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(CONFIDENTIAL FR)

April 13, 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) Both RPD and M_1 appear to be growing at annual rates below the low ends of the Committee's March-April ranges of tolerance, as shown in the table. Expansion in M_2 also seems to be on the slow side, at the low end of the range specified four weeks ago. Growth in the bank credit proxy--at a 17 per cent annual rate for the March-April period--appears to be somewhat faster than expected at the time of the last Committee meeting.

Growth of Monetary Aggregates and RPD
in March - April period
(SAAR in Per Cent)

	Ranges of Tolerance	Current Estimates
RPD	12--16	9-1/2
M_1	4--7	2-1/2
M_2	5--8	5
<u>MEMO:</u>		<u>Weeks Ending</u>
Federal funds rate	6-3/4*--7-1/2	4/4 7.18 4/11 6.84

* Raised to 7 per cent on April 11.

(2) The shortfalls in RPD and the money supply aggregates relative to earlier expectations are attributable almost entirely to slower than anticipated growth in private demand deposits. The reasons for this are

obscure as usual, but one factor may be that processing of Treasury refund checks has been slower than we had anticipated, thus keeping Treasury tax and loan balances higher and private demand balances lower than projected. Also, the steepness of the rise in short-term interest rates since late last year may be producing a dampening effect on money demands with a somewhat shorter time lag than usual. In addition, the dramatic first quarter upsurge in consumer spending and the accompanying sharp advances in retail prices might have caused households to draw down money balances below normal levels.

(3) Early in the inter-meeting period, RPD and the money supply aggregates all appeared to be growing at rates within the Committee's March-April ranges of tolerance. While the Desk in this period continued to follow a reserve strategy expected to produce a Federal funds rate averaging around 7 per cent, unexpected shortfalls in reserve availability from other reserve factors produced an average funds rate closer to 7-1/8 per cent. When it became clear, in late March, that RPD and M_1 were running below their desired growth ranges and that M_2 was at the bottom of its range, the Desk adopted a reserve strategy expected to be consistent with a Federal funds rate averaging around 7 per cent, but with doubts resolved on the side of less tautness. By the statement week of April 11, the average Federal funds rate had dropped to 6.84 per cent. Late on Wednesday, April 11, a majority of Committee members concurred in the Chairman's recommendation that the low end of the range of tolerance for the funds rate be raised from 6-3/4 to 7 per cent for the remaining part of the intermeeting period, and the Desk has since sought to keep reserve availability correspondingly firm.

(4) Other short-term interest rates continued under general upward pressure during the early weeks of the intermeeting period, but after early April this trend was reversed, as the market came to expect an early announcement of a stronger controls program and the view developed that no further near-term tightening (and possibly some easing) of monetary policy was likely. Over the full intermeeting period, short-term rates showed mixed changes. Yields on both Treasury bills and Federal agency issues with 6-month to 1-year maturities are down significantly on balance. The 3-month Treasury bill--presently at around 6.20 per cent--has shown little net change since the last meeting, although it did at one point reach an intermeeting high of around 6-1/2 per cent. Rates on large CD's and commercial paper increased on balance by 25 -- 35 basis points, reflecting the pressure of continued rapid net issuance of CD's by large banks.

(5) Yields on longer-term securities showed little response to the further rise of short-term rates early in the intermeeting period and have generally experienced net declines over the period as a whole. This relative strength was attributable partly to the rather moderate volume of new longer-term debt offerings. In addition, following the early April shift in market expectations, professionals moved to reduce their short positions. Rates in secondary mortgage markets, on the other hand, continued to edge higher over the period, and there were field reports of some upward pressure on new mortgage commitment rates as well.

(6) The table on the following page shows (in percentage annual rates of change) selected monetary and financial flows over various time periods.

	Past 3 Calendar Yearr	Past 12 Months	Past 6 Months	Past 3 Months	Past Month
	Dec. '72 over Dec. '69	Mar. '73 over Mar. '72	Mar. '73 Sept. '72	Mar. '73 Dec. '72	Mar. '73 Feb. '73
Total reserves	8.4	9.9	11.2	8.8	13.1
Nonborrowed reserves	8.8	2.6	-0.9	-7.2	-10.7
Reserves available to support private non- bank deposits	9.0	9.5	10.2	10.4	13.0
<u>Concepts of Money</u>					
M ₁ (currency plus demand deposits) <u>1/</u>	7.5	6.4	5.4	2.0	0.5
M ₂ (M ₁ plus time deposits at commercial banks other than large CD's)	11.3	9.0	8.1	5.9	5.4
M ₃ (M ₂ plus deposits at thrift institu- tions)	12.8	11.2	10.1	8.5	6.6
<u>Bank Credit</u>					
Total member bank deposits (bank credit proxy adj.)	10.7	12.7	13.8	15.2	20.3
Loans and investments of commercial banks <u>2/</u>	12.4	15.2	17.7	20.3	19.4
<u>Short-term market paper</u> (Monthly ave. change in billions)					
Large CD's	.9	1.8	2.5	3.9	6.1
Nonbank commercial paper	--	--	.1	- .9	-1.3

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 investments of commercial banks, commercial paper, and thrift institutions--which are either end-of-month or last-Wednesday-of-month figures.

Prospective developments

(7) Longer-run targets and associated April-May ranges for key variables are shown below in summary form for Committee consideration (with figures for aggregates representing seasonally adjusted annual rates of change). Of the alternatives shown, alternative B--which is indexed by a long-run growth rate of 5-1/4 per cent for M_1 --represents essentially a continuation of longer-run monetary targets adopted by the Committee at its last meeting (stipulated at the time as 5--5-1/2 per cent for M_1). Alternative A represents an easing of policy, and alternative C a tightening.

