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March 22, 1985

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) March 22, 1985
CLASS I - FOMC

MONETARY POLICY ALTERNATIVES

Recent Developments

(1) M1 expanded during January and February at an 11-1/2 percent average annual rate, but partial data suggest that growth in that aggregate is moderating in March to about a 3 to 4 percent pace. Growth of M1 over the December-to-March period is currently estimated at around 9 percent, compared with the 8 percent rate specified by the FOMC. All components of M1 contributed to strength in January and February. Demand deposits were particularly robust in February, but such deposits began to contract in early March. Inflows to Super NOW accounts have slowed following a pick-up in January when their minimum balance requirement was reduced; M1 as a whole does not appear to have been affected by this change.

(2) As with M1, M2 and M3 are apparently decelerating markedly in March. For the three months, expansion of these two aggregates is estimated at 9-1/2 and 7-1/2 percent, respectively, compared with the 10 to 11 percent rates of growth set by the Committee. Over the course of the quarter, interest rate relationships became less favorable for retail deposits and money market funds. In addition, there was a considerable weakening in large CDs at thrifts in February and early March.

(3) The debt of domestic nonfinancial sectors is estimated to have expanded at about a 12 percent annual rate on average during the first quarter, based on partial data. About 1-1/2 percentage points reflects substitution of debt for equity in mergers and corporate restructuring, assuming that the debt for equity swap of Phillips takes place by the end of March. Federal sector debt has continued to expand rapidly this quarter,

KEY MONETARY AGGREGATES
(Seasonally adjusted annual rates of growth)

	Jan.	Feb.	Mar.[1]	Dec. to Mar.[1]	QIV to Mar.[1]
Money and Credit Aggregates					
M1	9.0	14.1	3.6	9.0	9.5
M2	13.6	10.5	4.6	9.6	10.7
M3	10.1	7.9	4.7	7.6	9.3
Domestic nonfinancial debt	12.8	11.7			
Bank credit	6.2	13.3			
Reserve Measures[2]					
Nonborrowed reserves[3]	39.1	15.6	2.0	19.1	20.3
Total reserves	31.1	19.7	1.5	17.6	17.5
Monetary base	8.0	12.3	8.3	9.6	9.2
Memo: (Millions of dollars)					
Adjustment and seasonal borrowing	345	485	598[4]		
Excess reserves	745	899	751[5]		

Note: Monthly reserve measures, including excess reserves and borrowing, are calculated by prorating averages for two-week reserve maintenance periods that overlap months.

1. Based on available data through March 18; the M1 estimate assumes increases in the March 25 and April 1 weeks.
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 "other extended credit" from the Federal Reserve.
4. Through March 20.
5. Reserve maintenance period ending March 13.

although at a pace somewhat below that of the fourth quarter. Bond offerings by nonfinancial corporations in January and February were held substantially below the pace of the fourth quarter, while business borrowing from banks and in the commercial paper market picked up last month after showing little growth in January; business loans at large banks remained strong in early March. Expansion of household sector debt is estimated to have slowed slightly in the first two months of the year.

(4) Reflecting the rapid growth of transactions deposits, total reserves are estimated to have expanded at a 17-1/2 percent annual rate from December to March, though growth decelerated month by month over the period. With borrowing at the discount window little changed, nonborrowed reserves increased at about the same pace. The nonborrowed reserves path for the intermeeting period was constructed on the assumption of $350 million of borrowing; as M1 strengthened relative to path, the Desk conducted its operations with a view to tilting the odds somewhat toward borrowing coming in above rather than below this level. Nonborrowed reserves generally have been close to target, but with the demand for excess reserves unexpectedly high, borrowed reserves have averaged around $600 million in the two complete maintenance periods since the last FOMC meeting; thus far in the current statement period borrowing has averaged around $500 million.

(5) Federal funds traded mainly between 8-3/8 and 8-3/4 percent during most of the intermeeting period, averaging close to 8-1/2 percent, about the same level as in the first half of February. Other short-term rates have risen from 25 to 60 basis points, however, and bond yields are as much as 60 basis points higher. Lack of progress in deficit reduction efforts contributed to market expectations that credit markets would be tightening as the year progressed. In addition, continued strength in

money growth over the first two months of the year led many to anticipate that monetary policy might soon have to tighten, if it was not already in process of doing so. The closing of non-federally insured Ohio thrift institutions had relatively little impact on domestic credit markets--or so far on the national pattern of deposit and currrency flows. Treasury bill rates dropped some 30 to 40 basis points relative to yields on private instruments immediately following the Governor's announcement in Ohio, but quality spreads subsequently moved back to around previously prevailing levels.

(6) Since the last FOMC meeting, the weighted-average value of the dollar has declined, net, by 1-1/2 percent. Fluctuations have been wide in often volatile market conditions. The dollar rose sharply early in the intermeeting period when U.S. economic and monetary data proved stronger than anticipated.

. The dollar subsequently retraced most of its earlier decline, but again depreciated very sharply in mid-March largely in response to concerns stemming from difficulties at Ohio thrift institutions and less favorable economic indicators.

. The United States sold around $323 million of which $306 million was against marks and the remainder against sterling.

