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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

September 16, 1988

MONETARY POLICY ALTERNATIVES

Recent developments

(1) Since the August FOMC meeting, reserve paths have continued to specify adjustment plus seasonal borrowing of $600 million. After the 1/2 percentage point increase in the discount rate announced in the week preceding the meeting, this level of borrowing was expected to be associated with federal funds trading in a range of 8 to 8-1/4 percent. Over the two complete maintenance periods since the discount rate hike, adjustment plus seasonal borrowing averaged $592 million and the federal funds rate averaged 8.13 percent.[1] Thus far in the current period, borrowing is running at close to $590 million and the federal funds rate is averaging 8-1/8 percent. Reflecting declines in both required and excess reserves, total reserves fell in August. However, because currency continued to grow--albeit at a reduced pace--the monetary base increased at a 2-1/2 percent rate.

(2) While federal funds have continued to trade near their level at the time of the last FOMC meeting, most other market rates have declined since then. Data suggesting a more moderate pace of economic expansion and weaker oil prices apparently were interpreted as pointing to some reduction in potential inflation pressures and to a lesser likelihood of a near-term

1. Seasonal borrowing has remained unusually heavy, averaging about $430 million in the last two complete periods. The Midwest has been the primary locus of the demands for seasonal credit, but there is little evidence that the increased borrowing has been related to this summer's drought. In conformance with its usual pattern, seasonal borrowing has retreated since the end of August to $395 million so far in this maintenance period.

MONETARY, CREDIT, AND RESERVE AGGREGATES
(Seasonally adjusted annual rates of growth)

	June	July	August	June to August	QIV '87 to August
Money and credit aggregates					
M1	9.8	9.1	0.2	4.6	5.2
M2	5.8	3.8	2.5	3.2	6.2
M3	7.7	6.4	4.0	5.2	6.9
Domestic nonfinancial debt	8.0	7.6	8.5	8.1	8.5
Bank credit	11.1	4.9	6.7	5.8	8.0
Reserve measures[1]					
Nonborrowed reserves[2]	4.3	4.6	3.3	4.0	4.0
Total reserves	5.4	11.9	-2.9	4.5	4.5
Monetary base	6.2	10.4	2.5	6.5	7.5
Memo: (Millions of dollars)					
Adjustment plus seasonal borrowing	529	902	588	--	--
Excess reserves	888	1007	951	--	--

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

NOTES: Monthly reserve measures, including excess reserves and borrowing, are calculated by prorating averages for two-week reserve maintenance periods that overlap months. Reserve data incorporate adjustments for discontinuities associated with changes in reserve requirements.

tightening of monetary policy. Bond yields have dropped as much as 3/8 of a percentage point; rates on fixed-rate mortgages in the primary market, though falling most recently, have lagged other rates and are down only about half that amount on balance over the intermeeting period. The decline in bond rates contributed to higher stock prices, which are up an average of about 3 percent over the period. Most short-term rates are down roughly 1/4 to 3/8 of a percentage point since the August meeting, with the exception of the 3-month Treasury bill rate which has moved up slightly, buoyed in part by an enlarged supply.

(3) The upward pressure on the dollar that had prevailed before the August FOMC meeting continued until late in the month, when hikes in European official lending rates arrested the dollar's climb. The dollar moved lower along with U.S. interest rates following the employment report for August. As the mark recovered against the dollar, it also moved to the top of the EMS parity grid, and with tensions emerging in the EMS, German short-term market interest rates eased back somewhat. Even so, the spread of short-term U.S. rates over the average of foreign rates is now narrower than it was prior to the U.S. discount rate increase. More recently, the dollar has firmed in response to publication of favorable trade data for July, leaving the exchange rate little changed on balance for the entire intermeeting period.

(4) The monetary aggregates slowed further in August, and early data suggest that this trend has continued into September. M2 was restrained to a 2-1/2 percent annual rate last month mainly by the earlier rise in market interest rates, which substantially increased the opportunity costs of most monetary assets. In addition, M3 growth slowed in August to a 4 percent pace. For July and August combined, growth of M2 and M3 averaged just below the 3-1/2 and 5-1/2 percent rates specified by the Committee for the June-to-September period. Since the fourth quarter of 1987, M2 has grown at 6-1/4 percent and M3 at 7 percent.

(5) The deceleration in M2 last month was concentrated in its liquid deposit components: demand deposits, OCDs, and MMDAs all ran off, and savings deposits slowed. (Indeed, M1 was flat in August, after expanding at more than a 9 percent rate in the previous two months.) By contrast, small time deposits picked up, buoyed by a deposit yield curve that has steepened since the spring. Overnight RPs rebounded from their July decline, along with a turnaround in bank holdings of government securities. As a result of that turnaround, bank credit growth strengthened somewhat last month despite a sharp slowdown in business lending. Managed liabilities in the non-M2 portion of M3 continued to expand rapidly in August, but on balance instruments outside M3--such as borrowings from banks' own foreign offices--funded the pickup in bank credit growth and also offset some of the weakness in core deposits. Growth of both M2 and M3 may have been damped a bit by regulators' efforts to moderate thrift deposit pricing behavior and to restrain asset growth; both retail time deposits and large CDs at thrift institutions have been relatively weak in recent months.

(6) The debt of domestic nonfinancial sectors appears to have grown at a slightly faster pace in August. The pickup was most evident in its federal component, especially in an increase of bill issuance in advance of seasonally larger deficits and in light of uncertainty about authority to issue long-term bonds. Business borrowing apparently remained subdued as a rebound in commercial paper issuance and an increase in bond offerings about offset the marked slowdown in bank loans. To a degree, the reduced pace of business borrowing thus far in the third quarter may reflect some slowing of equity retirements. Bank data suggest that consumer borrowing may have increased in August from a relatively sluggish pace in July. In response to the high level of rates, residential mortgage lending seems to have moderated in July. Since the fourth quarter of 1987, overall domestic nonfinancial debt has grown at an 8-1/2 percent rate, a little below the midpoint of its 7 to 11 percent monitoring range.

