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.

August 19, 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

August 19, 1983

MONETARY POLICY ALTERNATIVES

Recent developments

(1) Growth of M2 and M3 slowed appreciably in July to annual rates of about 6-1/4 and 5 per cent respectively, well below their June-to-September path rates of 8-1/2 and 8 per cent set at the last FOMC meeting. The slowing of growth in the broader aggregates last month reflected reduced reliance by banks on funds borrowed through managed liabilities--overnight RPs and Eurodollars, term RPs and large CDs--probably in response to the unusually large increase in the availability of funds from U.S. Government balances. This led to a substantial deceleration in growth of the nontransaction component of the broad aggregates, even though growth of the total of savings and small time deposits (including MMDAs) slowed only marginally last month. The composition of inflows into that grouping shifted dramatically, however, as MMDAs were little changed on balance while small time deposits, mainly 6-month MMCs, surged with the recent rise in short-term market interest rates. By July, M2 stood at the center of its 7 to 10 per cent long-run growth cone and M3 was in the upper half of its longer-run range.

(2) A more rapid growth of the broad aggregates is anticipated in August partly on the grounds that banks may borrow more aggressively in the market through managed liabilities to compensate for an expected drop in U.S. Government funds. Nonetheless, given the partial data available through the first half of the month, growth rates of M2 and M3 may not be so strong in August as to bring these aggregates above the FOMC's short-term target path, and they, particularly M2, might remain below.

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

	1983 May	1983 June	1983 July	Longer-run base to July[1]
Money and Credit Aggregates				
M1	26.3	10.2	8.9	12.2
M2	12.4	10.4	6.3	8.4
M3	11.0	11.0	5.1	9.1
Domestic nonfinancial debt	10.6	15.1	8.7	10.6
Bank credit	10.7	9.9	9.7	10.4
Reserve Measures[2]				
Nonborrowed reserves[3]	3.0	7.1	0.4	4.1
Total reserves	-1.9	14.0	6.0	5.8
Monetary base	10.0	9.9	5.0	9.2
Memo: (Millions of dollars) Adjustment and seasonal borrowing	439	678	876[4]	—
Excess reserves	449	480	511[4]	—

1. The base for M1 is QII '83, for M3 and reserves is QIV '82, for M2 is February-March 1983, and for bank credit and domestic nonfinancial debt is December '82.
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. Thus far in August (through August 17) borrowing and excess reserves have averaged $993 and $409 million, respectively.

(3) M1 decelerated a bit further in July, to about a 9 per cent annual rate—which was slightly below expectations for July thought at the time of the last meeting to be consistent with the 7 per cent growth rate specified for the June-to-September target period. Data for early August suggest some further deceleration in growth. Owing to rapid expansion in the latter half of the second quarter, the level of M1 in the first half of August remained above the upper limit of its 5 to 9 per cent monitoring range.

(4) Borrowing by domestic nonfinancial sectors is estimated to have decelerated to about an 8-3/4 per cent annual rate in July from the 11-3/4 per cent second-quarter pace, largely reflecting reduced borrowing by the Federal Government. Although July growth in bank credit—at 9-3/4 per cent—was about unchanged from June, a further acceleration in lending offset a marked decline in acquisitions of Treasury securities. Lending to businesses strengthened to a 12 per cent annual rate, reflecting the curtailment in long-term bond issuance as long-term rates backed up further, and consumer lending accelerated to a 20 per cent rate as the bank share of this market evidently continued to grow. Thus far in August, data from large banks suggest that business loan demand may be moderating, but borrowing in the commercial paper market has picked up.

(5) Growth in total reserves decelerated to a 6 per cent annual rate in July, reflecting a slowing in growth of required reserves against deposits in M1. Growth in the monetary base also slowed markedly in July, as currency expansion dropped off considerably following many months of strong expansion. Nonborrowed reserves plus extended credit

were unchanged in July as adjustment plus seasonal borrowing rose. Over the intermeeting period, borrowing ran somewhat in excess of the Committee's $600 to $800 million assumed range, reflecting a tendency for borrowing to be strong early in the statement week and for excess reserves to run slightly higher than expected. Net borrowed reserves have averaged about $515 million over the intermeeting period, at the high end of expectations for the period implied in the Committee's discussion of operating targets at the last meeting.

(6) Over the intermeeting period, the federal funds rate rose from around 9-1/4 per cent to the 9-1/2 to 9-5/8 per cent area, with trading in the first half of August mainly around the latter rate or a bit higher. This rise was accompanied by fairly marked increases in short- and particularly longer-term interest rates--which moved upward by about 40 and 80 basis points respectively from the time of the Committee meeting to peaks in the second week in August. Longer-term rates may have been influenced by heightened concerns about the conflict between federal and private credit demands in a strengthened economy--concerns that may have been manifested in the initial lukewarm investor reception of the record-size mid-August Treasury refunding. In recent days, both short- and long-term interest rates have declined from earlier peaks, reflecting slower than expected money growth, a more moderate retail sales figure than many anticipated, and a slight easing in pressures on the funds market. On balance, since the previous FOMC meeting, short-term rates have risen about 10 to 20 basis points and longer-term market rates about 20 to 25 basis points. Mortgage rates have risen about 60 basis points.

