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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

November 13, 1992

# MONETARY POLICY ALTERNATIVES

## Recent Developments

(1) The degree of reserve pressure was left unchanged over the intermeeting period, with the expected level of the federal funds rate remaining at 3 percent. The firmness in the federal funds rate seen during much of the previous intermeeting period carried into the first week of the current period, partly as a result of unexpected strength in required reserves, but subsequently the rate has averaged close to 3 percent.[1] Markets had built in a quarter-point decline in the federal funds rate, and the absence of an expected easing of monetary policy after the October FOMC meeting, concerns about fiscal stimulus, and some signs of firmer economic activity and money and credit demands boosted market interest rates during the intermeeting period. Both short- and long-term yields rose 15 to 50 basis points. The largest increases, however, were at intermediate maturities, with Treasury yields climbing as much as 80 basis points. Apparently, the prospects of fiscal stimulus next year and a stronger economy had their greatest effects on expectations of credit demands and the paths of short-term rates one to five years hence. Interest rates in the primary mortgage market also rose over the intermeeting period, but by less than the rise in yields on Treasuries, partly owing to narrowing spreads in the secondary mortgage market. Expectations of firmer economic growth boosted stock prices; major indexes rose 2 to 4 percent over the period.

1. In view of diminishing demands for seasonal credit, the allowance for adjustment and seasonal borrowing was reduced in five steps of $25 million each during the intermeeting period to its current level of $75 million. Actual borrowing averaged close to its allowance during the three maintenance periods completed since the October 6 meeting.

(2) With U.S. interest rates rising and foreign rates falling, the dollar appreciated about 7-1/2 percent on a weighted average basis over the intermeeting period. The dollar was particularly robust against European currencies, while advancing only moderately against the yen. Interest rate declines abroad were widespread amid signs of greater economic weakness and expectations of, together with some actual, easing in monetary policies. On balance over the period, German short- and long-term rates fell by 5 basis points, but rate declines elsewhere in Europe were more substantial, as central banks took advantage of the unwinding of some of the EMS exchange rate pressures. In Japan, short- and long-term interest rates dropped by 5 and 15 basis points, respectively.

(3) Monetary growth continued to strengthen in October. Growth rates of M1 and M2 picked up to 22-3/4 and 5-1/4 percent rates, respectively, bringing M2 a little closer to, but still below, the lower end of its annual range.[2] The acceleration of M2 in October owed to strength in liquid accounts, which likely were lifted in part by the lagged effects of previous declines in market interest rates and opportunity costs, as well as by two special factors: heavy mortgage refinancing activity and the reclassification in late October of about $5-1/4 billion of large time deposits as other checkable deposits, as

2. The strong growth of transactions deposits increased expansion of required reserves to a 41 percent rate in October. With currency growth slowing considerably in October, perhaps owing to diminishing foreign demands, growth of the monetary base edged down to a still-rapid 14-1/2 percent rate last month.

reserve-avoidance scheme was unwound.[3] In addition to liquid deposits, money market mutual funds were strong, rising for the first time in five months; the increase in MMMFs may have stemmed from concerns about actual and prospective capital losses on notes and bonds. Anecdotal information suggests that bond mutual funds experienced a sharp fall-off of investments in October. The robust growth of liquid accounts was mirrored in a continued runoff of small time deposits. M2 growth in October exceeded the pace thought consistent with the FOMC's expectation of 2 percent for growth over the September-to-December period. In addition to somewhat greater mortgage refinancing than expected and reduced attractiveness of capital market investments, the overage likely reflected a faster pace of spending than had been projected previously.

(4) In contrast to the narrower aggregates, M3 slowed in October: its growth last month, at a 3/4 percent pace, was a little short of the expectations at the last Committee meeting, and left that aggregate somewhat below its target range. Institution-only money market fund shares plunged, reflecting shifting yield relationships around quarter end. Large time deposits also declined sharply, led by a drop in Yankee CDs around the end of the quarter and the reclassification of deposits. Banks' needs for managed liabilities decreased, as bank loan growth fell to a 1-1/2 percent rate last month after a jump in September, and bank credit slackened to a 4 percent rate.

3. The elevated pace of mortgage refinancings is estimated to have boosted M2 growth in October by about $4 billion, and the reclassification of deposits added another $1-1/2 billion on a month-average basis, for a combined effect of 2 percentage points at an annual rate.

(5) Growth of the debt of all nonfinancial sectors remained just above the lower bound of its 4-1/2 to 8-1/2 percent range in September. Only a few signs of a strengthening in nonfederal credit flows have been glimpsed. Business loans expanded for the first time in eleven months in September, but were about flat in October. According to this month's survey of senior loan officers, terms and standards for business loans were largely unchanged in the past three months. Gross issuance of corporate bonds remained brisk in October, but the proceeds were directed mainly at refinancing debt, and activity has tailed off in recent weeks in response to the backup in bond rates. In the household sector, consumer credit expanded in September after seven consecutive monthly declines; consumer loans at commercial banks, after adjusting for securitizations, continued to rise at only a 2 percent pace in October. Mortgage refinancing activity remains rapid, though net mortgage growth still appears to be moderate. Municipal bond issuance also has been strong, but many of the issues have been for refunding purposes and retirements have been heavy.

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

| | Aug. | Sept. | Oct. | QIV'91 to Oct.[1] |
|---|---|---|---|---|
| Money and credit aggregates | | | | |
| M1 | 15.6 | 19.1 | 22.7 | 14.4 |
| M2 | 3.2 | 3.6 | 5.3 | 2.2 |
| M3 | 3.4 | 1.7 | 0.8 | 0.5 |
| Domestic nonfinancial debt | 4.5 | 3.6 | -- | 4.7 |
| Federal | 9.5 | 5.0 | -- | 11.6 |
| Nonfederal | 2.8 | 3.1 | -- | 2.5 |
| Bank credit | 5.4 | 6.8 | 4.0 | 3.8 |
| Reserve measures | | | | |
| Nonborrowed reserves[2] | 21.1 | 23.7 | 45.7 | 20.4 |
| Total reserves | 20.2 | 24.4 | 42.0 | 20.2 |
| Monetary base | 16.6 | 16.7 | 14.5 | 10.5 |
| Memo: (Millions of dollars) | | | | |
| Adjustment plus seasonal borrowing | 251 | 287 | 143 | -- |
| Excess reserves | 935 | 994 | 1073 | -- |

1. 1991:QIV to September for debt measures.
2. Includes "other extended credit" from the Federal Reserve.

NOTE: 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.

Long-Run Ranges

(6) This section presents the staff's projections for money growth in coming years and alternative long-run ranges for 1993. It is provided as background for Committee reconsideration of those ranges at this meeting. This item was placed on the agenda prior to next February in light of Committee intentions to revisit its decision on the provisional 1993 ranges once additional information and analysis on the behavior of M2 were available.

Projections for 1992, 1993, and 1994

(7) The table below contains staff projections for growth of money and debt aggregates over 1992, 1993, and 1994 consistent with the Greenbook outlook for the economy and interest rates.

Projected Money and Debt Growth
(Percent change)

| | 1992 | 1993 | 1994 |
|---|---|---|---|
| M2 | 2-1/4 | 2 | 2-1/2 |
| M3 | 1/2 | 1/2 | 1 |
| Debt | 4-1/2 | 5-3/4 | 6-1/4 |
| M1 | 14-1/2 | 7-1/2 | 6-1/2 |
| Memo: | | | |
| Nominal GDP | 5 | 4-1/2 | 4-3/4 |

(8) Growth in the broad money aggregates is expected to remain subdued in 1993. Nominal GDP is projected to increase at a relatively slow pace, and a number of influences should be boosting the velocities of M2 and M3 substantially again next year. Chief among these influences would be continued household and business balance sheet restructuring and channeling of credit flows away from depository institutions, although both influences are likely to diminish next year.

These processes are associated with widening opportunity costs, depressing money demand relative to income. Prospective further declines in offering rates on liquid deposits are key elements in this widening. Depositories may be especially aggressive in reducing their offering rates, partly as a consequence of higher deposit insurance premiums and various provisions in last year's FDICIA legislation, which includes constraints on brokered deposits and retail deposit offering rates and incentives to bolster capital ratios. In addition, bank funding needs are likely to be restrained again next year in light of still stringent terms and conditions of credit availability and relatively modest increases expected in demands for bank loans. Consumer loan rates may move down, but a still wide spread over retail deposit rates will sustain deleveraging incentives to a degree. Business credit demands at banks, though firming, also probably will remain subdued, reflecting in part continued reliance on bond issuance, given the projected decline in long-term rates. Moreover, what pickup there might be in bank loans may be funded in part by cutting back on securities purchases.

(9) Several additional forces will be restraining M2 and M3 growth next year and boosting their velocities. One is a pickup of RTC and FDIC resolution activity, which may disrupt depositor relationships and would involve Treasury funding of whatever assets are acquired, replacing previous thrift and bank liabilities. In addition, the special factors boosting M2 growth this year will hold down growth next year relative to 1992: Mortgage refinancing, which surged to record levels this quarter, is projected to level off in 1993, and the reclassification of sweep accounts boosts only the level of M2 in 1993, and not its growth rate. Without special factors elevating growth and with unchanged short-term rates after their decline this

year, M1 growth will slow especially sharply. At the same time, however, the projected decline in long-term rates will tend to boost the nontransactions component of M2 at the expense of capital market investments, holding down the rise in velocities. Given the Greenbook outlook for nominal GDP in 1993, M2 velocity again would rise around 2-1/2 percent.[4] M3 is seen expanding at a 1/2 percent pace both this year and next, stretching the string of significant velocity increases to a seventh year.

