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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 14, 1978

MONETARY AGGREGATES AND  
MONEY MARKET CONDITIONS

Recent developments

(1) Growth in M-1 slowed to an annual rate of about 6 per cent in June, but appears to be accelerating again in July. For June-July, M-1 is expected to expand at about a 7½ per cent annual rate, just above the mid-point of the Committee's range, and M-2 is projected to increase at about a 9 per cent rate, in the upper half of its range. Growth in the interest-bearing component of M-2 in June was bolstered by the rapid expansion of large-denomination time deposits and the introduction of the new six-month "money market" certificate. Banks are estimated to have issued \$2 billion of the latter instruments during the month, resulting in a strengthening of the growth of small-denomination time deposits that about offset a decline in savings deposits of individuals. At thrift institutions, growth of the six-month certificate contributed to a strengthening of total deposit inflows in June. By the end of the month, an estimated \$6½ billion of the new certificates were outstanding at thrifts.

Growth in Monetary Aggregates  
over June-July Period

	<u>Ranges</u>	<u>Latest Estimates</u>
M-1	5 to 10	7.6
M-2	6 to 10	9.1
Memo: Federal funds rate (per cent per annum)	7½ to 8	<u>Avg. for statement week ending</u> June 21 7.53 28 7.78 July 5 7.72 12 7.72

(2) Following the June meeting the Account Management, in accordance with the Committee's instructions, adopted operating policies to raise the Federal funds rate by a  $\frac{1}{4}$  of a percentage point to  $7\frac{3}{4}$  per cent. This target has been maintained in subsequent weeks as incoming data have suggested that growth in the monetary aggregates in the June-July period would be well within the Committee's ranges. The rise in the Federal funds rate contributed to a marked increase in member bank borrowing at Federal Reserve Banks in late June. However, the level of borrowing then declined following the mid-year increase in the discount rate to  $7\frac{1}{4}$  per cent. Reflecting in part the decrease in member bank borrowing and a rise in reserves required to support Government deposits after the mid-June tax date, growth in nonborrowed reserves is expected to accelerate to around a 20 per cent annual rate over the June-July period.

(3) Both long- and short-term interest rates generally have risen  $\frac{1}{8}$  to  $\frac{3}{8}$  of a percentage point since the June FOMC meeting, reflecting for the most part the somewhat tighter monetary policy stance. During June, demands in credit markets from a number of nonfinancial sectors appear to have moderated. Public bond offerings by corporations picked up somewhat and commercial paper issuance increased sharply, but borrowing by businesses from banks slowed markedly from the extraordinarily rapid pace in May. In addition, a fall-off in advance refunding operations led to a decline in

long-term borrowing by State and local governments. As expected, the Treasury redeemed \$6 billion of short-dated cash management bills in late June, but it has since raised \$3.5 billion through sales of 1-year bills, 2-year notes and 15-year bonds. Conditions in primary mortgage markets appear to have stabilized somewhat in recent weeks, perhaps reflecting improved funds availability at thrift institutions. Both interest rates on commitments to make new mortgages and the percentage of associations reporting funds in short supply have changed little since mid-June.

(4) Bank credit growth slowed markedly in June, following unusually rapid increases in the preceding two months. Not only was the increase in business loans much smaller than in any previous month this year, but the increase in other lending also moderated somewhat. Given the reduced pace of loan growth, banks augmented portfolios of investment securities and reduced outstanding negotiable CDs, while only moderately increasing their use of nondeposit funds.

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

	1976 & 1977 Average	Past Twelve Months June '78 over June '77	Past Six Months June '78 over Dec. '77	Past Three Months June '78 over Mar. '78	Past Month June '78 over May '78
Nonborrowed reserves	2.5	6.1	6.2	3.7	20.7
Total reserves	3.2	8.5	9.0	12.1	16.3
Monetary Base	7.7	9.6	9.3	10.5	11.5
<u>Concepts of Money</u>					
M-1 (Currency plus demand deposits) <u>1/</u>	6.8	8.0	7.8	11.1	6.2
M-2 (M-1 plus time deposits at commercial banks other than large CD's)	10.4	8.6	8.0	9.1	7.9
M-3 (M-2 plus deposits at thrift institutions)	12.3	9.8	7.9	8.6	8.4
M-4 (M-2 plus CD's)	8.6	10.7	10.2	10.4	6.6
M-5 (M-3 plus CD's)	11.1	11.1	9.3	9.4	7.6
<u>Bank Credit</u>					
Loans and investments of all commercial banks <u>2/</u>					
Month-end basis	9.8	11.2	11.7	13.5	6.0
Monthly average	9.5	11.2	11.8	11.3	9.6
<u>Short-term Market Paper</u> (Monthly average change in billions)					
Large CD's	-0.4	2.0	2.1	1.6	-0.4
Nonbank commercial paper	0.2	0.2	0.2	0.4	0.1

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 Wednesday statement date 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) Alternative longer-run growth ranges for the monetary aggregates over the QII '78 to QII '79 period are shown below for Committee consideration. Alternative B continues the ranges for M-1, M-2, and M-3 adopted by the Committee in April for the QI '78-QI '79 period, but specifies a somewhat higher range for bank credit. Alternatives A and C represent, respectively, more and less expansive policies.

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Current Ranges</u>
M-1	5 to 7½	4 to 6½	3 to 5½	4 to 6½
M-2	7 to 9½	6½ to 9	6 to 8½	6½ to 9
M-3	8 to 10½	7½ to 10	7 to 9½	7½ to 10
Bank Credit	9 to 12	8½ to 11½	8 to 11	7½ to 10½

(7) All alternatives assume a shift in the relationship among the monetary and credit aggregates, as follows: (a) In view of the strength in demand for M-1 in recent quarters, growth of M-1 is expected to be near the upper end of the ranges shown-- i.e., 7½, 6½, and 5½ per cent for alternatives A, B, and C, respectively. (b) However, if the regulation authorizing automatic transfers from savings to demand deposits becomes effective November 1, M-1 growth would probably fall into the lower half of the ranges shown as the public shifts demand balances to savings accounts. (c) Growth in M-2 and M-3 in any event is expected to be near the mid-points of the respective ranges. (d) Given

aggregate credit demands associated with the staff's GNP projection, growth in bank credit is likely to be near the upper end of the revised ranges shown for this aggregate.

(8) The demand for M-1 is expected to remain quite strong over the new QII '78 to QII '79 policy period, when nominal GNP is projected to rise about 11 per cent. Thus, over the next several months a further substantial rise in short-term rates appears needed to restrain M-1 growth even to the high end of the ranges shown. As indicated in Appendix I, the staff anticipates that the Federal funds rate would have to rise to the  $8\frac{1}{2}$  to  $9\frac{1}{2}$  per cent range by fall under alternative B. Interest rates in the fourth quarter would be about one percentage point lower under alternative A and three-quarters of a percentage point higher under alternative C.

(9) Even with the assumption that M-1 grows near the upper end of its ranges, the GNP projection implies relatively rapid increases in the velocity of M-1. Under alternative B, V-1 is projected to rise by  $4\frac{1}{2}$  per cent over the QII '78-QII '79 period,<sup>1/</sup> as compared with an increase of  $3\frac{1}{2}$  per cent over the preceding four quarters. Efforts by the public to economize on cash as interest rates rise would contribute to an increase in velocity, but--given the interest rates assumed--the  $4\frac{1}{2}$  per cent rise that is projected also presupposes a further modest downward shift in the demand for money. Such a shift could develop as higher interest rates

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<sup>1/</sup> Projected velocity changes are shown in Appendix II.



induce more intensive marketing of earlier innovations and cash management services. Over recent quarters, however, the demand for money has been about as strong as would be expected from historical relationships. If that tendency continues, efforts to constrain M-1 to the upper end of the ranges presented will require higher interest rates and/or lower GNP growth than projected.

(10) While growth in M-1 is anticipated to be in the upper end of its ranges, growth in M-2 and M-3 over the QII '78 to QII '79 period is expected to be near the mid-points of their respective ranges. The initial success of both banks and thrifts with the new six-month certificate suggests that these institutions may be better able to maintain interest-bearing deposit inflows than the staff previously assumed. However, as interest rates rise, depository institutions may become less aggressive in their offerings of the new certificate. In addition, the projected rise in rates can be expected to slow growth of interest-bearing deposits subject to a fixed rate ceiling. As in other recent Bluebooks, the projected high level of interest rates has led the staff to assume another increase in deposit rate ceilings this fall;<sup>1/</sup> without such an increase, M-2 growth would be near the low end of its longer-run range.

(11) In view of the persistent tendency for M-1 to grow above its longer-run ranges over the past several quarters on

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<sup>1/</sup> We have assumed a 25 basis point increase in ceiling rates on all deposits with maturities of four years or more.

average, a considerable moderation of M-1 growth over the next year would be required to compensate for such overshoots and bring M-1 growth to within a 4 to 6½ per cent range over periods longer than one year ending in QII '79. As can be seen from the lower panel of appendix table III-1, the 6½ per cent M-1 growth contemplated under alternative B implies annual rates of expansion of about 7 per cent for periods beginning as far back as the fourth quarter of 1975. However, constraining M-1 growth over QII '78 to QII '79 to a 5½ per cent rate, as under alternative C, would produce M-1 growth close to the 6½ per cent upper end of April longer-run range for periods beginning with the second quarter of 1977. As shown in the lower panels of appendix tables III-2 and III-3, under all alternatives M-2 and M-3 would grow within their current 6½ to 9 and 7½ to 10 per cent longer-run ranges for periods starting with the fourth quarter of 1976 and ending in QII '79.

(12) If the regulation authorizing automatic transfers from savings to demand deposits for commercial banks becomes effective as scheduled on November 1, measured M-1 growth may be reduced by 1 to 3 percentage points over the QII '78 to QII '79 period.<sup>1/</sup> However, there is great uncertainty about such estimates since we do not know the pricing policies that commercial banks will

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<sup>1/</sup> A suit to delay the effective date of the regulation, brought by the Savings and Loan League, is now before the courts. No decision is likely before October.

adopt; these policies, of course, will affect the attractiveness of the service to households and the willingness of individuals to transfer demand balances to savings accounts. A lower growth of M-1 resulting solely from such shifts to savings accounts would have the same policy implications as a higher growth before automatic transfers. Although M-2 might expand a bit more rapidly with automatic transfers if the new service attracted savings deposits from thrift institutions, staff believes such shifts would probably be relatively modest. In any event, M-3 growth would be virtually unchanged since that aggregate would be unaffected by shifts of funds between commercial banks and thrift institutions. Appendix IV discusses automatic transfers, and their possible affect on the monetary aggregates, in more detail.

(13) Shorter-term specifications for the monetary aggregates and the Federal funds rate believed to be generally consistent with the longer-run alternatives are summarized below for Committee consideration. Two short-run alternatives are shown, one calling for no change in the funds rate over the intermeeting period--which might be associated with either long-run alternatives A or B--and the other contemplating a  $\frac{1}{4}$  point rise in the rate. An easing alternative for the short-run is not presented since all proposed longer-run ranges involve either stable or rising rates over the next several months. (More detailed and longer-term data are shown in the tables on pp. 10 and 11.)

