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**(CONFIDENTIAL FR)**

**June 15, 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) Since the last meeting of the Committee, money supply measures have grown at annual rates well above the upper limits of the Committee's May-June ranges of tolerance, and RPD appears to be at the upper end of its range. The overshoot is particularly large for M<sub>1</sub>, as the table shows.

Growth of Monetary Aggregates and RPD  
in May-June Target Period

	<u>Ranges of Tolerance</u>	<u>Latest Estimates</u>
<u>Reserve and Monetary Aggregates</u> (Growth at SAAR in per cent)		
RPD	9 - 11	11
M <sub>1</sub>	4 - 6	10
M <sub>2</sub>	5-1/2--7-1/2	9-1/2
<u>Memo:</u>		
<u>Federal funds rate range</u> (Per cent per annum)		<u>Statement week ave.</u>
As adopted and subsequently amended		7-1/4--8-1/2
		6/6 8.43 6/13 8.17

(2) In May alone, M<sub>1</sub> grew at an annual rate of 11.2 per cent, while M<sub>2</sub> rose at a 9.8 per cent rate. Strength in M<sub>1</sub> continued into early June. Some of the unanticipated acceleration of M<sub>1</sub> growth in May and

early June may be attributable to the unusually large volume of personal income tax refunds. At the time of the last Committee meeting tax refunds in May were projected to exceed those of a year ago by about \$1.5 billion. Nearly complete data now available indicate that the excess was closer to \$3.5 billion. While total refunds for the fiscal year--at \$22 billion--are only about \$1 billion larger than projected at the time of the last meeting, the issuance of final refund checks was largely completed in May instead of spilling over into June to the extent we expected.

(3) With the aggregates exceeding their ranges of tolerance by increasing margins as the inter-meeting period progressed, the Committee agreed to raise the ceiling on the federal funds rate. An initial adjustment from 7-7/8 per cent to 8-1/4 per cent was made on May 24 and another increase to 8-1/2 per cent was approved on June 8. Desk operations most recently have been geared to a reserve strategy expected to result in a funds rate around 8-1/2 per cent. Member bank borrowings generally averaged \$1.7 billion in the four statement weeks since the last Committee meeting, though bulging to \$2.4 billion in the holiday week of May 30.

(4) Tightening of the money market was accompanied by substantial upward adjustments in short-term interest rates, and the discount rate was raised to 6-1/2 per cent in early June. In short-term markets, the largest advances--of 100 basis points--occurred in rates on 3-month Treasury bills and 90-180 day bank CD's, both of which had been depressed earlier relative to other short-term rates. Other short-term market rates were increased by 50-75 basis points, and the prime rate at major banks was increased by 50 basis points to 7-1/2 per cent. Virtually all of these increases had

taken place before the 1/2 percentage point increase in Reserve Bank discount rates on June 8. Market reaction to the discount rate advance was limited because market participants were expecting some early Administration action on price controls. When the temporary price freeze and other measure were finally announced on June 13, the initial interest rate response was slightly upward.

(5) In long-term markets, rate responses to the further tightening of money market conditions were quite moderate. Yield advances on long-term securities ranged generally from 5 to 15 basis points. Published series on mortgage rates also showed advances within this same range, and there were reports from some areas of somewhat larger increases in offering rates on new mortgages.

(6) Growth in the bank credit proxy during the May-June target period appears to have been somewhat slower than in earlier months and little different from what was expected at the time of the last Committee meeting. Business loan demand has remained strong. However, bank net issuance of large CD's dropped off markedly in June. The new marginal reserve requirement became applicable to such deposits outstanding in the week beginning June 7.

(7) 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 Dec. '72 over Dec. '69	Past 12 Months May '73 over May '72	Past 6 Months May '73 over Nov. '72	Past 3 Months May '73 over Feb. '72	Past Month May '73 over Apr. '73
Total reserves	8.4	8.5	8.8	10.1	4.6
Nonborrowed reserves	8.8	2.1	-1.0	5.5	1.3
Reserves available to support private non- bank deposits	9.0	10.1	9.1	11.0	9.6
<u>Concepts of Money</u>					
M <sub>1</sub> (currency plus demand deposits) <sup>1/</sup>	7.5	6.9	6.3	6.1	11.2
M <sub>2</sub> (M <sub>1</sub> plus time deposits at commercial banks other than large CD's)	11.3	9.1	8.0	7.6	9.8
M <sub>3</sub> (M <sub>2</sub> plus deposits at thrift institutions)	12.8	10.9	9.4	8.1	8.8
<u>Bank Credit</u>					
Total member bank deposits (bank credit proxy adj.)	10.7	12.4	14.2	15.1	12.1
Loans and investments of commercial banks <sup>2/</sup>	12.4	15.7	17.3	16.1	22.6
<u>Short-term market paper</u> (Monthly ave. change in billions)					
Large CD's	.9	2.1	3.4	4.3	3.0
Nonbank commercial paper	0.0 <sup>3/</sup>	0.0 <sup>3/</sup>	-0.1 <sup>4/</sup>	-0.9 <sup>4/</sup>	-0.6 <sup>4/</sup>

