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July 2, 1987

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)
CLASS I - FOMC

July 2, 1987

MONETARY POLICY ALTERNATIVES

Recent Developments

(1) M2 grew only a little on balance in May and June, and its M1 component declined over the two months. While some of the weakness in May reflected the unwinding of the previous tax-related buildup, more generally these aggregates appear to have been substantially affected by the increase in interest rates among other factors this year. Expansion in M3 was better maintained, as banks and thrifts issued large CDs and term RPs in volume to fund a moderate pace of credit extension. Over the March-to-June period M2 and M3 grew at annual rates of about 2-3/4 percent and 5-1/2 percent, respectively, compared with the pace of around 6 percent or less for both aggregates specified by the Committee. From the fourth quarter through June, M2 increased at a 4 percent annual rate, leaving this aggregate well below its 5-1/2 to 8-1/2 percent annual growth cone and a little below its associated parallel band; its velocity increased 3 percent at an annual rate over the first half following several years of declines. Growth in M3 from the fourth quarter was about 5-1/2 percent--at the lower end of its annual growth cone--and its velocity increased 2 percent. For M1, growth from the fourth quarter to June was around 7-3/4 percent; while M1 velocity continued to fall in the first half, by the second quarter the rate of decline was less than 1 percent.

(2) The substantial reduction in the growth of both M1 and M2 this year appears importantly to reflect a reversal in the trend of opportunity costs of holding monetary assets, which have increased since last

KEY MONETARY AGGREGATES
(Seasonally adjusted annual rates of growth)

	April	May	June[p]	March to June[p]	QIV'86 to QII'87[p]	QIV'86 to June[p]
Money and credit aggregates						
M1	17.7	4.5	-9.9	4.1	9.9	7.7
M2	6.0	0.6	1.4	2.7	4.4	4.0
M3	5.9	4.9	5.7	5.5	5.4	5.4
Domestic nonfinancial debt	10.2	10.5	8.6[pe]	9.8[pe]	10.0[pe]	9.9[pe]
Bank credit	11.9	7.4	3.9	7.8	8.6	8.2
Reserve measures						
Nonborrowed reserves[1]	13.6	7.8	-7.6	4.6	11.6	9.5
Total reserves	23.3	8.2	-12.5	6.3	12.4	9.8
Monetary base	9.9	8.7	-0.2	6.2	9.1	8.2
Memo: (Millions of dollars)						
Adjustment and seasonal borrowing	723	748	503	--	--	--
Excess reserves	827	1079	1219	--	--	--

p--preliminary.
pe--preliminary estimate.

NOTE: Monthly reserve measures, including excess reserves and borrowing, are calculated by prorating averages for two-week reserve maintenance periods that overlap months. Data incorporate adjustments for discontinuities associated with implementation of the Monetary Control Act and other regulatory changes to reserve requirements.

1. Includes "other extended credit" from the Federal Reserve.

fall; over this period, the rise in short-term market rates has considerably outstripped the increase in rates on most M2 balances. While the expansion of retail deposits, taken as a whole, has slowed significantly this year, demand deposits have been particularly weak in recent months, perhaps indicating the importance of declines in compensating balances as interest rates have risen. However, the slowing in M1 and M2 seems somewhat greater than can be explained solely on the basis of these interest rate effects. In part, households may be using financial assets or reducing the pace of their accumulation in order to hold down their debt, perhaps in response to less-favorable tax treatment of consumer debt.

(3) Relative interest rate movements also appear to have been a principal factor governing flows within the retail portion of M2 this year. Returns on liquid retail deposits--OCDs, MMDAs, and savings deposits--have not changed much, while rates on small time deposits have risen substantially, tracking the increase in open market rates. As a consequence, funds appear to have been diverted from liquid deposits into small time accounts, which resumed growing over May and June.

(4) Moderate credit growth at commercial banks and reduced asset expansion at thrift institutions have contributed to the slowing of M3 growth this year. Net securities acquisitions by banks have been much more subdued than during the second half of 1986, when expectations of declining rates were pervasive, while loan growth at commercial banks has continued at about the pace of last year. Asset expansion by thrift institutions appears to have been damped so far this year, perhaps by more stringent capital requirements imposed by the FHLBB. M3 growth also has been restrained by increased reliance by banks on liabilities not included in this aggregate such as borrowings from foreign branches and Treasury deposits.

(5) The debt of domestic nonfinancial sectors is estimated to have expanded at around a 9-1/2 percent pace on average in May and June, bringing growth from the fourth quarter to June to about 10 percent, a shade above the midpoint of its monitoring range and well below the rate of recent years. Nonfinancial corporations thus far in 1987 have trimmed their borrowing as the pace of net equity retirements has slowed somewhat. In the household sector, moderation in debt growth has been most evident in consumer credit, while mortgage borrowing did not pick up despite the substitution of home equity loans for consumer credit. Federal government borrowing also decelerated in the first half of the year, but not by as much as the deficit given unusually strong tax receipts, allowing the Treasury to build up its cash balance.

(6) After the May FOMC meeting, the borrowing assumption used to construct reserve paths was raised to $500 million, where it was maintained over the intermeeting period. Actual borrowing during the first full maintenance period after the meeting was nearly $800 million; borrowing was particularly heavy over the long Memorial Day weekend at a time when an imminent increase in the discount rate was widely expected. Borrowing has been lighter in the last two maintenance periods, bringing the average for the three complete maintenance periods since the meeting down to $580 million. Total reserves decreased at about a 2 percent annual rate between April and June, reflecting a falloff in required reserves associated with the net contraction in M1; for the year, growth in total reserves has been 9-3/4 percent, compared with an increase of 20 percent in 1986. The monetary base continued to expand on balance over the past two months, and

growth for the first half of the year was around 8-1/4 percent, down from 9-3/4 percent last year.

(7) Financial markets remained somewhat skittish early in the period, owing to continuing concerns about the dollar, Citicorp's large provision for losses on loans to LDCs, and the announcement of Chairman Volcker's resignation. Later, though, investor sentiment improved in response to a sharp drop in some commodity prices, a firmer dollar, and an associated abatement of inflation fears. The federal funds rate averaged around 6-3/4 percent during the intermeeting period. On balance, other short-term interest rates are down 10 to 45 basis points, while longer-term Treasury yields are about 50 basis points lower and corporate bond rates have declined somewhat less. The commitment rate for fixed-rate mortgages decreased over the period to 10-3/8 percent, about 50 basis points below the peak in May but 125 basis points above the low set earlier this year. Stock price indexes increased strongly over most of the period to record levels, for a net gain of 4 to 10 percent since the May FOMC meeting.

(8) The weighted-average foreign-exchange value of the dollar moved upward by about 3-1/4 percent on balance during the intermeeting period. Early in the period, the dollar seemed to gain continued support from the tighter monetary conditions that had developed in the United States and somewhat easier conditions in several key foreign countries. More recently, the dollar advanced further, despite the small decline of short-term U.S. interest rates in June. The announcement by Japanese authorities in late May of a package of measures to expand their economy seemed to provide support for the dollar, which gained almost 5-1/2 percent against the yen during the intermeeting period, as did the release

in mid-June of data indicating an improved U.S. trade balance in April.

. The Desk purchased $543 million against marks and $103 million against yen, mostly in the first week of June

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Long-term targets

(9) The table below presents two alternative sets of specifications for growth in the monetary aggregates and debt for 1987. Alternative I comprises the ranges adopted in February. Although the staff expects M3 and debt to remain within their existing ranges over the second half of the year, there is a distinct possibility that restraint on inflation in the context of continuing moderate economic growth would entail M2 expansion over the balance of the year that was not sufficient to return this aggregate to within its current annual range. Alternative II would allow for that possibility by including a lower growth range for M2.

