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MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) M_1 grew at about a 7 per cent annual rate in November, and data for early December suggest that the growth rate in prospect for November and December combined is about $6\frac{1}{2}$ per cent. This would be at the low end of the Committee's two-month range of tolerance. In the case of M_2 , the estimate for November and December combined shows a growth rate of about $8\frac{1}{2}$ per cent, somewhat above the low end of the range of tolerance, as growth in consumer-type time and savings deposits at banks has been strong. Bank credit expansion, as measured by the proxy, has been modest. The outstanding volume of large CD's dropped in November, but growth picked up in early December, partly in anticipation of forthcoming maturities around the tax date.

Growth of Monetary Aggregates and RPD's
in November-December Period

<u>Reserve and Monetary Aggregates (Growth at SAAR in per cent)</u>	<u>Range of Tolerance</u>	<u>Latest Estimates</u>
M_1	$6\frac{1}{2}$ - $9\frac{1}{2}$	6.4
M_2	8- $10\frac{1}{2}$	8.7
RPD	$2\frac{1}{2}$ - $5\frac{1}{2}$	4.1
<u>Memo:</u>		
Federal funds rate (per cent per annum)	$8\frac{1}{2}$ -10	Avg. for statement <u>week ending</u>
		Nov. 20 9.34
		27 9.46
		Dec. 4 9.02
		11 8.86

(2) Evidence that the monetary aggregates were expanding at annual rates near the low ends of the Committee's ranges of tolerance became available shortly after the November FOMC meeting. The Desk moved to a less restrictive reserve management posture, expecting the Federal funds rate to move down to around $9\frac{1}{2}$ per cent from the $9\frac{3}{8}$ -- $9\frac{1}{2}$ per cent area. During the statement week ending November 27, however, the funds rate averaged 9.46 per cent as banks elected to hold a very large amount of excess reserves over the Thanksgiving holiday. In early December, the funds rate finally eased, averaging about 9 per cent in the week ending December 4. With growth in the monetary aggregates continuing near the low ends of the Committee's ranges of tolerance, and with the discount rate reduced from 8 to $7\frac{3}{4}$ per cent on December 6, the Desk has most recently been aiming at a Federal funds rate around $8\frac{3}{4}$ per cent or a little below.

(3) Shifts in bank demands for excess reserves and borrowings have complicated the task of monetary management in recent weeks. Member bank borrowing at Reserve Banks rose to an average of about \$1.4 billion in the two statement weeks ending December 4, which bracketed the Thanksgiving holiday. Excess reserves were large in both weeks, averaging about \$500 million. In the statement week just ended, member bank borrowings declined to an average of only \$647 million and excess reserves were negative, in part because banks had sizable carry-over reserve surpluses from the previous week.

(4) Because market participants had widely anticipated a further easing of money market conditions following the November Committee meeting, the initial tendency for the Federal funds rate to level off at around $9\frac{1}{2}$ per cent was reflected in a snap-back of short- and long-term market rates. When the Federal funds rate resumed its decline, most other market rates also began to move down again; the December 6 cut in the discount rate, to $7\frac{3}{4}$ per cent, accelerated this process. Recently, rates on Treasury and Federal agency securities have dropped below the levels prevailing at the time of the last Committee meeting, but yields on private market instruments remain somewhat higher, and those on municipal issues have continued to rise. Weakness in the municipal sector has reflected the continuing lack of demand from key investor groups.

(5) Savings flows to non-bank thrift institutions--like those to banks--strengthened further in November and early December. At the S and L's, November growth was around an $8\frac{1}{2}$ per cent seasonally adjusted annual rate and at the savings banks it was around $6\frac{1}{2}$ per cent. At both types of institutions the November performance was nearly as favorable as in the same month a year ago, and roughly the same pattern of flows appears to be continuing in early December. The combination of improved savings flows and a limited supply of mortgages available for immediate delivery has resulted in declining mortgage rates throughout the inter-meeting period.

(6) The table on the following page shows (in percentage annual rates of change) selected monetary and financial flows over various recent time periods. Appendix table IV compares money supply growth rates

	Average of Past Three Calendar Years	Past Twelve Months	Past Six Months	Past Three Months	Past Month
	1971	Nov. '74	Nov. '74	Nov. '74	Nov. '74
	--	over	over	over	over
	1973	Nov. '73	May '74	Aug. '74	Oct. '74
Total reserves	8.6	8.6	5.4	- 3.0	1.5
Nonborrowed reserves	7.7	9.3	13.6	21.3	20.7
Reserves available to support private nonbank deposits	8.8	9.4	7.3	- 3.2	0.8
<u>Concepts of Money</u>					
M ₁ (currency plus demand deposits) <u>1/</u>	7.0	5.2	4.1	4.0	6.8
M ₂ (M ₁ plus time deposits at commercial banks other than large CD's)	10.4	8.0	7.2	7.1	9.7
M ₃ (M ₂ plus deposits at thrift institutions)	11.7	7.1	6.1	6.2	8.8
<u>Bank Credit</u>					
Total member bank deposits (bank credit proxy adj.)	10.4	10.0	6.6	3.3	6.1
Loans and investments of commercial banks <u>2/</u>	12.8	9.8	4.6	- 1.5	4.2
<u>Short-term Market Paper</u>					
(Monthly average change in billions)					
Large CD's	1.1	1.9	1.2	.6	- 0.7
Nonbank commercial paper	--	.4	.7	.7	.9

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 average of daily figures, except for data on total loans and investments of commercial banks, commercial paper, and thrift institutions--which are derived from either end-of-month or last Wednesday-of-month figures. Growth rates for reserve measures in this and subsequent tables are adjusted to remove the effect of discontinuities from breaks in the series when reserve requirements are changed.

computed on a quarterly-average basis with those computed on a last-month-of-quarter basis. Projected figures on the two bases are shown in appendix table V for the four alternatives presented in the next section.

Prospective developments

(7) Summarized below for Committee consideration are four alternative sets of specifications for key monetary variables (with more detailed data shown in the table on page 6a. The length of the period to which the longer-run growth rates of the aggregates apply (November '74-June '75) has been kept the same as in recent blue books, but the period has been shifted forward to encompass the two quarters ahead. Since money supply data for December are still based mainly on projections, November has been taken as the base month and thus the period is actually seven months. (In recent blue books August had been used as the base for longer-run growth rates, which had encompassed the fourth quarter of 1974 and the first quarter of 1975).

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. D</u>
Longer-run growth rates (Nov. '74-June '75)				
M ₁	7½	6½	6	5½
M ₂	11	9½	8½	7½
Credit proxy	9	7½	6	4½
Associated ranges of tolerance for Dec.-Jan.				
M ₁	5½-7½	4¾-6¾	4¾-6½	4½-6½
M ₂	7¾-9¾	7½-9½	7-9	6½-8¾
RPD	9½-11½	8½-10½	8-10	7½-9½
Federal funds rate (inter-meeting range)	6½-8½	7-9	7½-9½	8-9½