<sup>1/</sup> Other than interbank and U S Government

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

<sup>3/</sup> Less than \$50 million

<sup>4/</sup> Latest data April, 1973

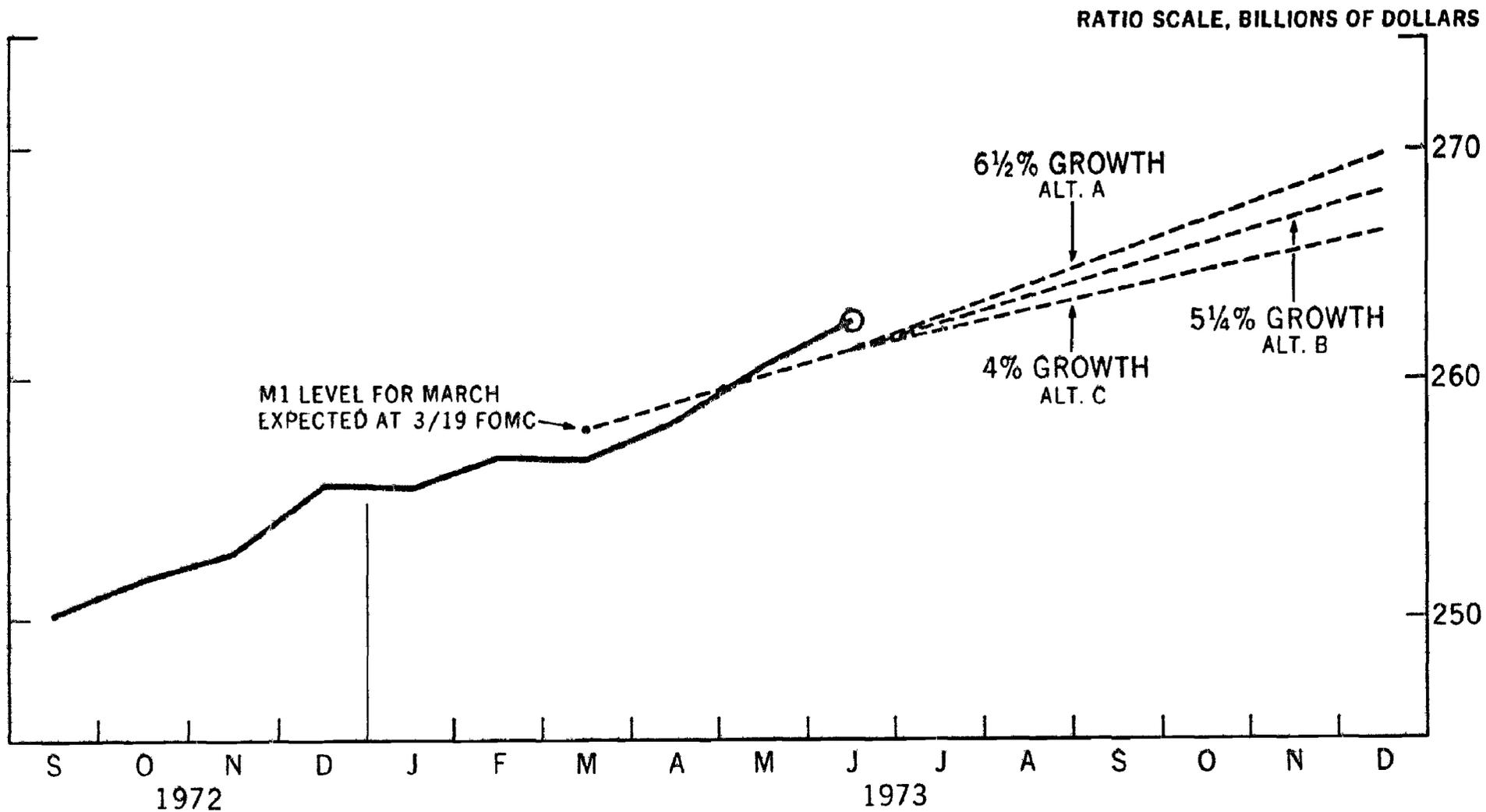
NOTE: All items are based on averages of daily figures, except for data on total loans and investments of commercial banks, commercial paper, and thrift institutions--which are either end-of-month or last-Wednesday-of-month figures.

Prospective developments

(8) The alternatives suggested for Committee consideration have been framed to be consistent with those to be discussed in the chart show on Monday. The chart on the following page shows movements in  $M_1$ , which is taken to index a collection of aggregates. It traces the actual growth from September 1972 to June 1973 (with the June figure partly a projection) and shows alternative growth rates for the June-December period. The slope of the middle dashed line represents continuation of the 5-1/4 per cent long-term growth path adopted by the Committee at its March meeting and reaffirmed in April and May. The steeper dashed line reflects a more rapid growth rate for  $M_1$  of 6-1/2 per cent and the flatter dashed line a less rapid rate of 4 per cent.

(9) The three alternative dashed lines take as a base, or starting point, the average level of  $M_1$  in June that would be consistent with the mid-point of the 5--5-1/2 per cent growth rate adopted by the Committee in March (which in turn starts from the March level then expected). Because of the recent rapid growth in  $M_1$ , the actual level of  $M_1$  expected for June (the circled point on the chart) is \$1.2 billion in excess of the level consistent with the previously adopted 5-1/4 per cent path. Accordingly, a Committee decision to adhere to that longer-term growth path would require a correction in the rate of expansion over the period ahead. If the correction were to be completed within the next two quarters, growth from the indicated June level to December would have to be at a 4-1/2 per cent rate (alternative B). Similarly, as a result of the recent overshoot, a Committee decision to move onto a higher 6-1/2 per cent long-run target growth path (alternative A) or

# THE MONEY SUPPLY AND LONGER RUN TARGET PATHS



onto a lower 4 per cent path (alternative C) would imply growth from the indicated June level to December at rates somewhat slower than those path rates.

(10) The combined third and fourth quarter rates of growth required to hit the longer-run targets specified for  $M_1$  amount to 5-1/2 per cent for alternative A; 4-1/2 per cent for alternative B; and 3 per cent for alternative C. These are the rates of growth which would attain a December level that is on the desired long-run growth path after correcting for the recent overshoot. If the June level of  $M_1$  turns out to be lower or higher than presently projected, the growth rates to reach the desired path level of  $M_1$  in December would, of course, be revised commensurately. Targets for the other monetary aggregates consistent with those for  $M_1$ , and associated short-run ranges of tolerance for June-July, are summarized in the table below. (More detailed figures are shown in the table on page 6a.

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
Longer-run path (indexed by $M_1$ growth rate)	6-1/2	5-1/4	4
Targets (3rd and 4th Qtrs. combined)*			
$M_1$	5-1/2	4-1/2	3
$M_2$	7	5	3-1/4
Credit proxy	9-1/2	8-3/4	7-1/4
Associated ranges for June-July			
RPD	10--12	9-1/2--11-1/2	9-1/4--11-1/4
$M_1$	6-1/2--8-1/2	6--8	5-1/2--7-1/2
Federal funds rate range (inter-meeting period)	6-3/4--8-3/4	7-1/2--9-1/2	8-1/4--10-1/4

\*Assumes June levels for  $M_1$ ,  $M_2$  and the credit proxy as shown in the table on page 6a. Also assumes no increase in Regulation Q ceilings.

