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**(CONFIDENTIAL FR)**

January 17, 1975

# **MONETARY AGGREGATES AND MONEY MARKET CONDITIONS**

**Prepared for the Federal Open Market Committee**

**By the Staff**

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**

MONETARY AGGREGATES AND  
MONEY MARKET CONDITIONS

Recent Developments

(1)  $M_1$  increased at an annual rate of about 2 per cent in December, and incoming data for early January suggest that its growth over the December-January target period will fall substantially below the lower end of the range of tolerance established by the FOMC at its December meeting.  $M_2$  expanded at only a  $2\frac{1}{2}$  per cent annual rate in December, as inflows into bank time deposits other than money market CD's also slowed markedly. While such time deposit inflows appear to be improving in January,  $M_2$  expansion for the December-January target period also is expected to be well below the lower end of its tolerance range. The bank credit proxy expanded at a  $7\frac{1}{2}$  per cent annual rate in December, as banks issued CD's aggressively, partly for window-dressing purposes. Since the turn of the year, banks have been much less active in the CD market.

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

<u>Reserve and Monetary Aggregates (Growth at SAAR in per cent)</u>	<u>Range of Tolerance</u>	<u>Latest Estimates</u>
$M_1$	5-7	1.1
$M_2$	$7\frac{1}{2}$ -10	4.5
RPD	9-11	4.7
<u>Memo:</u> Federal funds rate (per cent per annum)	7- $1\frac{1}{8}$ -- $9\frac{1}{2}$ <sup>1/</sup>	Avg. for statement <u>week ending</u> Dec. 18      8.72 Jan. 1        7.35 Jan. 15       7.22

<sup>1/</sup> The range shown reflects the reduction in the lower limit from  $7\frac{1}{2}$  per cent on January 9.

(2) Following the December FOMC meeting, the Account Manager began aiming at a Federal funds rate of about  $8\frac{1}{2}$  per cent. Despite large increases in nonborrowed reserves, the Federal funds market showed little tendency to ease, however, as member banks managed their reserve positions conservatively over the holiday and year-end statement date period. The relative abundance of reserves finally showed through in the money market on the final day of the year, so that the average funds rate for the statement week ending January 1 dropped to 7.35 per cent. In the following statement week, the Desk reduced its Federal funds rate target to about  $7\frac{1}{2}$  per cent, the lower limit of the Committee's tolerance range, in response to evidence of weakness in the aggregates. On January 9, with growth in the aggregates apparently well below the lower limits set by the FOMC, the Committee concurred in the Chairman's recommendation to reduce the lower limit of the funds rate range to  $7\text{-}1/8$  per cent. In the statement week ended this past Wednesday, the funds rate averaged 7.22 per cent, and the funds rate has drifted down further in recent days.

(3) Interest rates on private short-term market instruments have generally declined  $1\frac{1}{2}$  to 2 percentage points since the December meeting due to a combination of System policy actions and weaker private credit demands. The 3-month Treasury bill rate declined around  $\frac{1}{2}$  percentage point to about 6.30 per cent. On January 3, the discount rate was reduced by  $\frac{1}{2}$  point to  $7\frac{1}{2}$  per cent by six Federal Reserve Banks. Because of the exceptionally heavy current and prospective corporate bond calendar as well as the prospect of large Treasury financings,

yields in bond markets have not responded to the sharp decline in short-term rates, although the large volume of new corporate issues has been readily handled by the market.

(4) Deposit inflows strengthened significantly further at nonbank thrift institutions in December. With mortgage demands remaining weak, these funds were used mainly to repay debt and build portfolio liquidity. Some institutions were also reported to have stepped up their acquisition of mortgages from mortgage companies and to have increased their purchases of GNMA guaranteed mortgage-backed securities. Mortgage rates have declined somewhat further in recent weeks.

(5) The table on the following page shows (in percentage annual rates of change) selected monetary and financial flows over various recent time periods. Appendix table IV compares money supply growth rates computed on a quarterly-average basis with those computed on a last-month-of-quarter basis. Projected figures on the two bases are shown in appendix table V for the three alternatives presented in the next section.

	Average of Three Calendar Years	Past Twelve Months	Past Six Months	Past Three Months	Past Month
	1971	Dec. '74	Dec. '74	Dec. '74	Dec. '74
	--	over	over	over	over
	1973	Dec. '73	June '74	Sept. '74	Nov. '74
Total reserves	8.6	8.6	6.3	4.4	16.4
Nonborrowed reserves	7.7	10.6	20.4	34.7	34.6
Reserves available to support private nonbank deposits	8.8	8.9	5.2	1.2	7.7
<u>Concepts of Money</u>					
M <sub>1</sub> (currency plus demand deposits) <u>1/</u>	7.0	4.5	2.8	4.0	2.1
M <sub>2</sub> (M <sub>1</sub> plus time deposits at commercial banks other than large CD's)	10.4	7.3	5.7	6.8	2.5
M <sub>3</sub> (M <sub>2</sub> plus deposits at thrift institutions)	11.7	6.6	5.4	6.8	4.8
<u>Bank Credit</u>					
Total member bank deposits (bank credit proxy adj.)	10.4	10.1	5.4	4.1	7.3
Loans and investments of commercial banks <u>2/</u>	12.8	8.3	1.4	-2.8	-12.8
<u>Short-term Market Paper</u>					
(Monthly average change in billions)					
Large CD's	1.1	2.2	1.5	1.8	4.8
Nonbank commercial paper	--	.4	.6	.3	- .6

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

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

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

Prospective developments

(6) Three alternative sets of specifications are summarized below for Committee consideration, with more detailed data shown in the table on p.

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
Ranges of tolerance for Jan.-Feb.			
M <sub>1</sub>	4-6	3½-5½	3-5
M <sub>2</sub>	8-10	7-9	6½-8½
RPD	7½-9½	6½-8½	5-7
Federal funds rate (inter-meeting range)	5½-6½	6½-7½	6½-7½
Longer- run growth rates <u>1/</u>			
M <sub>1</sub>			
June '74-June '75	4¾	4½	4
Nov. '74-June '75	6	5½	4¾
Dec. '74-June '75	6¾	6	5
M <sub>2</sub>			
June '74-June '75	7½	7¾	7
Nov. '74-June '75	8¾	7¾	7½
Dec. '74-June '75	9½	8¾	7¾

1/ Figures shown assume staff GNP projection for first and second quarters of 1975, and Federal funds rate behavior as described in the paragraphs below.

(7) The format of the summary table has been modified to provide additional perspective on longer-run growth rates of key monetary aggregates. The bottom half of the table shows growth rates for M<sub>1</sub> and M<sub>2</sub> for periods

Alternative Longer-Run Growth Rates for Key Monetary Aggregates

		<u>M<sub>1</sub></u>			<u>M<sub>2</sub></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>
1974	Dec.	283.6	283.6	283.6	613.8	613.8	613.8
1975	Jan.	283.8	283.7	283.6	617.6	617.3	617.1
	Feb.	285.9	285.7	285.5	622.9	622.1	621.5
	Mar.	287.7	287.3	287.0	627.8	626.6	625.4
	June	293.2	292.2	290.9	642.0	640.5	637.6
<u>Growth Rates</u>							
Nov. '74--June '75		6.1	5.5	4.7	8.3	7.8	7.0
1975	1st Q.	5.8	5.2	4.8	9.1	8.3	7.6
	2nd Q.	7.6	6.8	5.4	9.0	8.9	7.8
1975	Jan.	0.8	0.4	--	7.4	6.8	6.5
	Feb.	8.9	8.4	8.0	10.3	9.3	8.6
		<u>M<sub>3</sub></u>			<u>Credit Proxy</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>
1974	Dec.	954.8	954.8	954.8	494.1	494.1	494.1
1975	Jan.	961.6	961.1	960.8	497.9	497.6	497.4
	Feb.	970.4	969.2	968.3	499.5	498.9	498.4
	Mar.	978.9	977.0	975.3	502.5	501.8	501.1
	June	1003.9	1000.8	996.7	511.4	510.7	509.5
<u>Growth Rates</u>							
Nov. '74--June '75		9.5	9.0	8.2	7.1	6.8	6.4
1975	1st Q.	10.1	9.3	8.6	6.8	6.2	5.7
	2nd Q.	10.2	9.7	8.8	7.1	7.1	6.7
1975	Jan.	8.5	7.9	7.5	9.2	8.5	8.0
	Feb.	11.0	10.1	9.4	3.9	3.1	2.4



of time varying from 6 months to a year, with all periods ending in mid-1975. These longer-run growth rates assume the staff GNP projection and further assume that the funds rate reaches levels at about the mid-point of the ranges shown over the next several weeks. For alternative A, however, it should be noted that the lower interest rates are not assumed to persist throughout the whole first half of the year, as will be explained below.