Prospective developments

(7) The table below provides three alternative specifications for growth in the monetary aggregates from March to June, along with associated ranges for the federal funds rate. (More detailed data, including implied growth from the fourth quarter to June, can be found on the table and charts on the following pages.) Alternative B, which appears consistent with roughly unchanged pressures on reserve positions, calls for money growth that would keep M1 in June around the upper limit of the parallel band that extends back from the endpoints of the longer-run range for the aggregate. A more marked slowing of money growth is specified in alternative C, keeping M1 within the band though still above the upper limit of the cone; alternative A contemplates somewhat more rapid money growth than B that would pull M1 above the upper limit of the band.

	Alt. A	Alt. B	Alt. C
Growth from March to June			
M1	7-1/2	6-1/2	5
M2	8	7	5-1/2
M3	8-3/4	8	7
Associated federal funds rate range	5-1/2 to 9-1/2	6 to 10	7 to 11

(8) M1 growth at around a 6-1/2 percent annual rate from March to June under alternative B represents a fairly considerable moderation from the average pace of the past three months. Growth on a quarterly average basis would probably be around 6-3/4 percent, slightly higher than

Alternative Levels and Growth Rates for Key Monetary Aggregates

	M1			M2			M3		
Monthly Levels	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1985--January	562.7	562.7	562.7	2398.3	2398.3	2398.3	3020.5	3020.5	3020.5
February	569.3	569.3	569.3	2419.3	2419.3	2419.3	3040.3	3040.3	3040.3
March	571.0	571.0	571.0	2428.6	2428.6	2428.6	3052.2	3052.2	3052.2
April	574.3	574.1	573.9	2443.8	2442.8	2441.3	3073.6	3072.5	3071.8
May	577.9	577.2	576.2	2460.4	2457.0	2451.6	3096.2	3092.8	3088.7
June	581.7	580.3	578.1	2477.2	2471.1	2462.0	3119.0	3113.2	3105.6
Growth Rates Monthly									
1985--January	9.0	9.0	9.0	13.6	13.6	13.6	10.1	10.1	10.1
February	14.1	14.1	14.1	10.5	10.5	10.5	7.9	7.9	7.9
March	3.6	3.6	3.6	4.6	4.6	4.6	4.7	4.7	4.7
April	7.0	6.5	6.0	7.5	7.0	6.3	8.4	8.0	7.7
May	7.4	6.5	5.0	8.2	7.0	5.1	8.8	7.9	6.6
June	7.9	6.4	4.0	8.2	6.9	5.1	8.8	7.9	6.6
Growth Rates									
1985--Q1	10.3	10.3	10.3	12.0	12.0	12.0	10.5	10.5	10.5
Q2	7.3	6.7	5.9	7.5	6.9	6.0	7.7	7.3	6.7
Dec. 84 to Mar. 85	9.0	9.0	9.0	9.6	9.6	9.6	7.6	7.6	7.6
Feb. 85 to June 85	6.5	5.8	4.7	7.2	6.4	5.3	7.8	7.2	6.4
Mar. 85 to June 85	7.5	6.5	5.0	8.0	7.0	5.5	8.8	8.0	7.0
Q4 84 to Mar. 85	9.5	9.5	9.5	10.7	10.7	10.7	9.3	9.3	9.3
Q4 84 to June 85	8.7	8.3	7.6	9.6	9.2	8.5	9.2	8.9	8.4

