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July 6, 1979

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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

July 6, 1979

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) M-1 growth slowed to a $\frac{3}{2}$ percent annual rate in May but picked up sharply in June, and for the two-month policy period is estimated at about a $7\frac{1}{2}$ percent annual rate, well above the 0 to 5 percent range selected by the FOMC. M-2 is estimated to have grown at a $9\frac{1}{2}$ percent annual rate over May and June, also above its 4 to $8\frac{1}{2}$ percent range specified by the Committee. Bank sales of money market certificates (MMCs) have strengthened considerably since the March regulatory changes eliminated the differential in ceiling rates favoring thrift institutions so long as the 6-month bill rate was 9 percent or above. In addition, outflows from other small time deposits have nearly stopped in recent weeks, and a gain was recorded in savings deposits in June for the first time since last September. As banks have captured a larger share of the MMC market, growth of such deposits at S&Ls has eroded, but flows into other small-denomination accounts at thrifts have improved recently. On balance, deposit growth at thrift institutions has accelerated in the last two months from the

Comparison of FOMC Policy Ranges for
May-June
to Latest Staff Estimates

	<u>Ranges</u>	<u>Latest Estimates</u>
M-1	0 to 5	7.4
M-2	4 to $8\frac{1}{2}$	9.6
Federal funds rate (percent per annum)	$9\frac{1}{2}$ to $10\frac{1}{2}$	Avg. for statement week ending
		May 23 10.17
		30 10.28
		June 6 10.23
		13 10.23
		20 10.28
		27 10.32
		July 4 10.42

unusually slow pace of April, reaching a $7\frac{3}{4}$ percent annual rate in June on a monthly average basis.

(2) Banks have continued to account for a relatively large share of overall credit flows. Total loans and investments expanded at a $12\frac{1}{2}$ percent annual rate, on average, in May and June, funded mainly by demand deposits and money market certificates. Commercial banks paid down about $\$12\frac{1}{2}$ billion of outstanding large denomination time deposits in May and June, which was about offset by increases in Eurodollar takings from foreign branches and in domestic nondeposit borrowing.

(3) After the May FOMC meeting, the Federal funds rate continued to be held at around $10\frac{1}{2}$ percent. By mid-June, projections for the growth rates of both M-1 and M-2 indicated that both would be above their respective short-run ranges. On June 15 a majority of the FOMC concurred in the Chairman's recommendation that the objective for the funds rate remain about $10\frac{1}{2}$ percent in view of the many indications of a weakening in economic activity and the uncertainties in the financial and economic outlook. Accordingly, the Desk has continued to aim for this funds rate level in the past three weeks. In the latest statement week, however, the funds rate averaged 10.42 percent, even while banks' excess reserves rose to \$621 million, in reflection of pressures and uncertainties associated with the mid-year statement date and the July 4 holiday.

(4) Reserves required against private demand deposits increased at a $10\frac{1}{2}$ percent annual rate over the May-June period, reflecting the accelerated growth of such deposits. Nonetheless, total reserves contracted at about a $2\frac{3}{4}$ percent annual rate, as reserves held against total time and savings deposits declined sharply in association with the run-offs of

large time deposits over the last two months. The monetary base expanded at about a $4\frac{1}{2}$ percent annual rate over the May-June period, close to the pace set in the earlier months of the year and about half the growth rate of last year. Currency held by the nonbank public, which rose at a $7\frac{1}{2}$ percent annual rate, together with vault cash at nonmember banks continued to account for all of the growth of the monetary base.

(5) Despite the stability of the Federal funds rate, market interest rates declined substantially following the May FOMC meeting. The pervasive declines in interest rates apparently reflected growing acceptance of the view that the economy had weakened and that interest rates had peaked. However, in the last few days interest rates have backed up somewhat. On balance, over the intermeeting period, Treasury bill rates have fallen 40 to 75 basis points, private short-term yields 20 to 50 basis points, and the prime rate was reduced 25 basis points to 11-1/2 percent. The particularly sharp decline in bill rates appears to have been associated with the Treasury's paydown of cash management bills in late June and the resumption of purchases of bills by foreign central banks. In bond markets, corporate and Treasury yields declined some 40 basis points. Despite these declines, mortgage yields have risen steadily, and the average rate on new commitments at S&Ls is now above 11 percent.

(6) The dollar's exchange value has declined $3\frac{1}{2}$ percent on a weighted average basis, and somewhat more against the mark and the Swiss franc, since the last meeting of the Committee. All of these declines occurred in the last half of June. They were triggered by the surge in U.S. monetary aggregates in an environment of declining U.S. short-term interest rates at a time when money market conditions in many major

industrial countries were firming.

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(7) The table on the next page shows seasonally adjusted annual rates of change, in percent, for related monetary and financial flows over various time periods.

	1977 & 1978 Average	Past Twelve Months June '79 over June '78	Past Six Months June '79 over Dec. '78	Past Three Months June '79 over Mar. '79	Past Month June '79 over May '79
Nonborrowed reserves	4.9	-1.2	-6.7	-7.9	9.4
Total reserves	6.0	-0.3	-3.9	-3.5	-1.3
Monetary base	8.7	6.7	4.5	4.7	6.0
<u>Concepts of Money</u>					
M-1 (Currency plus demand deposits <u>1/</u>)	7.6	4.6	4.2	10.9	14.2
M-1+ (M-1 plus savings deposits at commercial banks, NOW accounts at banks and thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks)	7.3	1.9	0.9	7.0	11.9
M-2 (M-1 plus time deposits at commercial banks other than large CD's)	9.1	7.3	6.5	11.2	13.8
M-3 (M-2 plus deposits at thrift institutions)	10.5	8.3	6.9	9.0	11.6
M-4 (M-2 plus CD's)	10.3	6.4	3.4	4.3	5.5
M-5 (M-3 plus CD's)	11.1	7.7	5.0	5.0	6.6
<u>Bank Credit</u>					
Loans and investments of all commercial banks <u>2/</u>					
Month-end basis	11.9	12.0	13.8	13.1	14.0
Monthly average	12.1	12.4	12.0	10.6	10.9
<u>Short-term Market Paper</u> (Monthly average change in billions)					
Large CD's	1.4	-0.2	-2.0	-4.7	-5.8
Nonbank commercial paper	0.3	0.6	0.7	1.0	1.1

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: long-run

(8) The Humphrey-Hawkins Act requires the Federal Reserve to report to Congress in July any revision in its growth ranges for the aggregates for the current calendar year. In addition, the Act requires as part of the July report "a statement of ... objectives and plans with respect to the ranges of growth ... of the monetary and credit aggregates for the calendar year following the year in which the report is submitted." Thus, at its July meeting the FOMC will need to reassess the ranges previously set for the QIV '78 to QIV '79 policy period and establish initial ranges for the QIV '79 to QIV '80 period.

(9) As background for the Committee's deliberations, it may be noted that growth rates of the key monetary aggregates in the first six months of the current policy period are within their longer-run ranges adopted in February, as shown in the table below. Bank credit, however, has grown at a rate above the upper end of its range, as credit demands on banks and banks' use of nondeposit funds have been stronger than expected.

	<u>Actual Annual Rate of Growth QIV '78 to QII '79</u>	<u>Current Longer-run Ranges for QIV '78 to QIV '79 Period</u>
M-1	2.7	1½ to 4½
M-2	5.2	5 to 8
M-3	6.3	6 to 9
Bank Credit	11.5	7½ to 10½

(10) Shown below for Committee consideration are three alternative longer-run ranges applicable to the current QIV '78 to QIV '79 policy period.^{1/}

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
M-1	3½ to 6½	3 to 6	2½ to 5½
M-2	5 to 8	5 to 8	4½ to 7½
M-3	6½ to 9½	6 to 9	5½ to 8½
Bank Credit	9 to 12	8½ to 11½	8 to 11

(11) The ranges for the money supply aggregates under alternative B are the same as those adopted by the Committee in February, except that the M-1 range has been revised upward to reflect a changed projection of ATS account growth (including New York state NOW accounts). At the time of the February meeting, shifts from demand deposits to ATS accounts were expected to reduce measured M-1 growth by about 3 percentage points over the year. Thus, the 3 percent midpoint of the FOMC's current 1½ to 4½ percent longer-run range for M-1 was consistent with a 6 percent rate of growth in M-1 adjusted for ATS effects. The retardation in measured M-1 growth caused by ATS is now expected to be about half as large as estimated in February. The midpoint of the 3 to 6 percent proposed alternative B range plus the revised, lower ATS effect also is equal to an M-1 growth adjusted for ATS effects of about 6 percent.

