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(CONFIDENTIAL FR)

January 12, 1973

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) January 12, 1973

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) RPD and the money supply aggregates all appear to be expanding at rates well above the upper limits of the Committee's December-January ranges of tolerance, as shown in the following table. For December alone, growth of M_1 and M_2 accelerated to annual rates of 15.8 and 14.6 per cent, respectively (before annual seasonal and benchmark revisions).1/ Growth of M_1 in the fourth quarter was at an 8.6 per cent annual rate, and growth for all of 1972 at an 8.2 per cent rate. Although levels of M_1 and M_2 both receded somewhat in early January, they remained high relative to earlier projections.

Growth of Monetary Aggregates and RPD
In December-January Period
(SAAR in Percentage Points)

	Ranges of Tolerance	Current Estimates
RPD	4 - 11	15-1/2
M_1	3 - 9	11-1/2
M_2	4 - 10	13
MEMO:		
Federal Funds	5-1/8--5-7/8	5.66 (week ending Jan. 10)

(2) Contra-seasonal December increases in State and local Government holdings of both demand and time deposits suggest that--as

1/ The revised series is described and compared with the old series in Appendix A.

expected--revenue sharing payments did contribute importantly to recent growth of the money supply aggregates. In the case of M_1, this contribution apparently accounted for about 3 percentage points of the December growth. No other special contributing factors have been documented, however; for example, a System telephone survey of banks particularly affected by Regulation J and the establishment of new RCPC's turned up little evidence of bank requests for increased compensatory balances from corporations or others. The most plausible explanation of recent rapid monetary growth thus appears to be the stimulus to transactions demands generated by strong economic expansion.

(3) Shortly after the last Committee meeting, incoming deposit data indicated that the reserve and monetary aggregates were tending to run above the upper limits of the Committee's ranges of tolerance, and the extent of these overshoots widened as the inter-meeting period progressed. Because the terms of the Treasury's new bond financing were announced at about the time firm evidence of overshoots became available, the Desk was somewhat inhibited in moving tc resist these excesses. Within this "even-keel" constraint, however, the Desk did hold back on the provision of nonborrowed reserves, and the average Federal funds rate advanced nearly 30 basis points over the inter-meeting period. In the latest statement week, the funds rate averaged around 5.65 per cent. Recently, trading has been 5.75 per cent, with Desk strategy on the provision of reserves expected to result in a funds rate ranging between 5-3/4 and 5-7/8 per cent.

(4) Fluctuations in the rates at which Federal funds actually traded were considerably wider than usual, ranging generally from as low

as 4-1/2 per cent to as high as 7 per cent. Large and erratic day-to-day fluctuations in float contributed importantly to this increased rate volatility by making it more difficult for both banks and the Desk to manage reserve positions. In these circumstances member bank borrowing was unusually heavy, particularly over the two long holiday weekends. Average borrowings, however, dropped from $1.8 billion in the New Year's holiday week to about $690 million in the latest week.

(5) The general firming of money market conditions over the inter-meeting period was accompanied by relatively modest advances in other interest rates. In short-term markets these advances ranged from 5 to 20 basis points, but in long-term markets rates were generally unchanged to only about 10 basis points higher. Sizable demand for securities --arising partly from the reinvestment of revenue-sharing payments--tended to limit rate advances on the most liquid types of short-term instruments, particularly short-maturity Treasury bills. The yield on 3-month bills, for example, showed a net decline mid-way in the inter-meeting period. But recently it has risen to about 5.25 per cent, with announcement of the Phase III wage-price program exerting a modest bearish impact on credit markets.

(6) In the Treasury auction of its new 20-year bond demands from reporting Government security dealers and other market professionals proved to be stronger than anticipated, with their awards amounting to more than half the total offering. Secondary market demand for the issue from final investors was unenthusiastic at the unexpectedly low 6.79 per cent stop-out yield, and

the yield on the issue rose to 6.85 per cent as professionals pressed to reduce their positions. Positions of reporting dealers have declined substantially in the past few days, and most recently were about $70 million.

(7) The table on the following page compares recent changes in money and credit aggregates (seasonally adjusted annual rates) with those for selected earlier periods. Comparison for the various concepts of money are in terms of the new, revised series.

	Average for 1970 and 1971	Year 1972	Past 6 Months	Past 3 Months	Past Month
	Dec. '71 over Dec. '69	Dec. '72 over Dec. '71	Dec. '72 over June '72	Dec. '72 over Sept. '72	Dec. '72 over Nov. '72
Total Reserves	6.9	10.6	9.0	14.3	15.7
Nonborrowed Reserves	9.0	7.5	2.7	7.4	-1.7
Reserves available to support private non-bank deposits	8.3	10.1	10.7	10.9	16.1
Concepts of Money					
M_1 (currency plus demand deposits) 1/	6.6	8.2	8.6	8.8	13.3
M_2 (M_1 plus time deposits at commercial banks other than large CD's)	10.3	11.0	11.1	10.4	12.7
M_3 (M_2 plus deposits at thrift institutions)	11.2	13.0	12.4	11.3	12.1
Bank Credit					
Total member bank deposits (bank credit proxy adj.)	9.3	11.7	11.4	11.8	14.4
Loans and investments of commercial banks 2/	10.2	14.0	14.2	14.4	10.7
Short-term market paper (Actual $ change in billions)					
Large CD's	22.4	10.2	6.6	3.3	2.3
Nonbank commercial paper	0.3	1.3 3/	-1.5 3/	0.3 3/	-0.4 3/

1/ Other than interbank and U. S. Government.
2/ Based on month-end figures. Includes loans sold to affiliates and branches.
3/ Latest data November 1972.
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

(8) As in the previous Blue Book, three alternative sets of relationships among monetary aggregates and money market conditions are shown in summary form below for FOMC consideration (with figures for aggregates representing seasonally adjusted annual rates of growth). More detailed monthly and quarterly figures are shown in the table on page 6a. Figures for money supply as variously defined represent the new, revised series. Revision of the bank credit proxy and reserve series has not yet been fully completed, and the figures for RPD represent our best judgmental estimate of numbers consistent with the new money supply series, pending completion of the overall revision in the next two weeks.

	Alt. A	Alt. B	Alt. C
Longer-run targets for aggregates (represented by average growth rates for first half of 1973)[1]			
M_1	6--7	5--6	4--5
M_2	7--8	6--7	5--6
Credit proxy	5--6	4--5	3--4
RPD	7--8	6--7	5--6
Associated ranges for January-February '73			
Nonborrowed RPD	17-1/2--19-1/2	12--14	10--12
RPD	11--13	10--12	9--11
M_1	7--9	6-1/2--8-1/2	6--8
M_2	8-1/2--10-1/2	8--10	7-1/2--9-1/2
Federal funds rate	5-3/8--5-7/8	5-5/8--6-1/4	5-3/4--6-1/2

Alternative Longer-Run Targets for Key Monetary Aggregates

		M_1			M_2			Adjusted Credit Proxy		
		Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1972 Dec.		256.0	256.0	256.0	525.8	525.8	525.8	406.4	406.4	406.4
1973 Jan.		257.5	257.4	257.3	530.5	530.3	530.2	410.8	410.7	410.5
Feb.		259.4	259.2	259.0	534.3	533.9	533.3	410.7	410.4	410.1
Mar.		260.8	260.5	260.2	537.3	536.4	535.4	411.7	411.2	410.9
June		264.7	263.4	262.2	546.7	543.8	540.4	418.4	416.5	414.2
					Rates of Growth					
Quarters: 1973	1st. Q	7.5	7.0	6.5	8.5	8.0	7.5	5.0	4.5	4.5
	2nd. Q	6.0	4.5	3.0	7.0	5.5	3.5	6.5	5.0	3.0
Months										
	Jan.	7.0	6.5	6.0	10.5	10.0	10.0	13.0	12.5	12.0
	Feb.	9.0	8.5	8.0	8.5	8.0	7.0	-0.5	-1.0	-1.0

		Total Reserves			RPD		
		Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1972 Dec.		31,354	31,354	31,354	28,933	28,933	28,933
Jan.		31,886	31,868	31,851	29,280	29,263	29,245
Feb.		22,068	32,013	31,956	29,510	29,456	29,400
Mar.		31,775	31,709	31,645	29,528	29,463	29,401
June		31,988	31,830	31,592	30,068	29,910	29,722
		Rates of Growth					
Quarters: 1973	1st Q.	5.5	4.5	3.5	8.0	7.5	6.5
	2nd Q.	2.5	1.5	-0.5	7.5	6.0	4.5
Months							
	Jan.	20.5	19.5	19.0	14.5	13.5	13.0
	Feb.	7.0	5.5	4.0	9.5	8.0	6.5

(9) Ranges of tolerance in RPD and the monetary aggregates for January-February have been reduced to two percentage points so as to provide a more precise indication of FOMC target paths from which deviations can be measured. Strict adherence to a relatively narrow RPD path may tend to lead to wider fluctuations in the Federal funds rate. However, clear and significant shifts in the multiplier between RPD and deposits could provide a basis for adjustment of the RPD path in the inter-meeting period, depending on Committee preferences.

