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December 16, 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

December 16, 1983

MONETARY POLICY ALTERNATIVES

Recent developments

(1) M2 decelerated to a 7-3/4 percent annual rate in November as both its transactions and nontransactions components slowed, and data so far available suggest a similar rate for December. Given the relatively more rapid October growth, M2 over the 3-month September-to-December period is likely to be close to the 8-1/2 percent annual rate specified by the Committee. As can be seen in the table below, from its February-March base, M2 is estimated to have grown at close to an 8 percent annual rate to the fourth quarter, in the lower half of its 7 to 10 percent long-run range. Of course, growth for the year as a whole was substantially more rapid, as shown in the table on the following page, because of the shift of funds into MMDAs early in the year.

1983 Growth Rates and Ranges [1]
(Seasonally adjusted annual rates of growth)

	M2	M3	M1	Credit
FOMC Range	7 to 10	6-1/2 to 9-1/2	5 to 9	8-1/2 to 11-1/2
Estimated actual [2]	7.9	9.3	5.6	10.5

1. The base for M1 is QII 1983, for M2 is February-March 1983, for M3 is QIV 1982, and for credit is December 1982. Growth rates are measured to QIV 1983, except for credit which is December 1983.
2. Incorporates staff projections for December.

(2) M3 accelerated to a 12-1/2 percent annual rate in November, bringing growth over the past two months to 10-1/2 percent. In large measure, this pick-up reflected very heavy reliance on managed liabilities to fund a considerable acceleration in bank credit expansion in the face

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

	Annual [1] 1982	Annual [1] 1983 [e]	1983 Dec.-June	1983 June-Sept.	1983 Oct.	1983 Nov.
Money and Credit Aggregates						
M1	8.5	9.6	14.0	4.2	1.9	0.7
M2	9.3	11.9	15.8	5.9	9.3	7.8
M3	10.1	9.3	10.2	7.2	8.5	12.5
Domestic nonfinancial debt	9.2	10.5	10.5	9.9	8.0	8.4
Bank credit	7.8	9.9	10.5	8.5	9.9	13.9
Reserve Measures [2]						
Nonborrowed reserves [3]	7.1	4.0	6.4	-1.5	8.0	-16.8
Total reserves	6.5	4.7	7.6	1.1	-3.0	-6.6
Monetary base	7.8	9.2	10.7	6.9	7.6	6.2
Memo: (Millions of dollars)						
Adjustment and seasonal borrowing	882	651	479	952	588	900
Excess reserves	362	483	470	484	505	537

e - Preliminary estimate
1. Fourth quarter to fourth quarter growth rates, except for the credit aggregates, which are measured from December to December, and borrowing and excess reserves, which are average levels for the year. The data for 1983 include preliminary estimates for December.
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.

of a massive rundown of Treasury balances. Some slowing of M3 growth from the rapid November pace appears to be in train for December, although this aggregate is likely to remain above its 3-month September-to-December growth path of 8-1/2 percent. From the fourth quarter of 1982 to the fourth quarter of 1983, M3 has advanced at close to the upper bound of its 6-1/2 to 9-1/2 percent target range.

(3) Expansion of M1 slowed to only a 3/4 percent annual rate in November, leaving this aggregate just above the lower bound of its 5 to 9 percent monitoring range and considerably short of the 5 to 6 percent growth rate range established by the Committee for September-to-December. The weakness in M1 continued to reflect declines in demand deposits, which in November dropped for the fourth straight month, and minimal growth in OCDs. Since July, growth in M1 has been consistently below rates predicted by the Board staff's monthly model (and growth in the fourth quarter is also much lower than predicted by the quarterly model), perhaps reflecting some reversal of the unusually strong demands for M1 that had been evident over the preceding several quarters. A pick-up in M1 growth appears in store for December, however; based on data for the first two weeks, growth might be in the neighborhood of 8 percent at an annual rate this month.

(4) Borrowing by domestic nonfinancial sectors is estimated to have accelerated a bit in November--to about an 8-1/2 percent annual rate--as an increase in funds raised by non-federal sectors offset a marked drop in federal borrowing attributable to the delayed extension of the federal debt ceiling. Growth in nonfinancial debt is now estimated at about a 10-1/2 percent annual rate for 1983, well within its 8-1/2 to 11-1/2 percent monitoring range. Credit advanced by commercial banks rose

to a sizable 14 percent annual rate in November, reflecting stepped up growth in total loans and continued heavy acquisitions of Treasury securities. Real estate and consumer lending, while moderating somewhat in November, nevertheless remained strong. Business borrowing from commercial banks strengthened further in November as commercial paper issuance slackened considerably from the brisk pace of previous months and financing in long-term debt markets remained light.

(5) Total reserves contracted in November at a 6-1/2 percent annual rate, as required reserves declined--owing mostly to runoffs of demand deposits--and nonborrrowed reserves fell even more sharply as the average level of adjustment borrowing rose. Growth in the monetary base slowed last month to a 6-1/4 percent pace reflecting mainly the decline in total reserves, as currency growth was relatively well sustained. Over the intermeeting period, adjustment plus seasonal borrowing ranged from about $440 million to $865 million per week and averaged close to $685 million, only slightly above the $650 million level assumed in constructing the weekly nonborrowed reserves paths.

(6) The federal funds rate has continued to average in the 9-1/4 to 9-1/2 percent range since the last FOMC meeting, with most recent trading around the upper end of that range. Other market interest rates generally have moved upward amid investor concerns generated by the stronger-thanexpected economic recovery in the context of continued large budgetary deficits. Most short-term interest rates increased 30 to 75 basis points over the intermeeting period, while yields on Treasury bonds increased around 20 basis points. Rates on municipal revenue bonds jumped almost 40 basis points as issuers rushed to market a flood of mortgage revenue and other private-purpose bonds, which may be subject to

new constraints next year. Interest rates on primary conventional mortgages were little changed from the November FOMC.

