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(CONFIDENTIAL FR)

April 2, 1971

MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the Staff

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

April 2, 1971

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) The money supply, both narrowly (M_1) and broadly (M_2) defined, grew more rapidly in March than targeted in the last bluebook, as the table shows. Growth in the adjusted bank credit proxy, however, fell somewhat short of its target rate. If these March figures are not significantly revised, M_1 will have grown at about an 8 per cent annual rate over the first quarter and at around a 5-3/4 per cent annual rate since September.

Recent Rates of Growth in Key Monetary Aggregates
(Per Cent Annual Rates of Change)

	March		First Quarter	
	Bluebook Path	Actual <u>1/</u>	Bluebook Path	Actual <u>1/</u>
M_1	5.5	9.4	7.0	8.2
M_2	13.5	17.8	15.5	17.4
Adjusted Proxy	12.0	8.5	12.0	10.7

1/ Week ending March 31 is partly estimated.

(2) Shortly after the last Committee meeting, deposit data coming available for the first two weeks ending in March suggested that levels of M_1 and M_2 were running well above their bluebook target paths. As a result, annual growth rates for both money supply measures appeared

to be exceeding their bluebook targets by more than the 3 to 4 percentage point deviation allowable under the directive proviso. In light of this development, the Desk adjusted the sights of its open market operations slightly, aiming at a Federal funds rate in a 3-1/2 to 3-3/4 per cent range. Later in the month, the money supply remained above target levels, sustained in part by a much sharper drop in U.S. Government deposits at banks than had been projected at the time of the last meeting. The shortfall in Government deposits occurred chiefly because the Treasury had to delay planned new financing until Congress raised the Federal debt ceiling. The greater than anticipated drop in Government deposits also explains most of the shortfall in the bank credit proxy below target, although the further run-off of Euro-dollar borrowings by major banks was appreciably larger than assumed.

Recent Paths of the Key Monetary Aggregates
(Seasonally adjusted, billions of dollars)

	<u>M₁</u>		<u>M₂</u>		<u>Adjusted Credit Proxy</u>	
	<u>Bluebook Path</u>	<u>Actuals</u>	<u>Bluebook Path</u>	<u>Actuals</u>	<u>Bluebook Path</u>	<u>Actuals</u>
<u>Month</u>						
February	217.3	217.3	430.7	430.8	337.7	337.7
March	218.3	219.0e	435.4	437.2e	341.1	340.1e
<u>Week ending</u>						
Mar. 3	217.3	218.5	432.8	434.6	338.9	339.6
10	217.8	218.3	433.9	435.2	340.4	340.4
17	218.5	218.5	435.5	436.2	341.5	340.5
24	218.8	219.3	436.5	438.5	341.6	338.9
31	218.7	220.5e	437.2	440.4e	341.1	340.2e

e--Estimated.

(3) Even though the Desk has been aiming over most of the inter-meeting period at a Federal funds rate in the 3-1/2 to 3-3/4 per cent range,

unforeseen technical factors have continued to push the funds rate to or above the high end of this range, despite very large System repurchase agreements with dealers. In the tax date week, ending March 17, the effective funds rate averaged over 3.90 per cent, and in the week ending March 31, the average slightly exceeded 4.00 per cent. A succession of large daily shortfalls in Desk estimates of reserve availability from float and the Treasury balance intensified the money market tightness in the tax date week. In the latest week, which included the publication date for bank statements, normal pressures arising from bank desires to avoid borrowing on the final day of the quarter were strongly accentuated by heavy dealer demands for financing, including the need to pay for the new tax bill noted below. In the week ending March 31, net free reserves amounted to \$163 million, as a number of major banks--uncertain about their statement date positions--ran cumulative reserve surpluses in excess of what could be carried over. In the tax date week, net borrowed reserves averaged about \$55 million, while in the statement week ending March 24 they averaged \$270 million. Member bank borrowings averaged about \$290 million over the three week period.

(4) Treasury bill yields, while fluctuating rather widely since the last meeting of the Committee, show net advances for the period of as much as 35 basis points. Most recently, the 3-month issue has been quoted around 3.65 per cent. Other short-term interest rates have shown less variability than Treasury bill rates, but have also tended to back up somewhat in response to the changes in bill rates. A key factor in the recent rise of short-term rates has been the heavy volume of Treasury

cash financing in the bill market. These operations involve a \$2 billion addition to the April tax bill (auctioned March 24 for payment March 30 without tax and loan credit); a \$2.2 billion bill strip (auctioned March 31 for payment April 6); and \$800 million of new 6-month bills (being offered \$200 million at a time in the four weekly auctions starting March 22). Moreover, with the Federal funds rate tending to rise over the period, and with no further Federal Reserve cut in the discount rate, market participants began to ask whether the System might be moving toward a somewhat tighter money market stance in view of large short-term capital outflows from the U.S. and resultant uneasiness in foreign exchange markets and in light of the recently more rapid growth of the monetary aggregates. This tended to encourage the modest rise in short-term rates and was also a factor in the recent hesitation in capital markets and the partial reversal of long-term rate declines.

(5) The table on the next page summarizes seasonally adjusted annual rates of change in major financial aggregates for selected periods.

	Third Quarter (Sept. over June)	Fourth Quarter (Dec. over Sept.)	First Quarter (Mar. over Dec.)	Last 6 months (Mar. over Sept.)
Total Reserves	19.1	6.6	11.0	8.9
Nonborrowed Reserves	24.4	9.4	11.0	10.3
<u>Concepts of Money</u>				
M ₁ (Currency plus demand deposits <u>1/</u>)	6.1	3.4	8.2	5.8
M ₂ (M ₁ plus time deposits at commercial banks other than large CD's)	11.0	9.2	17.4	13.5
M ₃ (M ₂ plus deposits at thrift institutions)	10.3	9.7	18.2 ^{3/}	13.2 ^{4/}
<u>Bank Credit</u>				
Total member bank deposits (Bank credit proxy adj.)	17.2	8.3	10.7	9.6
Loans and investments of commercial banks <u>2/</u>	13.9	6.1	13.3	9.8
<u>Short-term market paper</u> (actual \$ change in billions)				
Large CD's	\$ 8.5	\$ 4.3	\$ 1.9	\$ 6.2
Bank-related commercial paper N.S.A.	- 3.0	- 2.3	0.7 ^{3/}	- 1.5 ^{4/}
Nonbank commercial paper	- 1.2	1.5	- 0.5 ^{3/}	1.0 ^{4/}

1/ Other than interbank and U.S. Government.

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

3/ February 1971 over December 1970.

4/ February 1971 over September 1970.

N.S.A. Not seasonally adjusted.

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

Prospective developments

(6) The table on the next page shows three alternative monthly paths for key monetary aggregates through the second quarter. Money market conditions now estimated to be consistent with these paths are noted below, using the annual rates of growth in M_1 as an index of the collection of aggregates.

	<u>Federal funds rate</u>	<u>Member Bank Borrowings</u>	<u>Net Reserves</u>	<u>M_1</u>
Alternative A	3-3/4	250-350	+50 to -150	9%
Alternative B	4 --4-3/4	400-500	-150 to -300	7%
Alternative C	4-3/4--5-1/2	500-600	-250 to -400	6%

(7) The money market specifications for alternative A include a Federal funds rate around 3-3/4 per cent, the most recent Desk operating target. The Federal funds rates assumed to be consistent with the various monetary aggregate paths are all somewhat higher than specified at the time of the last FOMC meeting for given second quarter growth rates in M_1 . This is partly because demand for M_1 in March was stronger than anticipated under prevailing money market conditions. The funds rates have been moved up more for alternatives B and C, since these alternatives involve a slowing in the M_1 growth rate over the second quarter from the recent pace and since there is one month less than there was at the time of the last meeting to affect public demand for cash balances in the second quarter.