Alternative Levels and Growth Rates for Key Monetary Aggregates

		<u>M-1</u>			<u>M-2</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>
1978	June	350.4	350.4	350.4	840.6	840.6	840.6
	July	353.0	353.0	352.9	847.6	847.6	847.3
	August	354.6	354.5	354.2	853.2	853.0	852.3
1978	QII	348.4	348.4	348.4	835.1	835.1	835.1
	QIII	354.9	354.7	354.3	853.5	853.1	852.3
	QIV	361.5	359.6	358.3	872.2	869.2	866.9
1979	QI	367.8	364.7	362.1	890.5	885.4	880.9
	QII	373.8	370.2	366.7	908.6	902.2	895.9

Growth Rates

Monthly:

1978	July	8.9	8.9	8.6	10.0	10.0	9.6
	August	5.4	5.1	4.4	7.9	7.6	7.1

Quarterly Average:

1978	QIII	7.5	7.2	6.8	8.8	8.6	8.2
	QIV	7.4	5.5	4.5	8.8	7.5	6.9
1979	QI	7.0	5.7	4.2	8.4	7.5	6.5
	QII	6.5	6.0	5.1	8.1	7.6	6.8

Semi-Annual:

QII '78-QIV '78	7.5	6.4	5.7	8.9	8.2	7.6
QIV '78-QII '79	6.8	5.9	4.7	8.3	7.6	6.7

Annual:

QII '78-QII '79	7.3	6.3	5.3	8.8	8.0	7.3
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Alternative Levels and Growth Rates for Key Monetary Aggregates (cont'd)

		<u>M-3</u>			<u>Bank Credit</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>
1978	June	1429.6	1429.6	1429.6	924.0	924.0	924.0
	July	1441.3	1441.2	1440.8	932.4	932.4	932.2
	August	1451.5	1450.9	1449.9	939.7	939.2	938.6
1978	QII	1420.1	1420.1	1420.1	916.3	916.3	916.3
	QIII	1451.7	1450.9	1449.9	940.4	939.7	938.8
	QIV	1483.8	1479.3	1475.7	963.0	960.8	958.5
1979	QI	1514.7	1506.7	1499.5	985.0	981.7	978.2
	QII	1545.3	1534.7	1524.4	1007.0	1002.8	997.9

Growth Rates

Monthly:

1978	July	9.8	9.7	9.4	10.9	10.9	10.6
	August	8.5	8.1	7.6	9.4	8.8	8.2

Quarterly Average:

1978	QIII	8.9	8.7	8.4	10.5	10.2	9.8
	QIV	8.8	7.8	7.1	9.6	9.0	8.4
1979	QI	8.3	7.4	6.5	9.1	8.7	8.2
	QII	8.1	7.4	6.6	8.9	8.6	8.1

Semi-Annual:

QII '78-QIV '78	9.0	8.3	7.8	10.2	9.7	9.2
QIV '78-QII '79	8.3	7.5	6.6	9.1	8.7	8.2

Annual:

QII '78-QII '79	8.8	8.1	7.3	9.9	9.4	8.9
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	<u>Alt. A or B</u>	<u>Alt. C</u>
Ranges for July-August		
M-1	5 to 9	4½ to 8½
M-2	7 to 11	6½ to 10½
Federal funds rate (Intermeeting period)	7½ to 8	7¾ to 8½

(14) Alternative B contemplates a Federal funds rate centered on the prevailing 7¾ per cent level between now and the next FOMC meeting. Growth of M-1 in the July-August period is expected to be in a 5 to 9 per cent annual rate range under this alternative, largely in consequence of the step-up in M-1 growth that appears in train for July. With growth at the mid-point of that range, the level of M-1 will remain well above that implied by the upper end of the FOMC's current longer-run range, as indicated in Chart 1 on the following page. And for the third quarter as a whole M-1 growth may be around a 7-1/4 to 7-1/2 per cent annual rate-- high relative to the longer-run range but slower than in the second quarter, mainly reflecting the current deceleration in economic activity and a lagged response to the appreciable increase in short-term rates this spring.

(15) Expansion in M-2 under alternative B is likely to be in a 7 to 11 per cent annual rate range over the July-August period. Growth at the mid-point of this range would maintain M-2 in the upper half of its longer-run range, as shown in Chart 2.

Chart 1

### RECENTLY ESTABLISHED M-1 GROWTH RANGES AND ACTUAL M-1

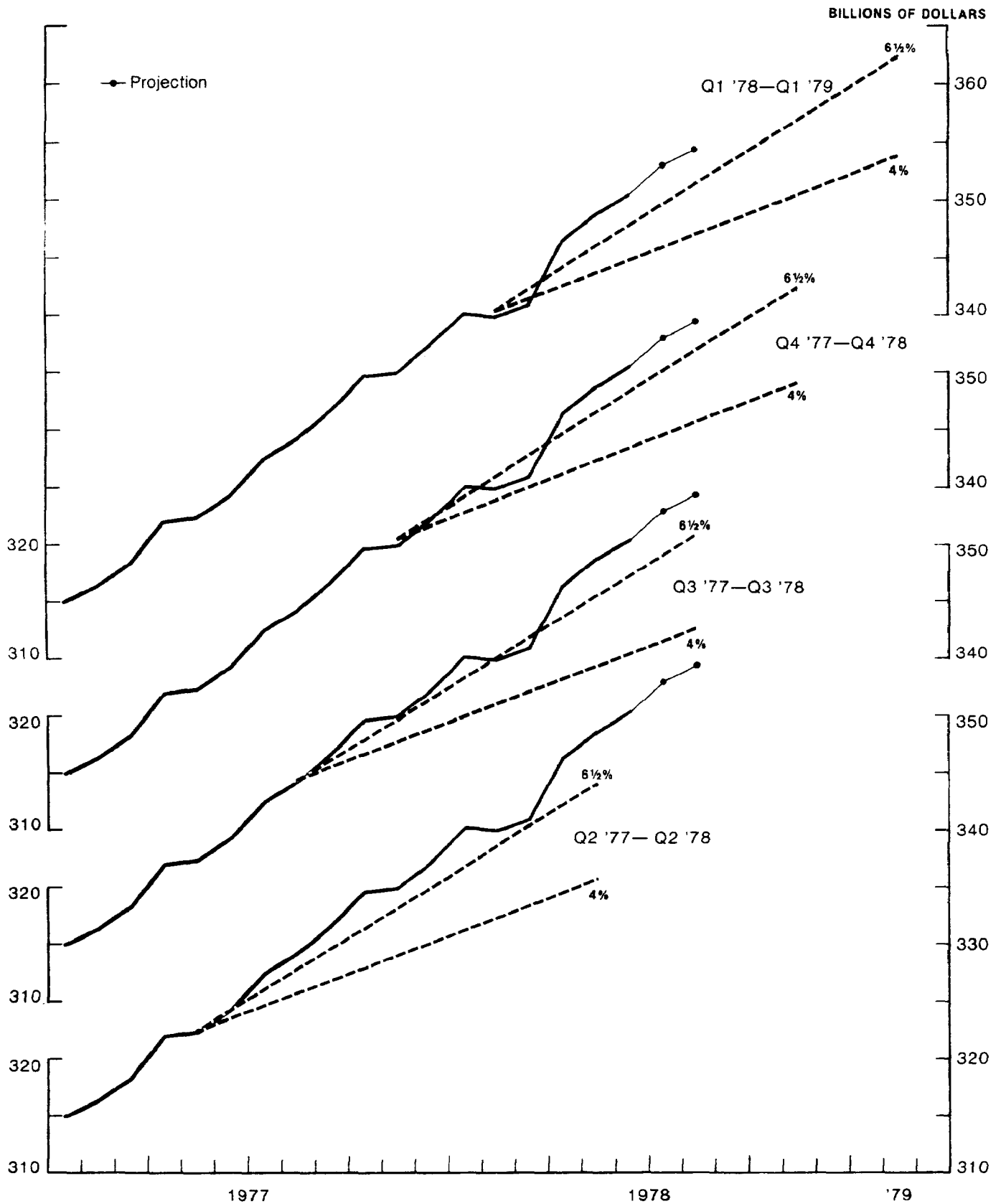
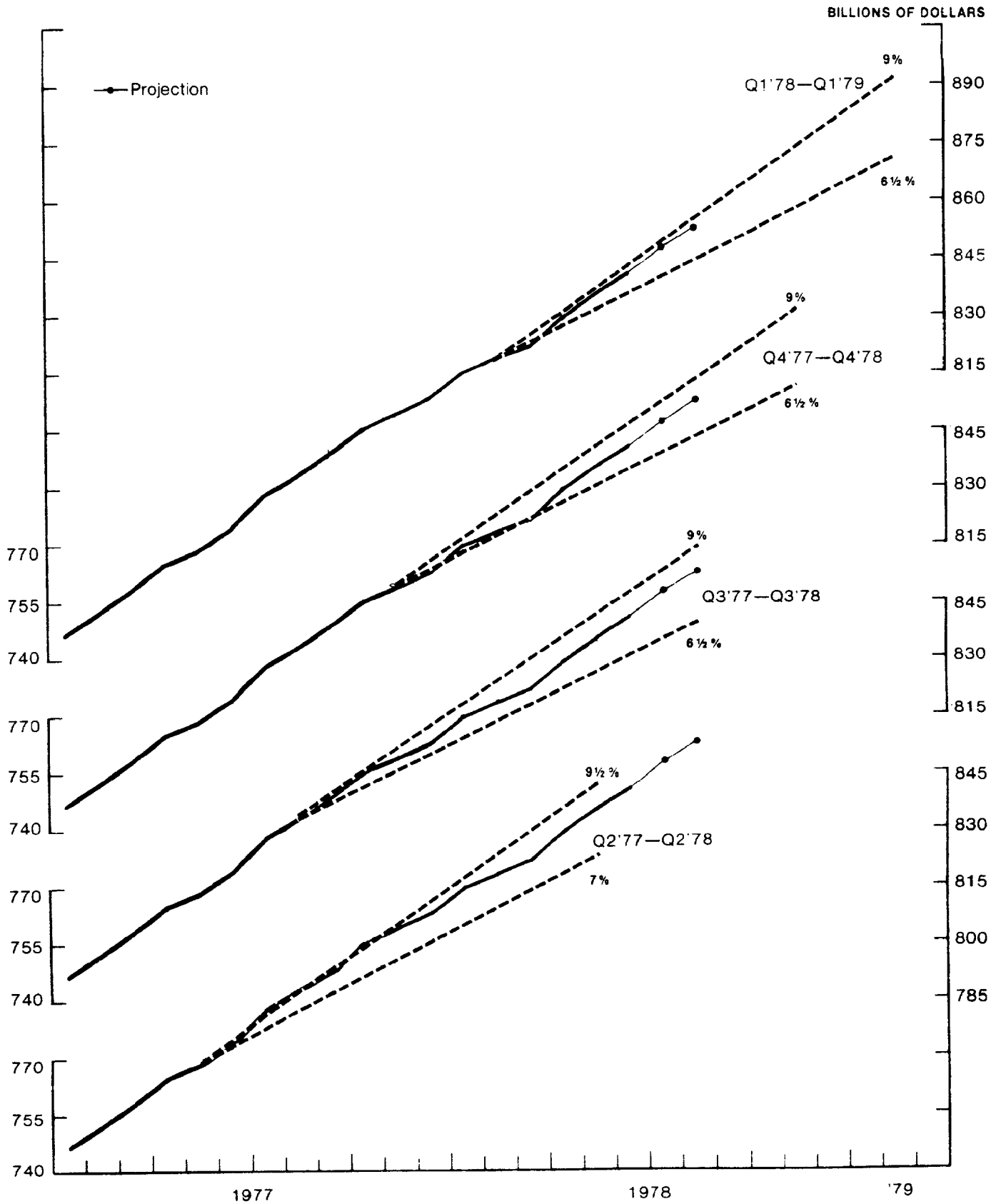


Chart 2

### RECENTLY ESTABLISHED M-2 GROWTH RANGES AND ACTUAL M-2





(16) The strength of M-2 relative to M-1 over July-August reflects the expectation of both continued large inflows from the new six-month money market certificate and rapid growth in large denomination time deposits included in M-2. With strong business loan growth anticipated to resume this summer, it is likely that banks will return to the negotiable CD market and aggressively offer other large denomination time deposits. In addition, while savings deposits can be expected to decline, as they did in June, further success of commercial banks in marketing the new six-month certificate is likely to enable them to sustain net inflows of interest-bearing deposits subject to regulatory ceilings at near recent rates.

(17) Inflows of deposits to thrift institutions this summer are also likely to be maintained at near the increased June pace, as these institutions continue aggressively to offer six-month certificates at rates 25 basis points above what banks can pay. Savings deposits are expected to contract as depositors shift to the new instrument, but the ceiling rate advantage at thrifts is likely to permit these institutions to continue to attract more new money than commercial banks.

(18) If the Federal funds rate were maintained at the currently prevailing  $7\frac{3}{4}$  per cent level, as envisioned under alternative B, most other short-term rates would likely show little net change over the intermeeting period. The recent rise in short-term rates as a whole has brought them roughly into line with the prevailing funds rate. Moreover, short-term credit demands are not

likely to add significantly to market rate pressures in the weeks immediately ahead. While the short-term credit demands of financial and nonfinancial businesses and of Federal agencies are likely to be strong over this period, the Treasury is not expected to add substantially to the net supply of bills.