(7) Since the last FOMC meeting the dollar has advanced by 3-1/4 percent on a weighted average basis, surpassing its previous high reached in August. The dollar dropped slightly on the announcement of a record trade deficit for October; however, this decline was more than offset as the market responded to somewhat higher U.S. interest rates and to an apparent increase in demand for the dollar as a safe haven in the face of increasing tension in the Middle East.

U.S. authorities sold $50 million against German marks.

Background for preliminary consideration of 1984 long-term ranges

(8) This section of the blue book raises issues the Committee may wish to consider in its preliminary assessment of longer-run money and credit ranges for next year. At its meeting last July the Committee set tentative growth ranges for the fourth quarter of 1983 to the fourth quarter of 1984 of 6-1/2 to 9-1/2 percent for M2, 6 to 9 percent for M3, 4 to 8 percent for M1, and 8 to 11 percent for the debt of domestic nonfinancial sectors--which are shown in the table below in relation to the ranges for 1983. For M2, M3 and credit, the 1984 ranges represent a reduction of one-half percentage point from 1983 ranges,[1] while the tentative M1 range embodies a reduction of 1 full percentage point from the monitoring range for the second half of 1983. The ranges for 1984 also generally call for slower growth in the monetary aggregates than experienced either over 1982 or the full year of 1983, although not necessarily slower, in the cases of M1 and M2, than growth in 1983 from the QII and February-March bases for these aggregates.

Current Long-Term Ranges
(Percent growth at annual rates)

	M2	M3	M1	Credit
1983	7 to 10*	6-1/2 to 9-1/2	5 to 9*	8-1/2 to 11-1/2
Tentative 1984	6-1/2 to 9-1/2	6 to 9	4 to 8	8 to 11

* M2 is based on February/March and M1 on QII.

1. It should be noted that the 1983 M2 range of 7 to 10 percent allowed for some further shifting of funds into MMDAs from outside M2 after March. Thus, a reduction in the M2 range from 1983 to 1984 by 1/2 point would not represent a reduction in "effective" terms.

(9) A reduction in monetary growth, as tentatively contemplated for next year, would be consistent with continuing progress over time toward attainment of reasonable price stability, as well as continued economic recovery. If the ranges, or at least some significant group of them, were not reduced, this might be viewed by market participants as a weakening in the System's resolve to contain inflation, especially at a time when fiscal policy is perceived to be highly stimulative and private spending appears to be generally strong. However, at some point further reductions in monetary growth rates may no longer be necessary or desirable. What a floor for monetary growth might be depends importantly on ultimate objectives for inflation--that is, whether policy strives for complete stability in the average level of prices or, say, for reasonably small rates of increase (such as 2 or 3 percent). Resolution of this policy issue requires consideration of the risk of unacceptable shortfalls in employment and economic growth that may be involved in the process of attaining price objectives. This risk is lessened in the degree that nominal wages and prices adapt flexibly to reductions in monetary growth. And the odds on such flexibility consistent with both satisfactory economic growth and progress toward price stability may be enhanced if the System is perceived as continuing to adhere to a policy of restraint on inflation and this reduces expectations of price increases. The extent to which the Committee may desire ultimately to reduce money growth would also depend, for a given price objective, on the trend growth in the velocity of money and the trend growth in productivity and the labor force.

(10) While uncertainties about these technical and economic factors determining velocity, productivity, and the labor force are vast, it is probable that the reductions in monetary growth ranges tentatively

contemplated for next year do not approach the ultimate limit to reductions, unless price increases on the order of 5 percent are considered acceptable for the longer run. The question becomes more pressing, however, when monetary growth ranges need to be set for 1985 as well, and more particularly for the year just beyond. In any event, next year's tentative ranges also need to be considered in terms of their consistency with continuation of economic recovery at a satisfactory pace.

(11) With regard to the consistency of the monetary ranges with continued economic recovery, the midpoints of the tentative ranges for 1984 all imply small to moderate increases in velocity next year, given the staff's forecast of growth in nominal GNP of around 9 percent. For instance, if M2 expands by about 8 percent or a little more, as assumed by the staff in the GNP projection, a small increase in velocity would be implied for that aggregate. This would represent a slowdown from the 3 percent pace of velocity increase for M2 over the last three quarters of 1983 (a period that is largely free of the effects of shifting into MMDAs which distorted M2 early in the year). While the experience in earlier cycles may be of limited usefulness because of the considerable institutional change affecting M2, such a slowing in velocity growth is consistent with behavior in the second year of earlier expansions, when M2 velocity typically decelerated.

(12) In the three economic recoveries since 1960 that lasted at least two years, the velocity of M1 increased on average by about 2-3/4 percent in the second year of expansion (inclusion of cyclical recoveries of the 1950s would raise that average to about 3-1/4 percent), with part of the increase representing a response to rising short-term interest rates. If interest rates show only minor net changes over next year, as is anticipated in the staff forecast, it would appear that growth in the upper

half of next year's proposed 4 to 8 percent range for M1 would be consistent, on historical grounds, with the projected nominal GNP growth for 1984. However, should demands for goods and services and associated interest rates be considerably stronger, or weaker, than expected, there could be substantial implications for the appropriate M1 growth. Rising interest rates would tend to induce a shift of funds out of NOW accounts with ceiling rates to other deposits or market instruments; of course, in the degree that funds shift into super-NOW accounts the demand for M1 would be maintained. On the other hand, declining interest rates may bring sizable funds into NOW accounts as market rates fall toward existing ceiling rates.

