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**(CONFIDENTIAL FR)**

May 11, 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  $M_1$  and  $M_2$  appear to be expanding at annual rates somewhat above the upper ends of the Committee's April-May ranges of tolerance. Growth in RPD for the same period, however, seems to be falling short of its range, as shown in the table. The divergent tendencies evident in money supply and RPD expansion are attributable to a lower than anticipated average level of excess reserves in May; to greater than anticipated growth in currency, which swells  $M_1$  but does not absorb required reserves; and to a difference (still partly projected) in the weekly pattern of deposits from that projected earlier (which affects the required reserve component of RPD with a lag).

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

	Ranges of Tolerance	Current Estimates
RPD	10 - 12	8.0
$M_1$	4 - 6	7.0
$M_2$	4-1/2--6-1/2	8.0
<u>Memo:</u>		
Federal funds rate	6-7/8--7-1/2	
		<u>Week Ending</u>
		May 2: 7.43
		May 9: 7.60

(2) The tendency for money supply growth to exceed the Committee's target ranges became evident soon after the last meeting, and the Desk, while

taking account of even-keel, adopted a somewhat more reluctant reserve supplying strategy. This was expected to raise the Federal funds rate from the 6-7/8 to 7 per cent range prevailing at the time of the last meeting into a 7-1/4--7-1/2 per cent range. In the week ending May 2 the average funds rate rose to 7.43 per cent, and then in the most recent week to 7.60 per cent. During these two statement weeks, member bank borrowings averaged \$1.7 billion, little different from the preceding four weeks.

(3) The recent rise in the funds rate to more than 7-1/2 per cent reflected unexpected shortages in the supply of reserves arising partly from a large shortfall in float over the week-end of May 5, which was partly related to delays in transfers of funds to banks because of a computer failure. In response to developing money market tightness in the most recent period, the Desk supplied reserves mainly through repurchase agreements. The impact of the higher funds rate on market attitudes was blunted by the reserve supplying efforts of the Desk, by the relatively low volume of total dealer positions, and by the ready availability of dealer financing at favorable rates from non-bank institutions.

(4) During most of the inter-meeting period, interest rates on market securities showed little net response to the rise in the Federal funds rate. While average issuing rates in the auction of the Treasury's new 6-7/8 per cent note and 7 per cent bond were apparently nudged upward, these securities dropped somewhat in yield in the immediate post-auction period, and yields on short-term bills declined about a quarter of a percentage point, with the 3-month issue moving to just under 6 per cent. This drop reflected both current and prospective shortages in the market

supply of Treasury bills. In addition to the usual April and June redemptions of tax bills, the Treasury recently initiated a cut-back of its regular bill auction by \$100 million a week; \$1.7 billion of the maturing May securities will be redeemed--creating potential demands for bills; the rest of the May maturities were refunded into longer-maturity notes and bonds; and it was announced that the initial Treasury cash borrowing in the new fiscal year might not come until early August.

(5) Following the 1/4 point rise in the discount rate to 5-3/4 per cent on April 23, a further increase to 6 per cent was announced Thursday. Yesterday's announcement was received relatively quietly by the market. Bill rates initially adjusted upward about 10 basis points, but rose further on Friday as the day progressed, perhaps in part due to persisting money market tightness on that day. The 3-month bill most recently was quoted 6.23 per cent bid. There were minor price declines in Treasury and other bond markets. On balance, since the last Committee meeting, corporate and municipal bond yields have changed little, while mortgage rates have edged up and longer-term Government securities have advanced about 1/8 of a percentage point in response to the Treasury's debt lengthening operation.

(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 Years	Past 12 Months	Past 6 Months	Past 3 Months	Past Month
	Dec. '72 over Dec. '69	Apr. '73 over Apr. '72	Apr. '73 Oct. '72	Apr. '73 Jan. '72	Apr. '73 Mar. '73
Total reserves	8.4	9.0	10.1	1.2	12.6
Nonborrowed reserves	8.8	2.8	0.5	-8.7	26.5
Reserves available to support private non- bank deposits	9.0	9.7	11.3	6.2	10.0
<u>Concepts of Money</u>					
M <sub>1</sub> (currency plus demand deposits) <u>1/</u>	7.5	6.3	5.3	4.5	7.9
M <sub>2</sub> (M <sub>1</sub> plus time deposits at commercial banks other than large CD's)	11.3	9.0	7.7	6.4	8.3
M <sub>3</sub> (M <sub>2</sub> plus deposits at thrift insti- tutions)	12.8	11.0	9.5	8.1	8.3
<u>Bank Credit</u>					
Total member bank deposits (bank credit proxy adj.)	10.7	12.8	14.1	16.8	13.7
Loans and investments of commercial banks <u>2/</u>	12.4	15.3	16.8	16.1	6.4
<u>Short-term market paper</u> (Monthly ave. change in billions)					
Large CD's	.9	1.9	3.1	4.8	3.8
Nonbank commercial paper	0.0 <sup>3/</sup>	0.0 <sup>3/</sup>	0.1 <sup>4/</sup>	-0.9 <sup>4/</sup>	-1.3 <sup>4/</sup>

1/ Other than interbank and U.S. Government.

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

3/ Less than \$50 million.

4/ Latest data March, 1973.

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) Alternative long run monetary objectives and associated short-run ranges of tolerance are summarized in the table below for Committee consideration. (More detailed 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 (represented by growth rates for 2nd and 3rd quarters of 1973)			
M <sub>1</sub>	6--6-1/2	5--5-1/2	4--4-1/2
M <sub>2</sub>	7--7-1/2	6--6-1/2	4-1/2--5
Credit proxy	9-1/2--10	9--9-1/2	8--8-1/2
RPD	8-1/2--9	7-1/2--8	6-1/2--7
Associated ranges for May-June			
RPD	10--12	9--11	7-1/2--9-1/2
M <sub>1</sub>	5--7	4--6	3-1/2--5-1/2
M <sub>2</sub>	6-1/2--8-1/2	5-1/2--7-1/2	4-1/2--6-1/2
Federal funds rate range (inter-meeting period)	6-3/4--7-1/2	7-1/4--8	7-1/2--8-1/2