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>									
May	260.6	260.6	260.6	540.6	540.6	540.6	430.5	430.5	430.5
June	262.6	262.5	262.5	544.7	544.7	544.6	433.9	433.9	433.8
July	263.8	263.6	263.5	547.6	547.0	546.6	435.4	435.0	434.8
Sept.	265.6	265.0	264.6	553.4	551.1	549.2	445.2	444.3	443.5
Oct.	269.8	268.3	266.5	563.8	558.4	553.6	454.3	453.0	449.6

Rates of Growth

Quarters: 1973	2nd Q.	9.5	9.0	9.0	9.0	9.0	9.0	11.5	11.5	11.5
	3rd Q.	4.5	4.0	3.0	6.5	4.5	3.5	10.5	9.5	9.0
	4th Q.	6.5	5.0	3.0	7.5	5.5	3.0	8.25	7.75	5.5
Months:										
	June	9.0	9.0	8.5	9.0	9.0	9.0	9.5	9.5	9.0
	July	5.5	5.0	4.5	6.5	5.0	4.5	4.0	3.0	3.0

Total Reserves

	<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>						
May	32,449	32,449	32,449	30,100	30,100	30,100
June	32,358	32,358	32,358	30,413	30,413	30,413
July	32,794	32,770	32,760	30,656	30,632	30,622
Sept.	33,197	31,176	33,137	31,224	31,202	31,164
Oct.	34,255	34,187	33,891	31,986	31,920	31,630

Rates of Growth

Quarters: 1973	2nd Q.	4.5	4.5	4.5	10.5	10.5	10.5
	3rd Q.	10.5	10.0	9.5	10.5	10.5	10.0
	4th Q.	12.5	12.0	9.0	10.0	9.0	6.0
Months:							
	June	-3.5	-3.5	-3.5	12.5	12.5	12.5
	July	16.0	15.5	15.0	9.5	8.75	8.25

(11) In the weeks immediately ahead, a Federal funds rate in the general neighborhood of the currently prevailing 8-1/2 per cent rate may be consistent with the specifications for the aggregates shown below for alternative B. Under B,  $M_1$  in June-July is indicated to rise in a 6--8 per cent annual rate, range with growth at a 9 per cent rate in June, but slowing to about a 5 per cent rate in July. The slowing in July and the quite modest rate of growth indicated for the third quarter in part reflect the unwinding of the presumably temporary surge in privately held cash balances engendered by the heavy income tax refunds. More basically, the longer-run demand for  $M_1$  is likely to be well below the second-quarter pace in lagged reaction to the sharp recent rise in short-term interest rates and in reflection of the more moderate rate of growth in nominal GNP projected for the second half of 1973.

(12) The high degree of economic uncertainty now prevailing, including the Administration's recently announced price freeze, make projections of money demand more than usually difficult. While prices will stabilize during the period of the freeze, the makeup of the Phase IV program and its implications for longer-term price movements are total unknowns. The money supply paths presented in this blue book do not assume an appreciable longer-run reduction in demand for money as a result of the freeze and Phase IV. Nor have we made an explicit allowance in the short-run for any temporary downward shift in transactions demand for money, such as conceivably could result from a temporary stabilization of prices, or

from shifts into market securities if expectations of declining interest rates become more prevalent. Because of these various uncertainties, and their possible effects on the demand for money and hence on RPD, the Federal funds rate ranges suggested are wider than in recent meetings (for example, 7-1/2--9-1/2 per cent for alternative B). However, the Committee may wish to allow for the possibility that the freeze itself may lead to a temporary lessening of money demand, by permitting growth rates below the ranges specified or by lifting the lower end of the funds rate range.

(13) Even with a continuation of current money market conditions, short- and long-term interest rates over the next few weeks may be under some further upward pressure. Short rates do not appear to have adjusted fully to the higher day-to-day rates now prevailing, and the yield spread between short- and long-term markets is abnormally small and in some cases negative. Interest rates would, of course, come under greater upward pressure if money market conditions should tighten, as they might under either alternative B or C. However, market expectations concerning the likely content and effectiveness of Phase IV will be critical for interest rate behavior.

(14) In view of the recent upsurge in short-term interest rates, growth in time deposits other than large CD's is expected to slow in the second half of the year to around a 5--6 per cent rate under alternative B. This does not allow for any increase in existing Regulation Q ceilings; if ceilings were raised across the board by one-half per cent, as is assumed

in the analysis to be presented in Monday's chart show, growth rates would average about 2 percentage points higher. A sharper slowing in time deposit inflows, is contemplated under alternative C and less of a slowing under alternative A.

(15) Bank credit demands are expected to remain generally strong. Should expectations of rising interest rates strengthen, though, some corporate borrowers might shift out of banks into the capital market. In any case, reduced inflows of both private demand and consumer-type time deposits suggest that banks are likely to remain aggressive bidders for CD's. But CD growth will probably be slower than in the first few months of the year in reflection of the higher cost of CD's. On balance, taking all deposit flows into account, growth in the bank credit proxy is expected to slow further in the second half of the year under all three alternatives, with the slowing greatest under alternative C.

Proposed directive

(16) 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 delete the reference to international developments because the speculative pressures in exchange markets since shortly before the last meeting have not caused special operating problems for the Desk. Retention of the reference to domestic financial market developments is proposed in both alternatives B and C, because both involve the possibility of a significant tightening of the money market. As will be noted, both alternatives B and C refer to the aggregate growth rates "indicated for the first half of the year." Including current estimates for June, these are as follows: M<sub>1</sub>, 5.5 per cent; M<sub>2</sub>, 7.5 per cent; and the bank credit proxy, 13.5 per cent.

Alternative A

To implement this policy, ~~while-taking-account-of international-and-domestic-financial-market-developments,~~ the Committee seeks to achieve bank reserve and money market conditions consistent with MODERATE ~~somehat-slower~~ growth in monetary aggregates over the months immediately ahead ~~than occurred-on-average-in-the-past-6-months.~~

