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MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

June 16, 1978

MONETARY AGGREGATES AND
MONEY MARKET CONDITIONS

Recent developments

(1) Growth in M-1 slowed to an annual rate of 6.3 per cent in May, reflecting in part the unwinding of tax-related factors that had contributed to a sharp acceleration of this aggregate in April. However, data available by mid-June suggested that M-1 growth may accelerate to an $8\frac{1}{2}$ per cent annual rate in June, bringing growth over the May-June period to an estimated $7\frac{1}{2}$ per cent rate, just below the upper limit of the Committee's 3 to 8 per cent short-run operating range.^{1/} Growth of M-2 in the May-June period is projected at a $7\frac{1}{2}$ per cent annual rate, as compared with the 4 to 9 per cent range adopted by the FOMC. Flows into savings deposits at banks slowed in May, but this decline was offset by a sharp rise in large-denomination time deposits included in M-2. Although deposit inflows at thrift institutions accelerated somewhat in May, they remained substantially below the pace of last year.

^{1/} These figures do not incorporate the benchmark revisions based on recently available December 1977 Call Report data for nonmember banks; the revised aggregates will be published on June 22. As shown in Appendix Table III, the benchmark revision increases the growth rates for M-1 and M-2 by an average of about three-tenths of a percentage point in the fourth quarter of 1977 and the first two quarters of 1978. All tables on subsequent pages of this report (with the exception of the first table following the appendices) are based on the revised series.

Growth in Monetary Aggregates
over May-June Period

	<u>Ranges</u>	<u>Latest Estimates</u>	
M-1	3 to 8	7.5	
M-2	4 to 9	7.5	
Memo: Federal funds rate (per cent per annum)	7½ to 7¾	Avg. for statement week ending	
		May 17	7.34
		24	7.43
		31	7.36
		June 7	7.47
		14	7.49

(2) In accordance with the Committee's instructions, the Account Manager sought a slight firming in the Federal funds rate to 7½ per cent in the days immediately following the May meeting. The target rate for Federal funds has been maintained at this level in subsequent weeks as incoming data, until recently, suggested that growth in both M-1 and M-2 would be well below the upper limits of the Committee's ranges. While M-1 strengthened most recently, the Committee concurred in the Chairman's recommendation to hold the funds rate at 7½ per cent in view of the proximity of the forthcoming FOMC meeting. The rapid growth in deposits in April and early May and the decline in average member bank borrowing since the discount rate was raised in mid-May have increased member bank demand for nonborrowed reserves, which are expected to rise at a 9½ per cent annual rate over May and June.

(3) Short-term interest rates generally have increased from 15 to 60 basis points since the last meeting. The largest increases were on CD's and commercial paper, reflecting strong short-term business credit demands. In May, bank loans to businesses

rose at a 33 per cent annual rate. Although bond issuance by corporations remained close to the moderate pace of earlier months this year, long-term yields rose 5 to 20 basis points over the same period, apparently in response to the rise in short-term rates and renewed concern about the prospects for inflation. After paying down debt earlier in the second quarter, the Treasury returned to the credit markets following the May FOMC meeting to raise new cash through the sale of \$2.6 billion of 4-year notes and \$6.0 billion of short-term cash management bills timed to mature after the June tax date. In addition, the Federally-sponsored housing agencies have stepped up their demands on credit markets; both the FHLB and FNMA raised substantial amounts of new cash in conjunction with refundings of outstanding debt in late May and early June. Bond issuance by State and local governments, on the other hand, has fallen off substantially since mid-May; nearly all this decline has been accounted for by a reduction of advance refunding operations, which were curtailed after the May 16 effective date of the new IRS ruling.

(4) The increase in business loan growth led to an acceleration of total bank lending in May. However, banks kept their holdings of investment securities about unchanged, following a surge in April, and, consequently, growth in total bank credit slowed somewhat in May. But, with the slowing of both the growth of demand deposits and interest-bearing deposits subject to regulatory ceilings, banks sharply increased their issuance of large CD's.

(5) Conditions in mortgage markets have continued to tighten, with two-thirds of savings and loans reporting funds in short supply. The average rates on primary conventional mortgages have risen one-

eighth of a percentage point to 9.70 per cent since mid-May and ceilings on FHA/VA mortgages were raised to 9 per cent. In almost half of the states, usury ceilings have been constraining origination of conventional mortgages, prompting more stringent non-rate terms, or giving rise to larger discounts where not prohibited by law.

(6) The table on the next page shows percentage annual rates of change in related monetary and financial flows over various time periods.

	1976 & 1977 Average	Past Twelve Months May '78 over May '77	Past Six Months May '78 over Nov. '77	Past Three Months May '78 over Feb. '77	Past Month May '78 over Apr. '77
Nonborrowed reserves	2.5	4.3	5.6	-4.9	-10.4
Total reserves	3.2	7.1	7.4	3.9	11.0
Monetary Base	7.7	9.2	9.2	7.8	12.3
<u>Concepts of Money</u>					
M-1 (Currency plus demand deposits) <u>1/</u>	6.8	8.0	7.9	9.8	6.6
M-2 (M-1 plus time deposits at commercial banks other than large CD's)	10.4	8.6	7.6	8.2	7.2
M-3 (M-2 plus deposits at thrift institutions)	12.3	9.9	7.8	7.8	7.1
M-4 (M-2 plus CD's)	8.6	10.9	10.7	10.9	11.3
M-5 (M-3 plus CD's)	11.1	11.3	9.7	9.5	9.7
<u>Bank Credit</u>					
Loans and investments of all commercial banks <u>2/</u>					
Month-end basis	9.8	11.5	11.8	14.0	15.7
Monthly average	9.5	11.7	10.4	10.7	11.1
<u>Short-term Market Paper</u> (Monthly average change in billions)					
Large CD's	-0.4	2.0	2.7	2.6	3.7
Nonbank commercial paper	0.2	0.2	0.2	0.6	-0.1

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

2/ Includes loans sold to affiliates 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 derived from either end-of-month or Wednesday statement date figures. Growth rates for reserve measures in this and subsequent tables are adjusted to remove the effect of discontinuities from breaks in the series when reserve requirements are changed.

Prospective developments

(7) The table below presents for Committee consideration two alternative sets of specifications for the monetary aggregates and the Federal funds rate for the forthcoming intermeeting period.^{1/} (More detailed and longer-term data for the aggregates are shown in the tables on pp. 7 and 8.)

	<u>Alt. A</u>	<u>Alt. B</u>
Ranges for June-July		
M-1	7 to 11	6½ to 10½
M-2	7 to 11	6½ to 10½
Federal funds rate (intermeeting period)	7½ to 7¾	7½ to 8

(8) Growth in M-1 is expected to accelerate over the June-July period in reflection of the relatively strong underlying demand for money associated with the prospective increase in nominal economic activity. Alternative A specifies a range for the Federal funds rate around its recently prevailing level of 7½ per cent and is expected to be associated with M-1 growth in a 7 to 11 per cent annual rate range over the forthcoming two-month period. The staff projection implies that growth in M-1 over the second quarter will be at a 9½ per cent annual rate, and that in July this aggregate

^{1/} The ranges are based on the newly benchmarked series for the monetary aggregates. (See Appendix III.)

Alternative Levels and Growth Rates for Key Monetary Aggregates

		<u>M-1</u>		<u>M-2</u>	
		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. A</u>	<u>Alt. B</u>
1978	May	348.2	348.2	834.7	834.7
	June	350.9	350.8	841.0	840.7
	July	353.4	353.1	847.0	846.3
1978	QI	340.3	340.3	818.2	818.2
	QII	348.5	348.4	835.1	835.0
	QIII	354.0	353.7	851.1	850.3
	QIV	355.8	355.7	864.2	863.5
1979	QI	358.1	358.1	878.1	877.6
<u>Growth Rates</u>					
<u>Monthly:</u>					
1978	June	9.3	9.0	9.1	8.6
	July	8.5	7.9	8.6	8.0
<u>Quarterly Average:</u>					
1978	QII	9.6	9.5	8.3	8.2
	QIII	6.3	6.1	7.7	7.3
	QIV	2.0	2.3	6.2	6.2
1979	QI	2.6	2.7	6.4	6.5
<u>Semi-Annual:</u>					
	QI '78-QIII '78	8.1	7.9	8.0	7.8
	QIII '78-QI '79	2.3	2.5	6.3	6.4
<u>Annual:</u>					
	QI '78-QI '79	5.2	5.2	7.3	7.3

Alternative Levels and Growth Rates for Key Monetary Aggregates (cont'd)

		<u>M-3</u>		<u>Bank Credit</u>	
		<u>Alt. A</u>	<u>Alt. B</u>	<u>Alt. A</u>	<u>Alt. B</u>
1978	May	1419.3	1419.3	914.5	914.5
	June	1429.9	1429.4	922.1	922.1
	July	1440.2	1438.9	929.4	929.1
1978	QI	1392.3	1392.3	891.7	891.7
	QII	1420.0	1419.9	915.0	915.0
	QIII	1448.5	1446.6	939.0	938.6
	QIV	1473.3	1470.4	960.1	959.2
1979	QI	1498.1	1494.8	980.5	979.1
<u>Growth Rates</u>					
<u>Monthly:</u>					
1978	June	9.0	8.5	10.0	10.0
	July	8.6	8.0	9.5	9.1
<u>Quarterly Average:</u>					
1978	QII	8.0	7.9	10.5	10.5
	QIII	8.0	7.5	10.5	10.3
	QIV	6.8	6.6	9.0	8.8
1979	QI	6.7	6.6	8.5	8.3
<u>Semi-Annual:</u>					
QI '78-QIII '78		8.1	7.8	10.6	10.5
QIII '78-QI '79		6.8	6.7	8.8	8.6
<u>Annual:</u>					
QI '78-QI '79		7.6	7.4	10.0	9.8

will remain well above the level implied by the upper end of the FOMC's longer-run range, as shown in Chart 1 on the following page.^{1/}

(9) Expansion in M-2 under Alternative A is also likely to be in a 7 to 11 per cent annual rate range over the June-July period. Growth at the mid-point of this range would maintain M-2 near the upper end of the longer-run range adopted by the Committee for this aggregate, as shown in Chart 2.

(10) The increase in M-2 growth in June-July reflects not only the strengthening of M-1 expansion, but also some pick-up in expansion of the interest-bearing component, due entirely to the growth of large denomination time deposits. Such deposits, as well as negotiable CD's not included in M-2, are expected to be issued aggressively so that banks may accommodate continued substantial growth in credit demands. Both the expected level of market rates of interest and shifts from savings accounts to the newly authorized 6-month money market certificate are likely to contribute to a contraction in savings accounts at both banks and thrift institutions. Commercial banks are expected to garner less new money from the new instrument than thrifts, and bank inflows of time deposits subject to rate ceilings are projected to moderate from their surprisingly well maintained pace of the last two or three months.

^{1/} The QI '78 base level for the FOMC's current longer-run ranges, shown in the chart, has been raised to reflect the benchmark revision in the series. Thus, the longer-run ranges now imply higher levels for the aggregates over the QI '78 to QI '79 period. To attain the QI '79 level of M-1 implicit in the mid-point of the long-run growth range set prior to benchmark revision would require that growth in M-1 from the revised QI '78 base be about 5 per cent rather than 5½ per cent.