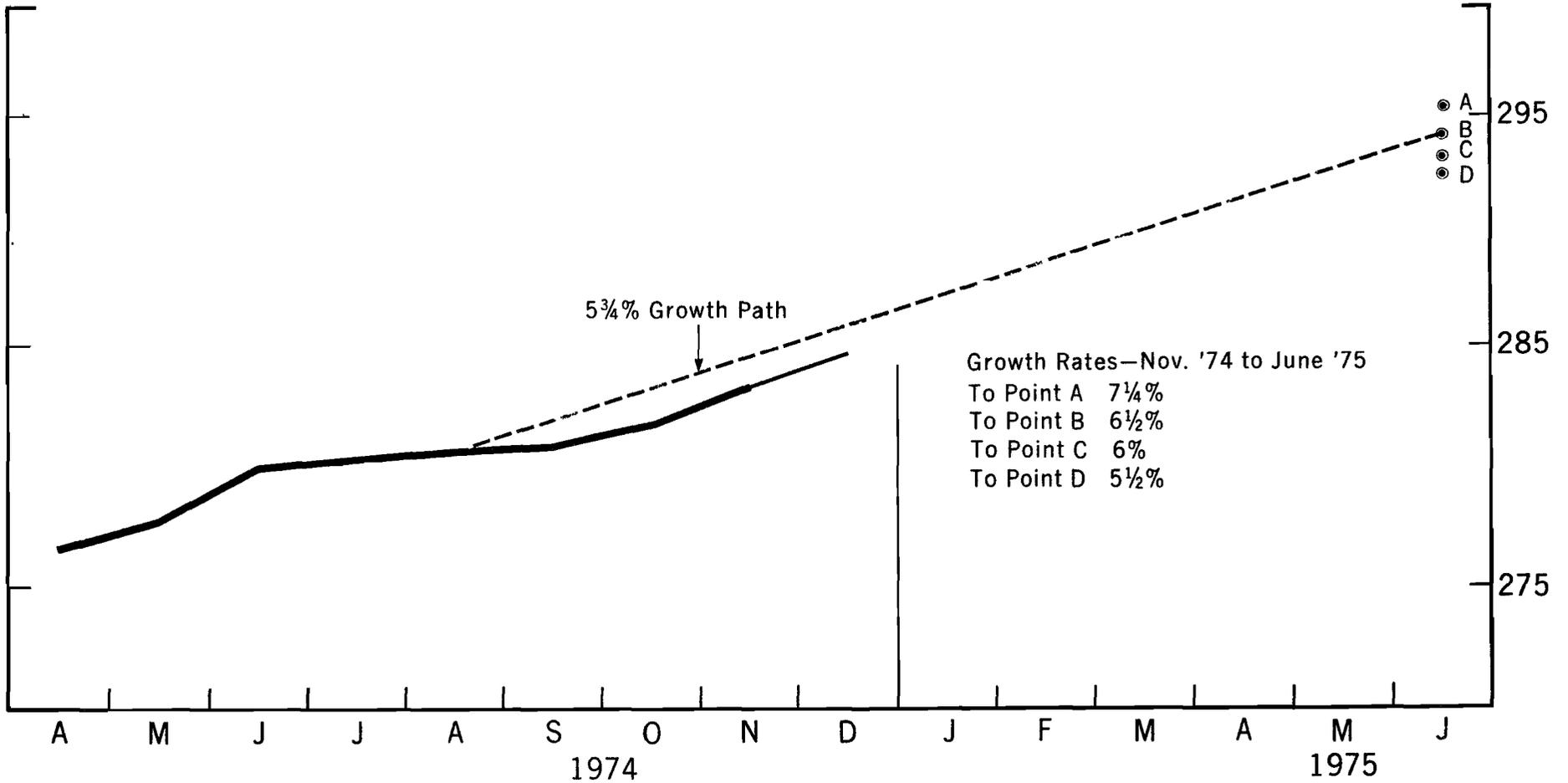
(8) The longer-run targets adopted by the Committee at its last meeting involved an M₁ growth of 5½ per cent from August to March. Expansion since August has fallen below this path. The following chart

Alternative Longer-Run Growth Rates for Key Monetary Aggregates

	<u>M₁</u>				<u>M₂</u>			
	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. D</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. D</u>
1974 Nov.	283.3	283.3	283.3	283.3	612.7	612.7	612.7	612.7
Dec.	284.8	284.7	284.7	284.6	616.9	616.7	616.6	616.5
1975 Jan.	286.2	286.0	285.9	285.8	621.7	621.2	620.9	620.7
Mar.	289.9	289.1	288.8	288.4	633.5	631.2	629.8	628.4
June	295.3	294.1	293.3	292.4	651.8	647.2	643.6	640.0
				<u>Growth Rates</u>				
Nov. '74--June'75	7.3	6.5	6.0	5.5	10.9	9.7	8.6	7.6
1974 4th Q.	5.7	5.6	5.6	5.4	8.8	8.7	8.6	8.5
1975 1st Q.	7.2	6.2	5.8	5.3	10.8	9.4	8.6	7.7
2nd Q.	7.5	6.9	6.2	5.5	11.6	10.1	8.8	7.4
1974 Dec.	6.4	5.9	5.9	5.5	8.2	7.8	7.6	7.4
1975 Jan.	5.9	5.5	5.1	5.1	9.3	8.8	8.4	8.2
				<u>M₃</u>			<u>Credit Proxy</u>	
	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. D</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. D</u>
1974 Nov.	951.2	951.2	951.2	951.2	491.5	491.5	491.5	491.5
Dec.	957.7	957.4	957.3	957.2	494.4	494.2	494.1	494.0
1975 Jan.	965.3	964.4	963.9	963.5	496.2	495.7	495.2	494.8
Nov.	983.8	979.9	977.9	975.7	502.6	500.7	498.8	497.0
June	1012.6	1004.4	999.2	994.2	517.3	513.4	509.0	504.6
				<u>Growth Rates</u>				
Nov. '74--June'75	11.1	9.6	8.7	7.7	9.0	7.6	6.1	4.6
1974 4th Q.	8.0	7.9	7.8	7.8	4.3	4.2	4.1	4.0
1st Q.	10.9	9.4	8.6	7.7	6.6	5.3	3.8	2.4
2nd Q.	11.7	10.0	8.7	7.6	11.7	10.1	8.2	6.1
1974 Dec.	8.2	7.8	7.7	7.6	7.1	6.6	6.3	6.1
1975 Jan.	9.5	8.8	8.3	7.9	4.4	3.6	2.7	1.9

LONGER RUN GROWTH RATES OF MONEY SUPPLY

RATIO SCALE, BILLIONS OF DOLLARS



shows the relationship to this path (extended to June) of the longer-run growth rates for M_1 contained in the four alternatives shown above.

(9) The $5\frac{1}{2}$ per cent growth rate in M_1 from November forward, under alternative D, appears to be consistent with prevailing money market conditions, as typified by a Federal funds rate around $8\frac{3}{4}$ per cent. Under this alternative M_1 may be expected to grow in a $4\frac{1}{2}$ - $6\frac{1}{2}$ per cent annual rate range in the two month December-January period. This alternative does not contemplate making up for recent shortfalls in M_1 growth.

(10) Alternatives C and B involve growth rates of M_1 of 6 and $6\frac{1}{2}$ per cent, respectively, through the first half of next year. Under alternative B the level of M_1 by June is the same as that obtained by extending the $5\frac{3}{4}$ per cent August-March growth path to June. This alternative is consistent with the basic chart show projection, which assumes the same catch-up in M_1 growth and also assumes continuation of the $5\frac{3}{4}$ per cent basic M_1 growth path throughout the chart show projection period (to mid-1976). Under alternative C, the catch-up period would extend into the fall.

(11) Because of the further weakening in GNP growth, projected by the staff, some further decline in interest rates over the next few months now appears to be required to achieve the monetary aggregate objectives of either alternatives C or B. Between now and the next Committee meeting, alternative C would appear to entail a Federal funds rate of around $8-3/8$ per cent, and alternative B around 8 per cent-- the mid-points of the ranges shown in paragraph (7). M_1 growth in the December-January period under both alternatives may be on the low side

of longer-run growth rates, but growth would be expected to increase somewhat later on as a result of the lagged impact on money demand of the further interest rate declines.

(12) Alternative A encompasses a higher $7\frac{1}{2}$ per cent annual rate of growth in M_1 between now and mid-year. The Federal funds rate under this alternative would be likely to drop to the $7\frac{1}{4}$ - $7\frac{1}{2}$ per cent area by mid-January. The implications for economic activity and prices of moving on to such a growth path for M_1 will be analyzed in the chart show.

(13) Although demands in credit markets are in process of moderation, they remain fairly strong in particular market sectors. Corporate demands for long-term funds still appear to be quite substantial, and business short-term borrowing may be sustained temporarily by involuntary inventory accumulation. In the municipal market, demands also remain sizable, while institutional investor interest appears to be very limited. Moreover, larger than seasonal borrowing by the Treasury can be expected during the winter. Against this background, it would appear that further declines in interest rates over the next few weeks may be limited in the absence of a noticeable further decline in the Federal funds rate, and interest rates could back up some.

