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(CONFIDENTIAL FR)

August 11, 1972

MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the Staff

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) Reserves available to support private non-bank deposits now appear to be growing at about a 6.5 per cent annual rate over the July-August target period, at the upper end of the 3-7 per cent annual rate range desired by the Committee. Over the past two weeks it had appeared that RPD growth was running slightly above the target range, but various technical revisions as well as lower than projected excess reserves in the week just ended reduced the RPD level somewhat.

(2) During most of the interval since the previous Committee meeting, the Federal funds rate averaged around 4-1/2 per cent, down slightly from the 4-5/8 per cent level that had prevailed briefly early in July. With RPD growth appearing to be on the high side of the target range and M_1 expanding substantially more than projected, however, the Desk began to hold back on its reserve supplying operations, forcing banks to meet a larger share of their reserve needs through borrowing at the discount window. This edged the funds rate back to the 4-5/8 per cent level. Since the large-scale Treasury refunding was in progress at the time, the Desk felt constrained by even-keel considerations from putting pressure on the funds rate much beyond that point. Most recently, although dealer inventories of the new refunding issues are still large, the favorable general performance of securities

markets has made it possible for the Desk to press a little harder on reserves, and the funds rate has moved up to about 4-3/4 per cent.

(3) The early July bulge in private demand deposits evident at the time of the last Committee meeting receded somewhat over the latter part of the month, but this drop-off was significantly smaller than expected. As a result, M_1 rose at a 15 per cent annual rate during the month, even faster than the 10.4 per cent rate estimated for the policy alternative approved at the last meeting.^{1/} Data for the first two weeks of August indicated that M_1 is continuing to exceed levels thought likely a month ago, although the differences are not so sharp as in July. During the second quarter, the demand for cash balances had seemed on the low side, given the rapid expansion of nominal GNP and the marked earlier decline of interest rates extending into early 1972. Thus, the stronger July and August performance may be signaling a catch-up to more normal relationships between changes in M_1 , interest rates, and GNP.

(4) In contrast to M_1 , growth of M_2 was about as projected in July, as slower than forecast growth in time deposits other than large CD's offset the stronger advance in demand deposits. While savings inflows appear to have strengthened a bit in early August and are tending--in combination with demand deposits--to boost M_2 a little above earlier expectations, growth in other time and savings deposits has remained below the rapid pace set earlier in the year.

(5) The adjusted credit proxy expanded much more in July than thought likely at the time of the Committee meeting, and in early August it continues

^{1/} Various technical factors during July increased somewhat the volume of private demand deposits supportable by a given level of reserves. In particular, a greater than expected share of the demand deposit increase lodged at country banks, where reserve requirements are lower.

to show somewhat greater strength than anticipated. The strength in private demand deposits and a larger than projected increase in negotiable CD's accounted for much of this overshoot, but the principal factor at work was the failure of U. S. Treasury deposits to decline as expected from their relatively high June level. Large foreign central bank acquisitions of special Treasury issues and lower than estimated Federal spending accounted for this relative stability in Treasury balances.

(6) Investors responded enthusiastically to the Treasury's August refunding package, and the consequent attrition of only \$630 million was readily met out of the Treasury's ample cash position. Exchange offers accepted totaled \$8.1 billion, of which \$4.1 billion was in the longer seven and twelve year options. The new issues have performed well thus far in the after-market, although dealer holdings of these issues still totaled \$910 million on August 10.

(7) Interest rates on market securities--both long and short-term--have declined on balance during the interval between Committee meetings, in some cases by as much as 25 basis points. Treasury bill yields have edged up recently from the lows reached during the Treasury refunding--when holders of "rights" not wishing to make the exchange were switching into other short-term Treasury issues--but they are a touch below the levels prevailing at the time of the last meeting. The 3-month bill, for example, was bid at 3.84 per cent on Friday, down 5 basis points from the last meeting.

(8) The following table compares seasonally adjusted annual rates of change in major financial aggregates for recent periods with the average annual rate of growth over the past two and a half years.

	<u>Past 2-1/2</u>	<u>QIV '71-QI '72</u>	<u>QII '72</u>	July over June 1972
	<u>Years</u>			
	June '72 over Dec. '69	March 1972 over Sept. 1971	June over Mar. '72	
Total Reserves	8.1	6.2	12.8	3.0
Nonborrowed Reserves	10.1	9.0	13.0	- 1.5
Reserves available to support private nonbank deposits	8.7	7.9	7.1	8.6
<u>Concepts of Money</u>				
M ₁ (currency plus demand deposits) <u>1/</u>	6.5	5.2	5.3	15.2
M ₂ (M ₁ plus time deposits at commercial banks other than large CD's)	13.2	10.8	8.6	11.7
M ₃ (M ₂ plus deposits at thrift institutions)	12.1	12.7	10.8	13.9
<u>Bank Credit</u>				
Total member bank deposits (Bank credit proxy adj.)	10.1	10.6	11.1	12.9
Loans and investments of commercial banks <u>2/</u>	10.9	13.3	7.3	10.2
<u>Short-term market paper</u> (Actual \$ change in billions)				
Large CD's	\$ 26.1	1.7	3.7	1.0
Nonbank commercial paper	3.1	2.2	1.6	n.a.

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

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

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

Prospective developments

(9) The persistent recent tendency for M_1 levels to come in higher than projected has led the staff to raise its estimates of likely money demands in both the third and fourth quarters. While some of the early July bulge in private demand deposits does seem to have been transitory, continued rapid GNP expansion over the months ahead, along with the lagged influence of the relatively stable interest rate levels since spring, can be expected to generate sizable further growth in money demands. Special factors that may add to money demand in the coming quarter include the large boost in social security payments and the prospect of a retroactive revenue sharing payment to States and localities by the Federal government. For the third quarter, the deposit data thus far available suggests that expansion in M_1 is moving along a path that will produce an annual growth rate of about 9 per cent. This is well above the 6-1/2 per cent rate thought to be consistent with the policy specifications adopted at the last meeting, and is close to the 9-1/2 per cent expansion rate now projected for nominal GNP.

(10) Adherence to an RPD target at this juncture that might achieve 6-1/2 per cent M_1 growth rate in the third quarter would produce a drastic tightening in money market conditions. Moreover, money market conditions would have to ease markedly after the third quarter in order to keep growth in the aggregates from falling too sharply in the fourth and first quarters. To avoid the resulting whip-sawing effect on credit conditions, the suggested policy alternatives that follow are designed to

achieve a moderation in growth of the aggregates over a longer interval. Since even a policy directed at slowing money growth substantially in the fourth quarter would be likely to generate significant lagged interest rate effects on money demands during early 1973, the staff has carried its projection of M_1 changes under the three directive alternatives through the first quarter. Estimates this far ahead, of course, are subject to considerable uncertainty.

(11) Patterns of monetary aggregates, RPD, and money market conditions are summarized for the three suggested directive alternatives in the table below, with details in the tables on the two following pages. Alternative C would set an RPD growth path designed to slow expansion in M_1 down to a 6-1/2 per cent annual rate by the fourth quarter. The staff's best judgment is that this RPD would be associated with a sharply higher Federal funds rate, perhaps fluctuating around 6 per cent. General interest rate increases resulting from such a change would be expected to lead to further reduction in money growth to about 4-1/2 per cent rate in the first quarter of 1973. Alternative B would move less aggressively to slow growth in the aggregates--moderating the expansion of M_1 to an annual rate of 7-1/2 per cent in the fourth quarter and 6 per cent in the first. Under this approach, the response of interest rates would be less marked than under Alternative C; the Federal funds rate would be expected to fluctuate around 5-1/4 per cent, about 50 basis points above its recent level. Alternative A would achieve the least moderation in M_1 growth, and would

be associated with little change in money market conditions. Under this alternative, M_1 would be expected to grow over the fourth and first quarters combined at about a 7-1/2 per cent rate, the same rate as had been specified for the third quarter under alternative A in the last bluebook. Under all three of the policy alternatives outlined, M_2 and the bank credit proxy are expected to average close to a 9 per cent annual rate of growth in the third quarter. Thereafter, the rate of growth in M_2 is expected to slow, as rising interest rates on market securities become increasingly attractive to savers. Anticipated more aggressive bank issuance of large CD's, however, would be expected to sustain the rate of growth in the credit proxy during the fall.