(7) The rise of U.S. interest rates, together with indications that rates abroad would not be lifted, apparently spurred strong demand for the dollar on foreign exchange markets in the first half of August, and at its peak the dollar had risen by about 4-1/2 per cent on a weighted average basis.

. intervention by the

United States--

marked the first U.S. intervention since October 1982. More recently, as interest rates in the U.S. have eased off, the dollar has dropped on exchange markets, by about 2-1/2 per cent from its peak.

Prospective developments

(8) The top panels of the table below show alternative specifications for the monetary aggregates over the June-to-September period, together with federal funds rate ranges for the upcoming inter-meeting period; the bottom panel gives the implied growth rates for each alternative for the July-to-September period. (More detailed data for the alternatives, including their relationship to the longer-run ranges, are shown in the charts and table on the following pages. The quarterly interest rate path consistent with the staff's GNP projection is shown in Appendix I.)

	Alt. A	Alt. B	Alt. C
Growth from June to September			
M2	8-1/2	8	7-1/2
M3	8-1/2	8	7-1/2
M1	8	7-1/2	7
Federal funds rate range	6 to 9-1/2	6 to 10	7 to 11
Implied July to September growth			
M2	9-1/4	8-3/4	8-1/4
M3	10	9-1/2	8-3/4
M1	7-1/2	6-3/4	6

(9) The monetary aggregates of alternative B most nearly correspond to the specifications for the third quarter adopted at the last Committee meeting; they differ only by a slightly higher growth for M1 balanced by a slightly lower growth for M2, a change in relationship suggested by incoming data. Such growth rates are likely to be achieved without further significant change in money market conditions. Alternatives A and C would call for somewhat easier and tighter money