(10) Alternative B shown in paragraph (8) encompasses longer-run paths for the aggregates that include a 5--6 per cent annual rate of growth for M_1, the longer-run target specified by the Committee at its last meeting. Alternative A provides for somewhat more rapid growth in the aggregates and alternative C for somewhat less.

(11) The short-run ranges of tolerance for the monetary aggregates remain on the high side of longer-run targets. For example, in alternative B, the January-February M_1 growth is indicated at per cent, as compared with the 5--6 per cent longer-run target. It is expected that revenue sharing payments in January and the beginning of tax refunds next month will exert some temporary stimulus to growth in holdings of cash and time and savings deposits.

(12) All of the alternatives shown indicate a slowing in the second quarter growth rate in M_1 and M_2 relative to the first quarter. This reflects mainly (a) disappearance of the transitory upward effect on M_1 from sizable Treasury refunds of taxes and smaller final payments by

individuals, (b) the lagged effect on money demand of past interest rate increases, and (c) in alternatives B and C, particularly, reduced public interest in time and savings deposits other than large CD's as short-term rates rise further above ceiling rates.

(13) To achieve the aggregates of alternative B, the staff expects that money market conditions will tighten from around prevailing levels, given the continuing strong transaction demands for money implicit in the rapid growth in nominal GNP projected for the first and second quarters. The potential for money market tightening implied by the alternative B monetary target paths is indicated by the 5-5/8--6-1/4 per cent Federal funds rate range shown for that alternative. Even with RPD over the forthcoming January-February period rising in a 10--12 per cent annual rate range, we would expect the funds rate to move up to 6 per cent or somewhat above by the time of the next meeting. But it should be noted that even-keel considerations--discussed in paragraphs (16) and (17)--would suggest that the most propitious time for a rise in the funds rate, should one be required, is before the end of January. A rise in the funds rate of the dimensions contemplated in alternative B would likely be accompanied by a further rise in short-term rates generally, with the 3-month Treasury bill rate in particular moving upward in a 5-3/8--5-3/4 per cent range.

(14) At such market rates, demand for member bank borrowings would be relatively strong, even with the discount rate at the recently announced 5 per cent level, and the level of borrowings might be around $1 billion on average. However, as borrowings continue large, many banks will wear

out their welcome at the window and this will add further to pressure on open market rates and on banks to restrict acquisitions of loans and investments.

(15) Efforts to achieve the reserve and monetary aggregates of alternative C are likely to entail an even greater firming of money market conditions, with the Federal funds rate probably moving well above 6 per cent by the time of the next meeting. The 3-month bill rate would likely rise into the 5-3/4--6 per cent area, if not by the time of the next meeting then by early March when additional cash borrowing through tax bill offerings may be anticipated. If short-term rates attain these levels, there may be a rather marked dampening in flows of consumer-type time and savings deposits, which could eventually call into question the viability of current Regulation Q ceilings on such deposits.

(16) If the Committee were to opt to restrain growth in reserves and monetary aggregates with the result that money market conditions firmed, even-keel considerations would again be a constraint on the timing of policy actions. Sufficient time has been given for distribution of the recent long-term bond offering so that it no longer appears to require special consideration. However, on January 31 the Treasury will announce terms for refunding $4.8 billion of publicly-held obligations that mature in mid-February. It is too early to have an idea as to the nature of the refunding, although it does seem unlikely at this point that new cash will need to be raised or that the Treasury will wish to offer another long bond so close to the recent offering. Thus, a relatively conventional exchange with short- and intermediate-term options seems most likely.

(17) However that may be, a significant tightening of the money market between late January and mid-February seems precluded if the Committee wishes to adhere to previous even-keel standards. Some slight upward drift in money market rates would not necessarily be ruled out, depending on the psychological atmosphere around the refunding, but the great bulk of any tightening, should it be required, would have to be accomplished within the next two weeks.

(18) Alternative A indicates more expansive paths for the reserve and monetary aggregates which are not likely to entail any significant change in money market conditions from those recently prevailing; this alternative, therefore, has the greatest probability of minimizing conflicts between even-keel considerations and monetary objectives. The funds rate under such conditions is likely to be most frequently in the 5-3/8--5-7/8 per cent area. If the funds rate were to remain near the upper end of that band, the 3-month bill rate probably would be within a 5-1/4--5-1/2 per cent range over the next several weeks. Upward bill rate pressures could be moderated in the near-term, however, by demands for bills from State and local governments who have just received their January revenue-sharing distribution. In addition, apart from additions to the weekly and monthly bill auctions, the next sizable bill offering is not expected until early March, as noted earlier.

(19) Long-term interest rates may not rise very much under alternative A, but would probably show greater upward adjustments, at least in the short-run, under alternatives B and C. Demands on bond markets can be expected to be generally moderate this month and next. The near-term forward calendar of new corporate and municipal issues is relatively modest in size, although there are indications that the volume could build up in the spring. Mortgage market demands, though remaining large in volume, appear to have crested. Pressures on long-term rates are thus most likely to come from the supply side, as.banks and other institutional investors find that their inflows of funds are dropping off or becoming significantly more expensive--conditions most likely to develop under alternatives B and C. Bank interest in securities and mortgages is likely to be lessened in any event as business loan demands continue strong, partly to help businesses finance the anticipated acceleration in the rate of inventory accumulation.

(20) In addition to prospective credit flows, market psychology will have a particularly important bearing in interest rate developments in the period ahead. The forthcoming budget message, the progress of peace negotiations, and continuing evaluation of the new wage-price program are major factors that will affect investor attitudes. Also, market assessment of the likely course of monetary policy in the wake of the recent discount rate action will be an important influence.

Proposed directives

(21) Presented below are three alternative formulations for the operational paragraph of the directive, which might be taken to correspond to the similarly lettered policy alternatives discussed in the preceding section. In all three alternatives it is proposed to retain a reference to Treasury financing because of the regular February refinancing to be announced on January 31. Retention of the reference to credit market developments is suggested should the Committee wish to take account of the possibility of excessive market reaction to further increases in the funds rate, particularly in connection with alternatives B and C. The credit market reference could also encompass adverse reactions to the discount rate increase should they occur.

Alternative A

To implement this policy, while taking account of THE FORTHCOMING Treasury financing ~~operations~~ and possible credit market developments, the Committee seeks to achieve bank reserve and money market conditions that will support ~~slower~~ SOME MODERATION OF growth in monetary aggregates over the months ahead ~~than-appears indicated-for~~ FROM THE PACE IN the second half of ~~this~~ LAST year.

Alternative B

To implement this policy, while taking account of THE FORTHCOMING Treasury financing ~~operations~~ and possible credit market developments, the Committee seeks to achieve bank reserve and money market conditions that will support slower growth in monetary aggregates over the months ahead than ~~appears-indicated for~~ OCCURRED IN the second half of ~~this~~ LAST year.

