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(CONFIDENTIAL FR)

January 8, 1971.

MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the Staff

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

CONFIDENTIAL (FR)

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) Weekly deposit data now available on a preliminary basis through December 30 and on a partial basis through January 6 indicate that growth in the narrowly-defined money supply was at an annual rate of about 6.7 per cent on average in December, and only about 3.6 per cent for the fourth quarter. While the rate of growth in money supply during December exceeded that of any previous month since August, it still fell appreciably short of the projected 9.5 per cent rebound that was indicated at the last meeting of the Committee. Moreover, the November money supply growth rate was revised downward to 2.8 per cent from the 4.5 per cent rate estimated in mid-December. The combination of these developments resulted in a fourth quarter money supply growth rate that was about 1-1/2 percentage points below the roughly 5 per cent rate of growth that had been expected in consequence of the FOMC's decision at the last meeting. In the case of the adjusted bank credit proxy, it too grew somewhat less in December than had been indicated at the mid-December meeting, but the rate of growth was still substantial as extremely strong time deposit growth more than offset further declines in non-deposit funds. The latest estimates and the original target paths for the various monetary aggregates are compared in the following table:

Recent Paths of Key Monetary Aggregates
(Seasonally adjusted, billions of dollars)

<u>1970</u> <u>Month</u>	<u>Money Supply (M₁)</u>		<u>Adjusted Credit Proxy</u>	
	<u>Indicated at</u> <u>Last Meeting</u> ^{1/}	<u>Actual</u> <u>Results</u>	<u>Indicated at</u> <u>Last Meeting</u> ^{1/}	<u>Actual</u> <u>Results</u>
October	213.0	213.0	324.8	324.8
November	213.8	213.5	326.9	326.7
December	215.5	214.7	331.6	331.0
<u>Week ending</u>				
Dec. 2	214.5	214.5	328.3	328.3
9	214.9	214.2	331.0	330.7
16	215.5	215.3	330.2	330.1
23	215.4	213.6	332.7	331.4
30	216.4	214.8	333.2	331.7
Jan. 6	215.6	214.1	334.0	331.6
	<u>% Annual Rates of Change</u>		<u>% Annual Rates of Change</u>	
Fourth Quarter	5.0	3.6 ^{2/}	9.0	8.1
November over October	4.5	2.8	7.8	7.0
December over November	9.5	6.7	17.5	16.2

^{1/} Alternative B path of previous Blue Book.

^{2/} 3.8 per cent annual rate for fourth quarter average over third quarter average.

(2) That there might be a significant shortfall in money supply did not become evident until December 28, although there were some tentative indications of the direction of movement just before the long Christmas weekend. During the final days of December, it was still not known whether the preliminary estimate of a shortfall for the week of the

23rd would be revised upward--as had happened at times in the past--or how much of a year-end bulge in deposits might develop from the widely predicted heavy seasonal repatriation of Euro-dollars by corporations seeking to comply with balance of payments regulations. By January 4, however, more complete data indicated that the drop in the week of the 23rd was even larger than suggested earlier; the drop apparently reflected the accompanying very large pay-off of business loans and a marked increase in the Treasury balance.

(3) The day-to-day behavior of the Federal funds rate since the last meeting of the Committee has been particularly volatile, as is often the case during the period around year-end. During the last two statement weeks of December the funds rate averaged 4.83 per cent, and then in the week ending January 6 it dropped to 3.82 per cent, largely because bank reluctance to borrow on the year-end statement date produced a low Federal funds rate which carried through the turn-of-the year holiday weekend. In the past two days, Federal funds have been trading mostly in a range of $4\frac{3}{8}$ -- $4\frac{3}{4}$ per cent, with the Desk aiming most recently at about $4\frac{1}{2}$ per cent rate in view of the weakness that has developed in the aggregates. Net free reserves averaging about \$120 million were published for the last two statement weeks, with year-end maneuvering and bad weather conditions leading to sizable excess reserves.

(4) After a period of hesitation and even back-up in the last half of December, interest rates have declined in the last two days, with the largest drop in corporate bond yields. In early January the bank prime loan rate was reduced to $6\frac{1}{2}$ per cent, following the reduction to $6\frac{3}{4}$ per cent just before Christmas. The Federal Reserve discount rate was cut another $\frac{1}{4}$ point to $5\frac{1}{4}$ per cent

effective January 8; this reduction had already been well discounted by the market. Most recently the 3-month bill was quoted around 4.75 per cent.

(5) The following table summarizes seasonally adjusted annual rates of change in major financial aggregates for selected periods.

	Past Year (Dec. over Dec.)	First Half of 1970 (June over Dec.)	Third Quarter (Sept. over June)	Fourth Quarter (Dec. over Sept.)
Total Reserves	7.2	-0.2	19.2	6.1
Nonborrowed Reserves	9.0	1.9	24.4	7.2
<u>Concepts of Money</u>				
M ₁ (Currency plus demand deposits <u>1/</u>)	5.5	5.9	6.1	3.6
M ₂ (M ₁ plus time deposits at commercial banks other than large CD's)	8.3	6.0	11.0	9.2
M ₃ (M ₂ plus deposits at thrift institutions)	8.0	5.4	10.7	9.8
M ₄ (M ₃ plus large CD's)	10.4	6.0	15.9	12.1
<u>Bank Credit</u>				
Total member bank deposits (Bank credit proxy adj.)	8.3	3.5	17.2	8.0
Loans and investments of commercial banks <u>2/</u>	7.2	4.5	13.9	5.2
<u>Short-term market paper</u> (actual \$ change)				
Large CD's	\$14.8	\$ 2.0	\$ 8.5	\$ 4.3
Bank-related commercial paper	- 1.9	3.3	- 3.0	- 2.2
Nonbank commercial paper	3.2	2.1	- 1.4	2.5

1/ Other than interbank and U.S. Government.