(8) Alternative A encompasses the 6 per cent longer-run annual rate of growth for  $M_1$  (over the seven-month November '74-June '75 period) that was preferred by the Committee at its last meeting, the achievement of which would now require a  $6\frac{3}{4}$  per cent growth rate over the first half of this year. Under this alternative the funds rate would be expected to decline to 6 per cent, or a shade below, between now and mid-February. Growth in  $M_1$  by February would be expected to be considerably higher than in recent months, partly in lagged reaction to earlier interest rate declines, and partly because the behavior of money appears to have been unusually weak recently relative to nominal GNP. Given the very low growth that seems in store for January, however, the  $M_1$  growth rate would be expected to be in a 4-6 per cent range for the two-month January-February period.

(9) Interest rate declines under alternative A may begin to be reversed as spring progresses. The rate of growth in  $M_1$  by the second quarter is expected to be relatively rapid as the impact of monetary ease cumulates, and growth would tend to accelerate further in the third quarter, given the substantial jump in the rate of increase in nominal GNP forecast by the staff, partly because a greater fiscal stimulus is now assumed, as explained in the green book. Assuming the Committee were to wish to hold monetary growth to around a 6-7 per cent annual rate in

the second half of the year, this would appear to require an upward adjustment of the funds rate, as well as other short-term market interest rates, at a fairly early stage.

(10) The specifications of alternative B contemplate a smaller decline in the Federal funds rate over the next few weeks than under alternative A. The mid-point of the suggested range is around  $6\frac{3}{4}$  per cent. Money supply growth over the first half of 1975 would be expected to be at about a 6 per cent annual rate, and would be at about a  $5\frac{1}{2}$  per cent annual rate of growth over the Nov. '74--June '75 period. Because alternative B puts in place a lesser degree of monetary stimulation over the near-term, it would appear that any reversal of the interest rate decline would be delayed more than under alternative A. In order to prevent an acceleration of monetary growth in the second half of 1975, the funds rate under this alternative would probably not need to rise until perhaps early summer. However, market interest rates more generally could begin rising in spring in anticipation of continued exceptionally large Treasury cash needs in the second half of the year combined with a pick-up of total private credit demands (assuming that an economic recovery in the second half is still anticipated at that time).

(11) Alternative C assumes money market conditions as indexed by a Federal funds rate centering around  $7\frac{1}{2}$  per cent.  $M_1$  growth in the January-February period under this alternative would be expected to be in a 3-5 per cent annual rate range. A pick-up in  $M_1$  growth would still be anticipated in February, but the rate of expansion would be less than under the two other alternatives. Similarly, over the

longer-run, growth rates for money supply would be slower; for example, over the first half of 1975  $M_1$  growth might be at around a  $5\frac{1}{2}$  per cent annual rate.

(12) Given prevailing market expectations of a further easing in monetary policy, a Federal funds rate of around  $7\frac{1}{2}$  per cent is likely to be accompanied by some back-up in market interest rates in the near-term, particularly rates on Treasury securities and corporate bonds. Over the next few weeks, the Treasury will likely be raising new cash by adding \$200-\$300 million to the weekly bill auctions; in addition \$ $1\frac{1}{2}$ -\$2 billion of new cash will probably be raised in connection with the refunding of \$ $3\frac{1}{2}$  billion of publicly-held debt that matures in mid-February. Terms of this refunding will be announced on January 22 or 23. The Treasury will also be raising large amounts of new cash in March and April. Given the prospective volume of Treasury issues to be distributed through the market, dealers may be reluctant to add significantly further to holdings unless they can foresee some drop in their financing costs. On the other hand--aside from a very heavy volume of corporate bond issues--credit demands in other sectors of the market are likely to be quite modest in the weeks ahead. Demands may be particularly light in private short-term markets so that interest rate pressures, should they develop, are more likely to appear in longer-term market sectors.

(13) The net inflow at banks of time and savings deposits (other than money market CD's) is expected to continue at about the pace of the fourth quarter of 1974 under alternative C. Greater

inflows of consumer-type time and savings deposits are assumed under alternatives A and B in the months immediately ahead, but under alternative A the rate of inflow is assumed to drop back somewhat in the spring as interest rates begin to rise. Under all three alternatives, the staff has assumed that savings inflows will be sustained in late spring or early summer by initial payments of the proposed income tax rebate--which would also tend temporarily to enlarge demand deposits. Implied rates of growth for  $M_2$  under the three alternatives are shown in the bottom panel of the summary table in paragraph (6).

(14) Similar assumptions to those for consumer-type time deposits at banks were made for deposit flows at thrift institutions. Given the apparently weak mortgage demand, downward pressures on mortgage interest rates might be expected in the months ahead under all three alternatives, with declines in mortgage rates the largest, of course, under alternative A. Under the easing alternatives, conditions leading to a reversal of such rate declines would tend to develop as time passes, though perhaps not until after mid-year.

(15) Bank credit expansion will probably be generally moderate over the months ahead under any of the alternatives. This is mainly because business and consumer credit demands on banks are expected to be quite sluggish, as businesses reduce inventories and consumers continue to hold off on purchases of durable goods. In addition, given their need to improve liquidity positions, uncertainties as to the quality of their loan portfolio, and their weak capital positions, banks are unlikely to be

aggressive issuers of CD's over the months ahead. Money center banks in particular may be cautious in adding to their security portfolios and relaxing lending terms. Nevertheless, the banking system as a whole may make sizable investments in short-term U.S. and state and local government securities, utilizing available funds from consumer-type time and savings deposits and demand deposits.

Proposed directive

(16) 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. For all three alternatives, it is proposed to include a reference to Treasury financing because the regular mid-February financing will be announced shortly.

Alternative A

To implement this policy, while taking account of THE FORTHCOMING TREASURY FINANCING AND OF developments in domestic and international financial markets, the Committee seeks to achieve bank reserve and money market conditions consistent with somewhat more rapid growth in monetary aggregates over the months ahead than has occurred in recent months.

