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March 25, 1983

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

March 25, 1983

MONETARY POLICY ALTERNATIVES

Recent developments

(1) M2 grew at around a 24½ percent annual rate in February, but is estimated to have decelerated considerably to about an 11½ percent annual rate in March. To a degree, the reduced growth of M2 appears to reflect a slowing in funds shifted into money market deposit accounts (MMDAs) from sources outside M2.1/ In addition, however, growth of M2 appears to be "basically" slowing in March, as its nontransactions component, abstracting from shifts, seems to be decelerating markedly.

(2) M3 grew at about a 13½ percent annual rate in February; its growth, too, is estimated to have slowed markedly in March--to about a 6½ percent annual rate. The level of M3 in March places it near the upper end of the FOMC's annual target range of 6½ to 9½ percent. Because depository institutions have responded to the strong net inflows into core deposits in part by running off large CDs, this aggregate has been much less affected by the introduction of the new instruments than M2.

(3) M1 advanced at a record annual rate of just above 22 percent in February. Preliminary data indicate that growth in March remained strong--at about a 16½ percent annual rate--bringing this aggregate even

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1/ The average weekly increase in MMDAs declined from $33 billion in January to $17 billion in February, and to $10 billion in the first half of March. About 15 percent of these funds are estimated to have been shifted from outside of M2 in February and March, down from roughly 20 percent in January. Such shifts likely boosted M2 growth in February by about 8 percentage points and may have boosted M2 growth in March by only about 3½ percentage points.

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

	1983 Jan.	1983 Feb.	1983 Mar.[1]	Q4 '82 to Q1 '83	Q4 '82 to Mar. '83
Money and Credit Aggregates					
M1	9.8	22.2	16.6	14.1	15.3
M2	29.8	24.3	11.5	19.9	19.1
M3	12.2	13.6	6.7	9.8	9.7
Reserve Measures[2]					
Nonborrowed reserves[3]	4.1	-12.5	5.6	3.6	2.6
Total reserves	1.9	-14.4	6.8	2.9	2.1
Monetary base	12.7	3.7	11.0	9.1	9.0
Memo: (Millions of dollars)					
Adjustment borrowing[4]	372	304	399[5]	—	—
Excess reserves	546	425	413[5]	--	—

1. Projected from partial data.
2. 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.
3. Includes special borrowing and other extended credit from the Federal Reserve.
4. Includes seasonal borrowing.
5. Through March 23.

further above its 4 to 8 percent longer-term range. With shifts into super NOW accounts from outside of M1 in February and March estimated to be comparatively small and roughly offset by transfers of funds from M1 to MMDAs, the underlying strength in transactions deposits apparently continues to be considerable. In addition, M1 growth has been bolstered by unusually strong increases in currency throughout the first quarter. The large increase in M1 during the first quarter as a whole--14 percent at an annual rate on a quarter-over-quarter basis--appears to represent a continuation of the upward shift in M1 demand (given income and interest rates) that developed last year. In the first quarter, the velocity of M1 dropped by about 6 percent at an annual rate.

(4) The debt of nonfinancial sectors is projected to have increased over the first quarter at a rate near the lower end of FOMC's 8-1/2 to 11-1/2 percent range, and somewhat below the pace of the fourth quarter. Private borrowing is estimated to have remained close to the reduced fourth-quarter pace; although funds raised in credit markets by the federal government declined a little, they continued to account for nearly half of the total of such borrowing. Bolstered by a sharp increase in inflows of funds as a result of aggressive offerings of MMDAs, depository institutions are estimated to have accounted for around 60 percent of net credit extended to domestic non-financial sectors in the first quarter, up from an average of a little over 30 percent in the last three years. Bank credit growth rose from 6-1/4 percent in the fourth quarter to around 10-1/2 percent in the

first, and loans and investments at thrift institutions apparently have picked up as well. At banks, acquisition of Treasury securities is estimated to have accounted for about half of the increase in their assets. The greatly enlarged intermediation through depository institutions last quarter was accompanied by substantial disinvestment of money market mutual fund shares and a considerable slowing in direct acquisitions of credit market instruments by private domestic nonfinancial sectors.

(5) Total and nonborrowed reserves declined at 14½ and 12½ percent annual rates, respectively, in February after growing slowly in January. Preliminary data indicate a modest rebound in growth for these measures in March. The declines in total and nonborrowed reserves since December mainly reflect reductions in required reserves because of shifts out of savings and small time deposits into MMDAs and the run-off of large CDs. The monetary base has grown much more strongly than these reserve measures in each of the past three months, owing to the rapid growth in currency. The level of adjustment plus seasonal borrowing implied by the reserve paths was kept at $200 million throughout the intermeeting period. Actual borrowing, however, has averaged about $390 million per week, reflecting such influences as unexpectedly strong demands for excess reserves (apparently related at times to unusually slow responses by banks to reserve requirement reductions) and misses in projections of factors affecting reserves at the end of a statement week (caused at times by computer and wire transfer problems).1/

(6) While borrowing ran higher than anticipated, free reserves were generally positive, and the federal funds rate continued to fluctuate

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1/ See appendix I for detailed data on weekly reserve paths.

around the 8½ percent discount rate over most of the intermeeting period, though trading was around 8¼ percent in the most recent statement week. After declining in the weeks immediately following the FOMC meeting, other short-term interest rates began rising in early March, reflecting concerns that sustained rapid growth of the monetary aggregates had, at a minimum, made a near-term discount rate cut much less likely. On balance, short-term rates have risen as much as 35 basis points since the February meeting. Long-term rates, on the other hand, have declined about 45 to 60 basis points over the intermeeting period, and stock prices have increased further, partly in response to continued moderation in inflation and favorable implications for the economy of the break in oil prices.