Alternative 1987 Ranges

	Alt. I (Current Ranges)	Alt. II
M2	5-1/2 to 8-1/2	4-1/2 to 7-1/2
M3	5-1/2 to 8-1/2	5-1/2 to 8-1/2
Debt	8 to 11	8 to 11

(10) With M2 now well below its growth cone, and a little below the lower end of its associated parallel band, growth at around a 7-1/2 percent annual rate over the remainder of the year would be needed to achieve the 5-1/2 percent lower end of the current range in the fourth quarter. Some acceleration of M2 is quite possible. Growth of this aggregate in the first half of the year may have been depressed to some extent by special factors whose impact would diminish over time--for example, the initial adaptation to the new tax law. However, most of the M2 slowing appears to have stemmed from the widening of opportunity costs on M2 components as rates on these components lagged the upward movement

in market rates. If market interest rates were to continue near current levels, M2 would be expected to pick up as the effects of the market rate increases to date diminished, reflecting in part the catchup of deposit offering rates. Under these circumstances M2 velocity likely would decrease a little over the second half, which along with at least moderate expansion of nominal income would tend to boost growth of this aggregate just to within its current long-run range. Thus, reaffirming the alternative I range would seem most consistent with an outlook for the economy in which interest rates were expected to remain at or move below current levels. The lower M2 growth rates of alternative II would allow some scope for a further tightening of policy should that be considered necessary. In the staff greenbook forecast, restraint on inflation and moderate expansion of the economy in circumstances of continued downward pressure on the dollar are associated with a further appreciable rise in interest rates over the coming year and a half. If rates should begin to increase in the next few months, M2 velocity probably also would rise over the second half, and any pickup in M2 could be quite modest, with growth for the year coming to 5 percent or less--below the lower end of the current range.

(11) M3 and the debt of nonfinancial sectors, by contrast, seem likely to be well within their long-run ranges for the year, even if interest rates rise from current levels. M3 growth is expected to strengthen over coming months to around a 7-1/2 percent rate, bringing growth for the year to around 6-1/2 percent. Continued moderate increases in bank credit may be financed to a greater extent by liabilities within M3 over the second half of the year, as government deposits drop from their very high levels and the unusually heavy reliance on net Eurodollar borrowing in the

first half tapers off. Credit growth at thrifts is expected to remain above the depressed first-quarter pace and to be financed more by large time deposits, which resumed growth in May and June after declining over the previous eight months. Nonfinancial debt over the second half of the year is projected to continue growing about in line with the pace of recent months, implying growth for the year of 9-1/4 percent.

(12) M1 growth over the second half of the year is expected to remain sluggish under the economic conditions anticipated in the staff forecast, perhaps on the order of 3 percent, as expansion of both OCD and demand deposits is held down by wider opportunity costs. The steeper yield curve already in place, along with the slowness of NOW account yields to adjust to further increases in market rates, would likely reverse some of the savings flows into NOW accounts that occurred in the past few years. Rising interest rates would restrain the growth of demand deposits as well through their effect on cash management and compensating balance requirements. Even in the absence of a further rise in interest rates, any pick-up in M1 from the depressed pace over the months of the second quarter could be relatively limited, and with this aggregate expanding a little less than nominal GNP, growth for the year might be around 7 percent.

(13) Despite the unusual weakness in demand deposits and very sharp slowing in OCD flows this year, money demand equations have tracked M1 growth over the first half of the year fairly well. But the "predictability" of M1 behavior and the connection of this aggregate to economic activity and prices is still open to question. The aggregate appears to remain highly sensitive to small changes in opportunity costs, and the model results depend importantly on the use of the actual deposit and

market interest rates. Specification of an M1 growth range of a standard width consistent with an expected outcome for the broad aggregates and spending would require a degree of confidence in forecasts of market and deposit interest rates that does not seem warranted. Therefore, ranges for M1 have not been incorporated into the alternatives presented above.

(14) The table below gives three alternative specifications for growth in money and credit in 1988. Alternative I would retain the current ranges; alternatives II and III would reduce the ranges by varying amounts.

Alternative 1988 Ranges

	Alt. I	Alt. II	Alt. III
M2	5-1/2 to 8-1/2	4-1/2 to 7-1/2	3-1/2 to 7
M3	5-1/2 to 8-1/2	5 to 8	4-1/2 to 7-1/2
Debt	8 to 11	7-1/2 to 10-1/2	7 to 10

(15) Alternatives II and III both encompass rates of money growth the staff considers consistent with its economic forecast. As noted above, that forecast embodies an appreciable upward movement of interest rates by the end of next year, given the anticipated persistence of price and dollar pressures. Depending on the timing and size of rate increases and the lags of offering rates on deposits, M2 velocity might be expected to increase again next year, perhaps by more than one percent. With GNP expanding a little more than 6 percent under the staff forecast, M2 would be expected to increase around 5 percent or a little less.[1/] M3 growth of around 6-1/2

1. The recent tax reform is not expected to affect M2 growth materially in 1988. The reduced attractiveness of IRA contributions, which already have fallen off substantially in the early part of this year despite the acceptability of contributions for the prior tax year, would tend to buoy M2 demands. On the other hand, the value of the tax deductibility of interest on consumer debt will be phased down again, perhaps reinforcing incentives to restrain asset accumulation instead of taking on more debt.

percent is expected under the staff forecast. This projection is consistent with moderate expansion of bank and thrift credit next year, and fairly normal funding patterns. While both sets of institutions will be under pressure from capital guidelines to hold down balance sheet expansion, the forecast assumes that market concerns about the health of banks or thrifts do not seriously impair the overall credit extension and funding process. M1 would be expected to increase only about 4 percent, as rising interest rates continue to limit the growth of demand deposits and NOW accounts.

(16) Growth of the debt of domestic nonfinancial sectors is expected to slow a little more next year, on a fourth-quarter average basis, to 8-1/2 percent, the same pace anticipated for the second half of this year. The growth of government indebtedness is expected to taper off a little, reflecting a slight moderation in borrowing by state and local governments owing to reduced refunding volume in an environment of some upward pressures on interest rates. In the business sector, a decline in borrowing needs for share retirements should be largely offset by some widening of the margin of capital spending over internal funds, given the prospect for relatively flat after-tax profits. Expansion in household debt is expected to be maintained by continued substantial mortgage borrowing in conjunction with housing activity and home equity loans.

(17) The staff economic forecast assumes that policy is aimed at achieving money and credit growth consistent with some restraint on domestic spending in circumstances in which progress toward price stability may be threatened, in part by further depreciation of the dollar and marked improvement in real net exports at a time when unemployment may already be in the neighborhood of the "natural rate." Especially in the absence of a

more substantial federal deficit-reduction effort, restraint of domestic private demand through limited growth of money may be needed to contain inflation pressures and promote an orderly adjustment of external imbalances. M2 expansion thought consistent with the staff forecast would be in the lower part of its alternative II range and M3 near the middle. The lower money growth specifications of alternative III embody a range of outcomes somewhat better centered on the staff's expectations, especially for M2. This range would allow more scope for restraint on inflationary pressures, particularly should they turn out to be more intense than anticipated, or for a downward shift in money demand. Since M2 growth could be fairly weak as interest rates rose under these circumstances, the lower end of the alternative III range is a full percentage point below that of alternative II. The upper end is reduced only a half percentage point to allow for the possibility of no change or a small decrease in velocity should interest rates remain near current levels.

(18) Alternative I encompasses money growth rates that would be more consistent with little further change in interest rates or even some decline, perhaps accompanying weaker than expected economic growth or very substantial progress in reducing the structural federal deficit and limited underlying price pressures. This alternative, then, would be more appropriate if the risks were thought to lie in the direction of a shortfall in aggregate demand, rather than a resurgence of inflation. Considerable weakness in domestic demand would tend to constrain inflationary pressures even if the dollar were to drop appreciably further. Under these conditions, nominal interest rates near or below current levels might be needed to support economic growth. In this context, income velocity of M2 also

would be expected to change little on balance next year or begin to decline again, implying expansion of M2 around or a bit below the middle of the alternative I range if growth in nominal GNP were sustained at 6 percent, and this alternative would allow some latitude for some further monetary growth should that be appropriate to foster economic expansion.

