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July 15, 1977

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# MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

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Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

July 15, 1977

MONETARY AGGREGATES AND  
MONEY MARKET CONDITIONS

Recent developments

(1) M-1 growth was at a 4.9 per cent annual rate in June and, reflecting the expected effect of the early disbursement of social security checks, appears to have accelerated in July. For the June-July period, M-1 growth is now projected at about a 6.2 per cent annual rate, just below the upper end of the Committee's desired range. M-2 appears to be increasing at about a 9½ per cent annual rate over June and July, somewhat above the midpoint of the Committee's range. Growth in the time and savings deposit component of M-2 in recent weeks has accelerated from its April-May pace, as sharp increases in large denomination non-negotiable CD's have more than offset weakness in savings accounts. Nonborrowed reserves increased at a 3.3 per cent annual rate in June but are expected to grow much more rapidly in July, primarily in lagged response to the pickup in deposit growth in late June and early July.

Growth in Monetary Aggregates  
over June-July period  
(SAAR in per cent)

	<u>Ranges</u>	<u>Latest Estimates</u>
M-1	2½ to 6½	6.2
M-2	6 to 10	9.2

Memorandum:

Federal funds rate  
(per cent per annum)

	<u>Avg. for statement</u> <u>week ending</u>
June 22	5.43
29	5.43
July 6	5.35
13	5.33

(2) Throughout the period since the last Committee meeting, growth of both M-1 and M-2 remained within the Committee's desired ranges, and the Account Management accordingly sought to maintain the funds rate at about 5-3/8 per cent. With the funds rate remaining slightly above the discount rate, member bank borrowings from the discount window averaged \$257 million, little different from the preceding four weeks, but above the average level of \$80 million during the first four months of the year.

(3) Demands on credit markets strengthened in June. Both financial and nonfinancial corporations substantially increased their issuance of commercial paper over the month. Nonfinancial corporations also stepped up their short-term borrowing at commercial banks, and the volume of publicly offered bonds of domestic financial corporations, public utilities, and foreign issuers expanded significantly. At the same time, State and local governments marketed a record volume of long-term securities. The Treasury auctioned \$1.5 billion of 15-year bonds near the end of the month but paid down a roughly equal amount of short-term bills over the month.

(4) Despite the strengthening in short-term credit demands, rates on private short-term debt instruments have shown essentially no change since the June FOMC meeting. Treasury bill rates, however, have moved up about 10 to 20 basis points as the market has begun to adjust to the ending of the period of large cash redemptions of Treasury bills. In addition, this upward rate adjustment may reflect a slight shift in the market's interest rate outlook in response to recent strengthening in published monetary aggregates data.

(5) Since the June FOMC meeting yields on corporate and municipal securities and also on intermediate-term Treasury coupon issues, have advanced 5 to 15 basis points. Dealers in Treasury securities have made substantial net sales of coupon issues in recent weeks. As a result, they now have large net short positions in issues in the one- to ten-year maturity category and only a modest long position in issues with maturities over 10 years--the latter reflecting mainly the remainder of dealer awards in the recent 15-year bond auction.

(6) Inflows into deposit accounts at nonbank thrift institutions in June were maintained at about the moderate pace of other recent months, but there appears to have been a pick-up in growth at savings and loan associations in early July. With demands for mortgages remaining strong, primary mortgage rates edged higher on balance in recent weeks.

(7) The table on the following page shows (in terms of percentage annual rates of change) related monetary and financial flows over various time periods.

	1975 & 1976 Average	Past Twelve Months June '77 over June '76	Past Six Months June '77 over Dec. '76	Past Three Months June '77 over Mar. '77	Past Month June '77 over May '77
Nonborrowed reserves	1.4	2.8	1.1	4.7	3.1
Total reserves	0.4	3.2	2.3	6.5	5.0
Monetary Base	6.6	7.0	6.7	8.2	6.5
<u>Concepts of Money</u>					
M <sub>1</sub> (currency plus demand deposits) <u>1/</u>	5.2	6.2	6.1	8.4	4.9
M <sub>2</sub> (M <sub>1</sub> plus time deposits at commercial banks other than large CD's)	10.4	10.7	8.8	8.8	8.1
M <sub>3</sub> (M <sub>2</sub> plus deposits at thrift institutions)	13.0	12.3	10.0	9.8	9.4
M <sub>4</sub> (M <sub>2</sub> plus CD's)	7.3	8.9	8.3	9.1	10.0
M <sub>5</sub> (M <sub>3</sub> plus CD's)	10.7	11.1	9.7	9.9	10.5
<u>Bank Credit</u>					
Total member bank deposits (bank credit proxy adj.)	4.5	6.0	5.2	7.2	16.1
Loans and investments of all commercial banks <u>2/</u> Month-end basis	6.7	10.1	10.5	11.2	8.9
Average of Wednesdays	6.2	10.0	10.3	9.3	8.6
<u>Short-term Market Paper</u> (Monthly average change in billions)					
Large CD's	-1.1	-0.5	0.1	0.6	1.6
Nonbank commercial paper	0.0	0.2	0.4	0.7	0.6

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

2/ 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

(8) Shown below for the Committee's consideration are four alternative sets of longer-run ranges for the monetary aggregates-- alternatives A through D--that pertain to the one year period, QII '77-QII '78. In the last column are shown the ranges adopted at the April Committee meeting for the QI '77-QI '78 period. The growth rates for bank credit shown under A through D relate to total loans and investments of all commercial banks rather than to the bank credit proxy.<sup>1/</sup>

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. D</u>	<u>Current</u>
M <sub>1</sub>	4½-7	4½-6½	4-6½	3½-6	4½-6½
M <sub>2</sub>	7-10	7-9½	6½-9½	6-9	7-9½
M <sub>3</sub>	8-11	8-10½	7½-10½	7-10	8½-11
Bank credit	7½-10½	7½-10½	7-10	6½-9½	7-10

(9) Under alternative B, the one year growth ranges for M-1 and M-2 are the same as those adopted by the Committee in April. The growth range for M-3, however, is lower by ½ percentage point. This lower M-3 range now appears more consistent with the ranges shown for M-1 and M-2, given the staff's current projection of deposit flows at thrift institutions over the next four quarters. Alternative A encompasses a little more

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<sup>1/</sup> Growth in the bank credit proxy--the sum of all deposits and certain borrowings of member banks--has been consistently below the targets adopted by the Committee, and has in the past year diverged increasingly from bank credit, as may be seen from the table on p. 4. With the relatively rapid growth of nonmember deposits and the greater use by banks of reserve-free borrowings as a source of funds the bank credit proxy (i.e. essentially total member bank deposits) has become a much more imperfect statistical series. Bank credit, as measured by the end-of-month series for loans and investments or by a new average series for the month developed by the Board staff, has been closer to the Committee's longer-run ranges for bank credit. The Committee might therefore wish to consider substituting an all commercial bank credit measure for the proxy. The issues are discussed in more detail in Appendix III.

rapid growth in all of the monetary aggregates than B, and alternative C a little slower growth. The differences among these alternatives are in line with the size of changes in longer-run ranges that the Committee has actually made in its quarterly reviews of the one-year ranges. The specifications of alternative D, however, involve a larger adjustment in the ranges, with the midpoint of the growth range for M-1 reduced to  $4\frac{3}{4}$  per cent over the QII '77-QII '78 period. This alternative would compensate for the second quarter overshoot in growth of M-1; that is, it would result in expansion of M-1 over the five quarters, QI '77-QII '78, at a  $5\frac{1}{2}$  per cent annual rate--the midpoint of the M-1 range adopted by the Committee in April for the QI '77-QI '78 period.<sup>1/</sup> M-2 growth over the five quarter period under this alternative would be at about an 8 per cent annual rate, however, a shade below the midpoint of the current M-2 range.

(10) Shorter-run specifications for the monetary aggregates and the Federal funds rate that are thought to be consistent with the various long-run ranges are presented below. (Detailed data are shown in the tables on pp. 7 and 8.)

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C (or D)</u>
Ranges for July-August			
M-1	$4\frac{1}{2}$ - $8\frac{1}{2}$	4-8	$3\frac{1}{2}$ - $7\frac{1}{2}$
M-2	$7\frac{1}{2}$ - $11\frac{1}{2}$	7-11	$6\frac{1}{2}$ - $10\frac{1}{2}$
Federal funds rate (Intermeeting period)	$4\frac{1}{2}$ - $5\frac{1}{4}$	$5\frac{1}{4}$ - $5\frac{3}{4}$	$5\frac{1}{2}$ - $6\frac{1}{4}$

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<sup>1/</sup> Appendix I compares various terminal levels of M-1 and M-2 under the proposed alternative with levels implicit in the current ranges.



Alternative Levels and 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. D</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. D</u>
1977	June	322.0	322.0	322.0	322.0	772.8	772.8	772.8	772.8
	July	324.0	324.0	324.0	324.0	779.4	779.4	779.4	779.4
	August	325.5	325.3	325.0	325.0	785.0	784.4	783.8	783.8
1977	QII	321.1	321.1	321.1	321.1	768.3	768.3	768.3	768.3
	QIII	325.7	325.4	325.3	325.2	785.1	784.6	784.1	784.1
	QIV	330.2	329.7	329.4	329.2	801.6	800.4	799.0	798.5
1978	QI	334.9	334.1	333.3	332.9	818.2	816.2	814.1	812.8
	QII	339.5	338.8	338.0	336.3	834.0	832.4	830.6	826.5
<u>Growth Rates</u>									
<u>Monthly:</u>									
1977	July	7.5	7.5	7.5	7.5	10.2	10.2	10.2	10.2
	August	5.6	4.8	3.7	3.7	8.6	7.7	6.8	6.8
<u>Quarterly Average:</u>									
1977	QII	8.5	8.5	8.5	8.5	9.2	9.2	9.2	9.2
	QIII	5.7	5.4	5.2	5.1	8.7	8.5	8.2	8.2
	QIV	5.5	5.3	5.1	4.9	8.4	8.1	7.7	7.3
1978	QI	5.7	5.3	4.7	4.5	8.3	7.9	7.6	7.2
	QII	5.5	5.6	5.6	4.1	7.7	7.9	8.1	6.7
<u>Semi-Annual:</u>									
	QII '77-QIV '77	5.7	5.4	5.2	5.0	8.7	8.4	8.0	7.9
	QIV '77-QII '78	5.6	5.5	5.2	4.3	8.1	8.0	7.9	7.0
<u>Annual:</u>									
	QI '77-QI '78	6.5	6.3	6.0	5.9	8.9	8.7	8.4	8.2
	QI '77-QII '78	6.4	6.2	6.0	5.6	8.8	8.7	8.5	8.0
	QII '77-QII '78	5.7	5.5	5.3	4.7	8.6	8.3	8.1	7.6

