## Prefatory Note

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## MONETARY POLICY ALTERNATIVES

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Recent developments
(1) M1 contracted in July at a 1-1/2 percent annual rate. It appears to be rebounding moderately in August, based on data for the early part of the month, but remains below the $5-1 / 2$ percent path for the June-to-September period adopted at the last Camittee meeting. Expansion in currency moderated somewhat in July and other checkable deposits registered a rare, though small, decline; however, most of the weakness in Ml occurred in demand deposits, following a sharp expansion in June.
(2) M2 also appears to be growing more slowly than the $7-1 / 2$ percent rate specified by the FOMC for June to September, reflecting the sluggishness in Ml and also somewhat slower growth than expected in its nontransactions component. In July M2 expanded at a 5 percent annual rate, and may grow only a little faster in August. With interest rates high and the yield curve sharply upward sloping through much of the month, savings and money market deposit accounts continued to run off, but the less liquid small time deposit category remained quite robust, surging at a 24 percent annual rate.
(3) M3 growth was relatively well maintained in July at a rate close to the FOMC's specification of 9 percent for the June-to-September period. Credit growth at banks and thrifts seems to have been fairly sizable last month, and expansion of total domestic nonfinancial sector debt is estimated to have remained around a 13 percent annual rate. A pickup of growth in federal debt offset same slowing in nonfederal debt, as

KEY MONETARY POLICY AGGREGATES

## (Seasonally adjusted annual rates of growth)

QI QII June July | QIV to |
| :---: | :---: | :---: |

Money and Credit Aggregates

| M1 | 7.2 | 6.2 | 11.3 | -1.5 | 6.4 |
| :--- | ---: | ---: | ---: | ---: | ---: |
| M2 | 6.9 | 6.8 | 7.0 | 4.9 | 6.8 |
| M3 | 8.9 | 10.3 | 9.1 | 8.8 | 9.7 |
| Damestic nonfinancial debt | 12.5 | 13.5 | 12.6 | 13.0 | 13.4 |
| Bank credit | 13.9 | 10.4 | 1.8 | 9.3 | 11.3 |

Reserve Measures ${ }^{1}$

| Nonborrowed reserves ${ }^{2}$ | 7.3 | -4.9 <br> $(4.4)$ | 83.5 <br> $(24.3)$ | 15.1 <br> $(1.2)$ | 7.5 |
| :--- | :---: | :---: | :---: | :---: | :---: |
| Total reserves | 6.9 | 7.8 | 26.5 | -1.9 | 8.0 |
| Monetary base | 9.0 | 7.0 | 11.7 | 5.6 | 8.2 |
| Memo: (Millions of dollars) | 733 | 1857 <br> $(1043)$ | 1428 <br> $(1012)$ | $917^{3}$ | - |
| Adjustment and seasonal <br> borrowing | 754 | 611 | 767 | $604^{3}$ | - |

Note: Figures in parentheses treat all discount window borrowings by continental Illinois after May 9 as extended credit and therefore as nonborrowed reserves; such borrowings were formally classified as extended credit on June 7.

1. Growth rates of reserve measures are adjusted to remove the effects of discontinuities resulting from phased changes in reserve ratios under the Monetary Control Act.
2. Includes "other extended credit" from the Federal Reserve.
3. For the 2 -week period ending August 15 adjustment and seasonal borrowing averaged $\$ 1,011$ million and excess reserves $\$ 618$ million.
take-over activity lessened. M3 and damestic nonfinancial sector debt remain above their longer-run ranges.
(4) Total reserves decreased in July at about a 2 percent annual rate, after expanding rapidly over the preceding two months. The slowdown last month reflected a marked deceleration in growth of required reserves, given the weakness in transactions accounts, and a reduction in excess reserves from the relatively high June level. Nonborrowed reserves plus extended credit grew by about 1-1/4 percent in July. In the two complete reserve maintenance periods since the July meeting, adjustment plus seasonal borrowing has averaged close to the $\$ 1$ billion level that has prevailed for sone time and was used in constructing nonborrowed reserve paths. The federal funds rate, however, has tended to drift higher, averaging a little over $11-1 / 2$ perœent recently as compared to $11-1 / 4$ percent at the time of the July FOMC meeting. In light of the difficulties of Continental Bank and strains in the financial system more generally, depository institutionsespecially large banks that are dependent on managed liabilities--seem to want to avoid borrowing at the discount window as much as possible, and instead are bidding more aggressively for funds in the market.
(5) Despite rather taut money market conditions and sustained strong credit demands, prices in stock and bond markets rose sharply during the intermeeting period. Yields on long-term bonds have fallen by 5/8 to $3 / 4$ of a percentage point, and stock price indexes have advanced by 7 to 8 percent on record trading volume, as the market reacted positively to interpretations of the future course of monetary policy in connection with the Humphrey-Hawkins hearing and to incoming economic, price, and money data. With long-term markets more receptive, new-issue activity in the corporate bond market has increased and the Treasury's mid-quarter
refunding was relatively well received. In shorter-term markets, yields have generally declined except at the shortest end of the spectrum. Moreover, the spread of private over Treasury rates has narrowed, apparently reflecting at least in part same strengthening in investor confidence in banks. Very recently, though, spreads have again tended to widen, as investor nervousness has been rekindled by the difficulties of a large West Coast $S \& L$ that had been quite active in the large $C D$ market.
(6) The dollar has risen by about $2 / 3$ percent on a weighted average basis since the last Cammittee meeting. Exchange markets have been quite volatile amid shifting market perceptions about the implications of U.S. econamic activity and Federal Reserve policy for U.S. interest rates and uncertainties about the sustainability of the new highs for the dollar that occurred during the intermeeting period. Short-term interest differentials showed little change over the period, while U.S. long-tem nominal rates (though perhaps not real rates) fell significantly relative to foreign long-term rates.