Policy alternatives

(7) Three policy alternatives are presented below. Under alternative B, reserve paths would continue to be drawn with adjustment plus seasonal borrowing of $600 million, while under alternatives A and C reserve paths would embody borrowing levels of $400 million and $800 million, respectively. Under alternative B, the federal funds rate would be expected to continue to trade generally in the 8 to 8-1/4 percent area. In the next few days, however, a tax-related surge in the Treasury balance could push the funds rate briefly to or even above 8-1/4 percent, and temporary pressures could resurface around quarter end. The funds rate would fall to the 7-1/2 to 7-3/4 percent area under alternative A and rise to the 8-1/2 to 8-3/4 percent area under alternative C.

(8) The table below presents growth rates of the monetary aggregates for the August-to-December period expected under the three alternatives.[2] Under all the alternatives, money growth is expected to remain relatively slow over coming months. This reflects, in part, continued adjustment by money holders to previous increases in interest rates and opportunity costs. In addition, regulators are assumed to maintain pressures on thrifts to hold down costs and asset growth, continuing to damp expansion of retail time deposits and large CDs. Finally, the climb in market interest rates over the spring and summer may have an especially pronounced effect on demand deposits as year-end approaches. If, given the rise in rates, business demand deposits exceed the lower levels needed to meet compensating balance requirements, businesses would reduce these

2. Because only partial data are available for September, an August base period is used for the monetary aggregates specifications.

deposits late this year, as they did in late 1987, with effects on M2 as well as M1. All the alternatives would leave M2 in the fourth quarter somewhat below and M3 somewhat above the midpoints of their annual ranges for 1988, and M1 around 4 percent above its level in the fourth quarter of 1987. The different reserve pressures under each alternative, however, do imply divergent trajectories in the aggregates by the turn of the year.

	Alt. A	Alt. B	Alt. C	
Growth from August to December				
M2	4	3	2	
M3	5-1/2	5	4-1/2	
M1	2	1/2	-1	
Implied growth from Q4 '87 to Q4 '88				Long-run ranges
M2	5-1/2	5-1/2	5-1/4	4 to 8
M3	6-1/2	6-1/2	6-1/4	4 to 8
M1	4-1/4	4	3-3/4	
Associated federal funds rate range	5-1/2 to 9-1/2	6 to 10	6-1/2 to 10-1/2	

(9) With markets now expecting no change in policy over the near term, short-term rates likely would remain near current levels under alternative B; the 3-month Treasury bill rate should stay around 7-1/4 percent. The dollar will probably trade around recent levels for a while under this alternative especially if, as seems likely, foreign monetary policies are also unchanged over coming weeks. In this environment, the behavior of bond yields will depend importantly on the strength of incoming data on the

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									
1988 July	3026.2	3026.2	3026.2	3833.0	3833.0	3833.0	782.4	782.4	782.4
August	3032.6	3032.6	3032.6	3845.7	3845.7	3845.7	782.5	782.5	782.5
September	3038.5	3038.2	3037.9	3854.1	3854.1	3854.1	783.1	783.0	782.9
October	3047.3	3045.5	3043.7	3871.8	3871.1	3870.4	784.3	783.6	782.9
November	3058.8	3053.9	3049.0	3891.4	3889.5	3887.6	786.0	784.0	782.0
December	3071.6	3061.6	3051.6	3914.4	3909.3	3904.2	787.6	783.7	779.8
Monthly Growth Rates									
1988 July	3.8	3.8	3.8	6.4	6.4	6.4	9.1	9.1	9.1
August	2.5	2.5	2.5	4.0	4.0	4.0	0.2	0.2	0.2
September	2.3	2.2	2.1	2.6	2.6	2.6	0.9	0.8	0.7
October	3.5	2.9	2.3	5.5	5.3	5.1	1.8	0.9	0.0
November	4.5	3.3	2.1	6.1	5.7	5.3	2.6	0.6	-1.4
December	5.0	3.0	1.0	7.1	6.1	5.1	2.4	-0.5	-3.4
Quarterly Ave. Growth Rates									
1987 Q4	3.9	3.9	3.9	5.5	5.5	5.5	3.9	3.9	3.9
1988 Q1	6.8	6.8	6.8	7.1	7.1	7.1	3.8	3.8	3.8
Q2	7.7	7.7	7.7	7.5	7.5	7.5	6.3	6.3	6.3
Q3	3.9	3.9	3.9	5.6	5.6	5.6	5.4	5.3	5.3
Q4	3.5	2.8	2.1	5.0	4.7	4.5	1.6	0.6	-0.5
June 88 to Sept 88	2.9	2.9	2.8	4.3	4.3	4.3	3.4	3.4	3.3
Aug. 88 to Dec. 88	3.9	2.9	1.9	5.4	5.0	4.6	2.0	0.5	-1.0
Sep. 88 to Dec. 88	4.4	3.1	1.8	6.3	5.7	5.2	2.3	0.3	-1.6
Q4 87 to Q2 88	7.3	7.3	7.3	7.4	7.4	7.4	5.1	5.1	5.1
Q4 87 to Q3 88	6.2	6.2	6.2	6.9	6.9	6.9	5.2	5.2	5.2
Q4 87 to Q4 88	5.6	5.4	5.2	6.5	6.4	6.3	4.3	4.1	3.8
Q4 87 to Aug. 88	6.2	6.2	6.2	6.9	6.9	6.9	5.2	5.2	5.2
Q4 87 to Sept 88	5.8	5.8	5.8	6.5	6.5	6.5	4.8	4.7	4.7
Q4 87 to Dec. 88	5.6	5.2	4.9	6.5	6.4	6.3	4.2	3.7	3.3
1988 Target Ranges:		4.0 to 8.0			4.0 to 8.0				

