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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 8, 1996

MONETARY POLICY ALTERNATIVES

Recent Developments

(1) With markets placing better than even odds on a 25 basis point rise in the federal funds rate at the September 24 FOMC meeting, the decision to keep the intended federal funds rate at 5-1/4 percent precipitated interest-rate declines on that day across the term structure, with the reaction most pronounced at shorter maturities (chart). Over the balance of the intermeeting period, the incoming data generally have pointed toward more subdued labor-cost and price pressures than had been expected by most market participants. Against this backdrop, the rate structure on federal funds futures contracts has flattened enough to suggest that the market on average no longer expects a System tightening over the next few months (chart). Although further declines at the front end of the yield curve were limited, intermediate- and long-term interest rates moved down considerably further. Over the entire intermeeting period, yields on Treasury bills have slipped off 15 basis points, while those on coupon securities have fallen some 50 to 55 basis points to their lowest levels since early March.[1] Equity markets have reacted positively to the drop in interest rates and to generally favorable earnings reports, with broader indexes rising 5 percent over the intermeeting period.

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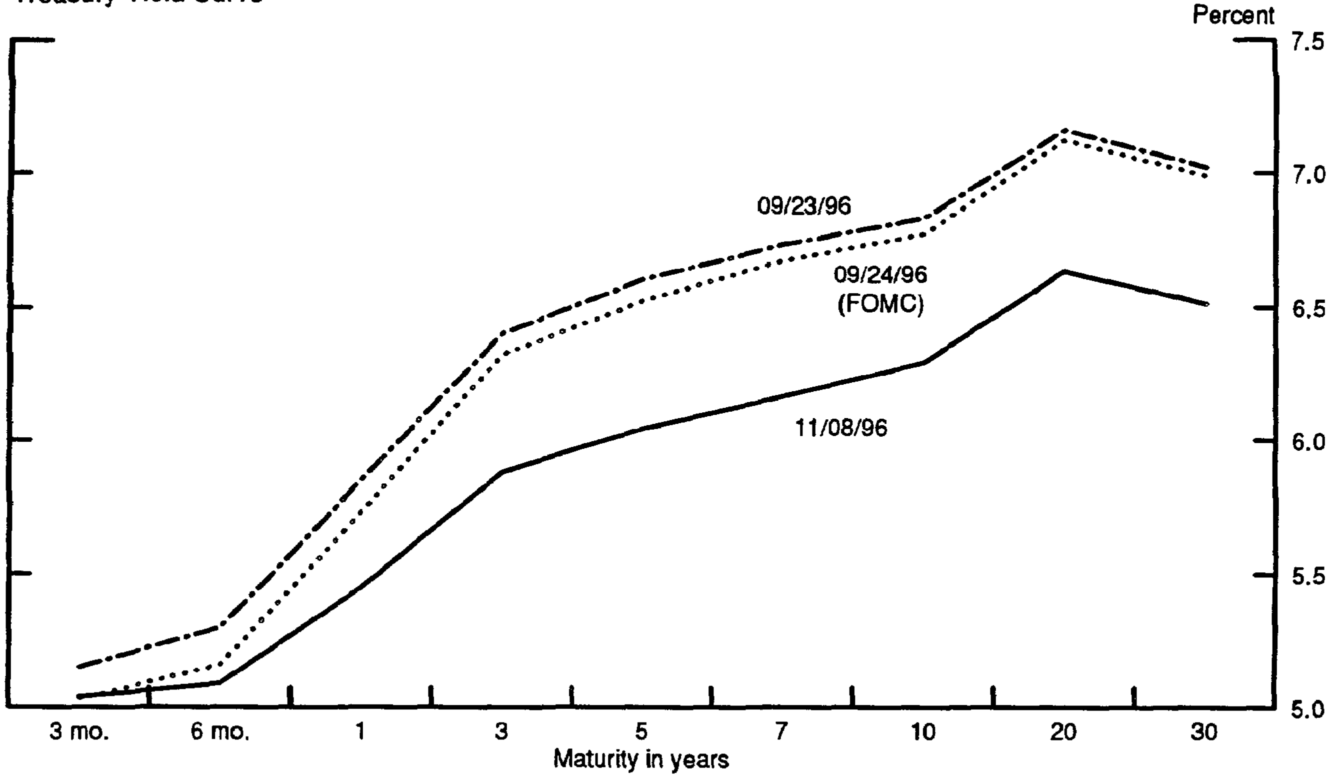
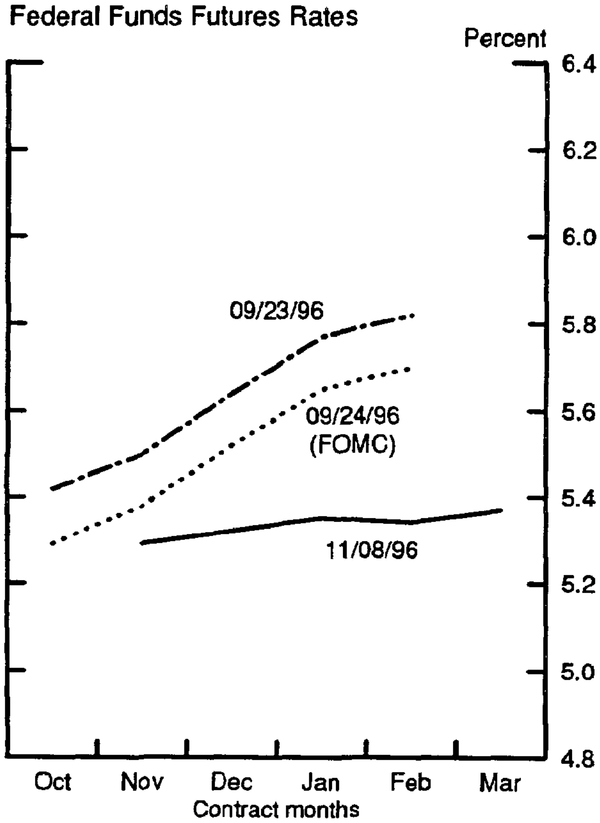
1. Federal funds generally traded near the intended level of 5-1/4 percent. Sweep activity intensified during the intermeeting period, and required operating balances--the sum of required reserve balances and required clearing balances--dipped as low as $18 billion. Nevertheless, the federal funds rate was not unusually volatile.