Short-run policy alternatives

(19) The table below presents three alternative specifications for monetary growth from June to September, along with associated federal funds rate ranges. (More detailed data, including growth from the fourth-quarter base of the long-run ranges to September, are shown on the table and charts on the following pages.) Under all three alternatives, growth in M2 and M3 would strengthen from the pace of recent months, and M3 growth from the fourth quarter of last year would rise noticeably into its annual range. Under A and B, the pickup in M2 would be sufficient to lift this aggregate to around the lower end of the alternative II long-run range by September, although it would remain below its alternative I long-run range. Under alternative C, the pickup in M2 growth would be inadequate to raise this aggregate to near the lower end of even the alternative II long-run range by September. M1, in all three cases, is expected to expand more slowly than the broader measures over the next few months, at a pace below that of the first half of the year.

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

(20) Alternative B assumes the current $500 million allowance for adjustment and seasonal borrowing. With such pressure on reserve

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
Levels in billions									
1987 April	2838.5	2838.5	2838.5	3541.0	3541.0	3541.0	750.4	750.4	750.4
May	2839.9	2839.9	2839.9	3555.5	3555.5	3555.5	753.2	753.2	753.2
June	2843.1	2843.1	2843.1	3572.3	3572.3	3572.3	747.0	747.0	747.0
July	2855.7	2854.0	2852.3	3598.5	3597.9	3597.3	749.6	749.2	748.8
August	2871.1	2866.6	2862.1	3622.8	3620.7	3618.6	753.3	751.7	750.1
September	2890.3	2879.6	2869.0	3643.5	3639.0	3634.5	758.0	754.3	750.5
Monthly Growth Rates									
1987 April	6.0	6.0	6.0	5.9	5.9	5.9	17.7	17.7	17.7
May	0.6	0.6	0.6	4.9	4.9	4.9	4.5	4.5	4.5
June	1.4	1.4	1.4	5.7	5.7	5.7	-9.9	-9.9	-9.9
July	5.3	4.6	3.9	8.8	8.6	8.4	4.2	3.5	2.9
August	6.5	5.3	4.1	8.1	7.6	7.1	5.9	4.0	2.1
September	8.0	5.4	2.9	6.9	6.1	5.3	7.5	4.2	0.6
Quarterly Ave. Growth Rates									
1986 Q3	10.6	10.6	10.6	9.7	9.7	9.7	16.5	16.5	16.5
Q4	9.2	9.2	9.2	8.0	8.0	8.0	17.0	17.0	17.0
1987 Q1	6.3	6.3	6.3	6.4	6.4	6.4	13.1	13.1	13.1
Q2	2.6	2.6	2.6	4.3	4.3	4.3	6.5	6.5	6.5
Q3	4.5	3.7	2.9	7.3	7.1	6.8	1.8	0.8	-0.2
Mar. 87 to June 87	2.7	2.7	2.7	5.5	5.5	5.5	4.1	4.1	4.1
June 87 to Sept. 87	6.6	5.1	3.6	8.0	7.5	7.0	5.9	3.9	1.9
Q4 86 to Q2 87	4.4	4.4	4.4	5.4	5.4	5.4	9.9	9.9	9.9
Q4 86 to June 87	4.0	4.0	4.0	5.4	5.4	5.4	7.7	7.7	7.7
Q4 86 to Sept. 87	4.8	4.4	3.9	6.2	6.1	5.9	7.3	6.6	6.0
1987 Target Ranges:		5.5 to 8.5			5.5 to 8.5				