Chart 1

ACTUAL AND TARGETED M2

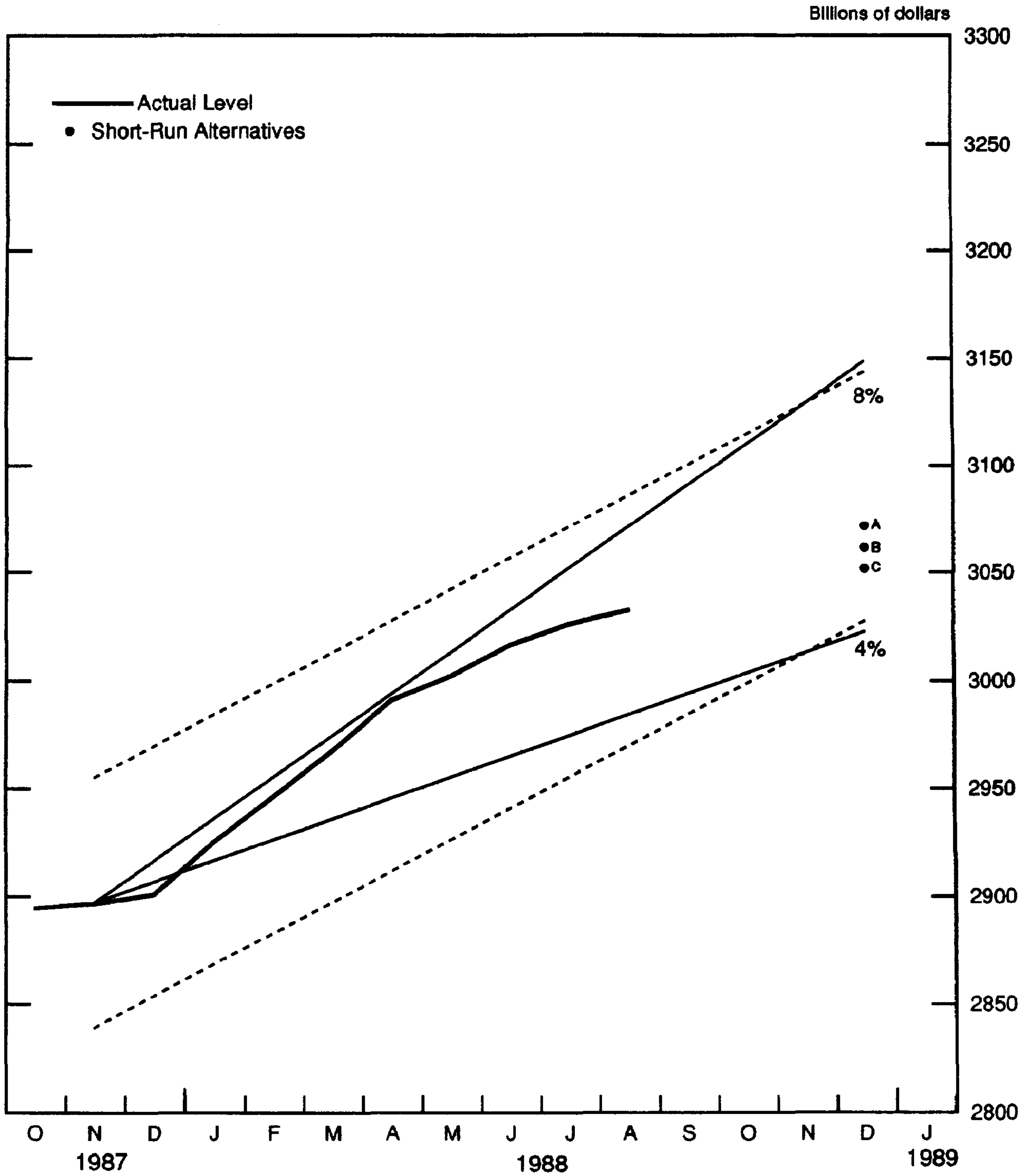


Chart 2

