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July 8, 1983

Strictly Confidential (FR) Class I FOMC

# MONETARY POLICY ALTERNATIVES

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

STRICTLY CONFIDENTIAL (FR) July 8, 1983
CLASS I - FOMC

MONETARY POLICY ALTERNATIVES

Recent developments

(1) M2 is estimated to have increased at a 10 percent annual rate in June, bringing its growth for the March-to-June period to just around 8½ percent at an annual rate--a bit below the objective for these months established by the Committee in March. By June, M2 had grown about 9 percent from its February-March '83 base, and was somewhat above the midpoint of this year's longer-run range for the aggregate. Shifts into MMDA balances from outside M2 appear to have slowed markedly, at least as judged by the recent cessation of growth in MMDAs. With issuance of CDs by banks and thrift institutions stronger than expected, M3 is estimated to have expanded at around a 10¼ percent annual rate in June, and at an 8½ percent annual rate from March to June, somewhat above the FOMC's 8 percent objective for these months set in March. By June, M3 was at the upper end of the Committee's 6½ to 9½ percent range for 1983.

(2) M1 expanded at about a 10½ percent annual rate in June, and growth from the fourth quarter to June was at about a 13¼ percent annual rate, well above the FOMC's range of 4 to 8 percent for the year. Although M1 velocity continued to decline substantially in the first quarter, more recently in the second quarter M1 velocity showed only a relatively small decline, as the upward impact on M1 demand of reductions in interest rates in 1982 faded. In May and June, all major components of this aggregate, including demand deposits, increased substantially, suggesting that recent strength has in some degree reflected growing transactions needs for money balances.

KEY MONETARY POLICY AGGREGATES
(Seasonally adjusted annual rates of growth)

| | 1983 | | | | |
|---|---|---|---|---|---|
| | Apr. | May | June | Mar. to June | Longer-run base to June[1] |
| **Money and Credit Aggregates** | | | | | |
| M1 | -2.7 | 26.3 | 10.4 | 11.4 | 13.8 |
| M2 | 3.0 | 12.8 | 10.0 | 8.6 | 9.0 |
| M3 | 3.5 | 11.3 | 10.2 | 8.4 | 9.6 |
| Domestic nonfinancial debt | 9.8 | 10.8 | 13.1 | 11.4 | 10.6 |
| Bank credit | 8.7 | 10.7 | 9.8 | 9.8 | 10.4 |
| **Reserve Measures[2]** | | | | | |
| Nonborrowed reserves[3] | 5.0 | 3.0 | 8.1 | 5.4 | 4.8 |
| Total reserves | 8.8 | -1.9 | 15.0 | 7.3 | 5.9 |
| Monetary base | 7.3 | 10.0 | 10.1 | 9.2 | 9.8 |
| Memo: (Millions of dollars) Adjustment and seasonal borrowing | 605 | 437 | 679 | — | — |
| Excess reserves | 476 | 449 | 513 | — | — |

1. The base for M1, M3, and reserves is QIV '82, for M2 is February-March 1983, and for bank credit and domestic nonfinancial debt is December '82.
2. Growth rates of reserve measures are adjusted to remove the effects of discontinuities resulting from phased changes in reserve ratios under the Monetary Control Act.
3. Includes special borrowing and other extended credit from the Federal Reserve.

(3) The debt of domestic nonfinancial sectors is estimated to have grown at about a 13 percent annual rate in June. The acceleration of growth from the 10½ percent average rate of April and May was due to a surge in federal borrowing, as the Treasury sought not only to cover large continuing needs for funds but also to build up its cash balance. The debt of private nonfinancial sectors increased at almost an 8 percent annual rate in June, a bit above the pace of earlier this year. For the year to date, total domestic nonfinancial debt has increased at around a 10½ percent annual rate, a little faster than GNP, but just above the midpoint of the FOMC's 8½ to 11½ percent long-run range. Bank credit increased at almost a 10 percent annual rate in June, close to the average of the previous two months. Loan growth picked up somewhat in June from the pace of April and May; real estate lending strengthened further and business loans showed the first substantial increase since January.

(4) After declining in May, total reserves grew at a 15 percent annual rate in June, reflecting primarily robust expansion in required reserves needed against transactions deposits and also some growth in excess reserves. However, nonborrowed reserves (including extended credit[1/]) increased less--rising by 8 percent--as adjustment plus seasonal borrowing rose to an average of $679 million. The federal funds rate traded in an 8¾ to 9 percent range for most of the period since the last meeting, up only slightly from earlier weeks. Most recently, funds have been trading around 9 to 9-1/8 percent, though higher rates have been associated with temporary pressures related to the semi-annual statement

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1/ Boosted by borrowing by Seafirst, extended credit rose from an average of $513 million in May to $958 million in June. This borrowing was repaid in early July.

date and long holiday weekend. The level of borrowing incorporated in the reserve paths had been set at $350 million initially following the FOMC meeting, and was later raised to $400-500 million. Nonetheless, the demand for borrowing has remained unusually strong--as has the demand for excess reserves--relative to the prevailing spread of the funds rate over the discount rate, and borrowing has consistently exceeded these levels (and was particularly large over the period encompassing the statement date and long holiday weekend).

(5) Other short-term market interest rates have risen about 75 basis points further over the intermeeting period, in part reflecting the tightening in the reserve market but also in some degree in anticipation of a further such tightening given the strength of incoming data on money and economic activity. Long-term taxable bond rates have also risen about 75 basis points since the May FOMC meeting, while the rate on conventional fixed-rate mortgages has increased one-half of a percentage point.

(6) The weighted average value of the dollar has risen by 2½ percent on balance since the May FOMC meeting, mainly in association with increases in dollar interest rates. At its peak in mid-June the dollar on a weighted average basis was slightly above its previous November 1982 peak.

. The announcement of a record U.S. trade deficit for May has had little apparent effect on dollar exchange rates.

Monetary and credit targets for 1983 and 1984

(7) A major issue in the re-evaluation of the longer-run monetary and credit ranges earlier established for 1983 is the probable inconsistency between the range for M1 and those for the other monetary and credit aggregates. It would take virtually zero growth from June to December for M1 expansion over the year 1983 to come in around the upper limit of its current 4 to 8 percent longer-run range. The projected strength of nominal GNP suggests considerably stronger demand for M1 than that, given something like present interest rate levels, or even rates somewhat higher.

(8) Against that background, two alternatives are shown below for the monetary and credit aggregates in 1983. Alternative I reproduces the present ranges. Alternative II differs only by including an M1 range that has greater odds of being consistent with the broader aggregates. Upward adjustments in growth ranges are not suggested for the broader aggregates, even though recent experience suggests the possibility that expansion of M2 and particularly M3 over the year is more likely to be in the upper half of their ranges rather than near their midpoints as earlier anticipated. It is not expected that the recent decision by DIDC to eliminate ceiling rates on time deposits (but not on regular NOW and savings accounts) by October 1 will have any very significant impact on growth of M2 and M3, since time deposit expansion has for some time already been in forms either without ceiling or with ceilings indexed to market rates.

| | Alt. I | Alt. II |
|---|---|---|
| M1 | 4 to 8 | 7 to 11 |
| M2[1/] | 7 to 10 | 7 to 10 |
| M3 | 6½ to 9½ | 6½ to 9½ |
| Total credit | 8½ to 11½ | 8½ to 11½ |

(9) The implications of these targets for annual growth rates of the aggregates over the second half of 1983 are shown in the last two columns of the table below. It should be noted that a considerable slowing in M1 growth over the balance of the year is needed if even the upper end of the alternative II M1 range is to be achieved. Growth in the broader monetary and credit aggregates would not need to be as different in the second half of this year relative to the first half for growth to fall within their present longer-run ranges. The table below shows second half growth rates consistent with expansion of M2 and M3 for the year in the upper half of their ranges and expansion of total credit at its midpoint.

| | Assumed Growth for 1983 | Actual Growth QIV '82-- QII '83 | Growth Needed in 2nd Half '83 to Attain Assumed Growth for the Year: QII '83-- QIV '83 | Growth Needed in 2nd Half '83 to Attain Assumed Growth for the Year: June '83-- Dec. '83 |
|---|---|---|---|---|
| M1 | 11 | 13.3 | 8.1 | 6.5 |
| | 10 | | 6.3 | 4.3 |
| | 8 | | 2.5 | -0.1 |
| M2[1/] | 10 | 8.2 | 10.6 | 10.4 |
| | 9 | | 9.2 | 8.8 |
| M3 | 9½ | 9.3 | 9.2 | 8.9 |
| | 8½ | | 7.3 | 6.6 |
| Total Credit[2/] | 10 | 10.6 | 8.9 | 8.9 |

1/ For M2, the base period for growth rates is always February/March '83 instead of QIV '82.
2/ Total credit growth rates are calculated using the last month of each period.