(13) Even with the continuing uncertainties about the demand properties of M1 arising from the institutional changes of recent years, the Committee may wish to consider whether M1 should be placed on the same footing as M2 and M3 as a longer-run target rather than being designated as a "monitoring" variable. The average increase in M1 velocity since the first quarter and particularly the large rise in the fourth quarter suggests some unwinding of the large build-up in M1 balances of 1982 and early 1983. It is possible that a more stable or predictable behavior of M1 velocity may be in the offing. Moreover, no significant further regulatory changes appear in prospect for next year. The minimum denomination for super-NOW accounts and ceiling-free MMDAs is not slated to be reduced to $1,000 until January 1985, and bills pending in the Congress to remove the prohibition on interest payments on demand deposits and to allow the Federal Reserve to pay interest on required reserves seem unlikely to become effective, even if they pass, next year. If the Committee were to decide to place more emphasis on M1 next year, the issue might also be raised about whether the range should be narrowed from the present 4 percentage points to the 2 to 3 percentage points that

was more characteristic of earlier periods. However, lingering questions about the stability and structure of M1 demand--including uncertainties about its interest-elasticity and its longer-run velocity trend--tend to argue for retention of a relatively wide range.

(14) The debt of nonfinancial sectors in 1984 is likely to grow in the upper half of its tentative monitoring range of 8 to 11 percent--which would be more rapid than projected growth in nominal GNP, as is typical of the second year of earlier recoveries. The debt of private borrowers is projected to increase at a more than an 8 percent pace, close to the experience of 1983, as a pick-up in the growth of business debt is offset by some slowing in borrowing by state and local governments. The rate of increase in federal indebtedness is anticipated to slow a little in 1984, but federal borrowing should continue to account for not quite 40 percent of funds raised in U.S. credit markets by domestic nonfinancial borrowers.

(15) Depending in part on how aggressively financial intermediaries seek to accommodate the credit needs of borrowers, M3 could increase around the upper end of its tentative 6 to 9 percent range in 1984. Growth within the range would entail the slowest expansion of M3 since 1974. While the Committee may wish to consider leaving that range unaltered from 1983, letting reductions in other ranges carry the message of continued progress toward reasonable price stability, there are reasons to believe that some slowing in M3 growth next year from the 9-1/4 pace estimated for 1983 may develop. Credit growth at both banks and thrifts may moderate as institutions reduce net acquisitions of Treasury securities following a period of liquidity rebuilding. Also, as one aspect the large and growing U.S. current account deficit, banks may continue to find it

advantageous to fund domestic loans in the Eurodollar market as foreigners seek to invest their dollars.

Prospective developments

(16) The table below shows alternative specifications for growth in the monetary aggregates over the November-to-March period (the projected December levels seem too uncertain to be taken as bases). The associated federal funds rate ranges for the upcoming intermeeting period and implied growth rates for each aggregate from the fourth quarter to March are also shown. (More detailed data for these alternatives can be found on the charts and table on the following pages.)

	Alt. A	Alt. B	Alt. C
Growth from November to March			
M2	8-3/4	8	7-1/4
M3	9	8-1/2	8
M1	8	6-1/2	5
Federal funds rate ranges	6 to 9-1/2	6 to 10	7 to 11
Growth from QIV to March [1]			
M2	8-3/4	8	7-1/4
M3	9-1/4	8-3/4	8-1/4
M1	7-1/2	6	4-1/2

1. QIV averages based on staff projection for December.

(17) Alternative B--which involves continuation of prevailing bank reserve and money market conditions--contemplates growth in M2 and M1 that would place these aggregates at around the midpoints of their tentative longer-run ranges by March. The specified M2 growth of 8 percent at an annual rate for the November-to-March period would be consistent with an expected pick-up in M1 growth from the pace of recent months offset by a slowing in expansion of nontransaction deposits; the latter may have been boosted to a small extent in October and November by the effects of deposit

