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November 12, 1982

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) November 12, 1982
CLASS I - FOMC

MONETARY POLICY ALTERNATIVES

Recent developments

(1) M2 grew at about an 8 percent annual rate in October (and M3 at a 9 percent rate), while M1 expanded at about a 20 percent annual rate. Growth in M2, probably held down to a minor degree by shifts of ASC funds to market instruments, ran increasingly above the path set consistent with the Committee's 8½ to 9½ percent quarterly growth target as the intermeeting period progressed. This path had called for relatively slow growth in October and more rapid growth in subsequent months.

(2) The strength in M2 reflects greater growth in both its M1 and nontransactions components, relative to initial expectations, abstracting from estimated ASC effects. It now appears that the effect on the monthly average of M1 in October from the disposition of maturing ASC balances was much larger than we had anticipated; more seems to have been initially shifted and the funds have remained in transaction accounts longer. Nevertheless, growth in M1 in October abstracting from shifts was still probably around 10 percent.1/

(3) Total reserves grew at a 9½ percent annual rate in October, with most of the increase reflecting the rise in required reserves associated with the strength in transactions accounts. Given a $475 million drop in the average level of adjustment borrowing in October, nonborrowed reserves expanded at about a 25 percent annual rate last month. The nonborrowed path constructed following the October FOMC meeting implied borrowing of

1/ Estimates of the impact of maturing ASCs on M2 and its composition are based on information obtained from banks through the Reserve Bank contact group, cross-section econometric analysis of the experience of individual banks, and examination of recent patterns of aggregates deposit flows at all banks and thrifts.

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

	1982				1981: Q4 to	
	July	Aug.	Sept.	Oct.	1982: Q3	1982 Oct.
Money and Credit Aggregates						
M1	-0.3	10.4	14.0	20.3	5.8	7.9
M2	9.7	14.3	4.8	8.0	9.9	9.6
(Nontransaction component)	12.9	15.5	2.1	4.2	11.2	10.2
M3	12.6	18.4	3.4	8.9	10.7	10.5
Bank Credit	6.3	6.6	4.4	7.0	7.6 3/	7.4 3/
Reserve Measures 1/						
Nonborrowed reserves 2/	13.1	15.9	11.5	24.6	4.2	7.0
Total reserves	-1.6	8.8	23.6	9.6	4.3	6.2
Monetary base	2.8	6.8	12.2	6.7	7.3	7.6
Memo: (Millions of dollars)						
Adjustment borrowing 4/	641	422	815	337	---	---
Excess reserves	314	312	384	412	---	---

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.
4/ Includes seasonal borrowing.

around \$300 million. The implied level of borrowing rose during the intermeeting period, but not commensurately with the strengthening of M2, since account was taken of the Committee's willingness to accommodate exceptional liquidity demands and the fact that M2 growth in October, though substantially faster than initial expectations for the intermeeting period, was not necessarily out of keeping with the quarterly target range.1/

(4) Reflecting limited pressure to borrow at the discount window and a ½ percentage point cut in the discount rate soon after the October FOMC meeting, the federal funds rate declined from somewhat above 10 percent in September to the neighborhood of the 9½ percent discount rate throughout the intermeeting period. Most other rates dropped by much more, in part because of expectations that the Federal Reserve would promote a further easing of money market conditions. Despite some rate increases in recent days as a further discount rate cut has not been forthcoming, private short-term rates have dropped about 1½ percentage points on balance since the early October meeting, while yields on Treasury bills have fallen considerably less as concerns about private credit risks apparently have lessened. Corporate and Treasury bond rates have dropped about 1 to 1½ percentage points since early October. The average commitment rate on conventional mortgages at S&Ls has dropped 1¼ percentage points and the continuing easing in mortgage markets reportedly has led to a noticeable pickup in institutional lending activity.

(5) Bank credit continued to grow moderately in October, registering a 7 percent annual rate of increase. Loan growth remained in general relatively weak, but banks stepped up their acquisitions of Treasury securities. Business loan growth slowed to around a 7 percent annual rate last month, even though it was still being boosted by the

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1/ See Appendix I for intermeeting reserve path adjustments.

effects of merger-related financings arranged in September. Total short-term borrowing by nonfinancial business weakened further, as commercial paper outstanding contracted sharply again in October. This dropoff in short-term borrowing reflected an increased issuance of long-term debt in response to the continuing downtrend in bond yields.