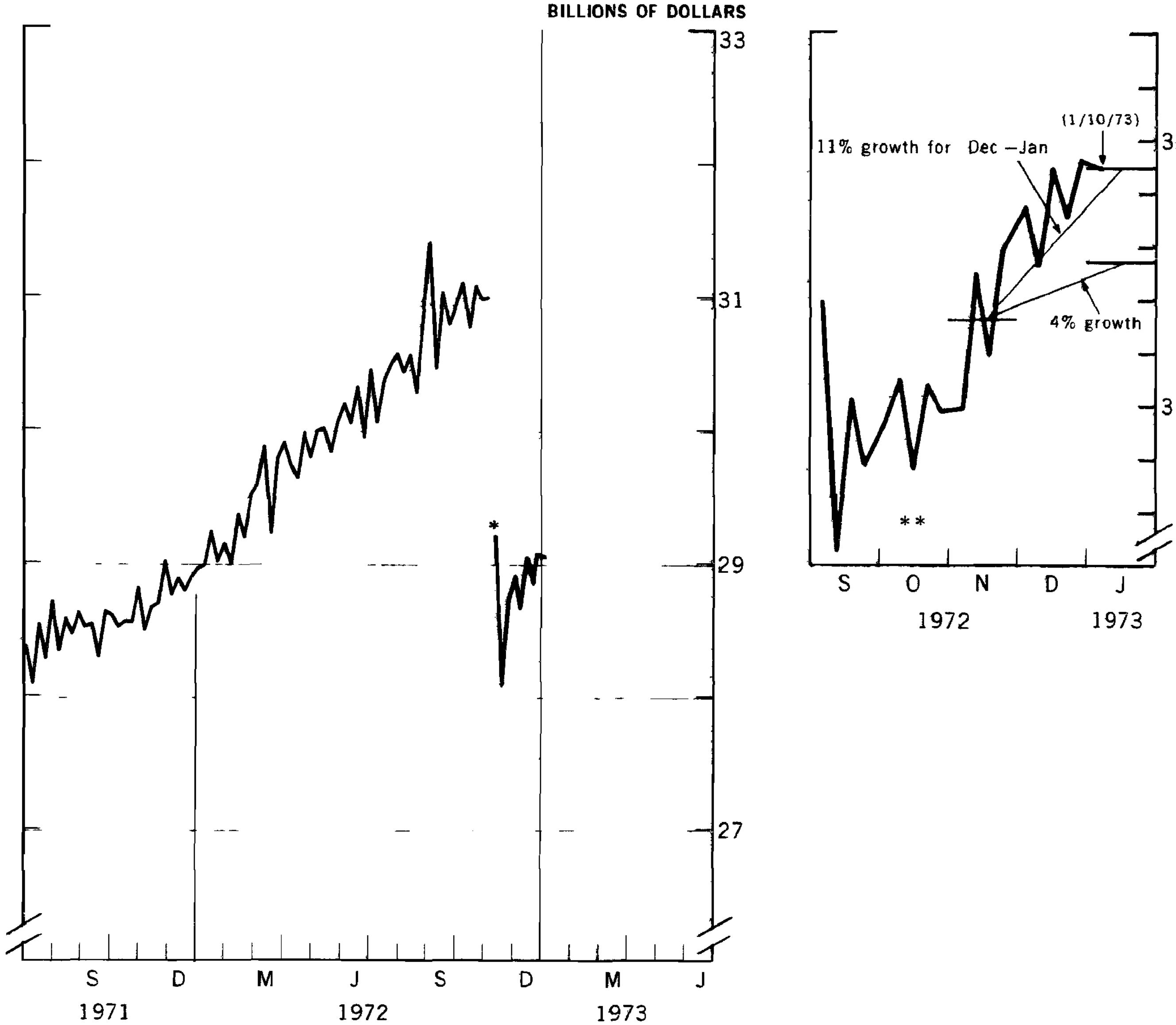
Alternative C

To implement this policy, while taking account of THE FORTHCOMING Treasury financing ~~operations~~ and possible credit market developments, the Committee seeks to achieve bank reserve and money market conditions that will support CONSIDERABLY slower growth in monetary aggregates over the months ahead than ~~appears indicated-for~~ OCCURRED IN the second half of ~~this~~ LAST year.

CHART 1

STRICTLY CONFIDENTIAL(FR)
1/12/73

RESERVES AVAILABLE TO SUPPORT PRIVATE NONBANK DEPOSITS



* Break in Series Actual Level of RPD After Reduction in Reserve Requirements Effective November 9, 1972
** RPD Adjusted to Remove Discontinuity Introduced by Reduction in Reserve Requirements