^{1/} All of the proposed ranges are 3 percentage points in width--the same as the ranges adopted in February. An argument can be made, however, that the ranges should be narrowed since the policy period now contains two quarters of known results and, therefore, the Committee should be more certain of the rate of growth in the aggregates over the entire period. On the other hand, it can be argued that the considerable uncertainties about the current money-income relationship suggest the desirability of maintaining the existing width of the ranges.

(12) Alternatives A and C, respectively, represent somewhat easier and tighter policies with regard to the aggregates. Alternative A is indexed by measured M-1 growth centered around 5 percent (6-1/2 percent after adjustment for ATS effects) and alternative C by measured growth of around 4 percent (5-1/2 percent after ATS effects). These growth rates can be viewed as representing orderly movement toward rates of increase in M-1 (adjusted for ATS effects) of 7 and 5 percent respectively in 1980, with the slightly different growth rates for 1979 reflecting the relatively short period remaining this year in which to influence the growth of the aggregate. For alternatives A and B, the M-2 ranges are the same because the lower interest rates under alternative A more promptly open the ceiling rate differential on MMCs favoring thrift institutions, thereby diverting funds from commercial bank time deposits to thrift deposits. In all alternatives, growth ranges for bank credit are above the current range, because of the relatively rapid growth in such credit thus far this year.

(13) The table below presents three alternative longer-run ranges for next year (the policy period from QIV '79 to QIV '80). These ranges represent a continuation into 1980 of the policies toward the

	<u>Alt. A'</u>	<u>Alt. B'</u>	<u>Alt. C'</u>
M-1	4½ to 7½	3½ to 6½	2½ to 5½
M-2	6½ to 9½	5½ to 8½	4½ to 7½
M-3	7½ to 10½	6 to 9	4½ to 7½
Bank Credit	7½ to 10½	6½ to 9½	5½ to 8½

aggregates as indexed by M-1, represented by the proposed paths for 1979, after adjustment for ATS effects. Thus, alternative B' essentially represents continuation of growth in M-1 at about 6 percent: the midpoint of the alternative B' range is 5 per cent, and we have assumed that ATS effects retard M-1 growth by only about 1 percent. Of course, the projection of ATS effects into next year is highly uncertain, depending as it does on as yet unknown Congressional or further judicial responses to the recent court decision terminating ATS and similar accounts beginning January 1 of next year.^{1/} Alternatives A' and C' are indexed by measured M-1 growth of 6 percent and 4 percent, respectively, or 7 and 5 percent after adjusting for assumed ATS effects. These growth rates for 1980 basically extend the A and C paths for 1979, as explained in the preceding paragraph.

(14) The Federal funds rate patterns through 1980 associated with the proposed longer-run monetary ranges, given the related GNP projections, are shown in appendix I. For simplicity, these patterns assume that the growth path for the aggregates adopted for 1979 will continue into 1980. Thus, they assume that alternative B for 1979 is followed by

^{1/} If the court decision does become effective, measured M-1 growth in the QIV '79 to QIV '80 period could be increased by 1 to 2 percentage points, depending on how much of the funds shifted from demand deposits to ATS accounts returned to demand deposits. On the other hand, if the Congress authorizes nationwide NOW accounts, the staff estimates that measured M-1 growth in the QIV '79 to QIV '80 period could be retarded by as much as 3 to 4 percentage points rather than the 1 percentage point if ATS accounts are extended.

alternative B' for 1980, A by A', and C by C'.^{1/} Under alternative B/B'--an unchanged policy with respect to the aggregates--the Federal funds rate is expected to decline somewhat by early 1980 (to a level of around 9-1/2 percent), assuming economic activity weakens about as projected. As growth in nominal GNP accelerates in 1980, this decline is projected to be reversed in order to constrain growth in the aggregates to around the midpoints of the B' range. It should be noted that the upward pressure on interest rates re-emerges even though we have assumed a rather substantial downward shift in money demand relative to income in 1980.

Prospective developments: short-run

(15) Three alternative short-run specifications for the monetary aggregates and the Federal funds rate are presented below for Committee consideration. (More detailed and longer-run data are shown in the tables on pages 11 and 12.)

	<u>Alt. I</u>	<u>Alt. II</u>	<u>Alt. III</u>
Ranges for July-August			
M-1	3 to 7	2½ to 6½	2 to 6
M-2	5½ to 9½	6½ to 10½	5½ to 9½
Federal funds rate (Intermeeting period)	9½ to 10	9-3/4 to 10½	10½ to 11

^{1/} In practice, of course, there are nine combinations of the longer-run alternatives over the 1979 and 1980 period that can be constructed from those presented in the blue book. The paths that are shown represent the tightest and easiest alternatives with respect to the aggregates that can be constructed from those presented, as well as an unchanged alternative.

Alternative Levels and Growth Rates for Key Monetary Aggregates

		<u>M-1^{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>
1979	June	368.8	368.8	368.8	904.1	904.1	904.1
	July	370.2	370.1	370.0	909.5	910.5	909.9
	August	371.9	371.6	371.3	915.2	917.0	915.2
1978	QIV	361.0	361.0	361.0	873.2	873.2	873.2
1979	QI	359.1	359.1	359.1	877.1	877.1	877.1
	QII	365.9	365.9	365.9	895.9	895.9	895.9
	QIII	372.0	371.6	371.3	915.3	916.8	915.2
	QIV	377.8	376.3	374.8	934.3	934.0	930.4

Growth Rates

Monthly:

1979	July	4.6	4.2	3.9	7.2	8.5	7.7
	August	5.5	4.9	4.2	7.5	8.6	7.0

Quarterly Average:

1979	QI	-2.1	-2.1	-2.1	1.8	1.8	1.8
	QII	7.6	7.6	7.6	8.6	8.6	8.6
	QIII	6.7	6.2	5.9	8.7	9.3	8.6
	QIV	6.2	5.1	3.8	8.3	7.5	6.6

Semi-Annual:

QIV '78-QII '79	2.7	2.7	2.7	5.2	5.2	5.2
QII '79-QIV '79	6.5	5.7	4.9	8.6	8.5	7.7

Annual:

QIV '78-QIV '79	4.7	4.2	3.8	7.0	7.0	6.6
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^{1/} The staff has assumed that over the longer-run policy period from QIV '78 to QIV '79 M-1 growth will be reduced by about 1½ percentage points by ATS.

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>
1979	June	1551.8	1551.8	1551.8	1044.6	1044.6	1044.6
	July	1562.3	1562.8	1561.9	1053.6	1053.5	1053.4
	August	1573.0	1572.9	1570.4	1062.5	1062.0	1061.5
1978	QIV	1492.7	1492.7	1492.7	978.7	978.7	978.7
1979	QI	1510.3	1510.3	1510.3	1009.8	1009.8	1009.8
	QII	1539.9	1539.9	1539.9	1036.0	1036.0	1036.0
	QIII	1573.1	1572.8	1570.4	1063.5	1062.2	1061.2
	QIV	1607.7	1603.3	1595.7	1088.5	1084.2	1079.8
<u>Growth Rates</u>							
<u>Monthly:</u>							
1979	July	8.1	8.5	7.8	10.3	10.2	10.1
	August	8.2	7.8	6.5	10.1	9.7	9.2
<u>Quarterly Average:</u>							
1979	QI	4.7	4.7	4.7	12.7	12.7	12.7
	QII	7.8	7.8	7.8	10.4	10.4	10.4
	QIII	8.6	8.5	7.9	10.6	10.1	9.7
	QIV	8.8	7.8	6.4	9.4	8.3	7.0
<u>Semi-Annual:</u>							
	QIV '78-QII '79	6.3	6.3	6.3	11.7	11.7	11.7
	QII '79-QIV '79	8.8	8.2	7.2	10.1	9.3	8.5
<u>Annual:</u>							
	QIV '78-QIV '79	7.7	7.4	6.9	11.2	10.8	10.3