ACTUAL AND TARGETED M3

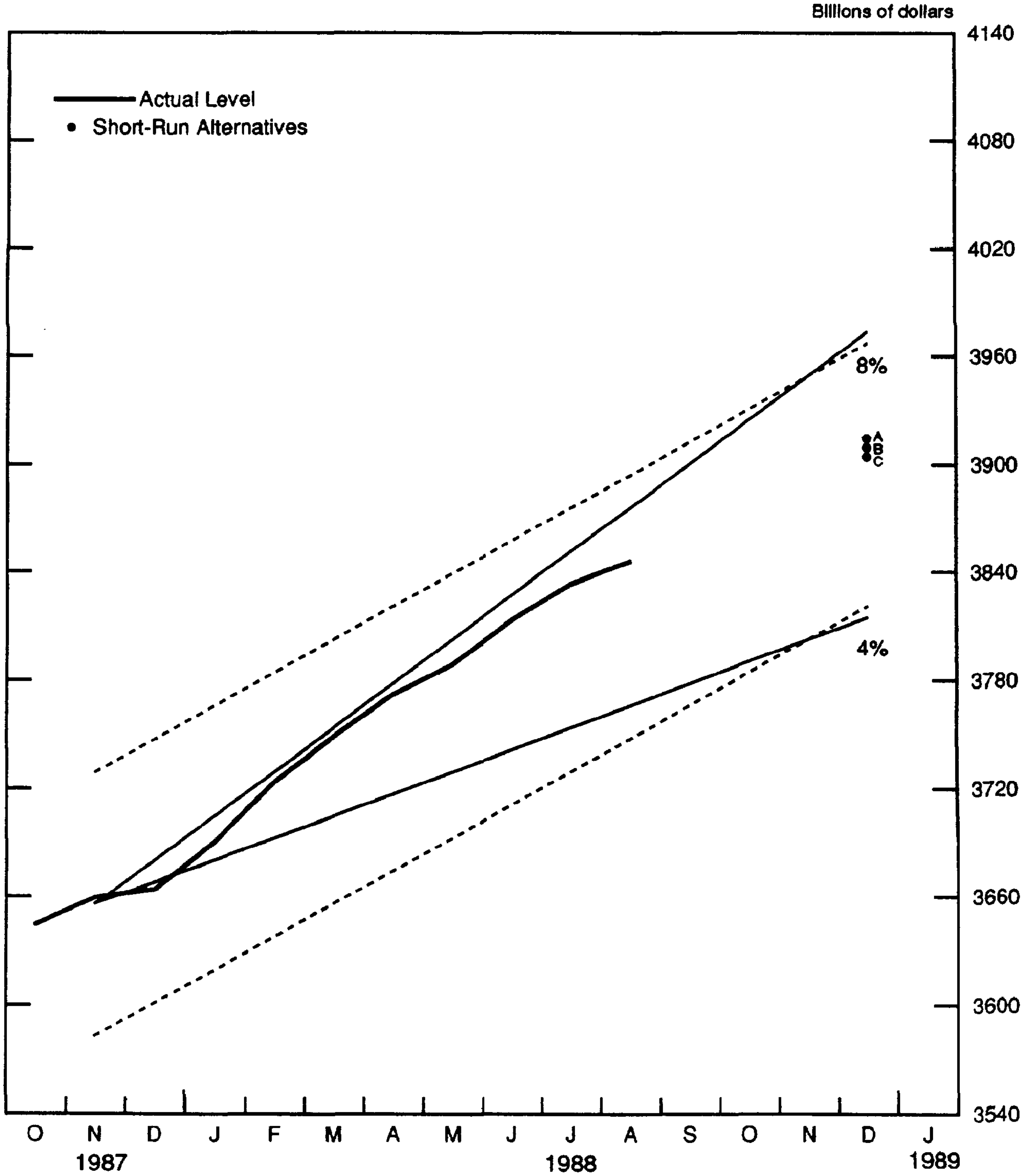
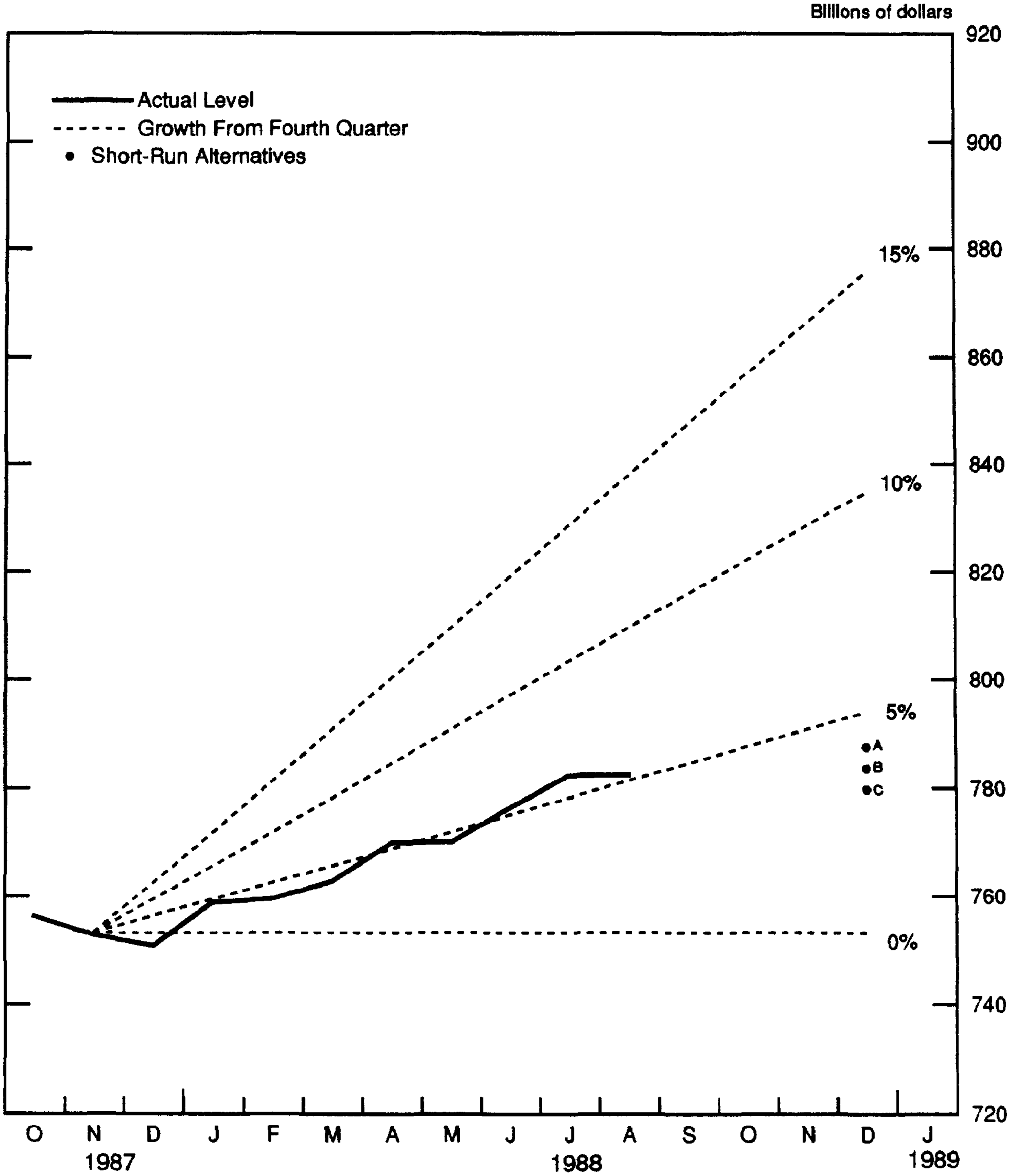