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

		<u>M<sub>3</sub></u>				<u>Bank Credit</u>			
		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. D</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. D</u>
1977	June	1299.1	1299.1	1299.1	1299.1	826.7	826.7	826.7	826.7
	July	1310.5	1310.5	1310.5	1310.5	832.7	832.7	832.7	832.7
	August	1321.1	1320.4	1319.5	1319.5	838.6	838.5	838.4	838.4
1977	QII	1289.8	1289.8	1289.8	1289.8	820.6	820.6	820.6	820.6
	QIII	1321.1	1320.5	1319.6	1319.6	840.0	839.4	839.2	839.2
	QIV	1351.4	1349.4	1347.2	1345.9	859.2	857.8	857.1	856.0
1978	QI	1380.2	1377.3	1374.5	1371.1	877.3	875.3	874.1	872.0
	QII	1407.5	1405.1	1402.9	1395.3	895.2	893.4	892.0	887.2
<u>Growth Rates</u>									
<u>Monthly:</u>									
1977	July	10.5	10.5	10.5	10.5	8.7	8.7	8.7	8.7
	August	9.7	9.1	8.2	8.2	8.5	8.4	8.2	8.2
<u>Quarterly Average:</u>									
1977	QII	10.0	10.0	10.0	10.0	9.9	9.9	9.9	9.9
	QIII	9.7	9.5	9.2	9.2	9.5	9.2	9.1	9.1
	QIV	9.2	8.8	8.4	8.0	9.1	8.8	8.5	8.0
1978	QI	8.5	8.3	8.1	7.5	8.4	8.2	7.9	7.5
	QII	7.9	8.1	8.3	7.1	8.2	8.3	8.2	7.0
<u>Semi-annual:</u>									
	QII '77-QIV '77	9.6	9.2	8.9	8.7	9.4	9.1	8.9	8.6
	QIV '77-QII '78	8.3	8.3	8.3	7.3	8.4	8.3	8.1	7.3
<u>Annual:</u>									
	QI '77-QI '78	9.7	9.4	9.2	9.0	9.6	9.3	9.2	8.9
	QI '77-QII '78	9.5	9.3	9.2	8.7	9.4	9.3	9.1	8.6
	QII '77-QII '78	9.1	8.9	8.8	8.2	9.1	8.9	8.7	8.1

(11) Under alternative B, the proposed Federal funds rate range is the same as that adopted by the Committee at its previous meeting. If the funds rate remains near the recently prevailing 5-3/8 per cent level, the staff would expect M-1 growth for the July-August period to be at about a 6 per cent annual rate. With the public's adjustment to the April bulge in M-1 now completed, the transactions demand for money is expected to rise more in line with the continued growth in nominal GNP. Growth in M-2 is expected to be in a 7-11 per cent annual rate range during the July-August period, as the time and savings deposit component of that aggregate continues to expand at near its recent pace.

(12) Credit demands may remain substantial over the weeks ahead, although State and local government and business demands may slacken from their exceptional June pace. While the Treasury is expected to raise about \$3-1/2--4 billion of new money before the next meeting, mainly in conjunction with its mid-August refunding of \$3.3 billion of maturing publicly held coupon issues, the Treasury securities market appears to be in a technically strong position. Thus, there is likely to be little upward interest rate pressure generated by market demand forces over the next few weeks. However, in the late summer and early fall, with Treasury borrowing expanding considerably further and demands for money and liquidity pressing against the available supply, upward pressures on interest rates are likely to develop.

(13) Further increases in interest rates are likely to develop late this year and in the first half of next year if the midpoints of the

longer-run growth ranges contemplated under alternative B are to be achieved. The funds rate might need to rise to about 6 per cent by year-end and to about  $6\frac{1}{2}$  per cent by the second quarter of 1978. This would be an appreciably smaller rise in interest rates than the staff thought likely last month. It allows for the higher average level of the money stock over the next year that results from applying an unchanged growth rate to a new base period in which there has been a substantial overshoot. (The Federal funds rate projections four quarters ahead are shown in Appendix II).

(14) As noted earlier, both alternatives C and D contemplate lower longer-run growth ranges for the monetary aggregates than alternative B. While the reduction is substantially larger in the case of alternative D, in either case the Committee may wish to consider a rise in the funds rate between now and the next meeting to around  $5\frac{7}{8}$  per cent, the midpoint of a  $5\frac{1}{2}$ - $6\frac{1}{2}$  per cent range. Such a funds rate increase is likely to be accompanied by an increase in short-term rates of interest generally of about  $\frac{1}{2}$  percentage point. Member bank borrowings from the discount window may rise \$50-100 million further, and markets may come to anticipate a rise in the discount rate from its current  $5\frac{1}{2}$  per cent level.

(15) With the funds rate rising over the next few weeks as specified above, we would expect M-1 in the July-August period to expand in a  $3\frac{1}{2}$ - $7\frac{1}{2}$  per cent annual rate range and M-2 in a  $6\frac{1}{2}$ - $10\frac{1}{2}$  per cent range. Net inflows of shorter-term small denomination time deposits to banks and thrift institutions may slow at the higher interest levels, and there may also be a further outflow of interest-sensitive savings deposits of individuals, businesses, and State and local governments.

Banks may be expected to adapt to such developments by more aggressively offering large denomination time deposits; except for negotiable deposits offered by large banks, these deposits are included in M-2. Even under the short-run specifications of alternative C, there would appear to be sufficient leeway between ceiling rates in time certificates maturing in four years or more and yields on market instruments to enable banks to retain the funds involved in maturing "wild card" certificates. They could, however, lose some funds to thrift institutions, which can offer somewhat higher rates.

(16) The rise in market rates of interest over the next few weeks accompanying short-run alternative C (or D) would probably carry the 3-month Treasury bill rate above the 5½ per cent ceiling rate on thrift institution savings deposits. This may trigger an increased diversion of these deposits to market instruments. Under alternative C we would expect that thrifts would become less willing to commit funds to the mortgage market at near the recent pace. In addition, given the substantial mortgage takedowns in train, these institutions would have to draw down their liquid assets and borrow more heavily from the FHL Banks; the need for secondary mortgage market support by FNMA would also increase. But the rise in mortgage rates may be limited if insurance companies, for example, become more active in the mortgage market as a result of the continuing favorable spread of mortgage rates over corporate bond yields. In any event, upward pressures on corporate and tax exempt bond yields are likely to be relatively modest, given the substantial supply of investible funds at insurance companies and other institutional investors.

(17) If the Committee wishes to achieve the midpoints of the longer-run growth ranges for alternative C--indexed by an M-1 range of 4-6½ per cent--the staff expects that the funds rate would need to rise only a little further and would top out at around 6½ per cent in the first quarter of 1978. The greater restraint on growth of the monetary aggregates over the longer-run under alternative D would require a larger rise of interest rates to levels closer to those projected at the previous FOMC meeting. The funds rate may rise to around 6½ per cent in the first quarter of next year and probably further to a level of 6¾ per cent by the second quarter.

(18) Alternative A contemplates an easing of money market conditions between now and the next Committee meeting. Interest rates may tend to decline rather substantially as the funds rate begins to drop, particularly in the intermediate-term Treasury area where dealers have a net short position. But assuming that incoming economic news does not cast doubt on the fundamental strength of the economy, interest rate declines may be limited over the next month or so as corporations and State and local governments increase market borrowing in anticipation of higher interest rates later on and as the market focuses on the Treasury's large fall cash need.

(19) We would expect the funds rate to begin rising in the fall under alternative A if growth in the aggregates is to remain around the midpoints of the longer-run ranges for this alternative. Given the degree of near-term ease assumed, the funds rate by spring may have to be at or slightly above the level assumed at that time under alternative B in order to constrain monetary growth in the first half of next year to the indicated

rate. Meanwhile, however, for most of the one-year period ahead, short-term rates would have been lower than under alternative B, with consequent relatively easier credit and liquidity conditions at banks and other institutions.

Directive language

(20) Given below are alternatives for the operational paragraphs of the directive. The first formulation places main emphasis on near-term rates of growth in monetary aggregates. The second formulation, like the directive adopted at the last meeting, places main emphasis on money market conditions; it shows--in strike-through form--the specifications adopted at the last meeting. As suggested below, the particular language needed in the opening lines of the money market formulation would depend on the specific conditions sought; the three alternatives shown--calling, respectively, for somewhat easier, prevailing, and somewhat firmer money market conditions--are intended to be associated with the specifications discussed in the preceding section under alternatives A, B, and C.

"Monetary Aggregates" Formulation

The Committee seeks to encourage near-term rates of growth in M-1 and M-2 on a path believed to be reasonably consistent with the longer-run ranges for monetary aggregates cited in the preceding paragraph. Specifically, at present, it expects the annual growth rates over the July-August period to be within the ranges of \_\_\_\_\_ to \_\_\_\_\_ per cent for M-1 and \_\_\_\_\_ to \_\_\_\_\_ per cent for M-2. In the judgment of the Committee such growth rates are likely to be associated with a weekly-average Federal funds rate of about \_\_\_\_\_ per cent. If, giving approximately equal weight to M-1 and M-2, it appears that growth rates over the 2-month period will deviate



significantly from the midpoints of the indicated ranges, the operational objective for the Federal funds rate shall be modified in an orderly fashion within a range of \_\_\_\_\_ to \_\_\_\_\_ per cent.

If it appears during the period before the next meeting that the operating constraints specified above are proving to be significantly inconsistent, the Manager is promptly to notify the Chairman who will then decide whether the situation calls for supplementary instructions from the Committee.

"Money Market" Formulation

At this time, the Committee seeks to maintain about the prevailing money market conditions (OR TO ACHIEVE SOMEWHAT EASIER OR SOMEWHAT FIRMER MONEY MARKET CONDITIONS) during the period immediately ahead, provided that monetary aggregates appear to be growing at approximately the rates currently expected, which are believed to be on a path reasonably consistent with the longer-run ranges for monetary aggregates cited in the preceding paragraph. Specifically, the Committee seeks to maintain the weekly-average Federal funds rate at about  $5\frac{3}{8}$  \_\_\_\_\_ per cent, so long as M-1 and M-2 appear to be growing over the ~~June-July~~ JULY-AUGUST period at annual rates with ranges of  $2\frac{1}{2}$ -~~to~~- $6\frac{1}{2}$  \_\_\_\_\_ TO \_\_\_\_\_ per cent and ~~6-~~~~to~~-~~10~~ \_\_\_\_\_ TO \_\_\_\_\_ per cent, respectively. If, giving approximately equal weight to M-1 and M-2, it appears that growth rates over the 2-month period are approaching or moving

beyond the limits of the indicated ranges, the operational objective for the weekly-average Federal funds rate shall be modified in an orderly fashion within a range of ~~5-1/4- to 5-3/4~~ \_\_\_\_\_ TO \_\_\_\_\_ per cent.