(10) At this meeting the Committee will also be considering tentative target ranges for 1984. The principal question would appear to be whether to retain current ranges or lower them. It is not expected that financial innovations or regulatory changes will tend to increase the demand for the broader aggregates (given income and interest rates) next

year. Indeed, M2 may grow a little less relative to income than is expected during the 1983 longer-run target period as residual shifts into MMDAs become negligible next year. Against that background, and with an unusually large and rising high employment federal deficit for the second year of an economic recovery in prospect, and increase in monetary growth ranges would probably raise the odds on a strengthening in inflationary pressures and expectations.

(11) The current longer-run ranges for the aggregates are wide enough to encompass lower actual growth rates in 1984 than in 1983. Thus, one option (Alternative I in the table below) for the Committee--in addition to simply retaining the present ranges--would be to retain the ranges but indicate that actual growth for 1984 was expected to be lower in the ranges than it had been in 1983. Our staff GNP projections for 1984--which show slower growth in nominal and real GNP--presume that expansion of M2 next year is ½ percentage point slower than the 8½ percent or so assumed for this year (from the February/March '83 base). Yet another option (Alternative II) would be to lower all of the longer-run ranges for the broader aggregates by ½ percentage point. A variant on this option (Alternative III) would be to lower only the upper limits of the ranges by ½ point (or possibly 1 point), on the thought that reductions in the lower limits would tend to bring them to "unrealistic" rates in relation to the economic outlook.

| | Alt. I | Alt. II | Alt. III |
|---|---|---|---|
| M1 | 4 to 8 | 4 to 8 | 4 to 7½ |
| M2 | 7 to 10 | 6½ to 9½ | 7 to 9½ |
| M3 | 6½ to 9½ | 6 to 9 | 6½ to 9 |
| Total credit | 8½ to 11½ | 8 to 11 | 8½ to 11 |

(12) Alternative II does not include a lower M1 range than is currently in place. But the 4 to 8 percent range would represent a considerable reduction from likely growth this year, or from this year's range if the Committee chose to raise it. M1 demand this year was augmented by the upward adjustment of cash balances induced by the lower level of market rates that developed as inflation ebbed; such a lagged effect is not anticipated next year, and the velocity of M1 may develop along lines more consistent with earlier post-war cyclical and secular patterns. Of course, there are still large unknowns. Super NOW accounts bearing market rates may come increasingly to affect the behavior of M1, and we remain uncertain about how the public's attitudes toward these accounts as well as regular NOW accounts are being influenced by transactions needs, interest rates, and broad considerations of wealth and liquidity. It should also be noted that if a sizable further decline in short-term interest rates happens to occur, a large further rise in M1 could develop, involving growth rates higher than in the alternatives presented, as market rates come near to the regulatory ceiling on regular NOW accounts.1/

(13) The credit aggregate next year is likely to grow a little more slowly than this year. This moderation is consistent with the staff's forecast of slightly slower nominal GNP growth, but as in 1983, credit growth is likely to exceed the expansion of nominal income. The growth in federal debt is expected to slow next year (the dollar volume of net Treasury borrowing should remain about the same as 1983), while private credit expansion remains close to this year's pace. Credit usage by nonfederal sectors is expected to be moderated by a drop-off in

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1/ Factors influencing the income velocity of M1--and also M2--are analyzed in a staff memorandum accompanying this blue book.

borrowing by state and local governments, whose bond issuance in recent quarters has been boosted by the effects of the decline in interest rates and the anticipation of bond registration requirements. Household borrowing is expected to expand about as rapidly as in 1983, but business borrowing is expected to increase substantially from its depressed pace of this year, as the rise in spending for fixed capital and inventories outpaces a fairly strong profit performance.

Monetary strategies over the next few years

(14) To provide additional perspective for longer-run policy decisions, the table on the next page shows projected impacts on real GNP, prices, and interest rates of alternative approaches to the monetary aggregates over the next several years. Strategy 1 reproduces the staff's basic GNP forecast for this year and next (assuming 8½-percent M2 growth this year and 8 percent next) and also shows projections through 1985 and 1986 that assume successive ½ point reductions in M2 growth. Strategy 2 assumes more rapid money growth over the period through 1986, in this case a continued 8½ percent M2 growth. Strategies 3 and 4 represent an effort to depict policy approaches that show contrasts in the timing of restraint and ease over the course of economic recovery. Strategy 3 aims at a relatively stringent policy over the balance of this year and next while easing off in 1985 and 1986; strategy 4 aims at the reverse approach of easing over the balance of this year and next, and tightening in the last two years shown. Strategy 3 assumes a reduction in M2 growth to around 7¾ percent in 1983 and 1984 and an acceleration to around 8½ percent on average over the next two years, while strategy 4 assumes an acceleration of M2 growth to around 9 percent in 1983 and 1984 and a deceleration to around 7½ percent in the next two years; in both strategies M2 growth was constrained to average a little over 8 percent over the 4-year period. Differences between GNP, prices, and interest rates in strategy 1 and those in other strategies are based largely on model results, as is the extension of strategy 1 into 1985 and 1986.

(15) The steady ½ point reduction of M2 growth under strategy 1 is accompanied by a gradual deceleration in growth of real GNP and some further improvement in price performance. The 3-month Treasury bill rate

Estimated Impacts of Alternative Longer-run
Policy Strategies

| | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|
| Real GNP (% increase QIV/QIV) | | | | |
| 1. Gradually declining M2 in 1983-86 | 5.5 | 4.2 | 3.1 | 2.8 |
| 2. Unchanged M2 at 8.5 percent each year | 5.5 | 4.6 | 4.1 | 4.4 |
| 3. Slower M2 in 1983-84; faster M2 in 1985-86 | 4.7 | 4.2 | 4.0 | 4.7 |
| 4. Faster M2 in 1983-84; slower M2 in 1985-86 | 6.1 | 5.0 | 3.6 | 2.7 |
| Implicit deflator (% increase QIV/QIV) | | | | |
| 1. | 3.9 | 4.1 | 3.9 | 3.5 |
| 2. | 3.9 | 4.1 | 4.0 | 4.1 |
| 3. | 3.9 | 4.0 | 3.5 | 3.2 |
| 4. | 3.9 | 4.2 | 4.4 | 4.5 |
| Unemployment rate (QIV average) | | | | |
| 1. | 9.4 | 8.6 | 8.2 | 8.0 |
| 2. | 9.4 | 8.5 | 7.7 | 6.9 |
| 3. | 9.5 | 8.9 | 8.3 | 7.4 |
| 4. | 9.3 | 8.2 | 7.5 | 7.2 |
| Treasury bill rate (QIV average) | | | | |
| 1. | 9.5 | 8.5 | 8.9 | 8.6 |
| 2. | 9.5 | 8.0 | 7.8 | 7.0 |
| 3. | 10.7 | 8.5 | 7.6 | 6.6 |
| 4. | 8.2 | 7.0 | 8.4 | 8.3 |

Note: For a more detailed description of the strategies, see paragraph (14) of the text.

declines over 1984, following a small rise during the second half of this year, but shows no further decline subsequently. By contrast, the faster M2 growth of strategy 2 promotes further declines in the bill rate and faster growth in real GNP than strategy 1 over the whole 4-year period. No significant pick-up in inflation from the current rate is indicated, given the structural characteristics of our model, but one may question whether the more rapid drop in the unemployment rate and rise in plant capacity utilization under this alternative would not induce a more prompt re-emergence of wage and price pressures, given the degree of economic inefficiency in much marginal plant capacity, desires by labor to make up for recent wage concessions, and general fears of re-emerging inflation on the part of consumers and business.