(10) The debt of domestic nonfinancial sectors is expected to accelerate from a 4-1/2 percent pace this year to a 5-3/4 percent rate next year, owing primarily to a pickup in borrowing by nonfederal sectors. The pace of private sector borrowing is expected to quicken throughout 1993 as the economy grows and households and businesses become increasingly willing to assume debt as balance sheet structures improve. Financial institutions also should become more aggressive lenders as their portfolios strengthen and prudent lending opportunities increase. Business spending on inventories and fixed capital is projected to strengthen more than the flow of internal funds, spurring borrowing. In addition, firms are expected to decrease equity issuance, relying more on credit markets. Household borrowing, too, is likely to strengthen some next year, even as balance sheet restructuring persists. Paydowns of consumer credit this year should evolve into slow growth of

4. The staff projection for M2 growth in 1993 is broadly in line with, though slightly lower than, simulations of the new econometric models developed by Board staff. (See Joshua N. Feinman and Richard D. Porter, "The Continuing Weakness in M2," Finance and Economics Discussion Series No. 209, [September 1992]). The Greenbook judgmental projections for short- and long-term market rates were used together with separate equations for deposit and loan rates in obtaining predictions from these models. The staff's slightly lower forecast reflects the judgment that more weight should be placed on the unwinding of this quarter's unusual factors and on potential FDICIA and RTC effects in depressing future M2 growth than is embodied in the models.

consumer installment debt next year, while the more buoyant housing activity foreseen in the Greenbook should translate into faster growth of mortgage debt. Only the debt growth of the state and local government sector is expected to abate next year because of retirements of bonds refunded earlier.

Alternative Ranges for 1993

(11) Two alternatives for money and debt growth ranges are shown below for 1993, along with the staff projections. The alternative I ranges represent the current provisional ranges announced last July; the lower ends of these ranges are above the staff forecasts for broad money growth. Alternative II ranges are 1 percentage point lower for M2 and M3 and encompass the staff forecasts for these aggregates. The current provisional debt range, which readily includes the staff forecast, is left unchanged in alternative II.[5]

Alternative Ranges for Money and Debt Growth for 1993
(percent change)

| | Alternative I (current tentative ranges) | Alternative II | Memo: Staff Projections |
|---|---|---|---|
| M2 | 2-1/2 to 6-1/2 | 1-1/2 to 5-1/2 | 2 |
| M3 | 1 to 5 | 0 to 4 | 1/2 |
| Debt | 4-1/2 to 8-1/2 | 4-1/2 to 8-1/2 | 5-3/4 |

(12) The lower ranges embodied in alternative II might be chosen on the rationale that since July experience with substantial further increases in velocities and additional analysis have reduced the uncertainty regarding the strength of the forces acting to boost velocities in 1993. Given the forecasts of velocities, the lower ranges seem

5. An appendix table gives the history of long-term ranges.

compatible with the Greenbook forecast or somewhat faster growth of nominal GDP. Even in the event money demand is stronger relative to spending than the staff anticipates, growth of the broader aggregates is still likely to fall well within the alternative II ranges under the staff economic forecast. Alternative II additionally might be favored on the thought that the probable growth of the broader aggregates below the lower bounds of the alternative I ranges would make it more difficult to firm, or even maintain, the stance of policy if that proved desirable as the economic expansion gains momentum. The lower ranges are close to those consistent with reasonable price stability (assuming no secular trend in V2), and thus would underscore the System's commitment to this longer-run objective, even if reserve conditions needed to be eased further.

(13) Leaving the ranges unchanged, perhaps deferring the decision to February, could seem more attractive if recent research, while better identifying the determinants of velocity, is also seen as underscoring the complexity of predicting it. An alteration of the tentative ranges now--an unusual time for such decisions--might connote undue confidence in knowledge of prospective money behavior relative to spending, possibly implying more emphasis on M2 as a policy guide than the Committee is willing to give it. Or the Committee could put some emphasis on M2 and still select alternative I if the Greenbook forecast were viewed as involving unacceptably weak economic activity and unnecessarily rapid disinflation. In these circumstances, more monetary policy stimulus than in the staff forecast, indexed both by short-term market rates and by money growth, could be seen as in order. Accordingly, even if the projected relationship among money demand, spending, and interest rates foreseen by the staff proves to be correct,

the lower portions of the current ranges still could be seen as representing appropriate intermediate targets for M2 and M3 growth next year, more so than the lower portions of the alternative II ranges. In this case, retaining the current ranges would convey a preference for faster monetary growth next year than the outcomes this year.

Short-Run Policy Alternatives

(14) Two alternatives are presented below for the Committee's consideration. Under alternative B, the trading range for the federal funds rate would remain centered at 3 percent, in conjunction with an initial assumption for adjustment plus seasonal borrowing of $75 million.[6] The policy ease envisaged under alternative A would trim the expected federal funds rate to 2-1/2 percent. In keeping with the usual practice of holding the expected federal funds rate at or above the discount rate, this change could be effected by lowering the discount rate by 1/2 percentage point while retaining the borrowing assumption at $75 million. Technically, though, the lower federal funds rate of alternative A could be achieved by reducing the borrowing assumption $25 million with an unchanged discount rate.

(15) Projected growth rates of the monetary aggregates under the two policy alternatives are given in the table below. (More detailed data appear in the tables and charts on the pages that follow.) The lateness in the year limits the scope for the growth rates of the monetary aggregates over the September-to-December period to differ much under the two alternatives. The pickup in M2 already witnessed in October quite likely implies that growth in that aggregate from September to December will be a bit above the Committee's expectation expressed in the last directive. But with the recent expansion in liquid deposits offset by a contraction in non-M2 components of M3, growth of M3 for the September-to-December period remains consistent with the last directive. Under either alternative, M2 and M3 fall shy of the lower bounds of

6. The already low borrowing assumption may have to be shaved further in a technical adjustment during the intermeeting period, since the typical winter downturn in seasonal borrowing probably has not yet run its course.

their target ranges in December by about 1/4 and 1/2 percent, respectively.[7] Beyond December, money growth rates under the alternatives diverge more, as the effects of the different interest rate paths--including the beginnings of effects on nominal spending--increasingly influence the public's demands for monetary assets. Even over a longer horizon, however, such as the October-to-March period shown in the table, it is likely the differences in short-term market interest rates under the two alternatives would continue to have only a modest impact on the growth of the broad monetary aggregates.

| | Alt. A | Alt. B |
|---|---|---|
| Growth from September to December | | |
| M2 | 3-3/4 | 3-1/2 |
| M3 | 1 | 1 |
| M1 | 17 | 16 |
| Growth from October to March | | |
| M2 | 2-3/4 | 2 |
| M3 | 1 | 3/4 |
| M1 | 11 | 9-1/4 |

(16) The absence of System action over the current intermeeting period and the flow of data releases pointing more clearly to sustained expansion in economic activity have solidified the notion that monetary policy will remain unchanged for some time. Thus, market participants would be unlikely to react to the unchanged reserve conditions of alternative B, especially if incoming data conform to the Greenbook assessment of moderately expanding real activity in the fourth quarter. Treasury bill rates would hold at their current levels, as would the

7. To attain the lower bounds of their target ranges by December, M2 and M3 would need to grow at average rates of 4-1/4 and 4 percent, respectively, in November and December.