Chart 1

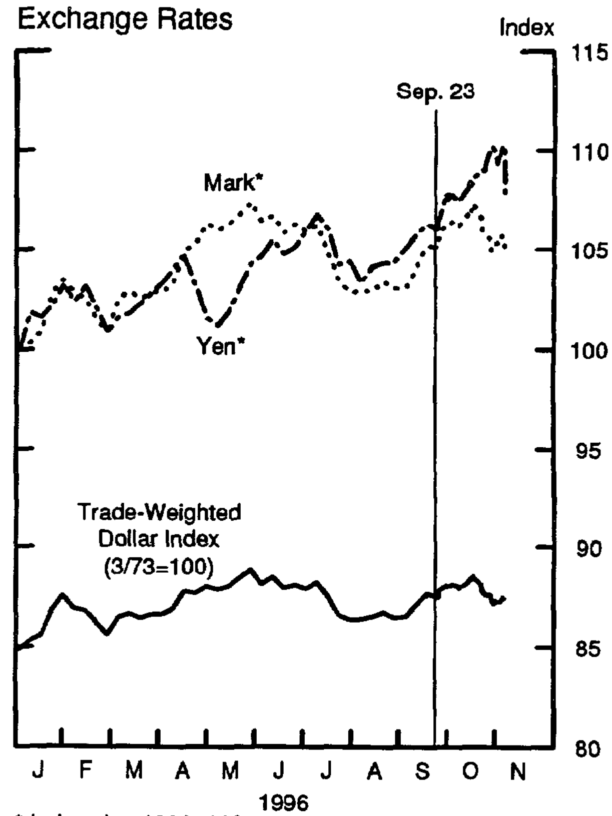
Treasury Yield Curve



Federal Funds Futures Rates



Exchange Rates



* Index, Jan 1996=100
Weekly. Daily beginning September 23.

(2) On average in major foreign industrial countries, long-term interest rates have declined about 40 basis points since the last FOMC meeting, while short-term rates have moved down 10 basis points. In both cases, these rate declines were a little less than those in the United States, and the dollar's weighted-average exchange value edged down slightly on balance over the intermeeting period. However, bilateral dollar exchange rates showed unusually divergent movements, in part reflecting specific factors applying to individual foreign countries. Official interest rates were lowered 100 basis points in Canada and 75 basis points in Italy, while rates in the United Kingdom were raised 25 basis points.

. The Desk did not intervene.

(3) Available data suggest that private debt has continued to expand at a moderate pace in recent months, with somewhat stronger borrowing by businesses tending to offset a slowing in debt growth of households. Although their commercial paper has been running off, nonfinancial firms have borrowed heavily from banks and have tapped stock and bond markets in volume since the latter part of September. The stepup in business financing owes in part to unusually strong merger activity and perhaps to a pickup in inventory investment. Credit supply conditions for businesses have continued to be favorable: Risk spreads in capital markets have remained narrow, and

banks have further eased standards and terms on business loans over the last three months, according to the most recent survey of lending officers. In the household sector, the recent moderate pace of growth of residential mortgages likely has continued into the fourth quarter. Consumer credit growth has been subdued on balance in recent months, perhaps in part as a result of rising debt burdens and a more restrictive posture at banks toward consumer lending. The runoff of debt of states and municipalities has persisted on average over recent months, as advance-refunded debt has continued to be paid down, while federal borrowing has been light. Growth of the total debt of domestic nonfinancial sectors for the year through September was at a 5 percent rate, at the middle of the Committee's annual range.