(7) The dollar has appreciated by about 1½ percent on a weighted average basis since the last Committee meeting. The dollar has declined by 3/4 percent against the mark as the latter currency benefited from a solid conservative party victory in the March general election, and has remained about unchanged against the yen. However, it has risen by about 5 percent against the French franc and a similar amount against the pound.

. Short-term interest rates abroad declined somewhat, on average, reflecting cuts in German, Swiss, and Dutch official lending rates.

Prospective developments

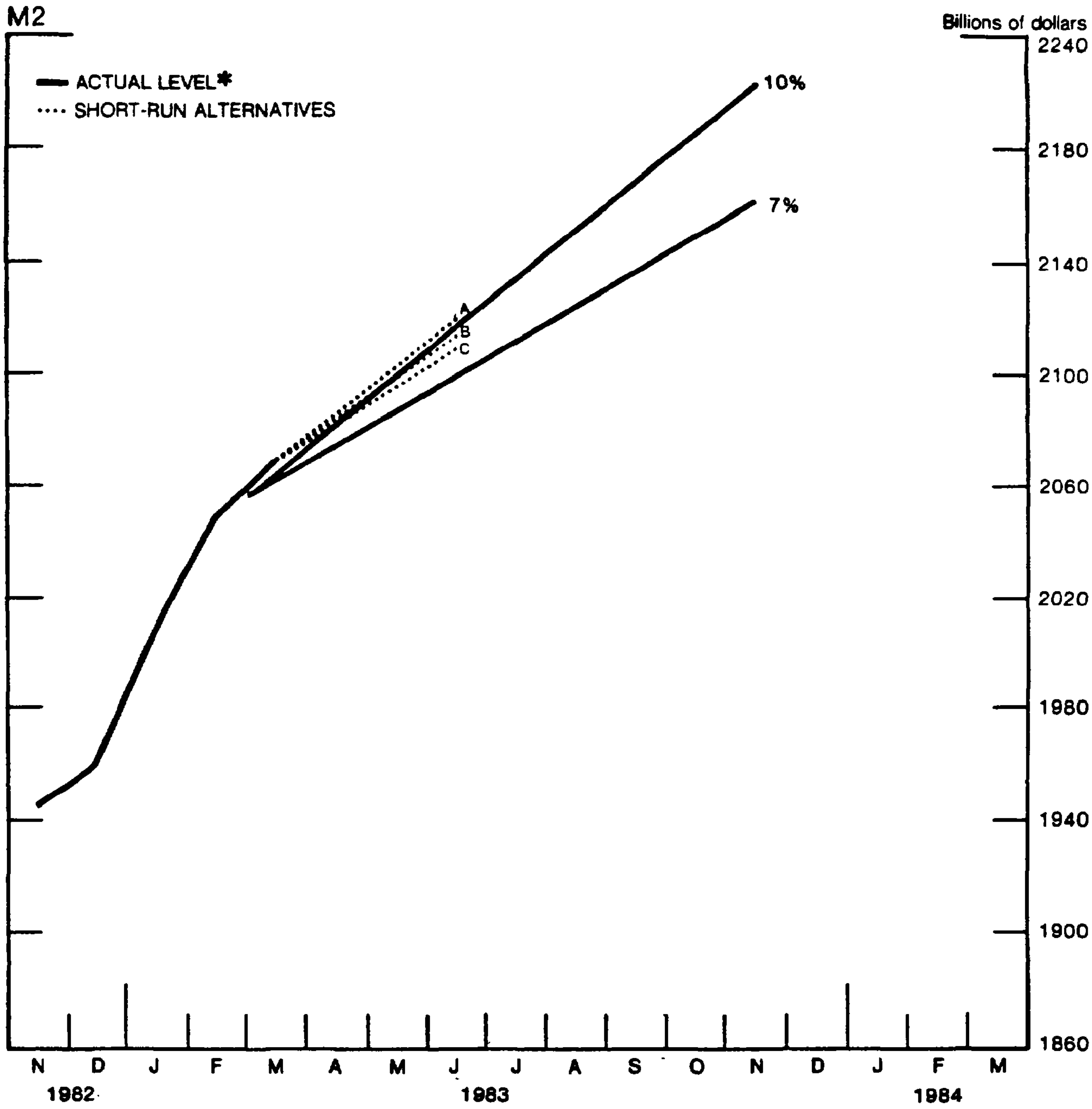
(8) Alternative short-run specifications of the monetary aggregates for the March to June period are shown in the table below, along with federal funds rate ranges. (More detailed data for the alternatives are shown in the charts and table on the following pages. The quarterly interest rate path consistent with the staff's GNP projection is contained in Appendix II.)