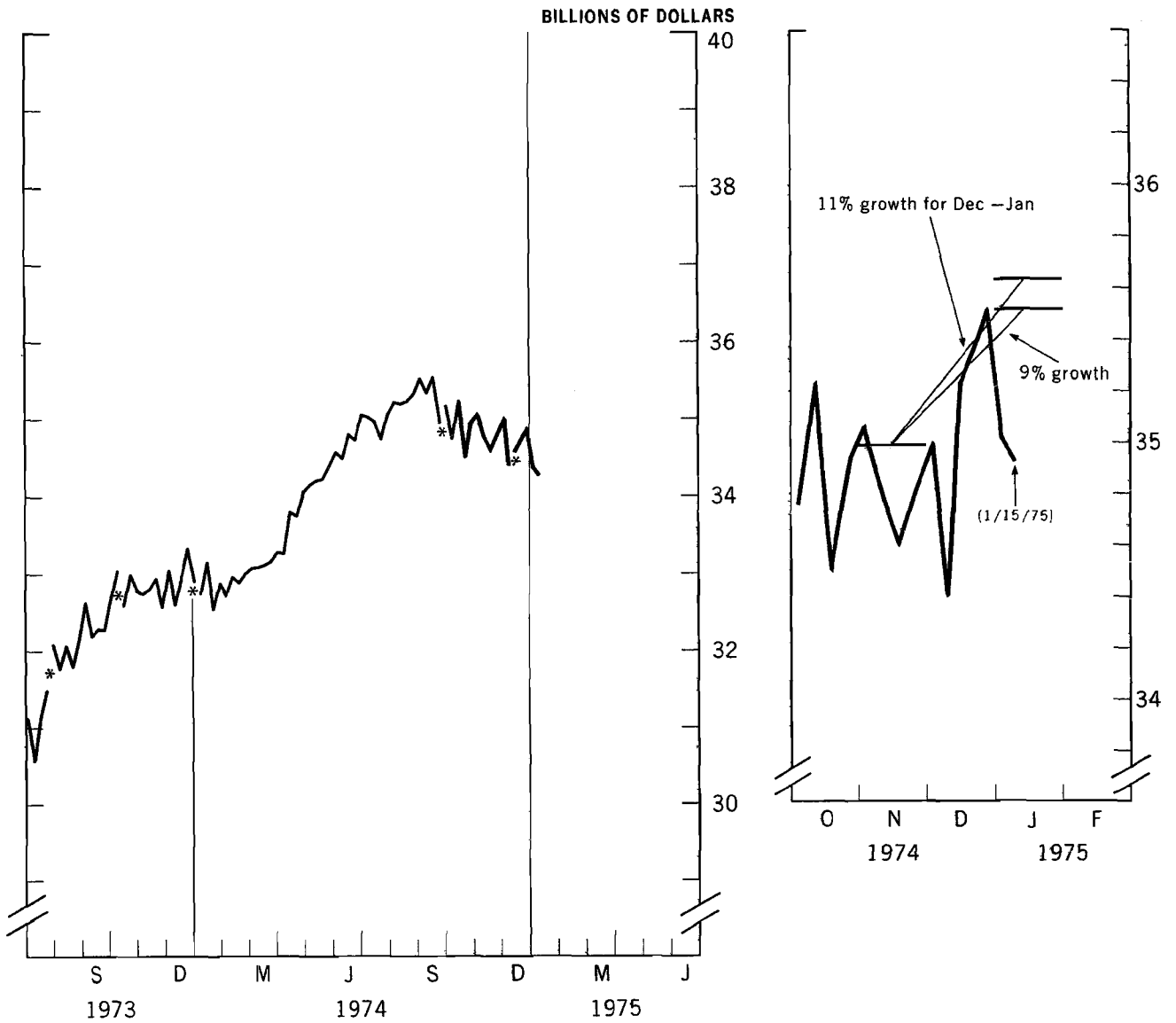
Alternative B

To implement this policy, while taking account of THE FORTHCOMING TREASURY FINANCING AND OF developments in domestic and international financial markets, the Committee seeks to achieve bank reserve and money market conditions consistent with somewhat more rapid growth in monetary aggregates over the months ahead than has occurred in recent months.

Alternative C

To implement this policy, while taking account of  
THE FORTHCOMING TREASURY FINANCING AND OF developments in  
domestic and international financial markets, the Committee  
seeks to achieve bank reserve and money market conditions  
consistent with ~~somehat-more-rapid~~ MODERATE growth in monetary  
aggregates over the months ahead ~~than-has-occurred-in-recent~~  
months.

# RESERVES AVAILABLE TO SUPPORT PRIVATE NONBANK DEPOSITS



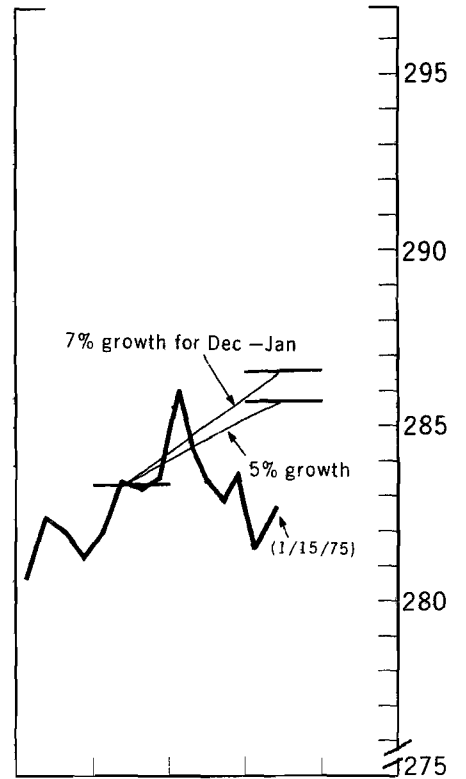
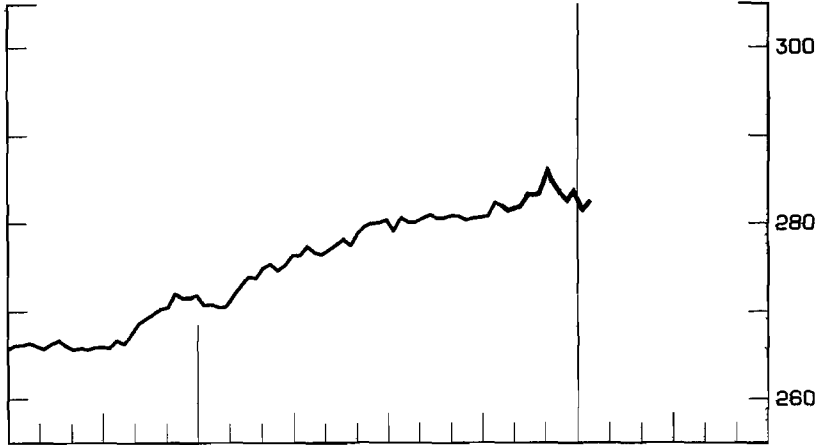
\* Break in Series, Actual Level of RPD After Changes in Reserve Requirements



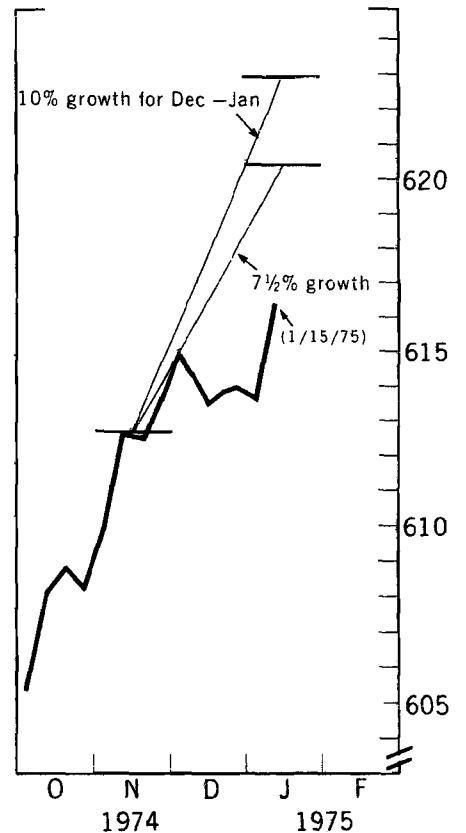
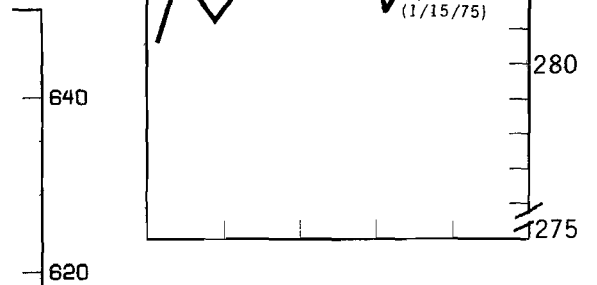
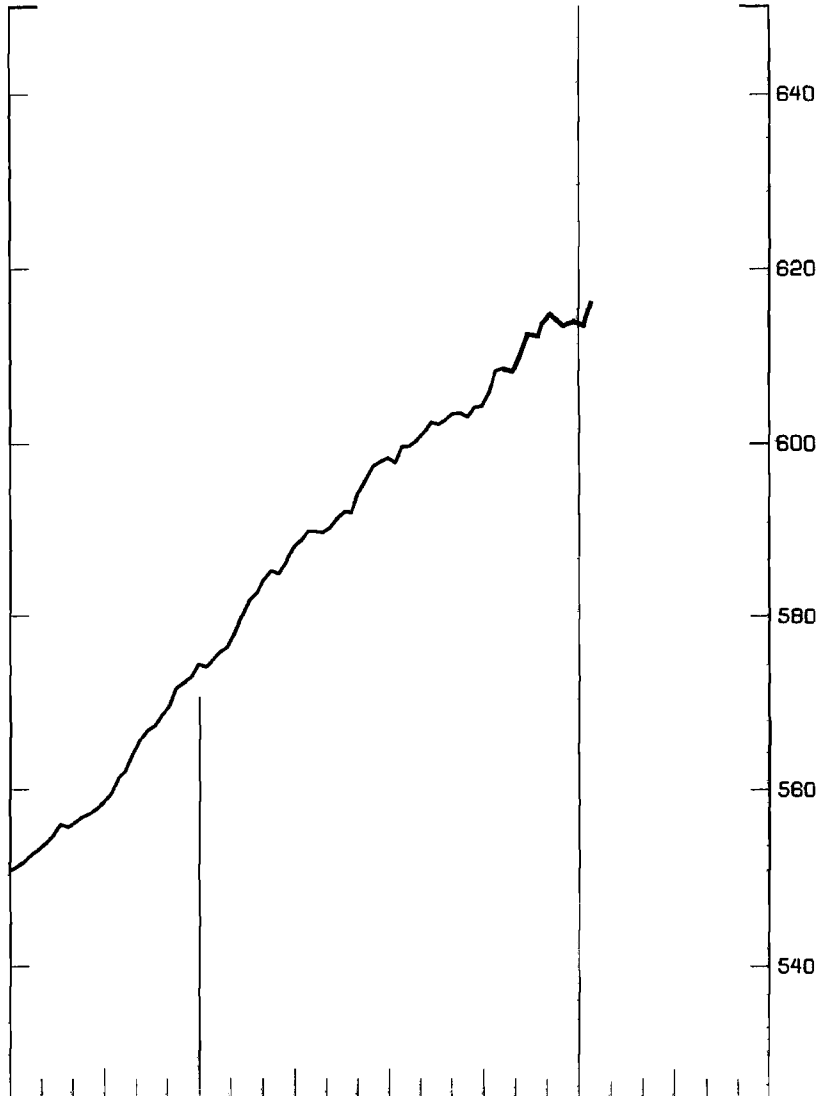
# MONETARY AGGREGATES