Prospective developments
(7) The table below provides three alternative specifications for growth in the monetary aggregates for the June-to-September period and associated ranges for the federal funds rate. (More detailed data, including implied growth rates for July to September, can be found in the charts and table on the following pages.) All of the alternatives involve slower growth in Ml over the three months than specified at the last FOMC meeting, given the contraction of that aggregate in July and the relatively short time before the end of the quarter. Of the alternatives, the aggregate specifications of $A$, which involves some easing of money market conditions, generally come closest to those adopted at the last meeting. Alternatives $B$ and $C$ contemplate unchanged and tighter market conditions respectively, with sonewhat greater deviations of M1 and M2 fram the July specifications. M3 growth would be broadly consistent with its July short-run path under all of the alternatives.

|  | Alt. A | Alt. B | Alt. C | $\begin{aligned} & \text { Memo: } \\ & \text { July } \\ & \text { FOMC } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: |
| Growth fram June to September |  |  |  |  |
| M1 | 4-1/2 | 4 | 3-1/2 | 5-1/2 |
| M2 | 7-1/4 | 7 | 6-3/4 | 7-1/2 |
| M3 | 9-1/4 | 9 | 8-3/4 | 9 |
| Federal funds rate range | 2 to ll- | 8 to | /2 to | 8 to 12 |

(8) Under alternative B, Ml growth would be expected to pick up to around a 6-3/4 percent annual rate in August and September, with growth larger in the latter month. The transactions demand for $M l$ is expected to be somewhat less than earlier anticipated given the sanewhat slower growth in nominal GNP now projected for the third quarter. While Ml growth from

## Actual and Targeted M1



Chart 2
Actual and Targeted M2

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Chart 3
Actual and Targeted M3


Alternative Levels and Growth Rates for Key Monetary Aggregates

|  | M1 |  |  | M2 |  |  | M3 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Alt. A | Alt. B | Alt. C | Alt. A | Alt. B | Alt. C | Alt. A | Alt. B | Alt. C |
| Monthly Levels |  |  |  |  |  |  |  |  |  |
| 1984--April | 535.4 | 535.4 | 535.4 | 2242.9 | 2242.9 | 2242.9 | 2790.0 | 2790.0 | 2790.0 |
| May | 541.1 | 541.1 | 541.1 | 2258.6 | 2258.6 | 2258.6 | 2815.9 | 2815.9 | 2815.9 |
| June | 546.2 | 546.2 | 546.2 | 2271.7 | 2271.7 | 2271.7 | 2837.3 | 2837.3 | 2837.3 |
| July | 545.5 | 545.5 | 545.5 | 2281.0 | 2281.0 | 2281.0 | 2858.1 | 2858.1 | 2858.1 |
| August | 548. ${ }^{\text {b }}$ | 548.0 | 548.0 | 2293.4 | 2293.4 | 2293.4 | 2877.4 | 2877.4 | 2877.4 |
| September | 552.3 | 551.7 | 551.0 | 2312.3 | 2310.7 | 2309.5 | 2902.9 | 2900.8 | 2898.7 |
| Growth Rates Monthly |  |  |  |  |  |  |  |  |  |
| 1984--April | 0.7 | 0.7 | 0.7 | 7.0 | 7.0 | 7.0 | 10.7 | 10.7 | 10.7 |
| May | 12.8 | 12.8 | 12.8 | 8.4 | 8.4 | 8.4 | 11.1 | 11.1 | 11.1 |
| June | 11.3 | 11.3 | 11.3 | 7.0 | 7.0 | 7.0 | 9.1 | 9.1 | 9.1 |
| July | -1. 5 | -1. 5 | -1. 5 | 4.9 | 4.9 | 4.9 | 8.8 | 8.8 | 8.8 |
| August | 5.5 | 5.5 | 5.5 | 6.5 | 6.5 | 6.5 | 8.1 | 8.1 | 8.1 |
| September | 9.4 | 8.1 | 6.6 | 9.9 | 9.1 | 8.4 | 10.6 | 9.8 | 8.9 |
| 1984 June to Sept. | 4.5 | 4.0 | 3.5 | 7.2 | 6.9 | 6.7 | 9.3 | 9.0 | 8.7 |
| 1984 July to Sept. | 7.5 | 6.8 | 6.0 | 8.2 | 7.8 | 7.5 | 9.4 | 9.0 | 8.5 |
| Growth Rates Quarterly Average |  |  |  |  |  |  |  |  |  |
| 1984--Q1 | 7.2 | 7.2 | 7.2 | 6.9 | 6.9 | 6.9 | 8.9 | 8.9 | 8.9 |
| Q2 | 6.2 | 6.2 | 6.2 | 6.8 | 6.8 | 6.8 | 10.3 | 10.3 | 10.3 |
| Q3 | 5.7 | 5.5 | 5.4 | 6.7 | 6.6 | 6.5 | 9.3 | 9.2 | 9.1 |
| Memo: |  |  |  |  |  |  |  |  |  |
| '83 Q4 to Sept.'84 | 6.7 | 6.5 | 6.4 | 7.2 | 7.1 | 7.0 | 9.8 | 9.7 | 9.6 |