Chart 1

RECENTLY ESTABLISHED M-1 GROWTH RANGES AND ACTUAL M-1

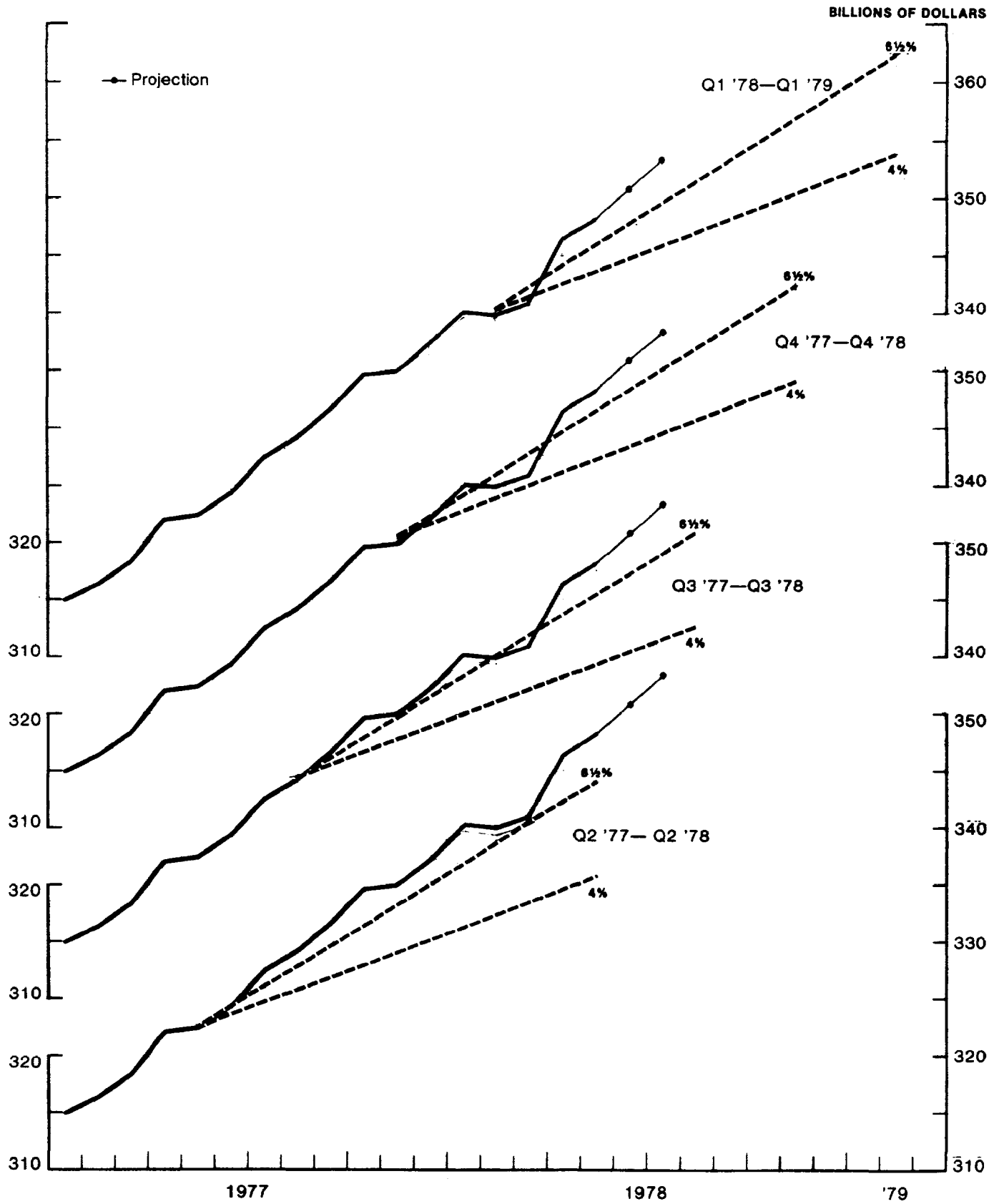
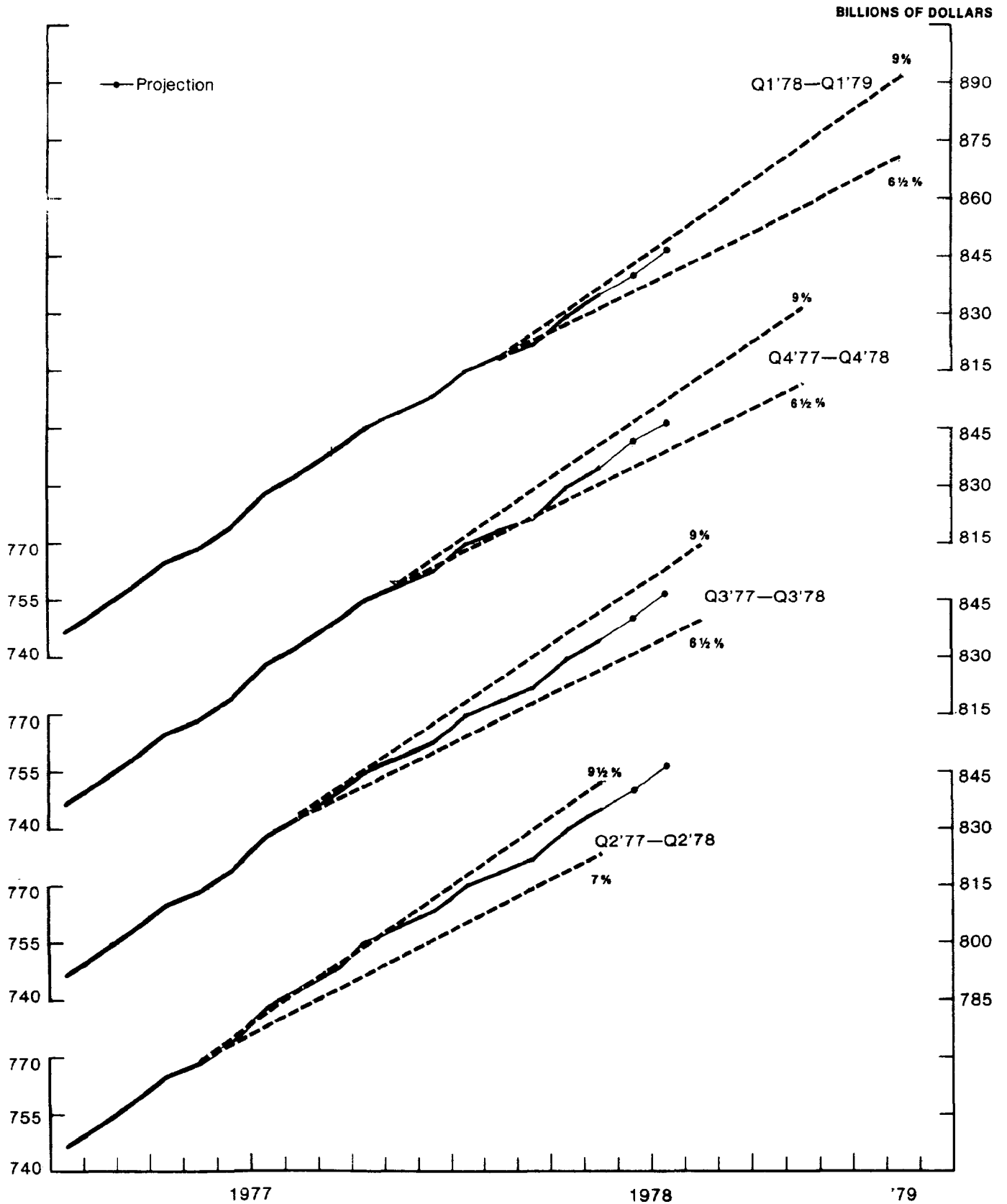


Chart 2

RECENTLY ESTABLISHED M-2 GROWTH RANGES AND ACTUAL M-2



(11) Reflecting the 25 basis point ceiling rate advantage enjoyed by them on the 6-month money market certificate, thrifts are expected to be able to use this instrument more effectively than banks. Both press and Redbook reports suggest that thrifts have aggressively promoted the new 6-month money market certificate, and sample data for early June indicate a moderate acceleration in aggregate deposit growth at such institutions from the pace of recent months. On balance, the staff is projecting that--under Alternative A--the recent regulatory changes will permit thrifts to maintain deposit flows this summer at near recent rates.

(12) If the Federal funds rate were maintained around the currently prevailing levels of $7\frac{1}{2}$ per cent, as envisioned under Alternative A, most other short-term rates would likely also show little net change over the very near term. Following their most recent increases, both commercial paper and CD rates now are aligned with the Federal funds rate in roughly the same relationship that has prevailed throughout the current expansion. Although the 3-month Treasury bill rate has risen in recent weeks, it still remains low relative to other short-term rates. However, its spread of 75 to 100 basis points below other rates is not likely to be closed significantly in the next few weeks. Available supplies will be depleted by Treasury redemptions of cash-management bills and by System purchases to offset the effects of the build-up in Treasury cash balances following the June tax date. With staff projections

suggesting continued strength in the money stock, short-term rates could, nevertheless, begin to move higher during the intermeeting period if and as market participants come to anticipate further tightening of monetary policy.

(13) Bond yields, too, could rise somewhat further if continued strength in the monetary aggregates adversely affects market expectations. But the volume of new security offerings is not in itself expected to exert additional upward pressure on rates over the weeks ahead. The volume of corporate bond offerings is expected to be quite moderate, and State and local bond issuance is expected to remain close to the reduced pace of recent weeks. Federal sector demands on long-term markets, while substantial, are unlikely to expand further from the pace of late May and early June. The Treasury is expected to maintain its semi-annual pattern of 15-year bond offerings with the sale of about \$1½ billion of such securities in late June, and FNMA also will be announcing an additional issue of bonds at that time. In the mortgage market, with credit demands remaining large, further increases in mortgage rates (and another near-term increase in FHA/VA mortgage rate ceilings) can be expected, even with the maintenance of thrift institution deposit inflows at around recent levels.

(14) Alternative B calls for an increase in the Federal funds rate to around the mid-point of a 7½ to 8 per cent range between now and mid-July. M-1 growth would likely be in a 6½ to 10½ per cent annual rate range over June and July and M-2 growth

in a $6\frac{1}{2}$ to $10\frac{1}{2}$ per cent range. The additional firming of $\frac{1}{4}$ percentage point in the funds rate under this alternative would likely be associated with upward adjustments in short-term market rates of the same magnitude, or perhaps a bit more since business short- and intermediate-term credit demands are expected to remain sizable. In addition to a probable further increase in the prime rate from the recently established $8\frac{3}{4}$ per cent level, banks and other lenders can be expected to continue to firm up non-rate loan terms and conditions. Borrowing from the Federal Reserve discount window would become even more attractive to member banks, and the resultant rise in such borrowings would increase pressure for another adjustment in the discount rate.

(15) Bond yields could be expected to rise by less than money market rates, since the current level of long-term rates already appears to discount some further tightening of monetary policy. Moreover, pressures on the bond market would be eased by any temporary postponement of some scheduled bond issues, and a further shifting of financing to banks. However, upward pressures on primary and secondary mortgage rates are likely to intensify, as rising short rates slow thrift flows.

(16) The staff believes that further substantial increases in interest rates will be required this summer and fall to restrain M-1 growth to the mid-point, or possibly even to the upper end, of the Committee's current 4 to $6\frac{1}{2}$ per cent longer-run range. If M-1 expands at a $9\frac{1}{2}$ per cent rate in QII, as currently estimated,

its growth would have to slow to a $3\frac{1}{2}$ per cent annual rate over the following three quarters in order to achieve the $5\frac{1}{2}$ per cent midpoint of the Committee's QI '78 to QI '79 range. During those three quarters nominal GNP is expected to grow at about an 11 per cent annual rate, implying--as shown in Appendix II--rates of growth in velocity considerably larger than over the last two years.

(17) Projections of the Federal funds rate over the four-quarter policy period are shown in Appendix I. Under Alternative A, the Federal funds rate might need to rise to 9 to 10 per cent by fall to restrain growth in the aggregates to within the longer-run ranges. Under Alternative B, restraint would be introduced earlier and, as a result, the level of the funds rate required in late 1978 and early 1979 would be somewhat less. As noted in recent Bluebooks, these projections assume a resumption of a downward shift in money demand.^{1/}

(18) With the projected increase in market rates of interest, the staff continues to believe that another adjustment in deposit interest rate ceilings will be needed to keep M-3 growth within its $7\frac{1}{2}$ to 10 per cent range over the QI '78 to QI '79 period.^{2/} Even with such an adjustment, our projections of financial flows call for continued erosion of the liquidity positions of all depository institutions, which will be required to draw down liquid assets and

^{1/} No allowance has been made in this projection for the effect on measured M-1 of automatic transfers from savings to demand deposits, scheduled to be authorized at commercial banks on November 1.