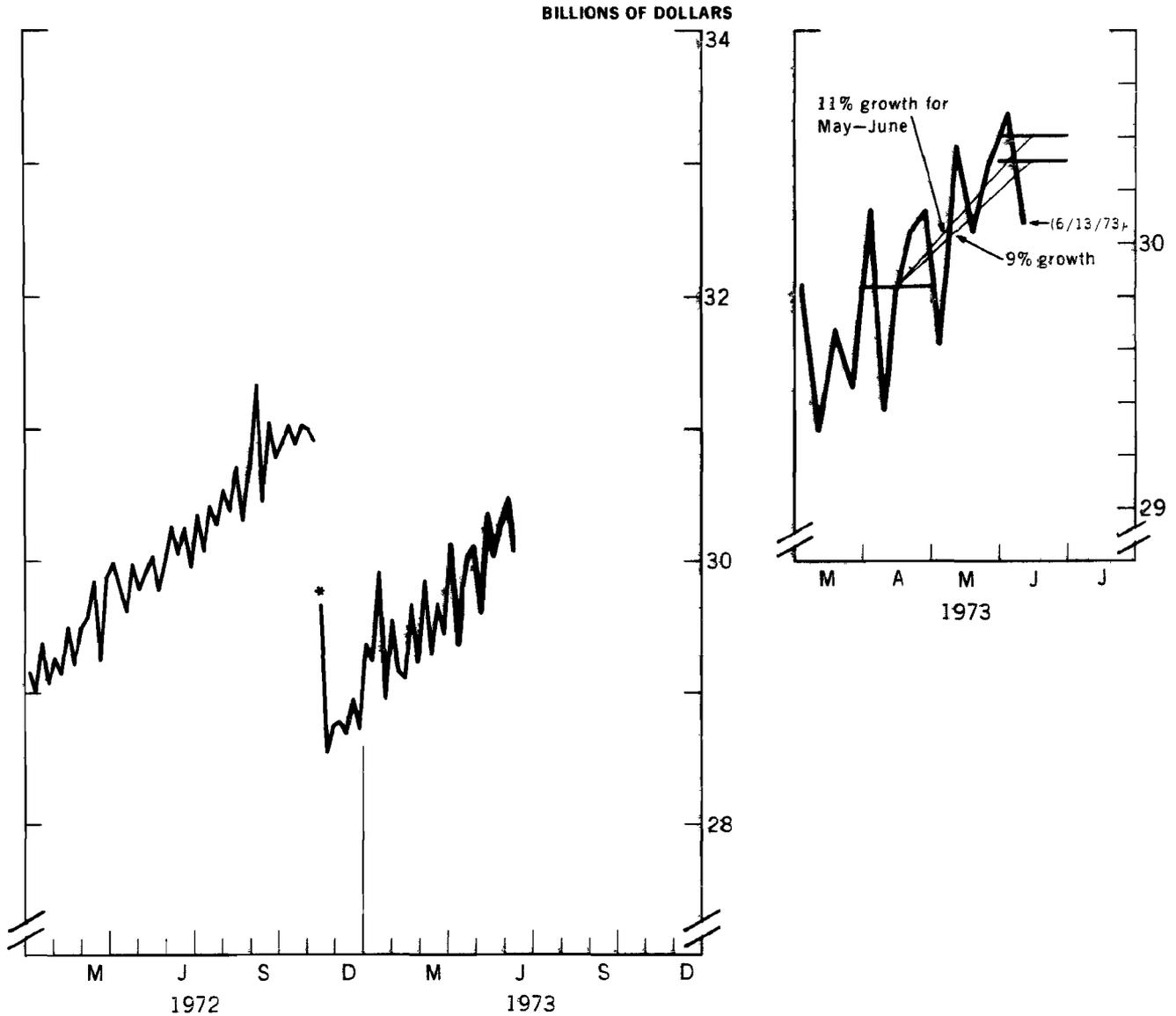
Alternative B

To implement this policy, while taking account of international-and domestic financial market developments, the Committee seeks to achieve bank reserve and money market conditions consistent with somewhat slower growth in monetary aggregates over the months immediately ahead than occurred-on-average-in-the-past-6-months APPEARS INDICATED FOR THE FIRST HALF OF THE YEAR.

Alternative C

To implement this policy, while taking account of international-and domestic financial market developments, the Committee seeks to achieve bank reserve and money market conditions consistent with somewhat slower growth in monetary aggregates over the months immediately ahead than occurred-on average-in-the-past-6-months APPEARS INDICATED FOR THE FIRST HALF OF THE YEAR.

# RESERVES AVAILABLE TO SUPPORT PRIVATE NONBANK DEPOSITS

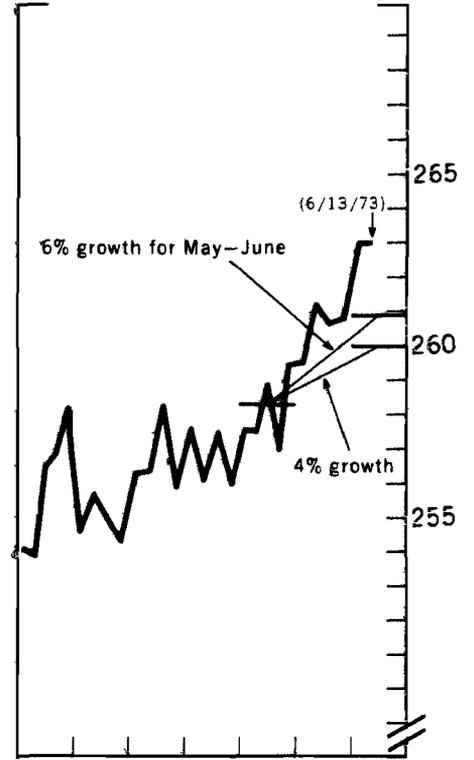
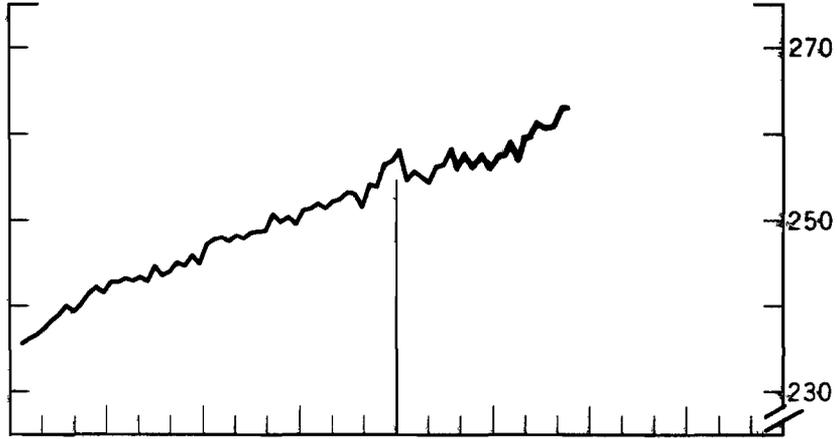


\* Break in Series Actual Level of RPD After Reproduction in Reserve Requirements Effective November 9, 1972

