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(CONFIDENTIAL FR)

July 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) Around the end of June incoming deposit data began to indicate that RPD and the narrowly defined money supply were growing at annual rates in excess of the upper limits of the Committee's June-July ranges of tolerance. At the same time the rate of expansion in M_2 appeared to be close to its upper limit. M_2 moved ahead less rapidly than M_1 because growth in other time and savings deposits fell somewhat short of expectations.

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

	<u>Ranges of Tolerance</u>	<u>Latest Estimates</u>
<u>Reserve and Monetary Aggregates</u> (Growth at SAAR in per cent)		
RPD	8--11-1/2	13-1/2
M_1	4--8	10
M_2	5--8	8
<u>Memo:</u>		<u>Statement week avg.</u>
Federal funds rate (Per cent per annum)		7/4 10.21
As adopted and subsequently amended	8-3/4--9-3/4	7/11 9.52

(2) With monetary aggregates generally at or above the top of the target ranges, the Account Manager moved to a more restrictive reserve posture. This change was expected to raise the average Federal funds rate from the 8-1/2 per cent level that had been prevailing to the 9-1/4 per cent ceiling adopted by the Committee at its June meeting. At the same time, however, seasonal movements in technical factors were absorbing a large volume of reserves and commercial banks were seeking to adjust their reserve positions in light of the Friday, June 29 statement date and the Wednesday, July 4 holiday. Member bank borrowing at the Federal Reserve ballooned to \$4 billion and \$2.9 billion on July 2 and 3, respectively, and the effective rate on Federal funds rose to 10 and 13 per cent on these days. Money market psychology was also being affected in this period by the June 29 actions of the Federal Reserve raising the discount rate and reserve requirements on demand deposits. For the July 4 statement week as a whole, member bank borrowing averaged \$2.4 billion and the Federal funds rate 10.21 per cent.

(3) Following the increased tightness of the July 4 holiday week, borrowings dropped sharply and the Federal funds rate fell back. On Friday, July 6, with growth in the monetary aggregates showing no tendency to recede, Committee members agreed to raise the ceiling on the Federal funds rate to 9-3/4 per cent. Under this additional leeway, the Desk pursued a tighter reserve management policy in the expectation that Federal funds would trade around 9-1/2 per cent. In the statement week

ending July 11, the funds rate actually averaged 9.52 per cent. When evidence subsequently became available that the overshoot in M_1 was widening, the Desk adjusted reserve strategy again, expecting the funds rate to average close to the new 9-3/4 per cent ceiling.

(4) Early in the inter-meeting period, before the System policy actions of late June, short-term interest rates had begun to rise partly in anticipation of some further policy tightening. Bank CD rates showed the most pronounced advance, reflecting bank efforts to recoup the large CD run-offs that had developed over the quarterly tax date. When the System's policy actions proved to be more aggressive than generally anticipated, short-term rates jumped sharply. Over the full inter-meeting period interest rates on private short-term instruments--including the bank prime rate--have risen generally 75--100 basis points. Treasury bill rates reached a peak early in July, with the 3-month issue at about 8 per cent, or about 5/8 of a percentage point above levels prevailing at the time of the last meeting. Most recently, however, the 3-month Treasury bill rate was quoted 7.78 per cent.

(5) Long-term interest rates also had been moving up prior to the late-June policy actions and rose considerably further in early July. Over the inter-meeting period as a whole, the yield advance amounted to about 20--35 basis points. In the mortgage market, the rate in the latest bi-weekly FNMA auction of commitments to buy FHA and VA mortgages jumped

29 basis points to 8.38 per cent, and field reports suggest that rates on newly committed funds in primary mortgage markets have risen as much as 1/2 a percentage point in some key local markets. These changes apparently reflect both cut-backs in new commitment activity by mortgage lenders concerned about further reductions in savings inflows over the months ahead and the pass-through of higher interest costs resulting from recent increases in rates paid for savings.

(6) The table on the next 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	June '73 over June '72	June '73 over Dec. '72	June '73 over Mar. '73	June '73 over May '73
Total reserves	8.4	7.9	7.3	5.6	0.2
Nonborrowed reserves	8.8	3.2	4.8	17.1	23.6
Reserves available to support private non- bank deposits	9.0	10.6	11.3	11.7	15.8
<u>Concepts of Money</u>					
M ₁ (currency plus demand deposits) ^{1/}	7.5	7.4	6.1	10.4	12.9
M ₂ (M ₁ plus time deposits at commercial banks other than large CD's)	11.3	9.2	7.7	9.5	10.2
M ₃ (M ₂ plus deposits at thrift institu- tions)	12.8	10.9	9.0	9.2	10.1
<u>Bank Credit</u>					
Total member bank deposits (bank credit proxy adj.)	10.7	12.8	13.8	12.2	11.1
Loans and investments of commercial banks ^{2/}	12.4	15.4	14.3	9.8	0.2
<u>Short-term market paper</u> (Monthly avg. change in billions)					
Large CD's	.9	2.0	3.1	2.4	0.3
Nonbank commercial paper	0.1	-0.1	-0.2	0.5	1.0