^{2/} Staff projections assume a 25 basis point increase in longer-term time deposit ceilings this fall.

increase their reliance on managed liabilities to meet credit demands. Consequently, as the year progresses, the banks and thrifts may be expected to become much less willing lenders.

Directive language

(19) Given below are alternatives for the operational paragraphs of the directive.^{1/} The first formulation, like the directive adopted at the last meeting, places main emphasis on near-term rates of growth in monetary aggregates; it shows--in strike-through form--the specifications adopted at the last meeting. The second formulation places main emphasis on money market conditions. In both formulations, variants are shown for particular phrases that are intended to be associated with the specifications discussed in the preceding section under alternatives A and B.

"Monetary Aggregates" formulation

The Committee seeks to encourage near-term rates of growth in M-1 and M-2 on a path believed to be reasonably consistent with the longer-run ranges for monetary aggregates cited in the preceding paragraph. Specifically, at present, the ranges of tolerance for the annual growth rates over the JUNE-JULY ~~May-June~~ period will be ~~3-to-8~~ ____ TO ____ per cent for M-1 and ~~4-to-9~~ ____ TO ____ per cent for M-2. In the judgment of the Committee such growth rates are likely to be associated with a weekly-average Federal funds rate

- (A) AT ABOUT THE CURRENT LEVEL.
- (B) slightly (OR SOMEWHAT) above the current level.

^{1/} In a memorandum dated June 7, the staff proposed modified language for these operational paragraphs and for the preceding paragraphs dealing with the Committee's general policy stance and longer-run ranges for the aggregates.

If, giving approximately equal weight to M-1 and M-2, it appears that growth rates over the 2-month period will deviate significantly from the mid-points of the indicated ranges, the operational objective for the Federal funds rate shall be modified in an orderly fashion within a range of ~~7½-10-7½~~ _____ TO _____ per cent. In the conduct of day-to-day operations, account shall be taken of emerging financial market conditions.

If it appears during the period before the next meeting that the operating constraints specified above are proving to be significantly inconsistent, the Manager is promptly to notify the Chairman who will then decide whether the situation calls for supplementary instructions from the Committee.

"Money Market" Formulation

At this time, the Committee seeks (A) to maintain about the prevailing money market conditions (or (B) to achieve slightly or somewhat firmer money market conditions) during the period immediately ahead, provided that monetary aggregates appear to be growing at approximately the rates currently expected,^{1/} which are believed to be on a path reasonably consistent with the longer-run ranges for monetary aggregates cited in the preceding paragraph. Specifically, the Committee seeks (A) to maintain the weekly-average Federal funds rate at about the current level (or (B) to increase the weekly-average Federal

^{1/} If the Committee adopts this formulation, it may wish to replace the clause "at approximately the rates currently expected" with "at rates within the ranges of tolerance cited below."

funds rate slightly or somewhat from the current level), so long as M-1 and M-2 appear to be growing over the June-July period at annual rates within ranges of tolerance of _____ to _____ per cent and _____ to _____ per cent, respectively. If, giving approximately equal weight to M-1 and M-2, it appears that growth rates over the 2-month period are approaching or moving beyond the limits of the indicated ranges, the operational objective for the weekly-average Federal funds rate shall be modified in an orderly fashion within a range of _____ to _____ per cent. In the conduct of day-to-day operations, account shall be taken of emerging financial market conditions.

If it appears during the period before the next meeting that the operating constraints specified above are proving to be significantly inconsistent, the Manager is promptly to notify the Chairman who will then decide whether the situation calls for supplementary instructions from the Committee.

Chart 3

RECENTLY ESTABLISHED M-3 GROWTH RANGES AND ACTUAL M-3

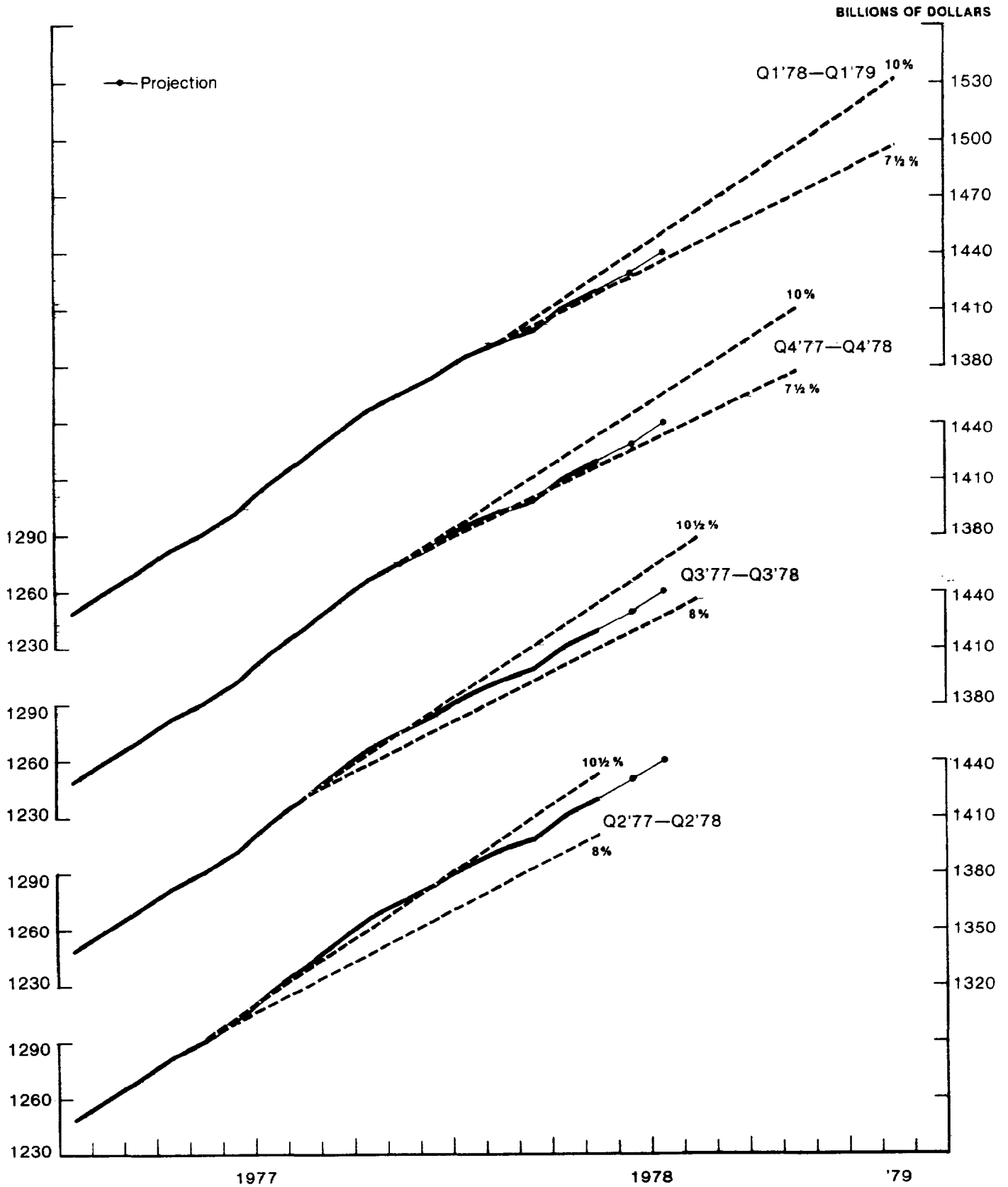
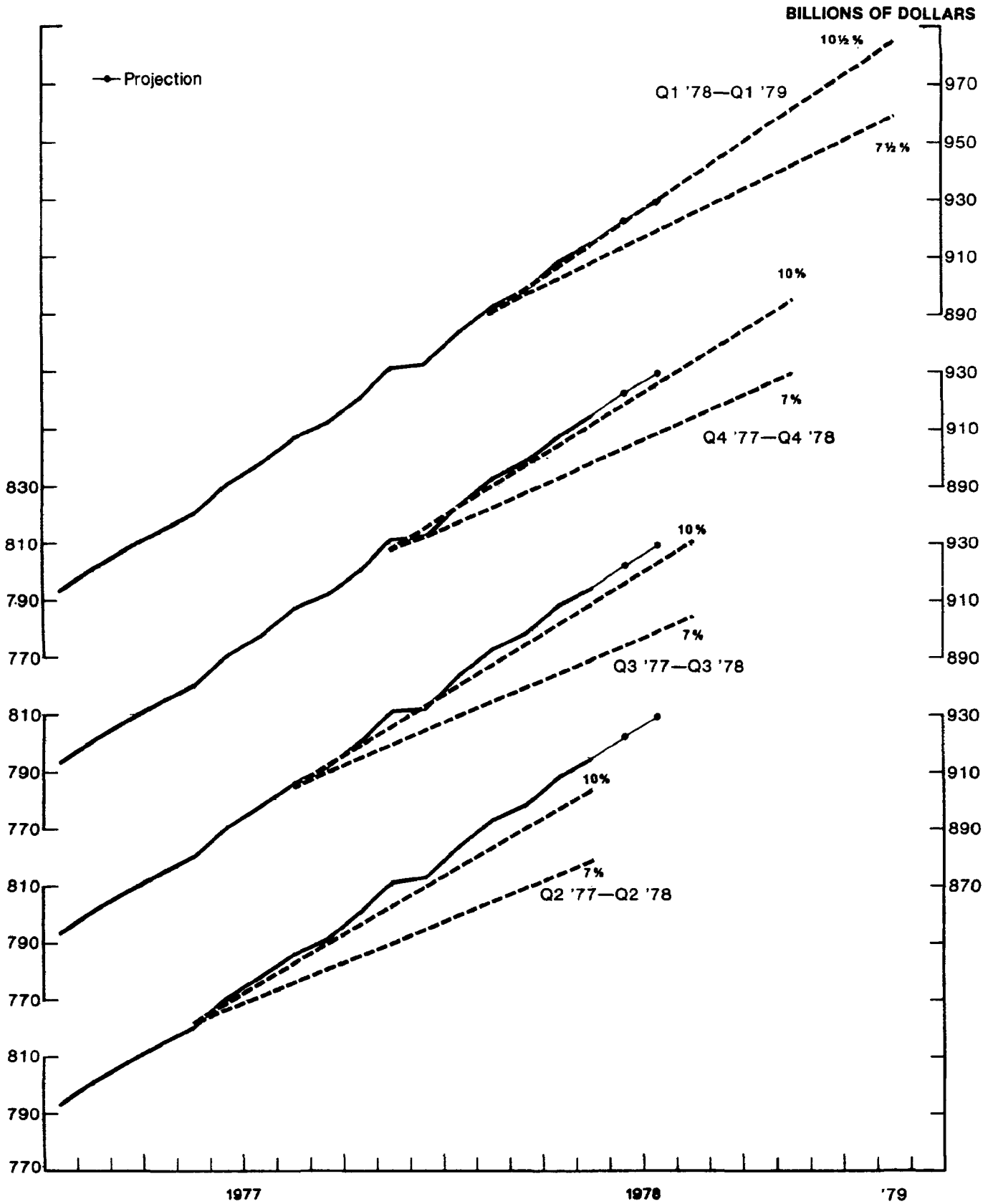


Chart 4

RECENTLY ESTABLISHED BANK CREDIT GROWTH RANGES AND ACTUAL BANK CREDIT



APPENDIX I

Projected Federal Funds Rate

	<u>Alt. A</u>	<u>Alt. B</u>
1978--QII	7-1/4	7-3/8
QIII	8 to 9	8-1/4 to 9-1/4
QIV	9 to 10	8-3/4 to 9-3/4
1979--QI	9 to 10	8-3/4 to 9-3/4