(14) A drop in the funds rate to around $8\text{-}3/8$ per cent would probably forestall tendencies for interest rates to back up, and would likely lead to a modest renewal of rate declines. A drop in the funds rate to around 8 per cent would have an appreciable downward effect on short-term market rates, would trigger further declines in bank prime loan rates, and would more noticeably ease long-term market conditions.

Market expectations of a further decline in the discount rate might begin to develop, but they would become much more pronounced if the funds rate were to drop as much as is implied under alternative A.

(14) Net inflows of time and savings deposits (other than money market CD's) at banks are likely to continue to be relatively strong under each of the alternatives presented, with growth highest, of course, under the easiest alternative. The position of thrift institutions probably also will continue to improve, even under alternative D. However, it would probably require a further decline in market interest rates, and an accompanying more rapid inflow of savings funds, to ensure a significant liberalization in mortgage loan commitment policies by thrift institutions.

(15) Banks are likely to moderate offerings of large CD's in the period ahead, given the expected availability of funds from other sources, reduced loan demands, and continued conservative bank investment and lending policies. Offerings could remain on the strong side, however, until year-end if banks attempt to show a lengthening in their liability structure in their December 31 statement by reducing reliance on Federal funds. Should market interest rates begin to drop sharply, banks might well step up CD offerings in order to acquire securities in anticipation of capital gains.

Proposed directive

(16) Presented below are four alternative formulations for the operational paragraph of the directive, which are intended to correspond to the similarly lettered policy alternatives discussed in the preceding section.

Alternative A

To implement this policy, while taking account of developments in domestic and international financial markets, the Committee seeks to achieve bank reserve and money market conditions consistent with MORE RAPID moderate growth in monetary aggregates over the months ahead.

Alternative B

To implement this policy, while taking account of developments in domestic and international financial markets, the Committee seeks to achieve bank reserve and money market conditions consistent with SOMEWHAT MORE RAPID moderate growth in monetary aggregates over the months ahead.

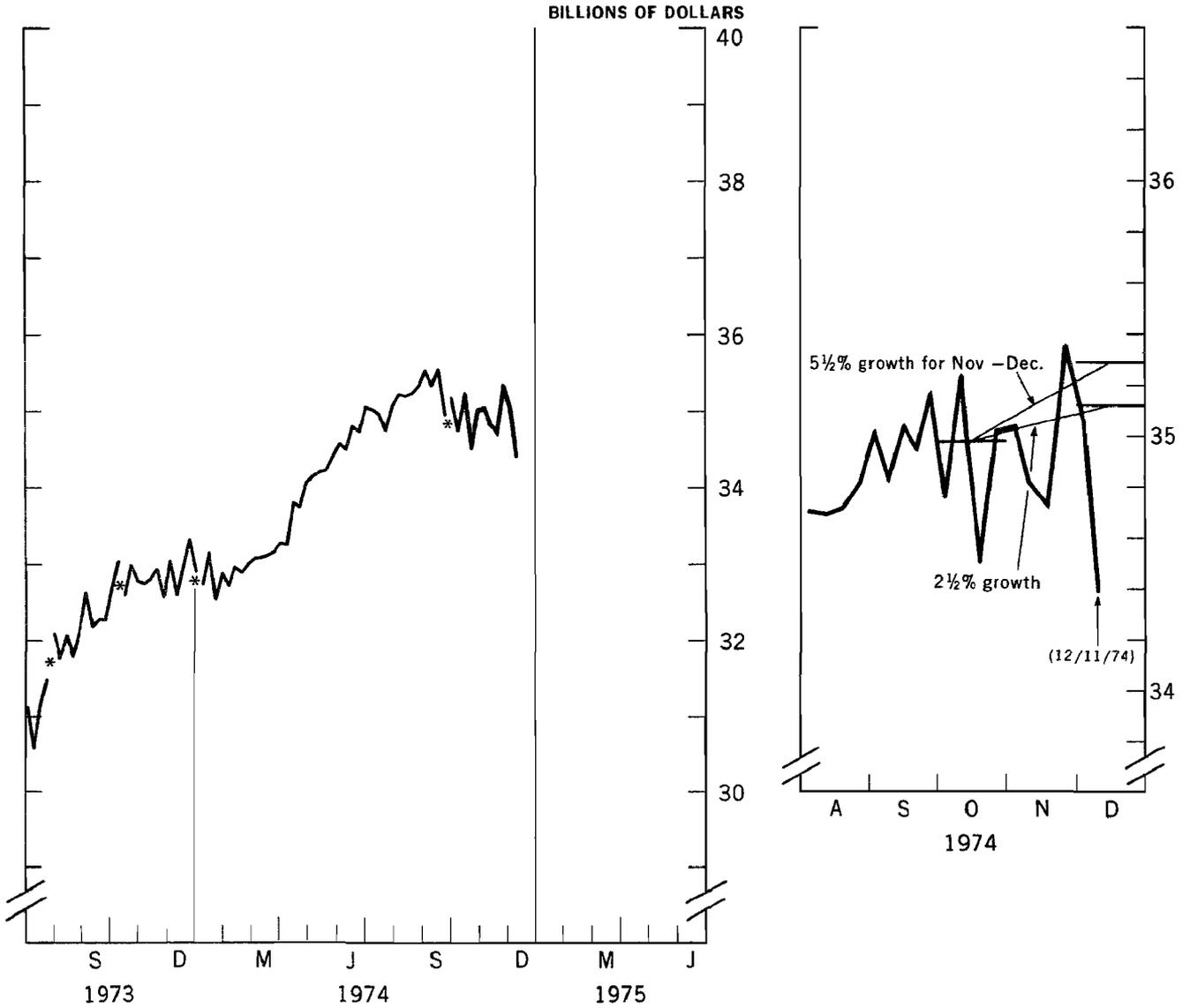
Alternative C

To implement this policy, while taking account of developments in domestic and international financial markets, the Committee seeks to achieve bank reserve and money market conditions consistent with moderate growth in monetary aggregates over the months ahead.

Alternative D

To implement this policy, while taking account of developments in domestic and international financial markets, the Committee seeks to achieve bank reserve and money market conditions consistent with RELATIVELY SLOW moderate growth in monetary aggregates over the months ahead.

RESERVES AVAILABLE TO SUPPORT PRIVATE NONBANK DEPOSITS

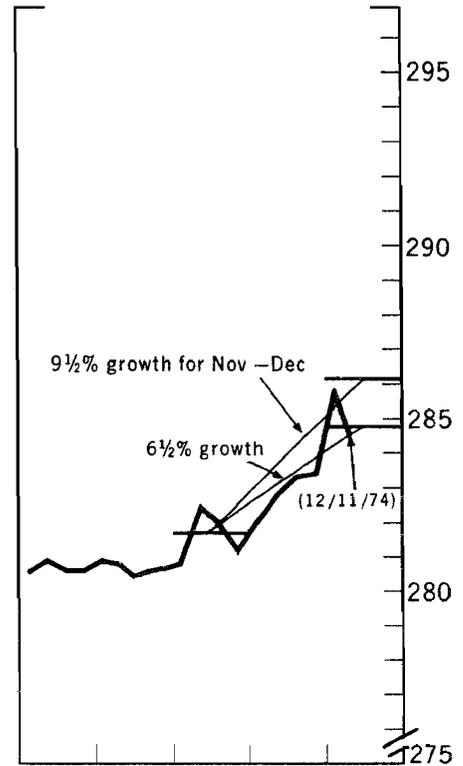
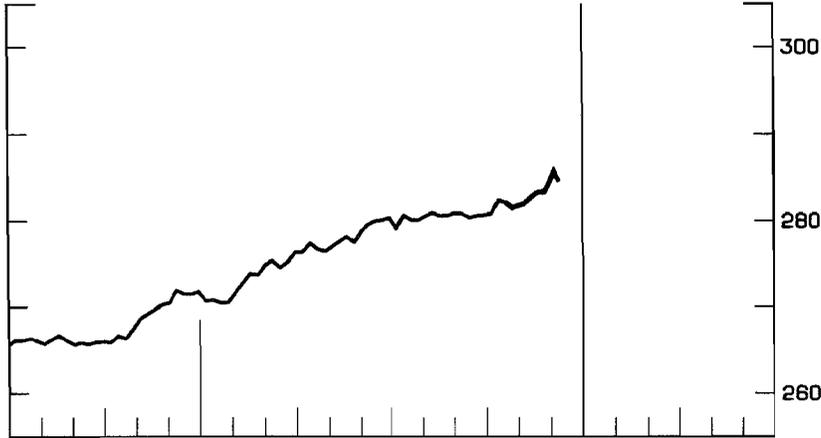