## Alternative Levels and Growth Rates for Key Monetary Aggregates

| | M2 | | M3 | | M1 | |
|---|---|---|---|---|---|---|
| | Alt. A | Alt. B | Alt. A | Alt. B | Alt. A | Alt. B |
| **Levels in billions** | | | | | | |
| 1992 September | 3482.4 | 3482.4 | 4180.1 | 4180.1 | 988.6 | 988.6 |
| October | 3497.7 | 3497.7 | 4182.9 | 4182.9 | 1007.3 | 1007.3 |
| November | 3509.8 | 3509.4 | 4186.7 | 4186.4 | 1021.4 | 1020.7 |
| December | 3515.8 | 3513.7 | 4190.6 | 4189.5 | 1030.4 | 1028.2 |
| 1993 January | 3522.8 | 3518.7 | 4193.5 | 4191.3 | 1039.9 | 1035.9 |
| February | 3529.6 | 3523.1 | 4195.8 | 4192.7 | 1046.1 | 1040.2 |
| March | 3536.8 | 3528.4 | 4198.6 | 4194.4 | 1053.9 | 1046.3 |
| **Monthly Growth Rates** | | | | | | |
| 1992 September | 3.6 | 3.6 | 1.7 | 1.7 | 19.1 | 19.1 |
| October | 5.3 | 5.3 | 0.8 | 0.8 | 22.7 | 22.7 |
| November | 4.2 | 4.0 | 1.1 | 1.0 | 16.9 | 16.0 |
| December | 2.1 | 1.5 | 1.1 | 0.9 | 10.6 | 8.8 |
| 1993 January | 2.4 | 1.7 | 0.9 | 0.5 | 11.0 | 9.0 |
| February | 2.3 | 1.5 | 0.7 | 0.4 | 7.2 | 5.0 |
| March | 2.5 | 1.8 | 0.8 | 0.5 | 8.9 | 7.0 |
| **Quarterly Ave. Growth Rates** | | | | | | |
| 1992 Q2 | 0.5 | 0.5 | -1.3 | -1.3 | 9.8 | 9.8 |
| Q3 | 0.3 | 0.3 | -0.2 | -0.2 | 10.3 | 10.3 |
| Q4 | 4.1 | 4.0 | 1.4 | 1.3 | 18.7 | 18.3 |
| 1993 Q1 | 2.5 | 1.9 | 0.9 | 0.6 | 10.5 | 8.7 |
| Sep 92 to Dec 92 | 3.8 | 3.6 | 1.0 | 0.9 | 16.9 | 16.0 |
| Dec 92 to Mar 93 | 2.4 | 1.7 | 0.8 | 0.5 | 9.1 | 7.0 |
| Oct 92 to Mar 93 | 2.7 | 2.1 | 0.9 | 0.7 | 11.1 | 9.3 |
| Q4 91 to Q4 92 | 2.3 | 2.2 | 0.5 | 0.5 | 14.5 | 14.4 |
| Q4 91 to Oct 92 | 2.2 | 2.2 | 0.5 | 0.5 | 14.4 | 14.4 |
| Q4 91 to Dec 92 | 2.3 | 2.3 | 0.6 | 0.5 | 14.5 | 14.3 |
| 1992 Target Ranges: | 2.5 to 6.5 | | 1.0 to 5.0 | | | |