Appendix II

Implied Velocity Growth Rates

<u>V_1 (GNP/M_1)</u>		<u>Alt. A</u>	<u>Alt. B</u>
1978	II	7.2	7.3
	III	4.1	4.3
	IV	8.2	8.0
1979	I	8.8	8.7
<u>V_2 (GNP/M_2)</u>			
1978	II	8.7	8.7
	III	2.6	3.1
	IV	4.2	4.0
1979	I	4.9	4.9

Appendix III

Comparison of Growth Rates--Old and Revised
Money Stock Measures
(Per cent annual rate)

	M-1			M-2		
	Old Series (1)	Revised Series (2)	Difference (2)-(1) (3)	Old Series (4)	Revised Series (5)	Difference (5)-(4) (6)
<u>Annual</u> <u>1/</u>						
1977	7.8	7.9	0.1	9.8	9.8	--
<u>Quarterly</u> <u>2/</u>						
1977--QIV	7.2	7.5	0.3	8.0	8.2	0.2
1978--QI	5.0	5.6	0.6	6.4	6.9	0.5
QII (proj.)	9.2	9.6	0.4	7.9	8.1	0.3
<u>Monthly</u>						
1977--Oct.	10.9	11.2	0.3	9.7	9.8	0.1
Nov.	0.4	0.7	0.3	5.4	5.8	0.4
Dec.	7.2	8.2	1.0	5.7	6.3	0.6
1978--Jan.	9.6	10.3	0.7	8.9	9.5	0.6
Feb.	-1.1	-0.7	0.4	4.4	4.7	0.3
Mar.	3.5	3.5	--	5.3	5.6	0.3
Apr.	18.7	19.0	0.3	11.1	11.5	0.4
May	6.3	6.6	0.3	6.8	7.2	0.4

1/ From QIV average to QIV average.

2/ Quarterly average.

Appendix Table IV-1

MONEY STOCK--M-1
 (Annual rates of growth, compounded quarterly)^{1/}

Ending Period	Base Period													
	<u>74IV</u>	<u>75I</u>	<u>75II</u>	<u>75III</u>	<u>75IV</u>	<u>76I</u>	<u>76II</u>	<u>76III</u>	<u>76IV</u>	<u>77I</u>	<u>77II</u>	<u>77III</u>	<u>77IV</u>	<u>78I</u>
1975 I	2.3													
II	4.3	6.4												
III	5.0	6.3	6.3											
IV	4.4	5.1	4.5	2.8										
1976 I	4.5	5.0	4.6	3.7	4.7									
II	4.9	5.4	5.2	4.8	5.9	7.0								
III	4.7	5.1	4.9	4.6	5.2	5.4	3.8							
IV	5.1	5.5	5.3	5.1	5.7	6.1	5.6	7.4						
1977 I	5.3	5.7	5.6	5.5	6.0	6.3	6.1	7.3	7.1					
II	5.6	6.0	5.9	5.9	6.4	6.7	6.6	7.6	7.7	8.3				
III	5.8	6.2	6.2	6.2	6.7	7.0	7.0	7.8	7.9	8.3	8.3			
IV	6.0	6.3	6.3	6.3	6.8	7.1	7.1	7.8	7.9	8.1	8.0	7.7		
1978 I	6.0	6.3	6.3	6.3	6.7	6.9	6.9	7.4	7.4	7.5	7.3	6.7	5.7	
	* * * * *													
1979 I														
Alt. A	5.8	6.0	6.0	6.0	6.2	6.4	6.3	6.5	6.5	6.4	6.1	5.7	5.3	5.2
Alt. B	5.8	6.0	6.0	6.0	6.2	6.4	6.3	6.5	6.5	6.4	6.1	5.7	5.3	5.2

^{1/} Based on quarterly average data.

Appendix Table IV-2

MONEY STOCK--M-2
 (Annual rates of growth, compounded quarterly)^{1/}

Ending Period	Base Period													
	<u>74IV</u>	<u>75I</u>	<u>75II</u>	<u>75III</u>	<u>75IV</u>	<u>76I</u>	<u>76II</u>	<u>76III</u>	<u>76IV</u>	<u>77I</u>	<u>77II</u>	<u>77III</u>	<u>77IV</u>	<u>78I</u>
1975 I	6.4													
II	8.3	10.2												
III	8.8	10.1	9.9											
IV	8.3	9.0	8.4	6.9										
1976 I	8.9	9.5	9.3	8.9	11.0									
II	9.1	9.7	9.5	9.4	10.7	10.4								
III	9.1	9.5	9.4	9.3	10.1	9.6	8.9							
IV	9.6	10.1	10.0	10.1	10.9	10.8	11.1	13.2						
1977 I	9.8	10.2	10.2	10.3	11.0	10.9	11.1	12.3	11.3					
II	9.7	10.1	10.1	10.1	10.7	10.6	10.7	11.3	10.3	9.4				
III	9.8	10.1	10.1	10.2	10.6	10.6	10.6	11.0	10.3	9.8	10.3			
IV	9.7	10.0	10.0	10.0	10.4	10.3	10.2	10.5	9.8	9.3	9.3	8.4		
1978 I	9.5	9.7	9.7	9.7	10.0	9.9	9.8	9.9	9.3	8.8	8.6	7.8	7.1	
	* * * * *													
1979 I														
Alt. A	9.0	9.1	9.1	9.0	9.2	9.0	8.9	8.9	8.4	8.0	7.9	7.5	7.3	7.3
Alt. B	8.9	9.1	9.0	9.0	9.1	9.0	8.9	8.9	8.4	8.0	7.8	7.4	7.2	7.3

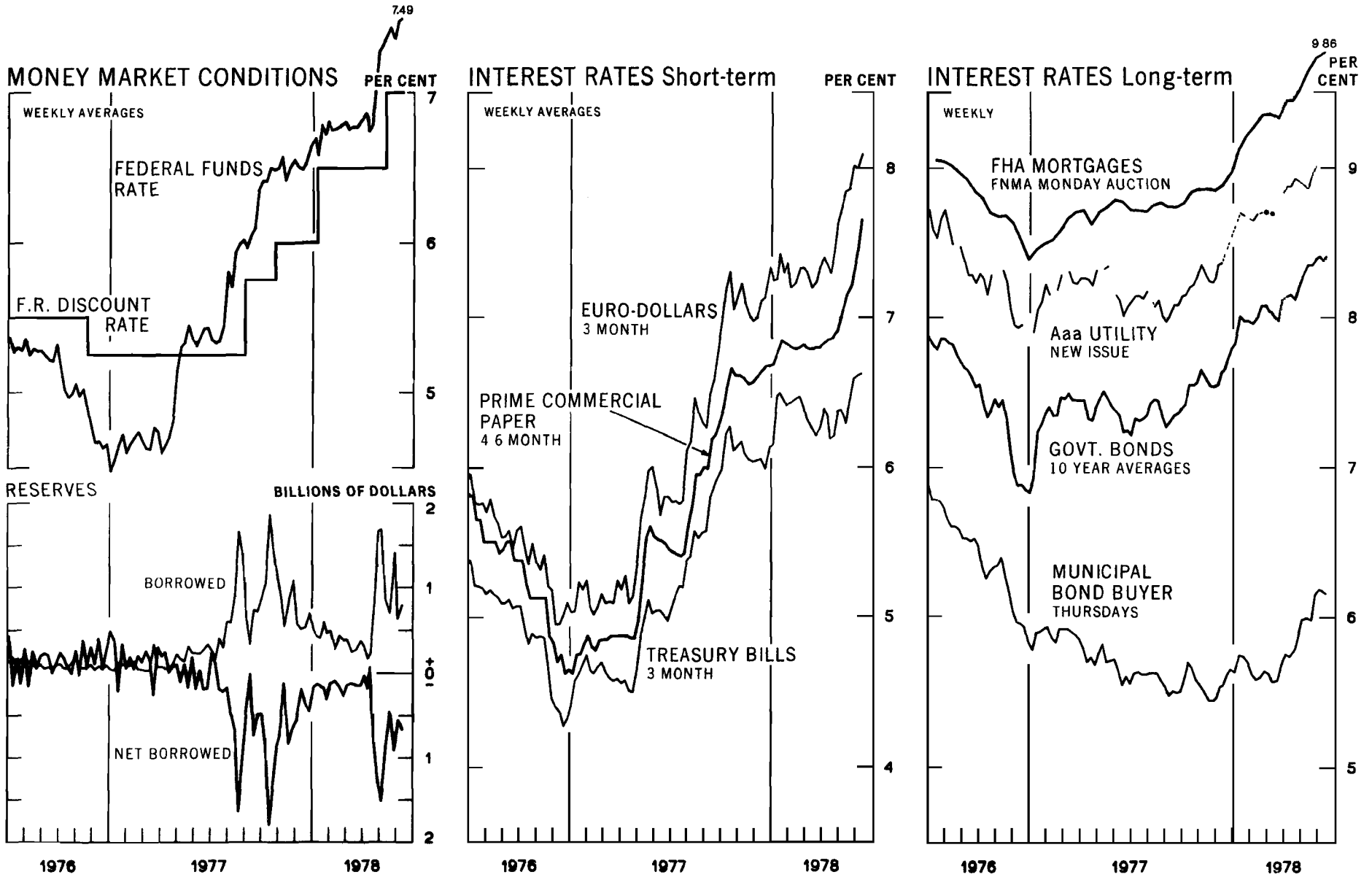
Appendix Table IV-3

MONEY STOCK--M-3
(Annual rates of growth, compounded quarterly)^{1/}

Ending Period	Base Period													
	<u>74IV</u>	<u>75I</u>	<u>75II</u>	<u>75III</u>	<u>75IV</u>	<u>76I</u>	<u>76II</u>	<u>76III</u>	<u>76IV</u>	<u>77I</u>	<u>77II</u>	<u>77III</u>	<u>77IV</u>	<u>78I</u>
1975 I	8.3													
II	10.6	13.0												
III	11.5	13.1	13.2											
IV	11.1	12.0	11.5	9.8										
1976 I	11.4	12.2	11.9	11.2	12.7									
II	11.5	12.2	12.0	11.6	12.5	12.2								
III	11.5	12.0	11.8	11.5	12.1	11.8	11.3							
IV	11.9	12.5	12.4	12.2	12.8	12.8	13.1	15.0						
1977 I	12.0	12.5	12.4	12.3	12.8	12.8	13.0	13.9	12.7					
II	11.9	12.3	12.2	12.0	12.4	12.4	12.4	12.8	11.7	10.6				
III	11.9	12.3	12.2	12.1	12.4	12.4	12.4	12.7	11.9	11.5	12.5			
IV	11.9	12.2	12.1	12.0	12.2	12.2	12.2	12.4	11.7	11.4	11.8	11.2		
1978 I	11.6	11.8	11.7	11.6	11.8	11.7	11.6	11.6	11.0	10.5	10.5	9.6	8.0	
	* * * * *													
1979 I														
Alt. A	10.6	10.8	10.6	10.4	10.5	10.3	10.1	10.0	9.5	9.1	8.8	8.2	7.7	7.6
Alt. B	10.6	10.7	10.5	10.4	10.4	10.2	10.0	9.9	9.4	8.9	8.7	8.1	7.5	7.4

^{1/} Based on quarterly average data.