Chart 1

Actual and Targeted M1

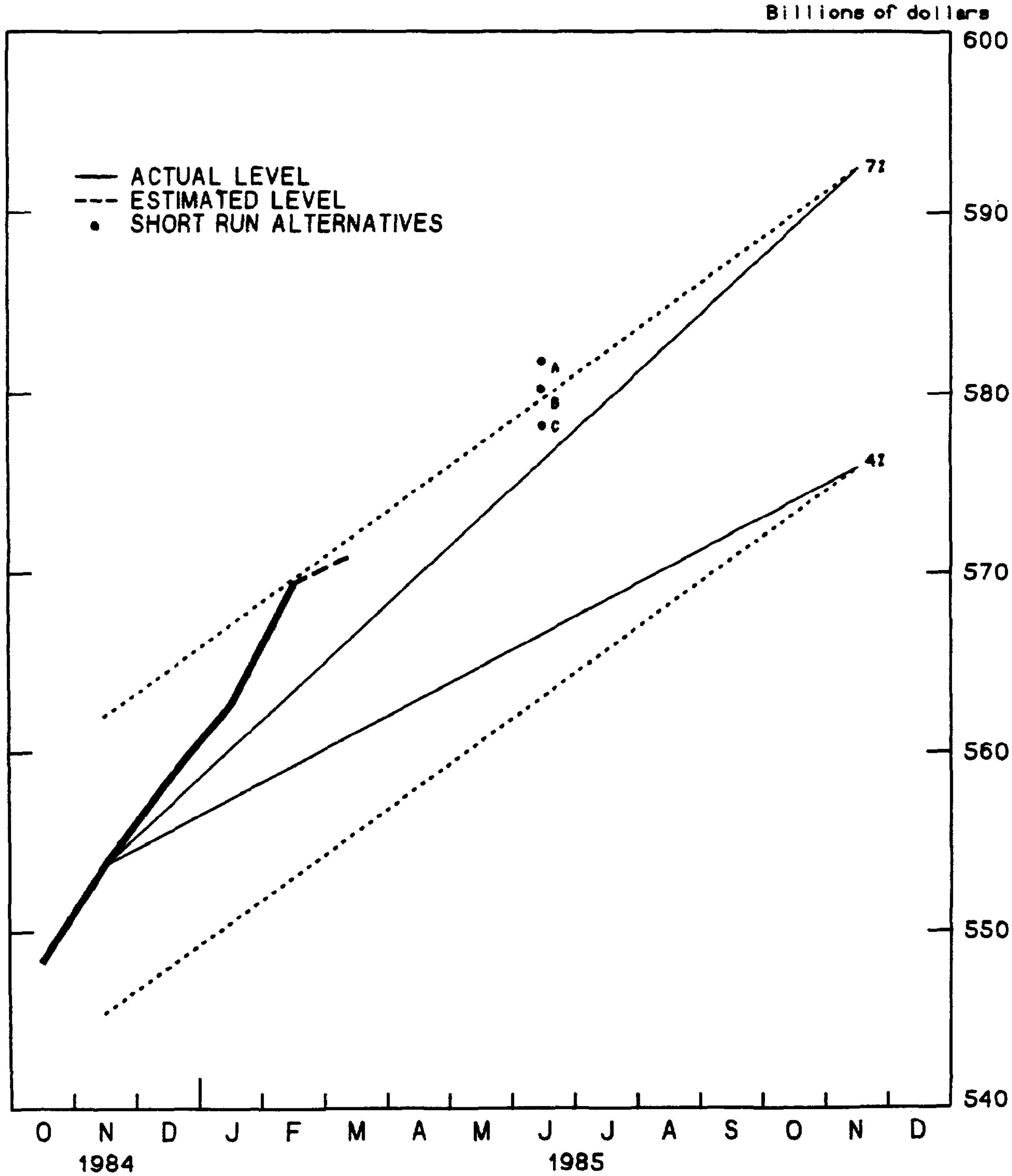


CHART 2

ACTUAL AND TARGETED M2

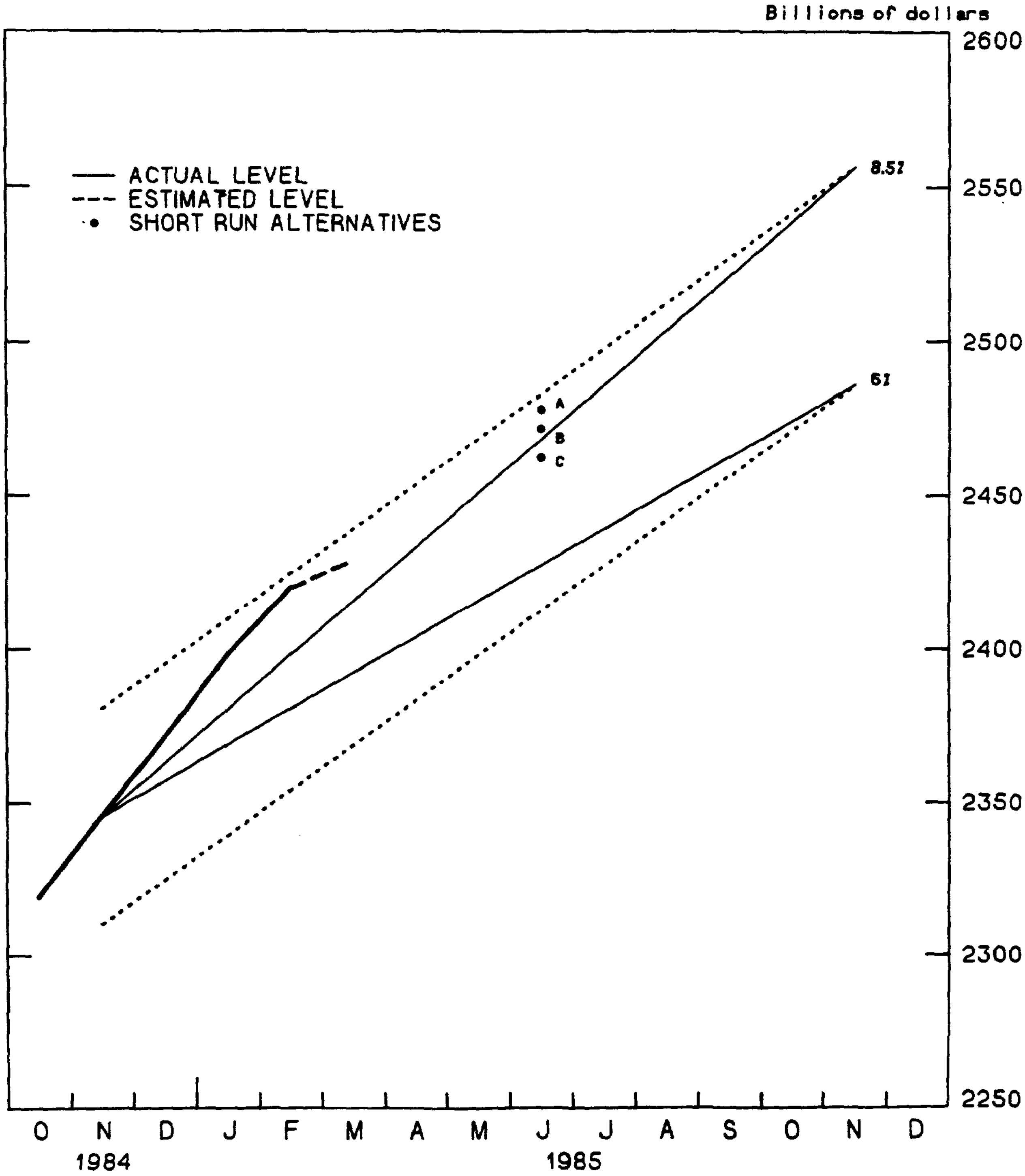
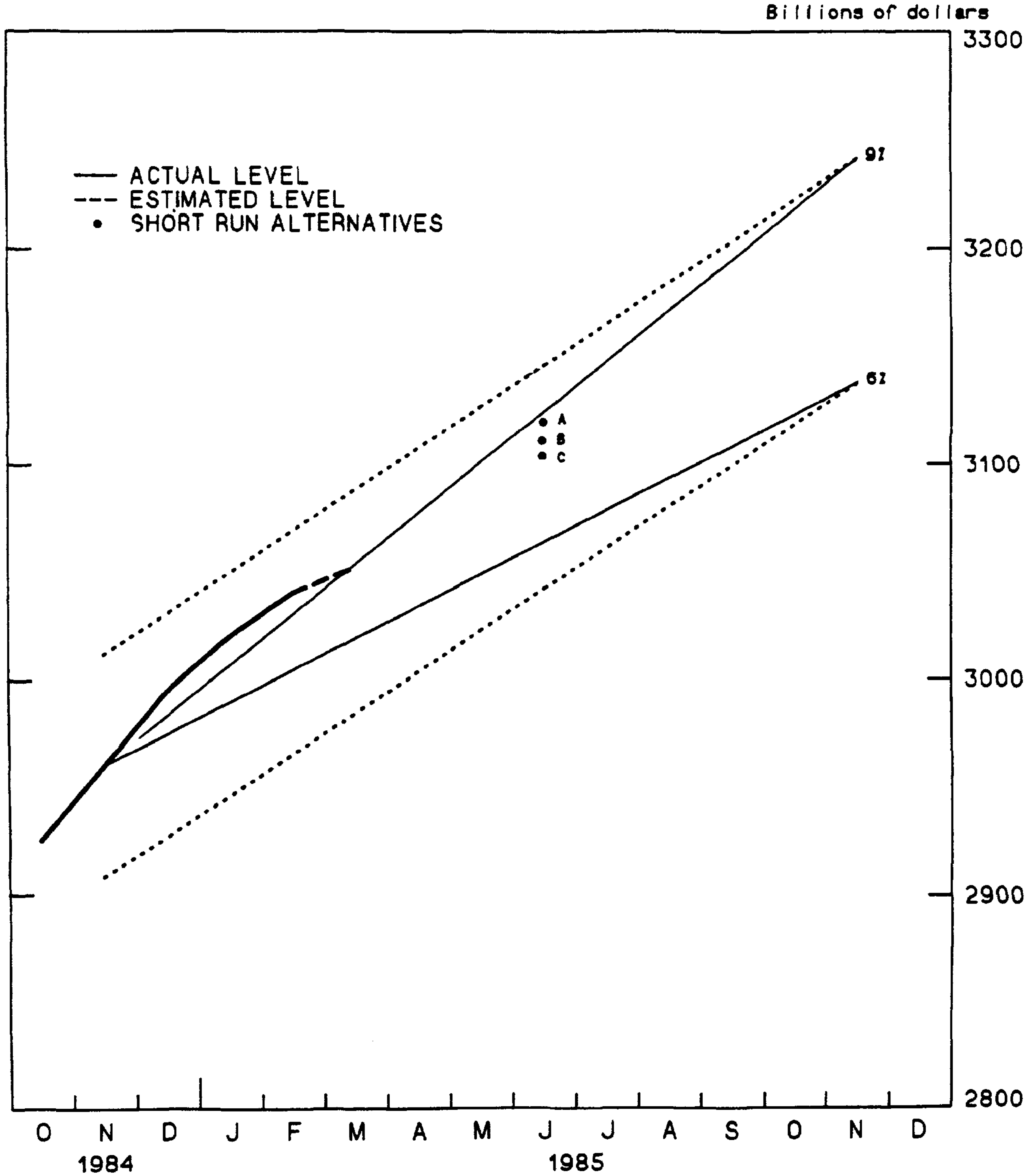


CHART 3

ACTUAL AND TARGETED M3



projected expansion in nominal GNP, reflecting some remaining lagged effects on money demand of earlier interest rate declines. The pattern of M1 growth over the quarter could be affected by the timing of tax refunds. The amount of such refunds to date has lagged considerably behind disbursements in comparable periods during the past two years. Refunds are expected to run 10 percent less in total this year, but payments thus far have been well below that pace. That may have been a marginal factor restraining M1 growth in recent weeks, and as the Treasury catches up could boost growth a bit.

