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March 23, 1984

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# MONETARY POLICY ALTERNATIVES

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Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

March 23, 1984

MONETARY POLICY ALTERNATIVES

Recent developments

(1) M1 expanded at an average annual rate of about 6-1/2 percent during February and March, based on preliminary estimates for March. For the December-to-March period M1 growth is estimated at around 8 percent, above the 7 percent rate of expansion specified by the Committee and placing this aggregate in March in the upper half of its long-run target range. The pickup in M1 growth in the first quarter fell short of the strengthening in GNP expansion, implying about a 5 percent increase, at an annual rate, in M1 velocity, some 3 percentage points faster than in the second half of last year.

(2) M2 grew at about 8-1/2 and 5 percent annual rates in February and March, respectively, bringing growth from December to March to an estimated 6-1/2 percent annual rate--somewhat below the 8 percent path specified by the Committee--and leaving M2 in March in the lower half of its long-run 6 to 9 percent range. The more liquid components of M2 have grown relatively rapidly in early 1984, but small time deposit expansion has slowed sharply; this deceleration may partly reflect shifts of deposits to IRA and Keogh balances, which are not included in the aggregates; such shifts may not yet be fully reflected in the M2 seasonal factors. With the relatively slow growth of M2 early this year, its velocity is estimated to have increased at an unusually rapid annual rate of around 5-1/2 percent in the first quarter.

(3) M3 expanded at an estimated 9-1/2 percent average annual rate during February and March, and growth of this aggregate since

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

	Jan.	Feb.	Mar. <sup>e</sup>	Dec. to Mar. <sup>e</sup>	QIV to Mar. <sup>e</sup>
<u>Money and Credit Aggregates</u>					
M1	10.7	6.6	6.5	8.0	7.2
M2	5.5	8.6	5.0	6.4	6.8
M3	5.8	10.0	9.1	8.4	8.9
Domestic nonfinancial debt	13.2	12.1	--	--	--
Bank credit	11.1	15.2	--	--	--
<u>Reserve Measures<sup>1</sup></u>					
Nonborrowed reserves <sup>2</sup>	9.9	24.9	--	--	--
Total reserves	7.6	19.3	--	--	--
Monetary base	12.8	10.3	--	--	--
Memo: (Millions of dollars)					
Adjustment and seasonal borrowing	712	562	794 <sup>3</sup>		
Excess reserves	613	948	694 <sup>4</sup>		

e--estimate based on partial data.

1. 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.

2. Includes special borrowing and other extended credit from the Federal Reserve.

3. Average through March 21.

4. Average through March 14.

December is estimated at 8-1/2 percent, somewhat above the rate sought by the FOMC. M3 in March is at the upper end of its long-run range. Issuance of large time deposits by both banks and thrifts picked up in the first quarter reflecting strong credit growth at these institutions; net inflows of funds to U.S. banks from their overseas offices were relatively small through the first two months of the year.

(4) The debt of domestic nonfinancial sectors increased at an average annual rate of 12-3/4 percent in January and February (as estimated from latest available data), up from around a 10-3/4 percent pace in the fourth quarter as federal government borrowing surged (with an associated large build-up in Treasury cash balances). Nonfederal debt expanded, on average, at about a 10 percent rate, close to the pace of the fourth quarter, as business firms have stepped up both short- and long-term borrowings and credit demands to finance housing and consumer durables have remained strong. In February, growth in nonfederal debt is estimated to have been boosted by nearly a percentage point by borrowing associated with the Texaco-Getty merger. Nonetheless, even after allowance for borrowing related to the merger, debt of domestic nonfinancial sectors appears to be running above the FOMC's 8 to 11 percent band set for 1984.

(5) A somewhat more cautious approach to reserve management by depository institutions has been evident in the period following the advent of contemporaneous reserve requirements. Excess reserves were very high in the first full maintenance period under CRR, when the final phasedown to lower reserve requirements also occurred, but they have since dropped toward average levels prevailing prior to CRR. Moreover,

at least until recently, depository institutions also appeared to have been somewhat more reluctant to turn to the discount window particularly over the first part of the two-week reserve period. The nonborrowed reserve paths during the intermeeting period were constructed assuming \$650 million of borrowing at the discount window. Through mid-March borrowing averaged around \$600 million, but has risen to about \$1 billion in the first part of the current reserve maintenance period, as large banks appeared to show somewhat more willingness to borrow early in a period, perhaps reflecting the tendency for federal funds to trade at somewhat higher rates than previously. Owing to the high volume of excess reserves in February, and to strength in required reserves accompanying growth in transaction deposits, total and nonborrowed reserves expanded rapidly in February, but appear to be decreasing in March as excess reserves have declined.

(6) Market interest rates have moved sharply higher over the intermeeting period, generally by about 3/4 to 1 percentage point in both short- and long-term sectors, in light of incoming data indicating strong economic expansion and credit demands, little concrete evidence that federal deficits will be substantially reduced, and growing expectation of a tightening in monetary policy. Federal funds traded in a 9-1/2 to 9-3/4 percent range through most of the intermeeting period. However, most recently, they have tended to trade around 10 percent or over, partly in reflection of mid-March tax date pressures but also partly in anticipation of monetary policy adjustments. With business loan demand strong and CD rates up around 3/4 of a point over the past six weeks, the prime rate was increased from 11 to 11-1/2 percent. Broad stock price indexes have declined 3 to 7 percent since the January

FOMC meeting, and are down 9 to 25 percent compared with record highs set over the past year.

