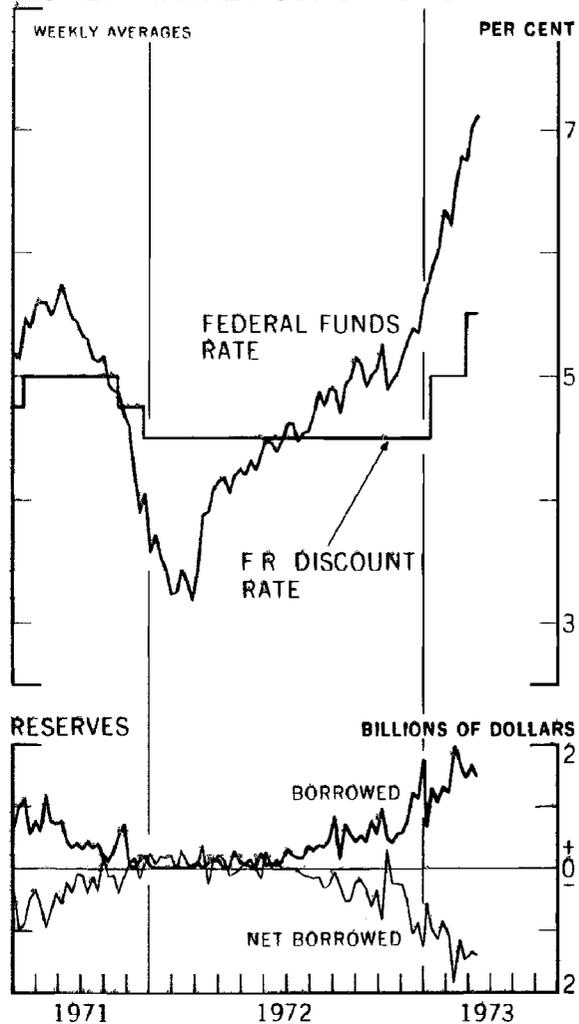


* Break in series: Actual Level of Total Reserves After Reduction in Reserve Requirements Effective November 9, 1972

