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MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

March 27, 1981

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) Abstracting from the effect of nationwide NOW accounts, the decline of transactions balances that characterized the November to February period appears to have been reversed most recently, with adjusted M-1B estimated to increase at about an 8-3/4 percent annual rate in March, as shown in the table below. Nonetheless, M-1B's growth over the first three months of the year remains about 2-1/4 percentage points below the Committee's target for that period. The weakness in M-1B is significantly greater than predicted by the Board's quarterly econometric model as well as other models, given actual interest rates and nominal GNP. On a quarterly average basis, adjusted M-1B increased at only about a 1/2 percent annual rate, and the income velocity of this aggregate rose at an annual rate of almost 14-1/2 percent--a record for the period since the Korean war.

Monetary Aggregates
Seasonally Adjusted Annual Growth Rates
First Quarter 1981

	<u>Jan.</u>	<u>Feb.</u>	<u>March *</u>	<u>Dec.- March *</u>	<u>QIV '80- QI '81</u>
<u>M-1B</u>					
Actual	12.2	3.5	12.4	9.3	5.2
Adjusted <u>1/</u>	2.9	-2.0	8.7	3.2	0.4
Target				5.5	
<u>M-2</u>					
Actual	5.7	7.6	16.5	10.0	7.0
Target				8.0	

* Partially projected.

1/ Abstracting from the estimated impact of shifts from savings accounts and assets other than demand deposits to NOW accounts.

It is possible that the demand for money shifted downwards in response to extraordinarily high levels of interest rates in the fourth quarter and the introduction of nationwide NOW accounts in the first, both of which could have induced the public to review more intensively its cash management techniques.

(2) In contrast to adjusted M-1B, the growth of M-2 is expected to expand about 2 percentage points above the Committee's December to March short-run target. The nontransactions component of M-2 was buoyed by record growth in money market mutual funds (MMMFs), more than offsetting the greater than expected weakness in small time and savings deposits. In March, the level of M-2 was at the upper end of the Committee's longer-run range.

(3) Banks' issuance of large CDs slowed in February and amounts outstanding have been declining in March as business short-term credit demands at domestic offices of U.S. banks ebbed. The expansion in total commercial bank credit moderated considerably in February, and available data suggest further weakening in March. Growth of large CDs at S&Ls also slowed in the early months of 1981, even as other deposits weakened, probably reflecting adverse publicity regarding their earnings problems.^{1/} Despite the recent weakness in CDs, M-3 expanded at about a 10-1/4 percent annual rate over the first three months of the year, placing the level of M-3 in March just above the upper end of the Committee's longer-run range.

(4) Demand for total reserves weakened in February and the first weeks of March in response to slow growth in reservable deposits and a drop in excess reserves to more normal levels following a sustained period in

^{1/} In early March, five large S&Ls had their commercial paper ratings downgraded by rating agencies, and investors became more cautious about uninsured liabilities of thrifts.

which they had been unusually high, presumably in response to the Monetary Control Act. Borrowing in the first two full weeks in February dropped to \$1.1 billion, below the initial assumption of \$1.3 billion used in constructing the nonborrowed path, and the funds rate began declining from the over 17 percent level of early February. By the latter part of February the funds rate had moved to around the lower end of the 15 to 20 percent range specified by the Committee. In a telephone conference on February 24, the Committee agreed to accept some shortfall in the narrow aggregates as consistent with its objectives for the year, resulting in a reduction in nonborrowed reserve targets in the latter part of February and early March that was expected to keep borrowing at the discount window from declining.^{1/} This path adjustment contributed to a decline in nonborrowed reserves in February roughly in line with the decline in total reserves, as shown in the table below. In March nonborrowed reserve growth surged, and borrowings and

Reserve Aggregates
(Seasonally Adjusted Annual Rate of Growth)

	<u>Jan.</u>	<u>Feb.</u>	<u>March</u> ^{2/}
Nonborrowed Reserves	8.2	-12.4	22.6
Total Reserves	-1.0	-14.7	10.9
Monetary Base	2.7	2.3	7.2
Memo: (\$ mils., n.s.a.)			
Average level of:			
Adjustment borrowing	1,347	1,303	941
Excess reserves	544	183	299

^{1/} See Appendix I for all adjustments made to reserve paths during the intermeeting period.

^{2/} March data are estimated for the period after March 25.

the funds rate declined on average from February levels. The federal funds rate averaged around 13-3/4 percent over the past two statement weeks, but trading most recently has been in a 14-1/2 to 15-1/2 percent range.

(5) Private short-term interest rates have fallen 2 to 3-1/2 percentage points on balance since the early February Committee meeting, and with these further declines some are more than 7 percentage points below their December peaks. In the Treasury bill market, yields have fallen less--3/4 to 2 percentage points since the last meeting and 2 to 4 percentage points since December--as the Treasury has continued to borrow heavily in the bill market. In February and March, the Treasury raised more than \$20 billion in new money in bill auctions, including \$13 billion in cash management bills maturing in the second quarter. The bank prime rate was lowered in steps from 19-1/2 percent at the beginning of February to 17 to 17-1/2 percent.

(6) In contrast to short-term rates, bond yields have risen on balance since early February--by roughly 30 basis points in the case of Treasury securities. The Treasury has raised almost \$11 billion in note and bond sales since the mid-quarter financing and next week will auction a \$2-3/4 billion 7-year note. Public issuance of corporate bonds has remained relatively large. During the intermeeting period, the average commitment rate on new fixed-rate mortgages at S&Ls rose further to 15.40 percent.

(7) The dollar has fluctuated over a wide range on exchange markets during the past several weeks, responding primarily to the relative movement of U.S. and foreign interest rates and to tensions in Eastern Europe. On balance, the weighted average exchange value of the dollar has risen 2 percent since the February Committee meeting.

The U.S. authorities have purchased about \$3/4 billion equivalent of foreign currencies.

(8) The table on the next page shows seasonally adjusted annual rates of change, in percent, for selected monetary and financial flows over various time periods. M-1A and M-1B data in parentheses are adjusted for the estimated impact of nationwide NOW accounts.