(16) Strategies 3 and 4 depict alternative courses of events depending on whether monetary policy is front-loaded or not. The earlier imposition of restraint under strategy 3 appears to involve no less real growth over the 4-year period than does the front-loading of ease under strategy 4. However, strategy 3 entails a better price performance throughout the period. Interest rates decline under this strategy after a substantial further rise in the latter half of 1983 and by 1985 and 1986 are lower than under strategy 4. Of course, looking beyond 1986, a slowing in monetary growth would be needed under strategy 3 to avoid a later acceleration in price increases.

Policy alternatives for the short run

(17) The table below shows alternative specifications for the monetary aggregates and federal funds rate ranges for the June to September period. (More detailed data for the alternatives, including their relation to the current longer-run ranges, are shown in the charts and table on the following pages. The quarterly interest rate path consistent with the staff's GNP projection is shown in Appendix I.)

| | Alt. A | Alt. B | Alt. C |
|---|---|---|---|
| Growth from June to Sept. | | | |
| M2 | 9 | 8½ | 8 |
| M3 | 8½ | 8 | 7½ |
| M1 | 7½ | 6 | 4½ |
| Federal funds rate range | 6 to 10 | 7 to 11 | 8 to 12 |

(18) The specifications of Alternative A contemplate no further tightening of money market conditions over the next few months. A federal funds rate range of 6 to 10 percent is shown for this alternative, the same as in the directive adopted at the last meeting. However, a federal funds rate in the upper half of that range--around 9 percent or a little higher--would be contemplated. Recent experience with borrowing at the discount window would suggest that borrowing would tend to be in the $450 to 600 million range. From June to September, nonborrowed and total reserves would be expected to expand at annual rates of about 5½ and 4 percent, respectively.

(19) M2 growth under this alternative will probably slow from the rapid May-June pace, but should remain in the upper part of the FOMC's longer-run range for that aggregate. The small increases in interest rates that have developed since early May may act to restrain M2 growth a little,

