Prefatory Note

The attached document represents the most complete and accurate version available based on original copies culled from the files of the FOMC Secretariat at the Board of Governors of the Federal Reserve System. This electronic document was created through a comprehensive digitization process which included identifying the best-preserved paper copies, scanning those copies,[1] and then making the scanned versions text-searchable.[2] Though a stringent quality assurance process was employed, some imperfections may remain.

Please note that this document may contain occasional gaps in the text. These gaps are the result of a redaction process that removed information obtained on a confidential basis. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

[1] In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).

[2] A two-step process was used. An advanced optimal character recognition computer program (OCR) first created electronic text from the document image. Where the OCR results were inconclusive, staff checked and corrected the text as necessary. Please note that the numbers and text in charts and tables were not reliably recognized by the OCR process and were not checked or corrected by staff.

March 14, 1980

Strictly Confidential (FR) Class I FOMC

MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

STRICTLY CONFIDENTIAL (FR)
CLASS I - FOMC

March 14, 1980

MONETARY AGGREGATES AND MONEY MARKET CONDITIONS

Recent developments

(1) Growth of the monetary aggregates accelerated sharply in February, moving them well above the Committee's December-to-March target paths. M-1A grew at about a 12 percent annual rate in February, and at a 7¾ percent rate over the first two months of the year. M-2 was further buoyed by larger than expected growth of money market mutual funds and M-3 by enlarged issuance of large time deposits at commercial banks to finance a sharp pick-up in bank credit. Despite large MMC sales, outstanding small denomination deposits at thrifts declined in January and February, and only issuance of large time deposits by S&Ls (included in M-3) prevented a contraction of total thrift deposits. In late February and early March, transactions deposits declined sharply, and growth in M-1A and M-1B for March is projected to be very low. On that assumption, growth rates in these aggregates would be about 1 percentage point above the Committee's targets for the December-March period. Growth in M-2 over that span would likely be somewhat stronger relative to target.

	Jan.	Feb.	Dec. to Feb.	Dec. to Mar. Target
Monetary Aggregates				
M-1A	3.6	11.9	7.8	4½
M-1B	4.3	11.4	7.9	5
M-2	6.8	10.8	8.9	6½
M-3	7.8	11.7	9.8	--

(2) The seasonally adjusted annual rates of growth in the family of reserve measures that originally appeared consistent with the monetary

targets adopted by the FOMC for the December to March period at its last meeting are shown in the first column of the table below. As indicated by the second column, the original path for total reserves was adjusted downward to allow for reduced member bank demand for excess reserves, larger than expected growth in nonmember bank deposits and currency, and less than expected growth in reservable member bank deposits not included in M-1 or M-2. In addition, the nonborrowed reserve path was reduced still more in an effort to exert greater restraint on total reserves and money. Thus far in the quarter, growth in the monetary base and total reserves has been running above the adjusted target, while growth in nonborrowed reserves has fallen below target.

Reserve Targets for December to March Period
and Actual Growth

	Original Path for Dec.-Mar. Period (as of Feb. FOMC meeting)	Path Reflecting Adjustments During Inter-meeting Period 1/	Actual Growth thus far in Quarter (Dec. to first 3 weeks of March)
Nonborrowed reserves	1.9	-6.8	-10.9
Total reserves	-0.3	-4.9	1.4
Monetary base	7.1	5.8	7.5

1/ See appendix I for paths and adjustments during intermeeting period on a not seasonally adjusted basis.

(3) With demands for reserves large relative to supply, and with the increase in the discount rate on February 15, the federal funds rate moved up from the 13¼ to 13¾ percent range of earlier weeks to the 14½ to 15 percent range in the latter part of February. Recognizing that the adjustments in the reserve paths would likely entail additional pressures on the money market, the Committee approved an increase in the upper limit of its

federal funds rate constraint from 15½ to 16½ percent on February 22 and then to 18 percent on March 7. By early March funds were trading in excess of 17 percent on some days and averaged 16.45 percent in the most recent complete statement week. Member bank borrowing rose in the course of the intermeeting period, reaching an exceptionally higher level of $3.4 billion on average in the statement week ending March 12; in the preceding three statement weeks borrowing had averaged about $2¼ billion.

(4) Interest rates moved up sharply on balance during the intermeeting period as inflationary expectations worsened. Continuing the sharp rise that had begun in January, bond yields rose about ½ to 1½ percentage points further, and interest rates on home mortgages have jumped sharply in the past three weeks. Short-term rates, which had not risen earlier in the year, increased 3 to 4½ percentage points over the intermeeting period. They began to rise in mid-February as bank reserve positions tightened and the discount rate was increased. Pressures in short-term markets were reinforced by bank issuance of CD's to finance strong credit demands and by large sales of Treasury bills by foreign official institutions to finance currency support operations. Uncertainties about the timing and content of the government's anti-inflation program also contributed to the market's unsettledness.

(5) In recent weeks, the dollar has shown remarkable strength in the exchange markets.

, the weighted-average value of the dollar has risen by about 4½ percent since the last Committee meeting.[1/] This strength was attributable to the steep rise in U.S. interest rates, to anticipations of a forthcoming anti-inflation package, to a growing appreciation by the market of the magnitudes of current account deficits in major countries abroad, and to the acceleration of inflation in other countries.

(6) The table on the next page shows seasonally adjusted annual rates of change, in percent, for selected monetary and financial flows over various time periods.