Chart 1

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Actual and Targeted M2

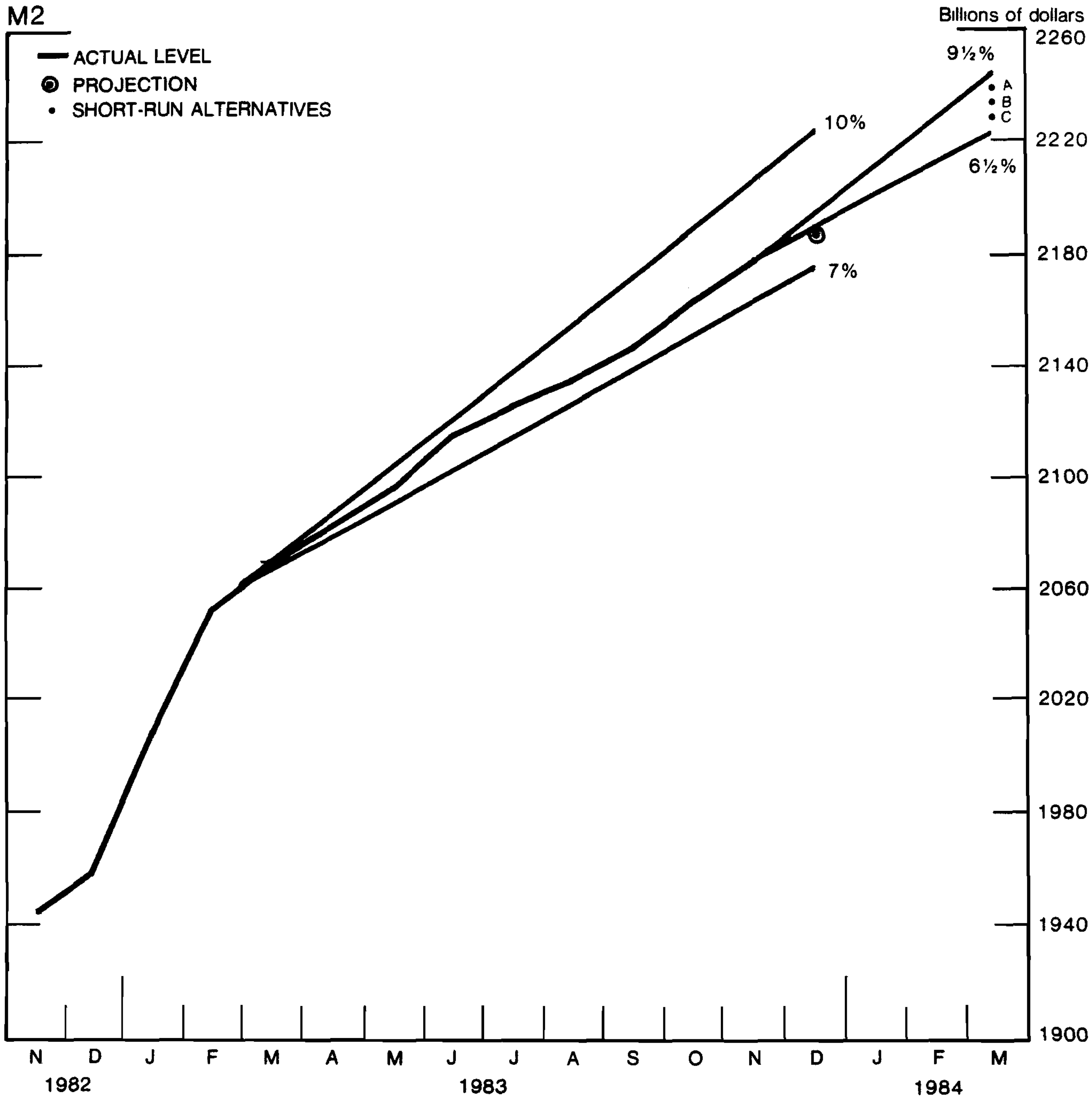
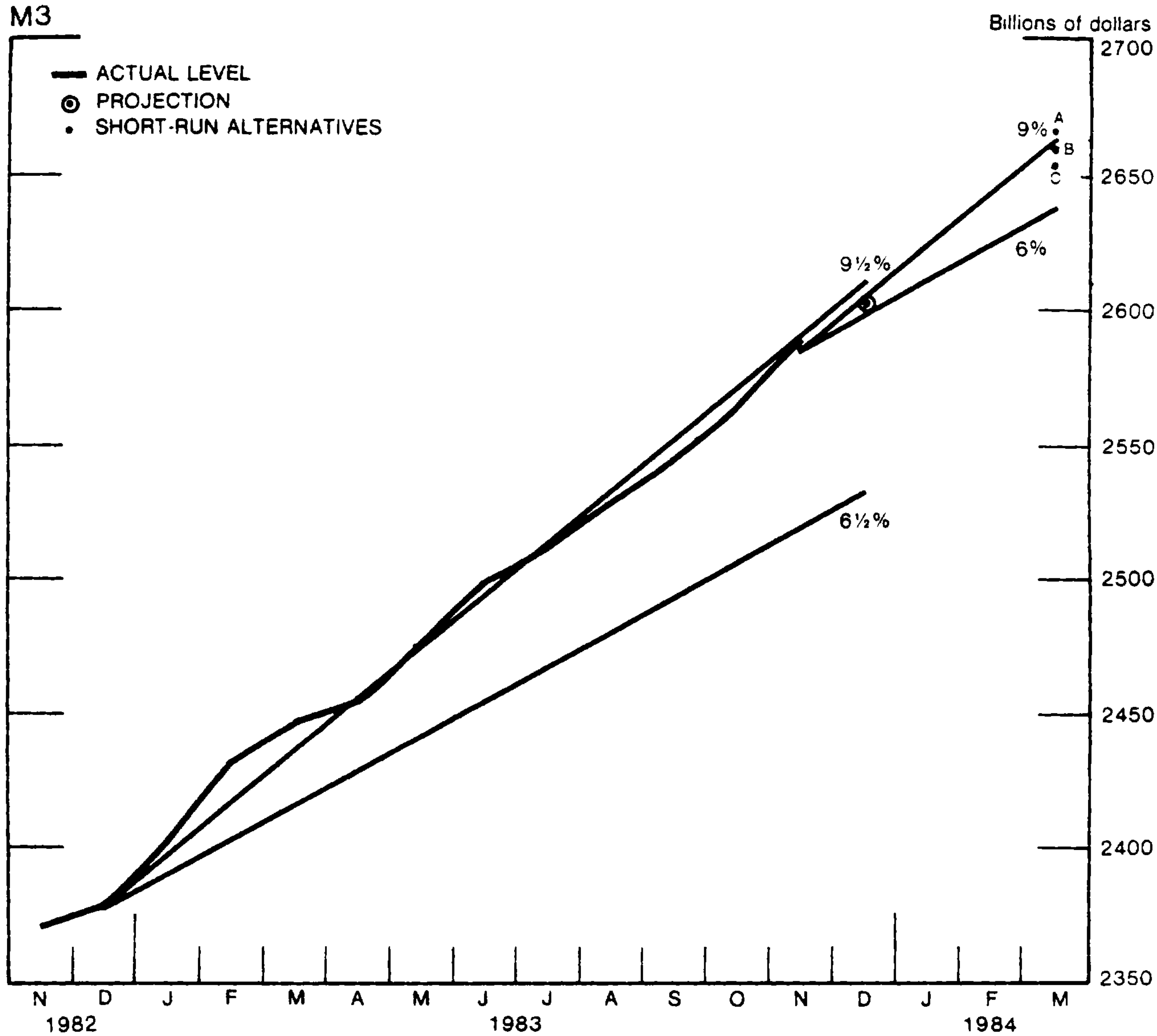