(19) Interest rates on longer term securities are also likely to be little changed under alternative B. Corporate bond offerings are expected to increase in July, but the forward calendar for August is seasonally light. In the municipal sector, new bond issuance is anticipated to fall further over the summer, as the normal seasonal lull is reinforced by a continued lack of advance refunding operations, recently discouraged by changes in IRS regulations and the previous rise in bond yields. Over the intermeeting period, the Treasury is likely to obtain a sizable amount of new cash in conjunction with a regular issue of two-year notes and with its mid-August refunding.<sup>1/</sup> The market is in a good technical position, however, with security dealers carrying large net short positions in coupon issues. As bond yields remain little changed, while thrift deposit flows are sustained at around current levels, mortgage rates are also likely to stay fairly stable.

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<sup>1/</sup> The terms of this refunding are to be announced in late July. The staff expects the Treasury to sell \$6 to \$6½ billion of new securities in this operation, rolling over \$4½ billion of publicly-held debt issues maturing on August 15, and raising about \$1½ to \$2 billion of new money.

(20) Alternative C involves an increase in the Federal funds rate to around the mid-point of a  $7\frac{1}{2}$  to  $8\frac{1}{2}$  per cent range by mid-August. M-1 growth would likely be in a  $4\frac{1}{2}$  to  $8\frac{1}{2}$  per cent annual rate range over July-August and M-2 growth in a  $6\frac{1}{2}$  to  $10\frac{1}{2}$  per cent range. Some additional upward pressure on short-term interest rates in general likely would be associated with such an upward adjustment in the Federal funds rate. With business loan demands strong, the prime rate would likely rise further, and banks and other lenders would be expected to continue to firm non-rate terms of lending. The current level of borrowing from the Federal Reserve discount window would probably increase back to the  $\$1\frac{1}{2}$  billion area, intensifying pressures for another adjustment in the discount rate. At the same time, the higher short-term rates would tend to provide support for the dollar in international exchange markets.

(21) Only a small part of an increase in money market rates is likely to be transmitted to the bond market, since the current level of long-term market yields already anticipates a further tightening of monetary policy. However, further upward rate pressures could be expected to occur in mortgage markets, as rising short-term rates slow thrift deposit flows and increase the cost of funds to thrift institutions.

(22) Under either alternative, both short- and long-term interest rates are likely to be under considerable upward

pressure from late summer into 1979 if longer-run growth in the monetary aggregates is to be contained within the proposed ranges, given the staff's GNP projection. High private credit demands and agency borrowing to support housing, as well as rising interest rates, will be accompanied by further erosion in liquidity positions and balance sheet distortions associated with short-term borrowing by banks, thrift institutions, and businesses. Banks and thrifts can be expected, therefore, to become less willing lenders, while nonfinancial businesses reassess their expenditure programs.

Directive language

(23) Given below are suggested operational paragraphs for the directive. Alternative language consistent with the short-run specifications discussed in the preceding section is shown for the Committee's initial Federal funds rate objective. At a later point in the operational paragraph, alternative language is also provided that enables the Committee to place main emphasis on monetary aggregates or on money market conditions. The specifications adopted at the last meeting are shown in strike-through form.

In the short run, the Committee seeks to achieve bank reserve and money market conditions that are broadly consistent with the longer-run ranges for monetary aggregates cited above, while giving due regard to developing conditions in financial markets more generally. During the period until the next regular meeting, System open market operations shall be directed initially at attaining a weekly-average Federal funds rate

(A) or (B) AT ABOUT the current level.

(C) slightly (OR SOMEWHAT) above the current level.

Subsequently, operations shall be directed at maintaining the weekly-average Federal funds rate within the range of ~~7½-8~~  
\_\_\_\_ TO \_\_\_\_ per cent. In deciding on the specific objective for the Federal funds rate the Manager shall be guided mainly

by the relationship between the latest estimates of annual rates of growth in the ~~June-July~~ JULY-AUGUST period of M-1 and M-2 and the following ranges of tolerance: ~~5-10-10~~ \_\_\_\_ TO \_\_\_\_ per cent for M-1 and ~~6-10-10~~ \_\_\_\_ TO \_\_\_\_ per cent for M-2. If, giving approximately equal weight to M-1 and M-2, their rates of growth appear to be

Monetary aggregates emphasis

significantly above or below the mid-points

Money market emphasis

CLOSE TO OR BEYOND THE UPPER OR LOWER LIMITS

of the indicated ranges, the objective for the funds rate shall be raised or lowered in an orderly fashion within its range.

If the rates of growth in the aggregates appear to be above the upper limit or below the lower limit of the indicated ranges at a time when the objective for the funds rate has already been moved to the corresponding limit of its range, the Manager is promptly to notify the Chairman who will then decide whether the situation calls for supplementary instructions from the Committee.

Chart 3

### RECENTLY ESTABLISHED M-3 GROWTH RANGES AND ACTUAL M-3

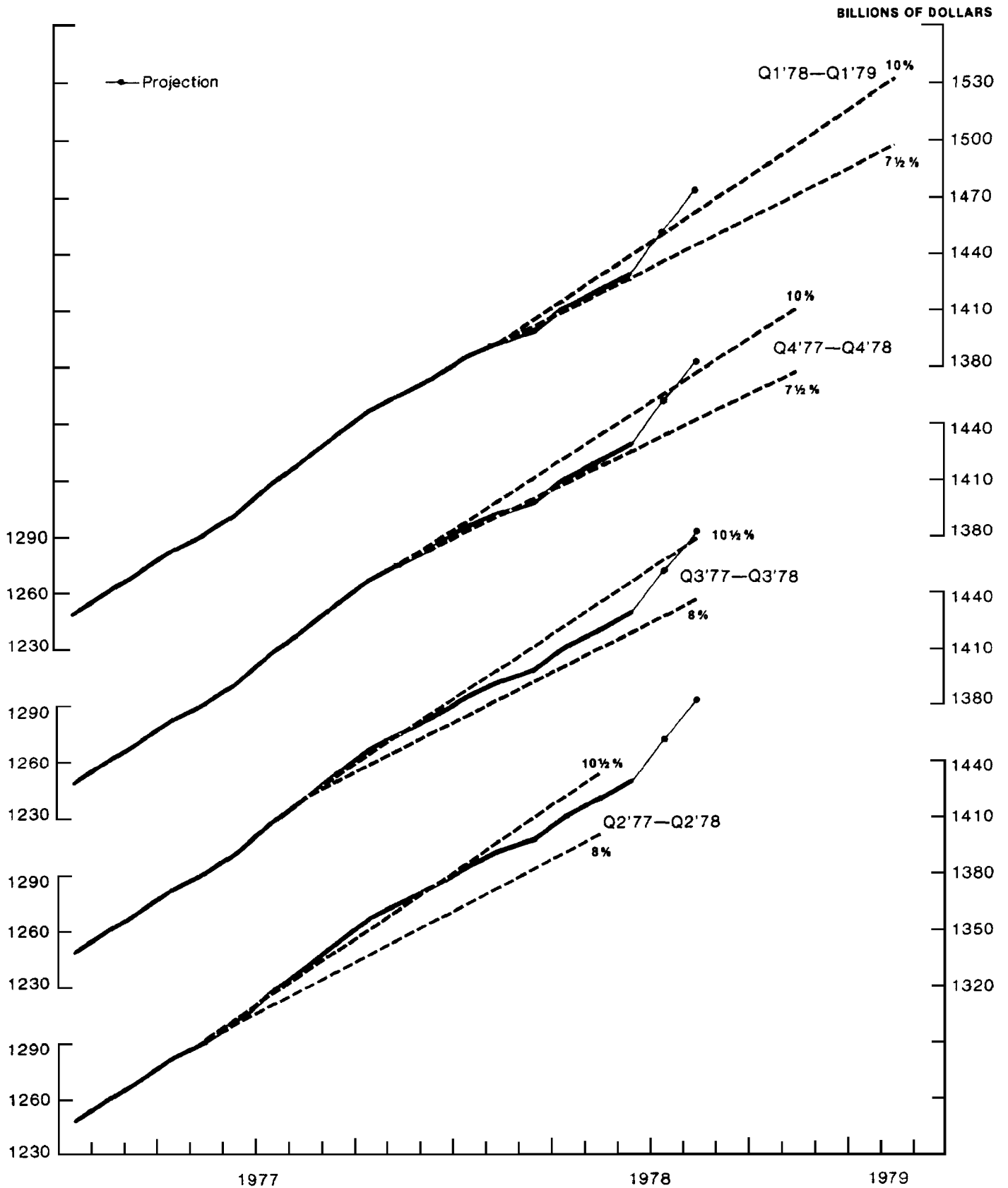
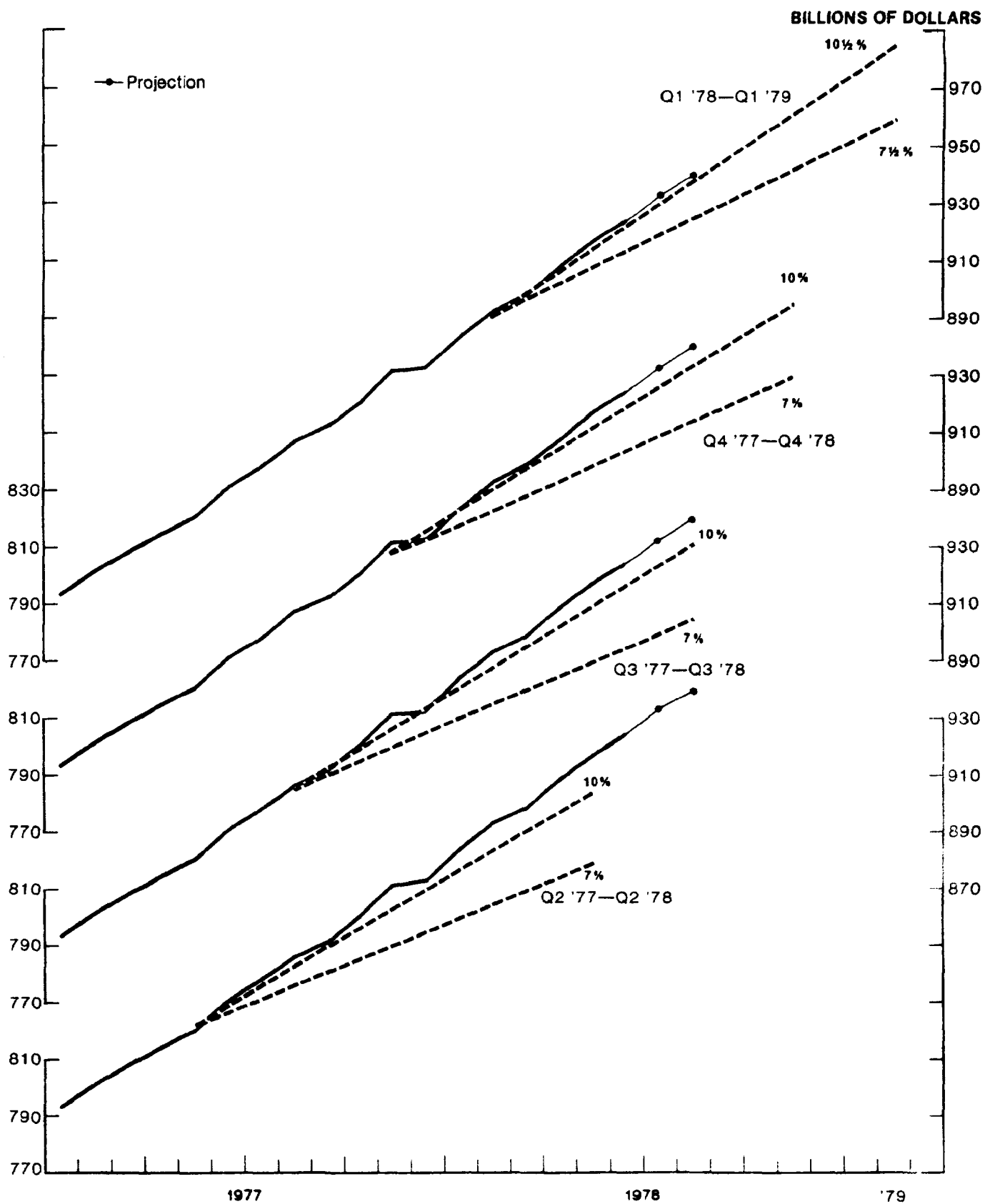