Alternative Monthly and Quarterly
Paths of Key Monetary Aggregates
(Seasonally adjusted, billions of dollars)

	M ₁			M ₂		
	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1971						
February	217.3	217.3	217.3	430.8	430.8	430.8
March	219.0	219.0	219.0	437.2	437.2	437.2
April	220.8	220.6	220.5	442.2	442.0	441.8
May	223.1	222.3	221.9	447.1	446.1	445.5
June	224.0	222.8	222.4	450.1	448.5	448.0

Per Cent Annual Rates of Growth

March	9.4	9.4	9.4	17.8	17.8	17.8
April	10.0	9.0	8.0	13.5	13.0	12.5
May	12.5	9.0	7.5	13.5	11.0	10.0
June	5.0	2.5	2.5	8.0	6.5	6.5
1st Q. 1971	8.2	8.2	8.2	17.4	17.4	17.4
2nd Q. 1971	9.0	7.0	6.0	12.0	10.5	10.0

Adjusted Credit Proxy

Total Reserves

	<u>Adjusted Credit Proxy</u>			<u>Total Reserves</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>
1971						
February	337.7	337.7	337.7	30.5	30.5	30.5
March	340.1	340.1	340.1	30.7	30.7	30.7
April	343.5	343.4	343.3	30.8	30.8	30.8
May	345.0	344.2	343.8	31.3	31.2	31.2
June	346.7	345.8	345.2	31.3	31.1	31.0

Per Cent Annual Rates of Growth

March	8.5	8.5	8.5	8.5	8.5	8.5
April	12.0	11.5	11.5	4.0	3.0	2.5
May	5.0	3.0	3.0	18.0	15.0	14.0
June	6.0	5.5	5.0	- 1.5	- 5.0	- 6.5
1st Q. 1971	10.7	10.7	10.7	11.0	11.0	11.0
2nd Q. 1971	8.0	6.5	6.0	7.0	4.0	3.5

(8) Under all three alternatives, growth rates in M_2 are expected to slow from the exceptionally rapid first quarter pace. Growth in time and savings deposits other than large CD's has slowed somewhat in recent weeks. It is expected to slow further as a result of spreading downward adjustment by banks in rates offered on time deposits and as the public's shift from market to deposit assets tends to lose force. Growth in the bank credit proxy in the second quarter may also be slower than in the first. With banks already quite liquid and loan demand expected to be modest, large CD's are expected to grow relatively little over the quarter, although banks may seek longer-term CD's more actively if expectations of rising interest rates become prevalent. Liabilities to foreign branches are assumed to decline more slowly--apart from an abrupt adjustment related to financing of the recently announced offshore Treasury issue--as the cost of holding the relatively small amount of such liabilities remaining becomes less burdensome. After the new Treasury certificate goes on the books, about half of the banks' remaining Euro-dollar base would be in the form of high-yielding Ex-Im Bank and Treasury securities.

(9) Assuming a Federal funds rate trading around 3-3/4 per cent, growth in M_1 in April--at around 10 per cent--is expected to be little changed from the March pace. In large part this growth rate reflects the high level of demand deposits already reached by the end of March; if there were no change from that level during April, M_1 would average 8 per cent higher than in March. Even at the higher funds rates specified under alternatives B and C, the slowing in the growth rate

in April is likely to be modest, with more of an effect later in the quarter. Weekly paths for the various monetary aggregates are shown in the table on the next page.

(10) With money market conditions as specified for alternative A, the 3-month bill rate is likely to be in a 3-1/4--3-3/4 per cent range between now and the next meeting of the Committee. Reinvestment demand from the \$4-1/4 billion maturing April tax bill, temporary purchases from the proceeds of a large though diminishing volume of capital market financing, temporary investment of State and local tax receipts, and potentially large demands from foreign monetary authorities may exert downward pressure on bill rates. However, higher Federal funds rates--such as contemplated under alternatives B and C--would likely raise bill rates significantly--with the 3-month bill perhaps up to ranges of 3-3/4--4-1/2 per cent and 4-1/2--5-1/4 per cent, respectively--as dealers attempt to get out from under sizable bill positions.

(11) The Treasury is expected to announce its mid-May refunding on April 28. Nearly \$6 billion of publicly held securities mature. It is too early to tell whether an advance refunding will be undertaken and/or whether some new cash will be raised in conjunction with the refunding. The possibilities of an advance refunding will depend in part on whether or not money market conditions tighten significantly between now and then. The Treasury may, however, offer a coupon issue maturing in more than seven years as a part of the mid-May financing.

Alternative Weekly Paths of Key Monetary Aggregates
(Seasonally adjusted, in billions of dollars)

		<u>M₁</u>			<u>M₂</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>
1971							
March	24p	219.3	219.3	219.3	438.5	438.5	438.5
	31e	220.5	220.5	220.5	440.4	440.4	440.4
April	7	220.6	220.6	220.6	441.0	441.0	441.0
	14	221.6	221.5	221.5	442.6	442.5	442.5
	21	219.7	219.5	219.4	441.4	441.2	441.1
	28	221.3	221.0	220.8	443.6	443.3	443.0
May	5	221.3	220.8	220.6	444.6	443.9	443.6
		<u>Adjusted Credit Proxy</u>			<u>Total Reserves</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>
1971							
March	24p	338.9	338.9	338.9	30.5	30.5	30.5
	31e	340.2	340.2	340.2	31.0	31.0	31.0
April	7	342.4	342.4	342.4	30.6	30.6	30.6
	14	343.4	343.4	343.3	30.6	30.6	30.6
	21	343.9	343.8	343.7	31.1	31.0	31.0
	28	344.0	343.7	343.6	31.0	31.0	30.9
May	5	345.0	344.5	343.3	31.3	31.2	31.2

p--Preliminary.

e--Estimated from partial data.

(12) Long-term markets are likely to remain sensitive to money market conditions as indicators of Federal Reserve policy. Thus, attainment of the conditions specified in alternative A would be likely to reinforce other trends in capital markets now expected to contribute to some further decline in long-term rates, as noted in the Greenbook. On the other hand, if money market conditions are made firmer, as specified under alternatives B and C, shifts in market expectations about the course of short-term rates and monetary policy might tend to offset the underlying trends. A rise in long-term rates would seem likely if the Federal funds rate were to trend convincingly above 4 per cent, with the rise in long rates largest if money market conditions were to tighten as much as specified under alternative C.

Possible directive language

(13) Alternative A. This language is proposed for possible use if the Committee decides to retain the form of the present directive, involving a primary instruction concerned with money market conditions and long-term interest rates and a proviso clause relating to the aggregates.

"To implement this policy, System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining prevailing money market conditions while accommodating any downward movements in long-term rates; provided that money market conditions shall be modified if it appears that the monetary and credit aggregates are deviating significantly from the growth paths expected, TAKING ACCOUNT OF THE FORTHCOMING TREASURY FINANCING."

With respect to the proposed reference to the forthcoming Treasury financing (in this and the other alternatives) the Treasury's announcement is expected on April 28, as indicated in paragraph (11) above. If the Committee adopts this alternative, it may wish to consider the money market conditions noted for alternative A in paragraph (6) as a description of "prevailing" conditions, and for purposes of the proviso clause, to adopt the aggregate growth paths discussed earlier in connection with alternative A as the "expected" paths. The Committee could also specify a slower growth path for purposes of the proviso, the effect of which would be to

activate the proviso sooner if the staff projections prove to be correct. Or, if the Committee so desires, it could use a directive with a structure similar to alternative A but with the specifications for money market conditions and aggregates given above in connection with alternative B or C. In such a case, the language preceding the proviso clause might be modified to call for "attaining firmer money market conditions;"

(14) Alternative B. This language is proposed for possible use if the Committee decides (a) to formulate its primary instruction in terms of desired growth rates for the aggregates, and (b) to adopt as targets the growth rates (including a 7 per cent second-quarter rise in M_1) discussed earlier in connection with alternative B, which would be somewhat more moderate than the rates experienced recently.

"To implement this policy, THE COMMITTEE SEEKS TO PROMOTE SOMEWHAT MORE MODERATE GROWTH IN MONETARY AND CREDIT AGGREGATES OVER THE MONTHS AHEAD, WHILE CONTINUING TO MEET SOME PART OF RESERVE NEEDS THROUGH PURCHASES OF COUPON ISSUES IN THE INTEREST OF PROMOTING ACCOMMODATIVE CONDITIONS IN LONG-TERM CREDIT MARKETS. System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining prevailing BANK RESERVES AND money market conditions CONSISTENT WITH THOSE OBJECTIVES, TAKING ACCOUNT OF THE FORTHCOMING TREASURY FINANCING ~~while-accommodating-any-downward-movements-in-long-term-rates;-provided-that-money-market~~

~~conditions shall be modified if it appears that the
monetary and credit aggregates are deviating signifi-
cantly from the growth paths expected."~~

Accommodation of declines in long rates is not listed as a specific Committee objective under this (and the following) alternative because of the likelihood that such rates would rise if the money market is firmed to the degree that would appear to be necessary to achieve the aggregate growth rates specified. However, a reference is suggested to purchases of coupon issues "in the interest of promoting accommodative conditions in long-term credit markets" on the assumption that even if the Committee adopts this alternative it will want to index a concern with conditions in capital markets.