2/ Based on month-end figures. Includes loans sold to affiliate and branches.

NOTE: All items are based on averages of daily figures, except for data on total loans and investments of commercial banks, commercial paper and thrift institutions--which are either end-of-month or last Wednesday of month figures.

Prospective developments

(6) Taking the December figures as a starting point, the table on the next page shows three patterns of growth for the monetary aggregates over the first quarter which the Committee may wish to consider. The three growth paths shown for the narrowly-defined money supply present alternatives that take account in differing ways of the recent shortfalls relative to expectations, as follows:

(A) Alternative A shows a pattern consistent with a 6 per cent annual rate of growth for M_1 over the first quarter of 1971. This would be equal to the rate of growth for the quarter that the Committee indicated as the minimum acceptable at its last meeting, at a time when it was expected that fourth quarter growth would be 5 per cent. Thus alternative A does not make up for the fourth quarter shortfall. The growth rate for the fourth and first quarters taken together would be only about 4-3/4 per cent, as compared with the 5-1/2 per cent previously desired. As a result, under alternative A the March level of the money supply would be about \$1 billion below previous expectations.

(B) Alternative B shows a growth path for the first quarter which makes up for the shortfall in December and in the fourth quarter. The first quarter growth rate in this alternative is 7-1/2 per cent, which would lead to a March level for the money stock equal to that resulting from the earlier 5-1/2 per cent path for the fourth and first quarters taken together.

(C) Alternative C, which has an 8-1/2 per cent annual rate of growth in the first quarter for M_1 , makes up for the shortfall and raises the growth rate in money supply for the September-to-March period back up to the 6 per cent rate of expansion experienced over the first three quarters of 1970.

Alternative Paths of Key Monetary Aggregates--Monthly and Quarterly

	<u>Money Supply</u>			<u>Adj. Credit Proxy</u>			<u>Total Reserves</u>		
	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
<u>1970</u>									
December	214.7	214.7	214.7	331.1	331.1	331.1	29.9	29.9	29.9
<u>1971</u>									
January	215.7	215.7	215.8	334.2	334.5	334.6	30.3	30.3	30.3
February	217.1	217.5	217.7	336.7	337.9	338.4	30.6	30.7	30.7
March	217.8	218.8	219.2	337.7	339.9	340.5	30.4	30.7	30.8
	Per cent Annual Rates of Growth								
December	6.7	6.7	6.7	16.2	16.2	16.2	18	18	18
January	5-1/2	5-1/2	6	11	12-1/2	12-1/2	14.0	15-1/2	17-1/2
February	8	10	10-1/2	9	12	13-1/2	11-1/2	14-1/2	16
March	4	7	8-1/2	3-1/2	7	7-1/2	-5-1/2	-1/2	1
4th Q 1970	3.6	3.6	3.6	8.1	8.1	8.1	6.6	6.6	6.6
1st Q 1971	6	7-1/2	8-1/2	8	10-1/2	11-1/2	6-1/2	10	11-1/2

(7) The range of money market conditions, as typified by the Federal funds rate, expected to be consistent over the next few weeks with the various paths for the aggregates are noted below. The large increases in the money stock, given the Federal funds rate, depend mainly on the resurgence in economic activity expected to result from the catch-up in GM auto output during the first quarter. How strong a resurgence will develop and how such a temporary bulge will affect money demand are additional uncertainties that compound the usual difficulties of specifying relationships between money market conditions and monetary aggregates.

			First Qtr. annual rate of increase	
		<u>Federal funds rate</u>	<u>Money Stock</u>	<u>Bank Credit</u>
Alternative A		5 --5-3/4	6	8
	B	4 --4-3/4	7-1/2	10-1/2
	C	3-1/4-- 4	8-1/2	11-1/2

(8) The weekly paths between now and the next meeting for the various alternatives are shown in the table on the next page.