(9) The specified growth of M1 for the March-to-June period would imply expansion from QIV to June at an 8-1/4 percent annual rate (assuming growth in March in fact turns out to be at the 3-1/2 percent rate currently estimated). For M1 growth for the year to be just below the upper limit of the FOMC's longer-run range--for example, to be around 6-1/2 percent (QIV to QIV basis)--its growth would have to slow further over the June-to-December period, to about a 3-3/4 percent annual rate. Such a slowing would imply a return to rising velocity on the order of 2 to 2-1/2 percent at an annual rate, given the staff's GNP projection--a velocity rise that suggests the possibility of some little increase in interest rates as the second half progresses.

(10) Growth in M2 and M3 is expected to be subdued over the second quarter, reflecting the anticipated slowdown in M1 and relatively moderate expansion in their nontransactions components. Nontransactions components have recently grown quite modestly, and little further change is expected, except for greater CD expansion in the spring to compensate in part for slower growth in core deposits. M2 would move close to the

upper limit of its long-run cone by June under such conditions, and M3 would be within its cone.

(11) Growth in the debt of nonfinancial sectors in the second quarter is projected to remain close to the pace of the first quarter. With expansion at around an 11-1/2 percent annual rate, the increase in nonfinancial debt would continue to outstrip growth in GNP, and for the first half of the year would be just below the 12 percent upper limit of the Committee's monitoring range. We have assumed that equity retirements related to mergers and corporate financial restructuring will account for approximately 3/4 of a percentage point of debt growth over the March-to-June period, somewhat less than in the first quarter. Underlying business needs for funds, however, may edge higher as capital expenditures increase moderately while internally generated funds show little change. For households, mortgage borrowing may rise, reflecting the pick-up in expenditures following the decline in mortgage rates late last year, but consumer installment credit should slow somewhat, although remaining quite rapid. Federal government borrowing is projected to increase (after seasonal adjustment), mirroring to some extent swings in its cash balance over the first two quarters rather than a fundamental shift in credit market pressures.

(12) The money growth objectives of alternative B are expected to involve continuation of about the existing degree of pressure on reserve positions, with reserve paths based on adjustment plus seasonal borrowing at the discount window averaging around $350 million and federal funds expected to trade around 8-1/2 percent. Seasonal borrowing has averaged around $80 million in recent weeks, and with the spread of the federal funds rate over the discount rate likely to remain fairly

narrow under this alternative, seasonal borrowing would ordinarily be expected to increase only moderately further over the intermeeting period. If availability of the temporary simplified seasonal borrowing program or liquidity pressures at some agricultural banks were to result in an unusual rise in seasonal borrowing over the intermeeting period, or if adjustment borrowing rose substantially for special reasons, such as the situation in Ohio, such borrowing increases above normal could be treated as in effect "nonborrowed" reserves in the conduct of open market operations. Nonborrowed reserves are anticipated to expand at about a 10 percent annual rate over the next three months, and total reserves by about 9 percent, to meet the money objectives of this alternative and if demands for excess reserves are in the $600 to $700 million range.

(13) Interest rates could fall a little on balance over the intermeeting period under this alternative, although some near-term pressures could be evident at month end, owing to statement-date pressures and the process of distributing the Treasury's current end-of-quarter financing that raises about $12-3/4 billion of new cash in coupon issues. The 3-month Treasury bill rate might decline toward 8-1/4 percent, as continued moderate growth in money and discount window borrowing around the $350 million level further allayed concerns about a tightening of monetary policy. Significant downward movements in long-term rates are unlikely in the absence of any substantial progress on deficit reduction measures or a noticeable weakening of economic activity. In general, domestic credit, as well as foreign exchange, markets are likely to remain unusually skittish over the weeks ahead, having been sensitized by recent problems in the government securities market and with thrift institutions. Thus, interest rates and foreign exchange rates may be

prone to particularly sharp day-to-day movements. In foreign exchange markets the dollar might decline a little further, on balance, if interest rates tend a bit lower or if uncertainties about the strength of the U.S. economy or the stability of financial markets become more prevalent.

(14) Alternative A contemplates some easing of pressures on reserve positions, with borrowing dropping to around $200 million and the federal funds rate declining to close to the 8 percent discount rate. Total and nonborrowed reserves might increase at rates of 10 and 13 percent, respectively, over the next three months. Other short-term interest rates might fall sharply under this alternative, with the 3-month Treasury bill rate dropping below 8 percent. The easing of money markets would also tend to relieve the sensitivity of markets to the condition of financial institutions. Bond yields, too, would drop, and in foreign exchange markets, the dollar would fall substantially further.

(15) M1 growth would slow relatively little from the December-to-March pace under this alternative and would move above the upper limit of the band. M2 and M3 growth rates are expected to be relatively moderate, though M2 is expected to remain above the long-run cone in June under this approach. Moreover, there is potential for quite rapid growth for a while in the broad aggregates, particularly if market rates were to decline abruptly in face of lagging institutional rates.

(16) From the fourth quarter to June, M1 would increase at an 8-3/4 percent annual rate under alternative A. Growth would have to slow to about a 3-1/4 percent annual rate over the last six months of the year, if growth for the year (QIV-to-QIV basis) were to be just below the upper limit of the long-run range. This would increase the odds that interest rates will rise in the second half of the year.