June to September would be only about 4 percent at an annual rate under this alternative, it would grow about 5-1/2 percent on a quarterly average basis. Ml velocity would increase at a $2-1 / 2$ percent annual rate in the third quarter, considerably below the rate of increase in the first half of the year, but still probably slightly above the underlying trend at unchanged interest rates. Looking ahead to the fourth quarter, denand for Ml might be expected to pick up and velocity growth to moderate a bit further as the restraining effects of previous interest rate increases on money demand diminish. With interest rates remaining roughly around current levels into the fourth quarter, as assumed in the staff GNP forecast, MI growth for QIV 1983 to QIV 1984 might be around 6-1/2 percent.
(9) The more rapid growth expected for Ml over the balance of the quarter would also be reflected in same acceleration of M2 fram its recent reduced pace. But for the June-to-September interval M2 growth is expected to remain somewhat below the $7-1 / 2$ percent rate specified by the Comittee. M3 growth, meanwhile, should remain around the 9 percent rate of June and July, following its unexpectedly rapid growth in the spring.
(10) Debt of nonfinancial sectors is likely to grow less in the current quarter than in the first half of the year, in part because of reduced merger-related financing. However, underlying needs of businesses for external finance should increase as capital spending outstrips internal cash generation, and federal govermment credit usage will remain high. Consumer and mortgage credit demands appear to be moderating, though. We are assuming that mortgage markets and confidence in thrift institutions generally will not be adversely affected to any significant extent by repercussions from the Financial Corporation of America (FCA) situation.
(11) The specifications of alternative B assume borrowing at the discount window remains around $\$ 1$ billion. Given the recent attitudes of banks toward the discount window, this is expected to be consistent with federal funds trading around $11-1 / 2$ percent or a bit higher. Should uncertainties in connection with FCA raise broader questions about the stability of the banking and financial system, even more conservative reserve management might be expected, and the funds rate could run higher relative to the level of borrowing or to free reserves. If the FCA situation is well contained, though, and incoming economic data suggest a moderation of credit demands, the funds rate could fall back some, given prevailing levels of borrowing, as market uncertainties diminish. Over the July-to-September period total reserves can be expected to increase at about a $2-1 / 2$ percent annual rate, while nonborrowed reserves would rise less.
(12) There is little reason to expect the average level of short-term rates to change much over the balance of the quarter under alternative $B$, but the structure of these rates could well vary, depending on such factors as the evolution of the FCA situation and the progress of negotiations with Latin American borrowers. It seems most probable that lingering uncertainties would keep quality spreads, which have narrowed modestly on balance since the last meeting, fram improving further. Long-term bond markets, too, are unlikely to continue the improvement that was seen in the early part of the intermeeting period, unless econamic activity appears to be much weaker than anticipated. A noticeable back-up in rates cannot be ruled out in the weeks ahead, particularly should money growth accelerate more rapidly than projected in the context of strong econamic indicators.
(13) The specifications of alternative A are designed to bring M1 and M2 closer to the path adopted at the previous Committee meeting, while not leading to much more rapid M3 and credit growth. They involve an easing of bank reserve positions, with borrowing dropping to around $\$ 750$ million. Nonborrowed reserves would be expected to increase at about a 6 percent annual rate, and total reserves at about half that pace, over the July-to-September period. Federal funds may trade between 10-1/2 and 11 percent, perhaps not immediately but over time as the lower level of borrowing persists. Such a reduction in bank reserve pressures does not appear to be anticipated by the market, and probably would extend the recent rally in bond and stock markets, as well as lead to a decline in short-term rates and a narrowing of quality spreads. The Treasury bill rate is likely to fall below 10 percent, and 3-month CDs to around 11 percent. The decline in interest rates would relieve some of the inmediate pressures on thrift earnings and reduce tensions generally in the financial system. As interest rates fell, the dollar would tend to depreciate on foreign exchange markets.
(14) The easier reserve and market conditions that are expected to develop under alternative A would probably have their greatest impact on money growth in the final months of the year. The demand for money would be stimulated by the lagged effect of lower market interest rates and by transactions needs associated with samewhat faster expansion in nominal GNP than in the staff forecast. Thus, alternative A seens most consistent with Ml growth more clearly in the upper portion of its range for this year and M2 growth around its midpoint. Expansion of both M3 and debt is more likely to be somewhat further above the upper ends of their respective long-run ranges than under alternative $B$ as private credit demands respond to the stronger econamy.
(15) Alternative C calls for some tightening in money market conditions over the period ahead, should it be desired to place even more constraint on the growth of credit. Borrowing at the discount window would be expected to increase to $\$ 1-1 / 4$ to $\$ 1-1 / 2$ billion and nonborrowed reserves to decline at around a 6 percent annual rate. The federal funds rate would probably rise to the 12-1/4 to 12-1/2 percent area, and other market interest rates also would adjust upward, with Treasury bill rates climbing into the $10-1 / 2$ to 11 percent range, and $C D$ rates perhaps rising even more rapidly to around 12 to $12-1 / 2$ percent as strains on the financial system increased. The associated increases in the prime rate, bond yields, and mortgage rates would probably soon restrain credit growth and spending relative to the staff's current projection. The dollar would tend to appreciate further on exchange markets, at least temporarily.
(16) Such an approach would be expected to lead to growth of M1 and M2 significantly below the short-run path specified at the last Committee meeting. For the year as a whole, though, Ml growth would probably be around the midpoint of its long-run range. M2 over the year would likely be well in the lower half of its long-run range, while M3 could be expected to fall back faster toward the upper limit of its range as the tightening of credit markets led to reduced credit demands. In addition, M3 might be restrained by shifts out of CDs into Treasury securities if rising interest rates worked to undermine public confidence in the financial position of banks and thrifts.

