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September 15, 1978

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MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

September 15, 1978

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) Growth in M-1 picked up to about a 7½ per cent annual rate in August and appears to be accelerating further in September. For August and September, M-1 is projected to expand at about a 9 per cent annual rate, one percentage point above the upper end of the FOMC's short-run range. M-2 is projected to increase at about an 11½ per cent annual rate over August and September, more than one percentage point above the upper end of the Committee's range.^{1/} M-2 growth has been bolstered by a continued sharp rise in the large denomination time deposits included in this measure. Savings deposits at banks also increased markedly in August following two months of decline.

Growth in Monetary Aggregates
over August-September Period

	<u>Ranges</u>	<u>Latest Estimates</u>
M-1	4 to 8	9.0
M-2	6 to 10	11.3
Memo: Federal funds rate (per cent per annum)	7.75 to 8.50	Avg. for statement week ending
		Aug. 16 7.87
		23 8.14
		30 8.28
		Sept. 6 8.30
		13 8.33

^{1/} These figures do not incorporate revisions based on recently available March 1978 Call Report benchmark data for nonmember banks and technical adjustments related to a recently discovered cash items bias. The revised aggregates will be published on September 21. As shown in Appendix Table III, the benchmark revisions increase growth rates for M-1 by 0.5 percentage point for the year-to-date and reduce the growth rate for M-2 over the same period by 0.3 of a point. All tables on subsequent pages of this report (with the exception of Appendix V and the first table following the appendices) are based on the revised series.

Growth in total deposits at thrift institutions was sustained in August and early September at about July's rapid pace, although survey results--available for S&L's--indicate that sales of the 6-month certificate in August dropped to roughly half the rate of June and July.

(2) Following the August FOMC meeting, incoming data suggested that growth in the key aggregates over August and September would likely be around the upper ends of the ranges specified by the Committee. Accordingly, by late August the Account Management had raised the funds rate objective to the $8\frac{1}{2}$ per cent area, the upper end of the range specified by the FOMC at its August meeting. On September 8, with M-1 and M-2 both projected to grow at rates significantly above the upper ends of their respective ranges, the FOMC, in a telephone meeting, voted to raise the higher end of the funds rate range to $8\frac{1}{2}$ per cent and instructed the Desk to aim promptly for a Federal funds rate of $8\frac{3}{8}$ per cent. On August 18, for international as well as domestic reasons, the discount rate was raised $\frac{1}{2}$ of a percentage point to $7\frac{3}{4}$ per cent. However, until the most recent week, member bank borrowing remained relatively large, reflecting the further rise in the Federal funds and other money market rates. On September 15, major banks initiated an increase in the prime rate from $9\frac{1}{4}$ to $9\frac{1}{2}$ per cent.

(3) Yields on short-dated market instruments generally have advanced around $\frac{1}{2}$ to $\frac{3}{4}$ percentage point since the August FOMC meeting. Bond market yields, on the other hand, have continued to move down somewhat, apparently in part because participants still hold the view that, with economic activity slowing, interest rates are near their peak levels for the current expansion period.

(4) As can be seen in the table below, since reaching their highest levels of the current expansion in the week before the July FOMC meeting, long-term corporate yields have declined about $\frac{1}{2}$ percentage point. This decline reflects not only the shift in interest rate expectations that occurred in July, but also the relatively light corporate financing calendar. Declines in yields on municipal bonds have been more moderate, as a heavy volume of refunding activity pushed the total volume of offerings in this sector to a record level in August. While the proceeds from these refundings were channeled into nonmarketable Treasury debt, the Treasury also has sold a substantial volume of marketable debt in the period. In contrast to bond yields, short-term interest rates have advanced on balance since mid-July along with the rise in the Federal funds rate; upward pressures on bill rates were reinforced by foreign central banks sales of about \$1.7 billion of these instruments since the August FOMC meeting.

Interest Rates on Selected Dates
(in per cent)

	<u>Week Ending</u> <u>July 12</u>	<u>Current</u>	<u>Change Week</u> <u>Of July 12</u> <u>to Current</u>
<u>Short-term</u>			
Federal Funds Rate	7.72 ^{1/}	8.33 ^{2/}	+.61
Treasury Bill, 3-month	7.15	7.77	+.62
Commercial Paper, 90-119 day	7.84	8.43	+.59
New Issue CD's, 90-day (Highest quoted)	8.04	8.50	+.46
<u>Long-term</u>			
U.S. Treasury, 20-year	8.72	8.37 p	-.35
Corporate AAA, Recently Offered	9.22	8.72 p	-.50
Municipal, Bond Buyer	6.32	6.02	-.30

^{1/} Average for statement week ending July 12.

^{2/} Average for statement week ending September 13.

(5) Real estate and consumer loans at banks are estimated to have posted further large gains in August. Growth in business loans also picked up but remained well below rates established in the first half of the year. In addition to funds obtained from growth in M-2 type deposits, banks financed the expansion in their loan portfolios by increasing their nondeposit liabilities and reducing their security holdings. Given improved deposits flows, outstanding mortgage commitments at S&L's did not fall further, following a number of months of decline, and their mortgage lending probably picked up in August. Yields on new conventional mortgages have edged a bit lower in recent weeks.

(6) 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 Aug. '78 over Aug. '77	Past Six Months Aug. '78 over Feb. '78	Past Three Months Aug. '78 over May '78	Past Months Aug. '78 over July '77
Nonborrowed reserves	2.5	6.8	1.4	8.1	3.0
Total reserves	3.2	6.8	5.4	7.0	8.5
Monetary Base	7.7	9.0	7.9	8.0	4.4
<u>Concepts of Money</u>					
M-1 (Currency plus demand deposits) <u>1/</u>	6.9	8.0	8.8	7.1	8.8
M-2 (M-1 plus time deposits at commercial banks other than large CD's)	10.4	8.1	8.4	8.8	10.4
M-3 (M-2 plus deposits at thrift institutions)	12.3	9.3	8.9	9.9	11.7
M-4 (M-2 plus CD's)	8.6	10.3	9.2	7.6	8.0
M-5 (M-3 plus CD's)	11.1	10.5	9.3	9.1	10.1
<u>Bank Credit</u>					
Loans and investments of all commercial banks <u>2/</u>					
Month-end basis	9.8	11.0	11.8	9.4	5.2
Monthly average	9.5	10.9	10.4	9.8	7.3
<u>Short-term Market Paper</u> (Monthly average change in billions)					
Large CD's	-0.4	1.9	1.2	-0.3	-1.1
Nonbank commercial paper	0.2	0.2	0.5	0.5	-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

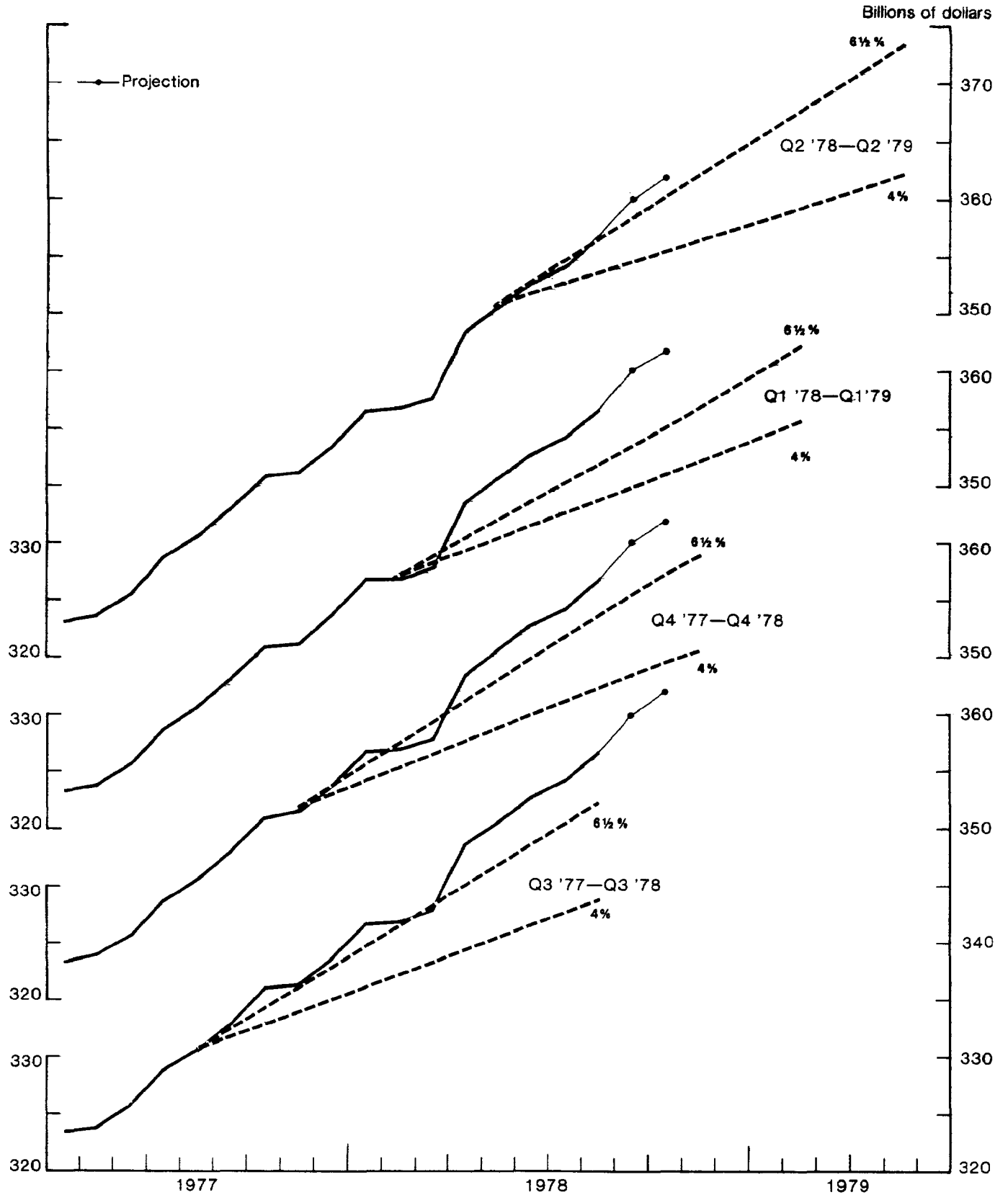
(7) The table below presents for Committee consideration two alternative specifications for the Federal funds rate and the monetary aggregates for the September-October period. (More detailed and longer-term data are contained in the tables on pp. 7 and 8).

	<u>Alt. A</u>	<u>Alt. B</u>
Ranges for Sept.-Oct.		
M-1	6½ to 10½	6 to 10
M-2	8 to 12	7½ to 11½
Federal funds rate (Intermeeting period)	8 to 8¾	8½ to 9

(8) Alternative A contemplates a Federal funds rate between now and the next meeting centered on the prevailing 8-3/8 per cent level. Growth in M-1 over the September-October period is expected to be in a 6½ to 10½ per cent annual rate range, largely in reflection of the stronger growth of this aggregate that appears in train for September. If M-1 expands at the mid-point of the expected range, its October level will be above that implied by the upper end of the FOMC's current longer-run range, as indicated in the upper panel of Chart 1 on the following page.

(9) For the third quarter, the annual rate of M-1 growth is expected to be around 7-1/4 per cent. This represents a considerable slowing from the rate of the second quarter, and reflects the deceleration of economic activity from the extraordinary spring pace and the lagged response to rising short-term interest rates.

CHART 1
Recently Established M-1 Growth Ranges and Actual M-1



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. A</u>	<u>Alt. B</u>
1978	August	356.8	356.8	853.5	853.5
	September	360.0	359.9	861.9	861.6
	October	361.9	361.6	867.7	867.0
1978	QII	350.6	350.6	835.4	835.4
	QIII	357.0	357.0	853.9	853.8
	QIV	363.5	363.2	872.9	872.2
1979	QI	368.0	367.7	888.6	887.8
	QII	372.5	372.5	904.4	904.0
<u>Growth Rates</u>					
<u>Monthly:</u>					
1978	September	10.8	10.4	11.8	11.4
	October	6.3	5.7	8.1	7.5
<u>Quarterly Average:</u>					
1978	QIII	7.3	7.3	8.9	8.8
	QIV	7.3	6.9	8.9	8.6
1979	QI	5.0	5.0	7.2	7.2
	QII	4.9	5.2	7.1	7.3
<u>Semi-Annual:</u>					
	QII '78-QIV '78	7.4	7.2	9.0	8.8
	QIV '78-QII '79	5.0	5.1	7.2	7.3
<u>Annual:</u>					
	QII '78-QII '79	6.2	6.2	8.3	8.2

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. A</u>	<u>Alt. B</u>
1978	August	1454.9	1454.9	939.1	939.1
	September	1470.5	1470.2	949.0	949.0
	October	1483.1	1482.3	958.3	957.9
1978	QII	1420.4	1420.4	916.5	916.5
	QIII	1455.4	1455.3	940.5	940.5
	QIV	1494.1	1493.2	968.5	967.5
1979	QI	1525.0	1523.9	996.0	993.5
	QII	1554.9	1554.0	1023.6	1020.1

Growth Rates

Monthly

1978	September	12.9	12.6	12.7	12.7
	October	10.3	9.9	11.8	11.3

Quarterly Average:

1978	QIII	9.9	9.8	10.5	10.5
	QIV	10.6	10.4	11.9	11.5
1979	QI	8.3	8.2	11.4	10.7
	QII	7.8	7.9	11.1	10.7

Semi-Annual:

QII '78-QIV '78	10.4	10.3	11.3	11.1
QIV '78-QII '79	8.1	8.1	11.4	10.9

Annual:

QII '78-QII '79	9.5	9.4	11.7	11.3
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(10) Expansion in M-2 under alternative A is likely to be in an 8 to 12 per cent annual rate range over the September-October period, raising this aggregate by October to the level implied by the top of its current longer-run range, as shown in the top panel of Chart 2. The interest-bearing component of M-2 is expected to slow markedly from its recent pace as the year progresses. However, given the strength of time and savings deposits thus far in September, growth over the September-October period in the time deposit component of M-2 may be at around an 11 per cent annual rate--considerably above the average pace of the first half of the year. Savings deposit growth is not likely to be sustained at the August pace, but issuance of 6-month certificates should support growth of small time deposits and banks are expected to continue to sell sizable amounts of large-denomination time deposits to meet loan demands.