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

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

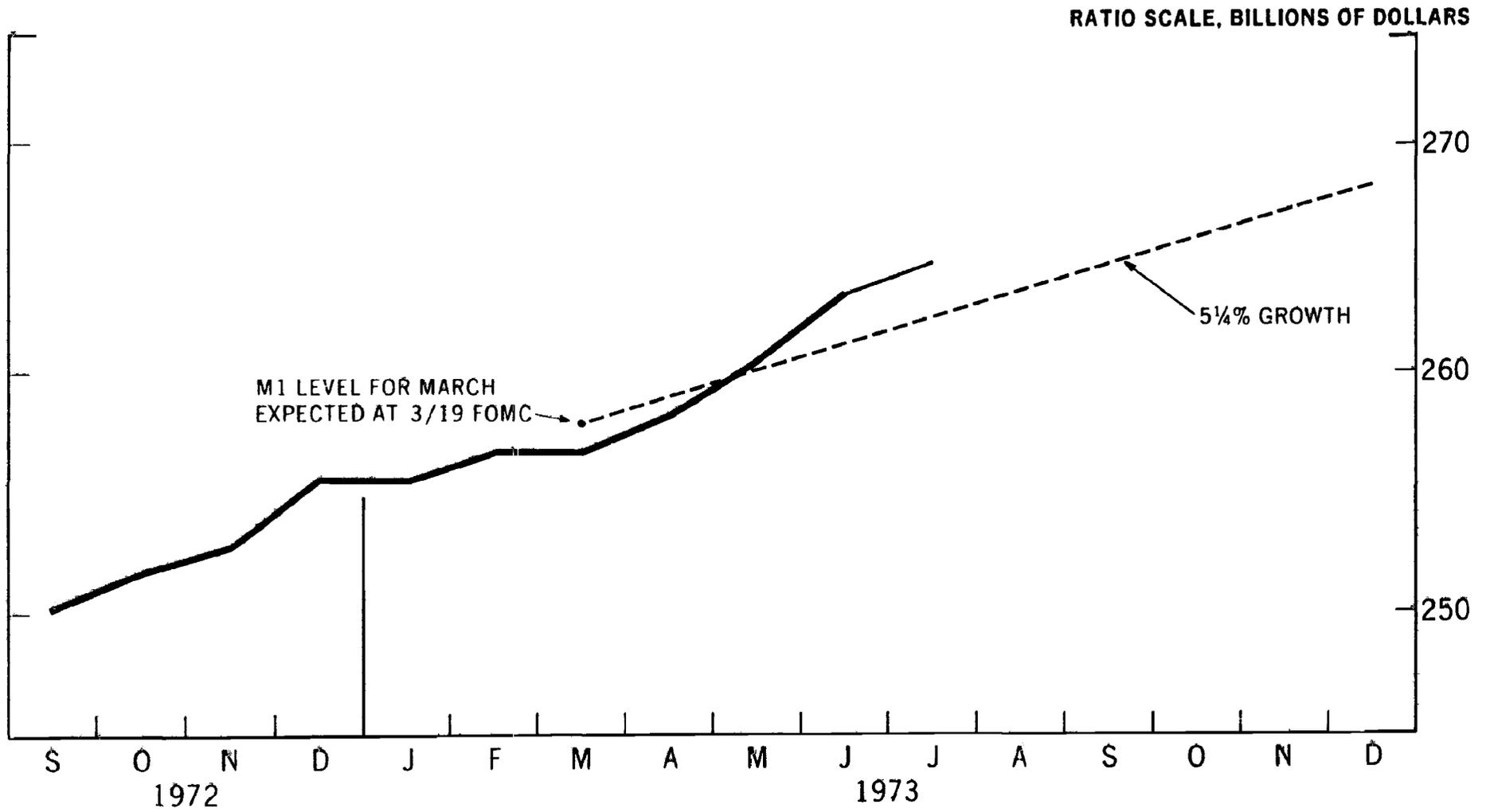
NOTE: All items are based on averages of daily figures, except for data on total loans and investments of commercial banks, commercial paper, and thrift institutions--which are either end-of-month or last-Wednesday-of-month figures.

Prospective developments

(7) Three alternative policy strategies are summarized below for Committee consideration. Alternative B incorporates a 3-3/4 per cent annual rate of growth for M_1 over the second half of 1973. This is the growth rate that would be required to return to the 5-1/4 per cent longer-run target path for M_1 , reaffirmed at the last meeting, taking account of the overshoot in June and the second quarter (see accompanying chart). Alternative A represents a somewhat easier policy, and alternative C a somewhat tighter one. (More detailed figures are shown in the table on the following page).

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
Targets (3rd and 4th Qtrs. combined)			
M_1	4-3/4	3-3/4	2-3/4
M_2	6-1/4	4-3/4	3-1/2
Credit proxy	9	7-1/2	6-1/2
Associated ranges for July-August			
RPD	12-1/2--14-1/2	11-1/2--13-1/2	11--13
M_1	4-1/2--6-1/2	3-3/4--5-3/4	3--5
M_2	5--7	4-1/2--6-1/2	3-1/2--5-1/2
Federal funds rate range (inter-meeting period)	8-1/2--10	9--10-1/2	9-1/2--11

MONEY SUPPLY AND LONGER RUN TARGET PATH



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>
<u>73</u>									
June	263.3	263.3	263.3	545.2	545.2	545.2	434.5	434.5	434.5
July	264.9	264.8	264.7	548.2	548.0	547.8	437.3	437.1	436.9
Aug.	265.7	265.4	265.1	550.5	550.1	549.4	441.0	440.4	440.2
Sept.	266.6	266.1	265.7	553.4	552.2	551.1	446.2	444.6	444.3
Dec.	269.6	266.2	266.9	562.7	558.6	554.8	454.2	451.1	449.1

Rates of Growth

arters: 1973									
3rd Q.	5.0	4.3	3.6	6.0	5.1	4.3	10.8	9.3	7.7
4th Q.	4.5	3.2	1.8	6.7	4.6	2.7	7.2	5.8	4.3
onths:									
July	7.3	6.8	6.4	6.6	6.2	5.7	7.7	7.2	6.6
Aug.	3.6	2.7	1.8	5.0	4.6	3.5	10.2	9.1	9.1

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>73</u>						
June	32,450	32,450	32,450	30,492	30,492	30,492
July	32,497	33,492	33,487	31,138	31,132	31,128
Aug.	33,967	33,916	33,889	31,973	31,923	31,896
Sept.	34,174	34,075	34,055	32,204	32,106	32,086
Dec.	35,154	34,936	34,797	32,768	32,555	32,419

Rates of Growth

arters: 1973						
3rd Q.	10.8	9.6	9.3	12.1	10.8	10.5
4th Q.	11.5	10.1	8.7	7.0	5.6	4.2
onths:						
July	24.7	24.5	24.3	11.5	11.2	11.1
Aug.	--	-1.7	-2.5	15.6	13.9	13.0

(8) In the weeks immediately ahead, the staff expects that there would be little further change in the Federal funds rate if the Committee adopts the aggregate targets specified in alternative B. The funds rate range shown for this alternative centers on the recently prevailing 9-3/4 per cent level. Under alternative A, we would expect the funds rate to decline from current levels as more reserves are provided to encourage monetary growth, and under alternative C we would expect it to rise.

(9) Under all three alternatives growth in the monetary aggregates would be slower in the second half of 1973 than in the first half. Money demand is expected to moderate because of a slowing in the rate of growth of nominal GNP and because of the cumulative impact of recent sharp interest rate increases. While the timing of such demand adjustments is always uncertain, our best judgment is that a significant slowing will begin in August. For July-August combined, a 3-3/4--5-3/4 per cent annual rate of growth for M_1 is indicated under alternative B.

(10) Under prevailing money market conditions, short-term rates are likely to rise somewhat further between now and the next meeting. The 3-month bill may rise into the 8--8-1/2 per cent area. However, the 3-month bill is in short market supply currently, and upward adjustment of the rate may be moderated particularly if the Treasury emphasizes long-term offerings and/or pays off a considerable

portion of the maturing issues in its forthcoming mid-August refinancing. About \$4-1/2 billion of publicly held securities mature at that time. The Treasury will announce terms for the refunding on July 25. It is still too early to say much about the characteristics of the offering.

(11) Growth in time deposits other than large CD's is expected to slow considerably in the second half of the year. Many banks raised offering rates promptly following the increase in ceiling rates, but the spread of market rates over deposit rates remains considerably wider than in the first half of the year. With regard to the long-term certificate without ceiling, there have been a number of instances of attractive and innovative offerings. It is too soon, however, to evaluate the extent to which such offerings will catch on at banks and with the public. For the time being we have assumed that long-term certificates will make only a modest net contribution to growth in consumer-type time deposits. Under alternative B, a growth rate of around 6 per cent is expected for time deposits other than large CD's in the second half of the year. And the growth rate for M_2 would be around 4-3/4 per cent.