Chart 2

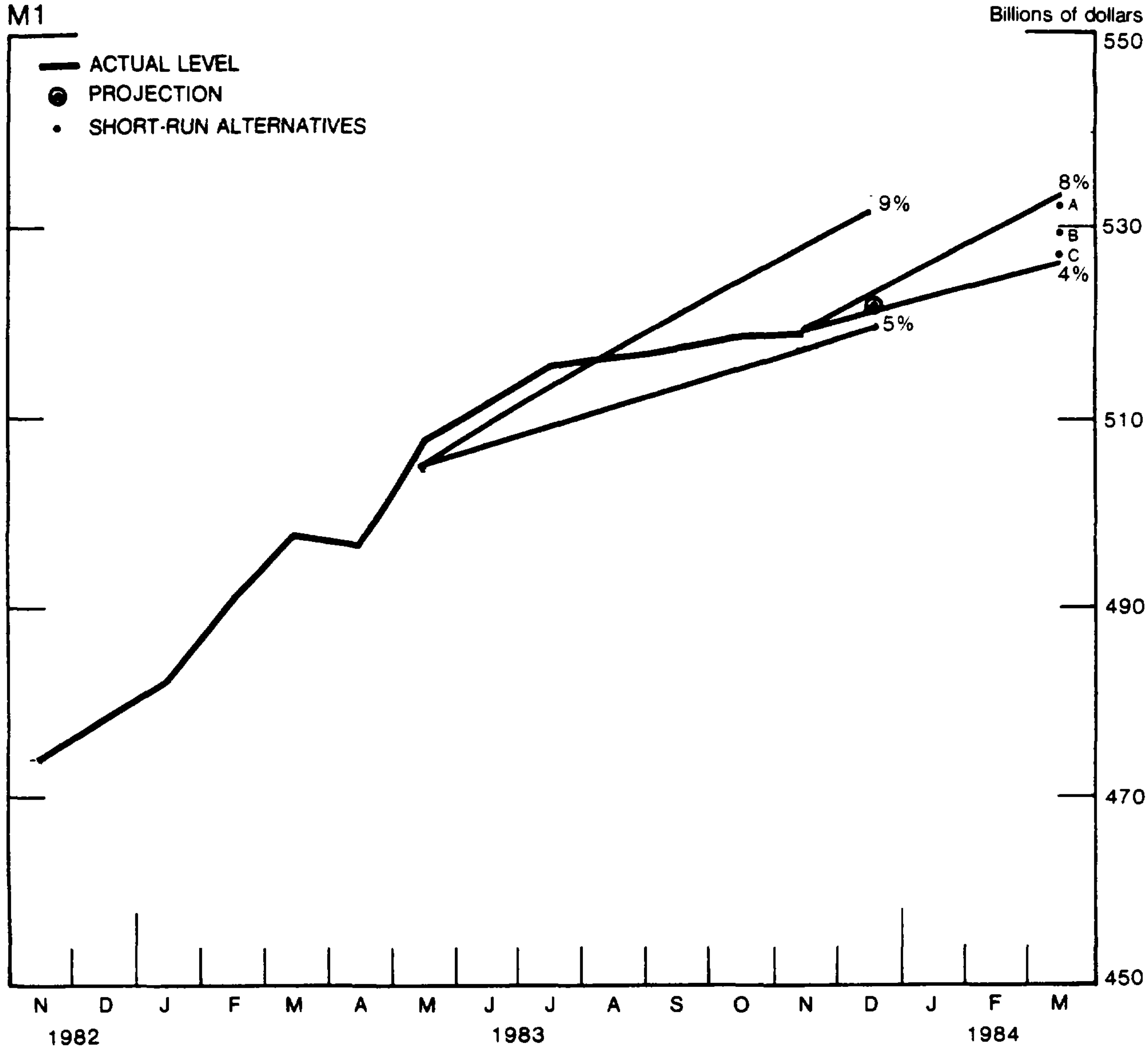
CONFIDENTIAL (FR)
Class II - FOMC
12 16 83