(16) Alternative II contemplates no change in the current 9-3/4 to 10-1/2 percent Federal funds rate range, nor in the Desk's current 10-1/4 percent objective within that range. Under those conditions, M-1 in the July-August period is expected to increase in a 2-1/2 to 6-1/2 percent annual rate range--slower than the average rate of expansion in recent months, reflecting the projected further slowdown in expansion of nominal GNP. In the third quarter M-1 is expected to expand about in line with nominal GNP and V-1, therefore, to show little net change for the second consecutive quarter.^{1/}

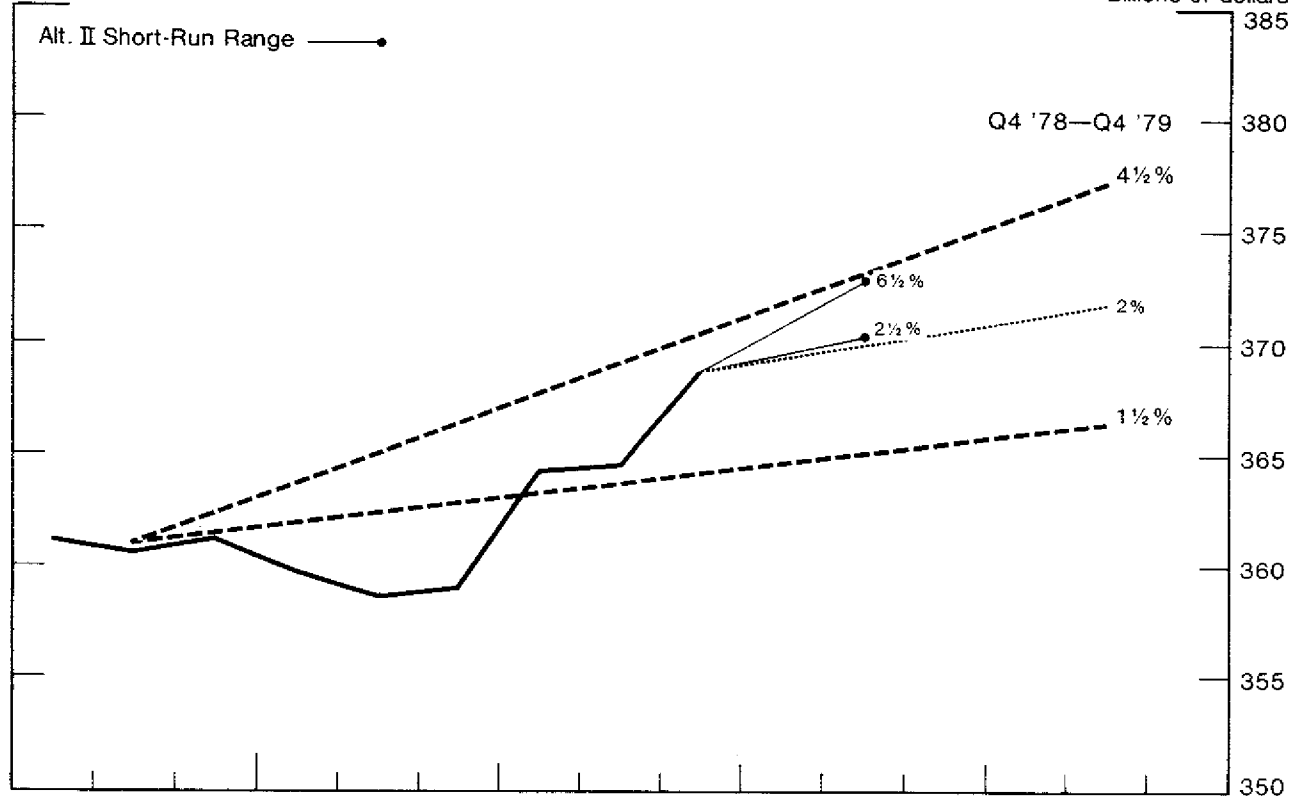
(17) As illustrated by the top panel of the chart on page 14, growth in measured M-1 at the 4-1/2 percent midpoint of its projected July-August alternative II range would leave M-1 in the upper half of its current longer-run range. The lower panel of the chart compares the projected July-August expansion with the proposed alternative B longer-run range. In that comparison, by August M-1 would be in the lower half of the longer-run range. The dotted line in the chart also shows annual growth rates needed from the actual June level to reach targeted midpoint levels by the fourth quarter of 1979 under the current longer-run range and proposed alternative B; these growth rates are 2 percent and 5-1/2 percent, respectively.^{2/}

^{1/} See appendix II for projections of V-1 and V-2.

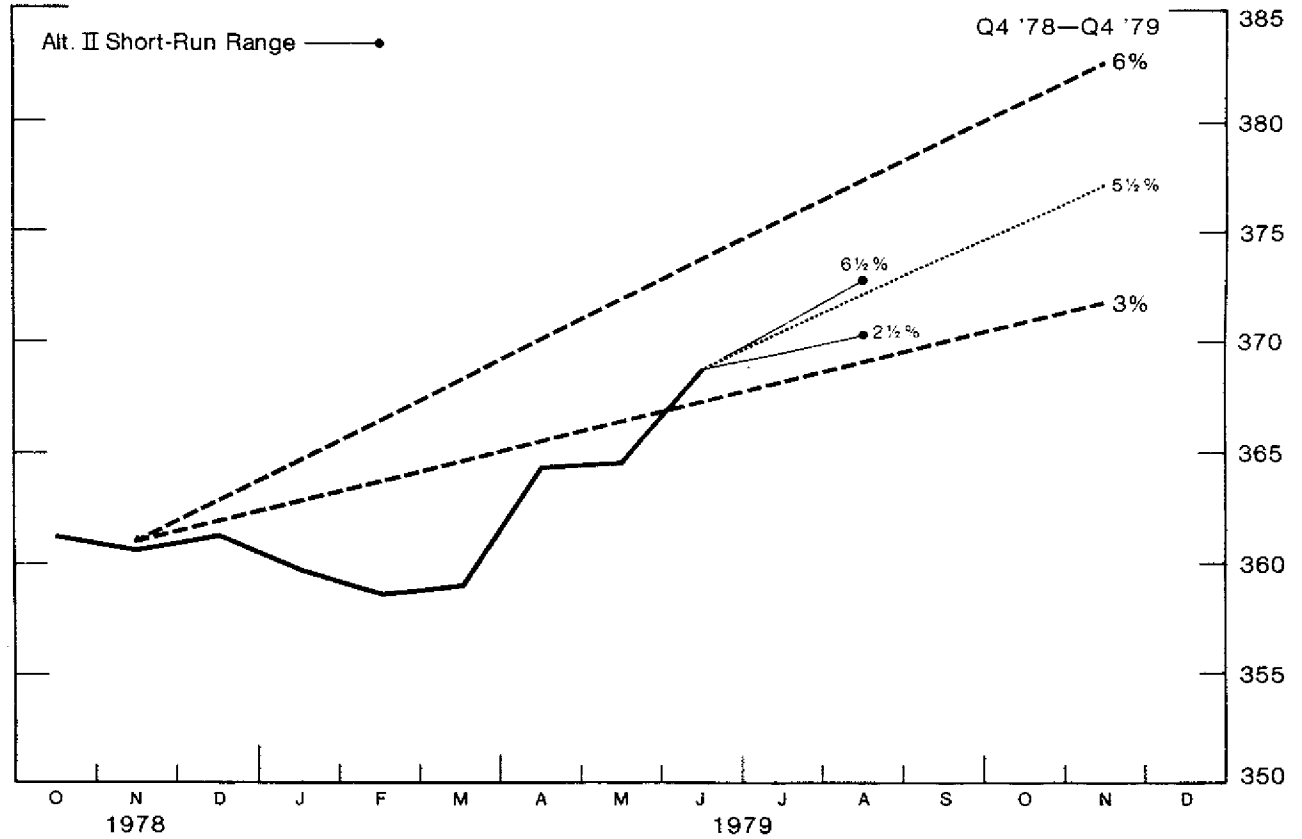
^{2/} Appendix III provides the same information for all aggregates for the current and three proposed longer-run alternatives growth ranges for the QIV '78 to QIV '79 policy period.