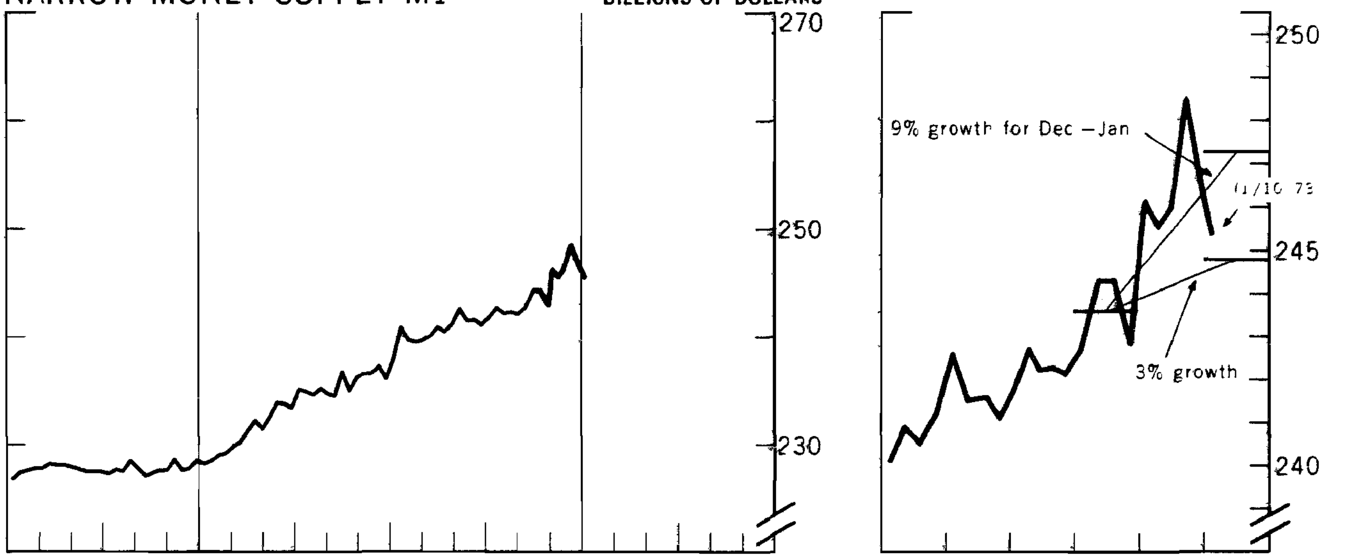
CHART 2

STRICTLY CONFIDENTIAL (FR)
1/12/73

MONETARY AGGREGATES

NARROW MONEY SUPPLY M1

BILLIONS OF DOLLARS



BROADER MONEY SUPPLY M2

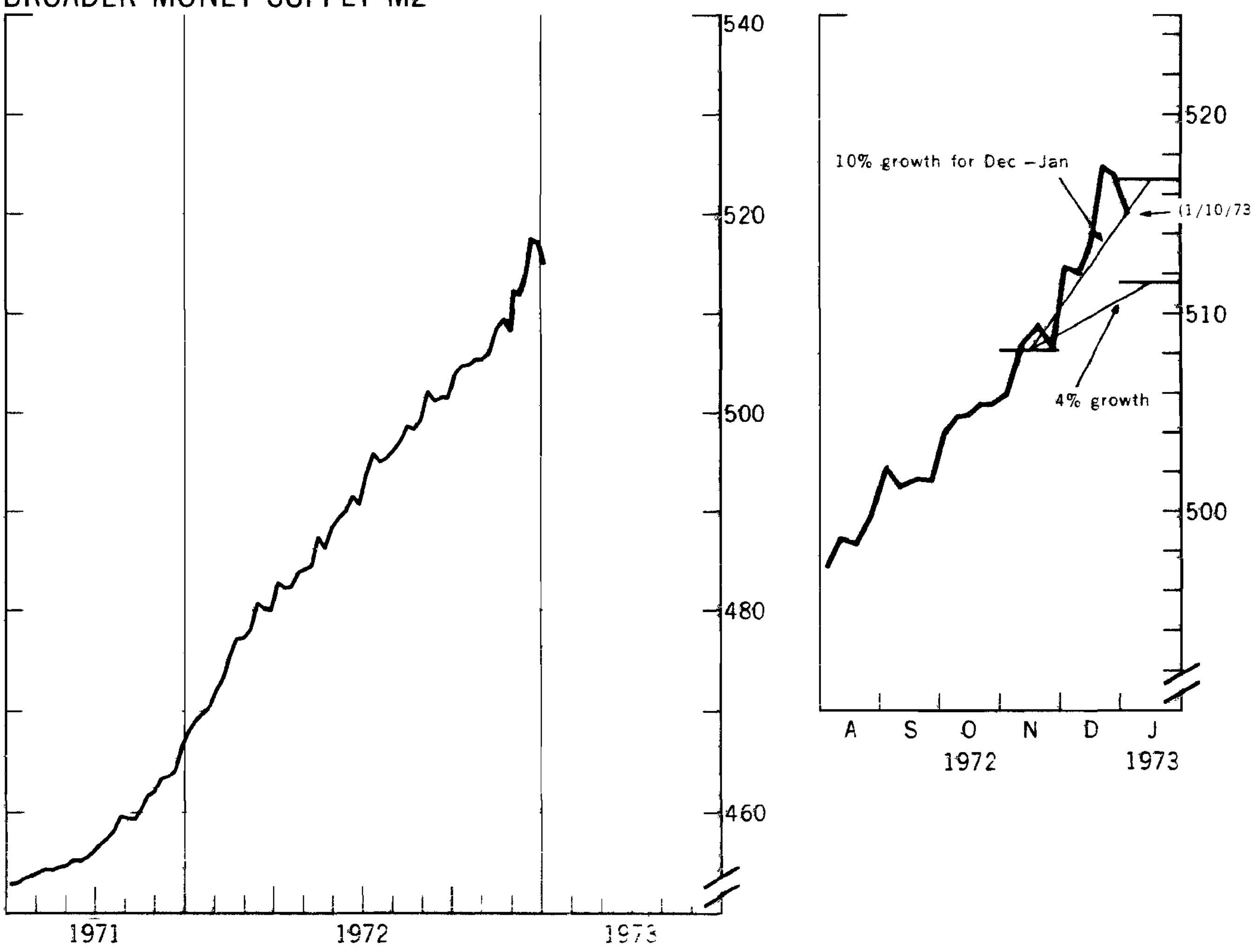
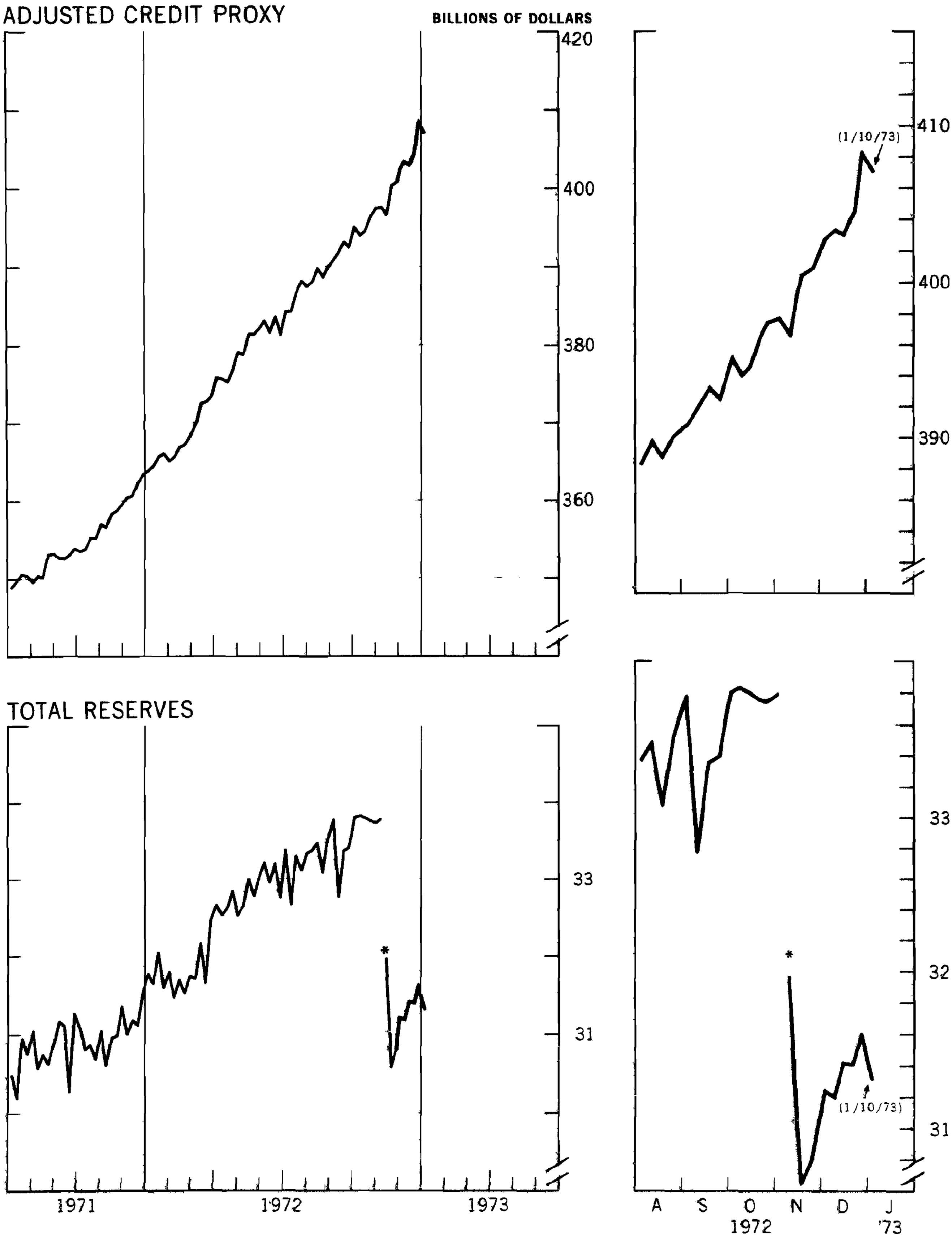


CHART 3

MONETARY AGGREGATES



*Break in series Actual Level of Total Reserves After Reduction in Reserve Requirements Effective November 9 1972

