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November 13, 1981

Strictly Confidential (FR) Class I FOMC

MONETARY POLICY ALTERNATIVES

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

STRICTLY CONFIDENTIAL (FR)
CLASS I - FOMC

November 13, 1981

MONETARY POLICY ALTERNATIVES

Recent developments

(1) M1-B, adjusted for shifts into NOW accounts, expanded in October at a 3¾ percent annual rate--about half the pace of the Committee's September to December target. With expansion in the narrow money aggregate remaining weak, year-to-date growth in adjusted M1-B has been only at a 1½ percent annual rate, continuing well below the lower limit of the Committee's 3½ to 6 percent longer-run range. M2 growth picked up to a 9¼ percent annual rate in October,[1/] putting this aggregate just at the upper end of the Committee's 6 to 9 percent longer-run range. (Recent monetary and reserves data are shown in the table on the next page).

(2) Bank credit expansion slowed in October to an 8 percent annual rate, reflecting in part moderation in business loan growth. With bank credit growth weaker, large time deposits contracted in October, slowing M3 growth to a 6½ percent annual rate. Nevertheless, year-to-date expansion in M3 remains 1½ percentage points above the upper end of the Committee's longer-run range for this aggregate.

(3) Growth in nonborrowed reserves slowed markedly in October, largely reflecting reductions in required reserves behind deposits not included in M1 and M2, such as large time and interbank deposits. With borrowing declining markedly further, total reserves contracted at a 9

1/ The staff estimates that shifts from non-M2 assets into ASCs increased the measured rate of growth of M2 in October by about 2 percentage points, of which a little over 1 percentage point represented shifts from retail RPs and a little under 1 percentage point shifts from other non-M2 assets. On a monthly average basis, ASCs in October are estimated to have increased by nearly $22 billion. The staff estimates that about $3 billion came from non-M2 assets, such as retail RPs and market securities.

Key Monetary Policy Aggregates
(Seasonally adjusted annual rates of growth)

	Aug.	Sept.	Oct.	QIII '81 over QIV '80	Oct. '81 over QIV '80
Money and Credit Aggregates					
M1-B (shift adjusted)	6.9	-4.0	3.7	1.3	1.4
M2	11.6	6.3	9.3	8.9	8.9
M2 plus retail RP's 1/	13.9	8.3	9.3	9.5	9.7
M3	13.4	8.2	6.6	11.4	10.9
Bank Credit	10.1	10.6	8.6	8.9	9.2
Reserves Measures 2/					
Nonborrowed Reserves 3/	19.3	28.5	3.4	4.3	5.3
Total Reserves	8.3	22.0	-8.9	3.5	3.7
Monetary Base	5.0	4.3	-0.4	5.1	4.6
Memo: (millions of dollars)					
Adjustment Borrowing	1,339	1,155	743		
Excess Reserves	202	324	214		

1/ The quantity of retail RPs are staff estimates based on an August 31, 1981 universe survey and subsequent partial FRB and FHLBB samples.
2/ Growth rates for reserve measures are adjusted to remove the effects of discontinuities resulting from phased changes in reserve ratios under the Monetary Control Act. In addition, reserve data for QIV '80 have been adjusted to remove the distorting effects of the reduction in weekend reserve avoidance activities that occurred in late 1980.
3/ Nonborrowed reserves include special borrowing and other extended credit from the Federal Reserve.

MEMO: FOMC Long-run Targets
(percent increase)

	QIV '81 over QIV '80
M1-B (shift adjusted)	3½ to 6
M2	6 to 9
M3	6½ to 9½
Bank Credit	6 to 9

percent annual rate. The monetary base was essentially unchanged as currency expansion about offset the decline in total reserves. Given the weakness in money growth and associated required reserves, adjustment borrowing generally remained below the $850 million assumed in the initial reserves path. In the current statement week borrowing is expected to average around $400 million, partly reflecting an upward adjustment in the nonborrowed reserves path to help counter the evolving weakness in M1-B and total reserves.[1/] The lower level of borrowing--and reductions of 1 percentage point in both the discount and surcharge rates--was associated with a further easing in the federal funds rate to the 13 to 14 percent area, from around 15½ percent at the time of the October meeting.

(4) In response to the easing in bank reserve positions and a further slackening in economic activity, other short-term market interest rates have declined about 2½ to 3 percentage points since the last meeting, bringing them under the earlier lows for the year (reached in late winter). The bank prime rate was lowered by 2 percentage points to 17 percent, with a few banks currently at 16½ percent. Bond yields approached record levels in October, as market participants focused on the current and prospective amount of Treasury borrowing and on disappointing consumer price data. More recently, bond yields have fallen as much as 2 percentage points in reaction to further evidence of weakness in economic activity and the reduced pressures in the money market. However, bond yields still remain about 1½ percentage points above earlier lows for the year. Primary mortgage rates have eased a bit from their historic highs. The Treasury raised about $4 billion of new money in its recently completed three-part

1/ See Appendix I for adjustments made to reserve paths during the intermeeting period.

mid-quarter refunding, bringing to nearly $18 billion the amount raised thus far in the quarter. Over the next seven weeks, the Treasury will have to raise another $18 billion. Sponsored agency financing has slowed recently from the advanced pace in the third quarter, due mainly to reduced borrowing by the FHLBs. Corporate bond offerings continued moderate in October, but the decline in bond yields has induced a substantial pick-up in offerings this month.

(5) Since the October meeting, the dollar has fluctuated rather widely in exchange markets. On balance, the dollar has declined only slightly on a weighted average basis, despite the considerable drop in short-term rates here relative to those abroad.

Prospective Developments

(6) The upper panel of the table below presents three alternative specifications for the monetary aggregates for the current quarter, while implied growth rates for the last two months of the year are shown in the second panel. Possible ranges for the intermeeting federal funds rate are indicated in the last line of the table. (More detailed data on these and other aggregates, including implied growth rates for the year 1981, may be found on the following two pages, and charts indicating the relationship of the alternative targets to the Committee's existing longer-run ranges for 1981 may be found on the next three pages.)