(12) The slowing in growth of demand and consumer-type time deposits will limit bank credit availability. Banks are expected to attempt to compensate at least in part through sales of large CD's. However, the high cost of these funds and expected abatement of loan demand as the economic expansion slows and bank lending terms stiffen are

likely to retard growth in CD's below the second-quarter pace. Under alternative B, the bank credit proxy in the second half is expected to increase at a 7-1/2 per cent annual rate, considerably slower than in the first half.

(13) Long-term rates are likely to be moving upward in response to the recent upsurge in short rates, and would probably come under additional pressure to the degree that short rates rise further. The summer calendar of corporate bond issues remains seasonally light, however, and the Treasury is likely to borrow a less than seasonal amount over the balance of the year, offset only in part by further agency offerings. In general, demand pressures on capital markets seem unlikely to be strong unless there is a sizable shift in corporate borrowing from banks to the bond market. However, the supply of investment funds is likely to be falling off--for example, for municipals, as banks come under increasing pressure and for mortgages, in reflection of smaller savings flows to depository institutions. Of course, if market participants should come to believe in a strong Phase IV control program or the probability of vigorous fiscal action, the outlook for interest rates would be modified considerably.

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 August refinancing to be announced late this month.

Alternative A

To implement this policy, while taking account of international and domestic financial market developments AND THE FORTHCOMING TREASURY FINANCING, 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 ~~appears-indicated-for~~ OCCURRED ON AVERAGE IN the first half of the year.

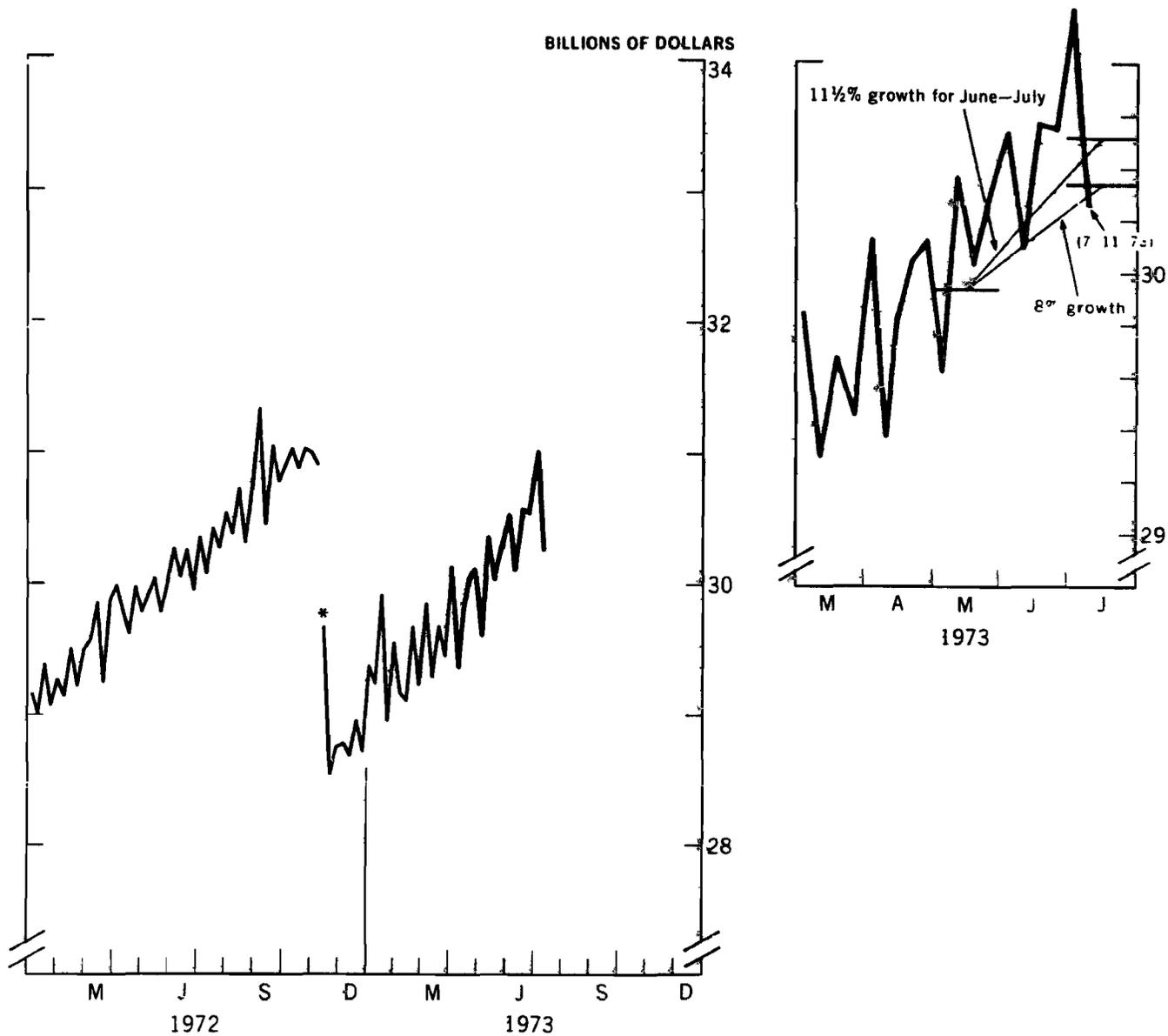
Alternative B

To implement this policy, while taking account of international and domestic financial market developments AND THE FORTHCOMING TREASURY FINANCING, the Committee seeks to achieve bank reserve and money market conditions consistent with ~~some~~ slower growth in monetary aggregates over the months immediately ahead than ~~appears-indicated-for~~ OCCURRED ON AVERAGE IN the first half of the year.

Alternative C

To implement this policy, while taking account of international and domestic financial market developments AND THE FORTHCOMING TREASURY FINANCING, the Committee seeks to achieve bank reserve and money market conditions consistent with somewhat SIGNIFICANTLY slower growth in monetary aggregates over the months immediately ahead than ~~appears-indicated~~ ~~for~~ OCCURRED ON AVERAGE IN the first half of the year.