	1978 ^{1/}	1979 ^{1/}	1980 ^{1/}	Mar. '81 over Dec. '80	Mar. '81 over Feb. '81
Nonborrowed reserves	6.3	0.3	7.8	6.1	22.6
Total reserves	6.2	2.6	7.1	-1.6	10.9
Monetary base	9.2	7.8	8.8	4.1	7.2
<u>Concepts of Money</u>					
M-1A (Currency plus demand deposits) ^{2/}	7.4	5.0	5.0	-20.7 (2.7) ^{5/}	-3.6 (8.7) ^{5/}
M-1B (M-1A plus other checkable deposits)	8.2	7.7	7.3	9.3 (3.2) ^{5/}	12.4 (8.7) ^{5/}
M-2 (M-1B plus small time and savings deposits, money market mutual fund shares and overnight RP's and Eurodollars)	8.4	9.0	9.8	10.0	16.5
M-3 (M-2 plus large time deposits and term RP's)	11.3	9.8	9.9	10.3	9.2
<u>Bank Credit</u>					
Loans and investments of all commercial banks ^{3/}	13.4	12.6	8.0	7.3 p	-2.8 p
<u>Managed Liabilities of Banks</u> (Monthly average change in billions)					
Large time deposits	4.2	1.6	1.8	5.1	-2.6
Net borrowing from own foreign branches	0.6	2.1	-2.0	-3.2 p	-4.7 p
Other borrowings ^{4/}	1.4	1.3	n.a.	n.a.	n.a.

^{1/} QIV to QIV.

^{2/} Other than interbank and U.S. Government.

^{3/} Includes loans sold to affiliates and branches.

^{4/} Primarily federal funds purchases and securities sold under agreements to repurchase.

^{5/} Adjusted for nationwide NOW accounts.

p Preliminary estimate. n.a. Not available.

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 derived from either end-of-month or Wednesday statement date 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.

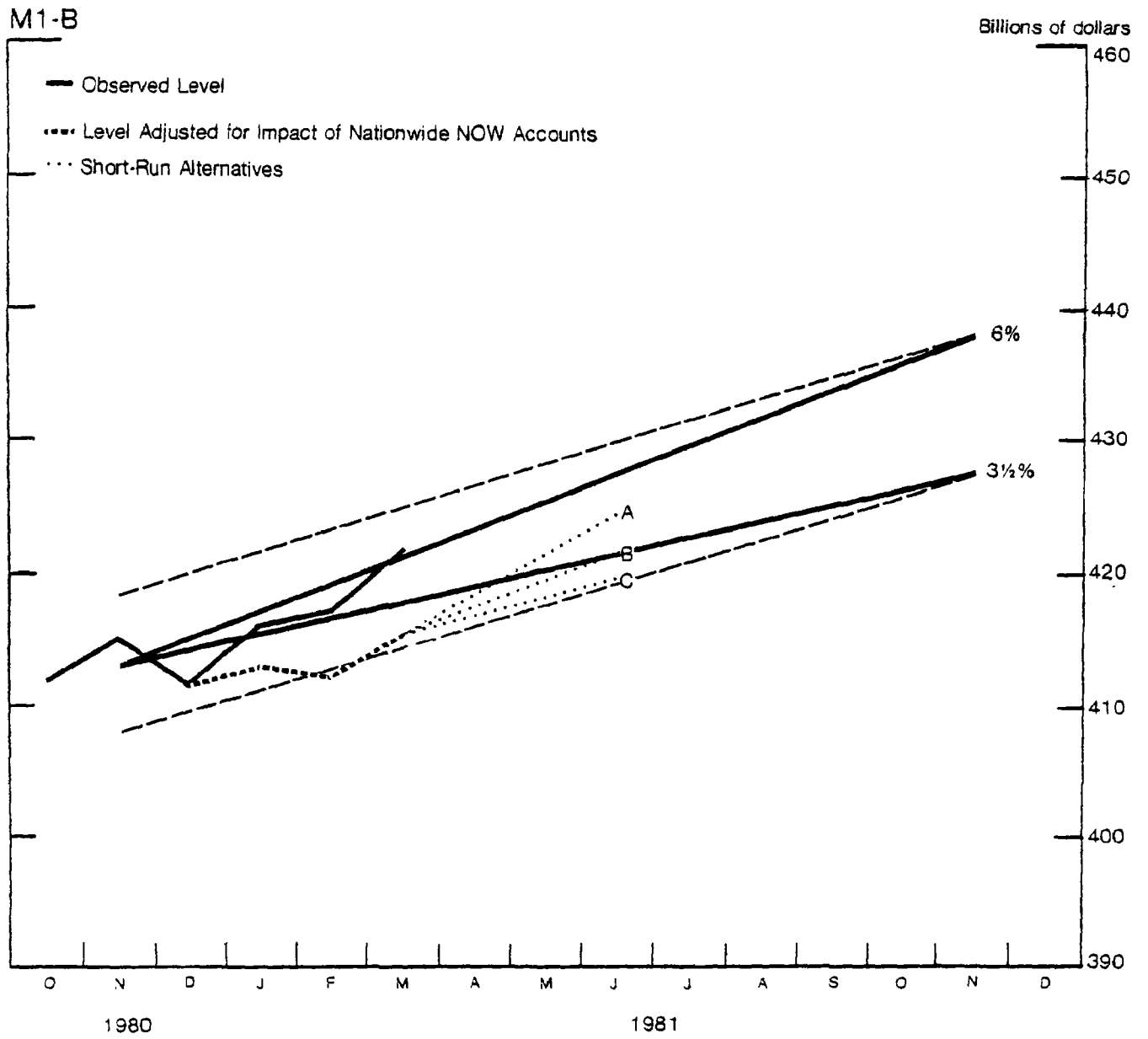
Prospective developments

(9) Shown below for Committee consideration are three alternative policy strategies for the second quarter. Since March data for the aggregates are still partially estimated, the alternatives are specified in terms of the four-month February to June period (with implied growth rates for March to June also shown based on the currently projected March levels). The M-1B growth targets abstract from the estimated impact of nationwide NOW accounts, as does the Committee's longer-run target. (More detailed and longer-run data for the aggregates, on both an adjusted and unadjusted basis, including those for M-1A, are shown in the tables on pp. 8 and 9.) The last line of the table indicates federal funds rate ranges thought by the staff to be consistent with the three alternatives.