* Break in Series, Actual Level of RPD After Changes in Reserve Requirements

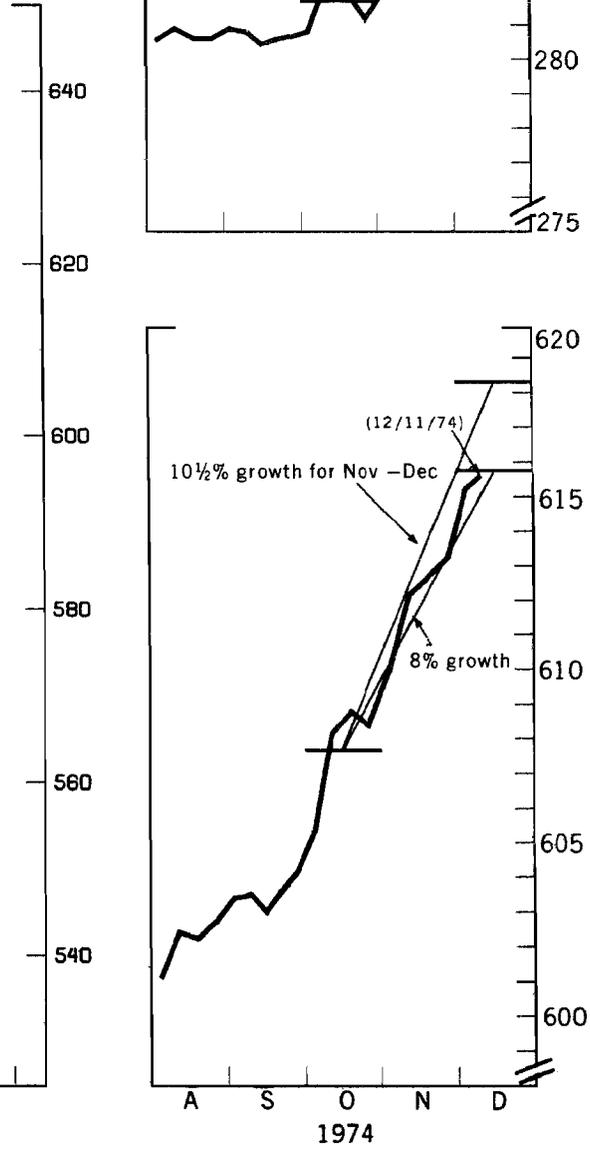
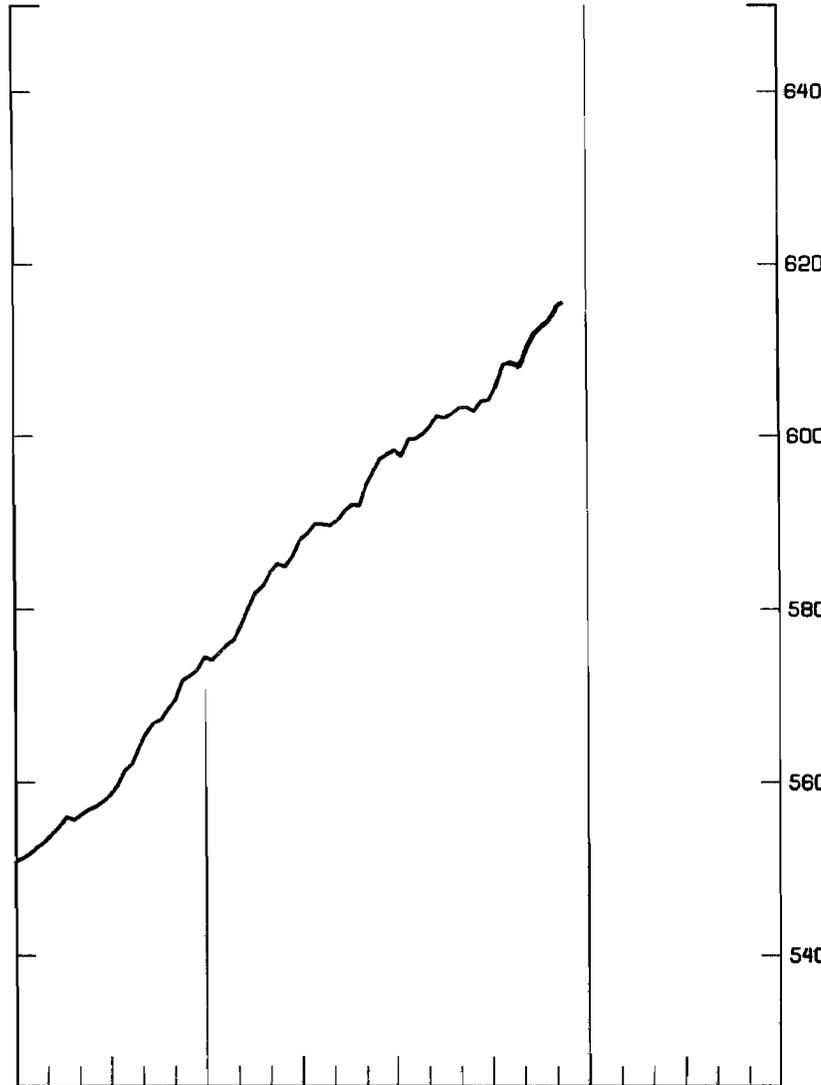
MONETARY AGGREGATES