## Directive language

(17) Proposed language for the operational paragraph is shown below, with alternatives for describing the degree of pressure on reserve positions and the symmetry of any adjustment in reserve pressures to variations in the aggregates.

In the short nun, the Conmittee seeks to DECREASE SLIGHTLY (ALT. A)/maintain (ALT. B)/INCREASE SLIGHTLY (ALT. C) existing pressures on reserve positions. This action is expected to be consistent with growth in M1, M2, and M3 at annual rates of around 5-1/27-7-1/2,-2A-9 __, _. AND _ percent respectively during the period from June to September. Samewhat greater reserve restraint would be acceptable in the event of more substantial growth of the monetary aggregates, while somewhat lesser restraint might [WOULD] be acceptable if growth of the monetary aggregates slowed significantly. In either case, such a change would be considered only in the context of appraisals of the continuing strength of the business expansion, inflationary pressures, financial market conditions, and the rate of credit growth. The Chaiman may call for Committee consultation if it appears to the Manager for Domestic Operations that pursuit of the monetary objectives and related reserve paths during the period before the next meeting is likely to be associated with a federal funds rate persistently outside a range of $8-2-12$ __ TO __ percent.

Selected Interest Rates
Percent

| Period | Short Term |  |  |  |  |  |  |  | Long Term August 20, 1984 |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | tederal funds | Treasury bills secondary market |  |  | secondary makel 3-month | $\begin{aligned} & \text { comm. } \\ & \text { paper } \\ & \text { 1-month } \end{aligned}$ | money markel mulual fund | bank <br> prime loan | U.S. government constant maturity yoids |  |  | corporate <br> A utllay <br> recently <br> oftered | muni-cipalBondBuyer | nome mortgages |  |  |
|  |  |  |  |  | conven- |  |  |  |  |  |  | fhava |  | FNMA |
|  |  | 3-month | 6 month | 1 year |  |  |  |  | 3-year | 10-yaar | 30-year |  |  | at S8Ls | coling | ARM |
|  | 1 | 2. | 3 | 4 |  | 5 | 6 | 7 | 8 | - | 10 |  | 11 | 12 | 13 | 14 | 15 | 16 |
| 1983--High | 10.21 | 9.49 | 9.64 | 9.79 | 9.93 | 9.85 | 8.79 | 11.50 | 11.57 | 12.14 | 12.11 | 13.42 | 10.56 | 13.89 | 13.50 | 12.50 |
| Low | 8.42 | 7.63 | 7.72 | 7.82 | 8.15 | 8.02 | 7.71 | 10.50 | 9.40 | 10.18 | 10.32 | 11.64 | 9.21 | 12.55 | 11.50 | 10.49 |
| 1984-High | 11.63 | 10.49 | 10.63 | 11.09 | 11.71 | 11.15 | 10.55 | 13.00 | 13.44 | 13.84 | 13.81 | 15.30 | 11.44 | 14.68 | 14.00 | 13.70 |
| Low | 9.41 | 8.84 | 8.94 | 9.01 | 9.35 | 9.16 | 8.70 | 11.00 | 10.87 | 11.62 | 11.69 | 12.83 | 9.86 | 13.19 | 12.50 | 11.25 |
| 1983--July | 9.37 | 9.08 | 9.26 | 9.34 | 9.50 | 9.15 | 8.34 | 10.50 | 10.90 | 11.38 | 11.40 | 12.79 | 10.06 | 13.42 | 12.30 | 11.93 |
| Aug. | 9.56 | 9.34 | 9.51 | 9.60 | 9.77 | 9.41 | 8.69 | 10.89 | 11.30 | 11.85 | 11.82 | 13.16 | 10.25 | 13.81 | 13.38 | 12.16 |
| Sept. | 9.45 | 9.00 | 9.15 | 9.27 | 9.39 | 9.19 | 8.77 | 11.00 | 11.07 | 11.65 | 11.63 | 12.98 | 10.20 | 13.73 | 13.00 | 11.86 |
