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.

Strictly Confidential (FR) Class I FOMC

October 1, 1982

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

October 1, 1982

MONETARY POLICY ALTERNATIVES

Recent developments

(1) M1 increased at about an 8 percent annual rate from June to September, and M2 by about 9-3/4 percent. The Committee's targets for the period were 5 and 9 percent, respectively, but somewhat more growth was considered to be acceptable depending on whether economic and financial uncertainties seemed to be increasing liquidity demands and affecting financial asset preferences.

(2) Expansion of M1 was strong in August and September, when NOW accounts grew quite rapidly, in part reflecting the early impact of the tax cut as well as precautionary behavior as the economy remained unexpectedly sluggish. The reduced level of short-term market rates has considerably decreased the earnings disadvantage to keeping funds in NOW accounts. Demand deposits also grew rather rapidly in September, perhaps partly in response to increased securities markets activity and possibly to some increase in compensating balances as the earnings value to banks of corporate deposits declined.

(3) Following a very rapid expansion in August, M2 increased at only a 5-1/4 percent annual rate in September, as growth in the nontransaction component decelerated unusually rapidly. Money market fund growth slowed as their yields declined in lagged reaction to earlier reductions in market rates. Growth in the total of small time and savings deposits also slowed sharply. Thus, it would appear that some funds may have been shifted out of M2 into market securities.

(4) Bank credit grew at a 6-1/2 percent annual rate in August, and partial data for September indicate that growth has slowed somewhat

KEY MONETARY POLICY AGGREGATES
(Seasonally adjusted, annual rates of growth)

	1982				1981:Q4 to	
	July	Aug.	Sept. pe/	June to Sept. pe/	1982: Q3 pe/	1982: Sept. pe/
Money and Credit Aggregates						
M1	-0.3	10.4	14.0	8.1	5.8	6.5
M2	9.7	14.2	5.2	9.8	9.9	9.8
(Nontransaction component)	12.9	15.4	2.6	10.3	11.2	10.8
M3	12.6	18.4	3.5	11.6	10.7	10.6
Bank credit	6.4	6.4	3.5	5.5	7.5 3/	7.3 3/
Reserve Measures 1/						
Nonborrowed reserves 2/	13.1	15.9	11.1	13.5	4.2	5.1
Total reserves	-1.6	8.8	23.2	10.2	4.3	5.8
Monetary base	2.8	6.8	12.2	7.3	7.3	7.6
Memo: (Millions of dollars)						
Adjustment borrowing	641	422	816	--	--	--
Excess reserves	314	312	369	--	--	--

pe - Partially estimated.

1/ Growth rates of reserve measures are adjusted to remove the effects of discontinuities resulting from phased changes in reserve ratios under the Monetary Control Act.

2/ Nonborrowed reserves include special borrowing and other extended credit from the Federal Reserve.

3/ Measured from December-January average base.

further. This may reflect reduced demands for short-term credit as well as, possibly, a degree of cautious behavior on the part of at least some large banks in view of current economic and financial difficulties. Outstanding large time deposits of banks contracted in September, on average, the first such decline in almost a year. Business loan growth slowed sharply in August, but appears to have picked up in the early weeks of September, reflecting takedowns of loans related to recent merger activity. Other forms of short-term borrowing by nonfinancial business have also been weak; the volume of commercial paper outstanding edged down in August and dropped further in September. In part the weakness in short-term borrowing reflected a pick-up in bond market financing by nonfinancial businesses.

(5) Total reserves expanded at about a 9 percent annual rate in August but growth accelerated to about a 23 percent annual rate in September when expansion in M1 rose considerably above the 5 percent June-September path. A little less than half of the growth in total reserves last month was supplied by nonborrowed reserves. The increase in adjustment borrowing in September stemmed partly from temporary borrowing related to special bank funding problems (which was offset by reduced nonborrowed reserves) and partly from the strength in M1 (though the implied rise in borrowing was limited so as to be accommodative to some of the apparent increase in liquidity demands).1/

(6) The federal funds rate has moved into a trading range generally somewhat above the 10 percent discount rate, up from the 9 percent area that had emerged in the market around the time of the August FOMC meeting when expectations of continued declines in short-term rates were strong. The

1/ See Appendix I for intermeeting reserve path adjustments.

discount rate was lowered by 1/2 point to 10 percent shortly after the meeting, but market expectations of further easing in money market conditions dissipated with continued strength of the money supply. The short-term rate structure generally came under upward pressure, but this was reflected entirely in yields on private instruments, as market demand for Treasury securities was intensified by heightened concerns about credit quality. Long-term market interest rates have continued to trend down since late August, with Treasury, corporate, and municipal rates dropping 1/4 to 3/4 of a percentage point. In the mortgage markets, the rate on conventional fixed rate commitments has dropped about 1 percentage point in typical lagged response to the decline in bond rates.

(7) The dollar has risen by about 3-1/2 percent on a weighted average basis since the last Committee meeting, reaching a 13-year high. Although the U.S. private short-term interest rates have backed up since late August, while foreign interest rates have continued to edge down, such a change in interest differentials may have been a less important factor in the increased demand for dollar assets than worldwide political and financial strains.