(9) Realization of alternative A aggregates would require, in the staff's judgment, pushing the Federal funds rate up from its recent trading range of around 4-1/2 per cent. With nominal GNP projected to rise at an 11.7 per cent rate in the first quarter, strong transaction demands for money and a pick-up in short-term private credit demands are expected. Should the GNP projection and these money and credit demands be realized, short-term rates would rise in the process of keeping money growth down to 6 per cent. Although a tightening of the money market following a reduction in the discount rate would be rather puzzling

Alternative Weekly Paths of Key Monetary Aggregates

	Money Supply			Adj. Credit Proxy			Total Reserves		
	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
<u>1970</u>									
December 30p	214.8	214.8	214.8	331.7	331.7	331.7	30.0	30.0	30.0
<u>1971</u>									
January 6 e	214.1	214.1	214.1	331.5	331.5	331.5	30.5	30.5	30.5
13	215.4	215.4	215.4	332.4	332.6	332.6	30.0	30.0	30.1
20	216.1	216.1	216.1	334.1	334.4	334.5	30.3	30.3	30.4
27	216.3	216.4	216.4	336.5	337.0	337.2	30.2	30.3	30.4
February 3	217.1	217.3	217.4	337.2	337.9	338.1	30.4	30.4	30.5
10	217.5	217.8	218.0	337.5	338.4	338.7	30.6	30.6	30.7

p -- Preliminary.

e -- Estimated from partial data.

to the market, it would probably be interpreted as an effort to keep short rates up, and, with some lag, the 3-month bill rate would likely move back up toward the new 5-1/4 per cent discount rate. Marginal reserve measures would be tighter than recently prevailing.

(10) Under alternative B, the money market may have to be eased from currently prevailing conditions; the funds rate was around 4-1/2 per cent on Friday and might have to be moved down into the lower half of the 4--4-3/4 per cent range specified. The 3-month bill rate would likely go into a 4--4-5/8 per cent range, but may not drop to the lower end of the range unless the Federal funds rate falls to 4 per cent or below for a sustained period of time. Under alternative C, which would probably require a funds rate below 4 per cent, the bill rate might also decline below 4 per cent, although expectations that rates were bottoming out might tend to inhibit such a decline in the 3-month rate. In either case, movements in the bill rate would be influenced by expectations as to future discount rate actions as well as by the nature of forthcoming Treasury financings.

(11) The Treasury is expected to announce its mid-February refunding on January 20. Books will be open until Wednesday, January 27 on the exchange portion, and if there is a cash portion, an auction would be likely and would be held in early February. About \$5 billion of publicly-held securities mature in February, but the Treasury is also likely to include in the exchange \$1 billion of maturing March coupon issues, and may pre-refund other later maturing issues. A large refunding that accomplishes a noticeable amount of debt extension would tend to

lower short-term interest rates, partly as a result of demand for bills from holders of maturing issues not wishing to lengthen. Recent upward adjustments in interest rates on intermediate-term Government securities were partly in anticipation of such an enlarged refunding.

(12) With the forthcoming Treasury refunding probably largely discounted by the market, with recent corporate issues well received, and in light of the still large spread of long- over short-term rates, it seems likely that longer-term interest rates will drop further, except under conditions specified for alternative A. Interest rate declines would tend to accelerate should the Federal funds rate move down significantly from prevailing levels.

(13) Banks over the period ahead are likely to continue to be aggressive buyers of municipal and U.S. Government securities in order to lock in existing yields. Even though business loan demand may rise, net inflows of total deposits to banks are likely to be sufficiently strong to leave them with a substantial surplus of investment funds. Growth in time and savings deposits other than CD's, as well as large CD's, may slow somewhat from the advanced rate of the last half of 1970, in light of the projected acceleration in consumer durable goods spending, but is still likely to remain vigorous. Relatively more expansion in time deposits would be expected under alternatives B and C, in view of the anticipated further declines in market interest rates. With respect to nondeposit sources, banks will become even less willing holders of Euro-dollars to the extent that domestic short-term interest rates decline further relative to Euro-dollar rates. The actual movement of bank Euro-dollar holdings will depend in large part on any further official action

that may be taken to affect them. For the present projection, we have assumed a further drop in Euro-dollar holdings of about \$300 to \$400 million per month under Alternatives B and C.

Possible directive language

(14) This section presents possible language for the second paragraph of the directive for the three alternative policy courses discussed above. As will be noted, all three alternatives have the same second sentence, calling for bank reserves and money market conditions consistent with the objectives described in the first sentence. Also, the second sentence includes a reference to the forthcoming Treasury financing; as mentioned in paragraph (11), above, an announcement of the terms of this financing is expected on January 20. Finally, it will be noted that the structure of all three alternatives is similar to that in the directives the Committee was issuing before the December 15 meeting; it has been assumed that the Committee adopted a different structure in the second paragraph of the December 15 directive primarily because of special circumstances it expected to prevail during the period, encompassing the year-end, to which that directive applied.

(15) Alternative A. This alternative is proposed for possible use if the Committee decides upon a 6 per cent target growth rate for the money supply in the first quarter, despite the shortfall in the fourth quarter from the 5 per cent rate that had been expected at the time of the last meeting.

To implement this policy, THE COMMITTEE SEEKS TO PROMOTE MODERATE GROWTH IN MONEY AND ATTENDANT BANK CREDIT EXPANSION OVER THE MONTHS AHEAD. System open market operations UNTIL THE NEXT MEETING OF THE COMMITTEE shall be conducted with a view to maintaining BANK RESERVES AND ~~the-recently-attained~~ money market conditions CONSISTENT WITH THOSE OBJECTIVES, TAKING ACCOUNT OF THE FORTHCOMING TREASURY FINANCING ~~until~~ ~~the-next-meeting-of-the-Committee;-provided-that-the-expected~~ ~~rates-of-growth-in-money-and-bank-credit-will-at-least-be~~ achieved.