	<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
<u>Growth in M_1 (SAAR)</u>			
August	3.5	3.5	3.5
September	8.0	7.5	7.0
3rd Q.	9.0	8.7	8.5
4th Q.	8.5	7.5	6.5
1st Q.	7.0	6.0	4.5
4th - 1st Q.	7.7	6.7	5.5
<u>Near-term growth in RPD (SAAR)</u>			
August	4.0	3.8	3.5
September	11.1	10.8	9.9
August-September	7.6	7.3	6.7
<u>Federal funds rate</u>	4--5-1/2	4-1/2--6	5-1/4--6-3/4*
<u>Member bank borrowings</u> (\$ millions)	75-500	200-600	350-850

* Assumes prompt (in 1 or 2 reserve weeks) movement from the present 4-3/4 to a new minimum 5-1/4% weekly average.

Alternative Monthly and Quarterly Patterns
for Key Monetary Aggregates

		<u>M₁</u>			<u>M₂</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>
		(Billions of Dollars)					
<u>1972</u>	July	239.6	239.6	239.6	495.2	495.2	495.2
	August	240.3	240.3	240.3	498.2	498.1	498.1
	Sept.	241.9	241.8	241.7	501.9	501.4	501.1
	Oct.	243.3	243.0	242.7	505.1	504.0	503.1
	Nov.	244.7	244.3	243.8	508.4	506.5	505.0
	Dec.	247.0	246.3	245.5	512.4	509.4	507.3

Per Cent Annual Rates of Growth

July	15.2	15.2	15.2	11.7	11.7	11.7
Aug.	3.5	3.5	3.5	7.3	7.0	7.0
Sept.	8.0	7.5	7.0	8.9	8.0	7.2
Oct.	6.9	6.0	5.0	7.7	6.2	4.8
Nov.	6.9	6.4	5.4	7.8	6.0	4.5
Dec.	11.3	9.8	8.4	9.4	6.9	5.5
3rd Q.	9.0	8.7	8.5	9.4	9.0	8.7
4th Q.	8.5	7.5	6.5	8.4	6.4	4.9

Adjusted Credit Proxy

		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. C</u>
		(Billions of Dollars)		
<u>1972</u>	July	386.5	386.5	386.5
	Aug.	388.0	388.0	387.9
	Sept.	391.5	391.4	390.9
	Oct.	394.0	393.8	392.9
	Nov.	399.6	399.1	398.1
	Dec.	402.5	401.4	400.2

Per Cent Annual Rates of Growth

July	12.9	12.9	12.9
Aug.	4.7	4.7	4.3
Sept.	10.8	10.5	9.3
Oct.	7.7	7.4	6.1
Nov.	17.1	16.1	15.9
Dec.	8.7	6.9	6.3
3rd Q.	9.5	9.4	8.9
4th Q.	11.2	10.2	9.5

Alternative Monthly and Quarterly Patterns
for Reserve Aggregates

		<u>Total Reserves^{2/}</u>			<u>RPD^{1/2/}</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>
		(Millions of Dollars)					
<u>1972</u>	July	33,141	33,141	33,141	30,365	30,365	30,365
	Aug.	33,297	33,290	33,285	30,467	30,461	30,455
	Sept.	33,299	33,286	33,258	30,748	30,735	30,707
	Oct.	33,694	33,653	33,584	31,027	30,986	30,917
	Nov.	34,051	33,975	33,878	31,329	31,254	31,158
	Dec.	34,508	34,386	34,259	31,670	31,551	31,426
(Per Cent Rate of Growth)							
	July	3.0	3.0	3.0	8.6	8.6	8.6
	Aug.	5.6	5.4	5.2	4.0	3.8	3.5
	Sept.	0.1	-0.1	-0.9	11.1	10.8	9.9
	Oct.	14.2	13.2	11.7	10.9	9.8	8.2
	Nov.	12.7	11.5	10.5	11.7	10.4	9.3
	Dec.	16.1	14.5	13.5	13.1	11.4	10.3
	3rd Q.	2.9	2.7	2.4	8.0	7.8	7.4
	4th Q.	14.5	13.2	12.0	12.0	10.6	9.4

1/ Reserves available to support private nonbank deposits.

2/ The dollar level of total reserves and RPD for September and thereafter are not adjusted for the effect of changes in Regulation J and D scheduled to take effect in the statement week ended September 27. In the next Bluebook, dollar levels of reserves and RPD will be made consistent with the impacts of the changes in Regulations D and J and the percentage rates of change shown above. The RPD level and rate of change shown for September does assume an increase in the level of excess reserves (adjusted for waiver of penalty for deficiencies under Regulation J) during the late month transition period.

(12) Under all three of the alternatives, short-term rates are likely to be moving upward in the fourth quarter under pressure from rising credit demands. Some of this pressure will come from business demands on banks and the commercial paper market, but the major factor will be the heavy anticipated Federal cash borrowing--which will undoubtedly be mainly in short-term markets. (The period of heavy Treasury borrowing will not come until October, but some financing may be needed in September, possibly close to the time when the System will also be selling Treasury issues to absorb the excess reserves released by the combined effects of changes in Regulation D and J.) Even under alternative A, although little change would be anticipated in the Federal funds rate, the 3-month Treasury bill rate might rise from its recently depressed rate by 50 basis points or so during the fourth quarter, and very likely will advance further in early 1973. Upward pressure on short-term rates, of course, would be considerably greater under alternative B-- and more so under C. Thus, the 3-month bill rate might rise to 5 per cent or more by the end of the fourth quarter under B and could be approaching 6 per cent under C.

(13) Rising short-term interest rates would begin to have an increasing impact on rates of growth in M_1 as the fourth quarter progressed, but their major restraining effects on M_1 would probably not occur until the early months of 1973. The temporary slowing shown for August in the monthly average M_1 growth rate is a statistical consequence of the early July bulge; from the last week in July to the last week of August, the projected annual growth rate in M_1 is over 9 per cent.

(14) As money market instruments rise in yield, their increasing relative attractiveness can be expected to dampen fourth quarter flows into consumer-type time and savings deposits. Even under alternative A a moderate slowing of inflows to accounts is expected to occur; under alternative B the higher level of short-term market rates would have a more noticeable effect. The money market rates associated with alternative C would reduce inflows still further, and given present rate ceilings, they could also make all but the highest yielding longer-term accounts non-competitive with market instruments by the time of the year-end interest-crediting period. As shown in the table on page 8, growth in M_2 over the fourth quarter is expected to slow progressively more than M_1 under alternatives B and C.

(15) Under alternatives B or C, banks could be expected to take a more aggressive stance in the CD market, as inflows of other time deposits decelerate and as business loan demands rise. Additional borrowing in the Eurodollar market would be expected to remain modest, however, so long as the 20 per cent marginal reserve requirement on such borrowings remains in effect. The latitude for bank issuance of CD's should be a major factor tending to sustain the rate of growth of the credit proxy even under the firmer money market conditions associated with alternatives B or C.

(16) Under alternative A, interest rates in longer-term markets would probably remain relatively stable until late in the year. It is likely that corporations, with relatively high liquidity and increased emphasis on equity financing, private placements, and short-term borrowing,

will continue their relatively moderate pace of bond offerings, and that State and local borrowings will remain below last year's high. Mortgage demands are expected to moderate in any event, both seasonally and in line with the decline in housing starts. However, the increases in money market rates associated with alternative B could produce an earlier advance in long-term rates, and under alternative C the upward movement in long rates would undoubtedly be both large and prompt. In the latter circumstances investors would tend to withdraw from the market to await anticipated higher yields and issuers could be expected to accelerate offerings now planned for 1973. The tax-exempt market would be adversely affected by reduced bank purchases, and the impact on the mortgage market could be quite substantial as institutional lenders began to experience a slowing of savings inflows in the context of a record volume of outstanding commitments.

Proposed directives

(17) Three alternative formulations for the operational paragraph of the directive are presented below. They might be associated with the correspondingly lettered patterns of growth in the aggregates described in the preceding section.

(18) Alternative A.

"To implement this policy, while taking account of ~~the-forthcoming-Treasury-financing;-developments-in-capital~~ markets;~~-and~~ international developments, the Committee seeks to achieve bank reserve and money market conditions that will support moderate growth in monetary aggregates over the months ahead AT ABOUT THE AVERAGE RATES RECORDED IN THE FIRST HALF OF THE YEAR."