	<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	6-1/2	5-1/4	4
M_2	6-1/2	5-1/4	4
Credit Proxy	11	10	9
RPD	10-1/2	8-3/4	7
Associated ranges for April-May			
Nonborrowed RPD	21--23	13--15	7-1/2--9-1/2
RPD	11--13	10--12	9--11
M_1	4-1/2--6-1/2	4--6	3-1/2--5-1/2
M_2	5--7	4-1/2--6-1/2	3-1/2--5-1/2
Federal funds rate	5-3/4--7	6-1/2--7-1/2	6-3/4--8

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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	Mar.	256.8	256.8	256.8	532.9	532.9	532.9	421.8	421.8	421.8
	Apr.	257.7	257.7	257.7	534.9	534.9	534.8	426.6	426.6	426.5
	May	259.2	259.0	258.8	538.3	537.7	537.0	429.7	429.3	428.8
	June	260.8	260.2	259.6	541.7	540.3	538.7	434.5	433.4	432.3
	Sept.	265.3	263.6	261.9	550.5	547.2	543.1	445.4	443.2	440.7
		<u>Rates of Growth</u>								
Quarters:	1973 2nd. Q.	6.0	5.3	4.5	6.5	5.5	4.5	12.0	11.0	10.0
	3rd. Q.	7.0	5.2	3.5	6.5	5.0	3.5	10.0	9.0	8.0
Months:	Apr.	4.0	4.0	4.0	4.5	4.5	4.5	13.5	13.5	13.5
	May	7.0	6.0	5.0	7.5	6.5	5.0	8.5	7.5	6.5
		<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>			
1973	Mar.	31,995	31,995	31,995	29,614	29,614	29,614			
	Apr.	32,254	32,238	32,221	29,788	29,772	29,756			
	May	32,683	32,642	32,594	30,208	30,167	30,118			
	June	32,385	32,291	32,189	30,374	30,281	30,182			
	Sept.	32,952	32,695	32,427	31,162	30,907	30,638			
					<u>Rates of Growth</u>					
Quarters:	1973 2nd. Q.	5.0	3.5	2.5	10.5	9.0	7.5			
	3rd. Q.	7.0	5.0	3.0	10.5	8.5	6.0			
Months:	Apr.	9.5	9.0	8.5	7.0	6.5	6.0			
	May	16.0	15.0	14.0	17.0	16.0	14.5			

(8) The staff expects that the alternative B path for the aggregates would be achieved with little change from recently prevailing money market conditions. Given such conditions--centering on a Federal funds rate of 7 per cent--growth in M_1 is expected to be somewhat greater than it has been on balance over the first three months of the year. In April-May, a growth rate of 4--6 per cent for M_1 is indicated. During that period, income tax refunds are likely to add somewhat to private demand balances. In addition, continued strong expansion in economic activity will likely lead to a reassertion of the underlying growth trend in transactions demands for cash. On the basis of historical experience, the sharp drop in demand for money relative to GNP growth that developed in the first quarter seems very unlikely to persist.

(9) With a Federal funds rate around 7 per cent, interest rates generally are expected to show only minor changes on balance over the next month. However, the recent stability in rates has been based in part on expectations that a stiffer controls program is in the offing. If this comes to seem less likely, upward rate adjustments might well take place. Apart from attitudinal shifts, however, basic supply-demand conditions do not suggest significant further upward pressure on rates in the near-term. The Treasury will be announcing a refunding of \$4.3 billion of publicly-held issues on Wednesday, April 25. But this refunding will be in a quarter when the Treasury will be repaying about \$5 billion of debt on balance. Some attrition in this refunding and the maturity of \$2 billion of mid-April tax bills could keep Treasury bill rates from rising significantly from current levels.

(10) It is not clear, though, that long-term interest rates have yet fully adjusted to earlier advances in short-term rates. Mortgage interest rates seem likely to rise further in view of our projection that savings inflows will continue to moderate, given the current level of short-term market rates and assuming no rise in Q ceilings. The development of a dual prime loan rate is likely over time to push some bank borrowers back into the open market, with consequent upward pressure on the commercial paper market and, to a lesser extent, on corporate bond rates. Upward yield pressures in bond markets are likely to be limited by the basically light calendar of corporate bond offerings scheduled thus far, although increased Federal agency issues and possible debt lengthening by the Treasury could be adding to the supply of longer-maturity debt.

(11) The sensitivity of the current market is such that a drop in the funds rate to the 6-1/2 per cent lower end of the alternative B range is likely to be accompanied by a drop in the 3-month Treasury bill rate to under 6 per cent and an accompanying decline in long-term rates. On the other hand, a rise in the funds rate to the 7-1/2 per cent top of the range would exert upward pressure on the whole interest rate structure, including the discount rate.

(12) Bank credit growth in April-May, though expected to slow from the exceptional pace of recent months, still is likely to be fairly substantial by historical standards, reflecting continued strength in business and consumer demands for bank credit. Given roughly the prevailing structure of short-term market rates, growth in time deposits

other than large CD's probably will be quite moderate--at around a 6 per cent annual rate in April-May. Banks are expected to continue adding substantially to CD's outstanding, although the rate of growth should decrease somewhat as businesses shift more of their borrowing to the open market.