Unlike alternatives B and C below, the first sentence of this alternative does not indicate that the Committee desires to promote easier conditions in credit markets. Such a statement has been omitted since this directive might entail tighter money market conditions with potential consequences for credit markets generally.

(19) Alternative B. This alternative is proposed for possible use if the Committee decides that the fourth-quarter shortfall in money should be made up in the first quarter. As indicated in paragraph (6B) above, attainment of the average March level of money contemplated by the Committee at the December 15 meeting would involve a growth rate for money over the first quarter of about 7-1/2 per cent.

To implement this policy, THE COMMITTEE SEEKS TO PROMOTE SOME EASING OF CONDITIONS IN CREDIT MARKETS AND MODERATE GROWTH IN MONEY AND ATTENDANT BANK CREDIT EXPANSION. System open

market operations UNTIL THE NEXT MEETING OF THE COMMITTEE shall be conducted with a view to maintaining BANK RESERVES AND ~~the-recently-attained~~ money market conditions CONSISTENT WITH THOSE OBJECTIVES, TAKING ACCOUNT OF THE FORTHCOMING TREASURY FINANCING ~~until-the-next-meeting-of-the-Committee;~~ ~~provided-that-the-expected-rates-of-growth-in-money-and~~ ~~bank-credit-will-at-least-be-achieved.~~

The phrase "some easing of conditions in credit markets" has been reintroduced here in line with the expectation noted in paragraphs (10) and (12). That interest rates--encompassing intermediate- and longer-term as well as short-term rates--would decline under this alternative.

(20) Alternative C. This alternative is proposed for possible use if the Committee decides to seek growth in money over the first quarter at a faster rate than would be required simply to make up the fourth quarter shortfall. One possible growth rate under this alternative--8-1/2 per cent--was noted in paragraph (6C) above.

To implement this policy, THE COMMITTEE SEEKS TO PROMOTE EASING OF CONDITIONS IN CREDIT MARKETS AND MORE RAPID GROWTH IN MONEY, WITH ATTENDANT BANK CREDIT EXPANSION, OVER THE MONTHS AHEAD. System open market operations UNTIL THE NEXT MEETING OF THE COMMITTEE shall be conducted with a view to maintaining BANK RESERVES AND ~~the-recently-attained~~ money market conditions CONSISTENT WITH THOSE OBJECTIVES, TAKING ACCOUNT OF THE

FORTHCOMING TREASURY FINANCING ~~until-the-next-meeting-of-the~~
~~Committee;-provided-that-the-expected-rates-of-growth-in~~
~~money-and-bank-credit-will-at-least-be-achieved.~~

Whereas alternative B includes a statement to the effect that "the Committee seeks to promote some easing of conditions in credit markets," the word "some" is omitted in the corresponding statement in this alternative. This difference reflects the expectation that interest rates would decline somewhat more under this alternative--which calls for "more rapid growth in money"--than under alternative B.

Table 1
PATHS OF KEY MONETARY AGGREGATES
SEASONALLY ADJUSTED

STRICTLY CONFIDENTIAL (FR)