	Alt. A	Alt. B	Alt. C
Growth from September to December			
M1-B	7	6	5
M2	11	10½	10
Implied Growth from October to December			
M1-B	8¾	7	5¾
M2	12	11¼	10½
Federal funds rate range	8 to 13	10 to 15	11 to 16

(7) Alternative A maintains the September to December target for M1-B adopted by the Committee at its last meeting, while alternatives B and C reduce that target by one and two percentage points, respectively. All of the alternatives would imply faster M1-B growth over the two month October to December period than has occurred in any two-month period since last spring. Still, all would imply growth in M1-B over the year 1981

Alternative Levels and Growth Rates for Key Monetary Aggregates

	M1-A			M1-B		
	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1981--August	392.7	392.7	392.7	422.3	422.3	422.3
September	391.0	391.0	391.0	420.9	420.9	420.9
October	392.0	392.0	392.0	422.2	422.2	422.2
November	393.9	393.7	393.5	424.4	424.2	424.0
December	397.5	396.4	395.4	428.3	427.2	426.2
Growth Rates						
Monthly						
1981--September	-5.2	-5.2	-5.2	-4.0	-4.0	-4.0
	(-7.6)	(-7.6)	(-7.6)	(-2.8)	(-2.8)	(-2.8)
October	3.1	3.1	3.1	3.7	3.7	3.7
	(2.7)	(2.7)	(2.7)	(3.9)	(3.9)	(3.9)
November	5.8	5.2	4.6	6.3	5.7	5.1
	(3.0)	(2.3)	(1.7)	(7.8)	(7.2)	(6.6)
December	10.7	8.2	5.8	11.0	8.5	6.2
	(10.0)	(7.0)	(4.3)	(11.6)	(9.4)	(7.2)
September 1981 - December 1981	6.6	5.5	4.5	7.0	6.0	5.0
October 1981 - December 1981	8.4	6.7	5.2	8.7	7.1	5.7
Quarterly Average						
1981--QII	5.1	5.1	5.1	5.3	5.3	5.3
QIII	-1.5	-1.5	-1.5	-0.7	-0.7	-0.7
QIV	3.2	2.7	2.2	3.8	3.3	2.9
1980 QIV - 1981 QIV	1.2	1.1	1.0	1.9	1.8	1.7
Annual Average						
1981 over 1980	3.1	3.1	3.1	4.5	4.5	4.5

NOTE: Growth rates shown in parentheses are for the observed levels of the aggregates.

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

	M2			M3		
	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1981--August	1777.9	1777.9	1777.9	2118.3	2118.3	2118.3
September	1786.5	1786.5	1786.5	2131.8	2131.8	2131.8
October	1800.3	1800.3	1800.3	2143.5	2143.5	2143.5
November	1820.6	1819.9	1819.2	2161.3	2160.6	2159.9
December	1836.6	1834.2	1832.0	2181.9	2179.6	2177.4
Growth Rates						
Monthly						
1981--September	6.3	6.3	6.3	8.2	8.2	8.2
October	9.3	9.3	9.3	6.6	6.6	6.6
November	13.5	13.1	12.6	10.0	9.6	9.2
December	10.5	9.4	8.4	11.4	10.6	9.7
September 1981 - December 1981	11.2	10.7	10.2	9.4	9.0	8.6
October 1981 - December 1981	12.1	11.3	10.6	10.7	10.1	9.5
Quarterly Average						
1981--QII	10.6	10.6	10.6	10.6	10.6	10.6
QIII	7.1	7.1	7.1	10.2	10.2	10.2
QIV	10.1	9.8	9.6	9.0	8.9	8.7
1980 QIV - 1981 QIV	9.3	9.3	9.2	11.0	10.9	10.9
Annual Average						
1981 over 1980	9.7	9.7	9.6	11.5	11.5	11.5