Chart 1

ACTUAL AND TARGETED M2

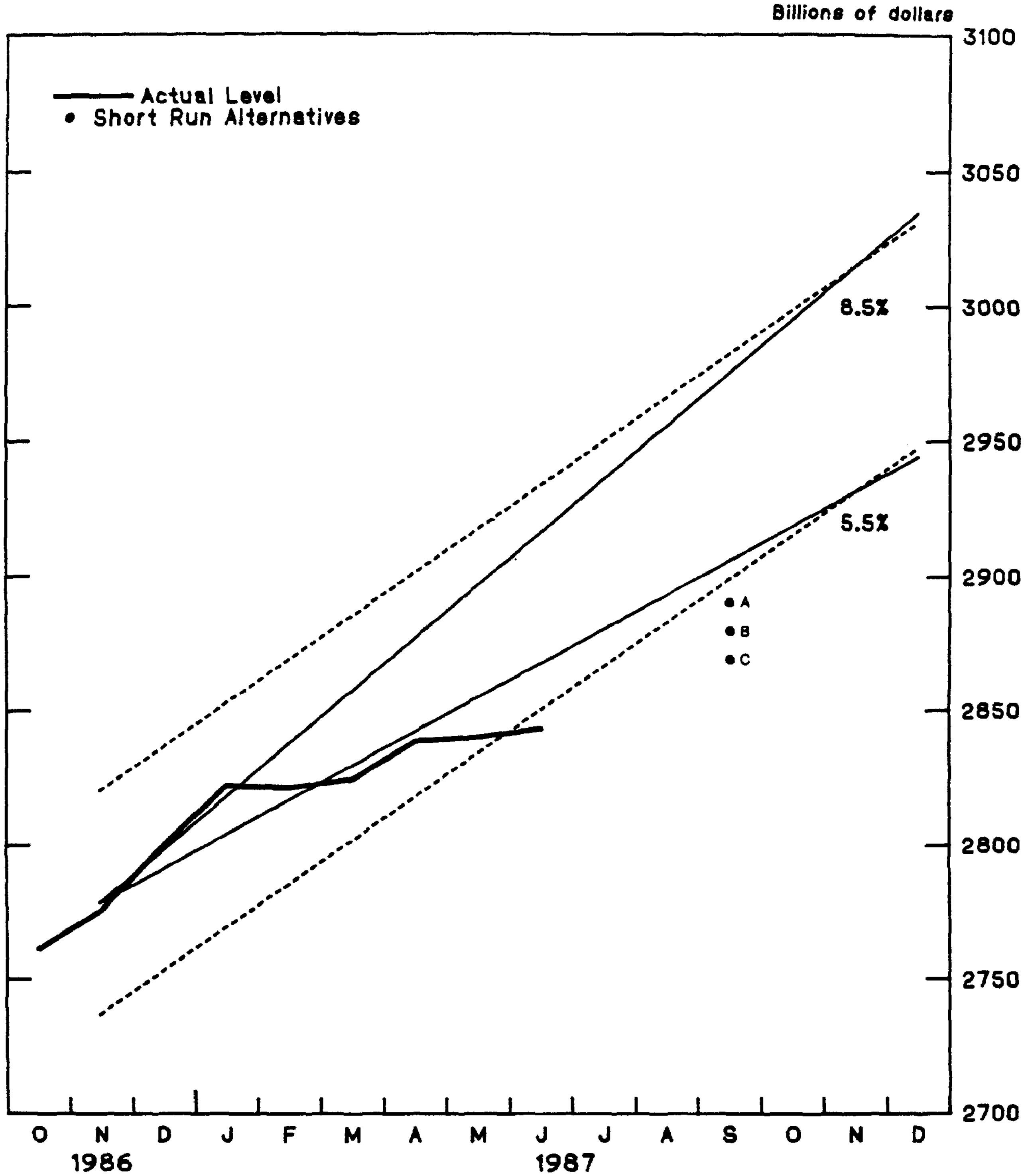


Chart 2

ACTUAL AND TARGETED M3

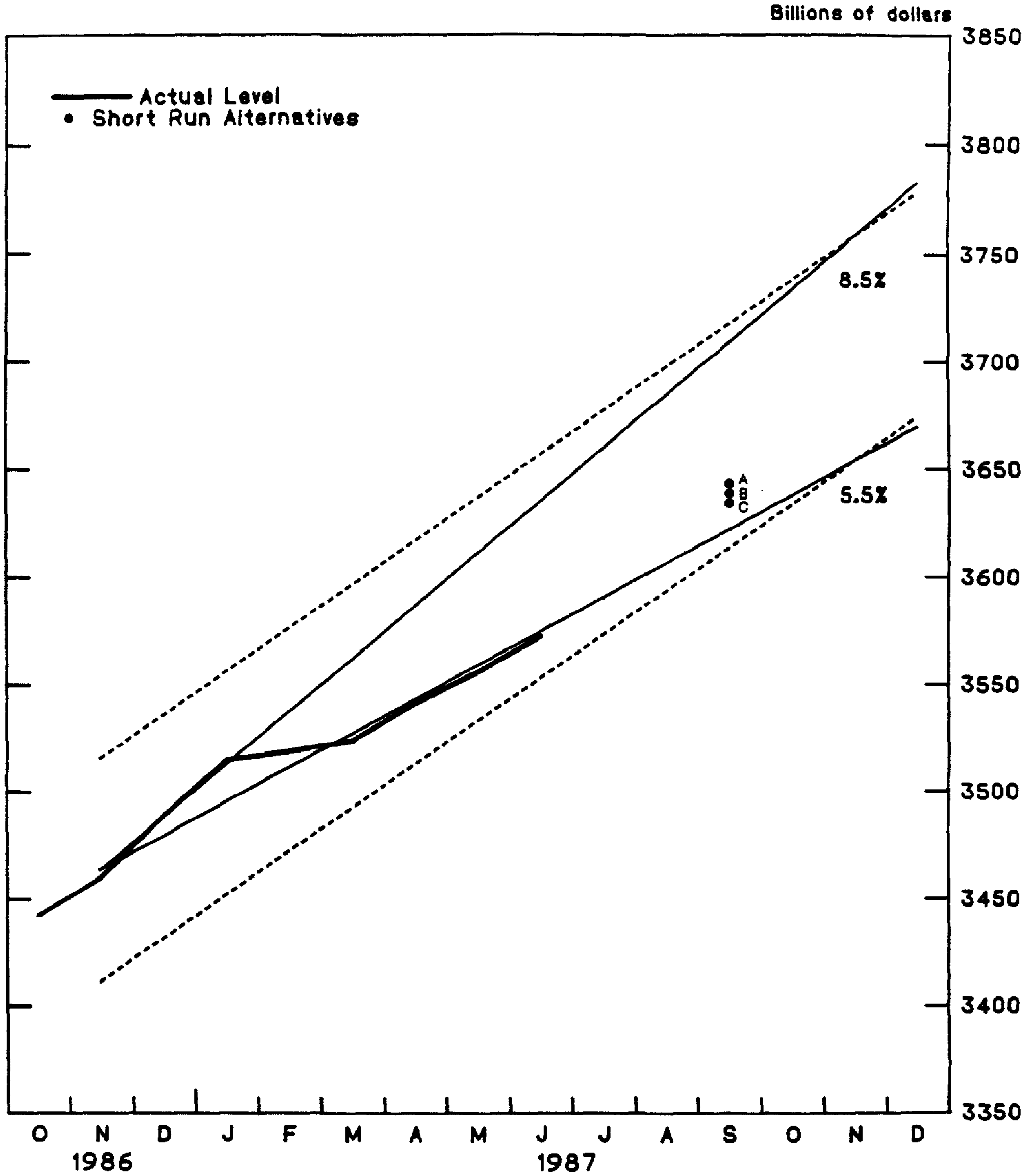
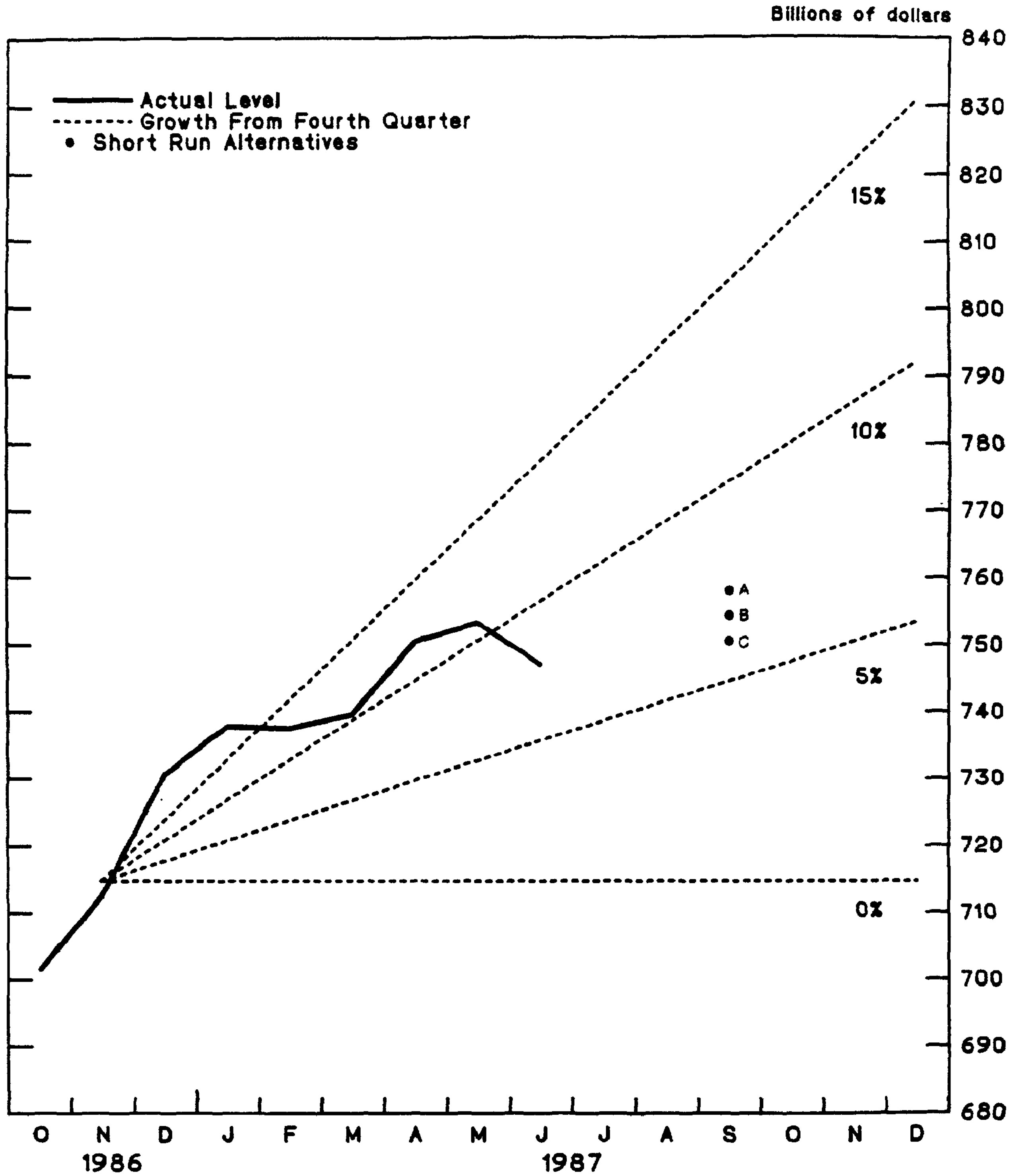