If it appears during the period before the next meeting that the operating constraints specified above are proving to be significantly inconsistent, the Manager is promptly to notify the Chairman who will then decide whether the situation calls for supplementary instructions from the Committee.

Appendix I

Comparison of Levels of  $M_1$  and  $M_2$  Under Previous and  
Proposed Longer-run Ranges  
(\$ billion, seasonally adjusted)

<u>Terminal quarters</u>	<u>Level based on growth from:</u>		<u>Levels based on longer-run growth from QII '77 at rates shown in</u>			
	<u>QIV '76 at 5½ per cent annual rate</u>	<u>QI '77 at 5½ per cent annual rate</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. D</u>
	<u><math>M_1</math></u>					
QI '78	332.6	331.7	334.9	334.1	333.3	332.9
QII '78	337.2	336.3	339.5	338.8	338.0	336.3
	<u><math>M_2</math></u>					
	<u>Growth from QIV '76 at an 8½ per cent annual rate</u>	<u>Growth from QI '77 at an 8½ per cent annual rate</u>				
QI '78	812.0	813.0	818.2	816.2	814.1	812.8
QII '78	829.3	829.8	834.0	832.4	830.6	826.5

NOTE: The last four columns assume growth around the midpoints of the proposed ranges is achieved and are the same numbers as shown in the table on p.

The table above facilitates comparison of longer-run paths proposed in the current blue book with the Committee's current (QI '77 to QI '78) and immediately previous (QIV '76 to QIV '77) longer-run paths. The first column of the table shows the level of  $M_1$  and  $M_2$  implied by the midpoint growth rate of the Committee's QIV '76 to QIV '77 longer-run range extended to the first and second quarters of 1978. The second column shows the levels of  $M_1$  and  $M_2$  in the first and second quarters of 1978 implied by midpoint

growth rates of current longer-run paths (which take QI '77 as the base). The last four columns show levels of  $M_1$  and  $M_2$  for the first and second quarters of 1978 implied by the alternatives presented in this blue book (which take QII '77 as the base).

As may be seen, alternatives A through C imply higher midpoint levels for both  $M_1$  and  $M_2$  in QI '78 and QII '78 than would be implicit in extension of Committee ranges based on QI '77 or QIV '76. For example, under alternative B,  $M_1$  in QII '78 would be \$2.5 billion (or .7 of a per cent) above the implied level for that quarter derived by extending the midpoint of the current  $M_1$  growth range to the second quarter of 1978 (shown in the second column).  $M_2$  in QII '78 under alternative B would be .3 of a per cent above such an implied level.

Alternative D would achieve the implied QII '78 level based on  $5\frac{1}{2}$  per cent growth from QI '77, but it would fall slightly short of achieving the QII '78 level that would be implied if the base were carried back to QIV '76. Alternative D would also fall short of achieving the implied QII '78 levels for  $M_2$  based on the earlier paths.

## Appendix II

### Projected Federal Funds Rate

		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. D</u>
1977	QIII	5	5½	5-7/8	5-7/8
	QIV	5½	5-7/8	6-1/8	6¼
1978	QI	6	6-1/8	6¼	6½
	QII	6½	6¼	6¼	6¼

### Appendix III

#### Comparison of the Member Bank Credit Proxy and All Commercial Bank Credit

In recent years the bank credit proxy--total member bank deposits plus Euro-dollar borrowings and loans sold to affiliates--has become much less useful than it had been as an indicator of the change in bank credit at all commercial banks. In the mid-1960's, when the credit proxy was developed, this measure was equal to approximately 80 per cent of the outstanding credit at all commercial banks. By the end of 1976 the ratio had declined to 67 per cent. The deterioration of the proxy has reflected the increasing proportion of total credit extended by nonmember banks and the increasing use by banks of nondeposit sources of funds not included in the proxy, such as borrowings from nonbanks through RP's and Federal funds.<sup>1/</sup> The advantages of the credit proxy--its timeliness and its availability on a daily average basis rather than as of a single day--have increasingly been overshadowed by these problems.

Because of shifts in sources of credit expansion at all commercial banks, the actual performance of the bank credit proxy has, with one exception, fallen well short of the FOMC's longer-run ranges for bank credit. The growth in total loans and investments of all commercial banks has actually been much more consistent, on average, with the FOMC's credit ranges, as may be seen from the table, which compares the Committee's growth ranges for bank credit to the actual growth in the member bank credit proxy and two measures of all commercial bank credit. The first

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<sup>1/</sup> It is estimated that in 1976 such borrowings increased nearly \$23 billion --accounting for 3 percentage points of the rise in bank credit last year--and the total outstanding amount of such borrowed funds equalled roughly 8 per cent of total member bank deposits at the end of 1976.

of these measures is the Board's single-day last-Wednesday-of-the-month all commercial bank credit series, and the second is a new "monthly average" bank credit series that is derived by averaging Wednesday data.<sup>1/</sup>

The staff would recommend that the Committee no longer employ the bank credit proxy in view of its deterioration as an indicator of credit and since direct measures of commercial bank total loans and investments will readily serve as a measure for purposes of establishing longer-run ranges.

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<sup>1/</sup> Both measures of all commercial bank credit are based on reported data from all member banks and estimated data for nonmember banks. Large member banks report detailed bank credit data for each Wednesday. An abbreviated report showing three credit items (total loans, U.S. Government securities, and other securities) is also filed by small member banks each Wednesday. Small member bank-nonmember bank ratios are derived from call report data for the three reported credit items. The credit data reported by small member banks for Wednesdays are multiplied by these call report ratios to derive estimates of nonmember bank credit. The various credit components for large and small member banks and nonmember banks are aggregated to a gross loans and investments total. Inter-bank loans are estimated, based on reported member bank data and nonmember bank call report data, and subtracted from gross loans and investments to obtain a net total loans and investments measure. Data on loans sold to affiliates are reported for each Wednesday by large banks and are added to the net loans and investments series to complete the bank credit measure.

The monthly average series averages the estimated Wednesday data for all banks. At this point in time the components of bank credit are estimated only monthly, but the staff could develop a monthly average series for the components also.

Table 1

Longer-run Bank Credit Targets and Growth Rates  
(per cent annual rates)

Meeting Adopted	Period	Adopted Credit Proxy Growth Rate Range	Actual Growth Rates		
			Member Bank Credit Proxy	All Commercial Bank Credit Month-end Basis	Average of Wednesdays
April 1975	March 1975- March 1976	6½-9½	3.2	5.4	5.2
June 1975	June 1975- June 1976	6½-9½	3.2	6.1	6.9
July 1975	QII 1975- QII 1976	6½-9½	3.1	6.0	6.1
Oct. 1975	QIII 1975- QIII 1976	6-9	3.7	6.7	6.5
Jan. 1976	QIV 1975- QIV 1976	6-9	4.3	8.0	7.7
Apr. 1976	QI 1976- QI 1977	6-9	5.0	9.1	9.1
July 1976	QII 1976- QII 1977	5-8	5.8	9.9	9.9



Appendix IV

Expansion in Reserves Over the Period  
From QII '77 to QIV '77 Consistent  
With Proposed Alternatives  
(Seas. adj. annual rates)

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. D</u>
Nonborrowed Reserves	5.2	3.4	2.7	1.3
Total Reserves	5.6	5.5	5.5	5.3
Monetary Base	7.9	7.8	7.8	7.7

Shown above are 6-month growth rates in various reserve measures consistent with the midpoints of the alternative longer-run paths for the monetary aggregates presented in this blue book.

Appendix V

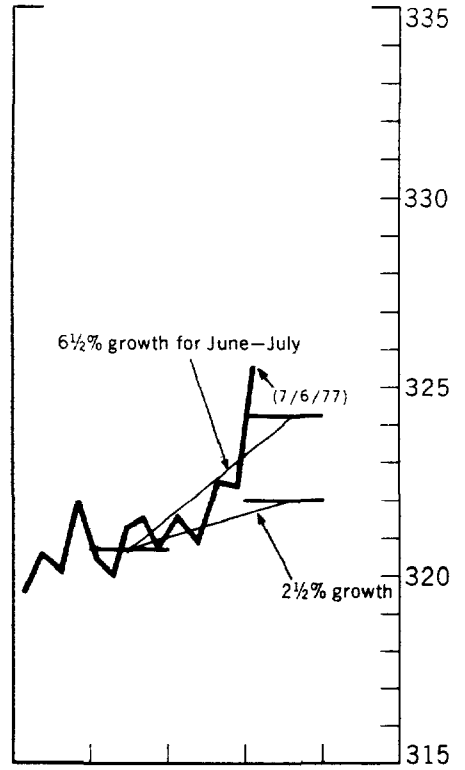
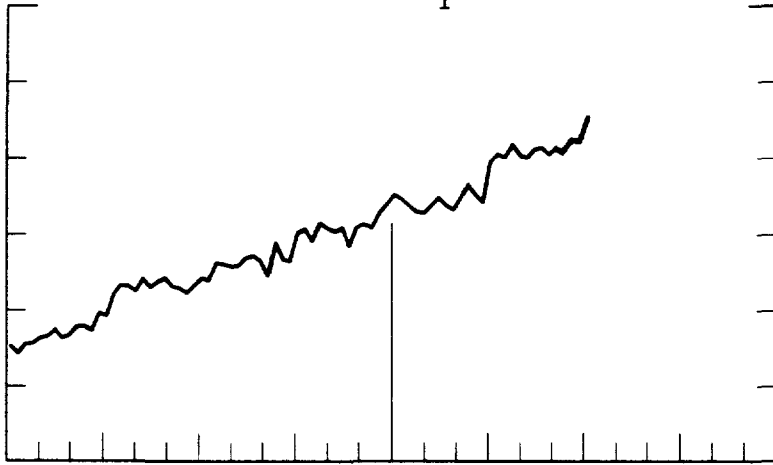
Implied Velocity Growth Rates

<u>V<sub>1</sub></u> (GNP/M <sub>1</sub> )		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. D</u>
1977	III	6.0	6.3	6.4	6.4
	IV	6.7	6.7	6.9	7.0
1978	I	5.7	5.9	6.3	6.2
	II	5.2	4.8	4.5	5.6
<u>V<sub>2</sub></u> (GNP/M <sub>2</sub> )					
1977	III	3.1	3.3	3.5	3.3
	IV	3.8	3.9	4.4	4.6
1978	I	3.1	3.4	3.4	3.6
	II	3.1	2.4	2.2	2.9