Chart 1

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Actual and Targeted M1-B

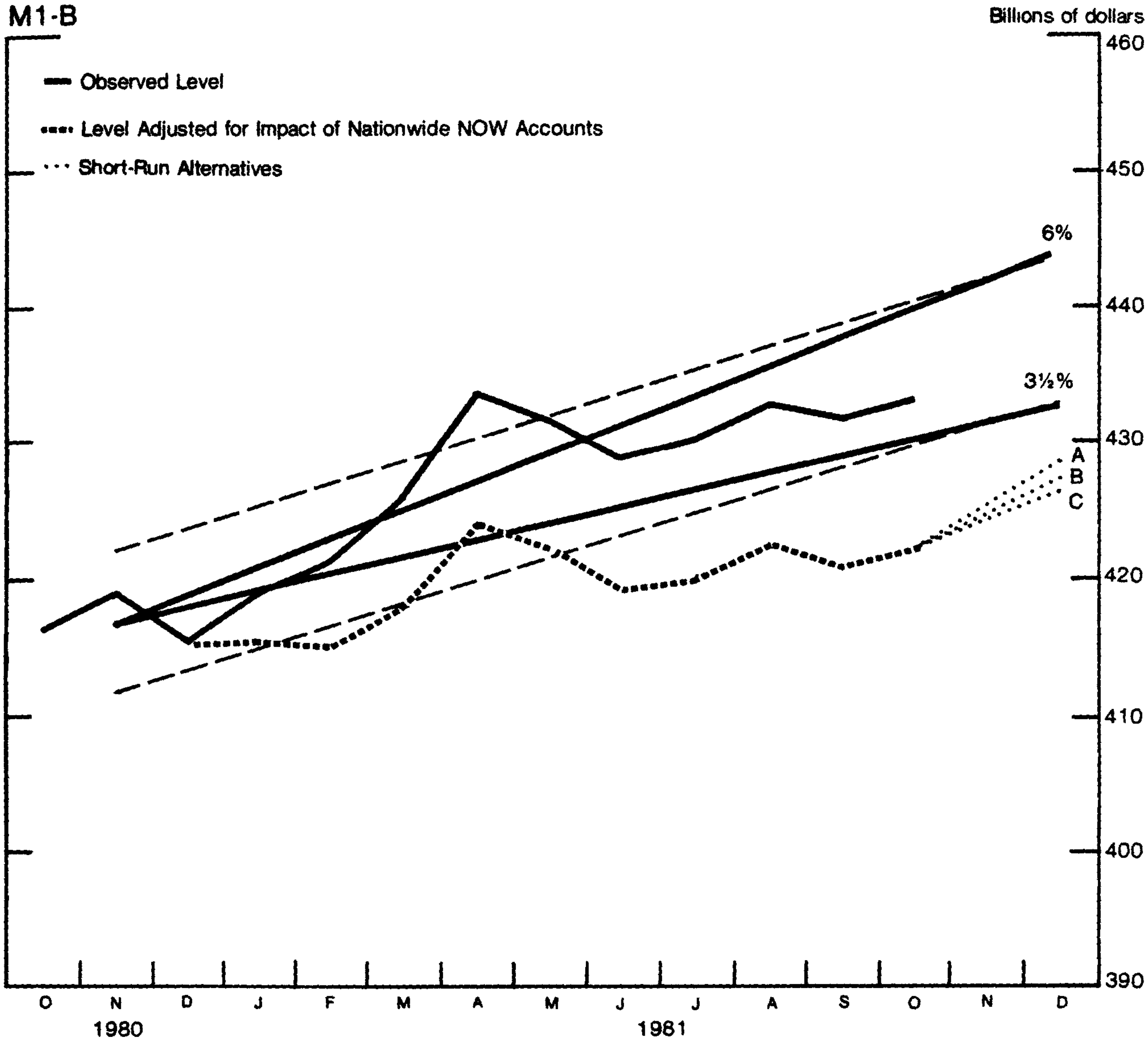


Chart 2