Chart 3

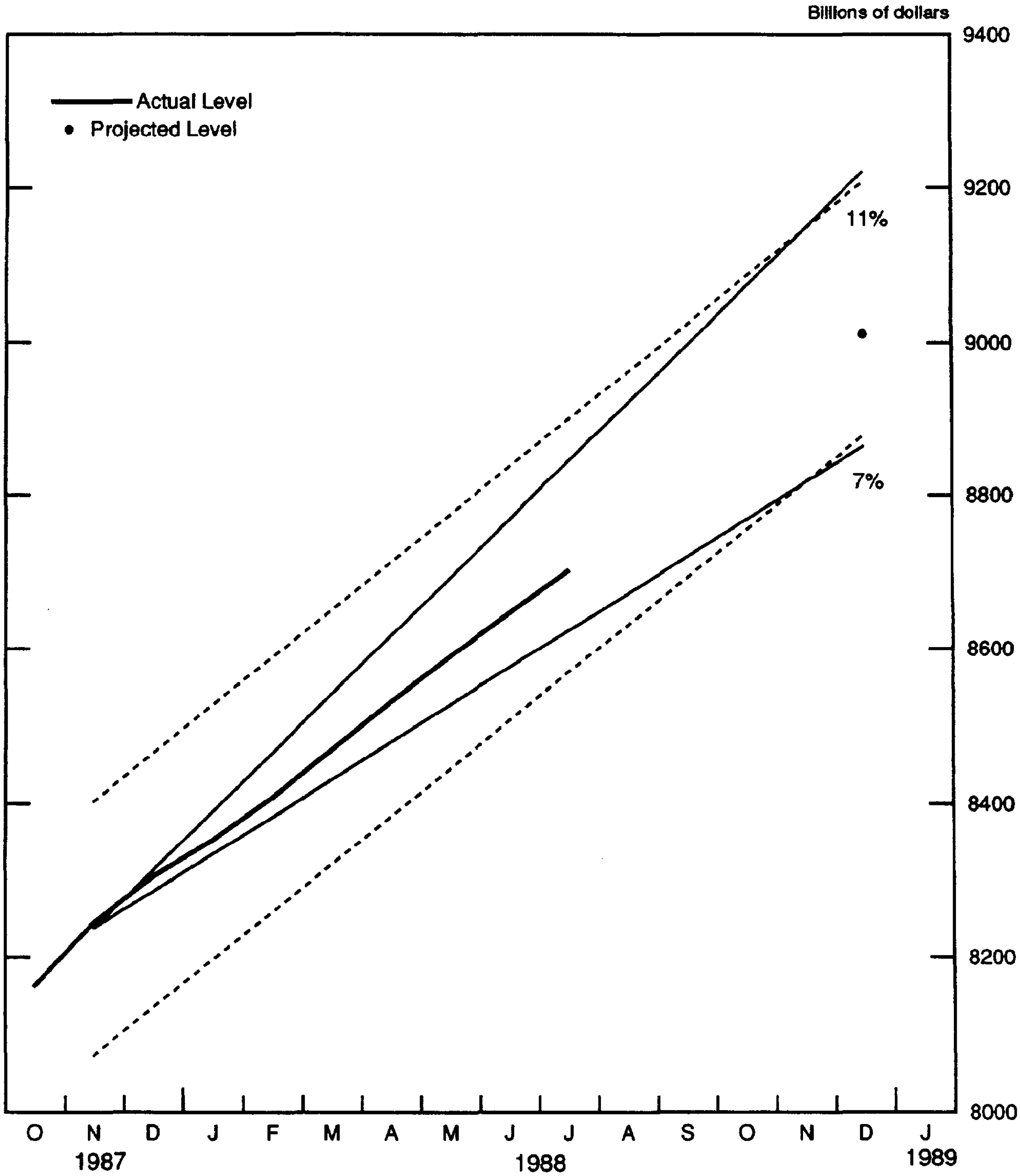
M1



Billions of dollars
Actual Level
Growth From Fourth Quarter
Short-Run Alternatives
15%
10%
5%
0%
A
B
C
920
900
880
860
840
820
800
780
760
740
720
O N D J F M A M J J A S O N D J
1987
1988
1989

Chart 4

DEBT



Billions of dollars
9400
9200
9000
8800
8600
8400
8200
8000
Actual Level
Projected Level
11%
7%
O
N
D
J
F
M
A
M
J
J
A
S
O
N
D
J
1987
1988
1989

economy and prices. If such data confirm market perceptions of moderate growth and little additional pressure on prices, these yields probably would hold at recent lower levels. But bond yields would retrace some of their recent declines if incoming information shows less moderation in demands and more strength in oil prices than now seems built into market expectations. In addition, bond yields may have been held down by a paucity of supply, which could be reversed by congressional passage of long-bond authorization for the Treasury or by decisions by corporations or state and local governments to take advantage of recently reduced long-term rates.

(10) M2 is expected to continue to grow at a 3 percent annual rate from August to December under alternative B, with particular weakness in liquid deposits; M1 is projected to increase at only a 1/2 percent annual rate over this period. Although offering rates should move closer to current levels of market interest rates, growth of M1 and M2 relative to income will be restrained by the earlier widening of opportunity costs and the other factors discussed above. M2 velocity would rise at a 3 percent rate in the fourth quarter, somewhat faster than in the current quarter, and M1 velocity at a 5-1/2 percent rate.

(11) M3 likely would continue to grow at a 5 percent rate under alternative B, and its velocity would edge up again in the fourth quarter. A further moderation in credit growth at thrifts, and associated funding needs, is likely to be offset by some pickup in bank credit, as lending to businesses and securities acquisitions rebound following weakness over July

and August. Total borrowing by businesses is expected to strengthen somewhat over the balance of the year, reflecting larger external financing needs and substantial further share retirements, with credit demands still focused to a large extent on the short- and intermediate-term markets. Domestic nonfinancial debt is expected to rise at a 8-1/2 percent rate over the last four months of the year and for the year as a whole, leaving it somewhat below the midpoint of its 7 to 11 percent monitoring range.

(12) With markets not now expecting a near-term tightening of policy, the rise in the federal funds rate under the firmer reserve conditions of alternative C would be about matched by increases in other short-term rates--perhaps including the prime rate. Bond yields and the dollar also would back up; the amounts would depend on surrounding circumstances, but could be considerable if market participants extrapolated a renewed tightening trend for policy in the context of incoming data suggesting continued momentum in the economy. Foreign monetary authorities might follow suit to temper the rise in the dollar. The further rise in opportunity costs under alternative C would likely damp M2 growth to only a 2 percent rate over the August-to-December period, and its M1 component would be expected to decline a little. By the end of the year, M2 would be growing at only a 1 percent rate. M3 growth also would slow from its pace of recent months, mainly reflecting further weakness in institution-only money market mutual funds.

(13) Under alternative A, M2 and M3 would strengthen over the August-to-December period. Partly owing to some narrowing of opportunity

costs, M2 by December would likely be growing at a rate around the 5 percent midpoint of its provisional range for next year, and M3 at 7 percent. An immediate easing would come as a surprise to market participants, given the recent policies and statements of the Federal Reserve and current perceptions that inflationary pressures, though perhaps less certain to mount, are not likely to moderate substantially. Short-term market rates would drop immediately by about the full extent of the easing in the funds rate, and bond yields would also decline. The initial bond market response could be substantial, but if data failed to confirm some further moderation in the economy and price pressures, bond yields could retrace much of these declines, especially if downward pressure on the dollar persisted.

Directive language

(14) Draft language for the operational paragraph, with the usual alternatives for varying degrees of reserve pressure, is presented below. The draft language on possible intermeeting adjustments also has the usual options for symmetry and asymmetry and retains the ordering of the factors to be considered in making such adjustments that was adopted at the August meeting.