(4) M2 grew at a 3 percent rate in October, near its September pace and somewhat slower than foreseen at the time of the last FOMC meeting. The shortfall was mainly attributable to a surprisingly large contraction in transaction deposits even after adjusting for new sweeps into the savings deposit component of M2.[2] Through October, M2 has expanded at a 4 percent rate this year, placing it in the upper half of its 1996 range.[3] M3, which grew at a 7 percent rate in

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2. Total new sweeps were nearly $15 billion last month, a record, causing reported M1 to contract at an 18 percent rate; sweep-adjusted M1 dropped at a 1-3/4 percent rate in October. Partly reflecting a large bank's new sweep program, reported demand deposits declined at a 27 percent annual rate in October, with the sweep-adjusted decline at a 14-1/4 percent rate. With currency expanding at a brisk 8-3/4 percent rate, the reported monetary base was about unchanged in October; on a sweep-adjusted basis, the monetary base grew at a 3-3/4 percent rate.

3. Sizable, though slower, inflows into long-term mutual funds, as well as substantial price appreciation, pushed the estimated growth rate of M2 plus bond and stock mutual funds to around an 11 percent rate in October.

September, picked up to a 10 percent pace last month. The acceleration, which was unforeseen at the time of the September FOMC meeting, owed mainly to a surge in managed liabilities in that aggregate, especially large time deposits, that were issued to fund strong bank credit expansion. The October advance brought M3 growth so far this year to the 6 percent upper bound of its annual range.

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

	Aug.	Sept.	Oct.	QIV to Oct.[1]
Money and Credit Aggregates				
M1	-9.6	-8.4	-18.1	-5.1
Adjusted for sweeps	4.4	3.0	-1.7	4.9
M2	3.8	3.3	3.1	4.0
M3	4.8	7	9.9	6.0
Domestic nonfinancial debt	3.8	3.4	--	5.0
Federal	4.5	1.0	--	3.7
Nonfederal	3.6	4.3	--	5.5
Bank Credit	-1.9	5.1	6.1	3.4
Adjusted[2]	-.8	7.0	6.7	4.3
Reserve Measures				
Nonborrowed Reserves[3]	-20.3	-22.0	-26.7	-12.5
Total Reserves	-20.9	-21.1	-28.4	-12.3
Adjusted for sweeps	7.8	3.1	4.5	7.6
Monetary Base	6.3	4.5	-0.1	3.1
Adjusted for sweeps	9.7	7.2	3.7	4.5
Memo: (millions of dollars)				
Adjustment plus seasonal borrowing	334	368	287	--
Excess reserves	961	1038	988	--

1. QIV to September for debt aggregates.
2. Adjusted to remove effects of mark-to-market accounting rules (FIN 39 and FASB 115).
3. 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.

Policy Alternatives

(5) Final sales weakened more in the third quarter than estimated in the September Greenbook, and inventory accumulation was greater. In the latest forecast, final demand is expected to rebound promptly so that inventory imbalances are avoided. The expansion of economic activity is projected to run in line with that of potential output, assuming that the current federal funds rate is maintained through the end of 1998. In light of recent statistical evidence on compensation, the staff has made a more optimistic assessment of the outlook for price pressures. Factoring in as well favorable prospects for food and energy supplies, the forecast for the CPI has been reduced--even against the backdrop of a lower path for the unemployment rate. The CPI is now projected to increase less than 3 percent in 1997 and 1998. It remains the staff view, however, that resource pressures are intense enough to foster an upward tilt to the underlying trend of wage and price inflation. Indeed, the rise in the core inflation rate from 2-3/4 percent this year to 3 percent in each of the next two years would be larger still were it not for technical changes in the index.

(6) If the Committee views the staff forecast as both likely and acceptable, it presumably would favor standing pat--**alternative B.** Even if the Committee found unacceptable the forecasted upcreep in core inflation (abstracting from technical CPI adjustments), it might want to wait for more evidence that such an outcome is in train before taking action. The overutilization of resources may be seen as staying modest in any event, and thus policy inaction at this meeting would not seem to risk allowing inflation to rise so much that jarring

adjustments to employment and output would be required eventually.

(7) With market participants widely expecting policy to remain on hold for some time, the Committee's selection of alternative B should elicit little response in financial markets. Assuming that developments over the intermeeting period play out in accord with the staff projection, which appears aligned with most market forecasts, there is no reason to anticipate that interest rates will break out of their recent range. Similarly, the dollar should trade on foreign exchange markets around its recent levels.

(8) A policy tightening, such as the 50 basis point firming of the federal funds rate under **alternative C**, might be favored should the Committee wish to move promptly to counter the updrift in underlying inflation embedded in the staff outlook. Furthermore, the Committee may be concerned about additional upside risks to the inflation outlook: For example, recent wage data may be misleading and the widely reported tightness of labor markets could be reflected soon in much more sizable increases in labor costs. Or spending might snap back more forcefully than envisioned by the staff--especially in light of the recent rallies in bond and stock markets--and intensify pressures on resource utilization.