Chart 4

### RECENTLY ESTABLISHED BANK CREDIT GROWTH RANGES AND ACTUAL BANK CREDIT





Appendix I

Projected Federal Funds Rates

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1978 QIII	7½ to 8	8 to 8½	8½ to 8¾
QIV	7¾ to 8½	8¾ to 9½	9½ to 10½
1979 QI	8½ to 9½	8¾ to 9¾	9½ to 10½
QII	8½ to 9½	8¾ to 9¾	9½ to 10½

## Appendix II

### Implied Velocity Growth Rates

<u>V-1 (GNP/M-1)</u>		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1978	II	7.8	7.8	7.8
	III	2.7	2.9	3.3
	IV	2.9	4.8	5.8
1979	I	4.2	5.5	6.9
	II	3.9	4.3	5.3
<u>V-2 (GNP/M-2)</u>				
1978	II	9.0	9.0	9.0
	III	1.3	1.4	1.9
	IV	1.6	2.9	3.5
1979	I	2.9	3.8	4.7
	II	2.2	2.8	3.6

Appendix Table III-1

MONEY STOCK--M-1  
 (Annual rates of growth, compounded quarterly)<sup>1/</sup>

Ending Period	Base Period														
	<u>74IV</u>	<u>75I</u>	<u>75II</u>	<u>75III</u>	<u>75IV</u>	<u>76I</u>	<u>76II</u>	<u>76III</u>	<u>76IV</u>	<u>77I</u>	<u>77II</u>	<u>77III</u>	<u>77IV</u>	<u>78I</u>	<u>78II</u>
1975 I	2.3														
II	4.3	6.4													
III	5.0	6.3	6.3												
IV	4.4	5.1	4.5	2.8											
1976 I	4.5	5.0	4.6	3.7	4.7										
II	4.9	5.4	5.2	4.8	5.9	7.0									
III	4.7	5.1	4.9	4.6	5.2	5.4	3.8								
IV	5.1	5.5	5.3	5.1	5.7	6.1	5.6	7.4							
1977 I	5.3	5.7	5.6	5.5	6.0	6.3	6.1	7.3	7.1						
II	5.6	6.0	5.9	5.9	6.4	6.7	6.6	7.6	7.7	8.3					
III	5.8	6.2	6.2	6.2	6.7	7.0	7.0	7.8	7.9	8.3	8.3				
IV	6.0	6.3	6.3	6.3	6.8	7.1	7.1	7.8	7.9	8.1	8.0	7.7			
1978 I	6.0	6.3	6.3	6.3	6.7	6.9	6.9	7.4	7.4	7.5	7.3	6.7	5.7		
II	6.2	6.6	6.6	6.6	7.0	7.2	7.3	7.8	7.8	8.0	7.9	7.8	7.8	9.9	
	* * * * *														
1979 II															
Alt. A	6.5	6.7	6.7	6.8	7.1	7.3	7.3	7.6	7.6	7.7	7.6	7.5	7.5	7.8	7.3
Alt. B	6.2	6.5	6.5	6.5	6.8	6.9	6.9	7.2	7.2	7.2	7.1	6.9	6.8	7.0	6.3
Alt. C	6.0	6.2	6.2	6.2	6.5	6.6	6.6	6.9	6.8	6.8	6.6	6.3	6.1	6.2	5.3

<sup>1/</sup> Based on quarterly average data.

Appendix Table III-2

MONEY STOCK--M-2  
 (Annual rates of growth, compounded quarterly)<sup>1/</sup>

Ending Period	Base Period														
	<u>74IV</u>	<u>75I</u>	<u>75II</u>	<u>75III</u>	<u>75IV</u>	<u>76I</u>	<u>76II</u>	<u>76III</u>	<u>76IV</u>	<u>77I</u>	<u>77II</u>	<u>77III</u>	<u>77IV</u>	<u>78I</u>	<u>78II</u>
1975 I	6.4														
II	8.3	10.2													
III	8.8	10.1	9.9												
IV	8.3	9.0	8.4	6.9											
1976 I	8.9	9.5	9.3	8.9	11.0										
II	9.1	9.7	9.5	9.4	10.7	10.4									
III	9.1	9.5	9.4	9.3	10.1	9.6	8.9								
IV	9.6	10.1	10.0	10.1	10.9	10.8	11.1	13.2							
1977 I	9.8	10.2	10.2	10.3	11.0	10.9	11.1	12.3	11.3						
II	9.7	10.1	10.1	10.1	10.7	10.6	10.7	11.3	10.3	9.4					
III	9.8	10.1	10.1	10.2	10.6	10.6	10.6	11.0	10.3	9.8	10.3				
IV	9.7	10.0	10.0	10.0	10.4	10.3	10.2	10.5	9.8	9.3	9.3	8.4			
1978 I	9.5	9.7	9.7	9.7	10.0	9.9	9.8	9.9	9.3	8.8	8.6	7.8	7.1		
II	9.4	9.6	9.6	9.6	9.8	9.7	9.6	9.7	9.2	8.7	8.6	8.0	7.8	8.5	
	* * * * *														
1979 II															
Alt. A	9.3	9.4	9.4	9.4	9.5	9.4	9.4	9.4	9.0	8.8	8.7	8.5	8.5	8.8	8.8
Alt. B	9.1	9.3	9.2	9.2	9.3	9.2	9.1	9.1	8.7	8.4	8.3	8.0	8.0	8.1	8.0
Alt. C	8.9	9.1	9.0	9.0	9.1	9.0	8.8	8.8	8.4	8.1	7.9	7.6	7.5	7.5	7.3

<sup>1/</sup> Based on quarterly average data.

Appendix Table III-3

MONEY STOCK--M+3  
(Annual rates of growth, compounded quarterly)<sup>1/</sup>

Ending Period	Base Period														
	<u>74IV</u>	<u>75I</u>	<u>75II</u>	<u>75III</u>	<u>75IV</u>	<u>76I</u>	<u>76II</u>	<u>76III</u>	<u>76IV</u>	<u>77I</u>	<u>77II</u>	<u>77III</u>	<u>77IV</u>	<u>78I</u>	<u>78II</u>
1975 I	8.3														
II	10.6	13.0													
III	11.5	13.1	13.2												
IV	11.1	12.0	11.5	9.8											
1976 I	11.4	12.2	11.9	11.2	12.7										
II	11.5	12.2	12.0	11.6	12.5	12.2									
III	11.5	12.0	11.8	11.5	12.1	11.8	11.3								
IV	11.9	12.5	12.4	12.2	12.8	12.8	13.1	15.0							
1977 I	12.0	12.5	12.4	12.3	12.8	12.8	13.0	13.9	12.7						
II	11.9	12.3	12.2	12.0	12.4	12.4	12.4	12.8	11.7	10.6					
III	11.9	12.3	12.2	12.1	12.4	12.4	12.4	12.7	11.9	11.5	12.5				
IV	11.9	12.2	12.1	12.0	12.2	12.2	12.2	12.4	11.7	11.4	11.8	11.2			
1978 I	11.6	11.8	11.7	11.6	11.8	11.7	11.6	11.6	11.0	10.5	10.5	9.6	8.0		
II	11.3	11.6	11.4	11.3	11.4	11.3	11.2	11.1	10.5	10.1	9.9	9.1	8.1	8.2	
	* * * * *														
1979 II															
Alt. A	10.8	10.9	10.8	10.6	10.7	10.5	10.4	10.3	9.8	9.5	9.4	8.9	8.6	8.7	8.8
Alt. B	10.6	10.7	10.6	10.4	10.4	10.3	10.1	10.0	9.5	9.2	9.0	8.5	8.1	8.1	8.1
Alt. C	10.4	10.5	10.4	10.2	10.2	10.0	9.9	9.7	9.2	8.8	8.6	8.1	7.6	7.5	7.3

<sup>1/</sup> Based on quarterly average data.

#### APPENDIX IV

##### Effects of Automatic Transfers from Savings Accounts on the Rates of Growth of the Monetary Aggregates

If the Federal Reserve-FDIC regulations permitting household depositors to make automatic transfers from savings to demand accounts become effective November 1, M-1 growth is likely to be depressed as depositors shift balances from demand to savings accounts. On the other hand, M-2 growth may be augmented slightly as savings accounts at commercial banks become somewhat more attractive relative to accounts at thrifts. <sup>1/</sup> Since funds shifting into bank savings accounts will be primarily from bank demand deposits and thrift savings accounts, the effect on M-3 growth should be negligible. <sup>2/</sup>

The impact of automatic transfers on the quarterly growth pattern of the monetary aggregates depends importantly on the pricing and promotion strategies adopted by banks as they offer this new service to depositors. If banks choose to offer automatic transfers with minimal service charges, then the characteristic of such accounts will resemble those of NOW accounts in their introductory stage, so that the NOW account experience in New England can be used to infer

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<sup>1/</sup> FDIC regulations also will permit insured mutual savings banks (MSBs) with third party payment powers to offer automatic transfer services. Such MSBs may then be able to attract some additional transactions balances from commercial banks because they can offer a 1/4 percentage point greater return on savings accounts. However, the total number of MSBs offering checking accounts or NOW accounts is relatively small, and this effect on the aggregates has been ignored.

<sup>2/</sup> It is conceivable that funds could flow into commercial bank savings accounts from other sources--say, Treasury securities or money market mutual funds--and therefore boost M-2 and M-3 growth. However, such flows are likely to be too small to significantly alter the anticipated growth of these aggregates.

reasonable limits on the timing and magnitude of the shift of deposits. Based on this experience, as much as \$1.4 billion per month could be converted from demand to savings accounts in the first year the automatic transfer service is offered. High service charges, on the other hand, could reduce such conversion sharply, perhaps to a rate of \$450 million per month.<sup>1/</sup> In addition, Board staff estimates suggest that shifts from thrift accounts to commercial bank savings accounts may average around \$250 million per month in the first year.

Based on these rough estimates of the deposit shifts among accounts, projected levels and rates of growth of the monetary aggregates with and without automatic transfers are shown in Table IV-1. It is apparent that the potential impact on the quarterly rates of growth of M-1 could be substantial. Over the QII '78 to QII '78 period, M-1 growth may be reduced by around 1 to 3 percentage points, while the rate of expansion of M-2 is projected to be little changed. However, it should be emphasized that there is considerable uncertainty surrounding the projections of M-1 growth during the initial period after introduction of automatic transfers.

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<sup>1/</sup> In the four New England states where NOWs were offered by both commercial banks and thrift beginning in February 1976, an estimated 17 per cent of household demand deposits shifted to NOWs in the first year, or about 1-1/2 per cent per month. With automatic transfers, competitive pressures in some areas likely will be less intense because only banks will be offering this service in conjunction with checking accounts. In these areas banks may charge more for such services and discourage some depositors from utilizing this service.

Table IV-1

Possible Growth Rates for M-1 and M-2  
Without and With Automatic Transfers from Savings Accounts  
(per cent at an annual rate)

	M-1					
	Alternative A		Alternative B		Alternative C	
	Without	With <sup>1/</sup>	Without	With <sup>1/</sup>	Without	With <sup>1/</sup>
1978 QIV	7.2	5.6 - 6.6	5.3	3.8 - 4.7	4.3	2.8 - 3.8
1979 QI	7.0	2.4 - 5.5	5.7	1.1 - 4.2	4.2	-0.3 - 2.7
QII	6.5	1.9 - 4.9	6.0	1.3 - 4.5	5.1	0.4 - 3.6
QII '78 - QII '79	7.3	4.5 - 6.3	6.3	3.5 - 5.3	5.3	2.5 - 4.3
	M-2					
1978 QIV	8.9	9.0	7.6	7.8	6.9	7.1
1979 QI	8.6	8.8	7.6	7.9	6.6	6.8
QII	8.3	8.5	7.8	8.0	6.9	7.1
QII '78 - QII '79	9.0	9.1	8.2	8.3	7.4	7.5

IV-3

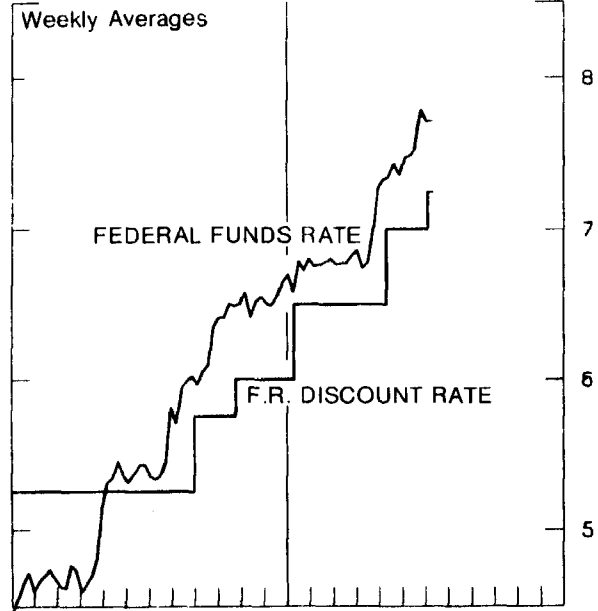
<sup>1/</sup> Range for M-1 growth assumes 1/2 to 1-1/2 per cent of eligible household demand deposits transfer to savings accounts each month, beginning November 1978.