Chart 1

Actual and Targeted M2

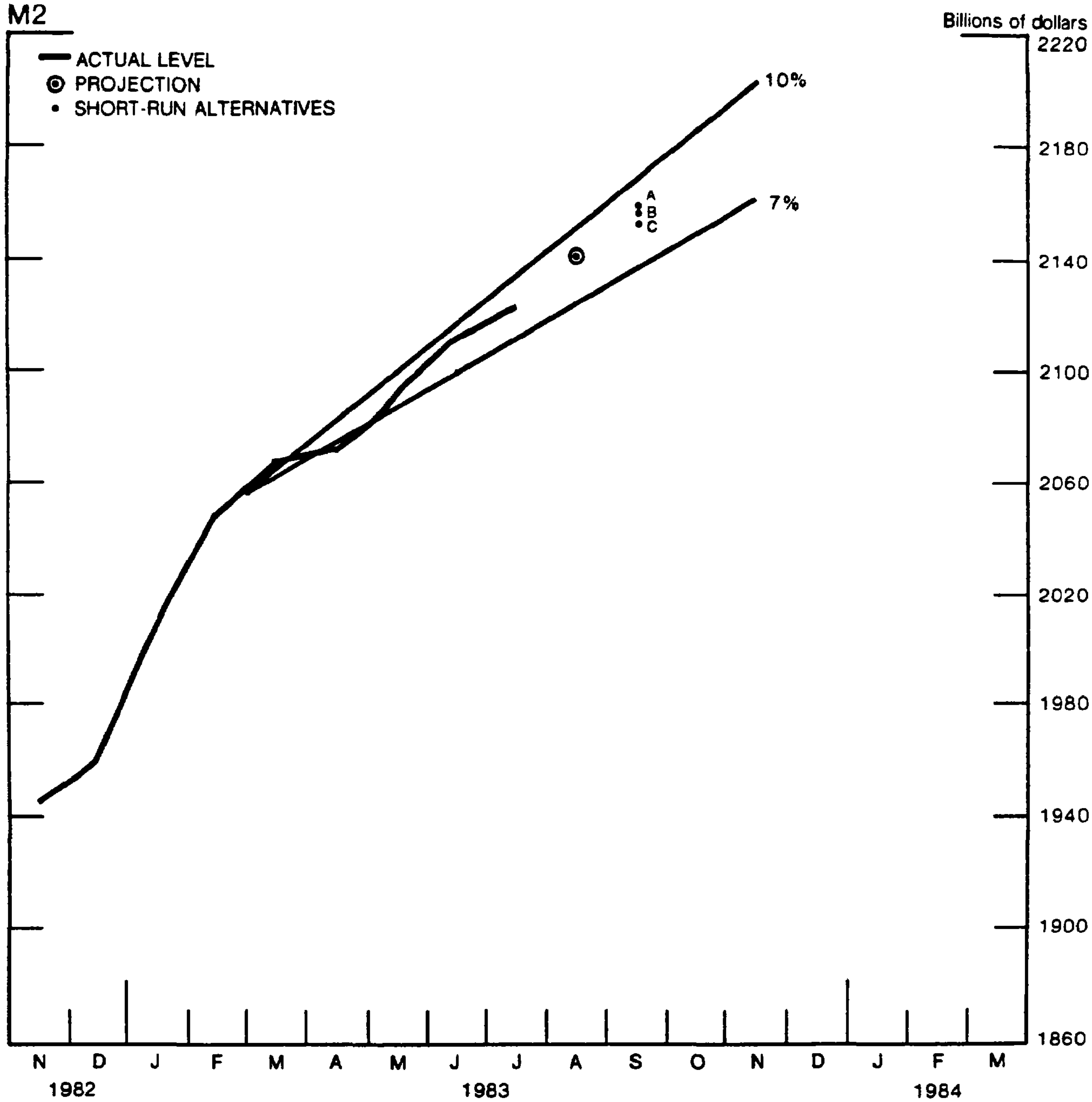


Chart 2