(13) Under alternative A, the staff would expect a decline in the Federal funds rate to accompany an effort to encourage more rapid growth in the aggregates, and vice-versa for alternative C. However, even-keel may constrain the Committee's willingness to adopt reserve objectives that lead to changes in money market conditions of the dimensions of alternatives A and C. If the Committee were to choose alternative A or C, but limit the downward or upward movement of the funds rate to smaller dimensions than indicated, it would, of course, extend the period needed to achieve the aggregate objectives of either alternative.

Proposed directive

(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. For all three alternatives it is proposed to add a reference to Treasury financing because of the regular May refinancing to be announced late this month, and to delete the reference to international developments because only a moderate reflow into dollars has developed in recent weeks and exchange markets have been relatively quiet. Also, for the sake of clarity, it is proposed to describe the conditions sought as those "consistent with" rather than those "that will support" the aggregate objectives described. Retention of the reference to credit market developments is proposed only for alternative C, the one alternative that contemplates a significant tightening of the money market.

Alternative A

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

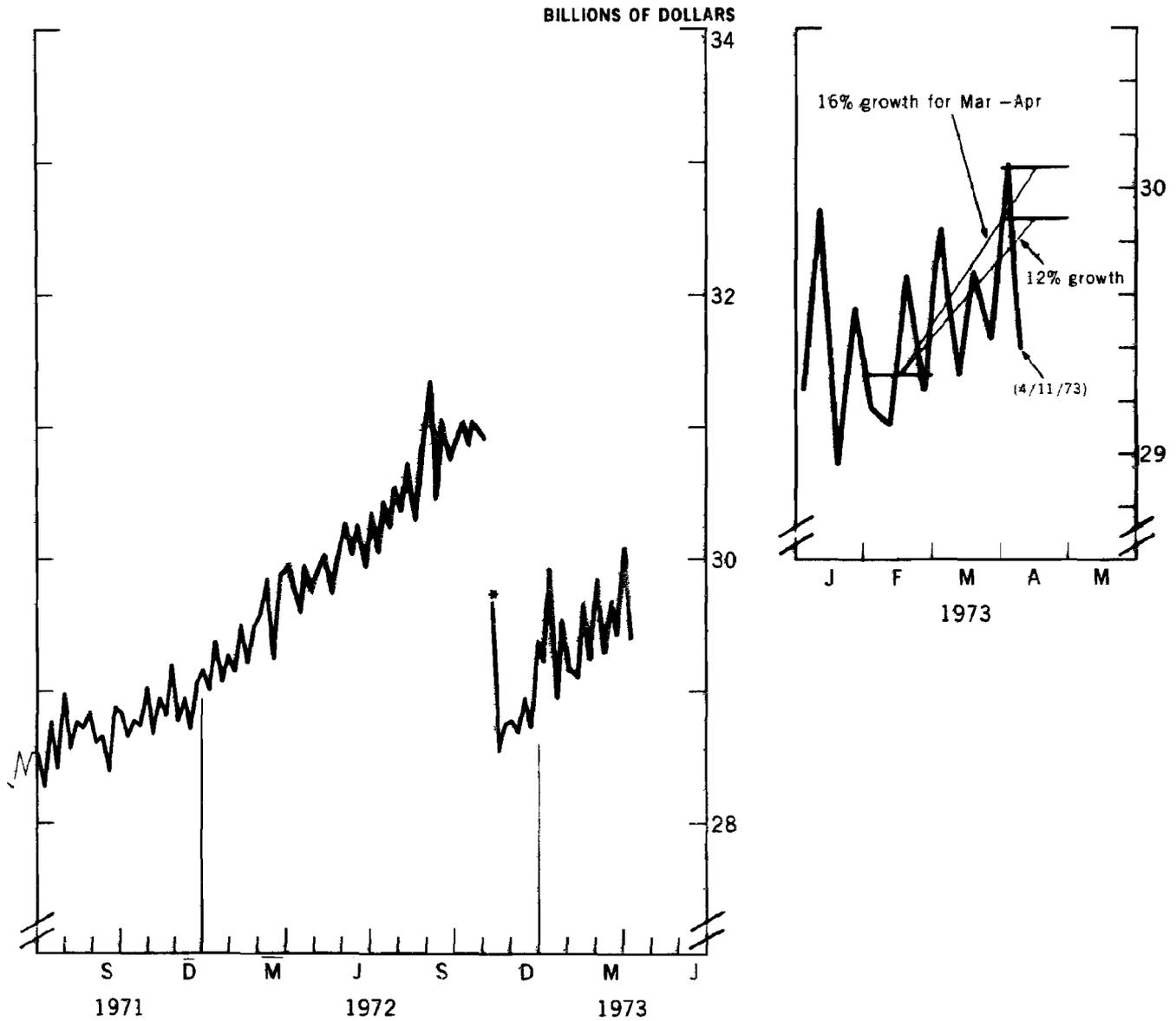
Alternative B

To implement this policy, while taking account of possible-domestic-credit-market-and-international-developments FORTHCOMING TREASURY FINANCING, the Committee seeks to achieve bank reserve and money market conditions CONSISTENT WITH that-will-support-somewhat-slower MODERATE 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 FORTHCOMING TREASURY FINANCING AND possible domestic credit market and-international developments, the Committee seeks to achieve bank reserve and money market conditions CONSISTENT WITH MODEST that-will-support-somewhat-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