(7) After dropping by 7 percent from the end of January through early March, the weighted average exchange value of the dollar has rebounded by 3 percent in recent weeks. Factors contributing to the dollar's decline included an improved outlook for the German and other European economies, some concern over a possible rise in U.S. inflation in the face of stronger-than-expected growth in U.S. economic activity, and questions about the sustainability of huge foreign capital inflows to the United States at current exchange rates. Later in the intermeeting period the dollar benefited from market participants' perceptions that the Federal Reserve had or would soon begin to tighten monetary policy to forestall a rekindling of inflation.

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Prospective developments

(8) The upper panel of the table below shows alternative specifications for the monetary aggregates for the March-to-June period. The associated federal funds rate ranges are shown in the middle panel, and the implied growth of money from the fourth quarter base period to June in the lower panel. (More detailed data are given in the table and charts on the following pages.)

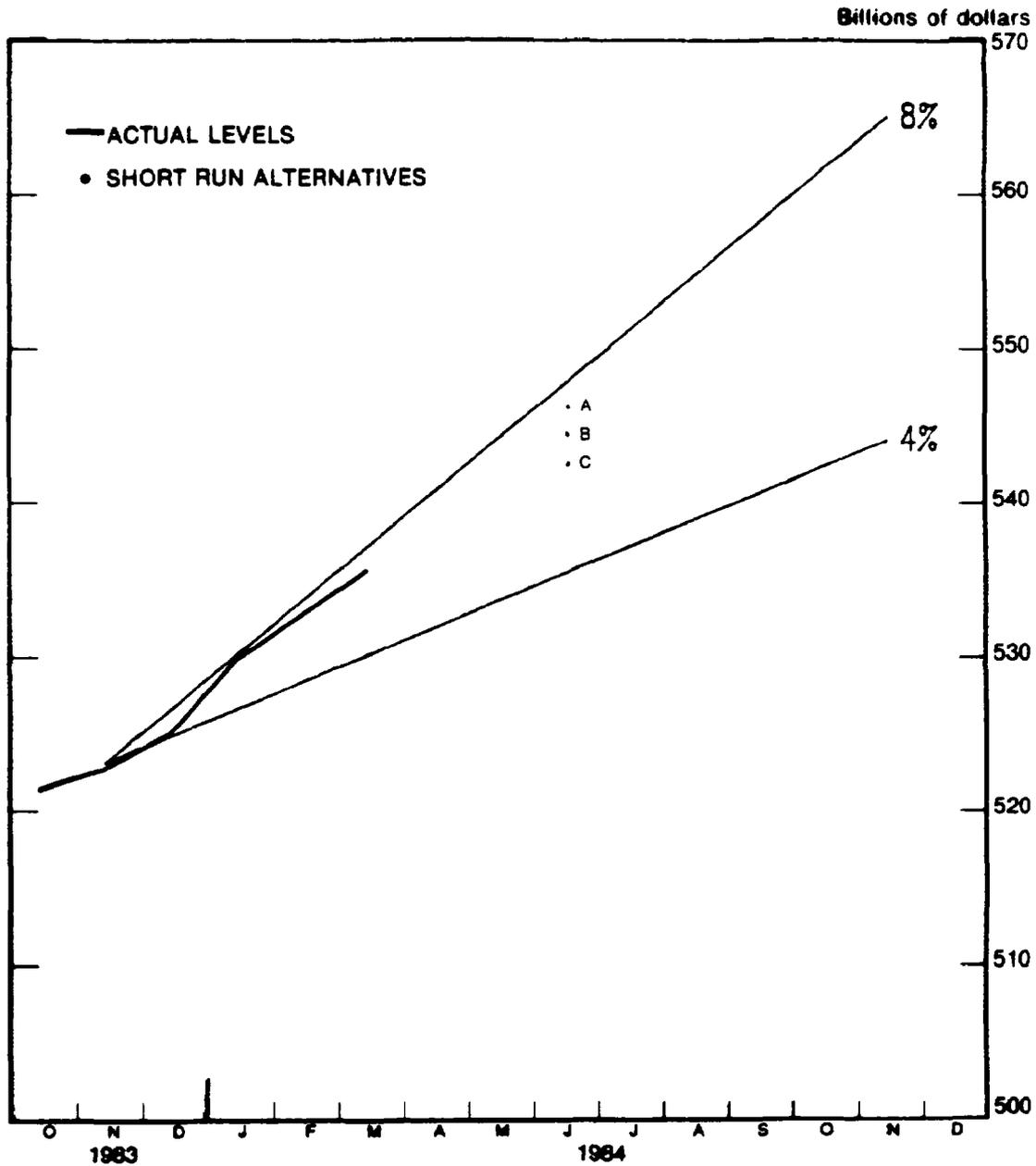
	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
Growth from March to June			
M1	8	6-1/2	5
M2	8-3/4	8	7-1/4
M3	9	8-1/2	8
Federal funds rate ranges	6-1/2 to 10-1/2	7-1/2 to 11-1/2	8-1/2 to 12-1/2
Implied growth from QIV to June			
M1	7-1/2	7	6-1/4
M2	7-3/4	7-1/2	7
M3	9	8-3/4	8-1/2