| Oct. | 9.48 | 8.64 | 8.83 | 8.98 | 9.18 | 9.03 | 8.67 | 11.00 | 10.87 | 11.54 | 11.58 | 12.89 | 10.14 | 13.54 | 13.00 | 11.40 |
| Nov. | 9.34 | 8.76 | 8.93 | 9.08 | 9.36 | 9.10 | 8.55 | 11.00 | 10.96 | 11.69 | 11.75 | 13.14 | 10.22 | 13.44 | 12.50 | 11.40 |
| Dec. | 9.47 | 9.00 | 9.17 | 9.24 | 9.69 | 9.56 | 8.69 | 11.00 | 11.13 | 11.83 | 11.88 | 13.29 | 10.40 | 13.42 | 12.50 | 11.56 |
| 1984--Jan. | 9.56 | 8.90 | 9.02 | 9.07 | 9.42 | 9.23 | 8.80 | 11.00 | 10.93 | 11.67 | 11.75 | 12.99 | 10.03 | 13.37 | 12.50 | 11.45 |
| Feb. | 9.59 | 9.09 | 9.18 | 9.20 | 9.54 | 9.35 | 8.72 | 11.00 | 11.05 | 11.84 | 11.95 | 13.05 | 10.00 | 13.23 | 12.50 | 11.38 |
| Mar. | 9.91 | 9.52 | 9.66 | 9.67 | 10.08 | 9.81 | 8.91 | 11.21 | 11.59 | 12.32 | 12.38 | 13.63 | 10.37 | 13.39 | 12.70 | 11.91 |
| Apr. | 10.29 | 9.69 | 9.84 | 9.95 | 10.41 | 10.17 | 9.29 | 11.93 | 11.98 | 12.63 | 12.65 | 13.96 | 10.26 | 13.65 | 13.00 | 12.30 |
| May | 10.32 | 9.83 | 10.31 | 10.57 | 11.11 | 10.38 | 9.52 | 12.39 | 12.75 | 13.41 | 13.43 | 14.79 | 10.88 | 13.94 | 13.94 | 12.83 |
| June | 11.06 | 9.87 | 10.51 | 10.93 | 11.34 | 10.82 | 9.92 | 12.60 | 13.18 | 13.56 | 13.44 | 15.00 | 11.07 | 14.42 | 14.00 | 13.45 |
| July | 11.23 | 10.12 | 10.53 | 10.89 | 11.56 | 11.06 | 10.25p | 13.00 | 13.08 | 13.36 | 13.21 | 14.93 | 10.84 | 14.67 | 14.00 | 13.59 |
| 1984--June 6 | 10.72 | 9.78 | 10.48 | 10.81 | 11.17 | 10.44 | 9.74 | 12.50 | 13.04 | 13.57 | 13.52 | 14.82 | 11.16 | 14.33 | 14.00 | 13.35 |
| 13 | 10.85 | 9.94 | 10.56 | 10.91 | 11.16 | 10.72 | 9.87 | 12.50 | 13.11 | 13.51 | 13.41 | 14.78 | 10.97 | 14.47 | 14.00 | 13.40 |
| 20 | 11.49 | 9.91 | 10.45 | 10.83 | 11.21 | 10.86 | 10.00 | 12.50 | 13.06 | 13.38 | 13.27 | 15.21 | 10.94 | 14.49 | 14.00 | 13.40 |
| 27 | 11.27 | 9.81 | 10.55 | 11.09 | 11.67 | 11.06 | 10.04 | 12.71 | 13.44 | 13.75 | 13.56 | 15.28 | 11.19 | 14.50 | 14.00 | 13.60 |
| July 4 | 10.91 | 9.87 | 10.45 | 14.08 | 11.71 | 11.11 | 10.05 | 13.00 | 13.44 | 13.83 | 13.59 | 15.30 | 11.11 | 14.66 | 14.00 | 13.70 |
| 11 | 11.25 | 10.03 | 10.48 | 10.97 | 11.69 | 11.15 | 10.21 | 13.00 | 13.29 | 13.62 | 13.40 | 14.88 | 10.88 | 14.68 | 14.00 | 13.60 |
| 18 | 11.21 | 10.06 | 10.52 | 10.91 | 11.54 | 11.05 | 10.33 | 13.00 | 13.10 | 13.35 | 13.15 | 14.85 | 10.75 | 14.66 | 14.00 | 13.55 |
| 25 | 11.19 | 10.20 | 10.56 | 10.85 | 11.53 | 11.02 | 10.39 | 13.00 | 12.99 | 13.27 | 13.17 | 14.54 | 10.62 | 14.67 | 14.00 | 13.50 |
| August 1 | 11.53 | 10.34 | 10.60 | 10.73 | 11.38 | 10.99 | 10.44 | 13.00 | 12.72 | 12.92 | 12.89 | 14.10 | 10.39 | 14.68 | 14.00 | 13.35 |
| 8 | 11.59 | 10.49 | 10.63 | 10.72 | 11.41 | 11.06 | 10.55 | 13.00 | 12.48 | 12.69 | 12.65 | 14.08 | 10.29 | 14.54 | 14.00 | 13.25 |
| 15 | 11.63 | 10.36 | 10.53 | 10.64 | 11.43 | 11.15 | 10.55 | 13.00 | 12.43 | 12.69 | 12.51 | 14.16 | 10.47 | 14.39 | 13.50 | 13.25 |
| Daily-Aug. 10 |  | 10.43 |  | 10.65 | 11.37 | 11.13 | -- | 13.00 | 12.41 | 12.68 | 12.47 | -- | -- | -- | -- | -- |
| 16 | 11.74 | 10.20 | 111.50 | 10.61 | 11.50 | 11.19 | -- | 11.00 | 12.46 | 12.70 | 12.51 | -- | -- | -- | -- |  |
| 17 | 11.80 p | 10.33 | 10.51 | 10.63 | 11.48 | 11.24 | -- | 13.00 | 12.45p | 12.68 p | 12.47p | -- | -- | -- | -- | -- |