RESERVES AVAILABLE TO SUPPORT PRIVATE NONBANK DEPOSITS

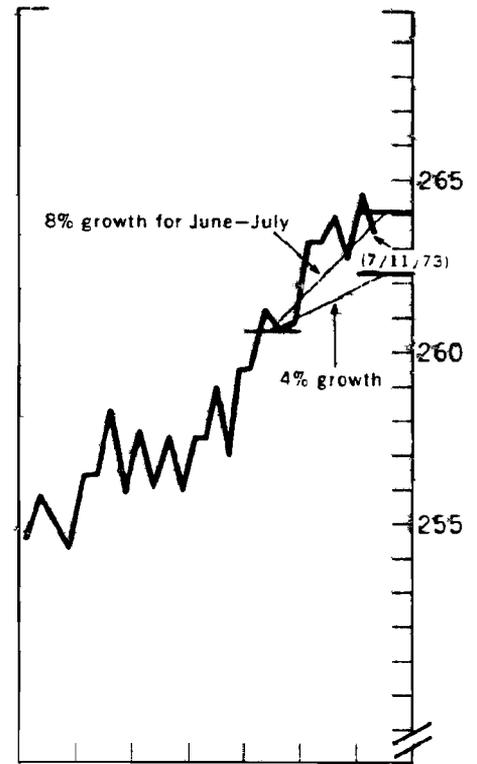
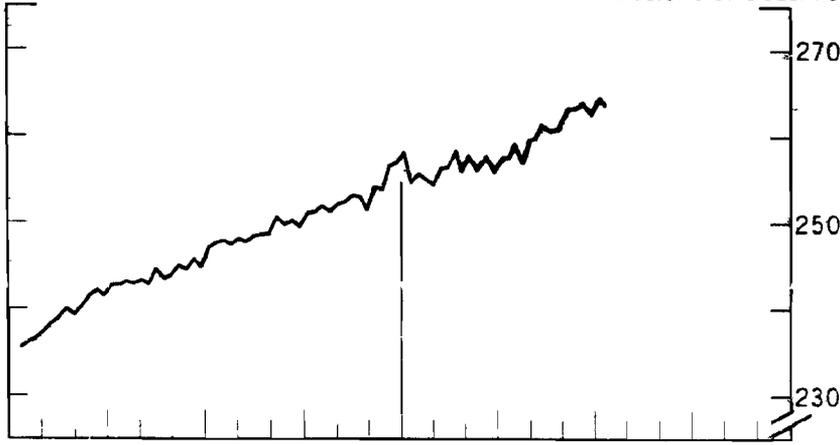


* Break in Series Actual Level of RPD After Reduction in Reserve Requirements Effective November 9, 1972

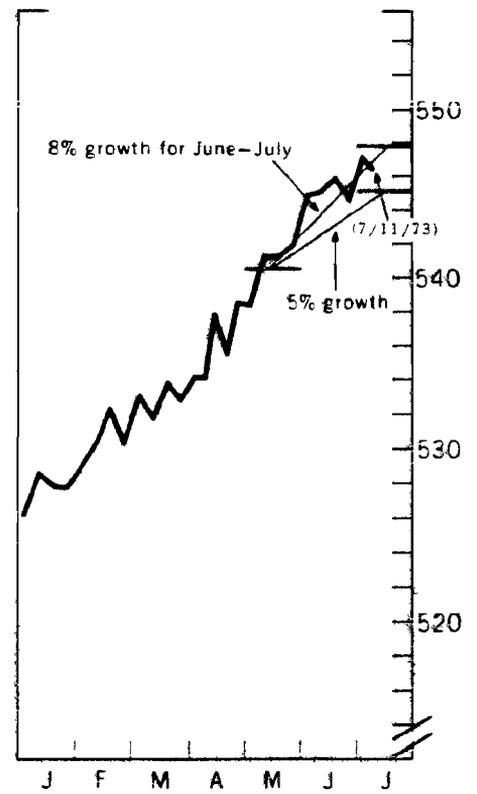
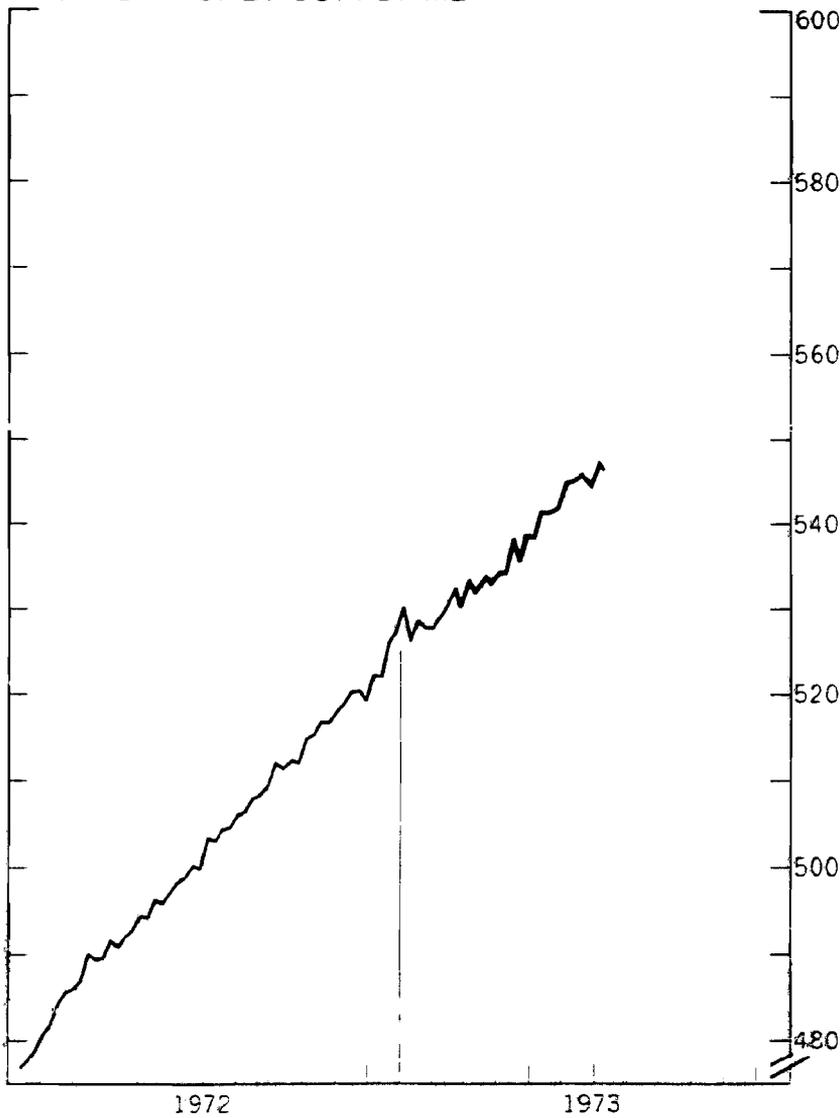
MONETARY AGGREGATES