MONEY MARKET CONDITIONS AND INTEREST RATES



ACTUAL AND PROJECTED RESERVES

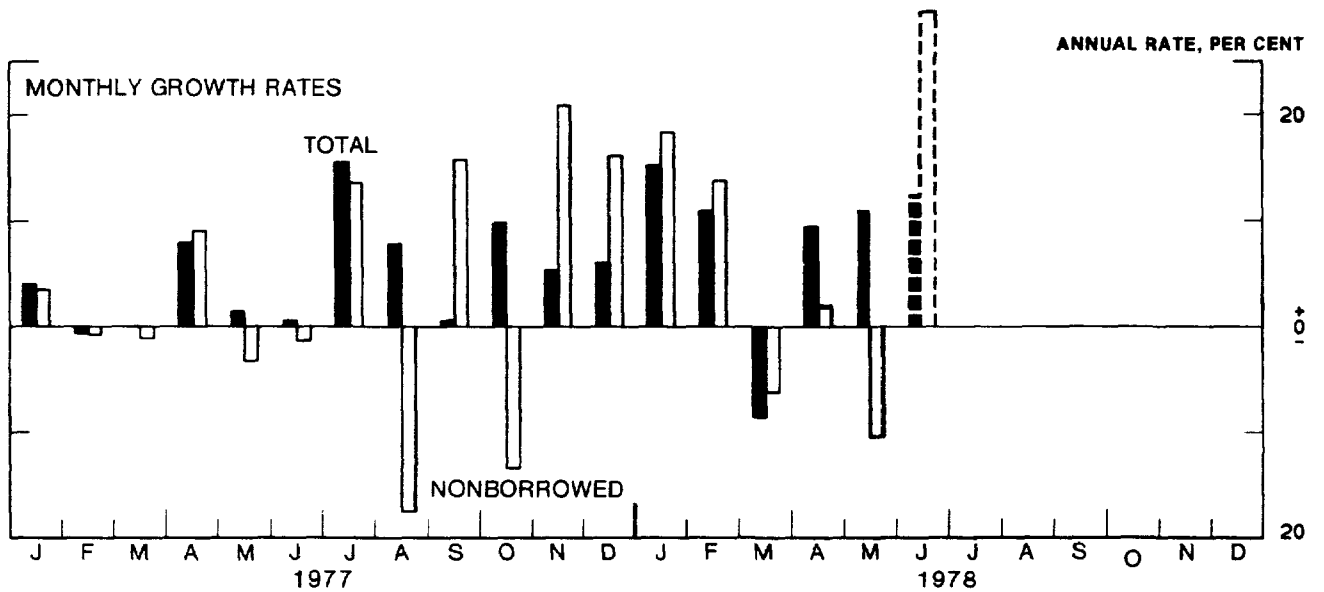
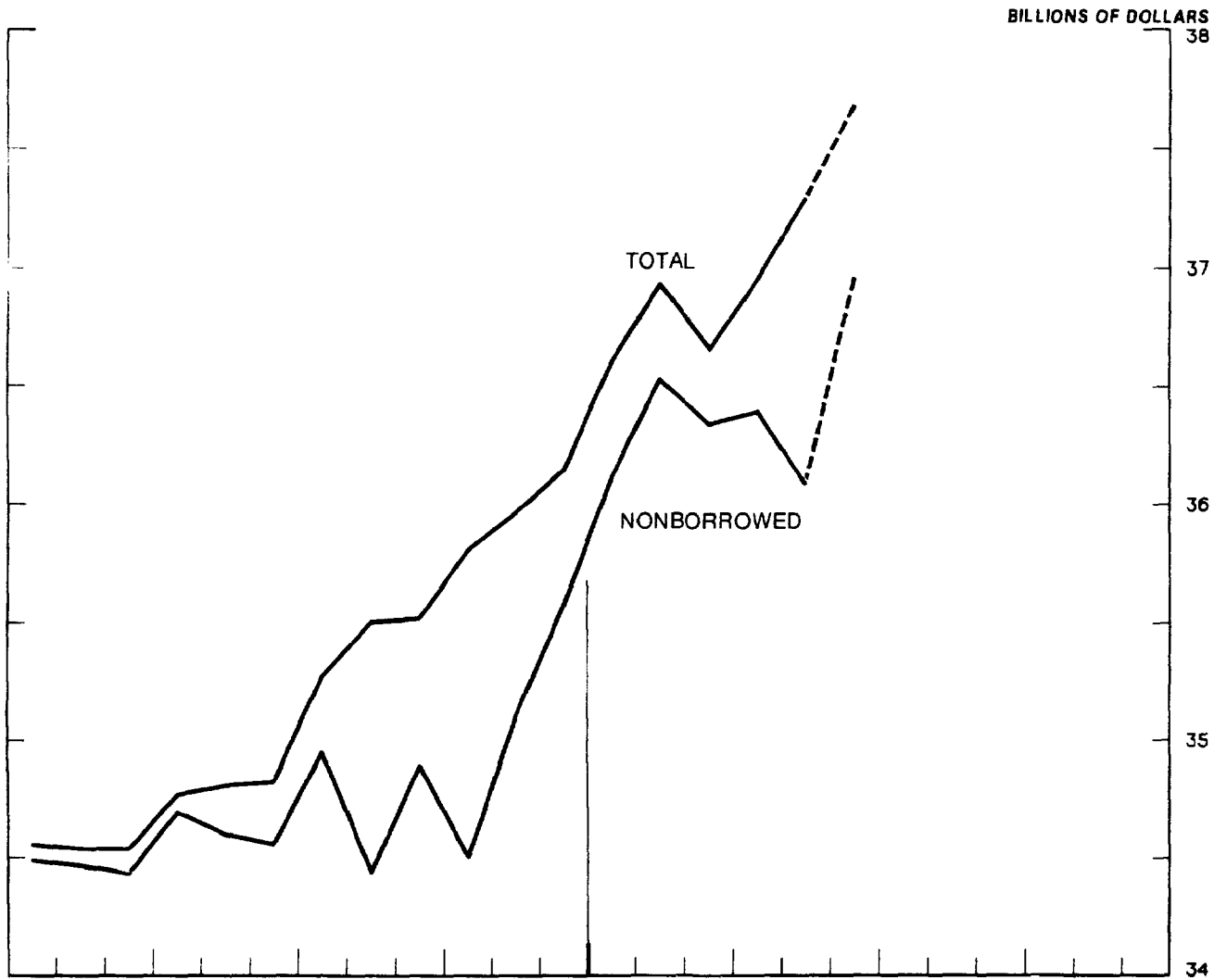


Table 1
MONETARY AGGREGATES

CONFIDENTIAL (FR)
CLASS II-FOMC
JUNE 16, 1978

ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED

Period	Money Supply		Total U.S. Govt. Deposits 1/	Time & Savings Deposits			CD's	Nondeposit Sources of Funds 2/	
	Narrow (M1)	Broad (M2)		Total	Other Than CD's				
					Total	Savings			Other
	1	2	3	4	5	6	7	8	9
MONTHLY LEVELS--\$BIL									
1978--MAR.	340.1	820.2	7.9	562.1	480.1	220.8	259.3	82.0	67.1
APR.	345.4	827.8	8.3	565.9	482.4	221.4	261.0	83.4	65.7
MAY	347.2	832.5	7.3	572.4	485.3	221.7	263.7	87.1	67.6
JUNE	(349.7)	(838.2)	(10.6)	(576.6)	(488.5)	(221.3)	(267.2)	(88.1)	
% ANNUAL GROWTH									
QUARTERLY									
1977--4TH QTR.	6.2	7.0		14.5	7.6	1.3	13.3	64.0	
1978--1ST QTR.	4.0	6.2		12.6	7.8	2.4	12.6	43.2	
2ND QTR.	(11.3)	(8.8)		(10.3)	(7.0)	(0.9)	(12.2)	(29.6)	
QUARTERLY--AV									
1977--4TH QTR.	7.2	8.0		13.0	8.5	5.4	11.4	44.9	
1978--1ST QTR.	5.0	6.4		13.1	7.5	2.2	12.0	50.0	
2ND QTR.	(9.3)	(7.8)		(10.9)	(6.8)	(1.5)	(11.7)	(35.4)	
MONTHLY									
1978--MAR.	3.5	5.3		11.4	6.5	0.5	12.2	39.3	
APR.	18.7	11.1		8.1	5.7	3.3	7.9	20.5	
MAY	6.3	6.8		13.8	7.2	1.6	12.4	53.2	
JUNE	(8.6)	(8.2)		(8.8)	(7.9)	(-2.2)	(15.9)	(13.8)	
MAY-JUNE	(7.5)	(7.5)		(11.3)	(7.6)	(-0.3)	(14.3)	(33.8)	
WEEKLY LEVELS--\$BIL									
1978-MAY									
3	350.5	833.6	7.5	568.8	483.1	221.3	261.8	85.8	67.3
10	346.3	830.3	8.9	570.7	484.0	221.8	262.2	86.7	68.9
17	346.3	831.6	7.4	572.2	485.3	221.6	263.7	86.9	65.0
24	345.4	831.5	6.5	573.7	486.1	221.8	264.4	87.6	68.9
31	349.7	837.3	5.7	575.3	487.6	221.8	265.7	87.8	67.8
JUNE									
7 P	349.7	837.4	8.6	575.1	487.8	221.5	266.3	87.3	

NOTE: DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS. P - PRELIMINARY

1/ INCLUDES TREASURY DEPOSITS AT MEMBER BANKS AND FEDERAL RESERVE BANKS.

2/ INCLUDES BORROWINGS FROM OTHER THAN COMMERCIAL BANKS IN THE FORM OF FEDERAL FUNDS PURCHASED, SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE, AND OTHER LIABILITIES FOR BORROWED MONEY, PLUS GROSS LIABILITIES TO OWN FOREIGN BRANCHES (EURODOLLAR BORROWINGS), LOANS SOLD TO AFFILIATES, LOAN RPS, AND OTHER MINOR ITEMS.

Table 1-A
TIME AND SAVINGS DEPOSITS AT ALL COMMERCIAL BANKS
 SEASONALLY ADJUSTED EXCEPT AS NOTED

CONFIDENTIAL (FR)
 CLASS II-FOMC

JUNE 16, 1978

Period	Total Time and Savings	Savings Deposits				Time Deposits			Memo: Large Negotiable CD's
		Total	Individual and Nonprofit	Business (NSA)	Government (NSA)	Total	Large Denomination	Small Denomination	
	1	2	3	4	5	6	7	8	9
OUTSTANDING (\$ BILLIONS)									
1977--SEPT.	525.9	218.8	203.2	10.6	5.1	307.1	143.6	163.6	63.8
OCT.	531.9	219.0	204.1	10.5	5.0	312.3	147.9	164.5	66.4
NOV.	540.2	219.4	204.2	10.8	4.5	320.7	156.8	164.0	70.9
DEC.	545.2	219.6	204.2	10.6	4.5	325.7	160.6	165.0	74.0
1978--JAN.	551.0	220.7	205.2	10.5	5.0	330.3	164.1	166.2	76.3
FEB.	557.5	220.9	205.4	10.4	5.2	336.6	170.1	166.5	79.4
MAR.	562.9	221.0	205.6	10.4	5.0	342.0	173.7	166.2	82.0
APR.	566.8	221.6	206.4	10.4	4.9	345.2	175.4	169.8	83.4
MAY	573.6	222.0	206.7	10.5	4.7	351.6	180.5	171.1	87.1
CHANGES (\$ BILLIONS)									
1977 YEAR	55.5	17.7	16.9	2.3	-1.6	37.9	23.9	13.9	11.3
QUARTERLY AVERAGE:									
1977--I	14.8	10.5	7.3	1.2	1.8	4.5	1.0	3.4	0.5
II	10.4	4.6	4.1	0.8	-0.2	5.7	-0.7	6.6	-0.3
III	13.1	3.9	4.7	0.4	-1.2	4.2	5.9	3.3	0.7
IV	17.1	2.9	3.3	0.3	-0.6	14.2	12.7	1.4	7.1
1978--I	18.0	1.4	1.2	-0.3	0.4	16.7	14.2	2.5	6.6
MONTHLY AVERAGE:									
1977--OCT.	6.0	0.8	0.9	-0.1	-0.1	5.2	4.3	0.9	2.6
NOV.	8.3	-0.2	0.1	0.3	-0.5	8.4	8.9	-0.5	4.5
DEC.	5.0	0.2	0.0	0.0	0.0	5.0	3.8	1.0	3.1
1978--JAN.	5.6	1.1	1.0	-0.3	0.5	4.6	3.5	1.2	2.3
FEB.	6.5	0.2	0.2	-0.1	0.2	6.3	6.0	0.3	3.1
MAR.	5.4	0.1	0.2	0.0	-0.2	5.4	3.6	1.7	2.6
APR.	3.9	0.6	0.6	0.0	-0.1	3.2	1.7	1.6	1.4
MAY	6.8	0.4	0.3	0.1	-0.2	6.4	5.1	1.3	3.7

NOTE: COLUMNS (1), (2), AND (9) ON THIS TABLE CORRESPOND TO COLUMNS (4), (6), AND (8), RESPECTIVELY, ON TABLE 1--MONETARY AGGREGATES. FIGURES IN COLUMNS (1), (2), AND (6) REFLECT DAILY DATA REPORTED BY MEMBER BANKS, WITH ESTIMATES FOR NONMEMBER BANKS DERIVED FROM DATA REPORTED BY SMALL MEMBER BANKS, BENCHMARKED TO NONMEMBER CALL REPORT FIGURES. SAVINGS DEPOSITS OF BUSINESS AND GOVERNMENTAL UNITS--COLUMNS (4) AND (5)-- AND LARGE DENOMINATION TIME DEPOSITS --COLUMN (7)--REFLECT BREAKDOWNS REPORTED EACH WEDNESDAY BY LARGE COMMERCIAL BANKS BLOWN UP TO REPRESENT DEPOSITS AT ALL COMMERCIAL BANKS ON THE BASIS OF CALL REPORT RELATIONSHIPS.