Chart 1

# ACTUAL AND TARGETED M2

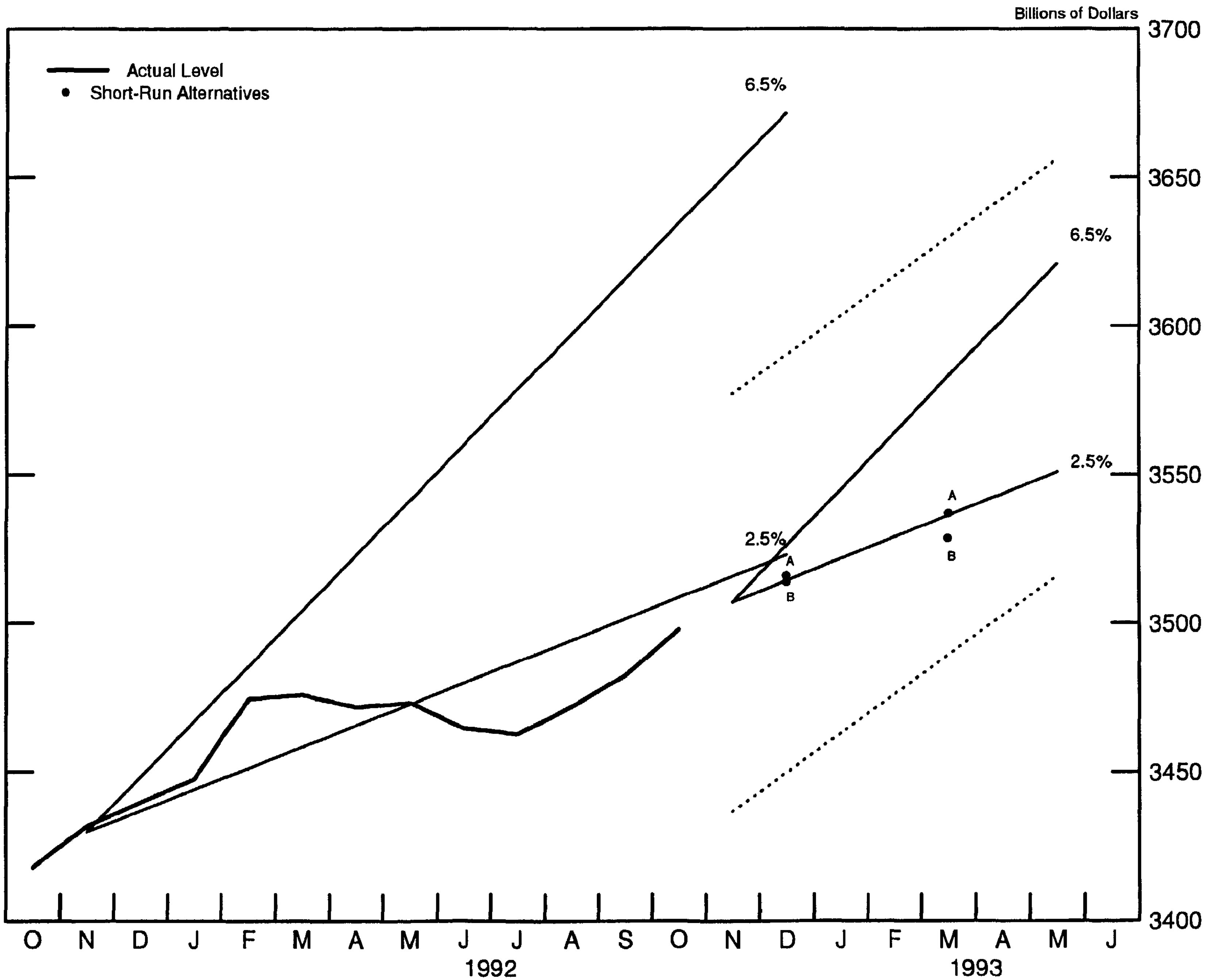


Chart 2

# ACTUAL AND TARGETED M3

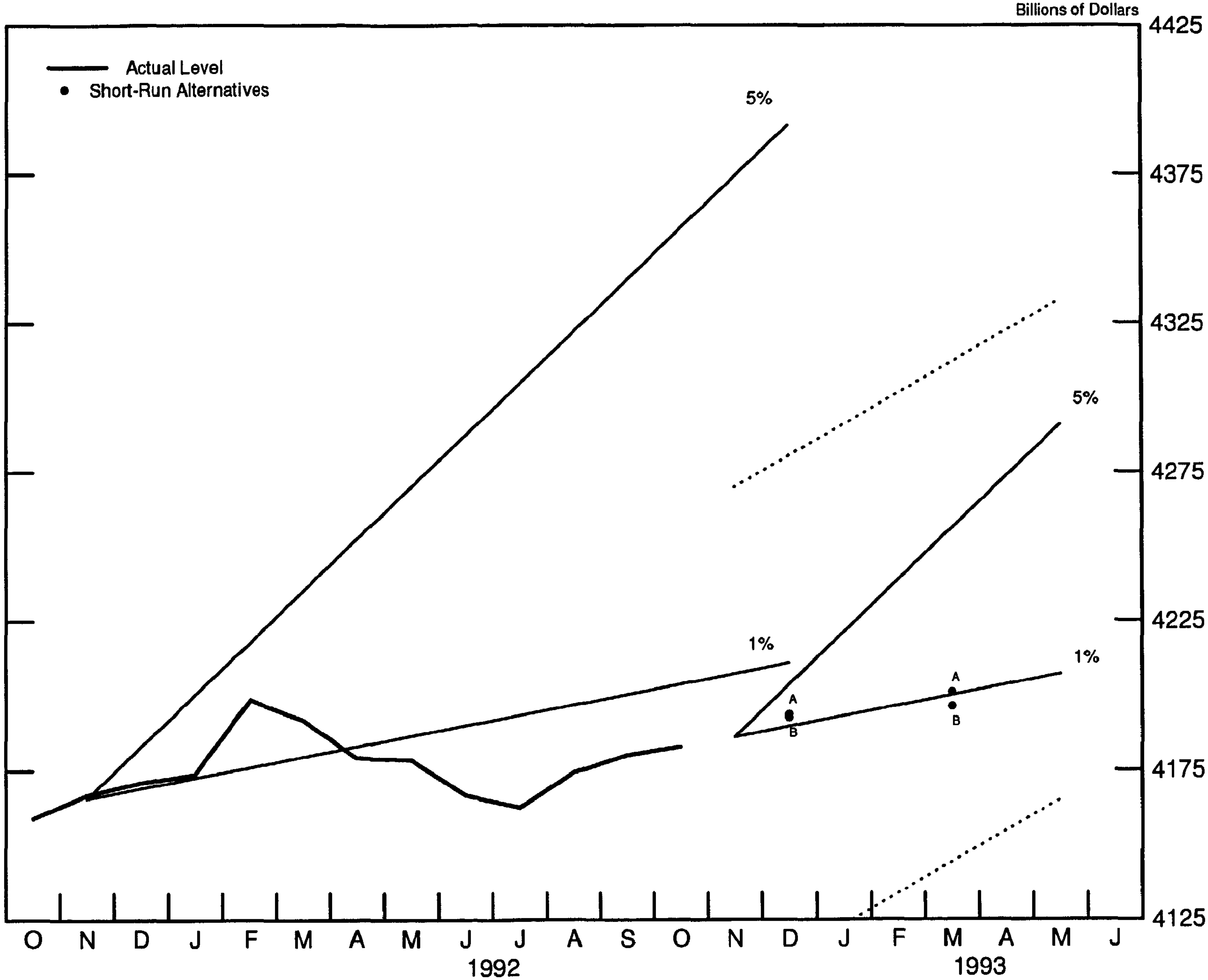
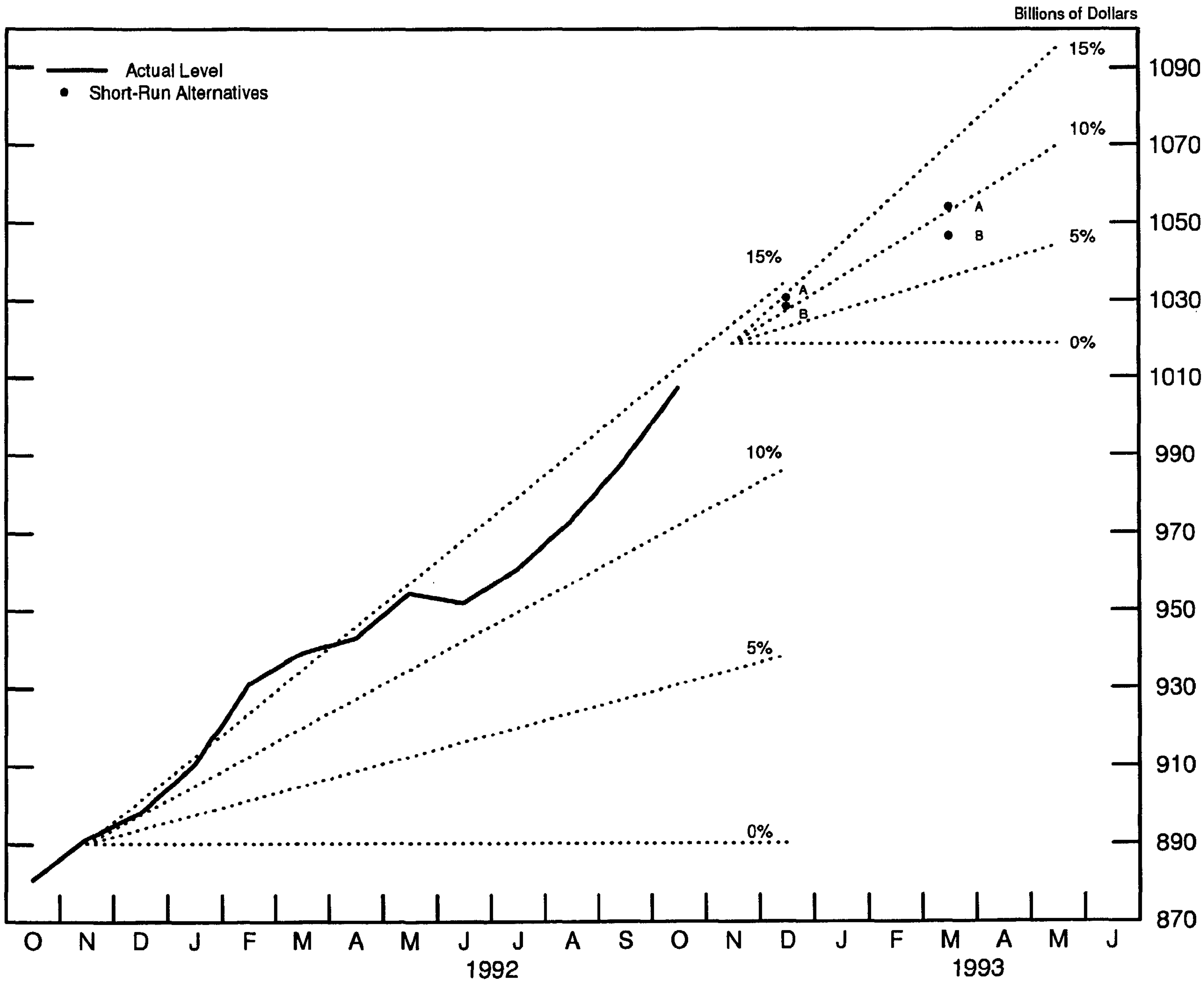


Chart 3

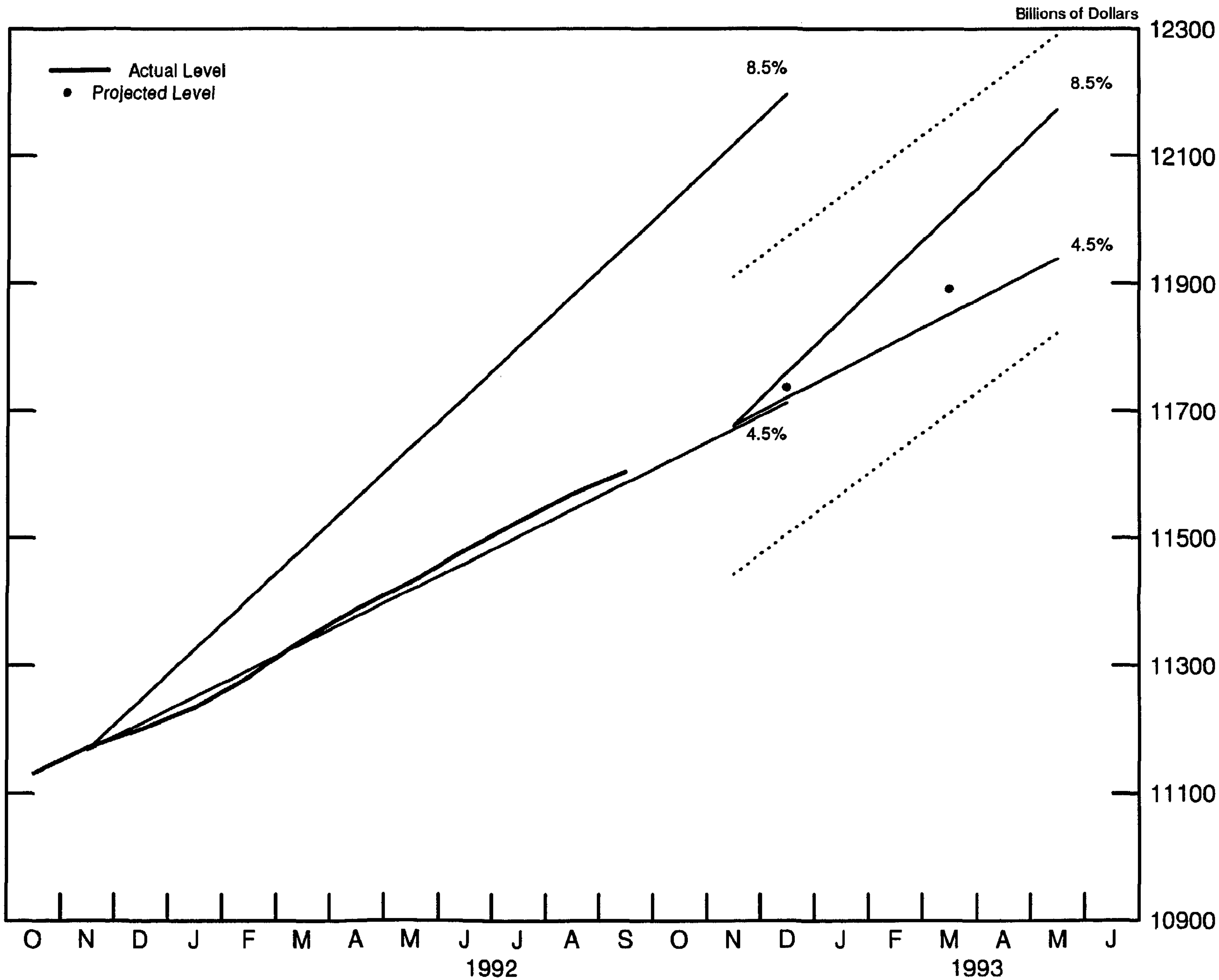
# M1



Billions of Dollars
Actual Level
Short-Run Alternatives
15%
10%
5%
0%
A
B
15%
10%
5%
0%
1090
1070
1050
1030
1010
990
970
950
930
910
890
870
O N D J F M A M J J A S O N D J F M A M J
1992
1993

Chart 4

# DEBT


Billions of Dollars
Actual Level
Projected Level
8.5%
8.5%
4.5%
4.5%
12300
12100
11900
11700
11500
11300
11100
10900
O
N
D
J
F
M
A
M
J
J
A
S
O
N
D
J
F
M
A
M
J
1992
1993

exchange value of the dollar, unless a further darkening in the economic outlook abroad prompted unexpected reductions in foreign interest rates. Private money market rates, however, may rise should skittishness about the availability of funds at year-end intensify. As the December 19 date for implementation of prompt corrective action approaches, pressures on quality spreads in the banking sector might be exacerbated by uncertainty about the circle of candidates subject to early closure. In capital markets, yields could edge down on balance as the readings that trickle in over the intermeeting period indicate a modest pace to the economic expansion and imply further progress toward price stability. At the same time, concerns about the prospects for fiscal stimulus and uncertainties about the economic policies of the new administration more generally, which may not be resolved for some time, will continue to weigh upon market sentiment.