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(8) Alternative B is consistent with the long run path for the aggregates (as indexed by M<sub>1</sub> growth of 5--5-1/2 per cent) adopted by the Committee at recent meetings. Attainment of these longer-run objectives might well involve some further tightening of the money market, with

Alternative Longer-Run Targets  
for Key Monetary Aggregates

	<u>M<sub>1</sub></u>			<u>M<sub>2</sub></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>
<u>1973</u> Apr.	258.3	258.3	258.3	536.3	536.3	536.3	426.4	426.4	426.4
May	259.6	259.5	259.4	539.9	539.8	539.6	429.2	429.2	429.0
June	260.8	260.6	260.3	543.0	542.3	541.2	434.1	433.8	433.0
Sept.	264.6	263.5	262.4	551.7	549.1	545.5	442.3	441.0	439.2

Rates of Growth

Quarters: 1973 2nd Q.	6.5	6.0	5.75	8.0	7.5	6.5	12.0	11.5	11.0
3rd Q.	6.0	4.5	3.0	6.5	5.0	3.0	7.5	6.5	5.5

Months:									
May	6.0	5.5	5.0	8.0	8.0	7.5	8.0	8.0	7.5
June	5.5	5.0	4.0	7.0	5.5	3.5	13.5	13.0	11.0

	<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>
<u>1973</u> Apr.	32,335	32,335	32,335	29,869	29,869	29,869
May	32,417	32,409	32,401	30,021	30,014	30,005
June	32,461	32,415	32,343	30,409	30,363	30,292
Sept.	32,704	32,543	32,343	30,946	30,786	30,586

Rates of Growth

Quarters: 1973 2nd Q.	6.0	5.0	4.5	10.5	10.0	9.0
3rd Q.	3.0	1.5	--	7.0	5.5	4.0

Months:						
May	3.0	2.5	2.5	6.0	6.0	5.5
June	1.5	--	-2.0	15.5	14.0	11.5

the funds rate between now and the next Committee meeting probably moving up toward the top of the 7-1/4--8 per cent range shown. This represents somewhat tighter money market conditions than were specified at the time of the last meeting as consistent with the given longer-run objectives for the aggregates. This specification of tighter money market conditions reflects the greater strength of money supply in recent weeks and the sizable upward revision in the projection of nominal GNP for the second quarter.

(9) In May-June,  $M_1$  growth is indicated to be less rapid than in April. Income tax refunds will be tapering off in the forthcoming period, and growth will also be held down by the cumulative impact of past interest rate increases together with the restraint on reserve growth targeted. By the third quarter, a further modest slowing in  $M_1$  growth would be needed to attain the longer-run target. This might be accomplished without any additional tightening in money market conditions beyond the 7-1/4--8 per cent funds rate range, particularly if, as projected, the rate of growth in GNP moderates.

(10) Between now and the next Committee meeting the 3-month Treasury bill rate is likely to move back up into a 6-1/4--6-5/8 per cent range under alternative B. The recent rise in the discount rate and the somewhat tauter money market conditions anticipated will put pressure on dealer financing costs and will also give banks a further incentive to sell or liquidate bills as compared with other forms of adjustment. In addition, a \$1--\$2 billion drop in the Treasury balance at the Fed is anticipated prior to mid-June tax receipts and this will cause the System to sell more bills than otherwise into the market. The bill rate is still expected to remain unusually low relative to the funds rate, however. The Treasury's favorable cash position has enabled it to pay down maturing coupon issues and bills, and

the Treasury has also stressed debt lengthening in its refunding operations. In this assessment of the bill market, we have not assumed any substantial reflow of funds from abroad.

(11) Pressure on bank liquidity positions is expected to persist in the weeks ahead as bank lending continues to grow at a rapid pace. There has been some moderation of business loan demands as the shift of commercial paper borrowers to banks has abated. Nevertheless, the projected rapid rate of business inventory accumulation and large plant and equipment outlays indicate basic strength in credit demands.

(12) These demands are likely to be financed in large part by issuance of CD's in sizable volume, though diminished from the record first quarter pace. If the cost of issuing CD's is increased (by raising reserve requirements), the amount of CD's issued will probably be cut back somewhat because of the higher effective rate, banks will shift to other forms of raising funds (such as selling securities), and lending terms to business may tighten somewhat further.

(13) The availability of bank credit to finance demands will also be dampened by an expected further slowing of net inflows of consumer-type time and savings deposits as short-term interest rates edge higher. The staff has not assumed a rise in Regulation Q ceilings that pertain to such deposits. Given this assumption, a more marked slowing of consumer-type time deposit flows is anticipated around the mid-year interest crediting period and continuing into the third quarter, when Treasury bill rates are expected to rise further.

(14) Long-term interest rates seem likely to rise somewhat under the conditions of alternative B partly as restraint on bank credit availability leads banks to participate relatively little as suppliers of funds in securities markets. Reduced flows of funds to nonbank savings institutions will also work toward upward pressure on mortgage rates and on debt markets more generally as Federal agencies offer sizable amounts of securities to help support the mortgage market. Demands on long-term bond markets, however, still appear quite moderate, and this may permit a rise in short rates to develop without significant impacts on long rates. But expectations are very important in the determination of long rates, and should monetary actions be interpreted as implying that credit will tighten substantially further, or remain tight for a more extended period than expected, long rates could well come under more upward pressure.

(15) Alternative A indicates specifications that appear consistent with a policy move toward a higher growth rate for the aggregates than encompassed in alternative B. This alternative implies some easing of money market conditions in the weeks ahead.

(16) Under alternative C, which moves toward a lower long-run growth rate for the aggregates, it would appear that the Federal funds rate would probably have to rise above 8 per cent over the period immediately ahead. Because of lags the main impact on  $M_1$  growth would not occur until the third quarter, when--to achieve the 4--4-1/2 per cent long-run objective-- $M_1$  growth would have to fall to a 3 per cent annual rate.  $M_2$  growth also would slow sharply, given the significantly higher short-term rates and assuming no increase in Regulation Q ceilings for

consumer-type time deposits. Given the low growth rates for the aggregates expected for the third quarter under this alternative, the Committee may find it necessary to ease money market conditions in the course of summer if it desires to stay on the longer-run growth paths of alternative C thereafter.