(9) The choice of alternative C would come as a surprise to market participants. Most likely, they would infer that the Committee sees considerably more risk of greater inflation pressures than is generally perceived. Interest rates could rise markedly across the term structure--perhaps almost as much at short-term maturities as the 50 basis point increase in the federal funds rate. Higher real interest rates would be likely to boost the dollar on foreign exchange

markets. Financial prices could be volatile for a time as market participants reappraised the economic outlook and the likely path for monetary policy, and appreciable declines in equity values cannot be ruled out.

(10) A 50 basis point reduction in the federal funds rate, as under **alternative A**, might be favored if the Committee viewed the recent softness of final sales as likely to persist. Under those circumstances, inventories may turn out higher than firms desire, imparting an additional drag on production over the next couple of quarters. But even if the staff forecast of spending is accepted, the Committee may view the recent favorable performance of wages and prices as suggesting that the natural rate of unemployment is still lower than that implicit in the staff's inflation forecast. If so, the economy may not have overshot its potential, and price pressures may be weaker than in the staff forecast.

(11) While some talk has surfaced in the market that the next policy move might be toward ease, participants do not foresee a reduction in the intended federal funds rate at this meeting. A 50 basis point reduction in the funds rate, as under alternative A, would most likely be read as evidence that the Committee has serious reservations about the prospects for spending. In this event, sizable reductions in nominal and real market yields would likely be induced across the term structure. However, the easing might also be taken by the market as revealing a greater willingness on the part of the Committee to risk an uptick in inflation as it undertook to test the upside of potential output. If doubts about the Committee's resolve to contain inflation were to become prevalent in the market, which

might be especially likely should incoming data indicate buoyant spending or increased inflation pressures, nominal intermediate- and longer-term yields could begin to reverse their initial declines. In any case, the dollar would most likely weaken on foreign exchange markets.

(12) Under the staff forecast, the debt of domestic nonfinancial sectors is anticipated to continue to expand at a moderate pace into early 1997. Consumer credit picks up in coming months in keeping with the projected near-term rebound in consumer spending, especially on durable goods. In contrast, mortgage borrowing should slow a bit with softening housing activity. In the staff projection, the pace of business borrowing remains brisk, in keeping with somewhat enlarged external financing needs. With growth of federal government debt remaining sluggish, total domestic nonfinancial debt is expected to expand at a 4-3/4 percent pace through next March. This implies growth for 1996 at around the 5 percent midpoint of its annual range.

(13) In coming months, offering rates on M2 accounts are not expected to change much under alternative B, maintaining opportunity costs at around their recent levels. M2 growth over the October-to-March period is expected to quicken to a 4-1/4 percent rate from the unexpectedly weak advance in September and October, reflecting the projected speedup in nominal spending in the staff forecast.[4] This

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4. The introduction of new retail sweeps is expected to continue at a rapid pace in coming months. As a result, M1 is anticipated to decline at a 9 percent rate over the October-to-March period under alternative B; adjusted for sweeps, M1 would increase at a 3-3/4 percent rate over that span. From October to March, the monetary base is projected to grow at a 1-1/2 percent annual rate, but abstracting from sweeps, the growth rate would be 4-1/2 percent.

strengthening in M2 does not show through to M3, as banks lessen their net issuance of managed liabilities, and the broader aggregate is seen as expanding at a 6-1/4 percent pace over the next five months. The implied growth of M2 for 1996 as a whole is 4 percent, in the upper half of its range, compared with a 4-1/2 percent rate projected in the September bluebook. The growth of M3 for the year is projected at 6 percent, at the upper bound of its range and slightly higher than the 5-3/4 percent rate forecast for this aggregate in the previous bluebook.

Growth Rates of Money and Debt
(percent, annual rates)

	October to March[1]	1995-Q4 to 1996-Q4
M2	4-1/4	4
M3	6-1/4	6
M1	-9	-5-1/2
Adjusted for sweeps	3-3/4	5
Debt	4-3/4	5