NARROW MONEY SUPPLY M1

BILLIONS OF DOLLARS



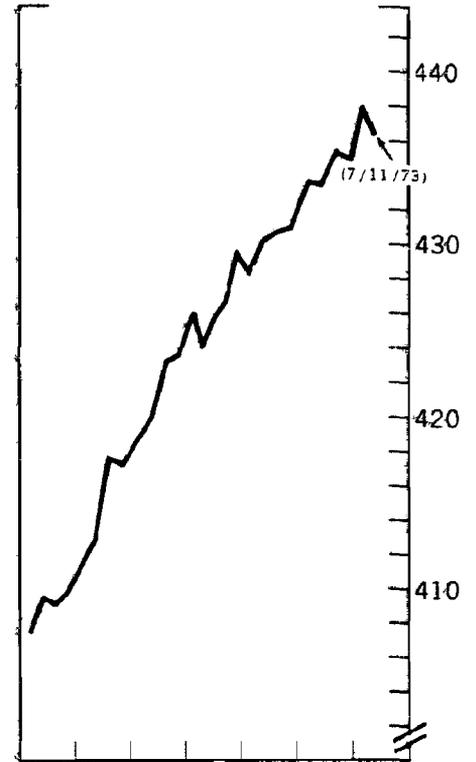
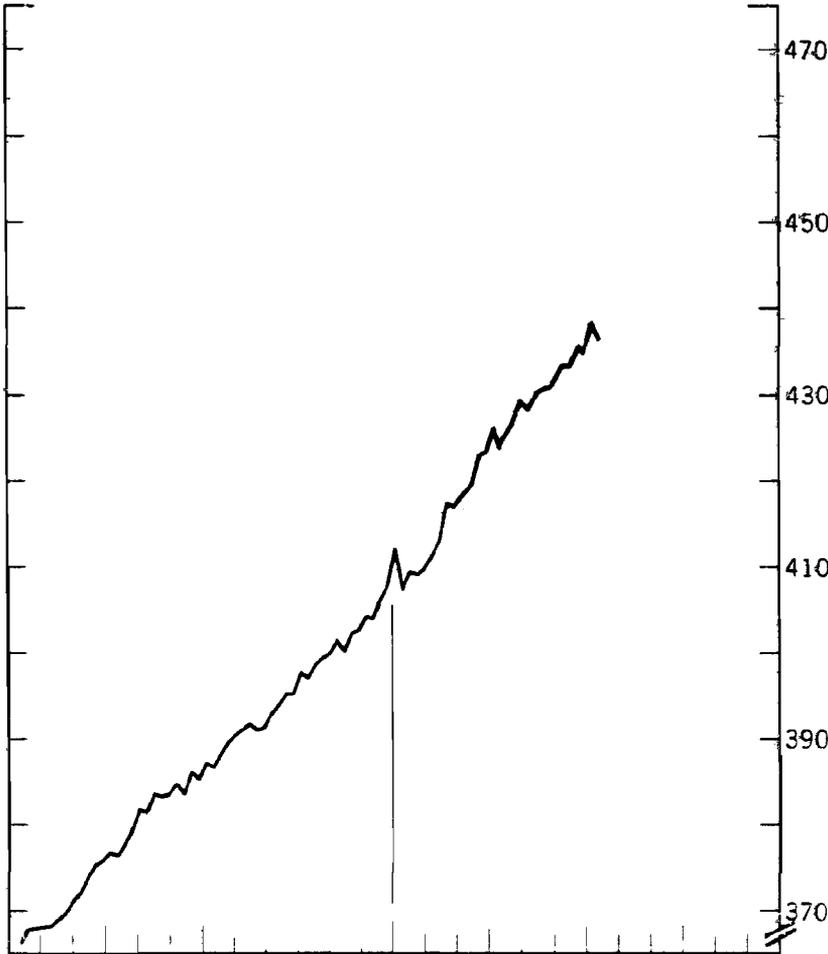
BROADER MONEY SUPPLY M2



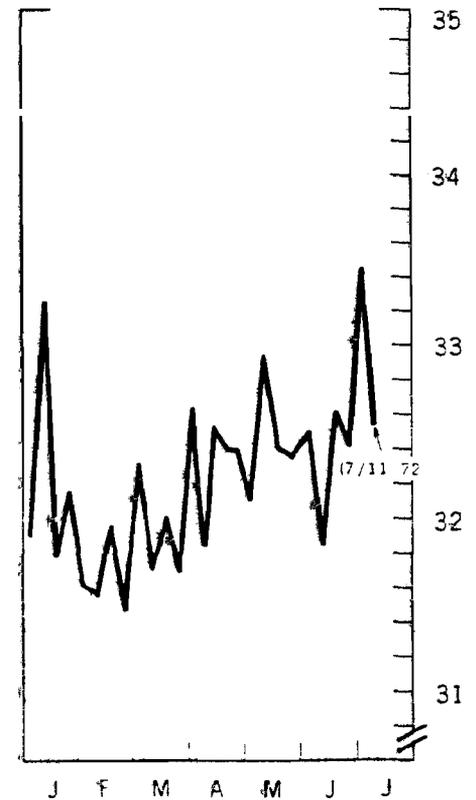
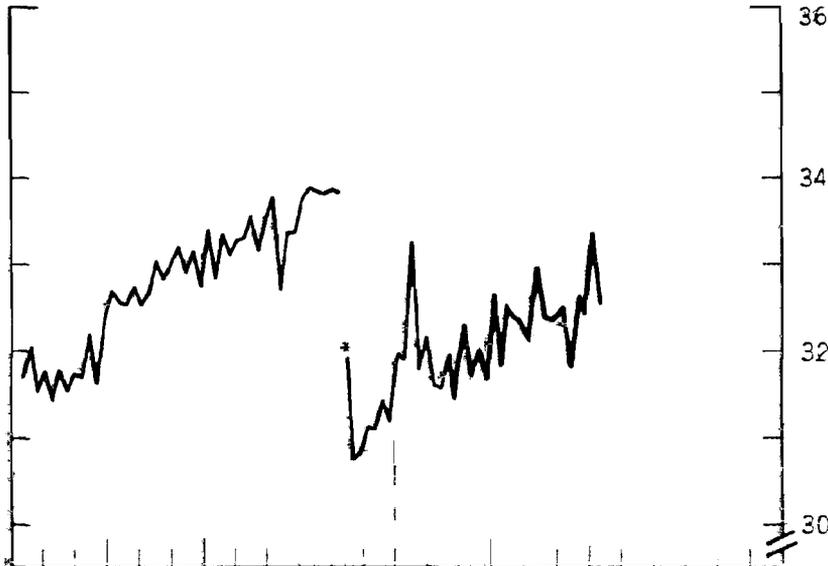
MONETARY AGGREGATES