(6) After dropping rather sharply immediately following the last FOMC meeting, the dollar has appreciated further in recent weeks. On balance, the dollar has advanced about 1½ percent since the Committee meeting,

. The strength in the dollar occurred in the face of news of a sharply larger third-quarter trade deficit, and of greater declines in U.S. interest rates, on balance, than in foreign interest rates over the period.

Alternative near-term targets

(7) The table below presents three alternative targets for M2 for the current quarter, along with associated federal funds rate ranges. Alternatives B and C encompass growth rates of M2 (and also M3) for the quarter consistent with the Committee's decision with respect to these aggregates at the previous meeting, while alternative A looks to somewhat higher growth rates. Rates of growth for M1 implied by these M2 paths are shown in the second panel. 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 in M2			
Sept. to Dec.	10	9½	9
Oct. to Dec.	11	10¼	9½
Memo: Implicit M1 Growth			
Sept. to Dec.	12½	11¼	10
Oct. to Dec.	8¼	6½	5
Federal funds rate range	6 to 9½	7 to 10½	8 to 11½

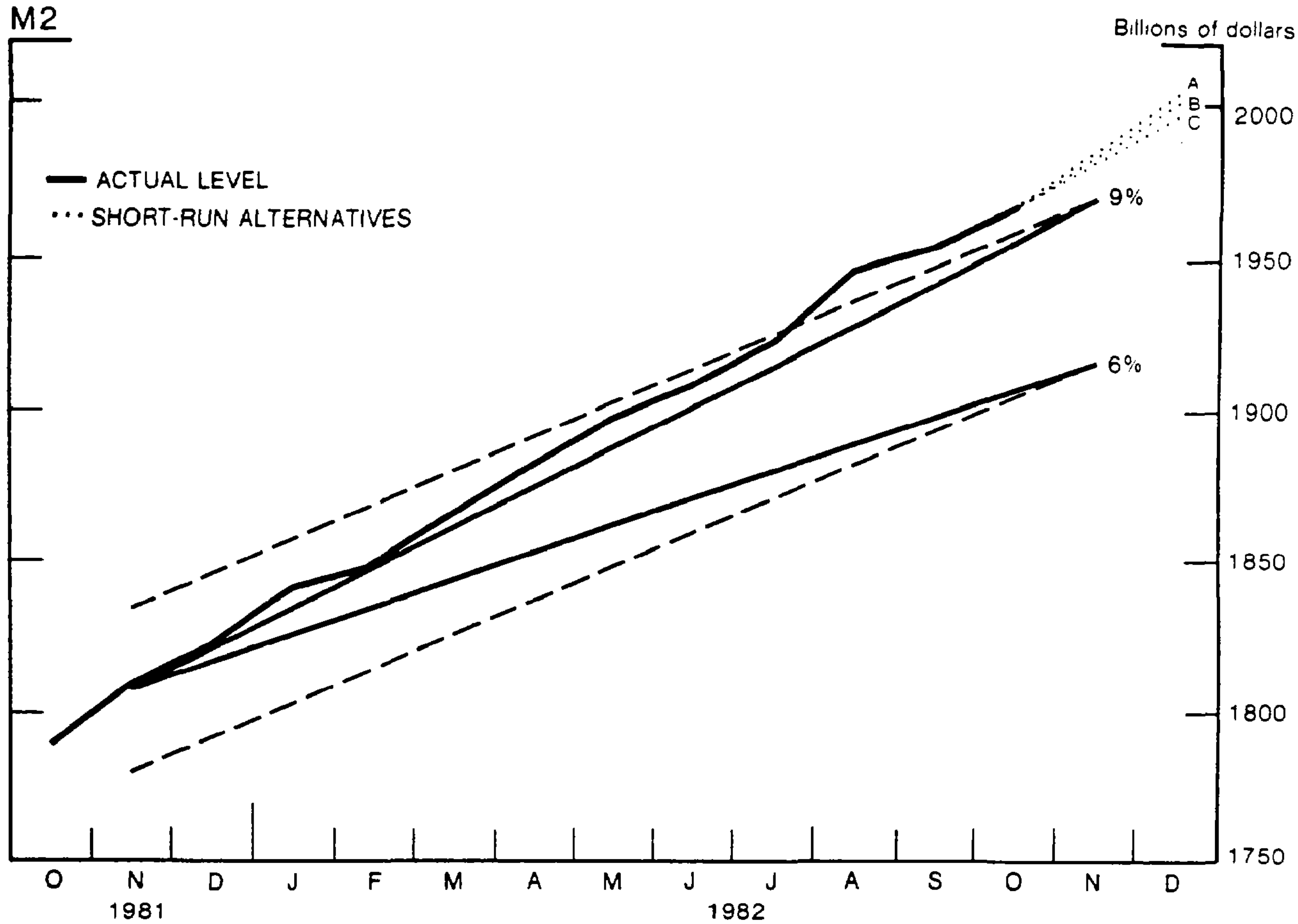
(8) As appears to have been the case thus far this year, the public's liquidity demands are assumed to remain high over the balance of the year, reflecting the impact of continuing economic uncertainties. Both M1 and M2 this quarter are expected to expand considerably more rapidly than nominal GNP under all three alternatives; and, as shown on the charts and tables on the succeeding pages, the growth rates of the monetary aggregates are expected for the year to be above the upper ends of their respective longer-run ranges. The income velocities of both M1 and M2 thus will decline by unusually large amounts over the QIV '81 to QIV '82 period--about 3¼ and 5 percent, respectively.