(19) Alternative B.

"To implement this policy, while taking account of ~~the-forthcoming-Treasury-financing;~~ developments in capital markets, ~~and-international-developments;~~ the Committee seeks to achieve bank reserve and money market conditions that will support moderate growth in monetary aggregates over the months ahead."

(20) Alternative C.

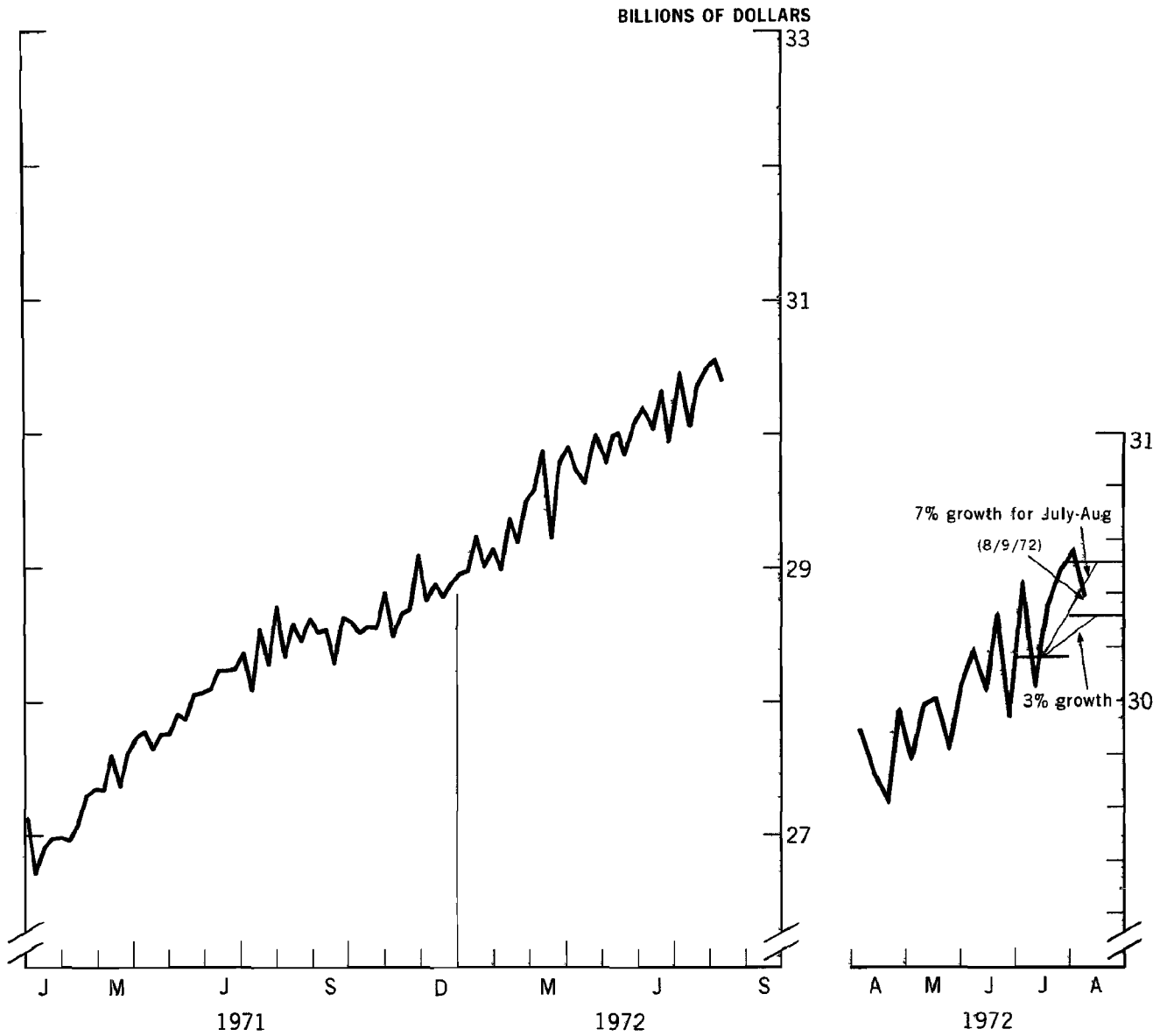
"To implement this policy, while taking account of the forthcoming-Treasury-financing; developments in capital markets, and-international-developments, the Committee seeks to achieve bank reserve and money market conditions that will support moderate SOMEWHAT SLOWER growth in monetary aggregates over the months ahead."

(21) In all three alternatives it is proposed to delete the reference to the Treasury financing, now that it is completed. The Committee has interpreted a reference to international developments in other recent directives as calling for use of operating techniques designed to minimize downward pressures on short-term interest rates. Retention of this reference is proposed only in alternative A, since that is the only policy course herein described under which there is believed to be any significant possibility for short-term rate declines. It is proposed to delete the reference to capital market developments in alternative A, since generally stable long-term rates are foreseen under that alternative. Retention of this reference in alternative B could be construed, as in past directives, to call for the types of operations best calculated to minimize upward pressure on long-term rates. In alternative C the same language could be interpreted as calling for adopting Desk operations as necessary to facilitate orderly market adjustments to the higher long-term rate levels foreseen.

CHART 1

STRICTLY CONFIDENTIAL (FR)
8/11/72

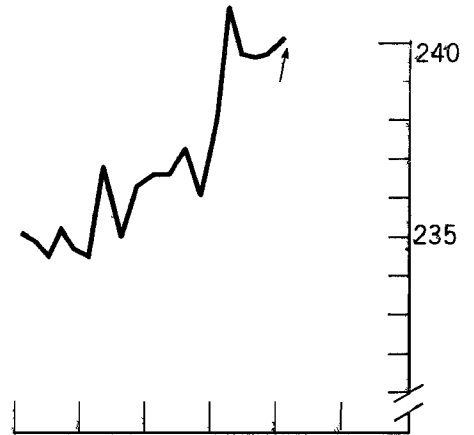
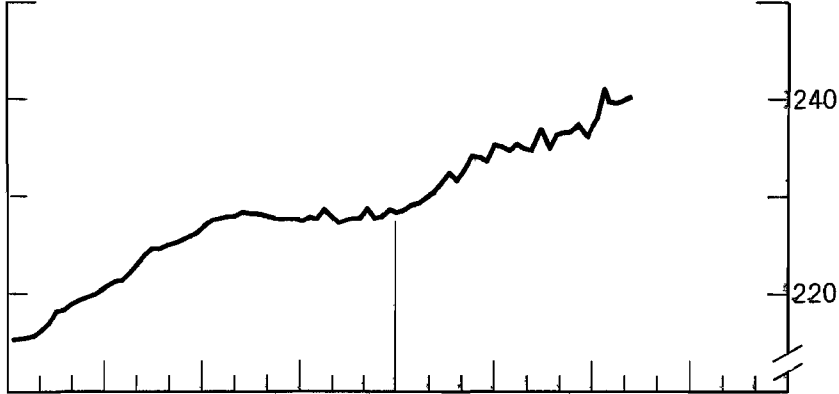
RESERVES AVAILABLE TO SUPPORT PRIVATE NONBANK DEPOSITS