(17) Under alternative C, the 5 percent pace of M1 growth from March to June would keep this aggregate below the upper limit of the band. And the slower growth specified for M2 and M3 would place both of these aggregates within their respective long-run cones in June. Such a deceleration of money growth would likely involve a significant tightening of reserve conditions. Borrowing might increase to around $750 million, and the federal funds rate would probably rise to around 9-1/2 percent. Nonborrowed and total reserves would increase at 4-1/2 and 7 percent annual rates, respectively.

(18) Other short-term interest rates also would rise under this alternative, although the extent of the increase might be damped a bit given existing expectations for some tightening in policy. The Treasury bill rate might rise to around 9 percent or higher, with private rates increasing a little more as the tightening of money markets accentuated concerns about credit quality. The rise in bond rates might be relatively small on balance, as slower money growth and the potential for less robust economic activity lay the groundwork for a possible decline in rates in the second half of the year. The dollar would probably regain some of its recent loss in exchange markets.

Directive language

(19) Proposed language for the operational paragraph is shown below, with alternatives for describing the degree of pressure on reserve positions. The bracketed phrase in the first sentence, which is drawn from the previous directive, seems more appropriate if the Committee opts for alternatives A or B rather than the tightening of alternative C. Also, if the Committee were to adopt something like the proposed language in caps in the body of the paragraph beginning with the phrase "IN EITHER CASE ...", that might address the issues implicit in the bracketed language.

OPERATIONAL PARAGRAPH

In the implementation of policy for the immediate future, [taking account of the progress against inflation, ~~remaining~~ uncertainties in the business outlook, and the EXCHANGE VALUE ~~strength~~ of the dollar ~~in the exchange markets~~,] the Committee seeks to REDUCE SOMEWHAT (Alt. A)/maintain (Alt. B)/INCREASE SOMEWHAT (Alt. C) THE EXISTING DEGREE OF PRESSURE ON reserve POSITIONS ~~conditions characteristic of recent weeks. Should~~ THIS ACTION IS EXPECTED TO BE CONSISTENT WITH growth in M1, ~~appear to be exceeding an annual rate of around 8 percent and~~ M2, and M3 AT ANNUAL RATES ~~a rate~~ of around ~~10 to 11~~ __, __, AND ___ percent RESPECTIVELY during the period from ~~December to~~ March TO JUNE, ~~modest increases in reserve pressures would be sought, particularly if business activity is rising at a satisfactory rate and exchange market pressures diminish.~~ SOMEWHAT GREATER RESERVE RESTRAINT WOULD (MIGHT) BE ACCEPTABLE IN THE EVENT OF MORE SUBSTANTIAL GROWTH OF THE MONETARY AGGREGATES WHILE

SOMEWHAT lesser restraint ~~on-reserve-positions~~ would (MIGHT) be acceptable in the event of substantially slower growth ~~in-the monetary-aggregates,-particularly~~. IN EITHER CASE SUCH A CHANGE WOULD BE CONSIDERED ONLY in the context of APPRAISALS OF THE STRENGTH OF THE BUSINESS EXPANSION, PROGRESS AGAINST INFLATION, AND CONDITIONS IN DOMESTIC CREDIT AND ~~sluggish-growth-in-economic activity-and-continued-strength-of-the-dollar-in~~ foreign exchange markets. 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 25, 1985