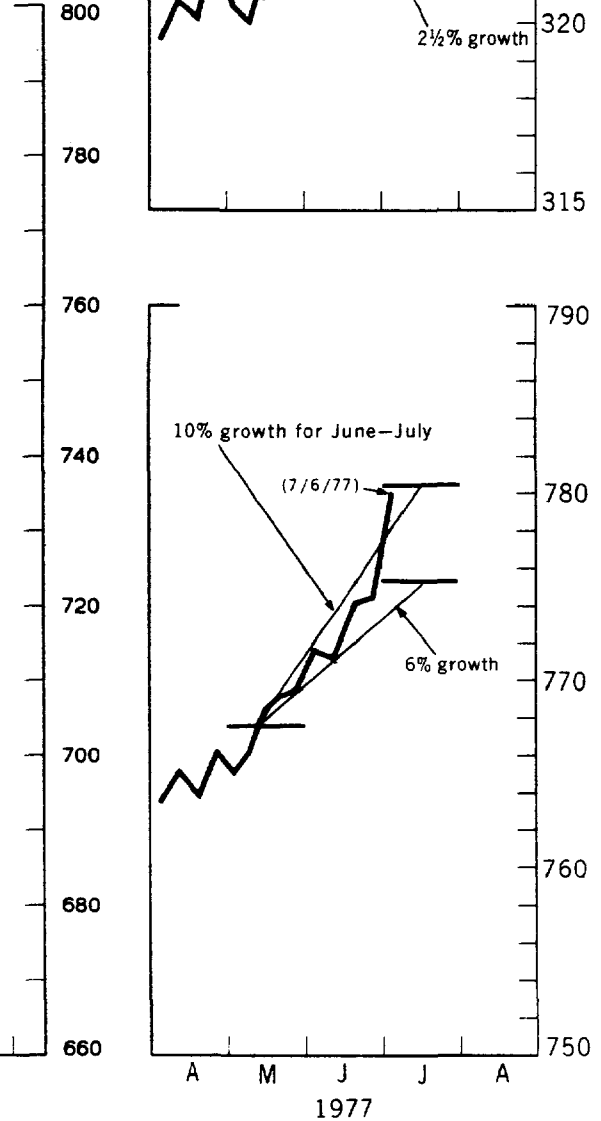
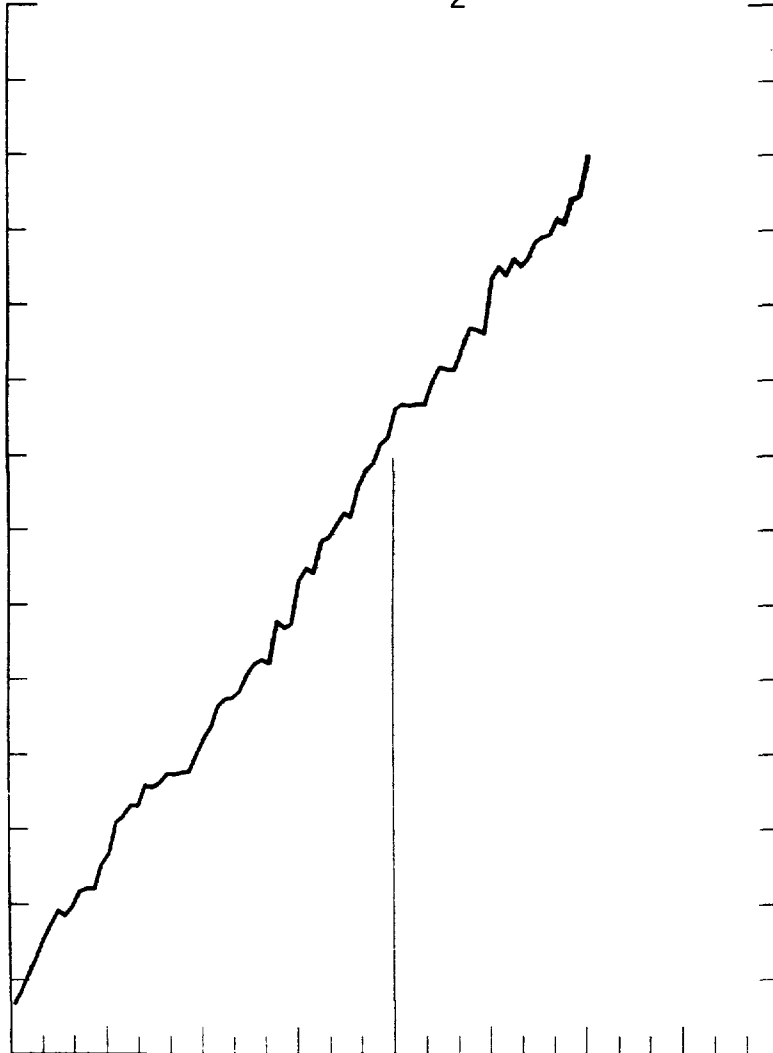
# MONETARY AGGREGATES