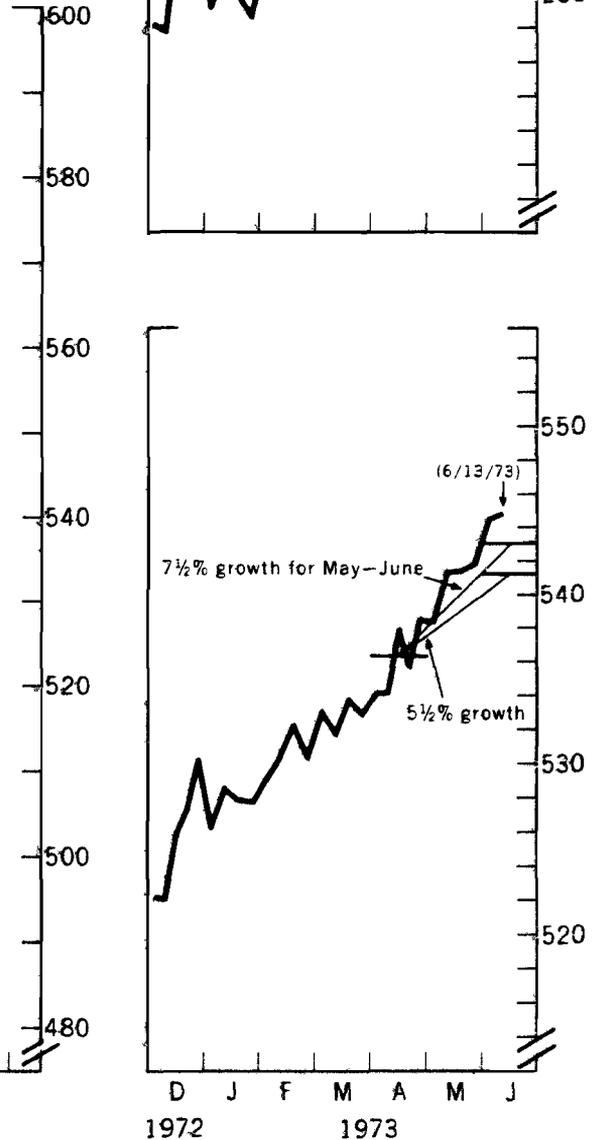
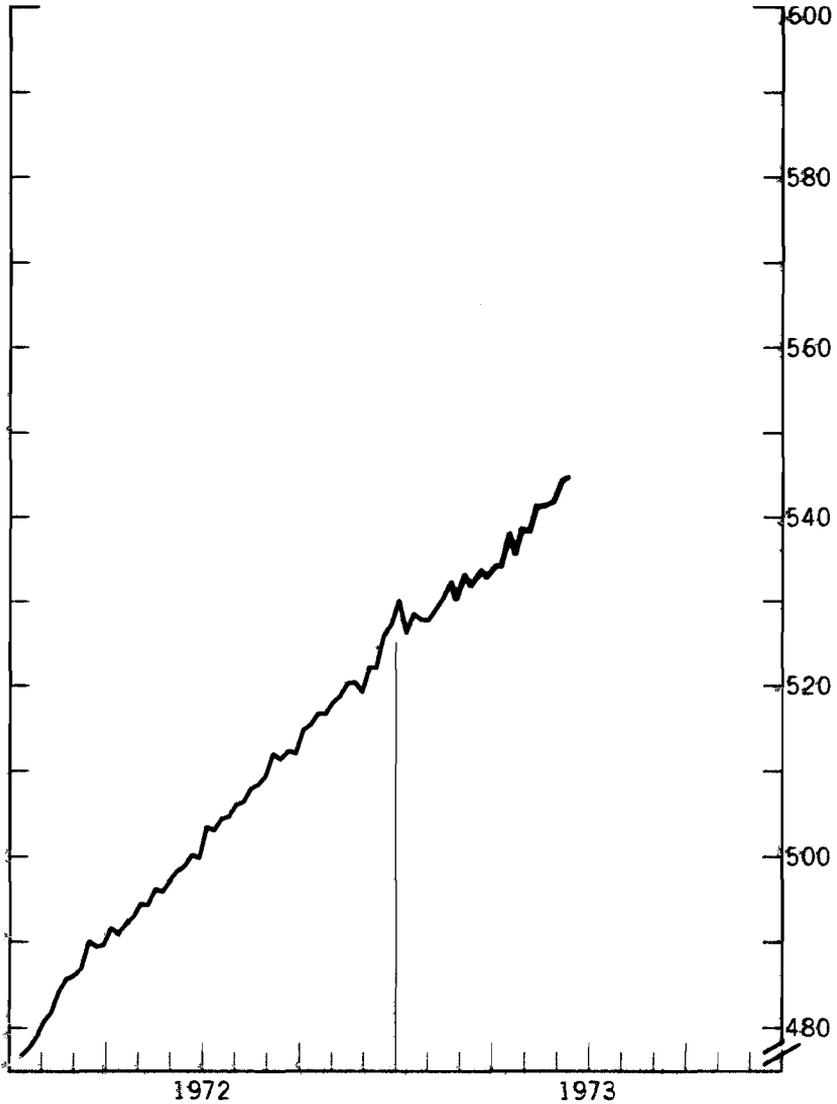
# MONETARY AGGREGATES