Proposed directive

(17) 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 light of the comments by a number of members at the previous Committee meeting about the disadvantages of using such qualitative terms as "moderate" or "modest" to characterize the desired growth rates in the monetary aggregates, such objectives have been expressed relative to the actual growth over the past 6 months. These 6-month growth rates are shown in the table on page 4. The diverse behavior of the various monetary aggregates, however, creates difficulties in characterizing future targets in the same way relative to past performance for all aggregates.

(18) The 6 month comparison works quite well for  $M_1$ , since the long-term target range specified under alternative B (5--5-1/2 per cent) and the short-run range of tolerance encompass the 5-1/4 per cent growth rate experience in the past 6 months; the ranges specified under A and C are, respectively, somewhat above and somewhat below the 6-month pace. For the bank credit proxy, actual growth over the past 6 months exceeds both the long-run target and near-term expectations under all three alternatives. For RPD and  $M_2$ , the situation is a little more complicated, but for the most part the previous 6-month rates of expansion are above specifications in the three alternatives (with some exceptions in alternative A).

(19) The directive language below attempts to take account of the differences in specified future movement of the aggregates relative to the past. As will be noted, an instruction to take account of credit market developments is included in alternative C since the relatively sharp tightening of money market conditions contemplated could lead to undesirably rapid adjustments in credit markets generally.

Alternative A

To implement this policy, ~~while-taking-accout-of-forthcoming Treasury-financing,~~ the Committee seeks to achieve bank reserve and money market conditions consistent with SOMEWHAT FASTER moderate growth in ~~menetary-aggregates~~ THE NARROWLY DEFINED MONEY STOCK over the months ahead THAN OCCURRED IN THE PAST 6 MONTHS ON AVERAGE BUT SOMEWHAT SLOWER GROWTH IN OTHER KEY MONETARY AGGREGATES.

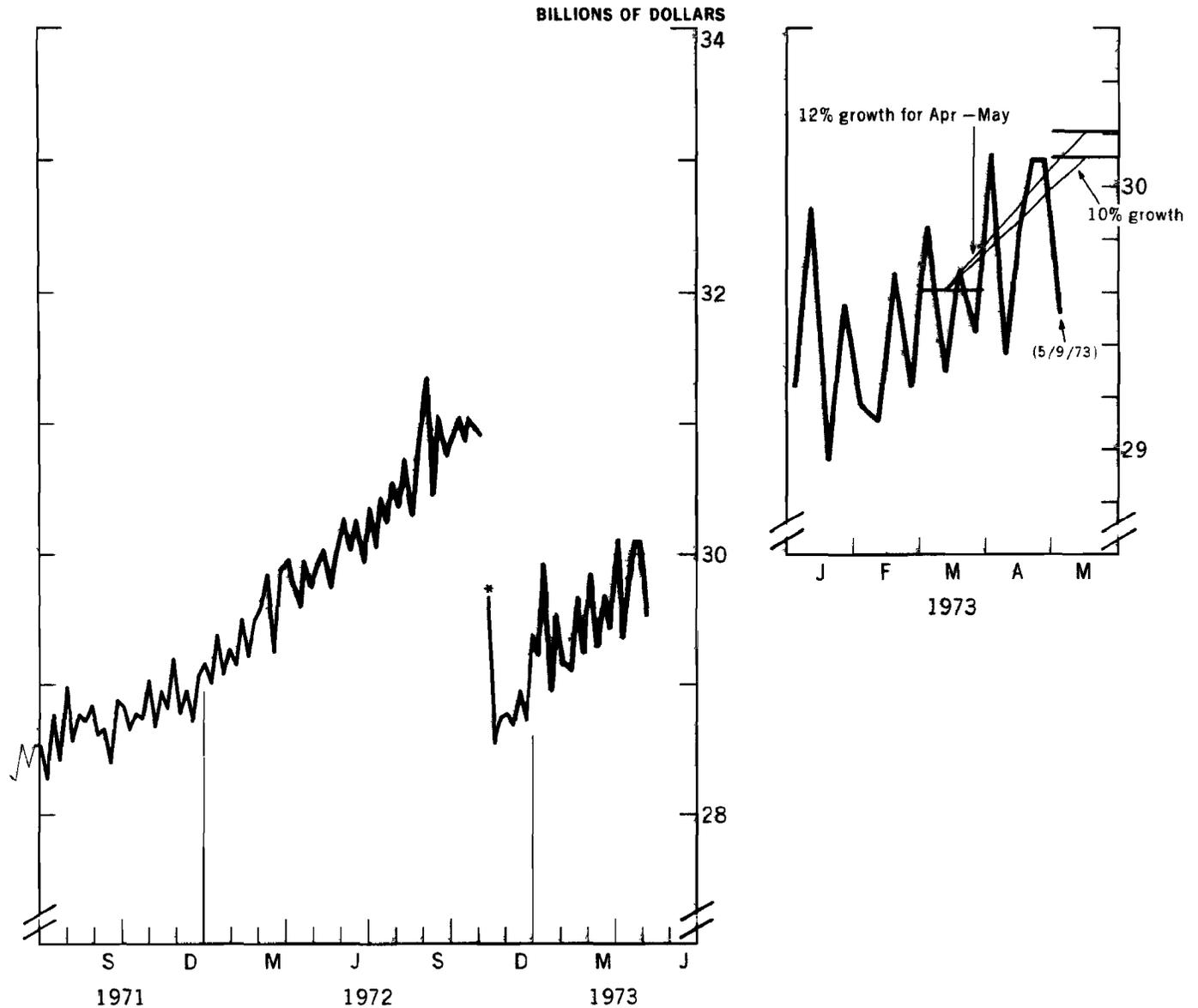
Alternative B

To implement this policy, ~~while-taking-accout-of-forthcoming Treasury-financing,~~ the Committee seeks to achieve bank reserve and money market conditions consistent with moderate growth in ~~menetary-aggregates~~ THE NARROWLY DEFINED MONEY STOCK over the months ahead AT ABOUT THE AVERAGE RATES OF THE PAST 6 MONTHS AND SLOWER GROWTH IN OTHER KEY MONETARY AGGREGATES.