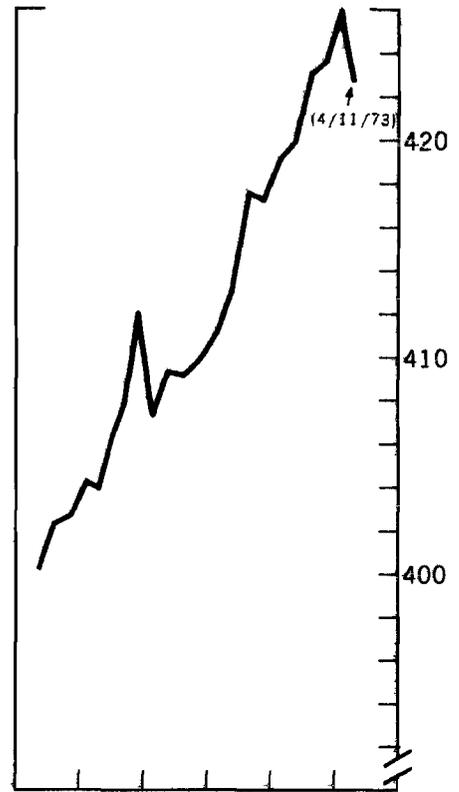
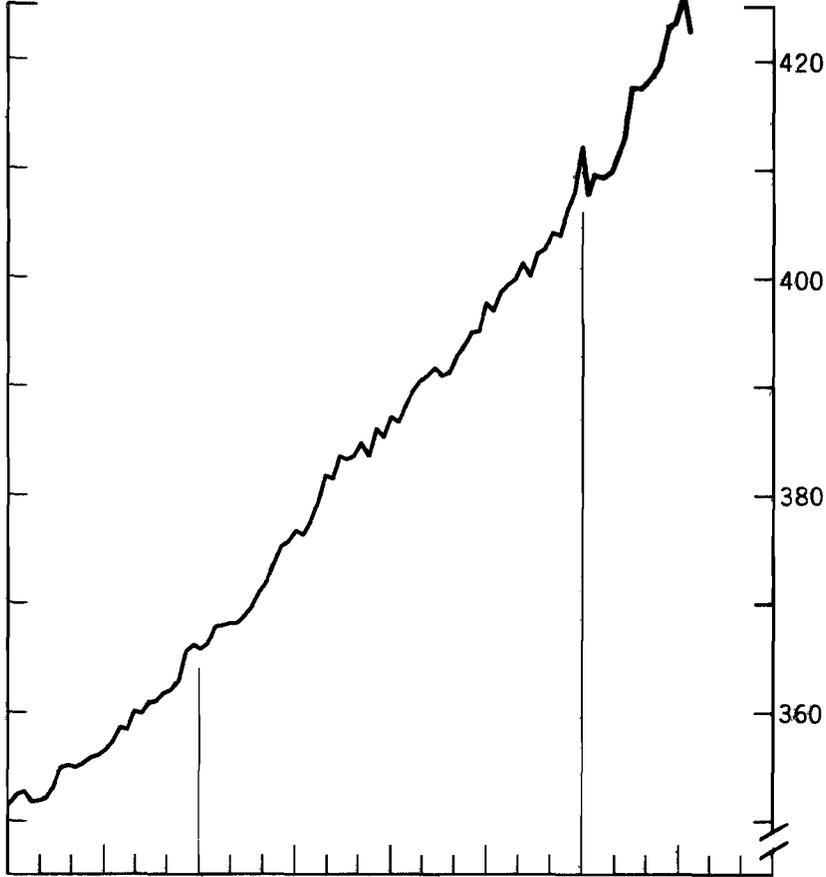


*Break in Series, Actual Level of RPD After Reduction in Reserve Requirements Effective November 9 1972

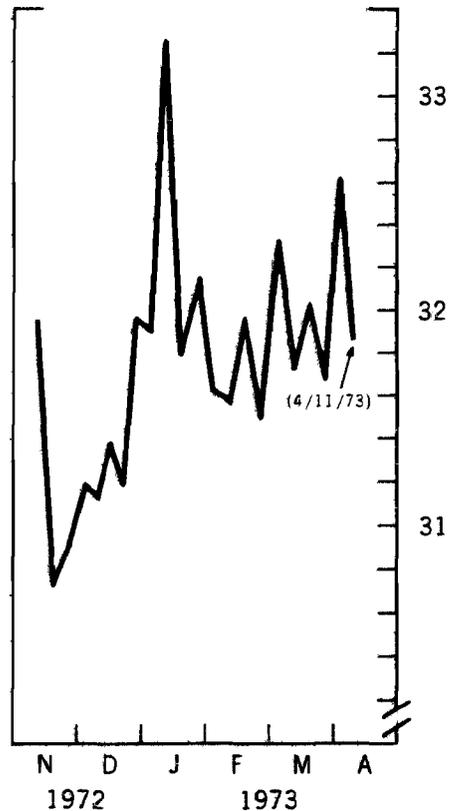
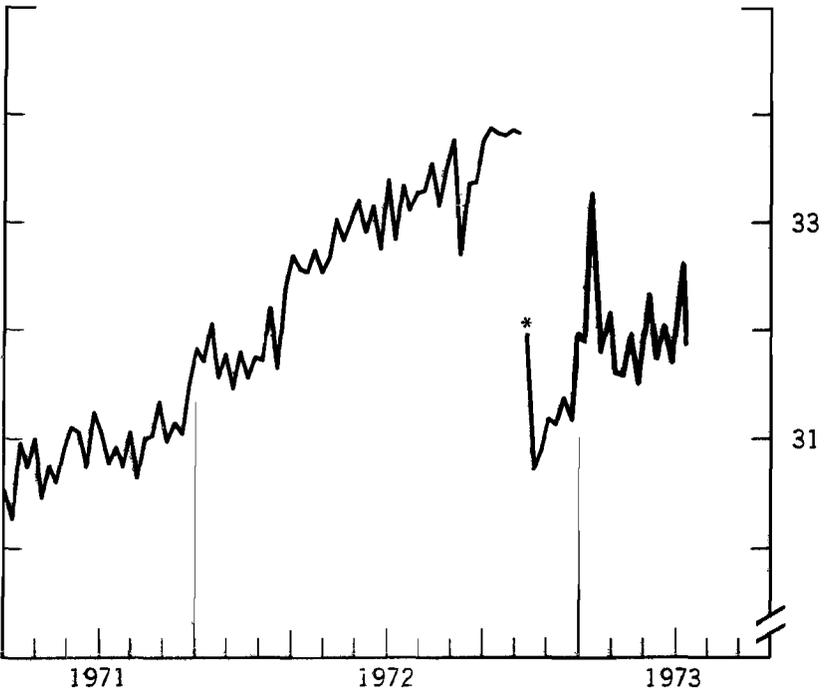
MONETARY AGGREGATES