### NARROW MONEY SUPPLY M1

BILLIONS OF DOLLARS



### BROADER MONEY SUPPLY M2



1973

1974

1975

O

N

D

J

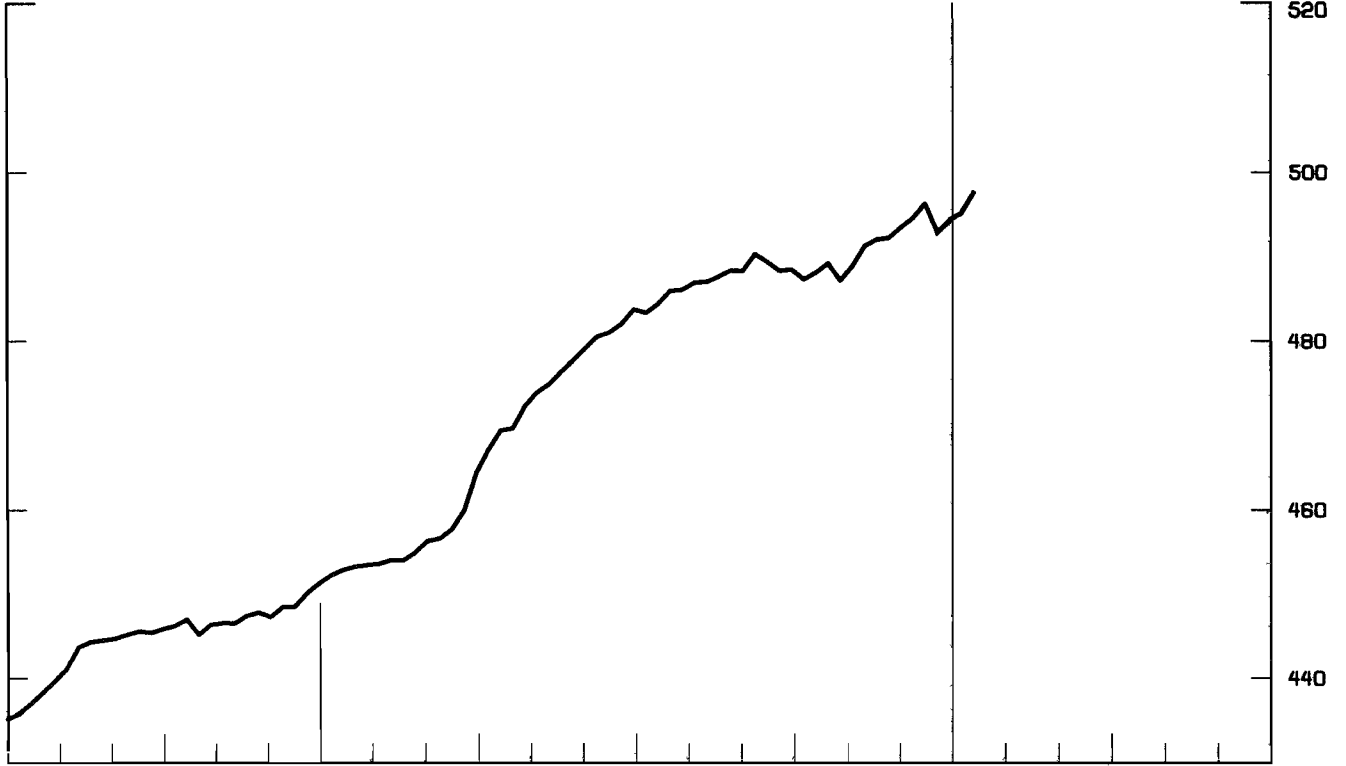
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1974