NARROW MONEY SUPPLY M1

BILLIONS OF DOLLARS



BROADER MONEY SUPPLY M2



1973

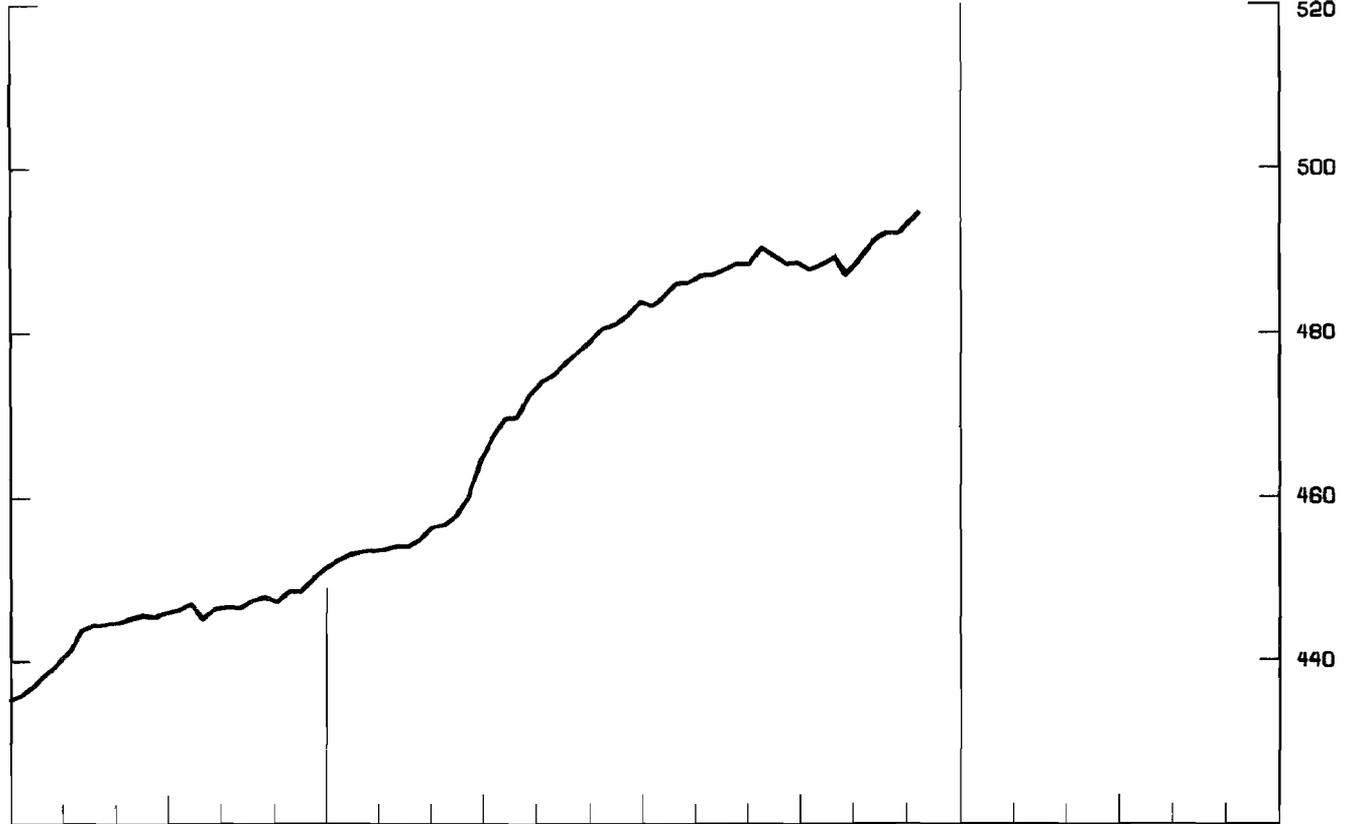
1974

1975

A S O N D
1974

MONETARY AGGREGATES

ADJUSTED CREDIT PROXY



TOTAL RESERVES



*Break in series, Actual Level of Total Reserves After Changes in Reserve Requirements

CHART 4

MONEY MARKET CONDITIONS AND INTEREST RATES

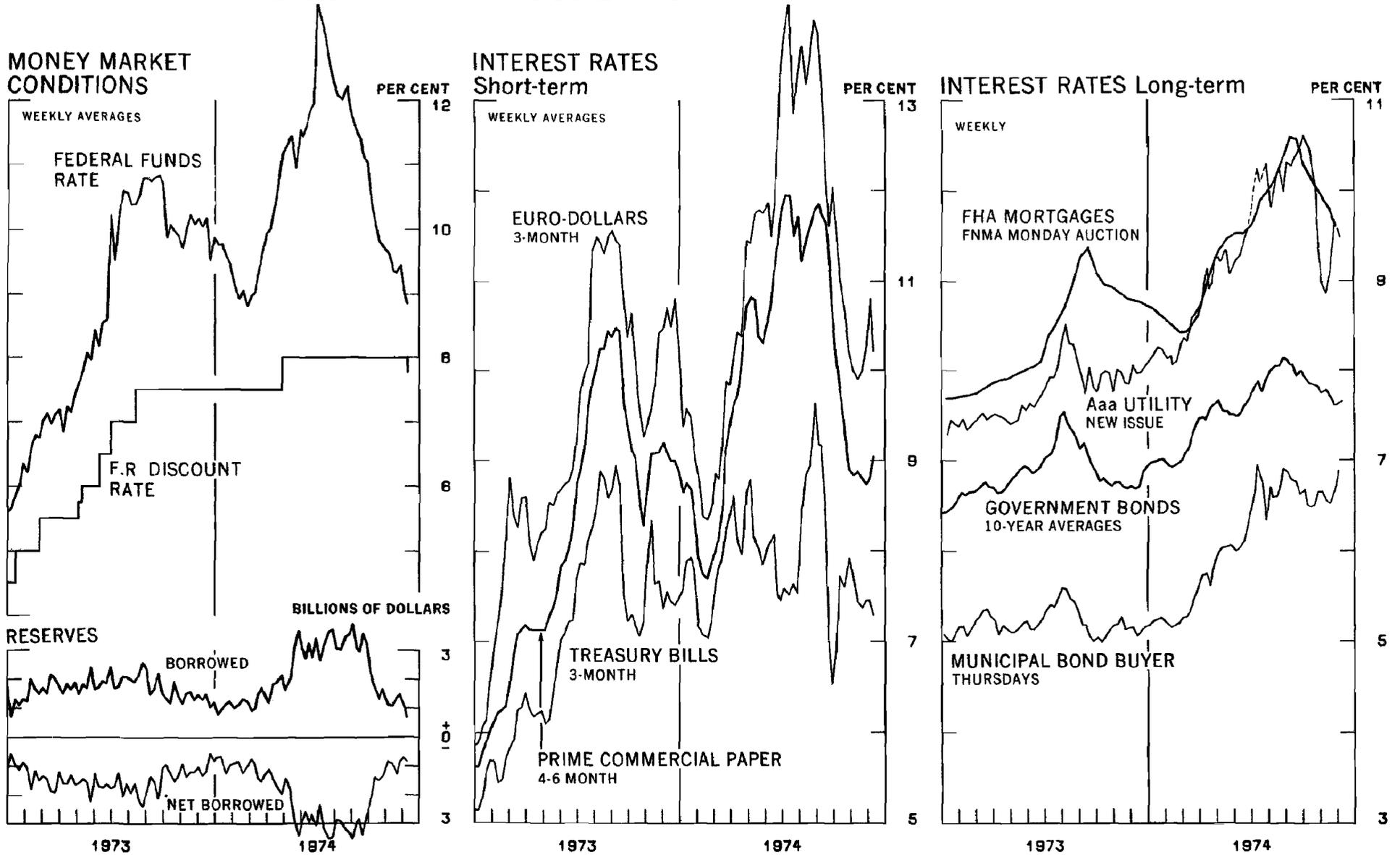


TABLE 1

STRICTLY CONFIDENTIAL

BANK RESERVES
(ACTUAL AND CURRENT PROJECTIONS)

DECEMBER 13, 1974

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								
1974--SEP.	35,296	35,133	37,282	34,000	20,367	9,092	5,643	1,986
OCT.	34,905	34,838	36,874	35,061	20,409	9,130	5,224	1,969
NOV.	(34,994)	(35,001)	(36,986)	(35,733)	(20,519)	(9,201)	(4,966)	(1,992)
DEC.	(34,680)	(34,898)	(36,895)	(35,998)	(20,651)	(9,102)	(4,734)	(2,215)
ANNUAL RATES OF CHANGE								
QUARTERLY:								
1974--1ST QTR.	5.7		1.3	1.2	0.4			
2ND QTR.	19.1		20.1	0.8	2.2			
3RD QTR.	9.1		8.2	5.6	0.1			
4TH QTR.	(2.5)		(5.2)	(33.6)	(8.2)			
MONTHLY:								
1974--SEP.	7.8		7.1	9.7	-1.4			
OCT.	-0.7		-1.2	50.2	4.8			
NOV.	(0.8)		(1.5)	(20.7)	(4.1)			
DEC.	(7.4)		(15.5)	(28.0)	(15.6)			
NOV.--DEC.	(4.1)		(8.5)	(24.6)	(9.9)			
WEEKLY LEVELS--\$MILLIONS								
NOV. 6	35,044	35,038	37,026	35,899	20,459	9,170	5,113	1,982
13	34,824	34,743	36,604	35,506	20,458	9,168	4,999	1,779
20	34,733	34,812	36,829	35,462	20,536	9,203	4,927	2,097
27	35,353	35,348	37,371	35,890	20,578	9,241	4,892	2,018
DEC. 4	35,060	35,162	37,269	36,197	20,609	9,241	4,855	2,209
11	34,390	34,265	36,537	35,890	20,499	9,275	4,810	2,147

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS. AT THE FOMC MEETING OF NOV. 19, 1974 THE COMMITTEE AGREED ON A RPD RANGE OF 2.5 TO 5.5 PERCENT FOR THE NOVEMBER-DECEMBER PERIOD.