(9) The specifications of alternative B, which are those considered most consistent with the staff's GNP outlook, call for some slowing of M1 growth from the pace of the December-to-March period, although this aggregate would remain above the midpoint of its longer-run range in June. Growth of M2 would be expected to accelerate, however, placing this aggregate near the middle of its range by mid-year, while M3 growth would continue near the upper end of its range. Given the continuing strength of money and credit demands implicit in the 10-1/4 percent growth of nominal GNP forecast for the second quarter, these specifications may involve some further firming of interest rates over the intermeeting period and a relatively strong rise in velocity. M1 velocity in the second quarter would probably expand at about a

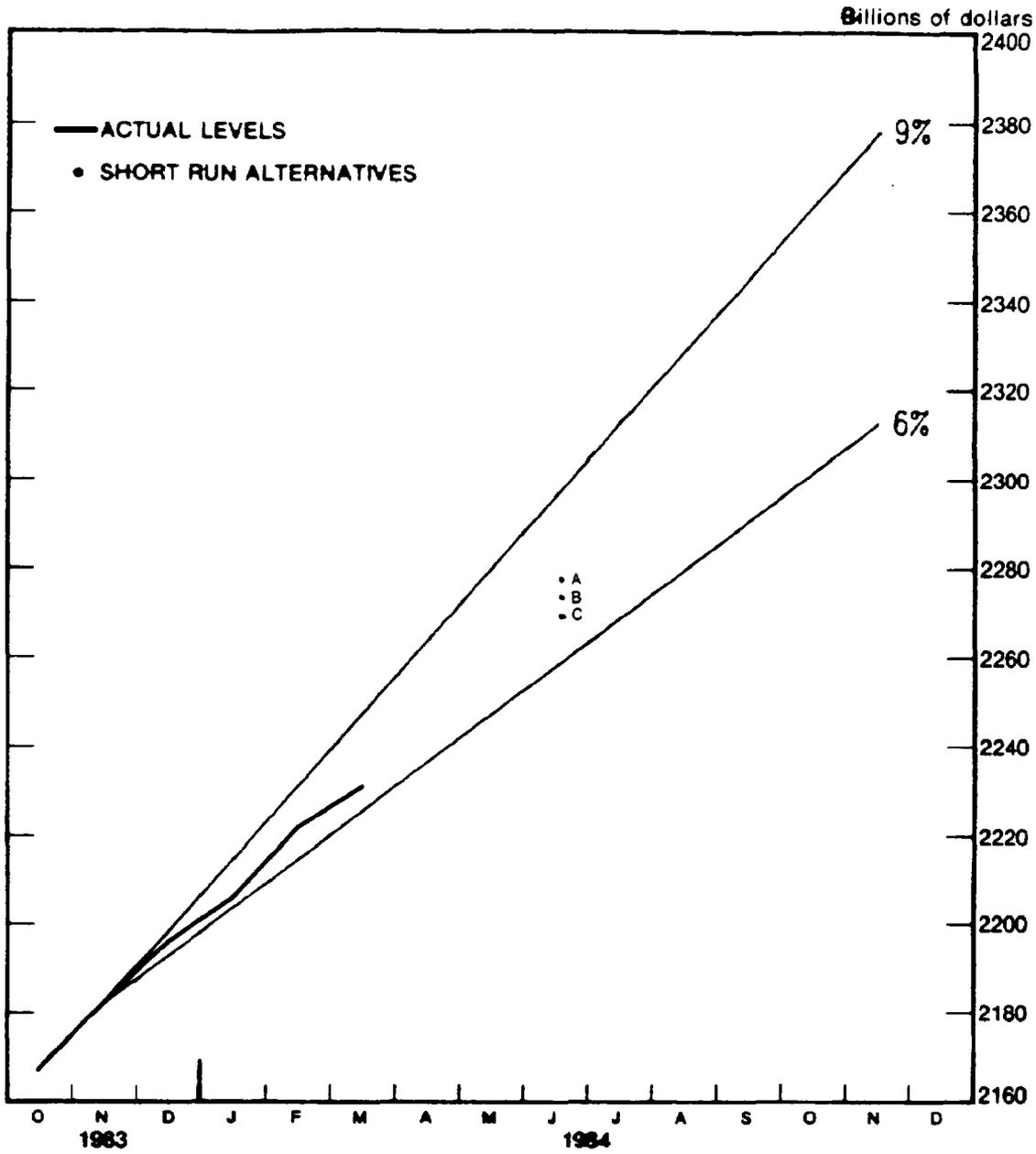
Alternative Levels and Growth Rates for Key Monetary Aggregates