OPERATIONAL PARAGRAPH

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 pressure on reserve positions. Taking account of indications of inflationary pressures, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets, somewhat (SLIGHTLY) greater reserve restraint would (MIGHT), or (SOMEWHAT) slightly lesser reserve restraint (WOULD) might, be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth in M2 and M3 over the period from ~~June~~ AUGUST through ~~September~~ DECEMBER at annual rates of about ~~3-1/2 and 5-1/2~~ ____ AND ____ percent, respectively. 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 ~~6 to 10~~ ___ TO ___ percent.

SELECTED INTEREST RATES
(percent)

	Short-Term								Long-Term							
		Treasury bills secondary market							U.S. Gov't. constant maturity yields					conventional home mortgages		
														sec mkt	primary	market
	federal funds	3 month	6 month	12 month	cds sec mkt 3-month	comm. paper 1-month	money market mutual fund	bank prime loan	3-year	10-year	30-year	corp. A utility rec off	muni. Bond Buyer	fixed-rate	fixed-rate	ARM
87--High	7.62	6.84	7.36	7.64	8.49	8.12	6.70	9.25	9.29	9.96	9.97	11.50	9.59	11.98	11.58	8.45
Low	5.95	5.24	5.36	5.40	5.83	5.88	5.28	7.50	6.37	7.03	7.34	8.79	6.92	8.97	9.03	7.47
88--High	8.19	7.30	7.51	7.71	8.47	8.21	7.38	10.00	8.88	9.36	9.42	10.73	8.34	10.97	10.71	8.16
Low	6.38	5.61	5.81	6.15	6.58	6.50	6.03	8.50	7.33	8.16	8.40	9.63	7.76	9.98	9.84	7.49
Monthly																
SEP 87	7.22	6.40	6.64	7.11	7.37	7.26	6.22	8.70	8.67	9.42	9.59	10.84	8.61	11.01	10.89	7.95
OCT 87	7.29	6.13	6.69	7.05	8.02	7.38	6.57	9.07	8.75	9.52	9.61	11.07	9.06	11.42	11.26	8.25
NOV 87	6.69	5.69	6.19	6.50	7.24	6.77	6.45	8.78	7.99	8.86	8.95	10.39	8.39	10.73	10.65	8.00
DEC 87	6.77	5.77	6.36	6.69	7.66	7.76	6.57	8.75	8.13	8.99	9.12	10.42	8.43	10.82	10.65	7.96
JAN 88	6.83	5.81	6.25	6.52	6.92	6.76	6.57	8.75	7.87	8.67	8.83	10.05	8.11	10.43	10.43	7.85
FEB 88	6.58	5.66	5.93	6.21	6.60	6.55	6.22	8.51	7.38	8.21	8.43	9.75	7.83	10.02	9.89	7.61
MAR 88	6.58	5.70	5.91	6.28	6.63	6.57	6.04	8.50	7.50	8.37	8.63	9.91	8.08	10.12	9.93	7.52
APR 88	6.87	5.91	6.21	6.56	6.92	6.80	6.09	8.50	7.83	8.72	8.95	10.23	8.22	10.44	10.20	7.58
MAY 88	7.09	6.26	6.56	6.90	7.24	7.07	6.20	8.84	8.24	9.09	9.23	10.61	8.30	10.73	10.46	7.71
JUN 88	7.51	6.46	6.71	6.99	7.51	7.41	6.51	9.00	8.22	8.92	9.00	10.41	8.14	10.62	10.46	7.85
JUL 88	7.75	6.73	6.99	7.22	7.94	7.72	6.77	9.29	8.44	9.06	9.14	10.40	8.15	10.64	10.43	7.84
AUG 88	8.01	7.06	7.39	7.59	8.35	8.09	7.06	9.84	8.77	9.26	9.32	10.45	8.16	10.87	10.60	8.01
Weekly																
JUN 1 88	7.41	6.44	6.82	7.11	7.47	7.34	6.37	9.00	8.41	9.17	9.27	10.43	8.21	10.73	10.58	7.90
JUN 8 88	7.37	6.44	6.71	7.01	7.46	7.36	6.41	9.00	8.25	8.99	9.09	10.46	8.15	10.57	10.51	7.88
JUN 15 88	7.43	6.40	6.61	6.89	7.43	7.34	6.50	9.00	8.11	8.84	8.95	10.47	8.10	10.65	10.35	7.79
JUN 22 88	7.54	6.42	6.74	7.02	7.53	7.41	6.56	9.00	8.27	8.97	9.05	10.36	8.10	10.53	10.40	7.83
JUN 29 88	7.63	6.55	6.75	7.01	7.58	7.50	6.62	9.00	8.23	8.88	8.91	10.25	8.12	10.43	10.39	7.81
JUL 6 88	7.81	6.55	6.72	7.02	7.67	7.58	6.68	9.00	8.18	8.83	8.89	10.39	8.14	10.65	10.38	7.79
JUL 13 88	7.59	6.65	6.93	7.21	7.85	7.64	6.70	9.00	8.40	9.04	9.09	10.44	8.15	10.65	10.44	7.82
JUL 20 88	7.83	6.70	7.05	7.26	8.00	7.77	6.83	9.50	8.49	9.11	9.21	10.44	8.16	10.75	10.46	7.89
JUL 27 88	7.80	6.84	7.10	7.27	8.06	7.79	6.91	9.50	8.53	9.11	9.22	10.41	8.13	10.73	10.49	7.87
AUG 3 88	7.84	6.93	7.12	7.33	8.10	7.86	6.94	9.50	8.54	9.08	9.17	10.31	8.05	10.66	10.44	7.90
AUG 10 88	7.75	6.93	7.27	7.48	8.17	7.91	6.97	9.50	8.65	9.15	9.18	10.53	8.18	10.97	10.57	8.00
AUG 17 88	8.19	7.02	7.48	7.67	8.46	8.21	7.13	10.00	8.83	9.36	9.42	10.50	8.20	10.89	10.71	8.07
AUG 24 88	8.02	7.10	7.51	7.67	8.47	8.18	7.21	10.00	8.86	9.35	9.41	10.51	8.19	10.95	10.67	8.06
AUG 31 88	8.15	7.30	7.48	7.71	8.46	8.19	7.27	10.00	8.88	9.32	9.38	10.30	8.10	10.74	10.65	8.16
SEP 7 88	8.15	7.27	7.43	7.55	8.32	8.15	7.37	10.00	8.64	9.06	9.11	10.22	7.98	10.68	10.53	8.14
SEP 14 88	8.13	7.23	7.40	7.48	8.22	8.07	7.38	10.00	8.53	8.94	9.01	10.21	7.88	10.54	10.43	8.12
Daily																
SEP 9 88	8.13	7.28	7.42	7.51	8.24	8.07	..	10.00	8.52	8.93	8.99	..	..	..	..	..
SEP 15 88	8.24	7.17	7.38	7.43	8.17	8.04	..	10.00	8.51	8.91	9.00	..	..	..	..	..
SEP 16 88	8.07p	7.15	7.37	7.46	8.19	8.05	..	10.00	8.52p	8.43p	9.01p	..	..	..	..	..