Actual and Targeted M3

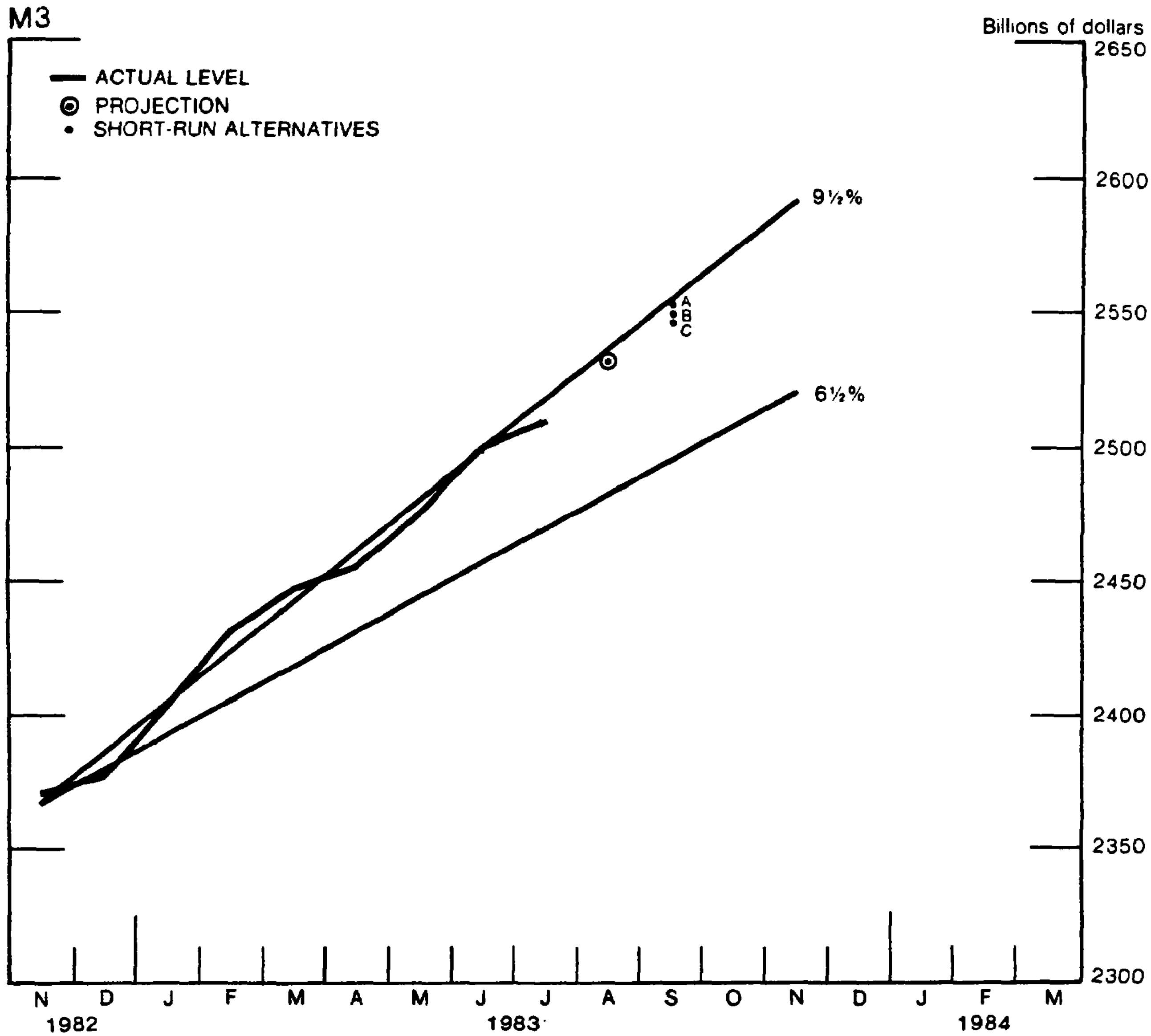
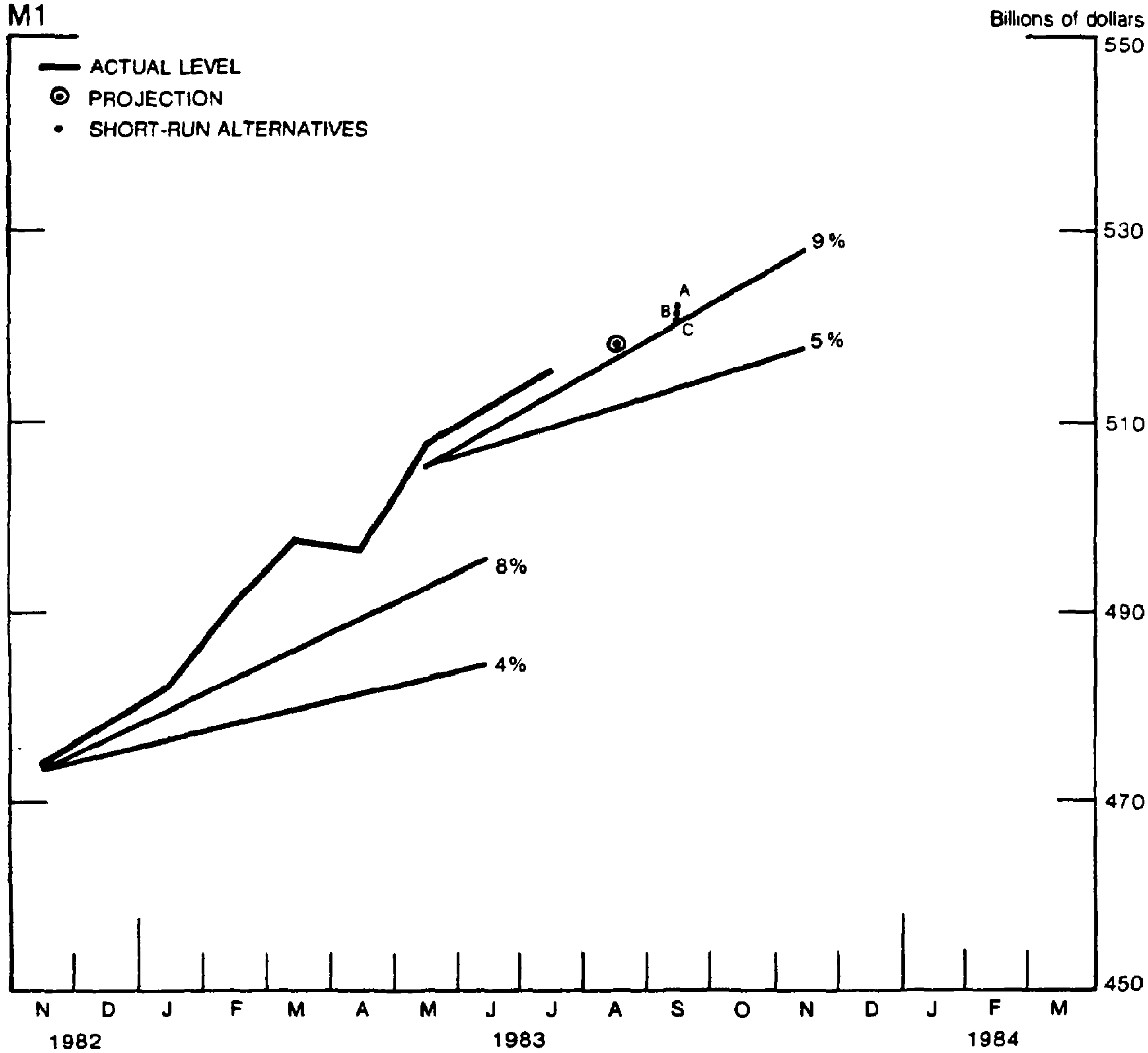