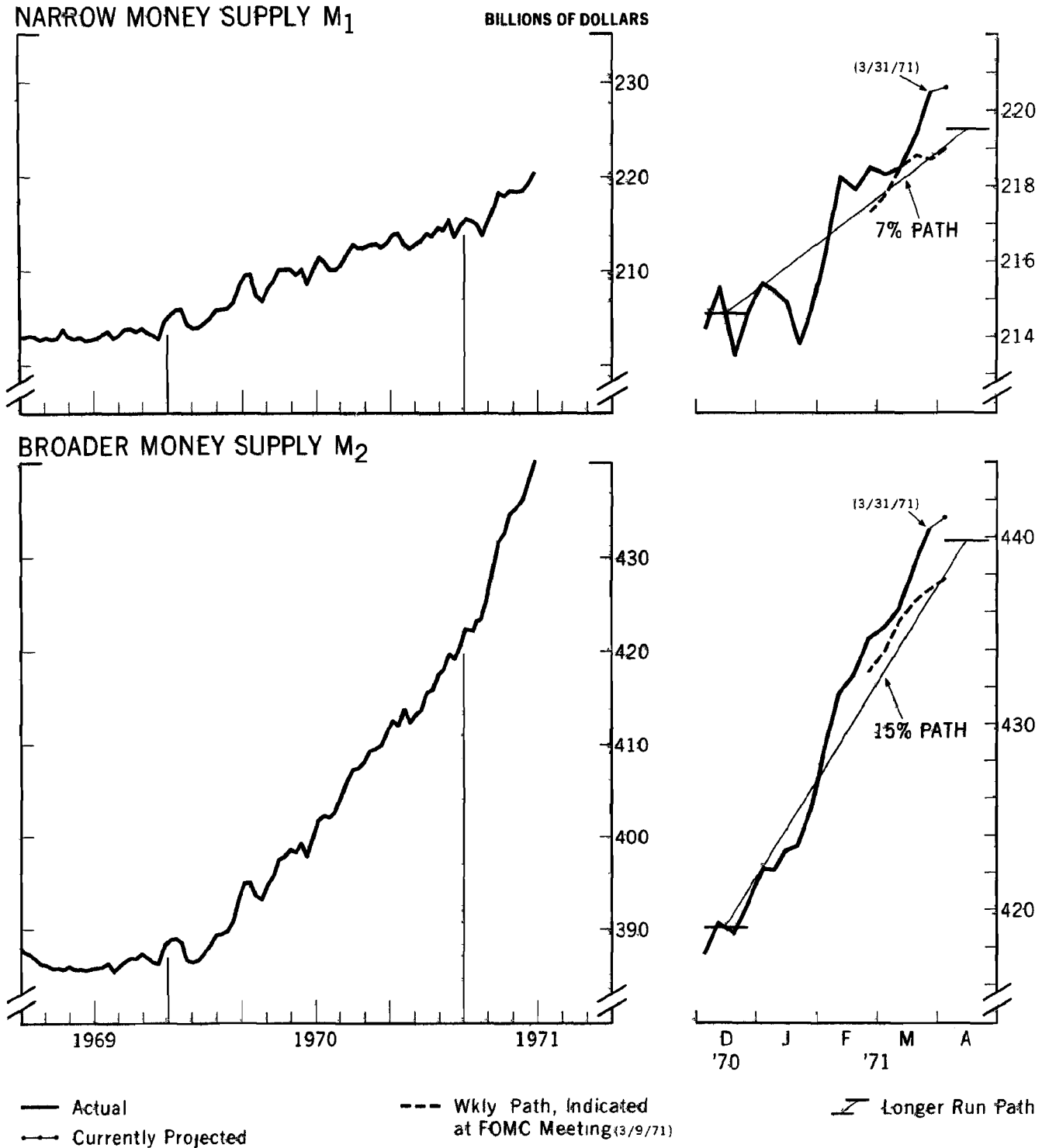
(15) Alternative C. This language is proposed for possible use if the Committee decides to adopt as targets the growth rates for the aggregates (including a 6 per cent second quarter rise in M_1) discussed earlier in connection with alternative C.

"To implement this policy, THE COMMITTEE SEEKS TO PROMOTE MODERATE GROWTH IN MONETARY AND CREDIT AGGREGATES OVER THE MONTHS AHEAD, WHILE CONTINUING TO MEET SOME PART OF RESERVE NEEDS THROUGH PURCHASES OF COUPON ISSUES IN THE INTEREST OF PROMOTING ACCOMMODATIVE CONDITIONS IN LONG-TERM CREDIT MARKETS. System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining prevailing BANK RESERVES AND money market conditions CONSISTENT WITH

THOSE OBJECTIVES, TAKING ACCOUNT OF THE FORTHCOMING
TREASURY FINANCING ~~while-accommodating-any-downward~~
~~movements-in-long-term-rates;-provided-that-money~~
~~market-conditions-shall-be-modified-if-it-appears~~
~~that-the-monetary-and-credit-aggregates-are-deviating~~
~~significantly-from-the-growth-paths-expected.~~ "

This language differs from alternative B only in the use of the term "moderate" to describe the lower target growth rates for the aggregates. That term is suggested because the second-quarter growth rates specified are within the range the Committee recently has considered moderate in an absolute sense.

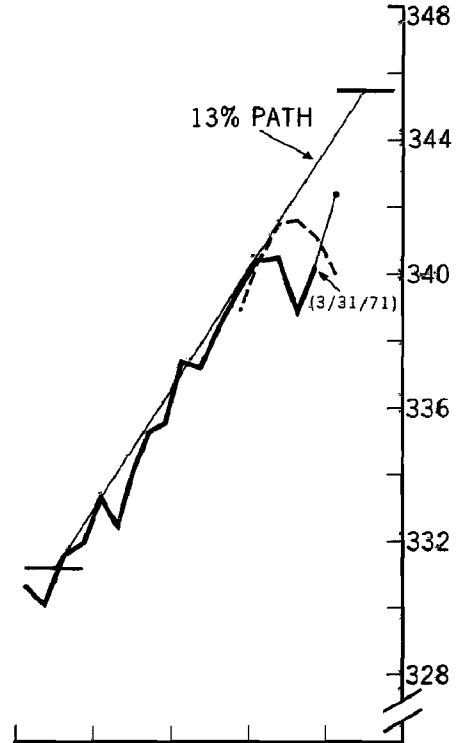
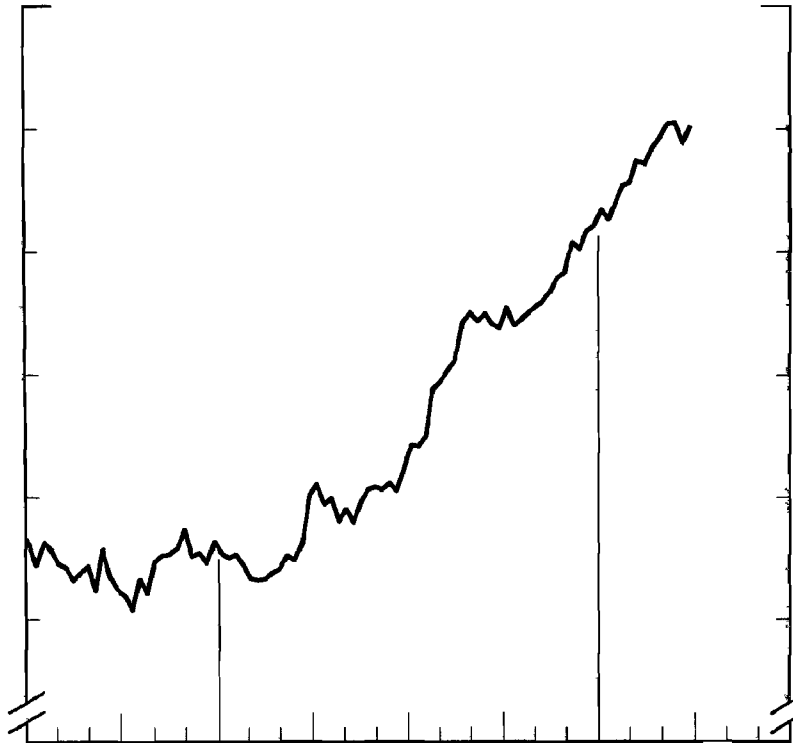
MONETARY AGGREGATES