### NARROW MONEY SUPPLY $M_1$

BILLIONS OF DOLLARS



### BROADER MONEY SUPPLY $M_2$



1976

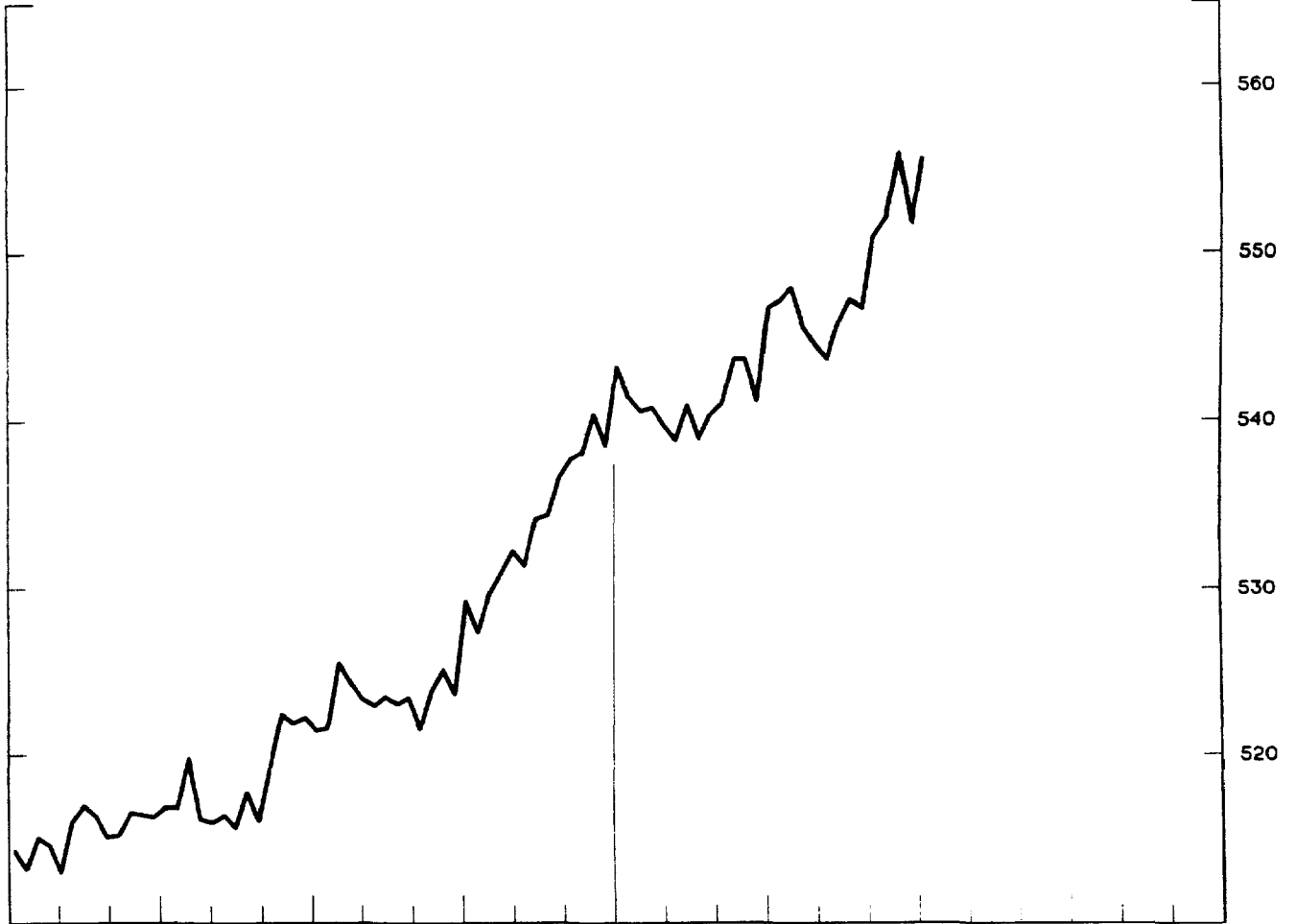
1977

A M J J A  
1977

# MONETARY AGGREGATES

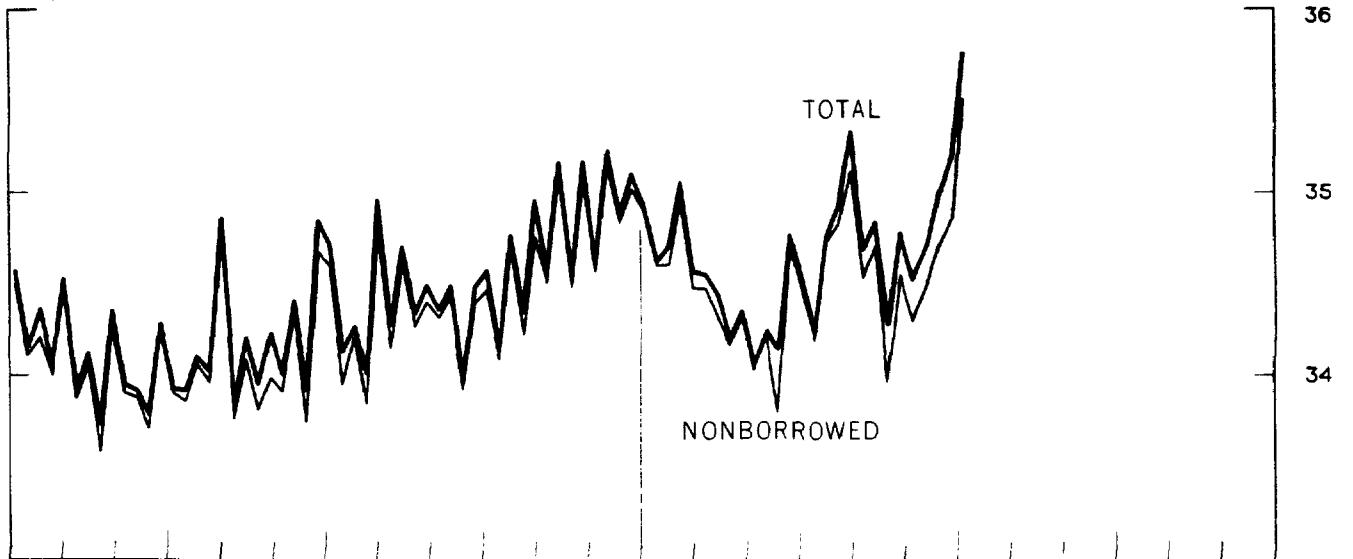
ADJUSTED CREDIT PROXY

BILLIONS OF DOLLARS



RESERVES

BILLIONS OF DOLLARS



1976

1977

# MONEY MARKET CONDITIONS AND INTEREST RATES

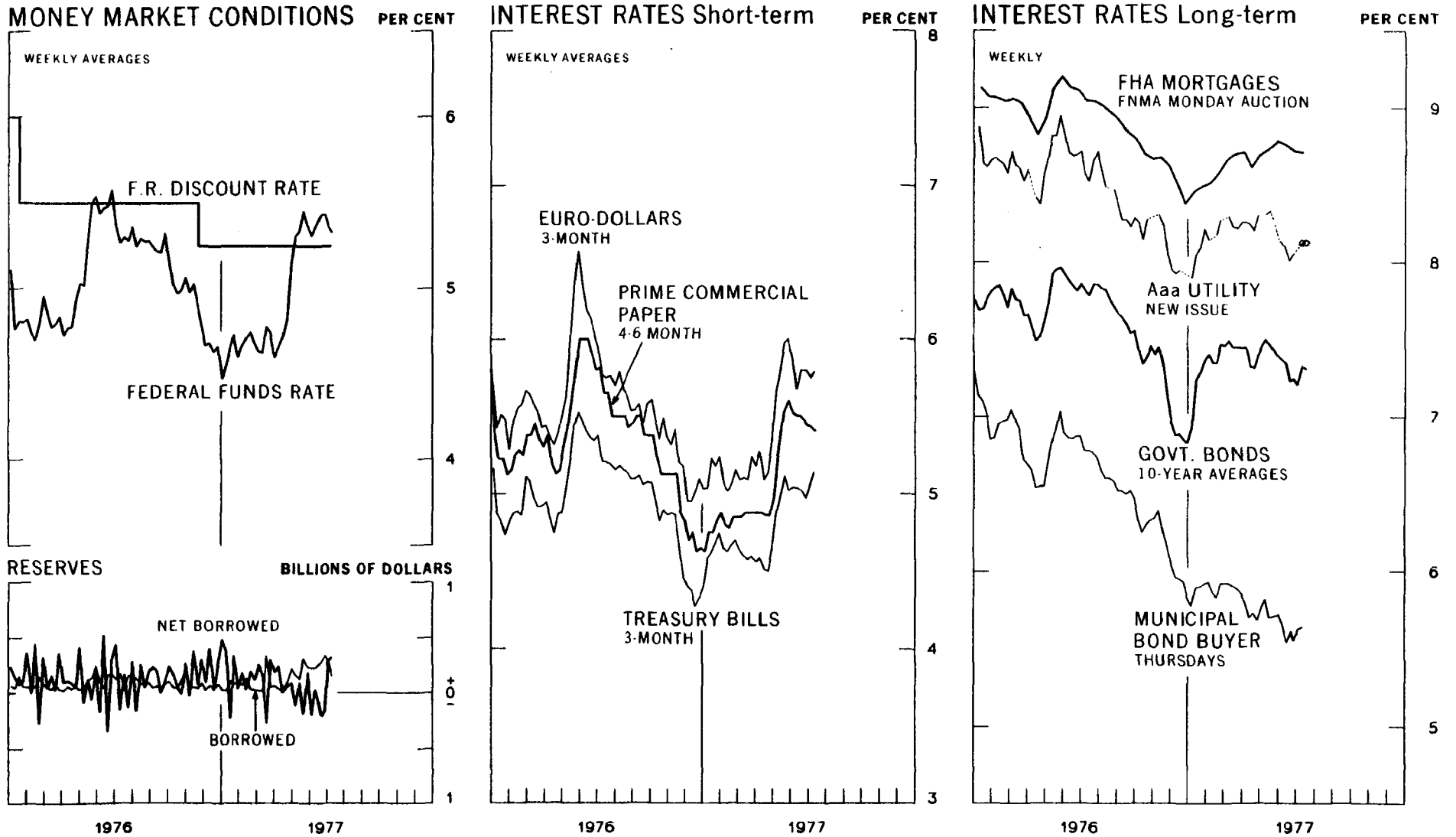


Table 1

# MONETARY AGGREGATES

ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED

CONFIDENTIAL (FR)  
CLASS II-FOMC  
JULY 15, 1977

Period	Money Supply		Adjusted Credit Proxy	Total U.S. Govt. Deposits <sup>1/</sup>	Time and Savings Deposits				Nondeposit Sources of Funds	Member Bank U.S. Govt Deposits		
	Narrow (M1)	Broad (M2)			Total	Other Than CD'S					CD'S	
						Total	Savings	Other				
	1	2	3	4	5	6	7	8	9	10	11	
<b>MONTHLY LEVELS—\$BIL</b>												
1977--APR.	320.5	764.6	546.1	10.8	505.7	444.1	211.9	232.2	61.6	7.7	3.6	
MAY	320.7	767.6	545.4	10.6	509.2	446.9	212.7	234.2	62.3	7.8	4.1	
JUNE	322.0	772.8	552.7	10.1	514.8	450.8	212.3	238.5	63.9	8.4	3.7	
JULY	(324.0)	(779.4)	(554.0)	( 11.5)	(518.9)	(455.4)	(212.8)	(242.6)	( 63.5)	( 8.2)	( 2.9)	
<b>% ANNUAL GROWTH</b>												
<b>QUARTERLY</b>												
1976--4TH QTR.	7.2	13.4	11.5		15.7	18.1	27.5	10.0	1.3			
1977--1ST QTR.	3.8	8.5	3.0		9.5	11.9	15.4	8.7	-7.0			
2ND QTR.	8.4	8.8	7.2		9.5	9.3	4.0	14.1	10.9			
<b>QUARTERLY--AV</b>												
1976--4TH QTR.	6.5	12.5	8.2		12.2	17.1	24.7	10.8	-18.9			
1977--1ST QTR.	4.2	9.9	5.4		12.5	14.0	21.9	7.1	1.9			
2ND QTR.	8.5	9.2	5.2		8.3	9.8	7.9	11.6	-1.9			
<b>MONTHLY</b>												
1977--APR.	19.4	13.5	7.1		6.9	9.5	9.7	9.4	-11.6			
MAY	0.7	4.7	-1.5		8.3	7.6	4.5	10.3	13.6			
JUNE	4.9	8.1	16.1		13.2	10.5	-2.3	22.0	30.8			
JULY	( 7.5)	( 10.2)	( 2.8)		( 9.6)	( 12.2)	( 2.8)	( 20.6)	( -7.5)			
JUNE--JULY	( 6.2)	( 9.2)	( 9.5)		( 11.4)	( 11.4)	( 0.3)	( 21.5)	( 11.6)			
<b>WEEKLY LEVELS—\$BIL</b>												
1977--JUNE	1	320.7	769.5	546.6	8.3	511.7	448.8	212.4	236.4	62.9	7.5	2.6
	8	321.5	771.6	551.0	7.5	513.3	450.1	212.7	237.4	63.2	7.8	4.3
	15	320.9	771.1	552.1	6.5	513.9	450.2	212.3	237.9	63.7	8.0	4.8
	22	322.5	774.1	555.9	12.5	515.6	451.6	212.2	239.4	64.0	9.5	4.6
	29	322.4	774.4	551.9	12.1	516.8	452.0	211.9	240.1	64.8	8.4	2.4
JULY	6	325.6	780.0	555.7	10.8	518.4	454.4	212.4	242.0	64.0	8.7	1.8

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.  
1/ INCLUDES TREASURY DEPOSITS AT MEMBER BANKS AND FEDERAL RESERVE BANKS.  
P - PRELIMINARY

TABLE 2  
**BANK RESERVES**  
ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED

JULY 15, 1977

Period	BANK RESERVES			REQUIRED RESERVES			
	Total Reserves	Nonborrowed Reserves	Monetary Base	Total Required	Private Demand	Total Time Deposits	Gov't. and Interbank
	1	2	3	4	5	6	7
<b>MONTHLY LEVELS--\$MILLIONS</b>							
1977--APR.	34,680	34,606	120,749	34,488	20,608	12,162	1,718
MAY	34,723	34,517	121,376	34,515	20,706	12,116	1,692
JUNE	34,868	34,605	122,030	34,714	20,601	12,306	1,807
JULY	(35,296)	(35,064)	(123,261)	(34,979)	(20,860)	(12,416)	(1,702)
<b>PERCENT ANNUAL GROWTH</b>							
<b>QUARTERLY</b>							
1976--4TH QTR.	7.6	7.7	8.0	6.8	1.6	8.0	
1977--1ST QTR.	-1.8	-2.4	5.1	-1.1	3.7	6.9	
2ND QTR.	6.5	4.7	8.2	7.3	3.9	6.0	
<b>QUARTERLY--AV</b>							
1976--4TH QTR.	4.4	4.8	7.1	4.0	3.2	-0.7	
1977--1ST QTR.	2.7	2.6	6.8	3.0	5.0	9.5	
2ND QTR.	3.1	1.9	7.2	3.5	3.0	4.0	
<b>MONTHLY</b>							
1977--APR.	13.0	14.1	11.8	13.9	12.1	3.9	
MAY	1.5	-3.1	6.2	0.9	5.7	-4.5	
JUNE	5.0	3.1	6.5	6.9	-6.1	18.8	
JULY	( 14.7)	( 15.9)	( 12.1)	( 9.2)	( 15.1)	( 10.7)	
JUNE--JULY	( 9.9)	( 9.5)	( 9.3)	( 8.1)	( 4.5)	( 14.9)	
<b>WEEKLY LEVELS--\$MILLIONS</b>							
1977--JUNE							
1	34,759	34,529	121,878	34,350	20,596	12,207	1,548
8	34,507	34,281	121,208	34,474	20,655	12,240	1,580
15	34,686	34,463	121,546	34,440	20,448	12,290	1,702
22	34,980	34,709	122,217	34,907	20,623	12,348	1,936
29	35,184	34,850	122,959	35,014	20,631	12,350	2,033
JULY							
6	35,764	35,499	123,512	35,216	20,922	12,386	1,908
13	35,166	35,007	123,032	34,680	20,743	12,450	1,488

NOTE: RESERVE SERIES HAVE BEEN ADJUSTED TO REMOVE DISCONTINUITIES ASSOCIATED WITH CHANGES IN RESERVE REQUIREMENT RATIO.  
DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.