NOTE. Weekly data tor columns ithrough ilate statement week averages Data in column 7 are taken trom Donoghue's Money Fund Report Columns 12 and 13 are i-day quotes for Friday and Thursday, respecively. of contract interest rates on new commiments for conventional first mongages with 80 percent loan lo-value
ratios at a sample of savings and loan associations on the Friday following the ond of the statement week Atter November 30. 1983 , column 15 reters only to VA-guatanteed toans. Column 16 is the inttial gross yiel
posted by FNMA, on the Friday following the end of the statement week, in its purchase program tor adtustable rate home morigeges boving rate and payment adjustments once a year.

Security Dealer Positions

## Milisons of coliars

| Parlod | Nol ${ }^{1}$ <br> Total | Cash Posiltions 2 |  |  |  |  | Fulurem Ponilions ${ }^{\text {August 13. } 1984}$ |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | $\begin{gathered} \text { Treasury } \\ \text { blila } \end{gathered}$ | Treasury coupons |  | lederal agancy | private short.term | Treasury bllis | Tranury coupons |  | Pederal money | private short-term |
|  |  |  | $\begin{aligned} & \text { under } \\ & 1 \text { y year } \end{aligned}$ | $\begin{gathered} \text { over } \\ 1 \text { year } \\ \hline \end{gathered}$ |  |  |  | $\begin{aligned} & \text { under } \\ & 1 \text { year } \end{aligned}$ | $\begin{gathered} \text { over } \\ 1 \text { year } \end{gathered}$ |  |  |
| 1983--H1gh | 20,858 | 13,273 | 1.579 | 8,778 | 12,088 | 17.005 | 1.654 | 14 | 1,516 | -907 | -4.411 |
| Low | -296 | -3.461 | -687 | -3.148 | 4,013 | 8,839 | -11.307 | -95 | -3.270 | -8,001 | -9,564 |
| 1984--High | 19.053 | 6,765 | 1,310 | 2,477 | 17,554 | 14.861 | 8,272 | 22 | 2,272 | -7,223 | 5 |
| Low | 5.047 | -12,140 | -843 | -4,785 | 11,086 | 11.263 | -13,048 | -109 | -933 | -10.402 | -9,819 |
| 1983--July | 7,992 | 4,076 | 956 | 140 | 6,976 | 10.275 | -2,635 | -6 | -1.282 | -1.836 | -8,673 |
| Aug. | 13,669 | 5,929 | 748 | 2.639 | 8,093 | 10.361 | -1.861 | -3 | -2,706 | -3.634 | -5,899 |
| Sept. | 16,971 | 8,011 | 223 | 6.344 | 9,285 | 13.138 | -7,309 | -2 | -2,613 | -5,018 | -5,090 |
| Oct. | 14,672 | 9.694 | 609 | 3,390 | 10,255 | 14,242 | -9,132 | -12 | -1,667 | -5,909 | -6,798 |
| Nov. | 15,981 | 10,762 | 934 | 325 | 9,451 | 15,302 | -7,993 | -2 | -1,022 | -5,445 | -6,331 |
| Dec. | 18.172 | 8.653 | 1.165 | -831 | 11,568 | 15.449 | -5.549 | -2 | 669 | -7.354 | -5,596 |
| 1984--Jan. | 12,470 | 10,815 | 1.083 | 667 | 11,398 | 12,786 | -10.846 | -15 | -116 | -7.474 | -5.829 |