(11) The staff continues to expect inflows of deposits to thrift institutions to slow from their extraordinarily rapid recent rate, which has been affected by continued shifts from existing financial assets to the new money market certificates. Nevertheless, because deposit growth at S&L's and MSB's has been larger than expected in recent weeks, our projection of total thrift deposit flows has been raised from the last month. Indeed, with growth in the other monetary aggregates also strong, it is likely, as shown in the upper panel of Chart 3, that M-3 in October will be somewhat above the level implied by the upper end of the FOMC's current longer-run range.

CHART 2
Recently Established M-2 Growth Ranges and Actual M-2

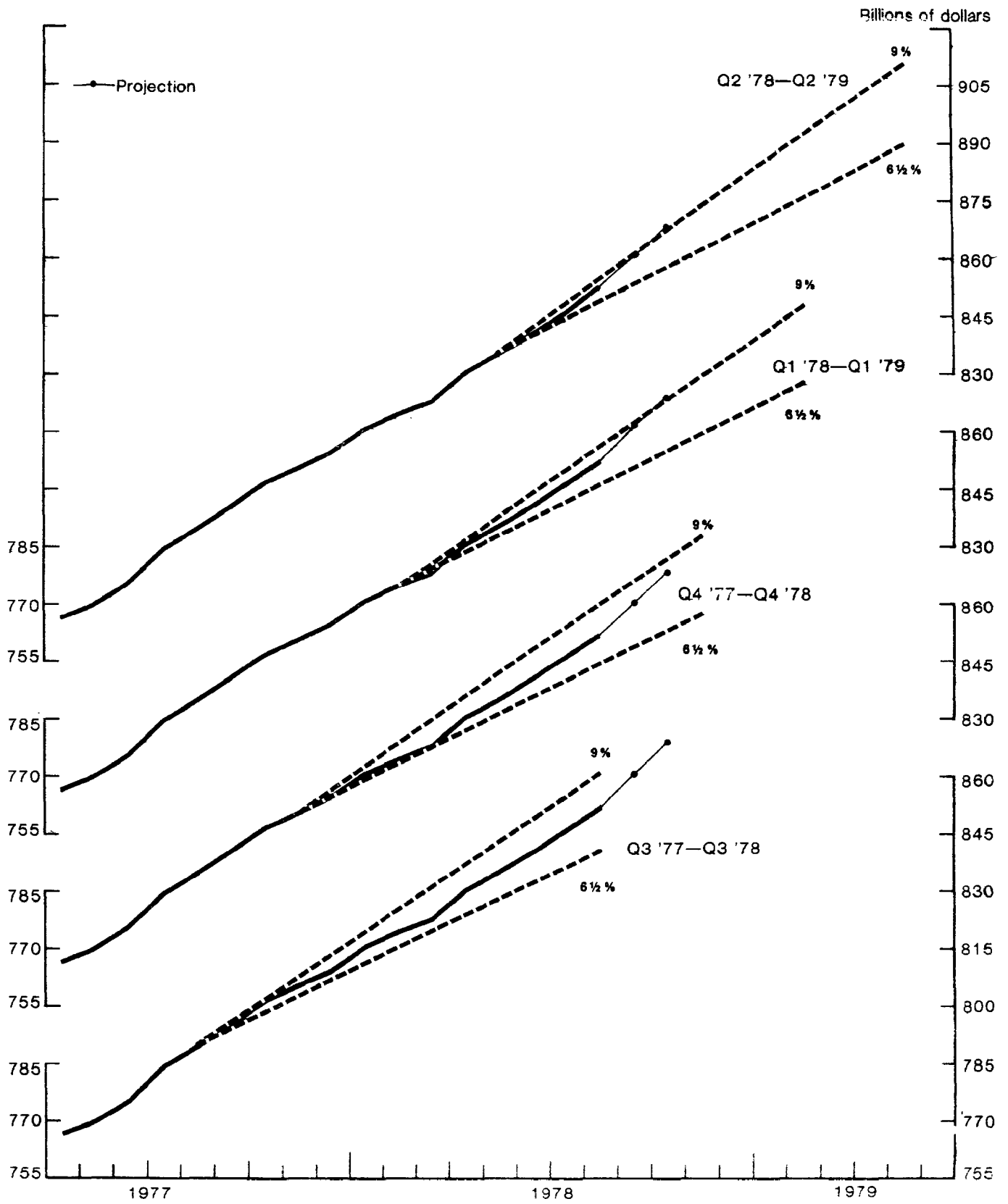
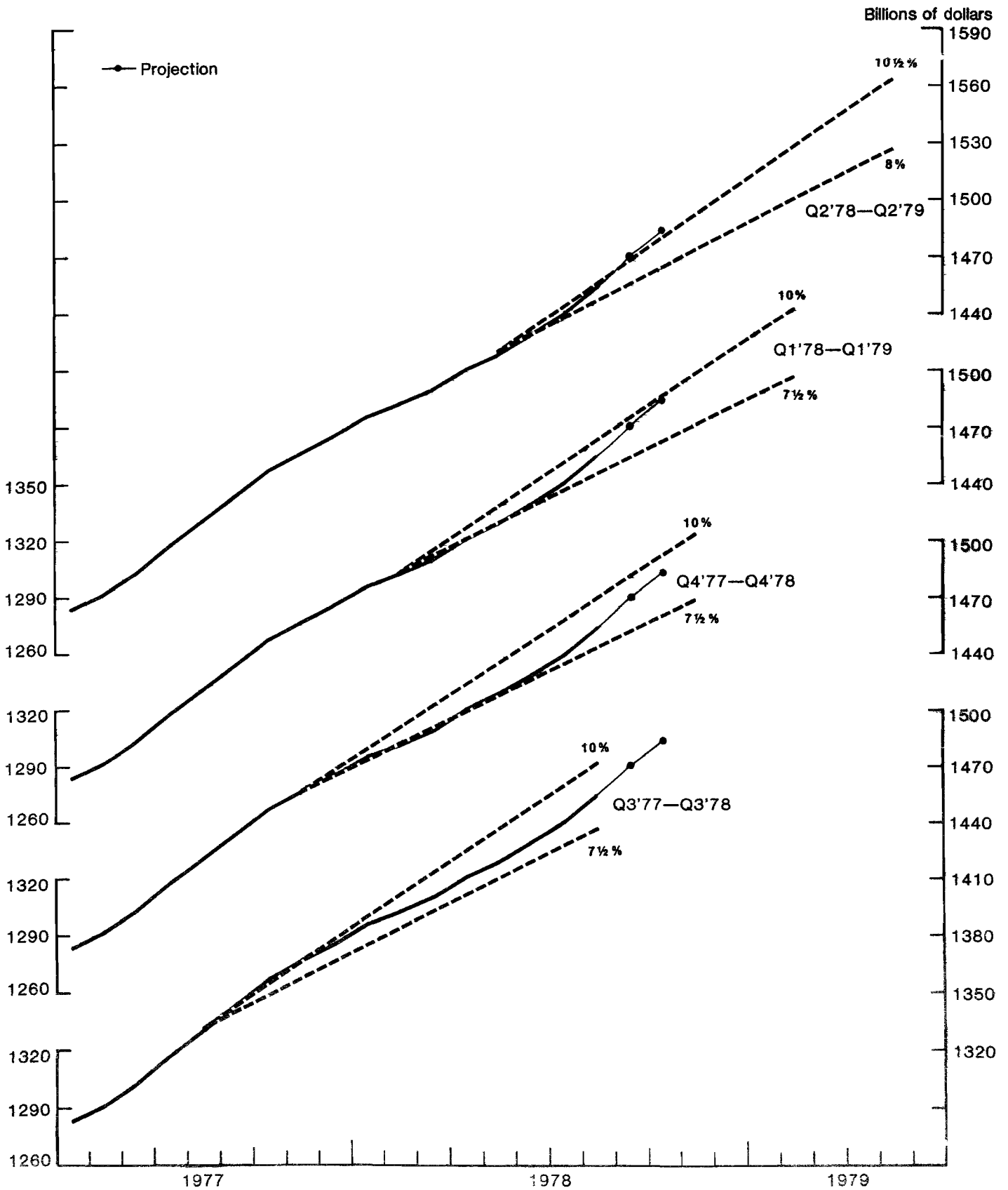


Chart 3

Recently Established M-3 Growth Ranges And Actual M-3



(12) If the Federal funds rate remains around 8-3/8 per cent over the intermeeting period, as envisioned under alternative A, short-term market interest rates would be expected to remain near current levels. The recent increases in short-term rates appear to have kept them in alignment with the funds rate. Although short-term credit demands of both financial and nonfinancial businesses may pick up in September and October, following a weakening in August, they are likely to remain more moderate than over the first half of the year. Demands for short-term funds from sponsored agencies should moderate somewhat in the weeks ahead from their strong summer pace, in view of the recent strength in thrift deposit flows, and the Treasury will probably not tap the bill market for new money until the latter part of the fourth quarter.

(13) Longer-term yields also may change little under alternative A, and could even edge down a little further, unless incoming data come to suggest a more rapid rate of inflation or stronger expansion in real activity than the market is currently expecting. Municipal bond issuance has dropped off substantially in September and will likely continue at a reduced pace in October. Corporate bond offerings are likely to pick up only seasonally from the recent relatively light pace. The Treasury is expected to raise only about \$3.0 billion of new money in late September in auctions of 2-year and 5-year notes, and will then not be back in the market until late October. Moreover, institutional investors apparently still have a considerable volume of liquid funds

available for investment, and dealer positions are light. The recent rapid growth of thrift deposits suggests that mortgage market rates will likely fluctuate around current levels in coming weeks.

(14) Alternative B calls for an increase in the Federal funds rate by mid-October to around the midpoint of an 8-1/4 to 9 per cent range. M-1 growth would likely be in a 6 to 10 per cent annual rate range over September-October and M-2 growth in a 7-1/2 to 11-1/2 per cent range. The further increase in short-term rates would be expected to slow the inflows of interest-bearing deposits subject to regulatory ceilings at banks and thrifts, but recent evidence suggests that the new 6-month certificates will probably blunt some of the impact of rising rates on deposit growth, especially at thrifts.

(15) The modest increase in the funds rate contemplated under alternative B is, of course, likely to have some upward impact on short-term market rates of interest. However, such rates may rise by less than the funds rate--and long-term rates by quite small amounts--if market participants act on the assumption that the peak in interest rates is even closer at hand. A further increase in the funds rate would reinforce market expectations of another adjustment in the discount rate. Barring such an adjustment, member bank borrowing would be likely to increase noticeably.

(16) Under either alternative A or B, short-term interest rates are expected to come under further upward pressure before year-end. With nominal GNP projected to rise at an annual rate of more than

11 per cent over the balance of the longer-run policy period, the Federal funds rate might have to rise to 9 to 9-1/4 per cent during the fourth quarter if growth in M-1 is to be constrained to around the upper limit of its range over the current longer-run policy period.^{1/} ^{2/} The rise in market interest rates and the anticipated completion of the stock adjustment to the new 6-month certificates is expected to slow the pace of inflows into interest-bearing deposits subject to regulatory ceilings, and growth in both M-2 and M-3 over the QII '78 to QII '79 policy period is projected to be in the upper half of their longer-run ranges.

^{1/} The staff's projections for the Federal funds rate through mid-1979 are shown in appendix I and for velocity growth rates in appendix II.

^{2/} Growth in measured M-1 is expected to slow in the fourth and subsequent quarters if the Board regulation with regard to automatic transfers from savings to demand deposits becomes effective November 1. No allowance has been made for such a slowing in the estimates presented in this blue book. Banks are just beginning to publish their pricing schedules for the automatic transfer service. Even after most are published, competitive pressures will undoubtedly tend to change them and in any event it will be very difficult to project the probable public response and the extent to which M-1 will become distorted. These uncertainties about the size of the resulting distortion in M-1 suggest the desirability of supplementing M-1 and M-2 with another measure that would be less affected than M-1 and would still be a reasonable indicator of transactions demands for money. Such a measure--termed M-1+ and defined as M-1 plus savings deposits at commercial banks and transactions balances at thrift institutions--is presented in appendix V.