January 11, 1971

Period	Adjusted Credit Proxy		Money Supply		U.S. Government Demand Deposits		Time Deposits		Nondeposit Sources of Funds		Total Reserves	
	¹ Path as of Dec. 15-1	² Current Proj	³ Path as of Dec. 15-1	⁴ Current Proj	⁵ Path as of Dec. 15	⁶ Current Proj	⁷ Path as of Dec. 15	⁸ Current Proj	⁹ Path as of Dec. 15	¹⁰ Current Proj	¹¹ Path as of Dec. 15	¹² Current Proj
Monthly Pattern in Billions of Dollars												
1970: Sept.	324.5	324.5	212.8	212.8	6.2	6.2	218.5	218.5	16.5	16.5	29.2	29.2
Oct.	324.8	324.8	213.0	213.0	5.2	5.2	222.2	222.2	14.2	14.2	29.1	29.4
Nov.	326.9	326.7	213.8	213.5	6.0	6.0	225.0	225.0	12.7	12.7	29.2	29.5
Dec. p	331.6	331.3	215.5	214.7	6.2	6.1	229.7	230.3	11.9	11.6	29.7	29.9
1971: Jan. (proj.)	334.6	334.5	216.9	215.7	6.4	6.4	233.4	234.5	11.5	10.7	30.1	30.3
Feb. (proj.)	337.3	337.3	217.9	217.1	7.2	6.7	237.6	238.9	11.2	10.6	30.0	30.6
Mar. (proj.)	341.5	338.8	218.8	218.1	6.8	4.7	241.4	241.4	11.2	10.6	30.2	30.5
Annual Percentage Rates of Change--Quarterly and Monthly												
1970: 1st Qtr.	0.5	0.5	5.9	5.9			1.4	1.4			-2.9	-2.9
2nd Qtr.	6.5	6.5	5.8	5.8			14.1	14.1			2.6	2.6
3rd Qtr.	17.2	17.2	6.1	6.1			32.2	32.2			19.2	19.2
4th Qtr. p	9.0	8.1	5.0	3.6			20.5	21.6			6.0	6.6
1971: 1st Qtr. (proj.)	12.0	9.5	6.0	6.5			20.5	19.5			7.5	7.5
1970: Sept.	9.7	9.7	5.7	5.7			29.8	29.8			27.5	27.5
Oct.	1.1	1.1	1.1	1.1			20.3	20.3			-3.6	-1.9
Nov.	7.8	7.0	4.5	2.8			15.1	15.1			3.5	3.6
Dec. p	17.5	16.2	9.5	6.7			25.0	28.3			18.5	18.0
1971: Jan. (proj.)	11.0	12.5	8.0	5.5			19.5	22.0			16.5	14.0
Feb. (proj.)	9.5	10.0	5.5	8.0			21.5	22.5			-3.0	12.5
Mar. (proj.)	15.0	5.5	5.0	5.5			19.0	12.5			8.5	-6.0
Weekly Pattern in Billions of Dollars												
1970: Nov. 4	325.5	325.5	212.7	212.7	6.2	6.2	223.4	223.4	13.2	13.2	29.4	29.4
11	326.0	326.0	213.2	213.1	6.3	6.3	223.8	223.8	13.0	13.0	29.4	29.4
18	326.7	326.7	213.9	213.9	5.8	5.8	224.9	224.9	13.0	13.0	29.5	29.5
25	327.8	327.7	213.8	213.6	6.3	6.4	226.1	226.0	12.4	12.4	29.4	29.4
Dec. 2	328.3	328.3	214.5	214.5	5.3	5.3	227.1	227.2	11.7	11.7	29.7	29.7
9	331.0	330.7	214.9	214.2	7.1	7.1	228.4	228.8	12.0	12.1	29.7	29.7
16	330.2	330.1	215.5	215.3	5.3	5.6	229.1	229.7	12.0	11.6	29.7	29.8
23	332.7	331.4	215.4	213.6	7.9	7.6	230.3	231.6	11.9	11.8	29.8	30.1
30 p	333.2	331.7	216.4	214.8	6.2	6.0	230.6	232.1	11.8	11.2	29.7	30.0
1971: Jan. 6 (proj.)	334.0	331.4	215.6	214.1	6.1	5.1	232.7	232.8	11.7	10.2	30.2	30.5
13 (proj.)	333.3	332.6	216.5	215.4	5.8	5.1	232.3	233.6	11.6	10.7	30.1	30.0

NOTES: Annual rates of change other than those for the past are rounded to the nearest half per cent. ^{1/} Path shows annual rates of increase of money supply and the adjusted credit proxy for the fourth and first quarters that represent "expected rates of growth" referred to in the FOMC directive adopted December 13; these were rates of growth for November and December together as projected at the time of the last FOMC meeting.

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Table 2 AGGREGATE RESERVES AND MONETARY VARIABLES

CONFIDENTIAL (FR)

January 11, 1971

RETROSPECTIVE CHANGES, SEASONALLY ADJUSTED

(In per cent, annual rates based on monthly averages of daily figures)