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, 13 and 14 are 1-day quotes for Friday, Thursday or Friday, 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. 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 1-year, adjustable-rate mortgages(ARMs) at S&Ls offering both FRMs and ARMs with the same number of discount points.

Strictly Confidential (FR)-
Class II FOMC

Money and Credit Aggregate Measures

Seasonally adjusted

SEP. 19, 1988

Period	Money stock measures and liquid assets						Bank credit	Domestic nonfinancial debt[1]		
	M1	M2	nontransactions components in M2	nontransactions components in M3 only	M3	L	total loans and investments	U.S. government[1]	other[1]	total[1]
	1	2	3	4	5	6	7	8	9	10
ANN. GROWTH RATES (%) :										
ANNUALLY (Q4 TO Q4)										
1985	12.0	8.9	7.9	3.4	7.7	8.5	10.2	15.2	12.7	13.3
1986	15.6	9.4	7.4	8.2	9.1	8.3	9.9	14.7	12.8	13.3
1987	6.2	4.0	3.3	11.2	5.4	5.2	7.8	9.0	9.8	9.6
QUARTERLY AVERAGE										
1987-3rd QTR.	0.8	2.8	3.6	11.4	4.6	4.4	6.2	5.8	8.5	7.9
1987-4th QTR.	3.9	3.9	3.9	11.9	5.5	5.8	5.5	7.6	10.9	10.1
1988-1st QTR.	3.8	6.8	7.8	8.4	7.1	6.7	5.1	9.3	8.0	8.3
1988-2nd QTR.	6.3	7.7	8.3	6.8	7.5	8.7	10.8	8.2	8.6	8.5
MONTHLY										
1987-AUG.	4.7	4.7	4.9	11.3	6.1	6.5	9.7	8.7	7.2	7.6
SEP.	1.6	4.8	5.9	6.5	5.2	7.4	8.6	6.5	10.1	9.2
OCT.	14.0	5.7	2.8	13.3	7.3	8.1	6.0	4.1	12.4	10.4
NOV.	-5.6	0.8	3.0	20.8	4.9	3.1	2.6	13.0	11.9	12.1
DEC.	-3.0	1.9	3.6	0.3	1.5	0.3	-1.0	8.3	8.8	8.7
1988-JAN.	12.8	10.0	9.0	3.3	8.6	10.3	6.1	5.3	7.3	6.8
FEB.	1.1	8.7	11.4	19.0	10.8	8.9	9.3	11.1	6.9	7.9
MAR.	5.4	8.7	9.7	6.0	8.1	7.2	7.9	15.2	6.7	8.7
APR.	11.3	9.5	8.9	-0.5	7.4	11.5	11.4	7.1	9.1	8.6
MAY	0.2	4.5	6.1	8.1	5.3	8.1	13.0	2.7	10.1	8.3
JUNE	9.8	5.8	4.4	15.1	7.7	3.8	11.1	5.3	8.8	8.0
JULY	9.1	3.8	2.0	16.0	6.4	9.4	4.9	4.1	8.7	7.6
AUG. p	0.2	2.5	3.3	9.4	4.0		6.7	7.3	8.9	8.5
LEVELS ($BILLIONS) :										
MONTHLY										
1988-APR.	770.1	2990.9	2220.8	781.0	3771.9	4465.2	2297.7	2018.5	6511.2	8529.7
MAY	770.2	3002.2	2232.0	786.3	3788.5	4495.2	2322.5	2023.1	6565.8	8588.9
JUNE	776.5	3016.6	2240.1	796.2	3812.8	4509.3	2343.9	2032.1	6614.0	8646.0
JULY	782.4	3026.2	2243.9	806.8	3833.0	4544.5	2353.5	2039.0	6661.8	8700.9
AUG. p	782.5	3032.6	2250.1	813.1	3845.7		2366.7	2051.4	6711.3	8762.7
WEEKLY										
1988-AUG. 1	784.3	3030.5	2246.2	809.9	3840.4					
8	782.2	3030.3	2248.1	813.8	3844.0					
15	780.2	3029.3	2249.1	812.0	3841.2					
22	783.3	3034.4	2251.1	812.2	3846.5					
29 p	782.7	3034.1	2251.5	815.4	3849.6					
SEP. 5 p	783.1	3036.8	2253.7	811.9	3848.6					