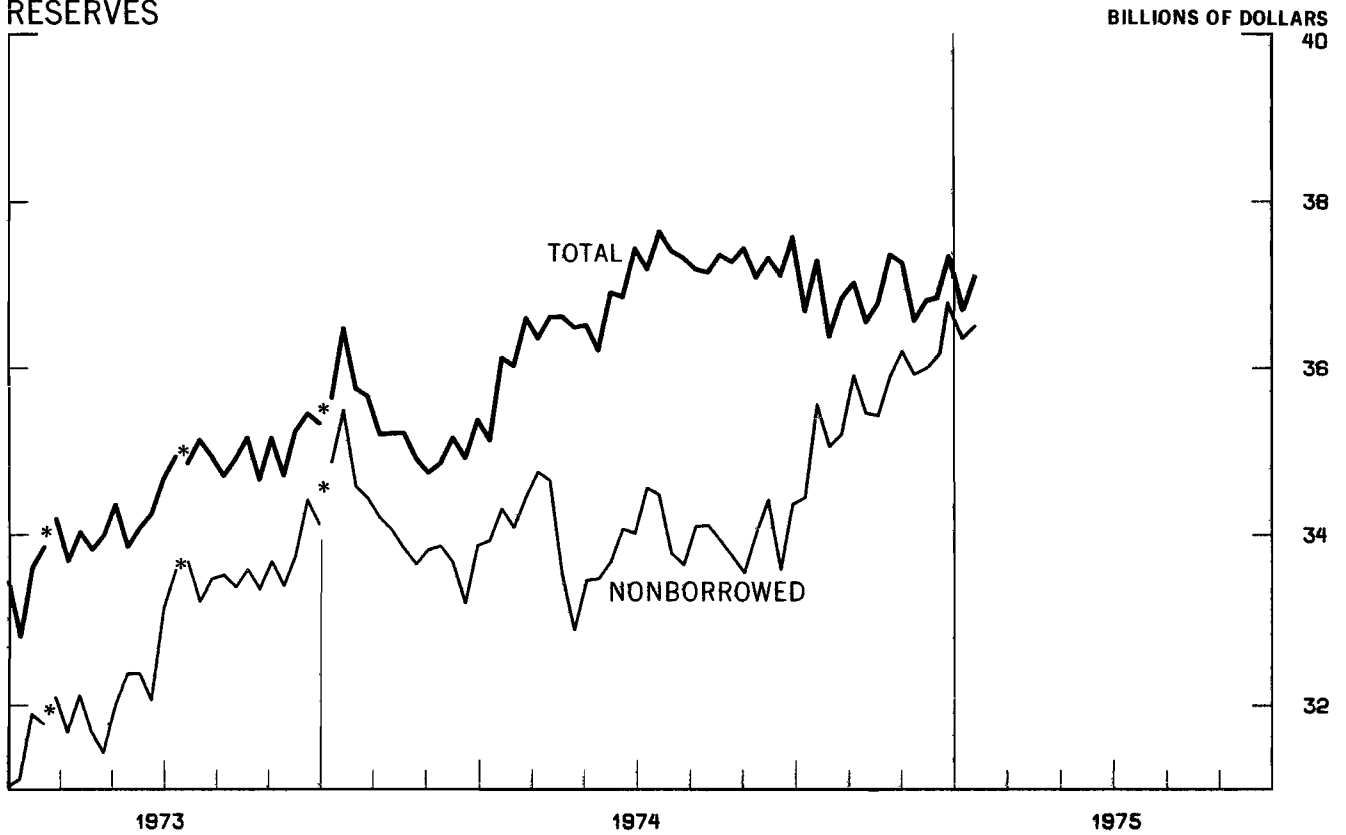
1975

# MONETARY AGGREGATES

ADJUSTED CREDIT PROXY



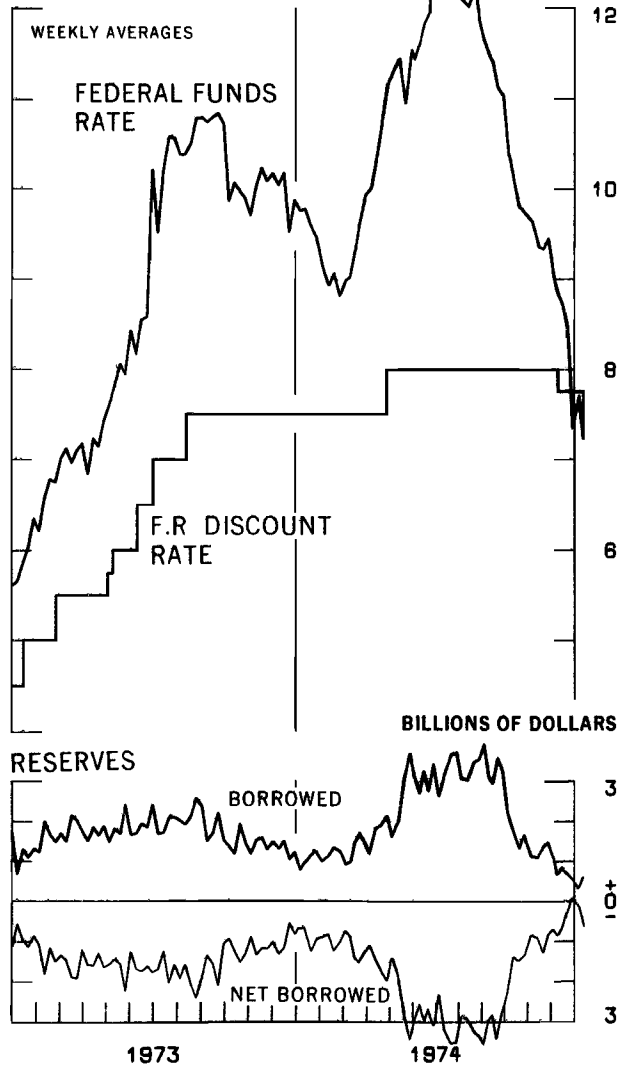
RESERVES



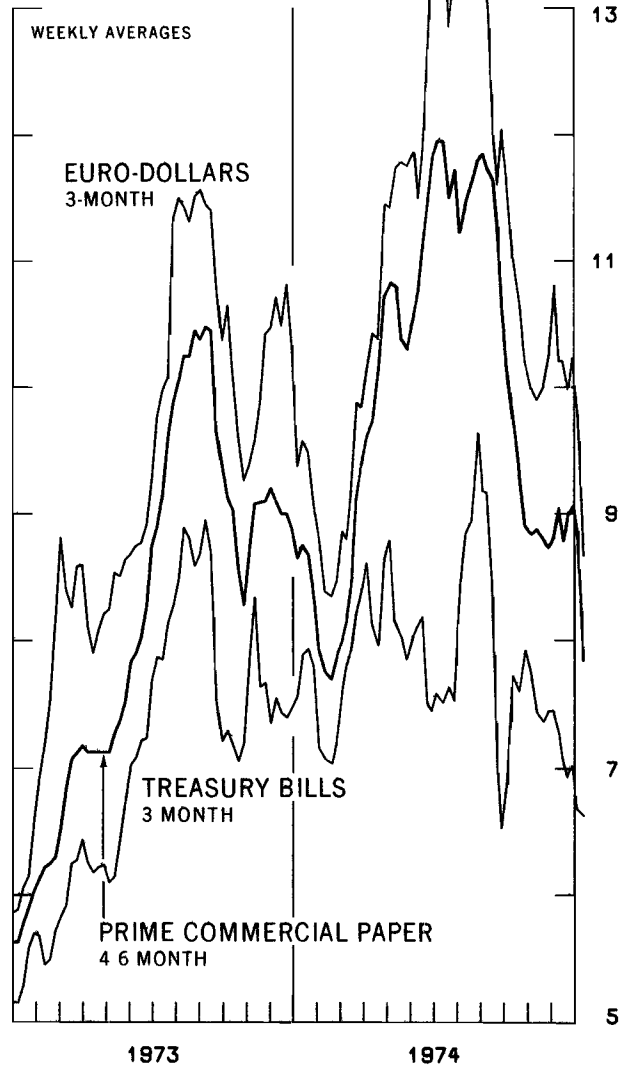
\*Break in series, Actual Level of Total Reserves After Changes in Reserve Requirements

# MONEY MARKET CONDITIONS AND INTEREST RATES

## MONEY MARKET CONDITIONS



## INTEREST RATES Short-term



## INTEREST RATES Long-term

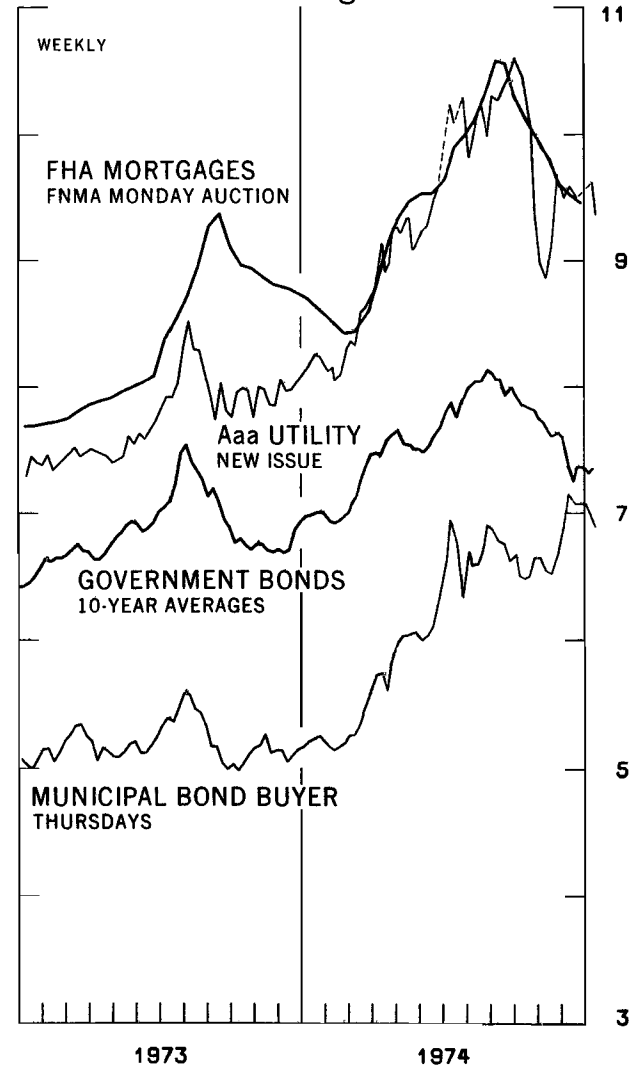


TABLE 1

STRICTLY CONFIDENTIAL

BANK RESERVES  
(ACTUAL AND CURRENT PROJECTIONS)