Directive language

(17) Given below are suggested operational paragraphs for the directive. Alternative language consistent with the short-run specifications of the alternatives discussed in the preceding section is shown for the Committee's objective for the Federal funds rate early in the period. At a later point, alternative language is also provided for placing main emphasis either on monetary aggregates or on money market conditions. The specifications adopted at the August meeting as modified at the telephone meeting on September 8 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 domestic and international financial markets more generally. Early in the period until the next regular meeting, System open market operations shall be directed at attaining a weekly-average Federal funds rate

(A) AT ABOUT THE CURRENT LEVEL

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

Subsequently, operations shall be directed at maintaining the weekly-average Federal funds rate within the range of ~~7-3/4-8~~ 8-1/2 _____ 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 ~~August-September~~ SEPTEMBER-OCTOBER period of M-1 and M-2 and the following ranges of tolerance: ~~4-to-8~~ _____ TO _____ per cent for M-1 and ~~6-to-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 midpoints

Money market emphasis

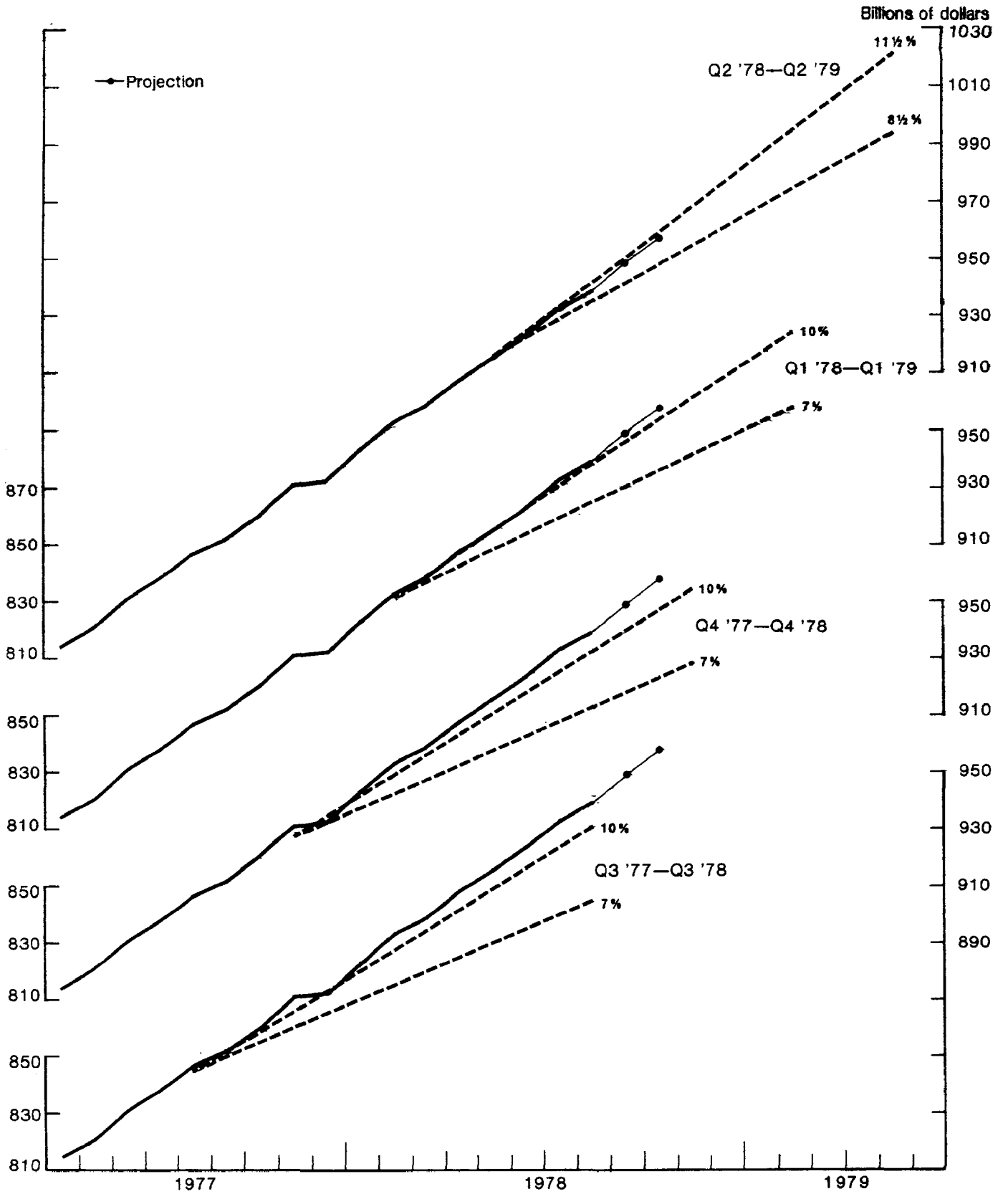
close to or beyond the upper or lower limits

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 4

Recently Established Bank Credit Growth Ranges and Actual Bank Credit



Appendix I

Projected Federal Funds Rate

	<u>Alt. A</u>	<u>Alt. B</u>
1978--QIII	8 to 8-1/8	8-1/8 to 8½
QIV	8¾ to 9½	9 to 9½
1979--QI	8¾ to 9¾	8¾ to 9½
QII	8¾ to 9¾	8¾ to 9½

Appendix II

Implied Velocity Growth Rates

<u>V-1 (GNP/M-1)</u>	<u>Alt. A</u>	<u>Alt. B</u>
1978 II	8.2	8.2
III	2.4	2.4
IV	3.0	3.3
1979 I	6.7	6.7
II	5.2	4.8
<u>V-2 (GNP/M-2)</u>		
1978 II	10.2	10.2
III	0.8	0.8
IV	1.4	1.8
1979 I	4.5	4.5
II	3.0	2.8

Appendix III

Revisions in the Monetary Aggregates

Benchmark adjustments for domestic nonmember banks and data associated with a recently discovered cash items bias problem have been incorporated into the money stock series and related data. The benchmark adjustments are based on the March 1978 call report and affect deposit levels from January 1978 to date. The cash items bias adjustment gradually raises the level of the series from mid-1975 to date. Both M-1 and M-2 grew at an 8.0 per cent annual rate over the first three quarters of 1978, on the revised basis, compared with rates of 7.5 and 8.3 per cent, respectively, for the old series. The impact of benchmark and cash items bias adjustments on annual, quarterly and monthly M-1 and M-2 growth rates are shown in Tables III-1 and III-2.

The benchmark adjustments raised the level of M-1 about \$500 million in March 1978 and about \$1 billion in August. The level of M-2 was reduced about \$700 million in March and \$2 billion in August. As shown in column 4 of Tables III-1 and III-2, over the first three quarters of 1978 the benchmark adjustment added 0.3 percentage points to M-1 growth and reduced M-2 growth by a like amount.

The cash items adjustment corrects for a recently discovered bias associated with transfers of funds by some agencies and branches of foreign banks in New York City on behalf of directly-related institutions. Foreign related banking institutions in New York City have begun to transfer funds for directly-related institutions (parent and

subsidiaries) by drawing checks on accounts held by the related institution at the New York City office; some of these transfers apparently began as early as mid-1975. In effect the New York office was acting as agent for the directly related institution. Since funds due to a directly-related institution are not recorded as deposits, but rather as other liabilities, the cash items generated by these checks are not matched by a demand deposit account, and their deduction in the calculation of money stock measures is therefore inappropriate. Also, since these checks are not officers checks of the New York City agency or branch, they are not included in officers checks data collected to adjust for cash items bias generated by transfers of funds for regular customers by these institutions. In order to correct for this relatively small but growing bias, data were collected from foreign agencies and branches in New York City to provide an estimate of the amount of cash items bias such transfers generated from mid-1975 to April 1978. Since May 1978 daily data are available and will be available on a continuing basis. In the most recent period, this bias adjustment amounts to about \$1½ billion.

As can be seen in columns 4 of Tables III-1 and III-2 the impact of the cash items adjustment on annual and quarterly growth rates was minor. Because of the volatility of the series, however, individual monthly M-1 growth rates were raised or lowered as much as 1½ percentage points. Impacts on monthly M-2 growth rates were smaller.

Table III-1

Effect of Benchmark and Cash Items Bias
Adjustment on M-1 Growth
(Seasonally adjusted, per cent annual rates)

	Old Series (1)	Revised Series (2)	Difference (1) - (2) (3)	Differences due to ^{1/}	
				Benchmark (4)	Cash Item Bias (5)
<u>Annual</u> ^{2/}					
1975	4.4	4.6	0.2	-	0.2
1976	5.7	5.8	0.1	-	0.1
1977	7.9	7.9	0.0	-	0.0
1977 QIV to 1978 QIII (proj)	7.5	8.0	0.5	0.3	0.2
<u>Quarterly</u> ^{3/}					
1978 QI	5.6	6.2	0.4	0.1	0.3
QII	9.5	9.9	0.4	0.4	0.0
QIII (proj.)	6.9	7.3	0.4	0.3	0.1
<u>Monthly</u>					
1978 Jan.	10.3	11.3	1.0	0.3	0.7
Feb.	-0.7	0.3	1.0	0.6	0.4
Mar.	3.5	3.9	0.4	0.7	-0.3
Apr.	19.0	19.6	0.6	0.3	0.3
May	8.0	7.2	-0.8	0.1	-0.9
June	5.9	7.5	1.6	0.3	1.3
July	5.5	4.8	-0.7	-0.3	-0.4
Aug.	7.8	8.8	1.0	0.7	0.3
Sept. (proj.)	10.2	10.8	0.6	0.3	0.3

^{1/} In percentage points.

^{2/} Average of QI to average of QIV.

^{3/} Quarterly average.

Table III-2

Effect of Benchmark and Cash Items Bias
Adjustment on M-2 Growth
(Seasonally adjusted, per cent annual rates)

	Old Series (1)	Revised Series (2)	Difference (1) - (2) (3)	Differences due to ^{1/}	
				Benchmark (4)	Cash Item Bias (5)
<u>Annual</u> ^{2/}					
1975	8.3	8.4	0.1	-	0.1
1976	10.9	10.9	0.0	-	0.0
1977	9.8	9.8	0.0	-	0.0
1977 QIV to 1978 QIII (proj)	8.3	8.0	-0.3	-0.3	0.0
<u>Quarterly</u> ^{3/}					
1978 QI	6.9	6.9	0.0	-0.1	0.1
QII	8.3	7.9	-0.4	-0.4	0.0
QIII (proj.)	9.2	8.9	-0.3	-0.3	0.0
<u>Monthly</u>					
1978 Jan.	9.5	9.5	0.0	-0.2	0.2
Feb.	4.7	4.7	0.0	-0.1	0.1
Mar.	5.6	5.1	-0.5	-0.4	-0.1
Apr.	11.5	11.2	-0.3	-0.4	0.1
May	7.8	7.1	-0.7	-0.4	-0.3
June	7.8	7.8	0.0	-0.4	0.4
July	8.6	8.0	-0.6	-0.5	-0.1
Aug.	10.6	10.4	-0.2	-0.3	0.1
Sept. (proj.)	11.8	11.8	0.0	-0.1	0.1

^{1/} In percentage points.

^{2/} From average of QIV to average of QIV.

^{3/} Quarterly average.

Appendix Table IV-1

MONEY STOCK--M-1
 (Annual rates of growth, compounded quarterly)^{1/}

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	2.1														
II	4.3	6.5													
III	5.2	6.7	7.0												
IV	4.6	5.4	4.9	2.9											
1976 I	4.6	5.3	4.8	3.8	4.7										
II	5.0	5.6	5.4	4.9	5.9	7.0									
III	4.9	5.3	5.1	4.6	5.2	5.4	3.9								
IV	5.2	5.7	5.5	5.2	5.8	6.2	5.8	7.7							
1977 I	5.4	5.8	5.8	5.6	6.1	6.4	6.2	7.4	7.2						
II	5.7	6.1	6.1	6.0	6.5	6.9	6.8	7.8	7.9	8.6					
III	6.0	6.4	6.3	6.3	6.8	7.1	7.1	7.9	8.0	8.4	8.3				
IV	6.1	6.5	6.5	6.4	6.9	7.2	7.2	7.9	7.9	8.2	8.0	7.7			
1978 I	6.1	6.5	6.5	6.4	6.8	7.1	7.1	7.6	7.6	7.7	7.4	7.0	6.3		
II	6.4	6.8	6.8	6.8	7.2	7.4	7.5	8.0	8.1	8.2	8.1	8.1	8.3	10.3	
	* * * * *														
1979 II															
Alt. A	6.4	6.6	6.6	6.6	6.9	7.1	7.1	7.4	7.3	7.3	7.2	7.0	6.9	7.0	6.2
Alt. B	6.4	6.6	6.6	6.6	6.9	7.1	7.1	7.4	7.3	7.2	7.2	7.0	6.9	7.0	6.2

Appendix Table IV-2

MONEY STOCK--M-2
(Annual rates of growth, compounded quarterly)^{1/}

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	8.9	10.2	10.3												
IV	8.4	9.1	8.6	6.9											
1976 I	8.9	9.6	9.4	9.0	11.1										
II	9.2	9.7	9.6	9.4	10.7	10.3									
III	9.2	9.6	9.5	9.3	10.2	9.7	9.0								
IV	9.7	10.2	10.1	10.1	10.9	10.9	11.2	13.3							
1977 I	9.8	10.2	10.3	10.3	11.0	11.0	11.2	12.3	11.2						
II	9.8	10.2	10.2	10.2	10.8	10.7	10.8	11.4	10.4	9.5					
III	9.9	10.2	10.2	10.2	10.7	10.6	10.7	11.1	10.3	9.9	10.2				
IV	9.7	10.0	10.0	10.0	10.4	10.3	10.3	10.5	9.8	9.4	9.3	8.3			
1978 I	9.5	9.8	9.7	9.7	10.0	9.9	9.8	9.9	9.3	8.8	8.5	7.7	7.0		
II	9.4	9.7	9.6	9.5	9.8	9.7	9.6	9.7	9.1	8.6	8.4	7.8	7.6	8.2	
	* * * * *														
1979 II															
Alt. A	9.2	9.3	9.3	9.2	9.4	9.2	9.1	9.2	8.7	8.5	8.3	8.1	8.0	8.2	8.3
Alt. B	9.1	9.3	9.3	9.2	9.4	9.2	9.1	9.1	8.7	8.4	8.3	8.0	8.0	8.2	8.2

^{1/} Based on quarterly average data.