ADJUSTED CREDIT PROXY

BILLIONS OF DOLLARS



TOTAL RESERVES



1972

1973

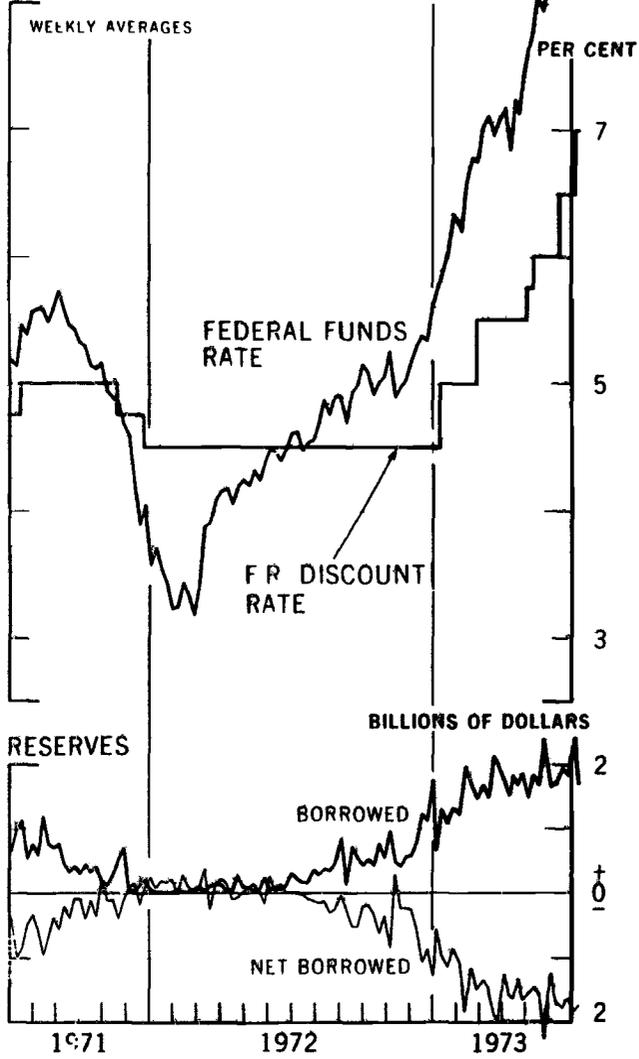
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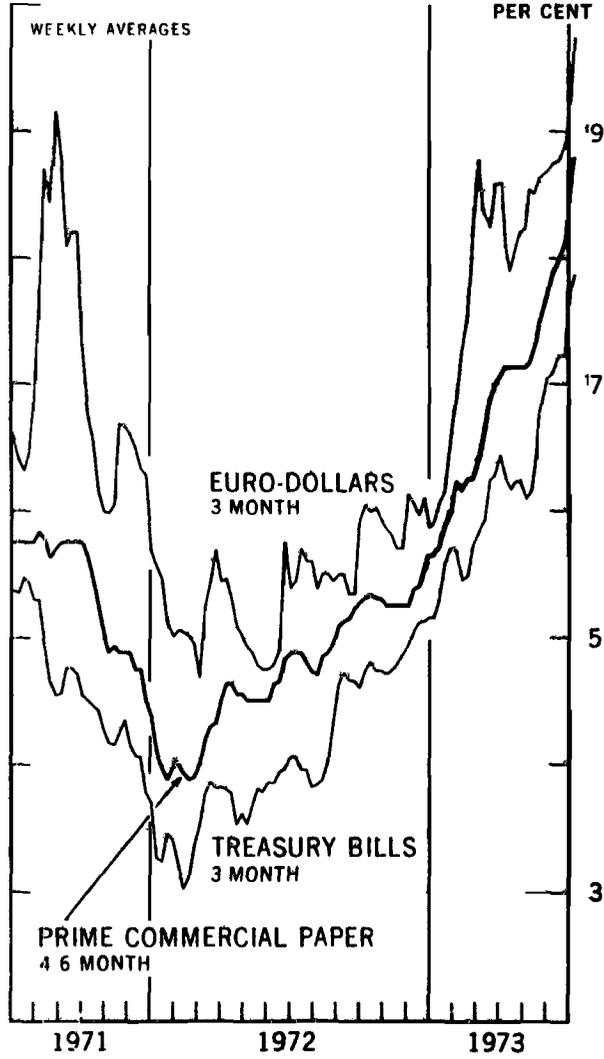
CHART 4

MONEY MARKET CONDITIONS AND INTEREST RATES

MONEY MARKET CONDITIONS



INTEREST RATES Short-term



INTEREST RATES Long-term

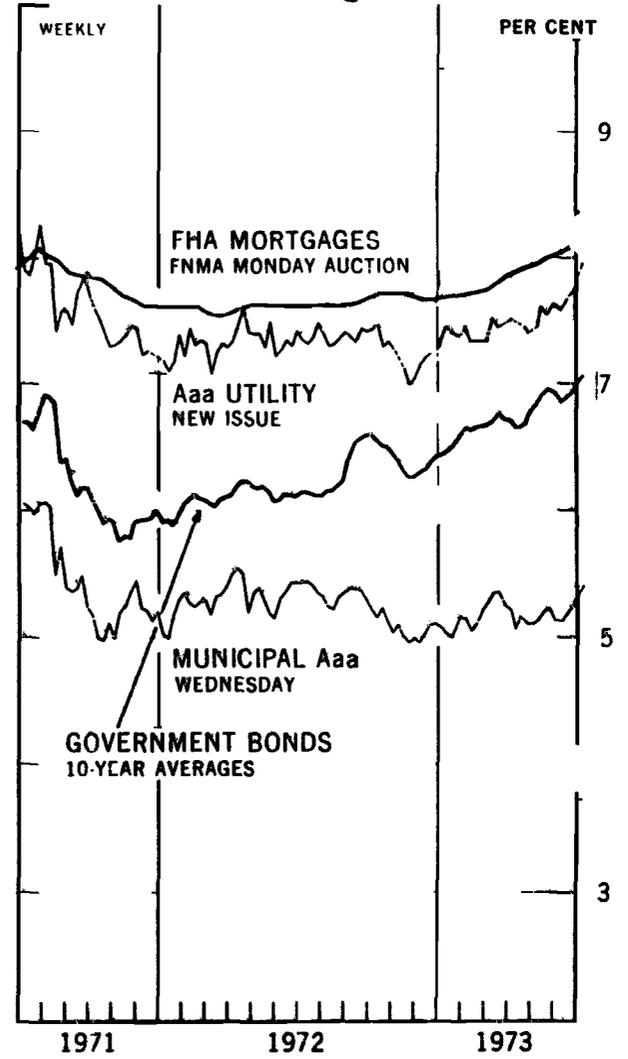


TABLE 1

STRICTLY CONFIDENTIAL

BANK RESERVES
(ACTUAL AND CURRENT PROJECTIONS)

JULY 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								
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	30,095	29,931	32,445	30,195	18,967	7,842	3,119	2,350
JUNE	30,492	30,155	32,450	30,790	19,118	7,898	3,239	1,958
JULY	(31,132)	(30,951)	(33,491)	(32,258)	(19,592)	(7,913)	(3,453)	(2,359)
ANNUAL RATES OF CHANGE								
QUARTERLY:								
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.	11.7		5.6	17.1	2.0	9.9	85.4	
MONTHLY:								
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	9.4		4.4	1.1	6.2	10.0	60.2	
JUNE	15.8		0.2	23.6	9.6	8.6	46.2	
JULY	(11.0)		(24.5)	(42.5)	(7.5)	(2.5)	(79.5)	
JUNE--JULY	(13.5)		(12.5)	(33.5)	(8.5)	(5.5)	(64.5)	
WEEKLY LEVELS--\$MILLIONS								
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	2,580
23	30,037	29,653	32,384	29,971	18,890	7,819	3,166	2,347
30	30,293	29,884	32,353	30,570	19,068	7,850	3,201	2,059
JUNE 6	30,530	29,953	32,485	31,012	18,961	7,876	3,229	1,955
13	30,108	29,627	31,862	29,755	18,986	7,890	3,244	1,754
20	30,574	30,244	32,612	30,565	19,261	7,908	3,172	2,038
27	30,540	30,465	32,415	30,907	19,185	7,916	3,302	1,874
JULY 4 P	31,008	30,860	33,453	32,078	19,256	7,897	3,256	2,445
11 PF	30,262	30,027	32,534	31,603	19,211	7,899	3,338	2,272

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.