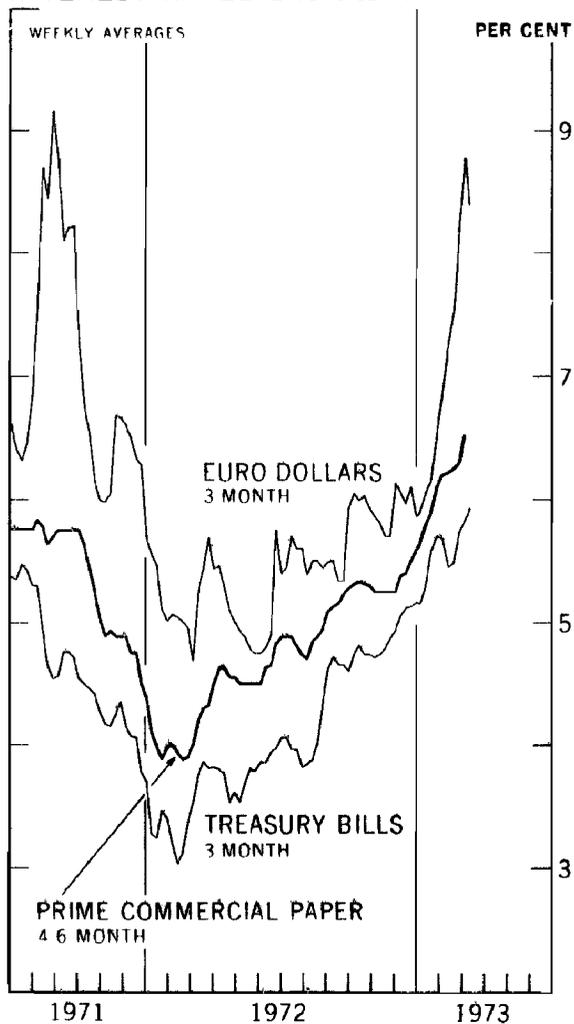
CHART 4

MONEY MARKET CONDITIONS AND INTEREST RATES

MONEY MARKET CONDITIONS



INTEREST RATES Short-term



INTEREST RATES Long-term

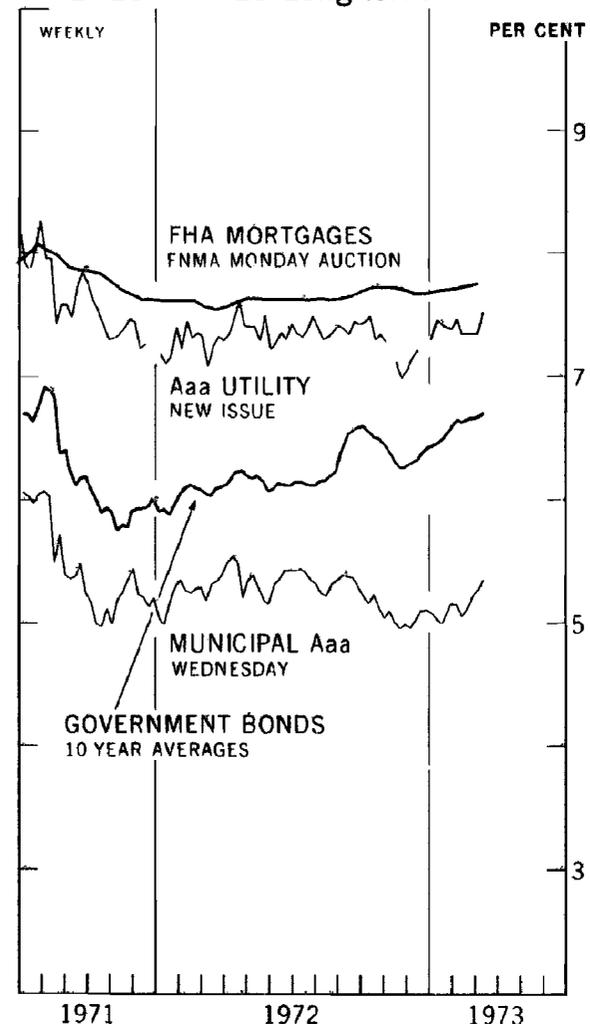


TABLE 1
BANK RESERVES

STRICTLY CONFIDENTIAL
MARCH 16, 1973

PERIOD	RESERVES AVAILABLE FOR PRIVATE NONBANK DEPOSITS		AGGREGATE RESERVES		REQUIRED RESERVES		
	SEASONALLY ADJUSTED	NOT SEASONALLY ADJUSTED	SEASONALLY ADJUSTED			TIME AND NON-DEMAND DEPOSITS	GOV T. AND INTFRANK
	ACTUAL AND PROJECTED	ACTUAL AND PROJECTED	TOTAL RESERVES	NON-BORROWED RESERVES	PRIVATE DEMAND		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
MONTHLY LEVELS--\$MILLIONS							
1972--SEPT.	30,890	30,609	33,327	32,870	21,289	9,411	2,438
OCT.	30,973	30,830	33,832	33,295	21,263	9,473	2,850
NOV.	29,496	29,529	31,883	31,297	19,553	9,600	2,387
DEC.	28,862	29,211	31,309	30,063	18,883	9,739	2,447
1973--JAN.	29,411	30,384	32,242	30,848	19,248	9,900	2,832
FEB.	29,209	29,373	31,654	29,793	19,031	10,058	2,395
MAR.	(29,645)	(29,366)	(31,980)	(29,893)	(19,102)	(10,344)	(2,374)
ANNUAL RATES OF CHANGE							
QUARTERLY:							
1972--1ST QTR.	10.4		10.4	10.7	6.6	16.9	
2ND QTR.	6.6		12.6	13.1	3.6	13.6	
3RD QTR.	9.9		3.6	-0.8	7.8	16.1	
4TH QTR.	10.6		14.2	4.8	8.3	13.9	
1973--1ST QTR.	(11.0)		(8.5)	(-2.5)	(4.5)	(25.0)	
MONTHLY:							