TABLE 2

STRICTLY CONFIDENTIAL

MONETARY AGGREGATES
(ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED)

DECEMBER 13, 1974

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								
1974--SEP.	280.8	603.6	489.1	6.3	407.6	322.8	84.8	8.6
OCT.	281.7	607.8	488.2	3.7	412.3	326.1	86.2	7.9
NOV.	(283.3)	(612.7)	(491.5)	(4.7)	(414.9)	(329.4)	(85.5)	(7.6)
DEC.	(284.7)	(616.6)	(494.1)	(2.6)	(419.7)	(331.9)	(87.8)	(7.7)
PERCENT ANNUAL GROWTH								
QUARTERLY								
1974--1ST QTR.	5.5	9.3	8.2		15.1	12.8		
2ND QTR.	6.5	7.7	20.4		21.3	8.6		
3RD QTR.	1.6	4.6	6.6		9.2	7.3		
4TH QTR.	(5.6)	(8.6)	(4.1)		(11.9)	(11.3)		
MONTHLY								
1974--SEP.	1.3	3.2	3.9		6.8	4.9		
OCT.	3.8	8.3	-0.2		13.8	12.3		
NOV.	(6.8)	(9.7)	(6.1)		(7.6)	(12.1)		
DEC.	(5.9)	(7.6)	(6.3)		(13.9)	(9.1)		
NOV.--DEC.	(6.4)	(8.7)	(6.3)		(10.8)	(10.7)		
WEEKLY LEVELS--\$BILLIONS								
NOV. 6	282.0	610.0	488.9	3.2	413.8	328.1	85.7	7.3
13	282.8	612.1	491.3	5.5	414.7	329.2	85.5	7.1
20	283.3	612.6	492.1	5.7	414.4	329.3	85.1	7.8
27	283.3	613.4	492.1	4.7	415.4	330.1	85.3	8.2
DEC. 4 P	285.8	615.2	493.6	3.6	416.0	329.5	86.5	7.6
11 PE	284.5	615.6	494.6	3.5	418.8	331.1	87.7	7.7

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.

P - PRELIMINARY
PE - PARTIALLY ESTIMATED

STRICTLY CONFIDENTIAL (FR)

DECEMBER 13, 1974

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

	Open Market Operations 1/					Daily Average Reserve Effect 2/			Δ in reserve categories		Δ Target
	Bills & Accept.	Coupon Issues	Agency Issues	RP's Net 3/	Total	Open Market Operations	Δ Member Bank Borrowing	Other 4/ Factors	req. res. against U.S.G. and interb.	available res. 5/ (6)+(7)+(8)-(9)	available reserves 5/ (11)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Monthly											
1974 -- May	653	207	185	1,111	2,155	1,970	866	-2,239	207	390	-130
June	-544	176	237	-984	-1,115	-673	420	74	-400	221	275
July	898	125	726	-3,760	-2,011	1,601	309	-901	465	544	375
Aug.	862	--	235	2,225	3,322	141	39	-464	-450	166	180
Sept.	-594	176	191	549	322	-32	-60	99	-67	74	375
Oct.	-1,727	--	--	-243	-1,970	-633	-1,494	1,990	178	-315	315
Nov.	1,217	212	331	981	2,739	327	-507	201	-209	230	395
Dec.											450
1975 -- Jan.											
Weekly											
1974--Oct. 2	-100	--	--	823	724	563	-313	337	170	417	
9	-338	--	--	-5,869	-6,207	-1,357	-973	1,398	-21	-911	
16	-391	--	--	7,090	6,698	-768	-501	2,123	83	771	
23	-665	--	--	-2,027	-2,692	-122	-422	-455	-290	-709	
30	-324	--	--	336	12	161	316	-35	-222	664	
Nov. 6	-7	131*	--	953	1,077**	134**	-511	469	188p	-96p	
13	-374	-131*	--	-3,101	-3,607**	-1,341**	-29	912	-163p	-295p	
20	835	--	331	1,485	2,652	1,675	269	-1,629	246p	69p	
27	251	212	--	3,088	3,550	1,388	114	-1,231	-265p	536p	
Dec. 4	554	--	--	-5,269	-4,715	532	-409	-190	119p	-187p	
11	56	--	--	3,987	4,043	-243	-425	-112	111p	-891p	
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 for 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 F.R. accounts.

5/ Reserves to support private nonbank deposits. Target change for Nov. and Dec. reflects the target adopted at the Nov. 19, 1974 FOMC meeting. Target change for previous months reflects the bluebook patterns that are consistent with target ranges that were adopted during the month.

* Special certificate. (Direct Treasury borrowing from F.R.) ** Reflects special certificate purchase.

DECEMBER 13, 1974

TABLE 4

SECURITY DEALER POSITIONS AND BANK POSITIONS
Millions of dollars

Period	U.S. Govt. Security Dealer Positions		Dealer Positions		Member Bank Reserve Positions				
	Bills (1)	Coupon Issues (2)	Corporate Bonds (3)	Municipal Bonds (4)	Excess** Reserves (5)	Borrowing at FRB**		Basic Reserve Deficit	
						Total (6)	Seasonal (7)	8 New York (8)	38 Others (9)
1973 -- High	3,796	1,299	197	384	631	2,561	163	-5,243	-10,661
Low	897	-301	0	36	-240	688	3	-1,831	-4,048
1974 -- High	3,553	2,203	253	384	628	3,906	176	-7,870	-12,826
Low	-289	-309	0	27	-189	647	13	-2,447	-6,046
1973--- Nov.	2,804	793	90	148	239	1,393	84	-4,469	-8,186
Dec.	3,441	973	105	276	307	1,298	41	-4,682	-9,793
1974 -- Jan.	3,102	540	114	254	162	1,051	18	-4,753	-10,893
Feb.	2,436	1,619	120	263	184	1,162	17	-5,262	-10,769
Mar.	1,986	583	68	239	134	1,314	32	-5,030	-11,058
Apr.	1,435	99	39	78	182	1,736	40	-3,952	-11,603
May	408	-85	142	83	178	2,590	102	-3,171	-9,091
June	580	9	66	124	204	3,020	134	-4,445	-9,920
July	457	-214	14	79	162	3,075	149	-3,522	-9,555
Aug.	1,758	398	33	108	197	3,337	164	-4,231	-9,224
Sept.	2,309	552	23	85	180	3,282	139	-4,235	-8,250
Oct.	2,174	654	25	166	153p	1,813p	117p	-4,602	-8,689
Nov.	*2,900	*1,608	83	268	308p	1,253p	67p	-6,363p	-9,674p
1974--Oct. 2	1,131	772	171	80	456	3,218	142	-3,844	-6,046
9	1,269	621	12	117	-55	2,245	134	-5,388	-8,399
16	2,522	566	23	207	349	1,744	122	-5,295	-10,020
23	2,638	616	6	259	-159	1,322	107	-4,101	-8,696
30	2,677	776	4	202	319p	1,638p	104p	-3,772	-8,383
Nov. 6	2,518	534	93	202	302p	1,127p	79p	-5,015	-8,976
13	2,962	1,919	60	222	199p	1,098p	70p	-7,688	-10,046
20	*2,327	*1,903	164	384	66p	1,367p	63p	-6,802	-10,040
27	*3,553	*1,709	92	329	643p	1,481p	65p	-5,795	-9,871
Dec. 4	*2,975	*1,630	171	167	354p	1,072p	51p	-5,485p	-10,095p
11	*2,965	*1,678	159p	167p	-189p	647p	34p	-7,445p	-10,763p
18									
25									