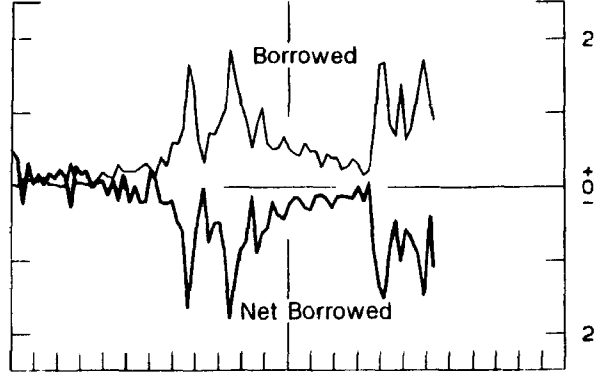
Chart I

### Money Market Conditions and Interest Rates

#### MONEY MARKET CONDITIONS Per cent



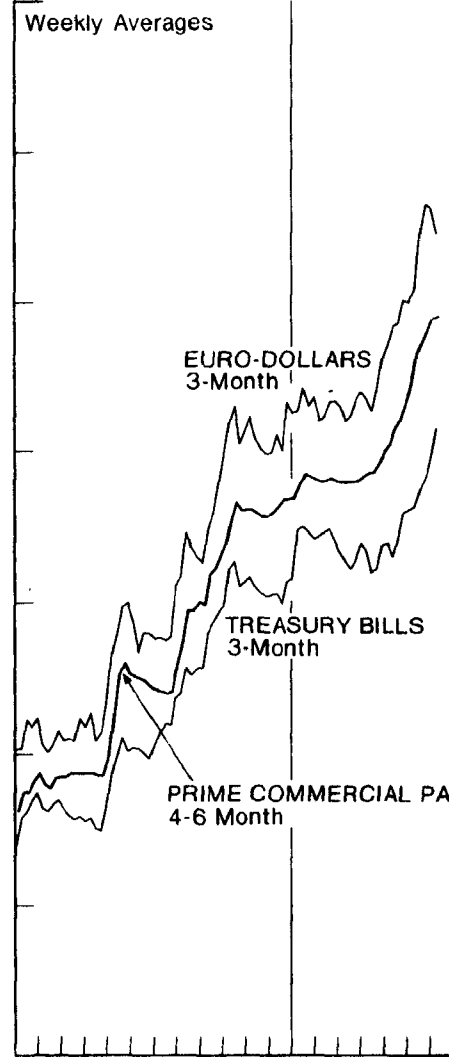
#### Billions of dollars



1977

1978

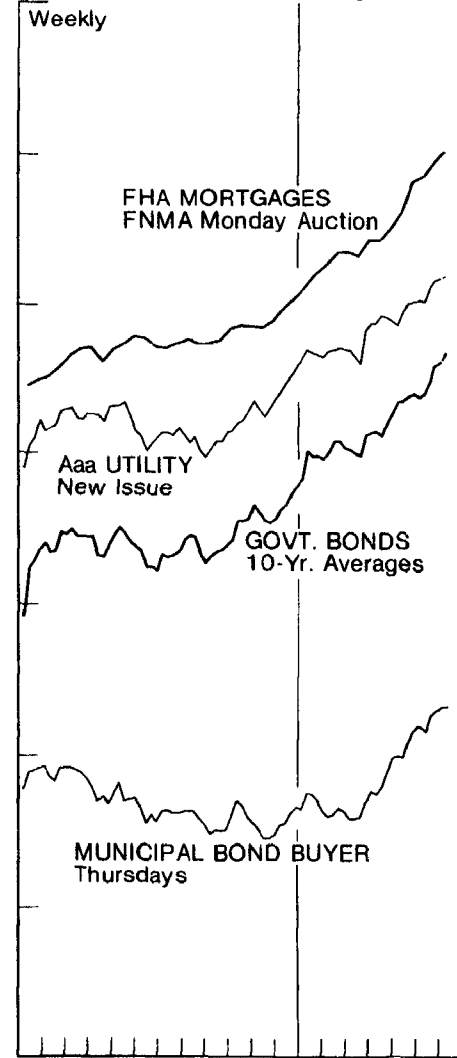
#### INTEREST RATES Short-term Per cent



1977

1978

#### INTEREST RATES Long-term Per cent



1977

1978

### Actual and Projected Reserves

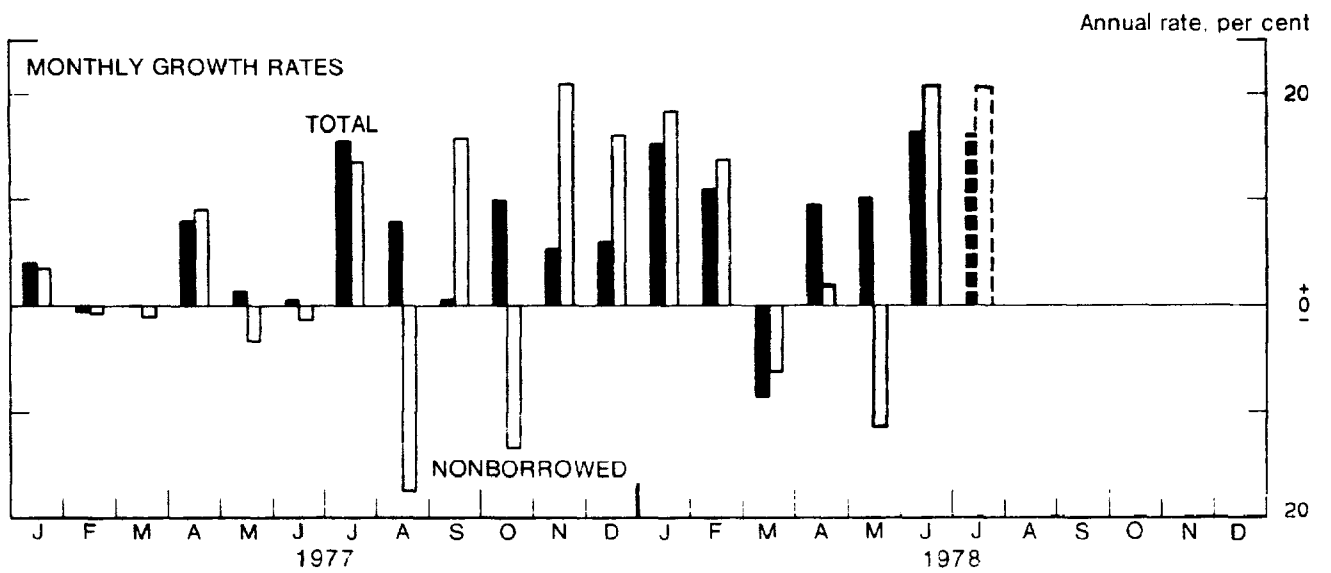
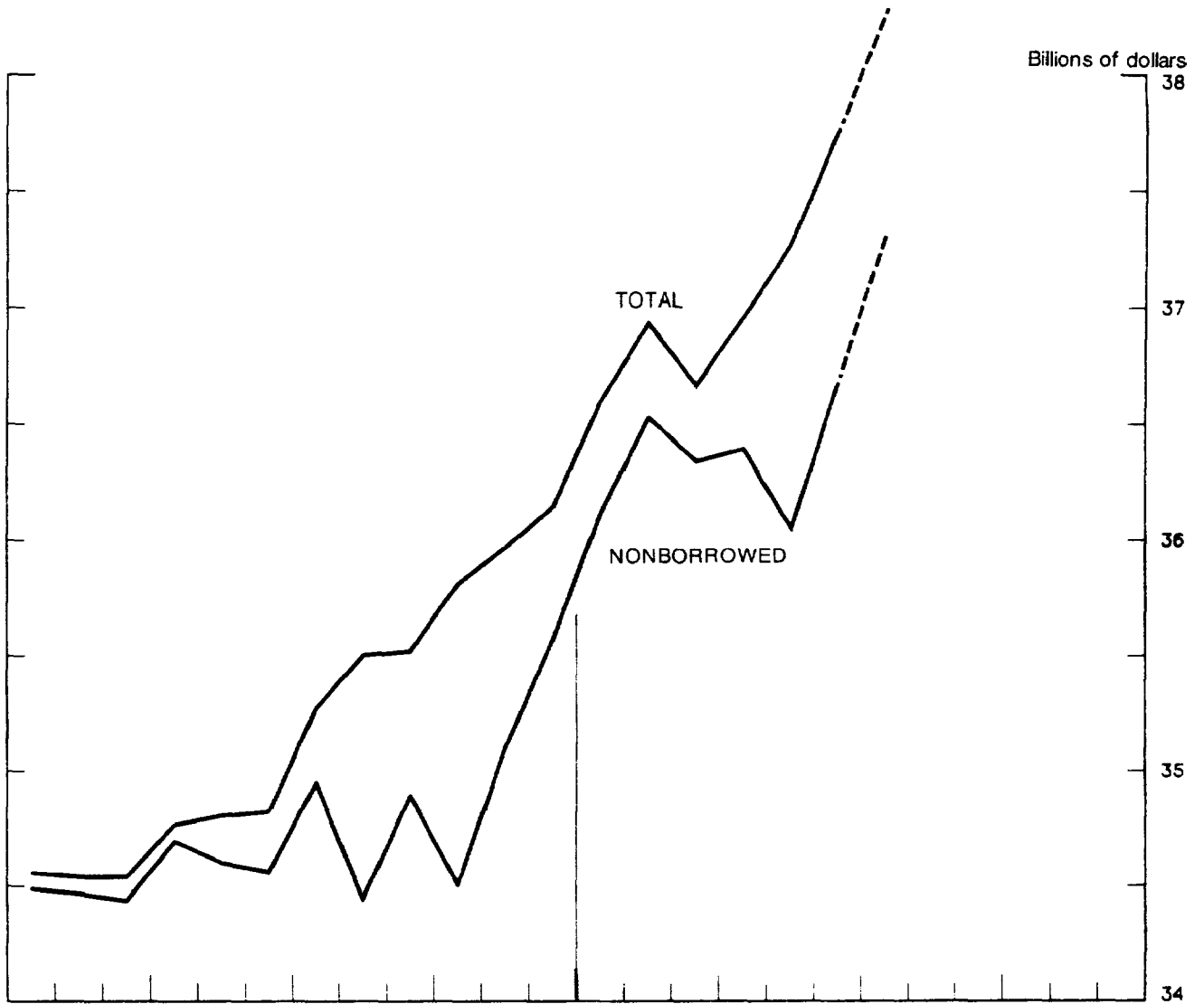


Table 1  
**MONETARY AGGREGATES**  
ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED

CONFIDENTIAL (FR)  
CLASS II-FOMC  
JULY 14, 1978

Period	Money Supply		Total U.S. Govt. Deposits 1/	Time & Savings Deposits				CD's	Nondeposit Sources of Funds 2/
	Narrow (M1)	Broad (M2)		Total	Other Than CD's				
					Total	Savings	Other		
	1	2	3	4	5	6	7	8	9
<b>MONTHLY LEVELS--\$BIL</b>									
1978--APR.	346.3	829.7	8.3	566.8	483.4	221.6	261.7	83.4	68.1
MAY	348.6	835.1	7.3	573.6	486.5	222.0	264.5	87.1	68.2
JUNE	350.4	840.6	11.3	576.9	490.2	221.7	268.4	86.7	69.7
JULY	(353.0)	(847.6)	(13.9)	(583.1)	(494.6)	(221.6)	(273.0)	(88.5)	
<b>% ANNUAL GROWTH</b>									
<b>QUARTERLY</b>									
1977--4TH QTR.	6.8	7.4		14.7	7.9	1.5	13.6	64.0	
1978--1ST QTR.	4.4	6.6		13.0	8.2	2.6	13.2	43.2	
2ND QTR.	11.1	9.2		9.9	7.7	1.3	13.1	22.9	
<b>QUARTERLY--AV</b>									
1977--4TH QTR.	7.5	8.2		13.1	8.6	5.4	11.6	44.9	
1978--1ST QTR.	5.6	6.9		13.4	7.9	2.6	12.7	50.0	
2ND QTR.	9.5	8.3		11.0	7.4	1.6	12.3	32.8	
<b>MONTHLY</b>									
1978--APR.	19.0	11.5		8.3	6.2	3.3	8.3	20.5	
MAY	8.0	7.8		14.4	7.7	2.2	12.8	53.2	
JUNE	6.2	7.9		6.9	9.1	-1.6	17.7	-5.5	
JULY	(8.9)	(10.0)		(12.9)	(10.8)	(-0.5)	(20.6)	(24.9)	
JUNE-JULY	(7.6)	(9.0)		(9.9)	(10.0)	(-1.1)	(19.3)	(9.6)	
<b>WEEKLY LEVELS--\$BIL</b>									
1978--JUNE 7	351.7	841.0	8.6	576.7	489.3	222.2	267.1	87.4	68.5
14	351.1	840.7	7.6	576.9	489.6	222.0	267.6	87.4	69.0
21 P	349.2	839.4	15.3	576.4	490.2	221.6	268.6	86.2	69.9
28 P	349.9	841.4	11.1	577.3	491.4	221.5	269.9	85.8	70.3
JULY 5 P	354.1	846.5	12.5	579.4	492.5	221.2	271.2	86.9	

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS. P - PRELIMINARY  
 1/ INCLUDES TREASURY DEPOSITS AT MEMBER BANKS AND FEDERAL RESERVE BANKS.  
 2/ INCLUDES BORROWINGS FROM OTHER THAN COMMERCIAL BANKS IN THE FORM OF FEDERAL FUNDS PURCHASED, SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE, AND OTHER LIABILITIES FOR BORROWED MONEY, PLUS GROSS LIABILITIES TO OWN FOREIGN BRANCHES (EURODOLLAR BORROWINGS), LOANS SOLD TO AFFILIATES, LOAN RPS, AND OTHER MINOR ITEMS.

Table 1-A  
**TIME AND SAVINGS DEPOSITS AT ALL COMMERCIAL BANKS**  
 SEASONALLY ADJUSTED EXCEPT AS NOTED

CONFIDENTIAL (FR)  
 CLASS II-FOMC  
 JULY 14, 1978

Period	Total Time and Savings	Savings Deposits				Time Deposits			Memo: Large Negotiable CD's
		Total	Individual and Nonprofit	Business (NSA)	Government (NSA)	Total	Large Denomination	Small Denomination	
	1	2	3	4	5	6	7	8	9
<b>OUTSTANDING (\$ BILLIONS)</b>									
1977--DCT.	531.9	219.6	204.1	10.5	5.0	312.3	147.9	164.5	66.4
NOV.	540.2	219.4	204.2	10.8	4.5	320.7	156.8	164.0	70.9
DEC.	545.2	219.6	204.2	10.8	4.5	325.7	160.6	165.0	74.0
1978--JAN.	551.0	220.7	205.2	10.5	5.0	330.3	164.1	166.2	76.3
FEB.	557.5	220.9	205.4	10.4	5.2	336.6	170.1	166.5	79.4
MAR.	562.9	221.0	205.6	10.4	5.0	342.0	173.7	168.2	82.0
APR.	566.8	221.6	206.4	10.4	4.9	345.2	175.4	169.7	83.4
MAY	573.6	222.0	206.7	10.5	4.7	351.6	180.5	171.1	87.1
JUNE	576.9	221.7	206.3	10.6	4.8	355.1	182.0	173.1	86.7
<b>CHANGES (\$ BILLIONS)</b>									
1977 YEAR	55.5	17.7	16.9	2.3	-1.6	37.9	23.9	13.9	11.3
<b>QUARTERLY AVERAGE:</b>									
1977--II	10.4	4.6	4.1	0.8	-0.2	5.7	-0.7	6.6	-0.3
III	13.1	3.9	4.7	0.4	-1.2	9.2	5.9	3.3	0.7
IV	17.1	2.9	3.3	0.3	-0.6	14.2	12.7	1.4	7.1
1978--I	18.0	1.4	1.2	-0.3	0.4	16.7	14.2	2.5	8.8
II	15.3	0.9	1.1	0.1	-0.3	14.3	10.0	4.3	6.5
<b>MONTHLY AVERAGE:</b>									
1977--NOV.	8.3	-0.2	0.1	0.3	-0.5	8.4	8.9	-0.5	4.5
DEC.	5.0	0.2	0.0	0.0	0.0	5.0	3.8	1.0	3.1
1978--JAN.	5.8	1.1	1.0	-0.3	0.5	4.6	3.5	1.2	2.3
FEB.	6.5	0.2	0.2	-0.1	0.2	6.3	6.0	0.3	3.1
MAR.	5.4	0.1	0.2	0.0	-0.2	5.4	3.6	1.7	2.6
APR.	3.9	0.6	0.8	0.0	-0.1	3.2	1.7	1.5	1.4
MAY	6.8	0.4	0.3	0.1	-0.2	6.4	5.1	1.4	3.7
JUNE	3.3	-0.3	-0.4	0.1	0.1	3.5	1.5	2.0	-0.4

NOTE: COLUMNS (1), (2), AND (9) ON THIS TABLE CORRESPOND TO COLUMNS (4), (6), AND (8), RESPECTIVELY, ON TABLE 1--MONETARY AGGREGATES. FIGURES IN COLUMNS (1), (2), AND (6) REFLECT DAILY DATA REPORTED BY MEMBER BANKS, WITH ESTIMATES FOR NONMEMBER BANKS DERIVED FROM DATA REPORTED BY SMALL MEMBER BANKS, BENCHMARKED TO NONMEMBER CALL REPORT FIGURES. SAVINGS DEPOSITS OF BUSINESS AND GOVERNMENTAL UNITS--COLUMNS (4) AND (5)-- AND LARGE DENOMINATION TIME DEPOSITS --COLUMN (7)--REFLECT BREAKDOWNS REPORTED EACH WEDNESDAY BY LARGE COMMERCIAL BANKS BLOWN UP TO REPRESENT DEPOSITS AT ALL COMMERCIAL BANKS ON THE BASIS OF CALL REPORT RELATIONSHIPS.

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

JULY 14, 1978

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>							
1978--APR.	36,954	36,397	131,337	36,806	21,598	13,293	1,915
MAY	37,268	36,056	132,655	37,049	21,883	13,428	1,738
JUNE	37,773	36,679	133,922	37,556	22,151	13,575	1,830
JULY	(38,304)	(37,325)	(135,204)	(38,126)	(22,242)	(13,649)	( 2,234)
<b>PERCENT ANNUAL GROWTH</b>							
<b>QUARTERLY</b>							
1977--4TH QTR.	7.1	7.6	9.6	7.3	5.2	13.5	
1978--1ST QTR.	5.8	8.6	7.9	5.7	-1.1	12.9	
2ND QTR.	12.1	3.7	10.5	11.9	13.7	10.1	
<b>QUARTERLY-AV</b>							
1977--4TH QTR.	6.1	3.5	9.1	6.3	6.1	9.1	
1978--1ST QTR.	8.5	14.5	9.6	8.3	3.6	12.8	
2ND QTR.	6.5	0.5	8.1	7.0	5.0	11.5	
<b>MONTHLY</b>							
1978--APR.	9.4	1.9	7.8	11.1	10.0	4.7	
MAY	10.2	-11.2	12.0	7.9	15.8	12.2	
JUNE	( 16.3)	( 20.7)	( 11.5)	( 16.4)	( 14.7)	( 13.1)	
JULY	( 16.9)	( 21.1)	( 11.5)	( 18.2)	( 4.9)	( 6.5)	
JUNE-JULY	( 16.7)	( 21.1)	( 11.5)	( 17.4)	( 9.6)	( 9.9)	
<b>WEEKLY LEVELS--\$MILLIONS</b>							
1978-JUNE							
7	37,093	36,448	133,018	37,044	21,778	13,566	1,699
14	38,092	37,299	134,068	37,979	22,282	13,600	2,097
21	37,968	36,774	134,122	37,671	22,285	13,582	1,803
28	37,620	35,904	134,139	37,376	22,293	13,565	1,517
JULY							
5	38,895	37,701	135,117	38,095	22,024	13,529	2,541
12	37,257	36,353	133,839	37,449	22,002	13,557	1,890

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<sup>1/</sup>  
(\$ million, not seasonally adjusted)

STRICTLY CONFIDENTIAL (FR)  
CLASS II - FOMC  
JULY 14, 1978

	Treasury Bills Net Change <sup>2/</sup>	Treasury Coupons Net Purchases <sup>3/</sup>					Federal Agencies Net Purchases <sup>4/</sup>					Net Change Outright Holdings Total <sup>5/</sup>	Net RP's <sup>6/</sup>
		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
1977	4,361	517	2,833	758	553	4,660	--	792	428	213	1,433	10,035	-2,892
1977--Qtr. II	2,126	109	526	171	152	959	--	406	251	68	726	3,666	4,175
Qtr. III	886	116	681	96	128	1,021	--	--	--	--	--	4,273	-2,331
Qtr. IV	186	99	628	166	108	1,001	--	386	177	145	707	-643	34
1978--Qtr. I	-2,655	345	1,123	459	247	2,175	--	--	--	--	--	-555	-1,133
Qtr. II	5,444	288	1,156	468	334	2,246	46	127	104	24	301	7,930	1,224
1978--Jan.	-627	56	311	89	100	556	--	--	--	--	--	-71	-7,149
Feb.	-2,695	--	--	--	--	--	--	--	--	--	--	-2,717	4,141
Mar.	668	288	813	370	147	1,618	--	--	--	--	--	2,233	1,874
Apr.	1,670	100	235	191	145	671	--	--	--	--	--	2,341	-1,026
May	-620	53	290	101	74	519	--	--	--	--	--	-135	-699
June	4,395	135	631	176	115	1,057	46	127	104	24	301	5,724	2,950
1978--May 3	--	--	--	--	--	--	--	--	--	--	--	--	2,284
10	238	--	--	--	--	--	--	--	--	--	--	238	-415
17	-141	53	290	101	74	519	--	--	--	--	--	344	-7,568
24	-291	--	--	--	--	--	--	--	--	--	--	-291	4,507
31	-426	--	--	--	--	--	--	--	--	--	--	-426	16
June 7	253	--	--	--	--	--	--	--	--	--	--	253	-3,973
14	361	--	--	--	--	--	--	--	--	--	--	333	-3,060
21	2,349	135	631	176	115	1,057	--	--	--	--	--	3,406	11,835
28	199	--	--	--	--	--	--	--	--	--	--	199	161
July 5	963	--	--	--	--	--	46	127	104	24	301	1,263	-10,119
12	-196	--	--	--	--	--	--	--	--	--	--	-196	7,080
19													
26													
LEVEL--July 12	45.3	12.2	30.8	11.8	9.0	63.8	1.8	3.9	1.6	.9	8.2	117.2	1.0

(in billions)