1/

. Partial data through late February, however, indicate that U.S. banking offices have raised only a moderate amount of funds offshore, perhaps because this would increase their reservable managed liabilities. This implies that the privately acquired dollars may have been channeled into increased net borrowing of U.S. nonfinancial corporations (possibly through their own foreign affiliates) from foreign banks or foreign commercial credit sources.

	1977 1/	1978 1/	1979 1/	Past Six Months Feb. '80 over Aug. '79	Past Three Months Feb. '80 over Nov. '79	Past Month Feb. '80 over Jan. '80
Nonborrowed reserves	3.5	5.6	2.7	5.7	7.6	-16.4
Total reserves	4.9	6.3	4.1	8.3	4.9	-4.4
Monetary base	8.3	9.0	7.6	8.7	7.9	5.6
Concepts of Money						
M-1A (Currency plus demand deposits) 2/	7.7	7.1	5.7	6.0	7.3	11.9
M-1B (M-1A plus other checkable deposits)	8.1	8.2	7.7	6.4	7.8	11.4
M-2 (M-1B plus small time and savings deposits, money market mutual fund shares and overnight RP's and Eurodollars)	10.9	8.2	8.8	7.7	8.5	10.0
M-3 (M-2 plus large time deposits and term RP's)	12.4	11.1	9.3	9.7	9.0	10.6
Bank Credit						
Loans and investment of all commercial banks 3/	10.9	13.6	11.5	10.5	11.4	17.9
Managed Liabilities of Banks (Monthly average change in billions)						
Large time deposits	2.0	4.3	1.4	3.4	1.9	6.0
Eurodollars	-0.4	0.6	1.9	-0.6	-2.2	1.3
Other borrowings 4/	1.0	1.3	1.0	0.7	3.7	5.9
Memo						
Nonbank commercial paper	0.2	0.3	0.9	0.9	1.6	1.3

1/ December to December.
2/ Other than interbank and U.S. Government.
3/ Includes loans sold to affiliates and branches.
4/ Primarily federal funds purchases and securities sold under agreements to repurchase.

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 and Short-term Targets

(7) Shown below for Committee consideration are three alternative targets for the monetary aggregates over the six-month December to June interval, along with implied growth rates for the February to June period.[1/] Also shown are intermeeting federal funds rate ranges. The funds range currently in effect is shown under alternative B. Because of recent upward adjustments in the upper limit, the range has become considerably wider than the 4 point width that had been usual since the October program was adopted. If the Committee wished to return to a narrower range, the staff would suggest that a 13 or 14 to 18 percent range would be generally consistent with alternative B under present market circumstances (and similar adjustments would need to be made to alternatives A and C).

	Alt. A	Alt. B	Alt. C
Growth rates from Dec. to June			
M-1A	5	4½	4
M-1B	5½	5	4½
M-2	8	7¾	7½
Implied growth for February to June			
M-1A	3¾	3	2¼
M-1B	4½	3¾	3
M-2	7½	7	6½
Intermeeting federal funds rate range	11 to 17½	11½ to 18	12 to 18½

1/ Because March levels of the aggregates are subject to considerable uncertainty (with firm data available only for the first week of the month), it did not seem desirable to focus policy for the period ahead on a second quarter growth rate. The more detailed tables on pages 7 and 8 do, however, show growth rates of the aggregates (including M-3) on the more usual calendar quarter basis (based on our current projection for March).

Alternative Levels and Growth Rates for Key Monetary Aggregates

	M-1A			M-1B		
	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1980 February	376.3	376.3	376.3	392.8	392.8	392.8
March	376.5	376.5	376.5	393.5	393.5	393.5
April	379.4	379.2	379.0	396.6	396.4	396.2
May	379.7	379.2	378.7	397.1	396.6	396.1
June	381.0	380.1	379.2	398.5	397.6	396.7
Growth Rates						
Monthly						
1980 March	0.6	0.6	0.6	2.1	2.1	2.1
April	9.2	8.6	8.0	9.5	8.8	8.2
May	0.9	--	-0.9	1.5	0.6	-0.3
June	4.1	2.8	1.6	4.2	3.0	1.8
Dec. '79-Mar. '80	5.4	5.4	5.4	6.0	6.0	6.0
Mar. '80-June '80	4.8	3.8	2.9	5.1	4.2	3.3
Quarterly Average						
1980 QI	5¾	5¾	5¾	6½	6½	6½
QII	5¼	4¾	4¼	5¾	5¼	4¾
QIII	3¾	4	4¼	4¼	4½	4¾
QIV	3¾	4	4¼	4½	4¾	5
Annual						
1979 QIV to 1980 QIV	4¾	4¾	4¾	5¼	5¼	5¼

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

	M-2			M-3		
	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1980 February	1546.6	1546.6	1546.6	1802.4	1802.4	1802.4
March	1555.3	1555.3	1555.3	1814.9	1814.9	1814.9
April	1567.3	1566.5	1565.7	1831.6	1831.4	1831.2
May	1574.9	1573.8	1572.5	1841.6	1841.1	1840.6
June	1584.5	1582.7	1580.6	1856.6	1855.8	1855.0
Growth Rates						
Monthly						
1970 March	6.8	6.8	6.8	8.3	8.3	8.3
April	9.1	8.6	7.9	11.0	10.9	10.8
May	5.8	5.6	5.2	6.6	6.4	6.2
June	7.3	6.8	6.2	9.8	9.6	9.4
Dec. '79-Mar. '80	8.2	8.2	8.2	9.3	9.3	9.3
Mar. '80-June '80	7.5	7.0	6.5	9.2	9.0	8.8
Quarterly Average						
1980 QI	7¾	7¾	7¾	8¾	8¾	8¾
QII	8	7½	7¼	9½	9¼	9
QIII	6¾	7	7¼	8	8¼	8½
QIV	6½	7	7¼	7½	7½	7½
Annual						
1979 QIV to 1980 QIV	7½	7½	7½	8¾	8¾	8¾

NOTE: The following annual rates of growth in bank credit for the year and for the quarters are expected under alternative B: year 1980, 7¾, QI, 9½; QII, 6½; QIII, 7¼; QIV, 6½. Only minor variations in growth rates would be expected under the other alternatives. For the December to June period, bank credit growth under alternative B would be 9½ percent.