Alternative C

To implement this policy, while taking account of ~~furtheering~~  
Treasury-financing, CREDIT MARKET DEVELOPMENTS, the Committee seeks  
to achieve bank reserve and money market conditions consistent with  
SOMEWHAT SLOWER moderate growth in monetary aggregates over the  
months ahead THAN OCCURRED ON AVERAGE IN THE PAST 6 MONTHS.

# RESERVES AVAILABLE TO SUPPORT PRIVATE NONBANK DEPOSITS

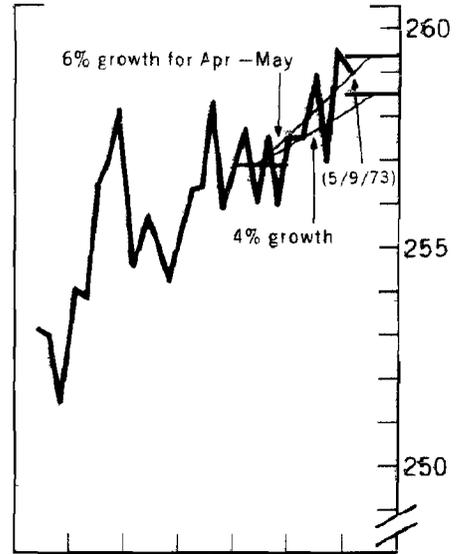
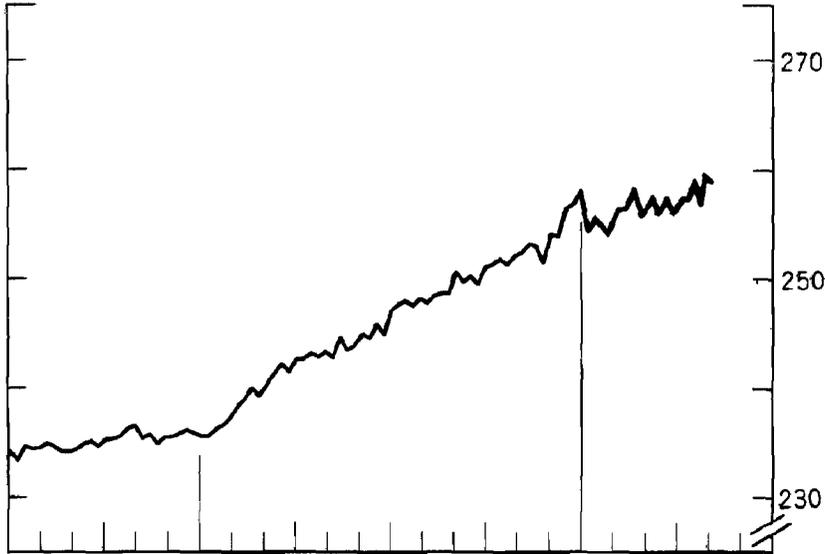


\*Break in Series, Actual Level of RPD After Reduction in Reserve Requirements Effective November 9, 1972

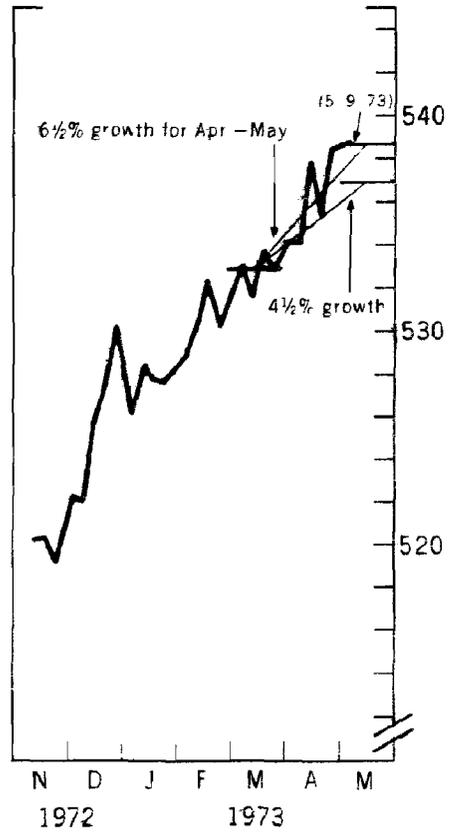
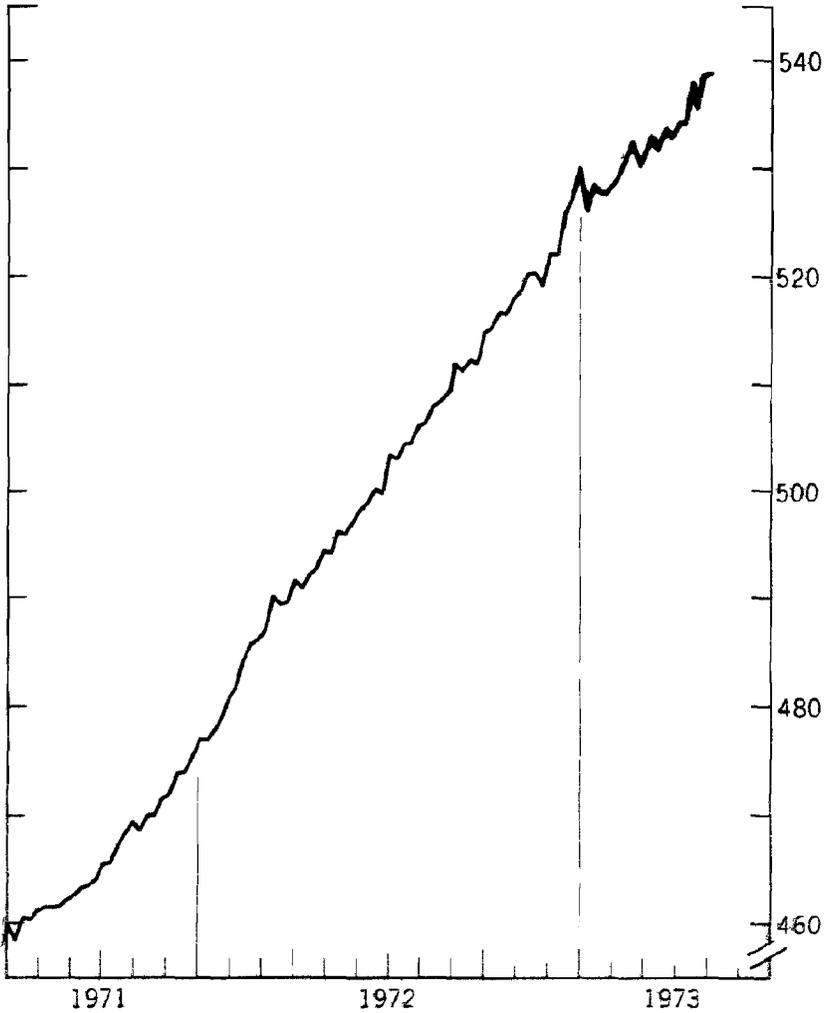
# MONETARY AGGREGATES