TABLE 3  
NET CHANGES IN SYSTEM HOLDINGS OF SECURITIES  
(\$ millions, not seasonally adjusted)

STRICTLY CONFIDENTIAL (FR)  
CLASS II - FOMC  
JULY 15, 1977

Period	Treasury Bills Net Change 2/	Treasury Coupons Net Purchases 3/					Federal Agencies Net Purchases 4/					Net Change Outright Holdings Total 5/	Net RP's 6/
		Within 1 year	1 - 5	5 - 10	Over 10	Total	Within 1 year	1 - 5	5 - 10	Over 10	Total		
1972	-490	87	789	539	167	1,582	46	592	253	168	1,059	1,631	-1,358
1973	7,232	207	579	500	129	1,415	120	400	244	101	864	9,273	-46
1974	1,280	320	797	434	196	1,747	439	1,665	659	318	3,082	6,303	-154
1975	-468	337	3,284	1,510	1,070	6,202	191	824	460	138	1,613	7,267	1,272
1976	863	472	3,025	1,048	642	5,187	105	469	203	114	891	6,227	3,607
1976--Qtr. II	2,067	109	796	245	134	1,284	3	140	57	40	240	3,371	1,654
Qtr. III	45	171	881	345	160	1,557	--	--	--	--	--	1,398	392
Qtr. IV	-886	77	794	232	192	1,294	--	41	37	36	115	436	304
1977--Qtr. I	1,164	192	997	325	165	1,680	--	--	--	--	--	2,738	-4,771
Qtr. II	2,126	109	526	171	152	959	--	406	251	68	726	3,666	4,175
1977--Jan.	2,222	45	475	128	48	695	--	--	--	--	--	2,908	-6,877
Feb.	-691	107	348	151	81	687	--	--	--	--	--	-45	1,931
Mar.	-368	41	174	46	37	298	--	--	--	--	--	-125	175
Apr.	1,392	20	327	104	38	489	--	173	138	35	346	2,176	2,822
May	-208	--	--	--	--	--	--	--	--	--	--	-254	-3,207
June	942	89	200	68	114	470	--	233	113	33	380	1,744	4,561
1977--May 4	533	--	--	--	--	--	--	173	138	35	346	866	2,779
11	245	--	--	--	--	--	--	--	--	--	--	227	-2,892
18	11	--	--	--	--	--	--	--	--	--	--	3	-2,841
25	-125	--	--	--	--	--	--	--	--	--	--	-133	-2,697
June 1	-702	--	--	--	--	--	--	--	--	--	--	-704	47
8	-1,442	--	--	--	--	--	--	--	--	--	--	-1,445	-6,501
15	-33	--	--	--	--	--	--	--	--	--	--	-58	3,444
22	1,023	89	200	68	114	470	--	233	113	33	380	1,870	7,833
29	1,506	--	--	--	--	--	--	--	--	--	--	1,503	1,066
July 6	-145	--	--	--	--	--	--	--	--	--	--	-159	-5,780
13	-581	--	--	--	--	--	--	--	--	--	--	-589	586
20													
27													
LEVEL--July 13 (in billions)	41.1					57.3					7.4	105.9	-1.8

1/ Change from end-of-period to end-of-period.

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

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

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

5/ In addition to net purchases of securities, also reflects changes in System holdings of banker's acceptances, direct Treasury borrowings from the System, and redemptions (-) of Agency and Treasury coupon issues.

6/ Includes changes in both RP's (+) and matched sale-purchase transactions (-).



TABLE 4  
SECURITY DEALER POSITIONS AND BANK POSITIONS  
(millions of dollars)

STRICTLY CONFIDENTIAL (FR)  
CLASS II - FOMC  
JULY 15, 1977

	U.S. Govt. Security Dealer Positions		Underwriting Syndicate Positions		Member Bank Reserve Positions				
	Bills (1)	Coupon Issues (2)	Corporate Bonds (3)	Municipal Bonds (4)	Excess** Reserves (5)	Borrowing at FRB**		Basic Reserve Deficit**	
						Total (6)	Seasonal (7)	8 New York	38 Others
1976--High	8,896	3,046	334	343	655	242	34	-8,161	-12,744
Low	3,668	175	0	34	-180	24	8	-2,367	- 6,908
1977--High	7,234	3,017	278	350	578p	339	68p	-8,742	-13,975
Low	1,729	*-300	0	125	-111	20	8	-4,293	- 8,733p
1976--June	4,996	582	100	196	214	127	20	-4,219	- 9,158
July	5,743	904	106	211	234	132	25	-4,756	- 9,399
Aug.	6,174	1,686	85	116	207	100	31	-4,624	- 9,691
Sept.	7,838	1,509	95	172	205	63	31	-5,703	- 9,716
Oct.	6,271	1,832	94	258	221	94	32	-6,428	-10,527
Nov.	6,876	2,418	79	217	257	72	22	-6,289	-11,618
Dec.	8,005	2,443	145	167	274	53	13	-7,168	-11,449
1977--Jan.	6,406	2,320	82	202	265	68	10	-6,421	-11,504
Feb.	4,450	1,605	72	226	198	72	12	-5,604	-11,503
Mar.	4,906	972	103	162	214	103	13	-5,661	-10,912
Apr.	4,567	696	101	173	192	73	14	-6,586	-11,409
May	3,072	123	20	228	213	206	30	-5,693	-10,175
June	*4,752	*206	142	217	162p	262p	54	-5,353p	-10,998p
1977--May 4	2,474	421	33	350	302	215	18	-5,840	- 9,209
11	2,778	199	8	180	46	156	22	-7,349	-10,843
18	3,232	-289	15	188	218	127	28	-5,627	-11,054
25	2,837	-83	24	194	157	311	34	-5,133	- 9,817
June 1	4,172	681	23	166	409	230	44	-4,392	- 9,433
8	5,579	281	33	213	33	226	50	-6,163	-12,044
15	5,711	164	148	203	246	223	47	-5,414	-12,543
22	*4,345	*-300	230	244	104p	271p	51p	-5,612	-11,209
29	*3,477	*435	278	259	170p	334p	68p	-4,269p	- 8,733p
July 6	*4,617	*800	192	230	578p	265p	58p	-5,990p	- 8,803p
13	*4,211p	*230p	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
20									
27									

NOTE: Government security dealer trading positions are on a commitment basis. Trading positions, which exclude Treasury securities financed by repurchase agreements maturing in 16 days or more, are indicators of dealer holdings available for sale over the near-term. Underwriting syndicate positions consist of 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.

p Average through close of business Monday.

TABLE 5  
SELECTED INTEREST RATES  
(per cent)

STRICTLY CONFIDENTIAL (FR)  
CLASS II - FOMC  
JULY 15, 1977

	Short-term						Long-term								
	Federal Funds	Treasury Bills		Commercial Paper 90-119 Day	CD's New Issue-NYC		U.S. Govt.-Constant Maturity Yields			Corp.-Aaa Utility		Municipal Bond Buyer	Home Mortgages		
		90-Day	1-Year		60-Day	90-Day	3-yr	7-yr	20-yr	New Issue	Recently Offered		Primary Conv.	Secondary FNMA	Market Auc. GNMA Sec.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
1976--High	5.58	5.53	6.32	5.90	5.63	5.75	7.52	7.89	8.17	8.95	8.94	7.13	9.10	9.20	8.45
Low	4.63	4.27	4.62	4.63	4.40	4.50	5.65	6.33	7.23	7.93	7.84	5.83	8.70	8.39	7.57
1977--High	5.45	5.14	5.53	5.50	5.30	5.44	6.58	7.31	7.78	8.34	8.33	5.93	8.95	8.79	8.08
Low	4.47	4.41	4.67	4.63	4.48	4.63	5.83	6.59	7.26	7.90	7.95	5.55	8.65	8.46	7.56
1976--June	5.48	5.41	6.12	5.83	5.55	5.68	7.32	7.76	8.03	8.72	8.73	6.87	8.85	9.13	8.35
July	5.31	5.23	5.82	5.54	5.30	5.42	7.12	7.70	8.00	8.63	8.63	6.79	8.93	9.05	8.37
Aug.	5.29	5.14	5.64	4.35	5.23	5.31	6.86	7.58	7.91	8.52	8.50	6.61	9.00	8.99	8.30
Sept.	5.25	5.08	5.50	5.33	5.11	5.24	6.66	7.41	7.78	8.29	8.33	6.51	8.98	8.88	8.10
Oct.	5.03	4.92	5.19	5.10	4.90	5.04	6.24	7.16	7.70	8.25	8.24	6.30	8.93	8.75	7.98
Nov.	4.95	4.75	5.00	4.98	4.84	4.94	6.09	6.86	7.64	8.17	8.18	6.29	8.81	8.66	7.93
Dec.	4.65	4.35	4.64	4.66	4.68	4.50	5.68	6.37	7.30	7.94	7.93	5.94	8.79	8.45	7.59
1977--Jan.	4.61	4.62	5.00	4.72	4.61	4.68	6.22	6.92	7.48	8.08	8.09	5.87	8.72	8.48	7.83
Feb.	4.68	4.67	5.16	4.76	4.58	4.70	6.44	7.16	7.64	8.22	8.19	5.89	8.67	8.55	7.98
Mar.	4.69	4.60	5.19	4.75	4.58	4.72	6.47	7.20	7.73	8.25	8.29	5.89	8.69	8.68	8.06
Apr.	4.73	4.54	5.10	4.75	4.67	4.67	6.32	7.11	7.67	8.26	8.22	5.73	8.75	8.67	7.96
May	5.35	4.96	5.43	5.26	5.04	5.16	6.55	7.26	7.74	8.33	8.31	5.75	8.83	8.74	8.04
June	5.39	5.02	5.41	5.42	5.24	5.35	6.39	7.05	7.64	8.08	8.12	5.62	8.86	8.75	7.95
1977--May 4	5.15	4.65	5.24	4.83	4.65	4.80	6.49	7.27	7.74	--	8.33	5.76	8.78	8.70	8.06
11	5.31	4.87	5.41	5.05	5.00	5.13	6.58	7.31	7.78	8.32	8.32	5.82	8.83	--	8.08
18	5.34	4.99	5.46	5.35	5.25	5.28	6.57	7.25	7.74	8.34	8.31	5.70	8.85	8.74	8.04
25	5.45	5.11	5.53	5.48	5.25	5.44	6.56	7.21	7.70	--	8.28	5.71	8.85	--	8.04
June 1	5.36	5.02	5.42	5.50	5.30	5.40	6.49	7.17	7.68	8.15	8.22	5.72	8.85	8.79	7.99
8	5.31	5.04	5.43	5.46	5.25	5.38	6.46	7.13	7.68	8.11	8.22	5.65	8.85	--	7.99
15	5.37	5.04	5.41	5.44	5.25	5.35	6.35	7.01	7.63	8.01	8.06	5.55	8.85	8.77	7.99
22	5.43	5.01	5.42	5.40	5.20	5.30	6.35	7.01	7.63	8.07	8.06	5.61	8.88	--	7.92
29	5.43	4.97	5.39	5.39	5.20	5.30	6.32	6.98	7.57	--	8.03	5.56	8.95	8.73	7.90
July 6	5.35	5.06	5.43	5.38	5.13	5.25	6.40	7.08	7.58	8.14p	8.10p	5.63	8.93	--	7.97
13	5.33	5.14	5.48	5.38	n.a.	n.a.	6.45p	7.09p	7.60p	n.a.	n.a.	n.a.	n.a.	8.72	7.97
20															
27															
Daily--July 7	5.35	5.11	5.45	5.38	--	--	6.39	7.07	7.57	--	--	--	--	--	--
13	5.26	5.16	5.49	5.38	--	--	6.42	7.05	7.58	--	--	--	--	--	--