(17) Under alternative B, the growth of M2 is projected to slow somewhat from its pace of the last two months. Special factors are continuing to boost M2 growth in November but will partly reverse thereafter, pulling average growth over the five month forecast horizon back to an underlying rate of about 2 percent.[8] On a quarterly average basis, the near-term pickup in M2 puts that aggregate on a growth trajectory somewhat below that for nominal GDP in the fourth quarter but

8. Additions to demand deposits and MMDAs to support mortgage refinancings account for about $4 billion of the increase in M2 from October to December, but the anticipated contraction in mortgage refinancing activity subtracts a like amount from the change in that aggregate over the December-to-March period. The reclassification of sweep accounts as other checkable rather than large time deposits adds about $4 billion to M2 from October to December but has no further effect. M1 growth is slowing, but the lagged effects of previous reductions in short-term market interest rates still show clearly in the projected near double-digit expansion of the narrow aggregates. With currency and total reserves projected at 7-3/4 and 6 percent, respectively, over these five months, the monetary base would increase at an 8 percent rate.

about 3 percentage points below it in the first quarter of 1993. This upward tilt to M2 velocity over the two quarters reflects a continuation of those forces that have been boosting velocity for some time--the ongoing process of balance-sheet restructuring and deleveraging that makes investors less willing to acquire monetary assets and depository institutions less willing to compete aggressively for funds.

(18) The growth of M3 is projected at a 3/4 percent rate over. the October-to-March period. With money market interest rates expected to remain unchanged for the near term, or perhaps to increase should the fear of year-end pressures take firmer hold, the prospects for M3-type money funds remain subdued. Further, with the terms and standards of lending expected to remain firm and with households and firms concentrating on longer-term borrowing, bank credit should grow at only a modest pace, suggesting that depositories' need for additional funds will remain limited.

(19) The projected slowdown in the growth of domestic nonfinancial debt in the fourth quarter likely will be transitory, caused by a temporary drop in federal borrowing. Nonfederal credit demand, concentrated in large part in longer-term borrowing by households and corporations, should edge above its third-quarter pace. A pickup in activity by the FDIC after December 19, which will necessitate borrowing from the federal government, should return the growth of the federal debt to the neighborhood of 12 percent. Thus, the growth of total debt should pick up appreciably in the first quarter of 1993, to around 5-1/2 percent, so that the debt aggregate moves somewhat above the lower bound of its tentative monitoring range.

(20) Against a backdrop of public readings that suggested some firming in economic activity, market participants would be surprised by the 1/2 point decline in the funds rate under alternative A.

Most short-term interest rates would match the decrease in the federal funds rate. Major commercial banks would take that cue, cutting the prime rate 1/2 percentage point; even with a 5-1/2 percent prime rate, banks still would enjoy a swollen margin over funding costs, at least in comparison to the historical record. The foreign exchange value of the dollar would decline. Long-term interest rates are likely to drop, reversing much of the recent runup. Such a decline would be limited, however, should the easing engender market fears that the lagged effects of the monetary stimulus, reinforcing a boost provided by a prospective fiscal policy package in 1993, would undercut the downward tilt to inflation.

(21) While the impetus to the monetary aggregates imparted by choosing alternative A would be barely discernible in 1992, the lower market interest rates embodied in that choice would push up both M2 and M3 to the lower end of their current tentative ranges for 1993 by March. The anticipated drop in nominal interest rates across the term structure should speed balance-sheet adjustments, lowering debt service burdens for households and corporations, and by reducing real rates as well, provide some spur to spending.

Directive Language

(22) Draft language for the tentative ranges for 1993 and for the operational paragraph is presented below.

Tentative Ranges for 1993

The following language is provided should the Committee decide at this meeting to vote on the tentative ranges for 1993. Reaffirming the current tentative ranges could be handled in the directive with wording such as the following:

> At this meeting the Committee voted to reaffirm the tentative ranges for 1993 that it had set at the June 30-July 1 meeting; the 1993 ranges are the same as those for 1992 and cover the period from the fourth quarter of 1992 to the fourth quarter of 1993.

The following wording for the directive is proposed if the Committee chose to lower the ranges.

> "In light of additional information suggesting significant uptrends in the velocities of broad money measures, the Committee voted at this meeting to lower the tentative ranges initially set at the June 30-July 1 meeting to growth rates of __ to __ percent for M2 and __ to __ percent for M3, measured from the fourth quarter of 1992 to the fourth quarter of 1993. The Committee retained the tentative monitoring range of 4-1/2 to 8-1/2 percent for growth in total domestic nonfinancial debt in 1993.

Either sentence would be followed by the current sentence:

> "The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets."

Operational Paragraph

Draft language for the operational paragraph is presented below. In keeping with the bluebook discussion, two alternatives, labeled (a) and (b), are shown for the last sentence. The first would follow the usual practice of retaining the current mid-quarter approach of updating the Committee's expectations for the quarter. The second would extend the money projections through March, 1993.

In the implementation of policy for the immediate future, the Committee seeks to maintain/EASE SOMEWHAT/INCREASE SOMEWHAT the existing degree of pressure on reserve positions. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly (SOMEWHAT) greater reserve restraint might (WOULD) or slightly (SOMEWHAT) lesser reserve restraint (MIGHT) would be acceptable in the intermeeting period.

(a) The contemplated reserve conditions are expected to be consistent with growth of M2 and M3 over the period from September through December at annual rates of about ___ AND ___ ~~2 and 1~~ percent, respectively.

(b) The contemplated reserve conditions are expected to be consistent with growth of M2 and M3 over the period from October through March at annual rates of about ___ AND ___ ~~2 and 1~~ percent, respectively.

Appendix A

ADOPTED LONGER-RUN GROWTH RATE RANGES FOR THE MONETARY AND CREDIT AGGREGATES
(percent annual rates; numbers in parentheses are actual growth rates as reported at end of policy period in February Monetary Policy Report to Congress)

| | M1 | M2 | M3 | Domestic Non-financial Debt[1] |
|---|---|---|---|---|
| QIV 1978 - QIV 1979[2] | 3 - 6 (5.5) | 5 - 8 (8.3) | 6 - 9 (8.1) | 7.5 - 10.5 (12.2) |
| QIV 1979 - QIV 1980 | 4 - 6.5 (7.3)[3,4] | 6 - 9 (9.8) | 6.5 - 9.5 (9.9) | 6 - 9 (7.9) |
| QIV 1980 - QIV 1981 | 3.5 - 6 (2.3)[3,5] | 6 - 9 (9.4) | 6.5 - 9.5 (11.4) | 6 - 9 (8.8)[6] |
| QIV 1981 - QIV 1982 | 2.5 - 5.5 (8.5)[3] | 6 - 9 (9.2) | 6.5 - 9.5 (10.1) | 6 - 9[7] (7.1)[6] |
| QIV 1982 - QIV 1983 | 5 - 9[8] (7.2) | 7 - 10[9] (8.3) | 6.5 - 9.5 (9.7) | 8.5 - 11.5 (10.5) |
| QIV 1983 - QIV 1984 | 4 - 8 (5.2) | 6 - 9 (7.7) | 6 - 9 (10.5) | 8 - 11 (13.4) |
| QIV 1984 - QIV 1985 | 3 - 8[10] (12.7) | 6 - 9 (8.6) | 6 - 9.5 (7.4) | 9 - 12 (13.5) |
| QIV 1985 - QIV 1986 | 3 - 8 (15.2) | 6 - 9 (8.9) | 6 - 9 (8.8) | 8 - 11 (12.9) |
| QIV 1986 - QIV 1987 | n.s[11] (6.2) | 5.5 - 8.5 (4.0) | 5.5 - 8.5 (5.4) | 8 - 11 (9.6) |
| QIV 1987 - QIV 1988 | n.s (4.3) | 4 - 8 (5.3) | 4 - 8 (6.2) | 7 - 11 (8.7) |
| QIV 1988 - QIV 1989 | n.s (0.6) | 3 - 7 (4.6) | 3.5 - 7.5 (3.3) | 6.5 - 10.5 (8.1) |
| QIV 1989 - QIV 1990 | n.s (4.2) | 3 - 7 (3.9) | 1 - 5[12] (1.8) | 5 - 9 (6.9) |
| QIV 1990 - QIV 1991 | n.s (8.0) | 2.5 - 6.5 (2.8) | 1 - 5 (1.2) | 4.5 - 8.5 (4.5) |
| QIV 1991 - QIV 1992[13] | n.s (14.4) | 2.5 - 6.5 (2.2) | 1 - 5 (0.5) | 4.5 - 8.5 (4.7) |

n.s.--not specified.
1. Targets are for bank credit until 1983; from 1983 onward targets are for domestic nonfinancial sector debt.
2. At the February 1979 meeting the FOMC adopted a QIV'78 to QIV'79 range for M1 of 1-1/2 to 4-1/2 percent. This range anticipated that shifting to ATS and NOW accounts in New York State would slow M1 growth by 3 percentage points. At the October meeting it was noted that ATS/NOW shifts would reduce M1 by no more than 1-1/2 percentage points. Thus, the longer-run range for M1 was modified to 3-6 percent.
3. The figures shown reflect target and actual growth of M1-B in 1980 and shift-adjusted M1-B in 1981. M1-B was relabeled M1 in January 1982. The targeted growth for M1-A was 3-1/2 to 6 percent in 1980 (actual growth was 5.0 percent); in 1981 targeted growth for shift-adjusted M1-A was 3 to 5-1/2 percent (actual growth was 1.3 percent).
4. When these ranges were set, shifts into other checkable deposits in 1980 were expected to have only a limited effect on growth of M1-A and M1-B. As the year progressed, however, banks offered other checkable deposits more actively, and more funds than expected were directed to these accounts. Such shifts are estimated to have decreased M1-A growth and increased M1-B growth each by at least 1/2 percentage point more than had been anticipated.