### NARROW MONEY SUPPLY M1

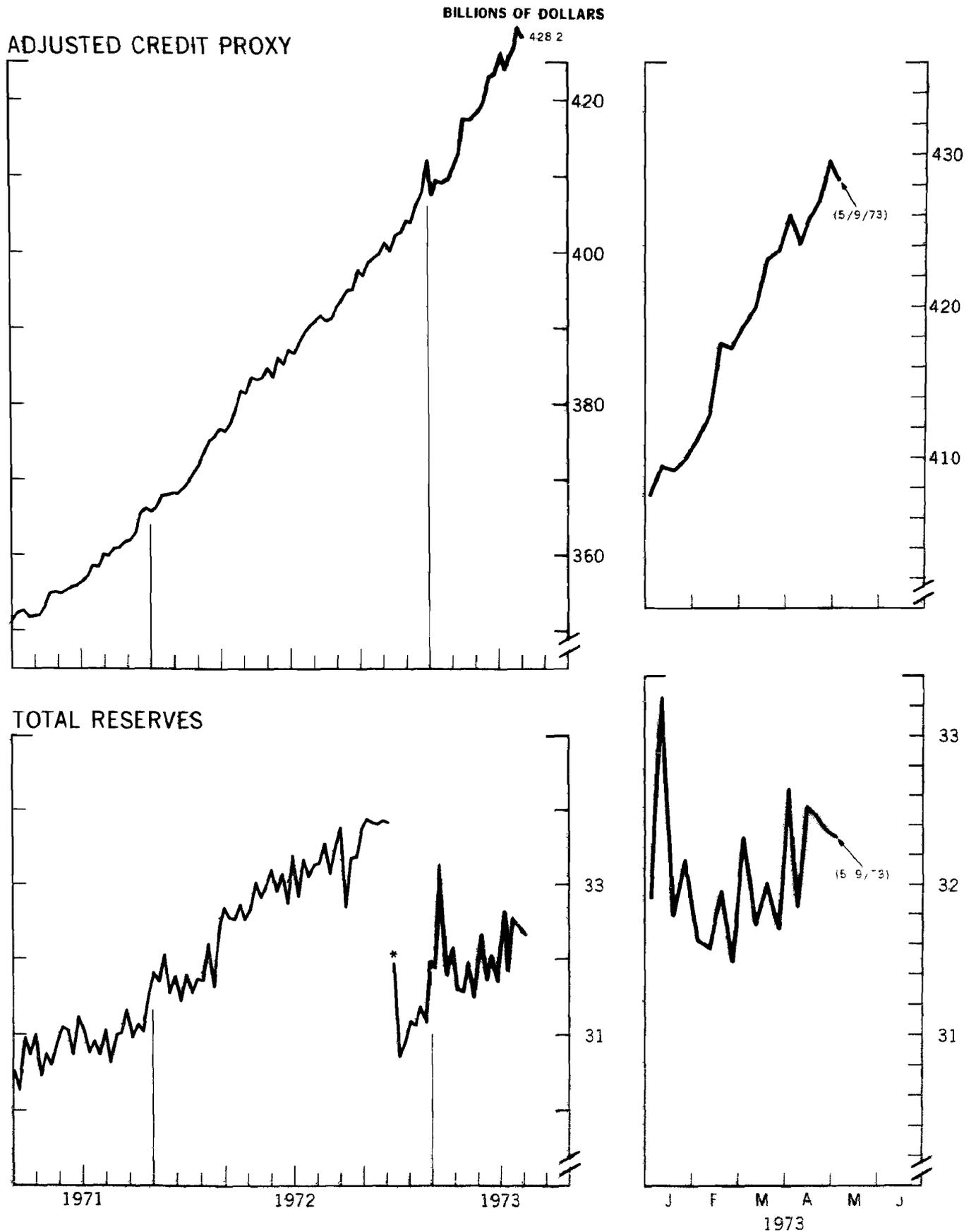
BILLIONS OF DOLLARS



### BROADER MONEY SUPPLY M2



# MONETARY AGGREGATES

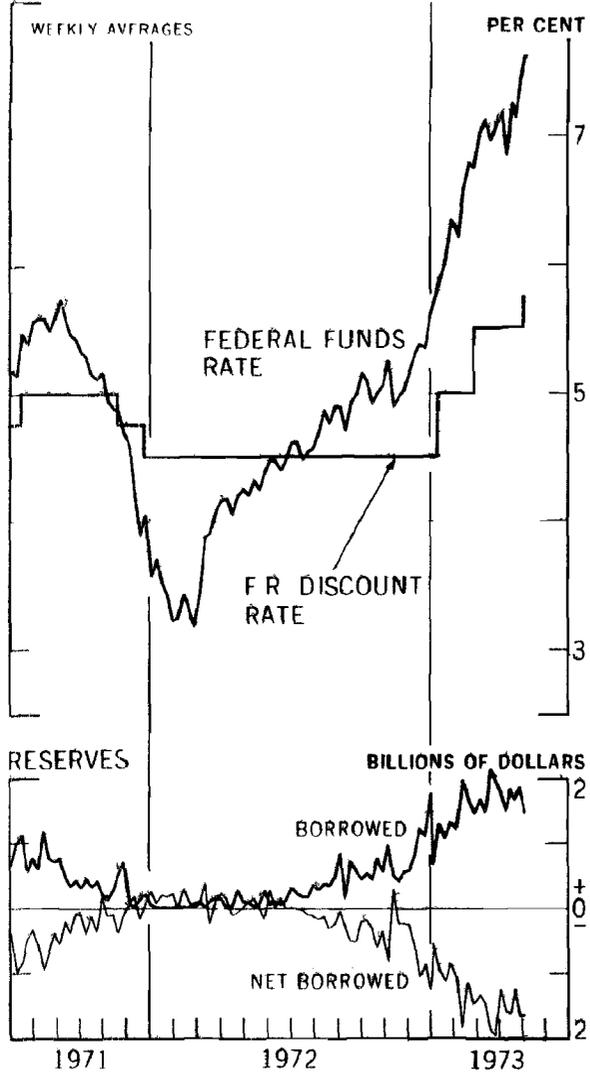


\* Break in series Actual Level of Total Reserves After Reduction in Reserve Requirements Effective November 9 1972