<u>Alternative near-term targets</u>

(8) The table below presents three alternative targets for M1 and M2 for the fourth quarter of 1982 and associated intermeeting ranges for the federal funds rate. More detailed data for the alternatives are shown in the table and charts on the next few pages. The quarterly interest rate path underlying the staff's GNP projection is contained in Appendix II.

	Alt. A	Alt. B	Alt. C
Growth from September to December			
M1	5	2½	0
M2	9½	8½	7½
Federal funds rate range	7 to 11	8 to 12	9 to 13

(9) All of the alternatives imply a slowing of M1 and M2 growth over the last three months of the year from their summer pace; however, they generally also imply some overshoot of the FOMC's annual targets. Alternative C would achieve the upper limit of the Committee's 2-1/2 to 5-1/2 percent longer-run M1 range for 1982, while the growth rates of alternatives B and A would lead to overshoots in the 1/2 to 1 percentage point range. Under all alternatives, M2 would remain above the upper end of its 6 to 9 percent longer-run range.

(10) Alternative B, which calls for M1 growth from September to December at a 2-1/2 percent annual rate, appears consistent with the federal funds rate over the intermeeting period continuing on average to be a little above the current discount rate, and with little net change in other short-term rates. Total reserves under this alternative would expand at a

Chart 1

CONFIDENTIAL (FR)
Class II - FOMC

Actual and Targeted M1

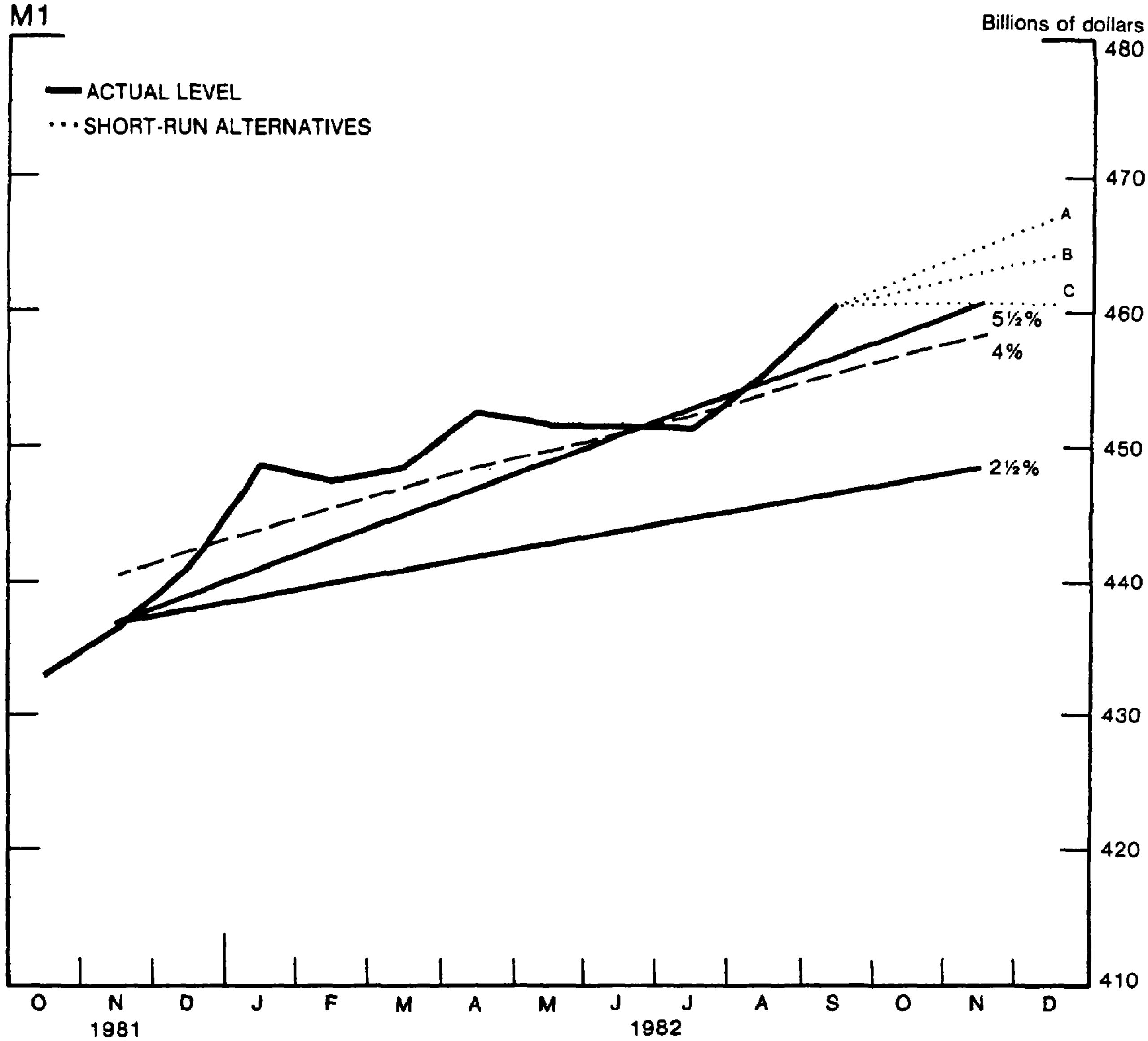
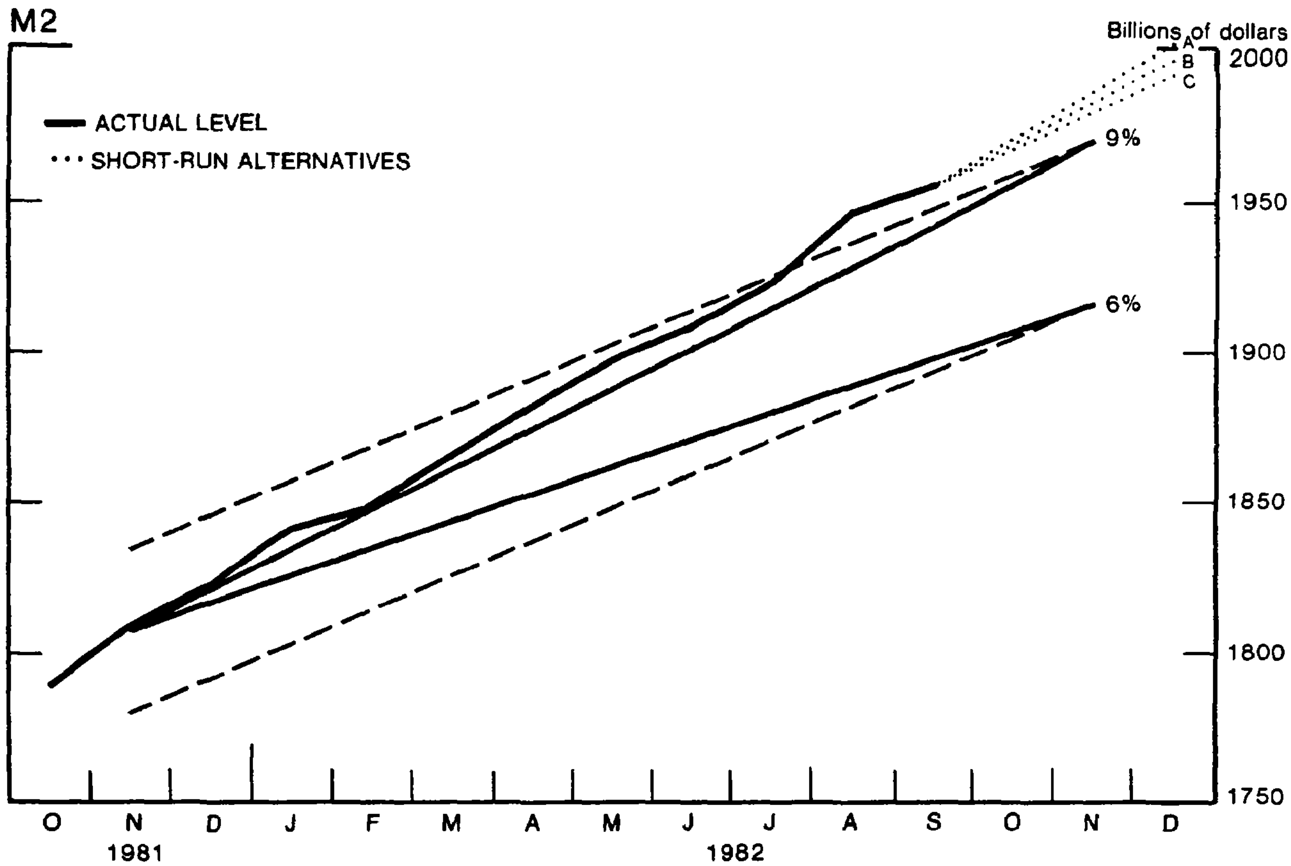
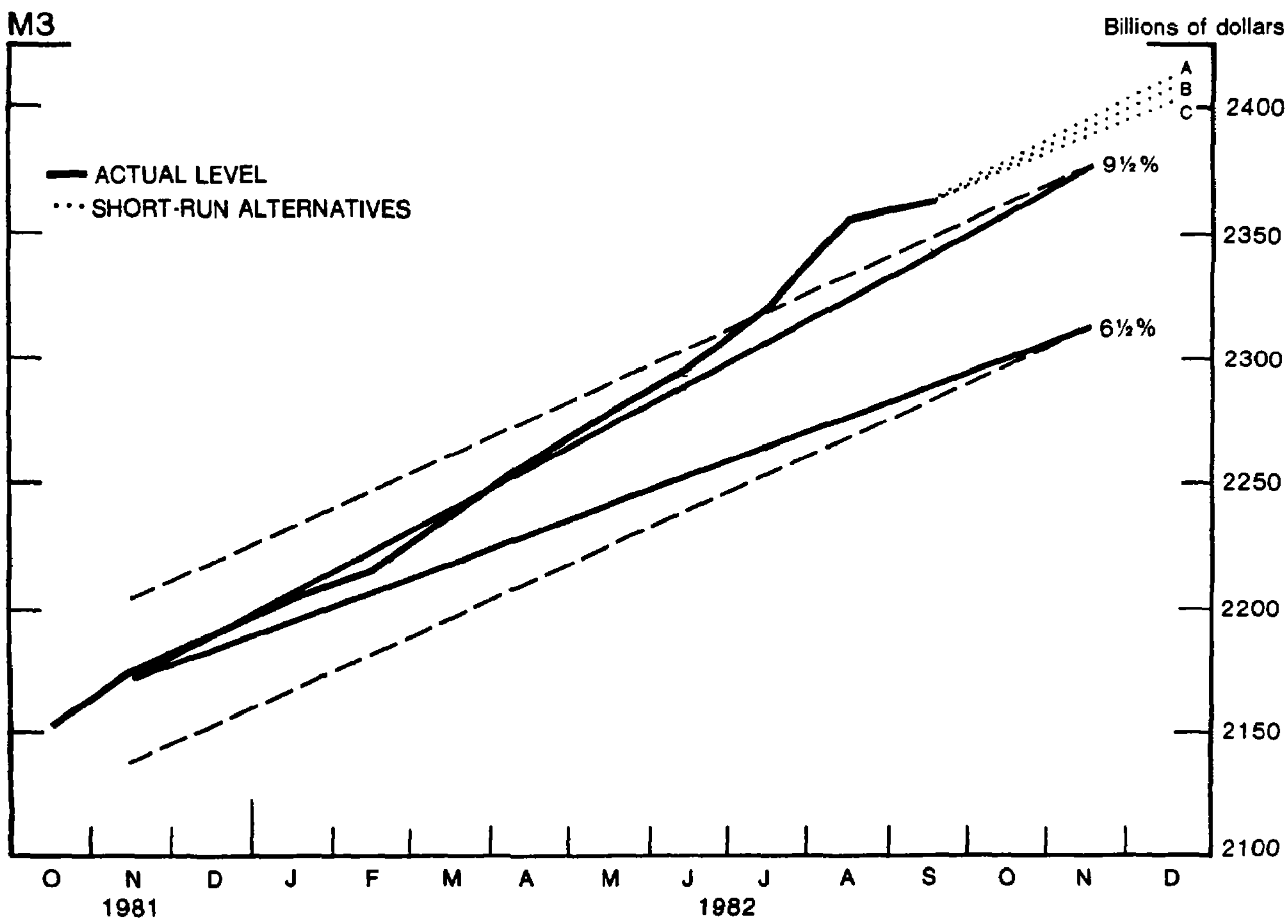