Period	Reserve Aggregates		Monetary Variables					Addenda		
	1 Total Reserves	2 Nonborrowed Reserves	3 Total Member Bank Deposits	4 Adjusted Credit Proxy	Money Supply			8 Time Deposits Adjusted	9 Thrift Insttit Deposits	10 Nonbank Commercial Paper
					5 Total	6 Currency	7 Private Demand Deposits			
<u>Annually</u>										
1968	+ 7.8	+ 6.0	+ 9.0	n.a.	+ 7.8	+ 7.4	+ 7.9	+11.1	+ 6.3	n.a.
1969	- 1.6	- 1.0	- 4.0	n.a.	+ 3.1	+ 6.0	+ 2.4	- 5.0	+ 3.4	n.a.
1970 p	+ 7.2	+ 9.0	+11.8	+ 8.3	+ 5.5	+ 6.5	+ 5.1	+18.3	n.a.	103.5
<u>Semi-annually</u>										
1st Half 1969	+ 0.7	- 1.7	- 3.5	n.a.	+ 5.1	+ 6.5	+ 4.7	- 3.5	+ 4.8	n.a.
2nd Half 1969	- 3.9	- 2.4	- 4.6	- 1.2	+ 1.2	+ 5.4	+ 0.1	- 6.6	+ 1.9	+27.6
1st Half 1970	- 0.2	+ 1.9	+ 3.1	+ 3.5	+ 5.9	+ 7.8	+ 5.3	+ 7.8	+ 4.3	+14.0
2nd Half 1970 p	+16.0	+15.9	+19.9	+12.9	+ 4.9	+ 5.0	+ 4.7	+27.8	n.a.	+ 7.0
<u>Quarterly</u>										
3rd Qtr. 1969	- 9.3	- 4.8	- 9.4	- 4.3	+ 0.8	+ 4.5	--	-12.7	+ 2.3	+31.0
4th Qtr. 1969	+ 1.4	- 0.1	+ 0.1	+ 2.0	+ 1.6	+ 6.2	+ 0.3	- 0.4	+ 1.4	+22.4
1st Qtr. 1970	- 2.9	- 0.4	+ 0.6	+ 0.5	+ 5.9	+ 6.1	+ 5.3	+ 1.4	+ 1.7	+13.2
2nd Qtr. 1970	+ 2.6	+ 4.1	+ 6.0	+ 6.5	+ 5.8	+ 9.4	+ 5.3	+14.1	+ 6.9	+14.3
3rd Qtr. 1970	+19.2	+24.4	+24.1	+17.2	+ 6.1	+ 3.3	+ 6.7	+32.2	+10.0	-17.7
4th Qtr. 1970 p	+ 6.6	+ 7.2	+14.8	+ 8.1	+ 3.6	+ 6.6	+ 2.7	+21.6	n.a.	+33.2
<u>Monthly</u>										
1969: Sept.	--	+ 7.7	+ 1.7	+ 1.6	+ 1.2	+ 2.7	+ 1.5	- 3.7	+ 3.7	+40.7
Oct.	-11.7	-17.9	- 9.2	- 7.9	+ 2.4	+ 7.9	--	- 3.7	- 0.7	+20.0
Nov.	+ 9.7	+ 5.5	+ 9.7	+13.1	+ 1.8	+ 7.9	--	- 1.2	+ 3.0	+11.7
Dec.	+ 6.3	+12.1	--	+ 0.8	+ 0.6	+ 2.6	+ 0.8	+ 3.7	+ 1.9	+14.2
1970: Jan.	+ 3.1	+ 7.2	- 4.2	- 3.5	+ 9.4	+ 5.2	+ 9.9	- 8.0	- 4.2	+ 3.6
Feb.	-12.0	-15.6	- 8.0	- 5.5	- 4.1	+ 5.2	- 6.8	+ 1.2	+ 2.8	+35.7
Mar.	--	+ 7.5	+14.0	+10.7	+12.3	+ 7.8	+12.9	+11.2	+ 6.6	+ 0.4
Apr.	+21.3	+25.4	+16.8	+13.7	+ 9.9	+10.3	+10.5	+19.7	+ 8.1	+71.3
May	-13.9	-19.0	- 4.5	- 1.2	+ 5.2	+15.3	+ 3.0	+10.9	+ 5.3	+10.7
June	+ 0.5	+ 6.2	+ 5.8	+ 7.0	+ 2.3	+ 2.5	+ 2.2	+11.4	+ 7.0	-17.3
July	+ 6.0	-16.1	+22.7	+18.1	+ 5.7	+ 7.5	+ 4.4	+35.6	+13.1	-88.4
Aug.	+23.3	+48.8	+29.2	+23.2	+ 6.8	+ 2.5	+ 8.9	+28.8	+ 6.1	-14.1
Sept.	+27.5	+40.1	+19.0	+ 9.7	+ 5.7	--	+ 6.6	+29.8	+10.5	+53.1
Oct.	- 1.9	--	+10.1	+ 1.1	+ 1.1	+ 7.5	- 0.7	+20.3	+10.7	+31.6
Nov.	+ 3.6	+ 4.4	+13.3	+ 7.0	+ 2.8	+ 4.9	+ 2.2	+15.1	+ 8.8	-37.5
Dec. p	+18.0	+16.1	+20.6	+16.2	+ 6.7	+ 7.4	+ 6.6	+28.3	n.a.	107.0

NOTE. Aggregate reserve series have been adjusted to eliminate changes in percentage reserve requirements against deposits, but reserve requirements on Euro-dollar borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970.

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Table 3 AGGREGATE RESERVES AND MONETARY VARIABLES

CONFIDENTIAL (FR)

January 8, 1971

SEASONALLY ADJUSTED
(Based on averages of daily figures)

