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(CONFIDENTIAL FR) February 15, 1974

MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the Staff

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

CONFIDENTIAL (FR) February 15, 1974

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) The money stock and reserve aggregates have shown a mixed performance relative to the Committee's ranges of tolerance during the January-February target period. For most of the period since the last meeting, M_1 and RPD's appeared to be growing at rates well below the low ends of their ranges. However, a sharp rise of M_1 in the first two weeks of February (with the second week based on preliminary and partly estimated data) brought the growth rate back within the range of tolerance. M_2 remained within its range for most of the period, as growth in consumer-type time and savings deposits was strong, and moved slightly above the top of the range when the preliminary data for the second week of February became available.

Growth of Monetary Aggregates and RPD's
in January-February Target Period

Reserve and Monetary Aggregates (Growth at SAAR in per cent)	Range of Tolerance	Latest Estimates	
RPD's	4-3/4--7-3/4	3.4	
M_1	3--6	4.0	
M_2	6--9	9.6	
Memo:			
Fed funds rate (per cent per annum)		Avg. for Statement week ending	
	8-3/4--10	Jan. 23	9.60
		Feb. 13	8.93

(2) In January, M_1 declined at a 3.1 per cent annual rate, instead of rising slightly as originally indicated. The sharp rise

of M_1 in the first two weeks of February suggests a growth rate for the month of around 11 per cent. Some part of this February increase in private balances may be related to a very sharp and considerably greater than anticipated decline in U.S. Government deposits.

(3) Growth of RPD's in the January-February period appears to be somewhat below the lower end of the Committee's range of tolerance. As shown in the table below, RPD's supporting private demand deposits are declining substantially--rather than rising slightly as expected--reflecting mainly the impact on required reserves, as lagged two weeks, of changes in the weekly pattern of demand deposit flows. Excess reserves also are running lower than expected, on average, thus reducing the need to supply reserves through open market operations. CD's and other time deposits have been absorbing more RPD's than anticipated.

Comparison of Projected Changes in RPD's by Use
January-February 1974
(In millions of dollars)

	Projections as of January 22, 1974 FOMC meeting	Current Projection
Change in Total RPD's 1/	44	-113
Change in Category of Use:		
Private demand deposits	19	-162
Time deposits other than large CD's	120	128
CD's and nondeposit funds	-38	52
Excess	-57	-130

1/ Change from December 1973 to February 1974 level consistent with mid-point of Committee's range of tolerance for RPD growth on basis of new estimates of deposit data.

(4) Conditions have eased significantly in the Federal funds market since the last Committee meeting. The funds rate had averaged 9.60 per cent in the statement week of January 23 that encompassed the meeting. Shortly after the meeting, in light of the decision taken by the Committee, the Desk began supplying reserves at a pace consistent with a funds rate in a 9¼--9½ per cent range. Subsequent operations were conditioned by the Treasury financing then in process. Shortfalls in growth rates of M_1 and RPD relative to the Committee's ranges of tolerance led to somewhat more active reserve supplying operations, and the funds rate averaged 8.93 per cent in the week ended February 13. The Desk is currently aiming at a reserve supply consistent with a funds rate of around 9 per cent.

(5) As the funds market has eased in recent weeks, declines in other short-term rates have ranged around 100 basis points and the bank prime loan rate has dropped from 9¾ to 9 per cent at some banks. Reductions in market rates have occurred even though the volume of directly placed and dealer placed commercial paper coming to market was exceptionally heavy and a sizable amount of large CD's was marketed by commercial banks, given large business loan growth and a favorable market atmosphere. Despite the drop in short-term market rates, member bank borrowing at the Fed was maintained, averaging around $1.1 billion during the past four weeks, slightly higher than in the previous four weeks.

(6) Yields in all sectors of the bond market have also been subject to downward pressure since the January FOMC meeting, notwithstanding a heavy volume of new corporate and municipal issues brought to market and fairly aggressive lengthening of maturities by the Treasury in its mid-February refunding. These latest reductions in long-term rates offset a sizable part of the increases recorded in late December and early January.

(7) The Treasury auctioned three new debt issues totaling $4.05 billion during the last week in January to refinance $4.5 billion of publicly held debt maturing in mid-February. The issues--$1.5 billion of a 3¼-year, 6-7/8 per cent note; $2.25 billion of a 7-year, 7 per cent note; and $300 million of a 19½-year, 7½ per cent bond--were well received by the market. All were sold at premiums; both the 7-year note and the 19½-year bond are currently trading at prices above their auction averages, while the price of the 3¼-year note is close to its average. However, dealer awards in the auction were large--amounting to about $1.6 billion in total. Dealers have since distributed only about one-fourth of these awards, but they have not been pressing aggressively thus far to market their remaining holdings.

(8) The table on the next page shows (in percentage annual rates of change) selected monetary and financial flows over various recent time periods. Appendix Table III compares money supply growth rates computed on a quarterly-average basis with those computed on a last-month-of-quarter basis.

	Past 3 Calendar Years	Past 12 Months	Past 6 Months	Past 3 Months	Past Month
	Dec. '73 over Dec. '70	Jan. '74 over Jan. '73	Jan. '74 over Jul. '73	Jan. '74 over Oct. '73	Jan. '74 over Dec. '73
Total reserves	9.0	8.4	10.2	14.3	35.8
Nonborrowed reserves	8.0	9.1	16.7	20.0	45.9
Reserves available to support private nonbank deposits	9.2	8.5	5.9	3.4	7.0
Concepts of Money					
M_1 (currency plus demand deposits) 1/	7.4	5.1	2.5	4.8	-3.1
M_2 (M_1 plus time deposits at commercial banks other than large CD's)	11.4	8.3	7.9	8.7	6.5
M_3 (M_2 plus deposits at thrift institutions)	13.1	8.2	7.0	8.4	6.7
Bank Credit					
Total member banks deposits (bank credit proxy adj.)	11.7	10.9	7.6	6.9	12.3
Loans and investments of commercial banks 2/	14.5	12.5	8.4	7.5	15.8
Short-term market paper (Monthly avg. change in billions)					
Large CD's	1.0	1.7	0.3	0.6	2.7
Nonbank commercial paper	0.1	0.6	1.4	1.2	2.7

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

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

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

Prospective developments

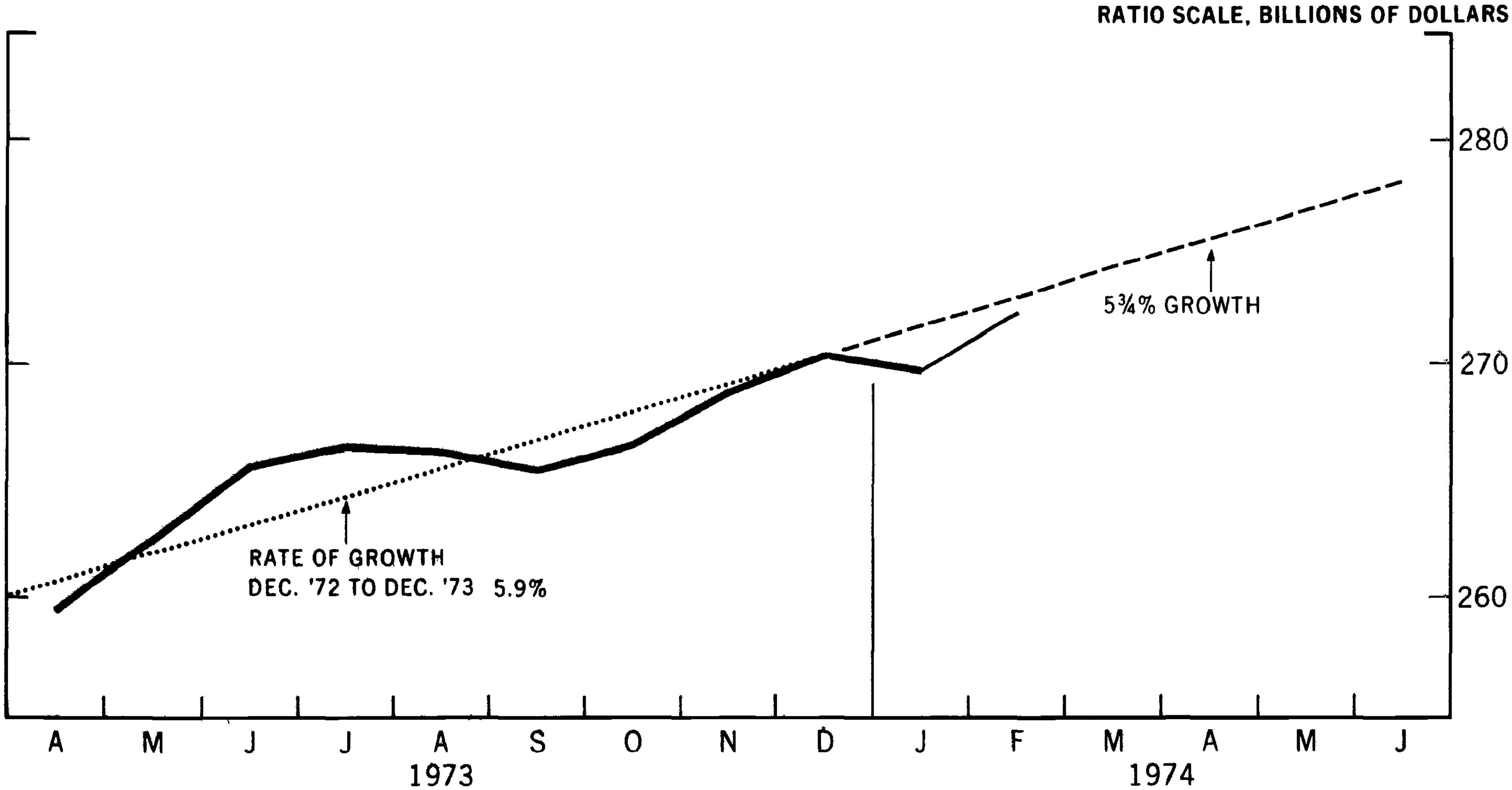
(9) Three policy alternatives are summarized below for Committee consideration (with more detailed figures shown in the table on p. 6a).