| Feb. | 9.266 | 9.658 | 953 | -1.543 | 12,530 | 13,336 | -8,784 | -38 | 23 | -8,192 | -8,677 |
| Mar. | 15,956 | 4,627 | 811 | -2,626 | 16,164 | 12,763 | -1,027 | -10 | 1,045 | -9.552 | -6,239 |
| Apr. | 14,463 | 2,929 | -32 | -1,643 | 16.649 | 13,063 | 2,108 | -13 | 476 | -9.406 | -5,453 |
| May | 14,191 | -7,091 | -291 | -1,754 | 16,852 | 12.525 | 5,489 | -10 | 359 | -9,650 | -2,237 |
| June | 16,515 | -2,628 | -595 | -3,224 | 16.003 | 14,475 | 2.204 | -14 | 1,422 | -9,934 | -1,193 |
| July | 12,436* | -1,879* | -614* | -3,275* | 16,059* | 14.755* | -2.517* | -86* | 2,828* | -9,678* | -3,157* |
| 1984--June 6 | 19,053 | -4,432 | -427 | -2,2078 | 17,285 | 14,147 | 6,029 | -37 | 1,033 | -10,257 | -2,082 |
| 13 | 18,627 | -1,350 | -365 | -3,391 | 16,547 | 14,318 | 4,987 | -41 | 1.088 | -10,402 | -2.766 |
| 20 | 15,970 | -712 | -647 | -3,419 | 15,714 | 14,861 | -149 | -2 | 364 | -9.862 | -178 |
| 27 | 14,023 | -4,085 | -843 | -2,832 | 14,995 | 14,307 | -604 | -8 | 2,272 | -9.183 | 5 |
| July 4 | 13.554 | -2,904 | -1,038 | -5,451 | 15.961 | 14.868 | 596 | 42 | 3,265 | -10.470 | -1,315 |
| 11 | 10,660 | -4,368 | -669 | -3,023 | 16,887 | 15,23E | -2,326 | -10 | 2,391 | -10.576 | -2,877 |
| 18 | 11.822 | -2,892 | -553 | $-3.625$ | 16,227 | 15,101 | -2,664 | -96 | 2,477 | -9,873 | -2,280 |
| 25 | 12,582* | -10* | -663* | -3,862* | 15,157* | 13,933* | -3,280* | -144* | 3,031* | -8,661* | -2,921* |
| Aug 1 | 14,043* | ** | -264* | -1.342* | 15,997* | 14,669* | -3,137* | -147* | 3,432* | -9,071* | -6.096* |
|  | 14,202* | 2,666* | 18* | -2,690* | 17,418* | 15,524* | -2,505* | -174* | 2,765* | -9,861* | -8,959* |
| 22 | 10,466* | 4,489* | -95* | 222* | 15,587* | 15,466* | -8491* | -225* | 1,992* | -8,223* | -10,256* |
| 29 |  |  |  |  |  |  |  |  |  |  |  |

NOTE: Goverrment sacuritios dealer cash positions consist of securitios already delivered, com-
mitments to buy lsell) eccurities on an ourright basis for
mitments to buy (eell) securities on an oulright basis for immediate dellivery ( 5 business days or less).
and ceriain "when-issued" securities for delayed detivery (more than 5 business days). Futures and for-
ward positions include all ather commitments involving detayed delivery; fulures contracts are arrang-

1. Cash plus torward plus futures positions in Treasury, federal agency, and pivate short-term ecurilias.
2. Adjusted for reverses to maturity and related transactions

* Strictly confidential.
* lems than $\$ 500,000$

Net Changes in System Holdings of Securities 1
Millions of dollars, not seasonally adjusted
August 20, 1984