Chart 3

Actual and Targeted M1

CONFIDENTIAL (FR)
Class II - FOMC
8/22/83



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--April	2074.7	2074.7	2074.7	2454.0	2454.0	2454.0	496.5	496.5	496.5
May	2096.2	2096.2	2096.2	2476.5	2476.5	2476.5	507.4	507.4	507.3
June	2114.3	2114.3	2114.3	2499.3	2499.3	2499.3	511.7	511.7	511.7
July	2125.4	2125.4	2125.4	2510.0	2510.0	2510.0	515.5	515.5	515.5
August	2140.8	2140.7	2140.5	2531.8	2531.6	2531.3	518.5	518.4	518.3
September	2158.5	2156.3	2154.2	2551.8	2549.5	2546.9	521.9	521.3	520.7
Growth Rates Monthly									
1983--April	2.8	2.8	2.8	3.4	3.4	3.4	-2.7	-2.7	-2.7
May	12.4	12.4	12.4	11.0	11.0	11.0	26.3	26.3	26.3
June	10.4	10.4	10.4	11.0	11.0	11.0	10.2	10.2	10.2
July	6.3	6.3	6.3	5.1	5.1	5.1	8.9	8.9	8.9
August	8.7	8.6	8.5	10.4	10.3	10.2	7.0	6.8	6.6
September	9.9	8.7	7.7	9.5	8.5	7.4	7.8	6.7	5.5
June-September	8.4	8.0	7.5	8.4	8.0	7.6	8.0	7.5	7.0
July-September	9.3	8.7	8.1	10.0	9.4	8.8	7.4	6.8	6.1
September - December	8.8	8.0	7.3	8.4	7.7	7.0	7.7	6.0	4.4
Growth Rates Quarterly Average									
1983--Q1	20.3	20.3	20.3	10.2	10.2	10.2	14.1	14.1	14.1
Q2	10.1	10.1	10.1	8.2	8.2	8.2	12.2	12.2	12.2
Q3	8.9	8.7	8.8	8.8	8.7	8.5	10.6	10.5	10.3
Q4	9.1	8.3	7.4	8.9	8.2	7.5	7.7	6.3	4.9
Memo: Growth Rate Base period to 1983Q4[1]	8.9	8.6	8.2	9.3	9.1	8.9	9.3	8.4	7.6

1. Base period is February-March 1983 average for M2, fourth quarter 1982 average for M3, and second quarter 1983 average for M1.

market conditions respectively. Because the bulk of the third quarter is now behind, specified money growth rates over the June-to-September period do not differ greatly from alternative B, but the emerging difference in money market conditions would more significantly affect developments in the fourth quarter.

(10) Under all the alternatives growth in M2 and M3 is expected to quicken in August and September from the July pace, largely for the reason noted in paragraph (2), though these aggregates are expected to remain within the FOMC's longer-run range. M1, on the other hand, is expected to grow more slowly in August and September than in July as the rise in market interest rates that has already occurred contributes to moderation in demands for this aggregate.

(11) Under alternative B, the federal funds rate would be expected to trade around 9-1/2 per cent (the 6 to 10 per cent funds rate range shown for that alternative retains the specification of the current directive). Recent strength in demands at the discount window suggest that borrowing would range between $700 and $900 million. Total and nonborrowed reserves would be expected to show little change, on balance, over August and September--with a small decline in August offset by a rise in September.

(12) Other short-term market interest rates, which have declined some in recent days partly as expectations of a further tightening in monetary policy abated, should remain around current levels. A little further drop in long-term rates could develop, however, particularly if stability in the funds rate is accompanied by additional evidence of less rapid economic expansion along with moderate money growth in or approaching the Committee's longer-term ranges.

(13) The debt of nonfinancial sectors is expected to increase over the third quarter at a considerably slower pace than in the second. The moderation in growth reflects a sharp drop off of bond issuance by state and local governments and a slowing of borrowing by the Treasury, following the rapid build up of its cash balance in early summer. Even so, the federal government's demands on credit markets remain quite large, with its outstanding debt projected to increase at around a 16 per cent annual rate in the third quarter. Household borrowing is expected to continue close to the stronger pace of the second quarter. Net business needs for external finance are expected to remain relatively small, as the effects of a turn to inventory accumulation are about offset by strong growth of internal funds.

(14) Looking into the fourth quarter, and assuming some slight further tightening of money market conditions in the fall as well as reduced growth of nominal GNP in line with staff projections, the expansion of M1 may slow somewhat further. Growth in that aggregate for the year would then be in the upper half of the Committee's longer-run range--which would be consistent with a slight further pick-up in velocity growth during the fourth quarter from the about 1 to 1-1/2 per cent expansion that appears in store for the third quarter. Growth rates in M2 and M3 over the year 1983 are expected to be around the midpoint, and in the upper half, of their longer-run ranges respectively, assuming as noted above some slight further tightening of money markets in the fourth quarter and also a moderation of loan demands at banks and thrifts.

(15) Alternative A contemplates some easing in money market conditions, with federal funds in an 8-1/2 to 9 per cent area and borrowing declining to the $400-$600 million range. Nonborrowed reserves would

be expected to expand at about a 6 per cent annual rate from July to September. Market interest rates would probably decline substantially in response to the unexpected easing of money markets, with the 3-month Treasury bill rate falling to the 8-1/2 per cent area. A considerable rally probably would develop in bond markets. With bond rates falling, business issuance of long-term obligations would burgeon once again, while borrowing from banks and in the commercial paper market receded. In foreign exchange markets, the dollar would tend to weaken, probably falling below levels prevailing around the time of the July FOMC meeting.