Chart 1

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## Actual and Targeted M2

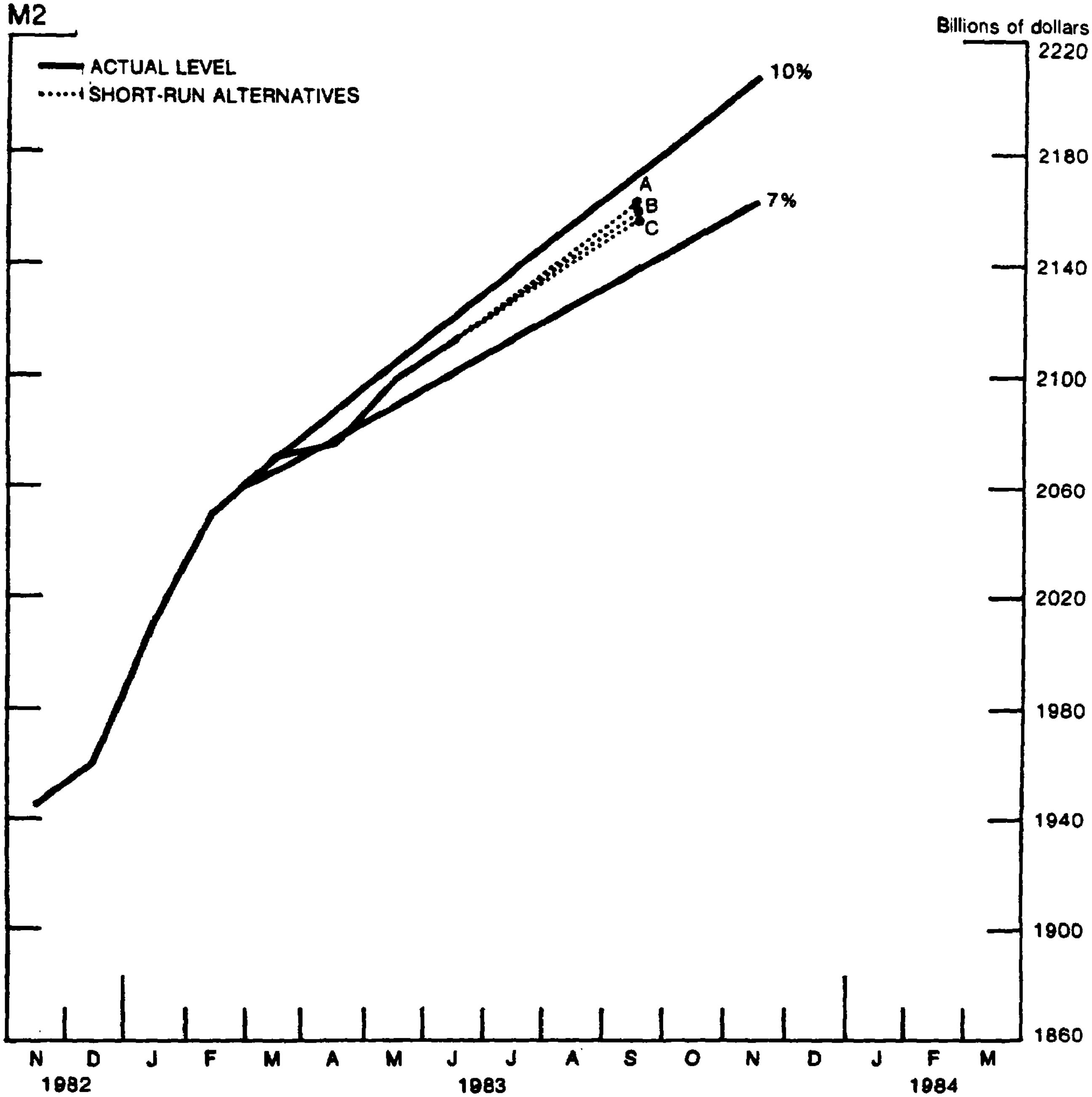

Chart 2

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# Actual and Targeted M3

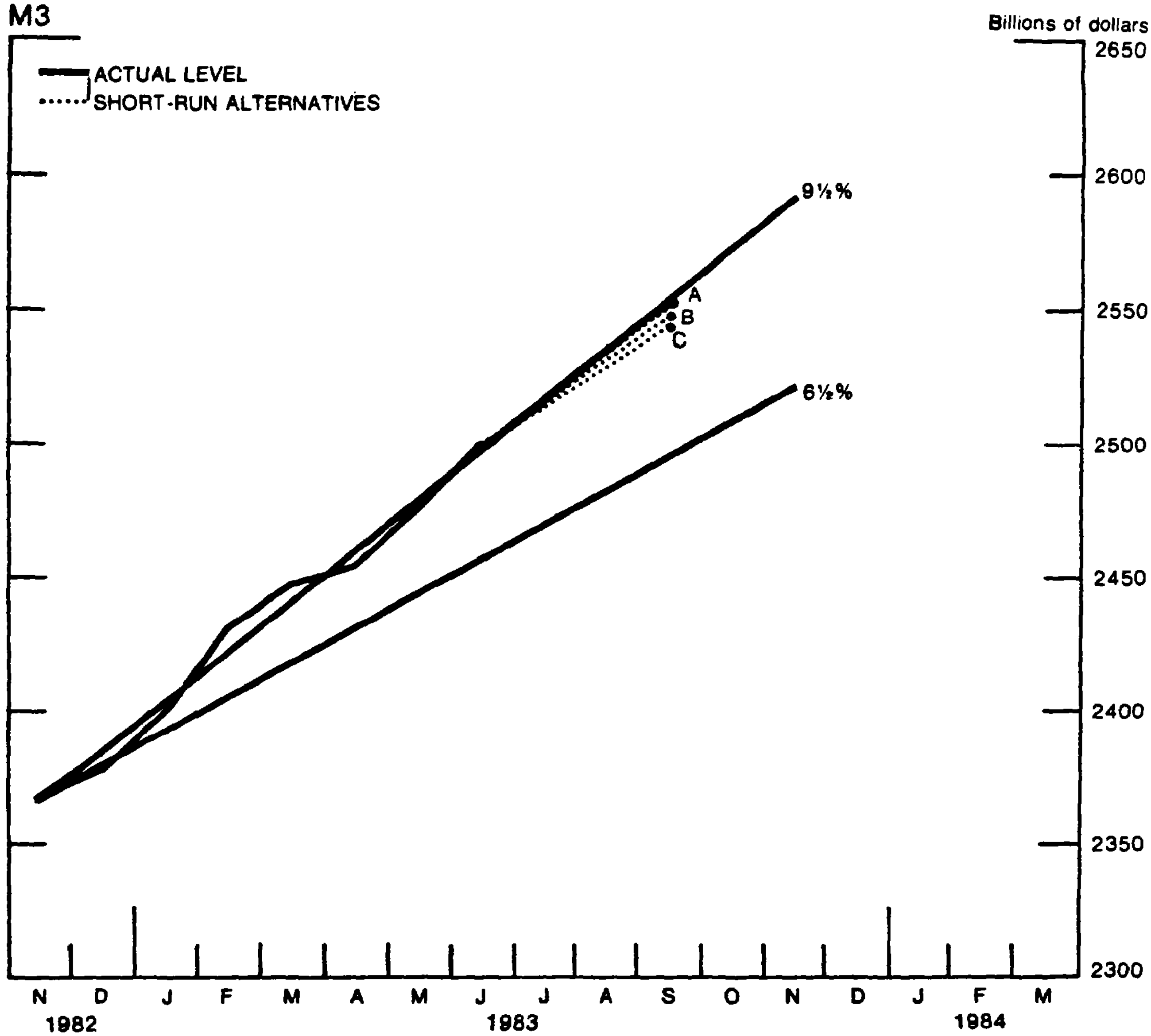

Chart 3

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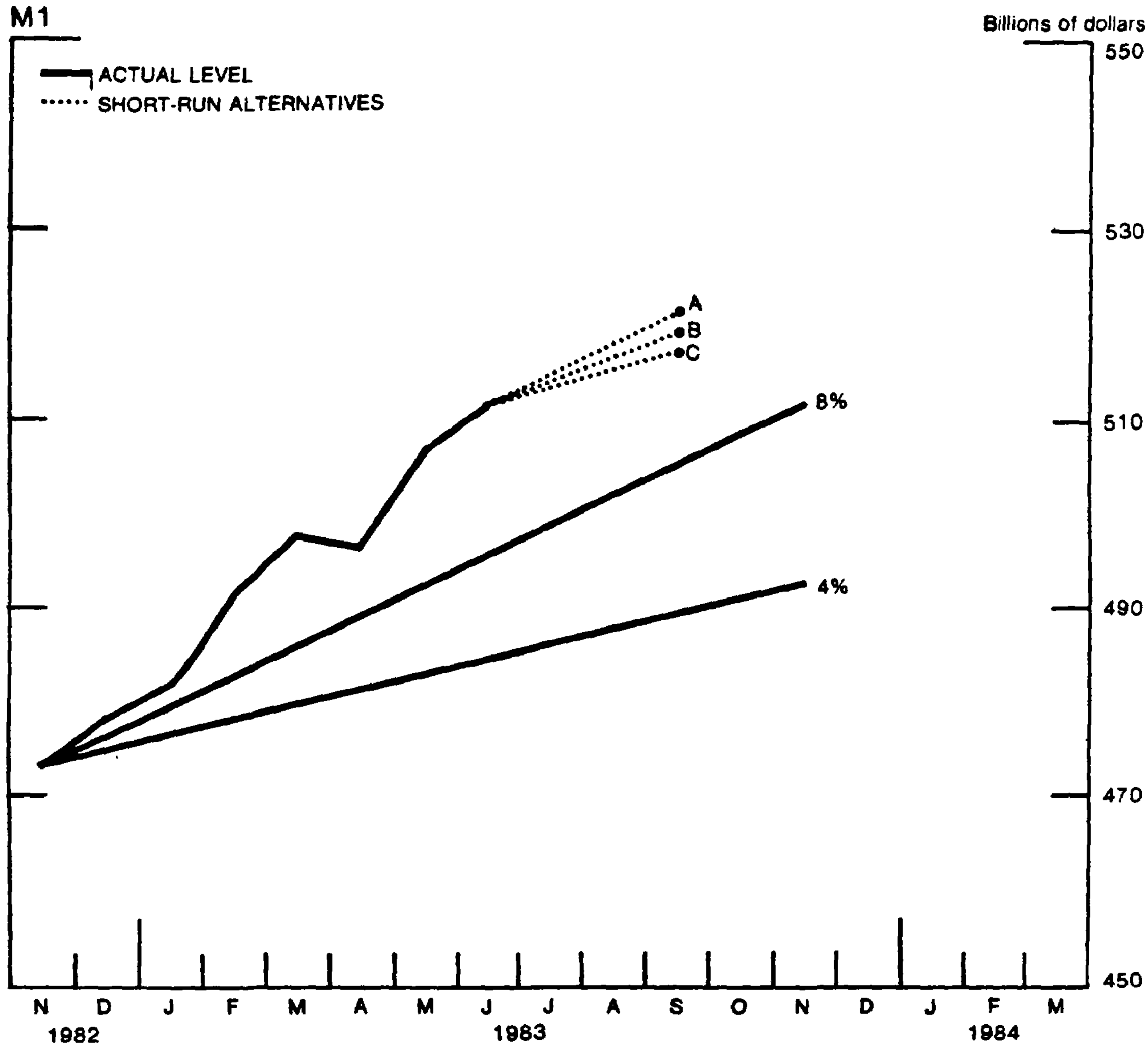
**Actual and Targeted M1**



Alternative Levels and Growth Rates for Key Monetary Aggregates

| | M2 | | | M3 | | | M1 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Alt. A | Alt. B | Alt. C | Alt. A | Alt. B | Alt. C | Alt. A | Alt. B | Alt. C |
| 1983--April | 2075.1 | 2075.1 | 2075.1 | 2454.5 | 2454.5 | 2454.5 | 496.5 | 496.5 | 496.5 |
| May | 2097.3 | 2097.3 | 2097.3 | 2477.6 | 2477.6 | 2477.6 | 507.4 | 507.4 | 507.4 |
| June | 2114.7 | 2114.7 | 2114.7 | 2498.6 | 2498.6 | 2498.6 | 511.8 | 511.8 | 511.8 |
| July | 2131.2 | 2130.7 | 2130.2 | 2517.3 | 2516.8 | 2516.3 | 516.3 | 516.1 | 515.9 |
| August | 2146.8 | 2145.2 | 2143.7 | 2534.5 | 2532.7 | 2530.9 | 518.9 | 517.8 | 516.8 |
| September | 2162.5 | 2159.8 | 2157.2 | 2551.8 | 2548.7 | 2545.6 | 521.4 | 519.5 | 517.6 |
| **Growth Rates** | | | | | | | | | |
| Monthly | | | | | | | | | |
| 1983--April | 3.0 | 3.0 | 3.0 | 3.5 | 3.5 | 3.5 | -2.7 | -2.7 | -2.7 |
| May | 12.8 | 12.8 | 12.8 | 11.3 | 11.3 | 11.3 | 26.3 | 26.3 | 26.3 |
| June | 10.0 | 10.0 | 10.0 | 10.2 | 10.2 | 10.2 | 10.4 | 10.4 | 10.4 |
| July | 9.4 | 9.1 | 8.8 | 9.0 | 8.7 | 8.5 | 10.6 | 10.1 | 9.6 |
| August | 8.8 | 8.2 | 7.6 | 8.2 | 7.6 | 7.0 | 6.0 | 4.0 | 2.1 |
| September | 8.8 | 8.2 | 7.6 | 8.2 | 7.6 | 7.0 | 5.8 | 3.9 | 1.9 |
| June to September | 9.0 | 8.5 | 8.0 | 8.5 | 8.0 | 7.5 | 7.5 | 6.0 | 4.5 |
| **Growth Rates** | | | | | | | | | |
| Quarterly Average | | | | | | | | | |
| 1983--Q1 | 20.3 | 20.3 | 20.3 | 10.2 | 10.2 | 10.2 | 14.1 | 14.1 | 14.1 |
| Q2 | 10.2 | 10.2 | 10.2 | 8.2 | 8.2 | 8.2 | 12.2 | 12.2 | 12.2 |
| Q3 | 9.8 | 9.4 | 9.2 | 9.3 | 9.0 | 8.7 | 10.8 | 10.0 | 9.2 |
| Memo: | | | | | | | | | |
| Growth QIV '82 to September '83 | 9.1 1/ | 8.9 1/ | 8.7 1/ | 9.4 | 9.2 | 9.1 | 12.1 | 11.6 | 11.1 |