ADJUSTED CREDIT PROXY

BILLIONS OF DOLLARS



TOTAL RESERVES

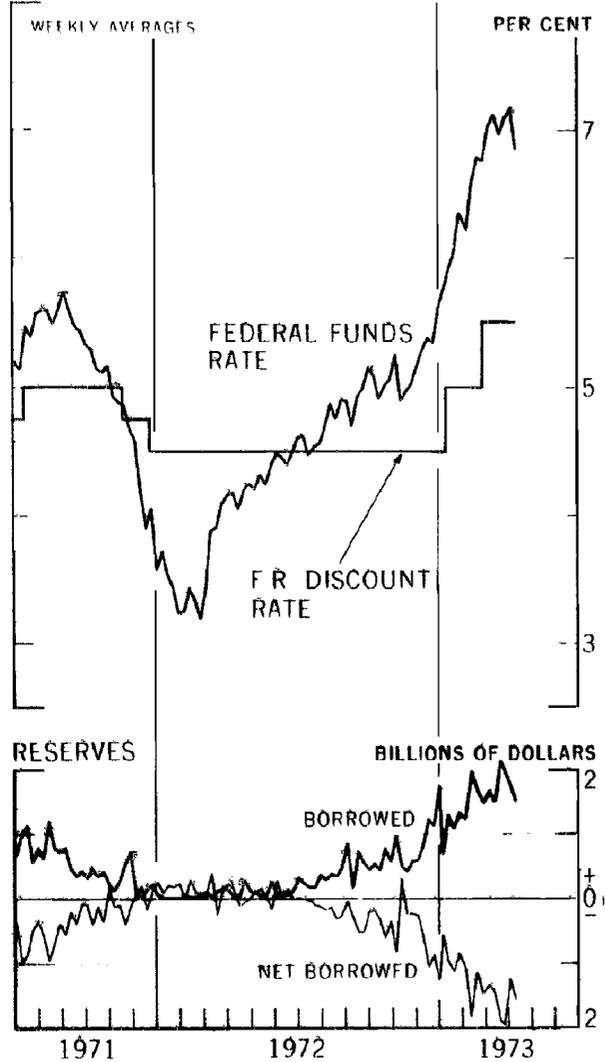


* Break in series Actual Level of Total Reserves After Reduction in Reserve Requirements Effective November 9, 1972