Actual and Targeted M 2

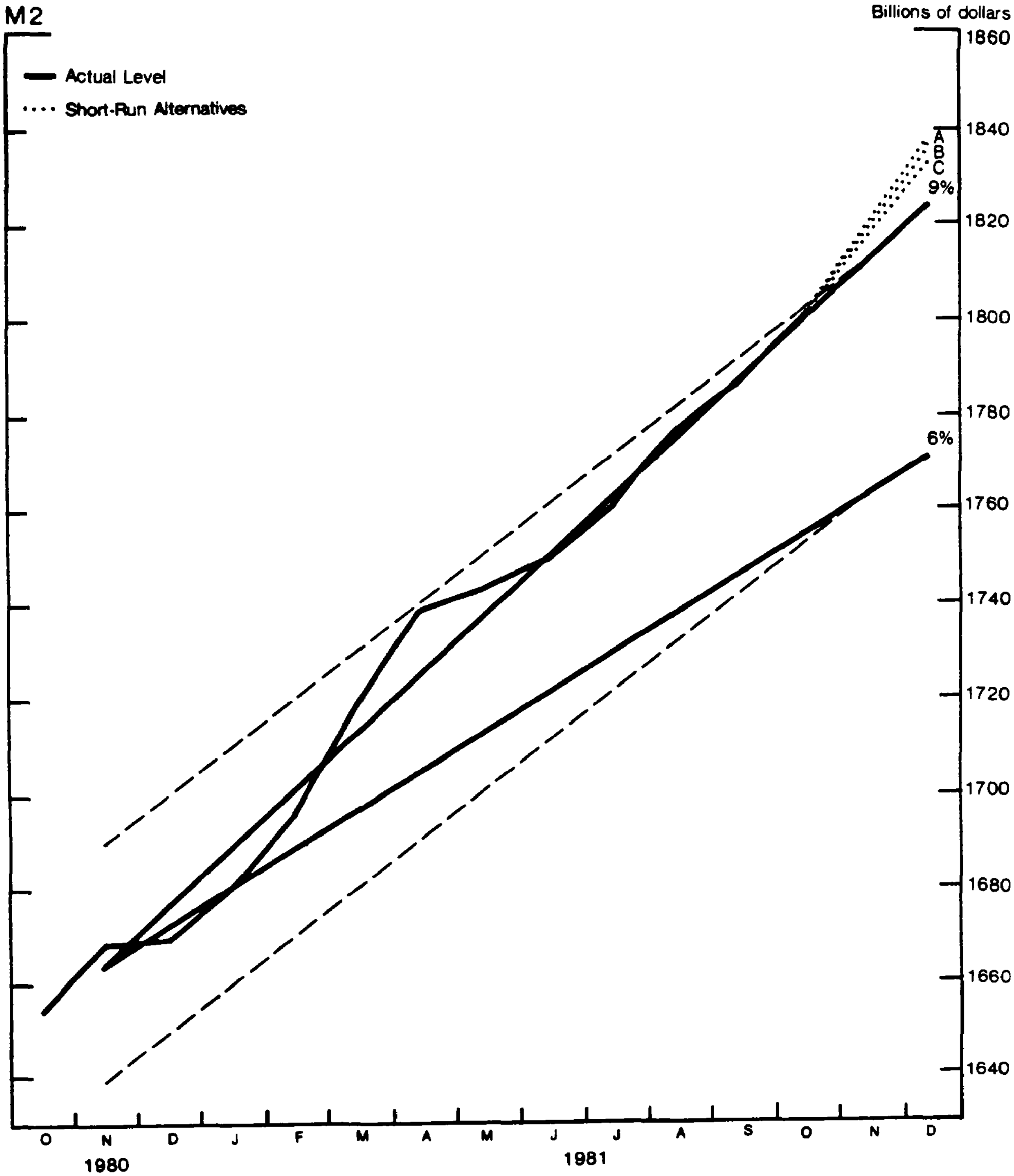
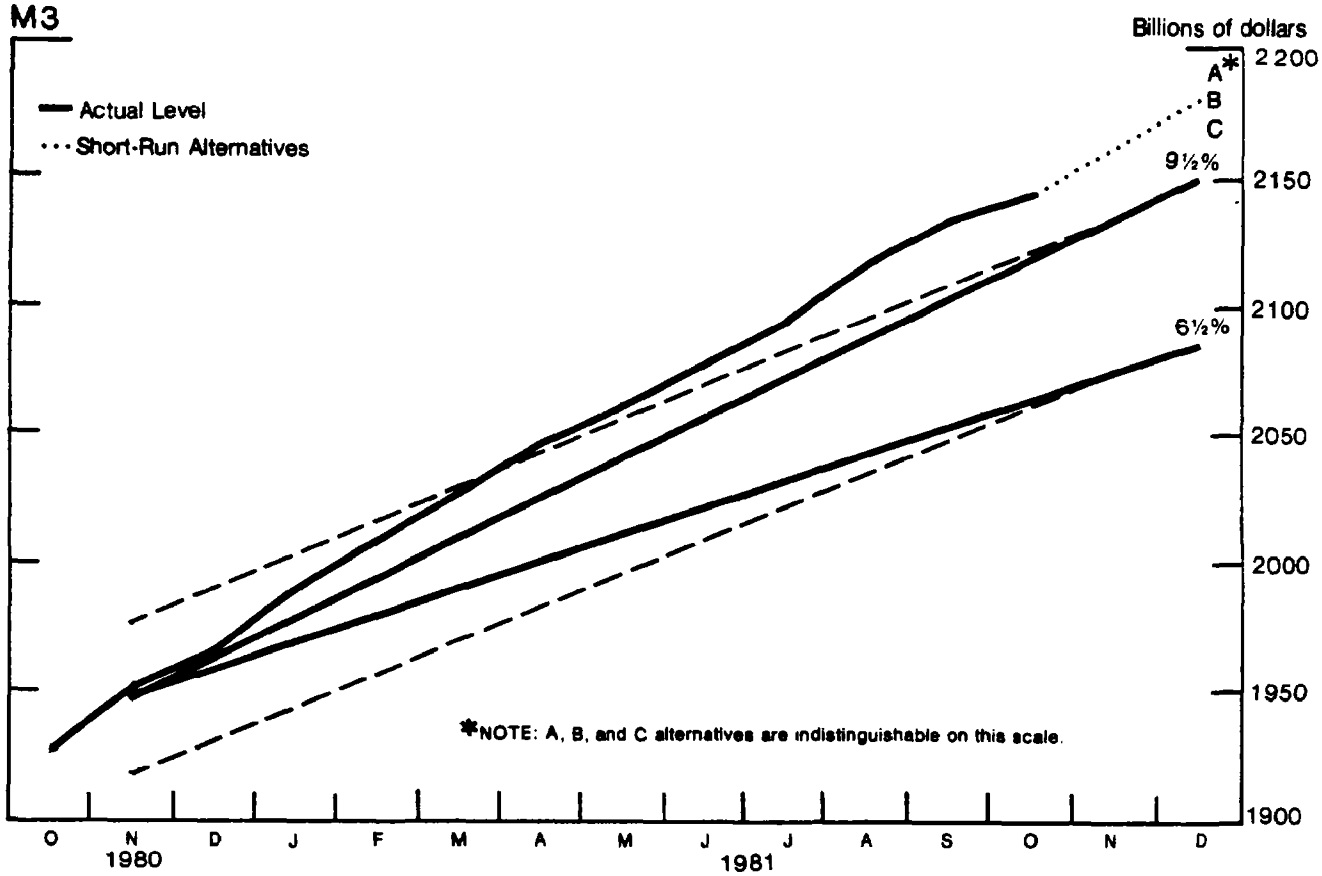
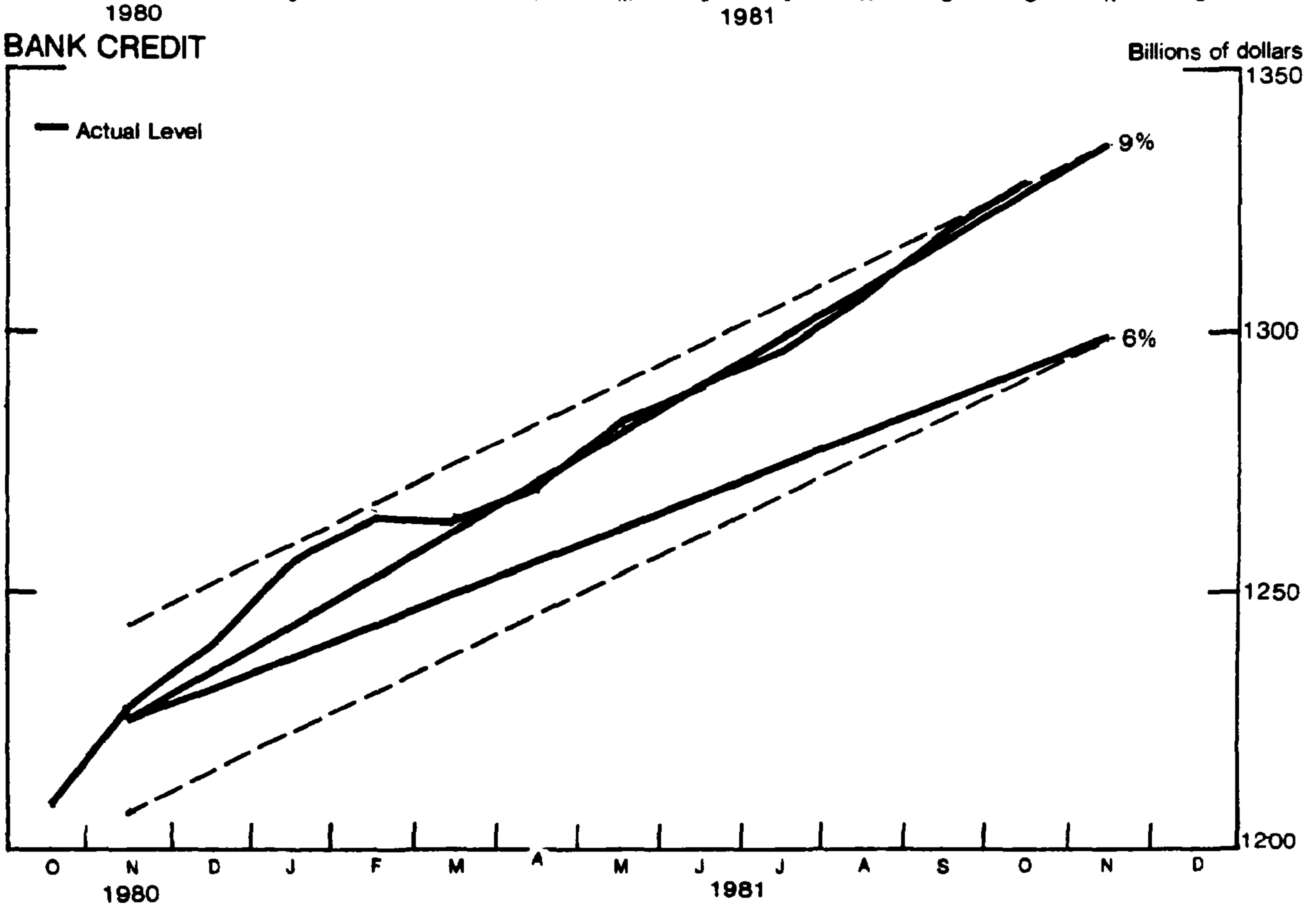