1/ AT THE FOMC MEETING JUNE 19, 1973 THE COMMITTEE AGREED ON A RPD RANGE OF 8 TO 11-1/2 PER CENT

TABLE 2

STRICTLY CONFIDENTIAL

MONETARY AGGREGATES
(ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED)

JULY 13, 1973

PERIOD	MONEY SUPPLY		ADJUSTED CREDIT PROXY	U.S. GOVT. DEPOSITS	TIME AND SAVINGS DEPOSITS		NONDEPOSIT SOURCES OF FUNDS	
	NARROW (M1)	BROAD (M2)			TOTAL	OTHER THAN CD S		CD S
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MONTHLY LEVELS--\$BILLIONS								
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.	258.2	536.2	426.2	5.8	336.7	278.0	58.7	5.1
MAY	260.5	540.6	430.5	4.4	341.8	280.1	61.7	5.4
JUNE	263.3	545.2	434.5	5.1	344.0	281.9	62.0	5.6
JULY	(264.8)	(547.0)	(437.0)	(3.3)	(346.7)	(283.1)	(63.6)	(6.3)
PERCENT ANNUAL GROWTH								
QUARTERLY								
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.	10.4	9.5	12.2		15.8	8.6		
MONTHLY								
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	10.7	9.8	12.1		18.2	9.1		
JUNE	12.9	10.2	11.1		7.7	7.7		
JULY	(7.0)	(6.0)	(7.0)		(9.5)	(5.0)		
JUNE-JULY	(10.0)	(8.0)	(9.0)		(8.5)	(6.5)		
WEEKLY LEVELS--\$BILLIONS								
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	5.8	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	260.8	541.8	431.0	3.9	343.6	281.0	62.6	5.7
JUNE 6	263.2	544.8	433.4	4.7	342.9	281.6	61.3	5.5
13 P	263.2	545.1	433.4	4.5	343.8	281.9	61.9	5.5
20 P	263.9	545.8	435.4	6.1	343.5	281.9	61.6	5.7
27 P	262.7	544.6	435.0	5.6	344.5	281.9	62.6	5.7
JULY 4 P	264.4	547.1	438.0	5.3	345.7	282.6	63.1	5.9
11 PE	263.6	546.3	436.3	3.3	345.9	282.7	63.2	6.3

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.

JULY 13, 1973

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

Period	Open Market Operations <u>1/</u>					Daily Average Reserve Effect <u>2/</u>			Δ in reserve categories		ΔTarget
	Bills & Accept.	Coupon Issues	Agency Issues	RP's, Net <u>3/</u>	Total	Open Market Operations	Δ Member Bank Borrowing	Other <u>4/</u> Factors	req. res. against U.S.G. and interb.	available res. <u>5/</u> (6)+(7)+(8)-(9)	available reserves <u>5/</u> (11)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Monthly											
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	9
Feb.	659	196	-18	-193	644	146	428	-1,794	-109	-1,111	-1,111
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	-947	-1,470	1,437	66	-1,392	45	66	200
June	649	228	209	--	1,085	-1,403	1	1,037	-460	95	175
July											375
Aug.											
Weekly											
1973 -- 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	482	-125	-1,018	-72	-589	
30	-205	--	-16	-2,617	-2,838	-1,356	712	568	-307	231	
June 6	-1,107	--	--	1,955	848	-140	-737	869	-77	69	
13	-198	--	-19	-3,195	-3,412	-2,156p	36p	1,499p	-295p	-326p	
20	293	--	--	3,377	3,670	968p	228p	-503p	76p	617p	
27	590	--	229	-1,262	-444	951p	-79p	-948p	-297p	221p	
July 4	464	228	--	2,699	3,390	1,937p	552p	-1,575p	675p	239p	
11	380	27	--	-5,499	-5,093	-793p	-721p	697p	12p	-829p	
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 June and July reflects the target adopted at the June 19, 1973 FOMC meeting. Target change for previous months reflects the bluebook patterns that are consistent with target ranges that were adopted during the month.

JULY 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	Municipals Bonds	Excess Reserves **	Borrowings at FRB **		Basic Reserve Deficit	
	(1)	(2)	(3)	(4)		Total	Seasonal	8. New York	38 Other
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	2,401		-5,243	-7,548
Low	1,382	-96	0	55	-86	688		-1,831	-4,839
1972 -- 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	289	1,161		-4,550	-5,469
Feb.	2,132	562	77	123	207	1,594		-4,187	-5,436
Mar.	2,490	-50	24	125	177	1,825		-4,273	-5,847
Apr.	2,457	106	12	60	255	1,688	3	-3,293	-6,577
May	1,894	421	66	151	161	1,843	30	-3,019	-5,872
June	2,281	562	33	120	207p	1,849p	79p	-3,507	-6,443
1973 -- 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	124	1,689	32	-2,767	-5,863
30	2,175	269	154	100	166	2,401	47	-2,749	-6,437
June 6	2,608	462	0	57	401	1,664	64	-2,934	-5,772
13	2,686	551	100	130	2	1,700	67	-4,181	-6,821
20	*2,234	* 641	1	111	160p	1,928p	73p	-3,875	-6,581
27	*1,709	* 622	30	183	212p	1,846p	93p	-2,932	-6,541
July 4	*2,013	* 391	0	133	441p	2,401p	111p	-2,775p	-6,223p
11	*1,382	* 373	100p	150p	-65p	1,680p	117p	-2,732p	-7,548p
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.

*Beginning with January 1973, monthly averages for excess reserves and borrowings are weighted averages of statement week figures.