(16) While growth in the monetary aggregates in the June-to-September period may be only a little stronger under alternative A than alternative B, the easing in bank reserve positions, if sustained through the fourth quarter, would involve a greater chance as the year progresses that M1 growth would accelerate, at least a bit, from what is currently expected to be a moderate August pace and tend to stay above its longer-run range. An acceleration could reflect both the reduced opportunity cost of holding NOW accounts as well as any greater than projected expansion in nominal GNP should an easing of interest rates lead, through a favorable impact on attitudes among other things, to greater consumer and business spending. Growth in M2 and M3 would tend to be somewhat higher for the year as money market conditions remain easier than under alternative B, but they are likely to remain within their longer-run ranges.

(17) Alternative C contemplates a near-term tightening in money market conditions with a view to gaining greater assurance that all of the aggregates, including M1, would end 1983 within their longer-run ranges. The federal funds rate under alternative C might trade in

the 10 to 10-1/2 per cent range through the end of the quarter. Discount window borrowing would tend toward the area of $1-1/4 billion at the current 8-1/2 per cent discount rate, raising questions about the level of that rate. Assuming no discount rate change, nonborrowed reserves might decline at about a 6 per cent annual rate from July to September.

(18) The size and speed of the tightening in money market conditions contemplated under alternative C is probably not currently anticipated in the market. As a result, interest rates in both short- and long-term markets would be likely to rise appreciably. Bond issuance by corporations and state and local governments is already quite low compared to earlier in the year, but it could drop off even more. In the mortgage market rates on conventional fixed rate mortgages would climb above 14 per cent, with pressure on these rates accentuated by effects of rising MMDA costs on the willingness of thrifts to extend mortgage loans. The dollar would come under considerable upward pressure on foreign exchange markets, especially if foreign central banks continued to demonstrate a reluctance to raise their domestic interest rates.

(19) Under alternative C, M2 and M3 growth over the June-to-September period might be somewhat below objectives specified at the last Committee meeting, though M1 growth may be close to its 7 per cent third-quarter objective. However, should the higher interest rates cause sizable shifts of saving funds out of NOW accounts into instruments bearing market-related interest rates, M1 growth could slow substantially in September and also into the fourth quarter. Growth in M2 and M3 would also tend to slow, though perhaps not as markedly as M1, in the fourth quarter. The probable dampening effect of these higher interest

rates on growth in money and income as the year progresses suggests the likelihood that attaining longer-run money and credit targets for 1984 would involve a substantial easing of interest rates later this year or early next year from the alternative C levels.

Directive Language

Given below is a suggested operational paragraph for the directive, with the numerical specifications adopted at the meeting on July 12-13 shown in strike-through form.

OPERATIONAL PARAGRAPH

The Committee seeks in the short run to (increase slightly further MAINTAIN/DECREASED SLIGHTLY) the existing degree of reserve restraint. The action is expected to be associated with growth of M2 and M3 at annual rates of about ~~8-1/2~~ ___ and ~~8~~ ___ per cent respectively from June to September, consistent with the targets established for these aggregates for the year. Depending on evidence about the strength of economic recovery and other factors bearing on the business and inflation outlook, lesser restraint would be acceptable in the context of a significant shortfall in growth of the aggregates from current expectations, while somewhat greater restraint would be acceptable should the aggregates expand more rapidly. The Committee anticipates that a deceleration in M1 growth to an annual rate of around ~~7~~ ___ per cent from June to September will be consistent with its third-quarter objectives for the broader aggregates, and that expansion in total domestic nonfinancial debt would remain within the ranges established for the year. 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 ___ per cent.

APPENDIX I

Interest Rates Consistent with the
Greenbook GNP Projection
(Quarterly averages, in per cent)

	Federal Funds	3-month Treasury Bill	Recent Aaa Utility	Fixed Rate Mortgage
1983--Q2 (actual)	8.80	8.40	11.55	12.76
Q3	9-1/2	9-3/8	12-1/2	13-5/8
Q4	9-3/4	9-1/2	12-1/2	13-7/8
1984--Q1	9-1/2	9-1/8	12-1/4	13-5/8
Q2	9-1/4	8-3/4	12	13-1/4
Q3	9	8-1/2	11-3/4	13
Q4	9	8-1/2	11-3/4	13