Chart 3

CONFIDENTIAL (FR)
Class II-FOMC

M 3 and Bank Credit





below the lower-end of the Committee's longer-run range. Growth in M2 for the year may be a little over the upper limit of its 6 to 9 percent annual range under any of the alternatives, but at this point growth seems unlikely to be much more than at a 9¼ percent rate.[1/]

(8) While the sharp decline in short-term interest rates since mid-summer should tend to stimulate growth of M1-B, the stimulative effect may in practice be offset, at least in part, by any continued downward shift in money demand relative to GNP and interest rates. Such a downward shift was quite marked over the first three quarters of the year, at least as judged from the money demand equation in the Board's quarterly model. Moreover, transactions demand for money in the latter part of the year may be relatively weak in any event if the significant contraction in economic activity now projected by the staff for the fourth quarter develops--with real GNP projected to decline at a 4¼ percent annual rate and nominal GNP to rise at no more than a 5 percent annual rate. Thus, unless the downward shift in money demand halts, or is reversed, the odds are that the proposed alternatives, particularly alternatives A and B, may involve further downward pressures on short-term interest rates.

(9) Alternative A--which calls for maintaining the Committee's 7 percent growth rate target for M1-B for the last three months of the

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1/ The introduction of International Banking Facilities in early December might have a temporary downward impact on M1-B to the extent that foreign IPC demand deposits are shifted to 2-day notice accounts in IBFs. Such shifts are expected to be small, however; they may have some impact on annual growth rates for the month of December, but would probably have no significant effect on growth for the year. The great bulk of the money shifted into IBFs will be from large time deposits or other interest-bearing liabilities, so that the principal impact potentially would be on M3.

year--would entail growth in total reserves at a 7½ percent annual rate over the last two months of the year[1/] and may involve a drop in the funds rate over the next few weeks to the 9 to 10 percent area. Under such conditions other short-term interest rates would of course also decline substantially, with the 3-month bill rate perhaps falling to around the 9 percent area. Such declines would occur against a back-drop of continued sizable Treasury cash borrowings over the balance of the year ($13 billion in the bill market and $6 billion in the coupon market) but reduced short-term credit demands by businesses, as their financing gap narrows, largely in reflection of reduced inventory accumulation, and as credit demands are shifted to longer-term markets.

(10) A further sharp decline in short-term interest rates, should it develop, would be transmitted to bond markets, leading to continuation of the recent rally. If such a decline in short rates were interpreted as reflecting a weakening in the System's resolve to combat inflation, the drop in bond yields would tend to be limited. Given the current weak economic outlook, however, high-grade corporate bond yields could drop into the 14 to 15 percent area which may well induce substantial corporate bond offerings to refund sizable short-term debts at banks and in the commercial paper market. Tax-exempt offerings, which have been better sustained than corporate offerings, are also likely to rise as previously postponed issues re-enter the market. Mortgage rates, while stickier than bond yields, could also be expected to decline as thrift deposit costs moderate and deposit flows pick up. Improvement in mortgage market

1/ Abstracting from any impact on required reserves from shifts of deposits to IBFs.

conditions, and in thrift mortgage commitments, may lag somewhat more than usual, however, because of uncertainties about the permanence of any substantial decline in short-term market rates. M2 would tend to strengthen from shifts out of market securities into deposits and also from shifting by institutional investors to MMMFs in order to take advantage of the usual lag in money fund yields.

(11) A further considerable decline in short-term interest rates might lead to a marked weakening of the dollar on exchange markets. However, any tendency for the dollar to fall substantially on exchange markets could be limited in the degree that declining interest rates here and/or the tendency for foreign currencies to appreciate leads foreign authorities to ease their monetary policies, given continued weak economic performance abroad.

(12) The more rapidly short-term interest rates decline over the weeks ahead, the greater the odds that rates will rebound in early 1982, given the monetary targets for next year that the Committee has tentatively set, with the degree of rebound, if any, depending in part on the underlying resilience of the economy. Alternatives B and C, which involve reducing the Committee's fourth quarter target for M1-B set at the last meeting, would tend to limit downward pressures on interest rates between now and year-end and possibly work toward a smoother transition to targets for 1982. Because it is so late in 1981, the impact on annual growth of the aggregates this year from adoption of either of these alternatives rather than continuing with alternative A would be relatively small, as may be noted from the detailed tables on pp. 6 and 7.