Actual and Targeted M3



CONFIDENTIAL (FR)
Class II - FOMC
12 16/83

Actual and Targeted M1



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--October	2162.0	2162.0	2162.0	2562.0	2562.0	2562.0	517.9	517.9	517.9
November	2176.1	2176.1	2176.1	2588.7	2588.7	2588.7	518.2	518.2	518.2
December	2189.9	2189.9	2189.9	2606.4	2606.4	2606.4	521.7	521.7	521.7
1984--January	2206.2	2204.5	2202.9	2626.0	2624.5	2623.1	525.2	524.3	523.4
February	2222.6	2219.2	2216.0	2645.7	2642.8	2639.9	528.7	526.9	525.2
March	2239.2	2234.1	2229.1	2665.5	2661.2	2656.9	532.2	529.6	527.0
Growth Rates Monthly									
1983--October	9.3	9.3	9.3	8.5	8.5	8.5	1.9	1.9	1.9
November	7.8	7.8	7.8	12.5	12.5	12.5	0.7	0.7	0.7
December	7.6	7.6	7.6	8.2	8.2	8.2	8.1	8.1	8.1
1984--January	8.9	8.0	7.1	9.0	8.3	7.7	8.0	6.0	3.9
February	8.9	8.0	7.1	9.0	8.4	7.7	8.0	6.0	4.1
March	9.0	8.1	7.1	9.0	8.4	7.7	7.9	6.1	4.1
Nov. '83 to Mar. '84	8.7	8.0	7.3	8.9	8.4	7.9	8.1	6.6	5.1
Dec. '83 to Mar. '84	9.0	8.1	7.2	9.1	8.4	7.8	8.1	6.1	4.1
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	8.1	8.1	8.1	12.2	12.2	12.2
Q3	7.8	7.8	7.8	8.3	8.3	8.3	8.9	8.9	8.9
Q4	7.5	7.5	7.5	9.2	9.2	9.2	2.2	2.2	2.2
1984--Q1	8.6	8.0	7.4	9.3	8.8	8.4	7.2	5.9	4.5

rate deregulation. Expansion of M3 is likely to slow somewhat over the November-to-March period from its average pace since summer, perhaps increasing at a rate a bit below the top of the FOMC's tentative longer-run range. Credit growth at banks and particularly at thrifts is likely to be slower in the first quarter than over recent months, working to limit demands for managed liabilities by depository institutions.

(18) With regard to M1, it is anticipated that demands for transactions balances by the public will be more in line with spending in coming months than they have been recently, though held down to some extent by a bit more unwinding of the earlier large build-up in cash balances. Thus, M1 would be expected to grow at around a 6 percent average pace in the first three months of 1984 following a projected increase of around 8 percent in December. Growth of this aggregate on a quarterly average basis would be around a 6 percent annual rate in the first quarter, implying a smaller rise in velocity than in the fourth quarter, but a still substantial 4 percent annual rate.

(19) Borrowing at the discount window would be expected to average around $650 million under alternative B, with federal funds continuing to trade in a 9-1/4 to 9-1/2 percent range, probably nearer the upper end (and possibly a little higher around year-end). With the renewed expansion of transactions deposits, total reserves would be expected to increase at about a 2-1/2 percent annual rate through March, and nonborrowed reserves would rise at a 4-1/2 percent rate.

(20) Interest rates generally would be expected to continue fluctuating around current levels, with the 3-month Treasury bill rate in a 9 to 9-1/4 percent range. Some upward pressures on rates could emerge in

the next few weeks owing to usual year-end churning together with large Treasury auctions toward the end of the year--including an estimated $14.7 billion of 4- and 7-year notes and 20-year bonds to be auctioned in the so-called "mini-refunding" in the last week of the month. Any such pressures may ease off later, however, particularly if incoming economic information points to a significant slowdown in economic activity in the context of moderate growth of the monetary aggregates. While long-term market rates may change little on balance over the intermeeting period, mortgage yields might rise somewhat in lagged response to earlier increases in market rates.

(21) The debt of domestic nonfinancial sectors is expected to expand in the first quarter at around a 10 percent annual rate, little different from the fourth quarter. Borrowing by the Federal Government--which was held down in the fourth quarter as the Treasury financed a substantial portion of its deficit by drawing on the very large cash balance it had accumulated by the end of September--is expected to accelerate somewhat in the months ahead. On the other hand, the growth in the debt of private nonfinancial borrowers is projected to slow, largely because of reduced borrowing by households and state and local governments. Corporate demands on credit markets may pick up as capital spending outpaces the improvement in profits and internal funds.

(22) Alternative A involves an easing of bank reserve positions--with borrowing falling to around $400 million and federal funds dropping to around 9 percent or a little below--that would tend to place M2 and M1 in the upper halves of their tentative longer-run ranges by March. Over the period from November to March, these two aggregates would be expected to grow at annual rates of 8-3/4 and 8 percent, respectively. Growth in M3 may

exceed the upper end of its tentative longer-term range. Total and nonborrowed reserves would grow at 4-1/2 and 8-1/2 percent annual rates, respectively, through March.

(23) An easing in reserve positions such as contemplated by alternative A would likely lead to a rally in credit, and perhaps also in equity, markets. Most recently, market participants have come to anticipate some tightening in the stance of monetary policy as the economic expansion continued strong, and a move in the opposite direction would cause a reassessment of the near-term outlook for interest rates. Treasury bill rates might fall into an 8-1/4 to 8-3/4 percent range. Bond yields could decline by a one-half percentage point or so, forestalling any rise in mortgage rates and perhaps inducing further declines. The dollar would decline on foreign exchange markets.

(24) The staff's economic forecast anticipates very little change in interest rates over the course of 1984. In the degree that an easing in market conditions over the month ahead contributes to additional strength in economic activity and associated money demands as the year progresses, a tightening of reserve provision and increases in money market rates later next year--possibly to levels above those currently prevailing--may be necessary to constrain money to the tentative long-run ranges.

(25) Under alternative C, growth in M2 would be constrained to the lower half of its longer-run range. This would probably be associated with M1 near the lower limit of its range, while M3 would be held comfortably within the upper part of its range. Assuming M2 growth from November to March of 7-1/4 percent and M1 growth of 5 percent, the tightening in money market conditions expected under this alternative may involve discount window

borrowing rising to near $1 billion and the federal funds rate rising to 10 percent or a little above.