(Footnotes are continued on next page)

5. Adjusted for the effects of shifts out of demand deposits and savings deposits into other checkable deposits. At the February FOMC meeting, the target ranges for observed M1-A and M1-B in 1981 on an unadjusted basis, expected to be consistent with the adjusted ranges, were -4-1/2 to -2 and 6 to 8-1/2 percent, respectively. Actual M1-B growth (not shift adjusted) was 5.0 percent.
6. Adjusted for shifts of assets from domestic banking offices to International Banking Facilities.
7. Range for bank credit is annualized growth from the December 1981-January 1982 average level through the fourth quarter of 1982.
8. Base period, adopted at the July 1983 FOMC meeting, is QII'83. At the February 1983 meeting the FOMC had adopted a QIV'82 to QIV'83 target range for M1 of 4 to 8 percent.
9. Base period is the February-March 1983 average.
10. Base period, adopted at the July 1985 FOMC meeting, is QII'85. At the February 1985 meeting the FOMC had adopted a QIV'84 to QIV'85 target range for M1 of 4 to 7 percent.
11. No range for M1 has been specified since the February 1987 FOMC meeting because of uncertainties about its underlying relationship to the behavior of the economy and its sensitivity to economic and financial circumstances.
12. At the February 1990 meeting the FOMC specified a range of 2-1/2 to 6-1/2 percent. This range was lowered to 1 to 5 percent at the July 1990 meeting.
13. Growth rates in parentheses for the monetary aggregates are from 1991 QIV to October 1992 and for nonfinancial debt are from 1991 QIV to September 1992.

11/13/92 (MARP)

# SELECTED INTEREST RATES
(percent)

| | Short-Term | | | | | | | | Long-Term | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | federal funds | Treasury bills secondary market | | | CDs secondary market | comm. paper | money market mutual fund | bank prime loan | U.S. government constant maturity yields | | | corporate A-utility recently offered | municipal Bond Buyer | conventional home mortgages | | |
| | | | | | | | | | | | | | | secondary market | primary market | |
| | | 3-month | 6-month | 1-year | 3-month | 1-month | | | 3-year | 10-year | 30-year | | | fixed-rate | fixed-rate | ARM |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 91 -- High | 7.46 | 6.46 | 6.50 | 6.43 | 7.75 | 8.49 | 7.37 | 9.93 | 7.47 | 8.35 | 8.52 | 9.96 | 7.40 | 9.97 | 9.75 | 7.78 |
| -- Low | 4.22 | 3.84 | 3.93 | 4.01 | 4.25 | 4.88 | 4.53 | 7.07 | 5.24 | 6.96 | 7.58 | 8.49 | 6.76 | 8.38 | 8.35 | 6.02 |
| 92 -- High | 4.20 | 4.05 | 4.22 | 4.51 | 4.32 | 5.02 | 4.51 | 6.50 | 6.32 | 7.65 | 8.07 | 8.99 | 6.87 | 9.22 | 9.03 | 6.22 |
| -- Low | 2.91 | 2.69 | 2.82 | 2.91 | 3.07 | 3.17 | 2.74 | 6.00 | 4.24 | 6.30 | 7.29 | 8.06 | 6.12 | 7.86 | 7.84 | 4.97 |
| Monthly | | | | | | | | | | | | | | | | |
| Nov 91 | 4.81 | 4.56 | 4.61 | 4.64 | 4.94 | 4.95 | 4.82 | 7.58 | 5.90 | 7.42 | 7.92 | 8.95 | 6.89 | 8.86 | 8.71 | 6.42 |
| Dec 91 | 4.43 | 4.07 | 4.10 | 4.17 | 4.47 | 4.98 | 4.61 | 7.21 | 5.39 | 7.09 | 7.70 | 8.68 | 6.87 | 8.56 | 8.50 | 6.19 |
| Jan 92 | 4.03 | 3.80 | 3.87 | 3.95 | 4.05 | 4.11 | 4.18 | 6.50 | 5.40 | 7.03 | 7.58 | 8.57 | 6.67 | 8.65 | 8.43 | 5.89 |
| Feb 92 | 4.06 | 3.84 | 3.93 | 4.08 | 4.07 | 4.11 | 3.84 | 6.50 | 5.72 | 7.34 | 7.85 | 8.79 | 6.83 | 8.92 | 8.76 | 5.88 |
| Mar 92 | 3.98 | 4.04 | 4.18 | 4.40 | 4.25 | 4.28 | 3.73 | 6.50 | 6.18 | 7.54 | 7.97 | 8.91 | 6.86 | 9.17 | 8.94 | 6.11 |
| Apr 92 | 3.73 | 3.75 | 3.87 | 4.09 | 4.00 | 4.02 | 3.66 | 6.50 | 5.93 | 7.48 | 7.96 | 8.82 | 6.80 | 8.98 | 8.85 | 6.15 |
| May 92 | 3.82 | 3.63 | 3.75 | 3.99 | 3.82 | 3.87 | 3.52 | 6.50 | 5.81 | 7.39 | 7.89 | 8.70 | 6.72 | 8.85 | 8.67 | 6.00 |
| Jun 92 | 3.76 | 3.66 | 3.77 | 3.98 | 3.86 | 3.91 | 3.45 | 6.50 | 5.60 | 7.26 | 7.84 | 8.62 | 6.66 | 8.66 | 8.51 | 5.87 |
| Jul 92 | 3.25 | 3.21 | 3.28 | 3.45 | 3.37 | 3.43 | 3.25 | 6.02 | 4.91 | 6.84 | 7.60 | 8.38 | 6.32 | 8.25 | 8.13 | 5.51 |
| Aug 92 | 3.30 | 3.13 | 3.21 | 3.33 | 3.31 | 3.38 | 3.07 | 6.00 | 4.72 | 6.59 | 7.39 | 8.16 | 6.31 | 8.04 | 7.98 | 5.27 |
| Sep 92 | 3.22 | 2.91 | 2.96 | 3.06 | 3.13 | 3.25 | 2.91 | 6.00 | 4.42 | 6.42 | 7.34 | 8.11 | 6.40 | 7.98 | 7.92 | 5.11 |
| Oct 92 | 3.10 | 2.86 | 3.04 | 3.17 | 3.26 | 3.22 | 2.79 | 6.00 | 4.64 | 6.59 | 7.53 | 8.40 | 6.59 | 8.25 | 8.09 | 5.06 |
| Weekly | | | | | | | | | | | | | | | | |
| Jul 29 92 | 3.18 | 3.18 | 3.25 | 3.41 | 3.32 | 3.37 | 3.14 | 6.00 | 4.75 | 6.67 | 7.50 | 8.22 | 6.12 | 8.24 | 8.05 | 5.37 |
| Aug 5 92 | 3.33 | 3.17 | 3.26 | 3.44 | 3.33 | 3.38 | 3.11 | 6.00 | 4.91 | 6.69 | 7.45 | 8.15 | 6.24 | 8.12 | 8.06 | 5.30 |
| Aug 12 92 | 3.24 | 3.14 | 3.21 | 3.31 | 3.29 | 3.36 | 3.08 | 6.00 | 4.71 | 6.54 | 7.38 | 8.10 | 6.20 | 8.11 | 7.96 | 5.30 |
| Aug 19 92 | 3.33 | 3.07 | 3.16 | 3.25 | 3.28 | 3.36 | 3.05 | 6.00 | 4.63 | 6.52 | 7.34 | 8.16 | 6.36 | 7.86 | 7.87 | 5.20 |
| Aug 26 92 | 3.27 | 3.13 | 3.22 | 3.36 | 3.32 | 3.38 | 3.02 | 6.00 | 4.73 | 6.62 | 7.40 | 8.20 | 6.45 | 8.07 | 8.01 | 5.26 |
| Sep 2 92 | 3.33 | 3.15 | 3.23 | 3.32 | 3.33 | 3.40 | 3.01 | 6.00 | 4.68 | 6.60 | 7.40 | 8.08 | 6.38 | 7.90 | 7.94 | 5.24 |
| Sep 9 92 | 3.09 | 2.97 | 3.01 | 3.10 | 3.14 | 3.24 | 2.96 | 6.00 | 4.41 | 6.39 | 7.29 | 8.06 | 6.31 | 7.95 | 7.84 | 5.15 |
| Sep 16 92 | 3.28 | 2.91 | 2.93 | 3.04 | 3.07 | 3.17 | 2.90 | 6.00 | 4.38 | 6.36 | 7.30 | 8.10 | 6.43 | 8.02 | 7.89 | 5.03 |
| Sep 23 92 | 3.07 | 2.90 | 2.94 | 3.05 | 3.12 | 3.23 | 2.88 | 6.00 | 4.45 | 6.45 | 7.39 | 8.17 | 6.49 | 8.06 | 8.02 | 5.02 |
| Sep 30 92 | 3.41 | 2.78 | 2.86 | 2.96 | 3.13 | 3.30 | 2.87 | 6.00 | 4.34 | 6.40 | 7.37 | 8.16 | 6.45 | 7.99 | 7.93 | 5.01 |
| Oct 7 92 | 3.20 | 2.69 | 2.82 | 2.91 | 3.07 | 3.17 | 2.83 | 6.00 | 4.24 | 6.30 | 7.37 | 8.37 | 6.49 | 8.18 | 8.01 | 4.97 |
| Oct 14 92 | 3.20 | 2.85 | 2.96 | 3.06 | 3.19 | 3.19 | 2.77 | 6.00 | 4.48 | 6.49 | 7.50 | 8.42 | 6.51 | 8.22 | 8.06 | 5.05 |
| Oct 21 92 | 3.05 | 2.95 | 3.11 | 3.27 | 3.34 | 3.26 | 2.79 | 6.00 | 4.76 | 6.70 | 7.58 | 8.55 | 6.71 | 8.41 | 8.23 | 5.13 |
| Oct 28 92 | 2.96 | 2.93 | 3.18 | 3.35 | 3.39 | 3.26 | 2.74 | 6.00 | 4.93 | 6.79 | 7.64 | 8.52 | 6.81 | 8.47 | 8.21 | 5.12 |
| Nov 4 92 | 3.07 | 2.99 | 3.21 | 3.40 | 3.40 | 3.25 | 2.75 | 6.00 | 4.99 | 6.83 | 7.65 | 8.65 | 6.70 | 8.53 | 8.29 | 5.17 |
| Nov 11 92 | 2.91 | 3.06 | 3.26 | 3.44 | 3.47 | 3.26 | 2.74 | 6.00 | 5.07 | 6.94 | 7.72 | 8.49 | 6.57 | 8.44 | 8.32 | 5.20 |
| Daily | | | | | | | | | | | | | | | | |
| Nov 6 92 | 2.86 | 3.06 | 3.27 | 3.44 | 3.41 | 3.24 | -- | 6.00 | 5.07 | 6.97 | 7.76 | -- | -- | -- | -- | -- |
| Nov 12 92 | 3.04 | 3.06 | 3.28 | 3.42 | 3.52 | 3.28 | -- | 6.00 | 5.00 | 6.79 | 7.57 | -- | -- | -- | -- | -- |
| Nov 13 92 | 2.88p | 3.08 | 3.32 | 3.50 | 3.51 | 3.27 | -- | 6.00 | 5.09 | 6.82 | 7.57 | -- | -- | -- | -- | -- |