Appendix Table IV-3

MONEY STOCK--M-3
 (Annual rates of growth, compounded quarterly)^{1/}

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	11.6	13.2	13.5												
IV	11.1	12.1	11.6	9.8											
1976 I	11.4	12.2	12.0	11.2	12.7										
II	11.6	12.2	12.0	11.6	12.5	12.3									
III	11.5	12.1	11.9	11.5	12.1	11.8	11.3								
IV	12.0	12.5	12.4	12.2	12.8	12.9	13.2	15.0							
1977 I	12.1	12.5	12.5	12.3	12.8	12.8	13.0	13.9	12.8						
II	11.9	12.3	12.2	12.1	12.4	12.4	12.4	12.8	11.7	10.7					
III	12.0	12.3	12.3	12.1	12.4	12.4	12.4	12.7	12.0	11.6	12.5				
IV	11.9	12.2	12.1	12.0	12.3	12.2	12.2	12.4	11.7	11.4	11.8	11.1			
1978 I	11.6	11.9	11.8	11.6	11.8	11.7	11.6	11.6	11.0	10.5	10.5	9.5	7.9		
II	11.3	11.6	11.4	11.3	11.4	11.3	11.1	11.1	10.5	10.0	9.9	9.0	8.0	8.0	
	* * * * *														
1979 II															
Alt. A	10.9	11.1	10.9	10.8	10.8	10.7	10.6	10.5	10.1	9.8	9.7	9.3	9.0	9.2	9.5
Alt. B	10.9	11.0	10.9	10.8	10.8	10.7	10.6	10.5	10.0	9.7	9.6	9.2	8.9	9.1	9.4

APPENDIX V

Automatic Transfers and a Supplemental Monetary Aggregate

When automatic transfers become available November 1 new uncertainties will arise regarding both projected growth in demand deposits and the interpretation of M-1 growth.^{1/} This new service will permit consumers to substitute savings balances, earning explicit interest, for demand deposits, earning no explicit yield. Thus, automatic transfers can be expected to weaken the demand deposit component of M-1--of which consumer deposits are approximately one-third of the total--and simultaneously increase savings balances at commercial banks. While commercial banks may also attract funds from thrift institutions and from other sources, it is the Board staff's judgment that the volume of any such inflows will probably be small and that the bulk of funds attracted to savings accounts subject to automatic transfers will likely come from household demand accounts.

The extent of the shift from demand to savings accounts will depend heavily on the promotional activity and pricing of this service by commercial banks. A recent informal and confidential System-wide survey of

^{1/} The impact of automatic transfers on M-1 and M-2 growth was discussed in Appendix IV of the July 1978 Bluebook.

NOTE: Data contained in this appendix, including accompanying tables and charts, do not reflect the recent benchmark to the March 1978 Call report.

commercial banks indicates that a very high proportion of banks are planning to offer this service beginning in November. Many of these banks indicated that they intend to promote automatic transfers actively.

Less clear at this time are the typical pricing features of automatic transfer programs. Many banks have not yet finalized their pricing schedules, and others are very reluctant to divulge such sensitive competitive information, but the survey suggests that pricing plans are likely to vary widely among banks, at least initially.^{1/} In general, though, respondent banks indicated that they expect their rivals to actively promote this new service and they are willing to meet this competition in order to protect their market shares. In view of this evidence, the staff believes that the amount by which automatic transfers will depress M-1 growth in the first three quarters they are offered may be in the middle or perhaps the upper portion of the 1 to 3-1/2 annual percentage point range estimated previously.^{2/} Nevertheless, it should be emphasized that these estimates remain crude and there continues to be a great deal of uncertainty regarding the impact of automatic transfers on deposit conversions and M-1 growth.

^{1/} Many banks offering information on their pricing plans mentioned terms-- frequently involving monthly maintenance charges and per transfer fees-- that would appeal mainly to their large household depositors, generally those with average balances in excess of \$1,000. Fragmentary information on the distribution of household checking balances by size of account indicates that such large accounts contain over one-half of total household balances.

^{2/} The lower end of this range is based on 6 per cent of consumer demand deposits converting to savings in the first year, while the upper end is based on conversions of 18 per cent. The 1 to 3 percentage point range for the impact on M-1 growth reported in the July Bluebook was for the QII '78 to QII '79 period and the 1 to 3-1/2 percentage point range given above is for the QIII '78 to QII '79 period.

Since most of the conversions to savings balances are likely to come from demand deposits, a somewhat broader aggregate than M-1-- which includes both kinds of accounts--will be less vulnerable to distortions caused by automatic transfers. Board staff has, for some time, been conducting research on a variety of alternative definitions of money which reflect recent innovations in the payments mechanism and the changing character of depository institution liabilities. A full scale study is expected to be completed in several months. But in view of the impending problems for interpreting M-1 posed by automatic transfers, Board staff has constructed a supplemental aggregate that may be useful, at least during the transition period in which significant conversions are expected to occur. Table V-1 shows the composition of this aggregate, which is tentatively being called M-1+. Besides M-1, it includes savings deposits at commercial banks, NOW accounts at thrifts, credit union share drafts and demand deposits at MSBs. Alternatively, more emphasis could be placed on M-2, as currently defined, although M-1+ is likely to be more closely related to transactions and not as sensitive to shifts among time deposits and other financial assets.

M-1+ equaled \$581 billion in August, as compared with M-1 of \$354 billion. The largest single component of M-1+, as with the current M-1, is demand deposits at commercial banks, followed by commercial bank savings, and then by currency; total NOW balances and other transactions balances at thrifts make up a very small portion of the total. Chart V-1 shows how the composition of this aggregate has changed over time. Some of the increase in the share of savings balances included in M-1+ and the concurrent fall in the share of demand deposits during 1975 and 1976

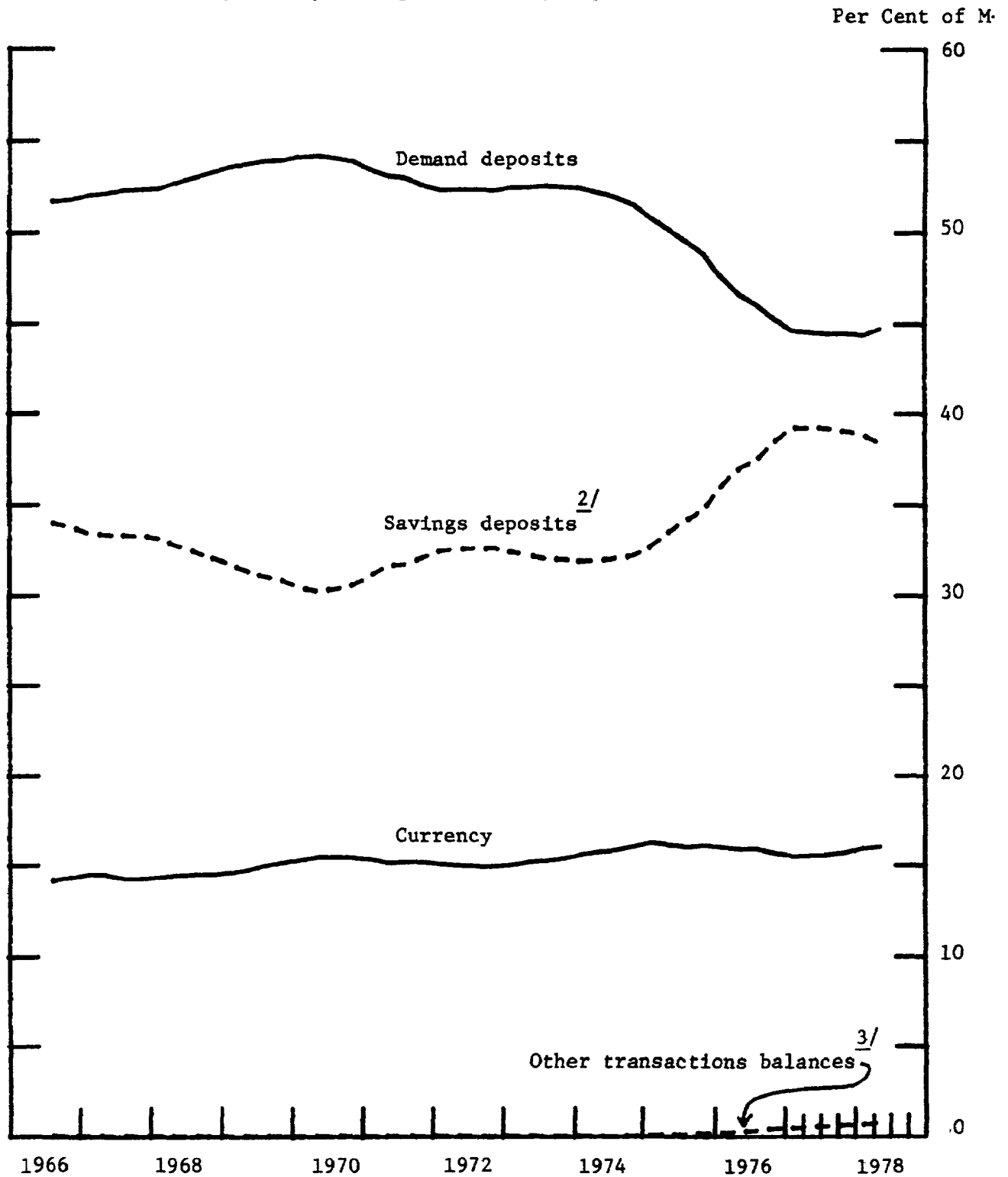
TABLE V-1
 Level and Composition of M_{1+}
 (August 1978)

	Amount (in billions of dollars)	Per cent of total
1. Currency	94.0	16.2
2. <u>Demand deposits at commercial banks</u>	<u>260.1</u>	<u>44.7</u>
3. M_1 (1.+2.)	354.2	60.9
4. Commercial bank savings ^{1/}	222.5	38.2
5. NOW balances ^{2/}	3.3	.6
6. Demand deposits at MSBs	.9	.2
7. Credit union share drafts	.6	.1
<hr/>		
M_{1+}	581.5	100

^{1/} Excludes NOW accounts at commercial banks.

^{2/} NOWs at both commercial banks and thrifts.

V-5
 CHART V-1
 COMPONENTS OF M-1^{1/}
 (Quarterly average seasonally adjusted)



^{1/} Last observation charted is second quarter 1978.

^{2/} Excluding NOW accounts at commercial banks.

^{3/} Other transactions balances include NOWs, demand deposits at MSBs and credit union share drafts.

resulted from shifts from demand deposits to savings associated with regulatory changes. However, the bulk of the decline in the demand deposit share is believed to have stemmed from the widespread application of cash management techniques while the rise in the savings share reflected relatively low market rates of interest during this period.

Quarterly growth rates of M-1+—along with current M-1—are shown in Chart V-2. Since savings—which tend to be sensitive to changing market yields—are an important component of M-1+, growth of M-1+ has been more responsive than M-1 to the difference between market yields and regulatory ceilings, shown in the lower panel of the chart. When market rates were low relative to regulatory ceilings, such as in 1971 and 1972 and again in 1975 and 1976, savings growth tended to be substantial and M-1+ expanded more rapidly than M-1. Conversely, during those times when market rates rose appreciably above ceilings, such as in 1969, again in 1973, and more recently since late 1977, growth of M-1+ tended to fall below that of M-1. Table V-2 compares growth rates of M-1 and M-1+ over four-quarter policy periods, beginning in early 1975. During all but the two most recent policy periods, growth of M-1+ outpaced that of M-1, in some cases by about 6 percentage points—when market rates were relatively low. In the two most recent policy periods, however, growth in M-1+ dropped below that of M-1, reflecting the impact on savings deposits of increases in market yields during these periods. The lower portion of Table V-3 contains growth rates of M-1 and M-1+ for recent months.