MONETARY AGGREGATES

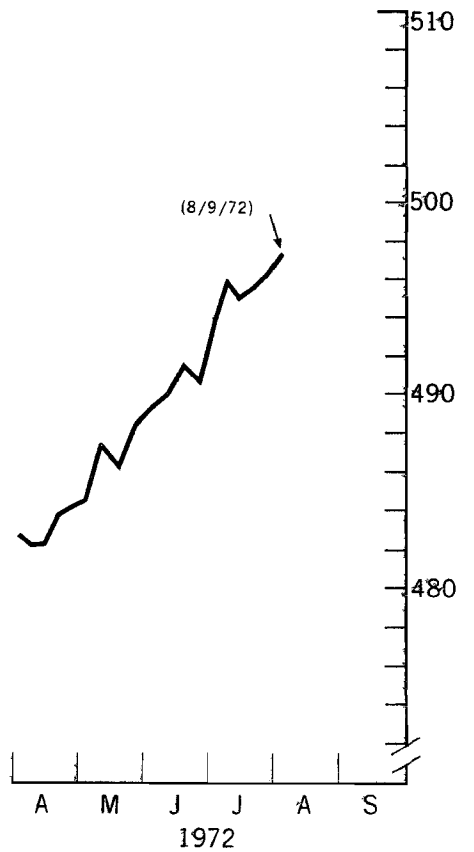
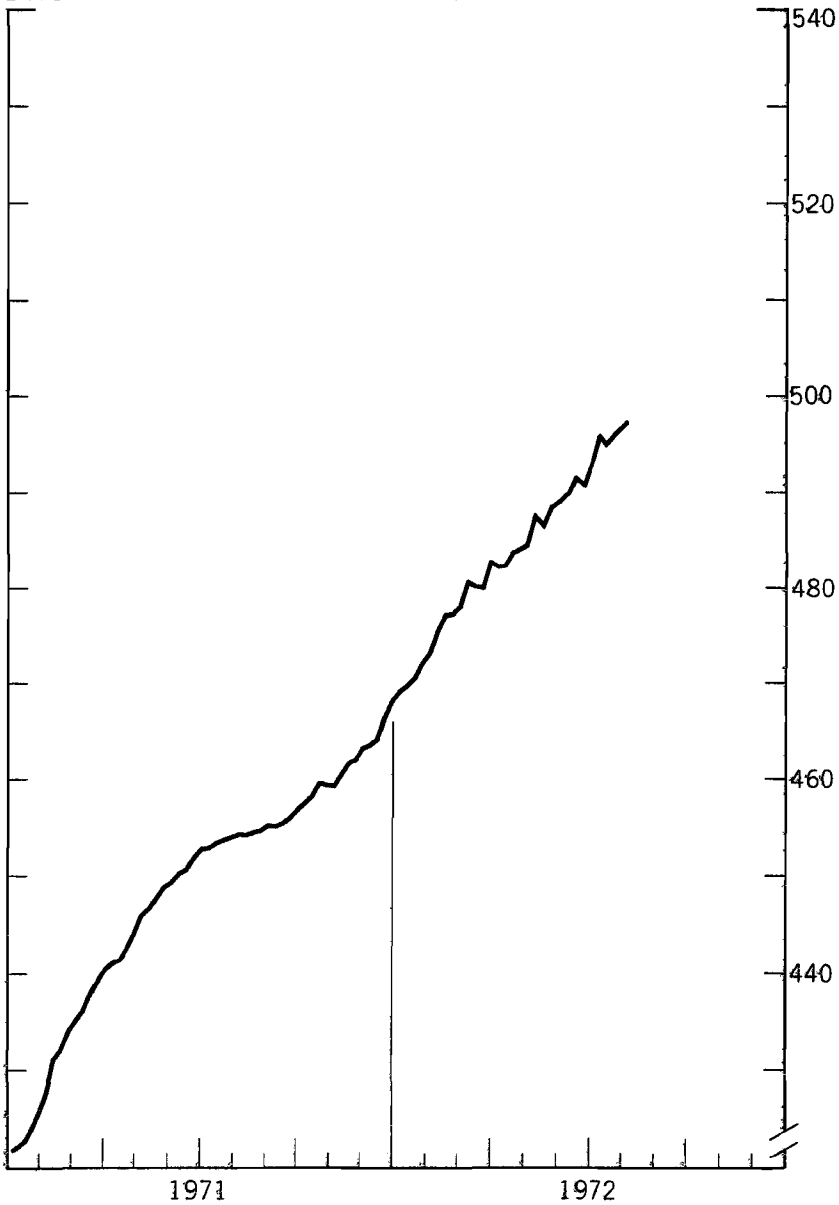
NARROW MONEY SUPPLY M1

BILLIONS OF DOLLARS



BROADER MONEY SUPPLY M2

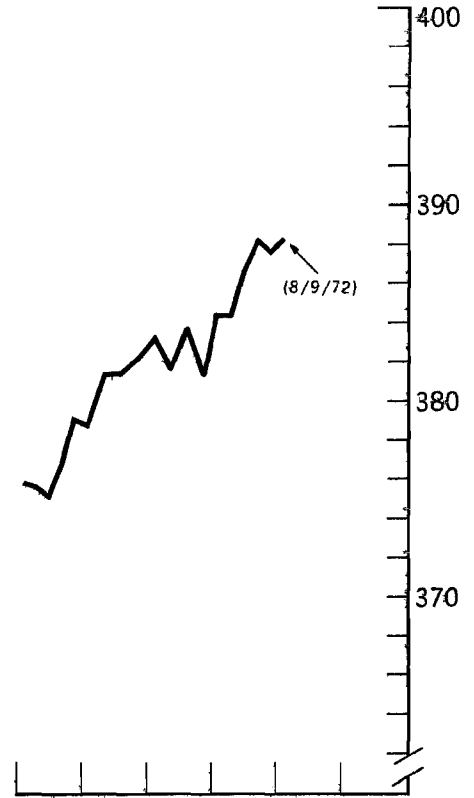
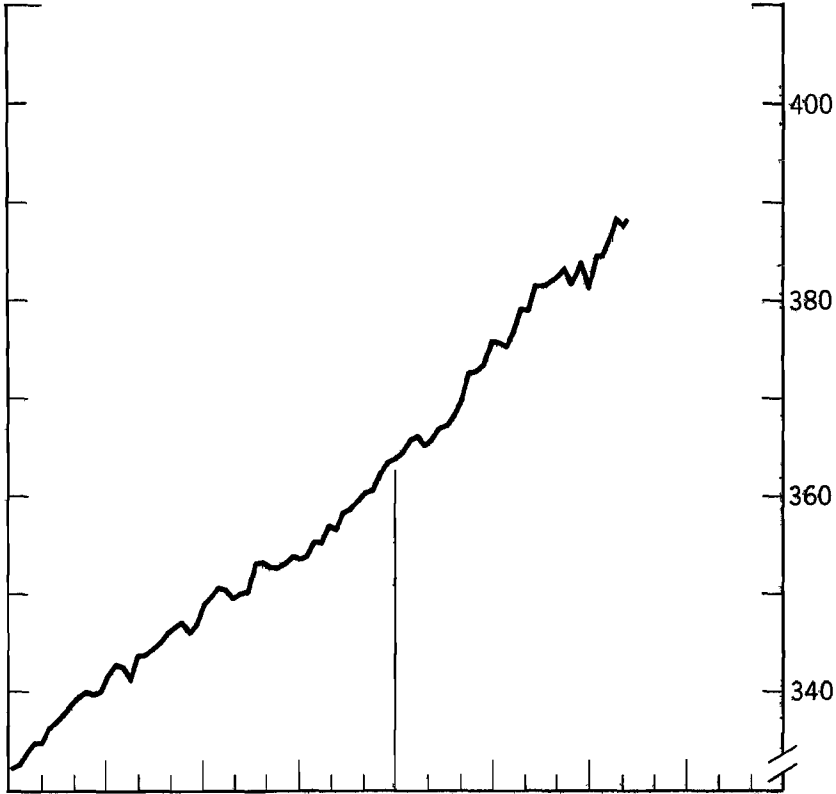
BILLIONS OF DOLLARS