1972--SEPT.	12.9		-1.9	-6.1	8.8	20.6	
OCT.	3.2		18.2	15.5	-1.5	7.9	
NOV.	20.8		11.4	9.8	17.2	16.1	
DEC.	7.7		12.5	-10.9	9.2	17.4	
1973--JAN.	22.8		35.8	31.3	23.2	19.8	
FEB.	-4.6		-21.9	-41.0	-13.5	19.2	
MAR.	(14.0)		(12.5)	(4.0)	(4.5)	(34.0)	
FEB.-MAR.	(5.0)		(-5.0)	(-18.5)	(-4.5)	(27.0)	
WEEKLY LEVELS--\$MILLIONS							
1972--NOV. 8	30,910	30,979	33,825	32,570	21,241	9,552	2,915
15	29,665	29,860	31,950	31,347	19,442	9,572	2,285
22	28,546	28,463	30,748	30,372	18,621	9,630	2,203
29	28,750	28,805	30,836	30,448	18,777	9,647	2,086
DEC. 6	28,780	28,784	31,123	30,466	18,754	9,689	2,343
13	28,691	28,808	31,094	29,707	18,756	9,717	2,403
20	28,953	29,714	31,428	29,893	18,949	9,772	2,475
27	28,726	29,358	31,194	30,181	18,857	9,772	2,468
1973--JAN. 3	29,367	30,292	31,959	29,886	19,230	9,826	2,592
10	29,241	30,034	31,898	31,007	19,293	9,883	2,657
17	29,915	31,044	33,245	31,720	19,482	9,912	3,130
24	28,958	30,105	31,791	30,537	19,084	9,901	2,873
31	29,548	30,394	32,158	30,576	19,139	9,933	2,610
FEB. 7	29,167	29,591	31,608	30,284	19,066	9,958	2,442
14	29,111	29,314	31,568	29,511	18,957	10,026	2,457
21	29,671	29,657	31,945	29,767	19,143	10,076	2,274
28	29,249	28,931	31,496	29,554	18,979	10,171	2,247
MAR. 7	29,413	29,370	32,274	30,213	19,243	10,210	2,445
14	29,389	29,044	31,784	29,214	18,995	10,281	2,395