(8) Alternative B extends through June the FOMC's previous target rates of growth of M-1A and M-1B for the December to March period of 4½ and 5 percent annual rates, respectively. Such growth, as shown on chart 1 on the next page, would also achieve levels of M-1A and M-1B by June that are on the midpoint paths of the Committee's longer-run QIV '79 to QIV '80 target ranges for these aggregates. Of course, given the surge in growth in the aggregates in February, M-1A and M-1B growth would have to slow considerably in the February-June period--to 3 and 3¾ percent average annual rates, respectively. With a significant weakening in these aggregates recently, and with nominal GNP growth projected by the staff to decelerate in the spring quarter, such average rates of growth might be consistent with a federal funds rate over the next few weeks not far from the 16½ to 17 percent level that has prevailed recently.[1/] Restraints on use of credit cards and check overdraft facilities in the new anti-inflation program could tend to increase the demand for money (or more particularly currency), but probably by no more than a minor amount, if at all, since a certain amount of spending might be curtailed and some spenders may simply write more checks on existing demand deposit holdings.

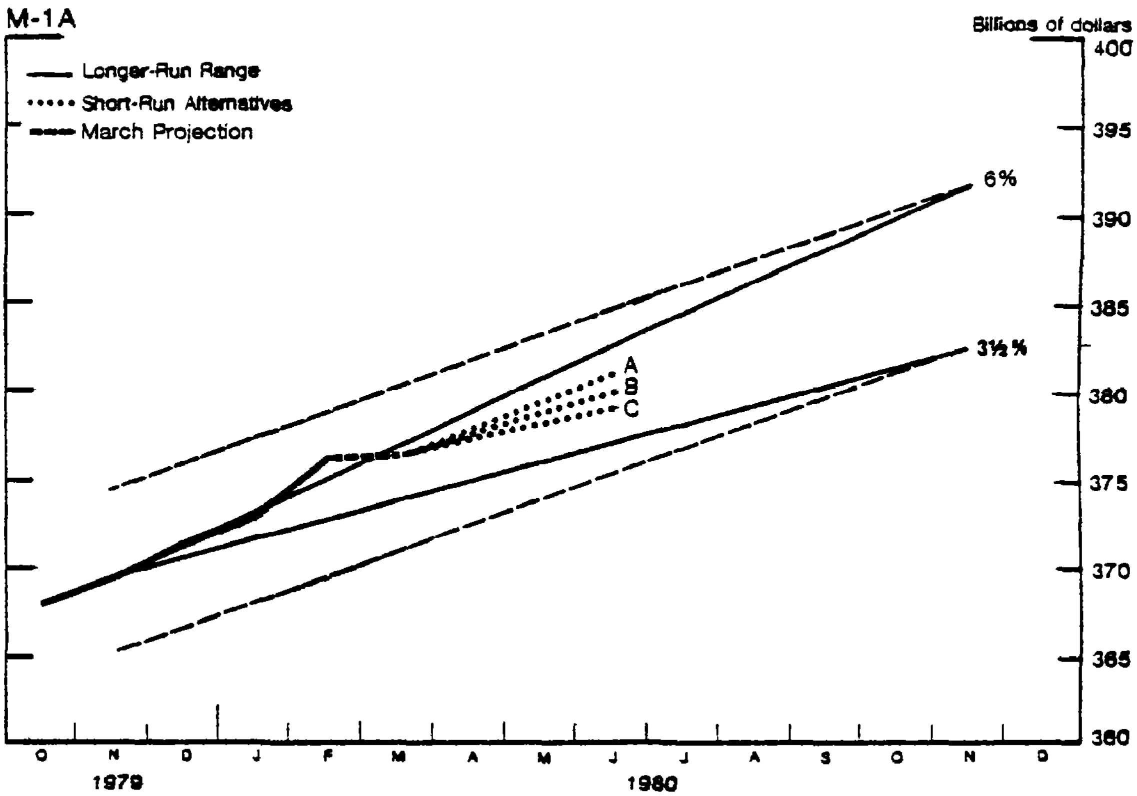
(9) The staff expects that under alternative B M-2 for the December-June period would grow around 7¾ percent and by 7 percent from February to June. This is faster than would be implied by a simple extension of the 6½ percent rate targeted for the December to March period. However,

---

1/ There is as yet no evidence that larger than normal tax refunds--which began in late February--have measurably affected money growth. As noted in the last Bluebook, growth rate of M-1A in March and April could be increased by 1 to 3 percentage points by such refunds, with offsetting effects in the ensuing three months. Given the continued uncertain influence of tax refunds on the aggregates, and the lack of evidence of any positive impact in the limited data thus far, the staff has still made no special adjustment in the targets presented to the Committee.