NARROW MONEY SUPPLY M1

BILLIONS OF DOLLARS

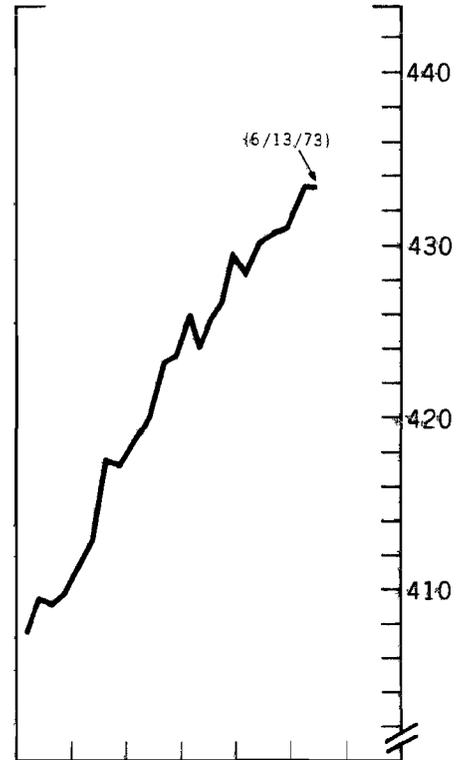
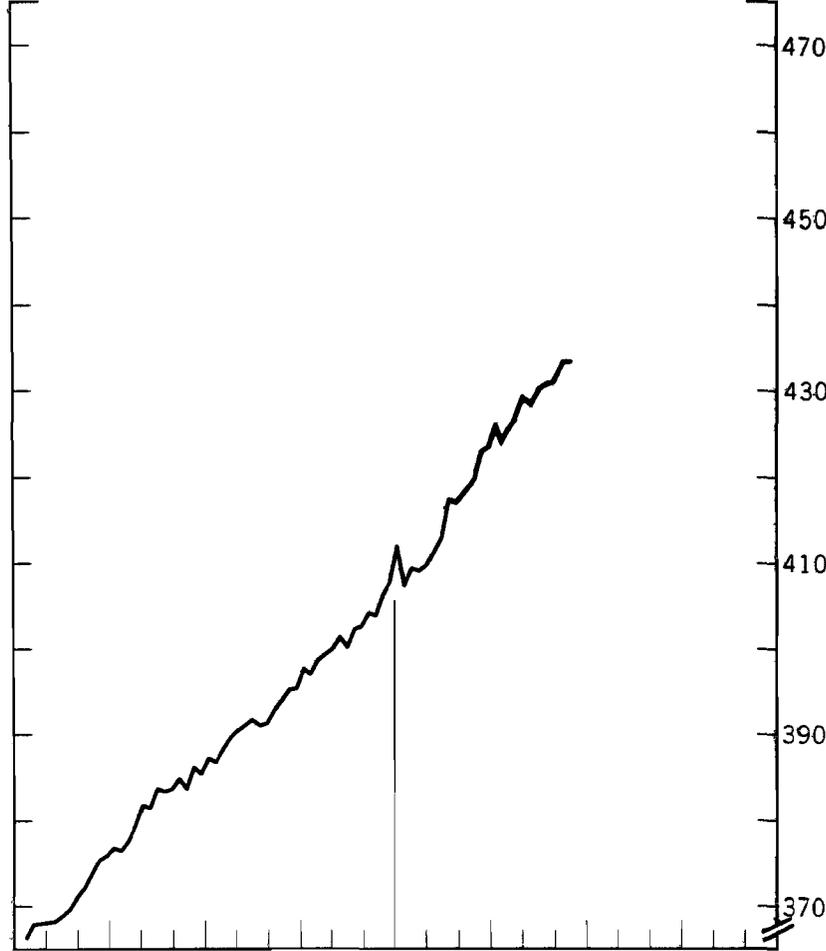


BROADER MONEY SUPPLY M2

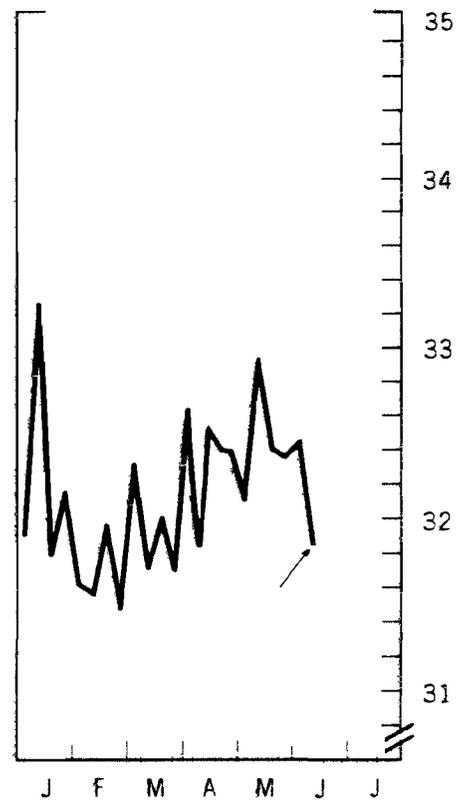
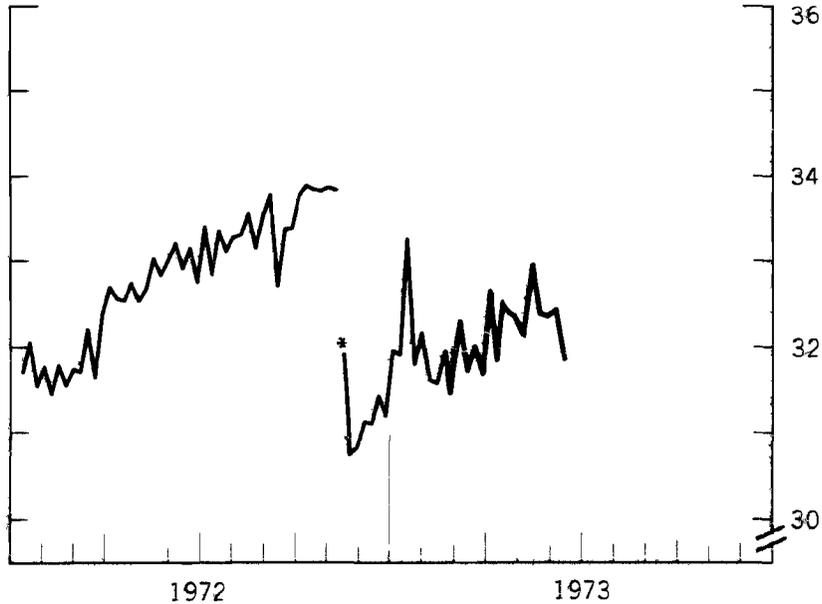