TABLE 2
BANK RESERVES
ACTUAL AND CURRENT PROJECTIONS, SEASONALLY ADJUSTED

JUNE 16, 1978

Period	BANK RESERVES			REQUIRED RESERVES			
	Total Reserves	Nonborrowed Reserves	Monetary Base	Total Required	Private Demand	Total Time Deposits	Gov't. and Interbank
	1	2	3	4	5	6	7
MONTHLY LEVELS—\$MILLIONS							
1978—MAR.	36,667	36,339	130,464	36,468	21,420	13,241	1,807
APR.	36,954	36,397	131,337	36,806	21,598	13,293	1,915
MAY	37,293	36,081	132,680	37,054	21,879	13,428	1,747
JUNE	(37,679)	(36,969)	(133,930)	(37,553)	(21,993)	(13,600)	(1,960)
PERCENT ANNUAL GROWTH							
QUARTERLY							
1977—4TH QTR.	7.1	7.8	9.6	7.3	5.2	13.5	
1978—1ST QTR.	5.8	8.6	7.8	5.7	-1.1	12.9	
2ND QTR.	(11.0)	(6.9)	(10.6)	(11.9)	(10.7)	(10.8)	
QUARTERLY—AV							
1977—4TH QTR.	6.1	3.5	9.1	6.3	6.1	9.1	
1978—1ST QTR.	8.5	14.5	9.6	8.3	3.6	12.8	
2ND QTR.	(6.3)	(1.7)	(8.1)	(7.0)	(4.0)	(11.8)	
MONTHLY							
1978—MAR.	-8.6	-6.2	3.0	-7.3	-20.6	19.4	
APR.	9.4	1.9	7.8	11.1	10.0	4.7	
MAY	11.0	-10.4	12.3	8.1	15.6	12.2	
JUNE	(12.4)	(29.5)	(11.3)	(16.2)	(6.3)	(15.4)	
MAY—JUNE	(11.8)	(9.4)	(11.8)	(12.2)	(11.0)	(13.9)	
WEEKLY LEVELS—\$MILLIONS							
1978—MAY							
3	37,285	35,621	132,326	36,970	21,724	13,304	1,942
10	37,218	35,530	132,171	37,035	21,826	13,360	1,849
17	37,484	36,618	132,857	37,478	22,241	13,416	1,821
24	37,022	36,321	132,546	36,775	21,747	13,470	1,557
31	37,450	36,051	133,299	36,963	21,769	13,519	1,676
JUNE							
7	37,134	36,488	133,026	37,065	21,629	13,567	1,870
14	38,140	37,345	134,218	38,013	22,117	13,609	2,288

NOTE: RESERVE SERIES HAVE BEEN ADJUSTED TO REMOVE DISCONTINUITIES ASSOCIATED WITH CHANGES IN RESERVE REQUIREMENT RATIO.
DATA SHOWN IN PARENTHESES ARE CURRENT PROJECTIONS.

TABLE 3
NET CHANGES IN SYSTEM HOLDINGS OF SECURITIES^{1/}
(\$ million, not seasonally adjusted)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
JUNE 16, 1978

	Treasury Bills Net Change 2/	Treasury Coupons Net Purchases 3/					Federal Agencies Net Purchases 4/					Net Change Outright Holdings Total 5/	Net RP's 6/
		Within 1 year	1 - 5	5 - 10	Over 10	Total	Within 1 year	1 - 5	5 - 10	Over 10	Total		
1972	-490	87	789	539	167	1,582	46	592	253	168	1,059	1,631	-1,358
1973	7,232	207	579	500	129	1,415	120	400	244	101	864	9,273	-46
1974	1,280	320	797	434	196	1,747	439	1,665	659	318	3,082	6,303	-154
1975	-468	337	3,284	1,510	1,070	6,202	191	824	460	138	1,613	7,267	1,272
1976	863	472	3,025	1,048	642	5,187	105	469	203	114	891	6,227	3,607
1977	4,361	517	2,833	758	553	4,660	--	792	428	213	1,433	10,035	-2,892
1977--Qtr. I	1,164	192	997	325	165	1,680	--	--	--	--	--	2,738	-4,771
Qtr. II	2,126	109	526	171	152	959	--	406	251	68	726	3,666	4,175
Qtr. III	886	116	681	96	128	1,021	--	--	--	--	--	4,273	-2,331
Qtr. IV	186	99	628	166	108	1,001	--	386	177	145	707	-643	34
1978--Qtr. I	-2,655	345	1,123	459	247	2,175	--	--	--	--	--	-555	-1,133
1977--Dec.	2,798	93	628	166	108	1,001	--	386	177	145	707	4,474	3,568
1978--Jan.	-627	56	311	89	100	556	--	--	--	--	--	-71	-7,149
Feb.	-2,695	--	--	--	--	--	--	--	--	--	--	-2,717	4,141
Mar.	668	288	813	370	147	1,618	--	--	--	--	--	2,233	1,874
Apr.	1,670	100	235	191	145	671	--	--	--	--	--	2,341	-1,026
May	-620	53	290	101	74	519	--	--	--	--	--	-135	-699
1978--Apr. 5	410	41	365	95	93	594	--	--	--	--	--	1,004	-7,652
12	108	--	--	--	--	--	--	--	--	--	--	108	636
19	828	100	235	191	145	671	--	--	--	--	--	1,499	1,693
26	563	--	--	--	--	--	--	--	--	--	--	563	2,671
May 3	--	--	--	--	--	--	--	--	--	--	--	--	2,284
10	238	--	--	--	--	--	--	--	--	--	--	238	-415
17	-141	53	290	101	74	519	--	--	--	--	--	344	-7,568
24	-291	--	--	--	--	--	--	--	--	--	--	-291	4,507
31	-426	--	--	--	--	--	--	--	--	--	--	-426	16
June 7	253	--	--	--	--	--	--	--	--	--	--	253	-3,973
14	361	--	--	--	--	--	--	--	--	--	--	333	-3,060
21p		135	631	176	115	1,057							
28													
LEVEL--June 14	41.9	12.4	29.7	11.8	8.9	62.7	1.7	3.8	1.5	.8	7.9	112.5	-8.0

(in billions)

- 1/ Change from end-of-period to end-of-period.
- 2/ Outright transactions in market and with foreign accounts, and redemptions (-) in bill auctions.
- 3/ Outright transactions in market and with foreign accounts, and short-term notes acquired in exchange for maturing bills. Excludes redemptions, maturity shifts, rollovers of maturing coupon issues, and direct Treasury borrowing from the System.
- 4/ Outright transactions in market and with foreign accounts only. Excludes redemptions and maturity shifts.
- 5/ In addition to net purchases of securities, also reflects changes in System holdings of bankers' acceptances, direct Treasury borrowings from the System, and redemptions (-) of Agency and Treasury coupon issues.
- 6/ Includes changes in both RP's (+) and matched sale-purchase transactions (-).

TABLE 4
SECURITY DEALER POSITIONS AND BANK POSITIONS
(millions of dollars)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
JUNE 16, 1978

	U.S. Govt. Security Dealer Positions		Underwriting Syndicate Positions		Excess** Reserves	Member Bank Reserve Positions			
	Bills	Coupon Issues	Corporate Bonds	Municipal Bonds		Borrowing at FRB**		Basic Reserve Deficit**	
						Total	Seasonal	8 New York	38 Others
1977--High	7,234	3,017	295	487	513	1,861	131	-9,151	-13,975
Low	1,729	-1,445	0	116	-111	20	8	-4,234	- 8,206
1978--High	5,625	2,043	215	349	370	1,688	91	-8,224	-14,602
Low	278	-739	0	151	-57	172	25	-3,480	- 8,533
1977--May	3,072	123	20	228	213	206	30	-5,693	-10,175
June	4,752	206	142	217	154	262	54	-5,341	-10,332
July	3,899	-309	143	209	275	323	60	-6,391	-11,012
Aug.	2,533	-933	71	199	200	1,084	102	-5,581	-11,452
Sept.	4,812	-313	128	230	209	626	112	-7,333	-11,120
Oct.	4,142	-360	83	186	210	1,305	112	-6,480	-11,511
Nov.	3,617	610	36	210	251	863	83	-6,971	-11,825
Dec.	4,257	804	195	367	193	570	55	-7,403	-11,350
1978--Jan.	4,127	327	42	293	268	484	32	-6,047	-12,299
Feb.	3,418	1,492	24	197	243	406	49	-4,980	-12,603
Mar.	2,713	740	96	268	200	328	47	-6,778	-11,060
Apr.	3,183	-183	46	202	149	557	44	-6,196	-12,998
May	*1,023	*5	25	264	239p	1,212p	92p	-4,038	-11,653
1978--Apr. 5	4,398	2	23	189	275	304	45	-6,383	-10,673
12	4,083	-310	6	186	12	172	37	-8,224	-14,602
19	3,767	-351	145	185	305	238	36	-6,336	-13,831
26	1,325	33	8	248	-57	809	49	-5,356	-12,667
May 3	1,624	-287	5	281	315	1,664	60	-3,641	-12,215
10	1,249	189	21	191	183	1,688	72	-4,884	-12,180
17	278	-739	25	290	6	866	91	-4,357	-11,933
24	*531	*-641	41	294	247	701	104	-3,602	-11,731
31	*1,929	*51	0	213	487p	1,399p	115p	-3,480	-10,529
June 7	*3,835	*752	20	174	69p	646p	111p	-6,889p	-14,435p
14	*3,918	*81	60p	165p	126p	794p	106p	-5,127p	-13,776p
21									
28									

NOTE: Government security dealer trading positions are on a commitment basis. Trading positions, which exclude Treasury securities financed by repurchase agreements maturing in 16 days or more, are indicators of dealer holdings available for sale over the near-term. Underwriting syndicate positions consist of 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.