MONETARY AGGREGATES

ADJUSTED CREDIT PROXY

BILLIONS OF DOLLARS



TOTAL RESERVES

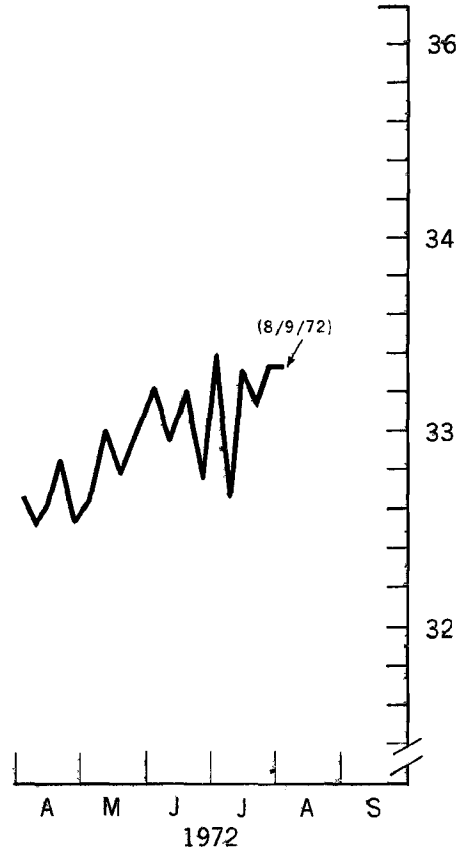
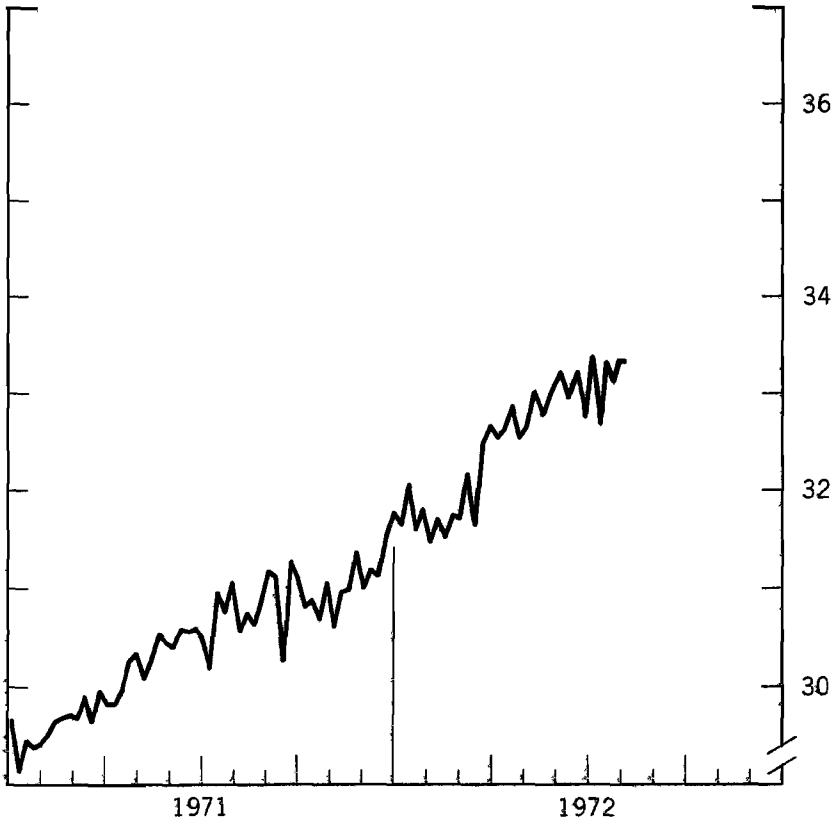
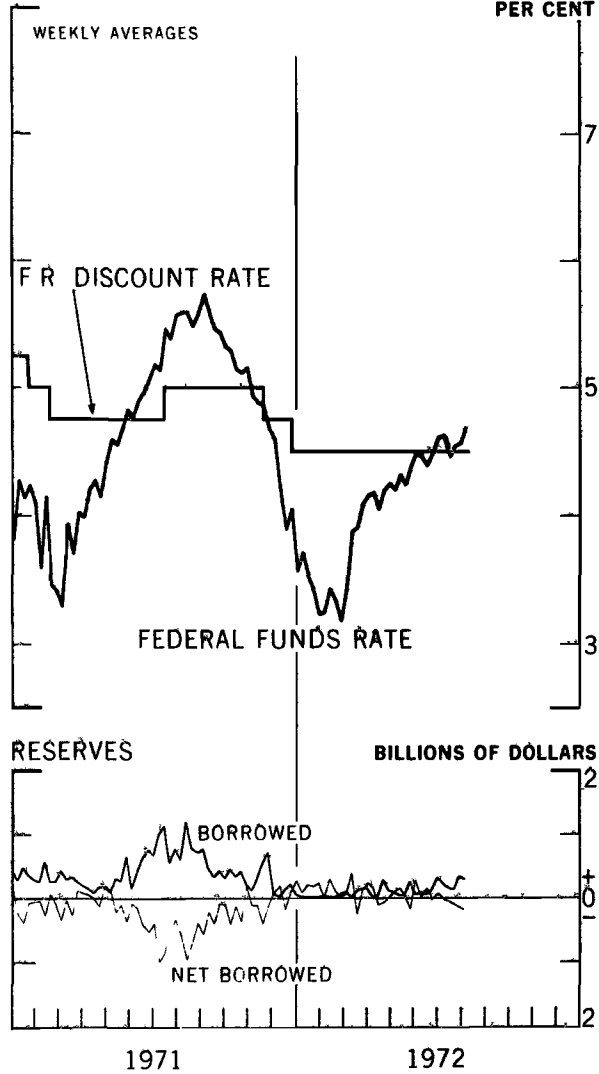


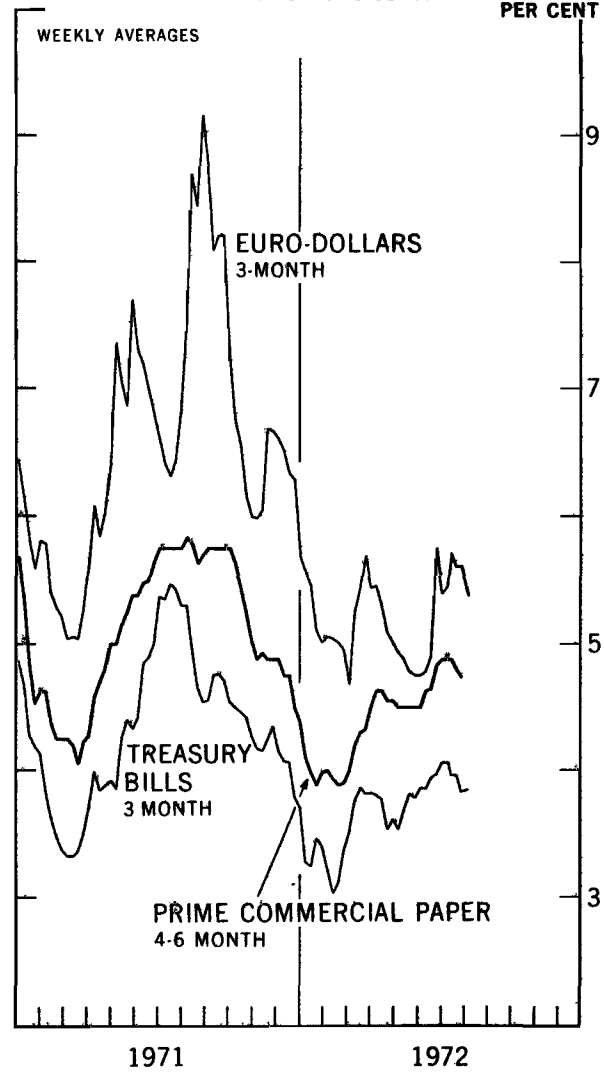
CHART 4

MONEY MARKET CONDITIONS AND INTEREST RATES

MONEY MARKET CONDITIONS



INTEREST RATES Short-term



INTEREST RATES Long-term

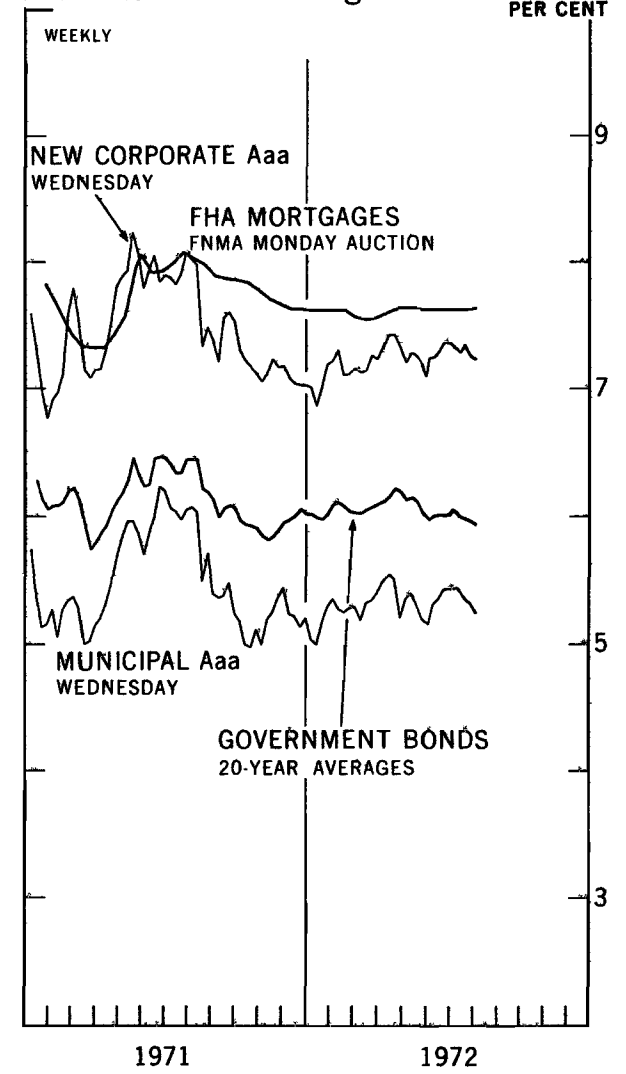


Table 1

STRICTLY CONFIDENTIAL (FR)