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	muni-cipal Bond Buyer	home mortgages		
		3-month	6-month	1 year					3-year	10-year	30-year			conven-tional at S&Ls	FHA/VA ceiling	S&L 1-year ARM
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
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	n.a.
Low	8.42	7.63	7.72	7.82	8.15	8.01	7.71	10.50	9.40	10.18	10.32	11.64	9.21	12.55	11.50	n.a.
1984--High	11.77	10.65	10.76	11.09	11.71	11.35	10.72	13.00	13.44	13.84	13.81	15.30	11.44	14.68	14.00	12.31
Low	7.95	7.71	8.01	8.39	8.24	8.04	8.38	11.00	10.39	11.30	11.36	12.70	9.86	13.14	12.50	10.81
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	10.99
Feb.	9.59	9.09	9.18	9.20	9.54	9.35	8.72	11.00	11.05	11.84	11.95	13.05	10.00	13.23	12.50	10.89
Mar.	9.91	9.52	9.66	9.67	10.08	9.81	8.91	11.21	11.59	12.32	12.38	13.63	10.37	13.39	12.70	11.02
Apr.	10.29	9.69	9.84	9.95	10.41	10.17	9.29	11.93	11.98	12.63	12.65	13.96	10.26	13.65	13.00	11.16
May	10.32	9.83	10.31	10.57	11.11	10.38	9.52	12.39	12.75	13.41	13.43	14.79	10.88	13.94	13.94	11.35
June	11.06	9.87	10.51	10.93	11.34	10.82	9.92	12.60	13.18	13.56	13.44	15.00	11.07	14.42	14.00	11.67
July	11.23	10.12	10.52	10.89	11.56	11.06	10.30	13.00	13.08	13.36	13.21	14.93	10.84	14.67	14.00	12.20
Aug.	11.64	10.47	10.61	10.71	11.47	11.19	10.58	13.00	12.50	12.72	12.54	14.12	10.40	14.47	13.70	12.14
Sept.	11.30	10.37	10.47	10.51	11.29	11.11	10.62	12.97	12.34	12.52	12.29	13.86	10.54	14.35	13.50	12.00
Oct.	9.99	9.74	9.87	9.93	10.38	10.05	10.16	12.58	11.85	12.16	11.98	13.52	10.77	14.13	13.38	11.96
Nov.	9.43	8.61	8.81	9.01	9.18	9.01	9.34	11.77	10.90	11.57	11.56	12.98	10.69	13.64	12.75	11.54
Dec.	8.38	8.06	8.28	8.60	8.60	8.39	8.55	11.06	10.56	11.50	11.52	12.88	10.40	13.18	12.50	11.01
1985--Jan.	8.35	7.76	8.00	8.33	8.14	7.99	8.00	10.61	10.43	11.38	11.45	12.78	9.96	13.08	12.50	10.84
Feb.	8.50	8.27	8.39	8.56	8.69	8.46	7.80p	10.50	10.55	11.51	11.47	12.76	10.07	12.92	12.50	10.63
1985--Jan. 2	8.75	7.77	8.12	8.47	8.31	8.16	8.31	10.75	10.51	11.54	11.55	12.96	10.31	13.10	12.50	10.87
9	8.27	7.78	8.05	8.37	8.19	8.04	8.21	10.75	10.52	11.54	11.57	12.92	10.11	13.12	12.50	10.84
16	8.23	7.73	7.99	8.36	8.12	7.95	8.04	10.68	10.54	11.53	11.60	12.82	9.95	13.12	12.50	10.82
23	8.19	7.71	7.94	8.28	8.08	7.89	7.93	10.50	10.35	11.34	11.45	12.51	9.60	12.96	12.50	10.80
30	8.45	7.73	7.96	8.25	8.12	7.99	7.85	10.50	10.25	11.09	11.19	12.59	9.81	12.93	12.50	10.62
Feb. 6	8.59	8.14	8.25	8.46	8.44	8.34	7.79	10.50	10.42	11.30	11.31	12.68	9.96	12.91	12.50	10.64
13	8.44	8.21	8.30	8.49	8.64	8.42	7.78	10.50	10.43	11.40	11.31	12.60	9.98	12.90	12.50	10.59
20	8.57	8.20	8.29	8.46	8.65	8.48	7.83	10.50	10.39	11.39	11.37	12.95	10.09	12.94	12.50	10.69
27	8.40	8.40	8.57	8.71	8.86	8.49	7.81	10.50	10.76	11.75	11.71	13.18	10.24	13.02	12.50	10.83
Mar. 6	8.63	8.65	8.92	9.04	9.12	8.74	7.82	10.50	11.08	11.90	11.87	13.14	10.25	13.10	12.50	10.68
13	8.52	8.60	8.92	9.05	9.06	8.73	7.91	10.50	11.03	11.81	11.78	13.23	10.25	13.20	12.50	10.87
20	8.75	8.54	9.03	9.21	9.13	8.83	7.99	10.50	11.19	11.95	11.89	13.21	10.24	13.34	12.50	11.07
27																
Daily--Mar. 15	8.81	8.41	8.98	9.18	9.24	8.94	--	10.50	11.17	11.93	11.86	--	--	--	--	--
21	8.60	8.44	8.84	9.03	8.88	8.78	--	10.50	11.02	11.82	11.77	--	--	--	--	--
22	8.63p	8.51	8.90	9.08	8.90	8.77	--	10.50	11.05p	11.88p	11.83p	--	--	--	--	--

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 average initial contract rate on new commitments for one-year ARMs at those institutions offering both fixed- and adjustable-rate mortgages with the same number of discount points.

FR1367(4/84)