	Alt. A	Alt. B	Alt. C
Growth from March to June			
M2	10	9	8
M3	9	8	7
M1	7-1/2	6	4-1/2
Federal funds rate range	5 to 9	6 to 10	7 to 11

(9) The alternatives are designed so that M2 over the second quarter stays around or below the upper bound of the FOMC's 7 to 10 percent target range (based on February-March). M2 under alternative A would be just a bit above the upper end of the range by June, and would be down within the range under alternatives B and C, as shown in Chart 1. Under all three alternatives M3 would be at the top of, or within, its longer-run range, but M1, though its growth is expected to diminish in the months ahead, would remain well above its range by June--as shown in Charts 2 and 3.

Chart 1

Actual and Targeted M2



*March 1983 level is projected.

Chart 2

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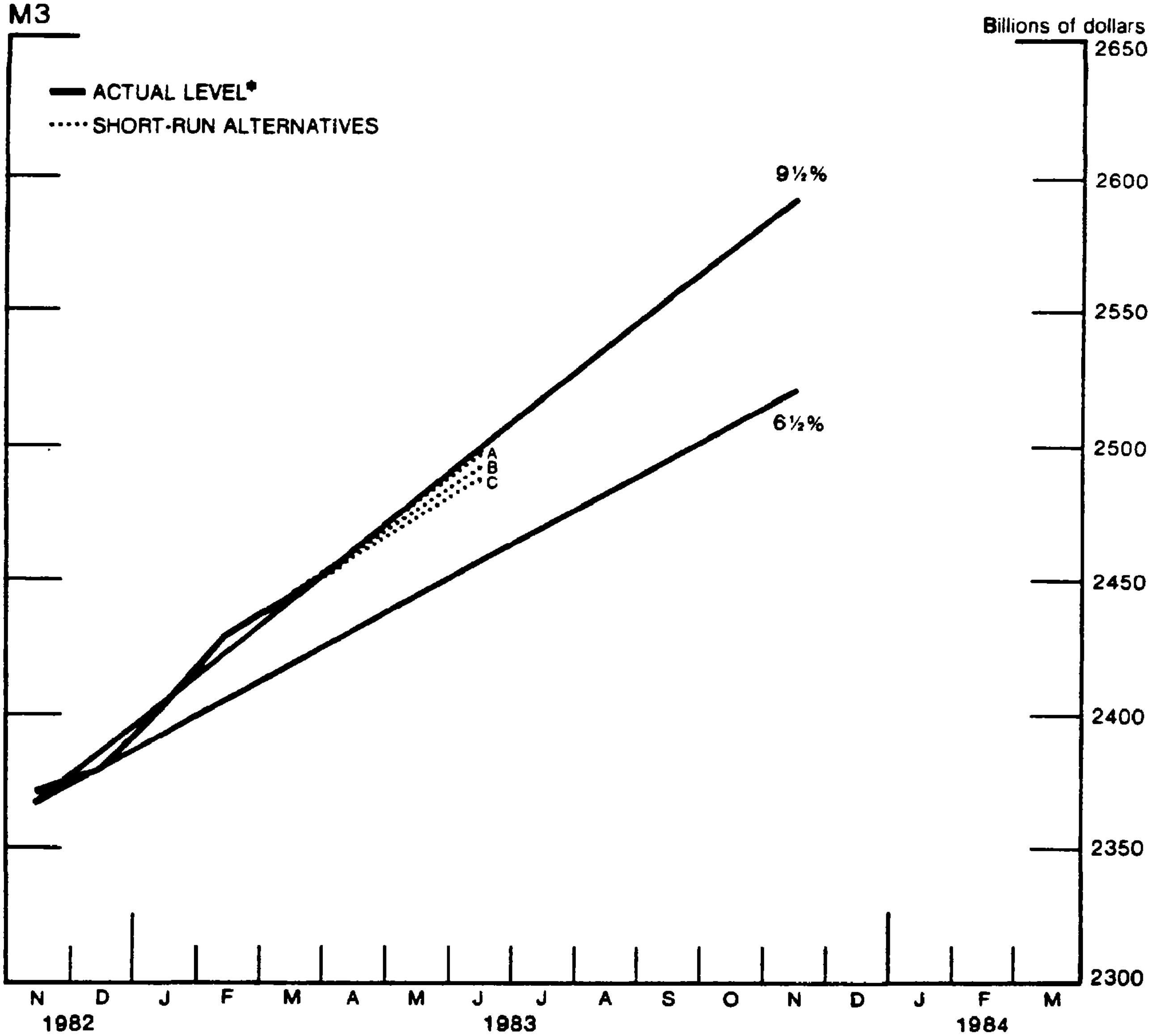
Actual and Targeted M3