Bank Reserves

Aug. 11, 1972

Period	Reserves Available for Private Nonbank Deposits				Aggregate Reserves		Required Reserves		
	Seasonally Adjusted		Not Seasonally Adjusted		Total Reserves	Nonborrowed Reserves	Seasonally Adjusted		
	Target and Associated Patterns	Actual and Projected	Target and Associated Patterns	Actual and Projected			Private Demand	Time and Nondeposits	U. S. Gov't. and Interbank
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
1972--Mar.		29,625		29,347	32,032	31,931	20,669	8,748	2,407
Apr.		29,798		29,890	32,643	32,525	20,859	8,762	2,845
May		29,951		29,775	32,830	32,728	20,874	8,934	2,879
June	30,172	30,148	29,812	29,788	33,059	32,967	20,874	9,059	2,911
July	30,371 ^{1/}	30,365	30,173 ^{1/}	30,167	33,141	32,927	21,052	9,136	2,776
Aug.	30,323-30,524 ^{1/}	(30,480)	30,023-30,224 ^{1/}	(30,178)	(33,297)	(33,013)	(21,142)	(9,217)	(2,817)
Annual Rates of Change									
Quarterly:									
1971--3rd Qtr.		4.3			7.2	6.0	2.4	6.7	
4th Qtr.		4.8			2.2	6.8	2.8	14.5	
1972--1st Qtr.		10.8			10.1	11.0	6.8	18.0	
2nd Qtr.		7.1			12.8	13.0	4.0	14.2	
1972--Mar.		15.6			15.8	13.3	13.5	13.2	
Apr.		7.0			22.9	22.2	11.0	1.9	
May		6.2			6.9	7.5	0.9	23.6	
June		7.9			8.4	8.8	--	16.8	
July	8.0	8.6			3.0	-1.5	10.2	10.2	
Aug.	2.0 ^{1/}	(4.5)			(5.5)	(3.0)	(5.0)	(10.5)	
July-Aug.	3.0-7.0 ^{1/}	(6.5)			(4.5)	(1.0)	(7.5)	(10.5)	
Weekly:									
1972--Apr.									
5		29,898		29,728	32,655	32,519	20,824	8,713	2,757
12		29,728		29,525	32,526	32,512	20,765	8,744	2,798
19		29,632		29,850	32,615	32,568	20,988	8,751	2,983
26		29,971		30,198	32,845	32,569	20,843	8,780	2,874
May									
3		29,787		30,263	32,529	32,415	20,866	8,840	2,742
10		29,990		30,004	32,638	32,555	20,914	8,891	2,647
17		30,011		29,908	32,995	32,960	20,884	8,931	2,985
24		29,820		29,373	32,783	32,723	20,717	8,961	2,963
31		30,055		29,605	33,033	32,819	20,987	8,992	2,978
June									
7		30,187		29,589	33,217	33,163	20,766	9,024	3,030
14		30,054		29,606	32,953	32,864	20,912	9,052	2,899
21		30,323		29,947	33,213	33,158	20,975	9,058	2,890
28		29,943		29,906	32,761	32,649	20,803	9,092	2,818
July									
5		30,449		30,155	33,383	33,119	21,020	9,092	2,934
12		30,055		29,883	32,671	32,462	20,854	9,119	2,616
19		30,357		30,239	33,301	33,143	20,983	9,156	2,944
26		30,488		30,251	33,145	32,990	21,273	9,137	2,657
Aug.									
2		30,555		30,358	33,327	33,000	21,149	9,176	2,772
9		30,390		30,031	33,330	33,087	21,138	9,192	2,940

NOTE: Data shown in parentheses are current projections.

^{1/} The range is centered on the 5.0 per cent rate of growth in these reserves from July to August thought to be consistent with growth in monetary aggregates as shown under Alternative B in the Bluebook of July 14, 1972.

Annual Growth Rates consistent with alternative B <u>1</u> /			
	July	Aug.	QIII
M ₁	10-1/2	2	6-1/2
M ₂	11-1/2	6	8-1/2
Credit Proxy (Adj.)	5	6-1/2	8-1/2

Table 2
Monetary Aggregates
(Actual and current projections, seasonally adjusted)

STRICTLY CONFIDENTIAL (FR)

Aug. 11, 1972

Period	Narrow Money Supply (M ₁)	Broad Money Supply (M ₂)	Adjusted Credit Proxy	U.S. Govt. Deposits	Total Time and Savings	Time deposits other than CD's	Negotiable CD's	Nondeposit Sources of Funds
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Monthly Pattern in Billions of Dollars								
1972--Apr.	235.0	483.0	376.3	7.4	282.8	248.1	34.7	3.5
May	235.5	486.1	380.9	7.4	287.0	250.7	36.3	3.7
June	236.6	490.4	382.4	5.3	290.9	253.8	37.1	3.8
July	239.6	495.2	386.5	5.3	293.7	255.6	38.1	3.9
Aug.	(240.3)	(498.2)	(388.0)	(4.7)	(296.7)	(257.9)	(38.8)	(3.7)
Sept.	(241.9)	(501.9)	(391.5)	(4.8)	(299.8)	(260.0)	(39.8)	(3.6)
Annual Percentage Rates of Change--Quarterly and Monthly								
1971--4th Qtr.	1.1	8.0	9.7		15.9	14.7		
1972--1st Qtr.	9.3	13.3	11.3		14.8	17.1		
2nd Qtr.	5.3	8.6	11.1		15.7	11.8		
3rd Qtr.	(9.0)	(9.5)	(9.5)		(12.0)	(10.0)		
1972--Apr.	7.7	7.2	13.5		12.4	7.8		
May	2.6	7.7	14.7		17.8	12.6		
June	5.6	10.6	4.7		16.3	14.8		
July	15.2	11.7	12.6		11.6	8.5		
Aug.	(3.5)	(7.5)	(4.5)		(12.5)	(11.0)		
Sept.	(8.0)	(9.0)	(11.0)		(12.5)	(10.0)		
Weekly Pattern in Billions of Dollars								
1972--May 3	234.7	484.2	379.1	7.9	285.2	249.5	35.6	3.6
10	234.5	484.5	378.8	6.9	286.0	250.0	36.0	3.6
17	236.8	487.4	381.4	6.9	286.9	250.7	36.2	3.8
24	235.0	486.3	381.4	7.6	287.9	251.3	36.6	3.9
31	236.3	488.4	382.2	7.3	288.7	252.1	36.7	3.7
June 7	236.6	489.3	383.2	6.9	289.5	252.7	36.8	3.7
14	236.6	490.0	381.6	5.1	290.7	253.4	37.3	3.5
21	237.3	491.5	383.7	5.6	291.2	254.2	37.0	3.8
28	236.1	490.7	381.3	3.3	291.9	254.6	37.3	4.0
July 5	238.0	493.7	384.4	5.4	293.1	255.7	37.4	3.8
12	240.9	495.8	384.4	3.5	292.8	255.0	37.9	3.5
19	239.7	495.0	386.6	5.2	293.5	255.3	38.2	4.1
26	239.6	r 495.5	388.2	6.2	294.4	255.9	38.5	4.0
Aug. 2 pe	239.7	496.2	387.6	5.5	295.1	256.5	38.6	4.1
9 pe	240.1	497.4	388.3	6.4	295.6	257.2	38.4	3.9

NOTES: Data shown in parentheses are current projections. pe - Partially estimated.
Annual rates of change other than those for the past are rounded to nearest half per cent.
1/ As shown in the July 14, 1972 Bluebook.