Growth Ranges and Actual M-1

CURRENT LONGER-RUN RANGE



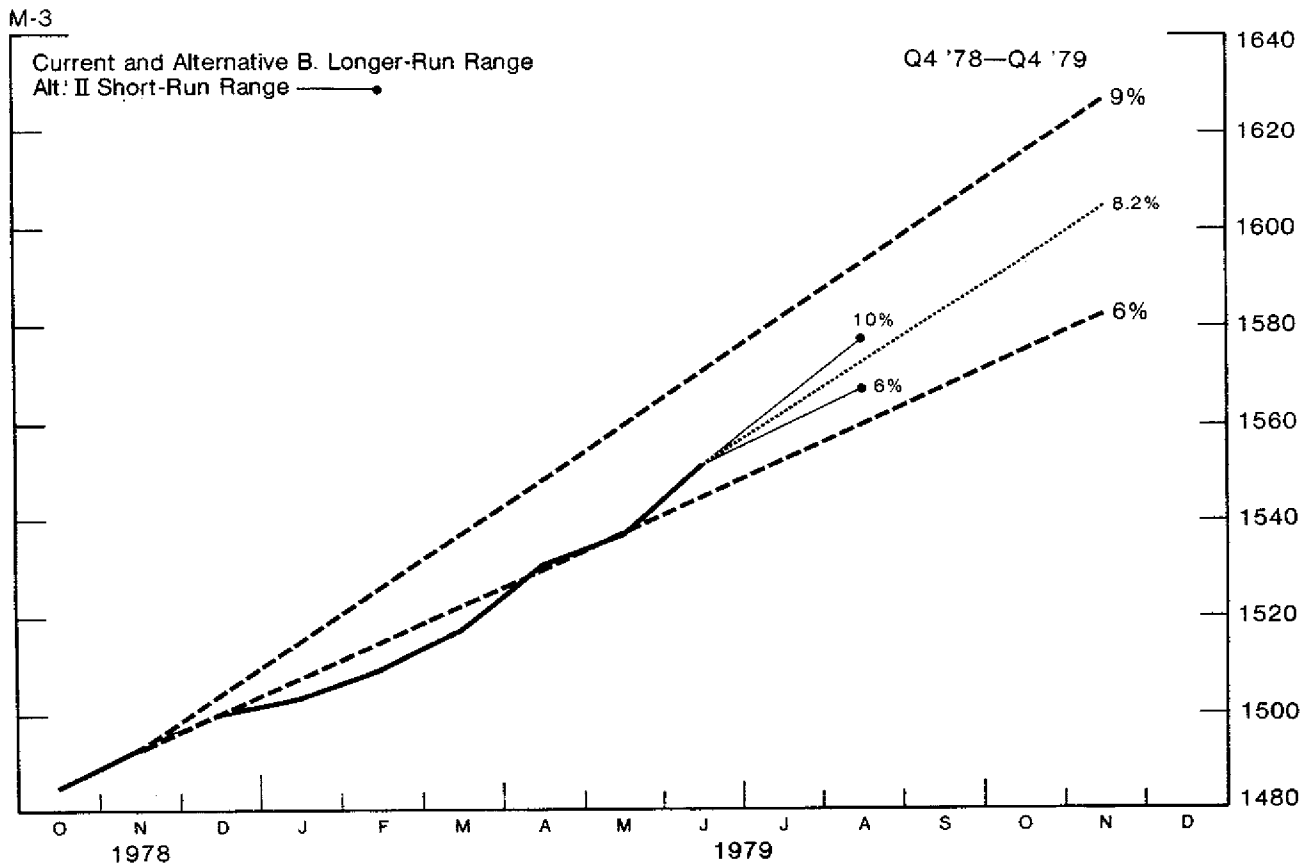
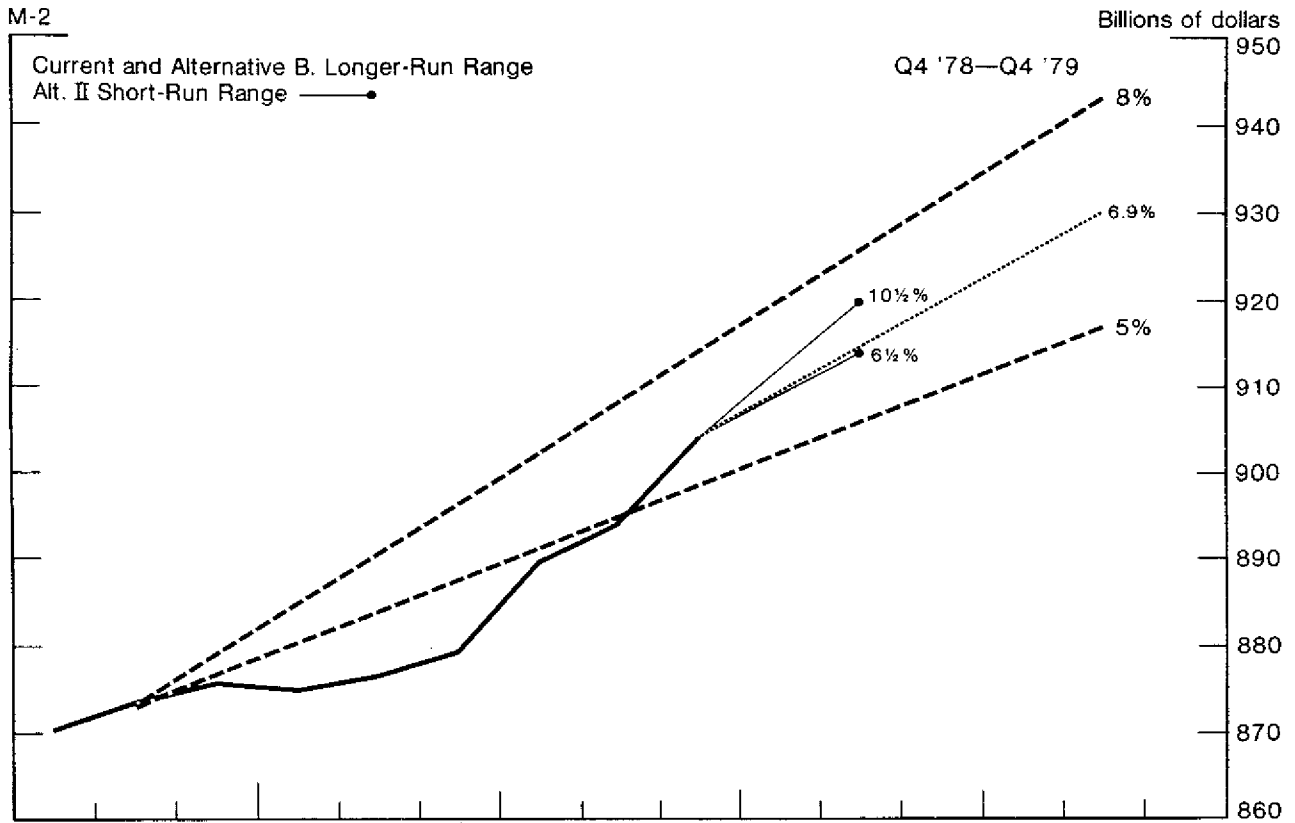
ALTERNATIVE B. LONGER-RUN RANGE



(18) The staff expects M-2 to expand in a 6-1/2 to 10-1/2 percent annual rate range in July-August under alternative II. As shown in the upper panel of the chart on page 16, M-2 in June was at a level slightly below the midpoint of its longer-run range. Growth at the midpoint of the alternative II range would bring M-2 to about the midpoint of its current (and also proposed alternative B) longer-run growth range by August.

(19) Virtually all of the expected slowing in M-2 in July-August, relative to May-June, reflects the more modest growth of M-1. Growth of the interest-bearing component of M-2 is expected to remain strong, accounted for mainly by continued sizable bank issuance of MMCs. Inflows of funds to banks through MMCs are expected to remain large, since the staff is projecting that the 6-month bill rate under alternative II will remain near or above 9 percent and thus that no significant differential will emerge in ceiling rates on these instruments favoring thrift institutions. As in other recent months, large-denomination time deposits are not expected to contribute to growth in M-2 as banks continue to supplement their demand and small denomination time deposits growth with Eurodollars and RPs.