Chart 1

Actual and Targeted M-1A and M-1B



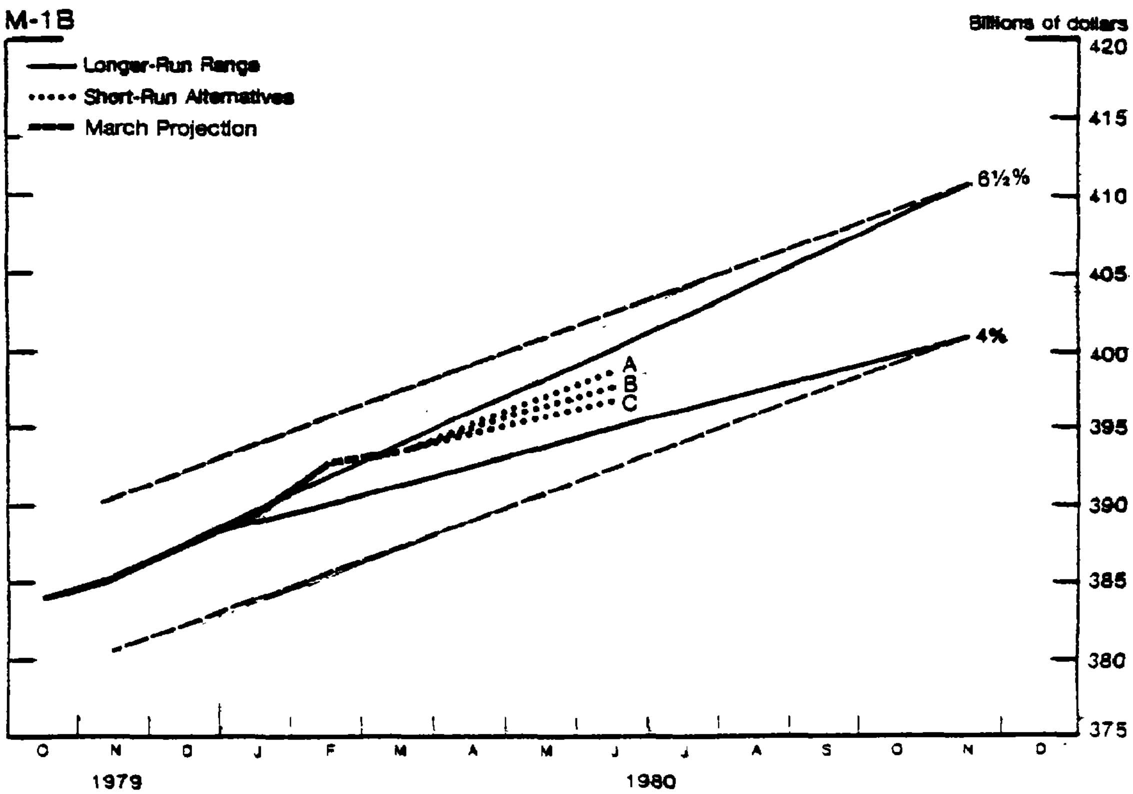
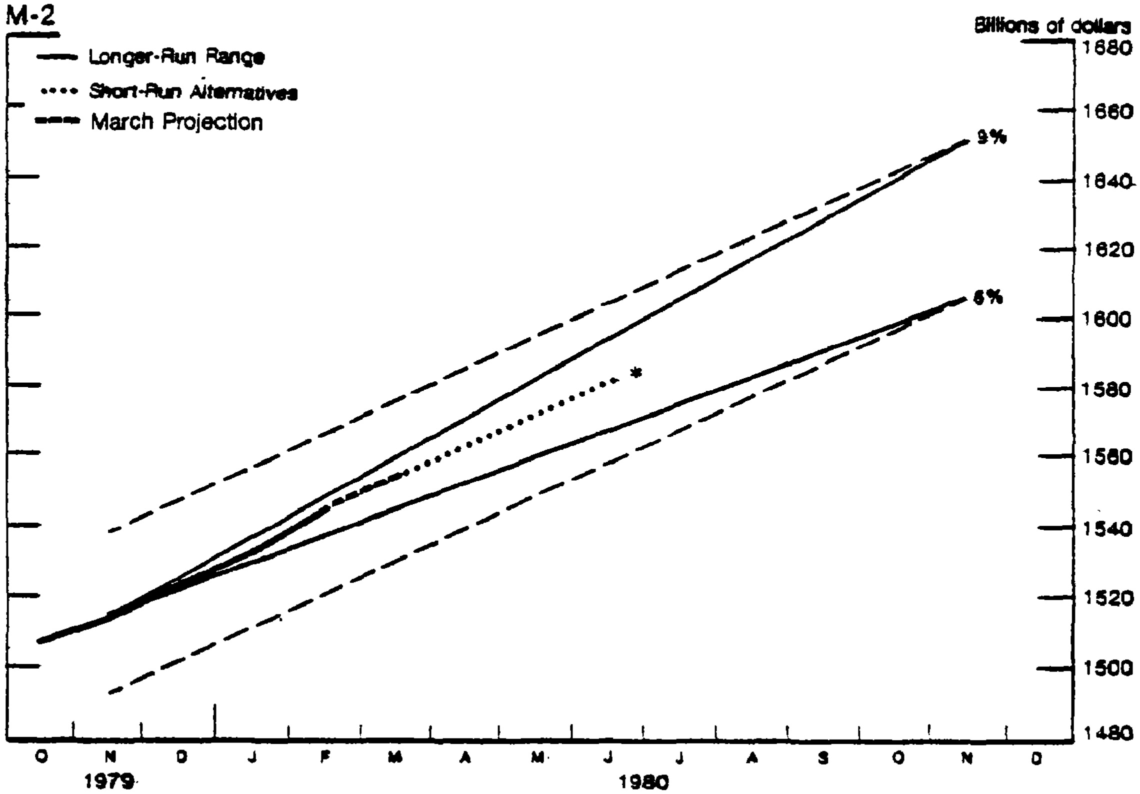
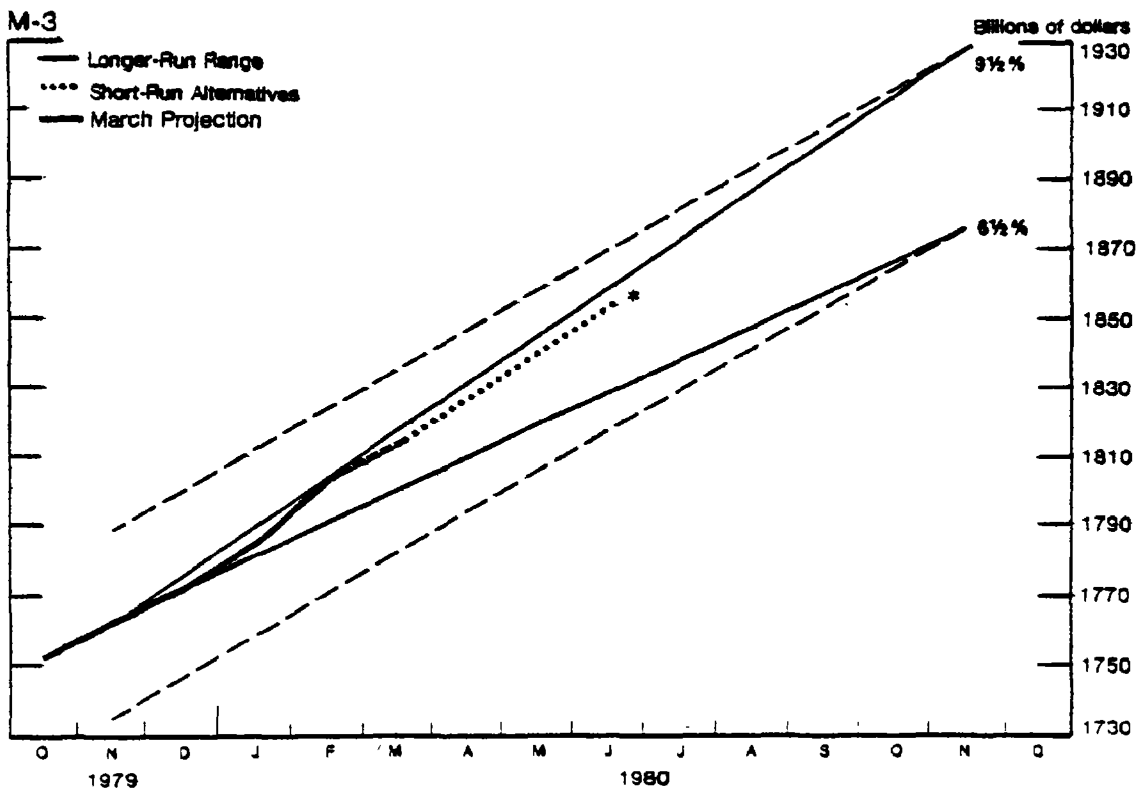