JANUARY 17, 1975

PERIOD	RESERVES AVAILABLE FOR PRIVATE NONBANK DEPOSITS		AGGREGATE RESERVES		REQUIRED RESERVES			
	SEAS ADJ	NON SEAS ADJ	TOTAL RESERVES	NONBORROWED RESERVES	SEASONALLY ADJUSTED			
					PRIVATE DEMAND	OTHER TIME DEP	CO'S AND NON DEP	GOV'T AND INTERBANK
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>MONTHLY LEVELS--\$MILLIONS</b>								
1974--OCT.	34,889	34,823	36,857	35,043	20,409	9,130	5,224	1,967
NOV.	34,875	34,882	36,883	35,631	20,496	9,200	4,967	2,008
DEC.	34,680	34,896	36,927	36,199	20,587	9,073	4,761	2,247
1975--JAN.	(34,498)	(35,526)	(37,016)	(36,584)	(20,328)	( 9,003)	( 4,986)	( 2,518)
<b>ANNUAL RATES OF CHANGE</b>								
<b>QUARTERLY:</b>								
1974--1ST QTR.	5.7		1.3	1.2	0.4	9.1	42.4	
2ND QTR.	19.1		20.1	0.8	2.2	9.6	116.7	
3RD QTR.	9.1		8.2	5.6	0.1	11.1	25.9	
4TH QTR.	1.2		4.4	34.7	7.0	-0.8	-62.5	
<b>MONTHLY:</b>								
1974--OCT.	-1.3		-1.8	49.6	4.8	8.3	-89.1	
NOV.	-2.7		-1.3	17.9	2.8	5.9	-59.0	
DEC.	7.7		16.4	34.6	13.2	-16.6	-49.8	
1975--JAN.	( 1.6)		( 10.9)	( 20.8)	( -10.9)	( -9.3)	( 56.7)	
DEC.--JAN.	( 4.7)		( 13.7)	( 28.0)	( 1.1)	( -12.8)	( 2.3)	
<b>WEEKLY LEVELS--\$MILLIONS</b>								
DEC. 4	34,991	35,093	37,269	36,197	20,550	9,231	4,856	2,278
11	34,415	34,290	36,564	35,917	20,510	9,258	4,815	2,148
18	34,584	34,748	36,816	35,995	20,818	8,965	4,641	2,232
25	34,711	35,007	36,842	36,180	20,596	8,991	4,727	2,131
JAN. 1	34,858	35,515	37,352	36,791	20,420	8,974	4,814	2,494
8	34,376	35,118	36,677	36,365	20,265	8,996	4,937	2,301
15	34,277	35,536	37,117	36,509	20,368	8,952	4,994	2,840

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS. AT THE FOMC MEETING OF DEC. 17, 1974 THE COMMITTEE AGREED ON A RPD RANGE OF 9.0 TO 11.0 PERCENT FOR THE DECEMBER-JANUARY PERIOD.

TABLE 2

STRICTLY CONFIDENTIAL

MONETARY AGGREGATES  
(ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED)

JANUARY 17, 1975

PERIOD	MONEY SUPPLY		ADJUSTED CREDIT PROXY	U.S. GOVT. DEPOSITS	TIME AND SAVINGS DEPOSITS			NONDEPOSIT SOURCES OF FUNDS
	NARROW (M1)	BROAD (M2)			TOTAL	OTHER THAN CD S	CD S	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>MONTHLY LEVELS--\$BILLIONS</b>								
1974--OCT.	281.7	607.8	488.3	3.7	412.3	326.1	86.2	7.9
NOV.	283.1	612.5	491.1	4.6	414.9	329.3	85.5	7.6
DEC.	283.6	613.8	494.1	1.8	420.4	330.2	90.3	8.4
1975--JAN.	(283.6)	(617.1)	(497.4)	( 1.2)	(426.8)	(333.5)	(93.3)	( 7.8)
<b>PERCENT ANNUAL GROWTH</b>								
<b>QUARTERLY</b>								
1974--1ST QTR.	5.5	9.3	8.2		15.1	12.8		
2ND QTR.	6.5	7.7	20.4		21.3	8.6		
3RD QTR.	1.6	4.6	6.6		9.2	7.3		
4TH QTR.	4.0	6.8	4.1		12.6	9.2		
<b>MONTHLY</b>								
1974--OCT.	3.8	8.3	--		13.8	12.3		
NOV.	6.0	9.3	4.9		7.6	11.8		
DEC.	2.1	2.5	7.3		15.9	3.3		
1975--JAN.	( 0.0)	( 6.5)	( 8.0)		(18.3)	(12.0)		
DEC.--JAN.	( 1.1)	( 4.5)	( 7.7)		(17.2)	( 7.7)		
<b>WEEKLY LEVELS--\$BILLIONS</b>								
DEC. 4	286.0	614.9	493.5	3.6	415.5	328.9	86.7	7.6
11	284.3	614.3	494.6	3.5	418.5	330.0	88.5	8.1
18	283.4	613.5	495.7	3.2	420.3	330.1	90.2	8.9
25	282.8	613.8	493.1	0.1	422.7	331.0	91.7	8.6
JAN. 1	283.6	614.0	494.5	0.0	423.5	330.4	93.1	8.2
8 P	281.5	613.7	495.4	0.0	425.7	332.1	93.6	8.1
15 PE	282.7	616.1	497.9	2.5	426.8	333.4	93.5	7.4

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.

P - PRELIMINARY  
PE - PARTIALLY ESTIMATED

TABLE 3

STRICTLY CONFIDENTIAL (FR)

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

JANUARY 17, 1975

	Open Market Operations 1/					Daily Average Reserve Effects 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/	req. res. against U.S.G. and interb	available res. 5/ (6)+(7)+(8)-(9)	available reserves 5/ (11)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
<b>Monthly</b>											
1974--June	-544	176	237	-984	-1,115	-673	420	74	-400	221	275
July	898	125	726	-3,760	-2,011	1,601	309	-901	465	544	375
Aug.	862	--	235	2,225	3,322	141	39	-464	-450	166	180
Sept.	-594	176	191	549	322	-32	-60	99	-67	74	375
Oct.	-1,727	--	--	-243	-1,970	-633	-1,494	1,990	177	-314	315
Nov.	1,217	212	331	981	2,739	327	-507	201	-132	153	395
Dec.	729	280	360	976	393	2,963	-583	-2,376	-12	16	450 965
1975--Jan.											
Feb.											
<b>Weekly</b>											
1974--Nov.											
6	-7	131*	--	953	1,077**	134**	-511	469	175	-83	
13	-374	-131*	--	-3,101	-3,607**	-1,341**	-29	912	-145	-313	
20	835	--	331	1,485	2,652	1,675	269	-1,664	238	-42	
27	251	212	--	3,088	3,550	1,388	114	-1,845	-203	-140	
Dec.											
4	554	--	--	-5,269	-4,715	532	-409	459p	132p	450p	
11	56	--	--	3,987	4,043	-243	-425	-91p	44p	-803p	
18	313	--	360	1,091	1,764	432	174	-137p	11p	458p	
25	399	280	--	757	1,436	2,612	-159	-2,390p	-196p	259p	
1975--Jan.											
1	-85	--	--	-3,323	-3,409	-103	-101	1,041p	329p	508p	
8	-309	--	-14	-3,069	-3,393	-1,918	-249	1,851p	81p	-397p	
15	-371	406	--	2,492	2,526	-863	296	1,444p	458p	419p	
22											
29											

1/ Represents change in System's portfolio from end-of-period to end-of-period; includes redemptions in regular bill auctions.

2/ Represents change in daily average level for preceding period.

3/ Includes matched sale-purchase transactions as well as RP's.

4/ Sum of changes in vault cash, currency in circulation, Treasury operations, F.R. float, gold and foreign accounts, and other F.R. accounts.

5/ Reserves to support private nonbank deposits. Target change for Dec. and Jan. reflects the target adopted at the Dec. 17, 1974 FOMC meeting. Target change for previous months reflects the bluebook patterns that are consistent with target ranges that were adopted during the month.

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

JANUARY 17, 1975

TABLE 4  
SECURITY DEALER POSITIONS AND BANK POSITIONS  
 Millions of dollars

Period	U.S. Govt. Security Dealer Positions		Dealer Positions		Member Bank Reserve Positions				
	Bills	Coupon Issues	Corporate Bonds	Municipal Bonds	Excess** Reserves	Borrowing at FRB**		Basic Reserve Deficit	
	(1)	(2)	(3)	(4)	(5)	Total	Seasonal	8 New York	38 Others
1973 -- High	3,796	1,299	197	384	631	2,561	163	-5,243	-10,661
Low	897	-301	0	36	-240	688	3	-1,831	- 4,048
1974 -- High	3,678	2,203	253	384	628	3,906	176	-7,870	-12,876
Low	-289	-309	0	27	-168	647	13	-2,447	- 6,046
1973 -- Dec.	3,441	973	105	276	307	1,298	41	-4,682	- 9,793
1974 -- Jan.	3,102	540	114	254	162	1,051	18	-4,753	-10,893
Feb.	2,436	1,619	120	263	184	1,162	17	-5,262	-10,769
Mar.	1,986	583	68	239	134	1,314	32	-5,030	-11,058
Apr.	1,435	99	39	78	182	1,736	40	-3,952	-11,603
May	408	85	142	83	178	2,590	102	-3,171	- 9,091
June	580	9	66	124	204	3,020	134	-4,445	- 9,920
July	457	-214	14	79	162	3,075	149	-3,522	- 9,555
Aug.	1,758	398	33	108	197	3,337	164	-4,231	- 9,224
Sept.	2,309	552	23	85	180	3,282	139	-4,235	- 8,250
Oct.	2,174	654	25	166	197	1,813	117	-4,602	- 8,689
Nov.	2,900	1,608	83	268	308p	1,253p	67	-6,322	- 9,715
Dec.	*2,985	*1,836	175	149	253p	728p	32p	-5,960	-10,169
1974 -- Nov. 6	2,518	534	93	202	323	1,125	79	-5,015	- 8,976
13	2,962	1,919	60	222	144	1,097	70	-7,688	-10,046
20	2,327	1,903	164	384	27	1,367	63	-6,802	-10,040
27	3,553	1,709	92	329	310	1,479	65	-5,795	- 9,871
Dec. 4	2,975	1,630	171	167	355p	1,072p	51p	-5,400	- 9,889
11	2,965	1,678	175	167	-168p	647p	34p	-7,245	-10,614
18	3,678	1,714	178	140	160p	821p	30p	-6,704	-10,164p
25	*2,942	*1,680	177	122	397p	662p	29p	-5,243	-10,881p
1975 - - Jan. 1	*2,234	*2,507	163	117	650p	561p	22p	-4,771	- 9,016
8	*2,487	*2,845	14	75	180p	312p	19p	-5,344p	-10,164p
15	*3,351	*2,036	58p	93p	-37p	608p	13p	-5,670p	-10,881p
22									
29									