Growth Ranges and Actual M-2 and M-3



(20) Deposit growth at thrifts in coming months is expected to remain near the second quarter pace, but--with banks continuing to capture an enlarged share of net MMC sales--well below the pace set in the second half of 1978 and early 1979 prior to the change in MMC regulations. As a result, as shown in the lower panel of the chart on page 16, M-3 growth is likely to stay near the low end of its longer-run range. S&Ls can be expected to continue to draw down their liquid assets and to tap nondeposit funds in substantial quantity in order to meet their mortgage commitments in the face of restrained deposit flows.

(21) If the funds rate remains around $10\frac{1}{2}$ percent as contemplated under alternative II, short-term rates might back up somewhat as fewer market participants come to expect that interest rates will soon decline. If short-term rates rise, this may work to strengthen the dollar on foreign exchange markets since it will tend to improve interest rate spreads between U.S. and foreign markets. Yields in bond markets might also rise, especially in the municipal market where a relatively large slate of offerings is in prospect. In corporate bond markets, on the other hand, issuance is expected to be relatively light and the Treasury is likely to raise only \$2 to \$3 billion of new money in a routine mid-quarter financing.

(22) Alternative III contemplated a $\frac{1}{2}$ percentage point rise in the Federal funds over the next few weeks to the midpoint of a $10\frac{1}{2}$ to 11 percent range. Such an approach to policy appears most consistent with a reduction in the longer-run growth range for the aggregates, as proposed in alternative C/C'. In the present environment, a tightening of the funds rate objective would be expected to have rather significant and widespread effects. The value of the dollar would strengthen in

foreign exchange markets more certainly than under alternative II, and domestic short-term interest rates would rise considerably. The initial reaction in bond markets would probably mirror that of short-term debt markets. But in view of the evidence of the weakening in the economy, market participants would be likely to see a tightening at this time as a temporary measure. Thus, any tendency for bond yields to rise would be limited as long-term investors sought to lock in attractive long-term yields near their cyclical highs.

(23) Alternative I involves a $\frac{1}{2}$ percentage point decrease in the Federal funds rate to the center of a $9\frac{1}{2}$ to 10 percent range. Such a move appears most consistent with the higher longer-run growth rates for the monetary aggregates associated with alternative A/A'. It would not necessarily be inconsistent with longer-run alternative B, under which interest rates are expected to begin declining later in the summer or in early fall. A modest reduction in the Federal funds rate over the near term, especially if it occurs along with new data suggesting further weakness in economic activity, is likely to be accompanied by a fairly substantial drop in market rates--as market participants come to expect even more monetary ease ahead. In this environment, the dollar would probably weaken substantially further on exchange markets, and the spread of Treasury bill rates below private rates would widen as foreign official institutions acquired Treasury securities in the wake of intervention activity. The drop in Treasury bill rates will reintroduce a full 25 basis points differential on MMC ceiling rates in favor of thrift institutions, leading to weaker M-2 growth in the short run under alternative I than under alternative II.

Directive language

(24) Given below are suggested operational paragraphs for the directive in the customary form, with alternative language related to the short-run specifications presented in the preceding section. Alternative language is also provided for placing main emphasis either on monetary aggregates or on money market conditions. The specifications adopted last month 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 the program for supporting the foreign exchange value of the dollar and to developing conditions in domestic financial markets. Early in the period before the next regular meeting, System open market operations are to be directed at maintaining the (or ATTAINING A) weekly average federal funds rate

- (I) SLIGHTLY BELOW THE CURRENT LEVEL.
- (II) at about the current level.
- (III) SLIGHTLY ABOVE THE CURRENT LEVEL.

Subsequently, operations shall be directed at maintaining the weekly average federal funds rate within the range of ~~9½-10½~~ ____ TO ____ percent. 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 ~~May-June~~ JULY-AUGUST period of M-1 and M-2 and the following ranges of tolerance: ~~9-10-5~~ ____ TO ____ percent for M-1 and ~~4-10-8½~~ ____ TO ____ percent for M-2. If, with approximately equal weight

given 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 is to 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 will
promptly notify the Chairman, who will then decide whether the
situation calls for supplementary instructions from the Committee.

Appendix I

Projected Federal Funds Rates

	<u>Alt. A/A'</u>	<u>Alt. B/B'</u>	<u>Alt. C/C'</u>
1979 QIII	9-3/4	10-1/8	10-3/4
QIV	9	9-5/8	10-1/4
1980 QI	9	9-1/2	10-1/4
QII	9-1/4	9-3/4	10-3/4
QIII	9-1/4	10-1/4	11-1/4
QIV	9-1/2	10-1/2	11-1/2

Appendix II

Implied Velocity Growth Rates

	<u>Alt. A/A'</u>	<u>Alt. B/B'</u>	<u>Alt. C/C'</u>
<u>V-1 (GNP/M-1)</u>			
1979 QI	11.7 (8.7)	11.7 (8.7)	11.7 (8.7)
QII	0.1 (-1.3)	0.1 (-1.3)	0.1 (-1.3)
QIII	-0.1 (-1.3)	-0.1 (-1.3)	-0.1 (-1.3)
QIV	2.5 (1.4)	3.2 (2.1)	3.8 (2.6)
1980 QI	4.0 (3.0)	4.3 (3.3)	4.5 (3.4)
QII	3.3 (2.2)	4.0 (2.9)	3.8 (2.7)
QIII	4.5 (3.5)	4.6 (3.7)	4.6 (3.6)
QIV	5.0 (4.1)	5.1 (4.2)	5.0 (4.1)
<u>V-2 (GNP/M-2)</u>			
1979 QI	7.7	7.7	7.7
QII	-0.8	-0.8	-0.8
QIII	-2.2	-3.1	-2.8
QIV	0.6	0.8	0.9
1980 QI	1.9	2.8	1.9
QII	1.4	2.6	1.9
QIII	2.5	2.8	2.8
QIV	3.2	2.4	3.5

Note: Figures in parentheses reflect V-1 without ATS.

Appendix III-1

Growth Rates from June Required to Achieve Levels
 Implied by the Current and Alternative
 Longer-run Ranges for the QIV '78 to QIV '79 Period
 for M-1
 (Per cent Annual Rate)

	<u>Low End of Range</u>	<u>Midpoint of Range</u>	<u>High End of Range</u>
<u>Current Range</u>			
Achieve Level by:			
August 1979 (in 2 months)	-6.0	0.5	7.2
QIV '79 (end-point of longer-run range)	-1.6	2.0	5.5
<u>Alternative B Range</u>			
Achieve Level by:			
August 1979 (in 2 months)	0.5	7.2	13.7
QIV '79 (end-point of longer-run range)	2.0	5.5	9.0
<u>Alternative A Range</u>			
Achieve Level by:			
August 1979 (in 2 months)	2.8	9.3	15.9
QIV '79 (end-point of longer-run range)	3.1	6.7	10.2
<u>Alternative C Range</u>			
Achieve Level by:			
August 1979 (in 2 months)	-1.6	4.9	11.6
QIV '79 (end-point of longer-run range)	0.8	4.3	7.9

Appendix III-2

Growth Rates from June Required to Achieve Levels
 Implied by the Current and Alternative
 Longer-run Ranges for the QIV '78 to QIV '79 Period
 for M-2
 (Per cent Annual Rate)

	<u>Low End of Range</u>	<u>Midpoint of Range</u>	<u>High End of Range</u>
<u>Current and Alternative B Range</u>			
Achieve Level by:			
August 1979 (in 2 months)	1.3	7.8	14.3
QIV '79 (end-point of longer-run range)	3.4	6.9	10.4
<u>Alternative A Range</u>			
Achieve Level by:			
August 1979 (in 2 months)	1.3	7.8	14.3
QIV '79 (end-point of longer-run range)	3.4	6.9	10.4
<u>Alternative C Range</u>			
Achieve Level by:			
August 1979 (in 2 months)	-0.9	5.6	12.1
QIV '79 (end-point of longer-run range)	2.2	5.7	9.2

Appendix III-3

Growth Rates from June Required to Achieve Levels
Implied by the Current and Alternative
Longer-run Ranges for the QIV '78 to QIV '79 Period
for M-3
(Per cent Annual Rate)