	Alt. A	Alt. B	Alt. C
Targets (1st & 2nd qtrs. combined)			
M_1	6½	5¾	5
M_2	10¾	10	8¾
Credit proxy	9¼	8¾	8
Associated ranges for February-March			
RPD	5½--7½	4½--6½	3½--5½
M_1	8¼--10¼	7½--9½	6¾--8¾
M_2	11--13	10½--12½	10--12
Federal funds rate range (inter-meeting period)	7½--8¾	8¼--9½	8¾--10

(10) Alternative B includes the 5¾ per cent annual growth rate for M_1 for the period from December to June adopted by the Committee at its last meeting, which is depicted in the chart on the following page. The longer-run growth of M_2 implied by this alternative is around 10 per cent, about 2 percentage points higher than indicated at the last Committee meeting.[1/] The increase in M_2 growth reflects the greater than expected strength of recent net inflows of consumer-type time deposits at banks and the lower average level of market interest rates that has already developed and is assumed to continue into the months ahead under this alternative. Alternatives A and C contemplate faster and slower rates of monetary growth, respectively.

1/ For M_3, the implied growth rate is 9¾ per cent, about 1½ percentage points higher than indicated at the last meeting.

MONEY SUPPLY AND LONGER RUN TARGET PATH



Alternative Longer-Run Targets for Key Monetary Aggregates

		M_1			M_2			M_3		
		Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1973	Dec.	270.4	270.4	270.4	570.7	570.7	570.7	893.2	893.2	893.2
1974	Jan.	269.7	269.7	269.7	573.8	573.8	573.8	898.2	898.2	898.2
	Feb.	272.2	272.2	272.1	579.8	579.8	579.8	906.2	906.1	906.0
	Mar.	273.9	273.5	273.2	585.4	584.8	584.2	914.9	913.9	912.7
	June	279.2	278.2	277.2	601.6	599.8	596.0	940.0	936.9	930.7
						Rates of Growth				
Quarters:										
1974	1st Q.	5.2	4.6	4.1	10.3	9.9	9.5	9.7	9.3	8.7
	2nd Q.	7.7	6.9	5.9	11.1	10.3	8.1	11.0	10.1	7.9
Months:										
	Feb.	11.1	11.1	10.7	12.5	12.5	12.5	10.7	10.6	10.4
	Mar.	7.5	5.7	4.9	11.6	10.3	9.1	11.5	10.3	8.9

		Adjusted Credit Proxy			Total Reserves			RPD		
		Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1973	Dec.	449.6	449.6	449.6	35,105	35,105	35,105	32,912	32,912	32,912
1974	Jan.	454.2	454.2	454.2	35,852	35,852	35,852	32,802	32,802	32,802
	Feb.	454.6	454.6	454.6	35,132	35,131	35,130	32,800	32,799	32,798
	Mar.	457.9	457.5	457.1	34,839	34,781	34,727	33,153	33,096	33,041
	June	470.5	469.4	467.8	35,812	35,662	35,528	33,791	33,643	33,514
Quarters:										
1974	1st Q.	7.4	7.0	6.7	0.4	-0.3	0.9	6.6	5.9	5.2
	2nd Q.	11.0	10.4	9.4	11.2	10.1	9.2	7.7	6.6	5.7
Months:										
	Feb.	1.1	1.1	1.1	-24.1	-24.1	-24.2	-0.1	-0.1	-0.1
	Mar.	8.7	7.7	6.6	-10.0	-12.0	-13.8	12.9	10.9	8.9

(11) A longer-run 5¾ per cent growth path for M_1 is associated with lower interest rates than in the previous blue book mainly because of the downward revision in nominal GNP expansion projected by the staff. At the time of the last Committee meeting, economic activity at current prices was projected to expand at a 6½ per cent annual rate in the first half of the year, whereas a 5½ per cent expansion is now projected. This would be expected to lower transactions demands for money and therefore to reduce the interest rates associated with a given growth in the money supply.

(12) With short-term interest rates having declined by around one percentage point since the last meeting, market rates have already moved close to levels that now seem consistent with a 5¾ per cent M_1 growth. Thus, little or no further decline would be expected under alternative B. The Federal funds rate range for that alternative is indicated at 8¼--9½ per cent, centering close to the recently prevailing level.

(13) Recent interest rate declines will be working to sustain money demand in the months ahead, including demand for both cash balances and interest-earning deposits. In the February-March period, M_1 growth in a 7½--9½ per cent annual rate range is indicated under alternative B. Because of the sizable shortfall of M_1 in January, such a rate of increase is needed to restore M_1 to the desired longer-run growth path. Growth of M_1 in February may be particularly large, reflecting perhaps a decline in U.S. Government deposits between January and February that is virtually unprecedented in size. The Treasury redeemed $800 million of maturing debt in mid-February and the cash deficit for February also seems to be a little larger than seasonal.

(16) Growth in consumer-type time and savings deposits at banks is likely to continue generally strong, perhaps bolstered by a build-up in precautionary balances by consumers. The growth, however, will probably slacken a little from that of January, when net inflows (as in October) may have been enlarged somewhat by an increased amount of interest crediting (taking place on the final day of quarters) resulting from the higher ceiling rates. Under alternative A, growth in consumer-type time deposits would probably be even more rapid for a while--at least until further declines in market rates lead banks to begin reducing offering rates for consumer-type deposits. The expected rise of interest rates under alternative C would reduce the relative attractiveness of consumer-type time deposits, though, judging from recent experience, the effect of higher market rates might be more marked on the specialized thrift institutions than on commercial banks.

(17) With funds available in volume through consumer-type time deposits, banks are not expected to be aggressive issuers of large CD's in the weeks ahead. Business loan demand at banks may not moderate substantially from the January pace until the rate of overall business inventory accumulation slackens, as is projected for the spring. However, mortgage and consumer credit demands are likely to be quite modest in the period immediately ahead, given the weakness in home buying and in sales of cars, mobile homes, and recreational equipment.

(18) In time, the recent removal of capital controls and large international funds flows stemming from the rise in oil prices may come to have an appreciable effect on domestic banking aggregates and market

conditions. Thus far, however, discernible effects have been minor, and have included mainly reports of offerings of longer-term dollar-denominated CD's to U.S. investors by foreign affiliates of U.S. banks, and reports of strong interest by U.S. and foreign corporations in shifting longer-term borrowing from the Euro-dollar market to U.S. capital markets. The potential for investment in the United States of funds from the oil-exporting countries is even more dramatic, but here too there has been little indication of sizable money-flows. Under the circumstances, we have not yet made any special allowance for the effects of international financial developments on domestic markets and aggregates.