Chart 2

Actual and Targeted M2 and M3





Alternative Levels and Growth Rates for Key Monetary Aggregates

	M1			M2			M3		
	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1982--July	451.3	451.3	451.3	1923.4	1923.4	1923.4	2320.2	2320.2	2320.2
August	455.2	455.2	455.2	1946.2	1946.2	1946.2	2355.7	2355.7	2355.7
September	460.5	460.5	460.5	1954.7	1954.7	1954.7	2362.5	2362.5	2362.5
October	463.0	462.2	461.3	1964.4	1963.1	1961.8	2372.9	2371.6	2370.3
November	464.6	462.8	461.1	1981.4	1978.6	1975.8	2395.3	2392.5	2389.7
December	466.4	463.4	460.5	2000.5	1995.7	1991.0	2412.4	2407.6	2402.9
Growth Rates Monthly									
1982--July	-0.3	-0.3	-0.3	9.7	9.7	9.7	12.6	12.6	12.6
August	10.4	10.4	10.4	14.2	14.2	14.2	18.4	18.4	18.4
September	14.0	14.0	14.0	5.2	5.2	5.2	3.5	3.5	3.5
October	6.5	4.4	2.1	6.0	5.2	4.4	5.3	4.6	4.0
November	4.1	1.6	-0.5	10.4	9.5	8.8	11.3	10.6	9.8
December	4.6	1.6	-1.6	11.6	10.3	9.2	8.6	7.6	6.6
Sept. - Dec.	5.1	2.5	0.0	9.4	8.4	7.4	8.4	7.6	6.8
Growth Rates Quarterly Average									
1982--Q1	10.4	10.4	10.4	9.8	9.8	9.8	8.7	8.7	8.7
Q2	3.3	3.3	3.3	9.5	9.5	9.5	10.7	10.7	10.7
Q3	3.5	3.5	3.5	9.7	9.7	9.7	12.0	12.0	12.0
Q4	7.9	6.2	4.6	8.4	7.8	7.2	8.1	7.6	7.1
Memo									
Growth Rate 1981Q4 - 1982Q4	6.4	6.0	5.5	9.7	9.5	9.3	10.2	10.1	10.0

5 percent annual rate over the fourth quarter. Borrowing from the Federal Reserve would be around $450 million, and nonborrowed reserves would expand at about a 9 percent annual rate.

(11) The moderation in month-by-month M1 growth under this alternative assumes that the rapid build-up of NOW accounts of the past two months slows as households adjust financial asset holdings and spending with a lag to the recent tax cut.[1/] We have also assumed that the unusually rapid rise in demand deposits of late summer will abate and soon resume the downward trend of earlier this year. Even with a slowing in M1 growth to the 2-1/2 percent annual rate contemplated for the last three months of the year, growth in the fourth quarter on a quarterly average basis would be at a 6-1/4 percent annual rate, about the same as the projected growth in nominal GNP.