(26) The tightening in bank reserve positions under alternative C would be larger than now apparently anticipated by the market. As a consequence interest rates would increase substantially, with Treasury bill rates moving up into a 9-1/4 to 9-3/4 percent range, and the dollar would move even higher on foreign exchange markets. CD rates would rise toward 10-1/2 percent, calling into question the current 11 percent prime rate. Rates on the CDs of some banks might come under particular upward pressure if the general movement of interest rates intensified concerns about international debt burdens. Any upward response of bond yields, however, might on balance be somewhat muted, if the firming in money markets was viewed as increasing the odds on a significant slowing in the economic expansion. Indeed, if economic expansion slowed as the year progresses to a pace below, say, the staff's current forecast, interest rates would probably need to decline later to maintain money growth at a satisfactory pace.

Directive language

(27) Given below is a suggested operational paragraph for the directive, with proposed deletions of language adopted at the meeting on November 14-15, 1983 shown in strike-through form. The references to the consistency between short-run and longer-run targets are suggested to be deleted since the ranges for 1984 are only tentative and subject to final determination at the February meeting.

The Committee seeks in the short run to maintain /INCREASE SLIGHTLY/DECREASE SLIGHTLY the existing degree of reserve restraint. The action is expected to be associated with growth of M2 and M3 at annual rates of around ~~8-1/2~~ __ AND __ percent RESPECTIVELY from ~~September-to-December~~ NOVEMBER TO MARCH, ~~consistent with the targets established for these aggregates for the year~~. Depending on evidence about the continuing strength of economic recovery and other factors bearing on the business and inflation outlook, somewhat greater restraint would be acceptable should the aggregates expand more rapidly; lesser restraint might be acceptable in the context of a significant shortfall in growth of the aggregates from current expectations. ~~Given the relatively slow growth in October,~~ The Committee anticipates that M1 growth at an annual rate of around ~~5-to-6~~ __ percent from ~~September to December~~ NOVEMBER TO MARCH will be consistent with its ~~fourth-quarter~~ objectives for the broader aggregates, and that expansion in total domestic nonfinancial debt would ~~remain within the range established for the year~~ CONTINUE AT AROUND ITS RECENT PACE. 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.

Selected Interest Rates

Percent

December 19, 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 FNMA 1-year ARM
	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	14.32	17.66	16.50	17.41
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	9.78	13.57	12.00	11.07
1983--High	10.21	9.49	9.64	9.79	9.93	9.53	8.79	11.50	11.57	12.14	12.11	12.90	10.56	13.89	13.50	12.53
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	9.21	12.55	11.50	10.49
1982--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	10.74	13.83	12.25	11.43
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	10.74	13.62	12.00	11.24
1983--Jan.	8.68	7.86	7.93	8.01	8.36	8.19	7.06	11.16	9.64	10.46	10.63	11.84	10.24	13.31	12.00	10.89
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	10.13	13.04	12.00	11.16
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	9.78	12.80	12.00	10.71
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	9.40	12.78	12.00	11.04
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	9.56	12.63	11.63	10.68
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	10.07	12.87	11.88	11.36
July	9.37	9.08	9.26	9.34	9.50	9.15	8.34	10.50	10.90	11.38	11.40	12.39	10.06	13.42	12.30	11.93
Aug.	9.56	9.34	9.51	9.60	9.77	9.41	8.69	10.89	11.30	11.85	11.82	12.75	10.25	13.81	13.38	12.16
Sept.	9.45	9.00	9.15	9.27	9.39	9.19	8.77	11.00	11.07	11.65	11.63	12.50	10.20	13.73	13.00	11.86
Oct.	9.48	8.64	8.83	8.98	9.18	9.03	8.67	11.00	10.87	11.54	11.58	12.42	10.14	13.54	13.00	11.40
Nov.	9.34	8.76	8.93	9.08	9.36	9.10	n.a.	11.00	10.96	11.69	11.75	12.65	10.22	13.44	12.50	11.40
1983--Oct. 5	10.00	8.69	8.86	9.01	9.16	9.06	8.79	11.00	10.80	11.44	11.45	12.32	9.95	13.59	13.00	11.40
12	9.46	8.69	8.87	8.99	9.18	9.02	8.65	11.00	10.81	11.45	11.49	12.46	10.14	13.60	13.00	11.40
19	9.36	8.63	8.82	8.97	9.15	9.01	8.65	11.00	10.86	11.54	11.58	12.33	10.17	13.52	13.00	11.40
26	9.36	8.62	8.83	8.98	9.21	9.04	8.59	11.00	10.92	11.60	11.63	12.58	10.31	13.43	13.00	11.40
Nov. 2	9.40	8.55	8.77	9.00	9.24	9.03	8.59	11.00	10.96	11.69	11.75	12.77	10.28	13.42	12.50	11.40
9	9.36	8.75	8.91	9.13	9.40	9.14	8.52	11.00	11.08	11.82	11.88	12.63	10.18	13.47	12.50	11.40
16	9.42	8.78	8.94	9.05	9.38	9.14	8.56	11.00	10.94	11.70	11.74	12.62	10.19	13.42	12.50	11.40
23	9.26	8.81	8.97	9.08	9.39	9.10	8.54	11.00	10.92	11.65	11.71	12.58	10.22	13.43	12.50	11.40
30	9.27	8.85	9.02	9.11	9.32	9.04	8.49	11.00	10.93	11.60	11.66	12.65	10.39	13.41	12.50	11.40
Dec. 7	9.49	8.92	9.11	9.19	9.42	9.20	8.55	11.00	11.05	11.74	11.78	12.79	10.45	13.38	12.50	11.60
14	9.52	9.04	9.21	9.27	9.71	9.51	8.61	11.00	11.18	11.92	11.97	12.87	10.56	13.42	12.50	11.60
21																
28																
Daily--Dec. 9	9.43	9.00	9.18	9.26	9.65	9.44	--	11.00	11.14	11.90	11.95	--	--	--	--	--
15	9.99	9.17	9.29	9.31	9.95	9.88	--	11.00	11.27	11.96	11.99	--	--	--	--	--
16	9.74p	9.11	9.24	9.21	9.96	9.87	--	11.00	11.19p	11.88p	11.93p	--	--	--	--	--