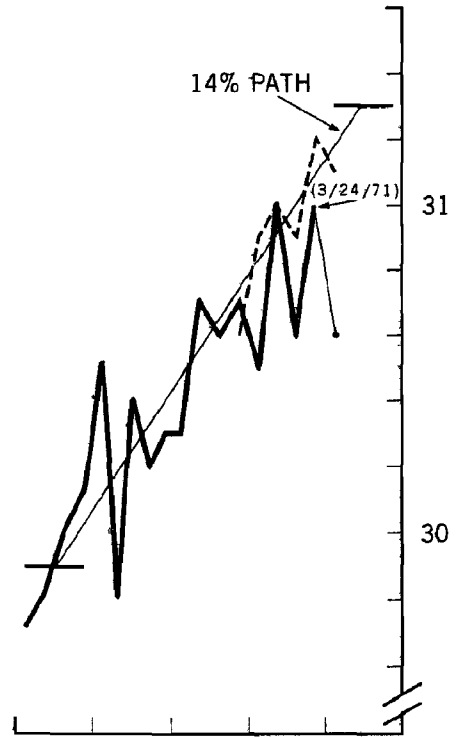
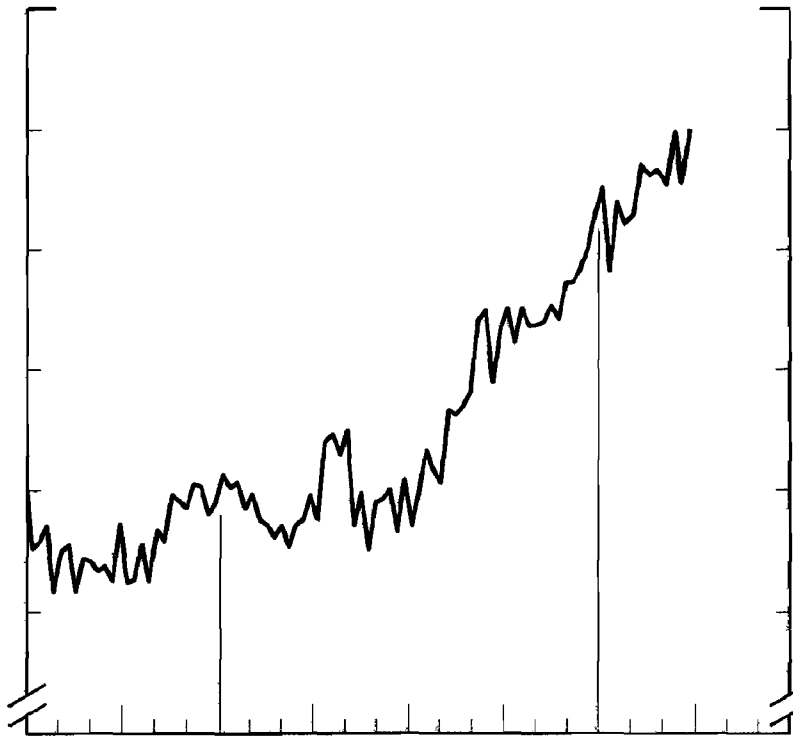
MONETARY AGGREGATES

ADJUSTED CREDIT PROXY

BILLIONS OF DOLLARS



TOTAL RESERVES



— Actual
 —•— Currently Projected

--- Wkly Path, Indicated
 at FOMC Meeting (3/9/71)

⌌ Longer Run Path

INTEREST BEARING SOURCES OF BANK FUNDS

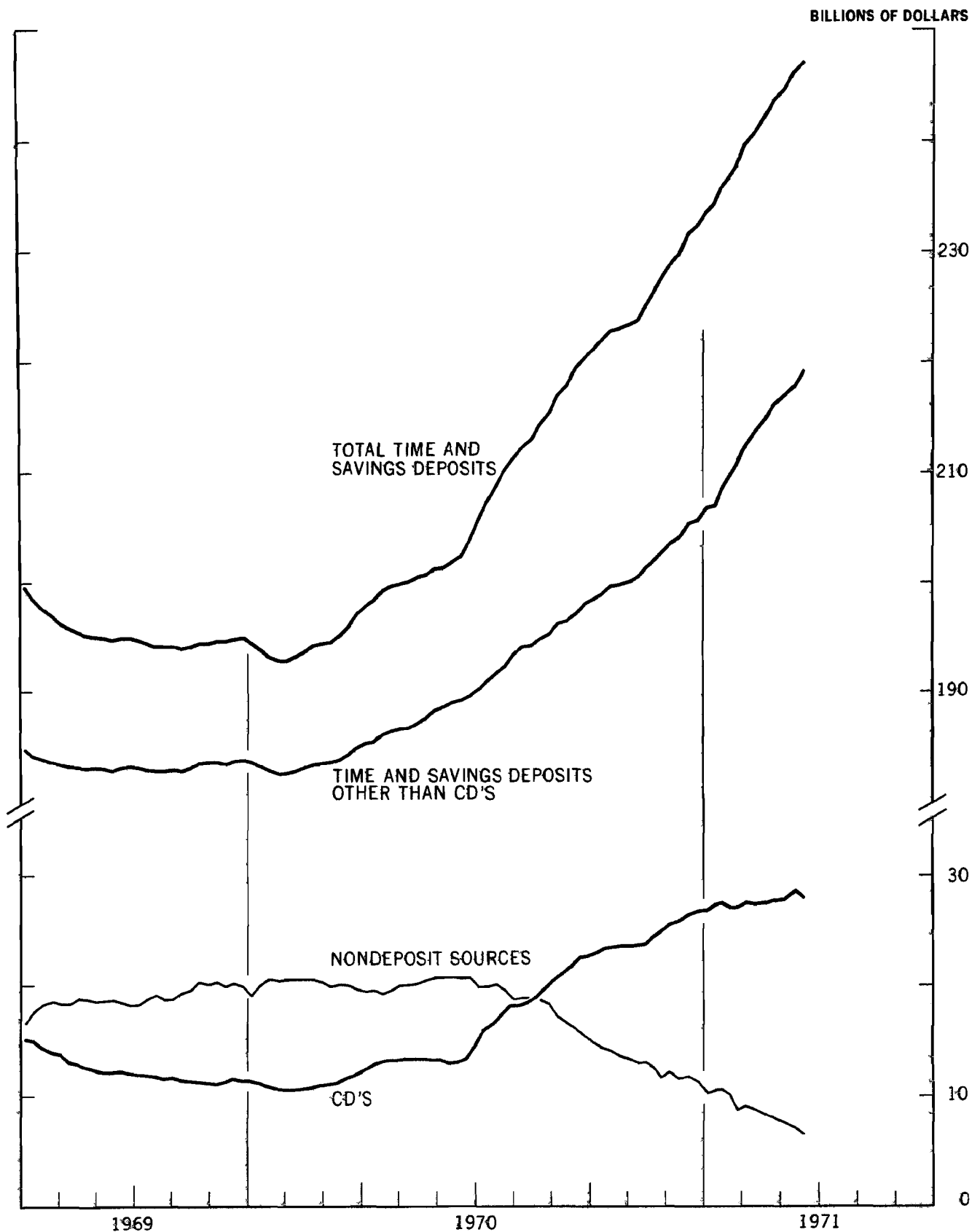
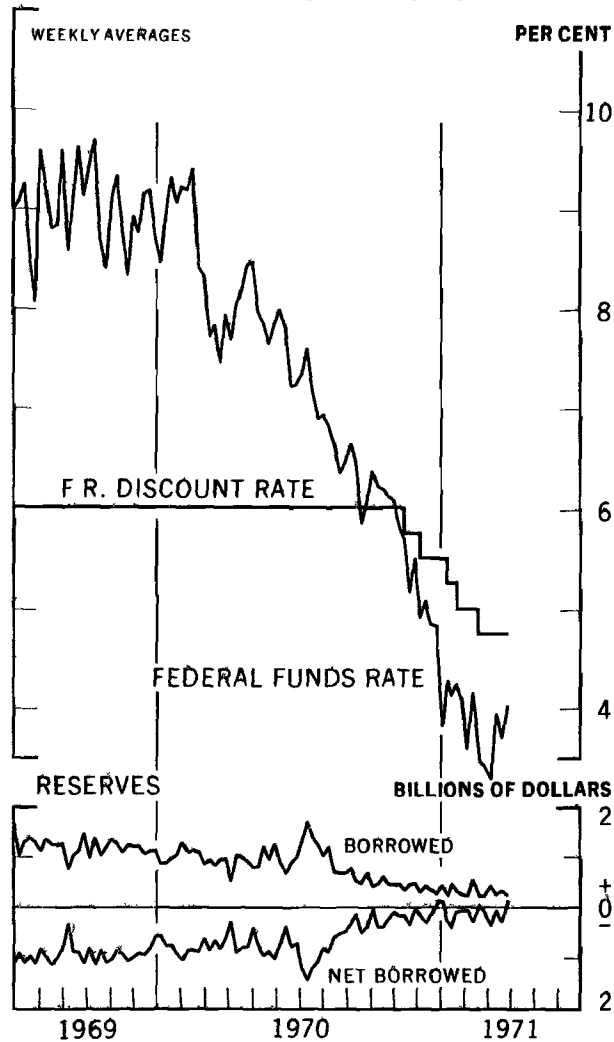