Chart 3

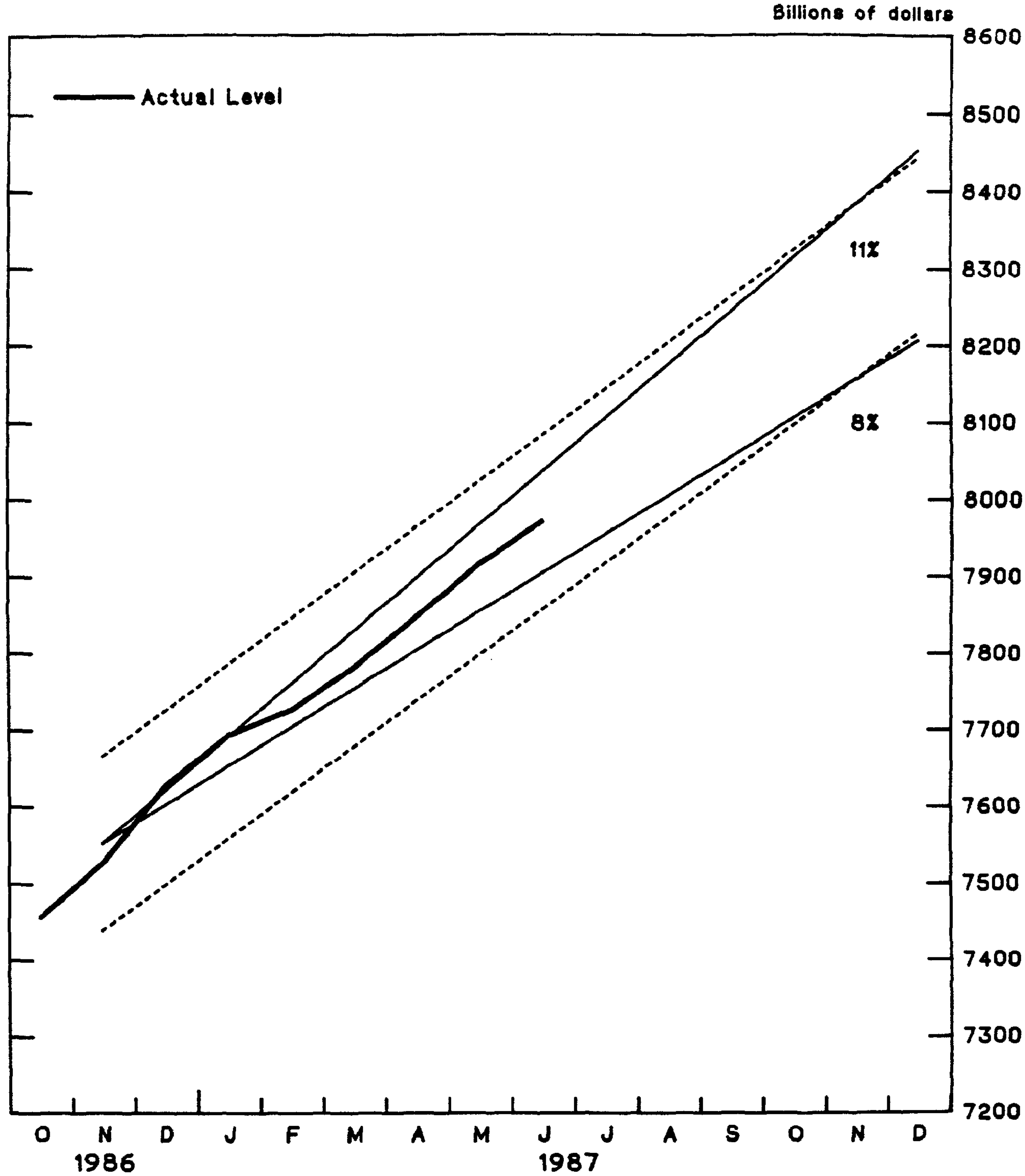
M1



Billions of dollars
Actual Level
Growth From Fourth Quarter
Short Run Alternatives
15%
10%
5%
0%
A
B
C
840
830
820
810
800
790
780
770
760
750
740
730
720
710
700
690
680
O
N
D
J
F
M
A
M
J
J
A
S
O
N
D
1986
1987

Chart 4

DEBT



Billions of dollars
Actual Level
11%
8%
8600
8500
8400
8300
8200
8100
8000
7900
7800
7700
7600
7500
7400
7300
7200
O N D J F M A M J J A S O N D
1986
1987

positions, federal funds would be expected to trade in a 6-1/2 to 6-3/4 percent range, perhaps more toward the lower end of the range, given the current absence of market expectations of a near-term tightening of policy. In these circumstances other short-term rates would be about unchanged over the near term, although the three-month Treasury bill rate could drift higher as the paydown of bills abates. The dollar might remain around current levels for a time, but at some point considerable downward pressure could well reemerge under the weight of continued outsized external deficits. In this event, longer-term rates would tend to rise in reflection of heightened inflationary concerns and short-term rates could also begin to firm in anticipation of some additional tightening of monetary policy.

(21) Without an increase in reserve pressures, growth in M2 is expected to pick up substantially from the unusually slow pace of May and June, toward the pace of nominal income expansion. The depressing influence of the previous increase in market rates should begin to wear off reasonably promptly since offering rates on many components of M2 seem already to have adjusted to the current structure of market rates. Within M2, rate relationships are expected to favor small time deposits, as they have recently, at the expense of the more liquid retail components--OCDs, savings deposits, MMDAs, and money funds. In the event of mounting concern about the solvency of some thrift institutions, retail deposit growth at thrifts could be damped, although any effects on M2 would be limited by conversions of large time deposits to accounts of less than $100,000 and by shifts of core deposits to commercial banks and money funds in view of the absence of other liquid or insured alternatives.

With somewhat stronger third-quarter M2 growth, the advance in M2 velocity would slacken to about a 2 percent rate, given the staff GNP forecast.

(22) M3, under alternative B, would probably expand at a 7-1/2 percent annual rate, up about 2 percentage points from the March-to-June period. While asset growth at banks and thrifts is expected to continue around its average pace of recent months, a runoff of Treasury deposits will lead to more issuance of managed liabilities in M3. With faster expansion of M3 in the third quarter, its velocity would resume contracting at about a 1-1/2 percent rate, broadly in line with its longer-run trend.

(23) M1 would be expected to grow at a 4 percent annual rate over the June-to-September period under alternative B, implying quarterly average growth at only a 1 percent rate and the first M1 velocity increase--at a 5 percent rate--in nearly three years. As adjustments to the earlier rise in opportunity costs of holding both demand deposits and OCDs taper off, these components would resume expanding, but the extent of any pickup would be limited by the persistence of significantly higher opportunity costs relative both to market instruments and time deposits.

(24) Under this alternative, growth of debt of domestic nonfinancial sectors is expected to moderate over the June-to-September period and expansion in this aggregate from the fourth quarter is expected to edge down to 9-1/2 percent by September. Borrowing by the Treasury is likely to decline, on a seasonally adjusted basis, as the Treasury draws down its cash balance. Other sectors are expected to maintain their borrowing at about the moderate pace of recent months. Business borrowing will continue to be buoyed by the financing of share retirements, while credit required to finance investment expenditures remains modest. House-

hold credit usage will remain concentrated in the mortgage category, boosted by continued shifting from consumer credit into home equity loans.

(25) Alternative A assumes a reduction in the borrowing allowance to $300 million; the federal funds rate is likely to decline to the 6 to 6-1/4 percent area. Other money market rates also would fall by comparable amounts, as there is very little expectation of a near-term easing in monetary policy built into market rates. With an unwinding of some of the rise over recent months in opportunity costs, M2 would move closer to the lower end of its current longer-run range by September and, given the lagged effect of the lower market rates and faster income growth, would be likely to rise to just within this range in the fourth quarter. The boost to M3 growth stemming from a small pickup in depository credit expansion would lift this aggregate well into its current annual range.

(26) The decline in short-term rates under alternative A would contribute to a resumption of downward pressure on the dollar, potentially to a significant degree if this were seen as adding to inflationary pressures. Under these circumstances, any tendency for long-term rates to decline would be limited and possibly more than offset by the market reaction to the weaker dollar and inflation anxieties.

(27) Alternative C assumes a $200 million increase in the path allowance for borrowing to $700 million. The federal funds rate would climb to the 7 to 7-1/4 percent area and the bill rate would post a similar increase. Firmer conditions in the money market would act to postpone the reemergence of downward pressure on the dollar in exchange markets and the possible reduction of inflationary concerns would temper any tendency for Treasury bond yields to rise. There could be some widen-

ing in quality spreads, though, if the effects of this policy action were seen as aggravating debt servicing difficulties, including through weaker income growth, both at home and abroad.

(28) Any pickup in M2 is likely to be quite modest under alternative C. Over the June-to-September period, M2 would be expected to strengthen only marginally, to a 3-1/2 percent rate, damping growth from the fourth quarter to 4 percent by September. Transactions deposits would be most affected, with M1 expected to grow at only a 2 percent pace over this period. M3 probably would expand at around a 7 percent pace, owing to continued solid bank credit growth and more issuance of managed liabilities in M3; and growth in this aggregate from the fourth quarter would still strengthen--to 6 percent by September.

Directive language

(29) Presented below for Committee consideration is draft language dealing with the Committee's long-run ranges for 1987 and 1988. With regard to the ranges for 1987, two variants are proposed for the broader aggregates. Variant I is keyed to a Committee decision to retain the current ranges for these aggregates. The language in brackets is provided should the Committee wish to express an expectation that growth in M2 or the broader aggregates more generally would be around the lower limit of their ranges. Variant II might be considered if the Committee wishes to lower the 1987 range for M2 that was established in February. A separate paragraph for M1, patterned on the language in the current directive justifying the absence of a target range, would follow and could be used with either variant.