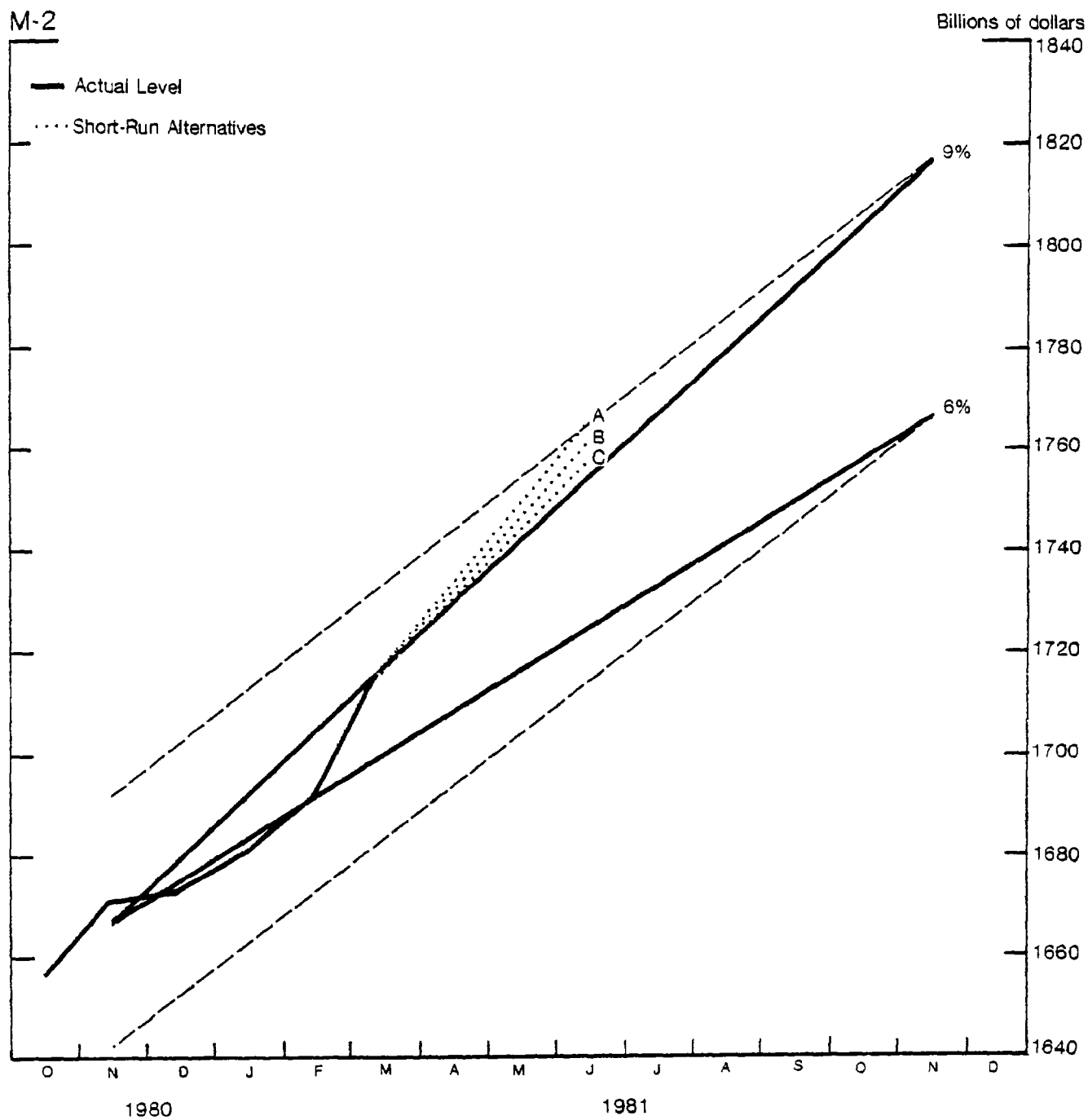
	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
Growth from February to June			
M-1B	8-3/4	6-3/4	5-1/2
M-2	12-3/4	12-1/4	12
Implied growth from March to June			
M-1B	8-3/4	6	4-1/2
M-2	11-1/2	10-3/4	10-1/4
Intermeeting federal funds rate range	13 to 19	14 to 20	15 to 21

(10) As shown in the first chart on the following pages, the alternative A target specifications are designed to return adjusted M-1B by June to the midpoint growth path of the Committee's QIV '80 to QIV '81 longer-run range of 3-1/2 to 6 percent. Alternative B specifies slower growth in M-1B that would carry it only to the lower end of the Committee's longer-run range by June but, assuming a continuation of that growth rate, to the midpoint of the longer-run range by September. Under either of these