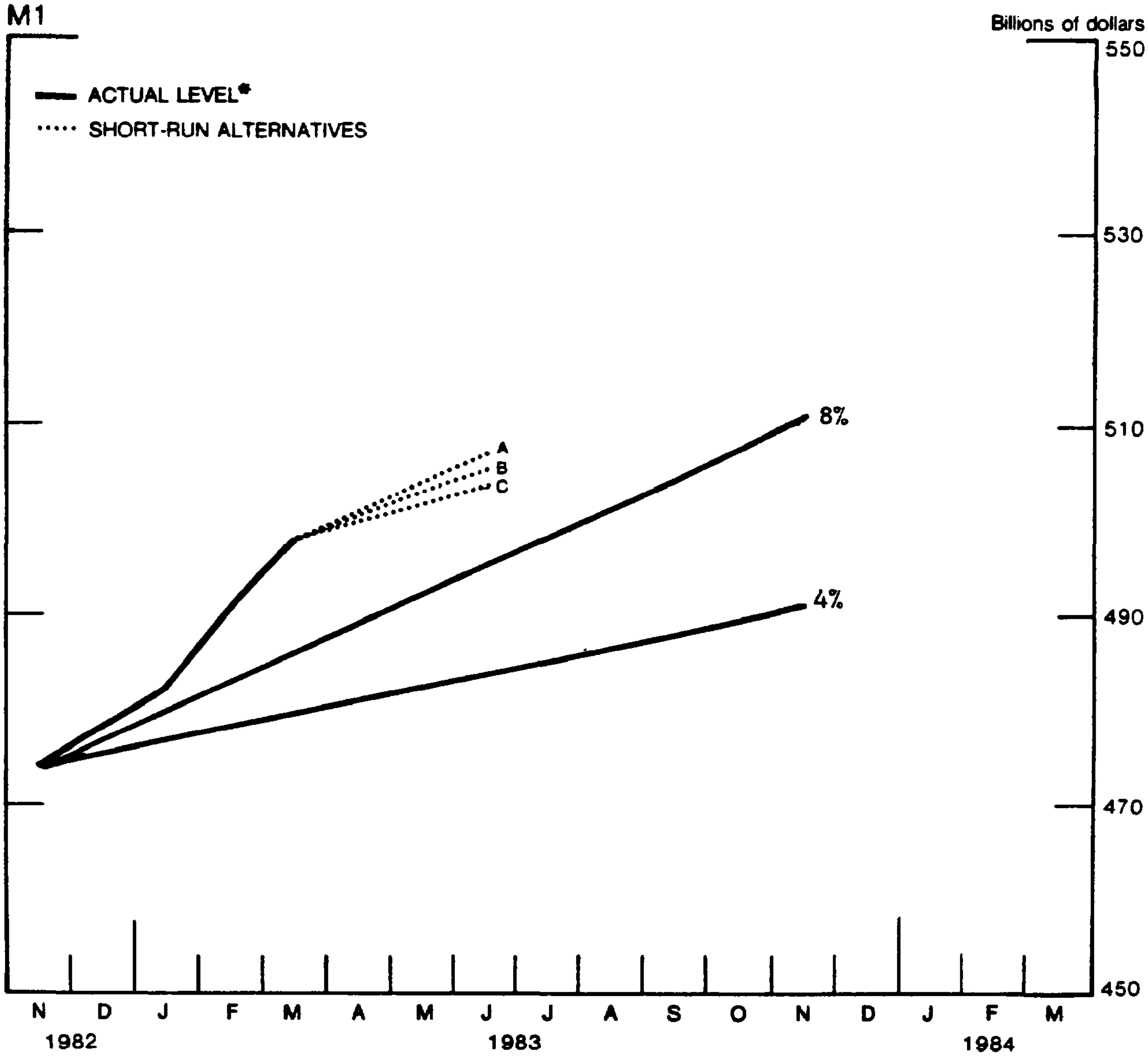


* March 1983 level is projected.

Chart 3

CONFIDENTIAL (FR)
Class II - FOMC

Actual and Targeted M1



* March 1983 level is projected.

Alternative Levels and Growth Rates for Key Monetary Aggregates

	M2			M3			M1		
	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
1983--January	2008.0	2008.0	2008.0	2401.9	2401.9	2401.9	482.1	482.1	482.1
February	2048.6	2048.6	2048.6	2429.2	2429.2	2429.2	491.0	491.0	491.0
March	2068.3	2068.3	2068.3	2442.8	2442.8	2442.8	497.8	497.8	497.8
April	2085.5	2083.8	2082.1	2460.8	2459.1	2457.4	500.1	499.5	498.9
May	2103.7	2100.3	2096.9	2479.8	2476.4	2472.9	504.0	502.8	501.5
June	2120.0	2114.9	2109.7	2497.0	2491.7	2486.4	507.1	505.3	503.4
<u>Growth Rates</u>									
<u>Monthly</u>									
1983--January	29.8	29.8	29.8	12.2	12.2	12.2	9.8	9.8	9.8
February	24.3	24.3	24.3	13.6	13.6	13.6	22.2	22.2	22.2
March	11.5	11.5	11.5	6.7	6.7	6.7	16.6	16.6	16.6
April	10.0	9.0	8.0	8.8	8.0	7.1	5.5	4.1	2.7
May	10.5	9.5	8.5	9.3	8.4	7.6	9.4	7.9	6.3
June	9.3	8.3	7.3	8.3	7.4	6.6	7.4	6.0	4.5
Dec. to March	22.2	22.2	22.2	11.0	11.0	11.0	16.4	16.4	16.4
March to June	10.0	9.0	8.0	8.9	8.0	7.1	7.5	6.0	4.5
<u>Growth Rates</u>									
<u>Quarterly Average</u>									
1982--Q1	8.7	8.7	8.7	8.6	8.6	8.6	10.5	10.5	10.5
Q2	7.0	7.0	7.0	8.5	8.5	8.5	3.2	3.2	3.2
Q3	10.9	10.9	10.9	12.5	12.5	12.5	6.1	6.1	6.1
Q4	9.3	9.3	9.3	9.5	9.5	9.5	13.1	13.1	13.1
1983--Q1	19.9	19.9	19.9	9.8	9.8	9.8	14.1	14.1	14.1
Q2	12.0	11.4	10.7	9.0	8.4	7.9	10.9	9.8	9.0

(10) The staff expects a further slowing of M2 growth as the shifts to MMDAs from non-M2 assets moderate with the ebbing of the initial stock adjustment to the new accounts and with the decline in MMDA offering rates. We have assumed that M2 growth will be increased by about 1 percentage point or a little more over the the March to June interval because of such shifts.[1/] M3, which had been considerably less distorted than M2 by new deposit instruments, is expected to expand at a pace only somewhat slower than in the first quarter; CDs are expected to stop running off, as depository institutions continue to finance moderate expansion in credit demands and also further build up holdings of U.S. Government securities, though at a slower pace than in the first quarter.