(12) Growth of M2 would also be at a relatively moderate 8-1/2 percent pace under alternative B over the last three months of the year. Expansion in the nontransactions component of M2 may speed up from September, but is likely to remain below the very rapid pace of July and August. Money market fund growth should remain slow, and some part of the sizable volume of ASCs maturing in October might shift to market instruments, particularly municipals, though the staff believes that the bulk will be either rolled over or otherwise remain in M2.[2/]

1/ No allowance has been made for the effects of legislation requiring DIDC to establish a ceilingless account for depository institutions that is competitive with money market mutual funds. This account must be made available to the public 60 days after date of enactment. When it becomes available, possibly in early December, the new instrument is likely to have a substantial impact on M1 and on the composition and possibly the total of M2, depending on the exact character of the account or accounts authorized by DIDC.

2/ A bulge in M1 related to ASCs cannot be ruled out for the first week of October, when certificates with a maturity value of $25 billion come due. Some of the proceeds of maturing ASCs could be temporarily placed in demand deposits or NOW accounts in the process of being reinvested or used to support consumption.

(13) Bond rates are likely to remain near current levels under alternative B, and could even decline a bit further if investors continue to see little, if any, sign of an economic recovery. Despite the further reduction in deposit costs at S&Ls and MSBs--as higher-cost deposits are rolled over--thrift hesitancy to commit funds and a leveling off of bond rates is likely to keep mortgage rates from falling much below 15 percent.

(14) The growth of credit extended to all domestic nonfinancial borrowers, including the Treasury, is expected to slow in the fourth quarter from the third-quarter pace. However, this slowing does not reflect a lessening of credit market pressures. The federal deficit in the current quarter is expected to be slightly larger (seasonally adjusted) than in the third. In the third quarter, the Treasury had borrowed heavily but also had made some of these funds available to the market by adding substantially to its assets in the form of cash balances. The fourth-quarter deficit will be financed in part by liquidation of these assets as well as by further borrowing. Flows of credit to private domestic nonfinancial sectors in the fourth quarter are projected to remain close to the pace of the third quarter, with the indebtedness of these sectors increasing at a 6-1/2 percent annual rate, about in line with projected GNP growth. Aggregate business borrowing should moderate as external financing needs decline with weakness in investment expenditures, but household credit usage is likely to rise a little as housing and consumer durable purchases increase somewhat in lagged response to the July tax cut and recent declines in interest rates. For the third and fourth quarters together, credit raised by all domestic nonfinancial sectors is projected to expand at a 9-1/2 percent annual rate, up from 8-1/2 percent in the first half of the year, with increased borrowing by the Treasury more than accounting for the pickup in the total.

(15) Alternative C calls for virtually no further growth in M1 from September to December, which would achieve the upper limit of the FOMC's annual target for that aggregate. Total reserves would be expected to expand at a 2 percent rate over the fourth quarter. Such reserve and money growth would probably involve a federal funds rate moving rather promptly into the 11 to 11-1/2 percent area. Assuming no change in the discount rate, borrowing would likely be around $1 billion and nonborrowed reserves would show little net change.

(16) The firming of the federal funds rate contemplated by this alternative would probably cause quite a sharp reaction in short-term markets, particularly given present market concerns about the condition of financial institutions and businesses. Private short-term rates may rise substantially, accompanied by a smaller rise in Treasury bill rates. Bond yields also would probably also come under considerable upward pressure for a short while. However, such pressures would be likely to dissipate over time as a tightening in money markets would tend to reduce expectations of a business recovery next year and of inflation. A considerable further strengthening of the dollar on exchange markets might develop, particularly if money market rates abroad continue to ease.

(17) Alternative A, which targets M1 growth at a 5 percent and M2 at a 9-1/2 percent annual rate from September to December, would probably accommodate an easing in money market conditions over the months ahead. The funds rate might fall to around 9 to 9-1/2 percent, with total reserves rising at an 8 percent annual rate during the final three months of the year. At the current discount rate, adjustment (plus seasonal) borrowing

would fall to frictional levels of \$150 million or less, and nonborrowed reserves would expand at a 15 percent annual rate. The market would come to expect a further drop in the discount rate.

(18) In such an environment, substantial reductions in short-term interest rates are likely, with the 3-month bill rate falling to around 6-1/2 to 7 percent. The easing of money market conditions may also improve investor attitudes toward private market instruments, particularly bank CDs, as the over-all economic and financial outlook is viewed more favorably. Spreads between large CDs and bill rates will probably narrow, but still remain historically high. With bank costs of funds and other short-rates declining, there would be strong downward pressure on the bank prime rate, with that rate perhaps declining to 12 percent or somewhat lower. Reductions in bond rates could be appreciable if the further decrease in returns on short-term investments brings more investors into the long-term market in an effort to lock in relatively high yields.

Directive language

(19) Given below is a suggested operational paragraph for the directive. The specifications adopted at the meeting on August 24 are shown in strike-through form. The language in brackets, which indicates that a shortfall in growth would be acceptable in the context of declining interest rates, is suggested for consideration if the Committee were to opt for alternative A, the most expansive alternative, although it may also be useful for alternative B. This language would convey the Committee's desire to have growth of money for the year closer to the longer-run target should that turn out to be feasible.