1. September to March for domestic nonfinancial debt.

Alternative Levels and Growth Rates for Key Monetary Aggregates 07-Nov 03:12 PM

	M2			M3			M1		
	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
Levels in Billions									
Sep-96	3765.1	3765.1	3765.1	4767.1	4767.1	4767.1	1091.9	1091.9	1091.9
Oct-96	3774.9	3774.9	3774.9	4806.4	4806.4	4806.4	1075.4	1075.4	1075.4
Nov-96	3788.1	3787.5	3786.8	4834.8	4834.4	4834.0	1067.6	1067.4	1067.1
Dec-96	3803.3	3800.7	3798.2	4860.2	4858.6	4857.0	1060.3	1059.3	1058.4
Jan-97	3819.4	3814.4	3809.3	4886.1	4882.9	4879.7	1052.0	1050.1	1048.1
Feb-97	3835.8	3828.3	3820.9	4912.0	4907.3	4902.6	1045.4	1042.2	1039.1
Mar-97	3852.1	3842.7	3833.3	4937.2	4931.4	4925.7	1039.7	1035.3	1030.8
Monthly Growth Rates									
Sep-96	3.3	3.3	3.3	7.0	7.0	7.0	-8.4	-8.4	-8.4
Oct-96	3.1	3.1	3.1	9.9	9.9	9.9	-18.1	-18.1	-18.1
Nov-96	4.2	4.0	3.8	7.1	7.0	6.9	-8.8	-9.0	-9.3
Dec-96	4.8	4.2	3.6	6.3	6.0	5.7	-8.2	-9.0	-9.8
Jan-97	5.1	4.3	3.5	6.4	6.0	5.6	-9.4	-10.5	-11.7
Feb-97	5.2	4.4	3.7	6.4	6.0	5.7	-7.6	-9.0	-10.4
Mar-97	5.1	4.5	3.9	6.2	5.9	5.7	-6.5	-8.0	-9.6
Quarterly Averages									
96 Q1	5.7	5.7	5.7	7.0	7.0	7.0	-2.7	-2.7	-2.7
96 Q2	3.8	3.8	3.8	5.1	5.1	5.1	-0.7	-0.7	-0.7
96 Q3	2.7	2.7	2.7	4.0	4.0	4.0	-6.9	-6.9	-6.9
96 Q4	3.7	3.6	3.4	7.7	7.7	7.6	-11.7	-11.9	-12.0
97 Q1	5.0	4.3	3.6	6.5	6.1	5.8	-8.3	-9.3	-10.4
Growth Rate									
From / To									
Oct-96 / Mar-97	4.9	4.3	3.7	6.5	6.2	6.0	-8.0	-8.9	-10.0
95 Q4 / Oct-96	4.0	4.0	4.0	6.0	6.0	6.0	-5.1	-5.1	-5.1
93 Q4 / 94 Q4	0.6	0.6	0.6	1.6	1.6	1.6	2.4	2.4	2.4
94 Q4 / 95 Q4	3.9	3.9	3.9	5.8	5.8	5.8	-1.8	-1.8	-1.8
95 Q4 / 96 Q4	4.0	4.0	4.0	6.1	6.1	6.0	-5.4	-5.4	-5.5
1996 Target Ranges:		1.0 to 5.0			2.0 to 6.0				

Directive Language

(14) Presented below is draft wording for the operational paragraph that includes the usual options for Committee consideration.

OPERATIONAL PARAGRAPH

In the implementation of policy for the immediate future, the Committee seeks to DECREASE (SLIGHTLY/SOMEWHAT)/maintain/INCREASE (SLIGHTLY/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, 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 moderate growth in M2 and RELATIVELY STRONG EXPANSION IN M3 over coming months.