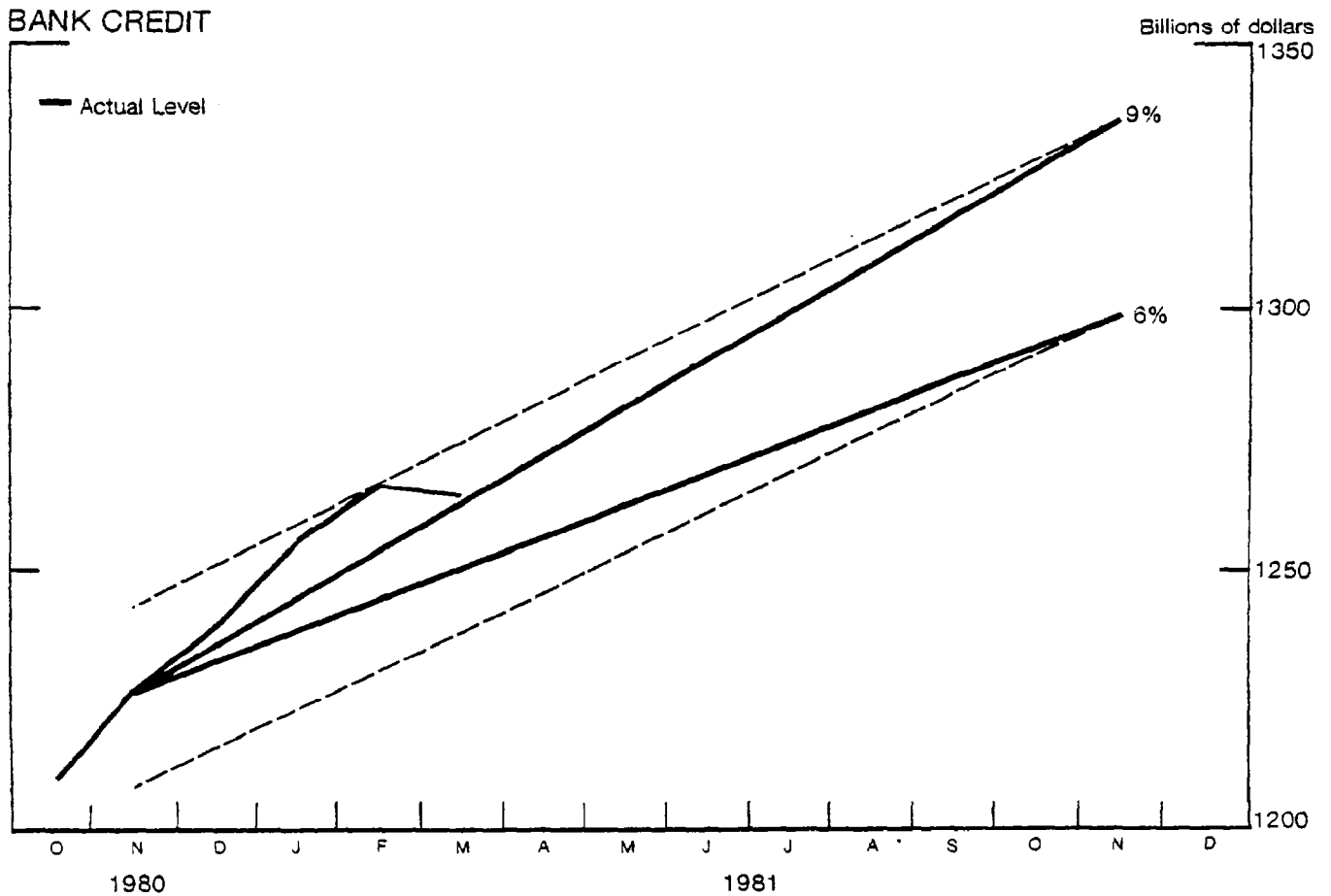
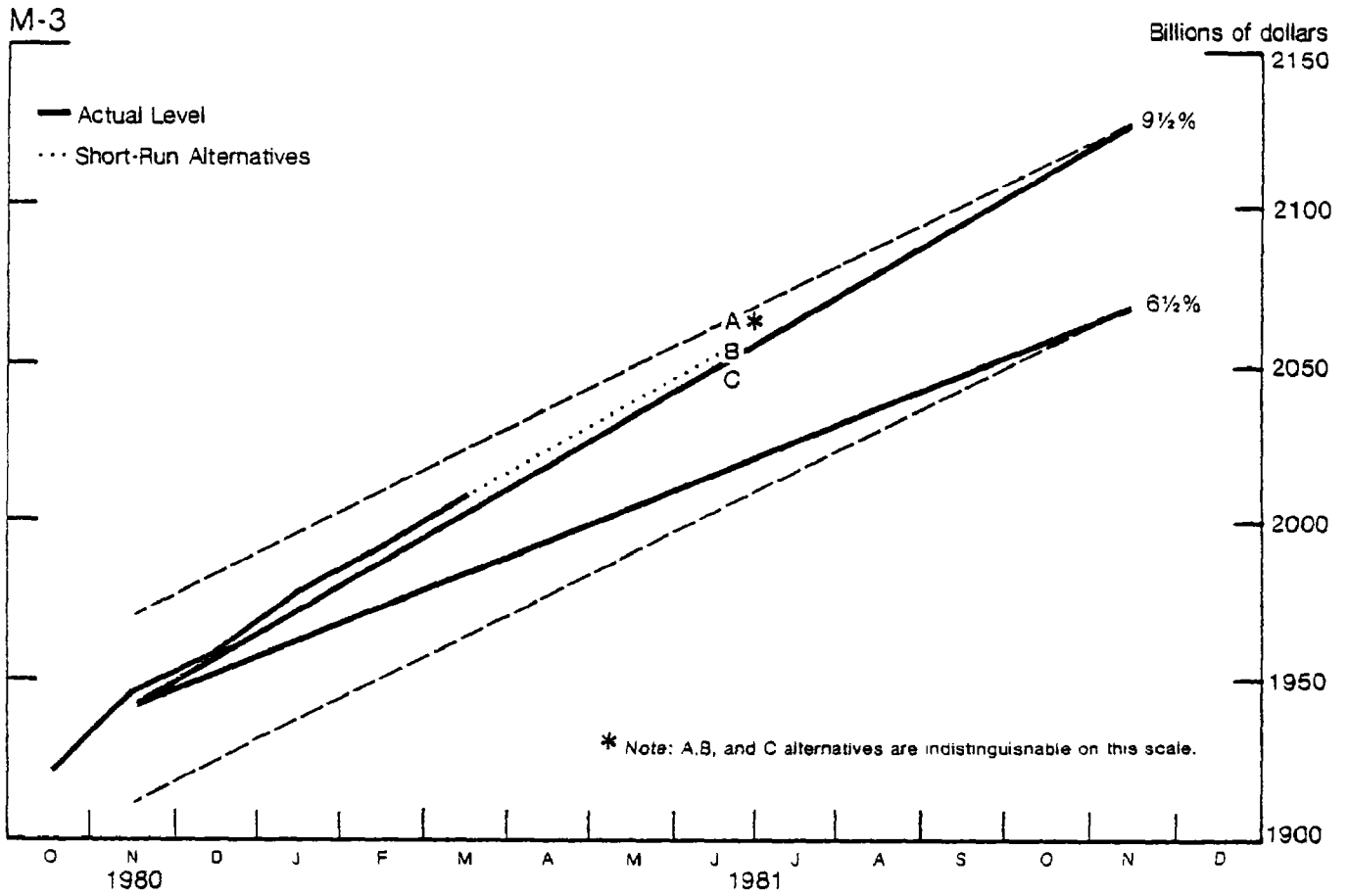
Actual and Targeted M-1B



Actual and Targeted M-2



M-3 and Bank Credit



Alternative Levels and Growth Rates for Key Monetary Aggregates

	<u>M-1A</u>			<u>M-1B</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>
1981--February	384.6	384.6	384.6	412.2	412.2	412.2
March	387.4	387.4	387.4	415.2	415.2	415.2
April	390.2	389.3	388.7	418.1	417.2	416.6
May	393.1	391.2	390.1	421.2	419.3	418.2
June	396.0	393.1	391.5	424.3	421.4	419.8
<u>Growth Rates</u>						
<u>Monthly</u>						
1981--April	8.7 (1.6)	5.9 (-1.3)	4.0 (-3.3)	8.7 (10.5)	5.8 (7.7)	4.3 (6.3)
May	8.9 (5.2)	5.9 (2.0)	4.3 (0.3)	8.9 (10.2)	6.0 (7.4)	4.6 (5.9)
June	8.9 (6.5)	5.8 (3.3)	4.3 (1.6)	8.8 (10.0)	6.0 (7.0)	4.6 (5.6)
February '81 - June '81	8.9 (2.5)	6.6 (0.1)	5.4 (-1.2)	8.8 (10.9)	6.7 (8.7)	5.5 (7.5)
March '81 - June '81	8.9 (4.5)	5.9 (1.3)	4.2 (-0.4)	8.8 (10.1)	6.0 (7.4)	4.4 (6.0)
<u>Quarterly Average</u>						
1981--QI	-0.6	-0.6	-0.6	0.4	0.4	0.4
QII	7.5	5.5	4.4	7.5	5.7	4.6

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∞
1

NOTE: Growth rates shown in parentheses are for the observed levels of the aggregates.