Security Dealer Positions

Millions of dollars

March 25, 1985

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
1983--High	20,858	13,273	1,579	8,778	12,088	17,005	1,654	14	1,516	-907	-4,411
Low	-296	-3,461	-687	-3,148	4,013	8,839	-11,307	-95	-3,270	-8,001	-9,564
1984--High	32,155	15,653	1,296	6,854	19,525	21,046	8,272	131	3,381	-7,223	-4
Low	5,107	-8,251	-1,038	-5,664	11,086	11,263	-14,456	-327	-986	-10,679	-13,053
1984--Jan.	12,472	10,815	1,083	667	11,398	12,788	-10,846	-15	-116	-7,474	-5,829
Feb.	9,287	9,658	949	-1,547	12,532	13,349	-8,774	-38	23	-8,192	-8,673
Mar.	15,936	4,619	811	-2,626	16,151	12,764	-1,026	-10	1,042	-9,552	-6,236
Apr.	14,408	2,929	-32	-1,643	16,649	13,065	-2,140	-13	476	-9,422	-5,462
May	14,163	-7,105	-291	-1,754	16,849	12,525	5,511	-10	347	-9,676	-2,233
June	16,483	-2,631	-596	-3,248	15,999	14,457	2,207	-21	1,448	-9,937	-1,195
July	12,355	-2,382	-604	-3,391	16,040	14,751	-2,528	-89	2,800	-9,650	-2,592
Aug.	11,499	4,542	-89	-1,184	16,098	15,556	-7,312	-240	2,504	-9,073	-9,304
Sept.	17,976	10,316	310	623	14,063	17,695	-9,771	-122	2,156	-8,334	-8,960
Oct.	21,955	11,649	116	2,649	13,168	16,285	-9,867	-72	2,154	-8,815	-5,312
Nov.	19,123	9,772	-487	5,087	16,106	17,950	-8,549	-76	539	-9,229	-11,991
Dec.	26,261	13,871	-416	4,765	18,471	19,178	-11,718	59	-389	-8,304	-9,256
1985--Jan.	24,043	11,629	-111	2,484	19,429	19,970	-13,314	31	703	-7,046	-9,669
Feb.	32,931*	12,441*	851*	204*	19,606*	19,438*	-3,638*	-10*	2,500*	-8,165*	-10,295*
1984--Dec. 19	24,461	13,585	-419	3,592	18,438	18,580	-12,273	-10	-203	-8,308	-8,522
26	32,155	15,653	-662	6,854	18,619	21,064	-14,456	18	-709	-7,737	-6,487
1985--Jan. 2	34,737	13,896	-253	6,479	19,166	21,423	-12,671	3	-33	-7,699	-5,574
9	31,204	12,927	-192	6,063	19,139	21,623	-13,049	-53	-373	-7,774	-7,108
16	19,289	9,597	-391	2,593	18,289	19,233	-14,946	-39	295	-7,618	-7,725
23	19,580	11,245	-6	427	18,886	18,349	-13,635	-12	1,126	-6,348	-10,451
30	23,780	12,526	100	524	20,934	19,960	-12,507	-28	1,898	-6,219	-13,409
Feb. 6	23,453	12,201	357	-787	21,007	21,649	-9,562	-18	1,856	-7,683	-14,566
13	24,432	10,506	713	32	20,007	19,624	-6,835	-27	2,953	-8,169	-14,372
20	31,038	12,771	851	218	18,846	19,523	-3,049	-11	2,225	-8,243	-12,094
27	45,027*	13,495*	1,132*	996*	18,803*	18,434*	1,568*	-1*	2,644*	-8,255*	-3,790*
Mar. 6	53,395*	14,297*	2,119*	-1,789*	20,157*	18,483*	3,809*	19*	3,647*	-8,818*	1,471*
13	51,824*	14,672*	1,750*	-4,970*	20,366*	16,182*	2,769*	-6*	4,405*	-8,750*	5,406*
20	44,961*	13,797*	1,155*	-6,687*	19,361*	14,585*	2,127*	-25*	4,649*	-8,311*	4,310*

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

STRICTLY CONFIDENTIAL (FR)
CLASS II-FOMC

Net Changes in System Holdings of Securities[1]

Millions of dollars, not seasonally adjusted

March 25, 1985

Period	Treasury bills net change[2]	Treasury coupons net purchases[3]					Federal agencies net purchases[4]					Net change outright holdings total[5]	Net RPs[6]
		within 1-year	1-5	5-10	over 10	total	within 1-year	1-5	5-10	over 10	total		
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
1984	3,779	826	1,938	236	441	3,440	--	--	--	--	--	6,964	1,450
1983--QTR. 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
1984--QTR. I	-1,168	--	--	-300	--	-300	--	--	--	--	--	-1,555	-286
II	491	198	808	200	277	1,484	--	--	--	--	--	1,918	70
III	-424	600	--	--	--	600	--	--	--	--	--	169	1,982
IV	4,880	28	1,130	335	164	1,657	--	--	--	--	--	6,432	-316
1984--Sept.	3,178	600	--	--	--	600	--	--	--	--	--	3,777	-2,312
Oct.	-2,993	-300	300	--	--	--	--	--	--	--	--	-3,007	-3,805
Nov.	4,463	146	830	335	164	1,475	--	--	--	--	--	5,848	3,612
Dec.	3,410	182	--	--	--	182	--	--	--	--	--	3,591	-123
1985--Jan.	-4,268	--	-100	--	--	-100	--	--	--	--	--	-4,368	-2,315
Feb.	2,362	--	--	--	--	--	--	--	--	--	-17	2,345	3,095
1984--Dec. 19	371	112	--	--	--	112	--	--	--	--	--	482	351
26	234	--	--	--	--	--	--	--	--	--	--	234	2,059
1985--Jan. 2	285	70	--	--	--	70	--	--	--	--	--	355	4,791
9	--	--	--	--	--	--	--	--	--	--	--	--	-5,865
16	-931	--	--	--	--	--	--	--	--	--	--	-931	3,528
23	-2,158	--	-100	--	--	-100	--	--	--	--	--	-2,258	-5,120
30	-630	--	--	--	--	--	--	--	--	--	--	-630	18
Feb. 6	-584	--	--	--	--	--	--	--	--	--	--	-584	727
13	-374	--	--	--	--	--	--	--	--	--	-17	-392	2,464
20	341	--	--	--	--	--	--	--	--	--	--	341	383
27	2,128	--	--	--	--	--	--	--	--	--	--	2,128	-5,003
Mar. 6	801	961	465	--	--	1,426	--	--	--	--	--	2,227	2,507
13	-1,054	--	--	--	--	--	--	--	--	--	-70	-1,054	974
20	--	--	--	--	--	--	--	--	--	--	--	--	-1,287
LEVEL--Mar. 21	69.3	17.0	37.3	14.5	20.7	89.5	2.6	4.2	1.3	.4	8.4	170.3	-2.6

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 (+).