| Perlod | Treasury bills net change ${ }^{2}$ | Treasury coupons net purchases ${ }^{3}$ |  |  |  |  | Federal agencles net purchases ${ }^{4}$ |  |  |  |  | $\begin{gathered} \text { Net change } \\ \text { outright } \\ \text { holdings } \\ \text { totalaf } \end{gathered}$ | Net RPs ${ }^{8}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | within <br> 1-year | 1-5 | 5-10 | over 10 | total | $\begin{aligned} & \text { within } \\ & \text { 1-year } \\ & \hline \end{aligned}$ | 1.5 | 5-10 | over 10 | total |  |  |
| 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 | 298 | 29 | 24 | 668 | 2,035 | 2,462 |
| 1981 | 5,337 | 294 | 1,702 | 393 | 379 | 2,768 | 133 | 360 | -- | - | 494 | 8,491 | 684 |
| 1982 | 5,698 | 312 | 1,794 | 388 | 307 | 2,803 | - | - | -- | -- | -- | 8,312 | 1,461 |
| 1983 | 13,068 | 484 | 1,896 | 890 | 383 | 3,653 | -- | -- | -- | -- | -- | 16,342 | -5,445 |
| 1983--QTR. $\begin{aligned} \text { II } \\ \text { II } \\ \text { IV }\end{aligned}$ | 5,116 | 173 | 595 | 326 | 108 | 1,203 | -- | -- | -- | -- | -- | 6,208 | -793 |
|  | 4,617 | 156 | 481 | 215 | 124 | 975 | -- | -- | - | -- | -- | 5,439 | 9,412 |
|  |  | 155 |  | 349 | 151 | 1,474 | -- | - | -- | -- | -- | 6,120 |  |
| 1984--QTR. $\begin{aligned} & \text { I } \\ & \\ & \text { II }\end{aligned}$ | $\begin{array}{r} -1,168 \\ 491 \end{array}$ | 198 | 808 | $\begin{array}{r} -300 \\ 200 \end{array}$ | 277 | $\begin{array}{r} -300 \\ 1,484 \end{array}$ | -- | -- | -- | - | -- | $-1,555$ 1,918 | $\begin{array}{r} -286 \\ 70 \end{array}$ |
| Feb.Mar. | -1,060 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -1,098 | -8,347 |
|  | 3,159 | -- | -- | -- | -- | -- | - | -- | - | -- | -- | 3,149 | 6,807 |
| Apr. May June | 3,283 | 198 | 808 | 200 | 277 | 1,484 | -- | -- | - | -- | -- | 4,764 | 7,286 |
|  | -3,593 | -- |  |  |  | 1,484 | - | -- | - | -- | -- | -3,633 | -3,643 |
|  | 801 | -- | -- | -- | -- | -- | -- | -- | - | -- | -- |  |  |
| July | -1,497 | -- | -- | -- | -- | -- | -- | -- | -- | - | -- | -1,499 | -656 |
| $\begin{array}{rr}1984-M A Y & 2 \\ 9 \\ 16 \\ 23 \\ 30\end{array}$ | 278 | -- | -- | -- | -- | -- | - | -- | -- | -- | -- | 278 | 4,978 |
|  | -1,214 | -- | -- | -- | -- | -- | -- | - | -- | -- | -- | -1,214 | -5,962 |
|  | -1,980 | -- | -- | -- | -- | -- | -- | - | - | -- | -- | -2,020 | -5,689 |
|  | -959 | -- | -- | -- | -- | - | -- | - | - | -- | -- | -959 | 2,691 |
|  | 385 | -- | -- | -- | -- | - | -- | -- | -- | -- | -- | 385 | 2,163 |
| JUNE $\begin{array}{r}6 \\ 13 \\ 20 \\ 27\end{array}$ |  | -- | -- | -- | -- | -- | -- | - | -- | -- | -- | 483 | -1,402 |
|  | 458 | -- | -- | -- | -- | -- | -- | - | - | -- | -- | 456 | . 386 |
|  | -- | -- | -- | -- | - | - | -- | - | - | -- | -- | - | 5,938 |
|  | 72 | -- | -- | -- | -- | -- | -- | - | - | -- | -- | 72 | -6,737 |
| JuLY 4 | -- | -- | -- | -- | -- | -- | -- | -- | -- |  | -- | -- |  |
|  | -- | -- | -- | -- | - | -- | -- | - | -- | -- | - | -1 | 1,978 |
|  | -- | -- | -- | -- | -- | -- | -- | -- | - | -- | -- | - | 8 8 |
|  | -152 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -152 | -5,477 |
| AUG. $\begin{array}{r}1 \\ 8 \\ \\ \\ 15\end{array}$ | -1,346 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -1,351 | 2,530 |
|  | -1,194 | -- | -- | -- | -- | - | - | - | -- | - | -- | -1,194 | -502 |
|  | -272 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -272 | -5,699 |
| Level-Aug. 16 | 67.4 | 17.7 | 34.0 | 14.8 | 19.4 | 85.9 | 2.4 | 4.3 | 1.3 | . 4 | 8.5 | 161.8 | -2.9 |

1 Change from end-of-period to end-of-period.
2 Outright transactions in market and with foreign accounts, and redemptions ( $-\boldsymbol{-}$ in bill auctions.
3 Outright transactions in market and with foreign accounts, and short-term notes acquired in ex-
change for maturing bills. Excludes redamptions, maturity shifts, rollovers of maturing coupon
4 Outright transactions in market and with forergn accounts only. Excludes redemptions and maturity
5 In addition to the net purchases of securities, also reflects changes in System holdings of bankers' In addition to the net purchases of securities, also refiects changes in System hoidings of bankers
acceptances, direct Treasury borrowing from the System and redemptions ( - ) of agency and Treaacceptances, direct
sury coupon issues.
Includes changes in RPs ( + ), matched sale-purchase transactions ( - ), and matched purchase-sale 6 Includes changes shifts.


[^0]:    ${ }^{1}$ In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).
    ${ }^{2}$ A two-step process was used. An advanced optimal character recognition computer program (OCR) first created electronic text from the document image. Where the OCR results were inconclusive, staff checked and corrected the text as necessary. Please note that the numbers and text in charts and tables were not reliably recognized by the OCR process and were not checked or corrected by staff.