Proposed directive

(19) Presented below are three alternative formulations for the operational paragraph of the directive, which are intended to correspond to the similarly lettered policy alternatives discussed in the preceding section. In all three alternatives, it is proposed to delete the reference to Treasury financing because the quarterly refunding announced on January 30 has been virtually completed.

Alternative A

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

Alternative B

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

Alternative C

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

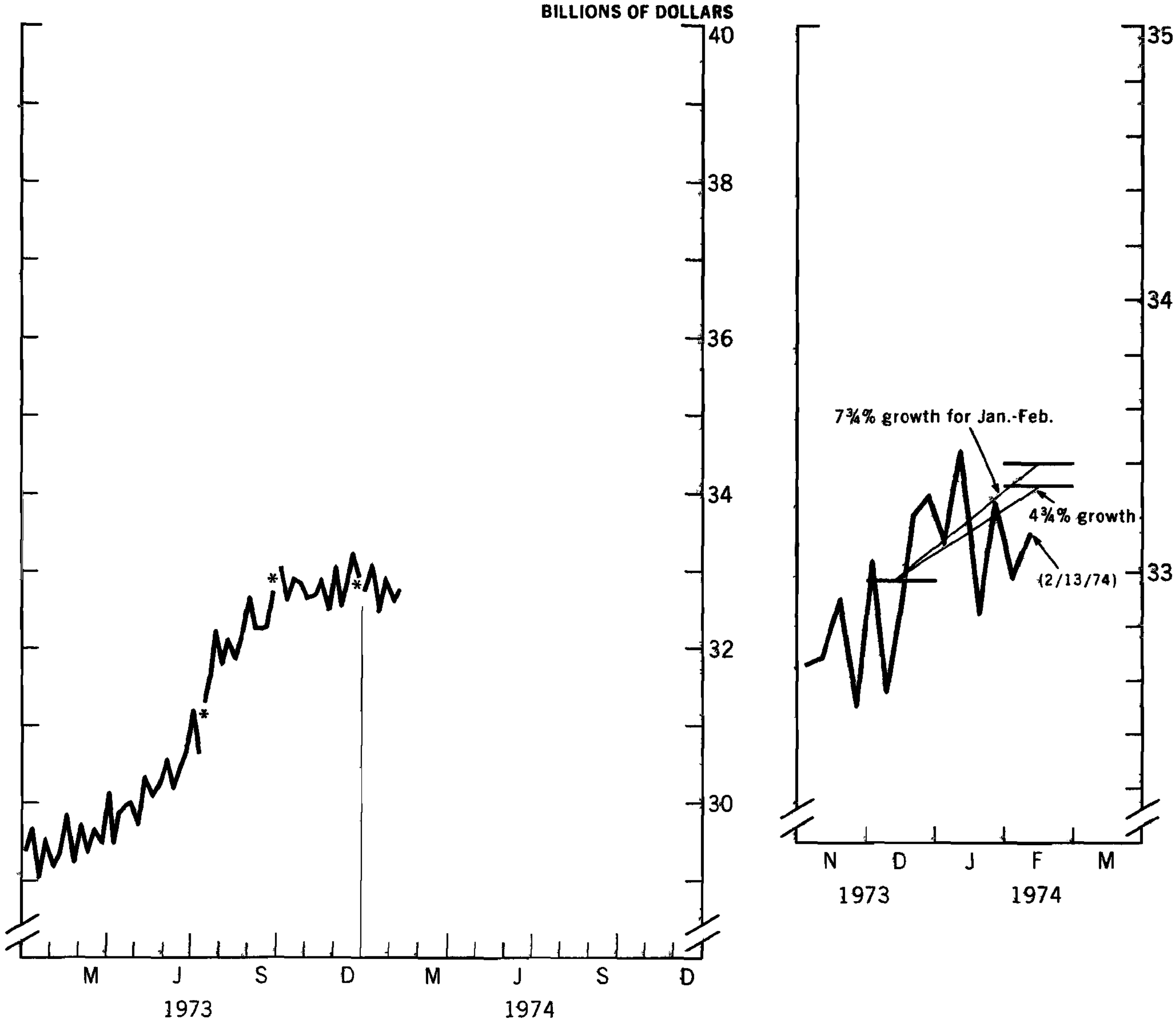