	M1			M2			M3		
	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1984--January	530.0	530.0	530.0	2206.1	2206.1	2206.1	2720.1	2720.1	2720.1
February	532.9	532.9	532.9	2221.9	2221.9	2221.9	2742.7	2742.7	2742.7
March	535.8	535.8	535.8	2231.1	2231.1	2231.1	2763.6	2763.6	2763.6
April	538.7	538.2	537.7	2245.6	2244.5	2243.8	2783.4	2782.5	2781.6
May	542.8	541.5	540.3	2263.2	2260.4	2258.0	2805.0	2802.7	2800.4
June	546.5	544.5	542.5	2279.9	2275.7	2271.5	2825.8	2822.3	2818.9
<u>Growth Rates</u>									
<u>Monthly</u>									
1984--January	10.7	10.7	10.7	5.5	5.5	5.5	5.8	5.8	5.8
February	6.6	6.6	6.6	8.6	8.6	8.6	10.0	10.0	10.0
March	6.5	6.5	6.5	5.0	5.0	5.0	9.1	9.1	9.1
April	6.5	5.4	4.3	7.8	7.2	6.8	8.6	8.2	7.8
May	9.1	7.4	5.8	9.4	8.5	7.6	9.3	8.7	8.1
June	8.2	6.6	4.9	8.9	8.1	7.2	8.9	8.4	7.9
1984 March to June	8.0	6.5	5.0	8.8	8.0	7.3	9.0	8.5	8.0
<u>Growth Rates</u>									
<u>Quarterly Average</u>									
1983--Q1	12.8	12.8	12.8	20.5	20.5	20.5	10.8	10.8	10.8
Q2	11.6	11.6	11.6	10.6	10.6	10.6	9.3	9.3	9.3
Q3	9.5	9.5	9.5	6.9	6.9	6.9	7.4	7.4	7.4
Q4	4.8	4.8	4.8	8.5	8.5	8.5	9.9	9.9	9.9
1984--Q1	7.3	7.3	7.3	6.9	6.9	6.9	8.6	8.6	8.6
Q2	7.3	6.4	5.5	7.8	7.3	6.9	9.1	8.8	8.5
'83 Q4 to June '84	7.6	6.9	6.3	7.7	7.4	7.1	9.0	8.8	8.6

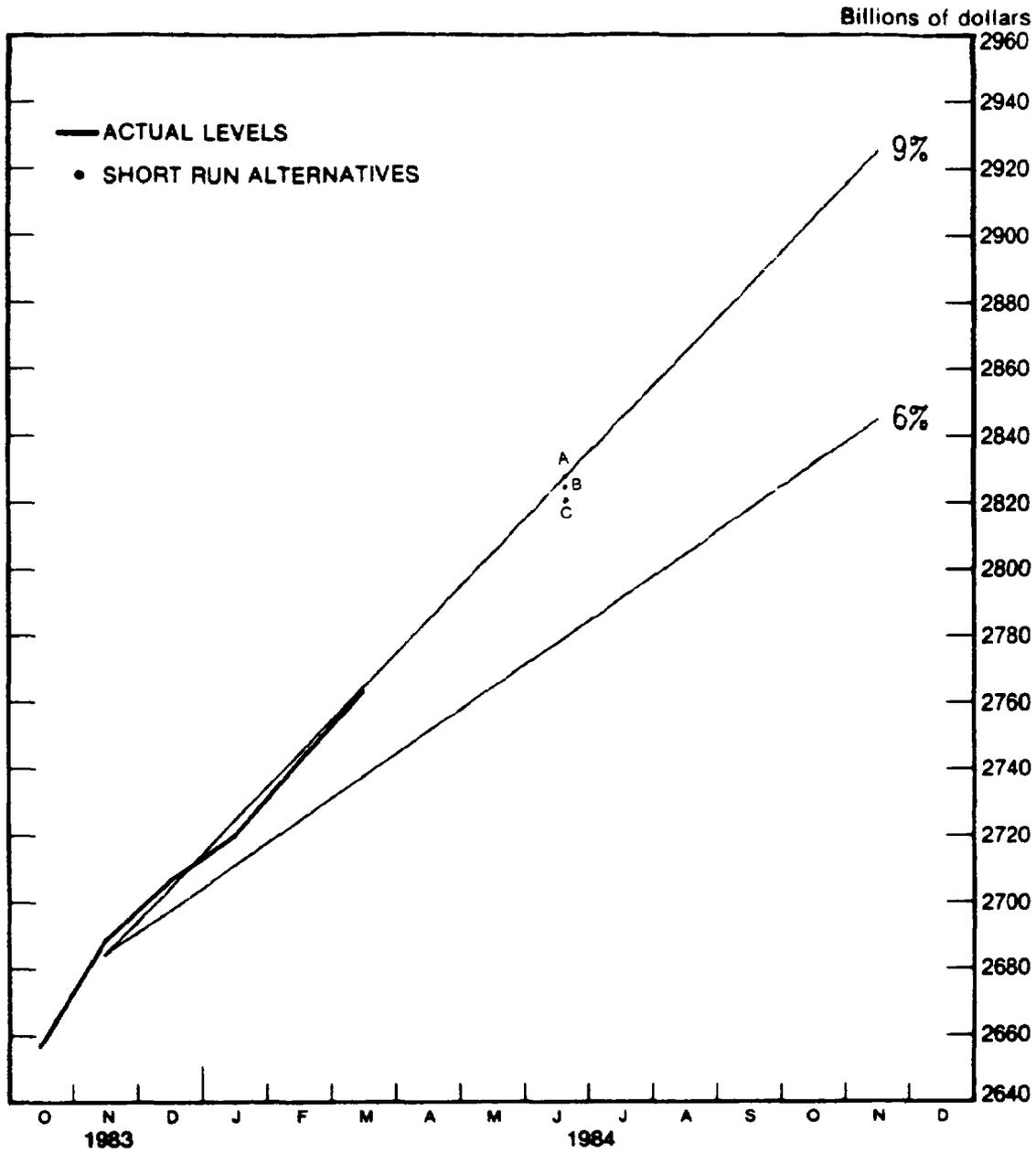
# Actual and Targeted M1



### Actual and Targeted M2



### Actual and Targeted M3



3-1/2 percent annual rate, slower than in the first quarter and close to what is typical in the second year of a recovery. While M1 would still be well in the upper part of its range by June, its expansion would be expected to moderate further toward the middle of the range over the second half of the year partly in lagged response to further interest rate increases and also reflecting a slowdown in GNP growth.