CHART 4

MONEY MARKET CONDITIONS AND INTEREST RATES

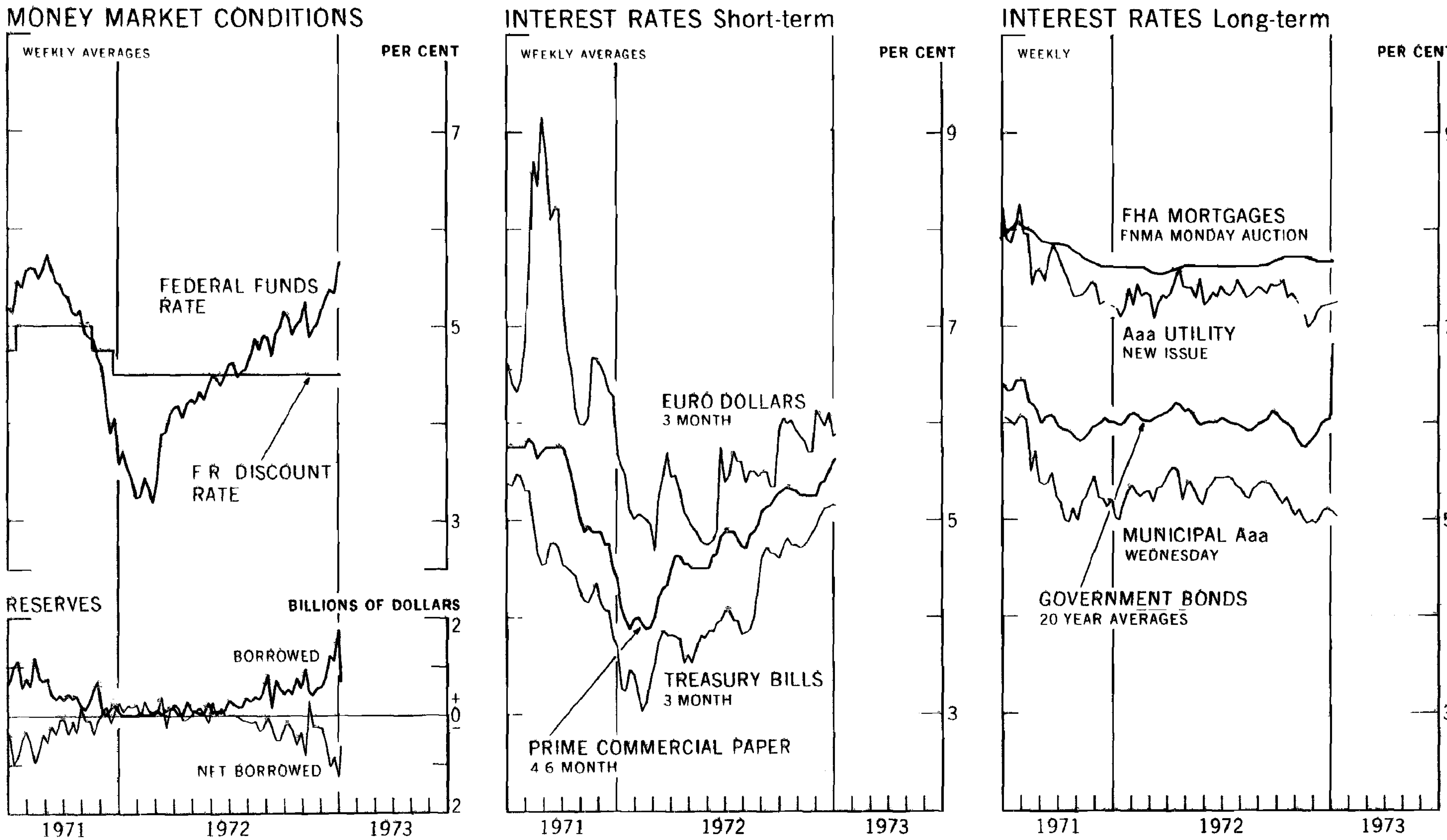


Table 1

STRICTLY CONFIDENTIAL (FR)

Bank Reserves

January 12,1973

Period	Reserves Available for Private Nonbank Deposits: Seasonally Adjusted: Actual and Projected (1)	Reserves Available for Private Nonbank Deposits: Not Seasonally Adjusted: Actual and Projected (2)	Aggregate Reserves (Seasonally Adjusted): Total Reserves (3)	Aggregate Reserves (Seasonally Adjusted): Nonborrowed Reserves (4)	Required Reserves (Seasonally Adjusted): Private Demand (5)	Required Reserves (Seasonally Adjusted): Time and Nondeposits (6)	Required Reserves (Seasonally Adjusted): U.S. Gov't. and Interbank (7)
1972--July	30,365	30,166	33,138	32,924	21,052	9,136	2,774
Aug.	30,555	30,253	33,382	33,016	21,131	9,249	2,826
Sept.	30,903	30,615	33,360	32,802	21,306	9,408	2,457
Oct.	30,975	30,844	33,788	33,205	21,248	9,491	2,813
Nov.	29,311	29,370	31,839	31,188	19,396	9,572	2,529
Dec.	28,917	29,207	31,354	30,212	18,949	9,722	2,437
1973--Jan.	(29,282)	(30,233)	(31,884)	(30,871)	(19,166)	(9,893)	(2,602)
Annual Rates of Change							
1971--4th Qtr.	4.8		2.2	6.8	0.5	16.4	
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	
3rd Qtr.	10.0		3.6	-2.0	8.3	15.4	
4th Qtr.	11.2		14.3	7.4	8.8	13.4	
1973--1st Qtr.	(9.0)		(6.0)	(10.5)	(6.5)	(15.0)	
1972--Aug.	7.5		8.8	3.4	4.5	14.8	
Sept.	13.7		-0.8	-7.8	9.9	20.6	
Oct.	2.8		15.4	14.7	-3.3	10.6	
Nov.	13.6		11.4	9.1	9.2	10.2	
Dec.	16.9		15.7	-1.7	21.5	18.8	
1973--Jan.	(15.0)		(20.5)	(26.0)	(13.5)	(21.0)	
Dec.-Jan. 1/	(15.5)		(17.0)	(11.0)	(17.0)	(20.0)	
Weekly:							
1972--Aug. 2	30,570	30,373	33,340	33,014	21,149	9,176	2,770
9	30,434	30,075	33,368	33,124	21,118	9,217	2,934
16	30,563	30,421	33,481	33,125	21,066	9,244	2,917
23	30,278	30,027	33,090	32,750	21,048	9,253	2,812
30	30,822	30,368	33,544	33,043	21,264	9,293	2,722
Sept. 6	31,397	30,869	33,775	32,938	21,285	9,331	2,378
13	30,457	30,104	32,765	32,617	21,277	9,412	2,308
20	31,025	30,763	33,370	32,586	21,414	9,417	2,345
27	30,794	30,644	33,398	32,815	21,249	9,445	2,604
Oct. 4	30,925	30,890	33,806	33,379	21,293	9,443	2,882
11	31,099	30,661	33,828	33,276	21,230	9,461	2,728
18	30,772	30,891	33,802	33,388	21,241	9,505	3,029
25	31,076	30,771	33,764	32,837	21,258	9,492	2,688
Nov. 1	30,984	31,056	33,741	33,141	21,236	9,539	2,757
8	30,991	30,870	33,788	32,742	21,320	9,555	2,796
15	29,203	29,512	31,966	31,474	18,998	9,554	2,763
22	28,118	28,136	30,630	30,147	18,247	9,576	2,512
29	28,749	28,806	30,790	30,185	18,826	9,598	2,041
Dec. 6	28,904	28,774	31,225	30,594	18,913	9,656	2,320
13	28,684	28,788	31,197	30,290	18,792	9,674	2,512
20	29,038	29,205	31,422	29,979	19,046	9,710	2,384
27	28,855	29,426	31,414	30,345	18,922	9,769	2,559
1973--Jan. 3	29,238	30,214	31,601	29,565	19,156	9,846	2,363
10	29,037	29,795	31,307	30,442	19,143	9,894	2,271

NOTE: Data shown in parentheses are current projections.

1/ At the FOMC meeting December 19, 1972 the Committee agreed on an RPD range of 4 to 11 per cent.

Table 2

STRICTLY CONFIDENTIAL (FR)

Monetary Aggregates
(Actual and current projections, seasonally adjusted)

January 12, 1973

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--July	239.4	495.0	386.3	5.3	293.7	255.6	38.1	3.9
Aug.	240.5	498.3	389.3	4.6	297.1	257.7	39.3	4.2
Sept.	241.6	501.8	392.6	5.3	300.5	260.2	40.3	4.1
Oct.	242.3	505.0	395.5	6.1	303.4	262.7	40.7	4.3
Nov.	243.6	508.2	399.4	7.8	305.9	264.6	41.3	4.3
Dec.	246.8	514.4	404.2	6.5	311.2	267.5	43.7	4.4
1973--Jan.	(248.2)	(519.1)	(408.2)	(6.6)	(315.3)	(270.9)	(44.4)	(4.4)
	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.	8.5	9.3	10.7		13.2	10.1		
4th Qtr.	8.6	10.0	11.8		14.2	11.2		
1973--1st Qtr.	(7.5)	(8.5)	(5.5)		(12.0)	(10.0)		
1972--Aug.	5.5	8.0	9.3		13.9	9.9		
Sept.	5.5	8.4	10.2		13.7	11.6		
Oct.	3.5	7.7	8.9		11.6	11.5		
Nov.	6.4	7.6	11.8		9.9	8.7		
Dec.	15.8	14.6	14.4		20.8	13.2		
1973--Jan.	(7.0)	(11.0)	(12.0)		(16.0)	(15.5)		
Dec.-Jan.	(11.5)	(13.0)	(13.0)		(18.5)	(14.5)		
	Weekly Pattern in Billions of Dollars							
1972--Aug. 2	239.7	496.2	387.5	5.5	295.1	256.5	38.6	4.1
9	240.1	497.1	388.2	6.0	295.6	257.0	38.6	4.1
16	240.9	498.6	389.8	5.6	296.5	257.7	38.8	4.1
23	240.5	498.3	388.7	3.1	297.6	257.8	39.7	4.4
30	241.2	499.8	390.1	3.4	298.9	258.5	40.4	4.1
Sept. 6	242.6	502.2	390.9	4.4	299.4	259.6	39.7	4.0
13	241.5	501.2	391.9	4.9	300.1	259.8	40.4	4.1
20	241.6	501.6	393.2	5.9	300.3	259.9	40.3	4.1
27	241.1	501.5	392.4	4.7	301.2	260.4	40.8	4.2
Oct. 4	241.8	504.0	395.1	6.7	302.6	262.2	40.4	4.2
11	242.7	504.8	394.0	5.2	302.6	262.1	40.5	4.1
18	242.2	504.9	394.6	5.2	303.8	262.7	41.0	4.2
25	242.3	505.4	396.3	6.0	304.1	263.0	41.0	4.5
Nov. 1	242.1	505.4	397.5	7.2	303.9	263.4	40.6	4.6
8	242.7	506.0	397.7	8.0	304.4	263.3	41.1	4.0
15	244.3	508.5	396.6	5.5	305.1	264.3	40.8	4.3
22	244.3	509.4	400.4	7.0	306.7	265.1	41.6	4.4
29	242.8	508.3	401.0	8.8	307.3	265.5	41.8	4.4
Dec. 6	246.1	512.2	402.8	7.8	308.5	266.1	42.4	4.4
13	245.6	512.0	403.3	7.5	309.8	266.4	43.5	4.2
20	246.0	513.6	403.0	4.9	311.9	267.6	44.3	4.4
27 p	248.5	517.2	404.5	4.4	313.4	268.7	44.7	4.6
1973--Jan. 3 p	246.8	516.9	408.3	8.3	313.3	270.1	43.2	4.4
10 pe	245.3	515.0	407.0	7.9	313.7	269.7	44.0	4.0

NOTES: Data shown in parentheses are current projections.
Annual rates of change other than those for the past are rounded to nearest half per cent.

pe - Partially estimated.