	<u>Low End of Range</u>	<u>Midpoint of Range</u>	<u>High End of Range</u>
<hr/>			
<u>Current and Alternative B Range</u>			
Achieve Level by:			
August 1979 (in 2 months)	3.1	9.6	16.1
QIV '79 (end-point of longer-run range)	4.7	8.2	11.6
<hr/>			
<u>Alternative A range</u>			
Achieve Level by:			
August 1979 (in 2 months)	5.3	11.8	18.3
QIV '79 (end-point of longer-run range)	5.9	9.3	12.8
<hr/>			
<u>Alternative C Range</u>			
Achieve Level by:			
August 1979 (in 2 months)	1.0	7.5	14.0
QIV '79 (end-point of longer-run range)	3.6	7.0	10.5

Appendix III-4

Growth Rates from June Required to Achieve Levels
Implied by the Current and Alternative
Longer-run Ranges for the QIV '78 to QIV '79 Period
for Bank Credit
(Per cent Annual Rate)

	<u>Low End of Range</u>	<u>Midpoint of Range</u>	<u>High End of Range</u>
	<hr/>		
	<u>Current Range</u>		
Achieve Level by:			
August 1979 (in 2 months)	-6.3	0.1	6.4
QIV '79 (end-point of longer-run range)	1.7	5.1	8.5
	<hr/>		
	<u>Alternative B Range</u>		
Achieve Level by:			
August 1979 (in 2 months)	-2.0	4.3	10.6
QIV '79 (end-point of longer-run range)	4.0	7.4	10.7
	<hr/>		
	<u>Alternative A Range</u>		
Achieve Level by:			
August 1979 (in 2 months)	0.1	6.4	12.7
QIV '79 (end-point of longer-run range)	5.1	8.5	11.8
	<hr/>		
	<u>Alternative C Range</u>		
Achieve Level by:			
August 1979 (in 2 months)	-4.1	2.2	8.6
QIV '79 (end-point of longer-run range)	2.8	6.2	9.6

Table 1

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-1+	M-2	M-3	M-4	M-5	M-6	M-7
	1	2	3	4	5	6	7	8	9	10	11	12
	(PER CENT ANNUAL RATES OF GROWTH)											
ANNUALLY: ^{2/}												

1976	0.6	0.8	6.7	8.0	5.8	12.6	10.9	12.7	7.1	10.2	9.9	9.9
1977	5.3	3.0	8.3	11.3	7.9	9.3	9.8	11.7	10.1	11.7	11.5	11.6
1978	6.6	6.7	9.1	12.4	7.2	5.3	8.4	9.3	10.4	10.5	10.2	11.4
SEMI-ANNUALLY: ^{2/}												

2ND HALF 1977	6.9	3.0	9.2	10.7	8.1	7.5	9.1	11.1	10.3	11.8	12.0	12.0
1ST HALF 1978	7.6	7.6	8.8	12.7	8.0	6.2	7.7	8.3	10.6	10.0	10.0	11.3
2ND HALF 1978	5.5	5.6	9.0	11.3	6.1	4.4	8.8	9.9	9.7	10.4	9.8	10.8
QUARTERLY:												

2ND QTR. 1978	10.4	2.7	9.0	17.0	10.8	8.6	9.7	9.4	11.2	10.3	10.1	11.0
3RD QTR. 1978	6.2	6.7	9.8	11.1	9.3	7.5	10.9	11.4	10.7	11.3	10.9	11.0
4TH QTR. 1978	0.5	2.4	7.3	7.9	0.6	-1.6	4.7	7.1	7.7	8.7	8.4	10.9
1ST QTR. 1979	-4.4	-5.7	4.2	14.1	-2.4	-5.2	1.7	4.6	2.5	5.0	5.5	7.0
QUARTERLY-AV:												

2ND QTR. 1978	6.2	0.6	7.6	14.9	9.2	7.2	8.4	8.4	10.6	9.8	9.6	10.7
3RD QTR. 1978	8.6	6.6	9.3	11.8	7.9	6.1	9.8	10.3	9.9	10.4	9.7	10.2
4TH QTR. 1978	2.3	4.6	8.4	10.6	4.1	2.6	7.6	9.3	9.3	10.2	9.7	11.1
1ST QTR. 1979	-2.9	-3.3	5.7	13.1	-2.1	-5.0	1.8	4.7	4.5	6.2	6.8	9.5
MONTHLY:												

1978--MAY	11.0	-8.9	10.5	16.6	9.7	8.4	9.2	8.6	11.9	10.4	10.4	11.2
JUNE	11.6	15.6	8.6	13.7	6.2	5.2	8.5	9.4	8.3	9.2	8.7	9.6
JULY	14.8	8.5	10.6	10.1	6.5	3.1	8.5	9.5	9.4	10.0	8.4	9.0
AUG.	-5.0	0.2	5.2	7.6	7.8	7.2	11.2	11.2	9.6	10.3	9.8	9.7
SEPT.	8.6	11.3	13.5	15.3	13.5	12.1	12.8	13.3	12.7	13.2	14.1	13.9
OCT.	5.1	-1.2	8.0	10.3	1.7	0.8	6.4	8.7	5.9	8.3	7.2	8.5
NOV.	-3.6	13.4	5.7	12.7	-2.0	-4.5	4.8	6.7	12.9	11.6	10.0	12.7
DEC.	-0.1	-4.9	7.9	0.4	2.0	-1.2	2.9	5.6	4.1	6.1	7.9	11.2
1979--JAN.	6.0	2.2	8.6	25.3	-5.0	-8.0	-1.1	2.9	3.8	5.6	6.5	9.0
FEB.	-21.0	-20.6	-0.5	10.9	-3.7	-6.6	2.3	4.8	4.1	5.7	5.8	8.1
MAR.	1.8	1.3	4.6	5.8	1.3	-1.0	3.8	6.2	-0.4	3.5	4.0	6.3
APR.	-4.9	-2.9	4.9	13.8	17.7	11.2	14.1	10.5	7.7	7.0	6.9	9.2
MAY	-4.3	-30.0	3.3	11.1	0.7	-2.3	5.4	4.9	-0.5	1.3	2.6	5.2

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

2/ BASED ON QUARTERLY AVERAGE DATA.

P - PRELIMINARY

Table 2

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-1+	M-2	M-3	M-4	M-5	M-6	M-7
	1	2	3	4	5	6	7	8	9	10	11	12
ANNUALLY:												
1976	37,013	36,960	120,572	788.9	313.8	517.2	740.6	1235.6	803.0	1298.0	1436.1	1483.8
1977	38,923	38,354	130,640	875.5	338.7	560.6	809.4	1374.3	883.1	1448.0	1601.8	1658.1
1978	41,271	40,403	142,381	981.5	361.2	587.1	875.8	1500.1	972.4	1596.7	1762.6	1848.0
MONTHLY:												
1978--MAY	40,208	38,996	135,525	926.1	350.7	576.1	836.7	1422.0	922.9	1508.2	1668.7	1737.2
JUNE	40,597	39,503	136,494	936.7	352.5	578.6	842.6	1433.1	929.3	1519.8	1680.8	1751.1
JULY	41,099	39,782	137,699	944.6	354.4	580.1	848.6	1444.5	936.6	1532.5	1692.6	1764.3
AUG.	40,928	39,788	138,290	950.6	356.7	583.6	856.5	1458.0	944.1	1545.6	1706.4	1778.5
SEPT.	41,223	40,163	139,841	962.7	360.7	589.5	865.6	1474.1	954.1	1562.6	1726.4	1799.1
OCT.	41,399	40,122	140,777	971.0	361.2	589.9	870.2	1484.8	958.8	1573.4	1736.7	1811.8
NOV.	41,274	40,570	141,450	981.3	360.6	587.7	873.7	1493.1	969.1	1588.6	1751.1	1830.9
DEC.	41,271	40,403	142,381	981.5	361.2	587.1	875.8	1500.1	972.4	1596.7	1762.6	1848.0
1979--JAN.	41,479	40,476	143,400	1007.2	359.7	583.2	875.0	1503.7	975.5	1604.2	1772.1	1861.8
FEB.	40,754	39,781	143,345	1011.3	358.6	580.0	876.7	1509.7	978.8	1611.8	1780.7	1874.4
MAR.	40,815	39,825	143,893	1016.2	359.0	579.5	879.5	1517.5	978.5	1616.5	1786.7	1884.3
APR.	40,647	39,730	144,486	1027.9	364.3	584.9	889.8	1530.8	984.8	1625.9	1796.9	1898.8
MAY	40,503	38,738	144,878	1038.0	364.5	583.8	893.8	1537.0	984.4	1627.6	1800.8	1907.0
WEEKLY:												
1979--MAY												
9	40,560	39,072	144,553		364.8	584.4	892.7		985.4			
16	40,640	38,881	144,938		364.3	583.6	892.9		984.3			
23	40,295	38,592	144,768		364.5	583.8	894.4		984.3			
30	40,323	37,996	145,316		364.0	583.2	895.3		983.6			
JUNE												
6	40,494	39,154	145,536		371.1	591.0	903.4		989.3			
13	40,038	38,739	144,874		368.5	589.2	902.9		987.3			
20P	40,739	39,415	145,802		368.9	589.9	904.8		989.2			
27P	40,305	38,718	145,847		368.6	589.6	905.3		989.9			
JULY												
4P	41,073	39,395	146,790									