Alternative Levels and Growth Rates for Key Monetary Aggregates (cont'd)

	<u>M-2</u>			<u>M-3</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>
1981--February	1692.0	1692.0	1692.0	1993.3	1993.3	1993.3
March	1715.2	1715.2	1715.2	2008.5	2008.5	2008.5
April	1731.2	1730.3	1729.7	2020.8	2020.3	2019.7
May	1748.6	1746.7	1745.6	2037.3	2036.3	2035.0
June	1764.1	1761.1	1759.5	2054.8	2053.1	2050.9
<u>Growth Rates</u>						
<u>Monthly</u>						
1981--April	11.2	10.6	10.1	7.3	7.1	6.7
May	12.1	11.4	11.0	9.8	9.5	9.1
June	10.6	9.9	9.6	10.3	9.9	9.4
February '81 - June '81	12.8	12.3	12.0	9.3	9.0	8.7
March '81 - June '81	11.4	10.7	10.3	9.2	8.9	8.4
<u>Quarterly Average</u>						
1981--QI	7.0	7.0	7.0	10.6	10.6	10.6
QII	12.2	11.7	11.5	8.8	8.6	8.3

alternatives M-2 would probably be above the upper end of its range in June, and might well remain above the range over the balance of the year (assuming M-1B growth at its midpoint rate for the year as a whole). Alternative C is designed to increase the odds of constraining M-2 growth to within its longer-run range for 1981. This would appear to involve growth in M-1B for the year at the lower end of its longer-run range, and alternative C specifies such a trajectory for M-1B. The three strategies thus not only imply options for how rapidly the Committee wishes to target a return of M-1B to within its longer-run range, but also for the weight it wishes to place on obtaining an M-2 growth within its own longer-run range.

(11) Demands for transactions balances are likely to expand rapidly over the second quarter as a whole. Although real GNP in that quarter is projected to show no change, nominal spending is expected to increase rather rapidly, and the staff does not anticipate that the sharp downward shift in money demand of the first quarter will be repeated in the second. The resulting anticipated strengthening of M-1B will contribute to a rapid growth in M-2. Though the expansion of the nontransaction component of M-2 is expected to slow from its exceptionally strong March pace, it will probably be faster on average over the next three months than in the first quarter.

(12) The projected strengthening of demand for transactions balances implies that interest rates will probably be under upward pressure over the coming quarter, particularly under the alternative B and C specifications, but also possibly to a degree under alternative A. Under alternative A--which involves growth in total reserves from March to June

at a 9-3/4 percent annual rate—we would expect the funds rate to be in a 14 to 16 percent range over the next few weeks, with borrowing at the discount window ranging around \$1 billion, given the current discount rate structure. Many market participants appear to be expecting rate declines in the months ahead. For example, in the futures market, 3-month bills for June delivery are quoted at 11-7/8 percent, as compared to the current cash market quote of around 13 percent. Against this backdrop, a failure of the funds rate to decline from current levels would tend to exert upward pressure on short-term interest rates generally. Of course, if money demand tends to be on the weak side this spring—as could well develop if the economy is even less strong than projected—lower funds rates, borrowing, and market rates generally would occur.

(13) Whatever upward interest pressures develop over the months ahead are likely to be mainly the product of constraints on money growth relative to demand. In the credit markets themselves, funds raised are expected to drop in the second quarter. This reflects a greater than seasonal decline in Treasury borrowing, as the combined Federal budget moves from a \$37 billion deficit in the first quarter to an \$11 billion surplus in the second. In the projected interest rate environment, corporate and tax-exempt bond offerings are unlikely to rise further over the spring months, although business demands on banks will probably pick up from the recent depressed pace.

(14) Greater restraint on money growth relative to demand would be imposed under alternatives B and C, which involve limiting growth in adjusted M-1B to rates of 6 and 4-1/2 percent, respectively, over the next three months—substantially lower rates than the 8-3/4 percent of alternative A. Growth in total reserves over the period would be at annual rates of

7-3/4 and 6 percent under alternatives B and C, respectively. A federal funds rate in the area of 15 to 17 percent, or somewhat higher, might emerge over the next few weeks under alternative B^{1/}. Still greater rate pressures would develop under alternative C. Borrowing at the discount window might be around \$1-1/2 billion under B and, of course, higher under C. The upward response of market interest rates, particularly short-term rates, to the increased pressures on bank reserve positions of alternatives B and C may be quite marked over the period ahead. Any rise in long-term rates, though, might be muted as corporate borrowers back away from the market in anticipation of lower rates later.

(15) From the perspective of the year as a whole, the degree of rate pressure we would foresee over the next several months under alternative C, which is consistent with a strategy of lowering M-1B growth for the year to the bottom of its range, would be likely to weaken the outlook for GNP relative to the current staff forecast (which is based on alternative B). As a result, this alternative carries with it a potential for a drop-off of interest rates from peak levels later in the year, in response to a pronounced cyclical weakening of the economy. By year-end interest rates under alternative C thus could be lower than under alternative B.

(16) Under any of the alternatives presented, the interest rate outlook suggests continued substantial earnings pressures on thrift institutions over the next few months. Thrifts are likely to continue employing funds to a great extent to acquire short-term assets both to bolster liquidity and to add to the average return on their assets. They probably would continue to be reluctant lenders in the mortgage market.

^{1/} See Appendix II for interest rate projections for 1981 under alternative B.

Directive language

(17) Given below is a suggested operational paragraph for the directive consistent with the form of the directive adopted at the meeting in early February. Because monetary aggregates data for the second half of March are projected, the language calls for expansion of reserve aggregates at a pace consistent with the desired rates of monetary growth over the four months from February to June. The associated monetary growth rates on a quarterly average basis are from the fourth quarter of 1980 to the second quarter of 1981. The specifications adopted at the early February meeting are shown in strike-through form. For simplification, the Committee may wish to consider not including M-1A in the directive, as is shown with strike-through in the paragraph below.