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--August	455.2	455.2	455.2	1946.3	1946.3	1946.3	2355.7	2355.7	2355.7
September	460.5	460.5	460.5	1954.1	1954.1	1954.1	2362.3	2362.3	2362.3
October	468.3	468.3	468.3	1967.1	1967.1	1967.1	2379.8	2379.8	2379.8
November	471.9	471.6	471.3	1985.8	1985.3	1984.8	2401.0	2400.5	2400.0
December	474.8	473.4	472.1	2002.8	2000.4	1998.1	2422.0	2419.7	2417.4
Growth Rates Monthly									
1982--August	10.4	10.4	10.4	14.3	14.3	14.3	18.4	18.4	18.4
September	14.0	14.0	14.0	4.8	4.8	4.8	3.4	3.4	3.4
October	20.3	20.3	20.3	8.0	8.0	8.0	8.9	8.9	8.9
November	9.2	8.5	7.7	11.4	11.1	10.8	10.7	10.4	10.2
December	7.4	4.6	2.0	10.3	9.1	8.0	10.5	9.6	8.7
Sept. - Dec.	12.4	11.2	10.1	10.0	9.5	9.0	10.1	9.7	9.3
Oct. - Dec.	8.3	6.5	4.9	10.9	10.2	9.5	10.6	10.1	9.5
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	14.0	13.5	13.0	9.0	8.9	8.7	9.3	9.2	9.0
Annual Growth Rates									
1981-Q4 to 1982-Q4	8.0	7.9	7.7	9.8	9.8	9.7	10.6	10.5	10.5
Year average 1981 to Year average 1982	6.3	6.3	6.3	9.9	9.9	9.9	10.5	10.5	10.5