The public's demands for these alternative measures of money relative to GNP move inversely with their velocities, which are shown in Chart V-3. Velocities of both M-1 and M-1+ have trended upward over this

V-7

CHART V-2

RATES OF GROWTH OF M-1 AND M-1+ AND SPREAD BETWEEN THE TREASURY
BILL RATE AND PASSBOOK CEILING RATE

(Quarterly average, seasonally adjusted at annual per cent rates)

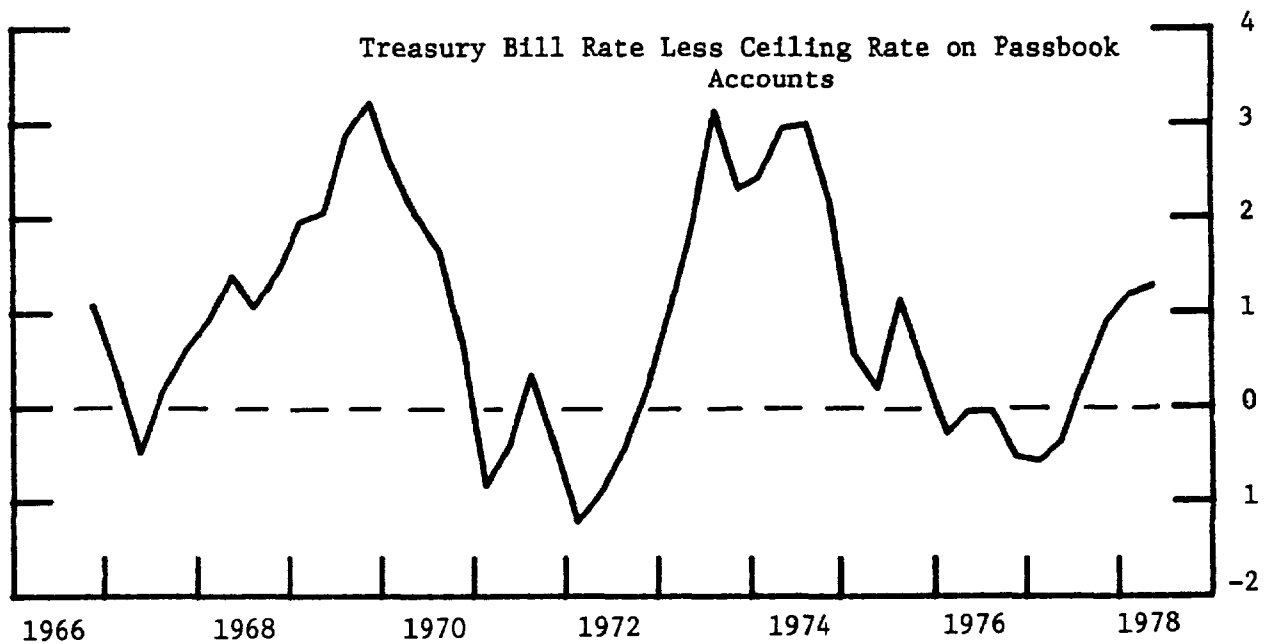
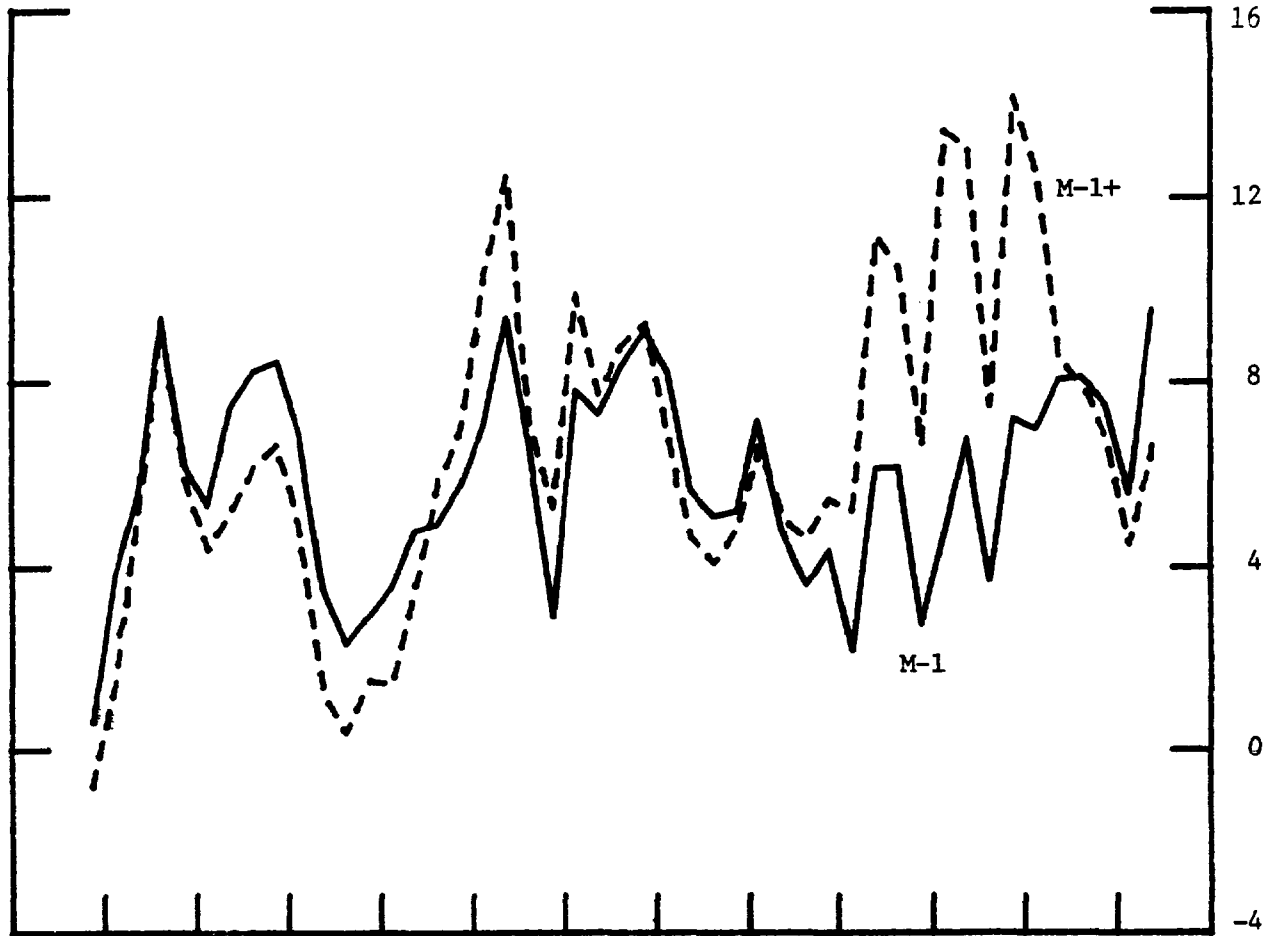


TABLE V-2

Comparison of Growth Rates Over Four Quarter
 Policy Periods of M-1 and M-1+
 (Seasonally adjusted at annual per cent rates)

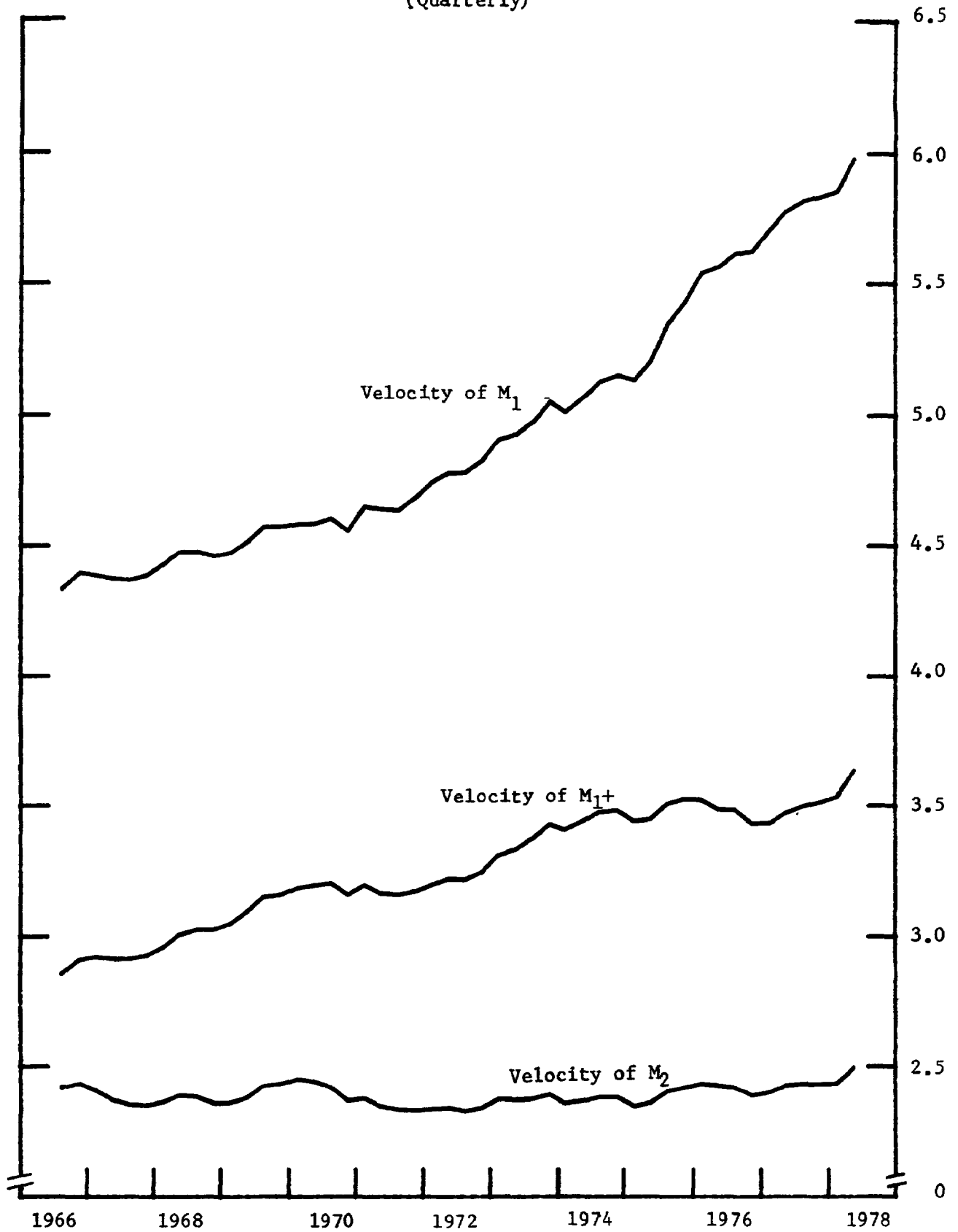
Period	M ₁	M ₁₊	Memo: M ₁₊ less M ₁
QII'75 - QII'76	5.2	11.3	6.1
QIII'75 - QIII'76	4.6	10.5	5.9
QIV'75 - QIV'76	5.7	12.6	6.9
QI'76 - QI'77	6.3	12.3	6.0
QII'76 - QII'77	6.6	11.1	4.5
QIII'76 - QIII'77	7.8	11.2	3.4
QIV'76 - QIV'77	7.9	9.3	1.4
QI'77 - QI'78	7.5	7.1	-.4
QII'77 - QII'78	7.9	6.6	-1.3

TABLE V-3
 Rates of Growth of M-1 and M-1+
 (Seasonally adjusted at annual per cent rates)

	M_1	M_{1+}	Memo: M_{1+} less M_1
<u>Annual</u>			
1976	5.7	12.6	6.9
1977	7.9	9.3	1.4
<u>Quarterly Average</u>			
1977 I	6.9	12.5	5.6
II	8.1	8.5	.4
III	8.1	8.0	-.1
IV	7.5	6.8	-.7
1978 I	5.6	4.5	-1.1
II	9.5	6.6	-2.9
<u>Monthly</u>			
1978 January	10.3	8.8	-1.5
February	-0.7	0.2	.9
March	3.5	2.3	-1.2
April	19.0	13.4	-5.6
May	8.0	5.5	-2.5
June	5.9	3.1	-2.8
July	5.5	1.7	-3.8
August	7.8	8.1	.3

V-10
CHART V-3

VELOCITIES OF ALTERNATIVE MEASURES OF MONEY
(Quarterly)



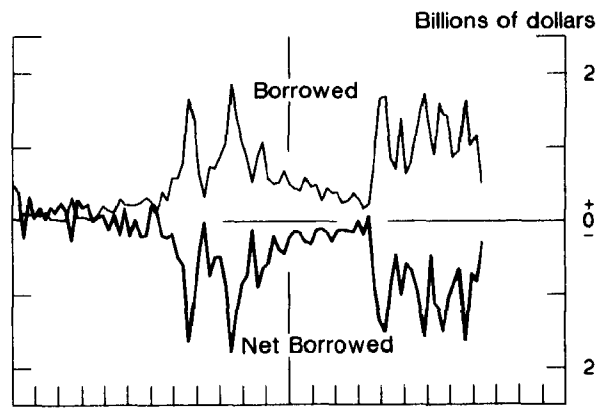
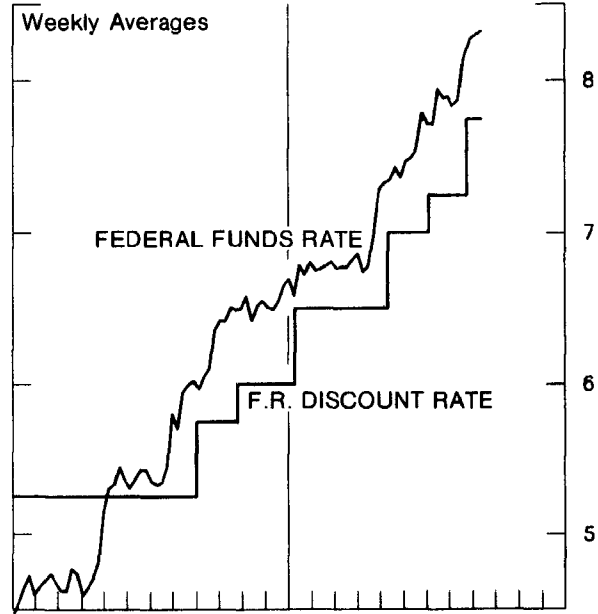
period, as the public has tended to economize on its holdings of these balances relative to GNP. In addition, both velocities have displayed movement around their respective trends, in part related to the interest rate cycle. However, during the years 1975 and 1976 M-1 velocity rose at an unusually fast pace--at a time when the spread of cash management techniques along with changes in regulatory policy depressed M-1 growth. In contrast, movements in M-1+ velocity appear to have been dominated by relatively low rates of interest in these years.