NOTE: Weekly data for columns 1 to 4 are statement week averages of daily data. Columns 5 and 6 are 1-day Wednesday quotes (prior to 1976, figures shown are for 60-89 day and 90-119 day ranges, respectively). For columns 7 through 10, the weekly date is the mid-point of the calendar week over which data are averaged. Columns 11 and 12 are 1-day quotes for Friday and Thursday, respectively, following the end of the statement week. Column 13 is an average of contract interest rates on commitments for conventional first mortgages with 80 per cent loan-to-value ratios made by a sample of insured savings and loan associations on the Friday following the end of the statement week. Column 14 gives FNMA auction data for Monday preceding the end of the statement week. Column 15 is a 1-day quote for 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. GNMA yields are average net yields to investors on mortgage-backed securities for immediate delivery, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the coupon rate 50 basis points below the current FHA/VA ceiling.

## MONEY AND CREDIT AGGREGATE MEASURES

Period	BANK RESERVES <sup>1/</sup>			BANK CREDIT MEASURES		MONEY STOCK MEASURES						
	Total	Non-borrowed	Monetary Base	Adj. Credit proxy	Total Loans and Investments	M <sub>1</sub>	M <sub>2</sub>	M <sub>3</sub>	M <sub>4</sub>	M <sub>5</sub>	M <sub>6</sub>	M <sub>7</sub>
	1	2	3	4	5	6	7	8	9	10	11	12
	(Per cent annual rates of growth)											
ANNUALLY: <sup>2/</sup>												
1974	7.0	7.7	9.1	9.8	10.1	5.1	7.7	7.1	10.6	9.0	8.4	9.5
1975	-0.2	3.2	5.9	4.2	3.9	4.4	8.3	11.1	6.5	9.7	10.5	10.1
1976	1.0	1.2	6.9	4.3	8.0	5.6	10.9	12.8	7.1	10.3	9.9	10.2
SEMI-ANNUALLY: <sup>2/</sup>												
1 <sup>ST</sup> HALF 1976	-1.5	-1.3	6.9	2.4	6.7	5.6	10.3	11.8	6.0	8.9	9.2	9.6
2 <sup>ND</sup> HALF 1976	3.6	3.7	6.8	6.1	8.9	5.5	10.9	13.1	8.0	11.1	10.3	10.4
1 <sup>ST</sup> HALF 1977	2.9	2.3	7.0	5.3	10.5	6.4	9.7	10.8	9.0	10.3	10.0	10.3
QUARTERLY:												
3 <sup>RD</sup> QTR. 1976	0.6	1.3	6.1	1.8	7.2	4.9	10.4	12.9	5.7	9.9	9.3	9.5
4 <sup>TH</sup> QTR. 1976	7.6	7.7	8.0	11.5	11.2	7.2	13.4	14.5	12.4	13.8	11.8	11.5
1 <sup>ST</sup> QTR. 1977	-1.8	-2.4	5.1	3.0	9.5	3.8	8.5	10.0	7.3	9.2	9.8	10.2
2 <sup>ND</sup> QTR. 1977	6.5	4.7	8.2	7.2	11.2	8.4	8.8	9.8	9.1	9.9	9.5	9.9
QUARTERLY-AV:												
3 <sup>RD</sup> QTR. 1976	2.7	2.6	6.3	3.9	6.9	4.4	9.1	11.4	6.0	9.3	9.2	9.6
4 <sup>TH</sup> QTR. 1976	4.4	4.8	7.1	8.2	10.8	6.5	12.5	14.4	9.8	12.7	11.1	10.9
1 <sup>ST</sup> QTR. 1977	2.7	2.6	6.8	5.4	8.8	4.2	9.9	11.3	9.3	10.9	10.5	10.6
2 <sup>ND</sup> QTR. 1977	3.1	1.9	7.2	5.2	11.9	9.5	9.2	10.0	8.5	9.4	9.2	9.7
MONTHLY:												
1976--JUNE	4.1	3.7	5.4	13.5	7.9	-1.2	4.3	7.1	6.4	8.3	6.2	9.2
JULY	2.0	1.8	6.5	3.2	4.1	7.1	12.0	12.8	8.9	10.8	11.5	11.8
AUG.	5.9	7.0	6.6	0.7	9.7	5.9	8.8	12.3	2.0	7.9	7.6	7.7
SEPT.	-6.2	-4.8	5.1	1.6	7.6	1.6	10.0	13.3	6.2	10.8	8.6	8.7
OCT.	6.0	4.9	7.1	11.9	13.5	13.7	16.1	16.9	13.5	15.3	14.0	13.7
NOV.	11.8	12.6	9.1	11.3	11.1	0.0	10.6	12.6	9.7	11.9	10.7	10.3
DEC.	4.9	5.6	7.7	10.8	8.6	7.7	13.1	13.4	13.4	13.7	10.5	10.2
1977--JAN.	10.9	10.4	10.6	4.5	3.7	5.4	9.7	11.4	8.7	10.8	10.8	11.0
FEB.	-13.1	-13.3	-0.2	-2.9	14.7	0.8	7.1	8.9	7.0	8.7	11.0	11.3
MAR.	-3.1	-4.3	5.0	7.6	10.0	5.4	8.6	9.4	6.2	8.0	7.2	7.9
APR.	13.0	14.1	11.8	7.1	14.0	19.4	13.5	12.4	11.7	11.3	10.7	11.0
MAY	1.5	-3.1	6.2	-1.5	10.3	0.7	4.7	7.3	5.4	7.6	7.5	8.2
JUNE P	5.0	3.1	6.5	16.1	8.9	4.9	8.1	9.4	10.0	10.5	10.1	10.3

NOTES: ADJUSTED CREDIT PROXY INCLUDES MAINLY TOTAL MEMBER BANK DEPOSITS SUBJECT TO RESERVE REQUIREMENTS, LOANS SOLD TO BANK-RELATED INSTITUTIONS, AND EURODOLLAR BORROWINGS OF U.S. BANKS.

1/ BASED ON DATA ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS.

2/ BASED ON QUARTERLY AVERAGE DATA.

P - PRELIMINARY

## MONEY AND CREDIT AGGREGATE MEASURES

SEASONALLY ADJUSTED, BILLIONS OF DOLLARS

Period	BANK RESERVES <sup>1/</sup>			BANK CREDIT MEASURES		MONEY STOCK MEASURES						
	Total	Non-borrowed	Monetary Base	Adj. Credit proxy	Total Loans and Investments	M <sub>1</sub>	M <sub>2</sub>	M <sub>3</sub>	M <sub>4</sub>	M <sub>5</sub>	M <sub>6</sub>	M <sub>7</sub>
	1	2	3	4	5	6	7	8	9	10	11	12
<b>ANNUALLY:</b>												
1974	34,174	33,447	104,380	494.6	695.2	283.1	612.4	981.5	701.4	1070.5	1181.2	1221.6
1975	34,015	33,885	110,394	513.8	725.5	294.8	664.3	1092.6	746.5	1174.7	1308.3	1351.1
1976	34,465	34,412	118,054	538.8	788.2	312.4	740.3	1237.1	803.5	1300.3	1438.9	1488.4
<b>MONTHLY:</b>												
1976--JUNE	33,776	33,650	114,009	521.4	753.3	303.2	698.2	1156.5	768.4	1226.7	1365.7	1413.2
JULY	33,833	33,701	114,625	522.8	755.9	305.0	705.2	1168.8	774.1	1237.7	1378.8	1427.1
AUG.	33,998	33,897	115,252	523.1	762.0	306.5	710.4	1180.8	775.4	1245.8	1387.5	1436.3
SEPT.	33,823	33,761	115,739	523.8	766.8	306.9	716.3	1193.9	779.4	1257.0	1397.5	1446.7
OCT.	33,992	33,898	116,424	529.0	775.4	310.4	725.9	1210.7	788.2	1273.0	1413.8	1463.2
NOV.	34,325	34,253	117,304	534.0	782.6	310.4	732.3	1223.4	794.6	1285.6	1426.4	1475.8
DEC.	34,465	34,412	118,054	538.8	788.2	312.4	740.3	1237.1	803.5	1300.3	1438.9	1488.4
1977--JAN.	34,778	34,710	119,100	540.8	790.6	313.8	746.3	1248.9	809.3	1312.0	1451.9	1502.0
FEB.	34,397	34,326	119,077	539.5	800.3	314.0	750.7	1258.2	814.0	1321.5	1465.2	1516.2
MAR.	34,308	34,204	119,572	542.9	807.0	315.4	756.1	1268.1	818.2	1330.3	1474.0	1526.2
APR.	34,680	34,606	120,749	546.1	816.4	320.5	764.6	1281.2	826.2	1342.8	1487.1	1540.2
MAY	34,723	34,517	121,376	545.4	823.4	320.7	767.6	1289.0	829.9	1351.3	1496.4	1550.7
JUNE P	34,868	34,605	122,030	552.7	829.5	322.0	772.8	1299.1	836.8	1363.1	1509.0	1564.0
<b>WEEKLY:</b>												
1977--MAY	11	34,686	34,530	120,990	543.6	320.1	766.2		828.2			
	18	34,829	34,702	121,488	545.8	321.3	768.4		830.7			
	25	34,277	33,966	121,061	547.2	321.5	769.1		831.8			
JUNE	1	34,759	34,529	121,878	546.6	320.7	769.5		832.4			
	8	34,507	34,281	121,208	551.0	321.5	771.6		834.9			
	15	34,686	34,463	121,546	552.1	320.9	771.1		834.8			
	22	34,980	34,709	122,217	555.9	322.5	774.1		838.2			
	29P	35,184	34,850	122,959	551.9	322.4	774.4		839.2			
JULY	6P	35,764	35,499	123,512	555.7	325.6	780.0		844.0			

NOTES: ADJUSTED CREDIT PROXY INCLUDES MAINLY TOTAL MEMBER BANK DEPOSITS SUBJECT TO RESERVE REQUIREMENTS, LOANS SOLD TO BANK-RELATED INSTITUTIONS, AND EURODDOLLAR BORROWINGS OF U.S. BANKS. WEEKLY DATA ARE DAILY AVERAGES FOR STATEMENT WEEKS. MONTHLY DATA ARE DAILY AVERAGES. WEEKLY DATA ARE NOT AVAILABLE FOR M<sub>3</sub>, M<sub>5</sub>, M<sub>6</sub>, M<sub>7</sub>, TOTAL LOANS AND INVESTMENTS AND THRIFT INSTITUTION DEPOSITS.