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 major institutional lenders Column 16 is the average initial contract rate on new commitments for 1-year, adjustable-rate mortgages (ARMs) at major institutional lenders offering both FRMs and ARMs with the same number of discount points.

p - preliminary data

Strictly Confidential (FR)-
Class II FOMC

# Money and Credit Aggregate Measures

Seasonally adjusted

NOV. 16, 1992

| 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[1] | U.S. government[2] | other[2] | total[2] |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| ANN. GROWTH RATES (%) : | | | | | | | | | | |
| ANNUALLY (Q4 TO Q4) | | | | | | | | | | |
| 1989 | 0.6 | 4.8 | 6.2 | -0.9 | 3.6 | 4.8 | 7.5 | 7.2 | 8.4 | 8.1 |
| 1990 | 4.2 | 4.0 | 3.9 | -7.2 | 1.7 | 1.8 | 5.5 | 10.3 | 5.9 | 6.9 |
| 1991 | 8.0 | 2.8 | 1.1 | -5.7 | 1.2 | 0.5 | 3.5 | 11.0 | 2.3 | 4.3 |
| QUARTERLY AVERAGE | | | | | | | | | | |
| 1991-4th QTR. | 11.0 | 2.4 | -0.6 | -5.4 | 1.0 | 0.2 | 6.1 | 11.5 | 1.5 | 3.9 |
| 1992-1st QTR. | 16.5 | 4.2 | -0.1 | -7.5 | 2.2 | 1.5 | 4.5 | 10.0 | 2.4 | 4.2 |
| 1992-2nd QTR. | 9.8 | 0.4 | -3.0 | -9.5 | -1.3 | 0.5 | 3.3 | 14.2 | 2.3 | 5.2 |
| 1992-3rd QTR. | 10.3 | 0.3 | -3.5 | -2.8 | -0.2 | 1.1 | 2.6 | 11.0 | 2.5 | 4.6 |
| MONTHLY | | | | | | | | | | |
| 1991-OCT. | 12.2 | 2.1 | -1.4 | 0.2 | 1.8 | 0.9 | 7.1 | 12.5 | 1.4 | 4.0 |
| NOV. | 14.3 | 4.8 | 1.6 | -9.6 | 2.3 | 3.2 | 7.4 | 12.6 | 1.7 | 4.3 |
| DEC. | 9.0 | 2.8 | 0.7 | -6.7 | 1.2 | -0.3 | 6.5 | 9.8 | 0.9 | 3.1 |
| 1992-JAN. | 16.4 | 2.7 | -2.1 | -8.4 | 0.8 | -1.8 | 4.7 | 7.7 | 2.3 | 3.7 |
| FEB. | 27.2 | 9.4 | 2.9 | -3.1 | 7.2 | 6.9 | 1.2 | 8.3 | 4.1 | 5.2 |
| MAR. | 10.3 | 0.4 | -3.1 | -13.6 | -2.0 | 2.6 | 3.5 | 17.1 | 2.4 | 6.1 |
| APR. | 4.9 | -1.4 | -3.7 | -14.1 | -3.6 | -1.7 | 6.3 | 14.8 | 1.9 | 5.2 |
| MAY | 14.6 | 0.6 | -4.7 | -3.9 | -0.2 | -2.5 | 0.2 | 12.3 | 1.8 | 4.4 |
| JUNE | -3.1 | -3.0 | -2.9 | -5.4 | -3.4 | 2.7 | 2.5 | 14.8 | 2.1 | 5.3 |
| JULY | 11.1 | -0.7 | -5.2 | -3.6 | -1.2 | -1.9 | 0.2 | 10.7 | 2.5 | 4.6 |
| AUG. | 15.6 | 3.2 | -1.6 | 4.1 | 3.4 | 4.1 | 5.4 | 9.5 | 2.7 | 4.5 |
| SEP. | 19.1 | 3.6 | -2.5 | -7.9 | 1.7 | 4.5 | 6.8 | 5.0 | 3.1 | 3.6 |
| OCT. p | 22.7 | 5.3 | -1.6 | -21.5 | 0.8 | | 4.1 | | | |
| LEVELS ($BILLIONS) : | | | | | | | | | | |
| MONTHLY | | | | | | | | | | |
| 1992-JUNE | 951.8 | 3464.7 | 2513.0 | 702.0 | 4166.7 | 5013.7 | 2883.2 | 2942.0 | 8539.7 | 11481.7 |
| JULY | 960.6 | 3462.7 | 2502.2 | 699.9 | 4162.6 | 5005.7 | 2883.7 | 2968.2 | 8557.8 | 11526.0 |
| AUG. | 973.1 | 3472.0 | 2498.9 | 702.3 | 4174.3 | 5023.0 | 2896.6 | 2991.6 | 8577.4 | 11569.0 |
| SEP. | 988.6 | 3482.4 | 2493.7 | 697.7 | 4180.1 | 5041.9 | 2912.9 | 3004.1 | 8599.8 | 11604.0 |
| OCT. p | 1007.3 | 3497.7 | 2490.4 | 685.2 | 4182.9 | | 2922.9 | | | |
| WEEKLY | | | | | | | | | | |
| 1992-OCT. 5 | 999.7 | 3488.4 | 2488.7 | 670.6 | 4159.0 | | | | | |
| 12 | 1006.8 | 3499.5 | 2492.7 | 694.8 | 4194.3 | | | | | |
| 19 | 1005.2 | 3496.5 | 2491.2 | 683.9 | 4180.3 | | | | | |
| 26 p | 1009.1 | 3497.0 | 2487.9 | 689.4 | 4186.4 | | | | | |
| NOV. 2 p | 1017.4 | 3508.9 | 2491.5 | 682.3 | 4191.2 | | | | | |