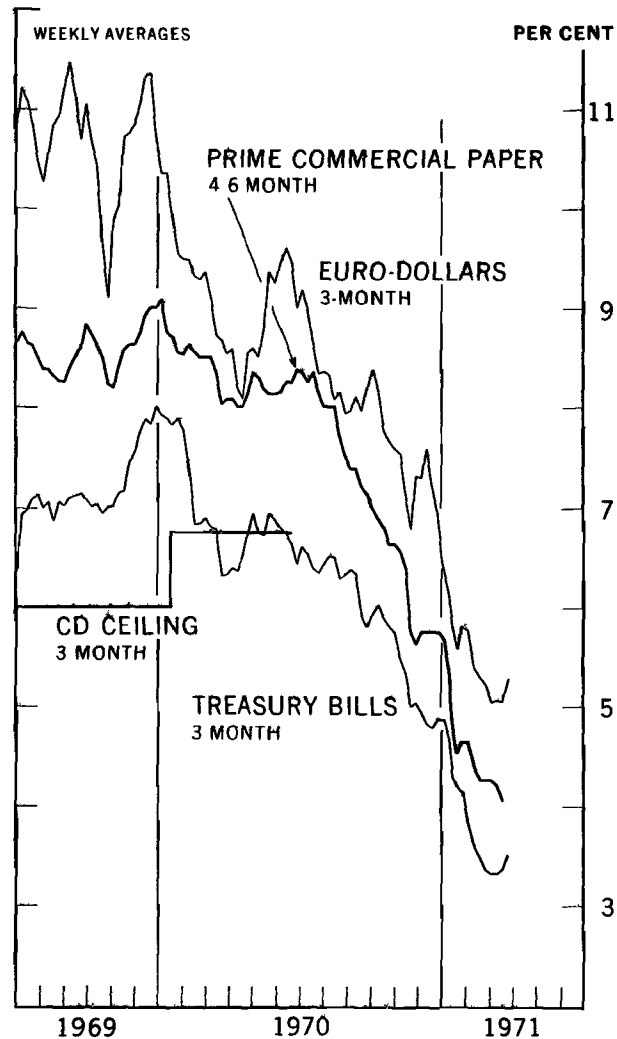
CHART 3

MONEY MARKET CONDITIONS AND INTEREST RATES

MONEY MARKET CONDITIONS



INTEREST RATES Short-term



INTEREST RATES Long-term

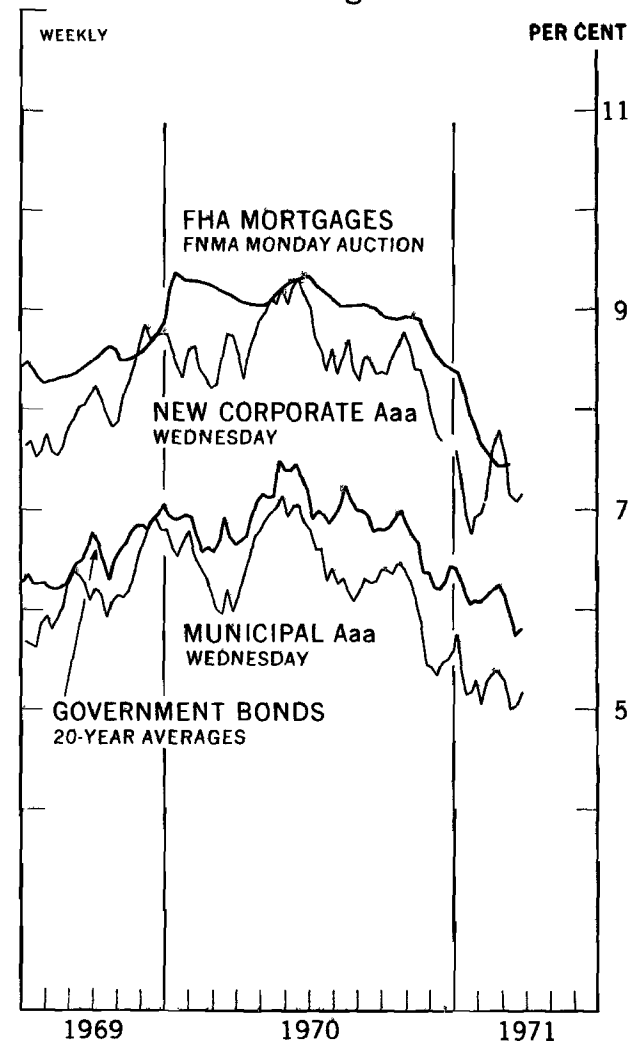


Table 1
PATHS OF KEY MONETARY AGGREGATES

STRICTLY CONFIDENTIAL (FR)

April 2, 1971

Period	Narrow Money Supply (M ₁) 1/		Broad Money Supply (M ₂) 2/		Adjusted Credit Proxy		Total Reserves	
	1 Path as of March 9	2 Actuals & Current Proj	3 Path as of March 9	4 Actuals & Current Proj	5 Path as of March 9	6 Actuals & Current Proj	7 Path as of March 9	8 Actuals & Current Proj
Monthly Pattern in Billions of Dollars								
1970: Dec.		214.6		419.0		331.2		29.9
1971: Jan.		214.8		423.0		334.1		30.2
Feb.		217.3		430.8		337.7		30.5
Mar.	218.3	(219.0)	435.4	(437.2)	341.1	(340.1)	31.0	(30.7)
Apr.	219.5	(220.8)	439.8	(442.3)	345.5	(343.4)	31.3	(30.8)
Annual Percentage Rates of Change--Quarterly and Monthly								
1970: 1st Qtr.		5.9		3.4		0.5		-2.9
2nd Qtr.		5.8		8.4		6.5		2.6
3rd Qtr.		6.1		11.0		17.2		19.1
4th Qtr.		3.4		9.2		8.3		6.6
1971: 1st Qtr.	7.0	(8.0)	15.5	(17.5)	12.0	(10.5)	13.5	(11.0)
1970: Dec.		6.2		13.0		16.5		18.4
1971: Jan.		1.1		11.5		10.5		12.2
Feb.		14.0		22.1		12.9		11.4
Mar.	5.5	(9.5)	13.5	(18.0)	12.0	(8.5)	17.5	(9.0)
Apr.	6.5	(10.0)	12.0	(14.0)	15.5	(11.5)	13.5	(3.5)
Weekly Pattern in Billions of Dollars								
1971: Feb. 3		214.7		425.3		335.6		30.3
10		216.2		428.6		337.4		30.3
17		218.2		431.7		337.2		30.7
24		217.9		432.6		338.5		30.6
Mar. 3	217.3	218.5	432.8	434.6	338.9	339.6	30.6	30.7
10	217.8	218.3	433.9	435.2	340.4	340.4	30.9	30.5
17	218.5	218.5	435.5	436.2	341.5	340.5	31.0	31.0
24	218.8	219.3	436.5	438.5	341.6	338.9	30.9	30.6
31 pe	218.7	220.5	437.2	440.4	341.1	340.2	31.2	31.0
Apr. 7	219.0	(220.6)	437.8	(441.0)	340.0	(342.4)	31.1	(30.6)

NOTES. Annual rates of change other than those for the past are rounded to the nearest half per cent.
Data shown in parenthesis are current projections.
1/ Currency plus private demand deposits.
2/ M₁ plus time deposits other than large CD's.
pe - Partially estimated.