(11) Partly because lagged effects of earlier market rate declines have dissipated, we expect broad money growth to slow over the months ahead (even abstracting from MMDA shifts). Nonetheless, judging from recent behavior, we would expect demand to be sufficiently strong so that an effort to bring M2 growth down to the pace of alternative C might be associated with rising interest rates. However, a deceleration to the pace of B or A might be accomplished with stable or declining rates.

1/ Specifically, the staff is expecting that weekly total MMDA inflows will slow from the about $10 billion average pace of recent weeks to about $5 billion early in the second quarter and less than $2 billion by late in the quarter. By the end of June, we anticipate a level of MMDAs of around $375 billion. For the March to June interval staff assume that only 10 to 15 percent of MMDA growth will reflect shifts from non-M2 assets.

(12) More clearly than in the case of M2, M1 growth basically appears to be running strong (given income and interest rates). However, all the alternatives assume a considerable slowing in M1 expansion over the March to June period, as our models suggest. Even with the assumed slowing, the velocity of M1 in the second quarter would still decline, though by much less than in earlier quarters, rather than rise substantially as is typical of the early stages of a cyclical recovery.

(13) The debt of domestic nonfinancial sectors in the second quarter is expected to grow at a 9 percent annual rate, remaining somewhat above the growth of GNP. Borrowing, seasonally adjusted, by both the federal government and by private sectors is projected to strengthen in the second quarter. The federal government will have to raise a substantial volume of funds in credit markets in a quarter when seasonal tax inflows have frequently in the past allowed it to repay debt. The increase in household borrowing is expected to be concentrated in the mortgage area. In the business sector, with inventories no longer running off, borrowing needs also will rise. With the shift to MMDAs largely completed, the bank and thrift share of lending to nonfinancial sectors is expected to decline from the extraordinary level of the first quarter, but to remain above the average of the last few years.

(14) Alternative B contemplates a federal funds rate fluctuating around the current 8-1/2 percent discount rate, assuming adjustment (including seasonal) borrowing at the discount window of around $200 million. Total and nonborrowed reserves can be expected to rise from March to June at annual rates of 6 and 7-1/2 percent, respectively, after declining on

balance over the previous three-month period largely because of deposit mix changes related to introduction of MMDAs. The monetary base is expected to grow about as rapidly as in the first quarter.

(15) Other short-term interest rates may decline moderately from current levels as the stability of the funds rate around the present discount rate and slowing of growth in the aggregates reduce fears of a near-term tightening of monetary policy. This also seems consistent with greatly reduced net issuance of Treasury bills in the second quarter, reflecting a seasonal reduction in cash needs. Longer-term interest rates might also decline, if favorable market expectations generated by slower money growth and incoming evidence of moderate economic activity overcome continuing supply pressures. Treasury coupon offerings are expected to remain about as large as in the first three months of 1983, and businesses also can be expected to offer a fairly large volume of intermediate- and long-term securities in an ongoing effort to improve balance sheet structures.

(16) Alternative A, which calls for 10 percent M2 growth from March to June, would probably be associated with a drop in the federal funds rate to the 7½ to 8 percent area. Adjustment borrowing of around $150 to $200 million would be consistent with such a funds rate range if the discount rate were cut to 8 percent. Or such a funds rate might emerge, or be approached, if borrowing were dropped to the $50-100 million range at the current discount rate.

(17) Short-term interest rates may decline considerably under alternative A, as market fears of any near-term tightening are allayed and current dealer financing costs drop along with the funds rate. The

3-month bill rates might trade around 7½ percent, and the generally lower short-term rates would lead to a further decline in the bank prime rate. Longer-term rates may also decline, but the declines may be limited by a resultant step-up in corporate bond offerings.

(18) Alternative C is assumed to involve a rise in the federal funds rate to the 9 to 9½ percent area, and an increase in the level of borrowing to the $500 to $700 million range. Short-term interest rates would rise somewhat further, since the market would not appear to have fully discounted such a tightening. The 3-month bill rate could rise to around 9 percent and large CDs would probably be offered at 9½ percent or higher, exerting upward pressure on the prime rate. Longer-term rates would also rise, and the spread of the mortgage rate over the bond rate may also widen, as lenders contemplated the cost impacts of rising deposit rates, especially with such a large proportion of their deposits in the form of MMDAs and MMCs. Higher U.S. interest rates would probably lead to further upward pressure on dollar exchange rates.