** Monthly averages for excess reserves and borrowings are weighted averages of statement week figures.

TABLE 5
SELECTED INTEREST RATES
(per cent)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
JUNE 16, 1978

	Short-Term							Long-Term								
	Federal Funds	Treasury Bills			CD's New Issue- NYC	Comm. Paper 90-119 Day	Bank Prime Rate	U.S. Govt.-Constant Maturity Yields			Corp.-Aaa Utility		Municipal Bond Buyer	Home Mortgages		
		Market		Auction				90-Day	3-yr	7-yr	20-yr	New Issue		Recently Offered	Primary Conv.	Secondary Market
		3-mo	1-yr	6-mo	FNMA Auc.	GNMA Sec.										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
1977--High	6.65	6.27	6.62	6.51	6.70	6.66	7.75	7.39	7.70	7.99	8.36	8.48	5.93	9.00	8.98	8.39
Low	4.47	4.41	4.67	4.56	4.50	4.63	6.25	5.83	6.59	7.26	7.90	7.95	5.45	8.65	8.46	7.56
1978--High	7.49	6.63	7.41	7.16	7.58	7.54	8.50	8.19	8.35	8.49	9.04	9.10	6.19	9.70	9.86	9.04
Low	6.58	6.16	6.55	6.42	6.65	6.68	7.75	7.40	7.72	8.01	8.61	8.48	5.58	8.98	9.13	8.43
1977--May	5.35	4.96	5.43	5.19	5.16	5.26	6.41	6.55	7.26	7.74	8.33	8.31	5.75	8.83	8.74	8.04
June	5.39	5.02	5.41	5.20	5.35	5.42	6.75	6.39	7.05	7.64	8.08	8.12	5.62	8.86	8.75	7.95
July	5.42	5.19	5.57	5.35	5.28	5.38	6.75	6.51	7.12	7.60	8.15	8.12	5.63	8.95	8.72	7.96
Aug.	5.90	5.49	5.97	5.81	5.78	5.75	6.83	6.79	7.24	7.64	8.04	8.05	5.62	8.94	8.76	8.03
Sept.	6.14	5.81	6.13	5.99	6.01	6.09	7.13	6.84	7.21	7.57	8.07	8.07	5.51	8.90	8.74	8.02
Oct.	6.47	6.16	6.52	6.41	6.53	6.51	7.52	7.19	7.44	7.71	8.23	8.22	5.64	8.92	8.82	8.16
Nov.	6.51	6.10	6.52	6.43	6.56	6.54	7.75	7.22	7.46	7.76	8.28	8.25	5.49	8.92	8.86	8.19
Dec.	6.56	6.07	6.52	6.38	6.65	6.61	7.75	7.30	7.59	7.87	8.34	8.38	5.57	8.96	8.94	8.27
1978--Jan.	6.70	6.44	6.80	6.68	6.82	6.75	7.93	7.61	7.86	8.14	8.68	8.60	5.71	9.02	9.17	8.56
Feb.	6.78	6.45	6.86	6.74	6.77	6.76	8.00	7.67	7.94	8.22	8.69	8.67	5.62	9.15	9.31	8.64
Mar.	6.79	6.29	6.82	6.64	6.73	6.75	8.00	7.70	7.95	8.21	8.71	8.67	5.61	9.20	9.35	8.60
Apr.	6.89	6.29	6.96	6.70	6.84	6.82	8.00	7.85	8.06	8.32	8.90	8.85	5.80	9.36	9.44	8.71
May	7.36	6.41	7.28	7.02	7.20	7.06	8.27	8.07	8.25	8.44	8.95	8.98	6.03	9.57	9.66	8.90
1978--Apr. 5	6.86	6.39	6.94	6.72	6.75	6.76	8.00	7.82	8.04	8.31	8.88	8.82	5.76	9.28	9.44	8.70
12	6.74	6.35	6.95	6.74	6.83	6.80	8.00	7.81	8.04	8.33	8.88	8.84	5.74	9.33	--	8.67
19	6.78	6.20	6.88	6.56	6.83	6.79	8.00	7.83	8.04	8.30	8.93	8.84	5.79	9.38	9.44	8.67
26	7.00	6.22	6.99	6.78	6.95	6.86	8.00	7.95	8.13	8.36	8.92	8.91	5.89	9.43	--	8.81
May 3	7.27	6.38	7.16	6.94	7.05	6.91	8.00	7.99	8.16	8.40	--	8.90	5.98	9.48	9.52	8.80
10	7.32	6.39	7.21	6.99	7.13	6.96	8.21	8.06	8.25	8.44	8.87	8.92	5.99	9.55	--	8.86
17	7.34	6.30	7.28	7.01	7.20	7.06	8.25	8.07	8.26	8.44	8.95	8.98	5.98	9.58	9.63	8.85
24	7.43	6.43	7.37	7.14	7.28	7.14	8.25	8.15	8.30	8.47	9.02	9.10	6.16	9.68	--	8.96
31	7.36	6.59	7.40	7.16	7.36	7.19	8.46	8.19	8.34	8.49	--	9.05	6.19	9.68	9.83	9.04
June 7	7.47	6.61	7.35	7.10	7.35	7.34	8.50	8.16	8.30	8.47	9.04	9.06	6.18	9.70	--	8.99
14	7.49	6.63	7.41	7.12	7.58	7.54	8.50	8.18p	8.35p	8.47p	9.02p	8.96p	6.16	n.a.	9.86	9.01
21																
28																
Daily--June 8	7.50	6.63	7.37	--	--	7.46	8.50	8.15	8.30	8.47	--	--	--	--	--	--
15	7.50p	6.66	7.47	--	--	7.64	8.50	8.18p	8.36p	8.46p	--	--	--	--	--	--

NOTE: Weekly data for columns 1, 2, 3, 6, and 7 are statement week averages of daily data. Weekly data in column 4 are average rates set in the auctions of 6-month bills that will be issued on the Thursday following the end of the statement week. Data in column 5 are 1-day Wednesday quotes. For columns 8 through 11, the weekly date is the mid-point of the calendar week over which data are averaged. Columns 12 and 13 are 1-day quotes for Friday and Thursday, respectively, following the end of the statement week. Column 14 is an average of contract interest rates on commitments for conventional first mortgages with 80 per cent loan-to-value ratios made by a sample of insured savings and loan associations on the Friday following the end of the statement week. Column 15 gives FNMA auction data for Monday preceding the end of the statement week. Column 16 is a 1-day quote for Monday preceding the end of the statement week. The FNMA auction yield is the average yield in bi-weekly auction for short-term forward commitments for Government underwritten mortgages. GNMA yields are average net yields to investors on mortgage-backed securities for immediate delivery, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the coupon rate 50 basis points below the current FHA/VA ceiling.

Appendix Table 1-A
MONEY AND CREDIT AGGREGATE MEASURES

Period	Bank Reserves ^{1/}			Bank Credit	Money Stock Measures						
	Total	Non-borrowed	Monetary Base	Total Loans and Investments	M ₁	M ₂	M ₃	M ₄	M ₅	M ₆	M ₇
	1	2	3	4	5	6	7	8	9	10	11
(PER CENT ANNUAL RATES OF GROWTH)											
ANNUALLY:											
1975	-0.3	3.2	5.9	3.9	4.4	8.3	11.0	6.5	9.6	10.4	10.0
1976	1.0	1.2	7.0	6.0	5.7	10.9	12.8	7.1	10.3	9.6	10.6
1977	5.2	2.7	8.3	11.3	7.9	9.8	11.7	10.1	11.8	11.5	11.9
SEMI-ANNUALLY:											
2ND HALF 1976	3.0	3.2	6.6	9.1	5.5	10.8	12.7	7.6	10.8	9.8	9.9
1ST HALF 1977	3.5	2.9	7.3	11.3	7.6	10.1	11.3	9.3	10.8	10.2	10.7
2ND HALF 1977	6.6	2.6	9.0	16.7	7.9	9.1	11.5	10.3	12.1	12.2	12.5
QUARTERLY:											
2ND QTR. 1977	3.3	1.4	7.9	12.1	7.5	6.5	9.9	8.4	9.6	8.5	9.2
3RD QTR. 1977	8.0	3.9	9.2	10.3	9.0	10.1	12.7	9.6	12.3	12.9	12.5
4TH QTR. 1977	7.1	7.8	9.6	9.5	6.6	7.4	9.4	11.6	11.8	11.9	13.2
1ST QTR. 1978	5.8	6.6	7.9	9.5	4.4	6.6	7.1	9.7	9.0	9.7	9.5
QUARTERLY-AV:											
2ND QTR. 1977	2.9	1.8	7.3	12.1	8.1	9.0	10.2	8.2	9.6	9.0	9.9
3RD QTR. 1977	7.3	1.7	8.8	11.1	8.1	9.9	11.9	9.5	11.6	11.4	11.4
4TH QTR. 1977	6.1	3.5	9.1	9.9	7.5	6.2	10.7	10.9	12.3	12.6	13.2
1ST QTR. 1978	8.5	14.5	9.6	9.6	5.6	6.9	7.7	10.4	9.8	10.4	10.8
MONTHLY:											
1977--MAY	1.3	-3.3	6.4	13.5	1.5	5.5	8.1	7.0	8.9	7.3	8.0
JUNE	0.6	-1.4	7.1	9.6	7.1	9.1	10.3	6.9	10.2	8.6	9.1
JULY	15.5	13.5	11.1	12.8	11.8	13.5	14.0	11.9	12.9	13.1	13.0
AUG.	7.8	-17.4	8.4	10.5	6.2	7.7	11.7	7.5	11.5	12.6	12.1
SEPT.	0.5	15.7	8.0	7.2	8.7	9.0	12.2	9.2	12.2	12.6	12.1
OCT.	9.8	-13.4	10.0	12.9	11.2	9.8	11.9	12.7	13.5	13.8	14.5
NOV.	5.3	20.9	8.1	9.2	0.7	5.8	6.1	11.6	11.6	11.7	13.3
DEC.	5.9	16.1	10.4	6.3	8.2	6.3	7.9	10.0	10.1	10.0	11.4
1978--JAN.	15.2	18.3	13.5	13.6	10.3	9.5	9.1	11.8	10.5	11.7	12.0
FEB.	10.9	13.7	7.0	7.9	-0.7	4.7	5.7	8.5	7.9	6.9	8.6
MAR.	-8.6	-6.2	3.6	6.9	3.5	5.6	6.5	8.7	8.3	8.3	7.7
APR.	9.4	1.9	7.8	18.5	19.0	11.5	9.8	12.3	10.4	9.8	9.5
MAY P	11.0	-10.4	12.3	15.7	6.6	7.2	7.1	11.3	9.7	9.4	9.5

1/ BASED ON DATA ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS.

2/ BASED ON QUARTERLY AVERAGE DATA.