(10) The expansion of M2 is expected to accelerate from its unusually slow pace of recent months under alternative B--and the other alternatives as well--after the extraordinary 5-1/2 percent rise in its velocity in the first quarter. Even with the pickup in M2 growth and slowing in the rate of increase in GNP, V2 would be expected to rise at around a 2-1/2 percent annual rate in the second quarter, a little less than its average increase over the past four quarters. There had been a marked drop in M2 velocity during the recession, and also in early 1983 when MMDAs were introduced; thus, the rise over recent quarters may reflect some unwinding of balances that had been moved into M2 for precautionary reasons or because of the initial attractiveness of MMDAs. M3 under this alternative is not expected to slow much, if at all, from its recent pace, with this aggregate remaining around the top of its long-term range. While CD issuance at banks and thrifts may moderate somewhat as growth of core deposits picks up, the need for the managed liabilities in M3 should remain sizable given projected strength in demands on these institutions for credit by households and businesses (including additional financing that may be associated with merger activity).

(11) Borrowing at the discount window of around \$1 billion, or perhaps a bit more, probably would be associated with the monetary aggregate specifications of alternative B, and nonborrowed and total reserves could be expected to increase at annual rates of 3 and 6 percent, respectively. Given the current discount rate, the federal funds rate would probably be in the neighborhood of 10-1/2 percent, although it could be even higher in the next several days around the quarter-ending statement date and also around the mid-April tax date. While immediate transitional adjustments to CRR seem to be behind us, it should be noted in this context that there are still uncertainties about the lasting impact of CRR and the lengthening of the reserve period on bank reserve management policies.

(12) The market has probably not entirely discounted the degree of reserve restraint implied by alternative B, and interest rates generally would be expected to increase somewhat further, with the Treasury bill rate possibly moving up about 1/4 percentage point to around 10 percent or a little higher, partly in anticipation of a rise in the discount rate. Longer-term market rates should also rise a little further, particularly as the market absorbs the recently announced \$15 billion package of Treasury coupon issues (to be auctioned in the week of the FOMC meeting). The prime rate would again come under pressure as the spread over 3-month CDs narrowed to less than one percentage point after allowance for reserve requirements. With thrift institution earnings deteriorating as rates rose, the spread of mortgage rates over bond rates might begin to widen. The dollar may continue to hold its recent gains, and perhaps even rise somewhat further, for a time, as investors react not only to the higher returns on dollar assets but

also to the signal of determination to combat inflation. However, over time the dollar is expected to resume declining in light of the large and growing current account deficit.

(13) The debt of nonfinancial sectors is projected to grow over the second quarter at close to the advanced pace of the first quarter, remaining somewhat above the FOMC's longer-run range. Private borrowing likely will continue robust, augmented to a degree by merger-related financing, but reflecting as well strength in underlying credit demands as the economy continues to expand. Businesses' financing gap is projected to rise, as investment spending grows rapidly in the face of moderating profit growth, but the amount of borrowing by this sector may not increase if the accumulation of liquid assets slows as expected. Growth in domestic nonfinancial debt for the year as a whole is currently projected to be at, or slightly above, its 8 to 11 percent long-run range, assuming a slowdown in debt formation over the second half of the year as economic expansion slows.

(14) The specifications of alternative A contemplate more rapid growth of the aggregates, with M1 coming closer to the upper limit of its longer-run range by June and M2 moving above its midpoint. M3 would probably tend to remain around the upper limit of its long-run range. The near-term growth rates of this alternative—8 and 8-3/4 percent for M1 and M2 respectively over the March-to-June period—would probably involve a little less pressure on reserve positions over the intermeeting period than has been evident most recently.

(15) Borrowing at the discount window under alternative A would be around \$550 to \$650 million, and nonborrowed reserves would increase at about a 10 percent annual rate. The federal funds rate would probably drop to around 9-3/4 percent. Other interest rates also would be expected to decline from current levels, at least to the degree that some of the recent rate increases may have anticipated firmer monetary conditions than contemplated under this alternative. The extent of any such rally could be quite limited, however, in the absence of substantive progress in reducing the budget deficit and evidence of a slowing in the pace of economic activity. Moreover, a tendency for growth in the monetary aggregates to be relatively strong, as is anticipated in this alternative, particularly for M1 and M3, would probably lead to market expectations that any moderation in the degree of pressure on bank reserve positions was not sustainable.

(16) The approach of alternative A would probably lead to more rapid GNP growth over the spring and summer than in the staff's current forecast. In such a case, this alternative increases the odds that a substantial rise of interest rates later this year and into 1985 may be needed to keep money growth rates within their long-run target bands and/or to forestall greater upward pressures than currently projected on the average price level.

(17) Alternative C involves a more restrictive policy than either A or B--slowing M1 growth, for example, over the March-to-June period to about 5 percent at an annual rate, which would place it at about the middle of its longer-run range by mid-year. M2 growth would remain relatively restrained and this aggregate would stay in the lower

part of its long-run range. Discount window borrowing might rise to around \$1-1/2 billion over the intermeeting period, with nonborrowed reserves falling at a 4 percent annual rate.