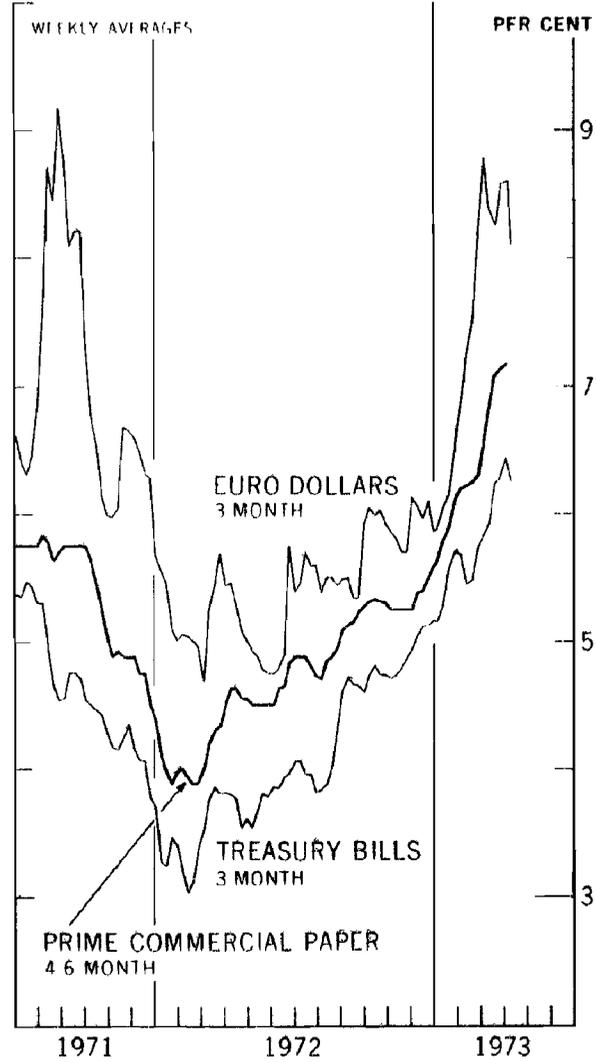
CHART 4

MONEY MARKET CONDITIONS AND INTEREST RATES

MONEY MARKET CONDITIONS



INTEREST RATES Short-term



INTEREST RATES Long-term

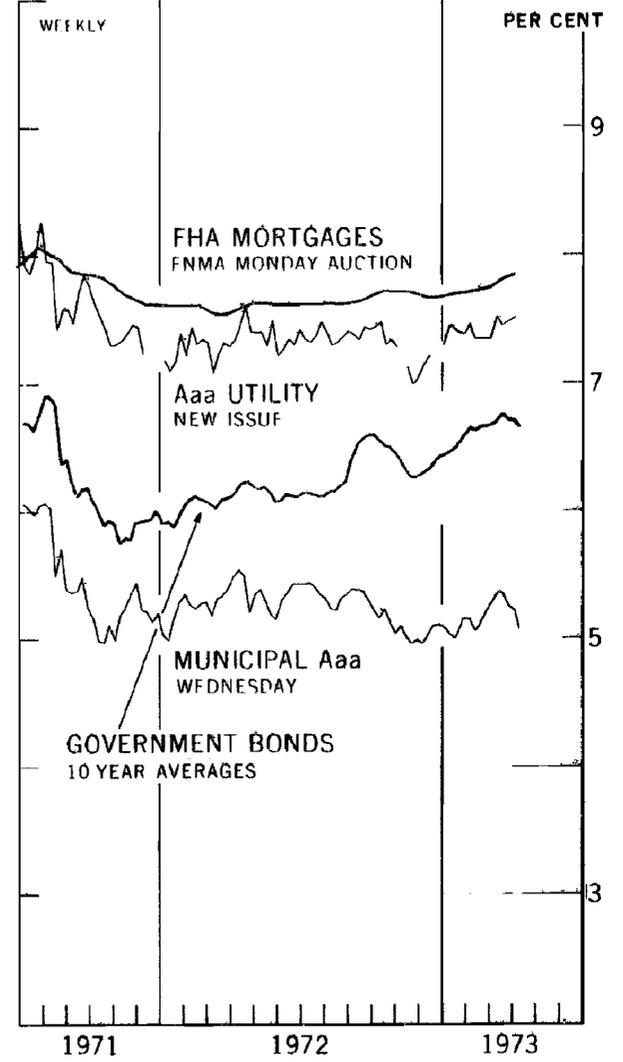


TABLE 1

STRICTLY CONFIDENTIAL

BANK RESERVES
(ACTUAL AND CURRENT PROJECTIONS)

APRIL 13, 1973

PERIOD	RESERVES AVAILABLE FOR PRIVATE NONBANK DEPOSITS		AGGREGATE RESERVES		REQUIRED RESERVES			
	SEAS ADJ	NON SEAS ADJ	TOTAL RESERVES	NONBORROWED RESERVES	SEASONALLY ADJUSTED			
					PRIVATE DEMAND	OTHER TIME DEP	CD'S AND NON DEP	GOV'T AND INTERBANK
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MONTHLY LEVELS--\$MILLIONS								
1972--DEC.	28,862	29,211	31,309	30,063	18,883	7,561	2,178	2,447
1973--JAN.	29,411	30,384	32,242	30,848	19,248	7,646	2,253	2,832
FEB.	29,296	29,369	31,649	29,787	19,031	7,674	2,384	2,353
MAR.	29,614	29,351	31,995	29,522	19,020	7,707	2,663	2,381
APR.	(29,772)	(29,805)	(32,238)	(30,104)	(18,852)	(7,760)	(2,965)	(2,466)
ANNUAL RATES OF CHANGE								
QUARTERLY:								
1972--3RD QTR.	9.9		3.6	-0.8	7.8	13.1	27.4	
4TH QTR.	10.6		14.2	4.8	8.3	11.4	23.1	
1973--1ST QTR.	10.4		8.8	-7.2	2.9	7.7	90.2	
2ND QTR.	(9.0)		(3.5)	(16.5)	(0.0)	(4.0)	(90.0)	
MONTHLY:								
1972--DEC.	7.7		12.5	-10.9	9.2	7.8	51.7	
1973--JAN.	22.8		35.8	31.3	23.2	13.5	41.3	
FEB.	-4.7		-22.1	-41.3	-13.5	4.4	69.8	
MAR.	13.0		13.1	-10.7	-0.7	5.2	143.5	
APR.	(6.5)		(9.0)	(23.5)	(-10.5)	(8.5)	(133.0)	
MAR.--APR.	(9.5)		(11.0)	(6.5)	(-5.5)	(6.5)	(146.0)	
WEEKLY LEVELS--\$MILLIONS								
1973--JAN.								
3	29,367	30,292	31,959	29,886	19,230	7,592	2,234	2,592
10	29,241	30,034	31,898	31,007	19,293	7,628	2,256	2,657
17	29,915	31,044	33,245	31,720	19,482	7,672	2,240	3,330
24	28,958	30,105	31,791	30,537	19,084	7,634	2,267	2,833
31	29,548	30,394	32,158	30,576	19,139	7,674	2,259	2,610
FEB.								
7	29,167	29,591	31,608	30,284	19,046	7,670	2,288	2,442
14	29,111	29,314	31,568	29,511	18,957	7,688	2,338	2,457
21	29,671	29,657	31,945	29,767	19,143	7,646	2,430	2,274
28	29,235	28,917	31,476	29,530	18,979	7,692	2,478	2,241
MAR.								
7	29,850	29,407	32,305	30,238	19,243	7,686	2,524	2,455
14	29,296	28,952	31,718	29,148	18,953	7,693	2,603	2,422
21	29,676	29,503	32,006	28,679	19,033	7,722	2,671	2,331
28	29,428	29,293	31,687	29,338	18,857	7,713	2,799	2,259
APR.								
4	30,093	29,937	32,610	30,560	19,008	7,741	2,850	2,518
11	29,400	29,170	31,864	29,350	18,790	7,771	2,910	2,464

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.