(13) Alternative B would require expansion in total reserves at a 6 percent annual rate over the last two months of the year, while growth in reserves under alternative C would be at a 4½ percent annual rate. The staff believes short-term rate declines under alternative B could carry the funds rate into the 10 to 12 percent range. The aggregates specifications of alternative C are likely to be associated with a funds rate in a 12 to 14 percent range, implying the that the funds rate could drop below the current discount rate.

(14) Declines in market interest rates, both short- and long-term, generally would be more modest under alternatives B and C than under alternative A, and potential downward pressure on the dollar in exchange markets would be reduced. Under B, Treasury bill rates would still likely reach levels which, if sustained, would make thrift institutions generally profitable. Under alternative C, that might also develop, but it would be less certain as the weight of Treasury financings and possible market disappointment about the likely course of the funds rate (and hence of dealer financing costs) would work to hold bill and other short-term rates up. Thus, under C an easing in mortgage market conditions would be relatively more delayed, both because of institutional uncertainty about positive earnings and because long-term market rates may remain higher than otherwise.

(15) The possibility of the funds rate dropping significantly below the current 13 percent discount rate introduces complications in the design of reserve paths, particularly for alternatives A and B. The complications arise if reserve paths do not involve sufficient levels of borrowing at the discount window to permit weakness in demands for money (and for required reserves) to be cushioned by commensurate declines in borrowings. The funds rate could then be subject to sharp downward

pressures as the reserves provided led to sizable excess reserves. An initial borrowing level around the $400 million expected in the current statement week would provide some borrowing cushion. Frictional levels of borrowing that would provide virtually no cushion appear to be in the $50 to $150 million range. The nonborrowed reserve path for alternative C, the alternative involving the least expansion in reserves, might be initially constructed on the basis of $400 million in borrowing. The more reserve expansion of alternatives A and B logically should be based on lower levels of borrowing, but whether set at frictional levels or higher, we would expect the demand for reserves soon to fall well short of supply. In such cases, to avoid an undue build-up in excess reserves, adjustments in the nonborrowed reserve path might need to be considered in conjunction with discount rate strategy.

Directive language

(16) Given below is a suggested operational paragraph for the directive. The specifications adopted at the meeting on October 5-6 are shown in strike-through form.

In the short run the Committee seeks behavior of reserve aggregates consistent with growth of M1-B from September to December at an annual rate of ~~7~~ ____ percent after allowance for the impact of flows into NOW accounts and with growth in M2 at an annual rate around ~~10~~ ____ percent ~~or slightly higher, recognizing that the behavior of M2 will be affected by recent regulatory and legislative changes, particularly the public's response to the availability of the all-savers certificate~~. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that pursuit of the monetary objectives and related reserve paths during the period before the next meeting is likely to be associated with a federal funds rate persistently outside a range of ~~12 to 17~~ ____ TO ____ percent.

Appendix I

RESERVES TARGETS AND RELATED MEASURES
INTERMEETING PERIOD
(millions of dollars; not seasonally adjusted)

	Targets for 3-week Average October 14 to October 28		Projection of 3-week Average October 14 to October 28			
	Total Reserves	Nonborrowed Reserves	Total Reserves	Required Reserves	Excess Reserves	Adjustment Borrowing
	(1)	(2)	(3)	(4)	(5)	(6)
As of						
Oct. 6 (FOMC Meeting)	40,997	40,147	40,997	40,772	255	850
9	40,997	40,147	40,997	40,772	225	850
16	40,883 1/	40,003 1/	40,812	40,628	184	779
23	40,868 2/	40,018 2/	40,799	40,537	262	781
Actual 3-week Average	40,754	40,013	40,754	40,512	241	740
	Targets for 3-week Average November 4 to November 18		**Projection of 3-week Average November 4 to November 18**			
Oct. 30	40,817 3/	39,967 3/	40,673	40,448	225	706
Nov. 6	40,855 4/	40,061 4/ 5/	40,661	40,411	249	600
13	40,754 6/	39,921 6/	40,600	40,358	242	679
Actual 3-week Average	n.a. 7/	n.a. 7/	n.a. 7/	40,358	n.a. 7/	n.a. 7/

1/ Total and nonborrowed reserves paths adjusted downward by $130 million on October 16 due to multiplier changes but revised to downward by $114 million on October 20 to reflect a revision in reported required reserves.

2/ Total and nonborrowed reserves paths adjusted downward by $15 million due to multiplier changes.

3/ Total and nonborrowed reserves paths adjusted downward by $487 million due to multiplier changes.

4/ Total and nonborrowed reserves paths adjusted upward by $38 million due to multiplier changes.

5/ Nonborrowed reserves path adjusted upward by $56 million because of weakness in total reserves.

6/ Total and nonborrowed reserves paths adjusted downward by $101 million due to multiplier changes. Nonborrowed path also adjusted to avoid a sharp change in bank reserve positions just prior to the Committee meeting.

7/ Not available at time Bluebook was prepared.