In the short-run the Committee seeks behavior of reserve aggregates consistent with growth in ~~M-1A and~~ M-1B AND M-2 from ~~December~~ FEBRUARY to ~~March~~ JUNE at annual rates of ABOUT ~~5 to 6~~ ___ percent and ~~in M-2 at a rate of about 8~~ ___ percent, RESPECTIVELY, ~~abstracting from~~ AFTER ALLOWANCE FOR the impact of flows into NOW accounts. These rates are associated with growth of ~~M-1A, M-1B,~~ and M-2 from the fourth quarter of 1980 to ~~the first quarter~~ THE SECOND QUARTER OF 1981 at annual rates of about ~~2 percent, 2-3/4~~ ___ percent, and 7 ___ percent, respectively. It is recognized that shifts into NOW accounts will continue to distort measured growth in ~~M-1A and~~ M-1B to an unpredictable extent, and operational reserve paths will be developed in the light of evaluation of those distortions. If it appears during the period before the next meeting that fluctuations in the federal funds rate, taken over a period

of time, within a range of ~~15 to 20~~ ___ TO ___ percent are likely to be inconsistent with the monetary and related reserve paths, the Manager for Domestic Operations is promptly to notify the Chairman, who will then decide whether the situation calls for supplementary instructions from the Committee.

APPENDIX I

RESERVE TARGETS AND RELATED MEASURES
Intermeeting Period
(\$ millions, not seasonally adjusted)

	Targets for 4-week average Feb. 11 to March 4		Projection of 4-week average Feb. 11 to March 4			
	Total Reserves (1)	Non- borrowed Reserves (2)	Total Reserves (3)	Required Reserves (4)	Excess Reserves (5)	Adjustment Borrowing (3) - (2)
<u>As of</u>						
February 4 (FOMC Meeting)	39,396	38,096	39,396	38,996	400	1,300
February 6	39,796 ^{1/}	38,496 ^{1/}	39,627	39,227	400	1,131
February 13	39,998 ^{2/}	38,698 ^{2/}	39,671	39,313	358	973
February 20	39,973 ^{3/}	38,507 ^{3/}	39,622	39,313	309	1,115
February 27	39,973	38,259 ^{4/}	39,489	39,342	147	1,230
Actual 4-week Avg.	39,592	38,292	39,592	39,342	250	1,300

	Targets for 4-week average March 11 to April 1		Projection of 4-week average March 11 to April 1			
	Total Reserves (1)	Non- borrowed Reserves (2)	Total Reserves (3)	Required Reserves (4)	Excess Reserves (5)	Adjustment Borrowing (3) - (2)
<u>As of</u>						
March 6	40,300 ^{5/}	39,000 ^{5/}	39,819	39,419	400	819
March 13	40,135 ^{6/}	38,835 ^{6/}	39,663	39,323	340	828
March 20	40,010 ^{7/}	38,710 ^{7/}	39,661	39,400	261	951
March 27	40,010	38,710	39,608	39,366	242	898
Actual 4-week Avg.	39,608 ^e	38,710 ^e	39,608 ^e	39,366 ^a	242 ^e	898 ^e

- ^{1/} Total and nonborrowed reserves paths adjusted upward by \$400 million due to multiplier changes.
- ^{2/} Total and nonborrowed reserves paths adjusted upward by \$202 million to reflect planned phase-in of reserve requirements on foreign-related institutions.
- ^{3/} Total and nonborrowed reserves paths adjusted downward by \$25 million due to weaker than expected demand for excess reserves. In addition, the nonborrowed path adjusted downward further by \$166 million in line with FOMC telephone consultation of February 24.
- ^{4/} Nonborrowed reserves path adjusted downward by \$248 million also in connection with earlier consultation.
- ^{5/} Total and nonborrowed reserves paths adjusted upward by \$78 million due to multiplier changes.
- ^{6/} Total and nonborrowed reserves paths adjusted downward by \$165 million due to multiplier changes.
- ^{7/} Total and nonborrowed reserves paths adjusted downward by \$125 million due to multiplier changes.

Appendix II

INTEREST RATES THOUGHT CONSISTENT
WITH GREENBOOK GNP FORECAST AND
BLUEBOOK ALTERNATIVE B 1/
(Quarterly averages, percent)

	<u>Federal funds</u>	<u>3-month Treasury bill</u>	<u>Aaa-Utility bond</u>	<u>Mortgage Commitment</u>
1981--I	16-7/8	14½	14½	15-1/8
II	16½	14½	14-5/8	15½
III	18	16	14½	15-5/8
IV	19	17	14½	15½

1/ Assumes that M-1B grows 4½ percent, abstracting from the impact of nationwide NOW accounts, from the fourth quarter of 1980 to the fourth quarter of 1981.

TABLE 1
SELECTED INTEREST RATES
(Percent)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
March 30, 1981