<sup>1/</sup> BASED ON DATA ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS.

P - PRELIMINARY

JULY 15, 1977

APPENDIX TABLE 2-A

**COMPONENTS OF MONEY STOCK AND RELATED MEASURES**

Period	Currency	Demand Deposits	Time and Savings Deposits					Mutual Savings Bank & S&L Shares <sup>1/</sup>	Credit Union Shares <sup>1/</sup>	Savings Bonds <sup>1/</sup>	Short Term U.S. Gov't Securities <sup>1/</sup>	Commercial Paper <sup>1/</sup>
			Total	Other Than CD's			CD's					
				Total	Savings	Other						
	1	2	3	4	5	6	7	8	9	10	11	12
(Per cent annual rates of growth)												
<b>ANNUALLY:</b>												
1974	10.3	3.6	14.7	10.1	6.5	12.7	36.5	5.6	12.3	4.7	13.5	29.0
1975	8.8	2.9	8.0	11.7	17.4	7.8	-6.1	15.5	19.4	6.2	33.4	-1.0
1976	9.6	4.3	8.1	15.2	25.0	7.7	-23.5	15.6	17.8	6.9	7.2	18.8
<b>SEMI-ANNUALLY:</b>												
1ST HALF 1976	10.7	4.0	6.3	14.1	27.6	3.8	-28.9	13.8	16.6	6.3	16.6	21.6
2ND HALF 1976	8.0	4.6	9.7	15.2	19.7	11.4	-21.1	16.2	17.6	7.2	-2.0	14.3
1ST HALF 1977	8.5	5.7	10.5	12.1	15.1	9.4	0.0	12.2	15.6	6.4	8.2	19.0
<b>QUARTERLY:</b>												
3RD QTR. 1976	8.8	3.7	6.2	14.5	19.5	10.3	-40.5	16.9	17.9	8.1	0.0	15.2
4TH QTR. 1976	6.6	7.4	15.7	18.1	27.5	10.0	1.3	15.9	18.2	6.2	-17.8	2.4
1ST QTR. 1977	8.4	2.2	9.5	11.9	15.4	8.7	-7.0	12.0	16.4	6.1	24.0	22.6
2ND QTR. 1977	8.8	8.2	9.5	9.3	4.0	14.1	10.9	10.9	12.8	6.6	6.2	20.7
<b>QUARTERLY-AV:</b>												
3RD QTR. 1976	7.8	3.2	7.0	12.8	13.8	11.7	-24.6	14.6	15.9	7.0	9.2	22.6
4TH QTR. 1976	8.1	6.0	12.2	17.1	24.7	10.8	-18.9	17.2	18.5	7.4	-13.0	5.7
1ST QTR. 1977	7.5	3.1	12.5	14.0	21.9	7.1	1.9	13.3	16.7	6.7	7.0	14.6
2ND QTR. 1977	9.3	8.3	8.3	9.8	7.9	11.6	-1.9	10.8	14.0	6.1	9.2	22.7
<b>MONTHLY:</b>												
1976--JUNE	3.1	-3.2	12.0	9.2	0.0	17.0	28.0	10.9	13.6	7.0	10.4	33.8
JULY	9.3	6.9	9.5	15.2	12.6	17.3	-22.2	13.9	16.8	5.2	29.3	20.3
AUG.	7.7	5.3	-0.3	11.4	21.7	2.2	-67.9	18.0	16.6	8.6	0.0	14.9
SEPT.	9.2	-1.1	9.2	16.3	23.3	11.0	-35.1	18.0	19.6	10.3	-28.6	9.8
OCT.	9.1	15.3	13.5	17.9	19.6	15.8	-15.2	18.0	19.3	5.1	-1.7	4.9
NOV.	6.0	-2.1	16.1	18.8	29.9	9.7	-1.9	15.3	15.8	6.8	-5.2	0.0
DEC.	4.5	8.9	17.1	16.8	31.0	4.3	21.2	13.8	18.8	6.7	-46.8	2.4
1977--JAN.	8.9	4.1	11.0	12.9	21.9	4.8	-3.8	14.2	15.4	6.7	18.0	14.5
FEB.	10.4	-3.1	10.7	11.7	13.4	10.6	3.8	11.4	15.2	6.6	60.4	24.0
MAR.	5.9	5.7	6.7	10.7	10.4	10.5	-20.9	10.0	18.0	5.0	-6.8	28.2
APR.	13.1	21.6	6.9	9.5	9.7	9.4	-11.6	10.4	11.8	6.6	6.8	18.4
MAY	7.2	-1.5	8.3	7.6	4.5	10.3	13.6	11.1	11.7	6.5	5.1	27.1
JUNE P	5.7	4.6	13.2	10.5	-2.3	22.0	30.8	11.0	14.5	6.5	6.7	15.5

1/ GROWTH RATES ARE BASED ON ESTIMATED MONTHLY AVERAGE LEVELS DERIVED BY AVERAGING END OF CURRENT MONTH AND END OF PREVIOUS MONTH REPORTED DATA.  
 2/ BASED ON QUARTERLY AVERAGE DATA.  
 P - PRELIMINARY.

APPENDIX TABLE 2-B

JULY 15, 1977

## COMPONENTS OF MONEY STOCK AND RELATED MEASURES

Period	Currency	Demand Deposits	Time and Savings Deposits					Mutual Savings Bank & S&L Shares <sup>1/</sup>	Credit Union Shares <sup>1/</sup>	Savings Bonds <sup>1/</sup>	Short-Term U.S. Gov't Sec <sup>1/</sup>	Com-mercial Paper <sup>1/</sup>	Non-Deposit Funds	Total Gov't Demand Deposits <sup>2/</sup>
			Total	Other Than CD's			CD's							
				Total	Savings	Other								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>ANNUALLY:</b>														
1974	67.8	215.3	418.3	329.3	136.2	193.1	89.0	341.5	27.6	63.3	47.4	40.4	8.4	6.0
1975	73.7	221.0	451.7	369.6	161.0	208.6	82.1	395.2	33.0	67.3	66.3	42.8	8.4	8.3
1976	80.5	231.9	491.1	427.9	202.4	225.5	63.3	457.8	39.0	71.9	66.6	49.5	9.2	11.2
<b>MONTHLY:</b>														
1976--JUNE	77.5	225.6	465.3	395.1	180.6	214.5	70.2	422.5	35.7	69.4	69.7	47.4	8.4	9.8
JULY	78.1	226.9	469.0	400.1	182.5	217.6	68.9	427.4	36.2	69.7	71.4	48.2	8.6	10.1
AUG.	78.6	227.9	468.9	403.9	185.8	218.0	65.0	433.6	36.7	70.2	71.4	48.8	8.9	12.6
SEPT.	79.2	227.7	472.5	409.4	189.4	220.0	63.1	440.3	37.3	70.6	69.7	49.2	8.2	12.0
OCT.	79.8	230.6	477.8	415.5	192.5	222.9	62.3	446.9	37.9	71.1	69.6	49.4	9.0	13.2
NOV.	80.2	230.2	484.2	422.0	197.3	224.7	62.2	452.6	38.4	71.5	69.3	49.4	9.1	13.0
DEC.	80.5	231.9	491.1	427.9	202.4	225.5	63.3	457.8	39.0	71.9	66.6	49.5	9.2	11.2
1977--JAN.	81.1	232.7	495.6	432.5	206.1	226.4	63.1	463.2	39.5	72.3	67.6	50.1	8.3	10.0
FEB.	81.6	232.1	500.0	436.7	208.4	228.4	63.3	467.6	40.0	72.7	71.0	51.1	7.5	11.7
MAR.	82.2	233.2	502.8	440.6	210.2	230.4	62.2	471.5	40.6	73.0	70.6	52.3	7.7	11.2
APR.	83.1	237.4	505.7	444.1	211.9	232.2	61.6	475.6	41.0	73.4	71.0	53.1	7.7	10.8
MAY	83.6	237.1	509.2	446.9	212.7	234.2	62.3	480.0	41.4	73.8	71.3	54.3	7.8	10.6
JUNE P	84.0	238.0	514.8	450.8	212.3	238.5	63.9	484.4	41.9	74.2	71.7	55.0	8.4	10.1
<b>WEEKLY:</b>														
1977--MAY	11	83.4	236.7	508.1	446.2	213.2	232.9	62.0					7.7	10.7
	18	83.6	237.6	509.5	447.1	212.9	234.2	62.4					8.1	10.9
	25	83.7	237.8	510.3	447.6	212.9	234.7	62.7					8.5	10.5
JUNE	1	84.1	236.7	511.7	448.8	212.4	236.4	62.9					7.5	8.3
	8	83.8	237.8	513.3	450.1	212.7	237.4	63.2					7.8	7.5
	15	83.8	237.1	513.9	450.2	212.3	237.9	63.7					8.0	8.5
	22	84.2	238.3	515.6	451.6	212.2	239.4	64.0					9.5	12.5
	29P	84.6	237.8	516.8	452.0	211.9	240.1	64.8					8.4	12.1
JULY	6P	85.0	240.6	518.4	454.4	212.4	242.0	64.0					8.7	10.8

1/ ESTIMATED MONTHLY AVERAGE LEVELS DERIVED BY AVERAGING END OF CURRENT MONTH AND END OF PREVIOUS MONTH REPORTED DATA.

2/ INCLUDES TREASURY DEPOSITS AT MEMBER BANKS AND FEDERAL RESERVE BANKS.

P - PRELIMINARY