Directive language

(19) Given below are two alternative drafts for the operational paragraph of the directive. The first retains the general approach adopted at the February meeting, but with the language updated to take account of developments since that time, with M3 now apparently just above the upper limit of its long-run range, and M2 starting just above its range. The second is proposed in the event the Committee decides to return to specification of numerical objectives for the monetary aggregates. This alternative also includes language in brackets that might be considered, depending on how or whether the Committee wishes to condition the Desk's response to incoming data on the aggregates.

Alternative I - Existing Language

For the more immediate future, the Committee seeks to maintain the existing degree of restraint on reserve positions. Lesser restraint would be acceptable in the context of appreciable slowing of growth in the monetary aggregates ~~to-or-below~~ RELATIVE TO the paths implied by the long-term ranges, taking account of the distortions relating to the introduction of new accounts. 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 ~~6-to-10~~ ____ TO ____ percent.

<u>Alternative II - Language Incorporating Numerical Objectives for Second Quarter</u>

In the short run, the Committee seeks restraint on reserves consistent with a slowing from March to June in growth of M2 and M3 to annual rates of about ___ and ___ percent respectively. The Committee anticipates that M1 growth at an annual rate of about ___ percent would be consistent with its objectives for the broader aggregates. [The Committee agreed that somewhat faster monetary growth would be tolerated if it appeared to be associated with continuing distortions from growth of the new deposit accounts or unusual demands for liquidity.] [Lesser restraint on reserves would be acceptable in the context of a more pronounced slowing in the growth of the aggregates.] 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 ____ to ____ percent.

APPENDIX 1

Reserves Measures
(Millions of dollars, weekly averages, not seasonally adjusted)

Week (Date of projection in parentheses)	Projections of Reserves Demanded			Assumed	Implied	First Published Actual Reserves (current figures in parentheses)		
	Required Reserves	Excess Reserves	Total Reserves	Borrowed Reserves[1]	Nonborrowed Reserves[2]	Nonborrowed Reserves	Excess Reserves	Borrowed Reserves[1]
Feb. 16 (Feb. 11)	39,416	400	39,816	200	39,616	39,773 (39,425)	952 (609)	595 (594)
Feb. 23 (Feb. 18)	39,390	450	39,840	200	39,640	39,649 (39,531)	400 (294)	141 (140)
Mar. 2 (Feb. 25)	39,345	350	39,695	200	39,495	39,497 (39,412)	567 (519)	415 (415)
Mar. 9 (Mar. 4)	36,837	450	37,287	200	37,087	37,075 (37,017)	569 (511)	331 (331)
Mar. 16 (Mar. 11)	37,384	350	37,734	200	37,534	37,098 (37,217)	282 (401)	568 (568)
Mar. 23 (Mar. 18)	37,898	325	38,223	200	38,023	37,900	297	295
Mar. 30 (Mar. 25)	37,840	325	38,165	200	37,965	--	--	--

1. Includes adjustment and seasonal borrowings.
2. Includes extended credit borrowings.

Appendix II

Interest Rates Consistent
with Greenbook GNP Projection
(Quarterly averages, in percent)

	Federal Funds	3-month Treasury Bill	Recent Aaa Utility Bond	Mortgage Commitment
1983--Q1	8½	8	11-7/8	13
Q2	8½	8	11½	12-5/8
Q3	8½	8	11½	12½
Q4	8¼	7¾	11¼	12-3/8
1984--Q1	8	7½	11	12-1/8
Q2	8	7½	10-7/8	12-1/8
Q3	7¾	7¼	10¾	11-7/8
Q4	7¾	7¼	10¾	11¾