1/ The base for M2 is February/March 1983.

despite the projected relatively strong expansion in personal income and nominal GNP, but in addition M2 growth may be restrained by the further slowing of shifts into MMDA accounts that appear to be signaled by data of recent weeks. Mainly reflecting the behavior of M2, M3 growth is also expected to slow from the pace of the last two months. Banks and thrift institutions may continue to rely more heavily than in the early part of this year on issuance of large CDs, as loan demands tend to strengthen in reflection of the more rapid pace now evident in economic recovery.

(20) Under alternative A, M1 growth is anticipated to slow much more substantially than growth in the other aggregates. In large part, this is because M1 demand is no longer expected to be buttressed by the lagged impact of last year's sharp declines in interest rates. Indeed, the recent rise in short-term rates should begin to have a restraining effect on M1. The assumed M1 growth in this alternative would be consistent, given our GNP projection, with about no change in its income velocity in the third quarter,[1/] in contrast to the declines in velocity that have generally characterized the past several quarters. Such a turn-around in velocity would not be unexpected during the course of a cyclical expansion. However, as noted earlier, large uncertainties surround estimates of M1 demand, given the change in its composition as NOW accounts have become an increasingly important component of the aggregates. Should the public continue to place a substantial amount of savings in components of M1, and over the next few weeks some of the tax cut may well be lodged in such deposits, the velocity of M1 could continue to fall--with M1

1/ On a quarterly average basis M1 growth in the third quarter under alternative A would be around 10¼ percent at an annual rate.

growth faster--at current levels of interest rates. On the other hand, the large build-up in M1 balances of the past several quarters could well support a rapid expansion in GNP without much further increase in M1 should confidence generated by continuing favorable economic news entail a substantial reduction in demand for liquidity.

(21) Given recent market rate adjustments, it would seem most likely that interest rates would generally remain near current levels under alternative A or decline some. In large degree, market rate increases in recent days seem to have been in anticipation of a further tightening of monetary policy. The 3-month Treasury bill rate might be in an 8¾ to 9½ percent range over the next several weeks. Markets will remain exceptionally sensitive, however, given the unexpected strength of the economy, and the level of rates will be strongly influenced by assessment of the meaning for monetary policy over the next few months of incoming economic news and the Federal Reserve's decisions about longer-run targets. If and as short-term interest rates tend to stabilize, long-term rates may tend to decline from current levels.

(22) The total debt of domestic nonfinancial sectors is expected to increase at about a 9 percent rate over the third quarter, less than in the second quarter. While actual Treasury offerings will be larger in the third quarter, they are expected to slow on a seasonally adjusted basis from the very rapid second-quarter pace, when the Treasury built up its cash balances by a substantial amount. Tax exempt offerings are expected to remain well below the second-quarter pace, which had been influenced by the desire to avoid registration requirements that took effect on July 1. Business borrowing is likely to fall more on banks

relative to bond markets than it had in the second quarter. However, some pick-up in bond offerings from the relatively moderate June pace might be expected, particularly if the bond market shows signs of a decline in yields.

(23) Alternative B encompasses a further increase in pressures on bank reserve positions in an effort to increase the odds that growth in the broad monetary aggregates will remain within their longer-run target ranges and to exert even more restraint on growth of M1. This alternative would involve borrowing from the discount window in the $850 million to $1 billion range (given the present discount rate), and the federal funds rate might be expected to move well into the 9½ to 10 percent area. Total reserves are likely to expand at about 2¼ percent annual rate over the June to September period. Nonborrowed reserves would be about flat if the level of borrowing rose to the range specified.

(24) Although market interest rates have probably to some extent discounted the further tightening in policy envisioned by this alternative, the 3-month Treasury bill rate would likely rise further to the 9¼ to 9¾ percent area, and longer-term rates would move still higher, at least in the short run. The rise in long-term rates would tend to discourage bond market financing, diverting additional loan demand to short-term market sectors. This, together with the rise in short-term market rates, would put substantial upward pressure on the prime loan rate. Mortgage loan rates would probably advance further to the neighborhood of 13½ percent, which would be a new high for the year.

(25) M1 growth could be expected to slow to about 6 percent from June to September under this approach and, assuming the market pressures of alternative B were maintained through year-end, to expand at a somewhat

slower pace in the final months of the year. If this occurred, M1 growth for the year (QIV '82 to QIV '83) would be in the vicinity of 10½ percent. M2 is expected to grow at an 8½ percent annual rate from June to September under this alternative--which would bring this aggregate back toward the midpoint of its longer-run range. While thrift deposit flows might be about the same as under alternative A, higher deposit costs would once again begin to eliminate the earnings of a large number of S&Ls and MSBs, exerting upward pressure on mortgage rates.

(26) Alternative C involves an approach that would exert relatively strong restraint on the aggregates and credit markets over the near-term. M1 growth might be lower than 10 percent for the year and growth of M2 over the year would probably be somewhat below the midpoint of its longer-run range. Under this approach, federal funds would be expected to rise to 10½ percent or so over the near-term. With the level of borrowing at the discount window expanding to about $1¼ billion and market interest rates rising, the current level of the discount rate would be called into question, as indeed it also would under alternative B. Total reserves would change little from June to September, and nonborrowed reserves would drop by about 5 percent at an annual rate if borrowing rose as specified.

(27) Under this alternative, given the restraint on reserve positions, M1 would be expected to expand at only a 4½ percent annual rate, while M2 and M3 would both increase at 8 percent rates, over the June to September period. The 3-month bill rate would rise substantially--to about 10 to 10½ percent--and the bank prime rate might move up to perhaps 12 percent. Longer-term yields would also show marked increases. The dollar would probably tend to rise substantially in foreign exchange markets,

and the viability of international debt positions of a number of major borrowing countries would come further into question. Earnings pressures on thrifts would be very substantial. However, the projected interest rate levels producing these pressures would probably slow the economy and credit demands substantially by winter, so that a drop in interest rates would be expected at least by the early part of next year consistent with tentative longer-run monetary and credit targets for that year.

Directive language

(28) Given below is draft directive language related to the Committee's decisions on the longer-run ranges (draft language for the operating paragraph is shown in paragraph (29)). Suggested deletions of language are shown in strike-through form with suggested additions in caps and certain alternatives bracketed.