Selected Interest Rates

Percent

August 22, 1983

Period	Short-Term: federal funds	Short-Term: Treasury bills secondary market 3-month	Treasury bills secondary market 6-month	Treasury bills secondary market 1-year	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	muni-cipal Bond Buyer	home mortgages: conven-tional at S&Ls	home mortgages: FHA/VA ceiling	home mortgages: GNMA security
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
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
1983--High	10.21	9.49	9.64	9.79	9.93	9.53	8.57	11.50	11.57	12.14	12.11	12.95	9.85	13.84	13.50	13.42
Low	8.42	7.63	7.72	7.82	8.15	8.02	7.71	10.50	9.40	10.18	10.32	11.03	8.78	12.55	11.50	11.53
1982--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.	8.05	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	7.79	10.98	9.91	10.72	10.88	12.09	9.58	13.04	12.00	11.94
Mar.	8.77	8.35	8.37	8.36	8.69	8.56	7.77	10.50	9.84	10.51	10.63	11.74	9.20	12.80	12.00	11.87
Apr.	8.80	8.21	8.30	8.29	8.63	8.58	7.96	10.50	9.76	10.40	10.48	11.50	9.05	12.78	12.00	12.06
May	8.63	8.19	8.22	8.23	8.49	8.36	7.83	10.50	9.66	10.38	10.53	11.37	9.11	12.63	11.60	11.72
June	8.98	8.79	8.89	8.87	9.20	8.97	8.01	10.50	10.32	10.85	10.93	11.81	9.52	12.87	12.00	12.09
July	9.37	9.08	9.26	9.34	9.50	9.15	n.a.	10.50	10.90	11.38	11.40	12.39	9.53	13.42	12.38	12.54
1983--June 1	8.77	8.56	8.62	8.62	8.89	8.60	7.79	10.50	10.10	10.71	10.86	11.72	9.78	12.74	11.50	11.91
8	8.84	8.67	8.80	8.78	9.07	8.80	7.85	10.50	10.24	10.83	10.95	11.78	9.69	12.82	12.00	11.99
15	8.84	8.73	8.84	8.80	9.15	8.89	7.96	10.50	10.24	10.81	10.89	11.66	9.38	12.96	12.00	12.06
22	9.14	8.84	8.92	8.90	9.24	9.03	8.02	10.50	10.32	10.75	10.82	11.84	9.38	12.96	12.00	12.05
29	8.90	8.97	9.04	9.04	9.34	9.19	8.11	10.50	10.51	11.01	11.07	12.00	9.36	13.08	12.00	12.24
July 6	9.39	8.89	9.02	9.03	9.32	9.10	8.22	10.50	10.57	11.07	11.12	12.25	9.55	13.30	12.00	12.24
13	9.21	9.10	9.30	9.37	9.50	9.14	8.24	10.50	10.85	11.34	11.37	12.30	9.54	13.50	12.50	12.58
20	9.43	9.11	9.28	9.37	9.55	9.19	8.36	10.50	10.95	11.39	11.37	12.37	9.44	13.58	12.50	12.61
27	9.46	9.08	9.25	9.35	9.52	9.16	8.44	10.50	10.96	11.43	11.45	12.62	9.60	13.65	12.50	12.73
Aug. 3	9.59	9.31	9.51	9.63	9.71	9.32	8.47	10.50	11.25	11.79	11.79	12.86	9.74	13.73	13.50	13.15
10	9.66	9.49	9.64	9.79	9.93	9.53	8.57	10.71	11.57	12.14	12.11	12.90r	9.85	13.84	13.50	13.42
17	9.67	9.43	9.54	9.63	9.89	9.54	8.73	11.00	11.32	11.82	11.78	12.68	9.70	n.a.	13.50	12.96
24																
31																
Daily--Aug. 12	9.67	9.49	9.66	9.78	9.98	9.58	--	11.00	11.49	11.96	11.89	--	--	--	--	--
18	9.59	9.30	9.41	9.44	9.71	9.40	--	11.00	11.10	11.70	11.68	--	--	--	--	--
19	9.50p	9.31	9.43	9.48	9.71	9.39	--	11.00	11.16p	11.73p	11.73p	--	--	--	--	--

NOTE: Weekly data for columns 1 through 11 are statement week averages. Data in column 7 are taken from Donoghue's 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