Appendix Table I
RESERVES AND MONETARY VARIABLES

CONFIDENTIAL (FR)

Aug. 11, 1972

Period	Reserves			Money Stock Measures			Bank Credit Measures		Other						
	Total	Nonborrowed	Available to Support Pvt. Deposits	M ₁	M ₂	M ₃	Adjusted Credit Proxy	Total Loans and Investments	Total Time	Time Other than CD's	Thrift Institution Deposits	CD's	Nondeposit Funds	U.S. Gov't. Demand	
	(1)	(2)		(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
Annually:				(Per Cent Annual Rates of Growth)									(Dollar Change in Billions)		
1968	+ 7.6	+ 5.6	+ 8.6	+ 7.8	+ 9.3	+ 8.3	+ 9.7	+ 11.0	+ 11.3	+ 11.1	+ 6.4	+ 2.8	+ 2.6	- 0.1	
1969	- 1.2	- 2.7	- 2.7	+ 3.2	+ 2.3	+ 2.8	+ 0.6	+ 3.9	- 4.9	+ 1.4	+ 3.4	- 12.6	+ 13.0	+ 0.3	
1970	+ 6.0	+ 9.2	+ 8.1	+ 5.4	+ 8.1	+ 7.8	+ 8.3	+ 8.1	+ 17.9	+ 11.0	+ 7.7	+ 14.5	- 8.4	+ 1.1	
1971	+ 7.3	+ 8.0	+ 7.8	+ 6.2	+ 11.1	+ 13.3	+ 9.5	+ 11.3	+ 17.9	+ 16.2	+ 17.5	+ 7.9	- 7.6	- 0.3	
Semi-Annually:															
1st Half 1970	+ 0.4	+ 3.0	+ 5.2	+ 5.6	+ 5.8	+ 5.0	+ 4.8	+ 5.2	+ 8.4	+ 6.0	+ 4.7	+ 2.6	+ 0.7	+ 0.4	
2nd Half 1970	+ 11.6	+ 15.2	+10.6	+ 5.2	+ 10.1	+ 10.3	+ 11.4	+ 10.8	+ 26.3	+ 15.6	+ 10.6	+ 11.9	- 9.1	+ 0.7	
1st Half 1971	+ 9.6	+ 9.3	+10.9	+ 10.0	+ 15.5	+ 17.0	+ 9.7	+ 11.5	+ 22.3	+ 21.2	+ 20.1	+ 3.9	- 7.1	- 2.1	
2nd Half 1971	+ 4.7	+ 6.5	+ 4.6	+ 2.4	+ 6.3	+ 8.8	+ 8.8	+ 10.6	+ 12.2	+ 10.1	+ 13.5	+ 4.1	- 0.4	+ 1.8	
1st Half 1972	+ 11.6	+ 12.1	+ 9.0	+ 7.4	+ 11.1	+ 13.4	+ 11.3	+ 11.3	+ 15.6	+ 14.7	+ 17.9	+ 3.7	- 0.3	- 0.8	
Quarterly:															
1st Qtr. 1971	+ 8.9	+ 9.5	+10.8	+ 9.1	+ 18.1	+ 18.9	+ 10.9	+ 12.3	+ 28.8	+ 27.5	+ 21.9	+ 2.6	- 4.6	- 2.4	
2nd Qtr. 1971	+ 10.0	+ 9.0	+10.6	+ 10.6	+ 12.4	+ 14.4	+ 8.4	+ 10.3	+ 14.7	+ 14.0	+ 17.3	+ 1.3	- 2.6	+ 0.3	
3rd Qtr. 1971	+ 7.2	+ 6.0	+ 4.3	+ 3.7	+ 4.4	+ 7.8	+ 7.6	+ 9.7	+ 8.2	+ 5.3	+ 13.7	+ 2.3	- 0.4	+ 2.3	
4th Qtr. 1971	+ 2.2	+ 6.8	+ 4.8	+ 1.1	+ 8.0	+ 9.6	+ 9.7	+ 11.1	+ 15.9	+ 14.7	+ 12.8	+ 1.8	--	- 0.4	
1st Qtr. 1972	+ 10.1	+ 11.0	+10.8	+ 9.3	+ 13.3	+ 15.5	+ 11.3	+ 15.1	+ 14.8	+ 17.1	+ 20.5	- 0.1	- 0.3	- 0.1	
2nd Qtr. 1972	+ 12.8	+ 13.0	+ 7.1	+ 5.3	+ 8.6	+ 10.8	+ 11.1	+ 7.3	+ 15.7	+ 11.8	+ 14.5	+ 3.7	--	- 0.8	
1971: Jan.	+ 10.6	+ 8.1	+ 8.2	+ 2.8	+ 14.1	+ 15.7	+ 10.2	+ 12.8	+ 28.8	+ 26.0	+ 23.9	+ 1.1	- 1.5	- 0.7	
Feb.	+ 8.6	+ 11.7	+ 9.0	+ 13.4	+ 20.7	+ 20.9	+ 11.9	+ 14.6	+ 29.7	+ 28.3	+ 18.5	+ 0.9	- 1.6	- 0.9	
Mar.	+ 7.3	+ 8.4	+14.9	+ 11.0	+ 18.7	+ 19.3	+ 10.3	+ 9.1	+ 26.0	+ 26.5	+ 22.1	+ 0.6	- 1.6	- 0.8	
Apr.	+ 8.5	+ 16.9	+11.6	+ 8.2	+ 12.1	+ 15.5	+ 8.5	+ 7.4	+ 13.2	+ 16.0	+ 22.5	- 0.2	- 1.9	+ 1.6	
May	+ 13.4	+ 9.9	+ 8.7	+ 14.1	+ 13.9	+ 15.2	+ 8.8	+ 9.7	+ 15.5	+ 13.6	+ 12.9	+ 0.7	- 1.0	- 0.2	
June	+ 7.9	--	+11.3	+ 9.1	+ 10.7	+ 12.0	+ 7.7	+ 13.6	+ 14.8	+ 11.8	+ 15.8	+ 0.8	+ 0.4	- 1.0	
July	+ 4.4	- 7.6	+ 6.8	+ 10.1	+ 7.5	+ 10.5	+ 10.7	+ 6.2	+ 9.4	+ 4.8	+ 16.7	+ 1.1	- 0.2	+ 0.8	
Aug.	+ 4.1	+ 2.8	+ 6.9	+ 3.2	+ 2.9	+ 6.6	+ 4.1	+ 11.9	+ 4.2	+ 3.2	+ 10.3	+ 0.4	- 0.4	+ 0.6	
Sept.	+ 12.9	+ 22.9	-0.8	- 2.1	+ 2.9	+ 6.2	+ 7.9	+ 10.9	+ 10.7	+ 7.9	+ 13.8	+ 0.8	+ 0.1	+ 0.9	
Oct.	- 7.4	- 2.8	+ 3.6	+ 0.5	+ 7.1	+ 9.1	+ 4.8	+ 11.9	+ 17.1	+ 13.7	+ 13.0	+ 1.1	+ 0.8	- 1.9	
Nov.	+ 3.4	+ 2.0	+ 5.9	--	+ 6.5	+ 8.7	+ 11.2	+ 6.2	+ 9.1	+ 13.0	+ 11.4	- 0.5	+ 0.5	+ 0.7	
Dec.	+ 10.7	+ 21.4	+ 4.8	+ 2.6	+ 10.2	+ 11.0	+ 13.1	+ 14.9	+ 20.8	+ 17.0	+ 13.7	+ 1.2	- 1.3	+ 0.8	
1972: Jan.	+ 20.2	+ 23.1	+ 9.2	+ 3.2	+ 13.4	+ 15.4	+ 9.9	+ 14.2	+ 20.0	+ 24.4	+ 23.9	- 0.2	- 0.1	+ 0.1	
Feb.	+ 5.9	- 3.6	+ 7.4	+ 12.6	+ 14.3	+ 16.7	+ 5.9	+ 12.4	+ 16.2	+ 15.4	+ 17.6	+ 0.6	- 0.3	- 2.6	
Mar.	+ 15.8	+ 13.3	+ 15.6	+ 11.9	+ 11.6	+ 13.8	+ 17.7	+ 18.0	+ 7.8	+ 10.8	+ 19.0	- 0.4	+ 0.1	+ 2.4	
Apr.	+ 22.9	+ 22.2	+ 7.0	+ 7.7	+ 7.2	+ 10.9	+ 13.5	+ 3.6	+ 12.4	+ 7.8	+ 15.8	+ 1.3	- 0.2	+ 1.3	
May	+ 6.9	+ 7.5	+ 6.2	+ 2.6	+ 7.7	+ 9.7	+ 9.7	+ 14.7	+ 18.4	+ 12.6	+ 10.6	+ 1.6	+ 0.2	--	
June	+ 8.4	+ 8.8	+ 7.9	+ 5.6	+ 10.6	+ 11.5	+ 4.7	--	+ 16.3	+ 14.8	+ 16.6	+ 0.8	--	- 2.1	
July p	+ 3.0	- 1.5	+ 8.6	+ 15.2	+ 11.7	+ 13.9	+ 12.9	+ 10.2	+ 11.6	+ 8.5	+ 19.3	+ 1.0	+ 0.1	--	