Table 3

RESERVE EFFECTS OF
OPEN MARKET OPERATIONS AND OTHER RESERVE FACTORS
(Millions of dollars, not seasonally adjusted)

	Open Market Operations 1/					Daily Average Reserve Effect 2/			Δ in reserve categories		Δ Target
	Bills & Accept.	Coupon Issues	Agency Issues	RP's Net 3/	Total	Open Market Operations	Δ Member Bank Borrowing	Other Factors 4/	req. res. against U.S.G. and interb.	available res. 5/ (6)+(7)+(8)-(9)	available reserves 5/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Monthly											
1972 - July	-543	--	-26	--	-570	463	108	- 89	145	337	360
Aug.	-906	116	- 3	816	22	-238	237	135	- 60	194	100
Sept.	-158	--	-35	-816	-1,009	-1,617	76	1,370	-403	232	405
Oct.	111	116	-22	--	205	1,124	59	- 378	485	320	335
Nov.	-548	-51	157	--	- 442	- 226p	32p	-1,766p	-478p	-1,483p	-1,520
Dec.	450	-135	134	147	596	- 32p	444p	- 939p	-198p	- 329p	- 300
1973 - Jan.											815
Feb.											
Weekly											
Nov. 1	- 75	--	- 9	-1,028	-1,111	117	-210	242	-136	285	
8	- 3	--	--	1,084	1,081	600	404	-1,014	176	-186	
15	- 26	-51	--	-3,311	-3,389	-599	-465	- 498	-204	-1,358	
22	-415	--	166	2,259	2,010	-307	- 75	-1,211	-217	-1,376	
29	-105	--	--	- 694	- 799	-219	153	255	-481	670	
Dec. 6	229	--	--	193	422	671	17	- 407	313	- 32	
13	288	--	-14	1,939	2,213	-428	216	271	45	14	
20	- 42	-135	--	-1,325	-1,502	507p	416p	- 583p	- 77p	417p	
27	-294	--	149	-1,772	-1,918	-790p	-101p	1,020p	- 94p	223p	
Jan. 3	514	--	--	3,680	4,194	1,145p	631p	-770p	396p	610p	
10	152	--	--	-2,375	-2,223	-150p	-1,060p	-1,106p	141p	-245p	
17											
24											
31											

1/ Represents change in System's portfolio from end-of-period to end-of-period; includes redemptions in regular bill auctions.
2/ Represents change in daily average level from preceding period.
3/ Includes matched sale-purchase transactions as well as RP's.
4/ Sum of changes in vault cash, currency in circulation, Treasury operations, F.R. float, gold and foreign accounts, and other FR accounts.
5/ Reserves to support private nonbank deposits. Target change for December and January reflects the mid-point of the target range adopted at the December 19, 1972 FOMC meeting. Target change for previous months reflects the bluebook patterns that are consistent with the mid-points of target ranges that were adopted during the month.

Table 4

SECURITY DEALER POSITIONS AND BANK RESERVES
Millions of Dollars

Period	U.S. Govt. Security Dealer Positions		Other Security Dealer Positions		Member Bank Reserve Positions				
	Bills	Coupon Issues	Corporate Bonds	Municipal Bonds	Excess Reserves	Borrowings at FRB	Net Free Reserves	Basic Reserve Deficit 8 New York	Basic Reserve Deficit 38 Other
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1971 -- High	4,733	2,834	337	556	590	1,180	202	-4,714	-5,499
Low	1,350	343	0	30	- 61	84	-988	-1,545	-2,569
1972 -- High	4,291	1,585	235	383	796	1,223	380	-5,635	-5,720
Low	1,916	- 93	0	40	-133	12	-1,070	-1,638	-1,910
1971 -- Dec.	2,544	1,761	170	251	165	107	50	-2,791	-4,375
1972 -- Jan.	3,004	1,416	135	206	173	20	153	-2,667	-4,192
Feb.	2,408	1,176	149	136	124	33	91	-3,203	-3,072
Mar.	3,489	604	101	185	249	99	150	-3,208	-3,522
Apr.	2,612	274	46	99	136	109	27	-3,026	-3,299
May	2,792	675	123	134	104	119	- 15	-2,625	-2,652
June	2,694	205	87	260	204	94	110	-2,828	-2,864
July	2,262	97	142	166	147	202	- 55	-2,945	-2,603
Aug.	2,643	692	114	176	255	438	-183	-3,913	-2,801
Sept.	4,099	170	53	174	162	514	-352	-3,835	-4,024
Oct.	2,887	207	105	132	247	574		-3,637	-4,044
Nov.	3,096	1,039	84	191	314	606p	-292	-4,561	-3,622
Dec.	*3,510	* 953	58	291	200p	1,050p	-850p	-4,977	-4,958
1972 -- Nov. 1	3,114	328	0	173	205	555	-350	-3,272	-3,225
8	2,520	1,095	31	254	124	959	-835	-4,475	-3,676
15	2,531	1,117	36	126	786	494	292	-4,902	-3,707
22	3,116	1,079	121	136	189	419	-230	-4,727	-3,281
29	4,158	1,001	174	249	340	572	-232	-4,329	-3,709
Dec. 6	3,899	938	85	322	336	589	-253	-4,233	-4,415
13	3,564	975	108	383	244	805	-561	-5,602	-4,647
20	*3,114	* 849	19	260	206	1,221	-1,015	-4,899	-5,476
27	*3,520	*1,107	19	197	257p	1,120p	- 863p	-4,781	-5,445
1973 -- Jan. 3	*3,718	* 871	19	142r	486p	1,751p	-1,265p	-5,001p	-4,338p
10	*3,212	* 843	115p	100p	60p	691p	- 631p	-5,316p	-5,899p
17									
24									
31									

Notes: Government Security dealer trading positions are on a commitment basis. Trading positions, which exclude Treasury bills financed by repurchase agreements maturing in 16 days or more, are indicators of dealer holdings available for sale over the near-term. Other security dealer positions are debt issues still in syndicate, excluding trading positions. The basic reserve deficit is excess reserves less borrowing at Federal Reserve less net Federal funds purchases. Weekly data are daily averages for statement weeks, except for corporate and municipal issues in syndicate which are Friday figures.