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.
1/ AT THE FOMC MEETING FEBRUARY 13, 1973 THE COMMITTEE AGREED ON A RPD RANGE OF - 2-1/2 TO 2-1/2 PER CENT.

TABLE 2

STRICTLY CONFIDENTIAL

MONETARY AGGREGATES
(ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED)

MARCH 16, 1973

PERIOD	MONEY SUPPLY		ADJUSTED CREDIT PROXY	U.S. GOVT. DEPOSITS	TIME AND SAVINGS DEPOSITS			NONDEPOSIT SOURCES OF FUNDS
	NARROW (M1)	BROAD (M2)			TOTAL	OTHER THAN CD S	CD S	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MONTHLY LEVELS--\$BILLIONS								
1972--SEPT.	250.1	512.1	394.5	5.1	301.9	262.0	39.8	4.1
OCT.	251.6	516.4	398.4	6.3	304.8	264.8	40.0	4.3
NOV.	252.7	519.8	401.9	6.9	308.4	267.1	41.2	4.3
DEC.	255.5	525.1	406.4	6.5	312.8	269.6	43.2	4.4
1973--JAN.	255.4	527.9	409.2	7.1	316.9	272.5	44.4	4.5
FEB.	256.7	530.5	414.8	7.2	322.6	273.8	48.8	4.5
MAR.	(257.9)	(533.8)	(421.6)	(7.3)	(330.1)	(275.9)	(54.1)	(4.8)
PERCENT ANNUAL GROWTH								
QUARTERLY								
1972--1ST QTR.	9.2	12.7	11.0		15.4	16.1		
2ND QTR.	6.1	4.5	11.5		14.8	10.8		
3RD QTR.	8.2	10.3	9.8		14.0	12.3		
4TH QTR.	8.6	10.2	12.1		14.4	11.6		
1973--1ST QTR.	(4.0)	(6.5)	(15.0)		(22.0)	(9.5)		
MONTHLY								
1972--SEPT.	7.2	8.7	9.5		12.0	10.2		
OCT.	7.2	10.1	11.9		11.5	12.8		
NOV.	5.2	7.9	10.5		14.2	10.4		
DEC.	13.3	12.2	13.4		17.1	11.2		
1973--JAN.	-0.5	6.4	8.3		15.7	12.9		
FEB.	6.1	5.9	16.4		21.6	5.7		
MAR.	(5.5)	(7.5)	(19.5)		(28.0)	(9.0)		
FEB.--MAR.	(6.0)	(6.5)	(18.0)		(25.0)	(7.5)		
WEEKLY LEVELS--\$BILLIONS								
1972--NOV. 8	252.4	518.7	401.4	7.4	307.4	266.3	41.0	4.0
15	253.2	520.3	400.2	6.1	307.9	267.1	40.8	4.3
22	253.0	520.4	402.3	6.7	308.8	267.4	41.4	4.4
29	251.5	519.2	402.7	7.3	309.6	267.8	41.8	4.4
DEC. 6	254.1	522.1	404.2	7.5	310.0	268.0	42.0	4.4
13	253.9	522.0	403.9	6.2	311.2	268.2	43.0	4.2
20	256.5	525.9	406.3	5.9	312.8	269.4	43.4	4.4
27	256.9	527.3	407.9	6.1	314.3	270.4	43.9	4.6
1973--JAN. 3	258.2	530.2	412.0	8.6	315.5	272.0	43.5	4.4
10	254.6	526.2	407.4	7.2	315.6	271.6	44.0	4.1
17	255.7	528.5	409.4	6.8	316.7	272.8	43.9	4.6
24	255.0	527.8	409.1	6.9	317.3	272.7	44.5	4.7
31	254.3	527.7	409.8	6.7	318.9	273.4	45.5	4.7
FEB. 7	256.3	529.0	411.3	5.5	320.1	272.8	47.3	4.5
14	256.4	530.4	413.0	6.9	322.2	274.0	48.2	4.4
21	258.3	532.4	417.5	8.6	323.2	274.1	49.1	4.4
28 P	255.9	530.2	417.2	7.9	325.0	274.4	50.7	4.7
MAR. 7 P	257.7	533.1	419.1	7.4	327.5	275.5	52.0	4.8
14 Pr	257.0	532.6	419.3	6.7	329.4	275.6	53.7	4.8