CHART 1

STRICTLY CONFIDENTIAL (FR)
2/15/74

RESERVES AVAILABLE TO SUPPORT PRIVATE NONBANK DEPOSITS

REVISED SERIES

BILLIONS OF DOLLARS



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

CHART 2

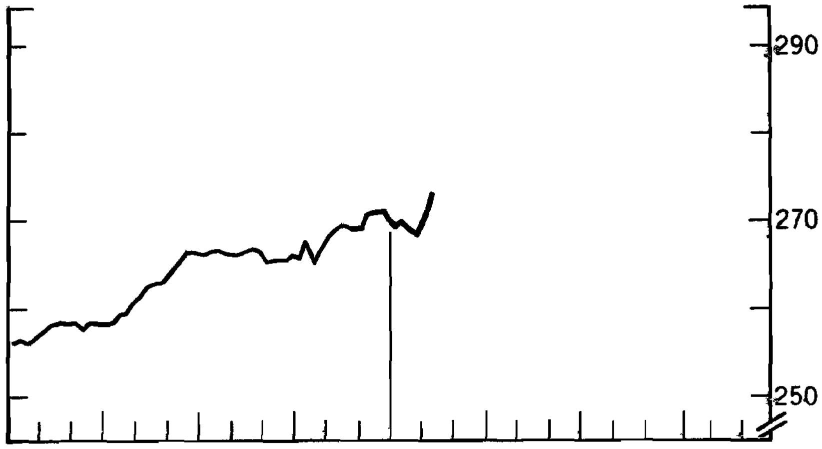
STRICTLY CONFIDENTIAL (FR)
2/15/74

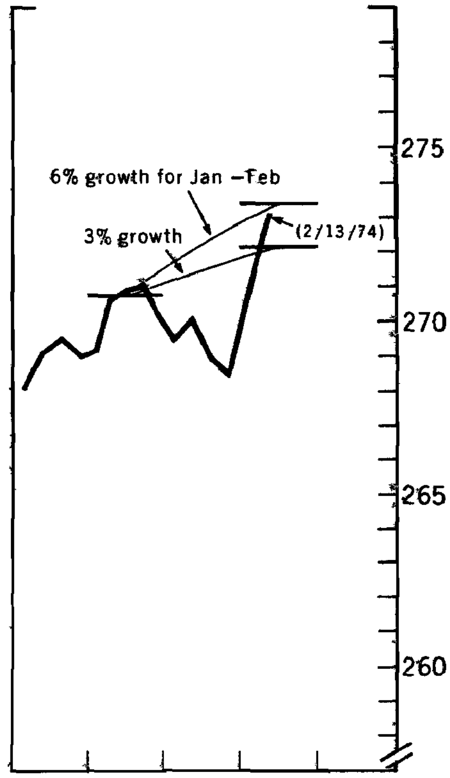
MONETARY AGGREGATES

REVISED SERIES

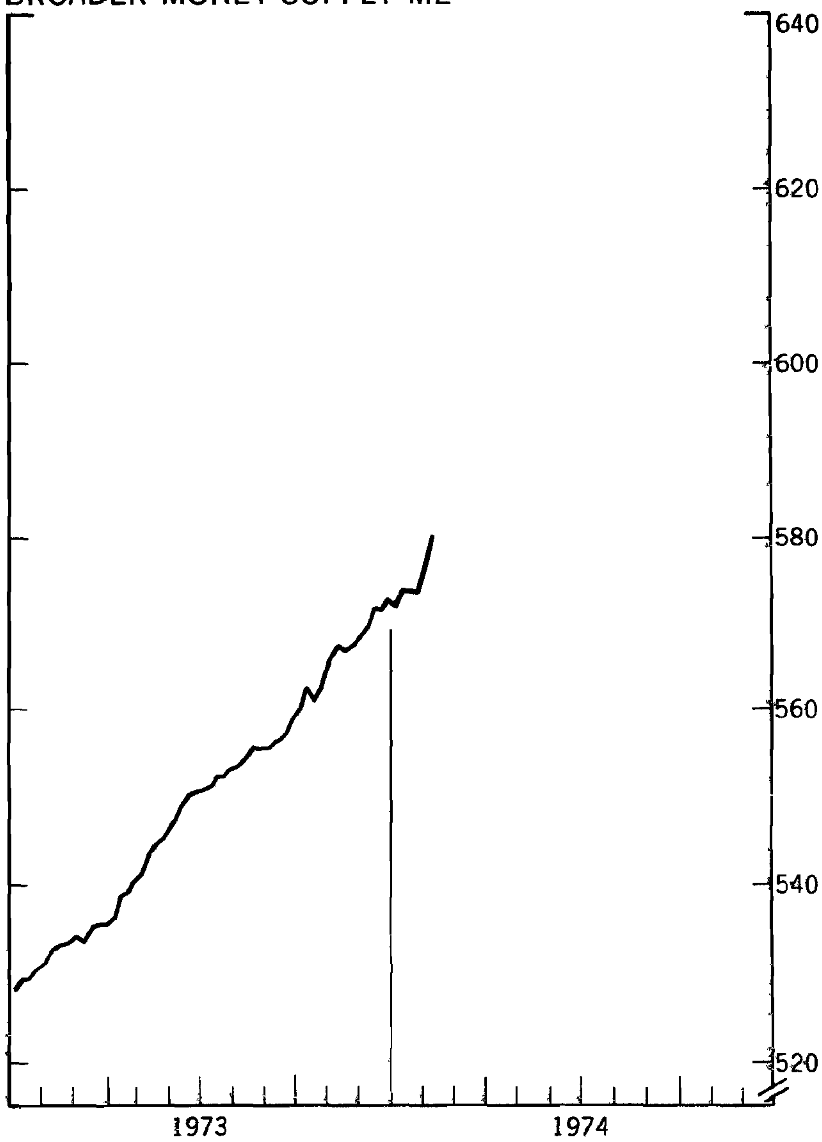
NARROW MONEY SUPPLY M1

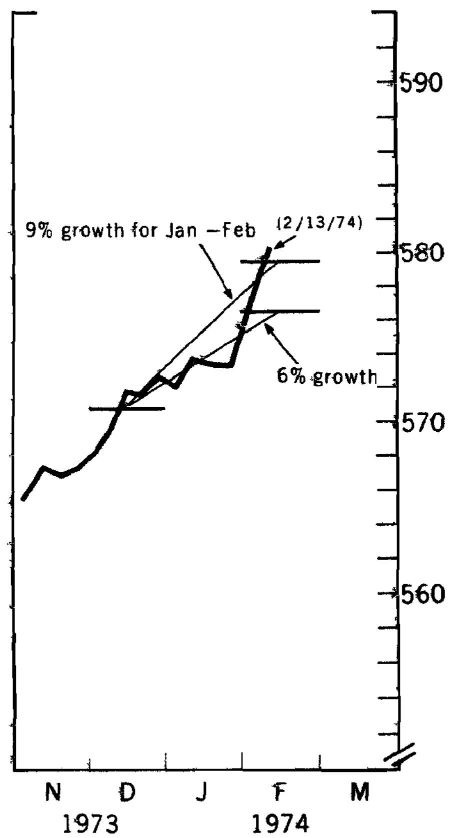
BILLIONS OF DOLLARS





BROADER MONEY SUPPLY M2

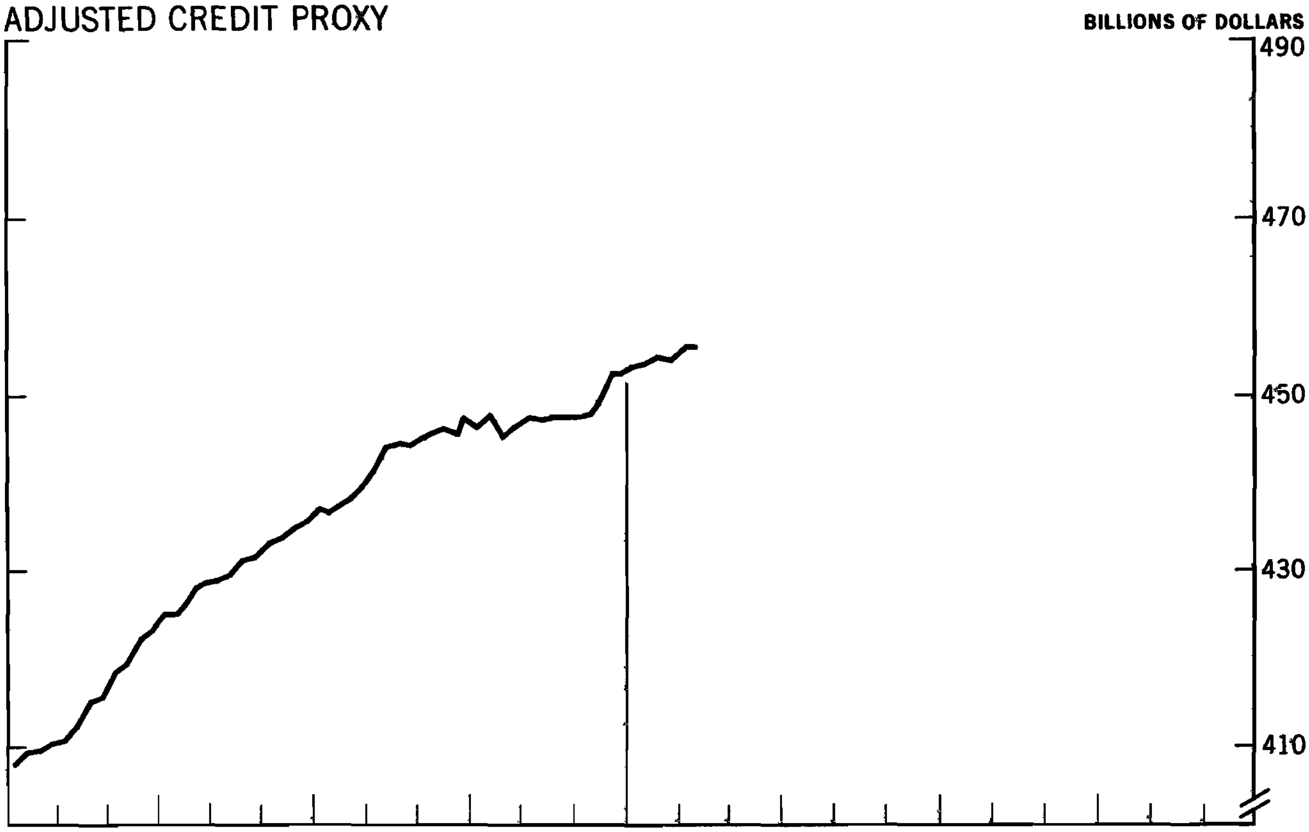




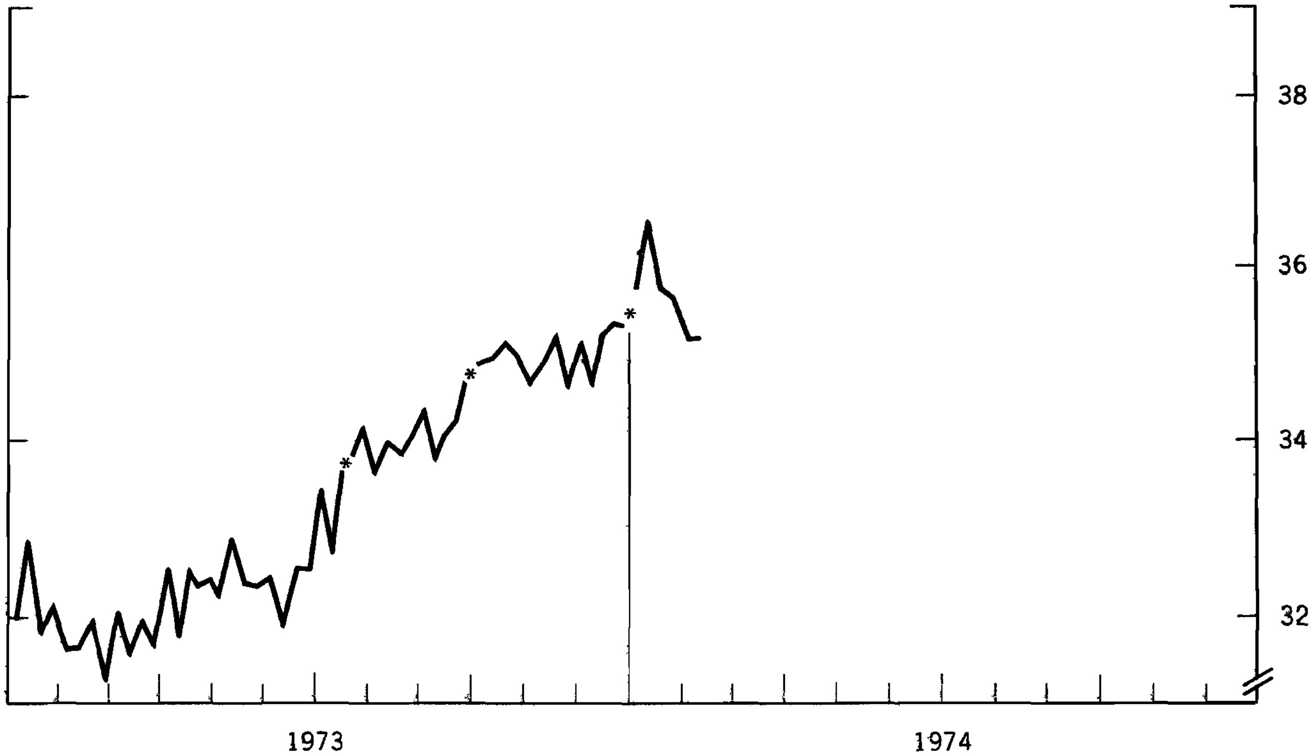
STRICTLY CONFIDENTIAL (FR)