Econometric evidence on the demand for M-1+ indicates a reasonably close relationship between the demand for this aggregate and income and interest rates. While automatic transfers are likely to alter the demand relationships for both M-1 and M-1+, it is believed that the overall demand for M-1+ will be much less affected during the transition period, as the principal changes in the behavior of this aggregate are likely to be compositional. During this transition period, M-1+ is likely to be more predictable, based on historical relationships, than M-1

Data on M-1+ are available weekly and involve about the same amount of estimation as for M-1. While Board staff has had no experience in projecting this new aggregate, no special problems are anticipated over and above those that would be encountered in projecting M-1 and M-2.

Money Market Conditions and Interest Rates

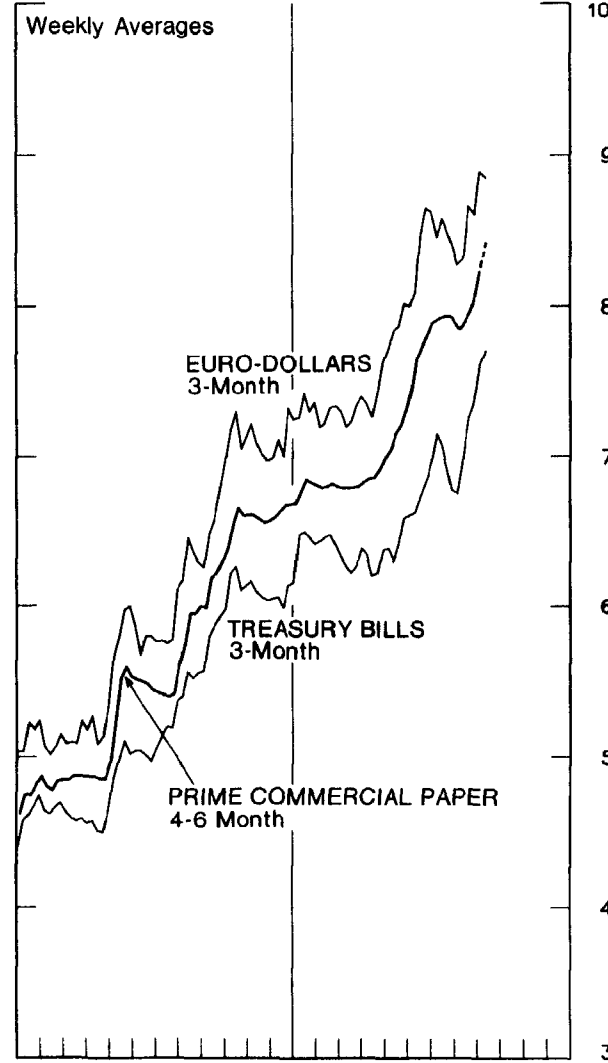
MONEY MARKET CONDITIONS Per cent



1977

1978

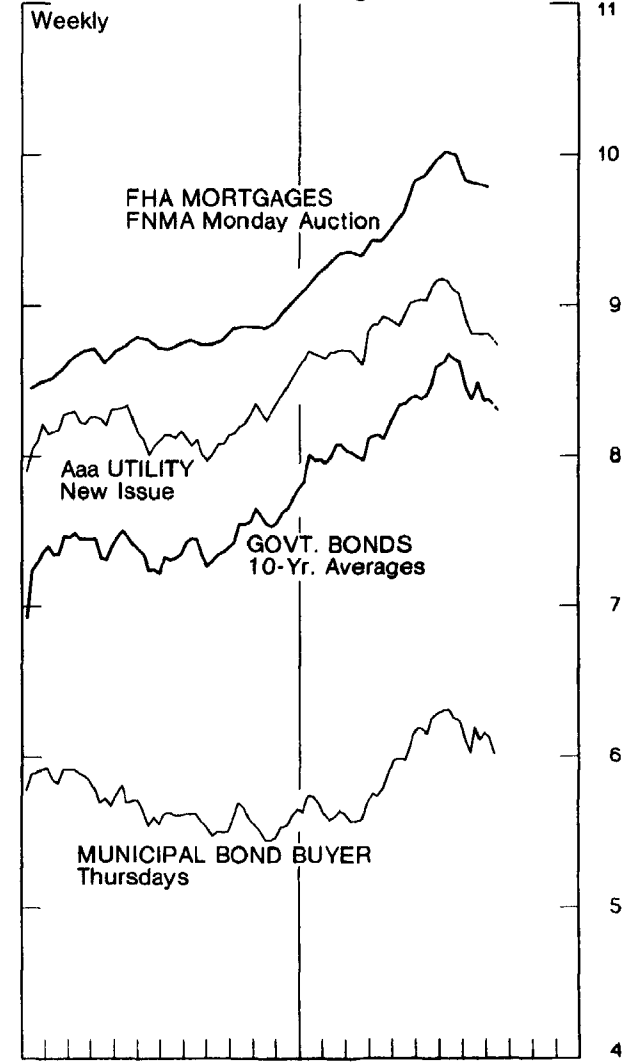
INTEREST RATES Short-term Per cent



1977

1978

INTEREST RATES Long-term Per cent



1977

1978

Chart II

Actual and Projected Reserves

CONFIDENTIAL (FR)
Class II-FOMC
9/15/78

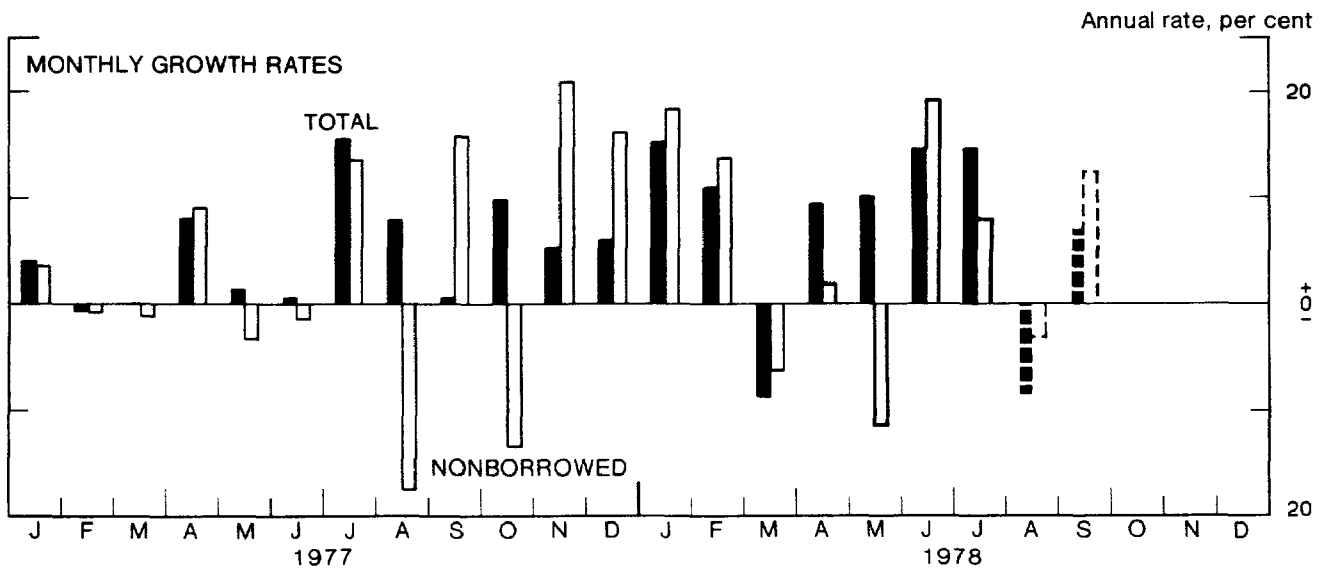
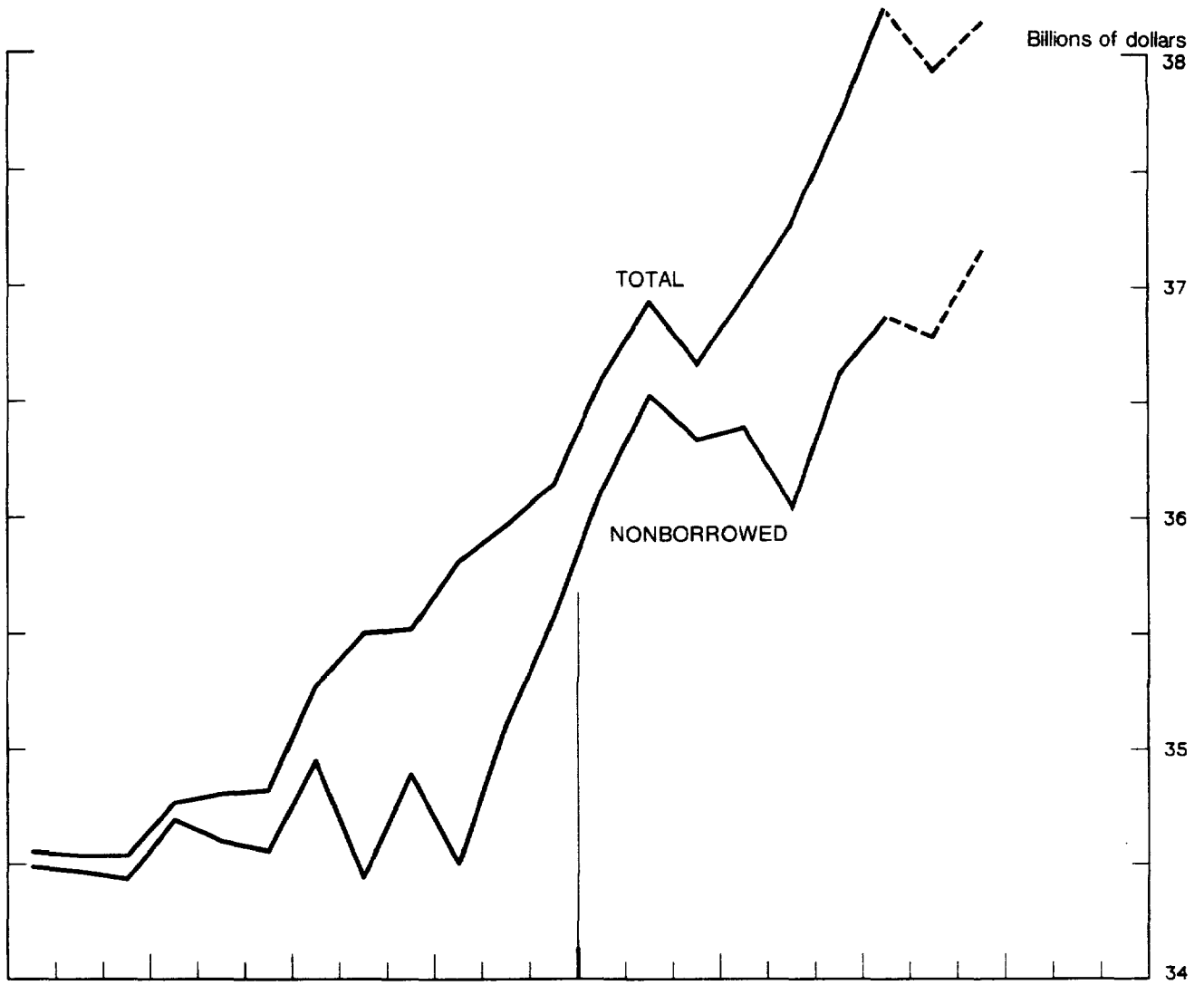