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.

P - PRELIMINARY

PE - PARTIALLY ESTIMATED

ANNUAL RATES OF CHANGE OTHER THAN THOSE FOR THE PAST ARE ROUNDED TO THE NEAREST HALF PERCENT.

STRICTLY CONFIDENTIAL (FR)

MARCH 16, 1973

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/			Δ in reserve categories		Δ Target
	Bills & Accept.	Coupon Issues	Agency Issues	RP's Net 3/	Total	Open Market Operations	Δ Member Bank Borrowing	Other 4/ Factors	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 -- Sept.	-158	--	-35	-816	-1,009	-1,617	76	1,370	-395	224	405
Oct.	111	116	-22	--	205	1,124	59	-378	493	312	335
Nov.	-548	-51	157	--	-442	-226	32	-1,835	-651	1,378	-1,520
Dec.	450	-135	134	147	596	- 25	443	-839	- 78	-343	-300
1973 -- Jan.	1,336	--	--	862	2,197	1,116	117	376	278	1,331	995
Feb.	659	196	-18	-193	644	- 134p	428p	-1,544p	-107p	-1,143	-1,140
Mar.											-45
Apr.											
Weekly											
1973 -- Jan. 3	514	--	--	3,680	4,194	1,135	633	-605	229	934	
10	152	--	--	-2,375	-2,223	-150	-1,063	1,115	160	-258	
17	109	--	--	729	838	341	610	552	493	1,010	
24	156	--	--	860	1,016	141	-201	-1,438	-559	-939	
31	676	--	--	-581	95	884	212	-1,051	-245	290	
Feb. 7	-561	--	--	-2,493	-3,055	-1,020	-77	375	82	-804	
14	-4	--	--	2,274	2,270	110	759	-890	256	-277	
21	383	196	--	-1,034	-454	647	-319	- 99	-114	343	
28	842	--	-18	1,059	1,883	-62p	-193p	-481p	-10p	- 726p	
Mar. 7	-159	--	--	-1,856	-2,015	781p	208p	-333p	286p	370p	
14	446	--	-14	1,827	2,259	293p	-196p	-505p	-84	-324p	
21											
28											

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 February and March reflects the mid-point of the target range adopted at the February 13, 1973 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.