Selected Interest Rates

Percent

March 28, 1983

Period	Short-Term								Long-Term							
	federal funds	Treasury bills secondary market			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	municipal Bond Buyer	home mortgages		
		3-month	6-month	1-year					3-year	10-year	30-year			conventional at S & Ls	FHA/VA ceiling	GNMA security
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1981--High	20.06	16.72	15.72	15.05	18.70	18.33	17.32	20.64	16.54	15.65	15.03	17.72	13.30	18.63	17.50	17.46
Low	12.04	10.20	10.67	10.64	11.51	11.39	11.84	15.75	12.55	12.27	11.81	13.98	9.49	14.80	13.50	13.18
1982--High	15.61	14.41	14.23	13.51	15.84	15.56	13.89	16.86	15.01	14.81	14.63	16.34	13.44	17.66	16.50	15.56
Low	8.69	7.43	7.84	8.12	8.53	8.19	8.09	11.50	9.81	10.46	10.42	11.75	9.25	13.57	12.00	12.41
1982--Feb.	14.78	13.48	13.61	13.11	15.00	14.62	13.11	16.56	14.73	14.43	14.22	15.97	12.97	17.60	14.25	16.21
Mar.	14.68	12.68	12.77	12.47	14.21	13.99	13.49	16.50	14.13	13.86	13.53	15.19	12.82	17.16	17.65	15.54
Apr.	14.94	12.70	12.80	12.50	14.44	14.38	13.74	16.50	14.18	13.87	13.37	15.44	12.59	16.89	15.50	15.40
May	14.45	12.09	12.16	11.98	13.80	13.79	13.49	16.50	13.77	13.62	13.24	15.24	11.95	16.68	15.50	15.30
June	14.15	12.47	12.70	12.57	14.46	13.95	13.07	16.50	14.48	14.30	13.92	15.84	12.45	16.70	15.50	15.84
July	12.59	11.35	11.88	11.90	13.44	12.62	12.86	16.26	14.00	13.95	13.55	15.61	12.28	16.82	15.50	15.56
Aug.	10.12	8.68	9.88	10.37	10.61	9.50	11.02	14.39	12.62	13.06	12.77	14.47	11.23	16.27	15.13	14.51
Sept.	10.31	7.92	9.37	9.92	10.66	9.96	9.73	13.50	12.03	12.34	12.07	13.57	10.66	15.43	13.80	13.57
Oct.	9.71	7.71	8.29	8.63	9.51	9.08	9.16	12.52	10.62	10.91	11.17	12.34	9.69	14.61	12.75	12.83
Nov.	9.20	8.07	8.34	8.44	8.95	8.66	8.54	11.85	9.98	10.55	10.54	11.88	10.06	13.83	12.25	12.66
Dec.	8.95	7.94	8.16	8.23	8.66	8.53	8.22	11.50	9.88	10.54	10.54	11.91	9.96	13.62	12.00	12.60
1983--Jan.	8.68	7.86	7.93	8.01	8.36	8.19	7.96	11.16	9.64	10.46	10.63	11.84	9.50	13.25	12.00	12.06
Feb.	8.51	8.11	8.23	8.28	8.54	8.30	n.a.	10.98	9.91	10.72	10.88	12.09	9.58	13.04	12.00	11.94
1983--Jan. 5	10.21	7.97	8.02	8.07	8.60	8.67	8.34	11.50	9.71	10.37	10.44	11.75	9.48	13.46	12.00	12.09
12	8.42	7.76	7.82	7.91	8.30	8.10	8.02	11.36	9.56	10.36	10.49	11.70	9.37	13.31	12.00	11.98
19	8.49	7.63	7.72	7.82	8.15	8.02	7.92	11.00	9.40	10.31	10.54	11.89	9.48	13.12	12.00	11.85
26	8.44	8.01	8.08	8.16	8.38	8.15	7.77	11.00	9.81	10.61	10.81	12.02	9.66	13.10	12.00	12.24
Feb. 2	8.53	8.09	8.19	8.25	8.62	8.32	7.81	11.00	9.91	10.77	10.93	12.26	9.74	13.06	12.00	12.16
9	8.50	8.24	8.38	8.43	8.68	8.40	7.77	11.00	10.09	10.97	11.11	12.12	9.72	13.06	12.00	12.16
16	8.62	8.20	8.31	8.36	8.57	8.34	7.82	11.00	10.00	10.82	10.96	12.10	9.53	13.07	12.00	12.00
23	8.47	7.99	8.12	8.18	8.43	8.23	7.93	11.00	9.79	10.55	10.72	11.88	9.34	12.98	12.00	11.88
Mar. 2	8.44	7.93	7.96	7.99	8.26	8.11	7.76	10.79	9.53	10.29	10.51	11.65	9.04	12.74	12.00	11.71
9	8.59	8.14	8.13	8.14	8.42	8.36	7.71	10.50	9.63	10.39	10.56	11.76	9.22	12.79	12.00	11.82
16	8.57	8.26	8.28	8.30	8.60	8.45	7.77	10.50	9.80	10.52	10.68	11.77	9.19	12.81	12.00	11.88
23	8.75	8.47	8.52	8.51	8.84	8.62	7.76	10.50	9.98	10.59	10.69	11.70p	9.15	n.a.	12.00	11.87
30																
Daily--Mar. 18	8.70	8.44	8.51	8.51	8.80	8.60	--	10.50	9.95	10.58	10.71	--	--	--	--	--
24	8.85	8.51	8.54	8.50	8.89	8.68	--	10.50	10.00	10.58	10.61	--	--	--	--	--
25	8.80p	8.65	8.67	8.63	8.93	8.74	--	10.50	10.10p	10.64p	10.69p	--	--	--	--	--

NOTE Weekly data for columns 1 through 11 are statement week averages 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 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

Net Changes in System Holdings of Securities[1]

Millions of dollars, not seasonally adjusted

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		
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
1982	5,698	312	1,794	388	307	2,803	--	--	--	--	--	8,312	1,461
1982--Qtr. I	-4,329	20	50	--	--	70	--	--	--	--	--	-4,371	-999
II	5,585	-68	570	81	52	635	--	--	--	--	--	6,208	-5,375
III	150	71	891	113	123	1,198	--	--	--	--	--	1,295	7,855
IV	4,292	88	485	194	132	900	--	--	--	--	--	5,179	-20
1982--Sept.	-649	--	--	--	--	--	--	--	--	--	--	-654	3,205
Oct.	774	--	--	--	--	--	--	--	--	--	--	768	-4,902
Nov.	2,552	88	485	194	132	900	--	--	--	--	--	3,451	2,145
Dec.	966	--	--	--	--	--	--	--	--	--	--	960	2,737
1983--Jan.	-2,883	--	--	--	--	--	--	--	--	--	--	-2,892	-6,127
Feb.	222	--	--	--	--	--	--	--	--	--	--	216	2,971
1983--Jan. 5	-1,080	--	--	--	--	--	--	--	--	--	--	-1,080	-669
12	-324	--	--	--	--	--	--	--	--	--	--	-324	1,590
19	--	--	--	--	--	--	--	--	--	--	--	--	-956
26	-1,268	--	--	--	--	--	--	--	--	--	--	-1,277	-1,201
Feb. 2	-1,008	--	--	--	--	--	--	--	--	--	--	-1,013	55
9	-984	--	--	--	--	--	--	--	--	--	--	-984	432
16	587	--	--	--	--	--	--	--	--	--	--	587	-425
23	705	--	--	--	--	--	--	--	--	--	--	705	3,671
Mar. 2	164	--	--	--	--	--	--	--	--	--	--	163	-1,631
9	498	--	--	--	--	--	--	--	--	--	--	498	-2,611
16	365	--	--	--	--	--	--	--	--	--	--	357	1,045
23	111	--	--	--	--	--	--	--	--	--	--	111	407
LEVEL--Mar. 23	56.3	19.3	32.1	13.0	16.8	81.2	2.7	4.6	1.1	.5	8.9	146.4	-.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 (+).