*STRICTLY CONFIDENTIAL

CONFIDENTIAL (FR)

JANUARY 12, 1973

Table 5

SELECTED INTEREST RATES

Per cent

Periods	Short-term					Long-term			
	Federal Funds	Treasury bills 90-day	Treasury bills 1-year	90-119 day Commercial Paper	90-119 day CD's Prime-NYC	New Issue Aaa Utility*	Municipal Bond Buyer	U.S. Gov't. (10-Yr. Constant Maturity	FNMA Auction Yields
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1971 -- High	5.73	5.47	5.94	5.88	5.75	8.26	6.23	6.89	8.07
Low	3.29	3.32	3.53	4.00	3.63	7.02	4.97	5.42	7.32
1972 -- High	5.38	5.13	5.52	5.50	5.50	7.60	5.54	6.58	7.72
Low	3.18	3.03	3.60	3.75	3.50	6.99	4.96	5.87	7.54
1971 -- Dec.	4.14	4.01	4.40	4.66	4.58	7.28	5.21	5.93	7.62
1972 -- Jan.	3.50	3.38	3.82	4.03	3.81	7.21	5.12	5.95	7.61
Feb.	3.29	3.20	4.06	3.81	3.53	7.34	5.29	6.08	7.61
Mar.	3.83	3.73	4.43	4.10	3.98	7.24	5.31	6.07	7.55
Apr.	4.17	3.71	4.65	4.55	4.47	7.45	5.43	6.19	7.58
May	4.27	3.69	4.46	4.45	4.33	7.38	5.31	6.13	7.63
June	4.46	3.91	4.71	4.60	4.50	7.32	5.34	6.11	7.62
July	4.55	3.98	4.90	4.83	4.75	7.38	5.41	6.11	7.62
Aug.	4.80	4.02	4.90	4.75	4.78	7.37	5.30	6.21	7.63
Sept.	4.87	4.66	5.44	5.07	5.00	7.40	5.36	6.55	7.64
Oct.	5.04	4.74	5.39	5.21	5.19	7.38	5.19	6.48	7.71
Nov.	5.06	4.78	5.20	5.18	5.13	7.09	5.02	6.28	7.70
Dec.	5.33	5.07	5.28	5.40	5.38	7.15	5.05	6.36	7.67
1972 -- Nov. 1	5.06	4.74	5.34	5.15	5.13	7.27	5.04	6.37	7.72
8	5.25	4.71	5.17	5.13	5.13	--	5.10	6.29	--
15	4.89	4.74	5.18	5.13	5.13	7.12	5.01	6.25	7.71
22	4.97	4.79	5.17	5.23	5.13	6.99	4.96	6.26	--
29	5.03	4.87	5.26	5.25	5.13	7.05	4.99	6.29	7.69
Dec. 6	5.17	4.94	5.25	5.28	5.25	7.15	4.96	6.31	--
13	5.29	5.05	5.27	5.28	5.25	7.21	5.03	6.35	7.67
20	5.38	5.12	5.21	5.45	5.38	--	5.10	6.40	--
27	5.34	5.13	5.31	5.50	5.50	--	5.11	6.40	7.67
1973 -- Jan. 3	5.61	5.16	5.45	5.63	5.50	--	5.08	6.42	--
10	5.66	5.15	5.42	5.63	5.63	7.25	5.03	6.42p	7.68
17									
24									
31									

Notes: Weekly data for columns 1 to 4 are statement week averages of daily data. Column 5 is a one-day Wednesday quote. For columns 6 and 8 the weekly data is the mid-point of the calendar week over which data are averaged. Column 7 is a one-day quote for the Thursday following the end of the statement week. Column 9 gives FNMA auction data for the Monday preceding the end of the statement week. The FNMA auction yield is the implicit yield in weekly or bi-weekly auction for short-term forward commitments for Government underwritten mortgages.

*New series--Corporate New Issues Aaa series discontinued.

Appendix Table I

RESERVES AND MONETARY VARIABLES

CONFIDENTIAL (FR)

January 12, 1973

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)	(14)
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	-7.8	-0.3
1972	+10.6	+7.5	+10.1	+8.2	+10.7	+12.8	+11.7	+14.0	+15.3	+13.2	+16.6	+10.2	+0.4	+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	+7.4	+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	+12.8	+15.6	+14.7	+17.9	+3.7	-0.3	-0.8
2nd Half 1972	+9.0	+2.7	+10.7	+8.6	+9.8	+11.5	+11.4	+14.2	+14.0	+10.8	+14.0	+6.6	+0.6	+1.1
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	+15.7	+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	+9.5	+15.7	+11.8	+14.5	+3.7	--	-0.8
3rd Qtr. 1972	+3.6	-2.0	+10.0	+8.5	+9.3	+11.6	+10.7	+13.6	+13.2	+10.1	+15.7	+3.2	+0.3	--
4th Qtr. 1972	+14.3	+7.4	+11.2	+8.6	+10.0	+11.0	+11.8	+14.4	+14.2	+11.2	+11.9	+3.3	+0.3	+1.1
1971: 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	+19.9	+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	+5.4	+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	+14.7	+70.0	+17.8	+12.6	+10.6	+1.6	+0.2	--
June	+8.4	+8.8	+7.9	+5.6	+10.6	+11.5	+4.7	+2.3	+16.3	+14.8	+16.6	+0.8	--	-2.1
July	+2.9	-1.6	+8.6	+14.2	+11.3	+13.5	+12.2	+10.2	+11.6	+8.5	+18.3	+1.0	+0.1	--
Aug.	+8.8	+3.4	+7.5	+5.5	+8.0	+10.7	+9.3	+18.3	+13.9	+9.9	+12.3	+1.2	+0.3	-0.7
Sept.	-0.8	-7.8	+13.7	+5.5	+8.4	+10.4	+10.2	+11.9	+13.7	+11.6	+15.8	+1.0	-0.1	+0.7
Oct.	+15.4	+14.7	+2.8	+3.5	+7.7	+10.4	+8.9	+11.4	+11.6	+11.5	+13.5	+0.4	+0.2	+0.7
Nov.	+11.4	+ 9.1	+13.6	+6.4	+7.6	+9.1	+11.8	+20.6	+9.9	+8.7	+11.0	+0.6	--	+1.8
Dec p	+15.5	-1.7	+16.9	+15.8	+14.6	+13.3	+14.4	+10.7	+20.8	+13.2	+10.9	+2.3	+0.1	-1.4

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.

Appendix Table II

CONFIDENTIAL (FR)

January 12, 1973

RESERVES AND MONETARY VARIABLES
(Seasonally adjusted, billions of dollars)

Period	Reserves			Money Stock Measures				Bank Credit Measures		Other					
	Total	Non-borrowed	Available to Support Pvt Deposits	M_1 Total	M_1 Pvt. Dep.	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
	(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	507.8	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	510.1	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	518.6	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	519 8	290.9	253.8	275.7	37.1	3.8	5.3
July	33 138	32 924	30.365	239.4	184.5	495 0	774.7	386.3	524.2	293.7	255.6	279.7	38.1	3 9	5.3
Aug	33.382	33 016	30.555	240.5	185.5	498.3	781.6	389.3	532.2	297.1	257.7	283.3	39.3	4.2	4.6
Sept	33.360	32.802	30.903	241.6	186.1	501.8	788 4	392.6	537.5	300.5	260.2	286.6	40.3	4.1	5.3
Oct	33.788	33 205	30.975	242.3	186.5	505.0	795.2	395.5	542.6	303.4	262.7	290.1	40.7	4 3	6.1
Nov	31 839	31.188	29.311	243.6	187.3	508 2	801.2	399.4	551.9	305.9	264.1	293.1	41.3	4.3	7.8
Dec p	31.354	30.212	28.917	246 8	190.0	514.4	810.1	404.2	556.8	311.2	267.5	295.8	43.7	4.4	6.5
Weekly															
1972--Sept 6	33.775	32.938	31.397	242.6	187 3	502.2		390.9		299.4	259.6		39 7	4.0	4.4
13	32 765	32.617	30.457	241.5	186 0	501 2		391.9		300.1	259 8		40.4	4.1	4.9
20	33 370	32.586	31.025	241.6	186 1	501 6		393.2		300.3	259.9		40.3	4.1	5.9
27	33 398	32.815	30.794	241 1	185 5	501.5		392 4		301.2	260.4		40.8	4.2	4.7
Oct 4	33 806	33.379	30 925	241.8	186 3	504.0		395.1		302.6	262.2		40.4	4.2	6.7
11	33 828	33 276	31 099	242 7	186 8	504.8		394.0		302.6	262.1		40.5	4.1	5.2
18	33 802	33.388	30 772	242.2	186.3	504.9		394.6		303.8	262.7		41.0	4.2	5.2
25	33.764	32.837	31.076	242.3	186.3	505.4		396.3		304.1	263.0		41.0	4.5	6.0
Nov 1	33.741	33 141	30 984	242.1	186.2	505.4		397.5		303.9	263.4		40.6	4.6	7.2
8	33 788	32.742	30.991	242.7	186.5	506.0		397.7		304.4	263.3		41.1	4.0	8.0
15	31.966	31.474	29.203	244 3	188.0	508.5		396.6		305.1	264.3		40.8	4.3	5.5
22	30 630	30.147	28.118	244 3	187.8	509.4		400.4		306.7	265.1		41.6	4.4	7.0
29	30.790	30.185	28 749	242.8	186 4	508.3		401 0		307.3	265.5		41.8	4.4	8 8
Dec 6	31 225	30 594	28 904	246.1	189 7	512 2		402.8		308.5	266.1		42.4	4.4	7 8
13	31 197	30 290	28 684	245 6	188 8	512 0		403 3		309 8	266 4		43 5	4 2	7 5
20	31 422	29 979	29.038	246 0	189 0	513 6		403 0		311 9	267.6		44 3	4 4	4 9
27 p	31 414	30 345	28 855	248 5	191 5	517 2		404 5		313 4	268 7		44 7	4 6	4 4
Jan 3 p	31.601	29.565	29.238	246.8	190.3	516.9		408.3		313.3	270.1		43.2	4.4	8.3

NOTE 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 M_3, total loans and investments and thrift institution deposits

p = Preliminary

Appendix A

REVISIONS IN THE M_1 SERIES

The narrow money stock series--M_1 has been revised to reflect:

(1) benchmark adjustments for domestic nonmember banks;
(2) benchmark adjustments to incorporate additional international banking institutions;
(3) the impact of the revised regulation J; and
(4) new seasonal factors.