(18) The federal funds rate would probably rise to over 11 percent under this alternative, and other market interest rates would be expected to advance sharply further. It is probable that growth in economic activity would be more restrained as the year progresses than in the current Greenbook forecast, and total domestic nonfinancial debt would be more likely to grow within the Committee's long-run range for that aggregate over the year. There would be less risk of an increase in inflationary pressures under this approach, though at the same time there would be greater risk of provoking an undesired weakening in demand for goods and services. Thrift institutions would come under substantial earnings pressures. Borrowers and creditors involved in international lending would find their problems intensified as dollar interest rates rose and the dollar remained under upward pressure in exchange markets for a time. Given the degree of restraint on the economy and on credit growth that may develop, interest rates could begin to decline later in the year as needed to maintain monetary growth around the mid-point of the long-run ranges and to sustain a reasonable rate of economic growth.

Directive language

(19) Proposed language for the operational paragraphs of the directive, with alternatives, is shown below. Two variants for the first sentence are given. The first variant is based on the present directive and presents alternative language with regard to instructions concerning the degree of pressure on reserve positions—whether to "maintain", "increase somewhat", or simply "increase". Alternative A would be consistent with language to "maintain" the existing degree of reserve restraint (interpreted as borrowing averaging over time on the order of \$650 million). Alternatives B and C would be consistent with language "to increase somewhat" or "to increase" reserve restraint, respectively.

Variant II differs from the first by focusing on the degree of pressure on reserve positions that has recently emerged. Maintenance of such pressure could be construed as consistent with the approach of alternative B or an approach between A and B.

OPERATIONAL PARAGRAPHS

First Sentence: Variant I

In the short run, the Committee seeks to maintain /INCREASE SOMEWHAT/INCREASE the existing degree of pressure on ~~bank~~ reserve positions, anticipating that approach will be consistent with growth of M2 and M3 each at annual rates of about 8 \_\_\_ percent and \_\_\_ PERCENT RESPECTIVELY AND WITH GROWTH OF M1 at an annual rate of about 7 \_\_\_ percent during the period from ~~December~~ to March TO JUNE.

First Sentence: Variant II

In the short run, the Committee seeks to maintain the ~~exist-~~ing degree of pressure on ~~bank~~ reserve positions THAT HAS RECENTLY

EMERGED, anticipating that approach will be consistent with growth of M2 and M3 each at annual rates of about 8 \_\_\_ percent and \_\_\_ PERCENT RESPECTIVELY AND WITH GROWTH OF M1 at an annual rate of about 7 \_\_\_ percent during the period from December to March TO JUNE.

Remaining language for either alternative

Growth in Nonfinancial debt is expected to GROW AT A RATE be within AROUND THE UPPER LIMIT OF the MONITORING range established for the year. Lesser restraint would be acceptable in the context of a shortfall in monetary and credit growth from current expectations, while somewhat greater restraint might be acceptable with more rapid expansion of the aggregates, both viewed in the context of the strength of the business expansion and inflationary pressures. [Possible alternative: SOMEWHAT GREATER OR LESSER RESTRAINT WOULD BE ACCEPTABLE IN THE EVENT OF A SIGNIFICANT DEVIATION IN GROWTH OF THE MONETARY AGGREGATES FROM CURRENT EXPECTATIONS, viewed in the context of the strength of the business expansion and inflationary pressures.]

~~In implementing policy in the weeks ahead, the Manager was instructed to take account of the uncertainties associated with the introduction of the system of more contemporaneous reserve requirements, particularly including the possibility that depository institutions, during a transition period, may desire to hold more excess reserves.~~

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 6 to 10 \_\_\_ TO \_\_\_ percent.