Security Dealer Positions

Millions of dollars

March 28, 1983

Period	Net[1] Total	Cash Positions: Treasury bills	Cash Positions: Treasury coupons under 1 year	Cash Positions: Treasury coupons over 1 year	Cash Positions: federal agency	Cash Positions: private short-term	Forward and Futures Positions: Treasury bills	Forward and Futures Positions: Treasury coupons under 1 year	Forward and Futures Positions: Treasury coupons over 1 year	Forward and Futures Positions: federal agency	Forward and Futures Positions: private short-term
1981--High	31,908	15,669	485	8,265	3,934	10,861	-4,506	21	-2,526	-480	185
Low	-15,795	540	-4,350	1,654	1,178	5,508	-12,842	-23	-4,702	-1,750	-1,008
1982--High	49,437	11,156	772	9,456	6,275	16,658	8,032	36	-687	-526	703
Low	-18,698	-2,699	-747	1,005	1,955	6,758	-11,077	-77	-4,699	-2,715	-7,196*
1982--Feb.	12,501	4,557	83	5,245	2,311	7,903	-7,594	-6	-3,167	-691	509
Mar.	11,735	6,588	-118	5,774	2,504	9,312	-6,696	-3	-2,907	-1,168	-1,551
Apr.	13,149	7,721	-99	4,945	2,916	10,225	-5,552	-7	-3,392	-1,467	-2,141
May	9,324	7,390	-295	7,008	3,117	11,123	-10,129	-2	-4,350	-1,654	-2,884
June	12,317	7,286	-462	4,253	2,976	11,749	-6,194	3	-2,679	-1,405	-3,210
July	18,722	5,768	-583	4,029	2,872	14,530	-1,403	16	-3,452	-1,195	-1,860
Aug.	23,611	1,330	-632	4,258	3,556	14,698	6,240	-29	-2,794	-1,508	-1,508
Sept.	16,497	275	-534	2,366	4,416	12,787	3,158	-21	-1,286	-2,405	-2,259
Oct.	18,136	1,044	109	2,643	5,251	13,360	5,285	-14	-1,644	-2,405	-5,493
Nov.	17,310	3,653	593	4,170	5,680	11,821	1,461	-9	-3,219	-2,372	-4,468
Dec.	18,868	8,732	428	5,625	5,948	14,044	-5,530	-29	-2,893	-2,443	-5,043
1983--Jan.	12,962	9,953	-230	4,947	5,125	13,166	-7,812	-50	-2,785	-2,673	-6,679
Feb.	17,048*	10,534*	-428*	4,061*	4,451*	11,479*	-3,209*	-70*	-1,791*	-2,093*	-5,885*
1983--Jan. 5	17,635	10,378	473	7,108	5,948	15,658	-9,758	-2	-3,147	-3,382	-5,641
12	10,555	9,031	-35	6,509	5,352	13,212	-10,326	-11	-3,225	-3,092	-6,860
19	9,522	9,526	-325	4,587	5,573	12,879	-9,096	-75	-3,064	-2,971	-7,512
26	14,616	11,004	-482	4,118	4,513	12,533	-5,748	-77	-2,307	-2,107	-6,831
Feb. 2	18,600	10,660	-675	2,190	4,208	12,805	-1,511	-79	-1,755	-1,639	-5,604
9	19,770	10,257	-584	3,570	4,523	12,251	-1,136	-86	-1,513	-2,192	-5,320
16	11,752	8,972	-455	2,594	4,035	9,966	-3,064	-95	-2,101	-2,690	-5,710
23	16,954	11,896	-288	5,311	4,290	11,028	-5,310	-37	-1,659	-1,781	-6,496
Mar. 2	17,477*	10,589*	-109*	6,394*	3,980*	12,502*	-5,389*	-39*	-2,335*	-1,670*	-6,445*
9	21,304*	13,259*	106*	3,186*	5,027*	13,154*	-2,325*	-3*	-2,162*	-1,919*	-7,019*
16	13,419*	8,274*	21*	372*	5,386*	12,248*	-1,662*	-4*	-2,475*	-2,734*	-6,006*
23	14,788*	7,683*	-12*	1,070*	4,521*	11,557*	-731*	-3*	-2,385*	-2,010*	-4,902*
30											

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 consist of issues in syndicate, excluding trading positions.

March 23 is preliminary; based on partial weeks data.

1. Cash plus forward plus futures positions in Treasury, federal agency, and private short-term securities.

* Strictly confidential