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
95 -- High	6.21	5.81	6.31	6.75	6.39	6.10	5.61	9.00	7.80	7.85	7.89	8.81	6.94	9.57	9.22	6.87
-- Low	5.40	4.89	5.05	4.98	5.55	5.73	5.16	8.50	5.36	5.68	6.06	6.98	5.65	7.40	7.11	5.53
96 -- High	5.61	5.18	5.37	5.61	5.57	5.73	5.15	8.50	6.59	7.02	7.16	8.23	6.34	8.72	8.42	6.01
-- Low	5.08	4.79	4.71	4.57	5.13	5.28	4.73	8.25	4.95	5.59	5.97	7.00	5.63	7.35	6.94	5.19
Monthly																
Nov 95	5.80	5.36	5.27	5.14	5.74	5.80	5.26	8.75	5.57	5.93	6.26	7.30	5.89	7.79	7.38	5.64
Dec 95	5.60	5.14	5.13	5.03	5.62	5.84	5.20	8.65	5.39	5.71	6.06	7.10	5.74	7.53	7.20	5.57
Jan 96	5.56	5.00	4.92	4.82	5.39	5.56	5.05	8.50	5.20	5.65	6.05	7.09	5.72	7.45	7.03	5.44
Feb 96	5.22	4.83	4.77	4.69	5.15	5.29	4.85	8.25	5.14	5.81	6.24	7.31	5.73	7.51	7.08	5.31
Mar 96	5.31	4.96	4.96	5.06	5.29	5.39	4.76	8.25	5.79	6.27	6.60	7.75	6.07	8.07	7.62	5.51
Apr 96	5.22	4.95	5.06	5.23	5.36	5.40	4.75	8.25	6.11	6.51	6.79	7.90	6.20	8.32	7.93	5.73
May 96	5.24	5.02	5.12	5.33	5.36	5.38	4.74	8.25	6.27	6.74	6.93	8.02	6.22	8.46	8.07	5.77
Jun 96	5.27	5.09	5.25	5.48	5.46	5.45	4.76	8.25	6.49	6.91	7.06	8.13	6.25	8.59	8.32	5.92
Jul 96	5.40	5.15	5.30	5.52	5.53	5.44	4.81	8.25	6.45	6.87	7.03	8.07	6.15	8.56	8.25	5.98
Aug 96	5.22	5.05	5.13	5.35	5.40	5.39	4.82	8.25	6.21	6.64	6.84	7.87	6.00	8.33	8.00	5.84
Sep 96	5.30	5.09	5.24	5.50	5.51	5.45	4.82	8.25	6.41	6.83	7.03	8.06	6.11	8.48	8.23	5.85
Oct 96	5.24	4.99	5.11	5.25	5.41	5.37	--	8.25	6.08	6.53	6.81	7.83	5.97	8.22	7.92	5.64
Weekly																
Jul 24 96	5.25	5.15	5.29	5.51	5.52	5.41	4.80	8.25	6.40	6.80	6.98	8.06	6.10	8.53	8.19	6.01
Jul 31 96	5.53	5.18	5.30	5.54	5.54	5.42	4.82	8.25	6.45	6.87	7.04	7.76	6.02	8.20	8.23	5.98
Aug 7 96	5.38	5.06	5.12	5.32	5.43	5.41	4.87	8.25	6.14	6.56	6.77	7.73	5.92	8.21	7.88	5.89
Aug 14 96	5.10	5.02	5.11	5.29	5.40	5.38	4.79	8.25	6.12	6.54	6.74	7.81	5.98	8.28	7.88	5.81
Aug 21 96	5.18	5.04	5.11	5.33	5.38	5.38	4.82	8.25	6.15	6.59	6.80	7.98	6.00	8.35	7.93	5.79
Aug 28 96	5.21	5.04	5.13	5.41	5.38	5.37	4.79	8.25	6.31	6.74	6.95	8.16	6.09	8.62	8.09	5.75
Sep 4 96	5.39	5.15	5.29	5.57	5.49	5.42	4.83	8.25	6.52	6.92	7.09	8.14	6.19	8.67	8.34	5.85
Sep 11 96	5.16	5.17	5.33	5.59	5.54	5.46	4.82	8.25	6.52	6.94	7.12	7.99	6.12	8.42	8.28	5.90
Sep 18 96	5.22	5.11	5.23	5.49	5.48	5.44	4.83	8.25	6.37	6.80	7.00	8.08	6.10	8.53	8.14	5.83
Sep 25 96	5.34	5.08	5.22	5.47	5.52	5.49	--	8.25	6.37	6.81	7.01	7.96	6.01	8.28	8.16	5.82
Oct 2 96	5.40	4.91	5.07	5.35	5.48	5.42	4.86	8.25	6.22	6.66	6.89	7.77	5.95	8.20	8.06	5.70
Oct 9 96	5.14	4.94	5.08	5.24	5.42	5.37	4.81	8.25	6.08	6.54	6.80	7.87	5.99	8.24	7.86	5.68
Oct 16 96	5.22	5.01	5.12	5.29	5.41	5.35	4.82	8.25	6.12	6.57	6.86	7.82	5.97	8.17	7.88	5.62
Oct 23 96	5.22	4.99	5.12	5.25	5.40	5.35	4.80	8.25	6.07	6.52	6.81	7.86	6.01	8.25	7.86	5.57
Oct 30 96	5.27	5.01	5.11	5.22	5.40	5.37	4.82	8.25	6.03	6.49	6.78	7.73	5.94	8.00	7.78	5.60
Nov 6 96	5.32	5.03	5.09	5.16	5.39	5.38	4.85	8.25	5.91	6.34	6.64	7.59	5.92	7.96	7.67	5.56
Daily																
Nov 1 96	5.19	5.03	5.10	5.17	5.39	5.39	--	8.25	5.93	6.38	6.68	--	--	--	--	--
Nov 7 96	5.28	5.02	5.08	5.14	5.39	5.38	--	8.25	5.87	6.26	6.48	--	--	--	--	--
Nov 8 96	-- p	5.04	5.09	5.17	5.37	5.37	--	8.25	5.88	6.29	6.51	--	--	--	--	--