With regard to the ranges for 1988, the draft allows for the possibility that the Committee may want to give some broad indications of its expectations for M1 growth next year without establishing a numerical target range, at least at this time.

Draft language for the operational paragraph is shown in paragraph (30) on page 23. The current directive language relating to the Committee's longer-run ranges (adopted in February) is appended for reference on pages 24-25.

1987 Ranges

Variant I

The Federal Open Market Committee seeks monetary and financial conditions that will foster reasonable price stability over time, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee agreed at this meeting to reaffirm the ranges established in February for growth of 5-1/2 to 8-1/2 percent for both M2 and M3, measured from the fourth quarter of 1986 to the fourth quarter of 1987. [The Committee agreed that growth in the aggregates around the lower ends of their ranges may be appropriate in light of developments with respect to velocity and signs of the potential for some strengthening in underlying inflationary pressures, provided that economic activity is expanding at an acceptable pace.] The monitoring range for growth in total domestic nonfinancial debt set in February for the year was left unchanged at 8 to 11 percent.

Variant II

The Federal Open Market Committee seeks monetary and financial conditions that will foster reasonable price stability over time, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives, and taking account of developments with respect to velocity and signs of the potential for some strengthening in underlying price pressures, the Committee agreed that some reduction in the M2 range from that established in February would be consistent with restraint on inflation and satisfactory economic performance. The Committee set the new range for growth in M2 at ___ to ___ percent, measured from the fourth quarter of 1986 to the fourth quarter of 1987. The Committee reaffirmed the range for M3 growth of 5-1/2 to 8-1/2 percent established in February for 1987. The monitoring range for growth in total domestic nonfinancial debt set in February for the year was left unchanged at 8 to 11 percent.

M1 (Both Variants)

With respect to M1, the Committee recognized that, based on experience, the behavior of that aggregate must be judged in the light of other evidence relating to economic activity and prices; fluctuations in M1 have become much more sensitive in recent years to changes in interest rates, among other factors. Because of this sensitivity, which has been reflected in a sharp slowing of the decline in M1 velocity over the first half of the year, the Committee again decided not to establish a specific target for growth in M1 over the year as a whole. Instead, the appropriateness of changes in M1 will continue to be evaluated in the light of the behavior of its velocity, developments in the economy and financial markets, and the nature of emerging price pressures. The Committee anticipates substantially slower growth of M1 in 1987 than in 1986 in the context of continuing economic expansion, given the intensification of price pressures this year--associated in part with a substantial downward movement of the dollar in foreign exchange markets--and the abatement of the weakness in M1 velocity. The Committee in reaching operational decisions over the balance of the year might target appropriate growth in M1 from time to time in the light of circumstances then prevailing, including the rate of growth of the broader aggregates.

1988 Ranges

For 1988 the Committee agreed on tentative ranges of monetary growth, measured from the fourth quarter of 1987 to the fourth quarter of 1988, of ___ to ___ percent for M2 and ___ to ___ percent for M3. The Committee decided not to establish a 1988 range for M1 at this time in light of the continuing exceptional uncertainties about the relationship of this aggregate to key measures of economic performance. However, the Committee indicated an expectation that the growth in M1 associated with restraint on inflationary pressures and moderate economic expansion might be well below the average pace of the previous several years. The issues involved with establishing a target range for M1 would be carefully reappraised at the beginning of 1988. The Committee provisionally set the associated range for growth in total domestic nonfinancial debt at ___ to ____ percent.

OPERATIONAL PARAGRAPH

(30) The draft for the operational paragraph follows closely the format used at the May meeting, with the addition of the usual alternatives for the sentences on reserve pressures and possible intermeeting adjustments. With regard to the latter, the May directive gave primary emphasis to potential inflationary developments and the behavior of the dollar.

In the implementation of policy for the immediate future, the Committee seeks to DECREASE SOMEWHAT (Alt. A)/MAINTAIN (Alt. B)/ increase somewhat (Alt. C) the EXISTING degree of ~~reserve~~ pressure ON RESERVE POSITIONS ~~sought-in-recent-weeks,-taking-into-account-the possibility-of-a-change-in-the-discount-rate~~. Somewhat greater reserve restraint would (MIGHT), or somewhat lesser reserve restraint (WOULD) might, be acceptable depending on indications of inflationary pressures and on developments in foreign exchange markets, as well as the behavior of the aggregates and the strength of the business expansion. This approach is expected to be consistent with growth in M2 and M3 over the period from ~~March through~~ June THROUGH SEPTEMBER at annual rates of around ___ AND ___ ~~6~~ percent, RESPECTIVELY ~~or less~~. Growth in M1 is expected to remain well below its pace during 1986. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of ~~4 to 8~~ ____ TO ___ percent.

Current Language
(Long-run targets adopted in February)

The Federal Open Market Committee seeks monetary and financial conditions that will foster reasonable price stability over time, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee at its February meeting established growth ranges of 5-1/2 to 8-1/2 percent for both M2 and M3, measured from the fourth quarter of 1986 to the fourth quarter of 1987. The associated range for growth in total domestic nonfinancial debt was set at 8 to 11 percent for 1987.

With respect to M1, the Committee recognized that, based on experience, the behavior of that aggregate must be judged in the light of other evidence relating to economic activity and prices; fluctuations in M1 have become much more sensitive in recent years to changes in interest rates, among other factors. During 1987, the Committee anticipates that growth in M1 should slow. However, in the light of its sensitivity to a variety of influences, the Committee decided at the February meeting not to establish a percise target for its growth over the year as a whole. Instead, the appropriateness of changes in M1 during the course of the year will be evaluated in the light of the behavior of its velocity, developments in the economy and financial markets, and the nature of emerging price pressures.

In that connection, the Committee believes that, particularly in the light of the extraordinary expansion of this aggregate in recent years, much slower monetary growth would be appropriate in the context of continuing economic expansion accompanied by signs of intensifying price pressures, perhaps related to significant weakness of the dollar in exchange markets, and relatively strong growth in the broad monetary aggregates. Conversely, continuing sizable increases in M1 could be accommodated in circumstances characterized by sluggish business activity, maintenance of progress toward underlying price stability, and progress toward international equilibrium. As this implies, the Committee in reaching operational decisions during the year might target appropriate growth in M1 from time to time in the light of circumstances then prevailing, including the rate of growth of the broader aggregates.