NOTE: 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

** Monthly averages for excess reserves and borrowings are weighted averages of statement week figures.

DECEMBER 13, 1974

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)	
1973 -- High	10.84	8.95	8.43	10.50	10.50	10.75	8.52	8.30	5.59	7.54	9.37
Low	5.61	5.15	5.42	5.63	5.38	5.50	7.29	7.26	4.99	6.42	7.69
1974 -- High	13.55	9.63	9.54	12.25	12.25	12.00	10.61	10.52	7.15	8.14	10.59
Low	8.81	6.53	6.39	7.88	8.00	7.88	8.05	8.14	5.16	6.93	8.43
1973 -- Nov.	10.03	7.83	7.40	9.11	9.06	8.91	7.90	7.94	5.18	6.73	8.84
Dec.	9.95	7.45	7.01	9.28	9.44	9.13	8.00	8.04	5.12	6.74	8.78
1974 -- Jan.	9.65	7.77	7.01	8.86	9.05	8.83	8.21	8.21	5.22	6.99	8.71
Feb.	8.97	7.12	6.51	8.00	8.09	7.97	8.12	8.23	5.20	6.96	8.48
Mar.	9.35	7.97	7.34	8.64	8.69	8.56	8.46	8.44	5.41	7.21	8.53
Apr.	10.51	8.33	8.08	9.92	9.81	9.78	8.99	8.95	5.73	7.51	9.07
May	11.31	8.23	8.21	10.82	10.83	10.90	9.24	9.13	6.02	7.58	9.41
June	11.93	7.90	8.16	11.18	11.06	10.88	9.38	9.40	6.13	7.54	9.54
July	12.92	7.55	8.04	11.93	11.83	11.83	10.20	10.04	6.68	7.81	9.84
Aug.	12.01	8.96	8.88	11.79	11.69	11.91	10.07	10.19	6.69	8.04	10.25
Sept.	11.34	8.06	8.52	11.36	11.19	11.38	10.38	10.30	6.76	8.04	10.58
Oct.	10.06	7.46	7.59	9.55	9.35	9.33	10.16	10.23	6.57	7.90	10.22
Nov.	9.45	7.47	7.29	8.95	8.78	8.72	9.21	9.34	6.61	7.68	9.87
1974 -- Oct. 2	11.04	6.53	8.03	10.50	10.00	10.13	10.61	10.52	6.68	7.99	--
9	10.43	6.87	7.63	10.13	9.50	9.50	--	10.36	6.52	7.94	10.32
16	10.11	7.72	7.65	9.56	9.50	9.25	10.44	10.36	6.48	7.87	--
23	9.81	7.60	7.41	9.38	8.88	8.88	10.03	10.02	6.51	7.84	10.11
30	9.72	7.92	7.50	8.93	8.88	8.88	9.42	9.82	6.65	7.82	--
Nov. 6	9.63	7.76	7.46	9.00	8.88	8.88	9.00	9.28	6.66	7.76	9.93
13	9.37	7.43	7.37	9.00	8.75	8.63	8.87	9.17	6.55	7.72	---
20	9.34	7.38	7.20	8.88	8.50	8.50	9.17	9.29	6.53	7.61	9.81
27	9.46	7.45	7.23	8.93	9.00	8.88	9.68	9.38	6.71	7.63	--
Dec. 4	9.02	7.45	7.20	9.22	9.25	9.13	9.50	9.39	6.89	7.61	9.61
11	8.86	7.28	6.95	9.00	8.88	8.75	9.60p	9.47p	7.15	7.37p	--
18											
25											
Daily -- Dec. 5	8.88	7.48	7.12	9.25	--	--	--	--	--	7.58	--
12	8.72	7.38	6.75	9.00	--	--	--	--	--	n.a.	--

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 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 average yield in bi-weekly auction for short-term forward commitments for Government underwritten mortgages.

Appendix Table 1

RESERVES AND MONETARY VARIABLES

December 13, 1974

Period	RESERVES			MONEY STOCK MEASURES			BANK CREDIT MEASURES		OTHER					
	Total	Non-borrowed	Available to Support Private Deposits	M ₁	M ₂	M ₃	Adjusted Credit Proxy	Total Loans and Investments	Total Time	Time Other Than CD's	Thrift Institution Deposits	CD's	Non-deposit Funds	U.S. Gov't. Demand
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	(Per cent annual rates of growth)											(Dollar change in billions)		
Annually:														
1973	7.8	7.2	9.3	6.1	8.8	8.8	10.4	13.5	16.2	11.4	8.6	19.9	2.3	-1.7
Semi-annually:														
1st Half 1973	6.4	1.4	9.8	7.4	9.1	9.6	13.5	16.6	19.8	10.6	10.5	16.7	0.7	0.8
2nd Half 1973	8.9	13.1	7.8	4.7	8.3	7.6	6.8	9.6	11.4	11.6	6.4	3.2	1.6	-2.5
1st Half 1974	10.6	1.0	12.4	6.0	8.6	7.6	14.5	15.0	18.6	10.8	5.9	17.5	1.8	1.4
Quarterly:														
1st Qtr. 1974	1.3	1.2	5.7	5.5	9.3	8.8	8.2	17.5	15.1	12.8	7.9	4.2	0.9	-0.7
2nd Qtr. 1974	20.1	0.8	19.1	6.5	7.7	6.4	20.4	12.0	21.3	8.6	3.9	13.3	0.9	2.1
3rd Qtr. 1974	8.2	5.6	9.1	1.6	4.6	4.0	6.6	5.6	9.2	7.3	3.1	3.5	0.2	1.0
Monthly:														
1973--July	26.9	24.6	15.0	3.6	5.2	5.8	8.6	14.5	11.8	6.8	6.9	1.9	0.9	-1.0
Aug.	3.9	-4.1	11.5	-0.5	7.0	5.4	17.8	18.2	20.7	13.4	2.7	2.8	0.8	0.3
Sept.	9.4	21.9	14.1	-1.4	4.5	4.4	4.9	5.2	11.2	10.4	4.2	0.8	-0.1	-0.3
Oct.	11.1	25.7	1.6	4.1	9.5	8.4	2.4	7.7	6.7	14.4	6.4	-1.4	-0.1	-0.2
Nov.	-3.5	-0.7	-3.4	12.6	12.0	10.6	1.6	7.4	4.0	11.0	8.3	-1.6	-0.1	-0.1
Dec.	12.1	16.1	8.9	9.4	10.6	10.1	5.1	3.6	12.3	12.1	9.4	0.7	0.1	-1.2
1974--Jan.	32.6	42.6	5.9	-2.7	6.9	7.2	12.3	16.5	21.4	15.6	7.8	2.6	-0.1	1.2
Feb.	-23.6	-29.2	2.9	9.7	11.1	9.3	2.9	17.0	15.8	12.2	6.3	1.8	0.4	-2.9
Mar.	-4.7	-9.2	8.2	9.2	9.7	9.5	9.2	18.4	7.7	10.1	9.5	-0.2	0.6	1.0
Apr.	31.1	17.2	19.1	6.1	8.0	7.3	29.6	17.9	26.6	9.3	5.8	5.9	0.6	1.4
May	21.2	-7.7	21.5	4.3	4.3	3.3	16.9	12.1	18.0	5.0	1.4	4.6	0.7	1.0
June	7.1	-7.1	15.7	9.1	10.5	8.5	13.6	5.7	18.0	11.5	4.3	2.8	-0.4	-0.3
July	21.7	13.1	8.6	2.1	5.4	5.0	9.2	16.0	13.3	8.3	4.7	2.3	0.8	-1.1
Aug.	-4.3	-5.9	10.8	1.3	5.2	4.1	6.4	9.4	7.4	8.6	1.8	0.2	-0.2	2.0
Sept.	7.1	9.7	7.8	1.3	3.2	2.9	3.9	-8.6	6.8	4.9	2.9	1.0	-0.4	0.1
Oct. p	-1.2	50.2	-0.7	3.8	8.3	6.9	-0.2	--	13.8	12.3	4.7	1.4	-0.7	-2.6
Nov. p	1.5	20.7	0.8	6.8	9.7	8.8	6.1	4.2	7.6	12.1	6.8	-0.7	-0.3	1.0

NOTES: Reserve requirements on Eurodollar borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970.

1/ Growth rates are based on estimated monthly average levels derived by averaging end of current month and end of previous month reported data.

p - Preliminary.