In the short run, the Committee ~~continues-to-seek~~ SEEKS behavior of reserve aggregates consistent with growth of M1 and M2 from ~~June-to~~ September TO DECEMBER at annual rates of about ~~5~~ ___ percent and about 9 ___ percent respectively. ~~Somewhat-more-rapid growth-would-be-acceptable-depending-on-evidence-that-economic-and financial-uncertainties-are-leading-to-exceptional-liquidity demands-and-changes-in-financial-asset-holdings.~~ [A SHORTFALL IN GROWTH OF THE MONETARY AGGREGATES FROM THESE RATES WOULD BE ACCEPTABLE IN THE CONTEXT OF DECLINING INTEREST RATES.] 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 ~~7~~ ____ to ~~11~~ ____ percent.

Appendix I

RESERVES TARGETS AND RELATED MEASURES
INTERMEETING PERIOD

(Millions of dollars; not seasonally adjusted)

Date Reserves Path Constructed	Reserves Targets for Intermeeting Sub-Period (average for sub-period): Total Reserves (1)	Reserves Targets for Intermeeting Sub-Period (average for sub-period): Non-borrowed Reserves (2)	Projection of Reserves Demanded (average for sub-period): Total Reserves (3)	Projection of Reserves Demanded (average for sub-period): Required Reserves (4)	Projection of Reserves Demanded (average for sub-period): Excess Reserves (5)	Implied Adjustment Borrowing: Average for Sub-Period (6)	Implied Adjustment Borrowing: For Remaining Statement Weeks of Intermeeting Period1/ (7)
3-Week Sub-Period: September 1 to September 15							
August 27	39,510	39,160	39,510	39,210	300	350	350
September 3	39,573 2/	39,223 2/	39,609	39,213	396	386	384
10	39,663 3/	39,030 3/4/	39,767	39,332	435	737	993
Actual 3-week Average	39,793	38,982	39,793	39,330	463	811	--
3-Week Sub-Period: September 22 to October 6							
September 17	39,933 5/	39,583 5/	40,227	39,927	300	644	644
24	39,784 6/	39,682 6/7/	40,278	40,010	268	597	550
October 1	39,784	39,743 8/	40,348	40,004	344	605	500

1/ Represents borrowing in remaining statement weeks (as intermeeting sub-period progresses) implied by each weekly updating of the sub-period average nonborrowed reserves path. The movement in implied borrowing represents deviations in total reserves from target as well as any compensation for misses in nonborrowed reserves from target in earlier weeks of the intermeeting sub-period.
2/ Total and nonborrowed reserves paths adjusted upward by $63 million due to changes affecting the reserves multiplier.
3/ Total and nonborrowed reserves paths adjusted upward by $90 million due to changes affecting the reserves multiplier (includes small revisions to required reserves and the reserves multiplier received as the week progressed).
4/ Nonborrowed reserves path adjusted downward by $283 million to take account of the increased demand for borrowings in the September 8 and September 15 statement weeks.
5/ Total and nonborrowed reserves paths adjusted downward by $257 million due to changes affecting the M1 reserves multiplier. Preliminary upward adjustments of $159 million, on net, had been taken earlier.
6/ Total and nonborrowed reserves paths adjusted downward by $149 million due to changes affecting the M1 reserves multiplier (includes small revisions to required reserves and the reserves multiplier received as the week progressed).
7/ Nonborrowed reserves path adjusted upward by $248 million to accomodate the acceptably more rapid growth in money.
8/ Nonborrowed reserves path adjusted upward by $61 million to keep reserves pressures about unchanged in transition week just before the FOMC meeting.

APPENDIX II

INTEREST RATES UNDERLYING GREENBOOK
GNP FORECAST
(Quarterly averages)

	Federal Funds	3-Month Treasury Bill	Recently Offered Aaa Utility Bond	Fixed-rate Mortgage Commitment
1982--Q3 (Actual)	11.01	9.32	14.56	16.17
Q4	10-1/4	7-3/4	13-1/2	14-3/4
1983--Q1	11	8-1/2	13-3/4	14-3/4
Q2	11-1/2	9	14	15
Q3	12	10	14-1/4	15-1/4
Q4	12-1/2	10-1/2	14-1/4	15-1/4