Chart 1

Actual and Targeted M2 and M3



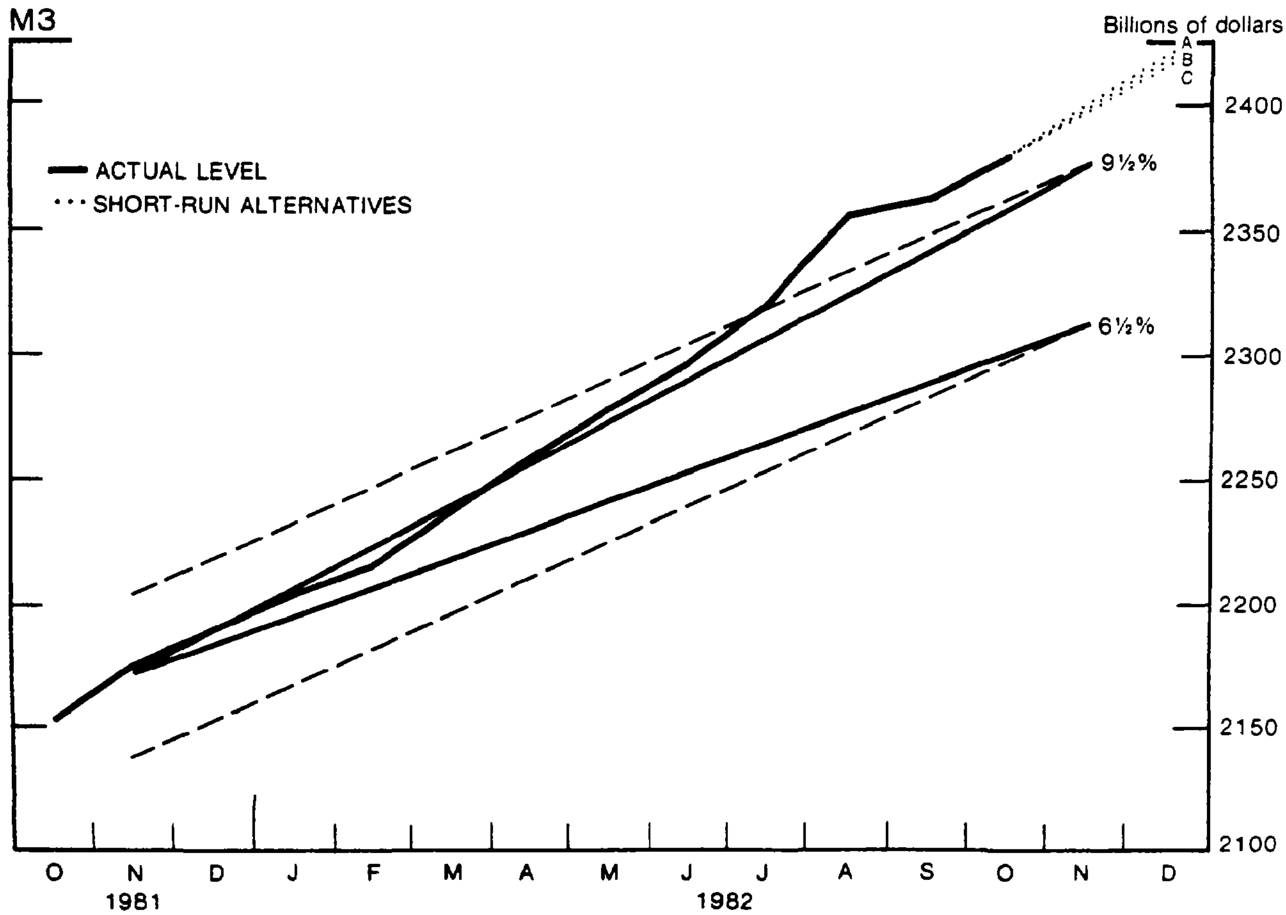


Chart 2

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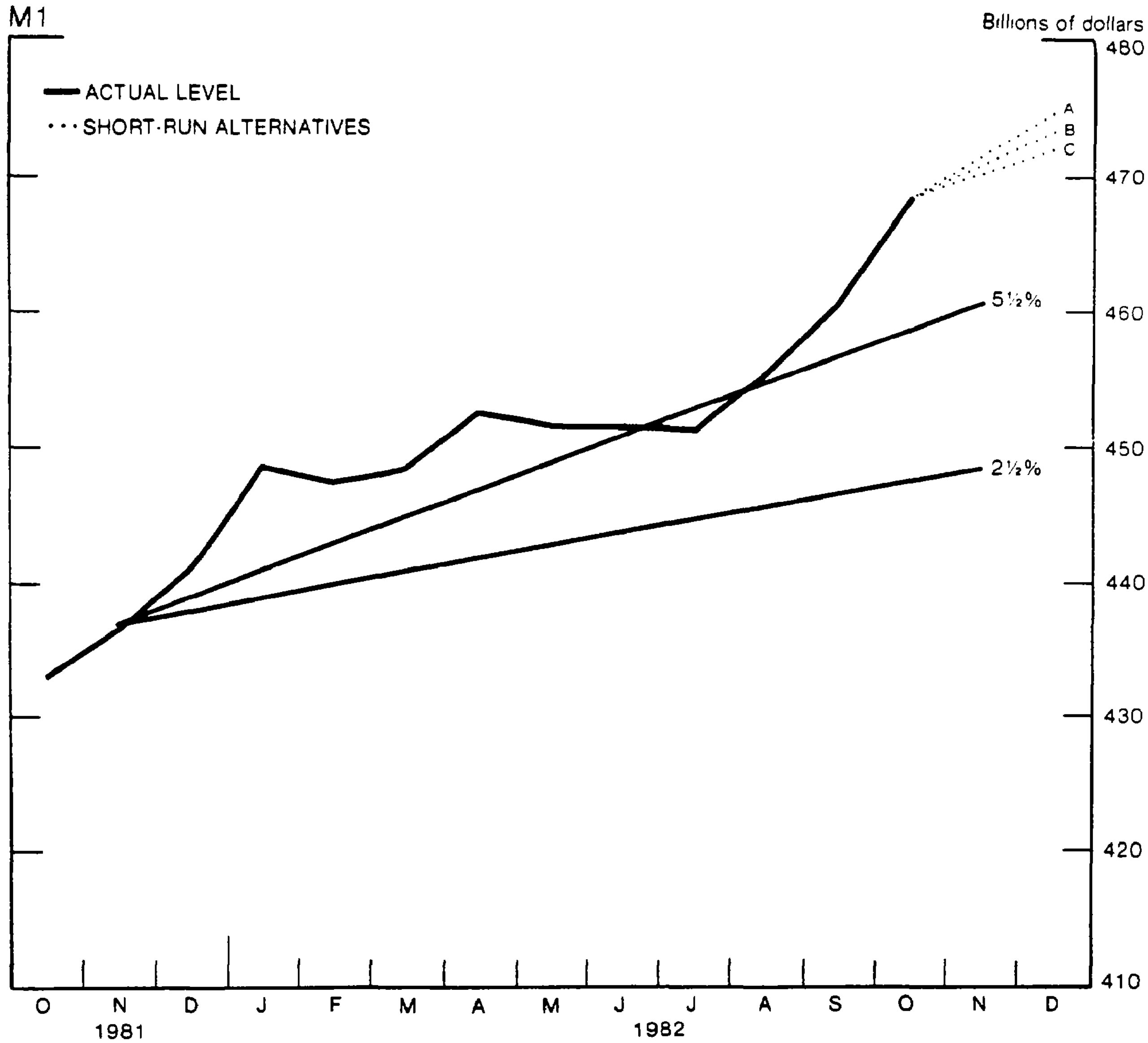
Actual and Targeted M1



(9) Under all three alternatives, M1 growth is expected to decelerate--though still remaining strong--in the last two months of the year, reflecting in part an unwinding of the demand and NOW balances built up from some of the proceeds of the very large ASC deposits maturing in October. On the other hand, the nontransactions component of M2 should accelerate from its October pace, when it was held down by transfers of ASC funds to transactions accounts and market instruments. It is expected that the new DIDC money market account will reduce M1 balances and have only a relatively small effect on M2 when it becomes available in mid-December. However, there might be some effects, perhaps raising M1 or M2, in the interim if and as the public lodges funds in deposits in anticipation of the new account.[1/]

(10) Alternative B, which calls for M2 growth this quarter at the upper end of the 8½ to 9½ percent range adopted by the Committee at its last meeting, would be associated with an increase in total reserves at about a 6¾ percent annual rate over the last two months of the year. Given continued strong liquidity demands, such an M2 target might involve a federal funds rate over the intermeeting period fluctuating around the present 9½ percent discount rate and borrowing at the discount window ranging around $350 million. Nonborrowed reserves would expand in parallel with total reserves over the last two months of the year.

(11) With many in the market currently expecting some decline in the funds rate (and the discount rate) over the near-term, maintenance

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1/ A more detailed assessment of the likely impact of the new instrument will be presented in the blue book for the December meeting. Our initial estimates are for a quite small effect on the aggregates for December, given the late effective date of the instrument.

of these rates around recent levels would probably lead to some further back-up in short- and longer-term market rates. A 3-month bill rate moving up to around the 8½ percent area is not unlikely, and private short-term rates might rise 25 to 50 basis points or so. Longer-term interest rates also would tend to rise, but probably by less, given the favorable outlook for curbing inflation and the evidence of weak economic activity. Mortgage rates would probably not fall much further, as bond yields firm and short-term financing costs of depository institutions tend to edge up.