The Federal Open Market Committee seeks to foster monetary and financial conditions that will help to reduce inflation further, promote ~~a resumption of~~ growth in output on a sustainable basis, and contribute to a sustainable pattern of international transactions. At its meeting in February the Committee established growth ranges for monetary and credit aggregates for 1983 in furtherance of these objectives. The Committee recognized that the relationships between such ranges and ultimate economic goals have been less predictable over the past year; that the impact of new deposit accounts on growth ranges of monetary aggregates cannot be determined with a high degree of confidence; and that the availability of interest on large portions of transaction accounts, declining inflation, and lower market rates of interest may be reflected in some changes in the historical trends in velocity. ~~A substantial shift of funds into M2 from market instruments, including large certificates of deposit not included in M2, in association with the extraordinarily rapid build-up of money market deposit accounts, distorted growth in that aggregate during the first quarter.~~

In establishing growth ranges LAST FEBRUARY for the aggregates for 1983 against this background, the Committee felt that growth in M2 might be more appropriately measured after the period of highly aggressive marketing of money market deposit accounts had subsided. The Committee also felt that a somewhat wider range was appropriate for monitoring M1. ~~These growth ranges were to be reviewed in the spring, and altered, if appropriate, in the light of evidence at that time. The Committee reviewed the ranges at this meeting and decided not to change them at this time, pending further review at the July meeting.~~ With these understandings, the Committee established the following growth ranges: for the period from February-March of 1983 to the fourth quarter of 1983, 7 to 10 percent at an annual rate for M2, taking into account the probability of some residual shifting into that aggregate from non-M2 sources; and for the period from the fourth quarter of 1982 to the fourth quarter of 1983, 6½ to 9½ percent for M3, which appeared to be less distorted by the new accounts. For the same period a tentative range of 4 to 8 percent was established for M1, assuming that Super NOW accounts would draw only modest amounts of funds from sources outside M1 and assuming that the authority to pay interest on transaction balances was not extended beyond presently eligible accounts. An associated range of growth for total domestic nonfinancial debt was estimated at 8½ to 11½ percent. THESE RANGES WERE REVIEWED AT THE MAY MEETING AND LEFT UNCHANGED, PENDING FURTHER REVIEW IN JULY.

AT THIS MEETING, THE COMMITTEE REAFFIRMED THE LONGER-RUN RANGES ESTABLISHED EARLIER FOR GROWTH IN M2, M3, [M1?], AND TOTAL DOMESTIC NONFINANCIAL DEBT IN 1983 [WITH GROWTH IN THE BROADER MONETARY AGGREGATES EXPECTED TO BE IN THE UPPER PART OF THEIR RANGES]. [WITH REGARD TO M1, THE COMMITTEE, TAKING ACCOUNT OF THE RAPID GROWTH IN THE FIRST HALF OF 1983 ASSOCIATED WITH THE CONTINUED DECLINE IN VELOCITY AND ANTICIPATING A DECELERATION IN GROWTH OVER THE SECOND HALF OF THE YEAR, ESTABLISHED A RANGE OF __ TO __ PERCENT FOR THE YEAR AS A WHOLE.] THE COMMITTEE ALSO AGREED ON TENTATIVE GROWTH RANGES FOR THE PERIOD FROM THE FOURTH QUARTER OF 1983 TO THE FOURTH QUARTER OF 1984 OF __ TO __ PERCENT FOR M2, __ TO __ PERCENT FOR M3, AND __ TO __ PERCENT FOR M1. THE ASSOCIATED RANGE FOR TOTAL DOMESTIC NONFINANCIAL DEBT FOR NEXT YEAR WAS SET AT __ TO __ PERCENT.

In implementing monetary policy, the Committee agreed that substantial weight would continue to be placed on behavior of the broader monetary aggregates. ~~expecting that distortions in M2 from the initial adjustment to the new deposit accounts will abate.~~ The behavior of M1 will continue to be monitored, with the degree of weight placed on that aggregate over time dependent on evidence that velocity characteristics are resuming more predictable patterns. [or THE COMMITTEE ALSO AGREED TO INCREASE THE WEIGHT OF M1 IN POLICY IMPLEMENTATION WITH THE DEGREE OF WEIGHT DEPENDENT ON THE STRENGTH OF EVIDENCE THAT THIS AGGREGATE WAS RESUMING A MORE PREDICTABLE RELATIONSHIP TO OTHER KEY ECONOMIC MAGNITUDES]. Debt expansion, while not directly targeted, will be evaluated in judging responses to the monetary aggregates. The Committee understood that policy implementation would involve continuing appraisal of the relationships between the various measures of money and credit and nominal GNP, including evaluation of conditions in domestic credit and foreign exchange markets.

(29) Draft language for the operational paragraph is shown below. Since the proposed language refers to alternative approaches for a new quarter, the old language (which referred to the second quarter) is not shown.

The Committee seeks in the short run to [increase (alt. C), increase somewhat (alt. B), or maintain (alt. A)] the existing degree of reserve restraint. The action is expected to be associated with growth of M2 and M3 at annual rates of about __ and __ percent respectively from June to September. The Committee anticipates that a deceleration in M1 growth to an annual rate of around __ percent will be consistent with its third-quarter objectives for the broader aggregates. [Depending in part on evidence about the strength of economic recovery, lesser restraint would be acceptable in the context of a significant shortfall in growth of the aggregates from current expectations, while somewhat greater restraint would be acceptable should the aggregates expand more rapidly.] The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that pursuit of the monetary objectives and related reserve paths during the period before the next meeting is likely to be associated with a federal funds rate persistently outside a range of __ to __ percent.

## Appendix I

### Interest Rates Consistent with the Greenbook GNP Projection
(quarterly averages, in percent)

| | Federal Funds | 3-month T-bill | Recent Aaa Utility | Fixed Rate Mortgage |
|---|---|---|---|---|
| 1983 Q2 (actual) | 8.80 | 8.40 | 11.55 | 12.76 |
| Q3 | 9½ | 9¼ | 12-1/8 | 13¼ |
| Q4 | 9¾ | 9½ | 12¼ | 13-3/8 |
| 1984 Q1 | 9¾ | 9¼ | 12 | 13¼ |
| Q2 | 9¼ | 8¾ | 11¾ | 13 |
| Q3 | 9 | 8½ | 11½ | 12¾ |
| Q4 | 9 | 8½ | 11½ | 12¾ |