Table 1

Selected Interest Rates

Percent

October 4, 1982

Period	Short-Term: federal funds	Short-Term: Treasury bills, secondary market, 3-month	Treasury bills, secondary market, 1-year	Treasury bills, auction, 6-month	CDs secondary market 3-month	comm. paper 1-month	money market mutual fund	bank prime loan	Long-Term: 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 recently offered	municipal 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
1981--High	20.06	16.72	15.05	15.85	18.70	18.33	17.32	20.64	16.54	15.65	15.03	17.72	13.30	18.63	19.23	17.46
Low	12.04	10.20	10.64	10.70	11.51	11.39	11.84	15.75	12.55	12.27	11.81	13.98	9.49	14.80	14.84	13.18
1982--High	15.61	14.41	13.51	14.36	15.84	15.56	13.89	16.86	15.01	14.81	14.63	16.34	13.44	17.66	18.04	16.56
Low	10.11	7.43	9.44	8.99	9.59	8.19	9.46	13.50	11.78	11.93	11.80	13.26	10.38	15.19	15.78	14.00
1981--Aug.	17.82	15.51	14.70	15.55	17.96	17.58	17.17	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	15.95	16.55	20.08	16.22	15.32	14.67	17.33	12.92	18.16	18.99	17.06
Oct.	15.08	13.54	13.62	14.01	15.39	14.80	15.32	18.45	15.50	15.15	14.68	17.24	12.83	18.45	18.13	16.61
Nov.	13.31	10.86	11.20	11.53	12.48	12.35	14.33	16.84	13.11	13.39	13.35	15.49	11.89	17.83	16.64	15.10
Dec.	12.37	10.85	11.57	11.47	12.49	12.16	12.09	15.75	13.66	13.72	13.45	15.18	12.90	16.92	16.92	15.51
1982--Jan	13.22	12.28	12.77	12.93	13.51	12.90	12.01	15.75	14.64	14.59	14.22	15.88	13.28	17.40	17.80	16.19
Feb.	14.78	13.48	13.11	13.71	15.00	14.62	13.11	16.56	14.73	14.43	14.22	15.97	12.97	17.60	18.00	16.21
Mar.	14.68	12.68	12.47	12.62	14.21	13.99	13.49	16.50	14.13	13.86	13.53	15.19	12.82	17.16	17.29	15.54
Apr.	14.94	12.70	12.50	12.86	14.44	14.38	13.74	16.50	14.18	13.87	13.37	15.44	12.59	16.89	--	15.40
May	14.45	12.09	11.98	12.22	13.80	13.79	13.49	16.50	13.77	13.62	13.24	15.24	11.95	16.68	16.27	15.30
June	14.15	12.47	12.57	12.31	14.46	13.95	13.07	16.50	14.48	14.30	13.92	15.84	12.45	16.70	17.22	15.84
July	12.59	11.35	11.90	12.24	13.44	12.62	12.86	16.26	14.00	13.95	13.55	15.61	12.28	16.82	--	15.56
Aug.	10.12	8.68	10.37	10.11	10.61	9.50	11.02	14.39	12.62	13.06	12.77	14.47	11.23	16.27	15.78	14.74
Sept.	10.31	7.92	9.92	9.54	10.66	9.96	n.a.	13.50	12.03	12.34	12.07	13.60p	10.66	15.43	--	14.14
1982--July 7	14.47	12.59	12.78	12.98	15.13	14.57	13.14	16.50	14.74	14.47	13.96	15.80	12.47	16.93	--	15.95
14	13.18	11.88	12.20	11.97	14.13	13.54	13.28	16.50	14.17	14.04	13.60	15.70	12.36	16.88	--	15.51
21	12.14	11.06	11.57	11.44	13.34	12.27	13.02	16.36	13.75	13.69	13.36	15.26	12.01	16.75	--	15.30
28	11.02	10.51	11.39	11.38	12.08	11.04	12.22	16.00	13.65	13.76	13.40	15.47	11.97	16.65	--	15.46
Aug. 4	11.15	9.92	11.18	10.67	11.63	10.73	11.89	15.29	13.36	13.62	13.33	15.16	11.87	16.55	--	15.12
11	10.90	9.99	11.25	10.94	11.65	10.77	11.52	15.00	13.36	13.73	13.31	15.11	11.86	16.44	--	15.17
18	10.11	8.68	10.32	9.82	10.51	9.65	11.38	14.71	12.59	13.01	12.73	14.00	10.82	16.21	15.78	14.70
25	9.04	7.43	9.44	8.99	9.59	8.19	10.39	13.79	11.83	12.39	12.22	13.92	10.38	15.88	--	14.21
Sept. 1	10.15	8.00	10.05	9.75	10.17	8.88	9.93	13.50	12.30	12.74	12.46	13.88	10.74	15.59	--	14.50
8	10.14	8.31	10.04	9.61	10.53	9.99	9.86	13.50	12.08	12.53	12.21	13.87	10.75	15.56	--	14.26
15	10.27	8.16	10.13	9.70	10.81	10.14	9.79	13.50	12.23	12.61	12.27	13.67	10.74	15.38	--	14.00
22	10.31	7.75	9.95	9.44	10.84	10.00	9.60	13.50	12.10	12.36	12.00	13.28	10.58	15.19	--	14.19
29	10.12	7.50	9.63	9.20	10.53	9.78	9.46	13.50	11.78	11.93	11.80	13.44p	10.48	n.a.	--	14.09
Daily-- Sept. 24	10.23	7.60	9.75	--	10.67	9.79	--	13.50	11.96	12.09	11.88	--	--	--	--	--
30	12.17	7.62	9.46	--	10.44	9.96	--	13.50	11.52	11.73	11.79	--	--	--	--	--
Oct. 1	10.50p	7.35	9.31	--	10.40	10.06	--	13.50	11.38p	11.55p	11.66p	--	--	--	--	--

NOTE: Weekly data for columns 1, 2, 3, and 5 through 11 are statement week averages. 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. Data in column 7 are taken from Donoghues Money Fund Report. 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.