Period	Short-term							Long-term								
	Federal funds	Treasury Bills			Secondary Market	Comm. Paper	Bank Prime Rate	U.S. Govt. Constant Maturity Yields			Corp. Aaa Utility		Municipal Bond Buyer	Home Mortgages		
		Market		Auction				3-yr.	10-yr.	30-yr.	New Issue	Recently Offered		Primary Conv.	Secondary Market	
		3-mo.	1-yr.	6-mo.	FNMA Auc.	GNMA Sec.										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
1979--High	15.61	12.60	11.89	12.65	14.53	14.26	15.75	11.68	10.87	10.42	11.50	11.45	7.38	12.90	13.29	11.77
Low	9.93	8.85	8.64	8.87	9.84	9.66	11.50	8.76	8.79	8.82	9.40	9.39	6.08	10.38	10.42	9.51
1980--High	19.83	16.73	14.39	15.70	20.58	19.74	21.50	14.29	13.36	12.91	14.51	15.03	10.56	16.35	15.93	14.17
Low	8.68	6.49	7.18	6.66	8.17	7.97	11.00	8.61	9.51	9.54	10.53	10.79	7.11	12.18	12.28	10.73
1980--Feb.	14.13	12.86	12.46	12.72	14.30	13.78	15.63	12.84	12.41	12.13	13.57	13.35	8.16	13.03	14.49	13.16
Mar.	17.19	15.20	14.03	15.10	17.57	16.81	18.31	14.05	12.75	12.34	14.00	13.90	9.17	15.28	15.64	13.79
Apr.	17.61	13.20	11.97	13.62	16.14	15.78	19.77	12.02	11.47	11.40	12.90	12.91	8.63	16.33	14.61	12.64
May	10.98	8.58	8.66	9.15	9.79	9.49	16.57	9.44	10.18	10.36	11.53	11.64	7.59	14.26	12.88	11.30
June	9.47	7.07	7.54	7.22	8.49	8.27	12.63	8.92	9.78	9.81	10.96	11.00	7.63	12.71	12.35	11.07
July	9.03	8.06	8.00	8.10	8.65	8.41	11.48	9.27	10.25	10.24	11.60	11.41	8.12	12.19	12.66	11.53
Aug.	9.61	9.13	9.39	9.44	9.91	9.57	11.12	10.63	11.10	11.00	12.32	12.31	8.67	12.56	13.92	12.34
Sept.	10.87	10.27	10.48	10.55	11.29	10.97	12.23	11.57	11.51	11.34	12.74	12.72	8.94	13.20	14.77	12.84
Oct.	12.81	11.62	11.30	11.57	12.94	12.52	13.79	12.01	11.75	11.59	13.18	13.13	9.11	13.79	14.95	12.91
Nov.	15.85	13.73	12.66	13.61	15.68	15.18	16.06	13.31	12.68	12.37	13.85	13.91	9.56	14.21	15.53	13.55
Dec.	18.90	15.49	13.23	14.77	18.65	18.07	20.35	13.65	12.84	12.40	14.51	14.38	10.11	14.79	15.21	13.62
1981--Jan.	19.08	15.02	12.62	13.88	17.19	16.58	20.16	13.01	12.57	12.14	14.12	14.17	9.66	14.90	14.87	13.55
Feb.	15.93	14.79	12.99	14.13	16.14	15.49	19.43	13.65	13.19	12.80	14.90	14.58	10.10	15.13	15.24	14.13
1981--Jan. 7	20.06	14.06	12.15	13.18	16.34	15.63	20.64	12.55	12.27	11.81	14.05	14.10	9.49	14.80	14.89	13.18
14	19.64	15.10	12.56	14.23	17.19	16.69	20.07	12.98	12.49	12.05	14.07	14.17	9.57	14.85	--	13.50
21	19.35	15.44	12.77	14.47	17.74	17.17	20.00	13.12	12.61	12.21	14.29	14.33	9.68	14.85	14.84	13.62
28	18.12	15.41	12.90	14.12	17.47	16.84	20.00	13.26	12.78	12.35	14.06	14.08	9.91	15.07	--	13.71
Feb. 4	17.19	14.78	12.71	13.74	16.55	15.98	19.86	13.27	12.84	12.44	--	14.30	9.90	15.00	14.88	13.76
11	16.51	15.32	13.10	14.43	16.50	15.89	19.50	13.65	13.19	12.83	--	14.58	9.99	15.03	--	14.08
18	15.81	15.22	13.32	14.76	16.82	16.07	19.50	13.81	13.43	13.00	--	14.57	10.22	15.20	15.59	14.41
25	14.96	14.23	12.81	13.61	15.52	14.75	19.29	13.58	13.14	12.75	14.90	14.85	10.27	15.30	--	14.26
Mar. 4	15.73	14.35	13.06	14.13	15.59	15.09	19.00	14.01	13.48	13.03	14.55	14.53	10.40	15.40	15.88	14.46
11	15.53	14.17	12.76	13.43	15.40	14.89	18.71	13.70	13.18	12.76	14.42	14.18	10.94	15.40	--	14.17
18	14.13	13.06	11.96	12.10	14.10	13.64	17.86	13.24	12.80	12.37	--	13.98	9.81	15.40	15.39	13.96
25	13.48	12.64	11.83	12.27	13.47	12.87	17.50	13.30	13.02	12.59	15.06p	14.69p	10.09	n.a.	--	14.23
Daily--Mar. 20	13.16	12.36	11.53	--	13.25	12.68	17.50	12.99	12.77	12.34	--	--	--	--	--	--
26	14.82	12.97	12.21	--	13.88	13.39	17.50	13.64	13.34	12.92	--	--	--	--	--	--
27	15.10p	13.08	12.18	--	14.12	13.63	17.50	13.66p	13.36p	12.94p	--	--	--	--	--	--

NOTE: Weekly data for columns 1, 2, 3, and 5 through 10 are statement week averages of daily data. Weekly data in column 4 are average rates set in the auction of 6-month bills that will be issued on the Thursday following the end of the statement week. For column 11, the weekly date is the mid-point of the calendar week over which data are averaged. Columns 12 and 13 are 1-day quotes for Friday and Thursday, respectively, following the end of the statement week. Column 14 is an average of contract interest rates on commitments for conventional first mortgages with 80 percent loan-to-value ratios made by a sample of insured savings and loan associations on the Friday following the end of the statement week. The FNMA auction yield is the average yield in a bi-weekly auction for short-term forward commitments for government underwritten mortgages; beginning July 7, 1980, figures exclude graduated payment mortgages. GNMA yields are average net yields to investors on mortgage-backed securities for immediate delivery, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the coupon rate 50 basis points below the current FHA/VA ceiling.

TABLE 2
NET CHANGES IN SYSTEM HOLDINGS OF SECURITIES^{1/}
(Millions of dollars, not seasonally adjusted)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
March 30, 1981

Period	Treasury Bills Net Change 2/	Treasury Coupons Net Purchases 3/					Federal Agencies Net Purchases 4/					Net Change Outright Holdings Total 5/	Net RPs 6/
		Within 1-year	1 - 5	5 - 10	Over 10	Total	Within 1-year	1 - 5	5 - 10	Over 10	Total		
1976	863	472	3,025	1,048	642	5,187	105	469	203	114	891	6,227	3,607
1977	4,361	517	2,833	758	553	4,660	--	792	428	213	1,433	10,035	-2,892
1978	870	1,184	4,188	1,526	1,063	7,962	-47	45	104	24	127	8,724	-1,774
1979	6,243	603	3,456	523	454	5,035	131	317	5	--	454	10,290	-2,597
1980	-3,052	912	2,138	703	811	4,564	217	398	29	24	668	2,035	2,462
1979--Qtr. IV	4,164	118	1,101	81	51	1,351	--	--	--	--	--	4,839 ^{7/}	-3,801
1980--Qtr. I	-2,945	292	355 ^{8/}	107	81	836	--	--	--	--	--	-2,114	362
II	3,249	110 ^{8/}	1,156 ^{8/}	359	410	2,395	217	398	29	24	668	6,307	2,373
III	-3,298	137	541	236	320	1,234	--	--	--	--	--	-2,157	-1,381
IV	-58	100	--	--	--	100	--	--	--	--	--	-1	1,107
1980--Aug.	-47	137	541	236	320	1,234	--	--	--	--	--	1,187	-985
Sept.	-37	--	--	--	--	--	--	--	--	--	--	-128	911
Oct.	-241	--	--	--	--	--	--	--	--	--	--	-261	1,267
Nov.	-1,100	--	--	--	--	--	--	--	--	--	--	-1,100	332
Dec.	1,282	100	--	--	--	100	--	--	--	--	--	1,360	-492
1981--Jan.	-3,764	--	--	--	--	--	--	--	--	--	--	-3,764	-1,696
Feb.	-357	-23	--	--	--	-23	--	--	--	--	--	-382	832
1981--Jan. 7	-268	--	--	--	--	--	--	--	--	--	--	-268	-5,031
14	-98	--	--	--	--	--	--	--	--	--	--	-98	4,339
21	723	--	--	--	--	--	--	--	--	--	--	723	-8,482
28	-2,477	--	--	--	--	--	--	--	--	--	--	-2,477	3,802
Feb. 4	-1,738	--	--	--	--	--	--	--	--	--	--	-1,738	3,779
11	-100	--	--	--	--	--	--	--	--	--	--	-100	67
18	-163	-23	--	--	--	-23	--	--	--	--	--	-186	954
25	--	--	--	--	--	--	--	--	--	--	--	-3	-1,291
Mar. 4	209	--	--	--	--	--	--	--	--	--	--	209	-1,019
11	--	--	--	--	--	--	--	--	--	--	--	-4	459
18	1,399	--	--	--	--	--	--	--	--	--	--	1,399	1,892
25	--	--	--	--	--	--	--	--	--	--	--	--	730
LEVEL--Mar. 25 (in billions)	44.5	11.8	34.7	13.8	15.3	75.6	2.5	4.6	1.0	0.7	8.7	128.8	.2