FR712-D
Rev 2/16/71

Table 1-A
PATHS OF KEY MONETARY AGGREGATES

STRICTLY CONFIDENTIAL (FR)

April 2, 1971

Period	U S Gov't Deposits		Total Time & Savings Deposits		Time Deposits other than large CD's		Large Negotiable CD's		Nondeposit Sources of Funds		
	1 Path as of March 9	2 Actuals & Current Proj	3 Path as of March 9	4 Actuals & Current Proj	5 Path as of March 9	6 Actuals & Current Proj	7 Path as of March 9	8 Actuals & Current Proj	9 Path as of March 9	10 Actuals & Current Proj	
Monthly Pattern in Billions of Dollars											
1970	Dec.	6.2		230.4		204.4		26.0		11.6	
1971	Jan.	6.7		235.3		208.2		27.1		10.1	
	Feb.	6.2		240.9		213.5		27.4		8.6	
	Mar.	5.7	(4.7)	244.7	(246.0)	217.1	(218.1)	27.6	(27.9)	(7.0)	
	Apr.	6.4	(5.0)	248.2	(249.4)	220.3	(221.4)	27.9	(28.0)	(6.1)	
Annual Percentage Rates of Change - Quarterly and Monthly											
1970	1st Qtr.			1.4		0.9					
	2nd Qtr.			14.1		11.3					
	3rd Qtr.			32.2		16.5					
	4th Qtr.			21.8		15.4					
1971	1st Qtr.		25.0	(27.0)	25.0	(27.0)					
1970	Dec.			28.8		19.7					
1971	Jan.			25.5		22.3					
	Feb.			28.6		30.5					
	Mar.		19.5	(25.5)	20.0	(26.0)					
	Apr.		17.0	(16.5)	17.5	(18.0)					
Weekly Pattern in Billions of Dollars											
1971	Feb.	3	8.3		237.6		210.6		27.0	8.8	
		10	7.1		239.8		212.3		27.4	9.1	
		17	6.3		240.7		213.5		27.3	8.7	
		24	5.0		242.0		214.6		27.4	8.2	
	Mar.	3	4.9	5.0	243.1	243.7	215.5	216.1	27.6	27.7	7.9
		10	6.2	5.9	243.6	244.7	216.1	216.9	27.5	27.8	7.6
		17	6.7	6.3	244.7	246.2	217.0	217.7	27.7	28.5	7.5
		24	5.8	3.5	245.3	247.1	217.7	219.2	27.6	27.9	7.5
		31 pe	4.0	2.6	246.2	247.6	218.5	219.9	27.7	27.8	7.5
	Apr.	7	6.6	(4.3)	246.6	(248.1)	218.8	(220.3)	27.8	(27.8)	7.5

NOTES: Annual rates of change other than those for the past are rounded to the nearest half per cent.
Data shown in parenthesis are current projections.
pe - Partially estimated.

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Table 2
AGGREGATE RESERVES AND MONETARY VARIABLES
 RETROSPECTIVE CHANGES, SEASONALLY ADJUSTED
 (Annual rates in per cent)

CONFIDENTIAL (FR)

April 2, 1971

Period	Reserve Aggregates		Monetary Variables					Addenda		
	1 Total Reserves	2 Nonborrowed Reserves	3 Total Member Bank Deposits	4 Adjusted Credit Proxy	Money Supply			8 Time Deposits Adjusted	9 Thrift Instit Deposits	10 Nonbank Commercial Paper
					5 Total	6 Currency	7 Private Demand Deposits			
Annually										
1968	+ 7.8	+ 6.0	+ 9.0	n.a.	+ 7.8	+ 7.4	+ 7.9	+11.1	+ 6.3	n.a.
1969	- 1.6	- 3.0	- 4.0	n.a.	+ 3.1	+ 6.0	+ 2.4	- 5.0	+ 3.4	n.a.
1970	+ 6.4	+ 9.5	+11.8	+ 8.3	+ 5.4	+ 6.3	+ 5.1	+18.4	+ 7.8	+7.3
Semi-annually										
1st Half 1969	+ 0.7	- 3.7	- 3.5	n.a.	+ 5.1	+ 6.5	+ 4.7	- 3.5	+ 5.3	n.a.
2nd Half 1969	- 3.9	- 2.4	- 4.6	- 1.2	+ 1.2	+ 5.4	+ 0.1	- 6.6	+ 1.6	+28.3
1st Half 1970	- 0.2	+ 1.9	+ 3.3	+ 3.5	+ 5.9	+ 7.8	+ 5.3	+ 7.8	+ 4.7	+12.8
2nd Half 1970	+13.0	+17.1	+20.0	+12.9	+ 4.8	+ 4.6	+ 4.7	+27.9	+10.6	+1.7
Quarterly										
3rd Qtr. 1969	- 9.3	- 4.8	- 9.4	- 4.3	+ 0.8	+ 4.5	--	-12.7	+ 1.8	+31.6
4th Qtr. 1969	+ 1.4	- 0.1	+ 0.1	+ 2.0	+ 1.6	+ 6.2	+ 0.3	- 0.4	+ 1.4	+23.2
1st Qtr. 1970	- 2.9	- 0.4	+ 0.6	+ 0.5	+ 5.9	+ 6.1	+ 5.3	+ 1.4	+ 2.5	+17.8
2nd Qtr. 1970	+ 2.6	+ 4.1	+ 6.0	+ 6.5	+ 5.8	+ 9.4	+ 5.3	+14.1	+ 7.0	+7.5
3rd Qtr. 1970	+19.1	+24.4	+24.1	+17.2	+ 6.1	+ 3.3	+ 6.7	+32.2	+ 9.3	-16.2
4th Qtr. 1970	+ 6.6	+ 9.4	+15.1	+ 8.3	+ 3.4	+ 5.8	+ 2.7	+21.8	+11.5	+20.4
Monthly										
1969: Dec.	+ 6.3	+12.1	--	+ 0.8	+ 0.6	+ 2.6	+ 0.8	+ 3.7	+ 1.3	+27.4
1970: Jan.	+ 3.1	+ 7.2	- 4.2	- 3.5	+ 9.4	+ 5.2	+ 9.9	- 8.0	- 2.5	+12.6
Feb.	-12.0	-15.6	- 8.0	- 5.5	- 4.1	+ 5.2	- 6.8	+ 1.2	+ 3.1	+26.2
March	--	+ 7.5	+14.0	+10.7	+12.3	+ 7.8	+12.9	+11.2	+ 6.7	+13.8
April	+21.3	+25.4	+16.8	+13.7	+ 9.9	+10.3	+10.5	+19.7	+ 8.1	+34.4
May	-13.9	-19.0	- 4.5	- 1.2	+ 5.2	+15.3	+ 3.0	+10.9	+ 5.3	+18.9
June	+ 0.5	+ 6.2	+ 5.8	+ 7.0	+ 2.3	+ 2.5	+ 2.2	+11.4	+ 7.3	-30.0
July	+ 6.0	-16.1	+22.7	+18.1	+ 5.7	+ 7.5	+ 4.4	+35.6	+11.9	-87.5
Aug.	+23.3	+48.8	+29.2	+23.2	+ 6.8	+ 2.5	+ 8.9	+28.8	+ 5.9	-7.2
Sept.	+27.5	+40.1	+19.0	+ 9.7	+ 5.7	--	+ 6.6	+29.8	+10.0	+49.6
Oct.	- 1.9	--	+10.1	+ 1.1	+ 1.1	+ 7.5	- 0.7	+20.3	+10.6	+32.4
Nov.	+ 3.6	+ 4.4	+13.1	+ 7.0	+ 2.8	+ 4.9	+ 2.2	+15.1	+ 9.4	-28.7
Dec.	+18.4	+22.8	+21.4	+16.5	+ 6.2	+ 4.9	+ 6.6	+28.8	+14.2	+58.1
1971: Jan.	+12.2	+ 8.8	+16.1	+10.5	+ 1.1	+ 7.4	- 1.4	+25.5	+24.9	- 9.0
Feb.	+11.4	+15.1	+19.3	+12.9	+14.0	+ 9.8	+16.0	+28.6	+18.5	-10.9