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

\* STRICTLY CONFIDENTIAL

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

JANUARY 17, 1975

TABLE 5  
SELECTED INTEREST RATES  
 Per cent

Period	Short-Term						Long-Term				
	Federal Funds	Treasury Bills		90-119 Day Commercial Paper	CD's New Issue-NYC		Aaa Utility		Municipal Bond Buyer	U.S. Government (10-yr. Constant Maturity)	FNMA Auction Yields
		90-Day	1-year		60-89 Day	90-119 Day	New Issue	Recently Offered			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1973--High	10.84	8.95	8.43	10.50	10.50	10.75	8.52	8.30	5.59	7.54	9.37
Low	5.61	5.15	5.42	5.63	5.38	5.50	7.29	7.26	4.99	6.42	7.69
1974--High	13.55	9.63	9.54	12.25	12.25	12.00	10.61	10.52	7.15	8.14	10.59
Low	8.45	6.53	6.39	7.88	8.00	7.88	8.05	8.14	5.16	6.93	8.43
1973--Dec.	9.95	7.45	7.01	9.28	9.44	9.13	8.00	8.04	5.12	6.74	8.78
1974--Jan.	9.65	7.77	7.01	8.86	9.05	8.83	8.21	8.21	5.22	6.99	8.71
Feb.	8.97	7.12	6.51	8.00	8.09	7.97	8.12	8.23	5.20	6.96	8.48
Mar.	9.35	7.97	7.34	8.64	8.69	8.56	8.46	8.44	5.41	7.21	8.53
Apr.	10.51	8.33	8.08	9.92	9.81	9.78	8.99	8.95	5.73	7.51	9.07
May	11.31	8.23	8.21	10.82	10.83	10.90	9.24	9.13	6.02	7.58	9.41
June	11.93	7.90	8.16	11.18	11.06	10.88	9.38	9.40	6.13	7.54	9.54
July	12.92	7.55	8.04	11.93	11.83	11.83	10.20	10.04	6.68	7.81	9.84
Aug.	12.01	8.96	8.88	11.79	11.69	11.91	10.07	10.19	6.69	8.04	10.25
Sept.	11.34	8.06	8.52	11.36	11.19	11.38	10.38	10.30	6.76	8.04	10.58
Oct.	10.06	7.46	7.59	9.55	9.35	9.33	10.16	10.23	6.57	7.90	10.22
Nov.	9.45	7.47	7.29	8.95	8.78	8.72	9.21	9.34	6.61	7.68	9.87
Dec.	8.53	7.15	6.79	9.18	9.00	8.84	9.53	9.56	7.05	7.40	9.53
1974 --Nov. 6	9.63	7.76	7.46	9.00	8.88	8.88	9.00	9.28	6.66	7.76	9.93
13	9.37	7.43	7.37	9.00	8.75	8.63	8.87	9.17	6.55	7.72	--
20	9.34	7.38	7.20	8.88	8.50	8.50	9.17	9.29	6.53	7.61	9.81
27	9.46	7.45	7.23	8.93	9.00	8.88	9.68	9.38	6.71	7.63	--
Dec. 4	9.02	7.45	7.20	9.22	9.25	9.13	9.50	9.39	6.89	7.61	9.61
11	8.86	7.28	6.95	9.00	8.88	8.75	9.59	9.57	7.15	7.37	--
18	8.72	7.08	6.63	9.13	8.88	8.75	9.51	9.59	7.08	7.24	9.52
25	8.45	6.99	6.61	9.25	9.00	8.75	--	9.64	7.08	7.37	--
1975-- Jan. 1	7.35	7.02	6.69	9.34	9.00	9.00	--	9.67	7.08	7.37	9.47
8	7.70	6.68	6.56	8.43	7.88	7.75	9.62	9.45	6.99	7.32	--
15	7.22	6.63	6.44	7.73	7.25	7.38	9.37p	9.56p	6.90	7.35p	9.37
22											
29											
Daily-- Jan. 9	7.27	6.55	6.38	7.75	--	--	--	--	--	7.28	--
16	7.00p	6.49	6.44	7.50	--	--	--	--	--	n.a.	--

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



Appendix Table 1

## RESERVES AND MONETARY VARIABLES

January 16, 1975

Period	RESERVES			MONEY STOCK MEASURES			BANK CREDIT MEASURES		OTHER					
	Total	Non borrowed	Available to Support Private Deposits	M <sub>1</sub>	M <sub>2</sub>	M <sub>3</sub>	Adjusted Credit Proxy	Total Loans and Investments	Total Time	Time Other Than CD's	Thrift Institution Deposits	CD's	Non-deposit Funds	U.S. Gov't. Demand
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	(Per cent annual rates of growth)											(Dollar change in billions)		
<b>Annually:</b>														
1972	10.6	7.7	10.0	8.7	11.1	13.1	11.3	14.6	15.7	13.5	16.7	10.4	-0.6	-0.2
1973	7.8	7.2	9.3	6.1	8.8	8.8	10.4	13.5	16.2	11.4	8.6	19.9	2.3	-1.7
1974	8.6	10.6	8.9	4.5	7.3	6.6	10.1	8.3	15.3	9.8	5.6	26.5	1.8	-2.1
<b>Semi-annually:</b>														
1st Half 1973	6.4	1.4	9.8	7.4	9.1	9.6	13.5	16.6	19.8	10.6	10.5	16.7	0.7	0.8
2nd Half 1973	8.9	13.1	7.8	4.7	8.3	7.6	6.8	9.6	11.4	11.6	6.4	3.2	1.6	-2.5
1st Half 1974	10.6	1.0	12.4	6.0	8.6	7.6	14.5	15.0	18.6	10.8	5.9	17.5	1.8	1.4
2nd Half 1974	6.3	20.4	5.2	2.8	5.7	5.4	5.4	1.4	11.0	8.3	5.0	9.0	--	-3.5
<b>Quarterly:</b>														
1st Qtr. 1974	1.3	1.2	5.7	5.5	9.3	8.8	8.2	17.5	15.1	12.8	7.9	4.2	0.9	-0.7
2nd Qtr. 1974	20.1	0.8	19.1	6.5	7.7	6.4	20.4	12.0	21.3	8.6	3.9	13.3	0.9	2.1
3rd Qtr. 1974	8.2	5.6	9.1	1.6	4.6	4.0	6.6	5.6	9.2	7.3	3.1	3.5	0.2	1.0
4th Qtr. 1974	4.4	34.7	1.2	4.0	6.8	6.8	4.1	-2.8	12.6	9.2	6.9	5.5	-0.2	-4.5
<b>Monthly:</b>														
1974--Jan.	32.6	42.6	5.9	-2.7	6.9	7.2	12.3	16.5	21.4	15.6	7.8	2.6	-0.1	1.2
Feb.	-23.6	-29.2	2.9	9.7	11.1	9.3	2.9	17.0	15.8	12.2	6.3	1.8	0.4	-2.9
Mar.	-4.7	-9.2	8.2	9.2	9.7	9.5	9.2	18.4	7.7	10.1	9.5	-0.2	0.6	1.0
Apr.	31.1	17.2	19.1	6.1	8.0	7.3	29.6	17.9	26.6	9.3	5.8	5.9	0.6	1.4
May	21.2	-7.7	21.5	4.3	4.3	3.3	16.9	12.1	18.0	5.0	1.4	4.6	0.7	1.0
June	7.1	-7.1	15.7	9.1	10.5	8.5	13.6	5.7	18.0	11.5	4.3	2.8	-0.4	-0.3
July	21.7	13.1	8.6	2.1	5.4	5.0	9.2	16.0	13.3	8.3	4.7	2.3	0.8	-1.1
Aug.	-4.3	-5.9	10.8	1.3	5.2	4.1	6.4	9.4	7.4	8.6	1.8	0.2	-0.2	2.0
Sept.	7.1	9.7	7.8	1.3	3.2	2.9	3.9	-8.6	6.8	4.9	2.9	1.0	-0.4	0.1
Oct.	-1.8	49.6	-1.3	3.8	8.3	6.9	--	--	13.8	12.3	4.7	1.4	-0.7	-2.6
Nov. p	-1.3	17.9	-2.7	6.0	9.3	8.5	4.9	4.5	7.6	11.8	6.8	-0.7	-0.3	0.9
Dec. p	16.4	34.6	7.7	2.1	2.5	4.8	7.3	-12.8	15.9	3.3	9.2	4.8	0.8	-2.8

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

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

p - Preliminary.