March 16, 1973

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	383	796	1,223	380	-5,635	-5,720
Low	1,916	-93	0	40	-133	12	-1,070	-1,638	-1,910
1972 -- Feb.	2,408	1,176	149	136	124	33	91	-3,203	-3,072
Mar.	3,489	604	101	185	249	90	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	-327	-3,637	-4,044
Nov.	3,096	1,039	84	191	314	606	-292	-4,561	-3,622
Dec.	3,510	953	58	291	219	1,049	-830	-4,977	-4,958
1973 -- Jan.	3,407	720	27	177	342	1,165	-823	-4,550	-5,469
Feb.	*2,132	* 562	77	123	175p	1,593p	-1,418p	-4,187	-5,436
1973 -- Jan. 3	3,718	871	19	142	560	1,751	-1,191	-4,957	-5,116
10	3,212	843	37	150	126	688	-562	-5,189	-5,923
17	3,606	652	16	193	341	1,298	-957	-5,243	-6,044
24	3,527	687	35	274**	-34	1,097	-1,131	-4,480	-5,599
31	3,118	659	21	157	453	1,309	-856	-3,324	-4,839
Feb. 7	2,293	642	1	120	147	1,232	-1,085	-3,686	-5,407
14	2,304	1,125	175	112	188	1,991	-1,803	-4,906	-5,265
21	*1,683	* 362	128	155	505	1,670	-1,167	-4,527	-4,883
28	*2,191	* 190	0	104	0p	1,479p	-1,479p	-3,628	-5,829
Mar. 7	*1,976	* 11	27	126	304p	1,687p	-1,383p	-3,875p	-6,279p
14	*1,969	* -73	50p	130p	91p	1,491p	-1,400p	-5,047p	-5,878p
21									
28									

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 in 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

** Includes \$132 million of Washington Metropolitan Transit Authority bonds.

CONFIDENTIAL (FR)

MARCH 16, 1973

Table 5
REFLECTED INTEREST RATES
Per Cent

Period	Short-term			CD's		Aaa Utility		Long-term			
	Federal Funds	Treasury bills		90-119 day Commercial Paper	Prime-NYC		New Issue	Recently Offered	Municipal Bond Buyer	U.S. Gov't. (10-Yr. Constant Maturity)	FNMA Auction Yields
		90-day	1-year		60-89 day	90-119 day					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
1971 -- High	5.73	5.47	5.94	5.88	5.63	5.75	8.26	8.19	6.23	6.89	8.09
Low	3.29	3.32	3.53	4.00	3.50	3.63	7.02	7.14	4.97	5.42	7.29
1972 -- High	5.38	5.13	5.52	5.50	5.38	5.50	7.60	7.46	5.54	6.58	7.72
Low	3.18	3.03	3.60	3.75	3.13	3.50	6.99	7.12	4.96	5.87	7.54
1972 -- Feb	3.29	3.20	4.06	3.81	3.31	3.53	7.34	7.31	5.29	6.08	7.61
Mar.	3.83	3.73	4.43	4.10	3.73	3.98	7.24	7.24	5.31	6.07	7.54
Apr	4.17	3.71	4.65	4.55	4.34	4.47	7.45	7.40	5.43	6.19	7.58
May	4.27	3.69	4.46	4.45	4.15	4.33	7.38	7.38	5.31	6.13	7.63
June	4.46	3.91	4.71	4.60	4.38	4.50	7.32	7.36	5.34	6.11	7.63
July	4.55	3.98	4.90	4.83	4.63	4.75	7.38	7.37	5.41	6.11	7.63
Aug	4.80	4.02	4.90	4.75	4.65	4.78	7.37	7.34	5.30	6.21	7.63
Sept	4.87	4.66	5.44	5.07	4.88	5.00	7.40	7.42	5.36	6.55	7.65
Oct	5.04	4.74	5.39	5.21	5.00	5.19	7.38	7.38	5.19	6.48	7.72
Nov.	5.06	4.78	5.20	5.18	5.00	5.13	7.09	7.18	5.02	6.28	7.71
Dec	5.33	5.07	5.28	5.40	5.19	5.38	7.15	7.18	5.05	6.36	7.68
1973 -- Jan	5.94	5.41	5.58	5.76	5.63	5.75	7.38	7.35	5.05	6.46	7.69
Feb.	6.58	5.60	5.93	6.17	6.16	6.28	7.40	7.41	5.13	6.64	7.72
1973 -- Jan. 3	5.61	5.16	5.45	5.63	5.38	5.50	--	7.26	5.08	6.42	--
10	5.66	5.15	5.42	5.63	5.50	5.63	7.29	7.32	5.03	6.43	7.69
17	5.86	5.29	5.50	5.70	5.63	5.75	7.45	7.36	5.00	6.46	--
24	6.03	5.58	5.58	5.85	5.75	5.88	7.40	7.41	5.08	6.50	7.70
31	6.35	5.70	5.87	5.93	5.88	6.00	7.38	7.41	5.16	6.57	--
Feb. 7	6.21	5.68	5.96	6.13	6.13	6.25	7.46	7.43	5.16	6.64	7.71
14	6.58	5.45	5.79	6.11	6.13	6.25	7.34	7.39	5.06	6.62	--
21	6.79	5.49	5.83	6.16	6.13	6.38	--	7.37	5.13	6.65	7.73
28	6.75	5.72	6.10	6.25	6.25	6.38	--	7.45	5.22	6.65	--
Mar 7	7.02	5.83	6.27	6.40	6.63	6.75	--	7.50	5.27	6.67	7.75
14	7.13	5.92	6.44	6.65	6.63	6.75	7.52	7.60p	5.34	6.70p	--