Selected Interest Rates

Percent

July 6, 1987

Period	Short-term: federal funds	Short-term: Treasury bills secondary market 3-month	Treasury bills secondary market 6-month	Treasury bills secondary market 1-year	CDs secondary market 3-month	comm. paper 1-month	money market mutual fund	bank prime loan	Long-Term: U.S. government constant maturity yields 3-year	U.S. government constant maturity yields 10-year	U.S. government constant maturity yields 30-year	corporate A utility recently offered	municipal Bond Buyer	conventional home mortgages: secondary market fixed-rate	conventional home mortgages: primary market fixed-rate	conventional home mortgages: primary market ARM
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1986--High	9.55	7.21	7.30	7.35	7.94	7.90	7.21	9.50	8.60	9.38	9.52	10.83	8.72	10.97	10.99	9.09
Low	5.75	5.09	5.16	5.32	5.47	5.60	5.17	7.50	6.24	7.02	7.16	9.03	7.15	9.31	9.30	7.62
1987--High	7.62	5.84	6.20	6.72	7.15	6.91	6.19	8.25	8.19	8.78	8.93	10.27	8.68	10.80	10.81	8.01
Low	5.95	5.33	5.36	5.40	5.83	5.87	5.28	7.50	6.37	7.03	7.34	8.79	6.92	8.97	9.07	7.47
Monthly																
1987--June	6.92	6.21	6.27	6.32	6.73	6.79	6.18	8.50	7.41	7.80	7.57	9.65	8.30	10.45	10.68	8.60
July	6.56	5.83	5.86	5.90	6.37	6.42	6.02	8.16	6.86	7.30	7.27	9.57	7.95	10.18	10.51	8.52
Aug.	6.17	5.53	5.55	5.60	5.92	6.02	5.74	7.90	6.49	7.17	7.33	9.51	7.59	9.82	10.20	8.40
Sep.	5.89	5.21	5.35	5.45	5.71	5.74	5.34	7.50	6.62	7.45	7.62	9.56	7.53	9.98	10.01	8.20
Oct.	5.85	5.18	5.26	5.41	5.69	5.74	5.22	7.50	6.56	7.43	7.70	9.48	7.47	9.82	9.97	8.06
Nov.	6.04	5.35	5.41	5.48	5.76	5.84	5.21	7.50	6.46	7.25	7.52	9.31	7.23	9.56	9.70	7.90
Dec.	6.91	5.53	5.55	5.55	6.04	6.63	5.45	7.50	6.43	7.11	7.37	9.08	7.23	9.34	9.31	7.68
1987--Jan.	6.43	5.43	5.44	5.46	5.87	5.95	5.50	7.50	6.41	7.08	7.39	8.92	6.99	9.15	9.23	7.62
Feb.	6.10	5.59	5.59	5.63	6.10	6.12	5.32	7.50	6.56	7.25	7.54	8.82	7.03	9.04	9.12	7.56
Mar.	6.13	5.59	5.60	5.68	6.17	6.22	5.32	7.50	6.58	7.25	7.55	8.84	7.03	9.01	9.08	7.54
Apr.	6.37	5.64	5.90	6.09	6.52	6.39	5.49	7.75	7.32	8.02	8.25	9.51	7.87	10.05	9.83	7.58
May	6.85	5.66	6.05	6.52	6.99	6.83	5.79	8.14	8.02	8.61	8.78	10.05	8.35	10.58	10.60	7.88
June	6.73	5.67	5.99	6.35	6.94	6.86	n.a.	8.25	7.82	8.40	8.57	10.05	8.13	10.38	10.54	7.93
Weekly																
1987--Apr. 1	6.21	5.60	5.70	5.79	6.28	6.34	5.44	7.54	6.77	7.44	7.75	9.07	7.26	9.55	9.26	7.47
8	6.13	5.50	5.70	5.77	6.26	6.21	5.44	7.75	6.88	7.59	7.89	9.33	7.54	10.08	9.43	7.52
15	6.41	5.84	5.99	6.16	6.56	6.43	5.45	7.75	7.32	8.04	8.25	9.52	8.28	10.07	10.27	7.67
22	6.26	5.51	5.92	6.14	6.53	6.39	5.52	7.75	7.41	8.17	8.36	9.96	8.16	10.51	10.37	7.66
29	6.50	5.71	6.02	6.34	6.71	6.49	5.51	7.75	7.72	8.37	8.57	9.90	8.13	10.38	10.47	7.70
May 6	7.30	5.62	5.97	6.35	6.85	6.72	5.62	7.96	7.80	8.42	8.63	9.87	8.20	10.39	10.52	7.85
13	6.75	5.57	5.84	6.41	6.85	6.76	5.75	8.00	7.90	8.52	8.69	10.10	8.20	10.73	10.48	7.87
20	6.77	5.80	6.20	6.72	7.10	6.89	5.78	8.21	8.19	8.78	8.93	10.27	8.68	10.83	10.81	7.99
27	6.80	5.61	6.15	6.57	7.15	6.91	5.88	8.25	8.16	8.70	8.86	10.05	8.33	10.58	10.70	8.01
June 3	6.65	5.69	6.15	6.44	7.01	6.87	5.93	8.25	8.01	8.57	8.74	10.14	8.29	10.56	10.70	7.97
10	6.70	5.60	5.95	6.41	6.99	6.87	5.97	8.25	7.95	8.55	8.71	10.04	8.16	10.38	10.66	7.97
17	6.75	5.60	5.92	6.30	6.90	6.85	6.01	8.25	7.73	8.33	8.51	10.00	7.96	10.28	10.44	7.91
24	6.79	5.70	5.97	6.30	6.89	6.87	6.04	8.25	7.69	8.27	8.44	10.03	8.10	10.28	10.35	7.88
July 1	6.61	5.73	5.99	6.29	6.92	6.86	6.04	8.25	7.76	8.34	8.48	10.01	8.16	10.20	10.36	7.86
Daily																
June 26	6.72	5.78	6.13	6.35	6.96	6.87	--	8.25	7.82	8.37	8.50	--	--	--	--	--
July 2	6.70p	5.66	5.76	6.20	6.79	6.73	--	8.25	7.65p	8.29p	8.42p	--	--	--	--	--
3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

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 the FNMA purchase yield, plus loan servicing fee, on 30-day mandatory delivery commitments on the Friday following the end of the statement week. Column 15 is the average contract rate on new commitments for fixed-rate mortgages (FRMs) with 80 percent loan-to-value ratios at a sample of savings and loans. Column 16 is the average initial contract rate on new commitments for one-year, adjustable-rate mortgages (ARMs) at S&Ls offering both FRMs and ARMs with the same number of discount points.

Money and Credit Aggregate Measures

Seasonally adjusted

JULY 6, 1987

Period	Money stock measures and liquid assets						Bank credit	Domestic nonfinancial debt[2]		
	M1	M2	nontransactions components		M3	L	total loans and investments[1]	U.S. government[2]	other[2]	total[2]
			in M2	in M3 only						
	1	2	3	4	5	6	7	8	9	10
PERCENT ANNUAL GROWTH:										
ANNUALLY (QIV TO QIV)										
1984	5.4	7.9	8.6	23.2	10.7	12.2	11.2	16.0	13.4	13.9
1985	12.1	8.8	7.8	3.4	7.7	8.5	10.2	15.2	12.9	13.5
1986	15.3	8.9	6.9	8.3	8.8	8.1	9.8	14.6	13.0	13.4
QUARTERLY AVERAGE										
3RD QTR. 1986	16.5	10.6	8.6	6.2	9.7	8.1	10.6	14.5	12.1	12.6
4TH QTR. 1986	17.0	9.2	6.6	3.1	8.0	8.2	8.8	12.6	12.9	12.8
1ST QTR. 1987	13.1	6.3	3.9	6.8	6.4	6.3	10.1	10.0	10.7	10.6
2ND QTR. 1987 PE	6 ½	2 ½	1 ¼	11	4 ¼		7			
MONTHLY										
1986--JUNE	14.4	9.2	7.4	5.8	8.5	6.2	5.2	19.3	10.3	12.4
JULY	16.4	11.8	10.3	7.0	10.9	8.0	12.2	14.7	10.8	11.7
AUG.	18.4	11.0	8.4	6.9	10.2	8.7	14.8	8.8	15.3	13.7
SEPT.	10.7	7.9	7.0	12.9	8.9	8.7	12.7	11.5	13.7	13.1
OCT.	14.4	10.7	9.5	-7.4	7.1	7.6	3.6	9.9	10.9	10.6
NOV.	18.8	6.4	2.2	4.6	6.1	7.4	6.4	16.0	13.1	13.8
DEC.	30.5	10.7	3.8	7.5	10.1	9.5	15.0	18.6	13.5	14.7
1987--JAN.	11.8	9.4	8.5	7.1	8.9	9.7	16.1	7.4	11.8	10.8
FEB.	-0.5	-0.4	-0.4	8.5	1.3	2.1	0.9	5.1	7.1	6.7
MAR.	3.4	1.4	0.6	3.3	1.8	-3.0	3.8	3.7	6.3	5.7
APR.	17.7	6.0	2.0	5.3	5.9	4.6	11.9	6.6	9.6	8.8
MAY	4.5	0.6	-0.8	22.6	4.9		7.4	12.6	9.2	10.0
JUNE PE	-10	1	5	23	6		4			
MONTHLY LEVELS ($BILLIONS)										
1987--JAN.	737.7	2822.0	2084.3	692.5	3514.5	4174.1	2118.3	1818.1	5893.6	7711.7
FEB.	737.4	2821.1	2083.6	697.4	3518.4	4181.3	2119.7	1825.9	5928.7	7754.6
MAR.	739.5	2824.3	2084.7	699.3	3523.6	4170.9	2126.2	1831.6	5959.6	7791.3
APR.	750.4	2838.5	2088.1	702.4	3541.0	4186.9	2147.3	1841.6	6007.1	7848.7
MAY	753.2	2839.9	2086.7	715.6	3555.5		2160.6	1861.0	6053.3	7914.3
WEEKLY LEVELS ($BILLIONS)										
1987-MAY 4	749.2									
11	751.2									
18	754.0									
25	758.0									
JUNE 1	753.6									
8	745.8									
15 P	744.8									
22 P	750.7									

1/ ANNUAL RATES FOR BANK CREDIT ARE ADJUSTED FOR A TRANSFER OF LOANS FROM CONTINENTAL ILLINOIS NATIONAL BANK TO THE FDIC BEGINNING SEPTEMBER 26, 1984.