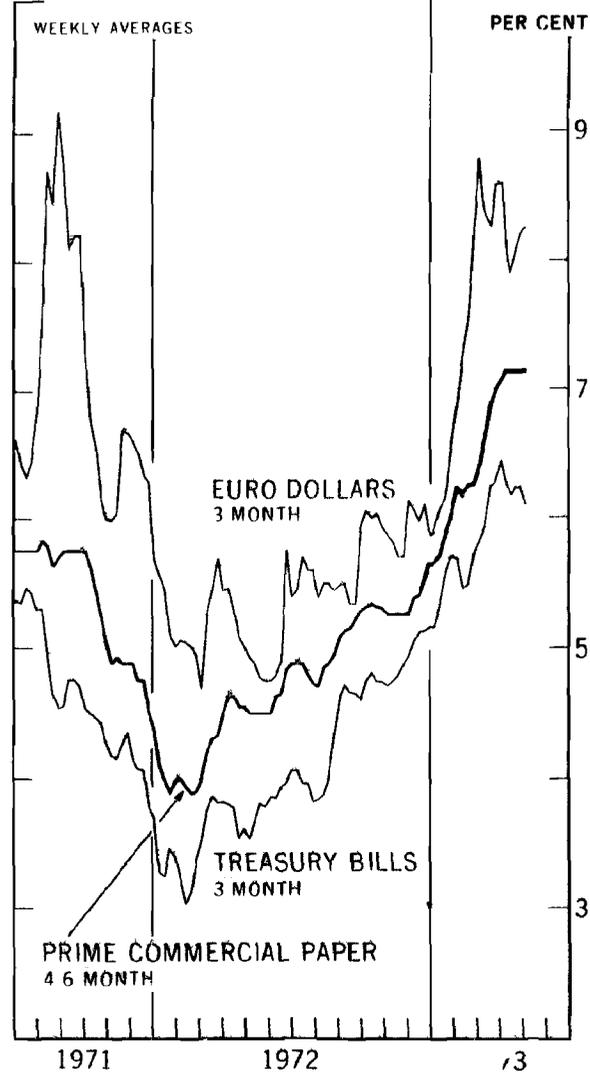
CHART 4

# MONEY MARKET CONDITIONS AND INTEREST RATES

## MONEY MARKET CONDITIONS



## INTEREST RATES Short-term



## INTEREST RATES Long-term

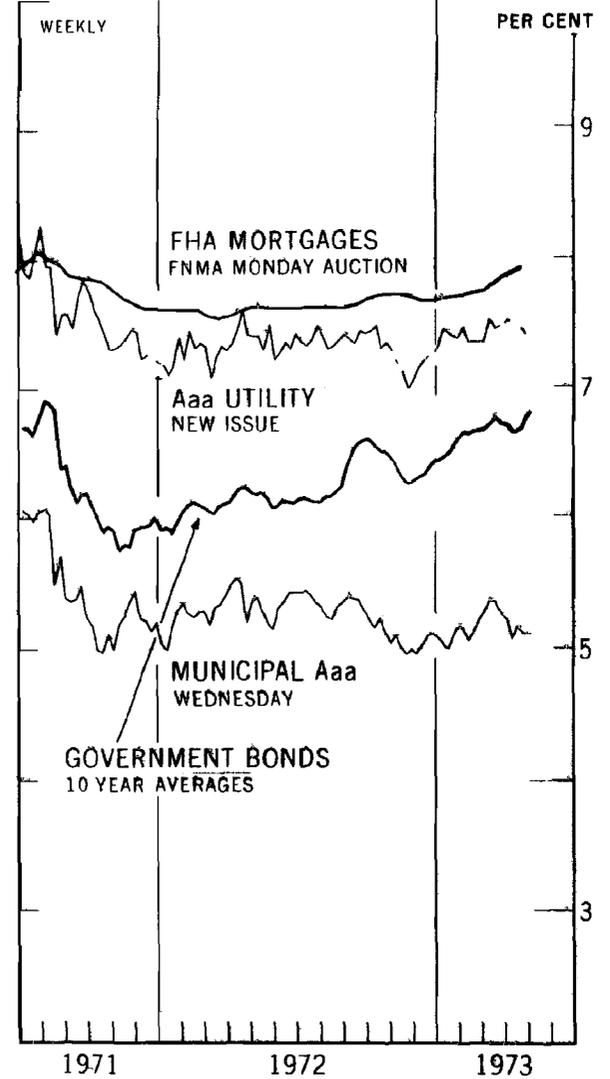


TABLE 1

STRICTLY CONFIDENTIAL

BANK RESERVES  
(ACTUAL AND CURRENT PROJECTIONS)