# MONETARY AGGREGATES

### ADJUSTED CREDIT PROXY



### TOTAL RESERVES



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

CHART 4

# MONEY MARKET CONDITIONS AND INTEREST RATES

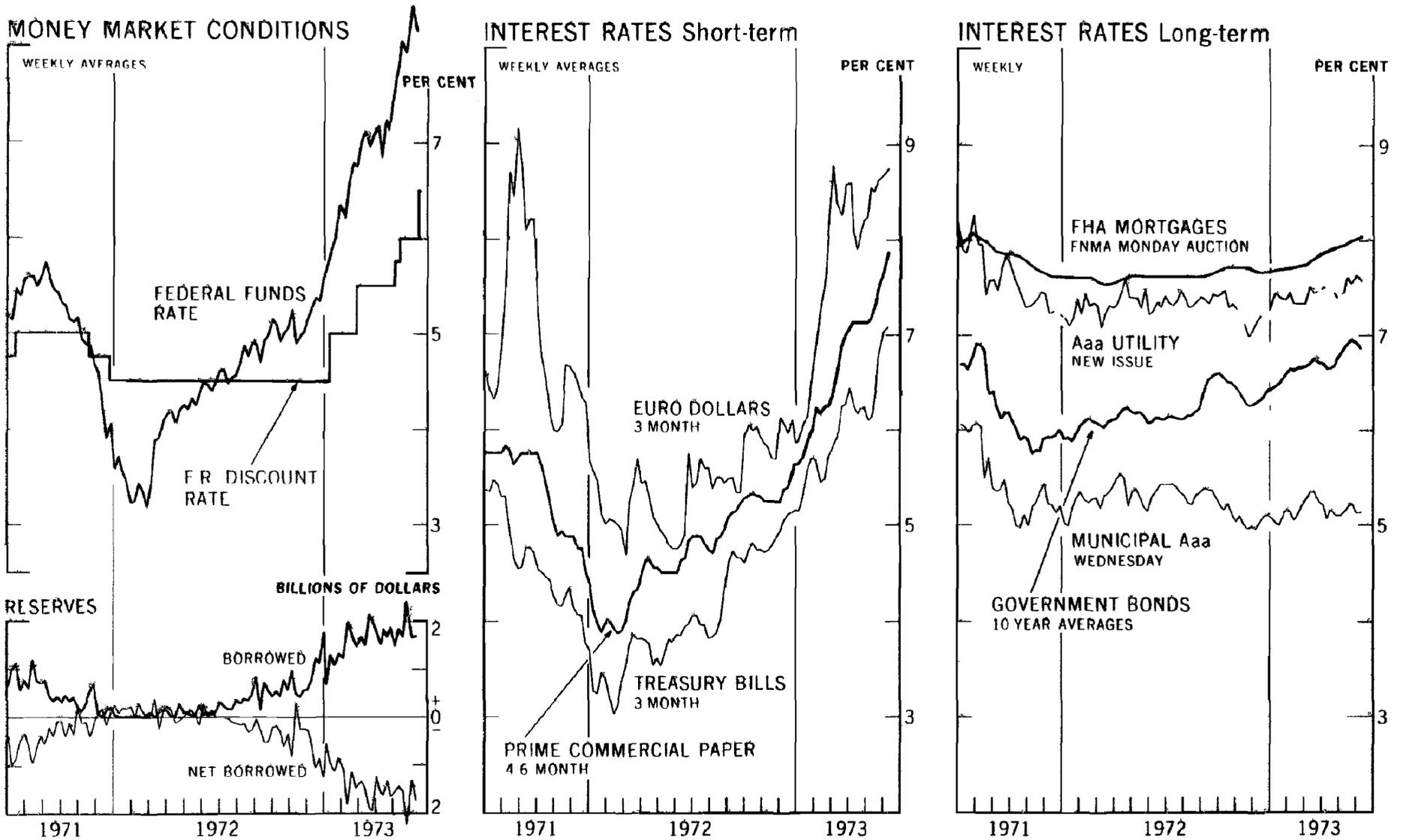


TABLE 1

STRICTLY CONFIDENTIAL

BANK RESERVES  
(ACTUAL AND CURRENT PROJECTIONS)

JUNE 15, 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)
<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	29,787	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.	29,860	29,893	32,326	30,167	18,870	7,777	2,970	2,465
MAY	30,100	29,936	32,449	30,199	18,967	7,842	3,119	2,349
JUNE	(30,413)	(30,076)	(32,358)	(30,764)	(19,096)	(7,904)	(3,224)	(1,946)
<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.	(10.5)		(4.5)	(17.0)	(1.5)	(10.0)	(83.0)	
<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	-0.6	5.2	143.5	
APR.	9.6		12.3	26.1	-9.5	10.9	135.3	
MAY	9.6		4.6	1.3	6.2	10.0	60.2	
JUNE	(12.5)		(-3.5)	(22.5)	(8.0)	(9.5)	(40.5)	
MAY-JUNE	(11.0)		(0.5)	(12.0)	(7.0)	(10.0)	(51.5)	
<b>WEEKLY LEVELS--\$MILLIONS</b>								
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	19,012	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	30,045	30,192	32,402	30,843	18,781	7,761	3,055	2,357
MAY 2	30,120	30,408	32,387	30,427	18,971	7,868	3,011	2,267
9	29,620	29,805	32,114	29,620	18,846	7,837	3,050	2,494
16	30,360	30,242	32,940	29,490	19,072	7,849	3,076	2,980
23	30,053	29,669	32,396	29,985	18,880	7,818	3,166	2,343
30	30,307	29,898	32,364	30,582	19,068	7,850	3,201	2,056
JUNE 6	30,481	29,904	32,443	30,970	18,968	7,871	3,229	1,963
13	30,078	29,597	31,845	29,741	18,981	7,883	3,244	1,768

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.

1/ AT THE FOMC MEETING MAY 15, 1973 THE COMMITTEE AGREED ON A RPD RANGE OF 9 TO 11 PER CENT.

TABLE 2

STRICTLY CONFIDENTIAL

MONETARY AGGREGATES  
(ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED)

JUNE 15, 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.	256.2	536.2	426.2	5.8	336.7	278.0	58.7	5.1
MAY	260.6	540.6	430.5	4.6	341.8	280.1	61.7	5.4
JUNE	(262.5)	(544.7)	(433.9)	( 4.6)	(344.3)	(282.1)	(62.2)	( 5.6)
<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.	( 9.0)	( 9.0)	(11.5)		(16.0)	( 9.0)		
<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.	7.5	8.1	13.1		21.0	8.7		
MAY	11.2	9.8	12.1		18.2	9.1		
JUNE	( 9.0)	( 9.0)	( 9.5)		( 9.0)	( 8.5)		
MAY-JUNE	(10.0)	( 9.5)	(11.0)		(13.5)	( 9.0)		
<b>WEEKLY LEVELS--\$BILLIONS</b>								
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	257.0	535.6	426.7	6.0	337.4	278.6	58.8	5.4
MAY 2	259.4	538.4	429.5	6.8	338.2	279.0	59.3	5.2
9	259.5	538.3	428.4	5.4	340.0	278.8	61.1	5.0
16	261.2	541.2	430.2	4.1	341.7	279.9	61.8	5.4
23	260.6	541.2	430.8	3.8	342.9	280.7	62.3	5.7
30 P	260.8	541.8	431.0	3.9	343.5	281.0	62.6	5.7
JUNE 6 P	263.0	544.5	433.3	4.7	342.8	281.5	61.3	5.5
13 PE	263.0	544.8	433.3	4.4	343.7	281.8	61.9	5.6

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.