# Selected Interest Rates

Percent

July 11, 1983

| Period | Short-Term | | | | | | | | Long-Term | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | federal funds | Treasury bills secondary market | | | CDs secondary market 3-month | comm. paper 1-month | money market mutual fund | bank prime loan | U.S. government constant maturity yields | | | corporate Aaa utility recently offered | municipal Bond Buyer | home mortgages | | |
| | | 3-month | 6-month | 1-year | | | | | 3-year | 10-year | 30-year | | | conventional at S&Ls | FHA/VA ceiling | GNMA security |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 1982--High | 15.61 | 14.41 | 14.23 | 13.51 | 15.84 | 15.56 | 13.89 | 16.86 | 15.01 | 14.81 | 14.63 | 16.34 | 13.44 | 17.66 | 16.50 | 15.56 |
| Low | 8.69 | 7.43 | 7.84 | 8.12 | 8.53 | 8.19 | 8.09 | 11.50 | 9.81 | 10.46 | 10.42 | 11.75 | 9.25 | 13.57 | 12.00 | 12.41 |
| 1983--High | 10.21 | 8.97 | 9.04 | 9.04 | 9.34 | 9.19 | 8.34 | 11.50 | 10.57 | 11.07 | 11.12 | 12.26 | 9.78 | 13.46 | 12.00 | 12.24 |
| Low | 8.42 | 7.63 | 7.72 | 7.82 | 8.15 | 8.02 | 7.71 | 10.50 | 9.40 | 10.18 | 10.32 | 11.03 | 8.78 | 12.55 | 11.50 | 11.53 |
| 1982--June | 14.15 | 12.47 | 12.70 | 12.57 | 14.46 | 13.95 | 13.07 | 16.50 | 14.48 | 14.30 | 13.92 | 15.84 | 12.45 | 16.70 | 15.50 | 15.84 |
| July | 12.59 | 11.35 | 11.88 | 11.90 | 13.44 | 12.62 | 12.86 | 16.26 | 14.00 | 13.95 | 13.55 | 15.61 | 12.28 | 16.82 | 15.50 | 15.56 |
| Aug. | 10.12 | 8.68 | 9.88 | 10.37 | 10.61 | 9.50 | 11.02 | 14.39 | 12.62 | 13.06 | 12.77 | 14.47 | 11.23 | 16.27 | 15.13 | 14.51 |
| Sept. | 10.31 | 7.92 | 9.37 | 9.92 | 10.66 | 9.96 | 9.73 | 13.50 | 12.03 | 12.34 | 12.07 | 13.57 | 10.66 | 15.43 | 13.80 | 13.57 |
| Oct. | 9.71 | 7.71 | 8.29 | 8.63 | 9.51 | 9.08 | 9.16 | 12.52 | 10.62 | 10.91 | 11.17 | 12.34 | 9.69 | 14.61 | 12.75 | 12.83 |
| Nov. | 9.20 | 8.07 | 8.34 | 8.44 | 8.95 | 8.66 | 8.54 | 11.85 | 9.98 | 10.55 | 10.54 | 11.88 | 10.06 | 13.83 | 12.25 | 12.66 |
| Dec. | 8.05 | 7.94 | 8.16 | 8.23 | 8.66 | 8.53 | 8.22 | 11.50 | 9.88 | 10.54 | 10.54 | 11.91 | 9.96 | 13.62 | 12.00 | 12.60 |
| 1983--Jan. | 8.68 | 7.86 | 7.93 | 8.01 | 8.36 | 8.19 | 7.96 | 11.16 | 9.64 | 10.46 | 10.63 | 11.84 | 9.50 | 13.25 | 12.00 | 12.06 |
| Feb. | 8.51 | 8.11 | 8.23 | 8.28 | 8.54 | 8.30 | 7.79 | 10.98 | 9.91 | 10.72 | 10.88 | 12.09 | 9.58 | 13.04 | 12.00 | 11.94 |
| Mar. | 8.77 | 8.35 | 8.37 | 8.36 | 8.69 | 8.56 | 7.77 | 10.50 | 9.84 | 10.51 | 10.63 | 11.74 | 9.20 | 12.80 | 12.00 | 11.87 |
| Apr. | 8.80 | 8.21 | 8.30 | 8.29 | 8.63 | 8.58 | 7.96 | 10.50 | 9.76 | 10.40 | 10.48 | 11.50 | 9.05 | 12.78 | 12.00 | 12.06 |
| May | 8.63 | 8.19 | 8.22 | 8.23 | 8.49 | 8.36 | 7.83 | 10.50 | 9.66 | 10.38 | 10.53 | 11.37 | 9.11 | 12.63 | 11.60 | 11.72 |
| June | 8.98 | 8.79 | 8.89 | 8.87 | 9.20 | 8.97 | n.a. | 10.50 | 10.32 | 10.85 | 10.93 | 11.79p | 9.52 | 12.87 | 12.00 | 12.09 |
| 1983--May 4 | 8.80 | 8.06 | 8.06 | 8.05 | 8.35 | 8.33 | 7.91 | 10.50 | 9.52 | 10.24 | 10.37 | 11.03 | 8.78 | 12.71 | 12.00 | 11.64 |
| 11 | 8.48 | 8.03 | 8.02 | 8.01 | 8.31 | 8.22 | 7.86 | 10.50 | 9.41 | 10.18 | 10.32 | 11.18 | 8.86 | 12.59 | 11.50 | 11.53 |
| 18 | 8.59 | 8.09 | 8.13 | 8.15 | 8.41 | 8.32 | 7.81 | 10.50 | 9.57 | 10.33 | 10.50 | 11.49 | 9.29 | 12.55 | 11.50 | 11.65 |
| 25 | 8.72 | 8.34 | 8.38 | 8.41 | 8.66 | 8.44 | 7.80 | 10.50 | 9.85 | 10.55 | 10.69 | 11.62 | 9.51 | 12.68 | 11.50 | 11.89 |
| June 1 | 8.77 | 8.56 | 8.62 | 8.62 | 8.89 | 8.60 | 7.79 | 10.50 | 10.10 | 10.71 | 10.86 | 11.72 | 9.78 | 12.74 | 11.50 | 11.91 |
| 8 | 8.84 | 8.67 | 8.80 | 8.78 | 9.07 | 8.80 | 7.85 | 10.50 | 10.24 | 10.83 | 10.95 | 11.78 | 9.69 | 12.82 | 12.00 | 11.99 |
| 15 | 8.84 | 8.73 | 8.84 | 8.80 | 9.15 | 8.89 | 7.96 | 10.50 | 10.24 | 10.81 | 10.89 | 11.66 | 9.38 | 12.96 | 12.00 | 12.06 |
| 22 | 9.14 | 8.84 | 8.92 | 8.90 | 9.24 | 9.03 | 8.03 | 10.50 | 10.32 | 10.75 | 10.82 | 11.84 | 9.38 | 12.96 | 12.00 | 12.05 |
| 29 | 8.90 | 8.97 | 9.04 | 9.04 | 9.34 | 9.19 | 8.11 | 10.50 | 10.51 | 11.01 | 11.07 | 12.00p | 9.36 | 13.08 | 12.00 | 12.24 |
| July 6 | 9.39 | 8.89 | 9.02 | 9.03 | 9.32 | 9.10 | 8.22 | 10.50 | 10.57 | 11.07 | 11.12 | 12.28p | 9.55 | n.a. | 12.00 | 12.24 |
| 13 | | | | | | | | | | | | | | | | |
| 20 | | | | | | | | | | | | | | | | |
| 27 | | | | | | | | | | | | | | | | |
| Daily--July 1 | 9.31 | 8.73 | 8.87 | 8.89 | 9.15 | 9.01 | -- | 10.50 | 10.41 | 10.93 | 11.00 | -- | -- | -- | -- | -- |
| 7 | 9.23 | 9.10 | 9.27 | 9.33 | 9.49 | 9.15 | -- | 10.50 | 10.74 | 11.29 | 11.31 | -- | -- | -- | -- | -- |
| 8 | 9.08p | 9.12 | 9.34 | 9.41 | 9.49 | 9.12 | -- | 10.50 | 10.84p | 11,34p | 11.38p | -- | -- | -- | -- | -- |

NOTE Weekly data for columns 1 through 11 are statement week averages. Data in column 7 are taken from Donoghues Money Fund Report. 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. 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.