^{1/} Change from end-of period to end-of-period.

^{2/} Outright transactions in market and with foreign accounts, and redemptions (-) in bill auctions.

^{3/} Outright transactions in market and with foreign accounts, and short-term notes acquired in exchange for maturing bills. Excludes redemptions, maturity shifts, rollovers of maturing coupon issues, and direct Treasury borrowing from the System.

^{4/} Outright transactions in market and with foreign accounts only. Excludes redemptions and maturity shifts.

^{5/} In addition to the net purchases of securities, also reflects changes in System holdings of bankers' acceptances, direct Treasury borrowing from the System and redemptions (-) of agency and Treasury coupon issues.

^{6/} Includes changes in RPs (+), matched sale-purchase transactions (-); and matched purchase-sale transactions (+).

^{7/} On October 1, 1979, \$668 million of maturing 2- and 4-year notes were exchanged for a like amount of short-term bills, because the note auctions were delayed. On October 9 and 10, the bills were exchanged for new 2- and 4-year notes, respectively.

^{8/} Maturing 2-year notes were exchanged on June 2, 1980, for special 2-day bills. At their maturity the bills were exchanged for new 2-year notes.

TABLE 3
SECURITY DEALER POSITIONS AND BANK POSITIONS
(Millions of dollars)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
March 30, 1981

	U.S. Govt. Securities Dealer Positions				Underwriting Syndicate Positions		Member Bank Reserve Positions					
	Cash		Futures & Forwards		Corporate Bonds	Municipal Bonds	Excess Reserves	Borrowing at FRB				
	Bills	Coupons	Bills	Coupons				Total	Seasonal	Special	Adjustment	
1979--High	8,091	902			283	404	726	2,960	207			2,866
Low	138	-2,569			0	53	-122	628	93			510
1980--High	8,838	2,263			299	466	1,080p	3,439	177	816		3,298
Low	1,972	-1,482			0	22	-228p	215	5	0		12
1980--Feb.	2,937	-212	-4,873	-1,036	3	87	211	1,644	97			1,558
Mar.	2,964	-659	-7,665	-1,135	37	59	186	2,823	150	99		2,575
Apr.	7,838	167	-5,227	-1,488	48	89	197	2,455	155	552		1,748
May	4,008	1,372	-777	-1,563	69	138	178	1,018	63	743		212
June	3,724	1,429	3,526	-1,880	112	264	203	379	12	307		61
July	4,581	634	2,438	-1,015	154	310	284	395	6	253		136
Aug.	5,108	798	3,081	-1,974	91	153	302	658	9	241		408
Sept.	3,681	-416	414	-1,185	24	171	256	1,311	25	91		1,196
Oct.	2,447	143	-1,556	-1,685	14	114	206	1,310	66	0		1,244
Nov.	3,047	149	-7,068	-2,663	17	57	498p	2,059p	97p	0		1,963p
Dec.	4,287	20	-9,812	-2,751	4	70	552p	1,690p	116p	0		1,574p
1981--Jan.	9,985	1,584	-11,976	-2,884	8	68	554p	1,395p	120p	48p		1,226p
Feb.	13,317	1,812	-12,203	-2,798	8	95	183p	1,303p	148p	0		1,116p
1981--Jan. 7	7,878	1,608	-10,987	-2,837	25	127	664p	1,117p	112p	0		1,005p
14	8,823	1,513	-11,898	-2,806	16	56	741p	1,332p	105p	0		1,227p
21	9,762	1,105	-11,727	-2,941	0	65	507p	1,419p	123p	214p		1,082p
28	12,048	2,030	-11,003	-2,824	0	69	400p	1,793p	137p	0		1,656p
Feb. 4	12,789	1,750	-12,176	-3,137	0	61	228p	1,201p	125p	0		1,076p
11	11,683	2,068	-12,843	-2,901	0	70	170p	1,113p	131p	0		982p
18	11,624	1,393	-11,697	-2,560	0	129	298p	1,145p	154p	0		991p
25	15,668	1,538	-12,055	-2,678	15	120	-165p	1,713p	160p	0		1,553p
Mar. 4	14,314*	2,736*	-11,203*	-2,753*	30	153	697p	1,299p	176p	0		1,123p
11	14,944*	2,878*	-12,865*	-3,160*	40	80	219p	768p	185p	0		583p
18	13,662*	2,641*	-12,436*	-3,387*	60	28	343p	774p	193p	0		581p
25	12,183*	4,233*	-10,498*	-3,237*	53	233	107p	888p	200p	0		699p

NOTE: Government securities dealer cash positions consist of securities already delivered, commitments to buy (sell) securities on an outright basis for immediate delivery (5 business days or less), and certain "when-issued" securities for delayed delivery (more than 5 business days). Futures and forward positions include all other commitments involving delayed delivery; futures contracts are arranged on organized exchanges. Underwriting syndicate positions consist of issues in syndicate, excluding trading positions.

Weekly data are daily averages for statement weeks, except for corporate and municipal issues in syndicate, which are Friday figures. Monthly averages for excess reserves and borrowing are weighted averages of statement week figures. Monthly data for dealer futures and forwards are end-of-month figures for 1980.

* Strictly confidential