FR 712-S

## RESERVES AND MONETARY VARIABLES

SEASONALLY ADJUSTED, BILLIONS OF DOLLARS

Period	RESERVES			MONEY STOCK MEASURES				BANK CREDIT MEASURES		OTHER					
	Total	Non-borrowed	Available to Support Pvt Deposits	M <sub>1</sub>		M <sub>2</sub>	M <sub>3</sub>	Adj Credit Proxy	Total Loans and Investments	Total Time	Time Other Than CD's	Thrift Institution Deposits	CD's	Non-deposit Funds	U.S. Gov't. Demand
				Total	Pvt. Dep.										
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Annually:</b>															
Dec. 1972	31,456	30,406	29,092	255.8	198.9	525.7	823.2	406.4	559.0	313.8	269.9	297.5	43.9	4.3	5.6
Dec. 1973	35,164	33,867	32,965	271.5	209.9	572.2	895.3	448.7	634.6	364.5	300.7	323.1	63.8	6.6	3.9
<b>Monthly:</b>															
1974--Jan.	35,820	34,769	32,824	270.9	208.9	575.5	900.7	453.3	643.3	371.0	304.6	325.2	66.4	6.5	5.1
Feb.	35,115	33,924	32,904	273.1	210.4	580.8	907.7	454.4	652.4	375.9	307.7	326.9	68.2	6.9	2.2
Mar.	34,978	33,664	33,130	275.2	211.9	585.5	914.9	457.9	662.4	378.3	310.3	329.5	68.0	7.5	3.2
Apr.	35,884	34,147	33,658	276.6	212.8	589.4	920.5	469.2	672.3	386.7	312.7	331.1	73.9	8.1	4.6
May	36,519	33,929	34,260	277.6	213.2	591.5	923.0	475.8	679.1	392.5	314.0	331.5	78.5	8.8	5.6
June	36,736	33,729	34,708	279.7	215.0	596.7	929.5	481.2	682.9	398.4	317.0	332.7	81.3	8.4	5.3
July	37,399	34,098	34,958	280.2	215.4	599.4	933.4	484.9	692.0	402.8	319.2	334.0	83.6	9.2	4.2
Aug.	37,266	33,930	35,272	280.5	215.1	602.0	936.6	487.5	697.3	405.3	321.5	334.5	83.8	9.0	6.2
Sept.	37,282	34,000	35,296	280.8	215.0	603.6	938.9	489.1	692.3	407.6	322.8	335.3	84.8	8.6	6.3
Oct.	36,857	35,043	34,889	281.7	215.3	607.8	944.3	488.3	692.3	412.3	326.1	336.6	86.2	7.9	3.7
Nov. p	36,883	35,631	34,875	283.1	215.9	612.5	951.0	491.1	693.4	414.9	329.3	338.5	85.5	7.6	4.6
Dec. p	36,927	36,199	34,680	283.6	215.9	613.8	954.8	494.1	686.0	420.4	330.2	341.1	90.3	8.4	1.8
<b>Weekly:</b>															
1974--Nov. 6	37,031	35,906	35,065	282.0	215.0	610.0	--	488.9	--	413.8	328.1	--	85.7	7.3	3.2
13	36,551	35,454	34,769	283.3	216.1	612.6	--	491.3	--	414.8	329.3	--	85.5	7.1	5.5
20	36,786	35,419	34,695	283.2	216.1	612.5	--	492.1	--	414.4	329.3	--	85.1	7.8	5.7
27	37,022	35,543	34,948	283.4	216.0	613.7	--	492.3	--	415.5	330.2	--	85.3	8.2	4.7
Dec. 4p	37,269	36,197	34,991	286.0	218.2	614.9	--	493.5	--	415.5	328.9	--	86.7	7.6	3.6
11p	36,564	35,917	34,415	284.3	216.6	614.3	--	494.6	--	418.5	330.0	--	88.5	8.1	3.5
18p	36,816	35,995	34,584	283.4	215.6	613.5	--	495.7	--	420.3	330.1	--	90.2	8.9	3.2
25p	36,842	36,180	34,711	282.8	215.2	613.8	--	493.1	--	422.7	331.0	--	91.7	8.6	0.1
1975--Jan. 1p	37,352	36,791	34,858	283.6	215.9	614.0	--	494.5	--	423.5	330.4	--	93.1	8.2	--
8p	36,677	36,365	34,376	281.5	213.7	613.7	--	495.4	--	425.7	332.1	--	93.6	8.1	--

**NOTES:** <sup>1/</sup> Estimated monthly average levels derived by averaging end of current month and end of previous month reported data. 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<sub>3</sub>, total loans and investment and thrift institution deposits.

p - Preliminary.

## Appendix Table III

## Money Supply Growth Rates

	$M_1$	$M_1$ less Foreign Official Deposits	$M_1$ less Foreign Official Deposits and Deposits due to Foreign Commercial Banks
1973 - January	5.2	5.7	5.7
February	4.7	4.7	5.2
March	0.5	0.5	0.9
April	6.5	6.5	6.1
May	13.4	13.0	12.2
June	13.7	13.8	13.5
July	3.6	3.2	2.3
August	-0.5	--	--
September	-1.4	-1.8	-1.4
October	4.1	4.5	3.7
November	12.6	11.8	11.0
December	9.4	9.0	7.7
1974 - January	-2.7	-2.7	-4.1
February	9.7	9.8	10.0
March	9.2	9.7	9.4
April	6.1	3.9	4.0
May	4.3	5.7	4.9
June	9.1	7.8	8.0
July	2.1	3.5	1.8
August	1.3	1.7	2.2
September	1.3	0.4	0.4
October	3.8	4.7	4.8
November	6.0	6.4	6.1
December	2.1	0.9	--

Appendix Table IV

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

		<u>M<sub>1</sub></u>		<u>M<sub>2</sub></u>		<u>M<sub>3</sub></u>	
		<u>M</u>	<u>Q</u>	<u>M</u>	<u>Q</u>	<u>M</u>	<u>Q</u>
1973	I	3.4	6.8	7.3	9.1	8.6	10.3
	II	11.3	7.3	10.6	8.6	10.3	8.9
	III	0.6	5.5	5.6	7.7	5.2	7.5
	IV	8.7	5.0	10.8	8.9	9.8	7.9
1974	I	5.5	5.8	9.3	9.6	8.8	9.1
	II	6.5	7.2	7.7	8.2	6.4	7.3
	III	1.6	3.6	4.6	6.2	4.0	5.2
	IV	4.0	3.3	6.8	6.4	6.8	5.9

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

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

Appendix Table V

Growth Rates in Money Supply for Alternatives

		$M_1$		$M_2$		$M_3$	
		<u>M</u>	<u>Q</u>	<u>M</u>	<u>Q</u>	<u>M</u>	<u>Q</u>
<u>Alt. A</u>							
1975	I	5.8	4.2	9.1	7.5	10.1	8.5
	II	7.6	7.8	9.0	9.3	10.2	10.4
<u>Alt. B</u>							
1975	I	5.2	4.0	8.3	6.9	9.3	8.0
	II	6.8	7.0	8.9	8.9	9.7	9.8
<u>Alt. C</u>							
1975	I	4.8	3.7	7.6	6.5	8.6	7.6
	II	5.4	6.0	7.8	7.9	8.8	8.9

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

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