MONETARY AGGREGATES

ADJUSTED CREDIT PROXY



TOTAL RESERVES



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

CHART 4

MONEY MARKET CONDITIONS AND INTEREST RATES

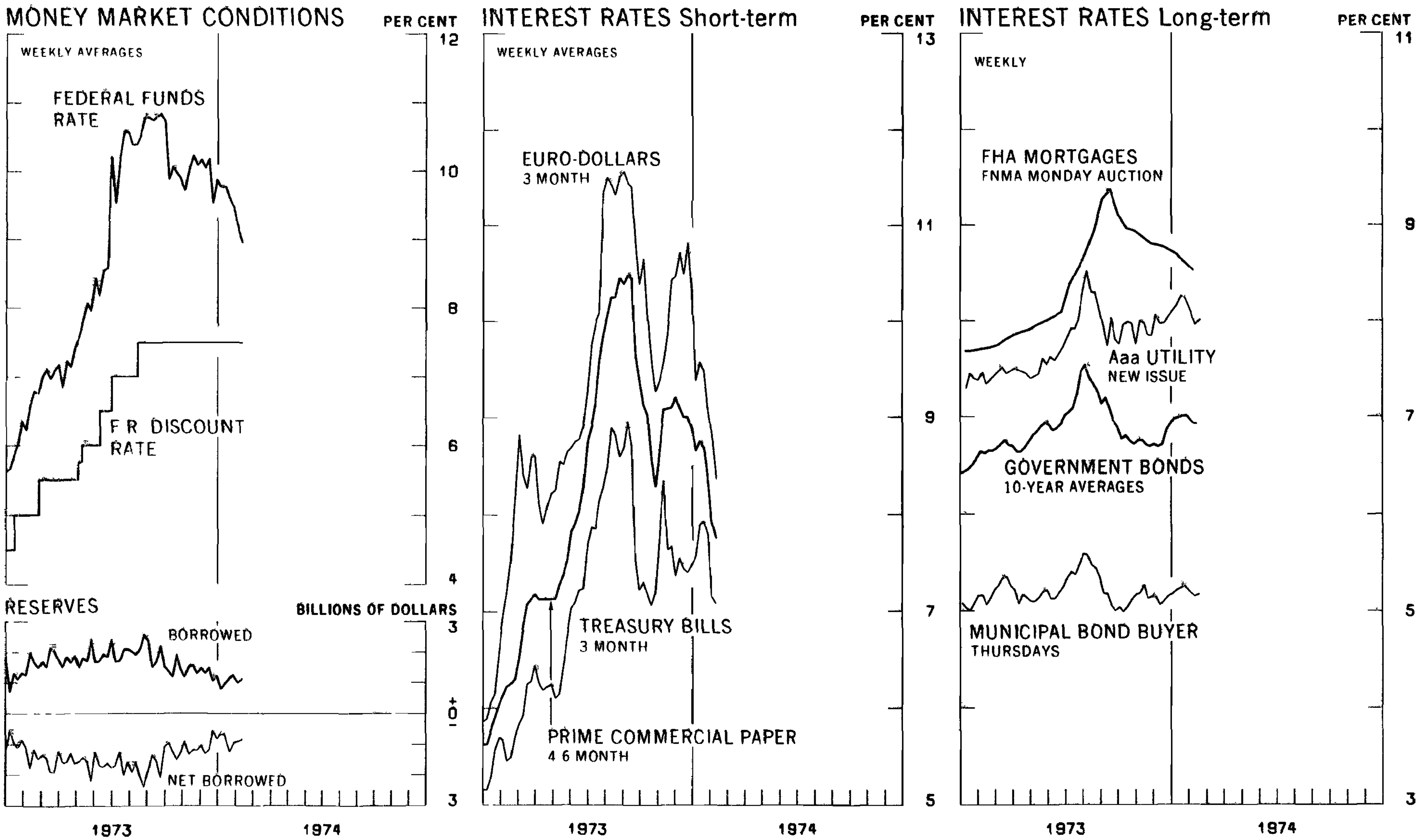


TABLE 1

STRICTLY CONFIDENTIAL

FEBRUARY 15, 1974

BANK RESERVES
(ACTUAL AND CURRENT PROJECTIONS)

PERIOD	RESERVES AVAILABLE FOR PRIVATE NONBANK DEPOSITS: SEAS ADJ	RESERVES AVAILABLE FOR PRIVATE NONBANK DEPOSITS: NON SEAS ADJ	AGGREGATE RESERVES: TOTAL RESERVES	AGGREGATE RESERVES: NONBORROWED RESERVES	REQUIRED RESERVES, SEASONALLY ADJUSTED: PRIVATE DEMAND	REQUIRED RESERVES, SEASONALLY ADJUSTED: OTHER TIME DEP	REQUIRED RESERVES, SEASONALLY ADJUSTED: CD'S AND NON DEP	REQUIRED RESERVES, SEASONALLY ADJUSTED: GOV'T AND INTERBANK
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MONTHLY LEVELS-$MILLIONS								
1973--NOV.	32,714	32,752	34,857	33,463	19,976	8,430	4,069	2,142
DEC.	32,912	33,167	35,105	33,807	20,227	8,460	3,918	2,193
1974--JAN.	32,802	33,870	35,852	34,801	20,305	8,525	3,807	3,050
FEB.	(32,799)	(32,883)	(35,131)	(34,147)	(20,065)	(8,588)	(3,970)	(2,332)
ANNUAL RATES OF CHANGE								
QUARTERLY:								
1973--3RD QTR.	14.2		10.6	11.3	1.4	15.7		
4TH QTR.	1.4		6.1	13.4	5.8	12.7		
1974--1ST QTR.	(5.9)		(-0.3)	(4.4)	(-1.8)	(9.6)		
MONTHLY:								
1973--OCT.	1.0		12.1	26.7	3.4	16.2		
NOV.	-6.3		-4.3	-1.6	-1.1	17.3		
DEC.	9.4		10.5	14.4	15.1	4.3		
1974--JAN.	7.0		35.8	45.9	4.6	9.2		
FEB.	(-0.1)		(-24.1)	(-22.6)	(-14.2)	(8.9)		
JAN.-FEB.	(3.4)		(5.6)	(11.4)	(-4.8)	(9.1)		
WEEKLY LEVELS-$MILLIONS								
1974--JAN. 2	32,921	33,562	35,312	34,102	20,361	8,523	3,649	2,391
9	32,747	33,482	35,752	34,976	20,423	8,506	3,731	3,005
16	33,075	34,562	36,521	35,533	20,396	8,530	3,821	3,446
23	32,488	33,749	35,747	34,565	20,211	8,507	3,853	3,259
30	32,892	33,878	35,640	34,419	20,212	8,548	3,856	2,748
FEB. 6	32,618	33,142	35,169	34,171	20,033	8,578	3,906	2,551
13	32,779	32,914	35,176	34,023	19,913	8,566	3,992	2,396

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS. AT THE FOMC MEETING OF JANUARY 22, 1974 THE COMMITTEE AGREED ON A RPD RANGE OF 4.75 TO 7.75 PERCENT FOR THE JAN-FEB PERIOD.