MAY 11, 1973

PERIOD	RESERVES AVAILABLE FOR PRIVATE NONRANK 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)
<b>MONTHLY LEVELS--\$MILLIONS</b>								
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	29,747	19,031	7,674	2,384	2,353
MAR.	29,622	29,360	31,999	29,526	19,021	7,707	2,669	2,377
APR.	29,869	29,902	32,335	30,178	18,870	7,777	2,970	2,466
MAY	(30,014)	(29,851)	(32,409)	(30,290)	(18,943)	(7,854)	(3,087)	(2,396)
<b>ANNUAL RATES OF CHANGE</b>								
<b>QUARTERLY:</b>								
1972--4TH QTR.	10.6		14.2	4.8	8.3	11.4	23.1	
1973--1ST QTR.	10.5		8.8	-7.1	2.9	7.7	90.2	
2ND QTR.	(10.0)		(5.0)	(16.5)	(0.5)	(9.5)	(80.0)	
<b>MONTHLY:</b>								
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.	13.4		13.3	-10.5	-0.4	5.2	143.5	
APR.	10.0		12.6	26.5	-9.5	10.9	135.3	
MAY	(6.0)		(3.0)	(4.5)	(4.5)	(12.0)	(47.5)	
APR.-MAY	(8.0)		(7.5)	(15.5)	(-2.5)	(11.5)	(94.0)	
<b>WEEKLY LEVELS--\$MILLIONS</b>								
FEB. 7	29,167	29,591	31,608	30,284	19,044	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	7,723	2,671	2,331
28	29,451	29,316	31,699	29,350	18,857	7,713	2,799	2,248
APR. 4	30,128	29,972	32,628	30,579	19,017	7,742	2,850	2,501
11	29,366	29,136	31,838	29,319	18,767	7,769	2,910	2,472
18	29,831	29,939	32,519	29,219	18,909	7,758	2,982	2,689
25	30,097	30,244	32,456	30,897	18,781	7,761	3,055	2,359
MAY 2	30,102	30,390	32,371	30,412	18,971	7,868	3,011	2,269
9	29,515	29,699	32,312	29,811	18,842	7,816	3,052	2,797

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.

1/ AT THE FOMC MEETING APRIL 17, 1973 THE COMMITTEE AGREED ON A RPD RANGE OF 10 TO 12 PER CENT.

TABLE 2

STRICTLY CONFIDENTIAL

MONETARY AGGREGATES  
(ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED)

MAY 11, 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)
<b>MONTHLY LEVELS--\$BILLIONS</b>								
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.	256.6	532.6	421.6	7.5	330.9	276.0	54.9	4.9
APR.	258.3	536.3	426.4	5.8	336.7	278.0	58.7	5.1
MAY	(259.5)	(539.8)	(429.2)	( 4.8)	(340.9)	(280.3)	(60.6)	( 5.0)
<b>PERCENT ANNUAL GROWTH</b>								
<b>QUARTERLY</b>								
1972--4TH QTR.	8.6	10.2	12.1		14.4	11.6		
1973--1ST QTR.	1.7	5.7	15.0		23.1	9.5		
2ND QTR.	( 6.0)	( 7.5)	(11.5)		(16.5)	( 8.5)		
<b>MONTHLY</b>								
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	4.7	19.7		30.9	9.6		
APR.	7.9	8.3	13.7		21.0	8.7		
MAY	( 5.5)	( 8.0)	( 8.0)		(15.0)	(10.0)		
APR.--MAY	( 7.0)	( 8.0)	(11.0)		(18.0)	( 9.5)		
<b>WEEKLY LEVELS--\$BILLIONS</b>								
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	4.6
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	256.0	532.8	423.6	8.2	333.2	276.8	56.3	5.0
APR. 4	257.5	534.1	426.0	7.7	334.3	276.6	57.7	4.9
11	257.5	534.1	424.1	5.4	335.6	276.6	59.0	4.9
18	258.9	537.9	425.8	4.6	337.1	279.0	58.1	5.2
25 P	257.0	535.6	426.8	6.1	337.5	278.7	58.8	5.4
MAY 2 P	259.5	538.5	429.5	6.8	338.3	279.0	59.3	5.2
9 PE	258.9	538.8	428.2	5.8	339.7	279.9	59.8	4.9

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.

MAY 11, 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)
<b>Monthly</b>											
1972 -- 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	265	-1,723	156	75	- 40
Apr.	1,332	207	-19	-414	1,106	1,323	-137	-884	-74	376	505
May											200
June											
<b>Weekly</b>											
1973 -- 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	376	648	-617	-144	551	
28	47	--	--	2,112	2,159	154	-126	-319	-104	-187	
Apr. 4	443	--	--	-1,212	-769	998	-259	209	292	656	
11	243	--	- 8	-379	-144	-572	-252	- 36	- 24	-836	
18	309	--	--	2,385	2,694	743	343	-221	- 62	803	
25	201	207	--	-2,020	-1,612	266p	-199p	-387p	-477p	157p	
May. 2	472	--	-16	646	1,102	467p	228p	-673p	-110p	132p	
9	409	--	--	-41	368	400p	-386p	-316p	647p	-949p	
16											
23											
30											

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 April and May reflects the target adopted at the April 17, 1973 FOMC meeting. Target change for previous months reflects the bluebook patterns that are consistent with target ranges that were adopted during the month.