Chart 2

Actual and Targeted M-2 and M-3





*Note: A, B, and C alternatives are indistinguishable on these scales.

The specified growth for February-June represents a significant slowing from the February pace, and as shown in chart 2, such growth would place M-2 in June at the midpoint of its longer-run range.

(10) The slowing of M-2 is largely a reflection of the assumed lower rate of expansion in M-1A and M-1B. Within the nontransactions component of M-2, inflows to money market mutual funds are projected to moderate, but outflows at thrifts of small denomination deposits are expected to abate. Inflows to money market funds may be restrained more substantially by actions taken in connection with the government's new anti-inflation program, but much of the money involved likely would remain in, or be shifted to, other deposit accounts in M-2, as well as in M-3. Thus, we would expect only a relatively minor effect on the total of M-2 and M-3 growth from the new program, though the distribution of growth among components of the aggregates would be affected.

(11) The specifications of alternative B imply an annual rate of growth from February to June of the monetary base and of total reserves of about 7¾ percent and 5¾ percent, at annual rates, respectively. Member bank borrowings might average around the $2½ billion over the next few weeks; assuming that they then edge down toward about $1¾ billion by mid-year, nonborrowed reserves would increase at about a 4¾ percent annual rate over the February-June period. The level of borrowing and growth of nonborrowed reserves would, of course, be affected by any changes in bank attitudes toward the discount window. It is not clear whether the newly instituted 3 point surcharge over the basic discount rate will tend to encourage more willing use of the window, at least up to the point where the surcharge goes into effect, or will encourage banks to be more conservative for fear that unexpected events may force them to borrow at the higher rate.