STRICTLY CONFIDENTIAL

FEBRUARY 15, 1974

MONETARY AGGREGATES
(ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED)

PERIOD	MONEY SUPPLY NARROW (M1)	MONEY SUPPLY BROAD (M2)	ADJUSTED CREDIT PROXY	U.S. GOVT. DEPOSITS	TIME AND SAVINGS DEPOSITS TOTAL	TIME AND SAVINGS DEPOSITS OTHER THAN CD S	TIME AND SAVINGS DEPOSITS CD S	NONDEPOSIT SOURCES OF FUNDS
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MONTHLY LEVELS-$BILLIONS								
1973--NOV.	268.8	566.7	447.5	5.8	359.9	297.8	62.0	7.1
DEC.	270.4	570.7	449.6	4.9	363.1	300.3	62.8	7.4
1974--JAN.	269.7	573.8	454.2	6.1	369.6	304.1	65.5	7.5
FEB.	(272.2)	(579.8)	(454.6)	(2.1)	(375.1)	(307.6)	(67.5)	(7.5)
PERCENT ANNUAL GROWTH								
QUARTERLY								
1973--3RD QTR.	-0.2	5.2	10.5		14.0	10.4		
4TH QTR.	7.5	10.1	3.3		5.8	12.5		
1974--1ST QTR.	(4.6)	(9.9)	(7.0)		(18.0)	(14.7)		
MONTHLY								
1973--OCT.	5.0	10.8	1.6		3.4	16.1		
NOV.	10.4	10.9	2.7		3.3	11.0		
DEC.	7.1	8.5	5.6		10.7	10.1		
1974--JAN.	-3.1	6.5	12.3		21.5	15.2		
FEB.	(11.1)	(12.5)	(1.1)		(17.9)	(13.8)		
JAN.-FEB.	(4.0)	(9.6)	(6.7)		(19.8)	(14.6)		
WEEKLY LEVELS-$BILLIONS								
1974-JAN. 2	270.3	572.5	452.5	6.0	366.5	302.2	64.3	7.0
9	269.5	572.0	453.1	6.8	367.3	302.5	64.8	7.1
16	270.0	573.8	453.5	6.5	368.4	303.7	64.7	7.3
23	268.9	573.7	454.5	6.2	370.6	304.8	65.8	7.7
30	268.5	573.7	454.1	5.5	372.3	305.2	67.1	7.8
FEB. 6 P	271.0	577.2	455.7	4.5	373.4	306.2	67.2	7.2
13 PE	273.1	580.3	455.5	2.6	374.6	307.2	67.4	7.7

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.

P - PRELIMINARY
PE - PARTIALLY ESTIMATED

Table 3

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

	Open Market Operations 1/					Daily Average Reserve Effect 2/			Δ in reserve categories		Δ Target
	Bills & Accept.	Coupon Issues	Agency Issues	RP's Net 3/	Total	Open Market Operations	Δ Member Bank Borrowing	Other 4/ Factors	req. res. against U.S.G. and interb.	available res. 5/ (6)+(7)+(8)-(9)	available reserves 5/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Monthly											
1973 -- July	1,073	27	168	1,148	2,416	2,090	263	-850	343	1,160	795
Aug.	-753	--	-20	-143	-915	-818	93	978	-337	590	680
Sept	-494	--	-30	531	7	-583	-282	1,150	-149	434	475
Oct.	1,972	--	172	295	2,440	1,986	-395	-678	379	534	1,005
Nov.	-1,008	533	71	-902	-1,307	394	-68	-646	-190	-130	860
Dec.	1,862	726	128	-831	1,386	1,336	-101	-759	-70	546	475
1974 -- Jan	-397	179	-10	-100	-328	1,031	-253	697	773	702	895
Feb.											-875
March											
Weekly											
1973 -- Dec. 5	-304	--	--	593	288	710	188	-424	-27	501	
12	-33	--	-84	-1,393	-1,510	-824	-172	538	61	-519	
19	1,002	73	73	2,752	3,900	868	186	-370	167	517	
26	420	50	--	-5,874	-5,404	613	-447	152	-286	604	
1974 -- Jan. 2	659	205	121	5,124	6,110	705	168	-874	303	-304	
9	205	--	-2	-3,819	-3,616	-25	-434	1,014	720	-165	
16	-201	--	--	2,187	1,986	-155	213	1,394	326	1,126	
23	-159	--	-11	213	44	-459	193	-795	-279p	-782p	
30	148	77	19	503	747	803	39	-1,272	-588p	158p	
Feb. 6	-382	--	-38	-1,864	-2,285	-685	-223	192	30	-746p	
13	394	--	--	2,288	2,683	269	155	-502	140	-218	
20											
27											

1/ Represents change in System's portfolio from end-of-period to end-of- period; includes redemptions in regular bill auctions.
2/ Represents change in daily average level from preceding period.
3/ Includes matched sale-purchase transactions as well as RP's.
4/ Sum of changes in vault cash, currency in circulation, Treasury operations, F.R. float, gold and foreign accounts, and other F.R. accounts.
5/ Reserves to support private nonbank deposits. Target change for January and February reflects the target adopted at the January 22, 1974 FOMC meeting. Target change for previous months reflects the bluebook patterns that are consistent with target ranges that were adopted during the month.

TABLE 4

SECURITY DEALER POSITIONS AND BANK POSITIONS
Millions of dollars

Period	U. S. Govt. Security Dealer Positions		Dealer Positions		Member Bank Reserves Positions				
					Excess** Reserves	Borrowing at FRB**		Basic Reserve Deficit	
	Bills	Coupon Issues	Corporate Bonds	Municipal Bonds		Total	Seasonal	8 New York	38 Others
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1972 -- High	4,291	1,585	235	383	796	1,223		-5,635	-5,720
Low	1,916	-93	0	40	-133	12		-1,638	-1,910
1973 -- High	3,796	1,299	197	384	631	2,561		-5,243	-10,661
Low	897	-301	0	36	-240	688		-1,831	-4,048
1973 -- Jan.	3,407	720	27	177	289	1,161		-4,550	-5,469
Feb.	2,132	562	77	123	207	1,594		-4,187	-5,436
Mar.	2,490	-50	24	125	177	1,825		-4,273	-5,847
Apr.	2,457	106	12	60	255	1,688	3	-3,293	-6,577
May	1,894	421	66	151	161	1,843	30	-3,019	-5,872
June	2,281	562	33	120	234	1,851	75	-3,507	-6,443
July	1,425	265	24	139	285	1,953	155	-2,460	-6,106
Aug.	1,690	39	0	70	177	2,165	163	-2,689	-4,940
Sept.	2,745	395	6	80	216	1,852	148	-3,173	-5,355
Oct.	2,565	484	44	226	227	1,476	126	-3,814	-6,090
Nov.	2,804	793	90	148	239	1,393	84	-4,469	-8,186
Dec.	3,441	973	105	276	307	1,298	41	-4,682	-9,793
1974 -- Jan.	*3,102	*540	114	254	165p	1,051p	18p	-4,753	-10,893
1973 -- Dec. 5	3,090	746	100	275	446	1,475	57	-3,625	-8,594
12	3,737	910	136	225	-28	1,303	45	-4,881	-10,051
19	3,796	1,144	108	327	316	1,489	40	-5,017	-10,661
26	3,312	1,090	74	277	476	1,038	35	-4,757	-9,281
1974 -- Jan. 2	2,890	858	43	238	388	1,210	31	-4,418	-9,541
9	3,079	611	141	210	86	776	19	-5,135	-10,615
16	3,117	533	183	134	328	988	20	-6,189	-11,252
23	*3,238	*553	161	316	-83	1,182	13	-4,870	-11,987
30	*3,087	*420	42	371	276p	1,221p	17p	-3,229	-10,651
Feb. 6	*2,759	*898	88	226	101p	998p	18p	-4,115p	-10,501p
13	*2,781	*2,203	250p	150p	319p	1,153p	15p	-5,621p	-10,461p
20									
27									

NOTE: Government security dealer trading positions are on a commitment basis. Trading positions, which exclude Treasury bills financed by repurchase agreements maturing in 16 days or more, are indicators of dealer holdings available for sale over the near-term. Other security dealer positions are debt issues still in syndicate, excluding trading positions. The basic reserve deficit is excess reserves less borrowing at Federal Reserve less net Federal funds purchases. Weekly data are daily averages for statement weeks, except for corporate and municipal issues in syndicate which are Friday figures.