## Selected Interest Rates

Percent

March 26, 1984

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 A 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	FNMA 1-year ARM
		1	2	3					4	5	6			7	8	9
1982--High	15.61	14.41	14.23	13.51	15.84	15.56	13.89	16.86	15.01	14.81	14.63	17.47	14.32	17.66	16.50	17.41
Low	8.69	7.43	7.84	8.12	8.53	8.19	8.09	11.50	9.81	10.46	10.42	12.58	9.78	13.57	12.00	11.07
1983--High	10.21	9.49	9.64	9.79	9.93	9.85	8.79	11.50	11.57	12.14	12.11	13.42	10.56	13.89	13.50	12.53
Low	8.42	7.63	7.72	7.82	8.15	8.02	7.71	10.50	9.40	10.18	10.32	11.64	9.21	12.55	11.50	10.49
1983--Feb.	8.51	8.11	8.23	8.28	8.54	8.30	7.79	10.98	9.91	10.72	10.88	12.90	10.13	13.04	12.00	11.16
Mar.	8.77	8.35	8.37	8.36	8.69	8.56	7.77	10.50	9.84	10.51	10.63	12.47	9.78	12.80	12.00	10.71
Apr.	8.80	8.21	8.30	8.29	8.63	8.58	7.96	10.50	9.76	10.40	10.48	12.04	9.40	12.78	12.00	11.04
May	8.63	8.19	8.22	8.23	8.49	8.36	7.83	10.50	9.66	10.38	10.53	11.92	9.56	12.63	11.63	10.68
June	8.98	8.79	8.89	8.87	9.20	8.97	8.01	10.50	10.32	10.85	10.93	12.40	10.07	12.87	11.88	11.36
July	9.37	9.08	9.26	9.34	9.50	9.15	8.34	10.50	10.90	11.38	11.40	12.79	10.06	13.42	12.30	11.93
Aug.	9.56	9.34	9.51	9.60	9.77	9.41	8.69	10.89	11.30	11.85	11.82	13.16	10.25	13.81	13.38	12.16
Sept.	9.45	9.00	9.15	9.27	9.39	9.19	8.77	11.00	11.07	11.65	11.63	12.98	10.20	13.73	13.00	11.86
Oct.	9.48	8.64	8.83	8.98	9.18	9.03	8.67	11.00	10.87	11.54	11.58	12.89	10.14	13.54	13.00	11.40
Nov.	9.34	8.76	8.93	9.08	9.36	9.10	8.55	11.00	10.96	11.69	11.75	13.14	10.22	13.44	12.50	11.40
Dec.	9.47	9.00	9.17	9.24	9.69	9.56	8.69	11.00	11.13	11.83	11.88	13.29	10.40	13.42	12.50	11.56
1984--Jan.	9.56	8.90	9.02	9.07	9.42	9.23	8.80	11.00	10.93	11.67	11.75	12.99	10.03	13.37	12.50	11.45
Feb.	9.59	9.09	9.18	9.20	9.54	9.35	n.a.	11.00	11.05	11.84	11.95	13.05	10.00	13.23	12.50	11.38
1984--Jan. 4	10.06	8.98	9.15	9.22	9.64	9.55	8.94	11.00	11.09	11.81	11.87	13.16	10.13	13.43	12.50	11.60
11	9.53	8.91	9.08	9.14	9.47	9.26	8.81	11.00	11.00	11.74	11.82	12.95	10.07	13.40	12.50	11.40
18	9.54	8.84	8.94	9.01	9.36	9.17	8.78	11.00	10.87	11.62	11.69	12.88	9.98	13.35	12.50	11.40
25	9.53	8.93	9.00	9.06	9.40	9.23	8.75	11.00	10.89	11.63	11.70	12.85	9.95	13.29	12.50	11.40
Feb. 1	9.41	8.90	8.97	9.01	9.35	9.16	8.72	11.00	10.88	11.65	11.74	12.83	9.86	13.26	12.50	11.30
8	9.58	9.02	9.05	9.06	9.40	9.27	8.70	11.00	10.91	11.67	11.77	12.91	9.93	13.23	12.50	11.25
15	9.53	9.06	9.14	9.13	9.50	9.34	8.72	11.00	10.99	11.81	11.91	13.02	9.99	13.19	12.50	11.40
22	9.60	9.13	9.27	9.29	9.63	9.41	8.73	11.00	11.10	11.90	12.01	13.35	10.23	13.25	12.50	11.55
29	9.62	9.20	9.33	9.37	9.70	9.42	8.75	11.00	11.24	12.04	12.16	13.41	10.34	13.23	12.50	11.70
Mar. 7	9.74	9.22	9.36	9.39	9.75	9.46	8.78	11.00	11.28	12.09	12.18	13.55	10.41	13.30	12.50	11.70
14	9.79	9.37	9.54	9.55	9.96	9.67	8.84	11.00	11.50	12.27	12.36	13.60	10.41	13.37	12.50	11.80
21	10.04	9.65	9.76	9.78	10.16	9.90	8.94	11.21	11.66	12.40	12.48	13.81p	10.39	13.48	13.00	12.10
28																
Daily--Mar. 16	9.84	9.50	9.65	9.70	9.98	9.78	--	11.00	11.58	12.34	12.43	--	--	--	--	--
22	10.45	9.79	9.93	9.95	10.39	10.17	--	11.50	11.83	12.49	12.53	--	--	--	--	--
23	10.28p	9.77	9.93	9.95	10.42	10.19	--	11.50	11.83p	12.48p	12.50p	--	--	--	--	--

NOTE: Weekly data for columns 1 through 11 are statement week averages. Data in column 7 are taken from Donoghue's Money Fund Report. Columns 12 and 13 are 1-day quotes for Friday and Thursday, respectively, following the end of the statement week. Column 13 is the Bond Buyer revenue index. Column 14 is an average of contract interest rates on new commitments for conventional first mortgages with 80 percent loan-to-value ratios at a sample of savings and loan associations on the Friday following the end of the statement week. After November 30, 1983, column 15 refers only to VA-guaranteed loans. Column 16 is the initial gross yield posted by FNMA, on the Friday following the end of the statement week, in its purchase program for adjustable-rate home mortgages having rate and payment adjustments once a year.