Notes: Weekly data for columns 1 to 4 are statement week averages of daily data. Columns 5 and 6 are one-day Wednesday quotes. For columns 7, 8 and 10 the weekly date is the mid-point of the calendar week over which data are averaged. Column 9 is a one-day quote for the Thursday following the end of the statement week. Column 11 gives FNMA auction data for the Monday preceding the end of the statement week. The FNMA auction yield is the yield in the bi-weekly auction for short-term forward commitments for Government underwritten mortgages.

Appendix Table I
RESERVES AND MONETARY VARIABLES

CONFIDENTIAL (FR)

March 16, 1973

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)
	(Per Cent Annual Rates of Growth)						(Dollar Change in Billions)							
<u>Annually</u>														
1968	+7.5	+5.3	+8.1	+7.8	+9.3	+8.3	+9.5	+11.0	+11.5	+11.2	+6.4	+2.9	+2.6	-0.6
1969	-1.1	-2.8	-1.7	+3.6	+2.6	+2.9	+0.4	+3.9	-4.8	+1.4	+3.5	-12.4	+13.0	+0.5
1970	+6.1	+9.6	+8.6	+6.0	+8.4	+8.0	+8.2	+8.1	+17.9	+11.1	+7.7	+14.4	-8.4	+1.1
1971	+7.2	+8.1	+7.2	+6.6	+11.4	+13.5	+9.4	+11.3	+18.2	+16.7	+17.5	+7.7	-7.6	-0.3
1972	+10.6	+7.1	+9.7	+8.3	+10.8	+12.9	+11.6	+14.0	+15.5	+13.3	+16.7	+10.1	+0.4	+0.4
<u>Semi-Annually:</u>														
1st Half 1971	+9.7	+9.6	+10.7	+10.1	+14.9	+16.4	+10.1	+11.5	+21.6	+20.0	+19.6	+4.3	-7.1	-1.4
2nd Half 1971	+4.4	+6.3	+3.4	+1.0	+7.4	+9.8	+8.4	+10.6	+13.4	+12.1	+14.0	+3.4	-0.4	+1.1
1st Half 1972	+11.7	+12.1	+8.6	+7.7	+10.8	+13.0	+11.4	+12.8	+15.4	+13.7	+17.3	+4.4	-0.3	--
2nd Half 1972	+9.0	+2.0	+10.4	+8.5	+10.3	+12.1	+11.1	+14.2	+14.5	+12.1	+14.8	+5.7	+0.6	+0.4
<u>Quarterly:</u>														
3rd Qtr 1971	+6.5	+6.6	+3.2	+4.1	+6.0	+8.9	+6.7	+9.7	+9.8	+8.0	+14.2	+1.7	-0.4	+1.1
4th Qtr 1971	+2.3	+6.0	+3.6	+1.9	+8.7	+10.5	+9.8	+11.1	+16.6	+15.9	+13.3	+1.8	--	--
1st Qtr. 1972	+10.4	+10.7	+10.4	+9.2	+12.7	+14.9	+11.0	+15.7	+15.4	+16.1	+19.7	+0.8	-0.3	-0.4
2nd Qtr 1972	+12.6	+13.1	+6.6	+6.1	+8.5	+10.7	+11.5	+9.5	+14.8	+10.8	+14.3	+3.7	--	+0.5
3rd Qtr. 1972	+3.6	-0.8	+9.9	+8.2	+10.3	+12.3	+9.8	+13.6	+14.0	+12.3	+16.2	+2.4	+0.4	-1.1
4th Qtr 1972	+14.2	+4.8	+10.6	+8.6	+10.2	+11.5	+12.1	+14.4	+14.4	+11.6	+13.0	+3.3	+0.3	+1.4
1972														
Jan	+21.8	+26.7	+11.0	+1.0	+10.4	+13.2	+9.2	+14.2	+17.7	+19.2	+23.3	+0.1	-0.1	+0.2
Feb.	-5.2	-5.7	+6.5	+14.7	+15.1	+16.8	+7.2	+12.4	+16.2	+15.4	+16.6	+0.6	-0.3	-1.7
Mar	+14.5	+11.0	+13.4	+11.5	+12.4	+14.2	+16.2	+19.9	+11.6	+13.2	+18.2	+0.1	+0.1	+1.1
Apr.	+22.1	+21.7	+6.8	+8.0	+7.9	+10.7	+12.2	+5.4	+12.8	+7.8	+13.4	+1.5	-0.2	+1.1
May	+8.8	+9.4	+3.9	+4.0	+8.3	+10.1	+15.6	+20.0	+18.2	+13.0	+21.6	+1.5	+0.2	+0.7
June	+6.4	+8.0	+9.0	+6.4	+9.2	+11.1	+6.6	+2.3	+12.9	+11.4	+16.4	+0.7	--	-1.3
July	+5.2	+2.9	+6.9	+12.7	+12.5	+13.8	+10.0	+10.2	+13.6	+12.3	+16.7	+0.8	+0.1	-1.0
Aug.	+7.6	+0.7	+9.7	+4.4	+9.3	+11.6	+9.6	+18.3	+15.9	+14.0	+14.9	+0.8	+0.3	+0.7
Sept.	-1.9	-6.1	+12.9	+7.2	+8.7	+11.2	+9.5	+11.9	+12.0	+10.2	+16.3	+0.8	-0.1	+0.6
Oct.	+18.2	+15.5	+3.2	+7.2	+10.1	+12.0	+11.9	+11.4	+11.5	+12.8	+14.5	+0.2	+0.2	+1.2
Nov.	+11.4	+9.8	+20.8	+5.2	+7.9	+9.8	+10.5	+20.6	+14.2	+10.4	+12.1	+1.2	--	+0.6
Dec.	+12.5	-10.9	+7.7	+13.3	+12.2	+12.2	+13.4	+10.7	+17.1	+11.2	+11.9	+1.9	+0.1	-0.4
1973														
Jan.	+35.8	+31.3	+22.8	-0.5	+6.4	+9.5	+8.3	+18.6	+15.7	+12.9	+18.4	+1.2	+0.1	+0.5
Feb p	-21.9	-41.0	-4.6	+6.1	+5.9	+8.5	+16.4	+21.9	+21.6	+5.7	+8.0	+4.4	--	+0.2

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

CONFIDENTIAL (FR)