Period	Aggregate Reserves			Member Bank Deposits		Money Supply			Commercial Bank Time Deposits			12 Adjusted Credit Proxy	13 Addendum: Nonbank Comm Paper	
	1 Total	2 Non- borrowed	3 Required	4 Total	5 U.S. Govt. Demand	6 Total	7 Currency	8 Private Demand Deposits	9 Total	10 CD's	11 Other			
	(In millions of dollars)						(In billions of dollars)							
1969: Jan.	28,139	27,318	27,902	297.0	5.4	198.1	43.6	154.5	203.7	21.8	181.9			
Feb.	28,060	27,206	27,832	296.7	6.7	199.3	43.8	155.5	203.2	20.2	182.9			
Mar.	27,972	27,024	27,729	294.2	4.8	200.1	44.1	156.0	202.5	18.9	183.6			
Apr.	27,775	26,754	27,614	295.4	5.9	201.0	44.2	156.8	202.1	18.2	184.0			
May	28,235	26,888	27,942	295.1	5.9	201.6	44.5	157.1	201.7	17.4	184.3	n.a.	n.a.	
June	28,056	26,705	27,742	292.6	4.0	202.4	44.8	157.6	201.2	15.8	185.4	307.5	25.5	
July	27,530	26,275	27,334	288.0	2.4	203.1	45.0	158.1	198.1	14.1	184.0	305.7	26.1	
Aug.	27,401	26,214	27,161	285.3	2.9	202.6	45.2	157.4	195.4	12.5	182.9	303.8	26.6	
Sept.	27,402	26,383	27,144	285.7	4.4	202.8	45.3	157.6	194.8	12.0	182.8	304.2	27.5	
Oct.	27,354	26,210	27,129	283.5	3.1	203.2	45.6	157.6	194.2	11.5	182.6	302.2	27.9	
Nov.	27,783	26,538	27,548	285.8	5.6	203.5	45.9	157.6	194.0	11.1	182.9	305.5	28.2	
Dec.	27,928	26,806	27,707	285.8	4.9	203.6	46.0	157.7	194.6	11.2	183.4	305.7	29.0	
1970: Jan.	28,001	26,966	27,823	284.8	5.3	205.2	46.2	159.0	193.3	10.6	182.7	304.8	29.1	
Feb.	27,722	26,615	27,523	282.9	5.6	204.5	46.4	158.1	193.5	10.6	182.9	303.4	30.0	
Mar.	27,723	26,782	27,536	286.2	5.9	206.6	46.7	159.8	195.3	11.5	183.8	306.1	30.0	
Apr.	28,216	27,350	28,046	290.2	5.2	208.3	47.1	161.2	198.5	12.9	185.6	309.6	31.8	
May	27,890	26,916	27,692	289.1	3.0	209.2	47.7	161.6	200.3	13.2	187.1	309.3	32.0	
June	27,902	27,056	27,713	290.5	4.8	209.6	47.8	161.9	202.2	13.2	189.0	311.1	31.0	
July	28,041	26,694	27,896	296.0	4.4	210.6	48.1	162.5	208.2	16.9	191.3	315.8	28.8	
Aug.	28,585	27,780	28,408	303.2	6.4	211.8	48.2	163.7	213.2	19.0	194.2	321.9	28.4	
Sept.	29,240	28,708	29,024	308.0	6.2	212.8	48.2	164.6	218.5	21.7	196.8	324.5	29.7	
Oct.	29,385	28,928	29,134	310.6	5.2	213.0	48.5	164.5	222.2	23.2	199.1	324.8	30.5	
Nov.	29,474	29,033	29,233	314.0	6.0	213.5	48.7	164.8	225.0	23.9	201.1	326.7	29.5	
Dec. p	29,913	29,572	29,702	319.4	6.1	214.7	49.0	165.7	230.3	26.0	204.3	331.1	32.2	
1970: Nov. 4	29,363	28,970	29,045	312.3	6.2	212.7	48.6	164.2	223.4	23.4	200.0	325.5	30.4	
11	29,394	28,957	29,237	313.0	6.3	213.1	48.6	164.4	223.8	23.5	200.3	326.0	31.0	
18	29,520	29,167	29,302	313.7	5.8	213.9	48.7	165.2	224.9	23.7	201.2	326.7	31.2	
25	29,409	28,820	29,205	315.3	6.4	213.6	48.6	165.0	226.0	24.3	201.7	327.7	31.2	
Dec. 2	29,714	29,299	29,322	316.6	5.3	214.5	48.6	165.9	227.2	24.7	202.5	328.3	30.9	
9	29,719	29,234	29,433	318.6	7.1	214.2	48.9	165.4	228.8	25.4	203.3	330.7	31.0	
16	29,817	29,343	29,732	318.6	5.6	215.3	49.0	166.3	229.7	25.8	203.9	330.1	29.8	
23 p	30,052	29,717	29,819	319.6	7.6	213.6	49.1	164.4	231.6	26.4	205.2	331.4	29.7	
30 p	30,037	30,006	29,899	320.5	6.0	214.8	49.1	165.7	232.1	26.8	205.3	331.7	29.5	

NOTES: Aggregate reserve series have been adjusted to eliminate changes in percentage reserve requirements against deposits, but reserve requirements on Euro-dollar borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970.

Adjusted credit proxy includes mainly total member bank deposits subject to reserve requirements, bank-related commercial paper, and Euro-dollar borrowings of U.S. banks. Weekly data are daily averages for statement weeks. Monthly data are daily averages except for nonbank commercial paper figures which are for last day of month.

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Table 4

MARGINAL RESERVE MEASURES

(Dollar amounts in millions, based on period averages of daily figures)