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 13 is the Bond Buyer revenue index. Column 14 is an average of contract interest rates on new commitments for conventional first mortgages with 80 percent loan-to-value ratios at a sample of savings and loan assseciations on the Friday following the end of the statement week. After November 30, 1983, column 15 refers only to VA-guaranteed loans. Column 16 is the initial gross yield posted by FNMA, on the Friday following the end of the statement week, in its purchase program for adjustable-rate home mortgages having rate and payment adjustments once a year.

Security Dealer Positions

Millions of dollars

December 19, 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	20,857	13,273	473	8,700	11,052	16,319	1,654	14	-325	907	-4,428
Low	-277	-478	-687	-1,272	4,013	8,839	-11,279	-95	-3,288	-6,747	-9,[illegible]64
1982--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.	15,933	9,544	3	1,852	4,855	12,087	-1,734	-4	-2,357	-1,990	-6,325
April	8,509	7,775	-371	1,610	5,278	11,753	-7,705	-9	-2,479	-1,482	-5,860
May	5,123	4,543	31	1,818	5,694	10,914	-7,288	0	-2,636	-1,666	-6,286
June	7,618	3,657	63	157	5,631	9,787	-914	-23	-722	-1,595	-8,423
July	2,970	411	126	33	6,863	10,275	-2,635	-6	-1,609	-1,815	-8,673
Aug.	7,517	877	-198	2,573	7,995	10,360	-1,861	-3	-2,706	-3,621	-5,899
Sept.	9,782	1,779	-558	6,279	9,170	13,133	-7,299	-2	-2,617	-5,017	-5,086
Oct.	5,870	2,148	-465	3,317	10,152	14,248	-9,145	-12	-1,663	-5,911	-6,800
Nov.	6,257*	1,451*	-125*	1,056*	9,339*	15,271*	-7,838*	-2*	-981*	-5,319*	-6,266*
1983--Oct. 5	6,785	2,848	-397	6,728	9,216	13,636	-11,279	-21	-2,685	-5,229	-6,032
12	3,793	628	-310	3,942	9,961	14,180	-8,971	-27	-2,225	-6,191	-7,194
19	5,149	2,819	-642	1,133	11,052	14,068	-8,137	-7	-1,362	-6,747	-7,028
26	7,505	2,657	-511	3,705	10,201	14,525	-9,427	0	-1,157	-5,712	-6,776
Nov. 2	6,023	2,517	-472	864	9,895	14,937	-9,066	-2	-1,067	-4,891	-6,692
9	9,088	3,241	-375	-904	11,143	15,016	-5,335	-2	-867	-6,109	-6,719
16	6,540	1,845	-96	-220	10,743	14,887	-7,234	-3	-833	-5,778	-6,772
23	168*	-539*	33*	-839*	7,624*	14,889*	-9,048*	-2*	-1,118*	-4,696*	-6,135*
30	9,403*	551*	554*	7,742*	7,877*	16,319*	-9,332*	-2*	-1,167*	-5,123*	-5,335*
Dec. 7	10,498*	425*	499*	692*	9,869*	16,952*	-5,800*	-2*	-414*	-4,254*	-5,661*
14	7,138*	530*	75*	-2,246*	12,029*	15,580*	-6,603*	1*	700*	-7,980*	-4,948*
21											
28											

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

Net Changes in System Holdings of Securities[1]

Millions of dollars, not seasonally adjusted

December 19, 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. 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
III	4,617	156	481	215	124	975	--	--	--	--	--	5,439	9,412
1983--June	1,721	--	--	--	--	--	--	--	--	--	--	1,617	-723
July	666	156	481	215	124	975	--	--	--	--	--	1,632	523
Aug.	1,480	--	--	--	--	--	--	--	--	--	--	1,341	1,152
Sept.	2,471	--	--	--	--	--	--	--	--	--	--	2,466	7,737
Oct.	309	--	--	--	--	--	--	--	--	--	--	302	-11,307
Nov.	735	155	820	349	151	1,474	--	--	--	--	--	2,125	1,133
1983--Oct. 5	380	--	--	--	--	--	--	--	--	--	--	380	-377
12	52	--	--	--	--	--	--	--	--	--	--	48	-1,248
19	167	--	--	--	--	--	--	--	--	--	--	167	57
26	55	--	--	--	--	--	--	--	--	--	--	52	-1,607
Nov. 2	--	--	--	--	--	--	--	--	--	--	--	--	-226
9	-211	--	--	--	--	--	--	--	--	--	--	-211	-5,902
16	316	--	--	--	--	--	--	--	--	--	--	315	5,910
23	180	155	820	349	151	1,474	--	--	--	--	--	1,654	2,700
30	450	--	--	--	--	--	--	--	--	--	--	367	-2,524
Dec. 7	648	--	--	--	--	--	--	--	--	--	--	648	-541
14	653	--	--	--	--	--	--	--	--	--	--	651	-142
LEVEL--Dec. 14	68.7	19.2	34.0	13.5	18.0	84.7	2.6	4.3	1.3	.4	8.6	162.1	-3.4

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 fore [illegible]

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 Trea sury coupon issues.

6 Includes changes in RPs (+), matched sale-purchase transactions (--), and matched purchase-sale transactions (+).