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

March 16, 1973

Period	Reserves			Money Stock Measures				Bank Credit Measures			Other				
	Total (1)	Non- borrowed (2)	Available to Support Pvt. Deposits (3)	M ₁		M ₂ (6)	M ₃ (7)	Adjusted Credit Proxy (8)	Total Loans and Investments (9)	Total Time (10)	Time Other than CD's (11)	Thrift Institution Deposits (12)	CD's (13)	Non- Deposit Funds (14)	U.S. Gov't. Demand (15)
				Total (4)	Pvt. Dep. (5)										
Annually:															
Dec. 1968	27,219	26,416	24,791	201.6	158.2	382.5	577.2	306.6	390.6	204.2	180.9	194.7	23.3	7.0	4.9
Dec. 1969	27,959	26,699	25,339	208.8	162.7	392.3	594.0	307.7	406.0	194.4	183.5	201.7	10.9	20.0	5.3
Dec. 1970	29,121	28,727	26,975	221.3	172.2	425.2	641.3	332.9	438.9	229.2	203.9	216.1	25.3	11.6	6.5
Monthly:															
1971--Dec.	31,209	31,060	28,907	236.0	183.4	473.8	727.7	364.3	488.6	270.9	237.9	253.8	33.0	4.0	6.1
1972--Jan.	31,776	31,751	29,172	236.2	183.3	477.9	735.7	367.1	494.4	274.9	241.7	257.8	33.2	4.0	6.3
Feb.	31,639	31,601	29,329	239.1	185.8	483.9	746.0	369.3	499.5	278.6	244.8	262.1	33.7	3.6	4.6
Mar.	32,021	31,891	29,656	241.4	187.7	488.9	754.8	374.3	507.8	281.3	247.5	265.9	33.8	3.7	5.7
Apr.	32,612	32,467	29,824	243.0	189.1	492.1	761.5	378.1	510.1	286.3	249.1	269.4	35.2	3.5	6.8
May	32,852	32,720	29,920	243.8	189.6	495.5	767.9	383.0	518.6	288.6	251.8	272.4	36.8	3.7	7.5
June	33,027	32,938	30,144	245.1	190.7	499.3	775.0	385.1	519.8	291.7	254.2	275.7	37.5	3.8	6.2
July	33,171	33,018	30,317	247.7	193.1	504.5	783.9	388.3	524.2	295.0	256.8	279.5	38.3	3.9	5.2
Aug.	33,381	33,038	30,562	248.6	193.8	508.4	791.5	391.4	532.2	298.9	259.8	283.1	39.1	4.2	4.5
Sept.	33,327	32,870	30,890	250.1	194.8	512.1	798.9	394.5	537.5	301.9	262.0	286.8	39.8	4.1	5.1
Oct.	33,832	33,295	30,973	251.6	195.9	516.4	806.9	398.4	542.6	304.8	264.8	290.5	40.0	4.3	6.3
Nov.	31,883	31,297	29,496	252.7	196.5	519.8	813.5	401.9	551.9	308.4	267.1	293.7	41.2	4.3	6.9
Dec.	31,309	30,063	28,862	255.5	198.7	525.1	821.8	406.4	556.8	312.8	269.6	296.7	43.2	4.4	6.5
1973--Jan.	32,242	30,848	29,411	255.4	198.4	527.9	828.3	409.2	565.4	316.9	272.5	300.4	44.4	4.5	7.1
Feb. p	31,654	29,793	29,299	256.7	199.3	530.5	834.2	414.8	575.7	322.6	273.8	303.7	48.8	4.5	7.2
Weekly:															
1973--Jan. 3	31,959	29,886	29,367	258.2	200.8	530.2	842.0	412.0	580.0	315.5	272.0	303.0	43.5	4.4	8.6
10	31,898	31,007	29,241	254.6	197.4	526.2	837.0	407.4	575.0	315.6	271.6	303.0	44.0	4.1	7.2
17	32,245	31,720	29,915	255.7	198.7	528.5	840.0	409.4	578.0	316.7	272.8	303.0	43.9	4.6	6.8
24	31,791	30,537	28,958	255.0	198.0	527.8	838.0	409.1	577.0	317.3	272.7	303.0	44.5	4.7	6.9
31	32,158	30,576	29,548	254.3	197.6	527.7	837.0	409.8	577.0	318.9	273.4	303.0	45.5	4.7	6.7
Feb. 7	31,608	30,284	29,167	256.3	198.9	529.0	835.0	411.3	575.0	320.1	272.8	303.0	47.3	4.5	5.5
14	31,568	29,511	29,111	256.4	199.0	530.4	834.0	413.0	574.0	322.2	274.0	303.0	48.2	4.4	6.9
21	31,945	29,767	29,671	258.3	200.6	532.4	833.0	417.5	573.0	323.2	274.1	303.0	49.1	4.4	8.6
28 p	31,496	29,554	29,249	255.9	198.5	530.2	832.0	417.2	572.0	325.0	274.4	303.0	50.7	4.7	7.9
Mar. 7 p	32,278	30,213	29,813	257.7	199.8	533.1	831.0	419.1	571.0	327.5	275.5	303.0	52.0	4.8	7.4

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.