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

Table 3

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:												
1976	9.5	4.6	8.1	15.0	25.0	7.5	-23.3	15.4	17.8	6.9	7.1	12.1
1977	9.3	7.4	11.4	11.2	11.1	11.4	12.8	14.0	19.5	6.6	12.6	13.5
1978	10.0	6.1	12.4	9.4	2.2	15.6	32.8	10.2	15.0	5.4	8.9	46.7
SEMI-ANNUALLY:												
2ND HALF 1977	10.0	7.3	11.7	9.8	6.4	12.9	25.6	13.6	20.1	6.5	22.9	12.5
1ST HALF 1978	9.3	7.6	12.2	7.6	2.9	11.7	42.6	8.5	17.0	6.3	12.5	50.9
2ND HALF 1978	10.2	4.5	12.0	10.7	1.5	18.4	19.0	11.5	12.0	4.3	4.9	33.9
QUARTERLY:												
2ND QTR. 1978	7.9	11.9	11.4	8.9	4.7	12.5	25.5	8.3	14.0	5.7	11.0	34.0
3RD QTR. 1978	11.7	8.5	11.6	12.1	4.5	18.5	8.3	12.1	13.5	4.6	9.3	13.7
4TH QTR. 1978	9.7	-2.7	11.9	7.7	-5.3	18.1	36.6	10.7	7.7	4.0	6.2	69.3
1ST QTR. 1979	7.8	-6.4	5.4	4.6	-9.5	15.5	9.9	9.5	1.5	0.0	20.2	57.7
QUARTERLY-AV:												
2ND QTR. 1978	8.0	9.7	11.5	7.9	3.8	11.4	33.5	7.8	15.9	6.2	9.0	38.4
3RD QTR. 1978	9.6	7.3	11.3	11.0	2.9	17.9	12.2	10.9	13.7	4.6	2.5	21.0
4TH QTR. 1978	10.6	1.7	12.3	10.2	0.2	18.2	25.0	11.8	10.1	4.0	7.3	44.4
1ST QTR. 1979	9.1	-6.2	8.4	4.5	-9.6	15.6	29.9	9.6	0.8	1.5	23.0	67.4
MONTHLY:												
1978--MAY	9.2	10.3	13.4	8.7	6.0	11.0	40.3	7.2	12.2	6.1	14.8	30.5
JUNE	6.5	5.6	9.6	10.1	3.8	15.5	7.0	10.1	14.5	4.6	2.9	31.5
JULY	9.1	5.5	11.0	9.8	-3.2	20.7	18.0	11.1	11.9	6.1	-17.5	22.2
AUG.	9.0	7.4	10.9	13.8	6.5	19.9	-5.5	11.2	11.8	3.0	5.9	6.7
SEPT.	16.6	12.3	12.5	12.2	10.2	13.9	12.3	13.5	16.3	4.5	39.9	11.7
OCT.	7.6	-0.9	8.5	10.0	-0.5	18.5	1.4	12.5	9.2	4.5	-11.4	41.3
NOV.	10.0	-5.9	21.7	9.4	-8.5	23.7	92.1	9.8	4.6	3.0	-14.4	75.0
DEC.	11.2	-1.4	5.3	3.5	-7.0	11.2	15.1	9.5	9.1	4.5	45.3	81.1
1979--JAN.	8.6	-10.0	9.0	1.6	-11.8	12.8	48.4	9.7	-4.5	1.5	28.1	61.9
FEB.	8.6	-8.3	8.6	6.5	-12.0	20.0	19.1	9.6	-6.8	-1.5	13.7	52.2
MAR.	6.1	-0.9	-1.4	5.6	-4.9	13.2	-36.4	8.9	16.0	0.0	17.7	51.3
APR.	9.7	21.3	2.1	11.8	0.0	20.2	-48.5	5.5	6.8	0.0	12.1	52.9
MAY	6.0	-1.4	-1.4	8.7	-7.2	19.9	-55.6	3.9	4.5	0.0	29.2	50.6

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

^{2/} BASED ON QUARTERLY AVERAGE DATA.

P - PRELIMINARY.

Table 4

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:														
1976	80.8	233.0	489.2	426.7	202.1	224.7	62.4	456.1	38.9	71.9	66.2	47.7	51.0	11.4
1977	88.6	250.1	544.4	470.7	219.7	251.0	73.7	518.3	46.6	76.6	77.2	56.3	62.0	11.7
1978	97.5	263.7	611.2	514.6	223.0	291.5	96.6	571.2	53.1	80.6	85.3	85.3	79.7	15.4
MONTHLY:														
1978--MAY	92.0	258.8	572.2	486.0	222.8	263.2	86.2	535.5	49.8	78.6	81.9	68.5	66.2	8.3
JUNE	92.5	260.0	576.8	490.1	223.5	266.6	86.7	540.0	50.4	78.9	82.1	70.3	66.5	13.4
JULY	93.2	261.2	582.1	494.1	222.9	271.2	88.0	545.0	50.9	79.3	80.9	71.6	67.5	14.7
AUG.	93.9	262.8	587.4	499.8	224.1	275.7	87.6	550.1	51.4	79.5	81.3	72.0	69.7	16.8
SEPT.	95.2	265.5	593.5	504.9	226.0	278.9	88.5	556.3	52.1	79.8	84.0	72.7	70.8	16.7
OCT.	95.8	265.3	597.7	509.1	225.9	283.2	88.6	562.1	52.5	80.1	83.2	75.2	74.7	20.1
NOV.	96.6	264.0	608.5	513.1	224.3	288.8	95.4	566.7	52.7	80.3	82.2	79.9	73.5	21.0
DEC.	97.5	263.7	611.2	514.6	223.0	291.5	96.6	571.2	53.1	80.6	85.3	85.3	79.7	15.4
1979--JAN.	98.2	261.5	615.8	515.3	220.8	294.6	100.5	575.8	52.9	80.7	87.3	89.7	81.7	14.7
FFB.	98.9	259.7	620.2	518.1	218.6	299.5	102.1	580.4	52.6	80.6	88.3	93.6	84.0	10.2
MAR.	99.4	259.5	619.5	520.5	217.7	302.8	99.0	584.7	53.3	80.6	89.6	97.6	86.8	9.4
APR.	100.2	264.1	620.6	525.6	217.7	307.9	95.0	587.4	53.6	80.6	90.5	101.9	90.1	8.1
MAY	100.7	263.8	619.9	529.4	216.4	313.0	90.6	589.3	53.8	80.6	92.7	106.2	91.2	9.3
WEEKLY:														
1979--MAY	2	100.4	263.8	621.1	527.5	216.9	310.7	93.6					89.6	7.5
9	100.4	264.4	620.6	527.9	216.6	311.3	92.7						88.4	9.0
16	100.6	263.7	620.0	528.5	216.3	312.2	91.5						89.5	8.4
23	100.8	263.7	619.8	529.9	216.3	313.7	89.8						90.9	9.8
30	101.3	262.7	619.6	531.3	216.2	315.1	88.2						95.9	11.1
JUNE	6	101.4	269.6	618.2	532.3	217.0	315.4	85.9					97.1	9.7
13	101.2	267.3	618.9	534.4	217.7	316.7	84.4						95.2	15.0
20 P	101.4	267.5	620.3	535.9	218.0	317.9	84.4						95.6	16.4
27 P	101.9	266.7	621.3	536.8	218.0	318.7	84.5							12.1

- 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 DEMAND DEPOSITS AT COMMERCIAL BANKS AND FEDERAL RESERVE BANKS AND TREASURY NOTE BALANCES.
P - PRELIMINARY