2/ DEBT DATA ARE ON A MONTHLY AVERAGE BASIS, DERIVED BY AVERAGING END-OF-MONTH LEVELS OF ADJACENT MONTHS, AND HAVE BEEN ADJUSTED TO REMOVE DISCONTINUITIES.

P-PRELIMINARY

PE-PRELIMINARY ESTIMATE

Components of Money Stock and Related Measures

Billions of dollars, seasonally adjusted unless otherwise noted

JULY 6, 1987

Period	Currency	Demand deposits	Other checkable deposits	Overnight RPs and Eurodollars NSA	MMDAs NSA	Savings deposits	Small denomination time deposits[1]	Money market mutual funds, NSA: general purpose, and broker/dealer[2]	Money market mutual funds, NSA: institutions only	Large denomination time deposits[3]	Term RPs NSA	Term Eurodollars NSA	Savings bonds	Short-term Treasury securities	Commercial paper	Bankers acceptances
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
ANNUALLY (4TH QTR):																
1984	157.8	246.6	143.9	56.1	405.4	290.5	880.0	161.7	57.7	413.6	65.3	81.7	73.9	267.3	161.2	45.7
1985	169.7	268.6	175.9	67.2	509.2	301.9	880.3	176.6	64.7	433.3	63.0	77.6	78.9	295.7	201.7	43.2
1986	182.4	299.8	226.1	77.1	568.2	358.4	858.4	207.2	84.3	446.1	80.8	79.7	89.7	290.5	229.0	37.7
MONTHLY																
1986-MAY	175.8	282.2	195.5	68.9	531.6	316.8	888.0	193.2	76.1	447.6	74.1	79.5	82.7	304.0	210.7	39.8
JUNE	176.7	285.0	199.6	66.3	541.0	321.8	883.0	197.3	75.0	447.6	75.1	79.8	83.5	298.3	212.6	39.8
JULY	177.6	288.2	204.5	71.9	546.6	327.4	880.9	199.7	77.5	448.3	74.4	78.3	84.3	292.6	214.5	39.0
AUG.	179.0	291.2	210.4	74.7	553.6	334.6	876.7	200.5	80.8	449.4	75.2	78.0	85.3	288.7	219.7	37.3
SEPT.	179.7	292.2	214.7	72.7	558.8	341.4	872.2	202.2	84.4	448.4	77.9	81.4	86.4	287.9	223.9	36.9
OCT.	181.2	293.4	220.3	77.4	564.4	350.5	864.7	206.9	84.5	445.5	78.0	78.0	87.7	286.7	228.4	37.7
NOV.	182.4	297.8	225.8	76.7	568.7	358.5	857.1	207.1	84.4	445.8	82.4	78.7	89.8	292.2	228.4	38.0
DEC.	183.5	308.3	232.3	77.3	571.4	366.3	853.5	207.6	84.1	447.1	82.0	82.4	91.7	292.5	230.2	37.5
1987-JAN.	186.0	305.1	240.1	83.5	574.3	376.7	851.4	209.0	84.0	449.7	81.2	84.7	92.7	289.5	239.7	37.8
FEB.	187.2	300.8	242.9	78.7	570.8	387.1	848.0	210.7	84.7	448.2	84.9	88.1	93.5	290.3	239.8	39.3
MAR.	187.7	299.3	245.7	75.3	570.5	396.2	845.5	211.6	84.9	450.1	84.9	89.2	94.3	274.1	239.1	39.8
APR.	188.9	304.0	250.8	75.1	565.5	406.0	843.5	211.8	83.1	454.6	91.0	85.7	95.1	264.8	244.9	41.2
MAY	190.2	304.0	252.3	73.8	557.1	411.6	843.6	210.3	81.8	459.6	96.3	89.8				

1/ INCLUDES RETAIL REPURCHASE AGREEMENTS. ALL IRA AND KEOGH ACCOUNTS AT COMMERCIAL BANKS AND THRIFT INSTITUTIONS ARE SUBTRACTED FROM SMALL TIME DEPOSITS.
2/ EXCLUDES IRA AND KEOGH ACCOUNTS.
3/ NET OF LARGE DENOMINATION TIME DEPOSITS HELD BY MONEY MARKET MUTUAL FUNDS AND THRIFT INSTITUTIONS.

STRICTLY CONFIDENTIAL (FR)
CLASS II-FOMC

Net Changes in System Holdings of Securities[1]

Millions of dollars, not seasonally adjusted

July 6, 1987

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		
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
1985	14,596	1,349	2,185	358	293	4,185	--	--	--	--	--	18,619	3,001
1986	19,099	190	893	236	158	1,476	--	--	--	--	--	20,178	10,033
1986--QTR. I	-2,821	--	--	--	--	--	--	--	--	--	--	-2,861	-3,580
II	7,585	--	--	--	--	--	--	--	--	--	--	7,535	-356
III	4,668	--	--	--	--	--	--	--	--	--	--	4,577	4,044
IV	9,668	190	893	236	158	1,476	--	--	--	--	--	10,927	9,925
1987--QTR. I	-2,714	--	-252	--	--	-252	--	--	--	--	--	-3,676	-14,254
QTR. II	5,823	1,767	5,036	1,226	920	8,948	--	--	--	--	--	14,735	2,121
1987--Jan.	414	--	--	--	--	--	--	--	--	--	--	304	-10,701
Feb.	-4,189	--	-252	--	--	-252	--	--	--	--	--	-4,441	-4,723
Mar.	1,062	--	--	--	--	--	--	--	--	--	--	1,062	1,170
Apr.	3,573	1,232	3,642	914	669	6,457	--	--	--	--	--	9,993	15,801
May	1,697	--	--	--	--	--	--	--	--	--	--	1,697	-16,634
June	553	535	1,394	312	251	2,491	--	--	--	--	--	3,044	2,954
Mar. 4	305	--	--	--	--	--	--	--	--	--	--	305	4,110
11	200	--	--	--	--	--	--	--	--	--	--	200	5,155
18	153	--	--	--	--	--	--	--	--	--	--	153	-5,445
25	168	--	--	--	--	--	--	--	--	--	--	168	-145
Apr. 1	348	465	1,244	290	196	2,195	--	--	--	--	--	2,542	-73
8	313	--	--	--	--	--	--	--	--	--	--	308	8,914
15	1,422	378	1,135	318	247	2,078	--	--	--	--	--	3,500	-5,341
22	1,308	--	--	--	--	--	--	--	--	--	--	1,276	6,616
29	153	389	1,263	307	227	2,186	--	--	--	--	--	2,338	1,915
May 6	1,427	--	--	--	--	--	--	--	--	--	--	1,427	975
13	446	--	--	--	--	--	--	--	--	--	--	446	78
20	141	--	--	--	--	--	--	--	--	--	--	141	-15,104
27	47	--	--	--	--	--	--	--	--	--	--	47	11,595
Jun. 3	29	--	--	--	--	--	--	--	--	--	--	29	-11,981
10	334	--	--	--	--	--	--	--	--	--	--	334	2,247
17	185	--	--	--	--	--	--	--	--	--	--	185	3,632
24	27	535	1,394	312	251	2,491	--	--	--	--	--	2,518	4,236
Jul. 1	-268	--	--	--	--	--	--	--	--	--	--	-268	-7,511
LEVEL--July 1 ($ billions)	107.1	21.6	42.0	14.7	24.3	102.5	2.3	3.8	1.3	.3	7.7	221.7	-4.4

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 purchase 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 (+).