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

NOVEMBER 12, 1996

Money and Credit Aggregate Measures

Seasonally adjusted

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
Annual growth rates(%):										
Annually (Q4 to Q4)										
1993	10.5	1.4	-2.4	-0.5	1.0	1.4	5.0	8.4	4.0	5.2
1994	2.4	0.6	-0.3	6.2	1.6	2.6	6.8	5.7	5.1	5.2
1995	-1.8	3.9	6.6	14.5	5.8	7.2	8.8	4.4	5.9	5.5
Quarterly(average)										
1995-Q4	-5.1	4.1	8.4	6.4	4.6	6.0	4.8	2.3	5.6	4.7
1996-Q1	-2.7	5.7	9.4	12.3	7.0	5.0	5.6	3.0	5.7	5.0
1996-Q2	-0.7	3.8	5.7	10.2	5.1	5.4	2.6	4.7	5.8	5.6
1996-Q3	-6.9	2.7	6.9	8.6	3.9		1.3			
Monthly										
1995-OCT.	-8.7	2.5	7.7	10.6	4.1	5.8	3.6	3.3	5.9	5.2
NOV.	-3.0	3.9	7.0	-0.3	3.1	1.4	4.0	3.1	5.6	4.9
DEC.	-4.4	5.7	10.2	-3.8	3.8	5.3	4.1	1.0	5.2	4.1
1996-JAN.	-6.1	4.7	9.4	17.5	7.2	3.8	10.4	0.3	5.8	4.4
FEB.	-2.0	5.1	8.2	28.4	9.8	4.2	4.3	6.1	6.2	6.2
MAR.	10.1	11.4	12.0	8.9	10.8	12.4	-2.0	8.9	5.6	6.5
APR.	-3.3	1.7	3.8	1.4	1.6	5.3	6.1	4.2	6.0	5.5
MAY	-6.8	-2.0	0.0	19.8	2.4	-1.2	1.2	2.0	5.5	4.6
JUNE	-0.5	5.3	7.7	1.2	4.4	5.7	2.4	2.1	6.0	5.0
JULY	-8.8	1.8	6.3	5.3	2.5	3.0	1.3	6.0	5.4	5.6
AUG.	-9.6	3.8	9.5	8.7	4.8	6.5	-1.9	4.5	3.6	3.8
SEP.	-8.4	3.3	8.1	21.2	7.0		5.1			
OCT. pe	-18	3	12	35	10					
Levels ($billions):										
Monthly										
1996-MAY	1117.2	3721.2	2604.0	972.2	4693.4	5797.0	3672.0	3704.3	10481.5	14185.8
JUNE	1116.7	3737.5	2620.8	973.2	4710.8	5824.3	3679.4	3710.7	10533.8	14244.5
JULY	1108.5	3743.0	2634.5	977.5	4720.5	5839.0	3683.5	3729.4	10581.3	14310.7
AUG.	1099.6	3754.9	2655.3	984.6	4739.5	5870.5	3677.8	3743.4	10613.2	14356.6
SEP.	1091.9	3765.1	2673.2	1002.0	4767.1		3693.3			
Weekly										
1996-SEP. 2	1098.3	3756.0	2657.7	990.0	4745.9					
9	1096.6	3772.8	2676.2	986.7	4759.5					
16	1091.1	3769.9	2678.8	998.0	4767.8					
23	1087.7	3759.1	2671.4	1014.3	4773.4					
30	1089.5	3757.6	2668.0	1011.1	4768.7					
OCT. 7	1073.8	3767.3	2693.5	1020.2	4787.4					
14	1068.8	3769.1	2700.3	1033.8	4802.9					
21 p	1078.8	3778.7	2700.0	1037.5	4816.2					
28 p	1081.3	3781.4	2700.1	1033.3	4814.7					

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

NOVEMBER 12, 1996

Components of Money Stock and Related Measures

Seasonally adjusted

Period	Currency	Demand deposits	Other checkable deposits	Savings deposits[1]	Small denomination time deposits[2]	Money market mutual funds: Retail[3]	Money market mutual funds: Institution-only	Large denomination time deposits[4]	RP's[5,6]	Eurodollars[5,6]	Savings bonds	Short-term Treasury securities[5]	Commercial paper[5]	Bankers acceptances[5]
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Levels ($billions):														
Annual (Q4)														
1993	320.0	381.6	412.1	1215.1	792.3	356.5	196.3	334.8	155.3	66.1	170.7	339.5	382.4	15.7
1994	352.8	383.3	404.2	1162.7	812.0	383.1	182.9	358.6	175.9	81.7	179.8	380.9	401.5	13.8
1995	371.9	388.7	359.2	1123.8	934.2	455.5	225.2	414.1	184.3	91.6	184.5	468.6	438.2	12.7
Monthly														
1995-SEP.	369.5	389.4	372.4	1108.4	926.4	445.9	221.7	400.3	192.5	93.7	183.9	456.8	438.6	12.8
OCT.	370.8	388.1	364.1	1116.1	929.8	450.6	223.7	409.7	190.0	92.9	184.2	465.6	440.5	13.4
NOV.	371.6	388.2	360.4	1120.6	935.1	455.5	224.8	415.3	185.3	90.7	184.5	464.5	437.1	12.6
DEC.	373.2	389.8	353.0	1134.6	937.7	460.3	227.2	417.2	177.6	91.1	184.8	475.7	437.1	12.0
1996-JAN.	373.6	393.5	343.2	1151.8	937.5	463.2	230.6	416.1	184.4	95.4	185.0	466.2	437.2	11.8
FEB.	373.3	397.4	337.8	1164.5	937.1	468.4	243.9	421.6	186.3	96.6	185.0	445.1	442.3	10.3
MAR.	375.2	407.1	335.4	1183.0	932.5	480.1	248.3	428.5	184.1	94.4	185.2	459.6	445.1	9.8
APR.	376.0	406.3	332.4	1193.2	930.4	480.3	245.6	430.9	182.9	97.0	185.6	461.8	461.0	10.3
MAY	377.1	409.7	321.8	1197.5	928.2	478.3	243.5	436.5	195.1	97.1	186.0	433.5	473.4	10.8
JUNE	379.4	413.7	315.0	1206.9	927.5	486.3	249.4	442.6	183.6	97.6	186.4	444.9	470.9	11.4
JULY	382.6	410.5	306.8	1213.7	929.3	491.6	252.9	448.6	179.9	96.2	186.8	447.2	473.1	11.4
AUG.	385.0	407.5	298.7	1224.5	933.1	497.7	257.2	452.2	178.3	96.8	187.2	454.0	478.6	11.3
SEP.	387.5	405.5	290.5	1231.7	936.6	504.9	262.7	460.2	180.6	98.5				