TABLE 5
SELECTED INTEREST RATES
(percent)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC

	Short-Term							Long-Term								
	Federal Funds	Treasury Bills			CDs 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				3-yr	7-yr	20-yr	New Issue	Recently Offered		Primary Conv.	Secondary Market	
		3-mo	1-yr	6-mo	90-day	FNMA Auc.	GNMA Sec.									
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
1978--High	10.25	9.30	9.62	9.58	10.65	10.52	11.57	9.59	9.22	9.00	9.30	9.54	6.67	10.38	10.60	9.68
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
1979--High	10.59	9.69	9.68	9.63	10.46	10.57	11.75	9.60	9.34	9.30	9.87	9.94	6.58	11.10	10.88	10.05
Low	9.93	8.85	8.64	8.87	9.46	9.66	11.50	8.77	8.73	8.79	9.42	9.40	6.08	10.38	10.42	9.51
1978--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	8.97
Sept.	8.45	7.85	8.01	7.95	8.34	8.39	9.41	8.41	8.42	8.47	8.86	8.86	6.09	9.76	9.79	9.04
Oct.	8.96	7.99	8.45	8.49	9.12	8.98	9.94	8.62	8.64	8.69	9.17	9.13	6.13	9.86	10.03	9.25
Nov.	9.76	8.64	9.20	9.20	10.15	10.14	10.94	9.04	8.80	8.75	9.27	9.27	6.19	10.11	10.30	9.39
Dec.	10.03	9.08	9.44	9.40	10.44	10.37	11.55	9.33	9.03	8.90	9.28	9.41	6.51	10.35	10.50	9.38
1979--Jan.	10.07	9.35	9.54	9.50	10.20	10.25	11.75	9.50	9.14	8.98	9.54	9.51	6.47	10.39	10.70	9.67
Feb.	10.06	9.32	9.39	9.35	9.81	9.95	11.75	9.29	9.11	9.03	9.53	9.56	6.31	10.41	10.54	9.67
Mar.	10.09	9.48	9.38	9.46	9.86	9.90	11.75	9.38	9.15	9.08	9.62	9.62	6.33	10.43	10.43	9.70
Apr.	10.01	9.46	9.28	9.50	9.76	9.85	11.75	9.43	9.21	9.12	9.70	9.74	6.29	10.50	10.59	9.78
May	10.24	9.61	9.27	9.53r	9.80	9.95	11.75	9.42	9.23	9.21	9.83	9.84	6.25	10.69	10.84	9.89
June	10.29	9.06	8.81	9.06	9.58	9.76	11.65	8.95	8.86	8.91	9.50p	9.53p	6.13p	11.04	10.77	9.75
1979--May 2	10.22	9.48	9.38	9.57	9.80	9.76	11.75	9.54	9.34	9.28	--	9.93	6.27	10.60	10.82	9.84
9	10.25	9.65	9.43	9.62	9.89	9.92	11.75	9.54	9.34	9.30	--	9.93	6.30	10.68	--	10.05
16	10.25	9.58	9.32	9.46	9.89	9.98	11.75	9.45	9.26	9.23	9.85	9.85	6.30	10.73	10.88	10.03
23	10.17	9.69	9.22	9.60	9.76	9.99	11.75	9.27	9.08	9.11	9.80	9.74	6.21	10.75	--	9.98
30	10.28	9.54	9.02	9.41	9.67	9.95	11.75	9.19	9.01	9.06	--	9.72	6.16	10.90	10.80	9.51
June 6	10.23	9.48	9.03	9.43	9.69	9.92	11.75	9.06	8.94	8.98	9.57	9.58	6.09	11.03	--	9.83
13	10.23	9.06	8.76	9.05	9.46	9.86	11.75	8.90	8.82	8.89	9.51	9.46	6.11	11.05	10.79	9.76
20	10.28	8.98	8.82	8.87	9.58	9.67	11.68	8.99	8.87	8.93	--	9.48	6.18	11.10	--	9.72
27	10.32	8.85	8.74	8.90	9.60	9.68	11.50	8.81	8.78	8.82	9.43	9.39	6.12	11.10	10.74	9.70
July 4	10.42	8.96	8.64	8.87	9.60	9.66	11.50	8.77p	8.73p	8.79p	--	9.42p	6.08	n.a.	--	9.58
11																
18																
25																
Daily--June 28	10.54	8.90	8.60	--	--	9.65	11.50	8.77	8.73	8.80	--	--	--	--	--	--
July 5	10.30p	9.19	8.73	--	--	9.66	11.50	8.80p	8.75p	8.80p	--	--	--	--	--	--

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 percent 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.

TABLE 6
NET CHANGES IN SYSTEM HOLDINGS OF SECURITIES^{1/}
(millions of dollars, not seasonally adjusted)

STRUCTLY CONFIDENTIAL (FR)
CLASS II - FONC

Period	Treasury Bills Net Change 2/	Treasury Coupons Net Purchases 3/					Federal Agencies Net Purchases 4/					Net Change Outright Holdings Total 5/	Net RP's 6/
		Within 1 Year	1 - 5	5 - 10	Over 10	Total	Within 1 year	1 - 5	5 - 10	Over 10	Total		
1972	-490	87	789	539	167	1,582	46	592	253	168	1,059	1,631	-1,358
1973	7,232	207	579	500	129	1,415	120	400	244	101	864	9,273	-46
1974	1,280	320	797	434	196	1,747	439	1,665	659	318	3,082	6,303	-154
1975	-468	337	3,284	1,510	1,070	6,202	191	824	460	138	1,613	7,267	1,272
1976	863	472	3,025	1,048	642	5,187	105	469	203	114	891	6,227	3,607
1977	4,361	517	2,833	758	553	4,660	--	792	428	213	1,433	10,035	-2,892
1978	870	1,184	4,188	1,526	1,063	7,962	-47	45	104	24	127	8,724	-1,774
1978--Qtr. II	5,444	288	1,156	468	334	2,246	46	127	104	24	301	7,930	1,224
Qtr. III	3,152	340	774	349	235	1,697	-92	-81	--	--	-173	4,632	266
Qtr. IV	-5,072	212	1,135	250	247	1,844	--	--	--	--	--	-3,283	-2,130
1979--Qtr. I	-3,750	48	426	134	93	700	-170	-229	--	--	-399	-882 ^{7/}	680
Qtr. II	465	42	640	--	--	682	110	258	2	--	371	-1,795	2,542
1979--Jan.	-4,258	--	--	--	--	--	-150	-229	--	--	-379	-4,647	-5,745
Feb.	-628	48	426	134	93	700	-20	--	--	--	-20	52	2,135
Mar.	1,136	--	--	--	--	--	--	--	--	--	--	3,713 ^{7/}	4,290
Apr.	1,021	--	640	--	--	640	--	--	--	--	--	-1,579 ^{7/8/}	-944
May	-451	--	--	--	--	--	--	--	--	--	--	-491	-2,353
June	-105	42	--	--	--	42	110	258	2	--	371	275	5,840
1979--May 2	--	--	--	--	--	--	--	--	--	--	--	--	-3,991
9	-131	--	--	--	--	--	--	--	--	--	--	-161	-1,109
16	-120	--	--	--	--	--	--	--	--	--	--	-120	810
23	--	--	--	--	--	--	--	--	--	--	--	--	-673
30	--	--	--	--	--	--	--	--	--	--	--	-10	4,162
June 6	-748	--	--	--	--	--	--	--	--	--	--	-748	-5,513
13	--	--	--	--	--	--	--	--	--	--	--	-33	1,230
20	342	42	--	--	--	--	42	110	258	2	371	755	1,830
27	101	--	--	--	--	--	--	--	--	--	--	101	5,723 ^{9/}
July 4	113	218	237	96	142	693	--	--	--	--	--	806	-4,853
11													
18													
25													
LEVEL--July 4	40.6	16.3	28.2	12.3	11.9	68.8	1.4	4.1	1.5	.8	7.8	117.1	-2.3

(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 (-).
7/ The Treasury sold \$2,600 million of special certificates to the Federal Reserve on March 31 and redeemed the last of them on April 4.
8/ \$640 million of 2-year notes were exchanged for a like amount of cash management bills on April 3. On April 9 the bills were exchanged for new 2-year notes.
9/ This includes \$75 million of matched purchase-sale agreements.