1/ AT THE FOMC MEETING MARCH 20, 1973 THE COMMITTEE AGREED ON A RPD RANGE OF 12 TO 16 PER CENT.

TABLE 2

STRICTLY CONFIDENTIAL

MONETARY AGGREGATES
(ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED)

APRIL 13, 1973

PERIOD	MONEY SUPPLY		ADJUSTED CREDIT PROXY	U.S. GOV'T. 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--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.	256.8	532.9	421.8	7.5	330.9	276.0	54.9	4.9
APR.	(257.7)	(534.9)	(426.6)	(5.6)	(336.2)	(277.2)	(59.0)	(5.0)
PERCENT ANNUAL GROWTH								
QUARTERLY								
1972--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.	2.0	5.9	15.2		23.1	9.5		
2ND QTR.	(5.5)	(5.5)	(11.0)		(17.0)	(6.0)		
MONTHLY								
1972--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.	0.5	5.4	20.3		30.9	9.6		
APR.	(4.0)	(4.5)	(13.5)		(19.0)	(5.0)		
MAR.--APR.	(2.5)	(5.0)	(17.0)		(25.5)	(7.5)		
WEEKLY LEVELS-\$BILLIONS								
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	532.3	417.5	8.6	323.2	274.1	49.1	4.4
28	255.9	530.3	417.2	7.9	325.0	274.4	50.7	4.7
MAR. 7	257.6	533.0	418.8	7.0	327.5	275.3	52.2	4.8
14	256.1	531.7	419.9	6.3	330.1	275.6	54.5	5.0
21	257.5	533.7	423.2	8.1	331.4	276.2	55.2	4.9
28 P	256.1	532.9	423.6	8.2	333.2	276.9	56.3	5.0
APR. 4 P	257.5	534.1	426.0	7.7	334.3	276.6	57.8	4.9
11 PE	255.2	531.9	422.7	5.6	335.1	276.7	58.4	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.

APRIL 13, 1973

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

Period	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/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Monthly											
1972 -- 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	146	428	-1,794	-109	-1,111	-1,140
Mar.	1,109	--	-14	542	1,636	1,689	266	-1,718	160	77	-40
Apr.											505
May.											
Weekly											
1973 -- Feb. 7	-561	--	--	-2,493	-3,055	-1,020	-77	375	81	-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	-62	-190	-504	-16	-740	
Mar. 7	-159	--	--	-1,856	-2,015	781	206	-215	282	490	
14	446	--	-14	1,827	2,259	293	-197	-599	-48	-455	
21	441	--	--	-1,686	-1,245	376p	648	-617	-144	551	
28	47	--	--	2,112	2,159	154p	-126p	-331p	- 93p	-210p	
Apr. 4	443	--	--	-1,212	-769	998p	-258p	203p	298p	645p	
11	243	--	-8	-379	-144	-572p	-255p	10p	-49p	-768p	
18											
25											

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 March and April reflects the target adopted at the March 20, 1973 FOMC meeting. Target change for previous months reflects the bluebook patterns that are consistent with target ranges that were adopted during the month.

APRIL 13, 1973

Table 4
SECURITY DEALER POSITIONS AND BANK POSITIONS
Millions of Dollars

Period	U.S. Govt. Security Dealer Positions		Other Security Dealer Positions		Member Bank Reserves 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
1972 -- High	4,291	1,585	235	383	796	1,223	380	-5,635	-5,270
Low	1,916	-93	0	40	-133	12	-1,070	-1,638	-1,910
1973 -- High	3,718	1,125	175	244	560	2,139	-562	-5,243	-7,165
Low	1,683	-96	0	70	-78	688	-1,943	-3,567	-4,839
1972 -- 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	-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	205	1,593	-1,388	-4,187	-5,436
Mar	*2,490	*-50	24	125	294p	1,859p	-1,565p	-4,273	-5,847
1973 -- 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	-14	1,482	-1,496	-3,628	-5,829
Mar. 7	1,976	11	27	126	341	1,688	-1,347	-3,760	-6,235
14	1,973	-73	44	142	23	1,491	-1,468	-4,883	-5,920
21	*2,740	*-96	12	168	249	2,139	-1,890	-4,719	-6,075
28	*3,028	*-83	12	63	70p	2,013p	-1,943p	-4,062	-5,269
Apr. 4	*3,142	* 72	15	55	507p	1,755p	-1,248p	-3,567p	-5,835p
11	*2,549	*190	25p	60p	-78p	1,500 p	-1,578p	-4,335p	-7,165p
18									
25									

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

APRIL 13, 1973

Table 5
SELECTED 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	(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)	
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
1973 -- High	7.18	6.44	6.71	7.13	7.13	6.75	7.52	7.60	5.35	6.76	7.86
Low	5.61	5.15	5.42	5.63	5.38	5.50	7.29	7.26	5.00	6.42	7.69
1972 -- 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
Mar.	7.09	6.09	6.53	6.76	6.78	6.75	7.49	7.51	5.29	6.71	7.78
1973 -- 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	6.13	6.13	6.25	7.34	7.39	5.06	6.62	--
21	6.79	5.49	5.83	6.16	6.13	6.25	--	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	7.60	5.34	6.72	--
21	6.96	6.25	6.69	6.88	6.88	6.75	7.45	7.53	5.35	6.76	7.81
28	7.11	6.28	6.64	7.00	7.00	6.75	--	7.44	5.26	6.71	--
Apr. 4	7.18	6.44	6.71	7.08	7.13	6.75	7.51	7.43	5.22	6.70	7.86
11	6.84	6.26	6.43	7.13	7.00	6.75	--	7.40p	5.07	6.64p	--
18											
25											