NOTE: Reserve requirements on Eurodollar borrowings are included beginning October 16, 1969, and requirements on bank-related commercial paper are included beginning October 1, 1970.

p - Preliminary

Appendix Table II
RESERVES AND MONETARY VARIABLES
(Seasonally adjusted, Billions of dollars)

CONFIDENTIAL (FR)

Aug. 11, 1972

Period	Reserves			Money Stock Measures				Bank Credit Measures		Other					
	Total	Non-borrowed	Available to Support Pvt. Deposits	M ₁		M ₂	M ₃	Adjusted Credit Proxy	Total Loans and Investments	Total Time	Time Other than CD's	Thrift Institution Deposits	CD's	Non-Deposit Funds	U.S. Gov't Demand
				Total	Pvt. Dep.										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
Annually:															
Dec. 1968	27.249	26.471	24.963	197.4	154.0	378.0	572.6	304.6	390.6	204.2	180.6	194.6	23.6	7.0	5.1
Dec. 1969	27.977	26.829	25.245	203.7	157.7	368.8	588.3	305.4	406.0	194.1	183.2	201.5	11.0	20.0	5.3
Dec. 1970	29.132	28.764	26.747	214.8	165.8	418.2	634.0	330.6	438.9	228.9	203.4	215.8	25.5	11.6	6.4
Monthly:															
1971--Jan.	29.390	28.958	26.930	215.3	166.0	423.1	642.2	333.4	443.6	234.4	207.8	219.2	26.6	10.1	5.8
Feb.	29.600	29.240	27.132	217.7	168.0	430.4	653.4	336.7	449.0	240.2	212.7	223.0	27.5	8.6	4.9
Mar.	29.779	29.445	27.470	219.7	169.7	437.1	663.9	339.6	452.4	245.4	217.4	226.8	28.1	7.0	4.0
Apr.	29.991	29.859	27.735	221.2	170.7	441.5	672.5	342.0	455.2	248.1	220.3	231.0	27.8	5.1	5.6
May	30.327	30.106	27.935	223.8	173.0	446.6	681.0	344.5	458.9	251.3	222.8	234.4	28.5	4.1	5.4
June	30.527	30.106	28.199	225.5	174.5	450.6	687.8	346.7	464.1	254.4	225.0	237.2	29.4	4.5	4.3
July	30.639	29.915	28.358	227.4	175.8	453.4	693.8	349.8	466.5	256.4	225.9	240.4	30.4	4.3	5.1
Aug.	30.743	29.985	28.521	228.0	176.3	454.5	697.6	351.0	471.1	257.3	226.5	243.1	30.8	3.9	5.7
Sept.	31.073	30.556	28.503	227.6	175.5	455.6	701.2	353.3	475.4	259.6	228.0	245.6	31.6	4.1	6.6
Oct.	30.882	30.485	28.588	227.7	175.5	458.3	706.5	354.7	480.1	263.3	230.6	248.3	32.7	4.8	4.7
Nov.	30.970	30.535	28.728	227.7	175.5	460.8	711.6	358.0	482.6	265.3	233.1	250.8	32.2	5.4	5.4
Dec.	31.246	31.079	28.844	228.2	175.7	464.7	718.1	361.9	488.6	269.9	236.4	253.4	33.4	4.0	6.2
1972--Jan.	31.772	31.678	29.064	228.8	176.0	469.9	727.3	364.9	494.4	274.4	241.2	257.4	33.2	4.0	6.3
Feb.	31.616	31.582	29.244	231.2	178.0	475.5	737.4	366.7	499.5	278.1	244.3	261.8	33.8	3.6	3.7
Mar.	32.032	31.931	29.625	233.5	179.9	480.1	745.9	372.1	507.0	279.9	246.5	265.8	33.4	3.7	6.1
Apr.	32.643	32.525	29.798	235.0	180.9	483.0	752.7	376.3	508.5	282.8	248.1	269.7	34.7	3.5	7.4
May	32.830	32.728	29.951	235.5	181.1	486.1	758.8	380.9	516.3	287.0	250.7	272.6	36.3	3.7	7.4
June	33.059	32.967	30.148	236.6	181.9	490.4	766.1	382.4	516.3	290.9	253.8	275.7	37.1	3.8	5.3
July p	33.141	32.927	30.365	239.6	184.7	495.2	775.0	386.5	520.7	293.7	255.6	279.8	38.1	3.9	5.3
Weekly:															
1972--Apr. 5	32.655	32.519	29.898	235.1	181.1	482.8	775.0	375.8	520.7	293.7	255.6	279.8	38.1	3.9	5.3
12	32.596	32.512	29.728	234.9	181.0	482.3	775.0	375.6	520.7	293.7	255.6	279.8	38.1	3.9	5.3
19	32.615	32.568	29.632	234.5	180.4	482.4	775.0	375.2	520.7	293.7	255.6	279.8	38.1	3.9	5.3
26	32.845	32.569	29.471	235.2	181.0	483.8	775.0	376.8	520.7	293.7	255.6	279.8	38.1	3.9	5.3
May 3	32.529	32.415	29.787	234.7	180.6	484.2	775.0	379.1	520.7	293.7	255.6	279.8	38.1	3.9	5.3
10	32.638	32.555	29.990	234.5	180.1	484.5	775.0	378.8	520.7	293.7	255.6	279.8	38.1	3.9	5.3
17	32.995	32.960	30.011	236.8	182.3	487.4	775.0	381.4	520.7	293.7	255.6	279.8	38.1	3.9	5.3
24	32.783	32.723	29.820	235.0	180.5	486.3	775.0	381.4	520.7	293.7	255.6	279.8	38.1	3.9	5.3
31	33.033	32.819	30.055	236.3	181.8	488.4	775.0	382.2	520.7	293.7	255.6	279.8	38.1	3.9	5.3
June 7	33.217	33.163	30.187	236.6	182.0	489.3	775.0	383.2	520.7	293.7	255.6	279.8	38.1	3.9	5.3
14	32.953	32.864	30.054	236.6	181.9	490.0	775.0	381.6	520.7	293.7	255.6	279.8	38.1	3.9	5.3
21	33.213	33.158	30.322	237.3	182.6	491.5	775.0	383.7	520.7	293.7	255.6	279.8	38.1	3.9	5.3
28	32.761	32.649	29.943	236.1	181.3	490.7	775.0	381.3	520.7	293.7	255.6	279.8	38.1	3.9	5.3
July 5	33.383	33.119	30.449	238.0	183.2	493.7	775.0	384.4	520.7	293.7	255.6	279.8	38.1	3.9	5.3
12	32.671	32.462	30.055	240.9	186.0	495.8	775.0	384.4	520.7	293.7	255.6	279.8	38.1	3.9	5.3
19	33.301	33.143	30.357	239.7	184.7	495.0	775.0	386.6	520.7	293.7	255.6	279.8	38.1	3.9	5.3
26 p	33.145	32.990	30.488	239.6	184.6	495.5	775.0	388.2	520.7	293.7	255.6	279.8	38.1	3.9	5.3
Aug. 2 p	33.327	33.000	30.555	239.7	184.9	496.2	775.0	387.6	520.7	293.7	255.6	279.8	38.1	3.9	5.3

NOTES: 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. Weekly data are not available for M₃, total loans and investments and thrift institution deposits.

p - Preliminary.