## Security Dealer Positions

Millions of dollars

March 26, 1984

Period	Net <sup>1</sup> Total	Cash Positions <sup>2</sup>					Forward and Futures Positions				
		Treasury bills	Treasury coupons		federal agency	private short-term	Treasury bills	Treasury coupons		federal agency	private short-term
			under 1 year	over 1 year				under 1 year	over 1 year		
1983--Jan.	24,816	19,808	1,050	5,332	5,389	13,166	-7,782	-50	-2,766	-2,654	-6,677
Feb.	29,952	16,742	818	9,734	4,674	11,477	-3,631	-70	-1,807	-2,099	-5,886
Mar.	24,694	16,590	1,231	2,144	5,052	12,087	-1,734	-4	-2,357	-1,990	-6,325
Apr.	16,438	13,085	992	1,901	5,442	11,753	-7,705	-9	-2,479	-1,482	-5,860
May	9,919	7,795	1,146	2,118	5,822	10,914	-7,288	0	-2,636	-1,666	-6,286
June	12,139	6,759	1,087	435	5,748	9,787	-914	-23	-722	-1,595	-8,423
July	7,964	4,076	952	137	6,976	10,275	-2,635	-6	-1,302	-1,836	-8,673
Aug.	13,676	5,927	750	2,638	8,093	10,360	-1,861	-3	-2,706	-3,623	-5,899
Sept.	16,998	8,027	226	6,343	9,284	13,137	-7,302	-2	-2,613	-5,018	-5,084
Oct.	14,682	9,696	608	3,391	10,252	14,250	-9,132	-12	-1,662	-5,911	-6,798
Nov.	15,999	10,719	935	324	9,450	15,289	-7,984	-2	-1,039	-5,399	-6,294
Dec.	18,261	8,655	1,163	-864	11,605	15,488	-5,539	-2	670	-7,317	-5,598
1984--Jan.	12,508	10,797	1,080	657	11,403	12,737	-10,766	-15	-137	-7,456	-5,792
Feb.	9,137	9,465	956	-1,550	12,585	13,308	-8,911	-38	-1	-8,064	-8,614
1984--Jan. 4	16,711	6,549	842	2,449	11,850	14,229	-6,591	-9	446	-7,405	-5,650
11	11,415	8,064	935	1,166	11,366	12,668	-9,916	-1	308	-7,386	-5,789
18	14,576	11,303	1,239	1,278	11,904	13,327	-10,855	-2	-390	-7,914	-5,314
25	9,539	12,781	1,091	-599	11,084	11,808	-12,660	-3	-378	-7,476	-6,109
Feb. 1	13,615	13,669	1,250	-178	11,361	12,877	-11,748	-74	-121	-7,213	-6,210
8	7,731	12,557	1,311	-1,528	12,488	13,816	-13,289	-109	-1,027	-7,966	-8,521
15	5,231	9,371	915	-723	13,286	12,930	-12,587	-34	-26	-8,376	-9,525
22	6,434	6,761	664	-2,987	12,394	13,022	-7,331	-12	602	-8,096	-8,583
29	14,813*	7,251*	776*	-1,114*	12,489*	13,256*	-2,098*	22*	566*	-7,993*	-8,341*
Mar. 7	14,946*	6,543*	845*	-1,154*	14,716*	13,934*	-2,382*	-8*	376*	-8,405*	-9,518*
14	15,235*	4,732*	874*	-2,969*	15,592*	12,578*	-72*	-10*	838*	-9,068*	-7,260*
21	17,685*	4,967*	934*	-4,531*	17,584*	12,134*	159*	-2*	1,477*	-10,100*	-4,937*
28											

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.

2. Adjusted for reverses to maturity and related transactions.

\*Strictly confidential.

Net Changes in System Holdings of Securities<sup>1</sup>

March 26, 1984

Millions of dollars, not seasonally adjusted

Period	Treasury bills net change <sup>2</sup>	Treasury coupons net purchases <sup>3</sup>					Federal agencies net purchases <sup>4</sup>					Net change outright holdings total <sup>5</sup>	Net RPs <sup>6</sup>
		within 1-year	1-5	5-10	over 10	total	within 1-year	1-5	5-10	over 10	total		
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	298	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
1983	13,068	484	1,896	890	383	3,653	--	--	--	--	--	16,342	-5,445
1982--Qtr. 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
III	4,617	156	481	215	124	975	--	--	--	--	--	5,439	9,412
IV	4,738	155	820	349	151	1,474	--	--	--	--	--	6,120	-10,739
1983--Sept.	2,471	--	--	--	--	--	--	--	--	--	--	2,466	7,737
Oct.	309	--	--	--	--	--	--	--	--	--	--	302	-11,307
Nov.	735	155	820	349	151	1,474	--	--	--	--	--	2,125	1,133
Dec.	3,695	--	--	--	--	--	--	--	--	--	--	3,693	-565
1984--Jan.	-3,267	--	--	-300	--	-300	--	--	--	--	--	-3,607	500
Feb.	-1,060	--	--	--	--	--	--	--	--	--	--	-1,098	-8,347
1983--Dec. 7	648	--	--	--	--	--	--	--	--	--	--	648	-541
14	653	--	--	--	--	--	--	--	--	--	--	651	-142
21	2,319	--	--	--	--	--	--	--	--	--	--	2,319	4
28	75	--	--	--	--	--	--	--	--	--	--	75	116
1984--Jan. 4	-197	--	--	--	--	--	--	--	--	--	--	-197	5,911
11	-400	--	--	--	--	--	--	--	--	--	--	-410	-4,144
18	-500	--	--	--	--	--	--	--	--	--	--	-500	298
25	-1,798	--	--	--	--	--	--	--	--	--	--	-1,828	429
Feb. 1	-756	--	--	-300	--	-300	--	--	--	--	--	-1,076	-441
8	-1,044	--	--	--	--	--	--	--	--	--	--	-1,044	-876
15	--	--	--	--	--	--	--	--	--	--	--	-18	-1,182
22	23	--	--	--	--	--	--	--	--	--	--	23	1,309
29	344	--	--	--	--	--	--	--	--	--	--	344	-8,400
Mar. 7	292	--	--	--	--	--	--	--	--	--	--	292	8,141
14	566	--	--	--	--	--	--	--	--	--	--	556	1,779
21	349	--	--	--	--	--	--	--	--	--	--	349	-1,006
LEVEL--Mar. 22	68.3	17.1	34.5	14.2	18.6	84.4	2.5	4.2	1.4	.4	8.6	161.3	-.7

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 (+).