NOTE: Aggregate reserve series have been adjusted to eliminate changes in percentage reserve requirements against deposits, but reserve requirements on Eurodollar borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970. FR 712 - E

Table 3
AGGREGATE RESERVES AND MONETARY VARIABLES
SEASONALLY ADJUSTED

CONFIDENTIAL (FR)

April 2, 1971

Period	Aggregate Reserves			Member Bank Deposits		Money Supply			Commercial Bank Time Deposits			12 Adjusted Credit Proxy	13 Addendum Nonbank Comm. Paper	
	1 Total	2 Non borrowed	3 Required	4 Total	5 U S Govt Demand	6 Total	7 Currency	8 Private Demand Deposits	9 Total	10 CD's	11 Other			
	(In millions of dollars)						(In billions of dollars)							
1969- July	27,530	26,275	27,334	288.0	2.4	203.1	45.0	158.1	198.1	14.1	184.0	305.7	26.0	
Aug	27,401	26,214	27,161	285.3	2.9	202.6	45.2	157.4	195.4	12.5	182.9	303.8	26.5	
Sept.	27,402	26,383	27,144	285.7	4.4	202.8	45.3	157.6	194.8	12.0	182.8	304.2	27.5	
Oct.	27,354	26,210	27,129	283.5	3.1	203.2	45.6	157.6	194.2	11.5	182.6	302.2	28.0	
Nov.	27,783	26,538	27,548	285.8	5.6	203.5	45.9	157.6	194.0	11.1	182.9	305.5	28.4	
Dec.	27,928	26,806	27,707	285.8	4.9	203.6	46.0	157.7	194.6	11.2	183.4	305.7	29.1	
1970: Jan.	28,001	26,966	27,823	284.8	5.3	205.2	46.2	159.0	193.3	10.6	182.7	304.8	29.4	
Feb.	27,722	26,615	27,523	282.9	5.6	204.5	46.4	158.1	193.5	10.6	182.9	303.4	30.0	
March	27,723	26,782	27,536	286.2	5.9	206.6	46.7	159.8	195.3	11.5	183.8	306.1	30.4	
April	28,216	27,350	28,046	290.2	5.2	208.3	47.1	161.2	198.5	12.9	185.6	309.6	31.2	
May	27,890	26,916	27,692	289.1	3.0	209.2	47.7	161.6	200.3	13.2	187.1	309.3	31.7	
June	27,902	27,056	27,713	290.5	4.8	209.6	47.8	161.9	202.2	13.2	189.0	311.1	30.9	
July	28,041	26,694	27,896	296.0	4.4	210.6	48.1	162.5	208.2	16.9	191.3	315.8	28.7	
Aug.	28,585	27,780	28,408	303.2	6.4	211.8	48.2	163.7	213.2	19.0	194.2	321.9	28.5	
Sept.	29,240	28,708	29,024	308.0	6.2	212.8	48.2	164.6	218.5	21.7	196.8	324.5	29.7	
Oct.	29,385	28,928	29,134	310.6	5.2	213.0	48.5	164.5	222.2	23.2	199.1	324.8	30.5	
Nov.	29,474	29,033	29,233	314.0	6.0	213.5	48.7	164.8	225.0	23.9	201.1	326.7	29.7	
Dec.	29,925	29,584	29,703	319.6	6.2	214.6	48.9	165.7	230.4	26.0	204.4	331.2	31.2	
1971: Jan.	30,229	29,801	30,029	323.9	6.7	214.8	49.2	165.5	235.3	27.1	208.2	334.1	31.0	
Feb.	30,515	30,176	30,255	329.1	6.2	217.3	49.6	167.7	240.9	27.4	213.5	337.7	30.7	
1971: Feb. 3	30,250	29,880	29,990	326.8	8.3	214.7	49.5	165.3	237.6	27.0	210.6	335.6	30.5	
10	30,293	30,096	30,080	328.3	7.1	216.2	49.5	166.8	239.8	27.4	212.3	337.4	31.5	
17	30,677	30,066	30,370	328.5	6.3	218.2	49.9	168.3	240.7	27.3	213.5	337.2	31.0	
24	30,610	30,450	30,383	330.2	5.0	217.9	49.5	168.4	242.0	27.4	214.6	338.5	31.2	
Mar. 3	30,655	30,252	30,335	331.6	5.0	218.5	49.8	168.7	243.7	27.7	216.1	339.6	30.9	
10	30,539	30,068	30,427	332.9	5.9	218.3	49.8	168.5	244.7	27.8	216.9	340.4	31.2	
17 p	30,955	30,625	30,676	333.5	6.3	218.5	50.0	168.5	246.2	28.5	217.7	340.5	31.1	
24 p	30,552	30,232	30,564	332.4	3.5	219.3	50.0	169.3	247.1	27.9	219.2	338.9	31.1	

NOTES: Aggregate reserve series have been adjusted to eliminate changes in percentage reserve requirements against deposits, but reserve requirements on Euro-dollar borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970. Adjusted credit proxy includes mainly total member bank deposits subject to reserve requirements, bank-related commercial paper, and Euro-dollar borrowings of U.S. banks. Weekly data are daily averages for statement weeks. Monthly data are daily averages except for nonbank commercial paper figures which are for last day of month.

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Table 4

MARGINAL RESERVE MEASURES
(Dollar amounts in millions, based on period averages of daily figures)

Period	Free reserves	Excess reserves	Member Banks Borrowings				
			Total	Reserve City			Country
				Major banks		Other	
			8 N.Y.	Outside N.Y.			
Monthly (reserves weeks ending in):							
1969--July	-1,045	266	1,311	89	250	364	608
August	- 997	214	1,211	81	253	256	621
September	- 744	282	1,026	83	236	222	485
October	- 995	195	1,190	106	327	293	464
November	- 975	238	1,213	120	387	250	456
December	- 849	278	1,127	268	310	220	329
1970--January	- 759	169	928	148	287	232	261
February	- 916	210	1,126	106	317	289	414
March	- 751	129	880	90	225	287	278
April	- 687	178	865	227	331	119	188
May	- 765	159	924	165	241	228	290
June	- 736	171	907	140	289	217	261
July	-1,134	183	1,317	218	460	348	291
August	- 706	175	881	143	278	273	187
September	- 374	235	609	101	115	274	119
October	- 274	193	467	12	40	313	102
November	- 199	210	409	42	17	294	57
December	- 84	264	348	36	16	265	30
1971--January	- 140	238	378	45	36	262	35
February	- 71	264	335	29	30	248	29
March p	- 118	194	312	41	17	238	16
1970--Sept. 2	- 482	178	660	79	181	221	179
9	- 348	415	763	160	143	343	117
16	- 144	356	500	89	93	224	94
23	- 507	-47	460	75	77	258	50
30	- 389	272	661	103	79	325	154
Oct. 7	- 46	352	398	--	4	304	90
14	- 409	41	450	21	46	312	71
21	- 397	189	586	16	97	342	131
28	- 242	191	433	11	13	292	117
Nov. 4	- 105	318	423	11	15	311	86
11	- 163	282	445	69	29	282	65
18	- 166	164	330	--	1	295	34
25	- 360	76	436	86	22	287	41
Dec. 2	- 38	417	455	86	22	300	47
9	- 154	136	290	--	--	263	27
16	- 279	120	399	55	48	268	28
23	- 114	211	325	39	11	250	25
30	- 164	434	270	--	--	245	25
1971--Jan 6	- 138	545	407	71	60	250	26
13	- 245	32	277	--	--	249	28
20	- 380	92	472	82	63	284	43
27	- 72	282	354	26	20	266	42
Feb. 3	- 46	237	283	--	--	253	30
10	- 42	205	247	--	--	229	18
17	- 264	297	561	114	121	280	46
24	- 67	317	250	--	--	228	22
Mar. 3	- 88	170	258	--	1	241	16
10	- 339	82	421	108	51	249	13
17 p	- 56	234	290	46	--	231	13
24 p	- 270	63	333	52	15	252	14
31 p	- 163	420	257	--	16	219	22

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Table 5

SOURCE OF FEDERAL RESERVE CREDIT
Retrospective Changes
(Dollar amounts in millions of dollars, based on weekly averages of daily figures)