* STRICTLY CONFIDENTIAL

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

CONFIDENTIAL (FR)
FEBRUARY 15, 1974

TABLE 5

SELECTED INTEREST RATES
Per cent

Period	Short-Term: Federal Funds	Short-Term: Treasury Bills 90-Day	Short-Term: Treasury Bills 1-Year	Short-Term: 90-119 Day Commercial Paper	Short-Term: CD's New Issue-NYC 60-89 Day	Short-Term: CD's New Issue-NYC 90-119 Day	Long-Term: Aaa Utility New Issue	Long-Term: Aaa Utility Recently Offered	Long-Term: Municipal Bond Buyer	Long-Term: U.S. Government (10-yr. Constant Maturity)	Long-Term: FNMA Auction Yields
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1972 -- High	5.38	5.13	5.52	5.50	5.38	5.50	7.60	7.46	5.54	6.58	7.72
Low	3.18	3.03	3.60	3.75	3.13	3.50	6.99	7.12	4.96	5.87	7.54
1973 -- High	10.84	8.95	8.43	10.50	10.50	10.75	8.52	8.30	5.59	7.54	9.37
Low	5.61	5.15	5.42	5.63	5.38	5.50	7.29	7.26	4.99	6.42	7.69
1973 -- Jan.	5.94	5.41	5.58	5.76	5.63	5.75	7.38	7.35	5.05	6.46	7.69
Feb.	6.58	5.60	5.93	6.17	6.16	6.28	7.40	7.41	5.13	6.64	7.72
Mar.	7.09	6.09	6.53	6.76	6.78	6.75	7.49	7.51	5.29	6.71	7.78
Apr.	7.12	6.26	6.51	7.13	7.04	6.75	7.46	7.48	5.15	6.67	7.89
May	7.84	6.36	6.63	7.26	7.44	7.41	7.51	7.50	5.15	6.85	7.98
June	8.49	7.19	7.05	8.00	7.98	8.13	7.64	7.64	5.18	6.90	8.07
July	10.40	8.01	7.97	9.26	9.09	9.19	8.01	7.97	5.40	7.13	8.46
Aug.	10.50	8.67	8.32	10.26	10.25	10.40	8.36	8.22	5.48	7.40	8.83
Sept.	10.78	8.29	8.07	10.31	10.31	10.50	7.88	7.99	5.10	7.09	9.32
Oct.	10.01	7.22	7.17	9.14	9.15	9.08	7.90	7.94	5.05	6.79	9.01
Nov.	10.03	7.83	7.40	9.11	9.06	8.91	7.90	7.94	5.18	6.73	8.84
Dec.	9.95	7.45	7.01	9.28	9.44	9.13	8.00	8.04	5.12	6.74	8.78
1974 -- Jan.	9.65	7.77	7.01	8.86	9.05	8.83	8.21	8.22	5.22	6.99	8.71
1973 -- Dec. 5	10.17	7.36	7.31	9.33	9.50	9.25	8.06	7.98	5.15	6.72	--
12	10.04	7.55	7.27	9.48	9.50	9.13	7.97	7.97	5.06	6.69	--
19	10.18	7.44	6.77	9.18	9.38	9.13	7.98	8.05	5.11	6.71	8.78
26	9.52	7.40	6.79	9.16	9.38	9.00	--	8.10	5.16	6.87	--
1974 -- Jan. 2	9.87	7.48	6.88	9.16	9.38	9.00	--	8.14	5.18	6.94	--
9	9.76	7.57	7.01	8.98	9.13	8.88	8.17	8.25	5.22	6.98	--
16	9.77	7.89	7.09	8.88	9.13	8.88	8.27	8.21	5.24	6.99	8.71
23	9.60	7.93	7.04	8.98	9.00	8.88	8.24	8.26	5.26	7.01	--
30	9.47	7.79	6.96	8.65	8.63	8.50	8.11	8.19	5.20	7.01	--
Feb. 6	9.13	7.16	6.59	8.25	8.13	8.00	7.95	8.14	5.16	6.94	--
13	8.93	7.08	6.47	8.03	8.13	8.00	8.02	8.13	5.18	6.93	8.53
20											
27											

Notes: Weekly data for columns 1 to 4 are statement week averages of daily data. Columns 5 and 6 are one-day Wednesday quotes. For Columns 7, 8 and 10 the weekly date is the mid-point of the calendar week over which data are averaged. Column 9 is a one-day quote for Thursday following the end of the statement week. Column 11 gives FNMA auction data for the Monday preceding the end of the statement week. The FNMA auction yield is the average yield in the bi-weekly auction for short-term forward commitments for Government underwritten mortgages.

Appendix Table I

RESERVES AND MONETARY VARIABLES

February 15, 1974

Period	Reserves: Total (1)	Reserves: Nonborrowed (2)	Reserves: Available to Support Pvt. Deposits (3)	Money Stock Measures: M_1 (4)	Money Stock Measures: M_2 (5)	Money Stock Measures: M_3 (6)	Bank Credit Measures: Adjusted Credit Proxy (7)	Bank Credit Measures: Total Loans and Investments (8)	Other: Total Time (9)	Other: Time Other than CD's (10)	Other: Thrift Institution Deposits 1/ (11)	Other: CD's (12)	Other: Nondeposit Funds (13)	Other: U.S. Gov't Demand (14)
	(Per Cent Annual Rates of Growth)											(Dollar Change in Billions)		
Annually														
1970	+6.0	+9.3	+8.7	+6.0	+8.4	+8.0	+8.2	+8.1	+17.9	+11.1	+7.1	+14.4	-8.4	+1.2
1971	+7.2	+7 8	+6.9	+6.3	+11.2	+13.4	+9.4	+11.2	+18.2	+16.7	+17.5	+ 7.7	-7.6	-0.4
1972	+10.6	+7.7	+10.1	+8.7	+11.1	+13.1	+11.6	+14.6	+15.7	+13.5	+16.9	+10.4	+0.4	--
1973	+ 7.8	+7.2	+9.3	+5.7	+ 8.6	+ 8.6	+10.6	+12.6	+15.9	+11.3	+ 8.6	+19.4	+3.0	-1.2
Semi-Annually														
1st Half 1972	+10.8	+11.0	+8.3	+7.7	+10.7	+13.0	+11.2	+13.6	+15.4	+13.8	+17.3	+ 4.4	-0.2	-1.0
2nd Half 1972	+ 9.9	+ 4.1	+11.5	+9.4	+10.9	+12.5	+11.3	+14.7	+14.8	+13.8	+15.4	+ 6.0	+0.6	+0.1
1st Half 1973	+ 6.7	+ 1.6	+10.3	+7.7	+ 9.1	+10.0	+13.8	+16.6	+20.7	+10.3	+11.7	+18.6	+1.2	-0.8
2nd Half 1973	+ 8.6	+12.7	+ 7.8	+3.7	+ 7.8	+ 6.9	+ 7.0	+ 8.0	+10.0	+11.6	+ 5.3	+ 0.8	+1.8	-0.4
Quarterly														
1st Qtr. 1972	+ 8.7	+ 9.1	+ 9.6	+9.0	+12.3	+14.6	+10.5	+15.7	+14.5	+15.5	+18.9	+ 0.7	-0.3	-0.4
2nd Qtr. 1972	+12.6	+12.6	+ 6.9	+6.2	+ 8.9	+10.9	+11.6	+11.1	+15.7	+11.7	+14.7	+ 3.7	+0.1	+0.3
3rd Qtr. 1972	+ 4.4	- 0.9	+10.4	+8.7	+10.8	+12.8	+10.2	+13.0	+14.3	+12.7	+16.2	+ 2.4	+0.3	-1 1
4th Qtr. 1972	+15.1	+ 9.2	+12.2	+9.9	+10.6	+11.8	+12.1	+15.8	+14.8	+11.4	+13.9	+ 3.6	+0.3	+1.2
1st Qtr. 1973	+ 6.4	- 3.6	+ 7.8	+3.8	+ 6.9	+ 9.4	+14.6	+19.9	+22.7	+ 9.9	+13.6	+11.2	+0.5	+1.5
2nd Qtr. 1973	+ 6.9	+ 7.0	+12.5	+11.5	+11.1	+10.4	+12.6	+12.7	+17.8	+10.4	+9.4	+ 7.4	+0.7	-2.3
3rd Qtr. 1973	+10.6	+11.3	+14.2	-0.2	+5.2	+4.5	+10.5	+11.4	+14.0	+10.4	+3.1	+ 4.7	+1.7	-0.3
4th Qtr. 1973	+6.1	+13.4	+1.4	+7.5	+10.1	+9.2	+3.3	+4.4	+ 5.8	+12.5	+7.5	- 3.9	+0.1	-0 1
Monthly														
1973--Jan.	+30.1	+26.8	+15.9	+4.7	+9.4	+11.7	+9.7	+17.8	+16.5	+12.9	+15.8	+ 1.3	+0.6	+0.6
Feb.	-21.1	-38.5	-2.9	+5.6	+6.1	+9.1	+11.1	+23.7	+22.3	+ 7.0	+14.4	+ 4.4	-0.5	-0.6
Mar.	+10.5	+1.8	+10.3	+0.9	+5.2	+7.2	+22.3	+17.2	+28.2	+ 9.6	+10.2	+ 5.5	+0.4	+1.5
Apr.	+14.7	+20.1	+10.0	+6.0	+8.3	+8.6	+15.4	+13.1	+22.5	+10.0	+9.4	+ 3.8	+0.2	-0.5
May	+5.4	+0.5	+9.9	+13.9	+11.8	+10.3	+11.0	+16.6	+18.9	+10.3	+7.8	+ 2.9	+0.3	-1.9
June	+0.5	+0.2	+17.3	+14.2	+12.8	+11.9	+11.1	+8.2	+11.2	+10.7	+10.8	+ 0.7	+0.2	+0.1
July	+27.2	+24.9	+19.5	+4.1	+5.7	+6.1	+8.6	+13.3	+12.5	+ 7.6	+6.5	+ 1.9	+0.9	-1.4
Aug.	-5.1	-13.5	+9.0	-0.9	+6.3	+4.1	+17.0	+16.7	+19.2	+13.0	--	+ 2.4	+0.6	+0.9
Sept.	+9.5	+21.9	+13.3	-3.6	+3.7	+3.2	+5.7	+4.1	+ 9.8	+10.4	+2.7	+ 0.4	+0.2	+0.2
Oct.	+12.1	+26.7	+1.0	+5.0	+10.8	+9.1	+1.6	+6.7	+ 3.4	+16.1	+6.4	- 2.9	-0.4	+1.0
Nov.	-4.3	-1.6	-6.3	+10.4	+10.9	+9.7	+2.7	+5.0	+ 3.3	+11.0	+7.2	- 1.8	+0.2	-0.2
Dec.	+10.5	+14.4	+9.4	+7.1	+8.5	+8.5	+5.6	+1.5	+10.7	+10.1	+8.6	+ 0.8	+0.3	-0.9
1974-Jan.	+35.8	+45.9	+7.0	-3.1	+6.5	+6.7	+12.3	+15.8	+21.5	+15.2	+7.1	+ 2.7	+0.1	+1.2