*STRICTLY CONFIDENTIAL

JULY 13, 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)	
972 -- 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
973 -- High	10.21	7.87	7.65	8.88	9.00	9.00	7.95	7.82	5.40	7.05	8.38
Low	5.61	5.15	5.42	5.63	5.38	5.50	7.29	7.26	5.00	6.42	7.69
972 -- June	4.46	3.91	4.71	4.60	4.38	4.50	7.32	7.36	5.34	6.11	7.
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	7.48	7.48	5.15	6.67	7.89
May	7.84	6.36	6.63	7.26	7.44	7.41	7.51	7.50	5.15	6.85	7.96
June	8.49	7.19	7.05	8.00	7.98	8.13	7.64	7.64	5.18	6.90	8.07
1973 -- 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	7.59	7.60	5.13	6.86	8.
20	8.55	7.22	6.98	8.03	8.00	8.13	7.66	7.69	5.19	6.89	-
27	8.59	7.24	7.14	8.18	8.30	8.50	7.73	7.72	5.25	6.93	8.09
July 4	10.21	7.69	7.62	8.56	8.63	8.75	--	7.80	5.34	7.02	--
11	9.52	7.87	7.65	8.88	9.00	9.00	7.95p	7.82p	5.40	7.05p	8.38
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 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 (PR)

July 13, 1973

Period	Reserves			Money Stock Measures			Bank Credit Measures		Other					U.S. Gov't. Demand (14)
	Total (1)	Nonborrowed (2)	Available to Support Pvt. Deposits (3)	M ₁ (4)	M ₂ (5)	M ₃ (6)	Adjusted Credit Proxy (7)	Total Loans and Investments (8)	Total Time (9)	Time Other than CD's (10)	Thrift Institution Deposits (11)	CD's (12)	Nondeposit Funds (13)	
	(Per Cent Annual Rates of Growth)						(Dollar Change in Billions)							
<u>Annually</u>														
1968	+7.5	+5.3	+8.1	+7.6	+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	+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	+9.3	+10.8	+13.0	+11.6	+14.6	+15.5	+13.3	+16.8	+10.1	+0.4	+0.4
<u>Semi-Annually</u>														
1st Half 1971	+9.7	+9.6	+10.7	+10.1	+14.9	+16.4	+10.1	+11.5	+21.6	+20.0	+19.6	+4.3	-7.1	-1.4
2nd Half 1971	+4.4	+6.3	+3.4	+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
1st Half 1973	+7.3	+4.8	+11.3	+6.1	+7.7	+9.0	+13.8	+14.3	+19.9	+9.1	+11.0	+18.9	+1.2	-1.4
<u>Quarterly</u>														
3rd Qtr. 1971	+6.5	+6.6	+3.2	+4.1	+6.0	+8.9	+6.7	+9.7	+9.8	+8.0	+14.2	+1.7	-0.4	+1.1
4th Qtr. 1971	+2.3	+6.0	+3.6	+1.9	+8.7	+10.5	+9.8	+11.1	+16.6	+15.9	+13.3	+1.8	--	--
1st Qtr. 1972	+10.4	+10.7	+10.4	+9.2	+12.7	+14.9	+11.0	+15.7	+15.4	+16.1	+19.7	+0.8	-0.3	-0.4
2nd Qtr. 1972	+12.6	+13.1	+6.6	+6.1	+8.5	+10.7	+11.5	+9.5	+14.8	+10.8	+14.3	+3.7	--	+0.5
3rd Qtr. 1972	+3.6	-0.8	+9.9	+8.2	+10.3	+12.4	+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
2nd Qtr. 1973	+5.6	+17.1	+11.7	+10.4	+9.5	+9.2	+12.2	+9.8	+15.8	+8.6	+9.0	+7.1	+0.7	-2.2
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	+13.0	+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	-61.3	-4.7	+6.1	+5.9	+9.0	+16.4	+20.3	+21.6	+5.7	+9.1	+4.5	--	+0.1
Mar.	+13.3	+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	+8.3	+13.1	+6.4	+21.0	+8.7	+6.4	+3.8	+0.2	-1.7
May	+4.4	+1.1	+9.4	+10.7	+9.8	+9.1	+12.1	+22.6	+18.2	+9.1	+9.3	+3.1	+0.3	-1.2
June p	+0.2	+23.6	+15.8	+12.9	+10.2	+10.1	+11.1	+0.2	+7.7	+7.7	+10.0	+0.3	+0.2	+0.5

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)

July 13, 1973

Period	RESERVES			MONEY STOCK MEASURES					BANK CREDIT MEASURES			OTHER			
	Total (1)	Non- borrowed (2)	Available to Support Pvt. Deposits (3)	M ₁		M ₂ (6)	M ₃ (7)	Adjusted Credit Proxy (8)	Total Loans and Investments (9)	Total Time (10)	Time Other than CD's (11)	Thrift Institution Deposits (12)	CD's (13)	Non- Deposits Funds (14)	U.S. Gov't Demand (15)
				Total (4)	Pvt. Dep. (5)										
Annually:															
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
Monthly:															
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	275.6	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	845.5	426.2	588.9	336.7	278.0	305.4	58.7	5.1	5.8
May	32,445	30,195	30,095	260.5	201.6	540.6	851.9	430.5	600.0	341.8	280.1	311.3	61.7	5.4	4.6
June	32,450	30,790	30,492	263.3	203.9	545.2	859.1	434.5	600.1	344.0	281.9	313.8	62.0	5.6	5.1
Weekly:															
1973--Apr. 4	32,628	30,579	30,128	257.5	199.1	534.1	842.0	426.0	600.0	334.3	276.6	307.0	57.7	4.9	7.7
11	31,838	29,319	29,366	257.5	198.9	534.1	842.1	424.1	600.0	335.6	276.6	307.0	59.0	4.9	5.4
18	32,519	29,219	29,831	258.9	200.2	537.9	842.8	425.8	600.0	337.1	279.0	307.0	58.1	5.2	4.6
25	32,402	30,843	30,045	257.0	198.2	535.6	842.7	426.7	600.0	337.4	278.6	307.0	58.8	5.4	6.0
May 2	32,387	30,427	30,120	259.4	200.3	538.4	842.9	429.5	600.0	338.2	279.0	307.0	59.3	5.2	6.8
9	32,114	29,620	29,620	259.5	200.2	538.3	842.4	428.4	600.0	340.0	278.8	307.0	61.1	5.0	5.4
16	32,940	29,490	30,360	261.2	202.3	541.2	843.2	430.2	600.0	341.7	279.9	307.0	61.8	5.4	4.1
23	32,384	29,971	30,037	260.6	201.6	541.2	843.0	430.8	600.0	342.9	280.7	307.0	62.3	5.7	3.8
30	32,353	30,570	30,293	260.8	201.8	541.8	843.0	431.0	600.0	343.6	281.0	307.0	62.6	5.7	3.9
June 6	32,485	31,012	30,530	263.2	203.9	544.8	843.5	433.5	600.0	342.9	281.6	307.0	61.3	5.5	4.7
13 p	31,862	29,755	30,108	263.2	203.8	545.1	843.4	433.4	600.0	343.8	281.9	307.0	61.9	5.5	4.5
20 p	32,612	30,565	30,574	263.9	204.5	545.8	843.4	435.4	600.0	343.5	281.9	307.0	61.6	5.7	6.1
27 p	32,415	30,907	30,540	262.7	203.5	544.6	843.0	435.0	600.0	344.5	281.9	307.0	62.6	5.7	5.6
July 4 p	33,453	32,078	31,008	264.4	205.0	547.1	843.0	438.0	600.0	345.7	282.6	307.0	63.1	5.9	5.3

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 M₃, total loans and investments and thrift institution deposits.