P - PRELIMINARY

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

PE - PARTIALLY ESTIMATED

JUNE 15, 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/ (11)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
<b>Monthly</b>											
1972 -- 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	-506	--	-21	-942	-1,470	1,439	66	-1,394	44	67	200
June											175
July											
<b>Weekly</b>											
1973 -- 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	266	-199	-293	-479	253	
May 2	472	--	-16	646	1,102	467	229	-590	-110	216	
9	409	--	--	-41	368	400	-391	-267	345	-603	
16	--	--	--	877	877	535	330	-148	280	437	
23	211	--	--	45	255	482p	-126p	-1,005	-76p	-573p	
30	-205	--	-16	-2,617	-2,838	-1,356p	712p	567p	-306p	229p	
June 6	-1,107	--	--	1,955	848	-140p	-736p	815p	-67p	6p	
13	-198	--	-19	-3,195	-3,412	-2,156p	33p	1,527p	-289p	-307p	
20											
27											

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

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

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

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

5/ Reserves to support private nonbank deposits. Target change for May and June reflects the target adopted at the May 15, 1973 FOMC meeting. Target change for previous months reflects the bluebook patterns that are consistent with target ranges that were adopted during the month.

JUNE 15, 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		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	-5,720
Low	1,916	-93	0	40	-133	12		-1,638	-1,910
1973 -- High	3,718	1,125	175	244	560	2,400		-5,243	-7,093
Low	1,586	-96	0	55	-86	688		-1,831	-4,839
1972 -- 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	152	1,721	5	-3,293	-6,577
May	*1,894	*421	66	151	113p	1,787p	30p	-3,019	-5,872
1973 -- 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	336	1,646	9	-2,392	-6,908
May 2	1,969	221	61	72	233	1,875	16	-1,831	-5,401
9	1,788	809	0	162	-81	1,484	18	-3,275	-5,509
16	1,709	502	44	126	363	1,814	23	-3,658	-5,829
23	*1,586	* 104	6	143	140p	1,688p	32p	-2,767	-5,863
30	*2,375	* 269	154	100	180p	2,400p	47p	-2,749	-6,437
June 6	*2,608	* 462	25	54	350p	1,664p	64p	-3,004p	-5,875p
13	*2,686	* 551	115p	100p	- 17p	1,697p	67p	-4,274p	-6,898p
20									
27									

Notes: Government Security dealer trading positions are on a commitment basis. Trading positions, which exclude Treasury bills financed by repurchase agreements maturing in 16 days or more, are indicators of dealer holdings available for sale over the near-term. Other security dealer positions are debt issues still 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

JUNE 15, 1973

Table 5  
SELECTED INTEREST RATES  
Per Cent

Period	Short-term						Long-term				
	Federal Funds	Treasury bills		90-119 day Commercial Paper	CD's New issue-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	8.43	7.09	6.95	7.88	7.88	8.00	7.64	7.60	5.35	6.94	8.04
Low	5.61	5.15	5.42	5.63	5.38	5.50	7.29	7.26	5.00	6.42	7.69
1972 -- 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	7.40	7.51	5.29	6.71	7.78
Apr.	7.12	6.26	6.51	7.13	7.04	6.75	7.48	7.48	5.15	6.67	7.89
May	7.84	6.36	6.63	7.26	7.44	7.41			5.15	6.85	7.96
1973 -- 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	--	7.45	5.10	6.81	--
16	7.81	6.15	6.47	7.18	7.25	6.75	7.45	7.50	5.14	6.85	7.96
23	8.06	6.44	6.68	7.33	7.38	7.50	7.61	7.55	5.20	6.91	--
30	7.95	6.74	6.86	7.44	7.38	7.50	7.55	7.60	5.22	6.94	8.00
June 6	8.43	7.03	6.95	7.68	7.75	7.88	7.63	7.59	5.13	6.92	--
13	8.17	7.09	6.93	7.88	7.88	8.00	7.58	7.60	5.13	6.86p	8.04
20											
27											

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)

June 15, 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	+14.6	+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	+15.5	+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	+13.9	+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	+16.4	+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	+18.4	+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	+9.0	+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	+17.9	+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	+14.4	+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	+10.7	+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	+21.2	+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	+16.7	+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	+15.4	+15.7	+12.9	+19.4	+1.2	+0.1	+0.6
Feb.	-22.1	-41.3	-4.7	+6.1	+5.9	+9.0	+16.4	+20.3	+21.6	+5.7	+9.1	+4.5	--	+0.1
Mar.	+13.9	-10.5	+13.4	-0.5	+4.7	+6.9	+19.7	+18.7	+30.9	+9.6	+11.7	+6.1	+0.4	+0.3
Apr.	+12.3	+26.1	+ 9.6	+7.5	+8.1	+8.4	+13.1	+6.4	+21.0	+8.7	+6.6	+3.8	+0.2	-1.7
May p	+4.6	+1.3	+9.6	+11.2	+9.8	+8.8	+12.1	+22.6	+18.2	+9.1	+8.0	+3.1	+0.3	-1.2

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.

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

CONFIDENTIAL (FR)  
June 15, 1973

Period	RESERVES			MONEY STOCK MEASURES				BANK CREDIT MEASURES			OTHER				
	Total (1)	Non- borrowed (2)	Available to Support Pvt. Deposits (3)	M <sub>1</sub>		M <sub>2</sub> (6)	M <sub>3</sub> (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- Deposits Funds (14)	U.S. Gov't Demand (15)
				Total (4)	Pvt. Dep. (5)										
<b>Annually:</b>															
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
Dec. 1971	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
<b>Monthly:</b>															
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	523.7	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	521.5	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	537.9	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	542.7	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	813.6	401.9	552.3	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	560.0	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	567.2	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	576.8	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	585.8	330.9	276.0	307.0	54.9	4.9	7.5
Apr.	32,326	30,167	29,860	258.2	199.5	536.2	845.6	426.2	588.9	336.7	278.0	309.4	58.7	5.1	5.8
May p	32,449	30,199	30,100	260.6	201.6	540.6	851.8	430.5	600.0	341.8	280.1	311.2	61.7	5.4	4.6
<b>Weekly:</b>															
1973--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	32,402	30,843	30,045	257.0	198.2	535.6		426.7		337.4	278.6		58.8	5.4	6.0
May															
2	32,387	30,427	30,120	259.4	200.8	538.4		429.5		338.2	279.0		59.3	5.2	6.8
9	32,114	29,620	29,621	259.5	200.2	538.3		428.4		340.0	278.8		61.1	5.0	5.4
16	32,940	29,490	30,360	261.2	202.3	541.2		430.2		341.7	279.9		61.8	5.4	4.1
23 p	32,396	29,985	30,053	260.6	201.6	541.2		430.8		342.9	280.7		62.3	5.7	3.8
30 p	32,364	30,582	30,307	260.8	201.8	541.8		431.0		343.5	281.0		62.6	5.7	3.9
June															
6 p	32,443	30,970	30,481	263.0	203.7	544.5		433.3		342.8	281.5		61.3	5.5	4.7

p - Preliminary

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 non-bank 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.