Table 1

Selected Interest Rates

Percent

November 16, 1981

Period	Short-Term							Long-Term								
	Federal funds	Treasury bills market 3-month	Treasury bills market 1-year	Treasury bills auction 6-month	CDs secondary market 3-month	comm. paper 3-month	bank prime rate	U.S. government constant maturity yields 3-year	U.S. government constant maturity yields 10-year	U.S. government constant maturity yields 30-year	corporate Aaa utility new issue	corporate Aaa utility recently offered	muni-cipal Bond Buyer	home mortgages primary conv.	home mortgages secondary market FNMA auction	home mortgages secondary market GNMA security
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1980--High	19.83	16.73	14.39	15.70	20.50	19.74	21.50	14.29	13.36	12.91	14.51	15.03	10.56	16.35	15.93	14.17
Low	8.68	6.49	7.18	6.66	8.17	7.97	11.00	8.61	9.51	9.54	10.53	10.79	7.11	12.18	12.28	10.73
1981--High	20.06	16.72	15.05	15.85	18.70	18.04	20.64	16.54	15.65	15.03	17.62	17.72	13.21	18.63	19.23	17.46
Low	13.48	11.55	11.83	11.51	13.43	12.87	17.00	12.55	12.27	11.81	14.05	13.98	9.49	14.80	14.84	13.18
1980--Oct.	12.81	11.61	11.30	11.57	12.94	12.52	13.79	12.01	11.75	11.59	13.18	13.13	9.11	13.79	14.95	12.91
Nov.	15.85	13.73	12.66	13.61	15.68	15.18	16.06	13.31	12.68	12.37	13.85	13.91	9.56	14.21	15.53	13.55
Dec.	18.90	15.49	13.23	14.77	18.65	18.07	20.35	13.65	12.84	12.40	14.51	14.38	10.11	14.79	15.21	13.62
1981--Jan.	19.08	15.02	12.62	13.88	17.19	16.58	20.16	13.01	12.57	12.14	14.12	14.17	9.66	14.90	14.87	13.55
Feb.	15.93	14.79	12.99	14.13	16.14	15.49	19.43	13.65	13.19	12.80	14.90	14.58	10.10	15.13	15.24	14.13
Mar.	14.70	13.36	12.28	12.98	14.43	13.94	18.05	13.51	13.12	12.69	14.71	14.41	10.16	15.40	15.74	14.18
Apr.	15.72	13.69	12.79	13.43	15.08	14.56	17.15	14.09	13.68	13.20	15.68	15.48	10.62	15.58	16.54	14.59
May	18.52	16.30	14.29	15.33	18.27	17.56	19.61	15.08	14.10	13.60	15.81	15.48	10.79	16.40	16.93	15.31
June	19.10	14.73	13.22	13.95	16.90	16.32	20.03	14.29	13.47	12.96	14.76	14.81	10.67	16.70	16.17	15.02
July	19.04	14.95	13.91	14.40	17.76	17.00	20.39	15.15	14.28	13.59	16.30	15.73	11.14	16.83	16.65	15.76
Aug.	17.82	15.51	14.70	15.55	17.96	17.23	20.50	16.00	14.94	14.17	--	16.82	12.26	17.29	17.63	16.67
Sept.	15.87	14.70	14.53	15.06	16.84	16.09	20.08	16.22	15.32	14.67	17.21	17.33	12.92	18.16	18.99	17.06
Oct.	15.08	13.54	13.62	14.01	15.39	14.85	18.45	15.50	15.15	14.68	16.94	17.24	12.83	18.45	18.13	16.54
1981--Sept. 2	16.89	15.57	14.98	15.65	17.77	16.97	20.50	16.41	15.37	14.65	17.55	17.50	13.10	17.79	18.37	17.26
9	16.50	15.55	15.05	15.80	17.78	16.97	20.50	16.54	15.53	14.85	17.62	17.52	13.21	18.22	--	17.41
19	16.09	14.52	14.41	14.66	16.98	16.29	20.36	16.15	15.15	14.51	16.87	16.92	12.79	18.27	18.74	17.05
23	15.33	14.32	14.07	14.13	16.17	15.44	19.86	15.82	14.98	14.30	16.79	17.18	12.57	18.36	--	15.33
30	15.00	14.23	14.48	14.93	16.19	15.46	19.50	16.34	15.65	15.03	--	17.72	12.93	18.28	19.23	17.46
Oct. 7	15.46	14.25	14.11	14.22	16.04	15.44	19.29	15.94	15.31	14.74	16.94	16.96	12.73	18.63	--	16.72
14	14.93	13.44	13.44	13.50	15.21	14.67	18.71	15.29	14.86	14.39	--	17.21	12.53	18.53	17.74	16.24
21	15.32	13.43	13.55	13.80	15.16	14.65	18.00	15.37	15.04	14.61	--	17.38	12.99	18.39	--	16.24
28	14.87	13.29	13.60	13.62	15.30	14.74	18.00	15.61	15.45	15.01	--	17.16	12.99	18.44	18.51	16.95
Nov. 4	14.79	12.70	12.74	12.72	14.67	14.21	17.86	14.58	14.61	14.35	17.20	16.88	12.44	18.37	--	15.93
11	14.01	11.55	11.83	11.51	13.43	13.05	17.29	13.65	13.73	13.76	--	15.77p	11.43	n.a.	16.82	14.97
18																
25																
Daily--Nov. 6	13.79	11.68	12.00	--	13.68	13.40	17.50	13.88	13.94	13.65	--	--	--	--	--	--
12	13.56	10.60	11.11	--	12.58	12.46	17.00	12.85	13.19	13.21	--	--	--	--	--	--
13	13.12p	10.78	11.09	--	12.49	12.27	17.00	12.93p	13.19p	13.26p	--	--	--	--	--	--

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 auction 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. The FNMA auction yield is the average yield in a bi-weekly auction for short-term forward commitments for government underwritten mortgages; figures exclude graduated payment 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.