P - PRELIMINARY

MONEY AND CREDIT AGGREGATE MEASURES

SEASONALLY ADJUSTED, BILLIONS OF DOLLARS

Period	Bank Reserves 1/			Bank Credit	Money Stock Measures						
	Total	Non-borrowed	Monetary Base	Total Loans and Investments	M ₁	M ₂	M ₃	M ₄	M ₅	M ₆	M ₇
	1	2	3	4	5	6	7	8	9	10	11
ANNUALLY:											
1975	33,969	33,839	110,345	726.2	294.5	664.1	1091.6	745.4	1173.2	1307.3	1350.3
1976	34,441	34,388	118,062	788.9	312.6	739.6	1235.6	802.3	1298.3	1436.7	1484.0
1977	36,143	35,573	127,971	675.5	337.2	808.4	1375.0	882.4	1449.0	1601.5	1663.4
MONTHLY:											
1977--MAY	34,805	34,599	121,448	827.1	322.4	768.4	1290.9	831.3	1353.6	1495.9	1549.7
JUNE	34,821	34,559	122,163	833.7	324.5	774.2	1302.0	837.5	1365.3	1506.6	1561.4
JULY	35,271	34,948	123,294	842.6	327.5	782.9	1317.2	845.8	1360.0	1523.0	1578.3
AUG.	35,501	34,440	124,155	850.0	329.2	767.9	1330.0	851.1	1393.2	1539.0	1594.2
SEPT.	35,517	34,892	124,984	855.1	331.6	793.8	1343.5	857.6	1407.4	1555.1	1610.3
OCT.	35,808	34,503	126,025	864.3	334.7	800.3	1356.8	866.7	1423.2	1573.0	1629.8
NOV.	35,965	35,103	126,872	870.9	334.9	804.2	1366.0	875.1	1436.9	1588.3	1647.8
DEC.	36,143	35,573	127,971	875.5	337.2	808.4	1375.0	882.4	1449.0	1601.5	1663.4
1978--JAN.	36,600	36,116	129,409	885.4	340.1	814.6	1385.4	891.1	1461.7	1617.1	1680.0
FEB.	36,933	36,528	130,159	891.2	339.9	818.0	1392.0	897.4	1471.3	1629.1	1692.0
MAR.	36,667	36,339	130,484	896.7	340.9	821.8	1399.5	903.9	1481.5	1640.3	1702.9
APR.	36,954	36,397	131,337	910.5	346.3	829.7	1410.9	913.2	1494.3	1653.7	1716.4
MAY P	37,293	36,081	132,681	922.4	348.2	834.7	1419.3	921.6	1506.4	1666.7	1729.7
WEEKLY:											
1978--APR.	12	36,627	36,456	130,495	344.7	827.6		910.1			
	19	37,381	37,143	131,776	345.4	829.3		912.5			
	26	36,694	35,885	131,431	347.5	831.5		915.9			
MAY	3	37,285	35,621	132,327	351.5	835.6		921.4			
	10	37,218	35,530	132,170	347.3	832.4		919.1			
	17	37,484	36,618	132,657	347.3	833.8		920.7			
	24	37,022	36,321	132,547	346.5	833.6		921.4			
	31P	37,450	36,051	133,300	350.8	839.6		927.3			
JUNE	7P	37,134	36,488	133,026	350.9	840.2		927.6			

NOTES: WEEKLY DATA ARE DAILY AVERAGES FOR STATEMENT WEEKS. MONTHLY DATA ARE DAILY AVERAGES. WEEKLY DATA ARE NOT AVAILABLE FOR M₃, M₅, M₆, M₇, TOTAL LOANS AND INVESTMENTS AND THRIFT INSTITUTION DEPOSITS.

1/ BASED ON DATA ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS. DATA SHOWN IN MILLIONS OF DOLLARS.

P - PRELIMINARY

JUNE 16, 1978

APPENDIX TABLE 2-A

COMPONENTS OF MONEY STOCK AND RELATED MEASURES

Period	Currency	Demand Deposits	Time and Savings Deposits					Mutual Savings Bank & S&L Shares ^{1/}	Credit Union Shares ^{1/}	Savings Bonds ^{1/}	Short Term U.S. Gov't Securities ^{1/}	Other Private Short-term Assets ^{1/}
			Total	Other Than CD's			CD's					
				Total	Savings	Other						
	1	2	3	4	5	6	7	8	9	10	11	12
(Per cent annual rates of growth)												
ANNUALLY: ^{2/}												
1975	8.9	2.9	7.9	11.7	17.5	7.8	-6.4	15.3	19.5	6.2	33.8	-0.7
1976	9.6	4.4	8.0	15.0	25.0	7.4	-23.4	15.5	16.8	6.9	5.5	13.9
1977	9.5	7.3	11.5	11.3	11.1	11.4	12.8	14.2	19.4	6.6	10.9	24.8
SEMI-ANNUALLY: ^{2/}												
2ND HALF 1976	7.8	4.7	9.3	14.9	19.8	10.6	-21.7	15.5	18.1	7.2	-4.6	13.0
1ST HALF 1977	8.7	7.2	10.4	11.9	15.3	8.9	0.6	12.9	16.6	6.4	2.1	25.6
2ND HALF 1977	9.8	7.2	11.9	10.0	6.4	13.3	24.9	14.5	20.6	6.5	19.6	21.2
QUARTERLY:												
2ND QTR. 1977	8.7	7.1	8.9	9.2	5.5	12.5	7.1	11.6	15.7	6.6	-14.4	29.8
3RD QTR. 1977	10.0	8.7	9.9	10.8	10.9	10.8	3.2	16.2	21.7	6.5	31.0	2.9
4TH QTR. 1977	10.7	5.4	14.7	7.9	1.5	13.6	64.0	11.6	16.8	6.4	19.4	48.6
1ST QTR. 1978	9.5	2.6	13.0	6.2	2.6	13.2	43.2	6.9	17.9	6.3	27.4	4.5
QUARTERLY-AV:												
2ND QTR. 1977	8.8	7.8	8.3	9.7	8.8	10.5	-1.9	11.6	14.9	6.6	-1.2	39.3
3RD QTR. 1977	9.1	7.7	10.3	11.2	7.3	14.6	4.5	14.6	20.1	7.0	11.7	11.2
4TH QTR. 1977	10.3	6.6	13.1	8.6	5.4	11.6	44.9	13.9	20.0	5.9	26.7	30.4
1ST QTR. 1978	10.5	3.9	13.4	7.9	2.6	12.7	50.0	8.1	18.2	6.3	25.6	22.9
MONTHLY:												
1977--MAY	10.1	-1.5	10.5	8.4	5.7	10.9	25.3	11.6	14.5	6.5	-24.1	29.7
JUNE	5.7	7.5	10.1	10.5	0.0	20.1	7.6	12.0	17.2	6.5	-21.1	22.3
JULY	12.8	11.0	11.9	14.9	6.2	22.8	-9.5	14.3	19.8	8.1	19.7	10.9
AUG.	5.6	6.9	8.3	8.4	16.3	1.5	7.6	17.1	19.5	6.4	44.0	-2.2
SEPT.	11.2	7.9	9.2	8.9	10.0	7.9	11.4	16.6	24.7	4.8	27.2	0.0
OCT.	11.1	11.3	13.7	9.1	4.4	13.3	48.9	14.0	21.5	6.4	29.9	34.8
NOV.	8.3	-1.9	18.7	9.5	-1.1	18.5	81.3	11.0	15.8	6.3	19.4	54.9
DEC.	12.3	6.8	11.1	4.9	1.1	8.6	52.5	9.5	18.2	6.3	8.0	50.5
1978--JAN.	10.8	10.1	12.8	8.9	6.0	11.4	37.3	7.8	17.9	6.3	41.2	21.3
FEB.	9.4	-4.3	14.2	8.6	1.1	15.1	48.8	6.2	15.2	6.2	30.6	-3.8
MAR.	8.0	1.9	11.6	7.0	0.5	12.6	39.3	6.6	20.0	6.2	9.0	-3.8
APR.	7.9	23.5	8.3	6.2	3.3	8.8	20.5	6.4	14.7	6.2	4.4	1.9
MAY P	11.8	4.2	14.4	7.7	2.2	12.4	53.2	7.0	12.1	6.1	5.9	5.7

^{1/} GROWTH RATES ARE BASED ON ESTIMATED MONTHLY AVERAGE LEVELS DERIVED BY AVERAGING END OF CURRENT MONTH AND END OF PREVIOUS MONTH REPORTED DATA.

^{2/} BASED ON QUARTERLY AVERAGE DATA.

COMPONENTS OF MONEY STOCK AND RELATED MEASURES

Period	Currency	Demand Deposits	Time and Savings Deposits				Mutual Savings Bank & S&L Shares ^{1/}	Credit Union Shares ^{1/}	Savings Bonds ^{1/}	Short-Term U.S. Gov't Sec ^{1/}	Other Private Short-term Assets ^{1/ 2/}	Non-Deposit Funds ^{3/}	Total Gov't Demand Deposits ^{4/}	
			Total	Other Than CD's										CD's
				Total	Savings	Other								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
ANNUALLY:														
1975	73.7	220.8	450.9	369.6	160.5	209.1	81.3	394.8	33.0	67.2	66.9	43.0	33.8	8.3
1976	80.7	231.9	489.7	427.0	201.9	225.1	62.7	456.9	39.1	71.9	66.6	47.3	51.1	11.2
1977	88.6	248.6	545.2	471.2	219.6	251.6	74.0	519.8	46.8	76.6	75.8	61.9	61.6	11.4
MONTHLY:														
1977--MAY	83.8	238.6	508.9	446.0	213.0	233.0	62.9	480.6	41.8	73.8	68.3	53.6	53.8	10.6
JUNE	84.2	240.1	513.2	449.9	213.0	236.9	63.3	485.4	42.4	74.2	67.1	54.8	53.2	10.1
JULY	85.1	242.3	518.3	455.5	214.1	241.4	62.8	491.2	43.1	74.7	68.2	55.3	53.6	11.8
AUG.	85.5	243.7	521.9	456.7	217.0	241.7	63.2	498.2	43.8	75.1	70.7	55.2	55.9	10.2
SEPT.	86.3	245.3	525.9	462.1	218.8	243.3	63.8	505.1	44.7	75.4	72.3	55.2	57.5	10.7
OCT.	87.1	247.6	531.9	465.6	219.6	246.0	66.4	511.0	45.5	75.8	74.1	56.8	58.3	10.3
NOV.	87.7	247.2	540.2	469.3	219.4	249.8	70.9	515.7	46.1	76.2	75.3	59.4	60.0	6.7
DEC.	88.6	248.6	545.2	471.2	219.6	251.6	74.0	519.8	46.8	76.6	75.8	61.9	61.6	11.4
1978--JAN.	69.4	250.7	551.0	474.7	220.7	254.0	76.3	523.2	47.5	77.0	78.4	63.0	66.0	9.7
FEB.	90.1	249.8	557.5	478.1	220.9	257.2	79.4	525.9	48.1	77.4	80.4	62.8	66.7	7.5
MAR.	90.7	250.2	562.9	480.9	221.0	259.9	82.0	528.8	48.9	77.8	81.0	62.6	67.1	7.9
APR.	91.3	255.1	566.8	483.4	221.6	261.8	83.4	531.6	49.5	78.2	81.3	62.7	65.7	8.3
MAY P	92.2	256.0	573.6	486.5	222.0	264.5	87.1	534.7	50.0	78.6	81.7	63.0	67.6	7.3
WEEKLY:														
1978--APR. 12	90.9	253.8	565.4	482.9	222.3	260.6	82.5						66.4	9.0
19	91.3	254.2	567.1	483.9	221.7	262.2	83.2						62.0	8.5
26	91.5	256.0	568.4	484.0	221.3	262.7	84.4						66.5	8.1
MAY 3	91.9	259.6	569.9	484.1	221.5	262.6	85.8						67.3	7.5
10	92.0	255.3	571.8	485.1	222.1	263.0	86.7						68.9	8.9
17	92.2	255.1	573.3	486.5	221.9	264.6	86.9						65.0	7.4
24	92.3	254.1	574.9	487.3	222.0	265.3	87.6						68.9	6.5
31P	92.6	258.2	576.5	488.8	222.1	266.6	87.8						67.8	5.7
JUNE 7P	92.8	258.1	576.7	489.3	221.9	267.4	87.3							8.6

1/ ESTIMATED MONTHLY AVERAGE LEVELS DERIVED BY AVERAGING END OF CURRENT MONTH AND END OF PREVIOUS MONTH REPORTED DATA.

2/ INCLUDES PRIVATE DOMESTIC NONFINANCIAL INVESTORS' HOLDINGS OF COMMERCIAL PAPER, BANKERS ACCEPTANCES, SECURITY RP'S AND MONEY MARKET MUTUAL FUND SHARES.

3/ BORROWINGS BY BANKS FROM OTHER THAN COMMERCIAL BANKS IN THE FORM OF FEDERAL FUNDS PURCHASED, SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE, AND OTHER LIABILITIES FOR BORROWED MONEY, PLUS GROSS LIABILITIES TO OWN FOREIGN BRANCHES (EURODOLLAR BORROWINGS), LOANS SOLD TO AFFILIATES, LOAN RPS, AND OTHER MINOR ITEMS.

4/ INCLUDES TREASURY DEPOSITS AT MEMBER BANKS AND FEDERAL RESERVE BANKS.

P - PRELIMINARY