1. 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

Strictly Confidential (FR)-
Class II FOMC

Components of Money Stock and Related Measures

seasonally adjusted unless otherwise noted

SEP. 19, 1988

Period	Currency	Demand deposits	Other checkable deposits	Overnight RPs and Eurodollars NSA[1]	MMDAs NSA	Savings deposits	Small denomination time deposits[2]	Money market mutual funds, NSA: general purpose and broker/dealer[3]	Money market mutual funds, NSA: institutions only	Large denomination time deposits[4]	Term RPs NSA[1]	Term Eurodollars NSA[1]	Savings bonds	Short-term Treasury securities	Commercial paper[1]	Bankers acceptances
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
LEVELS ($BILLIONS):																
ANNUALLY (4TH QTR.)																
1985	166.9	263.5	176.8	67.2	509.9	299.9	877.1	176.8	64.1	433.9	62.7	77.6	78.9	292.3	201.6	43.2
1986	179.3	294.6	228.6	77.9	569.2	362.2	858.9	207.6	84.7	441.5	82.6	81.0	89.7	283.8	228.5	37.8
1987	194.9	291.7	259.7	81.1	528.9	415.4	899.4	219.7	87.2	479.2	109.7	92.2	99.4	266.8	255.2	45.1
MONTHLY																
1987-AUG.	190.2	292.1	257.2	79.6	545.0	417.8	865.9	213.1	84.0	462.4	109.2	90.2	98.1	258.9	251.8	43.5
SEP.	191.4	290.5	258.6	83.3	540.5	418.6	872.1	216.3	81.3	465.3	111.3	94.5	98.4	263.7	256.6	44.3
OCT.	193.1	295.9	260.3	85.9	533.9	417.0	883.3	218.2	82.5	472.3	108.7	93.0	98.8	272.7	254.2	44.5
NOV.	195.0	291.3	259.5	79.6	527.7	415.0	901.7	219.7	89.5	480.5	111.6	92.8	99.3	269.7	252.5	45.0
DEC.	196.5	288.0	259.3	77.9	525.2	414.3	913.1	221.1	89.6	484.7	108.7	90.8	100.2	258.0	258.9	45.7
1988-JAN.	198.4	289.9	263.3	82.9	524.1	414.4	924.6	225.0	94.4	482.9	109.5	85.3	101.4	259.9	269.0	43.6
FEB.	199.3	287.8	265.0	78.3	522.6	416.2	941.5	231.0	98.7	489.7	113.7	85.4	102.6	255.4	274.1	40.9
MAR.	200.9	287.9	266.9	75.0	524.7	419.8	953.5	234.8	97.4	491.4	111.4	89.7	103.5	249.6	280.3	40.6
APR.	202.5	290.2	270.1	76.1	523.3	422.7	964.8	235.8	91.9	492.9	113.8	88.7	104.6	259.3	288.2	41.2
MAY	203.6	287.4	271.9	80.8	519.6	425.1	972.0	231.7	90.0	496.0	119.5	91.5	105.4	259.2	301.1	40.9
JUNE	204.9	289.9	274.4	81.0	522.3	429.0	975.0	228.9	86.3	502.3	122.2	92.9	106.1	248.6	301.2	40.6
JULY	206.3	290.6	278.3	78.4	521.1	431.8	978.5	229.5	84.8	510.1	123.0	93.9	106.9	252.2	313.4	38.9
AUG. p	207.2	290.0	278.1	81.4	517.2	433.9	985.3	230.9	84.0	515.8	121.0	99.5				

1. Net of money market mutual fund holdings of these items.
2. Includes retail repurchase agreements. All IRA and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.
3. Excludes IRA and Keogh accounts.
4. Net of large denomination time deposits held by money market mutual funds and thrift institutions.
p-preliminary

September 20, 1988

STRICTLY CONFIDENTIAL (FR)
CLASS II FOMC

Net Changes in System Holdings of Securities[1]

Millions of dollars, not seasonally adjusted

Period	Treasury bills			Treasury coupons						Federal agencies redemptions (–)	Net change outright holdings total[4]	Net RPs[5]
	Net purchases[2]	Redemptions (–)	Net change	Net purchases[3]				Redemptions (–)	Net change			
				within 1-year	1–5	5–10	over 10					
1982	8,698	3,000	5,698	312	1,797	388	307	--	2,803	189	8,312	1,461
1983	15,468	2,400	13,068	484	1,896	890	383	87	3,566	292	16,342	-5,445
1984	11,479	7,700	3,779	826	1,938	236	441	--	3,440	256	6,964	1,450
1985	18,096	3,500	14,596	1,349	2,185	358	293	--	4,185	162	18,619	3,001
1986	20,099	1,000	19,099	190	893	236	158	--	1,476	398	20,178	10,033
1987	12,933	9,029	3,905	3,358	9,779	2,441	1,858	70	17,366	276	20,994	-11,033
1987--Q1	-1,914	800	-2,714	--	-252	--	--	--	-252	110	-3,076	-14,254
Q2	5,823	--	5,823	1,767	5,036	1,226	920	--	8,948	37	14,735	2,121
Q3	4,690	8,229	-3,539	143	2,356	619	493	--	3,610	59	12	-1,433
Q4	4,334	--	4,334	1,449	2,639	596	445	70	5,059	70	9,323	2,533
1988--Q1	319	2,200	-1,881	--	-800	-175	--	--	-975	155	-3,011	-3,514
Q2	423	--	423	1,092	3,661	1,017	966	--	6,737	130	7,030	5,220
1987--Dec.	150	--	150	479	2,589	596	445	--	4,109	13	4,246	-1,629
1988--Jan.	-49	600	-649	--	--	--	--	--	--	131	-780	-4,807
Feb.	-192	1,600	-1,792	--	-800	-175	--	--	-975	21	-2,788	1,247
Mar.	560	--	560	--	--	--	--	--	--	3	557	45
Apr.	423	--	423	1,092	3,661	1,017	966	--	6,737	120	7,040	9,111
May	--	--	--	--	--	--	--	--	--	11	-11	-10,575
June	--	--	--	--	--	--	--	--	--	--	--	6,683
July	515	--	515	--	--	--	--	--	--	--	515	-5,941
August	--	--	--	--	--	--	--	--	--	10	-10	-1,655
July 6	222	--	222	--	--	--	--	--	--	--	222	-3,571
13	176	--	176	--	--	--	--	--	--	--	176	66
20	118	--	118	--	--	--	--	--	--	67	51	-4,012
27	--	--	--	--	--	--	--	--	--	--	--	-3,261
Aug. 3	--	--	--	--	--	--	--	--	--	--	--	-2,825
10	--	--	--	--	--	--	--	--	--	--	--	-876
17	--	--	--	--	--	--	--	--	--	10	-10	476
24	--	--	--	--	--	--	--	--	--	--	--	-2,678
31	--	--	--	--	--	--	--	--	--	--	--	2,322
Sept. 7	104	--	104	--	--	--	--	--	--	--	104	-2,454
14	528	--	528	--	--	--	--	--	--	--	528	5,272
Memo: LEVEL (bil.$)[6] Sept. 14	--	--	112.2	21.6	55.1	13.7	26.5	--	117.0	--	236.3	-2.9

1 Change from end-of-period to end-of-period.
2 Outright transactions in market and with foreign accounts.
3 Outright transactions in market and with foreign accounts, and short-term notes acquired in exhange for maturing bills Excludes maturity shifts and rollovers of maturing coupon issues.
4. Reflects net change and redemptions (–) of Treasury and agency securities.
5. Includes changes in RPs (+), matched sale-purchase transactions (–), and matched purchase sale transactions (+).
6. The levels of agency issues were as follows:

within 1-year	1–5	5–10	over 10	total
2.6	3.3	1.1	.2	7.2