(12) The growth of credit to all nonfinancial sectors appears to be slowing a bit in the fourth quarter, though remaining above the first half pace and also in excess of the expected growth of nominal GNP. Treasury indebtedness is increasing rapidly--at an estimated 18 percent seasonally adjusted annual rate in the fourth quarter--and is projected to continue rising at this pace in early 1983. Growth in credit raised by private non-financial sectors this quarter remains below its first half pace. However, the recent decline of interest rates appears to be stimulating credit usage by households, whose mortgage and other borrowing is projected to pick up this quarter and to continue rising moderately into 1983. Lower rates apparently also are inducing greater borrowing by state and local governments, but bond issuance in anticipation of new regulation at year-end is also a factor behind recent record tax-exempt bond volumes, and the credit demands of this sector are expected to moderate in early 1983. Business borrowing appears to be moderating somewhat in the current quarter as financing needs are held down by a further reduction in inventories, and as greater reliance is placed on equity issuance in the wake of the advance of stock prices. Businesses also are projected to continue the recent pattern of heavier issuance of bonds and reduced borrowing from banks.

Largely as a result, bank credit growth in coming months is expected to remain close to the more moderate pace established in the second half of this year.

(13) An increase in the Committee's fourth-quarter M2 target to a 10 percent annual rate, as in alternative A, might be required for some further easing of money market conditions in an environment of continued strong liquidity demands on the part of the public. The ½ percentage point of more rapid growth in M2 under this alternative, as compared with alternative B, would entail a relatively more rapid expansion in M1--by about 1¼ percentage points over the 3-month period. What information we have suggests that--in view of the availability of market-related rates on instruments encompassed by M2--M1 may have at least twice the elasticity with respect to market interest rates as M2. Thus, a given change in market interest rates will have a more substantial impact on M1 growth rates than on M2 rates.

(14) Under alternative A, we would expect the federal funds rate to decline from its present level to the area of 8½ percent, with total reserves rising at about an 8½ percent annual rate in November and December. Assuming such a decline in the funds rate, adjustment borrowing would be at minimal levels ($150 million or less), given the present or a somewhat lower discount rate. Nonborrowed reserves would rise at about an 11½ percent annual rate over the balance of the year.

(15) The further easing in bank reserve positions contemplated by alternative A might involve a drop in the 3-month bill rate to around 7½ percent, or perhaps somewhat lower depending on expectations of further policy adjustments. As markets ease, and confidence in markets and the economy improves, some little further narrowing in quality spreads might

develop. The bank prime rate would probably decline to around 11 percent. Bond rates would also likely share in these downward adjustments, as investors hastened to lock up still relatively high longer-term yields. And the lower cost of thrift institution deposits would bring additional downward pressure on mortgage rates. The further decline in U.S. interest rates would tend at least to blunt the strength of the dollar on foreign exchange markets, and may well bring some depreciation.

(16) Alternative C involves M2 growth over the fourth quarter at a 9 percent annual rate and constraint on reserve provision that would probably lead to a federal funds rate of 10 percent or somewhat higher. Total reserves would be expected to expand at a 5 percent annual rate over the last two months of the year. With the discount rate unchanged at 9½ percent, borrowings would likely be in the area of $600 million, and non-borrowed reserves would rise at only a 1 percent annual rate.

(17) A substantial reaction to a tightening of basic reserve positions would be expected in short-term and longer-term markets. The 3-month bill rate and other short-term rates could rise by as much as 1 percentage point. Longer-term rates would also adjust upwards, though much higher rates would probably not be long sustained. A significant rise in short rates would probably be seen by market participants as retarding economic recovery and reducing the odds on a strengthening of private credit demands, thus making the present or higher levels of long-term rates attractive to investors despite a near-term rise in short rates.

Directive language

(18) Given below are suggested operational paragraphs for the directive, with specifications adopted at the meeting on Ocotber 5 shown in strike-through form.

Specification of the behavior of M1 over the balance of the year ~~is~~ REMAINS subject to unusually great uncertainties because ~~it-will-be-substantially-affected-by~~ OF special circumstances--~~in-the-very-near-term-by~~ THE reinvestment of funds from maturing all savers certificates and ~~later-by~~ the public's response to the new account directly competitive with money market funds mandated by recent legislation. The ~~probable~~ difficulties in interpretation of M1 ~~during-the-period~~ suggest THAT much less than usual weight be placed on movements in that aggregate during the current quarter. These developments are expected to affect M2 and other broader aggregates to a much smaller extent.