(12) Business external financing requirements are expected to remain substantial in the second quarter as capital outlays are projected to move higher while internal cash flow falls off. It is possible that some of the financing need may have already been met to the extent that the recent surge in borrowing at banks reflected anticipation of credit controls. Even so, there is likely to be some conflict between business borrowing needs in the near-term and the special credit restraint program. If the guidelines of that program are followed, they would imply a marked slowing in loan growth, given the relatively rapid growth that has already occurred this year. However, if the new program leads to a reduction of inflationary expectations, the associated drop that is likely to occur in bond yields may divert some business borrowing to that market. On balance, it seems likely that bank credit growth will slow in the months ahead from the very rapid January-February pace, but still may be large enough to require banks to continue to issue high cost managed liabilities. Thrifts and mortgage markets too are likely to remain under considerable tension in the months ahead absent any substantial decline in short-term rates over the near-term--which seems unlikely given the monetary targets of alternative B.

(13) Alternative C calls for lower money targets than alternative B. In the February-June period, M-1A would expand at a 2¼ percent annual rate. This alternative probably would require some further rise in the federal funds rate over the next few weeks toward the 18 percent area. Money market rates generally would follow the funds rate upward, but rate effects in bond markets would tend to be dominated by factors influencing inflationary expectations. The tightening of money markets that appears needed under alternative C might be construed by the market as reinforcing the new anti-inflation program, and this could lead to some easing of bond market pressures even as short rates rise. Still, earnings pressures on

financial intermediaries would be intensified, and consumer and mortgage credit conditions would tighten further. The dollar would likely strengthen further, even though some additional U.S. monetary restraint would not come as a great surprise to the market; foreign central bank intervention sales, however, would likely limit the extent of the rise in the dollar's exchange value.

(14) As shown in the charts, the aggregate specifications of alternative C imply that M-1A and M-1B would be below their midpoint paths by June. Consequently, to achieve the midpoint of the longer-run ranges for all of 1980, the Committee would have to raise money growth in the second half of the year. In that period, interest rates are expected to be under downward pressure in any event in view of the sharp reduction in real GNP that the staff is projecting. A federal funds rate of around 14 percent would be projected for late 1980 under alternative B, and would be a bit lower under alternative C.

(15) Alternative C would probably require growth in the monetary base over the February to June period at about a 7½ percent annual rate, while total reserves would expand at a 5 percent rate. Nonborrowed reserves may expand at about a ½ percent annual rate, assuming an initial level of borrowing of around $2¾ billion and a gradual decline beginning around mid-spring.

(16) Compared to the other alternatives, alternative A involves a greater increase in money over the four months ending in June, with M-1A targeted to expand at a 3¾ percent rate over that period. The monetary base and total reserves might expand at annual rates of 8 and 6½ percent, respectively. As shown in the charts, the more rapid rates of growth of

aggregates anticipated under alternative A would carry them to levels in June above their midpoint paths. The somewhat greater reserve supply would tend to be associated with some downward pressure on money market rates. The federal funds rate possibly would decline to about the 15 to 15½ percent area over the next few weeks, with an associated member bank borrowing of around $1¾ billion. Nonborrowed reserves would expand at about a 6½ percent annual rate in the February to June period.

(17) The immediate decline in money market rates that could develop under alternative A might be viewed by the markets as inconsistent with the new anti-inflation program. Under that interpretation, the dollar might weaken on foreign exchange markets; in addition, any tendency of the bond markets to rally would be limited by continued inflationary expectations. The short-term rate decline under this alternative over the next few weeks is not likely to be large enough to make any significant difference for thrift deposit flows, and mortgage markets would continue taut.

Directive language

(18) Given below are suggested operational paragraphs for the directive consistent with the form of the directive adopted at recent meetings. It calls for expansion of reserve aggregates at a pace consistent with the desired rates of monetary growth over the first half of 1980, provided that the federal funds rate on a weekly average basis remains within a specified range. The specifications adopted at the last meeting, adjusted for the March 7 increase in the upper limit of the range for the federal funds rate, are shown in strike-through form.

In the short run, the Committee seeks expansion of reserve aggregates consistent with growth over the first ~~quarter~~ HALF of 1980 at an annual rate of about ~~4½~~ ____ percent for M-1A and ~~5~~ ____ percent for M-1B, provided that in the period before the next regular meeting the weekly average federal funds rate remains within a range of ~~11½-to-18~~ ____ TO ____ percent. The Committee believes that, consistent with this short-run policy, M-2 ~~as-newly-defined~~ should grow at an annual rate of about ~~6½~~ ____ percent over the first ~~quarter~~ HALF.

If it appears during the period before the next meeting that the constraint on the federal funds rate is inconsistent with the objective for the expansion of reserves, the Manager for Domestic Operations is promptly to notify the Chairman who will then decide whether the situation calls for supplementary instructions from the Committee.

Appendix I

Comparison of Actual Level of Reserves to Their Paths
(Millions of dollars, not seasonally adjusted)

	Feb. 13 to Feb. 27 (Inclusive)	Mar. 5 to Mar. 19 (Inclusive)1/
Total Reserves		
Original path	43,220	42,789
Adjustments	-450 2/	-500 3/
Adjusted path	42,770	42,289
Actual	43,050	43,013
Deviation of actual from adjusted path	280	724
Excess Reserves		
Original path	300	300
Adjustments	-150	0
Adjusted path	150	300
Actual	67	294
Deviation of actual from adjusted path	-83	-6
Required Reserves		
Original path	42,920	42,489
Implied adjustments	-300	-500
Implied required reserves path	42,620	41,989
Actual	42,983	42,719
Deviation of actual from implied path	363	730
Nonborrowed Reserves		
Original path	41,970	41,539
Adjustments	-517 4/	-900 5/
Adjusted path	41,453	40,639
Actual	41,221	40,301
Deviation of actual from adjusted path	-232	-338
Member Bank Borrowings		
Original path	1,250	1,250
Adjustments	67	400
Adjusted path	1,317	1,650
Actual	1,829	2,711
Deviation of actual from adjusted path	512	1,061

1/ Week of March 19 is estimated and assumes the following: excess reserves of $300 million, borrowing of $2.2 billion and nonborrowed reserves of $41,420 million.