1. Includes money market deposit accounts.
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, depository institutions, U.S. government, and foreign banks and official institutions.
5. Net of money market mutual fund holdings of these items.
6. Includes both overnight and term.

p preliminary

November 8, 1996

NET CHANGES IN SYSTEM HOLDINGS OF SECURITES[1]
Millions of dollars, not seasonally adjusted

Period	Treasury bills: Net purchases[2]	Treasury bills: Redemptions (-)	Treasury bills: Net change	Treasury coupons: Net purchases[3]: within 1 year	Treasury coupons: Net purchases[3]: 1-5	Treasury coupons: Net purchases[3]: 5-10	Treasury coupons: Net purchases[3]: over 10	Treasury coupons: Redemptions (-)	Treasury coupons: Net Change	Federal agencies redemptions (-)	Net change outright holdings total[4]	Net RPs[5]
1993	17,717	---	17,717	1,223	10,350	4,168	3,457	767	18,431	774	35,374	5,974
1994	17,484	---	17,484	1,238	9,168	3,818	3,606	2,337	15,493	1,002	31,975	-7,412
1995	10,932	900	10,032	390	4,966	1,239	3,122	1,476	8,241	1,303	16,970	-1,023
1995 ---Q1	---	---	---	---	---	---	---	621	-621	229	-850	-4,083
---Q2	4,470	---	4,470	---	2,549	839	1,138	370	4,156	312	8,314	10,395
---Q3	842	---	842	---	100	---	100	---	200	501	541	-15,979
---Q4	5,621	900	4,721	390	2,317	400	1,884	485	4,506	261	8,965	8,644
1996 ---Q1	---	---	---	---	---	---	---	1,228	-1,228	108	-1,336	-8,879
---Q2	3,399	---	3,399	35	1,899	479	1,065	787	2,691	138	5,952	2,959
---Q3	---	---	---	1,240	1,279	297	900	---	3,716	79	3,637	-2,454
1995 November	4,271	---	4,271	---	---	400	---	---	400	120	4,551	2,404
December	---	---	---	390	2,317	---	1,884	---	4,591	58	4,533	6,666
1996 January	---	---	---	---	---	---	---	1,228	-1,228	---	-1,228	-12,623
February	---	---	---	---	---	---	---	---	---	---	---	-1,689
March	---	---	---	---	---	---	---	---	---	108	-108	5,433
April	88	---	88	35	1,899	479	1,065	787	2,691	82	2,697	-505
May	---	---	---	---	---	---	---	---	---	16	-16	4,174
June	3,311	---	3,311	---	---	---	---	---	---	40	3,271	-711
July	---	---	---	---	---	---	---	---	---	52	-52	7,118
August	---	---	---	1,240	1,279	297	900	---	3,716	---	3,716	-9,267
September	---	---	---	---	---	---	---	---	---	27	-27	-304
October	---	---	---	---	---	---	---	---	---	63	-63	3,625
Weekly												
July 31	---	---	---	---	---	---	---	---	---	15	-15	12,371
August 7	---	---	---	---	---	---	---	---	---	---	---	-9,379
14	---	---	---	---	1,279	297	900	---	2,476	---	2,476	160
21	---	---	---	1,240	---	---	---	---	1,240	---	1,240	-1,370
28	---	---	---	---	---	---	---	---	---	---	---	4,584
September 4	---	---	---	---	---	---	---	---	---	---	---	-3,632
11	---	---	---	---	---	---	---	---	---	25	-25	4,811
18	---	---	---	---	---	---	---	---	---	---	---	-5,122
25	---	---	---	---	---	---	---	---	---	2	-2	4,998
October 2	---	---	---	---	---	---	---	---	---	---	---	-8,126
9	---	---	---	---	---	---	---	---	---	---	---	6,128
16	---	---	---	---	---	---	---	---	---	---	---	-5,749
23	---	---	---	---	---	---	---	---	---	50	-50	9,711
30	---	---	---	---	---	---	---	---	---	13	-13	-6,460
November 6	---	---	---	---	---	---	---	---	---	---	---	4,626
Memo: LEVEL (bil. $)[6]												
November 6			198.9	217.7	95.3	34.0	40.4		387.4		401.4	-11.7

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 6	1.2	0.5	0.5	0.0	2.2