In all the circumstances, the Committee seeks to maintain expansion in bank reserves needed for an orderly and sustained flow of money and credit, consistent with growth of M2 (and M3) in a range of around ~~8½-to-9½~~ ___ TO ___ percent at an annual rate from September to December, and taking account of the desirability of somewhat reduced pressures in private credit markets in the light of current economic conditions. Somewhat slower growth, bringing those aggregates around the upper part of the ranges set for the year, would be acceptable and desirable in a context of declining interest rates. Should economic and financial uncertainties lead to exceptional liquidity demands, somewhat more rapid growth in the broader aggregates would be tolerated.

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 10½~~ ___ TO ___ 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: October 13 to October 27							
October 8	40,454	40,154	40,454	40,160	300	300	300
15	40,587 2/	40,287 2/	40,568	40,197	372	281	300
22	40,587	40,287 3/	40,583	40,211	372	296 3/	315
Actual 3-week Average	40,576	40,292 3/	40,576	40,212	364	284 3/	--
3-Week Sub-Period: November 3 to November 17							
October 29	40,783 4/	40,483 4/	40,818	40,451	367	335	335
November 5	40,825 5/	40,525 5/	40,865	40,481	384	340	377
12	40,858 6/	40,558 6/	41,022	40,595	427	464	600 7/

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 $133 million, reflecting multiplier adjustments.
3/ Nonborrowed reserves includes, and adjustment borrowing excludes, $75 million of special-circumstance borrowing in the week of October 20 that was classified as adjustment credit.
4/ Total and nonborrowed reserves paths adjusted upward by $116 million, reflecting multiplier adjustments, revisions to required reserves received as the week progressed, and a redistribution of deposit demands within the target period. Preliminary upward adjustments of $163 million had been taken earlier.
5/ Total and nonborrowed reserves paths adjusted upward by $42 million, reflecting multiplier adjustments and a degree of accommodation to stronger money.
6/ Reflects adjustments in light of heavy borrowing on Wednesday that was carried over to Thursday because of the holiday (see footnote 7).
7/ Reflects very large borrowing on Wednesday November 10 that, because of the holiday on the following Thursday, necessarily raises the average level for the last week of the intermeeting period above what would otherwise be implied by the nonborrowed reserve path.

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	14.55	16.17
Q4	9¼	7½	12-1/8	14-1/8
1983 Q1	9¼	7½	12	13½
Q2	10	8	12¼	13½
Q3	11	9½	12½	13¾
Q4	11½	10	12½	13¾

Table 1

Selected Interest Rates

Percent

November 15, 1982

Period	Short-Term								Long-Term							
	federal funds	Treasury bills			CDs secondary market 3-month	comm. paper 1-month	money market mutual fund	bank prime loan	U.S. government constant maturity yields			corporate Aaa utility recently offered	muni-cipal Bond Buyer	home mortages		
		secondary market		auction										primary conv.	secondary market	
		3-month	1-year	6-month					3-year	10-year	30-year				FNMA auction	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	9.04c	7.43	8.24	7.73	8.96	8.19	8.65	12.00	9.92	10.49	10.54	11.75	9.25	13.91	15.78	12.58
1981--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	14.51
Sept.	10.31	7.92	9.92	9.54	10.66	9.96	9.73	13.50	12.03	12.34	12.07	13.57	10.66	15 43	--	13.57
Oct.	9.71	7.71	8.63	8.30	9.51	9.08	n.a.	12.52	10.62	10.91	11.17	12.34	9.69	14.61	--	12.83
1982--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	--	13.84
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	--	13.65
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	--	13.72
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	--	13.54
29	10.12	7.50	9.63	9.20	10.53	9.78	9.46	13.50	11.78	11.93	11.80	13.30	10.48	15.13	--	13.36
Oct. 6	10.77	7.82	9.53	9.23	10.58	10.09	9.42	13.50	11.52	11.63	11.75	12.43	9.75	14.96	--	13.21
13	9.60	7.58	8.38	7.73	9.59	9.18	9.46	13.00	10.38	10.67	11.02	12.22	9.25	14.60	--	12.58
20	9.53	7.51	8.24	7.76	9.16	8.70	9.09	12.00	10.30	10.64	10.91	12.06	9.69	14.20	--	12.73
27	9.44	7.81	8.53	8.47	9.07	8.69	8.87	12.00	10.51	10.88	11.12	12.15	10.05	14.15	--	12.81
Nov. 3	9.43	7.85	8.45	8.23	9.03	8.69	8.81	12.00	10.21	10.63	10.92	11.92	9.96	13.91	--	12.64
10	9.45	7.90	8.40	8.40	8.96	8.70	8.65	12.00	9.92	10.49	10.54	11.75p	9.92	n.a.	--	12.62
Nov. 5	9.40	7.78	8.36	--	8.93	8.72	--	12.00	9.91	10.48	10.59	--	--	--	--	--
12	9.50p	8.28	8.54	--	9.11	8.82	--	12.00	9.97p	10.56p	10.45p	--	--	--	--	--