2/ Reflects downward adjustment in the total reserves path in view of lower than expected growth of non-M-2 deposits absorbing reserves; more rapid growth in currency and nonmember banks M-2 deposits; and a lower than expected demand for excess reserves by member banks.

3/ Reflects downward adjustments in total reserves path in view of lower than expected growth in non-M-2 deposits absorbing reserves and more rapid growth in currency and nonmember bank M-2 deposits.

4/ Reflects the $450 million downward adjustment to total reserves and an additional $67 million adjustment to nonborrowed reserves because of strength in total reserves demanded relative to the adjusted path.

5/ Reflects the $500 million downward adjustment to total reserves and an additional $400 million adjustment to nonborrowed reserves because of strength in total reserves demanded relative to the adjusted path.

TABLE 1
SELECTED INTEREST RATES
(percent)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
MARCH 14, 1980

	Short-term							Long-term								
	Federal funds	Treasury Bills			CDs Secondary Market	Comm. Paper 3-mo*	Bank Prime Rate	U.S. Govt. Constant Maturity Yields			Corp.-Aaa Utility		Municipal Bond Buyer	Home Mortgages		
		Market		Auction										Primary Conv.	Secondary Market	
		3-mo	1-yr	6-mo	3-mo			3-yr	10-yr	30-yr	New Issue	Recently Offered			FNMA Auc.	GNMA Sec.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1978--High	10.25	9.30	9.62	9.58	10.96	10.52	11.57	9.58	9.13	8.95	9.30	9.54	6.67	10.38	10.60	9.68
Low	6.58	6.16	6.55	6.42	6.76	6.68	7.75	7.38	7.81	8.06	8.61	8.48	5.58	8.98	9.13	8.43
1979--High	15.61	12.60	11.89	12.65	14.53	14.26	15.75	11.68	10.87	10.42	11.50	11.45	7.38	12.90	13.29	11.77
Low	9.93	8.85	8.64	8.87	9.84	9.66	11.50	8.76	8.79	8.82	9.40	9.39	6.08	10.38	10.42	9.51
1979--Feb.	10.06	9.32	9.39	9.35	10.19	9.95	11.75	9.29	9.10	9.00	9.53	9.56	6.31	10.41	10.54	9.67
Mar.	10.09	9.48	9.38	9.46	10.13	9.90	11.75	9.38	9.12	9.03	9.62	9.62	6.33	10.43	10.43	9.70
Apr.	10.01	9.46	9.28	9.50	10.06	9.85	11.75	9.43	9.18	9.09	9.70	9.74	6.29	10.50	10.59	9.78
May	10.24	9.61	9.27	9.53	10.16	9.95	11.75	9.42	9.25	9.19	9.83	9.84	6.25	10.69	10.84	9.89
June	10.29	9.06	8.81	9.06	9.95	9.76	11.65	8.95	8.91	8.92	9.50	9.50	6.13	11.04	10.77	9.75
July	10.47	9.24	8.87	9.19	10.11	9.87	11.54	8.94	8.95	8.93	9.58	9.53	6.13	11.09	10.66	9.77
Aug.	10.94	9.52	9.16	9.45	10.71	10.43	11.91	9.14	9.03	8.98	9.48	9.49	6.20	11.09	10.67	9.90
Sept.	11.43	10.26	9.89	10.13	11.89	11.63	12.90	9.69	9.33	9.17	9.93	9.87	6.52	11.30	11.09	10.31
Oct.	13.77	11.70	11.23	11.34	13.66	13.23	14.39	10.95	10.30	9.85	10.97	10.91	7.08	11.64	12.52	11.25
Nov.	13.18	11.79	11.22	11.86	13.90	13.57	15.55	11.18	10.65	10.30	11.42	11.36	7.30	12.83	12.75	11.57
Dec.	13.78	12.04	10.92	11.85	13.43	13.24	15.30	10.71	10.39	10.12	11.25	11.33	7.22	12.90	12.49	11.35
1980--Jan.	13.82	12.00	10.96	11.85	13.39	13.04	15.25	10.88	10.80	10.60	11.73	11.77	7.35	12.88	12.91	11.94
Feb.	14.13	12.86	12.46	12.72	14.30	13.78	15.63	12.84	12.41	12.13	13.57	13.35	8.16	13.03	14.49	13.16
1980--Jan. 2	14.04	12.03	10.88	11.88	13.42	13.20	15.25	10.70	10.43	10.17	--	11.42	7.32	12.85	--	11.39
9	13.94	11.92	10.91	11.86	13.47	13.10	15.25	10.73	10.61	10.31	11.51	11.54	7.30	12.90	12.70	11.70
16	13.91	11.75	10.76	11.78	13.35	12.95	15.25	10.74	10.64	10.37	11.61	11.69	7.28	12.87	--	11.70
23	13.77	12.08	10.94	11.89	13.36	13.02	15.25	10.86	10.83	10.64	12.08	12.11	7.33	12.89	13.11	12.07
30	13.54	12.21	11.19	11.85	13.40	13.06	15.25	11.14	11.13	11.03	--	12.35	7.52	12.85	--	12.28
Feb. 6	12.80	12.09	11.41	11.99	13.41	13.07	15.25	11.64	11.49	11.41	12.96	12.80	7.71	12.85	13.76	12.53
13	13.64	12.10	11.62	12.26	13.44	13.07	15.25	11.88	11.85	11.80	13.27	13.17	7.75	12.88	--	12.74
20	14.87	12.93	12.50	13.01	14.23	13.64	15.39	12.83	12.47	12.30	13.92	14.11	8.46	12.98	15.21	13.72
27	14.62	13.63	13.46	13.63	15.30	14.60	16.11	14.08	13.33	12.73	14.11	13.83	8.72	13.59	--	13.65
Mar. 5	16.17	14.62	13.69	14.79	15.97	15.34	16.84	14.03	12.87	12.32	13.98	13.94	8.94	14.00	15.26	13.58
12	16.45	15.51	13.98	14.96	17.60	17.01	17.68	14.07	12.73	12.38	13.95p	13.75p	9.08	n.a.	--	13.57
19																
26																
Daily--Mar. 6	17.05	15.70	14.17	--	17.48	16.65	16.75	14.49	13.13	12.64	--	--	--	--	--	--
13	16.73p	15.12	13.86	--	17.86	16.77	17.75	13.88p	12.53p	12.15p	--	--	--	--	--	--