<sup>1/</sup> Change from end-of-period to end-of-period

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

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

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

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

<sup>6/</sup> 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 14, 1978

	U.S. Govt. Security Dealer Positions		Underwriting Syndicate Positions		Excess** Reserves	Member Bank Reserve Positions			
	Bills	Coupon Issues	Corporate Bonds	Municipal Bonds		Borrowing at FRB**		Basic Reserve Deficit**	
						Total	Seasonal	8 New York	38 Others
1977--High	7,234	3,017	295	487	513	1,861	131	-9,151	-13,975
Low	1,729	-1,445	0	116	-111	20	8	-4,234	- 8,206
1978--High	5,625	2,043	215	349	399	1,688	123	-8,224	-14,602
Low	278	-739	0	151	-57	172	25	-2,922	- 8,533
1977--June	4,752	206	142	217	154	262	54	-5,341	-10,332
July	3,899	-309	143	209	275	323	60	-6,391	-11,012
Aug.	2,533	-933	71	199	200	1,084	102	-5,581	-11,452
Sept.	4,812	-313	128	230	209	626	112	-7,333	-11,120
Oct.	4,142	-360	83	186	210	1,305	112	-6,480	-11,511
Nov.	3,617	610	36	210	251	863	83	-6,971	-11,825
Dec.	4,257	804	195	367	193	570	55	-7,403	-11,350
1978--Jan.	4,127	327	42	293	268	484	32	-6,047	-12,299
Feb.	3,418	1,492	24	197	243	406	49	-4,980	-12,603
Mar.	2,713	740	96	268	200	328	47	-6,778	-11,060
Apr.	3,183	-183	46	202	149	557	44	-6,196	-12,998
May	1,023	5	25	264	219	1,212	92	-4,038	-11,653
June	*2,847	*78	35	188	217p	1,094p	120p	-4,510p	-12,155p
1978--May 3	1,624	-287	5	281	315	1,664	60	-3,641	-12,215
10	1,249	189	21	191	183	1,688	72	-4,884	-12,180
17	278	-739	25	290	6	866	91	-4,357	-11,933
24	531	-641	41	294	247	701	104	-3,602	-11,731
31	1,929	51	0	213	399	1,399	115	-3,480	-10,529
June 7	3,835	752	20	174	49	645	111	-6,400	-13,273
14	3,918	81	53	177	113	794	106	-5,075	-13,857
21	*2,930	*-470	56	211	297p	1,194	123	-3,905	-12,784
28	*1,554	*-47	45	163	244p	1,716p	135p	-2,922	-10,016
July 5	*730	*-96	45	156	800p	1,194p	140p	-3,596p	- 7,569
12	*1,038	*-661	40p	115p	-192p	904p	130p	-5,072p	-11,900p
19									
26									

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.

TABLE 5  
SELECTED INTEREST RATES  
(per cent)

STRICTLY CONFIDENTIAL (FR)  
CLASS II - FOMC  
JULY 14, 1978

	Short-Term							Long-Term								
	Federal Funds	Treasury Bills			CD's New Issue- NYC	Comm. Paper 90-119 Day	Bank Prime Rate	U. S. Govt.-Constant Maturity Yields			Corp.-Aaa Utility		Municipal Bond Buyer	Home Mortgages		
		Market		Auction				90-Day	3-yr	7-yr	20-yr	New Issue		Recently Offered	Primary Conv.	Secondary Market
		3-mo	1-yr	6-mo	FNMA Auc.	GNMA Sec.										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
1977--High	6.65	6.27	6.62	6.51	6.70	6.66	7.75	7.39	7.70	7.99	8.36	8.48	5.93	9.00	8.98	8.39
Low	4.47	4.41	4.67	4.56	4.50	4.63	6.25	5.83	6.59	7.26	7.90	7.95	5.45	8.65	8.46	7.56
1978--High	7.78	7.15	7.79	7.52	8.00	7.84	9.00	8.56	8.57	8.73	9.18	9.20	6.31	9.73	10.02	9.20
Low	6.58	6.16	6.55	6.42	6.65	6.68	7.75	7.40	7.72	8.01	8.61	8.48	5.58	8.98	9.13	8.43
1977--June	5.39	5.02	5.41	5.20	5.35	5.42	6.75	6.39	7.05	7.64	8.08	8.12	5.62	8.86	8.75	7.95
July	5.42	5.19	5.57	5.35	5.28	5.38	6.75	6.51	7.12	7.60	8.15	8.12	5.63	8.95	8.72	7.96
Aug.	5.90	5.49	5.97	5.81	5.78	5.75	6.83	6.79	7.24	7.64	8.04	8.05	5.62	8.94	8.76	8.03
Sept.	6.14	5.81	6.13	5.99	6.01	6.09	7.13	6.84	7.21	7.57	8.07	8.07	5.51	8.90	8.74	8.02
Oct.	6.47	6.16	6.52	6.41	6.53	6.51	7.52	7.19	7.44	7.71	8.23	8.22	5.64	8.92	8.82	8.16
Nov.	6.51	6.10	6.52	6.43	6.56	6.54	7.75	7.22	7.46	7.76	8.28	8.25	5.49	8.92	8.86	8.19
Dec.	6.56	6.07	6.52	6.38	6.65	6.61	7.75	7.30	7.59	7.87	8.34	8.38	5.57	8.96	8.94	8.27
1978--Jan.	6.70	6.44	6.80	6.68	6.82	6.75	7.93	7.61	7.86	8.14	8.68	8.60	5.71	9.02	9.17	8.56
Feb.	6.78	6.45	6.86	6.74	6.77	6.76	8.00	7.67	7.94	8.22	8.69	8.67	5.62	9.15	9.31	8.64
Mar.	6.79	6.29	6.82	6.64	6.73	6.75	8.00	7.70	7.95	8.21	8.71	8.67	5.61	9.20	9.35	8.60
Apr.	6.89	6.29	6.96	6.70	6.84	6.82	8.00	7.85	8.06	8.32	8.90	8.85	5.80	9.36	9.44	8.71
May	7.36	6.41	7.28	7.02	7.20	7.06	8.27	8.07	8.25	8.44	8.95	8.98	6.03	9.57	9.66	8.90
June	7.60	6.73	7.53	7.20	7.66	7.59	8.63	8.30	8.40	8.53	9.09	9.07	6.22	9.70	9.91	9.05
1978--May 3	7.27	6.38	7.16	6.94	7.05	6.91	8.00	7.99	8.16	8.40	--	8.90	5.98	9.48	9.52	8.80
10	7.32	6.39	7.21	6.99	7.13	6.96	8.21	8.06	8.25	8.44	8.87	8.92	5.99	9.55	--	8.86
17	7.34	6.30	7.28	7.01	7.20	7.06	8.25	8.07	8.26	8.44	8.95	8.98	5.98	9.58	9.63	8.85
24	7.43	6.43	7.37	7.14	7.28	7.14	8.25	8.15	8.30	8.47	9.02	9.10	6.16	9.68	--	8.96
31	7.36	6.59	7.40	7.16	7.36	7.19	8.46	8.19	8.34	8.49	--	9.05	6.19	9.68	9.83	9.04
June 7	7.47	6.61	7.35	7.10	7.35	7.34	8.50	8.16	8.30	8.47	9.04	9.06	6.18	9.70	--	9.02
14	7.49	6.63	7.41	7.12	7.58	7.54	8.50	8.19	8.35	8.47	9.03	8.96	6.16	9.73	9.86	8.95
21	7.53	6.73	7.56	7.23	7.70	7.66	8.71	8.40	8.46	8.55	9.13	9.10	6.26	9.70	--	9.05
28	7.78	6.87	7.71	7.40	8.00	7.75	8.75	8.51	8.50	8.63	9.16	9.18	6.29	9.73	9.96	9.16
July 5	7.72	6.99	7.74	7.45	8.00	7.78	8.96	8.51	8.52	8.68	9.18	9.20	6.31	9.73	--	9.14
12	7.72	7.15	7.79	7.52	8.00	7.84	9.00	8.56p	8.57p	8.73p	9.19p	9.22p	6.32	n.a.	10.02	9.20
19																
26																
Daily--July 6	7.72	7.06	7.73	--	--	7.84	9.00	8.50	8.52	8.67	--	--	--	--	--	--
13	7.72p	7.18	7.84	--	--	7.87	9.00	8.57p	8.58p	8.74p	--	--	--	--	--	--

NOTE: Weekly data for columns 1, 2, 3, 6, and 7 are statement week averages of daily data. Weekly data in column 4 are average rates set in the auctions of 6-month bills that will be issued on the Thursday following the end of the statement week. Data in column 5 are 1-day Wednesday quotes. For columns 8 through 11, the weekly date is the mid-point of the calendar week over which data are averaged. Columns 12 and 13 are 1-day quotes for Friday and Thursday, respectively, following the end of the statement week. Column 14 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 15 gives FNMA auction data for Monday preceding the end of the statement week. Column 16 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.



Appendix Table 1-A  
**MONEY AND CREDIT AGGREGATE MEASURES**

Period	Bank Reserves <sup>1/</sup>			Bank Credit	Money Stock Measures						
	Total	Non-borrowed	Monetary Base	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
<b>ANNUALLY:</b>	(PER CENT ANNUAL RATES OF GROWTH)										
1975	-0.3	3.2	5.9	3.9	4.4	8.3	11.0	6.5	9.6	10.4	10.0
1976	1.0	1.2	7.0	8.0	5.7	10.9	12.8	7.1	10.3	9.8	10.0
1977	5.2	2.7	8.3	11.3	7.9	9.8	11.7	10.1	11.8	11.5	11.9
<b>SEMI-ANNUALLY:</b>											
1ST HALF 1977	3.5	2.9	7.3	11.3	7.6	10.1	11.3	9.3	10.8	10.2	10.7
2ND HALF 1977	6.8	2.6	9.0	10.7	7.9	9.1	11.5	10.3	12.1	12.2	12.6
1ST HALF 1978	7.6	7.5	9.0	11.4	7.6	7.7	7.9	10.6	9.7	10.7	11.7
<b>QUARTERLY:</b>											
3RD QTR. 1977	8.0	3.9	9.2	10.3	9.0	10.1	12.7	9.6	12.3	12.9	12.5
4TH QTR. 1977	7.1	7.0	9.6	9.5	6.8	7.4	9.4	11.6	11.8	12.1	13.6
1ST QTR. 1978	5.8	8.6	7.9	9.5	4.4	6.6	7.1	9.7	9.0	10.0	11.2
2ND QTR. 1978	12.1	3.7	10.5	13.5	11.1	9.2	8.6	10.4	9.4	10.5	10.6
<b>QUARTERLY-AV:</b>											
3RD QTR. 1977	7.3	1.7	8.8	11.1	8.1	9.9	11.9	9.5	11.6	11.4	11.4
4TH QTR. 1977	6.1	3.5	9.1	9.9	7.5	8.2	10.7	10.9	12.3	12.7	13.3
1ST QTR. 1978	8.5	14.5	9.6	9.6	5.6	6.9	7.7	10.4	9.8	10.5	12.1
2ND QTR. 1978	6.5	0.5	8.1	13.0	9.5	6.3	8.0	10.4	9.3	10.6	10.9
<b>MONTHLY:</b>											
1977--JUNE	0.6	-1.4	7.1	9.6	7.1	9.1	10.3	8.9	10.2	8.6	9.1
JULY	15.5	13.5	11.1	12.8	11.8	13.5	14.0	11.9	12.9	13.1	13.0
AUG.	7.8	-17.4	8.4	10.5	6.2	7.7	11.7	7.5	11.5	12.6	12.1
SEPT.	0.5	15.7	8.0	7.2	8.7	9.0	12.2	9.2	12.2	12.6	12.1
OCT.	9.8	-13.4	10.0	12.9	11.2	9.8	11.9	12.7	13.5	13.8	14.5
NOV.	5.3	20.9	8.1	9.2	0.7	5.8	8.1	11.6	11.6	11.7	13.3
DEC.	5.9	16.1	10.4	6.3	8.2	6.3	7.9	10.0	10.1	10.4	12.5
1978--JAN.	15.2	18.3	13.5	13.6	10.3	9.5	9.1	11.8	10.5	11.8	13.4
FEB.	10.9	13.7	7.0	7.9	-0.7	4.7	5.7	8.5	7.9	8.3	9.5
MAR.	-8.6	-6.2	3.0	6.9	3.5	5.6	6.5	8.7	8.3	9.6	10.5
APR.	9.4	1.9	7.8	18.5	19.0	11.5	9.8	12.3	10.4	12.2	12.3
MAY	10.2	-11.2	12.0	15.6	8.0	7.8	7.5	11.8	10.0	11.1	10.8
JUNE P	16.3	20.7	11.5	6.0	6.2	7.9	8.4	6.6	7.6	8.1	8.3