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

November 15, 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. 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
III	150	71	891[7]	113	123	1,198[7]	--	--	--	--	--	1,295	7,855
1982--May	-324	--	--	--	--	--	--	--	--	--	--	-325	-6,290
June	1,759[7]	-200[7]	--	--	--	-200[7]	--	--	--	--	--	1,554	-3,961
July	330	71	891[7]	113	123	1,198[7]	--	--	--	--	--	1,526	4,108
Aug.	470	--	--	--	--	--	--	--	--	--	--	424	542
Sept.	-649	--	--	--	--	--	--	--	--	--	--	-654	3,205
Oct.	774	--	--	--	--	--	--	--	--	--	--	768	-4,902
1982--Sept. 1	-395	--	--	--	--	--	--	--	--	--	--	-396	-1,460
8	-797	--	--	--	--	--	--	--	--	--	--	-797	-1,403
15	-200	--	--	--	--	--	--	--	--	--	--	-205	-838
22	--	--	--	--	--	--	--	--	--	--	--	--	1,560
29	425	--	--	--	--	--	--	--	--	--	--	425	-1,324
Oct. 6	--	--	--	--	--	--	--	--	--	--	--	--	-1,071
13	433	--	--	--	--	--	--	--	--	--	--	427	1,792
20	221	--	--	--	--	--	--	--	--	--	--	221	5,964
27	120	--	--	--	--	--	--	--	--	--	--	120	-5,160
Nov. 3	--	--	--	--	--	--	--	--	--	--	--	--	-499
10	114	--	--	--	--	--	--	--	--	--	--	--	839
17													
24													
LEVEL-- Nov. 10	54.6	16.0	35.7	12.3	16.3	80.3	2.6	4.9	.9	.5	8.9	143.8	-1.8

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.

STRICTLY CONFIDENTIAL (FR)
CLASS II-FOMC

November 15, 1982

Table 3

Security Dealer Positions and Bank Positions

Millions of dollars

Period	U.S. government securities dealer positions				Underwriting syndicate positions		Member bank reserve positions				
	cash		futures and forwards		corporate bonds	municipal bonds	excess** reserves	borrowing at FRB **			
	bills	coupons	bills	coupons				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	8,032	-4,740	238	237	672	1,547	268	324	1,908
Low	-2,699	-1,207	-11,077	-821	0	22	0	172	53	20	365
1981--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	-1,403	-2,522	21	84	314	420	221	50	691
Aug.	1,330	3,626	6,240	-2,806	37	79	312	301	121	94	515
Sept.	242	1,826	3,170	-1,472	21	86	384	713	102	119	933
Oct.	564**	2,644**	4,913**	-2,147**			412p	251p	85p	141p	478p
1982--Sept. 1	-1,642	2,857	6,403	-2,755	0	88	362	296	95	116	507
8	1,532	2,185	5,613	-2,403	0	54	665	726	106	116	948
15	3,042	341	4,168	-1,493	25	101	320	1,125	89	116	1,330
22	-383	1,286	392	-821	64	100	250	592	100	118	810
29	-2,219	-1,207	2,524	-1,118	15	90	285	517	112	124	753
Oct. 6	-255	1,793	2,218	-1,635	125p	39	511	379	104	123	606
13	432	2,824	4,582	-2,264	56	147	462	178	70	117	365
20	935**	2,559**	5,531**	-2,582**	103	233	261	321	85	110	516
27	670**	3,340**	7,489**	-2,036**	81	167	330p	183p	90p	179p	452p
Nov. 3	806**	2,410**	6,080p**	-2,229p**	238	118	581p	186p	77p	196p	459p
10	1,233p**	3,495p**	2,742p**	-3,137p**	135	n.a.	350p	480p	50p	190p	720p
17											
24											

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