These revisions will be described below. It should be noted, however, that the revised M_1 series, as well as revisions in the other aggregates, will not be released to the public until early February because final revisions to credit proxy and reserve series are as yet incomplete. Beginning January 19, data supplied for internal System purposes only will include the new M_1 and M_2 series, as well as other revised series as they are completed. Thus, for approximately two weeks the Committee will be receiving revised data while public releases will show the series on the present basis. The revised series will be supplied to the public in a press release, with detailed technical explanations provided in the Federal Reserve Bulletin for February.

SEASONAL FACTORS

The seasonal factor revisions, incorporating the effect of 1972 developments, are minor. No changes were made in seasonal factors for January, March, or any month in the second quarter for the demand deposit component seasonal factors. The seasonal factors for each month in the third quarter were raised slightly, reducing the level of the seasonally adjusted series, and the factors for February and each month in the fourth quarter were reduced somewhat. Minor changes also occurred in the seasonal factors for currency. In general, these were raised for the second and third quarter months and lowered for the first and fourth quarter months. For 1972 data, the seasonal adjustment revision alone reduces the third quarter seasonally adjusted annual rate of growth of M_1 by 0.2 percentage points and increases the fourth quarter growth rate by 0.8 percentage points. In no month are annual rates of growth changed by more than 2.0 percentage points (annual rate) by the new seasonal factors taken alone.

LEVEL ADJUSTMENTS

Other adjustments significantly increase the level of the M_1 series back to 1959. The amount of the level adjustment is $300 million in 1959 and increases to $9.5 billion at the end of 1972. Appendix Chart 1 compares the level of the old and new seasonally adjusted series weekly for 1971-72. Appendix Table A-1 displays the components of the level adjustment for three recent dates.

Benchmark revisions for domestic banks. M_1 estimates are based initially on member bank data with estimates made for nonmember banks based on historical relationships between country member banks and nonmember banks. These nonmember estimates are then revised when call report data become available. Based on December 1971 and June 1972 call report information, the past relationship between nonmember and country bank data (deposits and vault cash) did not hold in the first half of 1972, leading to an underestimation of M_1 growth at nonmember banks over the year ending in June 1972, and probably in the second half of 1972 as well. As shown in Appendix Table 1, the level of M_1 has been increased by about $1 billion at the end of 1971 and by $1.9 billion at the end of 1972.

Foreign Banking Institutions. In December 1970, the M_1 series was revised to incorporate the impact of foreign banking institutions operating in the U.S. This adjustment eliminated the overstatement of cash items (understatement of M_1) associated with the clearings of these banks and also added their M_1 type balances to the money supply series. At that time, data for a few New York City institutions were not available. The new series now incorporates the impact of these institutions on the M_1 series. As shown in Appendix Table A-1, this revision increases the narrow money stock by about $3 billion in 1972, and by lesser amounts back to 1959.

Regulation J revisions. Prior to the November 9 revision of Regulation J, the M_1 series had been biased downward by the timing of bank payment for Federal Reserve cash letters. This downward bias was eliminated by the revision in Regulation J which reduced cash items and float, two items deducted from gross demand deposits in the calculation of M_1. Since Regulation J went into effect, the staff has been adjusting M_1 data to remove the effect of the regulatory-induced changes in cash items and float. The new series uses actual data after November 9 but reduces cash items and float prior to November 9 to remove a one time break in M_1 associated with the change in Regulation J. This adjustment has been carried back to 1959.

PRELIMINARY

Appendix Table A-1

Components of Revision in M_1
Not Seasonally Adjusted
(Millions of dollars)

	Dec. 1971	June 1972	Dec. 1972
Benchmark			
Domestic nonmember banks1/	985	1,633	1,695
Foreign institutions2/	2,795	2,887	3,024
Regulation J3/	4,468	4,396	4,487
Total	8,248	8,916	9,206

1/ Includes benchmark adjustment for nonmember bank demand deposits liabilities and holdings of vault cash, based on December, 1971 and June, 1972 Call Reports of condition.
2/ Adjustment for overstatement of cash items associated with clearance of checks for a few New York City foreign banking operations and the addition of M_1-type liabilities for these institutions.
3/ Adjustment for cash items and float reduction resulting from amended Regulation J. Actual data after November 9, 1972 and estimated from reserve bank data prior to November 9, 1972.

The Regulation J increase in the level of M_1 is estimated to be about $500 million in December 1959, growing to about $4.5 billion in 1972, as shown in Appendix Table A-1. This adjustment adds an average about .1 percentage point per year to the growth in M_1 since 1959.

ANNUAL RATES OF CHANGE

While the level of M_1 is raised $8 - $9 billion in 1972, and less for previous years, the combined effect of the level adjustments and new seasonal factors on annual rates of change are small. Comparison of rates of change in the old and new series for recent periods is shown in Appendix Table A-2.

For annual data, the biggest recent changes occur in 1970 and 1971, which are raised by 0.6 and 0.7 percentage points, respectively. Semi-annual growth rates for 1972 are changed little, but the second half of 1971 is raised by 1.0 percentage point. In 1972, quarterly growth rates are lowered slightly in the first and third quarters and raised in the second and fourth quarters. The fourth quarter of 1971 is raised significantly.

Changes in the 1972 monthly pattern are shown in the right panel of Appendix Table A-2. Three months--February, September, and October--are increased by more than 2 percentage points at an annual rate. Reduction exceeding 2 percentage points occurred in January, July, August, and December.

Finally, for the December-January period the staff's projected M_1 growth is 11-1/2 per cent (annual rate) on the old basis and 10 per cent (annual rate) in the new series.

PRELIMINARY

Appendix Table A-2

Comparison of Seasonally Adjusted Annual Rates of Growth of M_1
Old and Revised Series

	Old	Revised	Difference
Annual :			
1968	7.8	7.8	0
1969	3.2	3.6	0.4
1970	5.4	6.0	0.6
1971	6.2	6.9	0.7
1972	8.2	8.2	0.0
Semi-annual:			
1970-I	5.6	6.1	0.5
II	5.2	5.7	0.5
1971-I	10.0	10.1	0.1
II	2.4	3.4	1.0
1972-I	7.4	7.6	0.2
II	8.6	8.6	0.0
Quarterly:			
1971-I	9.1	8.9	-0.2
II	10.6	11.1	0.5
III	3.7	4.1	0.4
IV	1.1	2.7	1.6
1972-I	9.3	9.1	-0.2
II	5.3	6.0	0.7
III	8.5	8.1	-0.4
IV	8.6	8.8	0.2

	Old	Revised	Difference
Monthly:			
1971-Oct.	0.5	4.1	3.6
Nov.	0	1.5	1.5
Dec.	2.6	2.5	-0.1
1972-Jan.	3.2	1.0	-2.2
Feb.	12.6	15.2	2.6
Mar.	11.9	11.0	-0.9
Apr.	7.7	6.9	-0.8
May	2.6	4.4	1.8
June	5.6	6.4	0.8
July	14.2	12.2	-2.0
Aug.	5.5	3.4	-2.1
Sept.	5.5	8.7	3.2
Oct.	3.5	7.2	3.7
Nov.	6.4	5.7	-0.7
Dec.	15.8	13.3	-2.5
1973-Jan.^{pe}	7.0	7.0	0.0
(Memo: Dec., 1972-Jan., 1973)^{pe}			
	11.5	10.0	-1.5

APPENDIX CHART 1

STRICTLY CONFIDENTIAL (FR)
1/12/73

TOTAL MONEY STOCK
SEASONALLY ADJUSTED