NOTE: Weekly data for columns 1, 2, 3, and 5 through 10 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. For column 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 percent 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 a 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.

* 90-119 day maturity prior to November 1979.

TABLE 2

NET CHANGES IN SYSTEM HOLDINGS OF SECURITIES 1/

(Millions of dollars, not seasonally adjusted)

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC
MARCH 14, 1980

	Treasury Bills Net Change 2/	Treasury Coupons Net Purchases 3/					Federal Agencies Net Purchases 4/					Net Change Outright Holdings Total 5/	Net RPs 6/
		Within 1 year	1 - 5	5 - 10	Over 10	Total	Within 1 year	1 - 5	5 - 10	Over 10	Total		
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
1978	870	1,184	4,188	1,526	1,063	7,962	-47	45	104	24	127	8,724	-1,774
1979	6,243	603	3,456	523	454	5,035	131	317	5	--	454	10,290	-2,597
1978--Qtr. IV	-5,072	212	1,135	250	247	1,844	--	--	--	--	--	-3,283	-2,130
1979--Qtr. I	-3,750	48	426	134	93	700	-170	-229	--	--	-399	-882 7/	680
II	465	42	640	--	--	682	110	258	2	--	371	-1,795 8/	2,542
III	5,363	395	1,289	309	310	2,302	191	288	3	--	482	8,129	-2,019
IV	4,164	118	1,101	81	51	1,351	--	--	--	--	--	4,839	-3,801
1979--Sept.	1,399	120	354	73	87	634	--	--	--	--	--	2,015	1,922
Oct.	-219	28	703	--	--	731	--	--	--	--	--	-159 9/	-2,499
Nov.	2,297	--	--	--	--	--	--	--	--	--	--	2,297	2,078
Dec.	2,086	90	398	81	51	620	--	--	--	--	--	2,701	-3,380
1980--Jan.	-2,512	--	--	--	--	--	--	--	--	--	--	-2,512	166
Feb.	-1,803	--	--	--	--	--	--	--	--	--	--	-1,803	900
1980--Jan. 2	484	--	--	--	--	--	--	--	--	--	--	484	7,200
9	-200	--	--	--	--	--	--	--	--	--	--	-200	-3,432
16	-1,272	--	--	--	--	--	--	--	--	--	--	-1,272	-1,593
23	-639	--	--	--	--	--	--	--	--	--	--	-639	5,709
30	-400	--	--	--	--	--	--	--	--	--	--	-400	-6,966
Feb. 6	--	--	--	--	--	--	--	--	--	--	--	--	-629
13	-150	--	--	--	--	--	--	--	--	--	--	-150	6,848
20	-100	--	--	--	--	--	--	--	--	--	--	-100	1,502
27	-1,553	--	--	--	--	--	--	--	--	--	--	-1,553	-6,094
Mar. 5	--	--	--	--	--	--	--	--	--	--	--	--	1,141
12	194	--	--	--	--	--	--	--	--	--	--	190	-3,258
19													
26													
LEVEL--Mar. 12 (in billions)	45.9	17.3	28.9	11.9	13.0	71.0	1.9	4.2	1.3	0.7	8.2	125.2	-6.6

1/ Change from end-of-period to end-of-period.
2/ Outright transactions in market and with foreign accounts, and redemption (-) 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 RPs (+) and matched sale-purchase transactions (-).
7/ The Treasury sold $2,600 million of special certificates to the Federal Reserve on March 31, 1979 and redeemed the last of them on April 4, 1979.
8/ $640 million of 2-year notes were exchanged for a like amount of cash management bills on April 3, 1979. On April 9, 1979, the bills were exchanged for new 2-year notes.
9/ On October 1, 1979, $668 million of maturing 2- and 4-year notes were exchanged for a like amount of short-term bills, because the note auctions were delayed. On October 9 and 10, the bills were exchanged for new 2- and 4-year notes, respectively.