Table 1
MONETARY AGGREGATES

CONFIDENTIAL (FR)
 CLASS II-FOMC
 SEPT. 15, 1978

ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED

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
MONTHLY LEVELS--\$BIL									
1978--JUNE	350.3	840.5	11.3	576.8	490.1	221.7	268.4	86.7	69.2
JULY	351.9	846.5	14.2	582.0	494.6	220.9	273.8	87.4	69.2
AUG.	354.2	853.9	14.9	586.1	499.8	222.5	277.3	86.3	71.5
SEPT.	(357.2)	(862.5)	(13.7)	(593.1)	(505.3)	(224.4)	(281.0)	(87.8)	
% ANNUAL GROWTH									
QUARTERLY									
1978--1ST QTR.	4.4	6.6		13.0	8.2	2.6	13.2	43.2	
2ND QTR.	11.0	9.1		9.9	7.7	1.3	13.1	22.9	
3RD QTR.	(7.9)	(10.5)		(11.3)	(12.4)	(4.9)	(18.8)	(5.1)	
QUARTERLY--AV									
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	
3RD QTR.	(6.9)	(9.2)		(10.3)	(10.8)	(1.4)	(18.9)	(7.0)	
MONTHLY									
1978--JUNE	5.9	7.8		6.7	8.9	-1.6	17.7	-5.5	
JULY	5.5	8.6		10.8	11.0	-4.3	24.1	9.7	
AUG.	7.8	10.5		8.5	12.6	8.7	15.3	-15.1	
SEPT.	(10.2)	(12.1)		(14.3)	(13.2)	(10.2)	(16.0)	(20.9)	
AUG.--SEPT.	(9.0)	(11.3)		(11.4)	(13.0)	(9.5)	(15.8)	(2.7)	
WEEKLY LEVELS--\$BIL									
1978-AUG. 2	353.2	849.9	14.2	583.6	496.8	221.0	275.8	86.8	69.8
9	354.0	852.1	13.8	584.5	498.2	221.4	276.7	86.3	72.0
16	355.0	854.2	14.4	585.3	499.3	222.2	277.1	86.0	69.4
23 P	354.7	855.2	15.7	586.7	500.5	222.9	277.6	86.1	71.3
30 P	352.6	854.5	16.0	588.5	501.9	223.2	278.7	86.6	72.9
SEPT. 6 P	357.3	860.4	14.5	590.7	503.1	223.7	279.4	87.5	

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

Table 1-A
TIME AND SAVINGS DEPOSITS AT ALL COMMERCIAL BANKS

CONFIDENTIAL (FR)
CLASS II-FOMC

SEASONALLY ADJUSTED EXCEPT AS NOTED

SEPT. 15, 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
OUTSTANDING (\$ BILLIONS)									
1977--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	576.8	221.7	206.3	10.6	4.8	355.1	182.0	173.1	86.7
JULY	582.0	220.9	206.2	10.5	4.2	361.2	186.5	174.7	87.4
AUG.	586.1	222.5	207.9	10.6	3.9	363.6	188.0	175.6	86.3
CHANGES (\$ BILLIONS)									
1977 YEAR	55.5	17.7	16.9	2.3	-1.6	37.9	23.9	13.9	11.3
QUARTERLY AVERAGE:									
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
MONTHLY AVERAGE:									
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	3.2	-0.3	-0.4	0.1	0.1	3.5	1.5	2.0	-0.4
JULY	5.2	-0.8	-0.1	-0.1	-0.6	6.1	4.5	1.6	0.7
AUG.	4.1	1.6	1.7	0.1	-0.3	2.4	1.5	0.9	-1.1

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

SEPT. 15, 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
MONTHLY LEVELS—\$MILLIONS							
1978—JUNE	37,726	36,632	133,873	37,548	22,151	13,575	1,823
JULY	38,190	36,873	134,831	37,993	22,217	13,613	2,164
AUG.	37,921	36,782	135,324	37,744	22,333	13,625	1,786
SEPT.	(38,135)	(37,160)	(136,561)	(37,889)	(22,424)	(13,724)	(1,741)
PERCENT ANNUAL GROWTH							
QUARTERLY							
1978—1ST QTR.	5.8	8.6	7.9	5.7	-1.1	12.9	
2ND QTR.	11.6	3.2	10.4	11.8	13.7	10.1	
3RD QTR.	(4.3)	(5.8)	(8.0)	(3.6)	(4.9)	(4.4)	
QUARTERLY—AV							
1978—1ST QTR.	8.5	14.5	9.6	8.3	3.6	12.8	
2ND QTR.	6.3	0.4	8.0	7.0	5.0	11.5	
3RD QTR.	(8.2)	(6.3)	(8.9)	(8.0)	(8.2)	(6.6)	
MONTHLY							
1978—JUNE	14.7	19.2	11.0	16.2	14.7	13.1	
JULY	14.8	7.9	8.6	14.2	3.6	3.4	
AUG.	-8.5	-3.0	4.4	-7.9	6.3	1.1	
SEPT.	(6.8)	(12.3)	(11.0)	(4.6)	(4.9)	(8.7)	
AUG.—SEPT.	(-0.9)	(4.7)	(7.7)	(-1.6)	(5.6)	(4.9)	
WEEKLY LEVELS—\$MILLIONS							
1978—AUG. 2	37,995	36,557	134,991	37,642	22,153	13,672	1,817
9	37,735	36,857	134,628	37,720	22,308	13,651	1,762
16	38,127	37,164	135,364	37,804	22,371	13,641	1,792
23	37,609	36,003	135,187	37,618	22,265	13,606	1,747
30	38,136	37,116	136,051	37,832	22,430	13,589	1,813
SEPT. 6	38,313	37,149	136,467	37,958	22,403	13,620	1,934
13	38,079	37,569	136,483	37,815	22,228	13,696	1,891

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^{1/}
(\$ million, not seasonally adjusted)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
SEPTEMBER 15, 1978

	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
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--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
July	235	--	--	--	--	--	--	--	--	--	--	231	-2,536
Aug.	283	171	424	238	113	947	-92	-81	--	--	-173	1,043	1,701
1978--July 5	963	--	--	--	--	--	--	--	--	--	--	1,263	-10,119
12	-196	--	--	--	--	--	--	--	--	--	--	-196	7,080
19	532	--	--	--	--	--	--	--	--	--	--	532	3,024
26	169	--	--	--	--	--	--	--	--	--	--	165	-9,587
Aug. 2	--	--	--	--	--	--	--	--	--	--	--	-6	6,760
9	-689	--	--	--	--	--	-92	-81	--	--	-173	-863	-4,641
16	465	--	--	--	--	--	--	--	--	--	--	461	3,445
23	294	171	424	238	113	947	--	--	--	--	--	1,241	3,056
30	212	--	--	--	--	--	--	--	--	--	--	209	-373
Sept. 6	--	--	--	--	--	--	--	--	--	--	--	-6	-7,473
13	--	--	--	--	--	--	--	--	--	--	--	-22	2,869
20													
27													
LEVEL--Sept. 13	46.2	10.5	31.0	13.5	9.7	64.7	1.9	3.6	1.6	.9	8.0	118.9	-1.9

(in billions)

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. Excludes redemptions, maturity shifts, rollovers of maturing coupon issues, and direct Treasury borrowing 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 bankers' 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
SEPTEMBER 15, 1978

	U.S. Govt. Security Dealer Positions		Underwriting Syndicate Positions		Member Bank Reserve Positions				
	Bills	Coupon Issues	Corporate Bonds	Municipal Bonds	Excess** Reserves	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	719	1,716	196	-8,224	-14,602
Low	278	-1,076	0	123	-227	172	25	-2,839	- 8,273
1977--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	1,203	5	25	264	219	1,212	92	-4,038	-11,653
June	2,847	78	35	188	178	1,094	120	-4,514	-12,202
July	1,196	-626	51	159	197	1,317	143	-3,651	-10,204
Aug.	*1,994	*423	34	176	176p	1,139p	189p	-4,788p	-11,060p
1978--July 5	730	-96	45	156	719	1,193	140	-3,659	- 8,273
12	1,038	-661	75	165	-227	903	130	-4,707	-11,699
19	626	-1,076	63	123	372	1,589	134	-3,693	-10,261
26	2,084	-432	20	191	-37	1,462	152	-2,839	-10,110
Aug. 2	1,595	-301	0	184	353	1,438	166	-3,242	-10,095
9	1,928	1,382	14	172	15	878	175	-5,145	-11,433
16	1,956	400	0	188	323	963	184	-5,946	-10,999
23	*1,941	*-305	123	179	-9	1,606	196	-4,567	-11,768
30	*2,087	*462	33	156	304p	1,020p	208p	-3,969	-10,364
Sept. 6	*2,338	*352	23p	135p	305p	1,164p	186p	-4,541p	-10,735p
13	*3,086	*455	75p	56p	212p	510p	174p	-5,753p	-13,235p
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.

TABLE 5
SELECTED INTEREST RATES
(per cent)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
SEPTEMBER 15, 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	8.33	7.70	7.91	7.79	8.34	8.30	9.25	8.56	8.57	8.72	9.18	9.22	6.32	9.80	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--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
July	7.81	7.01	7.79	7.47	8.00	7.85	9.00	8.54	8.55	8.69	9.14	9.18	6.28	9.74	10.01	9.15
Aug.	8.04	7.08	7.73	7.36	7.86	7.83	9.01	8.33	8.38	8.45	8.82	8.91	6.12	9.79	9.81	8.96
1978--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	--	9.16
12	7.72	7.15	7.79	7.52	8.00	7.84	9.00	8.56	8.57	8.72	9.17	9.22	6.32	9.73	10.02	9.14
19	7.94	7.08	7.80	7.50	8.00	7.88	9.00	8.55	8.56	8.69	9.12	9.19	6.26	9.75	--	9.14
26	7.88	6.95	7.84	7.43	8.00	7.88	9.00	8.55	8.55	8.67	9.08	9.10	6.24	9.75	10.00	9.20
Aug. 2	7.89	6.78	7.71	7.36	7.88	7.81	9.00	8.36	8.40	8.49	8.90	8.91	6.12	9.78	--	9.10
9	7.83	6.76	7.56	7.17	7.85	7.78	9.00	8.21	8.32	8.41	8.81	8.89	6.03	9.78	9.82	8.89
16	7.87	6.96	7.68	7.26	7.85	7.76	9.00	8.37	8.43	8.52	--	9.00	6.19	9.78	--	9.00
23	8.14	7.25	7.83	7.47	7.80	7.85	9.00	8.35	8.36	8.42	8.80	8.87	6.11	9.80	9.80	9.01
30	8.28	7.35	7.82	7.55	7.90	7.93	9.00	8.37	8.39	8.43	8.80	8.85	6.16	9.75	--	8.92
Sept. 6	8.30	7.60	7.86	7.74	8.00	8.07	9.25	8.35	8.35	8.39	8.77	8.79	6.13	9.75	9.78	8.92
13	8.33	7.70	7.91	7.79	8.34	8.30	9.25	8.34p	8.32p	8.36p	8.74p	8.72p	6.02	n.a.	--	8.89
20																
27																
Daily--Sept. 7	8.27	7.59	7.85	--	--	8.19	9.25	8.34	8.35	8.39	--	--	--	--	--	--
14	8.36p	7.77	7.95	--	--	8.43	9.25	8.34p	8.33p	8.37p	--	--	--	--	--	--

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 ^{1/}			Bank Credit	Money Stock Measures						
	Total	Non-borrowed	Monetary Base	Total Loans and Investments	M ₁	M ₂	M ₃	M ₄	M ₅	M ₆	M ₇
	1	2	3	4	5	6	7	8	9	10	11
(PER CENT ANNUAL RATES OF GROWTH)											
ANNUALLY: ^{2/}											
1975	-6.3	3.2	5.9	3.9	4.6	8.4	11.1	6.6	9.7	10.5	10.1
1976	1.0	1.2	7.0	8.0	5.8	10.9	12.8	7.1	10.3	9.9	10.0
1977	5.2	2.7	8.3	11.3	7.9	9.8	11.7	10.1	11.8	11.5	12.1
SEMI-ANNUALLY: ^{2/}											
1ST HALF 1977	3.5	2.9	7.3	11.3	7.8	10.1	11.4	9.4	10.8	10.2	10.7
2ND HALF 1977	6.8	2.6	9.0	10.7	7.8	9.1	11.4	10.3	12.1	12.2	12.7
1ST HALF 1978	7.5	7.4	8.9	11.4	8.1	7.4	7.8	10.3	9.5	9.5	10.4
QUARTERLY:											
3RD QTR. 1977	8.1	3.9	9.3	10.3	9.1	10.1	12.8	9.6	12.3	12.8	12.6
4TH QTR. 1977	7.0	7.8	9.6	9.5	6.6	7.2	9.3	11.5	11.8	11.9	13.2
1ST QTR. 1978	5.8	8.6	7.9	9.5	5.2	6.5	7.0	9.6	8.9	9.1	10.2
2ND QTR. 1978	11.6	5.2	10.4	13.5	11.5	8.8	8.4	10.0	9.2	9.5	9.3
QUARTERLY-AV:											
3RD QTR. 1977	7.3	1.7	8.8	11.1	8.0	9.9	11.9	9.5	11.6	11.5	11.8
4TH QTR. 1977	6.1	3.4	9.1	9.9	7.5	8.1	10.6	10.8	12.2	12.6	13.3
1ST QTR. 1978	6.5	14.5	9.7	9.0	6.2	6.9	7.7	10.3	9.8	10.0	11.3
2ND QTR. 1978	6.3	0.3	8.0	13.0	9.9	7.9	7.8	10.1	9.1	8.9	9.3
MONTHLY:											
1977--AUG.	7.7	-17.6	8.3	10.5	6.6	7.7	11.6	7.7	11.5	12.4	12.4
SEPT.	0.7	15.9	8.1	7.2	9.1	9.0	12.3	9.2	12.2	12.4	12.1
OCT.	9.8	-13.4	10.0	12.9	10.5	9.5	11.6	12.4	13.3	13.7	14.4
NOV.	5.2	20.9	8.0	9.2	1.1	6.0	8.1	11.8	11.5	12.0	13.5
DEC.	5.9	16.1	10.4	6.3	8.2	6.1	7.9	9.9	10.1	9.7	11.2
1978--JAN.	15.4	18.6	13.6	13.6	11.3	9.5	9.2	11.8	10.6	11.5	12.7
FEB.	10.6	13.3	6.9	7.9	0.4	4.7	5.6	8.5	7.9	8.0	9.3
MAR.	-8.6	-6.1	3.0	6.9	5.9	5.1	6.2	8.3	8.0	7.5	8.6
APR.	9.3	1.8	7.8	18.5	19.6	11.2	9.5	11.9	10.2	9.2	9.6
MAY	10.0	-11.4	12.0	15.6	7.2	7.1	7.2	11.2	9.6	9.9	9.7
JUNE	15.0	19.4	11.1	6.0	7.5	7.8	8.4	6.6	7.6	8.7	8.5
JULY	14.9	8.0	8.6	16.7	4.8	8.0	9.3	8.2	9.3	8.0	7.8
AUG. P	-8.6	-3.1	4.4	5.2	8.8	10.4	11.7	8.0	10.1	10.4	10.2