MAY 11, 1973

Table 4  
SECURITY DEALER POSITIONS AND BANK POSITIONS  
Millions of Dollars

Period	U. S. Govt. Security Dealer Positions		Other Security Dealer Positions		Excess Reserves	Member Bank Reserves Positions			
	Bills	Coupon Issues	Corporate Bonds	Municipal Bonds		Borrowings at FRB		Basic Reserve Deficit	
						Total	Seasonal	8 New York	38 Other
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1972 -- High	4,291	-1,585	235	383	796	1,223		-5,635	-5,270
Low	1,916	-93	0	40	-133	12		-1,638	-1,910
1973 -- High	3,718	1,125	175	244	560	2,139		-5,243	-7,093
Low	1,683	-96	0	55	-151	688		-1,820	-4,839
1972 -- Apr.	2,612	274	46	99	136	109		-3,026	-3,299
May	2,792	675	123	134	104	119		-2,625	-2,652
June	2,694	205	87	260	204	94		-2,828	-2,864
July	2,262	97	142	166	147	202		-2,945	-2,603
Aug.	2,643	692	114	176	255	438		-3,913	-2,801
Sept.	4,099	170	53	174	162	514		-3,835	-4,024
Oct.	2,887	207	105	132	247	574		-3,637	-4,044
Nov.	3,096	1,039	84	191	314	606		-4,561	-3,622
Dec.	3,510	953	58	291	219	1,049		-4,977	-4,958
1973 -- Jan.	3,407	720	27	177	342	1,165		-4,550	-5,469
Feb.	2,132	562	77	123	205	1,593		-4,187	-5,436
Mar.	2,490	-50	24	125	295	1,858		-4,273	-5,847
Apr.	*2,457	*106	12	60				-3,293	-6,577
1973 -- Mar. 7	1,976	11	27	126	341	1,688		-3,760	-6,235
14	1,973	-73	44	142	23	1,491		-4,883	-5,920
21	2,740	-96	12	168	249	2,139		-4,719	-6,075
28	3,028	-83	6	63	93	2,013		-4,062	-5,269
Apr. 4	3,142	72	4	55	537	1,754		-3,577	-5,933
11	2,549	190	0	56	-86	1,502		-4,227	-7,093
18	*2,477	*104	0	105	234	1,845		-4,121	-6,676
25	*2,222	* 12	45	76	388p	1,646p	9p	-2,392	-6,908
May 2	*1,969	*221	61	72	215p	1,874p	16p	-1,820p	-5,574p
9	*1,788	*809	15p	135p	-151p	1,488p	18p	-3,465p	-5,755p
16									
23									
30									

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

MAY 11, 1973

Table 5  
SELECTED INTEREST RATES  
Per Cent

Period	Short-term						Long-term				
	Federal Funds	Treasury bills		90-119 day Commercial Paper	CD's Prime - NYC		Aaa Utility		Municipal Bond Buyer	U.S. Government (10-yr. Constant Maturity)	FNMA Auction Yields
		90-day	1-year		60-89 day	90-119 day	New Issue	Recently Offered			
(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	7.60	6.44	6.71	7.13	7.25	6.75	7.52	7.60	5.35	6.80	7.92
Low	5.61	5.15	5.42	5.63	5.38	5.50	7.29	7.26	5.00	6.42	7.69
1972 -- 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
Apr.	7.12	6.26	6.51	7.13	7.04	6.75	7.48p	7.48p	5.15	6.67	7.89
1973 -- 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	--	7.47	5.07	6.64	--
18	7.23	6.18	6.41	7.13	7.00	6.75	--	7.52	5.17	6.64	7.89
25	7.14	6.22	6.57	7.13	7.05	6.75	7.45	7.42	5.14	6.68	--
May 2	7.43	6.24	6.57	7.13	7.25	6.75	7.40	7.42	5.10	6.75	7.92
9	7.60	6.10	6.52	7.13	7.25	6.75	--	7.45p	5.10	6,80p	--
16											
23											
30											

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)

May 11, 1973

Period	Reserves			Money Stock Measures			Bank Credit Measures			Other				
	Total (1)	Nonborrowed (2)	Available to Support Pvt. Deposits (3)	M <sub>1</sub> (4)	M <sub>2</sub> (5)	M <sub>3</sub> (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)
<b>Annually:</b>														
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
<b>Semi-Annually:</b>														
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
<b>Quarterly:</b>														
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	+12.4	+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	-7.1	+10.5	+1.7	+5.7	+ 8.6	+15.0	+20.3	+23.1	+9.5	+13.6	+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	+11.1	+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	+13.9	+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	+12.3	+1.2	--	+0.6
Dec.	+12.5	-10.9	+7.7	+13.3	+12.2	+12.4	+13.4	+10.7	+17.1	+11.2	+12.5	+1.9	+0.1	-0.4
1973: Jan.	+35.8	+31.3	+22.8	-0.5	+6.4	+9.8	+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	+9.0	+16.4	+21.9	+21.6	+5.7	+9.1	+4.5	--	+0.2
Mar.	+13.9	-10.5	+13.4	-0.5	+4.8	+6.9	+19.7	+19.4	+30.9	+9.6	+11.7	+6.1	+0.4	+0.2
Apr.	+12.6	+26.5	+10.0	+8.0	+8.3	+8.3	+13.7	+6.4	+21.0	+8.7	+5.0	+3.8	+0.2	-1.6

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)

May 11, 1973

Period	Reserves			Money Stock Measures				Bank Credit Measures			Other				
	Total	Non-borrowed	Available to Support Pvt. Deposits	M <sub>1</sub>		M <sub>2</sub>	M <sub>3</sub>	Adjusted Credit Proxy	Total Loans and Investments	Total Time	Time Other 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)	
<b>Annually:</b>															
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
<b>Monthly:</b>															
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	775.0	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	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	283.2	39.1	4.2	4.5
Sept.	33,327	32,870	30,890	250.1	194.8	512.1	799.0	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.	31,863	31,297	29,496	252.7	196.5	519.8	813.6	401.9	551.9	308.4	267.1	293.8	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	828.7	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	834.9	414.8	575.7	322.6	273.8	304.4	48.8	4.5	7.2
Mar.	31,999	29,526	29,622	256.6	198.7	532.6	839.7	421.6	585.0	330.9	276.0	307.0	54.9	4.9	7.5
Apr.	32,335	30,178	29,869	258.3	199.7	536.3	845.5	426.4	588.1	336.7	278.0	309.2	58.7	5.1	5.8
<b>Weekly:</b>															
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	31,699	29,350	29,451	256.0	198.1	532.8		423.6		333.2	276.8		56.3	5.0	8.2
Apr. 4	32,628	30,579	30,128	257.5	199.3	534.1		426.0		334.3	276.6		57.7	4.9	7.7
11	31,838	29,319	29,366	257.5	198.9	534.1		424.1		335.6	276.6		59.0	4.9	5.4
18	32,519	29,219	29,831	258.9	200.2	537.9		425.8		337.1	279.0		58.1	5.2	4.6
25 p	32,456	30,897	30,097	257.0	198.1	535.6		426.8		337.5	278.7		58.8	5.4	6.1
May 2 p	32,371	30,412	30,102	259.5	200.9	538.5		429.5		338.3	279.0		59.3	5.2	6.8

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 M<sub>3</sub>, total loans and investments and thrift institution deposits.

p - Preliminary.