FR 1367 (7/81)

Table 2

Net Changes in System Holdings of Securities[1]

Millions of dollars, not seasonally adjusted

November 16, 1981

Period	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		
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
1980	-3,052	912	2,138	703	811	4,564	217	398	29	24	668	2,035	2,462
1980--Qtr. III	-3,298	137	541	236	320	1,234	--	--	--	--	--	-2,157	-1,381
IV	-58	100	--	--	--	100	--	--	--	--	--	-1	1,107
1981--Qtr. I	-2,514	-23	--	--	--	-23	--	--	--	--	--	-2,555	-1,694
II	2,135	115	469	164	89	836	--	--	--	--	--	2,944	-1,352
III	2,912	122	607	64	182	976	--	--	--	--	--	3,855	425
1981--May	790	--	--	--	--	--	--	--	--	--	--	790	-2,166
June	204	--	--	--	--	--	--	--	--	--	--	179	1,502
July	1,225	122	607	64	182	976	--	--	--	--	--	2,200	1,768
Aug.	1,379	--	--	--	--	--	--	--	--	--	--	1,379	-843
Sept.	308	--	--	--	--	--	--	--	--	--	--	275	-500
Oct.	-1,116	--	--	--	--	--	--	--	--	--	--	-1,131	-209
1981--Sept. 2	-604	--	--	--	--	--	--	--	--	--	--	-604	2,692
9	-627	--	--	--	--	--	--	--	--	--	--	-627	282
16	250	--	--	--	--	--	--	--	--	--	--	217	-1,716
23	1,160	--	--	--	--	--	--	--	--	--	--	1,160	474
30	-204	--	--	--	--	--	--	--	--	--	--	-204	-206
Oct. 7	-169	--	--	--	--	--	--	--	--	--	--	-169	-7,855
14	-414	--	--	--	--	--	--	--	--	--	--	-429	8,095
21	131	--	--	--	--	--	--	--	--	--	--	131	5,064
28	-454	--	--	--	--	--	--	--	--	--	--	-454	-7,234
Nov. 4	-211	--	--	--	--	--	--	--	--	--	--	-211	4,634
11	116	--	--	--	--	--	--	--	--	--	--	116	-2,451
18	1,142p												
25													
LEVEL--Nov. 11	48.5	14.8	34.9	11.5	16.2	77.4	2.3	4.8	1.0	0.6	8.6	134.6	-2.3

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 the net purchases of securities, also reflects changes in System holdings of bankers' acceptances, direct Treasury borrowing from the System and redemptions (—) of agency and Treasury coupon issues.
6 Includes changes in RPs (+), matched sale-purchase transactions (—), and matched purchase-sale transactions (+).

Table 3

STRICTLY CONFIDENTIAL (FR)
CLASS II-FOMC

Security Dealer Positions and Bank Positions

Millions of dollars

November 16, 1981

Period	U.S. government securities dealer positions				Underwriting syndicate positions		Member bank reserve positions				
	cash		futures and forwards				excess reserves	borrowing at FRB			
	bills	coupons	bills	coupons	corporate bonds	municipal bonds		adjustment	seasonal	Extended (includes special)	total
1980--High	8,838	2,263			299	466	881	3,298	174	816	3,438
Low	1,972	-1,482			0	22	19	12	5	0	215
1981--High	15,668	4,633	-12,865	-4,427**	139	268	508	2,597	309	444	2,912
Low	1,273	965	-5,930	-2,514	0	19	-95	529	99	*	766
1980--Oct.	2,447	143	-1,556	-1,685	14	114	206	1,244	66	*	1,310
Nov.	3,047	149	-7,068	-2,663	17	57	521	1,963	97	*	2,059
Dec.	4,287	20	-9,812	-2,751	6	70	468	1,571	116	3	1,690
1981--Jan.	9,985	1,584	-11,976	-2,884	8	68	310	1,204	120	22	1,395
Feb.	13,317	1,812	-12,203	-2,798	8	95	276	1,135	148	21	1,303
Mar.	13,579	3,415	-11,561	-3,251	46	124	248	789	196	15	1,000
Apr.	8,518	3,149	-7,277	-3,050	15	194	127	1,168	162	8	1,338
May	1,676	2,745	-6,486	-2,822	2	110	175	1,154	269	5	2,228
June	5,547	3,278	-9,934	-2,925	42	192	249	1,139	291	7	2,037
July	2,950	3,314	-8,340	-3,012	5	153	250	1,429	247	3	1,679
Aug.	4,324	2,242	-10,071	-2,972	6	65	202	1,105	235	80	1,420
Sept.	5,611	1,614	-9,830	-2,856	8	55	324	933	222	301	1,456
Oct.	4,781**	1,629**	-8,575**	-3,655**	29	59	214p	591p	152p	438p	1,181p
Sept. 2	4,453	2,366	-11,278	-3,067	0	65	251	1,011	246	191	1,448
9	6,859	1,539	-11,135	-2,514	8	19	353	1,132	217	236	1,585
16	7,008	965	-10,140	-2,703	0	52	312	857	205	287	1,349
23	5,944	2,005	-9,657	-3,019	25	84	181	891	230	325	1,446
30	2,689	1,742	-8,070	-3,116	4	58	473	830	231	387	1,448
Oct. 7	5,640	1,280	-8,110	-3,438	0	53	122	577	156	413	1,146
14	5,577	2,133	-8,919	-3,953	139	40	267	529	158	423	1,110
21	4,247**	1,071**	-8,419**	-3,789**	0	98	198	656	155	444	1,255
28	4,056**	1,889**	-8,001**	-3,351**	0	46	259p	576p	147p	464p	1,187p
Nov. 5	5,108**	2,494**	-10,242**	-3,884**	0	49	234p	651p	134p	452p	1,237p
12	5,908**	3,713**	-8,530**	-4,427**	70p	11p	267p	720p	130p	115p	965p
19											
26											

NOTE: Government securities dealer cash positions consist of securities already delivered, commitments to buy (sell) securities on an outright basis for immediate delivery (5 business days or less), and certain "when-issued" securities for delayed delivery (more than 5 business days). Futures and forward positions include all other commitments involving delayed delivery; futures contracts are arranged on organized exchanges. Underwriting syndicate positions consists of issues in syndicate, excluding trading positions.

Weekly data are daily averages for statement weeks, except for corporate and municipal issues in syndicate, which are Friday figures. Monthly averages for excess reserves and borrowing are weighted averages of statement week figures. *Monthly data for dealer futures and forwards are end-of-month figures for 1980.*

** Strictly confidential