# Net Changes in System Holdings of Securities[1]

Millions of dollars, not seasonally adjusted July 11, 1983

| Period | Treasury bills net change[2] | Treasury coupons net purchases[3] within 1-year | 1-5 | 5-10 | over 10 | total | Federal agencies net purchases[4] within 1-year | 1-5 | 5-10 | over 10 | total | Net change outright holdings total[5] | Net RPs[6] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1978 | 870 | 1,184 | 4,188 | 1,526 | 1,063 | 7,962 | -47 | 45 | 104 | 24 | 127 | 8,724 | -1,774 |
| 1979 | 6,243 | 603 | 3,456 | 523 | 454 | 5,035 | 131 | 317 | 5 | — | 454 | 10,290 | -2,597 |
| 1980 | -3,052 | 912 | 2,138 | 703 | 811 | 4,564 | 217 | 398 | 29 | 24 | 668 | 2,035 | 2,462 |
| 1981 | 5,337 | 294 | 1,702 | 393 | 379 | 2,768 | 133 | 360 | -- | — | 494 | 8,491 | 684 |
| 1982 | 5,698 | 312 | 1,794 | 388 | 307 | 2,803 | — | — | — | — | — | 8,312 | 1,461 |
| 1982--Qtr. I | -4,329 | 20 | 50 | -- | — | 70 | -- | -- | -- | — | -- | -4,371 | -999 |
| II | 5,585 | -68 | 570 | 81 | 52 | 635 | -- | — | -- | — | — | 6,208 | -5,375 |
| III | 150 | 71 | 891 | 113 | 123 | 1,198 | — | — | — | — | — | 1,295 | 7,855 |
| IV | 4,292 | 88 | 485 | 194 | 132 | 900 | — | — | — | — | — | 5,179 | -20 |
| 1983—Qtr. I | -1,403 | -- | -- | -- | -- | -- | — | — | -- | -- | — | -1,425 | -3,325 |
| II | 5,116 | 173 | 595 | 326 | 108 | 1,203 | — | — | -- | — | — | 6,208 | -793 |
| 1983--Jan. | -2,883 | — | — | — | — | -- | — | — | — | — | — | -2,892 | -6,127 |
| Feb. | 222 | — | — | — | — | -- | — | — | — | — | — | 216 | 2,971 |
| Mar. | 1,259 | — | — | — | — | -- | — | — | — | — | — | 1,250 | -168 |
| Apr. | 2,880 | — | — | -- | — | — | — | — | — | — | — | 2,873 | 2,971 |
| May | 516 | 173 | 595 | 326 | 108 | 1,203 | — | -- | — | — | — | 1,718 | -3,041 |
| June | 1,721 | — | — | — | — | — | — | — | — | — | — | 1,617 | -723 |
| 1983--Apr. 6 | 47 | -- | — | — | — | — | — | -- | — | — | — | 47 | 2,084 |
| 13 | 68 | — | — | — | — | — | — | — | — | — | — | 61 | -1,440 |
| 20 | 2,193 | — | — | — | — | — | — | — | — | — | — | 2,191 | 1,288 |
| 27 | 190 | — | — | — | — | — | — | — | — | — | — | 190 | 2,390 |
| May 4 | 430 | -- | -- | — | — | — | — | — | — | — | — | 430 | -3,579 |
| 11 | -- | — | — | — | — | — | — | — | — | — | — | — | -1,462 |
| 18 | 136 | 173 | 595 | 326 | 108 | 1,203 | — | — | — | — | — | 1,339 | 3,089 |
| 25 | 337 | — | — | — | — | — | — | — | — | — | — | 337 | -883 |
| June 1 | 43 | — | -- | — | — | — | -- | — | -- | — | — | 43 | 4,160 |
| 8 | 254 | — | — | — | — | — | — | — | — | — | — | 254 | -4,144 |
| 15 | 1,182 | — | — | — | — | — | — | — | — | — | — | 1,078 | -2,160 |
| 22 | 59 | — | — | — | — | — | — | — | — | — | — | 59 | 3,813 |
| 29 | 104 | — | — | — | — | — | — | — | — | — | — | 104 | -3,245 |
| July 6 | 267 | — | — | — | — | —[7] | — | — | — | — | — | 267 | 3,081 |
| LEVEL--July 6 | 61.9 | 19.5 | 34.0 | 11.7 | 17.1 | 82.3 | 2.8 | 4.4 | 1.2 | .5 | 8.9 | 153.1 | — |

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 the net purchases of securities, also reflects changes in System holdings of bankers' acceptances, direct Treasury borrowing from the System and redemptions (—) of agency and Treasury coupon issues.

6 Includes changes in RPs (+), matched sale-purchase transactions (—), and matched purchase-sale transactions (+).

7 On July 6, the System purchased $975 million of Treasury coupon issues for delivery on July 7.

# Security Dealer Positions

Millions of dollars

July 11, 1983

| Period | Net[1] Total | Cash Positions: Treasury bills | Cash Positions: Treasury coupons under 1 year | Cash Positions: Treasury coupons over 1 year | Cash Positions: federal agency | Cash Positions: private short-term | Forward and Futures Positions: Treasury bills | Forward and Futures Positions: Treasury coupons under 1 year | Forward and Futures Positions: Treasury coupons over 1 year | Forward and Futures Positions: federal agency | Forward and Futures Positions: private short-term |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1982--High | 49,437 | 11,156 | 772 | 9,456 | 6,275 | 16,658 | 8,032 | 36 | -687 | -526 | 703 |
| Low | -18,698 | -2,699 | -747 | 1,005 | 1,955 | 6,758 | -11,077 | -77 | -4,699 | -2,715 | -7,196 |
| 1983--High | 20,875 | 13,273 | 473 | 7,108 | 6,067 | 15,658 | 280 | 14 | -1,490 | -1,012 | -5,144 |
| Low | -382 | 1,323 | -687 | -929 | 4,013 | 8,839 | -10,310 | -95 | -3,225 | -3,382 | -7,512 |
| June | 12,317 | 7,286 | -462 | 4,253 | 2,976 | 11,749 | -6,194 | 3 | -2,679 | -1,405 | -3,210 |
| July | 18,722 | 5,768 | -583 | 4,029 | 2,872 | 14,530 | -1,403 | 16 | -3,452 | -1,195 | -1,860 |
| Aug. | 23,611 | 1,330 | -632 | 4,258 | 3,556 | 14,698 | 6,240 | -29 | -2,794 | -1,508 | -1,508 |
| Sept. | 16,497 | 275 | -534 | 2,366 | 4,416 | 12,787 | 3,158 | -21 | -1,286 | -2,405 | -2,259 |
| Oct. | 18,136 | 1,044 | 109 | 2,643 | 5,251 | 13,360 | 5,285 | -14 | -1,644 | -2,405 | -5,493 |
| Nov. | 17,310 | 3,653 | -593 | 4,170 | 5,680 | 11,821 | 1,461 | -9 | -3,219 | -2,372 | -4,468 |
| Dec. | 18,874 | 8,732 | 428 | 5,654 | 5,949 | 14,046 | -5,519 | -29 | -2,898 | -2,443 | -5,046 |
| 1983--Jan. | 13,042 | 9,962 | -232 | 4,950 | 5,125 | 13,166 | -7,782 | -50 | -2,766 | -2,654 | -6,677 |
| Feb. | 16,651 | 10,534 | -428 | 4,087 | 4,455 | 11,477 | -3,631 | -70 | -1,807 | -2,099 | -5,867 |
| Mar. | 15,855 | 9,544 | 3 | 1,852 | 4,855 | 12,087 | -1,737 | -4 | -2,476 | -1,970 | -6,299 |
| Apr. | 9,199 | 7,775 | -371 | 1,610 | 5,278 | 11,753 | -7,515 | -9 | -2,480 | -1,458 | -5,834 |
| May | 5,361 | 4,412 | 10 | 1,813 | 5,719 | 10,938 | -7,033 | ** | -2,628 | -1,607 | -6,263 |
| June | 8,243* | 3,618* | 65* | 121* | 5,627* | 9,786* | -550* | -23* | -744* | -1,453* | -8,383* |
| May 4 | 12,700 | 8,345 | -118 | 3,522 | 5,647 | 13,965 | -9,644 | -7 | -2,616 | -1,012 | -5,389 |
| 11 | 9,350 | 6,886 | 97 | 4,831 | 5,581 | 12,513 | -10,310 | 7 | -3,034 | -1,522 | -5,699 |
| 18 | 5,840 | 5,405 | 93 | 1,717 | 6,067 | 10,602 | -7,501 | 14 | -3,000 | -1,921 | -5,636 |
| 25 | -382 | 1,323 | -90 | -929 | 5,697 | 8,839 | -3,791 | -11 | -2,274 | -1,656 | -7,490 |
| June 1 | 327 | 32 | 48 | -715 | 5,296 | 9,115 | -2,962 | -10 | -1,471 | -1,711 | -7,295 |
| 8 | 8,744 | 4,537 | 146 | -252 | 5,545 | 9,792 | -398 | -10 | -903 | -1,712 | -8,001 |
| 15 | 9,135* | 5,527* | 25* | -276* | 6,132* | 8,979* | 378* | -30* | -1,169* | -2,227* | -8,204* |
| 22 | 7,020* | 2,577* | 7* | 502* | 5,424* | 10,120* | -783* | -32* | -527* | -1,609* | -8,657* |
| 29 | 7,826* | 1,901* | 54* | 1,599* | 5,529* | 9,943* | -974* | -26* | -384* | -1,008* | -8,809* |
| July 6 | 5,143* | 414* | 133* | -26* | 5,523* | 10,473* | -1,377* | -6* | -545* | -749* | -8,699* |
| 13 | | | | | | | | | | | |
| 20 | | | | | | | | | | | |
| 27 | | | | | | | | | | | |

NOTE: Government securities dealer cash positions consist of securities already delivered, commitments to buy (sell) securities on an outright basis for immediate delivery (5 business days or less), and certain "when-issued" securities for delayed delivery (more than 5 business days). Futures and forward positions include all other commitments involving delayed delivery; futures contracts are arranged on organized exchanges.

1. Cash plus forward plus futures positions in Treasury, federal agency, and private short-term securities.

* Strictly confidential