p - Preliminary

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

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

Appendix Table II
RESERVES AND MONETARY VARIABLES
(Seasonally adjusted, billions of dollars)

	RESERVES			MONEY STOCK MEASURES				BANK CREDIT MEASURES			OTHER				
				M_1											
Period	Total	Non-borrowed	Available to Support Pvt. Deposits	Total	Pvt. Dep.	M_2	M_3	Adjusted Credit Proxy	Total Loans & Investments	Total Time	Time Other than CD's	Thrift Institution Deposits 1/	CD's	Non-Deposits Funds	U.S. Gov't Demand
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
ANNUALLY:															
Dec. 1970	29,193	28,861	27,099	221 2	172.2	425.2	641.2	332.9	438.5	229.2	203.9	216.1	25.3	11.6	6.5
Dec. 1971	31,299	31,173	23,965	235.2	182.6	473.0	726 9	364.3	487.6	270.9	237.9	253.9	33.0	4.0	6.1
Dec. 1972	31,410	30,360	29,053	255.7	198.7	525.5	822.4	406.4	559.0	313.3	269.9	296.9	43.4	4.4	6.1
MONTHLY:															
1973--Jan.	32,199	31,037	29,439	256.7	199.6	529.6	830.4	409.7	567.3	317.6	272.8	300.8	44.7	5.0	6.7
Feb	31,634	30,040	29,368	257.9	200.4	532.3	836.7	413.5	578.5	323.5	274.4	304.4	49.1	4.5	6.1
Mar.	31,910	30,085	29,621	258.1	200.1	534.6	841.7	421.2	586.8	331.1	276.6	307.0	54.6	4.9	7.6
Apr.	32,300	30,589	29,867	259.4	200.8	538.3	847.7	426.6	593.2	337.3	278.9	309.4	58.4	5.1	7.1
May	32,445	30,602	30,114	262.4	203.4	543.6	855.0	430.5	601.4	342.6	281.3	311.4	61.3	5.4	5.2
June	32,459	30,608	30,548	265.5	206.2	549.4	863.5	434.5	605.5	345.8	283.8	314.2	62.0	5.6	5.3
July	33,576	31,622	31,385	266.4	207.0	552.0	867.9	437.6	612.2	349.4	285.6	315.9	63.9	6.5	3.9
Aug.	33,906	31,741	32,039	266.2	206.4	554.9	870.9	443.8	620.7	355.0	288.7	315.9	66.3	7.1	4.8
Sept.	34,173	32,321	32,394	265.4	205.2	556.6	873.2	445.9	622.8	357.9	291.2	316.6	66.7	7.3	5.0
Oct.	34,942	33,466	32,845	266.5	206.1	561.6	879.8	446.5	626.3	358.9	295.1	318.3	63.8	6.9	6.0
Nov.	34,857	33,463	32,714	268.8	207.9	566.7	886.9	447.5	628.9	359.9	297.8	320.2	62.0	7.1	5.8
Dec.	35,105	33,807	32,917	270.4	208.8	570.7	893.2	449.6	629.7	363.1	300.3	322.5	62.8	7.4	4.9
1974--Jan.	35,852	34,801	32,802	269.7	207.9	573.8	898.2	454.2	638.0	369.6	304.1	324.4	65.5	7.5	6.1
Weekly:															
1973--Dec. 5	35,108	33,633	33,041	269.1	208.1	568.2	--	447.6	--	360.8	299.1	--	61.7	7.2	4 8
12	34,623	33,321	32,561	270.7	209.2	569.7	--	447.9	--	361.9	298.9	--	63.0	7.6	4.1
19	35,211	33,722	32,869	270.9	209.4	571.8	--	449.3	--	363.1	300.9	--	62.2	7.6	4.5
26	35,330	34,292	33,209	271.0	208.9	571.6	--	452.5	--	363.7	300.7	--	63.0	7.3	5.9
1974--Jan. 2	35,312	34,102	32,921	270.3	208.8	572.5	--	452.5	--	366.5	302.2	--	64.3	7.0	6.0
9	35,752	34,976	32,747	269.5	207.8	572.0	--	453.1	--	367.3	302.5	--	64.8	7.1	6.8
16	36,521	35,533	33,075	270.0	208.2	573.8	--	453.5	--	368.4	303.7	--	64.7	7.3	6.5
23	35,747	34,565	32,488	268.9	206.9	573.7	--	454.5	--	370.6	304.8	--	65.8	7.7	6.2
30p	35,640	34,419	32,892	268.5	206.6	573.7	--	454.1	--	372.3	305.2	--	67.1	7.8	5.5
Feb. 6p	35,169	34,171	32,618	271.0	208.6	577.2	--	455.7	--	373.4	306.2	--	67.2	7.2	4.5

p - Preliminary

NOTE: Reserve requirements on Eurodollar borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970. Adjusted credit proxy includes mainly total member bank deposits subject to reserve requirements, bank-related commercial paper and Eurodollar borrowings of U.S. banks. Weekly data are daily averages for statement weeks. Monthly data are daily averages except for nonbank commercial paper figures which are for last day of month. Weekly data are not available for M_3, total loans and investments and thrift institution deposits.

1/ Estimated monthly average levels derived by averaging end of current month and end of previous month reported data.

Appendix Table III

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

		M_1		M_2		M_3	
		M	Q	M	Q	M	Q
1972	I	9.0	5.3	12.3	11.0	14.6	13.2
	II	6.2	8.2	8.9	9.8	10.9	12.0
	III	8.7	8.2	10.8	10.8	12.8	12.6
	IV	9.9	8.4	10.6	10.2	11.8	11.8
1973	I	3.8	7.0	6.9	8.8	9.4	10.7
	II	11.5	7.5	11.1	8.7	10.4	9.1
	III	-0.2	5.5	5.2	7.9	4.5	7.2
	IV	7.5	3.9	10.1	8.5	9.2	7.3

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

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