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	Money Stock Measures						
	Total	Non-borrowed	Monetary Base	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
<b>ANNUALLY:</b>											
1975	33,969	33,839	110,345	726.2	294.5	664.1	1091.8	745.4	1173.2	1307.3	1350.3
1976	34,441	34,388	118,062	788.9	312.6	739.6	1235.6	802.3	1298.3	1436.7	1484.0
1977	36,143	35,573	127,971	875.5	337.2	808.4	1375.0	882.4	1449.0	1602.0	1664.9
<b>MONTHLY:</b>											
1977--JUNE	34,821	34,559	122,163	833.7	324.3	774.2	1302.0	837.5	1365.3	1506.6	1561.4
JULY	35,271	34,948	123,294	842.6	327.5	782.9	1317.2	845.8	1380.0	1523.0	1578.3
AUG.	35,501	34,440	124,155	850.0	329.2	787.9	1330.0	851.1	1393.2	1539.0	1594.2
SEPT.	35,517	34,892	124,984	855.1	331.6	793.8	1343.5	857.6	1407.4	1555.1	1610.3
OCT.	35,808	34,503	126,025	864.3	334.7	800.3	1356.8	866.7	1423.2	1573.0	1629.8
NOV.	35,965	35,103	126,872	870.9	334.9	804.2	1366.0	875.1	1436.9	1588.3	1647.8
DEC.	36,143	35,573	127,971	875.5	337.2	808.4	1375.0	882.4	1449.0	1602.0	1664.9
1978--JAN.	36,600	36,116	129,409	885.4	340.1	814.8	1389.4	891.1	1461.7	1617.8	1683.5
FEB.	36,933	36,528	130,159	891.2	339.9	818.0	1392.0	897.4	1471.3	1629.0	1696.8
MAR.	36,667	36,339	130,484	896.7	340.9	821.8	1399.5	903.9	1481.5	1642.0	1711.7
APR.	36,954	36,397	131,337	910.5	346.3	829.7	1410.9	913.2	1494.3	1658.7	1729.3
MAY	37,268	36,056	132,655	922.3	348.6	835.1	1419.7	922.2	1506.8	1674.0	1744.9
JUNE P	37,773	36,679	133,922	926.9	350.4	840.6	1429.6	927.3	1516.3	1685.3	1757.0
<b>WEEKLY:</b>											
1978--MAY	10	37,218	35,530	132,170	347.3	832.4		919.1			
	17	37,484	36,618	132,857	347.5	833.9		920.8			
	24	37,022	36,321	132,547	347.4	834.7		922.3			
	31	37,340	35,941	133,188	351.5	840.3		928.1			
JUNE	7	37,093	36,448	133,018	351.7	841.0		928.4			
	14	38,092	37,299	134,068	351.1	840.7		928.0			
	21P	37,968	36,774	134,122	349.2	839.4		925.6			
	28P	37,620	35,904	134,139	349.9	841.4		927.2			
JULY	5P	38,895	37,701	135,117	354.1	846.5		933.5			

NOTES: 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. DATA SHOWN IN MILLIONS OF DOLLARS.

P - PRELIMINARY

## 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>	Other Private Short-term Assets <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)												
2/ ANNUALLY:												
1975	8.9	2.9	7.9	11.7	17.5	7.8	-6.4	15.3	19.5	6.2	33.8	-0.7
1976	9.6	4.4	8.0	15.0	25.0	7.4	-23.4	15.5	18.8	6.9	5.5	13.9
1977	9.5	7.3	11.5	11.3	11.1	11.4	12.6	14.2	19.4	6.6	11.2	25.4
2/ SEMI-ANNUALLY:												
1ST HALF 1977	6.7	7.2	10.4	11.9	15.3	8.9	0.6	12.9	16.6	6.4	2.1	25.6
2ND HALF 1977	9.8	7.2	11.9	10.0	6.4	13.3	24.9	14.5	20.6	6.5	20.2	22.3
1ST HALF 1978	10.0	6.9	12.4	7.7	2.1	12.7	43.5	7.5	17.4	6.3	34.5	38.2
QUARTERLY:												
3RD QTR. 1977	10.0	8.7	9.9	10.8	10.9	10.8	3.2	16.2	21.7	6.5	31.0	2.9
4TH QTR. 1977	10.7	5.4	14.7	7.9	1.5	13.6	64.0	11.6	18.8	6.4	22.7	55.1
1ST QTR. 1978	9.5	2.6	13.0	8.2	2.6	13.2	43.2	6.9	17.9	6.3	33.0	43.3
2ND QTR. 1978	10.1	11.7	9.9	7.7	1.3	13.1	22.9	7.3	14.7	6.2	35.3	12.1
QUARTERLY-AV:												
3RD QTR. 1977	9.1	7.7	10.3	11.2	7.3	14.6	4.5	14.6	20.1	7.0	11.7	11.2
4TH QTR. 1977	10.3	6.6	13.1	8.6	5.4	11.6	44.9	13.4	20.0	5.9	27.8	32.6
1ST QTR. 1978	10.5	3.9	13.4	7.9	2.6	12.7	50.0	8.1	18.2	6.3	28.7	53.6
2ND QTR. 1978	9.3	9.8	11.0	7.4	1.6	12.3	32.8	6.8	15.8	6.2	37.7	20.1
MONTHLY:												
1977--JUNE	5.7	7.5	10.1	10.5	0.0	20.1	7.6	12.0	17.2	6.5	-21.1	22.3
JULY	12.8	11.0	11.9	14.9	6.2	22.8	-9.5	14.3	19.8	8.1	19.7	10.9
AUG.	5.6	6.9	8.3	8.4	16.3	1.5	7.6	17.1	19.5	6.4	44.0	-2.2
SEPT.	11.2	7.9	9.2	8.9	10.0	7.9	11.4	16.6	24.7	4.8	27.2	0.0
OCT.	11.1	11.3	13.7	9.1	4.4	13.3	48.9	14.0	21.5	6.4	29.9	34.8
NOV.	8.3	-1.9	18.7	9.5	-1.1	18.5	81.3	11.0	15.8	6.3	19.4	54.9
DEC.	12.3	6.8	11.1	4.9	1.1	8.6	52.5	9.5	18.2	6.3	17.5	68.7
1978--JAN.	10.8	10.1	12.8	8.9	6.0	11.4	37.3	7.8	17.9	6.3	42.4	55.4
FEB.	9.4	-4.3	14.2	8.6	1.1	15.1	48.8	6.2	15.2	6.2	18.2	38.4
MAR.	8.0	1.9	11.6	7.0	0.5	12.6	39.3	6.6	20.0	6.2	35.9	31.9
APR.	7.9	23.5	8.3	6.2	3.3	8.3	20.5	6.6	14.7	6.2	50.8	19.0
MAY	11.8	6.1	14.4	7.7	2.2	12.8	53.2	6.5	12.1	6.1	33.4	5.1
JUNE P	10.4	9.1	6.9	9.1	-1.6	17.7	-5.5	8.5	16.8	6.1	19.0	11.8

<sup>1/</sup> GROWTH RATES ARE BASED ON ESTIMATED MONTHLY AVERAGE LEVELS DERIVED BY AVERAGING END OF CURRENT MONTH AND END OF PREVIOUS MONTH REPORTED DATA.

<sup>2/</sup> BASED ON QUARTERLY AVERAGE DATA.

P - PRELIMINARY.

APPENDIX TABLE 2-B

JULY 14, 1978

## 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>	Other Private Short-term Assets <sup>1/2/</sup>	Non-Deposit Funds <sup>3/</sup>	Total Gov't Demand Deposits <sup>4/</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>														
1975	73.7	220.8	450.9	369.6	160.5	209.1	81.3	394.8	33.0	67.2	66.9	43.0	34.4	8.3
1976	80.7	231.9	489.7	427.0	201.9	225.1	62.7	456.9	39.1	71.9	66.6	47.3	51.0	11.2
1977	88.6	248.6	545.2	471.2	219.6	251.6	74.0	519.8	46.8	76.6	76.4	62.8	62.0	11.4
<b>MONTHLY:</b>														
1977--JUNE	84.2	240.1	513.2	449.9	213.0	236.9	63.3	485.4	42.4	74.2	67.1	54.8	53.0	10.1
JULY	85.1	242.3	518.3	455.5	214.1	241.4	62.8	491.2	43.1	74.7	68.2	55.3	53.5	11.6
AUG.	85.5	243.7	521.9	458.7	217.0	241.7	63.2	498.2	43.8	75.1	70.7	55.2	55.7	10.2
SEPT.	86.3	245.3	525.9	462.1	218.8	243.3	63.8	505.1	44.7	75.4	72.3	55.2	57.5	10.7
OCT.	87.1	247.6	531.9	465.6	219.6	246.0	66.4	511.0	45.5	75.8	74.1	56.8	58.1	10.3
NOV.	87.7	247.2	540.2	469.3	219.4	249.8	70.9	515.7	46.1	76.2	75.3	59.4	60.1	6.7
DEC.	88.6	248.6	545.2	471.2	219.6	251.6	74.0	519.8	46.8	76.6	76.4	62.8	62.0	11.4
1978--JAN.	89.4	250.7	551.0	474.7	220.7	254.0	76.3	523.2	47.5	77.0	79.1	65.7	65.3	9.7
FEB.	90.1	249.8	557.5	478.1	220.9	257.2	79.4	525.9	48.1	77.4	80.3	67.8	66.6	7.5
MAR.	90.7	250.2	562.9	480.9	221.0	259.9	82.0	528.8	48.9	77.8	82.7	69.6	67.0	7.9
APR.	91.3	255.1	566.8	483.4	221.6	261.7	83.4	531.7	49.5	78.2	86.2	70.7	68.1	8.3
MAY	92.2	256.4	573.6	486.5	222.0	264.5	87.1	534.6	50.0	78.6	88.6	71.0	68.2	7.3
JUNE P	93.0	257.5	576.9	490.2	221.7	268.4	86.7	538.4	50.7	79.0	90.0	71.7	69.7	11.3
<b>WEEKLY:</b>														
1978--MAY	10	92.0	255.3	571.8	485.1	221.8	263.3	86.7					68.8	8.9
	17	92.2	255.2	573.3	486.5	221.8	264.7	86.9					68.1	7.4
	24	92.3	255.0	574.9	487.3	222.2	265.2	87.6					68.3	6.5
	31	92.6	258.9	576.6	488.8	222.3	266.5	87.8					68.1	5.7
JUNE	7	92.9	258.9	576.7	489.3	222.2	267.1	87.4					68.5	8.6
	14	92.8	258.3	576.9	489.6	222.0	267.6	87.4					69.0	7.6
	21P	92.9	256.3	576.4	490.2	221.6	268.6	86.2					69.9	15.3
	28P	93.2	256.7	577.3	491.4	221.5	269.9	85.8					70.3	11.1
JULY	5P	93.1	260.9	579.4	492.5	221.2	271.2	86.9						12.5

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

2/ INCLUDES PRIVATE DOMESTIC NONFINANCIAL INVESTORS' HOLDINGS OF COMMERCIAL PAPER, BANKERS ACCEPTANCES, SECURITY RP'S AND MONEY MARKET MUTUAL FUND SHARES.

3/ BORROWINGS BY BANKS FROM OTHER THAN COMMERCIAL BANKS IN THE FORM OF FEDERAL FUNDS PURCHASED, SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE, AND OTHER LIABILITIES FOR BORROWED MONEY, PLUS GROSS LIABILITIES TO OWN FOREIGN BRANCHES (EURODOLLAR BORROWINGS), LOANS SOLD TO AFFILIATES, LOAN RPS, AND OTHER MINOR ITEMS.

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

STRICTLY CONFIDENTIAL  
CLASS I - FOMC

TO: Federal Open Market Committee

DATE: July 17, 1978

FROM: Arthur L. Broida

SUBJECT: Corrected version  
of bluebook Appendix II

Given below is a corrected version of Appendix II for the  
blue book dated July 14, 1978.

Appendix II

Implied Velocity Growth Rates

<u>V-1 (GNP/M-1)</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
1978 II	7.8	7.8	7.8
III	3.0	2.9	3.1
IV	3.8	4.8	5.2
1979 I	5.3	5.5	6.0
II	5.1	4.3	4.2
<u>V-2 (GNP/M-2)</u>			
1978 II	9.0	9.0	9.0
III	1.8	1.4	1.8
IV	2.4	2.9	2.9
1979 I	3.8	3.8	3.8
II	3.5	2.8	2.4