1. Adjusted for breaks caused by reclassifications.
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

Strictly Confidential (FR)-
Class II FOMC

# Components of Money Stock and Related Measures

seasonally adjusted unless otherwise noted

NOV. 16, 1992

| Period | Currency | Demand deposits | Other checkable deposits | Overnight RPs and Eurodollars NSA[1] | Savings deposits[2] | Small denomination time deposits[3] | Money market mutual funds: general purpose and broker/dealer[4] | Money market mutual funds: Institutions only | Large denomination time deposits[5] | 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 |
| LEVELS ($BILLIONS) : | | | | | | | | | | | | | | | |
| ANNUALLY (4TH QTR.) | | | | | | | | | | | | | | | |
| 1989 | 221.2 | 279.2 | 282.8 | 76.2 | 884.7 | 1145.3 | 311.2 | 106.8 | 561.3 | 106.8 | 78.8 | 116.8 | 319.3 | 349.1 | 40.3 |
| 1990 | 245.5 | 277.5 | 292.7 | 78.8 | 919.9 | 1167.7 | 346.2 | 130.1 | 501.9 | 93.6 | 68.0 | 125.2 | 329.8 | 357.4 | 33.6 |
| 1991 | 266.0 | 287.0 | 329.1 | 73.4 | 1028.8 | 1079.1 | 359.8 | 173.6 | 443.1 | 73.0 | 60.5 | 137.0 | 319.6 | 337.9 | 24.4 |
| MONTHLY | | | | | | | | | | | | | | | |
| 1991-OCT. | 264.8 | 283.8 | 324.5 | 70.0 | 1015.0 | 1095.2 | 359.3 | 168.2 | 450.0 | 75.2 | 62.8 | 136.1 | 319.7 | 336.2 | 25.3 |
| NOV. | 266.0 | 287.6 | 329.7 | 73.8 | 1028.7 | 1079.2 | 359.5 | 173.6 | 442.3 | 73.3 | 61.5 | 137.1 | 322.9 | 337.9 | 24.5 |
| DEC. | 267.3 | 289.5 | 333.2 | 76.3 | 1042.6 | 1063.0 | 360.5 | 179.1 | 437.1 | 70.4 | 57.2 | 137.9 | 316.1 | 339.7 | 23.3 |
| 1992-JAN. | 269.4 | 293.9 | 339.0 | 77.8 | 1061.2 | 1042.9 | 358.6 | 182.4 | 427.9 | 70.3 | 55.3 | 138.9 | 310.0 | 334.8 | 23.2 |
| FEB. | 271.6 | 305.1 | 346.3 | 77.8 | 1083.9 | 1019.8 | 361.7 | 188.2 | 420.7 | 71.5 | 55.9 | 140.1 | 319.9 | 327.5 | 22.9 |
| MAR. | 271.8 | 309.6 | 349.5 | 74.7 | 1098.0 | 1002.8 | 358.3 | 185.3 | 413.0 | 73.0 | 57.9 | 141.2 | 327.7 | 337.0 | 22.2 |
| APR. | 273.6 | 311.2 | 350.0 | 72.8 | 1111.2 | 985.3 | 355.9 | 189.2 | 405.7 | 72.2 | 55.0 | 142.4 | 327.6 | 341.7 | 21.6 |
| MAY | 274.7 | 315.1 | 356.4 | 69.5 | 1122.4 | 968.7 | 356.7 | 194.8 | 400.9 | 73.0 | 52.8 | 143.5 | 328.9 | 329.4 | 22.0 |
| JUNE | 276.2 | 311.0 | 356.7 | 72.4 | 1127.0 | 956.2 | 355.5 | 199.7 | 395.3 | 73.0 | 51.8 | 144.6 | 333.3 | 347.1 | 22.0 |
| JULY | 278.9 | 315.6 | 358.2 | 72.9 | 1134.4 | 942.4 | 352.4 | 207.7 | 388.5 | 71.6 | 50.3 | 145.9 | 325.2 | 350.3 | 21.7 |
| AUG. | 282.3 | 320.7 | 362.2 | 76.2 | 1145.6 | 927.4 | 350.7 | 217.2 | 384.7 | 71.9 | 49.3 | 147.5 | 327.8 | 352.4 | 21.0 |
| SEP. | 286.4 | 327.8 | 366.1 | 74.6 | 1159.5 | 914.2 | 345.7 | 217.2 | 380.0 | 73.3 | 46.9 | 149.5 | 326.4 | 364.4 | 21.5 |
| OCT. p | 288.4 | 336.5 | 373.8 | 76.2 | 1171.3 | 897.3 | 348.8 | 205.4 | 373.2 | 75.8 | 46.6 | | | | |

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

p-preliminary

November 13, 1992

# NET CHANGES IN SYSTEM HOLDINGS OF SECURITES[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 | | | | | |
| 1989 | 1,468 | 12,730 | -11,263 | 327 | 946 | 258 | 284 | 500 | 1,315 | 442 | -10,390 | -1,683 |
| 1990 | 17,448 | 4,400 | 13,048 | 425 | 50 | -100 | --- | --- | 375 | 183 | 13,240 | 11,128 |
| 1991 | 20,038 | 1,000 | 19,038 | 3,043 | 6,583 | 1,280 | 375 | --- | 11,282 | 292 | 27,726 | -1,614 |
| 1991 ---Q1 | 2,160 | 1,000 | 1,160 | 800 | 2,950 | 400 | --- | --- | 4,150 | --- | 5,310 | -16,864 |
| ---Q2 | 4,356 | --- | 4,356 | 900 | 550 | --- | --- | --- | 1,450 | 128 | 5,698 | 992 |
| ---Q3 | 7,664 | --- | 7,664 | 1,165 | 650 | --- | --- | --- | 1,815 | 55 | 9,419 | 152 |
| ---Q4 | 5,858 | --- | 5,858 | 178 | 2,433 | 880 | 375 | --- | 3,867 | 109 | 7,299 | 14,106 |
| 1992 ---Q1 | -1,000 | 1,600 | -2,600 | --- | 2,452 | --- | --- | --- | 2,452 | 85 | -233 | -14,636 |
| ---Q2 | 4,415 | --- | 4,415 | --- | 2,478 | 597 | 655 | --- | 3,730 | 250 | 7,896 | 1,137 |
| ---Q3 | 867 | --- | 867 | 550 | 3,725 | 725 | 926 | --- | 5,927 | 176 | 6,617 | 14,195 |
| 1991 November | 2,823 | --- | 2,823 | 178 | 2,133 | 880 | 375 | --- | 3,567 | 51 | 4,022 | -8,871 |
| December | 837 | --- | 837 | --- | 300 | --- | --- | --- | 300 | 45 | 1,092 | 16,035 |
| 1992 January | -1,628 | 1,600 | -3,228 | --- | --- | --- | --- | --- | --- | 85 | -3,313 | -12,874 |
| February | 123 | --- | 123 | --- | 1,027 | --- | --- | --- | 1,027 | --- | 1,150 | -2,010 |
| March | 505 | --- | 505 | --- | 1,425 | --- | --- | --- | 1,425 | --- | 1,930 | 248 |
| April | --- | --- | --- | --- | --- | --- | --- | --- | --- | 49 | -49 | 345 |
| May | 4,110 | --- | 4,110 | --- | 200 | --- | --- | --- | 200 | 160 | 4,149 | -1,203 |
| June | 306 | --- | 306 | --- | 2,278 | 597 | 655 | --- | 3,530 | 40 | 3,796 | 1,996 |
| July | --- | --- | --- | --- | --- | --- | --- | --- | --- | 85 | -85 | -914 |
| August | 271 | --- | 271 | --- | 400 | --- | 195 | --- | 595 | 54 | 812 | 5,371 |
| September | 595 | --- | 595 | 550 | 3,325 | 725 | 731 | --- | 5,332 | 37 | 5,890 | 9,739 |
| October | 4,072 | --- | 4,072 | --- | 200 | --- | --- | --- | 200 | --- | 4,272 | -19,267 |
| Weekly | | | | | | | | | | | | |
| August 5 | --- | --- | --- | --- | --- | --- | --- | --- | --- | 13 | -13 | 10,828 |
| 12 | 90 | --- | 90 | --- | --- | --- | 195 | --- | 195 | --- | 285 | -10,190 |
| 19 | 30 | --- | 30 | --- | 200 | --- | --- | --- | 200 | --- | 230 | 2,376 |
| 26 | --- | --- | --- | --- | 200 | --- | --- | --- | 200 | 41 | 159 | -1,459 |
| September 2 | 165 | --- | 165 | --- | --- | --- | --- | --- | --- | --- | 165 | 7,817 |
| 9 | 300 | --- | 300 | 550 | 1,825 | 725 | 731 | --- | 3,832 | 37 | 4,095 | -2,613 |
| 16 | 155 | --- | 155 | --- | 500 | --- | --- | --- | 500 | --- | 655 | -868 |
| 23 | 126 | --- | 126 | --- | 650 | --- | --- | --- | 650 | --- | 776 | 8,323 |
| 30 | --- | --- | --- | --- | 350 | --- | --- | --- | 350 | --- | 350 | 2,312 |
| October 7 | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | -16,298 |
| 14 | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | 10,614 |
| 21 | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | -10,873 |
| 28 | 153 | --- | 153 | --- | 200 | --- | --- | --- | 200 | --- | 353 | 987 |
| November 4 | 3,918 | --- | 3,918 | --- | --- | --- | --- | --- | --- | --- | 3,918 | 1,522 |
| 11 | --- | --- | --- | --- | 250 | --- | --- | --- | 250 | --- | 250 | 2,440 |
| Memo: LEVEL (bil. $)[6] | | | | | | | | | | | | |
| November 11 | | | | 33.5 | 69.2 | 17.0 | 26.6 | | 146.3 | | | 0.0 |

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 exchange for maturing bills. Excludes maturity shifts and rollovers of maturing issues.
4. Reflects net change in redemptions (-) of Treasury and agency securities.
5. Includes change 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 |
|---|---|---|---|---|---|
| November 11 | 2.2 | 2.5 | 0.7 | 0.2 | 5.6 |