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 data 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)

April 13, 1973

Period	Reserves			Money Stock Measures			Bank Credit Measures		Other					U.S. Gov't. Demand
	Total	Nonborrowed	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	Nondeposit Funds	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	(Per Cent Annual Rates of Growth)													(Dollar Change in Billions)
Annually:														
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	+13.0	+11.6	+14.0	+15.5	+13.3	+16.8	+10.1	+0.4	+0.4
Semi-Annually:														
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	+3.0	+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	+15.0	+5.7	+0.6	+0.4
Quarterly:														
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	+10.8	+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	+12.4	+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	+13.2	+3.3	+0.3	+1.4
1st Qtr. 1973	+8.8	-7.2	+10.4	+2.0	+5.9	+8.5	+15.2	+20.3	+23.1	+9.5	+12.5	+11.7	+0.5	+0.9
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	+11.3	+6.6	+2.3	+12.9	+11.4	+16.9	+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	+14.8	+0.8	+0.3	-0.7
Sept.	-1.9	-6.1	+12.9	+7.2	+8.7	+11.4	+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	+11.9	+11.9	+11.4	+11.5	+12.8	+14.4	+0.2	+0.2	+1.2
Nov.	+11.4	+9.8	+20.8	+5.2	+7.9	+10.0	+10.5	+20.6	+14.2	+10.4	+12.3	+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	+12.5	+1.9	+0.1	-0.4
1973: Jan.	+35.8	+31.3	+27.8	-0.5	+6.4	+9.9	+8.3	+18.6	+15.7	+12.9	+19.4	+1.2	+0.1	+0.5
Feb.	-22.1	-41.3	-4.7	+6.1	+5.9	+8.7	+16.4	+21.9	+21.6	+5.7	+8.1	+4.5	--	+0.2
Mar. p	+13.1	+10.7	+13.0	+0.5	+5.4	+6.6	+20.3	+19.4	+30.9	+9.6	+9.0	+6.1	+0.4	+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.

p - Preliminary.

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

April 13, 1973

Period	Reserves			Money Stock Measures				Bank Credit Measures			Other				U.S. Gov't. Demand
	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	
				Total	Pvt. Dep.										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
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	284.3	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	775.1	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	784.0	388.3	524.2	295.0	256.8	279.6	38.3	3.9	5.2
Aug.	33,381	33,038	30,562	248.6	193.8	508.4	791.6	391.4	532.2	298.9	259.8	283.3	39.1	4.2	4.5
Sept.	33,327	32,870	30,890	250.1	194.8	512.1	799.1	394.5	537.5	301.9	262.0	286.9	39.8	4.1	5.1
Oct.	33,832	33,295	30,973	251.6	195.9	516.4	807.0	398.4	542.6	304.8	264.8	290.6	40.0	4.3	6.3
Nov.	31,883	31,297	29,496	252.7	196.5	519.8	813.7	401.9	551.9	308.4	267.1	293.9	41.2	4.3	6.9
Dec.	31,309	30,063	28,862	255.5	198.7	525.1	822.0	406.4	556.8	312.8	269.6	296.9	43.2	4.4	6.5
1973--Jan.	32,242	30,848	29,411	255.4	198.4	527.9	828.8	409.2	565.4	316.9	272.5	300.8	44.4	4.5	7.1
Feb.	31,649	29,787	29,296	256.7	199.3	530.5	834.8	414.8	575.7	322.6	273.8	304.3	48.8	4.5	7.2
Mar. p	31,995	29,522	29,614	256.8	198.9	532.9	839.4	412.8	585.0	330.9	276.0	306.5	54.9	4.9	7.5
Weekly:															
1973--Jan. 3	31,959	29,886	29,367	258.2	200.8	530.2		412.0		315.5	272.0		43.5	4.4	8.6
10	31,898	31,007	29,241	254.6	197.4	526.2		407.4		315.6	271.6		44.0	4.1	7.2
17	33,245	31,720	29,915	255.7	198.7	528.5		409.4		316.7	272.8		43.9	4.6	6.8
24	31,791	30,537	28,958	255.0	198.0	527.8		409.1		317.3	272.7		44.5	4.7	6.9
31	32,158	30,576	29,548	254.3	197.6	527.7		409.8		318.9	273.4		45.5	4.7	6.7
Feb. 7	31,608	30,284	29,167	256.3	198.9	529.0		411.3		320.1	272.8		47.3	4.5	5.5
14	31,568	29,511	29,111	256.4	199.0	530.4		413.0		322.2	274.0		48.2	4.4	6.9
21	31,945	29,767	29,671	258.3	200.6	532.3		417.5		323.2	274.1		49.1	4.4	8.6
28	31,476	29,530	29,235	255.9	198.6	530.3		417.2		325.0	274.4		50.7	4.7	7.9
Mar. 7	32,305	30,238	29,850	257.6	199.8	533.0		418.8		327.5	275.3		52.2	4.8	7.0
14	31,718	29,148	29,296	256.1	198.3	531.7		419.9		330.1	275.6		54.5	5.0	6.3
21	32,006	28,679	29,676	257.5	199.5	533.7		423.2		331.4	276.2		55.2	4.9	8.1
28 p	31,687	29,338	29,428	256.1	198.2	532.9		423.6		333.2	276.9		56.3	5.0	8.2
Apr. 4 p	32,610	30,560	30,093	257.5	199.4	534.1		426.0		334.3	276.6		57.8	4.9	7.7

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.