Period	Free reserves	Excess reserves	Member Banks Borrowings				
			Total	Reserve City			Country
				Major banks		Other	
				8 N.Y.	Outside N.Y.		
Monthly (reserves weeks ending in):							
1969--January	- 477	359	836	131	302	149	253
February	- 580	256	836	62	255	215	304
March	- 635	202	837	58	233	254	293
April	- 844	187	1,031	85	411	260	275
May	-1,116	243	1,359	123	346	397	493
June	-1,078	277	1,355	57	459	288	550
July	-1,045	266	1,311	89	250	364	608
August	- 997	214	1,211	81	253	256	621
September	- 744	282	1,026	83	236	222	485
October	- 995	195	1,190	106	327	293	464
November	- 975	238	1,213	120	387	250	456
December	- 849	278	1,127	268	310	220	329
1970--January	- 759	169	928	148	287	232	261
February	- 916	210	1,126	106	317	289	414
March	- 751	129	880	90	225	287	278
April	- 687	178	865	227	331	119	188
May	- 765	159	924	165	241	228	290
June	- 736	171	907	140	289	217	261
July	-1,134	183	1,317	218	460	348	291
August	- 706	175	881	143	278	273	187
September	- 374	235	609	101	115	274	119
October	- 271	196	467	12	40	312	103
November	- 190	218	408	42	17	293	56
December p	- 98	250	348	37	16	265	30
1970--July 1	- 718	273	991	93	260	304	333
8	-1,219	75	1,294	360	412	283	240
15	-1,451	230	1,681	467	569	371	274
22	-1,201	185	1,386	139	531	395	321
29	-1,078	153	1,231	29	528	388	286
Aug. 5	- 822	188	1,010	114	362	303	231
12	- 854	280	1,174	382	362	300	130
19	- 589	92	681	21	243	229	188
26	- 522	138	660	56	144	262	198
Sept. 2	- 482	176	660	79	181	221	179
9	- 348	41	763	160	143	343	117
16	- 144	356	500	89	93	224	94
23	- 507	-47	460	75	77	259	49
30	- 389	272	661	103	79	324	155
Oct. 7	- 46	322	398	--	4	305	89
14	- 409	41	450	21	46	310	73
21	- 388	200	586	16	97	342	133
28	- 242	196	433	11	13	292	117
Nov. 4	- 105	318	423	11	15	311	86
11	- 163	282	445	69	29	282	65
18	- 166	164	370	0	1	295	34
25	- 327	108	435	86	22	287	40
Dec. 2	- 60	394	454	86	22	301	45
9	- 153	138	291	--	--	264	27
16	- 279	120	399	55	48	268	28
23 p	- 66	258	324	39	11	249	25
30 p	68	338	270	--	--	245	25
Jan. 6 p	174	581	407	72	56	253	26

p - Preliminary.

Table 5
SOURCE OF FEDERAL RESERVE CREDIT
Retrospective Changes
(Dollar amounts in millions of dollars, based on weekly averages of daily figures)

Period	Total Federal Reserve credit (Excl. float)	U.S. Government securities				Federal Agency Securities	Bankers' acceptances	Member banks borrowings
		Total holdings	Bills 1/	Other	Repurchase agreements			
Year:								
1968 (12/27/67 - 12/25/68)	+3,757	+3,298	+2,143 (--)	+1,176	- 21	- 3	- 52	+ 514
1969 (12/25/68 - 12/31/69)	+5,539	+5,197	+4,279 (--)	+ 707	+ 206	+ 67	+ 35	+ 245
Weekly:								
1970--July								
1	+ 544	+ 445	+ 445 (+ 145)	--	--	--	- 5	+ 104
8	+ 231	- 73	- 73 (--)	--	--	--	+ 1	+ 303
15	+1,181	+ 612	-- (--)	--	+ 632	+ 99	+ 63	+ 387
22	- 185	+ 194	+ 638 (- 29)	--	- 444	- 61	- 23	- 295
29	- 460	- 230	- 42 (- 42)	--	- 188	- 38	- 37	- 155
Aug.								
5	+ 362	+ 540	+ 293 (+ 71)	--	+ 247	+ 33	+ 10	- 221
12	+ 591	+ 462	+ 266 (--)	--	+ 196	- 28	- 7	+ 164
19	+ 231	+ 653	+ 644 (--)	--	+ 9	+ 45	+ 26	- 493
26	- 343	- 243	+ 209 (--)	--	- 452	- 50	- 29	- 201
Sept.								
2	+ 189	+ 164	+ 31 (--)	--	+ 133	+ 13	+ 12	--
9	+ 473	+ 316	+ 193 (--)	--	+ 123	+ 37	+ 17	+ 103
16	- 248	+ 14	- 236 (- 90)	--	+ 250	- 12	+ 13	- 263
23	- 982	- 864	- 358 (- 256)	--	- 506	- 38	- 40	- 40
30	+ 689	+ 418	+ 222 (+ 346)	--	+ 196	+ 49	+ 21	+ 201
Oct.								
7	- 482	- 183	- 165 (--)	--	- 18	- 25	- 11	- 263
14	- 5	- 56	-- (--)	--	- 56	+ 4	- 5	+ 52
21	+ 224	+ 67	- 16 (--)	--	+ 83	+ 16	+ 5	+ 136
28	- 479	- 268	- 63 (--)	--	- 205	- 44	- 14	- 153
Nov.								
4	+ 692	+ 610	+ 241 (- 214)	--	+ 369	+ 63	+ 29	- 10
11	- 48	- 75	- 94 (--)	--	+ 19	- 6	+ 11	+ 22
18	+ 671	+ 711	+ 509 (- 150)	--	+ 202	+ 62	+ 13	- 115
25	- 142	- 93	+ 407 (--)	--	- 500	- 107	- 47	+ 106
Dec.								
2	+ 986	+ 853	+ 516 (- 144)	--	+ 337	+ 73	+ 41	+ 19
9	- 303	- 145	+ 32 (- 100)	--	- 177	- 30	+ 37	- 165
16	+ 697	+ 586	+ 328 (--)	--	+ 258	+ 24	- 22	+ 109
23 p	- 123	- 35	+ 286 (--)	--	- 321	- 7	- 6	- 75
30 p	- 142	- 3	+ 42 (--)	--	- 45	- 64	- 21	- 54
Jan.								
6 p	+ 938	+ 722	+ 537 (- 189)	--	+ 185	+ 51	+ 28	+ 137

1/ Figures in parenthesis reflect reserve effect of match sale-purchase agreement.