Table 2

Net Changes in System Holdings of Securities[1]

Millions of dollars, not seasonally adjusted

October 4, 1982

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		
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
1981	5,337	294	1,702	393	379	2,768	133	360	--	--	494	8,491	684
1981--Qtr. II	2,135	115	469	164	89	836	--	--	--	--	--	2,944	-1,352
III	2,912	122	607	64	182	976	--	--	--	--	--	3,855	424
IV	2,803	80	626	165	108	979	133	360	--	--	494	4,247	3,305
1982--Qtr. I	-4,329	20	50	--	--	70	--	--	--	--	--	-4,371	-999
II	5,585[7]	-68[7]	570	81	52	635[7]	--	--	--	--	--	6,208	-5,375
1982--Mar.	-1,121	--	--	--	--	--	--	--	--	--	--	-1,134	1,871
Apr.	4,149	132	570	81	52	835	--	--	--	--	--	4,979	4,877
May	-324	--	--	--	--	--	--	--	--	--	--	-325	-6,290
June	1,759[7]	-200[7]	--	--	--	-200[7]	--	--	--	--	--	1,554	-3,961
July	330	71	691[7]	113	123	1,197[7]	--	--	--	--	--	1,526	4,108
Aug.	470	--	--	--	--	--	--	--	--	--	--	424	542
1982--July 7	-151	--	200[7]	--	--	200[7]	--	--	--	--	--	49	6,614
14	--	71	691	113	123	998	--	--	--	--	--	997	-3,539
21	1,432	--	--	--	--	--	--	--	--	--	--	1,432	348
28	-643	--	--	--	--	--	--	--	--	--	--	-643	669
Aug. 4	-684	--	--	--	--	--	--	--	--	--	--	-684	-1,588
11	501	--	--	--	--	--	--	--	--	--	--	455	1,466
18	398	--	--	--	--	--	--	--	--	--	--	398	163
25	264	--	--	--	--	--	--	--	--	--	--	264	1,285
Sept. 1	-395	--	--	--	--	--	--	--	--	--	--	-396	-1,460
8	-797	--	--	--	--	--	--	--	--	--	--	-797	-1,403
15	-200	--	--	--	--	--	--	--	--	--	--	-205	-838
22	--	--	--	--	--	--	--	--	--	--	--	--	1,560
29	425	--	--	--	--	--	--	--	--	--	--	425	-1,324
LEVEL--Sept. 29	53.7	15.8	36.0	12.3	16.3	80.3	2.5	5.1	.9	.5	8.9	143.0	-3.7

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 (+).
7 Maturing 4-year notes were exchanged on June 30 for special 6-day bills. At their maturity, the bills were exchanged for new 4-year notes.

Table 3

Security Dealer Positions and Bank Positions

Millions of dollars

STRICTLY CONFIDENTIAL (FR)
CLASS II-FOMC

October 4, 1982

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
1981--High	15,668	4,633	-12,865	-4,676	595	268	562	2,597	309	464	2,912
Low	540	540	-4,535	-2,514	0	11	-21	145	30	*	317
1982--High	9,335	7,935	-11,077	-4,740	186	237	672	1,547	268	324	1,908
Low	-2,699	1,763	8,032	-2,300**	0	22	0	172	53	20	369
1981--Aug.	4,324	2,242	-10,071	-2,972	10	65	292	1,105	235	80	1,420
Sept.	5,611	1,614	-9,830	-2,856	2	55	414	933	222	301	1,456
Oct.	4,781	1,629	-8,575	-3,655	29	59	278	591	152	438	1,181
Nov.	5,037	3,821	-7,120	-4,307	195	106	344	403	95	165	663
Dec.	2,185	2,289	-5,416	-4,150	21	172	319	433	54	148	636
1982--Jan.	3,704	5,043	-6,344	-3,272	0	52	418	1,245	75	197	1,518
Feb.	4,557	5,327	-7,594	-3,173	8	97	304	1,426	131	232	1,790
Mar.	6,588	5,656	-6,696	-2,910	106	104	361	1,073	175	308	1,556
Apr.	7,721	4,846	-5,552	-3,402	23	76	273	1,156	167	245	1,568
May	7,390	6,713	-10,129	-4,350	84	179	359	706	235	176	1,117
June	7,286	3,791	-6,194	-2,677	20	128	308	859	241	104	1,205
July	5,768	3,446	-1,432	-3,436	17	84	314	420	221	50	691
Aug.	1,265	3,628	6,266	-3,609	41	79	312	301	121	94	515
Sept.	-1,157p**	1,918p**	5,147p**	-1,681p**	n.a.	n.a.	369p	714p	101p	114p	930p
July 7	4,183	2,906	-5,743	-2,785	0	96	501	732	251	87	1,070
14	7,757	2,921	-4,013	-3,258	0	75	184	258	231	70	559
21	6,612	3,279	-928	-3,669	54	33	267	322	239	33	594
[illegible]	5,185	4,558	1,806	-3,861	40	104	311	336	188	24	548
Aug. 4	3,510	3,748	4,289	-3,699	25	77	294	493	166	20	679
11	4,672	4,256	4,629	-3,814	29	80	326	172	133	64	369
18	2,393	4,039	6,496	-4,261	32	22	319	228	131	123	482
25	-1,493	3,071	8,032	-3,280	77	135	260	397	94	118	609
Sept. 1	-2,699	2,919	7,485	-2,741	0	88	362	296	95	116	507
8	-348**	2,167**	7,719**	-2,300**	0	54	645	726	106	116	948
15	-156**	132**	7,499**	-1,434**	25	101	308p	1,124p	89p	116p	1,329p
22	-366**	1,267 **	510 **	-810 **	64	100	242p	591p	100p	118p	809p
29	-2,219**	3,103**	2,524**	-1,118**	15	90	291p	513p	112p	124p	749p

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