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Appendix Table 2
RESERVES AND MONETARY VARIABLES
 SEASONALLY ADJUSTED, BILLIONS OF DOLLARS

Period	RESERVES			MONEY STOCK MEASURES				BANK CREDIT MEASURES		OTHER					
	Total	Non borrowed	Available to Support Pvt Deposits	M ₁		M ₂	M ₃	Adj Credit Proxy	Total Loans and Investments	Total Time	Time Other Than 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
Annually: Dec. 1972	31,456	30,406	29,092	255.8	198.9	525.7	823.2	406.4	559.0	313.8	269.9	297.5	43.9	4.3	5.6
Monthly:															
1973--July	33,346	31,393	31,274	266.1	206.6	551.9	866.8	437.0	612.8	348.3	285.8	314.9	62.5	5.9	5.4
Aug.	33,923	31,758	31,990	266.0	206.2	555.1	870.7	443.5	622.1	354.3	289.0	315.6	65.3	6.7	5.7
Sept.	34,188	32,337	32,365	265.7	205.5	557.2	873.9	445.3	624.8	357.6	291.5	316.7	66.1	6.6	5.4
Oct.	34,930	33,454	32,832	266.6	206.1	561.6	880.0	446.2	628.8	359.6	295.0	318.4	64.7	6.5	5.2
Nov.	34,870	33,476	32,780	269.4	208.4	567.2	887.8	446.8	632.8	360.8	297.7	320.6	63.1	6.4	5.1
Dec.	35,164	33,867	32,965	271.5	209.9	572.2	895.3	448.7	634.6	364.5	300.7	323.1	63.8	6.6	3.9
1974--Jan.	35,820	34,769	32,824	270.9	208.9	575.5	900.7	453.3	643.3	371.0	304.6	325.2	66.4	6.5	5.1
Feb.	33,924	33,924	32,904	273.1	210.4	580.8	907.7	454.4	652.4	375.9	307.7	326.9	68.2	6.9	2.2
Mar.	34,978	33,664	33,130	275.2	211.9	585.5	914.9	457.9	662.4	378.3	310.3	329.5	68.0	7.5	3.2
Apr.	35,884	34,147	33,658	276.6	212.8	589.4	920.5	469.2	672.3	386.7	312.7	331.1	73.9	8.1	4.6
May	36,519	33,929	34,260	277.6	213.2	591.5	923.0	475.8	679.1	392.5	314.0	331.5	78.5	8.8	5.6
June	36,736	33,729	34,708	279.7	215.0	596.7	929.5	481.2	682.9	398.4	317.0	332.7	81.3	8.4	5.3
July	37,399	34,098	34,958	280.2	215.4	599.4	933.4	484.9	692.0	402.8	319.2	334.0	83.6	9.2	4.2
Aug.	37,266	33,930	35,272	280.5	215.1	602.0	936.6	487.5	697.3	405.3	321.5	334.5	83.8	9.0	6.2
Sept.	37,282	34,000	35,296	280.8	215.0	603.6	938.9	489.1	692.3	407.6	322.8	335.3	84.8	8.6	6.3
Oct. p	36,874	35,061	34,905	281.7	215.2	607.8	944.3	488.2	692.3	412.3	326.1	336.6	86.2	7.9	3.7
Nov. p	36,986	35,733	34,994	283.3	216.2	612.7	951.2	491.5	693.2	414.9	329.4	338.5	85.5	7.6	4.7
Weekly:															
1974--Oct. 2	37,578	34,360	35,174	280.7	214.8	604.2	--	488.5	--	409.5	323.5	--	86.0	7.8	4.5
9	36,682	34,437	34,762	280.8	214.6	605.4	--	487.4	--	411.0	324.6	--	86.4	7.8	3.9
16	37,301	35,557	35,232	282.4	215.8	608.2	--	488.2	--	411.9	325.8	--	86.1	7.5	5.0
23	36,375	35,053	34,510	282.0	215.6	608.8	--	489.2	--	413.0	326.8	--	86.2	8.2	4.0
30	36,916	35,278	35,021	281.2	214.5	608.3	--	487.2	--	413.1	327.0	--	86.1	8.0	3.1
Nov. 6p	37,026	35,899	35,044	282.0	215.0	610.0	--	488.9	--	413.8	328.1	--	85.7	7.3	3.2
13p	36,604	35,506	34,824	282.8	216.0	612.1	--	491.3	--	414.7	329.2	--	85.5	7.1	5.5
20p	36,829	35,462	34,733	283.3	216.2	612.6	--	492.1	--	414.4	329.3	--	85.1	7.8	5.7
27p	37,371	35,890	35,353	283.3	215.9	613.4	--	492.1	--	415.4	330.1	--	85.3	8.2	4.7
Dec. 4p	37,269	36,197	35,060	285.8	218.0	615.2	--	493.6	--	416.0	329.5	--	86.5	7.6	3.6

1/ Estimated monthly average levels derived by averaging end of current month and end of previous month reported data.
 NOTES: Reserve requirements on Eurodollar 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 Eurodollar 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 investment and thrift FR 712-T institution deposits.

p - Preliminary.

Appendix Table III
Money Supply Growth Rates

	M_1	M_1 less Foreign Official Deposits	M_1 less Foreign Official Deposits and Deposits due to Foreign Commercial Banks
1973 - January	5.2	5.7	5.7
February	4.7	4.7	5.2
March	0.5	0.5	0.9
April	6.5	6.5	6.1
May	13.4	13.0	12.2
June	13.7	13.8	13.5
July	3.6	3.2	2.3
August	- 0.5	--	--
September	- 1.4	- 1.8	- 1.4
October	4.1	4.5	3.7
November	12.6	11.8	11.0
December	9.4	9.0	7.7
1974 - January	- 2.7	- 2.7	- 4.1
February	9.7	9.8	10.0
March	9.2	9.7	9.4
April	6.1	3.9	4.0
May	4.3	5.7	4.9
June	9.1	7.8	8.0
July	2.1	3.5	1.8
August	1.3	1.7	2.2
September	1.3	0.4	0.4
October	3.8	4.7	4.8
November	6.8	6.9	7.0

Appendix Table IV

Growth Rate in Money Supply
(Per cent change at an annual rate)

		<u>M₁</u>		<u>M₂</u>		<u>M₃</u>	
		<u>M</u>	<u>Q</u>	<u>M</u>	<u>Q</u>	<u>M</u>	<u>Q</u>
1973	I	3.4	6.8	7.3	9.1	8.6	10.3
	II	11.3	7.3	10.6	8.6	10.3	8.9
	III	0.6	5.5	5.6	7.7	5.2	7.5
	IV	8.7	5.0	10.8	8.9	9.8	7.9
1974	I	5.5	5.8	9.3	9.6	8.8	9.1
	II	6.5	7.2	7.7	8.2	6.4	7.3
	III	1.6	3.6	4.6	6.2	4.0	5.2

M = Annual rates of growth calculated from average levels in the final months of the quarters.

Q = Annual rates calculated from average levels in all three months of the quarters.

Appendix Table V

Growth Rates in Money Supply for Alternatives

		<u>M₁</u>		<u>M₂</u>		<u>M₃</u>	
		<u>M</u>	<u>Q</u>	<u>M</u>	<u>Q</u>	<u>M</u>	<u>Q</u>
<u>Alt. A</u>							
1974	IV	5.7	4.0	8.8	7.2	8.0	6.3
1975	I	7.2	6.6	10.8	9.8	10.2	9.8
	II	7.5	7.8	11.6	11.7	11.7	11.7
<u>Alt. B</u>							
1974	IV	5.6	3.9	8.7	7.1	7.9	6.3
1975	I	6.2	6.1	9.4	9.0	9.4	8.9
	II	6.9	7.1	10.1	10.1	10.0	10.0
<u>Alt. C</u>							
1974	IV	5.6	3.9	8.6	7.1	7.8	6.3
1975	I	5.8	5.8	8.6	8.5	8.6	8.4
	II	6.2	6.2	8.8	8.8	8.7	8.8
<u>Alt. D</u>							
1974	IV	5.4	3.8	8.5	7.1	7.8	6.2
1975	I	5.3	5.6	7.7	7.9	7.7	7.8
	II	5.5	5.4	7.4	7.6	7.6	7.6

M = Annual rates of growth calculated from average levels in last months of the quarters.

Q = Annual rates calculated from average levels in all three months of the quarters.