Period	Total Federal Reserve credit (Excl. float)	U.S. Government securities				Federal Agency Securities	Bankers' acceptances	Member banks borrowings
		Total holdings	Bills 1/	Other	Repurchase agreements			
Year:								
1969 (12/25/68 - 12/31/69)	+5,539	+5,192	+4,279 (--)	+ 707	+ 206	+ 67	+ 35	+ 245
1970 (12/31/69 - 12/30/70)	+3,351	+4,276	+3,220 (- 143)	+1,180	- 124	- 63	- 28	- 834
Weekly:								
1970--Sept.								
2	+ 189	+ 164	+ 31 (--)	--	+ 133	+ 13	+ 12	--
9	+ 473	+ 316	+ 193 (--)	--	+ 123	+ 37	+ 17	+ 103
16	- 248	+ 14	- 320 (- 90)	+ 84	+ 250	- 12	+ 13	- 263
23	- 982	- 864	- 372 (- 256)	+ 14	- 506	- 38	- 40	- 40
30	+ 689	+ 418	+ 210 (+ 346)	+ 12	+ 196	+ 49	+ 21	+ 201
Oct.								
7	- 482	- 183	- 238 (--)	+ 73	- 18	- 25	- 11	- 263
14	- 5	- 56	-- (--)	--	- 56	+ 4	- 5	+ 52
21	+ 224	+ 67	- 16 (--)	--	+ 83	+ 16	+ 5	+ 136
28	- 479	- 268	- 63 (--)	--	- 205	- 44	- 14	- 153
Nov.								
4	+ 692	+ 610	+ 241 (--)	--	+ 369	+ 63	+ 29	- 10
11	- 48	- 75	- 94 (- 214)	--	+ 19	- 6	+ 11	+ 22
18	+ 671	+ 711	+ 509 (+ 214)	--	+ 202	+ 62	+ 13	- 115
25	- 141	- 93	+ 273 (- 150)	+ 134	+ 500	- 107	- 47	+ 106
Dec.								
2	+ 986	+ 853	+ 475 (+ 150)	+ 41	+ 337	+ 73	+ 41	+ 19
9	- 303	- 145	- 82 (- 244)	+ 114	- 177	- 30	+ 37	- 165
16	+ 697	+ 586	+ 328 (+ 244)	--	+ 258	+ 24	- 22	+ 109
23	- 122	- 35	+ 134 (--)	+ 152	- 321	- 7	- 6	- 74
30	- 143	- 3	- 95 (- 143)	+ 137	- 45	- 64	- 21	- 55
1971--Jan.								
6	+ 938	+ 722	+ 428 (+ 97)	+ 109	+ 185	+ 51	+ 28	+ 137
13	- 534	- 308	+ 19 (+ 46)	--	- 327	- 59	- 37	- 130
20	+ 64	- 153	- 236 (- 159)	--	+ 83	+ 13	+ 9	+ 195
27	- 204	- 81	- 65 (+ 85)	--	- 16	--	- 5	- 118
Feb.								
3	+ 8	+ 61	- 26 (+ 74)	--	+ 87	+ 6	+ 12	- 71
10	- 236	- 171	- 61 (- 412)	--	- 110	- 16	- 13	- 36
17	+1,523	+1,082	+ 333 (+ 412)	+ 106	+ 643	+ 85	+ 42	+ 314
24	- 928	- 518	- 218 (- 367)	+ 209	- 509	- 68	- 31	- 311
Mar.								
3	+ 279	+ 286	+ 120 (+ 367)	+ 207	- 41	- 9	- 6	+ 8
10	- 275	- 414	- 408 (- 204)	+ 98	- 104	- 7	- 17	+ 163
17 p	+ 761	+ 736	+ 65 (+ 204)	+ 67	+ 604	+ 90	+ 66	+ 131
24 p	- 516	- 432	+ 203 (- 107)	- 81	- 554	- 90	- 37	+ 43
31 p	+ 502	+ 530	+ 22 (+ 107)	+ 136	+ 372	+ 36	+ 12	- 76

1/ Figures in parenthesis reflect reserve effect of match sale-purchase agreement.

Table 6

MAJOR SOURCES AND USES OF RESERVES
Retrospective and Prospective Changes
(Dollar amounts in millions, based on weekly averages of daily figures)

Period	Factors affecting supply of reserves							= Change in total reserves	= Bank use of reserves	
	Federal Reserve credit (excl. float) 1/	Gold stock	Currency outside banks	Treasury operations	Float	Foreign deposits and gold loans	Other nonmember deposits and F.R. accounts		Required reserves	Excess reserves
Year:	(Sign indicates effect on reserves)									
1969 (12/25/68 - 12/31/69)	+5,539	--	-2,676	- 813	+ 241	+ 54	- 898	+1,448	+1,340	+ 108
1970 (12/31/69 - 12/30/70)	+3,351	+1,150 2/	-3,122	+ 773	+ 667	+ 1	-1,655	+1,163	+1,257	- 94
Weekly:										
1970--Sept.										
2	+ 189	--	+ 196	+ 15	- 217	+ 20	- 14	+ 193	+ 153	+ 40
9	+ 473	--	- 170	- 78	+ 379	+ 4	- 45	+ 561	+ 324	+ 237
16	- 248	--	- 205	+ 154	+ 183	+ 6	+ 100	- 10	+ 49	- 59
23	- 982	36	- 124	- 124	+ 552	+ 21	+ 169	- 527	- 124	- 403
30	+ 689	-214	+ 861	+ 35	- 833	+ 4	+ 95	+ 640	+ 321	+ 319
Oct.										
7	- 482	--	- 260	+ 214	+ 20	- 10	+ 271	- 248	- 328	+ 80
14	- 5	--	- 329	- 163	+ 174	- 4	+ 1	- 322	- 11	- 311
21	+ 224	--	- 549	- 63	+ 576	+ 9	+ 230	+ 426	+ 278	+ 148
28	- 479	--	+ 432	- 71	- 311	- 15	+ 1	- 443	+ 445	+ 2
Nov.										
4	+ 692	--	+ 46	+ 146	- 382	- 24	- 271	+ 205	+ 78	+ 127
11	- 48	--	- 353	+ 81	+ 482	- 1	- 86	+ 73	+ 109	- 36
18	+ 671	--	- 545	+ 88	- 210	+ 17	+ 16	+ 38	+ 156	- 118
25	- 141	--	- 298	+ 153	+ 275	+ 18	- 397	- 390	- 302	- 88
Dec.										
2	+ 986	--	+ 13	+ 34	- 349	+ 5	- 187	+ 502	+ 161	+ 341
9	- 303	--	- 85	+ 103	+ 174	- 8	- 39	- 157	+ 124	- 281
16	+ 697	--	- 263	- 107	- 85	+ 3	+ 75	+ 320	+ 336	- 16
23	- 122	--	- 688	+ 1	+ 873	- 8	+ 206	+ 260	+ 169	+ 91
30	- 143	--	+ 264	- 376	+ 843	- 19	- 24	+ 545	+ 322	+ 223
1971--Jan.										
6	+ 938	- 385	+ 319	+ 188	- 250	+ 8	- 50	+ 768	+ 657	+ 111
13	- 534	--	+ 601	- 63	- 673	- 4	+ 305	- 369	+ 144	- 513
20	+ 64	--	+ 450	+ 108	+ 191	--	- 26	+ 787	+ 727	+ 60
27	- 204	--	+ 544	- 275	- 889	- 1	- 34	- 857	-1,047	+ 190
Feb.										
3	+ 8	--	+ 3	+ 289	- 402	+ 16	- 130	- 213	- 168	- 45
10	- 236	--	- 237	- 256	+ 542	- 4	- 7	- 199	- 167	- 32
17	+1,523	--	- 587	- 50	- 533	- 10	+ 97	+ 442	+ 350	+ 92
24	- 928	--	- 102	+ 418	+ 844	+ 2	- 515	- 286	- 306	+ 20
Mar.										
3	+ 279	--	+ 220	- 99	- 752	+ 17	- 40	- 374	- 227	- 147
10	- 275	--	+ 92	- 105	+ 185	+ 2	- 37	- 138	- 50	- 88
17 p	+ 761	--	- 628	+ 508	- 392	- 5	+ 280	+ 523	+ 371	+ 152
24 p	- 516	--	- 177	- 186	+ 348	+ 20	+ 85	- 426	- 255	- 171
31 p	+ 506	--	+ 421	- 60	- 337	- 41	- 9	+ 478	+ 121	+ 357

1/ For retrospective details, see Table 5.

2/ Includes \$400 million in special drawing account.

p - Preliminary.