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 ^{1/}			Bank Credit	Money Stock Measures						
	Total	Non-borrowed	Monetary Base	Total Loans and Investments	M ₁	M ₂	M ₃	M ₄	M ₅	M ₆	M ₇
	1	2	3	4	5	6	7	8	9	10	11
ANNUALLY:											
1975	33,969	33,639	110,345	726.2	295.2	664.7	1092.5	746.1	1173.8	1308.0	1351.0
1976	34,441	34,368	118,063	788.9	313.5	740.5	1236.5	803.2	1299.2	1437.6	1485.0
1977	36,143	35,574	127,972	875.5	338.5	809.5	1376.1	883.5	1450.1	1603.4	1666.8
MONTHLY:											
1977--AUG.	35,500	34,439	124,154	850.0	330.5	789.2	1331.3	852.4	1394.5	1541.2	1597.5
SEPT.	35,520	34,894	124,987	855.1	333.0	795.1	1344.9	858.9	1408.7	1557.1	1613.6
OCT.	35,809	34,503	126,026	864.3	335.9	801.4	1357.9	867.8	1424.3	1574.9	1633.0
NOV.	35,965	35,103	126,871	870.9	336.2	805.4	1367.1	876.3	1438.0	1590.6	1651.4
DEC.	36,143	35,574	127,972	875.5	338.5	809.5	1376.1	883.5	1450.1	1603.4	1666.8
1978--JAN.	36,008	36,124	129,417	885.4	341.7	815.9	1386.6	892.2	1462.9	1618.7	1664.4
FEB.	36,931	36,525	130,156	891.2	341.8	819.1	1393.1	898.5	1472.5	1629.5	1697.4
MAR.	36,667	36,339	130,464	896.7	342.9	822.6	1400.3	904.7	1482.3	1639.7	1709.5
APR.	36,951	36,394	131,334	910.5	348.5	830.3	1411.4	913.7	1494.9	1652.3	1723.2
MAY	37,260	36,048	132,647	922.3	350.6	835.2	1419.9	922.2	1506.9	1665.9	1737.1
JUNE	37,726	36,632	133,873	926.9	352.6	840.6	1429.8	927.3	1516.5	1678.0	1749.4
JULY	38,194	36,877	134,835	939.8	354.2	846.2	1440.9	933.6	1528.3	1689.2	1760.8
AUG. P	37,920	36,781	135,324	943.9	356.8	853.5	1454.9	939.8	1541.2	1703.9	1775.7
WEEKLY:											
1978--JULY 12	37,198	36,295	133,761		354.8	845.6		933.3			
19	39,244	37,655	135,848		351.9	843.7		931.5			
26	37,860	36,398	134,673		354.6	847.6		934.9			
AUG. 2	37,993	36,555	134,989		355.2	849.2		936.0			
9	37,723	36,845	134,616		356.7	852.0		938.3			
16	38,122	37,159	135,360		357.5	853.8		939.8			
23	37,618	36,012	135,196		357.4	854.9		941.0			
30P	38,140	37,120	136,055		355.5	854.3		940.8			
SEPT. 6 P	38,309	37,145	136,465		361.3	861.2		948.7			

NOTES: WEEKLY DATA ARE DAILY AVERAGES FOR STATEMENT WEEKS. MONTHLY DATA ARE DAILY AVERAGES. WEEKLY DATA ARE NOT AVAILABLE FOR M₃, M₅, M₆, M₇, TOTAL LOANS AND INVESTMENTS AND THRIFT INSTITUTION DEPOSITS.

^{1/} BASED ON DATA ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS. DATA SHOWN IN MILLIONS OF DOLLARS.

P - PRELIMINARY

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 ^{1/}	Credit Union Shares ^{1/}	Savings Bonds ^{1/}	Short Term U.S. Gov't Securities ^{1/}	Other Private Short-term Assets ^{1/}	
			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)												
ANNUALLY: ^{2/}												
1975	8.9	3.3	7.9	11.7	17.5	7.8	-6.4	15.3	19.5	6.2	33.8	-0.7
1976	9.6	4.6	8.0	15.0	25.0	7.4	-23.4	15.5	18.8	6.9	5.5	13.9
1977	9.5	7.4	11.4	11.2	11.1	11.4	12.8	14.2	19.4	6.6	12.3	27.5
SEMI-ANNUALLY: ^{2/}												
1ST HALF 1977	8.7	7.4	10.4	11.9	15.3	8.9	0.6	12.9	16.6	6.4	2.7	25.6
2ND HALF 1977	9.8	7.1	11.8	10.0	6.4	13.3	24.9	14.5	20.6	6.5	21.6	26.1
1ST HALF 1978	9.6	7.7	11.7	6.9	2.1	11.1	43.5	7.5	17.4	6.3	12.4	34.6
QUARTERLY:												
3RD QTR. 1977	10.0	6.6	9.9	10.8	10.9	10.8	3.2	16.2	21.7	6.5	30.0	12.4
4TH QTR. 1977	10.7	5.4	14.5	7.7	1.5	13.5	64.0	11.6	18.8	6.4	20.3	48.1
1ST QTR. 1978	9.5	3.8	12.3	7.4	2.6	11.5	43.2	6.9	17.9	6.3	15.1	40.4
2ND QTR. 1978	9.3	12.0	9.1	6.8	1.3	11.4	22.9	7.3	14.7	5.7	15.1	9.2
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	15.7	18.6
4TH QTR. 1977	10.3	6.4	13.0	8.5	5.4	11.6	44.9	13.9	20.0	5.9	26.4	32.0
1ST QTR. 1978	10.5	5.0	12.8	7.3	2.6	11.4	50.0	8.1	18.2	6.3	17.9	46.8
2ND QTR. 1978	8.4	10.3	10.1	6.4	1.6	10.5	32.8	6.8	15.8	6.2	6.5	20.1
MONTHLY:												
1977--AUG.	5.6	6.9	8.3	8.4	16.3	1.5	7.6	17.1	19.5	6.4	38.0	10.8
SEPT.	11.2	7.8	9.2	8.9	10.0	7.9	11.4	16.6	24.7	4.8	23.5	6.4
OCT.	11.1	10.2	13.7	8.8	4.4	13.3	48.9	14.0	21.5	6.4	31.2	29.7
NOV.	8.3	-1.0	18.5	9.5	-1.1	18.0	81.3	11.0	15.8	6.3	24.0	57.9
DEC.	12.3	6.8	10.9	4.6	1.1	8.7	52.5	9.5	18.2	6.3	4.7	51.3
1978--JAN.	10.8	11.0	12.3	6.4	6.0	10.0	37.3	7.8	17.9	6.3	32.9	43.5
FEB.	9.4	-2.4	13.3	7.6	1.1	13.2	48.8	6.2	15.2	6.2	13.7	40.2
MAR.	8.0	2.9	10.8	6.0	0.5	10.8	39.3	6.6	20.0	6.2	-1.5	33.6
APR.	6.6	23.8	7.5	5.3	3.3	6.5	20.5	6.6	14.7	6.2	-6.0	18.9
MAY	11.8	5.6	13.6	6.7	2.2	11.5	53.2	6.8	12.1	6.1	18.2	5.1
JUNE	9.1	6.5	6.1	8.2	-1.6	16.0	-5.5	8.3	16.8	4.6	32.8	3.4
JULY	6.5	4.6	10.2	10.3	-4.3	22.5	9.7	11.4	11.8	6.1	-14.5	3.4
AUG. P	9.0	8.7	7.5	11.5	8.1	14.2	-15.1	13.7	11.7	7.6	20.6	3.4

^{1/} GROWTH RATES ARE BASED ON ESTIMATED MONTHLY AVERAGE LEVELS DERIVED BY AVERAGING END OF CURRENT MONTH AND END OF PREVIOUS MONTH REPORTED DATA.

COMPONENTS OF MONEY STOCK AND RELATED MEASURES

Period	Currency	Demand Deposits	Time and Savings Deposits					Mutual Savings Bank & S&L Shares ^{1/}	Credit Union Shares ^{1/}	Savings Bonds ^{1/}	Short-Term U.S. Gov't Sec ^{1/}	Other Private Short-term Assets ^{1/ 2/}	Non-Deposit Funds ^{3/}	Total Gov't Demand Deposits ^{4/}
			Total	Other Than CD's			CD's							
				Total	Savings	Other								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
ANNUALLY:														
1975	73.7	221.5	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	232.8	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	249.9	545.0	471.0	219.6	251.5	74.0	519.8	46.8	76.6	76.7	63.4	62.0	11.4
MONTHLY:														
1977--AUG.	85.5	245.0	521.9	458.7	217.0	241.7	63.2	498.2	43.8	75.1	71.6	56.3	55.7	10.2
SEPT.	86.3	246.6	525.9	462.1	218.8	243.3	63.8	505.1	44.7	75.4	73.0	56.6	57.5	10.7
OCT.	87.1	248.7	531.9	465.5	219.6	246.0	66.4	511.0	45.5	75.8	74.9	58.0	58.1	10.3
NOV.	87.7	248.5	540.1	469.2	219.4	249.7	70.9	515.7	46.1	76.2	76.4	60.8	60.1	6.7
DEC.	88.6	249.9	545.0	471.0	219.6	251.5	74.0	519.8	46.8	76.6	76.7	63.4	62.0	11.4
1978--JAN.	89.4	252.2	550.6	474.3	220.7	253.6	76.3	523.2	47.5	77.0	78.8	65.7	65.3	9.7
FEB.	90.1	251.7	556.7	477.3	220.9	256.4	79.4	525.9	48.1	77.4	79.7	67.9	66.6	7.5
MAR.	90.7	252.3	561.7	479.7	221.0	258.7	82.0	528.8	48.9	77.8	79.6	69.8	67.0	7.9
APR.	91.2	257.3	565.2	481.8	221.6	260.1	83.4	531.7	49.5	78.2	79.2	70.9	68.1	8.3
MAY	92.1	258.5	571.6	484.5	222.0	262.6	87.1	534.7	50.0	78.6	80.4	71.2	68.2	7.3
JUNE	92.8	259.9	574.5	487.8	221.7	266.1	86.7	538.4	50.7	78.9	82.6	71.4	69.2	11.3
JULY	93.3	260.9	579.4	492.0	220.9	271.1	87.4	543.5	51.2	79.3	81.6	71.6	69.2	14.2
AUG. P	94.0	262.8	583.0	496.7	222.4	274.3	86.3	549.7	51.7	79.8	83.0	71.8	71.5	14.9
WEEKLY:														
1978--JULY 12	93.2	261.6	578.5	490.8	221.2	269.6	87.8						64.8	13.6
19	93.2	258.7	579.6	491.8	220.8	271.0	87.8						73.1	15.1
26	93.4	261.2	580.3	493.0	220.8	272.2	87.3						71.5	15.6
AUG. 2	93.6	261.6	580.8	494.0	221.0	273.0	86.8						69.8	14.2
9	93.8	262.8	581.6	495.3	221.4	273.8	86.3						72.0	13.8
16	93.9	263.5	582.3	496.3	222.2	274.1	86.0						69.4	14.4
23	94.2	263.2	583.6	497.5	222.9	274.6	86.1						71.3	15.7
30P	94.4	261.1	585.3	498.8	223.2	275.5	86.6						72.9	16.0
SEPT. 6P	95.1	266.3	587.4	499.9	223.7	276.2	87.5							14.5

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 KP'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 KPS, AND OTHER MINOR ITEMS.

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

P - PRELIMINARY

STRICTLY CONFIDENTIAL (FR)
CLASS I - FOMC

Attached is a corrected chart to replace the one following
page 6 of the September Bluebook.

CHART 1
Recently Established M-1 Growth Ranges and Actual M-1