August 22, 1983

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	308	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
1983--Qtr. I	-1,403	--	--	--	--	--	--	--	--	--	--	-1,425	-3,325
II	5,116	173	595	326	108	1,203	--	--	--	--	--	6,208	-793
1983--Jan.	-2,883	--	--	--	--	--	--	--	--	--	--	-2,892	-6,127
Feb.	222	--	--	--	--	--	--	--	--	--	--	216	2,971
Mar.	1,259	--	--	--	--	--	--	--	--	--	--	1,250	-168
Apr.	2,880	--	--	--	--	--	--	--	--	--	--	2,873	2,971
May	516	173	595	326	108	1,203	--	--	--	--	--	1,718	-3,041
June	1,721	--	--	--	--	--	--	--	--	--	--	1,617	-723
July	666	156	481	215	124	975	--	--	--	--	--	1,632	523
1983--June 1	43	--	--	--	--	--	--	--	--	--	--	43	4,160
8	254	--	--	--	--	--	--	--	--	--	--	254	-4,144
15	1,182	--	--	--	--	--	--	--	--	--	--	1,078	-2,160
22	59	--	--	--	--	--	--	--	--	--	--	59	3,813
29	104	--	--	--	--	--	--	--	--	--	--	104	-3,245
July 6	267	--	--	--	--	--	--	--	--	--	--	267	3,081
13	193	156	481	215	124	975	--	--	--	--	--	1,158	-969
20	159	--	--	--	--	--	--	--	--	--	--	159	3,689
27	83	--	--	--	--	--	--	--	--	--	--	83	-4,706
Aug. 3	86	--	--	--	--	--	--	--	--	--	--	86	736
10	942	--	--	--	--	--	--	--	--	--	--	942	-15
17	560	--	--	--	--	--	--	--	--	--	--	560	-837
LEVEL--Aug. 17	63.9	19.2	32.8	13.7	17.6	83.3	2.8	4.4	1.1	.5	8.9	156.1	-2.2

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

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

August 22, 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
1982--High	49,437	11,156	679	8,169	6,281	16,213	7,674	36	-687	-526	853
Low	-18,698	-2,151	-747	1,005	1,955	6,758	-11,077	-56	-4,182	-2,715	-6,455
1983--High	20,856	13,273	473	7,108	6,132	15,658	280	14	-330	-1,008	-5,249
Low	-348	615	-687	-1,208	4,013	8,839	-10,310	-95	-3,225	-3,382	-8,815
1982--July	19,616	5,768	-583	4,029	2,872	14,530	-1,403	16	-2,538	-1,195	-1,880
Aug.	24,048	1,330	-630	4,256	3,556	14,701	6,243	-29	-2,794	-1,507	-1,077
Sept.	14,300	275	-534	2,365	4,416	12,801	3,161	-21	-1,286	-2,259	-4,618
Oct.	18,880	1,156	109	3,233	5,285	13,371	5,285	-14	-1,648	-2,404	-5,493
Nov.	17,317	3,654	497	4,268	5,684	11,821	1,461	-9	-3,218	-2,371	-4,468
Dec.	18,876	8,732	428	5,655	5,949	14,046	-5,519	-29	-2,898	-2,443	-5,045
1983--Jan.	13,041	9,962	-232	4,950	5,125	13,166	-7,782	-50	-2,766	-2,654	-6,677
Feb.	16,604	10,534	-428	4,061	4,455	11,477	-3,631	-70	-1,807	-2,099	-5,886
Mar.	15,934	9,544	3	1,852	4,855	12,087	-1,734	-4	-2,357	-1,988	-6,325
Apr.	8,732	7,775	-371	1,610	5,278	11,753	-7,513	-9	-2,479	-1,476	-5,837
May	5,330	4,449	31	1,818	5,694	10,914	-6,994	0	-2,628	-1,666	-6,288
June	7,600	3,679	65	103	5,631	9,787	-906	-23	-723	-1,593	-8,421
July	3,219*	414*	126*	32*	6,910*	10,271*	-2,429*	-6*	-1,566*	-1,676*	-8,707*
June 1	720	615	46	-679	5,194	9,115	-2,922	-10	-1,489	-1,710	-7,439
8	7,943	4,420	146	-293	5,559	9,792	-983	-10	-935	-1,712	-8,040
15	7,641	5,527	25	-1,208	6,132	9,182	-332	-30	-1,151	-2,235	-8,269
22	7,022	2,767	7	505	5,424	10,120	-968	-32	-490	-1,600	-8,710
29	7,759	1,897	54	1,571	5,531	9,943	-1,059	-26	-330	-1,008	-8,815
July 6	5,143	414	133	-26	5,523	10,473	-1,377	-6	-545	-749	-8,699
13	4,827	1,564	167	-1,380	6,531	10,507	-1,237	-7	-624	-1,334	-9,323
20	2,595*	1,039*	108*	-667*	7,434*	10,479*	-2,113*	-6*	-1,891*	-1,611*	-9,810*
27	-2,375*	-455*	95*	1,674*	7,440*	10,003*	-4,032*	-6*	-2,669*	-1,986*	-7,691*
Aug. 3	-5,111*	228*	125*	760*	7,462*	10,141*	-967*	-9*	-2,641*	-2,600*	-4,590*
10	11,813*	611*	201*	3,024*	8,419*	10,536*	1,568*	-5*	-3,063*	-2,787*	-6,692*
17	8,464*	762*	-444*	5,221*	8,641*	10,060*	-386*	-2*	-2,922*	-4,053*	-5,591*
24											
31											

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.

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

* Strictly confidential